2013-15 Fiscal Year Budget

City Council Budget Study Session
May 29, 2013
Overview

- Economic Overview
- Challenges Ahead
- General Fund Financial Forecast
- Other Key City Funds
- Options for Balancing the General Fund Budget
- Council Budgets
- PlanMonrovia Budget
- Deferred Maintenance
- Fees/Cost Study
- Questions and Answers
Economic Overview

- Unemployment is improving, but at a very slow pace
- Taxable sales continue to grow
- Steady growth in home sale activity/home prices
- Construction activity is on the rise
- Tourism and hotel occupancy is up
- State is projecting a balanced budget
Challenges Ahead

- Maintaining a balanced budget
- Ongoing increases in pension costs
- Recovering the cost of services
- Realign budget based on what the City can truly afford/evaluate current programs and costs
- Upcoming mandates pose funding issues
- Deferred maintenance and capital asset postponements should be addressed
- Some major revenues are just finally hitting pre-recession numbers
General Fund
Revenues and Expenditures

- Fiscal year 2013-2014
  - Projected revenues: $31.25M
  - Projected expenditures: $32.25M

- Fiscal year 2014-2015
  - Projected revenues: $32.28M
  - Projected expenditures: $32.77M
Fiscal year 2013-2014

- Personnel Costs = $22.23M
- Maintenance & Operations = $8.32M
- Transfers Out = $1.70M
General Fund Overview
2013-2014 Expenditures

Expenditures By Type

- Personnel: 69%
- Maintenance & Operations: 26%
- Transfers Out: 5%

City of Monrovia
General Fund Overview
2013-2014 Expenditures

Expenditures By Category

- Police: 35%
- Fire: 26%
- Non-Departmental: 20%
- Business License: 1%
- Public Works: 2%
- Recreation/Library: 8%
- Finance/Info Systems/HR: 3%
- City Council/City Mgr/City Clerk: 5%
General Fund Expenditures By Type
FY 2008-09 Through 2014-15

City of Monrovia
General Fund Expenditures
FY 2013-15 Proposed Budget

- Personnel costs
  - Decrease of 1.5% in 2013-14; increase of 1.3% in 2014-15
  - Pension rates continue to increase; employee contributions will help to offset increases
General Fund Expenditures
FY 2013-15 Proposed Budget (cont.)

- PERS Costs –
  - CalPERS Board approved change in actuarial methodology
    - Designed to enhance long term stability of the CalPERS fund
    - Rate increases to begin in 2015-2016
    - Estimated increases are as follows:

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Increase in Rate Over Next 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>+ 6.3%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>+ 10.5%</td>
</tr>
</tbody>
</table>
General Fund Expenditures
FY 2013-15 Proposed Budget (cont.)

- PERS Costs (cont.)—
  - CalPERS is advising there *may be* additional increases
    - Changes in mortality assumptions
    - Changes in discount rate/assumed rate of return
    - Unknown when increases will begin
    - Estimated increases are as follows:

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Possible Increase in Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>+ 4-8%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>+ 4-8%</td>
</tr>
</tbody>
</table>
General Fund Expenditures
FY 2013-15 Proposed Budget (cont.)

- What are we doing to address rising PERS costs?
  - Negotiating full pickup of employee cost by all employee groups by 2013-2014
  - Employees are currently paying their share, as follows:
    - General Employees, Managers, Mid-Managers- Started in FY 11-12; Currently paying full share.
    - Fire Sworn- Started in FY 12-13; Currently paying 6% of 9%; Negotiating for final 3% in 13-14
    - Police Sworn and Non-Sworn- Currently, no pickup; Negotiating for full pickup in 13-14
What are we doing to address rising PERS costs? (cont.)

• Will realize some savings from Public Employee Pension Reform Act (PEPRA)
  • Savings realized in future years
  • Affects “new” employees hired after January 1, 2013
General Fund Expenditures

PERS Employer Rates

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Employer Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>03-04</td>
<td>0.0%</td>
</tr>
<tr>
<td>04-05</td>
<td>5.0%</td>
</tr>
<tr>
<td>05-06</td>
<td>10.0%</td>
</tr>
<tr>
<td>06-07</td>
<td>15.0%</td>
</tr>
<tr>
<td>07-08</td>
<td>20.0%</td>
</tr>
<tr>
<td>08-09</td>
<td>25.0%</td>
</tr>
<tr>
<td>09-10</td>
<td>30.0%</td>
</tr>
<tr>
<td>10-11</td>
<td>35.0%</td>
</tr>
<tr>
<td>11-12</td>
<td>40.0%</td>
</tr>
<tr>
<td>12-13</td>
<td>45.0%</td>
</tr>
<tr>
<td>13-14</td>
<td></td>
</tr>
<tr>
<td>14-15</td>
<td></td>
</tr>
<tr>
<td>15-16</td>
<td></td>
</tr>
</tbody>
</table>

City of Monrovia
General Fund Revenues

Major Sources of Revenue

- Property Tax
- Sales Tax
- Transfers In
- Other Taxes
- Charges for Services
- Other
General Fund Overview

Revenues

Sources of Revenue

- Transfers In: 20%
- Property Tax: 31%
- Sales Tax: 30%
- Other Taxes: 10%
- Other: 3%
- Charges for Services: 6%

City of Monrovia
General Fund Revenues
Sales Tax

- Consistent growth over last three years
- Budgeted revenue:
  - 2013-2014 = $9.44M
  - 2014-2015 = $9.79M
- City high was $9.44M in 2006-2007
- Growth in auto and retail sales during 2012-13
- Projecting 5% growth in both years
- Some adjustments for prior year overpayments
- Future years estimate = 3-5% growth
General Fund Revenues
Sales Tax (cont.)

Sales Tax History

Revenues (in millions)

Fiscal Year

City of Monrovia
General Fund Revenues
Property Tax

- Slow, but steady, growth
- Monrovia assessments have been historically stable

- Budgeted revenue:
  - 2013-2014 = $9.73M
  - 2014-2015 = $10.11M
- 4% growth rate in both years
General Fund Revenues
Property Tax (cont.)

Property Tax History

Revenues
(in millions)

Fiscal Year

05-06 06-07 07-08 08-09 09-10 10-11 11-12 12-13 13-14 14-15
Other Key Revenues

- Occupancy Tax
  - Budgeted growth of 2%
  - 2013-14 budget = $1.38M
  - 2014-15 budget = $1.41M
- Minimal growth in service revenues
- Some growth due to fee increases/realigning fees with cost of services.
  - Will thoroughly evaluate cost of services
General Fund Overview

- Estimated financial condition at June 30, 2013:
  - Revenues and expenditures on track
  - Expect modest surplus of $165,000
  - All reserves replenished after Gold Line sale

- One time deficit of $650,000 will continue to be reduced over the next few years

- Reserve for operating contingency:
  - Has been flat since 2010-2011
  - Target = 20%; Current reserve = 14%

- Will need to determine balancing strategies
2013-2015 Fiscal Year Budget

General Fund
Long Range Forecasts
General Fund
Five Year Forecast

- Expenditure Assumptions
  - Personnel Costs = 3% increase
  - Maintenance & Operations = 2% increase

- Revenue Assumptions
  - Sales tax = 3-5%
  - Property Tax = 4%
  - Other Revenues = modest increases

- Estimates based on the following assumptions:
  - Long term fiscal responsibility is a priority
  - Cost-containment and realistic revenue growth
  - Funding for reserves, when possible
General Fund
Five Year Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>$29,000,000</td>
<td>$26,000,000</td>
</tr>
<tr>
<td>2011-12</td>
<td>$30,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>2013-14</td>
<td>$31,000,000</td>
<td>$28,000,000</td>
</tr>
<tr>
<td>2015-16</td>
<td>$32,000,000</td>
<td>$29,000,000</td>
</tr>
<tr>
<td>2017-18</td>
<td>$33,000,000</td>
<td>$30,000,000</td>
</tr>
</tbody>
</table>
Other City Funds

- 47 funds covering all discretionary and restricted revenue sources and expenditures

- Key funds for discussion:
  - Community Development Block Grant Fund (CDBG)
  - Street Maintenance Fund
  - Lighting and Landscape Assessment District
  - Facilities Fund
  - Asset Forfeiture Fund
  - Water Fund
  - Storm Drain Maintenance Fund
Other City Funds

- Estimated appropriations
  - FY 2013-2014 = $41.74M
  - FY 2014-2015 = $38.76M

- Estimated revenues
  - FY 2013-2014 = $42.86M
  - FY 2014-2015 = $39.65M
Community Development Block Grant (CDBG) Fund

- Reduction in funding:
  - 29% in 2012-13
  - 14% in 2013-14
  - Future year decreases are unknown at this time
- Critical programs for safe and healthy neighborhoods will remain, just at potentially reduced levels (scaled back)
- General fund subsidy would be $79,900 in 2013-14 and $104,000 in 2014-15 if current service level is to be maintained
Street Maintenance Fund

- Annual Street Resurfacing program is ongoing
  - Prop. C funding used ($400K-$500K)

- Gas Tax revenues provide funding for street resurfacing projects and operations
  - Approximately $800,000 annually
  - Expected minimal growth in future years

- Utilize grant funding when possible
Lighting and Landscape District Fund

- Annual Costs = $1.26M; Annual revenue = $1.24M

- Current Gas Tax subsidy = $155,000

- Level of landscape maintenance has decreased over last several years

- Assessment tax increase is an option to increase level of service
Facilities Fund

- Pays for ongoing maintenance costs for upkeep of City facilities
  - Annual costs = $1.5M; Annual revenues = $1.7M

- Need funding for future capital replacement
  - Current reserve balance = $0
  - Can set aside $200K per year for reserves
  - Possible additional funding of $200K per year from the General Fund
Asset Forfeiture Fund

- Pays for ongoing regional drug enforcement activities
  - Annual costs = $187K; Annual revenues = $123K
  - Growing deficit balance resulting from annual shortfall of approximately $64K per year
  - Annual General Fund subsidy of $20K provided
  - Additional funding required if program is to continue
Water Fund

- Annual Costs = $7.0M; Annual Revenues = $6.5M

- Revenues remain flat due to conservation efforts

- Funding is available for operating expenses; no funding is available to set aside reserves

- Will need to consider options for funding future capital assets and infrastructure:
  - Possible rate increases/tiered rates
Storm Drain Maintenance Fund

- Annual Costs = $555K; Annual Revenues = $280K
- Catch basins must be installed by June 30, 2014 (required by the Clean Water Act):
  - Estimated one-time cost = $990K
  - Funding Options include:
    - Bank financing
    - Internal borrowing
    - Use of reserves ($500K)
    - Combination of all three
- Increase in annual operating costs of $275K per year for ongoing maintenance of catch basins and new permit program requirements (currently unfunded)
- 2013-14 includes one-time costs of $115K (currently unfunded)
- Other unfunded mandates around the corner
Options for Balancing the General Fund Budget

- Comprehensive review of current needs versus current funding

- Shortfall of $1.0M

- **Strategy:**
  - Will discuss short-term options to balance this year’s budget
  - Need Council direction on long-term strategies
Options for Balancing the General Fund Budget

- Long-term Options
  - Contracting out services
  - Look at revenue generation items:
    - Increase fees
    - Feasibility study for new tax measures
  - Change in service levels/service provisions
  - Restructuring/consolidations
  - Eliminate unfunded special projects
  - Research other cost saving measures
- Create subcommittee to identify and analyze options
### Options for Balancing the General Fund Budget

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Potential Short-Term Deferrals/Cuts</th>
<th>Other Budget Balancing Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Department OT</td>
<td>$282,000</td>
<td></td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>$79,900</td>
<td></td>
</tr>
<tr>
<td>MAP Program</td>
<td>$93,000</td>
<td></td>
</tr>
<tr>
<td>Fire Dept. Equip Replacement &amp; Training</td>
<td>$115,000</td>
<td></td>
</tr>
<tr>
<td>Asset Forfeiture Subsidy</td>
<td>$70,000</td>
<td></td>
</tr>
<tr>
<td>Contribution to GF Reserve</td>
<td>$400,000</td>
<td></td>
</tr>
<tr>
<td>Contribution to Facilities Reserve</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>Adjust Operating Budgets</td>
<td>$170,000</td>
<td></td>
</tr>
<tr>
<td>Increase Overhead Rate Charge By 1%</td>
<td></td>
<td>$185,000</td>
</tr>
</tbody>
</table>
| Use of Reserves: GF Reserves                    |                                     | $???

City of Monrovia
Options for Balancing the General Fund Budget

- Short-term options
  - Defer one or more items from previous slide for 2013-14; identify long-term options for future funding

- For the items not deferred; alternative funding will need to be identified:
  - Cut elsewhere
  - Increase overhead rate
  - Use of reserves
Council Budgets

- Policy Change

- Current budgets = $5,166 per Councilmember

- Proposal:
  - Adjust individual budgets
  - Create budget for identified travel and conferences to be approved each year
Six major goals and priorities identified

Work plans established to achieve the goals identified

Costs identified by type:
- Ongoing costs
- One-time costs

Able to identify funding for 2/3 of strategic action items
# PlanMonrovia

## Ongoing Costs

### Funding Status (2013-14 & 2014-15)

<table>
<thead>
<tr>
<th>Priority</th>
<th>Funded</th>
<th>Unfunded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Stewardship</td>
<td>$0</td>
<td>$171,500</td>
</tr>
<tr>
<td>Infrastructure &amp; Facility Maintenance</td>
<td>$660,500</td>
<td>$838,000</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$0</td>
<td>$76,000</td>
</tr>
<tr>
<td>Fiscal Responsibility</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Economic Development</td>
<td>$78,080</td>
<td>$53,020</td>
</tr>
<tr>
<td>Historic Preservation</td>
<td>$7,500</td>
<td>$65,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$746,800</strong></td>
<td><strong>$1,203,520</strong></td>
</tr>
</tbody>
</table>
PlanMonrovia
Ongoing Costs

- Environmental Stewardship unfunded items include:
  - Ongoing programs for inspection, outreach, and permitting = $120,000
  - Trash TMDL monitoring = $35,000
  - LA River Receiving Monitoring and MS4 permit training = $16,500
  - Total = $171,500
PlanMonrovia
Ongoing Costs

- Infrastructure and Facility Maintenance
  unfunded items include:
  - Water system repairs = $185,000
  - Sign replacement = $175,000
  - Park and tree maintenance = $133,000
  - Street and sidewalk repair and maintenance = $345,000
  - Total = $838,000
## PlanMonrovia
### One-Time Costs

**Funding Status (2013-14)**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Funded</th>
<th>Unfunded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Stewardship</td>
<td>$1,243,500</td>
<td>$10,000</td>
</tr>
<tr>
<td>Infrastructure &amp; Facility Maintenance</td>
<td>$1,639,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$123,000</td>
<td>$36,000</td>
</tr>
<tr>
<td>Fiscal Responsibility</td>
<td>$80,000</td>
<td>$0</td>
</tr>
<tr>
<td>Economic Development</td>
<td>$205,000</td>
<td>$0</td>
</tr>
<tr>
<td>Historic Preservation</td>
<td>$0</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,290,500</strong></td>
<td><strong>$496,000</strong></td>
</tr>
</tbody>
</table>
# PlanMonrovia

## One-Time Costs

### Funding Status (2014-15)

<table>
<thead>
<tr>
<th>Priority</th>
<th>Funded</th>
<th>Unfunded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Stewardship</td>
<td>$1,364,000</td>
<td>$950,000</td>
</tr>
<tr>
<td>Infrastructure &amp; Facility Maintenance</td>
<td>$392,000</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,756,000</td>
<td>$2,850,000</td>
</tr>
</tbody>
</table>
PlanMonrovia
One-time Costs

- Environmental Stewardship unfunded
  items include:
    - Emergency radio communication for park staff = $10,000
    - Julian Fisher Park Improvements = $950,000
    - Total = $960,000
- The above totals are spread over two fiscal years:
  - FY 2013-2014
  - FY 2014-2015
PlanMonrovia
One-time Costs

- Infrastructure and Facility Maintenance unfunded items include:
  - Sidewalk repairs = $800,000
  - City Hall HVAC = $1,500,000
  - Total = $2,300,000

- The above totals are spread over two fiscal years:
  - FY 2013-2014
  - FY 2014-2015
Deferred Maintenance

- Comprehensive review of vehicle and equipment replacement schedules performed
  - Adequate funds are being set aside to meet needs as they arise, except for Fire equipment

- Infrastructure and capital replacement needs incorporated into PlanMonrovia budget

- Funding options could include bond financing
Fees and Charges
Overview

- Comprehensive cost study by department
- Important questions:
  - What does it cost to provide each service?
  - Should we be recouping 100% of our costs?
- Fees set by
  - Statute
  - Survey
  - Periodic cost study
- Thorough analysis of user fee recovery shortfalls
# Fees and Charges

## New Items/Increases

### Community Development: New Fees

<table>
<thead>
<tr>
<th>Service Description</th>
<th>New Fee</th>
<th>Cost Recovery %</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master Sign Program review</td>
<td>$260</td>
<td>100%</td>
<td>Survey performed. However, new proposed fee is based on Monrovia’s review process</td>
</tr>
<tr>
<td>DRC – Major Determination</td>
<td>$255</td>
<td>100%</td>
<td>Survey performed. However, new proposed fee is based on Monrovia’s review process</td>
</tr>
<tr>
<td>DRC – Minor Determination</td>
<td>$120</td>
<td>100%</td>
<td>Survey performed. However, new proposed fee is based on Monrovia’s review process</td>
</tr>
<tr>
<td>Wireless Facility: Administrative Services</td>
<td>$950</td>
<td>100%</td>
<td>Survey performed. However, new proposed fee is based on Monrovia’s review process</td>
</tr>
</tbody>
</table>
## Community Development: Fee Increases

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Old Fee</th>
<th>New Fee</th>
<th>New Cost Recovery %</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business License Application – New</td>
<td>$25</td>
<td>$30</td>
<td>61%</td>
<td>Surveyed 5 surrounding cities and results varied greatly. New fee results in a higher cost recovery.</td>
</tr>
<tr>
<td>Business License Application – Renewal</td>
<td>$11</td>
<td>$15</td>
<td>56%</td>
<td>Surveyed 5 surrounding cities and results varied greatly. New fee results in a higher cost recovery.</td>
</tr>
</tbody>
</table>
Community Services: New Fees

<table>
<thead>
<tr>
<th>Service Description</th>
<th>New Fee</th>
<th>Cost Recovery %</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking Fees at Canyon Park: Disabled Person Vehicle Parking Pass – Annual</td>
<td>$45</td>
<td>82%</td>
<td>Surveyed 10 local parks/recreation areas. Established discounted fee like other agencies. Fee is based on industry surveyed average of $43.</td>
</tr>
</tbody>
</table>

All Community Services Fees have been approved by the Community Services Commission
### Community Services: Fee Increases

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Old Fee</th>
<th>New Fee</th>
<th>New Cost Recovery %</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment Rental: Canopy (Priority I Rate)</td>
<td>$25</td>
<td>$35</td>
<td></td>
<td>Cost recovery on rentals is 5% of operations</td>
</tr>
<tr>
<td>Equipment Rental: Canopy (Priority II Rate)</td>
<td>$20</td>
<td>$25</td>
<td></td>
<td>Cost recovery on rentals is 5% of operations</td>
</tr>
<tr>
<td>Canyon Park Rental: Cabin Use—All Day</td>
<td>$300</td>
<td>$350</td>
<td>100%</td>
<td>Surveyed 4 local parks. Increased fee to come close to the industry surveyed average of $358.</td>
</tr>
<tr>
<td>Canyon Park Rental: Cabin Use—All Day (Priority II Rate)</td>
<td>$225</td>
<td>$265</td>
<td>76%</td>
<td>Surveyed 4 local parks. Increased fee to come close to the industry surveyed average of $358.</td>
</tr>
<tr>
<td>Canyon Park Rental: Fireman’s Flat - Day Use (Priority I Rate)</td>
<td>$65</td>
<td>$75</td>
<td>93%</td>
<td>Surveyed 4 local parks. Increased fee to come close to the industry surveyed average of $95.</td>
</tr>
<tr>
<td>Canyon Park Rental: Fireman’s Flat - Day Use (Priority II Rate)</td>
<td>$50</td>
<td>$60</td>
<td>75%</td>
<td>Surveyed 4 local parks. Increased fee to come close to the industry surveyed average of $95.</td>
</tr>
<tr>
<td>Parking Fees at Canyon Park: Bus Daily Rate</td>
<td>$8</td>
<td>$10</td>
<td>72%</td>
<td>Surveyed 4 local parks/recreation areas. Increased fee to come close to the industry surveyed average of $28.</td>
</tr>
</tbody>
</table>
Key Budget Dates

- Follow-up study sessions:
  - Tuesday, June 4
  - *May hold additional sessions, if needed*

- Formal Budget Approval
  - Tuesday, June 18
FY 2013-15 Fiscal Year Budget

Questions and Answers