



To: Mayor and City Council
From: City Manager
Meeting Date: February 14, 2023
Subject: FISCAL YEAR 2022-23 CITY OF PICO RIVERA MID-YEAR BUDGET REPORT AS OF DECEMBER 31, 2022

Recommendation:

1. Receive and file the Mid-Year Budget Report ending December 31, 2022, which represents the balances and activity for the first and second quarters (July through December) of the 2022-23 fiscal year;
2. Approve Budget Adjustments amending the fiscal year (FY) 2022-23 Adopted Budget for the General Fund and Other Funds as outlined in Enclosures 1 - 4 of this report; and
3. Approve Position Reclassifications amending the fiscal year (FY) 2022-23 Adopted Authorized Positions Full-Time Equivalent (FTE) as outlined in Enclosure 5 of this report.

Fiscal Impact:

The Mid-Year Report shows current revenues and expenditures for the first six (6) months of this FY 2022-23. The FY 2022-23 adopted budget anticipated that General Fund Revenues would be \$51,833,428. The recommended General Fund Budget Adjustments listed in Enclosure 1 require additional appropriations of \$180,000 in revenue that offsets the expenditures appropriations. It also requires additional transfers-out of \$328,000 to the Liability Claims and Workers' Compensation Claims funds. The Other Funds Budget Adjustments listed in Enclosure 2 require additional appropriations of \$60,560 and the Capital Improvement Funds Budget Adjustments listed in Enclosure 3 require additional appropriations of \$110,000 being requested at this time. The approved Cost-of-Living Adjustments (COLA) totals \$530,084 for FY 2022-23, that was approved subsequent to FY 2022-23 Budget Adoption. This amount represents the additional compensation costs as listed in Enclosure 4. In addition, Enclosure 5 outlines the Position Reclassifications being requested that were fully funded in the FY 2022-23 Adopted Budget and therefore do not require any additional appropriations.

Background:

The City Council adopted the balanced Year-Two of the FY 2021-23 Biennial Budget on June 28, 2022. As this biennial budget (FY 2021-23) was approved by City Council in June 2021, our work in Year-Two of the Biennial Budget is to make any known adjustments and corrections. This mid-year budget performance report for FY 2022-23 includes the six (6) month period beginning July 1, 2022, through December 31, 2022, and year-end projections for the remaining six (6) month period of fiscal year from January 1, 2023 through June 30, 2023. 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, 2022 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, 2023), staff will conduct another review of revenues and expenditures and provide updates to City Council.

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 provides 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 condition and ensuring fiscal sustainability.

Discussion:

Based on the first six (6) months of activity, the Mid-Year outlook is positive, but the City remains in a period of uncertainty driven by inflation, increases in interest rates, and ongoing trends impacting the retail sector. The City has been continuously working to avoid negative impacts from 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 highlighting 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 2022-23. 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 held Virtual City Hall Citywide Sweepstakes with 22 winners of various prizes that included Disneyland gift cards, Knott's Berry Farm gift cards, Pico Rivera Golf Club Packages and Citizen Folding Bikes.
- City Council presented the community revitalization program to the Pico Rivera Chamber of Commerce that included several community revitalization efforts such as Historic Whittier Blvd Revitalization Program.
- Successfully held the Veterans Resource Center Meet and Greet event and appointed Veterans Resource Officer appointments.

City Clerk

- Successfully held General Municipal Elections and approved the Certificate of Canvass and Statement of Votes Cast provided by the Los Angeles County Registrar-Recorder/County Clerk.
- Successfully held City's record retention and bi-annual records clean-up.

Office of Sustainability

- Successfully held NASA Services and GO2Zero Strategies Community Recycling and Organics Training that provided information that covered state laws and regulations related to waste and recycling, container colors for all material streams, proper sorting and separating of recyclables, contaminations, procedures for correcting, and types of acceptable bags for organics and recycling containers.
- Received the highest recognition GOLD Energy Action Award from Gateway Cities Council of Governments recognizing the City for their actions to improve energy efficiency and sustainability efforts.

Administrative Services

- Received the Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting for FY 2020-21 Annual Comprehensive Financial Report (ACFR).
- Successfully implemented the credit card tracking and reconciliation application TravelBank.
- Obtained a rating of "low risk" by the California State Auditor's Office (State Controller) due to our commitment to prudent fiscal practices and long-term strategic planning. The City remains the highest-ranked among the neighboring 10 cities.
- Completed Collective Bargaining with Labor Groups "Negotiations".
- Published the Pico Rivera FY 2021-22 Accomplishments Report brochure.
- Approved Biennial Budget Calendar for FY 2023-24 and FY 2024-25.

Community and Economic Development

- Issued 13 grants for the Small Business Grant program Round 3, to small businesses operating within Community Development Block Grant eligible areas impacted from COVID-19.
- Successfully presented the 5-year Permanent Local Housing Allocation (PLHA) plan to City Council that outlines how the City will utilize the grant funds.
- Successfully worked with Habitat for Humanity to provide Pico Rivera resident with critical roof repairs.
- City officials met with the American Heart Association to discuss the City's flavored tobacco ban and State of California's passage of Proposition 31, which upholds SB 793 and bans flavored tobacco state-wide.
- Successfully held the American Red Cross Blood Drive.

Human Resources

- Since COVID-19 remains fluid, staff has continuously updated the COVID-19 Prevention Plan to ensure a safe work environment.
- Accelerated job recruitments, able to recruit 25 positions, including two (2) Directors.

Parks & Recreation

- Successfully brought back in-person Special Events such as National Night Out, Fiestas Patrias, Boxfest Round 7, Halloween Spooktacular, and the Holiday Festival & Tree Lighting. A total of eight (8) special events were hosted with over 21,000 attendees in total.
- Successfully held a Community Backpack Giveaway that provided City of Pico Rivera youth with free school supplies, haircuts, COVID-19 vaccines.
- Successfully held Mayor's Empowerment Conference for Young Men.
- Successfully held the annual Holiday Food Giveaway to a total of 4,146 individuals.

Public Works

- Successfully completed the Senior Center Americans with Disabilities Act (ADA) Parking Lot Improvement project that includes new ADA amenities, resurfaced pavement, and restriped parking stalls.
- Public Works Field Maintenance staff completed yearly winter field maintenance on all fields at all City parks.
- Awarded \$6.5 million grant from Metro for Washington Blvd Bridge Reconstruction and the Pico Rivera Regional Bikeway.

General Fund Mid-Year Review – Six Months through December 31, 2022

Revenues

General Fund revenues through the halfway point (second quarter) total \$22.35 million, or 43% of the \$52.01 million Amended Budget, compared to \$20.02 million at FY 2021-22 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 come within the amended budget for all revenue categories except for the Licenses and Permits as outlined in Enclosure 1 (See Table 1).

The General Fund has several sources of revenue, four (4) major categories including Sales Tax, Property Tax and Utility Users Tax, with Licenses and Permits. Table 1 below shows revenues by category.

Sales Tax is the largest source of revenue for the General Fund, representing 49.5% of total General Fund Operating Revenue. The Sales Tax revenue increased by \$526,687, or 6% as compared to this same period last year due to the City continuing to recover economically in major sales tax generating groups including Fuel and Service Stations and Business and Industry. Although the favorable number may be indicative of a positive local economy, it's important to note the attributed growth is in large part the result of higher priced goods due to inflation. Measure P also continues to show growth due to inflation and demand. The prices of gasoline at the pumps have spiked, 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 the Business and Industry category likely due to strong demand and high cost of materials as employees streamed back to office buildings after the pandemic. New store openings within the City, such as Burlington Coat Factory also lifted the general consumer goods category.

Property Tax is the second largest General Fund revenue source, a net taxable value increase of 7.4% for the FY 2022-23 tax roll that was actually more than the increase countywide at 7.0%. The median sale price of a detached single family residential home in Pico Rivera from October through December 2022 was \$660,000. This represents a \$20,000 or 3.1% increase in median sale price from the same period in 2021. Growth in home sales strengthened in 2021 and early 2022 and is reflected on the FY 2022-23 tax rolls. Concerns over rising interest rates and inflation are decreasing the volume of home sales. For many cities, median prices have decreased slightly in recent months, but still represent increases in sale price when compared to the prior year.

Utility Users Tax (UUT) is higher by \$130,705 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 9% in

the Los Angeles Area and UGT went up 19%. While this trend shows an increase in energy pricing, it is too early to tell whether this will result in total UUT to exceed budget estimates. Staff will continue to monitor and include any new estimates in the FY 2022-23 Third Quarter Review.

Licenses and Permits are slightly lower by \$24,756 in FY 2022-23 as compared to FY 2021-22 primarily due to a higher number of Dog Licenses issued in FY 2021-22, during the pandemic. Staff recommends an increase of \$180,000 in the General Fund Licenses and Permits budget due to a projected increase in Plan Check fees from an anticipated development.

Business License Tax revenue is higher at mid-year in FY 2022-23 as compared to FY 2021-22 by \$114,372 primarily due to an increase in new businesses obtaining business licenses and renewals. The voter approved Measure AB, modernizes the City's Business license fee structure, and is set to begin January 2023. Actual receipts have not been realized as staff continues to work with the Business License consultants for accurate estimates. Therefore, staff will continue to monitor this and will report in the third quarter with better estimates.

Parks and Recreation revenues are higher by \$158,193 as compared to this period in FY 2021-22, primarily due to COVID-19 pandemic restrictions being lifted and the expansion of recreation programs and contact class offerings in FY 2022-23. Staff will continue to monitor this and expects to be come in within budget.

All Other Revenues is coming in higher by \$1.06 million as compared to this period last fiscal year primarily due to Sales of Property, Miscellaneous Revenue, and Cost Reimbursements. The one-time revenue for Sales of Property is for the sale of a vacated site. Miscellaneous Revenue category increase includes the one-time recognition of unclaimed deposits, and the Cost Reimbursement increase is attributed to State reimbursement receipts.

Overall, General Fund revenues are projected to end the year approximately \$180,000 or 1% higher than what was budgeted at the start of the fiscal year for a total FY 2022-23 revenue projection of approximately \$52,197,508. This is primarily attributed to increased revenue in Licenses and Permits, as described above, and outlined in Enclosure 1. 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.

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Table 1. General Fund Revenues by Category

Revenue Source	FY 21-22 MID-YEAR ACTUALS	FY 22-23 ADOPTED	FY 22-23 AMENDED	FY 22-23 MID-YEAR ACTUALS	FY 22-23 YEAR-END PROJECTIONS	\$ FY 21-22 vs. FY 22-23 MID-YEAR	% FY 21-22 vs. FY 22-23 MID-YEAR	YEAR-END VARIANCE
Sales Tax	7,655,617	24,482,589	24,482,589	8,182,304	24,482,589	526,687	6%	-
Property Tax	5,924,695	13,044,410	13,044,410	6,264,929	13,044,410	340,234	5%	-
Utility Users Tax	1,782,402	3,159,400	3,159,400	1,913,107	3,159,400	130,705	7%	-
Franchise Tax	98,231	970,000	970,000	92,447	970,000	(5,784)	(6%)	-
Transient Occupancy Tax (TOT)	244,284	565,020	565,020	247,622	565,020	3,338	1%	-
Business License Tax	527,602	1,459,062	1,459,062	641,975	1,459,062	114,372	18%	-
Parks & Recreation Fees	68,775	378,033	378,033	226,968	378,033	158,193	70%	-
Licenses & Permits	1,064,206	2,166,564	2,166,564	1,039,450	2,346,564	(24,756)	(2%)	180,000
All Other Revenues*	1,841,655	3,783,050	3,967,130	2,910,047	3,967,130	1,068,392	37%	-
OPERATING REVENUE	19,207,468	50,008,128	50,192,208	21,518,849	50,372,208	2,311,381	11%	180,000
Cares Act	28,703	-	-	-	-	(28,703)	0%	-
Transfers In**	783,845	1,825,300	1,825,300	837,756	1,825,300	53,911	6%	-
TOTAL - GENERAL FUND REVENUE	20,020,016	51,833,428	52,017,508	22,356,605	52,197,508	2,336,589	10%	180,000

*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 \$27.50 million, or 47% of the \$58.16 million Amended Budget. Most departments had increases from the prior year primarily in Salaries and Benefits by \$852,334 due to Cost-of-Living Adjustment (COLA), merit increases, and filling vacancies in various City departments. On September 13, 2022, the City Council approved a Memorandum of Understanding (MOU) between the City of Pico Rivera and two (2) Full-time employee bargaining groups, Professional and Confidential Employee Association (CEA) and Service Employees' International Union 721 (SEIU). The approved MOU included an annual COLA salary increase of 4% July 2021, 3% July 2022, and an additional 3% July 2023. FY 2022-23 is the second year of the MOU. The anticipated COLA increase for FY 2022-23 is approximately \$530,084 to salaries and additional employer costs. The Maintenance and Operations costs in the General Fund departments increased by \$2.28 million as compared to this same period last year largely due to the prefunding increase in contributions to the City's Public Employees Retirement (PERS), Contracted Services increases, and more programs/services being offered as described below.

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

- Administration mid-year expenditures are higher compared to the same period last year, due to COLA increases and increases in usage and costs for City Attorney services, Advertising and Publication services, and Government Relations Consulting services. It is expected to meet budget expectations by the end of the year.

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- Public Safety Los Angeles County Sheriff's Department (LASD) is tracking slightly higher compared to the same period last year primarily due to contract increases and the Automated License Plate Reader (ALPR) program. It is expected to come within budget by the end of the year.
- Administrative Services is slightly higher compared to last fiscal year due to COLA increases, filling vacant positions, and software expenses from multiple departments being moved under the IT division for proper monitoring and implementation. The IT division is also working on the projects as part of the IT Assessment. Additional increases are due to some annual costs, such as the City's Financial Auditors and Property Tax Consultant invoices being expensed in the beginning of the fiscal year. It is expected to meet budget expectations by year-end.
- Community & Economic Development is tracking slightly higher by 3% compared to the same period last year primarily due to COLA increases and filling employee vacancies this fiscal year. Maintenance and Operations costs are tracking lower than last year primarily attributed to Professional and Contracted Services in various divisions such as Planning, Economic Development, and Emergency Preparedness programs and projects that will be expensed later in the fiscal year. It is expected to meet budget expectations by the end of the fiscal year.
- Non-Departmental expenditures are higher compared to this same period last year primarily due to the timing of the Debt Service payments expensed later in FY 2021-22. When accounting for the Debt Service payments, the variance is approximately \$99,900. The most notable increase is due to the \$163,000 prefunding of the City's Public Employees Retirement (PERS) costs in FY 2022-23. Other notable citywide increases are due to annual Group Health and General Liability rate increases. The General Liability expenses have been moved under the Non-Departmental Division this fiscal year, which was previously under the Human Resources Department. The additional increase also includes the funding of the Equipment Replacement Fund with the intention to contribute to the long-term equipment replacement needs of the city. It is expected to meet budget expectations by the end of the fiscal year.
- Human Resources expenditures are lower in the Salaries and Benefits category due to the vacant Director position for the first half of the fiscal year. The Maintenance and Operations costs are lower due to the General Liability expenses being moved to Non-Departmental as a citywide expenditure and Contracted Services and Legal Services to be expensed later in the fiscal year. It is expected to come within budget at year-end.

- 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 COLA increases and hourly salaries for staff returning to work. The Maintenance and Operations increases are primarily due to Special Events such as the Summer Street Fest, 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 higher compared to this same period last fiscal year primarily due to COLA increases, filling vacant positions, and overtime costs. The Maintenance and Operations costs increase is attributed to rising costs for supplies and services such as Contracted Services and Professional Services for street sweeping, tree trimming services, traffic engineering professional services, Geographic Information System (GIS) professional services, Heating, Ventilation, and Air Conditioning (HVAC) services, Janitorial services, Fleet Maintenance and repairs, and the project management consulting services. It is expected to come within budget by the end of the year.
- Operating Transfers Out includes the \$1.065 million Sales Tax Pledge from the General Fund to the Successor Agency (Fund 851).
- Non-Operating Transfers Out includes the \$1.835 million and \$1.147 million for funding of Community & Economic Development Strategic Projects and General Fund Capital Improvement Projects.

Table 2 shows expenditures by Department.

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Table 2. General Fund Expenditures by Department

DEPARTMENT / EXPENDITURE CATEGORY	FY 21-22 MID-YEAR ACTUALS	FY 22-23 ADOPTED	FY 22-23 AMENDED	FY 22-23 MID-YEAR ACTUALS	\$ FY 21-22 vs. FY 22-23 MID-YEAR ACTUALS	% FY 21-22 vs. FY 22-23 MID-YEAR ACTUALS	Percentage of Budget Used
ADMINISTRATION							
Salaries & Benefits	755,251	1,597,743	1,622,835	890,765	135,514	18%	
Maintenance & Operations	155,945	621,675	1,458,313	305,718	149,773	86%	
TOTAL ADMINISTRATION	911,196	2,219,418	3,081,148	1,196,483	285,287	31%	39%
Public Safety	6,089,195	12,854,647	13,398,518	6,417,158	327,962	5%	48%
ADMINISTRATIVE SERVICES							
Salaries & Benefits	725,418	2,126,529	2,009,478	860,902	135,484	17%	
Maintenance & Operations	224,488	805,997	1,251,182	405,537	181,049	426%	
TOTAL ADMINISTRATIVE SERVICES	949,905	2,932,526	3,260,660	1,266,439	316,533	38%	39%
COMMUNITY & ECONOMIC DEVELOPMENT							
Salaries & Benefits	1,526,076	3,870,328	3,948,041	1,765,506	239,430	13%	
Maintenance & Operations	486,295	3,642,837	4,144,456	312,960	(173,335)	(85%)	
TOTAL COMMUNITY & ECONOMIC DEVELOPMENT	2,012,372	7,513,165	8,092,497	2,078,466	66,094	3%	26%
Non-Departmental	3,178,026	6,807,390	6,260,939	4,699,499	1,521,473	49%	75%
HUMAN RESOURCES							
Salaries & Benefits	341,764	670,160	634,795	276,583	(65,181)	(15%)	
Maintenance & Operations	270,749	386,632	435,632	168,814	(101,935)	(52%)	
TOTAL HUMAN RESOURCES	612,513	1,056,792	1,070,427	445,397	(167,116)	(26%)	42%
PARKS & RECREATION							
Salaries & Benefits	2,124,959	5,131,020	5,207,327	2,251,594	126,634	6%	
Maintenance & Operations	345,512	1,158,541	1,750,496	617,531	272,019	116%	
TOTAL PARKS & RECREATION	2,470,471	6,289,561	6,957,823	2,869,124	398,653	17%	41%
PUBLIC WORKS							
Salaries & Benefits	2,210,119	5,266,887	5,308,112	2,490,573	280,454	11%	
Maintenance & Operations	1,889,611	4,680,347	6,415,768	1,995,258	105,647	7%	
TOTAL PUBIC WORKS	4,099,730	9,947,234	11,723,880	4,485,831	386,101	10%	38%
GENERAL FUND OPERATING EXPENDITURES	20,323,409	49,620,733	53,845,892	23,458,397	3,134,988	16%	44%
TOTAL Salaries & Benefits	7,683,588	18,662,667	18,730,588	8,535,922	852,334		
TOTAL Maintenance & Operations	12,639,821	30,958,066	35,115,304	14,922,475	2,282,654		
	20,323,409	49,620,733	53,845,892	23,458,397	3,134,988	16%	44%
Operating - Transfers Out	1,065,000	1,065,000	1,065,000	1,065,000	-	0%	
Non-Operating - Transfers Out	5,000,000	1,147,695	3,252,695	2,982,695	(2,017,305)	0%	
TOTAL - GENERAL FUND EXPENDITURES	26,388,409	51,833,428	58,163,587	27,506,092	1,117,683	6%	47%

General Fund Citywide

At the end of the second quarter or halfway point, expenditures exceed revenues due to upfront expenditures such as funding General Fund Capital Improvement Projects, OPEB, COLA increases, and Contracted Services. The mid-year report is developed using six (6) months of actual (unaudited) activity for FY 2022-23. An update will be provided in the FY 2023-23 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.

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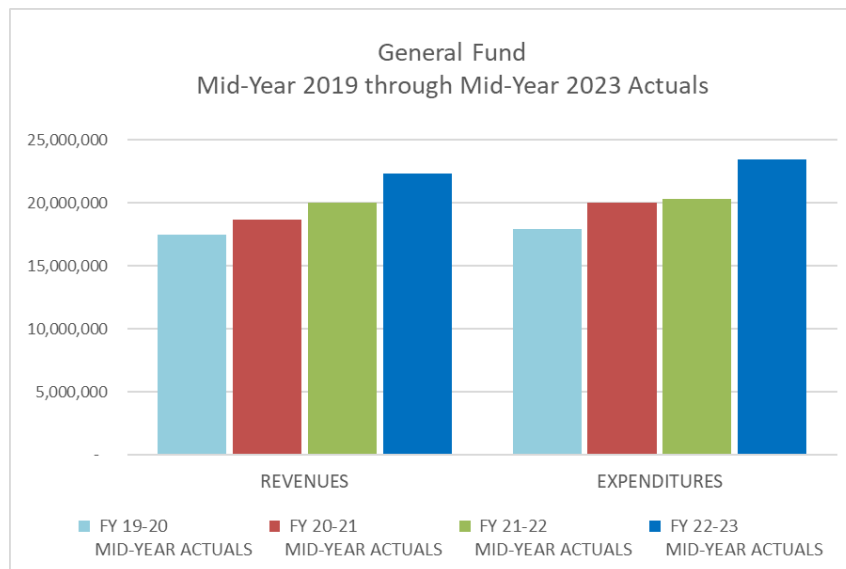
Table 3. General Fund Revenues and Expenditures Citywide Totals

	FY 21-22 MID-YEAR ACTUALS	FY 22-23 ADOPTED	FY 22-23 AMENDED	FY 22-23 MID-YEAR ACTUALS	FY 22-23 YEAR-END PROJECTIONS	\$ FY 21-22 vs. FY 22-23 MID-YEAR ACTUALS	% FY 21-22 vs. FY 22-23 MID-YEAR ACTUALS	YEAR-END VARIANCE
REVENUE*	\$ 20,020,016	\$ 51,833,428	\$ 52,017,508	\$ 22,356,605	\$ 52,197,508	\$ 2,336,589	10%	\$ 180,000
EXPENDITURES**	20,323,409	49,620,733	53,845,892	23,458,397	54,025,892	3,134,988	13%	180,000
SUBTOTAL	(303,393)	2,212,695	(1,828,384)	(1,101,792)	(1,828,384)	(798,399)	72%	-
OPERATING TRANSFERS OUT	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	-	0%	-
NON-OPERATING TRANSFERS OUT (ONE-TIME)	5,000,000	1,147,695	3,252,695	2,982,695	3,252,695	(2,017,305)	(68%)	-
SURPLUS / (DEFICIT)	\$ (6,368,393)	\$ -	\$ (6,146,079)	\$ (5,149,487)	\$ (6,146,079)	\$ 1,218,906	(24%)	\$ -
		51,833,428						

*Includes Non-Operating Transfers In (Gas Tax and Intergovernmental Transfers)
 **Includes Vacancy Savings

The Administrative Services Department conducted a four (4) year comparison of the mid-year of FY 2019-20 through mid-year of FY 2022-23 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. FY 2022-23 mid-year shows the impact of inflation and increasing interest rates for both revenues and expenditures.

Graph 1. Mid-Year 2019 Actuals through Mid-Year 2023 Actuals



General Fund Budget Adjustments (Enclosure 1):

The FY 2022-23 General Fund Budget was adopted as a balanced budget of \$51,833,428 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. With the anticipation of new developments, staff is recommending a budget adjustment of \$180,000 in the revenue and expenditure accounts for Plan Check services. The expenditure adjustment is offset by the increase in revenue from Developers requesting Plan Check services. There is also an additional transfers-out of \$328,000 to the Liability Claims (Fund 105) and Workers' Compensation Claims (Fund 106) funds to cover expenditures for the remainder of the fiscal year. Detailed analysis is included in the section below.

Other Funds Budget Adjustments (Enclosure 2):

In reviewing the City's Other Funds, staff identified the need to allocate claims payments in FY 2022-23 to the General Fund. As there are deficits of \$84,515 that exists in the Liability Claims Fund and \$104,505 in the Workers' Compensation Claims Fund as of December 31, 2022, staff is recommending a budget adjustment of \$156,500 and \$171,500 for a total of \$328,000 in the transfers-in and expenditure accounts for the remainder of the fiscal year as detailed in Enclosure 2. The expenditure adjustments have a net impact of \$0 for Fund 105 and Fund 106 due to the Transfers-in from the General Fund. Additionally, due to anticipated project costs and an increase in costs and services, staff is recommending budget adjustments of \$60,560 for Fund 205 and Fund 291 in expenditures as outlined in Enclosure 2.

Capital Improvement Funds Budget Adjustments (Enclosure 3):

The City has a five-year capital improvement program (CIP) that encompasses includes improvements for streets, bridges, and roadways, parks and open spaces, storm water quality, water production, treatment and delivery, sanitary sewer, City buildings, and other large-scale capital projects. A review of these project is conducted as part of the FY 2022-23 Mid-Year Budget Review. Upon analysis, various capital improvements projects require minimal mid-year adjustments to expenditures totaling \$110,000 as outlined in Enclosure 3.

Per the City's Municipal Code 17.36.40, the City can use the Park Development Fund to purchase necessary land for providing park and recreation to the community. The City has collected approximately \$227,000 from Park Development fees. On December 13, 2022, the City Council approved the transfer of \$270,000 from the General Fund to the Capital Improvement Plan (CIP) Fund to purchase PAD Park. As the land deed restriction requires it to remain a park and recreation space for 30 years, staff determined that the Park Development fund can be utilized to acquire the PAD Park. Staff recommends transferring \$227,000 to the CIP Fund for the purchase and transferring \$227,000 from the CIP Fund back to the General Fund for other imminent needs as outlined in Enclosure 3.

COLA Budget Adjustments (Enclosure 4):

As previously discussed, the updated MOU with the City's two (2) bargaining groups, CEA and SEIU, was approved on September 13, 2022 subsequent to the adoption of the FY 2022-23 Adopted Budget. The approved COLA adjustment totals \$530,084 for FY 2022-23. This amount represents the fully burdened cost, taking into account not only higher salaries for the full-time employees, but also the additional employer PERS costs and Medicare costs associated with the higher salaries as detailed in Enclosure 5.

Underfilled Positions (Personnel) Adjustments (Enclosure 5):

To support City operations, filling vacant positions as efficiently and effectively as possible is essential to meet the objectives and goals of Departments. Under certain circumstances, the need to underfill positions may arise. Underfilling is defined as the filling of a position with an employee holding a lower classification. Underfilling positions requires that the position being underfilled is a closely related title, at a lower grade level. The following underfilled positions outlined in Enclosure 4 have no fiscal impact due to all the positions being fully funded in the FY 2022-23 Adopted Budget.

To carry out the strategies in the City Council priorities and guiding principles, four (4) positions are being recommended to be underfilled with lower costs positions. The positions are listed below by department:

Administration – Office of Sustainability (1 Position):

- The Office of Sustainability Division's appointed Director resigned from the City in July 2022. Since then, the Administration Department has assessed the current needs of the City and is recommending not filling this position and, alternatively, underfilling it with a Principal Analyst (General Manager). The Adopted FY 2022-23 Full-Time Equivalent (FTE) Positions includes the Director – Office of Sustainability position. The FTE list will be formally adopted to reflect the change from a Director to a Principal Analyst position at the FY 2022-23 Mid-Year Budget Review presented to City Council.

Administrative Services (1 Position):

- The Administrative Services Department experienced difficulties in recruiting for the Finance Technician position with qualified candidates and therefore, made the determination to underfill the position with an Account Clerk III position. The Adopted FY 2022-23 FTE Positions includes the Finance Technician position. The FTE list will be formally adopted to reflect the change from a Technician to an Account Clerk III position when the FY 2022-23 Mid-Year Budget Review is presented to City Council.

Community and Economic Development (1 Position):

- The Community and Economic Development Department experienced difficulties in recruiting for the Principal Planner position with qualified candidates and therefore, made the determination to underfill the position with a Senior Planner

position. The Adopted FY 2022-23 FTE Positions includes the Principal Planner position. The FTE list will be formally adopted to reflect the change from a Principal Planner to a Senior Planner position at the FY 2022-23 Mid-Year Budget Review presented to City Council.

Parks and Recreation (1 Position):

- The Manager position has been vacant since the FY 2022-23 Budget was adopted. To support the operations within the Media and Communications Division of the Parks and Recreation Department, staff is recommending underfilling this Manager position and recruiting for a Program Coordinator within the Media and Communications Division to help support the Department and City needs. Specifically, to assist the City with the increasing demands of social media and marketing of Citywide initiatives. This position will also assist with department special events, grant writing, marketing campaigns, videography, and City Council initiatives, as well as helping manage grant writing community engagement sessions, public information dissemination, City and event promotions, recording public meetings held in the City Council Chambers, managing the City's Virtual City Hall, PR 2035 tasks and special projects as assigned. Currently, the Media and Communications Division has seen a drastic increase in the amount of requests from all City Departments.

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 2022-23 Mid-Year Budget Review. The total Enterprise Funds summary of revenues and expenses as of December 31, 2022 on Table 5 on the next page.

Water Operations Enterprise Fund

The FY 2022-23 Water Fund revenues include the implementation of the water rate increases of 10% that was adopted by the City Council on April 27, 2021, for five (5) consecutive years. More than half of the budgeted expenses are anticipated to be incurred in the second half of the fiscal year, and staff expects to meet the budget by the end of the year.

Pico Rivera Innovative Municipal Energy (PRIME) Fund

The PRIME Fund includes revenues and expenses for the purchase and sale of “greener” energy for consumers. FY 2022-23 Mid-Year revenues are tracking higher than expenses by approximately \$3.25 million, primarily due to extreme heat events during the Summer of 2022, causing an increase in demand and usage. As the Resource Adequacy Sale and Purchase amongst the California Choice Energy Authority was favorable, PRIME had sufficient energy to meet the demand and sell the excess. Staff expects to meet the budget by year-end.

Golf Course Fund

The Pico Rivera Golf Course experienced a decrease in demand for golf play due to pandemic restrictions lifting and patrons having access to other activities. Additionally, the U.S. Army Corp of Engineers (USACE) closed the driving range resulting in decreased revenue. The Golf Course expenses have increased due to the building and grounds maintenance and the cost of utilities needed for the restaurant and banquet facility rentals and grounds maintenance. Staff will continue to monitor and reevaluate for the rest of the fiscal year.

Sports Arena Fund

The Sports Arena is slowly recovering from COVID-19 restrictions and has resumed operations to near pre-pandemic levels for rentals and events. Staff will continue to monitor and reevaluate for the rest of the fiscal year.

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, 2022 in comparison to the previous year. Mid-Year operating expenditures are in line with the current budget at 47%. The projected year-end General Fund revenues are on target compared to the budget and projected to come in within budget by the end of FY 2022-23. The financial results from the prior fiscal year, combined with the FY 2022-23 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:JG:DS:ep

- Enclosures:
- 1) FY 2022-23 Mid-Year General Fund Budget Adjustment Worksheet
 - 2) FY 2022-23 Mid-Year Other Funds Budget Adjustment Worksheet
 - 3) FY 2022-23 Mid-Year Capital Improvement Funds Budget Adjustment Worksheet
 - 4) FY 2022-23 COLA Budget Adjustment Worksheet
 - 5) FY 2022-23 Mid-Year Underfill Positions (Personnel) Budget Adjustment Worksheet

CITY OF PICO RIVERA						
Fiscal Year 2022-23 Mid-Year Budget Adjustments						
ENCLOSURE 1 - General Fund						
February 14, 2023						
GENERAL FUND	Decrease	Increase	New Appropriation Request	Net Increase / (Decrease)	Notes	
REVENUE						
Licenses & Permits						
100.00.0000-42000	\$ -	\$ 180,000	\$ -	\$ 180,000	Increase for Plan Check for Self storage and 45 unit townhome development.	
EXPENDITURE						
Community & Economic Development						
Building						
100.30.4020-54500		\$ 180,000		\$ 180,000	Increase Plan Checks for Self storage and 45 unit townhome development. Revenue offset.	
Transfer Out Control						
Transfer Out						
100.98.9800-56900	\$ -	\$ -	\$ 328,000	\$ 328,000	Transfer Out to Liability Claims (Fund 105) and Workers Compensation Claims (Fund 106).	
EXPENDITURE ADJUSTMENTS	\$ -	\$ 180,000	\$ 328,000	\$ 508,000		
REVENUE ADJUSTMENTS	\$ -	\$ 180,000	\$ -	\$ 180,000		
NET ADJUSTMENTS INCREASE/(DECREASE)				\$ 328,000		

CITY OF PICO RIVERA

Fiscal Year 2022-23 Mid-Year Budget Adjustments

ENCLOSURE 2 - Other Funds - No General Fund

February 14, 2023

OTHER FUNDS - NO GENERAL FUND	Decrease	Increase	New Appropriation Request	Net Increase / (Decrease)	Notes
REVENUE					
LIABILITY CLAIMS					
105.00.0000-47900	\$ -	\$ 156,500	\$ -	\$ 156,500	Transfer In from General Fund for Liability Claims funding for remainder of Fiscal Year.
WORKERS COMPENSATION CLAIMS					
106.00.0000-47900	\$ -	\$ 171,500	\$ -	\$ 171,500	Transfer In from General Fund for Workers Compensation Claims funding for remainder of Fiscal Year.
EXPENDITURE					
LIABILITY CLAIMS					
105.60.6005-56105	\$ -	\$ 156,500	\$ -	\$ 156,500	Funding for remainder of Fiscal Year.
WORKERS COMPENSATION CLAIMS					
106.60.6005-56106	\$ -	\$ 171,500	\$ -	\$ 171,500	Funding for remainder of Fiscal Year.
PROPOSITION A					
205.40.4030-54500	\$ -	\$ -	\$ 35,000	\$ 35,000	Nationwide Bus Shelter rate increase of 4%.
HOUSING - SECTION 8					
291.30.3090-54500	\$ -	\$ -	\$ 25,560	\$ 25,560	Increase for file scanning services in order to store files electronically.
EXPENDITURE ADJUSTMENTS	\$ -	\$ 328,000	\$ 60,560	\$ 388,560	
REVENUE ADJUSTMENTS	\$ -	\$ 328,000	\$ -	\$ 328,000	
NET ADJUSTMENTS INCREASE/(DECREASE)				\$ 60,560	

CITY OF PICO RIVERA					
Fiscal Year 2022-23 Mid-Year Budget Adjustments					
ENCLOSURE 3 - CIP Other Funds - No General Fund					
February 14, 2023					
CAPITAL IMPROVEMENT - NO GF	Decrease	Increase	New Appropriation Request	Net Increase / (Decrease)	Notes
REVENUE					
	\$ -	\$ -	\$ -	\$ -	
EXPENDITURE					
PROPOSITION C					
206.70.7300-54500-21241	\$ -	\$ -	\$ 20,000	\$ 20,000	Prop C - Fund 206 add \$20,000 to fund the final processing of the Durfee Avenue Grade Separation Project. Project: Durfee Ave Underpass
206.70.7300-54500-21354	\$ -	\$ -	\$ 25,000	\$ 25,000	Prop C - Fund 206 add \$25,000 to complete the project and cover the total costs for design, construction, and staff time (job costing). Project: Beverly Blvd Transit Safety and Security Program (TSSP)
MEASURE R					
207.40.4010-54500-30053	\$ -	\$ -	\$ 5,000	\$ 5,000	Measure R - Fund 207 add \$5,000 to fund Telegraph Rd Complete Street Study for job costing and to complete the project. Project: Telegraph Road Complete Street Study
207.40.4010-54500-4700	\$ -	\$ -	\$ 40,000	\$ 40,000	Measure R - Fund 207 add \$40,000 to fund LRSP study and update of Yellow clearance timing sheets and job costing to complete the project. Project: Local Roadway Safety Plan (LRSP)
PARK DEVELOPMENT					
270.70.7300-57100-50089	\$ (227,000)	\$ -	\$ -	\$ (227,000)	Appropriate Fund 270 Fund Balance.
CAPITAL IMPROVEMENT FUND					
400.70.7300-57100-50089	\$ -	\$ 227,000	\$ -	\$ 227,000	Transfer from CIP Fund (Fund 270) to the General Fund (Fund 400).
WATER AUTHORITY					
550.70.7340-54500-50027	\$ -	\$ -	\$ 20,000	\$ 20,000	Water Authority - Fund 550 add \$20,000 to provide construction and inspection services to complete the project. Project: Plant No. 3 Electrical Control and MCC Panel Replacement
EXPENDITURE ADJUSTMENTS	\$ (227,000)	\$ 227,000	\$ 110,000	\$ 110,000	
REVENUE ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	
NET ADJUSTMENTS INCREASE/(DECREASE)				\$ 110,000	

CITY OF PICO RIVERA						
Fiscal Year 2022-23 Mid-Year Budget Adjustments						
<i>ENCLOSURE 4 - COLA Adjustments</i>						
<i>February 14, 2023</i>						
EMP. HLD	FY 22-23 COLA ADJUSTMENTS					COLA Amount
	-	-	-	-	(0.00)	\$ 530,084
Total	420,335.00	39,427.00	60,024.00	4,203.00	6,095.00	
Account	51100	51500	51500	51504	51930	
	Salary	PERS	UAL	457 1%	Medicare 1.45%	
100.11.1110	14,317	1,342	2,042	142	205	
100.12.1200	5,586	524	798	56	81	
100.20.2000	6,093	572	870	61	88	
100.20.2010	22,651	2,125	3,235	227	328	
100.20.2015	4,199	394	600	42	61	
100.20.2020	5,244	492	749	52	76	
100.20.2030	2,225	209	318	22	32	
100.20.2050	1,323	124	189	13	19	
100.20.6040	3,423	321	489	34	50	
100.30.3000	20,704	1,942	2,957	207	300	
100.30.3010	5,574	523	796	56	81	
100.30.3020	9,126	856	1,303	91	132	
100.30.3030	7,370	691	1,052	74	107	
100.30.3045	12,072	1,132	1,724	121	175	
100.30.3090	390	37	56	4	6	
100.30.4020	6,386	599	912	64	93	
100.40.4000	2,657	249	380	27	39	
100.40.4010	17,274	1,620	2,467	173	251	
100.40.4030	26,672	2,502	3,809	267	387	
100.40.4031	20,649	1,937	2,949	206	299	
100.40.4032	30,216	2,834	4,315	302	438	
100.40.4033	2,920	274	417	29	42	
100.40.4040	563	53	80	6	8	
100.60.6000	10,812	1,014	1,544	108	157	
100.80.8000	21,592	2,025	3,083	216	313	
100.80.8100	15,798	1,482	2,256	158	229	
100.80.8102	5,782	542	826	58	84	
100.80.8103	1,188	111	170	12	17	
100.80.8104	611	57	87	6	9	
100.80.8107	1,357	127	194	14	20	
100.80.8108	170	16	24	2	3	
100.80.8109	170	16	24	2	3	
100.80.8110	1,426	134	204	14	21	
100.80.8115	170	16	24	2	3	
100.80.8130	1,018	96	145	10	15	
100.80.8140	1,426	134	204	14	21	
100.80.8220	12,464	1,169	1,780	125	181	
100.80.8230	20,485	1,922	2,925	205	297	
100.80.8235	340	32	49	3	5	
100.80.8290	611	57	87	6	7	
202.40.4010	3,098	291	442	31	45	
205.80.8410	3,809	357	544	38	55	
230.40.4990	7,987	749	1,141	80	116	
280.30.3400	390	37	56	4	6	
291.30.3090	12,571	1,179	1,795	126	182	
550.11.1110	1,476	138	211	15	21	
550.20.2000	7,125	668	1,018	71	103	
550.40.4900	14,737	1,382	2,104	147	214	
550.40.4920	35,483	3,328	5,067	355	515	
550.40.4930	537	50	77	5	8	
550.80.8230	326	31	47	3	5	
560.11.1110	4,646	436	664	46	67	
560.20.2000	985	92	141	10	14	
570.20.2000	985	92	141	10	14	
590.11.1110	738	69	105	7	11	
851.20.2000	2,390	224	341	24	35	

CITY OF PICO RIVERA			
Fiscal Year 2022-23 Mid-Year Budget Adjustments			
ENCLOSURE 5 - Underfilled Positions (Personnel)			
February 14, 2023			
FY 2022-23 UNDERFILLED POSITIONS			
Department	Adopted Position Title	Underfilled Position Title	Notes
Administration (Office of Sustainability)	Director	Principal Analyst	Underfill Memo 9/14/22
Administrative Services	Finance Technician	Account Clerk III	Underfill Memo 9/22/22
Community & Economic Dev.	Principal Planner	Senior Planner	Underfill Memo 9/1/22
Parks & Recreation	Manager	Coordinator	Underfill Memo 2/7/23