



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

AGENDA REPORT

Item 22.

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 2024-25 OPERATING AND CAPITAL IMPROVEMENT BUDGETS, COMPENSATION PLAN, AND ESTABLISHING THE APPROPRIATIONS LIMIT
DATE:	June 10, 2024

RECOMMENDATION:

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

1. The attached Resolutions adopting the fiscal year July 1, 2024 to June 30, 2025 (FY 2024-2025) Operating and Capital Improvement Budgets and Compensation Plan; and
2. The attached Resolution establishing the GANN Appropriations limit for FY 2024-2025 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 adjust as necessary. Finally, the City Manager will present the annual budget to the City Council.

Proposed Operating Budget

The proposed operating budget for Fiscal Year 2024-2025 reflects the strength of the local economy with a slightly positive economic outlook as the City's top Seven (7) 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 2023-2024 with an estimated fund balance of \$166K.

FY 2023-2024 Financial Update

General Fund Update (FY 2023-2024)

For FY 2023-2024, the City Council adopted a General Fund budget with a surplus of \$735K. During the mid-year review and after additional City Council approved General Fund expenditures, estimates were revised and the city showed a surplus of \$187K. The expected General Fund projection for the end of year is a surplus of \$166K.

expected General Fund projection for the end of year is a surplus of \$100K.

General Fund revenues are projected to be higher than the adopted budget by \$1.8M or 4.18%. The major increase in revenue is due to increased Bicycle Club Fees (\$223K), Motor Vehicle In-Lieu (\$454K), Refunds & Reimbursements (\$390K) Building Permits (\$130K) and Billboard lease Revenue (\$110K).

Expenditures for FY 2023-2024 are projected to be higher than the original budget amount by \$2.35M, due to City Council approved expenditures, MOU salary increases of 4%, leave payout, vacancy savings, part-time costs and increase costs in maintenance and supplies.

After the fiscal year ends on June 30, 2024, 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 2023-2024 Adopted	FY 2024-2025 Mid-Year	FY 2024-2025 Projected
Revenues	\$42,439,425	\$44,249,763	\$44,215,500
Expenditures	\$41,704,538	\$44,063,177	\$44,050,000
Surplus/(Deficit)	\$734,887	\$186,586	\$165,500

Water Utility Fund Update (FY 2023-2024)

For FY 2023-2024, the Water Utility fund is projected to lose \$1.1M. Revenues are projected at \$1.6M and expenditures are projected at \$3.7M. The cost of operating the water system this year is higher by \$1.1M compared to the actual expenditures in FY 2022-2023 due to water purchases since the well was shut down.

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

FY 2024-2025 Annual Budget

General Fund Budget (FY 2024-2025)

For the FY 2024-2025, the City's General Fund is projected to have a surplus of \$72K.

General Fund	FY 2023-2024 Proposed
Revenues	\$46,236,251
Expenditures	\$46,163,848
Budget Surplus/(Deficit)	\$72,403

General Fund Revenues (FY 2024-2025)

Projected FY 2024-2025 General Fund revenues are projected to be higher by \$3,797,251. The total projected General Fund revenue is \$46,236,251. Below are the details for the FY 2024-2025 General Fund proposed revenues.

Source	FY 2024-2025 Proposed Revenues		Percent Of General Fund
Bicycle Club Fees	\$19,836,000	*	42.90%
Motor Vehicle In Lieu	\$5,665,000	*	12.25%
Property Leases	\$4,910,043	*	10.62%
Sales & Use Tax	\$4,010,213	*	8.67%
Measure A Add-on Sales Tax (75%)	\$3,762,002	*	8.14%

Measure A-Add on Sales Tax (.75%)	\$3,702,002		0.14%
Property Taxes	\$1,450,400	*	3.14%
Charges for Services	\$1,533,478		3.32%
Franchise Fees	\$950,000		2.05%
Hotel Visitor Tax	\$700,000		1.51%
Loan Repayments (ROPS)	\$770,565		1.67%
Rental Registry Fees	\$650,000		1.41%
Fines and Forfeitures	\$500,000		1.08%
Transfer-In	\$407,400	**	0.88%
COPS Hiring/Measure H/Tobacco Grant/Post Reimb/LA Impact	\$97,850		0.21%
Interest Income	\$600,000		1.30%
JPIA Insurance Reimbursement	\$113,300		0.25%
Other Revenue	\$200,000		0.43%
Passport & Photo Fees	\$80,000		0.17%
Food Program	-		0.00%
Total	\$46,236,251		100%

*The City's top Seven major revenues sources made up 85.05% of \$46,236,251 of General Fund revenue budget.

** Transfer-in, funds the General Fund received from other funds as a reimbursement or refunds (\$250,000 Successor's Agency's administrative cost and \$157,400 Water Fund payment of 2015 Bonds portion).

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

- Casino Revenue is expected to operate at increase capacity in FY 2024-2025 \$1.88M
- Measure A add-on Sales Tax (.75%) \$180K
- Sales & Use Tax \$232K
- Motor Vehicle in-lieu \$165K
- Interest Income \$255,000
- Utility Franchises \$40,000
- Hotel and Marketplace Ground Leases (per the agreement) \$158K
- Rental Registry Fees \$650K

Projected Decreases in General Fund revenue were as follows:

- Projected reduced Property Tax \$271K
- COPS Hiring \$116K
- Food Program \$80K

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 2016-2017, the first full fiscal year of operation, in the amount of \$14,138,000. The following fiscal year, FY 2017-2018, 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 open until February. Beginning March 2021, the Casino has been successfully open daily, and the revenue has been steadily increasing again. For FY 2022-2023, Casino revenue was adopted at \$14,900,000 which is \$500,000 higher than FY 2021-2022 estimated budget. FY 2022-2023 saw a record high of \$18,986,140. For FY 2023-2024 revenue was adopted at \$17,951,569, year-end projections for FY 2023-2024 at \$18,175,000. This is projected based on recent historical revenue figures that have increased during FY2023-2024. For FY 2024-2025 we are projected revenues of \$19,836,000. However, these revenue projections are dependent on external factors such as the Casino's ability continue to increase revenues, the overall economy and government regulation. The negative existence of any of these external factors could have a material impact on revenue projections.

General Fund Expenditures (FY 2024-2025)

General Fund FY 2024-2025 proposed expenditures are \$46,163,848. This represents an increase of \$4,459,310 or 10.6% from the prior fiscal year. Additionally, for fiscal FY 2024-2025, the vacancy savings rate is set at 4.5% which projects the anticipated savings from

prior fiscal year. Additionally, for fiscal FY 2024-2025, the vacancy savings rate is set at 4.5% which projects the anticipated savings from current and future vacancies. The projected vacancy savings is 1,318,110 for FY 2024-2025.

Below is a comparison of General Fund expenditures between FY 2023-2024 and FY 2024-2025 along with explanations for each expenditure line item.

Description	Percent Of FY 2023-2024 Budget	FY 2023-2024 Adopted Budget	FY 2024-2025 Proposed Budget	Change Increase/ (Decrease)
Personnel Services	63.45%*	\$27,185,400	\$29,291,337	\$2,105,937
Contractual Services	24.48%*	\$10,011,891	\$11,300,885	\$1,288,994
Department Supplies	2.38%	\$1,036,350	\$1,100,300	\$63,950
Capital Outlay	5.23%	\$1,362,500	\$2,415,850	\$1,053,350
Debt Service	1.32%	\$610,464	\$610,465	\$1
Transfer to Other Funds	5.55%	\$2,263,121	\$2,563,121	\$300,000
Transfer to Reserves	0.43%	\$200,000	\$200,000	-
Vacancy Savings Rate	(-2.86%)	(\$965,188)	(\$1,318,110)	(\$352,922)
Total	100%	\$41,704,538	\$46,163,848	\$4,459,310

* 88% of General Fund Expenditures are made of Personnel and Contractual Services.

Personnel Services (\$29,291,337) is made up of salaries, CalPERS contributions, health insurance, and other taxes and benefits. Personnel services makes up 63.5% of General fund proposed expenditures.

FY 2024-2025 personnel services will be up up by \$2,105,937. The increases were from the 4% salary increase adopted as part of the ratified MOU's with the various labor groups and CalPERS contribution increases.

The FY 2024-2025 budget includes a total of 158 authorized staff positions citywide. In addition, the following are reclassification of positions, positions title changed and/or reactivation of position.

Proposed Positions Salary Adjustments & Reclassifications FY 2024-2025				
Position	Department	Current (Salary)	Proposed (Salary)	Increase in Salary & Benefits
Housing Program Supervisor to Housing Program Manager (Reclassification Only) No Fiscal Impact	Community Development	M1-73 Step E \$9,076	M1-73 Step E \$9,076	No Fiscal Impact
Code Enforcement-Building Impactor to Combination Building Inspector I/II (Reclassification & Salary Adjustment) Hiring Point	Community Development	G2-55 Step A \$5,916/Month	G1-63 Step E \$6,346/Month	\$5,160/Annually

Dependent on Experience				
		Total Personnel Cost		\$5,160/Annually

Contractual Services (\$11,300,885) 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 will increase by \$1,288,994 mainly from the following:

Police Department contractual services are up by \$45K due to vehicle maintenance and fuel cost, operational warranties & subscription, and professional services. The Police Department is experiencing savings in categories such as Psychological Services and well as other expense levels maintaining steady in this category.

Public Works' Administration division contractual services are up by \$225K due higher cost for industrial waste permits, engineering services and crossing guard services.

Public Works' Park and Facility Maintenance division contractual services are up by \$400K due to increased cost for Tree & Landscape Services, Facility Maintenance and Repair, equipment rentals, contractual services such as Plumbing and Janitorial Services.

City Clerk Department contractual services are up overall by \$100K due to the election costs, which will take place in FY 2024-2025.

Community Development contractual Services will increase by \$60K for Economic Development personnel Assistance.

Finance and Administrative Contractual Services will increase by \$50K for the personnel classification study to be completed in FY 2024-2025.

Departmental Supplies (\$1,100,300) makes up 2.4% 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. Departmental supplies increase and decrease among the various departments, resulting in an overall net increase is \$64K.

Capital Outlay (\$2,415,850) is made up of larger one-time purchases that can range from department equipment to facility improvements. The Capital outlay budget for FY 2024-2025 is increased by \$1.05M.

These increases include expenditures such as:

Public Works Administration Vehicles \$184K;

PD IT Hardware and Software Infrastructure investments \$50K;

PD Field/Patrol services vehicle investments \$10K;

Recreation and Community Services Vehicles and Other Equipment \$65K;

IT Hardware/Software & Other Equipment \$419K; and

General Fund Capital Improvement Projects (CIP); Ford Park Access Road, GWMA Recycled Water Project \$300K.

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

Debt Service (\$610,465) 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 FY 2021-2022; principal and interest is \$186,365 and remaining principal balance as of 6/30/23 is \$1,995,409.

Transfers Out (\$2,563,121) transfers out increase by \$300K which were due to a combination of items as follows: Decrease in subsidy to Ford Park of \$115K; decrease in subsidy to Golf Course of \$50K. Transfer to Gas Tax \$200K; Transfer to Prop A \$250K and Transfer to Measure R \$15K. Resulting in a net increase of \$300K.

Transfers to Reserves (\$200,000). The FY2024-2025 proposed transfer to reserves will bring the contingency reserve to \$4,300,000.

Water Utility Fund (FY 2024-2025)

By the end of FY 2023-2024, the Water Utility's deficit is projected to Increase by \$1,105,000. In FY 2024-2025, the Water Utility is projected to lose another \$1,259,000. To cover the cash deficit, the Water Utility borrows funds from the General Fund. By the end of FY 2024-2025, the Water Utility is projected to owe the General Fund \$8,699,000. Staff continues to analyze options to address the ongoing deficits incurred by the Water Utility.

Water Utility Fund	FY 2024-2025 Projected
Revenues	\$1,988,000
Expenditures	\$3,247,000
Surplus/(Deficit)	(\$1,259,000)

All City Funds (FY 2024-2025)

For the FY 2024-2025, the proposed expenditures for all thirty-five (35) City funds is \$78,205,327. 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 2024-2025 Proposed Expenditures
General Fund (1)	\$46,163,848
Equipment Replacement Funds - General Fund in ACFR (1)	\$60,000
Special Revenue Funds (23)	\$14,051,406
Capital Project Funds (2)	\$11,722,326
Enterprise Funds (Water Utility and Golf Course)	\$3,615,007
Successor Agency Funds (6)	\$2,592,740
Total All City Funds	\$78,205,327

Capital Projects and Infrastructure Improvements

FY 2024-2025 newly appropriated capital project work plan program is \$13,461,706 and the remainder of \$64,824,684 was carried over from FY 2023-2024.

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 Budget	Projects Program FY2024-2025	Expended As Of 6/2024	Remaining Budget	Funding Source (S)
1	Eastern/florence Intersection Improvements	3,384,895		639,264	2,745,631	Metro Prop C 25% = \$2,200,182 Metro Measure R = \$1,184,713
2	Upgrades Water Well #1 & Reservoir	500,000	700,000	622,237	577,763	Total Grant: \$1.7M-California State Water Resources Planning Grant
	Well#1 Ion Exchange PFAS					California State Water Resources Planning Grant

3	Treatment Plant	345,504	500,000	(71,539)	917,043	
4	Florence Ave Ira & Jaboneria Intersection Improvement	1,417,245		94,976	1,322,269	Local MTA Grant Metro Prop C 25% Hwy Improvements: \$992,072 Metro Measure R Hwy Operations: \$283,449 Local Match - Prop A: \$141,724
5	Ford Park Infiltration Cistern	10,500,000		11,833,948	(1,333,948)	Measure W LA Safe Clean Water: \$8,000,000 Measure W LA Safe Clean Water: \$2,000,000 Central Basin Municipal Water District: \$500,000
6	Veterans Park City Yard compliance Upgrade*	915,465		375,186	540,279	LA County Measure W - Annual Allocation
7	Intersection Improvements Garfield and Eastern	4,635,000		641,887	3,993,113	Metro Grant Measure R \$4,635,000
8	Ford Park Aquatic Center (Design/Eng)	31,146,416		3,480,233	27,666,183	Land Water Conservation Grant: \$6,000,000 Community Dev. Block Grant: \$3,146,416 LA County Supervisor Hahn: \$4,000,000 Local Assistance Specified Grant: \$2,000,000 HUD Community Project Funding: \$1,500,000 General Fund: \$14,500,000
9	ATP Cycle 5 Complete Street Improvement Phase I (Matching)	6,999,000		336,756	6,662,245	ATP Cycle 5 Grant: \$6,499,000 Local Match Prop C: \$400,000 Local Match Measure R: \$100,000
10	Complete Meter Repl 1300 Meters	53,895		-	53,895	Water Fund
11	Eastern Ave Arterial Street Improvement	2,041,049		190,745	1,850,304	STPL - \$408,762 (CON) Toll Credit - \$46,885 (CON) Prop C Local Return: \$1,472,245 (\$250k PE; \$1,222,245 CON) Measure R Local Return: \$42,203 (CON) Measure M Local Return: \$42,204 (CON) TDA: \$28,750
12	Various Residential Street Improvement and Citywide Striping	1,001,014		111,504	889,510	TDA: \$39,765 Measure R Local Return: \$599,913 Measure M Local Return: \$175,000 Prop C Local Return: \$200,226

12	Striping	1,034,914		114,534	920,380	Prop C Local Return: \$220,236
13	Slurry Seal Zone 4	200,000		24,850	175,151	Measure M Local Return
14	BG Keep Parks Clean Beautification Project Hannon & Asmus Park - Playground & Cleanup	587,567		164,246	423,321	Caltrans Clean CA Grant: \$510,067 General Fund: \$77,500
15	Marlow Park Renovation	893,000		-	893,000	RPOSD Measure A
16	Veterans Park Refurbishment	3,977,339	700,000	-	4,677,339	RPOSD Measure A: \$3,977,339 HUD CPF: \$700,000
17	Ford Park Playground and Restroom Replacement	1,250,980		-	1,250,980	RPOSD Measure A - \$1,046,902 Prop 68: \$177,952 Prop 68- Allocation: \$26,126
18	Ford Park Maintenance Yard Access	500,000	200,000	38,492	661,509	General Fund
19	Zone 5 Residential Slurry Seal	200,000		16,720	183,280	Measure M Local Return:\$100,000 Measure R Local Return:\$100,000
20	Citywide Bike LN Sharrow-Re Striping	108,000	(9,138)	-	98,862	Measure M Local Return
21	Ford Park LED Lights Installation	249,909		-	249,909	General Fund
22	Former Berk Oil Site Reme Proj- ECRG		3,500,000	1,124,454	2,375,546	ECRG Grant
23	Safe Streets and Roads for all programs	50,133	500,000	348	549,785	Safe Streets and Roads for All (SS4A) Program \$500,000 Gas Tax: \$50,132
24	GWMA Recycled Water Project		2,403,176		2,403,176	Proposition 1 IRWM Grant: \$2,353,176 General Fund: \$50,000
25	HISP Cycle 11 Project - Intersection Improv		483,500		483,500	HSIP Fund: \$435,150 General fund: \$48,350
26	City's Maint Yard Stormwater Compliance Slurry Seal		70,000		70,000	LA County Measure W - Annual Allocation
27	Zone 1		190,000		190,000	Measure M: Local Return
28	Various Residential Street Improvements FY 2023-2024		1,245,168		1,245,168	Measure R Local Return: \$672,735 Meaure M Local Return \$572,433
	ATP Cycle 6 Complete					

29	Street Improvement Phase II		2,964,000		2,964,000	ATP Cycle 6 Grant
30	NYC Basketball Resurfacing		15,000		15,000	General Fund- expecting to be completed next FY
	Total FY 2024-2025 CIP	\$70,990,311	\$13,461,706	\$19,627,333	\$64,824,684	

GANN Limit Initiative/Appropriations Limit for Fiscal Year 2024-2025

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 2024-2025, the change in population is -0.49% for the City of Bell Gardens and 0.05% for the County of Los Angeles. The FY 2024-2025 appropriations limit calculation is based on the 0.05% County of Los Angeles' population change. The change in the California per capita personal income was 3.62%.

For FY 2024-2025, the appropriations limit is \$98,334,086; estimated tax proceeds are \$36,607,407. The City is \$61,726,679 below the FY 2024-2025 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. Additionally, requested increases to supplies, services and personnel, and capital outlay request will be analyzed and prioritized for the upcoming Fiscal 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 2024-2025 All City Funds budget of \$78,205,327. The City has remaining CIP projects of \$64,824,684 with \$13,461,706 in new appropriations for FY 2024-2025. 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 2024-2025 All Funds *budget of \$78,205,327*. The proposed City budget includes General Fund expenditures of \$46,163,848 and proposed General fund revenues of \$46,236,251 which results in a budget surplus of \$72,403. The proposed budget includes a \$200,000 transfer to General Fund reserves which will grow the contingency reserve to \$4,300,000 which is 9.3% of General Fund proposed expenditures.

ATTACHMENTS:

- Exhibit 1 - Resolution No. 2024-43
- Exhibit 2 - Resolution No. 2024-44
- Exhibit 1 - FY 24/25 Salary Schedule
- Exhibit 2 - FY 24/25 Gann Limit Worksheet
- Housing Program Manager Description
- Combination Building Inspector I/II Description
- Exhibit 3 - Resolution No. 2024-45 (renamed)

FY 2024-25 General Fund Expenditures

FY 2024-25 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