

CITY COUNCIL

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RYAN SMOOT
CITY MANAGER

CITY OF LOMITA

June 21, 2022

Subject: City Manager's FY 2022-2024 Budget Message

Dear Honorable Mayor, City Council and Citizens of Lomita:

It is my pleasure to submit the first Fiscal Year Biennial 2022-24 Operating and Capital Improvement Budget for the City of Lomita. The City Council has continued to set a high standard for service delivery, especially in the face of the COVID-19 pandemic, and this budget has been targeted to accomplish the goals set forth by the City Council at its last Strategic Planning Session. While the COVID-19 Pandemic has and will continue to have lasting effects on the ways in which we meet the needs of the community, I am proud of our organization and the resilience and compassion with which we have carried Lomita forward. The Fiscal Year 2022-24 Biennial Budget builds on the many lessons learned from the pandemic and sets lofty goals for our team to accomplish; we look forward to taking these lessons and continuing to improve Lomita for generations to come.

This is the first time in the City's history the budget has been prepared on a biennial basis. The biennial budget allows the City to better plan for revenues and expenditures over the intermediate term and provides the public with a clear plan for investments in the community beyond one single fiscal year. The Fiscal Year 2022-24 Biennial Budget is balanced without the use of any carryover funds, and benefits from additional revenues committed through the approval of Measure L while representing a total investment of more than \$67 Million over the next two years into the Lomita community.

While the budget plan reflects the significant investments in the future of the community, the reality is that there continue to be challenges ahead and Citywide revenues are still in the process of returning to pre-pandemic levels. One-time federal funding has helped to bridge budget challenges in FY 2021-22 and in the current FY 2022-23 budget, allowing us to not only continue essential programs and services, but make strategic community investments to core resources and programs that create opportunities for residents and business to thrive. The City Council's commitment to fiscal prudence and modernization of our revenue structure will keep us on our road to recovery and long-range stability. In recent years, cost increases have outpaced the City's revenues, but this year, thanks to overwhelming approval of Measure L, the City is able to reinvest additional revenues into the things our community cares for the most while setting the City on a strong financial footing.

The top priority of our residents, and in turn our top priority is to keep Lomita residents safe and protect their quality of life. We are taking proactive measures to ensure the safety and well-being of all families residing in Lomita. Like last year's budget, we are giving priority to the services that our residents need the most – such as quick emergency response, senior support, as well as recovering from the effects of pandemic related closures and losses. But this year we are also

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investing heavily into the future of the Lomita Water System with the completion of the G.A.C. upgrades at our water production facility, supplementing our Public Safety and Traffic safety efforts with additional patrol deputies across the community, continuing our ongoing efforts to rebuild our streets and sidewalks, and building up our capacity to grow and prepare for the recovery and rebuilding of our State and local economy. Many of these efforts would simply not be possible without the support of our residents through the approval Measure L.

Although the City operates twenty-nine (29) government-type funds, which include the General Fund (and its miscellaneous fund components), Special Revenue funds, Capital Project funds, and Internal Service funds. These government funds comprise approximately 64% of the total revenue and 63% of the total expenditures for the City in the Budget, making up the majority of the City's operation.

The two (2) Enterprise funds (Water Operations and Water Capital) make up approximately 36% of the overall revenue stream and are intended to be self-supporting activities; and 37% of the total expenditures for the City in the Budget. The General Fund is the City's primary source of funding for general City operations and is the fund most directly available for appropriation by the City Council. For this reason, it is the focus of this letter, though all funds are accounted for in the proposed budget.

Overall revenues are projected to increase by almost \$4.5 million, which includes revenues received from the American Rescue Plan (not including transfers from other funds). Within the City's General Fund, the primary funding source for government wide obligations, revenues are projected to be \$13,851,603 and \$14,200,427 for Fiscal Years 2022-23 and 2023-24 respectively with planned expenditures of \$13,851,603 and \$14,156,877. The overall budget in each fiscal year has been balanced without the use of the City's Reserves or transfers from other funds.

Below is an overview of the major General Fund revenue sources and expenditures with comparisons to previous years:

General Fund Overview of Fiscal Year 2022-2024 Biennial Budget

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. Expenditures of this fund include the general operating expenses which are not paid through other funds.

Although the economy has continued to pull itself out of the pandemic-induced recession, City staff is monitoring indications that the economy may be on a pre-recessionary path due to high inflation, shortages, and other economic indicators. In light of this, the revenue projections included in the budget continue to be conservative, and reflective of the uncertainty related to the economic recovery. A more detailed account is described below.

General Fund Revenues

General fund revenues for FY 2022-23 are projected at \$13,851,603, an increase of \$1,700,036 from FY 2021-22 Amended Adopted Budget. The overall increase is primarily due to the approval

of Measure L and vehicle license fees. General fund revenues for FY 2023-24 are projected at \$14,200,427, a slight increase of \$348,824 from FY 2022-23.

With an understanding that previous year revenue estimates were decreased due to the pandemic, some of the most significant year-to-year changes in funding for FY 2022-23 are listed below:

- Sales tax revenue (including the Bradley-Burns and Measure L revenues) is projected at \$4.75 million, a net increase of \$905,568 from FY 2021-22 Amended Adopted Budget and represents 34.34% of total general fund revenues.
- Motor Vehicle In-Lieu revenue is projected at \$2.65 million, a net increase of \$150,000 from FY 2021-22 Amended Adopted Budget and represents 19.13% of total general fund revenues.
- Property tax revenue is projected at \$1.92 million, a net increase of \$55,699 from FY 2021-22 Amended Adopted Budget and represents 13.87% of total general fund revenues.
- Business License Fees are projected at \$659,750, a slight increase from FY 2021-22 Amended Adopted Budget and represent 4.76% of total general fund revenues.
- Building Department Fees are projected at \$650,000, a slight increase of \$50,000 from FY 2021-22 Amended Adopted Budget and represent 4.69% of total general fund revenues.

It is important to note that although it is accounted for separately from the general fund in the proposed budget, the City is anticipating significant funding from the Federal Government's "American Rescue Plan Act 2021." The City Council has established a committee to work with City staff, the Chamber of Commerce and our local businesses and residents to allocate the programming of that funding. At the September 19, 2021 City Council meeting, Council approved allocations of that funding to the following programs: Cypress GAC Project, Job Creation & Business Incentive Program, Façade Improvement Program, Workforce Development Program, Workplace Safety & EOC Upgrades and, Digital Infrastructure Upgrades.

General Fund Expenditures

Preliminary projections for the coming years were developed in early 2022, but specific expenditure categories and programs were developed following the City Council's Strategic Planning and Goal Setting sessions. The expenditures detailed below represent our efforts to drive those goals forward.

General fund expenditures for FY 2022-23 are projected at \$13,851,603 – an increase of \$1,700,536 from FY 2021-22 Amended Adopted Budget. General fund expenditures for FY 2023-24 are projected at \$14,156,877 – a slight increase from the FY 2022-23 Proposed Budget. Adjustments to expenditures include supplementing our Public Safety and Traffic safety efforts, increasing our ongoing efforts to rebuild our streets, and building up our capacity to grow and prepare for the recovery and rebuilding of our State and local economies. They also include continued implementation of the Safety and Housing Element updates, technology, and digital infrastructure upgrades, planning for future updates to the City's General Plan and zoning codes, and increasing the City's voice in State and federal affairs - especially as it relates to local control.

Some of the major expenditure adjustments in the budget include the following:

- \$750,000 additional investment in each fiscal year into the City's Street Improvement Fund over and above already planned upcoming street rehabilitation projects.

- \$300,000 additional investment in each fiscal year to replace aging equipment for Street and Maintenance crews, some of which is more than 30 years old.
- An additional \$200,000 in each fiscal year set aside to prepare for a comprehensive review of the City's General Plan (last updated in 1998)
- Additional engineering staffing to expedite delivery of capital improvement projects and Water Operations staff in anticipation of the completion of the GAC upgrades to the Cypress Water Production Facility.
- Disaster recovery, cyber security, and broadband infrastructure upgrades
- Increase in part time staffing as Recreation programming and special events return.

Summary Conclusions

The Proposed Fiscal Year Biennial 2022-24 Budget keeps our organization moving forward and capitalizes on opportunities to grow and adjust. It maintains and builds critical services and invests in long term infrastructure improvements to enhance the quality of life of our residents.

In summary, the Fiscal Year Biennial 2022-24 Operating and Capital Improvement Budget provides a spending plan that maintains Lomita's tradition of fiscal responsibility while building and investing in the things that make Lomita strong.

I would like to recognize the efforts of our Departments on developing key strategies to accomplish the City Council's goals, and specifically our Administrative Services Department for putting together a clear, concise, and transparent budget document. I would also like to recognize the City's staff for their tireless efforts to improve our community. Our Team Lomita is what makes this organization strong, and we are proud to have them. Finally, I would like to thank the City Council for their continued support and for providing a long-term vision to drive this community into the future.

Sincerely,



Ryan Smoot
City Manager