

# MID-YEAR BUDGET REVIEW REPORT

FY 2023 - 2024



SEE WHAT  
TORRANCE IS DOING



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# EXECUTIVE SUMMARY

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**MID-YEAR**

**BUDGET REVIEW REPORT**

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# Executive Summary

## Introduction

The purpose of the Fiscal Year 2023-24 Mid-Year Budget Review Report is to provide City Council and the public with a summary of the City’s overall financial performance across all major funds (with an emphasis on the General Fund’s core revenues and expenditures) through the first six months of the fiscal year ending December 31, 2023. This report also provides an update on reserve balances, projected year-end figures, 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 the public hearing process and formal budget adoption. For this reason, the amounts presented under the ‘Amended Budget’ summary table columns may fluctuate accordingly 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 December 31.

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 are gathered from consultants and other third-party sources 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.

## Mid-Year Results – Citywide Revenues (All Major Funds)

As of December 31, 2023, across all major funds, including the General Fund, Internal Service Funds, and Enterprise Funds, the City realized revenues of **\$208.7 million**, achieving **42.4%** of the **FY23-24** revenue budget. During the same period ending December 31, 2022, the City realized **\$187.5 million** in revenues, representing **42.0%** of the **FY22-23** revenue budget. The following table provides a summary comparison of these year-over-year figures.

## Citywide Revenues (All Major Funds)

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget		
GF-Operating	\$ 258,539,114	\$ 101,948,915	39.4%	\$ 271,689,666	\$ 95,166,860	35.0%	\$ 269,974,534	\$ (1,715,132)
GF-SST	\$ 13,500,000	\$ 2,163,146	16.0%	\$ 23,027,688	\$ 8,383,886	36.4%	\$ 24,832,648	\$ 1,804,960
GF-Rest&Assigned	\$ 4,354,474	\$ 2,999,654	68.9%	\$ 25,763,426	\$ 25,195,349	97.8%	\$ 26,810,676	\$ 1,047,250
GF-Unassigned	\$ -	\$ -	0.0%	\$ 4,802,423	\$ 2,401,212	50.0%	\$ 4,802,423	\$ -
<b>Total General Fund</b>	<b>\$ 276,393,588</b>	<b>\$ 107,111,715</b>	<b>38.8%</b>	<b>\$ 325,283,203</b>	<b>\$ 131,147,307</b>	<b>40.3%</b>	<b>\$ 326,420,280</b>	<b>\$ 1,137,077</b>
Self Insurance	\$ 17,347,600	\$ 10,588,530	61.0%	\$ 20,668,500	\$ 10,723,856	51.9%	\$ 26,010,190	\$ 5,341,690
Fleet	\$ 9,628,182	\$ 4,142,269	43.0%	\$ 12,121,697	\$ 5,149,764	42.5%	\$ 11,652,700	\$ (468,997)
<b>Total Internal Service</b>	<b>\$ 26,975,782</b>	<b>\$ 14,730,799</b>	<b>54.6%</b>	<b>\$ 32,790,197</b>	<b>\$ 15,873,620</b>	<b>48.4%</b>	<b>\$ 37,662,890</b>	<b>\$ 4,872,693</b>
Airport	\$ 23,264,106	\$ 14,424,350	62.0%	\$ 17,024,729	\$ 8,806,005	51.7%	\$ 19,811,860	\$ 2,787,131
Transit	\$ 45,232,700	\$ 18,173,375	40.2%	\$ 37,254,922	\$ 20,088,745	53.9%	\$ 38,861,330	\$ 1,606,408
Sanitation	\$ 15,680,878	\$ 5,997,091	38.2%	\$ 16,156,401	\$ 6,610,318	40.9%	\$ 17,376,598	\$ 1,220,197
Sewer	\$ 6,165,910	\$ 2,465,971	40.0%	\$ 8,622,923	\$ 3,432,521	39.8%	\$ 8,110,396	\$ (512,527)
Water	\$ 52,170,884	\$ 24,558,344	47.1%	\$ 54,827,481	\$ 22,732,767	41.5%	\$ 54,726,494	\$ (100,987)
<b>Total Enterprise Fund</b>	<b>\$ 142,514,478</b>	<b>\$ 65,619,131</b>	<b>46.0%</b>	<b>\$ 133,886,456</b>	<b>\$ 61,670,356</b>	<b>46.1%</b>	<b>\$ 138,886,678</b>	<b>\$ 5,000,222</b>
<b>Total Revenues</b>	<b>\$ 445,883,848</b>	<b>\$ 187,461,645</b>	<b>42.0%</b>	<b>\$ 491,959,856</b>	<b>\$ 208,691,283</b>	<b>42.4%</b>	<b>\$ 502,969,848</b>	<b>\$ 11,009,992</b>

## Mid-Year Results – Citywide Expenditures (All Major Funds)

As of December 31, 2023, across all major funds, the City realized expenditures of **\$233.6 million**, achieving **49.4%** of the **FY23-24** citywide expenditure budget. During the same period ending December 31, 2022, the City expended **\$206.7 million** or **47.0%** of the **FY22-23** citywide expenditure budget. The following table provides a summary comparison of these year-over-year figures.

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

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Rev Minus Exp
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget		
GF-Operating	\$ 255,646,063	\$ 124,487,662	48.7%	\$ 271,900,153	\$ 139,820,983	51.4%	\$ 267,092,503	\$ 2,882,031
GF-SST	\$ 13,500,000	\$ 6,569,747	48.7%	\$ 23,027,688	\$ 12,714,885	55.2%	\$ 22,172,188	\$ 2,660,460
GF-Rest&Assigned	\$ 1,438,554	\$ 484,406	33.7%	\$ 1,842,085	\$ 67,208	3.6%	\$ 862,476	\$ 25,948,200
GF-Unassigned	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ 4,802,423
<b>Total General Fund</b>	<b>\$ 270,584,617</b>	<b>\$ 131,541,815</b>	<b>48.6%</b>	<b>\$ 296,769,926</b>	<b>\$ 152,603,076</b>	<b>51.4%</b>	<b>\$ 290,127,167</b>	<b>\$ 36,293,113</b>
Self Insurance	\$ 25,634,485	\$ 8,770,453	34.2%	\$ 28,494,290	\$ 10,300,136	36.1%	\$ 18,306,973	\$ 7,703,217
Fleet	\$ 6,907,859	\$ 2,716,063	39.3%	\$ 8,954,538	\$ 4,067,328	45.4%	\$ 8,074,650	\$ 3,578,050
<b>Total Internal Service</b>	<b>\$ 32,542,344</b>	<b>\$ 11,486,516</b>	<b>35.3%</b>	<b>\$ 37,448,828</b>	<b>\$ 14,367,464</b>	<b>38.4%</b>	<b>\$ 26,381,623</b>	<b>\$ 11,281,267</b>
Airport	\$ 23,457,753	\$ 15,531,885	66.2%	\$ 17,010,181	\$ 7,170,128	42.2%	\$ 16,617,018	\$ 3,194,842
Transit	\$ 38,642,171	\$ 12,515,082	32.4%	\$ 38,491,434	\$ 15,656,810	40.7%	\$ 33,068,648	\$ 5,792,682
Sanitation	\$ 15,866,751	\$ 6,453,022	40.7%	\$ 20,155,560	\$ 8,157,469	40.5%	\$ 18,832,204	\$ (1,455,606)
Sewer	\$ 6,175,601	\$ 3,085,766	50.0%	\$ 6,891,511	\$ 4,504,854	65.4%	\$ 6,564,991	\$ 1,545,405
Water	\$ 52,114,173	\$ 26,038,875	50.0%	\$ 56,508,067	\$ 31,109,959	55.1%	\$ 53,379,743	\$ 1,346,751
<b>Total Enterprise Fund</b>	<b>\$ 136,256,449</b>	<b>\$ 63,624,630</b>	<b>46.7%</b>	<b>\$ 139,056,753</b>	<b>\$ 66,599,220</b>	<b>47.9%</b>	<b>\$ 128,462,604</b>	<b>\$ 10,424,074</b>
<b>Total Expenses</b>	<b>\$ 439,383,410</b>	<b>\$ 206,652,961</b>	<b>47.0%</b>	<b>\$ 473,275,507</b>	<b>\$ 233,569,760</b>	<b>49.4%</b>	<b>\$ 444,971,394</b>	<b>\$ 57,998,455</b>
<b>Revenues Less Expenditures</b>	<b>\$ 6,500,438</b>	<b>\$ (19,191,316)</b>		<b>\$ 18,684,349</b>	<b>\$ (24,878,477)</b>		<b>\$ 57,998,455</b>	

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As shown under the “**Projected Rev Minus Exp**” column in the previous table, the following year-end results are projected for FY23-24:

- The **General Fund-Operating Fund**, despite an anticipated \$1.7 million (0.6%) revenue shortfall, is expected to operate at a projected surplus of **\$2.9 million**, primarily driven by vacancies. As of December 31, 2023, the General Fund-Operating Fund has 159.10 full-time equivalent (FTE) vacant positions, a decrease from 169.70 FTE vacancies during the same period last year. This will be discussed in further detail under the **General Fund-Operating Fund Expenditures by Department** section of this document.
- The **General Fund-Measure SST Fund** will operate at a projected surplus of **\$2.7 million** due to revenues exceeding budget by approximately \$1.8 million and successfully securing grant funding to cover expenditures dedicated to addressing citywide homelessness efforts, generating an additional \$0.9 million in expenditure savings.
- The **General Fund-Restricted/Assigned Fund** will operate at a projected surplus of **\$25.9 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 **\$7.7 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 **\$3.6 million** surplus primarily driven by contributions to the Fleet Services Replacement Fund and partially offset by an operating deficit in the Fleet Services Operating Fund due to vacancies in the Fleet Services Division, thereby restricting internal service charges to other funds.
- The **Enterprise Funds** will operate at a projected surplus of **\$10.4 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 that need to be addressed and are being closely monitored by staff.

## Mid-Year Results – General Fund-Operating Fund

As of December 31, 2023, the General Fund-Operating Fund realized revenues of **\$95.2 million**, achieving **35.0%** of the **FY23-24** revenue budget. During the same period ending December 31, 2022, the City realized **\$101.9 million** in revenues, representing **39.4%** of the **FY22-23** revenue budget. As shown in the table below, the General Fund-Operating Fund’s FY23-24 revenue budget is projected to operate at a deficit of \$1.7 million, mainly driven by an expected shortfall in **Sales and Use Tax**, **Utility Users’ Tax** and **Construction Tax**, and offset by increases in **Use of Money and Property** (interest earnings) and **Charges for Services**. At the end of FY23-24, it is projected that revenues will exceed expenditures by **\$2.9 million**.

### General Fund-Operating Fund Revenues and Expenditures

	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 258,539,114	\$ 101,948,915	39.4%	\$ 271,689,666	\$ 95,166,860	35.0%	\$ 269,974,534	\$ (1,715,132)	99.4%
Total Expenses	\$ 255,646,063	\$ 124,487,662	48.7%	\$ 271,900,153	\$ 139,820,983	51.4%	\$ 267,092,503	\$ 4,807,650	98.2%
<b>Revenues Less Expenditures</b>	\$ 2,893,051	\$ (22,538,747)		\$ (210,487)	\$ (44,654,123)		\$ 2,882,031		
<b>Fund Bal Dec/(Increase)</b>	\$ (2,893,051)			\$ 210,487			\$ (2,882,031)		
<b>Net Budget Balance</b>	\$ -			\$ -			\$ -		

On the expenditure side, the General Fund-Operating Fund realized expenditures of **\$139.8 million**, achieving **51.4%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$124.5 million** or **48.7%** of the **FY22-23** expenditure budget. Currently, it is projected that expenditures will fall below budget by \$4.8 million at the end of the fiscal year. Included in this 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, and a one-time transfer of \$1.5 million from the General Fund to the Fleet Services Fund to offset a projected shortfall in revenues due to vacancies suppressing **Charges for Services**.

After controlling for these one-time transfers, the General Fund-Operating Fund is expected to generate a \$9.4 million budget surplus. This is primarily the result of departmental vacancies across the General Fund. As of December 31, 2023, the General Fund had 159.10 FTE vacant positions. While this represents a decrease of 10.60 FTE vacancies from the same period in the year prior, the City continues to experience challenges in attracting qualified candidates and currently has many recruitments underway.

### General Fund-Operating Fund Revenues

The three core revenue sources of the General Fund-Operating Fund are **Sales and Use Tax**, **Property Tax**, and **Utility Users’ Tax**. These three tax classifications cumulatively represent

approximately 62% of the City’s total General Fund-Operating Fund revenue budget. Combined with **Business License Tax** and **Occupancy Tax**, these five revenue sources make up approximately 70% of the City’s total General Fund-Operating Fund revenue budget. However, it should be noted that certain receipts are seasonally collected, such as Property Tax (December through April), Business License Tax renewals (January through February), and Sales and Use Tax from the holiday season (Black Friday, Cyber Monday, Christmas).

The table below represents a summary of all General Fund-Operating Fund revenue sources, but only the **Sales and Use Tax, Property Tax, Utility Users’ Tax, Business License Tax, and Occupancy Tax** classifications will be examined for the purposes of this section. All classifications are examined in greater detail in the [General Fund-Operating Fund Revenue Analysis](#) section of this document.

### General Fund-Operating Fund Revenues by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Taxes	\$ 194,680,678	\$ 65,509,093	33.6%	\$ 209,861,473	\$ 66,773,100	31.8%	\$ 206,764,825	\$ (3,096,648)	98.5%
Licenses, Fees and Permits	\$ 4,923,246	\$ 2,611,640	53.0%	\$ 5,773,777	\$ 2,534,971	43.9%	\$ 5,245,240	\$ (528,537)	90.8%
Fines, Forfeitures and Penalties	\$ 735,144	\$ 241,470	32.8%	\$ 760,672	\$ 227,119	29.9%	\$ 601,670	\$ (159,002)	79.1%
Use of Money and Property	\$ 3,200,594	\$ 2,408,203	75.2%	\$ 4,527,970	\$ 3,261,475	72.0%	\$ 6,285,670	\$ 1,757,700	138.8%
Intergovernmental	\$ 559,241	\$ 100,746	18.0%	\$ 349,501	\$ 32,342	9.3%	\$ 472,790	\$ 123,289	135.3%
Charges for Services	\$ 19,724,668	\$ 10,592,973	53.7%	\$ 23,910,796	\$ 10,517,597	44.0%	\$ 25,018,330	\$ 1,107,534	104.6%
Other Revenues	\$ 505,598	\$ 1,106,978	218.9%	\$ 209,360	\$ 219,846	105.0%	\$ 300,750	\$ 91,390	143.7%
Operating Transfers In	\$ 34,209,945	\$ 19,377,812	56.6%	\$ 26,296,117	\$ 11,600,410	44.1%	\$ 25,285,259	\$ (1,010,858)	96.2%
Other Financing Sources	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 258,539,114</b>	<b>\$ 101,948,915</b>	<b>39.4%</b>	<b>\$ 271,689,666</b>	<b>\$ 95,166,860</b>	<b>35.0%</b>	<b>\$ 269,974,534</b>	<b>\$ (1,715,132)</b>	<b>99.4%</b>

### Sales and Use Tax

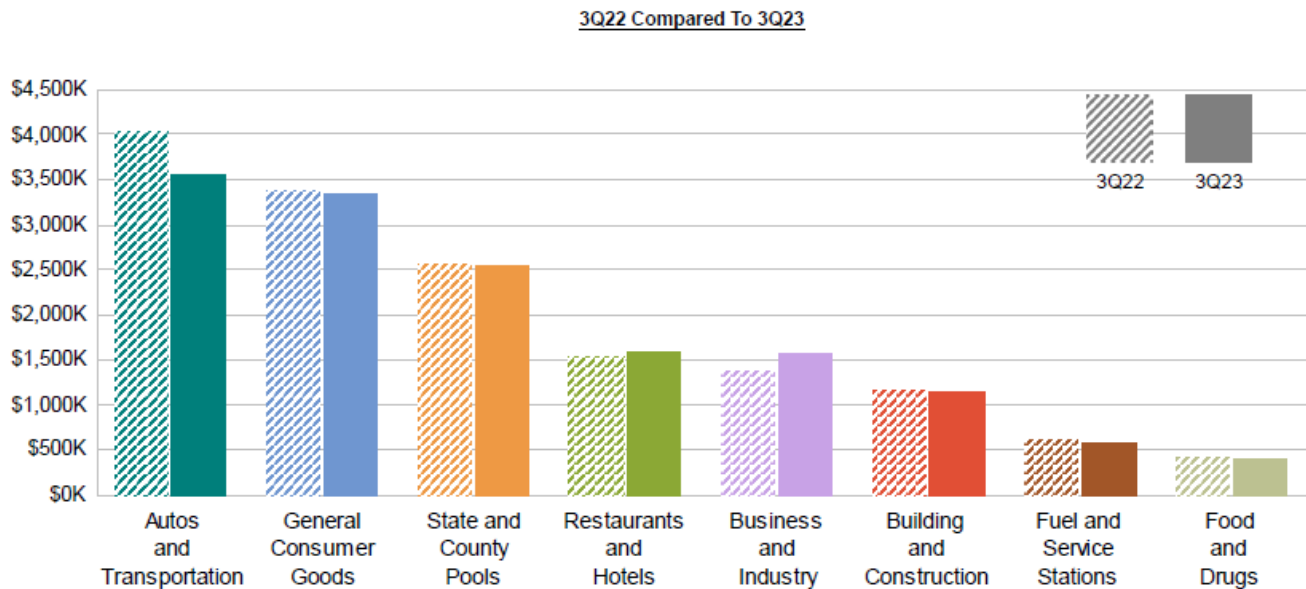
Sales and Use Tax (**Sales Tax**) receipts of \$20.5 million for the second fiscal quarter are tracking below prior year actuals by \$653,000 or 3.1% lower. This reduction is mainly due to decreased consumer demand after the economy rebounded significantly from the COVID-19 pandemic. Sales Tax receipts peaked in FY21-22 at \$63.6 million, fell to \$62.6 million in FY22-23, and are projected to generate \$61.2 million in FY23-24. This forecast projects a decrease of 1.6% from prior-year actuals and 5.0% 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 trends 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.

Fuel and service stations also contributed to the overall decline as lower fuel prices at the pump reduced revenue receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. Despite OPEC and Russia production cuts placing upward pressure on pricing, global demand during the winter months has softened. Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic appliances were two of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meager expectations for the holiday shopping results.

However, restaurants remained an economic bright spot, with casual dining establishments and those located within hotels partially offsetting declines in other categories. As tourism, holiday, and business travel are all expected to have recover in 2024, the restaurant industry is bracing for the upcoming implementation of AB 1228, a new California law setting minimum wages for fast food establishments. The below chart is based on the latest available data from the CDTFA and illustrates quarter-over-quarter (3-month) results as of September 30, 2023. It should be noted that quarterly data typically becomes available after a four-month delay and staff adjusts budgetary forecasts accordingly throughout the fiscal year.



Source: HdL Companies

Confounding some economy experts, consumer spending did not plunge in 2023. Even as product prices, consumer patterns and world influences vacillated through the post-pandemic economy over

the past two years, HdL Companies (HdL), a leading property and sales tax consulting firm, has consistently forecasted a non-recession economic outlook. Although recent trends show inflation has cooled, although not yet hit desired the Federal Reserve System’s targets. Interest rate hikes kept borrowing costs for homes, transportation, and equipment above 2022 levels, and financing costs are expected to begin a gradual descent in the back half of 2024. Households are expected to stay on a path of placing greater spending priorities on essential items while deferring non-essential purchases when possible.

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

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.

**Property Tax** revenues, which collectively includes property tax, property transfer tax, and VLF swap & repayment tax, are primarily received in December and April each year.

As of December 31, 2023, property tax receipts of \$19.7 million remain relatively flat compared to the same period last year. Presently, the City projects total year-end revenues to be slightly lower than budget by approximately \$396,000 or 0.8% across the three combined property tax categories. The tables below show that as of December 2023 (2023 Q4), the median sales price of a detached single-family residential (SFR) home in Torrance was \$1,150,000, a 1.3% increase from the same period in 2022 (Q4), and a 3.8% decrease from \$1,195,000 in the third calendar quarter of 2023 (Q3). This is an important variable to monitor as transfer of ownership is the largest driver in assessed value changes.

**Detached Single Family Residential Full Value Sales 01/01/2021 - 12/31/2023)**

Year	Full Value Sales	Average Price	Median Price	Median % Change
2021 Q1	176	\$1,091,520	\$1,043,500	
2021 Q2	262	\$1,182,225	\$1,075,000	3.02%
2021 Q3	266	\$1,214,472	\$1,125,000	4.65%
2021 Q4	231	\$1,221,874	\$1,128,000	0.27%
2022 Q1	167	\$1,318,232	\$1,185,000	5.05%
2022 Q2	236	\$1,384,032	\$1,295,500	9.32%
2022 Q3	207	\$1,216,685	\$1,130,000	-12.77%
2022 Q4	151	\$1,238,071	\$1,135,000	0.44%
2023 Q1	124	\$1,175,515	\$1,135,000	0.00%
2023 Q2	178	\$1,223,454	\$1,180,000	3.96%
2023 Q3	199	\$1,292,651	\$1,195,000	1.27%
2023 Q4	150	\$1,267,345	\$1,150,000	-3.77%

Source: HdL Companies

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## Utility Users' Tax

Utility users' tax (UUT) receipts remained relatively flat at \$17.4 million, a 0.1% increase from the prior year. While UUT rates are higher in general, decreases in both electricity and gas were partially due to planned maintenance at the Torrance Refining Company (Torrance Refinery). Potable and reclaimed water consumption is also down compared to the prior year, likely due to a wet winter. Presently, the City projects that total year-end UUT revenue will fall short of budget by approximately \$649,000 or 1.5%.

## Other Major Revenue Sources

Other major revenue sources of the General Fund-Operating Fund include **Business License Tax** and **Occupancy Tax**. As of December 31, 2023, **Business License Tax** receipts are higher than the prior year by \$251,000 and are expected to exceed budget by 4.6%. This is mainly due to business growth in Torrance as well as annual CPI adjustments. Moreover, the City's **Occupancy Tax** receipts have increased by \$587,000 compared to December 31, 2022. Based on the latest information from data and analytics company STR, LLC, the City's occupancy rate increased from 81% in November 2022 to 82% in November 2023. Additionally, the average daily rate per room increased by \$10.60 or 7% during this same twelve-period. Overall, it is projected that **Occupancy Tax** receipts will exceed budget by approximately \$286,000 or 2.2%. This illustrates the successful return and growth of sporting events, concerts, and business conferences in calendar year 2023, the second consecutive year that attendance at large, in-person events surpassed pre-pandemic levels.

## General Fund-Operating Fund Expenditures

As of December 31, 2023, the General Fund-Operating Fund's expenditures increased by **\$15.3 million** or **12.3%** from the prior year, primarily driven by a \$9.2 million increase in the **Non-Departmental** budget. This due to increased transfers to the City's CEPPT Section 115 Fund totaling \$17.9 million, and reductions in the following one-time transfers: \$4.5 million in transfers to the Capital Improvement Fund; a \$1.3 million transfer to the Low Mod Fund in FY22-23 to facilitate the purchase of 1316-1320 Cabrillo Avenue; and a \$2.0 million transfer to the Self-Insurance Fund. After controlling for Non-Departmental activity, the overall expenditure increase across all departments is \$6.1 million or 4.9% higher than the same period in the previous year.

As shown in the table below, most departments are expected to remain within budget with the overall General Fund-Operating Fund projected to operate at a surplus of **\$4.8 million** by fiscal year-end. This is inclusive of an additional one-time transfer of \$5.0 million to the Self-Insurance Fund to aid in efforts to reduce its negative fund balance and a one-time transfer of **\$1.5 million** to the Fleet Services Operating Fund to offset the fund's projected revenue shortfall.

## General Fund-Operating Fund Expenditures by Department

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
City Council	\$ 428,713	\$ 252,804	59.0%	\$ 580,611	\$ 243,303	41.9%	\$ 547,873	\$ 32,738	94.4%
City Manager	\$ 6,134,097	\$ 2,882,914	47.0%	\$ 6,677,469	\$ 3,079,032	46.1%	\$ 6,375,470	\$ 301,999	95.5%
City Attorney	\$ 2,815,838	\$ 1,267,408	45.0%	\$ 3,108,064	\$ 1,465,612	47.2%	\$ 3,063,505	\$ 44,559	98.6%
City Clerk	\$ 1,074,052	\$ (216,969)	-20.2%	\$ 1,359,558	\$ 553,226	40.7%	\$ 1,318,436	\$ 41,122	97.0%
City Treasurer	\$ 364,841	\$ 123,320	33.8%	\$ 343,088	\$ 179,831	52.4%	\$ 347,357	\$ (4,269)	101.2%
Finance	\$ 5,989,884	\$ 2,329,479	38.9%	\$ 6,251,439	\$ 2,615,848	41.8%	\$ 5,869,758	\$ 381,681	93.9%
Human Resources	\$ 2,192,036	\$ 983,970	44.9%	\$ 2,381,441	\$ 1,085,238	45.6%	\$ 2,190,451	\$ 190,990	92.0%
Civil Service	\$ 629,901	\$ 320,293	50.8%	\$ 1,035,845	\$ 482,380	46.6%	\$ 1,000,983	\$ 34,862	96.6%
Community Development	\$ 9,815,615	\$ 3,895,196	39.7%	\$ 9,815,788	\$ 4,329,726	44.1%	\$ 9,200,132	\$ 615,656	93.7%
CIT	\$ 8,951,621	\$ 3,963,397	44.3%	\$ 8,782,395	\$ 4,058,855	46.2%	\$ 8,083,188	\$ 699,207	92.0%
General Services	\$ 10,142,744	\$ 4,281,011	42.2%	\$ 10,493,231	\$ 4,664,661	44.5%	\$ 9,763,472	\$ 729,759	93.0%
Non-Departmental	\$ 13,910,722	\$ 16,507,073	118.7%	\$ 22,384,648	\$ 25,697,771	114.8%	\$ 29,735,904	\$ (7,351,256)	132.8%
Police	\$ 94,207,613	\$ 42,682,623	45.3%	\$ 95,424,934	\$ 42,843,698	44.9%	\$ 88,878,919	\$ 6,546,015	93.1%
Fire	\$ 56,420,842	\$ 27,363,665	48.5%	\$ 59,352,214	\$ 28,783,050	48.5%	\$ 57,874,334	\$ 1,477,880	97.5%
Public Works	\$ 18,179,445	\$ 7,558,729	41.6%	\$ 19,315,737	\$ 8,535,313	44.2%	\$ 19,021,220	\$ 294,517	98.5%
Community Services	\$ 24,388,099	\$ 10,292,749	42.2%	\$ 24,593,691	\$ 11,203,439	45.6%	\$ 23,821,501	\$ 772,190	96.9%
<b>Total Expenses</b>	<b>\$ 255,646,063</b>	<b>\$ 124,487,662</b>	<b>48.7%</b>	<b>\$ 271,900,153</b>	<b>\$ 139,820,983</b>	<b>51.4%</b>	<b>\$ 267,092,503</b>	<b>\$ 4,807,650</b>	<b>98.2%</b>

After controlling for these one-time transfers, the General Fund-Operating Fund's expenditure budget is projected to operate at a surplus of **\$11.3 million** for FY23-24, primarily the direct result of departmental vacancies across departments. Staff are continuing to work towards filling vacancies through active recruitment efforts while simultaneously exploring various strategic means for retaining and supporting existing talent. The table below shows a summary of departmental vacancy levels as of December 31, 2023, which are examined in greater detail in the [General Fund-Operating Fund Expenditure Analysis](#) section of this document.

## General Fund-Operating Fund Vacancies by Department

Department	Internal				Department	Internal			
	General Fund	Enterprise Funds	Service Funds	Total - All Funds		General Fund	Enterprise Funds	Service Funds	Total - All Funds
City Council	-	-	-	-	City Council	\$ -	\$ -	\$ -	\$ -
City Manager	4.00	-	-	4.00	City Manager	\$ 497,260	\$ -	\$ -	\$ 497,260
City Attorney	3.00	-	-	3.00	City Attorney	\$ 221,181	\$ -	\$ -	\$ 221,181
City Clerk	-	-	-	-	City Clerk	\$ 15,075	\$ -	\$ -	\$ 15,075
City Treasurer	-	-	-	-	City Treasurer	\$ -	\$ -	\$ -	\$ -
Finance	4.00	-	2.00	6.00	Finance	\$ 398,402	\$ -	\$ 203,438	\$ 601,840
Human Resources	3.00	-	-	3.00	Human Resources	\$ 289,507	\$ -	\$ -	\$ 289,507
Civil Service	1.00	-	-	1.00	Civil Service	\$ 63,702	\$ -	\$ -	\$ 63,702
Community Development	6.60	0.80	-	7.40	Community Development	\$ 734,726	\$ -	\$ -	\$ 734,726
CIT	5.00	-	-	5.00	CIT	\$ 966,723	\$ -	\$ -	\$ 966,723
General Services	5.50	-	7.00	12.50	General Services	\$ 474,636	\$ 81,262	\$ 680,079	\$ 1,235,977
Police	75.00	-	-	75.00	Police	\$ 12,510,279	\$ -	\$ -	\$ 12,510,279
Fire	23.00	-	-	23.00	Fire	\$ 2,335,365	\$ -	\$ -	\$ 2,335,365
Public Works	17.00	10.00	-	27.00	Public Works	\$ 1,211,945	\$ 1,229,587	\$ -	\$ 2,441,532
Community Services	12.00	-	-	12.00	Community Services	\$ 984,180	\$ -	\$ -	\$ 984,180
Transit	-	41.50	-	41.50	Transit	\$ -	\$ 4,591,358	\$ -	\$ 4,591,358
<b>Total</b>	<b>159.10</b>	<b>52.30</b>	<b>9.00</b>	<b>220.40</b>	<b>Total</b>	<b>\$ 20,702,982</b>	<b>\$ 5,902,207</b>	<b>\$ 883,517</b>	<b>\$ 27,488,706</b>

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## 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, 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 December 31, 2023, the cash balance in this fund stands at only \$14.8 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 December 31, 2023, and highlights the fund categories that are relatively low for operations of their sizes.

Fund Category	End Cash Bal Q2 FY2023-24	Example Funds
Enterprise Funds	\$ 113,219,366	Airport; Sanitation; Sewer; Water; Transit
Nonmajor Governmental Funds	\$ 56,699,463	Measure M; Prop A; Prop C; Measure W; Gas Tax
<b>General Fund</b>	<b>\$ 36,377,663</b>	
<b>Internal Svc - Self-Insurance Fund</b>	<b>\$ 14,862,290</b>	
Internal Svc - Fleet Services Fund	\$ 36,653,416	
Fiduciary Funds	\$ 9,860,137	INSB; Area G; Low Mod/RDA/Succesor
Capital Improvement Fund	\$ 14,535,454	General Fund CIP
Internal Svc - OPEB Fund	\$ 4,694,524	
<b>Total</b>	<b>\$ 286,902,313</b>	

As shown above, the City’s General Fund only sits at a cash balance of \$36.4 million. This represents a small portion of the City’s pooled cash utilized for investments during the fiscal year. For reference, the current General Fund cash balance represents 12.7% of all cash on hand, while the total General Fund expenditure budget represents 62.7% 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 December 31, 2023, 241 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. The number of retirements and voluntary resignations is improving. As of the six-month period ending December 31, 2023, there have been 20 retirements and 44 voluntary resignations, compared to 43 and 60 during the prior year, respectively.

	Fiscal Years Ending				6-months
	2020	2021	2022	2023	2024
Retirements	42	57	<b>72</b>	<b>59</b>	20
Voluntary Resignations	46	42	<b>133</b>	<b>121</b>	44
Departures or Death	11	11	13	21	10
	99	110	218	201	74

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## **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. Negotiations have been completed for fire safety and are actively underway for police and non-safety miscellaneous. It will be important to focus on citywide multi-year collective bargaining agreements to achieve a level of stability in wages and forecasting. 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 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

## Federal Funds Rate

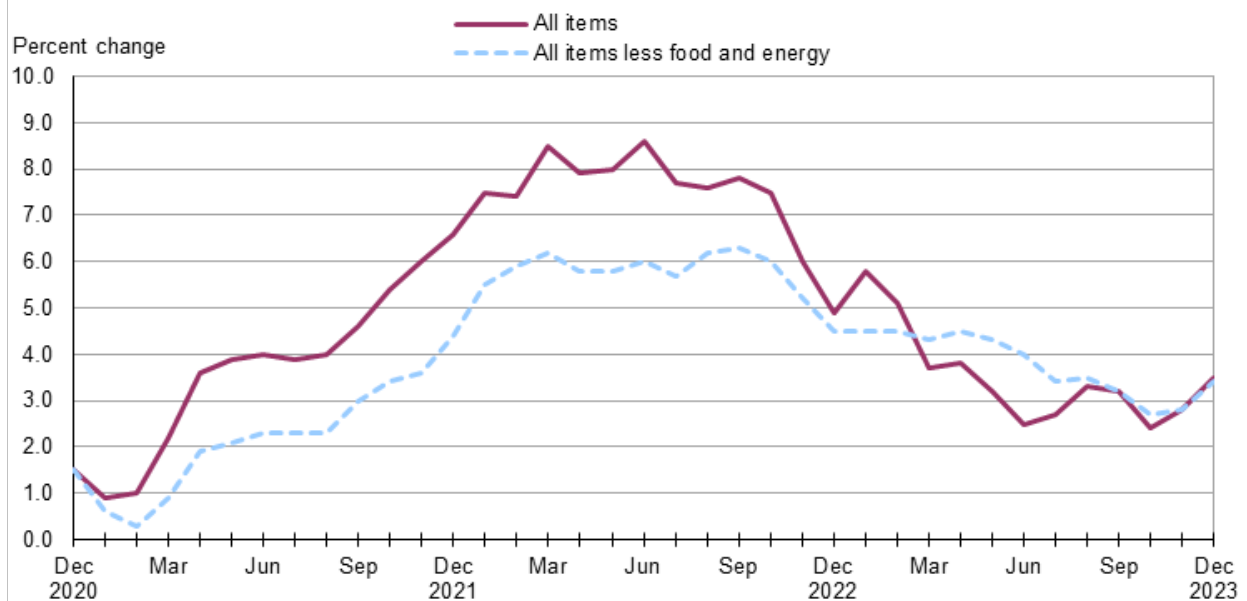
The Federal Funds Rate is the benchmark borrowing rate set by the U.S. Federal Reserve System (Fed) from which fixed income instruments, auto loans, mortgages, and credit card rates are based. As a result of spikes in inflation nationwide, the Fed began leveraging policy decisions in March 2022 to try and temper the economy and “cool” inflation trends. While down from a 40-year-high of 8.6% in June-2022, the Fed is truly on a path to its 2% goal.

The Fed last month kept its policy rate in the 5.25% to 5.5% range, where it has been since last July, and while Fed Chair Jerome Powell noted progress, he also said March, when the policymaking committee next meets, would likely be too soon for the Fed to be sure it has won the fight with inflation. A strong job market and inflation still above Fed goals gives the U.S. central bank little reason to rush on rate cuts. Traders previously betting on a rate cut at the Fed's April 30-May 1 meeting now see June or even September as more likely.

## 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 3.5% as of December 2023.

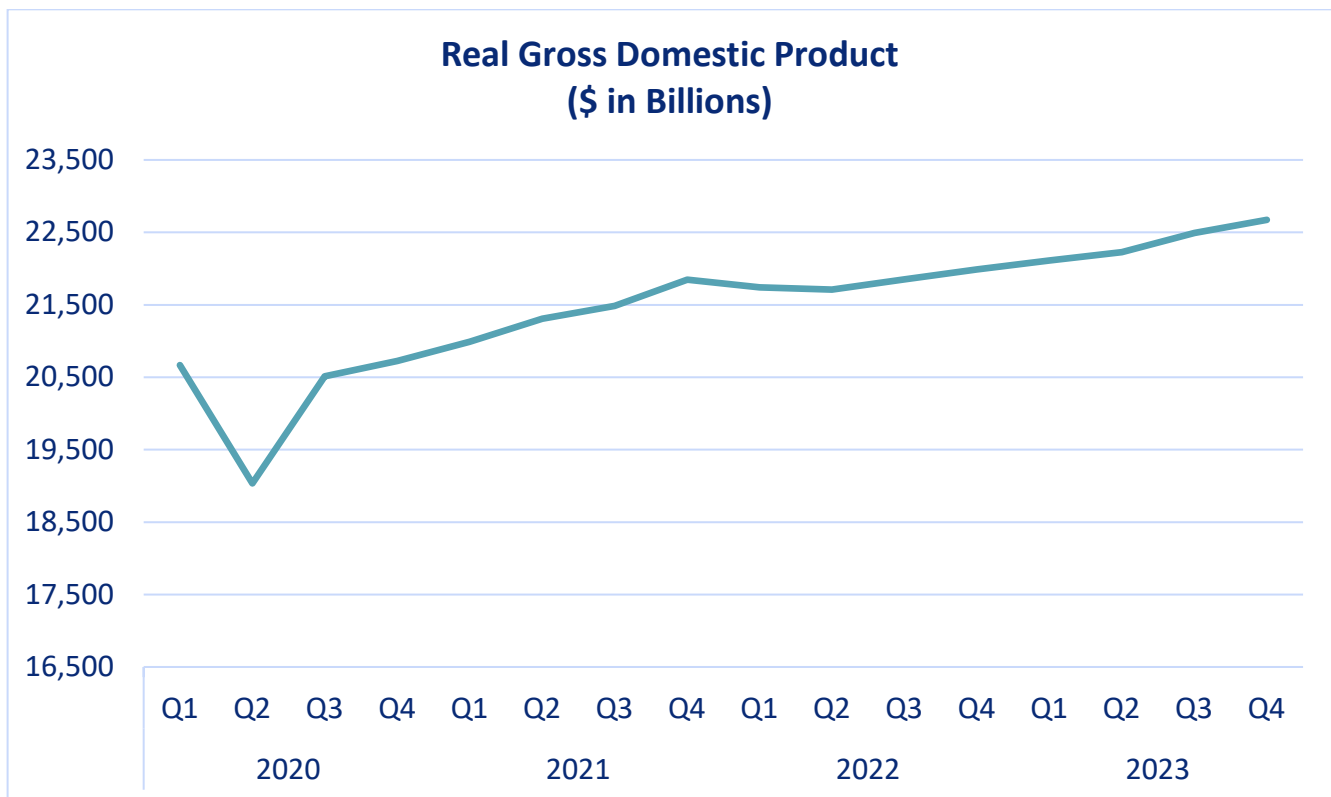
**Chart 1. Over-the-year percent change in CPI-U, Los Angeles-Long Beach-Anaheim, CA, December 2020–December 2023**



Source: U.S. Bureau of Labor Statistics.

## Real Gross Domestic Product (Real 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. Finally, a 3.1% increase can be seen in the final calendar quarter of 2023. 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.

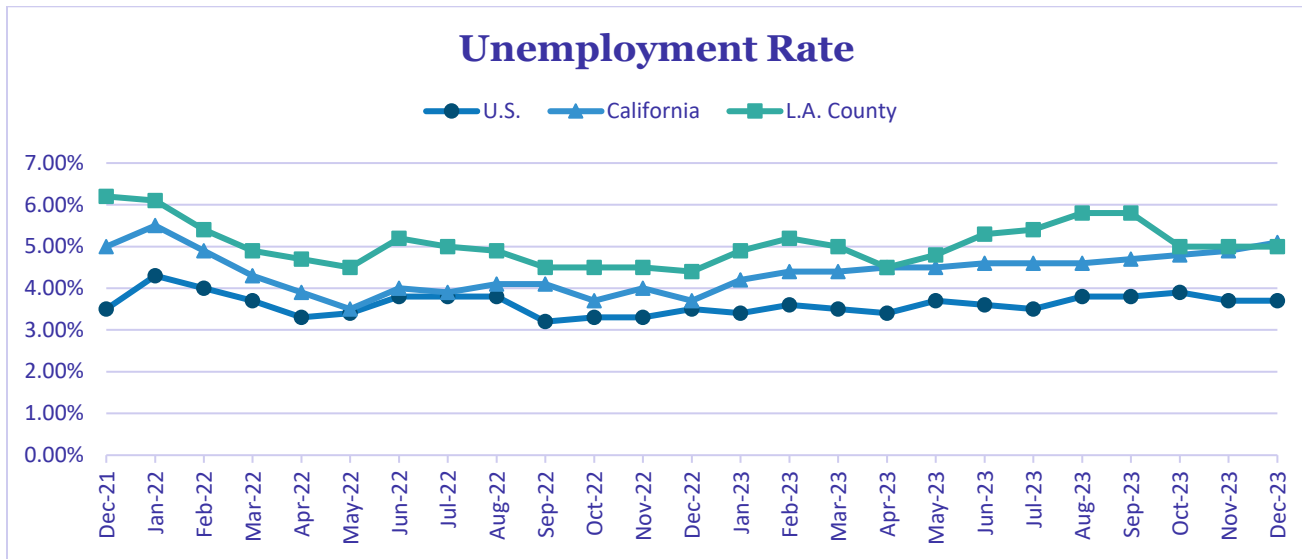


Source: Bureau of Economic Analysis

Moreover, the increase in consumer spending consisted of increases in the services and goods categories. Within services, the leading contributors were food services and accommodations as well as health care. Within goods, the leading contributors to the increase were other nondurable goods (led by pharmaceutical products) and recreational goods and vehicles (led by computer software). Within exports, both goods (led by petroleum) and services (led by financial services) increased. The increase in state and local government spending primarily reflected increases in compensation of state and local government employees and investment in structures. The increase in nonresidential fixed investment reflected increases in intellectual property products, structures, and equipment.

## Labor Market

As of December 2023, the U.S. unemployment rate was 3.8%; California’s was 4.9%; and Los Angeles (L.A.) County’s was 5.0%. Like 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

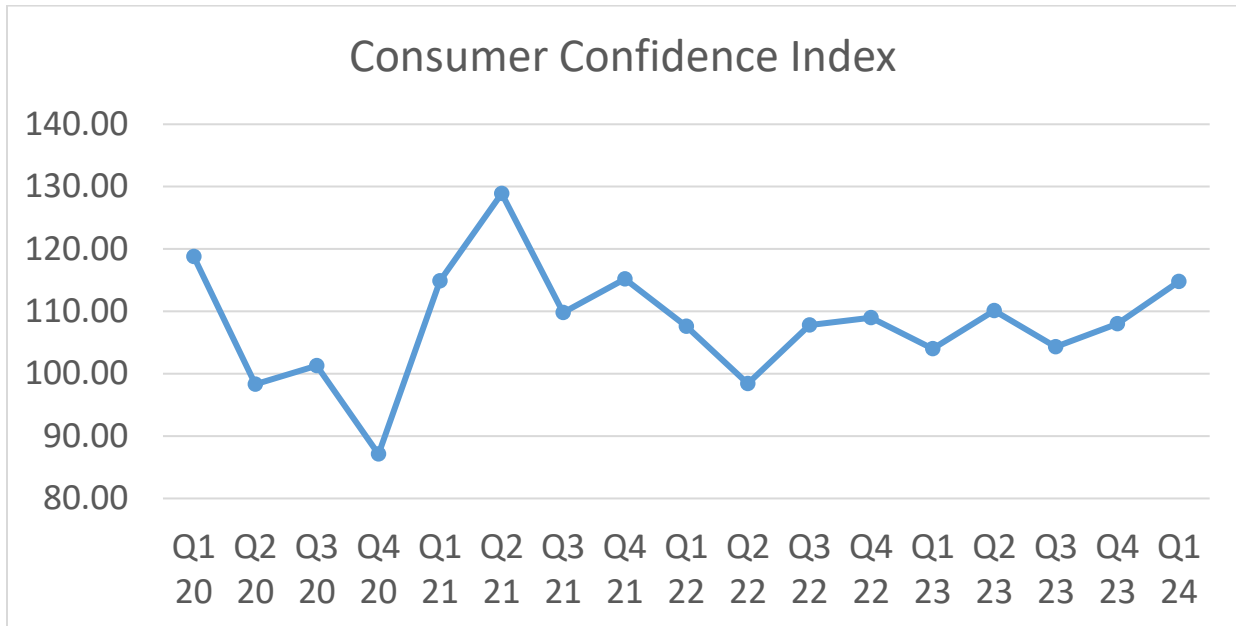
While California and L.A. County unemployment rates are higher than the national level, Torrance unemployment levels fare better with an unemployment rate of 3.4% as of the end of calendar year 2022 and 3.8% at the end of calendar year 2023. Many economists anticipate unemployment to increase over the next two years, but forecasts anticipate unemployment levels to remain below 5.0%.

Local Unemployment Rate Trends								
	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
National	3.6%	3.6%	3.5%	3.5%	3.5%	3.6%	3.7%	3.8%
California	4.8%	4.2%	3.9%	4.1%	4.3%	4.5%	4.6%	4.9%
Los Angeles County	5.7%	5.1%	4.8%	4.7%	5.3%	4.9%	5.0%	5.0%
Carson	5.2%	5.2%	4.8%	4.9%	5.4%	4.7%	5.3%	4.9%
Gardena	5.0%	5.6%	4.8%	4.5%	5.0%	4.8%	5.4%	4.7%
Glendale	4.9%	4.9%	4.3%	4.2%	5.2%	4.7%	5.7%	4.9%
Hawthorne	5.0%	5.3%	4.4%	4.3%	5.2%	4.8%	5.3%	4.7%
Inglewood	5.8%	6.1%	5.3%	5.0%	5.8%	5.3%	6.1%	5.5%
Santa Monica	4.5%	4.7%	4.3%	4.4%	5.4%	5.1%	5.9%	5.0%
<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>	<b>3.8%</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 confidence rose in January 2024 to 114.8, up from 108.0 in December 2023. The reading was the highest since December 2021, and marked the third straight monthly increase.



Dana Peterson, Chief Economist at The Conference Board, states that “January’s increase in consumer confidence likely reflected slower inflation, anticipation of lower interest rates ahead, and generally favorable employment conditions as companies continue to hoard labor. The gain was seen across all age groups, but largest for consumers 55 and over. January’s write-in responses revealed that consumers remain concerned about rising prices although inflation expectations fell to a three-year low. Buying plans dipped in January, but consumers continued to rate their income and personal finances favorably currently and over the next six months.”

## Reserve Balances

The City’s adopted fiscal policy sets a 20% unassigned fund balance which translates to approximately \$54.4 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 \$73.8 million for FY23-24. By reaching the 27.2% 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 \$203.8 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 \$135.8 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.

### General Fund-Unassigned Fund Overall Fund Balance Projections

Unassigned Fund Balance (Overall)	2022-23 Beginning Balance	Contributions/ (Usage)	2022-23 Ending Balance	Projected Contributions/ (Usage)	2023-24 Projected Ending Balance
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	\$ 5,542,491	\$ 60,881,410
<b>Total</b>	<b>\$ 44,727,242</b>	<b>\$ 18,693,524</b>	<b>\$ 63,420,766</b>	<b>\$ 10,344,914</b>	<b>\$ 73,765,680</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). 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.

## Conclusion

While a strong labor market, increases in consumer confidence, and growth in GDP signals a healthy economy, these factors continue to keep inflation at levels above the Fed’s goal, which will continue to restrain growth in industries sensitive to financing costs, such as auto and real estate. Nonetheless, the Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey (“The Winter 2024 Forecast” or “the Forecast”) released in February 2024 reveals that nearly a quarter (21%) of California real estate owners and operators plan to redevelop existing office space over the next three years for alternative purposes across multifamily, industrial and retail.

Allen Matkins partner John Tipton said: “With a significant portion of the office market continuing to underperform, there is increased focus on the conversion of older and obsolete product into more productive uses such as housing or mixed-use facilities. While the financial aspect of adaptive reuse

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projects remains a key challenge in 2024, we expect to see a growing emphasis on the conversion of office buildings to uses that better support local economies in the coming years, in California and throughout the country.”

Following a period of cautious optimism about the retail and industrial market, the 2024 Winter Forecast finds that respondents are more optimistic about the demand for space and more than 50% of the Forecast respondents expect to initiate at least one new development project in 2024. Given the current level of development in Torrance this feedback certainly appears to be true.

Below are a handful of developments in Torrance, amongst hundreds of active building permit applications, valued at \$33.5 million as of December 31, 2023:

- **Del Amo Fashion Center** – major tech retailer is expected to debut its opening towards the end of 2024. The construction work will be completed in two phases. The first phase will be handled by the property owner and will include all of the preparation work to create the shell tenant space. The second phase will be completed by the tech retailer’s team and will include the actual build out of the tenant space.
- **Legacy Project / Hawthorne Blvd and Carson Street** – This will be a multi-family apartment building with 200 units and a multi-story parking structure. Construction is tentatively scheduled to commence in the summer of 2024.
- **Arc Electric Boats / 195th Street** – New electric boat manufacturer relocating into the City of Torrance. Manufacturing and sales will occur from this new location that is currently under construction. Completion anticipated to begin in Spring 2024.
- **Score Uniform Company / Western Ave** – New company relocating from Wilmington to the City of Torrance. Their new facility is under construction and is anticipated to be completed during Summer 2024. The company makes uniforms for a variety of sports including AYSO and schools of all levels.

Given the levels of development interest, on January 23, 2024, Staff recommended to City Council the creation of a community facilities district (CFD) to mitigate the additional costs associated with private developments. With Council’s approval in January, Staff will move forward with the next steps in creating a CFD in the upcoming months.

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**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 Mid-Year 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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**MID-YEAR**

**BUDGET REVIEW REPORT**

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# Program Modifications and Other Updates

## Program Modifications

This section provides a summary of Program Modifications that will be presented to City Council for consideration and approval.

### City Clerk's Office

#### **Delete 1.0 FTE Records Management Specialist and Add 1.0 FTE Deputy City Clerk I Expenditure: \$2,473 Annually (General Fund)**

The City Clerk's Office is requesting to convert a Records Management Specialist position to a Deputy City Clerk I position to support the functions of the department's Records Division. Under state law, the City Clerk is responsible for the impartial, effective administration and implementation of federal, state, and local statutes including the California Public Records Act. As the custodian of all official City records, the City Clerk's Office also handles all public records requests to ensure transparency to the public in a prompt and timely manner. On average, the department typically processes 1,477 requests annually. The conversion of a Records Management Specialist to a Deputy City Clerk I would allow for much needed cross-training within the department and provide greater flexibility for handling public records requests.

### City Manager's Office

#### **Add 1.0 FTE Staff Assistant Expenditure: \$85,427 Annually (General Fund)**

The City Manager's Office is requesting to add a 1.0 FTE Staff Assistant position to support the department's Office of Emergency Services (OES). OES is responsible for coordinating and promoting citywide emergency preparedness efforts, mitigation measures, and disaster response and recovery in collaboration with City departments and external agencies. In FY21-22, a 1.0 FTE Staff Assistant position supporting OES functions was eliminated from the Fire Department's operating budget as a cost-saving measure. In FY22-23, the 1.0 FTE Emergency Services Manager position was also eliminated, and OES was absorbed under the City Manager's Office.

Currently, the City Manager's Office has a 1.0 FTE OES Coordinator (Management Associate) position dedicated to carrying out all OES functions. After the recent departure of the OES Coordinator, the need for additional staffing to maintain the integrity of the Division became evident and the new

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Staff Assistant would help ensure adequate emergency preparedness, mitigation, and response coordination for a city of our size. More specifically, this position would focus on public education efforts, coordination of training exercises with other local agencies, tracking of all emergency and disaster-related expenses for reimbursement, and soliciting grant funding from state and federal agencies.

## **Community Services Department**

### **Delete 1.0 FTE Recreation Supervisor and Add 1.0 FTE Senior Business Manager**

#### **Expenditure: \$50,812 Annually (General Fund)**

The Community Services Department is requesting to convert a vacant Recreation Supervisor position to a Senior Business Manager position to support the department's Administration Division, which does not currently have staff dedicated specifically to capital projects. This position will be responsible for the management of all capital projects led by the Community Services Department, capital project-related grant administration, and all associated procurements to facilitate the completion of ongoing and future capital projects. This proposed program modification will replace a vacant Recreation Supervisor position to assist the department with supervising work progress and will serve as the primary contact for all projects.

### **Delete 0.5 FTE Environmental Aide and Add 0.5 FTE Program Specialist**

#### **Expenditure: \$3,911 Annually (General Fund)**

The Community Services Department is requesting to convert a vacant Environmental Aide position to a Program Specialist position to support the department's Animal Control program. The existing Environmental Aide position has remained vacant since September of 2019 and has job duties specific to the department's Home Improvement Program. The additional Program Specialist position will assist with the ongoing efforts of the Animal Control program within the Torrance community.

## **Finance Department**

### **Delete 1.0 FTE Account Clerk and Add 1.0 FTE Payroll Specialist**

#### **Expenditure: \$25,615 Annually (General Fund)**

The Finance Department is requesting to convert a vacant Account Clerk position to a Payroll Specialist position to support the department's Payroll Division. Currently, the Division consists of a Senior Business Manager (Payroll Division lead) and two Payroll Specialists tasked with carrying out all payroll-related functions citywide. In addition to bi-weekly payroll processing for just over 1,400 employees, the Division is also responsible for monitoring and adhering to state and federal regulatory guidelines, maintaining the City's payroll policies and procedures in accordance with

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changes in legislation, audit preparation, providing feedback during labor negotiations, implementing pay and benefit changes resulting from settled labor contracts, and administering special projects.

The addition of a Payroll Specialist enhances the Division's ability to efficiently maintain day-to-day tasks while enabling the Senior Business Manager to focus on other areas of operation, including technical knowledge training for Payroll Specialists, timekeeper training for departmental staff, increased review and accuracy of work performed, greater flexibility and completing specialized projects timely.

**Delete 1.0 FTE Senior Business Manager and Add 1.0 FTE Risk Manager  
Expenditure: \$(2,170) Annually (Non-General Fund)**

The Finance Department is requesting to convert a Senior Risk Analyst (Senior Business Manager) position to a Risk Manager position to appropriately align the needs of the department's Risk Management Division. The Senior Risk Analyst is responsible for the administration of liability claims; identifying and evaluating agency-wide risk exposures; reviewing indemnification and insurance language for all contract and consulting service agreements; addressing departmental risk and liability matters; delivery of citywide risk management and safety trainings; and ensuring the reduction of workplace injuries. In addition, the response required to address the City's risk profile has increased due to the ongoing impacts of the COVID-19 pandemic, frequency of workplace injuries, number of liability claims and lawsuits, and cybersecurity threats.

In FY18-19, the Risk Manager position was eliminated from the Self-Insurance Fund's operating budget as a cost-saving measure. Currently, there is a 1.0 FTE Senior Business Manager and 1.0 FTE Claims Technician position dedicated to carrying out all existing risk management functions. A recent survey of comparable cities revealed that Torrance is one of only a few cities that does not have a budgeted Risk Manager. To add, the City does not currently have a formal health and safety program that informs and educates citywide staff about matters relating to the Occupational Safety and Health Administration's (OSHA) regulatory standards. The lack of a centralized program was magnified during the onset of the COVID-19 pandemic as the City relied on a decentralized approach to manage workplace outbreaks. This proposed program modification would align with the additional responsibilities of implementing a centralized program which will include health and safety training for all employees citywide, worksite safety audits, enforcement of OSHA safety regulations, and accountability for reducing workplace injuries.

Additionally, this program modification would also allow for the implementation of a formal liability loss prevention program to strategically address liability claims and lawsuits against the City. The Risk Manager would collaborate with all departments in conducting risk assessments and assist in

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developing best practices to reduce risk-related exposures, which can result in lower claims and lawsuits filed against the City. The formal implementation of these new programs will allow the Division to provide training in-house which will reduce the need to outsource for these activities. As such, the division will be reducing its contract services budget by \$50,000 to mitigate the expenditure impact associated with this program modification.

**Delete 1.0 FTE Accounting Technician and Add 1.0 FTE Staff Assistant  
Expenditure: \$781 Annually (General Fund and Non-General Fund)**

The Finance Department is requesting to convert a vacant Accounting Technician position to a Staff Assistant position to provide additional support to the efforts of the Risk Management Division. As previously mentioned, there is a 1.0 FTE Senior Business Manager and 1.0 FTE Claims Technician position dedicated to carrying out all existing risk management functions. Converting the vacant Accounting Technician position under the Audit Division to a Staff Assistant position and transferring it to the Risk Management Division would provide much needed support for the planned expansion of programs with minimal fiscal impact. This position would focus on the coordination of employee training, tracking of key performance metrics and quarterly metrics reporting, and assisting with the implementation of formal health and safety and liability loss prevention programs.

## **General Services Department**

**Delete 1.0 FTE Senior Building Inspector and Add 1.0 FTE Capital Projects Construction Supervisor  
Expenditure: \$8,758 Annually (General Fund)**

The General Services Department is requesting to convert a Senior Building Inspector position to a Capital Projects Construction Supervisor position to support the department's Administrative Services Division. The Division oversees all building-related capital projects throughout the City, and a new Capital Projects Construction Supervisor position will allow for expanded responsibilities relating to capital projects, including coordination of all phases of construction with contractors, design teams, utility companies, City staff and other agencies, and monitoring of work performed by City staff and outside contractors for all active and future capital projects.

**Add 1.0 FTE Intern  
Expenditure: \$45,581 Annually (General Fund)**

The General Services Department is requesting to add 1.0 FTE Intern to support the Administrative Services Division with capital projects management. This position would provide an additional layer of support to improve planning and procurement processes related to capital projects, including preparation of bids and request for proposals, maintaining policies, procedures, rules, and regulations of the Administrative Services Division, and making recommendations for potential

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improvements. This position will also conduct research on industry best practices for ensuring timely execution and completion of the City’s current and future capital projects.

## **Police Department**

### **Add 1.0 FTE Administrative Analyst**

#### **Expenditure: \$110,888 Annually (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 Professional Standards Division is also responsible for the implementation of training programs to educate officers on new policies, procedures and legal developments, and may provide guidance on legal and ethical considerations.

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 position would help identify areas for improvement so 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 statutory requirements.

### **Add 1.0 FTE Police Services Supervisor**

#### **Expenditure: \$136,950 Annually (General Fund)**

The Police Department is requesting to add a 1.0 FTE Police Services Supervisor position to provide supervisory support within the City’s jail facility during evening hours. Currently, there is one Police Services Supervisor that only works during the daytime shift; therefore, an additional supervisor is necessary for maintaining the security, safety, and efficient operation of the jail during nighttime hours. The additional Police Services Supervisor would ensure that security protocols are strictly enforced during the evening shift, minimizing the risk of incidents such as escapes, fights, or other unauthorized activities. Moreover, it would also ensure that there is someone with authority and expertise available to respond to unforeseen circumstances quickly and effectively, including medical emergencies, conflicts among inmates, and any other unexpected situations that may occur.

### **Delete 1.0 FTE Administrative Assistant and Add 1.0 FTE Administrative Analyst**

#### **Expenditure: Annually \$30,502 (General Fund)**

The Police Department is requesting to convert an Administrative Assistant position to an Administrative Analyst position to support the Services Division under the department’s Support Services Bureau. The Administrative Analyst would be responsible for liaising with the General

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Services Department on vehicle fleet matters and coordinating with the Fleet Service Manager to address vehicle fleet issues.

## Other Updates

This section provides a summary of recommended budget adjustments resulting from anticipated budget outcomes that will be presented to the full City Council for consideration and approval.

### Community Development Department

#### **Increase Section 8 Housing Fund Revenue and Expenditure Budget by \$850,000**

The Community Development Department (CDD) is requesting to increase the Section 8 Housing Fund's revenue and expenditure operating budgets. Due to the CDD's successful efforts to expand the Section 8 Housing program, additional revenue from the Department of Housing and Urban Development (HUD) is anticipated to be realized in FY23-24. This program modification will allow CDD to take full advantage of available HUD funding and facilitate the issuance of additional housing vouchers to the Torrance Community.

# GENERAL FUND

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**MID-YEAR**

**BUDGET REVIEW REPORT**

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# General Fund

## Overall Mid-Year 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.
  - **General Fund-Operating Fund Revenue Analysis** – Focuses on the revenues of the General Fund-Operating Fund.
  - **General Fund-Operating Fund Expenditure Analysis** – Focuses on the expenditures of the 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 General Fund's adopted FY23-24 operating budget was balanced with planned contributions to increase the fund balances for 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, through the second quarter of FY23-24 is summarized in the subsequent table.

## General Fund Overall Revenues and Expenditures

	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 276,393,588	\$ 107,111,715	38.8%	\$ 325,283,203	\$ 131,147,307	40.3%	\$ 326,420,280	\$ 1,137,077	100.3%
Total Expenses	\$ 270,584,617	\$ 131,541,815	48.6%	\$ 296,769,926	\$ 152,603,076	51.4%	\$ 290,127,167	\$ 6,642,759	97.8%
<b>Revenues Less Expenditures</b>	\$ 5,808,971	\$ (24,430,100)		\$ 28,513,277	\$ (21,455,769)		\$ 36,293,113		

When comparing the FY23-24 second quarter results to the same period the year prior, the percentage of budgeted revenues received to date has increased. As of December 31, 2023, a total of **\$131.1 million** or **40.3%** of **FY23-24** budgeted revenues were received. During the same period ending December 31, 2022, the City realized **\$107.1 million**, representing **38.8%** of **FY22-23** budgeted revenues. Overall, year-to-date revenues are up \$24.0 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 \$36.3 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 surplus of \$1.1 million (\$1.7 million shortfall in General Fund-Operating Fund, \$1.8 million surplus in General Fund-Measure SST Fund, and \$1.0 million surplus in General Fund-Restricted/Assigned Fund).
- Expenditure surplus of \$6.6 million (\$4.8 million in General Fund-Operating Fund, \$0.8 million in General Fund-Measure SST Fund, and \$1.0 million in General Fund-Restricted/Assigned Fund).

It is projected that year-end General Fund revenues will be \$326.4 million, which is a \$1.1 million surplus of FY23-24 budgeted figures. This is driven by surpluses in the Use of Money and Property and Charges for Services classifications and partially offset by shortfalls in the Taxes and Operating Transfers In classifications. This is examined further in the **General Fund-Operating Fund Revenue Analysis** 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 December 31, 2023, a total of **\$152.6 million** or **51.4%** of **FY23-24** budgeted expenditures were utilized. During the same period ending December 31, 2022, the City utilized **\$131.5 million** or **48.6%** of **FY22-23** budgeted expenditures. Overall, it is projected that year-end General Fund expenditures will total \$290.1 million, generating a \$6.6 million budget surplus. The details of these expenditure impacts are examined further in the **General Fund-Operating Fund Expenditure Analysis** section of the document, also broken down by the four main sections discussed earlier.

## General Fund-Operating Fund Mid-Year Results

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 second quarter of FY23-24:

### General Fund-Operating Fund Revenues and Expenditures

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 258,539,114	\$ 101,948,915	39.4%	\$ 271,689,666	\$ 95,166,860	35.0%	\$ 269,974,534	\$ (1,715,132)	99.4%
Total Expenses	\$ 255,646,063	\$ 124,487,662	48.7%	\$ 271,900,153	\$ 139,820,983	51.4%	\$ 267,092,503	\$ 4,807,650	98.2%
<b>Revenues Less Expenditures</b>	\$ 2,893,051	\$ (22,538,747)		\$ (210,487)	\$ (44,654,123)		\$ 2,882,031		
<b>Fund Bal Dec/(Increase)</b>	\$ (2,893,051)			\$ 210,487			\$ (2,882,031)		
<b>Net Budget Balance</b>	\$ -			\$ -			\$ -		

Year-to-date revenues are down by \$6.7 million when comparing year to year. As of December 31, 2023, the General Fund-Operating Fund realized revenues of **\$95.2 million**, achieving **35.0%** of the **FY23-24** revenue budget. During the same period ending December 31, 2022, the City realized **\$101.9 million** in revenues, representing **39.4%** of the **FY22-23** revenue budget. Overall, the General Fund-Operating Fund’s revenue budget is projected to operate at a deficit of \$1.7 million due to the following main factors:

- Sales tax below budgeted expectations by \$3.2 million.
- Property tax below budgeted expectations by \$326,000.
- Utility users’ tax below budgeted expectations by \$649,000.
- Under other tax categories, occupancy tax above budgeted expectations by \$286,000, franchise tax above budgeted expectations by \$1.3 million, business license tax above budgeted expectations by \$472,000, and construction tax below budgeted expectations by \$985,000.
- Use of Money and Property above budgeted expectations by \$1.8 million.
- Charges for Services above budgeted expectations by \$1.1 million.
- Operating Transfers In below budgeted expectations by \$1.0 million.

On the expenditure side, the General Fund-Operating Fund realized expenditures of **\$139.8 million**, achieving **51.4%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$124.5 million** or **48.7%** of the **FY22-23** expenditure budget. The rate of spending (51.4%) is slightly above the amount of the year completed (50.3%), 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 **General Fund-Operating Fund Expenditure Analysis** section of the document. The City’s General Fund-

Operating Fund was originally adopted as a balanced budget. As of the second quarter of FY23-24, 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 \$13.2 million or 5.1% for a total **\$271.7 million**. This is largely due to steady growth in property taxes, business license taxes, occupancy taxes, 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 second quarter of FY23-24 are covered in the following section. It is also important to note that the enacted Measure SST transaction and use tax starting October 1, 2022 benefits the General Fund-Operating Fund Revenue through **Operating Transfers In** to support the public safety and CIT operations. It also helps to increase the General Fund-Operating Fund reserve, thereby supporting contributions to the Self-Insurance Fund. Overall, the City’s General Fund-Operating Fund revenue budget is projected to generate a year-end shortfall of \$1.7 million.

### General Fund-Operating Fund Revenues by Classification

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Taxes	\$ 194,680,678	\$ 65,509,093	33.6%	\$ 209,861,473	\$ 66,773,100	31.8%	\$ 206,764,825	\$ (3,096,648)	98.5%
Licenses, Fees and Permits	\$ 4,923,246	\$ 2,611,640	53.0%	\$ 5,773,777	\$ 2,534,971	43.9%	\$ 5,245,240	\$ (528,537)	90.8%
Fines, Forfeitures and Penalties	\$ 735,144	\$ 241,470	32.8%	\$ 760,672	\$ 227,119	29.9%	\$ 601,670	\$ (159,002)	79.1%
Use of Money and Property	\$ 3,200,594	\$ 2,408,203	75.2%	\$ 4,527,970	\$ 3,261,475	72.0%	\$ 6,285,670	\$ 1,757,700	138.8%
Intergovernmental	\$ 559,241	\$ 100,746	18.0%	\$ 349,501	\$ 32,342	9.3%	\$ 472,790	\$ 123,289	135.3%
Charges for Services	\$ 19,724,668	\$ 10,592,973	53.7%	\$ 23,910,796	\$ 10,517,597	44.0%	\$ 25,018,330	\$ 1,107,534	104.6%
Other Revenues	\$ 505,598	\$ 1,106,978	218.9%	\$ 209,360	\$ 219,846	105.0%	\$ 300,750	\$ 91,390	143.7%
Operating Transfers In	\$ 34,209,945	\$ 19,377,812	56.6%	\$ 26,296,117	\$ 11,600,410	44.1%	\$ 25,285,259	\$ (1,010,858)	96.2%
Other Financing Sources	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 258,539,114</b>	<b>\$ 101,948,915</b>	<b>39.4%</b>	<b>\$ 271,689,666</b>	<b>\$ 95,166,860</b>	<b>35.0%</b>	<b>\$ 269,974,534</b>	<b>\$ (1,715,132)</b>	<b>99.4%</b>

As of December 31, 2023, the General Fund-Operating Fund realized revenues of **\$95.2 million**, achieving **35.0%** of the **FY23-24** revenue budget. During the same period ending December 31, 2022, the City realized **\$101.9 million** in revenues, representing **39.4%** 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 77.2% of the City’s General Fund-Operating Fund revenue budget for FY23-24.

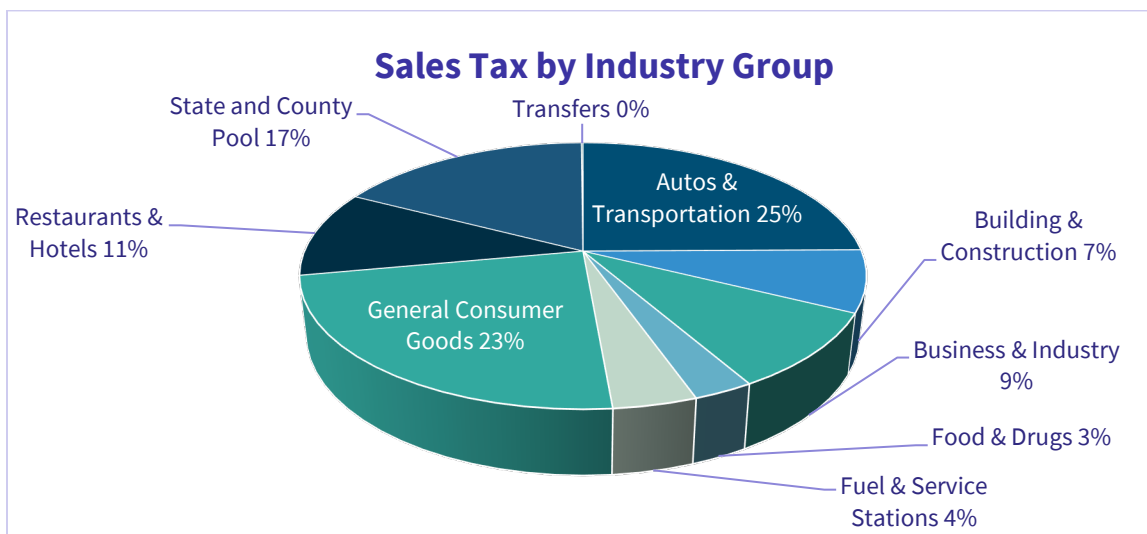
### General Fund-Operating Fund Tax Revenues by Type

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Sales and Use Tax	\$ 63,940,625	\$ 21,153,589	33.1%	\$ 64,400,972	\$ 20,500,433	31.8%	\$ 61,179,997	\$ (3,220,975)	95.0%
Property Taxes	\$ 44,427,885	\$ 18,280,187	41.1%	\$ 47,137,917	\$ 19,292,961	40.9%	\$ 46,588,250	\$ (549,667)	98.8%
Property Transfer Tax	\$ 1,469,471	\$ 325,314	22.1%	\$ 828,540	\$ 425,984	51.4%	\$ 981,700	\$ 153,160	118.5%
VLF Swap & Repayment	\$ 16,615,651	\$ -	0.0%	\$ 17,826,057	\$ -	0.0%	\$ 17,896,245	\$ 70,188	100.4%
Utility Users Tax	\$ 37,207,940	\$ 17,411,908	46.8%	\$ 44,465,104	\$ 17,427,513	39.2%	\$ 43,815,940	\$ (649,164)	98.5%
Business License Tax	\$ 8,837,266	\$ 2,366,303	26.8%	\$ 10,197,549	\$ 2,617,580	25.7%	\$ 10,669,217	\$ 471,668	104.6%
Occupancy Tax	\$ 11,601,755	\$ 3,818,612	32.9%	\$ 13,126,729	\$ 4,405,181	33.6%	\$ 13,412,670	\$ 285,941	102.2%
Franchise Taxes	\$ 8,828,324	\$ 1,679,830	19.0%	\$ 9,831,080	\$ 1,646,075	16.7%	\$ 11,172,363	\$ 1,341,283	113.6%
Construction Tax	\$ 1,745,904	\$ 470,918	27.0%	\$ 2,033,484	\$ 456,704	22.5%	\$ 1,048,443	\$ (985,041)	51.6%
Oil Severance Tax	\$ 5,857	\$ 2,430	41.5%	\$ 14,041	\$ 668	4.8%	\$ -	\$ (14,041)	0.0%
<b>Total Revenues</b>	<b>\$ 194,680,678</b>	<b>\$ 65,509,093</b>	<b>33.6%</b>	<b>\$ 209,861,473</b>	<b>\$ 66,773,100</b>	<b>31.8%</b>	<b>\$ 206,764,825</b>	<b>\$ (3,096,648)</b>	<b>98.5%</b>

Overall, the City’s tax revenues are expected to fall short of the FY23-24 amended budget by \$3.1 million, primarily driven by a shortfall in sales & use taxes of \$3.2 million, a shortfall in utility users’ tax of \$649,000, a shortfall in construction tax of \$985,000, partially offset by a surplus in franchise taxes of \$1.3 million. Details of the increases and decreases are discussed in the following sections.

### Sales and 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 (Bradley-Burns 1% allocation) and Los Angeles County pool allocations. The City receives sales tax revenue from a wide range of industries, as shown below.

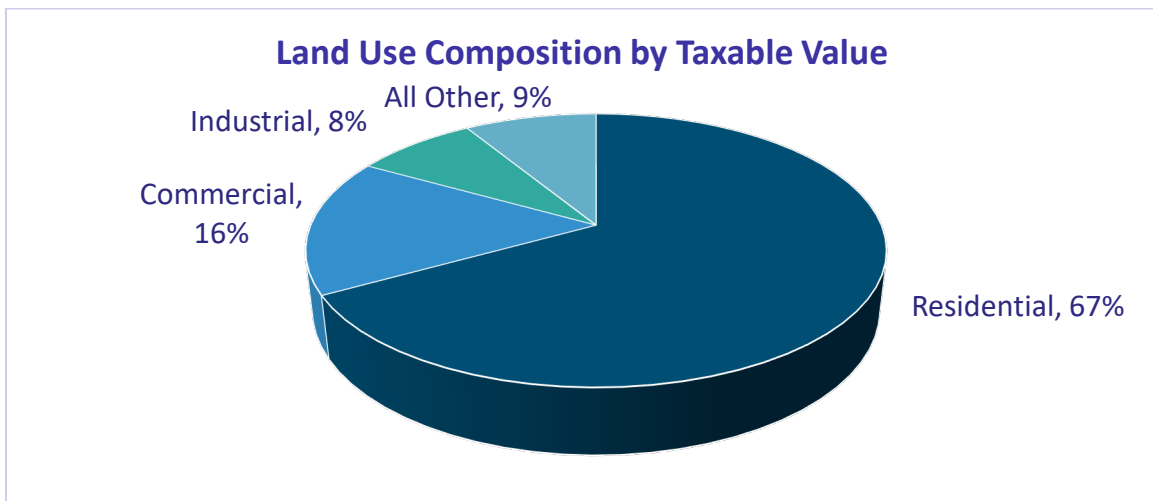


Receipts of \$20.5 million through the second fiscal quarter are tracking below prior year actuals by \$653,000 or 3.1%, and the projected annual amounts falling short of budget by \$3.2 million is mainly due to decreased consumer demand after the economy rebounded significantly from the COVID-19 pandemic. Sales tax peaked in FY21-22 at \$63.6 million and is projected to pull back to \$61.2 million in FY23-24. The forecast is projecting a decrease of 2.3% from prior year actuals or 5.0% 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 January 2024 meeting, the Fed decided to maintain the 5.25-5.50% range, with no anticipated changes in the foreseeable future. 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 December 2023 year-over-year change in Consumer Price Index for All Urban Consumers (CPI-U) was 3.4%. 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 2024 calendar year.

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

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 December 31, 2023, \$19.7 million in property tax receipts were received compared to \$18.6 million received during 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 second 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			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Electricity	\$ 18,168,950	\$ 9,232,899	50.8%	\$ 20,912,992	\$ 9,918,139	47.4%	\$ 21,599,730	\$ 686,738	103.3%
Gas	\$ 4,995,440	\$ 1,538,062	30.8%	\$ 5,401,540	\$ 1,511,321	28.0%	\$ 5,670,080	\$ 268,540	105.0%
Refinery: Co-Gen	\$ 530,230	\$ 375,597	70.8%	\$ 757,698	\$ 239,338	31.6%	\$ 1,097,090	\$ 339,392	144.8%
Refinery: Gas	\$ 5,072,350	\$ 2,696,931	53.2%	\$ 8,304,467	\$ 2,206,086	26.6%	\$ 6,785,590	\$ (1,518,877)	81.7%
Water	\$ 3,246,210	\$ 1,712,061	52.7%	\$ 4,163,445	\$ 1,524,443	36.6%	\$ 3,380,910	\$ (782,535)	81.2%
Cable	\$ 2,101,270	\$ 556,878	26.5%	\$ 1,575,385	\$ 553,558	35.1%	\$ 1,562,500	\$ (12,885)	99.2%
Cellular	\$ 1,129,710	\$ 411,912	36.5%	\$ 1,296,803	\$ 554,778	42.8%	\$ 1,374,130	\$ 77,327	106.0%
Telecom	\$ 1,963,780	\$ 887,569	45.2%	\$ 2,052,774	\$ 919,851	44.8%	\$ 2,345,910	\$ 293,136	114.3%
<b>Total Revenues</b>	<b>\$ 37,207,940</b>	<b>\$ 17,411,908</b>	<b>46.8%</b>	<b>\$ 44,465,104</b>	<b>\$ 17,427,513</b>	<b>39.2%</b>	<b>\$ 43,815,940</b>	<b>\$ (649,164)</b>	<b>98.5%</b>

Current period receipts of **\$17.4 million** remain relatively flat compared to last year. Electricity experienced an increase from the prior year, while water, cable, and gas all experienced a slight decrease. The Torrance Refinery experienced a decrease in both electricity and gas due to planned maintenance during the second quarter. Presently, the City projects that total year-end revenue will fall short of budget by approximately \$649,000, or 1.5%.

### 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 December 31, 2023, business license tax receipts are higher than prior year by \$251,000 or 10.6% and

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are expected to exceed budget estimates by 4.6% due to increased collection efforts by a third-party consultant, Hinderliter de Llamas & Associates, that was not included in the FY23-24 Adopted Budget.

### **Occupancy Tax**

Occupancy tax is an 11% tax on room charges to guests staying at hotels, motels, and short-term rentals. As of December 31, 2023, the City has received \$4.4 million, an increase of \$587,000 compared to December 31, 2022, receipts of \$3.8 million. Based on information from data and analytics company STR, LLC, the City's occupancy rate for the twelve months ending November 2023 increased from 81% in 2022 to 82% in 2023. Additionally, the average daily rate per room increased by \$10.60 or 7% during this same period. Overall, it is projected that occupancy tax receipts will exceed budget by approximately \$286,000. 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.

### **Franchise Tax**

Franchise tax is assessed to entities for the privilege to operate within the right-of-way throughout the City. The franchise taxes collected by the City are mainly from utility service providers, private waste haulers, and the Enterprise Funds for sanitation, sewer, and water services. As of December 31, 2023, the City has received \$1.6 million, which is fairly consistent compared to December 31, 2022, receipts of \$1.7 million. Projected year-end receipts are expected to be \$1.3 million above budgeted revenues mainly due to increasing utility rates from SoCal Edison and SoCal Gas and receipts from private waste haulers. Most receipts from utility service providers are typically received during the fourth quarter.

### **Licenses, Fees & Permits**

This revenue source accounts primarily for development-related fees such as building and inspection fees. As of December 31, 2023, actual receipts of \$2.5 million represent a 2.9% decrease from prior year receipts and are projected to fall short of budget expectations by \$529,000 or 9.2%. 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 December 31, 2023, actual receipts of \$3.3 million represent a 35.4% increase from prior year receipts of \$2.4 million. This is due to increases in investment income from steadily rising interest rates. It is

anticipated that this revenue source will exceed budget expectations by \$1.8 million or 38.8% by fiscal year-end.

### Fines and Forfeitures

This revenue source includes general court fees, traffic fines, and parking citation revenues. As of December 31, 2023, actual receipts of \$227,000 represent a slight decrease from last year's receipts of \$241,000. The decrease is mainly due to the City separately tracking traffic fines under a newly established Traffic Safety Fund rather than the General Fund beginning in Fiscal year 2023-24. This classification is expected to fall short of budget by about \$159,000 or 20.9%.

### 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 December 31, 2023, actual receipts of \$10.5 million remain relatively flat compared to last year.

### Charges for Services by Department

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
City Manager	\$ 888,099	\$ 368,423	41.5%	\$ 846,330	\$ 319,471	37.7%	\$ 743,360	\$ (102,970)	87.8%
City Clerk	\$ 16,004	\$ 3,230	20.2%	\$ 4,430	\$ 3,003	67.8%	\$ 15,350	\$ 10,920	346.5%
Community Development	\$ 4,499,158	\$ 2,900,209	64.5%	\$ 6,474,902	\$ 2,551,719	39.4%	\$ 7,002,700	\$ 527,798	108.2%
General Services	\$ 853,856	\$ 450,389	52.7%	\$ 1,222,919	\$ 480,303	39.3%	\$ 1,066,900	\$ (156,019)	87.2%
Non-Departmental	\$ 22,175	\$ 8,232	37.1%	\$ 14,899	\$ 8,623	57.9%	\$ 16,010	\$ 1,111	107.5%
Police	\$ 212,961	\$ 130,625	61.3%	\$ 484,468	\$ 164,561	34.0%	\$ 422,000	\$ (62,468)	87.1%
Fire	\$ 8,286,291	\$ 3,908,887	47.2%	\$ 10,084,175	\$ 3,836,341	38.0%	\$ 10,586,820	\$ 502,645	105.0%
Public Works	\$ 232,182	\$ 230,762	99.4%	\$ 242,177	\$ -	0.0%	\$ 259,370	\$ 17,193	107.1%
Community Services	\$ 4,713,942	\$ 2,592,216	55.0%	\$ 4,536,496	\$ 3,153,579	69.5%	\$ 4,905,820	\$ 369,324	108.1%
<b>Total Revenues</b>	<b>\$ 19,724,668</b>	<b>\$ 10,592,973</b>	<b>53.7%</b>	<b>\$ 23,910,796</b>	<b>\$ 10,517,597</b>	<b>44.0%</b>	<b>\$ 25,018,330</b>	<b>\$ 1,107,534</b>	<b>104.6%</b>

As shown in the table above, the decrease of \$75,000 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 the timing of traffic signal maintenance billing from Public Works Department, partially offset by increases collected by the Community Services Department. Overall, this classification is expected to exceed budget by \$1.1 million or 4.6% 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 December 31, 2023, actual receipts of \$11.6 million fell short of the prior year by \$7.8 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 received during the prior fiscal year.

The Operating Transfers In classification is expected to fall short of budgeted expectations by \$1.0 million or 3.8% by fiscal year-end due to litigation costs incurred by the Airport Fund.

## General Fund-Operating Fund Expenditure Analysis

This section highlights the expenditures of the main General Fund-Operating Fund. The City's General Fund-Operating Fund expenditure budget for FY23-24 increased by \$16.3 million or 6.4% for a total of **\$271.9 million**. This is primarily due to an increase of \$8.2 million in **Other Operating Transfers Out**, largely driven by a transfer of \$19.8 million to the City's CEPPT Section 115 Fund. Overall, the City's General Fund-Operating Fund expenditure budget is projected to generate a year-end surplus of \$4.8 million.

### General Fund-Operating Fund Expenditures by Classification

Expenses	2022-23			2023-24			2023-24		Projected	
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Surplus/(Deficit)	Percent of Budget	Percent of Budget
Salaries and Employee Benefits	\$ 195,711,676	\$ 89,068,597	45.5%	\$ 195,320,911	\$ 91,544,154	46.9%	\$ 184,449,974	\$ 10,870,937	94.4%	94.4%
Salaries and Benefits Reimbursements	\$ (51,294)	\$ (337,527)	658.0%	\$ (1,446,294)	\$ (526,938)	36.4%	\$ (972,295)	\$ (473,999)	67.2%	67.2%
Materials, Supplies & Maintenance	\$ 16,619,036	\$ 6,450,373	38.8%	\$ 20,182,418	\$ 7,499,285	37.2%	\$ 19,167,444	\$ 1,014,974	95.0%	95.0%
Materials Reimbursements	\$ (221,351)	\$ (122,960)	55.5%	\$ (342,751)	\$ (146,590)	42.8%	\$ (303,901)	\$ (38,850)	88.7%	88.7%
Professional/Contract Services & Utilities	\$ 15,547,774	\$ 6,287,853	40.4%	\$ 20,943,098	\$ 8,182,279	39.1%	\$ 20,558,687	\$ 384,411	98.2%	98.2%
Training, Travel & Membership Dues	\$ 1,356,726	\$ 652,148	48.1%	\$ 1,579,532	\$ 909,136	57.6%	\$ 1,449,367	\$ 130,165	91.8%	91.8%
Liabilities, Settlements & Insurance	\$ 967,843	\$ 208,604	21.6%	\$ 185,581	\$ 76,411	41.2%	\$ 135,148	\$ 50,433	72.8%	72.8%
Interdepartmental Charges	\$ 12,698,048	\$ 6,349,020	50.0%	\$ 14,832,181	\$ 7,416,078	50.0%	\$ 14,832,181	\$ -	100.0%	100.0%
Debt Service	\$ 22,360,355	\$ 14,301,339	64.0%	\$ 22,855,281	\$ 14,856,518	65.0%	\$ 22,855,281	\$ -	100.0%	100.0%
Debt Service Reimbursements	\$ (18,337,744)	\$ (8,826,102)	48.1%	\$ (18,832,766)	\$ (9,305,201)	49.4%	\$ (18,610,401)	\$ (222,365)	98.8%	98.8%
Capital Acquisitions	\$ 380,774	\$ 93,000	24.4%	\$ 582,106	\$ 196,355	33.7%	\$ 287,311	\$ 294,795	49.4%	49.4%
Bad Debts and Other Losses	\$ 1,000	\$ -	0.0%	\$ 1,000	\$ -	0.0%	\$ -	\$ 1,000	0.0%	0.0%
Reimbursements-Indirect Costs	\$ (7,813,890)	\$ (3,016,268)	38.6%	\$ (8,557,193)	\$ (3,884,976)	45.4%	\$ (7,852,858)	\$ (704,335)	91.8%	91.8%
Other Operating Transfers Out	\$ 16,427,110	\$ 13,379,585	81.4%	\$ 24,597,049	\$ 23,004,472	93.5%	\$ 31,096,565	\$ (6,499,516)	126.4%	126.4%
<b>Total Expenses</b>	<b>\$ 255,646,063</b>	<b>\$ 124,487,662</b>	<b>48.7%</b>	<b>\$ 271,900,153</b>	<b>\$ 139,820,983</b>	<b>51.4%</b>	<b>\$ 267,092,503</b>	<b>\$ 4,807,650</b>	<b>98.2%</b>	<b>98.2%</b>

As of December 31, 2023, the General Fund-Operating Fund realized expenditures of **\$139.8 million**, achieving **51.4%** of the **FY23-24** expenditure budget. During the same period ending December 31, 2022, the City expended **\$124.5 million** or **48.7%** of the **FY22-23** expenditure budget. The main drivers for this year-over-year increase of \$15.3 million were in the **Other Operating Transfers Out**, **Materials, Supplies & Maintenance**, and **Professional/Contract Services & Utilities** classifications.

Expenditures to date (51.4%) are higher than the percentage of the fiscal year completed (50.3%) 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 contribution to the CEPPT Section 115 Fund. In examining expenditures over the course of the full fiscal year, this will ultimately balance out by fiscal year-end.

## General Fund-Operating Fund Expenditures by Department

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
City Council	\$ 428,713	\$ 252,804	59.0%	\$ 580,611	\$ 243,303	41.9%	\$ 547,873	\$ 32,738	94.4%
City Manager	\$ 6,134,097	\$ 2,882,914	47.0%	\$ 6,677,469	\$ 3,079,032	46.1%	\$ 6,375,470	\$ 301,999	95.5%
City Attorney	\$ 2,815,838	\$ 1,267,408	45.0%	\$ 3,108,064	\$ 1,465,612	47.2%	\$ 3,063,505	\$ 44,559	98.6%
City Clerk	\$ 1,074,052	\$ (216,969)	-20.2%	\$ 1,359,558	\$ 553,226	40.7%	\$ 1,318,436	\$ 41,122	97.0%
City Treasurer	\$ 364,841	\$ 123,320	33.8%	\$ 343,088	\$ 179,831	52.4%	\$ 347,357	\$ (4,269)	101.2%
Finance	\$ 5,989,884	\$ 2,329,479	38.9%	\$ 6,251,439	\$ 2,615,848	41.8%	\$ 5,869,758	\$ 381,681	93.9%
Human Resources	\$ 2,192,036	\$ 983,970	44.9%	\$ 2,381,441	\$ 1,085,238	45.6%	\$ 2,190,451	\$ 190,990	92.0%
Civil Service	\$ 629,901	\$ 320,293	50.8%	\$ 1,035,845	\$ 482,380	46.6%	\$ 1,000,983	\$ 34,862	96.6%
Community Development	\$ 9,815,615	\$ 3,895,196	39.7%	\$ 9,815,788	\$ 4,329,726	44.1%	\$ 9,200,132	\$ 615,656	93.7%
CIT	\$ 8,951,621	\$ 3,963,397	44.3%	\$ 8,782,395	\$ 4,058,855	46.2%	\$ 8,083,188	\$ 699,207	92.0%
General Services	\$ 10,142,744	\$ 4,281,011	42.2%	\$ 10,493,231	\$ 4,664,661	44.5%	\$ 9,763,472	\$ 729,759	93.0%
Non-Departmental	\$ 13,910,722	\$ 16,507,073	118.7%	\$ 22,384,648	\$ 25,697,771	114.8%	\$ 29,735,904	\$ (7,351,256)	132.8%
Police	\$ 94,207,613	\$ 42,682,623	45.3%	\$ 95,424,934	\$ 42,843,698	44.9%	\$ 88,878,919	\$ 6,546,015	93.1%
Fire	\$ 56,420,842	\$ 27,363,665	48.5%	\$ 59,352,214	\$ 28,783,050	48.5%	\$ 57,874,334	\$ 1,477,880	97.5%
Public Works	\$ 18,179,445	\$ 7,558,729	41.6%	\$ 19,315,737	\$ 8,535,313	44.2%	\$ 19,021,220	\$ 294,517	98.5%
Community Services	\$ 24,388,099	\$ 10,292,749	42.2%	\$ 24,593,691	\$ 11,203,439	45.6%	\$ 23,821,501	\$ 772,190	96.9%
<b>Total Expenses</b>	<b>\$ 255,646,063</b>	<b>\$ 124,487,662</b>	<b>48.7%</b>	<b>\$ 271,900,153</b>	<b>\$ 139,820,983</b>	<b>51.4%</b>	<b>\$ 267,092,503</b>	<b>\$ 4,807,650</b>	<b>98.2%</b>

As shown in the table above, most departments within the General Fund-Operating Fund are projected to end the fiscal year within budgeted expectations. The City Treasurer's expenditure budget shows a projected budget deficit of \$4,300 primarily due to underbudgeting in salaries; due to the department's small size, minor variances in budget development have an elevated impact on the overall projection.

Additionally, the Non-Departmental expenditure budget shows a projected deficit of \$7.4 million 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 well as an additional one-time transfer of \$1.5 million from the General Fund-Operating Fund to the Fleet Service Fund-Operating Fund to offset the fund's projected revenue shortfall in FY23-24. After controlling for the one-time transfers of \$5.0 million to the Self-Insurance Fund and \$1.5 million to the Fleet Service Fund-Operating Fund, the General Fund-Operating Fund's FY23-24 expenditure budget is projected to generate \$11.3 million in savings. This is primarily the direct result of departmental vacancies across the General Fund-Operating Fund.

As of December 31, 2023, the General Fund-Operating Fund had 159.10 FTE vacant positions. While this represents a decrease of 10.60 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: 1) **Salaries &**

**Salaries Reimbursements;** and 2) **Non-Wage (Materials)** expenditures. As shown in the summary table below, the FY23-24 salary expenditure trends are slightly elevated from the prior year, which is consistent with the decrease in vacancies. As of December 31, 2023, the City has expended **\$91.0 million** or **46.9%** of the **FY23-24** salary budget. During the same period ending December 31, 2022, the City expended **\$88.7 million** or **45.3%** of the **FY22-23** salary budget. Most of these values are within the relative timing of the fiscal year, of which 50.3% has expired. As a result, it is projected that the salaries portion of the expenditure budget will generate approximately \$10.4 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		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
City Council	\$ 93,497	\$ 64,414	68.9%	\$ 198,102	\$ 90,975	45.9%	\$ 189,485	\$ 8,617	95.7%
City Manager	\$ 4,787,661	\$ 2,369,081	49.5%	\$ 4,924,703	\$ 2,367,880	48.1%	\$ 4,620,089	\$ 304,614	93.8%
City Attorney	\$ 2,498,585	\$ 1,139,115	45.6%	\$ 2,652,979	\$ 1,267,215	47.8%	\$ 2,634,951	\$ 18,028	99.3%
City Clerk	\$ 914,313	\$ 399,902	43.7%	\$ 943,350	\$ 485,318	51.4%	\$ 954,373	\$ (11,023)	101.2%
City Treasurer	\$ 324,782	\$ 100,301	30.9%	\$ 295,742	\$ 158,072	53.4%	\$ 305,136	\$ (9,394)	103.2%
Finance	\$ 4,556,806	\$ 1,772,061	38.9%	\$ 4,297,541	\$ 2,067,106	48.1%	\$ 4,142,027	\$ 155,514	96.4%
Human Resources	\$ 1,504,767	\$ 702,650	46.7%	\$ 1,469,752	\$ 656,882	44.7%	\$ 1,281,831	\$ 187,921	87.2%
Civil Service	\$ 506,633	\$ 266,341	52.6%	\$ 593,066	\$ 288,059	48.6%	\$ 553,357	\$ 39,709	93.3%
Community Development	\$ 8,730,520	\$ 3,490,664	40.0%	\$ 8,550,048	\$ 3,902,870	45.6%	\$ 7,985,196	\$ 564,852	93.4%
CIT	\$ 6,144,190	\$ 2,744,314	44.7%	\$ 5,985,691	\$ 2,579,921	43.1%	\$ 5,360,981	\$ 624,710	89.6%
General Services	\$ 6,873,403	\$ 2,865,272	41.7%	\$ 6,790,819	\$ 2,992,636	44.1%	\$ 6,252,914	\$ 537,905	92.1%
Non-Departmental	\$ 199,717	\$ 57,208	28.6%	\$ 199,717	\$ 91,436	45.8%	\$ 147,477	\$ 52,240	73.8%
Police	\$ 83,604,890	\$ 37,691,157	45.1%	\$ 81,864,299	\$ 37,111,184	45.3%	\$ 75,724,104	\$ 6,140,195	92.5%
Fire	\$ 49,594,765	\$ 24,409,606	49.2%	\$ 50,192,578	\$ 25,107,340	50.0%	\$ 49,316,161	\$ 876,417	98.3%
Public Works	\$ 8,919,845	\$ 4,061,667	45.5%	\$ 8,933,068	\$ 4,323,660	48.4%	\$ 8,651,609	\$ 281,459	96.8%
Community Services	\$ 16,406,007	\$ 6,597,315	40.2%	\$ 15,983,162	\$ 7,526,660	47.1%	\$ 15,357,985	\$ 625,177	96.1%
<b>Total Expenses</b>	<b>\$ 195,660,381</b>	<b>\$ 88,731,068</b>	<b>45.3%</b>	<b>\$ 193,874,617</b>	<b>\$ 91,017,214</b>	<b>46.9%</b>	<b>\$ 183,477,676</b>	<b>\$ 10,396,941</b>	<b>94.6%</b>

#### City Manager’s Office

The City Manager’s Office has a total of 4.0 FTE vacancies, of which 2.0 FTE positions are projected 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 \$305,000.

#### City Clerk’s Office

The City Clerk’s Office has no vacancies. However, this department utilized a temporary overfill of a 1.0 FTE Intern position in the first quarter of FY23-24, resulting in a projected budgetary deficit of \$11,000.

#### City Treasurer’s Office

The City Treasurer’s Office has no vacancies. However, this department is projected to have a budgetary deficit of \$9,000 due to increased benefits costs that occurred after budget adoption.

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## **Human Resources Department**

The Human Resources Department has a total of 3.0 FTE vacancies, all of which are projected 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 \$188,000.

## **Civil Service Division**

The Civil Service Division of the City Manager's Office has a total of 1.0 FTE vacancies, which is projected 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 \$40,000.

## **Community Development Department**

The Community Development Department has a total of 6.60 FTE vacancies, of which 5.10 FTE of positions are projected 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 \$565,000.

## **Communications and Information Technology (CIT) Department**

The CIT Department has a total of 5.0 FTE vacancies, of which 2.0 FTE of positions are projected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projecting budgetary savings of \$625,000.

## **General Services Department**

The General Services Department (excluding seasonal/recurrent positions) has a total of 5.5 FTE vacancies, of which 4.0 FTE of positions are projected 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 \$538,000.

## **Police Department**

The Police Department has a total of 75.0 FTE vacancies, of which 40.0 FTE positions are projected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projecting budgetary savings of \$6.1 million.

## **Fire Department**

The Fire Department has a total of 23.0 FTE vacancies, of which 1.0 FTE positions are projected 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 \$876,000. It is important to note that

the Fire Department experiences effectively 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.

### Public Works Department

The Public Works Department has a total of 17.0 FTE vacancies, of which 8.00 FTE of positions are projected to remain unfilled through the end of the fiscal year. Based on currently approved recruitment requests, this department is projecting budgetary savings of \$281,000.

### Community Services Department

The Community Services Department (excluding seasonal/recurrent positions) has a total of 12.0 FTE vacancies, of which 3.0 FTE of positions are projected 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 \$625,000.

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

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
City Council	\$ 335,216	\$ 188,390	56.2%	\$ 382,509	\$ 152,328	39.8%	\$ 358,388	\$ 24,121	93.7%
City Manager	\$ 1,346,436	\$ 513,834	38.2%	\$ 1,752,766	\$ 711,152	40.6%	\$ 1,755,381	\$ (2,615)	100.1%
City Attorney	\$ 317,253	\$ 128,292	40.4%	\$ 455,085	\$ 198,397	43.6%	\$ 428,554	\$ 26,531	94.2%
City Clerk	\$ 159,739	\$ (616,870)	-386.2%	\$ 416,208	\$ 67,909	16.3%	\$ 364,063	\$ 52,145	87.5%
City Treasurer	\$ 40,059	\$ 23,018	57.5%	\$ 47,346	\$ 21,759	46.0%	\$ 42,221	\$ 5,125	89.2%
Finance	\$ 1,433,078	\$ 557,418	38.9%	\$ 1,953,898	\$ 548,742	28.1%	\$ 1,727,730	\$ 226,168	88.4%
Human Resources	\$ 687,269	\$ 281,320	40.9%	\$ 911,689	\$ 428,356	47.0%	\$ 908,620	\$ 3,069	99.7%
Civil Service	\$ 123,268	\$ 53,952	43.8%	\$ 442,779	\$ 194,321	43.9%	\$ 447,626	\$ (4,847)	101.1%
Community Development	\$ 1,085,095	\$ 404,532	37.3%	\$ 1,265,740	\$ 426,856	33.7%	\$ 1,214,937	\$ 50,803	96.0%
CIT	\$ 2,807,431	\$ 1,219,083	43.4%	\$ 2,796,704	\$ 1,478,934	52.9%	\$ 2,722,206	\$ 74,498	97.3%
General Services	\$ 3,269,341	\$ 1,415,739	43.3%	\$ 3,702,412	\$ 1,672,025	45.2%	\$ 3,510,558	\$ 191,854	94.8%
Non-Departmental	\$ 13,711,005	\$ 16,449,865	120.0%	\$ 22,184,931	\$ 25,606,336	115.4%	\$ 29,588,426	\$ (7,403,495)	133.4%
Police	\$ 10,602,723	\$ 4,991,466	47.1%	\$ 13,560,635	\$ 5,732,514	42.3%	\$ 13,154,815	\$ 405,820	97.0%
Fire	\$ 6,826,077	\$ 2,954,060	43.3%	\$ 9,159,636	\$ 3,675,709	40.1%	\$ 8,558,173	\$ 601,463	93.4%
Public Works	\$ 9,259,600	\$ 3,497,062	37.8%	\$ 10,382,669	\$ 4,211,653	40.6%	\$ 10,369,610	\$ 13,059	99.9%
Community Services	\$ 7,982,092	\$ 3,695,434	46.3%	\$ 8,610,529	\$ 3,676,779	42.7%	\$ 8,463,516	\$ 147,013	98.3%
<b>Total Expenses</b>	<b>\$ 59,985,682</b>	<b>\$ 35,756,595</b>	<b>59.6%</b>	<b>\$ 78,025,536</b>	<b>\$ 48,803,770</b>	<b>62.5%</b>	<b>\$ 83,614,824</b>	<b>\$ (5,589,288)</b>	<b>107.2%</b>

In addition to salary expenditures, it is also important to examine the General Fund-Operating Fund's non-wage (materials) expenditures. The table above provides a summary of non-wage expenditures broken down by department. When comparing year-over-year second quarter results, non-wage expenditures have increased by \$13.0 million. As of December 31, 2023, a total of **\$48.8 million** or **62.5%** of **FY23-24** budgeted expenditures were utilized. During the same period ending December 31, 2022, City departments utilized **\$35.8 million** or **59.6%** of **FY22-23** budgeted expenditures.

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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. However, after controlling for Non-Departmental activity, the adjusted rate of non-wage departmental expenditures as of December 31, 2023 was 41.5% compared to 41.7% in the same period the year prior.

Currently, it is projected that the General Fund-Operating Fund's FY23-24 non-wage expenditures are projected to exceed non-wage budget by \$5.6 million by fiscal year-end. This is largely driven by a planned one-time contribution of \$5.0 million to the City's Self-Insurance Fund and a planned one-time contribution of \$1.5 million to the Fleet Service Fund-Operating Fund; excluding these one-time contributions, non-wage expenditures are projected to generate a \$911,000 surplus. The majority of offsetting savings are reflected in the Finance, General Services, Police, and Fire Departments.

### **City Manager's Office**

The City Manager's Office is currently projecting a small deficit of \$3,000. 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. During the second quarter of FY23-24, an additional \$254,000 on budget was transferred from other areas of projected budget savings to cover the growing cost of these consulting services. Staff will continue to monitor the activity of the department and take appropriate action to mitigate the projected deficit as the fiscal year progresses.

### **Finance Department**

The Finance Department is projecting a surplus of \$226,000. This is primarily due to lower than budgeted expenditures related to the Department's Business License Audit/Collection Services.

### **Civil Service Division**

The Civil Service Division of the City Manager's Office is currently projecting a small deficit of \$5,000. 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) Department**

The CIT Department's rate of spending for non-wage expenditures (52.9%) is slightly above the percentage of the year completed (50.3%) This is the result of annual software contract expenses realized in the second quarter of FY23-24. However, the department's non-wage expenditure budget is currently projected to realize \$75,000 in savings by fiscal year-end.

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## **General Services Department**

The General Services Department is projected to realize non-wage expenditure savings of \$191,000, 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 General Services 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 \$7.4 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, as well as an additional one-time transfer of \$1.5 million from the General Fund-Operating Fund to the Fleet Service Fund-Operating Fund to offset the fund's projected revenue shortfall in FY23-24. These transfers are not included in the amended budget but are able to be achieved through expenditure savings across City departments. Additionally, due to high vacancy levels across the City's various Enterprise Funds, there is a projected \$0.7 million shortfall in the indirect cost rate reimbursement portion of the Non-Departmental budget.

## **Police Department**

The Police Department is projected to realize non-wage expenditure savings of \$406,000. This is largely driven by budget that was adopted to address potential Department of Justice Collaborative Reform efforts that are no longer projected to materialize this fiscal year.

## **Fire Department**

The Fire Department is projected to realize non-wage expenditure savings of \$601,000, 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.

## General Fund-Measure SST Fund Mid-Year Results

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					
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Taxes	\$ 13,500,000	\$ 2,166,731	16.0%	\$ 23,002,688	\$ 8,477,489	36.9%	\$ 25,019,858	\$ 2,017,170	108.8%
Use of Money and Property	\$ -	\$ (3,585)	0.0%	\$ 25,000	\$ (93,603)	-374.4%	\$ (187,210)	\$ (212,210)	-748.8%
<b>Total Revenues</b>	<b>\$ 13,500,000</b>	<b>\$ 2,163,146</b>	<b>16.0%</b>	<b>\$ 23,027,688</b>	<b>\$ 8,383,886</b>	<b>36.4%</b>	<b>\$ 24,832,648</b>	<b>\$ 1,804,960</b>	<b>107.8%</b>

Expenses	2022-23			2023-24					
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Materials, Supplies & Maintenance	\$ -	\$ -	0.0%	\$ 855,500	\$ -	0.0%	\$ -	\$ 855,500	0.0%
Professional/Contract Services & Utilities	\$ -	\$ -	0.0%	\$ 859,500	\$ 96,052	11.2%	\$ 859,500	\$ -	100.0%
Capital Acquisitions	\$ -	\$ -	0.0%	\$ 110,000	\$ -	0.0%	\$ 110,000	\$ -	100.0%
Other Operating Transfers Out	\$ 13,500,000	\$ 6,569,747	48.7%	\$ 21,202,688	\$ 12,618,833	59.5%	\$ 21,202,688	\$ -	100.0%
<b>Total Expenses</b>	<b>\$ 13,500,000</b>	<b>\$ 6,569,747</b>	<b>48.7%</b>	<b>\$ 23,027,688</b>	<b>\$ 12,714,885</b>	<b>55.2%</b>	<b>\$ 22,172,188</b>	<b>\$ 855,500</b>	<b>96.3%</b>

<b>Revenues Less Expenditures</b>	<b>\$ -</b>	<b>\$ (4,406,601)</b>		<b>\$ -</b>	<b>\$ (4,330,999)</b>		<b>\$ 2,660,460</b>		
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As of December 31, 2023, the Measure SST Fund realized revenues of **\$8.4 million**, achieving **36.4%** of the **FY23-24** budget, compared to \$2.2 million or 16.0% for the same period in the year prior. This increase is mainly due to the timing of the Measure SST approval with an effective date of October 1, 2022 and the very first receipt in December 2022. As shown in the table above, it is projected that a total of \$24.8 million will be recognized by fiscal year-end, exceeding budgeted estimates by \$1.8 million or 7.8%.

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 **\$12.7 million** or **55.2%** of the **FY23-24** budget. Currently, it is projected that the expenditure budget will be fully expended at year-end except for \$856,000 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 \$2.7 million fiscal year-end surplus when comparing projected revenues against projected expenditures.

## General Fund-Restricted/Assigned Fund Mid-Year Results

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		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Use of Money and Property	\$ 365,550	\$ 28,396	7.8%	\$ 458,058	\$ 1,165,247	254.4%	\$ 1,289,640	\$ 831,582	281.5%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Operating Transfers In	\$ 3,988,924	\$ 2,971,258	74.5%	\$ 25,305,368	\$ 24,030,102	95.0%	\$ 25,521,036	\$ 215,668	100.9%
<b>Total Revenues</b>	<b>\$ 4,354,474</b>	<b>\$ 2,999,654</b>	<b>68.9%</b>	<b>\$ 25,763,426</b>	<b>\$ 25,195,349</b>	<b>97.8%</b>	<b>\$ 26,810,676</b>	<b>\$ 1,047,250</b>	<b>104.1%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Salaries and Employee Benefits	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 5,000	\$ 4,739	94.8%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Professional/Contract Services & Utilities	\$ 255,945	\$ -	0.0%	\$ 256,172	\$ -	0.0%	\$ -	\$ 256,172	0.0%
Debt Service	\$ 5,000	\$ 1,286	25.7%	\$ 15,200	\$ 8,633	56.8%	\$ 14,635	\$ 565	96.3%
Capital Acquisitions	\$ 797,609	\$ 102,045	12.8%	\$ 879,710	\$ 41,848	4.8%	\$ 819,487	\$ 60,223	93.2%
Other Expenditures	\$ -	\$ 2,492	0.0%	\$ 28,800	\$ 16,727	58.1%	\$ 28,354	\$ 446	98.5%
Other Operating Transfers Out	\$ 375,000	\$ 373,844	99.7%	\$ 662,203	\$ -	0.0%	\$ -	\$ 662,203	0.0%
<b>Total Expenses</b>	<b>\$ 1,438,554</b>	<b>\$ 484,406</b>	<b>33.7%</b>	<b>\$ 1,842,085</b>	<b>\$ 67,208</b>	<b>3.6%</b>	<b>\$ 862,476</b>	<b>\$ 979,609</b>	<b>46.8%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 2,915,920</b>	<b>\$ 2,515,248</b>		<b>\$ 23,921,341</b>	<b>\$ 25,128,141</b>		<b>\$ 25,948,200</b>		
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As of December 31, 2023, the Restricted/Assigned Fund realized revenues of **\$25.2 million**, achieving **97.8%** of the **FY23-24** revenue budget. During the same period ending December 31, 2022, the City realized **\$3.0 million** in revenues, representing **68.9%** of the **FY22-23** revenue budget. This is largely

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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 \$26.8 million by fiscal year-end, exceeding budget by \$1.0 million or 4.1%.

On the expenditure side, the Restricted/Assigned Fund realized expenditures of **\$67,000** or **3.6%** of the **FY23-24** budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$484,000** or **33.7%** of the **FY22-23** expenditure budget. Projected expenditures for Restricted/Assigned Fund include Automated License Plate Reader (ALPR) cameras and other essential computer and data communication equipment. Overall, it is projected that revenues will exceed expenditures by \$25.9 million by fiscal year-end.

## General Fund-Unassigned Fund (Reserves) Mid-Year Results

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		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Operating Transfers In	\$ -	\$ -	0.0%	\$ 4,802,423	\$ 2,401,212	50.0%	\$ 4,802,423	\$ -	100.0%
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 4,802,423</b>	<b>\$ 2,401,212</b>	<b>50.0%</b>	<b>\$ 4,802,423</b>	<b>\$ -</b>	<b>100.0%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	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>\$ 4,802,423</b>	<b>\$ 2,401,212</b>		<b>\$ 4,802,423</b>		
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As shown in the summary table, the Reserve Fund realized revenues of **\$2.4 million**, achieving **50.0%** of budget through the second quarter of **FY23-24**. This represents the year-to-date transfers of the \$4.8 million 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 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 during 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.

The following table provides a summary of the City’s Unassigned fund balance at the beginning of FY22-23, the ending balance for FY22-23, and the projected ending balance for FY23-24. Currently, it is projected that by fiscal year-end, the City’s ‘Economic Anomaly’ sub-fund (Reserve Fund) will have a fund balance of \$12.9 million and the ‘Other Unrestricted’ sub-fund will have a fund balance of \$60.9 million, totaling an overall unassigned fund balance of \$73.8 million.

## General Fund-Unassigned Fund Balance Summary

Unassigned Fund Balance (Overall)	2022-23 Beginning Balance	Contributions/ (Usage)	2022-23 Ending Balance	Projected Contributions/ (Usage)	2023-24 Projected Ending Balance
Reserve Fund - Economic Anomaly	\$ 8,081,847	\$ -	\$ 8,081,847	\$ 4,802,423	\$ 12,884,270
Reserve Fund - Litigation	\$ -	\$ -	\$ -	\$ -	\$ -
Other Unrestricted	\$ 36,645,395	\$ 18,692,998	\$ 55,338,393	\$ 5,542,491	\$ 60,880,884
<b>Total</b>	<b>\$ 44,727,242</b>	<b>\$ 18,692,998</b>	<b>\$ 63,420,240</b>	<b>\$ 10,344,914</b>	<b>\$ 73,765,154</b>

The City’s adopted fiscal policy sets a 20% unassigned fund balance which translates to approximately \$54.4 million based on the currently approved expenditure appropriation for the General Fund-Operating 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 \$203.9 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 \$136.0 million. In the future, staff may recommend adjustments to our fiscal policy to further improve the City’s fiscal resiliency.

# INTERNAL SERVICE FUNDS

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**MID-YEAR**

**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 Mid-Year Results

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

	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 17,347,600	\$ 10,588,530	61.0%	\$ 20,668,500	\$ 10,723,856	51.9%	\$ 26,010,190	\$ 5,341,690	25.8%
Total Expenses	\$ 25,634,485	\$ 8,770,453	34.2%	\$ 28,494,290	\$ 10,300,136	36.1%	\$ 18,306,973	\$ 10,187,317	35.8%
<b>Revenues Less Expenditures</b>	<b>\$ (8,286,885)</b>	<b>\$ 1,818,077</b>		<b>\$ (7,825,790)</b>	<b>\$ 423,720</b>		<b>\$ 7,703,217</b>		

As shown above, the Self-Insurance Fund's revenues are lagging when compared with the year prior. As of December 31, 2023, a total of **\$10.7 million** or **51.9%** of budgeted revenues have been collected for **FY23-24**. During the same period ending December 31, 2022, the City realized **\$10.6 million** in revenues, representing **61.0%** of the **FY22-23** revenue budget.

On the expenditure side, the Self-Insurance Fund realized expenditures of **\$10.3 million**, achieving **36.1%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$8.8 million** or **34.2%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$7.7 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		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Charges for Services	\$ 17,347,600	\$ 8,588,530	49.5%	\$ 20,668,500	\$ 10,601,492	51.3%	\$ 20,887,830	\$ 219,330	101.1%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ 122,364	0.0%	\$ 122,360	\$ 122,360	0.0%
Operating Transfers In	\$ -	\$ 2,000,000	0.0%	\$ -	\$ -	0.0%	\$ 5,000,000	\$ 5,000,000	0.0%
<b>Total Revenues</b>	<b>\$ 17,347,600</b>	<b>\$ 10,588,530</b>	<b>61.0%</b>	<b>\$ 20,668,500</b>	<b>\$ 10,723,856</b>	<b>51.9%</b>	<b>\$ 26,010,190</b>	<b>\$ 5,341,690</b>	<b>125.8%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Salaries and Employee Benefits	\$ 1,046,209	\$ 387,829	37.1%	\$ 1,022,902	\$ 417,257	40.8%	\$ 770,690	\$ 252,212	75.3%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 30,683	\$ 3,081	10.0%	\$ 25,725	\$ 2,827	11.0%	\$ 24,500	\$ 1,225	95.2%
Professional/Contract Services & Utilities	\$ 783,279	\$ 39,366	5.0%	\$ 660,030	\$ 62,819	9.5%	\$ 645,400	\$ 14,630	97.8%
Training, Travel & Membership Dues	\$ 8,500	\$ 2,277	26.8%	\$ 8,500	\$ 5,751	67.7%	\$ 9,597	\$ (1,097)	112.9%
Depreciation and Amortization	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Liabilities, Settlements & Insurance	\$ 15,558,863	\$ 8,334,426	53.6%	\$ 18,344,252	\$ 9,706,345	52.9%	\$ 16,648,006	\$ 1,696,246	90.8%
Interdepartmental Charges	\$ -	\$ -	0.0%	\$ 228,527	\$ 102,959	45.1%	\$ 204,426	\$ 24,101	89.5%
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	\$ 3,474	50.0%	\$ 4,354	\$ 2,178	50.0%	\$ 4,354	\$ -	100.0%
<b>Total Expenses</b>	<b>\$ 25,634,485</b>	<b>\$ 8,770,453</b>	<b>34.2%</b>	<b>\$ 28,494,290</b>	<b>\$ 10,300,136</b>	<b>36.1%</b>	<b>\$ 18,306,973</b>	<b>\$ 10,187,317</b>	<b>64.2%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (8,286,885)</b>	<b>\$ 1,818,077</b>		<b>\$ (7,825,790)</b>	<b>\$ 423,720</b>		<b>\$ 7,703,217</b>		
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As shown above, **\$10.7 million** or **51.9%** of **FY23-24** budgeted revenues have been received compared with **\$10.6 million** or **61.0%** the year prior. As of December 31, 2023, actual revenues have increased by \$135,000 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 position, 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 \$5.3 million at year end.

On the expenditures side, **\$10.3 million** or **36.1%** of **FY23-24** budgeted expenditures have been expended compared with **\$8.7 million** or **34.2%** the year prior. As of December 31, 2023, actual expenditures increased by \$1.6 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 by 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 Mid-Year Results

The City’s Fleet Services Fund is comprised of multiple sub-funds, including the Fleet Services Fund-Operating Fund and the Fleet Services Fund-Replacement Fund, which are used to finance and account for the maintenance, repair, and replacement of the City’s vehicular assets. However, it should be noted that this fund does not include the replacement of the City’s Sanitation, Sewer, Water, and Transit vehicular assets.

### Fleet Services Fund Overall Revenues and Expenditures

	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 9,628,182	\$ 4,142,269	43.0%	\$ 12,121,697	\$ 5,149,764	42.5%	\$ 11,652,700	\$ (468,997)	-3.9%
Total Expenses	\$ 6,907,859	\$ 2,716,063	39.3%	\$ 8,954,538	\$ 4,067,328	45.4%	\$ 8,074,650	\$ 879,888	9.8%
<b>Revenues Less Expenditures</b>	<b>\$ 2,720,323</b>	<b>\$ 1,426,206</b>		<b>\$ 3,167,159</b>	<b>\$ 1,082,436</b>		<b>\$ 3,578,050</b>		

As shown above, the Fleet Services Fund’s overall revenues have increased when compared with the year prior. As of December 31, 2023, a total of **\$5.1 million** or **42.5%** of the **FY23-24** revenue budget have been collected. During the same period ending December 31, 2022, the City realized **\$4.1 million** in revenues, representing **43.0%** of the **FY22-23** revenue budget.

On the expenditure side, this fund realized overall expenditures of **\$4.1 million**, achieving **45.4%** of the **FY23-24** budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$2.7 million** or **39.3%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$3.6 million by 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 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 4,693,325	\$ 1,953,005	41.6%	\$ 6,693,324	\$ 2,464,328	36.8%	\$ 5,362,480	\$ (1,330,844)	80.1%
Use of Money and Property	\$ -	\$ (25,884)	0.0%	\$ (28,196)	\$ (53,515)	189.8%	\$ (47,420)	\$ (19,224)	168.2%
Operating Transfers In	\$ 975,130	\$ -	0.0%	\$ -	\$ -	0.0%	\$ 1,500,000	\$ 1,500,000	0.0%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 5,668,455</b>	<b>\$ 1,927,121</b>	<b>34.0%</b>	<b>\$ 6,665,128</b>	<b>\$ 2,410,813</b>	<b>36.2%</b>	<b>\$ 6,815,060</b>	<b>\$ 149,932</b>	<b>102.2%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 3,772,636	\$ 1,358,477	36.0%	\$ 3,822,706	\$ 1,512,492	39.6%	\$ 3,381,805	\$ 440,901	88.5%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 334,294	\$ 86,257	25.8%	\$ 1,542,894	\$ 693,227	44.9%	\$ 1,424,213	\$ 118,681	92.3%
Materials Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Parts, Fuel & Lubricants Inventory Purchases	\$ 2,853,100	\$ 1,021,666	35.8%	\$ 2,938,693	\$ 1,114,077	37.9%	\$ 2,990,897	\$ (52,204)	101.8%
Parts, Fuel & Lubricants Contra	\$ (2,853,100)	\$ (1,021,666)	35.8%	\$ (2,938,693)	\$ (1,114,077)	37.9%	\$ (2,990,897)	\$ 52,204	101.8%
Professional/Contract Services & Utilities	\$ 69,558	\$ 59,809	86.0%	\$ 244,300	\$ 74,375	30.4%	\$ 262,600	\$ (18,300)	107.5%
Training, Travel & Membership Dues	\$ 51,809	\$ 10,571	20.4%	\$ 51,809	\$ 6,075	11.7%	\$ 27,715	\$ 24,094	53.5%
Depreciation and Amortization	\$ -	\$ -	0.0%	\$ 1,000	\$ 325	32.5%	\$ 812	\$ 188	81.2%
Liabilities, Settlements & Insurance	\$ 16,880	\$ -	0.0%	\$ 16,880	\$ -	0.0%	\$ -	\$ 16,880	0.0%
Interdepartmental Charges	\$ 405,395	\$ 202,692	50.0%	\$ 1,039,443	\$ 463,085	44.6%	\$ 955,630	\$ 83,813	91.9%
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	\$ 404,452	56.0%	\$ 674,580	\$ 662,994	98.3%	\$ 674,580	\$ -	100.0%
Prior Period Adjustment	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 5,422,799</b>	<b>\$ 2,122,258</b>	<b>39.1%</b>	<b>\$ 7,393,612</b>	<b>\$ 3,412,573</b>	<b>46.2%</b>	<b>\$ 6,727,355</b>	<b>\$ 666,257</b>	<b>91.0%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 245,656</b>	<b>\$ (195,137)</b>		<b>\$ (728,484)</b>	<b>\$ (1,001,760)</b>		<b>\$ 87,705</b>		
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When examining the Fleet Services Fund-Operating Fund, we get a better sense of day-to-day operations. As of December 31, 2023, the Fleet Services Fund-Operating Fund realized revenues of **\$2.4 million** or **36.2%** of the **FY23-24** revenue budget. During the same period ending December 31, 2022, the City realized **\$1.9 million** in revenues, representing **34.0%** 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% during the first half of FY23-24. While the budget was increased, billable hours are down due to vacancies 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 December 31, 2023, it is projected that revenues in the **Charges for Services** classification will realize a shortfall of \$1.3 million. To offset this projected shortfall, a one-time transfer of \$1.5 million from the General Fund has been projected to ensure that the Fleet Services Fund cash balance remains positive.

On the expenditure side, the Fleet Services Fund-Operating Fund realized expenditures of **\$3.4 million**, achieving **46.2%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$2.1 million** or **39.1%** 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 and being assessed an indirect cost rate in the **Interdepartmental Charges** classification. Expenditures in the **Professional Services** classifications are projected to be higher than prior year due to additional consulting and design services for converting the vehicle fleet to zero-emissions models. An additional contributing factor is activity in the **Other Operating Transfers Out** classification, 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, it is projected that the expenditures budget will generate a \$666,000 budget surplus at fiscal year-end.

Another main component of the overall Fleet Services Fund is the Fleet Services Fund-Replacement Fund which is responsible for collecting the charges assessed to departments for the replacement costs of vehicles and accounts for expenditures made to replace these vehicles.

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

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Use of Money and Property	\$ 3,879,263	\$ 1,679,783	43.3%	\$ 5,376,105	\$ 2,702,801	50.3%	\$ 4,765,340	\$ (610,765)	88.6%
Operating Transfers In	\$ -	\$ 535,365	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Revenues	\$ 80,464	\$ -	0.0%	\$ 80,464	\$ 36,150	44.9%	\$ 72,300	\$ (8,164)	89.9%
<b>Total Revenues</b>	<b>\$ 3,959,727</b>	<b>\$ 2,215,148</b>	<b>55.9%</b>	<b>\$ 5,456,569</b>	<b>\$ 2,738,951</b>	<b>50.2%</b>	<b>\$ 4,837,640</b>	<b>\$ (618,929)</b>	<b>88.7%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	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	\$ 1,419,000	\$ 593,805	41.8%	\$ 1,468,460	\$ 654,755	44.6%	\$ 1,347,295	\$ 121,165	91.7%
Debt Service	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Capital Acquisitions	\$ 6,855,366	\$ 420,627	6.1%	\$ 12,812,716	\$ 1,314,300	10.3%	\$ 11,066,223	\$ 1,746,493	86.4%
Asset Contra Account	\$ (6,791,366)	\$ (420,627)	6.2%	\$ (12,720,250)	\$ (1,314,300)	10.3%	\$ (11,066,223)	\$ (1,654,027)	87.0%
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>\$ 1,485,060</b>	<b>\$ 593,805</b>	<b>40.0%</b>	<b>\$ 1,560,926</b>	<b>\$ 654,755</b>	<b>41.9%</b>	<b>\$ 1,347,295</b>	<b>\$ 213,631</b>	<b>86.3%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 2,474,667</b>	<b>\$ 1,621,343</b>		<b>\$ 3,895,643</b>	<b>\$ 2,084,196</b>		<b>\$ 3,490,345</b>		
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As shown in the table above, revenues collected within these sub-funds have decreased relative to budget when compared to the year prior. As of December 31, 2023, a total of **\$2.7 million** or **50.2%** of **FY23-24** budgeted revenues have been collected. During the same period ending December 31, 2022, the City realized **\$2.2 million** in revenues, representing **55.9%** of the **FY22-23** revenue budget. This is driven due to a one-time transfer in FY22-23 totaling \$535,000.

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On the expenditure side, the Fleet Services Fund-Replacement Fund realized expenditures of **\$655,000**, achieving **41.9%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$594,000** or **40.0%** of the **FY22-23** expenditure budget. While revenues are projected to exceed expenditures, it is projected that \$11.1 million worth of vehicles will be purchased and capitalized for depreciation in future budget cycles.

# ENTERPRISE FUNDS

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**MID-YEAR**

**BUDGET REVIEW REPORT**

# Enterprise Funds

Enterprise Funds are used to account for fee-supported business activities 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 Mid-Year Results

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

### Airport Fund Revenues and Expenditures

	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 23,264,106	\$ 14,424,350	62.0%	\$ 17,024,729	\$ 8,806,005	51.7%	\$ 19,811,860	\$ 2,787,131	116.4%
Total Expenses	\$ 23,457,753	\$ 15,531,885	66.2%	\$ 17,010,181	\$ 7,170,128	42.2%	\$ 16,617,018	\$ 393,163	97.7%
<b>Revenues Less Expenditures</b>	<b>\$ (193,647)</b>	<b>\$ (1,107,535)</b>		<b>\$ 14,548</b>	<b>\$ 1,635,877</b>		<b>\$ 3,194,842</b>		

As shown in the summary table above, the Airport Fund realized revenues of **\$8.8 million**, achieving **51.7%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$14.4 million** in revenues, representing **62.0%** of the **FY22-23** revenue budget. Overall, it is projected that the revenue budget will operate at a year-end surplus of \$2.8 million.

On the expenditure side, the Airport Fund realized expenditures of **\$7.2 million** or **42.2%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$15.5 million** or **66.2%** of the **FY22-23** expenditure budget. It is projected that the expenditure budget will operate at a surplus of \$393,000 at year-end. Overall, it is projected that revenues will exceed expenditures by \$3.2 million by 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	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Charges for Services	\$ 22,779,106	\$ 13,885,954	61.0%	\$ 16,433,244	\$ 7,861,763	47.8%	\$ 18,315,730	\$ 1,882,486	111.5%
Use of Money and Property	\$ 85,000	\$ 40,141	47.2%	\$ 341,485	\$ 314,589	92.1%	\$ 496,130	\$ 154,645	145.3%
Operating Transfers In	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Revenues	\$ 400,000	\$ 498,255	124.6%	\$ 250,000	\$ 629,653	251.9%	\$ 1,000,000	\$ 750,000	400.0%
<b>Total Revenues</b>	<b>\$ 23,264,106</b>	<b>\$ 14,424,350</b>	<b>62.0%</b>	<b>\$ 17,024,729</b>	<b>\$ 8,806,005</b>	<b>51.7%</b>	<b>\$ 19,811,860</b>	<b>\$ 2,787,131</b>	<b>116.4%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Salaries and Employee Benefits	\$ 1,465,638	\$ 697,827	47.6%	\$ 1,514,167	\$ 663,342	43.8%	\$ 1,419,235	\$ 94,932	93.7%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 177,703	\$ 57,431	32.3%	\$ 354,364	\$ 171,876	48.5%	\$ 301,083	\$ 53,281	85.0%
Materials Reimbursements	\$ -	\$ (529)	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Professional/Contract Services & Utilities	\$ 1,170,648	\$ 554,178	47.3%	\$ 4,803,613	\$ 2,172,385	45.2%	\$ 4,618,102	\$ 185,511	96.1%
Training, Travel & Membership Dues	\$ 10,815	\$ 3,943	36.5%	\$ 10,815	\$ 391	3.6%	\$ 5,166	\$ 5,649	47.8%
Depreciation and Amortization	\$ 275,000	\$ 106,710	38.8%	\$ 283,250	\$ 130,290	46.0%	\$ 260,581	\$ 22,669	92.0%
Liabilities, Settlements & Insurance	\$ 14,536	\$ 6,291	43.3%	\$ 14,536	\$ -	0.0%	\$ -	\$ 14,536	0.0%
Interdepartmental Charges	\$ 508,407	\$ 261,120	51.4%	\$ 570,005	\$ 262,228	46.0%	\$ 524,817	\$ 45,188	92.1%
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	\$ 12,083	80.6%	\$ 15,000	\$ -	0.0%	\$ 15,000	\$ -	100.0%
Other Expenditures	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ 19,820,006	\$ 13,832,831	69.8%	\$ 9,444,431	\$ 3,769,616	39.9%	\$ 9,473,034	\$ (28,603)	100.3%
<b>Total Expenses</b>	<b>\$ 23,457,753</b>	<b>\$ 15,531,885</b>	<b>66.2%</b>	<b>\$ 17,010,181</b>	<b>\$ 7,170,128</b>	<b>42.2%</b>	<b>\$ 16,617,018</b>	<b>\$ 393,163</b>	<b>97.7%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (193,647)</b>	<b>\$ (1,107,535)</b>	<b>\$ 14,548</b>	<b>\$ 1,635,877</b>	<b>\$ 3,194,842</b>
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As of December 31, 2023, a total of **\$8.8 million** or **51.7%** of **FY23-24** budgeted revenues have been collected. During the same period ending December 31, 2022, the City realized **\$14.4 million** or **62.0%** of **FY22-23** budgeted revenues. 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 \$2.8 million. This is driven by slight increases in multiple areas including aircraft hangar storage and auto and retail ground leases.

On the expenditure side, the Airport Fund realized expenditures of **\$7.2 million** or **42.2%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$15.5 million** or **66.2%** of the **FY22-23** expenditure budget, which included a \$6.4 million one-time transfer to the General Fund from the lease signing bonus. After controlling for this activity, the **Other Operating Transfers Out** classification is still lower than the prior year due to increased expenditures in the **Professional/Contract Services & Utilities** classification. During FY23-24, City Council approved contract amendments with Rutan & Tucker, LLP for legal services related to litigation efforts on the airport property. Overall, the Airport Fund is projected to operate at a \$3.2 million surplus.

## Sanitation Fund Mid-Year Results

The City’s Sanitation Fund is comprised of multiple sub-funds, including the Sanitation Fund-Operating Fund and the Sanitation Fund-Vehicle Replacement Fund, and accounts for the refuse, recycling, and green waste programs as well as the maintenance and replacement of vehicles used within the Sanitation Division 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 Overall Revenues and Expenditures

	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 15,680,878	\$ 5,997,091	38.2%	\$ 16,156,401	\$ 6,610,318	40.9%	\$ 17,376,598	\$ 1,220,197	107.6%
Total Expenses	\$ 15,866,751	\$ 6,453,022	40.7%	\$ 20,155,560	\$ 8,157,469	40.5%	\$ 18,832,204	\$ 1,323,356	93.4%
<b>Revenues Less Expenditures</b>	\$ (185,873)	\$ (455,931)		\$ (3,999,159)	\$ (1,547,151)		\$ (1,455,606)		

As shown in the summary table above, the Sanitation Fund overall realized revenues of **\$6.6 million**, achieving **40.9%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$6.0 million** in revenues, representing **38.2%** of the **FY22-23** revenue budget.

On the expenditure side, the Sanitation Fund overall realized expenditures of **\$8.2 million** or **40.5%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$6.5 million** or **40.7%** of the **FY22-23** expenditure budget. Overall, it is projected that this fund will operate at a \$1.5 million deficit at 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	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 13,585,691	\$ 5,090,286	37.5%	\$ 13,927,864	\$ 5,516,542	39.6%	\$ 15,225,700	\$ 1,297,836	109.3%
Use of Money and Property	\$ (85,000)	\$ (20,027)	23.6%	\$ (20,950)	\$ (95,396)	455.4%	\$ (149,410)	\$ (128,460)	713.2%
Operating Transfers In	\$ 297,917	\$ 148,974	50.0%	\$ 351,768	\$ 175,884	50.0%	\$ 351,768	\$ -	100.0%
Other Revenues	\$ 50,000	\$ 26,637	53.3%	\$ 50,000	\$ 39,966	79.9%	\$ 75,000	\$ 25,000	150.0%
<b>Total Revenues</b>	<b>\$ 13,848,608</b>	<b>\$ 5,245,870</b>	<b>37.9%</b>	<b>\$ 14,308,682</b>	<b>\$ 5,636,996</b>	<b>39.4%</b>	<b>\$ 15,503,058</b>	<b>\$ 1,194,376</b>	<b>108.3%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 4,121,248	\$ 1,939,478	47.1%	\$ 4,127,511	\$ 1,980,106	48.0%	\$ 3,985,675	\$ 141,836	96.6%
Salaries and Benefits Reimbursements	\$ -	\$ (2,472)	0.0%	\$ -	\$ (116)	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 3,612,148	\$ 1,465,337	40.6%	\$ 3,599,132	\$ 1,170,811	32.5%	\$ 2,984,592	\$ 614,540	82.9%
Materials Reimbursements	\$ -	\$ (49,214)	0.0%	\$ (50,000)	\$ (45,823)	91.6%	\$ (117,272)	\$ 67,272	234.5%
Professional/Contract Services & Utilities	\$ 3,443,320	\$ 1,142,394	33.2%	\$ 4,981,364	\$ 1,509,116	30.3%	\$ 4,814,522	\$ 166,842	96.7%
Training, Travel & Membership Dues	\$ 31,696	\$ 1,269	4.0%	\$ 33,471	\$ 803	2.4%	\$ 3,032	\$ 30,439	9.1%
Depreciation and Amortization	\$ 31,000	\$ 22,889	73.8%	\$ 45,930	\$ 22,889	49.8%	\$ 45,777	\$ 153	99.7%
Liabilities, Settlements & Insurance	\$ 48,083	\$ 1,127	2.3%	\$ 68,083	\$ 41,330	60.7%	\$ 42,000	\$ 26,083	61.7%
Interdepartmental Charges	\$ 1,636,074	\$ 766,036	46.8%	\$ 3,272,232	\$ 1,574,497	48.1%	\$ 3,257,511	\$ 14,721	99.6%
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	\$ 711,575	41.6%	\$ 2,766,174	\$ 1,376,569	49.8%	\$ 2,765,844	\$ 330	100.0%
<b>Total Expenses</b>	<b>\$ 14,776,651</b>	<b>\$ 5,998,419</b>	<b>40.6%</b>	<b>\$ 19,032,757</b>	<b>\$ 7,727,196</b>	<b>40.6%</b>	<b>\$ 17,968,695</b>	<b>\$ 1,064,062</b>	<b>94.4%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (928,043)</b>	<b>\$ (752,549)</b>		<b>\$ (4,724,075)</b>	<b>\$ (2,090,200)</b>		<b>\$ (2,465,637)</b>		
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When examining the Sanitation Fund-Operating Fund, we get a better sense of the day-to-day operations. As of December 31, 2023, a total of **\$5.6 million** or **39.4%** of **FY23-24** budgeted revenues have been collected. During the same period ending December 31, 2022, the City realized **\$5.2 million** in revenues, representing **37.9%** of the **FY22-23** revenue budget. This is primarily due to a collection timing difference related to the CalWater District and a billing delay that occurred in the prior year along with the initial year of annual 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 \$1.2 million.

On the expenditure side, this fund realized expenditures of **\$7.7 million** or **40.6%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$6.0 million** or **40.6%** of the **FY22-23** expenditure budget. When examining actual year-over-year expenditures, we see an increase of \$1.7 million. This is primarily driven by increases in **Interdepartmental Charges** related to self-insurance contributions, **Other Operating Transfers Out** to the General Fund-Operating Fund to partially offset the cost of residential street sweeping, and increased contract costs related to disposal services for municipal waste collection programs recorded under the **Professional/Contract Services & Utilities** classification.

Overall, the Sanitation Fund’s operating fund is projected to operate at a \$2.5 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		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Use of Money and Property	\$ 125,000	\$ 41,122	32.9%	\$ 396,539	\$ 212,253	53.5%	\$ 338,690	\$ (57,849)	85.4%
Operating Transfers In	\$ 1,707,270	\$ 710,099	41.6%	\$ 1,451,180	\$ 761,069	52.4%	\$ 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>\$ 751,221</b>	<b>41.0%</b>	<b>\$ 1,847,719</b>	<b>\$ 973,322</b>	<b>52.7%</b>	<b>\$ 1,873,540</b>	<b>\$ 25,821</b>	<b>101.4%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Depreciation and Amortization	\$ 1,090,100	\$ 454,603	41.7%	\$ 1,122,803	\$ 430,273	38.3%	\$ 863,509	\$ 259,294	76.9%
Capital Acquisitions	\$ 3,661,047	\$ -	0.0%	\$ 7,893,460	\$ 446,737	5.7%	\$ 5,194,848	\$ 2,698,612	65.8%
Asset Contra Account	\$ (3,661,047)	\$ -	0.0%	\$ (7,893,460)	\$ (446,737)	5.7%	\$ (5,194,848)	\$ (2,698,612)	65.8%
<b>Total Expenses</b>	<b>\$ 1,090,100</b>	<b>\$ 454,603</b>	<b>41.7%</b>	<b>\$ 1,122,803</b>	<b>\$ 430,273</b>	<b>38.3%</b>	<b>\$ 863,509</b>	<b>\$ 259,294</b>	<b>76.9%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 742,170</b>	<b>\$ 296,618</b>		<b>\$ 724,916</b>	<b>\$ 543,049</b>		<b>\$ 1,010,031</b>		
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The Sanitation Fund-Vehicle Replacement Fund receives contributions, generally from the Sanitation Fund-Operating Fund, 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.

As shown in the summary table above, the Sanitation Fund-Vehicle Replacement Fund realized revenues of **\$973,000** or **52.7%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$751,00** in revenues, representing **41.0%** of the **FY22-23** revenue budget.

On the expenditure side, this fund realized expenditures of **\$430,000** or **38.3%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$455,000** or **41.7%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$1.0 million at fiscal year-end. The projection above includes the purchase of two refuse trucks as approved by Council on October 12, 2021; four CNG Refuse Collection Trucks as approved by Council on December 6, 2022; one Ford F-150 Pickup Truck as approved by Council on December 20, 2022; and four CNG Refuse Collection Trucks as approved by Council on November 28, 2023.

## Sewer Fund Mid-Year Results

The Sewer Fund is comprised of multiple sub-funds, including the Sewer Fund-Operating Fund and the Sewer Fund-Vehicle Replacement Fund, and accounts for sewer discharge fees received for the maintenance and capital improvement expenditures of the City’s sewer system as well as the maintenance and replacement of vehicles used within the Sewer Division of 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 Overall Revenues and Expenditures

	2022-23			2023-24					
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Total Revenues	\$ 6,165,910	\$ 2,465,971	40.0%	\$ 8,622,923	\$ 3,432,521	39.8%	\$ 8,110,396	\$ (512,527)	94.1%
Total Expenses	\$ 6,175,601	\$ 3,085,766	50.0%	\$ 6,891,511	\$ 4,504,854	65.4%	\$ 6,564,991	\$ 326,520	95.3%
<b>Revenues Less Expenditures</b>	\$ (9,691)	\$ (619,795)		\$ 1,731,412	\$ (1,072,333)		\$ 1,545,405		

As shown in the summary table above, the Sewer Fund overall realized revenues of **\$3.4 million**, achieving **39.8%** of **FY23-24** budgeted revenues as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$2.5 million** in revenues, representing **40.0%** of the **FY22-23** revenue budget.

On the expenditure side, the Sewer Fund overall realized expenditures of **\$4.5 million** or **65.4%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$3.1 million** or **50.0%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$1.5 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 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 5,725,220	\$ 2,257,726	39.4%	\$ 7,495,161	\$ 2,787,837	37.2%	\$ 7,204,260	\$ (290,901)	96.1%
Use of Money and Property	\$ 75,000	\$ 21,878	29.2%	\$ 216,234	\$ 124,987	57.8%	\$ 198,830	\$ (17,404)	92.0%
Operating Transfers In	\$ 8,069	\$ 4,032	50.0%	\$ 22,212	\$ 11,106	50.0%	\$ 22,212	\$ -	100.0%
Other Revenues	\$ 6,161	\$ 7,395	120.0%	\$ 13,556	\$ 14,298	105.5%	\$ 26,020	\$ 12,464	191.9%
<b>Total Revenues</b>	<b>\$ 5,814,450</b>	<b>\$ 2,291,031</b>	<b>39.4%</b>	<b>\$ 7,747,163</b>	<b>\$ 2,938,228</b>	<b>37.9%</b>	<b>\$ 7,451,322</b>	<b>\$ (295,841)</b>	<b>96.2%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	2023-24 Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 1,813,364	\$ 753,931	41.6%	\$ 1,702,959	\$ 881,901	51.8%	\$ 1,680,254	\$ 22,705	98.7%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 399,167	\$ 129,628	32.5%	\$ 332,840	\$ 152,849	45.9%	\$ 332,290	\$ 550	99.8%
Materials Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ (190)	0.0%	\$ (190)	\$ 190	0.0%
Professional/Contract Services & Utilities	\$ 1,062,378	\$ 415,130	39.1%	\$ 692,594	\$ 181,040	26.1%	\$ 677,254	\$ 15,340	97.8%
Training, Travel & Membership Dues	\$ 16,447	\$ 470	2.9%	\$ 10,447	\$ 374	3.6%	\$ 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	\$ 312,073	44.6%	\$ 765,634	\$ 364,316	47.6%	\$ 761,256	\$ 4,378	99.4%
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%	\$ 36,459	\$ 30,486	83.6%	\$ 30,459	\$ 6,000	83.5%
Other Operating Transfers Out	\$ 1,886,460	\$ 1,395,122	74.0%	\$ 3,172,145	\$ 2,849,265	89.8%	\$ 2,988,964	\$ 183,181	94.2%
Extraordinary Loss	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 6,005,601</b>	<b>\$ 3,006,354</b>	<b>50.1%</b>	<b>\$ 6,716,411</b>	<b>\$ 4,460,041</b>	<b>66.4%</b>	<b>\$ 6,475,366</b>	<b>\$ 241,045</b>	<b>96.4%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (191,151)</b>	<b>\$ (715,323)</b>		<b>\$ 1,030,752</b>	<b>\$ (1,521,813)</b>		<b>\$ 975,956</b>		
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When examining the Sewer Fund-Operating Fund, we get a better sense of the day-to-day operations. As of December 31, 2023, a total of **\$2.9 million** or **37.9%** of **FY23-24** budgeted revenues have been collected. During the same period ending December 31, 2022, the City realized **\$2.3 million** in revenues, representing **39.4%** of the **FY22-23** revenue budget. This is primarily due to a collection timing difference related to the CalWater District and a billing delay that occurred in the prior year, and from the annual rate increase approved by City Council effective January 2023 through January 2027. Overall, staff expect the total projected revenue to be lower than the budget by \$296,000.

On the expenditure side, this fund realized expenditures of **\$4.5 million** or **66.4%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$3.0 million** or **50.1%** of the **FY22-23** expenditure budget. When examining actual expenditures year to year, we see an increase of \$1.5 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 \$976,000 surplus.

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

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Use of Money and Property	\$ -	\$ 7,261	0.0%	\$ 63,615	\$ 45,028	70.8%	\$ 70,110	\$ 6,495	110.2%
Operating Transfers In	\$ 351,460	\$ 167,679	47.7%	\$ 812,145	\$ 449,265	55.3%	\$ 588,964	\$ (223,181)	72.5%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 351,460</b>	<b>\$ 174,940</b>	<b>49.8%</b>	<b>\$ 875,760</b>	<b>\$ 494,293</b>	<b>56.4%</b>	<b>\$ 659,074</b>	<b>\$ (216,686)</b>	<b>75.3%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Depreciation and Amortization	\$ 170,000	\$ 79,412	46.7%	\$ 175,100	\$ 44,813	25.6%	\$ 89,625	\$ 85,475	51.2%
Capital Acquisitions	\$ 2,004,027	\$ -	0.0%	\$ 2,518,276	\$ -	0.0%	\$ 2,461,434	\$ 56,842	97.7%
Asset Contra Account	\$ (2,004,027)	\$ -	0.0%	\$ (2,518,276)	\$ -	0.0%	\$ (2,461,434)	\$ (56,842)	97.7%
<b>Total Expenses</b>	<b>\$ 170,000</b>	<b>\$ 79,412</b>	<b>46.7%</b>	<b>\$ 175,100</b>	<b>\$ 44,813</b>	<b>25.6%</b>	<b>\$ 89,625</b>	<b>\$ 85,475</b>	<b>51.2%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 181,460</b>	<b>\$ 95,528</b>		<b>\$ 700,660</b>	<b>\$ 449,480</b>		<b>\$ 569,449</b>		
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The Sewer Fund-Vehicle Replacement Fund receives contributions, generally from the Sewer Fund-Operating Fund, to purchase vehicles. It is also where current vehicles are depreciated each month. The funds transferred in FY23-24 will fund future vehicles. As shown in the summary table above, the Sewer Fund-Vehicle Replacement Fund realized revenues of **\$494,000** or **56.4%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$175,00** in revenues, representing **49.8%** of the **FY22-23** revenue budget.

On the expenditure side, this fund realized expenditures of **\$45,000** or **25.6%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$79,000** or **46.7%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$569,000 at fiscal year-end. The projection above includes the purchase of two CNG Vactor Sewer Cleaner Trucks, one CNG Ramjet Jet Rodder Truck, two Ford F-350 Dump Trucks, and one Ford F-150 Pickup Trucks which were all approved by Council on December 20, 2022, and one Ford F-450 Crane Truck and one Pipeline Inspection Van approved by City Manager Appropriation.

## Transit Fund Mid-Year Results

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 Revenues and Expenditures

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 45,232,700	\$ 18,173,375	40.2%	\$ 37,254,922	\$ 20,088,745	53.9%	\$ 38,861,330	\$ 1,606,408	104.3%
Total Expenses	\$ 38,642,171	\$ 12,515,082	32.4%	\$ 38,491,434	\$ 15,656,810	40.7%	\$ 33,068,648	\$ 5,422,786	85.9%
<b>Revenues Less Expenditures</b>	<b>\$ 6,590,529</b>	<b>\$ 5,658,293</b>		<b>\$ (1,236,512)</b>	<b>\$ 4,431,935</b>		<b>\$ 5,792,682</b>		

As shown in the summary table above, the Transit Fund realized revenues of **\$20.1 million**, achieving **53.9%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$18.2 million** in revenues, representing **40.2%** of the **FY22-23** revenue budget.

On the expenditure side, the Transit Fund realized expenditures of **\$15.7 million** or **40.7%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$12.5 million** or **32.4%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$5.8 million by 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	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Use of Money and Property	\$ 93,337	\$ 94,572	101.3%	\$ 1,029,127	\$ 672,720	65.4%	\$ 1,056,340	\$ 27,213	102.6%
Intergovernmental	\$ 39,856,830	\$ 16,045,548	40.3%	\$ 31,869,767	\$ 17,428,385	54.7%	\$ 33,899,750	\$ 2,029,983	106.4%
Charges for Services	\$ 2,206,332	\$ 518,788	23.5%	\$ 1,326,028	\$ 469,683	35.4%	\$ 895,240	\$ (430,788)	67.5%
Other Revenues	\$ 76,201	\$ 2,467	3.2%	\$ 30,000	\$ 8,957	29.9%	\$ 10,000	\$ (20,000)	33.3%
Operating Transfers In	\$ 3,000,000	\$ 1,512,000	50.4%	\$ 3,000,000	\$ 1,509,000	50.3%	\$ 3,000,000	\$ -	100.0%
<b>Total Revenues</b>	<b>\$ 45,232,700</b>	<b>\$ 18,173,375</b>	<b>40.2%</b>	<b>\$ 37,254,922</b>	<b>\$ 20,088,745</b>	<b>53.9%</b>	<b>\$ 38,861,330</b>	<b>\$ 1,606,408</b>	<b>104.3%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 20,758,100	\$ 6,769,663	32.6%	\$ 22,491,793	\$ 9,053,070	40.3%	\$ 18,942,311	\$ 3,549,482	84.2%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 3,044,787	\$ 709,069	23.3%	\$ 2,665,113	\$ 1,370,689	51.4%	\$ 3,042,610	\$ (377,497)	114.2%
Materials Reimbursements	\$ (250,000)	\$ (69,281)	27.7%	\$ (250,000)	\$ (77,658)	31.1%	\$ (250,000)	\$ -	100.0%
Parts, Fuel & Lubricants Inventory Purchases	\$ 990,283	\$ 285,950	28.9%	\$ 1,384,991	\$ 714,631	51.6%	\$ 1,382,939	\$ 2,052	99.9%
Parts, Fuel & Lubricants Contra	\$ (990,283)	\$ (285,950)	28.9%	\$ (1,384,991)	\$ (714,631)	51.6%	\$ (1,382,939)	\$ (2,052)	99.9%
Professional/Contract Services & Utilities	\$ 1,920,836	\$ 774,238	40.3%	\$ 2,500,908	\$ 778,833	31.1%	\$ 2,423,160	\$ 77,748	96.9%
Training, Travel & Membership Dues	\$ 159,023	\$ 43,010	27.0%	\$ 159,022	\$ 47,369	29.8%	\$ 101,938	\$ 57,084	64.1%
Depreciation and Amortization	\$ 5,414,089	\$ 1,603,645	29.6%	\$ 3,964,089	\$ 1,365,675	34.5%	\$ 2,530,872	\$ 1,433,217	63.8%
Liabilities, Settlements & Insurance	\$ 217,639	\$ 41,089	18.9%	\$ 217,639	\$ 102,330	47.0%	\$ 102,330	\$ 115,309	47.0%
Interdepartmental Charges	\$ 7,279,828	\$ 2,831,717	38.9%	\$ 6,666,292	\$ 3,050,075	45.8%	\$ 6,170,708	\$ 495,584	92.6%
Capital Acquisitions	\$ -	\$ 4,979	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Asset Contra Account	\$ -	\$ (255,054)	0.0%	\$ -	\$ (71,859)	0.0%	\$ (71,859)	\$ 71,859	0.0%
Bad Debts and Other Losses	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Operating Transfers Out	\$ 97,869	\$ 62,007	63.4%	\$ 76,578	\$ 38,286	50.0%	\$ 76,578	\$ -	100.0%
<b>Total Expenses</b>	<b>\$ 38,642,171</b>	<b>\$ 12,515,082</b>	<b>32.4%</b>	<b>\$ 38,491,434</b>	<b>\$ 15,656,810</b>	<b>40.7%</b>	<b>\$ 33,068,648</b>	<b>\$ 5,422,786</b>	<b>85.9%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 6,590,529</b>	<b>\$ 5,658,293</b>		<b>\$ (1,236,512)</b>	<b>\$ 4,431,935</b>		<b>\$ 5,792,682</b>		
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As noted earlier, revenues are trending higher than the year prior. As of December 31, 2023, a total of **\$20.1 million** or **53.9%** of **FY23-24** budgeted revenues have been collected. During the same period ending December 31, 2022, the City realized **\$18.2 million** in revenues, representing **40.2%** 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 \$1.4 million primarily due to increases in Measure R and Measure M (relating to prior year funding) offset by COVID-19 grant funding received in the prior year.

**As of this Budget Review Report, the Transit Department has \$34.0 million in unspent Federal Transit Administration grants dating back to 2009.** Additionally, the Transit Department has a total of \$71.5 million in unspent grants from other sources.

On the expenditure side, the Transit Fund realized expenditures of **\$15.7 million** or **40.7%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$12.5 million** or **32.4%** 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 41.5 vacancies

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(of 83 vacancies), an improvement of 50%. While the department has seen progress in filling these vacancies, it is still projected that \$3.5 million in salary savings will be realized at fiscal year-end. Overall, the Transit Fund is projected to end the year with a \$5.8 million surplus, driven by overall expenditure surpluses across multiple classifications.

## Water Fund Mid-Year Results

The Water Fund is comprised of multiple sub-funds, including the Water Fund-Operating Fund and the Water Fund-Vehicle Replacement Fund, and accounts for water fees received to support the City’s water system as well as the maintenance and replacement of vehicles used within the Water Division of 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 Overall Revenues and Expenditures

	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Total Revenues	\$ 52,170,884	\$ 24,558,344	47.1%	\$ 54,827,481	\$ 22,732,767	41.5%	\$ 54,726,494	\$ (100,987)	99.8%
Total Expenses	\$ 52,114,173	\$ 26,038,875	50.0%	\$ 56,508,067	\$ 31,109,959	55.1%	\$ 53,379,743	\$ 3,128,324	94.5%
<b>Revenues Less Expenditures</b>	<b>\$ 56,711</b>	<b>\$ (1,480,531)</b>		<b>\$ (1,680,586)</b>	<b>\$ (8,377,192)</b>		<b>\$ 1,346,751</b>		

As shown in the summary table above, the Water Fund overall realized revenues of **\$22.7 million**, achieving **41.5%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$24.6 million** in revenues, representing **47.1%** of the **FY22-23** revenue budget.

On the expenditure side, the Water Fund overall realized expenditures of **\$31.1 million** or **55.1%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$26.0 million** or **50.0%** of the **FY22-23** expenditure budget. Overall, it is projected that this fund will operate at a \$1.3 million surplus at fiscal year-end. This will be examined in more detail in the following sections.

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

Revenues	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Charges for Services	\$ 51,098,504	\$ 24,247,423	47.5%	\$ 53,070,586	\$ 21,821,348	41.1%	\$ 52,837,580	\$ (233,006)	99.6%
Use of Money and Property	\$ 675,000	\$ 130,471	19.3%	\$ 1,287,643	\$ 635,434	49.3%	\$ 1,270,870	\$ (16,773)	98.7%
Intergovernmental	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Operating Transfers In	\$ 14,468	\$ 7,236	50.0%	\$ 12,430	\$ 6,216	50.0%	\$ 12,430	\$ -	100.0%
Other Revenues	\$ 5,000	\$ -	0.0%	\$ -	\$ 68,141	0.0%	\$ 70,000	\$ 70,000	0.0%
<b>Total Revenues</b>	<b>\$ 51,792,972</b>	<b>\$ 24,385,130</b>	<b>47.1%</b>	<b>\$ 54,370,659</b>	<b>\$ 22,531,139</b>	<b>41.4%</b>	<b>\$ 54,190,880</b>	<b>\$ (179,779)</b>	<b>99.7%</b>

Expenses	2022-23			2023-24			2023-24 Projected Total	Projected Surplus/(Deficit)	Percent of Budget
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget			
Salaries and Employee Benefits	\$ 5,890,109	\$ 2,352,893	39.9%	\$ 5,732,781	\$ 2,514,046	43.9%	\$ 5,129,558	\$ 603,223	89.5%
Salaries and Benefits Reimbursements	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Materials, Supplies & Maintenance	\$ 2,717,130	\$ 952,165	35.0%	\$ 1,973,066	\$ 879,357	44.6%	\$ 1,943,089	\$ 29,977	98.5%
Materials Reimbursements	\$ 5,000	\$ -	0.0%	\$ 5,000	\$ (21)	-0.4%	\$ (21)	\$ 5,021	-0.4%
Parts, Fuel & Lubricants Inventory Purchases	\$ 566,500	\$ 115,589	20.4%	\$ 583,495	\$ 187,775	32.2%	\$ 583,495	\$ -	100.0%
MWD Ultra-Low Flow Rebate Program	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Parts, Fuel & Lubricants Contra	\$ (566,500)	\$ (115,589)	20.4%	\$ (583,495)	\$ (187,775)	32.2%	\$ (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	\$ 583,519	30.1%	\$ 1,841,381	\$ 440,680	23.9%	\$ 2,161,563	\$ (320,182)	117.4%
Water Supply Costs	\$ 33,787,000	\$ 16,615,270	49.2%	\$ 33,350,000	\$ 15,915,255	47.7%	\$ 30,828,630	\$ 2,521,370	92.4%
Training, Travel & Membership Dues	\$ 49,955	\$ 4,552	9.1%	\$ 49,955	\$ 6,109	12.2%	\$ 14,229	\$ 35,726	28.5%
Depreciation and Amortization	\$ 130,000	\$ 1,773	1.4%	\$ 15,000	\$ 5,447	36.3%	\$ 10,894	\$ 4,106	72.6%
Liabilities, Settlements & Insurance	\$ 91,479	\$ 30,624	33.5%	\$ 91,479	\$ 16,008	17.5%	\$ 16,008	\$ 75,471	17.5%
Interdepartmental Charges	\$ 2,541,123	\$ 1,225,040	48.2%	\$ 2,858,400	\$ 1,332,303	46.6%	\$ 2,792,709	\$ 65,691	97.7%
Debt Service	\$ 850,672	\$ 322,258	37.9%	\$ 1,567,288	\$ 322,259	20.6%	\$ 1,567,288	\$ -	100.0%
Debt Service Reimbursements	\$ (567,277)	\$ (281,975)	49.7%	\$ (1,279,515)	\$ (288,669)	22.6%	\$ (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	\$ 4,171,527	95.1%	\$ 10,005,676	\$ 9,771,966	97.7%	\$ 9,940,432	\$ 65,244	99.3%
Extraordinary Loss	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Expenses</b>	<b>\$ 51,971,003</b>	<b>\$ 25,977,646</b>	<b>50.0%</b>	<b>\$ 56,360,512</b>	<b>\$ 31,050,037</b>	<b>55.1%</b>	<b>\$ 53,260,161</b>	<b>\$ 3,100,351</b>	<b>94.5%</b>

<b>Revenues Less Expenditures</b>	<b>\$ (178,031)</b>	<b>\$ (1,592,516)</b>		<b>\$ (1,989,853)</b>	<b>\$ (8,518,898)</b>		<b>\$ 930,719</b>		
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When examining the Water Fund-Operating Fund, we can get a better sense of the day-to-day operations. The Water Fund-Operating Fund realized revenues of **\$22.5 million** or **41.4%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, the City realized revenues of **\$24.4 million** or **47.1%** of the **FY22-23** revenue budget. In the **Charges for Services** classification, revenues are down \$2.4 million or 10% from the same period the year prior. This is primarily a result of reduced consumption at the Torrance Refinery (Refinery), coupled with slightly reduced consumption for potable water sales. At the Refinery, consumption for potable water sales is down 30% while rates remain consistent with the prior year. For potable water sales (non-Refinery), the rate charged remains flat, though consumption is down 1.1% when compared to the same period the year prior. Finally, consumption for reclaimed water at the Refinery is also down 8.2%; however, rates are up 11.30% partially offsetting the reduction experienced in potables sales.

On the expenditure side, this fund realized expenditures of **\$31.0 million** or **55.1%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$26.0 million** or **50.0%** 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 \$5.6 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 \$930,000 surplus, driven by projected decreases in expenditures for **Water Supply Costs**.

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

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Use of Money and Property	\$ -	\$ 6,205	0.0%	\$ 60,014	\$ 34,009	56.7%	\$ 204,050	\$ 144,036	340.0%
Operating Transfers In	\$ 377,912	\$ 167,009	44.2%	\$ 396,808	\$ 167,619	42.2%	\$ 331,564	\$ (65,244)	83.6%
Other Revenues	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Total Revenues</b>	<b>\$ 377,912</b>	<b>\$ 173,214</b>	<b>45.8%</b>	<b>\$ 456,822</b>	<b>\$ 201,628</b>	<b>44.1%</b>	<b>\$ 535,614</b>	<b>\$ 78,792</b>	<b>117.2%</b>

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December 2022-23 Actuals	Percent of Budget	Amended Budget	December 2023-24 Actuals	Percent of Budget	Projected Total	Projected Surplus/(Deficit)	Percent of Budget
Depreciation and Amortization	\$ 143,170	\$ 61,229	42.8%	\$ 147,465	\$ 59,922	40.6%	\$ 119,582	\$ 27,883	81.1%
Capital Acquisitions	\$ 518,213	\$ -	0.0%	\$ 934,867	\$ -	0.0%	\$ 621,183	\$ 313,684	66.4%
Asset Contra Account	\$ (518,213)	\$ -	0.0%	\$ (934,777)	\$ -	0.0%	\$ (621,183)	\$ (313,594)	66.5%
<b>Total Expenses</b>	<b>\$ 143,170</b>	<b>\$ 61,229</b>	<b>42.8%</b>	<b>\$ 147,555</b>	<b>\$ 59,922</b>	<b>40.6%</b>	<b>\$ 119,582</b>	<b>\$ 27,973</b>	<b>81.0%</b>

<b>Revenues Less Expenditures</b>	<b>\$ 234,742</b>	<b>\$ 111,985</b>		<b>\$ 309,267</b>	<b>\$ 141,706</b>		<b>\$ 416,032</b>		
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The Water Fund-Vehicle Replacement Fund receives contributions, generally from the Water Fund-Operating Fund, to purchase vehicles. It is also where assets are depreciated each month. The funds transferred in FY23-24 are to fund the future purchase of vehicles through vehicle replacement charges.

As shown in the summary table above, the Water Fund-Vehicle Replacement Fund realized revenues of **\$202,000** or **44.1%** of the **FY23-24** revenue budget as of December 31, 2023. During the same period ending December 31, 2022, this fund realized **\$173,00** in revenues, representing **45.8%** of the **FY22-23** revenue budget.

On the expenditure side, this fund realized expenditures of **\$60,000** or **40.6%** of the **FY23-24** expenditure budget as of December 31, 2023. During the same period ending December 31, 2022, the City expended **\$61,000** or **42.8%** of the **FY22-23** expenditure budget. Overall, it is projected that revenues will exceed expenditures by \$416,000 at fiscal year-end. The projection above includes the purchase of six (6) Ford F-350 trucks with Pacific Body Utility Bodies and two (2) Ford F-150 Pickup Trucks as approved by Council on December 20, 2022.