



CITY COUNCIL

STAFF REPORT

September 18, 2024

ITEM TITLE: RESOLUTION NO. 2024-066 RATIFYING PREVIOUS ACTIONS OF THE CITY COUNCIL IN RELATION TO THE FY 2023-24 BUDGET, AND CONSIDERATION OF AN ADDITIONAL AMENDMENT TO THE FY 2023-24 BUDGET. (0300-20)

ORIGINATING DEPARTMENT:

Finance

EXECUTIVE SUMMARY:

The Fiscal Year (“FY”) 2023-24 municipal budget was adopted in May 2023 and represents the first year of a two-year budget cycle. Fiscal Year 2023-24 concluded on June 30, 2024, and staff has conducted an analysis of the FY 2023-24 adopted General Fund budget in comparison with authorized modifications in personnel and operational costs and City Council resolutions. Resolution No. 2024-066 will ratify and consolidate previous actions of the City Council and direct staff to complete an additional FY 2023-24 budget amendment to adjust certain accounts to better reflect actual results of operations.

Staff is currently preparing for the FY 2023-24 annual audit, which is scheduled to take place in late September. It is anticipated that the final Financial Statements will be prepared and presented to the City Council in early December 2024.

RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 2024-066 ratifying and consolidating previous actions of the City Council related to the City of Imperial Beach Budget and approving additional amendments to the FY 2023-24 Budget.

OPTIONS:

- Adopt Resolution No. 2024-066
- Provide direction to staff to provide additional information

BACKGROUND/ANALYSIS:

The municipal budget is the primary document that links the priorities of the City Council with the funding necessary to accomplish those goals. As such, it is a living document that is amended throughout the budget period, as financial needs change over time. City Council periodically considers various resolutions that amend or modify the anticipated revenues and expenditures in the General Fund. Through a series of previously adopted amendments (resolutions), the City Council has increased the authorized expenditures in the FY 2023-24 General Fund Budget. Staff

is continually monitoring the City's revenues and expenditures with the goal of keeping them in balance.

The FY 2023-24 fiscal year ended on June 30, 2024, but certain revenues received, and expenditures incurred through August 31, 2024, are also required to be included in FY 2023-24. Since June, staff has been recording these financial transactions, along with other required year-end adjustments in preparations for the City's annual audit.

As part of the year-end closing, both the revenue and expenditure budgets are reviewed and adjusted as necessary. The purpose of these adjustments is to bring the initial budgeted estimates closer to the actual results of operations so that the final budget is more accurate and more useful for future budget planning.

GENERAL FUND

General Fund Summary

The projections provided in this staff report are preliminary. The totals may change as the fiscal year is being closed out. Final revenue and expenditure amounts will not be certain until the annual audit is completed, and the audited financial statements are issued. Staff plans to report on the results of the audit to the City Council in November/December 2024.

Revenues

The FY 2023-24 adopted General Fund revenue budget was \$29,484,900 and the current amended budget is \$29,502,353.

Staff is proposing an overall increase in the General Fund Revenue budget of \$1.4 million for FY 2023-24 to align revenue accounts with larger variances with current trends. Amendments are proposed for recurring revenues as opposed to one-time items and/or items where large year-to-year fluctuations are expected, such as grants. While the amendment increases and decreases affect multiple accounts, the most prominent adjustments are as follows:

- Increase of \$505,100 to 101-0000-311.6006 (RPTTF Residual) for higher than anticipated property tax revenues
- Increase of \$331,600 to 101-0000-316.7049 (Transient Occupancy Tax) for higher revenues resulting from the passage of Measure R
- Increase of \$ 237,700 to 101-0000-318.1005 (Franchise Tax – Solid Waste) for higher than anticipated revenues
- Increase of \$150,000 to 101-0000-341.7401 (Building/Plan Fees) for higher than anticipated revenues resulting from the passage of the new fee schedule
- Increase of \$121,700 to 101-0000-311.6001 (1% General Tax) for higher than anticipated property tax revenues
- Decrease of \$219,900 to 101-0000-313.4001 (7.75% Sales Tax – City) for lower than anticipated revenues
- Decrease of \$129,900 to 103-0000-376.8803 (Community Benefit Contribution) for lower than anticipated revenues

The full details of the adjustment can be seen in the year-end revenue budget amendment (“Attachment 2”).

Expenditures

The General Fund adopted expenditure budget was \$29,484,900, and the current amended General Fund budget is \$32,605,965. During FY 2023-24, the City Council approved the following budget amendments using funds from General Fund reserves for one-time capital improvement project expenditures:

- Transfer to Park Fund for Sports Park Facility Remodel - \$1,076,170
- Transfer to CIP Fund for City Hall Facility Improvements - \$468,300
- Transfer to CIP Fund for Dempsey Center Facility Improvements - \$275,000
- Transfer to Park Fund for Sports Park Restroom Remodel - \$180,000
- Transfer to IT Funds for Security Cameras Project - \$140,000

Additionally, open purchase orders for projects approved in FY 2022-23 as well as budgets for previously approved capital projects were carried over into the FY 2023-24 budget.

Staff is proposing an overall decrease in the General Fund expenditure budget of \$532,000 for FY 2023-24 to reflect current cost trends and operational needs in accounts that experienced larger variances. While the amendment increases and decreases affect multiple accounts, the more prominent adjustments are as follows:

- Increase of \$131,200 to account 101-3040-424.2006 (Building – Professional Services) due to unexpected increases in consulting expenses resulting from staffing shortage
- Increase of \$126,700 to account 101-3020-422.1003 (Fire – Overtime) due to unexpected overtime staffing costs
- Increase of \$103,000 to account 101-1220-413.2002 (City Attorney – Other Projects) due to unbudgeted special legal project costs
- Increase of \$99,300 to account 101-6040-454.1001 (Tidelands – Salaries Full-Time) due to staffing needs
- Increase of \$95,500 to account 101-3040-424.2016 (Building – Plan Check Services) due to unexpected increases in consulting expenses resulting from staffing shortage
- Decrease of \$226,100 to account 101-3010-421.2006 (Sheriff - Professional Services) due to the use of available Supplemental Law Enforcement Safety Funding (SLESF) Funds
- Decrease of \$177,700 to account 101-3040-424.1001 (Building – Salaries Full-Time) due to position vacancies
- Decrease of \$100,100 to account 101-1230-413.2006 (Community Development – Professional Services) due to certain projects’ timelines being pushed to a future date

A full listing of the proposed expenditure budget adjustments can be seen in the year-end expenditure budget amendment (“Attachment 3”).

INTERNAL SERVICE FUNDS

Fund 501 – Vehicle Replacement

The Vehicle Replacement Fund adopted revenue and expenditure budget was \$1,220,800. The current amended revenue budget remains the same, while expenditure budget increased to \$1,736,658.

Staff is proposing an increase to both revenues and expenditures for this fund. The larger amendments are related to higher than budgeted fuel cost expenditures and fuel cost reimbursement revenue.

Fund 502 – Risk Management

The Risk Management Fund adopted revenue and expenditure budget was \$867,400 with no amendments executed to date.

Staff is proposing a decrease in expenditures for this fund related to insurance premium savings.

Fund 503 – Information Technology

The IT Fund adopted revenue and expenditure budget was \$1,246,300. The current amended revenue budget increased to \$1,386,300, while expenditure budget increased to \$1,446,300.

Staff is proposing an overall decrease in expenditures for this fund related operational cost savings and staff vacancies.

Fund 504 – Facility Maintenance

The Facility Maintenance adopted revenue and expenditure budget was \$150,000. The current amended revenue budget remains the same, while expenditure budget increased to \$168,988. Staff is not proposing any additional amendments to FY 2023-24 budget for this fund.

SEWER ENTERPRISE FUND

Fund 601 – Sewer Enterprise Fund

The Sewer Enterprise Funds adopted revenue budget was \$6,553,500 while expenditure budget was \$7,568,300. The current amended revenue budget remains the same, while expenditure budget increased to \$8,807,193 as open purchase orders and previously approved capital projects were carried over into the FY 2023-24 budget from prior years.

Staff is proposing an overall decrease in expenditures for this fund related operational cost savings.

A full listing of the proposed Internal Service and Sewer Fund budget adjustments is included as “Attachment 4” to this report.

SPECIAL REVENUE FUNDS

Fund 201 – Gas Tax Fund & Fund 207 RMRA (SB1) Gas Tax Fund

Several revenue decreases budget amendments are being requested as gas tax revenues came in lower than projected.

Fund 202 – Proposition “A” (Transnet) Fund

Several budget adjustments are being requested to “true-up” actual Prop “A” and RTCIP revenues as well as Transnet funded expenses to project activity.

Fund 212 – Supplemental Law Enforcement Services Fund (SLESF Fund)

A minimum of \$100,000 of funds (per City) are allocated annually from the State through the Citizens’ Option for Public Safety (COPS) program. Imperial Beach budgets for the minimum \$100,000 in revenue, but often receive a greater amount. A budget amendment, as shown in “Attachment 5”, is being requested to true-up the SLESF funding received, and the actual FY 2023-24 expenditures recorded.

Fund 216 – Housing Authority

Fund 216 accounts for activity within the City’s housing fund. Activity is sporadic and minimal and, as a result, the fund usually does not have an approved budget. Recently, there has been legal oversight for a potential housing project within the City. As such, the City has incurred expenses within the fund. Staff is requesting a budget amendment to true-up FY 2023-24 expenditures.

A full listing of the proposed Special Revenue Funds budget adjustments is included as “Attachment 5” to this report.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

FISCAL YEAR:	FY 2023-24
BUDGETED:	No
BUDGET AMENDMENT	Yes
ACCOUNT NO(S):	Various
PROJECT NO(S):	N/A
FISCAL ANALYSIS:	Resolution No. 2024-066 ratifies previous budget adjustments approved by the City Council and proposes year-end budget amendments
CURRENT BUDGET:	N/A

**ANTICIPATED
EXPENDITURE:**

N/A

ATTACHMENTS:

ATT 1 – Resolution 2024-066

ATT 2 – General Fund Revenue Budget Amendments

ATT 3 – General Fund Expenditure Budget Amendments

ATT 4 – Internal Service and Sewer Fund Budget Amendments

ATT 5 – Special Revenue Funds Budget Amendments