

City of Moreno Valley

Fiscal Year 2024/25

Mid-Year Operating Budget Review

TO: Mayor and City Council

FROM: Launa Jimenez, Assistant City Manager (Administration)/Chief Financial Officer/City Treasurer

DATE: March 4, 2025

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 informed 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 Mid-Year of FY 2024/25 (July 2024 – December 2024, 50% of the fiscal year).

CITYWIDE OPERATING EXPENDITURE SUMMARY

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

Table 1. Citywide Operating Expenditures

Fund/Component Unit	FY 2024/25		Actuals as of	
	Adopted Budget	Amended Budget	12/31/24 (unaudited)	% of Amended Budget
General Fund	\$ 155,185,813	\$ 160,472,863	\$ 78,557,178	49.0%
Community Services District (CSD)	26,129,510	30,488,675	15,173,320	49.8%
Successor Agency	2,400,666	2,250,666	1,201,576	53.4%
Housing Fund	-	250,000	58,487	23.4%
Special Revenue Funds	39,586,038	73,102,859	29,622,845	40.5%
Capital Projects Funds	17,348,000	90,344,889	13,625,060	15.1%
Electric Utility Funds	46,770,191	85,150,305	24,801,217	29.1%
Internal Service Funds	15,349,694	32,180,003	11,010,920	34.2%
Debt Service Funds	4,010,854	3,673,267	209,597	5.7%
Total	\$ 306,780,766	\$ 477,913,527	\$ 174,260,200	36.5%

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 Mid-Year 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 12/31/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 22,136,000	\$ 22,136,000	\$ 8,596,050	38.8%
Property Tax in-lieu	28,100,000	30,177,972	-	0.0%
Utility Users Tax	18,000,000	18,000,000	11,059,116	61.4%
Sales Tax	37,750,000	37,750,000	10,432,163	27.6%
Other Taxes	20,000,000	20,000,000	5,295,070	26.5%
Licenses & Permits	5,639,454	5,639,454	3,674,104	65.1%
Intergovernmental	615,803	759,526	636,082	83.7%
Charges for Services	14,529,973	14,562,973	8,211,682	56.4%
Use of Money & Property	4,725,100	4,725,100	6,941,038	146.9%
Fines & Forfeitures	532,500	499,500	107,563	21.5%
Miscellaneous	221,500	346,500	102,476	29.6%
Total Revenues	\$ 152,250,330	\$ 154,597,025	\$ 55,055,344	35.6%
Expenditures:				
Personnel Services	\$ 30,985,300	\$ 31,386,794	\$ 18,640,029	59.4%
Contractual Services	108,073,742	110,155,111	51,581,024	46.8%
Material & Supplies	4,414,612	6,510,651	1,789,899	27.5%
Fixed Charges	-	-	5,072	0.0%
Fixed Charges	6,151,248	6,151,248	3,005,826	48.9%
Fixed Assets	-	862,666	-	0.0%
Total Expenditures	\$ 149,624,902	\$ 155,066,470	\$ 75,021,850	48.4%
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	\$ 2,625,428	\$ (469,445)	\$ (19,966,506)	
Transfers:				
Transfers In	\$ 2,940,159	\$ 5,880,514	\$ 50,000	0.9%
Transfers Out	5,560,911	5,406,393	3,535,328	65.4%
Net Transfers	\$ (2,620,752)	\$ 474,121	\$ (3,485,328)	
Total Revenues & Transfers In	\$ 155,190,489	\$ 160,477,539	\$ 55,105,344	34.3%
Total Expenditures & Transfers Out	155,185,813	160,472,863	78,557,178	49.0%
Net Change of Fund Balance	\$ 4,676	\$ 4,676	\$ (23,451,834)	

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 12/31/24 (unaudited)	% of Amended Budget
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Taxes:				
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Licenses & Permits	5,639,454	5,639,454	3,674,104	65.1%
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Charges for Services	14,529,973	14,562,973	8,211,682	56.4%
Use of Money & Property	4,725,100	4,725,100	6,941,038	146.9%
Fines & Forfeitures	532,500	499,500	107,563	21.5%
Miscellaneous	221,500	346,500	102,476	29.6%
Total Revenues	\$ 152,250,330	\$ 154,597,025	\$ 55,055,344	35.6%

Property Taxes/Property Taxes In-Lieu

Property taxes were budgeted to increase by 6.8% 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 14% of the budgeted property tax revenue through the Mid-Year. The City has currently received 16% through the Mid-Year. 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.

Chart 1. General Fund Mid-Year Revenue Trend - Property Tax

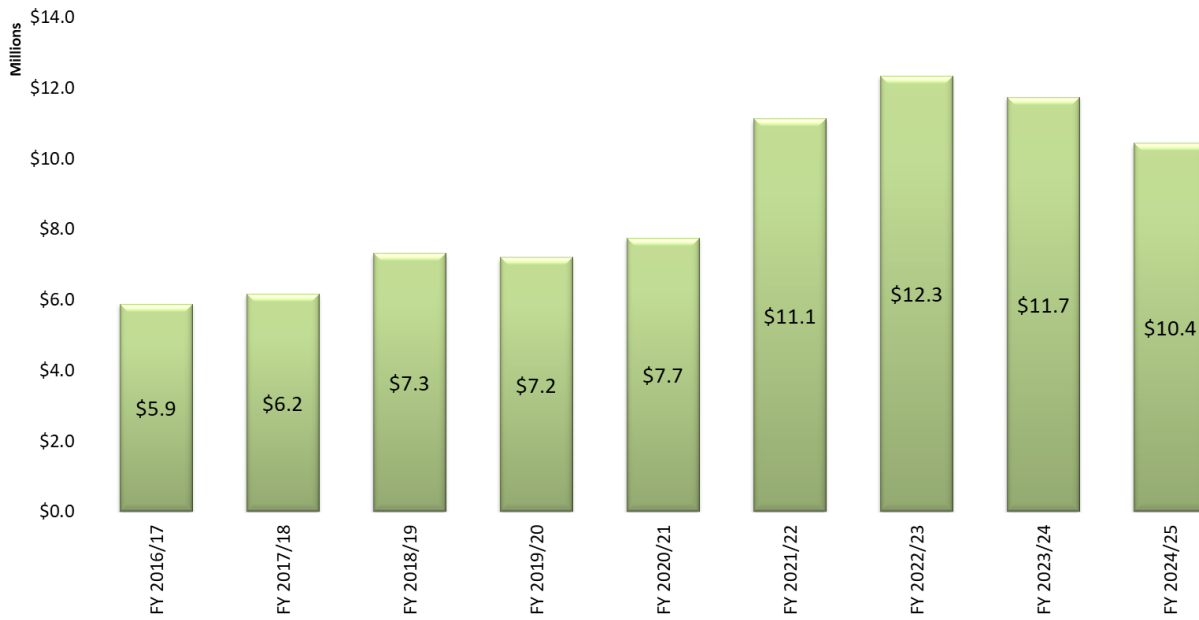


Sales Taxes

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 throughout the year for possible future budget adjustments.

Historical averages were at 37% budgeted sales tax revenue through Mid-Year of actual receipts. The City has currently received 28% through Mid-Year.

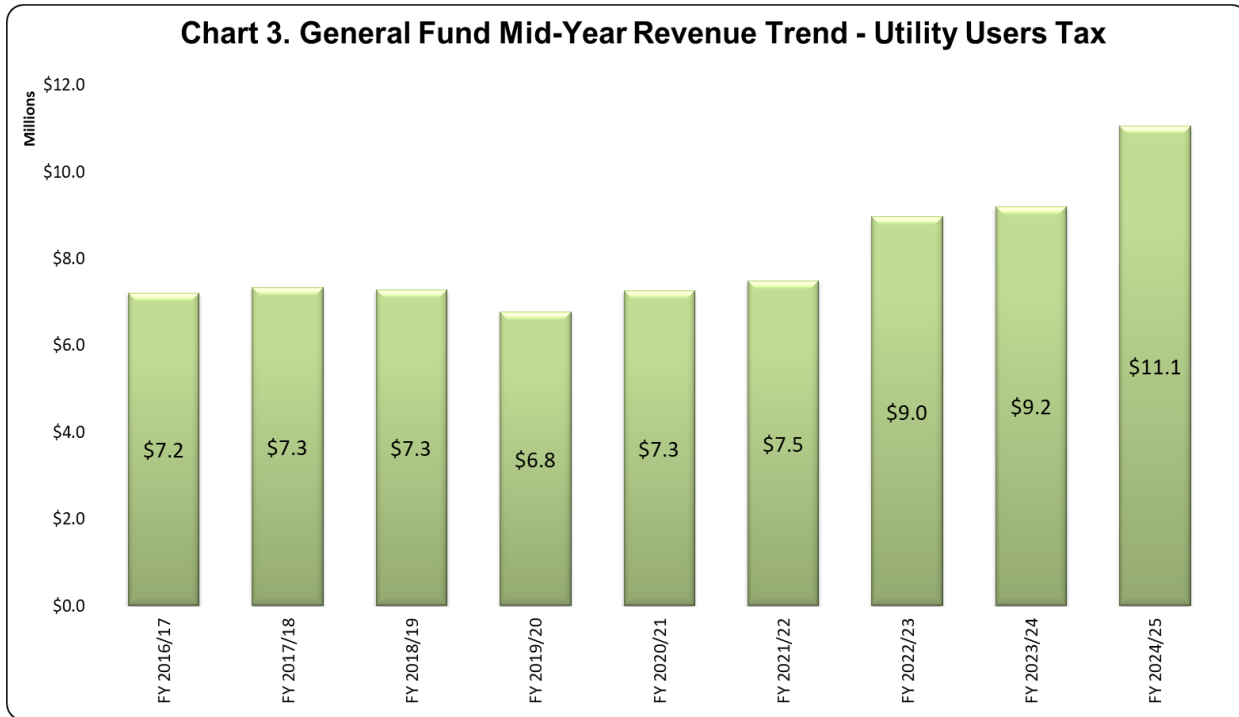
Chart 2. General Fund Mid-Year Revenue Trend - Sales Tax



Utility Users Tax Utility

Utility Users Tax was 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.

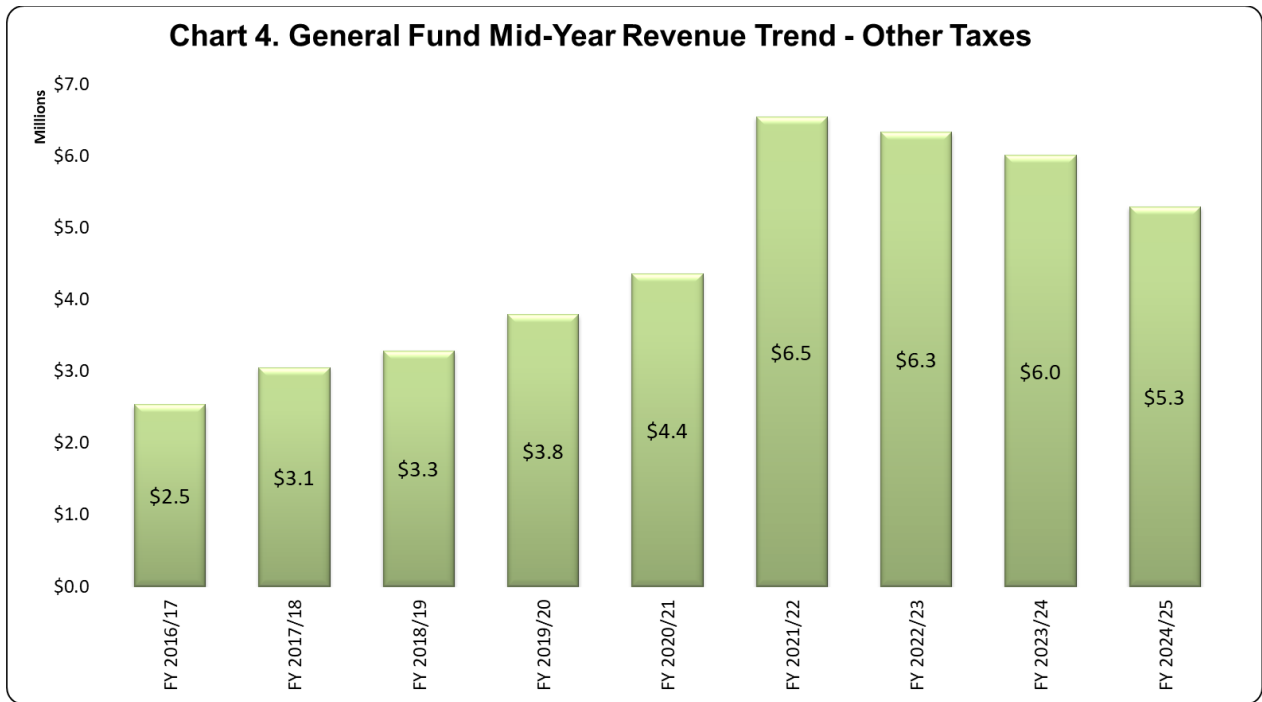
Based on historical averages of actual receipts, the City is estimated to receive 48% of the budgeted utility users tax revenue through the Mid-Year. The City has currently received 61% through the Mid-Year.



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.

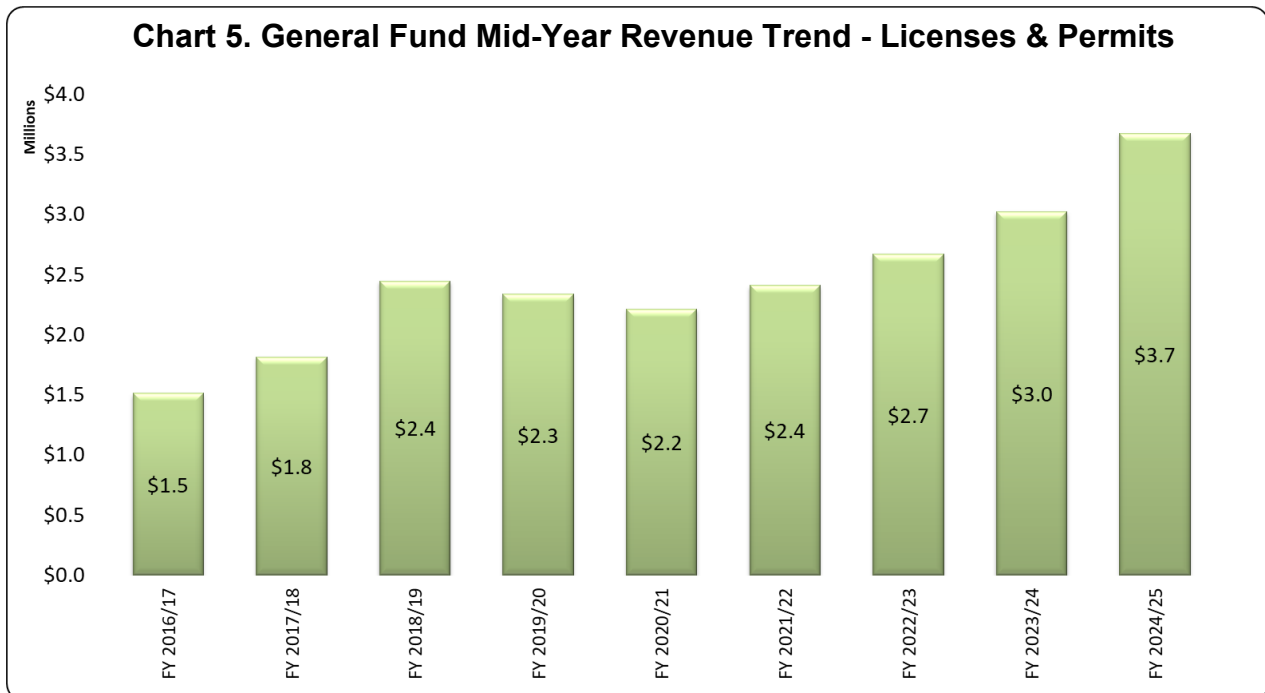
Based on historical averages of actual receipts, the City is expected to receive 32% of the budgeted Other Taxes revenue through Mid-Year. The City has currently received 26% through the Mid-Year.



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 remain the same as compared to the FY 2023/24 Amended Budget.

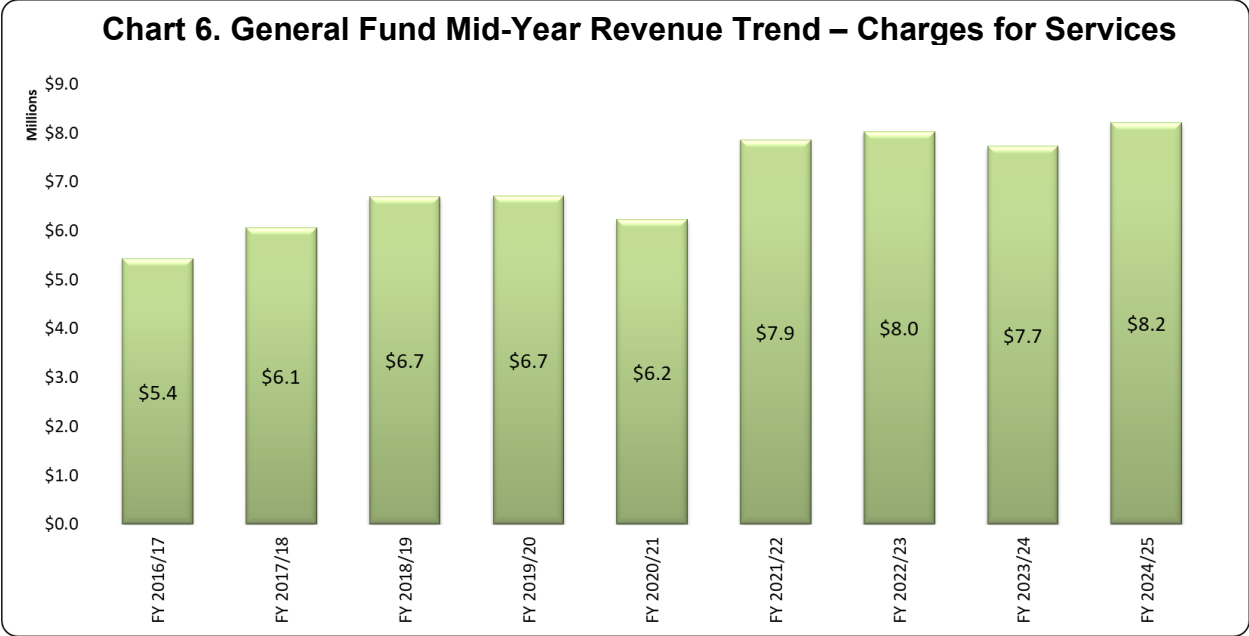
Based on historical averages of actual receipts, the City is expected to receive 49% of the budgeted Licenses & Permits revenue through the Mid-Year. The City has currently received 65% through the Mid-Year. The collection rate is related primarily to building and business license permit activities.



Charges for Services

Charges for Services are primarily composed of Plan Check Fees, Inspection Fees, Administrative Charges to other funds, and Parking Control Fines. Collectively, Charges for Services were conservatively budgeted to decrease by 1% as compared to the FY 2023/24 Amended Budget.

Based on historical averages of actual receipts, the City is expected to receive 53% of the budgeted Charges for Services revenue through Mid-Year. The City has currently received 56% through the Mid-Year.



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 December 2024 of 4.639%. In addition, the City maintained funds in the State Local Agency Investment Fund Pool (LAIF) with a YTM of 4.434%. 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 4.25% to 4.50%.* 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 12/31/24 (unaudited)	% of Amended Budget
Department				
City Council	\$ 1,164,811	\$ 1,078,419	\$ 540,749	50.1%
City Clerk	769,143	1,346,055	350,485	26.0%
City Manager	2,591,807	2,992,343	2,227,004	74.4%
City Attorney	1,094,769	1,094,769	955,008	87.2%
Community Development	15,484,210	16,129,210	7,217,931	44.8%
Economic Development	2,589,931	2,589,931	1,239,052	47.8%
Financial & Management Services	15,877,282	16,000,749	6,778,010	42.4%
Human Resources	1,886,331	2,288,331	1,232,247	53.8%
Public Works	16,114,873	19,524,058	6,600,243	33.8%
Non-Departmental	2,494,961	2,340,443	6,341,602	271.0%
Non-Public Safety Subtotal	\$ 60,068,118	\$ 65,384,308	\$ 33,482,332	51.2%
Public Safety				
Police	\$ 64,732,911	\$ 64,826,280	\$ 23,833,062	36.8%
Fire	30,384,784	30,262,275	21,241,785	70.2%
Public Safety Subtotal	\$ 95,117,695	\$ 95,088,555	\$ 45,074,846	47.4%
Total	\$ 155,185,813	\$ 160,472,863	\$ 78,557,178	

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 12/31/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 6,045,278	\$ 6,045,278	\$ 2,341,551	38.7%
Other Taxes	7,328,090	7,738,149	69,347	0.9%
Intergovernmental	-	-	48,109	0.0%
Charges for Services	6,351,095	6,535,941	813,640	12.4%
Use of Money & Property	1,164,220	1,164,220	608,444	52.3%
Fines & Forfeitures	24,897	24,897	2,328	9.4%
Miscellaneous	14,500	1,200	1,712	142.7%
Transfers In	1,480,120	1,515,881	810,157	53.4%
Total Revenues	\$ 22,408,200	\$ 23,025,566	\$ 4,695,288	20.4%
Expenditures:				
Library Services Fund (5010)	\$ 3,283,990	\$ 3,283,990	\$ 1,695,606	51.6%
Zone A Parks Fund (5011)	12,778,268	15,200,375	8,315,766	54.7%
LMD 2014-01 Residential Street Lighting Fund (5012)	1,498,648	1,498,648	667,423	44.5%
Zone C Arterial Street Lighting Fund (5110)	831,808	831,808	404,578	48.6%
Zone D Standard Landscaping Fund (5111)	1,739,192	1,739,192	566,947	32.6%
Zone E Extensive Landscaping Fund (5013)	395,267	400,490	122,267	30.5%
5014 LMD 2014-02 (5014)	3,191,825	3,191,825	1,344,860	42.1%
5016 CFD 2021-01 Parks Fac Maint (5016)	145,900	525,500	91,929	17.5%
Zone M Median Fund (5112)	406,213	406,213	125,290	30.8%
CFD No. 1 (5113)	1,776,816	3,329,051	1,815,840	54.5%
Zone S Financial & Management Svcs (5114)	81,583	81,583	22,814	28.0%
Total Expenditures	\$ 26,129,510	\$ 30,488,675	\$ 15,173,320	49.8%
Net Change or Adopted Use of Fund Balance	\$ (3,721,310)	\$ (7,463,109)	\$ (10,478,032)	

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 12/31/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 2,979,205	\$ 2,979,205	\$ 1,217,772	40.9%
Other Taxes	5,024,390	5,282,900	63,691	1.2%
Charges for Services	1,139,842	1,153,142	712,088	61.8%
Use of Money & Property	1,131,074	1,131,074	538,702	47.6%
Miscellaneous	14,500	1,200	(3,484)	-290.3%
Total Revenues	\$ 10,289,011	\$ 10,547,521	\$ 2,528,769	24.0%
Expenditures:				
35010 Parks & Comm Svcs - Admin	\$ 1,075,031	\$ 1,075,031	\$ 501,291	46.6%
35210 Park Maintenance - General	5,254,257	5,604,257	2,639,404	47.1%
35211 Contract Park Maintenance	517,617	664,617	267,983	40.3%
35213 Golf Course Program	699,017	699,017	281,954	40.3%
35214 Parks Projects	297,834	297,834	121,290	40.7%
35310 Senior Program	777,867	777,867	412,747	53.1%
35311 Community Services	17,434	-	-	0.0%
35312 Community Events	831,499	831,499	572,283	68.8%
35313 Conf & Rec Cntr	616,992	634,426	326,802	51.5%
35314 Conf & Rec Cntr - Banquet	271,278	271,278	170,311	62.8%
35315 Recreation Programs	1,538,063	1,538,063	737,640	48.0%
35318 Sports Programs	779,517	779,517	377,025	48.4%
35319 Towngate Community Center	59,262	59,262	32,793	55.3%
35320 Amphitheater	29,100.00	29,100	-	0.0%
35321 March Annex	13,500.00	13,500	2,591	19.2%
35324 Aquatics Programs	-	70,000	27,298	39.0%
80003 CIP - Buildings	-	70,930	-	0.0%
95011 Non-Dept Zone A Parks	-	1,784,177	1,844,355	103.4%
Total Expenditures	\$ 12,778,268	\$ 15,200,375	\$ 8,315,766	54.7%
Net Change or				
Adopted Use of Fund Balance	\$ (2,489,257)	\$ (4,652,854)	\$ (5,786,997)	

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 8,937 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 12/31/24 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Charges for Services	\$ 49,374,318	\$ 53,874,318	\$ 38,617,037	71.7%
Use of Money & Property	338,500	2,338,500	1,379,020	59.0%
Miscellaneous	160,000	160,000	237,184	148.2%
Total Revenues	\$ 49,872,818	\$ 56,372,818	\$ 40,233,242	71.4%
Expenditures:				
45510 Electric Utility - General	\$ 33,863,657	\$ 40,665,765	\$ 17,170,540	42.2%
45511 Public Purpose Program	2,111,781	2,511,781	1,237,473	49.3%
45512 SCE Served Street Lights	861,312	861,312	457,113	53.1%
80005 CIP - Electric Utility	4,680,000	35,858,006	3,653,153	10.2%
96010 Non-Dept Electric	-	-	27,431	0.0%
96030 Non-Dept 2005 Lease Revenue Bonds	3,688,898	3,688,898	1,508,345	40.9%
96012 Non-Dept Electric-Public Purpose	-	-	5,055	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	209,872	33.9%
96051 Non-Dept 2021 Streetlight Refin.	201,618	201,618	338,864	168.1%
96060 Non-Dept 2019 Taxable LRB	636,625	636,625	211,917	33.3%
Total Expenditures	\$ 46,770,191	\$ 85,150,305	\$ 24,801,217	29.1%
Net Change or Adopted Use of Fund Balance	\$ 3,102,627	\$ (28,777,487)	\$ 15,432,025	

*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.