



Study Session

Fiscal Year 2024-25
Budget Update

*Monrovia City Council
September 3, 2024*



Budget Timeline

- The Fiscal Year 2024-25 Budget was adopted by City Council in June 2023 as part of the Two-Year 2023-2025 budget adoption.
- In March 2024, the City experienced a data loss event, and staff has been working to restore our financial systems (e.g., payroll, utility billing, general ledger, etc.) since that time.
- Staff has also been working on updating the Fiscal Year 2024-25 budget projections with updated estimates over the last several months.
- In July 2024, Fiscal Year 2024-25 fee updates were approved by City Council.
- Tonight's study session is to present the first budget update for Fiscal Year 2024-25.
- Formal approval of the budget update is scheduled for September 17, 2024.

Purpose

The purpose of this Study Session is to:

- Present a Fiscal Year 2024-25 budget update for City Council's consideration.
- Provide City Council with a financial update and a discussion of key budgetary items, including work plan items for the upcoming 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.

State of the Economy/Major Budget Drivers

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

- A slowdown in consumer spending has impacted our sales tax revenues. We've experienced a significant decrease in sales tax revenues, especially in auto sales (which constitutes 32% of our sales tax revenues).
 - A \$900K negative budget adjustment was made to the sales tax projection in Fiscal Year 2023-24
- Statewide, there has been a decline in home sales activity.
- While inflation is far lower than the highs of recent years (currently 2.9%), inflation from prior years has already impacted the amount the City pays for goods and services.
 - We've seen increases ranging from 1-20% in some of the City's contracts over the last few years.
 - Cost increases have also impacted the cost of the City's insurance premiums (i.e., property, liability, and workers compensation premiums).

Fiscal Position

And 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. We're on good footing, but given the state of the economy, there is cause to pause, tighten our belts, and proceed with caution.
- Controlling costs will continue to be an ongoing effort:
 - Staff has been working on renegotiating contracts, when and where appropriate.
 - Even though an item is included in the budget, staff always evaluates the need before proceeding with each purchase.
 - Before filling vacancies, staff evaluates both cost and need before proceeding with recruitments.
- We've adjusted fees to try to recoup the full cost of service, when possible. Fee adjustments were approved by City Council in July 2024, bringing us closer to cost of service.

Fiscal Position *(continued)*

- Because we've invested in wages, the City is not experiencing high vacancy rates like other agencies. This ensures that we can continue to provide premier service to our community.
- 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.
- The City will continue to implement policies that have positive financial outcomes:
 - For example, the City's new investment strategy (i.e., utilizing an investment management firm) ensures we are maximizing earnings on idle cash. This new strategy has yielded approximately \$2.4M in interest earnings in FY 2023-24 compared to prior year investment earnings of approximately \$1.6M.

FY 2024-25 Budget Update Approach

When updating the Fiscal Year 2024-25 budget, a series of approaches were applied to close the budget gap:

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.



Citywide Budget



Citywide Revenue & Expenditures Overview

- Overall, conservative revenue and expenditure estimates have been incorporated into the Fiscal Year 2024-25 Budget Update.
 - This budget update includes inflationary impacts in City vendor contracts.
 - Increases in user fees, approved in July, have been reflected in revenue projection estimates.
- This budget update includes funding all positions, but includes vacancy savings of approximately \$1.2M that can be achieved by holding vacant positions open longer. 244.75 FTE's (full-time equivalent) positions have been included in the budget.
- When developing the budget, each line item was thoroughly reviewed for need and appropriate cost. Adjustments were made to incorporate savings, without impacting service levels to the community.

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 | \$23.37 M | \$20.29 M | \$21.46 M | \$21.90 M | \$22.82 M |
| Special Purpose Funds | \$34.74 M | \$40.29 M | \$34.43 M | \$37.20 M | \$37.60 M | \$44.42 M |
| Internal Service Funds | <u>\$10.87 M</u> | <u>\$11.96 M</u> | <u>\$10.90 M</u> | <u>\$11.69 M</u> | <u>\$9.87 M</u> | <u>\$12.46 M</u> |
| Total Budget | <u>\$132.80 M</u> | <u>\$144.18 M</u> | <u>\$128.93 M</u> | <u>\$129.73 M</u> | <u>\$152.88 M</u> | <u>\$147.91 M</u> |



General Fund Review



General Fund Overview

- The General Fund and the Development Services Fund have now been combined for budgeting purposes.
 - This combination aligns the budget with the Annual Comprehensive Financial Report (ACFR) presentation and reporting standards.
 - The negative balance of approximately \$3M from the Development Services Fund will be absorbed through this combination.
 - Staff will continue to look at ways to address the annual deficit for Development Services.
- 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 Preliminary Review of Fiscal Year 2023-24

| General Fund Fiscal Year 2023-24 | Revised FY 2023-24 Budget Amount (\$) | Preliminary Estimate for FY 2023-24 (\$) |
|--|--|--|
| FY 2023-24 Budgeted Revenues | \$52.70M | \$52.47M |
| FY 2023-24 Budgeted Expenditures | <u>(\$55.78M)</u> | <u>(\$54.19M)</u> |
| Net FY 2023-24 General Fund Surplus/(Deficit) | (\$3.08M) | (\$1.72M) |
| Less: One-time Property Purchase (324-328 S. Myrtle) | (\$6.00M) | (\$6.00M) |
| FY 2023-24 Net Remaining Surplus/(Deficit) | <u>(\$9.08M)</u> | <u>(\$7.72M)</u> |

Includes Development Services

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

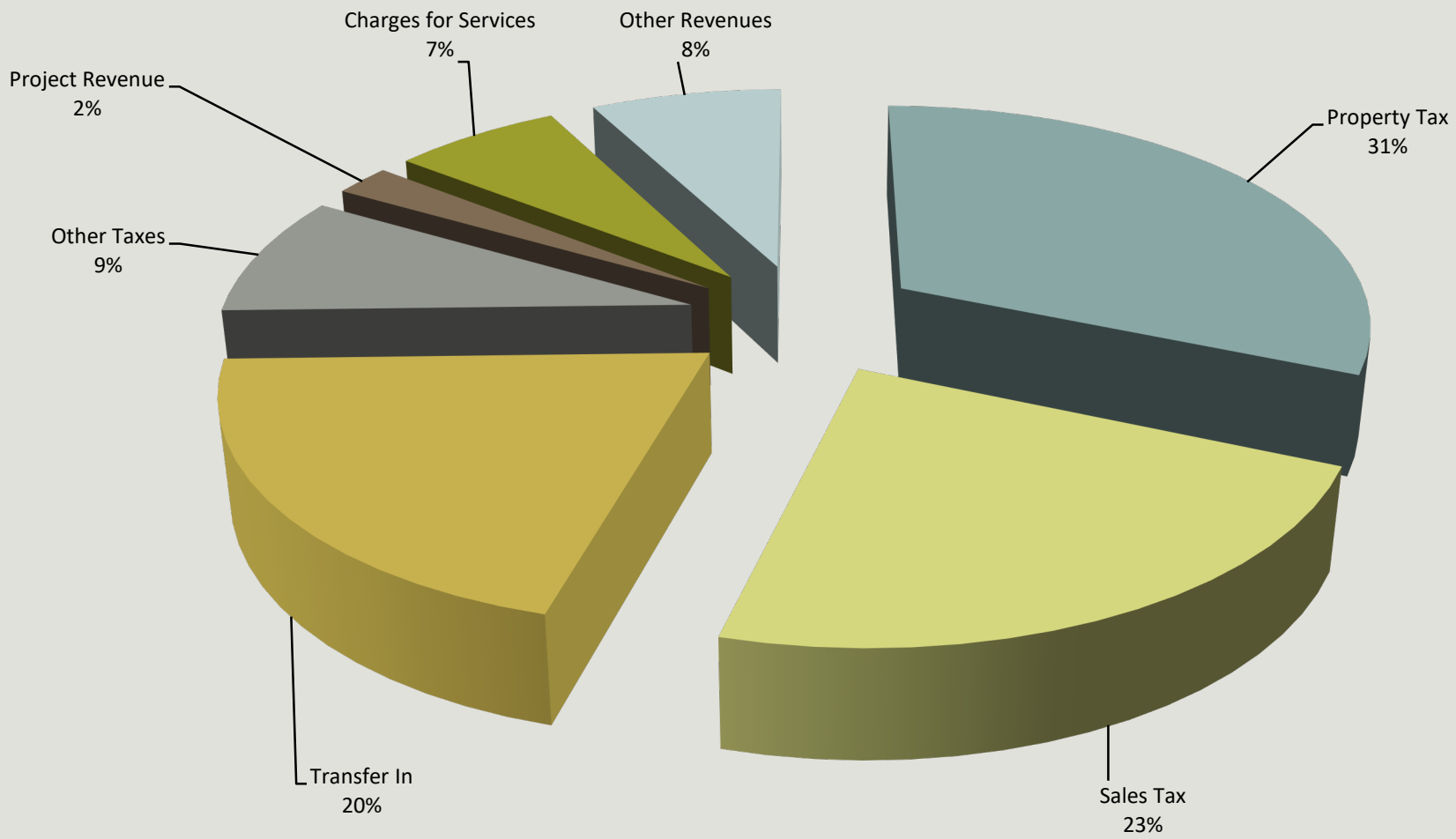
| General Fund Revenues Year-Over-Year Comparison | | | | | |
|--|---------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| Revenue Source | FY 2023-24 Revised Budget | FY 2024-25 Original Budget | % Increase / (Decrease) | 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 | \$3.40 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>\$52.70 M</u> | <u>\$56.39 M</u> | <u>7.0%</u> | <u>\$56.01 M</u> | <u>(0.7%)</u> |

Includes Development Services

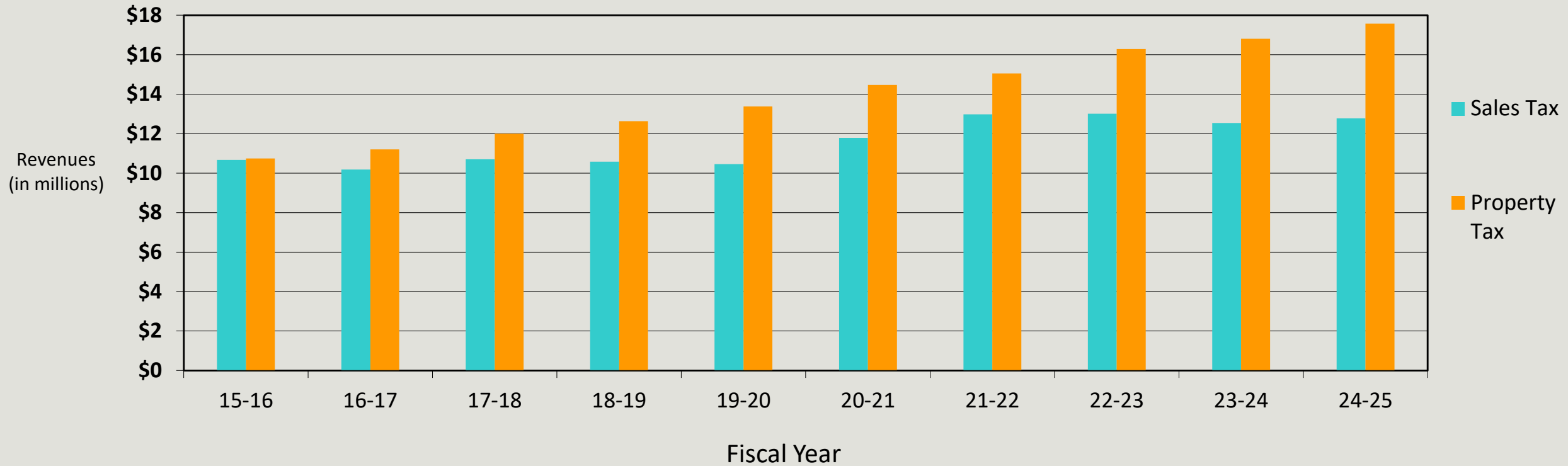
General Fund Key Revenues – Fiscal Year 2024-25

| | |
|--------------------------------------|--|
| <p>Property Tax</p> | <ul style="list-style-type: none"> • Makes up 31% of General Fund revenue. • Continues to be strong and reliable. • New development revenue has been included in projections. |
| <p>Sales Tax</p> | <ul style="list-style-type: none"> • Makes up 23% of General Fund revenue. • Sales tax revenues have been slowing, especially auto sales. • Auto sales and State pool allocations continue to be our two biggest producers. |
| <p>Transient Occupancy Tax (TOT)</p> | <ul style="list-style-type: none"> • Makes up approximately 4.2% of General Fund revenue. • Is showing consistent growth each year. • Revenues have been included for Marriott TownPlace Suites. |

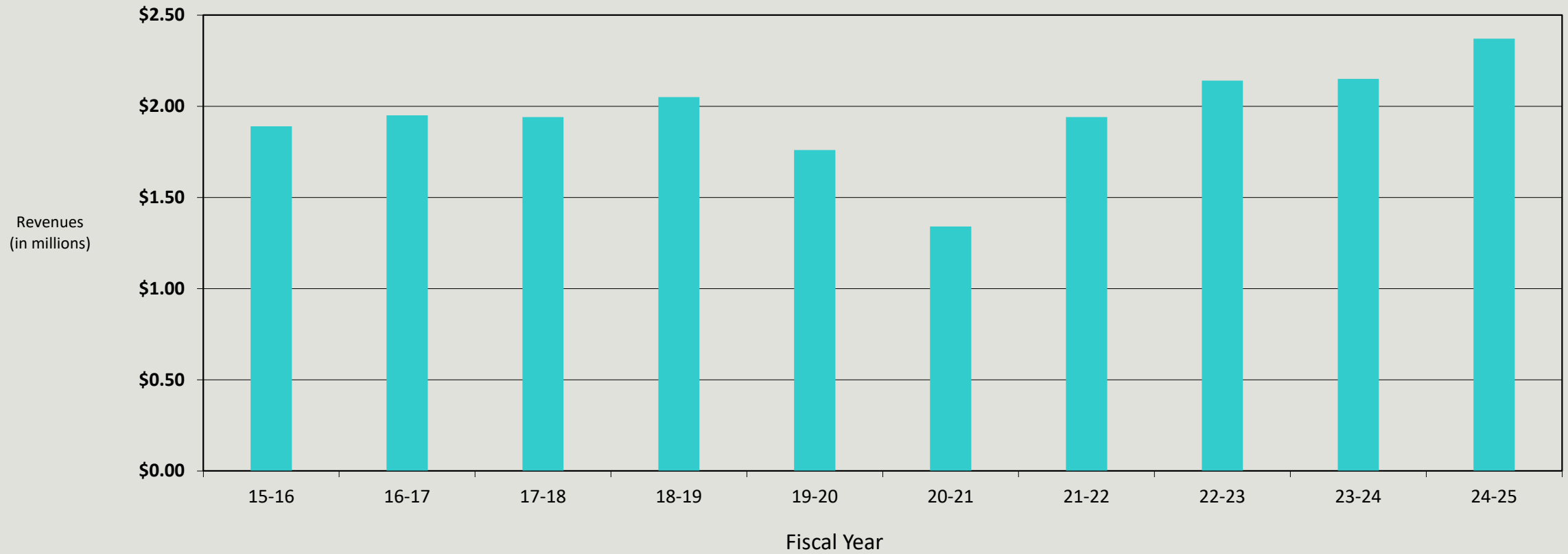
General Fund Sources of Revenues – Fiscal Year 2024-25



Sales and Property Tax History



Transient Occupancy Tax (TOT) History

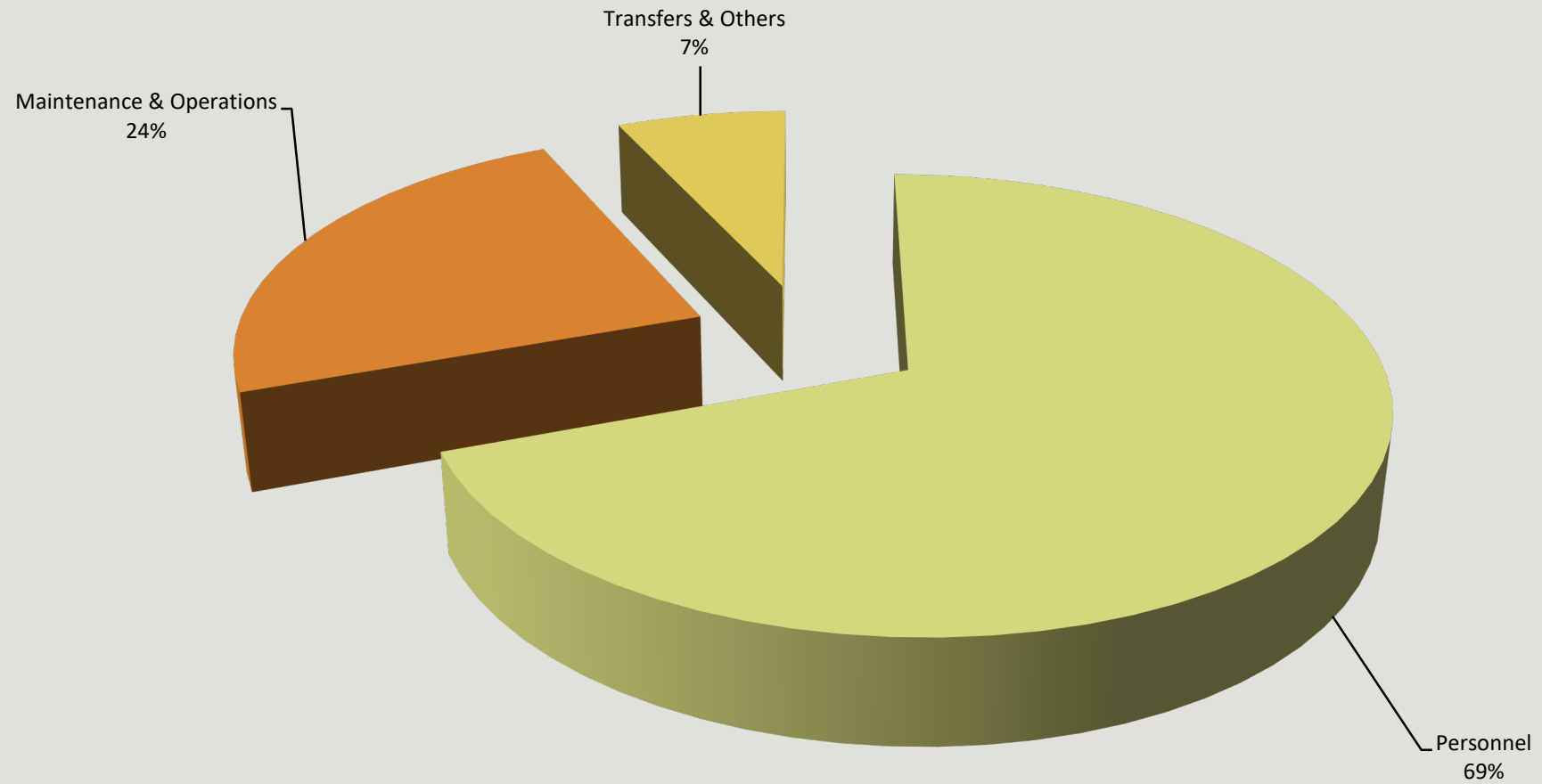


General Fund Expenditures By Type

| 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>(45.5%)</u> | <u>\$57.44 M</u> | <u>(15.1%)</u> |

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

General Fund Expenditures By Type – Fiscal Year 2024-25



General Fund Combined Fund View

- The General Fund includes the following on the City's Annual Financial Report:
 - Measure K
 - Emergency Events
 - Water Conservation
- When all are combined, the General Fund has a positive ending fund balance, and combined revenues exceed expenditures, as seen on the next slide.

General Fund Combined Fund View (Includes CIP)

| 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



Recap of Remaining City Funds

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

Other City Funds

Revenues and Expenditures (Includes CIP)

| 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 | \$23.37 M | \$20.29 M | \$21.46 M | \$21.90 M | \$22.82 M |
| Special Purpose Funds | \$34.74 M | \$40.29 M | \$34.43 M | \$37.20 M | \$37.60 M | \$44.42 M |
| Internal Service Funds | <u>\$10.87 M</u> | <u>\$11.96 M</u> | <u>\$10.90 M</u> | <u>\$11.69 M</u> | <u>\$9.87 M</u> | <u>\$12.46 M</u> |
| Total Budget | <u>\$65.06 M</u> | <u>\$75.62 M</u> | <u>\$65.62 M</u> | <u>\$70.35 M</u> | <u>\$69.37 M</u> | <u>\$79.70 M</u> |

Funds To Watch

- The City's Assessment District Funds are not self-sustaining and require subsidies. They are as follows:
 - Lighting and Landscape Assessment District Fund
 - Park Maintenance Assessment District Fund
- Due to increasing program costs, the transportation funds will be closely monitored, and staff will return to Council with a review of the Go Monrovia Program to ensure sustainability. Transportation Funds include:
 - Proposition A
 - Proposition C
 - Measure R
 - Measure M

Funds of Concern: 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 of Concern: 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 will perform a review and analysis of the program during Fiscal Year 2024-25 and will return to City Council with the results of the review and 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 \$25.6M 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 – Projects Completed

| | |
|---|---|
| ✓ City Hall Basement Reconfiguration | ✓ Magnolia Pipeline Reconstruction |
| ✓ Historic Museum Painting and Repairs | ✓ Pipeline Survey |
| ✓ Plymovent Exhaust System Upgrades | ✓ Well No. 3 Rehab |
| ✓ Police Station Painting Project | ✓ Lower Cloverleaf Reservoir Improvements |
| ✓ Fire Station 101 Roll Up Door Replacement | ✓ Tait Radio Repeaters |
| ✓ Foothill Striping Project | ✓ Public Safety Radio Replacement |
| ✓ Oakglade Drive Resurfacing and K-Rail Removal | ✓ Self Contained Breathing Apparatus |
| ✓ Library Park Improvements (Shade Structure) | ✓ Record of Survey |
| ✓ FY23-24 Pump and Motor Replacement | ✓ FY23-24 Citywide Tree Replacement/Planting |
| ✓ FY23-24 Computer Replacement Program | ✓ FY23-24 Concrete Sidewalk Improvement Program |
| ✓ 2023 Monrovia Comprehensive Streets | ✓ Mountain Avenue Resurfacing Project (Phase I) |

CIP – 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 – 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) | |



CalPERS and Section 115 Trust Updates



CalPERS Update

- Positive News! CalPERS posted a tentative 9.3% investment return for Fiscal Year 2023-24.
 - This positive earnings rate of 9.3% is 2.5% better than the CalPERS target of 6.8%. 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

- 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.
- 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.

Section 115 Trust

| Description | Amount * |
|--|--------------------|
| Section 115 Trust Balance at End of FY 2023-24 | \$8,065,000 |
| Budgeted RPTTF Revenues – FY 2024-25 | \$1,000,000 |
| Use of Trust Funds for Pension Costs | (\$2,500,000) |
| Estimated Section 115 Trust Balance at the End of FY 2024-25 | <u>\$6,565,000</u> |

* Rounded to nearest thousand.



Financial Work Plan Items



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. Staff will return to City Council with the results of the analysis and to seek direction.
3. Complete an external comprehensive user fee cost study review and update, if applicable, user fees and charges to ensure fees are capturing the full cost of service delivery.
4. Continue to seek additional grant/outside funding for CIP Projects
5. Continue to seek reimbursement for Canyon Park repairs.
6. Continue to provide quarterly budget updates to City Council throughout the year.

Next Steps

Formal Budget Approval:

Staff will present the proposed Fiscal Year 2024-25 Budget Update for formal approval at the City Council Meeting on September 17, 2024.

Thank you!



Questions?