



General Fund Financial Report

Fiscal Year End 2021-2022

February 7, 2023

OVERVIEW

This report reflects the General Fund financial position for Fiscal Year 2021-22.

Beginning Balance

The beginning balance presented in the below schedule reflects the Annual Comprehensive Financial Report (ACFR) for year ended June 30, 2021 (after the Fiscal Year 2019-20 year-end assignments and transfers). This beginning balance includes only non-spendable amounts for prepaid costs; assignments for encumbrances, carryovers, and Fiscal Year 2021-22 appropriations; and undesignated fund balance.

Ending Balance

The Fiscal Year 2021-22 ending balance presented below does not take into account any year-end assignments or transfers yet to be made by the City Council.

Adjusted Budget

The revenue and expenditure categories include all adjustments made by the City Council during Fiscal Year 2020-21, including carryover appropriations approved in December 2021 and midyear adjustments approved in February 2022.

Year-End Actual

The year-end actual amounts are preliminary and subject to audit adjustments. The audit is nearing completion and as no major issues have been brought to the City's attention by the auditors, staff is comfortable presenting these amounts as complete for Fiscal Year 2021-22.

FINANCIAL CONDITION

General Fund Financial Condition

As summarized below, Fiscal Year 2021-22 actual General Fund revenues and expenditures both compared favorably to the adjusted budget.

General Fund Balance	FY 2020-21 Year-End Actual	FY 2021-22 Adopted Budget	FY 2021-22 Adjusted Budget	FY 2021-22 Year-End Actual	<u>Adjusted Budget to Actual</u> Favorable (Unfavorable)	% Change	FY 2022-23 Adopted Budget
Beginning Balance	2,583,598	5,144,303	5,144,303	5,144,303	-	0.0 %	-
Revenues	90,000,682	94,655,364	101,823,992	103,770,924	1,946,932	1.9 %	100,119,290
Expenditures	90,244,824	86,929,791	90,408,745	83,980,886	6,427,859	7.1 %	106,332,914
Transfers In	6,014,224	2,874,946	2,874,946	1,870,082	(1,004,864)	(35.0)%	1,750,927
Transfers Out	3,570,028	13,777,302	5,740,408	9,415,579	(3,675,171)	(64.0)%	4,068,582
Ending Balance	4,783,652	1,967,520	13,694,088	17,388,844	3,694,756	27.0 %	8,531,279

Each year, in preparation for the issuance of the prior fiscal year's ACFR, the City Council confirms required and standard commitments of the City's General Fund total balance (those components described above in the "Beginning Balance" paragraph in addition to those excluded here, such as the 8.33% one-month contingency reserve) and determines the use of the remaining fund balance for such items as departmental carryover requests, carryover donations and future cost increases.

REVENUES

Top Ten Revenues

Our top ten General Fund revenues account for 79.0% of total budgeted General Fund revenues from outside sources. By focusing on these, we can get an excellent understanding of our revenue position. In reviewing the combined total of these revenues, revenue is up 5.5% compared to the adjusted budget and 10.2% compared to the prior fiscal year.

Top Ten Revenues	FY 2020-21	FY 2021-22	FY 2021-22	FY 2021-22	Adjusted Budget to Actual		FY 2022-23
	Year-End Actual	Adopted Budget	Adjusted Budget	Year-End Actual	Favorable (Unfavorable)	% Change	Adopted Budget
Property Tax	30,930,913	30,700,000	30,740,025	31,864,830	1,124,805	3.7 %	32,313,229
Sales Tax	10,018,216	10,250,000	10,911,000	11,813,896	902,896	8.3 %	11,839,338
Prop Tax Lieu of VLF	8,376,189	8,650,000	8,651,706	8,653,149	1,443	0.0 %	9,094,480
Utility Users Tax	6,713,480	6,750,000	7,072,150	8,024,511	952,361	13.5 %	7,072,150
Trans Occupancy Tax	3,400,322	4,100,000	4,978,378	5,419,197	440,819	8.9 %	5,800,000
Property Transfer Tax	3,255,022	2,800,000	3,403,806	3,745,270	341,464	10.0 %	3,000,000
Parking Meter Fees	2,475,062	2,300,000	2,600,000	2,790,872	190,872	7.3 %	2,500,000
Franchise Fees	1,731,846	1,775,000	1,775,000	1,864,336	89,336	5.0 %	1,775,000
Business License Tax	1,211,540	1,250,000	1,271,042	1,193,814	(77,228)	(6.1)%	1,271,042
Parking Citations	1,258,870	1,250,000	1,115,000	1,103,695	(11,305)	(1.0)%	1,335,000
Total	69,371,460	70,100,000	72,518,107	76,473,570	3,955,463	5.5 %	76,000,239

Key variances include:

- **Sales Tax.** FY 2021-22 sales tax revenue increased beyond both prior year revenue and current year expectations reflecting the recovery from pandemic-related economic conditions. The increase in sales in the categories of restaurants and hotels, general consumer goods, state and county pools, business and industry, fuel and service stations and building and construction were the major contributors to the rise in revenue.
- **Utility Users' Tax.** FY 2021-22 utility users' tax revenue exceeded expectations by 13.5% due to gas, electric and water sales all increasing over this period. This is due to a number of factors, including increased rates, more people working remotely which resulted in more energy usage, inflation and natural gas prices.
- **Transient Occupancy Tax.** The City's General Fund revenue source most impacted by COVID-19 restrictions was transient occupancy tax (TOT). With the ending of the pandemic, the TOT revenues exceeded expectations by 8.9% due to increased room rentals. This revenue source is expected to return to pre-pandemic levels in FY 2023-24.
- **Property Transfer Tax.** The higher than expected property transfer tax is due to an increase in the average selling price of homes in Redondo Beach. Although there were fewer homes sold in FY 2021-22, the revenue received was approximately \$341,000 higher than expected.
- **Parking Meter Fees.** The FY 2021-22 parking meter fees increase over both prior year actuals and budget can be attributed to the replacement of existing parking meters to new, more efficient credit card meters and an increase in usage with the ending of the pandemic.
- **Business License Tax.** Business license revenues decreased by 1.46% from the FY 2020-21 actuals. The City expected businesses to reopen after the COVID-19 pandemic ended as reflected in the estimated FY 2021-22 revenue amount. As reflected in the FY 2022-23 revenue estimate, business license revenue is still expected to recover to pre-pandemic levels.

EXPENDITURES

The total of all operating costs combined showed a favorable balance of 3.4% for the fiscal year as summarized below:

Expenditures	FY 2020-21 Year-End Actual	FY 2021-22 Adopted Budget	FY 2021-22 Adjusted Budget	FY 2021-22 Year-End Expenditure	FY 2021-22 Year-End Encumbrances	FY 2021-22 Year-End Actual	Adjusted Budget to Actual Favorable (Unfavorable)	% Change	FY 2022-23 Adopted Budget
Personnel	58,696,213	53,235,087	53,340,915	50,754,865	-	50,754,865	2,586,049	4.8 %	56,010,087
Maintenance/Operations	6,708,917	8,460,873	10,900,131	7,625,449	1,197,471	8,822,920	2,077,211	19.1 %	10,730,280
ISF Allocations	24,641,407	25,066,046	25,276,088	25,276,088	-	25,276,088	-	0.0 %	25,283,973
Capital Outlay	198,287	167,785	891,611	324,484	64,918	389,402	502,209	56.3 %	3,101,130
Debt Service	-	-	-	-	-	-	-	0.0 %	11,207,444
Total Expenditures	90,244,824	86,929,791	90,408,745	83,980,886	1,262,389	85,243,275	5,165,469	5.7 %	106,332,914
Transfers Out	3,570,028	13,777,302	5,740,408	9,415,579	-	9,415,579	(3,675,171)	(64.0)%	4,068,582
Total	93,814,852	100,707,093	96,149,153	93,396,465	1,262,389	94,658,854	1,490,298	1.5 %	110,401,496

n/m – Non-meaningful

Key variances *by type* include:

- **Personnel.** Because personnel expenditures account for 59.5% of the General Fund's Total Expenditures, a further breakdown is shown in the table above. The following items should be noted in regards to the variances.
 - Vacant budgeted positions account for the savings in the regular salaries category for FY 2021-22. The City, along with other agencies, have been challenged with the filling of vacancies during the year. This is an ongoing trend that is expected to also affect FY 2022-23.
 - Overtime stands out as the category most significantly exceeding the target. In this category are overtime costs necessary to backfill vacant positions or leave times in the Police Department and to meet Fire Department constant manning obligations. It should be noted that while although Fire Department overtime exceeded budgeted amounts, it was reduced from that in the prior year due to the substantive overtime reform in the Memorandum of Understanding with the Redondo Beach Firefighters' Association for the period beginning July 1, 2020.
 - While not utilized to the extent budgeted, medical insurance expenditures were higher than those in the prior year due to Memorandum of Understanding flexible spending allowance increases.
 - The reductions in retirement costs are a result of the payment made to CalPERS for the City's unfunded liability being made by the 2021 bond issue.

The following table further illustrates the City's various personnel expenditures:

Expenditures	FY 2020-21 Year-End Actual	FY 2021-22 Adopted Budget	FY 2021-22 Adjusted Budget	FY 2021-22 Year-End Actual	Adjusted Budget to Actual Favorable (Unfavorable)	% Change	FY 2022-23 Adopted Budget
Regular Salaries	30,391,551	23,395,253	23,492,830	32,343,015	(8,850,185)	(37.7)%	38,240,298
Overtime Salaries	4,981,662	2,970,234	2,978,484	4,876,759	(1,898,275)	(63.7)%	3,077,334
Medical Insurance	3,904,667	4,990,996	4,990,996	4,469,120	521,876	10.5 %	5,079,015
Retirement	16,093,014	18,213,994	18,213,994	5,501,219	12,712,775	69.8 %	5,921,129
Other Benefits	3,325,319	3,664,610	3,664,611	3,564,752	99,858	2.7 %	3,692,311
Total Personnel	58,696,213	53,235,087	53,340,915	50,754,865	2,586,049	4.8 %	56,010,087

- **Maintenance/Operations and Capital Outlay.** The favorable variance in the maintenance/operations category (increased slightly by the favorable variance in the capital outlay category) is primarily due to contracts and professional services not expended to their budgeted amount. However, approximately \$230,000 in donations are expected to be carried over into the next fiscal year, requests to carry over General Fund departmental savings total approximately \$770,000, and General Fund capital improvement projects not yet completed totaling approximately \$550,000 are recommended for carryover. If all these amounts had been spent in Fiscal Year 2021-22, the favorable variance for the total of these two categories would decrease to approximately \$1.0 million.

- **Internal Service Fund (ISF) Allocations.** Fiscal Year 2021-22 expenditures reflect the allocations based on actual activity of Fiscal Year 2020-21. ISF adjustments are updated annually with the midyear budget review.

EXPENDITURES (Continued)

- **Transfers Out.** The increases in transfers out reflect the 2021 lease revenue (pension obligation) bond debt service payment which was partially reimbursed with transfers in from other funds.

The total of all operating expenditures combined showed a favorable balance of 3.2% *by department* as summarized by the following:

Expenditures	FY 2020-21 Year-End Actual	FY 2021-22 Adopted Budget	FY 2021-22 Adjusted Budget	FY 2021-22 Year-End Expenditures	FY 2021-22 Year-End Encumbrances	FY 2021-22 Year-End Actual	Adjusted Budget to Actual Favorable (Unfavorable)	% Change	FY 2022-23 Adopted Budget
Mayor & City Council	621,170	785,775	766,844	651,871	-	651,871	114,973	15.0 %	944,757
City Clerk	1,135,584	1,185,135	1,315,768	1,008,618	72,324	1,080,942	234,826	17.8 %	1,538,955
City Treasurer	330,658	397,786	397,662	310,592	27,217	337,809	59,853	15.1 %	432,462
City Attorney	3,347,356	3,348,037	3,646,191	3,224,360	31,514	3,255,874	390,317	10.7 %	3,998,085
City Manager	1,062,987	1,019,549	1,142,977	955,049	116,769	1,071,818	71,159	6.2 %	1,247,483
Human Resources	2,180,237	2,374,175	2,580,642	2,187,134	8,320	2,195,454	385,188	14.9 %	2,706,306
Financial Services	2,486,962	2,447,855	2,715,440	2,434,040	162,983	2,597,023	118,417	4.4 %	3,020,113
Police	40,731,734	37,929,026	38,425,442	36,899,250	137,394	37,036,644	1,388,798	3.6 %	45,479,394
Fire	19,393,059	17,810,188	18,199,110	17,236,357	247,374	17,483,731	715,379	3.9 %	21,732,944
Public Library	3,932,456	4,327,907	4,136,536	3,916,507	-	3,916,507	220,029	5.3 %	4,465,314
Community Services	4,486,946	5,355,538	5,199,022	5,022,045	-	5,022,045	176,977	3.4 %	5,629,356
Community Development	3,429,698	2,928,181	3,201,487	2,905,163	202,229	3,107,392	94,095	2.9 %	4,013,660
Waterfront & Econ Dev	239,146	335,638	410,845	259,484	946	260,430	150,415	36.6 %	301,314
Public Works	6,866,831	6,685,001	7,654,779	6,914,994	243,789	7,158,783	495,996	6.5 %	7,721,641
Capital Projects	-	-	616,000	55,422	11,530	66,952	549,048	89.1 %	3,101,130
Total	90,244,824	86,929,791	90,408,745	83,980,886	1,262,389	85,243,275	5,165,470	5.7 %	106,332,914

Key variances *by department* include:

- **Mayor and City Council.** Fiscal Year 2021-22 expenditures for training, meetings and conferences were lower than expected. Additionally, employee recognition supplies remained unspent resulting in a request for these funds to be carried over to Fiscal Year 2022-23.
- **City Clerk.** October 2022 election costs remained unspent resulting in a request for these funds to be carried over to Fiscal Year 2022-23.
- **City Treasurer.** The department's FY 2021-22 use of contracts for auditing remained unspent.
- **City Attorney.** Unspent funding for legal matters account for the Fiscal Year 2021-22 savings. A carryover of this unspent funding is being requested for future unplanned matters.
- **City Manager.** Fiscal Year 2021-22 funding for miscellaneous contracts and professional services remained unspent.
- **Human Resources.** Fiscal Year 2021-22 expenditures reflect citywide retiree medical insurance savings. Additionally, contracts for the class and compensation study and employee negotiation services remained unspent resulting in a request for these funds to be carried over to Fiscal Year 2022-23.
- **Public Library.** Adult and youth collection development funding remained unspent resulting in a request for these funds to be carried over to Fiscal Year 2022-23.
- **Waterfront and Economic Development.** Fiscal Year 2021-22 funding for Artesia/Aviation storefront improvement grants and economic development consulting remained unspent resulting in a request for these funds to be carried over to Fiscal Year 2022-23.
- **Public Works.** Signing bonus funding remained unspent resulting in a request for these funds to be carried over to Fiscal Year 2022-23.
- **Capital Projects.** Fiscal Year 2021-22 capital project expenditures represent partial spending for multiyear projects.