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Title: FISCAL YEAR 2023-2024 BUDGET WORKSHOP NO. 2 (CITY COUNCIL)
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Attachments: 1. EXHIBIT 1- FISCAL YEAR 2023-2024 GENERAL FUND REVENUES, 2. EXHIBIT 2 - 3 YEAR GENERAL FUND RESERVE SUMMARY, 3. EXHIBIT 3- GENERAL FUND BALANCE 5 YEAR TREND, 4. EXHIBIT 4- FISCAL YEAR 2023-2024 REVENUE PROJECTION, 5. EXHIBIT 5- FISCAL YEAR 2023-2024 PERSONNEL BUDGET, 6. EXHIBIT 6 - CITY OF CARSON PERSONNEL VACANCY RATE, 7. EXHIBIT 7 - FISCAL YEAR 2023-2024 SHERIFF CONTRACT ESTIMATE, 8. EXHIBIT 8- FISCAL YEAR 2023-2024 OPERATING EXPENDITURES BUDGET, 9. EXHIBIT 9- FISCAL YEAR 2023-2024 POSITION ADDITIONS AND RECLASSIFICATIONS

Date	Ver.	Action By	Action	Result
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Report to Mayor and City Council

Tuesday, April 18, 2023

Discussion

SUBJECT:

FISCAL YEAR 2023-2024 BUDGET WORKSHOP NO. 2 (CITY COUNCIL)

I. SUMMARY

This is the second of three planned Budget Workshops being presented to the City Council before its considering adoption of the Fiscal Year 2023-2024 budget on June 20th, 2023. The first Budget Workshop took place on March 21st, 2023 where staff presented detailed information on the City General funds revenues including forecast for Fiscal Year 2023-2024. This report includes updated information regarding the General Fund Reserve, projections for the Fiscal Year 2023-2024 General Fund personnel expenditures, departments' operating expenditures and a preliminary estimate of the Los Angeles County Sheriff contract. The third and final budget workshop on May 16th, 2023 will include Capital Improvement Projects, Special Revenue Funds and Special Events fund.

See **Exhibit (1)** pertaining to year over year comparison of General Fund revenue line items discussed in detail during first Budget Workshop.

Development of the City's Operational Budget are guided by the 9 principles listed 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 draft budget.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

On March 21st, 2022, the City Council conducted its first Budget Workshop for Fiscal Year 2023-2024 that included a detailed analysis of the City's major General Fund revenues:

- 1) Sales and Use Tax
- 2) Property Tax
- 3) Transaction and Use Tax (Measure K)
- 4) Utility Users Tax (Measure R)
- 5) Oil Business Tax (Measure C)
- 6) Transient Occupancy Tax

Tonight's budget workshop is the second of three planned Budget Workshops prior to the public hearing to consider adoption of the Fiscal Year 2023-2024 budget, currently scheduled for June 20th, 2023. This Workshop will focus on updated information regarding the General Fund Reserve, projections for the Fiscal Year 2023-2024 General Fund personnel expenditures, departments' operating expenditures and a preliminary estimate of

the Los Angeles County Sheriff contract.

General Fund Reserve

The City's independent financial statement auditor, CliftonLarsonAllen LLP, has completed the audit for Fiscal Year 2020-2021. The auditor found the financial statements to be presented fairly, in all material respects, including the financial position and activities of the City and its component units. The Comprehensive Annual Financial Report is available on the City's website and may be viewed in City Hall at the City Clerk's Office.

The General Fund is the primary operating fund of the City. The following is 3-year summary of actual numbers. See **Exhibit (2)**

Fund Balance is the City's "reserve." It provides a measure of the City's ability to mitigate future risks associated with providing important services in times of economic uncertainties. To provide funding for emergencies, the City Council has adopted a policy that requires maintaining a "minimum reserve" for economic activity equal to 20% of expenditures of the current year General Fund exclusive of Restricted and Assigned fund balance. **Exhibit (3)** depicts Fund Balance for five previous fiscal years. The City has maintained a healthy Fund Balance ("reserve") and it is anticipated that the upcoming fiscal year will continue to follow this trend.

Revenue Expectations

On March 21st, 2023, the City Council received a detailed analysis and forecast of the City's General Fund revenue. **Exhibit (4)** illustrates a summary forecast of the General Fund revenues.

Structurally Balanced Budget

For the third consecutive year, staff is producing a structurally balanced budget to Council. For that to occur into the future, we will need to continue to manage ongoing expenditures with an eye toward potential downward fluctuations in long term revenues.

Employee Compensation Expectations for Fiscal Year 2023-2024

Employee compensation is approximately 47% of the General Fund. Employee compensation includes wages and benefits. The primary benefit costs are health insurance (pegged to Kaiser Family Plan), employee pension, and retiree health insurance. Employee pension and retiree health insurance expectations are included in **Exhibit (5)**.

Exhibit (6) shows the City's vacancy report with vacancy rate currently at 12%

Los Angeles County Sheriff Contract

The Sheriff's contract is approximately 21% of the General Fund budget. On June 18, 2019, the City Council approved a five-year contract renewal agreement with the Los Angeles Sheriff's Department for the period of July 1, 2019 through June 30, 2024. The billing rates of the Contract City Law Enforcement Services is adjusted by the County Auditor-Controller annually effective July 1 of each year to reflect the cost of such service in accordance with the policies and procedures for the determination of such rates as

adopted by the County Board of Supervisors. The Sheriff's Department has provided preliminary rate increases for Fiscal Year 2023-2024. The final cost estimates are expected to be received in May, in which revised numbers will be brought to Council during Budget Workshop #3 scheduled on May 16th. Services are estimated to increase by \$1.9 million or 8%, which includes an increase in liability coverage from 11% to 12% and an increase in annual rate of law enforcement personnel. See **Exhibit (7)**

Departments Operating Expenditures

The following table shows the proposed Fiscal Year 2022-2023 in City departments' non-personnel operating budget. See **Exhibit (8)**

Public Works Department:

For Fiscal Year 2023-2024, Public Works Non-Personnel budget increased \$1.8 million dollars. Increase is attributed to the enhanced scope of maintenance services for the citywide Tree and Medians contracts. To achieve the Council's directive to meet the trimming and landscape maintenance demands of all districts, the scopes of these two contracts have been upgraded to allow for more services resulting in higher yearly costs to accommodate the additional work. Furthermore, maintenance staff will execute several Park CIP projects during the 2023-24 fiscal year, substantiating the need for extra maintenance supplies. Lastly, there is an added need of maintenance materials for the Right of Way division to complete work related to CIP projects along with work related to extended roadway maintenance needs resulting from the current year's extreme weather conditions.

Additionally Public Works is requesting \$350,000 to Part-Time Staff to return to pre-pandemic staffing coverage levels in order to meet ongoing needs of the department. Staff plan to fill 23 part time positions for our Administration, Operations, and Engineering divisions for next fiscal year.

Community Services Department:

For Fiscal Year 2023-2024, Community Services Non-Personnel Budget increased \$705,000. The increase is due to inflationary pricing increases on supplies, equipment, professional services, and equipment rentals. The Department's recent reorganization that brought in new Full-time and Part-time staff, as well as changes to Community Service's overall service structure, has led to additional programming costs that will ultimately better meet the needs of the Carson community. Finally, staff is requesting an additional \$1.3 million dollars towards Part-Time personnel costs.

City Manager Department

For Fiscal Year 2023-2024 and increase of \$485,556 is attributed to premium increases relating to the City settling legal engagements. The claims are outpacing premium, to which our liability insurance providers are increasing premium to mitigate losses.

Dominguez Channel claims are outsourced to Carl Warren, due to the City not having enough in-house personnel to manage an estimated 25,000 claims filed due to Dominguez Channel Emergency.

Staff is requesting **Housing Division** currently located in Community Development department to be moved to City Manager Department. The reasoning for transfer is to improve responsiveness to funding application from residents and property owners. The Department of Housing and Urban Development (HUD), the Department of Housing and Community Development (HCD), and other funding sources have identified strict deadlines for expending grant and entitlement funds for the City of Carson. As such, the CMO desires to directly oversee the administration of housing initiatives to prioritize emerging housing needs for low to moderate income populations.

In Fiscal Year 2023-24, the housing division will take on the responsibility of Section 8 (Federally subsidized housing for low-income families and individuals), transitioning nearly 300 funding recipients within Carson, from LA County administration to City administration. This will include the management of Housing Choice Vouchers (HCV) for Carson's most financial challenged and allow for local control of critical housing aid. In this effort, the division will need additional administrative support to process HCV applicants, inspections, and interviews. Other programs within the housing division are also in need of administrative support as there is typically a waiting list for several housing services offered by the division. Part-time administrative support will allow program staff the opportunity to focus on grant reporting, application processing, and proactively adjust and refine programs as needed, expediting processing.

Salaries and benefits for new part-time administrative support is estimated at \$35,000 for Fiscal Year 2023-24. Upon Council approval, total operating budget of Housing Division moved from Community Development to City Manager Department is **\$916,125** (\$579,964 in salaries/benefits and \$336,161 in non-personnel budget). Corresponding special revenue budgets such as Community Development Block Grant (CDB) and Housing Authority will also be moved to City Manager Office.

Staff is requesting position reclassification of Risk Management Specialist to **Risk Management Analyst**. The proposed Risk Analyst will focus primarily on employee and resident safety issue including training, compliance, accident investigations and will be responsible for operation of the safety committee. The incumbent will be able to take ownership of a key risk area, namely safety

The cost estimate of reclassification (salary and benefits) is **\$10,000** increase.

Human Resources Department

For Fiscal Year 2023-2024, an increase of \$228,841 is attributed to \$200,000 for the Education Reimbursement Program. The program was agreed upon during negotiations between the City and Bargaining Partners (AME, AFSCME 1017 and 809, and SEIU). The Human Resources Department will oversee the program specifically approving reimbursement request and verifying applicants meet agreed upon academic thresholds to be eligible for reimbursement.

Innovation, Sustainability, Performance Management Department

For Fiscal Year 2023-2024 staff request the conversion of a Part Time position to **1.0 FTE** position in the Public Information Office Division. The proposed new position requested is **Administrative Specialist**. The need for the full-time position has risen due to the increase of workload and responsibilities of the PIO division. As the City events and communication needs continue to grow and address the needs of the organization, the workload of the existing Part Time staff has become unsustainable. To ensure that PIO can continue to provide the necessary services to the city departments and City Council, the conversion of the part time to 1.0 FTE is recommended. Some of the tasks include but not limited to the creation and publication of relevant, original, high-quality content for all social channels and ads; create and edit engaging social videos; assist in implementing overall social media strategy; develop and maintain a content calendar and regular publishing schedule; manage all social advertising campaigns; provide reports on social media engagement metrics and analytics and recommendations to improve interactions; engage in community management and active social listening to connect with those talking about relevant topics; stay up to date with current social media trends and current events. Total cost (Salary & Benefits) for additional position is \$112,491.

Staff request Load Shed funds be transferred from Public Works department budget to I.S.P.M. department budget.

Treasury Department

For Fiscal Year 2023-2024 staff request a position reclassification of Administrative Secretary to **Treasury Analyst**. The scope of work has evolved to more analyst role. Performing duties such as documenting transactions and recording to ledgers, assisting in gathering data for budget preparation, and maintaining complex files and records. If approved by Council, the estimated cost of this reclassification (salary and benefits) is **\$7,000**. The cost is negated with Treasury Department 20% reduction in Operations and Maintenance Budget.

Non-Departmental:

For Fiscal Year 2023-2024, the increase of \$654,229 is attributed to correctly budgeting J.P. Morgan Loan annual loan repayment. The loan was secured to finance HVAC project on City Hall and Community Center premises. Next fiscal year will be Year 3 of 10-year repayment schedule.

V. FISCAL IMPACT

Fiscal Impact will be provided in conjunction with direction received from the City Council for the preparation of the Fiscal Year 2023-2024 Budget. As is, the FY 2023 -2024 is structurally balance with Revenues projected at \$121,963,112 and Operating Expenses at \$119,868,835 with an estimated 10% increase to Special Events Expenditure \$632,532, projected surplus is **\$1,461,746**.

VI. EXHIBITS

Exhibit 1: Fiscal Year 2023-2024 General Fund Reserve (p.8)

Exhibit 2: 3 Year General Fund Reserve Summary (p.9)

Exhibit 3: General Fund Balance 5 Year Trend (p.10)

Exhibit 4: Fiscal Year 2023-2023 Revenue Projection (p.11)

Exhibit 5: Fiscal Year 2023-2024 Personnel Budget (p.12)

Exhibit 6: City of Carson Personnel Vacancy Rate (p.13)

Exhibit 7: Fiscal Year 2023-2024 Sheriff Contract Estimate (p.14)

Exhibit 8: Fiscal Year 2023-2024 Operating Expenditures Budget (p.15)

Exhibit 9: Fiscal Year 2023-2024 Position Additions/Reclassifications (p.16)

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