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Report to Mayor and City Council

Tuesday, May 17, 2022

Discussion

SUBJECT:

FISCAL YEAR 2022-2023 BUDGET WORKSHOP NO. 3 (CITY COUNCIL)

I. SUMMARY

This is the third planned Budget Workshop being presented to the City Council before its considering adoption of the Fiscal Year 2022-2023 budget on June 21, 2022. The first Budget Workshop took place on March 15, 2022 where staff presented detailed information on the City General funds revenues including 5-year forecast. The second budget workshop took place April 19, 2022 and included updated information regarding the General Fund Reserve, projections for the Fiscal Year 2022-2023 General Fund personnel expenditures, departments' operating expenditures and a preliminary estimate of the Los Angeles County Sheriff contract. This report includes updated information on departments' General Fund operating expenditures, the Los Angeles Sheriff contract, Special Events fund, Capital Improvement Projects, and Public Works request for funding to address street maintenance and roadway repairs.

On May 10, 2021, the City of Carson was awarded \$17.7 million American Rescue Plan Act funds, of which \$8.8 million was received in July 2021, and the remaining \$8.9 million will be disbursed Summer 2022.

On March 15, 2022, the City Council approved allocation of ARPA funds and included the

following investments:

- Premium Pay for employees (\$7.9 million)
- Enterprise Resource Planning (ERP) upgrade for Business License, Online Payments, Permit Issuance and Public Safety online portal (\$2.2 million)
- Street Maintenance and Rodway Repairs (\$3.5 million)
- Negative Leave Accrual (\$165,365)
- Small Business Loan relief (\$765,000)
- Broadband Improvement (\$500,000)
- Emergency Operations Center upgrade (\$330,000)
- Wi-Fi in the Parks (\$350,000)
- Small Business Grant Program (\$1.0 million)
- Non-Capitalized Equipment (\$760,000)
- Community Engagement Strategic Plan (\$245,763)

Below are the General Fund revenue line items discussed in detail at the first Budget Workshop, including the three-year forecast.

Revenues	FY 2021-22	FY 2022-23	FY 2023-24
Sales Tax	\$32,912,000	\$33,644,000	\$34,316,880
Property Tax	\$17,732,016	\$18,332,470	\$18,953,229
Transient Occupancy Tax (TOT)	\$1,958,384	\$1,583,384	\$1,615,051
Utility Users Tax (UUT)	\$7,450,000	\$8,500,000	SUNSET
Transaction and Use Tax (Measure K)	\$13,900,000	\$14,348,136	\$15,000,000
Oil Industry Business Tax (Measure C)	\$4,200,000	\$4,200,000	\$4,200,000
License and Permits	\$2,900,000	\$4,900,000	\$4,900,000
Franchise Tax	\$9,500,000	\$9,500,000	\$9,500,000
Fines and Forfeitures	\$2,400,000	\$3,706,754	\$3,706,754
Charges for Services	\$5,800,000	\$5,800,000	\$5,800,000
Total	\$99,252,400	\$104,514,744	\$97,991,914

The following table shows the proposed Fiscal Year 2022-2023 in City departments' General Fund operating budget.

Departments	FY 2022-23
City Council	\$989,646

City Clerk's Office	\$1,361,413
City Manager's Office	\$2,083,326
City Treasurer's Office	\$803,101
Community Development Department	\$5,827,260
Community Services Department	\$15,374,330
Finance	\$4,760,951
Human Resources	\$3,858,986
Information Technology	\$3,019,116
Public Information	\$790,648
City Attorney	\$3,100,000
Public Safety	\$26,798,805
Public Works	\$21,948,728
Non-Departmental	\$12,765,948
Total	\$103,482,258

Based upon the following changes requested by the City Council at Budget Workshop No. 2, the draft Fiscal Year 2022-2023 General Fund expenditures totals \$103.4 million, which includes salary budgeted for 5 Council Aides converted from part-time to full time (\$456,000 added to City Manager Office Personnel Budget) and the addition of the Deputy City Manager position that is budget neutral through department savings.

At this workshop, we will provide the City Council with updated information on the Los Angeles County Sheriff contract, Special Events fund, Capital Improvement Projects and Public Works request for funding to address street maintenance equipment.

The nine City Council priorities identified at the Workshop on Mission, Vision and Priorities will serve as the foundation for financial planning in formulating the Fiscal Year 2022-2023 budget. Departments proposed expenditures will be prioritized in alignment with the newly defined City Council priorities highlighted below:

- 1) Quality of life improvements (infrastructure, maintenance, beautification)
- 2) Economic development
- 3) Governance policies and procedures pertaining to districts
- 4) Housing
- 5) Increase public safety
- 6) Make progress on development that provides community benefits in the long term
- 7) Maintain quality City programs and services
- 8) Advocacy for funds from county, state and federal government
- 9) Increased outreach and information to the community

Of these nine priorities, the City Council concluded that Economic Development, Increased Public Safety, Maintaining Quality City Programs and Services and Quality of Life Improvements are its top four priorities.

II. RECOMMENDATION

PROVIDE direction to staff on any expenditure line item that will be used to build the proposed draft Fiscal year 2022-2023 Budget.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

On March 15, 2022, the City Council conducted its first Budget Workshop for Fiscal Year 2022-2023 that included a detailed analysis of the City's major General Fund revenues:

- Sales Tax
- Property Tax
- Transaction and Use Tax (Measure K)
- Utility Users Tax
- Transient Occupancy Tax

On April 19, 2022, the City Council held the second Budget Workshops that included updated information regarding the General Fund Reserve, projections for the Fiscal Year 2022-2023 General Fund personnel expenditures, departments' operating expenditures and a preliminary estimate of the Los Angeles County Sheriff contract.

The purpose of the third workshop is to provide additional information that the City Council requested as well as information on Special Events and the Capital Improvement Program.

1) City of Carson Personnel Re-Org

After one of year of obtaining a Structurally Balanced Budget, the City is expecting continued success as it moves towards an even stronger financial future. Several years of remaining status quo and ever-changing business and technology needs, behooves the City in being fiscally savvy while addressing proposed restructuring to allow for more efficient and effective municipal governance. The General Fund is expected to have operating surpluses which will ensure that core City services are maintained at the high level that residents expect and deserve. The recommendations below (and on Exhibit 1) will address both staff recommendations and incorporate any input received from City Council. Specialized services are being proposed as the City continues to rebound from the Covid-19 pandemic in thriving fashion. It should be noted that these are preliminary budget numbers that have been developed early in the budget process. The budget will likely undergo some changes as continued discussion occurs prior to budget adoption in June.

Staff will continue to provide a structurally balanced budget while recommending essential restructuring through multiple departments throughout the City. There will be a 2-phased approach with the 1st Phase recommending reclassifications, transfers and budget neutral

classifications.

(2) Department of Innovation, Sustainability and Performance Management

The following department is being requested for formation to be implemented for Fiscal Year 2022-2023. The Innovation, Sustainability and Performance Management (ISPM) department will take the lead in the development and implementation of the City's Strategic Plan with the goal of Effective and Sustainable Government through innovative practices and a culture of data-driven decision making. The Deputy City Manager and ISPM department role is to ensure that the City's operations and capital projects are on track with the use of data analytics and technology to meet those challenges. Three core topic areas for the department are Suitability, Open Data and Performance Management. The department's work is meant to promote government transparency and accountability.

i. Innovation:

The Innovation, Sustainability and Performance Management (SIPM) department will take the lead in the development and implementation of the City's Strategic Plan with the goal of Effective and Sustainable Government through innovative practices and a culture of data-driven decision making. The Deputy City Manager and ISPM department role is to ensure that the City's operations and capital projects are on track with the use of data analytics and technology to meet those challenges. Three core topic areas for the department are Suitability, Open Data and Performance Management. The department's work is meant to promote government transparency and accountability.

ii. Sustainability

Sustainability portion of the SIPM department will lead the development and implementation of the City's Climate Action and promotes climate equity in the City projects and outreach efforts. The department will provide leadership through direct action, catalyzes positive action through collaborative engagement and policy development, and creates measurable benefits for the City of Carson.

iii. Performance Management

Performance Management is the active and strategic use of performance standards, measures, progress reports and ongoing quality improvement efforts to ensure the City of Carson achieves desired outcomes for its residents. At its core, performance management is about translating goals and projects into results. It is necessary to properly create and sustain an effective results-oriented culture. Some key outcomes for a Performance Management program are:

- Addressing departments or programs challenges
- Moving from measuring and reporting towards managing and improving results
- Supporting organizational commitment to improving performance
- Transforming the organization, its management, and the policy making process

(3) FY 22-23 Special Events

The City of Carson has a long history of supporting signature special events for its residents. These programs have become staple experiences for the community as they

create a sense of place and assist in making Carson a regional destination, as well as a desirable place to live and work.

On April 6, 2021, during discussion of Agenda Item No. 2021-208, the City Council adopted Resolution No. 21-012 approving policies and procedures to improve internal controls relating to the City's Special Events fund based on recommendations of financial advisory firm. The resolution contains detailed information and procedures that are required or recommended by the financial advisory firm:

- Individual budgets are to be created for each event so that expenses can be charged against the budgeted accounts and that they account for straight time in addition to overtime that employees spend on special events.
- The City is to improve its budgeting process by submitting detailed budgets for each event (including personnel and non-personnel expenditures), which would be approved by Council and entered into the general ledger.
- Budget controls should be focused on the event costs and the General Fund transfer must provide funding for an amount up to the actual costs incurred.
- All indirect costs of each special event are to be tracked each year to capture the true cost of putting on a specific event. This practice will help determine if the "cost benefit" of the event justifies City continuing to subsidize a particular event. This budgeting tool can also be used as a marketing resource to the community to illuminate the cost in which the City is subsidizing events that benefit the community.
- All event fees and financial contributions to special events must be used before any transfer of General Fund monies to the Special Events Fund are made for subsidizing events.
- The Special Events Fund should not accumulate fund balance through the General Fund subsidy.
- Special Events must be treated as a project where all revenues and expenditures can be recorded, which will allow City Council and management the ability to evaluate the cost benefit of each special event.
- All City sponsored events must follow the City's purchasing regulations, inclusive of approved City employees authorizing purchases on behalf of the City.

The resolution is intended to provide a policy structure so that the City's Special Events finances are managed in a manner that will continue to provide for the delivery of quality services, maintain sound financial practices, and direct financial resources towards meeting the City Council's priorities.

For Fiscal Year 2022-2023, staff initially proposed the eight (8) programs listed below to be designated as Special Events:

- Jazz Festival
- Larry Itliong Day
- Women's Health Conference
- Cinco de Mayo
- Philippine Independence Day
- White Linen

- Juneteenth
- Unity Day

After City Council review and discussion, fourteen (15) events were selected as Special Events:

- Jazz Festival
- Heroes Day
- Larry Itliong Day
- Women's Health Conference
- Cinco de Mayo
- Philippine Independence Day
- Juneteenth
- White Linen
- Unity Day
- 4th of July/Community Friendship Day
- Country Western
- Children's Day (co-sponsorship)
- Faith, Friends, & Family
- Samoan Heritage Day
- Samoan Flag Day

For Fiscal Year 2022-2023, staff is recommending that thirteen (14) of the fourteen (15) remain (as shown in exhibit 2), with the only change being the transfer of Larry Itliong Day from the Special Event Fund 244 to the Recreation Special Event General Fund Account, and the addition of Winterfest in its place. Given the scope, size, and popularity of Winterfest, staff believes that this update is required.

While preparing for the upcoming fiscal year, staff analyzed historical data for both direct and indirect expenditures related to each event traditionally budgeted by the City. However, with the onset of the Covid-19 pandemic, Fiscal Year 2020-2021, and Fiscal Year 2021-2022 saw changes in how some events were presented, e.g., virtually, if they were held at all. This circumstance impacted expenditures versus prior years; therefore, it was imperative that a closer look at Fiscal Year 2019-2020 take place, as that was the last year of near typical Special Event spending. Moreover, with the community moving forward from the pandemic and the increasing public desire for social interaction, staff attempted to develop a more pre-Covid/status quo Special Event budget.

After completing an extensive survey and analysis of expenditures over the course of these years, staff has identified \$574,059 in potential Special Event budget needs for Fiscal Year 2022-2023 (see exhibit 2)

This total does not include any events associated with the City's 55th Anniversary. Staff is requesting direction on what programs the City Council wishes to present, and their desired budget. The projected total direct Special Events costs for Fiscal Year 2022-2023 is \$366,994. This is approximately \$109,042 higher than last fiscal year budget (Fiscal Year 2021-2022 direct cost was \$257,952). Staff has identified several circumstances that have

led to this increase:

- Increases in Part-time and Full-time staff salaries
- Inflation
- Last-minute additions to the Special Event scope
- Public Works overtime related to the set-up, during program, and tear-down of the mobile stage
- Increasing cost of entertainers
- Cost of Special Event insurance
- Addition of photography and videography services to the Special Event budget
- Increasing cost of General Services - port-o-potties, sinks, generators, truck rental, etc.

Though Covid-19 is still a lingering presence, staff believes that its recommendation will allow the City to again present special events with the same quality and value the City Council and residents have historically expected and enjoyed. Moreover, it is staff's hope that these programs serve to bring back the sense of community and fellowship that has made Carson an attractive place to call home.

(4) FY 22-23 Public Works 5 Year CIP Plan

The following summarizes the proposed Fiscal Year 2022-2023 Five-Year Plan for the City's Capital Improvement Program (CIP). The CIP will guide the City in the planning and scheduling of infrastructure improvement projects over the next five years, from Fiscal Year 2022-2023 through Fiscal Year 2026-2027. The CIP represents funding to accommodate the City's growing infrastructure needs based on deferred maintenance and projects required to stay at the level of service residents expect. For Fiscal Year 2022-2023, the Proposed Capital Improvement Program annual budget request is \$79.5 million. This is a \$12 million increase compared to last fiscal year adopted CIP of \$67.5 million. Of the \$79.5 million, over three-quarters of which is coming from Special Revenues and not the General Fund. The comprehensive Five-Year CIP represents \$452 million dollars.

Each year, the City's Public Works department goes through a process of working with each city department that may have a CIP project to determine the scope and description of what is being requested and/or required. During this process, a cost estimate and schedule is developed.

Projects proposed for the Fiscal Year 2022-2023 take into consideration potential sources of funding including grants and other potential financing opportunities. Projects are evaluated and prioritized based on the protection of public health and safety, adherence to both regulatory and legal requirements, environmental benefits, public support, and alignment with the Strategic Key Targets of the Mayor and City Council.

Funding Sources:

The City's general revenue streams are insufficient to fund all the infrastructure rehabilitation and new projects requested by City Council and expected by the public. Therefore, Public Works has been proactive in obtaining grants for Roadways and Bike Lanes and currently has over \$34 million in grants from various agencies, including Caltrans and Metro. The Waste Division in Public Works has also been proactive and obtained numerous State grants for improving the City's compliance related to waste

management and recycling. However, Public Works is responsible for the design and construction of everything in the city that is considered a capital project. Therefore, Public Works continues to seek out grants for projects city-wide and assists other departments, primarily for parks, bike lanes and roadway projects so that it can leverage projects with non-General Funds.

The type and cost of the project generally determines the funding source. The City receives monies from the following funding sources for CIP projects:

- Gas Tax
- SB1 (State sales tax for road improvements)
- Measure R (County sales tax for road improvements)
- Measure M (County sales tax for road improvements)
- CalRecycle (for recycling programs)
- Load Shed (SCE funding for energy conservation)
- Development Impact Fees (City-imposed)
- County Quimby funds
- CBDG (Locally-allocated federal dollars)
- Measure W (County parcel tax for stormwater improvements)

Innovation in Public Works is a theme and there are new approaches and technologies that continue to advance cost effectiveness and efficiency. For example, to improve resiliency and safety, the department is addressing how to fuel city-owned vehicles at the Corporate Yard and City Hall, as well as installing EV chargers and solar panels. The City utilizes both SCE and CPA funding opportunities to maximize the opportunities for Carson. Playground equipment and park amenities are receiving a facelift based on long-awaited funds. Further, the City is completing facilities projects that have been on the list for upgrades for nearly a decade, including the repair of the City Hall emergency generator and underground storage tank; upgraded elevators for both City Hall and the Community Center; a new roof on City Hall, and HVAC upgrades at City Hall and the Community Center and throughout many of the parks.

Staff recommends the use of the General Fund reserves to cover grant-required matching funds; high priority projects that have limited grant funding opportunities; equipment replacement and upgrades required for Health and Safety Health and Safety or regulatory and compliance issues, and those studies and designs required to get potential grant-funded projects “shovel-ready” to make them more competitive in grant applications.

The City has a significant backlog of capital needs from maintenance being deferred over the past 10 plus years. This backlog has deteriorated the quality of the City's infrastructure. Public Works is focused on investing in capital projects that reduce maintenance and operating costs. Staff estimates that the deferred maintenance of City facilities is over \$190 million and deferred maintenance of street related infrastructure is conservatively estimated at \$17 million. Public Works is also actively working on establishing the policies, resolutions, planning, and designs required to be both shovel-ready and competitive and has recently contracted with a firm to prepare a comprehensive Asset Management Plan to incorporate all these elements so that repair and upgrades of City facilities can be performed systematically and on a regular schedule.

Fiscal Year 2022-2023 Proposed CIP Expenditures

The largest capital funding investment for Fiscal Year 2022-2023 is in the category of

Roadways. At \$38.3 million, the Roadways category represents 48% of all proposed projects. In the past, Roadways were funded by Regional programs such as Measure R and Measure M, as well as State and Federal funds. Proportionally, the General Fund has not been the primary source for CIP projects related to City facilities. The CIP proposed expenditures for Fiscal Year 2022-2023 by category are presented in Exhibit 3.

2) FISCAL IMPACT

If Council approves planned city re-org, there will be no fiscal impact. The city budget will be structurally balanced.

3) EXHIBITS

1. Exhibit (1): City Personnel Restructure
2. Exhibit (2): Special Events Proposed Budget
3. Exhibit (3): FY 22-23 CIP Proposed Expenditures by Category

1.

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