

City of Redondo Beach



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Midyear Review

2023-24

April 2, 2024

Introduction

The purpose of the Fiscal Year 2023–24 Mid-Year Budget Review is to provide the City Council and the public with a summary of the City's overall financial performance across all major funds (with an emphasis on the General Fund's core revenues and expenditures) through the first six months of the fiscal year ending December 31, 2023. This review also provides an update on reserve balances, projected year-end figures, and a summary of economic trends.

Objective:

Provide financial performance updates across major funds; emphasis on General Fund revenue and expenditures

Review year-end budget projections

Review financial forecast following Internal Service Fund Adjustments

Timeline for preparation of next year's budget

Total City Revenue

Budget To Actual Performance

- **Total City revenue is on track with prior year**
 - +\$3.9 million (5%) increase over prior year
- Collecting revenue at a slightly lower rate than prior year (74% collected to date vs. 75%)
- Reflects that current year budget is higher than prior year

General Fund Revenue

Budget To Actual Performance

- **Revenue is up; % received consistent with prior year**
 - +\$1.9 million (5%) increase over prior year receipts through December
 - 38% of General Fund revenue received vs. 37% prior year

General Fund Tax Revenue

Budget To Actual Performance

- Tax revenue is ahead of prior year; expect this trend to slow but meet or exceed budget after including anticipated adjustments

Revenue Source	Inc / (Dec)	Comments
 Property Tax	+\$0.7M (5%)	Ahead of prior year and budget
 Transient Occupancy Tax (TOT)	+\$1.2M (55%)	Doesn't reflect expected adjustments
 Sales Tax	+\$0.6M (21%)	Prior year timing; actuals flat/ down
 Utility Users Tax (UUT)	+\$0.3M (9%)	Actuals are ahead; % received down
 Franchise Fees	-\$46k (-20%)	Consistent with economic uncertainty

General Fund Non-Tax Revenue

Budget To Actual Performance

- Non-tax revenue is approximately \$1 million (7%) below prior year receipts; still on track to meet budget
- Decreases are consistent with general economic trends – decreased business activity compared to an exceptionally high FY 2022-23.

Revenue Source	Relevant #s	Notes
↓ Licenses & Permits	-\$0.2M (14%)	Reflects decrease in building, plumbing, electrical, and mechanical permits
↓ Charges for Service	-\$0.7M (7%)	Plan Check Fees (-\$0.4M) and overhead revenue decreases (-\$0.6M) offset by Recreation Programs (+\$0.2M); Inspection fees (+\$0.1M); Police Fees (\$73k)

Other Funds Revenue

Budget To Actual Performance

- **Revenue of all other funds is about \$2.0 million (5%) greater than prior year receipts through Q2**
 - Largest contributor is Enterprise Fund revenue (+\$1.0M) led by Transit-Measure M/ Local Transit Article IV
 - Other fund types are on track with prior year

General Fund Revenue Adjustments Summary

- FY 2023-24 Adopted Revenues = \$104,091,394
- Midyear Adjusted Revenues = \$108,824,736
- General Fund Increase = \$4,773,342

Property Tax	↑
Sales and Use Tax	↓
Utility Users' Tax	→
Transient Occupancy Tax	→
Property Transfer Tax	↓
Other Taxes	→
Overhead	↑
Other General Fund Revenue	↓

General Fund Revenue Adjustment Details

	Adopted	Midyear	Inc / (Dec)
Property Tax	33,198,162	35,004,142	1,805,980
Sales and Use Tax	11,507,625	10,917,000	(590,625)
Utility Users' Tax	8,500,000	8,500,000	-
Transient Occupancy Tax	6,781,822	6,781,822	-
Property Transfer Tax	2,900,919	2,300,919	(600,000)
Other Taxes	13,575,546	13,575,546	-
Overhead	8,747,688	13,809,642	5,061,954
Other General Fund Revenue			
License and Permits	2,372,809	2,412,452	39,643
Fines & Forfeitures	1,446,200	1,312,392	(133,808)
Charges for Services	9,369,827	8,509,683	(860,144)
Use of Money and Property	3,155,630	3,243,743	88,113
Intergovernmental	160,000	195,000	35,000
Misc. Revenue	2,375,166	2,262,393	(112,773)

General Fund Revenue Summary

Taxes	\$615,355
Overhead	\$5,061,954
Other Revenue	-\$943,968
Total Revenue Adjustment	\$4,733,342

- Taxes
 - Property Tax: 5.44% assessed valuation increase
 - Property Transfer Tax: high borrowing rates
 - Sales Tax: federal rate hikes; drop from unusually high 2022-23
- Overhead
 - Methodology change to centralize Emergency Communications fund costs
 - Personnel & other internal service charges cost increases
- Other (charges for service)
 - Delayed fee implementation

Total City Expenditures

Budget To Actual Performance

- **Total City spending and % spent above prior year**
- **Spending is in line with regular operations; increase driven by grants**
 - **+\$5.6M (6%) increase over prior year**
 - **General Fund in line with prior year; +\$1.4 million (3%)**
 - **Other funds +\$4.2 million (10%) increase over prior year, driven by grant funds**

General Fund Expenditures

Budget To Actual Performance

- **General Fund spending through Mid-year is in line with budget and consistent with prior year**
 - Personnel spending is consistent with prior year trend and below budget (88% indicates 12% savings from personnel budget)
 - Equipment M&O, Contracts/ Services, and Capital Outlay all slightly high compared to prior year; likely due to project timing

Expenditure Adjustments

- **Appropriations Adjustments**
 - ISF/Overhead Annual Update
 - Administrative changes with no net impact
 - Information Technology Fund correction

- **Decision Packages**
 - Staffing reorganization (Information Technology) – *no net increase*
 - Sewer Fund rate adjustment – *no net increase*
 - Legal costs (General Fund)
 - User pay classes (Community Services) – *no net increase*

FY 2023-24 Midyear ISF / Overhead



FY 2023-24 Midyear ISF / Overhead

<u>Internal Service Funds</u>	23-24 Adopted Budget (Based on 21-22 Actuals)	23-24 Adopted Budget (Based on 22-23 Actuals)	% Inc/Dec
Vehicle Maintenance	2,112,806	2,553,282	21%
Vehicle Equipment Replacement	1,865,180	2,310,034	24%
Information Technology Maintenance	3,282,799	3,730,112	14%
Information Technology Equipment Replacement	412,465	513,080	24%
Communications Equipment Replacement	492,427	489,430	-1%
Workers' Compensation Insurance	2,655,880	1,822,738	-31%
Liability Insurance	5,823,530	4,938,347	-15%
Building Occupancy	3,684,114	3,316,655	-10%
Major Facilities Repair	110,545	110,544	0%
City Facility Sewer Fee	38,936	40,203	3%
Emergency Communications Operations	2,829,280	2,064,985	-27%
Overhead	8,745,517	13,809,642	58%
Totals	\$32,053,479	\$35,699,053	11%

FY 2023-24 Midyear ISF / Overhead

Name	FY 22-23 Adopted	FY 22-23 Midyear	FY 23-24 Amount	Delta to Prior Year	% Delta vs. Prior Year
550000-VEHICLE MAINTENANCE	2,062,256	2,112,806	2,553,282	440,476	21%
550010-VEHICLE EQUIPMENT REPLACEMENT	1,115,601	1,865,180	2,310,034	444,854	24%
550020-INFORMATION TECH EQUIP MAINT	3,758,050	3,282,799	3,730,112	447,313	14%
550030-INFORMATION TECH EQUIP REPLACE	496,659	412,465	513,080	100,615	24%
550040-COMMUNICATION EQUIP REPLACE	492,422	492,427	489,430	(2,997)	-1%
550050-WORKERS COMPENSATION INSURANCE	2,371,524	2,655,880	1,822,738	(833,142)	-31%
550060-LIABILITY INSURANCE	4,007,047	5,823,530	4,938,347	(885,183)	-15%
550080-BUILDING OCCUPANCY	3,110,802	3,684,114	3,316,655	(367,459)	-10%
550090-MAJOR FACILITIES REPAIR	107,071	110,545	110,544	(1)	0%
550110-CITY FACILITY SEWER FEE	40,638	38,936	40,203	1,267	3%
550120-OVERHEAD	10,034,055	8,745,517	13,809,642	5,064,125	58%
550130-EMERGENCY COMM OPERATIONS	3,656,204	2,829,280	2,064,985	(764,295)	-27%
Grand Total	31,252,329	32,053,479	35,699,053	3,645,574	11%

FY 2023–24 Midyear ISF / Overhead

Overhead

- **What is the net General Fund impact?** The General Fund receives revenue reflecting the total overhead cost, and incurs expense for all General Fund portions of the allocated costs. The net is shown below.

Overhead Revenue Increase	\$5,061,954
Overhead Expenditure Increase (General Fund portion)	-\$3,606,624
Net General Fund Impact	\$1,455,330

FY 2023–24 Midyear ISF / Overhead

Overhead: Indirect costs

- \$5,061,954 delta = this year's total overhead costs (\$13,809,642) - last year's overhead costs (\$8,747,688)
- Total costs come from the City's Administrative divisions (City Clerk, City Treasurer, City Manager, Human Resources, Financial Services, Police Administration, Fire Administration, Community Services Administration, Public Works Administration). These costs include internal service fund charges for all eight plans (vehicle, information tech, liability, etc.)
- Drivers
 - Emergency Communications ISF methodology change: Prior to FY 2022–23, Emergency Communications Operations ISF charges were split across Police and Fire divisions. In FY 2022–23, the City made the logical change to center the ISF charges in Police and Fire's Administration divisions – this means that all of those costs are allocated citywide, where previously only a small fraction was allocated (for example, Emergency Communications ISF charges in Police Admin went from approximately \$45,000 to \$2.5 million in FY 2022–23). This change accounts for 80% of the total \$5 million overhead cost increase
 - Personnel and Other ISF cost increases: These reflect other prior year ISF changes and any staffing additions occurring in FY 2022–23
- **ISF Fluctuation** Some change every year is normal as costs change. Major fluctuations like the ones here should only happen if we change methodology, which is what happened last year

FY 2023–24 Midyear ISF / Overhead

- **Funds Increasing**

- Vehicle & Information Technology Replacement: reflect actual cost increases for vehicles, technology and personnel costs

- **Funds Decreasing**

- Liability (Workers' Compensation & Liability Insurance): methodology uses a five-year average for claims. The revised calculation ending FY 2022-23 reflected lower claims, reducing this year's costs
- Emergency Communications (Operations & Equipment Replacement): reflects lower utility and maintenance contract costs. This is consistent with drops from peak utility costs in FY 2021-22
- Building Occupancy: reflects lower utility and maintenance contract costs

- **Funds with Minimal Change (<5%)**

- City Facility Sewer Fee & Major Facility Repair: no significant changes in either fund's costs

General Fund

FY 2023-24 Estimated Fund Balance

Estimated Ending Fund Balance <i>(including capital and carryover unlikely to be spent in the current fiscal year)</i>	-\$365,291
Adjustments to Revenue	\$4,933,342
Adjustments to Appropriations	-\$3,981,624
Revised Estimated Ending Fund Balance	\$586,427

General Fund Notes

Capital Spending/ Anticipated Savings

- \$3.7 million budgeted for capital in the General Fund; anticipate approx. \$3 million savings
 - Approximately \$0.4 million spent to date
 - Parking Structure Critical Repairs Project (\$2 million) – no expected charges; active next fiscal year
 - Alleyway repairs (\$0.6 million) – no expected charges
 - Other (Traffic Calming, Ave I resurfacing) – approximately \$0.3 million through fiscal year-end

Personnel Spending/ Anticipated Savings

- On track for approximately 20% savings from budget, consistent with prior years

Other Fund Balance Notes– Harbor Tidelands & Harbor Uplands

	Harbor Tidelands (601)	Harbor Uplands (602)
Revised Estimated Ending Fund Balance	-\$7.9 million	-\$3.2 million
<i>Adjustment for liabilities not materializing during the one-year timeframe</i>	<i>\$2.2 million</i>	<i>\$1.0 million</i>
Adjusted Estimated Ending Fund Balance	-\$5.7 million	-\$2.2 million

Note: The adjusted net mirrors to original budget estimate for fund balance. The pace of capital is being evaluated as part of the FY 2024–25 Budget.

Harbor Tidelands & Harbor Uplands Fund

Highlights: Capital & Revenue

Capital Spending–Harbor Tidelands (\$8 million capital budget)

Capital projects manager & Fund manager will evaluate capital budget

- Harbor Dredging (\$4.5 million) – potentially spend closer to \$3.5 million
- Mole B Project (\$2.0 million) – likely no spending current fiscal year
- Other Capital (\$1.5 million) – active, will evaluate costs

Capital Spending–Harbor Uplands (\$2.0 million capital budget)

- All projects are active; will review with FY 2024-25 budget preparation.

Revenue (both Harbor Tidelands & Uplands)

- Staff will evaluate revenue (most related to leases) to ensure City requirements reflect funding needs

Midyear FY 2023-24 Budget

Core Budget

Personnel, Maintenance & Operations, Internal Service Funds, Capital Outlay

Decision Packages

4 Recommended Decision Packages

Represent Modifications to the Core Budget

Recommended Action

- A. Receive and File the FY 2023-24 Midyear Budget Report

- B. Adopt by 4/5 Vote Resolution No. CC-2404-022

Next Steps

- FY 2024-25 Budget Preparation

Budget Calendar

	Date	Meeting
Committee & Commission Budget Input	April 8	Harbor Commission
	April 10	Recreation and Parks Commission
	April 11	Budget and Finance Commission
	April 17	Historical Commission
	April 18	Planning Commission
	April 22	Public Art Commission
	April 22	Public Works and Sustainability Commission
	April 22	Library Commission
Proposed Budget Rec/File & Hearings	May 14	City Council: Receive and file Proposed Budget
	June 4	City Council Public Hearing No. 1 on Proposed Budget
	June 11	City Council Public Hearing No. 2 on Proposed Budget
Commission Reviews	June 12	Budget and Finance Commission
	June 13	Harbor Commission
	June 17	Planning Commission
Adoption	June 18	City Council Budget Adoption
	June 25	Additional City Council Hearing if needed