

APPROVALS	
BUDGET OFFICER	<i>me</i>
CITY ATTORNEY	<i>SMB</i>
CITY MANAGER	<i>d</i>

Report to City Council

TO: Mayor and City Council

FROM: Richard Teichert, Chief Financial Officer

AGENDA DATE: December 10, 2013

TITLE: FISCAL YEAR 2012/13 YEAR-END BUDGET REVIEW AND
FISCAL YEAR 2013/14 FIRST QUARTER BUDGET REVIEW

RECOMMENDED ACTION

Recommendations: That the City Council:

1. Receive and file the Fiscal Year 2012/13 year-end budget review
2. Receive and file the Fiscal Year 2013/14 first quarter budget review

DISCUSSION

The City Council approved a Two-Year Operating Budget on June 14, 2011 for the Fiscal Years (FY) 2011/12 and 2012/13. The Adopted Operating Budget was updated on June 12, 2012 for the FY 2012/13 and projected operating revenues and expenditures for the fiscal year. The budget included all component units of the City, including the General Fund, Community Services District and Successor Agency.

The original Two-Year Budget used the City Council-adopted Three-Year Deficit Elimination Plan (DEP) as the basis for the expenditure budgets for the two years. The DEP represented significant effort on the part of the City Council and staff to construct a reasonable balance of expenditure and service reductions to significantly reduce the deficit each year, while maintaining core City services. This was and is a significant challenge since the City had already experienced major reductions in staffing, expenditures and services during the previous three fiscal years.

On June 11, 2013, the City Council adopted the Two-Year Operating Budget for Fiscal Years (FY) 2013/14 – 2014/15. During the two-year budget period the City Council will

be apprised of the City's financial condition through the process of First Quarter and Mid-Year Budget Reviews. This ongoing process ensures a forum to look at expenditure and revenue deviations from the estimates made in the budget document. Additionally, any significant variances in projected revenue or unanticipated expenditures will be shared with the City Council should they occur.

The City Council is updated on the City's financial status through First Quarter, Mid-Year, and Year-End budget reviews which reflect operational results for each respective period. This budget review shall cover the year-end budget review for the fiscal year (FY) ended June 30, 2013 along with first quarter budget review for the FY 2013/14. The reviews will focus on the City's General Fund, which represents the greatest focus as Council and staff work to maintain a balanced General Fund. The reports also present operational results from other key funds such as Community Services District (CSD) and the Electric Utility.

FISCAL IMPACT

There is no fiscal impact. The budget review reports are provided for informational purposes only.

CITY COUNCIL GOALS

Revenue Diversification and Preservation. Develop a variety of City revenue sources and policies to create a stable revenue base and fiscal policies to support essential City services, regardless of economic climate.

NOTIFICATION

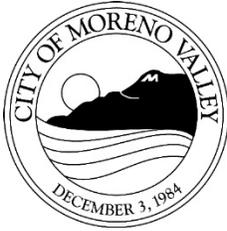
Publication of the agenda

ATTACHMENTS

- Attachment 1: FY 2012/13 Year-End Budget Review
- Attachment 2: FY 2013/14 First Quarter Budget Review

Prepared By:
Marshall Eyerman
Financial Resources Division Manager

Department Head Approval:
Richard Teichert
Chief Financial Officer



City of Moreno Valley Fiscal Year 2012/13 Year-End Financial Summary

TO: Mayor and City Council

FROM: Richard Teichert, Chief Financial Officer

DATE: December 10, 2013

INTRODUCTION

The City Council approved a Two-Year Operating Budget on June 14, 2011 for the Fiscal Years (FY) 2011/12 and 2012/13. The Adopted Operating Budget was updated on June 12, 2012 for the FY 2012/13 and projected operating revenues and expenditures for the fiscal year. The budget included all component units of the City, including the General Fund, Community Services District and Successor Agency.

The original Two-Year Budget used the City Council-adopted Three-Year Deficit Elimination Plan (DEP) as the basis for the expenditure budgets for the two years. The budgets included identified expense reductions and a few revenue increases with a goal of stabilizing the City's revenue and expense structure by FY 2013/14. Specific actions for balancing the General Fund budget were adopted by Council through the Deficit Elimination Plan on April 19, 2011. The DEP focused primarily on eliminating the deficit of \$14.2 million in the City's General Fund. The Adopted Operating Budget applied the actions approved in the first two years of the DEP against the base budget of FY 2010/11 to create a two-year operating budget for FY 2011/12 and FY 2012/13. The DEP planned to reduce the General Fund Deficit by \$6.1 million in FY 2011/12 and \$4.7 million in FY 2012/13.

The DEP represented significant effort on the part of the City Council and staff to construct a reasonable balance of expenditure and service reductions to significantly reduce the deficit each year, while maintaining core City services. This was and is a significant challenge since the City had already experienced major reductions in staffing, expenditures and services during the previous three fiscal years.

This report provides a review of the unaudited financial results for the recently completed FY 2012/13 Year-End (July 2012 – June 2013, 100% of the fiscal year).

CITYWIDE OPERATING EXPENDITURE SUMMARY

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

Table 1. Citywide Operating Expenditures

	FY 2012/13 Adopted Budget	FY 2012/13 Amended Budget	Actuals as of 6/30/2013 (unaudited)	% of Amended Budget
Fund/Component Unit				
General Fund	\$ 79,622,470	\$ 81,532,832	\$ 80,605,589	98.9%
Community Services District (CSD)	18,062,795	18,626,396	16,797,319	90.2%
Successor Agency	9,516,905	6,458,421	17,760,799	275.0%
Housing Fund	25,561	25,561	9,742	38.1%
Special Revenue Funds	32,957,772	36,056,793	27,547,976	76.4%
Capital Projects Funds	1,381,698	1,482,031	7,977,174	538.3%
Electric Utility Funds	17,246,683	18,111,683	17,443,706	96.3%
Internal Service Funds	14,149,722	15,745,302	11,297,378	71.8%
Debt Service Funds	5,967,970	5,792,970	5,681,896	98.1%
Total	\$ 178,931,576	\$ 183,831,989	\$ 185,121,579	100.7%

The City Council adopts the budget at a fund level. Throughout the fiscal year, amendments to the budget are presented to the City Council primarily during the mid-year budget adjustments and the approval of the prior fiscal year carry overs. Additionally, as grants or other funds are received during the fiscal year, actions may be taken by Council to approve both the expenditures and offsetting revenues.

The majority of this year-end update will focus on the General Fund, as it supports all basic services provided to City residents. Highlights for other key component funds will be discussed at a summary level as well.

GENERAL FUND OPERATING

Table 2. General Fund Operations

	FY 2012/13 Adopted Budget	FY 2012/13 Amended Budget	Actuals as of 6/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 9,900,000	\$ 9,900,000	\$ 9,765,007	98.6%
Property Tax in-lieu	13,300,000	13,300,000	13,414,446	100.9%
Utility Users Tax	16,060,000	16,060,000	15,683,931	97.7%
Sales Tax	13,800,000	13,800,000	14,043,560	101.8%
Other Taxes	7,740,000	7,740,000	7,825,137	101.1%
Licenses & Permits	1,531,800	1,531,800	1,585,311	103.5%
Intergovernmental	235,000	241,000	260,691	108.2%
Charges for Services	7,299,160	7,299,160	8,258,732	113.1%
Use of Money & Property *	3,296,300	3,296,300	1,071,403	32.5%
Fines & Forfeitures	566,000	566,000	610,172	107.8%
Miscellaneous	153,550	153,550	485,160	316.0%
Total Revenues	\$ 73,881,810	\$ 73,887,810	\$ 73,003,548	98.8%
Expenditures:				
Personnel Services	14,104,173	14,350,402	14,499,174	101.0%
Contractual Services	55,626,376	56,614,214	54,186,661	95.7%
Material & Supplies	886,128	1,252,230	1,450,107	115.8%
Fixed Charges	6,447,496	6,512,229	8,099,428	124.4%
Fixed Assets	150,897	28,357	(0)	0.0%
Total Expenditures	77,215,070	78,757,432	78,235,369	99.3%
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(3,333,260)	(4,869,622)	(5,231,821)	
Transfers:				
Transfers In	557,513	588,392	588,370	100.0%
Transfers Out	2,407,400	2,775,400	2,370,220	85.4%
Net Transfers	(1,849,887)	(2,187,008)	(1,781,850)	
Total Revenues & Transfers In	74,439,323	74,476,202	73,591,918	98.8%
Total Expenditures & Transfers Out	79,622,470	81,532,832	80,605,589	98.9%
Net Change or Adopted Use of Fund Balance	\$ (5,183,147)	\$ (7,056,630)	\$ (7,013,671)	

* Actual amount adjusted to reflect unrealized gains/losses per GASB 31 guidelines.

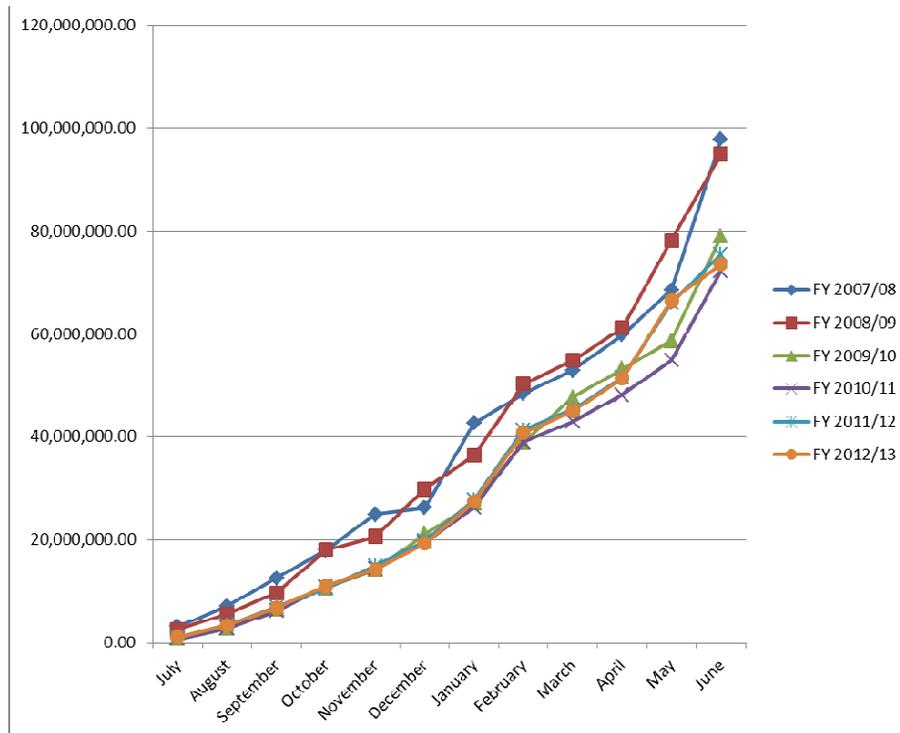
General Fund Operating Revenues

The General Fund is comprised of several revenue types. However, the main sources include property tax, utility users tax, and sales tax. Each of these are affected by different economic activity cycles and pressures.

Table 3. General Fund Revenues

	FY 2012/13 Adopted Budget	FY 2012/13 Amended Budget	Actuals as of 6/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 9,900,000	\$ 9,900,000	\$ 9,765,007	98.6%
Property Tax in-lieu	13,300,000	13,300,000	13,414,446	100.9%
Utility Users Tax	16,060,000	16,060,000	15,683,931	97.7%
Sales Tax	13,800,000	13,800,000	14,043,560	101.8%
Other Taxes	7,740,000	7,740,000	7,825,137	101.1%
Licenses & Permits	1,531,800	1,531,800	1,585,311	103.5%
Intergovernmental	235,000	241,000	260,691	108.2%
Charges for Services	7,299,160	7,299,160	8,258,732	113.1%
Use of Money & Property	3,296,300	3,296,300	1,071,403	32.5%
Fines & Forfeitures	566,000	566,000	610,172	107.8%
Miscellaneous	153,550	153,550	485,160	316.0%
Total Revenues	\$ 73,881,810	\$ 73,887,810	\$ 73,003,548	98.8%

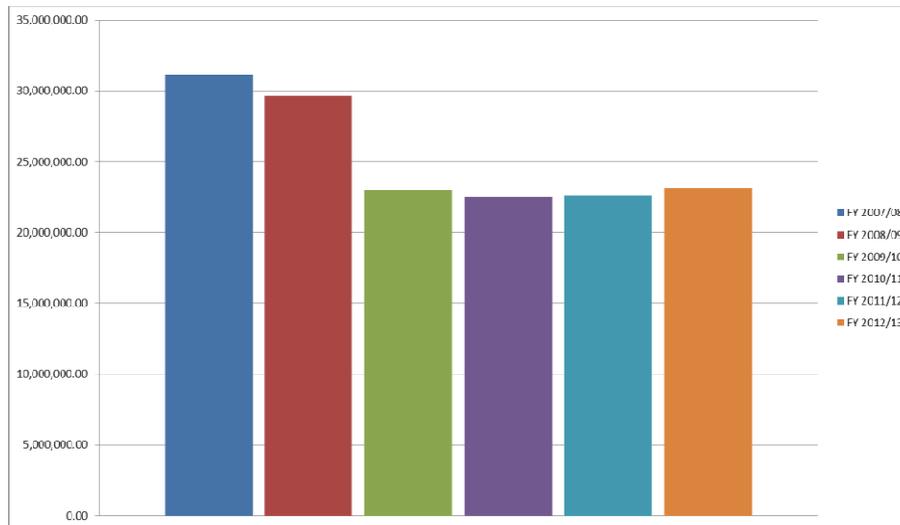
The following chart represents a graphical representation comparing total General Fund year-end revenue collections, over a six year period.

Chart 1. General Fund Revenue Trends

Property Taxes/Property Taxes In-Lieu

Property taxes were budgeted to increase by 1.75% from the FY 2011/12. Actual taxes came in within 0.1% of the budget amount. Property taxes will continue to be monitored in future fiscal years as assessment appeals may continue to be filed with the County.

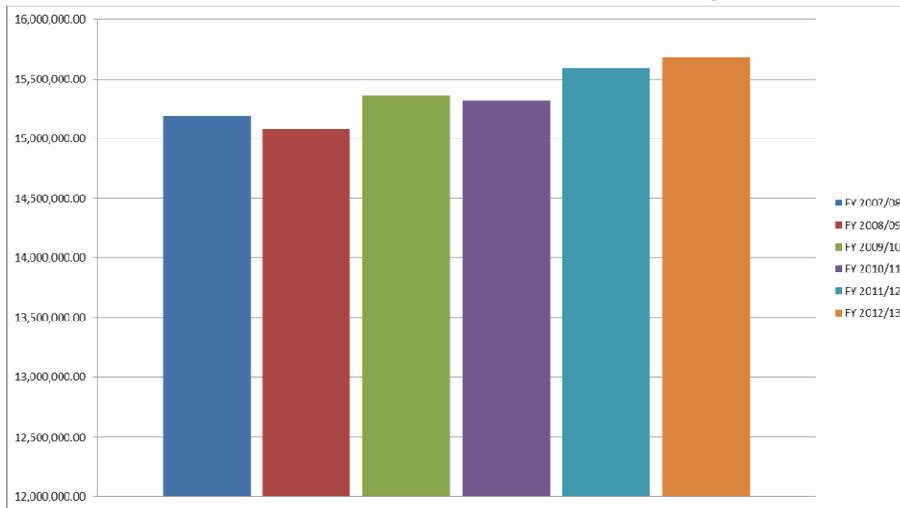
Chart 2. General Fund Revenue Trend – Property Taxes



Utility Users Tax

Utility Users taxes (UUT) were budgeted to increase 2.3% from FY 2011/12 to FY 2012/13. However, the UUT remained flat from the prior year, growing approximately only \$92,500 or only about 0.6%. This shortfall is primarily due to competitive forces within the communications markets. Both the wireless and wired markets experienced downturns year over year. For the wireless market this is the third consecutive year of decline. Based on our discussions with utility tax experts there are a couple of causes for this trend. First is competition and bundling practices within the market as more small players continue to join the market. Second is the migration of customers from contract plans to prepaid plans. Currently there is no method within the State to capture UUT related to prepaid wireless plans. There is currently legislation in Sacramento trying to address this and close that gap.

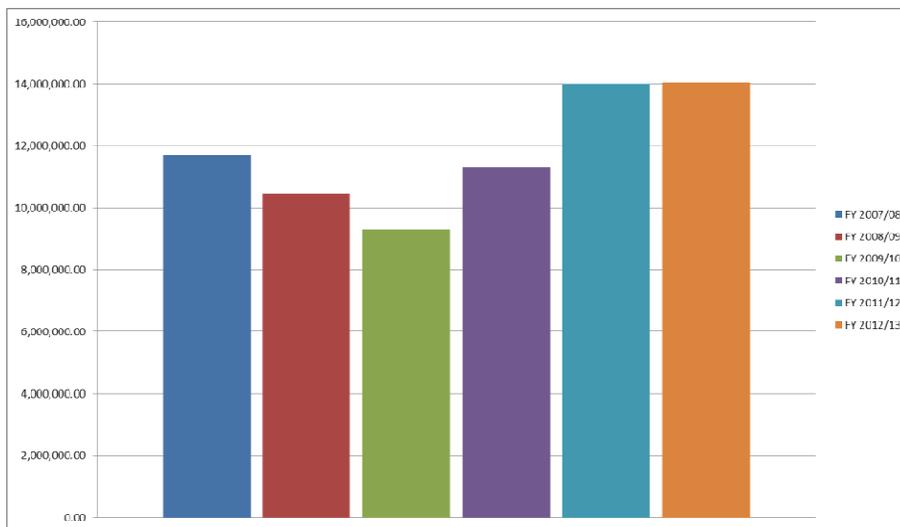
Chart 3. General Fund Revenue Trend – Utility Users Taxes



Sales Taxes

Sales taxes were anticipated to be relatively flat from FY 2011/12 to FY 2012/13. Based on a still recovering economy, sales taxes remained at \$14 million. Sales tax receipts will need to be continually monitored through the next year to determine if current trends will begin to plateau or begin to decrease.

Chart 4. General Fund Revenue Trend – Sales Taxes

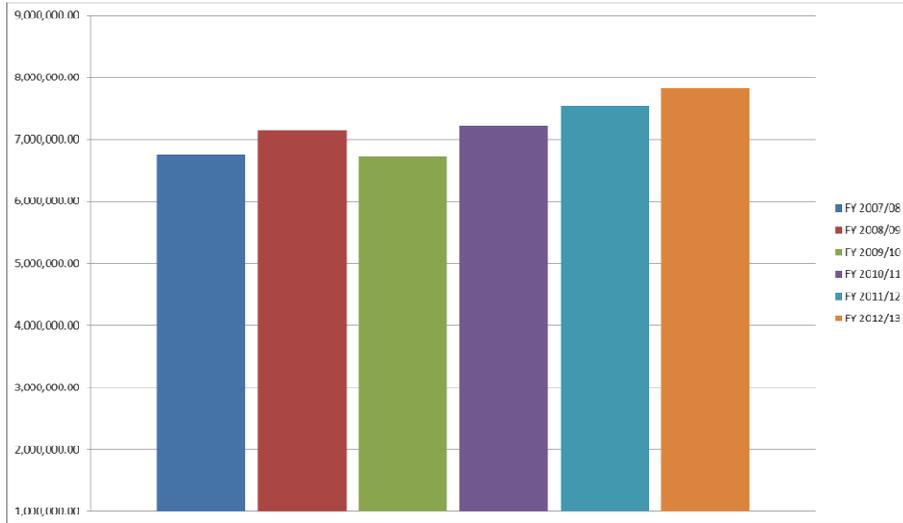


Other Taxes

Transient Occupancy Tax (TOT) and Business Taxes both exceeded budgets by approximately 15% due primarily to some areas of recovery in the economy and new businesses that began operating in the City. Documentary Transfer Tax fell below the budget by 25%, or \$120,000, due to lower than expected real estate sales within the City. Franchise Fees were below the budget by 1.4%, or \$73,000, due to the continued decline in natural gas prices. We are also

noticing a shift in activity between the cable providers and will need to monitor this in the future to see if subscribers transition from cable television services to satellite television services which are not subject to these fees. With the approval of MVU's new economic development utility rates, franchise fees paid should be monitored for potential impacts associated with these new rates.

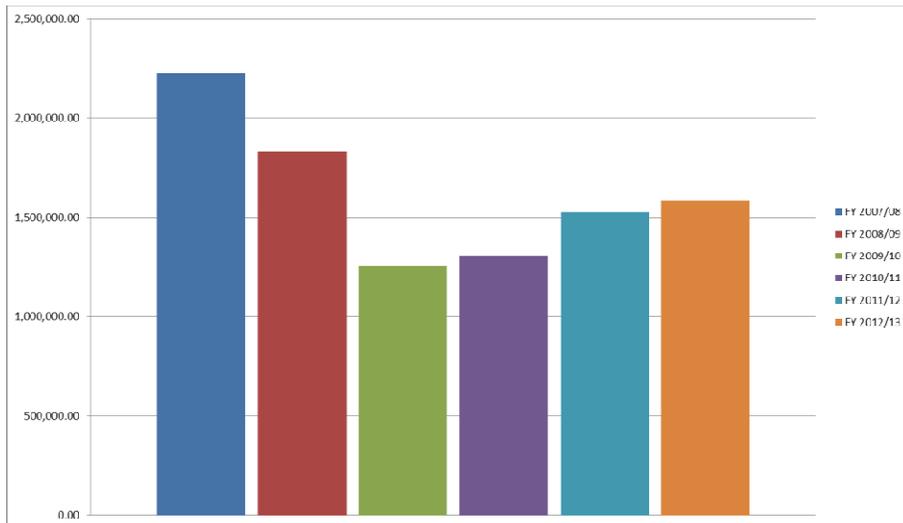
Chart 5. General Fund Revenue Trend – Other Taxes



Licenses & Permits

Licenses & Permits are primarily composed of Business and Animal Licenses, along with Building, Electrical, Mechanical, Plumbing and other permits. Collectively, Licenses & Permits were budgeted to decrease 0.9% from the FY 2011/12 Amended Budget. Actual results were a growth in revenues of \$61,500 or growth of 4%.

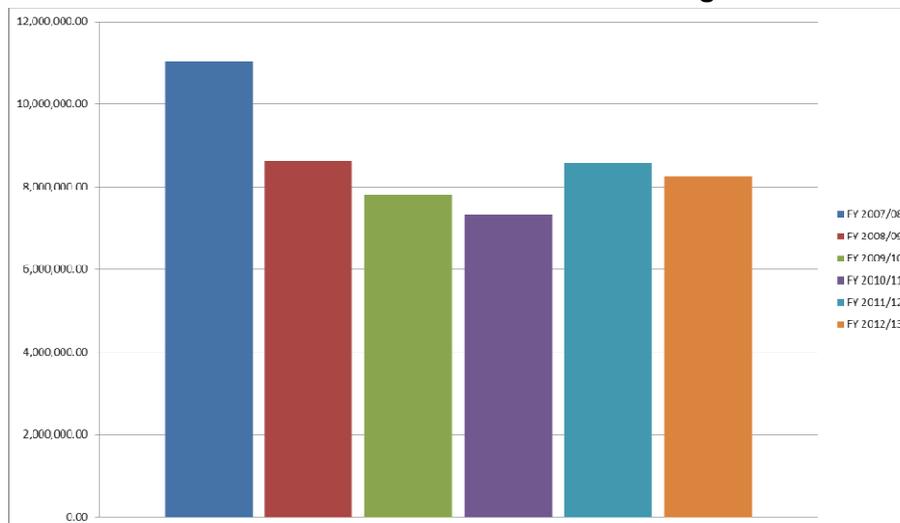
Chart 6. General Fund Revenue Trend – Licenses & Permits



Charges for Services

Development revenue activity has increased significantly in certain areas and for FY 2012/13 the revenues exceeded the budget by \$960,000. Specifically, Planning Fees and Inspection Fees for Fire, Engineering and Transportation exceeded the budgeted amounts. Admin Citation Fees along with Police Fees also contributed to the Charges for Services exceeding the budget. Although, even with these increases, the total charges for services fell below the prior year actuals by \$315,000.

Chart 7. General Fund Revenue Trend – Charges for Services



Use of Money and Property

Investment income continued to remain low due to extremely low rates of return for fixed income investments. For FY 2012/13, the Two-year Treasury Note yielded only 0.36%. Through a professional money management firm, the City's portfolio achieved a yield of about 1.25% with a duration of just over 2.4 years. This is a very low rate of return compared to historical experience, but is indicative of how investment income is performing everywhere. Chandler Asset Management was able to supplement the investment income by employing a Total Return strategy which utilizes active trading to sell securities at advantageous points to achieve gains on the sale. As the market begins to move upward there will be less opportunity for these trading gains. Additionally, due to the continued impacts from the dissolution of the former Redevelopment Agency, certain Note repayments did not occur due to limited revenue sources. These Notes will be repaid in the future.

General Fund Expenditures

Expenditures are being spent in-line with prior year expenditure trends; although the following table does identify an overall reduction due to the expense reductions adopted as part of the FY 2012/13 amended budget.

OTHER KEY FUNDS

The following summaries describe other major funds in the City.

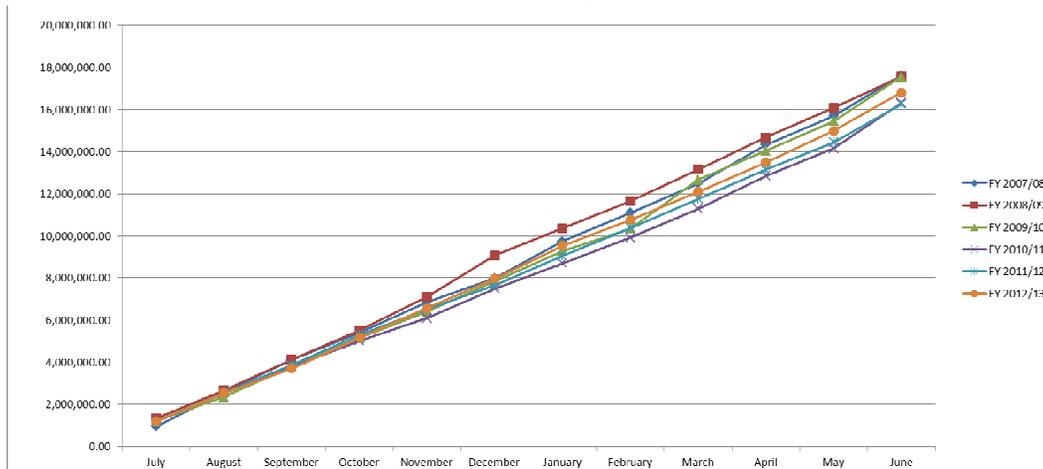
Moreno Valley Community Services District

The Moreno Valley Community Services District (CSD) was formed by the voters in 1984 to collect fees and certain taxes to provide an array of services including parks, recreation and community services, streetlights, landscaping and ongoing maintenance. The CSD provides these services through separate “zones” that define the services that are provided.

For certain zones, the primary revenue source used to provide services to properties is parcel fees or taxes levied on properties via their annual tax bill. Proposition 218, passed by California voters in November 1996, has posed a serious challenge to managing the future operation of the CSD zones. Prop. 218 requires any revenue increase to be addressed through a voting process by affected property owners. For a period following the initial implementation of Prop. 218, the CSD was successful in receiving approval for some new or increased revenues. There were also revenue increases due to the growth of developed parcels within the zones. However, due to cost increases that exceed any offsetting increases in the revenues over the past years, and the recent economic downturn slowing new parcel growth, property owners have been resistant to efforts to fully fund service levels.

Revenues received by the CSD programs are restricted to use within those programs. Any funds received above the current year expenditures shall be retained within the programs fund balance for the establishment of reserves or for future use by the programs.

Chart 10. CSD Expense Trends



Community Services District Zone A – Parks & Community Services

The largest Zone within the CSD is Zone A. It accounts for the administration and maintenance of the Parks & Community Services facilities and programs. Funding sources for these services come from a combination of property taxes, fees for service and smaller amounts from other City funds.

Table 6. CSD Zone A Operations

	FY 2012/13 Adopted Budget	FY 2012/13 Amended Budget	Actuals as of 6/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 1,695,100	\$ 1,695,100	\$ 1,741,234	102.7%
Other Taxes	-	-	72,713	-
Charges for Services	5,725,900	5,725,900	5,891,126	102.9%
Use of Money & Property	500,000	500,000	574,104	114.8%
Miscellaneous	76,500	76,500	29,189	38.2%
Transfers In	307,500	307,500	307,500	100.0%
Total Revenues	8,305,000	8,305,000	8,615,866	103.7%
Expenditures:				
35010 Parks & Comm Svcs - Admin	\$ 549,901	\$ 568,645	\$ 484,241	85.2%
35210 Park Maintenance - General	2,824,317	2,851,851	2,818,180	98.8%
35211 Contract Park Maintenance	455,484	454,519	392,837	86.4%
35212 Park Ranger Program	366,245	378,074	386,342	102.2%
35213 Golf Course Program	292,438	307,381	318,375	103.6%
35214 Parks Projects	169,612	270,567	169,374	62.6%
35216 CFD#1	-	-	30	-
35310 Senior Program	541,208	572,154	558,237	97.6%
35311 Community Services	192,973	172,293	128,851	74.8%
35312 Community Events	163,926	153,331	135,095	88.1%
35313 Conf & Rec Cntr	558,119	589,309	593,736	100.8%
35314 Conf & Rec Cntr - Banquet	283,014	306,841	295,142	96.2%
35315 Recreation Programs	1,687,965	1,698,262	1,664,246	98.0%
35317 July 4th Celebration	-	118,275	89,738	75.9%
95011 Non-Dept Zone A Parks	410,300	410,300	410,300	100.0%
Total Expenditures	8,495,502	8,851,802	8,444,724	95.4%
Net Change or Adopted Use of Fund Balance	\$ (190,502)	\$ (546,802)	\$ 171,142	

Electric Utility

The Moreno Valley Utility (MVU) manages the operation, maintenance and business planning of the City's electric utility. MVU's basic purpose is to purchase and distribute electricity to customers in newly developed areas of the City. The City began serving new customers in February 2004, and now serves more than 5,600 customers.

The main revenue source for this fund is derived from charges for services. The customer base includes residential, commercial and industrial customers. The growth in customer base will continue to provide for the ability to create rate stabilization and replacement reserve funding.

There is an existing liability by virtue of an agreement with the City's contract operator, ENCO, to make a \$2.5 million payment related to the rate stabilization issue. Any fund balance retained by MVU may be made available for the payment of the liability.

Table 7. MVU Operations

	FY 2012/13 Adopted Budget	FY 2012/13 Amended Budget	Actuals as of 6/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Charges for Services	\$ 16,988,600	\$ 17,563,600	\$ 19,109,833	108.8%
Use of Money & Property	80,500	80,500	60,616	75.3%
Miscellaneous	173,000	173,000	(36,972)	-21.4%
Total Revenues	17,242,100	17,817,100	19,133,478	107.4%
Expenditures:				
45510 Electric Utility - General	\$ 15,268,462	\$ 15,268,462	\$ 16,026,527	105.0%
45511 Public Purpose Program	690,000	690,000	569,707	82.6%
45520 2007 Taxable Lease Rev Bonds	1,834,883	1,834,883	1,836,627	100.1%
45530 2005 Lease Revenue Bonds	318,338	318,338	317,458	99.7%
Total Expenditures	18,111,683	18,111,683	18,898,493	104.3%
Net Change or Adopted Use of Fund Balance	\$ (869,583)	\$ (294,583)	\$ 234,984	

Chart 11. MVU Revenue Trends

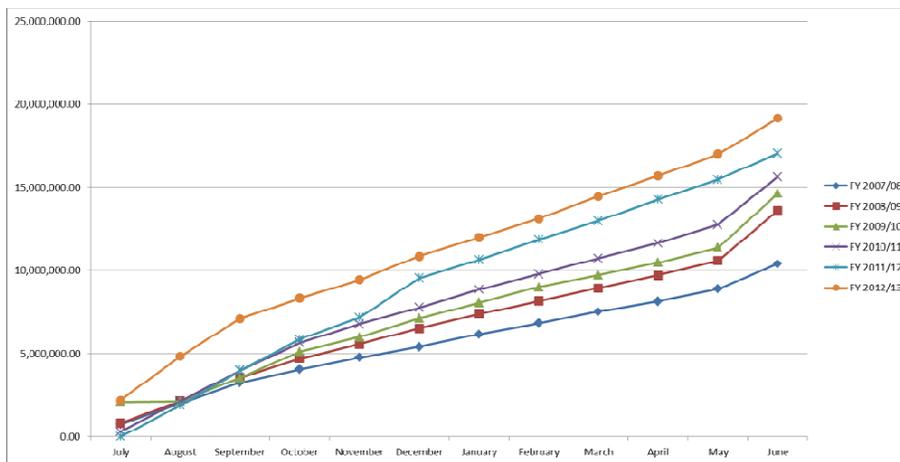
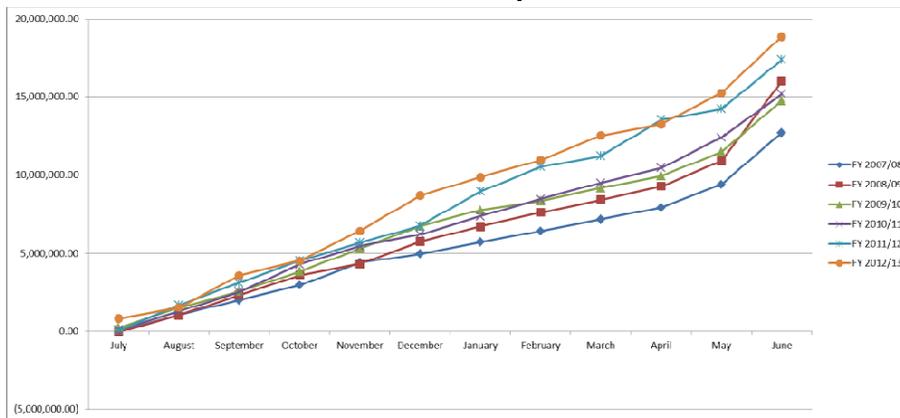


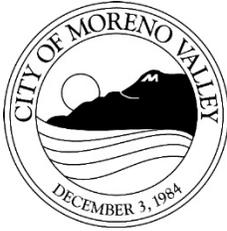
Chart 12. MVU Expense Trends



SUMMARY

The General Fund's year-end financials were overall in-line with expectations set by the Amended FY 2012/13 Budget. The unaudited financial results matched the amended budget within 0.6%, or approximately \$43,000.

Revenues have begun to stabilize and grow in some areas, which will help to provide the City a foundation for the FY 2013/14. The City will continue to monitor the financials throughout FY 2013/14 and bring back to the City Council for discussion options to address the other challenges and unfunded liabilities, as well as examining the reserve fund balances held by the City.



City of Moreno Valley

Fiscal Year 2013/14

First Quarter Financial Summary

TO: Mayor and City Council

FROM: Richard Teichert, Chief Financial Officer

DATE: December 10, 2013

INTRODUCTION

On June 11, 2013, the City Council adopted the Two-Year Operating Budget for Fiscal Years (FY) 2013/14 – 2014/15. During the two-year budget period the City Council will be apprised of the City's financial condition through the process of First Quarter and Mid-Year Budget Reviews. This ongoing process ensures a forum to look at expenditure and revenue deviations from the estimates made in the budget document. Additionally, any significant variances in projected revenue or unanticipated expenditures will be shared with the City Council should they occur.

This report provides a review of the unaudited financial results for the completed FY 2013/14 First Quarter (July 2013 – September 2013, 25% of the fiscal year).

CITYWIDE OPERATING EXPENDITURE SUMMARY

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

Table 1. Citywide Expenditures

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Fund/Component Unit				
General Fund	\$ 76,868,536	\$ 77,876,517	\$ 19,189,357	24.6%
Community Services District (CSD)	18,663,690	19,259,517	4,281,084	22.2%
Successor Agency	6,017,569	6,019,103	1,986,378	33.0%
Housing Fund	-	-	115	-
Special Revenue Funds	28,994,941	32,807,324	6,672,358	20.3%
Capital Projects Funds	1,736,726	1,736,726	1,371,206	79.0%
Electric Utility Funds	18,470,974	18,552,034	3,847,471	20.7%
Internal Service Funds	14,741,628	15,110,660	2,711,598	17.9%
Debt Service Funds	5,411,100	5,411,100	961,194	17.8%
Total	\$ 170,905,164	\$ 176,772,981	\$ 41,020,761	23.2%

Actions taken by the City Council subsequent to the June 11, 2013 adoption of the two-year budget have resulted in some important service level enhancements. After five years of being closed every Friday, City Hall is now open two Fridays per month to accommodate the needs of our development community. Additionally, our facilities are now open one additional half hour Monday through Thursday to better serve all of the community and our customers. Contracting Library Services will more than triple the books and materials budget to over \$190,000; provide 25% additional weekly service hours, including Sunday service. The Moreno Valley Animal Shelter is also providing more customer-friendly hours of operation as it is now open Fridays, Saturdays, and Sundays to reunite families with lost pets, assist our residents in finding just the right addition to their families, and better care for our community's needy animals.

The significant amendments approved and included in the Amended Budget are:

- On June 25, 2013, the City Council approved the Employee Memorandum of Understanding. The impact city wide was \$1,706,870.
- On June 25, 2013, the City Council approved the outsourcing of library services to LSSI. In future years this contract will result in an estimated \$250,000 savings annually. For FY 2013/14, due to the timing of implementation of the contract and employee leave payouts, there is an increased expense of \$266,284 from the Library Fund along with the increased transfer amount from the General Fund of \$258,127.
- On September 24, 2013, the City Council approved carryovers from FY 2012/13 in the amount of \$5,044,263. Although these expenditures had been approved as part of the prior year's budget, it has been City practice to present these carryovers for approval, prior to carryover.
- There were also multiple grants accepted in the amount of \$92,285, with offsetting revenues.
- An adjustment of (\$800,000) was input for the CDBG Fund, the costs which are now included in Capital Improvement Plan.

The majority of this quarterly update will focus on the General Fund, as it supports all basic services provided to City residents. Highlights for other key component funds will be discussed at a summary level as well.

GENERAL FUND OPERATING

Table 2. General Fund Operations

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 9,647,100	\$ 9,647,100	\$ 414,667	4.3%
Property Tax in-lieu	13,640,000	13,640,000	-	0.0%
Utility Users Tax	16,114,000	16,114,000	2,863,715	17.8%
Sales Tax	15,570,000	15,570,000	782,490	5.0%
Other Taxes	7,965,000	7,965,000	690,080	8.7%
Licenses & Permits	1,514,000	1,514,000	456,150	30.1%
Intergovernmental	265,000	265,000	207,049	78.1%
Charges for Services	8,869,395	8,869,395	2,252,570	25.4%
Use of Money & Property	2,688,000	2,688,000	(159,495)	-5.9%
Fines & Forfeitures	601,500	601,500	71,123	11.8%
Miscellaneous	51,400	51,400	17,418	33.9%
Total Revenues	76,925,395	76,925,395	7,595,768	9.9%
Expenditures:				
Personnel Services	13,382,123	14,105,926	3,066,517	21.7%
Contractual Services	53,132,865	53,146,635	13,267,777	25.0%
Material & Supplies	1,152,571	1,156,571	231,018	20.0%
Debt Service	-	-	-	-
Fixed Charges	6,791,974	6,800,255	1,988,509	29.2%
Fixed Assets	125,000	125,000	-	0.0%
Total Expenditures	74,584,533	75,334,387	18,553,822	24.6%
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	2,340,862	1,591,008	(10,958,054)	
Transfers:				
Transfers In	967,341	967,341	19,380	2.0%
Transfers Out	2,284,003	2,542,130	635,535	25.0%
Net Transfers	(1,316,662)	(1,574,789)	(616,155)	
Total Revenues & Transfers In	77,892,736	77,892,736	7,615,148	9.8%
Total Expenditures & Transfers Out	76,868,536	77,876,517	19,189,357	24.6%
Net Change or Adopted Use of Fund Balance	\$ 1,024,200	\$ 16,219	\$ (11,574,209)	

The significant amendments approved and included in the General Fund Amended Budget are:

- On June 25, 2013, the City Council approved the Employee Memorandum of Understanding. The portion of this impact to the General Fund was \$732,084.
- On June 25, 2013, the City Council approved the outsourcing of library services to LSSI. In future years this contract will result in an estimated \$250,000 savings annually. For FY 2013/14, due to the timing of implementation of the contract and employee leave payouts, there is an increased transfer amount from the General Fund of \$258,127.

- On September 24, 2013, the City Council approved carryovers from FY 2012/13 in the amount of \$5,044,263. Of this amount, \$17,770 was allocated within the General Fund. Although these expenditures had been approved as part of the prior year's budget, it has been City practice to present these carryovers for approval, prior to carryover.

General Fund Operating Revenues

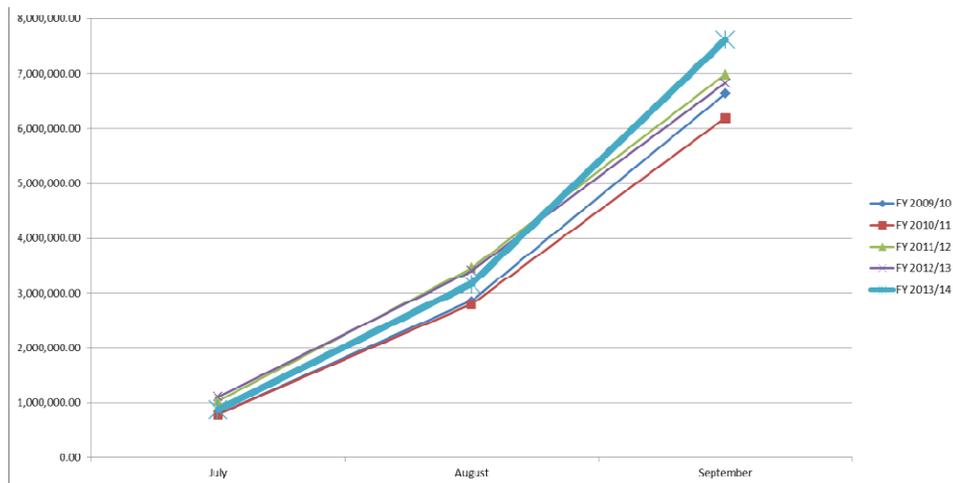
The General Fund is comprised of several revenue types. However, the main sources include property tax, utility users tax, and sales tax. Each of these are affected by different economic activity cycles and pressures.

Table 3. General Fund Revenues

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 9,647,100	\$ 9,647,100	\$ 414,667	4.3%
Property Tax in-lieu	13,640,000	13,640,000	-	0.0%
Utility Users Tax	16,114,000	16,114,000	2,863,715	17.8%
Sales Tax	15,570,000	15,570,000	782,490	5.0%
Other Taxes	7,965,000	7,965,000	690,080	8.7%
Licenses & Permits	1,514,000	1,514,000	456,150	30.1%
Intergovernmental	265,000	265,000	207,049	78.1%
Charges for Services	8,869,395	8,869,395	2,252,570	25.4%
Use of Money & Property	2,688,000	2,688,000	(159,495)	-5.9%
Fines & Forfeitures	601,500	601,500	71,123	11.8%
Miscellaneous	51,400	51,400	17,418	33.9%
Total Revenues	\$ 76,925,395	\$ 76,925,395	\$ 7,595,768	9.9%

The following chart represents a graphical representation comparing total General Fund revenue collections through the first quarter, over a five year period.

Chart 1. General Fund Revenue Trends



Property Taxes/Property Taxes In-Lieu

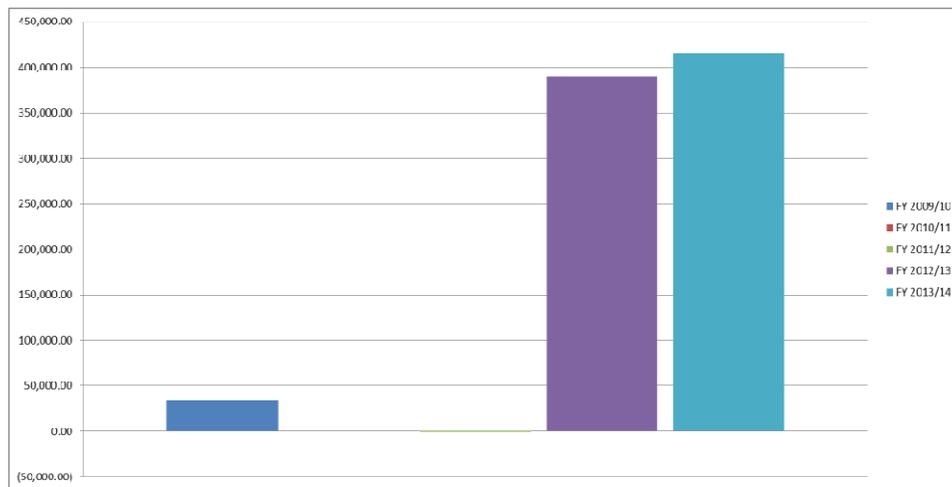
Property taxes were budgeted to increase by 0.38% from the FY 2012/13 Amended Budget. The annual schedule of property tax payments from the County of Riverside will provide payments to the City based on the following estimated schedule:

Secured Property Tax Payment Dates

Settlement 1	January 20-24, 2014
Settlement 2	May 19-23, 2014
Settlement 3	August 4-8, 2014
Teeter Settlement	October 20-24, 2014

Based on historical averages of actual receipts, the City is estimated to receive 2% of the budgeted property tax revenue within the first quarter. The City has currently received 1.8% during the first quarter. Property taxes will continue to be monitored as property valuations may adjust through the year based on property sales and assessment appeals filed with the County.

Chart 2. General Fund First Quarter Revenue Trend – Property Taxes

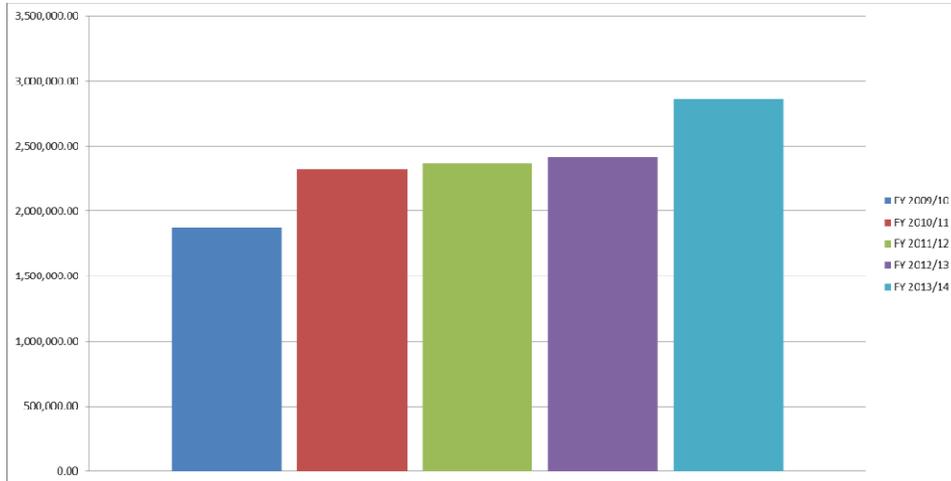


Utility Users Tax

Utility Users taxes were budgeted to increase 0.34% from the FY 2012/13 Amended Budget. This projection of growth is primarily due to competitive forces within the communications markets. Both the wireless and wired markets experienced downturns year over year. Based on our discussions with utility tax experts, there are a couple of causes for this trend. First is competition and bundling practices within the market as more small players continue to join the market. Second is the migration of customers from contract plans to prepaid plans. Currently there is no method within the State to capture UUT related to prepaid wireless plans. There is currently legislation in Sacramento trying to address this and close that gap.

Based on historical averages of actual receipts, the City is estimated to receive 13% of the budgeted utility users tax revenue within the first quarter. The City has currently received 17.8% during the first quarter.

Chart 3. General Fund First Quarter Revenue Trend – Utility Users Taxes

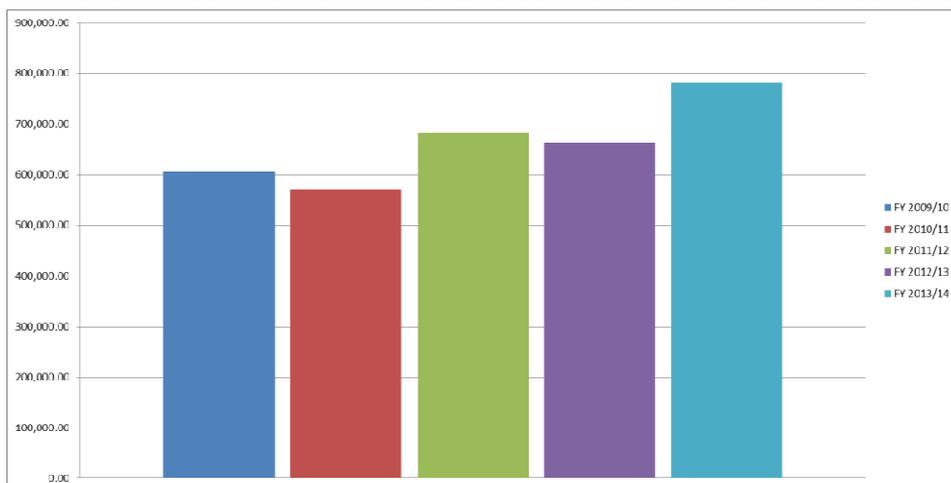


Sales Taxes

Based on the recovering economy and new businesses that began operating in the City, the FY 2013/14 sales tax budget was increased by 12.8%. Sales tax receipts will need to be continually monitored through the year to determine if current trends begin to plateau or begin to decrease.

Based on historical averages of actual receipts, the City is estimated to receive 6% of the budgeted sales tax revenue within the first quarter. The City has currently received 5% during the first quarter.

Chart 4. General Fund First Quarter Revenue Trend – Sales Taxes

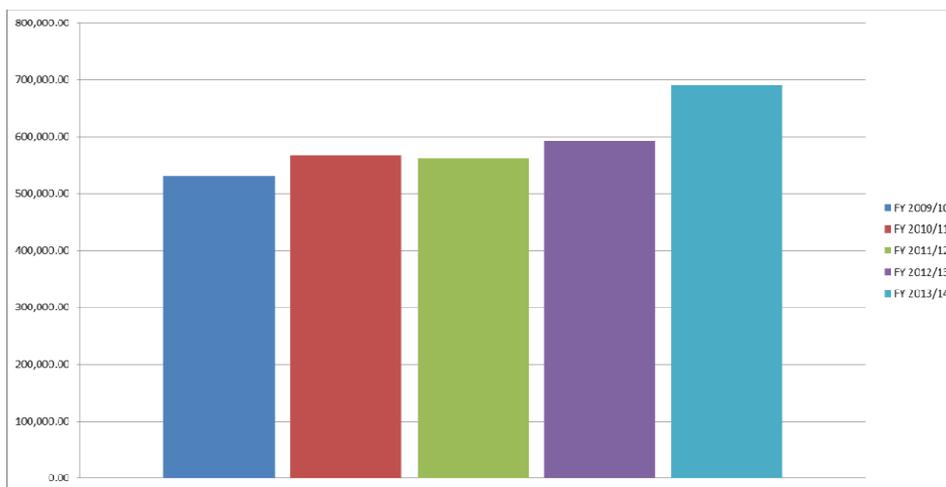


Other Taxes

Other taxes are primarily composed of Business Gross Receipts, Transient Occupancy Tax, Documentary Transfer Tax, and Franchise Fees. Collectively, other taxes were budgeted to increase 2.9% from the FY 2012/13 Amended Budget.

Based on historical averages of actual receipts, the City is estimated to receive 8% of the budgeted Other Taxes revenue within the first quarter. The City has currently received 8.7% during the first quarter.

Chart 5. General Fund First Quarter Revenue Trend – Other Taxes

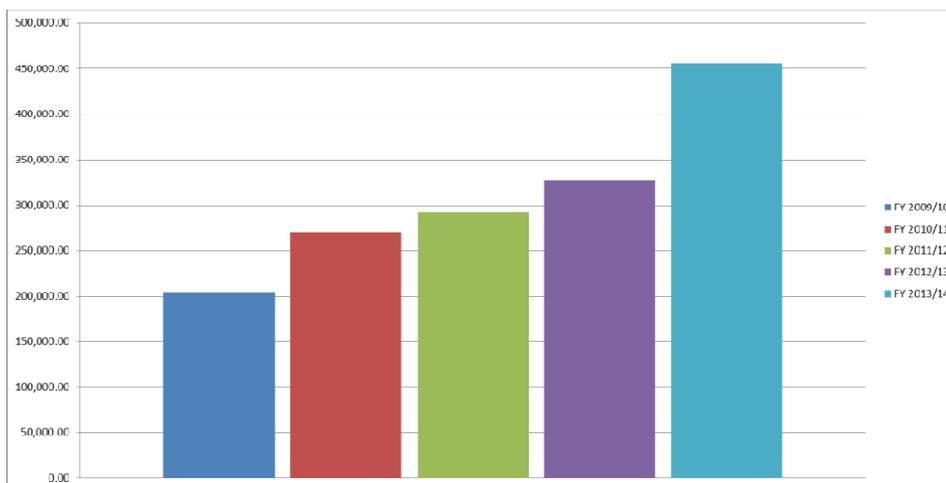


Licenses & Permits

Licenses & Permits are primarily composed of Business and Animal Licenses, along with Building, Electrical, Mechanical, Plumbing and other permits. Collectively, Licenses & Permits were budgeted to decrease 1% from the FY 2012/13 Amended Budget.

Based on historical averages of actual receipts, the City is estimated to receive 26% of the budgeted Licenses & Permits revenue within the first quarter. The City has currently received 30.1% during the first quarter.

Chart 6. General Fund First Quarter Revenue Trend – Licenses & Permits



Intergovernmental

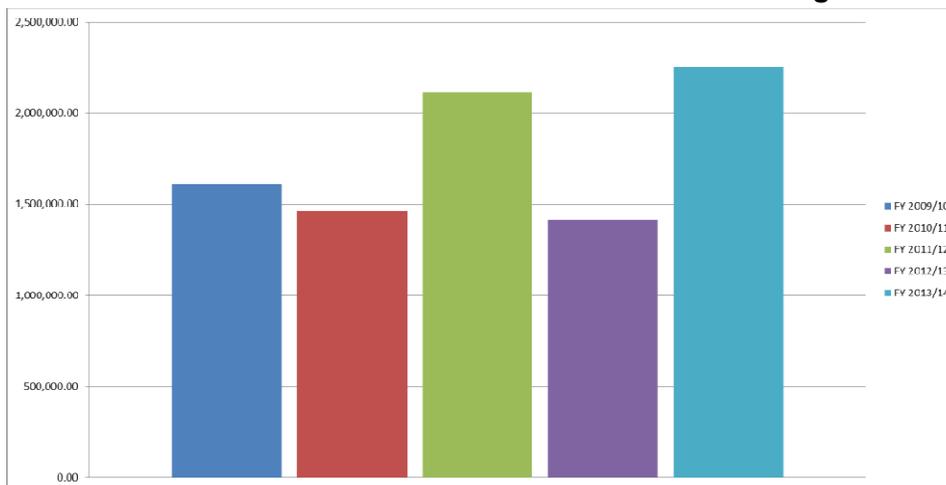
Intergovernmental revenues for the first quarter reflect a one-time revenue of \$86,800 for the Police Department as a result of asset forfeitures.

Charges for Services

Charges for Services are primarily composed of Plan Check Fees, Inspection Fees, Administrative Charges to other funds, and Parking Control Fines. Collectively, Charges for Services were budgeted to increase 21% from the FY 2012/13 Amended Budget. This projected increase is due to revenues exceeding the FY 2012/13 budget by almost \$1 million.

Based on historical averages of actual receipts, the City is estimated to receive 22% of the budgeted Charges for Services revenue within the first quarter. The City has currently received 25.4% during the first quarter.

Chart 7. General Fund First Quarter Revenue Trend – Charges for Services



Use of Money and Property

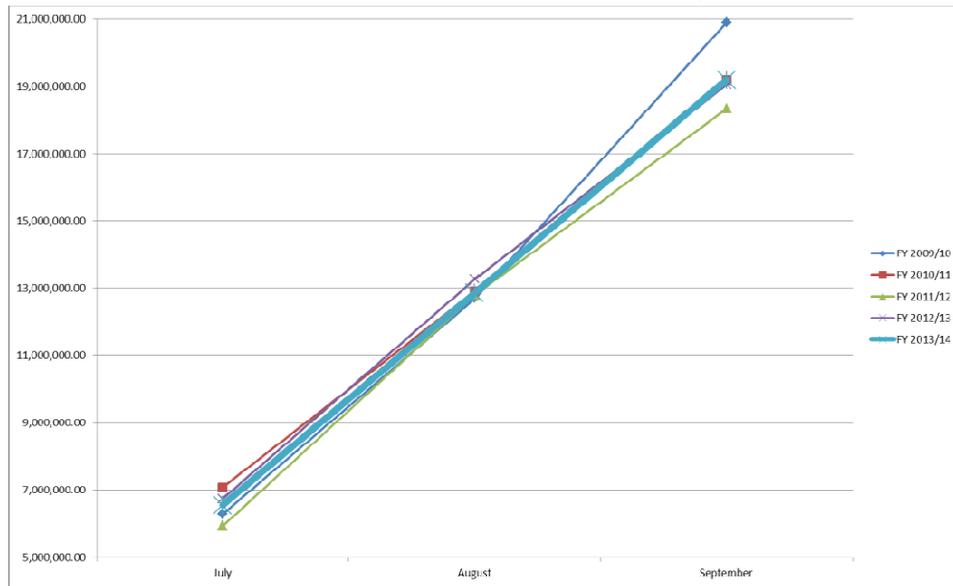
Investment income continues to remain low due to extremely low rates of return for fixed income investments. Currently, the Two-year Treasury Note is yielding only 0.32%. Through a professional money management firm, the City's portfolio is achieving a yield of about 1.25% with a duration of just over 2.4 years. This is a very low rate of return compared to historical experience, but is indicative of how investment income is performing everywhere. Chandler Asset Management was able to supplement the investment income by employing a Total Return strategy which utilizes active trading to sell securities at advantageous points to achieve gains on the sale. As the market begins to move upward, there will be less opportunity for these trading gains.

General Fund Expenditures

Expenditures are being spent in-line with prior year expenditures: although the following table does identify an overall reduction due to the expense reductions adopted as part of the FY 2013/14 budget.

Table 4. General Fund Expenditures

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Department				
City Council	\$ 616,632	\$ 630,013	\$ 147,975	23.5%
City Clerk	448,351	464,852	112,957	24.3%
City Manager	1,318,957	1,367,047	455,954	33.4%
City Attorney	483,533	499,545	126,359	25.3%
Community & Economic Development	6,731,597	5,297,377	1,195,275	22.6%
Financial & Management Services	2,980,392	3,099,378	649,922	21.0%
Administrative Services	3,657,689	3,776,024	733,711	19.4%
Public Works	2,136,995	3,890,910	931,408	23.9%
Non-Departmental	3,096,503	3,362,911	1,401,167	41.7%
Non-Public Safety Subtotal	21,470,649	22,388,057	5,754,729	25.7%
Public Safety				
Police	37,939,734	37,959,758	9,215,150	24.3%
Fire	17,458,153	17,528,702	4,219,477	24.1%
Public Safety Subtotal	55,397,887	55,488,460	13,434,628	24.2%
Total	\$ 76,868,536	\$ 77,876,517	\$ 19,189,357	

Chart 1. General Fund First Quarter Expense Trends

CONTINUED CHALLENGES AND ITEMS OF NOTE

Preserving a balanced City budget over the next several years will require the same level of vigilance and strategic planning which produced the budget. While focusing significant energy to attract and retain local businesses, the City will also contend with fiscal pressures associated with:

- A General Fund subsidy for street lights of approximately \$1 million annually;
- Continued cost increases levied by the County for contract law enforcement services;
- Projected cost increases for contract Fire protection;
- Anticipated pension cost increases, exacerbated by revisions to CalPERS rate methodology which had previously smoothed rate increases over longer periods;
- With the dissolution of the prior Redevelopment Agency, there are continued risks that the payment of certain agreements may not be approved by the California Department of Finance, which will impact the General Fund.
- The General Fund's obligation to guarantee debt service payments on the police facility;
- Annual contributions to the trust for Other Post-Employment Benefits (OPEB), which have been suspended for FY 2013/14 budgets. For FY 2014/15 the amount for the General Fund is \$450,000/yr. The annual payments will need to be resumed and unpaid amounts for prior years will be considered when the next actuarial valuation is completed;
- The restoration of funding for deferred infrastructure maintenance during the fiscal downturn.

The City Council's resolve as demonstrated during the budget cycle, along with engaged managers throughout the City organization and a collaborative relationship with our employees should continue to serve us well to successfully address these challenges ahead.

OTHER KEY FUNDS

The following summaries describe other major funds in the City.

Moreno Valley Community Services District

The Moreno Valley Community Services District (CSD) was formed by the voters in 1984 to collect fees and certain taxes to provide an array of services including parks, recreation and community services, streetlights, landscaping and ongoing maintenance. The CSD provides these services through separate "zones" that define the services that are provided.

For certain zones, the primary revenue source used to provide services to properties is parcel fees or taxes levied on properties via their annual tax bill. Proposition 218, passed by California voters in November 1996, has posed a serious challenge to managing the future operation of the CSD zones. Prop. 218 requires any revenue increase to be addressed through a voting process by affected property owners. For a period following the initial implementation of Prop. 218, the CSD was successful in receiving approval for some new or increased revenues. There were also revenue increases due to the growth of developed parcels within the zones. However, due to cost increases that exceed any offsetting increases in the revenues over the past years, and the recent economic downturn slowing new parcel growth, property owners have been resistant to efforts to fully fund service levels.

Table 5. CSD Operations

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 3,188,300	\$ 3,188,300	\$ 144,082	4.5%
Other Taxes	6,322,000	6,322,000	-	0.0%
Charges for Services	6,115,031	6,115,031	315,779	5.2%
Use of Money & Property	614,221	614,221	123,958	20.2%
Fines & Forfeitures	50,000	50,000	7,857	15.7%
Miscellaneous	20,100	20,580	5,987	29.1%
Transfers In	1,943,244	2,201,371	521,184	23.7%
Total Revenues	18,252,896	18,511,503	1,118,847	6.0%
Expenditures:				
Library Services Fund (5010)	\$ 1,812,217	\$ 2,145,013	\$ 590,406	27.5%
Zone A Parks Fund (5011)	9,148,506	9,343,871	2,077,809	22.2%
Zone B Residential Street Lighting Fund (5012)	1,677,100	1,683,805	358,075	21.3%
Zone C Arterial Street Lighting Fund (5110)	927,800	929,985	182,298	19.6%
Zone D Standard Landscaping Fund (5111)	1,086,200	1,096,642	261,340	23.8%
Zone E Extensive Landscaping Fund (5013)	2,481,783	2,498,363	482,951	19.3%
Zone M Median Fund (5112)	281,844	285,224	68,336	24.0%
CFD No. 1 (5113)	1,182,223	1,210,286	246,598	20.4%
Zone S (5114)	66,017	66,328	13,272	20.0%
Total Expenditures	18,663,690	19,259,517	4,281,084	22.2%
Net Change or Adopted Use of Fund Balance	\$ (410,794)	\$ (748,014)	\$ (3,162,237)	

The significant amendments approved and included in the CSD Amended Budget are:

- On June 25, 2013, the City Council approved the Employee Memorandum of Understanding. The portion of this impact to the CSD was \$316,063.
- On June 25, 2013, the City Council approved the outsourcing of library services to LSSI. In future years this contract will result in an estimated \$250,000 savings annually. For FY 2013/14, due to the timing of implementation of the contract and employee leave payouts, there is an increased transfer amount from the CSD of \$266,284.
- On September 24, 2013, the City Council approved carryovers from FY 2012/13 in the amount of \$5,044,263. Of this amount, \$13,000 was allocated within the CSD. Although these expenditures had been approved as part of the prior year's budget, it has been City practice to present these carryovers for approval, prior to carryover.

Community Services District Zone A – Parks & Community Services

The largest Zone within the CSD is Zone A. It accounts for the administration and maintenance of the Parks & Community Services facilities and programs. Funding sources for these services come from a combination of property taxes, fees for service and smaller amounts from other City funds.

Table 6. CSD Zone A Operations

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 1,709,000	\$ 1,709,000	\$ 75,143	4.4%
Other Taxes	4,900,000	4,900,000	-	0.0%
Charges for Services	1,067,122	1,067,122	264,515	24.8%
Use of Money & Property	583,900	583,900	137,012	23.5%
Miscellaneous	18,100	18,100	4,364	24.1%
Transfers In	424,136	424,136	76,875	18.1%
Total Revenues	8,702,258	8,702,258	557,908	6.4%
Expenditures:				
35010 Parks & Comm Svcs - Admin	\$ 576,620	\$ 591,679	\$ 97,862	16.5%
35210 Park Maintenance - General	3,160,181	3,237,870	703,386	21.7%
35211 Contract Park Maintenance	461,603	464,403	91,880	19.8%
35212 Park Ranger Program	370,423	384,056	84,743	22.1%
35213 Golf Course Program	263,492	264,804	74,053	28.0%
35214 Parks Projects	173,625	180,534	39,065	21.6%
35215 CSD Public Facilities	-	-	-	-
35216 CFD#1	-	-	24	-
35310 Senior Program	609,009	620,371	129,206	20.8%
35311 Community Services	193,446	198,218	38,855	19.6%
35312 Community Events	81,327	95,881	31,323	32.7%
35313 Conf & Rec Cntr	629,075	632,947	153,460	24.2%
35314 Conf & Rec Cntr - Banquet	324,635	331,004	64,439	19.5%
35315 Recreation Programs	1,752,265	1,787,911	439,072	24.6%
35316 ASA Tournament	-	-	-	-
35317 July 4th Celebration	142,505	143,893	27,573	19.2%
95011 Non-Dept Zone A Parks	410,300	410,300	102,868	25.1%
Total Expenditures	9,148,506	9,343,871	2,077,809	22.2%
Net Change or Adopted Use of Fund Balance	\$ (446,248)	\$ (641,613)	\$ (1,519,901)	

Electric Utility

The Moreno Valley Utility (MVU) manages the operation, maintenance and business planning of the City's electric utility. MVU's basic purpose is to purchase and distribute electricity to customers in newly developed areas of the City. The City began serving new customers in February 2004, and now serves more than 5,600 customers. As it reaches fiscal and operational maturity, MVU will continue to be a key component of the City's economic development strategy. The City Council has established special tiered rates for electric utility customers based upon factors such as the number of jobs created.

The main revenue source for this fund is derived from charges for services. The customer base includes residential, commercial and industrial customers. The growth in customer base will continue to provide for the ability to create rate stabilization and replacement reserve funding.

Table 7. MVU Operations

	FY 2013/14 Adopted Budget	FY 2013/14 Amended Budget	Actuals as of 9/30/2013 (unaudited)	% of Amended Budget
Revenues:				
Charges for Services	\$ 18,915,548	\$ 18,915,548	\$ 5,235,369	27.7%
Use of Money & Property	80,500	80,500	(4,132)	-5.1%
Miscellaneous	123,488	123,488	8,287	6.7%
Transfers In	-	150,000	-	0.0%
Total Revenues	19,119,536	19,269,536	5,239,523	27.2%
Expenditures:				
45510 Electric Utility - General	\$ 15,591,767	\$ 15,632,827	\$ 3,782,474	24.2%
45511 Public Purpose Program	721,300	761,300	64,779	8.5%
45520 2007 Taxable Lease Rev Bonds	1,835,144	1,835,144	-	0.0%
45530 2005 Lease Revenue Bonds	322,763	322,763	218	0.1%
Total Expenditures	18,470,974	18,552,034	3,847,471	20.7%
Net Change or Adopted Use of Fund Balance	\$ 648,562	\$ 717,502	\$ 1,392,052	

MVU's revenues were budgeted to increase 11% from the FY 2012/13 Amended Budget, while expenses were only budgeted to increase by 7%.

MVU's revenues and expenses will fluctuate annually based on energy demands.

Chart 2. MVU First Quarter Revenue Trends

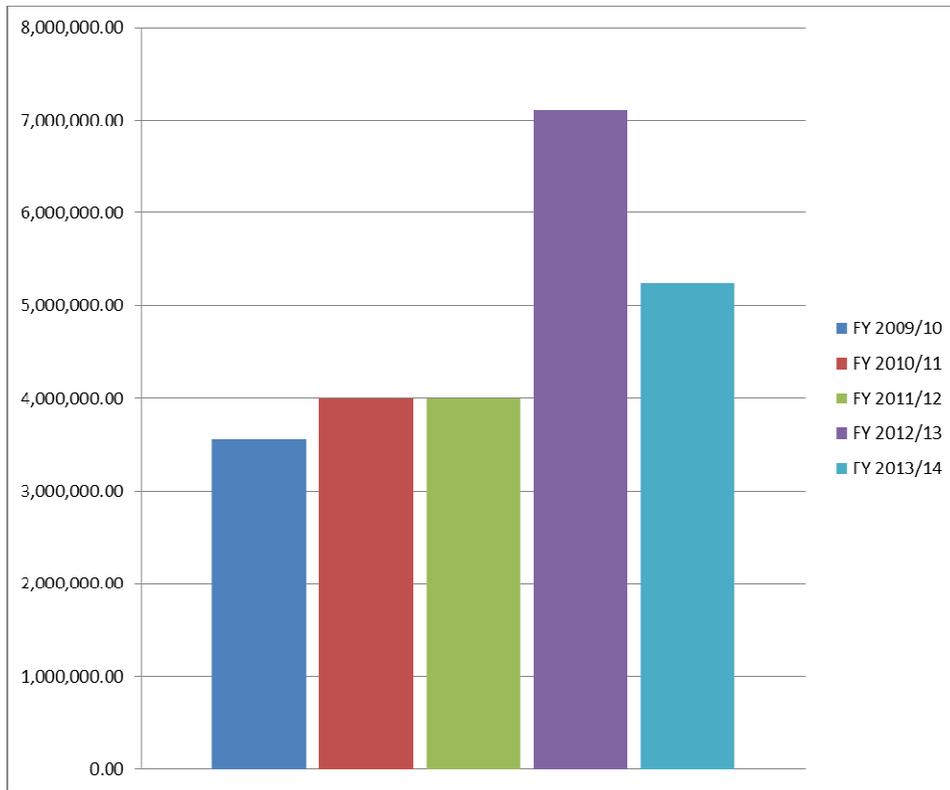
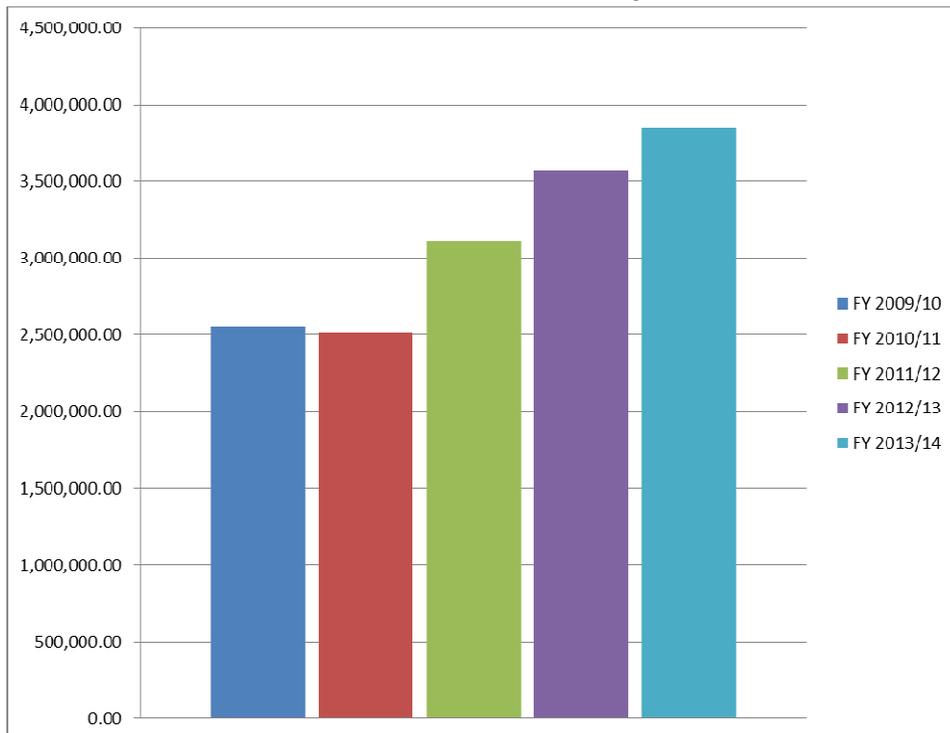


Chart 3. MVU First Quarter Expense Trends



SUMMARY

The City of Moreno Valley is on the path toward recovery following the Great Recession; unlike most other cities in this region, our FY 2013/14 Adopted Budget was fully balanced without the use of reserves.

Although the first quarter has provided positive results in some areas, the City should remain cautiously optimistic as we proceed through the fiscal year.

As positive fund balances begin to grow, we will bring back to the City Council for discussion options to address the other challenges and unfunded liabilities, as well as examining the reserve fund balances held by the City.