



**Fiscal Year 2022-23 Year-End
Summary
&
Fiscal Year 2023-24 Q2 Budget
Update**

*CITY COUNCIL MEETING
FEBRUARY 20, 2024*



Purpose

The purpose of this budget update is to:

- ▶ Provide City Council with a post-audit review of the General Fund for FY 2022-23.
- ▶ Provide updated budget estimates for FY 2023-24, and present proposed budget adjustments for City Council's consideration to better align the FY 2023-24 budget with staff's latest estimates.
- ▶ Provide City Council with a Capital Improvement Program (CIP) update for FY 2023-24 funded projects.
 - ▶ Capital Improvement Plan (CIP) Tracking Summary for FY 2023-24 Projects is attached as Exhibit 1.

Financial Overview

- ▶ The City closed Fiscal Year 2022-23 in a good position and finances are stable.
 - ▶ Steady revenues and prudent management of budgets resulted in surpluses in many funds at the end of the year.
 - ▶ General Fund reserves continue to grow each year.
- ▶ State of the economy:
 - ▶ Statewide, there is a slowdown in sales tax revenues. However, property taxes and other revenues remain strong and continue to demonstrate growth each year.
 - ▶ Inflation levels continue to be on a declining trend and are lower than historic highs from recent years. (Inflation for December 2023 was 3.4%, down from 6.5% in December 2022).
- ▶ Overall, the City's finances remain stable heading into the third quarter of the year. The City has been proactive in getting ahead of potential issues when developing the budget.

Budget Approach

- ▶ A conservative budget was developed for Fiscal Year 2023-24:
 - ▶ Revenue projections are conservative, yet realistic.
 - ▶ Expenditure budgets are “fully-loaded.”
 - ▶ Expenditure budgets include the full cost of salaries, benefits and operational costs.
 - ▶ Anticipated inflationary cost increases were incorporated into the Fiscal Year 2023-24 budget projections/adjustments.
- ▶ Staff continues to diligently manage departmental operating budgets to ensure we only spend what is absolutely needed.
 - ▶ Even if budgeted, staff still evaluates each purchase before proceeding with procuring goods/services. Or, when a vacancy arises, staff evaluates need, along with the cost, before proceeding with a recruitment.
- ▶ Staff is closely monitoring the economic environment and is ready to quickly pivot, if needed.



Fiscal Year 2022-23
General Fund Post-Audit Review

General Fund Review of FY 22-23

- ▶ FY 2022-23 General Fund revenues outperformed budget by \$1.02M.
 - ▶ While sales tax receipts were lower than budget, property tax, transient occupancy taxes (TOT), and other revenues helped to offset this shortfall.
- ▶ FY 2022-23 Expenditures were less than budget by \$1.11M
 - ▶ Expenditure savings were realized in both personnel and M & O budgets.
 - ▶ Expenditure savings were due to the diligent management of operating budgets.
- ▶ Overall, the General Fund closed the year \$2.13M better than budget.
- ▶ The General Fund ended the year with a \$1.09M surplus.

FY 2022-23 YE Summary

General Fund Revenues and Expenditures

General Fund Item	FY 2022-23 Revised Budget	FY 2022-23 Actuals (Post-Audit)	Variance With Budget Positive/ (Negative)
Revenues <i>(Includes Transfers In)</i>	\$ 53.14 M	\$ 54.16 M	\$ 1.02M
Expenditures <i>(Includes Transfers Out)</i>	<u>\$ 54.18 M</u>	<u>\$ 53.07 M</u>	<u>\$ 1.11M</u>
Net General Fund Surplus/(Deficit)	<u>(\$ 1.04 M)</u>	<u>\$ 1.09 M</u>	<u>\$ 2.13M</u>



Fiscal Year 2023-24 Budget Overview

FY 2023-24 Budget Objectives

The Fiscal Year 2023-24 Budget incorporates the following key budget objectives:

- ▶ 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.

FY 2023-24 Budget Overview

All City Funds (Includes CIP)

Fund Type	FY23-24 Original Budget		FY23-24 Revised Budget	
	Revenue	Expenditure	Revenue	Expenditure
General Fund	\$49.80 M	\$50.25 M	\$49.12 M	\$50.88 M *
General Fund – Other Funds (Dev. Services/Emergency Services/Measure K)	\$23.00 M	\$16.71 M	\$23.26 M	\$16.90 M
Enterprise Funds	\$22.12 M	\$27.02 M	\$22.17 M	\$28.34 M
Special Purpose Funds	\$35.08 M	\$42.72 M	\$36.37 M	\$44.31 M
Internal Service Funds	<u>\$10.87 M</u>	<u>\$11.79 M</u>	<u>\$10.87 M</u>	<u>\$11.95 M</u>
Total Budget	<u>\$140.87 M</u>	<u>\$148.49 M</u>	<u>\$141.79 M</u>	<u>\$152.38 M</u>

*Excludes one-time purchase of building for \$6.0M

Fiscal Year 2023-24 General Fund Revenue

- ▶ A net decrease of \$393,199 is proposed in General Fund revenues.
- ▶ Most General Fund revenues have been strong and are showing growth each year.
 - ▶ Property tax and TOT remain strong. No adjustment is being proposed at this time.
- ▶ Statewide, we are continuing to see a slowdown in sales tax receipts. A negative adjustment of \$550,000 is being proposed to adjust sales tax revenues based on updated estimates.
 - ▶ Most adjustment is due to decline in the Autos and Transportation and State and County Pool categories.
- ▶ Other positive increases proposed for recreation revenues, Library Foundation reimbursements, tenant rental income, and administrative cost reimbursements.

FY 2023-24 General Fund Revenue

General Fund Revenues Original vs. Revised Budget

Revenue Source	FY 2023-24 Original Budget	FY 2023-24 Revised Budget	Increase / (Decrease)
Property Tax	\$16.90 M	\$16.90 M	\$0.00 M
Sales Tax	\$13.44 M	\$12.54 M	(\$0.90 M)
Transient Occupancy Tax	\$2.14 M	\$2.21 M	\$0.07 M
Other Taxes	\$2.42 M	\$2.42 M	\$0.00 M
All Other Revenues	<u>\$14.90 M</u>	<u>\$15.05 M</u>	<u>\$0.15 M</u>
Total Revenues	<u>\$49.80 M</u>	<u>\$49.12 M</u>	<u>(\$0.68 M)</u>

Fiscal Year 2023-24 General Fund Expenditures

- ▶ Staff is proposing a net overall decrease in General Fund operating expenditures of \$225,741.
- ▶ Proposed increases and decreases include adjustments for personnel costs, operational supplies, staff development and training, as well as other adjustments. Attachment A includes a full list.
- ▶ Several decreases > \$30,000 are proposed:
 - ▶ A decrease of \$50,000 in full-time salaries is proposed for vacancy savings in the City Manager's office
 - ▶ A decrease of \$50,000 in part-time salaries is proposed in the Canyon Park budget due to the Park's closure.
 - ▶ A decrease, totaling \$181,792, is being proposed for a reduction in professional fees not needed through the end of the year.

FY 2023-24 General Fund Expenditures

General Fund Expenditures * Original vs. Revised Budget			
Expenditure Category	FY 2023-24 Original Budget	FY 2023-24 Revised Budget	Increase / (Decrease)
Personnel (Salary and Benefits)	\$35.25 M	\$35.36 M	\$0.11 M
Maintenance and Operations (M & O)	\$12.99 M	\$12.89 M	(\$0.10 M)
Project/Program Expenditures	\$0.72 M	\$0.68 M	(\$0.04 M)
Transfers Out	<u>\$1.29 M</u>	<u>\$1.95 M</u>	<u>\$0.66 M</u>
Total Expenditures	<u>\$50.25 M</u>	<u>\$50.88 M *</u>	<u>\$0.63 M</u>

*Excludes one-time purchase of building for \$6.0M

FY 2023-24 General Fund Ending Financial Position

- ▶ Given the proposed adjustments, Fiscal Year 2023-24 is expected to close with a deficit of \$1.76M.
 - ▶ This excludes the one-time purchase of the building at 324-328 S. Myrtle Ave for \$6M.
- ▶ The budget is based on conservative projections (i.e., worst case scenario budget)
- ▶ Historically, the General Fund has closed the last three years better than budget (and with surpluses)
 - ▶ FY 22-23 - \$2.13M better than budget; FY 21-22 \$3.79M better than budget; FY 20-21 \$2.84M better than budget
- ▶ Staff will continue to diligently manage budgets and only spend what is actually needed.

FY 2023-24 General Fund Deficit

General Fund Budget Item	Amount
FY 2023-24 Budgeted Revenues (Includes Q1 and Q2 adjustments)	\$49,1226,438
FY 2023-24 GF Budgeted Expenditures * (Includes Q1 and Q2 adjustments)	<u>(\$50,887,370)</u>
Net FY 2023-24 General Fund Deficit	<u>(\$1,761,022)</u>

**Excludes one-time purchase of building for \$6.0M*

FY 2023-24 General Fund Deficit Two-Year View

General Fund Item	Amount
FY 2022-23 GF Ending Surplus	\$1,096,469
FY 2023-24 GF Estimated Year-End Deficit *	<u>(\$1,761,022)</u>
Net Two-Year Deficit	<u>(\$664,553)</u>

*Excludes one-time purchase of building for \$6.0M

Fiscal Year 2023-24 Non-General Fund Adjustments

- ▶ Adjustments to Non-General Fund accounts are being proposed as part of this quarterly update.
- ▶ Adjustments greater than \$25,000 include:
 - ▶ A reduction of \$40,000 in Sewer Fund professional services fees is proposed to update estimates through the end of the year.
 - ▶ An increase of \$76,246 is proposed to adjust the budget for funds needed for elevator repairs at Colorado Commons.
- ▶ As mentioned earlier, a listing of all adjustments is included as Attachment A.



Fiscal Year 2023-24 Capital Improvement Program (CIP) Update

Capital Improvement Program (CIP) Update

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- ▶ As part of the quarterly budget update, staff reviewed all CIP projects, focusing on project timelines and updated costs.
- ▶ Given the number of projects included on the CIP Plan and the staff time required to manage and oversee each project, projects were prioritized through the end of the fiscal year.
- ▶ Based on this review, staff is proposing:
 - ▶ An decrease of \$2.87M in expenditures is being proposed for Fiscal Year 2023-24. Most of this amount defers project expenditures to next year or a future fiscal year.
- ▶ Proposed adjustments for Fiscal Year 2023-24 are included on Attachment A (Resolution 2024-11

Capital Improvement Program (CIP) Update

A detailed listing of the CIP projects budgeted for FY 2023-24 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 2023-24.

Exhibit 1

Capital Improvement Program (CIP) Tracking Summary
Budgeted Projects - Fiscal Year 2023-24
As of February 2024

Category	TITLE	DESCRIPTION	Previous 5-Year Project Estimate FY 2024 through FY 2028	Updated 5-Year Project Estimate FY 2024 through FY 2028	FY23/24 Budgeted Amount	Project Number	Status
Municipal Facilities							
Municipal Facilities	City Clerk's Office Remodel	To enhance customer service, construct a doorway from the primary workspace to the front counter of City Hall. Constructing a doorway will improve workflow, provide quick access to guests visitors, and add floor space needed for efficient operations. Work will also include the addition of a staircase and relocation of cabinets and an electrical panel.	\$29,520	\$29,520	\$0	91023	Deferred to Future Fiscal Year
Municipal Facilities	CMO - Digital Display Board (City Clerk)	Provides for the installation of a digital display board next to the City Hall front entrance, replacing the current physical bulletin board. The digital display board is intended to improve access to legally required agendas and meeting notices, and will provide the public access to other City communications.	\$25,000	\$25,000	\$0	91083	Deferred to Future Fiscal Year
Municipal Facilities	EV Charging Station Pilot Program	Installation of Electric Vehicle (EV) charging stations in Monrovia.	\$181,085	\$185,085	\$4,000	91020	Deferred to Future Fiscal Year
Municipal Facilities	Facility Upgrades at Public Works	This project provides for upgrades in the Public Works Department offices. This includes furniture and equipment upgrades to staff workspaces and conference rooms to support staff and improve work flow.	\$30,000	\$30,000	\$0	91092	Deferred to Future Fiscal Year

CIP – Projects to Be Completed Before Year-End

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Staff is anticipating moving forward on the following projects for the rest of the year:

- ▶ Library Park – Shade Structure
- ▶ Foothill Boulevard Striping
- ▶ SCADA system improvements
- ▶ Well No. 3 Rehabilitation Project
- ▶ Wellfield Electrical
- ▶ Canyon Park Infrastructure Improvements Project (estimated completion by Winter 2024)
- ▶ FY23-24 Comprehensive Street Improvements Project
- ▶ Rotary Park – Monument Sign and Playground Equipment Replacement
- ▶ FY23-24 Tree Planting Project

Financial Work Plan Items

- ▶ Establish a Section 115 Trust Utilization Plan.
- ▶ Complete the Proposition 218 process for sewer and water rate adjustments. Rate studies have been completed, and a public hearing is scheduled for March 19, 2024.
- ▶ Complete the comprehensive rate study for the City's two Assessment Districts, and return to City Council with the results. The study is currently underway.
- ▶ 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 *(continued)*

- ▶ Continue to seek reimbursement for Canyon Park repairs.
- ▶ Continue to seek additional grant/outside funding for program and project costs.
- ▶ Begin the preparation of the Fiscal Year 2024-25 Budget Update, including an update to the Five-Year CIP Program. Study sessions will be held in May 2024, with formal budget approval scheduled for June 2024.
- ▶ Continue to provide quarterly budget updates to City Council throughout the year. The next quarterly update (i.e., third quarter update) is scheduled for May 2024.

Summary

- ▶ In closing, the City closed the books for FY 2022-23 in a better position than originally expected, with a net surplus in the General Fund of \$1.09M.
- ▶ The City remains in a good position heading into the third quarter of FY 2023-24.
- ▶ This budget update proposes adjustments that ensure a conservative, yet realistic budget.
- ▶ Staff will continue to closely monitor the budget and economic environment, on a regular basis, to ensure that the City can quickly pivot, if needed.

QUESTIONS?



Thank you!