

City of
Monterey Park
Finance Department



MID-YEAR BUDGET REPORT
FISCAL YEAR 2023-2024

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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) 2023-2024 against the FY 2022-2023 figures.

This information is provided in the following format:

- The starting point is the FY 2022-2023 *unaudited* ending fund balances, which is also the beginning Available Fund Balance for the FY 2023-2024. 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 *draft* Annual Comprehensive Financial Report (ACFR) or *unaudited* financial statements. The ACFR is expected to be presented to City Council in March 2024.

Summary of Key Points

- Overall, the City experienced revenue increases of over \$7 million during the first half of fiscal year 2023-24. Increases observed in transient occupancy tax revenues indicate that the economy has recovered from the financial impacts of COVID-19. Increases in sales tax is related to the passing of Measure MP and the end-date of the 50% sharing with Montebello regarding the 1% Bradley-Burns generated by Costco. As of FY2023-24, the sharing agreement drops Montebello's share to 18%.
- 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. This one-time funding must be expensed by December 31, 2024. The City continues to utilize its ARPA distribution towards governmental services aiding the community's

recovery by covering part-time staff salaries to maintain pre-pandemic service levels and by continuing to invest in public safety and cyber security.

- Proposed Mid-Year Budget Changes

Library Funds:

- Donated Library funds in the amount of \$20,000 for the purchase of children's books.

Asset Forfeiture Funds:

- Asset Forfeiture funds in the amount of \$31,500 for the purchase of a K-9 unit to replace a retired K-9 unit.

Developer Impact Funds:

- Developer Impact Fee funds in the amount of \$70,000 to repair and replace poured-in place rubber surfacing for playgrounds at four (4) City parks.

Grant Funds:

- Gas Tax Funds in the amount of \$164,200 to purchase equipment needed for street repairs.
- Gas Tax funds in the amount of \$55,000 for traffic signal maintenance services.
- Gas Tax funds in the amount of \$60,000 for unanticipated increase in contracted engineering services for traffic safety studies.

Internal Service Funds:

- Building Maintenance funds in the amount of \$90,000 to cover the cost of unanticipated emergency repairs.
- Building Maintenance funds in the amount of \$60,000 to cover the cost of facility improvements at the City Yard including ADA improvements and office reconfigurations.

Enterprise Funds:

- Water funds in the amount of \$38,200 for the purchase of diesel compressor equipment needed for water operations.
- Water funds in the amount of \$23,300 for the purchase of a vehicle.
- Water funds in the amount of \$27,350 for emergency valve replacement at Grandridge Avenue and Roca Way.
- Water funds in the amount of \$25,000 for engineering design services for the Garfield & Atlantic Water Main Replacement projects.

- The City’s General Fund balance committed for catastrophic events is established at \$5,340,000. 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 2 years. At this time, the City is requesting to increase its Committed-Catastrophic amount by \$500,000 from \$5.34M to \$5.84M for the year ending 6/30/2024, to secure higher unrestricted reserves in the event of a catastrophe.

Mid-Year Budget Changes

General Fund Revenues:

General Fund Revenues	Unaudited FY22-23	Mid-Year FY22-23 12/31/2022	Adopted Budget FY23-24	Mid-Year FY23-24 12/31/2023	Budget Update FY23-24	Variance
Property Tax	22,505,038	5,728,007	22,385,158	8,433,449	22,385,158	2,705,442
Sales Tax	11,640,655	3,472,307	18,586,329	6,680,165	18,586,329	3,207,858
Transient Occupancy Tax	2,653,156	1,446,243	2,880,130	1,683,083	2,880,130	236,840
Utility User Tax	3,799,736	1,643,381	3,327,789	1,944,379	3,327,789	300,998
Business License Tax	787,570	156,770	911,582	238,549	911,582	81,779
Other Tax	1,827,675	235,737	1,670,909	308,388	1,670,909	72,651
Licenses & Permits	1,701,573	1,024,912	1,716,200	991,509	1,716,200	-33,403
Service Charges & Fees	7,282,121	3,021,009	7,193,723	3,287,562	7,193,723	266,553
Other Revenue	3,941,404	2,163,539	4,714,271	2,951,688	4,714,271	788,149
TOTAL	56,138,926	18,891,905	63,386,091	26,518,772	63,386,091	7,626,867

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 \$8M in the month of December. The City is on track to receive the estimated revenue of \$22.4M for FY2023-2024.

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, 2023, the CDTFA has distributed to the City four of the twelve monthly disbursements and four of the twelve Measure MP disbursements; a total of \$6.7M. The increase in sales tax is related to the passing of Measure MP and the end-date of the 50% sharing with Montebello

regarding the 1% Bradley-Burns generated by Costco. As of FY2023-24, the sharing agreement drops Montebello's share to 18%.

Transient Occupancy Tax:

As of December 31, 2023, the City has received two of the four quarterly Transient Occupancy Tax (TOT) disbursements for a total of \$1,683,083. This revenue includes the TOT from Courtyard by Marriott. We are on target to receive \$2.9M.

Utility User Tax:

As of December 31, 2023, the City has received \$1.9M of its FY 2023-2024 estimated Utility User Tax (UUT) revenues and is on track to receive the total estimated amount of \$3.3M.

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 2023-2024 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, 2023, are \$308,388. Projected FY2023-2024 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 2023-2024 revenues.

Services Charges:

This category includes charges for fee-supported City services. As of December 31, 2023, the City has received \$3.2M of its FY 2023-2024 estimated Service Charge revenues. The City is on target to realize or exceed its projected FY 2023-2024 revenues.

Other Revenue:

Interest income, rentals, and fines are included revenues in the Other Revenue category. As of December 31, 2023, the City has received \$3M of its FY 2023-2024 estimated revenues. The City is on target to realize its projected FY 2023-2024 revenues.

General Fund Expenditures:

ACCOUNT DESCRIPTION	ORIGINAL APPROP	TRANFRS/ ADJSMTS	REVISED BUDGET	YTD EXPENDED	AVAILABLE BUDGET	% USED
51 Salary & Benefits	35,559,720	0	35,559,720	21,050,673	14,509,046	59%
52 Services	6,583,174	0	6,583,174	4,182,043	2,401,131	64%
53 Commodities	1,616,206	0	1,616,206	644,611	971,596	40%
54 Internal Service Chg	13,358,278	0	13,358,278	6,003,982	7,354,296	45%
55 Capital Improvement	2,257,791	0	2,257,791	101,532	2,156,259	4%
56 Debt Service	2,397,818	0	449,764	71,010	378,755	3%
Expense Total	61,772,986	0	59,824,932	32,053,850	27,771,082	52%

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 52%.

The City is recommending a budget adjustment for the following:

Library Funds:

- Donated Library funds in the amount of \$20,000 for the purchase of children’s books.

Asset Forfeiture Funds:

- Asset Forfeiture funds in the amount of \$31,500 for the purchase of a K-9 unit to replace a retired K-9 unit.

Developer Impact Funds:

- Developer Impact Fee funds in the amount of \$70,000 to repair and replace poured-in place rubber surfacing for playgrounds at four (4) City parks.

Grant Funds:

- Gas Tax Funds in the amount of \$164,200 to purchase equipment needed for street repairs.
- Gas Tax funds in the amount of \$55,000 for traffic signal maintenance services.
- Gas Tax funds in the amount of \$60,000 for unanticipated increase in contracted engineering services for traffic safety studies.

Internal Service Funds:

- Building Maintenance funds in the amount of \$90,000 to cover the cost of unanticipated emergency repairs.
- Building Maintenance funds in the amount of \$60,000 to cover the cost of facility improvements at the City Yard including ADA improvements and office reconfigurations.

Enterprise Funds:

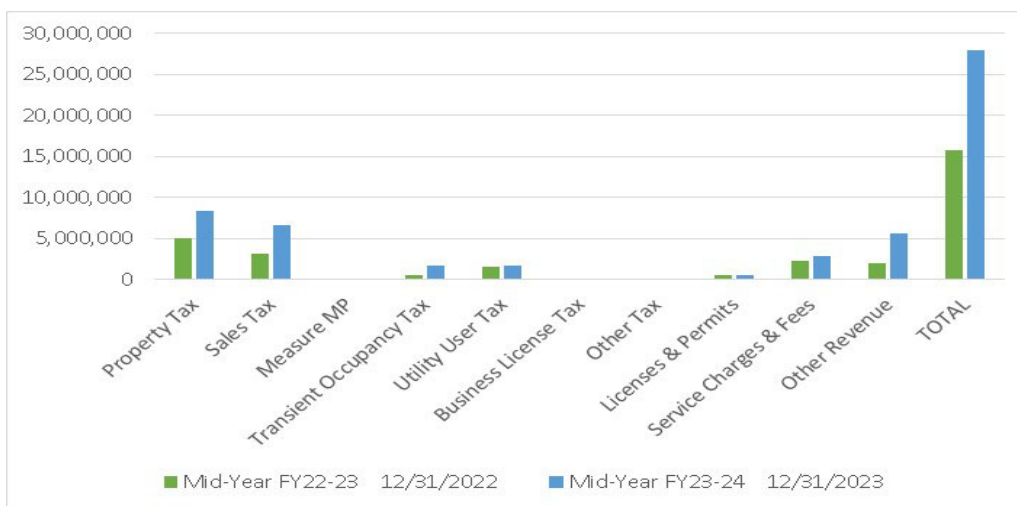
- Water funds in the amount of \$38,200 for the purchase of diesel compressor equipment needed for water operations.
- Water funds in the amount of \$23,300 for the purchase of a vehicle.
- Water funds in the amount of \$27,350 for emergency valve replacement at Grandridge Avenue and Roca Way.
- Water funds in the amount of \$25,000 for engineering design services for the Garfield & Atlantic Water Main Replacement projects.

General Fund Overview

Revenues are currently 42% collected and expenditures are 52% 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 40% 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 42% 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 38% 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.



General Fund Revenue Table

General Fund Revenues	Unaudited FY22-23	Mid-Year FY22-23 12/31/2022	Adopted Budget FY23-24	Mid-Year FY23-24 12/31/2023	Percent Difference 2023 VS 2024	Budget Update FY23-24	Variance	Percent of Revenue to Date
Property Tax	22,505,038	5,728,007	22,385,158	8,433,449	47%	22,385,158	2,705,442	38%
Sales Tax	11,640,655	3,472,307	18,586,329	6,680,165	92%	18,586,329	3,207,858	36%
Transient Occupancy Tax	2,653,156	1,446,243	2,880,130	1,683,083	16%	2,880,130	236,840	58%
Utility User Tax	3,799,736	1,643,381	3,327,789	1,944,379	18%	3,327,789	300,998	58%
Business License Tax	787,570	156,770	911,582	238,549	52%	911,582	81,779	26%
Other Tax	1,827,675	235,737	1,670,909	308,388	31%	1,670,909	72,651	18%
Licenses & Permits	1,701,573	1,024,912	1,716,200	991,509	-3%	1,716,200	-33,403	58%
Service Charges & Fees	7,282,121	3,021,009	7,193,723	3,287,562	9%	7,193,723	266,553	46%
Other Revenue	3,941,404	2,163,539	4,714,271	2,951,688	36%	4,714,271	788,149	63%
TOTAL	56,138,926	18,891,905	63,386,091	26,518,772	40%	63,386,091	7,626,867	42%

- **Property Tax** - Property tax is the City’s largest revenue source representing 34% of the General Fund FY 2023-24 Estimated Revenue. Property tax revenue received is 47% higher than at the same time last year and budgeted revenues are expected to be met or exceeded.
- **Sales Tax** - Sales tax is the City’s second largest revenue source representing 29% of the General Fund FY 2023-24 Adopted Budget. Sales tax is 92% higher than at the same time last year due to Measure MP and an increasingly healthy economy. Budgeted revenues are expected to be met or exceeded.
- **Transient Occupancy Tax** - Revenues are 16% more than the previous fiscal year, estimated revenue of \$3.3M has been updated to reflect projected revenue at mid-year.
- **Utility User Tax** - Revenues are 18% 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 -3% less than at mid-year from the previous fiscal year. Budgeted revenues are expected to be met or exceed forecasted revenue.

- **Other Taxes** –Revenues are 31% more 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:

Total Year-to-Date departmental expenses are slightly over the 50% budget mark with total FY 2023-24 expended at 52% of budget.

General Fund 5-Year Forecast

General Fund Five Year Projection							
FY 2024-2025 Budget							
	<i>UNAUDITED</i>	5-Year Long-Term Projection					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-2028	
Beginning Fund Balance	32,509,447	28,333,795	31,985,141	34,241,165	34,602,136	34,688,707	
Prepaid	77,450	77,450	77,450	77,450	77,450	77,450	
Committed - Catastrophic	5,340,000	5,840,000	6,340,000	6,340,000	6,340,000	6,340,000	
Committed - Stabilization	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
Committed - Comm.Devt	1,886,927	1,886,927	1,886,927	1,886,927	1,886,927	1,886,927	
Assigned - Capital Improv	18,029,418	21,180,764	22,936,788	23,297,759	23,384,330	23,898,984	
Unassigned		0	0	0	0	0	
Ending Fund Balance	28,333,795	31,985,141	34,241,165	34,602,136	34,688,707	35,203,361	
Recurring Revenues:							
Property Taxes	22,505,038	22,385,158	23,101,483	23,840,731	24,603,634	25,390,950	
Sales Tax	11,640,655	18,586,329	19,382,511	20,177,194	21,004,459	21,865,642	
Utility User Tax	3,799,736	3,327,789	3,361,067	3,394,678	3,428,624	3,462,911	
Transient Occupancy Tax	2,653,156	2,880,130	3,026,534	3,117,330	3,210,850	3,307,175	
Business License Tax	787,570	911,582	938,929	967,097	996,110	1,025,994	
Other Taxes	1,827,675	1,435,909	1,481,858	1,529,278	1,578,214	1,628,717	
Licenses & Permits	1,701,573	1,716,200	1,767,686	1,820,717	1,875,338	1,931,598	
Charges for Services	7,282,121	7,193,723	7,337,597	7,484,349	7,634,036	7,786,717	
Other Revenue	3,941,404	4,949,271	5,048,256	5,149,221	5,252,206	5,357,250	
Transfers-In							
Total Revenues	56,138,928	63,386,091	65,445,922	67,480,594	69,583,472	71,756,954	
Expenditures:							
Salaries & Benefits	30,381,082	35,559,720	38,173,449	40,409,519	41,823,852	43,287,687	
Services	8,907,958	6,583,174	6,714,837	6,849,134	6,986,117	7,125,839	
Commodities	1,204,858	1,616,206	1,648,530	1,681,500	1,715,130	1,749,433	
Internal Service Chgs	10,276,510	9,270,799	10,197,879	11,217,667	12,002,903	12,603,049	
Capital Projects	361,994	2,257,791	2,000,000	2,000,000	2,000,000	2,000,000	
GF Suppl to Pension	2,379,310	2,379,310	2,379,310	2,379,310	2,379,310	2,379,310	
OPEB	800,585	1,617,981	1,617,981	1,617,981	1,617,981	1,617,981	
Debt Service - Motorola	307,745	307,745	307,745	307,745	307,745	307,745	
Debt Service - Siemens	134,329	142,019	150,167	156,766	163,862	171,255	
Total Expenditures	54,754,372	59,734,745	63,189,898	66,619,623	68,996,901	71,242,299	
Surplus/(Deficit)	1,384,556	3,651,346	2,256,024	860,971	586,571	514,655	

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 \$5,340,000. 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 \$5.3M to \$5.8M for the year ending June 30, 2024.

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 is 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 economic challenges of a post COVID-19 landscape. 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 \$5.3M to \$5.8M for the year ending June 30, 2024, 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 \$20,000 from Library funds, \$70,000 in Development Impact Fee funds, \$279,200 in Measure R funds, \$150,000 in Building Maintenance Internal Services funds, \$113,850 from Water funds, and \$31,500 from Asset Forfeiture funds to purchase a police K-9, police and utility vehicles and various other services and commodities.