

City of Corona, CA

Quarterly Budget Update - Quarter 3, FY 2023

May 3, 2023

Quarter 3, Fiscal Year 2023

Overview

City management is pleased to present this quarterly update summarizing the City's overall budget activity through Quarter 3 (March 31, 2023) for Fiscal Year (FY) 2023. The City's fiscal year is July 1 through June 30. For audited information, or to find greater detail, please refer to the City's annual financial statement, which is released by December 31st following the end of the fiscal year.

Budget Adjustments and Revenue Estimates. The revenue projections and budget expenditures presented in this update include budget adjustments approved by the City Council, continuing appropriations, and prior year encumbrances, mid-year revenue estimates, and updated revenue estimates presented at the Spring Financial Workshop on April 13, 2023.

General Fund

General Fund Financial Condition. The City's General Fund is the primary source of discretionary resources that funds many of the services provided to the citizens of the City of Corona. The General Fund is made up of the General Fund, Measure X Fund, and Historic Civic Center Fund.

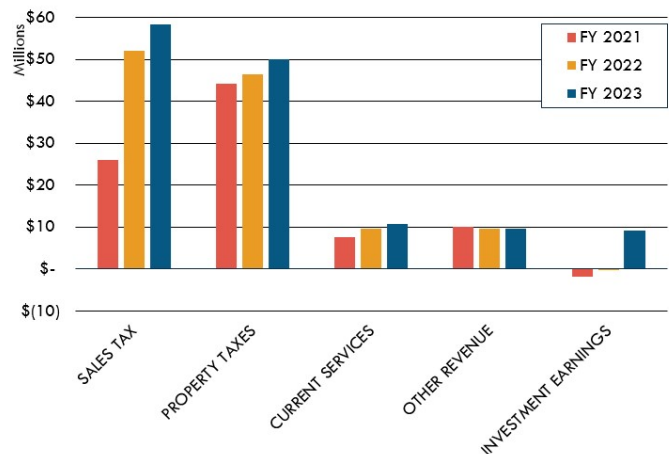
The General Fund inflows (revenue and transfers in) for FY 2023 are currently estimated at \$210.7 million. Based on FY 2023 projections, there is an estimated increase of \$14.2 million when compared to the cumulative budget.

The City has received or recorded 73.1% of the estimated General Fund inflows, through the end of Quarter 3 (at the time this information was prepared). Overall, inflows are down by 56.8% when compared to the same quarter of FY 2022, but this is related to accounting for the pension obligation bonds (POBs) in Quarter 3 of FY 2022.

As of Quarter 3 of FY 2023, the General Fund has expended 55.6% of its cumulative budget. The current savings is primarily due to capital improvement projects which will take multiple years to complete.



**General Fund Revenues
Top 5 Revenues Compared, Quarter 3
FY 2021 - FY 2022 - FY 2023**



Comparing Quarter 3 of FY 2023 to FY 2022, expenditures are 65.2% lower, or \$216.7 million. This is due to the PERS Unfunded Liability payments and pension bond issuance costs in last fiscal year.

General Fund Inflows

Top Five Revenues. The City's top five General Fund revenue categories account for approximately 89.9% of the total estimated General Fund inflows for FY 2023. Focusing on these sources can provide a useful understanding of the City's income position. Details of the categories will be described in the following paragraphs.

The bar graph above illustrates the performance of the top five revenues as compared to the same quarter of the prior two fiscal years.

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General Fund Inflows - Revenues + Transfers In Quarter 3, FY 2022 to FY 2023

General Fund Revenue Category	Through Q3 FY 2022	Through Q3 FY 2023	% Change
Sales Tax	\$ 29,040,162	\$ 32,960,330	13.5%
Measure X	22,909,219	25,291,871	10.4%
Property Tax	46,522,118	50,140,120	7.8%
Other Revenue	9,680,162	9,534,640	-1.5%
Current Services	9,654,134	10,725,893	11.1%
Other Taxes	7,300,907	7,712,694	5.6%
Payments in Lieu of Services	4,530,002	4,509,077	-0.5%
Intergovernmental Revenues	2,109,703	107,866	-94.9%
Licenses, Fees & Permits	1,783,749	1,817,503	1.9%
Fines, Penalties & Forfeitures	701,193	938,202	33.8%
Special Assessments	292,290	344,054	N/A
Investment Earnings	(37,126)	9,229,860	
Proceeds from Long Term Obligations	221,996,682	-	100.0%
Total Revenues	\$ 356,483,195	\$ 153,312,110	-57.0%
Transfers In	688,849	821,658	19.3%
Total Inflows	\$ 357,172,044	\$ 154,133,768	-56.8%

Sales Tax. At the end of Quarter 3, Sales Tax is the largest General Fund revenue category. This category includes the City's portion of sales tax, Measure X, Prop. 172 sales tax, and allowance for sales tax agreements. As of Quarter 3, the total received is \$58.3 million. At the time this information was prepared, the revenues are up by 12.1% as compared to the prior year.

Property Tax. The second largest General Fund revenue category at the end of Quarter 3 is Property Tax. The total for property taxes is \$50.1 million, an increase of \$3.6 million, or 7.8%, over the prior fiscal year. The increase is primarily in secured property taxes. The majority of property tax revenues are recorded as revenue and booked as a receivable, once the annual report is received from the County of Riverside (generally November/December). Year-end adjustments 'true-up' the amounts to the actual cash received.

Current Services. At the end of Quarter 3, a total of \$10.7 million has been received in the Current Services category. Items in this revenue group include plan check fees, engineering and inspection fees, recreation revenues, and the Emergency Medical Services Program. Current Services are up 11.1%, or \$1.1 million as compared to Quarter 3 of FY 2022.

When comparing to the prior fiscal year, there is an increase in the cannabis program related revenues,

due to the startup of hosting cannabis businesses in the City. Plan check and inspection related revenues are also experiencing increases, as well as fire related fees (timing issue when compared to last year). In addition, there are decreases in passport processing fees, after school recreation program, Kids Camp, EMS subscription and EMS direct bill.

Other Revenues. The Other Revenues category is the fourth largest category at the end of the Quarter 3. Activity in this revenue group includes Rental/Lease Income, Development Agreements, Telecommunication Site Rentals, and Billboard Revenues. At the end of Quarter 3, the total received is \$9.5 million. Overall, the Other Revenues category is down by 1.5%, or \$0.1 million, as compared to the same quarter in FY 2022. This is due to decreases across the various donations accounts.

Investment Earnings. This category is usually not one of the five largest, but as of Quarter 3, FY 2023, it ranks fifth largest. There is a significant difference when compared to the prior year that needs to be explained.

The biggest factor in this category's increase is due to how the City must report the unrealized gains/losses from investments. These are book entries and not actual cash. At the end of Quarter 3, the Gain/Loss entries total \$5.8 million which is a positive change of \$7.9 million as compared to FY 2022.

General Fund Inflows - Revenues + Transfers In FY 2023, Projected Revenues to Quarter 3 Actuals

General Fund Revenue Category	Projected FY 2023	Through Q3 FY 2023	% Received
Property Tax	\$ 59,638,155	\$ 50,140,120	84.1%
Sales Tax	54,610,106	32,960,330	60.4%
Measure X	43,789,700	25,291,871	57.8%
Other Revenue	11,421,443	9,534,640	83.5%
Other Taxes	11,579,545	7,712,694	66.6%
Current Services	12,769,074	10,725,893	84.0%
Payments in Lieu of Services	6,052,862	4,509,077	74.5%
Intergovernmental Revenues	2,312,731	107,866	4.7%
Investment Earnings	3,621,479	9,229,860	254.9%
Licenses, Fees & Permits	2,260,850	1,817,503	80.4%
Fines, Penalties & Forfeitures	889,522	938,202	105.5%
Special Assessments	672,490	344,054	51.2%
Total Revenues	\$ 209,617,957	\$ 153,312,110	73.1%
Transfers In	1,100,000	812,658	73.9%
Total Inflows	\$ 210,717,957	\$ 154,124,768	73.1%

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General Fund Expenditures

The FY 2023 budget was adopted with \$182.5 million in General Fund expenditures. With continuing appropriations of \$19.2 million, and encumbrances (committed purchase orders) of \$5.5 million, the beginning outflow budget was \$207.2 million. Through Council Actions and other authorized adjustments, the cumulative budget is \$208.4 million.

Through Quarter 3, the City has spent \$115.8 million, or 55.6% of the cumulative budget. At this point in the fiscal year, expenditures should be approximately 75% of budget. When comparing to the same quarter in FY 2022, outflows are down by 65.2%, or \$216.7 million, largely related to the PERS unfunded pension liability and pension bond issuance costs. The largest expenditure category for the General Fund is Personnel Services.

General Fund Outflows Expenditures + Transfers Out Quarter 3, FY 2022 to FY 2023

General Fund Expenditures By Category	Through Q3 FY 2022	Through Q3 FY 2023	% Change
Contractual	7,987,383	9,489,775	18.8%
Materials and Supplies	26,665,102	28,076,056	5.3%
Other Sources	526,625	184,958	-64.9%
Personnel Services (Other)	68,863,446	74,955,837	8.8%
PERS Unfunded Liability (UAL)	225,102,457	21,410	-100.0%
Utilities	3,026,017	3,050,077	0.8%
Total Expenditures	\$ 332,171,031	\$ 115,778,113	-65.1%
Transfers Out	269,916	-	-100.0%
Total Outflows	\$ 332,440,947	\$ 115,778,113	-65.2%

Personnel Services. In the PERS unfunded liability line item, there is a decrease of \$225.1 million, or 100%, when compared to the prior year. This is due to the issuance of pension obligation bonds in October 2021. For the life of the bonds, the debt service payments will move from the personnel category to materials and supplies.

The Personnel Services (Other) is an increase of \$6.1 million as compared to the same quarter last fiscal year. The changes are based on current MOU contracts that are good through December 2024.

Materials and Supplies. The Materials and Supplies category is up by \$1.4 million when compared to Quarter 3 of FY 2022. There are multiple increases and decreases in this category. The primary drivers are pension bond debt service payments, tree maintenance, and one-time expenditures for technical rescue equipment and furniture/equipment purchases.

General Fund Outflows Expenditures + Transfers Out Budget to Actuals, Quarter 3, FY 2023

General Fund Expenditures By Department	Cumulative Budget FY 2023	Through Q3 FY 2023	% Spent
Capital Improvement Projects	\$ 26,034,503	\$ 3,365,961	12.9%
City Manager's Office	8,536,316	4,286,947	50.2%
Community Services	17,368,848	11,306,369	65.1%
Debt Service	21,369,124	5,892,145	27.6%
Economic Development	1,504,103	820,641	54.6%
Elected Officials	141,733	88,297	62.3%
Finance	4,605,683	2,855,520	62.0%
Fire	33,920,616	22,871,285	67.4%
General Government	25,415,207	16,897,832	66.5%
Human Resources	2,795,254	1,589,565	56.9%
Information Technology	743,292	212,867	28.6%
Legal & Risk Management	1,857,547	1,320,635	71.1%
Maintenance Services	3,649	222,548	6098.2%
Planning & Development	8,522,650	5,667,178	66.5%
Police	49,950,432	35,616,976	71.3%
Public Works	5,609,667	2,763,345	49.3%
Total Expenditures	\$ 208,378,625	\$ 115,778,113	55.6%
Transfers Out	-	-	N/A
Total Outflows	\$ 208,378,625	\$ 115,778,113	55.6%

General Fund Expenditures by Department. Through March 31, 2023, approximately 75% of the fiscal year is complete. Departments with a variance of greater than 10% are explained in the following section.

- **Capital Improvement Projects.** This budget does not follow the normal trends as these are multi-year projects. Any unspent encumbrances (purchase orders) or remaining balance carries forward to the next fiscal year to continue the project activities.
- **City Manager's Office.** Current savings are related to the contractual services budget. The contractual services are primarily related to the Homeless Program. The improvement project for the shelter is still in progress and contracted operating costs will begin once the shelter is operational.

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- **Debt Services.** Quarter 3 is low due to the timing of debt service payments based on approved payment cycles.
- **Economic Development.** Current savings is due to materials & supplies and contractual services.
- **Elected Officials.** Current savings in materials & supplies, mainly in conference, training & travel.
- **Finance.** The Finance Department currently has a savings due to personnel vacancies, materials and supplies, and contractual services.
- **Human Resources.** Current savings is due to personnel vacancies, materials and supplies, and contractual services.
- **Information Technology.** Related to Measure X. There are some vacancy savings and some projects that have not started as of quarter 3.
- **Maintenance Services.** The Maintenance Services Department currently is higher than 75% due to the personnel and utilities categories. This is related to the reorganization that occurred in FY 2022. Staff is working to address the charges and the issues should be resolved by Quarter 4.
- **Public Works.** The Public Works Department currently has savings due to personnel vacancies, materials and supplies, and contractual services.

General Fund Reserves

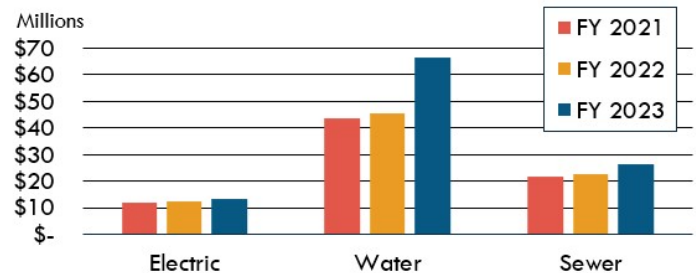
The General Fund has multiple reserves in fund balance for various purposes. For the full list, please reference the City's financial statements, Note 15 (for Fiscal Year Ending June 30, 2022, page 116). This quarterly update will highlight four of those reserves. Noted below are the audited FY 2022 amounts, which total \$99.1 million.

June 30, 2022	
Emergency Contingency	\$ 41,699,024
Budget Balancing	\$ 3,922,049
Pension Stabilization	\$ 30,102,382
Measure X Reserves	\$ 23,327,465
Total of Noted Reserves	\$ 99,050,920

Enterprise Funds-Utilities

The City operates three utility services through the Utilities Department (formerly the Department of Water and Power): electric, water, and sewer. Through the collection of fees and charges, these funds should collect revenues sufficient to finance the costs associated with administration, operations, capital improvement projects (CIP), and debt service.

Enterprise Funds-Utilities Revenues Revenues Compared, Quarter 3 FY 2021 - FY 2022 - FY 2023



Enterprise Funds-Utilities Revenues

Through Quarter 3 FY 2023, revenues received have an increase of 31.6%, or \$25.5 million, as compared to the same quarter in Fiscal Year 2022.

Electric. Comparing Quarter 3 FY 2023 revenues to FY 2022, there is an increase of \$766,635, or 6.2%. There is currently an increase in Current Services, Fines, Penalties, and Forfeitures, Intergovernmental Revenue and Investment Earnings. The change in the Investment Earnings category is due to how the City must report the unrealized gains/losses from investments. These are book entries and not actual cash. The book entries for the Electric Utility are an increase of \$1.3 million when compared to Quarter 3 of FY 2022.

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Enterprise Funds-Utilities Inflows - Revenues + Transfers In Quarter 3, FY 2022 to FY 2023

Enterprise Funds Fund Type	Through Q3 FY 2022	Through Q3 FY 2023	% Change
Electric	\$ 12,351,132	\$ 13,117,766	6.2%
Water	45,448,882	66,552,063	46.4%
Sewer	22,844,588	26,454,589	15.8%
Total Revenues	\$ 80,644,602	\$ 106,124,419	31.6%
Transfers In - Electric	-	-	N/A
Transfers In - Water	-	-	N/A
Transfers In - Sewer	-	6	N/A
Total Inflows	\$ 80,644,602	\$ 106,124,425	31.6%

Water. Through the third quarter of FY 2023, there is an increase of 46.4%, or \$21.1 million, as compared to FY 2022. Other Revenue has an increase of \$19.0 million, largely due to a one-time lawsuit settlement. Investment Earnings has an increase of \$1.5 million, almost entirely due to the unrealized gains/losses from investments which are book entries. There is a decrease of \$1.1 million in the Utility Service Charges category and decrease of \$0.9 million in the Licenses, Fees and Permits category related to one-time capacity fees received in FY 2022 (building related activity).

Sewer. Through Quarter 3, there is an increase of 15.8%, or \$3.6 million, when compared to FY 2022. There is an increase of \$3.7 million in the Investment Earnings, almost entirely due to the unrealized gains/losses from investments which are book entries. There is also an increase of \$208,944 in Fines, Penalties & Forfeitures and a decrease of \$105,749 for licenses, fees, and permits.

Enterprise Funds-Utilities Outflows

When comparing the total of utility outflows, Quarter 3 of FY 2023 to FY 2022, outflows are lower by 34.7%, or \$39.3 million. The main drivers for the overall decrease is in Personnel Services (unfunded liability payments related to the pension obligation bonds). In addition, there are decreases in contractual obligations, mainly construction contracts, and in materials and supplies, primarily \$2.5 million for the retrofit program.

Enterprise Funds-Utilities Inflows - Revenues + Transfers In FY 2023, Projected Revenues to Quarter 3 Actuals

Enterprise Funds Fund Type	Projected FY 2023	Through Q3 FY 2023	% Received
Electric	\$ 17,844,766	\$ 13,117,766	73.5%
Water	93,672,919	66,552,063	71.0%
Sewer	35,927,640	26,454,589	73.6%
Total Revenues	\$ 147,445,325	\$ 106,124,419	72.0%
Transfers In - Electric	-	-	N/A
Transfers In - Water	-	-	N/A
Transfers In - Sewer	6	6	N/A
Total Inflows	\$ 147,445,331	\$ 106,124,425	72.0%

Personnel Services—all utilities. In the PERS unfunded liability line item, there is a significant decrease when compared to the prior year. The city issued pension obligation bonds in October 2021. Since FY 2022 and for the life of the bonds, the debt service payments will move from the personnel category to materials and supplies.

Enterprise Funds-Utilities Outflows - Expenditures + Transfers Out Quarter 3, FY 2022 to FY 2023

Enterprise Funds Expenditures By Category	Through Q3 FY 2022	Through Q3 FY 2023	% Change
Electric			
Contractual	\$ 446,659	\$ 707,396	58.4%
Depreciation	-	-	N/A
Materials and Supplies	1,925,428	1,576,884	-18.1%
Personnel Services (Other)	1,145,476	217,935	-81.0%
PERS Unfunded Liability	4,956,850	-	-100.0%
Utilities	6,538,837	10,709,547	63.8%
Electric Total	15,013,250	13,211,762	-12.0%
Water			
Contractual	\$ 7,178,360	\$ 6,482,550	-9.7%
Depreciation	-	-	N/A
Materials and Supplies	25,238,263	23,314,226	-7.6%
Personnel Services (Other)	5,675,612	5,320,417	-6.3%
PERS Unfunded Liability	22,147,229	-	-100.0%
Utilities	4,212,484	4,364,666	3.6%
Water Total	64,451,948	39,481,859	-38.7%
Sewer			
Contractual	\$ 4,235,546	\$ 2,164,517	-48.9%
Depreciation	-	-	N/A
Materials and Supplies	11,832,104	12,803,258	8.2%
Personnel Services (Other)	3,533,487	4,410,151	24.8%
PERS Unfunded Liability	12,433,171	-	-100.0%
Utilities	1,672,403	1,778,045	6.3%
Sewer Total	33,706,710	21,155,973	-37.2%
Transfers Out - Electric	-	-	N/A
Transfers Out - Water	-	-	N/A
Transfers Out - Sewer	-	6	N/A
Grand Total	\$ 113,171,907	\$ 73,849,599	-34.7%

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Electric. Overall, the Electric utility expenditures through Quarter 3 are down by 31.3% when compared to last fiscal year, mainly because of the PERS Unfunded Liability. There is a decrease in materials and supplies and personnel services. There is an increase in utilities and an increase in contractual services.

Water. Overall, the Water utility expenditures are down by 38.7% or \$25.0 million, when compared to Quarter 3 in FY 2022. Much like the Electric utility, this is due to the PERS Unfunded Liability, contracted services, and materials and supplies. The Water utility has a small increase in Utilities, \$152,183, or 3.6% related to electric utility costs.

Sewer. The Sewer utility expenditures are down by 28.6%, or \$9.6 million when compared to Quarter 3 of FY 2022. The decreases are in contractual obligations and the PERS Unfunded Liability. In addition, there are increases in utilities and materials and supplies.

Enterprise Fund Reserves

The Reserve Policy for Utilities Department Operating Funds was approved by the City Council on May 18, 2022. Commencing with FY 2022, the target reserve amount for each of the operating funds shall be set at ninety (90) days. To build the target reserve amount, the Utilities Department shall annually contribute ten percent (10%) of the difference between actual operating revenues and actual operating expenses for each of the Utilities Department Operating Funds at the beginning of each fiscal year until the target reserve is met. Depending on the fund, it will take time to hit the target reserve amount. If the reserve amount exceeds the target reserve amount, the additional funds shall remain in reserves.

The reserve process will occur annually, once the audit and financials are finalized.

Enterprise Funds-Utilities Outflows Expenditures + Transfers Out Budget to Actuals, Quarter 3, FY 2023

Enterprise Funds Expenditures By Department	Cumulative Budget FY 2023	Through Q3 FY 2023	% Spent
Electric			
Capital Improvement Projects	\$ 1,908,843	\$ 454,103	23.8%
Debt Service	87,023	29,267	33.6%
Planning & Development	12,199	9,103	74.6%
Public Works	212,225	66,459	31.3%
Utilities Department	14,604,717	12,652,831	86.6%
Electric Total	16,825,008	13,211,762	78.5%
Water			
Capital Improvement Projects	\$ 51,202,727	\$ 6,218,443	12.1%
Debt Service	388,810	130,759	33.6%
Planning & Development	79,470	49,427	62.2%
Public Works	992,374	423,885	42.7%
Utilities Department	56,061,605	32,659,344	58.3%
Water Total	108,724,987	39,481,859	36.3%
Sewer			
Capital Improvement Projects	\$ 36,433,395	\$ 1,975,178	5.4%
City Manager's Office	3,515	1,190	33.9%
Debt Service	218,274	73,407	33.6%
Planning & Development	46,207	33,103	71.6%
Public Works	685,048	305,898	44.7%
Utilities Department	32,678,682	18,767,198	57.4%
Sewer Total	70,065,121	21,155,973	30.2%
Transfers Out - Electric	-	-	N/A
Transfers Out - Water	-	-	N/A
Transfers Out - Sewer	-	6	N/A
Grand Total	\$ 195,615,116	\$ 73,849,599	37.8%

June 30, 2022	
Water Utility	\$ 725,621
Sewer Utility	\$ 671,469
Electric Utility	\$ 234,438
Total of Noted Reserves	\$ 1,631,528

What do you think? We value your opinion.

Is there anything additional you'd like to see in future reports? This will be an evolving process to capture the areas that are of most interest to the City Council and the community. Please let us know. We appreciate the feedback! Please share your ideas at BudgetPrep@CoronaCA.gov, Julie.Kennicutt@CoronaCA.gov, or contact Budget staff at (951) 279-3500.