



# Fiscal Year 2023-25 Budget

*A review of the operating and capital budget and fees and charges.*

*June 20, 2023*



# Purpose

The purpose of this presentation is to:

- Provide a high level overview of information discussed during Budget Study Sessions #1 and #2.
- Present the Fiscal Year 2023-25 Two-Year Budget for City Council's approval.
- Seek City Council's input and answer any questions City Council may have regarding the budget proposal.

# Budget Timeline

Fiscal Year 2022-23 – Quarterly budget updates have been provided to City Council, throughout Fiscal Year 2022-23, to keep the Council apprised of the City’s finances.

Study Session # 1 - Review of the Citywide Capital Improvement Program (CIP) and discussion of Fiscal Year 2023-25 projects and funding.

Study Session # 2 - Review of the Fiscal Year 2023-25 Operating Budget, Fees and Charges, and discussion of other issues, trends, and forecast items affecting the budget.

Budget Adoption - Tonight! - Staff will present the Fiscal Year 2023-25 Budget for City Council’s approval.

# Fiscal Health

Overall, the City's finances remain strong and continue to show growth and stability.

The City Council's commitment to sound financial management practices continues to ensure improvement in the City's fiscal position over time. This can be seen in the following accomplishments:

1. Overall, the City's cash and investment balances continue to grow each year (e.g., at the close of the last fiscal year, the City's Cash and Investment balances increased by approximately \$18 million, or 55%, over the prior year).
2. The City's overall Net Position increased by approximately \$74 million during the last fiscal year, resulting in a year-end net position of approximately \$61 million.
3. The City's credit worthiness continues to improve. The City received a credit rating upgrade in June 2022 from AA to AA+.
4. Some funds that have historically been in deficit are showing improvement. For example, the Worker's Compensation Fund, a fund that typically runs a deficit, has a positive balance for the first time in over 20 years!

# Fiscal Health *(continued)*

5. Over the last several years, City Council has approved setting aside funding to address PERS and OPEB obligations through the Section 115 Trust. At the end of Fiscal Year 2022-23, \$5.3M has been set aside for future obligations.
  
6. Paying down other liabilities, such as employee leave liabilities, has been a priority this past year and will continue to be a focus area in the upcoming years. Paying down leave liabilities provides two positive benefits:
  - It reduces the City's overall liabilities and is positively reflected in the annual financial statements.
  - It saves the City money, over time, as liabilities are paid out at a lower cost (i.e., paid at current hourly rates vs. a higher rate in future years).

# Budget Objectives

This budget proposal:

- Is founded on the City's Financial Resiliency Principals.
- Incorporates conservative revenue and expenditure projections.
- Includes a special focus on funding as many CIP projects as possible.
- Addresses long term liabilities (e.g., pension, OPEB, unfunded leave, etc.) by paying down debt and setting aside funding for future long-term liabilities.
- Aims to build up reserve levels to prepare for the future.
- Seeks outside funding, whenever possible, to help fund special projects and programs.

# Fiscal Year 2023-25 Budget Overview

## All City Funds (Includes CIP)

| Fund Type  | FY22-23 Revised Budget   |                          | FY23-24 Proposed Budget  |                          | FY24-25 Proposed Budget  |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | Revenue                  | Expenditure              | Revenue                  | Expenditure              | Revenue                  | Expenditure              |
| General Fund   | \$53.14 M                | \$54.17 M                | \$49.80 M                | \$50.25 M                | \$52.15 M                | \$53.51 M                |
| General Fund – Other Funds<br>(Dev. Services/Emergency<br>Event/Measure K) | \$15.14 M                | \$9.81 M                 | \$23.00 M                | \$16.71 M                | \$10.89 M                | \$5.69 M                 |
| Enterprise Funds   | \$23.93 M                | \$24.01 M                | \$22.12 M                | \$27.88 M                | \$21.51 M                | \$23.02 M                |
| Special Purpose Funds  | \$37.58 M                | \$35.92 M                | \$35.08 M                | \$42.72 M                | \$34.09 M                | \$36.85 M                |
| Internal Service Funds   | <u>\$12.15 M</u>         | <u>\$12.27 M</u>         | <u>\$10.87 M</u>         | <u>\$12.12 M</u>         | <u>\$10.90 M</u>         | <u>\$12.02 M</u>         |
| Total Budget   | <b><u>\$141.94 M</u></b> | <b><u>\$136.18 M</u></b> | <b><u>\$140.87 M</u></b> | <b><u>\$149.68 M</u></b> | <b><u>\$129.54 M</u></b> | <b><u>\$131.09 M</u></b> |





# General Fund Review

*A review of General Fund revenues and expenditures.*





# General Fund Overview

- Overall, a conservative and realistic approach to revenue and expenditure estimates has been incorporated into the Fiscal Year 2023-25 General Fund budget.
  - Inflationary impacts in City vendor contracts have been incorporated into this budget proposal.
  - This budget proposal includes funding all positions. However, staff will evaluate every vacancy for cost and need before proceeding with filling the position (i.e., we will evaluate full cost of salary and benefits).
  - A CPI increase in user fees has been incorporated into the fees and charges schedule and the increase is reflected in revenue projection estimates.
- When developing the budget, each line item was thoroughly reviewed for need and appropriate cost, and budgets were developed from the ground up, starting from zero.

# General Fund Fiscal Position

The General Fund is in a strong position and has been showing positive growth over the years.

- The General Fund's overall financial position has improved over time (e.g, in the last five years, the balance has grown from \$6.8M in FY 17-18 to an estimated \$16.5M at the end of FY 22-23).
- Key revenues, such as property tax and sales tax, have shown consistent growth each year.
- Because of its positive position, the City was able to transfer funds, totaling \$7M, from the General Fund to the City's Capital Improvement Fund over the last two years.
- Funds have been set aside in the Section 115 Trust for future PERS and OPEB liabilities and we're also addressing other long-term liabilities.

# General Fund Fiscal Position *(continued)*

- This budget proposal incorporates conservative estimates for revenues and expenditures.
- While deficits are proposed in both years, staff will closely monitor the budget and adjust throughout the year during quarterly budget updates.

# Fiscal Year 2023-25 General Fund Revenues and Expenditures

| Budget Category               | FY 2022-23 Revised Budget | FY 2023-24 Proposed Budget | FY 2024-25 Proposed Budget |
|-------------------------------|---------------------------|----------------------------|----------------------------|
| Revenues                      | \$ 53.14 M                | \$ 49.80 M                 | \$ 52.15 M                 |
| Expenditures                  | <u>\$ 54.17 M</u>         | <u>\$ 50.25 M</u>          | <u>\$ 53.51 M</u>          |
| <b>NET GF SURPLUS/DEFICIT</b> | <b><u>(\$ 1.03 M)</u></b> | <b><u>(\$ 0.45 M)</u></b>  | <b><u>(\$ 1.36 M)</u></b>  |

# Fiscal Year 2023-25 General Fund Revenues By Source

| General Fund Revenues<br>Year-Over-Year Comparison |                           |                            |                         |                            |                         |
|--|---------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| Revenue Source                                     | FY 2022-23 Revised Budget | FY 2023-24 Proposed Budget | % Increase / (Decrease) | FY 2024-25 Proposed Budget | % Increase / (Decrease) |
| Property Tax                                       | \$15.85 M                 | \$16.90 M                  | 6.62%                   | \$17.54 M                  | 3.79%                   |
| Sales Tax  | \$13.33 M                 | \$13.44 M                  | 0.83%                   | \$13.82 M                  | 2.83%                   |
| Transfers In                                       | \$9.79 M                  | \$9.23 M                   | (5.72%)                 | \$10.68 M                  | 15.71%                  |
| Other Taxes  | \$4.20 M                  | \$4.56 M                   | 8.57%                   | \$4.69 M                   | 2.85%                   |
| Project Revenues                                   | \$1.67 M                  | \$0.72 M                   | (56.89%)                | \$0.67 M                   | (6.94%)                 |
| Charges for Services                               | \$3.33 M                  | \$3.77 M                   | 13.21%                  | \$3.56 M                   | (5.57%)                 |
| Other Revenues                                     | <u>\$4.97 M</u>           | <u>\$1.18 M</u>            | <u>(76.26%)</u>         | <u>\$1.19 M</u>            | <u>0.85%</u>            |
| <b>TOTAL REVENUES</b>                              | <b><u>\$53.14 M</u></b>   | <b><u>\$49.80 M</u></b>    | <b><u>(6.29%)</u></b>   | <b><u>\$52.15 M</u></b>    | <b><u>4.72%</u></b>     |



# Fiscal Year 2023-25 General Fund Expenditures By Type

| Expenditure Type                    | FY 2022-23 Revised Budget | FY 2023-24 Proposed Budget | % Increase / (Decrease) | FY 2024-25 Proposed Budget | % Increase / (Decrease) |
|-------------------------------------|---------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| Personnel Costs (Salary & Benefits) | \$34.26 M                 | \$35.25 M                  | 2.89%                   | \$38.06 M                  | 7.97%                   |
| Maintenance & Operations (M & O)    | \$11.84 M                 | \$12.57 M                  | 6.17%                   | \$12.44 M                  | (1.03%)                 |
| Transfers & Other                   | <u>\$ 8.07 M</u>          | <u>\$2.43 M</u>            | <u>(69.89%)</u>         | <u>\$3.01 M</u>            | <u>23.87%</u>           |
| EXPENDITURES SUBTOTAL               | <b><u>\$54.17 M</u></b>   | <b><u>\$50.25 M</u></b>    | <b><u>(7.24%)</u></b>   | <b><u>\$53.51 M</u></b>    | <b><u>6.49%</u></b>     |

# Fiscal Year 2023-25 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 Event Fund, and 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 below.

| Fund Type                           | FY22-23 Revised Budget  |                         | FY23-24 Proposed Budget |                        | FY24-25 Proposed Budget |                         |
|-------------------------------------|-------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|
|                                     | Revenue                 | Expenditure             | Revenue                 | Expenditure            | Revenue                 | Expenditure             |
| General Fund                        | \$53.14 M               | \$54.17 M               | \$49.80 M               | \$50.25 M              | \$52.15 M               | \$53.51 M               |
| General Fund – Development Services | \$5.35 M                | \$5.36 M                | \$3.52 M                | \$4.66 M               | \$4.06 M                | \$5.69 M                |
| General Fund – Emergency Events     | \$3.31 M                | \$3.45 M                | \$12.84 M               | \$12.05 M              | \$0.00 M                | \$0.00 M                |
| General Fund – Measure K            | <u>\$6.48 M</u>         | <u>\$1.00 M</u>         | <u>\$6.64 M</u>         | <u>\$0.00M</u>         | <u>\$6.83 M</u>         | <u>\$0.00 M</u>         |
| <b>Total General Fund Budget</b>    | <b><u>\$68.28 M</u></b> | <b><u>\$63.98 M</u></b> | <b><u>\$72.80 M</u></b> | <b><u>\$66.96M</u></b> | <b><u>\$63.04 M</u></b> | <b><u>\$59.20 M</u></b> |



# Other City Funds

*A review of other funds (non-General Fund funds) within the City.*



# Fiscal Year 2023-25 Other City Funds Revenues and Expenditures (Includes CIP)

- In addition to the General Fund, the City has over 50 other funds covering all unrestricted and restricted revenue sources and expenditures.
- The excess of expenditures over revenues is a planned use of reserves set aside in prior years that will be used for the CIP.

| Fund Type              | FY 2022-23<br>Revised Budget |                         | FY 2023-24<br>Proposed Budget |                         | FY 2024-25<br>Proposed Budget |                         |
|------------------------|------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
|                        | Revenue                      | Expenditure             | Revenue                       | Expenditure             | Revenue                       | Expenditure             |
| Enterprise Funds       | \$23.93 M                    | \$24.01 M               | \$22.12 M                     | \$27.88 M               | \$21.51 M                     | \$23.02 M               |
| Special Purpose Funds  | \$37.58 M                    | \$35.92 M               | \$35.08 M                     | \$42.72 M               | \$34.09 M                     | \$36.85 M               |
| Internal Service Funds | <u>\$12.15 M</u>             | <u>\$12.27 M</u>        | <u>\$10.87 M</u>              | <u>\$12.12 M</u>        | <u>\$10.90 M</u>              | <u>\$12.02 M</u>        |
| Total Budget           | <b><u>\$73.66 M</u></b>      | <b><u>\$72.20 M</u></b> | <b><u>\$68.07 M</u></b>       | <b><u>\$82.72 M</u></b> | <b><u>\$66.50 M</u></b>       | <b><u>\$71.89 M</u></b> |

# Funds To Watch: Assessment Districts

In this two-year budget cycle, and in past budget cycles, there are two City funds that are not self-sustaining and require subsidies. Current rate studies are underway, and staff will return to City Council, within the next few months, with the results of those rate studies. These funds are as follows:

- Lighting and Landscape Assessment District Fund - The operation is being subsidized by over \$900,000 / year. For the two-year budget, an excess of expenditures over revenues has resulted in annual deficits, as follows:
  - Fiscal Year 2023-24 = (\$554K)
  - Fiscal Year 2024-25 = (\$820K)
- Park Maintenance Assessment District Fund - The operation is being subsidized by over \$850,000 / year. FY 2023-24 allows for a 5.77% CPI increase, which will help better sustain the fund. The PMD Fund has a minor deficit of \$6K in Fiscal Year 2023-24 and a surplus of \$4K in Fiscal Year 2024-25.



# Funds To Watch: Proposition A Transportation Fund

- Due to program changes, a deficit of approximately \$560K in the Proposition A Transportation Fund exists in Fiscal Year 2024-25.
- Go Monrovia and Dial-A-Ride are funded by a combination of funds from Proposition A, Proposition C, Measure R, and Measure M sales tax revenues. Beginning in Fiscal Year 2023-24, expanded Dial-A-Ride service hours (to align with the Lyft program) will be offered, which will increase overall costs for the program.
- The City will receive significant one-time grants to help fund these expanded Dial-A-Ride services.
  - \$900K in grant/toll credit revenues has been included in Fiscal Year 2023-24 and \$600K has been included in Fiscal Year 2024-25.
- Staff will perform a review and analysis of the program during Fiscal Year 2023-24 and will return to City Council with the results of the review and options to ensure a sustainable program.

# Funds To Watch: Other

Rate studies are currently underway for the Water and Sewer Funds:

- The goal is to ensure that rates keep pace with increasing costs in these two enterprise funds.
- Staff is planning to return to City Council with the results of the rate studies within the next few months.
- Water and Sewer will be presented first, followed by the assessment district studies.

# Section 115 Trust

- The Fiscal Year 2023-25 Budget proposes to set aside \$3M in funding for the Section 115 Trust.
- Due to positive CalPERS investment returns in Fiscal Year 2020-21, the City's Unfunded Accrued Liability (UAL) is currently "super funded," and an annual UAL payment is not required in Fiscal Year 2023-24.
  - Even though a payment is not required, staff is proposing to set aside the amount that would have been paid, which is estimated to be \$1M, in the Section 115 Trust in-lieu of the required payment. If approved, contributions will be as follows:
    - FY 2023-24 = \$2M (RPTTF Property Tax Revenues of \$1M and \$1M in funds that would have been sent to PERS)
    - FY 2024-25 = \$1M (RPTTF Property Tax Revenues of \$1M)

# Section 115 Trust

| Source of Section 115 Trust Deposits                           | Amount             |
|--|--------------------|
| Section 115 Trust Contributions at End of FY 2022-23           | \$5,322,000        |
| Budgeted RPTTF Revenues + Additional Contribution – FY 2023-24 | \$2,000,000        |
| Budgeted RPTTF Revenues – FY 2024-25                           | \$1,000,000        |
| Section 115 Trust Contributions at the End of FY 2024-25       | <u>\$8,322,000</u> |



# Capital Improvement Program (CIP)

*The proposed budget incorporates a plan to maintain and improve infrastructure and assets.*






# CIP Program

- On May 16, 2023, during Budget Study Session #1, staff reviewed the comprehensive CIP Plan with City Council.
- The CIP Program is a planning tool that formalizes the City Council's objective to maintain and improve its infrastructure and assets over time.
- The CIP Serves as a short-term and long-term infrastructure planning tool.
- The CIP is a working document that will continue to be updated, on a periodic basis, as part of the budget. Annual appropriations for projects will be included, each year, as part of the annual budgeting process, and updates will be provided during quarterly budget updates throughout the year.

# CIP Program Categories

The CIP Program has been classified into 8 distinct categories:

|   |  |
|---|--|
|  <p><b>Municipal Facilities</b><br/>New construction, expansion, and renovation of City-owned buildings and facilities</p>                                 |  <p><b>Water System &amp; Utilities</b><br/>Repair and enhancements on City's drinking and waste water systems</p>  |
|  <p><b>Street &amp; Streetscapes</b><br/>Improvements to the City's transportation infrastructure including streets, streetlights, and traffic signals</p> |  <p><b>Stormwater</b><br/>Implementation of Watershed Management Program (WMP), regional project funding, and coordinated integrated monitoring program (CIMP)</p>                    |
|  <p><b>Parks &amp; Trails</b><br/>New construction, expansion, and renovation of outdoor recreation areas</p>   |  <p><b>Information Technology</b><br/>Acquisition and replacement of computers, networks, and communication systems, as well as major investments in enterprise software systems</p> |
|  <p><b>Trees</b><br/>Maintenance and replacement of trees throughout the City</p>  |  <p><b>Fleet &amp; Equipment Replacement</b><br/>Acquisition and replacement of fleet vehicles, equipment and other capital assets</p>  |

# CIP Program

- A listing of funded and unfunded projects is included as Attachment D to Resolution 2023-30
  - Staff will continue to aggressively pursue outside funding for both funded and unfunded projects included on the list, and will include CIP discussions in the quarterly budget update process.
- Based on the CIP, each fiscal year includes CIP appropriations, as follows:
  - Fiscal Year 2023-24 = \$32.78M
  - Fiscal Year 2024-25 = \$7.92M
- Staff will return to City Council for formal approval of each project prior to implementation and award of contract.



# Fees and Charges

*The proposed budget incorporates fee adjustments.*



# Fees & Charges Summary

- An important part of the budget adoption is the calculation of the cost of providing fee-based services to individuals, businesses, or groups.
- For this budget cycle, staff performed a review of user fees. 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.
- While fees are typically established either by statute, survey results, and / or a comprehensive service delivery cost analysis, a key objective is to minimize subsidies as much as possible.

# Fees & Charges Summary

- As of April 2023, the average CPI for the last 12 months was 7.19%.
- Staff is proposing a 7% CPI increase for many fees as part of this budget proposal, since the cost of providing services has been increasing.
  - Staff assumed a base 7% increase across-the-board for all fees and then individually reviewed each fee to determine the applicability of the proposed change. Fees were adjusted appropriately based on a review of the individual circumstances for each fee.
- All fee adjustments being proposed are projected to result in approximately \$182K in new revenue collection.



# Fees & Charges Summary

## Upcoming External Cost Study:

While staff has internally adjusted fees as part of the budget process each year, the City intends to perform a full, comprehensive external cost study (completed by an outside, third-party consultant) in the upcoming year.

- As part of the study, staff will work with the consultant to identify any deficits in fees that are not charged at full cost recovery (100% cost).
- This analysis will provide City Council with comprehensive information to use when making decisions regarding the appropriate level to set fees that are not at full cost recovery.

# Fees & Charges Summary

Based on staff's review of each fee, adjustments are being proposed as follows:

|                          |                  |
|--------------------------|------------------|
| No Change                | 22 % of all fees |
| Decreased                | .5 % of all fees |
| Less than 7% Increase    | 1 % of all fees  |
| 7% Increase              | 67 % of all fees |
| Greater than 7% Increase | 8 % of all fees  |
| Eliminated               | .5 % of all fees |
| New                      | 0 % of all fees  |
| Restructured             | 1 % of all fees  |

A copy of the comprehensive fee schedule is attached to Resolution 2023-31.

# What's On The Horizon?

After the budget is approved, staff will continue to focus efforts on financial work plan items that are aimed at further strengthening the City's overall fiscal position. In the upcoming year, staff will focus on the following financial work plan items:

1. Complete rate studies for the Water Fund, Sewer Fund, and Assessment Districts.
2. Complete an external comprehensive user fee cost study review and update, if applicable, user fees and charges to ensure fees are capturing the full cost of service delivery.
3. Review and analyze the Go Monrovia and Dial-A-Ride transit programs, and make adjustments, as necessary, to ensure costs are sustainable.
4. Review the City's investment strategy to ensure maximum return on investments.

# What's On The Horizon? *(continued)*

5. Continue to seek additional grant/outside funding.
6. Continue to seek reimbursement for Canyon Park repairs.
7. Continue to provide quarterly budget updates to City Council throughout the year.

# Budget Summary...Final Thoughts

- Overall, the City is in a stable financial position. The City Council's commitment to sound financial management practices continues to ensure strong City finances.
- The Fiscal Year 2023-25 Budget Incorporates conservative revenue and expenditure projections and includes a special focus on funding as many CIP projects as possible.
- As we move forward into Fiscal Year 2023-24, staff will continue to monitor the budget and will return to City Council, on a quarterly basis, with updates regarding the operating budget and CIP.

**Thank you for your time!**



**Questions?**