



Media Statement

For Immediate Release

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Statement Regarding California State Auditor's Follow-Up Report

Montebello, CA - The California State Auditor released its follow-up report to the City of Montebello's (City) 2018 audit as part of the mandatory requirement that cities deemed "high risk" must be audited every three years. The City maintains its position in disagreeing with the State Auditor on their portrayal of the data. The information does not reflect the tremendous progress made in transforming Montebello's fiscal health and stability, both of which have substantially improved since concerns were noted in the original 2018 audit.

The City disputes several claims made in this section of Audit Report: 2021-807, pp 6-9. City officials do not believe the results from one fiscal year (2019-20) accurately portray the progress that has been made to achieve long-term, fiscal sustainability. Additionally, it is unfortunate that the State Auditor's office continues to criticize the City for performance issues that are minor in nature when the more significant findings have been addressed or corrected. In all areas the 2018 audit and its findings Montebello maintains and asserts it is in full compliance with all state requirements pertaining to its fiscal management.

Among factors disregarded by the State Auditor's follow-up include the impact of the COVID pandemic on City finances and operations. The negative impacts to City revenue from the pandemic must be acknowledged for what they are: one-time and unpredictable reductions in sales tax, charges for services and related revenues that do not signify a "struggle to balance various spending priorities with revenues..." as the report states. The General Fund realized a drop in revenue in FY 2019-20 of \$3.090 million when compared to FY 2018-19 (pre-pandemic). Furthermore, actual FY 2019-20 revenue was \$1.433 million less than the adopted budget. At the time the FY 2019-20 budget was adopted (June 2019), no one could have foreseen the wide-ranging and negative impacts the pandemic would have on our economy and society.

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Additionally, the City strongly disputes that our “liquidity level [is] high risk because the general fund’s balance of cash and investments was low enough that the city might have difficulty paying the costs of providing services to residents” (page 8). This statement is false, highly inflammatory and insinuates Montebello has a cash flow problem. Nothing could be further from the truth.

The City’s average monthly cash balance in the State’s Local Agency Investment Fund (LAIF) for FY 2019-20 was \$29.583 million, and was \$28.542 million for FY 2020-21. The City’s average monthly checking account balance in its local bank was \$9.852 million in FY 2019-20. As of June 30, 2021, the City had access to \$59.061 million in cash – all having immediate liquidity. This amount represents thirty times (30x) the amount necessary to pay the City’s weekly payroll and operating expenses and situates us well within acceptable cash flow parameters.

It is important for the public and residents to note that instead of cutting essential services to residents, the City chose to utilize fund balance to maintain services – a key reason for any city to maintain an adequate fund balance. Current Montebello administration inherited the FY 2019-20 budget; one that admittedly could have been improved with more accurate revenue and expenditure projections and which was battered by an unpredictable worldwide pandemic.

Montebello has made tremendous progress to achieve a balanced budget and implement cost efficiencies, issued \$153 million in pension obligation bonds which eliminated our unfunded liabilities thereby reducing future expenditures to CalPERS with no impact to the City’s general fund, had its outlook rating from the S&P Global Ratings report improved from “negative” to “stable” and its A+ credit rating affirmed, and was awarded a Distinguished Budget Presentation recognition by the Government Finance Officers Association this past July for the first time in its 100 year history. It is for these financially sound and objective reasons we disagree with the State Auditor’s portrayal of our fiscal efforts, its mischaracterization and lack of context concerning old financial data and lack of transparency with regard to substantial progress and outcomes achieved.

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