



# FY 2021-22 Budget Update

City Council Meeting  
October 19, 2021

# PURPOSE

The purpose of this budget update is to:

- Provide City Council with a preliminary financial update for FY 2020-21 based on pre-audit numbers.
- Present FY 2021-22 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:
  - American Rescue Plan Act (ARPA) Update
  - PERS Unfunded Accrued Liability (UAL) Update

# FY 2020-21 GENERAL FUND OVERVIEW

- Good News! Based on initial projections, we expect to close the year with a \$2.03M surplus.
  - Staff is proposing to set aside \$582K of this amount in the Section 115 Trust, which would result in a \$1.45M net surplus.
- The budget surplus is due to both expenditure savings and revenues exceeding the budget.
- The General Fund's big ticket revenues (i.e., property tax, sales tax, and hotel tax) all exceeded budget expectations.
- FY 2020-21 information is based on pre-audited numbers. Our next quarterly update will include final post-audit numbers.

# FY 2020-21 GENERAL FUND OVERVIEW

General Fund Item	FY 2020-21 Revised Budget	FY 2020-21 Estimated Actuals (Pre-Audit)	FY 2020-21 Difference (Pre-Audit)
Revenues (Includes Transfers In)	\$41,526,447	\$44,037,878	\$2,511,431
Expenditures (Includes Transfers Out)	<u>\$42,189,648</u>	<u>\$41,999,041</u>	<u>\$ 190,607</u>
Net General Fund Surplus/(Deficit)	<u>(\$663,201)</u>	<u>\$2,038,837</u>	
Less: Funds to be Set Aside in the Section 115 Trust in FY 2021-22		<u>(\$582,000)</u>	
Net General Fund Surplus/(Deficit)		<u>\$1,456,837</u>	

# FY 2020-21 GENERAL FUND REVENUE

General Fund Revenue Category	FY 2020-21 Revised Budget	FY 2020-21 Estimated Actuals (Pre-Audit)	FY 2020-21 Difference (Pre-Audit)
Property Tax	\$13,999,639	\$14,326,182	\$326,543
Sales Tax	\$10,919,226	\$11,793,628	\$874,402
Transient Occupancy Tax (TOT)	\$1,238,372	\$1,348,387	\$110,015
Other Taxes	\$2,113,494	\$2,367,973	\$254,479
All Other Revenues (Includes Transfers In)	<u>\$13,255,716</u>	<u>\$14,201,708</u>	<u>\$945,992</u>
Total	<u>\$41,526,447</u>	<u>\$44,037,878</u>	<u>\$2,511,431</u>

# GENERAL FUND KEY REVENUE OVERVIEW

Property Tax	<ul style="list-style-type: none"><li>• Continues to be strong and reliable.</li><li>• FY 2020-21 actuals exceeded the budget by \$326,543.</li><li>• No budget adjustment is being proposed for Fiscal Year 2021-22.</li></ul>
Sales Tax	<ul style="list-style-type: none"><li>• Showed the most positive growth.</li><li>• FY 2020-21 actuals exceeded the budget by \$874,402.</li><li>• A budget adjustment of \$896,961 is being proposed for FY 2021-22 (2% of FY 2020-21 actuals).</li></ul>
Transient Occupancy Tax (TOT)	<ul style="list-style-type: none"><li>• Is showing moderate growth.</li><li>• FY 2020-21 actuals exceeded the budget by \$110,015.</li><li>• No budget adjustment is being proposed for Fiscal Year 2021-22.</li></ul>

# GENERAL FUND OTHER REVENUES OVERVIEW

- This category includes charges for services, user fees, franchise fees, interest earnings, licenses and permits, Residual Redevelopment Property Tax revenue, transfers in, and other various revenues.
- FY 2020-21 revenues are estimated to be \$945,992 more than budget.
  - Redevelopment Residual Property Tax Revenue makes up \$582K of this amount.
- FY 2021-22 Budget Adjustment: Staff is proposing a positive increase of \$121,500 for several revenues, including Fire System Permit Fees and other various revenue adjustments.

# GENERAL FUND EXPENDITURES & ENDING FINANCIAL POSITION

- Staff reviewed expenditure budgets and actuals are tracking to budget for most expenditures for FY 2021-22.
- A net increase of \$76,768 is being proposed for the General Fund, which includes increases for membership costs, operational supplies, Lucinda Garcia Park Groundbreaking event supplies, and several other M&O- related supplies.
- Staff will continue to monitor expenditures closely and will pursue savings, whenever possible.
- Given the proposed adjustments, the General Fund is expected to close the year in FY 2021-22 with a \$10,800 surplus. The original budget proposed a deficit of \$376,189.



# GENERAL FUND ENDING FINANCIAL POSITION (FY 2021-22)

General Fund Budget Item	Amount (\$)
FY 2021-22 GF Beginning Deficit (Approved June 15, 2021) <i>(Note: This amount includes \$495,000 set aside in the Section 115 Trust)</i>	(\$376,189)
FY 2021-22 Proposed Adjustments To Revenues	\$1,018,461
FY 2021-22 Proposed Adjustments To Expenditures	(\$76,768)
FY 2021-22 Other Adjustments During the Year	<u>\$27,296</u>
Net FY 2021-22 General Fund Surplus/(Deficit)	\$592,800
Less: Set Aside Excess FY 2020-21 Redevelopment Residual Property Tax Revenue in the Section 115 Trust	<u>(\$582,000)</u>
Net FY 2021-22 General Fund Surplus/(Deficit)	<u>\$10,800</u>

Table C in Agenda Report

# MEASURE K

- Measure K revenues also outperformed budget expectations for FY 2020-21.
- FY 2020-21 revenues of \$6,140,627 were \$582,627 more than the budget of \$5,558,000.
- FY 2021-22 Budget Adjustment: Staff is proposing a positive increase of \$799,000 for a total budget of \$6,114,000.
- Community outreach efforts to solicit feedback regarding potential spending options are currently underway, and staff will return to City Council in December or January with the results. The goal is to approve a Spending Plan that can be incorporated into the next fiscal budget.

# AMERICAN RESCUE PLAN ACT OF 2021 (ARPA)

- ARPA was signed into law on March 11, 2021.
- \$8.68 million in ARPA funding was awarded to the City of Monrovia. \$4.34 million was received in July 2021, and the remaining \$4.34 million will be received in July 2022.
- Covered Period:
  - March 3, 2021 – December 31, 2024
- Costs Must Be :
  - Obligated by December 31, 2024
  - Expended by December 31, 2026



# ARPA

- ARPA Final Guidance
  - The United States Department of the Treasury issued Interim Guidance in May 2021.
  - Public comments were due on July 16, and the U.S. Treasury is currently undergoing the review process.
  - A date for the Final Guidance has not been announced, so the City is still waiting for the final U.S. Treasury rules to be issued.
- Reporting Requirements:
  - The first ARPA report is due April 30, 2022. This date was extended from October 31, 2021.
  - Annual reporting is due thereafter.

# ARPA

There are four main spending categories:

- ✓ Category # 1: Support public health response & address negative economic impacts
  - Category #2: Premium pay for eligible workers
- ✓ Category #3: Provide government services to the extent of revenue loss
- ✓ Category #4: Invest in water, sewer, and broadband infrastructure

# ARPA

## Funds Cannot Be Used For:

- Pension Deposits
- Offsetting a reduction in net tax revenue caused by a change in law, regulation, or administrative interpretations.
- The non-federal match for other federal programs.
- Generally, may not use funds directly to service debt, satisfy a judgement or settlement, or contribute to a rainy day fund.

# ARPA

The Government Finance Officers Association (GFOA) has issued ARPA Fund Guiding Principles, which include the guiding principle of using funds for one-time costs and not ongoing costs. Some general principles include:

- Due to the temporary nature of the funds, care should be taken to avoid creating new programs.
- Use of ARPA funds to cover operating deficits due to COVID should be considered temporary.
- If funds are used for infrastructure, care should be taken to assess the ongoing costs that may be associated with the project.

# CATEGORY #1

## Public Health & Economic Impacts

Purpose: To respond to the public health emergency or its negative economic impacts.

Examples of Eligible Uses:

- Costs related to mitigating and preventing COVID-19.
- Behavioral healthcare needs.
- Investments in parks and public outdoor spaces in disproportionately impacted communities.
- Payroll/Benefits for workers providing direct response/mitigation for COVID-19.
- Aid to impacted industries, such as tourism, travel, and hospitality.
- Assistance to households, small businesses, and non-profits experiencing economic hardship from the pandemic.
- Rehiring state and local government staff to pre-pandemic levels.



# CATEGORY #2

## Premium Pay

Purpose: To assist workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.

Examples of Eligible Uses:

- Provide premium pay for essential workers during the COVID-19 public health emergency.
  - Must be for in-person work, and cannot include premium pay for working remotely.

# CATEGORY #3

## Revenue Loss

Purpose: To provide government services to the extent of the reduction in revenue due to the COVID-19 public health emergency.

The revenue loss calculation is based on the U.S. Treasury's formula, which, for the City of Monrovia, uses FY 2018-19 as the base year and allows for the greater of a 4.1% growth adjustment or the City's average annual revenue growth for the 3 years prior to COVID-19. Based on initial calculations, the City of Monrovia will use a 4.1% growth adjustment.

### Examples of Eligible Uses:

- To provide Police, Fire, and other public safety services.
- To pay for maintenance or infrastructure, including roads.
- To pay for the modernization of cybersecurity.
- Other government services.

# CATEGORY #3

## Revenue Loss

- Based on staff's review, this category is the least restrictive and offers the most flexibility. Funds can be used for government services, such as Police and Fire, which then frees up General Fund dollars to be used elsewhere.
- Staff is still waiting for the U.S. Treasury's Final Guidance, but initial calculations appear to demonstrate a revenue loss of approximately \$1.5M for the first calculation period of 12/31/20.
  - \$1.1M and \$1.0M has been included in the FY 2021-22 and FY 2022-23 Budgets, respectively.

Additional calculation periods are as follows:

- 12/31/21
- 12/31/22
- 12/31/23

# CATEGORY #4

## Water, Sewer, & Broadband Infrastructure

Purpose: To make necessary investments in water, sewer, and broadband infrastructure.

Examples of Eligible Uses:

- Water/Sewer/Storm Drains:
  - Projects can include building or upgrading facilities and transmission, distribution, and storage.
  - Uses should be aligned with the Environmental Protection Agency's Clean Water State Revolving Fund and Drinking Water State Revolving Fund.
- Broadband:
  - Build broadband infrastructure with modern technologies in mind, specifically projects that deliver services offering:
    - Reliable 100 Mbps download and 100 Mbps upload speeds, unless impractical due to topography, geography, or financial cost.

# ARPA

## Next Steps:

- Staff will wait for Final Guidance to be issued by the U.S. Treasury. Once received, an update and funding plan options will be provided to City Council.
- Funding Objective: Identify areas with most flexibility, usefulness, and with the least amount of strings attached.

# PERS UAL UPDATE

- Based on the most recent PERS actuarial reports received in July 2021, the City's estimated UAL at 6/30/22 is \$24.53M.
  - This amount does not include the positive 21.3% investment return for Fiscal Year 2020-21 yet. This positive return will have a significant impact in next year's valuation report and should significantly reduce the future UAL balance.
- Staff is proposing to set aside \$582,000 in excess Redevelopment Residual Property Tax Revenue from Fiscal Year 2020-21 for the Section 115 Trust.
- For Fiscal Year 2021-22, \$495,000 is already budgeted. With the addition of the \$582,000, this would result in a total contribution of \$1,077,000 for Fiscal Year 2021-22.
- Staff will continue to monitor the situation.



# 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 2021 quarter. If an earlier update is needed, staff will return prior to that time.

# Questions?



# Thank you!