

City of Moreno Valley Fiscal Year 2024/25 First Quarter Operating Budget Review

TO: Mayor and City Council
FROM: Launa Jimenez, Chief Financial Officer
DATE: November 19, 2024

INTRODUCTION

On May 2, 2023, the City Council adopted the Two-Year Operating Budget for Fiscal Years (FY) 2023/24 – 2024/25. 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 expenditure that may occur will be shared with the City Council.

This report provides a review of the unaudited financial results for the First Quarter of FY 2024/25 (July 2024 – September 2024, 25% of the fiscal year).

CITYWIDE OPERATING EXPENDITURE SUMMARY

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

Table 1. Citywide Operating Expenditures

	FY 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
Fund/Component Unit				
General Fund	\$ 155,185,813	\$ 156,404,720	\$ 40,657,290	26.0%
Community Services District (CSD)	26,129,510	28,443,105	7,646,812	26.9%
Successor Agency	2,400,666	2,250,666	789,640	35.1%
Housing Fund	-	250,000	38,278	15.3%
Special Revenue Funds	39,586,038	43,265,986	15,980,293	36.9%
Capital Projects Funds	17,348,000	21,651,394	7,521,496	34.7%
Electric Utility Funds	46,770,191	53,478,807	11,570,853	21.6%
Internal Service Funds	15,349,694	18,399,289	6,444,786	35.0%
Debt Service Funds	4,010,854	3,673,267	250	0.0%
Total	\$ 306,780,766	\$ 327,817,234	\$ 90,649,698	27.7%

Actions taken by the City Council after the May 2, 2023 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 First 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 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 22,136,000	\$ 22,136,000	\$ 802,728	3.6%
Property Tax in-lieu	28,100,000	28,100,000	-	0.0%
Utility Users Tax	18,000,000	18,000,000	5,027,753	27.9%
Sales Tax	37,750,000	37,750,000	1,814,937	4.8%
Other Taxes	20,000,000	20,000,000	1,759,127	8.8%
Licenses & Permits	5,639,454	5,639,454	1,552,475	27.5%
Intergovernmental	615,803	615,803	276,570	44.9%
Charges for Services	14,529,973	14,937,679	4,266,829	28.6%
Use of Money & Property	4,725,100	4,725,100	3,265,907	69.1%
Fines & Forfeitures	532,500	499,500	51,688	10.3%
Miscellaneous	221,500	221,500	36,900	16.7%
Total Revenues	\$ 152,250,330	\$ 152,625,036	\$ 18,854,914	12.4%
Expenditures:				
Personnel Services	\$ 30,985,300	\$ 31,386,794	\$ 8,249,776	26.3%
Contractual Services	108,073,742	109,078,742	27,596,284	25.3%
Material & Supplies	4,414,612	4,414,612	938,037	21.2%
General Government	-	-	-	-
Debt Service	-	-	-	-
Fixed Charges	6,151,248	6,151,248	1,523,235	24.8%
Fixed Assets	-	-	-	-
Total Expenditures	\$ 149,624,902	\$ 151,031,396	\$ 38,307,332	25.4%
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	\$ 2,625,428	\$ 1,593,640	\$ (19,452,418)	
Transfers:				
Transfers In	\$ 2,940,159	\$ 3,784,360	\$ 50,000	1.3%
Transfers Out	5,560,911	5,373,324	2,349,958	43.7%
Net Transfers	\$ (2,620,752)	\$ (1,588,964)	\$ (2,299,958)	
Total Revenues & Transfers In	\$ 155,190,489	\$ 156,409,396	\$ 18,904,914	12.1%
Total Expenditures & Transfers Out	155,185,813	156,404,720	40,657,290	26.0%
Net Change of Fund Balance	\$ 4,676	\$ 4,676	\$ (21,752,376)	

Fund Operating Revenues

The General Fund is comprised of several revenue types. However, the main sources include property tax, sales tax, and utility user's 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 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
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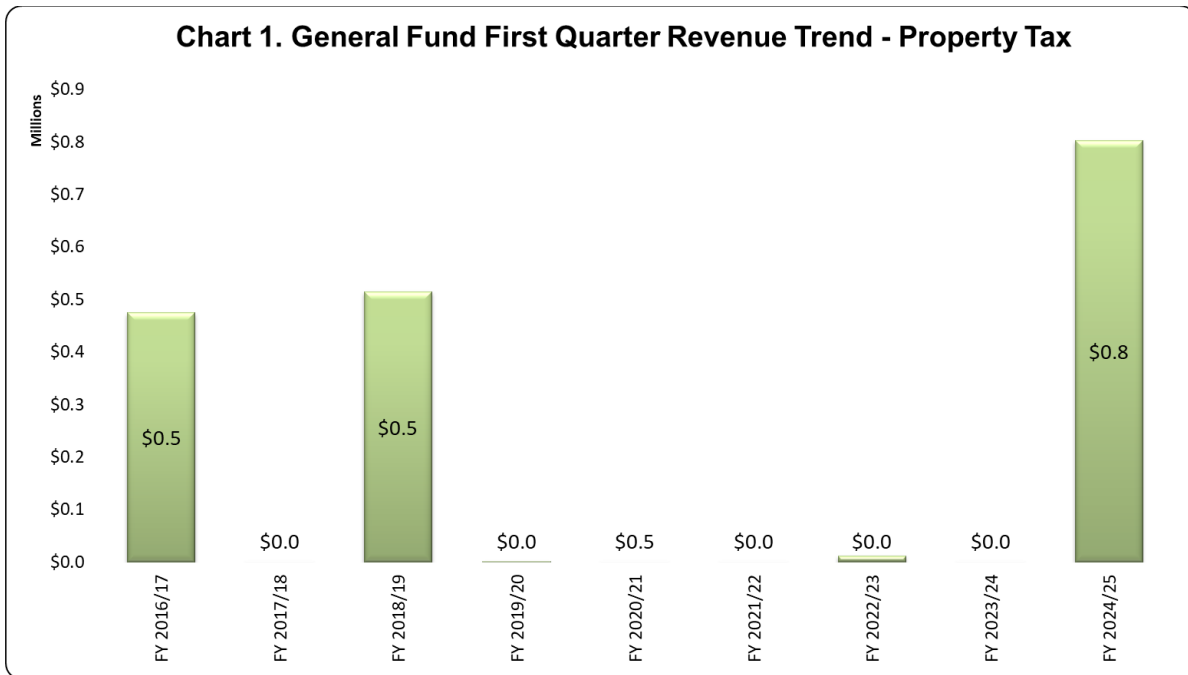
Property Taxes/Property Taxes In-Lieu

Property taxes were budgeted to increase by 2.5% from the FY 2023/24 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 1% of the budgeted property tax revenue through the First Quarter. The City has currently received 1.6% through the First 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.

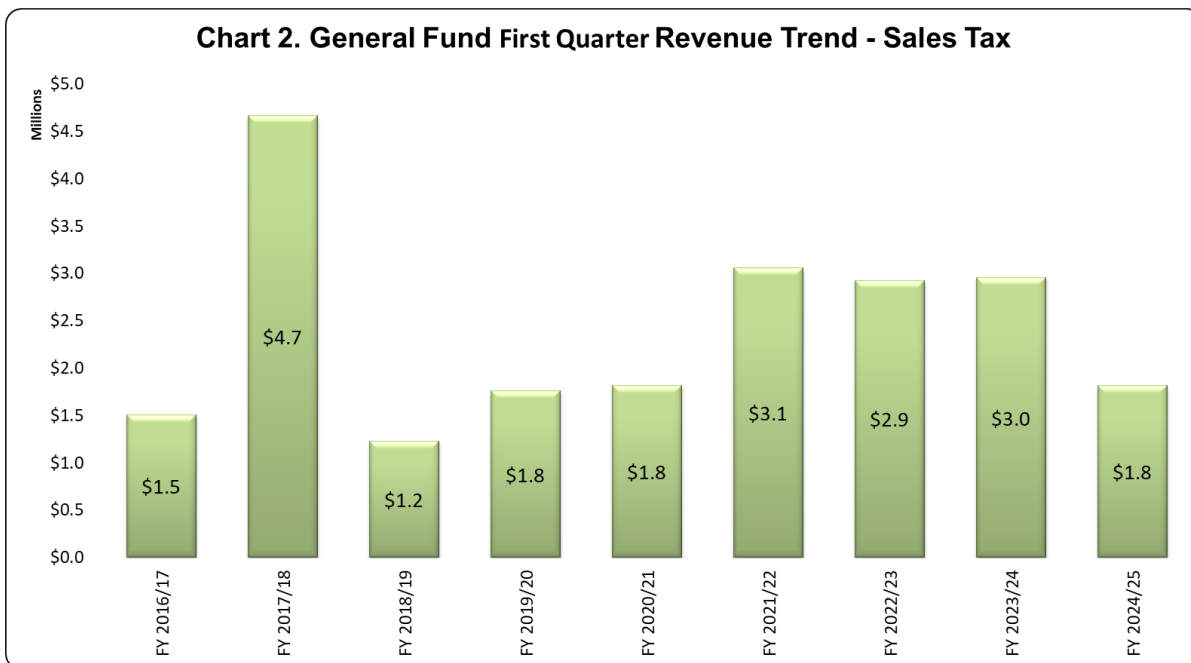


Note: FYs 2017/18 and 2019/20 through 2023/24 did not receive any property tax revenues in the first quarter.

Sales Taxes

Sales taxes were budgeted to increase by less than 1% as compared to the FY 2023/24 Amended Budget. Sales tax receipt trends will need to be continually monitored through the year for possible future budget adjustments.

Historical averages were at 11% budgeted sales tax revenue through First Quarter of actual receipts. The City has currently received 5% through First Quarter.

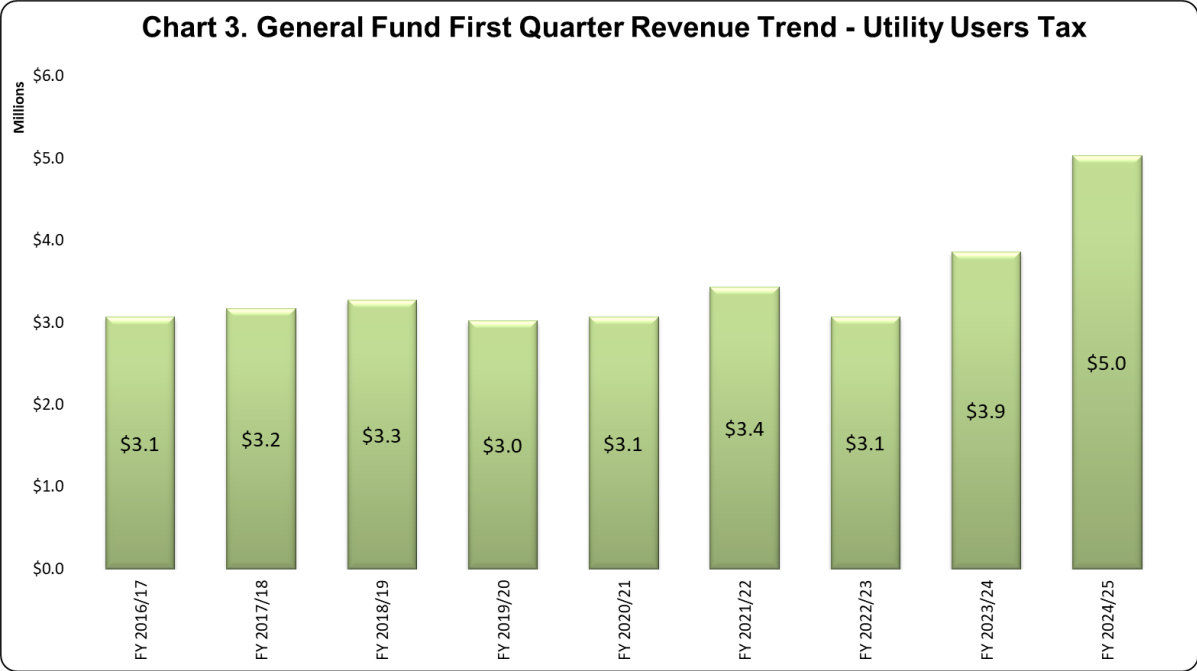


Note: For FY 2017/18, the reversal of revenues accrued to the prior fiscal year in accordance with the Government Accounting Standards Board (GASB) did not occur until the second quarter.

Utility Users Tax Utility

Utility Users Tax were budgeted to increase by 3% as compared to FY 2023/24 Amended Budget. This projection is primarily due to competitive forces within the communications markets.

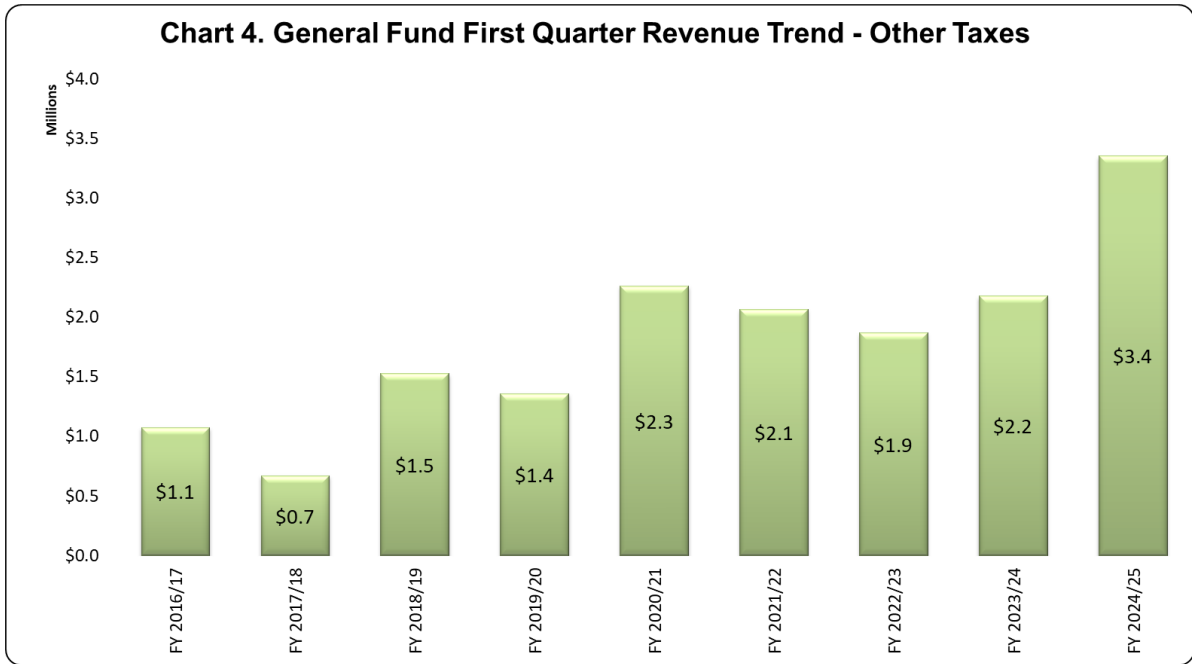
Based on historical averages of actual receipts, the City is estimated to receive 20% of the budgeted utility users tax revenue through the First Quarter. The City has currently received 28% through the First Quarter.



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 1.5% from the FY 2023/24 Amended Budget.

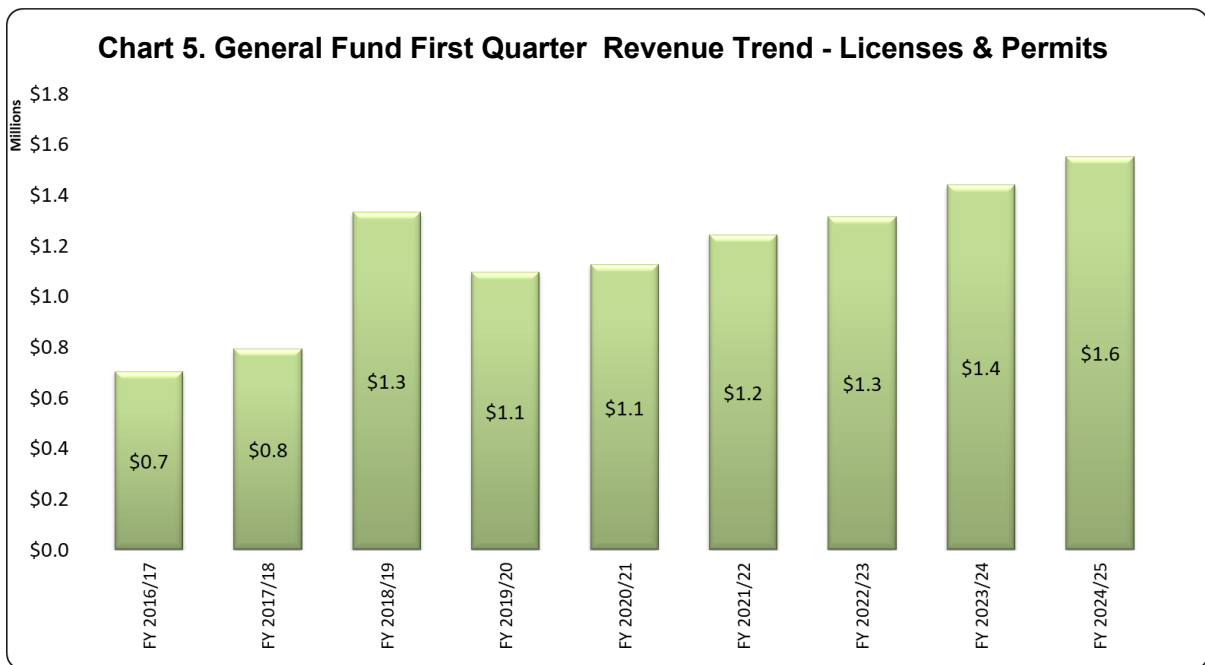
Based on historical averages of actual receipts, the City is expected to receive 12% of the budgeted Other Taxes revenue through First Quarter. The City has currently received 17% through the First Quarter.



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 less than 1% as compared to the FY 2023/24 Amended Budget.

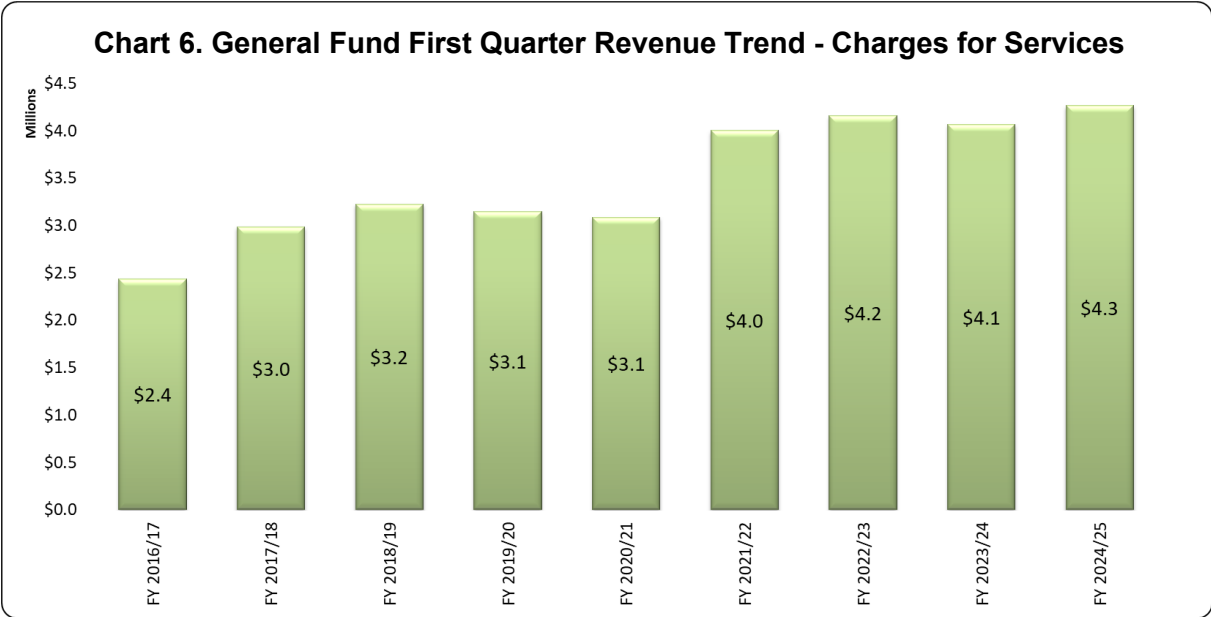
Based on historical averages of actual receipts, the City is expected to receive 24% of the budgeted Licenses & Permits revenue through the First Quarter. The City has currently received 28% through the First Quarter. The collection rate is related primarily to building and business license permit activities.



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 increase by a little over 1% as compared to the FY 2023/24 Amended Budget.

Based on historical averages of actual receipts, the City is expected to receive 26% of the budgeted Charges for Services revenue through First Quarter. The City has currently received 29% through the First Quarter.



Use of Money and Property

Investment income continues to remain low due to extremely low rates of return for fixed income investments but have 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 September 2024 of 5.260%. In addition, the City maintained funds in the State Local Agency Investment Fund Pool (LAIF) with a YTM of 4.575%. LAIF is realizing considerable investment gains based on the increases to the Federal Funds target rate increase. FOMC is expected to keep current rates through 2024 with no reductions until 2025. The FOMC target rate is currently 4.75% to 5.00%.* Staff will continue to monitor closely to ensure we maximize our investment income going forward.

*[Federal Reserve Board - Federal Reserve issues FOMC statement](#)

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 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
Department				
City Council	\$ 1,164,811	\$ 1,072,899	\$ 260,642	24.3%
City Clerk	769,143	1,346,055	155,879	11.6%
City Manager	2,591,807	2,992,343	1,066,275	35.6%
City Attorney	1,094,769	1,094,769	303,351	27.7%
Community Development	15,484,210	16,004,210	2,999,245	18.7%
Economic Development	2,589,931	2,589,931	569,871	22.0%
Financial & Management Services	15,877,282	16,000,749	3,500,317	21.9%
Human Resources	1,886,331	1,886,331	593,821	31.5%
Public Works	16,114,873	16,114,873	3,069,440	19.0%
Non-Departmental	2,494,961	2,307,374	4,132,711	179.1%
Non-Public Safety Subtotal	\$ 60,068,118	\$ 61,409,534	\$ 16,651,554	27.1%
Public Safety				
Police	\$ 64,732,911	\$ 64,732,911	\$ 16,698,663	25.8%
Fire	30,384,784	30,262,275	7,307,073	24.1%
Public Safety Subtotal	\$ 95,117,695	\$ 94,995,186	\$ 24,005,736	25.3%
Total	\$ 155,185,813	\$ 156,404,720	\$ 40,657,290	

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 the 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 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 6,045,278	\$ 6,045,278	\$ -	0.0%
Other Taxes	7,328,090	7,328,090	-	0.0%
Intergovernmental	-	-	9,701	0.0%
Charges for Services	6,351,095	6,364,395	424,627	6.7%
Use of Money & Property	1,164,220	1,164,220	346,892	29.8%
Fines & Forfeitures	24,897	24,897	1,300	5.2%
Miscellaneous	14,500	1,200	779	64.9%
Transfers In	1,480,120	1,480,120	233,538	15.8%
Total Revenues	\$ 22,408,200	\$ 22,408,200	\$ 1,016,837	4.5%
Expenditures:				
Library Services Fund (5010)	\$ 3,283,990	\$ 3,283,990	\$ 820,229	25.0%
Zone A Parks Fund (5011)	12,778,268	14,709,445	4,876,945	33.2%
LMD 2014-01 Residential Street Lighting Fund (5012)	1,498,648	1,498,648	95,492	6.4%
Zone C Arterial Street Lighting Fund (5110)	831,808	831,808	109,279	13.1%
Zone D Standard Landscaping Fund (5111)	1,739,192	1,739,192	243,963	14.0%
Zone E Extensive Landscaping Fund (5013)	395,267	398,085	44,607	11.2%
5014 LMD 2014-02	3,191,825	3,191,825	482,382	15.1%
5016 CFD 2021-01 Parks Fac Maint	145,900	525,500	35,442	6.7%
Zone M Median Fund (5112)	406,213	406,213	55,737	13.7%
CFD No. 1 (5113)	1,776,816	1,776,816	873,959	49.2%
Zone S Financial & Management Svcs (5114)	81,583	81,583	8,778	10.8%
Total Expenditures	\$ 26,129,510	\$ 28,443,105	\$ 7,646,812	26.9%
Net Change or Adopted Use of Fund Balance	\$ (3,721,310)	\$ (6,034,905)	\$ (6,629,975)	

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 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 2,979,205	\$ 2,979,205	\$ -	0.0%
Other Taxes	5,024,390	5,024,390	-	0.0%
Charges for Services	1,139,842	1,153,142	382,966	33.2%
Use of Money & Property	1,131,074	1,131,074	322,045	28.5%
Miscellaneous	14,500	1,200	(2,385)	-198.8%
Total Revenues	\$ 10,289,011	\$ 10,289,011	\$ 702,626	6.8%
Expenditures:				
35010 Parks & Comm Svcs - Admin	\$ 1,075,031	\$ 1,075,031	\$ 252,392	23.5%
35210 Park Maintenance - General	5,254,257	5,254,257	1,261,908	24.0%
35211 Contract Park Maintenance	517,617	664,617	82,057	12.3%
35213 Golf Course Program	699,017	699,017	130,289	18.6%
35214 Parks Projects	297,834	297,834	55,961	18.8%
35310 Senior Program	777,867	777,867	190,269	24.5%
35311 Community Services	17,434	-	1	0.0%
35312 Community Events	831,499	831,499	269,847	32.5%
35313 Conf & Rec Cntr	616,992	634,426	146,213	23.0%
35314 Conf & Rec Cntr - Banquet	271,278	271,278	74,315	27.4%
35315 Recreation Programs	1,538,063	1,538,063	390,591	25.4%
35318 Sports Programs	779,517	779,517	177,867	22.8%
35319 Towngate Community Center	59,262	59,262	7,511	12.7%
35320 Amphitheater	29,100.00	29,100	-	0.0%
35321 March Annex	13,500.00	13,500	1,666	12.3%
35324 Aquatics Programs	-	-	27,298	0.0%
95011 Non-Dept Zone A Parks	-	1,784,177	1,808,759	101.4%
Total Expenditures	\$ 12,778,268	\$ 14,709,445	\$ 4,876,945	33.2%
Net Change or Adopted Use of Fund Balance	\$ (2,489,257)	\$ (4,420,434)	\$ (4,174,319)	

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 8,606 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 the customer base will continue to provide for the ability to create rate stabilization and replacement reserve funding.

Table 7. MVU Operations

	FY 2024/25 Adopted Budget	FY 2024/25 Amended Budget	Actuals as of 9/30/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Charges for Services	\$ 49,374,318	\$ 49,374,318	23,049,705	46.7%
Use of Money & Property	338,500	338,500	477,432	141.0%
Miscellaneous	160,000	160,000	153,907	96.2%
Total Revenues	\$ 49,872,818	\$ 49,872,818	\$ 23,681,044	47.5%
Expenditures:				
45510 Electric Utility - General	\$ 33,863,657	\$ 34,111,355	\$ 9,248,735	27.1%
45511 Public Purpose Program	2,111,781	2,111,781	536,288	25.4%
45512 SCE Served Street Lights	861,312	861,312	239,965	27.9%
80005 CIP - Electric Utility	4,680,000	11,140,918	1,783,360	16.0%
96010 Non-Dept Electric	-	-	6,262	0.0%
96030 Non-Dept 2005 Lease Revenue Bonds	3,688,898	3,688,898	-	0.0%
96032 Non-Dept 2014 Refunding 2005 LRB	107,784	107,784	(18,546)	-17.2%
96041 Non-Dept 2021 LRB Refinance	618,516	618,516	(102,761)	-16.6%
96051 Non-Dept 2021 Streetlight Refin.	201,618	201,618	(17,167)	-8.5%
96060 Non-Dept 2019 Taxable LRB	636,625	636,625	(105,283)	-16.5%
Total Expenditures	\$ 46,770,191	\$ 53,478,807	\$ 11,570,853	21.6%

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

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.