



FY 2021-22
Budget Update

CITY COUNCIL MEETING

MAY 3, 2022

PURPOSE

The purpose of this quarterly budget update is to:

- ▶ Provide City Council with a high-level overview of the City's finances at March 31, 2022.
- ▶ Present proposed budget adjustments for City Council's consideration to better align the FY 2021-22 budget with staff's latest estimates.
 - ▶ A detailed listing of adjustments is included as Attachment A to Resolution 2022-24.
- ▶ Provide City Council with an update on other budgetary items for discussion.

FINANCIAL OVERVIEW

The City's finances remain strong and continue to improve as we emerge from the pandemic :

- ▶ While some revenues are still impacted by COVID activity, many have rebounded and are nearing or exceeding pre-pandemic levels.
- ▶ At this point, inflation has had only minor impacts on our finances for Fiscal Year 2021-22; however, it is anticipated that growing inflation will impact next year's budget, as the City will need to renew contracts that expire this fiscal year.
- ▶ Overall, staff has been able to hold line with operational budgets. We are in a strong position, due to City Council's and staff's continued diligence.
- ▶ While there is still some uncertainty in the economy (e.g., inflationary levels at highs not seen in years), at this time, the overall outlook is cautiously optimistic.

FINANCIAL OVERVIEW (continued)

Staff has reviewed revenues and expenditures through the third quarter of Fiscal Year 2021-22. This evening's proposal includes adjustments that will better align the budget with expectations through the end of the fiscal year.

- ▶ Ongoing quarterly updates during the year have allowed for constant monitoring and easy assessment of our finances throughout the year. Because budget adjustments were made in October 2021 and February 2022, only minimal catch-up adjustments are being proposed at this time.
- ▶ As always, each quarterly budget proposal incorporates a conservative approach to both revenue and expenditures budgets.
- ▶ While this is expected to be the last quarterly budget update for Fiscal Year 2021-22, staff will keep City Council apprised of important budget considerations and will return with adjustments, if needed.



FY 2021-22 Budget Review

GENERAL FUND OVERVIEW

- ▶ The General Fund is in a strong financial position.
- ▶ Total proposed revenue adjustments = \$4,084,642
- ▶ Total proposed expenditure adjustments = \$186,648
- ▶ Given the proposed adjustments, the General Fund is expected to close the year in FY 2021-22 with a \$2.87M surplus (before contributions to the Section 115 Trust).

GENERAL FUND KEY REVENUE OVERVIEW

Property Tax	Sales Tax	Transient Occupancy Tax (TOT)
<ul style="list-style-type: none"> • Tracking on budget. • Strong, predictable, and stable. • No budget adjustment is being proposed for Fiscal Year 2021-22. • FY 2021-22 Budget = \$14.87M 	<ul style="list-style-type: none"> • Continues to show positive growth. • A budget adjustment of \$373,052 is being proposed for FY 2021-22. • FY 2021-22 Budget = \$12.68M 	<ul style="list-style-type: none"> • Showing moderate growth. • Still some uncertainty with this revenue source. • Staff will continue to closely monitor this revenue. • No budget adjustment is being proposed for Fiscal Year 2021-22. • FY 2021-22 Budget = \$1.62M

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.
- ▶ An increase of \$60,000 in administrative cost allowance revenues is being proposed. This is the revenue that the Successor Agency receives for performing its duties for the former Monrovia Redevelopment Agency. Total revenue for this item is \$250,000.
- ▶ A cumulative decrease of \$11,986 in Library revenues is being proposed. Most decreases are attributed to the lingering impacts of the pandemic, which have resulted in a reduction in patron activity.

GENERAL FUND EXPENDITURES OVERVIEW

- ▶ As part of this quarterly budget review, staff analyzed actual expenditures to-date and compared these numbers to the budget.
- ▶ This review included:
 - ▶ An analysis of expectations through the end of the year, taking into account any remaining additional possible impacts from COVID-19 (e.g., possible continued reduced community participation due to COVID-19, etc.).
 - ▶ A review of future staffing and operational needs through the end of the year.
 - ▶ Based on that review, expenditure budgets and actuals are tracking to budget for most expenditures for FY 2021-22.
- ▶ A net increase of \$186,648 in General Fund expenditures is being proposed, which includes increases for items such as training, staff development, overtime, office supplies, electricity, and a variety of other costs.

GENERAL FUND EXPENDITURES OVERVIEW

There are several other funds combined with the General Fund on the City's Annual Comprehensive Financial Report (ACFR).

Development Services Fund:

- ▶ The Development Services Fund includes a net favorable increase of \$181,419. This includes a net increase of \$402,919 in various building and planning-related revenues and a net increase of \$221,500 in expenditures.

Emergency Fund

- ▶ The Emergency Fund houses emergency event costs for COVID-19, the Bobcat Fire, and the Canyon Park December Rainstorm event.
- ▶ A net increase of \$1,043,805 in revenue is being proposed based on updated estimates.
- ▶ A net increase in expenditures of \$108,601 is also being proposed.

GENERAL FUND

SECTION 115 TRUST CONTRIBUTION

- ▶ An increase of \$856,445 in RPTTF Revenue is being proposed, based on updated estimates received from the LA County Auditor Controller.
- ▶ In compliance with the City's CalPERS UAL and Unfunded OPEB Policy, funds received for this revenue source are designated to be set aside in the City's Section 115 Trust. As such, a transfer of funds totaling \$855,000 is included on Attachment A.
- ▶ 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.
- ▶ With this \$855,000 contribution, a total of \$3,622,000 will be set aside in the trust for this fiscal year. A breakdown of that amount can be found on the next slide.

GENERAL FUND SECTION 115 TRUST CONTRIBUTION (FY 2021-22)

Source of Section 115 Trust Deposits in FY 2021-22	Amount
RPTTF Revenues – Original Budget	\$495,000
RPTTF Revenues – Q1 Adjustment	\$582,000
One-Time Land Sale – Q2 Adjustment	\$1,690,000
RPTTF Revenues – Q3 Adjustment	<u>\$855,000</u>
Total Deposited for Fiscal Year 2021-22	<u>\$3,622,000</u>

GENERAL FUND ENDING FINANCIAL POSITION (FY 2021-22)

General Fund Budget Item	Amount (\$)
FY 2021-22 Budgeted Revenues (includes third quarter adjustments)	\$50,028,681
FY 2021-22 Budgeted Expenditures (includes third quarter adjustments)	<u>(\$47,152,501)</u>
Net FY 2021-22 General Fund Surplus/(Deficit)	\$2,876,180
Less: Funds Set-Aside in the Section 115 Trust (includes \$855,000 for third quarter adjustment)	(\$3,622,000)
FY 2021-22 Net Remaining Surplus/(Deficit)	<u>(\$745,820)</u>

OTHER

- ▶ A review of the City's other funds was performed and minor proposed adjustments to revenues and expenditures are being presented for consideration.
- ▶ A total net increase of \$2,000 in non-General Fund-related revenues is being proposed.
 - ▶ This includes a decrease of \$3,000 in Library grant revenues and an increase of \$5,000 water conservation outreach grant revenues.
- ▶ A total net increase of \$55,600 in non-General Fund-related expenditures is being proposed.
 - ▶ This includes increases in items such as emergency repair costs, water conservation outreach costs, vehicle maintenance costs, and other minor costs.

OTHER (Continued)

ARPA:

- ▶ Funds will be used for Category #3, to provide government services to the extent of revenue loss.
- ▶ A portion of the ARPA Funds (\$1.10M) have already been included in the Fiscal Year 2021-22 Budget, and staff is proposing an additional budget adjustment of \$3.24M to record revenue up to the full amount of the first payment received in July 2021 for this fiscal year.
- ▶ The second payment for \$4.34M is expected to be received in July 2022. Staff will incorporate this payment into the Fiscal Year 2022-23 Budget Update.

Measure K:

- ▶ As part of the initial budget, City Council approved the following items to be funded with Measure K for Fiscal Year 2021-22:
 - ▶ Transfer of \$500K to the Worker's Compensation Fund
 - ▶ Transfer of \$500K to General Fund Reserves
 - ▶ \$159,666 in One-Time Projects (e.g., OnBase and Munis Upgrades, Mitel Phone Improvements, City Hall Wireless Access Points)
- ▶ Based on City Council direction, no additional Measure K Funds have been obligated for Fiscal Year 2021-22 at this time.

OTHER *(Continued)*

Transfers In/Out:

- ▶ Funding the City's Capital Improvement Program (CIP) is a financial priority for current and future City budgets.
- ▶ To help fund future Capital Improvement Program (CIP) costs, a Transfer Out of \$2,500,000 from the General Fund to the Capital Projects Fund is being proposed.
- ▶ This transfer will help to set aside funds in the City's Capital Project Fund to be used for the City's CIP Program in the future.

NEXT STEPS

- ▶ Staff will continue to monitor the budget closely. If additional adjustments are needed, staff will return with a proposal for City Council's consideration.
- ▶ Staff has begun developing the FY 2022-23 Budget. Study Sessions will be held in May 2022, and formal budget approval is planned for June 21, 2022.

QUESTIONS?



Thank you!