

*City of*  
***Monterey Park***  
Finance Department



**MID-YEAR BUDGET REPORT**  
**FISCAL YEAR 2024-2025**

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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) 2024-2025 against the FY 2023-2024 figures.

This information is provided in the following format:

- The starting point is the FY 2023-2024 audited ending fund balances, which is also the beginning Available Fund Balance for the FY 2024-2025. 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 final Annual Comprehensive Financial Report (ACFR) or audited financial statements. The ACFR was presented to City Council on December 4, 2024.

## **Summary of Key Points**

- Overall, the City experienced revenue decrease of approximately \$292,000 during the first half of fiscal year 2024-25. The decrease in property tax is due to an erroneous receipt of property taxes received in the prior fiscal that has been corrected. Additionally, the implementation of Measure BE for Business License Tax delayed the invoicing and receipt of business license tax normally due January 2025.
- Several factors led to an increase of nearly \$4M in estimated revenue projections including increased property values and utility services, passing of ballot measures, and favorable trends in use fee and interest revenue.
- 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 received in June 2022. This one-

time funding was required to be expensed by December 31, 2024. The City utilized the last of its ARPA distribution towards governmental services aiding the community’s recovery by covering part-time and public safety staff salaries to maintain pre-pandemic service levels.

- Proposed Mid-Year Budget Changes include:

**General Fund:**

- Increased estimated revenues in the amount of \$3,956,632.
- Increase of \$4,750,000 in capital expenditures for the Fire Station 63 renovation, capital street improvements, and City Hall Parking Lot Improvement projects.

**Special Revenue Funds:**

- SR-710 funds in the amount of 1,002,096 for the Ramona Road Capacity Project.
- SR-710 funds in the amount of \$5,047,019 for the Adaptive Traffic Project.
- WIOA Grant funds in the amount of \$62,020 for the cost of staffing and miscellaneous supplies.
- CLLS Grant funds in the amount of \$82,481 for the cost of staffing and miscellaneous supplies.
- California Library Services Act funds in the amount of \$5,380 for miscellaneous library supplies.
- GEMT funds in the amount of \$330,000 for emergency transportation services.
- Business Improvement Area funds in the amount of \$33,067 for maintenance services.
- Street Capital funds in the amount of \$350,000 for various street improvements.

**Internal Service Funds:**

- Building Maintenance funds in the amount of \$25,000 to cover the cost of City Hall elevator door upgrades.
- Shop funds in the amount of \$330,000 to cover the cost of repairs for police vehicles and annual maintenance costs for fire vehicles.

**Proposed Staffing Changes:**

<b>Department</b>	<b>Position</b>	<b>FTE</b>	<b>Salary &amp; Benefits</b>
Community Development	Add 1 Administrative Aide/Delete 1 Office Assistant II	0	\$7,112
Public Works	Add 1 Principal Management Analyst/Delete 1 Administrative Manager	0	-\$19,095

Public Works	Add 1 Public Works Manager/Delete 1 Public Works Maintenance Manager	0	\$6,493
Public Works	Add 1 Senior Management Analyst/Delete 1 Management Analyst	0	\$11,161
Police	Add 1 Lieutenant/Delete 1 Principal Management Analyst & 1 Police Records Systems Technician	-1.0	-\$7,215
Fire	Add 1 Code Compliance Supervisor/Delete 1 Senior Code Enforcement Officer	0	\$13,994
	<b>Total FTE</b>	<b>-1.0</b>	<b>\$12,450</b>

- The City’s General Fund balance committed for catastrophic/working capital events is established at \$8.8M. 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/Working Capital Event reserves to 15 percent of the City’s annual General Fund operating budget or \$11.3M by FY2028-29. The plan would consist of Council approval to commit \$500,000 per fiscal year to catastrophic events for the next 5 years. At this time, the City is requesting to increase its Committed-Catastrophic amount by \$500,000 from \$8.8M to \$9.3M for the year ending 6/30/2025, to secure higher unrestricted reserves in the event of a catastrophe.

### Mid-Year Budget Changes

#### General Fund Revenues:

General Fund Revenues	Audited FY23-24	Mid-Year FY23-24 12/31/2023	Adopted Budget FY24-25	Mid-Year FY24-25 12/31/2024	Percent Difference 2024 VS 2025	Budget Update FY24-25	Variance	Percent Revenue to Date
Property Tax	23,785,927	8,433,449	23,292,714	5,878,049	-30%	24,618,434	-2,555,400	25%
Sales Tax	18,577,911	6,680,165	19,396,608	6,992,304	5%	19,396,608	312,139	36%
Transient Occupancy Tax	3,324,068	1,683,083	3,465,416	1,884,476	12%	3,777,303	201,393	54%
Utility User Tax	3,780,890	1,944,379	3,468,658	1,709,718	-12%	3,856,508	-234,662	49%
Business License Tax	866,574	238,549	843,316	106,553	-55%	1,120,000	-131,997	13%
Other Tax	1,934,946	308,388	1,456,052	243,292	-21%	1,996,864	-65,096	17%
Licenses & Permits	1,984,697	991,509	1,430,392	1,322,551	33%	2,024,391	331,042	92%
Service Charges & Fees	8,313,936	3,287,562	7,452,139	4,649,957	41%	8,397,075	1,362,395	62%
Other Revenue	7,610,827	2,951,688	5,326,613	3,440,311	17%	7,686,936	488,623	65%
<b>TOTAL</b>	<b>70,179,776</b>	<b>26,518,772</b>	<b>66,131,908</b>	<b>26,227,211</b>	<b>-1%</b>	<b>72,874,119</b>	<b>-291,561</b>	<b>40%</b>

#### 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 \$5.9M in the

month of December. This is 30% less than the prior fiscal year primarily due to an erroneous receipt of property taxes received in December 2023 that was subsequently returned to L.A. County. FY2024-25 revenue budget for property tax was updated due to a 5% increase in property values. The City is on track to receive the updated estimated revenue of \$24.6M for FY2024-25.

#### 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, 2024, the CDTFA has distributed to the City four of the twelve monthly disbursements and four of the twelve Measure MP disbursements; a total of \$7M. The City is on target to receive \$19.4M for FY2024-25.

#### Transient Occupancy Tax:

As of December 31, 2024, the City has received four months of the Transient Occupancy Tax (TOT) disbursements for a total of \$1.9M. With the passing of Measure LG the City is anticipating an increase in revenue from \$3.5M to \$3.8 for an additional \$311,887 in FY2024-25. We are on target to receive \$3.8M.

#### Utility User Tax:

As of December 31, 2024, the City has received \$1.7M of its FY2024-25 estimated Utility Based on actual revenue received in FY2023-24, the City has increased its anticipated revenue from \$3.5M to \$3.9M. User Tax (UUT) revenues and is on track to receive the total estimated amount of \$3.9M.

#### Business License Tax:

City business licenses are renewed each calendar year. During the November 2024 election, residents approved Measure BE to update the structure of the City's business license tax to be based on a business's gross receipts. Business owners are given a one-time extension to March 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 between January and March 2025; thus, up-to-date figures are not reflected in this report. City staff updated the projected FY2024-25 revenue budget to \$1.1M in anticipation of increased revenues in the amount of \$276,684.

#### 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, 2024, are \$243,292. Based on actual revenue received in FY2023-24, the City has increased its anticipated revenue from \$1.5M to \$2M. Projected FY2024-25 revenues are on target to be realized.

Licenses and Permits:

Permits help to regulate 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 experienced permit revenue increases in prior fiscal years and anticipates receiving increased revenue in the amount of \$594,000 in the current fiscal year bringing the projected FY2024-25 revenue estimate to \$2M.

Services Charges:

This category includes charges for fee-supported City services. As of December 31, 2024, the City has received \$4.6M of its original FY2024-25 estimated Service Charge revenues. The City anticipates exceeding its original projection and amended the estimated FY2024-25 revenues for service charges to \$8.4M. The City is on track to meet or exceed the amended projection.

Other Revenue:

Interest income, rentals, and fines are included revenues in the Other Revenue category. As of December 31, 2024, the City has received \$3.4M of its FY2024-25 estimated revenues. The City anticipates to exceed its original projection and amended the estimated FY2024-25 revenues for other revenue to \$7.7M.

**General Fund Expenditures:**

	Budgeted	YTD Expended 12/31/2024	YTD Percentage 12/31/2024
City Attorney	761,212	389,155	51.12%
City Clerk	11,635	4,244	36.47%
City Council	223,315	80,745	36.16%
City Manager	2,456,385	886,979	36.11%
City Treasurer	18,885	5,868	31.07%
Community CIP	2,004,000	689,607	34.41%
Community Development	2,960,406	1,126,433	38.05%
Fire Department	17,210,970	8,231,282	47.83%
HR & Risk Management	668,645	304,886	45.60%
Library	2,974,602	1,304,860	43.87%
Finance Department	2,885,603	1,352,465	46.87%
Non-Department	1,171,548	130,387	11.13%
Police	26,742,000	11,686,445	43.70%
Public Works	3,011,247	1,374,543	45.65%
Recreation & Community	2,598,352	1,007,037	38.76%
<b>YTD Total</b>	<b>65,698,805</b>	<b>28,574,935</b>	<b>43.49%</b>

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 department General Fund expense total at mid-year is 43%.

The City is recommending a budget adjustment for the following:

General Fund:

- \$3,000,000 for the Fire Station 63 renovation project.
- \$1,000,000 for Capital Street improvements.
- \$750,000 for the City Hall Parking Lot Improvement Project.

Special Revenue Funds:

- SR-710 funds in the amount of 1,002,096 for the Ramona Road Capacity Project.
- SR-710 funds in the amount of \$5,047,019 for the Adaptive Traffic Project.
- WIOA Grant funds in the amount of \$62,020 for the cost of staffing and miscellaneous supplies.
- CLLS Grant funds in the amount of \$82,481 for the cost of staffing and miscellaneous supplies.
- California Library Services Act funds in the amount of \$5,380 for miscellaneous library supplies.
- GEMT funds in the amount of \$330,000 for emergency transportation services.
- Business Improvement Area funds in the amount of \$33,067 for maintenance services.
- Street Capital funds in the amount of \$350,000 for various street improvements.

Internal Service Funds:

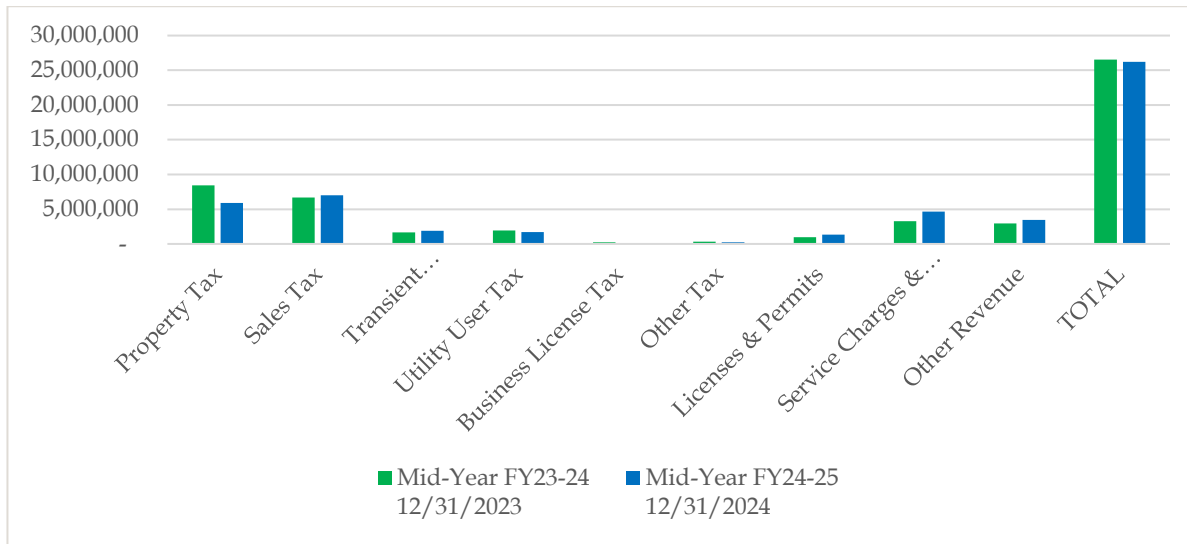
- Building Maintenance funds in the amount of \$25,000 to cover the cost of City Hall elevator door upgrades.
- Shop funds in the amount of \$330,000 to cover the cost of repairs for police vehicles and annual maintenance costs for fire vehicles.

**General Fund Overview**

General Fund revenues are currently 40% collected and expenditures are 43% 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 40% 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.



**General Fund Expenditures:**

Total Year-to-Date departmental expenses are slightly under the 50% budget mark with total FY2024-25 expended at 43% of budget.

ACCOUNT DESCRIPTION	ORIGINAL APPROP	TRANFRS/ ADJSMTS	REVISED BUDGET	YTD EXPENDED	AVAILABLE BUDGET	% USED
51 Salary & Benefits	38,373,431	0	38,373,431	19,474,369	18,899,062	51%
52 Services	8,507,288	0	8,507,288	3,983,884	4,523,405	47%
53 Commodities	1,764,829	0	1,764,829	627,219	1,137,610	36%
54 Internal Service Chg	14,899,089	0	14,899,089	3,724,773	11,174,316	25%
55 Capital Improvement	2,004,000	3,804,231	5,808,231	689,607	5,118,624	34%
56 Debt Service	150,167	0	150,167	75,084	75,084	50%
<b>Expense Total</b>	<b>65,698,805</b>	<b>3,804,231</b>	<b>69,503,036</b>	<b>28,574,935</b>	<b>40,928,100</b>	<b>43%</b>

## General Fund 5-Year Forecast

General Fund Five Year Projection						
FY 2024-2025 MIDYEAR						
	5-Year Long-Term Projection					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
<b>Beginning Fund Balance</b>	28,453,221	41,891,780	45,262,863	50,140,468	53,910,450	53,762,269
Committed	10,726,927	11,226,927	11,726,927	12,226,927	12,226,927	12,226,927
Assigned	31,029,418	33,900,501	37,994,115	37,494,115	36,994,115	37,194,115
Unassigned	135,435	135,435	419,426	4,189,408	4,541,227	4,702,283
<b>Ending Fund Balance</b>	41,891,780	45,262,863	50,140,468	53,910,450	53,762,269	54,123,325
<b>Recurring Revenues:</b>						
Property Taxes	23,785,927	24,618,434	25,480,080	26,371,882	27,294,898	28,250,220
Sales Tax	18,577,911	19,396,608	19,382,511	20,177,194	21,004,459	21,865,642
Utility User Tax	3,780,890	3,856,508	3,933,638	4,012,310	4,092,557	4,174,408
Transient Occupancy Tax	3,324,068	3,777,303	4,090,622	4,213,341	4,339,741	4,469,933
Business License Tax	866,574	1,120,000	1,153,600	1,188,208	1,223,854	1,260,570
Other Taxes	1,934,946	1,996,864	2,060,764	2,126,708	2,194,763	2,264,995
Licenses & Permits	1,984,697	2,024,391	2,085,123	2,147,676	2,212,107	2,278,470
Charges for Services	8,313,936	8,397,075	8,565,017	8,736,317	8,911,044	9,089,264
Other Revenue	7,610,827	7,686,936	7,840,674	7,997,488	8,157,438	8,320,586
<b>Total Revenues</b>	70,179,776	72,874,119	74,592,028	76,971,125	79,430,860	81,974,088
<b>Expenditures:</b>						
Salaries & Benefits	30,928,034	38,373,431	39,524,634	41,210,373	42,446,684	43,720,085
Services	8,602,910	8,507,288	8,762,507	8,937,757	9,116,512	9,298,842
Commodities	1,816,833	1,764,829	1,817,774	1,854,129	1,891,212	1,929,036
Internal Service Chgs	9,665,268	10,250,970	11,788,615	12,967,477	13,615,851	14,296,643
Capital Projects	614,973	5,808,231	3,000,000	3,000,000	3,000,000	3,000,000
GF Suppl to Pension	2,652,666	2,643,022	2,643,022	2,643,022	2,643,022	2,643,022
OPEB	2,005,097	2,005,097	2,005,097	2,005,097	2,005,097	2,005,097
Debt Service - Motorola	307,745	0	0	0	0	0
Debt Service - Siemens	142,019	150,167	156,766	163,862	171,255	179,080
<b>Total Expenditures</b>	56,735,546	69,503,036	69,698,415	72,781,717	74,889,633	77,071,805
<b>Surplus/(Deficit)</b>	13,444,230	3,371,083	4,893,613	4,189,408	4,541,227	4,902,283

## **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 \$5.8M. 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.

*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.

The City has prepared a plan to increase the Committed Catastrophic/Working Capital Event reserves to 15 percent of the City's annual General Fund operating budget or \$11.3M. At this time, the City is requesting to increase its Committed Catastrophic Events amount by \$500K from \$8.8M to \$9.3M for the year ending June 30, 2025.

*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 focus on delivering a wide range of services to our diverse community while managing the City's budget to maintain fiscal sustainability. The City has implemented a strategic plan to increase the Committed Catastrophic/Working Capital Event reserves to 15 percent of the City's annual General Fund operating budget or \$11.3M. At this time, the City is requesting to increase its Committed-Catastrophic amount by \$500K from \$8.8M to \$9.3M for the year ending June 30, 2025, 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 \$4,750,000 from the General Fund, \$33,067 in Business Improvement Area funds, \$6,049,115 in SR-710 funds, \$62,020 in WIOA Grant funds, \$82,481 in CLLS grant funds, \$5,380 in CLSAF funds, \$330,000 in GEMT funds, \$25,000 in Building Maintenance Internal Services funds, \$330,000 in Shop Internal Services funds for various capital projects, services and commodities, Business Improvement Area funds in the amount of \$33,067 for maintenance services and Street Capital Funds in the amount of \$350,000 for various street improvements. Total budget augmentation request equals \$12,050,130.