



February 16, 2021

City Council Meeting  
Fiscal Year 2019-20 CAFR

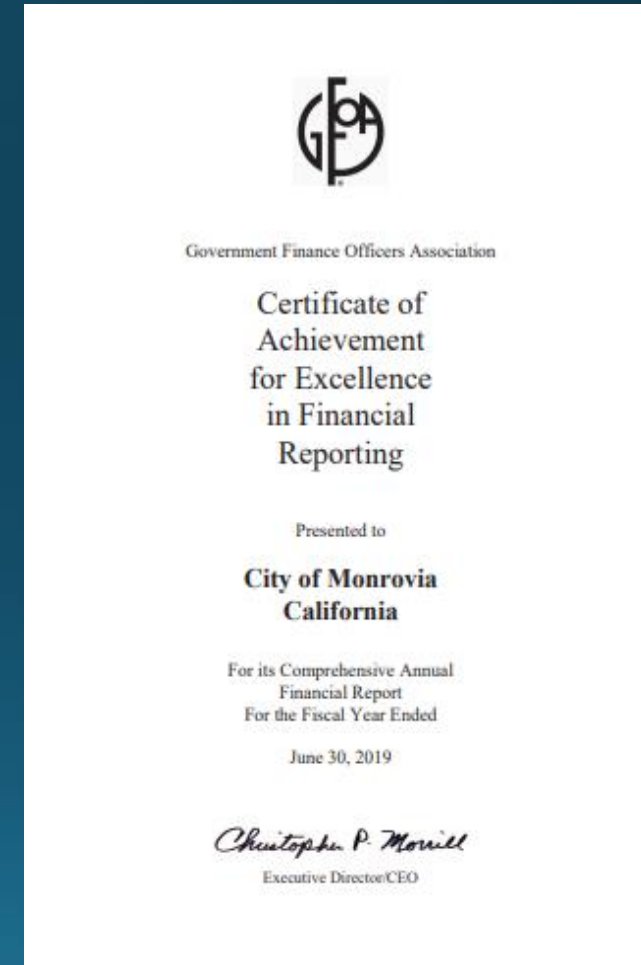
# *FY 2019-20 CAFR*

- Each year, the City undergoes an annual financial audit performed by an independent Certified Public Accounting (CPA) firm. The audit includes:
  - A review of the City's internal controls, procedures, and adherence to policies.
  - A review of the City's accounting records and financial transactions.
  - From this review, the auditors and City staff prepare the CAFR.
- Based on the Fiscal Year 2019-20 audit, the City received an unmodified opinion ("clean audit"), which is the best outcome possible. This means:
  - The financial statements conform with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting requirements.
  - The financial statements are fairly presented, in all material respects.
- No audit findings were reported by the auditors for the Fiscal Year 2019-20 audit.

# FY 2019-20 CAFR

The City's CAFR meets the highest standards of financial reporting.

- The City has received the Government Finance Officers Association's (GFOA) award for excellence in financial reporting for the past 26 years.
- The City also submitted this year's Fiscal Year 2019-20 CAFR for consideration in the GFOA's national award program.



# *FY 2019-20 CAFR*

The Audit Committee is an important part of the audit.

- The auditors meet with the Audit Committee before the audit starts and then again at the conclusion of the audit to review the CAFR draft and discuss the results of the audit.
- The Audit Committee can also contact the auditors at any time during the audit.
- Councilmembers Crudgington and Blackburn served on the Audit Committee for the Fiscal Year 2019-20 audit. For next year's audit, Councilmembers Crudgington and Spicer will be City Council's appointees to the Audit Committee.

# *FY 2019-20 CAFR*

The CAFR is comprised of different parts that each serve a specific purpose in providing information to the reader:

- **Introductory Section-** Includes “extra” information to supplement the financial section of the CAFR. For example, the Transmittal Letter provides a discussion of financial results, strategic objectives, and major projects completed during the year.
- **Financial Section –** Includes the Independent Auditor’s Report, Management’s Discussion and Analysis (MD & A), the audited financial statements, and footnotes to the financial statements.
- **Statistical Section –** Provides supplemental data not evident in the Financial Section, such as financial trend information and demographic data.

# *FY 2019-20 CAFR*

## *Financial Condition of the City at June 30, 2020:*

Fiscal Year 2019-20 was a unique and unprecedented year due to COVID-19:

- Leading up to the pandemic, the US economy was experiencing the longest period of economic growth in US history.
- When the pandemic hit, the City's original estimations projected a loss of over \$2.6 million in revenues in the General Fund.
- Because of the City's ability to make quick and effective decisions, we were able to implement cost savings measures to our budget to offset shortfalls in revenues.
- Overall, the City was able to successfully navigate the impacts of the COVID-19 pandemic to end the year better than expected.
- Citywide, the City added \$8.23 million in additional capital assets to its capital asset inventory.

# *FY 2019-20 CAFR*

Overall, the City ended the year with a negative net position of \$11.78 million, which was a decrease of \$1.76 million from the prior year.

- Net Position includes all assets and liabilities of the City at June 30, 2020. Liabilities include “actual” obligation amounts, but also include “estimates” for certain liabilities.
- Net position has been significantly impacted by two GASB pronouncements over the last several years.
  - GASB No. 68, *Accounting and Financial Reporting for Pensions.*
  - GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.*
- Increasing Net Position will continue to be a focus of future budget cycles.

# FY 2019-20 CAFR

GAAP accounting standards are based on a conservative approach to financial reporting.

- GAAP requires all future liabilities to be included in the financial statements, but does not include any of the future revenues dedicated to pay those liabilities.
- For example, all of the City's outstanding bond obligations are included in the CAFR, but not the dedicated revenue stream that will be used for repayment. Below is a listing of bonds with dedicated revenue streams:

Bond Description	Purpose of the Bonds	Pledged Revenue	Remaining Years	Outstanding Principal Balance At 6/30/20
<b>2015 Hillside Lease Revenue Refunding Bonds</b>	To purchase property in the Hillside Wilderness Preserve	Dedicated Parcel Tax (Property tax revenues)	11 years	\$ 4,760,000
<b>2016 Measure R &amp; Proposition C Street Improvements Lease Revenue Bonds</b>	To fund the Monrovia Renewal Project	Measure R & Proposition C Revenues Local Sales Tax Return Revenues	25 years	\$ 12,625,000
<b>2016 Water &amp; Sewer Revenue Bonds</b>	To fund the Monrovia Renewal Project	Water and Sewer user rate revenues	25 years	\$ 34,225,000
<b>2017 Library Lease Revenue Refunding Bonds</b>	To fund the construction of the Monrovia Library	Dedicated Parcel Tax (Property tax revenues)	18 years	\$ 12,310,000
<b>2017 Taxable Pension Obligation Bonds</b>	To Reduce Pension Obligation	Dedicated Property Tax	27 years	\$105,550,000
<b>Total</b>				<b>\$169,475,000</b>



# *FY 2019-20 CAFR*

The CAFR provides useful financial information as of June 30, 2020; however, the numbers do not necessarily reflect all of the positive fiscal measures the City Council has implemented over the last several years. Some measures will not be reflected in the financials until future years. Examples of recent initiatives include:

- Approval of the CalPERS Response Plan (CPR) in 2017:
  - Savings from the PERS Employee Give Back Program and an increase in the TOT rate from 10% to 12% is already reflected in the Fiscal Year 2019-20 CAFR.
  - Refinance of pension debt from a higher interest rate to a lower interest rate, which will save the City an estimated \$43M over 30 years. This is not yet reflected in the CAFR.
  - Development of a UAL Policy to proactively manage the UAL balance will be reflected in future years.
- Approval of a Financial Resiliency Plan that aims to protect General Fund dollars and build up reserve levels. This Plan has been incorporated into recent budgets and will also be the basis for future budgets.

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## Recent Initiatives (Continued):

- Approval of the Measure K sales tax initiative, which is estimated to bring in an additional \$4.5-\$5.0M each year. Council has committed to use revenues to build reserves and invest in infrastructure.
- Approval of five-year water rate increases. Three years of the rate increase are included in the Fiscal Year 2019-20 CAFR; however, the full effect of the rate increase will not be seen until future years.
- Establishment of a Section 115 Trust to set aside funds to address future pension and OPEB liabilities. An initial deposit of \$500,000 has been made in Fiscal Year 2020-21.

# *FY 2019-20 CAFR*

## Future initiatives include:

- Staff is currently working on the development of a Pension and OPEB Payoff Plan
  - The Plan will look to utilize future increases in redevelopment property tax revenues, coupled with the Section 115 Trust, to manage and pay down pension and OPEB liabilities.
- Staff is currently looking at performing a comprehensive asset valuation and inventory assessment.
  - This will ensure a full and comprehensive accounting for all capital assets, which is expected to improve overall net position.
- All of these measures, combined, will help move the City in a more positive financial direction.
- Good news! The City moved from #10 (in Fiscal Year 2016-17) to #21 (in Fiscal Year 2018-19) on the California State Auditor's list of cities facing fiscal challenges. We're getting incrementally better, and this illustrates the City's continued effort to implement initiatives that demonstrate sound financial management practices.

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## Auditor Presentation:

Bryan Gruber, Managing Partner from Lance, Soll, and Lunghard, CPA's, will discuss the Fiscal Year 2019-20 audit and CAFR.

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## Fiscal Year 2019-20 CAFR