



## **CITY OF MENIFEE**

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SUBJECT: Budget Carryovers to Fiscal Year 2022/23

MEETING DATE: December 7, 2022

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Regina Funderburk, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Approve a Budget Amendment Resolution for the balance of budget carryovers, as of June 30, 2022, for all ongoing operating requests, ongoing grants, and capital improvement program (CIP) budget to Fiscal Year 2022/23.

### **DISCUSSION**

With the passage of the budget, it is assumed that all revenues will be earned and all expenditures will be expended by the end of the fiscal year. Due to the timing of receiving goods and services, the specific performance period of grant funded projects/program, and the multi-year capital improvement projects, some expenditures were not fully exhausted within last fiscal year and must be carried over into the new fiscal year. Both revenues and expenditures, if not incorporated within the following year's budget, must be re-appropriated by City Council and added to the newly adopted budget.

#### **Fiscal Year 2022/23 Budget Carry-Over Overview:**

On June 1, 2022, the Menifee City Council adopted the Fiscal Year 2022/23 operating and capital budget for a total City-wide appropriation of \$129,328,947, of which \$86,059,273 represented total appropriations for the General Fund including Quality-of-Life (Measure DD). Based on departmental requests, a total \$21,981,862.61 in carryover expenditure items are requested for approval and \$2,532,307.98 in carryover revenues. Please note this does not include thirty-one budget carryovers approved from July 1, 2022 through the most recent Council Meeting, totaling \$34,365,365.63 in expenses and \$1,392,266.50 in revenues.

Covid-19 continues to have an impact on purchases and delivery of goods. With respect to annual expenditures and purchases, Fiscal Year 2022/23 was similar to Fiscal Year 2021/22 with the aftereffects of Covid-19. Across the board, various city departments experienced atypical delays in the delivery of services and increases in pricing, ranging from IT equipment/hardware to street

sign blades, impacted by global supply shortages in key supplies such as computer chips, aluminum, drywall and even concrete. Over the most recent months the, City has seen minor relief in the delay of some purchases; however, some larger purchases such as vehicles still face delays of several months.

### **Purchase Orders (PO) Encumbrances Fiscal Year 2021/22**

Purchase Orders (PO): Existing contracts/purchase orders (POs) where work/services commenced prior to Fiscal Year 2022/23 and that will continue into the new fiscal year are authorized to be carried forward as part of the new year budget adoption process. Pursuant to the accompanying budget adoption resolution, outstanding encumbrances can be carried forward to the next succeeding budget year upon approval of the City Manager. A contractual commitment in the form of an executed contract and/or PO has been issued for the respective goods/services and has been carried forward into the new fiscal year.

For Fiscal Year 2022/23, a total of \$24,045,479 in eligible encumbrances has been carried forward from Fiscal Year 2021/22. Notable increases in the encumbrances carried forward into the new fiscal year compared to the previous year are the following:

- \$1.87 million in professional services associated with CEQA projects. As expenses are realized, offsetting revenue from developer deposits are recognized.
- \$18.5 million in various contracts associated with specific CIP project with activity underway.

### **Grant/Program and CIP Program Expense Budget Carry-Overs:**

The attached Grant Rollovers (Attachment A) details the ongoing grants, and CIP and Other Rollovers (Attachment B) includes the ongoing capital projects and other projects that require City Council's approval to carryover to Fiscal Year 2022/23.

Below is a summary, by fund, reflecting the requested carry-over appropriation. Additionally, Table 1 and 2 summarizes, in aggregate and by fund respectively, the proposed budget carryovers by the following categories:

1. **Grant Projects/Programs (Attachment A):** The implementation/completion of projects/programs funded by grant funds are governed by the specific terms of the grant agreement and can range from one year to multiple years. Carryover grant projects/programs represent remaining anticipated expenditures and revenues to be expended and/or received during Fiscal Year 2022/23. Most grants are funded as reimbursement grants, meaning the City must complete the funded project/program/activity first, and then seek/receive reimbursement from the funding entity. Grant reimbursements are recognized within the fiscal year(s) they are received. Grant expenditures are recognized in the fiscal year(s) they are expended.
2. **CIP Projects (Attachment B):** These include CIP projects generally completed requiring multi-year coordination for delivery of the project including but not limited to:
  - a. Funding strategy/plan
  - b. Pre-construction activities
  - c. Design
  - d. Environmental

- e. Right-of-Way Acquisition
- f. Construction

These projects were adopted as part of the CIP Program, and remaining activities are proposed to be carried forward into the new fiscal year.

Funding for CIP, in particular, may involve a funding plan across several fiscal years to fully bring together the required funding to complete the project. For example, CIP 13-03: Holland Road Overpass Project, is estimated to cost \$35 million (reflecting increased construction costs) from beginning to end of the project (pre-construction activities to construction completion). CIP projects, such as the traffic signal communication projects, which receive federal funds through grants, require several years to coordinate design and construction activities with Caltrans. As reflected within the adopted FY2022/23 Capital Improvement Program (see page 14 of CIP Program Budget Book), project reallocations for FY 2022/23 for various projects are also included within the proposed budget carryovers.

**Other Projects (Attachment B):** Other Projects include operational expenses approved at mid-year (Fiscal Year 2021/22) for commercial recycling compliance assistance program, senior low-income bill assistance program and servers for IT. Additionally \$1.25 million with Fund 524 (DIF) is included for the ERP replacement project underway.

### Overall Summary

The total proposed Fiscal Year 2022/23 budget carryover in grant and CIP/Other expenditures is \$21,981,862.61. Of this proposed amount, a majority is associated with the City's CIP Program, which totals \$19,286,380.63, or 87.73% of total carryovers.

**TABLE 1: PROPOSED FY22/23 BUDGET CARRY-OVERS**

Description	CIP	Operational	Total
GRANTS (ATTACHMENT A)	\$1,738.00	\$895,481.98	\$897,219.98
CIP/OTHER (ATTACHMENT B)	19,284,642.63	1,800,000.00	21,084,642.63
<b>TOTAL</b>	<b>\$19,286,380.63</b>	<b>\$2,695,481.98</b>	<b>\$21,981,862.61</b>

**TABLE 2: PROPOSED FY22/23 BUDGET CARRY-OVERS (EXPENDITURES) BY FUND**

FUND	FUND NAME	EXPENDITURE TYPE
100	CIP/OTHER (ATTACHMENT B)	7,043,893.06
<b>100 Total</b>		<b>7,043,893.06</b>
105	CIP/OTHER (ATTACHMENT B)	1,860,299.72
<b>105 Total</b>		<b>1,860,299.72</b>
110	CIP/OTHER (ATTACHMENT B)	275,000.00
<b>110 Total</b>		<b>275,000.00</b>
200	CIP/OTHER (ATTACHMENT B)	19,258.00
<b>200 Total</b>		<b>19,258.00</b>

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FUND	FUND NAME	EXPENDITURE TYPE
220	CIP/OTHER (ATTACHMENT B)	610,911.54
<b>220 Total</b>		<b>610,911.54</b>
301	CIP/OTHER (ATTACHMENT B)	449,361.25
	GRANTS (ATTACHMENT A)	618,897.82
<b>301 Total</b>		<b>1,068,259.07</b>
310	CIP/OTHER (ATTACHMENT B)	5,101,619.50
<b>310 Total</b>		<b>5,101,619.50</b>
320	CIP/OTHER (ATTACHMENT B)	643,283.80
<b>320 Total</b>		<b>643,283.80</b>
410	CIP/OTHER (ATTACHMENT B)	22,321.84
<b>410 Total</b>		<b>22,321.84</b>
420	CIP/OTHER (ATTACHMENT B)	78,650.00
<b>420 Total</b>		<b>78,650.00</b>
481	CIP/OTHER (ATTACHMENT B)	222,999.00
	GRANTS (ATTACHMENT A)	278,322.16
<b>481 Total</b>		<b>501,321.16</b>
490	CIP/OTHER (ATTACHMENT B)	500,925.01
<b>490 Total</b>		<b>500,925.01</b>
507	CIP/OTHER (ATTACHMENT B)	200,000.00
<b>507 Total</b>		<b>200,000.00</b>
508	CIP/OTHER (ATTACHMENT B)	13,699.87
<b>508 Total</b>		<b>13,699.87</b>
509	CIP/OTHER (ATTACHMENT B)	266,999.54
<b>509 Total</b>		<b>266,999.54</b>
511	CIP/OTHER (ATTACHMENT B)	464,096.82
<b>511 Total</b>		<b>464,096.82</b>
512	CIP/OTHER (ATTACHMENT B)	270,128.00
<b>512 Total</b>		<b>270,128.00</b>
521	CIP/OTHER (ATTACHMENT B)	111,171.94
<b>521 Total</b>		<b>111,171.94</b>
522	CIP/OTHER (ATTACHMENT B)	116,752.15
<b>522 Total</b>		<b>116,752.15</b>
524	CIP/OTHER (ATTACHMENT B)	1,125,000.00
<b>524 Total</b>		<b>1,125,000.00</b>
526	CIP/OTHER (ATTACHMENT B)	1,450,502.14
<b>526 Total</b>		<b>1,450,502.14</b>
620	CIP/OTHER (ATTACHMENT B)	203,769.45
<b>620 Total</b>		<b>203,769.45</b>

FUND	FUND NAME	EXPENDITURE TYPE
622	CIP/OTHER (ATTACHMENT B)	34,000.00
<b>622 Total</b>		<b>34,000.00</b>
<b>Grand Total</b>		<b>\$21,981,862.61</b>

### Revenue Budget Carryovers

Total revenue budget carryover is \$2,532,307.98 represented by various grants funds. Included in the proposed revenue carryovers is \$239,084.42 of American Rescue Plan (ARP) revenue anticipated to be recognized during Fiscal Year 2022/23 as previously approved projects/activity expenses are realized. Table 3 summarizes the requested carryover of revenues:

**TABLE 3: PROPOSED FY 2022/23 BUDGET CARRY-OVERS (REVENUES)**

Fund	Fund Name	Revenue Type	Revenue Amount
<b>301</b>	Grant Fund	Grant	\$1,963,455.12
<b>481</b>	CDBG	Grant	568,852.86
<b>GRAND TOTAL</b>			<b>\$2,532,307.98</b>

### STRATEGIC PLAN OBJECTIVE

Responsive and Transparent Community Government

### FISCAL IMPACT

With approval of this item, total appropriations for the FY 2022/23 operating, grant and capital budget will increase by \$21,981,862.61. Total revenues will increase by \$2,532,307.98. These items were previously authorized during the Fiscal Year 2021/22 budget year and were not fully expended or received. The authorization by City Council to carry over these appropriations will allow capital projects, grants and outstanding operating purchase orders to continue without interruption. It is also important to note, the carry-over of the proposed expenditures, with the exception of grant funded/reimbursement expenditures, results in the use of fund balance, as the corresponding balancing revenues for these previously approved expenditures were collected in prior fiscal years. Grant funded/reimbursement expenditures will have corresponding revenues received following the actualization of the expenditures.

### ATTACHMENTS

1. Budget Adjustment Resolution – Budget Carryovers
2. Attachment A – Grant Rollovers
3. Attachment B – CIP and other Projects Budget Rollovers