



FY 2021-22

Mid-Year Budget Update

CITY COUNCIL MEETING

FEBRUARY 15, 2022

PURPOSE

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

- ▶ Provide City Council with a post-audit summary review of the General Fund for FY 2020-21.
- ▶ Provide updated budget estimates for FY 2021-22, and present proposed budget adjustments for City Council's consideration to better align the FY 2021-22 budget with staff's latest estimates.
- ▶ Provide City Council with an update on several other important items of discussion:
 - ▶ American Rescue Plan Act (ARPA)
 - ▶ Personnel Adjustments



FY 2020-21 General Fund Post-Audit Summary

FY 2020-21 GENERAL FUND OVERVIEW

- ▶ The FY 2020-21 audit is complete and the ACFR has been finalized. The General Fund closed the year with a surplus of \$2.67M!
 - ▶ Based on original estimates, the General Fund was originally expected to close the year with a deficit of (\$163,201).
- ▶ The budget surplus is due to both expenditure savings and revenues exceeding the budget.
 - ▶ City Council's ability to make quick and decisive adjustments helped to keep the City in a good financial position.
 - ▶ Additionally, staff's diligence in managing costs also contributed to overall savings.
 - ▶ Sales tax, hotel tax, and Redevelopment Residual Property Tax all exceeded budget.

FY 2020-21 GENERAL FUND OVERVIEW

General Fund Item	FY 2020-21 Revised Budget	FY 2020-21 Actuals (Post-Audit)	FY 2020-21 Difference (Post-Audit)
Revenues (Includes Transfers In)	\$41,526,447	\$43,943,461	\$2,417,014
Expenditures (Includes Transfers Out)	<u>\$41,689,648</u>	<u>\$41,264,821</u>	<u>\$ 424,827</u>
Net General Fund Surplus/(Deficit)	<u>(\$163,201)</u>	<u>\$2,678,640</u>	<u>\$2,841,841</u>
Less: Funds To Be Set-Aside in the Section 115 Trust in FY 2020-21	<u>(\$500,000)</u>	<u>(\$500,000)</u>	<u>\$0</u>
Net General Fund Surplus/(Deficit)	<u>(\$663,201)</u>	<u>\$2,178,640</u>	<u>\$2,841,841</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>\$1,596,640</u>	

FY 2020-21 GENERAL FUND REVENUE

General Fund Revenue Category	FY 2020-21 Revised Budget	FY 2020-21 Actuals (Post-Audit)	FY 2020-21 Difference (Post-Audit)
Property Tax	\$13,999,639	\$14,473,101	\$473,462
Sales Tax	\$10,919,226	\$11,793,628	\$874,402
Transient Occupancy Tax (TOT)	\$1,238,372	\$1,348,381	\$110,009
Other Taxes	\$2,113,494	\$2,533,432	\$419,938
All Other Revenues (Includes Transfers In)	<u>\$13,255,716</u>	<u>\$13,794,919</u>	<u>\$539,203</u>
Total	<u>\$41,526,447</u>	<u>\$43,943,461</u>	<u>\$2,417,014</u>

FY 2020-21 GENERAL FUND EXPENDITURES

General Fund Expenditure Category	FY 2020-21 Revised Budget	FY 2020-21 Actuals (Post-Audit)	FY 2020-21 Difference (Post-Audit)
Personnel	\$28,932,645	\$29,015,969	(\$83,324)
Maintenance and Operations	\$9,790,770	\$9,375,650	\$415,120
Transfers Out and Other	<u>\$2,966,233</u>	<u>\$2,873,202</u>	<u>\$93,031</u>
Total	<u>\$41,689,648</u>	<u>\$41,264,821</u>	<u>\$424,827</u>



FY 2021-22 Budget Review

GENERAL FUND

KEY REVENUE OVERVIEW

<p>Property Tax</p>	<ul style="list-style-type: none"> • Continues to be strong, predictable, and stable. • FY 2020-21 actuals exceeded the budget by \$473,462. • No budget adjustment is being proposed for Fiscal Year 2021-22.
<p>Sales Tax</p>	<ul style="list-style-type: none"> • Showed the most positive growth. • FY 2020-21 actuals exceeded the budget by \$874,402. • A budget adjustment of \$301,000 is being proposed for FY 2021-22 (4.3% increase over FY 2020-21 actuals).
<p>Transient Occupancy Tax (TOT)</p>	<ul style="list-style-type: none"> • Is showing moderate growth. • FY 2020-21 actuals exceeded the budget by \$110,015. • No budget adjustment is being proposed for Fiscal Year 2021-22. • Staff will continue to closely monitor this revenue.

GENERAL FUND OTHER REVENUES OVERVIEW

- ▶ This category includes charges for services, Residual Redevelopment Property Tax revenue, user fees, interest earnings, licenses and permits, transfers in, and other various revenues.
- ▶ FY 2020-21 revenues were \$539,203 more than budget.
- ▶ Due to the recent surge in the Omicron variant and the recent rainstorms in December 2021 that caused severe damage to Canyon Park, some revenues will be adjusted downward for FY 2021-22:
 - ▶ A total net decrease of \$163,704 (does not include \$93,000 below) in Recreation revenues is being proposed.
 - ▶ A decrease of \$93,000 in Canyon Park Admission fees is being proposed, due to the closure of the park.
 - ▶ However, in 2021, the City purchased “business income” insurance for Canyon Park revenues for \$200,000. This means that the City will receive a check to offset revenue loss through an insurance claim.
- ▶ A detailed listing of the line item budget adjustments is attached to the agenda report.

GENERAL FUND EXPENDITURES OVERVIEW

- ▶ Staff reviewed expenditure budgets, and actuals are tracking to budget for most expenditures for FY 2021-22.
- ▶ All General Fund expenditures were reviewed by the operating departments, and a net increase of \$163,785 in General Fund expenditures is being proposed, which includes increases for items such as legal fees, office supplies, tools and equipment, ammunition costs, software costs, as well as a variety of other costs.
- ▶ 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 \$1.47M surplus (before contributions to the Section 115 Trust). The original budget proposed a surplus of \$618K.
- ▶ A detailed listing of the line item budget adjustments is attached to the agenda report.

GENERAL FUND

SECTION 115 TRUST CONTRIBUTION

- ▶ In December 2021, the City closed escrow for the properties located at 1528 and 1532 South Primrose Ave. The sale resulted in gross proceeds of \$1.69M.
- ▶ With this one-time influx of cash, staff proposes to set aside these one-time funds in the City's Section 115 Trust.
- ▶ The Section 115 Trust is currently averaging 5% in investment earnings, while the City's General Fund is earning less than 1%.
- ▶ The Section 115 Trust is part of the General Fund, so investments in the 115 Trust are part of General Fund Reserves. However, funds are restricted for use for OPEB and pension liabilities.
- ▶ Since the General Fund will likely be impacted by increasing CalPERS Unfunded Actuarial Liability (UAL) payments in the upcoming years, setting aside funds will help address these growing liabilities.

GENERAL FUND ENDING FINANCIAL POSITION (FY 2021-22)

General Fund Budget Item	Amount (\$)
FY 2021-22 Budgeted Revenues <i>(includes mid-year adjustments)</i>	\$45,944,039
FY 2021-22 Budgeted Expenditures <i>(includes mid-year adjustments)</i>	<u>(\$44,465,853)</u>
Net FY 2021-22 General Fund Surplus/(Deficit)	\$1,478,186
Less: Approved Set-Aside in the Section 115 Trust <i>(previously approved by City Council)</i>	(\$1,077,000)
Less: Additional Proposed Set-Aside of Land Sale Proceeds	<u>(\$1,690,000)</u>
FY 2021-22 Net Remaining Surplus/(Deficit)	<u>(\$1,288,814)</u>

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 \$595,000 for a total budget of \$6,709,000.
- ▶ No new expenditures for Measure K are proposed at this time. Spending Plan discussions are being held during the Measure K Study Session and subsequent meetings.

OTHER FUNDS

- ▶ A review of the City's other funds was performed and proposed adjustments to revenues and expenditures are being presented for consideration.
 - ▶ These adjustments are recommended to the City's Other Funds in order to better align the budget with updated estimates.
- ▶ A total net increase of \$6,952 in non-General Fund-related revenues is being proposed, and a total net increase of \$96,066 in non-General Fund-related expenditures is being proposed.
- ▶ A detailed listing of the line items is attached to the agenda report, which includes both increases and decreases in the various operating department budgets.

AMERICAN RESCUE PLAN ACT OF 2021 (ARPA)

- ▶ ARPA was signed into law on March 11, 2021 and provides \$350 billion in funding for state and local governments.
- ▶ \$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 (The US Treasury) issued Final Guidance in January 2022.
- ▶ Good News! The Final Guidance provides additional clarification and incorporates additional flexibility and ease for the use of funds.
- ▶ The Final Guidance becomes effective April 1, 2022, but early implementation is allowed.

- ▶ 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

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 – Guiding Principles

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 #3

Revenue Loss

- ▶ Based on staff's review, Category #3 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.
- ▶ The Final Guidance offers promising news regarding the Revenue Loss Category. The Guidance no longer requires the very complex calculation originally required to determine the amount of funds that are eligible under this category. Under the new rules, up to \$10M can be used under this category without requiring the calculation. Based on previous calculations, it was estimated that approximately \$1.5M could be used per year.
- ▶ The overall goal for ARPA is to use funds in the areas with most flexibility, with a focus on trying to “de-federalize” ARPA dollars as much as possible.
- ▶ A budget of \$1.1M and \$1.0M have been included in the FY 2021-22 and FY 2022-23 Budgets, respectively.

ARPA

Next Steps:

- ▶ Staff will pursue Category #3 Revenue Loss and will follow any guidelines required by the US Treasury.
- ▶ Staff will provide City Council with an update during the FY 2022-23 Budget Update.

PERSONNEL ADJUSTMENTS

- ▶ To ensure a balanced budget, vacant positions were frozen as a cost savings measure during last several years. This ensured fiscal sustainability while the City weathered the impacts of the pandemic.
 - ▶ Positions remained frozen during the past two fiscal years and contributed to cost savings during the pandemic when revenues were falling.
- ▶ As revenues continue to demonstrate stability and growth, there is a desire to fill 5 frozen positions. This will also allow us to offer more programs, services and enhancements to City services. This mid-year budget proposal seeks to fill the following positions:
 - ▶ 3 Recreation Coordinators (Community Services Department)
 - ▶ 1 Administrative Assistant (Fire Department)
 - ▶ 1 Assistant to the City Manager (City Manager's Office)

PERSONNEL ADJUSTMENTS

- ▶ Based on the time needed for these recruitments, filling these vacancies could begin as early as May 2022.
- ▶ In addition, the mid-year budget includes a proposal to promote a current Senior Management Analyst position to a Human Resources Officer position to more appropriately align the job classification to reflect current job duties performed by the position.
- ▶ The estimated cost for these proposed personnel adjustments for FY 2021-22 is \$87,626.
- ▶ Finally, a clerical correction has been included on the Authorized Position Listing to include 2 positions that were inadvertently removed from the schedule in a prior version. These positions were included in the original FY 2021-23 Budget.

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 2022 quarter. If an earlier update is needed, staff will return prior to that time.
- ▶ Staff will begin developing the FY 2022-23 budget update.

QUESTIONS?



Thank you!