



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director

MEETING DATE: August 27, 2024

SUBJECT: Notification that The City is Changing its Availability Period from 60 Days to 90 Days for Eligible Revenues under the Modified Accrual Basis of Accounting

RECOMMENDATION:

Receive and file.

BACKGROUND:

The City has historically reported a 60-day lookback period for revenues earned by fiscal year-end. So revenues earned by fiscal year-end and received by August 29th of the following fiscal year are included in the prior year revenues. Anything earned but not collected by August 29th would be recorded as Unearned Revenue (liability) and an Accounts Receivable (asset).

JUSTIFICATION:

The determination of the Availability Period is generally a matter of professional judgment. The City contracts with HdL Companies for Business License Taxes and Transient Occupancy Taxes collections. Those items will no longer be collected in the existing 60-day lookback period. HdL bills the month after revenue is earned and allows a month for payment and remits to the City the month after collecting. This makes June revenues uncollectable within the existing availability period. Cannabis tax is due 60-days after fiscal year-end (after quarter-end starting in Fiscal Year 2024-25). Any late payments would not be counted as revenue for the year earned with a 60-day lookback period. This makes the more accurate timeframe for collectability 90 days.

The City is moving to a 90-day availability period for all eligible revenue sources. The City will continue to comply with mandated exceptions: 60-days for property taxes, and immediate recognition required for increases in the fair value of investments.

FISCAL IMPACT:

None, but it will better align revenues to the year earned and alleviate some reoccurring unearned revenue items.

ALTERNATIVES:

None.

BUDGETED?:

No

CONTRACT/AGREEMENT:

No