



The State of Our City Finances: *Past, Present, and Future*

CITY COUNCIL STUDY SESSION

SEPTEMBER 5, 2023

Purpose

- ▶ Provide a broad overview of the City's financial position
 - ▶ Discuss the City's current financial condition and progress made over the last several years, looking at several key factors.
- ▶ Discuss upcoming Legacy Projects with City Council
 - ▶ The City has prioritized implementation of the 5-year, \$147M Capital Improvement Program.
 - ▶ There are 6 Legacy Projects on the horizon that will benefit our community.
 - ▶ Share funding options (no decisions tonight).

Financial Update

- ▶ The City remains in a strong – and improving – fiscal position.
- ▶ The City has experienced continued years of positive growth.
 - ▶ Projected to continue.
- ▶ Cash balances grow each year.
 - ▶ Approximately \$42M increase over the past 3 years.
- ▶ The City's strong financial management has resulted in two bond rating upgrades this past year.

Financial Update

- ▶ Key General Fund revenue sources are improving, year-over-year:
 - ▶ Property taxes continue to grow each year and are expected to remain strong in future years.
 - ▶ Measure K fund balance continues to grow.
 - ▶ Other revenues, such as sales tax and TOT, remain consistently strong.
 - ▶ The City has successfully sought funding for Canyon Park Repairs, project grants, and sources of 3rd party funding, which significantly benefit our community.

Other Items Which Impact Our Finances

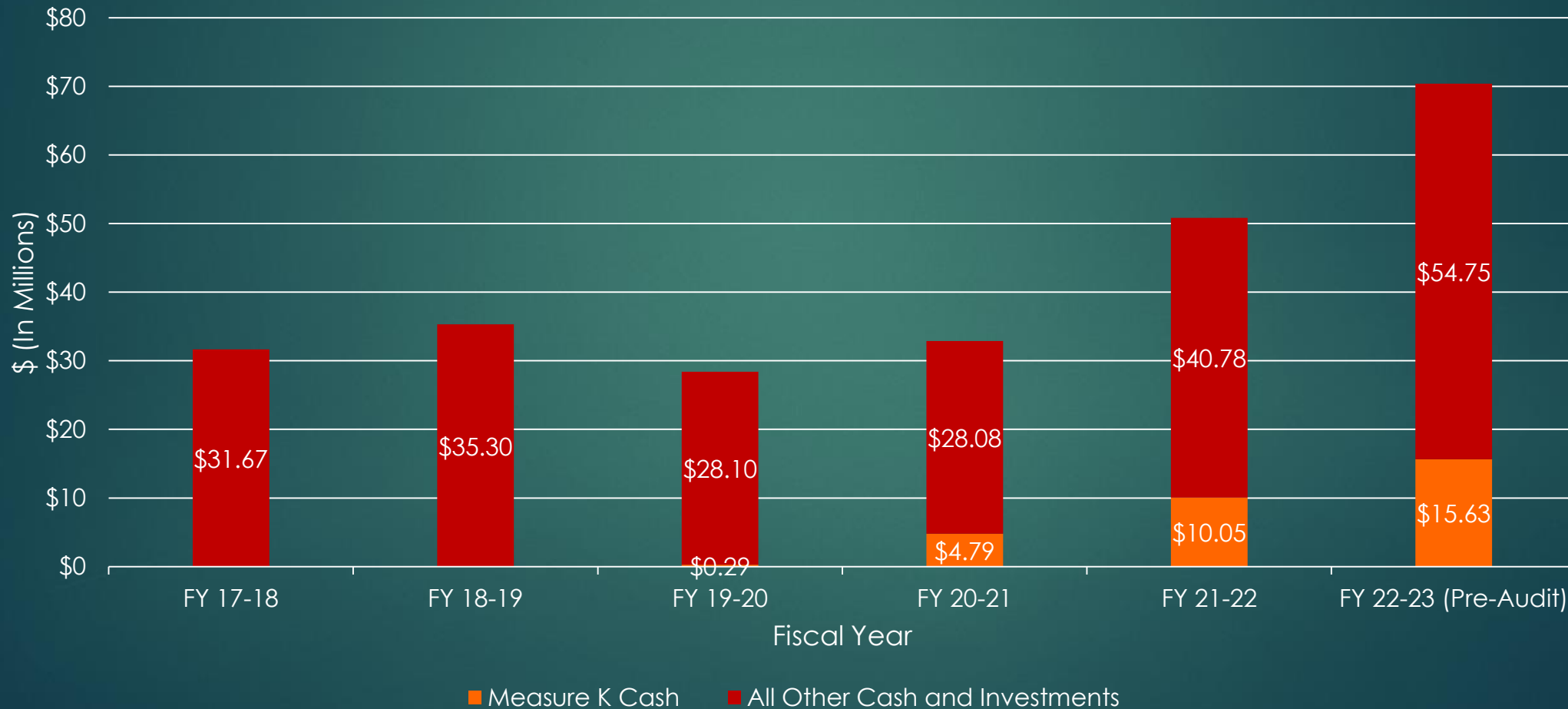
- ▶ Historic development activity provides long-term financial benefits.
 - ▶ Station Square Transit Village is under construction.
 - ▶ Multiple housing projects are moving forward elsewhere in town.
 - ▶ The City expects to meet our RHNA allocation targets.
- ▶ The City avoided \$250M in Stormwater Infrastructure costs through partnerships and negotiations.
 - ▶ JPA is operational, funding has been awarded, projects are moving forward.
- ▶ The City continues to provide preventative and proactive programs to address homelessness:
 - ▶ The Housing Displacement Response Program (HDRP) and Family and Advocate Support Services (FASS) Program provide case management services and displacement prevention. (\$135K is budgeted in Fiscal Year 2023-24).
 - ▶ Homeless Point-In-Time Numbers went from 76 in 2022 to 35 in 2023.

Cash Balances

- ▶ City-wide cash balances continue to grow annually.
- ▶ In FY 21-22 (most recently completed audit year), the City's Cash and Investment balances increased by \$17.96 million, or 55%, over the prior year. For FY 22-23, pre-audit numbers show that cash increased by approximately \$20M, or an additional 38%.
- ▶ These balances do not include reimbursements of approximately \$7.12M yet to be received from grantors and federal and state agencies for the City's recent emergency events and grant-related expenditures.

Cash Balances – All Funds

Cash and Investment Balances (All Funds)
\$ (In Millions)



Cash Balances

City cash balances will continue to grow as the City receives future reimbursements for out-of-pocket costs already incurred:

- ▶ Emergency Events
 - ▶ Canyon Park - \$4.8M
 - ▶ COVID - \$258K
- ▶ Other Grant Funded Costs:
 - ▶ Lucinda Garcia Park - \$1.23M
 - ▶ COPS Grant - \$843K
- ▶ Proposition 68 Water Grant - \$6.8M

Cash Balances

Reasons for growth:

- ▶ Prudent management of the City's finances has contributed to ongoing growth in all City funds (i.e., General Fund and Other City Funds).
- ▶ Measure K revenues have been strong and consistent. To-date, only \$3.42M has been used, contributing to growth in cash balances.
- ▶ The General Fund has experienced surpluses in the previous years, with the largest increases recognized in the last two years.

General Fund – Fund Balance

In recent years, the General Fund has experienced surpluses and a growing fund balance:

| Fiscal Year | Surplus/(Deficit)* | Ending Fund Balance* |
|------------------------------|--------------------|----------------------|
| 2017-18 | \$1,664,103 | \$6,757,160 |
| 2018-19 | \$810,025 | \$7,567,185 |
| 2019-20 | \$691,317 | \$8,258,502 |
| 2020-21 | \$2,678,640 | \$10,937,142 |
| 2021-22 | \$6,670,571 | \$17,607,713 |
| 2022-23 (Pre-Audit Estimate) | (\$140,610) | \$17,467,103 |

* Does not include Measure K or Development Services Fund

General Fund – Fund Balance

Ending Fund Balance*
\$ (In Millions)



* Does not include Measure K or Development Services Fund

General Fund – Fund Balance

Based on preliminary estimates for Fiscal Year 2022-23, the General Fund is estimated to close the year in a significantly more positive position than the Original Budget (adopted in June 2022):

| FY 22-23 Original Budget Surplus/(Deficit) | FY 22-23 Revised Budget Surplus/(Deficit) | FY 22-23 Pre-Audit Estimate Surplus/(Deficit) |
|-----------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|
| (\$2,180,558) | (\$1,036,491) | (\$140,610) |

* Does not include Measure K or Development Services Fund

Measure K Fund Balance

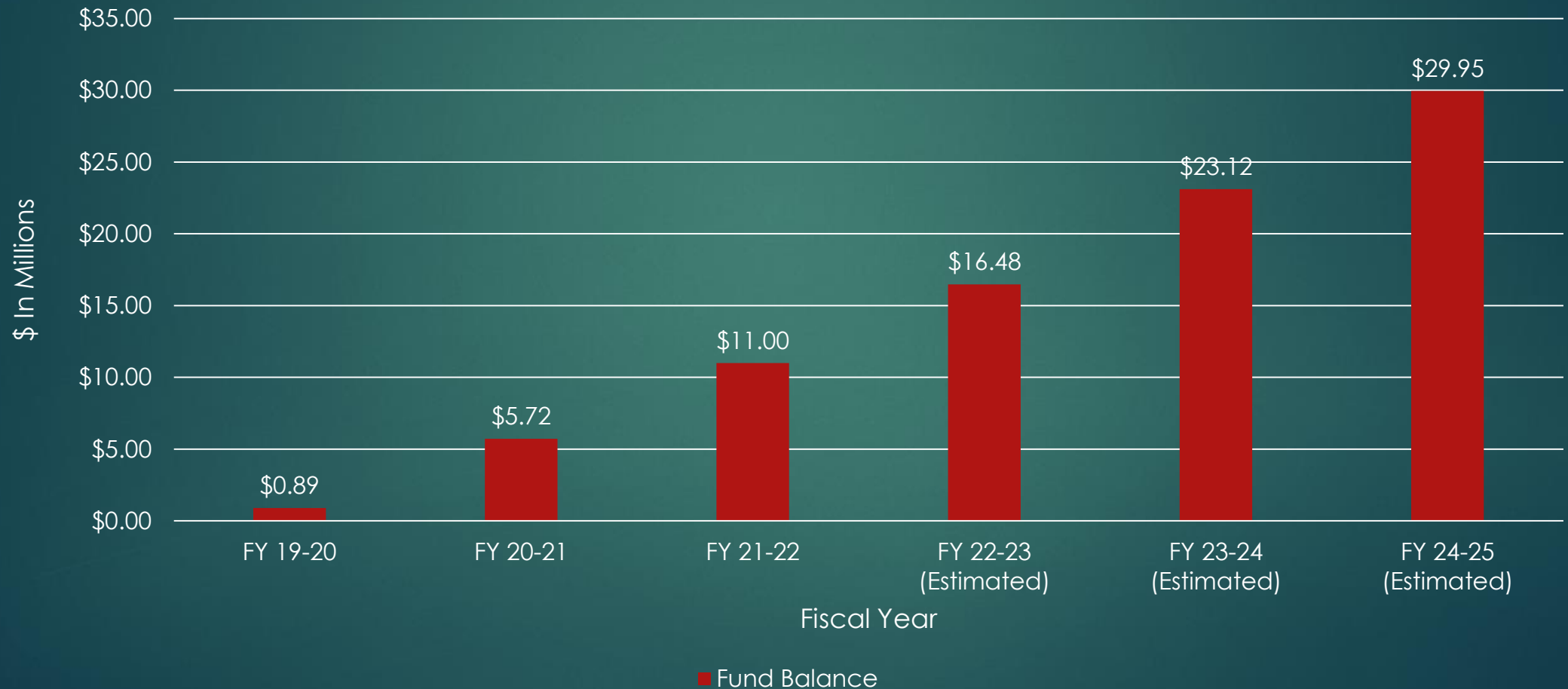
- ▶ Measure K contributes approximately \$6.5M per year in revenues to the City's cash balances.
- ▶ To date, \$3.42M has been used for Measure K projects, leaving an estimated \$29.95M in Measure K reserves at the end of FY 2024-25.

| Fiscal Year | Revenues* | Expenditures | Fund Balance |
|--------------------|-------------|--------------|--------------|
| FY 2019-20 Actuals | \$890,851 | \$0 | \$890,851 |
| FY 2020-21 Actuals | \$6,153,709 | \$1,319,918 | \$5,724,642 |
| FY 2021-22 Actuals | \$6,384,327 | \$1,105,811 | \$11,003,158 |
| FY 2022-23 Budget | \$6,482,000 | \$1,000,000 | \$16,485,158 |
| FY 2023-24 Budget | \$6,643,226 | \$0 | \$23,128,384 |
| FY 2024-25 Budget | \$6,830,226 | \$0 | \$29,958,610 |

* Includes interest earnings

Measure K Fund Balance

Fund Balance – Measure K
\$ (In Millions)



Bond Ratings

- ▶ During this past year, the City has received two different credit rating upgrades.
- ▶ Independent rating services, such as S & P, provide evaluations of a bond issuer's overall financial strength or its ability to repay a bond's principal and interest in a timely fashion.
- ▶ A bond rating is a grade given that indicates a bond issuer's/bond's credit quality.
 - ▶ An Issuer Credit Rating (ICR) is a rating that applies to the organization, as a whole.
 - ▶ A “stand alone” bond rating is a rating that applies to a specific bond. This is referred to as an S & P Underlying Rating (SPUR)
 - ▶ In other words, each City bond has its own credit rating.
- ▶ Rating increases provide independent affirmation to investors of the financial position of an issuer (the City)/bond.

Bond Ratings

In June 2022, the City received an ICR rating upgrade from AA to AA+.

- ▶ This was a significant achievement for the City and illustrated the City's positive financial progress over the years.
- ▶ Some of the reasons for the rating increase, as noted by S & P, included:
 - ▶ The City's financial resilience and trajectory through the COVID-19 pandemic.
 - ▶ The available General Fund balance increasing to what S & P considered a very strong 21% at Fiscal Year-End 2021.
 - ▶ The City's well-integrated fiscal management practices and policies, and growing and diverse economic base.

6/23/22, 1:34 PM Monrovia, CA Issuer Credit Rating Raised To 'AA+' | S&P Global Ratings

23-Jun-2022 | 12:18 EDT

Monrovia, CA Issuer Credit Rating Raised To 'AA+' From 'AA' On Economic Growth; Outlook Is Stable

DALLAS (S&P Global Ratings) June 23, 2022--S&P Global Ratings raised its issuer credit rating (ICR) to 'AA+' from 'AA' on the City of Monrovia, Calif. At the same time, we raised our long-term rating to 'AA+' from 'AA' on the city's pension obligation bonds (POBs) outstanding. Lastly, we raised our long-term and underlying rating (SPUR) to 'AA' from 'AA-' on the city's lease revenue bonds outstanding. The outlook is stable.

"The upgrades reflect our view of the city's financial resilience and trajectory through the COVID-19 pandemic, with available general fund increasing to what we consider a very strong 21% at fiscal year-end 2021, supported by the city's well-integrated fiscal management practices and policies, and growing and diverse economic base," said S&P Global Ratings credit analyst Daniel Golliday.

The city's POBs are payable from any source of legally available funds. In addition, the city pledged its retirement tax revenues to pay for debt service on the bonds. We rate the POBs to be on par with the city's general creditworthiness, based on our view that the city's ability to pay the obligation is closely tied to its operations, and the revenue used to secure the POBs is not limited in scope and is not distinct or separate from its general fund.

The city's lease revenue bonds outstanding are secured by revenue from the Monrovia Financing Authority, which consists of an interest in base rental payments made by the city. Base rental payments are made from general revenue of the city pursuant to the facility leases and are subject to annual appropriation. Consistent with our "[Issue Credit Ratings Linked To U.S. Public Finance Obligors](#)"

Bond Ratings

In July 2023, the City received a SPUR rating upgrade from A- to A for the City's Water and Sewer Bonds.

- ▶ Some of the reasons for the rating increase, as noted by S & P, included:
 - ▶ The water system's increase in greater revenue stability and improved all-in debt service coverage since 2018.
 - ▶ The expectation that the utility system will continue to generate healthy all-in coverage as the City continues to make improvements to the system as the City moves forward with its Capital Improvement Program (CIP).
 - ▶ The City's cash reserve has been robust in recent years, and the City's coverage of all the fixed obligations, including debt service on the existing bonds and transfers to the General Fund, have been deemed adequate.

Summary:

Monrovia, California

Monrovia Financing Authority; Water/Sewer

| Credit Profile | | |
|-------------------------------------------------|----------------|----------|
| Monrovia Financing Authority, California | | |
| Monrovia, California | | |
| Monrovia Finncg Auth (Monrovia) wtr/swr (AGM) | | |
| Unenhanced Rating | A(SPUR)/Stable | Upgraded |
| Many issues are enhanced by bond insurance. | | |

Credit Highlights

- S&P Global Ratings raised its underlying rating to 'A' from 'A-' on Monrovia Financing Authority, Calif's series 2016 water and sewer revenue bonds, issued for the City of Monrovia.
- The outlook is stable.
- The upgrade reflects the water system's improved financial performance in recent years following the implementation of a rate plan in 2018 that led to greater revenue stability and improved all-in debt service coverage (DSC).
- The existing balance of the series 2016 bonds is approximately \$30 million as of June 30, 2023.

Security

The financing agreements between the authority and the city contractually obligate the water and sewer systems to cover their proportionate share of the debt service on the bonds. However, neither has any liability or responsibility for the payments of the other system, and therefore the rating reflects a "weak link" approach that assesses the credit quality of each of the two utilities. We believe the cash-flow streams from the collection-only sewer system are more stable and predictable than those of the water system; therefore, we based our rating on the bonds on our assessment of the water system.

We view the bond provisions as credit neutral. Key bond provisions include a rate covenant set at 1.2x annual debt service and an additional bonds test at 1.2x debt service in the preceding year.

Credit overview

The rating reflects our expectation that the utility systems will maintain a strong financial profile by generating healthy all-in coverage and liquidity margins as the city progresses through the funding of its capital projects. The water system is in the middle of a capital cycle to address potential capital projects including construction of a treatment system for removal of per- and polyfluoroalkyl substances (collectively known as PFAS) from water produced in three of its five groundwater wells that will enhance its water supply reliability in the future. The rating is tempered by the system's significant capital needs, but we recognize these capital projects are also critical to remediate future

Property Taxes

- ▶ Based on initial estimates, property tax is expected to see growth of approximately 6% for FY 2023-24.
- ▶ A strong housing market and continued growth in property values ensures continued growth in this revenue source.
 - ▶ When properties sell, properties are added to the tax rolls at the sale price, which is, oftentimes, *significantly* higher than the home's previous tax roll value.
- ▶ New development activity in the City will result in increased revenues.
- ▶ While sales activity appears to be slowing, activity will still result in revenue growth for the City.

THE CITY OF MONROVIA
SALES VALUE HISTORY
Single Family Residential Full Value Sales 01/01/2021 - 6/30/2023)

| Year | Full Value Sales | Average Price | Median Price | Median % Change |
|------|------------------|---------------|--------------|-----------------|
| 2021 | 373 | \$922,121 | \$830,000 | |
| 2022 | 270 | \$1,057,232 | \$952,500 | 14.76% |
| 2023 | 103 | \$946,404 | \$900,000 | -5.51% |

Property Taxes – Assessed Value History

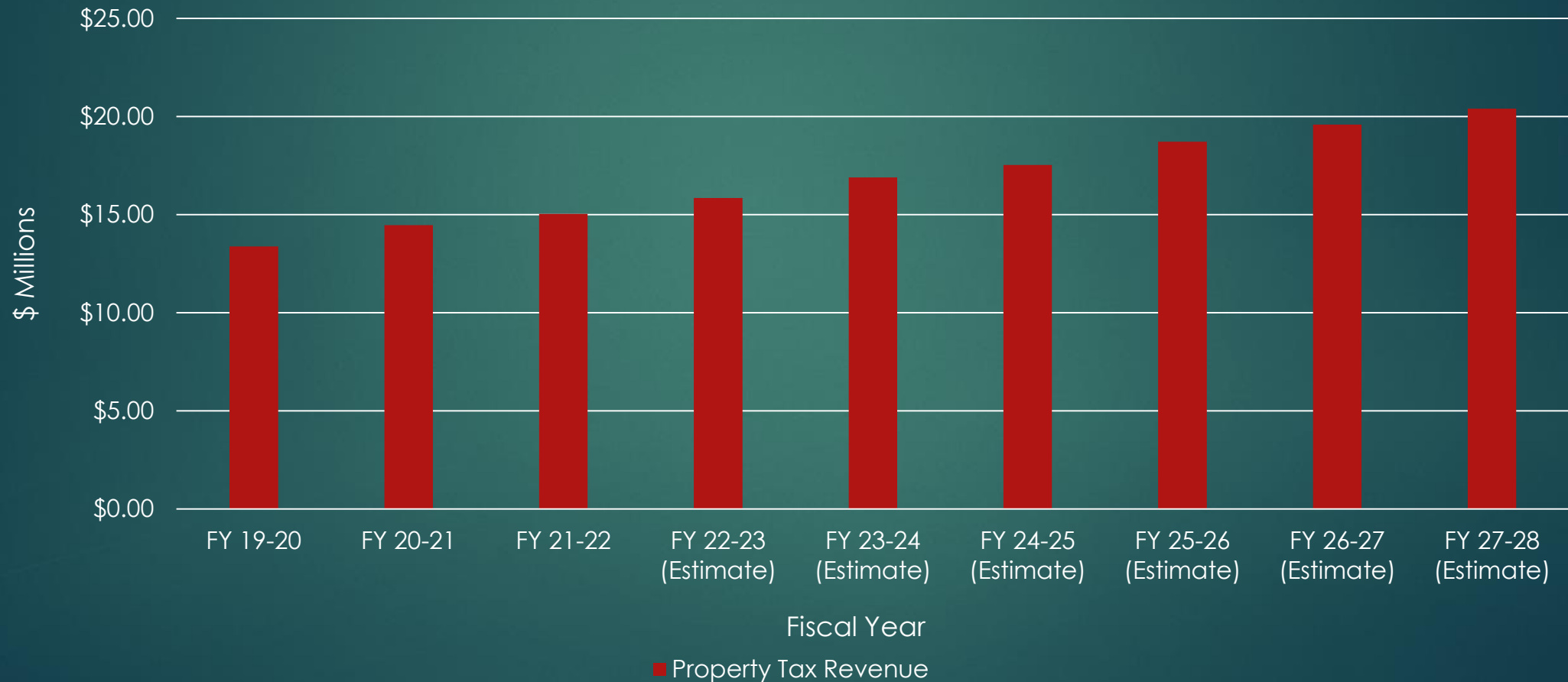
THE CITY OF MONROVIA NET TAXABLE ASSESSED VALUE HISTORY

2013/14 - 2022/23 Taxable Property Values

| Lien Year | Secured | Unsecured | SBE Nonunitary | Net Total AV | % Change |
|-----------|-----------------|---------------|----------------|------------------|----------|
| 2013/14 | \$4,205,064,699 | \$165,151,799 | \$0 | 4,370,216,498 | |
| 2014/15 | \$4,432,364,814 | \$157,389,712 | \$0 | 4,589,754,526 | 5.02% |
| 2015/16 | \$4,709,539,422 | \$153,133,303 | \$0 | 4,862,672,725 | 5.95% |
| 2016/17 | \$4,941,427,001 | \$149,428,454 | \$0 | 5,090,855,455 | 4.69% |
| 2017/18 | \$5,218,717,527 | \$156,177,666 | \$0 | 5,374,895,193 | 5.58% |
| 2018/19 | \$5,537,330,168 | \$158,605,324 | \$0 | 5,695,935,492 | 5.97% |
| 2019/20 | \$5,821,427,779 | \$185,006,374 | \$0 | 6,006,434,153 | 5.45% |
| 2020/21 | \$6,232,646,359 | \$195,112,479 | \$0 | 6,427,758,838 | 7.01% |
| 2021/22 | \$6,467,485,666 | \$197,578,898 | \$0 | 6,665,064,564 | 3.69% |
| 2022/23 | \$6,911,484,236 | \$220,855,876 | \$0 | 7,132,340,112 | 7.01% |
| | | | | Average % Change | 6.38% |

Property Taxes - Projections

Property Tax Revenue
\$ (In Millions)



Managing Liabilities

The City has been proactively managing its debt obligations.

- ▶ Outstanding bonded debt continues to decrease each year as we continue to make timely payments on our debt:

| FY 19-20 Outstanding Debt | FY 20-21 Outstanding Debt | FY 21-22 Outstanding Debt | FY 22-23 Outstanding Debt |
|------------------------------|------------------------------|------------------------------|------------------------------|
| \$169.47M | \$165.21M | \$160.81M | \$156.26M |

- ▶ Due to sound management practices, some accrued liabilities are decreasing. For example, as our OPEB liability decreased last year and is expected to continue this downward trend.

| FY 19-20 OPEB Liability | FY 20-21 OPEB Liability | FY 21-22 OPEB Liability | FY 22-23 OPEB Liability |
|----------------------------|----------------------------|----------------------------|----------------------------|
| \$34.39M | \$36.04M | \$26.15M | Not Yet Available |

Financial Work Plan Items

Continuous improvement is integrated into our annual financial planning process. A series of financial work plan items will continue to move us in a positive direction, financially, in the upcoming year:

- ▶ Complete rate studies for the Water Fund, Sewer Fund, and Assessment Districts.
- ▶ Complete an external comprehensive user fee cost study review and update user fees and charges to ensure fees are capturing the full cost of service delivery.
- ▶ Review and analyze the Go Monrovia and Dial-A-Ride transit programs, and make adjustments, as necessary, to ensure costs are sustainable.

Financial Work Plan Items (cont'd)

- ▶ Review the City's investment strategy to ensure maximum return on investments.
- ▶ Continue to seek additional grant/outside funding for program and project costs.
- ▶ Continue to seek reimbursement for Canyon Park repairs.
- ▶ Continue to provide quarterly budget updates to City Council throughout the year.

Finances and Our Legacy Projects

More than ever, the City's is in a unique position to identify and leverage funding.

Given the City's current positive financial position, and given the upcoming Legacy Project List, what are our next steps? As we plan for these projects, the focus will be:

- ▶ To seek funding
 - ▶ Priority will be placed on identifying outside funding, first.
- ▶ To finalize design and construction plans, prepare for construction

How Do We Pay for Our Legacy Projects?

Possible funding options include the following:

1. Seek outside funding (e.g., grants, Federal and State funding, insurance proceeds, State budget allocations, etc.). We will always seek and exhaust outside funding first!
2. Cash in the bank (pay-as-you-go)
3. Bond issuance
4. Combination of one or more of the above options

6 Legacy Projects

Legacy Projects:

1. Canyon Park Repair Project
2. Community Center Renovation Project
3. Public Library Facility Enhancement Project
4. Recreation Park Improvement Project
5. South Monrovia Park Project - NEW
6. City Hall Renovation Project

Legacy Projects - Timing

| | Project Cost | FY 23-24 | FY 24-25 | FY 25-26 | FY 26-27 | FY 27-28 |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| Canyon Park Repair Project | \$16,947,599 | \$12,047,613 | - | - | - | - |
| Community Center Renovation Project | \$21,750,000 | \$500,000 | \$11,250,000 | \$10,000,000 | - | - |
| Public Library Enhancement Project | \$7,500,000 | \$6,500,000 | \$1,000,000 | - | - | - |
| Recreation Park Improvement Project | \$20,250,000 | \$250,000 | \$10,000,000 | \$10,000,000 | - | - |
| South Monrovia Park Project | \$1,500,000 | - | \$1,500,000 | - | - | - |
| City Hall Renovation Project | <u>\$20,275,000</u> | - | <u>\$25,000</u> | <u>\$250,000</u> | <u>\$12,000,000</u> | <u>\$8,000,000</u> |
| | <u>\$88,222,599</u> | <u>\$19,297,613</u> | <u>\$23,775,000</u> | <u>\$20,250,000</u> | <u>\$12,000,000</u> | <u>\$8,000,000</u> |

Review of Projects

Project #1: Canyon Park Repair Project

- ▶ This project seeks to:
 - ▶ Rebuild all park improvements following the Bobcat Fire and multiple floods.
 - ▶ Enhance certain amenities within the park.
- ▶ Estimated Cost = \$16,947,599
- ▶ Funding Sources: (next slide)

Review of Projects

Project #1: Canyon Park Repair Project

► Estimated 3rd Party Funding Sources

| Funding Source | Est. Amount |
|------------------------------------------------|----------------------------|
| Insurance Proceeds (Bobcat Fire) | \$550,000* |
| CalOES Payments (Bobcat Fire) | \$400,000* |
| Insurance Proceeds (December 2021 Storm) | \$3,900,000* |
| CalOES Payments (December 2021 Storm) | \$3,750,000* |
| FEMA Payments (Dec/Jan 2023 Storm) | \$1,350,000* |
| CalOES Payments (Dec/Jan 2023 Storm) | \$450,000* |
| Insurance Proceeds (Dec/Jan 2023 Storm) | \$172,000 |
| HUD Community Project Grant | \$3,000,000 |
| State Budget Allocation | <u>\$2,000,000</u> |
| 3rd Party Funding - SubTotal | <u>\$15,572,000</u> |

The items with an asterisk () above are tied to actual costs to improve*

Review of Projects

Project #2: Community Center Renovation Project

- ▶ This project seeks to:
 - ▶ Renovate nearly 20,000 square feet of the Community Center
 - ▶ New entrance, meeting rooms, conference room, etc.
 - ▶ Upgraded restrooms, kitchen, and added laundry room
 - ▶ Repair building exterior and ensure ADA compliance throughout
 - ▶ Modernize furniture, A/V equipment and spaces
- ▶ Estimated Cost = \$21,750,000
- ▶ Targeted Funding Sources:
 - ▶ Community Resiliency Center Grant – up to \$10M (2024 application deadline)

Review of Projects

Project #3: Public Library Facility Enhancement Project

- ▶ This project seeks to:
 - ▶ Enhance the connection between the Public Library and Library Park by creating new public meeting spaces.
 - ▶ Upgrade landscape and irrigation.
 - ▶ Install exterior enhancements to the Public Library building (gabion wall, lighting, seating, signage).
- ▶ Estimated Cost = \$7,500,000
- ▶ Funding Sources:
 - ▶ Est. \$3M available dedicated parcel tax through FY38.
 - ▶ Building Forward Infrastructure Grant - \$3M (awaiting decision in September).

Review of Projects

Project #4: Recreation Park Improvement Project

- ▶ This project seeks to:
 - ▶ Renovate and enhance all park improvements within the park area.
 - ▶ New walking path, public restrooms, playground, signage, and others.
- ▶ Estimated Cost = \$20,250,000
- ▶ Funding Sources:
 - ▶ Congressional Appropriation- \$850,000 (included, currently being debated in the Senate).

Review of Projects

Project #5: South Monrovia Park Project

- ▶ This project seeks to:
 - ▶ Add another park to South Monrovia (and south of the 210 freeway).
 - ▶ Land was donated by developer.
 - ▶ Currently undergoing public outreach, review, and design.
- ▶ Estimated Cost = \$1,500,000
- ▶ Funding Sources:
 - ▶ None yet identified

Review of Projects

Project #6: City Hall Renovation Project

- ▶ This project seeks to:
 - ▶ Renovate the City Hall building to include ADA accessibility.
 - ▶ Replace carpets, lighting, HVAC systems, furniture, etc.
- ▶ Estimated Cost = \$20,275,000
- ▶ Funding Sources:
 - ▶ None yet identified

Summary and Next Steps

- ▶ As we close out Fiscal Year 2022-23, cash in the bank continues to grow. A strong revenue base, coupled with sound management practices, helps to ensure stable finances in the future.
- ▶ Our positive position will allow us to prioritize our 6 Legacy Projects and move forward with funding options and design.
- ▶ A Q1 Budget Update, which will include preliminary year-end numbers for FY 2022-23, will be presented in the fall.
- ▶ Staff will return to City Council with additional project updates and funding options.

Thank you for your time!



Questions?