

BUDGET USER'S GUIDE

The Lomita City Council adopts the Annual Budget by formal resolution, prior to July 1st of each year. The budget serves as a financial plan for the City which identifies the projected allocation and application of resources over the budget cycle.

The Annual Budget is designed to present summary information about the City's financial plans for the year in a user-friendly format. The Budget is organized by department, and the programs within the departments. Expenditures are displayed and subtotaled by type:

- Salaries & Benefits
- Operating Expenditures
- Capital Outlay.

The Budget Summary illustrates the fund(s) to which a program allocates its expenditures. The Annual Budget also includes the following sections:

Introduction Section: Includes the Table of Contents, List of City Officials, City Organization Chart, Profile of Lomita, and Facts & Figures About Lomita.

City of Lomita Budget User's Guide: Includes overview of Annual Budget, detailing city-wide revenues, expenditures, and fund balances.

Operating Budgets: Includes program budgets by department, with narratives highlighting the prior year accomplishments, explaining the function of the program, uses and sources of funds, line-item detail, budget comment worksheets, and department salary expense worksheets.

Appendix: Includes Revenue Fund Definitions and Authorized Uses, Glossary of Terms, and Acronyms List.

BUDGET PROCESS

The City's budget process begins with the distribution of a Budget Preparation manual, which contains:

- Budget Schedule
- Current Organization Chart
- Accomplishments (prior year document) for updating
- Revenue Worksheets
- Expenditure Worksheets
- Capital Improvement Program Worksheets
- Budget Comment Worksheets

Line-item budget development is accomplished through the City's financial system, which allows each department to build its budget using computerized worksheets. The individual departments are directly responsible for developing the Materials & Supplies line items and part-time employees' salaries. The remaining Salary & Benefit information is calculated and entered by the Administrative Services Department.

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All supplemental budget requests (new personnel, service, or equipment) are presented on separate forms and are subject to City Manager review and approval before becoming part of the operating budget. All proposed budget information is compiled, printed, and distributed to the City Manager, Assistant City Manager, and the Department Directors. The revenue estimates are reviewed with the department budget requests to determine available funding levels for the fiscal year. The City Manager, Assistant City Manager, and Administrative Services Director then meet with the departments to review the operating and supplemental budget requests.

Once the budget data has been reviewed and all changes have been made by the Administrative Services Department, a Proposed Budget is prepared. After final review and approval by the City Manager and Assistant City Manager, the Proposed Budget is presented to the City Council at a scheduled Budget Study Session. Prior to June 30, a Public Hearing is held by the City Council, and the Annual Budget is adopted by resolution.

During the fiscal year, the budget can be amended as necessary to meet the City's needs. The City Council has the legal authority to amend the budget at any time. Department Directors may only authorize expenditures based on appropriations previously approved by City Council action, and only from accounts under their organizational responsibility. Actual expenditures may exceed budget appropriations by line-item but may not exceed the department's budget. The City Manager has the authority to approve interdepartmental appropriation transfers as long as they are within the same fund. Interfund transfers require a budget amendment by the City Council.

BASIC ACCOUNTING

City of Lomita's accounting system is maintained on a fund basis, in accordance with governmental accounting standards. Each of the City's twenty-eight funds is considered a separate accounting entity with a self-balancing set of accounts that records assets, liabilities, fund equity, revenues, and expenditures. Funds are established and segregated for the purpose of recording specific programs or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds are classified into one of three categories: *governmental* (general, special revenue, debt service, and capital projects), *proprietary* (enterprise and internal service), and *fiduciary* (trust and agency). Governmental funds account for activities usually associated with a typical state or local government's operation. Proprietary funds are financed and operated in a manner similar to private business enterprises, where the intent is to recover the costs of providing goods and services from user charges. Fiduciary funds are utilized in situations where the government is acting in a fiduciary capacity as a trustee or an agent.

All governmental funds are budgeted and accounted for using the modified accrual basis of accounting, which recognizes revenues when they become susceptible to accrual, i.e., measurable, and available. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Examples of such revenues include property tax, sales tax, and interest earnings. Expenditures are recognized when the fund liability is incurred.

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Proprietary fund revenues and expenses are budgeted and accounted for on an accrual basis. Revenues are recognized in the period when earned, and expenses are recognized when incurred. The following Classification of Funds describes, in detail, the various types of funds and their purpose as established by the City of Lomita.

CLASSIFICATION OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is used to account for resources traditionally associated with general government which are not required to be accounted for in a separate fund including: sales tax which includes Measure L, property tax, transient occupancy tax, licenses and permits, fines, and forfeitures. This fund is used to finance most of the basis municipal functions, such as general administration, public safety, parks and recreation, and community development.

Special Revenue Funds

The Gas Tax Fund is used to account for the City's share of State and County gasoline tax collection in accordance with the provisions of the State of California Streets and Highway Code. Revenues are disbursed by the State based on population and must be used towards the maintenance and repair of City streets that serve as State and County thoroughfares.

Measure R Fund is used to fund projects such as pothole repairs, major street resurfacing, left-turn signals, bikeways, pedestrian improvements, streetscapes, traffic signal synchronization and local transit services.

Measure M Fund is used to fund projects such as repair and maintenance of public roadways, pavement maintenance, slurry and rubberized seals, chip seals, pothole repair, pavement rehabilitation, roadway construction or reconstruction, utility undergrounding, curb, gutter, sidewalk, tress, roadway signage, median and parkway improvements, and storm drain systems in connection with any roadway improvements.

Measure W Fund is used to fund projects dedicated to increase local water supply, improve water quality, and protect public health.

Community Development Block Grant Fund is used to account for federal grants for programs benefiting low-income persons and/or families.

The Proposition A Fund is used to account for proceeds from the half-cent sales taxes generated by the approval of Proposition A by Los Angeles County voters. These funds, which are administered by the Los Angeles County Metropolitan Transportation Authority (MTA), are distributed based on population, and must be used for transportation-related projects.

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The Proposition C Fund is used to account for proceeds from the half-cent sales taxes generated by the approval of Proposition C by Los Angeles County voters. These funds, which are administered by the Los Angeles County Metropolitan Transportation Authority (MTA), are distributed based on population, and must be used for transportation-related projects.

Transportation Development Act Article 3 (TDA 3) Fund is used to account for funds from MTA that must be used for pedestrian, bicycle, or bicycle-related projects or programs.

The AB 2766 Fund is used to account for proceeds received from the additional vehicle registration fee imposed by the State and regulated by the Air Quality Management District (AQMD). These funds are distributed based on population and must be used for programs designed to reduce air pollution from motor vehicles.

The Landscape Maintenance Fund provides for the utilities, maintenance, and capital improvements for the Palos Verdes bicycle path within the City of Lomita. Money is received from a special assessment placed on each tax bill of property owners in Assessment District No 1.

Park Facilities Fund is used to account for Park Development Tax and Quimby Act funds.

Park Athletic Fund is used to account for user charges for park athletic programs.

Park Grant Fund is used to account for State Parks and Recreation Grants.

Lomita Manor Development Fund is used to account for the local U.S. Housing and Urban Development (HUD) conventional housing programs of the City-owned senior housing complex, Lomita Manor.

American Rescue Plan 2021 Funding provides emergency funding for local governments to remedy the mismatch between rising costs and falling revenues. Funding will help cover the costs incurred due to responding to the public health emergency and provide support for recovery – including assistance to households, small businesses and nonprofits, aid to impacted industries, and support for essential workers. Funding provides resources to invest in infrastructure, including water, sewer, and broadband services.

Capital Projects Fund

The Capital Improvement Fund is used to account for capital projects not eligible for funding from other specific funding sources. The City established the fund in fiscal year 2001-2002, and the funding source is from transfers from the General Fund. Specific projects and their budgets are described in detail in the City's Capital Improvement Plan.

PROPRIETARY FUND TYPES:

Enterprise Funds

On August 28, 2008, the City issued the Series 2008 Revenue Certificates of Participation Bonds in the amount of \$7,550,000. The purpose of the bonds was to finance capital

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improvements to the City Water System. The Bonds are payable solely from the net revenues of the Water System of the City.

On May 4, 2016, the City refunded the Series 2008 Revenue Certificates of Participation Bonds and re-issued the City of Lomita Water Revenue Refunding Bonds, Series 2016 through a Private Placement Agreement with City National Bank in the amount of \$7,200,000. The purpose of the refunding was to secure a lower fixed interest rate of 3.25%. The Bonds are payable solely from the net revenues of the Water System of the City.

On July 1, 2021, the City refunded the Series 2016 Water Revenue Refunding Bonds and re-issued the City of Lomita 2021 Water Revenue Refunding Bonds through a Private Placement Agreement with Capital One Public Financing in the amount of \$6,081,000. The purpose of the refunding was to secure a lower fixed interest rate of 2.20%. The Bonds are payable solely from the net revenues of the Water System of the City.

The Water Operating Fund is used to account for the operation of the City's water utility system. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance, and capital improvements to the system.

The Water Capital Fund is used to account for capital improvements to the City Water System. This includes ongoing Water Main Replacement and Waterline Replacement Projects.

The Rate Stabilization Fund is a designated transfer from the Water Capital Fund as required for the Cypress Reservoir Bond.

Internal Service Funds

The Equipment Replacement Fund is used to account for the City's cost of maintenance replacing the City's capital assets. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

The Park Equipment Replacement Fund is used to bill departments for park equipment replacement on a scheduled basis. Equipment is defined as major equipment, having a multi-year life expectancy and a depreciation value.

The Sewer Replacement Fund is used to account for sanitary sewer-related projects as needed: Projects such as pipeline upgrades, regulatory requirements, and planning documents.

FIDUCIARY FUND TYPES:

Trust & Agency Funds

The Railroad Foundation Fund is used to report a trust arrangement. All resources of these funds including any earnings on investments must be used for specific purposes as set forth in the trust agreement.

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Tom Rico Memorial Fund is used to report a trust arrangement. All resources of these funds including any earnings on investments must be used for specific purposes as set forth in the trust agreement.