



# FY 2020-21 Mid-Year Budget Update

CITY COUNCIL MEETING

FEBRUARY 2, 2021



# PURPOSE

The purpose of this mid-year budget update is to:

- ▶ Provide City Council with a high level summary of FY 2019-20 General Fund financial data based on post-audit numbers.
- ▶ Provide updated budget estimates for FY 2020-21, and present proposed budget adjustments for City Council's consideration to better align the FY 2020-21 budget with the latest estimates.
- ▶ Provide City Council with an update on several other important items of discussion:
  - ▶ Emergency Events of 2020
  - ▶ PERS UAL Update
  - ▶ Measure K Revenue

# FINANCIAL OVERVIEW

- ▶ Based on post-audit numbers, the General Fund ended the year with a surplus.
- ▶ At this mid-year point, staff is able to better assess estimates through the end of FY 2020-21.
  - ▶ Some big ticket General Fund revenues will be adjusted upward, while program revenues and user fees will see downward adjustments because of extended closures and other COVID impacts.
  - ▶ Corresponding reductions in expenditures are being proposed.
  - ▶ This mid-year budget proposal incorporates conservative adjustments based on staff's expectations for the remainder of the year.
- ▶ While the overall outlook is positive, being diligent and closely monitoring the budget through the end of the fiscal year will be important.
- ▶ Another quarterly update will be provided to City Council after the close of Q3 (quarter ending March 31, 2021).

# FY 2019-20 GENERAL FUND OVERVIEW

- ▶ The FY 2019-20 audit is complete and the CAFR has been finalized.
- ▶ Sales tax and hotel tax experienced the largest negative budget variances; however, many other revenues came in above or at budget.
- ▶ Reductions in expenditures helped to offset shortfalls in revenues.
  - ▶ Based on original estimates, shortfalls of over \$2.6 million were expected.
  - ▶ Council's ability to make quick and decisive adjustments helped to keep the City in a good financial position.
- ▶ FY 2019-20 closed the year with a surplus of \$691,317.

# FY 2019-20 GENERAL FUND OVERVIEW

<b>General Fund Item</b>	<b>FY 2019-20 Actuals (Post-Audit)</b>
Revenues (Includes Transfers In)	\$40,783,394
Expenditures (Includes Transfers Out)	<u>\$40,092,077</u>
Net General Fund Surplus/(Deficit)	<u>\$691,317</u>

# FY 2019-20 GENERAL FUND REVENUE

General Fund Revenue Category	FY 2019-20 Revised Budget	FY 2019-20 Actuals (Post-Audit)	Variance With Budget Positive/ (Negative)
Property Tax	\$13,233,121	\$13,382,482	\$149,361
Sales Tax	\$10,924,446	\$10,456,540	(\$467,906)
Transient Occupancy Tax (TOT)	\$2,253,257	\$1,763,634	(\$489,623)
Other Taxes	\$2,365,675	\$2,384,303	\$18,628
All Other Revenues (Includes Transfers In)	<u>\$13,081,497</u>	<u>\$12,796,435</u>	<u>(\$285,062)</u>
Total	<u>\$41,857,996</u>	<u>\$40,783,394</u>	<u>\$1,074,602</u>

# GENERAL FUND PROPERTY TAX OVERVIEW

- ▶ Property tax continues to be a reliable and stable revenue source in the General Fund. FY 2019-20 post-audit results were positive, as revenues were \$149,361 higher than budget.
- ▶ No budget adjustment for FY 2020-21 is being proposed to secured or unsecured property taxes at this time. There are minimal, if any, impacts from COVID-19.
  - ▶ Actual receipts to-date are tracking as expected.
  - ▶ For FY 2020-21, property tax values were set as of January 1, 2020 (based on 2019), so values will not be adjusted during the fiscal year.
- ▶ A positive adjustment of \$149,222 is being proposed to Property Tax In Lieu of VLF.
- ▶ FY 2020-21 budget = \$13,999,639

# GENERAL FUND SALES TAX OVERVIEW

- ▶ FY 2019-20 post-audit sales tax closed the year \$467,906 less than the revised budget; however, on a positive note, sales tax revenues performed much better than originally anticipated.
- ▶ Based on a recent review of the September 30, 2020 quarter, sales tax continues to show growth:
  - ▶ State and County Pool Allocations increased by 53.5% over the prior year period, as more retail sales continue to shift online.
  - ▶ The Autos and Transportation category was only down 6.3% over the prior year period.
- ▶ FY 2020-21 continues to exceed original expectations:
  - ▶ Staff reviewed data and consulted with HDL. Staff is proposing a positive adjustment of \$189,015 in the Bradley Burns 1% Tax and \$2,412 in the ½ cent Public Safety Sales Tax.
- ▶ FY 2020-21 budget = \$10,888,007



# GENERAL FUND TRANSIENT OCCUPANCY TAX (TOT)

- ▶ TOT has been the most impacted revenue in the General Fund for both fiscal years. FY 2019-20 was \$489,623 less than the revised budget.
- ▶ Staff performed a recent survey (in January) of each hotel operator to determine occupancy rates.
  - ▶ Current occupancy levels are between 25-50%, depending on the hotel. Normally, occupancy levels are between 70%-100% at this time of year.
  - ▶ Some hotels have lowered their rates to be competitive.
  - ▶ An adjustment of (\$611,848) was made during the first quarterly update in October 2020.
  - ▶ Staff is proposing an additional negative adjustment of \$10,961. This proposed adjustment is based on a conservative projection which takes into account each hotel's specific circumstances.
- ▶ FY 2020-21 budget = \$1,238,372

# 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 were \$285,062 less than budget based on post-audit numbers. It should be noted that FY 2019-20 only experienced one quarter of COVID impacts.
- ▶ Due to closures of facilities and a reduction in activity, many revenues will be adjusted downward for FY 2020-21:
  - ▶ Recreation revenues were one of the most impacted revenues in this category, due to City facility closures, cancelled events, and a reduction of in-person programming. A reduction of \$194,380 is being proposed; however, a reduction in corresponding expenditures, totaling \$434,530, is also being proposed.
  - ▶ A detailed listing of the line item budget adjustments is attached to the agenda report.

# GENERAL FUND EXPENDITURES OVERVIEW

- ▶ All General Fund expenditures were reviewed by the operating departments, and a net decrease of \$478,935 in General Fund expenditures is being proposed.
- ▶ Expenditure adjustment proposal:
  - ▶ As an ongoing practice, each expenditure is reviewed for necessity. Even if an item is in the budget, staff still reviewed the expenditure to determine its necessity.
  - ▶ Vacancy savings will continue through the end of the year.
  - ▶ While most operating departments have minimal increases, a significant reduction is being proposed in the Library and Recreation Divisions:
    - ▶ Library decrease = \$94,975
    - ▶ Recreation decrease = \$434,530
    - ▶ A majority of savings is due to savings in part-time staffing costs.
- ▶ A detailed listing of the line items is attached to the agenda report, which includes both increases and decreases in the various operating departments.

# GENERAL FUND ENDING FINANCIAL POSITION

- ▶ FY 2019-20 closed the year with a \$691,317 surplus.
- ▶ Given the proposed adjustments, FY 2020-21 is expected to close the year with a (\$671,173) deficit.
- ▶ The net surplus for the two years, combined, is a positive \$20,144.

# GENERAL FUND ENDING FINANCIAL POSITION *(Post-Audit)*

General Fund Budget Item	Amount (\$)
FY 2020-21 GF Beginning Deficit (Approved October 20, 2020) <i>(Note: This amount includes \$500,000 set aside in a Section 115 Trust)</i>	(\$795,346)
FY 2020-21 Proposed Adjustments To Revenues (includes Transfers In)	(\$354,762)
FY 2020-21 Proposed Adjustments To Expenditures (includes Transfers Out)	<u>\$478,935</u>
Net FY 2020-21 General Fund Surplus/(Deficit)	(\$671,173)
GF Surplus for FY 2019-20 To Help Offset FY 2020-21 Deficit	<u>\$691,317</u>
Net GF Surplus Over Two-Year Period (FY 2019-20 & FY 2020-21)	<u>\$20,144</u>

# OTHER FUNDS

- ▶ A review of the City's other funds was performed and proposed adjustments are being presented for consideration:
  - ▶ Development Services Fund
    - ▶ This fund is used to account for building, planning, and engineering activities.
    - ▶ This fund is a stand-alone fund for accounting purposes, but is combined with the General Fund on the CAFR.
    - ▶ Delays in new development will shift \$946,000 in revenue to the next year.
  - ▶ Other Funds
    - ▶ Proposed adjustments are recommended to the City's Other Funds in order to better align the budget with updated estimates.
    - ▶ A detailed listing of the line items is attached to the agenda report, which includes both increases and decreases in the various operating departments.

# 2020 EMERGENCY EVENTS

- ▶ Last year presented a series of unique and unprecedented one-time emergency events for the City of Monrovia:
  - ▶ 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 use of General Fund reserves will be needed for the City's 25% match portion.
- ▶ Staff has spent a significant amount of time, over the last several months, on the reimbursement process. Reimbursement submittals are underway.

# 2020 EMERGENCY EVENTS ESTIMATED COSTS

Event	Estimated Costs To-Date	Estimated Funding Available	Comments
COVID-19 Pandemic	Approximately \$662,000	CARES Act \$468,000 FEMA \$145,500 City \$48,500	The City has already received \$468,000 in CARES Act funding. Staff is currently working on the reimbursement process to request \$145,500 in FEMA funding.
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.
Bobcat Fire	Initial Estimates (amounts may change) \$7,000,000	FEMA \$4,875,000 Cal OES \$1,218,750 Insurance \$500,000 City \$406,250	FEMA – Staff has been working directly with our FEMA representative on calculating the costs. An initial summary was provided to FEMA in January 2021.  Cal OES – Initial estimates were provided to Cal OES in January 2021.  Insurance Claim – Staff performed a walkthrough with the City's insurance adjuster and we are awaiting next steps.



# PERS UAL UPDATE

- ▶ Addressing the outstanding UAL balance continues to be a top priority for the City. Based on the most recent PERS reports, the outstanding balance at 6/30/21 is estimated to be \$14,416,335.
- ▶ The outstanding balance is driven by several factors, which are outside of the City's control:
  - ▶ Actuarial assumption changes. This factor contributes to more than 75% of the City's current outstanding liability balance. The recent change in the discount rate to 7.0% is a key contributor.
  - ▶ Investment gains and losses.
  - ▶ Differences between actuarial assumptions and actual experience.
  - ▶ Amortization policy changes.
- ▶ Staff is currently working on a payoff plan to present to City Council within the next several months.
  - ▶ The plan will look to utilize the Section 115 Trust and future increases in redevelopment property tax revenues to be set aside to pay down the liability.

# MEASURE K

- ▶ A Measure K Study Session was held in November 2020 to discuss the Measure K Spending Plan.
- ▶ City Council provided informal direction to staff to prioritize funding for deferred maintenance (infrastructure) and financial reserves (financial management).
  - ▶ These were two areas that were rated “very or extremely important” by Measure K survey respondents.
- ▶ Any future proposed project that seeks to utilize Measure K funding will be reviewed and formally approved by Council.
- ▶ Just like the Bradley Burns sales tax, Measure K revenue has been more positive than originally expected. 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 \$906,000, for total revenues of \$4,907,000 for FY 2020-21.

# 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 March 2021 quarter. If an earlier update is needed, staff will return prior to that time.
- ▶ Staff will begin developing the FY 2021-23 two-year budget.

QUESTIONS?