

# City of Corona, CA

## Quarterly Budget Update - Quarter 1, FY 2022

November 3, 2021

Quarter 1, Fiscal Year 2022

### Overview

City management is pleased to present this quarterly update summarizing the City's overall budget activity through Quarter 1 (September 30, 2021) for Fiscal Year (FY) 2022. 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.

**Items to note.** There are two important items to note about this update. (1) In October 2021, the City issued Pension Obligation Bonds. With that as a pending item when the fiscal year started, the City did not make the CalPERS prepayment on the unfunded liability in July 2021. That change has a significant impact when comparing FY 2022 to FY 2021. (2) In August 2021, the City implemented a reorganization of multiple departments. The funding details are still being finalized and are not captured in this update. Those changes will be incorporated at Mid-Year, with the Quarter 2 information.

### General Fund

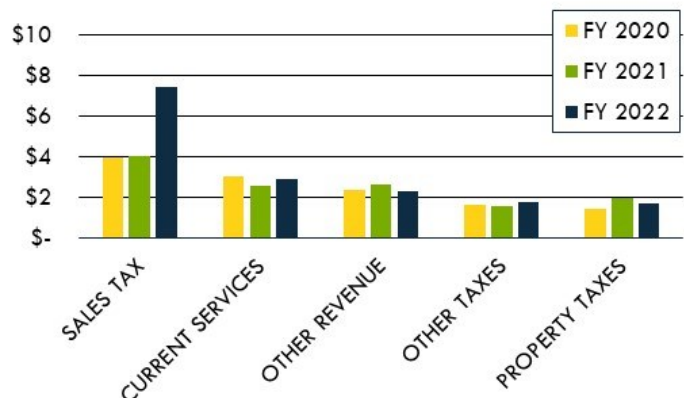
**General Fund Financial Condition.** The City's General Fund is the primary source of discretionary resources that funds many of the services provided to the citizens of the City of Corona.

The General Fund inflows (revenue and transfers in) for FY 2022 are currently estimated at \$177.7 million. This represents an increase of \$1.0 million over the adopted inflows amount of \$176.7 million.

The City has received or recorded 9.9% of the estimated General Fund inflows, through the end of Quarter 1 (at the time this information was prepared). Overall, inflows are up by 34.9% when compared to the same quarter of FY 2021.



**General Fund Revenues**  
**Top 5 Revenues Compared, Quarter 4**  
**FY 2020 - FY 2021 - FY 2022**



As of Quarter 1 of FY 2021, the General Fund has expended 19.7% of its cumulative budget. The current savings is primarily due to capital improvement projects which will take multiple years to complete.

Comparing Quarter 1 of FY 2022 to FY 2021, expenditures are 27.6% lower, or \$13.4 million. This is largely related to pension costs and the issuance of the pension obligation bonds.

### General Fund Inflows

**Top Five Revenues.** The City's top five General Fund revenue categories account for approximately 92% of the total estimated General Fund inflows for

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### General Fund Inflows - Revenues + Transfers In Quarter 1, FY 2021 to FY 2022

| General Fund Revenue Category  | Through Q1<br>FY 2021 | Through Q1<br>FY 2022 | %            |
|--------------------------------|-----------------------|-----------------------|--------------|
|                                |                       |                       | Change       |
| Sales Tax                      | \$ 4,024,685          | \$ 7,399,983          | 83.9%        |
| Current Services               | 2,548,006             | 2,863,179             | 12.4%        |
| Other Revenue                  | 2,632,942             | 2,297,327             | -12.7%       |
| Other Taxes                    | 1,579,389             | 1,721,249             | 9.0%         |
| Property Tax                   | 1,929,350             | 1,675,437             | -13.2%       |
| Payments in Lieu of Services   | 1,391,707             | 1,486,049             | 6.8%         |
| Licenses, Fees & Permits       | 663,221               | 679,865               | 2.5%         |
| Intergovernmental Revenues     | 989,108               | 189,111               | -80.9%       |
| Fines, Penalties & Forfeitures | 92,230                | 143,885               | 56.0%        |
| Special Assessments            | -                     | -                     | NA           |
| Investment Earnings            | (3,046,877)           | (1,070,387)           | NA           |
| <b>Total Revenues</b>          | <b>\$ 12,803,761</b>  | <b>\$ 17,385,697</b>  | <b>35.8%</b> |
| Transfers In                   | 192,004               | 145,252               | -24.3%       |
| <b>Total Inflows</b>           | <b>\$ 12,995,764</b>  | <b>\$ 17,530,949</b>  | <b>34.9%</b> |

FY 2022. 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, on page 1, illustrates the performance of the top five revenues as compared to the same quarter of the prior two fiscal years.

**Sales Tax.** At the end of Quarter 1, 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 1, the total received is \$7.4 million. At the time this information was prepared, the revenues are up by 83.9% as compared to the prior year. This is largely due to the payments the City has started to receive for Measure X. The City receives monthly advances with a quarterly clean-up/reconciliation. Details of the first quarter activity will be presented at the January 2022 Committee of the Whole meeting. If you are interested in additional details for Sales Tax, please watch the video of the October 13, 2021 Committee of the Whole. A quarterly presentation was provided by the City's sales tax consultant, HdL Companies.

**Current Services.** At the end of Quarter 1, a total of \$2.9 million has been received in the Current Services category. Items in this revenue group include plan check fees, engineering and inspection fees, recrea-

tion revenues, and the Emergency Medical Services Program. Current Services are up +12.4%, or \$315,172 as compared to Quarter 1 of FY 2021.

When comparing to the prior fiscal year, there are increases in recreation revenues, facility rentals, and passport revenues. These are all items experiencing an increase when compared to limited activity in the prior year due to the COVID-19 pandemic. There is an increase in engineering and inspection revenues and decreases in plan check related revenues.

**Other Revenues.** The Other Revenues category is the third largest category at the end of the Quarter 1. Activity in this revenue group includes Rental/Lease Income, Development Agreements, Telecommunication Site Rentals, and Billboard Revenues. At the end of Quarter 1, the total received is \$2.3 million. Overall, the Other Revenues category is down by -12.7%, or \$0.3 million, as compared to the same quarter in FY 2021. This is due to one-time development agreement revenue received in FY 2021.

**Other Taxes.** At the end of Quarter 1, a total of \$1.7 million has been received in the Other Taxes category. Items in this category include Franchise Fees, Transient Occupancy Taxes (TOT), and Business Licenses Taxes. Through the end of Quarter 1, revenues are up by +9.0%, or \$141,859, as compared to FY 2021.

When comparing to Quarter 1 of the prior year, Franchise Fees and TOT revenues are higher and Business License Taxes are lower.

**Property Tax.** The total in the property tax category at the end of Quarter 1 is \$1.7 million, which is an decrease of -13.2%, or \$0.3 million, as compared to last fiscal year. The decrease comes from secured/unsecured prior year 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.

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**Investment Earnings.** This category is not one of the five largest as of Quarter 1, FY 2021. However, there is a significant difference when compared to the prior year that needs to be explained.

Interest on Investments and Other Interest Income are down by -\$0.3 million when compared to Quarter 1 of FY 2021. The biggest factor in this category's decrease 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 1, the Gain/Loss entries total (\$2.2 million) which is a positive change of \$2.2 million as compared to FY 2021.

### General Fund Inflows - Revenues + Transfers In Budget to Actuals, Quarter 1, FY 2022

| General Fund Revenue Category  | Cumulative Budget FY 2022 | Through Q1 FY 2022 | % Received |
|--------------------------------|---------------------------|--------------------|------------|
| Sales Tax                      | \$ 75,168,306             | \$ 7,399,983       | 9.8%       |
| Property Tax                   | 53,697,100                | 1,675,437          | 3.1%       |
| Other Revenue                  | 11,534,124                | 2,297,327          | 19.9%      |
| Other Taxes                    | 11,097,000                | 1,721,249          | 15.5%      |
| Current Services               | 10,634,004                | 2,863,179          | 26.9%      |
| Payments in Lieu of Services   | 6,086,383                 | 1,486,049          | 24.4%      |
| Intergovernmental Revenues     | 2,798,980                 | 189,111            | 6.8%       |
| Investment Earnings            | 2,477,625                 | (1,070,387)        | -43.2%     |
| Licenses, Fees & Permits       | 1,928,475                 | 679,865            | 35.3%      |
| Fines, Penalties & Forfeitures | 569,250                   | 143,885            | 25.3%      |
| Special Assessments            | 497,332                   | -                  | 0.0%       |
| Total Revenues                 | \$ 176,488,579            | \$ 17,385,697      | 9.9%       |
| Transfers In                   | 1,200,000                 | 145,252            | 12.1%      |
| Total Inflows                  | \$ 177,688,579            | \$ 17,530,949      | 9.9%       |

Through Quarter 1, the City has spent \$35.1 million, or 19.7% of the cumulative budget. At this point in the fiscal year, expenditures should be approximately 25% of budget. The largest expenditure category for the General Fund is Personnel Services.

**Personnel Services.** In the PERS unfunded liability line items, there is a decrease of \$15.5 million, or 79.6%, when compared to the prior year. This is due to two factors: (1) In FY 2021, the City made an additional contribution of \$4.0 million towards the unfunded liability and (2) In FY 2021, the City made the full annual unfunded liability contribution in July 2020. This action provided the City with cash savings of approximately 3%. The City did not exercise the pre-payment option in FY 2022 as the City was preparing to issue pension obligation bonds. The bonds were issued in October 2021. For the rest of FY 2022 and 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 +\$1.7 million as compared to the same quarter last fiscal year. The changes are based on current MOU contract extensions that have been approved by the City Council. The contract extensions included base pay increases for Police and Fire and one-time payments for non-public safety personnel.

### General Fund Outflows Expenditures + Transfers Out Quarter 1, FY 2021 to FY 2022

| General Fund Expenditures By Category | Through Qtr 1 FY 2021 | Through Q1 FY 2022 | % Change |
|---------------------------------------|-----------------------|--------------------|----------|
| Contractual                           | 1,576,239             | 1,597,330          | 1.3%     |
| Materials and Supplies                | 5,288,342             | 4,693,706          | -11.2%   |
| Other Sources                         | -                     | 526,625            | N/A      |
| Personnel Services (Other)            | 21,071,994            | 22,789,054         | 8.1%     |
| PERS Unfunded Liability (UAL)         | 15,455,261            | 3,974,619          | -74.3%   |
| PERS Addl UAL Payment                 | 4,000,000             | -                  | -100.0%  |
| Utilities                             | 1,077,484             | 1,263,992          | 17.3%    |
| Total Expenditures                    | \$ 48,469,320         | \$ 34,845,327      | -28.1%   |
| Transfers Out                         | -                     | 229,101            | N/A      |
| Total Outflows                        | \$ 48,469,320         | \$ 35,074,428      | -27.6%   |

### General Fund Expenditures

The FY 2022 budget was adopted budget with \$161.7 million in General Fund expenditures. With continuing appropriations of \$11.4 million, encumbrances (committed purchase orders) of \$2.3 million, and transfers out of \$0.4 million, the beginning outflow budget was \$175.8 million. Through Council Actions and other authorized adjustments, the cumulative budget is \$178.1 million.

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**Materials and Supplies.** The Materials and Supplies category is down by \$0.6 million when compared to Quarter 1 of FY 2021. There are multiple increases and decreases in this category. The primary drivers are one-time expenditures in the prior year for licensed vehicle and land acquisition.

is still in progress and contracted operating costs will begin once the shelter is operational.

- **Public Works.** The Public Works Department currently has savings due to personnel vacancies and contractual services.

### General Fund Outflows Expenditures + Transfers Out Budget to Actuals, Quarter 1, FY 2022

| General Fund Expenditures By Department | Cumulative Budget FY 2022 | Through Q1 FY 2022 | % Spent |
|---|---------------------------|--------------------|---------|
| Capital Improvement Projects            | \$ 22,264,272             | \$ 218,605         | 1.0%    |
| Community Development                   | 5,781,713                 | 974,077            | 16.8%   |
| Community Services                      | 12,523,121                | 2,360,452          | 18.8%   |
| Debt Service                            | 4,244,773                 | 1,068,811          | 25.2%   |
| Elected Officials                       | 157,807                   | 35,711             | 22.6%   |
| Finance                                 | 4,638,051                 | 910,624            | 19.6%   |
| Fire                                    | 31,119,956                | 7,829,578          | 25.2%   |
| General Government                      | 23,846,777                | 5,528,037          | 23.2%   |
| Human Resources                         | 2,524,882                 | 483,592            | 19.2%   |
| Legal & Risk Management                 | 1,761,317                 | 456,743            | 25.9%   |
| Maintenance Services                    | 5,765,458                 | 861,814            | 14.9%   |
| Management Services                     | 7,019,138                 | 890,935            | 12.7%   |
| Police                                  | 51,928,386                | 12,652,801         | 24.4%   |
| Public Works                            | 4,119,012                 | 573,547            | 13.9%   |
| Total Expenditures                      | \$ 177,694,664            | \$ 34,845,327      | 19.6%   |
| Transfers Out                           | 441,557                   | 229,101            | 51.9%   |
| Total Outflows                          | \$ 178,136,221            | \$ 35,074,428      | 19.7%   |

### 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, 2020, pages 104-106). This quarterly update will highlight three of those reserves. Noted below are the unaudited FY 2021 amounts, which total \$80.1 million. This represents an increase of \$3.2 million over the FY 2020 noted reserves. The final amounts will be updated once the FY 2021 financial statements are issued.

| Emergency Contingency | Budget Balancing | Pension Obligation | Total of Noted Reserves |
|-----------------------|------------------|--------------------|-------------------------|
| \$ 36,522,368         | \$ 43,614,486    | \$ -               | \$ 80,136,855           |

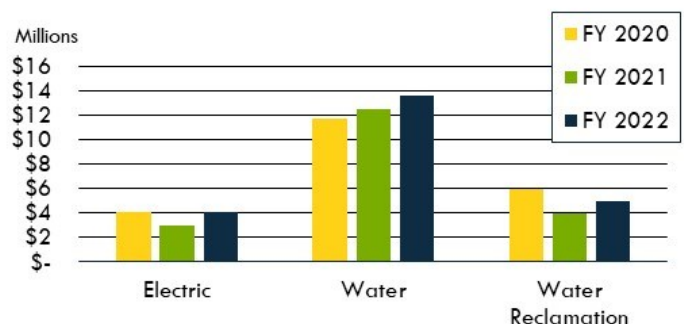
**General Fund Expenditures by Department.** Through September 30, 2021, approximately 25% of the fiscal year is complete. Departments with a variance of greater than 10% are explained in the following section.

- **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.
- **Maintenance Services.** The Maintenance Services Department currently has a savings due to contractual service items and materials and supplies.
- **Management Services.** The Management Services Department currently has savings related to the contractual services budget. The contractual services are primarily related to the Homeless Program. The improvement project for the shelter

### Enterprise Funds-Utilities

The City operates three utility services through the Department of Water and Power (DWP): electric, water, and water reclamation (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 1 FY 2020 - FY 2021 - FY 2022



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### Enterprise Funds-Utilities Revenues

Through Quarter 1 FY 2022, revenues received have an increase of 16.2%, or \$3.2 million, as compared to the same quarter in Fiscal Year 2021.

**Electric.** Comparing Quarter 1 FY 2022 revenues to FY 2021, there is an increase of \$1.1 million, or 36.3%. There is currently an increase in Utility Service Charges, Investment Earnings, and Other Revenues. 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 \$0.4 million of the \$1.1 million difference.

**Water.** Through the first quarter of FY 2022, there is an increase of 8.6%, or \$1.1 million, as compared to FY 2021. The Utility Service Charges are increasing by \$0.7 million due to water sales. Investment Earnings has an increase of \$0.7 million, almost entirely due to the unrealized gains/losses from investments which are book entries. There is a decrease of \$0.3 million in the Licenses, Fees and Permits category related to one-time capacity fees received in FY 2021.

**Water Reclamation.** Through Quarter 1, there is an increase of 25.1%, or \$1.0 million, when compared to FY 2021. There is an increase of \$1.2 million in the Investment Earnings. There is a decrease of \$0.4 million for licenses, fees, and permits.

### Enterprise Funds-Utilities Inflows - Revenues + Transfers In Quarter 1, FY 2021 to FY 2022

| Enterprise Funds Fund Type | Through Q1 FY 2021   | Through Q1 FY 2022   | % Change     |
|----------------------------|----------------------|----------------------|--------------|
| Electric                   | \$ 2,988,197         | \$ 4,073,303         | 36.3%        |
| Water                      | 12,506,699           | 13,586,361           | 8.6%         |
| Water Reclamation          | 3,961,742            | 4,957,017            | 25.1%        |
| <b>Total Revenues</b>      | <b>\$ 19,456,637</b> | <b>\$ 22,616,680</b> | <b>16.2%</b> |
| Transfers In - Electric    | -                    | -                    | N/A          |
| Transfers In - Water       | -                    | -                    | N/A          |
| Transfers In - Wtr Rclm    | -                    | -                    | N/A          |
| <b>Total Inflows</b>       | <b>\$ 19,456,637</b> | <b>\$ 22,616,680</b> | <b>16.2%</b> |

### Enterprise Funds-Utilities Outflows

When comparing the total of utility outflows, Quarter 1 of FY 2022 to FY 2021, outflows are lower by 3.3%, or \$0.7 million.

**Electric.** Overall, the Electric utility expenditures through Quarter 1 are down by -6.2% when compared to last fiscal year. The primary decrease is related to the CalPERS unfunded liability. With the pending issuance of the Pension Obligation Bonds, the City did not make the annual prepayment in July 2021.

### Enterprise Funds-Utilities Inflows - Revenues + Transfers In Budget to Actuals, Quarter 1, FY 2022

| Enterprise Funds Fund Type | Cumulative Budget FY 2022 | Through Q1 FY 2022   | % Received   |
|----------------------------|---------------------------|----------------------|--------------|
| Electric                   | \$ 16,286,836             | \$ 4,073,303         | 25.0%        |
| Water                      | 71,891,291                | 13,586,361           | 18.9%        |
| Water Reclamation          | 35,447,416                | 4,957,017            | 14.0%        |
| <b>Total Revenues</b>      | <b>\$ 123,625,543</b>     | <b>\$ 22,616,680</b> | <b>18.3%</b> |
| Transfers In - Electric    | -                         | -                    | N/A          |
| Transfers In - Water       | 6,483,224                 | -                    | N/A          |
| Transfers In - Wtr Rclm    | -                         | -                    | N/A          |
| <b>Total Inflows</b>       | <b>\$ 130,108,767</b>     | <b>\$ 22,616,680</b> | <b>17.4%</b> |



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### Enterprise Funds-Utilities Outflows - Expenditures + Transfers Out Quarter 1, FY 2021 to FY 2022

| Enterprise Funds Expenditures By Category | Through Qtr 1 FY 2021 | Through Q1 FY 2022   | % Change     |
|---|-----------------------|----------------------|--------------|
| <b>Electric</b>                           |                       |                      |              |
| Contractual                               | \$ 39,530             | \$ 79,665            | 101.5%       |
| Materials and Supplies                    | 474,949               | 503,714              | 6.1%         |
| Personnel Services (Other)                | 303,369               | 378,482              | 24.8%        |
| PERS Unfunded Liability (UAL)             | 388,648               | 89,771               | -76.9%       |
| Utilities                                 | 1,791,156             | 1,759,762            | -1.8%        |
| <b>Electric Total</b>                     | <b>2,997,652</b>      | <b>2,811,395</b>     | <b>-6.2%</b> |
| <b>Water</b>                              |                       |                      |              |
| Contractual                               | \$ 1,453,564          | \$ 2,087,881         | 43.6%        |
| Materials and Supplies                    | 5,705,231             | 7,214,144            | 26.4%        |
| Personnel Services (Other)                | 1,705,133             | 1,777,535            | 4.2%         |
| PERS Unfunded Liability (UAL)             | 1,930,211             | 401,089              | -79.2%       |
| Utilities                                 | 1,671,952             | 478,753              | -71.4%       |
| <b>Water Total</b>                        | <b>12,466,091</b>     | <b>11,959,402</b>    | <b>-4.1%</b> |
| <b>Water Reclamation</b>                  |                       |                      |              |
| Contractual                               | \$ 466,747            | \$ 1,240,804         | 165.8%       |
| Materials and Supplies                    | 2,716,326             | 2,735,458            | 0.7%         |
| Personnel Services (Other)                | 1,062,237             | 1,133,415            | 6.7%         |
| PERS Unfunded Liability (UAL)             | 1,110,525             | 225,167              | -79.7%       |
| Utilities                                 | 596,049               | 611,700              | 2.6%         |
| <b>Water Reclamation Total</b>            | <b>5,951,884</b>      | <b>5,946,544</b>     | <b>-0.1%</b> |
| Transfers Out                             | -                     | -                    | N/A          |
| <b>Grand Total</b>                        | <b>\$ 21,415,627</b>  | <b>\$ 20,717,341</b> | <b>-3.3%</b> |

### Enterprise Funds-Utilities Outflows Expenditures + Transfers Out Budget to Actuals, Quarter 1, FY 2022

| Enterprise Funds Expenditures By Department | Cumulative Budget FY 2022 | Through Q1 FY 2022   | % Spent      |
|---|---------------------------|----------------------|--------------|
| <b>Electric</b>                             |                           |                      |              |
| Capital Improvement Projects                | \$ 1,548,306              | \$ 55,098            | 3.6%         |
| Dept. of Water & Power                      | 15,199,028                | 2,715,719            | 17.9%        |
| Finance                                     | 2,002                     | 518                  | 25.9%        |
| Public Works                                | 184,060                   | 40,060               | 21.8%        |
| <b>Electric Total</b>                       | <b>16,933,396</b>         | <b>2,811,395</b>     | <b>16.6%</b> |
| <b>Water</b>                                |                           |                      |              |
| Capital Improvement Projects                | \$ 55,400,804             | \$ 2,539,937         | 4.6%         |
| Dept. of Water & Power                      | 55,037,201                | 9,239,443            | 16.8%        |
| Finance                                     | -                         | 1,553                | N/A          |
| Public Works                                | 886,932                   | 178,470              | 20.1%        |
| <b>Water Total</b>                          | <b>111,324,938</b>        | <b>11,959,402</b>    | <b>10.7%</b> |
| <b>Water Reclamation</b>                    |                           |                      |              |
| Capital Improvement Projects                | \$ 28,405,220             | \$ 1,227,792         | 4.3%         |
| Dept. of Water & Power                      | 27,788,062                | 4,592,338            | 16.5%        |
| Finance                                     | 12,013                    | 3,107                | 25.9%        |
| Management Services                         | 2,926                     | 642                  | 22.0%        |
| Public Works                                | 615,695                   | 122,666              | 19.9%        |
| <b>Water Reclamation Total</b>              | <b>56,823,916</b>         | <b>5,946,544</b>     | <b>10.5%</b> |
| Transfers Out                               | 4,701,340                 | -                    | N/A          |
| <b>Grand Total</b>                          | <b>\$ 189,783,590</b>     | <b>\$ 20,717,341</b> | <b>10.9%</b> |

### Enterprise Fund Reserves

This project is pending for Fiscal Year 2022 and is not ready for Quarter 1. Staff will work to complete this project, with an estimated completion by the end of Quarter 2.

### **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](mailto:BudgetPrep@CoronaCA.gov), [Kim.Sitton@CoronaCA.gov](mailto:Kim.Sitton@CoronaCA.gov), or contact Budget staff at (951) 279-3500.

**Water.** Overall, the Water utility expenditures are down by -4.1% or \$0.5 million, when compared to FY 2021. The primary driver is the unfunded pension liability as mentioned above. There is an increase in materials and supplies, largely offset with a reduction in utility costs.

**Water Reclamation.** The Water Reclamation utility expenditures are down by -0.1%, or \$5,340, when compared to Quarter 1 of FY 2021. There is a decrease of \$0.9 million for the unfunded pension liability mentioned in the previous sections. There is also an increase of \$0.8 million for expenditures related to capital improvement projects.