

# FIRST QUARTER BUDGET REVIEW REPORT

FY 2023 - 2024



SEE WHAT  
TORRANCE IS DOING





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# EXECUTIVE SUMMARY

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



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# Executive Summary

## Introduction

The purpose of the Fiscal Year 2023-24 First Quarter Budget Review Report is to provide City Council and the public with a summary of the City’s overall financial performance for the first three fiscal months ending September 30, 2023. This report provides an update on all major funds (with an emphasis on major General Fund revenues and expenditures), reserve balances, projected year-end forecasts, and a summary of economic trends.

In accordance with Council Policy 3, the City’s budget is amended throughout the course of the fiscal year, under the discretion of either the City Manager or City Council, to address additional expenditures that occur after budget adoption through the public hearing process. For this reason, the amounts presented under ‘Amended Budgets’ will fluctuate throughout the year. It is also important to note that certain major General Fund revenues are seasonal (e.g., property tax and business license tax); therefore, the majority of receipts in those revenue classifications have not yet been collected as of September 30.

This budget report is prepared in collaboration with City departments using actual (unaudited) activity for fiscal year 2023-24 (FY23-24). Moreover, statistical data and economic analyses were gathered from consultants and other resources to project year-end revenues. The projections presented in this report are based on the most recent available data at the time of publication; however, data projections are subject to change. As such, staff will continue to monitor actual activity and provide updates in subsequent quarterly budget reviews.

## First Quarter Results – Citywide Revenues (All Funds)

As of September 30, 2023, across **all** funds, including the General Fund, Internal Service Funds, and Enterprise Funds, the City realized revenues of **\$92.6 million**, achieving **18.9%** of the FY23-24 budget. During the same period ending September 30, 2022, the City realized **\$71.0 million** in revenues, representing **16.3%** of the FY22-23 revenue budget. The following table summarizes revenues received as of September 30, 2023, compared to the same period in the previous year, broken down by General Fund, Internal Service Funds, and Enterprise Funds.

## Citywide Revenues (All Funds)

Revenues	2022-23			2023-24				
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)
GF-Operating Fund	\$ 252,756,117	\$ 32,554,982	12.9%	\$ 271,235,876	\$ 29,487,381	10.9%	\$ 269,189,563	\$ (2,046,313)
GF-Measure SST	\$ 13,500,000	\$ -	0.0%	\$ 22,942,288	\$ 1,908,679	8.3%	\$ 24,474,216	\$ 1,531,928
GF-Rest/Assigned	\$ 4,354,474	\$ 2,209,910	50.8%	\$ 25,763,426	\$ 23,097,825	89.7%	\$ 25,704,290	\$ (59,136)
GF-Unassigned	\$ -	\$ -	0.0%	\$ 4,802,423	\$ 1,200,606	25.0%	\$ 4,802,423	\$ -
<b>Total General Fund</b>	<b>\$ 270,610,591</b>	<b>\$ 34,764,892</b>	<b>12.8%</b>	<b>\$ 324,744,013</b>	<b>\$ 55,694,491</b>	<b>17.2%</b>	<b>\$ 324,170,492</b>	<b>\$ (573,521)</b>
Self Insurance	\$ 17,347,600	\$ 4,290,353	24.7%	\$ 20,668,500	\$ 5,274,220	25.5%	\$ 25,785,900	\$ 5,117,400
Fleet	\$ 9,628,182	\$ 1,781,646	18.5%	\$ 12,121,697	\$ 2,302,802	19.0%	\$ 8,929,700	\$ (3,191,997)
<b>Total Internal Service</b>	<b>\$ 26,975,782</b>	<b>\$ 6,071,999</b>	<b>22.5%</b>	<b>\$ 32,790,197</b>	<b>\$ 7,577,022</b>	<b>23.1%</b>	<b>\$ 34,715,600</b>	<b>\$ 1,925,403</b>
Airport	\$ 17,481,109	\$ 10,009,085	57.3%	\$ 17,024,729	\$ 3,907,521	23.0%	\$ 17,617,675	\$ 592,946
Transit	\$ 45,232,700	\$ 7,167,533	15.8%	\$ 37,254,922	\$ 11,875,155	31.9%	\$ 37,371,078	\$ 116,156
Sanitation	\$ 15,680,878	\$ 1,636,843	10.4%	\$ 16,156,401	\$ 2,503,411	15.5%	\$ 18,248,400	\$ 2,091,999
Sewer	\$ 6,165,910	\$ 815,431	13.2%	\$ 8,313,366	\$ 1,329,720	16.0%	\$ 7,993,563	\$ (319,803)
Water	\$ 52,170,884	\$ 10,530,176	20.2%	\$ 54,827,481	\$ 9,738,331	17.8%	\$ 53,515,164	\$ (1,312,317)
<b>Total Enterprise Fund</b>	<b>\$ 136,731,481</b>	<b>\$ 30,159,068</b>	<b>22.1%</b>	<b>\$ 133,576,899</b>	<b>\$ 29,354,138</b>	<b>22.0%</b>	<b>\$ 134,745,879</b>	<b>\$ 1,168,980</b>
<b>Total Revenues</b>	<b>\$ 434,317,854</b>	<b>\$ 70,995,959</b>	<b>16.3%</b>	<b>\$ 491,111,109</b>	<b>\$ 92,625,651</b>	<b>18.9%</b>	<b>\$ 493,631,971</b>	<b>\$ 2,520,862</b>

## First Quarter Results – Citywide Expenditures (All Funds)

As of September 30, 2023, across all major funds, including General Fund, Internal Service Funds, and Enterprise Funds, the City realized expenditures of **\$141.9 million**, achieving **30.2%** of the FY23-24 budget. During the same period ending September 30, 2022, the City expended **\$113.7 million** or **26.7%** of the FY22-23 expenditure budget. The subsequent table provides a summary of expenditures as of September 30, 2023, compared to the same period in the prior year, and is also broken down by General Fund, Internal Service Funds, and Enterprise Funds.

## Citywide Expenditures (All Funds) and Projected Net Surplus/(Deficit)

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Rev minus Exp
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget		
GF-Operating Fund	\$ 249,806,066	\$ 67,996,948	27.2%	\$ 271,237,554	\$ 84,752,228	31.2%	\$ 265,358,764	\$ 3,830,799
GF-Measure SST	\$ 13,500,000	\$ -	0.0%	\$ 22,942,288	\$ 8,685,680	37.9%	\$ 21,942,288	\$ 2,531,928
GF-Rest/Assigned	\$ 1,433,554	\$ 428,892	29.9%	\$ 1,842,085	\$ 400,000	21.7%	\$ 663,342	\$ 25,040,948
GF-Unassigned	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ 4,802,423
<b>Total General Fund</b>	<b>\$ 264,739,620</b>	<b>\$ 68,425,840</b>	<b>25.8%</b>	<b>\$ 296,021,927</b>	<b>\$ 93,837,908</b>	<b>31.7%</b>	<b>\$ 287,964,394</b>	<b>\$ 36,206,098</b>
Self Insurance	\$ 22,661,485	\$ 6,015,038	26.5%	\$ 28,494,290	\$ 7,220,972	25.3%	\$ 18,302,210	\$ 7,483,690
Fleet	\$ 7,899,806	\$ 1,494,869	18.9%	\$ 8,807,257	\$ 2,328,204	26.4%	\$ 8,110,567	\$ 819,133
<b>Total Internal Service</b>	<b>\$ 30,561,291</b>	<b>\$ 7,509,907</b>	<b>24.6%</b>	<b>\$ 37,301,547</b>	<b>\$ 9,549,176</b>	<b>25.6%</b>	<b>\$ 26,412,777</b>	<b>\$ 8,302,823</b>
Airport	\$ 17,620,539	\$ 11,776,711	66.8%	\$ 14,456,513	\$ 3,073,332	21.3%	\$ 14,706,782	\$ 2,910,893
Transit	\$ 38,642,171	\$ 5,996,661	15.5%	\$ 38,490,413	\$ 7,448,150	19.4%	\$ 33,104,093	\$ 4,266,985
Sanitation	\$ 15,866,751	\$ 2,999,711	18.9%	\$ 20,155,560	\$ 3,752,846	18.6%	\$ 18,791,547	\$ (543,147)
Sewer	\$ 6,175,601	\$ 2,267,204	36.7%	\$ 6,581,954	\$ 3,257,378	49.5%	\$ 6,389,091	\$ 1,604,472
Water	\$ 52,114,173	\$ 14,687,396	28.2%	\$ 56,507,977	\$ 20,937,559	37.1%	\$ 55,963,544	\$ (2,448,380)
<b>Total Enterprise Fund</b>	<b>\$ 130,419,235</b>	<b>\$ 37,727,683</b>	<b>28.9%</b>	<b>\$ 136,192,417</b>	<b>\$ 38,469,265</b>	<b>28.2%</b>	<b>\$ 128,955,057</b>	<b>\$ 5,790,822</b>
<b>Total Expenses</b>	<b>\$ 425,720,146</b>	<b>\$ 113,663,430</b>	<b>26.7%</b>	<b>\$ 469,515,891</b>	<b>\$ 141,856,349</b>	<b>30.2%</b>	<b>\$ 443,332,228</b>	<b>\$ 50,299,743</b>
<b>Revenues Less Expenditures</b>	<b>\$ 8,597,708</b>	<b>\$ (42,667,471)</b>		<b>\$ 21,595,218</b>	<b>\$ (49,230,698)</b>		<b>\$ 50,299,743</b>	

As shown above in the “**Projected Rev minus Exp**” column, the following results are projected for FY23-24.

- The **General Fund-Operating Fund**, despite an anticipated \$2.0 million (0.8%) revenue shortfall, is expected to operate at a projected surplus of **\$3.8 million**, primarily driven by vacancies. As of September 30, 2023, the General Fund-Operating Fund has 145.55 full-time equivalent (FTE) vacant positions, a decrease from 155.9 FTE vacancies during the same period last year.
- The **General Fund-Measure SST Fund** will operate at a projected surplus of **\$2.5 million** due to revenues exceeding budget by approximately \$1.5 million and successfully securing grant funding to cover expenditures dedicated to addressing citywide homelessness efforts, generating an additional \$1.0 million in expenditure savings.
- The **General Fund-Restricted/Assigned Fund** will operate at a projected surplus of **\$25.0 million**, primarily driven by a \$22.3 million contribution to the City’s California Employers’ Pension Prefunding Trust (CEPPT) Section 115 Fund and contributions to various replacement funds for planned future equipment purchases.
- The **General Fund-Unassigned Fund** will operate at a projected surplus of **\$4.8 million**, driven by a contribution from the Measure SST Fund intended to replenish reserves for fiscal sustainability, one of the main priorities/expenditure categories of Measure SST.

- The **Self-Insurance Fund** will operate at a projected surplus of **\$7.5 million** due to an additional planned contribution of \$5.0 million from the General Fund-Operating Fund to aid in efforts to reduce its **negative fund balance**.
- The **Fleet Services Fund** will operate at a **\$0.8 million** surplus primarily driven by contributions to the Fleet Vehicle Replacement Fund, and partially offset by an operating deficit in the Fleet Services Operations Fund due to vacancies in the Fleet Services Division, restricting charges to other funds.
- The **Enterprise Funds** will operate at a projected surplus of **\$5.8 million** overall, led by the Transit Fund due to vacancies.

The forthcoming sections will provide greater detail of the above results, with particular focus on the General Fund-Operating Fund, which constitutes 91.6% of the General Fund budget and 57.8% of the Citywide budget. Additional information is also included in the **Areas of Focus** section of this document to elaborate on important topics being monitored by staff that need to be addressed.

## First Quarter Results – General Fund-Operating Fund

As of September 30, 2023, the General Fund-Operating Fund realized revenues of **\$29.5 million**, achieving **10.9%** of the FY23-24 budget. During the same period ending September 30, 2022, the City realized **\$32.6 million** in revenues, representing **12.9%** of the FY22-23 revenue budget. As shown in the table below, it is projected that revenues in the General Fund-Operating Fund will fall short of budget by approximately \$2.0 million or 0.8% mainly driven by an expected shortfall in sales & use taxes and construction tax and offset by increases in utility users’ tax. At the end of FY23-24, it is projected that revenues will exceed expenditures by **\$3.8 million**.

### General Fund-Operating Fund Revenue and Expenditure Summary

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 252,756,117	\$ 32,554,982	12.9%	\$ 271,235,876	\$ 29,487,381	10.9%	\$ 269,189,563	\$ (2,046,313)	99.2%
Total Expenses	\$ 249,806,066	\$ 67,996,948	27.2%	\$ 271,237,554	\$ 84,752,228	31.2%	\$ 265,358,764	\$ 5,878,790	97.8%
<b>Revenues Less Expenditures</b>	\$ 2,950,051	\$ (35,441,966)		\$ (1,678)	\$ (55,264,847)		\$ 3,830,799		
<b>Fund Bal Dec/(Increase)</b>	\$ (2,950,051)			\$ 1,678			\$ (3,830,799)		
<b>Net Budget Balance</b>	\$ -			\$ -			\$ -		

On the expenditure side, the General Fund-Operating Fund realized expenditures of **\$84.8 million**, achieving **31.2%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$68.0 million** or **27.2%** of the FY22-23 expenditure budget. Currently, it is projected that expenditures will fall below budget by \$5.9 million by the end of the

fiscal year. Included in the projection is a one-time transfer of \$5.0 million from the General Fund to the Self-Insurance Fund to assist in reducing the Self-Insurance Fund’s negative fund balance. After controlling for this one-time transfer, the General Fund-Operating Fund is expected to generate a \$10.9 million surplus. This is primarily the result of departmental vacancies across the General Fund. As of September 30, 2023, the General Fund had 145.55 FTE vacant positions. While this represents a decrease of 10.35 FTE vacancies from the same period in the year prior, the City continues to experience challenges in attracting qualified candidates and has many recruitments underway.

## General Fund-Operating Fund Revenue Analysis

The three core revenue sources of the General Fund-Operating Fund are sales tax, property tax, and utility users’ tax; these three core revenue sources represent about 62% of the City’s total General Fund-Operating Fund budget. Combined with business license and occupancy taxes, these five revenue sources make up approximately 70% of the City’s total General Fund-Operating Fund budget. However, certain receipts are seasonally collected, such as property taxes (December through April), business license renewal taxes (January through February), and sales taxes from the holiday season (Black Friday, Cyber Monday, Christmas). Thus, revenue receipts for the first quarter do not provide a “clear” representation of projected fiscal year-end results since they are not received until the second and third quarters of each fiscal year. The table below represents all revenue sources of the General Fund-Operating Fund, however only the five tax sources described above will be examined in this section. All classifications are examined in the **Revenue Overview** section of the document, broken down in further detail.

### General Fund-Operating Fund Revenues by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Taxes	\$ 194,680,678	\$ 14,680,758	7.5%	\$ 209,861,473	\$ 14,918,455	7.1%	\$ 208,329,056	\$ (1,532,417)	99.3%
Licenses, Fees and Permits	\$ 4,923,246	\$ 1,508,327	30.6%	\$ 5,773,777	\$ 1,154,179	20.0%	\$ 5,251,509	\$ (522,268)	91.0%
Fines, Forfeitures and Penalties	\$ 735,144	\$ 77,663	10.6%	\$ 760,672	\$ 63,950	8.4%	\$ 610,743	\$ (149,929)	80.3%
Use of Money and Property	\$ 3,200,594	\$ 1,631,691	51.0%	\$ 4,527,970	\$ 2,006,601	44.3%	\$ 5,358,530	\$ 830,560	118.3%
Intergovernmental	\$ 559,241	\$ 52,030	9.3%	\$ 349,501	\$ 5,000	1.4%	\$ 577,900	\$ 228,399	165.4%
Charges for Services	\$ 19,724,668	\$ 5,277,624	26.8%	\$ 23,560,796	\$ 4,871,735	20.7%	\$ 23,810,840	\$ 250,044	101.1%
Other Revenues	\$ 505,598	\$ 34,237	6.8%	\$ 105,570	\$ 177,603	168.2%	\$ 196,460	\$ 90,890	186.1%
Operating Transfers In	\$ 28,426,948	\$ 9,292,652	32.7%	\$ 26,296,117	\$ 6,289,858	23.9%	\$ 25,054,525	\$ (1,241,592)	95.3%
Other Financing Sources	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 252,756,117</b>	<b>\$ 32,554,982</b>	<b>12.9%</b>	<b>\$ 271,235,876</b>	<b>\$ 29,487,381</b>	<b>10.9%</b>	<b>\$ 269,189,563</b>	<b>\$ (2,046,313)</b>	<b>99.2%</b>

### Sales & Use Tax

Sales tax receipts of \$4.8 million for the first fiscal quarter are tracking below prior year actuals by \$492,000 or 9.4% lower. This reduction is mainly due to decreased consumer demand after the economy rebounded significantly from the COVID-19 pandemic. Sales tax receipts peaked in FY21-

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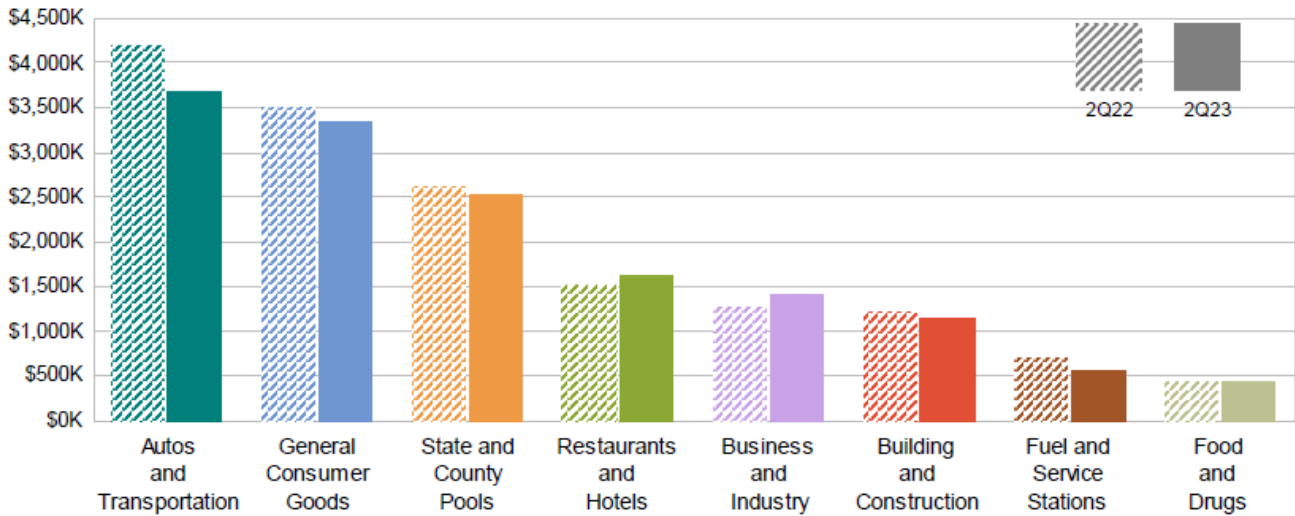
22 at \$63.6 million, fell to \$62.6 million in FY22-23, and are projected to generate \$61.6 million in FY23-24. The forecast projects a decrease of 1.5% from prior-year actuals or 4.3% below budgeted figures in the current fiscal year.

With sales tax revenues trending downward, staff continue to be cautious with economic forecasts. In July 2023, the Federal Reserve (Fed) increased the Federal Funds Rate to a range of 5.25% - 5.50%. During the November 2023 meeting, it was decided to maintain this same range, with no additional increases anticipated through the end of calendar year 2023. The Fed's policy to slow inflation has affected sales across various industries. As of the latest available data from the California Department of Tax & Fee Administration (CDTFA), a sharp drop in auto sales and leasing activity was largely responsible for the overall decline due to softening demand as higher financing rates adversely impact buyers' spending power.

Lower year-over-year gas prices and the increase in general consumer retailers selling fuel also hurt returns in the service station category. In addition, decreased lumber prices coupled with extended wet winter weather also appears to have negatively impacted the building and construction industry, while weak sales by other merchants, including home furnishings and electronic/appliance stores, further hindered performance results.

However, solid activity from local restaurants, including casual dining establishments and those located within hotels, partially offset these declines. Strong seasonal sales and steady growth from multiple vendors lifted business-industry. The below chart is based on the latest available data from the CDTFA and illustrates quarter-over-quarter (3-month) results as of June 30, 2023. It should be noted that quarterly data typically becomes available after a four-month delay, and staff adjusts forecasts accordingly throughout the fiscal year.

### 2Q22 Compared To 2Q23



Source: HdL Companies

Steady household spending and low unemployment figures have shielded the U.S. economy from entering a recession, a unique situation even as inflation exceeded the Fed’s targets and interest rates on loans and credit cards rose. Looking ahead, households face tight budgets, and various industries grapple with challenges like labor costs, inventory shortages, and market share competition. Sales tax revenue generated from consumer spending is expected to dip slightly in FY23-24, with limited expansion also anticipated in FY24-25.

### Property Tax, Property Transfer Tax, and VLF Swap & Repayment

Property tax revenues are primarily received in December and April each year. As of September 30, 2023, property tax receipts of \$1.1 million remain relatively flat compared to the same period last year. Presently, the City projects that total year-end revenue will fall short of budget by approximately \$397,000 across the three combined property tax categories or 0.8% lower.

The City’s property tax base consists of a healthy mix of residential, commercial, and industrial properties, with the residential category comprising most of the total assessed value in Torrance. Based on calendar year 2022 data from property tax consultants, HdL Coren & Cone, the City’s FY23-24 net taxable assessed value increased to \$38.2 billion or 5.3% when compared to the same period during the prior year, keeping Torrance in the top 10 highest value cities in Los Angeles County at eighth place.

**TAXABLE ASSESSED VALUE**  
**\$38.2 BILLION**

**+5.3%**  
**TORRANCE**

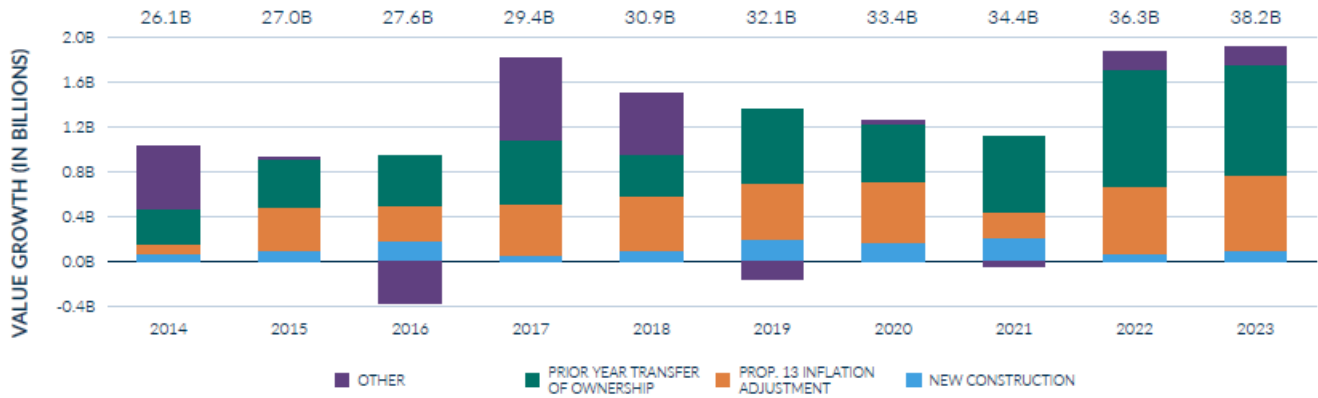


**+5.9%**  
**COUNTY**



**HISTORY OF VALUE CHANGES BY CAUSE**

INCLUDING TOTAL ASSESSED VALUE



The Other change category may include effects of assessment appeals, multi parcel sales, and changes to secured exemptions, personal property, or utility-owned property values

Source: HdL Companies

As shown above, prior year transfer of ownership is the largest driver of change in the City’s overall taxable assessed value, followed by the Prop 13 inflation adjustment. When comparing the different property types, the residential category adds nearly \$1.4 billion in taxable assessed value and the commercial category adds an additional \$122.1 million. The table below shows that as of August 2023, the median sales price of a detached single-family residential (SFR) home in Torrance was \$1,175,000, a 2.1% decrease from 2022. This is a direct result of the Fed steadily increasing interest rates 11 times since March 2022, going from a range of 0.25% -0.50% to 5.25% - 5.50% by July 2023. This is an important variable to monitor as transfer of ownership is the largest driver in assessed value changes.

**DETACHED SINGLE-FAMILY HOMES  
MEDIAN SALE PRICE HISTORY**

YEAR	SALES	MEDIAN PRICE	CHG %
2014	804	\$680,000	7.1%
2015	833	\$717,000	5.4%
2016	898	\$760,000	6.0%
2017	900	\$820,000	7.9%
2018	795	\$840,000	2.4%
2019	801	\$865,000	3.0%
2020	809	\$930,000	7.5%
2021	929	\$1,100,000	18.3%
2022	761	\$1,200,000	9.1%
2023*	435	\$1,175,000	-2.1%

*\* Year-to-Date (through August 2023)*

The largest notable assessed value change occurred on a multi-family residential parcel owned by Raintree Torrance LLC, located at 20530 Anza Avenue. The parcel was sold and reappraised in 2022, adding over \$56.7 million to the City’s taxable assessed value. Similarly, a multi-family residential parcel located at 25909 Rolling Hills Road was sold to Ocean Ten LLC adding \$46.1 million to the City’s taxable assessed value. New personal property and fixtures valued at \$40.6 million were also added to the parcel owned by Polypeptide Laboratories Inc. between tax years.

**Utility Users’ Tax**

Utility users’ tax (UUT) receipts are tracking above the prior year by \$424,000 or 6.2%. Overall, the increase was mainly due to UUT collected from electricity; water, cable, and telecom experienced a decrease from the prior year. The Torrance Refinery experienced increases in both electricity and gas due to increased production. The City is currently expected to exceed the FY23-24 budget by \$1.5 million or 3.4% within this revenue category.

**Other Major Revenue Sources**

Other major revenue sources of the General Fund-Operating Fund include business license tax, whose receipts will begin to arrive in January 2024, and occupancy tax. As of September 30, 2023, business license tax receipts are consistent with prior year and are expected to exceed budget by

5.0% due to increased collection efforts by a third-party consultant, Hinderliter de Llamas & Associates, that were not included in the FY23-24 adopted budget.

As of September 30, 2023, the City has received \$747,000 in occupancy tax receipts, a decrease of \$76,000 compared to September 30, 2022 receipts of \$823,000. Based on information from data and analytics company STR, LLC, the City’s occupancy rate percentage for the three-month period ending September 30 decreased from an average of 86% in 2022 to an average of 84% in 2023. Conversely, the average daily rate per room increased by \$6.44 during this same period. Overall, it is projected that occupancy tax receipts will fall short of budget by approximately \$827,000 or 6.3%. This represents a leveling out of the sporting events, concerts, and business conferences that have returned to full capacity without the COVID-19 restrictions from years prior.

### General Fund-Operating Fund Expenditure Analysis

As of September 30, 2023, the General Fund-Operating Fund expended **\$84.8 million** or **31.2%** of the FY23-24 expenditure budget, an increase of **\$16.8 million** or **24.6%** from the prior year.

### General Fund-Operating Fund Expenditures by Department

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
City Council	\$ 428,713	\$ 157,693	36.8%	\$ 580,611	\$ 147,332	25.4%	\$ 549,338	\$ 31,273	94.6%
City Manager	\$ 6,094,097	\$ 1,316,996	21.6%	\$ 6,436,700	\$ 1,442,094	22.4%	\$ 6,313,866	\$ 122,834	98.1%
City Attorney	\$ 2,815,838	\$ 608,226	21.6%	\$ 3,108,064	\$ 692,523	22.3%	\$ 3,074,945	\$ 33,119	98.9%
City Clerk	\$ 1,074,052	\$ 213,583	19.9%	\$ 1,359,558	\$ 284,979	21.0%	\$ 1,326,231	\$ 33,327	97.5%
City Treasurer	\$ 364,841	\$ 45,863	12.6%	\$ 343,088	\$ 91,008	26.5%	\$ 337,715	\$ 5,373	98.4%
Finance	\$ 5,989,884	\$ 1,007,227	16.8%	\$ 6,251,439	\$ 1,171,822	18.7%	\$ 6,146,425	\$ 105,014	98.3%
Human Resources	\$ 2,192,036	\$ 462,843	21.1%	\$ 2,355,177	\$ 482,540	20.5%	\$ 2,026,310	\$ 328,867	86.0%
Civil Service	\$ 629,901	\$ 140,955	22.4%	\$ 701,129	\$ 185,400	26.4%	\$ 690,098	\$ 11,031	98.4%
Community Development	\$ 9,815,615	\$ 1,867,694	19.0%	\$ 9,643,676	\$ 2,087,600	21.6%	\$ 9,352,058	\$ 291,618	97.0%
CIT	\$ 8,951,621	\$ 2,096,703	23.4%	\$ 8,782,395	\$ 2,188,713	24.9%	\$ 7,652,818	\$ 1,129,577	87.1%
General Services	\$ 10,142,744	\$ 2,017,224	19.9%	\$ 10,493,231	\$ 2,190,145	20.9%	\$ 9,735,434	\$ 757,797	92.8%
Non-Departmental	\$ 8,172,725	\$ 13,761,637	168.4%	\$ 22,778,700	\$ 29,395,535	129.0%	\$ 29,202,092	\$ (6,423,392)	128.2%
Police	\$ 94,164,613	\$ 21,599,071	22.9%	\$ 95,374,934	\$ 20,919,638	21.9%	\$ 88,373,558	\$ 7,001,376	92.7%
Fire	\$ 56,420,842	\$ 13,962,730	24.7%	\$ 59,244,214	\$ 14,110,510	23.8%	\$ 58,417,613	\$ 826,601	98.6%
Public Works	\$ 18,179,445	\$ 3,662,409	20.1%	\$ 19,211,947	\$ 3,854,605	20.1%	\$ 18,726,935	\$ 485,012	97.5%
Community Services	\$ 24,369,099	\$ 5,076,094	20.8%	\$ 24,572,691	\$ 5,507,784	22.4%	\$ 23,433,328	\$ 1,139,363	95.4%
<b>Total Expenses</b>	<b>\$ 249,806,066</b>	<b>\$ 67,996,948</b>	<b>27.2%</b>	<b>\$ 271,237,554</b>	<b>\$ 84,752,228</b>	<b>31.2%</b>	<b>\$ 265,358,764</b>	<b>\$ 5,878,790</b>	<b>97.8%</b>

The General Fund-Operating Fund’s increase in expenditures to date is primarily driven by a \$15.6 million increase in the Non-Departmental area. This increase in the Non-Departmental expenditure budget is driven by increased transfers to the CEPPT Section 115 Fund totaling \$17.9 million, a reduction of \$1.3 million in transfers to the Capital Improvement Fund, and a reduction due to a one-time transfer of \$1.3 million to the Low Mod Fund in FY22-23 to facilitate the purchase of 1316-1320

Cabrillo Avenue. After controlling for Non-Departmental activity, the overall expenditure increase across all departments is \$1.1 million or 2.1% higher than the same period in the previous year. At fiscal year-end, it is projected that the General Fund-Operating Fund will experience a surplus of \$5.9 million. This is inclusive of an additional one-time transfer of \$5.0 million from the General Fund-Operating Fund to the Self-Insurance Fund to aid in efforts to reduce its negative fund balance. After controlling for this one-time transfer, the expenditure budget is projected to operate at a surplus of \$10.9 million for FY23-24, primarily the direct result of departmental vacancies across the General Fund-Operating Fund. Staff are continuing to work towards filling vacancies through active recruitment efforts while simultaneously exploring various means for retaining and supporting existing talent. The table below shows a summary of departmental vacancy levels as of September 30, 2023.

### General Fund-Operating Fund Vacancies by Department

Fund Category	General Fund	Enterprise Funds	Internal Service Funds	Total - All Funds	Fund Category	General Fund	Enterprise Funds	Internal Service Funds	Total - All Funds
City Council	-	-	-	-	City Council	\$ -	\$ -	\$ -	\$ -
City Manager	4.00	-	-	4.00	City Manager	\$ 290,646	\$ -	\$ -	\$ 290,646
City Attorney	2.00	-	-	2.00	City Attorney	\$ 247,481	\$ -	\$ -	\$ 247,481
City Clerk	-	-	-	-	City Clerk	\$ 2,124	\$ -	\$ -	\$ 2,124
City Treasurer	-	-	-	-	City Treasurer	\$ -	\$ -	\$ -	\$ -
Finance	3.00	-	2.00	5.00	Finance	\$ 390,559	\$ -	\$ 203,438	\$ 593,998
Human Resources	3.00	-	-	3.00	Human Resources	\$ 290,931	\$ -	\$ -	\$ 290,931
Civil Service	-	-	-	-	Civil Service	\$ -	\$ -	\$ -	\$ -
Community Development	3.80	0.10	-	3.90	Community Development	\$ 683,742	\$ -	\$ -	\$ 683,742
CIT	5.50	-	-	5.50	CIT	\$ 996,210	\$ -	\$ -	\$ 996,210
General Services	7.50	0.50	8.50	16.50	General Services	\$ 526,395	\$ 16,142	\$ 807,891	\$ 1,350,428
Police	68.00	-	-	68.00	Police	\$ 12,099,576	\$ -	\$ -	\$ 12,099,576
Fire	15.00	-	-	15.00	Fire	\$ 2,826,847	\$ -	\$ -	\$ 2,826,847
Public Works	22.25	12.75	-	35.00	Public Works	\$ 1,175,690	\$ 1,366,772	\$ -	\$ 2,542,462
Community Services	11.50	-	-	11.50	Community Services	\$ 1,008,357	\$ -	\$ -	\$ 1,008,357
Transit	-	60.75	-	60.75	Transit	\$ -	\$ 5,141,643	\$ -	\$ 5,141,643
<b>Total</b>	<b>145.55</b>	<b>74.10</b>	<b>10.50</b>	<b>230.15</b>	<b>Total</b>	<b>\$ 20,538,558</b>	<b>\$ 6,524,557</b>	<b>\$ 1,011,329</b>	<b>\$ 28,074,444</b>

## Areas of Focus

There are multiple areas that staff are tracking closely that will require attention in the near term and over the coming budget cycles, including:

- Self-Insurance Fund, which is **underfunded by approximately \$54.1 million**
- Cash Balances by Fund
- Labor Trends
- Expiring Labor Agreements
- Aging Infrastructure and City Facilities/Parks
- Pension/OPEB Benefits Liability Management

## Self-Insurance Fund

The City’s Self-Insurance Fund covers expenditures associated with non-litigated claims, liability claims and settlements, workers’ compensation cases, and unemployment insurance payments. This fund generates its revenues by allocating costs to the General Fund, Enterprise Funds, and Internal Service Funds. Over the last several years, the Self-Insurance Fund has experienced a deterioration of its fund balance. As of June 30, 2023 (unaudited), this fund was **underfunded by approximately \$54.1 million**. This is driven by existing outstanding liabilities in workers’ compensation totaling \$50.6 million and liability claims of \$18.2 million.

As of June 30, 2023 (unaudited), the cash balance in this fund stands at only \$14.0 million. Given these trends, an additional contribution of approximately \$5.0 million is included in the General Fund-Operating Fund’s expenditure projection to help restore the Self-Insurance Fund’s overall position. This will be a continued area of focus in future quarterly budget updates and budget cycles to ensure the City is adequately prepared for funding its exposure.

## Cash Balances by Fund

Although cash balances are currently sufficient to manage overall day-to-day operations, the table below shows the cash balances distribution as of June 30, 2023 (unaudited) and highlights the fund categories that are relatively low for operations of their sizes.

Fund Category	End Cash Bal - FY2022-23	Example Funds
Enterprise Funds	\$ 108,827,057	Airport; Sanitation; Sewer; Water; Transit
Nonmajor Governmental Funds	\$ 59,688,273	Measure M; Prop A; Prop C; Measure W; Gas Tax
<b>General Fund</b>	<b>\$ 47,114,875</b>	
<b>Internal Svc - Self-Insurance Fund</b>	<b>\$ 14,047,933</b>	
Internal Svc - Fleet Services Fund	\$ 35,799,872	
Fiduciary Funds	\$ 9,877,367	INSB; Area G; Low Mod/RDA/Succesor
Capital Improvement Fund	\$ 12,268,317	General Fund CIP
Internal Svc - OPEB Fund	\$ 5,165,184	
<b>Total</b>	<b>\$ 292,788,877</b>	

As shown above, the City’s General Fund- only sits at a cash balance of \$47.1 million. This represents a small portion of the City’s pooled cash utilized for investments during the course of the fiscal year. For reference, the current General Fund cash balance represents 16.1% of all cash on hand, while the total General Fund expenditure budget represents 63.0% of the City’s total FY23-24 Amended Budget. As the City focuses on replenishing fund balances in the General Fund and Self-Insurance Fund, this will also help to improve the overall distribution of its cash balances.

## Labor Trends

As of October 31, 2023, 234 employees are eligible for retirement (based 55 years of age; Employee Classification A). As the workforce ages, City staff will continue to monitor retirement eligibility for proper succession planning. Beginning in FY21-22, the City sustained a significant spike in retirements and voluntary resignations. The most commonly cited reasons for recent departures have been **better salaries, benefits, and flexibility**. As negotiations progress across the different groups, labor agreements aimed to align salaries and benefits to comparable cities within budgeted levels will be a primary focus to address these departure reasons. As shown in the following table, the number of retirements and voluntary resignations is improving. As of the four-month period ending October 31, 2023, there have been four retirements and 25 voluntary resignations, compared to 23 and 46 during the prior year, respectively.

	Fiscal Years Ending				4-months
	2020	2021	2022	2023	2024
Retirements	42	57	72	59	4
Voluntary Resignations	46	42	133	121	25
Departures or Death	11	11	13	21	10
	99	110	218	201	39

## Expiring Labor Agreements

The City's agreements with the various labor groups follow different terms. Non-safety miscellaneous labor groups were updated during FY22-23 and are set to expire in June 2024. As previously mentioned, negotiations are actively underway for police and fire safety labor agreements. As such, it will be important to focus on citywide multi-year collective bargaining agreements. For reference, it is estimated that across all funds, it costs the city approximately \$2.0 million for every 1% in negotiated wage increase for all of the City's various bargaining units. In order to attract the necessary talent to combat continued departures, adjustments to salaries and benefits will be an important area of focus for the City.

## Aging Infrastructure and City Facilities/Parks

The City owns and operates over \$500 million worth of buildings, public facilities, and infrastructure. With each passing year, these buildings age and deteriorate, many of which are still in their original condition. Currently, the City's capital assets, as a whole, have reached their half-life mark, requiring heavy maintenance, upgrades, and repairs. During FY22-23, a contract with consulting firm Kitchell Construction Management was approved to index and assess each City-owned facility and established criteria for rating its condition. The City is embarking on phase 2 of this project in January

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2024 to index and assess the remaining facilities not covered under the original scope. This project will help inform the City’s Capital Improvement Plan and prioritize the areas in the highest need of repairs. Additionally, Measure SST will provide a dedicated stream of funding to improve City parks and other areas throughout the community. This fiscal year, \$2.0 million of Measure SST funds are dedicated towards capital improvements.

### **Pension/OPEB Benefits Liability Management**

In FY22-23, the California Public Employees’ Retirement System (CalPERS) experienced investment gains of 5.8%, 1.0% short of the 6.8% discount rate. This translates to another increase in unfunded actuarial liability (UAL) and the amortized repayment over the next 20 years, beginning in FY25-26. For example, the annual UAL payment will increase from \$12.0 million in FY25-26 up to approximately \$35.3 million in FY32-33. The impact of these recent returns will be incorporated into the City’s 10-year forecast. This includes the utilization of savings from the CEPPT Section 115 Fund dedicated to prefunding the City’s employer contributions, which is funded on an annual basis. It is anticipated that the City will need to make its first drawdown from the CEPPT Section 115 Fund in FY26-27. The assumptions used in the 10-Year forecast will be refreshed semi-annually to use the most recent returns data from CalPERS.

## **Economic Outlook**

Following the steady rise of inflation in early 2022, the economy has begun to experience mild improvements and a broad recovery in key economic indicators. Major entertainment events have returned, and retail and hospitality industry figures are trending above pre-pandemic levels. However, travel habits are returning more slowly, with passenger numbers at LAX, traffic congestion, and public transit use still yet to reach pre-pandemic totals. Hyperinflation appears to be behind us as the Fed’s interest rate increases have had the desired effect. Inflationary pressures appear to have softened demand across numerous sectors of the South Bay and greater Los Angeles area economies. The Los Angeles area Consumer Price Index is now within a more “normal” range, especially compared to the peak at 8.6% in June 2022. Despite broader economic challenges, the labor market has remained strong overall.

### **Federal Funds Rate**

The Federal Funds Rate is the benchmark borrowing rate from which fixed income instruments, auto loans, mortgages, and credit card rates are based. As a result of spikes in inflation nationwide, the Fed began leveraging policy decisions in March 2022 to try and temper the economy and “cool” inflation trends. In the 2022 calendar year alone, seven rate hikes were implemented, followed by four additional increases in 2023. The efforts initiated by the Fed to curb inflationary pressures saw

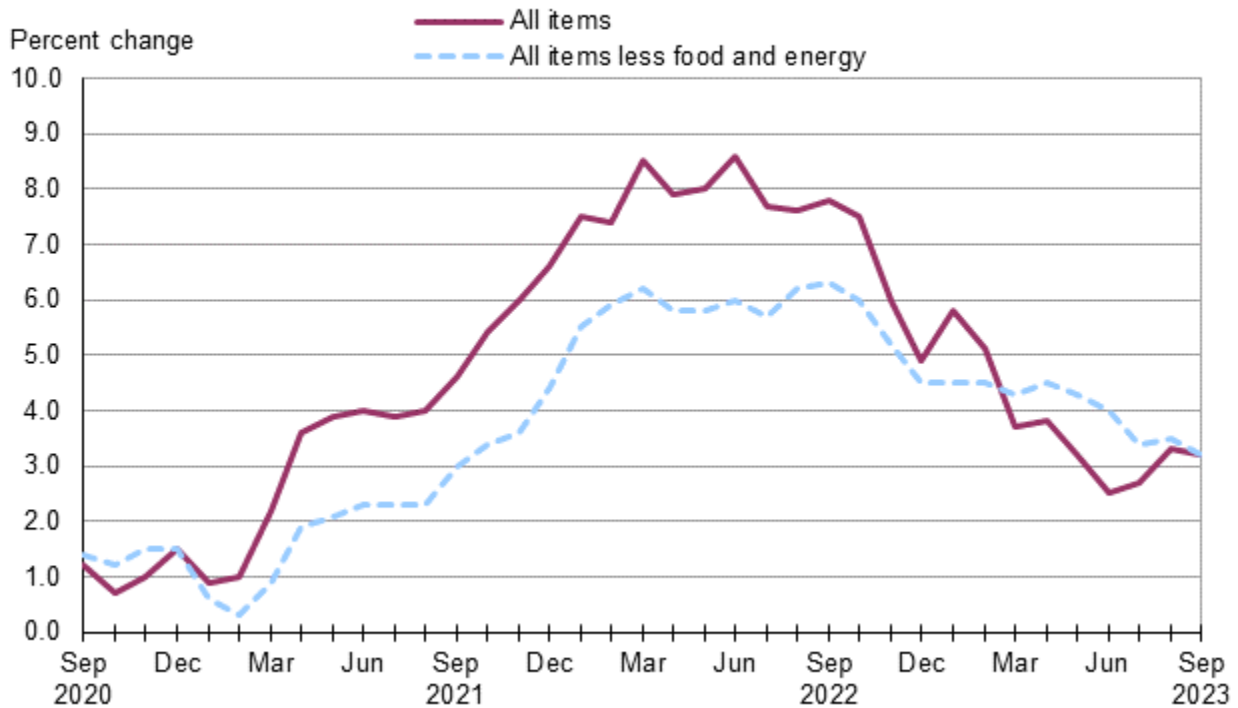
rates going from a range of 0.25% - 0.50% to 5.25% - 5.50% by July 2023. Although the direct impact of these increases is apparent through reductions in sales tax receipts and median home prices, they have been successful in returning the economy and price inflation closer to “normal” levels. Below is a summary of the actions taken during 2023:

Federal Reserve Meeting	Action Taken	Fed Fund Rate
July 27, 2023	+25 basis points	5.25% - 5.50%
May 3, 2023	+25 basis points	5.00% - 5.25%
March 23, 2023	+25 basis points	4.75% - 5.00%
February 1, 2023	+25 basis points	4.50% - 4.75%

### Consumer Price Index (Inflation)

The Consumer Price Index (CPI-U) tracks the cost increase of goods, with the chart below more specifically focusing on our local region. As seen below, the CPI-U (CPI for All Urban Consumers) climbed to a peak of 8.6% in June 2022. The federal funds rate increases have had a positive effect slowing economic activity and returning CPI to more “normal” levels reaching 3.2% as of September 2023.

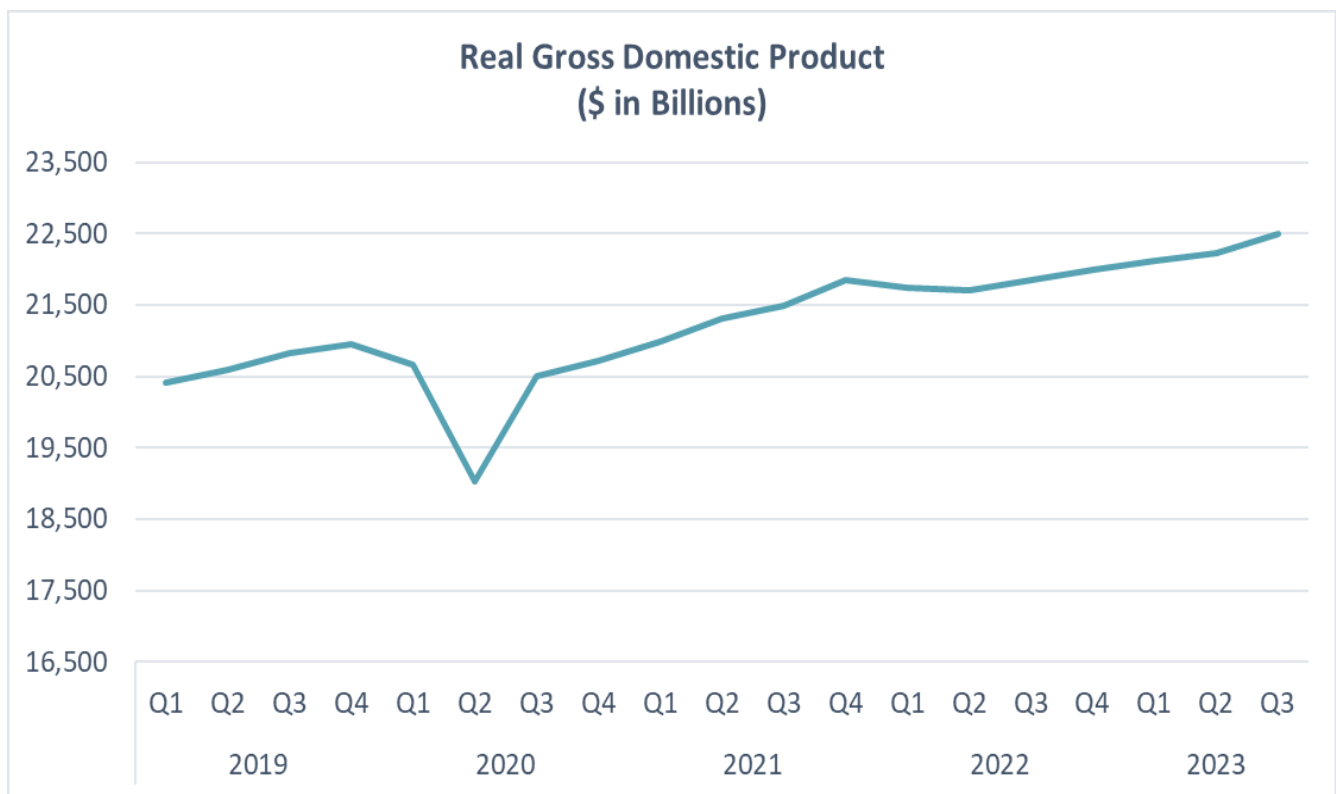
**Chart 1. Over-the-year percent change in CPI-U, Los Angeles-Long Beach-Anaheim, CA, September 2020–September 2023**



Source: U.S. Bureau of Labor Statistics.

## Real Gross Domestic Product (GDP)

Real GDP is a measure that reflects the value of all goods and services produced by an economy in a given year and controlled for annual inflation figures. Essentially, it measures a country's total economic output. Real GDP metrics are used for analyzing economic growth over time. According to the most recent data available from the U.S. Bureau of Economic Analysis, the national GDP increased by 1.7% in the first calendar quarter of 2023 when compared to the same period during the year prior, followed by a 2.4% increase in the second calendar quarter, and 2.9% in the third calendar quarter. These increases in real GDP reflect increases in consumer spending, private inventory investments, exports, state and local government spending, federal government spending, and residential fixed investments, which were partly offset by a decrease in non-residential fixed investments.



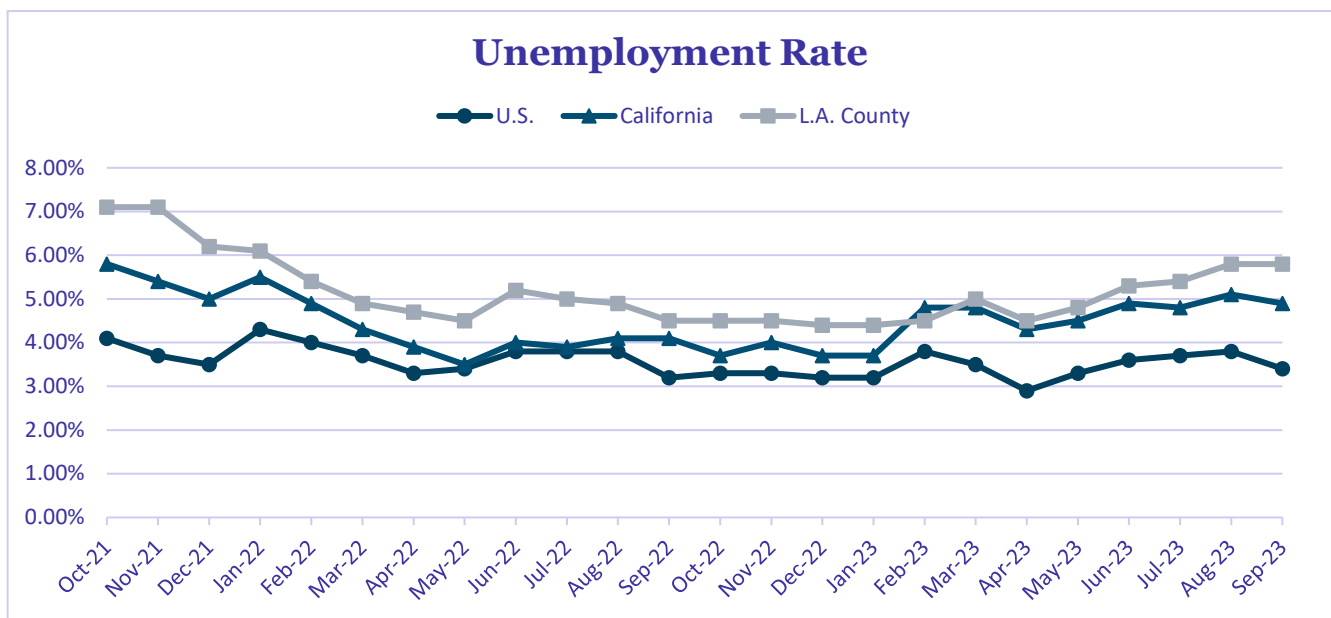
Source: Bureau of Economic Analysis

Moreover, the increase in consumer spending consisted of increases in the services and goods categories. Within the services category, the leading contributors were housing and utilities, health care, financial services and insurance, and food services and accommodations. Within the goods category, the leading contributors to the increase were other non-durable goods, led by prescription drugs as well as recreational goods and vehicles. The increase in private inventory investments

reflected increases in manufacturing and retail trade. Within nonresidential fixed investment, a decrease in equipment was partly offset by increases in intellectual property products and structures.

## Labor Market

As of September 2023, the U.S. unemployment rate was 3.4%; California's was 4.9%; and Los Angeles (L.A.) County's was 5.8%. Similar to national, state, and county results, local unemployment rates have started to tick upwards. California has added new jobs since the pandemic, but there are fewer active workers in the economy so labor shortages will likely impede job growth in the state, especially due to California's severe housing shortage.



Source: National Conference of State Legislatures, State of California - EDD

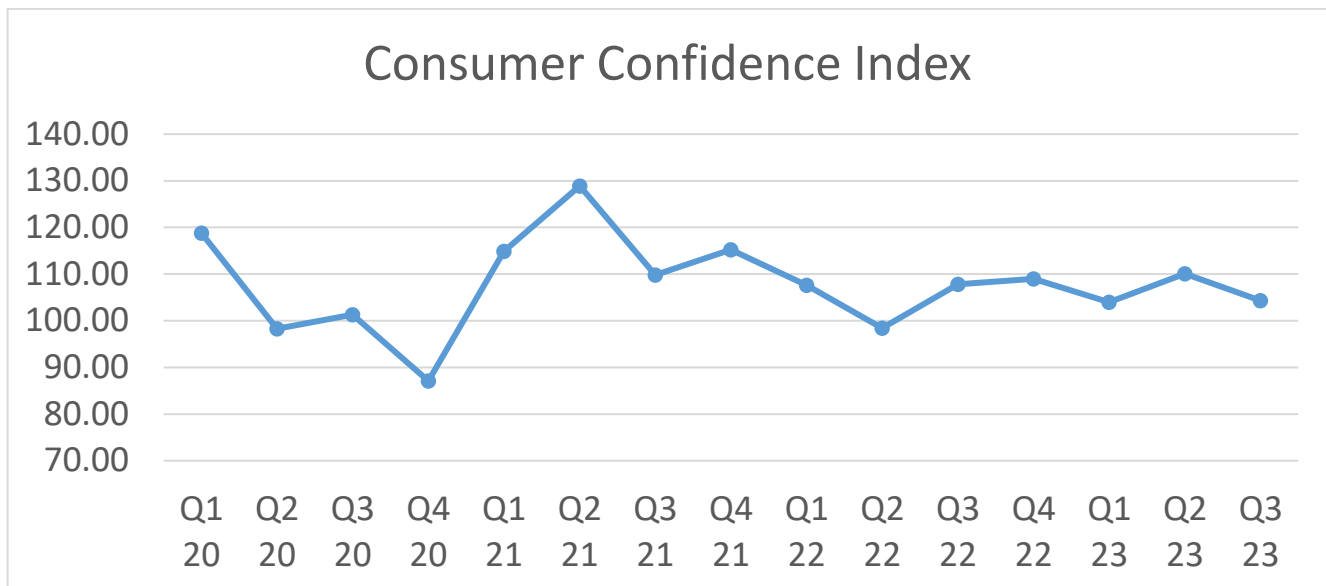
While California and L.A. County unemployment rates are higher than the national level, Torrance unemployment levels fare better with an unemployment rate of 3.4% as of the end of calendar year 2022 and 4.3% as of the third quarter in calendar year 2023. Many economists anticipate unemployment to increase over the next two years, but forecasts anticipate unemployment levels to remain below 5.0%.

Local Unemployment Rate Trends							
	<u>2022</u>				<u>2023</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
National	3.6%	3.6%	3.5%	3.5%	3.5%	3.6%	3.7%
California	4.8%	4.2%	3.9%	4.1%	4.3%	4.5%	4.6%
Los Angeles County	5.7%	5.1%	4.8%	4.7%	5.3%	4.9%	5.0%
Carson	5.2%	5.2%	4.8%	4.9%	5.4%	4.7%	5.3%
Gardena	5.0%	5.6%	4.8%	4.5%	5.0%	4.8%	5.4%
Glendale	4.9%	4.9%	4.3%	4.2%	5.2%	4.7%	5.7%
Hawthorne	5.0%	5.3%	4.4%	4.3%	5.2%	4.8%	5.3%
Inglewood	5.8%	6.1%	5.3%	5.0%	5.8%	5.3%	6.1%
Santa Monica	4.5%	4.7%	4.3%	4.4%	5.4%	5.1%	5.9%
<b>Torrance</b>	<b>3.5%</b>	<b>3.7%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>4.3%</b>

Source: National Conference of State Legislatures, State of California – EDD

### Consumer Confidence Index

The Consumer Confidence Index is a critical driver of the U.S. and local economy which measures consumer confidence levels regarding their financial situation, sentiment about the general economic situation, unemployment, and capability of savings. According to the Conference Board Consumer Confidence Index survey, consumer optimism declined moderately in October 2023 to 102.6, down from a revised 104.3 in September 2023.



“Consumer confidence fell again in October 2023, marking three consecutive months of decline,” said Dana Peterson, Chief Economist at The Conference Board. “Write-in responses showed that consumers continued to be preoccupied with rising prices in general, and for grocery and gasoline prices in particular. Consumers also expressed concerns about the political situation and higher interest rates. Worries around war/conflicts also rose, amid the recent turmoil in the Middle East. The decline in consumer confidence was evident across householders aged 35 and up, and not limited to any one income group.”

## Reserve Balances

The City’s adopted fiscal policy sets a 20% unassigned fund balance which translates to approximately \$54.2 million based on the currently approved expenditure appropriation for the General Fund-Operating Fund. The total unassigned fund balance of the City’s General Fund is projected to end at \$74.6 million for FY23-24. By reaching the 27.5% mark, the key performance indicator for the City’s General Fund Reserves will now be in the Low-Risk category. Although the State Auditor’s High-Risk Dashboard was discontinued as of October 2023, staff continues to benchmark against the State Auditor’s previous recommendations.

The State Auditor’s High-Risk Dashboard previously recommended greater than nine months of operating costs, which translates to 75% or \$203.3 million of the General Fund-Operating Fund’s current expenditure appropriation. To be considered “Low-Risk” on the State Auditor’s High-Risk Dashboard would require six months of operating costs, which translates to 50% or \$135.5 million. In the future, staff may recommend adjustments to increase the City’s General Fund reserve goals and fund balance levels to further improve fiscal resiliency.

<b>Unassigned Fund Balance</b>	<b>Beg Bal - FY2022-23</b>	<b>Additions/ (Uses)</b>	<b>End Bal - FY2022-23 (unaudited)</b>	<b>Projected Additions/ (Uses)</b>	<b>Proj End Bal FY2023-24</b>
Reserve Fund - Economic Anomaly	\$ 8,081,847	\$ -	\$ 8,081,847	\$ 4,802,423	\$ 12,884,270
Reserve Fund - Litigation	\$ -	\$ -	\$ -	\$ -	\$ -
Other Unrestricted	\$ 36,645,395	\$ 18,693,524	\$ 55,338,919	\$ 6,362,726	\$ 61,701,645
<b>Total</b>	<b>\$ 44,727,242</b>	<b>\$ 18,693,524</b>	<b>\$ 63,420,766</b>	<b>\$ 11,165,149</b>	<b>\$ 74,585,915</b>

In addition to the above reserves, the City established a CEPPT Section 115 Fund through CalPERS in June 2021 and began making annual contributions in FY21-22. Annual contributions represent a 20% minimum of the projected savings from the issuance of the 2020 Lease Revenue Bonds that were used to pay down a majority of the City’s CalPERS Unfunded Actuarial Liability (UAL).

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Beginning this fiscal year through FY26-27, contributions in excess of the 20% savings are included in the budget to help smooth UAL payments in future years. For context, the budgeted and projected contributions from FY23-24 through FY26-27 are \$22.3 million, \$16.7 million, \$7.3 million, and \$5.6 million, respectively. Beginning in FY28-29, projected UAL payments will increase to \$30.7 million, rising annually through FY32-33, then declining annually through FY43-44 as the City pays off its unfunded liabilities related to underperforming investment returns relative to the CalPERS discount rate.

## California Public Employees' Retirement System Update

As of the fiscal year ending June 30, 2021, CalPERS' earned a 21.3% investment return, beating the discount rate for that year. The benefits of this positive investment return were magnified by the additional payment of \$338.4 million made to CalPERS through the issuance of the 2020 Lease Revenue Bonds in October 2020. This investment return in FY20-21 triggered a CalPERS Funding Risk Mitigation Policy to reduce the discount rate down to 6.8%. Subsequently, in FY21-22 and FY22-23, CalPERS sustained a loss of 7.5% and a return of 5.8% respectively.

As previously noted, this translates to significant increases in unfunded liabilities and the amortized repayment over the next 20 years, beginning in Fiscal Year 2024-25. The impact of these recent returns will be incorporated into the City's 10-Year forecast, which also includes the utilization of savings from the CEPPT Section 115 Fund. This year's annual Pension Workshop was held on November 2, 2023. Further details can be found on the City's website, where the presentation slides and meeting recording are posted: <https://www.torranceca.gov/government/finance/financial-reports>.

## Conclusion

Over the last 12 months, there was a great deal of uncertainty with economists – many held to their recession predictions, but the indicators did not follow quickly. For three consecutive quarters, the UCLA Anderson Forecast presented two potential scenarios for the U.S. and California economies: one path anticipated aggressive inflation-fighting action by the Fed that would push the economy into a mild, near-term recession; the other allowed for less impact from the Fed's interest rate increases that would result in a slowing economy and no recession.

In the latest report, the UCLA Anderson Forecast is anticipating a weakened economy in 2024, followed by a return to trend growth rates in 2025. The predicted, but never seen, "recession next quarter" narrative has now eased. Additionally, homeowners with 2%-3% mortgages have been reluctant to move into 7% mortgages, restraining the post-pandemic demand for housing.

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Consumers who are not opting to make large investments with high interest rates are happy to continue spending their discretionary income on restaurants and experiences. Furthermore, autos and light truck manufacturing have increased as chips became increasingly available, with high gas prices increasing the demand for electric vehicles, causing a large investment shift among auto manufacturers to meet this demand.

Nevertheless, the impact of higher interest rates will be felt in restraining growth in 2024. As the Fed turns its attention away from aggressive interest rate increases and inflation slowly works its way back to 3% annually, the forecast calls for Fed policy to take a neutral stance and economic growth to rebound, albeit slowly. While rising interest rates have hampered both commercial and residential development, Torrance continues to serve hundreds of customers daily at the City Hall Permit Center. Below are a handful of developments in Torrance, amongst hundreds of active building permit applications, valued at \$48.8 million as of September 30, 2023:

- **Sares-Regis (Former Toyota Campus)** – the third phase consisting of five warehouse buildings and demolition of several existing buildings make way for the proposed development. The demolition phase has been completed and the tentative commencement of warehouse construction is scheduled for early 2024.
- **Calby Development (190th St and Western Ave)** – the first phase consisting of three drive-through restaurants (Chick-Fil-A, Shake Shack, and Panera Bread) is under construction and scheduled to be completed in late summer of 2024. The second phase consists of an automatic self-serve car wash, electric vehicle charging station with solar panel canopies, and a retail food market which is currently under plan review with a tentative start of construction in early 2024.
- **Tokyo Central (Former SteinMart/Hawthorne Blvd & Pacific Coast Hwy)** – a new supermarket with a tentative start of construction early 2024.
- **Del Amo Fashion Center** – major tech retailer is expected to debut its opening early 2024.
- **La Quinta Suites (2320 Sepulveda Blvd)** – a new three-story hotel has commenced construction and is scheduled to be completed by late 2024.
- **Lennar Marbella (2706 182nd St)** – this project consists of a new 48-unit townhome development and is scheduled to be completed by early 2024.
- **Anastasi Development (18080 Prairie Ave)** – this project consists of a new 24-unit townhome development and is scheduled to be completed by late 2024.
- **Village Del Amo** – demolition and construction of new restaurants (including Board & Brew) has commenced and is scheduled to be completed by early 2024.

As evident in the overall first quarter results, the City of Torrance team remains vigilant in monitoring its financial situation and continues to ensure essential services are maintained. My appreciation

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goes out to all the Departments who continue to serve the community while helping us navigate a balanced path, as well as the Mayor and City Council for their continued leadership.

**Recommendation**

Based on the information provided in this summary, it is the recommendation of the Finance Director that the Finance and Governmental Operations Committee accept and file the Fiscal Year 2023-24 First Quarter Budget Review Report and authorize staff to bring forward to City Council at a future date.

Respectfully submitted,



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Sheila Poisson  
Finance Director

CONCUR:

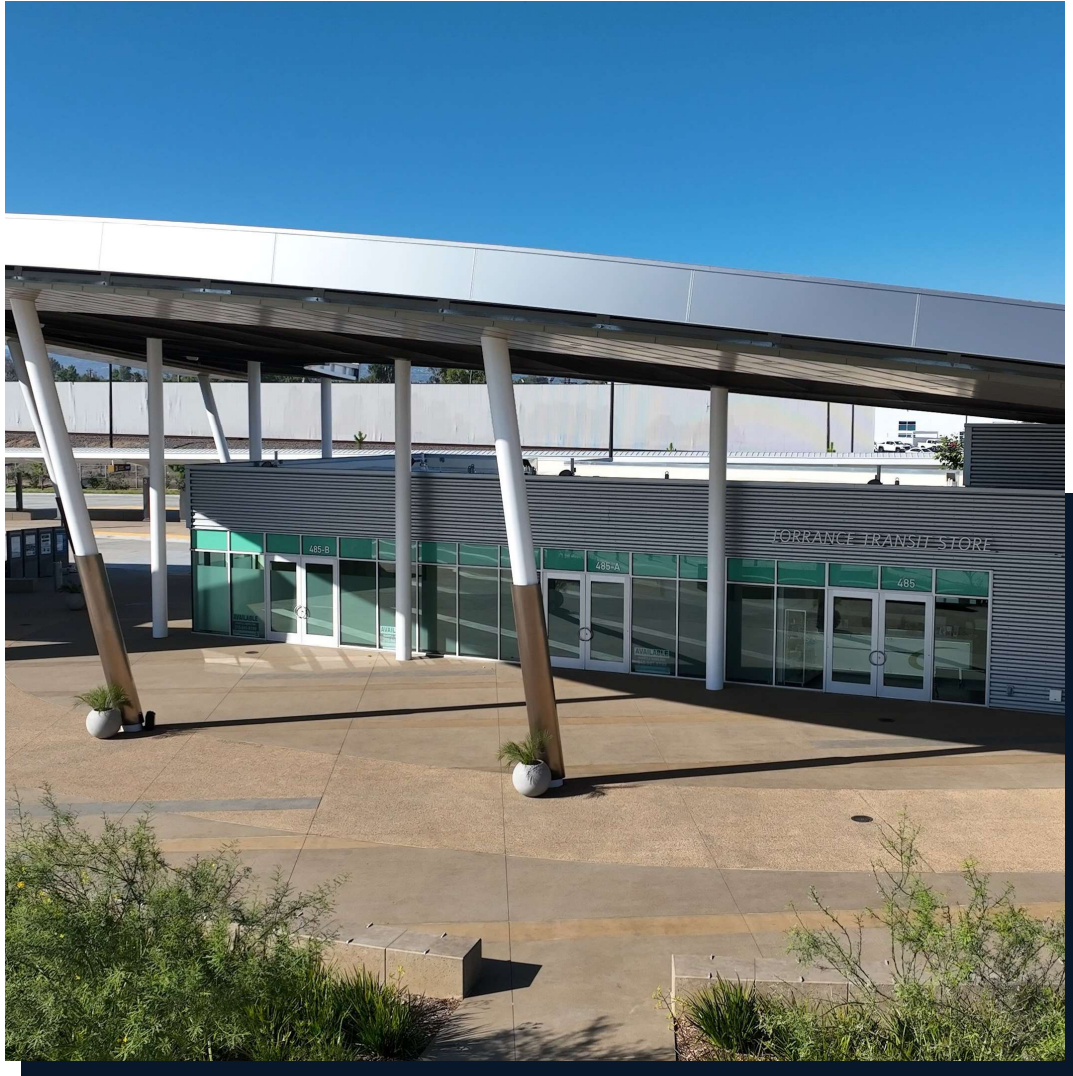


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Aram Chaparyan  
City Manager

# PROGRAM MODIFICATIONS

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



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# Program Modifications and Other Updates

While there are no program modifications recommended for approval at this time, the Police Department is developing a series of program modifications to address the ongoing Department of Justice Collaborative reform efforts. To address these efforts, some cost impacts have been identified, though they are not comprehensive. Staff will return at a later date to seek formal approval to implement any of these changes.

## **Add 1.0 FTE Administrative Analyst – Expenditure: \$109,477 (General Fund)**

The Police Department is requesting to add 1.0 FTE Administrative Analyst to support the Professional Standards Division. The Professional Standards Division is responsible for overseeing and ensuring the highest standards of professionalism and accountability in the Department. The Division works to ensure that officers are aware of and adhere to established standards, and it may provide guidance on legal and ethical considerations. The Division is also responsible for implementing training programs to educate officers on new policies, procedures, and legal developments.

The Administrative Analyst would play an integral role in assisting with audits and inspections of departmental units to assess compliance with policies and procedures. This helps identify areas for improvement and ensures that the department operates efficiently and ethically. The Administrative Analyst would also take the lead in monitoring changes in legislation related to law enforcement and ensuring that department policies and practices align with legal requirements.

## **Add 1.0 FTE Police Services Supervisor – Expenditure: \$118,941 (General Fund)**

The Police Department is requesting to add 1.0 FTE Police Services Supervisor to provide supervisory support during evening hours in its jail facility. Currently, there is one Police Services Supervisor who works during the daytime; therefore, an additional supervisor is necessary for maintaining the security, safety, and efficient operation of a jail during nighttime hours. The evening shift jail supervisor ensures that security protocols are strictly enforced during the night, minimizing the risk of incidents such as escapes, fights, or unauthorized activities. It also ensures that there is someone with authority and expertise available to respond quickly and effectively. This includes managing medical emergencies, conflicts among inmates or any other unexpected situations. The evening

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**Purchase of a Public Safety Operating System – Expenditure: \$7,887,069 (General Fund: Approximately \$793,808 Annually)**

The Police Department is requesting to increase the Professional Services budget for Computer Operations to purchase a Public Safety Operating System (PSOS). A PSOS provides a centralized platform for managing and accessing critical information. It integrates various data sources, including incident reports, case management, dispatch information, and more, streamlining information management and improving overall efficiency.

The PSOS would integrate with the department’s existing Taser energy devices, body worn cameras, and in-car cameras with cloud software solutions that include a digital evidence management solution, productivity software, and real time operating capabilities. This integration coupled with a PSOS robust data analytics tools allows agencies to analyze trends, track performance metrics, and generate insightful reports. This data-driven approach helps agencies make informed decisions, identify areas for improvement, and demonstrate accountability to stakeholders. Staff is currently identifying computer programs that are used to perform the various functions of a PSOS that would no longer be needed to help offset the cost.

Additionally, staff are exploring outside funding sources to offset the costs of implementing this type of system to mitigate the impact to the General Fund.

# GENERAL FUND

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



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# General Fund

## Overall First Quarter Results

The City's General Fund, as reported annually in the [Annual Comprehensive Financial Report \(Annual Report\)](#), is comprised of multiple sub-funds within its overall structure. This includes the City's General Fund-Operating Fund, the City's General Fund-Measure SST Fund, the City's General Fund-Restricted/Assigned sub-funds, and the City's General Fund-Unassigned sub-funds. All of these areas are consolidated under the overall General Fund umbrella when reported through the City's Annual Report. The activities that occur in each of these funds affect the overall performance of the General Fund, when published in the Annual Report, so this is reviewed in total and then broken down by each of its components.

This portion of the report will be broken down into four main sections:

- **General Fund-Operating Fund** – Focuses on the City's main operating fund.
  - **Revenue Overview** – Focuses on the revenues of the General Fund-Operating Fund.
  - **Expenditure Overview** – Focuses on the expenditures in General Fund-Operating Fund.
- **General Fund-Measure SST Fund** – Focuses on the revenues and expenditures related to the 0.50% transaction and use tax (sales tax) approved by Torrance voters in June 2022.
- **General Fund-Restricted/Assigned Fund** – Focuses mainly on the City's various General Fund Replacement Funds, including associated Capital Project Funds, the City's CEPPT Section 115 Fund (pension prefunding), Cable's PEG Funds, and other assigned/restricted sub-funds of the overall General Fund.
- **General Fund-Unassigned Fund** – Focuses mainly on the City's General Fund Reserve Fund and any other unassigned sub-funds as reported in the Annual Report of the overall General Fund.

The Fiscal Year 2023-24 Adopted Budget was balanced for the City's General Fund-Operating Fund with planned increases in the other sub-funds. The budgeted additions to the fund balance of the General Fund are driven by contributions to the City's replacement funds, contributions to the City's CalPERS CEPPT Section 115 Fund, and a contribution to the City's Reserve Fund.

The City's General Fund performance, including all sub-funds, for the first quarter of FY23-24 is summarized in the subsequent table.

## General Fund Revenue and Expenditure Summary

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 270,610,591	\$ 34,764,892	12.8%	\$ 324,744,013	\$ 55,694,491	17.2%	\$ 324,170,492	\$ (573,521)	99.8%
Total General Fund	\$ 264,739,620	\$ 68,425,840	25.8%	\$ 296,021,927	\$ 93,837,908	31.7%	\$ 287,964,394	\$ 8,057,533	97.3%
<b>Revenue Less Expenditures</b>	\$ 5,870,971	\$ (33,660,948)		\$ 28,722,086	\$ (38,143,417)		\$ 36,206,098		

When comparing the FY23-24 first quarter results to the same period the year prior, the percentage of budgeted revenues received to date has increased. As of September 30, 2023, a total of **\$55.7 million** or **17.2%** of budgeted revenues were received compared to **\$34.8 million** or **12.8%** of budgeted revenues being received during the same period the year prior. Overall, year-to-date revenues are up \$20.9 million when comparing year-over-year figures. As a result, the General Fund, including all sub-funds, is projected to operate at a surplus of \$36.2 million due to the following main factors:

- Contribution to the City’s CEPPT Section 115 Fund of \$22.3 million.
- Contribution to the City’s Reserve Fund of \$4.8 million.
- Contribution to the City’s Replacement Funds of \$1.6 million.
- Revenue shortfall of \$600,000 (\$2.0 million shortfall in General Fund-Operating Fund and \$1.5 million surplus in General Fund-Measure SST Fund).
- Expenditure surplus of \$8.1 million (\$5.9 million in General Fund-Operating Fund, \$1.0 million in General Fund-Measure SST Fund, and \$1.2 million in General Fund-Restricted/Assigned Fund).

It is projected that year-end General Fund revenues will be \$324.2 million, which is \$600,000 short of FY23-24 budgeted figures or 0.20%. This is driven by shortfalls in the Taxes and Operating Transfers In classifications, and partially offset by surpluses in the Use of Money and Property classification. This is examined further in the **Revenue Overview** section of the document, broken down by the four main categories discussed earlier.

On the opposite side of the budget, the percentage of FY23-24 expenditures relative to budgeted amounts has also increased. As of September 30, 2023, a total of **\$93.8 million** or **31.7%** of budgeted expenditures were utilized compared to **\$68.4 million** or **25.8%** of utilized budgeted expenditures during the same period the year prior. Overall, it is projected that year-end General Fund expenditures will be \$288.0 million, generating an \$8.1 million budget surplus. The details of these expenditure impacts are examined further in the **Expenditure Overview** section of the document, also broken down by the four main categories discussed earlier.

## General Fund-Operating Fund

This section highlights the City’s main operating fund, which represents the largest portion under the overall structure of the General Fund as reported in the Annual Report. Below is a summary of this fund as of the first quarter of FY23-24:

### General Fund-Operating Fund Revenue and Expenditure Summary

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 252,756,117	\$ 32,554,982	12.9%	\$ 271,235,876	\$ 29,487,381	10.9%	\$ 269,189,563	\$ (2,046,313)	99.2%
Total Expenses	\$ 249,806,066	\$ 67,996,948	27.2%	\$ 271,237,554	\$ 84,752,228	31.2%	\$ 265,358,764	\$ 5,878,790	97.8%
<b>Revenues Less Expenditures</b>	\$ 2,950,051	\$ (35,441,966)		\$ (1,678)	\$ (55,264,847)		\$ 3,830,799		
<b>Fund Bal Dec/(Increase)</b>	\$ (2,950,051)			\$ 1,678			\$ (3,830,799)		
<b>Net Budget Balance</b>	\$ -			\$ -			\$ -		

Year-to-date revenues are slightly down by \$3.1 million when comparing year to year. As of September 30, 2023, the General Fund-Operating Fund realized revenues of **\$29.5 million**, achieving **10.9%** of the FY23-24 budget. During the same period ending September 30, 2022, the City realized **\$32.6 million** in revenues, representing **12.9%** of the FY22-23 revenue budget. Overall, the General Fund-Operating Fund’s revenue budget is projected to operate at a deficit of \$2.0 million due to the following main factors:

- Sales tax below budgeted expectations by \$2.8 million.
- Property tax below budgeted expectations by \$397,000.
- Utility users’ tax above budgeted expectations by \$1.5 million.
- Under other tax categories, occupancy tax below budgeted expectations by \$827,000, franchise tax above budgeted expectations by \$1.3 million, business license tax above budgeted expectations by \$508,000, and construction tax below budgeted expectations by \$943,000.
- Use of Money and Property above budgeted expectations by \$831,000.
- Operating Transfers In below budgeted expectations by \$1.2 million.

On the expenditure side, the General Fund-Operating Fund realized expenditures of **\$84.8 million**, achieving **31.2%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$68.0 million** or **27.2%** of the FY22-23 expenditure budget. The rate of spending is slightly above the amount of the year completed (25.1%), which is largely driven by the City's contribution to the CalPERS CEPPT Section 115 Fund at the beginning of the fiscal year (Non-Departmental). This will be explained further in the **Expenditure Overview** section of the document.

The City’s General Fund-Operating Fund was originally adopted as a balanced budget. As of the First Quarter Budget Review Report, the budget remains in balance.

## General Fund-Operating Fund Revenue Analysis

This section highlights the revenues of the main General Fund-Operating Fund. The City’s General Fund-Operating Fund revenue budget for FY23-24 increased by \$18.5 million or 7.3% for a total **\$271.2 million**. This is largely due to steady growth in property taxes, business license taxes, occupancy taxes, the enacted Measure SST transaction and use tax starting October 1, 2022, the increase of rates from utility providers flowing through to the City’s utility user’s tax receipts, and Charges for Services in the Community Development and Fire Departments. Details of revenue activity as of the first quarter of FY23-24 is covered in the following section.

### All Revenues by Classification

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Taxes	\$ 194,680,678	\$ 14,680,758	7.5%	\$ 209,861,473	\$ 14,918,455	7.1%	\$ 208,329,056	\$ (1,532,417)	99.3%
Licenses, Fees and Permits	\$ 4,923,246	\$ 1,508,327	30.6%	\$ 5,773,777	\$ 1,154,179	20.0%	\$ 5,251,509	\$ (522,268)	91.0%
Fines, Forfeitures and Penalties	\$ 735,144	\$ 77,663	10.6%	\$ 760,672	\$ 63,950	8.4%	\$ 610,743	\$ (149,929)	80.3%
Use of Money and Property	\$ 3,200,594	\$ 1,631,691	51.0%	\$ 4,527,970	\$ 2,006,601	44.3%	\$ 5,358,530	\$ 830,560	118.3%
Intergovernmental	\$ 559,241	\$ 52,030	9.3%	\$ 349,501	\$ 5,000	1.4%	\$ 577,900	\$ 228,399	165.4%
Charges for Services	\$ 19,724,668	\$ 5,277,624	26.8%	\$ 23,560,796	\$ 4,871,735	20.7%	\$ 23,810,840	\$ 250,044	101.1%
Other Revenues	\$ 505,598	\$ 34,237	6.8%	\$ 105,570	\$ 177,603	168.2%	\$ 196,460	\$ 90,890	186.1%
Operating Transfers In	\$ 28,426,948	\$ 9,292,652	32.7%	\$ 26,296,117	\$ 6,289,858	23.9%	\$ 25,054,525	\$ (1,241,592)	95.3%
Other Financing Sources	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 252,756,117</b>	<b>\$ 32,554,982</b>	<b>12.9%</b>	<b>\$ 271,235,876</b>	<b>\$ 29,487,381</b>	<b>10.9%</b>	<b>\$ 269,189,563</b>	<b>\$ (2,046,313)</b>	<b>99.2%</b>

As of September 30, 2023, the General Fund-Operating Fund realized revenues of **\$29.5 million**, achieving **10.9%** of the FY23-24 budget. During the same period ending September 30, 2022, the City realized **\$32.6 million** in revenues, representing **12.9%** of the FY22-23 revenue budget. It is important to note that certain General Fund-Operating Fund revenues are not realized until after December, including property tax, business license taxes and most franchise fees. The timing of these receipts and current economic factors results in variances from the annual budget which are discussed in more detail below.

The majority of General Fund-Operating Fund revenues are generated from the **Taxes** classification, which include sales & use taxes, property taxes, utility users’ taxes, occupancy taxes, and business license taxes. The **Taxes** classification accounts for approximately 77% of the City’s General Fund-Operating Fund revenue budget for FY023-24.

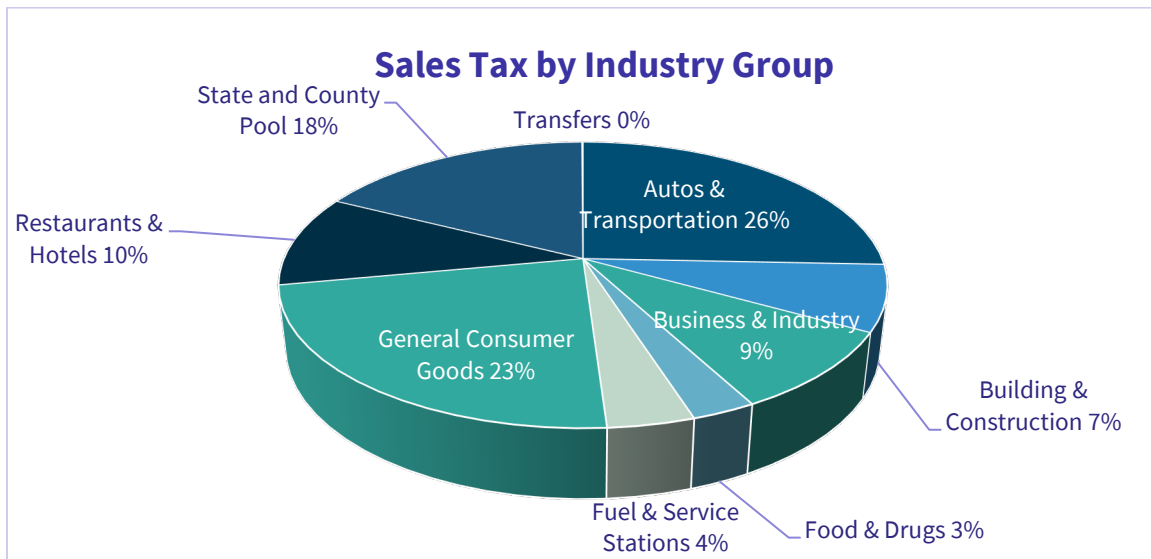
## Tax Revenues by Type

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Sales and Use Tax	\$ 63,940,625	\$ 5,261,002	8.2%	\$ 64,400,972	\$ 4,768,790	7.4%	\$ 61,646,790	\$ (2,754,182)	95.7%
Property Taxes	\$ 44,427,885	\$ 1,049,766	2.4%	\$ 47,137,917	\$ 1,139,102	2.4%	\$ 46,588,250	\$ (549,667)	98.8%
Property Transfer Tax	\$ 1,469,471	\$ 127,317	8.7%	\$ 828,540	\$ 221,305	26.7%	\$ 981,700	\$ 153,160	118.5%
VLF Swap & Repayment	\$ 16,615,651	\$ -	0.0%	\$ 17,826,057	\$ -	0.0%	\$ 17,896,244	\$ 70,187	100.4%
Utility Users Tax	\$ 37,207,940	\$ 6,792,859	18.3%	\$ 44,465,104	\$ 7,216,402	16.2%	\$ 45,972,877	\$ 1,507,773	103.4%
Business License Tax	\$ 8,837,266	\$ 190,967	2.2%	\$ 10,197,549	\$ 193,015	1.9%	\$ 10,705,570	\$ 508,021	105.0%
Occupancy Tax	\$ 11,601,755	\$ 823,574	7.1%	\$ 13,126,729	\$ 747,211	5.7%	\$ 12,299,310	\$ (827,419)	93.7%
Franchise Taxes	\$ 8,828,324	\$ 206,054	2.3%	\$ 9,831,080	\$ 403,826	4.1%	\$ 11,140,865	\$ 1,309,785	113.3%
Construction Tax	\$ 1,745,904	\$ 229,219	13.1%	\$ 2,033,484	\$ 228,803	11.3%	\$ 1,090,000	\$ (943,484)	53.6%
Oil Severance Tax	\$ 5,857	\$ -	0.0%	\$ 14,041	\$ -	0.0%	\$ 7,450	\$ (6,591)	53.1%
<b>Total Revenues</b>	<b>\$ 194,680,678</b>	<b>\$ 14,680,758</b>	<b>7.5%</b>	<b>\$ 209,861,473</b>	<b>\$ 14,918,454</b>	<b>7.1%</b>	<b>\$ 208,329,056</b>	<b>\$ (1,532,417)</b>	<b>99.3%</b>

Overall, the City’s tax revenues are expected to fall short of the FY23-24 amended budget by \$1.5 million, primarily driven by a shortfall in sales & use taxes of \$2.8 million, a surplus in utility users’ tax of \$1.5 million, a surplus in franchise taxes of \$1.3 million, and a shortfall in construction tax of \$943,000. Details of the increases and decreases are discussed in the following sections.

### Sales & Use Tax

Sales and use tax (sales tax) is the City’s largest General Fund-Operating Fund revenue source, derived from point-of-sale transactions and Los Angeles County pool allocations (Bradley Burns 1% allocation). The City receives sales tax revenue from a wide range of industries, as shown below.



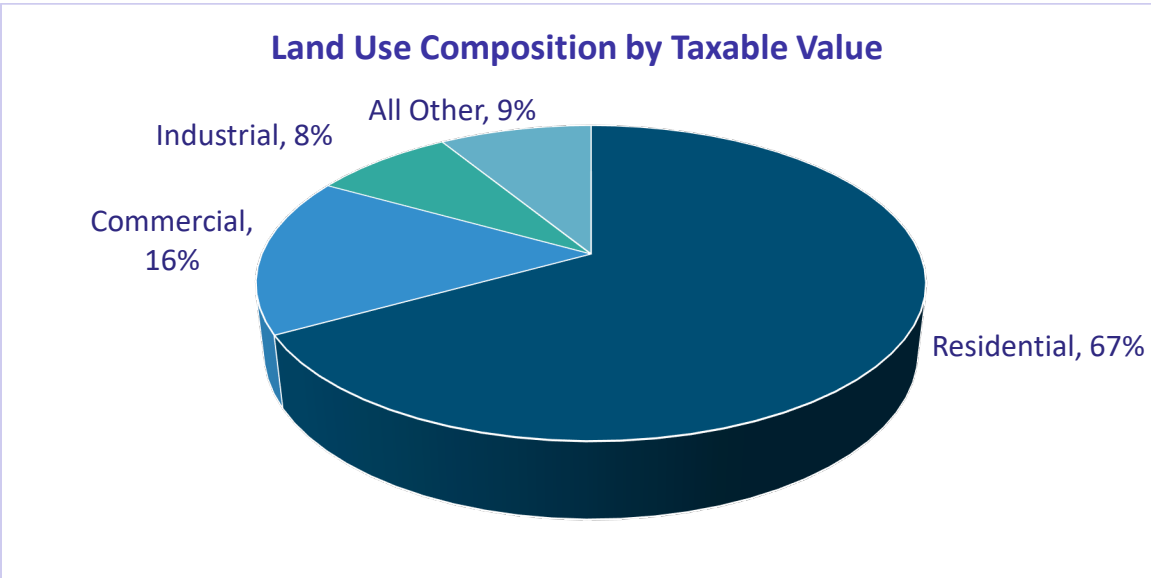
Receipts of \$4.8 million for the first fiscal quarter are tracking below prior year actuals by \$492,000 or 9.4% and the projected annual amounts falling short of budget by \$2.8 million is mainly due to decreased consumer demand after the economy rebounded significantly from the COVID-19

pandemic. Sales tax peaked in FY21-22 at \$63.6 million and is projected to pull back to \$61.6 million in FY23-24. The forecast is projecting a decrease of 1.5% from prior year actuals or 4.3% below budgeted figures in the current fiscal year. As of the latest available data from the California Department of Tax & Fee Administration, sales tax revenues are experiencing declines in autos and transportation, fuel and service stations, and business and industry, while restaurants and hotels are experiencing an increase.

With sales tax revenues trending negatively, staff continue to be cautious with forecasts. The Fed increased the Federal Funds Rate to a range of 5.25-5.50% in July 2023. During the November 2023 meeting, the Fed decided to maintain the 5.25-5.50% range, with no anticipated increases through the end of the calendar year. The Fed’s policy to slow inflation has affected sales across industries. For instance, the Autos and Transportation, Fuel and Service Stations, and General Consumer Goods industries have all experienced a decrease over the past year. In addition, the September 2023 year-over-year change in Consumer Price Index for All Urban Consumers (CPI-U) was 3.7%. The inflation rate continues to drive up the cost of many taxable products and is anticipated to slow consumer spending through the end of the 2023 calendar year.

**Property Tax, Property Transfer Tax, and Vehicle License Fee Swap & Repayment**

The City’s property tax base consists of a healthy mix of residential, commercial and industrial properties, with the residential category comprising most of the total assessed value in Torrance. Based on calendar year 2022 data from property tax consultants, HdL Coren & Cone, the City’s FY23-24 net taxable assessed value increased to \$38.2 billion or 5.3% when compared to the same period during the prior year, keeping Torrance in the top 10 highest value cities in Los Angeles County at eighth place.



Property tax revenues are primarily received in December and April each year. As of September 30, 2023, property tax receipts remain relatively flat at \$1.1 million compared to the same period last year. Presently, the City projects the total year-end revenue to be slightly lower than the property tax budget by 326,000 for FY23-24, including property transfer tax and vehicle license fee swap & repayment.

In 2004, the California Legislature approved a property tax swap of vehicle license fees (VLF) as part of a state and local government budget agreement. As a result of the swap, more than 90% of the City’s Motor License Vehicle Fund was swapped for property taxes. The centerpiece of this legislation was the permanent reduction of the VLF rate. This revenue is received from the Los Angeles County Assessor twice a year in January and May, and therefore not realized in the first quarter.

### Utility Users’ Tax

Utility users’ tax (UUT), the City’s third largest revenue source, is a 6.5% consumption tax applied on the usage of utilities such as electricity and gas, and a 6.0% tax applied to water.

### Utility Users’ Tax by Type

Revenues	2022-23			2023-24					
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Electricity	\$ 18,168,950	\$ 3,625,610	20.0%	\$ 20,912,992	\$ 3,927,656	18.8%	\$ 21,616,043	\$ 703,051	103.4%
Gas	\$ 4,995,440	\$ 613,231	12.3%	\$ 5,401,540	\$ 628,283	11.6%	\$ 5,909,265	\$ 507,725	109.4%
Refinery: Co-Gen	\$ 530,230	\$ 111,692	21.1%	\$ 757,698	\$ 235,108	31.0%	\$ 1,000,048	\$ 242,350	132.0%
Refinery: Gas	\$ 5,072,350	\$ 805,089	15.9%	\$ 8,304,467	\$ 891,333	10.7%	\$ 8,793,669	\$ 489,202	105.9%
Water	\$ 3,246,210	\$ 720,447	22.2%	\$ 4,163,445	\$ 670,583	16.1%	\$ 3,565,000	\$ (598,445)	85.6%
Cable	\$ 2,101,270	\$ 274,180	13.0%	\$ 1,575,385	\$ 268,274	17.0%	\$ 1,585,311	\$ 9,926	100.6%
Cellular	\$ 1,129,710	\$ 209,571	18.6%	\$ 1,296,803	\$ 219,040	16.9%	\$ 1,307,964	\$ 11,161	100.9%
Telecom	\$ 1,963,780	\$ 433,039	22.1%	\$ 2,052,774	\$ 376,125	18.3%	\$ 2,195,577	\$ 142,803	107.0%
<b>Total Revenues</b>	<b>\$ 37,207,940</b>	<b>\$ 6,792,859</b>	<b>18.3%</b>	<b>\$ 44,465,104</b>	<b>\$ 7,216,402</b>	<b>16.2%</b>	<b>\$ 45,972,877</b>	<b>\$ 1,507,773</b>	<b>103.4%</b>

Current period receipts of **\$7.2 million** exceed prior year receipts by \$424,000 or 6.2%. Overall, the increase was mainly due to UUT collected from electricity. Water, cable, and telecom experienced a decrease from the prior year, but the other remaining categories all experienced increases.

### Business License Tax

The City serves approximately 13,344 businesses, including outside contractors. Annual renewals for this revenue source are billed in December, due on January 1, and delinquent on February 1. As of September 30, 2023, business license tax receipts are consistent with the prior year and are expected to exceed budget estimates by 5.0% due to increased collection efforts by a third-party consultant, Hinderliter de Llamas & Associates, that was not included in the FY23-24 Adopted Budget.

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## **Occupancy Tax**

Occupancy tax is an 11% tax on room charges to guests staying at hotels, motels, and short-term rentals. As of September 30, 2023, the City has received \$747,000, a decrease of \$76,000 compared to September 30, 2022, receipts of \$823,000. Based on information from data and analytics company STR, LLC, the City's occupancy rate percentage for the three-month period ending September 30 decreased from an average of 86% in 2022 to an average of 84% in 2023. Conversely, the average daily rate per room increased by \$6.44 during this same period. Overall, it is projected that occupancy tax receipts will fall short of budget by approximately \$827,000. This represents a leveling out of the sporting events, concerts and business conferences that have returned to full capacity without the COVID-19 restrictions from years prior.

## **Licenses, Fees & Permits**

This revenue source accounts primarily for development-related fees such as building and inspection fees. As of September 30, 2023, actual receipts of \$1.2 million represent a 23.5% decrease from prior year receipts and are projected to fall short of budget expectations by \$522,000 or 9.0%. This is primarily attributable to decreased energy inspection fees and building permits fees that were collected from the Torrance Technology Center project in the prior year. This revenue source is cyclical and can fluctuate based on the timing of payments for individual projects.

## **Use of Money and Property**

This revenue source includes investment earnings, interest income, and rental income. As of September 30, 2023, actual receipts of \$2.0 million represent a 23.0% increase from prior year receipts of \$1.6 million. This is due to increases in investment income from steadily rising interest rates and rental income from the newly negotiated Toyota Sports Complex lease. It is anticipated that this revenue source will exceed budget expectations by \$831,000 or 18.3% at fiscal year-end.

## **Fines and Forfeitures**

This revenue source includes general court fees, traffic fines, and parking citation revenues. As of September 30, 2023, actual receipts of \$64,000 represent a decrease from last year's receipts of \$78,000. The decrease is mainly due to a reduction in parking citation receipts. This classification is expected to fall short of budget by about \$150,000 or 19.7%.

## **Charges for Services**

This revenue source includes various user fees, construction-related fees (e.g., plan checks), engineering fees, library fees, emergency transport fees, and fire inspection fees. As of September 30, 2023, actual receipts of \$4.9 million fall short of the prior year by \$406,000 or 7.7%.

## Charges for Services by Department

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
City Manager	\$ 888,099	\$ 159,586	18.0%	\$ 846,330	\$ 159,736	18.9%	\$ 808,950	\$ (37,380)	95.6%
City Clerk	\$ 16,004	\$ 587	3.7%	\$ 4,430	\$ 1,157	26.1%	\$ 12,110	\$ 7,680	273.4%
Community Development	\$ 4,499,158	\$ 1,872,020	41.6%	\$ 6,174,902	\$ 1,276,696	20.7%	\$ 5,805,090	\$ (369,812)	94.0%
General Services	\$ 853,856	\$ 256,766	30.1%	\$ 1,222,919	\$ 247,679	20.3%	\$ 1,007,970	\$ (214,949)	82.4%
Non-Departmental	\$ 22,175	\$ 4,171	18.8%	\$ 14,899	\$ 2,849	19.1%	\$ 10,540	\$ (4,359)	70.7%
Police	\$ 212,961	\$ 45,508	21.4%	\$ 434,468	\$ 56,402	13.0%	\$ 468,770	\$ 34,302	107.9%
Fire	\$ 8,286,291	\$ 1,104,383	13.3%	\$ 10,084,175	\$ 1,282,580	12.7%	\$ 10,870,610	\$ 786,435	107.8%
Public Works	\$ 232,182	\$ 203,613	87.7%	\$ 242,177	\$ -	0.0%	\$ 230,760	\$ (11,417)	95.3%
Community Services	\$ 4,713,942	\$ 1,630,990	34.6%	\$ 4,536,496	\$ 1,844,636	40.7%	\$ 4,596,040	\$ 59,544	101.3%
<b>Total Revenues</b>	<b>\$ 19,724,668</b>	<b>\$ 5,277,624</b>	<b>26.8%</b>	<b>\$ 23,560,796</b>	<b>\$ 4,871,735</b>	<b>20.7%</b>	<b>\$ 23,810,840</b>	<b>\$ 250,044</b>	<b>101.1%</b>

As shown in the table above, the decrease of \$406,000 is mainly due to decreased receipts collected by the Community Development Department for inspection, building, and zoning fees (also from the Torrance Technology Center project in the prior year) and is partially offset by increases collected by the Fire and Community Services Departments. Overall, this classification is expected to exceed budget by \$250,000 or 1.1% by fiscal year end.

### Operating Transfers In

This revenue source includes transfers from other funds to help support operations of the General Fund-Operating Fund, with the main sources being the Airport Fund, Measure SST Fund, and Gas Tax Funds. As of September 30, 2023, actual receipts of \$6.3 million fell short of the prior year by \$3 million. The decrease is mainly attributable to a \$6.4 million transfer from non-aeronautical airport operations relating to a non-recurring lease renewal payment that occurred during the prior fiscal year and offset by \$3.0 million in new transfers from the General Fund-Measure SST Fund in the current fiscal year. The Operating Transfers In classification is expected to fall short of budgeted expectations by \$1.2 million or 4.7% by fiscal year end due to litigation costs borne by the Airport Fund.

### General Fund-Operating Fund Expenditure Analysis

This section highlights the expenditures of the main General Fund-Operating Fund. As of September 30, 2023, the General Fund-Operating Fund expended **\$84.8 million** or **31.2%** of the FY23-24 expenditure budget, an increase of **\$16.8 million** or **24.6%** from the prior year. Overall, the City's General Fund-Operating Fund expenditure budget is projected to generate a surplus of \$5.9 million at the end of FY23-24. When comparing the City's rate of spending this year against the same period last year, the rate has increased to 31.2% up from 27.2% in the year prior.

Expenditures to date are expected to be higher than the percentage of the fiscal year completed due to the timing of Debt Service payments associated with the 2020 Lease Revenue Bonds that were used to pay down a majority of the City’s CalPERS UAL and the annual contributions to the CEPPT Section 115 Fund that are paid in July and September (included in the Non-Departmental expenditures). In examining expenditures over the course of the full fiscal year, this will ultimately balance out at fiscal year-end. The General Fund-Operating Fund’s Non-Departmental area includes a projected deficit mainly driven by an additional one-time transfer of \$5.0 million from the General Fund-Operating Fund to the City’s Self-Insurance Fund to cover projected fund balance deficits within this Internal Service Fund.

As shown in the table below, all departments are projected to end the fiscal year within budgeted expectations, while Non-Departmental budget shows a budget deficit of \$6.4 million.

### General Fund-Operating Fund Expenditures by Department

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
City Council	\$ 428,713	\$ 157,693	36.8%	\$ 580,611	\$ 147,332	25.4%	\$ 549,338	\$ 31,273	94.6%
City Manager	\$ 6,094,097	\$ 1,316,996	21.6%	\$ 6,436,700	\$ 1,442,094	22.4%	\$ 6,313,866	\$ 122,834	98.1%
City Attorney	\$ 2,815,838	\$ 608,226	21.6%	\$ 3,108,064	\$ 692,523	22.3%	\$ 3,074,945	\$ 33,119	98.9%
City Clerk	\$ 1,074,052	\$ 213,583	19.9%	\$ 1,359,558	\$ 284,979	21.0%	\$ 1,326,231	\$ 33,327	97.5%
City Treasurer	\$ 364,841	\$ 45,863	12.6%	\$ 343,088	\$ 91,008	26.5%	\$ 337,715	\$ 5,373	98.4%
Finance	\$ 5,989,884	\$ 1,007,227	16.8%	\$ 6,251,439	\$ 1,171,822	18.7%	\$ 6,146,425	\$ 105,014	98.3%
Human Resources	\$ 2,192,036	\$ 462,843	21.1%	\$ 2,355,177	\$ 482,540	20.5%	\$ 2,026,310	\$ 328,867	86.0%
Civil Service	\$ 629,901	\$ 140,955	22.4%	\$ 701,129	\$ 185,400	26.4%	\$ 690,098	\$ 11,031	98.4%
Community Development	\$ 9,815,615	\$ 1,867,694	19.0%	\$ 9,643,676	\$ 2,087,600	21.6%	\$ 9,352,058	\$ 291,618	97.0%
CIT	\$ 8,951,621	\$ 2,096,703	23.4%	\$ 8,782,395	\$ 2,188,713	24.9%	\$ 7,652,818	\$ 1,129,577	87.1%
General Services	\$ 10,142,744	\$ 2,017,224	19.9%	\$ 10,493,231	\$ 2,190,145	20.9%	\$ 9,735,434	\$ 757,797	92.8%
Non-Departmental	\$ 8,172,725	\$ 13,761,637	168.4%	\$ 22,778,700	\$ 29,395,535	129.0%	\$ 29,202,092	\$ (6,423,392)	128.2%
Police	\$ 94,164,613	\$ 21,599,071	22.9%	\$ 95,374,934	\$ 20,919,638	21.9%	\$ 88,373,558	\$ 7,001,376	92.7%
Fire	\$ 56,420,842	\$ 13,962,730	24.7%	\$ 59,244,214	\$ 14,110,510	23.8%	\$ 58,417,613	\$ 826,601	98.6%
Public Works	\$ 18,179,445	\$ 3,662,409	20.1%	\$ 19,211,947	\$ 3,854,605	20.1%	\$ 18,726,935	\$ 485,012	97.5%
Community Services	\$ 24,369,099	\$ 5,076,094	20.8%	\$ 24,572,691	\$ 5,507,784	22.4%	\$ 23,433,328	\$ 1,139,363	95.4%
<b>Total Expenses</b>	<b>\$ 249,806,066</b>	<b>\$ 67,996,948</b>	<b>27.2%</b>	<b>\$ 271,237,554</b>	<b>\$ 84,752,228</b>	<b>31.2%</b>	<b>\$ 265,358,764</b>	<b>\$ 5,878,790</b>	<b>97.8%</b>

After controlling for the one-time transfer of \$5.0 million to the Self-Insurance Fund, the General Fund-Operating Fund budget is projected to generate \$10.9 million in savings for FY23-24. This is primarily the direct result of departmental vacancies across the General Fund-Operating Fund. As of September 30, 2023, the General Fund-Operating Fund had 145.55 FTE vacant positions. While this represents a decrease of 10.35 FTE vacancies from the same period in the year prior, the City continues to experience challenges in attracting qualified candidates and has many recruitments underway. Staff continue to work towards filling vacancies while simultaneously exploring various means for retaining and supporting existing talent.

To better understand the trends and cost drivers of the General Fund-Operating Fund expenditure budget, it is helpful to break down the information into its two main components, **Salaries & Salaries Reimbursements** and **Materials (non-wage)**. As shown in the summary table below, the FY23-24 salary expenditure trends are in line with the year prior. As of September 30, 2023, the City has expended **\$44.6 million** or **22.9%** of the salary budget. During the same period ending September 30, 2022, the City expended **\$44.4 million** or **22.7%** of the FY22-23 salary budget. Each of these values are within the relative timing of the fiscal year, of which 25.1% has expired. As a result, it is projected that the salaries portion of the expenditure budget will generate approximately \$10.6 million in savings, driven by vacancies in each department.

### General Fund-Operating Fund – Salary & Employee Benefit Expenditures by Department

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
City Council	\$ 93,497	\$ 24,993	26.7%	\$ 198,102	\$ 43,795	22.1%	\$ 192,100	\$ 6,002	97.0%
City Manager	\$ 4,787,661	\$ 1,161,715	24.3%	\$ 4,937,891	\$ 1,148,523	23.3%	\$ 4,805,177	\$ 132,714	97.3%
City Attorney	\$ 2,498,585	\$ 539,084	21.6%	\$ 2,721,579	\$ 616,828	22.7%	\$ 2,691,899	\$ 29,680	98.9%
City Clerk	\$ 914,313	\$ 191,667	21.0%	\$ 943,350	\$ 249,741	26.5%	\$ 974,089	\$ (30,739)	103.3%
City Treasurer	\$ 324,782	\$ 31,943	9.8%	\$ 295,742	\$ 76,491	25.9%	\$ 297,894	\$ (2,152)	100.7%
Finance	\$ 4,556,806	\$ 777,807	17.1%	\$ 4,297,541	\$ 1,014,966	23.6%	\$ 4,275,418	\$ 22,123	99.5%
Human Resources	\$ 1,504,767	\$ 347,412	23.1%	\$ 1,443,488	\$ 306,130	21.2%	\$ 1,141,072	\$ 302,416	79.0%
Civil Service	\$ 506,633	\$ 131,311	25.9%	\$ 534,350	\$ 135,434	25.3%	\$ 520,412	\$ 13,938	97.4%
Community Development	\$ 8,830,520	\$ 1,682,621	19.1%	\$ 8,377,936	\$ 1,900,191	22.7%	\$ 8,191,951	\$ 185,985	97.8%
CIT	\$ 6,144,190	\$ 1,405,978	22.9%	\$ 5,985,691	\$ 1,223,136	20.4%	\$ 4,980,000	\$ 1,005,691	83.2%
General Services	\$ 6,873,403	\$ 1,362,084	19.8%	\$ 6,790,819	\$ 1,441,983	21.2%	\$ 6,405,396	\$ 385,423	94.3%
Non-Departmental	\$ 199,717	\$ 35,542	17.8%	\$ 199,717	\$ 49,590	24.8%	\$ 128,805	\$ 70,912	64.5%
Police	\$ 83,904,890	\$ 18,905,023	22.5%	\$ 82,440,570	\$ 18,033,449	21.9%	\$ 75,622,220	\$ 6,818,350	91.7%
Fire	\$ 49,594,765	\$ 12,459,233	25.1%	\$ 50,192,578	\$ 12,481,352	24.9%	\$ 50,013,448	\$ 179,130	99.6%
Public Works	\$ 8,977,345	\$ 2,004,455	22.3%	\$ 9,341,724	\$ 2,052,309	22.0%	\$ 8,661,291	\$ 680,433	92.7%
Community Services	\$ 16,406,007	\$ 3,362,331	20.5%	\$ 16,274,662	\$ 3,785,797	23.3%	\$ 15,462,369	\$ 812,293	95.0%
<b>Total Expenses</b>	<b>\$ 196,117,881</b>	<b>\$ 44,423,199</b>	<b>22.7%</b>	<b>\$ 194,975,740</b>	<b>\$ 44,559,715</b>	<b>22.9%</b>	<b>\$ 184,363,541</b>	<b>\$ 10,612,199</b>	<b>94.6%</b>

Vacancy levels for each department are discussed in greater detail in the following section.

#### City Manager

The City Manager’s Office has a total of 3.0 FTE vacancies, of which 1.5 FTE positions are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projected to generate budgetary savings of \$133,000.

#### City Clerk

The City Clerk’s Office has no vacancies. However, this department currently has a temporary overflow of 1.0 FTE Intern position that is expected to remain filled through the end of the fiscal year, resulting in a projected budgetary deficit of \$31,000.

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## City Treasurer

The City Treasurer's Office has no vacancies. However, this department is projected to have a budgetary deficit of \$2,000 due to increased benefits costs that occurred after budget adoption.

## Human Resources

The Human Resources Department has a total of 3.25 FTE vacancies, all of which are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projected to generate budgetary savings of \$302,000.

## Communications and Information Technology (CIT)

The CIT Department has a total of 5.5 FTE vacancies, of which 5.0 FTE positions are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projecting budgetary savings of \$1.0 million.

## General Services

The General Services Department (excluding seasonal/recurrent positions) has a total of 6.5 FTE vacancies, all of which are expected to be filled by the end of the fiscal year. Based on currently approved recruitment requests, this department is projected to generate budgetary savings of \$385,000.

## Police

The Police Department has a total of 68.75 FTE vacancies, of which 35.75 FTE positions are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projecting budgetary savings of \$6.8 million.

## Fire

The Fire Department has a total of 16.0 FTE vacancies, of which 2.0 FTE positions are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projected to generate budgetary savings of \$179,000. It is important to note that the Fire Department experiences zero savings from vacancies in the Fire Fighter, Fire Engineer, and Fire Captain ranks due to constant staffing requirements. Except for 2.0 FTE daily positions, if any of the previously mentioned positions become vacant, they are required to be filled through the use of overtime each day.

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## **Public Works**

The Public Works Department has a total of 15.85 FTE vacancies, of which 6.35 FTE positions are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projecting budgetary savings of \$680,000.

## **Community Services**

The Community Services Department (excluding seasonal/recurrent positions) has a total of 10.5 FTE vacancies, of which 6.5 FTE positions are expected to remain unfilled through the end of the fiscal year. Based on currently approved recruitments requests, this department is projected to generate budgetary savings of \$812,000.

In addition to salary expenditures, it is also important to examine the General Fund-Operating Fund’s non-wage expenditures. The table below provides a summary of materials expenditures broken down by department. When comparing year-over-year first quarter results, non-wage expenditures have increased by \$16.6 million. As of September 30, 2023, a total of **\$40.2 million** or **52.7%** of budgeted expenditures were utilized. During the same period ending September 30, 2022, City departments utilized **\$23.6 million** or **43.9%** of FY22-23 budgeted expenditures.

The increase is largely isolated to the Non-Departmental area and is primarily driven by the timing of the 2020 Lease Revenue Bonds annual debt service payments as well as the contributions to the City’s CEPPT Section 115 Fund, both of which occur in the first quarter. However, after controlling for Non-Departmental activity, the adjusted rate of non-wage departmental expenditures as of the first quarter of FY23-24 was 20.2% compared to 21.5% in the same period the year prior.

### General Fund-Operating Fund – Materials (Non-Wage) Expenditures by Department

Expenses	2022-23			2023-24			2023-24			Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)		
City Council	\$ 335,216	\$ 132,700	39.6%	\$ 382,509	\$ 103,538	27.1%	\$ 357,238	\$ 25,271	93.4%	
City Manager	\$ 1,306,436	\$ 155,281	11.9%	\$ 1,498,809	\$ 293,571	19.6%	\$ 1,508,689	\$ (9,880)	100.7%	
City Attorney	\$ 317,253	\$ 69,142	21.8%	\$ 386,485	\$ 75,696	19.6%	\$ 383,046	\$ 3,439	99.1%	
City Clerk	\$ 159,739	\$ 21,917	13.7%	\$ 416,208	\$ 35,238	8.5%	\$ 352,142	\$ 64,066	84.6%	
City Treasurer	\$ 40,059	\$ 13,920	34.7%	\$ 47,346	\$ 14,517	30.7%	\$ 39,821	\$ 7,525	84.1%	
Finance	\$ 1,433,078	\$ 229,420	16.0%	\$ 1,953,898	\$ 156,857	8.0%	\$ 1,871,007	\$ 82,891	95.8%	
Human Resources	\$ 687,269	\$ 115,431	16.8%	\$ 911,689	\$ 176,410	19.3%	\$ 885,238	\$ 26,451	97.1%	
Civil Service	\$ 123,268	\$ 9,643	7.8%	\$ 166,779	\$ 49,966	30.0%	\$ 169,685	\$ (2,906)	101.7%	
Community Development	\$ 985,095	\$ 185,073	18.8%	\$ 1,265,740	\$ 187,409	14.8%	\$ 1,160,107	\$ 105,633	91.7%	
CIT	\$ 2,807,431	\$ 690,725	24.6%	\$ 2,796,704	\$ 965,578	34.5%	\$ 2,672,818	\$ 123,886	95.6%	
General Services	\$ 3,269,341	\$ 655,141	20.0%	\$ 3,702,412	\$ 748,162	20.2%	\$ 3,330,039	\$ 372,373	89.9%	
Non-Departmental	\$ 7,973,008	\$ 13,726,095	172.2%	\$ 22,578,983	\$ 29,345,946	130.0%	\$ 29,073,286	\$ (6,494,303)	128.8%	
Police	\$ 10,259,723	\$ 2,694,048	26.3%	\$ 12,934,364	\$ 2,886,190	22.3%	\$ 12,751,339	\$ 183,025	98.6%	
Fire	\$ 6,826,077	\$ 1,503,497	22.0%	\$ 9,051,636	\$ 1,629,158	18.0%	\$ 8,404,165	\$ 647,471	92.8%	
Public Works	\$ 9,202,100	\$ 1,657,954	18.0%	\$ 9,870,223	\$ 1,802,297	18.3%	\$ 10,065,644	\$ (195,421)	102.0%	
Community Services	\$ 7,963,092	\$ 1,713,762	21.5%	\$ 8,298,029	\$ 1,721,987	20.8%	\$ 7,970,959	\$ 327,070	96.1%	
<b>Total Expenses</b>	<b>\$ 53,688,185</b>	<b>\$ 23,573,749</b>	<b>43.9%</b>	<b>\$ 76,261,814</b>	<b>\$ 40,192,520</b>	<b>52.7%</b>	<b>\$ 80,995,223</b>	<b>\$ (4,733,409)</b>	<b>106.2%</b>	

At fiscal year-end, it is projected that non-wage expenditures will operate at an overall deficit of **\$4.7 million**. This is largely driven by a planned one-time contribution of \$5.0 million to the City’s Self-Insurance Fund; excluding this one-time contribution, the General Fund-Operating Fund’s non-wage expenditures are expected to generate a \$267,000 surplus. A majority of these projected savings are reflected in the General Services, Fire, and Community Services Departments. This is to be expected given the respective sizes of these departments and the natural variability of their costs.

Materials (non-wage) expenditure trends for notable departments are discussed in greater detail in the following section.

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## City Manager

The City Manager's Office is currently projecting a small deficit of \$10,000. This is simply due to the variable nature of the department and its dynamic need for various consulting services to address the ever-evolving needs of the community. Staff will continue to monitor the activity of the department and take appropriate action to mitigate the projected deficit as the fiscal year progresses.

## Civil Service

The Civil Service Division of the City Manager's Office is currently projecting a minor deficit of \$3,000. This is due to the increased arbitration activity and the supplemental professional services required. Staff will continue to monitor the activity of the department and take appropriate action to mitigate the projected deficit as the fiscal year progresses.

## Communications and Information Technology (CIT)

The CIT Department's non-wage expenditures are trending above the relative amount of the fiscal year expired (25.1%), with 34.5% of the department's materials budget expended. This is the result of annual software contract expenses realized in the first quarter of FY23-24. However, as shown in the previous table, the department's materials expenditure budget is currently projected to realize \$124,000 in savings at fiscal year-end.

## General Services

The General Services Department is projected to generate a non-wage expenditure surplus of \$372,000. This is primarily due to favorable trends in year-to-date fleet maintenance costs that have been realized. The budget was established with a conservative estimate for increased fleet maintenance costs to ensure sufficient resources are available to support the City's vehicles. However, these increased costs have not yet been realized. Staff will continue to monitor the expenditure trends in this area as the fiscal year progresses.

## Non-Departmental

Non-Departmental expenditures are projected to exceed non-wage budget by \$6.5 million. As previously mentioned, this is driven by an additional one-time transfer of \$5.0 million to the Self-Insurance Fund to help address the fund balance deficit which has been an identified Area of Focus for several budget reports. This transfer is not included in the amended budget but is able to be achieved through expenditure savings across City departments. Additionally, due to high vacancy

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levels across the City's various Enterprise Funds, there is a projected \$1.2 million shortfall in the indirect cost rate reimbursement portion of the Non-Departmental budget.

## **Fire**

The Fire Department is projected to generate non-wage expenditure savings of \$647,000, primarily due to favorable trends in year-to-date fleet maintenance costs. The non-wage expenditure budget was established with a conservative estimate for increased fleet maintenance costs to ensure sufficient resources are available to support Fire Department vehicles. However, these increased costs have not yet been realized. Staff will continue to monitor the expenditure trends in this area as the year progresses.

## **Public Works**

The Public Works Department's non-wage expenditures are trending below the relative amount of the fiscal year expired (25.1%), with 18.3% of the department's materials budget expended. However, it is currently projected to exceed its current budget by \$195,000. This deficit is primarily due to planned utilization of salary savings to fund additional third-party professional services.

## **Community Services**

The Community Services Department's is currently projected to realize non-wage expenditure savings of \$327,000. While this may appear to be a large dollar figure, it is within 5% of the department's materials budget to address emergency needs and unforeseen circumstances. Staff will continue to monitor the expenditure trends in this area as the fiscal year progresses.

Finally, it is essential to review expenditures across all classifications represented under the General Fund-Operating Fund’s chart of accounts. This provides a broader perspective of City’s General Fund-Operating Fund expenditure trends by type.

### General Fund-Operating Fund – All Expenditures by Classification

Expenses	2022-23			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget
Salaries and Employee Benefits	\$ 196,169,175	\$ 44,664,935	22.8%	\$ 196,422,034	\$ 44,837,059	22.8%
Salaries and Benefits Reimbursements	\$ (51,294)	\$ (241,737)	471.3%	\$ (1,446,294)	\$ (277,347)	19.2%
Materials, Supplies & Maintenance	\$ 16,628,496	\$ 3,011,519	18.1%	\$ 20,245,430	\$ 3,405,231	16.8%
Materials Reimbursements	\$ (221,351)	\$ (56,642)	25.6%	\$ (342,751)	\$ (63,975)	18.7%
Professional/Contract Services & Utilities	\$ 15,275,675	\$ 3,217,746	21.1%	\$ 19,344,766	\$ 3,365,746	17.4%
Training, Travel & Membership Dues	\$ 1,086,766	\$ 375,254	34.5%	\$ 1,466,186	\$ 511,641	34.9%
Liabilities, Settlements & Insurance	\$ 967,843	\$ 86,916	9.0%	\$ 169,581	\$ 42,218	24.9%
Interdepartmental Charges	\$ 12,698,048	\$ 3,174,510	25.0%	\$ 14,832,181	\$ 3,708,039	25.0%
Debt Service	\$ 22,360,355	\$ 12,900,266	57.7%	\$ 22,855,281	\$ 13,452,477	58.9%
Debt Service Reimbursements	\$ (18,337,744)	\$ (4,542,772)	24.8%	\$ (18,832,766)	\$ (4,643,491)	24.7%
Capital Acquisitions	\$ 358,874	\$ 56,337	15.7%	\$ 483,050	\$ 46,215	9.6%
Bad Debts and Other Losses	\$ 1,000	\$ -	0.0%	\$ 1,000	\$ -	0.0%
Reimbursements-Indirect Costs	\$ (7,813,890)	\$ (1,507,796)	19.3%	\$ (8,557,193)	\$ (1,840,246)	21.5%
Other Operating Transfers Out	\$ 10,684,113	\$ 6,858,412	64.2%	\$ 24,597,049	\$ 22,208,665	90.3%
<b>Total Expenses</b>	<b>\$ 249,806,066</b>	<b>\$ 67,996,948</b>	<b>27.2%</b>	<b>\$ 271,237,554</b>	<b>\$ 84,752,232</b>	<b>31.2%</b>

As shown above, the City’s General Fund-Operating Fund expenditures overall increased by approximately \$16.8 million when comparing year-over-year results. Across all classifications, a total of **\$84.6 million** or **31.2%** of budgeted expenditures were utilized as of September 30, 2023. During the same period ending September 30, 2022, a total of **\$68.0 million** or **27.2%** of FY22-23 budgeted expenditures were utilized. The main driver of this increase is an increase of \$15.4 million in **Other Operating Transfers Out**, largely driven by the transfer of \$19.8 million to the City’s CEPPT Section 115 Fund.

## General Fund-Measure SST Fund

The General Fund-Measure SST Fund (Measure SST Fund) is a sub-fund within the overall structure of the General Fund as reported in the Annual Report. The Measure SST Fund separately accounts for the 0.50% transaction and use tax (sales tax) approved by Torrance voters in June 2022. This measure, titled Safe, Strong Torrance, included four main funding priorities: (1) Quality of Life; (2) Fiscal Sustainability; (3) Deferred Maintenance & Community Services/Programs; and (4) Emergency Responsiveness. City Council approved the budgeted use of these funds and authorized the newly established Measure SST Committee (Committee) to provide public oversight. The Committee will ensure funds are utilized in accordance with the spending plans approved by City Council and annually review the Measure SST Fund’s completed financial audits.

### General Fund-Measure SST Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Taxes	\$ 13,500,000	\$ -	0.0%	\$ 22,917,288	\$ 1,962,558	8.6%	\$ 24,599,000	\$ 1,681,712	107.3%
Use of Money and Property	\$ -	\$ -	0.0%	\$ 25,000	\$ (53,879)	-215.5%	\$ (124,784)	\$ (149,784)	-499.1%
<b>Total Revenues</b>	<b>\$ 13,500,000</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 22,942,288</b>	<b>\$ 1,908,679</b>	<b>8.3%</b>	<b>\$ 24,474,216</b>	<b>\$ 1,531,928</b>	<b>106.7%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Materials, Supplies & Maintenance	\$ -	\$ -	0.0%	\$ 1,000,000	\$ -	0.0%	\$ -	\$ 1,000,000	0.0%
Professional/Contract Services & Utilities	\$ -	\$ -	0.0%	\$ 825,000	\$ 32,078	3.9%	\$ 825,000	\$ -	100.0%
Other Operating Transfers Out	\$ 13,500,000	\$ -	0.0%	\$ 21,117,288	\$ 8,653,602	41.0%	\$ 21,117,288	\$ -	100.0%
<b>Total Expenses</b>	<b>\$ 13,500,000</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 22,942,288</b>	<b>\$ 8,685,680</b>	<b>37.9%</b>	<b>\$ 21,942,288</b>	<b>\$ 1,000,000</b>	<b>95.6%</b>

<b>Revenues Less Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ (6,777,001)</b>		<b>\$ 2,531,928</b>		
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As the first full budget cycle for the Measure SST Fund, staff is unable to compare year-over-year actuals since the first installment of revenues generated by the enacted 0.50% sales were not received until after the measure was effective October 1, 2022. As of September 30, 2023, the Measure SST Fund realized revenues of **\$1.9 million**, achieving **8.3%** of the FY23-24 budget. As shown in the table above, it is projected that a total of \$24.5 million will be received by fiscal year-end, which exceeds budgeted estimates by \$1.5 million or 6.7%.

It should be noted that it is difficult to estimate the ratio between the City’s transaction and use tax and the State’s Bradley Burns allocation of 1.0% when implementing a new sales tax like Measure SST. However, in consultation with the City’s third-party consultant Hinderliter de Llamas & Associates and FY22-23 year-end figures, it is now projected that this fund will generate approximately 41% of Bradley Burns sales tax receipt allocations. Due to the timing of when revenues and expenditures are actualized, this fund typically operates at a negative cash position during the year, which is why a negative **Use of Money and Property** projection is shown in the above summary

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table. The budget will continue to be adjusted to better align with projected actuals in future budget cycles.

On the expenditure side, the Measure SST Fund realized expenditures of **\$8.7 million** or **37.9%** of the FY23-24 budget. Currently, it is projected that the expenditure budget will be fully expended at year-end except for \$1.0 million allocated for homelessness reduction efforts in Torrance, as the City has been able to identify various grant funding sources to mitigate the need to use general fund resources to support these activities. Overall, it is anticipated that this fund will operate at a \$2.5 million surplus when comparing projected revenues against projected expenditures.

## General Fund-Restricted/Assigned Fund

The General Fund-Restricted/Assigned Fund (Restricted/Assigned Fund) is a series of sub-funds within the overall structure of the General Fund as reported in the City’s Annual Report. This fund separately tracks balances under the different areas that are deemed restricted by the source or assigned for a particular purpose. It should be noted that this does not include the City’s Unassigned (Reserve) Fund.

For example, there are multiple replacement funds that were created by the City to set aside funding each year for planned future equipment purchases. This helps smooth spending across multiple years and creates a dedicated source for these different replacement activities, which include:

- Data Communications Replacement Fund
- Defibrillator Replacement Fund
- Drone/ALPR Replacement Fund
- PC Replacement Fund
- Radio Communications Replacement Fund

In addition to the above-mentioned replacement funds, the Restricted/Assigned Fund also includes the City’s CalPERS CEPPT Section 115 Fund, Cable’s various Public, Educational, and Governmental Access (PEG) Funds, and the El Camino Training Funds for the City’s Fire and Police Departments.

### General Fund-Restricted/Assigned Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ 365,550	\$ (252,026)	-68.9%	\$ 458,058	\$ 27,953	6.1%	\$ 382,350	\$ (75,708)	83.5%
Operating Transfers In	\$ 3,988,924	\$ 2,461,936	61.7%	\$ 25,305,368	\$ 23,069,872	91.2%	\$ 25,321,940	\$ 16,572	100.1%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 4,354,474</b>	<b>\$ 2,209,910</b>	<b>50.8%</b>	<b>\$ 25,763,426</b>	<b>\$ 23,097,825</b>	<b>89.7%</b>	<b>\$ 25,704,290</b>	<b>\$ (59,136)</b>	<b>99.8%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 5,000	\$ 1,996	39.9%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Professional/Contract Services & Utilities	\$ 255,945	\$ -	0.0%	\$ 256,172	\$ -	0.0%	\$ -	\$ 256,172	0.0%
Debt Service	\$ -	\$ 613	0.0%	\$ 5,000	\$ -	0.0%	\$ -	\$ 5,000	0.0%
Capital Acquisitions	\$ 797,609	\$ 50,096	6.3%	\$ 800,913	\$ -	0.0%	\$ 263,342	\$ 537,571	32.9%
Other Expenditures	\$ -	\$ 1,187	0.0%	\$ 5,000	\$ -	0.0%	\$ -	\$ 5,000	0.0%
Other Operating Transfers Out	\$ 375,000	\$ 375,000	100.0%	\$ 775,000	\$ 400,000	51.6%	\$ 400,000	\$ 375,000	51.6%
<b>Total Expenses</b>	<b>\$ 1,433,554</b>	<b>\$ 428,892</b>	<b>29.9%</b>	<b>\$ 1,842,085</b>	<b>\$ 400,000</b>	<b>21.7%</b>	<b>\$ 663,342</b>	<b>\$ 1,178,743</b>	<b>36.0%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 2,920,920</b>	<b>\$ 1,781,018</b>		<b>\$ 23,921,341</b>	<b>\$ 22,697,825</b>		<b>\$ 25,040,948</b>		
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As of September 30, 2023, the Restricted/Assigned Fund realized revenues of **\$23.1 million**, achieving **89.7%** of the FY23-24 budget. During the same period ending September 30, 2022, the City

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realized **\$2.2 million** in revenues, representing **50.8%** of the FY22-23 revenue budget. This is largely driven by the \$22.3 million contribution to the City's CEPPT Section 115 Fund. Overall, it is projected that revenues in this fund will total \$25.7 million at fiscal year-end.

Due to the fluctuating nature of these sub-funds, it is important to examine the Restricted/Assigned Fund's budget to actual performance with careful consideration for setting aside funds each year to replace physical assets. Once annual contributions are made to the various replacement funds, the City then expends a large sum in a given fiscal year utilizing the resources for dedicated activities. It should be noted that some of the purchases are made through other funds where project-specific budgets are set to ensure budget compliance at the project level. As such, project-specific budget amounts are not reflected in the general ledger summary table above.

On the expenditure side, the Restricted/Assigned Fund realized expenditures of **\$400,000** or **21.7%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$429,000** or **29.9%** of the FY22-23 expenditure budget. These FY23-24 first quarter results are due to a transfer from the Radio Comm Replacement Fund to a capital project aimed at replacing the City's aging radio infrastructure. The only other projected expenses are capital acquisitions in PC Replacement Fund for the replacement of essential computer equipment. Overall, it is projected that revenues will exceed expenditures by \$25.0 million at fiscal year-end.

## General Fund-Unassigned Fund (Reserve Fund)

The General Fund-Unassigned Fund (Reserve Fund) is a sub-fund within the overall structure of the General Fund which does not qualify for the restricted/assigned category as reported in the City’s Annual Report. The Reserve Fund includes the Economic Anomaly and Litigation categories which help plan for economic downturns, allows the City to set aside funds for natural disasters such as earthquakes, and to ensure financial stability during times of need. The Other Unrestricted category pertains to the fund balances of the General Fund-Operating Fund and the Measure SST Fund. The table below provides a summary of the overall budget for this sub-fund.

### General Fund-Unassigned Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Operating Transfers In	\$ -	\$ -	0.0%	\$ 4,802,423	\$ 1,200,606	25.0%	\$ 4,802,423	\$ -	100.0%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 4,802,423</b>	<b>\$ 1,200,606</b>	<b>25.0%</b>	<b>\$ 4,802,423</b>	<b>\$ -</b>	<b>100.0%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Other Operating Transfers Out	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>

<b>Revenues Less Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 4,802,423</b>	<b>\$ 1,200,606</b>	<b>-</b>	<b>\$ 4,802,423</b>	<b>-</b>	<b>-</b>
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As shown in the summary table, the Reserve Fund realized revenues of **\$1.2 million**, achieving **25.0%** of budget in the first quarter of FY23-24. This represents the first quarter of a total \$4.8 million contribution from the Measure SST Fund. As previously mentioned, FY23-24 is the first full budget cycle in which the City will be receiving revenues generated by Measure SST. These contributions to the Reserve Fund demonstrate the measure’s impact on fiscal sustainability by affording us the ability to rebuild the City’s reserves. It is important to note that the nature of the Reserve Fund is unique in that funds are often set aside to plan for the City’s future needs economic downturns, and large sums of expenditures can occur in a given fiscal year to ensure the City maintains a balanced General Fund-Operating Fund budget.

Based on the tables previously presented in this report, below is a summary of the City’s Unassigned fund balance at the beginning of FY22-23, the unaudited ending balance for FY22-23, and the projected ending balance for FY23-24.

## General Fund-Unassigned Fund Balance Summary

<b>Unassigned Fund Balance</b>	<b>Beg Bal - FY2022-23</b>	<b>Additions/ (Uses)</b>	<b>End Bal - FY2022-23 (unaudited)</b>	<b>Projected Additions/ (Uses)</b>	<b>Proj End Bal FY2023-24</b>
Reserve Fund - Economic Anomaly	\$ 8,081,847	\$ -	\$ 8,081,847	\$ 4,802,423	\$ 12,884,270
Reserve Fund - Litigation	\$ -	\$ -	\$ -	\$ -	\$ -
Other Unrestricted	\$ 36,645,395	\$ 18,693,524	\$ 55,338,919	\$ 6,362,726	\$ 61,701,645
<b>Total</b>	<b>\$ 44,727,242</b>	<b>\$ 18,693,524</b>	<b>\$ 63,420,766</b>	<b>\$ 11,165,149</b>	<b>\$ 74,585,915</b>

As shown in the table above, it is projected that at fiscal year-end, the City’s Economic Anomaly (Reserve Fund) will have a fund balance of \$12.9 million with an Other Unrestricted balance of \$61.7 million for an overall unassigned fund balance of \$74.6 million.

The City’s adopted fiscal policy sets a 20% unassigned fund balance which translates to approximately \$54.2 million based on the currently approved expenditure appropriation for the General Fund. As of October 2023, The State Auditor’s High-Risk Dashboard was discontinued. However, the City will continue to monitor its reserve balances as one of our Key Performance Indicators. The State Auditor’s High-Risk Dashboard previously recommended greater than nine months of operating costs, which translates to 75% or \$203.3 million of the General Fund-Operating Fund’s current expenditure appropriation. To be considered “Low-Risk” on the State Auditor’s High-Risk Dashboard would require six months of operating costs, which translates to 50% or \$135.5 million. In the future, staff may recommend adjustments to our fiscal policy to further improve the City’s fiscal resiliency.

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# INTERNAL SERVICE FUNDS

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



# Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one City department to other departments and to other governmental units on a cost-reimbursement basis. The City currently has two Internal Service Funds: (1) Self-Insurance; and (2) Fleet Services.

## Self-Insurance Fund

The Self-Insurance Fund is a sub-fund used to finance and account for City expenditures associated with non-litigated claims, liability claims and settlements, workers' compensation cases, and unemployment insurance payments.

### Self-Insurance Fund Revenue and Expenditure Summary

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 17,347,600	\$ 4,290,353	24.7%	\$ 20,668,500	\$ 5,274,220	25.5%	\$ 25,785,900	\$ 5,117,400	124.8%
Total Expenses	\$ 22,661,485	\$ 6,015,038	26.5%	\$ 28,494,290	\$ 7,220,972	25.3%	\$ 18,302,210	\$ 10,192,080	64.2%
<b>Revenue Less Expenditures</b>	\$ (5,313,885)	\$ (1,724,685)		\$ (7,825,790)	\$ (1,946,752)		\$ 7,483,690		

As shown above, the Self-Insurance Fund's revenues have increased when comparing year-over-year first quarter results. As of September 30, 2023, a total of **\$5.3 million** or **25.5%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$4.3 million** in revenues, representing **24.7%** of the FY22-23 revenue budget.

On the expenditure side, the Self-Insurance Fund realized expenditures of **\$7.2 million**, achieving **25.3%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$6.0 million** or **26.5%** of the FY22-23 expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$7.5 million at fiscal year-end. This will be examined in more detail in the following sections.

## Self-Insurance Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 17,347,600	\$ 4,290,353	24.7%	\$ 20,668,500	\$ 5,156,818	25.0%	\$ 20,668,500	\$ -	100.0%
Operating Transfers In	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ 5,000,000	\$ 5,000,000	0.0%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ 117,402	0.0%	\$ 117,400	\$ 117,400	0.0%
<b>Total Revenues</b>	<b>\$ 17,347,600</b>	<b>\$ 4,290,353</b>	<b>24.7%</b>	<b>\$ 20,668,500</b>	<b>\$ 5,274,220</b>	<b>25.5%</b>	<b>\$ 25,785,900</b>	<b>\$ 5,117,400</b>	<b>124.8%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 1,046,209	\$ 206,333	19.7%	\$ 1,022,902	\$ 210,765	20.6%	\$ 809,928	\$ 212,974	79.2%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 30,683	\$ 437	1.4%	\$ 25,725	\$ 1,643	6.4%	\$ 24,500	\$ 1,225	95.2%
Professional/Contract Services & Utilities	\$ 783,279	\$ 34,860	4.5%	\$ 660,030	\$ 45,849	6.9%	\$ 644,100	\$ 15,930	97.6%
Training, Travel & Membership Dues	\$ 8,500	\$ 250	2.9%	\$ 8,500	\$ 993	11.7%	\$ 8,049	\$ 451	94.7%
Depreciation and Amortization	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Liabilities, Settlements & Insurance	\$ 12,585,863	\$ 5,771,421	45.9%	\$ 18,344,252	\$ 6,909,468	37.7%	\$ 16,606,620	\$ 1,737,632	90.5%
Interdepartmental Charges	\$ -	\$ -	0.0%	\$ 228,527	\$ 51,165	22.4%	\$ 204,659	\$ 23,868	89.6%
Capital Acquisitions	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Asset Contra Account	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Bad Debts and Other Losses	\$ 8,200,000	\$ -	0.0%	\$ 8,200,000	\$ -	0.0%	\$ -	\$ 8,200,000	0.0%
Other Operating Transfers Out	\$ 6,951	\$ 1,737	25.0%	\$ 4,354	\$ 1,089	25.0%	\$ 4,354	\$ -	100.0%
<b>Total Expenses</b>	<b>\$ 22,661,485</b>	<b>\$ 6,015,038</b>	<b>26.5%</b>	<b>\$ 28,494,290</b>	<b>\$ 7,220,972</b>	<b>25.3%</b>	<b>\$ 18,302,210</b>	<b>\$ 10,192,080</b>	<b>64.2%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (5,313,885)</b>	<b>\$ (1,724,685)</b>		<b>\$ (7,825,790)</b>	<b>\$ (1,946,752)</b>		<b>\$ 7,483,690</b>		
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As shown above, **\$5.3 million** or **25.5%** of budgeted revenues have been received compared with **\$4.3 million** or **24.7%** the year prior. As of September 30, 2023, actual revenues have increased by \$984,000 as a direct result of the City increasing its budgeted contributions to the Self-Insurance fund. These increased contributions are designed to address its underfunded status, which is an identified **Area of Focus**. Based on recent trends, an additional \$5.0 million is projected to be contributed to Self-Insurance as a one-time transfer from the General Fund-Operating Fund to help balance the fund's overall position. This is made possible by one-time savings through vacancies and other expenditures savings in the General Fund-Operating Fund. Overall, it is projected that the revenue budget will be exceeded by \$5.1 million at year end.

On the expenditures side, **\$7.2 million** or **25.3%** of budgeted expenditures have been expended compared with **\$6.0 million** or **26.5%** the year prior. As of September 30, 2023, actual expenditures increased by \$1.2 million due to increased costs for insurance premiums and workers' compensation claims. With this fiscal year being the first full year that the City is utilizing a third-party claims administrator for workers' compensation claims, and the significant changes in the City's claims handling processes, it is extremely difficult to project the year-end actuarial adjustment. Staff are currently working with the actuary to complete the report by May 2024. As such, the projection reflects zero actuarial adjustment, but this may be adjusted at fiscal year-end. Overall, it is projected that the expenditure budget will generate a \$10.2 million surplus at year-end if no actuarial adjustment is recorded.

## Fleet Services Fund

The Fleet Services Fund is used to finance and account for the maintenance and repair of the City’s vehicular assets. It also includes the replacement of the City’s vehicular assets excluding Sanitation, Sewer, Water, and Transit.

### Fleet Services Fund Revenue and Expenditure Summary

	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 9,628,182	\$ 1,781,646	18.5%	\$ 12,121,697	\$ 2,302,802	19.0%	\$ 8,929,700	\$ (3,191,997)	73.7%
Total Expenses	\$ 7,899,806	\$ 1,494,869	18.9%	\$ 8,807,257	\$ 2,328,204	26.4%	\$ 8,110,567	\$ 696,690	92.1%
<b>Revenue Less Expenditures</b>	\$ 1,728,376	\$ 286,777		\$ 3,314,440	\$ (25,402)		\$ 819,133		

As shown above, the Fleet Services Fund’s revenues have increased when compared with the year prior. As of September 30, 2023, a total of **\$2.3 million** or **19.0%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$1.8 million** in revenues, representing **18.5%** of the FY22-23 revenue budget.

On the expenditure side, the Self-Insurance Fund realized expenditures of **\$2.3 million**, achieving **26.4%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$1.5 million** or **18.9%** of the FY22-23 expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$819,000 at fiscal year-end. This will be examined in more detail in the following sections.

## Fleet Services Fund-Operating Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Charges for Services	\$ 4,693,325	\$ 957,571	20.4%	\$ 6,693,324	\$ 1,177,475	17.6%	\$ 4,726,100	\$ (1,967,224)	70.6%
Use of Money and Property	\$ -	\$ (12,903)	0.0%	\$ (28,196)	\$ (39,288)	139.3%	\$ (132,000)	\$ (103,804)	468.2%
Operating Transfers In	\$ 975,130	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 5,668,455</b>	<b>\$ 944,668</b>	<b>16.7%</b>	<b>\$ 6,665,128</b>	<b>\$ 1,138,187</b>	<b>17.1%</b>	<b>\$ 4,594,100</b>	<b>\$ (2,071,028)</b>	<b>68.9%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Salaries and Employee Benefits	\$ 3,772,636	\$ 609,805	16.2%	\$ 3,822,706	\$ 729,773	19.1%	\$ 3,615,827	\$ 206,879	94.6%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 334,294	\$ 37,367	11.2%	\$ 1,543,894	\$ 332,019	21.5%	\$ 1,423,689	\$ 120,205	92.2%
Materials Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Parts, Fuel & Lubricants Inventory Purchases	\$ 2,853,100	\$ 302,751	10.6%	\$ 2,938,693	\$ 434,425	14.8%	\$ 3,091,999	\$ (153,306)	105.2%
Parts, Fuel & Lubricants Contra	\$ (2,853,100)	\$ (302,961)	10.6%	\$ (2,938,693)	\$ (434,425)	14.8%	\$ (3,091,999)	\$ 153,306	105.2%
Professional/Contract Services & Utilities	\$ 69,558	\$ 51,971	74.7%	\$ 94,080	\$ 62,543	66.5%	\$ 244,600	\$ (150,520)	260.0%
Training, Travel & Membership Dues	\$ 51,809	\$ 2,720	5.3%	\$ 51,809	\$ 5,252	10.1%	\$ 27,715	\$ 24,094	53.5%
Depreciation and Amortization	\$ -	\$ -	0.0%	\$ -	\$ 81	0.0%	\$ -	\$ -	0.0%
Liabilities, Settlements & Insurance	\$ 16,880	\$ -	0.0%	\$ 16,880	\$ -	0.0%	\$ -	\$ 16,880	0.0%
Interdepartmental Charges	\$ 405,395	\$ 101,346	25.0%	\$ 1,039,443	\$ 224,440	21.6%	\$ 897,753	\$ 141,690	86.4%
Debt Service	\$ 50,000	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Capital Acquisitions	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Asset Contra Account	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ 722,227	\$ 398,893	55.2%	\$ 674,580	\$ 657,201	97.4%	\$ 674,580	\$ -	100.0%
Prior Period Adjustment	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 5,422,799</b>	<b>\$ 1,201,892</b>	<b>22.2%</b>	<b>\$ 7,243,392</b>	<b>\$ 2,011,309</b>	<b>27.8%</b>	<b>\$ 6,884,164</b>	<b>\$ 359,228</b>	<b>95.0%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 245,656</b>	<b>\$ (257,224)</b>		<b>\$ (578,264)</b>	<b>\$ (873,122)</b>		<b>\$ (2,290,064)</b>		
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When examining the Fleet Services Operating Fund, we get a better sense of day-to-day operations. As of September 30, 2023, a total of **\$1.1 million** or **17.1%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$945,000** in revenues, representing **16.7%** of the FY22-23 revenue budget. This year-over-year increase is primarily due to continued efforts in adjusting labor rate charges citywide.

In the FY22-23 budget, labor rates were increased by 85% then increased another 40% in FY23-24 in an effort to balance actual revenues with actual expenditures in the Fleet Services Operations Fund. While the budget was increased, billable hours are down due to vacancies in the Fleet Services area and therefore suppressing the results. It is expected this will normalize as vacancies are filled, however, staff will monitor closely to determine if any further labor rate adjustments are needed. As of September 30, 2023, it is projected that revenues will fall short of budget by \$2.1 million.

On the expenditure side, the Fleet Services Operating Fund realized expenditures of **\$2.0 million**, achieving **27.8%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$1.2 million** or **22.2%** of the FY22-23 expenditure budget. This increase is mainly driven by the addition of rental charges for the fleet warehouse in the **Material, Supplies & Maintenance** classification. An additional contributing factor is activity in the

**Other Operating Transfers Out**, which is driven by a contribution to the Fleet Services Capital Fund related to the Capital Improvement Plan. In FY23-24, the budget included the replacement of heavy-duty vehicle lifts with a project budget increase of \$651,000. Overall, the Fleet Services Fund’s operating fund is projected to operate at a \$2.3 million deficit.

Another main component of the Fleet Services Fund is the capital outlays, largely for vehicle purchases, as shown in detail below.

**Fleet Services Fund-Replacement Fund Revenues and Expenditures by Classification**

Revenues	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ 3,879,263	\$ 836,978	21.6%	\$ 5,376,105	\$ 1,164,615	21.7%	\$ 4,275,600	\$ (1,100,505)	79.5%
Operating Transfers In	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Revenues	\$ 80,464	\$ -	0.0%	\$ 80,464	\$ -	0.0%	\$ 60,000	\$ (20,464)	74.6%
<b>Total Revenues</b>	<b>\$ 3,959,727</b>	<b>\$ 836,978</b>	<b>21.1%</b>	<b>\$ 5,456,569</b>	<b>\$ 1,164,615</b>	<b>21.3%</b>	<b>\$ 4,335,600</b>	<b>\$ (1,120,969)</b>	<b>79.5%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 2,060	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Depreciation and Amortization	\$ 1,418,000	\$ 292,977	20.7%	\$ 1,468,460	\$ 316,895	21.6%	\$ 1,226,403	\$ 242,057	83.5%
Debt Service	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Capital Acquisitions	\$ 3,898,903	\$ 344,109	8.8%	\$ 11,956,197	\$ 475,521	4.0%	\$ 9,582,823	\$ 2,373,374	80.1%
Asset Contra Account	\$ (2,841,956)	\$ (344,109)	12.1%	\$ (11,860,792)	\$ (475,521)	4.0%	\$ (9,582,823)	\$ (2,277,969)	80.8%
Bad Debts and Other Losses	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 2,477,007</b>	<b>\$ 292,977</b>	<b>11.8%</b>	<b>\$ 1,563,865</b>	<b>\$ 316,895</b>	<b>20.3%</b>	<b>\$ 1,226,403</b>	<b>\$ 337,462</b>	<b>78.4%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 1,482,720</b>	<b>\$ 544,001</b>		<b>\$ 3,892,704</b>	<b>\$ 847,720</b>		<b>\$ 3,109,197</b>		
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This area of the Fleet Services Replacement Fund is responsible for collecting the charges assessed to departments for the replacement costs of vehicles and accounts for expenditures made to replace these vehicles.

Revenue collected within these sub-funds under the **Use of Money and Property** classification have increased relative to budget when compared to the year prior. As of September 30, 2023, a total of **\$1.2 million** or **21.3%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$837,000** in revenues, representing **21.1%** of the FY22-23 revenue budget.

On the expenditure side, the Fleet Services Replacement Fund realized expenditures of **\$317,000**, achieving **20.3%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$293,000** or **11.8%** of the FY22-23 expenditure budget. While

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revenues are projected to exceed expenditures, it is projected that \$9.6 million worth of vehicles will be purchased and capitalized for depreciation in future budget cycles.

# ENTERPRISE FUNDS

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



# Enterprise Funds

Enterprise Funds are used to account for fee-supported businesses operated by the City. The net activity of these funds provides working capital for maintenance and betterment of the equipment and fixed assets of the business. This section of the report will cover these enterprise funds alphabetically.

## Airport Fund

The Airport Fund accounts for airfield operations and leasing of commercial property outside of the airfield.

### Airport Fund Revenue and Expenditure Summary

	2022-23			2023-24					
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 17,481,109	\$ 10,009,085	57.3%	\$ 17,024,729	\$ 3,907,521	23.0%	\$ 17,617,675	\$ 592,946	103.5%
Total Expenses	\$ 17,620,539	\$ 11,776,711	66.8%	\$ 14,456,513	\$ 3,073,332	21.3%	\$ 14,706,782	\$ (250,269)	101.7%
<b>Revenue Less Expenditures</b>	\$ (139,430)	\$ (1,767,626)		\$ 2,568,216	\$ 834,189		\$ 2,910,893		

As shown in the summary table above, the Airport Fund realized revenues of **\$3.9 million**, achieving **23.0%** of budget in the first quarter of FY23-24. During the same period ending September 30, 2022, this fund realized **\$10.0 million** in revenues, representing **57.3%** of the FY22-23 revenue budget. Overall, it is projected that the revenue budget will operate at a surplus at year-end of \$593,000.

On the expenditure side, the Airport Fund realized expenditures of **\$3.1 million** or **21.3%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$11.8 million** or **66.8%** of the FY22-23 expenditure budget. It is projected that the expenditure budget will operate at a deficit at year-end of \$250,000. Overall, it is projected that revenues will exceed expenditures by \$2.9 million at fiscal year-end. This will be examined in more detail in the following sections.

## Airport Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Charges for Services	\$ 16,996,109	\$ 9,988,285	58.8%	\$ 16,433,244	\$ 3,751,760	22.8%	\$ 17,066,630	\$ 633,386	103.9%
Use of Money and Property	\$ 85,000	\$ 20,800	24.5%	\$ 341,485	\$ 155,761	45.6%	\$ 301,045	\$ (40,440)	88.2%
Operating Transfers In	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Revenues	\$ 400,000	\$ -	0.0%	\$ 250,000	\$ -	0.0%	\$ 250,000	\$ -	100.0%
<b>Total Revenues</b>	<b>\$ 17,481,109</b>	<b>\$ 10,009,085</b>	<b>57.3%</b>	<b>\$ 17,024,729</b>	<b>\$ 3,907,521</b>	<b>23.0%</b>	<b>\$ 17,617,675</b>	<b>\$ 592,946</b>	<b>103.5%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Salaries and Employee Benefits	\$ 1,465,638	\$ 356,578	24.3%	\$ 1,449,532	\$ 333,797	23.0%	\$ 1,381,126	\$ 68,406	95.3%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 177,703	\$ 33,316	18.7%	\$ 231,870	\$ 15,143	6.5%	\$ 178,589	\$ 53,281	77.0%
Materials Reimbursements	\$ -	\$ (315)	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Professional/Contract Services & Utilities	\$ 1,170,648	\$ 152,385	13.0%	\$ 1,397,613	\$ 84,951	6.1%	\$ 2,876,952	\$ (1,479,339)	205.8%
Training, Travel & Membership Dues	\$ 10,815	\$ 17	0.2%	\$ 10,815	\$ 10	0.1%	\$ 5,166	\$ 5,649	47.8%
Depreciation and Amortization	\$ 275,000	\$ 53,441	19.4%	\$ 283,250	\$ 65,145	23.0%	\$ 260,581	\$ 22,669	92.0%
Liabilities, Settlements & Insurance	\$ 14,536	\$ 7,075	48.7%	\$ 14,536	\$ -	0.0%	\$ -	\$ 14,536	0.0%
Interdepartmental Charges	\$ 508,407	\$ 132,373	26.0%	\$ 570,005	\$ 131,875	23.1%	\$ 527,505	\$ 42,500	92.5%
Debt Service	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Capital Acquisitions	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Asset Contra Account	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Bad Debts and Other Losses	\$ 15,000	\$ 696	4.6%	\$ 15,000	\$ -	0.0%	\$ 15,000	\$ -	100.0%
Other Expenditures	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ 13,982,792	\$ 11,041,145	79.0%	\$ 10,483,892	\$ 2,442,411	23.3%	\$ 9,461,863	\$ 1,022,029	90.3%
<b>Total Expenses</b>	<b>\$ 17,620,539</b>	<b>\$ 11,776,711</b>	<b>66.8%</b>	<b>\$ 14,456,513</b>	<b>\$ 3,073,332</b>	<b>21.3%</b>	<b>\$ 14,706,782</b>	<b>\$ (250,269)</b>	<b>101.7%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (139,430)</b>	<b>\$ (1,767,626)</b>		<b>\$ 2,568,216</b>	<b>\$ 834,189</b>		<b>\$ 2,910,893</b>		
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When examining the Airport Fund, we get a better sense of day-to-day operations. As of September 30, 2023, a total of **\$3.9 million** or **23.0%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$10.0 million** in revenues, representing **57.3%** of the FY22-23 revenue budget. This decrease is primarily due to a one-time non-aeronautical lease signing bonus of approximately \$6.4 million recognized in the prior year. Overall, it is projected that the revenue budget will operate at a surplus at year-end of \$593,000. This is driven by slight increases in multiple areas including aircraft hangar storage and auto/retail rentals.

On the expenditure side, the Airport Fund realized expenditures of **\$3.1 million** or **21.3%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$11.8 million** or **66.8%** of the FY22-23 expenditure budget. Overall, it is projected that the expenditure budget will operate at a deficit at year-end of \$250,000. This is driven by projected expenditures for upcoming litigation. On October 17, 2023, City Council approved an item that increased the City Attorney's contract with Rutan & Tucker, LLP for legal services, increasing the budget accordingly to resolve the projected budget deficit. Overall, the Airport Fund is projected to operate at a \$2.9 million surplus.

## Sanitation Fund

The Sanitation Fund accounts for the refuse, recycling, and green waste programs of the Public Works Department. This fund is supported by user fees and operating transfers from the General Fund-Operating Fund to support the senior discount program. Additionally, City Council approved a series of annual rate increases over a five-year period covering July 2023 through June 2028.

### Sanitation Fund Revenue and Expenditure Summary

	2022-23			2023-24					
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 15,680,878	\$ 1,636,843	10.4%	\$ 16,156,401	\$ 2,503,411	15.5%	\$ 18,248,400	\$ 2,091,999	112.9%
Total Expenses	\$ 15,866,751	\$ 2,999,711	18.9%	\$ 20,155,560	\$ 3,752,846	18.6%	\$ 18,791,547	\$ 1,364,013	93.2%
<b>Revenue Less Expenditures</b>	\$ (185,873)	\$ (1,362,868)		\$ (3,999,159)	\$ (1,249,435)		\$ (543,147)		

As shown in the summary table above, the Sanitation Fund realized revenues of **\$2.5 million**, achieving **15.5%** of budget in the first quarter of FY23-24. During the same period ending September 30, 2022, this fund realized **\$1.6 million** in revenues, representing **10.4%** of the FY22-23 revenue budget.

On the expenditure side, the Sanitation Fund realized expenditures of **\$3.8 million** or **18.6%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$3.0 million** or **18.9%** of the FY22-23 expenditure budget. Overall, it is projected that this fund will operate at a \$543,000 deficit by fiscal year-end. This will be examined in more detail in the following sections.

## Sanitation Fund-Operating Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 13,585,691	\$ 1,198,206	8.8%	\$ 13,927,864	\$ 1,970,265	14.1%	\$ 16,109,290	\$ 2,181,426	115.7%
Use of Money and Property	\$ (85,000)	\$ (9,586)	11.3%	\$ (20,950)	\$ (47,052)	224.6%	\$ (188,210)	\$ (167,260)	898.4%
Operating Transfers In	\$ 297,917	\$ 74,487	25.0%	\$ 351,768	\$ 87,942	25.0%	\$ 351,750	\$ (18)	100.0%
Other Revenues	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%	\$ -	\$ (50,000)	0.0%
<b>Total Revenues</b>	<b>\$ 13,848,608</b>	<b>\$ 1,263,107</b>	<b>9.1%</b>	<b>\$ 14,308,682</b>	<b>\$ 2,011,155</b>	<b>14.1%</b>	<b>\$ 16,272,830</b>	<b>\$ 1,964,148</b>	<b>113.7%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 4,121,248	\$ 955,413	23.2%	\$ 4,127,511	\$ 975,829	23.6%	\$ 4,070,987	\$ 56,524	98.6%
Salaries and Benefits Reimbursements	\$ -	\$ (45)	0.0%	\$ -	\$ (116)	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 3,612,148	\$ 603,060	16.7%	\$ 3,717,132	\$ 576,951	15.5%	\$ 2,976,592	\$ 740,540	80.1%
Materials Reimbursements	\$ -	\$ (118)	0.0%	\$ (50,000)	\$ (6,515)	13.0%	\$ (82,264)	\$ 32,264	164.5%
Professional/Contract Services & Utilities	\$ 3,443,320	\$ 491,044	14.3%	\$ 4,981,364	\$ 382,800	7.7%	\$ 4,814,522	\$ 166,842	96.7%
Training, Travel & Membership Dues	\$ 31,696	\$ 99	0.3%	\$ 33,471	\$ 618	1.8%	\$ 3,032	\$ 30,439	9.1%
Depreciation and Amortization	\$ 31,000	\$ 11,444	36.9%	\$ 31,930	\$ 11,444	35.8%	\$ 45,777	\$ (13,847)	143.4%
Liabilities, Settlements & Insurance	\$ 48,083	\$ 75	0.2%	\$ 48,083	\$ 25,715	53.5%	\$ 25,715	\$ 22,368	53.5%
Interdepartmental Charges	\$ 1,636,074	\$ 356,166	21.8%	\$ 3,272,232	\$ 816,297	24.9%	\$ 3,151,843	\$ 120,389	96.3%
Debt Service	\$ 90,000	\$ -	0.0%	\$ 90,000	\$ -	0.0%	\$ 90,000	\$ -	100.0%
Capital Acquisitions	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Asset Contra Account	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Bad Debts and Other Losses	\$ 52,860	\$ -	0.0%	\$ 98,860	\$ 97,014	98.1%	\$ 97,014	\$ 1,846	98.1%
Other Operating Transfers Out	\$ 1,710,222	\$ 355,272	20.8%	\$ 2,682,174	\$ 659,153	24.6%	\$ 2,765,844	\$ (83,670)	103.1%
<b>Total Expenses</b>	<b>\$ 14,776,651</b>	<b>\$ 2,772,410</b>	<b>18.8%</b>	<b>\$ 19,032,757</b>	<b>\$ 3,539,190</b>	<b>18.6%</b>	<b>\$ 17,959,062</b>	<b>\$ 1,073,695</b>	<b>94.4%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (928,043)</b>	<b>\$ (1,509,303)</b>		<b>\$ (4,724,075)</b>	<b>\$ (1,528,035)</b>		<b>\$ (1,686,232)</b>		
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When examining the Sanitation Fund’s operating fund, we can better examine the core day-to-day operations. As of September 30, 2023, a total of **\$2.0 million** or **14.1%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$1.3 million** in revenues, representing **9.1%** of the FY22-23 revenue budget. This is primarily due to a collection timing difference related to the CalWater District and a billing lag that occurred in the prior year along with year one of a series of rate increases approved by City Council effective July 2023. Overall, it is projected that the revenue budget will operate at a surplus at year-end of \$2.0 million.

The Sanitation Fund’s operating expenditures to date are within budgeted levels. On the expenditure side, the Sanitation Fund realized expenditures of **\$3.5 million** or **18.6%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$2.8 million** or **18.8%** of the FY22-23 expenditure budget. When examining actual expenditures year to year, we see an increase of \$766,000. This is primarily driven by increases in interdepartmental charges related to self-insurance contributions as well as the transfer of the funds to Sanitation’s Vehicle Replacement Fund.

Overall, the Sanitation Fund’s operating fund is projected to operate at a \$1.7 million deficit. To address this operating deficit, City Council approved a series of rates increases using the Proposition

218 hearing process over the next five years. The goal of these rate increases is to reverse the structural deficit and rebuild reserves to sufficient levels by June 2028.

### Sanitation Fund-Vehicle Replacement Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ 125,000	\$ 19,202	15.4%	\$ 396,539	\$ 110,179	27.8%	\$ 440,720	\$ 44,181	111.1%
Operating Transfers In	\$ 1,707,270	\$ 354,534	20.8%	\$ 1,451,180	\$ 382,077	26.3%	\$ 1,534,850	\$ 83,670	105.8%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 1,832,270</b>	<b>\$ 373,736</b>	<b>20.4%</b>	<b>\$ 1,847,719</b>	<b>\$ 492,256</b>	<b>26.6%</b>	<b>\$ 1,975,570</b>	<b>\$ 127,851</b>	<b>106.9%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Depreciation and Amortization	\$ 1,090,100	\$ 227,301	20.9%	\$ 1,122,803	\$ 213,656	19.0%	\$ 832,485	\$ 290,318	74.1%
Capital Acquisitions	\$ 4,075,298	\$ -	0.0%	\$ 6,190,597	\$ 446,737	7.2%	\$ 3,419,036	\$ 2,771,561	55.2%
Asset Contra Account	\$ (4,075,298)	\$ -	0.0%	\$ (6,190,597)	\$ (446,737)	7.2%	\$ (3,419,036)	\$ (2,771,561)	55.2%
<b>Total Expenses</b>	<b>\$ 1,090,100</b>	<b>\$ 227,301</b>	<b>20.9%</b>	<b>\$ 1,122,803</b>	<b>\$ 213,656</b>	<b>19.0%</b>	<b>\$ 832,485</b>	<b>\$ 290,318</b>	<b>74.1%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 742,170</b>	<b>\$ 146,435</b>		<b>\$ 724,916</b>	<b>\$ 278,600</b>		<b>\$ 1,143,085</b>		
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The vehicle replacement areas of the Sanitation Fund are responsible for receiving funds, generally, from Sanitation Operations to purchase vehicles. It is also where current vehicles are depreciated each month. The funds transferred during FY23-24 are to fund the future purchase of vehicles through vehicle replacement charges. The projection above includes the expected purchase of two CNG Refuse Collection Trucks as approved by Council on October 12, 2021, four CNG Refuse Collection Trucks as approved by Council on December 6, 2022, one CNG Vactor Ramjet Rodder as approved by Council on December 20, 2022, and one Ford F-150 Pickup Truck as approved by Council on December 20, 2022.

## Sewer Fund

The Sewer Fund accounts for sewer discharge fees received for the maintenance and capital improvement expenditures of the City’s sewer system within the Public Works Department. The City Council approved a series of annual sewer rate increases over a five-year period starting in January 2023 through December 2027. Additionally, this fund is supported by user fees and operating transfers from the General Fund-Operating Fund to support the senior discount program.

### Sewer Fund Revenue and Expenditure Summary

	2022-23			2023-24					
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 6,165,910	\$ 815,431	13.2%	\$ 8,313,366	\$ 1,329,720	16.0%	\$ 7,993,563	\$ (319,803)	96.2%
Total Expenses	\$ 6,175,601	\$ 2,267,204	36.7%	\$ 6,581,954	\$ 3,257,378	49.5%	\$ 6,389,091	\$ 192,863	97.1%
<b>Revenue Less Expenditures</b>	\$ (9,691)	\$ (1,451,773)		\$ 1,731,412	\$ (1,927,658)		\$ 1,604,472		

As shown in the summary table above, the Sewer Fund realized revenues of **\$1.3 million**, achieving **16.0%** of budget in the first quarter of FY23-24. During the same period ending September 30, 2022, this fund realized **\$815,000** in revenues, representing **13.2%** of the FY22-23 revenue budget.

On the expenditure side, the Sewer Fund realized expenditures of **\$3.3 million** or **49.5%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$2.3 million** or **36.7%** of the FY22-23 expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$1.6 million at fiscal year-end. This will be examined in more detail in the following sections.

## Sewer Fund-Operating Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Charges for Services	\$ 5,725,220	\$ 714,285	12.5%	\$ 7,495,161	\$ 1,166,044	15.6%	\$ 7,222,543	\$ (272,618)	96.4%
Use of Money and Property	\$ 75,000	\$ 10,840	14.5%	\$ 216,234	\$ 63,526	29.4%	\$ 234,100	\$ 17,866	108.3%
Operating Transfers In	\$ 8,069	\$ 2,016	25.0%	\$ 22,212	\$ 5,553	25.0%	\$ 22,210	\$ (2)	100.0%
Other Revenues	\$ 6,161	\$ -	0.0%	\$ 13,556	\$ 2,157	15.9%	\$ 5,000	\$ (8,556)	36.9%
<b>Total Revenues</b>	<b>\$ 5,814,450</b>	<b>\$ 727,141</b>	<b>12.5%</b>	<b>\$ 7,747,163</b>	<b>\$ 1,237,280</b>	<b>16.0%</b>	<b>\$ 7,483,853</b>	<b>\$ (263,310)</b>	<b>96.6%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Salaries and Employee Benefits	\$ 1,813,364	\$ 443,507	24.5%	\$ 1,702,959	\$ 444,940	26.1%	\$ 1,716,606	\$ (13,647)	100.8%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 399,167	\$ 63,170	15.8%	\$ 332,840	\$ 58,985	17.7%	\$ 309,290	\$ 23,550	92.9%
Materials Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Professional/Contract Services & Utilities	\$ 1,062,378	\$ 241,771	22.8%	\$ 692,594	\$ 35,317	5.1%	\$ 679,690	\$ 12,904	98.1%
Training, Travel & Membership Dues	\$ 16,447	\$ 165	1.0%	\$ 10,447	\$ 271	2.6%	\$ 5,079	\$ 5,368	48.6%
Depreciation and Amortization	\$ 101,094	\$ -	0.0%	\$ 1,127	\$ -	0.0%	\$ -	\$ 1,127	0.0%
Liabilities, Settlements & Insurance	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Interdepartmental Charges	\$ 699,785	\$ 163,367	23.3%	\$ 736,093	\$ 195,119	26.5%	\$ 732,972	\$ 3,121	99.6%
Capital Acquisitions	\$ 11,606	\$ -	0.0%	\$ 6,906	\$ -	0.0%	\$ -	\$ 6,906	0.0%
Asset Contra Account	\$ (4,700)	\$ -	0.0%	\$ (4,700)	\$ -	0.0%	\$ -	\$ (4,700)	0.0%
Bad Debts and Other Losses	\$ 20,000	\$ -	0.0%	\$ 26,000	\$ 30,486	117.3%	\$ 30,459	\$ (4,459)	117.2%
Other Operating Transfers Out	\$ 1,886,460	\$ 1,313,664	69.6%	\$ 2,902,588	\$ 2,469,854	85.1%	\$ 2,825,370	\$ 77,218	97.3%
Extraordinary Loss	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 6,005,601</b>	<b>\$ 2,225,644</b>	<b>37.1%</b>	<b>\$ 6,406,854</b>	<b>\$ 3,234,972</b>	<b>50.5%</b>	<b>\$ 6,299,466</b>	<b>\$ 107,388</b>	<b>98.3%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (191,151)</b>	<b>\$ (1,498,503)</b>		<b>\$ 1,340,309</b>	<b>\$ (1,997,692)</b>		<b>\$ 1,184,387</b>		
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When examining the Sewer Fund's operating fund, we can better examine the core day-to-day operations. As of September 30, 2023, a total of **\$1.2 million** or **16.0%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$727,000** in revenues, representing **12.5%** of the FY22-23 revenue budget. This is driven primarily by reductions experienced on the residential side of the Water Fund (driver for Sewer charges), a revenue collection timing difference, along with year one of a series of rate increases approved by City Council effective January 2023. This collection timing difference relates to the CalWater District and a billing lag. Overall, staff expect the total projected revenue to be lower than the budget by \$263,000.

The Sewer Fund's operating expenditures to date are above budgeted levels. The Sewer Fund realized expenditures of **\$3.2 million** or **50.5%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$2.2 million** or **37.1%** of the FY22-23 expenditure budget. When examining actual expenditures year to year, we see an increase of \$1.0 million. This is a result of increased transfers to fund related capital projects. Overall, the Sewer's operating fund is projected to end the year operating at a \$1.2 million surplus.

## Sewer Fund-Vehicle Replacement Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ -	\$ 2,960	0.0%	\$ 63,615	\$ 22,586	35.5%	\$ 84,340	\$ 20,725	132.6%
Operating Transfers In	\$ 351,460	\$ 85,330	24.3%	\$ 502,588	\$ 69,854	13.9%	\$ 425,370	\$ (77,218)	84.6%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 351,460</b>	<b>\$ 88,290</b>	<b>25.1%</b>	<b>\$ 566,203</b>	<b>\$ 92,440</b>	<b>16.3%</b>	<b>\$ 509,710</b>	<b>\$ (56,493)</b>	<b>90.0%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Depreciation and Amortization	\$ 170,000	\$ 41,560	24.4%	\$ 175,100	\$ 22,406	12.8%	\$ 89,625	\$ 85,475	51.2%
Capital Acquisitions	\$ 100,000	\$ -	0.0%	\$ 1,644,574	\$ -	0.0%	\$ 1,544,574	\$ 100,000	93.9%
Asset Contra Account	\$ (100,000)	\$ -	0.0%	\$ (1,644,574)	\$ -	0.0%	\$ (1,544,574)	\$ (100,000)	93.9%
<b>Total Expenses</b>	<b>\$ 170,000</b>	<b>\$ 41,560</b>	<b>24.4%</b>	<b>\$ 175,100</b>	<b>\$ 22,406</b>	<b>12.8%</b>	<b>\$ 89,625</b>	<b>\$ 85,475</b>	<b>51.2%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 181,460</b>	<b>\$ 46,730</b>		<b>\$ 391,103</b>	<b>\$ 70,034</b>		<b>\$ 420,085</b>		
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The Vehicle Replacement area of the Sewer Fund is responsible for receiving funds, generally from Sewer Operations, to purchase vehicles. It is also where current vehicles are depreciated each month. The funds transferred in FY23-24 will fund future vehicles. The projection above includes the expected purchase of two CNG Vactor Sewer Cleaner Trucks as approved by Council on December 20, 2022, four Ford F-350 Dump Trucks as approved by Council on December 20, 2022, and one Ford F-150 Pickup Truck as approved by Council on December 20, 2022.

## Transit Fund

The Transit Fund is used to finance and account for the City’s fixed route transit system and Torrance Community Transit Program within the Transit Department.

### Transit Fund Revenue and Expenditure Summary

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 45,232,700	\$ 7,167,533	15.8%	\$ 37,254,922	\$ 11,875,155	31.9%	\$ 37,371,078	\$ 116,156	100.3%
Total Expenses	\$ 38,642,171	\$ 5,996,661	15.5%	\$ 38,490,413	\$ 7,448,150	19.4%	\$ 33,104,093	\$ 5,386,320	86.0%
<b>Revenue Less Expenditures</b>	\$ 6,590,529	\$ 1,170,872		\$ (1,235,491)	\$ 4,427,005		\$ 4,266,985		

As shown in the summary table above, the Transit Fund realized revenues of **\$11.9 million**, achieving **31.9%** of budget in the first quarter of FY23-24. During the same period ending September 30, 2022, this fund realized **\$7.2 million** in revenues, representing **15.8%** of the FY22-23 revenue budget.

On the expenditure side, the Transit Fund realized expenditures of **\$7.4 million** or **19.4%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$6.0 million** or **15.5%** of the FY22-23 expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$4.3 million at fiscal year-end. This will be examined in more detail in the following sections.

## Transit Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ 93,337	\$ 40,693	43.6%	\$ 1,029,127	\$ 342,973	33.3%	\$ 1,206,900	\$ 177,773	117.3%
Intergovernmental	\$ 39,856,830	\$ 6,136,535	15.4%	\$ 31,869,767	\$ 10,597,301	33.3%	\$ 32,376,790	\$ 507,023	101.6%
Charges for Services	\$ 2,206,332	\$ 231,838	10.5%	\$ 1,326,028	\$ 179,046	13.5%	\$ 782,370	\$ (543,658)	59.0%
Other Revenues	\$ 76,201	\$ 2,467	3.2%	\$ 30,000	\$ 2,835	9.5%	\$ 5,018	\$ (24,982)	16.7%
Operating Transfers In	\$ 3,000,000	\$ 756,000	25.2%	\$ 3,000,000	\$ 753,000	25.1%	\$ 3,000,000	\$ -	100.0%
<b>Total Revenues</b>	<b>\$ 45,232,700</b>	<b>\$ 7,167,533</b>	<b>15.8%</b>	<b>\$ 37,254,922</b>	<b>\$ 11,875,155</b>	<b>31.9%</b>	<b>\$ 37,371,078</b>	<b>\$ 116,156</b>	<b>100.3%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 20,758,100	\$ 3,326,289	16.0%	\$ 22,490,772	\$ 4,247,935	18.9%	\$ 18,715,590	\$ 3,775,182	83.2%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 3,044,787	\$ 244,971	8.0%	\$ 2,653,113	\$ 667,171	25.1%	\$ 2,959,482	\$ (306,369)	111.5%
Materials Reimbursements	\$ (250,000)	\$ (198)	0.1%	\$ (250,000)	\$ (7,601)	3.0%	\$ (250,000)	\$ -	100.0%
Parts, Fuel & Lubricants Inventory Purchases	\$ 990,283	\$ 140,619	14.2%	\$ 1,019,991	\$ 335,167	32.9%	\$ 1,317,153	\$ (297,162)	129.1%
Parts, Fuel & Lubricants Contra	\$ (990,283)	\$ (140,619)	14.2%	\$ (1,019,991)	\$ (335,167)	32.9%	\$ (1,317,153)	\$ 297,162	129.1%
Professional/Contract Services & Utilities	\$ 1,920,836	\$ 324,946	16.9%	\$ 2,162,908	\$ 256,569	11.9%	\$ 2,425,839	\$ (262,931)	112.2%
Training, Travel & Membership Dues	\$ 159,023	\$ 25,000	15.7%	\$ 159,022	\$ 11,462	7.2%	\$ 101,938	\$ 57,084	64.1%
Depreciation and Amortization	\$ 5,414,089	\$ 801,823	14.8%	\$ 4,314,089	\$ 779,294	18.1%	\$ 3,238,219	\$ 1,075,870	75.1%
Liabilities, Settlements & Insurance	\$ 217,639	\$ 1,671	0.8%	\$ 217,639	\$ 20,085	9.2%	\$ 20,085	\$ 197,554	9.2%
Interdepartmental Charges	\$ 7,279,828	\$ 1,402,321	19.3%	\$ 6,666,292	\$ 1,454,092	21.8%	\$ 5,816,362	\$ 849,930	87.3%
Capital Acquisitions	\$ -	\$ 1,034	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Asset Contra Account	\$ -	\$ (175,272)	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Bad Debts and Other Losses	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ 97,869	\$ 44,076	45.0%	\$ 76,578	\$ 19,143	25.0%	\$ 76,578	\$ -	100.0%
<b>Total Expenses</b>	<b>\$ 38,642,171</b>	<b>\$ 5,996,661</b>	<b>15.5%</b>	<b>\$ 38,490,413</b>	<b>\$ 7,448,150</b>	<b>19.4%</b>	<b>\$ 33,104,093</b>	<b>\$ 5,386,320</b>	<b>86.0%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 6,590,529</b>	<b>\$ 1,170,872</b>		<b>\$ (1,235,491)</b>	<b>\$ 4,427,005</b>		<b>\$ 4,266,985</b>		
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As noted earlier, revenues are trending higher than the year prior. As of September 30, 2023, a total of **\$11.9 million** or **31.9%** of budgeted revenues have been collected. During the same period ending September 30, 2022, the City realized **\$7.2 million** in revenues, representing **15.8%** of the FY22-23 revenue budget. This is driven by increases in the **Use of Money & Property** classification, as well as increases in the **Intergovernmental** classification. As shown above, year-to-date receipts in the **Intergovernmental** classification are up \$4.5 million primarily due to increases Measure R and Measure M (\$6.4 million) offset by reductions in Transportation Development Act (TDA) funding and COVID-19 grant funding. The reduction in TDA funding of \$1.5 million was a timing difference compared with the year prior and the reduction of COVID-19 grant funding, totaling \$834,000, is due to Transit exhausting these resources in the prior fiscal year.

**As of this Budget Review Report, the Transit Department has \$16.3 million in unspent Federal Transit Administration grants dating back to 2009.** Additionally, the Transit Department has \$13.6 million in available funding and has not yet secured grant awards, related to FY19-20, FY20-21, FY21-22, and FY22-23. Additionally, the Transit Department has a total of \$71.5 million in unspent grants from other sources.

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On the expenditure side, the Transit Fund realized expenditures of **\$7.4 million** or **19.4%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$6.0 million** or **15.5%** of the FY22-23 expenditure budget. This is primarily driven by increases in the **Salaries and Employee Benefits** and **Materials, Supplies & Maintenance** classifications. The Salaries and Employee Benefits classification is a result of filling 17.55 vacancies compared with the year prior. While the department has seen progress in filling these vacancies, it is still projected that \$3.8 million in salary savings will be realized at fiscal year-end. Overall, the Transit Fund is projected to end the year with a \$4.3 million surplus, driven by overall expenditure surpluses across multiple classifications.

## Water Fund

The Water Fund accounts for water fees received to support the City’s water system and for the maintenance and replacement of vehicles used within the Public Works Department. City Council approved a series of annual water rate increases over a five-year period starting in January 2017 through December 2022. Staff are currently working with a consultant to conduct another Proposition 218 hearing process to establish a new rate structure for five years. In addition, this fund is supported by user fees and operating transfers from the General Fund-Operating Fund to support the senior discount program.

### Water Fund Revenue and Expenditure Summary

	2022-23			2023-24					
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 52,170,884	\$ 10,530,176	20.2%	\$ 54,827,481	\$ 9,738,331	17.8%	\$ 53,515,164	\$ (1,312,317)	97.6%
Total Expenses	\$ 52,114,173	\$ 14,687,396	28.2%	\$ 56,507,977	\$ 20,937,559	37.1%	\$ 55,963,544	\$ 544,433	99.0%
<b>Revenue Less Expenditures</b>	\$ 56,711	\$ (4,157,220)		\$ (1,680,496)	\$ (11,199,228)		\$ (2,448,380)		

As shown in the summary table above, the Water Fund realized revenues of **\$9.7 million**, achieving **17.8%** of budget in the first quarter of FY23-24. During the same period ending September 30, 2022, this fund realized **\$10.5 million** in revenues, representing **20.2%** of the FY22-23 revenue budget.

On the expenditure side, the Water Fund realized expenditures of **\$20.9 million** or **37.1%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$14.7 million** or **28.2%** of the FY22-23 expenditure budget. Overall, it is projected that this fund will operate at a \$2.4 million deficit by fiscal year-end. This will be examined in more detail in the following sections.

## Water Operating Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 51,098,504	\$ 10,383,246	20.3%	\$ 53,070,586	\$ 9,291,292	17.5%	\$ 51,776,614	\$ (1,293,972)	97.6%
Use of Money and Property	\$ 675,000	\$ 56,883	8.4%	\$ 1,287,643	\$ 329,862	25.6%	\$ 1,269,800	\$ (17,843)	98.6%
Intergovernmental	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Operating Transfers In	\$ 14,468	\$ 3,618	25.0%	\$ 12,430	\$ 3,108	25.0%	\$ 12,430	\$ -	100.0%
Other Revenues	\$ 5,000	\$ -	0.0%	\$ -	\$ 13,441	0.0%	\$ 13,440	\$ 13,440	0.0%
<b>Total Revenues</b>	<b>\$ 51,792,972</b>	<b>\$ 10,443,747</b>	<b>20.2%</b>	<b>\$ 54,370,659</b>	<b>\$ 9,637,703</b>	<b>17.7%</b>	<b>\$ 53,072,284</b>	<b>\$ (1,298,375)</b>	<b>97.6%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 5,890,109	\$ 1,172,706	19.9%	\$ 5,732,781	\$ 1,194,936	20.8%	\$ 5,270,286	\$ 462,495	91.9%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 2,717,130	\$ 406,905	15.0%	\$ 1,973,066	\$ 362,671	18.4%	\$ 1,897,589	\$ 75,477	96.2%
Materials Reimbursements	\$ 5,000	\$ -	0.0%	\$ 5,000	\$ -	0.0%	\$ -	\$ 5,000	0.0%
Parts, Fuel & Lubricants Inventory Purchases	\$ 566,500	\$ 26,648	4.7%	\$ 583,495	\$ 47,565	8.2%	\$ 583,495	\$ -	100.0%
MWD Ultra-Low Flow Rebate Program	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Parts, Fuel & Lubricants Contra	\$ (566,500)	\$ (26,648)	4.7%	\$ (583,495)	\$ (47,565)	8.2%	\$ (583,495)	\$ -	100.0%
Stored Water Rights Inventory Purchases	\$ 457,960	\$ -	0.0%	\$ 471,699	\$ -	0.0%	\$ 471,699	\$ -	100.0%
Stored Water Rights Contra	\$ (457,960)	\$ -	0.0%	\$ (471,699)	\$ -	0.0%	\$ (471,699)	\$ -	100.0%
Professional/Contract Services & Utilities	\$ 1,938,864	\$ 331,460	17.1%	\$ 1,841,381	\$ 149,847	8.1%	\$ 2,146,186	\$ (304,805)	116.6%
Water Supply Costs	\$ 33,787,000	\$ 8,070,636	23.9%	\$ 33,350,000	\$ 8,673,975	26.0%	\$ 33,474,935	\$ (124,935)	100.4%
Training, Travel & Membership Dues	\$ 49,955	\$ 2,059	4.1%	\$ 49,955	\$ 4,341	8.7%	\$ 10,872	\$ 39,083	21.8%
Depreciation and Amortization	\$ 130,000	\$ 886	0.7%	\$ 15,000	\$ 2,723	18.2%	\$ 10,894	\$ 4,106	72.6%
Liabilities, Settlements & Insurance	\$ 91,479	\$ 2,263	2.5%	\$ 91,479	\$ 16,008	17.5%	\$ 16,008	\$ 75,471	17.5%
Interdepartmental Charges	\$ 2,541,123	\$ 584,104	23.0%	\$ 2,858,400	\$ 682,394	23.9%	\$ 2,606,674	\$ 251,726	91.2%
Debt Service	\$ 850,672	\$ -	0.0%	\$ 1,567,288	\$ -	0.0%	\$ 1,567,288	\$ -	100.0%
Debt Service Reimbursements	\$ (567,277)	\$ -	0.0%	\$ (1,279,515)	\$ -	0.0%	\$ (1,279,515)	\$ -	100.0%
Capital Acquisitions	\$ 56,200	\$ -	0.0%	\$ 56,201	\$ -	0.0%	\$ -	\$ 56,201	0.0%
Asset Contra Account	\$ (56,200)	\$ -	0.0%	\$ (56,200)	\$ -	0.0%	\$ -	\$ (56,200)	0.0%
Bad Debts and Other Losses	\$ 150,000	\$ -	0.0%	\$ 150,000	\$ 135,297	90.2%	\$ 135,297	\$ 14,703	90.2%
Other Expenditures	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ 4,386,948	\$ 4,085,763	93.1%	\$ 10,005,676	\$ 9,685,275	96.8%	\$ 9,987,448	\$ 18,228	99.8%
Extraordinary Loss	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 51,971,003</b>	<b>\$ 14,656,782</b>	<b>28.2%</b>	<b>\$ 56,360,512</b>	<b>\$ 20,907,467</b>	<b>37.1%</b>	<b>\$ 55,843,962</b>	<b>\$ 516,550</b>	<b>99.1%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (178,031)</b>	<b>\$ (4,213,035)</b>		<b>\$ (1,989,853)</b>	<b>\$ (11,269,764)</b>		<b>\$ (2,771,678)</b>		
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When examining the Water Operating Fund, we can better examine the core day-to-day operations. The Water Operating Fund realized revenues of **\$9.6 million** or **17.7%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$10.4 million** or **20.2%** of the FY22-23 expenditure budget. Moreover, in the **Charges for Services** classification, revenues are down \$1.1 million or 10.5% from the same period the year prior. This is a result of reduced consumption for potable water sales coupled with reduced consumption at the Torrance Refinery (Refinery). For potable water sales, the rate charged remains flat, though consumption is down 3.8% when compared to the same period the year prior. Additionally, at the Refinery, consumption for potable water sales is down 30.2% while rates remain unchanged. Finally, consumption for reclaimed water at the Refinery is also down 2.9% however, rates are up 9.5% partially offsetting the reduction experienced in potables sales.

The Water Operating Fund realized expenditures of **\$21.0 million** or **37.1%** of the FY23-24 budget as of September 30, 2023. During the same period ending September 30, 2022, the City expended **\$14.7 million** or **28.2%** of the FY22-23 expenditure budget. When examining actual expenditures year to year, we see consistent spending overall comparing both years, except for **Operating Transfers Out**, which increased by \$6.2 million from the year prior. This increase is mainly due to transfers to the Water Capital Fund to implement an automated meter reading project. Overall, the Water’s operating fund is projected to operate at a \$2.8 million deficit, driven by one-time investments in the Water Fund’s Capital Improvement Plan.

### Water Fund-Vehicle Replacement Fund Revenues and Expenditures by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ -	\$ 2,925	0.0%	\$ 60,014	\$ 17,570	29.3%	\$ 64,300	\$ 4,286	107.1%
Operating Transfers In	\$ 377,912	\$ 83,504	22.1%	\$ 396,808	\$ 83,058	20.9%	\$ 378,580	\$ (18,228)	95.4%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 377,912</b>	<b>\$ 86,429</b>	<b>22.9%</b>	<b>\$ 456,822</b>	<b>\$ 100,628</b>	<b>22.0%</b>	<b>\$ 442,880</b>	<b>\$ (13,942)</b>	<b>96.9%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	September 2022-23 Actuals	Percent of Budget	Amended Budget	September 2023-24 Actuals	Percent of Budget			
Depreciation and Amortization	\$ 143,170	\$ 30,614	21.4%	\$ 147,465	\$ 30,092	20.4%	\$ 119,582	\$ 27,883	81.1%
Capital Acquisitions	\$ 400,000	\$ -	0.0%	\$ 918,213	\$ -	0.0%	\$ 518,213	\$ 400,000	56.4%
Asset Contra Account	\$ (400,000)	\$ -	0.0%	\$ (918,213)	\$ -	0.0%	\$ (518,213)	\$ (400,000)	56.4%
<b>Total Expenses</b>	<b>\$ 143,170</b>	<b>\$ 30,614</b>	<b>21.4%</b>	<b>\$ 147,465</b>	<b>\$ 30,092</b>	<b>20.4%</b>	<b>\$ 119,582</b>	<b>\$ 27,883</b>	<b>81.1%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 234,742</b>	<b>\$ 55,815</b>		<b>\$ 309,357</b>	<b>\$ 70,536</b>		<b>\$ 323,298</b>		
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The Water Vehicle Replacement Fund is responsible for receiving funds, generally from Water Operations, to purchase vehicles. It is also where assets are depreciated over their useful lives. The projection above includes the expected purchase of six Ford F-350 trucks with Pacific Body Utility Bodies as approved by Council on December 20, 2022 and two Ford F-150 Pickup Trucks as approved by Council on December 20, 2022.

# FISCAL YEAR 2022-23 (UNAUDITED) RESULTS

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



# Fiscal Year 2022-23 (Unaudited) Results

This section provides citywide summary tables relating to FY22-23 results. The Finance Department is currently undergoing its annual financial statement audit in preparation for the publication of the Annual Report. The FY22-23 Annual Report will be available by the end of calendar year 2023.

The table below summarizes, the unaudited results for FY22-23 compared with FY21-22 for Revenues:

Revenues	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
GF-Operating	\$ 224,326,947	\$ 247,019,456	110.1%	\$ 271,375,162	\$ 279,771,398	103.1%
GF-SST	\$ -	\$ -	0.0%	\$ 17,550,521	\$ 18,064,595	102.9%
GF-Rest&Assigned	\$ 3,612,349	\$ 3,500,269	96.9%	\$ 4,509,841	\$ 4,648,221	103.1%
GF-Unassigned	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total General Fund</b>	<b>\$ 227,939,296</b>	<b>\$ 250,519,725</b>	<b>109.9%</b>	<b>\$ 293,435,524</b>	<b>\$ 302,484,214</b>	<b>103.1%</b>
Self Insurance	\$ 6,740,000	\$ 23,575,399	349.8%	\$ 17,347,600	\$ 24,309,720	140.1%
Fleet	\$ 6,067,803	\$ 6,176,488	101.8%	\$ 9,628,182	\$ 25,854,359	268.5%
<b>Total Internal Service</b>	<b>\$ 12,807,803</b>	<b>\$ 29,751,887</b>	<b>232.3%</b>	<b>\$ 26,975,782</b>	<b>\$ 50,164,079</b>	<b>186.0%</b>
Airport	\$ 14,999,188	\$ 20,107,973	134.1%	\$ 23,364,106	\$ 23,886,882	102.2%
Transit	\$ 32,376,518	\$ 35,621,601	110.0%	\$ 45,232,700	\$ 38,954,830	86.1%
Sanitation	\$ 15,562,692	\$ 17,818,178	114.5%	\$ 15,680,878	\$ 16,649,110	106.2%
Sewer	\$ 6,439,225	\$ 7,460,680	115.9%	\$ 6,165,910	\$ 6,569,642	106.5%
Water	\$ 47,897,500	\$ 51,617,762	107.8%	\$ 52,170,884	\$ 55,377,877	106.1%
<b>Total Enterprise Fund</b>	<b>\$ 117,275,123</b>	<b>\$ 132,626,194</b>	<b>113.1%</b>	<b>\$ 142,614,478</b>	<b>\$ 141,438,341</b>	<b>99.2%</b>
<b>Total Revenues</b>	<b>\$ 358,022,222</b>	<b>\$ 412,897,806</b>	<b>115.3%</b>	<b>\$ 463,025,784</b>	<b>\$ 494,086,634</b>	<b>106.7%</b>

Included in the FY22-23 General Fund-Operating Fund revenues is a one-time receipt of \$7.0 million from an Airport Land Lease signing payment and a one-time receipt of \$4.3 million related to a legal settlement.

The table below summarizes, the unaudited results for FY22-23 compared with FY21-22 for Expenditures:

Expenses	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
GF-Operating	\$ 224,121,551	\$ 223,993,424	99.9%	\$ 265,006,259	\$ 261,591,948	98.7%
GF-SST	\$ -	\$ -	0.0%	\$ 17,550,521	\$ 17,550,521	100.0%
GF-Rest&Assigned	\$ 2,247,465	\$ 1,335,764	59.4%	\$ 2,305,522	\$ 301,675	13.1%
GF-Unassigned	\$ 146,776	\$ 146,776	100.0%	\$ -	\$ -	0.0%
<b>Total General Fund</b>	<b>\$ 226,515,792</b>	<b>\$ 225,475,964</b>	<b>99.5%</b>	<b>\$ 284,862,302</b>	<b>\$ 279,444,144</b>	<b>98.1%</b>
Self Insurance	\$ 21,295,549	\$ 29,169,760	137.0%	\$ 32,351,985	\$ 18,000,792	55.6%
Fleet	\$ 5,695,388	\$ 5,418,067	95.1%	\$ 1,022,157	\$ 5,270,328	515.6%
<b>Total Internal Service</b>	<b>\$ 26,990,937</b>	<b>\$ 34,587,827</b>	<b>128.1%</b>	<b>\$ 33,374,142</b>	<b>\$ 23,271,120</b>	<b>69.7%</b>
Airport	\$ 16,437,136	\$ 14,738,399	89.7%	\$ 24,657,035	\$ 23,675,161	96.0%
Transit	\$ 37,475,512	\$ 27,424,123	73.2%	\$ 38,373,837	\$ 28,721,634	74.8%
Sanitation	\$ 14,831,825	\$ 16,075,487	108.4%	\$ 15,936,198	\$ 14,811,383	92.9%
Sewer	\$ 7,270,851	\$ 7,255,005	99.8%	\$ 6,175,601	\$ 5,230,480	84.7%
Water	\$ 46,467,503	\$ 44,797,977	96.4%	\$ 52,114,173	\$ 47,437,975	91.0%
<b>Total Enterprise Fund</b>	<b>\$ 122,482,827</b>	<b>\$ 110,290,991</b>	<b>90.0%</b>	<b>\$ 137,256,844</b>	<b>\$ 119,876,633</b>	<b>87.3%</b>
<b>Total Expenses</b>	<b>\$ 375,989,556</b>	<b>\$ 370,354,782</b>	<b>98.5%</b>	<b>\$ 455,493,288</b>	<b>\$ 422,591,897</b>	<b>92.8%</b>

The table below summarizes the General Fund-Operating Fund unaudited results for FY22-23 compared with FY21-22 for Revenues and Expenditures (broken down by revenue type and department):

Revenues	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
Taxes	\$ 174,969,842	\$ 191,931,103	109.7%	\$ 200,180,678	\$ 202,796,702	101.3%
Licenses, Fees and Permits	\$ 4,720,152	\$ 5,439,913	115.2%	\$ 4,923,246	\$ 6,030,909	122.5%
Fines, Forfeitures and Penalties	\$ 742,003	\$ 740,948	99.9%	\$ 735,144	\$ 676,656	92.0%
Use of Money and Property	\$ 2,123,339	\$ 1,333,834	62.8%	\$ 4,200,594	\$ 4,677,227	111.3%
Intergovernmental	\$ 471,344	\$ 598,758	127.0%	\$ 559,241	\$ 521,909	93.3%
Other Revenues	\$ 12,523,290	\$ 12,727,547	101.6%	\$ 521,598	\$ 4,638,131	889.2%
Charges for Services	\$ 16,454,206	\$ 19,058,438	115.8%	\$ 21,994,195	\$ 21,010,365	95.5%
Operating Transfers In	\$ 12,322,771	\$ 13,628,387	110.6%	\$ 38,260,466	\$ 38,361,683	100.3%
Other Financing Sources	\$ -	\$ 1,560,528	0.0%	\$ -	\$ 1,057,816	0.0%
<b>Total Revenues</b>	<b>\$ 224,326,947</b>	<b>\$ 247,019,456</b>	<b>110.1%</b>	<b>\$ 271,375,162</b>	<b>\$ 279,771,398</b>	<b>103.1%</b>

Expenses	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
City Council	\$ 392,095	\$ 390,767	99.7%	\$ 464,713	\$ 485,730	104.5%
City Manager	\$ 5,149,552	\$ 5,142,705	99.9%	\$ 6,165,100	\$ 6,338,430	102.8%
City Attorney	\$ 2,574,293	\$ 2,557,846	99.4%	\$ 2,815,838	\$ 2,796,410	99.3%
City Clerk	\$ 1,667,073	\$ 1,661,122	99.6%	\$ 1,102,135	\$ 877,876	79.7%
City Treasurer	\$ 306,017	\$ 304,785	99.6%	\$ 364,841	\$ 338,794	92.9%
Finance	\$ 5,223,572	\$ 5,217,200	99.9%	\$ 5,989,884	\$ 5,389,530	90.0%
Human Resources	\$ 1,808,751	\$ 1,800,665	99.6%	\$ 2,192,036	\$ 2,110,570	96.3%
Civil Service	\$ 538,794	\$ 537,116	99.7%	\$ 629,901	\$ 737,818	117.1%
Community Development	\$ 7,530,072	\$ 7,525,887	99.9%	\$ 9,815,615	\$ 8,341,425	85.0%
CIT	\$ 7,650,829	\$ 7,640,299	99.9%	\$ 9,084,137	\$ 7,486,252	82.4%
General Services	\$ 8,589,503	\$ 8,581,551	99.9%	\$ 10,442,460	\$ 9,456,227	90.6%
Non-Departmental	\$ 11,719,925	\$ 11,704,738	99.9%	\$ 20,553,902	\$ 36,248,874	176.4%
Police	\$ 85,011,719	\$ 85,006,137	100.0%	\$ 93,794,113	\$ 86,678,251	92.4%
Fire	\$ 52,497,241	\$ 52,490,598	100.0%	\$ 59,097,842	\$ 56,677,235	95.9%
Public Works	\$ 12,781,775	\$ 12,763,676	99.9%	\$ 18,179,445	\$ 16,270,511	89.5%
Community Services	\$ 20,680,341	\$ 20,668,334	99.9%	\$ 24,314,298	\$ 21,358,015	87.8%
<b>Total Expenses</b>	<b>\$ 224,121,552</b>	<b>\$ 223,993,426</b>	<b>99.9%</b>	<b>\$ 265,006,260</b>	<b>\$ 261,591,948</b>	<b>98.7%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 205,395</b>	<b>\$ 23,026,030</b>		<b>\$ 6,368,902</b>	<b>\$ 18,179,450</b>	
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The table below summarizes the General Fund-Operating Fund unaudited results for FY22-23 compared with FY21-22 for Tax Revenues:

Revenues	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
Sales and Use Tax	\$ 55,261,835	\$ 63,634,583	115.2%	\$ 63,940,625	\$ 62,610,106	97.9%
Property Taxes	\$ 42,701,064	\$ 42,087,215	98.6%	\$ 44,427,885	\$ 44,156,785	99.4%
Property Transfer Tax	\$ 1,000,000	\$ 1,412,032	141.2%	\$ 1,469,471	\$ 943,943	64.2%
VLF Swap & Repayment	\$ 16,130,707	\$ 16,131,699	100.0%	\$ 16,615,651	\$ 17,004,729	102.3%
Utility Users Tax	\$ 32,926,251	\$ 37,379,435	113.5%	\$ 41,207,940	\$ 44,115,724	107.1%
Business License Tax	\$ 9,035,061	\$ 9,373,923	103.8%	\$ 8,837,266	\$ 10,067,200	113.9%
Occupancy Tax	\$ 7,119,224	\$ 10,275,248	144.3%	\$ 12,601,755	\$ 12,058,112	95.7%
Franchise Taxes	\$ 8,930,800	\$ 9,226,855	103.3%	\$ 9,328,324	\$ 10,750,647	115.2%
Construction Tax	\$ 1,857,400	\$ 2,401,910	129.3%	\$ 1,745,904	\$ 1,082,781	62.0%
Oil Severance Tax	\$ 7,500	\$ 8,203	109.4%	\$ 5,857	\$ 6,675	114.0%
<b>Total Revenues</b>	<b>\$ 174,969,842</b>	<b>\$ 191,931,103</b>	<b>109.7%</b>	<b>\$ 200,180,678</b>	<b>\$ 202,796,702</b>	<b>101.3%</b>

The table below summarizes for the General Fund-Operating Fund the unaudited results for FY22-23 compared with FY21-22 for Utility Users Tax Revenues:

Revenues	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
Electricity	\$ 15,114,624	\$ 17,096,440	113.1%	\$ 19,855,858	\$ 20,215,594	101.8%
Gas	\$ 4,050,989	\$ 4,429,207	109.3%	\$ 5,013,915	\$ 5,757,504	114.8%
Refinery Co-Gen	\$ 553,259	\$ 581,580	105.1%	\$ 530,230	\$ 856,944	161.6%
Refinery Gas	\$ 5,221,642	\$ 6,004,803	115.0%	\$ 6,537,410	\$ 8,295,360	126.9%
Water	\$ 2,927,471	\$ 3,780,966	129.2%	\$ 3,593,592	\$ 3,605,812	100.3%
Cable	\$ 1,848,936	\$ 1,738,884	94.0%	\$ 2,258,709	\$ 1,666,102	73.8%
Cellular	\$ 1,010,492	\$ 1,122,572	111.1%	\$ 1,219,291	\$ 1,245,623	102.2%
Telecom	\$ 2,198,838	\$ 2,624,983	119.4%	\$ 2,198,935	\$ 2,472,785	112.5%
<b>Total Revenues</b>	<b>\$ 32,926,251</b>	<b>\$ 37,379,435</b>	<b>113.5%</b>	<b>\$ 41,207,940</b>	<b>\$ 44,115,724</b>	<b>107.1%</b>

The table below summarizes for the General Fund-Operating Fund the unaudited results for FY22-23 compared with FY21-22 for Charges for Services Revenues:

Revenues	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
City Manager	\$ 130,000	\$ 225,894	173.8%	\$ 888,099	\$ 806,164	90.8%
City Clerk	\$ 24,236	\$ 9,888	40.8%	\$ 16,004	\$ 10,815	67.6%
Community Development	\$ 4,053,469	\$ 5,125,144	126.4%	\$ 5,316,824	\$ 5,730,923	107.8%
General Services	\$ 635,896	\$ 874,461	137.5%	\$ 907,220	\$ 981,678	108.2%
Non-Departmental	\$ 30,585	\$ 16,452	53.8%	\$ 22,175	\$ 15,389	69.4%
Police	\$ 259,370	\$ 279,573	107.8%	\$ 247,341	\$ 304,754	123.2%
Fire	\$ 7,783,935	\$ 8,089,610	103.9%	\$ 9,312,233	\$ 8,513,144	91.4%
Public Works	\$ 231,930	\$ 225,507	97.2%	\$ 268,044	\$ 230,762	86.1%
Community Services	\$ 3,304,785	\$ 4,211,909	127.4%	\$ 5,016,255	\$ 4,416,736	88.0%
<b>Total Revenues</b>	<b>\$ 16,454,206</b>	<b>\$ 19,058,438</b>	<b>115.8%</b>	<b>\$ 21,994,195</b>	<b>\$ 21,010,365</b>	<b>95.5%</b>

The table below summarizes the General Fund-Operating Fund unaudited results for FY22-23 compared with FY21-22 for **Salaries and Employee Benefits** Expenditures broken down by Department:

Expenses	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
City Council	\$ 92,980	\$ 92,650	99.6%	\$ 93,497	\$ 152,330	162.9%
City Manager	\$ 4,351,058	\$ 4,441,230	102.1%	\$ 4,835,342	\$ 4,917,649	101.7%
City Attorney	\$ 2,268,778	\$ 2,267,384	99.9%	\$ 2,498,585	\$ 2,436,514	97.5%
City Clerk	\$ 868,358	\$ 858,611	98.9%	\$ 942,396	\$ 871,566	92.5%
City Treasurer	\$ 281,900	\$ 281,723	99.9%	\$ 281,782	\$ 262,000	93.0%
Finance	\$ 3,564,901	\$ 3,562,412	99.9%	\$ 4,521,806	\$ 3,844,220	85.0%
Human Resources	\$ 1,091,634	\$ 1,098,297	100.6%	\$ 1,474,767	\$ 1,376,018	93.3%
Civil Service	\$ 481,999	\$ 495,243	102.7%	\$ 506,633	\$ 562,970	111.1%
Community Development	\$ 6,824,704	\$ 6,822,791	100.0%	\$ 8,728,520	\$ 7,362,504	84.3%
CIT	\$ 5,919,400	\$ 5,912,815	99.9%	\$ 6,279,206	\$ 5,235,686	83.4%
General Services	\$ 5,878,996	\$ 5,873,470	99.9%	\$ 6,772,903	\$ 6,053,965	89.4%
Non-Departmental	\$ 81,500	\$ 115,656	141.9%	\$ 199,717	\$ 92,273	46.2%
Police	\$ 77,617,725	\$ 77,482,736	99.8%	\$ 82,709,949	\$ 75,842,122	91.7%
Fire	\$ 48,221,843	\$ 46,716,531	96.9%	\$ 49,759,228	\$ 49,210,686	98.9%
Public Works	\$ 6,844,209	\$ 6,850,540	100.1%	\$ 8,522,389	\$ 8,265,567	97.0%
Community Services	\$ 14,575,563	\$ 14,567,000	99.9%	\$ 16,195,206	\$ 13,859,364	85.6%
<b>Total Expenses</b>	<b>\$ 178,965,548</b>	<b>\$ 177,439,089</b>	<b>99.1%</b>	<b>\$ 194,321,926</b>	<b>\$ 180,345,434</b>	<b>92.8%</b>

The table below summarizes the General Fund-Operating Fund unaudited results for FY22-23 compared with FY21-22 for **Materials (non-wage)** Expenditures broken down by Department:

Expenses	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
City Council	\$ 299,115	\$ 298,117	99.7%	\$ 371,216	\$ 333,400	89.8%
City Manager	\$ 798,494	\$ 701,475	87.8%	\$ 1,329,758	\$ 1,420,781	106.8%
City Attorney	\$ 305,515	\$ 290,462	95.1%	\$ 317,253	\$ 359,896	113.4%
City Clerk	\$ 798,715	\$ 802,511	100.5%	\$ 159,739	\$ 6,311	4.0%
City Treasurer	\$ 24,117	\$ 23,062	95.6%	\$ 83,059	\$ 76,793	92.5%
Finance	\$ 1,658,671	\$ 1,654,788	99.8%	\$ 1,468,078	\$ 1,545,309	105.3%
Human Resources	\$ 717,117	\$ 702,367	97.9%	\$ 717,269	\$ 734,553	102.4%
Civil Service	\$ 56,795	\$ 41,873	73.7%	\$ 123,268	\$ 174,848	141.8%
Community Development	\$ 705,368	\$ 703,096	99.7%	\$ 1,087,095	\$ 978,921	90.0%
CIT	\$ 1,731,429	\$ 1,727,484	99.8%	\$ 2,804,931	\$ 2,250,566	80.2%
General Services	\$ 2,710,507	\$ 2,708,080	99.9%	\$ 3,669,557	\$ 3,402,263	92.7%
Non-Departmental	\$ 11,638,425	\$ 11,589,082	99.6%	\$ 20,354,185	\$ 36,156,602	177.6%
Police	\$ 7,393,994	\$ 7,523,402	101.8%	\$ 11,084,164	\$ 10,836,129	97.8%
Fire	\$ 4,275,398	\$ 5,774,067	135.1%	\$ 9,338,614	\$ 7,466,550	80.0%
Public Works	\$ 5,937,566	\$ 5,913,135	99.6%	\$ 9,657,056	\$ 8,004,943	82.9%
Community Services	\$ 6,104,778	\$ 6,101,333	99.9%	\$ 8,119,092	\$ 7,498,651	92.4%
<b>Total Expenses</b>	<b>\$ 45,156,004</b>	<b>\$ 46,554,334</b>	<b>103.1%</b>	<b>\$ 70,684,334</b>	<b>\$ 81,246,516</b>	<b>114.9%</b>

The table below summarizes the General Fund-Operating Fund unaudited results for FY22-23 compared FY21-22 for All Expenditures broken down by Expense Type:

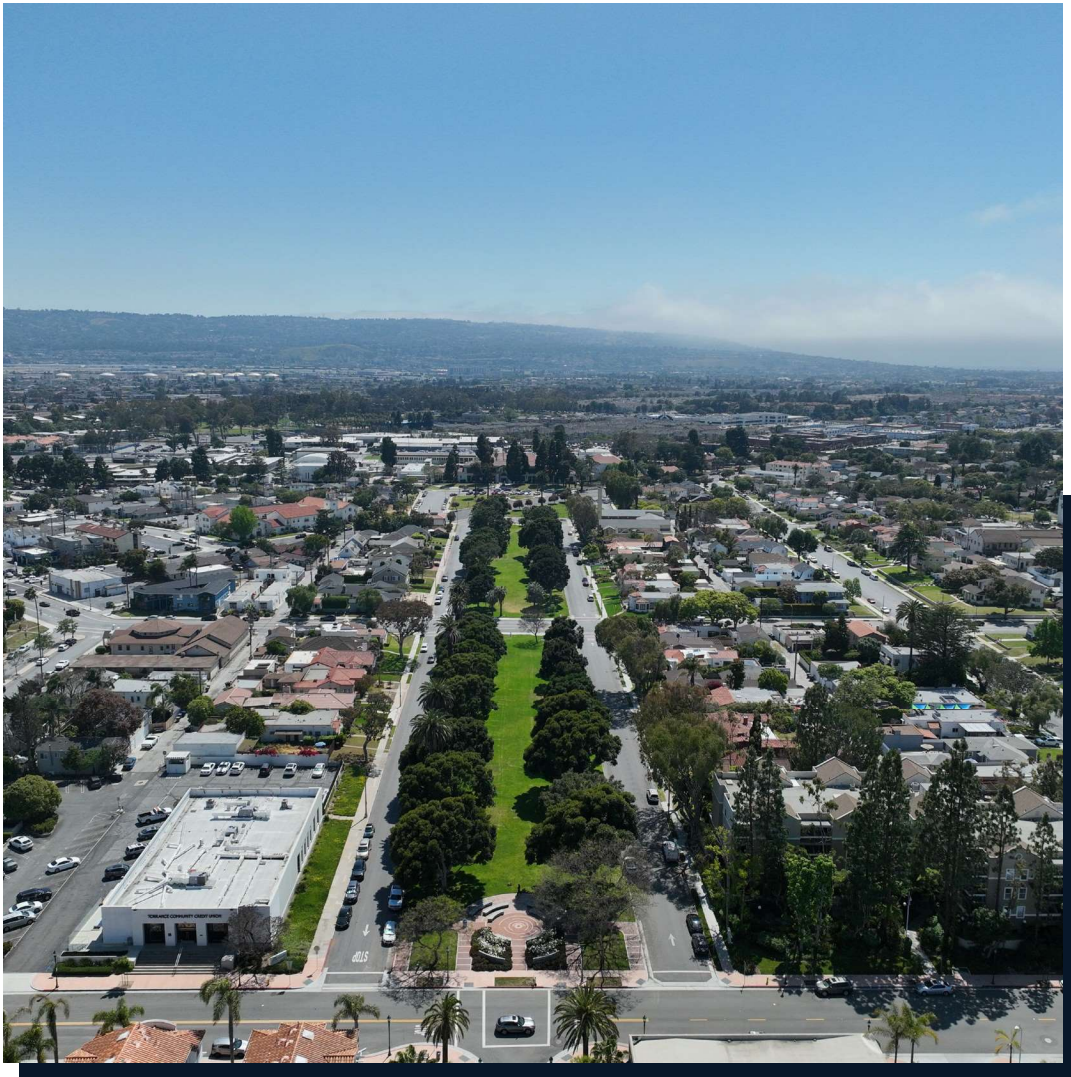
Expenses	2021-22			2022-23		
	Amended Budget	June 2021-22 Actuals	Percent of Budget	Amended Budget	June 2022-23 Actuals	Percent of Budget
Salaries and Employee Benefits	\$ 179,503,853	\$ 178,895,239	99.7%	\$ 194,373,220	\$ 181,083,668	93.2%
Salaries and Benefits Reimbursements	\$ (538,305)	\$ (1,456,150)	270.5%	\$ (51,294)	\$ (738,235)	1439.2%
Materials, Supplies & Maintenance	\$ 12,549,704	\$ 12,167,680	97.0%	\$ 16,481,684	\$ 14,101,749	85.6%
Materials Reimbursements	\$ (761,712)	\$ (767,891)	100.8%	\$ (221,351)	\$ (432,584)	195.4%
Professional/Contract Services & Utilities	\$ 13,799,641	\$ 14,294,910	103.6%	\$ 17,664,772	\$ 16,748,863	94.8%
Training, Travel & Membership Dues	\$ 934,785	\$ 854,259	91.4%	\$ 1,355,853	\$ 1,296,268	95.6%
Liabilities, Settlements & Insurance	\$ 618,340	\$ 500,358	80.9%	\$ 922,343	\$ 679,787	73.7%
Interdepartmental Charges	\$ 5,394,653	\$ 5,394,653	100.0%	\$ 12,698,048	\$ 12,698,048	100.0%
Debt Service	\$ 19,346,708	\$ 19,346,091	100.0%	\$ 22,360,355	\$ 22,646,081	101.3%
Debt Service Reimbursements	\$ (18,097,064)	\$ (17,854,361)	98.7%	\$ (18,337,744)	\$ (18,337,743)	100.0%
Capital Acquisitions	\$ 838,175	\$ 2,090,644	249.4%	\$ 368,774	\$ 1,360,558	368.9%
Asset Contra Account	\$ -	\$ -	0.0%	\$ -	\$ (300,812)	0.0%
Bad Debts and Other Losses	\$ 1,000	\$ 51	5.1%	\$ 1,000	\$ -	0.0%
Reimbursements-Indirect Costs	\$ (7,947,803)	\$ (7,114,694)	89.5%	\$ (7,813,890)	\$ (6,320,271)	80.9%
Other Operating Transfers Out	\$ 18,479,576	\$ 17,642,635	95.5%	\$ 25,204,489	\$ 37,106,571	147.2%
<b>Total Expenses</b>	<b>\$ 224,121,551</b>	<b>\$ 223,993,424</b>	<b>99.9%</b>	<b>\$ 265,006,259</b>	<b>\$ 261,591,948</b>	<b>98.7%</b>

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# INVESTMENT SUMMARY

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**FIRST QUARTER**

**BUDGET REVIEW REPORT**



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# Investment Summary

## Investment Summary

As of June 30, 2023 the ending balance of total funds was \$295,949,573, which included investments of \$275,374,721 and cash in bank of \$20,574,852. The effective rate of return for the portfolio was 3.23% fiscal year-to-date compared to 0.89% in the previous year. During fiscal year 2022-23, twenty-eight securities were redeemed (matured or called) and seventy-two securities were purchased. The 1-year and 2-year United States (US) Constant Maturing Treasury (CMT) yields ended the year at 5.4% and 4.87% respectively.

As of September 30, 2023 the ending balance of total funds was \$260,146,424, which included investments of \$240,790,089 and cash in bank of \$19,356,335. The effective rate of return for the portfolio was 4.06% fiscal year-to-date compared to 1.28% a year ago. For the first quarter of fiscal year 2023-24, one security was redeemed (matured) and three securities were purchased. The 1-year and 2-year US CMT yields ended the quarter at 5.46% and 5.03% respectively.

## Market Portfolio Snapshot

	June 2022	Sept 2022	June 2023	Sept 2023
<b>Book Value</b>	\$ 142,240,196	\$142,462,145	\$275,374,721	\$240,790,089
<b>Market Value</b>	\$139,939,867	\$138,955,445	\$270,510,218	\$235,014,399
<b>Effective Rate of Return (fiscal year to date)</b>	0.89%	1.28%	3.23%	4.06%
<b>Days to Maturity</b>	349 Days	313 Days	766 Days	870 Days

## Market Conditions/Investment Forecast

Consumer inflation has dropped from a year-over-year peak of 8.6% in June 2022 to 3.2% in September 2023. Since launching the most aggressive series of rate hikes in four decades in March 2022 to contain inflation with eleven consecutive rate hikes, including four in 2023, the Fed has pulled back and held rates steady in September and November with current target range of 5.25% to 5.50% the highest level since 2008.

The economy expanded at a strong pace in the July-September quarter and job gains remained strong. Tighter credit conditions, though, have yet to cool the economy or slow hiring as much as the Fed had expected. Growth soared at a 4.9% annual pace in the July-September quarter, powered by

robust consumer spending. The Fed expects inflation to fall towards its 2% target over the next few years. The Fed has kept open the possibility of another rate hike if needed and indicated rate cuts are not likely until late 2024.

Federal Reserve Meeting	Action Taken	Fed Fund Rate
July 27, 2023	+25 basis points	5.25% - 5.50%
May 3, 2023	+25 basis points	5.00% - 5.25%
March 23, 2023	+25 basis points	4.75% - 5.00%
February 1, 2023	+25 basis points	4.50% - 4.75%

During the quarter, the yield of the 1-year Treasury note increased to 5.46% and the 5-year notes increased to 4.6%. The Local Agency Investment Fund (LAIF) daily rate increased to 3.534% and California Asset Management Program (CAMP) rate reached 5.55%.

The 10-year Treasury yield rose to 5% the highest level since 2007. Treasury Department forecast released earlier this week indicated that the pace of growth likely will tumble to 0.7% in the fourth quarter and just 1% for the full year in 2024. Projections the Fed released in September put expected GDP growth at 1.5% in 2024.

Inflation is slowing from its rapid pace during 2022 and the labor market has been surprisingly resilient despite all the interest rate hikes. The labor market has started to show some early signs of easing. While the unemployment rate remains healthy at under 4% leading indicators such as job openings and quit rates are declining. Most forecasters expect economic growth to decrease.

**Compliance**

The City is in compliance with California Government Code Section 53646 which requires local agencies to report on its ability to meet pooled expenditure requirements for the next six (6) months. Throughout fiscal year 2022-23 and through the first quarter of fiscal year 2023-24, cash, cash equivalents (LAIF) and inflows exceeded cash outflows. Over the next six months, the City anticipates large cash inflows consisting of property tax and business license tax receipts, which are typically received December through February and April through May.

**Investment Strategy**

To be consistent with the City's objectives, the City's funds are invested in high-quality money market instruments and government securities, with a maximum maturity of five years. The City has made 72 investment purchases during fiscal year 2022-23, as the interest rates continued to rise. This includes callable securities that were purchased with yields above market rate, increasing City

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earnings. LAIF interest rates also showed steady upward movement but remained lower than CAMP (3.534% vs. 5.550%). Accordingly, the City transferred its liquid investments into CAMP. To meet the City's large payment obligations, the City will continue investing funds in CAMP, as CAMP currently offers the most yield and the funds are liquid. While the City anticipates large cash inflows from December through February and April through May, staff will continue to monitor interest rates of both fixed income investments, CAMP, and LAIF and fully invest all idle funds while continuing to meet the City's cash flow needs.

In the second quarter of FY 2023-24 the City will swap old low yield purchases and lock in longer term purchases with higher yield securities. As we continue to see rates remain elevated across the yield curve, the City of Torrance's portfolio will continue producing high returns over the coming quarters.

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