



11.5.20

MANIFEST

Welcome to the Manifest; a summary that cares more about brevity than grammar, and what is about to or could happen in Seaside than what did or didn't. Contributions to future editions are welcome at cmalin@ci.seaside.ca.us.

▣ Don't Disrespect Culvers – It's a timely, inside joke, about a Wisconsin-born fast food chain. But it underscores Tip O'Neil's (ask your grandparents) idiom that "all politics is local". As the contest for four years of free room and board at 1600 Penn holds the nation in suspense, we have a bit of local suspense too. The current totals from the Monterey County Elections Department look like this:

Mayor			City Council (top 2)		
IAN OGLESBY	4,710	56.21%	DAVID PACHECO	4,102	32.74%
JON WIZARD	2,479	29.58%	ALEXIS GARCIA-ARRAZOLA	2,290	18.28%
JOSEPH SMITH	1,191	14.21%	REGINA MASON	2,285	18.24%
			TINISHA DUNN	2,178	17.38%
			AYMAN ADEEB	1,675	13.37%
Total Votes	8,380			12,530	

The Monterey County Elections Department says they'll update the numbers tomorrow. Stay tuned, and thanks to everyone who voted, and everyone who stepped up to run for office.

▣ Thanks Also - To Councilmember Kispersky, for serving on the City Council. Your contributions to the Council will be missed, as will your reliable vote against extending Council meetings past 10:30 PM.

▣ Farewell & Welcome – Staff is thinking through how to hold a safe, brief, outdoor, in-person, masked swearing-in meeting to say farewell to Councilmember Kispersky and welcome our new Councilmember, whoever that may be. The present idea is maybe a 4:30 Special Meeting on December 3, with the Council distantly seated on the veranda of City Hall and some chairs spread out in the parking lot for well-wishers. Do the farewell, do the swearing-in, do some pleasantries and smiles and then return to the safety and accessibility of Zooming from home for the substantive part of the meeting.

📄 Some Updates:

- Main Gate – Went from a 3-2 Council-approved sale agreement to a unanimous rejection of an alternate agreement submitted by the developer.
- Homekey Grant Application – Still scored enough points to be funded. Still waitlisted by the State.
- Social Worker Recruitment – Finalist undergoing reference checks.
- Fire Chief Recruitment – 34 applicants winnowed down to six semi-finalists, with first interviews on the 18th.
- Police Chief Recruitment? – tbd. Advised Chief Pridgen to not wear any SF Giants apparel and maybe think about asking how it's gonna work if one of the married internal candidates gets the gig.
- Sonoma Court Opening – Week after next, day tbd.
- City Hall Solar Project – Should be finished by ~~month's~~ year's end.
- General Plan Update Completion – Will be underway again in December.

📄 The 11.5 Council Agenda

- 5:30 Meeting – Mostly closed sessions, but an update from Central Coast Community Energy.
- 7:00 Meeting
 - Two Presentations – A quick intro to providing public input on the next chunk of CDGB-CV (COVID) funds and Finance Director Damiani's first quarterly budget review. The presentation will be a high-level recap of the Finance Department's written report (attached). The report is highly recommended reading – it is an excellent balance of detail and accessible framing of the unprecedented financial times in which we currently operate.

- Fireworks Petition & Cell Equipment – Both on the same agenda. Pace yourself.
 - Rental Assistance & Eviction Moratorium Update – The City has \$35,000 in funds secured from the United Way to potentially help with rent. That's not a lot, but it could help some. The CDBG money some other cities are using for rental assistance is being used for food distributions in Seaside.
 - Swim Center Revenue & Expense – Finance Director Damiani will provide an update. The Swim Center is closed due to the pandemic, so expenses are down to basic maintenance. Revenue is essentially zero.
- ▣ The Nov. 19 Agenda In Progress – We'll probably be discussing extending the Col. Durham RV parking site for a few months, making recommendations on water costs for ADUs, reviewing a redirection of street repair funds originally intended for Kimball until PG&E can move their utilities further underground (they're too close to the existing level of the street to safely perform the repair work) and (pending a positive vote later tonight) have the second reading of the small cells ordinance.
- ▣ Employee Letter – With the first quarter budget report complete, I'll be sending out a note to City employees on our budget situation. The hardest working city team in the region is working even harder these days, due to staff reductions required by pandemic impacted revenue shortfalls. At the same time, every employee voluntarily reduced their compensation to help the City budget. Thus, it's proper to update everyone on where we're at, financially. The one sentence answer is; not as bad as we thought we could be, but still in a deficit spending situation that requires continued shared effort and diligence. The note to employees will go something like this:

Thank you all for your hard work and dedication during these difficult and unprecedented times. Life has certainly been challenging and I know that you have all been personally affected by the pandemic due to compensation reductions; the loss of colleagues through layoffs and positions freezes; the stress and uncertainty surrounding the pandemic; and knowing friends, family members, and colleagues who have suffered from COVID-19. I want to make sure you know that the community, City Council, the department directors, and I appreciate your commitment to the City.

The Finance Department has prepared the City's first quarter financial report for the current budget. Please keep in mind financial reports issued early in a fiscal year have, by their nature, the opportunity to be overtaken by events later in the fiscal year. With that understanding, the small bit of good news is thanks to many factors including your willingness to assist the City financially, the budget is not as dire as we expected it to be as the pandemic first arrived.

However, despite some positive outcomes in the first quarter of the fiscal year, the City's budget is still projected to show a deficit of nearly \$800k. While that is certainly better than the \$3.2M deficit envisioned when the budget was first developed, it is still a significant shortfall and would have been much worse without the personnel expense savings which were incorporated into the budget. Additionally, the City is facing a long list of unknown factors that may adversely affect the budget in the short term:

- *The potential for further economic shutdown related to a fall and winter spike in COVID-19 cases*
- *The timing and size of federal stimulus*
- *Slowing employment recovery*
- *Continued weakness in certain sectors (TOT and travel and entertainment related sales tax)*
- *Continued PERS cost increases*

Unfortunately, due to these factors, the worst-case scenario originally envisioned is still a possibility as the year progresses. Looking to the next fiscal year, there's hope on the horizon regarding widespread distribution of a vaccine and continuing Seaside's taxbase building with the Campus Town project. Keep the faith.

I hope you find this information helpful. If you would like to meet to review the report in more detail, please contact Roberta and she will coordinate a meeting.

Thank you, all.

Wear a mask. Believe in our bright future.

First Quarter FY 2020-21
Financial Report
(Unaudited)



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INTRODUCTION

This is the first quarterly report for Fiscal Year 2020-21, and comprises results for the three month period ending September 30, 2020. While a few other notable funds are reviewed, this report focuses primarily on the City’s general fund. General Fund operating revenues and expenditures as compared to previous years are presented, and any notable changes or trends in these numbers are explained. The report is presented on a cash basis, which means that revenues are recognized at the time revenues are received and expenditures are recognized at the time payment is processed. The City does not accrue any revenues or expenditures in the first quarter.

The purpose of this report is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it may proactively respond to unanticipated changes or emerging trends. Second, and equally important, consistent reporting increases the transparency of the City’s finances. Quarterly reporting provides the City Council, City Administration, taxpayers and ratepayers with information that demonstrates the City is meeting this standard.

The information in this report is the most accurate and up-to-date information available at the time of publication. It is not meant to be inclusive of all financial and accounting transactions. It is intended only to provide the Council, Management and the public with an overview of the state of the City’s general fiscal condition. It should be noted that this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures are final until the City has completed its annual audit and finalized its Comprehensive Annual Financial Report (CAFR), released in the winter of each year for the prior fiscal year

ECONOMIC OUTLOOK

In March of 2020, the City declared a local emergency in response to the COVID-19 worldwide pandemic. The ensuing statewide shelter in place orders coupled with various levels of “reopening” created financial turmoil in the fourth quarter of FY 2019/20 and continues to wreak havoc on the U.S. and worldwide economies at all levels.

In late summer and early fall many areas of the U.S. experienced a much welcomed slowing of the spread of the virus. Unfortunately as fall has progressed infection rates have again begun to increase and may portend a winter coronavirus spike. Until such time as a vaccine is developed and widely distributed the economy is likely to be turbulent and erratic.

NATIONAL & STATE ECONOMIC OUTLOOK

<p>Hdl (The City’s revenue enhancement consultant) expects the national economy to grow 12.4% in FY 20-21, before slowing to 2.4% in FY 21-22. The large growth rate is in comparison to FY20 which saw recession.</p> <ul style="list-style-type: none">• California’s unemployment rate is expected to remain high at 9.9% in FY 20-21• Sales & Use Tax is expected to increase 0.6% in FY 20-21 and grow by 8.4% in FY 21-22
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Source: Hdl

Early in the pandemic the Federal Government passed and implemented the \$2.2 trillion CARES Act stimulus bill. The Federal Reserve also lowered the Federal Funds rate to between 0% and .25% where it remains today. In many ways the federal stimulus may have slowed the economic damage caused by the pandemic response and stabilized the economy. With the expiration in late July of many programs within the CARES Act, however, the stabilizing effect may decrease in the coming months. As of the writing of this report it looks highly unlikely that the Federal government will pass any further stimulus until after the November election.

LOCAL ECONOMIC OUTLOOK

At the local level, the City of Seaside unemployment rate increased from 3.4% in March to 20% in April of 2020 and currently stands at 11.2%. Many of the City's small businesses continue to struggle due to closure or capacity reduction orders. In response, the City of Seaside City Council approved a \$200k revolving loan fund to assist small businesses locally. Additionally, the City pursued and was awarded grant funding to assist residents locally with utility payments and rental assistance.

In August, the City was awarded \$414k of the CARES Act stimulus mentioned previously and continues to use those funds for pandemic emergency response.

Additionally the City will continue to pursue FEMA reimbursement for emergency response costs as appropriate as well as various other grant sources.

A major sector of Seaside's local economy is based on tourism. The severe dropping of the local Hotel Tax (Transient Occupancy Tax) serves as a clear indicator of just how hard that sector has been hit. It is not unusual for businesses that rely on tourism to count on strong spring and summer months to carry them through the winter months. With only tepid spring and summer months in 2020, the winter months may end up being particularly difficult.

While there have been some bright spots, overall the local economy continues to be tentative.

GENERAL FUND

FY 2020-21 BUDGET RECAP:

General Fund Changes in Fund Balance:	FY2019-20 Adopted Budget	Increases	Decreases	FY 2020-21 Adjusted Budget
Revenues	<u>\$ 36,646,330</u>		<u>\$ (5,974,110)</u>	<u>\$ 30,672,220</u>
Expenditures				
Personnel Services	26,372,360		(1,927,939)	24,580,161
Non-personnel Services	11,472,904		(2,593,461)	8,751,295
Community/Social Services	-	500,000	-	500,000
Expenditures Subtotal	<u>37,845,264</u>	<u>500,000</u>	<u>(4,521,399)</u>	<u>33,831,456</u>
Surplus (Deficit)	<u>\$ (1,198,934)</u>	<u>\$ (500,000)</u>	<u>\$ (1,452,711)</u>	<u>\$ (3,159,236)</u>

In June of 2020, the City of Seaside City Council adopted the FY 2020-21 annual budget. Due to a projection of significant decreases in revenues, a deficit budget was adopted including an operating deficit of \$2.7M. The budget showed a deficit despite a concerted effort to reduce personnel costs by approximately \$5.2M from the original projected personnel costs. General Fund personnel cost reductions were \$1.9M below the FY19-20 budget. Personnel cost reductions included the following:

- The reduction of twenty positions through elimination or budgetary freeze: 3 Police Sergeants, 2 Police Corporals, 5 Police Officers, as well as the reduction of one (1) of each of the following positions: Accountant II, Human Resources Specialist, Geographical Information Systems Coordinator (replaced with lower level position), Executive Assistant, Senior Administrative Assistant, Administrative Assistant, Senior Planner, Maintenance Field Supervisor, Senior Maintenance and Utilities Worker, Maintenance and Utilities Worker II, Building Maintenance Specialist and Recreation Program Supervisor
- The reductions were offset by the addition of 1 Administrative Analyst in Human Resources for shared services with the Police and Fire Departments to focus on staff training and education. Also, the workload of 2 Senior Administrative Assistants in the Building Division was repurposed to provide shared services to other departments. One new position was added in the Recreation department – Family & Community Support Practitioner.
- The number of staff Citywide decreased from 153 full-time equivalents (FTEs) in FY 2019-2020 to 133 FTEs in 2020-2021
- City staff volunteered to reduce compensation, in a variety of ways, by approximately 10%

The magnitude of the staffing reduction is already having impacts on the scope and pace of work the City staff undertakes in FY 2020-21.

Subsequently, in the first quarter of the year the operating budget has been adjusted slightly with an appropriation of \$7,600 for an emergency backup generator and an additional \$135k capital appropriation was authorized for the City Hall Solar project.

RESERVES:

The aforementioned budget deficit required the appropriation of fund balance which resulted in sizeable use of the City’s rainy day reserves. In addition, the City Council adopted a \$500k appropriation of fund balance for enhanced community/social service programs bringing the total budgeted reduction in fund balance to \$3.3M. That in itself should not be viewed negatively as this is the precise situation that calls for the use of emergency reserves. Rather, the sizeable use of emergency reserves may serve as an indication of how tenuous the City’s financial position has become.

Reserve:	% of Expenditures per Policy	Policy Level	FY2019-20 Balances	FY 2020-21 Reserves Used	FY2020-21 Balances	Below Policy Level
Emergency	15%	\$ 5,074,718	\$ 6,240,000	\$ (1,653,414)	\$ 4,586,586	\$ (488,132)
Special	10%	3,383,146	4,100,000	(1,037,215)	3,062,785	(320,361)
* Capital	5%	<u>1,691,573</u>	<u>2,000,000</u>	<u>(603,608)</u>	<u>1,396,392</u>	<u>(295,180)</u>
		<u>\$ 10,149,437</u>	<u>\$ 12,340,000</u>	<u>\$ (3,294,236)</u>	<u>\$ 9,045,764</u>	<u>\$ (1,103,673)</u>

* Includes transfer of \$135k to the City Hall Solar Project

In the short term, Staff recommends caution and a conservative financial approach. Emergency reserves may well be needed in the years to come, if not sooner, depending on how the coronavirus pandemic and the resulting financial turmoil plays out.

The effects of the first quarter results on the projected general fund balance will be analyzed and presented in a subsequent section of this report.

Q1 GENERAL FUND REVENUES:

Total budgeted revenues for FY 2020-21 are \$30.7M. This compares to a FY 2019-20 budget of \$36.7M; a budgeted revenue reduction of nearly \$6M. When looking at first quarter revenue results, staff believes that a year over year analysis is more effective than an analysis against budget for several reasons:

- Revenues are not received in a uniform manner (often times two months in arrears)
- The City does not accrue revenues in the first quarter
- The bar set by the current year budget is rather low in light of the anticipated effect of the COVID-19 pandemic

General Fund Revenues:	Q1 FY20- 21	Q1 FY19-20	Year over Year Variance - \$	Year over Year Variance - %
Sales and Use Tax	\$ 1,677,622	\$ 1,764,062	\$ (86,439)	-5%
Other Agency Revenue	256,964	258,330	(1,366)	-1%
Transient Occupancy Tax	575,737	792,063	(216,326)	-27%
Property Tax	1,198,169	882,049	316,120	36%
Utility User Tax	264,617	380,905	(116,288)	-31%
Franchise Fees	-	-	-	n/a
Fees & Charges	44,413	191,555	(147,142)	-77%
Business License Tax	547,347	649,052	(101,705)	-16%
Licenses & Permits	103,672	117,114	(13,443)	-11%
Marijuana Receipts Tax	178,299	140,152	38,147	27%
Miscellaneous-Other Revenue	8,679	15,232	(6,553)	-43%
Grant Revenue	63,212	152,384	(89,172)	-59%
Income from Investments	3,500	(78,280)	81,780	104%
Fines & Forfeitures	33,357	40,679	(7,323)	-18%
Motor Vehicle In-Lieu	-	-	-	n/a
Transfer In	-	-	-	n/a
Revenues by Source	\$ 4,955,588	\$ 5,305,296	\$ (349,708)	-7%

As can be seen in the table, revenues in the first quarter totaled \$5M which is 7% or \$350k lower than the first quarter of the previous year. The \$5M equals 16% of total budgeted revenue. Similarly in the first quarter of the previous year the City had realized 14% of total budgeted revenue. This indicates that actual revenue collections are trending slightly better than budgeted revenue. This is certainly welcome news and may indicate that revenues were not hit nearly as hard as was projected at the time of budget preparation.

DISCUSSION OF SIGNIFICANT REVENUE VARIANCES:

➤ **Sales and Use Tax**

In the first Quarter of the fiscal year \$1.7M of sales and use taxes were collected. This equates to an \$86k or 5% reduction over the same quarter in the previous year. Sales and Use Tax projections are provided to the City by HdI, which is a revenue enhancement consultant used widely by Cities throughout California.

The City’s sales and use tax outperformed budget in the fourth quarter of FY 2019-20 particularly in the areas of auto sales, cannabis retail and online sales. This was particularly surprising as the City expected auto sales to see very

abrupt declines. On the other hand, fewer tourists and capacity limits did lead to steeper declines in casual dining. Additionally, lower prices at the pumps coupled with more people telecommuting led to steeper declines in service stations. Based on fourth quarter results and other factors, HdI now projects that the City will realize \$14M in Sales and Use tax for the fiscal year as opposed to the \$12M budgeted. This represents a much better outlook from the original budgeted projection.

➤ **Transient Occupancy Tax (TOT)**

In the first Quarter of the fiscal year \$576k of TOTs were collected. This equates to a \$216k or 27% reduction over the same quarter in the previous year. Whether due to imposed capacity restrictions or due to a high level of caution (related to perceived level of trust) on the part of potential tourists is hard to say. It is clear however that hotel stays are down. In the very short term there is no expectation that this revenue source will increase, especially as we move into the winter months. The spring and summer months of 2021 could possibly continue to underperform due to high unemployment rates. Many potential tourists may simply not have funds available for travel due to unemployment. The development and approval of a vaccine in late 2020 (as hoped for by many) would certainly have the potential to bring some additional TOT revenue. It is, of course, unknown when or if a vaccine will be developed.

➤ **Fees and Charges**

In the first Quarter of the fiscal year \$44k of Fees and Charges were collected. This equates to a \$147k or 77% reduction over the same quarter in the previous year. Much of this revenue loss is due to restrictions on gatherings. Programs that usually generate revenue such as the community center, swim center and recreational day camps have generated almost no revenue. It is unlikely that this revenue source will recover until late spring or summer of 2021 at the earliest.

➤ **Property Tax**

The majority of the City's property tax receipts do not arrive until December and April of the following year. Therefore they are not generally accounted for in the first quarter. One category of property tax, Successor Agency pass through distributions, however is received in the first quarter. FY 2020-21 is showing an increase in this revenue source of \$316k or 36% over the previous fiscal year. As the recognized obligations of the previous Redevelopment Agency are paid down or settled, more property tax becomes available for pass through distribution.

➤ **Utility User Tax**

In the first quarter of the fiscal year \$265k of Utility User Taxes were collected. This represents a decrease of \$116k or 31%. The reduction is largely due to timing and processing of receipts rather than a contraction of the revenue source.

➤ **Marijuana Receipts Tax**

The Marijuana Receipts Tax was a new tax revenue for the City beginning in FY 2019-20. The first quarter of FY 2019-20 showed a relatively modest \$140k in receipts as operations got under way. The following three quarters ballooned significantly so that the fiscal year total is likely to be around \$1.2M (unaudited). First quarter receipts were \$178k. This represents a 27% increase over the previous fiscal year first quarter. This is somewhat misleading however since the first quarter of fiscal year 2019-20 should not be considered a full quarterly collection as operations were just getting under way. Still, this new revenue source for the City shows promise of outperforming budget again this year. The growth of this new revenue source could however be slowed in the years to come if other cities on the peninsula license cannabis retailers; therefore creating more competition.

➤ **Grant Revenue**

In the first quarter of the fiscal year \$63k of Grant Revenues were collected. This represents a decrease of \$89k or 59% over the same quarter in the previous year. Grant revenues are highly dependent on timing of billing and receipts. Staff turnover, staffing reductions and furloughs in the Community Development department are likely contributors to the

lower amount of collections. More recently however, the City’s Community Development department has applied for and been approved for several new grants, so this revenue source is likely to perform better as the year progresses.

Q1 GENERAL FUND EXPENDITURES:

Total budgeted expenditures for FY 2020-21 are \$33.8M including a \$500k assignment of fund balance for enhanced community/social service programs. This compares to a FY 2019-20 budget of \$37.9M; a budgeted expenditure reduction of nearly \$4.5M. As mentioned previously personnel cost were reduced by approximately \$1.9M on a year over year basis. Additionally, non-personnel costs were reduced by \$2.6M. Offsetting cost reductions was a cost increase of \$500k for enhanced community/social service programs.

First quarter expenditures were 15% of the total fiscal year 2020-21 budget. For comparison, first quarter expenditures in the prior year were slightly higher at 17% of the fiscal year 2019-20 budget.

Unlike revenues, it can be useful even in the first quarter to compare expenditures to one quarter of the annual budget. This is because expenditures tend to occur more regularly than revenue receipts. Expenditures are presented below in two different formats; the first is expenditure by type and the second is expenditures by department:

EXPENDITURES BY TYPE:

General Fund Expenditures by Type:	FY2020 - 2021 Adjusted Budget -Q1	Q1 FY20 -21 Actual Results	Q1 FY19 -20 Actual Results	Year over Year Variance \$	Year over Year Variance %	Q1 vs. Budget Variance %
Personnel Services	\$ 6,145,040	\$ 4,010,715	\$ 4,752,009	\$ (741,294)	-16%	-35%
Services & Supplies	1,259,870	973,905	776,303	197,601	25%	-23%
Internal Service Charge	602,128	-	-	-	n/a	n/a
Transfer Out	598,989	-	-	-	n/a	n/a
Debt Service	60,784	12,232	49,233	(37,002)	-75%	-80%
Capital Outlay-Projects	99,336	26,152	996,970	(970,818)	-97%	-74%
Administrative Allocation	(308,284)	-	-	-	n/a	n/a
Expenditures by Type	\$ 8,457,864	\$ 5,023,004	\$ 6,574,516	\$ (1,551,512)	-24%	-41%

Several categories of expenditures are not accounted for in the first quarter and therefore show no activity; Internal Service Charges, Transfers and Administrative Allocations. Furthermore, Debt Service is dependent on payment schedules and Capital Outlay is dependent on project schedules.

DISCUSSION OF SIGNIFICANT EXPENDITURE VARIANCES BY TYPE:

➤ **Personnel Services**

As was expected, Personnel Services were down \$741k or 16% on a year over year basis. Personnel costs were even lower when compared to budget with a 34% variance. This was due to several unexpected departures; notably in the police department and the community & economic development department. As the year progresses and positions are filled this variance is likely to decrease as a percentage of total budget.

➤ **Services & Supplies**

Services and supplies were up 25% on a year over year basis yet under budget by 17%.

EXPENDITURES BY DEPARTMENT:

General Fund Expenditures by Department	FY2020 - 2021 Adopted Budget -Q1	Q1 FY20 -21 Actual Results	Q1 FY19 -20 Actual Results	Year over Year Variance \$	Year over Year Variance %	Q1 vs. Budget Variance %
Legislative Body	\$ 123,513	\$ 69,422	\$ 155,875	\$ (86,453)	-55%	-44%
Administration	99,594	83,748	75,039	8,709	12%	-16%
City Clerk	116,371	60,013	65,789	(5,776)	-9%	-48%
City Attorney	134,351	67,216	112,722	(45,506)	-40%	-50%
Human Resources	147,417	84,305	113,838	(29,533)	-26%	-43%
Finance Department	277,490	165,843	235,073	(69,230)	-29%	-40%
Police Department	3,214,630	1,946,804	2,051,555	(104,751)	-5%	-39%
Fire Department	1,851,895	1,195,518	2,173,137	(977,619)	-45%	-35%
Building and Code Enforcement	149,469	113,739	80,260	33,478	42%	-24%
Economic and Community Development:						
Planning	108,014	58,440	123,964	(65,524)	-53%	-46%
Economic Development	245,370	123,716	106,190	17,526	17%	-50%
Public Works & Engineering:						
Public Works/Engineering	951,638	450,103	666,281	(216,178)	-32%	-53%
Public Works/Engineering (Capital Projects)	-	-	-	-	n/a	n/a
Public Works/Engineering (Transfers)	498,251	311,248	-	311,248	n/a	-38%
Recreation	777,945	271,847	569,848	(298,001)	-52%	-65%
Administrative Allocation	(308,284)	-	-	-	n/a	n/a
Expenditures by Department	\$ 8,457,864	\$ 5,023,004	\$ 6,574,516	\$ (1,551,512)	-24%	-41%

As can be seen in the table above, all departments were under budget in the first quarter of the year. As the year progresses and vacant positions are filled this variance is likely to decrease as a percentage of total budget. Additionally, personnel services are likely to increase beginning as early as February of 2021 as concessions from the City's labor groups begin to expire. Internal services charges and administrative allocations also will have an effect on each departments variance versus budget once accounted for.

GENERAL FUND NET RESULTS & BUDGET DEFICIT OUTLOOK:

Overall, the first quarter showed expenditures of \$5M (15% of the annual budget) on par with revenues of \$5M so that fund balance remained essentially unchanged. As the year progresses, staff may gain a better understanding of the City’s revenue outlook. Still, first quarter results can provide some insights:

- Sales and Use taxes **were not down** as dramatically as feared at the time of budget development
- TOTs **were down** significantly as was feared at the time of budget development
- Marijuana Receipts tax is likely to **outpace budget** forecasts
- Grant revenues are likely to **increase**
- Personnel costs **are down** even more in the first quarter than planned at the time of budget development

General Fund Changes in Fund Balance:	FY2019-20		FY 2020-21		FY 2020-21 Projected Budget
	Adopted Budget	Increases	Decreases	Adjusted Budget	
Revenues	\$ 36,646,330		\$ (5,974,110)	\$ 30,672,220	\$ 33,299,887
Expenditures					
Personnel Services	26,372,360		(1,927,939)	24,580,161	24,420,161
Non-personnel Services	11,472,904		(2,593,461)	8,751,295	9,165,295
Community/Social Services	-	500,000	-	500,000	500,000
Expenditures Subtotal	<u>37,845,264</u>	<u>500,000</u>	<u>(4,521,399)</u>	<u>33,831,456</u>	<u>34,085,456</u>
Surplus (Deficit)	<u>\$(1,198,934)</u>	<u>\$(500,000)</u>	<u>\$(1,452,711)</u>	<u>\$(3,159,236)</u>	<u>\$(785,569)</u>

As can be seen, the results of the first quarter indicate that to date the economic impacts of the coronavirus pandemic have not been as bad as imagined in the spring. The City continues to face many very strong headwinds however that should not be considered lightly:

- The virus is still here, no vaccine has been developed and a winter spike may be emerging
- When and if a vaccine will be developed and distributed is still unknown
- The large stimulus, enacted in the spring at the Federal level, and which largely propped up the economy, has not been renewed and it is unknown (as of this writing) when and if it will be renewed
- The robust employment recovery seen in May through August has slowed and may reverse if further shelter in place orders are called in the fall and winter or if no further stimulus is forthcoming
- Continued weakness in certain sectors (TOT and travel and entertainment related sales tax)
- Agreements reached with the City’s bargaining groups are set to start expiring in February
- PERS unfunded liabilities could climb even higher if Pension Fund investment returns are substantially lower than anticipated

With so many headwinds on the horizon, staff recommends a disciplined financial approach with a priority placed on preserving emergency reserves so that they are available when needed. Although new programs are useful and needed it is important not to lose sight of the current basic level of service that the City provides to our residents, citizens and visitors.

OTHER FUNDS

In addition to the General Fund, the budget includes funds from a range of restricted sources as well as business-type activities that are used to provide specific services, including:

WATER FUND:

The Water Enterprise Fund appears to be functioning as designed. Recent rate increases have greatly increased revenues putting the enterprise in a much better position to move forward with the many capital improvements and maintenance that have been deferred. As mentioned previously, the City has been awarded grant funding to assist residents locally with utility payments. Staff will move quickly to make this assistance available to our residents.

Water Enterprise Q1 Results:	FY2020-21			Year over Year
	Adopted Budget	Q1 FY20- 21	Q1 FY19-20	Variance %
Revenues	\$ 846,175	\$ 281,190	\$ 153,248	183%
Expenditures	(1,203,770)	(76,056)	(92,113)	83%
Net Revenues (Exp)	\$ (357,594)	\$ 205,135	\$ 61,134	336%

FORA FUND:

The Fort Ord Reuse Authority (FORA) dissolved on June 30, 2020. The City of Seaside took over as the Local Reuse Authority (LRA) and the Successor to the Environmental Services Cooperative Agreement (ESCA), contracted for the repairs to storm water infiltration on Eucalyptus Road, and received funds for both bonded blight removal and habitat management. Revenues to cover to costs of the FORA work were received in FY 2019-20. As may be seen in the table, FORA work conducted under the administrative control of the City of Seaside has just gotten under way. City staff will continue to provide budget updates to Council and the public as the work unfolds.

FORA Q1 Results:	FY2020-21	
	Amended Budget	Q1 FY20- 21
Revenues	\$ -	-
Expenditures	(8,897,026)	(69,058)
Net Revenues (Exp)	\$ (8,897,026)	\$ (69,058)

MEASURE X BOND FUND:

The City’s Public Works department will provide a full FY2019-20 annual report to Council on November 19, 2020.

STORMWATER FUND:

The stormwater fund expenditures in the first quarter were \$79k consisting mostly of personnel costs. The total personnel cost budget for the year is \$479k indicating first quarter results are well within budget.

MERGED HOUSING:

The City of Seaside purchased 956 Hilby Ave in July 2019 because of its strategic location to the Oldemeyer Center. The immediate plans are to renovate the house focusing on required life safety improvements. The property will then be rented to a low income occupant until the City determines its ultimate plans for this location.

SANITATION DISTRICT (COMPONENT UNIT):

First quarter expenditures were \$567k in comparison to an annual budget of \$5.8M. Projects underway include sewer main upgrades, sewer line replacements and lift station upgrades.

Requests for additional financial information may be directed to:

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