



# FY 2020-21 Quarterly Budget Update

CITY COUNCIL MEETING

MAY 4, 2021





# PURPOSE

The purpose of this quarterly budget update is to:

- ▶ Provide a high-level overview of the City's financial condition at March 31, 2021.
- ▶ 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:
  - ▶ American Rescue Plan Act ("ARPA") of 2021
  - ▶ Emergency Events of 2020
  - ▶ Measure K Revenue

# FINANCIAL OVERVIEW

- ▶ The economy is starting to show signs of modest growth and recovery:
  - ▶ The lifting of regional stay-at-home orders, in January, have allowed for the reopening of many sectors of business.
  - ▶ Widespread vaccine availability provides hope for continued recovery.
  - ▶ During the pandemic, government action (e.g., Paycheck Protection Program, extended unemployment insurance, stimulus checks, etc.) helped to partially offset negative financial impacts.
  - ▶ Economists are calling for national growth and post-pandemic economic recovery.



# FINANCIAL OVERVIEW

- ▶ Now that we've completed three quarters of the fiscal year, staff is able to better assess revenues and expenditures through the end of Fiscal Year 2020-21.
  - ▶ Budget adjustments were made in October 2020 and February 2021. Now that updated timelines for the reopening of City facilities are known, additional adjustments are being proposed to align revenues and operational costs with year-end estimates.
  - ▶ General Fund big ticket revenues were reviewed to ensure revenues are tracking to budget. Only minor adjustments are being proposed during this quarterly update.
  - ▶ This quarterly budget proposal continues to incorporate a conservative approach to our Fiscal Year 2020-21 Budget.
- ▶ While the overall outlook is positive, the budget is still fluid and calls for continued close monitoring and diligence through the end of the fiscal year. If additional adjustments are needed, staff will return to City Council.



# GENERAL FUND PROPERTY TAX OVERVIEW

No budget adjustment for FY 2020-21 is being proposed to secured or unsecured property taxes at this time. Property tax continues to be a reliable and stable revenue source in the General Fund.

- ▶ Actual receipts to-date are tracking as expected.
- ▶ For Fiscal Year 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.
- ▶ There are minimal, if any, impacts from COVID-19.
- ▶ Fiscal Year 2020-21 Budget = \$13,999,639

# GENERAL FUND SALES TAX OVERVIEW

- ▶ A positive increase of \$31,219 in the Bradley Burns 1% Sales Tax is being proposed for Fiscal Year 2020-21.
- ▶ Based on a recent review of the December 31, 2020 quarter data, sales tax continues to show growth:
  - ▶ State and County Pool Allocations increased by 51.5% over the prior year period, as more retail sales continued to shift online.
  - ▶ The Autos and Transportation category was up 2.8% over the prior year period.
- ▶ Fiscal Year 2020-21 continues to exceed original expectations. Staff reviewed data and consulted with HDL to determine updated estimates.
- ▶ Fiscal Year 2020-21 Budget = \$10,919,226



# GENERAL FUND TRANSIENT OCCUPANCY TAX (TOT)

- ▶ TOT has been the most impacted revenue in the General Fund for both Fiscal Year 2019-20 and 2020-21.
- ▶ Throughout the pandemic, hotel occupancy levels were severely impacted by the stay-at-home order and regional travel restrictions.
- ▶ Significant negative budget adjustments for Fiscal Year 2020-21 were made in the last two quarterly budget updates (October 2020 and February 2021), totaling \$622,809, to better align revenues with fiscal year expectations.
- ▶ At this time, no additional adjustment is being proposed, and staff believes this is a conservative approach.
- ▶ Fiscal Year 2020-21 Budget = \$1,238,372



# GENERAL FUND OTHER REVENUES OVERVIEW

- ▶ A review of all other General Fund revenues was performed by staff. This category includes charges for services, user fees, interest earnings, licenses and permits, transfers in, and other various revenues.
- ▶ Revenues were analyzed, taking into consideration updated economic data and updated timelines for City facility re-openings.
  - ▶ Reductions in program/special event revenues have been partially offset by corresponding reductions in expenditures.
- ▶ Due to increased Fire Strike Team activity during the year, a positive adjustment of \$400,000 is being proposed to match the budget with actual revenues for the year.
- ▶ A decrease of \$175,000 is being proposed to AB 1290 redevelopment revenues. A change in calculation methodology is expected due to a recent court case (*Chula Vista vs. Sandoval*).
- ▶ 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 increase of \$197,242 in General Fund expenditures is being proposed.
- ▶ 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.
- ▶ Increases are being proposed for training, maintenance supplies, monthly phone fees, Strike Team overtime costs, among other minor costs.
- ▶ Due to ongoing legal matters, an increase of \$40,000 (Attorney/Legal Department) and \$140,000 (Human Resources Department) is being proposed based on 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.



# GENERAL FUND ENDING FINANCIAL POSITION

- ▶ Given the proposed adjustments, Fiscal Year 2020-21 is expected to close with a (\$1,163,201) deficit.
  - ▶ This includes \$500,000 that was set aside in a Section 115 Trust.
  - ▶ This includes \$467,000 for the Richman Easement, which is expected to be repaid by the Richman Group.
- ▶ The net deficit for Fiscal Year 2019-20 and 2020-21, combined, is a negative (\$471,884).



# GENERAL FUND ENDING FINANCIAL POSITION

General Fund Budget Item	Amount (\$)
FY 2020-21 GF Beginning Deficit (Approved February 2, 2021) <i>(Note: This amount includes \$500,000 set aside in a Section 115 Trust)</i>	(\$671,173)
FY 2020-21 Additional Council Agenda Adjustments Approved During the Year	(\$471,005)
FY 2020-21 Proposed Adjustments To Revenues	\$176,219
FY 2020-21 Proposed Adjustments To Expenditures	<u>(\$197,242)</u>
Net FY 2020-21 General Fund (Deficit)	(\$1,163,201)
GF Surplus for FY 2019-20 To Help Offset FY 2020-21 Deficit	<u>\$691,317</u>
Net GF Deficit Over Two-Year Period (FY 2019-20 & FY 2020-21)	<u>(\$471,884)</u>



# OTHER FUNDS

- ▶ A review of the City's other funds was performed and proposed adjustments are being presented for consideration:
  - ▶ 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.

# American Rescue Plan Act 2021 ("ARPA")

- ▶ ARPA was signed into law on March 11, 2021, and provides \$350 billion in funding for state and local governments.
- ▶ Funding is expected to be received (directly from the State) in two installments (or tranches); one in June 2021 and one in June 2022.
- ▶ Based on initial projections, the City of Monrovia is expecting to receive approximately \$6.8 million in ARPA funds.
- ▶ Staff is working on a spending plan proposal for City Council's consideration:
  - ▶ Staff is currently awaiting guidance from the United States Treasury.
  - ▶ Funding amounts have not yet been confirmed.



# American Rescue Plan Act 2021 ("ARPA")

- ▶ Some eligible uses include:
  - ▶ To respond to the COVID-19 public health emergency.
  - ▶ To provide government services to cover the loss in revenue due to COVID-19.
  - ▶ To assist workers performing essential work during the COVID-19 pandemic.
  - ▶ To make necessary investments in water, sewer, and broadband infrastructure.
- ▶ Some ineligible uses include:
  - ▶ Funds cannot be used to directly or indirectly offset tax reductions or delay a tax or tax increase.
  - ▶ Funds cannot be deposited into any pension fund.
- ▶ Funds must be spent by the end of Calendar Year 2024.
- ▶ Staff will return to City Council with a spending plan proposal for consideration.



# 2020 EMERGENCY EVENTS

- ▶ Staff continues to work closely with FEMA, Cal OES, and the City's insurance provider on the claim submittal process for the following events.
  - ▶ COVID-19 Pandemic
  - ▶ Bobcat Fire
- ▶ Good news! COVID-19 is expected to pay 100% (not 75%) of eligible costs.
- ▶ As part of this quarterly review, staff evaluated costs to-date and a series of budget adjustments are being proposed to align revenues and expenditures with estimates for Fiscal Year 2020-21. The line item adjustments are included in Attachment A.



# 2020 EMERGENCY EVENTS ESTIMATED COSTS

Event	Estimated Costs To-Date	Estimated Funding Available	Comments/Status Update
COVID-19 Pandemic	Approximately \$673,000	CARES Act \$468,000 FEMA \$205,000	The City has already received \$468,000 in CARES Act funding. To-date, staff has submitted reimbursement claims for costs through January 2021 and will continue to work on remaining submitting remaining claim amounts.
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) \$7,082,000	FEMA \$1,689,000 Cal OES \$5,031,000 Insurance \$225,000 City \$137,000	<p>FEMA – Staff has been working directly with our FEMA representative on submitting reimbursement claims. To-date, \$883,000 in claim paperwork has been submitted to FEMA, and we are awaiting a receipt of payment.</p> <p>Cal OES – Revised estimates were provided to Cal OES in April 2021. Cal OES representatives will be performing a site visit in May. This is the initial step in the reimbursement process.</p> <p>Insurance Claim – Staff performed a walkthrough with the City's insurance adjuster and we are awaiting next steps/funding.</p>

# MEASURE K

- ▶ Measure K funding continues to exceed initial expectations.
- ▶ Based on a review of the data, and in consultation with HDL, staff is proposing a Fiscal Year 2020-21 positive budget adjustment to increase revenues by \$651,000, for total revenues of \$5,558,000 for Fiscal Year 2020-21.
- ▶ As the Measure K pot continues to grow, all unspent monies will sit in the Measure K Fund Reserves to be used at a later time if not appropriated.
- ▶ It is estimated that \$6,458,000 in unspent funds will be accumulated by the end of Fiscal Year 2020-21.



# MEASURE K

- ▶ At the Measure K Study Session in November 2020, City Council provided informal direction to staff to move forward with the proposed Measure K Spending Plan and prioritize funding for financial reserves (Financial Management) and deferred maintenance (Infrastructure).
- ▶ These were two areas that were rated “very or extremely important” by Measure K survey respondents.

<b>Financial Management</b> <b>\$1.2m</b>	<b>Infrastructure</b> <b>\$2.48m</b>	<b>Customer Service</b> <b>\$75k</b>	<b>Relationships</b> <b>\$270k</b>
Increase General Fund Reserves by \$500,000  Workers Compensation Deficit \$500,000  Apply \$200,000 to Assessment District Deficit	\$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	\$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
<b><u>Undesignated Measure K Fund Balance = \$875,000</u></b>			

- ▶ While Council informally directed staff to move forward with the overall Measure K Spending Plan, it was agreed that any future proposed project that seeks to utilize Measure K funding will be reviewed and formally approved by City Council.

# MEASURE K

As part of this third quarter budget proposal, staff would like to present the following Measure K Financial Management and Infrastructure appropriations for City Council's consideration for formal approval:

- ▶ Financial Management Appropriations:
  - ▶ Increase General Fund Reserves = \$500,000
  - ▶ Apply funds towards the City Worker's Compensation Fund Deficit = \$500,000
  - ▶ Apply funds towards the City's Assessment District Fund Deficit = \$200,000
  
- ▶ Infrastructure Appropriations (Park Improvements):
  - ▶ Appropriate \$20,000 for Batting Cages at Barney Glenn Field
  - ▶ ADA Transition Plan for \$105,000 (Approved in October 2020)



# NEXT STEPS

- ▶ Staff will continue to monitor the budget closely. If additional adjustments are needed through the end of the year, staff will return to City Council with an additional budget update.
- ▶ Staff will begin developing the FY 2021-23 Two-Year Budget.
  - ▶ Study sessions will be held in May and June.
  - ▶ Formal budget adoption will be held in June.

QUESTIONS?