

City of Moreno Valley Fiscal Year 2022/23 Third Quarter Financial Summary

TO: Mayor and City Council
FROM: Brian Mohan, Chief Financial Officer/City Treasurer
DATE: June 20, 2023

INTRODUCTION

On May 4, 2021, the City Council adopted the Two-Year Operating Budget for Fiscal Years (FY) 2021/22 – 2022/23. During the two-year budget period, the City Council will be kept apprised of the City's financial condition through the process of First Quarter, Mid-Year and Third Quarter Reviews. This ongoing process ensures a forum to look at expenditure and revenue deviations from the estimates made in the budget document. Additionally, any significant changes in projected revenue or unanticipated expenditures that may occur will be shared with the City Council.

This report provides a review of the unaudited financial results at the Third Quarter of FY 2022/23 (July 2022 – March 2023, 75% of the fiscal year).

CITYWIDE OPERATING EXPENDITURE SUMMARY

The following table contains a summary of the adopted budget, amended budget and expenditures through Third Quarter. The totals represent each major fund type and component unit of the City.

Table 1. Citywide Operating Expenditures

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Fund/Component Unit				
General Fund	\$ 124,521,412	\$ 145,597,735	\$ 86,044,292	59.1%
Community Services District (CSD)	23,946,062	33,565,352	15,767,163	47.0%
Successor Agency	4,173,275	2,677,466	2,150,925	80.3%
Housing Fund	165,000	279,870	154,121	55.1%
Special Revenue Funds	32,127,095	118,306,936	51,407,097	43.5%
Capital Projects Funds	1,213,705	105,062,760	23,213,643	22.1%
Electric Utility Funds	42,022,198	53,229,394	29,220,171	54.9%
Internal Service Funds	11,562,936	13,553,556	8,267,495	61.0%
Debt Service Funds	4,247,163	4,247,163	2,556,308	60.2%
Total	\$ 243,978,846	\$ 476,520,232	\$ 218,781,215	45.9%

Actions taken by the City Council after the May 4, 2021 adoption of the two-year budget and included in the Amended Budget are:

- Throughout the fiscal year, there are also budget amendments to reflect the acceptance of grants and adjustments to contractual services and material/supplies. The individual amendments are reviewed as part of separate City Council agenda items.
- Much of this Third Quarter update will focus on the General Fund, as it supports all basic services provided to City residents. Highlights for other key component funds will be discussed at a summary level as well.

GENERAL FUND OPERATING

Table 2. General Fund Operations

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 18,838,500	\$ 19,738,500	\$ 12,108,630	61.3%
Property Tax in-lieu	25,623,093	25,623,093	12,969,354	50.6%
Utility Users Tax	15,717,540	15,717,540	14,061,175	89.5%
Sales Tax	23,005,000	36,725,489	22,171,415	60.4%
Other Taxes	16,653,787	16,666,375	13,104,629	78.6%
Licenses & Permits	5,364,135	5,614,135	4,161,304	74.1%
Intergovernmental	345,000	610,803	455,603	74.6%
Charges for Services	12,797,871	14,077,395	12,077,312	85.8%
Use of Money & Property	4,669,753	4,669,753	4,347,539	93.1%
Fines & Forfeitures	504,500	504,500	364,328	72.2%
Miscellaneous	166,000	166,000	188,516	113.6%
Total Revenues	\$ 123,685,179	\$ 140,113,583	\$ 96,009,805	68.5%
Expenditures:				
Personnel Services	\$ 25,197,956	\$ 28,581,747	\$ 19,049,584	66.6%
Contractual Services	86,478,353	71,757,383	40,028,457	55.8%
Material & Supplies	2,108,180	3,765,294	1,883,043	50.0%
General Government	-	-	-	-
Debt Service	-	-	-	-
Fixed Charges	6,171,821	6,171,821	4,449,714	72.1%
Fixed Assets	-	45,739	8,104	17.7%
Total Expenditures	\$ 119,956,310	\$ 110,321,984	\$ 65,418,902	59.3%
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	\$ 3,728,869	\$ 29,791,599	\$ 30,590,903	
Transfers:				
Transfers In	\$ 845,573	\$ 939,216	\$ 65,573	7.0%
Transfers Out	4,565,102	35,275,751	20,625,390	58.5%
Net Transfers	\$ (3,719,529)	\$ (34,336,535)	\$ (20,559,818)	
Total Revenues & Transfers In	\$ 124,530,752	\$ 141,052,799	\$ 96,075,378	68.1%
Total Expenditures & Transfers Out	124,521,412	145,597,735	86,044,292	59.1%
Net Change of Fund Balance	\$ 9,340	\$ (4,544,936)	\$ 10,031,086	

General Fund Operating Revenues

The General Fund is comprised of several revenue types. However, the main sources include property tax, utility user's tax, and sales tax. Each of these is affected by different economic activity cycles and pressures. Miscellaneous revenue consists of claims, donations, business license report fees, business fees for events, etc.

Table 3. General Fund Operating Revenues

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 18,838,500	\$ 19,738,500	\$ 12,108,630	61.3%
Property Tax in-lieu	25,623,093	25,623,093	12,969,354	50.6%
Utility Users Tax	15,717,540	15,717,540	14,061,175	89.5%
Sales Tax	23,005,000	36,725,489	22,171,415	60.4%
Other Taxes	16,653,787	16,666,375	13,104,629	78.6%
Licenses & Permits	5,364,135	5,614,135	4,161,304	74.1%
Intergovernmental	345,000	610,803	455,603	74.6%
Charges for Services	12,797,871	14,077,395	12,077,312	85.8%
Use of Money & Property	4,669,753	4,669,753	4,347,539	93.1%
Fines & Forfeitures	504,500	504,500	364,328	72.2%
Miscellaneous	166,000	166,000	188,516	113.6%
Total Revenues	\$ 123,685,179	\$ 140,113,583	\$ 96,009,805	68.5%

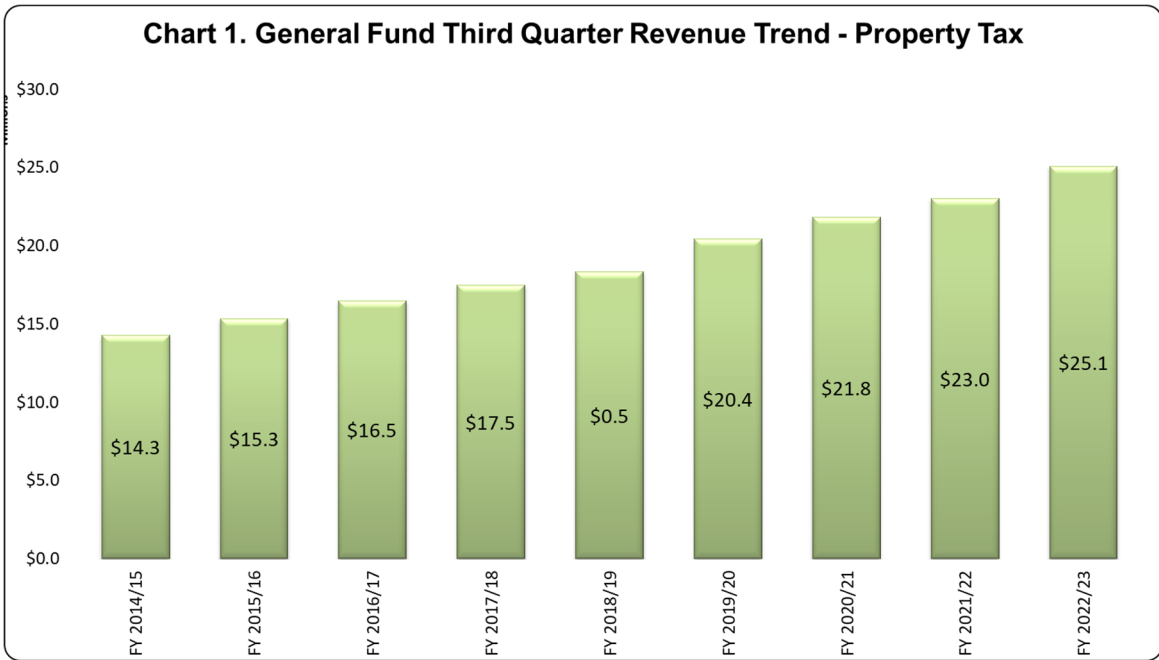
Property Taxes/Property Taxes In-Lieu

Property taxes were budgeted to increase by 8% from the FY 2021/22 Amended Budget. The annual schedule of property tax payments from the County of Riverside will provide payments to the City based on the following estimated schedule:

Secured Property Tax Payment Dates

Settlement 1	January
Settlement 2	May
Settlement 3	August
Teeter Settlement	October

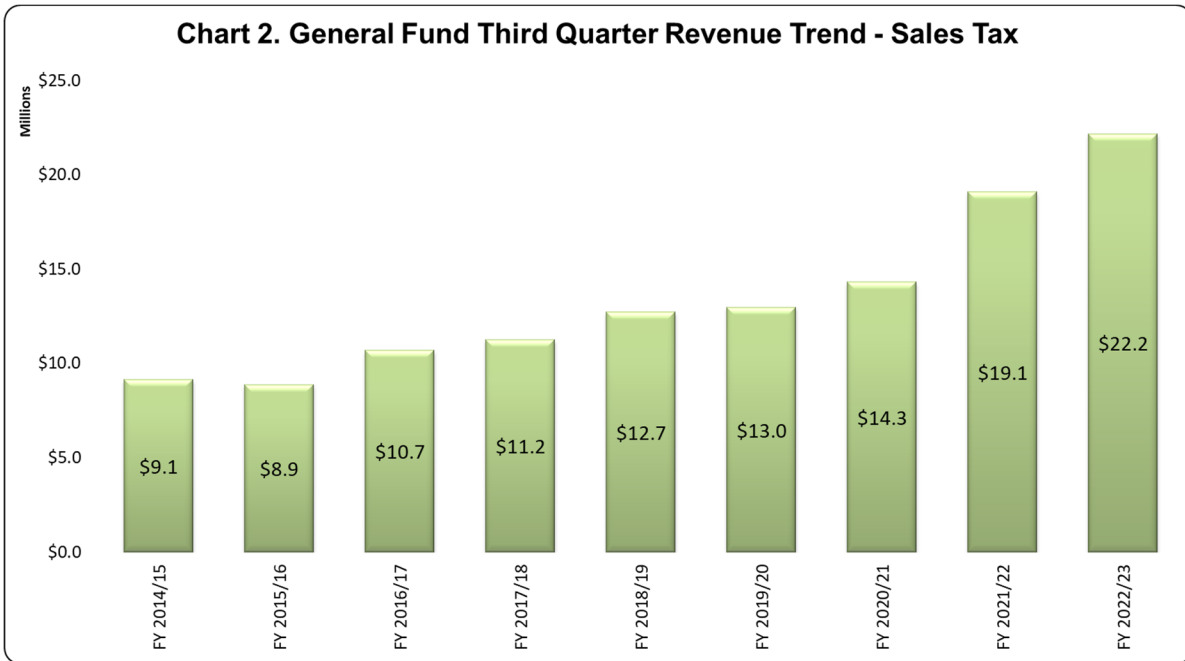
Based on historical averages of actual receipts, the City is estimated to receive less than 55% of the budgeted property tax revenue through Third Quarter. The City has currently received 55% through Third Quarter. Property taxes will continue to be monitored as property valuations may adjust through the year based on property sales and assessment appeals filed with the County.



Sales Taxes

Sales taxes were budgeted to increase by 29% as compared to the FY 2021/22 Amended Budget. Sales tax receipt trends will need to be continually monitored through the year for possible future budget adjustments.

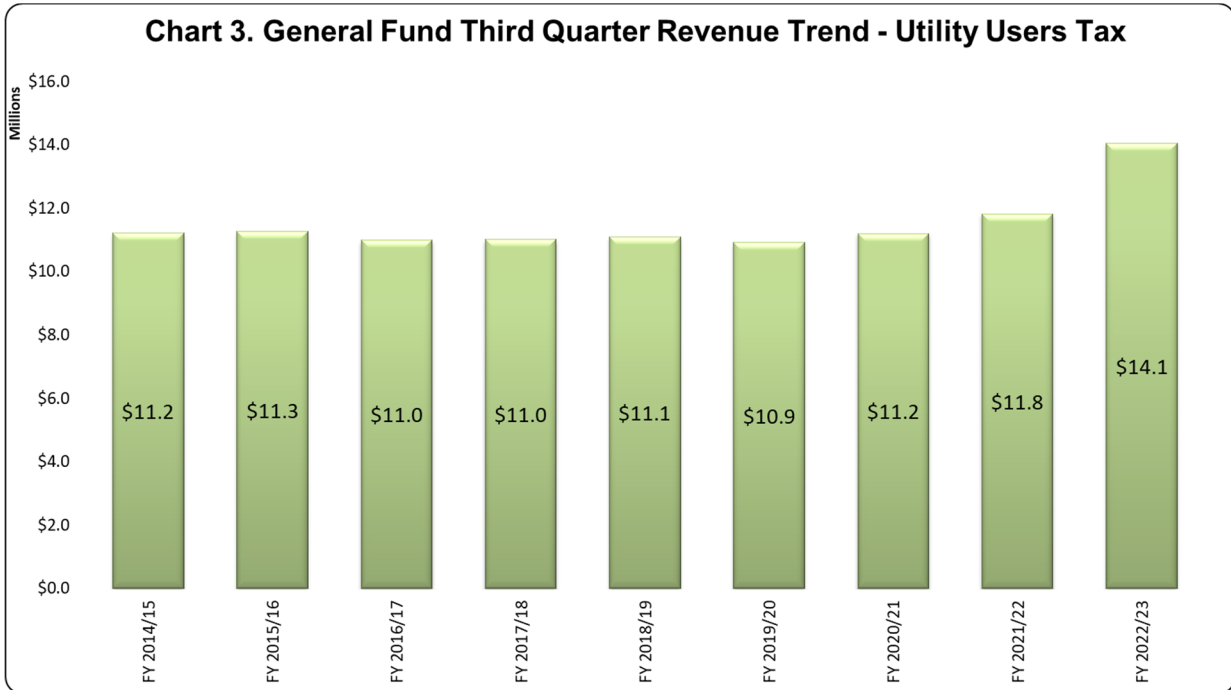
Based on historical averages of actual receipts, the City is estimated to receive 63% of the budgeted sales tax revenue through Third Quarter. The City has currently received 60% through Third Quarter.



Utility Users Tax Utility

Utility Users Tax were budgeted to remain the same as compared to FY 2021/22 Amended Budget. This projection is primarily due to competitive forces within the communications markets.

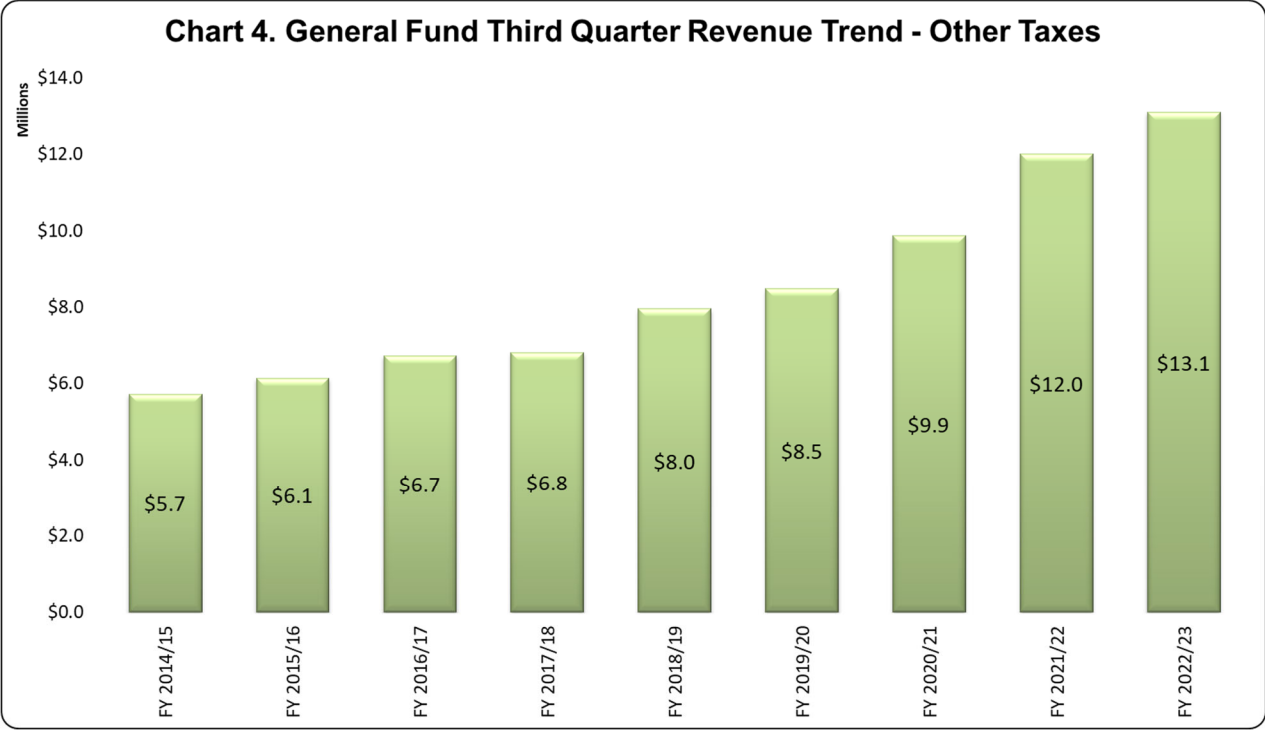
Based on historical averages of actual receipts, the City is estimated to receive 70% of the budgeted utility users tax revenue through Third Quarter. The City has currently received 90% through Third Quarter.



Other Taxes

Other taxes are primarily composed of Business Gross Receipts, Transient Occupancy Tax, Documentary Transfer Tax, and Franchise Fees. Collectively, other taxes were budgeted to increase 9% from the FY 2021/22 Amended Budget.

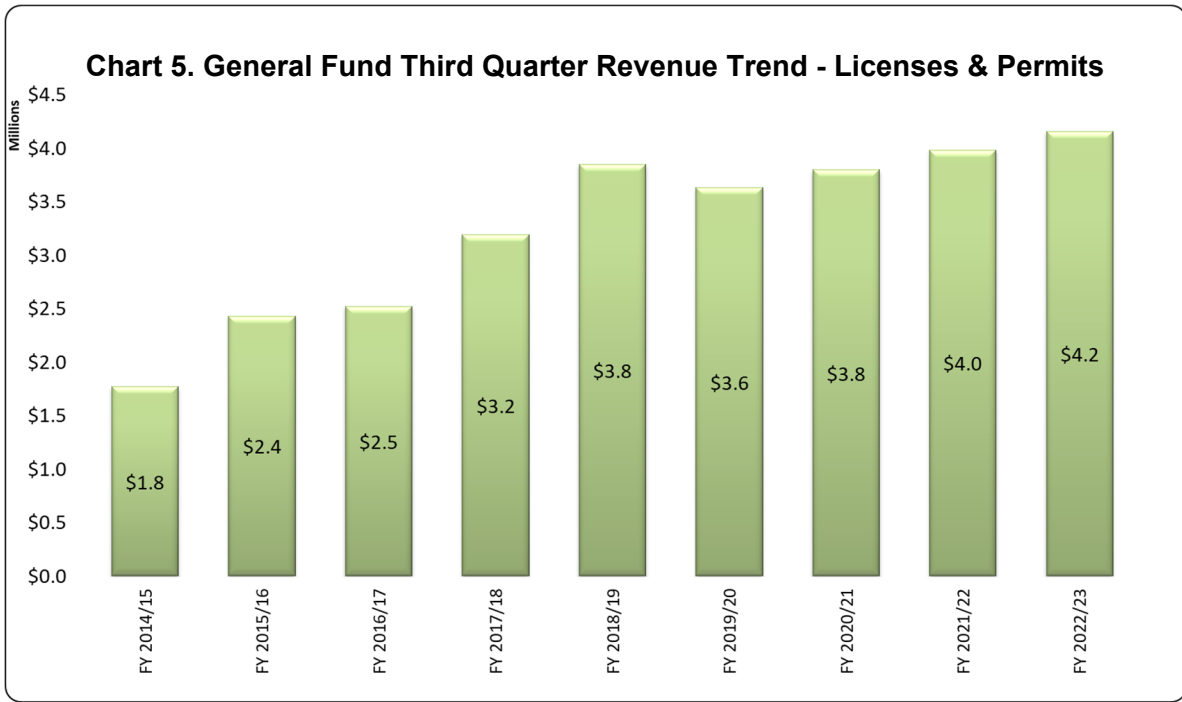
Based on historical averages of actual receipts, the City is estimated to receive 69% of the budgeted Other Taxes revenue through Third Quarter. The City has currently received 79% through Third Quarter.



Licenses & Permits

Licenses & Permits are primarily composed of Business Permits, to include Cannabis Business Permits, as well as Animal Licenses, Building, Electrical, Mechanical, Plumbing and other permits. Collectively, Licenses & Permits were conservatively budgeted to increase by 2% as compared to the FY 2021/22 Amended Budget.

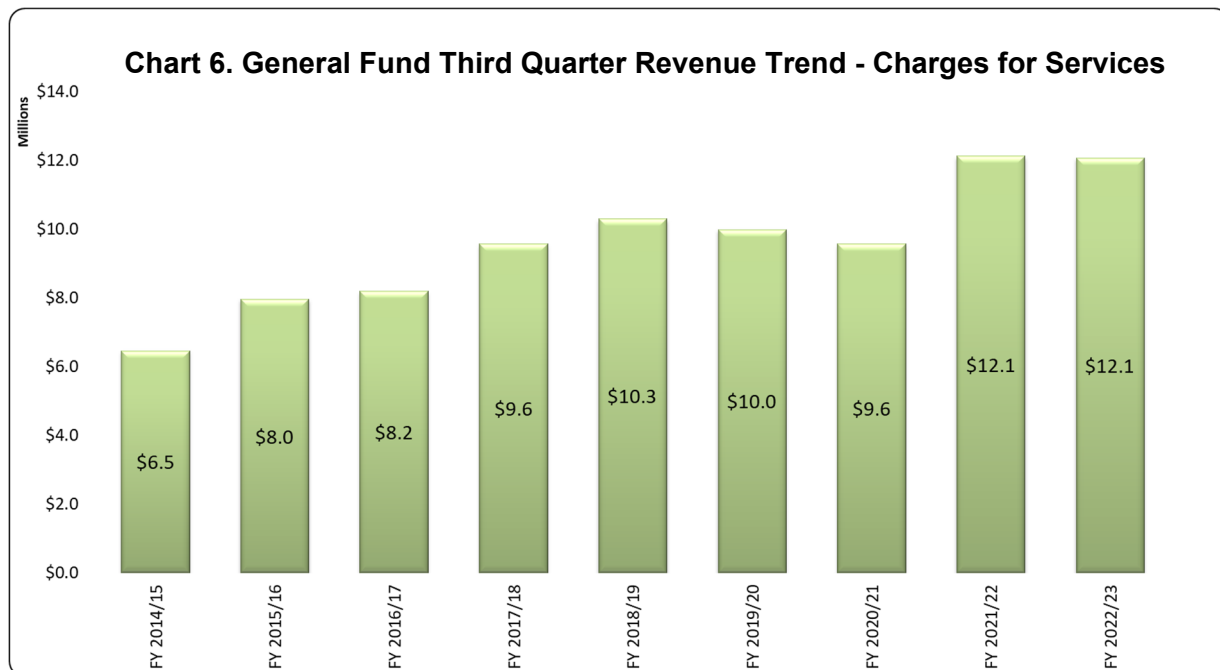
Based on historical averages of actual receipts, the City is estimated to receive 86% of the budgeted Licenses & Permits revenue through Third Quarter. The City has currently received 74% through Third Quarter. The collection rate is related primarily to building and business license permit activities.



Charges for Services

Charges for Services are primarily composed of Plan Check Fees, Inspection Fees, Administrative Charges to other funds, and Parking Control Fines. Collectively, Charges for Services were conservatively budgeted to decrease by 2% as compared to the FY 2021/22 Amended Budget.

Based on historical averages of actual receipts, the City is estimated to receive 77% of the budgeted Charges for Services revenue through Third Quarter. The City has currently received 86% through Third Quarter.



Use of Money and Property

Investment income continues to remain low due to extremely low rates of return for fixed income investments but has increased over the last year due to actions taken by the Federal Open Market Committee (FOMC). The investments achieved a Yield to Maturity (YTM) for March 2023 of 1.81%. In addition, the City maintained funds in the State Local Agency Investment Fund Pool (LAIF) with a YTM of 2.831%. LAIF is realizing considerable investment gains based on the increases to the Federal Funds target rate increase. FOMC is expected to keep rates higher thru 2023 with no reductions until 2024. The FOMC target rate is currently 5.00% to 5.25%. Staff will continue to monitor closely to insure we maximize our investment income going forward.

General Fund Expenditures

Expenditures are being spent in-line with prior year expenditures. Each Department's activities will be monitored throughout the year as they may be impacted by different operational activities and project timelines.

Table 4. General Fund Expenditures

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Department				
City Council	\$ 989,295	\$ 1,026,248	\$ 622,843	60.7%
City Clerk	926,131	1,223,051	332,893	27.2%
City Manager	1,635,916	2,332,268	1,231,205	52.8%
City Attorney	486,154	486,154	834,810	171.7%
Community Development	10,835,694	13,325,450	7,710,900	57.9%
Economic Development	2,237,740	2,237,740	1,391,894	62.2%
Financial & Management Services	13,755,573	15,131,614	9,247,729	61.1%
Public Works	9,995,500	12,339,580	7,330,712	59.4%
Non-Departmental	6,143,292	36,240,567	23,815,048	65.7%
Non-Public Safety Subtotal	\$ 47,005,295	\$ 84,342,672	\$ 52,518,034	62.3%
Public Safety				
Police	\$ 53,936,492	\$ 40,939,528	\$ 19,373,295	47.3%
Fire	23,579,625	20,315,535	14,152,963	69.7%
Public Safety Subtotal	\$ 77,516,117	\$ 61,255,063	\$ 33,526,258	54.7%
Total	\$ 124,521,412	\$ 145,597,735	\$ 86,044,292	

OTHER KEY FUNDS

The following summaries describe other major funds in the City.

Moreno Valley Community Services District

The Moreno Valley Community Services District (CSD) was formed by the voters in 1984 to collect fees and certain taxes to provide an array of services including parks, recreation and community services, streetlights, landscaping and ongoing maintenance. The CSD provides these services through separate “zones” that define the services that are provided.

For certain zones, the primary revenue source used to provide services to properties is parcel fees or taxes levied on properties via their annual tax bill. Proposition 218, passed by California voters in November 1996, and has posed a serious challenge to managing the future operation of the CSD zones. Prop. 218 requires any revenue increase to be addressed through a voting process by affected property owners. For a period following the initial implementation of Prop. 218, the CSD was successful in receiving approval for some new or increased revenues. There were also revenue increases due to the growth of developed parcels within the zones.

Table 5. CSD Operations

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 6,066,819	\$ 6,066,819	\$ 4,129,363	68.1%
Other Taxes	6,727,600	6,727,600	3,955,620	58.8%
Intergovernmental	-	32,035	56,366	176.0%
Charges for Services	5,918,779	5,918,779	3,432,479	58.0%
Use of Money & Property	1,122,455	995,954	685,258	68.8%
Fines & Forfeitures	30,000	30,000	2,258	7.5%
Miscellaneous	25,210	25,210	24,629	97.7%
Transfers In	1,753,761	8,754,354	5,982,240	68.3%
Total Revenues	\$ 21,644,624	\$ 28,550,751	\$ 18,268,213	64.0%
Expenditures:				
Library Services Fund (5010)	\$ 3,070,222	\$ 3,204,286	\$ 2,229,780	69.6%
Zone A Parks Fund (5011)	10,514,329	18,652,185	8,607,573	46.1%
LMD 2014-01 Residential Street Lighting Fund (5012)	1,657,218	1,657,218	795,762	48.0%
Zone C Arterial Street Lighting Fund (5110)	954,443	954,443	494,104	51.8%
Zone D Standard Landscaping Fund (5111)	1,755,907	2,662,003	699,400	26.3%
Zone E Extensive Landscaping Fund (5013)	420,745	471,745	225,479	47.8%
5014 LMD 2014-02	3,303,829	3,453,225	1,613,256	46.7%
5016 CFD 2021-01 Parks Fac Maint	-	77,000	49,610	64.4%
Zone M Median Fund (5112)	429,025	598,074	165,171	27.6%
CFD No. 1 (5113)	1,751,212	1,699,041	832,279	49.0%
Zone S Financial & Management Svcs (5114)	89,132	89,132	54,749	61.4%
5211 Zone A Parks - Restricted Assets	-	47,000	-	0.0%
Total Expenditures	\$ 23,946,062	\$ 33,565,352	\$ 15,767,163	47.0%
Net Change or Adopted Use of Fund Balance	\$ (2,301,438)	\$ (5,014,601)	\$ 2,501,050	

Community Services District Zone A – Parks & Community Services

The largest Zone within the CSD is Zone A. It accounts for the administration and maintenance of the Parks & Community Services facilities and programs. Funding sources for these services come from a combination of property taxes, fees for service, and smaller amounts from other City funds.

Table 6. CSD Zone A Operations

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 3,294,219	\$ 3,294,219	\$ 2,124,062	64.5%
Other Taxes	4,977,000	4,977,000	2,796,603	56.2%
Charges for Services	1,191,129	1,191,129	785,647	66.0%
Use of Money & Property	969,755	969,754	655,493	67.6%
Miscellaneous	25,200	25,200	15,565	61.8%
Transfers In	-	6,991,362	5,243,526	75.0%
Total Revenues	\$ 10,457,303	\$ 17,448,664	\$ 11,620,896	66.6%
Expenditures:				
35010 Parks & Comm Svcs - Admin	\$ 957,175	\$ 1,207,175	\$ 647,539	53.6%
35210 Park Maintenance - General	3,983,393	5,009,650	3,085,369	61.6%
35211 Contract Park Maintenance	472,130	472,130	251,942	53.4%
35212 Park Ranger Program	386,401	213,283	206,376	96.8%
35213 Golf Course Program	497,739	497,739	335,343	67.4%
35214 Parks Projects	89,846	89,846	68,259	76.0%
35310 Senior Program	629,202	629,202	477,934	76.0%
35311 Community Services	345,817	345,817	272,979	78.9%
35312 Community Events	269,983	299,983	422,587	140.9%
35313 Conf & Rec Cntr	476,133	476,133	362,027	76.0%
35314 Conf & Rec Cntr - Banquet	385,340	385,340	265,141	68.8%
35315 Recreation Programs	1,207,890	1,207,890	928,273	76.9%
35317 July 4th Celebration	111,990	111,990	103,985	92.9%
35318 Sports Programs	629,285	629,285	434,538	69.1%
35319 Towngate Community Center	30,200	30,200	26,215	86.8%
35320 Amphitheater	41,805.00	41,805	14,945	35.7%
80003 CIP - Buildings	-	789,200	679,023	86.0%
80007 CIP - Parks	-	6,000,000	20,060	0.3%
95011 Non-Dept Zone A Parks	-	215,517	5,037	2.3%
Total Expenditures	\$ 10,514,329	\$ 18,652,185	\$ 8,607,573	46.1%
Net Change or Adopted Use of Fund Balance	\$ (57,026)	\$ (1,203,521)	\$ 3,013,323	

Electric Utility

The Moreno Valley Utility (MVU) manages the operation, maintenance, and business planning of the City's electric utility. MVU's basic purpose is to purchase and distribute electricity to customers in newly developed areas of the City. The City began serving new customers in February 2004, and now serves more than 7,860 customers. As it reaches fiscal and operational maturity, MVU will continue to be a key component of the City's economic development strategy. The City Council has established special tiered rates for electric utility customers based upon factors such as the number of jobs created.

The main revenue source for this fund is derived from charges for services. The customer base includes residential, commercial, and industrial customers. The growth in customer base will continue to provide for the ability to create rate stabilization and replacement reserve funding.

Table 7. MVU Operations

	FY 2022/23 Adopted Budget	FY 2022/23 Amended Budget	Actuals as of 3/31/23 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Charges for Services	\$ 40,397,448	\$ 40,397,448	\$ 36,143,742	89.5%
Use of Money & Property	333,000	333,000	560,632	168.4%
Miscellaneous	152,500	152,500	2,666,079	1748.2%
Total Revenues	\$ 40,882,948	\$ 40,882,948	\$ 39,370,452	96.3%
Expenditures:				
45510 Electric Utility - General	\$ 29,259,887	\$ 33,937,697	\$ 24,446,063	72.0%
45511 Public Purpose Program	1,646,686	2,457,449	870,580	35.4%
45512 SCE Served Street Lights	838,525	1,016,110	541,839	53.3%
80005 CIP - Electric Utility	5,300,900	11,547,366	886,381	7.7%
96010 Non-Dept Electric	-	-	4,496	0.0%
96030 Non-Dept 2005 Lease Revenue Bonds	2,639,000	2,639,000	1,233,499	46.7%
96012 Non-Dept Electric-Public Purpose	-	-	3,600	0.0%
96021 Non-Dept 2016 Tax LRB of 07 Tax	783,287	-	-	0.0%
96031 Non-Dept 2013 Refunding 05 LRB	4,692	4,692	176,392	3759.4%
96032 Non-Dept 2014 Refunding 2005 LRB	119,418	119,418	59,827	50.1%
96040 Non-Dept 2015 Taxable LRB	433,871	-	-	0.0%
96041 Non-Dept 2021 LRB Refinance	-	632,768	321,584	50.8%
96050 Non-Dept 2018 Streetlight Fin	359,307	-	-	0.0%
96051 Non-Dept 2021 Streetlight Refin.	-	238,269	356,936	149.8%
96060 Non-Dept 2019 Taxable LRB	636,625	636,625	318,975	50.1%
Total Expenditures	\$ 42,022,198	\$ 53,229,394	\$ 29,220,171	54.9%
Net Change or Adopted Use of Fund Balance	\$ (1,139,250)	\$ (12,346,446)	\$ 10,150,281	

MVU's revenues and expenses will fluctuate annually based on energy demands.

SUMMARY

The City of Moreno Valley has experienced certain levels of growth and continued to maintain a structurally balanced Budget without the use of reserves.

The economic climate is ever changing and for these reasons the City must remain optimistically cautious and only increase revenues when they are received. Staff will continue to monitor and request quarterly revenue adjustments based on this approach. These revenue adjustments will be offset by replenishing our expenditure levels accordingly.