



**REGULAR MEETING OF THE BUDGET AND FINANCE COMMISSION – 6:30 P.M.**

**A. CALL TO ORDER**

A Regular Meeting of the Redondo Beach Budget and Finance Commission was called to order at 6:30 p.m. by Chair Castle, in the City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California.

**B. ROLL CALL**

Commissioners Present: Allen, Jeste, Marin, Woodham, Sherbin, Chair Castle

Commissioners Absent: Samples

Officials Present: Stephanie Meyer, Interim Finance Director  
Lucie Colombo, Chief Deputy City Clerk  
Erin Smith, Administrative Analyst

**C. SALUTE TO THE FLAG**

Chair Castle led in a salute to the flag.

**D. APPROVE ORDER OF AGENDA**

Motion by Commissioner Woodham, seconded by Commissioner Allen, to approve the order of agenda. Motion carried unanimously, with no objection.

**E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS**

**E.1. BLUE FOLDER**

Administrative Analyst Smith confirmed there were no Blue Folder Items for tonight's meeting

**F. CONSENT CALENDAR**

**F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF OCTOBER 10, 2024**

## **F.2. APPROVAL OF THE MINUTES FROM THE REGULAR BUDGET AND FINANCE COMMISSION MEETINGS OF SEPTEMBER 12, 2024**

**CONTACT:** STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Commissioner Sherbin had a question on the minutes from September 12, 2024; mentioned a reference in the minutes in the second paragraph of the discussion of the meeting which says that the minutes show that the budget for the Budget and Finance Committee regarding the compensation for the City Attorney and there's a comment there that says the Commission suggested an 8% increase and the City Council approved 3%; stated he recalled that the Commission didn't approve any increase.

Chair Castle concurred with Commissioner Sherbin and stated they did not approve of any increase; stated after that meeting, he intended to write a letter to the City Council saying they did not have enough information to approve an increase or decrease or leave it the same; continued explaining that the HR department provided more information to the City Council and they made their decision but the Commission never made a recommendation to increase or decrease.

Commissioner Name stated the minutes should show the Commission made no recommendation at all.

Chair Castle noted there was a letter attached to their agenda for that meeting.

Commissioner Name (woman in pink) added the motion that the Commission passed was "no recommendation due to lack of information". The Commission all agreed.

Chief Deputy City Clerk Colombo suggested that the Commission could either make a motion recommending that the minutes be amended to reflect the changes they just stated or they return the minutes back to the minutes secretary and have her make the changes and have them presented at a future meeting.

Motion by Commissioner Sherbin, seconded by Commissioner Allen, to approve the motion for the minutes with the amended changes. Motion carried 4-0, Commissioner Samples absent.

There were no public comments and no eComments.

Motion by Commissioner Marin, seconded by Commissioner Allen, and approved by roll call vote, to approve the Consent Calendar.

AYES:	Allen, Jeste, Woodham, Sherbin, Chair Castle
NOES:	None
ABSENT:	Samples
ABSTAIN:	None

The motion carried 5-0. Commissioner Samples was absent.

**G. EXCLUDED CONSENT CALENDAR ITEMS**

None.

**H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS**

**H.1. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS**

None.

**I. ITEMS CONTINUED FROM PREVIOUS AGENDAS**

None.

**J. ITEMS FOR DISCUSSION PRIOR TO ACTION**

**J.1. DISCUSSION AND POSSIBLE ACTION REGARDING INPUT ON RECOMMENDED ASSIGNMENTS OF GENERAL FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Interim Finance Director Meyer stated she will be presenting the City's 2023 -2024 Fiscal Year End Report with their recommended carryover items for the next year; noted this is the second time the Commission is looking at the numbers as they took an early look back in August; stated most of what was reported is mostly true and mostly good news regarding the year end numbers; stated the focus of the report and the majority of what the Commission has read is in the General Fund; added carryover items including encumbrances, capital and grants for the rest of the City's funds will also be presented.

Interim Finance Director Meyer presented a PowerPoint which included:

**Updates**

- Capital carryover revised upward by approximately \$12k
- Encumbrance carryover revised downward by approximately \$8k
- Revisions will appear in the final Council Agenda item to be posted in 10/11/24.

**General Fund Revenue Performance FY 2023-24 Budget vs. Actual**

- Starting with the General Fund performance, revenues ended up being about \$2 million above budget, approximately 2%

- About \$1 million over in taxes; mid-year increased the budget for property taxes, decreased it for sales tax
- Slightly over \$1 million in charges for services category
- Use of Money/Property category reflects lease revenues
- Minor performances under budget in remaining categories

Commissioner Woodham asked Interim Finance Director Meyer if there were any unusual increases that would lead the Commission to believe that the budget for FY 2025 wouldn't be higher than \$112.9 million?

Interim Finance Director Meyer responded by stating she does not the information tells anything significant about FY 2024-25; stated they will spend most of their time looking in the City's tax category since that is their most important revenue; mentioned the next slide will provide more information; stated that Charges for Service is a positive sign for the City since they came in so strong in 2023-24 and added that Council approved some fee increases for 2024-25 budget.

Commissioner Jeste asked if the City got almost a billion dollars in additional taxes because of better collection or was there any particular item that generated the revenues.

Interim Finance Director Meyer responded; stating it was mostly due to property tax revenue receipts; noted assessed value went up and there is nothing extra the City is doing to generate it; she moved on to the next slide in the presentation.

### **General Fund Revenue Performance – Taxes (Historical)**

- Starting with the 2023-24 Actuals, property tax came up close to \$36 million; which is over projections and is the City's largest increase
- Sales and Use Tax is up about \$1 million from the prior 2022-23 year; pointed out the gap between 2021-22 and mentioned those prior years were a little larger in gains than the 2023-24; noted that the City did increase their budget mid-year in 2023-24; stated this category is something they will continue to look at closely; ended the year significantly below the prior year and below their historical trends; mentioned they have been transparent with the Commission about the numbers; stated they are meeting with their consultants next week to go over 2024-25 projections
- Utility User Tax – came in pretty close to budget; down from 2022-23 but that was an unusually high year as she pointed out from the trends; attributed it to the very high energy prices in 2022-23; meeting with the consultant on this revenue source as well
- Transient Occupancy Tax – came in close to budget, a little over prior year; stated nothing remarkable but they hope to see some additional revenue in 2024-25 when the City has the Marine Avenue hotels

- Property Tax in Lieu of VLF – it is in parallel with property tax having the same factors; pointed out the slightly larger increase which gave them a little bump ahead of budget

Commissioner Sherbin asked what VLF stands for.

Interim Finance Director Meyer informed the Commission it stands for Vehicle License Fees.

Chair Castle asked when the City would start receiving the full run rate of the TOT tax from the hotels on Marine Avenue (noting the City is about one quarter into 2024-25).

Interim Finance Director Meyer stated the City's latest projections are probably into January 2025; noted it depends on the hotels bringing in strong enough transient occupancy tax to get the City's reserve account up to \$3 million; mentioned they had a strong summer but the spring was not great; informed the Commission they will be able to update them with their Quarterly Budget Report; continued with her presentation.

#### **General Fund Expenditure Performance FY 2023-24 Budget to Actual**

- Revenue side came in about 2% above budget expenditure side excluding encumbrances which came in about 7% below budget; together they turn a pretty good result for the City.
- Personnel came in very close to budget at about 2% under; they will watch it closely with all the MOU increases
- Large numbers in the Contract and Service category and the Capital Outlay category would be, in large portion, encumbrances and capital carryover; noted they will carryover a lot of the funds into 2024-25; excluding encumbrances the City is still about 5% under budget

**General Fund Constraints** - Interim Finance Director Meyer explained that every year the Budget & Finance Department likes to show the Council how they got to their overall fund balance to the amount they are able to spend, which they call their General Fund Constraints.

- Balance before Adjustments (preliminary) – They start out with \$27.1 million, which is rounded; it is not final as the audit has not been completed yet; then they back out everything that is mandatory.
- Mandatory Designations & Transfers (- \$8,750,402) Items that are restricted by external law or policy; which includes:
  - Prepaid Costs/Notes & Loans (\$151,194)
  - Committed Items (City's 8.33% Contingency) (\$8,599,208)
- Assigned Items (-\$17,992,351) – This is a large category; included in the 2024-25 budget; these are items that don't rise to the level of mandatory because Council

can ask Budget & Finance to unencumber funds or change their level of petty cash or the department can decide not to hold aside for compensated absences; these items are mostly discretionary but generally committed.

- Encumbrances (\$2,130,355)
  - Petty Cash (\$10,450)
  - Compensated Absences (\$785,832) – stated it will be the last time you will see this number; these are funds that have been set aside as part of the 2024-25 budget; these funds are planned to fund the City’s UAL payment, fund worker’s compensation and a few other items; since the funds are not actually spent yet they are still shown as held aside in this assignment but as they are spent it will come out of the assignments.
  - Carryover Assignments (\$6,374,435) - stated this is where the department recommend additional items for Council
- Remaining Available Unassigned Balance - \$357,248 – Budget & Finance does not recommend spending balance; it is there for Council consideration.

**Carryover Assignments Detail – General Fund Assignments: FY 2023-24 to FY 2024-25**

- FY 2024-25 Anticipated Expenses to Fund with Year-end Savings (MOU commitments and other personnel costs)
- Required transfers for Harbor Tidelands and Uplands capital projects – deficits ended up being smaller; two reasons: trimmed back capital spending to the most essential items and significant savings in personnel; those funds into balance moving forward come to approximately \$1.5 million.
- Department General Fund Carryover requests – approximately \$700,000 is made up of one-time department requests
- Capital Projects Carryover – approximately \$3 million in multi-year capital projects; were not spent in 2023-24; Council approved to move all of their capital spending to capital projects fund which is standard accounting best practice.
- Donations Carryover (net \$47,986 revenue/\$177,112 expenditures)

Interim Finance Director Meyer noted this brings them to approximately \$6.3 million in total proposed assignments and about \$349,000 in total unassigned.

Commissioner Jeste asked if the Commission can have more detailed discussion on the capital projects in the next meeting.

Interim Finance Director Meyer affirmed that is possible; noted that there are several attachments to the report she presented which should give them all more detail on each item.

Commissioner Sherbin asked if the City is on schedule with all the items on the General Fund Capital Projects to spend it.

Interim Finance Director Meyer stated she may need to defer that to Jesse; Councilmember Sherbin clarified his question just asking if they are in process to spending that much money; Interim Finance Director Meyer stated yes, 100%; she continued with her presentation.

### **Recommendations**

- Take no action with remaining unallocated fund balance; mentioned items that funds may be needed for; check in point mid-year.
- Leave funds unspent to help mitigate future fiscal pressures.

### **Next Steps**

- 1) FY 2023-24 Annual Comprehensive Financial Report (ACFR) – December 2024
  - Budget & Finance Commission review before Council
- 2) FY 2024-25 Midyear Budget – February 2025
  - General Fund constraints reflecting final ACFR
  - Revenue, expenditure and fund balance midyear status evaluation
  - FY 2024-25 revenue and expenditure proposed adjustments

### **Action for Commission**

- Provide comments/recommendations to include with report to Council on 10/15/2024
  - Commissioner Jeste recommended a presentation by someone in IT regarding cyber security; asked about reserves for any natural calamity such as earthquakes or anything else unplanned.
  - Interim Finance Director Meyer addressed both items; noting she would speak to the City Manager about cyber security training and that they have the 8.33% contingency reserve; more discussion followed on reserves and government recommended amounts.
  - Commissioner Sherbin made a comment that expenses are always going to grow to meet whatever revenue is; mentioned the City is in good shape compared to pre-covid.
  - Interim Finance Director Meyer asked if the Commission wanted to make any recommendations to the reserves.
  - The Commission GFOA no less than two months of regular general fund operating revenue and the City is at only one month. So, the Commission asked Meyer to look into what other cities are doing and what steps they need to follow to get them closer to 10%; decided to discuss at the next meeting.

There were no public comments on this item.

Motion by Commissioner Sherbin, seconded by Commissioner Marin, and approved by roll call vote, to approve the recommendation to leave the funds unspent to help mitigate future fiscal rushes.

AYES: Allen, Jeste, Marin, Woodham, Sherbin, and Chair Castle  
NOES: None  
ABSENT: Samples  
ABSTAIN: None

The motion carried 6-0. Commissioner Samples was absent.

#### **K. MEMBER ITEMS AND REFERRALS TO STAFF**

Commissioner Marin asked that the City Manager or the head of IT come in to discuss cyber security.

Commissioner Sherbin asked when CalPERS would be coming in; Interim Finance Director Meyer stated it would be December; mentioned if they have any items or a specific focus for the speaker ahead of time she can pass that along.

#### **L. ADJOURNMENT – 7:05 P.M.**

There being no further business to come before the Budget and Finance Commission, motion by Commissioner Sherbin, seconded by Commissioner Marin, to adjourn the meeting at 7:05 p.m. to a Regular meeting to be held at 6:30 p.m. on Thursday, November 14, 2024 in the Redondo Beach City Hall Council Chambers 415 N. Pacific Coast Hwy. Redondo Beach, California. There being no objections, Chair Castle so ordered.

All written comments submitted via eComment are included in the record and available for public review on the City website.

Respectfully submitted:

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Stephanie Meyer  
Interim Finance Director