

**To:** Mayor and City Council  
**From:** City Manager  
**Meeting Date:** March 8, 2022  
**Subject:** FISCAL YEAR 2021-22 CITY OF PICO RIVERA MID-YEAR BUDGET REPORT AS OF DECEMBER 31, 2021

**Recommendation:**

1. Receive and file the Mid-Year Budget Report ending December 31, 2021, which represents the balances and activity for the first and second quarters (July through December) of the 2021-22 fiscal year; and
2. Approve a Budget Adjustment amending the fiscal year (FY) 2021-22 Adopted Budget for the General Fund and Special Funds as outlined in Enclosure 1 of this report.

**Fiscal Impact:**

The Mid-Year Report shows current revenues and expenditures for the first six (6) months of this FY 2021-22. The FY 2021-22 adopted budget anticipated that General Fund Revenues would be \$45,433,640. Upon review of the year-end estimates provided for the first six (6) months, it is estimated that the revised revenue adjustment should be increased by \$2,144,887 as detailed in Enclosure 1 of this report. The Mid-Year, Revenue Projections are estimated to be \$2,144,887 above projected expenditures, which provides sufficient funding for the critical adjustment recommendations outlined in Table 5 (Enclosure 1) of this report. The recommended General Fund Budget Adjustments listed in Enclosure 1 require additional appropriations of \$58,400 and Enterprise Funds Budget Adjustments listed in Enclosure 2 require additional appropriations of \$2,200,000 being requested at this time.

**Background:**

The City Council adopted the balanced FY 2021-23 Biennial Budget on June 8, 2021, that was conservatively developed and included modest revenue growth consistent with the economic conditions at the time of budget development. The Budget was built upon the assumption that a slow recovery, which started in the latter part of FY 2020-21, would continue throughout the fiscal year period. This mid-year budget performance report for FY 2021-22 includes the six (6) month period beginning July 1, 2021 through

December 31, 2021 and year-end projections for the remaining six (6) month period of fiscal year from January 1, 2022 through June 30, 2022. This report summarizes the City of Pico Rivera's (City) overall financial position for the current fiscal year and provides quarterly public reporting, with an emphasis on the General Fund. By December 31<sup>st</sup>, the expectation is that most budget categories will be at 50%, although this may fluctuate based on timing of certain receipts and expenditures/projects. At the end of the third-quarter (March 31<sup>st</sup>), staff will conduct another review of revenues and expenditures and provide updates.

The Mid-Year Budget Report provides an in-depth assessment of the City's revenues and expenditures during the first half of the fiscal year and provide projections of the fiscal year end results, which serve as the starting point for the refinement of next year's budget. The Mid-Year review allows the City to monitor its revenues and expenditures, with the intent to proactively respond to unanticipated changes and emerging trends. It also provides fiscal transparency of the City's finances as the City is ultimately accountable to its residents for the use of revenue. The Mid-Year Budget Review is an important touchstone in the City's monitoring of its economic recovery and ensuring fiscal sustainability.

## **Discussion:**

Based on the first six (6) months of activity, staff is projecting that revenues will exceed expenditures by approximately \$2.14 million, by June 30, 2022. The Mid-Year outlook is positive, but the City remains in a period of uncertainty driven by the pandemic, inflation and anticipated increases in interest rates, and ongoing trends impacting the retail sector. The City has been continuously working to avoid future economic downturns, by developing and monitoring responsible and strategic budgets that provide essential services to our residents and fulfill City Council priorities. These efforts ensure the City maintains current and future financial sustainability and security. A detailed analysis highlighted the major changes will be presented in this report.

### Mid-Year Accomplishments

City staff compiled a mid-year review of department accomplishments half-way through FY 2021-22. These accomplishments highlight the progress of departments working toward a range of City Council goals and priorities, including federal and state legislative advocacy, city legislative action, funding allocation, city development and community outreach and engagement. Although this is not a comprehensive list of all accomplishments, it provides a summary of our most notable achievements.

### Administration

- Successfully approved the Five-Year Strategic Plan for the City on February 22, 2022. City Council approved Resolution No. 7158 approving new mission, vision and values statements, core goal areas, and strategies, therefore authorizing the implementation of the City of Pico Rivera Five-Year Strategic Plan.

- Conducted the first Community Survey in 14 years and developed the City's inaugural five-year strategic plan. The Community Survey was conducted in English and Spanish for two (2) weeks and had a statistically random sample size of 483 adult residents. The survey results were used as an input for the five-year strategic plan, in addition to in-person community engagement, an internal working group, and City Council feedback. The purpose of the strategic plan is to ensure alignment between the City's resources and activities, City Council's policy direction, and to advance the City's mission and vision over the next five (5) years.
- Conducted an Employee Engagement Survey, similar to the community survey. The employee engagement survey was designed to measure how clear the City's long-term direction and purpose are to employees, direction of organizational growth, and to understand satisfaction with the overall workplace culture. The results showed that the majority of employees feel they have the tools and resources needed to succeed in their job, are committed to the organization long-term, and have a strong sense of providing excellent customer service. The survey results also showed the desire for increased communication on the City's goals and priorities.
- Awarded a Caltrans Grant to develop the Whittier Blvd. Multimodal Revitalization Plan in the amount of \$332,000.

#### City Clerk

- Successfully implemented a Trusted Governance Records Management Program that establishes systematic controls that allows the City to declare that they have a "Trusted System" that is a combination of technologies, policies and procedures for public record retrieval and reproduction. A Trusted System allows the City departments to upload electronic documents or scan paper documents into the records repository, declare those scanned images as the official record and destroy paper.

#### Office of Sustainability

- Pico Rivera Innovative Municipal Energy (PRIME) applied to receive California Arrearage Payment Program (CAPP) assistance funds administered by the California Department of Community Services and Development (CSD) on behalf of its customers that incurred a past due balance of 60 days or more on their energy bill during the COVID-19 pandemic. Nine hundred and ninety-three eligible PRIME customers received a total of \$323,921 in bill credits which were automatically credited to their Southern California Edison (SCE) bill in March 2022.
- In December 2021, the City won a grant in the amount of \$50,000 from the Southern California Gas Company (So Cal Gas) for the purpose of climate adaptation and resiliency planning in disadvantaged communities. The City will use the grant funds to develop a Climate Action and Adaptation Plan that will also be incorporated into the General Plan.

### Administrative Services

- Successfully updated the Procurement Policies and Procedures adopted by the City Council on November 9, 2021. Approved Resolution No. 7155, amended the citywide Procurement Policy and Procedures that allows staff to follow procurement and purchasing processes appropriately and ethically to ensure the efficient use of public funds.
- Obtained City Council approval for the American Rescue Plan Act (ARPA) Funds appropriations of \$14,772,455 to fund various projects and programs, including the City pool, pavement improvement projects, PFOS/PFAS treatment facility, and partial funding for a new dog park. ARPA funding successfully appropriated based on the priority rankings from City Council members to projects and programs.
- City staff was successfully able to assist 315 residential and commercial water utility customers obtain economic relief on their utility bills in the amount of \$159,275 through the California Arrearage Payment Program (CAPP). This program is a state program that assists utility customers who incurred a past due balance of 60 days or more on their utility bill during the COVID-19 pandemic relief period covering March 4, 2020 through June 15, 2021.
- Successfully completed telecommunications upgrades to the City's phone system. The City was able to upgrade the outdated phone system and telecommunications system to a more efficient and effective telecommunications platform, one which provides the City with a multitude of features that will optimize community engagement and services. A total of 150 new physical and smartphone devices were installed and multiple administrator/basic user trainings were held for all city staff over three (3) days.
- Successfully refinanced the 2001 Successor Agency bonds, which held an interest rate of 7%, with a private placement at a much lower, 1.51% interest rate, enabling the City to maximize savings while reducing the City's pledge of Sales Tax over the life of the refunding bonds by roughly \$7.455 million. Additionally, an estimated \$750,000 to \$850,000 in annual Property Tax is expected to return to the General Fund once then outstanding debt amount is paid in full in 2026.
- Obtained approval from the Los Angeles County Superior Court of the State of California to issue a Default Judgment in Validation Proceedings related to our intent to issue and sell Pension Obligation Bonds. The Validation Judgment confirms that the City's Unfunded Liability is an "obligation imposed by law," which may be refinanced with Pension Obligation Bonds. This ruling is final and leaves no question that these bonds can be issued under the Refunding Bond Law.

### Community and Economic Development

- Successfully presented to City Council a Vacant Lot ordinance to ensure unused, undeveloped land has the appropriate level of maintenance, security, and

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ongoing care in order to reduce nuisances and encourage property owners to develop the land for productive use. City Council approved adding the Vacant Lots ordinance updating Pico Rivera Municipal Code (PRMC) Section 8.16.015.

- Established a Tobacco Retail Licensing Program and prohibiting the sale of flavored tobacco in the City and updating PRMC 8.48.
- Major tenant improvements underway at Crossroads Plaza (for Home Depot site) with new anchor tenants. Crossroads Plaza is a large sales tax producer for the City.
- Completed a Community Resiliency Plan for Emergency Preparedness with the American Red Cross.
- Completion of the draft Housing Element update through State HCD review.

#### Human Resources

- Since COVID-19 remains fluid, staff has continuously updated the COVID-19 Prevention Plan to ensure a safe work environment.
- Hired 30 employees.
- Updated job descriptions and Personnel Rules and Regulations.

#### Parks & Recreation

- Successfully brought back in-person Special Events such as National Night Out, Mariachi Festival, Halloween Spooktacular, and the Holiday Festival & Tree Lighting. A total of eight (8) special events were hosted with over 21,000 attendees in total.
- Safely brought back in-person Summer Camp for youth ages Kindergarten through 8<sup>th</sup> grade. Camp was maxed-out at 112 campers per week, for eight (8) weeks.
- Successfully provided a Grab and Go summer meal program for children ages 18 and under. Fifty-nine thousand, six hundred and forty-seven (59,647) meals were provided with the help of volunteers who donated approximately 1,485 hours to the Summer Food Service Program.
- Awarded a grant from No Kid Hungry in the amount of \$24,500 which supported the existing Summer Food Service Program in helping provide additional staff support, equipment, PPE, and promotional materials.
- Purchased and installed 20 security cameras and five (5) speakers at Rio Hondo Park to provide full coverage of all park areas, for a total cost of \$116,320. The installed security surveillance camera system was dedicated in honor of fallen Sheriff Deputy Thomas Albanese, to commemorate his long-standing commitment to protect and serve our community.

#### Public Works

- Public Works Field Maintenance staff completed yearly winter field maintenance on all fields at all City parks.

- The Per- and Polyfluoroalkyl Substances (PFAS) Treatment System Project, Capital Improvement Project (CIP) No. 50042, addresses regional groundwater found to have a variety of PFAS constituents at various levels of concentration throughout the region's water supply. Project entails monitoring of sampling for PFAS, design phase of the treatment facilities, procurement of dual media vessels, and construction of the future treatment facilities.
- Facilities Condition Assessment and Security Master Services – Awarded a Professional Services Agreement to complete by end of fiscal year.
- Annual Sidewalk Improvement Project, CIP No. 50038 - Awarded a construction contract for final completion.
- Geographic Information Systems (GIS) successfully implementing a focused GIS platform with the foundations of the GIS platform completed such as developing and acquiring data layers, integration of GIS with other enterprise City business systems, and establishing GIS support services for mapping requests and analysis.

### **General Fund Mid-Year Review – Six Months through December 31, 2021**

#### **Revenues**

General Fund revenues through the halfway point (second quarter) total \$20.02 million, or 44% of the \$45.43 million annual budget, compared to \$18.65 million at FY 2020-21 Mid-Year. General Fund revenues are not received evenly throughout the year, so revenue received through the second quarter is not expected to be 50% of the total budget. Staff projects that General Fund revenue will total \$47.57 million this fiscal year, approximately \$2.14 million greater than currently budgeted (See Table 1).

The General Fund has several sources of revenue, three (3) major categories including Sales Tax, Property Tax and Utility Users Tax, with Licenses and Permits, and Transient Occupancy Tax contributing closely behind the major categories. Table 1 below shows revenues by category.

Sales tax is the largest source of revenue for the General Fund. The Sales Tax revenue increased by \$1.22 million, or 16% as compared to this same period last year due to the City continuing to recover economically from COVID-19 in the following major sales tax generating groups. Demand and consumption of fuel and prices of gasoline at the pumps have spiked to record levels, and this has resulted in a boost in the sales tax associated with the fuel and service station sector. The City has experienced a strong rebound from casual dining and quick-service restaurants, and receipts from family apparel, electronic/appliance stores, repair shop-hand tools, light industrial/ printers, business services, and the state and county pools were also up.

While local sales tax collections increased as the economy rebounded from the pandemic, some of that growth is attributed to inflation, which was the highest it has

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been in over thirty years. Given the positive results and the continuing upward trend, staff recommends an increase of \$2 million in the General Fund Sales Tax budget. This is consistent with the most recent projections provided by the City's sales tax consultant, HdL Companies (HdL). It is important to note that the sales tax budget is composed of HdL's projections. HdL builds in a certain amount of conservatism in their projections and the economy is rebounding more quickly than industry experts initially predicted.

Property tax is the second largest General Fund revenue sources, a net taxable value increase of 6.1% for the 2021-22 tax roll that was actually more than the increase countywide at 3.6%. The median sale price of a detached single family residential home in Pico Rivera from January through October 2021 was \$602,500. This represents a \$67,500 or 12.62% increase in median sale price from 2020. Growth in home sales strengthened in the summer of 2020 and is reflected on the 2021-22 tax rolls. Home prices increased in the second half of 2020 due to low inventory of available homes for sale and historically low mortgage rates. These conditions have continued to cause prices to rise in 2021. Based on actual receipts to date, staff recommends an increase of \$249,224 in the General Fund Property Tax budget.

Utility Users Tax (UUT) is higher by \$643,488 as compared to the same time last fiscal year primarily due to an increase in usage and pricing of electric and natural gas billed charges. When comparing prices of Electricity per Kilowatt Hour (EKH) and Utility (piped) gas per therm (UGT), the Bureau of Labor Statistics shows EKH went up 13% in the Los Angeles Area and UGT went up 19%. Despite this trend, UUT will be reevaluated during the third quarter review. Staff expects this revenue to come within budget.

Licenses and Permits are slightly higher by \$287,318 in FY 2021-22 as compared to FY 2020-21 primarily due to an increase of Plan Check fees and Other Licenses and Permits fees administered and collected by the Building and Planning division. Staff will continue to monitor this and expects to be on target with budget.

Transient Occupancy Tax (TOT) the hotel visitor tax is higher by \$125,300 as compared to the same time last fiscal year primarily attributable to the rebound of travel and lodging and more COVID-19 restrictions being lifted. TOT revenue is expected to meet budget.

Business License Tax revenue experienced higher revenue at mid-year in FY 2020-21 as compared to FY 2021-22 by \$173,282 primarily due to last fiscal year being a "catch-up" for delinquent and late fees for businesses not meeting compliance. FY 2021-22 is more reflective of pre-pandemic revenues and expected to meet budgeted amounts.

Parks and Recreation revenues increased by \$58,000 as compared to this period in FY 2020-21, primarily due to the cancelation of events and in-person services at the height

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of COVID-19 restrictions in FY 2020-21. Increases are primarily driven by the expansion of recreation programs and contact class offerings in FY 2021-22. The reopening of limited programs and services has slightly increased revenues but with the continued restrictions still in place and the closure of the Smith Park Pool, it is expected that this category will not meet budget expectations and will come in \$164,100 below budget, with year-end projections anticipated to be \$157,400.

Overall, General Fund revenues are projected to end the year approximately \$2,144,887 or 4% higher than what was budgeted at the start of the fiscal year for a total FY 2021-22 revenue projection of approximately \$47,578,527. This is primarily attributed to increased revenues in Sales Tax, Property Tax, and Licenses and Permits, as described above. Staff will continue to monitor the revenue trends for the remainder of the fiscal year and modify the year-end estimate, if necessary, during our third quarter review.

**Table 1. General Fund Revenues by Category**

Revenue Source	FY 20-21 ACTUALS	FY 20-21 MID-YEAR ACTUALS	FY 21-22 ADOPTED	FY 21-22 MID-YEAR ACTUALS	FY 21-22 YEAR-END PROJECTIONS	\$ FY 20/21 vs. FY 21/22 MID-YEAR	% FY 20/21 vs. FY 21/22 MID-YEAR	YEAR-END VARIANCE
Sales Tax	21,325,436	6,432,252	20,334,350	7,655,617	22,334,350	1,223,365	16%	2,000,000
Property Tax	11,792,050	5,889,239	12,231,509	5,924,695	12,480,733	35,456	1%	249,224
Utility Users Tax	3,157,258	1,138,914	3,130,682	1,782,402	3,130,682	643,488	36%	-
Franchise Tax	941,607	91,502	812,000	98,231	812,000	6,729	7%	-
Transient Occupancy Tax (TOT)	433,797	118,985	433,620	244,284	433,620	125,299	51%	-
Business License Tax	1,622,135	700,885	1,433,801	527,602	1,433,801	(173,282)	(33%)	-
Parks & Recreation Fees	66,290	10,749	321,526	68,775	157,426	58,026	84%	(164,100)
Licenses & Permits	1,607,765	776,888	1,324,616	1,064,206	1,324,616	287,318	27%	-
All Other Revenues*	3,085,018	1,855,661	3,791,080	1,841,655	3,820,843	(14,006)	(1%)	29,763
<b>OPERATING REVENUE</b>	<b>44,031,356</b>	<b>17,015,074</b>	<b>43,813,184</b>	<b>19,207,468</b>	<b>45,928,071</b>	<b>2,192,394</b>	<b>11%</b>	<b>2,114,887</b>
Cares Act	919,448	874,349	-	28,703	30,000	(845,646)	(2946%)	30,000
Transfers In**	1,375,868	761,022	1,620,456	783,845	1,620,456	22,823	3%	-
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>46,326,671</b>	<b>18,650,444</b>	<b>45,433,640</b>	<b>20,020,016</b>	<b>47,578,527</b>	<b>1,369,571</b>	<b>7%</b>	<b>2,144,887</b>

\*Includes Fines & Forfeitures, Charges for Services, Use of Money, Other Revenue, and Intergovernmental Revenue  
 \*\*Includes Transfer In (Gas Tax)

**Expenditures**

General Fund expenditures through the halfway point (second quarter) total \$26.38 million, or 58% of the \$45.433 million Adopted Budget. Most departments had decreases from the prior year primarily in Salaries and Benefits by \$878,300 due to unfilled vacancies in various City departments. Maintenance and Operations costs in the General Fund departments increased by \$1.15 million as compared to this same period last year largely due to the prefunding of contributions to the City's Other Post-Employment Benefit (OPEB) as described below.

Discussion of Departments with significant variances from the prior year are as follows:



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- Administration mid-year expenditures are lower compared to the same period last year, due to attorney fees reallocated to the departments which utilize the service. This reallocation resulted in a decrease in the Administration department and increases in legal fees to appropriate departments below. It is expected to meet budget expectations by the end of the year.
- Public Safety (Los Angeles County Sheriff's Department) is tracking within budget as compared to same period last year and expected to come in within budget.
- Administrative Services is slightly higher as compared to last fiscal year due to Information Technology (IT) division being under Administrative Services. The Salaries and Benefits costs are tracking under due to position vacancy as the incumbent Director is overseeing this department and is also filing as the Interim Assistant City Manager under the Administration department. Maintenance and Operations costs are tracking higher due to an active list of ongoing IT projects, including Office 365, Telecommunications upgrades, and an Information Technology Assessment. It is expected to meet budget expectations by year-end.
- Community & Economic Development is tracking below by 4% as compared to the same period last year primarily due to salary savings from existing employee vacancies that are expected to be filled by the end of the fiscal year. Maintenance and Operations costs are tracking higher than last year due to ongoing Professional and Contracted Services such as Planning and Building Inspection Services and expected to come within budget by year-end.
- Non-Departmental most notable increase is due to the prefunding of \$972,000 in contributions to the City's Other Post-Employment Benefit (OPEB) in FY 2021-22 as compared to last fiscal year. The OPEB cost had been deferred since it was initially funded in 2017. Other notable citywide increases are due to annual Group Health rate increases and Tuition Reimbursement expenditures moved from the Human Resources department to Non-Departmental. It is expected to meet budget expectations by the end of the year.
- Human Resources expenditures decreased in the Salaries and Benefits category due to the IT division moving to the Administrative Services department. The Maintenance and Operations costs increased due to City Attorney reallocation from Administration to each department, increase in recruitment costs, and training and compliance of COVID-19 regulations. Due to an increase in recruitment costs and related supplies, staff is recommending a budget adjustment of \$13,400 as detailed in Enclosure 1.

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- Parks & Recreation has increased expenditures as compared to last fiscal due to COVID-19 restrictions lifting and more programs/services being offered. The increase to Salaries and Benefits are primarily due to hourly salaries for staff returning to work. The Maintenance and Operations increases are primarily due to Special Events such as the Mariachi Festival, Veteran's Day Event, and Holiday Tree Lighting Event, along with Contracted Services costs for additional programming and services being offered. Although as compared to last fiscal year, the Parks & Recreation department expenditures have increased, they are expected to meet budget expectations by end of the year.
- Public Works is tracking reasonably in line with their total budget as compared to this same period last fiscal year. The salary savings from unfilled vacancies include the vacant Director and Deputy Director Positions and expected effects of the Early Retirement Incentive Program (ERIP). The vacant Director and Deputy Director are being backfilled with management contract services. The Maintenance and Operations costs increase is attributed to tree trimming services contract increases as well as the management consulting team. Due to an increase in street, park and fleet maintenance supplies, repairs, and overtime costs, staff is recommending a budget adjustment of \$45,000 for the remainder of the fiscal year as detailed in Enclosure 1.
- Transfers Out includes the \$5 million refinancing expenditure for the 2001 Tax Allocation Bonds (TABs) that was approved by City Council on April 13, 2021. This General Fund Designation is partially funding the refinancing of the 2001 Tax Allocation Bonds to obtain a more favorable interest rate and increase savings. The City was able to successfully refinance the outstanding 2001 Bonds from 7% to 1.51% to generate a substantial overall debt service and sales tax pledge savings of approximately \$10.95 million.

Table 2 shows expenditures by Department.

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**Table 2. General Fund Expenditures by Department**

DEPARTMENT / EXPENDITURE CATEGORY	FY 20-21 MID-YEAR ACTUALS	FY 21-22 ADOPTED	FY 21-22 AMENDED	FY 21-22 MID-YEAR ACTUALS	FY 20/21 vs. FY 21/22 MID-YEAR ACTUALS	FY 20/21 vs. FY 21/22 MID-YEAR ACTUALS	Percentage of Budget Used
<b>ADMINISTRATION</b>							
Salaries & Benefits	751,468	1,505,174	1,505,174	755,251	3,783	1%	
Maintenance & Operations	174,342	434,560	651,953	155,945	(18,397)	(11%)	
<b>TOTAL ADMINISTRATION</b>	<b>925,810</b>	<b>1,939,734</b>	<b>2,157,127</b>	<b>911,196</b>	<b>(14,614)</b>	<b>(2%)</b>	<b>47%</b>
<b>Public Safety</b>	<b>6,121,633</b>	<b>12,713,448</b>	<b>12,974,036</b>	<b>6,089,195</b>	<b>(32,438)</b>	<b>(1%)</b>	<b>48%</b>
<b>ADMINISTRATIVE SERVICES</b>							
Salaries & Benefits	781,709	1,730,251	1,708,411	725,418	(56,291)	(7%)	
Maintenance & Operations	42,526	695,751	744,591	224,488	181,961	428%	
<b>TOTAL ADMINISTRATIVE SERVICES</b>	<b>824,235</b>	<b>2,426,002</b>	<b>2,453,002</b>	<b>949,905</b>	<b>125,670</b>	<b>15%</b>	<b>39%</b>
<b>COMMUNITY &amp; ECONOMIC DEVELOPMENT</b>							
Salaries & Benefits	1,892,489	3,754,249	3,582,249	1,526,076	(366,412)	(19%)	
Maintenance & Operations	203,748	1,983,437	2,438,802	486,295	282,547	139%	
<b>TOTAL COMMUNITY &amp; ECONOMIC DEVELOPMENT</b>	<b>2,096,237</b>	<b>5,737,686</b>	<b>6,021,051</b>	<b>2,012,372</b>	<b>(83,865)</b>	<b>(4%)</b>	<b>35%</b>
<b>Non-Departmental</b>	<b>3,106,169</b>	<b>6,232,742</b>	<b>6,232,742</b>	<b>3,178,026</b>	<b>71,857</b>	<b>2%</b>	<b>51%</b>
<b>HUMAN RESOURCES</b>							
Salaries & Benefits	442,242	649,436	649,436	341,764	(100,478)	(23%)	
Maintenance & Operations	194,598	436,650	675,293	270,749	76,151	39%	
<b>TOTAL HUMAN RESOURCES</b>	<b>636,840</b>	<b>1,086,086</b>	<b>1,324,729</b>	<b>612,513</b>	<b>(24,327)</b>	<b>(4%)</b>	<b>56%</b>
<b>PARKS &amp; RECREATION</b>							
Salaries & Benefits	2,056,311	4,597,466	4,597,466	2,124,959	68,649	3%	
Maintenance & Operations	233,573	996,018	1,312,807	345,512	111,939	48%	
<b>TOTAL PARKS &amp; RECREATION</b>	<b>2,289,883</b>	<b>5,593,484</b>	<b>5,910,273</b>	<b>2,470,471</b>	<b>180,588</b>	<b>8%</b>	<b>44%</b>
<b>PUBLIC WORKS</b>							
Salaries & Benefits	2,637,722	4,526,567	4,369,196	2,210,119	(427,602)	(16%)	
Maintenance & Operations	1,408,898	4,112,890	4,630,667	1,889,611	480,713	34%	
<b>TOTAL PUBLIC WORKS</b>	<b>4,046,619</b>	<b>8,639,457</b>	<b>8,999,863</b>	<b>4,099,730</b>	<b>53,111</b>	<b>1%</b>	<b>47%</b>
<b>GENERAL FUND OPERATING EXPENDITURES</b>	<b>20,047,427</b>	<b>44,368,639</b>	<b>46,072,823</b>	<b>20,323,409</b>	<b>275,982</b>	<b>1%</b>	<b>46%</b>
<b>TOTAL Salaries &amp; Benefits</b>	8,561,940	16,763,143	16,411,932	7,683,588	(878,352)		
<b>TOTAL Maintenance &amp; Operations</b>	11,485,486	27,605,496	29,660,891	12,639,821	1,154,335		
	<b>20,047,427</b>	<b>44,368,639</b>	<b>46,072,823</b>	<b>20,323,409</b>	<b>275,982</b>	<b>1%</b>	<b>46%</b>
Transfers Out	-	1,065,000	6,065,000	6,065,000	6,065,000	0%	569%
<b>TOTAL - GENERAL FUND EXPENDITURES</b>	<b>20,047,427</b>	<b>45,433,639</b>	<b>52,137,823</b>	<b>26,388,409</b>	<b>6,340,982</b>	<b>32%</b>	<b>58%</b>

**General Fund Citywide**

The year-end revenues are slightly higher than estimated, while expenditures are generally consistent with annual projections. At the end of the second quarter or halfway point, expenditures exceed revenues due to upfront expenditures such as TABs Successor Agency Refinancing, OPEB, and Contracted Services. Staff is projecting that revenues will exceed expenditures by approximately \$2,144,887 by June 30, 2022. The mid-year report is developed using six (6) months of actual (unaudited) activity for FY 2021-22. An update will be provided in the FY 2021-22 third quarter budget results. Except for the identified variances, expenditures and revenues are tracking as expected. Table 3 below summarizes the total General Fund revenues and expenditures citywide.

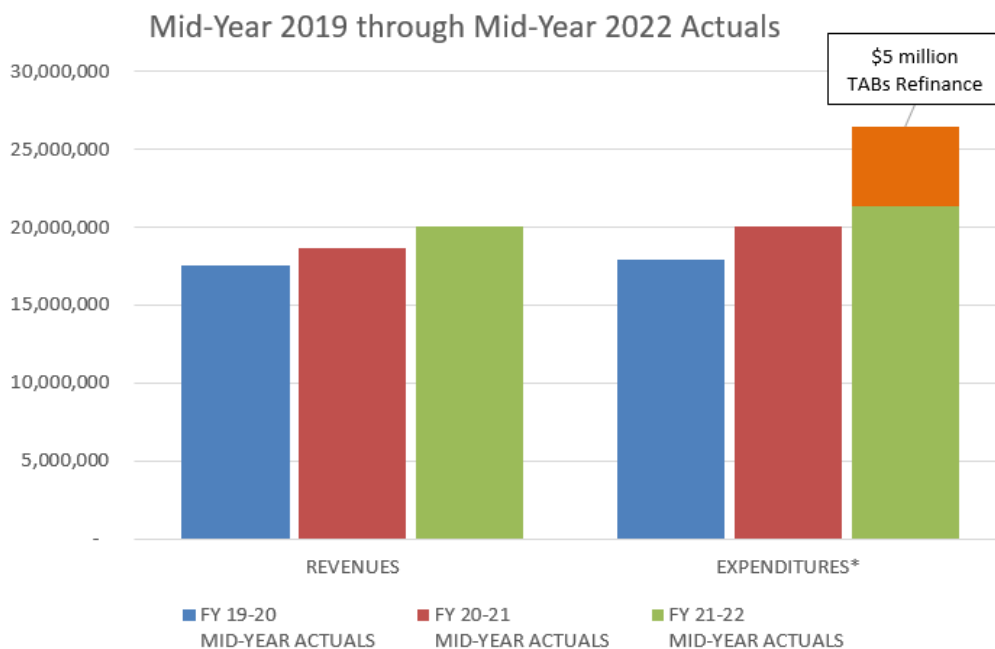
**Table 3. General Fund Revenues and Expenditures Citywide Totals**

	FY 20-21 MID-YEAR ACTUALS	FY 21-22 ADOPTED	FY 21-22 AMENDED	FY 21-22 MID-YEAR ACTUALS	FY 21-22 YEAR-END PROJECTIONS	\$ FY 20/21 vs. FY 21/22 MID-YEAR ACTUALS	% FY 20/21 vs. FY 21/22 MID-YEAR ACTUALS	YEAR-END VARIANCE
REVENUE*	\$ 18,658,773	\$ 45,433,640	\$ 45,606,639	\$ 20,020,016	\$ 47,578,527	\$ 1,361,243	7%	\$ 2,144,887
EXPENDITURES**	20,047,427	45,433,640	47,137,824	21,388,409	47,137,824	1,340,982	6%	1,704,184
<b>SUBTOTAL</b>	<b>(1,388,653)</b>	<b>-</b>	<b>(1,531,185)</b>	<b>(1,368,393)</b>	<b>440,703</b>	<b>20,260</b>	<b>(1%)</b>	<b>440,703</b>
ONE-TIME TRANSFER OUT (TABs REFINANCE)	-	-	5,000,000	5,000,000	5,000,000	5,000,000	100%	5,000,000
<b>SURPLUS / (DEFICIT)</b>	<b>\$ (1,388,653)</b>	<b>\$ -</b>	<b>\$ (6,531,185)</b>	<b>\$ (6,368,393)</b>	<b>\$ (4,559,297)</b>	<b>\$ (4,979,740)</b>	<b>78%</b>	<b>\$ (4,559,297)</b>

*\*Includes Non-Operating Transfers In (Gas Tax and Intergovernmental Transfers)*  
*\*\*Includes Vacancy Savings & Non-Operating Xfer out*

The Administrative Services Department conducted a three (3) year comparison of the mid-year of FY 2019-20 through mid-year of FY 2021-22 that shows pre-pandemic, pandemic, and post-pandemic actuals as is depicted in Graph 1. The mid-year of FY 2019-20 shows pre-pandemic revenues and expenditures that are considered under normal operations. The mid-year of FY 2020-21 was during the pandemic impacted the budget with unexpected expenses and significant uncertainty about how long the pandemic would last. FY 2021-22 is the reduced impact of the pandemic and allowing operations to align more closely with pre-pandemic budgets. It is important to note FY 2021-22 expenditures includes one-time Transfer Out for the \$5 million refinancing of the 2001 Tax Allocation Bonds which was paid out of previously designated amounts within the General Fund. This is considered a one-time event and should not be factored in the analysis of mid-year performance.

**Graph 1. Mid-Year 2019 Actuals through Mid-Year 2022 Actuals**



**General Fund Budget Adjustments:**

The FY 2021-22 General Fund Budget was adopted as a balanced budget of \$45,433,640 in revenues and expenditures. Since its adoption, certain unavoidable costs have been identified and are being recommended for budget adjustments as outlined in Enclosure 1 for the General Fund and in Enclosure 2 for Enterprise Funds. FY 2021-22 Year-End Projections anticipate sufficient funds for the critical adjustment recommendations.

<b>GENERAL FUND ADJUSTMENTS</b>	<b>Decrease</b>	<b>Increase</b>	<b>New Appropriation Request</b>	<b>Final Net Increase / (Decrease)</b>
REVENUE	\$ (186,600)	\$ 2,271,724	\$ -	\$ 2,085,124
EXPENDITURE			\$ 58,400	\$ 58,400
<b>TOTAL ADJUSTMENTS INCREASE/(DECREASE)</b>				<b>\$ 2,026,724</b>

**Enterprise Funds**

The City has four (4) Enterprise Funds – Water Authority, PRIME, Golf Course, and Sports Arena. Collectively, these are all separate funds where the City charges a fee to customers to cover all or most of the costs of services it provides. A review of these funds is conducted as part of the FY 2021-22 Mid-Year Budget Review. Upon analysis, the Enterprise Funds require mid-year adjustments to revenue and expenditures as outlined below primarily due to updated projections and budgetary clean-up. Enclosure 2 of this document details the funds and categories.

<b>ENTERPRISE FUNDS ADJUSTMENT</b>	<b>Decrease</b>	<b>Increase</b>	<b>New Appropriation Request</b>	<b>Final Net Increase / (Decrease)</b>
REVENUE	\$ (106,500)	\$ 2,261,000	\$ -	\$ 2,154,500
EXPENDITURE	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000
<b>TOTAL ADJUSTMENTS INCREASE/(DECREASE)</b>				<b>\$ (45,500)</b>

The total Enterprise Funds summary of revenues and expenditures as of December 31, 2021 on Table 5, on the next page.

**Water Operations Enterprise Fund**

The FY 2021-22 Water Fund revenues includes the implementation of the water rate increases of 10% that was adopted by the City Council on April 27, 2021. The revenue also includes the \$5 million TABs refinance as previously discussed in this report. Staff expects to meet budget.

**Pico Rivera Innovative Municipal Energy (PRIME) Fund**

The PRIME Fund includes revenues and expenditures for the purchase and sale of “greener” energy for consumers. FY 2021-22 Mid-Year expenditures are tracking higher than revenues by approximately \$685,000 primarily due to unanticipated

changes in the energy market as a result of extreme heat events during the Summer of 2021, causing an increase in demand on the statewide grid and exorbitant market place energy prices. Staff recommends a net reduction of \$129,000 due to updated revenue projections, unanticipated expenditure increases due to exorbitant energy market place prices, and an expenditure budgetary cleanup item for California Public Utilities Commission mandates for the purchase of Resource Adequacy supply.

**Golf Course Fund**

The Pico Rivera Golf Course experienced an increase in play last fiscal year due pandemic restrictions limiting indoor activities and golf being one of the only outdoor sports allowed, but with pandemic restrictions lifting and partial green closures the golf play revenue has decreased. The lifting of pandemic restrictions allowed for indoor activities and events to be held in the Banquet Hall which has increased rental revenue and concession sales. Due to the impending closure of the Golf Course in late 2022, staff has updated revenue projections to more align with actual receipts and end of year projections.

**Sports Arena Fund**

The Sports Arena is slowly recovering from COVID-19 restrictions and have not resumed operations as pre-pandemic levels for rentals. Certain expenditures are included for the maintenance/facility security efforts. Staff will continue to monitor and reevaluate at third quarter.

**Table 5. Summary Enterprise Fund Budgets**

FY 2021-22 Enterprise Funds Mid-Year Results				
	Water Operations	PRIME	Golf Course	Sports Arena
Revenue	\$ 10,647,511	\$ 7,114,213	\$ 483,527	\$ (59)
Expenditures	\$ 4,146,387	\$ 7,799,417	\$ 589,073	\$ 43,200
<b>SURPLUS / (DEFICIT)</b>	<b>\$ 6,501,124</b>	<b>\$ (685,204)</b>	<b>\$ (105,546)</b>	<b>\$ (43,259)</b>

**Conclusion:**

This Mid-Year (second quarter) Report presents an overview of the City’s operating revenues and expenditures for the mid-year ending December 31, 2021 in comparison to the previous year. Mid-Year operating expenditures are in line with the current budget at 51%. The projected year-end General Fund revenues are on target compared to the budget, and projected to come in slightly higher than budget by approximately \$2.14 million or 4% by the end of FY 2021-22. The financial results from the prior fiscal year, combined with the FY 2021-22 mid-year data, confirm the City’s goal of continuing to remain on the path to structural balance through fiscal discipline

being a fundamental component of financial reporting. Departments continue to work to reduce impacts to the General Fund and understand their financial pressures and should be commended for their efforts. Staff will continue to monitor each revenue source and expenditure activity closely and will evaluate opportunities to enhance revenues and reduce expenditures.

Steve Carmona

SC:AG:DS:ep

Enclosures: 1) FY 2021-22 Mid-Year General Fund Budget Adjustment Worksheet  
2) FY 2021-22 Mid-Year Enterprise Funds Budget Adjustment  
Worksheet

**CITY OF PICO RIVERA**  
**Fiscal Year 2021-22 Mid-year Budget Adjustments**  
**ENCLOSURE 1 - General Fund**  
**March 8, 2022**

GENERAL FUND	Decrease	Increase	New Appropriation Request	Net Increase / (Decrease)	Notes
<b>REVENUE</b>					
<b>Sales &amp; Use Tax</b>					
100.00.0000-40100		\$ 1,000,000		\$ 1,000,000	Increase in General Consumer Goods/State and County Pools
100.00.0000-40101		\$ 1,000,000		\$ 1,000,000	Increase in General Consumer Goods/State and County Pools
<b>Property Tax</b>					
100.00.0000-44200		\$ 222,490		\$ 222,490	Increase in home sales & median home price
100.00.0000-45400		\$ 26,734		\$ 26,734	Increase in home sales & median home price
<b>Parks &amp; Recreation Fees</b>					
100.00.0000-46501	\$ (300)			\$ (300)	No longer charging NSF fees due to not using payment plans.
100.00.0000-46503	\$ (38,880)			\$ (38,880)	No longer offering Tiny Tot program.
100.00.0000-46506	\$ (37,500)			\$ (37,500)	Not offering aquatics programming due to pool being closed.
100.00.0000-46508	\$ (24,900)			\$ (24,900)	Not offering youth sports due to pandemic.
100.00.0000-46509	\$ -	\$ 22,500		\$ 22,500	Large increase in adult softball activities during pandemic.
100.00.0000-46510	\$ (45,000)			\$ (45,000)	Not offering many contract classes due to pandemic.
100.00.0000-46511	\$ (1,980)			\$ (1,980)	Not offering adaptive recreation during pandemic.
100.00.0000-46514	\$ (200)			\$ (200)	Not offering fee supported teen programming during pandemic.
100.00.0000-46520	\$ (3,840)			\$ (3,840)	COVID-19 outbreak during program and refunded all money to players to stop program.
100.00.0000-46601	\$ (8,000)			\$ (8,000)	Canceling many trips due to low enrollment caused by pandemic.
100.00.0000-46603	\$ (1,000)			\$ (1,000)	Not offering programming during pandemic.
100.00.0000-46607	\$ (25,000)			\$ (25,000)	Offering reduced programming during pandemic.
<b>EXPENDITURE</b>					
<b>Administration</b>					
<b>City Attorney</b>					
100.14.1400-54500	\$ (40,800)			\$ (40,800)	Reallocate legal expense budget from City Attorney to departments to meet operational needs.
<b>Administrative Services</b>					
<b>Administration</b>					
100.20.2000-56910		\$ 6,000		\$ 6,000	Reallocate legal expense budget from City Attorney to departments to meet operational needs.
<b>Community &amp; Economic Development</b>					
<b>Planning</b>					
100.30.3010-56910		\$ 19,800		\$ 19,800	Reallocate legal expense budget from City Attorney to departments to meet operational needs.
<b>Public Works</b>					
<b>Street Maintenance</b>					
100.40.4030-54605		\$ 8,000		\$ 8,000	Increase in asphalt prices and services requests for street repairs and road maintenance.
<b>Park Maintenance</b>					
100.40302-51300		\$ 12,000		\$ 12,000	Increase in overtime usage due to sport fields maintenance and support for special events.
<b>Fleet Maintenance</b>					
100.40.4033-53100		\$ 10,000		\$ 10,000	Increase in costs of automobile supplies and need for vehicle maintenance.
100.40.4033-53300		\$ 10,000		\$ 10,000	Increase in maintenance equipment supplies and usage.
100.40.4033-53500		\$ 5,000		\$ 5,000	Upgrade for outdated diagnostic equipment to perform work.
<b>Human Resources</b>					
<b>Administration</b>					
100.60.6000-54400		\$ 2,400		\$ 2,400	Early Detection Health Screening services.
<b>Recruitment</b>					
100.60.6010-52200		\$ 1,000		\$ 1,000	Increase in interview and labor relations supplies.
100.60.6010-54400		\$ 10,000		\$ 10,000	Increase in ongoing recruitment costs (Live Scan, physical, testing, etc.)
<b>Parks &amp; Recreation</b>					
<b>Administration</b>					
100.80.8000-56910		\$ 15,000		\$ 15,000	Reallocate legal expense budget from City Attorney to departments to meet operational needs.
<b>EXPENDITURE ADJUSTMENTS</b>	<b>\$ (40,800)</b>	<b>\$ 99,200</b>	<b>\$ -</b>	<b>\$ 58,400</b>	
<b>REVENUE ADJUSTMENTS</b>	<b>\$ (186,600)</b>	<b>\$ 2,271,724</b>	<b>\$ -</b>	<b>\$ 2,085,124</b>	
<b>NET ADJUSTMENTS INCREASE/(DECREASE)</b>				<b>\$ 2,026,724</b>	



## CITY OF PICO RIVERA

## Fiscal Year 2021-22 Mid-year Budget Adjustments

## ENCLOSURE 2 - Enterprise Funds

March 8, 2022

ENTERPRISE FUNDS	Decrease	Increase	New Appropriation Request	Net Increase / (Decrease)	Notes
<b>REVENUE</b>					
<b>PRIME</b>					
560.00.0000-47750		\$ 2,071,000	\$ -	\$ 2,071,000	Generation rate adjustment increased estimated revenue.
<b>Golf Course</b>					
570.00.0000-47200	\$ -	\$ 15,000		\$ 15,000	Increased sales of miscellaneous items.
570.00.0000-48400	\$ (68,000)			\$ (68,000)	Driving range partial closure due to WND project.
570.00.0000-48660	\$ -	\$ 150,000		\$ 150,000	Opening of banquet hall and increased usage.
570.00.0000-48680	\$ (3,500)			\$ (3,500)	No longer offering lessons due to Golf Pro leaving.
570.00.0000-48700	\$ (35,000)	\$ -		\$ (35,000)	Reduced merchandise preparing for Golf Course closure.
570.00.0000-48820	\$ -	\$ 25,000		\$ 25,000	Increased usage of golf carts.
<b>EXPENDITURE</b>					
<b>PRIME</b>					
560.16.1635-54275	\$ -	\$ 1,300,000	\$ -	\$ 1,300,000	Unanticipated increase in energy market prices and trending hot weather. Inadvertently left off the budget in FY 21-22. RA is a an annual cost related to power supply and the procurement of RA is a compliance requirement for PRIME operations.
560.16.1635-54277	\$ -	\$ 900,000	\$ -	\$ 900,000	
<b>EXPENDITURE ADJUSTMENTS</b>	<b>\$ -</b>	<b>\$ 2,200,000</b>	<b>\$ -</b>	<b>\$ 2,200,000</b>	
<b>REVENUE ADJUSTMENTS</b>	<b>\$ (106,500)</b>	<b>\$ 2,261,000</b>	<b>\$ -</b>	<b>\$ 2,154,500</b>	
<b>NET ADJUSTMENTS INCREASE/(DECREASE)</b>				<b>\$ (45,500)</b>	