



CITY COUNCIL AGENDA REPORT



DEPARTMENT: Administrative Services

MEETING DATE: June 20, 2023

PREPARED BY: Buffy Bullis, Administrative Services Director

AGENDA LOCATION: AR-1

TITLE: Fiscal Year 2023-25 Budget, Resolution No. 2023-30; Fiscal Year 2023-2024 Schedule of Fees and Charges, Resolution No. 2023-31; and Fiscal Year 2023-25 Authorized Position Listing

OBJECTIVE: To present the City of Monrovia's two-year budget for Fiscal Years 2023-25, appropriate the funds necessary to manage all operating and capital improvement costs, approve the Fiscal Year 2023-24 Schedule of Fees and Charges, and authorize the Fiscal Year 2023-25 Authorized Position Listing

BACKGROUND: The Fiscal Year 2023-25 Biennial Budget presented for City Council's consideration incorporates the City's Strategic Goals of Customer Service, Financial Management, Infrastructure, and Relationships and seeks to fund priorities aligned with these goals. The Fiscal Year 2023-25 Budget is also aligned with the City's mission to serve the people of Monrovia to create a community that offers a premier quality of life. Further, the development of the budget incorporates the City's Financial Resiliency Plan Principles, as follows:

Financial Resiliency Plan (FRP) Principles:

1. Protect General Fund dollars and minimize subsidies to any funds that should be self-sustaining. This includes ensuring that user fees cover the cost of providing services.
2. Complete the remaining elements of the City's CalPERS Response (CPR) Plan.
3. Facilitate appropriate new development projects to bolster the City's revenue base.
4. Build up General Fund reserve levels in preparation for a possible future recession.
5. Consider contracting out for services if a significant cost savings has been identified and if appropriate.

ANALYSIS: 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. In short, improving overall fiscal health has been a key budget objective for our City, and significant progress in achieving this objective has been made, which can be seen in the following accomplishments:

1. Overall, the City's cash and investment balances continue to grow each year. For example, 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+.

AR-1

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.
5. Over the last several years, funding has been set aside to address CalPERS 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 not only reduces the City's overall liabilities and is positively reflected in the City's annual financial statements, but it also 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 Approach

Overall, the budget was established using a conservative approach to developing expenditure and revenue estimates. Expenditure budgets include the full cost of salaries and benefits (for all 243.75 budgeted positions), and the full cost of operations, including anticipated inflationary increases. In short, a "fully-loaded" expenditure budget has been developed and is incorporated as part of this proposal. Alternatively, a different approach was applied when developing revenue estimates. Staff analyzed historical trends to ensure estimates were consistent with prior year historical actuals, making adjustments for unique circumstances and anticipated future changes, as appropriate. In situations where uncertainty exists, staff applies an "err on the side of caution" approach by utilizing the more conservative or "likely" estimate.

Throughout the year, staff closely monitors the budget and is prepared to quickly pivot, if needed. Given this approach, the quarterly budget updates provided to City Council provide an opportunity to closely track estimates to actuals and adjust, as needed. Additionally, the quarterly updates also provide a process to ensure ongoing dialogue with the City Council and the community, and are a key tool in making sound financial decisions and being fiscally responsible.

Several key budget objectives have been incorporated into the Fiscal Year 2023-25 budget proposal. When developing the budget, staff has endeavored to:

- Build up reserve levels in all funds to prepare for the future.
- Seek outside funding, whenever possible, to help fund special projects and programs.
- Address infrastructure and maintenance needs by funding the City's Capital Improvement Program (CIP) for Fiscal Years 2023-25.
- Address future long term obligations by setting aside funds for CalPERS and OPEB liabilities and by instituting mechanisms for paying down other long-term obligations.
- Address shortfalls in operational budgets by taking steps to ensure that each fund is self-sustaining, whenever possible.

Citywide Revenues and Expenditures:

In total, the City's overall budgeted appropriations for Fiscal Year 2023-25 are projected to be \$149.68M for Fiscal Year 2023-24 and \$131.09M for Fiscal Year 2024-25. Below is a summary of Citywide revenues and expenditures, by fund type, which includes CIP expenditures:

Exhibit 1

Citywide Revenues and Expenditures* (Includes CIP)

Fund Type	Fiscal Year 2022-23 Revised Budget		Fiscal Year 2023-24 Proposed Budget		Fiscal Year 2024-25 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 (Dev. Services/Emergency Event/Measure K)	\$15.14 M	\$9.81 M	\$23.00 M	\$16.71 M	\$10.89 M	\$5.69 M
Enterprise	\$23.93 M	\$24.01 M	\$22.12 M	\$27.88 M	\$21.51 M	\$23.02 M
Special Purpose	\$37.58 M	\$35.92 M	\$35.08 M	\$42.72 M	\$34.09 M	\$36.85 M
Internal Service	\$12.15 M	\$12.27 M	\$10.87 M	\$12.12 M	\$10.90 M	\$12.02 M
Total Budget	\$141.94 M	\$136.18 M	\$140.87 M	\$149.68 M	\$129.54 M	\$131.09 M

*Does not include transfers to/from designations.

It should be noted that expenditures exceed revenues for both years of the two-year budget. This is mainly due to the planned use of reserves that have been set aside in a prior year for use during this budget cycle for CIP projects.

General Fund

As recently discussed during Budget Study Session #2, the General Fund is in a strong position and has been showing positive growth over the years. Below are a few noteworthy General Fund accomplishments over the last several years:

1. The General Fund's overall financial position has improved over time. In the last five years, the balance has grown from \$6.8M in Fiscal Year 2017-18 to an estimated \$16.5M at the end of Fiscal Year 2022-23.
2. Key revenues, such as property tax and sales tax, which make up approximately 60% of the General Fund's revenues, have shown consistent growth each year (ranging from 2-6%).
3. Because of its positive financial position, the City was able to transfer funds from the General Fund to the City's Capital Improvement Fund in Fiscal 2021-22 and Fiscal Year 2022-23 to help fund CIP projects, including the Wellfield Electrical Project. A total of approximately \$7M was transferred over the last two years.
4. The City has also been able to set aside Section 115 Trust funds for future CalPERS and OPEB liabilities, and the City is also addressing other long-term liabilities.

The proposed Fiscal Year 2023-25 General Fund budget incorporates conservative estimates for revenues and expenditures. While deficits are proposed in both years, staff will closely monitor the budget and adjust accordingly throughout the year during quarterly budget updates, as needed. Projected expenditures and revenues are outlined in **Exhibit 2** below:

Exhibit 2

General Fund Revenues and Expenditures

Budget Category	Fiscal Year 2022-23 Revised Budget	Fiscal Year 2023-24 Proposed Budget	Fiscal Year 2024-25 Proposed Budget
Revenues	\$53.14M	\$49.80M	\$52.15M
Expenditures	\$54.17M	\$50.25M	\$53.51M
Net General Fund Surplus/(Deficit)	<u>(\$1.03M)</u>	<u>(\$0.45M)</u>	<u>(\$1.36M)</u>

General Fund Revenues

In preparing the Fiscal Year 2023-25 Budget, staff performed a review of historical actuals and estimated year-end projections for Fiscal Year 2022-23, and evaluated the current economic environment. Based on that review, the total proposed General Fund revenue budget is \$49.80M for Fiscal Year 2023-24 and \$52.15M for Fiscal Year 2024-25. As in prior years, key General Fund revenues include property tax, sales tax, transient occupancy tax (TOT), and other revenues. General Fund proposed revenues are outlined in **Exhibit 3** below:

Exhibit 3

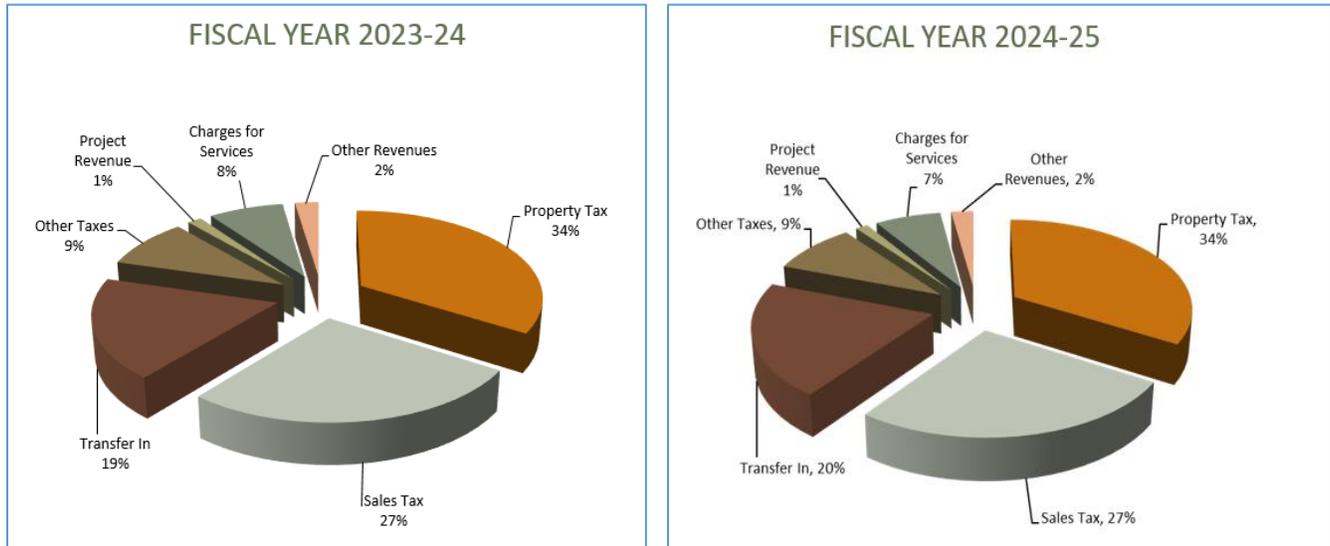
General Fund Revenues

Revenue Source	Fiscal Year 2022-23 Revised Budget	Fiscal Year 2023-24 Proposed Budget	% Increase Decrease	Fiscal Year 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 (Includes TOT)	\$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	\$4.97 M	\$1.18 M	(76.26%)	\$1.19 M	0.85%
Total Revenues	<u>\$53.14 M</u>	<u>\$49.80 M</u>	<u>(6.29%)</u>	<u>\$52.15 M</u>	<u>4.72%</u>

Additionally, **Exhibit 4**, below, illustrates the breakdown of the various General Fund revenue sources represented as percentages of total General Fund revenues.

Exhibit 4

General Fund Revenues



A discussion of the City's key revenue sources is outlined below:

Property Tax

Property tax revenue, the City's biggest revenue source in the General Fund, makes up 34% of total General Fund revenues. Overall, property values have remained strong in Monrovia and home values continue to grow each year, resulting in growth in this stable revenue source. Property tax revenue estimates include new developments that were completed during Calendar Year 2022. In determining the projected revenues for both years, staff consulted with HDL, the City's independent property and sales tax consultant. Based on this information, for Fiscal Year 2023-24, the proposed budget is \$16.90M, and for Fiscal Year 2024-25, the proposed budget is \$17.54M.

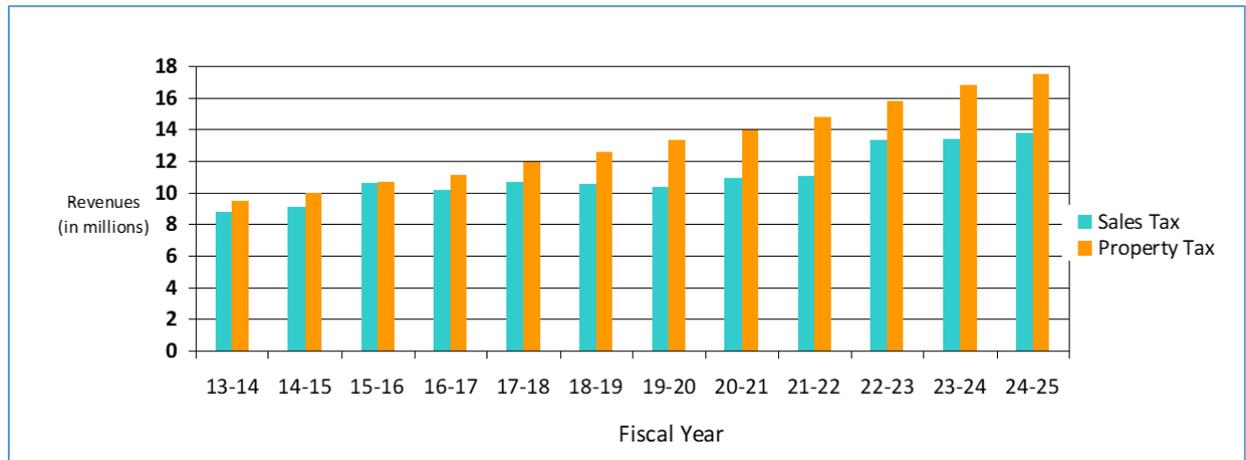
Sales Tax

The Bradley Burns 1% Sales Tax continues to be the second largest source of revenue in the General Fund, making up approximately 27% of all General Fund revenue. Sales tax revenues continue to be strong and consistent, and auto sales and state pool allocations, the City's two biggest sales tax categories, continue to perform well. Additionally, it should be noted that sales tax revenues have been positively impacted by inflation. City staff also consulted with HDL when developing projections for the two-year budget. To that end, based on staff's review and consultation with HDL, for Fiscal Year 2023-24, the proposed budget is \$13.44M, and for Fiscal Year 2024-25, the proposed budget is \$13.82M.

Exhibit 5, below, displays a comparison of Property Tax and Sales Tax revenues from Fiscal Year 2013-14 through Fiscal Year 2024-25. As can be seen in the chart, in recent years, property tax revenues have been outpacing sales tax revenues at a steady pace.

Exhibit 5

Sales Tax and Property Tax Revenues



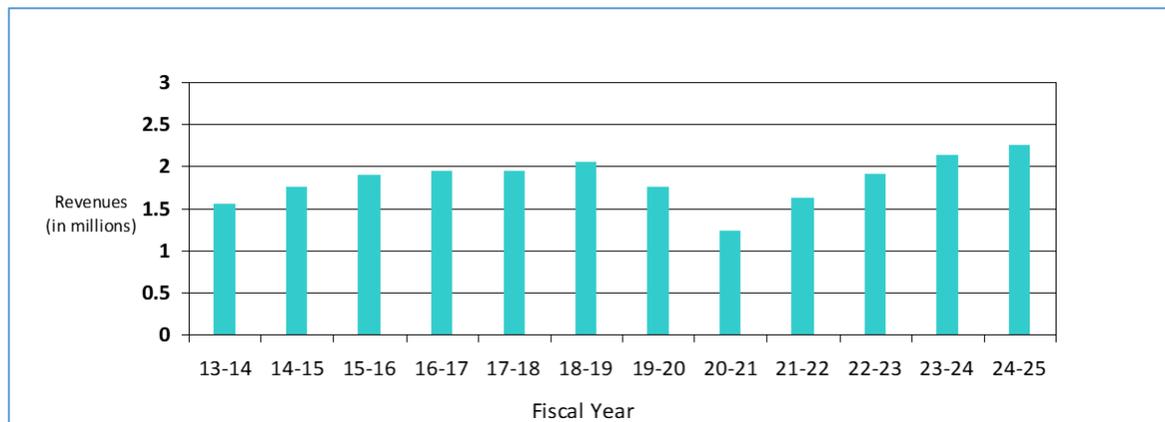
Transient Occupancy Tax

TOT revenue has also been a growing revenue source in the General Fund, as tourism and travel activity continues to normalize post-COVID. Included in staff's projections are new revenues for the TownePlace Suites, which is expected to be completed in Fall 2023. Construction progress is underway on this hotel project, and the City anticipates beginning to see new TOT tax revenues from this project in Fiscal Year 2023-24. Overall, TOT revenue makes up approximately 4.5% of all General Fund revenues. Conservative estimates have been incorporated into the budget, which include proposed revenues of \$2.13M for Fiscal Year 2023-24 and \$2.26M for Fiscal Year 2024-25.

Exhibit 6 below displays historical activity for TOT from Fiscal Year 2013-14 through Fiscal Year 2024-25.

Exhibit 6

TOT Revenues



All Other Revenues

In addition to property tax, sales tax, and TOT revenues, the City also collects General Fund revenues for other taxes, project revenues, charges for services, and other various revenues. Within these categories, some revenue examples include franchise fees, permits, user fees, one-time revenues, and all other revenues that are not classified as property tax, sales, tax, or TOT. Revenue

projections include conservative estimates, and a Consumer Price Index (CPI) increase has been reflected in revenue projection estimates for user fees, which is discussed in further detail under the Fees and Charges Section below. Budgeted revenues of \$8.10M for Fiscal Year 2023-24 and \$7.85M for Fiscal Year 2024-25 have been included.

Transfers In

Transfers In revenue makes up 19-20% of the City’s General Fund Revenue. Transfer In revenue is comprised of reimbursements received from other City funds for costs such as overhead, pension costs, and other various costs. For Fiscal Year 2023-24, the proposed budget is \$9.23M, and for Fiscal Year 2024-25, the proposed budget is \$10.68M.

General Fund Expenditures:

When preparing the General Fund expenditure budget, a conservative budget was developed. A year-over-year comparison of expenditure categories is shown in **Exhibit 7**, below, and reflects an overall decrease of 7.24% in Fiscal Year 2023-24 (compared to Fiscal Year 2022-23) and an increase of 6.49% in Fiscal Year 2024-25 (compared to Fiscal Year 2023-24). The large decrease reflected in the first year budget is mainly due to the following:

1. A large, one-time transfer was made in Fiscal Year 2022-23. \$4.5M was transferred out from the General Fund to the City’s Capital Improvement Fund. This one-time transfer to set aside funds for future CIP projects occurred only in Fiscal Year 2022-23, but not in Fiscal Year 2023-24 or Fiscal Year 2024-25. Consequently, this results in a large decrease of 69.89% in Fiscal Year 2023-24 and a subsequent increase of 23.87% in Fiscal Year 2024-25.
2. Due to positive CalPERS investment returns in Fiscal Year 2020-21, the City is not required to make an Unfunded Actuarial Liability (UAL) payment in Fiscal Year 2023-24, which equates to approximately \$1M annually. However, a payment is required in Fiscal Year 2024-25. As such, this reduction in CalPERS costs in Fiscal Year 2023-24 results in an unusually high increase, 7.97%, in Personnel Costs in Fiscal Year 2024-25 when compared to Fiscal Year 2023-24.

Total proposed General Fund expenditures are \$50.25M in Fiscal Year 2023-24 and \$53.51M in Fiscal Year 2024-25. A breakdown of the General Fund expenditures is presented in **Exhibit 7** below:

Exhibit 7

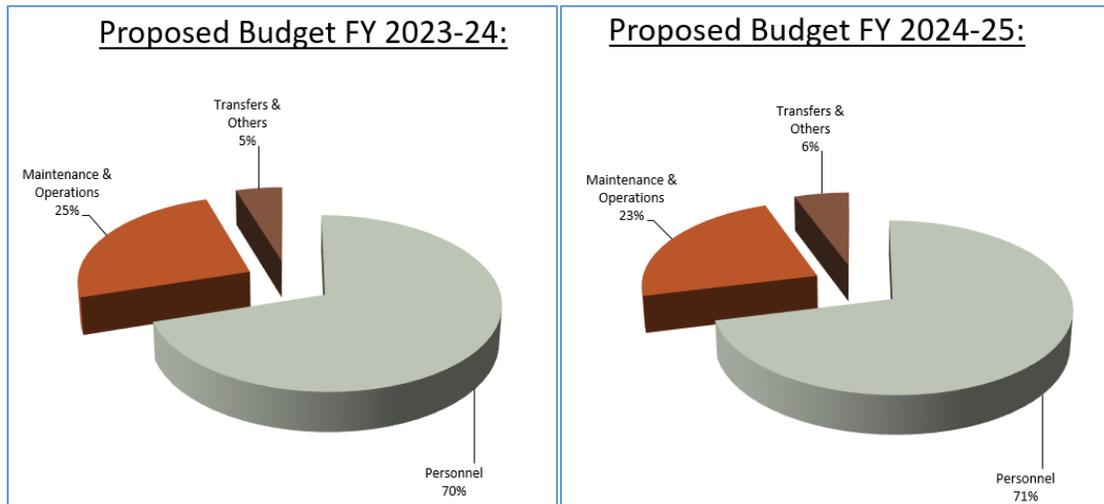
General Fund Expenditures

Expenditure Type	Fiscal Year 2022-23 Revised Budget	Fiscal Year 2023-24 Proposed Budget	% Increase Decrease	Fiscal Year 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>
Total Expenditures	<u>\$54.17 M</u>	<u>\$50.25 M</u>	<u>(7.24%)</u>	<u>\$53.51 M</u>	<u>6.49%</u>

General Fund expenditures for the Fiscal Year 2023-25 proposed budget as a percentage of total General Fund expenditures are illustrated in **Exhibit 8** below:

Exhibit 8

General Fund Expenditures



As an item of note, expenditure percentages are consistent with prior years. Personnel costs constitute 70-71% of total budgeted expenditures, which is below the City's threshold of 75%, as identified in the City's Principals of Employee Compensation.

Other General Operating Funds

In addition to the General Fund, several other City funds are part of the General Fund and, as such, are presented as one fund on the City's Annual Financial Report (ACFR). These funds include:

- The Development Services Fund – This fund is used to account for building, planning, and engineering activities. This fund has an excess of expenditures over revenues in both years, which is partially attributed to the timing of collection of development revenues. Additionally, this fund has an annual operating deficit, which is mainly due to insufficient revenue collected during the planning phases of projects. Staff completed a thorough review of building fees in recent years, and many fees were adjusted as part of the budget approval process in a prior year. However, a comprehensive Cost Study Review, which will help to address the adequacy of fees and charges established for all functions housed in the fund, is planned for the upcoming year.
- The Emergency Event Fund – This fund is used to house activities from one-time emergency events, such as the Bobcat Fire, the COVID-19 Pandemic, and the two Rainstorms that recently damaged Canyon Park. The majority of costs associated with emergency events will be reimbursed by federal funding, state funding, and insurance reimbursements. Currently, staff has been diligently working with the Federal Emergency Management Agency (FEMA) and the State on completing reimbursement claims. Additionally, staff is also seeking funding from other sources, wherever possible, to minimize the City's out-of-pocket costs.
- The Measure K Fund - This fund houses Measure K revenues and expenditures. Any unused revenues are added to reserves within the fund at the end of each year.

Exhibit 9, below, provides a view of the funds that are combined into one on the ACFR:

Exhibit 9

Combined Fund View – General Fund

Fund Type	Fiscal Year 2022-23 Revised Budget		Fiscal Year 2023-24 Proposed Budget		Fiscal Year 2024-25 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	\$6.48 M	\$1.00 M	\$6.64 M	\$0.00M	\$6.83 M	\$0.00 M
Total General Fund Budget	<u>\$68.28 M</u>	<u>\$63.98 M</u>	<u>\$72.80 M</u>	<u>\$66.96M</u>	<u>\$63.04 M</u>	<u>\$59.20 M</u>

Other City Funds (Non-General Fund)

In addition to the General Fund, the City also maintains and accounts for approximately 50 other funds in its financial records. Each fund is accounted for separately, with a self-balancing set of accounts. Funds are separately established to account for unrestricted and restricted revenue sources and expenditures. Based on the proposed Fiscal Year 2023-25 Budget, all funds are expected to end each year with positive fund balances, except for the Lighting and Landscape Assessment District Fund, the Park Maintenance Assessment District Fund, and the Proposition A Fund, which will be discussed in the Funds To Watch Section below. Additionally, on a positive note, the Workers Compensation Fund, a fund that has been running negative balances for over 20 years, is now showing positive balances in each year of the two-year budget.

The total budgeted expenditures for all other funds (non-General Fund) in Fiscal Year 2023-24 are \$82.72M and \$71.89M in Fiscal Year 2024-25. In total, expenditures exceed revenues in both years, which is mainly due to the planned use of reserves that have been set aside in a prior year for use during this budget cycle for CIP projects. **Exhibit 10**, below, provides a summary of Other City Fund revenues and expenditures, as follows:

Exhibit 10

Other City Funds (Non-General Fund)*

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

*Does not include transfers to/from designations.

Funds to Watch:

In furtherance of the City's FRP's and the City Council's Goal of Financial Management, each fund is analyzed with a long-term view in mind. The overall goal of each fund is to ensure structural balance and long-term sustainability. Based on that analysis, staff has identified several funds that are not self-sustaining and/or have deficit balances. These funds are as follows:

Assessment District Funds

The City has two assessment districts that require ongoing support, as follows:

- The Lighting and Landscape Assessment District (LLD) was first established in 1990's and provides funding for street lighting costs, street signal costs, street tree maintenance, median landscaping, and Gold Hills landscaping. The assessment to property owners has remained essentially unchanged since inception; however, costs have consistently increased each year, especially electricity, contract services, and other maintenance and operations costs. The operation is being subsidized by over \$900K per year. In addition to the subsidy, there is still a deficit in both years. Fiscal Year 2023-24 has a deficit of approximately \$554K and Fiscal Year 2024-25 has a deficit of approximately \$820K. A cost and rate analysis is currently underway, and staff will return to City Council with the results of the study within the next few months.
- The Park Maintenance Assessment District (PMD) was also first established in 1990's and provides funding for maintaining and servicing eight parks located within the City. The PMD, unlike the LLD, allows for an annual CPI increase, which has helped to keep partial pace with the cost of providing service. The operation is being subsidized by approximately \$850K per year. Fiscal Year 2023-24 has a minor deficit of approximately \$6K and Fiscal Year 2024-25 has a small surplus of approximately \$4K. A cost and rate analysis is currently underway, and staff will return to City Council with the results of the study within the next few months.

Proposition A Transportation Fund

The Proposition A Transportation Fund, which helps to provide funding for the Go Monrovia and Dial-A-Ride programs, has a deficit fund balance in Fiscal Year 2024-25. In addition to Proposition A, the Go Monrovia and Dial-A-Ride programs are also funded by a combination of funds from 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. While the City will receive significant one-time grants to help fund these expanded Dial-A-Ride services for the Fiscal Year 2023-25 Budget (i.e., \$900K in grant/toll credit revenues has been included in Fiscal Year 2023-24 and \$600K in grant revenues has been included in Fiscal Year 2024-25), a deficit fund balance of approximately \$560K exists 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, cost-effective program moving forward.

Other Funds

Rate studies are currently underway for the Water Fund and Sewer Fund operations. Studies are being performed to ensure user rates are sufficient to cover the cost of operations and future capital requirements. Staff will return to City Council, within the next few months, to provide the results of the rate studies.

Section 115 Trust

The Section 115 Trust has been an effective tool for addressing the City’s long-term pension and OPEB liabilities. Due to positive CalPERS investment returns in Fiscal Year 2020-21, the City’s Unfunded Accrued Liability (UAL) is currently “super funded” (in the first year of the two-year budget) and, as mentioned earlier, an annual UAL payment is not required in Fiscal Year 2023-24. Although 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 for the two-year budget will be as follows:

- Fiscal Year 2023-24 = \$2M (RPTTF Property Tax Revenues of \$1M and \$1M in funds that would have been sent to CalPERS)
- Fiscal Year 2024-25 = \$1M (RPTTF Property Tax Revenues of \$1M)

Exhibit 11, below, shows contributions scheduled to be made to the Section 115 Trust as part of this two-year budget proposal:

Exhibit 11

Section 115 Trust Contributions

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	<u>\$1,000,000</u>
Section 115 Trust Contributions at the End of FY 2024-25	<u>\$8,322,000</u>

Capital Improvement Program (CIP)

On May 16, 2023, during Budget Study Session #1, staff reviewed the comprehensive CIP Plan with City Council. The CIP Plan is a comprehensive, long-term, five-year capital asset replacement program that endeavors to set aside funds, through the annual budgeting process, to ensure that assets can be replaced based on a predetermined schedule. In addition to replacing capital assets, maintaining capital assets is also an important part of an overall capital asset plan. The CIP identifies eight major infrastructure categories, as follows:



During the Study Session, staff reviewed the list of projects, budgeted expenditures, and funding sources for the projects scheduled for both years of the two-year budget. The CIP was developed in collaboration with staff, Department Directors, and the City Manager. Projects that are included in the CIP were prioritized based on the following criteria:

- The City Council's strategic goals
- Public Safety
- Legal requirements for public infrastructure
- Maintenance requirements of public infrastructure
- Availability of one-time funds for specific projects

All CIP projects for Fiscal Year 2023-25 have been included in the proposed budget. A summarized listing of projects and funding sources is attached as Attachment D to Resolution 2023-30. The schedule includes a listing of **funded projects**, first, followed by a listing of **unfunded projects**.

Regarding additional funding, 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.

Fees and Charges

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.

One important consideration for adjusting fees is the impact of growing inflation on City costs. While CPI has been recently growing at a slower pace (e.g., May 2023 is 4.0%), it has reached unprecedented levels over the last year, which can be seen in the cost of goods and services procured by the City. As of April 2023, average CPI for the last twelve months was 7.19%. Due to this increase, staff assumed a 7% across-the-board increase for all fees, and then individually reviewed each fee to determine the applicability of the proposed 7% change. Increases are intended to help the City keep pace with rising costs noted above. Based on this review, some fees were increased above the 7% (8% of all fees), some were increased by the recommended 7% (67% of all fees), and some remained intact, with no increase (22% of all fees). The table below summarizes changes being proposed to the Fiscal Year 2023-24 fees and charges:

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 comprehensive listing of all fees, including the proposed change over the prior year, is attached to Resolution 2023-31 as Attachment A.

As an item of note, 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. Staff is currently engaged in completing rate studies for the assessment districts and water and sewer funds. However, once those are complete, staff will pivot and focus on completing the comprehensive cost study update for user fees next.

Authorized Position Listing

Attachment E includes a listing of the authorized positions that have been included in the Fiscal Year 2023-25 Budget. The fully-loaded cost of salaries and benefits for these positions has been incorporated into the Fiscal Year 2023-25 Budget proposal.

Financial Work Plan Items

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

ENVIRONMENTAL IMPACT: There is no environmental impact associated with the approval of Resolutions 2023-30 and 2023-31.

FISCAL IMPACT: In developing the Fiscal Year 2023-25 Budget, staff has determined that the City is in a strong financial position. Attached to Resolution No. 2023-30 are the Revenues by Fund Schedule (Attachment A), the Appropriations by Fund Schedule (Attachment B), and the Combined Funds Statement (Attachment C), which illustrates the total budgeted revenues and expenditures for all City funds for Fiscal Year 2023-25. Total Citywide budgeted appropriations (including transfers to and from designations) is \$156,642,664 for Fiscal Year 2023-24 and \$137,405,603 for Fiscal Year 2024-25.

Also attached to Resolution 2023-30 is the Capital Improvement Program (CIP) Budget (Attachment D), which includes a listing of all CIP capital initiatives that have been budgeted for the Fiscal Year 2023-25 Budget, and the Authorized Positions Listing for Fiscal Year 2023-25 (Attachment E), which outlines the staffing levels authorized by department. Additionally, the Comprehensive Fiscal Year 2023-24 Schedule of Fees and Charges is attached to Resolution No. 2023-31.

OPTIONS: The following options are presented for consideration:

1. Adopt the Fiscal Year 2023-25 Budget, establish the Fiscal Year 2023-24 Schedule of Fees and Charges, and approve the Fiscal Year 2023-25 Authorized Position Listing. As part of the procedures of the overall annual budget process, staff will return to the City Council, throughout the year, with updates on the status of revenues and expenditures for all City funds.
2. Direct staff to make changes to the items included in the proposed budget.

RECOMMENDATION: Staff recommends that the City Council select Option 1, adopting the Fiscal Year 2023-25 Budget, establishing the Fiscal Year 2023-24 Schedule of Fees and Charges, and approving the FY 2023-25 Authorized Position Listing.

COUNCIL ACTION REQUIRED: If the City Council concurs, the appropriate action would be a motion to adopt Resolution Nos. 2023-30 and 2023-31, and approve the attached Fiscal Year 2023-2025 Authorized Position Listing.