

City of Corona, CA

Quarterly Budget Update - Quarter 1, FY 2023

November 2, 2022

Quarter 1, Fiscal Year 2023

Overview

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

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 2023 are currently estimated at \$196.1 million. This represents an increase of \$0.1 million over the adopted inflows amount of \$196.0 million.

The City has received or recorded 13.4% of the estimated General Fund inflows, through the end of Quarter 1 (at the time this information was prepared). Overall, inflows are up by 46.7% when compared to the same quarter of FY 2022.

As of Quarter 1 of FY 2023, the General Fund has expended 16.0% of its cumulative budget. The current savings is primarily due to capital improvement projects which will take multiple years to complete.

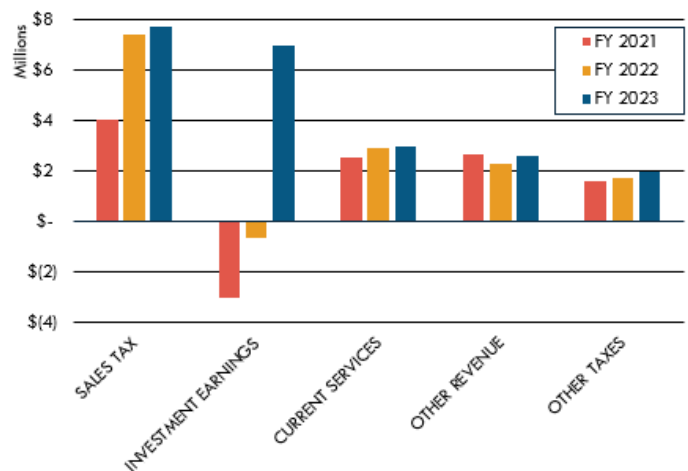
Comparing Quarter 1 of FY 2023 to FY 2022, expenditures are 5.6% lower, or \$2.0 million.

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



**General Fund Revenues
Top 5 Revenues Compared, Quarter 1**



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.

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 \$7.7 million. At the time this information was prepared, the revenues are up by 4.1% as compared to the prior year.

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General Fund Inflows - Revenues + Transfers In Quarter 1, FY 2022 to FY 2023

General Fund Revenue Category	Through Q1 FY 2022	Through Q1 FY 2023	% Change
Sales Tax	\$ 4,375,017	\$ 4,585,915	4.8%
Measure X	3,024,966	3,114,481	3.0%
Property Tax	1,675,437	1,659,608	-0.9%
Other Revenue	2,297,327	2,602,090	13.3%
Current Services	2,863,438	2,934,372	2.5%
Other Taxes	1,721,249	1,948,652	13.2%
Payments in Lieu of Services	1,486,049	1,475,716	-0.7%
Intergovernmental Revenues	189,111	40,256	-78.7%
Licenses, Fees & Permits	679,922	624,107	-8.2%
Fines, Penalties & Forfeitures	143,828	156,744	9.0%
Special Assessments	-	-	N/A
Investment Earnings	(646,531)	6,988,459	1180.9%
Total Revenues	\$ 17,809,813	\$ 26,130,400	46.7%
Transfers In	145,252	204,663	40.9%
Total Inflows	\$ 17,955,065	\$ 26,335,064	46.7%

Investment Earnings. This category is usually not one of the five largest, but as of Quarter 1, FY 2023, it ranks second largest. There is a significant difference when compared to the prior year that needs to be explained.

Interest on Investments and Other Interest Income are up by \$7.6 million when compared to Quarter 1 of FY 2022. 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 1, the Gain/Loss entries total \$6.1 million which is a positive change of \$8.3 million as compared to FY 2022.

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, recreation revenues, and the Emergency Medical Services Program. Current Services are up 2.5%, or \$70,933 as compared to Quarter 1 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 reimbursement for public safety emergency response and police false alarms. In addition, there are decreases in paramedic program revenues and recreation program revenues.

Other Revenues. The Other Revenues category is the fourth 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 \$2.6 million. Overall, the Other Revenues category is up by 13.3%, or \$304,763 as compared to the same quarter in FY 2022.

Other Taxes. At the end of Quarter 1, a total of \$1.9 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 13.2%, or \$227,403, as compared to FY 2022.

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

Property Tax. This revenue category is usually at the top of mind when people think of City revenues, however, it does not fall in the top 5 categories for Quarter 1 due to the timing of how property tax is collected and received by local agencies. 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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General Fund Inflows - Revenues + Transfers In Budget to Actuals, Quarter 1, FY 2023

General Fund Revenue Category	Projected FY 2023	Through Q1 FY 2023	% Received
Sales Tax	\$ 49,646,951	\$ 4,585,915	9.2%
Measure X	40,487,975	3,114,481	7.7%
Property Tax	55,813,100	1,659,608	3.0%
Other Revenue	11,193,910	2,602,090	23.2%
Current Services	11,334,877	2,934,372	25.9%
Other Taxes	11,896,000	1,948,652	16.4%
Payments in Lieu of Services	6,144,200	1,475,716	24.0%
Intergovernmental Revenues	2,318,332	40,256	1.7%
Licenses, Fees & Permits	2,067,250	624,107	30.2%
Fines, Penalties & Forfeitures	741,800	156,744	21.1%
Special Assessments	587,581	-	0.0%
Investment Earnings	2,675,853	6,988,459	261.2%
Total Revenues	\$ 194,907,829	\$ 26,130,400	13.4%
Transfers In	1,200,000	204,663	17.1%
Total Inflows	\$ 196,107,829	\$ 26,335,064	13.4%

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 \$207.5 million.

Through Quarter 1, the City has spent \$33.2 million, or 16.0% 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 \$4.0 million, or 99.5%, 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 \$719,478 as compared to the same quarter last fiscal year. The changes are based on current MOU contracts that are good through December 2024.

General Fund Outflows Expenditures + Transfers Out Quarter 1, FY 2022 to FY 2023

General Fund Expenditures By Category	Through Q1 FY 2022	Through Q1 FY 2023	% Change
Contractual	1,598,324	1,501,353	-6.1%
Materials and Supplies	4,750,280	7,175,628	51.1%
Other Sources	526,625	-	-100.0%
Personnel Services (Other)	22,788,746	23,508,224	3.2%
PERS Unfunded Liability (UAL)	3,974,619	21,410	-99.5%
Utilities	1,263,992	965,486	-23.6%
Total Expenditures	\$ 34,902,586	\$ 33,172,101	-5.0%
Transfers Out	229,101	-	-100.0%
Total Outflows	\$ 35,131,687	\$ 33,172,101	-5.6%

Materials and Supplies. The Materials and Supplies category is up by \$2.4 million when compared to Quarter 1 of FY 2022. There are multiple increases and decreases in this category. The primary drivers are one-time expenditures in the current fiscal year for technical rescue equipment and furniture/equipment purchases.

General Fund Outflows Expenditures + Transfers Out Budget to Actuals, Quarter 1, FY 2023

General Fund Expenditures By Department	Cumulative Budget FY 2023	Through Q1 FY 2023	% Spent
Capital Improvement Projects	\$ 26,447,170	\$ 1,822,611	6.9%
City Manager's Office	7,847,605	945,090	12.0%
Community Services	17,248,689	2,744,156	15.9%
Debt Service	21,369,124	1,068,811	5.0%
Economic Development	1,450,044	234,663	16.2%
Elected Officials	141,733	26,613	18.8%
Finance	4,617,017	871,936	18.9%
Fire	33,713,251	6,994,991	20.7%
General Government	25,414,741	5,051,474	19.9%
Human Resources	2,749,612	492,551	17.9%
Information Technology	743,292	22,025	3.0%
Legal & Risk Management	1,875,246	417,900	22.3%
Maintenance Services	134,587	112,272	83.4%
Planning & Development	8,510,500	1,060,472	12.5%
Police	49,742,807	10,613,791	21.3%
Public Works	5,465,243	692,744	12.7%
Total Expenditures	\$ 207,470,660	\$ 33,172,101	16.0%
Transfers Out	-	-	N/A
Total Outflows	\$ 207,470,660	\$ 33,172,101	16.0%

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General Fund Expenditures by Department. Through September 30, 2022, 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.
- **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.
- **Debt Services.** Quarter 1 is low due to the timing of debt service payments based on approved payment cycles.
- **Information Technology.** Related to Measure X. There are some vacancy savings and some projects that have not started as of quarter 1.
- **Maintenance Services.** The Maintenance Services Department currently is higher than 25% 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 2.
- **Planning & Development.** Current savings is due to vacancies and contractual services.
- **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 14 (for Fiscal Year Ending June 30, 2021, page 112). This quarterly update will highlight three of those reserves. Noted below are the unaudited FY 2022 amounts, which total \$75.7 million. This represents a

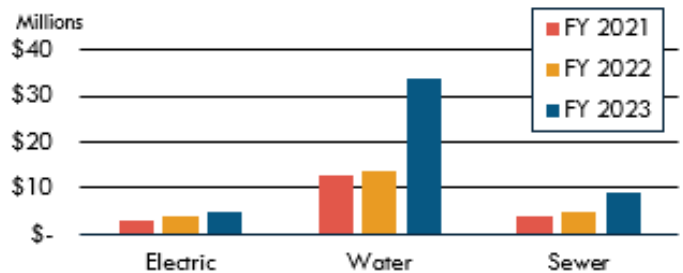
decrease of \$4.4 million over the FY 2021 noted reserves. The final amounts may be adjusted once the FY 2022 financial statements are issued.

Emergency Contingency	Budget Balancing	Pension Stabilization	Total of Noted Reserves
\$ 41,699,024	\$ 3,922,049	\$ 30,102,382	\$ 75,723,455

Enterprise Funds-Utilities

The City operates three utility services through the Utilities Department (formerly the Department of Wa-

**Enterprise Funds-Utilities Revenues
Revenues Compared, Quarter 1
FY 2021 - FY 2022 - FY 2023**



ter 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

Through Quarter 1 FY 2023, revenues received have an increase of 113%, or \$25.3 million, as compared to the same quarter in Fiscal Year 2022.

Electric. Comparing Quarter 1 FY 2023 revenues to FY 2022, there is an increase of \$833,039, or 20.5%. There is currently an increase in Current Services, Fines, Penalties, and Forfeitures 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 1 of FY 2022.

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Water. Through the first quarter of FY 2023, there is an increase of 152.2%, or \$20.3 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 \$1.6 million, almost entirely due to the unrealized gains/losses from investments which are book entries. There is a decrease of \$0.4 million in the Licenses, Fees and Permits category related to one-time capacity fees received in FY 2022 (building related activity).

Sewer. Through Quarter 1, there is an increase of 83.2%, or \$4.1 million, when compared to FY 2022. There is an increase of \$4.1 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 \$83,231 in Fines, Penalties & Forfeitures and a decrease of \$42,199 for licenses, fees, and permits.

Enterprise Funds-Utilities Inflows - Revenues + Transfers In Quarter 1, FY 2022 to FY 2023

Enterprise Funds Fund Type	Through Q1 FY 2022	Through Q1 FY 2023	% Change
Electric	\$ 4,073,303	\$ 4,906,341	20.5%
Water	13,367,447	33,708,288	152.2%
Sewer	4,957,019	9,081,764	83.2%
Total Revenues	\$ 22,397,768	\$ 47,696,394	113.0%
Transfers In - Electric	-	-	N/A
Transfers In - Water	-	-	N/A
Transfers In - Sewer	-	6	N/A
Total Inflows	\$ 22,397,768	\$ 47,696,400	113.0%

Enterprise Funds-Utilities Inflows - Revenues + Transfers In Budget to Actuals, Quarter 1, FY 2023

Enterprise Funds Fund Type	Cumulative Budget FY 2023	Through Q1 FY 2023	% Received
Electric	\$ 16,857,432	\$ 4,906,341	29.1%
Water	77,012,774	33,708,288	43.8%
Sewer	35,198,336	9,081,764	25.8%
Total Revenues	\$ 129,068,542	\$ 47,696,394	37.0%
Transfers In - Electric	-	-	N/A
Transfers In - Water	-	-	N/A
Transfers In - Sewer	-	6	N/A
Total Inflows	\$ 129,068,542	\$ 47,696,400	37.0%

Enterprise Funds-Utilities Outflows

When comparing the total of utility outflows, Quarter 1 of FY 2023 to FY 2022, outflows are lower by 6.7%, or \$1.4 million.

Enterprise Funds-Utilities Outflows - Expenditures + Transfers Out Quarter 1, FY 2022 to FY 2023

Enterprise Funds Expenditures By Category	Through Q1 FY 2022	Through Q1 FY 2023	% Change
Electric			
Contractual	\$ 79,633	\$ 97,258	22.1%
Depreciation	-	\$ -	N/A
Materials and Supplies	503,714	312,118	-38.0%
Personnel Services (Other)	378,482	240,658	-36.4%
PERS Unfunded Liability (UAL)	89,771	-	-100.0%
Utilities	1,759,762	3,092,494	75.7%
Electric Total	2,811,362	3,742,529	33.1%
Water			
Contractual	\$ 2,097,010	\$ 1,079,920	-48.5%
Depreciation	-	\$ -	N/A
Materials and Supplies	7,794,175	7,238,888	-7.1%
Personnel Services (Other)	1,777,535	1,696,363	-4.6%
PERS Unfunded Liability (UAL)	401,089	-	-100.0%
Utilities	478,753	1,128,710	135.8%
Water Total	12,548,562	11,143,881	-11.2%
Sewer			
Contractual	\$ 1,240,309	\$ 583,009	-53.0%
Depreciation	-	\$ -	N/A
Materials and Supplies	3,018,642	2,956,684	-2.1%
Personnel Services (Other)	1,133,415	1,136,222	0.2%
PERS Unfunded Liability (UAL)	225,167	-	-100.0%
Utilities	611,700	580,445	-5.1%
Sewer Total	6,229,233	5,256,359	-15.6%
Transfers Out - Electric	-	-	N/A
Transfers Out - Water	-	-	N/A
Transfers Out - Sewer	-	6	N/A
Grand Total	\$ 21,589,158	\$ 20,142,774	-6.7%

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Electric. Overall, the Electric utility expenditures through Quarter 1 are up by 33.1% when compared to last fiscal year. There is a decrease in materials and supplies and personnel services. There is an increase of \$1.3 million in utilities and an increase in contractual services.

Water. Overall, the Water utility expenditures are down by 11.2% or \$1.4 million, when compared to Quarter 1 in FY 2022. Much like the Electric utility, the Water utility saw the same decreases in materials and supplies and personnel services. In addition, there was a decrease of \$1.0 million in the contractual services category. The water utility had an increase of \$649,957 in utilities.

Sewer. The Sewer utility expenditures are down by 15.6%, or \$972,874, when compared to Quarter 1 of FY 2022. There were decreases across the board for the Sewer utility in contractual obligations, materials and supplies, personnel services, and utilities.

Enterprise Fund Reserves

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. If the reserve amount exceeds the target reserve amount, the additional funds shall remain in reserves.

The reserve process will occur once the FY 2022 audit and financials are finalized and it will be posted as of 07/01/2022 in FY 2023.

Enterprise Funds-Utilities Outflows Expenditures + Transfers Out Budget to Actuals, Quarter 1, FY 2023

Enterprise Funds Expenditures By Department	Budget FY 2023	Through Q1 FY 2023	% Spent
Electric			
Capital Improvement Projects	\$ 1,543,624	\$ 805	0.1%
Debt Service	87,023	(14,305)	-16.4%
Planning & Development	12,199	2,792	22.9%
Public Works	212,225	23,513	11.1%
Utilities Department	14,279,881	3,729,724	26.1%
Electric Total	16,134,953	3,742,529	23.2%
Water			
Capital Improvement Projects	\$ 55,152,141	\$ 1,004,571	1.8%
Debt Service	388,810	(63,914)	-16.4%
Planning & Development	79,470	16,763	21.1%
Public Works	992,374	136,803	13.8%
Utilities Department	55,619,629	10,049,659	18.1%
Water Total	112,232,425	11,143,881	9.9%
Sewer			
Capital Improvement Projects	\$ 33,558,044	\$ 419,748	1.3%
City Manager's Office	3,515	435	12.4%
Debt Service	218,274	(35,881)	-16.4%
Planning & Development	46,207	10,840	23.5%
Public Works	685,048	96,815	14.1%
Utilities Department	30,458,101	4,764,402	15.6%
Sewer Total	64,969,190	5,256,359	8.1%
Transfers Out - Electric	-	-	N/A
Transfers Out - Water	-	-	N/A
Transfers Out - Sewer	-	6	N/A
Grand Total	\$ 193,336,567	\$ 20,142,774	10.4%

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.