



STAFF REPORT

2/25/2025

AGENDA ITEM

**TO: HONORABLE MAYOR
AND MEMBERS OF THE CITY COUNCIL**

**FROM: CARLO TOMAINO
CITY MANAGER**

**BY: SIAMLU COX
ACTING ADMINISTRATIVE SERVICES OFFICER/FINANCE DIRECTOR**

**DEBBIE PACHECO
ACCOUNTING MANAGER**

**DANIEL BASULTO
SENIOR ACCOUNTANT**

**DAVID CASTRO
MANAGEMENT ANALYST**

SUBJECT: FISCAL YEAR 2024-25 MID-YEAR BUDGET REVIEW

Summary:

The City Council will conduct a mid-year budget review regarding the City's financial position based on the first six months of the fiscal year as of December 31, 2024, and consider adopting a resolution approving proposed budget adjustments. The proposed changes to the current fiscal year budget include proposed reclassifications of existing appropriations in the Vehicle and Equipment Fund, Capital Improvement Program Fund, Special Revenue funds, Water Fund and the General Fund.

Strategic Plan Goal(s):

Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.

Goal No. 2 Community Safety: Maintain Community Safety by supporting public safety services and increasing emergency preparedness.

Goal No. 3 Economic and Downtown Development: Improve the local economy, support local businesses, and create a vibrant downtown core.

- Goal No. 4 Infrastructure: Maintain and improve the City's physical infrastructure, water system, and recreational spaces.
- Goal No. 5 High-Functioning Government: Strengthen internal communication, recruitment, retention, systems, and processes to increase the effectiveness and efficiency of city services.

Recommendation:

Adopt a resolution, entitled:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIGNAL HILL, CALIFORNIA, AUTHORIZING MID-YEAR BUDGET APPROPRIATIONS AND AMENDING THE FISCAL YEAR 2024-25 ANNUAL OPERATING AND CAPITAL BUDGET.

Fiscal Impact:

The fiscal impact from the budgeted projections in this report will ultimately be determined by the actual results at the close of the fiscal year ending June 30, 2025, and the months following when the audited financial statements are issued. Implementation of the proposed budget adjustments would result in the changes below:

- Reclassification of carry-over appropriations and new appropriations in the Vehicle and Equipment Fund resulting in a decrease of \$355,053.
- Reclassification of existing appropriations and new appropriations in the Water Enterprise Fund resulting in a decrease of \$46,000
- New appropriation in the Capital Improvement Projects Fund resulting in a decrease of \$100,000.
- New appropriation in the Prop A Fund resulting in a decrease of \$101,381
- New appropriation in the Housing Authority Fund resulting in a decrease of \$7,500
- New appropriations would decrease the General Fund balance by \$316,410.

Background:

The City's Fiscal Year (FY) 2024-26 Biennial Operating Budget includes the FY 2024-25 Adopted Operating Budget (Year 1) and the FY 2025-26 Approved Operating Budget (Year 2). The Year 1 Budget focuses on the continued delivery of quality core municipal services and proactively addressing safety and maintenance needs while maintaining the City's long tradition of fiscal prudence and conservative budgeting practices. The Year 1 Adopted Budget consists of a \$61.5 million operating and capital improvement expenditure budget for all City funds, including a General Fund Operating Budget with projected revenues of \$38.9 million (including transfers in) and

expenditures plus capital outlay of \$38.9 million (including transfers out).

This report provides the status of the Year 1 Budget based on year-to-date actual revenues and expenditures for the first half of the fiscal year through December 31, 2024. This review is not meant to be inclusive of all finance and accounting transactions and excludes encumbrances (funds that have been reserved for a specific project or budgeting purpose). This review provides the City Council with an opportunity to consider economic assumptions and recommend adjustments to the operating and capital budgets based on revenues and expenditures.

Analysis:

General Fund

The General Fund is the general operating fund of the City. This fund accounts for all general tax revenues and other receipts not allocated by law or contractual agreement to other funds. Receipts of various revenues (such as property tax) does not occur on a pro-rated, monthly basis; therefore, percentages of revenues collected year-to-date do not reflect the same percentage of the fiscal year expenditures that have elapsed. Expenditures from this fund include the general operating expenses and capital improvement costs.

City Revenues

Staff closely monitors all revenue sources. Fiscal Year 2024-25 shows that the City's largest revenue source, Sales and Use Tax, is projected to reach \$27 million by the end of the fiscal year. Use of Money & Property, the second-largest budgeted revenue source, is expected to generate \$2.64 million, primarily attributed to the City's diversified portfolio earning significant returns. Property Tax, historically the City's second-largest revenue source, follows closely behind with a budget of \$2.60 million. Staff will continue to monitor this data and provide updated Year 1 projections during the budget workshop. The table below summarizes revenues for the current fiscal year as of December 31, 2024.

**TABLE 1.
GENERAL FUND REVENUES
Fiscal Year 2024-25 As of December 31, 2024**

GENERAL FUND REVENUES	Current Budget	YTD Actual	YTD % Received
Property Taxes	2,603,747	343,185	13%
Sales Taxes	27,078,496	10,516,256	39%
Oil Production Taxes	450,000	136,204	30%
Other Tax Revenue (TOT, etc.)	1,470,175	235,689	16%
Licenses & Permits	805,755	264,001	33%
Intergovernmental -Federal, State, County	148,250	3,434	2%
Charges for Services	1,640,150	707,067	43%
Fines & Penalties	110,000	49,919	45%
Revenue from Use of Money & Property	2,644,752	467,602	18%
Miscellaneous Revenues	422,031	224,710	53%
Net Transfers In*	588,454	23,768	4%
Total	37,961,810	12,971,835	34%

*Operational Transfers are booked at year-end. Total YTD % received excluding transfers 35%

Sales Taxes

Signal Hill's current sales tax revenue portfolio remains elastic. The City receives 1% of the 9.5% Bradley-Burns Local Sales and Use Tax applied to goods sold in the City (point of sale), in addition to Measure SHR, the voter approved 0.75% add-on sales tax. The City's sales tax is budgeted at \$27.1 million (net), representing approximately 71% of the General Fund budgeted revenue.

The City's major sales tax industry groups include Autos and Transportation, Business and Industry, State and County Pool Allocations and General Consumer Goods. The City's Autos and Transportation industry sector remain strong, and accounts for about 37% of the quarterly sales tax received this fiscal year. State and County Pool Allocations is produced from pooled online purchases are shipped to customers from out-of-state, private party vehicle sales, long term leases of equipment, and personal property, and registered nomadic vendors transactions which are then allocated back to jurisdiction as a pro rata of the taxable shares. Currently, pool allocations account for about 16% of Sales and Use Tax received. Business and Industry and General Consumer Goods both experienced a 2% loss over the prior year. Building and Construction continues to see a downward turn in home-improvements sales with conditions predicted to persist through the middle of 2025, and although interest rates have fallen in the short-term consumers continue to suspend larger purchases. As a result, the Building and Construction sector is not predicted to see growth until FY 2025-26. Overall sales tax revenue is still predicted to stay relatively flat through FY2024-25. If the Federal Reserve gradually relaxes monetary policies in the upcoming year, there is expectation of an average of possibly 2% annual growth in the outer years.

Use of Money and Property

Use of Money and Property includes rent revenue and returns on the City's investments and represent about seven (7%) percent of the General Fund. The Federal Reserve's federal funds rate target range continues to hold at 4.25% to 4.50%, which influence short-term interest rates for other financial instruments but can put downward pressure on long-term yields. The City is maximizing the opportunity by strategically diversifying its investment portfolio across the Local Agency Investment Fund, California Cooperative Liquid Assets Securities System, California Asset Management Program, government securities, municipal bonds, money market accounts, and certificates of deposit. Staff provides monthly investment updates to the City Council for review.

Property Taxes

Property taxes account for the next largest revenue source, representing seven percent (7%) of the General Fund. Property Tax is predominately made up of the taxes received from assessed property values and the property tax received in lieu of Vehicle license fees (VLF). As a reminder the City is considered a no-to-low property tax city, receiving only 0.0678%, or 6 cents per dollar, of the City's total taxable assessed property value. Additionally, a portion of the City's assessed taxable property belongs to the redevelopment agency, further limiting property tax revenue. The City's receipt of property taxes does not follow the calendar year, and therefore percentages of property taxes collected year-to-date do not reflect the same percentage of the fiscal year that has elapsed.

Other Taxes

Other Tax Revenue is primarily comprised of Franchise Taxes, Transient Occupancy Taxes (TOT), and Real Property Transfer Tax. Franchise taxes comprise the majority of this category, with the largest franchisors being Southern California Edison, EDCO, and Charter Communications. TOT is

self-reported and paid for by each lodging facility. Real Property Transfer Tax is the smallest segment in this category and varies yearly based on property sales. Overall, revenue from other tax sources is trending on target.

The City of Signal Hill historically relied on oil production revenue; however, Oil Production Revenue currently constitutes only approximately 1% of the City's total revenue. Oil Production Tax revenue, a component of "Other Taxes," continues to decline primarily attributed to a decrease in the Producer Price Index whose adjustment is evaluated once a year on July 1st.

City Expenditures

At mid-year, the General Fund operating expenditures across all City departments are at 34% of budgeted expenditures (Table 2). The City Council established a goal to ensure long-term fiscal stability, relying on the efficient and effective use of City resources. Department Directors continue exercising fiscal discipline while managing their annual budgets. The Maintenance & Operations and Capital Outlay balances reflected in Table 2 are experiencing seasonality and timing differences between when products and services are rendered and when these are recorded to the City's financial system, but all departments are anticipated to conclude the fiscal year in line with the current budget.

TABLE 2.
GENERAL FUND EXPENDITURES
Fiscal Year 2024-25
As of December 31, 2024

GENERAL FUND EXPENDITURES	Current Budget	YTD Actuals	YTD % Used
General Government			
Salaries & Benefits	4,094,375	1,705,910	41.66%
Maintenance & Operations	4,897,070	2,285,857	46.68%
Capital Outlay	487,056	104,512	21.46%
Total General Government*	9,478,501	4,096,279	43.22%
Community Development			
Salaries & Benefits	1,134,633	452,209	39.86%
Maintenance & Operations	254,713	127,070	49.89%
Total Community Development	1,389,347	579,279	41.69%
Police			
Salaries & Benefits	12,368,493	5,147,663	41.62%
Maintenance & Operations	1,696,217	492,437	29.03%
Capital Outlay	2,200	2,795	127%
Total Police	14,066,910	5,642,895	40.11%
Parks, Recreation, and Library Services			
Salaries & Benefits	2,262,998	984,684	43.51%
Maintenance & Operations	925,057	358,341	38.74%
Capital Outlay	-	-	-
Total Community Services	3,188,055	1,343,025	42.13%
Public Works			
Salaries & Benefits	2,808,859	1,164,717	41.47%
Maintenance & Operations	4,150,606	1,228,191	29.59%
Capital Outlay	-	-	-
Total Public Works	6,959,466	2,392,908	34.38%
Total before Transfers	35,082,278	14,054,386	40.06%
Operating Transfers Out **	5,666,400	-	0.00%
Total Expenditures including Transfers	40,748,678	14,054,386	34.49%
* General Government includes City Council, City Clerk, City Treasurer, Administration, Finance & Non-department			
** Transfers are booked at year-end			

Water Enterprise Fund

The Water Enterprise Fund is used to account for operations financed and operated in a manner similar to a private business enterprise - where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

The sale of water for Year 1 was estimated at \$6.4 million, and sales to date are \$3.3 million, 51.3% of budgeted sales. At mid-year, operating expenditures are at 32.19% of budgeted expenditures, which is primarily due to the delayed Gundry Roof Reservoir project, and vacancies within the Water Department. More details on the Water Fund will be provided through the upcoming Water Rate Subcommittee Workshop which is scheduled as a separate discussion item on tonight's City Council agenda.

**TABLE 3.
WATER FUND EXPENDITURES
Fiscal Year 2024-25
As of December 31, 2024**

WATER FUND	Current Budget	YTD Actuals	YTD % Used
Salaries and Benefits	1,835,467	665,903	36.28%
Maintenance and Operations*	4,509,956	1,376,529	30.52%
Total Water Fund	6,345,423	2,042,432	32.19%
<i>* excludes capital, depreciation and debt service</i>			

Proposed Mid-Year Budget Adjustments

As part of the mid-year review, the City Council has the opportunity to consider budget adjustments that consist of new appropriations, reallocation of currently budgeted funds, and adjustments to funding sources for capital projects.

The Year 1 mid-year review highlights that the General Fund’s overall revenues align with budget projections. Should the City Council approve the proposed budget adjustments, the overall impact on the respective funds are as follows:

- Reclassification of carry-over appropriations and new appropriations in the Vehicle and Equipment Fund resulting in a decrease of \$355,053.

Reclassification of existing appropriations and new appropriations in the Water Enterprise Fund resulting in a decrease of \$46,000

New appropriation in the Capital Improvement Projects Fund resulting in a decrease of \$100,000.

- New appropriation in the Prop A Fund resulting in a decrease of \$101,381
- New appropriation in the Housing Authority Fund resulting in a decrease of \$7,500
- New appropriations would decrease the General Fund balance by \$316,410.

Staff prepared the proposed adjustments in a manner consistent with the City’s conservative budgeting practices to deliver municipal services and maintain the high quality of life residents and businesses expect and deserve.

Included for your consideration as Decision-Package Items:

- Increase in budget for the advanced planning of the Taste of Signal Hill event.
- Increase in budget for the cleaning and upkeep of the police firing range.

- Reclassification of a part-time Code Officer to a full-time position.
- Reclassification of a full-time Administrative Assistant to a full-time Management Assistant.
- Reclassification of two (2) full-time Senior Recreation Specialists to two (2) full-time Recreation Coordinators.

Table 4 below identifies fund and division impact.

**TABLE 4.
List of Proposed Mid-Year Budget Adjustments
Fiscal Year 2024-25**

Department		Expenditure Description	Current Budget	Net Amount	Proposed Budget
General Fund					
1	General Government	Salaries & Benefits	\$ 4,094,375	\$ -	\$ 4,094,375
		Maintenance & Operations	\$ 4,897,070	\$ 53,000	\$ 4,950,070
		Capital Outlay	\$ 487,056	\$ -	\$ 487,056
	Total General Government	\$ 9,478,501	\$ 53,000	\$ 9,531,501	
2	Community Development	Salaries & Benefits	\$ 1,134,633	\$ 85,000	\$ 1,219,633
		Maintenance & Operations	\$ 254,713	\$ (6,300)	\$ 248,413
	Total Community Development	\$ 1,389,347	\$ 78,700	\$ 1,468,047	

**TABLE 4.
Continued**

Department	Expenditure Description	Current Budget	Net Amount	Proposed Budget	
3	Police	Salaries & Benefits	\$ 12,368,493	\$ -	\$ 12,368,493
		Maintenance & Operations	\$ 1,696,217	\$ 25,000	\$ 1,721,217
		Capital Outlay	\$ 2,200	\$ -	\$ 2,200
Total Police		\$ 14,066,910	\$ 25,000	\$ 14,091,910	
4	Parks, Recreation & Library	Salaries & Benefits	\$ 2,262,998	\$ 62,710	\$ 2,325,708
		Maintenance & Operations	\$ 925,057	\$ 97,000	\$ 1,022,057
		Capital Outlay	\$ -	\$ -	\$ -
Total Parks, Recreation & Library		\$ 3,188,055	\$ 159,710	\$ 3,347,765	
5	Public Works	Salaries & Benefits	\$ 2,808,859	\$ -	\$ 2,808,859
		Maintenance & Operations	\$ 4,150,606	\$ -	\$ 4,150,606
		Capital Outlay	\$ -	\$ -	\$ -
Total Public Works		\$ 6,959,466	\$ -	\$ 6,959,466	
General Fund (increase) / decrease		\$ 35,082,278	\$ 316,410	\$ 35,398,688	

**TABLE 4.
Continued**

Department	Fund	Dept	Acct	Project/ Adjustment Type	Description	Amount
Capital Improvement Project Fund						
28	CIP Fund	400	40	5894	90.25XXXX.CIPR.113 ADA transition plan	\$ 100,000
CIP Fund (increase) / decrease						Total \$ 100,000
Enterprise Fund - Water						
29	Water Fund	500	40	5511	Recurring Telephone - new SCADA telephone lines	\$ 46,000
30	Water Fund	500	40	5570	Recurring Software - adding meter reader software for the automated meter reading program	\$ 10,000
31	Water Fund	500	40	5560	Recurring Special department supplies - antiscalent, chemicals and supplies	\$ 20,000
32	Water Fund	500	40	5740	Recurring Additional water hydrants and assembly required as a result of vehicle collisions shearing off hydrant.	\$ 25,000
33	Water Fund	500	40	5780	One-Time Water supply costs - temporary decrease in cost of water purchased	\$ (80,000)
34	Water Fund	500	40	5840	One-Time Automated Meter Reading project - moving up on priority list	\$ 762,000
35	Water Fund	500	40	5840	One-Time Cast iron replacement pipe project - moving down on priority list	\$ (762,000)
33	Water Fund	500	45	5420	Recurring Credit card processing fees - increase needed due to increased activity	\$ 25,000
Water Fund (increase) / decrease						Total \$ 46,000
Internal Service Fund - Vehicle Replacement Fund						
34	Fleet Fund	601	40	5840	One-Time Capital Outlay - Fuel canopy project final payment, project began last year	\$ 230,053
35	Fleet Fund	601	40	5842	One-Time Vehicles & Large Equipment - New utility truck	\$ 55,000
36	Fleet Fund	601	40	5842	One-Time Vehicles & Large Equipment - Replacing vehicle	\$ 70,000
Fleet Fund (increase) / decrease						Total \$ 355,053
Special Revenue Fund - Proposition A						
37	Prop A	202	40	5xxx	One-Time Bus Shelter Improvements & General Supplies	\$ 101,381
Prop A (increase) / decrease						Total \$ 101,381
Special Revenue Fund - Housing Authority Fund						
38	Housing Authority Fund	223	40	5310	Recurring Housing Trust annual membership fee	\$ 7,500
Housing Authority Fund (increase) / decrease						Total \$ 7,500

The next major financial update will take place at the upcoming Budget Workshop on May 25, 2025, followed by a budget adoption presentation for Year 2 of the FY 2024-2026 Biennial Budget at a City Council meeting in June.

Reviewed for Fiscal Impact:

Siamlu Cox

Attachments:

- A. Mid-Year City Budget Resolution
- B. Exhibit A Mid-Year Budget Adjustments