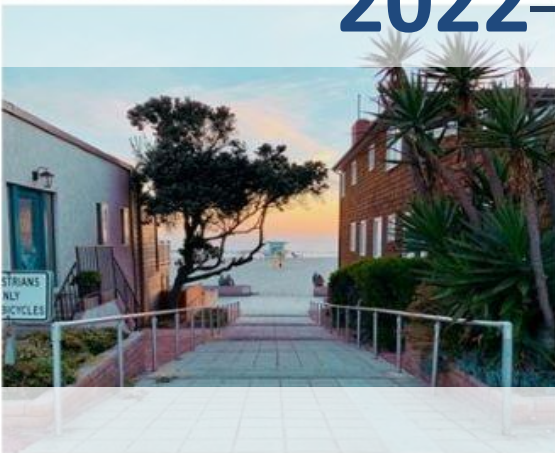


2022–23 Budget Workshop



June 14, 2022





Agenda

- **Opening Comments, City Manager**
- **Overview of the Budget, Finance Director**
 - **Overview of the 2022–23 Budget**
 - **Revenue**
 - **Appropriations**
 - **Budget Balancing Actions**
 - **How the Budget is Balanced**
 - **Highlights**
 - **Capital Improvement Plan**
 - **Councilmember Questions**
 - **Public Participation**
 - **Councilmember Discussion**



Opening Comments City Manager



2022-23 Budget Overview



General Fund Revenue Overview

Top Tax

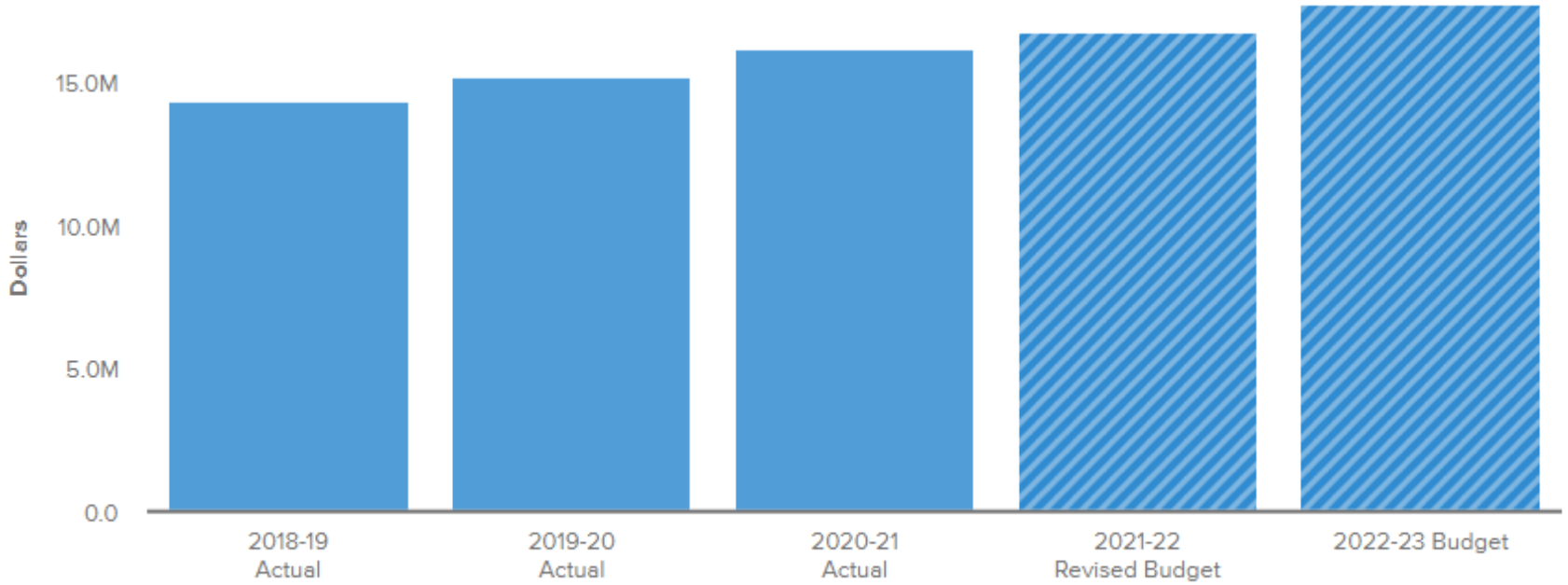
<u>Revenue Sources</u>	<u>Amount</u>	<u>% Change</u>	<u>% of Total</u>
Secured Property Tax	\$17.7m	+ 5.3%	38%
Transient Occupancy Tax (TOT)	\$3.9m	7.4%	8%
Sales Tax	\$3.6m	2.6%	8%
Utility Users Tax (UUT)	\$2.3m	1.2%	5%
Top Tax Total	\$27.5m		59%



General Fund

Revenue Overview- Secured Property Tax

Five Year History



2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Revised Budget	2022-23 Budget
\$ 14,428,526	\$ 15,231,923	\$ 16,249,218	\$ 16,852,301	\$ 17,745,473



General Fund Revenue Overview- Median Home Sales Price

Hermosa Beach Median Home Prices



Chart provided by HdL, Coren & Cone, based on data from Los Angeles County Recorder.



General Fund

Revenue Overview- Median Home Sales Price

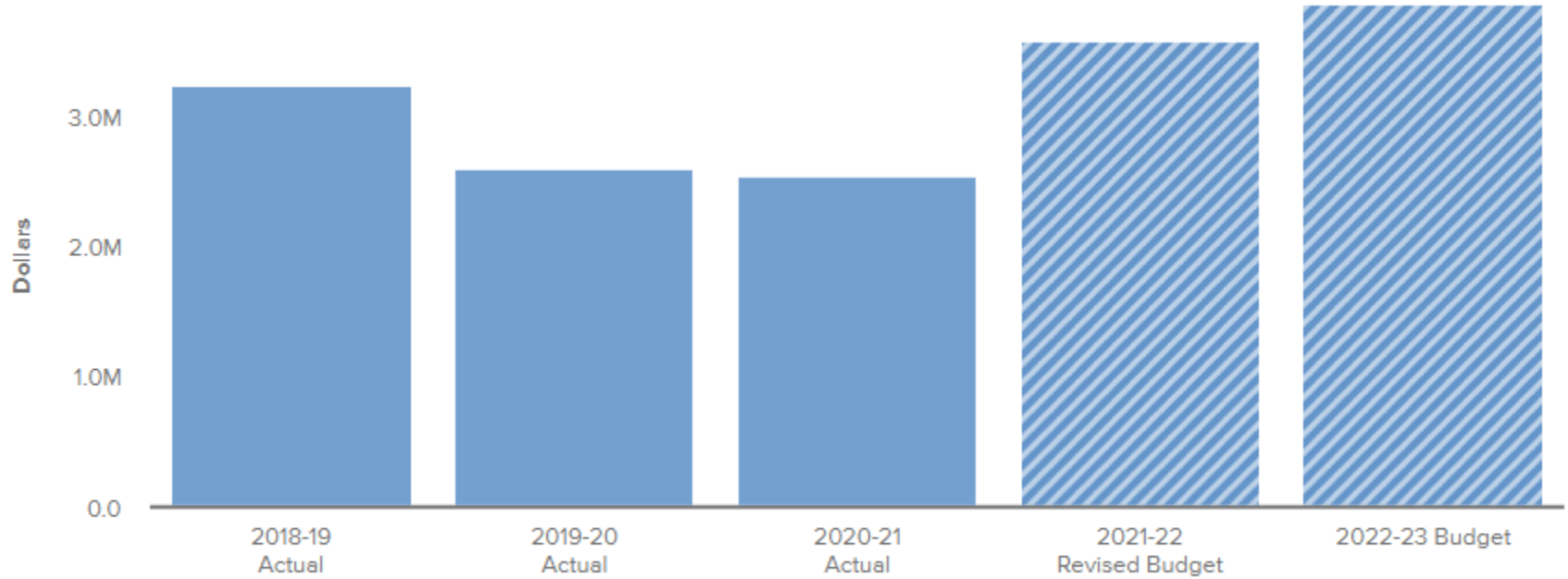
Detached Single Family Residential Full Value Sales (01/01/2019 - 3/31/2022)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2019 Q1	19	\$2,817,895	\$1,840,000	
2019 Q2	27	\$1,723,889	\$1,381,000	-24.95%
2019 Q3	22	\$2,246,205	\$1,552,000	12.38%
2019 Q4	32	\$1,992,328	\$1,775,000	14.37%
2020 Q1	27	\$2,585,759	\$1,575,000	-11.27%
2020 Q2	24	\$2,737,229	\$1,817,500	15.40%
2020 Q3	33	\$2,988,742	\$2,025,000	11.42%
2020 Q4	29	\$2,559,552	\$1,935,000	-4.44%
2021 Q1	29	\$2,910,621	\$2,050,000	5.94%
2021 Q2	41	\$3,126,512	\$2,500,000	21.95%
2021 Q3	37	\$2,737,811	\$2,305,000	-7.80%
2021 Q4	32	\$2,960,844	\$2,637,500	14.43%
2022 Q1	24	\$3,149,716	\$2,450,000	-7.11%



General Fund Revenue Overview- TOT

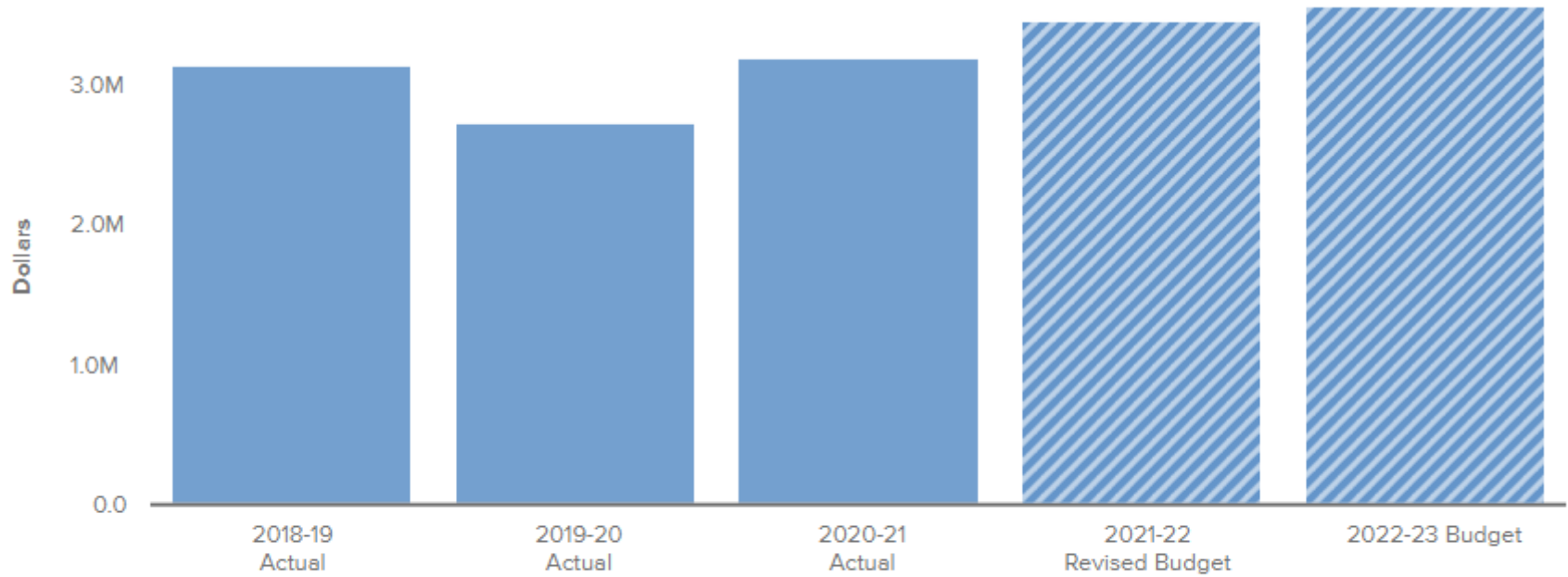
Five Year History



2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Revised Budget	2022-23 Budget
\$ 3,251,349	\$ 2,597,953	\$ 2,552,964	\$ 3,589,305	\$ 3,856,344



General Fund Revenue Overview- Sales Tax Five Year History



2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Revised Budget	2022-23 Budget
\$ 3,133,311	\$ 2,722,468	\$ 3,192,853	\$ 3,461,295	\$ 3,550,145



General Fund

Revenue Overview- Sales Tax

Sales Tax by Class, July 2021 - December 2021

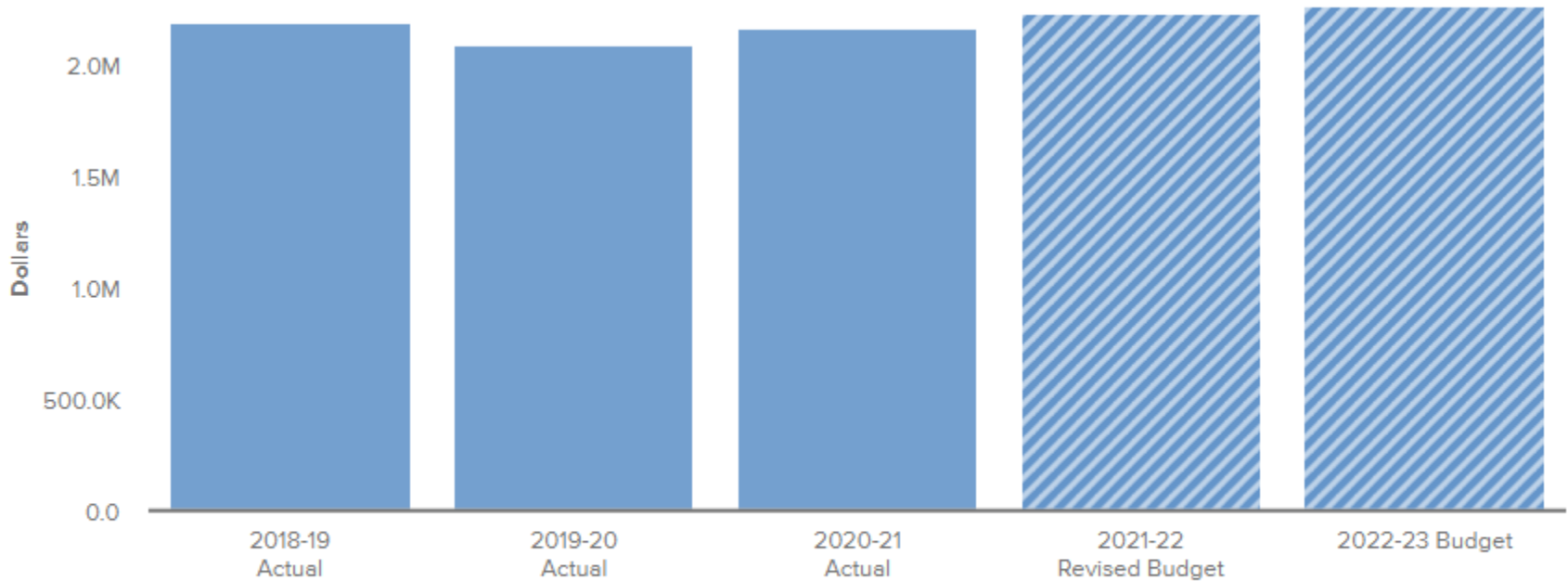
RANK / BUSINESS CLASS	2021-22 July - December	INC/(DEC)	% Change Previous Year	% OF TOTAL
Retail Group				
Eating/Drinking Places	\$544,395	\$171,586	46.03%	29.92%
Other Retail	\$172,563	\$8,730	5.33%	9.48%
Building Materials	\$156,327	\$10,059	6.88%	8.59%
Food Stores	\$134,306	(\$8,090)	-5.68%	7.38%
Auto Dealers & Supplies	\$92,234	\$11,973	14.92%	5.07%
Service Stations	#	#	62.86%	#
Apparel	\$49,111	(\$2,374)	-4.61%	2.70%
Drug Stores	#	#	9.56%	#
All Other Retail	\$37,592	\$2,253	6.38%	2.07%
Furniture & Appliances	\$32,718	(\$14,088)	-30.10%	1.80%
Total Retail Group	#	#	18.65%	72.60%
County/State Pool	\$353,910	\$8,371	2.42%	19.45%
Total Business, Service, Repair	\$73,493	\$22,312	43.59%	4.04%
Total Manufacturing & Wholesale	\$70,058	(\$6,501)	-8.49%	3.85%
Total Non-Store/Part Time Retailers/Adjustments	\$1,104	(\$41)	-3.58%	0.06%

* Threshold for inclusion, \$300 per quarter

CONFIDENTIAL: Business class sales tax information is deemed confidential if there are four or less businesses in a class or if a single class member's share is a disproportionate percentage of the total.



General Fund Revenue Overview- UUT Five Year History



2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Revised Budget	2022-23 Budget
\$ 2,195,815	\$ 2,093,903	\$ 2,171,538	\$ 2,236,149	\$ 2,262,450



General Fund Revenue Overview (Continued)

<u>Revenue Sources</u>	<u>Amount</u>	<u>% Change</u>	<u>% of Total</u>
Other Taxes	\$6.8m	1%	15%
Licenses/Permits	\$1.4m	30.3%	3%
Fines/Forfeitures	\$1.7m	0.4%	4%
Use/Money and Property	\$0.9m	-32%	2%
Intergovt/State	\$0.1m	3.1%	0%
Service Charges	\$8.0m	11%	17%
Other Revenue	<u>\$0.1m</u>	-27%	<u>0%</u>
	\$19.0m		41%
Total General Fund Revenue	\$46.5m	3.7%	



General Fund Revenue Assumptions

- **Major Non-tax revenue assumptions include:**

- **Licenses and Permits- Increased by 30.3 percent**

- **Building Permits – \$306,578 or 36.7 percent**

Includes one-time revenue related to the Skechers development.

- **Fines and Forfeitures- Increased by less than one percent**

- **Revenue is expected to be consistent with 2021–22**

- **Use of Money and Property- Decrease of 32 percent**

- **One-time Proposition A Fund Exchange funds of \$490,000 received in 2021–22 to fund a new Assistant Engineer position.**



General Fund Revenue Assumptions

- Major revenue assumptions (continued)

- **Current Service Charges- Increase by 6.2 percent**

- Encroachment Permits- Increase of \$465,384 or 181.2 percent due to the reinstatement of Permanent Outdoor Encroachment Permits and the addition of Temporary Outdoor Encroachment Permits as of March 1, 2022 .
- General Plan Maintenance Fees- Increase by \$58,900 due to one-time developer's fees.
- Parking Meters – Increase of \$74,399 or 3.9 percent
- Ambulance Transport Fees – Increase of \$24,993 or 3.9 percent
- Other Recreation Programs – Increase of \$55,000 or 46.1 percent, due to the anticipated enrollment in the Park After School Program for the 2022–23 school year.
- The above increases are offset by the one-time Reimbursement of \$300,000 for the solid waste and street sweeping contracts budgeted in 2021–22.



General Fund Appropriations

<u>Expenditures</u>	<u>% of Total</u>
Full-Time Salaries	33%
Part-Time Salaries	2%
Retirement	14%
Benefits	6%
Retiree Health (OPEB)	1%
Medicare	<u><1%</u>
Salaries and Benefits Subtotal	56%



General Fund Appropriations (Continued)

<u>Expenditures</u>	<u>% Change</u>
Full-Time Salaries	3%
Part-Time Salaries	24%
Retirement	10%
Benefits	3%
Retiree Health Benefits (OPEB)	4%
Medicare	5%
Salaries and Benefits	4.1%



Personnel Changes

Position changes approved by City Council during 2021-22:

- **Reclassified Administrative Assistant to Management Analyst (Police)- approved by City Council on February 8, 2022.**
- **Reclassified one Senior Account Clerk to Accountant (Finance Administration)- approved by City Council on February 8, 2022.**



Personnel Changes

The remaining frozen staff positions were reviewed, and all remaining frozen positions are recommended to be restored in 2022-23:

- Senior Office Assistant (**City Clerk's Office**)
- Assistant to the City Manager (**City Manager's Office**)
- Police Officer (**Police Department**)
- Police Officer (**Police Department**)- Newly added Officer position in 2021-22
- Police Service Officer (PSO) (**Police Department**)



Personnel Changes

New Full-Time/Permanent Positions

- Office Assistant (**Community Resources**) – Position will perform clerical and administrative tasks.
- Risk Management Analyst (**Human Resources**) – Position will support all risk management functions
- Two Senior Engineers (**Public Works**) – Two new Senior Engineers will assist with Capital Improvement Projects (CIPs) and positions will be funded from CIPs.
- Associate Engineer (**Public Works**) - This position will assist with CIPs and will be funded from CIPs.
- Public Works Inspector (**Public Works**) - This position will focus on inspecting Capital Improvement Projects and will be funded from CIPs.



Personnel Changes

New Part-Time/Temporary Positions

- Two Interns (**Public Works**) – Positions will assist with clerical and administrative duties at the City Yard.
- Intern (**City Manager**) – Position will assist the Senior Management Analyst where needed.
- Senior Planner (**Community Development**) – Position will assist with implementing the Economic Development Strategy.
- Intern (**Community Development**) - This position will assist the department as an office assistant.
- Intern (**Police**) - This position will be affiliated with an accredited academic institution and working under their internship program.



Personnel Changes

Other Position Changes

- **Deputy City Engineer (Public Works)** – Reclassify the Deputy City Engineer to City Engineer.
- **Senior Office Assistant (Public Works)** – Reclassify the vacant Senior Office Assistant to Engineering Technician. This will more closely align the position with the department’s needs and will focus on permits and assisting customers at the counter.
- **Assistant to the City Manager (City Manager)** – The Assistant to the City Manager position is unfrozen and reclassified as a Senior Management Analyst.
- **Lieutenant (Police)** - This position will oversee personnel matters and special projects for the department. One Sergeant position that is vacant due to retirement will be eliminated.



Salary and Benefit Assumptions

- **The only salary increases included are step increases for employees with less than 5 years service and whose performance meets expectations. The three-year Memorandums of Understanding (MOUs) with all employee labor groups are set to expire June 30, 2022, and negotiations are in progress with all employee groups.**
- **Employee benefits (Effective January 1)**
 - **Estimated 9 percent increase on health and 4.9 percent on dental.**



General Fund Appropriations (Continued)

<u>Expenditures</u>	<u>% of Total</u>
Contract Services- Private	13%
Contract Services- Government	17%
Supplies, Maintenance, Utilities	4%
Equipment Purchases	<1%
Equip Replacement/Building Maintenance/Insurance Charges	10%
Capital Improvement (Prior Year Carryforward)	<u><1%</u>
	44%
Total General Fund Appropriations	100%



General Fund Appropriations

<u>Expenditures</u>	<u>% Change</u>
Contract Services	
Private	-4%
Capital Improvement Projects (CIP)	-87%
Government	10%
Materials/Supplies/Other	5%
Equipment Furniture	77%
Buildings/Improvements	<u>0%</u>
Total Appropriations	4.2%



2022–23 General Fund

Summary of Budget Balancing Actions

General Fund Summary of Budget Balancing Actions for 2022-23	
Revenue	46,454,415
Transfers In	419,382
Appropriations	(44,884,724)
Transfers Out	(1,385,860)
Changes to Fund Balance	(273,686)
Total General Fund Balance Projected for 6/30/23	329,527
Changes in Appropriations	
Supplemental Requests	(626,582)
Position Requests	(319,038)
Change in Fund Balance Reserves	
Changes to Contingency Balances	(822,014)
Use General Plan Maintenance Fees	125,000
Transfer In	
American Rescue Plan Act Fund	1,313,107
Balance Projected for 6/30/2023	0
Recommended Use of 2020-21 Unspent Funds	
Unassign 2020-21 Unused Fund Balance	5,834,252
Increase Compensated Absences to 25% Goal	(18,362)
Transfer to Insurance Fund for Goal of \$3 Million Balance	(278,031)
Transfer to Equipment Replacement Fund for Funding Goal	(333,645)
Transfer to Capital Improvement Fund	(2,602,107)
Assign in General Fund for 2023-24 Budget	(2,602,107)
Remaining 2020-21 Unspent Funds	0



2022–23 General Fund Summary of Budget Balancing Actions

Staff recommends the transfer \$1,313,877 of the remaining \$2,310,877 from the American Rescue Plan Act (ARPA) Fund to the General Fund.

- **The City was awarded federal ARPA funds totaling \$4.6 million. \$2.3 million was used in 2021-22.**
- **At a high level, American Rescue Plan Act funds have the following eligible uses:**
 - **COVID-19 or a negative economic impact;**
 - **Premium pay for eligible workers;**
 - **Government Services to the extent of the loss of revenue; or**
 - **Investments in water, sewer, and broadband infrastructure.**
- **Since the funds may be used to replace revenue lost since March 2020, staff recommends continuing to use the ARPA funds for the provision of government services to the extent of the reduction in revenue due to the COVID-19 health emergency.**



2022–23 General Fund

Summary of Budget Balancing Actions

- **The proposed use of \$1.3 million in the 2022–23 Budget would free up General Fund revenue and allow for the transfer of prior year unspent funds as noted below.**

As a part of the 2021–22 Midyear Budget, staff recommended assigning the unspent General Funds from 2020–21 of \$5,834,252 for the 2022–23 budget process. Staff recommends using the funds as follows:

- **\$18,362 to increase the assigned Compensated Absences balance to the funding goal of 25% of the accrued liability.**
- **\$278,031 to increase the Insurance Fund’s net position to the funding goal of \$3 million.**
- **\$333,645 to increase the Equipment Replacement Fund balance to the funding goal, which is to maintain net position equal to the accumulated amount calculated on the equipment replacement schedules for all equipment.**



2022–23 General Fund Summary of Budget Balancing Actions

- **Unspent General Funds from 2020–21 (continued)**
 - **\$2,602,107 to the Capital Improvement Fund to fund 2022–23 Capital Improvement Projects (CIPs) and future CIP funding needs.**
 - **The remaining \$2,602,107 from 2020–21 would be reserved for the 2023-24 Budget.**



2022–23 General Fund

How the Budget is Balanced

Revenue	\$46,454,415	Appropriations	\$45,830,343
Transfers In:		Transfers Out:	
Recurring Transfers	\$419,382	Storm Water Fund Operations	\$700,000
American Rescue	\$1,313,107	Debt Service Oil	\$685,860
Plan Act Funds		Capital Improvement Fund	\$2,602,107
Current Year Revenue	\$48,186,904	Insurance Fund	\$278,031
		Equipment Replacement Fund	\$333,645

Current Year Appropriations **\$50,429,986**

Changes to Fund Balance:

Funding carried over from 19-20 CIPs	(\$40,411)
Contingencies (16% of Operating Budget)	\$436,168
Unspecified Contingencies	\$730,696
2020–21 Unspent Funds	(\$3,232,145)
Change in Fund Balance Commitments	<u>(\$137,390)</u>

Total Changes to Fund Balance **(\$2,243,082)**

Total Appropriations and Changes to Fund Balance **\$48,186,904**





Budget Highlights

- **Presentation of a Capital Improvement Plan for 2022–23 and Five-Year Capital Improvement Program to identify the City’s longer term infrastructure needs.**
 - **A total of \$23.5 million is funded of which \$10.6 million is new funding.**
- **\$2,189,278 is reserved in the Capital Improvement Fund for the New Corporate Yard Facilities.**
- **Payments to L.A. County Fire for fire facility renovation and equipment conversions.**
 - **\$371,695 is budgeted for facility payment. The remaining payments totaling \$197,879 are reserved in the Capital Improvement Fund. (Capital Improvement Fund)**
 - **\$21,561 is budgeted for the final fire equipment conversion payments. (Fire Protection Fund)**



Budget Highlights

- **\$685,860 is transferred from the General Fund for debt service related to the oil settlement (Lease Revenue Bonds). The 2015 Lease Revenue Bonds were refunded in 2020–21, saving approximately \$1 million over the life of the bonds. (General Fund/Lease Revenue Bond Fund)**
- **\$30,000 remains from funds set aside in 2017–18 for required radio upgrades as part of the South Bay Regional Public Communication Authority upgrade for dispatching. (Equipment Replacement Fund)**



Budget Highlights

- **One new undersea cable is anticipated to be operational in 2022–23.**
 - One-time payments of \$253,000 will be received in the **RTI Fund** and \$184,000 will be received in the **RTI Tidelands Fund** for cable 3.
 - Quarterly payments of \$40,500 (\$162,000 annually) will be received for the first two cables. **(RTI Fund)**
- **Replacement of six vehicles, five for the Police Department and one for Public Works. (Air Quality Management District (AQMD) Fund and Equipment Replacement Fund)**



Budget Highlights

- **\$150,000 is budgeted for parking meter upgrades and replacements, with an additional \$16,000 budgeted for multi-space meters. Existing meters using the 2G/3G technology require hardware and software updates and Verizon phases out the 2G/3G network. CIP 108 includes funding for pay-by-app signage. (Equipment Replacement Fund and Capital Improvement Fund)**
- **\$50,000 is budgeted for the Housing Element Implementation part of the General Plan and \$75,000 is budgeted for Local Coastal Program certification assistance. (Funded from General Plan Maintenance Fees in the General Fund)**



Budget Highlights

- Disaster shelter supplies and operational supplies are funded **(General Fund)**, along with an ongoing capital improvement project to make the Emergency Operations Center (EOC) more functional. **(Capital Improvement Fund)**
- \$100,000 for a citywide internal audit program that would focus on maintaining and implementing best management practices in order for the City to provide a high value of services to its residents in a cost-efficient manner. **(General Fund)**
- \$20,000 for a Business License study to assess the composition of the City's businesses and provide options to update the tax structure. **(General Fund)**



Budget Highlights

- \$40,000 for a sign shop for the City Yard, giving staff the ability to create signs quicker, cheaper, and customized for citywide work. **(General Fund)**
- \$80,000 for tree removal and planting services. **(General Fund)**
- \$50,000 for the Automatic License Plate Recognition Camera Project. **(Supplemental Law Enforcement Services Fund)**
- Furniture and workstation equipment for the Bard Street Trailer CIP 619, which will create office space for the City Hall staff. **(General Fund, Capital Improvement Fund, and Equipment Replacement Fund)**
- \$60,000 for traffic analysis in relation to the Neighborhood Transportation Management Plan and Downtown Lane Reconfigurations. **(Capital Improvement Fund)**



Budget Highlights

- The following technology upgrades are budgeted:
 - Time and Attendance System, Finance Administration
 - Color Printer, Public Works
 - iPads for Public Works Staff
 - Microsoft OneDrive/SharePoint- Expanded Scope, Citywide
 - New copier and copier maintenance leases, Citywide
 - Windows Server Refresh **(Equipment Replacement Fund)**
- A reserve of \$323,558 has been added for the estimated one-time costs associated with replacing the city's current accounting and cashiering systems with a new integrated Enterprise Resource Planning (ERP) system at a future date. **(Equipment Replacement Fund)**

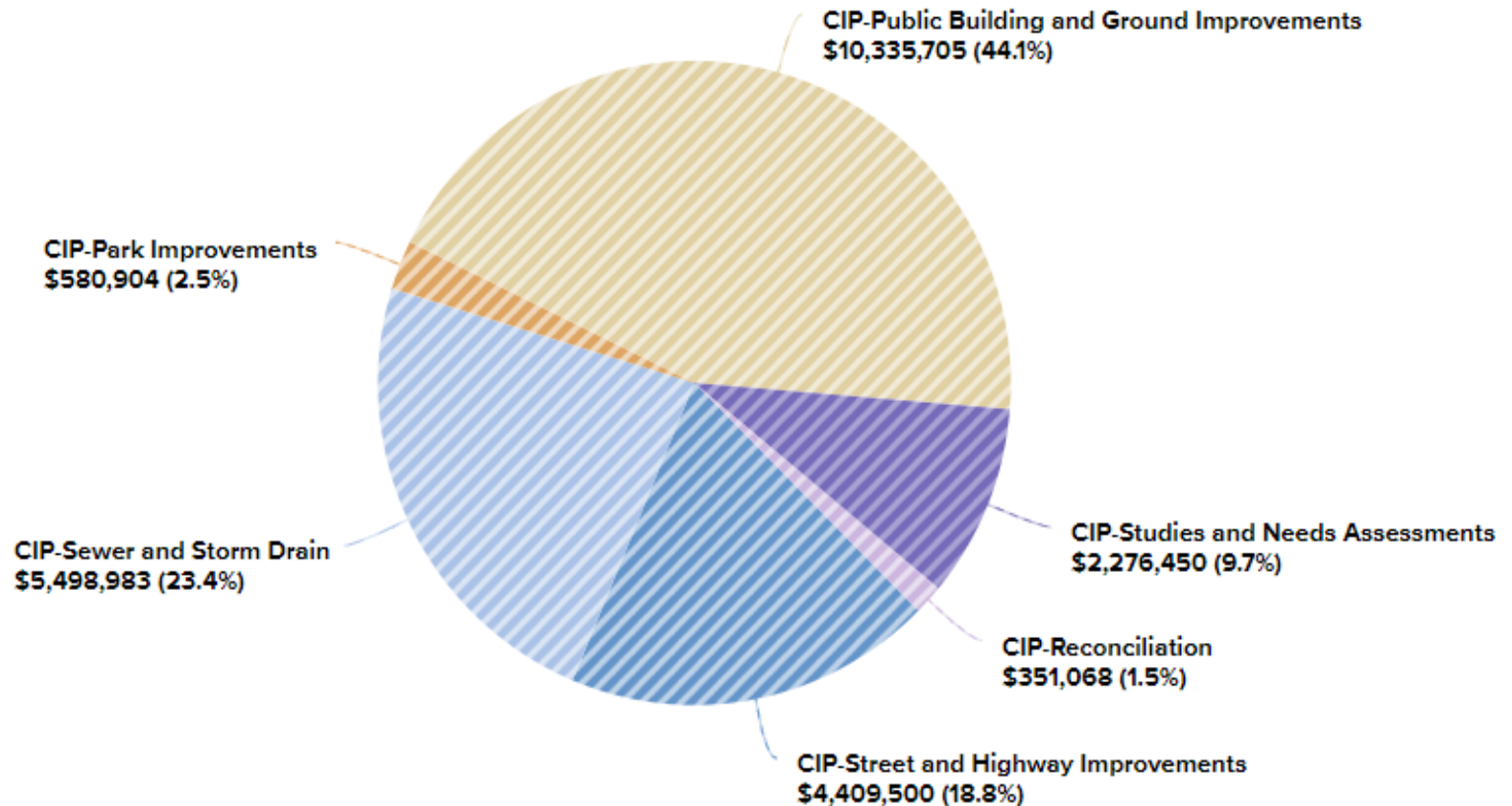


Capital Improvement Program





Capital Improvement Program



Total: \$23,452,610

Capital Improvement Program

- **Street & Highway Improvements- \$4,409,500**
 - **Bus Stop Improvements**
 - **Pay-By-App Parking Signage**
 - **Utility Box Wrappings (NEW)**
 - **PCH Mobility Improvement Project (On Hold)**
 - **Hermosa Avenue Green Street**
 - **Strand Bikeway and Walkway Improvements a 35th Street**
 - **Annual Street Improvements (CIP 191)**
 - **Pedestrian Crossing Safety Improvements**
 - **Annual Striping Improvements**
 - **City Sidewalk Improvements**





Capital Improvement Program

- **Park Improvements- \$580,904**
 - **Greenbelt Pedestrian Trail (NEW)**
 - **Temporary Beach Accessible Routes**
- **Reconciliation- \$351,068**
 - **Pacific Coast Highway (PCH) Traffic Improvements**
 - **Tree Well Grates**

Capital Improvement Program

- **Sewer/Storm Drain Improvements- \$5,498,983**
 - **Storm Drain Improvements- Various Locations**
 - **Annual Sewer Improvements (CIP 421)**
 - **Annual Storm Drain Improvements (CIP 422)**
 - **Annual Sewer Improvements (CIP 423)**
 - **Annual Storm Drain Improvements (CIP 424)**





Capital Improvement Program

- **Public Buildings and Ground Improvements-\$10,335,705**
 - **Prospect Ave Curb Ramps**
 - **South Park Slope and Irrigation Repairs**
 - **City Wide ADA Improvements**
 - **Downtown Strategic Plan Improvements**
 - **New Corporate Yard Facilities**
 - **Bard Trailer Improvements**
 - **Civic Center Charging Stations (NEW)**
 - **Tsunami Siren (NEW)**
 - **Pickleball Court Resurfacing (NEW)**
 - **City Wide Roof Repair (NEW)**
 - **Municipal Pier Structural Assessment and Repairs**



Capital Improvement Program

- **Public Buildings and Ground Improvements- Continued**
 - **Municipal Pier Electrical Repairs**
 - **City Park Restrooms and Renovation**
 - **Parking Lot D Improvements**
 - **Emergency Operations Center Renovations**
 - **Clark Building Renovations**
 - **14th Street Beach Restroom Construction**
 - **Parking Lot A Improvements**
 - **Police Station Improvements**
 - **Americans with Disabilities Act (ADA) Improvements**
 - **Parking Structure (Lot C) Improvements**

Capital Improvement Program

A nighttime photograph of a city street, likely in Hermosa Beach, California. The street is lined with palm trees and illuminated by streetlights. In the foreground, a large, circular logo with the letters 'Hb' is painted on the pavement. The background shows a building with a prominent tower and a beach area with people walking.

- **Studies- \$2,276,450**
 - **Hermosa Avenue Greenwich Village Street Realignment Assessment**
 - **Strand Bollards Assessment (NEW)**
 - **Gateway and Wayfaring Signs Assessment (NEW)**
 - **Stormwater Dry Wells Assessment**
 - **City Park Lighting Assessment**
 - **Citywide Park Master Plan (Stakeholder: Community Resources)**



Capital Improvement Program

- **Studies (Continued)**
 - **City Facilities Condition and Needs Assessment**
 - **Comprehensive Downtown Lighting Assessment (NEW)**
 - **Emergency Power Assessment (NEW)**
 - **Pier Structural Inspection and Evaluation (NEW)**



Councilmember Questions

