

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

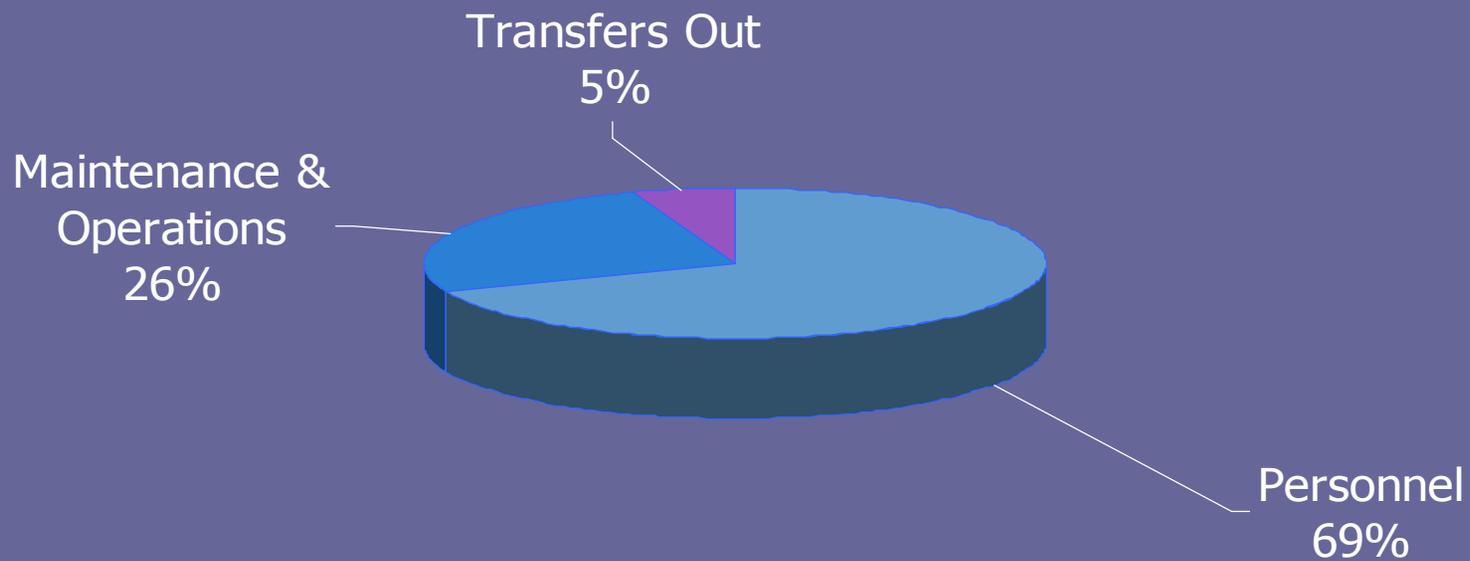
General Fund Expenditures

FY 2013-14 Proposed Budget

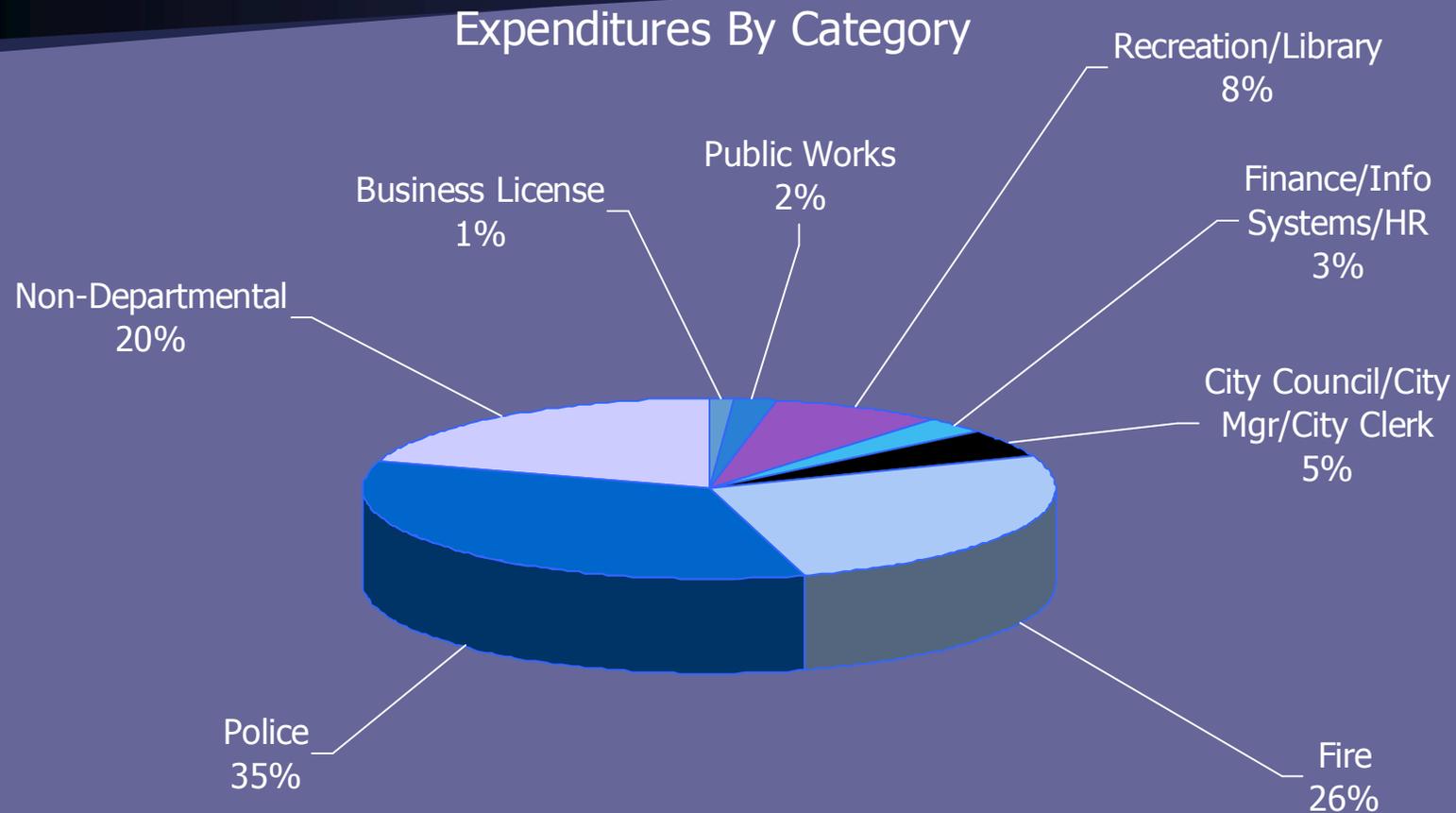
- Fiscal year 2013-2014
 - Personnel Costs = \$22.23M
 - Maintenance & Operations = \$8.32M
 - Transfers Out = \$1.70M

General Fund Overview 2013-2014 Expenditures

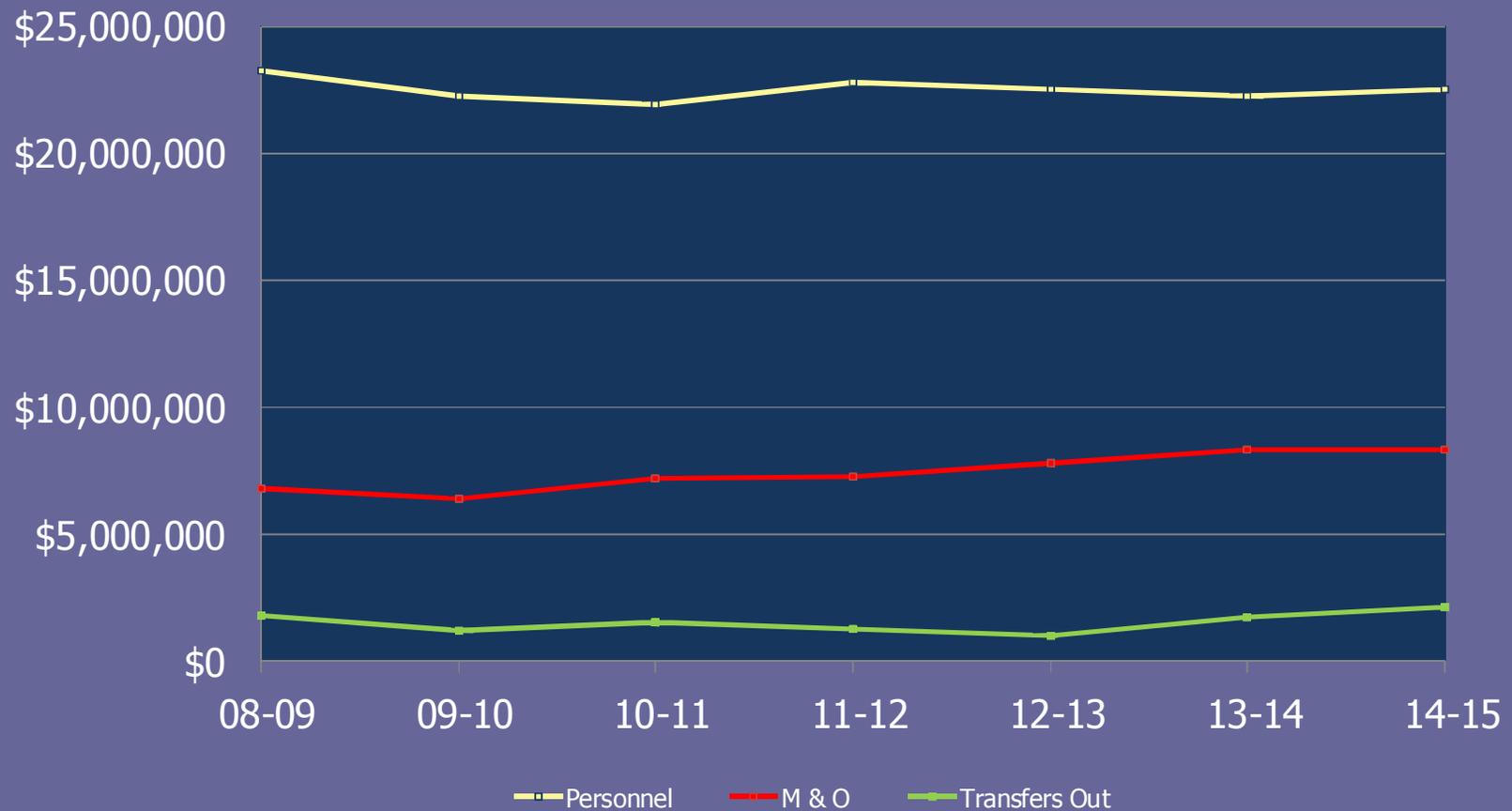
Expenditures By Type



General Fund Overview 2013-2014 Expenditures



General Fund Expenditures By Type FY 2008-09 Through 2014-15



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:

Employee Group	Increase in Rate Over Next 10 Years
Miscellaneous	+ 6.3%
Public Safety	+ 10.5%

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:

Employee Group	Possible Increase in Rate
Miscellaneous	+ 4-8%
Public Safety	+ 4-8%

General Fund Expenditures FY 2013-15 Proposed Budget (cont.)

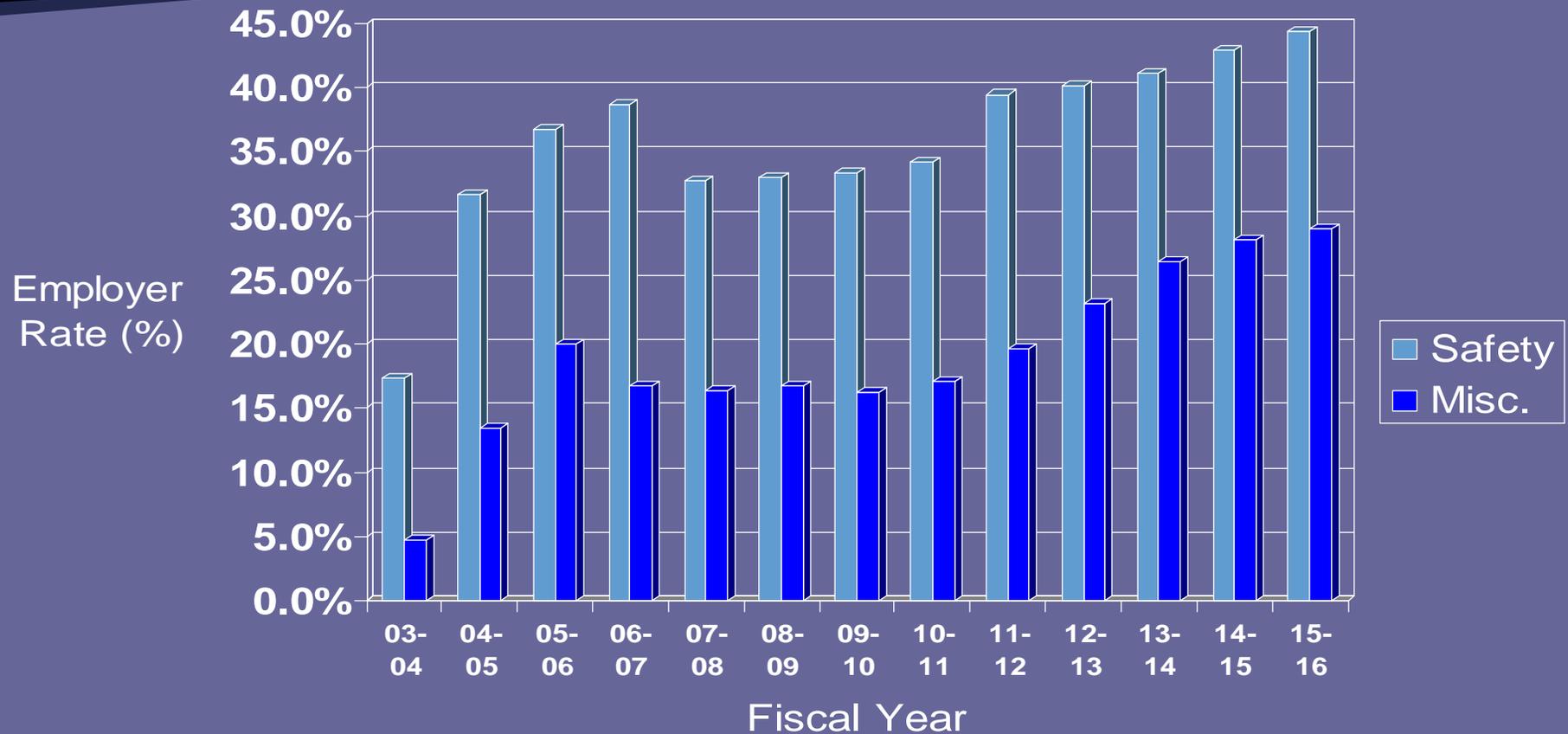
- What are we doing to address rising PERS costs?
 - Negotiating full pickup of employee cost by all employee groups by 2013-2014
 - Employees are currently paying their share, as follows:
 - General Employees, Managers, Mid-Managers- Started in FY 11-12; Currently paying full share.
 - Fire Sworn- Started 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

General Fund Expenditures FY 2013-15 Proposed Budget (cont.)

- 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



General Fund Revenues

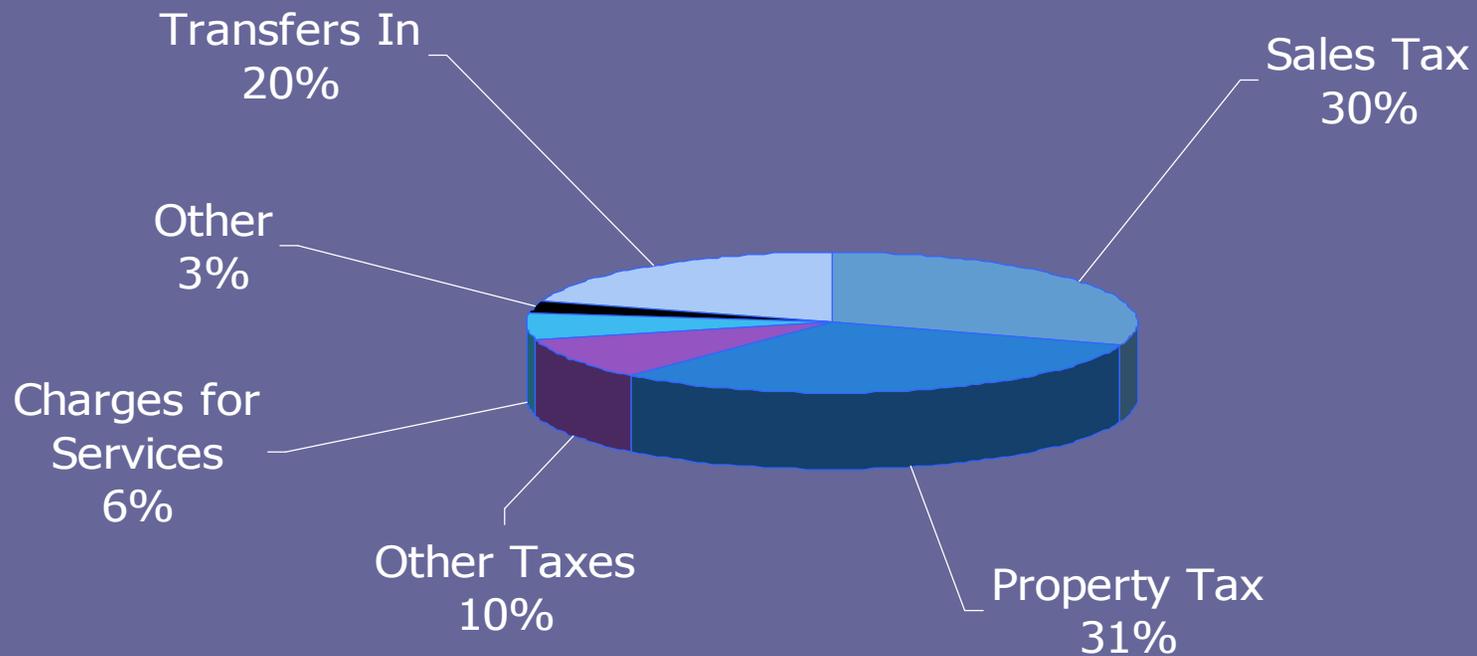
Major Sources of Revenue

- Property Tax
- Sales Tax
- Transfers In
- Other Taxes
- Charges for Services
- Other

General Fund Overview

Revenues

Sources of Revenue



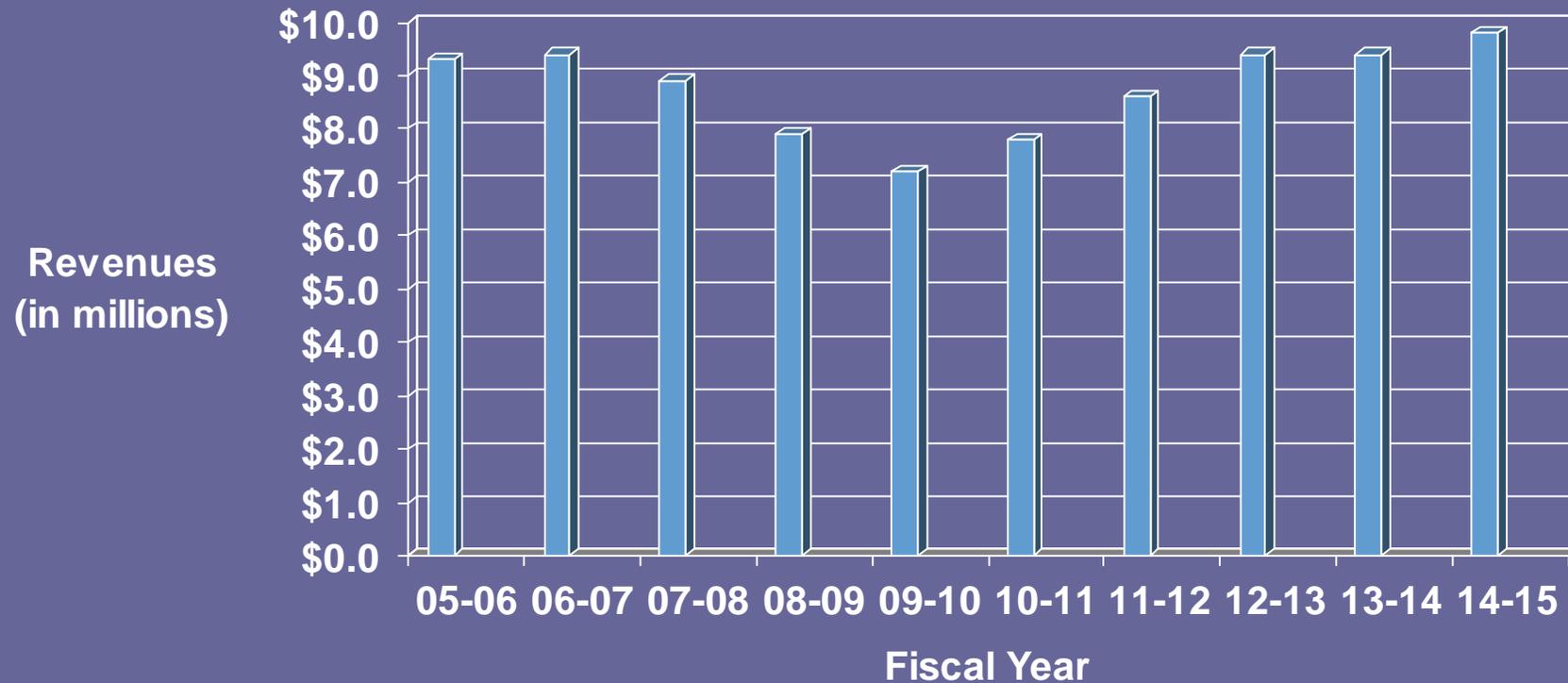
General Fund Revenues

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



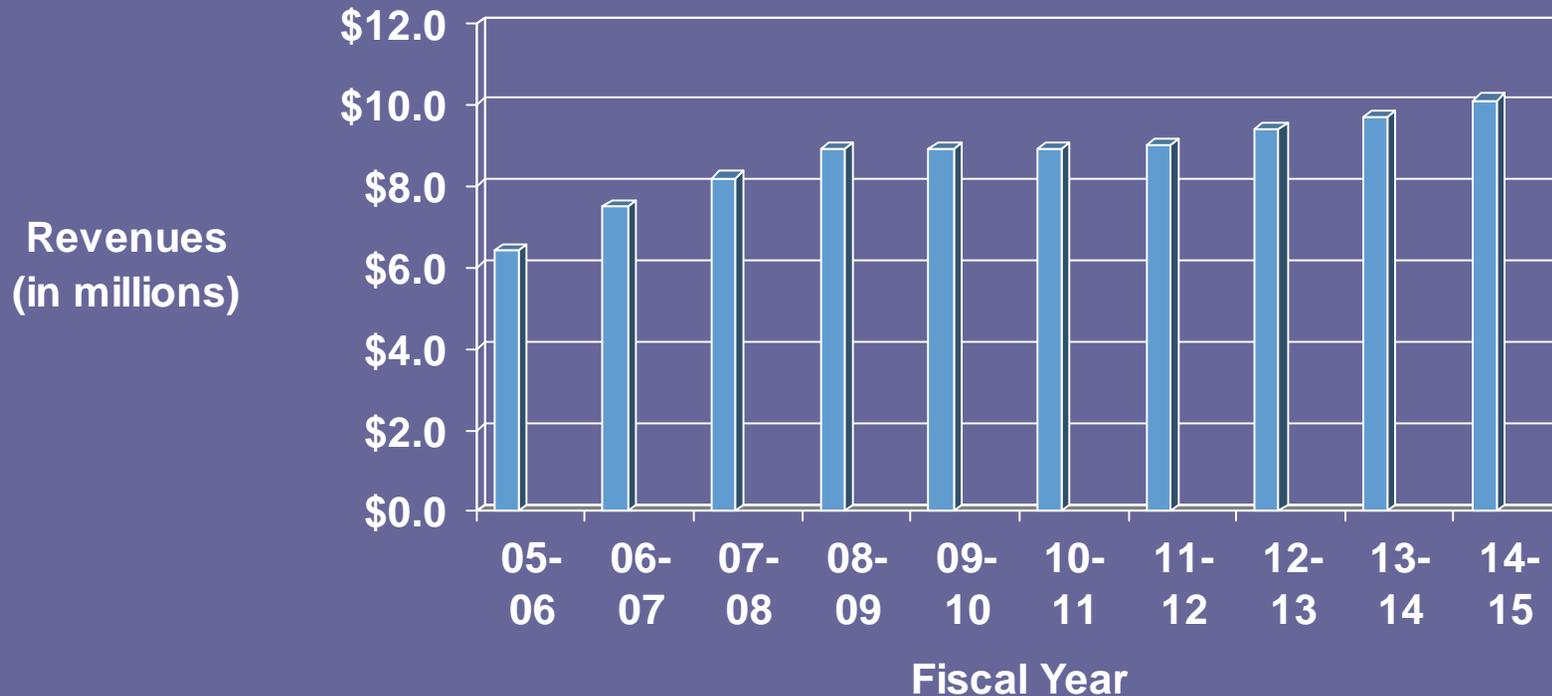
General Fund Revenues

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



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

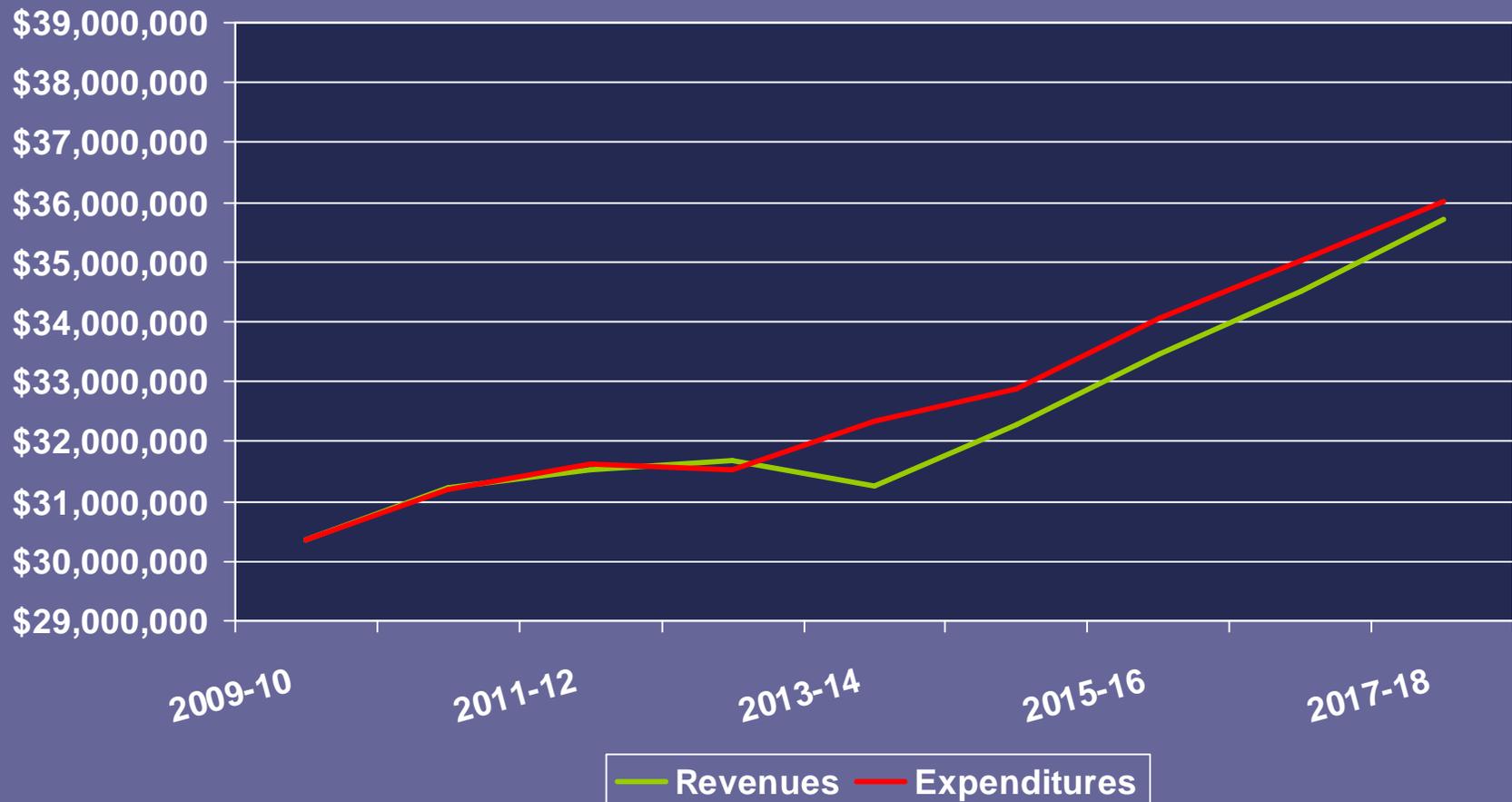
2013-2015 Fiscal Year Budget

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



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

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

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

PlanMonrovia

- 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)

Priority	Funded	Unfunded
Environmental Stewardship	\$0	\$171,500
Infrastructure & Facility Maintenance	\$660,500	\$838,000
Public Safety	\$0	\$76,000
Fiscal Responsibility	\$0	\$0
Economic Development	\$78,080	\$53,020
Historic Preservation	<u>\$7,500</u>	<u>\$65,000</u>
Total	<u>\$746,800</u>	<u>\$1,203,520</u>

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)

Priority	Funded	Unfunded
Environmental Stewardship	\$1,243,500	\$10,000
Infrastructure & Facility Maintenance	\$1,639,000	\$400,000
Public Safety	\$123,000	\$36,000
Fiscal Responsibility	\$80,000	\$0
Economic Development	\$205,000	\$0
Historic Preservation	<u>\$0</u>	<u>\$50,000</u>
Total	<u>\$3,290,500</u>	<u>\$496,000</u>

PlanMonrovia

One-Time Costs

Funding Status (2014-15)

Priority	Funded	Unfunded
Environmental Stewardship	\$1,364,000	\$950,000
Infrastructure & Facility Maintenance	\$392,000	\$1,900,000
Total	<u>\$1,756,000</u>	<u>\$2,850,000</u>

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

Plan Monrovia

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

Service Description	New Fee	Cost Recovery %	Comments
Master Sign Program review	\$260	100%	Survey performed. However, new proposed fee is based on Monrovia's review process
DRC – Major Determination	\$255	100%	Survey performed. However, new proposed fee is based on Monrovia's review process
DRC – Minor Determination	\$120	100%	Survey performed. However, new proposed fee is based on Monrovia's review process
Wireless Facility: Administrative Services	\$950	100%	Survey performed. However, new proposed fee is based on Monrovia's review process

Fees and Charges

New Items/Increases

Community Development: Fee Increases

Service Description	Old Fee	New Fee	New Cost Recovery %	Comments
Business License Application – New	\$25	\$30	61%	Surveyed 5 surrounding cities and results varied greatly. New fee results in a higher cost recovery %.
Business License Application – Renewal	\$11	\$15	56%	Surveyed 5 surrounding cities and results varied greatly. New fee results in a higher cost recovery %.

Fees and Charges New Items/Increases

Community Services: New Fees

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

*All Community Services Fees have been approved by
the Community Services Commission*

Fees and Charges

New Items/Increases

Community Services: Fee Increases

Service Description	Old Fee	New Fee	New Cost Recovery %	Comments
Equipment Rental: Canopy (Priority I Rate)	\$25	\$35	Cost recovery on rentals is 5% of operations	Surveyed 4 rental companies. Increased fee to come close to the industry surveyed average of \$52.
Equipment Rental: Canopy (Priority II Rate)	\$20	\$25	Cost recovery on rentals is 5% of operations	
Canyon Park Rental: Cabin Use-All Day (Priority I Rate)	\$300	\$350	100%	Surveyed 4 local parks. Increased fee to come close to the industry surveyed average of \$358.
Canyon Park Rental: Cabin Use-All Day (Priority II Rate)	\$225	\$265	76%	
Canyon Park Rental: Fireman's Flat – Day Use (Priority I Rate)	\$65	\$75	93%	Surveyed 4 local parks. Increased fee to come close to the industry surveyed average of \$95.
Canyon Park Rental: Fireman's Flat – Day Use (Priority II Rate)	\$50	\$60	75%	
Parking Fees at Canyon Park: Bus Daily Rate	\$8	\$10	72%	Surveyed 4 local parks/recreation areas. Increased fee to come close to the industry surveyed average of \$28.

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

2013-15 Budget

City Council Budget Study Session

May 29, 2013