



**CITY OF BELL GARDENS
OFFICE OF THE CITY MANAGER**

AGENDA REPORT

Item 20.

TO:	Honorable Mayor and City Council Members
FROM:	Michael B. O'Kelly, City Manager
BY:	Manuel Carrillo, Director of Finance and Administrative Services Jules Tak, Accounting Manager Mary Ceballos, Payroll Analyst
SUBJECT:	ADOPTION OF THE FISCAL YEAR 2023-24 OPERATING AND CAPITAL IMPROVEMENT BUDGETS, COMPENSATION PLAN, AND ESTABLISHING THE APPROPRIATIONS LIMIT
DATE:	June 26, 2023

RECOMMENDATION:

It is staff's recommendation that the City Council by motion approve:

1. The attached Resolution adopting the fiscal year July 1, 2023 to June 30, 2024 (FY 2023-24) Operating and Capital Improvement Budgets and Compensation Plan; and
2. The attached Resolution establishing the GANN Appropriations limit for FY 2023-24 pursuant to Article XIII-B of the California State Constitution.

BACKGROUND/DISCUSSION:

Annual Budget Process

The City of Bell Gardens adopts a budget on an annual basis. The budget consists of projected revenues and proposed expenditures. Proposed expenditures specify the spending plan for the upcoming fiscal year, while the projected revenues address the expected available resources to fund City expenditures. Depending on the difference between the proposed expenditures and projected revenues, the budget will consist of a deficit, surplus, or a balanced budget.

Once approved by the City Council, the proposed expenditures are considered appropriated (at the fund level) and become available to pay for City expenditures.

Projected revenues are developed by the Finance Department along with input from other City departments. The formulation of the upcoming fiscal year's projected revenues includes taking into consideration projected economic conditions, historical analysis, the state budget, assistance from third-parties and other future expectations.

The budget process begins with the City Manager instructing each City department to prepare budget worksheets which detail each respective department's spending plan for the upcoming fiscal year. The budget worksheets are received and reviewed by the finance department. Budget meetings are then held with each respective department, finance department and the City Manager to review and discuss the proposed spending plans and make adjustments as necessary. Finally, the City Manager will present the annual budget to the City Council.

A budget study session was presented at the June 12, 2023, Council meeting. Further efforts were taken by staff, finalizing additional salary increases totaling an estimated \$216,600. These items are included in the PowerPoint presentation.

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Proposed Operating Budget

The proposed operating budget for Fiscal Year 2023-24 reflects the strength of the local economy emerging from the COVID-19 pandemic with a positive economic outlook as the City's top six (6) revenue sources show slight increases. After making changes to reflect the approved MOUs, vacancies, additional approved budget during the year, revenue adjustments, the general fund is projecting to end Fiscal Year 2022-23 with an estimated fund balance of \$1.5M.

FY 2022-2023 Financial Update

General Fund Update (FY 2022-2023)

For FY 2022-2023, the City Council adopted a General Fund budget with a surplus of \$168K. During the mid-year review, estimates were revised and the City was showing a surplus of \$1.9M. Then General Fund's projection for the end of year is a surplus of \$1.5M.

General Fund revenues are projected to be higher than the adopted budget by \$4.0M or 10.56%. The major increase in revenue is due to increased Bicycle Club Fees (\$3.4M), Interest Income (\$115K), Refund and Reimbursements (\$398K) and State Rent Program Revenue (\$742K) received from Prior year.

Expenditures for FY 2022-2023 are projected to be higher than the original budget amount by \$2.6M. During the year, employee MOUs were approved with increases to salaries and benefits, along with equipment purchases, other approved projects and increases costs in maintenance and supplies.

After the fiscal year ends on June 30, 2023, the City's financial information will be audited and financial statements will be published which will report the actual revenues, expenditures and surplus or deficit.

General Fund	FY 2022-23 Adopted	FY 2022-23 Mid-Year	FY 2023-24 Projected
Revenues	\$38,801,000	\$43,515,000	\$42,900,000
Expenditures	\$38,663,000	\$41,591,000	\$41,350,000
Surplus/(Deficit)	\$168,000	\$1,924,000	\$1,550,000

Water Utility Fund Update (FY 2022-2023)

For FY 2022-2023, the Water Utility fund is projected to lose \$1.35M. Revenues are projected at \$1.3M and expenditures are projected at \$2.6M. The cost of operating the water system this year is higher by \$1.1M compared to the actual expenditures in FY 2021-2022 due to water purchases since the well was shut down. A well water treatment project was initiated during the year to address the issue.

Water Utility Fund	FY 2022-23 Projected
Revenues	\$1,314,000
Expenditures	\$2,667,000
Surplus/(deficit)	(\$1,353,000)

FY 2023-24 Annual Budget

General Fund Budget (FY 2023-24)

For the FY 2023-24, the City's General Fund is projected to have a surplus of \$735K.

General Fund	FY 2023-24 Proposed
Revenues	\$42,439,425
Expenditures	\$41,704,538
Budget Surplus/(Deficit)	\$734,887

General Fund Revenues (FY 2023-24)

Projected FY 2023-24 General Fund revenues are projected to be higher by \$3,638,736. The total projected General Fund revenue is \$42,439,425. Below are the details for the FY 2023-24 General Fund proposed revenues.

Source	FY 2023-24 Proposed Revenues		Percent Of General Fund
Bicycle Casino	\$17,952,000	*	42.30%
In Lieu Motor Vehicle	\$5,500,000	*	12.96%
Property Leases	\$4,752,000	*	11.20%

Sales & Use Tax	\$3,778,000	*	8.90%
Measure A-Add on Sales Tax (.75%)	\$3,582,000	*	8.44%
Property Taxes	\$1,722,000	*	4.06%
Charges for Services	\$1,030,000		2.43%
Franchise Fees	\$910,000		2.14%
Hotel Visitor Tax	\$650,000		1.53%
Loan Repayments (ROPS)	\$748,000		1.76%
Fines and Forfeitures	\$480,000		1.13%
Transfer-In	\$396,000	**	0.93%
COPS Hiring/Measure H/Tobacco Grant/Post Reimb/LA Impact	\$214,000		0.50%
Interest Income	\$375,000		0.88%
JPIA Insurance Reimbursement	\$110,000		0.26%
Other Revenue	\$85,000		0.20%
Passport & Photo Fees	\$75,000		0.18%
Food Program	\$80,000		0.19%
Total	\$42,439,000		100%

*The City's top six major revenue sources made up 87.86% of \$42,439,425 of General Fund revenue budget.

Major Increases in General Fund revenue were driven by the following sources:

- Casino Revenue is expected to operate at full capacity \$3.05M
- Measure A add-on Sales Tax (.75%) \$382K
- Sales & Use Tax \$121K
- Interest Income \$250,000
- Hotel and Marketplace Ground Leases (per the agreement) \$80,000

Bicycle Casino Revenues

After the Bicycle Hotel was opened in December of 2015, revenues from the Bicycle Casino reached a new high point in fiscal year FY 2016-17, the first full fiscal year of operation, in the amount of \$14,138,000. The following fiscal year, FY 2017-18, revenues significantly decreased by \$1,208,000 to \$12,930,000, but steadily increased in the following years reaching another new high in fiscal year FY 2018-2019. The FY 2019-2020 Casino revenues were trending to set another record; however, on March 14, 2020, due to COVID-19, the Casino abruptly closed and sporadically opened until February. Beginning March 2021, the Casino has been successfully open daily and the revenue has been again steadily increasing. For FY 2022-23, Casino revenue was adopted at \$14,900,000 which is \$500,000 higher than FY 2021-22 estimated budget. For FY 2023-24 revenue is projected at \$17,951,569 which is \$3M above the prior year. This is projected based on recent historical revenue figures that have increased during FY2022-23. However, these revenue projections are dependent on external factors such as the Casino's ability to stay open, the overall economy, government regulation and Casino operations. The negative existence of any of these external factors could have a material impact on revenue projections.

General Fund Expenditures (FY 2023-2024)

General Fund FY 2023-2024 proposed expenditures are \$41,704,538. This represents an increase of \$3,070,923 or 7.9% from the prior year.

Additionally, for fiscal FY 2023-2024, the vacancy savings rate is set at 4% which projects the anticipated savings from current and future vacancies. The projected vacancy savings is \$965,188 for FY 2023-2024.

Below is a comparison of General Fund expenditures between FY 2022-23 and FY 2023-24 along with explanations for each expenditure line item.

Description	Percent Of FY 2023-24 Budget	FY 2022-23 Adopted Budget	FY 2023-24 Proposed Budget	Change Increase/ (Decrease)
Personnel Services	65.2%*	\$25,185,686	\$27,185,400	\$1,998,714
Contractual Services	24.0%*	\$9,400,656	\$10,011,891	\$611,235

Department Supplies	2.5%	\$841,350	\$1,036,350	\$195,000
Capital Outlay	3.3%	\$1,193,300	\$1,362,500	\$169,200
Debt Service	1.5%	\$596,277	\$610,464	\$14,187
Transfer to Other Funds	5.4%	\$2,113,451	\$2,263,121	\$149,670
Transfer to Reserves	.050%	\$200,000	\$200,000	-
Vacancy Savings Rate	(2.3%)	(\$898,105)	(\$965,188)	(\$67,083)
Total	100%	\$38,633,615	\$41,704,538	\$3,070,923

* 89.2% of General Fund Expenditures are made up of Personnel and Contractual Services.

Personnel Services (\$27,185,400) is made up of salaries, CalPERS contributions, health insurance, and other taxes and benefits. Personnel services makes up 65.2% of General Fund proposed expenditures.

FY 2023-2024 personnel services are up by \$2.1M. The increases are from adopted salary increases as part of the ratified MOUs with the various labor groups throughout the City. Included are proposed salary increases with a projected amount of \$216,600. Factored in as well are normal step increases, CalPERS retirement up \$358,000, Health Care up \$39,000, holiday paid \$19,000, leave paid out up by \$11,000, part-time up \$51,000, and worker's comp increased by \$3,500 and taxes and other benefits up by \$74,000. As well as projected Overtime and Part-time Salaries.

The FY 2023-24 budget includes a total of 154 authorized staff positions citywide. In addition, the following are proposed position salary adjustments & reclassifications of positions in FY 2023-24.

Position	Department	Current (Salary)	Proposed (Salary)
Director of Public Works/Facilities (Salary Adjustment)	Public Works	M2-81 Step E \$13,916/Month	M2-86 Step E \$15,374/Month
Director of Recreation and Community Svcs (Salary Adjustment)	Recreation and Community Services	M1-75 Step E \$13,916/Month	M2-86 Step E \$15,374/Month
Accounting/HR Manager (2 Positions) (Salary Adjustment)	Administration	M2-82 Step E \$9,880/Month	G2-76 Step E \$12,321/Month
Secretary to Chief of Police (Salary Adjustment)	Police	P1-54 Step E: \$5,846/Month	G2-52 Step E: \$6,418/Month
Account Technician (2 Positions) (Salary Adjustment)	Administration	G2-47 Step E \$5,072/Month	G2-49 Step E: \$5,576/Month
Payroll Analyst (Salary Adjustment)	Administration	G1-62 Step E \$6,784/Month	C1-58 Step E: \$7,416/Month
Account Clerk I (Salary Adjustment)	Administration	G2-42 Step E: 4,566/Month	G2-47 Step E: \$5,072/Month
Office Assistant/Clerk Typist (Part-Time to Full Time Role)	Community Development	Current Part-Time Salary	G2-40 Step C: \$4,566/Month

Assistant Planner to Associate Planner	Community Development	G2-54 Step E: \$7,003/Month	G2-59 Step E: \$7,955/Month
		Total Estimated Personnel Cost	\$216,600

Contractual Services (\$10,011,891) is a broad category that is made up of services the City contracts for, both small and large. The major services the City contracts for include general liability insurance, attorney services, information technology, tree and landscape services, animal control services, crossing guard services, vehicle repair, and annual maintenance and warranty subscriptions. Contractual services also include City utilities such as electricity, water and gas. Overall, contractual services increased by \$611,235 mainly from the following:

Police Department contractual services are up by \$210K due to psychological services, (CCW) background checks, services, vehicle maintenance and fuel cost, operational warranties & subscription, and professional services - training coordinator.

Public Works' Administration division contractual services are up by \$117K due to the higher cost for industrial waste permits, engineering services and crossing guard services.

Public Works Park and Facility Maintenance division contractual services are up by \$75K due to increases in higher cost for Tree and Landscape services, facility maintenance and repair, equipment rental, contractual services such as Pump Man, Amtech Elevator and plumbing.

City Clerk Department contractual services are down overall by \$43K due to no election costs, in FY 23-24.

Departmental Supplies (\$1,036,350) makes up 2.5% of proposed expenditures. These include the supplies each respective department needs to run operations and activities for the City. Supplies consist of park supplies, custodial supplies, street supplies, office supplies and recreation supplies. Copier leases and range supplies appear to be a significant portion of the increase for FY 23-24. Departmental supplies increase and decrease among the various departments, resulting in an overall net increase is \$195K.

Capital Outlay (\$1,362,500) is made up of larger one-time purchases that can range from department equipment to facility improvements. The Capital outlay budget for FY 2023-2024 is up by \$169K.

These increases include expenditures increases include PD IT Hardware and software infrastructure investment of \$50K.

PD Field/Patrol Services vehicle investments of \$50K.

PD Administration, Facility improvements \$88K.

Public Works Administration Vehicles \$85K.

The overall Capital Outlay increase is offset by reductions from other departments.

Debt Service (\$610,464) are the principal and interest payments the City makes on debt and loans. The General Fund is currently paying on one bond, the 2015 lease revenue bond which has an outstanding balance of \$4,455,000 as of 6/30/2023. In addition, the City entered into a contract agreement for the tax-exempt master equipment lease-purchase agreement loan with Holman Capital of \$2,239,435 and the first payment occurred in fiscal year 2021-22; principal and interest are \$186,365 and remaining principal balance as of 6/30/23 is \$1,989,817.

Transfers Out (\$2,263,121) transfers out increased by \$149K which were due to a combination of items as follows: Subsidy to Ford Park of additional \$5K; subsidy to Golf Course of additional \$18K; loan repayment from Successor Agency programmed to transfer to the Capital Replacement Fund of additional \$20K; retiree health care cost of \$100K.

Transfers to Reserves (\$200,000). The FY2023-24 proposed transfer to reserves will bring the contingency reserve to \$4,100,000.

Water Utility fund (FY 2023-2024)

By the end of FY 2023-2024, the Water Utility debt is projected to decrease by \$4,050,000. In FY 2023-24, the Water Utility

By the end of FY 2022-2023, the water utility's deficit is projected to decrease by \$1,353,000. In FY 2023-24, the water utility is projected to lose another \$1,105,000. This is due to the ongoing water purchases since the water well is currently shut down. To cover the cash deficit, the Water Utility borrows funds from the General Fund. By the end of FY 2023-24, the Water Utility is projected to owe the General Fund \$8,240,000. Staff continues to analyze options to address the ongoing deficits incurred by the Water Utility.

Water Utility Fund	FY 2023-2024 Projected
Revenues	\$1,642,000
Expenditures	\$2,747,000
Surplus/(Deficit)	(\$1,105,000)

All City Funds (FY 2023-2024)

For fiscal year 2023-2024, the proposed expenditures for all thirty-five (35) City funds is \$60,632,987. All City Funds include General Fund, Capital Replacement Fund, Special Revenue Funds, Capital Project Fund, Enterprise Funds and Successor Agency Funds.

Fund Type (Number of Funds)	FY 2023-2024 Proposed Expenditures
General Fund (1)	\$41,704,538
Equipment Replacement Funds - General Fund in ACFR (1)	\$85,000
Special Revenue Funds (23)	\$13,320,550
Capital Project Funds (2)	-
Enterprise Funds (Water Utility and Golf Course)	\$2,630,119
Successor Agency Funds (6)	\$2,892,780
Total All City Funds	\$60,632,987

Capital Projects and Infrastructure Improvements

FY 2023-2024 newly appropriated capital project work plan is \$750,000 and the remainder of \$42,914,531 was carried over from FY 2022-2023.

In accordance with the City's purchasing policy, each project over \$10,000 will be brought before the City Council for approval.

No.	Project	Project #	Project Budget	Projects Program FY2023-24	Expended As Of 6/15/2023	Remaining Budget	Funding Source (\$)
1	Eastern/Florence Intersection Improvements	3850	\$3,384,895		\$771,620	\$ 2,613,275	Metro Prop C & Measure R
2	Upgrades Water Well #1 & Reservoir	3869	471,000		647,930	(176,930)	Federal Grant/TDA -City Match
3	Florence Ave Ira & Jaboneria Intersection Improvement	3871	1,389,472		195,572	1,079,900	Local MTA Grant
4	Ford Park Infiltration Cistern	3879	10,500,000		8,803,239	1,696,761	State Grant
5	Veterans Park City Yard compliance Upgrade*	3880	350,000		39,642	310,358	Measure W
6	Intersection Improvements Garfield and	3881					Metro Grant & Measure R

	Eastern		4,635,000		639,797	3,995,203	
7	Ford Park Aquatic Center (Design/Eng)	3888	17,524,650		1,757,438	15,767,212	CDBG & Grants, LWCF Grant
8	ATP Cycle 5 Complete Street Improvement Phase I (Matching)	3903	7,000,000		751,633	6,248,367	Federal grant funding/Prop C Measure R
9	Urban Green Grant	3905	366,800		306,463	60,337	Federal Grant /GF \$20,400
10	Water Quality-PFAS/PFOA	3908	225,585		331,595	(106,010)	Water Fund
11	Complete Meter Repl 1300 Meters	3911	53,895			53,895	Water Fund
12	Interconnet W/Neighbor System	3913	106,165			106,165	Water Fund
13	Replace 4" Fire Hydrants (25 Hydrants)	3914	35,535			35,535	Water Fund
14	Alleys	3917	613,447		21,573	591,874	Measure R
15	Eastern Ave Arterial Street Improvement	3918	2,506,484		175,186	2,331,298	STPL & Toll Credit Prop C, Measure R & M Local Return
16	FY 2022-23 Various Residential Street Improvement and Citywide Striping	3919	814,678		119,919	694,759	TDA, Measure R & Measure M
17	Citywide striping	3916	158,858		15,555	143,303	TDA and Measure R
18	Slurry Seal Zone 4	3921	200,000		19,388	180,612	Measure M
19	BG Keep Parks Clean Beautification Project Hannon & Asmus Park - Playground & Cleanup	3923	587,567		49,709	537,858	Caltrans Clean CA Grant &
20	Marlow Park Renovation	3924	893,000		-	893,000	RPOSD Measure A
21	Veterans Park Refurbishment	3925	3,977,339		-	3,977,339	RPOSD Measure A
22	Ford Park Playground and Restroom Replacement	3926	1,429,194		-	1,429,194	Prop 68 Per Capita RPOSD Measure/Prop A
23	Ford Park Maintenance		500,000		48,776	451,224	General Fund

	Yard Access	3902					
24	Zone 5 Residential Slurry Seal	0000	-	200,000		200,000	Measure M & R:\$200,000
25	Florence Ave Pavement Repair-Garfield to Granger	0000		250,000		250,000	Prop C:\$250,000
26	Alley Rehab	0000		300,000		300,000	Measure M& R : \$300,000
	Total Capital Improvement Projects		\$57,723,564	\$750,000	\$14,695,033	\$ 43,664,531	

GANN Limit Initiative/Appropriations Limit for Fiscal Year 2023-2024

On an annual basis, California cities are required to complete an appropriations calculation for each fiscal year. The City's auditors are required to review and approve the appropriations calculation as part of their audit of the City. Article XIII-B of the California State Constitution places limits on the amount of revenue that can be spent by all entities of government. It is the responsibility of the City to calculate the annual appropriations limit. The prior fiscal year's limit is increased by a factor based upon the change in the population or that of the County if the County change in population is greater than the City's. Staff chooses the population change that is most favorable to the City. The choice of each of these factors is an annual election. For FY 2023-24, the change in population is -0.84% for the City of Bell Gardens and -0.75% for the County of Los Angeles. The FY 2023-24 appropriations limit calculation is based on the -0.75% County of Los Angeles' population change. The change in the California per capita personal income was 4.44%

For FY 2023-24, the appropriations limit is \$94,851,326; estimated tax proceeds are \$33,833,071. The City is \$61,018,255 below the FY 2023-24 appropriation limit. An analysis of the calculation is attached on the GANN Limit worksheet.

Next Steps

Upon City Council's adoption of the budget and appropriations limit, the final adopted budget document will be compiled and published. The City budget will be constantly reviewed and updates will be provided to the City Council throughout the year. Any necessary changes that occur during the Fiscal Year will be brought back to the City Council for consideration.

CONCLUSION:

The proposed budget will result in a FY 2023-2024 All City Funds budget of \$60,632,987. The City has remaining CIP projects of \$42,914,531 and \$750,000 in new appropriations which total \$43,664,531 for FY 2023-2024. Once the budget is adopted by the City Council, the final budget document will be compiled and published on the City's website. The budget will be monitored throughout the year and will be reanalyzed during the mid-year budget review.

FISCAL IMPACT:

The proposed budget will result in a total FY 2023-2024 All Funds budget of \$60,632,987. The proposed City budget includes General Fund expenditures of \$41,704,538 and projected General fund revenues of \$42,439,425 which results in a budget surplus of \$734,887. This proposed budget includes a \$200,000 transfer to General Fund reserves which will grow the contingency reserve to \$4,100,000 which is 9.83% of General Fund proposed expenditures. Per the Reserve Fund Policy approved by Council on June 9, 2008, the goal is to grow the contingency to reach 10% of the annual General Fund budgeted expenditures.

ATTACHMENTS:

- Exhibit 1 - Resolution No. 2023-51
- Exhibit 2 - Resolution No. 2023-52
- FY 23-24 Salary Schedule
- Gann Limit Worksheet
- FY 23-24 GF Expenditures

FY-23-24 Budget Presentation

APPROVED ELECTRONICALLY BY:

Michael B. O'Kelly, City Manager

Stephanie Vasquez, City Attorney and/or Susie Altamirano, Assistant City Attorney

Manuel Carrillo, Director of Finance and Administrative Services