



FY 2020-21 Budget Update

CITY COUNCIL MEETING

OCTOBER 20, 2020



PURPOSE

The purpose of this budget update is to:

- ▶ Provide City Council with a FY 2019-20 financial update, with a special focus on revenue collections and the General Fund.
- ▶ Present FY 2020-21 budget adjustments for City Council's consideration to better align the current year budget with updated estimates.
- ▶ Provide City Council with an update on several other important discussion items:
 - ▶ Emergency Events of 2020 and funding options
 - ▶ PERS UAL Update
 - ▶ Measure K Update

FINANCIAL OVERVIEW

- ▶ Good News! Based on FY 2019-20 revenue collections, the outlook is more optimistic than originally anticipated.
- ▶ While positive, we're not out of the woods yet. This economic situation will require our continued diligence.
- ▶ This is a fluid budget and will require close monitoring and continued updates to City Council throughout the year as we continue to respond to the changing impacts of the pandemic.

FY 2019-20 GENERAL FUND OVERVIEW

- ▶ FY 2019-20 information is based on pre-audited numbers. We're still closing the books and making entries for the annual audit at the end of the October.
 - ▶ Our next quarterly update will include final audited numbers.
- ▶ The reduction in revenue for FY 2019-20 was offset by an almost equivalent reduction in expenditures.
- ▶ Overall, revenues fared better than expected.
- ▶ We expect to close FY 2019-20 with a surplus.

FY 2019-20 GENERAL FUND OVERVIEW

General Fund Item	FY 2019-20 Original Budget	FY 2019-20 Revised Budget	FY 2019-20 Estimated Actuals (Pre-Audit)
Revenues (Includes Transfers In)	\$42,169,641	\$41,857,996	\$40,716,121
Expenditures (Includes Transfers Out)	<u>\$42,140,156</u>	<u>\$41,411,896</u>	<u>\$40,307,547</u>
Net General Fund Surplus/(Deficit)	<u>\$29,485</u>	<u>\$446,100</u>	<u>\$408,574</u>

FY 2019-20 GENERAL FUND REVENUE

General Fund Revenue Category	FY 2019-20 Original Budget	FY 2019-20 Revised Budget	FY 2019-20 Estimated Actuals (Pre-Audit)
Property Tax	\$13,280,003	\$13,233,121	\$13,336,239
Sales Tax	\$11,124,252	\$10,924,446	\$10,456,540
Transient Occupancy Tax (TOT)	\$2,775,000	\$2,253,257	\$1,763,634
Other Taxes	\$2,384,081	\$2,365,675	\$2,385,483
All Other Revenues (Includes Transfers In)	<u>\$12,606,305</u>	<u>\$13,081,497</u>	<u>\$12,774,225</u>
Total	<u>\$42,169,641</u>	<u>\$41,857,996</u>	<u>\$40,716,121</u>

GENERAL FUND PROPERTY TAX OVERVIEW

- ▶ Property tax, which makes up 33% of the General Fund revenue, remains a strong revenue source and was not impacted by COVID-19.
- ▶ FY 2019-20 revenues were \$103,118 greater than budget.
- ▶ FY 2020-21 is expected to be similar.
 - ▶ Property tax values were set as of January 1, 2020 (based on 2019).
 - ▶ Only 1% delinquency is expected for FY 2020-21.
- ▶ A FY 2020-21 budget adjustment is not needed at this time.
- ▶ FY 2020-21 budget = \$13,850,417

GENERAL FUND SALES TAX OVERVIEW

- ▶ Although FY 2019-20 actual sales tax was \$467,906 less than the revised budget, sales tax revenues performed much better than originally anticipated.
- ▶ The quarter ending June 30, 2020, was surprisingly positive.
 - ▶ Autos and transportations only down 12.9%, not 25%, as originally anticipated.
 - ▶ State and County Pool Allocations increased by 47.5%, as more sales have shifted online.
- ▶ FY 2020-21 is expected to be more positive than originally anticipated.
 - ▶ Staff reviewed data and consulted with HDL.
 - ▶ Staff is proposing a positive adjustment of \$718,076.
- ▶ FY 2020-21 budget = \$10,696,580

GENERAL FUND TRANSIENT OCCUPANCY TAX (TOT)

- ▶ TOT has been the most impacted revenue in the General Fund.
- ▶ FY 2019-20 was \$489,623 less than the revised budget.
- ▶ Staff performed a recent survey of each hotel operator to determine occupancy rates. While occupancy rates are higher than at the beginning of the pandemic, they are much lower than expected.
 - ▶ Current occupancy levels are between 45-75%, depending on the hotel.
 - ▶ Two hotels have lowered their rates to be competitive.
 - ▶ These two factors, combined, will result in a proposed negative budget adjustment.
 - ▶ A conservative projection was developed for each hotel based on its specific circumstances, and staff is proposing a negative adjustment of (\$611,848)
- ▶ FY 2020-21 budget = \$1,249,332 (FY 2019-20 Actuals = \$1,763,634)

GENERAL FUND OTHER REVENUES OVERVIEW

- ▶ This category includes charges for services, user fees, interest earnings, licenses and permits, transfers in, and other various revenues.
- ▶ FY 2019-20 revenues are estimated to be \$307,272 less than budget.
- ▶ Recreation revenues were one of the most impacted revenues in this category due to City facility closures.
- ▶ Transfers in from the Retirement Fund were approximately \$371,000 less than budget due to vacant positions.
- ▶ For FY 2020-21, staff is proposing two adjustments:
 - ▶ Due to the indefinite closure of Canyon Park, a negative adjustment of (\$156,454) is being proposed to zero out revenues for the remainder of the year.
 - ▶ An increase of \$57,000 is being proposed for additional Proposition A Maintenance monies that are expected to be collected for the year.

GENERAL FUND EXPENDITURES OVERVIEW

- ▶ Based on staff's review, expenditures are currently tracking on budget for FY 2020-21.
- ▶ As an ongoing practice, each expenditure is reviewed for necessity.
 - ▶ Even if an item is in the budget, staff still reviews the expenditure to determine its necessity
- ▶ Personnel Adjustments:
 - ▶ Minimum Wage Increase
 - ▶ The January 2021 minimum wage increase has already been factored into the original budget. Compensation schedules have been attached to the agenda packet.
 - ▶ Class and Comp adjustments:
 - ▶ A study was required to be done by July 1, 2020. Staff has completed the work.
 - ▶ When COVID hit, the labor groups asked that we suspend the implementation. This was helpful as we navigated through the recession.
 - ▶ Proposed FY 2020-21 adjustment in General Fund is \$82,725 and other funds is \$19,838.

GENERAL FUND ENDING FINANCIAL POSITION

- ▶ FY 2019-20 is expected to close the year with \$408,574 surplus.
- ▶ Given the proposed adjustments, FY 2020-21 is expected to close the year with a (\$795,346) deficit.
- ▶ Combined, the net of both years is (\$386,772).
- ▶ Given that we had a shortfall of \$1.1 million in revenues in FY 2019-20 compared to the revised budget, the City has fared well because of its ability to adjust expenditures accordingly.

GENERAL FUND ENDING FINANCIAL POSITION *(Pre-Audit)*

General Fund Budget Item	Amount (\$)
FY 2020-21 GF Beginning Deficit (Approved August 4, 2020) <i>(Note: This amount includes \$500,000 set aside in a Section 115 Trust)</i>	(\$719,395)
FY 2020-21 Proposed Adjustments To Revenues	\$6,774
FY 2020-21 Proposed Adjustments To Expenditures	(\$82,725)
Net FY 2020-21 General Fund Surplus/(Deficit)	(\$795,346)
Estimated GF Surplus for FY 2019-20 To Help Offset FY 2020-21 Deficit	<u>\$408,574</u>
Net GF Deficit Over Two-Year Period (FY 2019-20 & FY 2020-21)	<u>(\$386,772)</u>

2020 EMERGENCY EVENTS

- ▶ There have been several one-time unique emergencies that have unexpectedly impacted the City of Monrovia during 2020:
 - ▶ COVID-19 Pandemic
 - ▶ Civil Unrest Events
 - ▶ Bobcat Fire
- ▶ Each has resulted in unplanned costs for the City of Monrovia.
- ▶ While the City is expecting federal funding (75%) for each event, the City will be responsible for the 25% match portion.
- ▶ Staff is also pursuing other funding, whenever possible.
- ▶ The use of General Fund reserves will, most likely, be needed for unpaid costs.
- ▶ Staff will continue to pursue outside funding and will provide City Council with additional updates throughout the year.

2020 EMERGENCY EVENTS ESTIMATED COSTS

Event	Estimated Costs To-Date	Estimated Funding Available	Comments
COVID-19 Pandemic	Approximately \$585,000	CARES Act \$468,000 FEMA \$110,000 City \$7,000	FEMA is expected to pay for 75% of the costs that are not funded by the CARES Act. The City will have a funding match requirement for the remaining 25%, which is currently estimated to be \$7,000 at this time.
Civil Unrest	Approximately \$83,000*	FEMA \$62,000 City \$21,000	FEMA funding has not yet been approved – approval is pending. If approved, FEMA will pay 75% and the City will cover the 25% match. <i>* It is likely that there may be additional Civil Unrest events in the future.</i>
Bobcat Fire	Staff is Still Assessing Costs	Insurance to cover some costs; FMAG/FEMA to cover 75%; City to cover remaining amount	The City is still assessing costs and is pursuing a combination of FMAG/FEMA funding, insurance reimbursement, and other funding. Because FMAG/FEMA funding will only cover 75% of the amount not covered by insurance, the City will need to cover any remaining amounts. Currently, a very rough estimate of City out-of-pocket costs is \$300,000-\$600,000.

PERS UAL UPDATE

- ▶ During the formal budget approval, a plan was developed to pay the then outstanding UAL balance of \$10,460,457 within 9 years.
- ▶ The annual required UAL of \$166,565 has been included in the original FY 2020-21 budget.
- ▶ Recent PERS reports received by staff show an increase of \$3,955,788 in the UAL balance as of June 30, 2021.
- ▶ The City will not need to make an annual payment on this increase until 2021-22.
- ▶ While staff wanted to make City Council aware of this increase, staff will return to City Council with options at a future meeting.





MEASURE K

- ▶ Measure K revenues collected for FY 2019-20 were \$85,135 less than budget, but better than staff's expectations.
- ▶ Based on a review of the data, and in consultation with HDL, staff is proposing a FY 2020-21 positive budget adjustment to increase revenues by \$295,200, for total revenues of \$4,001,100.
- ▶ During the FY 2020-21 budget meetings, City Council discussed a possible Measure K Spending Plan.
- ▶ At the time, City Council decided to defer approval until the City could better assess its financial position and the impacts of COVID-19.
- ▶ The Sample Measure K Spending Plan is attached to your agenda report.

MEASURE K: Spending Plan - EXAMPLE

Estimated revenues are \$0.9M for FY 2019-20 and \$4.0M for FY 2020-21, for a total of \$4.9M through the end of FY 2020-21.

Based on the survey feedback received, which ranked financial management as 92% “very or extremely important” and infrastructure as 89% “very or extremely important,” staff has provided a list of a possible spending plan.

	<u>Financial Management</u> <u>\$1.50m</u>		<u>Infrastructure</u> <u>\$2.48m</u>		<u>Customer Service</u> <u>\$275k</u>		<u>Relationships</u> <u>\$270k</u>
	Increase General Fund Reserves by \$500,000 \$500,000 to Pay Workers Compensation Deficit Apply \$200,000 to Assessment District Deficit CalPERS UAL Reserve \$300k		\$1m Annual Street Maintenance \$750,000 Old Town Improvements \$300,000 to Facility & Equipment Replacement \$300,000 for Park Improvements \$130,000 to Develop ADA Transition Plan		\$200,000 Streetlight LED Retrofit Conversion \$50,000 Citywide Training as a Result of Ad Hoc Committee on Equity \$25,000 Police Use of Force Tracking Tool		\$100,000 Reserve set aside for Santa Fe Depot \$150,000 to Develop New Partnership Programs (ex: Monrovia Community Gardens) \$20,000 Tree Planting
							<u>Remaining unbudgeted amount = \$375K</u>

NEXT STEPS

- ▶ Staff will continue to monitor the budget closely.
- ▶ The next quarterly update will be provided to City Council after the close of the December 2020 quarter. If an earlier update is needed, staff will return prior to that time.

QUESTIONS?