



Fiscal Year 2022-23 Year-End Summary
&
Fiscal Year 2023-24 Q1 Budget Update

*City Council Meeting
November 21, 2023*



Purpose

The purpose of this budget update is to:

- Provide City Council with a preliminary financial update for FY 2022-23 based on pre-audit numbers.
- Present FY 2023-24 budget adjustments for City Council's consideration to better align the current year budget with updated estimates.
- Provide City Council with a brief CIP update for FY 2023-24 funded projects.
 - An updated Capital Improvement Plan (CIP) Tracking Summary for FY 2023-24 Projects is attached as Exhibit 1.

Financial Overview

- The City is expected to close Fiscal Year 2022-23 in a good financial position, based on pre-audit numbers, and finances continue to show fiscal resiliency.
 - General Fund reserves grew in FY 2022-23.
 - Most other funds are projected to have positive surpluses.
- Economic overview:
 - Inflation levels are still trending lower than historic highs from recent years.
 - Statewide, there is a slowdown in sales tax revenues. However, property taxes and other revenues remain strong and continue to demonstrate growth each year.
 - Experts continue to vary on whether a recession will actually occur.

Financial Overview

- A conservative budget was developed for Fiscal Year 2023-24 :
 - 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.
 - Revenue projections are conservative, yet realistic.
- Staff continues to be diligent in managing departmental operating budgets to ensure that we only spend what is absolutely needed.
 - Even if budgeted, staff still evaluates each purchase before proceeding with procuring goods/services.
 - When a vacancy arises, staff evaluates need, along with the cost, before proceeding with a recruitment.



Fiscal Year 2022-23 General Fund Pre-Audit Review

General Fund Financial Overview (FY 2022-23)

- The audit is currently underway and “preliminary” numbers are available for FY 2022-23.
- FY 2022-23 General Fund revenues outperformed budget by \$681K.
 - 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 \$1.50M
 - Expenditure savings were realized in both personnel and M & O budgets.
 - Expenditure savings were due to the diligent management of operating budgets.
- The General Fund is expected to end the year with a \$1.15M surplus.

FY 2022-23 YE Summary

General Fund Revenues and Expenditures

Fiscal Year 2022-23 is expected to close with a surplus of \$1.15M, as illustrated below.

General Fund Item	FY 2022-23 Revised Budget	FY 2022-23 Estimated Actuals (Pre-Audit)	Variance With Budget Positive/(Negative)
Revenues	\$ 53.14 M	\$ 53.82 M	\$.68M
Expenditures	<u>\$ 54.18 M</u>	<u>\$ 52.67 M</u>	<u>\$ 1.51M</u>
Net GF Surplus/(Deficit)	<u>(\$ 1.04 M)</u>	<u>\$ 1.15 M</u>	<u>\$ 2.19M</u>

FY 2022-23 Overview

- Overview:
 - The General Fund ended FY 2022-23 in a strong position.
 - Most other funds ended the year in a positive position.
- Once the audit is complete, staff will return to City Council to present final “audited” numbers and the FY 2022-23 Annual Comprehensive Financial Report (ACFR).



Fiscal Year 2023-24 Budget Review

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	\$49.51 M	\$51.07 M
General Fund – Other Funds (Dev. Services/Emergency Services/Measure K)	\$23.00 M	\$16.71 M	\$23.07 M	\$16.88 M
Enterprise Funds	\$22.12 M	\$27.02 M	\$22.17 M	\$29.88 M
Special Purpose Funds	\$35.08 M	\$42.72 M	\$36.18 M	\$44.47 M
Internal Service Funds	<u>\$10.87 M</u>	<u>\$11.79 M</u>	<u>\$10.87 M</u>	<u>\$11.88 M</u>
Total Budget	<u>\$140.87 M</u>	<u>\$148.49 M</u>	<u>\$141.80 M</u>	<u>\$154.18 M</u>

FY 2023-24 General Fund Overview

- General Fund revenues have been strong and continue to demonstrate growth each year.
 - Property tax and TOT are strong. One positive adjustment, totaling \$69,642, is proposed to TOT revenues.
 - Statewide, we are seeing a slowdown in sales tax receipts. A negative adjustment of \$344,256 is being proposed to adjust sales tax revenues based on updated estimates.
- A net increase of \$48,750 is proposed in General Fund expenditure budgets to adjust for additional operational supplies, to rollover unused budgets due to timing, and to adjust for reduced program participation.
- A one-time transfer out from the General Fund to the Library Project Fund is proposed to set aside one-time settlement proceeds received in FY 2022-23.
- Staff is requesting approval to contribute an additional \$359,000 from prior year revenues in the Section 115 Trust, since RPTTF revenues were \$359,000 more than budget in FY 2022-23.

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	\$13.09 M	(\$0.34 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>\$14.89 M</u>	<u>(\$0.01 M)</u>
TOTAL REVENUES	<u>\$49.80 M</u>	<u>\$49.51 M</u>	<u>(0.28 M)</u>

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	\$35.30 M	\$0.05 M
Maintenance and Operations (M & O)	\$12.99 M	\$13.08 M	\$0.09 M
Project/Program Expenditures	\$0.72 M	\$0.74 M	\$0.02 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>\$51.07 M</u>	<u>\$0.82 M</u>

FY 2023-24 General Fund Deficit

General Fund Budget Item	Amount (\$)
FY 2023-24 Beginning Deficit (Approved June 20, 2023)	(\$ 454,696)
FY 2023-24 Proposed Adjustments to Revenues (Includes Transfers In)	<u>(\$ 284,614)</u>
FY 2023-24 Proposed Adjustments to Expenditures (Includes Transfers Out)	<u>(\$ 701,698)</u>
FY 2023-24 Other Adjustments During the Year	<u>(\$ 113,881)</u>
FY 2023-24 General Fund Surplus/(Deficit)	<u>(\$1,554,889)</u>

General Fund Deficit – Two-Year View

Given the proposed adjustments, Fiscal Year 2023-24 is expected to close with a deficit of \$1.55M. \$652K of this amount is due to a one-time transfer of \$652K to the Library Project.

This deficit will be offset by the \$1.15M surplus expected in Fiscal Year 2022-23, resulting in a two-year total deficit of \$399K.

This amount does not yet include the property purchase of 324-328 S. Myrtle for \$6M (if approved).

General Fund Item	Amount (\$)
FY 2022-23 GF Ending Surplus (Pre-Audit)	\$ 1,154,989
FY 2023-24 GF Estimated Year-End Deficit	<u>(\$1,554,889)</u>
Net Two-Year Deficit	<u>(\$ 399,900)</u>

FY 22-23 Pre-Audit Estimated Fund Balance Combined General Fund *

Fund	Estimated Pre-Audit Balance *	After Building Purchase
General Fund Restricted	\$5,191,941	\$5,191,941
General Fund Unrestricted	\$13,570,758	\$7,570,758
Emergency Fund *	(\$270,958)	(\$270,958)
Development Services Fund	(\$3,133,706)	(\$3,133,706)
Measure K Fund	<u>\$16,901,179</u>	<u>\$16,901,179</u>
Total	<u>\$32,259,214</u>	<u>\$26,259,214</u>

* Includes additional \$5.05M in expected future reimbursements for emergency events.

Compensation Program Updates

- Five-year Memorandums of Understanding (MOU's) with each bargaining group were approved in June 2022.
 - The MOU's help to contain costs over the five-year period covered by the MOU's.
 - MOU's include a provision for a Class and Compensation Program Study to be completed and implemented, effective January 1, 2024.
 - Staff has completed the Study. We are currently updating the compensation program at this time.
 - A conservative expenditure estimate has been included as part of the original budget. Staff will return at a later time for formal Council approval.
- A minimum wage increase, effective January 2024, has been incorporated into the budget.
 - The estimated budget includes a conservative amount of \$45,000. It is expected that the actual cost will be less, as most part-time employees will not work the full 1,000 hours per year.

CalPERS Updates

- Managing CalPERS costs will remain a priority for the City.
- The City is currently super funded (due to a 21% CalPERS investment return in FY 2020-21).
 - However, after FY 2020-21, CalPERS earnings have been less than targets. This creates a new UAL:
 - FY 2021-22: -6.1% vs. target of 6.8%. New UAL = \$46.97M (affects FY 2024-25 and future years).
 - FY 2022-23: 5.8% return vs. target of 6.8%. New UAL = undetermined at this time (affects FY 2025-26 and future years).

CalPERS Updates

To manage these growing CalPERS costs, staff is evaluating options and will look at utilizing monies in the Section 115 Trust to address rising pension costs.

- The Section 115 Trust monies are restricted, but are accessible and are designed to be used as part of a comprehensive pension management program.
- Staff will return to Council (at the Q2 update) with a Section 115 fund utilization plan proposal that will maximize the use of funds to better manage growing pension costs.

CalPERS Updates

On a positive note, in addition to having a Pension Payoff Policy in place, several other positive factors will impact our liability:

- RPTTF revenues, which are dedicated to funding the City's annual Section 115 Trust, continue to grow each year.
- The number of active employees enrolled in the PEPR Plan (the least costly plan) vs. the Classic Plan (most costly plan) grows each year, thereby reducing the City's annual costs.
- We continue to try to identify one-time revenues that can be set aside in the Section 115 Trust as they become available.
- Since 2020, \$7.5M has been committed to the Section 115 Trust.

FY 2023-24 Fee Adjustments

Two Passport Program fee adjustments are being proposed to recover the cost of service.

Service Description	Old Fee	New Fee	Comments
Passport Check Fee (New Fee)	\$0.00	\$3.00	Fee to write a check for a customer. This fee is set by the State.
Passport Expedite Fee (Existing Fee)	\$31.00	\$60.00	Fee to expedite a Passport Application. This fee is set by the State.



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

CIP Update

- The CIP Plan is a budgeting and planning tool for replacing and maintaining the City's capital assets and infrastructure. Currently, 61 projects are budgeted for FY 2023-24.
- As part of the quarterly budget update, staff reviewed all CIP projects, focusing on project timelines and updated costs. Based on this review, staff is proposing:
 - An increase \$447K in CIP revenues
 - An increase of \$4.26M in CIP expenditures
- Proposed adjustments for Fiscal Year 2023-24 are included on Attachment A (Resolution 2023-46) :
 - Most adjustments rollover unused budget from FY 2022-23 to FY 2023-24 for project work that has shifted to FY 2023-24.
 - Several adjustments reallocate funding among projects (i.e., several projects rolled into the Comprehensive Streets Project)

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 November 2023**

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	\$29,520	91023	In Progress
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	\$25,000	91083	In Progress
Municipal Facilities	EV Charging Station Pilot Program	Installation of Electric Vehicle (EV) charging stations in Monrovia.	\$181,085	\$185,085	\$185,085	91020	In Progress
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	\$30,000	91092	In Progress
Municipal Facilities	Fire Admin Cubicle	Provides for the remodeling of the Fire Admin office cubicles to enhance customer service and improve workflow.	\$20,000	\$20,000	\$20,000	91089	In Progress
Municipal Facilities	Fire Station 101 Roll Up Door Replacement	Replace Fire Station 101's existing roll up garage doors. Due to the frequency and need for emergency responders, the station's roll up doors are prone to every day wear and tear. Repairs and maintenance are performed on a routine basis to avoid further damage.	\$100,000	\$100,000	\$100,000	91017	In Progress

CIP – Current and Completed Projects

- Treatment Tower 3 and 4 rehabilitation project
- Canyon Park Infrastructure Improvement project (design)
- Comprehensive Street Improvement Project (design complete – construction underway)
- Wellfield Electrical (construction underway)
- Library Park – Shade Structure (construction complete by December 2024)
- Mountain Avenue Phase 1
- Foothill Boulevard Striping Phase 1 (remaining segments to be complete by December 2024)

CIP – Projects to Be Completed Before Fiscal Year-End

- Library Park – Shade Structure
- Foothill Boulevard Striping
- SCADA system improvements
- Well No. 3 Rehabilitation Project
- Wellfield Electrical
- Reservoir Rehabilitation Project – Radford
- Library Enhancements Project (estimated completion by Winter 2024)
- Canyon Park Infrastructure Improvements Project (estimated completion by Winter 2024)
- FY23-24 Comprehensive Street Improvements Project

What's On the Horizon?

- Audit Committee to meet and review Fiscal Year 2022-23 ACFR Results
- Sewer and Water Rate Studies Presentation and Discussion
- Review of Assessment District Funding Gaps
- Consideration of Section 115 Trust Utilization
- Q2 Budget Update with General Fund Long Range Forecast
- Citywide Investment Strategy Implementation

Summary

- The City will close the books for FY 2022-23 in a better position than originally planned.
- City Council's sound management practices, including the use of conservative revenue and expenditure adjustments, allows the City to focus resources on building reserves, addressing liabilities, completing CIP projects, providing competitive compensation, and providing premier programs and services to our community.
- Staff will return to City Council with another quarterly update after the close of the second quarter (December 31, 2023). **If approved by City Council, staff will incorporate the property purchase for 324-328 Myrtle in the Q2 adjustment.**
- Staff will closely monitor the budget and economic environment, so that we can quickly react and pivot, if needed.

Thank you for your time!



Questions?