

City of
Monterey Park
Management Services Department



MID-YEAR BUDGET REPORT
FISCAL YEAR 2021-2022

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Overview

The City's Mid-Year Report compares the revenues and expenditures during the first six months of the fiscal year against budgeted amounts to determine appropriate adjustments; provides links between the City budget, financial records, and the independent financial audit; and compares revenues earned and expenses made during the first six months of the Fiscal Year (FY) 2021-2022 against the FY 2020-2021 figures.

This information is provided in the following format:

- The starting point is the FY 2020-2021 ending fund balances, which is also the beginning Available Fund Balance for the FY 2021-2022. Combining the beginning Available Fund Balances with the estimated revenues, transfers, and appropriations adopted in the Budget and this report, provides the estimated ending fund balances.

As a result of a comprehensive review, adjustments are recommended where actual receipts and disbursements are materially different from the budgeted amounts. Although budget adjustments are recommended across several City funds, typically the emphasis of the Mid-Year Budget Report is directed at the General Fund. The General Fund is deemed to be the most critical as it provides most services commonly associated with government (i.e., public safety, recreation, parks, building, public works, planning, etc.) and is limited primarily by tax-generated revenues.

The Mid-Year Report is based on the completed Annual Comprehensive Financial Report (ACFR) or audited financial statements. This year, the completion of the ACFR has been met with many delays most due to COVID 19 impacts. The ACFR is expected to be presented to City Council on March 16, 2022.

Summary of Key Points

- The COVID-19 pandemic continues to bring unprecedented economic and social challenges in Fiscal Year 2020-21. Overall, the City experienced revenue losses over \$6.1 million during calendar year 2021. Recent increases observed in sales tax and transient occupancy tax revenues indicate that the economy is recovering from the financial impacts of COVID-19. However, with continued supply chain issues and the public's hesitancy towards travel, the economy still has a way to go to return to pre-pandemic levels.

Through the Federal American Rescue Plan (ARPA), the City was allocated \$15 million for COVID-19 pandemic recovery efforts. Half of the City's allocation was received in June 2021 with the remaining amount to be received in June 2022. As the

economy continues to recover from the uncertainty of COVID-19, the City deployed its first ARPA distribution towards governmental services aiding the community's recovery, including rehiring part-time and full-time staff to its pre-pandemic levels, investing in public safety and cyber security.

- Proposed Mid-Year Budget Changes

- General Fund – Budget Augmentation

- Police department additional overtime funds in the amount of \$50,000.
 - Classification and competition study in the amount of \$50,000.
 - Salary and benefits for Senior Planner position effective April 1, 2022, in the amount of \$47,740.
 - Additional funds for plumbing services and supplies in the amount of \$10,000.
 - Funds in the amount of \$50,000 to implement the City's Trip Hazard Program.
 - Replacement batteries in the amount of \$15,000 for the Bruggemeyer Library Uninterrupted Power System.

- ARPA Fund – Budget Augmentation

- Additional funding in the amount of \$500,000 to replace aging police vehicles.
 - Replacement of 19 air conditioning units for a total cost of \$250,000.

- Internal Service Funds:

- Shop funds in the amount of \$40,000 to cover increased costs for vehicle repair parts.
 - Shop funds in the account of \$50,000 to cover increased costs for vehicle maintenance and repairs.
 - Technology funds for salary and benefits for Information Technology Technician position effective June 1, 2022, in the amount of \$10,370.

- Enterprise Funds – Budget Augmentation

- Water funds in the amount of \$25,000 for consulting services related to new Water Conservation Ordinance/ AMI Meter Installation Bid.
 - Water funds in the amount of \$52,000 for public outreach/education costs related to new water conservation ordinance.
 - Water funds in the amount of \$40,000 for unanticipated expenditures in water service.
 - Refuse funds in the amount of \$25,000 for consulting services to meet new state mandate - SB 1383.

- Proposed Mid-Year Staffing Changes

Department	Position	FTE	Salary & Benefits
Police	Add Full-Time Evidence Officer	1	0.00
Police	Delete Part-Time Evidence Officer	(1)	0.00
Police	Add Full-Time Animal Services Officer	1	0.00
Police	Delete Part-Time Animal Services Officer	(1)	0.00
Police	Add Full-Time Community Services Officer	1	0.00
Police	Delete Part-Time Community Services Officer	(1)	0.00
Community Development Management Services	Add Full-Time Senior Planner	1	47,740.00
Management Services	Add Full-Time Information Technology Technician	1	10,370.00
Total FTE		2	

- The City’s General Fund balance committed for catastrophic events is established at \$4,340,000. These funds should be sufficient to allow for a quick and decisive municipal response to events such as natural disasters, catastrophic accidents, or other declared emergency incidents. The City has prepared a strategic plan to increase the Committed Catastrophic Event reserves to 15 percent of the City’s annual General Fund operating budget or \$6.3M by FY 2024-2025. The plan would consist of Council approval to commit \$500,000 per fiscal year to catastrophic events for the next 4 years. At this time, the City is requesting to increase its Committed-Catastrophic amount by \$500,000 from \$4.34M to \$4.84M for the year ending 6/30/2022, to secure higher unrestricted reserves in the event of a catastrophe.

Mid-Year Budget Changes

General Fund Revenues:

	Unaudited FY20-21	Mid-Year FY20-21 12/31/2020	Adopted Budget FY21-22	Mid-Year FY21-22 12/31/2021	Budget Update FY21-22
Property Tax	20,656,585	5,154,738	20,133,826	4,997,793	20,133,826
Sales Tax	9,063,297	3,282,728	8,563,084	3,197,830	9,508,660
Transient Occupancy Tax	953,200	471,090	1,982,568	608,959	1,522,398
Utility User Tax	2,931,943	1,149,641	2,800,000	1,619,240	2,800,000
Business License Tax	734,217	99,238	915,000	203,437	915,000
Other Tax	1,276,160	606,412	1,220,000	204,396	1,220,000
Licenses & Permits	1,115,614	471,473	1,279,060	611,231	1,279,060
Service Charges & Fees	5,086,038	2,833,693	6,511,388	2,317,186	6,511,388
Other Revenue	3,620,843	1,259,310	4,047,335	2,057,603	4,047,335
TOTAL	45,437,898	15,328,323	47,452,261	15,817,676	47,937,667

Property Tax:

The City receives its property tax revenue from L.A. County during the months of December/January and April/May. These months coincide with the first and second installments paid to L.A. County by the property owners. The City received \$5M in the month of December. The City is on track to receive the estimated revenue of \$20.1M for FY2021-2022.

Sales Tax:

The California Department of Tax and Fee Administration (CDTFA) issues monthly disbursements to the City after the quarter's end. As of December 31, 2021, the CDTFA has distributed to the City four of the twelve monthly disbursements; a total of \$3.2M. With the increase in gas prices and the reopening of retail stores and restaurants, the 1% Bradley Burns is expected to generate \$9.5M revenue for the City for the current Fiscal Year.

Transient Occupancy Tax:

As of December 31, 2021, the City has received two of the four quarterly Transient Occupancy Tax (TOT) disbursements for a total of \$608,959. This revenue includes the TOT from the newly opened Courtyard by Marriott. The updated estimated revenue is \$1.5M.

Utility User Tax:

As of December 31, 2021, the City has received \$1.6M of its FY 2021-2022 estimated Utility User Tax (UUT) revenues and is on track to receive the total estimated amount of \$2.8M.

Business License Tax:

City business licenses are renewed each calendar year. Business owners are given until January 31 to renew their business license for the current calendar year without any penalties. The City is expecting most business license revenues to be received in the month of January; thus, up-to-date figures are not reflected in this report. The City anticipates staying on target to realize its projected FY 2021-2022 revenues.

Other Tax:

This category consists of property transfer tax and franchise tax. The property transfer tax is the real estate transfer tax at a rate of \$1.10 per \$1,000 of value transferred. Cities and County share the tax equally. Franchise tax is collected by the City on gas, electric, and cable television utilities for the privilege of using City streets public property. Revenues received by the City as of December 31, 2021, are \$204,396. Projected FY2021-2022 revenues are on target to be realized.

Licenses and Permits:

Permits help to regulate the safety and establish minimum standards for construction in our homes, business, and community. Other licenses and permits issued by the City include, but are not limited to, yard sale, fireworks and tobacco retail. The City is on target to realize its projected FY 2021-2022 revenues.

Services Charges:

This category includes charges for fee-supported City services. As of December 31, 2021, the City has received \$2.3M of its FY 2021-2022 estimated Service Charge revenues. The City is on target to realize or exceed its projected FY 2021-2022 revenues.

Other Revenue:

Interest income, rentals, and fines are included revenues in the Other Revenue category. As of December 31, 2021, the City has received \$2M of its FY 2021-2022 estimated revenues. The City is on target to realize its projected FY 2021-2022 revenues.

General Fund Expenditures:

ACCOUNT DESCRIPTION	ORIGINAL APPROP	TRANFRS/ ADJSMTS	REVISED BUDGET	YTD EXPENDED	AVAILABLE BUDGET	% USED
51 Salary & Benefits	31,333,255	0	31,333,255	13,958,539	17,374,716	45%
52 Services	5,872,892	12,000	5,884,892	2,057,440	3,827,452	35%
53 Commodities	1,265,100	112000	1,377,100	382,436	994,664	30%
54 Internal Service Chg	8,544,724	0	8,544,724	2,137,034	6,407,690	25%
55 Capital Improvement	0	120,000	120,000	120,000	0	100%
56 Debt Service	435,010	0	435,010	31,816	403,194	7%
Expense Total	47,450,981	244,000	47,694,981	18,687,265	29,007,716	39%

As part of the mid-year process, departments were asked to review their current budgets and determine if any adjustments should be proposed in this report. Since departments have been asked to closely monitor their budgets and spend only what is necessary, the City's overall General Fund expense total at Mid-Year is 39%.

The City is recommending a budget adjustment for the following:

General Fund

- The Police Department has not had an increase in overtime since 2008-2009 despite permanent salaries increasing several times. The department's overtime budget is currently underfunded. In an effort to maintain minimum staffing levels and patrol services it is imperative to appropriate an additional \$50,000 in overtime.
- The City of Monterey Park has not updated the classification specifications (a.k.a. job descriptions) through a comprehensive study for some time. Updated and

appropriate job descriptions are a foundational to recruitment efforts and filling critical vacancies with candidates who possess skills sets to assist the City and departments. Conducting a compensation study will assist the City with evaluating our current salary and benefits for compaction issues and for the City to see how competitive we are with other agencies as part of recruitment efforts.

The current job market is competitive and conducting a classification and compensation study will provide the City with valuable information to compete for highly skilled candidates and enhance the City's ability to provide services for Monterey Park. The cost for the classification and compensation study is expected not to exceed \$50,000.

- A Senior Planner position is necessary to ensure that development applications are processed in a timely manner, and that current planning staff are trained to follow division policy and provide timely and efficient customer service. Salary and benefits for a Senior Planner to begin effective April 1, 2022, is \$41,740.
- Funds are requested to cover increased costs for plumbing services and supplies. Staff has had to resolve several plumbing issues that have incurred major expenditures including the repair of the old basement pump, Police Department locker areas, and jail waste line issues. The requested amount would be used to cover year-to-date expenditures and estimated costs for services through the end of FY 2021-22, including the replacement of the City's commercial drain cleaning machine for an additional cost not to exceed \$10,000.
- Funds in the amount of \$50,000 are requested to implement the City's Trip Hazard Program. The Trip Hazard Program is being developed to provide the tools necessary to recognize, assess and control hazards that may result in a slip, trip or fall. The goal of this program is the prevention of injuries resulting from slips, trips and falls.
- Funds are requested to purchase 92 replacement batteries for the Bruggemeyer Library Uninterrupted Power System (UPS). The need to replace these batteries was determined during staff's annual maintenance check in July 2021. The current budget includes \$15,000. An additional budget augmentation of \$15,000 is needed to cover the cost of the batteries for a total not to exceed amount of \$30,000.

Other Funds

- ARPA Funds

The City was allocated \$15 million of ARPA funds for COVID-19 pandemic recovery efforts. The City received half of its allocation (\$7,521,592) in June 2021 with the remaining amount to be received in June 2022. City Council has approved the budget appropriation of \$6.2 million and through December 31, 2021, \$1.2 million has been expended.

DESCRIPTION	BUDGET APPROPRIATION	MID-YEAR APPROPRIATION REQUEST	YTD EXPENDED	AVAILABLE BUDGET
COMMUNITY LITERACY ENHANCEMENTS	132,000	0	6,060	125,940
COVID19 RESPONSE AND PREVENTION	325,000	0	7,905	317,095
CYBER SECURITY AND TECHNOLOGY	1,221,000	0	53,617	1,167,383
PUBLIC SAFETY VEHICLES	1,250,000	500,000	0	1,750,000
REPLACEMENT OF A/C UNITS	0	250,000	0	250,000
SECURITY SURVEILLANCE CAMERA SYSTEM	1,312,127	0	826,650	485,477
STAFFING	1,935,710	0	271,828	1,663,882
TOTAL	6,175,837	750,000	1,166,060	5,759,777

- The Police Department has numerous high-mileage vehicles that have exceeded their useful life and need replacement. At the November 3, 2021, Council Meeting, City Council approved the purchase of police vehicles in the amount of \$1.1 million. Additional funding in the amount of \$500,000 is needed to replace additional aging police vehicles.
- Funds are requested to cover unanticipated costs for the replacement of 19 air conditioning units. The units are over 30 years old and have surpassed their end of service life. Staff determined it was most cost-efficient to replace the units as the costs to repair and maintain them far exceed the cost of new equipment. The requested amount of \$250,000 would be used to cover these expenditures in addition to costs for future maintenance and repairs of the City's remaining AC units.

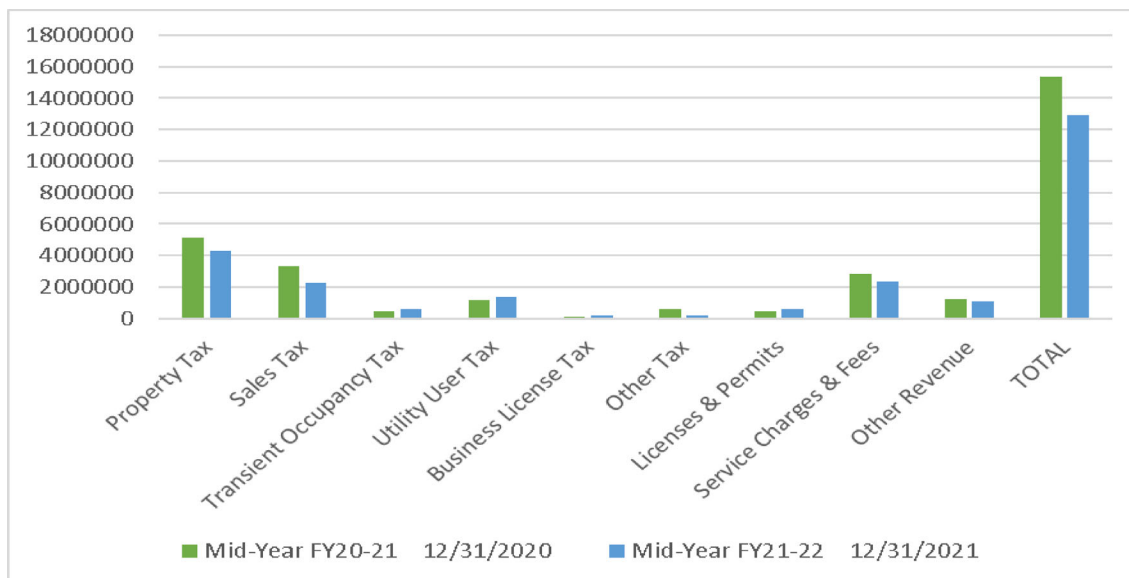
- Internal Service Funds

- Shop Funds in the amount of \$40,000 are requested to cover increased costs for vehicle repair parts. Additional funds are requested based on year-to-date expenditures and encumbrances surpassing the originally estimated budget.
- Shop Funds in the amount of \$50,000 are requested to cover increased costs for vehicle maintenance and repairs due to significant increase in traffic collision repairs and related expenditures.

- An Information Technology (IT) Technician is necessary to begin the transition of bringing the information technology services in-house. Salary and benefits for an IT Technician to begin effective June 1, 2022, is \$10,370 from the Technology fund.
- Enterprise Funds
 - Water funds in the amount of \$25,000 are requested for consulting services related to new Water Conservation Ordinance/ AMI Meter Installation Bid. These projects were not budgeted for in FY 2021-2022.
 - Water funds in the amount of \$52,000 are requested for public outreach/education costs related to new water conservation ordinance.
 - Water funds in the amount of \$40,000 are requested for unanticipated expenditures in water service. This funds water services from another purveyor when a City well is down for repair or maintenance. Requested amount would be used to cover year-to-date expenditures and estimated costs for services through the end of the Fiscal Year.
 - Refuse funds in the amount of \$25,000 are requested for consulting services to meet new state mandate - SB 1383.

General Fund Overview

Revenues are currently 33% collected and expenditures are 39% spent. This reflects the fact that not all revenues and expenditures occur evenly throughout the fiscal year. Significant variances are discussed later in the report, but in general, this trend is consistent with prior years. As reflected on the following chart, collecting approximately 33% of the General Fund revenues by the mid-point of the fiscal year is consistent with prior year trends.



General Fund Revenues:

Total General Fund revenue collections are at 33% of total estimated revenues with half of the year complete. This is below 50% because certain revenues have a delay in when they are received by the City; specifically, it only represents four months of Sales Tax revenue, four months of Franchise Fee revenue, and approximately 25% of property tax revenue. The table below presents a comparison of the top revenue accounts. Because the City has a diverse revenue basis for total General Fund revenues, changes to a specific revenue source here will not have profound impacts overall. Table shown on next page.

General Fund Revenue Table

General Fund Revenues	Mid-Year FY20-21 12/31/2020	Mid-Year FY21-22 12/31/2021	Percent Difference 2021 VS 2022	Budget Update FY21-22	Percent Revenue to Date
Property Tax	5,154,738	4,997,793	-3%	20,133,826	25%
Sales Tax	3,282,728	3,197,830	-3%	9,508,660	34%
Transient Occupancy Tax	471,090	608,959	29%	1,522,398	40%
Utility User Tax	1,149,641	1,619,240	41%	2,800,000	58%
Business License Tax	99,238	203,437	105%	915,000	22%
Other Tax	606,412	204,396	-66%	1,220,000	17%
Licenses & Permits	471,473	611,231	30%	1,279,060	48%
Service Charges & Fees	2,833,693	2,317,186	-18%	6,511,388	36%
Other Revenue	1,259,310	2,057,603	63%	4,047,335	51%
TOTAL	15,328,323	15,817,676	3%	47,937,667	33%

- **Property Tax** – Property tax is the City’s largest revenue source representing 42% of the General Fund FY 2021-22 Estimated Revenue. Property tax revenue received is 3% lower than at the same time last year and budgeted revenues are expected to be met.
- **Sales Tax** – Sales tax is the City’s second largest revenue source representing 20% of the General Fund FY 2021-22 Adopted Budget. Sales tax is 3% lower than at the same time last year and budgeted revenues are expected to be met.
- **Transient Occupancy Tax** – Revenues are 29% more than the previous fiscal year, estimated revenue of \$1.5M has been updated to reflect projected revenue at mid-year.
- **Utility User Tax** – Revenues are 41% more than at mid-year from the previous fiscal year.

- **Business License Tax** - Business owners are given until January 31, to renew their business license for the current calendar year without any penalties. The City is expecting most business license revenues to be received in the month of January. Thus, budgeted revenues are expected to be met.
- **Licenses and Permits** - Revenues are 105% more than at mid-year from the previous fiscal year. Budgeted revenues are expected to be met or exceed forecasted revenue.
- **Other Taxes** - While revenues are 66% less than prior year at midyear, the City expects projected revenue to be realized and will continue to monitor this funding source.
- All other estimated funds are expected to be realized by end of year.

General Fund Expenditures:

All departmental expenses are under the 50% budget mark with total FY 2021-22 expended at 39% of budget.

	Budgeted	YTD Expended 12/31/2021	YTD Percentage 12/31/2021
City Attorney	649,100	208,903	32.18%
City Clerk	463,954	178,454	38.46%
City Council	219,041	92,651	42.30%
City Manager	1,116,035	385,299	34.52%
City Treasurer	30,763	10,226	33.24%
Community CIP	120,000	120,000	100.00%
Community Development	1,105,833	329,710	29.82%
Fire	12,509,469	5,888,076	47.07%
HR & Risk Management	487,042	148,795	30.55%
Library	2,304,048	826,427	35.87%
Management Services	2,619,243	855,455	32.66%
Non-Department	1,736,375	571,915	32.94%
Police	18,868,415	7,569,743	40.12%
Public Works	3,204,095	988,047	30.84%
Recreation & Community	2,261,569	513,566	22.71%
YTD Total	47,694,981	18,687,265	39.18%

General Fund Balance

The City Council has established an Unrestricted General Fund Balance of a minimum of two months of the General Fund regular revenues or operating expenditures, as recommended by the Government Finance Officers' Association (GFOA).

Unrestricted General Fund Balance:

Committed Fund Balance

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Catastrophic Event - The City of Monterey Park's General Fund balance committed for catastrophic events is established at \$4,340,000. The City Council may wish to increase or decrease this amount, with the goal of providing an amount equivalent to 15 to 20 percent of the City's annual operating budget for the General Fund. This range should be sufficient to allow for a quick and decisive municipal response to events such as natural disasters, catastrophic accidents, or other declared emergency incidents. The City Council may, by the affirming vote of three members, change the amount of this commitment and/or the specific uses of these monies.

The City has prepared a plan to increase the Committed Catastrophic Event reserves to 15 percent of the City's annual General Fund operating budget or \$6.3M. At this time, the City is requesting to increase its Committed-Catastrophic amount by \$500K from \$4.3M to \$4.8M for the year ending 6/30/2022.

Working Capital - The City's General Fund balance committed for the purpose of working capital for the delivery of City services during periods of severe operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen change in revenues and/or expenditures is established at \$3M. The City Council may wish to increase or decrease this amount, with the goal of providing an amount equivalent to 10-15 percent of the City's annual operating budget for the General Fund. This range serves as a sufficient cushion, safeguarding the City's fiscal health against fluctuations in revenues and costs due to economic volatility. City Council approval shall be required before expending any portion of this committed fund balance. Access to these funds will be reserved for economic emergency situations.

Economic Development - The City's General Fund balance committed for the purpose of economic development for the delivery of the Potrero Grande Street Improvement Project is established at \$1,886,927. City Council approval shall be required before expending any portion of this committed fund balance.

Assigned Fund Balance

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow.

- *Encumbrances* - materials and services on purchase order and contracts which are unperformed
- *Reappropriations* - appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end
- *Infrastructure Maintenance Projects* - amounts to be transferred to the General CIP Fund for such projects in the subsequent fiscal year adopted budget

Unassigned Fund Balance

These are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories.

Amounts held in Reserve

Funding of General Fund balance targets will come generally from one-time revenues, one-time expenditure savings, excess fund balance (e.g., unused or reversed assignment or commitments), and revenues in excess of projected expenditures. The total goal range for the City's unrestricted fund balance (includes Commitments and Assignments of fund balance) is 50% of General Fund expenditures.

Conclusions

The City has strong reserves and a diverse revenue stream, which are important as we continue to face the challenges associated with the impacts of COVID-19. The City has implemented a strategic plan to increase the Committed Catastrophic Event reserves to 15 percent of the City's annual General Fund operating budget or \$6.3M. At this time, the City is requesting to increase its Committed-Catastrophic amount by \$500K from \$4.3M to \$4.8M for the year ending 6/30/2022, to secure higher unrestricted reserves in the event of a catastrophic occurrence.

The City is monitoring its revenues closely and is controlling its expenditures in a prudent and fiscally responsible manner. The City is requesting a mid-year budget augmentation in the amount of \$222,740 from the General Fund, \$750,000 from ARPA funds, \$90,000 from shop funds, \$10,370 technology funds, \$117,000 from water funds and \$25,000 from refuse funds to add staff, purchase police vehicles and various other services and commodities.