

# City of Corona, CA

## Quarterly Budget Update - Quarter 4, FY 2023

August 2, 2023

Quarter 4, Fiscal Year 2023

### Overview

City management is pleased to present this quarterly update summarizing the City's overall budget activity through Quarter 4 (June 30, 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.

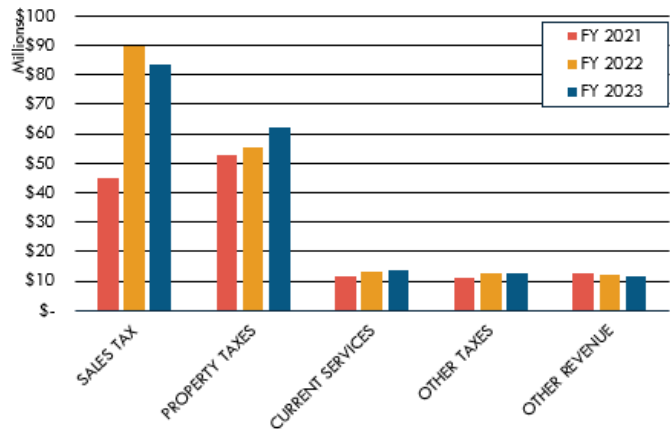
The General Fund inflows (revenue and transfers in) for FY 2023 are currently estimated at \$210.7 million. Based on FY 2023 projections, there is an estimated increase of \$14.2 million when compared to the cumulative budget.

The City has received or recorded 98.4% of the estimated General Fund inflows, through the end of Quarter 4 (at the time this information was prepared). Overall, inflows are down by 50.3% 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 4 of FY 2023, the General Fund has expended 79.9% 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 4  
FY 2021 - FY 2022 - FY 2023**



Comparing Quarter 4 of FY 2023 to FY 2022, expenditures are 56.9% lower, or \$222.7 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 89.0% 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 4, FY 2022 to FY 2023

General Fund Revenue Category	Through Q4 FY 2022	Through Q4 FY 2023	\$ Change	% Change
Sales Tax	\$ 49,783,542	\$ 48,010,903	(1,772,639)	-3.6%
Measure X	40,128,621	35,452,858	(4,675,763)	-11.7%
Property Tax	55,400,381	62,070,796	6,670,415	12.0%
Other Revenue	12,212,901	11,628,227	(584,674)	-4.8%
Current Services	12,909,552	13,864,303	954,751	7.4%
Other Taxes	12,562,342	12,512,916	(49,426)	-0.4%
Payments in Lieu of Services	6,060,819	6,007,308	(53,511)	-0.9%
Intergovernmental Revenues	4,027,178	1,794,645	(2,232,533)	-55.4%
Licenses, Fees & Permits	2,521,625	2,720,110	198,485	7.9%
Fines, Penalties & Forfeitures	1,135,619	1,250,920	115,301	10.2%
Special Assessments	573,201	662,552	89,351	N/A
Investment Earnings	(5,693,460)	10,216,375	15,909,835	-279.4%
Proceeds from Long Term Obligations	223,947,991	-	(223,947,991)	100.0%
<b>Total Revenues</b>	<b>\$ 415,570,312</b>	<b>\$ 206,191,915</b>	<b>\$ (209,378,397)</b>	<b>-50.4%</b>
Transfers In	1,197,681	1,108,821	(88,860)	-7.4%
<b>Total Inflows</b>	<b>\$ 416,767,993</b>	<b>\$ 207,300,736</b>	<b>\$ (209,467,257)</b>	<b>-50.3%</b>

**Sales Tax.** At the end of Quarter 4, 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 4, the total received is \$83.5 million. At the time this information was prepared, the revenues are down by 7.2% as compared to the prior year. There is one quarter pending that will be received by the end of August.

**Property Tax.** The second largest General Fund revenue category at the end of Quarter 4 is Property Tax. The total for property taxes is \$62.1 million, an increase of \$6.7 million, or 12.0%, 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 4, a total of \$13.9 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 7.4%, or \$1.0 million as compared to Quarter 4 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, Kids Camp, EMS subscription and EMS direct bill.

**Other Taxes.** The Other Taxes category is the fourth largest category at the end of the Quarter 4. A total of \$12.5 million has been received and items in this category include Franchise Fees, Transient Occupancy Taxes (TOT), Business License Taxes, and Cannabis Taxes. Through the end of Quarter 4, revenues are down 0.4% as compared to FY 2022.

At the time this information was prepared, TOT receipts are less than FY 2022 activity by \$0.1 million. Franchise Fees are currently down by \$42,125. Business License Taxes are currently down by \$0.1 million, and Cannabis Taxes are up by \$0.2 million.

**Other Revenue.** As of Quarter 4, FY 2023, Other Taxes ranks fifth largest. Activity in this revenue group includes Rental/Lease Income, Development Agreements, Telecommunication Site Rentals, and Billboard Revenues. At the end of Quarter 4, the total received is \$11.6 million. Overall, the Other Revenues category is down by 4.8%, or \$0.6 million, as compared to the same quarter in FY 2022. This is due to decreases across the various donations accounts.

### General Fund Inflows - Revenues + Transfers In FY 2023, Projected Revenues to Quarter 4 Actuals

General Fund Revenue Category	Projected FY 2023	Through Q4 FY 2023	% Received
Property Tax	\$ 59,638,155	\$ 62,070,796	104.1%
Sales Tax	54,610,106	48,010,903	87.9%
Measure X	43,789,700	35,452,858	81.0%
Other Revenue	11,421,443	11,628,227	101.8%
Other Taxes	11,579,545	12,512,916	108.1%
Current Services	12,769,074	13,864,303	108.6%
Payments in Lieu of Services	6,052,862	6,007,308	99.2%
Intergovernmental Revenues	2,312,731	1,794,645	77.6%
Investment Earnings	3,621,479	10,216,375	282.1%
Licenses, Fees & Permits	2,260,850	2,720,110	120.3%
Fines, Penalties & Forfeitures	889,522	1,250,920	140.6%
Special Assessments	672,490	662,552	98.5%
<b>Total Revenues</b>	<b>\$ 209,617,957</b>	<b>\$ 206,191,915</b>	<b>98.4%</b>
Transfers In	1,100,000	1,108,821	100.8%
<b>Total Inflows</b>	<b>\$ 210,717,957</b>	<b>\$ 207,300,736</b>	<b>98.4%</b>

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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 \$210.7 million.

Through Quarter 4, the City has spent \$168.4 million, or 79.9% of the cumulative budget. At this point in the fiscal year, expenditures should be approximately 100% of budget. When comparing to the same quarter in FY 2022, outflows are down by 56.9%, or \$222.7 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 4, FY 2022 to FY 2023

General Fund Expenditures By Category	Through Q4 FY 2022	Through Q4 FY 2023	% Change
Contractual	12,899,419	14,040,813	8.8%
Materials and Supplies	52,400,031	48,641,759	-7.2%
Other Sources	526,625	184,958	-64.9%
Personnel Services (Other)	95,633,907	101,636,079	6.3%
PERS Unfunded Liability (UAL)	225,102,457	21,410	-100.0%
Utilities	4,192,182	3,827,987	-8.7%
<b>Total Expenditures</b>	<b>\$ 390,754,621</b>	<b>\$ 168,353,005</b>	<b>-56.9%</b>
Transfers Out	269,916	-	-100.0%
<b>Total Outflows</b>	<b>\$ 391,024,537</b>	<b>\$ 168,353,005</b>	<b>-56.9%</b>

**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 \$6.0 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 down by \$3.8 million when compared to Quarter 4 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 4, FY 2023

General Fund Expenditures By Department	Cumulative Budget FY 2023	Through Q4 FY 2023	% Spent
Capital Improvement Projects	\$ 26,021,153	\$ 5,038,306	19.4%
City Manager's Office	9,625,732	6,422,867	66.7%
Community Services	17,972,268	16,132,849	89.8%
Debt Service	21,369,124	19,536,732	91.4%
Economic Development	1,504,103	1,133,186	75.3%
Elected Officials	141,733	118,611	83.7%
Finance	4,605,683	3,889,922	84.5%
Fire	34,582,566	30,665,528	88.7%
General Government	25,253,818	21,858,297	86.6%
Human Resources	2,703,254	2,229,062	82.5%
Information Technology	743,292	282,535	38.0%
Legal & Risk Management	1,857,547	1,784,717	96.1%
Planning & Development	8,742,073	7,478,103	85.5%
Police	50,171,674	47,896,115	95.5%
Public Works	5,454,667	3,886,176	71.2%
<b>Total Expenditures</b>	<b>\$ 210,748,687</b>	<b>\$ 168,353,005</b>	<b>79.9%</b>
Transfers Out	-	-	N/A
<b>Total Outflows</b>	<b>\$ 210,748,687</b>	<b>\$ 168,353,005</b>	<b>79.9%</b>

**General Fund Expenditures by Department.** Through June 30, 2023, approximately 100% 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 just began now that the shelter is operational.

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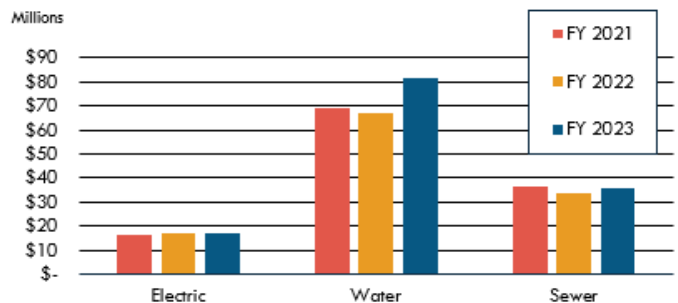
- **Community Services.** Savings in personnel vacancies, materials and supplies, and contractual services.
- **Economic Development.** Current savings is due to materials & supplies and contractual services.
- **Elected Officials.** Current savings in materials & supplies, mainly in promotional/public outreach.
- **Finance.** The Finance Department currently has a savings due to personnel vacancies, materials and supplies, and contractual services.
- **Fire.** Savings primarily from 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 4.
- **Planning and Development.** Overall expenses are at 85.5%. Savings in personnel services but overages in contractual services.
- **Public Works.** The Public Works Department currently has savings due to personnel vacancies, materials and supplies, and contractual services.

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

### 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 4 FY 2021 - FY 2022 - FY 2023**



### Enterprise Funds-Utilities Revenues

Through Quarter 4 FY 2023, revenues received have an increase of 14.2%, or \$16.8 million, as compared to the same quarter in Fiscal Year 2022.

**Electric.** Comparing Quarter 4 FY 2023 revenues to FY 2022, there is an increase of \$0.4 million, or 2.6%. 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.

### 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.

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### Enterprise Funds-Utilities Inflows - Revenues + Transfers In Quarter 4, FY 2022 to FY 2023

Enterprise Funds Fund Type	Through Q4 FY 2022	Through Q4 FY 2023	% Change
Electric	\$ 16,920,329	\$ 17,367,754	2.6%
Water	67,243,723	81,722,311	21.5%
Sewer	33,847,973	35,688,387	5.4%
Total Revenues	\$ 118,012,025	\$ 134,778,452	14.2%
Transfers In - Electric	-	-	N/A
Transfers In - Water	-	-	N/A
Transfers In - Sewer	10,891	6	N/A
Total Inflows	\$ 118,022,916	\$ 134,778,458	14.2%

**Water.** Through the fourth quarter of FY 2023, there is an increase of 21.5%, or \$14.5 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 \$0.3 million, almost entirely due to the unrealized gains/losses from investments which are book entries. There is a decrease of \$4.4 million in the Utility Service Charges category and decrease of \$2.4 million in the Licenses, Fees and Permits category related to one-time capacity fees received in FY 2022 (building related activity).

**Sewer.** Through Quarter 4, there is an increase of 5.4%, or \$1.8 million, when compared to FY 2022. There is an increase of \$0.1 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 \$18,000 in Fines, Penalties & Forfeitures and an increase of \$248,733 for Licenses, Fees, and Permits.

### Enterprise Funds-Utilities Inflows - Revenues + Transfers In FY 2023, Projected Revenues to Quarter 4 Actuals

Enterprise Funds Fund Type	Projected FY 2023	Through Q4 FY 2023	% Received
Electric	\$ 17,844,766	\$ 17,367,754	97.3%
Water	93,672,919	81,722,311	87.2%
Sewer	35,927,640	35,688,387	99.3%
Total Revenues	\$ 147,445,325	\$ 134,778,452	91.4%
Transfers In - Electric	-	-	N/A
Transfers In - Water	-	-	N/A
Transfers In - Sewer	6	6	N/A
Total Inflows	\$ 147,445,331	\$ 134,778,458	91.4%

### Enterprise Funds-Utilities Outflows

When comparing the total of utility outflows, Quarter 4 of FY 2023 to FY 2022, outflows are lower by 15.9%, or \$17.8 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 retro-fit program.

**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 4, FY 2022 to FY 2023

Enterprise Funds Expenditures By Category	Through Q4 FY 2022	Through Q4 FY 2023	% Change
<b>Electric</b>			
Contractual	\$ 560,834	\$ 819,666	46.2%
Depreciation	399,433	-	N/A
Materials and Supplies	2,527,842	2,341,104	-7.4%
Personnel Services (Other)	(2,684,069)	499,896	-118.6%
PERS Unfunded Liability	4,956,332	-	-100.0%
Utilities	9,852,188	13,272,932	34.7%
Electric Total	15,612,560	16,933,597	8.5%
<b>Water</b>			
Contractual	\$ 3,764,500	\$ 4,453,207	18.3%
Depreciation	8,954,288	-	N/A
Materials and Supplies	36,601,806	28,384,971	-22.4%
Personnel Services (Other)	(13,397,922)	7,673,797	-157.3%
PERS Unfunded Liability	22,145,676	-	-100.0%
Utilities	6,037,175	5,728,986	-5.1%
Water Total	64,105,523	46,240,961	-27.9%
<b>Sewer</b>			
Contractual	\$ 1,680,982	\$ 3,394,247	101.9%
Depreciation	5,859,874	-	N/A
Materials and Supplies	18,567,678	18,981,604	2.2%
Personnel Services (Other)	(8,469,145)	6,200,875	-173.2%
PERS Unfunded Liability	12,430,064	-	-100.0%
Utilities	2,185,827	2,439,965	11.6%
Sewer Total	32,255,280	31,016,691	-3.8%
Transfers Out - Electric	-	-	N/A
Transfers Out - Water	-	-	N/A
Transfers Out - Sewer	10,891	6	N/A
Grand Total	\$ 111,984,254	\$ 94,191,255	-15.9%

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**Electric.** Overall, the Electric utility expenditures through Quarter are up by 8.5% when compared to last fiscal year, mainly because of the PERS Unfunded Liability. There is a decrease in materials and supplies and an increase in utilities and an increase in contractual services.

**Water.** Overall, the Water utility expenditures are down by 27.9% or \$17.9 million, when compared to Quarter 4 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 decrease in Utilities, \$18,017, or 0.3% related to electric utility costs.

**Sewer.** The Sewer utility expenditures are down by 3.8%, or \$1.2 million when compared to Quarter 4 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 4, FY 2023

Enterprise Funds Expenditures By Department	Cumulative Budget FY 2023	Through Q4 FY 2023	% Spent
<b>Electric</b>			
Capital Improvement Projects	\$ 1,908,843	\$ 428,556	22.5%
Debt Service	87,023	312,926	359.6%
Planning & Development	12,199	12,661	103.8%
Public Works	212,225	84,920	40.0%
Utilities Department	20,304,717	16,094,534	79.3%
<b>Electric Total</b>	<b>22,525,008</b>	<b>16,933,597</b>	<b>75.2%</b>
<b>Water</b>			
Capital Improvement Projects	\$ 51,580,119	\$ 2,145,930	4.2%
Debt Service	677,045	1,398,118	206.5%
Planning & Development	79,470	64,291	80.9%
Public Works	992,374	578,683	58.3%
Utilities Department	56,061,605	42,053,938	75.0%
<b>Water Total</b>	<b>109,390,613</b>	<b>46,240,961</b>	<b>42.3%</b>
<b>Sewer</b>			
Capital Improvement Projects	\$ 39,867,664	\$ 2,827,447	7.1%
City Manager's Office	3,515	1,864	53.0%
Debt Service	218,274	784,887	359.6%
Planning & Development	46,207	43,341	93.8%
Public Works	685,048	420,878	61.4%
Utilities Department	32,678,682	26,938,274	82.4%
<b>Sewer Total</b>	<b>73,499,390</b>	<b>31,016,691</b>	<b>42.2%</b>
Transfers Out - Electric	-	-	N/A
Transfers Out - Water	-	-	N/A
Transfers Out - Sewer	-	6	N/A
<b>Grand Total</b>	<b>\$ 205,415,012</b>	<b>\$ 94,191,255</b>	<b>45.9%</b>

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

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