



# Fiscal Year 2022-23

## Q3 Budget Update

*City Council Meeting*

*May 16, 2023*

# PURPOSE

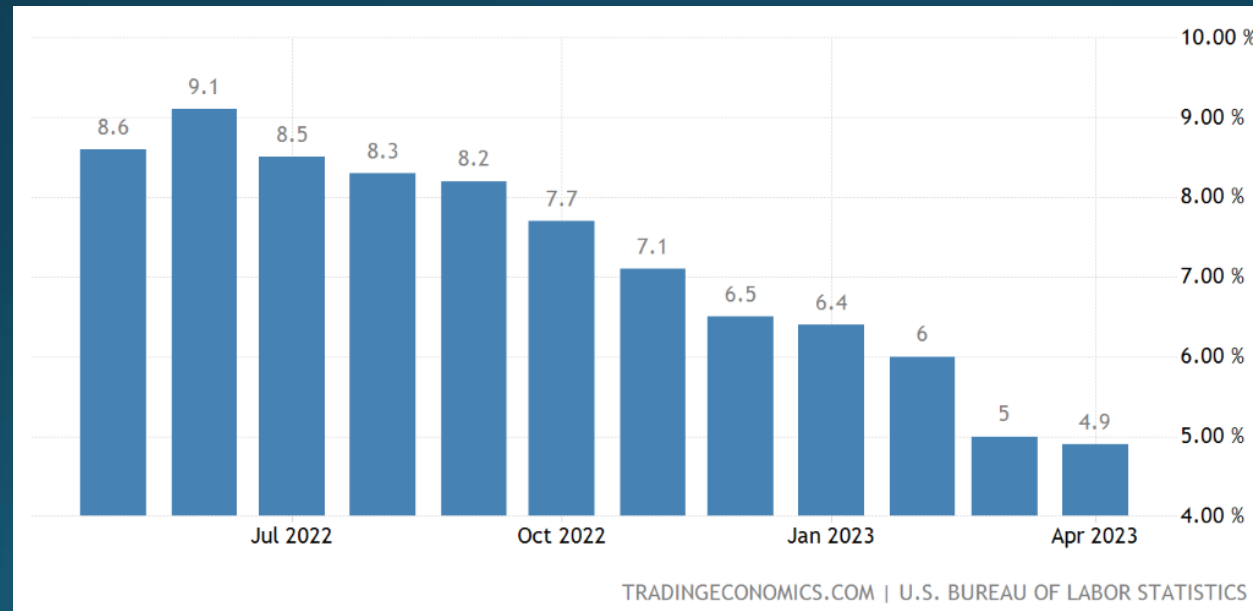
The purpose of this quarterly budget update is to:

- Provide City Council with a high-level overview of the City's finances as we close out FY 2022-23.
- Present proposed budget adjustments for City Council's consideration to better align the FY 2022-23 budget with staff's latest estimates.
  - Two previous quarterly updates allowed us to make necessary modifications and fine-tune the budget throughout the year. This will be the final quarterly adjustment to clean up remaining items for the fiscal year.
  - Attachment A (Operating Budget Adjustments) and Attachment B (CIP Budget Adjustments) include detailed listings of adjustments.
- Provide City Council with a brief CIP update for FY 2022-23-funded projects.
  - An updated Capital Improvement Plan (CIP) Tracking Summary of FY 2022-23 Projects is attached as Exhibit 1.

# FINANCIAL OVERVIEW

The City's finances remain strong heading into the final quarter of the year. While there is still some uncertainty in the economy, there have been recent positive events:

- Retail activity and tax receipts are steady and tracking to budget.
- Inflation levels continue to be on a declining trend (inflation for April 2023 was 4.9%, down from 9.1% in June 2022).



# FINANCIAL OVERVIEW *(continued)*

- Although inflation has had negative financial impacts, there are positive impacts to some City revenues (e.g., sales tax, hotel tax, Measure K revenues, among others).
- The City has been proactive in getting ahead of potential issues when developing the budget, including incorporating adjustments for increases in inflationary costs. This puts us in a strong position to close out the year.
- Currently, the overall outlook remains cautiously optimistic.

# OUR APPROACH TO BUDGETING

City Council and staff's proactive approach to budgeting has positioned the City well to close out the year in a positive position:

- A conservative budget was developed for Fiscal Year 2022-23 and previous quarterly adjustments have allowed us to fine-tune estimations:
  - Revenue projections are conservative, yet realistic.
  - Anticipated inflationary cost increases were incorporated into the Fiscal Year 2022-23 budget projections/adjustments.
- Staff has been diligent in managing departmental operating budgets to ensure we only spend what is absolutely needed. For the remainder of the year, staff is applying a “hold-the-line” approach to spending.
- Throughout the year, staff closely monitors the budget and economic environment, so that we can return to City Council for direction, on a quarterly basis, and quickly pivot, if needed.

# BUDGET OBJECTIVES

The Fiscal Year 2022-23 Budget proposal incorporates the City's Financial Resiliency Plan Principals, which includes the following 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.
- Evaluating every vacancy before proceeding with filling the position (full salary & benefits).



# Fiscal Year 2022-23 Budget Review

# FY 2022-23 BUDGET OVERVIEW

## All City Funds (Includes CIP)

Fund Type	FY22-23 Original Budget		FY22-23 Revised Budget	
	Revenue	Expenditure	Revenue	Expenditure
General Fund	\$52.55 M	\$52.72 M	\$53.14 M	\$54.17 M
General Fund – Other Funds (Dev. Services/Emergency Services/Measure K)	\$20.19 M	\$14.98 M	\$15.14 M	\$9.81 M
Enterprise Funds	\$27.37 M	\$30.60 M	\$23.93 M	\$23.18 M
Special Purpose Funds	\$39.17 M	\$43.24 M	\$37.58 M	\$35.92 M
Internal Service Funds	<u>\$12.14 M</u>	<u>\$12.65 M</u>	<u>\$12.15 M</u>	<u>\$11.96 M</u>
Total Budget	<u>\$151.42 M</u>	<u>\$154.19 M</u>	<u>\$141.94 M</u>	<u>\$135.04 M</u>



# FY 2022-23 GENERAL FUND OVERVIEW

- The General Fund is in a strong financial position and is expected to close the year in a more positive position than projected in Quarter 2 (February 2023).
- Staff is proposing the following:
  - An increase to revenues totaling \$189,688
  - A decrease in expenditures totaling \$688,290
  - This results in a net favorable adjustment to the General Fund of \$877,978
  - A list of proposed adjustments is included in the agenda report and includes adjustments to personnel and maintenance and operations costs.
- Given the proposed adjustments, the General Fund is expected to close FY 2022-23 with a deficit of \$1.03M.
  - This deficit is completely due to setting aside \$2.0M for the Wellfield Electrical Project as part of the Q1 adjustment.
  - When combined with the surplus from Fiscal Year 2021-22 of \$6.6M, this results in a two-year net surplus of \$5.6M.

# FY 2022-23 GENERAL FUND REVENUE

General Fund Revenues Original vs. Revised Budget			
Revenue Source	FY 2022-23 Original Budget	FY 2022-23 Revised Budget	Increase/(Decrease)
Property Tax	\$15.69 M	\$15.85 M	\$ 0.16 M
Sales Tax	\$12.87 M	\$13.33 M	\$ 0.46 M
Transient Occupancy Tax	\$ 1.87 M	\$1.92 M	\$ 0.05 M
Other Taxes	\$ 2.29 M	\$2.29 M	\$ 0.00 M
All Other Revenues	<u>\$19.83 M</u>	<u>\$19.75 M</u>	<u>(\$ 0.08 M)</u>
<b>Total</b>	<b><u>\$52.55 M</u></b>	<b><u>\$53.14 M</u></b>	<b><u>\$0.59 M</u></b>

# FY 2022-23 GENERAL FUND EXPENDITURES

## General Fund Expenditures Original vs. Revised Budget

Expenditure Category	FY 2022-23 Original Budget	FY 2022-23 Revised Budget	Increase/(Decrease)
Personnel (Salary and Benefits)	\$34.45 M	\$34.18 M	(\$ 0.27 M)
Maintenance and Operations (M & O)	\$11.99 M	\$11.89 M	(\$ 0.10 M)
Project/Program Expenditures	\$ .60 M	\$ .89 M	\$ 0.29 M
Transfers Out	\$ <u>5.68 M</u>	\$ <u>7.21 M</u>	\$ <u>1.53 M</u>
<b>TOTAL EXPENDITURES</b>	<b>\$<u>52.72 M</u></b>	<b>\$<u>54.17 M</u></b>	<b>\$ <u>1.45 M</u></b>

# GENERAL FUND ENDING FINANCIAL POSITION (FY 2022-23)

General Fund Budget Item	Amount (\$)
FY 2022-23 Budgeted Revenues (includes third quarter adjustments)	\$53,140,638
FY 2022-23 Budgeted Expenditures (includes third quarter adjustments)	<u>(\$54,177,130)</u>
<b>Net FY 2022-23 General Fund Surplus/(Deficit)</b>	<b><u>(\$1,036,492)</u></b>

# FY 2021-23 TWO-YEAR GENERAL FUND SURPLUS

General Fund Item	Amount Surplus/(Deficit)
FY 2021-22 GF Ending Balance - Surplus	\$6,670,571
FY 2022-23 GF Ending Balance Forecast - Deficit	<u>(\$1,036,492)</u>
Net Two-Year Balance - Surplus	<u>\$5,634,079</u>

# FY2022-23

## NON-GENERAL FUND ADJUSTMENTS

- Adjustments to Non-General Fund accounts are being proposed as part of this quarterly update.
  - Total reduction in revenue = \$791,105
  - Total reduction in expenditures = \$1,238,850
  - Net favorable adjustment = \$447,745
- Adjustments include minor increases and decreases to maintenance and operations (M & O) accounts based on updated estimates and needs through the end of the year.
- Several adjustments greater than \$100,000 include:
  - Gas Tax Revenues will be decreased by \$148,127 (offset by an equal decrease in the transfers out/in from the Gas Tax Fund to the Street Maintenance Fund).
  - A reduction of \$600,000 in 5310 grant revenue and expenditures is proposed due to the timing of program implementation.
  - A reduction of \$110,000 is proposed for a delay in the delivery of water-funded vehicles.
  - A reduction of \$150,000 in professional fees is proposed for a Citywide Facilities Assessment project that will be deferred to a later time.

# Capital Improvement Program (CIP) Update



# CIP UPDATE

- As part of the quarterly budget update, and in preparation for the upcoming two-year budget, staff reviewed all CIP projects, focusing on project timelines and updated costs. Based on this review, staff is proposing:
  - A decrease of \$12.12M in CIP revenues, and
  - A decrease of \$23.47M in CIP expenditures.
  - Proposed adjustments for Fiscal Year 2022-23 align the CIP budget with project timelines and updated estimates.
- A total of 47 projects remain budgeted in the FY 2022-23.



# CIP UPDATE

A detailed listing of the CIP projects budgeted for FY 2022-23 is attached as Exhibit 1 to this report and includes information for each project, such as project description, project status, as well as other information. A column is included which shows the amount budgeted for FY 2022-23.

**Exhibit 1**

**Capital Improvement Program (CIP) Tracking Summary**  
**Budgeted Projects - Fiscal Year 2022-23**  
*As of March 2023*

Category	TITLE	DESCRIPTION	Previous Project Estimate Through FY 2022	Updated Project Estimate Through FY 2022	FY22/23 Budgeted Amount	Project Number	Status
<b>Municipal Facilities</b>							
Municipal Facilities	Community Center Renovation Project - Concept Design + Construction	Conceptual design, document preparation and construction of the Community Center.	\$0	\$21,773,400	\$10,400	75078	In Progress
Municipal Facilities	EV Charging Station Pilot Program	Installation of Electric Vehicle (EV) charging stations in Monrovia.	\$348,700	\$294,678	\$2,615	91020	In Progress
Municipal Facilities	Historic Museum Painting & Repairs	Due to the age of the Historic Museum, regular maintenance is required to uphold the building's integrity. This project will provide for painting, repairs, and various improvements to preserve this historic structure.	\$125,000	\$100,000	\$100,000	91024	In Progress
Municipal Facilities	Library Facility Enhancement Project	Development of concepts and design for an expansion of the exterior patio space at the Monrovia Public Library.	\$2,500,000	\$8,000,000	\$500,000	91021	In Progress
Municipal Facilities	Plymovent Exhaust System Upgrades	Upgrade the vehicle exhaust extraction system, which ensures clean air in the work environment of vehicle mechanics and fire fighters. It is essential to create healthy and safe working conditions by reducing the risk of exhaust fume inhalation.	\$45,000	\$45,835	\$45,835	91025	Completed
Municipal Facilities	Police Station Painting Project	Provides for the painting of portions of the Police Station.	\$68,475	\$68,475	\$68,475	91026	Completed
Municipal Facilities	Fire Station 101 Roll Up Door Replacement	Replace Fire Station 101's existing roll up garage doors. Due to the frequency and need for emergency responders, the station's roll up doors are prone to every day wear and tear. Repairs and maintenance are performed on a routine basis to avoid further damages.	\$150,000	\$100,000	\$0	91017	In Progress

# CIP – COMPLETED PROJECTS

- Recently completed projects include:
  - Lucinda Garcia Park
  - Plymovent Exhaust System Upgrades
  - Police Station Painting Project
- Previously completed projects include:
  - Pedestrian Safety Improvements Study
  - Library Park Improvements – Library Loo Project
  - Sewer System CCTV and Jetting
  - Magnolia Pipeline Reconstruction
  - Server Lifecycle Replacement Program
  - Police Body Worn Cameras
  - VoIP Telephone Replacement Program
- Many other projects are underway!

# CIP – WHAT'S NEXT?

- An initial overview/first look at the 2024-2028 CIP Program was presented to City Council during Study Session #1 earlier today.
- Staff will continue to work on refining the CIP, with a focus on identifying funding for the next two-year budget.
- Initial work has begun on most projects, and staff will continue efforts to move project work forward in the upcoming year.

# BUDGET SUMMARY

- In closing, the City is in a strong financial position heading into the end of Fiscal Year 2022-23.
- The City's finances remain strong, with a stable, growing revenue base, and the City's financial position continues to improve each year.
- This budget update proposes adjustments that ensure a conservative, yet realistic budget, and staff will continue to closely monitor the budget to ensure that the City can quickly pivot, if needed.
- The overall outlook remains cautiously optimistic.

# NEXT STEPS

- This is the last quarterly budget update for Fiscal Year 2022-23; however, staff will continue to monitor the budget and economic environment and will return to City Council if an additional update is needed.
- Staff is currently working on the development of the Fiscal Year 2023-25 Budget:
  - Study Session # 1 (CIP) – May 16 (earlier tonight)
  - Study Session #2 (Operating Budget and Fees and Charges) – June 6
  - Formal Budget Approval – June 20

# Questions?



# Thank you!