



CITY OF POMONA

COUNCIL REPORT

November 16, 2020

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

SUBJECT: RECEIVE AND FILE THE FISCAL YEAR 2019-20 UNAUDITED YEAR-END OVERVIEW, REVIEW THE FISCAL YEAR 2020-21 GENERAL FUND 1ST QUARTER BUDGET, AND ADOPT A RESOLUTION AMENDING THE FISCAL YEAR 2020-21 OPERATING BUDGET

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Receive and file the Fiscal Year (FY) 2019-20 Unaudited Year-End Overview
- 2) Review the FY 2020-21 General Fund 1st Quarter Budget
- 3) **ADOPT RESOLUTION 2020-168 AMENDING THE FISCAL YEAR 2020-21 OPERATING BUDGET BY INCREASING REVENUE ESTIMATES BY \$3,410,207 AND UN-APPROPRIATING \$2,460,157**

EXECUTIVE SUMMARY: This report contains Fiscal Year (FY) 2019-20 Unaudited Year-End Overview and a review of FY 2020-21 General Fund 1st Quarter Budget, which is 25% of the year complete. General Fund revenues are 11% of projections, and expenditures are 19%, as of September 2020. While actual General Fund revenues are only at 11% of budget or \$11.6M, they are in line overall with prior year actuals during this same time period. Actual General Fund expenditures are 19% or \$22.7M, which is in-line with the current FY 2020-21 Budget. This report also includes requests for adjustments to the General Fund revenues and appropriations, including the impacts from the Pension Obligation Bonds (POBs) that were approved by the Mayor and City Council on July 6, 2020. In addition there are other General Fund adjustments, and six Non General Fund requests including the establishment on the POB internal service fund.

FISCAL IMPACT: The adoption of the attached resolution will decrease the FY 2020-21 General Fund revenue estimates by \$11k and appropriations by \$4.7M. In addition, this action will increase FY 2020-21 Non-General Fund Operating revenue estimates by \$3.4M and increase Non-General Fund appropriations by \$2.2M. All fiscal impacts are reflected in Table 1.

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Table 1 – Fiscal Year 2020-21 Revenue Estimates and Appropriations

General Fund	Revenue Estimate	Appropriation Changes
POB Un-appropriations (101-xxxx-51012-00000)	\$0	(\$5,016,507)
PDs Sexual Exploitation and Trafficking Team (SETT) (101-2023-51039-00000)	\$0	\$215,000
Sales Tax Consultant (101-0101-52274-00000)	\$0	\$56,000
Contract to Update City's Financial Forecast Model (101-1101-52285-00000)	\$0	\$10,000
Graffiti Removal Workers (101-2525-51012-00000)	\$0	\$52,188
Swimming Pool Budget Cut Redistribution (101-4145/4160-xxxxx-00000)	(\$26,150)	(\$26,150)
Library Foundation Donation for RFID & Cloud Platform (101-4501-xxxxx-00000)	\$10,000	\$10,000
Crisis Collection 20/21 Funding Southern California Library Cooperative (101-4501-xxxxx-00000)	\$5,000	\$5,000
REFORMA Mini Grant Library Services to the Spanish Speaking (101-4501-xxxxx-00000)	\$300	\$300
Fleet Allocation Redistribution (101-2003-52420-00000)	\$0	\$28,278
Total General Fund Revenue Estimates/Appropriations	(\$10,850)	(\$4,665,891)
Non General Funds	Revenue Estimate	Appropriation Changes
POB Un-appropriations (xxx-xxxx-51012-00000) ⁽¹⁾	\$0	(\$1,487,809)
Pension Obligation Bond Internal Service Fund (678-xxxx-xxxxx-xxxxx)	\$3,421,057	\$3,421,057
Supplemental Law Enforcement Services Account (SLESA) (281-2090-xxxxx-58696)	\$0	\$239,376
Nutrition Grant Appropriation (226-4190-52351-58695)	\$0	\$9,200
Graffiti Removal Workers (138/128-xxxx-51012-00000)	\$0	\$52,188
Fleets Allocation Redistribution (291-2090-52420-00000)	\$0	(\$28,278)
Total Non General Fund Revenue Estimates/Appropriations	\$3,421,057	\$2,205,734
Total Revenue Estimates/Appropriation	\$3,410,207	(\$2,460,157)
⁽¹⁾ Refer to Exhibit A of Attachment No. 1 for Fund Breakdown		

PREVIOUS RELATED ACTION: City Council approved the Budget Preparation Calendar, Guiding Principles and Process for the FY 2020-21 on January 6, 2020. City Council adopted the FY 2020-21 Operating Budget, Housing Authority Budget, and the Five-Year Capital Improvement Program on June 29, 2020, with amendments to the General Fund operating budget approved on September 14, 2020. On July 6, 2020 the Mayor and City Council adopted a Resolution Approving the Form and Authorize the Execution of an Official Statement and Continuing Disclosure Certificate Relating to the Issuance of Pension Obligation Bonds, provided staff direction as to which funding option is preferred, and direct staff to allocate savings from the issuance of Pension Obligation Bonds to the City's 'Committed Fund Balance' Reserve.

DISCUSSION:

GENERAL FUND FY 2019-20 UNAUDITED YEAR-END OVERVIEW

Based on the unaudited figures to date, the FY 2019-20 General Fund revenues and expenditures are on track to end at 98% of budget, which is estimated to create a minimal deficit of \$209k. See Table 2.

Table 2 – Unaudited Fiscal Year 2019-20 General Fund Summary

	2019-2020 ADOPTED BUDGET	2019-2020 AMENDED BUDGET	2019-2020 ACTUALS TO DATE	% ACTUALS/ BUDGET	2019-2020 YEAR END ESTIMATE
Total Revenue	114,928,251	117,128,023	115,140,065	98%	109,501,112
Total Expense	113,763,884	117,388,957	115,349,404	98%	115,375,407
Net	1,164,367	(260,934)	(209,339)		(5,874,295)

Actual General Fund revenues closely aligned with expenditures. Expenditure savings are almost \$2M compared to budget, however expenses are closely aligned with year-end estimates due to salary savings as a result of vacancies in several Departments not being filled in the closing months of FY 2019-20. General Fund revenues came in \$2M less than budgeted, however exceed year end estimates by \$5.6M. During budget deliberations in May and June, it was projected there would be major shortfalls in the three major revenues categories of sales tax, property tax and utility user tax. However, many of the revenue sources continued being received into August and booked for the year ending June 30, 2020. Sales Tax came in \$4.6M more than anticipated. This significant change as explained by the City sales tax consultant related to three key factors that included, but was not limited to: First, Pomona has a heavier weighting in categories (Including Building & Construction) that performed much better and were less impacted by Covid-19 during the last quarter of FY 2019-20 than anticipated. Second, the Countywide Pool grew faster primarily to a stronger than anticipated impact from the Wayfair/AB147 legislative change, which is allowing the taxation of additional internet sales, resulting in a larger share of the Pool each quarter compared to last year, coupled with an acceleration in shopping over the internet that offset the declines in all other major economic segments with the losses in fuel and restaurant related revenues of particular significance. Third, the deferral and loans offered to businesses owing sales tax were less than anticipated. Outperformance in the Bradley-Burns receipts (Pomona's main sales tax based) led to Pomona also outperforming for Measure PG portion as well. Property Tax also came in about \$500k higher than projected.

Even with a small amount needed from the General Fund reserves, as well as the net budget changes discussed herein this report, the General Fund balance will be at a level over 17% which is the requirement to be met by June 30, 2020 per the City's Fiscal Sustainability Policy. The current state of the General Fund balance will be discussed herein.

GENERAL FUND

FY 2020-21 FIRST QUARTER REVIEW – As adopted on June 29, 2020 the General Fund budgeted revenues were \$110.8M and appropriations were \$116.7M, resulting in an estimated deficit of \$5.9M. The General Fund budget has been amended since its adoption, and appropriations exceed revenues by \$4.4M. If the proposed 1st Quarter appropriations are approved, then there would be a \$4.7M impact resulting in an overall estimated surplus of \$276k. As noted in Table 3 the General Fund has expended nearly \$11M more than it has collected as of September 30, 2020. This negative

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cash flow is normal due to the timing of tax receipts and is one of the significant reasons that a Fund Balance Reserve Policy is necessary.

Table 3 - Fiscal Year 2019-20 1st Quarter Summary

2020-21	Adopted	Amendments To Date	Amended Budget To Date	1st Quarter Proposed Amendments	Proposed Amended Budget	As of Sep 30' 20	% Rec'd/ Exp'd *
Total Revenue	110,805,443	2,155,921	112,961,364	(10,850)	112,950,514	11,902,507	11%
Total Expense	116,690,369	652,155	117,342,524	(4,668,079)	112,674,445	22,744,406	20%
Net	(5,884,926)	1,503,766	(4,381,160)	4,657,229	276,069	(10,841,899)	
* Reflects percentage of Proposed Amended Budget							

REVENUES

It may appear General Fund revenues are not performing as projected (11% received at 25% of the year). The reason is many revenue sources received in July and August are accrued back to the prior fiscal year; while other revenues are received on a quarterly or bi-annual basis in late December, January, or spring. Because of this, actual year-end results are difficult to predict at this time; however, as reflected in the Table 4, General Fund revenues in FY 2020-21 are coming in as expected based on budget at first quarter end. Sales tax is coming in a little stronger compared to 1st quarter of FY 2019-20. All Utility Tax categories are comparable to last year's 1st quarter total. "All Other Sources" is slightly higher compared to this time last year due Fines and Other Miscellaneous categories trending higher. Property Taxes are slightly under when compared to last fiscal year. Tax revenues make up 87% of the General Fund budgeted revenue and therefore merit a more detailed discussion as presented below.

Table 4 - Fiscal Year 2020-21 1st Quarter Revenue Summary

	2019-20 ACTUALS TO DATE	2019-20 1st Quarter	% ACTUALS/ BUDGET	2020-21 AMENDED BUDGET	2020-21 1st Quarter	% ACTUALS/ BUDGET
All Property Taxes	\$38,282,284	\$621,514	2%	\$37,793,320	\$596,635	2%
All Sales & Use Tax	30,407,997	2,780,154	9%	29,391,975	2,917,072	10%
All Utility Tax	15,562,762	3,008,074	19%	16,449,543	3,110,987	19%
All Other Taxes	13,526,620	1,818,917	13%	12,760,042	1,864,858	15%
All Other Sources	17,360,227	3,399,418	20%	16,566,484	3,412,955	21%
Total Revenue	\$115,139,890	\$11,628,077	10%	\$112,961,364	\$11,902,507	11%

Property Taxes – Typically, a large portion of the property tax revenues is received during the months of November through May. In addition, due to various State actions (i.e. VLF Swap), the City receives “In Lieu” property tax twice a year in January and June. Based on the revenues received through September 30, 2020, the actuals are slightly lower this year, yet are expected to come in steady as property values remain steady. Los Angeles County Assessor’s Role is released each year after budget adoption. Based on this year’s Role and analysis from the City’s Tax Consultant, Pomona’s Property Taxes are expected to come in strong. In the 2020 Los Angeles County Office of the Assessor Annual Report, Pomona is listed as one of the 20 highest value cities, with a 7.3% change in assessed value. Staff will revisit this category at the mid-year and may increase revenue estimates to bring budget in line with actuals as the fiscal year progresses.

Sales Tax – The total revenue budget from Retail Sales Tax is derived from three distinct sources: a 1.0% share of local sales (from the State and County pools), the new Transactions and Use Tax at .75% (Measure PG) and allocations of Public Safety Augmentation Fund (PSAF) sales tax from the County. These three sources were budgeted at \$29.4M. This source of revenue is typically responsive to economic circumstances. Based on the revenues received through September 30, 2020, the total received of these three sales tax revenue sources are about \$2.9M. Keep in mind this is only one month of sales tax revenue received (September 2020), as July and August 2020 were accrued back to FY 2019-20. When comparing the \$2.9M received to date in this category, Sales Tax revenue is coming in a little stronger than anticipated through the first quarter. It is important to note that during Covid-19, shoppers are continuing to spend money on goods and services. On-line shopping has increased the State and County pool apportionment received by the City. This category will also be closely monitored in the coming months and will be adjusted at mid-year if necessary.

Utility Users Tax (UUT) – Currently budgeted at \$16.4M, Utility User Tax revenue represents 15% of General Fund revenues. The current amount received of \$3.1M does not represent a full quarter of receipts because revenue received in the July and August is accrued back to FY 2019-20. Based on a comparison of last year’s first quarter receipts to the same quarter this year, funds are coming in slightly higher, yet as expected per budget. At this time staff is not recommending a change to the revenue estimate.

Other Taxes – Other taxes include Business Licenses, Transient Occupancy Tax (TOT), Property Transfer Tax, and Franchise Fees, which represent 12% of total General Fund revenues. Business License revenue is trending slightly lower, as the City has experienced a decline in business license renewal revenue due to a 30% increase in business closures and delinquent renewals since March 2020. TOT is trending higher due to the money received from Los Angeles County for the Sheraton and Motel 6 for Covid-19 related programs. Property Transfer Tax and Franchise Fees are trending as expected and therefore Staff is not recommending a change to revenues estimates at this time.

Other Sources – All Other Sources include Fees, Permits, Licenses, and Other Miscellaneous categories appear to be trending the same as this time last year. However, overall building fee revenue is higher than this time last year, new Cannabis Permit fee revenue has increased this category by \$150k, yet many other revenue sources in this category are down due to the Covid-19

pandemic. This category is trending similar to last year at this time due to the \$1.9M Coronavirus Relief Funds (CRF) received on 09/14/20 which will be used on General Fund Covid-19 related expenditures. Staff is not recommending a change to the revenue estimate at this time.

Summary – In summary, the budgeted revenues from tax related items discussed above represent over 87% of the City's General Fund. Although it is still early in the year, and knowledge of significant revenue indicators has not yet been received, prior year actuals and current receipts indicate the City is likely to surpass its revenue budget for the current year if the current positive revenue trend continues. The General Fund revised revenue categories are discussed in more detail beginning on page 8 in the amendment section. As always, staff will carefully monitor events for impacts to the forecast presented herein, and other related developments as they relate to Covid-19, and will report to the City Council upon receipt of substantive and/or noteworthy information. If the current positive revenue trend continues through the next quarter, Staff will be recommending an increase to the revenue budget at mid-year.

EXPENDITURES

As of September 30, 2020 (25% of the fiscal year) overall General Fund appropriations are 19% expended. All departments were within an acceptable range of year-to-date expenditures in relation to the total appropriations for the year. The following tables provide a breakdown of the FY 2020-21 appropriations and 1st Quarter Expenditures first by Category (Table 5) and then by Department (Table 6). It should be noted the Amended Budget column includes all appropriations approved by City Council through October 2020.

Table 5 - Fiscal Year 2020-21 1st Quarter Expenditure Summary

By Category	2020-21 AMENDED BUDGET	% OF TOTAL	2020-21 1st Quarter	% Expended
Personnel	\$62,981,030	54%	\$10,788,789	17%
Controllable Expenses	9,160,218	8%	1,096,338	12%
Required Expenses	33,159,035	28%	7,987,546	24%
Allocation and Utilities	8,758,131	7%	2,109,034	24%
Recovered Costs	(1,545,909)	-1%	(386,477)	25%
Capital	13,045	0%	0	0%
Transfers to Other Funds	4,816,974	4%	1,149,176	24%
Total Expense	\$117,342,524		\$22,744,406	19%

As reflected in Table 6, all Departments have expended 25% or less of budget at 1st Quarter and the City's expenditures are on track to end the fiscal year within the amended General Fund budget.

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Table 6 - Fiscal Year 2020-21 1st Quarter Department Summary

	2020-21 AMENDED BUDGET	% OF TOTAL	2020-21 1st Quarter	% Expended
All General Services	\$3,945,065	3%	\$475,451	12%
All Recovered Costs	(1,545,909)	-1%	(386,477)	25%
All Mayor & Council	483,933	0%	91,329	19%
All City Clerk	860,076	1%	92,361	11%
All Human Resources	1,400,352	1%	207,975	15%
All Finance	2,176,355	2%	381,672	18%
All City Administration	754,841	1%	167,851	22%
All Development Services	4,948,470	4%	832,136	17%
All Police	61,617,569	53%	11,333,173	18%
All Fire	30,648,902	26%	7,662,225	25%
All Public Works	7,164,680	6%	1,274,234	18%
All Neighborhood Services	3,800,782	3%	477,637	13%
All Library	1,087,408	1%	134,839	12%
Total Expense	\$117,342,524		\$22,744,406	19%

FY 2020-21 BUDGET – 1st Quarter Appropriations and Revised Revenue Estimates to Date

The FY 2020-21 General Fund Budget was adopted on June 29, 2020 with a projected deficit of \$5.8M. Additional budget amendments impacting the General Fund approved by the City Council after July 1, 2020 are listed below. The total budget projected deficit to date is \$4.4M. Since Adoption there has been:

- \$2M increase in revenue due to CRF Funds (\$1.9M) and revenue associated with the Development Services Master Consultant Agreement (\$244k).
- \$652k increase in appropriation related to the Development Services Master Consultant Agreement of \$213k and \$439k for CRF allocations.

GENERAL FUND APPROPRIATION REQUESTS - FY 2020-21

- (\$5.0M) Un-appropriation related to July 6, 2020 Pension Obligations Bonds (POBs) action. This reduction of General Fund appropriations relates to the designed strategy that will produce cash flow savings for FY 2020-21 and FY 2021-22 by deferring principal debt payments for the POBs. An expenditure portion will also be un-appropriated from Non General Funds in the amount of \$1.5M as discussed further herein. Monthly UAL payments in FY 2020-21 took place before the POB was finalized, as well as the \$3.4M POBs debt payment will be made in FY 2020-21 are taken into consideration. This debt service amount will be allocated amongst General Fund and Non General Funds and

transferred to the Pension Obligation Internal Service Fund as discussed under the Non-General Fund Appropriation request section.

- +\$215k General Fund appropriation is requested for the Police Department's Sexual Exploitation and Trafficking Team (SETT). This new program within the Police Department takes a proactive approach to addressing human trafficking and sexual exploitation. The Department utilizes the assistance of other agencies and organizations to provide a victim-centered approach and provide wrap around services whenever possible. This work has resulted in the rescue of numerous juveniles and adults who were found being trafficked on our streets. SETT currently has two officers assigned that conduct proactive enforcement and investigate cases of human trafficking and sexual exploitation four days a week. The Police Department is proposing to add two additional full time police officers to SETT, which would allow the department to provide 7 days a week coverage. If approved, the Police Department would select two officers from Patrol Services and transfer them to SETT. This would require an overtime backfill situation in Patrol Services to maintain minimum staffing, due to the currently low staffing levels in patrol. The request for \$215,000 in overtime funds would be used to backfill those work hours left vacant in patrol by the officers that are selected and transferred to SETT.
- +\$56k General Fund appropriation is requested for the Finance Departments annual sales tax monitoring and auditing services contract. The contracted consultant provides quarterly updates on sales tax receipts and trends as well as providing audit services to ensure the City of Pomona receives all entitled sales tax apportionments. This amount was omitted from the City of Pomona FY 2020-21 budget.
- +\$10k General Fund appropriation is requested for the Finance Departments to enter into an agreement with the City's Financial Advisor Urban Futures (UFI) to provide an Update to the City's Financial Forecast Model. This update will give a forecast of the City's General Fund for the next 10 years taking all recent events, including the Measure PG Tax measure approved in November 2018.
- +\$52k General Fund appropriation is requested for the Public Works Department to partially fund 2.00 Graffiti removal workers positions for the remainder of the fiscal year.
- The other portion of the funding will be funded with Measure R and Measure M Transportation Funds. Three Graffiti Removal Workers positions were unfunded as part of the FY 2020-21 adopted budget savings plan. The need to fund two of the positions is necessary due to a drastic increase in the number of requests for graffiti abatement during COVID-19. The increased number of requests has been more than what the current staffing levels can handle in a timely manner. The two additional positions will assist in meeting the new demand through the end of the fiscal year.

- This request will result in a \$0 change related to the Neighborhood Services Department Community Services budget. As part of the approved reduction plans included in the FY 2020-21 Adopted budget, a reduction in Swimming Pool Revenue and Swim Lesson Revenue was reflected incorrectly from the Neighborhood Services Community Services division in the pool operations program. Both revenue estimates and appropriations will both be reduced \$26k resulting in a net zero overall change to the General Fund.
- +\$10k increase in revenue estimates and appropriations for two separate \$5k donations from the Pomona Public Library Foundation. The first \$5k donation will fund the implementation of RFID (radio frequency ID) for security and collection management, and the second \$5k donation will fund the implementation of the cloud Library platform for digital resources.
- +\$5k appropriation and increase in revenue estimate for Crisis Collections FY 2020-21 funding via the Southern California Library Cooperative to address the increased demand from the community for e-resources, as people practice physical distancing and access to physical library collections is restricted during the pandemic.
- +\$300 increase in revenue estimates and appropriation from Library's Noche de Cuentos Mini-Grants Program awarded from The National Association to Promote Library & Information Services to Latinos and the Spanish Speaking (REFORMA). REFORMA is an affiliate of the American Library Association and these costs will directly offset performer costs for a Zoom based storytelling program celebrating Latino Heritage Month.
- +\$28k for a redistribution of the fleet allocation to the General Fund. Vehicles that have been purchased and utilized within the City's OATH Grant have been charged a fleet allocation as part of the citywide operation. Grants such as this cannot be charged an allocation without an approved cost allocation plan. An appropriation of \$28,278 will be needed for this allocated cost.

NON-GENERAL FUND APPROPRIATION REQUESTS – FY 2020-21

- (\$1.5M) Un-appropriation of Non-General funds related to July 6, 2020 Pension Obligations Bonds (POBs) action. This reduction of Non-General Fund appropriations relates to the designed strategy that will produce cash flow savings from for FY 2020-21 and FY 2021-22 by deferring principal payments. Monthly UAL payments in FY 2020-21 took place before the POB was finalized, as well as the \$3.4M debt payment that is to be made in FY 2020-21 is all taken into consideration. A detailed breakdown of the Fund, Department and division impacts can be found in Exhibit A of Attachment No. 1.
- Related to the POBs action above, \$3.4M will be transferred from the General Fund and eligible Non General Funds within respective current Departments FY 2020-21 budgets to fund the POBs debt payment required. This requested action is a \$3.4M increase in revenue

estimates and appropriation in the new Pension Obligation Bond Series BJ Internal Service Fund (Fund #678).

- +\$239k in Supplemental Law Enforcement Services Account (SLESA) Grant funds which are State Vehicle License Fee (VLF) funds received by the City for front-line law enforcement activities, that have no end-of-life date to be expended. As such, these funds can be carried over from year to year until depleted. City Council approved the FY 2019-20 SLESA expenditure plan on October 21, 2019. An amount of \$336,935 was received, yet due to the Coronavirus Pandemic several identified projects were delayed and only \$18,064 was spent. Staff is recommending an appropriation of \$239,376 of unspent/carryover funds for into the FY 2020-21 budget. This appropriation amount will support Department needs.
- +9k appropriation in the Senior Nutrition Grant. As part of the October 19, 2020 City Council action to receive County funds for the elderly nutrition program, \$9,200 was transferred from the General Fund to the Nutrition Grant program. The formal portion of the budget resolution to receive the 12% matching requirement was not included in the council action. This request will satisfy the appropriation that is necessary.
- +\$52k Non-General Fund appropriation is requested for the Public Works Department to partially fund 2.00 Graffiti removal workers positions for the remainder of the fiscal year from the Measure R and Measure M Transportation Funds. The other portion of the funding will be funded by the General Fund. Three Graffiti Removal Workers positions were unfunded as part of the FY 2020-21 adopted budget savings plan. The need to fund two of the positions is necessary due to a drastic increase in the number of requests for graffiti abatement during COVID-19. The increased number of requests has been more than what the current staffing levels can handle in a timely manner. The two additional positions will assist in meeting the new demand through the end of the fiscal year.
- (+\$28k) for a redistribution of the fleet allocation to from the OATH Grant. This \$28,278 appropriation reduction coincides with the action under the General Fund budget amendments. As stated, Vehicles that have been purchased and utilized within the City's OATH Grant cannot be charged an allocation without an approved cot allocation plan.

These six Non-General Fund actions are included in the attached Resolution (Attachment1) of the report.

FY 2020-21-20 PROJECTED FUND BALANCE

The projected fund balance for FY 2020-21 year end, taking into consideration the unaudited FY 2019-20 projected fund balance, is projected to exceed the FY 2020-21 benchmark goal of 17% reserves and should be 19.6%. If the City does not meet the reserve requirement, the City's bond rating could be impacted and that could impact interest rates for future refunding. Not meeting

the reserve requirement will also reduce available funds for emergency situations, cash flow needs in the first six months of the fiscal year and one-time capital replacement projects in the future.

In accordance with the City's adopted Fiscal Sustainability Policy, (I. General Policy; #6) "One-time revenue sources or unexpected revenues should be placed in reserves and not used for operating expenses. Once the reserve balance exceeds the set policy amount, one-time revenues may be used for one-time expenses. If the one-time expense results in ongoing operating costs, funding for the ongoing costs must be determined before the one-time funds are allocated." Early indications are the General Fund is projected to exceed the minimum fund balance level of 17% by June 30, 2021. However, the City's FY 2019-20 audit will not be complete until early 2021, as well as FY 2020-21 is currently underway and final revenue and expenditures are undeterminable at this time.

Table 7 - Fiscal Year 2020-21 Estimated Fund Balance

	FY 2018-19 Actual	FY 2019-20 Estimate	FY 2020-21 Estimate
Fund Balance	\$22,000,261	\$21,790,922	\$22,066,991
Change in Fund Balance	\$4,026,261	(\$209,339)	\$276,069
Total Expenditures	\$106,862,154	\$115,349,404	\$112,674,445
Percentage	20.6%	18.9%	19.6%
Benchmark Amount	15.5%	17.0%	17.0%
Difference	5.1%	1.9%	2.6%

Fiscal Sustainability Policy

The City's Fiscal Sustainability Policy along with the Fund Balance Policy were approved in 2011 to guide the City's financial planning to meet financial obligations while providing high quality services. Staff recommends these 2 policies be revised and enhancements to assist with future financial planning and stability. As briefly discussed above, staff is also requesting to update the City's Financial Forecast Model which was last prepared in 2018. The long term analysis was crucial in assisting with the effort to put the sales tax measure ballot (Measure PG) on the November 2018 ballot. With the passage of the tax measure that took affect in April 2019, the City received one fiscal year quarter (April 2019 - June 2019) and one full fiscal year of Transaction and Use Sales Tax (TUT) (July 2019 - June 2020) which has provided the City of Pomona's General fund a significant ongoing revenue source that will sunset in 2029. With the COVID-19 pandemic, there have been forecasted economic concerns that have yet to come to light, but experts are predicting the economy will eventually be negatively impacted. In addition, the July 2020 council action for the POBs was approved and bonds were issues which resulted in the funding of Pomona's current unfunded pension liability (UAL) through 2019. With the

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approved strategy in place to provide cash flow savings to the General Fund, as well as the stated priority that budget savings should first be allocated to meet the City's fund balance policy percentage, then budget savings can be allocated to a Pension Stabilization Fund to assist with future UALs. A revised Fiscal Sustainability Policy/Fund balance Policy will include a long-term retirement funding liability component when brought forward.

CONCLUSION

As stated in the Executive Summary, the purpose of this report is to give the City Council an overview of FY 2019-20 Unaudited actuals at this time, and a detailed 1st Quarter financial update for FY 2020-21. The General Fund budget adjustment recommendations as included herein, if approved, will result in a \$276 surplus budget. The FY 2020-21 budget surplus is attributed to the POB debt payment strategy for this fiscal year. However, the minimum reserve policy amount of 17% will easily be met if the year finishes as predicated. All City Departments will continue to operate within budget, while carefully monitoring expenditures. All revenues will need to come in on target or above projections to end the Fiscal Year 2020-21 as projected. Finance Department Staff will continue to apprise the Mayor and City Council of any significant financial impacts. Finance Staff will bring forward a revised Fiscal Sustainability policy in the coming months which will include a minimum reserve policy percentage input, additional specifics to address the long term retirement liability costs and direct Staff to allocate savings from the issuance of Pension Obligation Bonds to the City's 'Committed Fund Balance Reserve. The FY 2020-21 General Fund Mid-Year Budget review will be brought forward in the spring 2020 with more supporting detail as it relates to year end revenue and expenditures projections.

COUNCIL PRIORITIES & GOALS: This item supports the Fiscal Year 2019-20 City Council Priorities and Goals - Priority 1 (GOAL A): Continue to insure that the City has sufficient financial reserves in accordance with the City Fund Balance Policy, including at least 17% of General Fund operational budget for General Fund Reserves.

Prepared by:

Andrew Mowbray
Finance Director/City Treasurer

ATTACHMENT(S):

Attachment No. 1 – Resolution No. 2020-168

Exhibit A – Non General Fund Un-Appropriations (POBs)