



## Legislation Text

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### Report to Mayor and City Council

Tuesday, February 20, 2024

Discussion

#### **SUBJECT:**

**FISCAL YEAR 2023-2024 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 24-010 TO AMEND THE FISCAL YEAR 2023-2024 BUDGET (CITY COUNCIL).**

#### **I. SUMMARY**

The Finance Department performs an ongoing review of the City's financial performance and provides updates on the General Fund results to the Mayor and the City Council. The report presents the City's financial position in the current Fiscal Year (2023-2024) based on actual revenue and expenditures for the period of July 1 through December 31, 2023.

#### **II. RECOMMENDATION**

TAKE the following actions:

1. RECEIVE and FILE the 2023-2024 Mid -Year Financial Report.
2. Adopt Resolution No. 24-010, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2023-2024 BUDGET IN THE GENERAL FUND.

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#### **III. ALTERNATIVES**

TAKE another action deemed appropriate by City Council.

#### **IV. BACKGROUND**

The City Council adopted the Fiscal Year 2023-2024 Budget at its June 20, 2023, meeting. The Mid-Year budget report analyzes the budget status at the mid-point of the current fiscal year and updates the Mayor and the City Council on the City of Carson's financial position. The report provides an opportunity to adjust expenditures appropriation based on changed

needs or priorities.

The Mid-Year Report is focused on the City's General Fund as the main operating fund for the City. Staff reviewed and is proposing adjustments to account to changing needs and new priorities within each department, considering anticipated expenditures for the remainder of the fiscal year (June 30, 2024).

The Fiscal Year 2023-2024 Budget was adopted by the City Council to maintain levels of service to the City of Carson residents and enhance public safety efforts.

### **1) General Fund Balance Update**

On December 5<sup>th</sup> 2023, The First Quarter Report of Fiscal Year 2023-2024 was presented to Council. In the report, the Fiscal 2022-2023 year end General Fund Balance for the City was \$222.9M. Of the \$222.9M, \$79M for Unrestricted Fund (Surplus) and \$143.9M Restricted Fund Balance. The \$143.9M Restricted Fund is comprised of \$86M Oil Tax Lump Sum payment currently in litigation, \$27M in funding for Fiscal Year 2023-2024 C.I.P. projects, \$24M which is 20% Reserve Policy for economic uncertainties, and \$5M in Self-Insurance. See **(Exhibit 1)**

After completion of half the Fiscal Year 2023-2024, of the \$79M Surplus, \$51M was transferred to Operating Budget and C.I.P. budget with a remaining balance of **\$28M** in surplus for remainder of fiscal year. See **(Exhibit 2)** to view the items that totaled \$51M in obligations from General Fund Reserve Surplus.

### **2) General Fund Revenue Update**

General Fund Revenues for Fiscal Year 2023-2024 was budgeted at \$121,963,113. As of December 31<sup>st</sup> 2023, total revenue received is \$43,670,564 which is 36% of the budgeted total. Typically, the City revenues inflows will increase during the second half of the fiscal year (January to June 2024). See **Exhibit (3)** to see source revenue collection percentage. Transient Occupancy Tax revenue is exceeding expectations, the City receiving \$983K or 58% of the budgeted projection. Transient Occupancy Tax revenue is outperforming due to the State not authorizing funding to L.A. County through Project Homekey (homelessness prevention initiative) to acquire Hampton Inn hotel in 2022. Fines and Fees is also exceeding expectation with the City receiving \$5.8M or 183% above the budgeted projection. The reasoning for over performance is due to the City receiving \$1.8M in Business Licensing Fees and \$1M in Transtech Building & Safety Admin fees. Charges for Services is also outperforming budgeted expectations with the City receiving \$1.7M or 128% above the budgeted projection. The reasoning for over performance is due to the City receiving \$500K from refinery for Community benefit and \$708K for Billboard Revenue. The City received \$5M in Miscellaneous Revenue, due to receiving \$2.8M in interest income.

### **3) General Fund Expenditure Update**

Overall, the City of Carson's spending for the second quarter of Fiscal Year 2023-2024 is

38% see **Exhibit (4)**. The City Adopted Operational Budget that was revised up from \$119 million to \$134 million partly due to the amendments mentioned in **Exhibit (2)**. The City Manager office expensed 53% of the budget due to paying \$800K outstanding invoice to Gofarth & Marti for City Hall Furniture replacement and Community Development expensed 50% of their department budget due to increased activity with Building & Safety permits being administered by Transtech. Transtech is producing increased revenue for the City, but the expenses are percentage of revenue received which correlate to increased expenditures being paid to Transtech.

#### 4) **Fiscal Year 2023-2024 Vacancy Status:**

Vacancies are the largest source of budget underspending. Note that vacancies are constantly changing, and certain circumstances could be very different in a matter of days or weeks. The following table summarizes the 32 vacant positions across all departments, which is 9% of total General Fund FTEs see **Exhibit 5**.

#### 5) **Mid-Year Budget Requests**

- 1.) **\$2.7M:** Community Development is requesting enough funds to last for remainder of the fiscal year to pay Transtech invoices, due to increased activity in Building and Safety permits processing.
  
- 2.) **\$55K:** Public Safety is requesting 2 FTE positions. **(2) Public Safety Engagement Officers.** The need for **(2) Public Safety Engagement Officers** for the weekend shift is crucial for fostering positive interactions between our community members and public services. These officers can play a pivotal role in community outreach, addressing concerns, and enhancing the overall relationship between our unhoused demographic and our city services. Within the Public Safety budget, there is currently two part-time positions funded. However, staff is proposing to combine the two part-time positions to one full-time position, then add one additional position. Lastly, the goal is to eliminate the three part-time Crossing Guard positions and allocate that funding towards the service contract with All City Management.
  
- 3.) **\$4M:** Request decrease in Measure C Oil Business Tax and increase in License and Permits revenue accounts and Miscellaneous Revenue(Interest income Account).

## V. **FISCAL IMPACT**

A **\$2.7M** impact to the General Fund Surplus upon Council approval of Resolution #24-010. This will lower General Fund Surplus to \$26M. Per Council approval the 2 additional full-time positions for Public Safety Department is budget neutral for the remainder of fiscal year, however it can potentially add **\$255,078** in personnel cost to FY 24-25 budget.

**VI. EXHIBITS**

1. Exhibit 1: FY 2022-2023 General Fund Balance. (pg.5)
2. Exhibit 2: FY 2023-2024 General Fund Surplus Mid-Year Balance. (pg.6)
3. Exhibit 3: FY 2023-2024 General Fund Revenues by Category. (pg.7)
4. Exhibit 4: FY 2023-2024 General Fund Expenditures. (pg.8)
5. Exhibit 5: FY 2023-2024 Vacancy Rate (pg.9)
6. Exhibit 6: Budget Resolution #24-010 (pg.10)

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