



Fiscal Year 2024-25 Budget Update

*Monrovia City Council
September 17, 2024*



Purpose

The purpose of this presentation is to:

- Present a Fiscal Year 2024-25 budget update for City Council's approval.
- Provide City Council with a high level overview of information discussed during the Budget Study Session on September 3rd.
- Seek City Council's input and answer any questions City Council may have regarding the budget update proposal.

Budget Timeline

Fiscal Year 2024-25 Original Budget – The Fiscal Year 2024-25 Budget was adopted by City Council in June 2023 as part of the Two-Year 2023-2025 budget adoption.

Fee Adoption - Fiscal Year 2024-25 Fee updates were approved by City Council in July 2024.

Study Session – A review of the Fiscal Year 2024-25 Operating and Capital Improvement Program (CIP) budget update was presented on September 3, along with a discussion of other issues, trends, and forecast items affecting the budget.

Budget Adoption - Tonight! - Staff will present the Fiscal Year 2024-25 Budget Update for City Council's approval.

State of the Economy and Fiscal Position

An overall slowdown in the economy and rising inflation has impacted the City's finances/budget.

- A slowdown in consumer spending has impacted the City's sales tax revenues.
- Statewide, there has been a decline in home sale activity.
- Inflation is lower than the highs of recent years (currently 2.9%); however, inflation from prior years has already impacted the amount the City pays for goods and services.

While we're seeing impacts to our budget from these negative economic drivers, the City is still in a good position to control outcomes.

- We've spent years building our position.
- Controlling costs will continue to be an ongoing effort.
- If needed, we can easily pivot, as we've done in past years, and freeze spending in non-essential areas.
- Continuing to monitor the budget, closely, will be important throughout the year.

Fiscal Year 2024-25 Budget Objectives

The Fiscal Year 2024-25 budget update proposal:

- 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 2024-25 Budget Update Approach

The budget update was prepared using conservative estimates. Additionally, a series of approaches were applied to minimize budget gaps:

1. Staff reviewed all budget line items and made adjustments that would result in savings without impacting service levels to the community.
2. Vacancy savings were incorporated in the budget. By holding positions vacant a little longer than usual, the City can achieve savings during the year.
3. Due to a healthy Workers Compensation (WC) Fund, staff was able to reduce the internal charge out to operating departments for WC costs, resulting in a Citywide cost savings.
4. Temporarily suspended setting aside \$700K for future vehicle replacement costs.
 - In the upcoming year, we will also look at electric vehicle options vs. traditional vehicle purchases.
5. Staff initiated another review and renegotiation of contracts for additional savings, where appropriate.

Budget Overview

All City Funds (Includes CIP)

Fund Type	FY23-24 Revised Budget		FY24-25 Original Budget		FY24-25 Proposed Budget	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
General Fund	\$52.70 M	\$61.78 M	\$56.39 M	\$59.38 M	\$56.01 M	\$57.44 M
General Fund – Other Funds (Emergency Services/Measure K /Water Conservation)	\$15.04 M	\$6.78 M	\$6.92 M	\$0.00 M	\$27.50 M	\$10.77 M
Enterprise Funds	\$19.45 M	\$24.23 M	\$20.29 M	\$22.35 M	\$21.90 M	\$22.90 M
Special Purpose Funds	\$34.74 M	\$40.29 M	\$34.43 M	\$37.20 M	\$37.60 M	\$44.61 M
Internal Service Funds	<u>\$10.87 M</u>	<u>\$12.28 M</u>	<u>\$10.90 M</u>	<u>\$12.02 M</u>	<u>\$9.87 M</u>	<u>\$12.46 M</u>
Total Budget	<u>\$132.80 M</u>	<u>\$145.36 M</u>	<u>\$128.93 M</u>	<u>\$130.95 M</u>	<u>\$152.88 M</u>	<u>\$148.18 M</u>



General Fund Review



General Fund Overview

- The General Fund and the Development Services Fund have now been combined for budgeting purposes.
- The General Fund has been showing positive growth over the years; however, a deficit is expected for Fiscal Year 2023-24 and Fiscal Year 2024-25 due, in part, to:
 - Inflationary cost increases
 - A decline in sales tax revenue
- 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.

General Fund Revenues and Expenditures – Fiscal Year 2024-25

Budget Category	FY 2024-25 Original Budget	FY 2024-25 Proposed Budget
Revenues	\$ 56.39 M	\$ 56.01 M
Expenditures	<u>\$ 59.38 M</u>	<u>\$ 57.44 M</u>
NET GF SURPLUS/DEFICIT	<u>(\$ 2.99 M)</u>	<u>(\$ 1.43 M)</u>

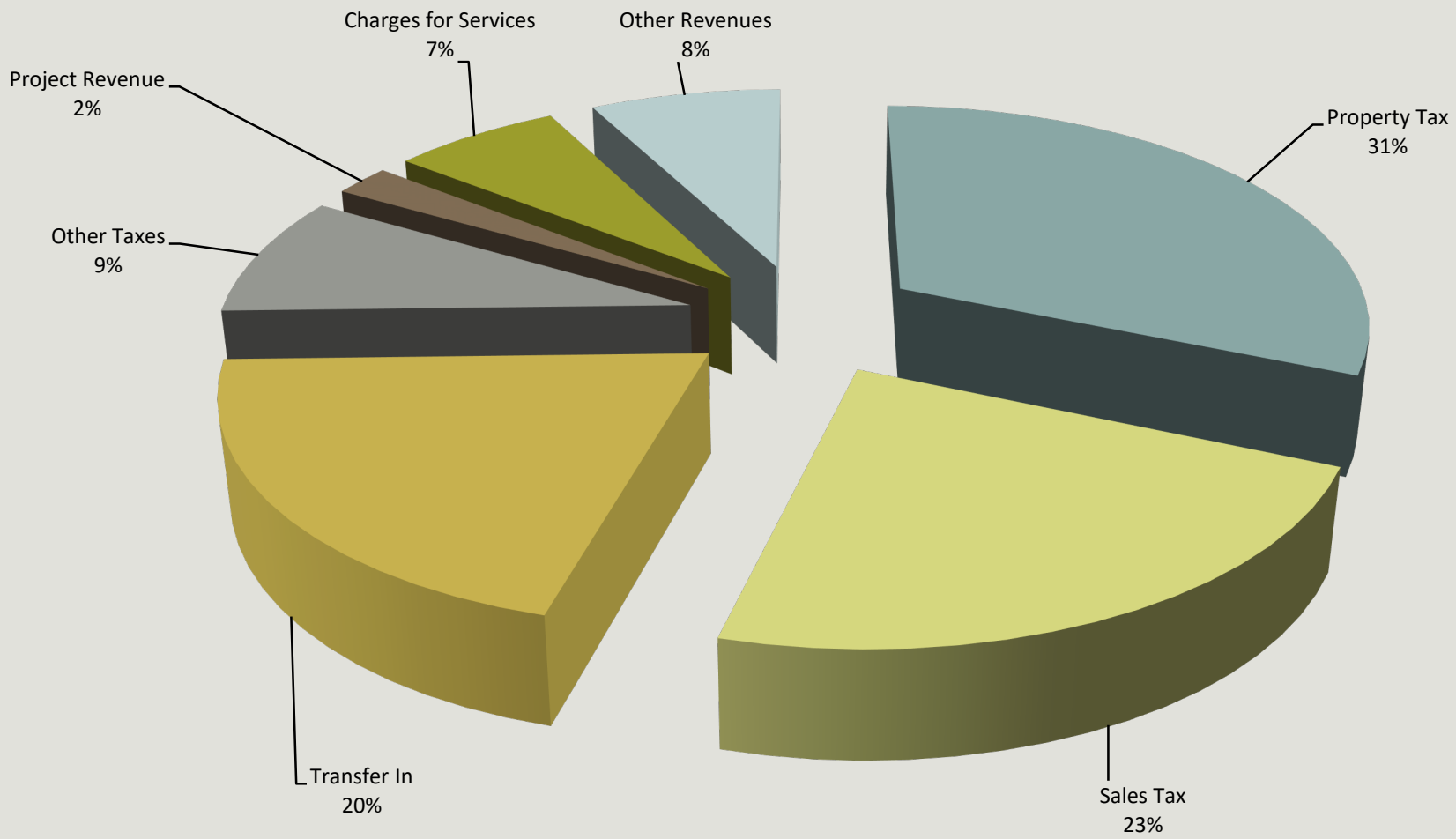
Includes Development Services.

General Fund Revenues By Source

General Fund Revenues Year-Over-Year Comparison					
Revenue Source	FY 2023-24 Revised Budget	FY 2024-25 Original Budget	% Increase / (Decrease)	FY 2024-25 Proposed Budget	% Increase / (Decrease)
Property Tax	\$16.81 M	\$17.54 M	4.4%	\$17.57 M	0.2%
Sales Tax	\$12.54 M	\$13.82 M	10.1%	\$12.78 M	(7.5%)
Transfers In	\$9.72 M	\$11.26 M	15.8%	\$11.42 M	1.4%
Other Taxes	\$4.63 M	\$4.69 M	1.4%	\$4.86 M	3.6%
Project Revenues	\$1.51 M	\$1.26 M	(16.6%)	\$1.27 M	0.8%
Charges for Services	\$4.10 M	\$4.66 M	13.8%	\$3.79 M	(18.7%)
Other Revenues	<u>\$3.40 M</u>	<u>\$3.17 M</u>	<u>(6.8%)</u>	<u>\$4.32 M</u>	<u>36.4%</u>
TOTAL REVENUES	<u>\$52.71 M</u>	<u>\$56.39 M</u>	<u>7.0%</u>	<u>\$56.01 M</u>	<u>(0.7%)</u>

Includes Development Services

General Fund Sources of Revenues – Fiscal Year 2024-25

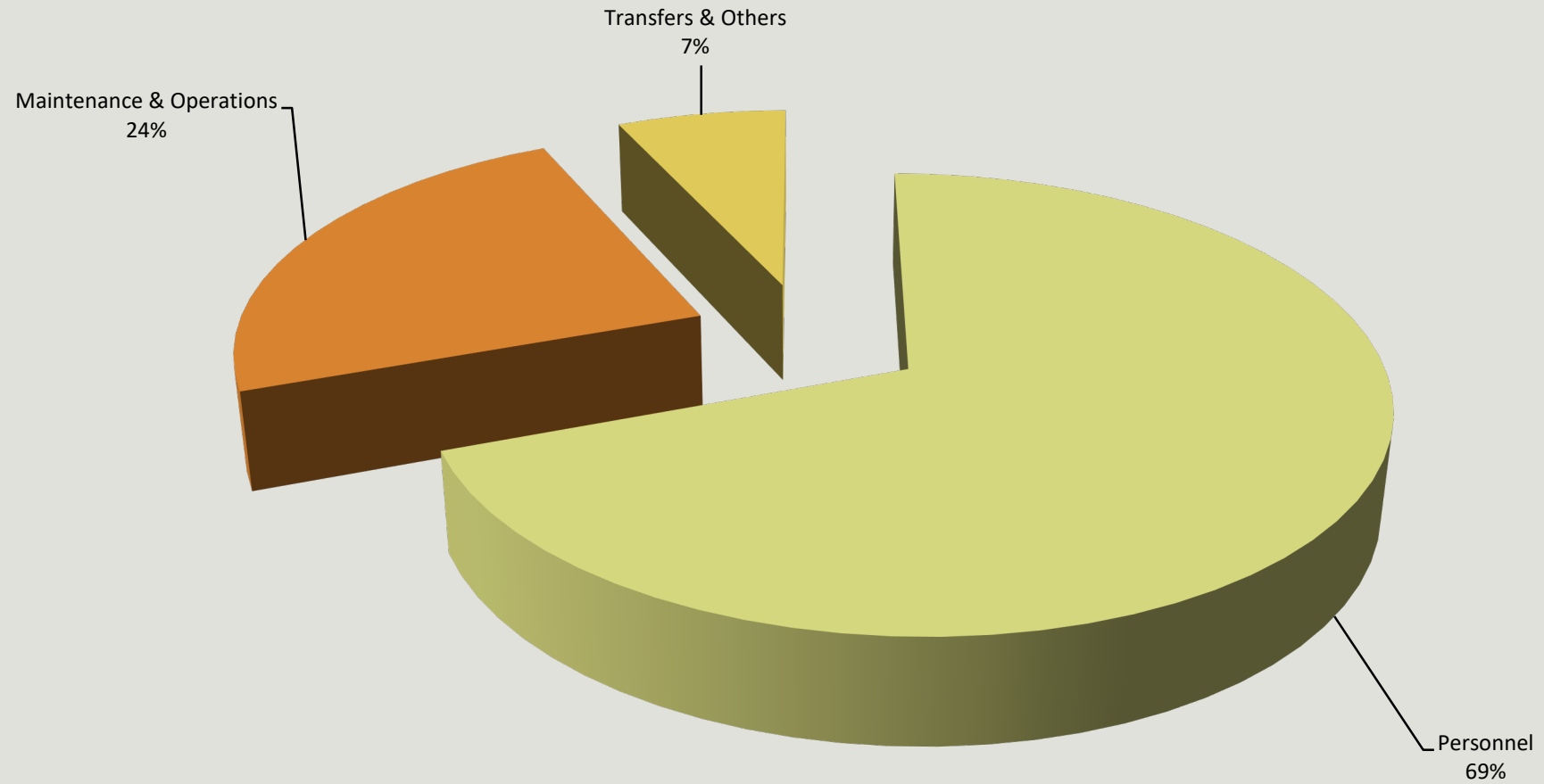


General Fund Expenditures By Type

Expenditure Type	FY 2023-24 Revised Budget	FY 2024-25 Original Budget	% Increase / (Decrease)	FY 2024-25 Proposed Budget	% Increase / (Decrease)
Personnel Costs (Salary & Benefits)	\$37.76 M	\$40.61 M	7.5%	\$39.88 M	(1.8%)
Maintenance & Operations (M & O)	\$13.75 M	\$14.50 M	5.4%	\$13.59 M	(6.3%)
Transfers & Other	<u>\$10.27 M</u>	<u>\$4.27 M</u>	<u>(58.5%)</u>	<u>\$3.97 M</u>	<u>(7.0%)</u>
EXPENDITURES SUBTOTAL	<u>\$61.78 M</u>	<u>\$59.38 M</u>	<u>(3.9%)</u>	<u>\$57.44 M</u>	<u>(3.3%)</u>

FY 2023-24 Revised Budget reflects \$6M property purchase.

General Fund Expenditures By Type – Fiscal Year 2024-25



General Fund Combined Fund View (Includes CIP)

The General Fund includes Measure K, Emergency Events, and Water Conservation. When all are combined, the General Fund has a positive ending fund balance, and combined revenues exceed expenditures.

General Fund Purpose	FY23-24 Revised Budget		FY24-25 Original Budget		FY24-25 Proposed Budget	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
General Fund – includes Development Services	\$52.70 M	\$61.78 M	\$56.39 M	\$59.38 M	\$56.01 M	\$57.44 M
General Fund – Measure K	\$6.90 M	\$0.00 M	\$6.83 M	\$0.00 M	\$6.99 M	\$0.00 M
General Fund – Emergency Events	\$7.43 M	\$6.63 M	\$0.00 M	\$0.00 M	\$20.51 M	\$10.77 M
General Fund – Water Conservation	<u>\$0.70 M</u>	<u>\$0.14 M</u>	<u>\$0.09 M</u>	<u>\$0.00M</u>	<u>\$0.00 M</u>	<u>\$0.00 M</u>
Total General Fund Budget	<u>\$67.73 M</u>	<u>\$68.55 M</u>	<u>\$63.31 M</u>	<u>\$59.38 M</u>	<u>\$83.51 M</u>	<u>\$68.21 M</u>



Other City Funds



Other City Funds

Revenues and Expenditures (Includes CIP)

The City has approximately 50 other funds covering restricted revenue sources and expenditures. All funds are expected to end the year with positive fund balances, except for the Lighting and Landscape Assessment District Fund (Approximately -\$800K)

Fund Type	FY 2023-24 Revised Budget		FY 2024-25 Original Budget		FY 2024-25 Proposed Budget	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
Enterprise Funds	\$19.45 M	\$24.23 M	\$20.29 M	\$22.35 M	\$21.90 M	\$22.90 M
Special Purpose Funds	\$34.74 M	\$40.29 M	\$34.43 M	\$37.20 M	\$37.60 M	\$44.61 M
Internal Service Funds	<u>\$10.87 M</u>	<u>\$12.28 M</u>	<u>\$10.90 M</u>	<u>\$12.02 M</u>	<u>\$9.87 M</u>	<u>\$12.46 M</u>
Total Budget	<u>\$65.06 M</u>	<u>\$76.80 M</u>	<u>\$65.62 M</u>	<u>\$71.57 M</u>	<u>\$69.37 M</u>	<u>\$79.97 M</u>

Funds to Watch: Assessment District Funds

Lighting & Landscape District (LLD)

- This District was established in the 1990's. The revenue assessment for this District has remained essentially unchanged for nearly 30 years, and an increase in the rate (to keep up with costs) is not allowed.
- Costs have consistently increased each year (e.g., maintenance costs, electricity, etc.).
- The LLD Assessment amount is currently established at \$56.23 per dwelling unit.
- The operation is being subsidized by approximately \$1.3M / year.
- *A cost and rate analysis is currently underway. Staff will return with the results and options in the upcoming year.*

Funds to Watch: Assessment District Funds

Park Maintenance District (PMD)

- This District was established in the 1990's. Unlike the Lighting and Landscape District, this District allows for an annual CPI increase. This has helped to keep better pace with increasing costs.
 - However, CPI has been as low as .87% in the last five years and has not always kept pace with the City's costs.
- When the PMD was first formed, the cost was established at \$8.25 per dwelling unit (DU). In 2023 (nearly 30 years later), the PMD assessment level is currently \$15.24 / DU.
- The operation is being subsidized by approximately \$300K / year.
- *A cost and rate analysis is currently underway. Staff will return with the results and options in the upcoming year.*

Funds To Watch: Transportation Funds

- 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) were offered, which increased overall costs for the program.
- The City will receive significant one-time grants to help fund these expanded Dial-A-Ride services.
- Staff is currently analyzing the program and seeking City Council's guidance and direction on options to ensure a sustainable program.



Capital Improvement Program (CIP)



CIP Program

- As part of the Fiscal Year 2024-25 budget update, staff reviewed all CIP projects, with a special focus 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, some projects have been deferred to a future year.
- Based on this review, staff is proposing \$25.8M in Fiscal Year 2024-25 CIP Project expenditures.
- Staff will return to Council for formal approval of each project prior to implementation and award of contract.
- As a regular and standard practice, staff is always seeking grants/outside funding for our CIP needs.

CIP Program

The CIP Program has been classified into 8 distinct categories:



Municipal Facilities
New construction, expansion, and renovation of City-owned buildings and facilities




Street & Streetscapes
Improvements to the City's transportation infrastructure including streets, streetlights, and traffic signals




Parks & Trails
New construction, expansion, and renovation of outdoor recreation areas




Trees
Maintenance and replacement of trees throughout the City



Water System & Utilities
Repair and enhancements on City's drinking and waste water systems



Stormwater
Implementation of Watershed Management Program (WMP), regional project funding, and coordinated integrated monitoring program (CIMP)



Information Technology
Acquisition and replacement of computers, networks, and communication systems, as well as major investments in enterprise software systems



Fleet & Equipment Replacement
Acquisition and replacement of fleet vehicles, equipment and other capital assets

CIP Program

Attached to the agenda report are three separate CIP Project attachments:

- Attachment D** - CIP Projects (Funded), Fiscal Year 2024-25: This is a list of projects that have available funding for Fiscal Year 2024-25. Funding for these projects has been identified and included in the Fiscal Year 2024-25 Budget.
- Attachment E** - CIP Projects (Unfunded), Fiscal Year 2024-25): This is a list of projects for which funding has not yet been identified. These projects are not included in the Fiscal Year 2024-25 Budget. Staff will continue to seek funding for these projects.
- Attachment F** – CIP Projects (Unfunded), Future Years: This is a list of future year projects identified by staff. An analysis of funding options has not yet been performed for these projects and will be performed at a later time. Staff will return to City Council with a discussion of these projects and funding options.

Attachment D

**CIP Projects (Funded)
Fiscal Year 2024-25**

This is a list of projects for which funding has been identified and included in the Fiscal Year 2024-25 Budget.

CATEGORY	PROJECT TITLE	FY 2024-25 CIP Budget
Municipal Facilities	Community Center Renovation Project Concept Design	1,406,880
	EV Charging Station Pilot Program	70,000
	Fuel Pump Replacement Project	70,000
	HHW Storage Facility	25,000
	Library Facility Enhancement Project Design	11,504
Municipal Facilities Total		1,592,334
Streets and Streetscapes	Comprehensive Safety Action Plan	220,700
	Concrete Sidewalk Improvement Program	286,825
	Huntington Drive / 5th Avenue	2,524,316
		3,323,875

Attachment E

**CIP Projects (Unfunded)
Fiscal Year 2024-25**

This is a list of projects for which funding has not yet been identified. Therefore, these projects are not included in the Fiscal Year 2024-25 Budget.

CATEGORY	PROJECT TITLE	UNFUNDED
Municipal Facilities	Community Center Relocation Improvements	120,000
	Fire Station 102 Renovations Design	250,000
	Library Facility Enhancement Project Construction	8,606,750
	Police Department Storage/Expansion Project	100,000
	Municipal Facilities Total	9,076,750
Streets and Streetscapes	Downtown Enclosure Expansion	200,000
	Mountain Avenue Resurfacing Project (Phase II Design Only)	680,000
	Mountain Avenue Traffic Signal and Safety Improvements Project (Unfunded Portion)	1,254,469
	Peck Road Street Improvements	1,584,913
Streets and Streetscapes Total	3,719,382	
Parks and Trails	Dam Keepers House Upgrades	526,000
		13,522,132

Attachment F

**CIP Projects (Unfunded)
Future Years**

This is a list of future projects for which funding has not yet been identified.

CATEGORY	PROJECT TITLE	PROJECT ESTIMATE 20-26	PROJECT ESTIMATE 26-32	PROJECT ESTIMATE 27-28	PROJECT ESTIMATE 28-29	TOTAL
Municipal Facilities	City Hall Renovations Project Design	250,000	-	-	-	250,000
	CAD/CAD-Advanced Book Preservation (City Clerk)	25,000	25,000	25,000	-	75,000
	Community Center Renovation Project - Concept Design	11,925,000	11,000,000	-	-	23,925,000
	Facility Upgrades at Public Works	32,229	-	-	-	32,229
	Fire - Fire Station 101 Exterior & Interior Painting	96,686	-	-	-	96,686
	Fire Admin Cubicle	20,000	-	-	-	20,000
	Fire Station 102 Renovation (Restroom, Restroom, and Kitchen)	2,752,000	-	-	-	2,752,000
Municipal Facilities	14,000,915	11,025,000	25,000	-	25,025,915	
Streets and Streetscapes	Annual Pavement Management Program	1,995,079	2,119,054	2,312,717	2,329,680	8,855,530
	Annual Pedestrian Safety Improvements Construction	118,172	121,717	125,389	129,180	494,458
	Annual Public Parking Lot Improvements	945,375	973,756	1,002,949	1,033,037	3,955,097
	Annual Street Name Sign Replacement Project	199,376	199,383	205,365	211,526	805,650
	Annual Street Sign Replacement Project	30,000	30,000	30,000	30,000	120,000
	Comprehensive Old Town Upgrades (Reserve)	-	1,600,000	-	-	1,600,000
	Comprehensive Old Town Upgrades (Reserve)	-	1,600,000	-	-	1,600,000
Streets and Streetscapes	3,288,901	3,977,909	4,676,411	4,729,803	16,672,824	
					42,300,539	

CIP – Funded Projects in Progress

○ Comprehensive Safety Action Plan	○ Police Body Worn Cameras
○ Encanto Park	○ Police Dispatch Console
○ EV Charging Station Pilot Program	○ SAN (Storage Area Network) Replacement Program
○ HHW Storage Facility	○ Server Lifecycle Replacement Program
○ Huntington Drive Phase II	○ Station Square Active Transportation Project (ACTV)
○ LED Street Light Conversion	○ Vehicle Replacement Schedule - Fire Vehicles
○ Wilderness Management Program Furniture Equipment Upgrades	○ Vehicle Replacement Schedule - PD Non-Patrol
○ Pedestrian Trail Counter Installation	○ Vehicle Replacement Schedule - PD Patrol
○ PFAS Treatment (Design)	

CIP – Funded Projects to Be Completed Before Fiscal Year-End

➤ Annual Computer Replacement Program	➤ Park Monument Sign - Design & Construction
➤ Canyon Park & Nature Center Facilities/Furniture Upgrades	➤ Pedestrian Safety Improvements Construction
➤ Canyon Park Repairs	➤ Playground Equipment Replacement Program
➤ Citywide Pump & Motor Replacement Program	➤ SCADA System Reconstruction
➤ Community Center Renovation Project - Concept Design	➤ SCE Meter Design and Relocation
➤ Concrete Sidewalk Improvement Program	➤ Sewer System CCTV & Jetting
➤ Fuel Pump Replacement Project	➤ Station Square Booster (No. 1-6) Pump Construction
➤ Huntington Drive / 5th Avenue	➤ Valve Replacement Program FY23-FY26
➤ Meter Replacement Program	➤ Wellfield Electrical Project

CIP – Unfunded Projects

Attachment E

CIP Projects (Unfunded) Fiscal Year 2024-25

This is a list of projects for which funding has not yet been identified. Therefore, these projects are not included in the Fiscal Year 2024-25 Budget.

CATEGORY	PROJECT TITLE	UNFUNDED
Municipal Facilities	Community Center Relocation Improvements	120,000
	Fire Station 102 Renovations Design	250,000
	Library Facility Enhancement Project Construction	8,606,750
	Police Department Storage/Expansion Project	100,000
Municipal Facilities Total		9,076,750
Streets and Streetscapes	Downtown Enclosure Expansion	200,000
	Mountain Avenue Resurfacing Project (Phase II Design Only)	680,000
	Mountain Avenue Traffic Signal and Safety Improvements Project (Unfunded Portion)	1,254,469
	Peck Road Street Improvements	1,584,913
Streets and Streetscapes Total		3,719,382
Parks and Trails	Dam Keepers House Upgrades	326,000
	Satoru Tsuneishi Park Construction	1,600,000
Parks and Trails Total		1,926,000
Water System and Utilities	Ridgeside Reservoir Improvements	136,832
	Sewer System CCTV & Jetting (Unfunded Portion)	225,000
Water System and Utilities Total		361,832
Information Technology	Police Dispatch Console (Unfunded Portion)	135,000
Information Technology Total		135,000
Grand Total		15,218,964



Other Budget Updates



CalPERS Updates

- CalPERS posted a tentative 9.3% investment return for Fiscal Year 2023-24.
 - With a CalPERS' investment target of 6.8%, this positive earnings rate is 2.5% better than target. The positive impact of this event (i.e., reduced pension costs) will be reflected in Fiscal Year 2026-27 for the City.
- Based on the most recent actuarial reports, the City's CalPERS plans are approximately 87% funded.
- Incorporated into the budget is the advance payment of the City's annual UAL amortization payment.
 - By advance paying the Fiscal Year 2024-25 UAL payment in a lump sum in July, instead of monthly, the City will save 3.4%, or approximately \$46K.
- The City will continue to closely monitor CalPERS expense and will return to Council with updates, as needed.

Section 115 Trust Updates

- The Section 115 Trust continues to be an effective tool for addressing the City's long-term pension and OPEB liabilities.
- Investment earnings on the Trust for Fiscal Year 2024-25 total approximately \$550K. The current balance in the Trust, at the end of Fiscal Year 2023-24, is approximately \$8.06M.
- As discussed in previous quarterly budget updates, utilizing the Trust to maximize its effectiveness has been a focus for staff.
 - Staff is proposing to utilize \$2.5M in funds from the Trust to help pay CalPERS costs during Fiscal Year 2024-25.
 - \$1.3M will be used to advance pay the City's UAL. As shown on the previous slide, by advance paying the UAL, the City can save \$46K in FY 2024-25. The remaining funds will be used to help pay annual CalPERS costs.
 - The balance at the end of Fiscal Year is expected to be approximately \$6.5M (does not include interest earnings).
- Going forward, the City will continue to set aside funds in the 115 Trust to use when it's advantageous to do so. The use of 115 Trust funds allows flexibility to pay PERS costs and for cash flow purposes.

Financial Work Plan Items

In the upcoming year(s), staff will focus on the following financial work plan items:

1. Complete rate studies for the Assessment Districts and return to City Council with options.
2. Review and analyze the Go Monrovia and Dial-A-Ride transit programs, and make adjustments, as necessary, to ensure costs are sustainable.
3. Complete an external comprehensive user fee cost study review to ensure fees are capturing the full cost of service delivery.
1. Continue to seek additional grant/outside funding for CIP Projects
2. Continue to seek reimbursement for Canyon Park repairs.
6. Continue to provide quarterly budget updates to City Council throughout the year.

Budget Summary

- The Fiscal Year 2024-25 Budget Incorporates conservative revenue and expenditure projections and includes a special focus on funding as many CIP projects as possible.
- Overall, the City is in a good position to control outcomes. We've spent years building our position, and the City Council's commitment to sound financial management practices continues to ensure strong City finances.
 - Controlling costs will continue to be an ongoing effort.
 - If needed, we can easily pivot, as we've done in past years, and freeze spending in non-essential areas.
- As we move forward into Fiscal Year 2024-25, staff will continue to monitor the budget and will return to City Council, on a quarterly basis, with updates regarding the operating and CIP budgets.

Thank you!



Questions?