



Study Session #2

Fiscal Year 2022-23
Operating Budget & Fees and Charges

*Monrovia City Council
May 17, 2022*



Budget Timeline

Quarterly updates were provided throughout the year, and on May 3, 2022, City Council was provided with a Fiscal Year 2021-22 Quarter 3 Budget Update.

Study Session # 1 – May 3, 2022

Reviewed the Citywide Capital Improvement Program (CIP) and discussed Fiscal Year 2022-23 projects and funding.

Study Session # 2 – May 17, 2022 (tonight!)

Review of the Fiscal Year 2022-23 Operating Budget.

Review of Fiscal Year 2022-23 Fees and Charges.

Budget Adoption – June 21, 2022

Present Fiscal Year 2022-23 budget for City Council's approval.

Purpose

The purpose of this Study Session is to:

- Present a Fiscal Year 2022-23 operating budget proposal for City Council's consideration.
- Review Fiscal Year 2022-23 Fees and Charges.
- Provide City Council with an update on other budgetary items for discussion.
- Seek City Council's direction regarding next steps.

Fiscal Year 2022-23 Budget Objectives

The Fiscal Year 2022-23 budget proposal seeks to incorporate several key budget objectives:

- Addressing infrastructure and maintenance needs by funding the City's Capital Improvement Program (CIP) for Fiscal Year 2022-23.
- Building up General Fund reserve levels to prepare for the future.
- Continuing to address future long term obligations by setting aside funds for CalPERS and OPEB liabilities.
- Seeking outside funding, whenever possible, to help fund special projects and programs.

Financial Overview

- As discussed during our last quarterly budget update, 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.
- Inflationary cost increases will impact Fiscal Year 2022-23. All anticipated increases have been incorporated into the Fiscal Year 2022-23 budget projections.
- 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.

Budget Overview

All City Funds (Excludes CIP)

Fund Type	FY21-22 Revised Budget		FY22-23 Proposed Budget	
	Revenue	Expenditure	Revenue	Expenditure
General Fund	\$50.03 M	\$47.15 M	\$52.48 M	\$52.65 M
General Fund – Other Funds (Dev. Services/Emergency Services/Measure K)	\$13.47 M	\$8.55 M	\$11.19 M	\$5.93 M
Enterprise Funds	\$25.10 M	\$22.88 M	\$23.28 M	\$19.72 M
Special Purpose Funds	\$40.65 M	\$40.05 M	\$35.25 M	\$30.92 M
Internal Service Funds	<u>\$10.14 M</u>	<u>\$11.49 M</u>	<u>\$12.14 M</u>	<u>\$12.47 M</u>
Total Budget	<u>\$139.39 M</u>	<u>\$130.12 M</u>	<u>\$134.34 M</u>	<u>\$121.69 M</u>



General Fund Review



General Fund Review of Fiscal Year 2021-22

<p style="text-align: center;">General Fund Fiscal Year 2021-22 Budget Item</p>	<p style="text-align: center;">Amount (\$)</p>
FY 2021-22 Budgeted Revenues	\$50,028,681
FY 2021-22 Budgeted Expenditures	(<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	(\$3,622,000)
FY 2021-22 Net Remaining Surplus/(Deficit)	<u>(\$745,820)</u>

General Fund Revenues and Expenditures

- Fiscal Year 2022-23 is expected to close with a slight deficit of -\$170K.
- This deficit will be offset by the \$2.8M surplus expected in Fiscal Year 2021-22.
- Staff will closely monitor the City’s financial position over the next year and will return to City Council with adjustments, as necessary, throughout the year during quarterly updates to City Council.

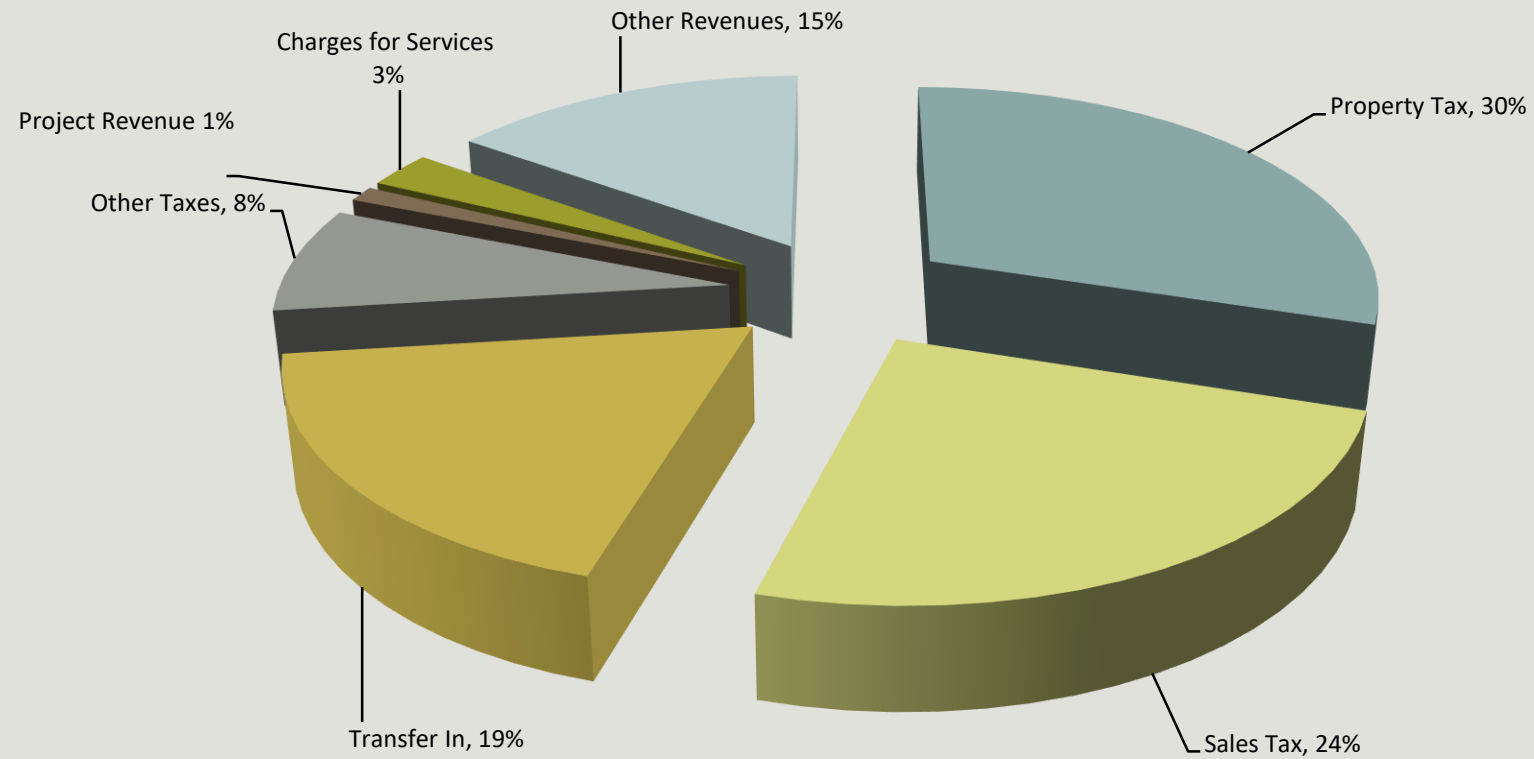
Budget Category	FY 2021-22 Revised Budget	FY 2022-23 Proposed Budget
Revenues	\$ 50.03 M	\$ 52.48 M
Expenditures	<u>\$ 47.15 M</u>	<u>\$ 52.65 M</u>
Net GF Surplus/(Deficit)	\$ 2.88 M	(\$ 0.17 M)
Less: Funds Set-Aside in the Section 115 Trust	<u>(\$3.62 M)</u>	<u>(\$1.00 M)</u>
FY 2021-22 Net Remaining Surplus/(Deficit)	(\$0.74 M)	(\$1.17 M)

General Fund Revenue

General Fund Revenues			
Year-Over-Year Comparison			
Revenue Source	FY 2021-22 Revised Budget	FY 2022-23 Proposed Budget	% Increase / Decrease
Property Tax	14,876,458	15,691,721	5.48%
Sales Tax	12,681,095	12,871,426	1.50%
Transfers In	9,385,090	9,784,801	4.26%
Other Taxes	3,901,475	4,163,828	6.72%
Project Revenues	492,150	611,076	24.16%
Charges for Services	1,319,010	1,444,810	9.54%
Other Revenues	<u>7,373,403</u>	<u>7,915,998</u>	7.36%
TOTAL REVENUES	<u>\$50,028,681</u>	<u>\$52,483,660</u>	4.91%

General Fund Sources of Revenues

FISCAL YEAR 2022-23



Property Tax

FY 2021-22 Revised Budget	FY 2022-23 Proposed Budget	\$ Incr.	% Incr.
\$14,876,458	\$15,691,721	\$815,263	5.48%

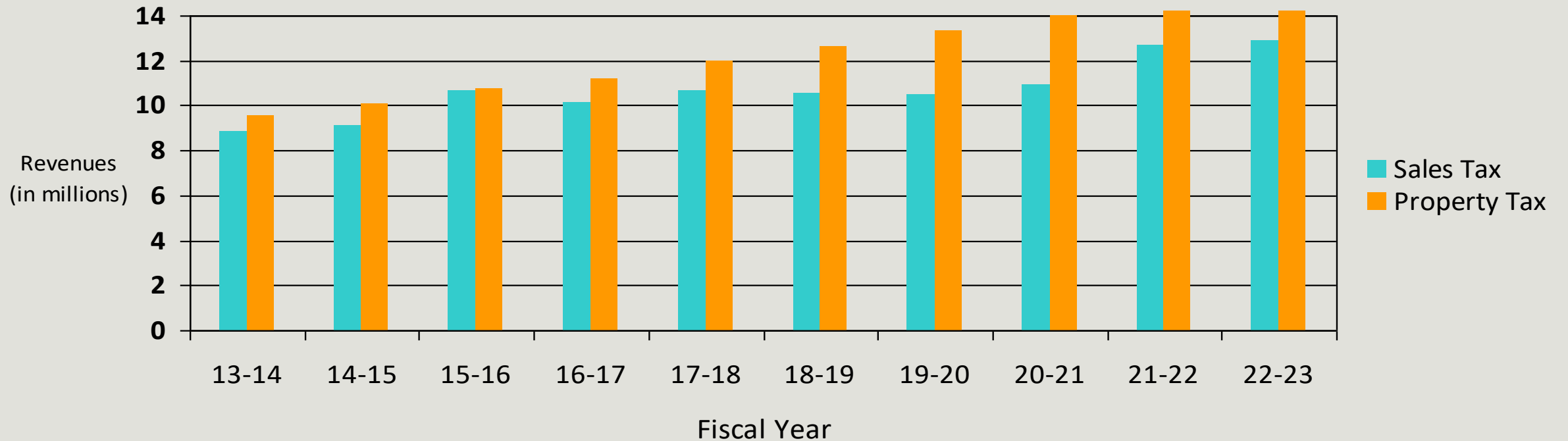
- Property tax revenue makes up 30% of the General Fund revenue.
- Property tax revenue has been historically very stable and has remained strong throughout the pandemic.
- Delinquencies are minimal; therefore, a small delinquency factor has been incorporated into the Fiscal Year 2022-23 projections.
- A growth factor of 5.48% has been incorporated into the Fiscal Year 2022-23 projections, which includes secure, unsecure, and other classifications of property tax revenue.

Sales Tax

FY 2021-22 Revised Budget	FY 2022-23 Proposed Budget	\$ Incr.	% Incr.
\$12,681,095	\$12,871,426	\$190,331	1.50%

- Sales tax continues to be the second largest revenue source in the General Fund, making up 24% of General Fund revenues.
- Sales tax revenues continue to outperform expectations. It was originally expected that sales tax revenue would be severely impacted by the COVID-19 pandemic, but this revenue source has fared much better than expected.
- Monrovia has a diversified tax base, but strong growth in Autos and Transportation and State and County Pool allocations have helped to offset negative impacts in other minor sales tax categories this past year.
- A growth factor of 1.50% has been incorporated into the Fiscal Year 2022-23 projections.

Sales and Property Tax History

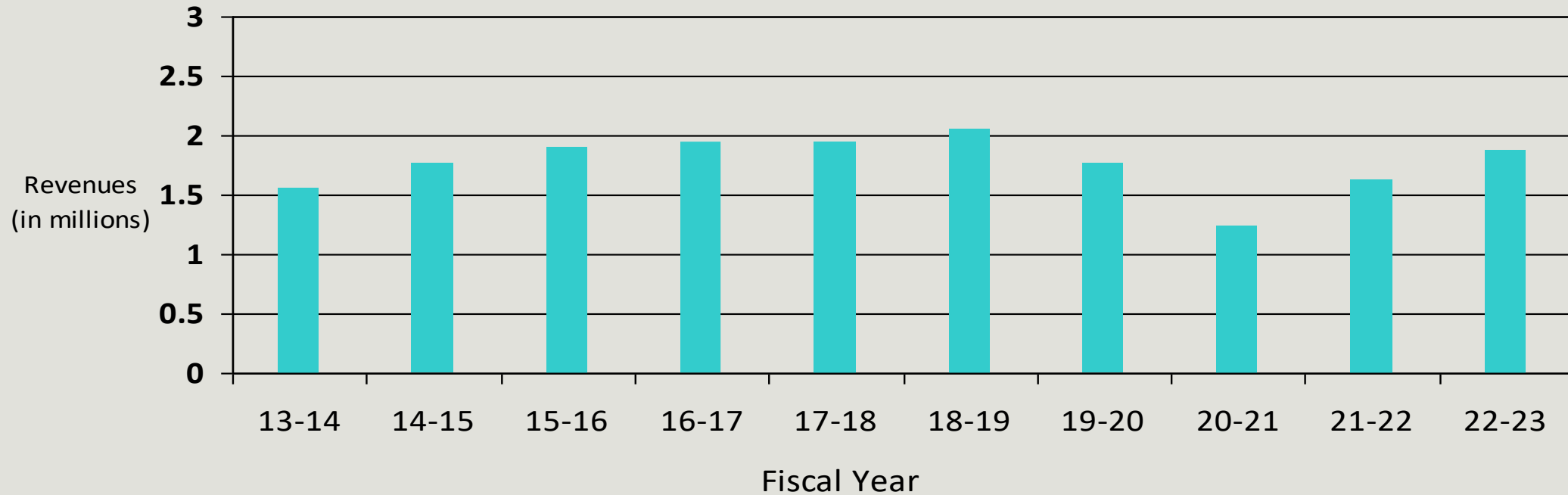


Transient Occupancy Tax (TOT)

FY 2021-22 Proposed Budget	FY 2022-23 Proposed Budget	\$ Incr.	% Incr.
\$1,621,069	\$1,876,828	\$255,759	15.77%

- TOT makes up approximately 3.5% of the General Fund revenues.
- TOT has been the most impacted revenue source in the General Fund. While revenues are not expected to reach pre-pandemic levels until Fiscal Year 2023-24, the outlook is still positive.
- Revenues have been included for Marriott TownPlace Suites (for the fourth quarter of the Fiscal Year).
- Overall, conservative estimates have been incorporated into the Fiscal Year 2022-23 budget.

Transient Occupancy Tax (TOT) History



General Fund Other Revenues

- Most revenue projections include estimates based on post-pandemic activity.
- CPI increase in user fees has been reflected in revenue projection estimates.
- Several one-time revenues have been included in the Fiscal Year 2022-23 budget, as follows:
 - \$570K has been included in Fiscal Year 2022-23 for the repayment of the Richman stipulated judgement, including the repayment of legal fees.
 - American Rescue Plan Act (“ARPA”) funds have been included for the amount of the payment to be received in July 2022 for \$4.34M.
- Overall, a conservative approach to revenue estimates has been incorporated into the Fiscal Year 2022-23 budget. Projections are conservative, yet realistic.

General Fund Expenditures

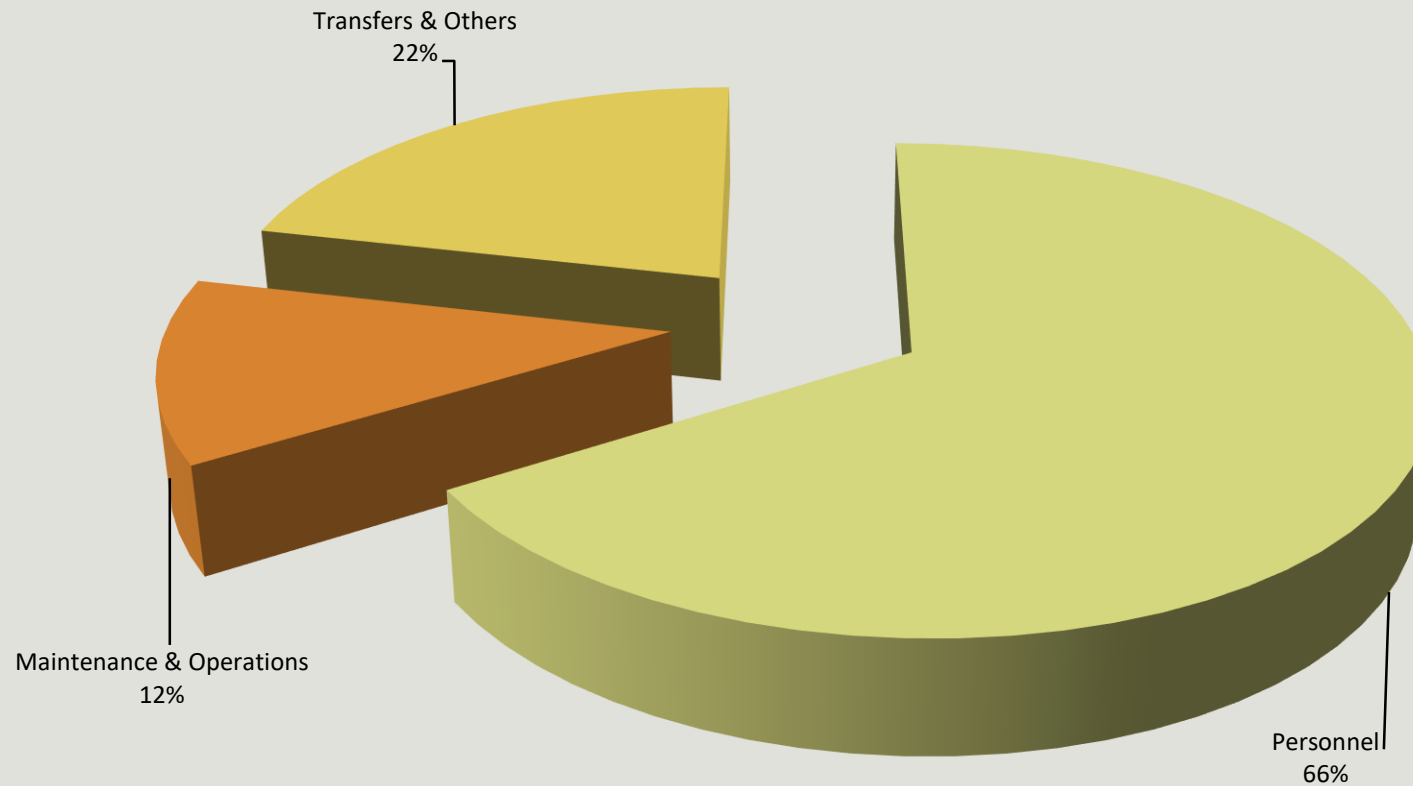
- Inflationary impacts in City vendor contracts have been incorporated into this budget proposal. Increases ranging from 1%-20% are expected in various contracts.
 - Some increases are the result of vendors readjusting contracts after temporarily reducing pricing during COVID. Some increases are due to inflation.
- This budget proposal includes filling previously frozen positions, which returns staffing to pre-COVID levels.
 - A thorough review of operational staffing needs, based on current operations, was performed.
- A thorough review of each operating department's M & O budgetary needs was performed. Each line item was reviewed and evaluated for need and appropriate cost.

General Fund Expenditures By Type

Expenditure Type	FY 2021-22 Revised Budget	FY 2022-23 Proposed Budget	% Increase / Decrease
Personnel Costs	\$31,316,927	\$34,869,811	11.34%
Maintenance & Operations	\$6,780,256	\$6,507,662	-4.02%
Transfers & Other	\$9,055,318	\$11,271,658	24.48%
EXPENDITURES SUBTOTAL	\$47,152,501	\$52,649,130	11.66%
Funds Set Aside for Section 115 Trust	<u>\$3,622,000</u>	<u>\$1,000,000</u>	-72.39%
TOTAL EXPENDITURES & SET ASIDE	<u>\$50,774,501</u>	<u>\$53,649,131</u>	3.69%

General Fund Expenditures By Type

Proposed Budget FY 2022-23:



General Fund Combined Fund View

- Several other funds are part of the General Fund and are presented as one fund on the City's Annual Financial Report. This includes:
 - The Development Services Fund
 - The Emergency Services Fund
 - The Measure K Fund
- When all funds are combined, the General Fund has a positive ending fund balance, and combined revenues exceed expenditures, as seen on the next slide.

General Fund Combined Fund View (excluding CIP)

Fund Type	FY21-22 Revised Budget		FY22-23 Proposed Budget	
	Revenue	Expenditure	Revenue	Expenditure
General Fund	\$50.03 M	\$47.15 M	\$52.48 M	\$52.65 M
General Fund – Development Services	\$4.49 M	\$4.85 M	\$4.72 M	\$4.93 M
General Fund – Emergency Services	\$2.27 M	\$2.54 M	\$0.00 M	\$0.00 M
General Fund – Measure K	<u>\$6.71 M</u>	<u>\$1.16 M</u>	<u>\$6.47 M</u>	<u>\$1.00 M</u>
Total General Fund Budget	<u>\$63.50 M</u>	<u>\$55.70 M</u>	<u>\$63.67 M</u>	<u>\$58.58 M</u>



Other City Funds



Recap of Remaining City Funds

- The City has over 50 other funds (in addition to the General Fund) covering all unrestricted and restricted revenue sources and expenditures.
- Budgeted revenues exceed expenditures for all fund categories, except for the Internal Services Fund category.
 - For the Internal Services Funds, the excess of \$330K in expenditures is a planned use of reserves in the Internal Service Funds. Funds have been set aside in prior years.
- Several other funds warrant discussion for this budgetary cycle, as they are not self sustaining and require subsidies:
 - Lighting and Landscape Assessment District Fund
 - Park Maintenance Assessment District Fund
 - Worker's Compensation Fund

Other City Funds

Revenues and Expenditures (excluding CIP)

Fund Type	FY 2021-22 Revised Budget		FY 2022-23 Proposed Budget	
	Revenue	Expenditure	Revenue	Expenditure
Enterprise Funds	\$25.10 M	\$22.88 M	\$23.28 M	\$19.72 M
Special Purpose Funds	\$40.65 M	\$40.05 M	\$35.25 M	\$30.92 M
Internal Service Funds	<u>\$10.14 M</u>	<u>\$11.49 M</u>	<u>\$12.14 M</u>	<u>\$12.47 M</u>
Total Budget	<u>\$75.89 M</u>	<u>\$74.42 M</u>	<u>\$70.67 M</u>	<u>\$63.11 M</u>

Funds of Concern: Assessment District Funds

Lighting & Landscape District (LLD)

- This District was established in the 1990's.
- The revenue assessment for this District has remained essentially unchanged for over 20 years; however, costs have consistently increased each year (electricity, contract services, related M&O costs).
- The LLD Assessment amount is currently established at \$56.23 per dwelling unit.
- Based on the most recent Engineer's Report conducted for the LLD, the operation is being subsidized by over \$800,000 / year.
- For FY 2022-23, an excess of expenditures over revenues has resulted in an annual deficit of approximately -\$156K.
- A long-term solution for sustainability will need to be identified in the future.

Funds of Concern: Assessment District Funds

Park Maintenance District (PMD)

- This District was established in the 1990's.
- This District allows for an annual CPI increase.
- When the PMD was first formed, the cost was established at \$8.25 per dwelling unit (DU). In 2022 (over 20 years later), the PMD assessment level is currently \$14.05 / DU.
- Based on the most recent Engineer's Report conducted for the PMD, the operation is being subsidized by over \$850,000 / year.
- FY 2022-23 allows for a 5.06% CPI increase, which has helped better sustain the fund. However, in the past five years, CPI ranged from 0.87% - 3.5%, so revenue growth has been minimal.
- *A long-term solution for sustainability will need to be identified in the future.*

Worker's Compensation Fund

- The Worker's Compensation Fund continues to be a fund of concern; however, it's financial position has been improving over the last several years.
- Addressing legacy workers' compensation costs continues to be a priority.
- The City is still working towards paying all tail claims that remained after switching to our new service provider.
- Several transfers (\$500K each) from the Measure K Fund were made and have helped to improve the overall financial position of the fund. Transfers were made in Fiscal Year 2020-21, 2021-22, and 2022-23.
- Once all tail claims are settled, the annual premium costs in the fund are currently within the City's funding capacity.



Measure K



Measure K Budget Review

- Measure K revenues continue to show consistent growth year-over-year. Budgeted revenues for Fiscal Year 2022-23 are \$6,449,000.
- An initial Fiscal Year 2022-23 budget of \$1.085M was approved by City Council in June 2021, which includes:
 - \$500K transfer to the Worker's Compensation Fund – ***Still included in Measure K budget.***
 - \$500K transfer to General Fund Reserves – ***Still included in Measure K budget.***
 - \$85K in annual server replacement and storage are networking (SAN) costs at City Hall. - ***Staff was able to identify alternative funding for this item in the City's Central Services Fund, so these expenditures have been removed from the Measure K budget and have been moved to the Central Services Fund budget.***
- Based on City Council's direction, no additional Measure K Funds have been obligated for Fiscal Year 2022-23 at this time.

Measure K Budget Review

Description	Balance
Estimated Beginning Balance 7-1-22	\$11,273,877
Estimated Revenues	\$6,499,000
Proposed Measure K Expenditures	<u>(\$1,000,000)</u>
Estimated Ending Balance 6-30-23	<u>\$16,772,877</u>



Capital Improvement Program (CIP)



CIP Program

- The CIP Program was developed as a planning tool that formalizes the City's objective to maintain and improve its infrastructure and assets over time.
- During Study Session #1, a review of the City's 2023-2027 CIP Program was presented to City Council.
 - The CIP Program includes funding, totaling \$33.6M, for all CIP projects scheduled for Fiscal Year 2022-23.
- When the formal budget is presented to City Council for approval in June 2022, \$33.6M in CIP project expenditures and funding will be included.



Section 115 Trust



Section 115 Trust

- RPTTF revenues continue to show positive growth each year.
- A conservative estimate of \$1,000,000 in RPTTF revenue has been included in the Fiscal Year 2022-23 Budget.
 - The Successor Agency Bond refinance (2012 and 2013 Bonds) will provide additional revenues that can be transferred to the Trust. Additional revenues are estimated to be approximately \$700K over the next 6 years.
- A corresponding transfer of funds to the Section 115 Trust is being proposed.
 - 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 \$1,000,000 contribution, a total of \$4,622,000 will be set aside in the Trust by the end of FY 22-23. A breakdown of that amount can be found on the next slide.

Section 115 Trust

Source of Section 115 Trust Deposits	Amount
Section 115 Trust Balance at End of FY 2021-22	\$4,122,000
Budgeted RPTTF Revenues – FY 2022-23	\$1,000,000
Section 115 Trust Balance at the End of FY 2022-23	<u>\$5,122,000</u>



Fees and Charges



Fees & Charges Methodology

- Each year, departments conduct a review of key fees that are charged for services:
 - The goal of the fee review is to analyze the extent to which costs are recovered for specific non-general services provided by the City.
 - Based on actual costs, a reasonable and recommended fee schedule is proposed for consideration.
- Fees are typically established either by statute, survey results, and / or a comprehensive service delivery cost analysis.

Fees & Charges Methodology

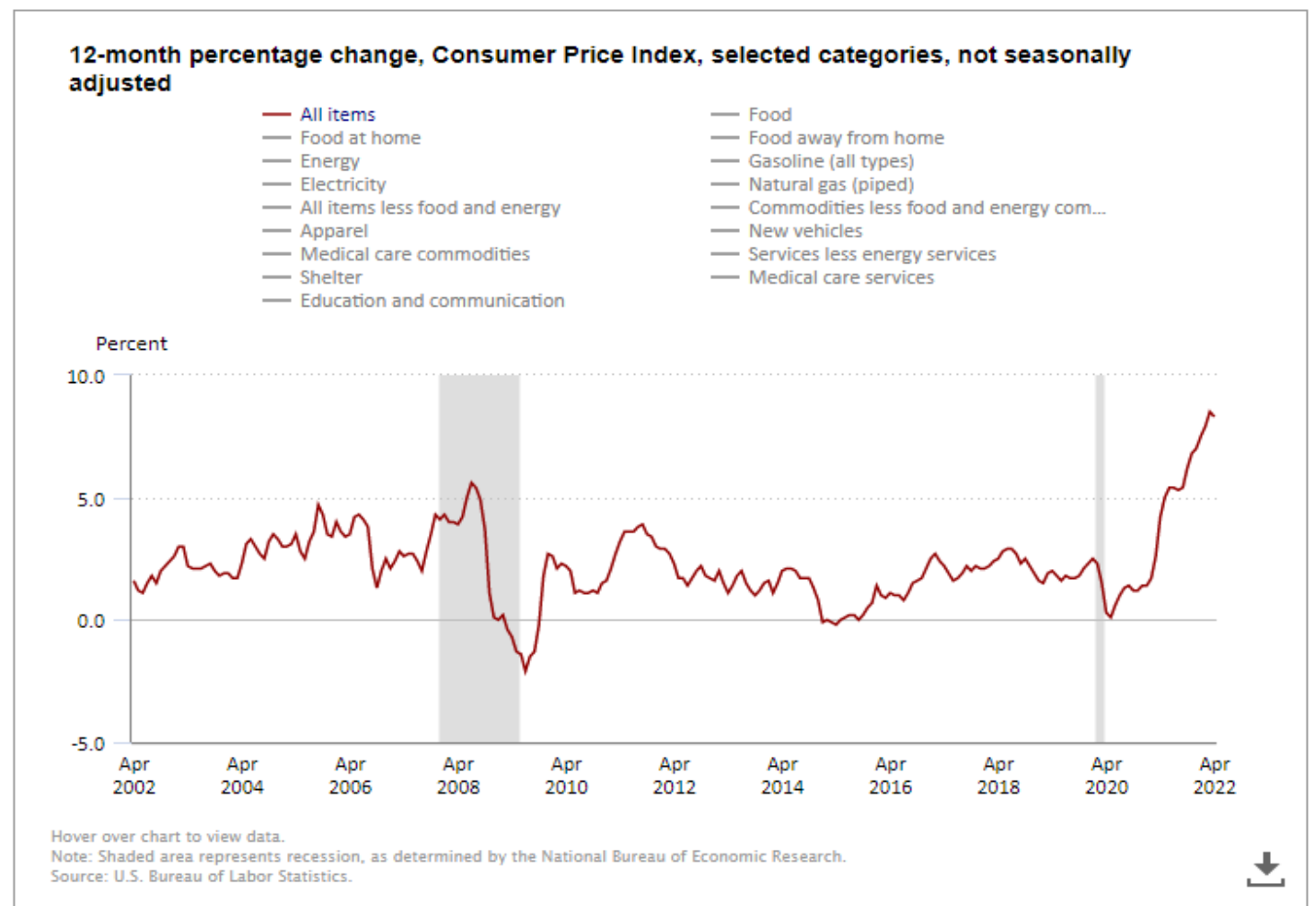
To keep up with the cost of providing services, the City has incorporated a CPI in prior years:

FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
3%	0%	3%	0%	3%

Incorporating a CPI helps fees stay in line with annual inflation and cost of living increases.

Fees & Charges – CPI Impacts

- CPI has been increasing significantly over the past 12 months and is currently at unprecedented levels.
- CPI for April 2022 was 8.3%.
- While preparing the budget for Fiscal Year 2022-23, we are experiencing increases in vendor contracts for the cost of goods and services.
- Staff is proposing a 5% CPI increase for many fees.



Fee Adjustment Summary

- Staff assumed a base 5% increase across-the-board for all fees, and then individually reviewed each fee to determine the applicability of the proposed change.
- Based on our assessment, a summary of the adjustments includes the following:
 - No Change – 35% of all fees (257 fees total)
 - 5% Increase – 60% of all fees (437 fees total)
 - >5% Increase – 1% of all fees (8 fees total)
 - Eliminated – 1% of all fees (7 fees total)
 - New – 1% of all fees (6 fees total)
 - Restructured – 2% of all fees (13 fees total)
- All fee adjustments being proposed are projected to result in approximately \$130K in new revenue collection.
 - As part of our in-depth review, we will be presenting those fees that had a >5% increase, eliminated fees, new fees, and restructured fees.

Fees With >5% Increase

Fee Type	Department	Current Fee	FY 2022-23 Proposed Fees	Proposed \$ Increase	% Increase
Youth Sports Per Session	Recreation	Non Resident / Resident \$72 / \$36	Non Resident / Resident \$100 / \$100	Non Resident / Resident \$28 / \$64	Non Resident / Resident 39% / 178%
Police Crime Verification Letter	Police	\$25	\$28	\$3	12%
Microfilm Reproduction	Police	\$20	\$30	\$10	50%
Covenant Preparation - Residential Unit	Community Development	\$128	\$200	\$72	56%
Negative/Mitigated Negative Declaration (by Applicant)	Community Development	\$5,000	\$7,550	\$2,550	34%
DRC Design Review (decision)	Community Development	\$1,200	\$1,300	\$100	8%
Fire False Alarm Response - 3rd and Subsequent Within 12-month Period	Fire	\$432	\$475	\$43	10%
AB 939 Waste Impact Fee (adjusted by April CPI of 8.1%)	Public Works	\$2.94	\$3.18	\$.24	8.1%

Eliminated Fees

Fee Type	Department	Current Fee
Foothill Transit Bus Pass (Senior/Disabilities Local)	Recreation	Foothill Transit established rate of \$30 with \$9 subsidy from the City
Foothill Transit Bus Pass (Student Local)	Recreation	Foothill Transit established rate of \$40 with \$11 subsidy from the City
Foothill Transit Bus Pass (Adult Local)	Recreation	Foothill Transit established rate \$60 with \$10 subsidy from the City
MTA EZ Senior / Disable	Recreation	MTA established rate of \$42 with \$9 subsidy from the City
MTA Senior 62+ 30 Day Pass	Recreation	MTA established rate of \$20 with \$9 subsidy from the City
MTA College Vocational 30 Day Pass	Recreation	MTA established rate of \$43 with \$11 subsidy from the City
New Years' Eve Child Care (Per Child)	Recreation	Non Resident / Resident \$51 / \$25.50

New Fees

Service Description	New Fee	Comments
<p><u>Community Development:</u></p> <ul style="list-style-type: none"> • Small Cell Wireless Collocation Facilities (SWF) <ul style="list-style-type: none"> • Application for 1-5 installations • Application for each additional installation • New Pole for SWF • SWF Annual ROW Access Fee 	<p>\$500</p> <p>\$100</p> <p>\$1,000</p> <p>\$270</p>	<p>Safe Harbor Fees established by FCC "2018 Ruling and Order"</p>
<p><u>Fire:</u></p> <ul style="list-style-type: none"> • AB-38 Defensible Space Inspections and Compliance Report Fee • Fire -Technology Cost Recovery Fee 	<p>\$60</p> <p>\$7</p>	<p>AB-38 triggers inspections not associated with the annual brush inspection program</p> <p>Per application/permit fee. This fee is charged to support the cost of technology associated with providing service (e.g., TRAKit Software System).</p>

Restructured Fees

Community Development – Wireless Facility (WF):

Fees previously grouped under WF fees have now been reorganized to be a part of the new SWF fees added this year.

- Prior WF fees
 - Right-of-Way – Minor Conditional Use Permit
 - Right-of-Way – Major Conditional Use Permit
- New SWF fee
 - Annual Right-of-Way Access Fee

Restructured Fees

Community Development – CEQA/Environmental:

Fees will no longer require deposits.

Fee Type	Current Fee	FY 2022-23 Proposed Fees
Environmental Review by Applicant	\$5,000 deposit Consultant cost + 15% of actual cost	Consultant cost + 15% of actual cost
Technical Review (3 rd Party)	\$1,000 deposit Consultant cost + 15% of actual cost	Consultant cost + 15% of actual cost

Restructured Fees

Community Development – Minor Permits:

- The City currently assesses permit fees based on a Tier system with subsequent categories.
 - Categories:
 - Building
 - Mechanical
 - Electrical
 - Plumbing
 - Energy/Solar
- To better streamline our fees, the City is proposing to move Energy/Solar related permits into our Building and Electrical categories.

Restructured Fees

Type of Project	Current Category	Proposed Category
Electrical Vehicle Charging System (Level 1 & 2)	Energy/Solar (Tier 1)	Electrical (Tier 1)
Residential Solar PV/Roof	Energy/Solar (Tier 2)	Building (Tier 2)
Battery Storage Systems	Energy/Solar (Tier 2)	Electrical (Tier 2)
Commercial PV System	Energy/Solar (Tier 3)	Building (Tier 3)
Electric Vehicle Charging Stations	Energy/Solar (Tier 3)	Electrical (Tier 3)

Restructured Fees

Community Services – Memorial Program Fees:

Fee Type	Current Fee	FY 2022-23 Proposed Fees	Proposed \$ Change	% Change
Memorial Tree	\$515	\$556	\$41	8%
Old Town Memorial Bench	\$5,150	\$3,313	– \$1,837	– 36%
Park Bench Memorial	\$3,090	\$1,885	– \$1,205	– 39%
Memorial Mutt Mitt	\$835	\$980	\$145	17%
Memorial Plaque	\$405	\$570	\$165	41%

Fees were adjusted to accurately reflect and recover the full cost for materials.

Other

Community Development – Administrative Cleanup

Minor cleanup language is needed to provide clarification.

Cleanup will include listing fees separately instead of embedding in fee language.

Service Description	Fee	Comments
Cumulative Entitlement Collection Fee	Actual cost of main request + 50% cost of additional requests	Reduced fee for multiple entitlements that are processed concurrently. Fee applicable only to Subdivisions (Tentative Parcel and Tract Maps), Major Conditional Use Permits, Hillside Development, Major Variances, and Specific Plans.
Entitlement Amendment Fee	50% of Full Entitlement Fee	Application fee for the review of entitlement amendments Fee applicable only to Subdivisions (Tentative Parcel and Tract Maps), Major Conditional Use Permits, Major Variances, Hillside Development Permits, and Specific Plans.

Next Steps

Formal Budget Approval:

Staff will present the proposed Fiscal Year 2022-23 Budget for formal approval at the City Council Meeting on June 21, 2022.

Questions?

