



March 17, 2020

City Council Meeting Fiscal Year 2018-19 CAFR

FY 2018-19 CAFR

- As part of the CAFR preparation, we undergo an annual financial audit.
- The auditors review the City's:
 - Accounting records and financial transactions
 - The City's internal controls, procedures, and adherence to policies
- The auditors meet with the Audit Committee:
 - Before the audit
 - At the conclusion of the audit
 - The Audit Committee can also contact the auditors at any time during the audit.

FY 2018-19 CAFR

- Results of the FY 2018-19 audit:
 - The City received an unmodified opinion.
 - The City will be applying for the Government Finance Officers' Association's award program for excellence in financial reporting. This is the 26th year we will be applying for the award.
- Bryan Gruber, Partner with LSL, will review results of the audit with you
 - We have one audit finding, which is included in the agenda report.
 - We have one comment regarding the City's financial position.

FY 2018-19 CAFR

- There is a tremendous amount of financial data contained in the CAFR:
 - The Management's Discussion and Analysis (MD & A), found on Page 5, provides a high-level summary overview
 - Government-wide statements start on Page 15.
 - Fund financial statements start on Page 19.
 - Footnotes start on Page 35 and are helpful in providing additional context to the numbers.

FY 2018-19 CAFR

- Discussion Items:
 - Net Position
 - Net Position includes all assets and liabilities of the City at June 30, 2019
 - Liabilities include “actual” obligation amounts, but also includes “estimates” for certain liabilities
 - FY 2018-19 ended the year with a negative net position of \$10M
 - Net position has been significantly impacted by two GASB pronouncements over the last five years
 - GASB No. 68, Accounting and Financial Reporting for Pensions (FY 2014-15). Prior to its implementation, Net Position was \$92M. Net Position decreased to \$23M after its implementation.
 - GASB No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (FY 2017-18). Prior to its full implementation, Net Position was \$28M. Net Position decreased to negative \$3M after its implementation.
 - Increasing Net Position will be a focus of future budget cycles

FY 2018-19 CAFR

- The CAFR is a useful tool and provides information for a certain point in time, June 30, 2019.
- However, it does not reflect all the positive and proactive steps the City has taken over the last several years to improve its fiscal position. Examples include:
 - Approval of the CalPERS Response Plan in 2017.
 - Savings realized through an Employee Give Back Program
 - Increase in TOT rate from 10% to 12%
 - Refinance of pension debt from a higher interest rate to lower interest rate, thereby saving the City an estimated \$43M over 30 years. This is not reflected in the CAFR.
 - Approval of a Financial Resiliency Plan
 - Aims to protect General Fund dollars and build up reserve levels
 - Approval of the Measure K sales tax initiative in November 2019 – estimated to bring in an additional \$4.5M each year
 - Approval of five-year water rate increases
- This additional information should be considered alongside the CAFR when evaluating the City's fiscal position.

FY 2018-19 CAFR

Other Considerations:

Each of the City's outstanding bond obligations has a dedicated revenue stream that will be used for repayment; however, this revenue stream is not reflected in the CAFR. Bonds include the following:

| Bond Description | Purpose of the Bonds | Pledged Revenue | Remaining Years | Outstanding Principal Balance At 6/30/19 |
|--|--|--|-----------------|--|
| 2015 Hillside Lease Revenue Refunding Bonds | To purchase property in the Hillside Wilderness Preserve | Dedicated Parcel Tax (Property tax revenues) | 12 years | \$ 5,055,000 |
| 2016 Measure R & Proposition C Street Improvements Lease Revenue Bonds | To fund the Monrovia Renewal Project | Measure R & Proposition C Revenues Local Sales Tax Return Revenues | 26 years | \$ 12,905,000 |
| 2016 Water & Sewer Revenue Bonds | To fund the Monrovia Renewal Project | Water and Sewer user rate revenues | 26 years | \$ 34,960,000 |
| 2017 Library Lease Revenue Refunding Bonds | To fund the construction of the Monrovia Library | Dedicated Parcel Tax (Property tax revenues) | 19 years | \$ 12,805,000 |
| 2017 Taxable Pension Obligation Bonds | To Reduce Pension Obligation | Dedicated Property Tax | 28 years | \$107,900,000 |
| Total | | | | \$173,625,000 |

- This information should be considered when evaluating the City's overall fiscal health.

FY 2018-19 CAFR

- Auditor Presentation
 - Bryan Gruber is the City's new Managing Partner for the upcoming FY 2019-20 audit
 - Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements. The audit partner on an engagement must be rotated every 6 years.

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