



Legislation Details (With Text)

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Title: ADOPTION OF FISCAL YEAR 2022-23 BUDGET
(Finance Director Viki Copeland)

Sponsors:

Indexes:

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Attachments: 1. Link to 2023-24 Preliminary Budget, 2. Resolution 23-xxxx Budget Adoption 2023-24, 3. Link to April 6, 2023, 2023-24 CIP Study Session Staff Report, 4. Link to June 7, 2023, 2023-24 Budget Workshop Staff Report

Date	Ver.	Action By	Action	Result
6/14/2022	1	City Council	adopted	Pass
6/14/2022	1	City Council	adopted	Pass

Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of June 14, 2022

ADOPTION OF FISCAL YEAR 2022-23 BUDGET (Finance Director Viki Copeland)

Recommended Action:

Staff recommends City Council:

1. Receive public testimony regarding the Fiscal Year 2022-23 Budget (**Attachment 1**);
2. Approve contracts for services contained in the table herein;
3. Approve the revisions to the Preliminary Budget as shown on pages 5-6; and
4. Adopt a Resolution approving the 2022-23 Budget as presented in Exhibit A (**Attachment 2**).

Executive Summary:

Staff recommends a transfer of \$1,313,107 from the American Rescue Plan Act Fund to the General Fund to balance the budget and the use of unspent funds of \$3,232,145 from the prior fiscal year towards funding goals established in the City's Financial Policies and Capital Improvement Projects (CIPs). The end result is a 2022-23 budget that includes: a Contingency (Rainy Day Fund) of \$7,307,026, or 16 percent of appropriations per the City's adopted financial policy; restores staffing levels to pre-pandemic levels; and adds additional essential staff, supplemental requests, and capital projects that would continue to move the City forward towards its established goals.

Background:

On April 21, 2022, a study session was held for the 2022-23 Capital Improvement Program to review

the 50 projects and studies proposed for the upcoming fiscal year. The 2022-23 Capital Improvement Program totals \$23.5 million, which includes \$12.9 million in estimated carryover funds from 2021-22. An additional four Public Works staff are included in the budget and would be funded from CIP funds in order to advance the existing backlog of CIP projects, and new project requests.

The City utilized an interactive online budget document for the second year. A budget workshop was held on June 2, 2022. Responses to Councilmember questions and requests may be found in the analysis section. A summary of the General Fund is also provided (**Attachment 3**).

Past City Council Actions

Meeting Date	Description
April 21, 2022	City Council held the 2022–23 Capital Improvement Program Study Session
June 2, 2022	City Council held the 2022–23 Budget Workshop

Analysis:

The chart below shows the steps taken to balance the budget:

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	<u>0</u>
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	<u>0</u>

Staff recommends City Council approve the following actions to balance the 2022-23 Budget as shown in Attachment 3, Exhibit A.

- Adopt estimated revenue of \$46,454,415 and revised transfers in of \$1,732,489 that includes a one-time transfer as outlined below.

- Transfer \$1,313,107 from the American Rescue Plan Act (ARPA) Fund to the General Fund. At a high level, American Rescue Plan Act funds have the following eligible uses:
 1. COVID-19 or a negative economic impact;
 2. Premium pay for eligible workers;
 3. Government Services to the extent of the loss of revenue; or
 4. Investments in water, sewer, and broadband infrastructure.

The proposed use of \$1.3 million in the 2022-23 Budget would be used for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, with falls under eligible use category three above. This would leave \$997,770 for future use. The covered period for eligible expenditures is March 21, 2021 to December 31, 2024.

Adopt revised appropriations of \$45,830,343 and transfers out of \$4,599,643, which includes the following staffing recommendations and supplemental requests:

- Add Essential Supplemental Requests of \$626,582; and
- Add Position Requests/Frozen Positions of \$319,038.

As a part of the Midyear Budget Review on March 8, 2022, staff recommended assigning the unspent General Funds from 2020-21 of \$5,834,252 for the 2022-23 Budget process, at which time it would be determined if the funds need to remain in the General Fund or should transfer to meet funding goals, in accordance with the City's financial policies.

Staff recommends that these unspent funds of \$3,232,145 remaining from the 2020-21 Budget be used to meet funding goals in accordance with the City's established Financial Policies and provide funding for current and future CIPs, as described in detail below:

- \$18,362 to increase the assigned Compensated Absences balance to the funding goal of 25 percent of the accrued liability for employee vacation, sick, and compensatory time;
- \$278,031 to increase the Insurance Fund's net position to the funding goal of \$3 million for claims above recorded claims liabilities or catastrophic losses;
- \$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 based on replacement cost and useful life; and
- \$2,602,107 to the Capital Projects Fund to fund 2022-23 Capital Improvement Projects (CIPs) and future CIP funding needs.

The remaining \$2,602,107 from FY2020-21 would be reserved for use in the 2023-24 Budget.

Adopt the changes to fund balance of -\$2,243,082 as outlined in **Attachment 3**.

City Council Follow-up Items from June 2, 2022 Budget Workshop

The following items are provided as follow-up to questions or requests at the Budget Workshop on June 2, 2022:

1. Cost of the new Ford F150 EV Lightning for the Police Department in the 2022 - 2023 Budget as compared to the Ford F150 EV for Community Services approved for purchase at the May 24, 2022 Council Meeting.

The Police Department requested two Ford F150 Lightning vehicles for specific needs. One vehicle will be used for Patrol functions, including beach patrol. This vehicle requires the long-range battery and upgraded equipment that includes vehicle accessories, lighting, sirens, prisoner cage, and paint/badging.

The second vehicle will be used for Animal Control Services and the basic model allows employees to conduct their business as required. The equipment requirements for the Animal Control truck are minimal as well.

Both estimates are based off of vehicle factory quotes and cost estimates for needed equipment and installation.

2. More information requested related to new parking meters and the pay by app software.

Staff is currently finalizing the pay by app RFP and will negotiate a contract with the vendor in the near future. The pay by app integration will overlay with our current metering systems. Without any unforeseen delays, staff anticipates a contract being presented to City Council in approximately one month. Because Hermosa Beach is primarily within the Coastal Zone, a cash payment option for meters is strongly recommended to ensure equal access for all community members.

Police Chief Paul LeBaron will be prepared to address any questions.

Revisions to Preliminary Budget

The following revisions to the Preliminary Budget are recommended and reflected in the budget summary included with the budget resolution attachment. Other formatting and grammatical corrections would be made in the Adopted Budget that do not affect the amounts in the budget summary.

Equipment Replacement Fund

- Appropriate \$69,118 for the purchase of the copiers as indicated in the Contracts for Services section that follows. The copiers were budgeted as leases originally and are now changed to purchases which are more advantageous.
- Reduce the Police Department's Equipment less than \$1,000 account, account 715-2101-5401, by \$49,831 due to an amount erroneously included in the 2022-23 Department Request;

- Increase the Community Resources Equipment less than \$1,000 account, account 715-4601-5401, by \$588 for an item from the Communications Equipment Replacement Schedule excluded in error.

The three changes noted above will result in a reduction in the total Equipment Replacement Fund appropriations of \$19,875.

Contracts for Services

The following contracts are extensions of existing contracts except for replacement of the copiers. Rather than submitting them individually on future agendas, they are included here for approval. Comments regarding staff's satisfaction with the current providers are included. The contracts are on file for review in the Finance Department.

<u>DEPARTMENT/CONTRACTOR</u>	<u>SERVICE PROVIDED</u>	<u>TERM/AMOUNT</u>
City Clerk		
Granicus, LLC	Granicus provides managed services for meeting and agenda management, video streaming, citizen participation, and closed captioning. They have met the expectations of the contract. The contract was executed June 11, 2019. This amendment will extend the agreement for one additional year to allow the department to explore what other software options exist.	
		7/1/22–6/30/23 - \$77,415
City Manager		
Canon Financial Services, Inc. (Equipment) and Canon Solutions America, Inc. (Maintenance)	Canon Financial Services Inc. and Canon Solutions America provides equipment and maintenance for multifunction copiers. The City purchased copiers in 2013 which are outdated and replacement parts are no longer available for these machines. Canon has met the expectations of the maintenance contract. Staff recommends a purchase agreement. Utilizing a cooperative piggy back contract (OMNIA - formerly National IPA) eliminates the need for a RFP which creates a cost savings. Equipment purchase; \$86,906, estimated 60 month maintenance agreement: \$57,998 (approximately \$15,168 annually).	
		7/1/2022–6/30/23 - \$102,074 for 2022-23
Finance		
Gruber and Lopez, Inc.	Gruber and Lopez, Inc. provides independent audit services for the Finance Department. They have met the expectations of the contract. The initial contract was executed May 28, 2019 for three years. The contract has an option for an additional two years.	
		7/1/22–6/30/2024 - \$32,960 for 2022-23
Police Department		
Los Angeles Society For The Prevention of Cruelty To Animals (SPCALA)	SPCALA provides animal sheltering and disposal services for Community Services. They have meet the expectation of the contract. The initial contract was executed September 24, 2014 and the terms of service have been amended annually.	
		7/1/22–8/31/2023 - \$12,300

General Plan Consistency:

PLAN Hermosa, the City's long-range planning document, was adopted by the City Council in August 2017, and envisions a future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability.

Other relevant General Plan policies are listed below:

Governance Element

Goal 1. A high degree of transparency and integrity in the decision-making process.

Policies:

- **1.2 Strategic planning.** Regularly discuss and set priorities at the City Council and management level to prioritize work programs and staffing needs.
- **1.6 Long-term considerations.** Prioritize decisions that provide long-term community benefit and discourage decisions that provide short-term community benefit but reduce long-term opportunities.

Parks and Open Space Element

Goal 1. First class, well maintained, and safe recreational facilities, parks and open spaces.

Policy:

- **1.1 Facility upgrades.** Improve and update park and open space facilities on a regular basis.

Goal 2. Abundant parks, open space, and recreational facilities to serve the community.

Policy:

- **2.6 Investment and maintenance.** Prioritize the investment and maintenance of existing facilities prior to development and expansion of new facilities.

Infrastructure Element

Goal 1. Infrastructure systems are functional, safe, and well maintained.

Policy:

- **1.2 Priority investments.** Use City Council established priorities and the Capital Improvement Program (CIP) to identify and allocate funding for projects identified in the infrastructure plan.

Public Safety Element

Goal 5. High quality police and fire protection services provided to residents and visitors.

Policy:

- **5.2 High level of response.** Achieve optimal utilization of allocated public safety resources

and provide desired levels of response, staffing, and protection within the community.

Fiscal Impact:

The recommendations contained in the Preliminary Budget continue to build upon the City's recovery efforts and reflects investments in the community through the core resources of staff, infrastructure, and systems. The 2022-23 Budget, including all funds, estimates revenue of \$60,376,490 and appropriations of \$78,873,082, of which \$23,452,610 is for Capital Improvement Projects with \$12,853,433 carried forward from prior year Capital Improvement Projects.

Attachments:

1. Link to 2023-23 Preliminary Budget
2. Resolution of Budget Adoption, including Exhibit A-Budget Summary
3. Fiscal Year 2022-23 General Fund Summary
4. Link to April 21, 2022 CIP Study Session Staff Report
5. Link to June 2, 2022 Budget Workshop Staff Report

Respectfully Submitted by : Viki Copeland, Finance Director

Legal Review : Mike Jenkins, City Attorney

Approved : Suja Lowenthal, City Manager