



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD, ROLLING HILLS, CA 90274 | (310) 377-1521

City Council

Monday, February 23, 2026, 7:00 PM

Regular Meeting
City of Rolling Hills

The meeting agenda is available on the City's website. The City Council meeting will be live-streamed on the City's website. View both the [agenda and the live-streamed video](#).

Members of the public may submit written comments by emailing the City Clerk's office at CityClerk@cityofrh.net. Your comments will become part of the official meeting record if received before 3pm on the meeting day. You must provide your full name, but please do not provide any other personal information that you do not want to be published.

View [recordings to City Council meetings](#) online.

AGENDA

- 1. Call to Order**
- 2. Roll Call**
- 3. Pledge of Allegiance**
- 4. Presentations/Proclamations/Announcements**
- 5. Approve Order of the Agenda**

This is the appropriate time for the Mayor or Councilmembers to approve the agenda as is or reorder.

- 6. Blue Folder Items (Supplemental)**

Blue folder (supplemental) items are additional back up materials to administrative reports, changes to the posted agenda packet, and/or public comments received after the printing and distribution of the agenda packet for receive and file.

- 7. Public Comment on Non-Agenda Items**

This is the appropriate time for members of the public to make comments regarding items not listed on this agenda. Pursuant to the Brown Act, no action will take place on any items not on the agenda.

8. Consent Calendar

Business items, except those formally noticed for public hearing, or those pulled for discussion are assigned to the Consent Calendar. The Mayor or any Councilmember may request that any Consent Calendar item(s) be removed, discussed, and acted upon separately. Items removed from the Consent Calendar will be taken up under the "Excluded Consent Calendar" section below. Those items remaining on the Consent Calendar will be approved in one motion. The Mayor will call on anyone wishing to address the City Council on any Consent Calendar item on the agenda, which has not been pulled by Councilmembers for discussion.

8.A. Approve Affidavit of Posting for the City Council Regular Meeting of February 23, 2025

RECOMMENDATION: Approve.

8.B. Approve Motion to Read by Title Only and Waive Further Reading of All Ordinances and Resolutions Listed on the Agenda

RECOMMENDATION: Approve.

8.C. Approve the following Minutes of February 9, 2026: City Council Regular Meeting

RECOMMENDATION: Approve as presented.

8.D. Payment of Bills

RECOMMENDATION: Approve as presented.

9. Excluded Consent Calendar Items

10. Commission Items

11. Public Hearings

12. Discussion Items

12.A. Receive and file the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025

RECOMMENDATION: Receive and file the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

13. Matters From the City Council

13.A. Receive and file an update on the South Bay Cities Council of Governments annual membership dues

RECOMMENDATION: Receive and file. Provide direction to staff.

14. Matters From Staff

15. Recess to Closed Session

16. Reconvene to Open Session

17. Adjournment

Next regular meeting: Monday, March 9, 2026 at 7:00 p.m. in the City Council Chamber, Rolling Hills City Hall, 2 Portuguese Bend Road, Rolling Hills, California, 90274.

Notice:

Public Comment is welcome on any item prior to City Council action on the item.

Documents pertaining to an agenda item received after the posting of the agenda are available for review in the City Clerk's office or at the meeting at which the item will be considered.

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting due to your disability, please contact the City Clerk at (310) 377-1521 at least 48 hours prior to the meeting to enable the City to make reasonable arrangements to ensure accessibility and accommodation for your review of this agenda and attendance at this meeting.



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD, ROLLING HILLS, CA 90274 | (310) 377-1521

Item: 8.A.

Meeting Date: 2/23/2026

To: City Council
From: Christian Horvath, Assistant to the City Manager / City Clerk
Thru: Karina Bañales, City Manager
Subject: Approve Affidavit of Posting for the City Council Regular Meeting of February 23, 2025

Background:

None.

Discussion:

None.

Fiscal Impact:

None.

Recommendation:

Approve.

Attachments:

1. CL_AGN_260223_CC_AffidavitofPosting



Administrative Report

8.A., File # 2026-27

Meeting Date:2/23/2026

To: MAYOR & CITY COUNCIL

From: Christian Horvath, City Clerk

TITLE

APPROVE AFFIDAVIT OF POSTING FOR THE CITY COUNCIL REGULAR MEETING OF FEBRUARY 23, 2026

EXECUTIVE SUMMARY

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF ROLLING HILLS)

AFFIDAVIT OF POSTING

In compliance with the Brown Act, the following materials have been posted at the locations below.

Legislative Body	City Council
Posting Type	Regular Meeting Agenda
Posting Location	2 Portuguese Bend Road, Rolling Hills, CA 90274 City Hall Window City Website: https://www.rolling-hills.org/government/agendas_meetings.php https://rollinghillssca.portal.civicclerk.com/
Meeting Date & Time	FEBRUARY 23, 2026 7:00pm Open Session

As City Clerk of the City of Rolling Hills, I declare under penalty of perjury, the document noted above was posted at the date displayed below.

Christian Horvath, City Clerk

Date: February 20, 2026



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD, ROLLING HILLS, CA 90274 | (310) 377-1521

Item: 8.C.

Meeting Date: 2/23/2026

To: City Council
From: Christian Horvath, Assistant to the City Manager / City Clerk
Thru: Karina Bañales, City Manager
Subject: Approve the following Minutes of February 9, 2026: City Council Regular Meeting

Background:

None.

Discussion:

None.

Fiscal Impact:

None.

Recommendation:

Approve as presented.

Attachments:

1. CL_MIN_260209_CC_F



1. Call To Order

The City Council of the City of Rolling Hills met in person on the above date at 7:00 p.m. Mayor Dieringer presiding.

2. Roll Call

Councilmembers Present:	Mirsch, Wilson, Pieper, Mayor Dieringer
Councilmembers Absent:	Black
Staff Present:	Karina Bañales, City Manager Christian Horvath, Assistant to the City Manager / City Clerk Sam Crew, Management Analyst Robert Samario, Finance Director Reina Schaetzel, Willdan Contract Senior Planner Nicolas Papajohn, City Attorney

3. Pledge Of Allegiance – Councilmember Mirsch

Mayor Black arrived at 7:01 p.m.

4. Presentations / Proclamations / Announcements – None

5. Approve Order of the Agenda

Mayor Dieringer requested that Item 12A be moved after the Consent Calendar. Without objection, so ordered.

6. Blue Folder Items (Supplemental)

Motion by Councilmember Pieper, seconded by Councilmember Mirsch to receive and file Blue Folder Items 12B, 13A and 14A. Motion carried unanimously with the following vote:

AYES:	Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES:	None
ABSENT:	None

7. Public Comment on Non-Agenda Items

Public Comment: Lisa Tun, Sandy Cobb

No formal motion was made to receive and file the submitted images from Mrs. Tun.

8. Consent Calendar

8.A. Approve Affidavit of Posting for the City Council Regular Meeting of February 9, 2026

8.B. Approve Motion to Read by Title Only and Waive Further Reading of All Ordinances and Resolutions Listed on the Agenda

8.C. Approve the following Minutes of January 26, 2026: City Council Regular Meeting

8.D. Payment of Bills

Motion by Councilmember Wilson, seconded by Councilmember Pieper to approve the Consent Calendar as presented. Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

9. Excluded Consent Calendar Items – None

10. Commission Items – None

Mayor Dieringer moved to Item 12A.

12. Discussion Items

12.A. Receive and file the Fiscal Year 2025-26 Mid-Year Report

Presentation by Finance Director Samario.

Motion by Councilmember Pieper, seconded by Councilmember Mirsch to receive and file. Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

Mayor Deringer moved back to Item 11

11. Public Hearings

11.A. Site plan review for new construction, non-exempt grading and related improvements; variances for a detached garage within front and side yard area, detached pool house within rear yard area, deck exceeding 12”, import of soil, and to exceed 40 percent disturbance; Conditional Use Permit to exceed 200 square feet for accessory structures, and finding the project exempt from the California Environmental Quality Act for location at 10 Saddleback Road (Birkett) (Lot 17-2-RH)

Presentation by Willdan Contact Senior Planner Schaetzel.

Public Comment: Terry Reiter, Russell Barto, Stephen Birkett

Motion by Councilmember Mirsch, seconded by Councilmember Pieper to adopt Resolution No. 1403 with the addition of conditions for screening of pool house.

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None

ABSENT: None

12. Discussion Items

12.B. Discussion of Contract Performance and Potential Expansion of the City's Outdoor Emergency Warning System

Presentation by Management Analyst Crew.

Public Comment: Martha Bernadette, Mark Ellers, Arlene Honbo

Motion by Councilmember Pieper, seconded by Mayor Pro Tem Black to pay HQE the balance due. Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

Motion by Councilmember Pieper, seconded by Mayor Pro Tem Black to install a fourth pole at the Upper Blackwater Canyon / Portuguese Bend Road triangle and return with an amended contract.

Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

Councilmember Pieper requested staff work with HQE to prepare a map denoting gateway placement locations that ensure the most optimal safe network coverage after the fourth pole installation.

Mayor Pro Tem Black requested that the City Council hold field trips to view any proposed additional pole location sites with mock-ups prior to formal consideration.

13. Matters From the City Council

13.A. Consideration of taking a position on Supervisor Mitchell's proposed temporary five-year 1/2 cent sales tax measure to replace the state and federal funds lost due to the passage of H.R. 1

Presentation by Assistant to the City Manager / City Clerk Horvath

Public Comment: Martha Bernadette

Motion by Mayor Pro Tem Black, seconded by Councilmember Mirsch to authorize Mayor Dieringer to speak on behalf of the City Council in opposition of the proposed tax and/or work with staff to draft a formal letter. Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

13.B. Reconsideration of directing staff to draft a Legislative and Policy Platform

Presentation by City Manager Bañales.

Councilmember Mirsch recommended the City Council evaluate potential Legislative and Policy issues on a case-by-case basis, except for matters concerning local control over land use which would be an automatic opposition.

Mayor Dieringer moved Item 14.B. ahead of 14.A. due to members of the public waiting to comment. Without objection, so ordered.

14. Matters From Staff

14.B. Receive and file a verbal update on the Tennis Court ADA project

Presentation by Assistant to the City Manager / City Clerk Horvath

Public Comment: Carrie Lieb, Tom Lieb

Motion by Mayor Pro Tem Black, seconded by Councilmember Pieper to receive and file. Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

14.A. Receive a report on the current Coyote Management Program

Presentation by City Manager Bañales

Motion by Councilmember Pieper, seconded by Mayor Pro Tem Black to receive and file. Motion carried unanimously with the following vote:

AYES: Mirsch, Wilson, Pieper, Black, Mayor Dieringer
NOES: None
ABSENT: None

15. Recess To Closed Session – 9:51 P.M.

15.A. Conference with legal counsel - existing litigation Government Code Section 54956.9(d)(1) the City finds, based on advice from legal counsel, that discussion in open session will prejudice the position of the city in the litigation. (1 case) Name of case: Connie Andersen, et al. V. California Water Company, et al. (Seaview case) Case No.: 24STCV20953

16. Reconvene To Open Session – 10:57 P.M.

17. Adjournment: 10:57 p.m.

The meeting was adjourned at 10:57 p.m. on February 9, 2026. The next regular meeting of the City Council is scheduled to be held on Monday, February 23, 2026 beginning at 7:00 p.m. in the City Council Chamber at City Hall, 2 Portuguese Bend Road, Rolling Hills, California. It will also be available via City's website link at: <https://www.rolling-hills.org/government/agenda/index.php>

All written comments submitted are included in the record and available for public review on the City website.

Respectfully submitted,

Christian Horvath, City Clerk

Approved,

Bea Dieringer, Mayor



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD, ROLLING HILLS, CA 90274 | (310) 377-1521

Item: 8.D.

Meeting Date: 2/23/2026

To: City Council
From: Christian Horvath, Assistant to the City Manager / City Clerk
Thru: Karina Bañales, City Manager
Subject: Payment of Bills

Background:

None.

Discussion:

None.

Fiscal Impact:

None.

Recommendation:

Approve as presented.

Attachments:

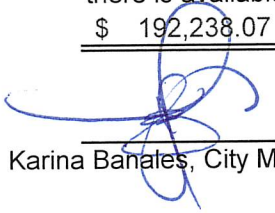
1. CL_AGN_260223_CC_PaymentOfBills_E

CITY OF ROLLING HILLS
AP26-016, AP26-016a, ACH26-016
Check Run 02/18/2026

Check No.	Check Date	Payee	Description	Amount
029158	2/18/2026	Benjamin Johnson	B. Johnson-Mileage/Expense Reimburse_Jan-Feb	80.98
029159	2/18/2026	Cox Communications	Phone Service Jan 26, 2026 - Feb 25, 2026	94.02
029160	2/18/2026	Executive Suite Services Inc.	January 2026 Janitorial Services	1,150.00
029161	2/18/2026	County of Los Angeles	Nov. 2025 LA CO PW Building & Safety	17,930.25
029162	2/18/2026	LA County Sheriff's Department	January 2026 Law Enforcement Services	38,145.72
029163	2/18/2026	Lomita Sheriff Station Foundation	Lomita Sheriff Station Foundation 50th Anniv	600.00
029164	2/18/2026	MV CHENG AND ASSOCIATES	January 2026 Monthly Accounting Services	15,630.00
029165	2/18/2026	PVS, Inc.	March 2026 Security Alarm Service	177.00
029166	2/18/2026	City of Rolling Hills Estates	Emerg. Prep. MJHMP Cost Share	1,550.67
029167	2/18/2026	Sterling	Annual Fee - 2026	500.00
029168	2/18/2026	Willdan Inc.	Jan 2026 - Bldg Plan Check/Permit Project	2,496.25
029169	2/18/2026	Lomita Sheriff Station Foundation	Lomita Sheriff Station Foundation 50th Anniv	200.00
ACH-1083	2/17/2026	Abila	January 2026 Accounting Software	377.64
ACH-1084	2/18/2026	Bennett Landscape	3 Rail Fence Repair	400.00
ACH-1085	2/18/2026	Best Best & Krieger LLP	General Services - January 2026	15,017.10
ACH-1086	2/18/2026	Best Best & Krieger LLP	PC/Land Use - January 2026	1,406.00
ACH-1087	2/18/2026	Best Best & Krieger LLP	79 Eastfield Dr - January 2026	551.00
ACH-1088	2/3/2026	CalPERS	February 2026 Health Premium	16,840.97
ACH-1089	2/9/2026	CalPERS	CalPERS Retirement Payroll Ending 01-20-26	3,583.50
ACH-1090	2/17/2026	CalPERS	CalPERS Retirement Payroll Ending 02-03-26	3,583.50
ACH-1091	2/12/2026	CalPERS	Unfunded Accrued Liability-Classic 2025-2026	7,608.92
ACH-1092	2/12/2026	CalPERS	Unfunded Accrued Liability-PEPRA 2025-2026	137.25
ACH-1093	2/18/2026	California Water Service Co.	Water Usage 12-30-25 to 01-28-26_ROLLING#54654	3,960.03
ACH-1094	2/18/2026	California Water Service Co.	Water Usage 12-30-25 to 01-28-26_RANCHO#74654	357.63
ACH-1095	2/22/2026	FirstNet/AT&T Mobility	Code Compliance Mobile Phone - January 2026	52.82
ACH-1096	2/18/2026	Forum Info-Tech. Inc./Levelcloud	January 2026 - AWS Usage	867.56
ACH-1097	1/28/2026	The Gas Company	Gas usage from 12-09-25 to 01-09-26	104.13

ACH-1098	2/18/2026	HQE Systems Inc	Balance for 3-Pole Siren Project	13,050.00
ACH-1099	2/22/2026	Pacific Premier Bank / FNBO	Pac Prem Cred Crd Stmt January 2026 Acct#0306	209.76
ACH-1100	2/22/2026	Pacific Premier Bank / FNBO	Pac Prem Cred Crd Stmt January 2026 Acct#1746	391.57
ACH-1101	2/16/2026	Pitney Bowes	Postage for January 2026	1,009.75
ACH-1102	3/1/2026	Standard Insurance Company	March 2026 Life Insurance Policy #161783 Div 0001	235.34
ACH-1103	1/21/2026	Vantagepoint Transfer Agents -	Deferred Comp Contributions PR Ending 01-20-26	1,368.29
ACH-1104	2/4/2026	Vantagepoint Transfer Agents -	Deferred Comp Contributions PR Ending 02-03-26	1,368.29
PR LINK	1/23/2026	PR LINK - Payroll & PR Taxes PR2	Payroll Processing Fee PR#2_01/07/26 - 01/20/26	93.97
PR LINK	1/23/2026	PR LINK - Payroll & PR Taxes PR2	Pay Period PR#2_01/07/26 - 01/20/26	20,527.59
PR LINK	2/6/2026	PR LINK - Payroll & PR Taxes PR3	Payroll Processing Fee PR#3_01/21/26 - 02/03/26	81.25
PR LINK	2/6/2026	PR LINK - Payroll & PR Taxes PR3	Pay Period PR#3_01/21/26 - 02/03/26	20,499.32
REPORT TOTAL				192,238.07

I, Karina Banales, City Manager of Rolling Hills, California certify that the above demands are accurate and there is available in the General Fund a balance of
\$ 192,238.07 for the payment of above items.


 Karina Banales, City Manager



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD, ROLLING HILLS, CA 90274 | (310) 377-1521

Item: 12.A.

Meeting Date: 2/23/2026

To: City Council
From: Robert Samario, Finance Operations Lead Consultant
Thru: Karina Bañales, City Manager
Subject: Receive and file the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025

Background:

Each year, the City prepares a financial report covering all funds and operations. The financial report provides the City Council and the public with a measure of the financial condition of the City and the results of operations for the fiscal year. The financial statements are audited each year by an independent CPA firm to ensure that the financial statements are fairly presented.

The accompanying financial statements are referred to as the "Annual Comprehensive Financial Report" (ACFR) (Attachment A). As the name implies, the ACFR provides a "comprehensive" presentation of the City's finances. The ACFR is prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB) and has been audited by an independent certified public accounting firm. Based on their audit, the firm expresses an opinion as to whether the financial statements are free of any material misstatement and can, thus, be relied upon by the readers of the financial statement.

Discussion:

The attached financial statements (Attachment A) for the fiscal year ended June 30, 2025, are not only required to be prepared each year, but they also provide important information regarding the financial health of the City, and whether the financial health improved or deteriorated during the fiscal year.

The City's financial operations are organized into various funds. By far, the largest and most important fund is the General Fund, which accounts for a variety of unrestricted revenues, primarily taxes, that pay for core local governmental services, such as law enforcement, planning, building safety, emergency preparedness, and administration. Since the revenues are unrestricted, the City has considerable discretion as to how these funds are spent.

The other funds largely account for revenues that are restricted to specified purposes pursuant to laws, regulations, or contracts. These funds include Proposition A, Proposition C, Measure R, and Measure M. Revenues from these legislative actions are derived from special sales tax measures

approved by Los Angeles County voters over the last few decades and are restricted to transit and transportation purposes.

The City also uses a separate fund to account for solid waste collection and disposal services provided under contract by a private waste hauling company. These services are paid for by City residents through their property taxes billed by Los Angeles County on behalf of the City. This operation is reported as an Enterprise Fund in the financial statements, which means the charges for the services must be determined based on the full cost to provide the services.

A summary of the City's financial position and results of operations is provided below. However, a more comprehensive analysis of the financial results can be found in the Management's Discussion and Analysis section of the financial statements.

CITY-WIDE ANALYSIS

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, requiring new "government-wide" financial statements that combine all funds and operations into two categories: Governmental Activities and Business-Type Activities. Ostensibly, the new government-wide statements enable users to better assess the financial health of the government as the statements are prepared using the accrual basis of accounting, which is also used in the private sector. For the City of Rolling Hills, the governmental activities category includes all City funds except for the Refuse Collection Fund. In addition, the Governmental Activities category is almost entirely made up of the General Fund, which is where most City services, along with tax revenues that primarily pay for those services, are reported.

The net position, which is a key measure of financial health, of the City's governmental activities increased by \$1,924,736. The business-type activities include refuse collection operations. Refuse collection services are considered a utility and, as such, are typically fully funded from direct charges to customers utilizing these services. For this reason, they tend to operate much like the private sector and thus are classified as a "business-type activity." For fiscal year 2024-25, the direct charges totaled \$994,110, lower than the budgeted revenues of \$1,005,336. Staff is not sure why the assessments fell short this year, but will look into this with the County.

GENERAL FUND

By far, the largest of the governmental funds is the General Fund, where most of the City's operations are accounted for. The General Fund's financial position decreased by \$527,120 after transferring \$344,975 to the City's capital funds for large capital improvement projects. Capital transfers are an intentional use of General Fund reserves to fund capital improvement projects.

Excluding capital transfers, the General Fund realized an operating deficit of \$206,145. This was the result of two key factors. First, the charges imposed on the City by the Los Angeles Public Works Department for contracted building and planning services increased by over \$100,000 from prior year and \$200,911 more than the \$250,000 budget. This was coupled by a corresponding \$156,476 decrease in building-related fees the County collected on our behalf. Second, the City incurred almost \$70,000 in unbudgeted legal costs in connection with the recent land movements in the Palos Verdes Peninsula.

Property Tax revenues are the largest General Fund revenue at \$1,478,795, making up 57% of total General Fund revenues of \$2,610,776. Property Tax revenues increased from the prior year total of \$1,432,117 by 53,454 (3.3%), which is below historic averages when excluding the impacts on revenues during COVID-19. As staff has discussed with Council over the last year, the landslide in the Palos Verdes Peninsula last year, which caused major shutdown in utilities and damages to public and private properties, has likely impacted home sales, which likely explains the below average

growth this past year. Moreover, the effects of the land movement along the peninsula are likely to continue through at least fiscal year 2025-26.

The City issues building permits for construction projects undertaken by City residents. In general, these revenues are tied to the economy and the housing market. As real estate prices increase, there tends to be an increase in residential building activity. However, we saw a dramatic shift in both the revenues generated by LACPWD and the fees charged to the City of Rolling Hills. Fiscal year 2025 revenues declined by approximately \$150,000 from fiscal year 2024, while the County's fees charged the City increased by over \$100,000. This unprecedented set of results is still being investigated and has not been resolved. Some of this may be the result of the action taken in October 2024 by the County of Los Angeles Board of Supervisors to waive building fees for solar and other similar projects for properties affected by the land movements. These fees were not initially thought to be significant, but this will become clearer once the investigation is complete.

The City receives an allocation from the State of California called the Motor Vehicle License Fee (MVLF). The MVLF is a tax imposed in lieu of a local personal property tax on automobiles. The MVLF is imposed at a rate of 2% on a vehicle's market value, adjusted by a depreciation schedule specified in state law. Pursuant to the State Constitution, VLF revenue is allocated to local governments. Approximately 75% of MVLF is split between cities and counties. The remaining 25% of local government VLF funds are restricted to funding various health, mental health, and social services programs shifted to the counties as part of the 1991 realignment. In fiscal year 2024/25, the City's allocation totaled \$287,512, an increase from last year of approximately 4.7%.

RESULTS OF INDEPENDENT AUDIT

The City's financial records and annual financial report are subject to an audit by an independent CPA firm. At the conclusion of the audit, the auditors issue an opinion letter which indicates whether or not the financial statements are free of material misstatement and whether they can be relied upon. Based on their audit, the City received an "unmodified" opinion, which means the financial statements are free of material misstatements and can be relied upon. This opinion letter is included within the financial statements.

The auditors also provide the City Council with two other letters in connection with their audit of the financial statements, which are not included within the financial report document. The first is a report on internal controls (Attachment B). Although the auditors do not express an opinion on internal controls, they do a fair amount of testing in this area to determine if the City's internal control procedures can be relied upon for purposes of conducting their audit. For example, if internal controls were weak, the auditors would have to perform more substantive test work to reach a comfort level sufficient to issue an unmodified opinion. As a result of the auditor's testing and evaluation of internal controls, the report on internal controls indicates that no material weaknesses were noted. The second letter includes matters the auditors are required to communicate to the audit committee or the City Council (Attachment C) in relation to the conduct of the audit. Although the letter contains a great deal of "boilerplate" language, it is where auditors might, for example, note any disagreements with staff or unusual circumstances surrounding the audit. However, based on their audit, there were no items that required special communication other than the normal information required under government auditing standards. Both letters are attached.

Fiscal Impact:

None

Recommendation:

Receive and file the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30,

2025.

Attachments:

1. Attachment A - CL_AGN_260223_CC_LSL_FY24-25_ACFR
2. Attachment B - CL_AGN_260223_CC_LSL_FY24-25_InternalControlReport
3. Attachment C - CL_AGN_260223_CC_LSL_FY24-25_AuditLetter
4. CL_AGN_260223_CC_FN_FY24-25_Audit_PPT
5. CL_AGN_260223_CC_LSL_FY24-25_Audit_PPT



CITY OF ROLLING HILLS, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS

Focused
on YOU



WWW.LSLCPAS.COM

CITY OF ROLLING HILLS, CALIFORNIA

Financial Statements

For the Year Ended June 30, 2025

PREPARED BY:

THE CITY OF ROLLING HILLS, CALIFORNIA

FINANCIAL SERVICES DEPARTMENT

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ROLLING HILLS, CALIFORNIA

Financial Statements

For the Year Ended June 30, 2025

Table of Contents

Page
Number

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
Notes to Required Supplementary Information.....	47
Budgetary Comparison Schedule – General Fund.....	48
Budgetary Comparison Schedule – Cal/OES Fund.....	49
Schedule of Proportionate Share of the Net Pension Liability – Miscellaneous	50
Schedule of Plan Contributions – Miscellaneous.....	52
Schedule of Changes in the Net OPEB Asset and Related Ratios	54
Schedule of Plan Contributions – OPEB.....	56

CITY OF ROLLING HILLS, CALIFORNIA

Financial Statements

For the Year Ended June 30, 2025

Table of Contents

Page
Number

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	62
Budgetary Comparison Schedules – Special Revenue Funds:	
Transit.....	66
Measure R	67
COPS.....	68
Measure M Local Return	69
LA County Measure W	70
Budgetary Comparison Schedules – Capital Project Funds:	
Capital Projects Fund	71



INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the City Council
City of Rolling Hills, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, California, (hereafter, the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing*



To the Honorable Members of the City Council
City of Rolling Hills, California

Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension and other post-employment benefits schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements



To the Honorable Members of the City Council
City of Rolling Hills, California

and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

LSL, LLP

Irvine, California
February 4, 2026

THIS PAGE INTENTIONALLY LEFT BLANK

The following narrative provides an overview and analysis of the financial activities of the City of Rolling Hills for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10.5 million (net position). Of this amount, \$3.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4.9 million. Of this amount, \$896,785 is unassigned in the General Fund and available for spending at the City's discretion. Approximately \$2.7 million is assigned for emergencies and other contingencies pursuant to City policy.
- General Fund expenditures exceeded revenues by \$206,145 before interfund transfers, and expenditures were \$167,625 over budget. After operating transfers, the General Fund's fund balance decreased by \$527,120.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain the following three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

The statement of net position presents information on all of the City's assets, deferred inflows/outflows of resources and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement will have no effect on cash until some future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover some or all of their costs through user fees and charges (business-type activities).

Governmental activities. With the exception of refuse services, all of the City's basic services are reported in this category, including the general administration, public safety, planning and development, recreation and public works. Property taxes, sales tax, real estate transfer tax, licenses and permits, franchise fees, charges for services, interest income, grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities. The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Refuse Collection operation is reported in this category.

The government-wide financial statements can be found on pages 15 to 17 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The difference between the results in the Governmental Fund financial statements to those in the Government wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

In addition to the major funds reported separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance, the City also maintains 7 special revenue funds and one capital project fund. Data from these funds are combined into a single, aggregated presentation referred to as other governmental funds.

Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental and proprietary funds. A budget comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This comparison can be found on page 48 of this report.

The basic governmental fund financial statements can be found on pages 18 to 21 of this report.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Within the category of proprietary funds are Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Refuse activity. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Municipal Self Insurance costs and accumulated reserves. Because these services predominantly benefit governmental rather than business-type functions, this fund has been included within the governmental activities in the government-wide financial statement.

The basic proprietary fund financial statements can be found on pages 22 to 24 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 45 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 58 to 65 of this report.

Governmental-wide Financial Analysis

Net Position

As previously discussed, net position may serve over time as a useful indicator of a government's financial health. The City's net position for fiscal years 2023/24 and 2024/25 are shown in Table 1 below. As of June 30, 2025, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$10.5 million. This is an increase from prior year of \$1.9 million, most of which is attributable to the additional investments in capital assets funded in large part by federal grants.

Table 1 City of Rolling Hills Net Position						
	Government Activities		Business Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 8,747,861	\$ 8,608,725	\$ 11,690	\$ 24,498	\$ 8,759,551	\$ 8,633,223
Capital assets	4,423,105	2,250,730	-	-	4,423,105	2,250,730
Total Assets	13,170,966	10,859,455	11,690	24,498	13,182,656	10,883,953
Deferred outflows of resources:						
Pension/OPEB related items	456,235	532,682	-	-	456,235	532,682
Liabilities:						
Current and other liabilities	1,760,964	1,434,960	-	-	1,760,964	1,434,960
Total Liabilities	1,760,964	1,434,960	-	-	1,760,964	1,434,960
Deferred inflows of resources:						
Lease related items	1,258,330	1,277,254	-	-	1,258,330	1,277,254
Pension/OPEB related items	96,421	93,173	-	-	96,421	93,173
	1,354,751	1,370,427	-	-	1,354,751	1,370,427
Net position:						
Invested in capital assets	4,423,105	2,250,730			4,423,105	2,250,730
Restricted	2,401,541	2,683,856			2,401,541	2,683,856
Unrestricted	3,686,840	3,652,164	11,690	24,498	3,698,530	3,676,662
Total Net Position	\$ 10,511,486	\$ 8,586,750	\$ 11,690	\$ 24,498	\$ 10,523,176	\$ 8,611,248

Of the total net position shown in the bottom section of Table 1, \$4.4 million (42%) reflects its investment in capital assets. An additional \$2.4 million of the net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3.7 million is unrestricted and may be used to meet the government's ongoing obligations. Of this amount, approximately \$2.7 million has been designated by City Council for emergencies, such natural disasters, economic downturns such as the Great Recession in 2008, and other unexpected events that may call upon City financial resources.

Changes in Net Position

A summary of the changes to the net position is provided in Table 2 below.

Table 2 City of Rolling Hills Changes in Net Position						
	Government Activities		Business Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for Services	\$ 404,347	\$ 580,852	\$ 994,110	\$1,005,434	\$ 1,398,457	\$ 1,586,286
Operating Grants and contributions	1,214,078	1,193,368	-	-	1,214,078	1,193,368
Capital Contributions and grants	791,263	4,139	-	-	791,263	4,139
General revenues:						
Property taxes	1,478,795	1,432,117	-	-	1,478,795	1,432,117
Franchise taxes	10,619	12,110	-	-	10,619	12,110
Other taxes	56,368	99,903	-	-	56,368	99,903
Motor vehicle in-lieu - unrestricted	287,513	274,520	-	-	287,513	274,520
Use of money and property	368,888	372,247	225	4	369,113	372,251
Other	50,981	12,522	-	-	50,981	12,522
Total Revenues	4,662,852	3,981,778	994,335	1,005,438	5,657,187	4,987,216
EXPENSES						
General government	1,224,669	1,202,109	-	-	1,224,669	1,202,109
Public safety	439,401	437,115	-	-	439,401	437,115
Planning and development	1,019,297	873,285	-	-	1,019,297	873,285
Public works	78,749	234,624	-	-	78,749	234,624
Refuse collection	-	-	983,143	980,995	983,143	980,995
Total Expenses	2,762,116	2,747,133	983,143	980,995	3,745,259	3,728,128
Excess (Deficiency) Before Transfers	1,900,736	1,234,645	11,192	24,443	1,911,928	1,259,088
Transfers	24,000	24,000	(24,000)	(24,000)	-	-
Increase (Decrease) in Net Position	1,924,736	1,258,645	(12,808)	443	1,911,928	1,259,088
Net Position - Beginning -Restated	8,586,750	7,328,105	24,498	24,055	8,611,248	7,352,160
Net Position - Ending	\$ 10,511,486	\$ 8,586,750	\$ 11,690	\$ 24,498	\$ 10,523,176	\$ 8,611,248

Governmental Activities. As previously noted, the governmental activities category includes all City funds except for the Refuse Collection Fund. In addition, this category is largely made up of the General Fund, which is where most city services, along with tax revenues that primarily pay for those services, are reported.

As shown in Table 2 above, the net position of the City's governmental activities increased by \$1.9 million. These favorable results are the result of capitalized expenditures related to large capital projects, such as two utility undergrounding projects that are mostly paid for by federal grants.

Business-Type Activities. The activity accounted for in the business-type activities category is the refuse collection operations. Refuse collection services are considered a utility and, as such, are typically fully funded from direct charges to customers utilizing these services. They tend to operate much like the private sector and thus are classified as a “business-type activity.” In the case of the City’s refuse operation, rates are set to cover the payments to the contracted refuse hauler, which for fiscal year 2024-25 totaled \$994,110.

The net result of operations was a decrease in net position of \$12,808, reducing the net position to \$11,690.

Financial Analysis of the Government’s Funds

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources (i.e., reserves). Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2024-25, the City’s governmental funds in total reported combined ending fund balances of \$4,898,534. This is a decrease of \$752,270 from last fiscal year, which is largely attributable to the City’s investment in capital improvements. These costs are reflected both in the General Fund as “Transfers out” to the Capital Improvement Fund and Capital Grants Fund totaling \$344,975, as well as the capital expenditures across governmental funds totaling \$1.6 million. This use of General Fund reserves is both appropriate and needed and, as such, represents a planned drawdown of reserves. In the case of the CAL/OES Fund, approximately 75% of eligible costs are reimbursable from federal grants.

By far the largest of the governmental funds is the General Fund, in which where most of the City’s operations are accounted for. The General Fund’s financial position decreased by \$527,120 to a net position at June 30, 2025 of \$4,116,734, in part due to the capital transfers of \$344,975 funded from the planned use of reserves, but also due to unexpected costs increases for contracted building and planning services provided by the County of Los Angeles.

General Fund Revenue Highlights

The breakdown of General Fund revenues is shown in Table 3 below. As shown in Table 3, total revenues ended the year very close to the budgeted estimate adopted in June 2025. While there are some variances at the line-item level, in most cases actual revenues were in line with expectations.

A more detailed discussion of key revenues is provided below.

Table 3 CITY OF ROLLING HILLS General Fund Revenues Fiscal Year Ended 6/30/2025			
	Adopted Budget	Actual Revenues	Variance
Property Taxes	\$ 1,500,750	\$1,478,795	\$ (21,955)
Sales Taxes	10,000	13,555	3,555
Property Transfer Tax	64,890	42,813	(22,077)
Other Taxes	1,000	-	(1,000)
Motor Vehicle In Lieu	280,545	287,512	6,967
Building & Other Permits	400,000	354,300	(45,700)
Construction & Demo Permits	10,000	6,600	(3,400)
Variance, Planning & Zoning	25,000	27,058	2,058
Animal Control Fees	300	541	241
Franchise Fees	13,000	10,619	(2,381)
Fines & Traffic Violations	4,000	6,848	2,848
Cost Reimbursements	3,000	9,000	6,000
RHCA Lease Revenue	69,000	58,712	(10,288)
Public Safety Aug Fund	1,200	1,202	2
Interest on Investments	140,000	184,755	44,755
PARS Earnings	44,000	53,484	9,484
Miscellaneous Revenue	6,000	50,982	44,982
Transfers In - Refuse	24,000	24,000	-
TOTALS	<u>\$2,596,685</u>	<u>\$2,610,776</u>	<u>\$ 14,091</u>

Property Taxes. By far, the largest General Fund revenue is from property taxes. For fiscal year 2024-25, property tax revenues totaled \$1,478,795. This is \$21,955 **below** the adopted budget of \$1,500,750. In addition, property grew just 3.3% from fiscal year 2023-24, which, is the lowest since fiscal year 2018 with the exception of the impacts of COVID-19 in fiscal year 2020 and 2021.

In general, most of the annual growth each fiscal year is attributable to the re-assessment of properties that have sold to the market value (i.e., the sales price). In an older and stable community such as Rolling Hills, the assessed values pursuant to Proposition 13 are well below the market values, and the assessed value can only increase by a maximum of 2% per year. Thus, when a property is sold, the assessed value increases to market value and results in a substantial increase in property taxes paid by the homeowner and allocated to the City.

However, as staff has discussed with Council over the last year, the landslide in the Palos Verdes Peninsula last year, which caused major shutdown in utilities and damages to public and private properties, appears to have impacted home sales. This is likely the cause for the below average growth this past year. Moreover, the effects of the land movement along the peninsula in terms of home sales may continue into at least the next year. For that reason, the fiscal year 2025-26 adopted budget assumed a 3.5% growth based on revenue projections made in April 2025. Fortunately, actual fiscal year 2024-25 property revenues were slightly above the projections, thus only requiring a 1.3% growth to meet the budgeted estimate.

Real Property Transfer Tax (RPTT). RPTT, also referred as “documentary tax”, is assessed when a property is sold and is collected through escrow. The tax is \$1.10 per thousand dollars in sales value. For example, a property that sold for \$1 million would be assessed \$1,100. Revenues collected by County are shared 50-50 with the city where the property is located so that cities effectively receive \$0.55 per thousand dollars of sales value. Revenues are driven, first, by the number of properties sold and, second, the sales price.

In fiscal year 2024-25, the City received \$42,813 versus the budget estimate of \$64,890. As noted above in the discussion of property taxes, the decline in RPTT is likely due the result of fewer home sales. RPTT is fairly volatile, which may be due to variabilities in the price of homes sold in the year.

Lastly, RPPT revenues serves as a leading indicator of the growth in property taxes in the following year. As such, the City can expect relatively lower property tax growth in fiscal year 2025-26.

Building and Other Permits. Revenues from this category are the General Fund's second-largest revenue, with budgeted revenues of \$400,000. Actual revenues for fiscal year 2024-25 were \$354,300, which are \$45,700 below budget. More importantly, revenues from fees collected on behalf of the City were not only below expectations, the County's charges for their services were substantially higher than expected given the revenues collected on the City's behalf. The table to the right provides an historical perspective on the relationship between revenues collected by the County on the City's behalf and their corresponding charges for their services. From fiscal year 2022 through 2024, the City realized an average net revenue margin of 15%.. Thus, the sharp decline in revenues from fiscal year 2024 of \$156,476 coupled with a \$103,796 increase in the County's charges is a dramatic departure from prior years. These unusual results are currently being investigated by both the City and County.

County Building Services			
Fiscal Year	Revenue Collections	County Charges	Net
2022	\$ 241,947	\$ 206,177	\$ 35,770
2023	198,166	156,678	41,488
2024	398,898	347,115	51,783
2025	242,422	450,911	(208,489)

Note that total revenues in fiscal year 2024-25 of \$354,300 include revenues collected by the Willdan Group for expedited plan check and permitting services. During fiscal year 2024-25, Willdan collected approximately \$107,000.

Motor Vehicle License Fees. The City receives an allocation from the State of California called the Motor Vehicle License Fee (MVLFF). The MVLFF is a tax imposed in lieu of a local personal property tax on automobiles. The MVLFF is imposed at a rate of 2% on a vehicle's market value, adjusted by a depreciation schedule specified in state law. Pursuant to the State Constitution, MVLFF revenue is allocated to local governments, with approximately 75% of MVLFF being split between cities and counties and the remaining 25% of local government VLF funds are restricted to funding various health, mental health, and social services programs shifted to the counties as part of the 1991 realignment. In fiscal year 2024-25, the City's allocation totaled \$287,513. This revenue is largely affected by the number in, and dollar increase of, car sales.

Interest on Investments. Excluding the funds held in the Section 115 Pension Trust, interest revenues through June 30, 2025, totaled \$184,755 versus the adopted budget of \$140,000. This favorable result reflects the higher interest rates relative to prior years. As the City invests in capital improvements from the use of reserve, the City will see a decline in cash balances and a commensurate decline in earnings.

Interest earnings from the funds held in the City's Section 115 pension trust are also higher than budget, ending the year at \$53,484 versus a budget of \$44,000.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail.

Ending unrestricted net position for the Refuse Collection - Enterprise Fund is \$11,690. The total change in net position for the Refuse Collection - Enterprise Fund was a net decrease of \$12,808.

Ending unrestricted net position for the Municipal Self Insurance Fund - Internal Service Fund increased by \$9,098 from interest earning to \$284,893.

General Fund Budgetary Highlights

The fiscal year 2024-25 adopted budget totaled \$2,576,708 as shown in Table 4 below. The amended budget, which reflects budget amendments and carryovers, including \$1,361,810 in capital carryovers, totaled \$3,987,109.

Table 4 General Fund Expenditures - Budget Vs Actual Fiscal Year Ended June 30, 2025				
	Adopted Budget	Amended Budget	Actuals	Variance
City Administration	\$ 869,059	\$ 894,165	\$ 954,746	\$ (60,581)
Finance	159,500	159,500	127,023	32,477
Planning	890,549	890,549	1,019,297	(128,748)
Public Safety	323,000	323,000	311,008	11,992
City Properties	142,600	142,600	96,943	45,657
Non-Departmental	192,000	215,485	283,906	(68,421)
Total Operating Expenditures	2,576,708	2,625,299	2,792,921	(167,622)
Capital Transfers Out	-	1,361,810	344,975	1,016,835
Totals	\$2,576,708	\$ 3,987,109	\$3,137,896	\$ 849,213

Looking at just the operating expenditures, overall spending totaled \$2,792,921, which exceed the operating budget by \$167,622. This is largely attributable to two items.

1. **PERS Unfunded Liability** – Each year the City is required to make payments to CalPERS to reduce its unfunded pension liability. The City did not budget for this payment because the intention was that this payment would be funded by a drawdown from its Section 115 Trust where funds have been set aside to offset the City's unfunded liability. However, due to investment losses of 6.1% realized by CalPERS in fiscal year 2021-22 that impacted the calculated liability at June 30, 2025, the City's unfunded liability increased from \$549,100 to \$1,018,747. This results in the City having its unfunded liability almost entirely covered by the assets in its Section 115 Trust in fiscal year 2023-24 to a deficit of \$466,205. Because of this, staff decided in the spring to not draw the funds to preserve as much as possible in the trust. Note that from fiscal year 2022-23 through 2024-25, CalPERS realized an average of 8.9% returns on its investments. While these returns are higher than their assumed rate of return and will help reduce the unfunded liability to a degree, they will only offset a small portion of the 6.1% loss in fiscal year 2021-22.

2. The County's charges for their building and planning services inexplicably increased from \$347,115 in fiscal year 2023-24 to \$450,911 in fiscal year 2024-25. At the same time, City revenues declined by \$156,476. This unusual set of circumstances is still under investigation.

Capital expenditure primarily relate to two federally-funded projects that are putting utilities underground. While these projects are reimbursable by FEMA and CalOES, the General Fund covers 25% of the costs.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounted to \$4,423,105. This is an increase of approximately \$2.2 million from last fiscal year due primarily to the large investment into undergrounding utilities, of which 75% is funded from federal hazardous mitigation grants. Additional information on the City of Rolling Hills capital assets can be found in Note 5 on page 35 of this report.

Long-Term Debt

The City has no bonded indebtedness. At the end of the current fiscal year, the City's compensated absences increased by \$43,061 to \$118,966. The increase was largely due to new accounting standards that required the accrual of estimated cost of sick time taken in the following year even though sick leave does not vest.

Other Post-Employment Health Care Benefits

The City offers its retirees medical benefits through CalPERS, which provides medical insurance benefits to eligible retirees. Through CalPERS, the City pre-funds these benefits while the employees are actively working. Pursuant to GASB Statement 78, adopted during fiscal year 2017-18, the City is required to recognize a liability for any unfunded accrued liabilities as determined by an actuary. As of June 30, 2025, the City's total accrued liability was \$519,420. However, this liability was offset by the prefunded investments held by CalPERS on the City's behalf which totaled \$737,364. As a result, the City's net position was a net surplus/asset of \$217,944, which is included on the Statement of Net Position. See Note 10 starting on page 42.

Pension Plan Obligations

The City of Rolling Hills provides a defined benefit pension plan to its employees which is administered by CalPERS. Details of this pension plan can be found in Note 9 found starting on page 37. Pursuant to GASB Statement 68, the City reports any unfunded accrued liabilities in its financial statements. As of June 30, 2025, the net pension liability was \$994,406. However, the City has established a Pension Stabilization Trust Fund to supplement the funding of its pension obligations. The unfunded liability balance in the trust as of June 30, 2025 was \$540,690. As such, the plan is approximately 54.4% funded.

Economic Factors and Next Year's Budgets

The City of Rolling Hills almost exclusively provides services to the residents of the Rolling Hills Community Association. In addition, it has no retail or commercial businesses within its City limits. As such, the City only typically receives less than \$25,000 annually from sales taxes, which are derived entirely from online sales transactions; and its regular and ongoing operations are primarily funded from property taxes assessed on residential properties. Since assessed values grow at 2% or less per state law, and are only re-assessed to market value when properties are sold, growth in property taxes tends to grow between 3-6% in normal conditions. In fiscal year 2024-25, property taxes grew 3.3%. For fiscal year 2025-26, the adopted revenue budget for property taxes assumed only a 3.5% growth due to the impacts of the recent land movements that have affected property sales in the City of Rolling Hills, which in turn impact property tax growth.

One of the key services provided to the community relates to residential building activity, which generate revenues from building and construction-related permits and fees. These revenues make up approximately 20% of total revenues. Unlike property taxes, building revenues are generally tied to economic conditions and can be significantly impacted by major economic downturns or other event, such as the increase in interest rates during 2023 and 2024. Although revenues declined inexplicably in fiscal year 2025, as previously discussed, we have seen revenues in the first half of fiscal year 2025-26 bounce back and will likely exceed the \$450,000 budget by fiscal year end.

The City Council adopted the Fiscal Year 2025-26 budget in June 2025, and the following factors were considered in preparing the budget:

- Property taxes are expected to grow by 3.5%.
- Given the recent trends in revenues, the adopted budget for building revenues remains conservative at \$450,000.
- Much needed capital improvements are included in the budget, which are being funded from reserves.
- At June 30, 2025, the General Fund's reserves totaled \$4,116,734. Of this total, \$2,679,259 is set aside as a contingency reserve pursuant to the City's adopted reserve policies.

Contacting the City's Financial Department

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of Rolling Hills, 2 Portuguese Bend Road, Rolling Hills, California 90274.

CITY OF ROLLING HILLS, CALIFORNIA
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 5,198,172	\$ -	\$ 5,198,172
Receivables (net of uncollectibles):			
Taxes	78,757	16,634	95,391
Accrued interest	7,660	-	7,660
Due from other governments	1,441,364	-	1,441,364
Leases	1,258,330	-	1,258,330
Internal balances	4,944	(4,944)	-
Restricted assets:			
Cash and investments	540,690	-	540,690
Net OPEB asset	217,944	-	217,944
Capital assets (not being depreciated)	3,848,527	-	3,848,527
Capital assets (net of accumulated depreciation)	574,578	-	574,578
Total assets	13,170,966	11,690	13,182,656
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	295,348	-	295,348
OPEB-related	160,887	-	160,887
Total deferred outflows of resources	456,235	-	456,235
LIABILITIES			
Accounts payable	368,507	-	368,507
Deposits payable	279,085	-	279,085
Noncurrent liabilities:			
Due within one year:			
Compensated absences	30,000	-	30,000
Due in more than one year:			
Net pension liability	994,406	-	994,406
Compensated absences	88,966	-	88,966
Total liabilities	1,760,964	-	1,760,964
DEFERRED INFLOWS OF RESOURCES			
Pension-related	27,519	-	27,519
OPEB-related	68,902	-	68,902
Lease-related	1,258,330	-	1,258,330
Total deferred inflows of resources	1,354,751	-	1,354,751
NET POSITION			
Invested in Capital Assets	4,423,105	-	4,423,105
Restricted:			
Public safety	145,093	-	145,093
Transit/Transportation	726,940	-	726,940
Stormwater Management	53,575	-	53,575
Underground Utilities	707,223	-	707,223
Other purposes	10,076	-	10,076
Pension Rate Stabilization Fund	540,690	-	540,690
OPEB asset	217,944	-	217,944
Unrestricted	3,686,840	11,690	3,698,530
Total net position	\$ 10,511,486	\$ 11,690	\$ 10,523,176

CITY OF ROLLING HILLS, CALIFORNIA
Statement of Activities
For the Year Ended June 30, 2025

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs:				
Primary government:				
Governmental activities:				
General government	\$ 1,224,669	\$ 9,541	\$ -	\$ -
Public safety	439,401	6,848	575,560	791,263
Development services	1,019,297	387,958	-	-
Public works	78,749	-	638,519	-
Total governmental activities	2,762,116	404,347	1,214,078	791,263
Business-type activities:				
Refuse Collection Fund	983,143	994,110	-	-
Total business-type activities	983,143	994,110	-	-
Total primary government	\$ 3,745,259	\$ 1,398,457	\$ 1,214,078	\$ 791,263
General revenues and transfers:				
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Motor vehicle in lieu - unrestricted				
Use of money and property				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position-beginning				
Net position-ending				

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (1,215,128)	\$ -	\$ (1,215,128)
934,270	-	934,270
(631,339)	-	(631,339)
559,770	-	559,770
(352,428)	-	(352,428)
-	10,967	10,967
-	10,967	10,967
(352,428)	10,967	(341,461)
1,478,795	-	1,478,795
13,555	-	13,555
10,619	-	10,619
42,813	-	42,813
287,513	-	287,513
368,888	225	369,113
50,981	-	50,981
24,000	(24,000)	-
2,277,164	(23,775)	2,253,389
1,924,736	(12,808)	1,911,928
8,586,750	24,498	8,611,248
\$ 10,511,486	\$ 11,690	\$ 10,523,176

CITY OF ROLLING HILLS, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2025

	<u>Special Revenue Fund</u>			
	<u>General</u>	<u>CAL/OES</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 2,761,888	\$ 148,822	\$ 2,002,569	\$ 4,913,279
Receivables (net of allowance for uncollectible):				
Taxes	78,757	-	-	78,757
Interest	7,660	-	-	7,660
Due from other governments	796	1,440,568	-	1,441,364
Leases	1,258,330	-	-	1,258,330
Due from other funds	1,244,150	-	-	1,244,150
Restricted assets:				
Cash and investments	540,690	-	-	540,690
Total assets	\$ 5,892,271	\$ 1,589,390	\$ 2,002,569	\$ 9,484,230
LIABILITIES				
Accounts payable	\$ 238,122	\$ 8,399	\$ 121,986	\$ 368,507
Deposits payable	279,085	-	-	279,085
Due to other funds	-	1,231,617	7,589	1,239,206
Total liabilities	517,207	1,240,016	129,575	1,886,798
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	1,440,568	-	1,440,568
Lease related	1,258,330	-	-	1,258,330
Total deferred inflows of resources	1,258,330	1,440,568	-	2,698,898
FUND BALANCES (DEFICITS)				
Restricted	540,690	-	1,642,907	2,183,597
Committed	-	-	250,972	250,972
Assigned	2,679,259	-	-	2,679,259
Unassigned	896,785	(1,091,194)	(20,885)	(215,294)
Total fund balances (deficits)	4,116,734	(1,091,194)	1,872,994	4,898,534
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 5,892,271	\$ 1,589,390	\$ 2,002,569	\$ 9,484,230

CITY OF ROLLING HILLS, CALIFORNIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		\$ 4,898,534
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,423,105
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings, and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.		
Deferred outflows-pension related	295,348	
Deferred outflows-OPEB related	160,887	
Deferred inflows-pension related	(27,519)	
Deferred inflows-OPEB related	<u>(68,902)</u>	
Total deferred outflows and inflows related to postemployment benefits		359,814
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either labeled unavailable or not reported in the funds.		
Net OPEB asset	217,944	
Miscellaneous revenues	<u>1,440,568</u>	
Total other long-term assets		1,658,512
Internal service funds provide services to other funds on a cost-reimbursement basis. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Activities.		284,893
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
Compensated absences	(118,966)	
Net pension liability	<u>(994,406)</u>	
Total long-term liabilities		<u>(1,113,372)</u>
Net position of governmental activities		<u>\$ 10,511,486</u>

CITY OF ROLLING HILLS, CALIFORNIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

		Special Revenue Fund		
	General	CAL/OES	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,833,295	\$ -	\$ -	\$ 1,833,295
Licenses and permits	360,900	-	-	360,900
Intergovernmental	1,202	791,263	453,487	1,245,952
Charges for services	36,599	-	-	36,599
Use of money and property	296,951	-	62,839	359,790
Fines and forfeitures	6,848	-	-	6,848
Miscellaneous	50,981	-	-	50,981
Total revenues	2,586,776	791,263	516,326	3,894,365
EXPENDITURES				
Current:				
General government	1,458,418	-	93,171	1,551,589
Public safety	311,008	-	145,536	456,544
Planning and development	1,019,297	-	-	1,019,297
Public works	-	-	78,749	78,749
Capital outlay	4,198	1,354,303	205,955	1,564,456
Total expenditures	2,792,921	1,354,303	523,411	4,670,635
Excess (deficiency) of revenues over (under) expenditures	(206,145)	(563,040)	(7,085)	(776,270)
OTHER FINANCING SOURCES (USES)				
Transfers in	24,000	148,822	196,153	368,975
Transfers out	(344,975)	-	-	(344,975)
Total other financing sources (uses)	(320,975)	148,822	196,153	24,000
Net change in fund balances	(527,120)	(414,218)	189,068	(752,270)
Fund balances (deficit)-beginning	4,643,854	(676,976)	1,683,926	\$ 5,650,804
Fund balances (deficit)-ending	\$ 4,116,734	\$ (1,091,194)	\$ 1,872,994	\$ 4,898,534

CITY OF ROLLING HILLS, CALIFORNIA
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:		\$ (752,270)
Governmental funds report capital outlays are expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.		
Capital outlay	2,221,382	
Depreciation/amortization expense	<u>(49,007)</u>	
Total adjustment		2,172,375
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Earned but unavailable other revenues	<u>759,389</u>	
Total adjustment		759,389
Internal service funds provide services to other funds on a cost-reimbursement basis. The net revenue of certain activities of internal service funds is reported with governmental activities.		
		9,098
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(43,061)	
Changes in pension liabilities and related deferred outflows and inflows of resources	(237,938)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>17,143</u>	
Total adjustment		<u>(263,856)</u>
Change in net position of governmental activities		<u>\$ 1,924,736</u>

CITY OF ROLLING HILLS, CALIFORNIA
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities	Governmental Activities
	Refuse Collection Fund	Internal Service Funds
ASSETS		
Cash and investments	\$ -	\$ 284,893
Accounts receivable	16,634	-
Total assets	16,634	284,893
LIABILITIES		
Current liabilities:		
Due to other funds	4,944	-
Total liabilities	4,944	-
NET POSITION		
Unrestricted	11,690	284,893
Total net position	\$ 11,690	\$ 284,893

CITY OF ROLLING HILLS, CALIFORNIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities	Governmental Activities
	Refuse Collection Fund	Internal Service Funds
OPERATING REVENUES		
Sales and service charges	\$ 994,110	\$ -
Total operating revenues	994,110	-
OPERATING EXPENSES		
Refuse collection	983,143	-
Total operating expenses	983,143	-
Operating income (loss)	10,967	-
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	225	9,098
Total nonoperating revenues (expenses)	225	9,098
Income (loss) before transfers	11,192	9,098
Transfers out	(24,000)	-
Change in net position	(12,808)	9,098
Net position-beginning	24,498	275,795
Net position-ending	\$ 11,690	\$ 284,893

CITY OF ROLLING HILLS, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities	Governmental Activities
	Refuse Collection Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 994,110	\$ -
Payments to suppliers and service providers	(983,143)	-
Net cash provided by (used for) operating activities	10,967	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash transfers out	(24,000)	-
Payments from other funds on interfund borrowings	4,944	-
Taxes	(1,303)	-
Net cash provided by (used for) noncapital financing activities	(20,359)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	225	9,098
Net cash provided by (used for) investing activities	225	9,098
Net increase (decrease) in cash and cash equivalents	(9,167)	9,098
Cash and cash equivalents-beginning	9,167	275,795
Cash and cash equivalents-ending	\$ -	\$ 284,893
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 10,967	\$ -
Net cash provided by (used for) operating activities	\$ 10,967	\$ -

I. SIGNIFICANT ACCOUNTING POLICIES

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Rolling Hills, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of Entity

The accompanying basic financial statements present the financial activity of the City. The City is the level of government primarily accountable for activities relevant to the operations of the City of Rolling Hills, California.

The City was incorporated on January 25, 1957, under the provisions of the State of California. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, sanitation, animal control, culture and recreation, public improvement planning and zoning, and general administrative services.

The Rolling Hills Community Association is not a part of the City's reporting entity because the City has no accountability for fiscal matters of the Rolling Hills Community Association.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary funds function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Cal/OES special revenue fund is used to track funding for the California Governor's Office of Emergency Services grant activity and operations.

The City reports the following major proprietary fund:

The Refuse Collection Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund types:

- The internal service fund accounts for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. The City's internal service fund is for self-insurance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Cash and Investments

All cash and investments, except those that are held by fiscal agents, are held in a City pool. These pooled funds are available upon demand and, therefore, are considered cash and cash equivalents for purposes of the statement of cash flows. Investments held by fiscal agents with an original maturity of three months or less are also considered cash equivalents and are shown as restricted assets for financial statement presentation purposes.

Investments for the City are reported at fair value. The City's policy is generally to hold investments until maturity.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown net of allowance for uncollectibles.

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the purchases method.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

Capital Assets

Such assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	7-50
Improvements other than buildings	20
Computer equipment	5-20
Equipment and vehicles	5-20
Furniture and fixtures	20

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees in the period taken or upon separation from City's service. All vacation pay is accrued when incurred in the government-wide financial statements. In governmental funds, the cost of vacations is recognized when payments are made to employees.

Accumulated sick leave benefits are not recognized as liabilities of the City. The City's policy is to record sick leave as an operational expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. They are deferred outflows relating to the net pension obligation and deferred outflows related to other post-employment benefits reported in the government-wide statement of net position. These outflows are the results of contributions made after the measurement period, the net difference between projected and actual earnings on plan investments, changes in actuarial assumptions, differences between expected and actual experiences, and adjustments due to differences in proportions. The amounts for contributions made after the measurement period will be recognized in the subsequent fiscal year; the net difference between projected and actual earnings on plan investments will be amortized over five years; and all remaining deferrals will be amortized over the remaining expected average remaining service life.

In addition to liabilities, the statement of financial position or governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category. The government may report one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, accordingly, unavailable revenue, is reported only in the governmental funds balance sheet and is related to grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items that qualifies for reporting in this category are deferred inflows relating to the net pension obligation and other post-employment benefits reported in the government-wide statement of net position. These inflows are the result changes in actuarial assumptions, differences between expected and actual experiences, adjustments to proportions, and differences in the proportionate share of contributions. These amounts are deferred and amortized over the remaining service life. Lastly, leases related items for the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through resolution. The City has no committed fund balance as of June 30, 2025.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned include amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The assigned balance is set aside with the intent to be used for a specific purpose by the City Council through resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include non-spendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications.

The City established certain a minimum fund balance policy as follows:

The General Fund, Community Facilities Fund, and Underground Utility Fund shall maintain unrestricted fund balance (amount remaining after non-spendable and restricted fund balance) equivalent to a minimum of 100% of originally adopted annual expenditures (excluding one-time expenditures greater than \$25,000) before transfers plus any City Council approved committed or assigned fund balance.

Fund Equity Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Property Tax

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in January prior to the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD): June 30, 2023

Measurement Date (MD): June 30, 2024

Measurement Period (MP): July 1, 2023 to June 30, 2024

Other Post-Employment Benefits Plan

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), the assets of which are held by the California Public Employees' Retirement System (CalPERS), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD): June 30, 2023

Measurement Date (MD): June 30, 2024

Measurement Period (MP): July 1, 2023 to June 30, 2024

NOTE 2: CASH AND INVESTMENTS

As of June 30, 2025, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments:	
Governmental activities	\$ 5,198,752
Total cash and investments	<u>5,198,752</u>
Restricted cash and investments:	
Governmental activities	540,690
Total	<u>\$ 5,739,442</u>

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2025, consisted of the following:

Cash on hand	\$ 1,500
Demand deposits	590,081
Restricted investments (Section 115 Trust)	540,690
Investments	4,607,171
Total Cash and Investments	<u>\$ 5,739,442</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated annually to the various funds based on average daily cash balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

A. Deposits

As of June 30, 2025, the carrying amount of the City's deposits was \$576,649 and the bank balance was \$513,659. The \$62,990 difference represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

B. Investments

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Bonds, Notes and Bills
- Money Market Savings Accounts
- Local Agency Investment Fund (State Pool)
- Deposit of Funds

C. Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

D. Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

E. Pension Rate Stabilization Program Section 115 Trust

In July 2018, the City Council authorized participation in the PARS Pension Rate Stabilization Program Section 115 Trust in order to mitigate rising pension costs through CalPERS. The initial funding amount was \$185,000. The program has been established as a multiple employer trust so that public agencies regardless of size can join the program and receive the necessary economies of scale to keep administrative fees low and avoid any setup costs. The trust permits the City, under Federal and State law, to invest in a more diversified array of investments to maximize investment returns long term. The balance of the Trust at June 30, 2025 is \$540,690 and is reported as restricted cash and investments.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City mitigates its credit risk generally by following its three primary investment objectives, in order, of safety, liquidity and yield. The California Government Code generally limits allowable investments to those classes of investments with lower risk (and therefore lower yields). The City's investment policy further restricts these investments to the highest quality within a category and excludes certain otherwise allowable investments as not meeting the City's liquidity requirement.

Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2025, all securities were investment grade and were legal under State and City law. Investments in U.S. government securities are not considered to have a credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2025, the City's investments in external investment pools and money market mutual funds are unrated.

G. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As of June 30, 2025, \$540,690 of the City's deposits or investments were exposed to custodial credit risk, although deposits are classified as local agency collateralized deposit account.

H. Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. As of June 30, 2025, in accordance with GASB Statement No. 40, if the City has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this.

As of June 30, 2025, none of the City's deposits or investment were exposed to concentration of credit risk.

I. Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy establishes a maximum maturity of three years for all individual investments.

CITY OF ROLLING HILLS, CALIFORNIA
Notes to the Financial Statements
For the Year Ended June 30, 2025

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2025, the City had the following investments and original maturities:

	Investment Maturities (in Years)			Fair Value
	1 year or less	1 - 3 years	3 - 5 years	
Investments:				
Local Agency Investment Fund	\$ 585,512	\$ -	\$ -	\$ 585,512
Money Market Saving Accounts	96,903	-	-	96,903
Certificates of Deposits	1,731,870	1,461,496	731,391	3,924,757
Restricted investments:				
Money Market Saving Accounts	540,690	-	-	540,690
	<u>\$ 2,954,975</u>	<u>\$ 1,461,496</u>	<u>\$ 731,391</u>	<u>\$ 5,147,862</u>

J. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2025, all of the City's investments are valued using Level 1 inputs, with the exception of the Local Agency Investment Fund and money market funds, which are considered to be uncategorized.

NOTE 3: RECEIVABLES

Receivables at June 30, 2025, for the City's individual major funds, and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below. All receivables are expected to be collected within one year, except for delinquent property taxes.

Receivable	General Fund	CAL/OES Fund	Refuse Collection Fund	Total
Property, sales, and franchise taxes	\$ 78,757	\$ -	\$ -	\$ 78,757
Taxes assessed for rubbish collection	-	-	16,634	16,634
Interest	7,660	-	-	7,660
Due from other governments	796	1,440,568	-	1,441,364
Total Receivables	<u>\$ 87,213</u>	<u>\$ 1,440,568</u>	<u>\$ 16,634</u>	<u>\$ 1,544,415</u>

NOTE 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Transfers

Individual fund operating transfers for the fiscal year ended June 30, 2025, are as follows:

Funds	Transfers Out		Total
	General Fund	Refuse Collection Fund	
Transfers In:			
General Fund	\$ -	\$ 24,000	\$ 24,000
Cal/OES	148,822	-	148,822
Non-Major Funds	196,153	-	196,153
Total	<u>\$ 344,975</u>	<u>\$ 24,000</u>	<u>\$ 368,975</u>

The \$344,975 transferred out of the General Fund was transferred to the non-major Capital Improvement Fund for capital projects. The Refuse Collection Fund transferred out \$24,000 to the General Fund to cover administrative expenditures in the current fiscal year.

B. Due To/From Other Funds

Receivable Fund	Payable Fund	Totals
General Fund	Cal/OES Fund	\$ 1,231,617
General Fund	Refuse Collection Fund	4,944
General Fund	Nonmajor Governmental Funds	7,589
		<u>\$ 1,244,150</u>

The amounts loaned from the General Fund to the Cal/OES, Refuse Funds and other Nonmajor Governmental Funds were to eliminate negative cash balances as of June 30, 2025.

CITY OF ROLLING HILLS, CALIFORNIA
Notes to the Financial Statements
For the Year Ended June 30, 2025

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Transfers	Additions	Deletions	Balance June 30, 2025
<u>Governmental activities:</u>					
Capital assets, not being depreciated					
Land	\$ 564,040	\$ -	\$ -	\$ -	\$ 564,040
Construction-in-progress	1,328,042	(264,937)	2,221,382	-	3,284,487
Total capital assets, not being depreciated	1,892,082	(264,937)	2,221,382	-	3,848,527
Capital assets, being depreciated					
Building and Improvements	-	264,937	-	-	264,937
Land Improvements	176,139	-	-	-	176,139
Machinery, equipment, and vehicles	11,987	-	-	-	11,987
Storm Drain	363,350	-	-	-	363,350
Fixtures	26,591	-	-	-	26,591
Total capital assets, being depreciated	578,067	264,937	-	-	843,004
Less accumulated depreciation					
Building and Improvements	-	-	36,612	-	36,612
Land Improvements	176,139	-	-	-	176,139
Machinery, equipment, and vehicles	11,701	-	914	-	12,615
Storm Drain	18,168	-	9,370	-	27,538
Fixtures	13,411	-	2,111	-	15,522
Total accumulated depreciation	219,419	-	49,007	-	268,426
Total capital assets, being depreciated, net	358,648	264,937	49,007	-	574,578
Total governmental activities capital assets	\$ 2,250,730	\$ -	\$ 2,270,389	\$ -	\$ 4,423,105

During the fiscal year ended June 30, 2025, depreciation expense was \$49,007 and allocated to general government functional expense.

NOTE 6: LEASES

A. Leases Receivable and Deferred Inflows of Resources

The City entered into a 72 month-lease as Lessor for the use of a building at No. 1 Portugueses Bend Road and other near related common areas. An initial lease receivable was recorded in the amount of \$379,989. Amendments on the agreement have been made since the initial lease, as of June 30, 2025, the value of the lease receivable is \$1,258,330. The value of the deferred inflow of resources as of June 30, 2025, was \$1,258,330, and the City recognized lease revenue of \$58,712 during the fiscal year.

The principal and interest payments that are expected to maturity are as follows:

	Governmental Activities		
June 30	Principal	Interest	Total Payments
2026	\$ 61,104	\$ 7,887	\$ 68,991
2027	63,593	5,398	68,991
2028	66,184	2,807	68,991
2029	64,009	6,706	70,716
2030	61,648	10,793	72,441
Thereafter	941,791	91,394	1,033,185
Totals	\$ 1,258,330	\$ 124,984	\$ 1,383,314

NOTE 7: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences of the City for the fiscal year ended June 30, 2025:

	Balance July 1, 2024	Net Change	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 75,905	\$ 43,061	\$ 118,966	\$ 30,000

NOTE 8: LIABILITY, INSURED PROGRAMS AND WORKERS' COMPENSATION PROTECTION

A. Description of Self-Insured Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (the Authority). The Authority is composed of 126 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

**NOTE 8: LIABILITY, INSURED PROGRAMS AND WORKERS' COMPENSATION PROTECTION
(CONTINUED)**

For 2024-25 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$1,843,763. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2024-25.

NOTE 9: PENSION PLAN OBLIGATIONS

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The City has a Miscellaneous cost-sharing plan including the Classic Tier and PEPR Tier.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

NOTE 9: PENSION PLAN OBLIGATIONS (CONTINUED)

The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Below is a summary of the plans' provisions and benefits in effect at June 30, 2025, for which the City has contracted:

Major Benefit Options	Miscellaneous	Misc. PEPR
	Prior to	January 1, 2013
Hire Date	January 1, 2013	and thereafter
Benefit Provision		
Benefit Formula	2% @ 60	2% @ 62
Social Security	Yes	Yes
Full/Modified	Modified	Full
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	Minimum 50 yrs	
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2%
Required employer contribution rates	22.49%	22.49%
Required employee contribution rates	7.00%	8.25%

New entrants are not allowed in the Miscellaneous Classic Tier.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2025, the contributions recognized as a reduction to the net pension liability for all Plans was \$117,636.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2025, the City reported net pension liability for its proportionate shares of the net pension liability of the Plan was \$994,406.

CITY OF ROLLING HILLS, CALIFORNIA
Notes to the Financial Statements
For the Year Ended June 30, 2025

NOTE 9: PENSION PLAN OBLIGATIONS (CONTINUED)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2024, was as follows:

Proportion - June 30, 2023	0.01709%
Proportion - June 30, 2024	0.00820%
Change	<u>-0.00889%</u>

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 117,636	\$ -
Changes of assumptions	25,558	-
Differences between expected and actual experience	85,976	3,355
Net difference between projected and actual earnings on pension plan investments	57,247	3,880
Adjustments due to differences in proportions	8,931	20,284
Difference in proportionate share		
Total	<u>\$ 295,348</u>	<u>\$ 27,519</u>

The \$117,636 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 52,721
2027	119,747
2028	(2,657)
2029	(19,618)
Total	<u>\$ 150,193</u>

NOTE 9: PENSION PLAN OBLIGATIONS (CONTINUED)

Actuarial Assumptions

For the measurement period ended June 30, 2024 (the measurement date), the total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and services
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2023 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 9: PENSION PLAN OBLIGATIONS (CONTINUED)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{1, 2}
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.90 percent) or 1% point higher (7.90 percent) than the current rate:

	Discount Rate -1 Percent (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 Percent (7.90%)
Proportionate share of net pension liability	\$ 1,543,501	\$ 994,406	\$ 542,421

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

C. Pension Rate Stabilization Program Section 115 Trust

The City holds investments in a Section 115 Trust for pension stabilization. The current market value of the trust is \$540,690. This trust fund is not included in the calculation of the net pension liability, as the assets are not in the custody of the plan administrator, CalPERS. Refer to Note 2 for additional information.

NOTE 10: OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS

A. Plan Description

The City provides retiree medical benefits through an agent multiple-employer defined benefit healthcare plan, administered by the California Public Employees' Retirement System (CalPERS) which provides medical insurance benefits to eligible retirees. A separate financial report is not available for the plan. Employees are eligible for retiree health benefits if they retire from the City on or after age 60 with at least 5 years of service with the City and are eligible for a PERS pension.

B. Employees Covered

Membership of the plan consisted of 6 eligible active employees and 6 enrolled eligible retirees at June 30, 2025. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

C. Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The actual contribution is based on projected pay-as-you-go financing requirements. For the measurement dated ended June 30, 2024, the City's contributions were \$42,213 in total payments, which were recognized as a reduction to the OPEB liability.

D. Net OPEB Asset

The City's net OPEB asset was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2023 to determine the June 30, 2025 total OPEB liability, based on the following actuarial methods and assumptions:

Inflation:	2.50% per year
Investment Return / Discount Rate:	6.25% per year
Healthcare Trend:	4.00% per year
Payroll Increase:	2.75% per year

2021 CalPERS Mortality for Active Miscellaneous Employees

Retirement Rates: 2021 CalPERS 2.0% @ 62 Rates for Miscellaneous Employees (adjusted to reflect a minimum retirement age of 52 for those hired after 2012)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Assumed Gross Return</u>
All Equities	34.00%	7.25%
All Fixed Income	41.00%	4.25%
Real Estate Investment Trusts	17.00%	7.25%
All Commodities	3.00%	7.25%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.00%
Total	100.00%	

NOTE 10: OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F. Changes in the OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2024	\$ 502,564	\$ 681,770	\$ (179,206)
Changes recognized for the measurement period:			
Service cost	25,390	-	25,390
Interest on total OPEB liability	30,969	55,813	(24,844)
Differences between expected and actual experience	(1,937)	-	(1,937)
Contributions-employer	-	37,566	(37,566)
Benefit payments, including refunds of employee contributions	(37,566)	(37,566)	-
Administrative expense	-	(219)	219
Net changes during 2024-25	16,856	55,594	(38,738)
Balance at June 30, 2025	\$ 519,420	\$ 737,364	\$ (217,944)

G. Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	Discount Rate -1 Percent (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1 Percent (7.25%)
Plan's net OPEB (asset)	\$ (166,879)	\$ (217,944)	\$ (260,933)

NOTE 10: OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

H. Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB asset of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	1% Decrease	Current Heathcare Cost Trend Rate	1% Increase
Plan's net OPEB (asset)	<u>\$ (271,991)</u>	<u>\$ (217,944)</u>	<u>\$ (152,759)</u>

I. OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from CalPERS' website at www.calpers.ca.gov.

J. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$25,070. As of fiscal year ended June 30, 2026, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 42,213	\$ -
Changes of assumptions	52,920	-
Differences between expected and actual experience	26,620	68,902
Net difference between projected and actual earnings on pension plan investments	39,134	-
Total	<u>\$ 160,887</u>	<u>\$ 68,902</u>

The \$42,213 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the net OPEB liability/(asset) during the fiscal year ending June 30, 2025. All other deferred items will be amortized and recognized in pension expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 9,738
2027	27,283
2028	313
2029	(3,080)
2030	10,306
Thereafter	5,212
Total	<u>\$ 49,772</u>

NOTE 11: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Pursuant to the IRC 457 subsection (g); all amounts of compensation deferred under the deferred compensation plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the plan. Deferred compensation funds are not subject to the claims of the City's general creditors; consequently, the assets and related liabilities of the plan are not included within the City's financial statements. The ending investment balance of the plan as of June 30, 2025, was \$289,241.

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. Litigation

In the opinion of the California Joint Powers Insurance Authority, there are no known claims which would exceed the City's applicable coverage. The City's management is not aware of any lawsuits or claims that would have a material adverse effects on the financial position of the City.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by prior year's audits of the financial statements or by a prior year single audit of a Federal grant program; grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

NOTE 13: SUBSEQUENT EVENTS

The City evaluated subsequent events for recognition and disclosure through February 4, 2026, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2025, that required recognition or disclosure in these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Budget Policies

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year. Annual budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The City Council reviews a tentative budget and adopts a final budget after a public hearing is conducted to receive comments prior to adoption. The City's governing board satisfied these requirements.

Expenditures may not exceed the total annual budgeted amount in any category without the approval of the City Council. Throughout the fiscal year, monthly financial reports comparing actual figures with budgeted figures are prepared and distributed to the City Manager and members of the City Council. As these reports are reviewed, attention is drawn to variations between budgeted amounts and actual amounts and if necessary the City Council considers the need for increases in expenditure categories. The original adopted budgets are revised by the City Council during the year to give consideration to these modified expenditure categories and to unanticipated income. It is this final revised budget including all revisions and amendments approved by the City Council subsequent to the initial budget adoption that is presented in the financial statements.

The level of appropriated budgetary control is the total adopted budget which is defined as the total budget for all funds and divisions. The City Manager may authorize transfers of appropriations within the sub-categories of the major expenditure categories of the adopted budget. Supplemental appropriations during the year must be approved by the City Council.

The Community Facilities Fund, CLEEP, Transportation Development Act, SB 1383 Grant, and LEAP Grant Fund special revenue funds did not adopt a budget for the fiscal year ended June 30, 2025. Additionally, the Underground Utility capital project fund did not adopt a budget for the fiscal year ended June 30, 2025.

Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the subsequent year's budget by action of the City Council.

Excess of Expenditures over Appropriations

For the year ended June 30, 2025, total expenditures exceeded appropriations in the planning and development function of the General Fund by \$165,624 and in the general government function of the General Fund by \$382. Total expenditures did exceed appropriations in the General Fund.

Additionally, total expenditures did not exceed appropriations in the Cal/OES Fund.

B. Deficit Fund Balance

At June 30, 2025, The City reported deficit fund balances in the following funds:

Fund Name	Fund Type	Deficit	Cause
CAL/OES Fund	Major Special Revenue Fund	\$ (1,091,194)	(a)
LEAP Grant Fund	Nonmajor Special Revenue Fund	(7,589)	(a)
SB 1383 Grant	Nonmajor Special Revenue Fund	(13,296)	(a)

(a) Deficit due to timing differences between grant receipts and disbursements, and is expected to be eliminated through future grant revenues.

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,870,185	\$ 1,870,185	\$ 1,833,295	\$ (36,890)
Licenses and permits	410,000	410,000	360,900	(49,100)
Intergovernmental	1,200	1,200	1,202	2
Charges for services	28,300	28,300	36,599	8,299
Use of money and property	253,000	253,000	296,951	43,951
Fines and forfeitures	4,000	4,000	6,848	2,848
Miscellaneous	6,000	6,000	50,981	44,981
Total revenues	2,572,685	2,572,685	2,586,776	14,091
EXPENDITURES				
Current:				
General government	1,387,159	1,435,750	1,458,418	(22,668)
Public safety	323,000	323,000	311,008	11,992
Planning and development	851,549	851,549	1,019,297	(167,748)
Capital outlay	15,000	15,000	4,198	10,802
Total expenditures	2,576,708	2,625,299	2,792,921	(167,622)
Excess (deficiency) of revenues over (under) expenditures	(4,023)	(52,614)	(206,145)	(153,531)
OTHER FINANCING SOURCES (USES)				
Transfers in	24,000	24,000	24,000	-
Transfers out	-	1,361,810	(344,975)	(1,706,785)
Total other financing sources (uses)	24,000	1,385,810	(320,975)	(1,706,785)
Net change in fund balances	\$ 19,977	\$ 1,333,196	(527,120)	\$ (1,860,316)
Fund balances-beginning			4,643,854	
Fund balances-ending			\$ 4,116,734	

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
CAL/OES
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 3,254,475	\$ 791,263	\$ (2,463,212)
Total revenues	<u>-</u>	<u>3,254,475</u>	<u>791,263</u>	<u>(2,463,212)</u>
EXPENDITURES				
Capital outlay	-	3,512,947	1,354,303	2,158,644
Total expenditures	<u>-</u>	<u>3,512,947</u>	<u>1,354,303</u>	<u>2,158,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(258,472)</u>	<u>(563,040)</u>	<u>(304,568)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	148,822	148,822
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>148,822</u>	<u>148,822</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (258,472)</u>	<u>(414,218)</u>	<u>\$ (155,746)</u>
Fund balances (deficit)-beginning			(676,976)	
Fund balances (deficit)-ending			<u>\$ (1,091,194)</u>	

CITY OF ROLLING HILLS, CALIFORNIA
Cost-Sharing Multiple Employer Miscellaneous Plan
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, for the Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Measurement Date	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Proportion of the Net Pension Liability	0.00820%	0.01709%	0.00795%	0.00723%	0.00699%
Proportionate Share of the Net Pension Liability	\$ 994,406	\$ 814,568	\$ 918,010	\$ 391,149	\$ 759,963
Covered Payroll	\$ 513,651	\$ 596,903	\$ 432,749	\$ 470,458	\$ 522,620
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	193.60%	136.47%	212.13%	83.14%	145.41%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.08%	76.68%	76.68%	88.29%	75.10%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Changes of Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

2020	2019	2018	2017	2016
6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
0.00672%	0.00679%	0.00633%	0.00611%	0.00539%
\$ 688,971	\$ 622,418	\$ 627,859	\$ 528,827	\$ 369,954
\$ 458,829	\$ 408,643	\$ 492,817	\$ 465,123	\$ 453,661
150.16%	152.31%	127.40%	113.70%	81.55%
75.30%	75.30%	73.30%	74.10%	78.30%

CITY OF ROLLING HILLS, CALIFORNIA
Cost-Sharing Multiple Employer Miscellaneous Plan
Schedule of Plan Contributions
As of June 30, for the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 117,636	\$ 99,088	\$ 119,805	\$ 105,332	\$ 92,977
Contribution in Relation to the Actuarially Determined Contribution	(117,636)	(99,088)	(119,805)	(105,332)	(92,977)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 535,185	\$ 513,651	\$ 596,903	\$ 432,749	\$ 470,458
Contributions as a Percentage of Covered Payroll	21.98%	19.29%	20.07%	24.34%	19.76%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2023 funding valuation report.

Actuarial Cost Method: Entry Age Normal
Amortization Method/Period: For details, see June 30, 2023 Funding Valuation Report.
Asset Valuation Method: Market Value of Assets. For details, see June 30, 2023 Funding Valuation Report.

Inflation: 2.30%
Salary Increases: Varies by Entry Age and Service
Retirement Age: The probabilities of Retirement are based on the 2021 CalPERS Experience Study for the period of 2001 to 2019.
Mortality: The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020.

2020	2019	2018	2017	2016
\$ 84,285	\$ 68,379	\$ 54,671	\$ 53,328	\$ 45,578
(84,285)	(68,379)	(54,671)	(53,328)	(45,578)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 \$ 522,620	 \$ 458,829	 \$ 408,643	 \$ 492,817	 \$ 465,123
16.13%	14.90%	13.38%	10.82%	9.80%

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Changes in the Net OPEB Asset and Related Ratios
As of June 30, for the Last Ten Fiscal Years (1)

	2025	2024	2023	2022
Measurement Date	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2022</u>
Total OPEB Liability:				
Service cost	\$ 25,390	\$ 29,610	\$ 28,818	\$ 15,651
Interest on the total OPEB liability	30,969	34,812	33,605	26,260
Changes of benefit terms	(37,566)	(42,708)	(42,708)	(33,632)
Changes in assumptions	-	5,769	(466)	-
Experience (gains)/losses	(1,937)	(89,027)	-	46,340
Changes in assumptions	-	-	-	79,174
Net change in total OPEB liability	16,856	(61,544)	19,249	133,793
Total OPEB liability - beginning	502,564	564,108	544,859	411,066
Total OPEB liability - ending (a)	519,420	502,564	564,108	544,859
Plan Fiduciary Net Position:				
Contribution - employer	37,566	42,708	-	-
Net investment income	55,813	23,449	47,066	129,273
Benefit payments	(37,566)	(42,708)	-	(33,632)
Administrative expense	(219)	(189)	(191)	(239)
Investment Gains/Losses	-	-	(141,514)	-
Other	-	-	-	-
Net change in plan fiduciary net position	55,594	23,260	(94,639)	95,402
Plan fiduciary net position - beginning	681,770	658,510	753,149	657,747
Plan fiduciary net position - ending (b)	737,364	681,770	658,510	753,149
Net OPEB Liability/(Asset) - ending (a) - (b)	\$ (217,944)	\$ (179,206)	\$ (94,402)	\$ (208,290)
Plan fiduciary net position as a percentage of the total OPEB liability	141.96%	135.66%	116.73%	138.23%
Covered payroll	\$ 513,651	\$ 596,903	\$ 432,749	\$ 470,458
Net OPEB asset as a percentage of covered payroll	42.43%	30.02%	21.81%	44.27%

Notes to Schedule of Changes in Net OPEB Asset and Related Ratios:

Changes in assumptions: None.

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

2021	2020	2019	2018
6/30/2021	6/30/2019	6/30/2018	6/30/2017
\$ 15,232	\$ 19,302	\$ 18,785	\$ 18,282
25,506	24,323	22,828	20,310
(18,424)	(18,424)	(18,424)	(17,715)
(10,483)	(879)	-	-
-	(22,094)	-	-
-	22,803	-	-
11,831	25,031	23,189	20,877
399,235	374,204	351,015	330,138
411,066	399,235	374,204	351,015
18,424	18,424	18,424	17,715
40,568	37,919	35,713	37,288
(18,424)	(18,424)	(18,424)	(17,715)
(308)	(125)	(1,017)	(449)
(6,790)	3,053	(1,742)	-
-	-	542	-
33,470	40,847	33,496	36,839
624,277	583,430	549,934	513,095
657,747	624,277	583,430	549,934
\$ (246,681)	\$ (225,042)	\$ (209,226)	\$ (198,919)
160.01%	156.37%	155.91%	156.67%
\$ 522,620	\$ 458,829	\$ 408,643	\$ 492,817
47.20%	49.05%	51.20%	40.36%

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Plan Contributions
As of June 30, for the Last Ten Fiscal Years (1)

	2025	2024	2023	2022
Actuarially Determined Contribution	\$ 42,213	\$ 37,566	\$ 42,708	\$ 33,632
Contribution in Relation to the Actuarially Determined Contributions	(42,213)	(37,566)	(42,708)	(33,632)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 535,185	\$ 513,651	\$ 596,903	\$ 432,749
Contributions as a percentage of covered-employee payroll	7.89%	7.31%	7.15%	7.77%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	2.75%
Investment Rate of Return	6.25% per annum
Healthcare cost-trend rates	4.00%
Retirement Age	2021 CalPERS 2.0%@62 Rates for Miscellaneous Employees
Mortality	2021 CalPERS Mortality for Active Miscellaneous Employees

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

2021	2020	2019	2018
\$ 18,424	\$ 18,424	\$ 18,424	\$ 17,422
(18,424)	(18,424)	(18,424)	(17,422)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 \$ 470,458	 \$ 522,620	 \$ 458,829	 \$ 408,643
3.92%	3.53%	4.02%	4.26%

CITY OF ROLLING HILLS, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Special Revenue Funds				
	Community Facilities Fund	Transit Fund	Measure R	COPS
ASSETS				
Cash and investments	\$ 10,076	\$ 226,033	\$ 239,541	\$ 154,116
Total assets	\$ 10,076	\$ 226,033	\$ 239,541	\$ 154,116
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 22,743
Due to other funds	-	-	-	-
Total liabilities	-	-	-	22,743
FUND BALANCES (DEFICITS)				
Restricted	10,076	226,033	239,541	131,373
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	10,076	226,033	239,541	131,373
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 10,076	\$ 226,033	\$ 239,541	\$ 154,116

CITY OF ROLLING HILLS, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Special Revenue Funds				
	CLEEP	Transportation Development Act	Measure M Local Return	LA County Measure W
ASSETS				
Cash and investments	\$ 13,720	\$ 9,298	\$ 252,068	\$ 59,482
Total assets	\$ 13,720	\$ 9,298	\$ 252,068	\$ 59,482
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 5,907
Due to other funds	-	-	-	-
Total liabilities	-	-	-	5,907
FUND BALANCES (DEFICITS)				
Restricted	13,720	9,298	252,068	53,575
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	13,720	9,298	252,068	53,575
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 13,720	\$ 9,298	\$ 252,068	\$ 59,482

CITY OF ROLLING HILLS, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Capital Projects Funds	
	SB 1383 Grant	LEAP Grant Fund	Underground Utility Fund	Capital Projects Fund
ASSETS				
Cash and investments	\$ 79,875	\$ -	\$ 707,223	\$ 251,137
Total assets	\$ 79,875	\$ -	\$ 707,223	\$ 251,137
LIABILITIES				
Accounts payable	\$ 93,171	\$ -	\$ -	\$ 165
Due to other funds	-	7,589	-	-
Total liabilities	93,171	7,589	-	165
FUND BALANCES (DEFICITS)				
Restricted	-	-	707,223	-
Committed	-	-	-	250,972
Unassigned	(13,296)	(7,589)	-	-
Total fund balances (deficits)	(13,296)	(7,589)	707,223	250,972
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 79,875	\$ -	\$ 707,223	\$ 251,137

CITY OF ROLLING HILLS, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Total Nonmajor Funds
ASSETS	
Cash and investments	\$ 2,002,569
Total assets	\$ 2,002,569
LIABILITIES	
Accounts payable	\$ 121,986
Due to other funds	7,589
Total liabilities	129,575
FUND BALANCES (DEFICITS)	
Restricted	1,642,907
Committed	250,972
Unassigned	(20,885)
Total fund balances (deficits)	1,872,994
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 2,002,569

CITY OF ROLLING HILLS, CALIFORNIA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Community Facilities Fund	Transit Fund	Measure R	COPS
REVENUES				
Intergovernmental	\$ -	\$ 80,117	\$ 27,239	\$ 194,663
Use of money and property	322	7,218	7,650	4,770
Total revenues	322	87,335	34,889	199,433
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	145,536
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	145,536
Excess (deficiency) of revenues over (under) expenditures	322	87,335	34,889	53,897
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	322	87,335	34,889	53,897
Fund balances (deficit)-beginning	9,754	138,698	204,652	77,476
Fund balances (deficit)-ending	\$ 10,076	\$ 226,033	\$ 239,541	\$ 131,373

CITY OF ROLLING HILLS, CALIFORNIA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	CLEEP	Transportation Development Act	Measure M Local Return	LA County Measure W
REVENUES				
Intergovernmental	\$ -	15,658	\$ 30,860	\$ 104,950
Use of money and property	438	-	8,050	2,983
Total revenues	438	15,658	38,910	107,933
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	78,749
Capital outlay	-	6,360	-	-
Total expenditures	-	6,360	-	78,749
Excess (deficiency) of revenues over (under) expenditures	438	9,298	38,910	29,184
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	438	9,298	38,910	29,184
Fund balances (deficit)-beginning	13,282	-	213,158	24,391
Fund balances (deficit)-ending	\$ 13,720	\$ 9,298	\$ 252,068	\$ 53,575

CITY OF ROLLING HILLS, CALIFORNIA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>SB 1383 Grant</u>	<u>LEAP Grant Fund</u>	<u>Underground Utility Fund</u>	<u>Capital Projects Fund</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,551	-	22,585	6,272
Total revenues	2,551	-	22,585	6,272
EXPENDITURES				
Current:				
General government	93,171	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	3,441	-	-	196,154
Total expenditures	96,612	-	-	196,154
Excess (deficiency) of revenues over (under) expenditures	(94,061)	-	22,585	(189,882)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	196,153
Total other financing sources (uses)	-	-	-	196,153
Net change in fund balances	(94,061)	-	22,585	6,271
Fund balances (deficit)-beginning	80,765	(7,589)	684,638	244,701
Fund balances (deficit)-ending	\$ (13,296)	\$ (7,589)	\$ 707,223	\$ 250,972

CITY OF ROLLING HILLS, CALIFORNIA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Total Nonmajor Funds
REVENUES	
Intergovernmental	\$ 453,487
Use of money and property	62,839
Total revenues	516,326
EXPENDITURES	
Current:	
General government	93,171
Public safety	145,536
Public works	78,749
Capital outlay	205,955
Total expenditures	523,411
Excess (deficiency) of revenues over (under) expenditures	(7,085)
OTHER FINANCING SOURCES (USES)	
Transfer in	196,153
Total other financing sources (uses)	196,153
Net change in fund balances	189,068
Fund balances (deficit)-beginning	1,683,926
Fund balances (deficit)-ending	\$ 1,872,994

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Transit Fund
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 96,500	\$ 96,500	\$ 80,117	\$ (16,383)
Use of money and property	550	550	7,218	6,668
Total revenues	97,050	97,050	87,335	(9,715)
Net change in fund balances	\$ 97,050	\$ 97,050	87,335	\$ (9,715)
Fund balances-beginning			138,698	
Fund balances-ending			\$ 226,033	

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Measure R
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 29,000	\$ 29,000	\$ 27,239	\$ (1,761)
Use of money and property	250	250	7,650	7,400
Total revenues	29,250	29,250	34,889	5,639
Net change in fund balances	\$ 29,250	\$ 29,250	34,889	\$ 5,639
Fund balances-beginning			204,652	
Fund balances-ending			\$ 239,541	

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
COPS
For the Year Ended June 30, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 170,000	\$ 170,000	\$ 194,663	\$ 24,663
Use of money and property	-	-	4,770	4,770
Total revenues	170,000	170,000	199,433	29,433
EXPENDITURES				
Current:				
Public safety	170,000	170,000	145,536	24,464
Total expenditures	170,000	170,000	145,536	24,464
Net change in fund balances	\$ -	\$ -	53,897	\$ 53,897
Fund balances-beginning			77,476	
Fund balances-ending			\$ 131,373	

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Measure M Local Return
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenues	\$ 33,000	\$ 33,000	\$ 30,860	\$ (2,140)
Use of Money and Property	250	250	8,050	7,800
Total revenues	33,250	33,250	38,910	5,660
Net change in fund balances	\$ 33,250	\$ 33,250	38,910	\$ 5,660
Fund balances-beginning			213,158	
Fund balances-ending			\$ 252,068	

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
LA County Measure W
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenues	\$ 105,000	\$ 105,000	\$ 104,950	\$ (50)
Use of Money and Property	500	500	2,983	2,483
Total revenues	105,500	105,500	107,933	2,433
EXPENDITURES				
Functional - Public Works	105,500	105,500	78,749	26,751
Total expenditures	105,500	105,500	78,749	26,751
Net change in fund balances	\$ -	\$ -	29,184	\$ 29,184
Fund balances-beginning			24,391	
Fund balances-ending			\$ 53,575	

CITY OF ROLLING HILLS, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Capital Projects Fund
For the Year Ended June 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Use of Money and Property	\$ -	\$ 821,881	\$ 6,272	\$ (815,609)
Total revenues	<u>-</u>	<u>821,881</u>	<u>6,272</u>	<u>(815,609)</u>
EXPENDITURES				
Capital Outlay	-	800,881	196,154	604,727
Total expenditures	<u>-</u>	<u>821,881</u>	<u>196,154</u>	<u>625,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(189,882)</u>	<u>(189,882)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	196,153	196,153
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>196,153</u>	<u>196,153</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>6,271</u>	<u>\$ 6,271</u>
Fund balances-beginning			244,701	
Fund balances-ending			<u>\$ 250,972</u>	



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Members of the City Council
City of Rolling Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, California (hereafter, the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Members of the City Council
City of Rolling Hills, California

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Irvine, California
February 4, 2026



February 4, 2026

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills (hereafter, the "City") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 12, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during Fiscal Year 2024-2025. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimates of the net pension liability and net other post-employment benefits liability are based on actuarial valuations. We evaluated the methods, assumptions, and data used to develop the net pension liability and net other post-employment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that no misstatements were identified during the course of our audit.



To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 4, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedules for the General Fund and major special revenue fund, and the required pension and other post-employment benefits schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Future GASB Pronouncements

The following Government Accounting Standards Board (GASB) pronouncements will be effective for the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal Year 2025-2026

GASB Statement No. 103, *Financial Reporting Model Improvements*.



To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

Future Projects

GASB Statement No. 105, *Subsequent Events*

Comprehensive Project, *Revenue and Expense Recognition*.

Major Project, *Going Concern Uncertainties and Severe Financial Stress*.

Major Project, *Infrastructure Assets*.

Practice Issue, *Subsequent Events*.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

LSL, LLP

Irvine, California



CITY OF ROLLING HILLS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2025



Purpose of Agenda Item

- To hear a report on the City's audited Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025
- Receive and file



Background

- Why are audited financial statements prepared?
 - Required by State Controller and possibly by City's Muni Code
- How do they differ from other financial reports prepared by staff during the year and at year end?
 - Interim reports focus on a comparison of revenues and expenditures to budget
 - ACFR focuses on the financial condition (health) of the entity and whether the financial condition improved or deteriorated during the fiscal year



Key Contents of ACFR

- Management's Discussion & Analysis (MD&A)
- Entity-wide financial statements
- Fund financial statements (major funds)
- Footnotes
- Individual fund financial statements



FINANCIAL HIGHLIGHTS ENTITY-WIDE



	Govt'l Activities	Business Activities	Total
Assets			
Current and Other Assets	\$ 8,747,861	\$ 11,690	\$ 8,759,551
Capital Assets	4,423,105	-	4,423,105
Deferred Outflows	456,235	-	456,235
Total Assets	<u>13,627,201</u>	<u>11,690</u>	<u>13,638,891</u>
Liabilities			
Current and Other Liabilities	1,760,964	-	1,760,964
Deferred Outflows	1,354,751	-	1,354,751
Total Liabilities	<u>3,115,715</u>	<u>-</u>	<u>3,115,715</u>
Net Position			
Invested in Capital Assets	4,423,105	-	4,423,105
Restricted	2,401,541	-	2,401,541
Unrestricted	<u>3,686,840</u>	<u>11,690</u>	<u>3,698,530</u>
Total Net Position	<u>\$ 10,511,486</u>	<u>\$ 11,690</u>	<u>\$ 10,523,176</u>

ENTITY-WIDE

FINANCIAL CONDITION



ENTITY-WIDE

RESULTS OF OPERATIONS

	Govt'l Activities	Business Activities	Total
Revenues			
Taxes	\$ 1,545,782	\$ -	\$ 1,545,782
Operating Grants	1,214,078	-	1,214,078
Charges for Services	404,347	994,110	1,398,457
Other	1,498,645	225	1,498,870
Total Revenues	4,662,852	994,335	5,657,187
Expenses			
General Government	1,224,669	-	1,224,669
Public Safety	439,401	-	439,401
Planning & Development	1,019,297	-	1,019,297
Public Works	78,749	-	78,749
Refuse Collection	-	983,143	983,143
Total Expenses	2,762,116	983,143	3,745,259
Excess (Deficiency)	1,900,736	11,192	1,911,928
Transfers	24,000	(24,000)	-
Increase (Decrease) in Net Position	1,924,736	(12,808)	1,911,928
Net Position - Beginning	8,586,750	24,498	8,611,248
Net Position - Ending	\$10,511,486	\$ 11,690	\$10,523,176



GENERAL FUND HIGHLIGHTS



GENERAL FUND REVENUES

	Adopted Budget	Actual Revenues	Variance
Property Taxes	\$ 1,500,750	\$ 1,478,795	\$ (21,955)
Sales Taxes	10,000	13,555	3,555
Property Transfer Tax	64,890	42,813	(22,077)
Other Taxes	1,000	-	(1,000)
Motor Vehicle In Lieu	280,545	287,512	6,967
Building & Other Permits	400,000	354,300	(45,700)
Construction & Demo Permits	10,000	6,600	(3,400)
Variance, Planning & Zoning	25,000	27,058	2,058
Animal Control Fees	300	541	241
Franchise Fees	13,000	10,619	(2,381)
Fines & Traffic Violations	4,000	6,848	2,848
Cost Reimbursements	3,000	9,000	6,000
RHCA Lease Revenue	69,000	58,712	(10,288)
Public Safety Aug Fund	1,200	1,202	2
Interest on Investments	140,000	184,755	44,755
PARS Earnings	44,000	53,484	9,484
Miscellaneous Revenue	6,000	50,982	44,982
Transfers In - Refuse	24,000	24,000	-
TOTALS	\$ 2,596,685	\$ 2,610,776	\$ 14,091



GENERAL FUND EXPENDITURES

	Adopted Budget	Amended Budget	Actuals	Variance
City Administration	\$ 869,059	\$ 894,165	\$ 954,746	\$ (60,581)
Finance	159,500	159,500	127,023	32,477
Planning	890,549	890,549	1,019,297	(128,748)
Public Safety	323,000	323,000	311,008	11,992
City Properties	142,600	142,600	96,943	45,657
Non-Departmental	192,000	215,485	283,906	(68,421)
Total Operating Expenditures	2,576,708	2,625,299	2,792,922	(167,623)
Capital Transfers Out	-	1,361,810	344,975	1,016,835
Totals	\$ 2,576,708	\$ 3,987,109	\$ 3,137,897	\$ 849,212



General Fund Summary

	<u>Amended Budget</u>	<u>Actuals</u>	<u>Variance</u>
Operating Revenues	\$ 2,596,685	\$ 2,610,776	\$ 14,091
Operating Expenditures	<u>2,625,299</u>	<u>2,792,921</u>	<u>167,622</u>
Operating Surplus (Deficit)	(28,614)	(182,145)	181,713
Capital Transfers	<u>(1,361,810)</u>	<u>(344,975)</u>	<u>1,016,835</u>
Net Increase (Decrease)	<u>\$ (1,390,424)</u>	<u>\$ (527,120)</u>	<u>\$ 1,198,548</u>



AUDIT RESULTS

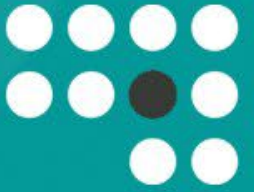


AUDIT RESULTS

- Unmodified (“Clean”) opinion
- No material weaknesses or significant deficiencies in the system of internal controls



QUESTIONS/DISCUSSION



City of Rolling Hills 2025 Financial Audits

Presented by:
Jayme Lambert, CPA, Senior Manager

February 23, 2026

lslcpas.com





Scope of Engagement

- LSL was engaged by the City to perform the following procedures:
 - Financial statement audit for the City for the year ended June 30, 2025, in accordance with generally accepted auditing standards and Government Auditing Standards.
 - Single audit over the City's federal award programs for the year ended June 30, 2025, in accordance with the federal Uniform Guidance.



Scope of Engagement

- Interim Fieldwork

- December 8–December 12, 2025
- Examined internal controls
- Interviewed staff and personnel
- Provided feedback to management
- Performed our audit risk assessment
- Planned year-end audit procedures to respond to risk

- Year-End Fieldwork

- December 15–December 19, 2025
- Detailed testing of account balances and transactions
- Compliance testing with laws, regulations, grant agreements, contracts
- Single Audit testing
- Other procedures necessary to obtain sufficient, appropriate audit evidence



Results of Audit

- We issued an unmodified auditor's opinion on the financial statements for the City
 - The financial statements are accurate and reliable as of June 30, 2025.
- We issued the Report on Internal Control and Compliance
 - No significant deficiencies in internal control noted.
 - No material weaknesses in internal control noted.
 - No material noncompliance with laws, regulations, grants, etc. noted.
- Additionally, no findings were reported in FY 2024 to follow up on.



Results of Audit

- We issued an unmodified auditor's opinion on the City's compliance with the requirements of major federal award programs.
 - The City is in compliance with the terms and conditions of major federal award programs at June 30, 2025.
- We identified no going concern doubts as of June 30, 2025.
- We identified no fraud, waste, or abuse during the fiscal year ended June 30, 2025.



Results of Audit

- We had no disagreements with management about application of accounting principles.
- We had no difficulties conducting our audits.
- We determined that all estimates used by management in preparing the financial statements were reasonable.



Financial Highlights

- Net position increased \$1.9 million during the year to \$10.5 million.
 - 2024 saw an increase of \$1.2 million. The difference in the increase is largely attributable to capital grants and contributions in FY 2025.
- Total assets and deferred outflows increased \$2.2 million or 19.5% from the prior year.
 - Capital assets increased by \$2.2 million.
- Total liabilities and deferred inflows increased \$0.3 million or 11.1% from the prior year.
 - This was mostly driven by an increase in the net pension liability, as well as an increase in compensated absences for implementation of GASB 101.



Questions

Contact Us



www.lslcpas.com



contact.us@lslcpas.com



(949) 829-8299



Our Offices

Irvine, CA – Headquarters

500 Technology Drive, Suite 350
Irvine, CA 92618

Phoenix Metropolitan Area, AZ

950 W. Elliot Rd. Suite 110
Tempe, AZ 85284 USA

Sacramento, CA

500 Capitol Mall, Suite 2350
Sacramento, CA 95814

The Woodlands, TX

21 Waterway Avenue, Suite 30089
The Woodlands, TX 77380



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD, ROLLING HILLS, CA 90274 | (310) 377-1521

Item: 13.A.

Meeting Date: 2/23/2026

To: City Council
From: Christian Horvath, Assistant to the City Manager / City Clerk
Thru: Karina Bañales, City Manager
Subject: Receive and file an update on the South Bay Cities Council of Governments annual membership dues

Background:

At the August 25, 2025 City Council meeting, Councilmember Black requested an item be agendaized in the new year regarding the South Bay Cities Council of Government (SBCCOG) membership dues.

Discussion:

On March 11, 2024, the City Council received a report regarding the SBCCOG's proposed restructuring of their membership dues calculation formula (Attachment A). At that time, the proposed City of Rolling Hills' FY24/25 membership dues were \$8,091. On a motion by Councilmember Dieringer and seconded by Mayor Mirsch, the City Council voted to stay with the SBCCOG under the new proposed dues structure, with Councilmembers Black and Pieper dissenting.

In April 2024, the SBCCOG Board approved a policy stating that each year's dues from 2024 forward would include an annual CPI increase based on the previous calendar year, with a cap (maximum increase limit) of 5% (Attachment B).

In the event the City Council would like to re-consider its membership, the section of the SBCCOG's JPA agreement that addresses withdrawal is below.

Section 21. Members.

a. Withdrawal. A member may withdraw from the Council by filing its written notice of withdrawal with the Chair of the Governing Board 60 days before the actual withdrawal. Such a withdrawal shall be effective at 12:00 o'clock a.m. on the last day of that 60-day period. The withdrawal of a Member shall not in any way discharge, impair or modify the voluntarily-assumed obligations of the withdrawn Member in existence as of the effective date of its withdrawal. Withdrawal of a Member shall not affect the remaining Members. A withdrawn Member shall not be entitled to the return of any funds or other assets belonging to the Council, until the effective date of termination of this Fourth Amended and Restated Agreement, except that a withdrawn Member shall be entitled to the balance of the annual dues paid for the year by that Member which were intended for the remaining part of that year. Withdrawal from any Implementation Agreement shall not be deemed withdrawal from the Council.

Fiscal Impact:

The City of Rolling Hills FY26-27 SBCCOG membership dues will be \$8,625. This reflects an adjustment of 3.2% based on the average CPI for 2025 per the SBCCOG Board's approved policy.

Recommendation:

Receive and file. Provide direction to staff.

Attachments:

1. Attachment A - CL_AGN_240311_CC_Item14A_SBCCOG_Dues
2. Attachment B - GV_GVO_240408_SBCCOG_SC_DuesIncrease_Memo



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

Agenda Item No.: 14.A
Mtg. Date: 03/11/2024

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: CHRISTIAN HORVATH, CITY CLERK / EXECUTIVE ASSISTANT TO CITY MANAGER

THRU: KARINA BAÑALES, CITY MANAGER

SUBJECT: RECEIVE A REPORT ON THE ACTION OF THE SOUTH BAY CITIES COUNCIL OF GOVERNMENTS (SBCCOG) BOARD OF DIRECTORS REGARDING MEMBERSHIP DUES AND PROVIDE DIRECTION TO STAFF (COUNCILMEMBER DIERINGER)

DATE: March 11, 2024

BACKGROUND:

At the February 12 City Council meeting, under Matters from the City Council, Councilmember Dieringer presented the South Bay Cities Council of Government's (SBCCOG) Steering Committee final recommendations for potential membership dues and requested that staff place an item on the agenda.

Councilmember Dieringer participated in the January 25, 2024, SBCCOG Board of Directors meeting, where the proposed membership dues were discussed (Attachment A). The Finance Committee agreed to base the restricted reserve on operational expenses, reviewable every five years. The dues calculation formula included an assessment and a \$5,000 minimum fee, with the City of Los Angeles and the County being treated similarly to the City of Torrance. This formula, which is set to increase annually based on the annual current Consumer Price Index (CPI), is important for SBCCOG member cities' budget planning to avoid financial instability caused by lapses between increases. For Fiscal Year 2024/2025, the CPI increase is approximately 3.5 percent for a total of \$502,299.

Executive Director Bacharach noted that the Finance Committee also received approval of the recommendation at the SBCCOG City Managers' Meeting. She also cited the issue of grants not fully covering administrative costs and the challenges faced due to the depletion of certain grant funds, even though the SBCCOG is a unique membership organization that provides direct services to cities.

During discussions, Councilmember Dieringer shared the minimal resources of Rolling Hills, how most of the city's funding comes from reserves, and requested that a category based on the city's population size be considered. The proposed FY 24/25 Rolling Hills membership

dues, which includes the special planning assessment fee, is \$8,091. This includes a 3.5% CPI increase.

The Board ultimately voted to accept the Finance Committee recommendations but sent the item back to the Steering Committee for further discussion on potential annual CPI increases with a not-to-exceed cap.

Councilmember Dieringer attended the SBCCOG Steering Committee meeting on February 12, 2024. She again requested a special consideration in membership dues for the City of Rolling Hills. A vote was taken and failed. The Steering Committee agreed that the annual dues increase going forward will be based on a fiscal year's year CPI with a not-to-exceed cap of 5%. The Board will re-evaluate the dues and annual increase after a five-year period.

On February 22, 2024, the SBCCOG Board meeting had a consent agenda item to accept the proposed dues recommendations, formally approve the intent to raise dues and notify the member cities. The item was pulled, and discussion ensued. Councilmember Wilson spoke on behalf of the City of Rolling Hills and requested consideration of a discounted annual dues amount since the population of the City is so small. Councilmember Dieringer also spoke on behalf of the City and made two separate motions to (1) reconvene the Finance Committee and reconsider the dues formula with LA County's two districts absorbing more of the member costs as well as a reevaluation of the dues formula to make it more equitable, and (2) a substitute motion to allow for a discounted rate as the SBCCOG had allowed for this fiscal year. Both motions failed for a lack of a second.

The City of Lomita made a motion to accept the item as presented, which was seconded by the City of Gardena. The motion was carried with 9 Yeas, 1 Nay, 1 Abstention, and 7 members not present.

DISCUSSION:

The SBCCOG provides a variety of services to the local member cities and, in many cases, can offset costs, especially for smaller cities with little resources or staff. Some examples of programs the City of Rolling Hills participates in, has taken advantage of recently, or various benefits to membership include:

- Facility Equipment Inventory
 - SBCCOG inventoried City Hall and RHCA and identified ongoing cost-saving opportunities.
 - SBCCOG worked with the SoCalREN to try to get the HVAC unit incentivized. While not eligible through this program, SBCCOG staff is working with SCE on behalf of Rolling Hills and will ask about any other potential incentives for the unit to offset the capital costs already incurred.
- Grants
 - SBCCOG wrote the application for SB1383. The COG put in a considerable amount of work to speak with city staff and write the application.
 - SBCCOG submitted a CalFire Wildfire Grant on behalf of Rolling Hills and other Peninsula cities.
- Fiber
 - Rolling Hills is part of the South Bay Fiber Network, which is extremely helpful for

our IT needs. SBCCOG monitors the service levels to ensure ongoing month-to-month savings.

- General support
 - SBCCOG works directly with City staff regarding sustainability and provides research regarding access to resources.
- SBCCOG is a resource for eventually using Measure M & R monies.
- SBCCOG monitors Housing issues.
- SBCCOG monitors legislation and reports on recommendations and lobbies for member cities in coordination with CalCities to protect local control.
- SBCCOG looks forward to future years to help secure resources, including funding and education, to help member cities meet future needs.

FISCAL IMPACT:

The SBCCOG membership dues as proposed, but not formally approved until this Spring, would go into effect on July 1, 2024. The proposed FY24/25 dues would be \$8,091.

RECOMMENDATION:

Receive and file. Provide direction to staff.

ATTACHMENTS:

[CL_AGN_240224_CC_SBCCOG_NOI_Dues.pdf](#)
[CL_AGN_240125_CC_SBCCOG_FinanceCommRecs_Dues.pdf](#)
[CL_AGN_240311_CC_SBCCOG_Services_Estimates_RH.pdf](#)
[CL_AGN_240311_CC_SBCCOG_FY23-24_Mid-YearBudget.pdf](#)

South Bay Cities Council of Governments

February 28, 2024

TO: SBCCOG Member Agencies

FROM: SBCCOG Board of Directors

SUBJECT: 2024-2025 Dues – Notice of Intention to Consider an Increase in Dues

BACKGROUND

The Finance Committee has reviewed the dues and brought their recommendations to the February Steering Committee. The Steering Committee concurred with their recommendation. The Board of Directors approved the recommendation at the February 22 meeting.

Dues Calculation

FY 2024-25 dues will be based on the total amount paid to the SBCCOG for FY2023-2024 with an increase using the annual 2023 CPI of 3.5%. Additionally, there would be an annual CPI increase every fiscal year, following the respective annual CPI, with a cap (a maximum increase limit) of 5%.

Bylaws Notification

In order to comply with the SBCCOG By-Laws, if there is going to be a dues increase, there needs to be a notice of intention to increase the dues sent 60 days before such an action.

The actual Bylaws provision reads as follow: *Dues. The Members of the Council shall be responsible for the payment to the Council annually, of dues and the amounts periodically budgeted by the Governing Board, as and for the operating costs of the Council ("Dues"). Sixty (60) days' notice shall be provided to Members of the date of the meeting at which any increase in the Dues is to be determined for the following year. If an increase in dues is proposed from the previous year, an affirmative vote of two-thirds (2/3) of the total voting membership of the Governing Board is required to set the new dues.*

APPROVED AT FEBRUARY 22 BOARD MEETING

The Board states its intention to consider a dues increase for the coming year and notify all member agencies. The vote on this issue will be on the April 25 Board meeting agenda and will guide the development of the FY 2024-2025 budget.

Additionally if the dues recommendation is adopted, the 60 day notice and 2/3 vote requirement in the Bylaws will not apply to the automatic CPI adjustment in future years.

South Bay Cities Council of Governments

Finance Committee Report to Board of Directors

January 25, 2024



Finance Committee Members

Meeting Attendees

#1 = Cedric Hicks, Rodney Tanaka, Barry Waite, John Cruikshank

#2 = Cedric Hicks, Rodney Tanaka, Zein Obaji, Barry Waite, John Cruikshank

#3 = Rodney Tanaka, Zein Obaji, Barry Waite, John Cruikshank, Victoria Lozzi, & Christian Horvath (to represent Pat Wilson)

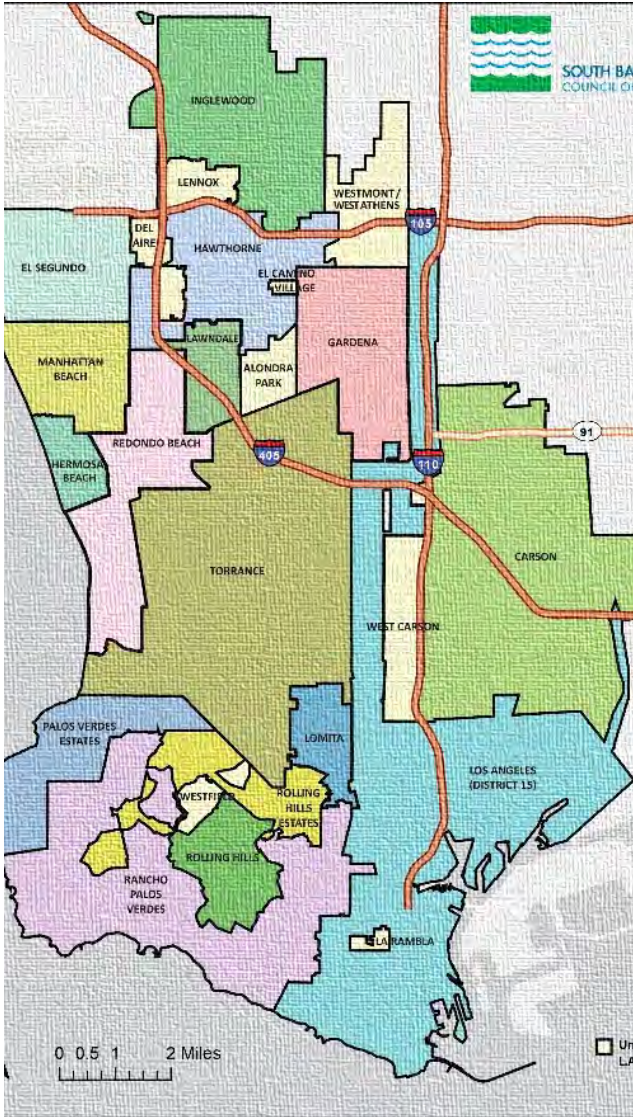


Overview

SBCCOG Finance Committee met three times to discuss and make recommendations on the Restricted Reserve Policy and Dues Formula.

The Committee:

- Reviewed SBCCOG and Other COG reserve policies and dues formulas as well as dues increase practices
- Discussed reserve policy options and related data such as SBCCOG shutdown costs and operational expenses
- Discussed SBCCOG current dues formula and reviewed various dues scenarios including updated agency population and budgets
- Discussed the tremendous value of the SBCCOG and the return on investment that cities receive program funding at 10 times that of what they pay for dues
- Discussed at Jan. 8, 2024 Steering Committee and received no additional comments
- **Note! City Managers reviewed and approved the Finance Committee recommendations at their Jan. 17 meeting**



Restricted Reserve Policy

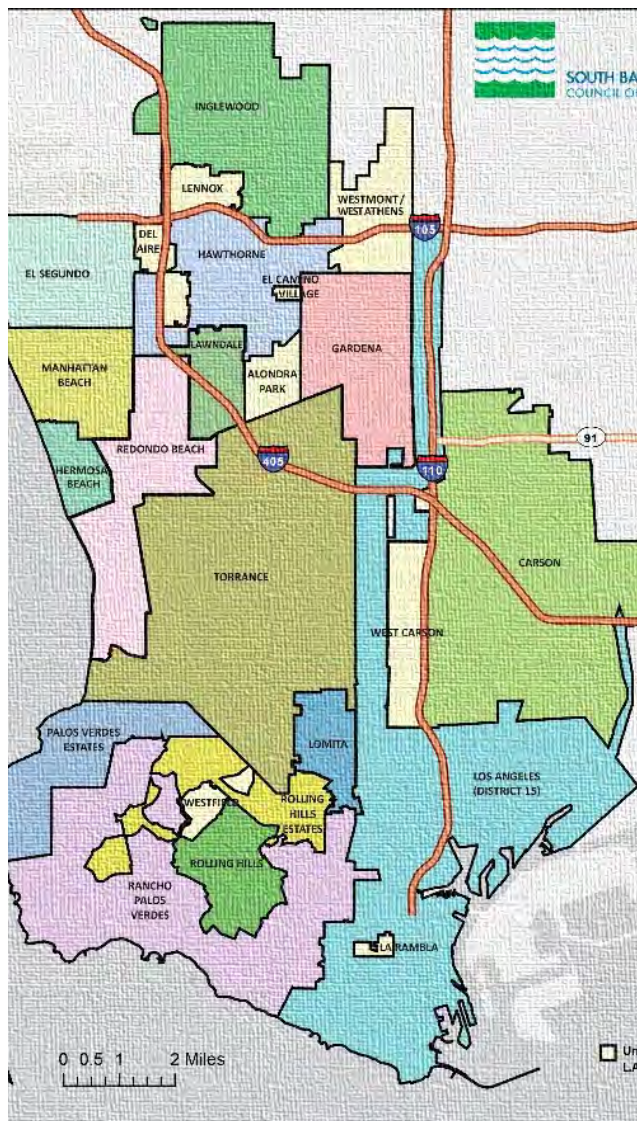
After review and discussion, the SBCCOG Finance Committee came to a consensus on a policy revision.

Revised Policy

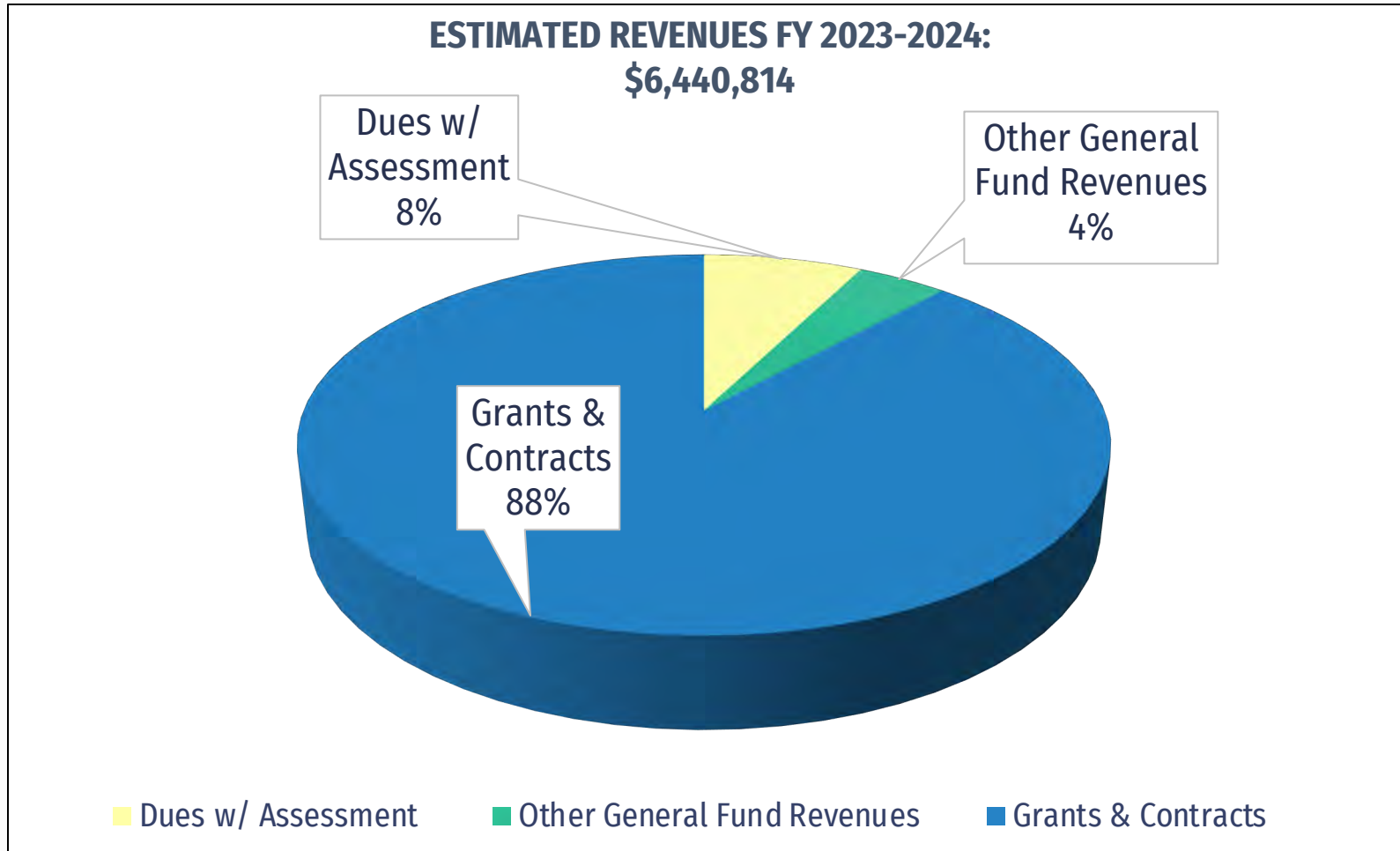
- ***Restricted Reserve to be based on operational expense equal to at least 3 months and reviewed every 5 years***
- 3 months of operational expenses based on FY 2022-23 Yr-End Close is \$347,884 and the current Restricted Reserve Balance is \$405,000 – **GOAL MET**

Discussion Points

- Shutdown costs are no longer relevant as there is low probability the organization will be terminating operations
- Restricted Reserve is needed to help ensure financial stability and address cashflow needs



Dues Vs Outside Funding



Dues Formula

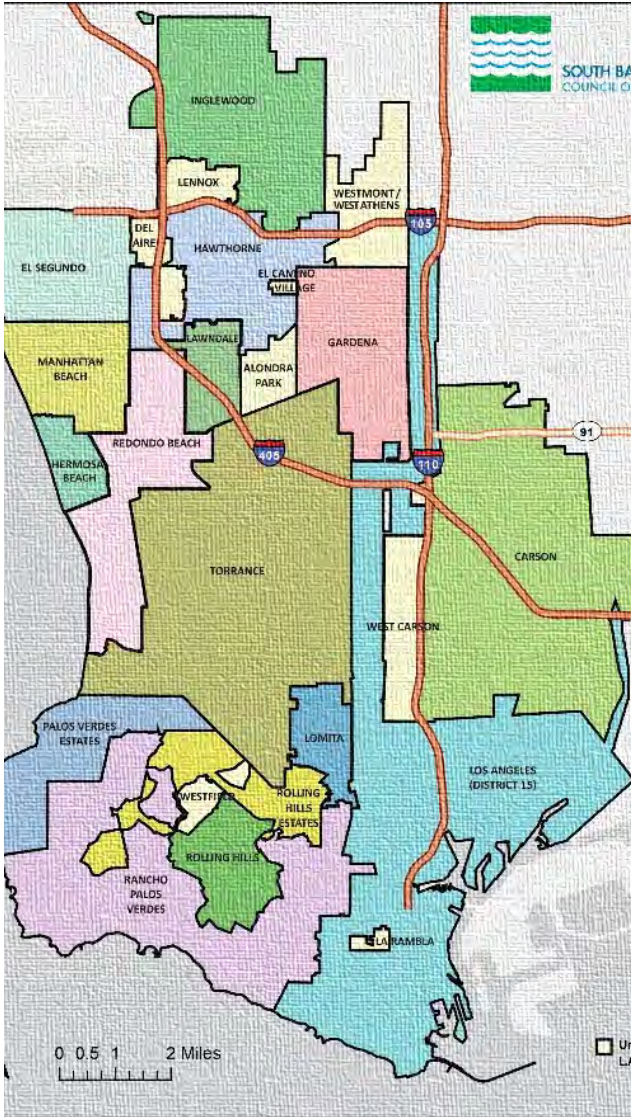
After review and discussion, the SBCCOG Finance Committee came to the following consensus:

Formula

- *Keep the existing dues calculation which includes the assessment and the \$5,000 minimum fee with the County and City of LA treated the same as Torrance and increase dues annually based on the annual CPI*
- FY 2023-24 total dues were \$485,313 and would increase by approximately 3.5% for a total \$502,299 in FY 2024-25

Discussion Points

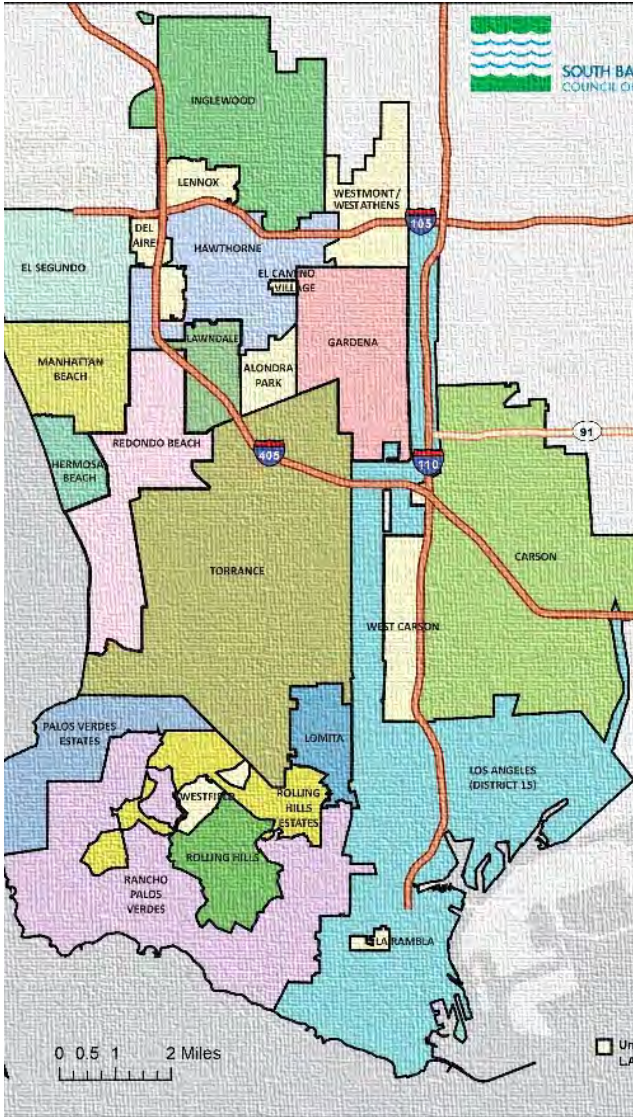
- Existing dues calculation has the most even spread among the members and accounts for the diversity of size, resources, business, and resident populations.
- Cities like certainty in the dues so that they know what to put in their budgets. The existing dues with CPI provides that certainty.



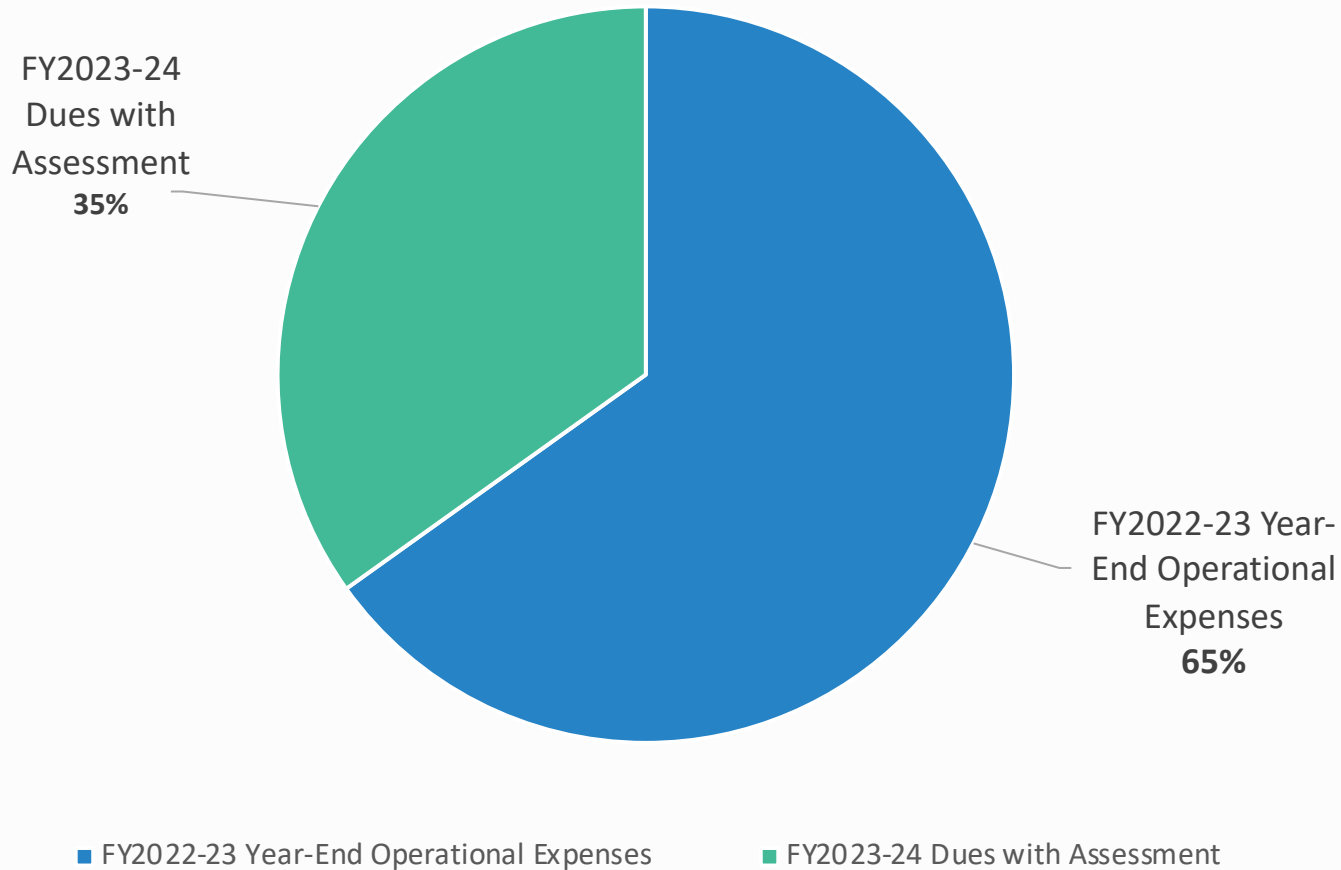
Dues Formula – cont.

Discussion Points – cont.

- The formula needs to be set with regular increases so that there are not long lapses between increases causing issues of financial instability and continued discussions using valuable time and resources for both city elected officials and SBCCOG staff
- Incorporating the assessment is important due to changing policies of other agencies re: how much administration can be charged to grants
- City Managers have always been supportive of the work of the SBCCOG and appreciate the value the organization brings to their cities
- Some cities will not be pleased with increases but should recognize that costs overtime continue to increase
- The SBCCOG is not like other city membership organizations and comparisons of the 479 member LCC, the 77 member Contract Cities and the 40 member Independent Cities with the 17 member SBCCOG are apples to oranges. Additionally, the SBCCOG provides direct services to cities as an extension of city staff

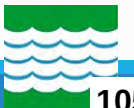


Percentage of Operational Expenses Currently Covered by Dues



Current Dues with 3.5% CPI

City/Agency/Entity	Approved FY 2023-24 Increase	Special Assessment Fee	Total Membership Costs	FY2024-25 Potential Total Using Annual CPI of 3.5%
Carson	29,464	4,500	33,964	35,153
El Segundo	18,177	2,000	20,177	20,883
Gardena	23,944	3,250	27,194	28,146
Hawthorne	30,095	4,500	34,595	35,806
Hermosa Beach	13,253	2,000	15,253	15,787
Inglewood	44,615	4,500	49,115	50,834
Lawndale	15,722	3,250	18,972	19,636
Lomita	11,801	2,000	13,801	14,284
Los Angeles	50,704	4,500	55,204	57,136
Manhattan Beach	19,146	3,250	22,396	23,180
Palos Verdes Estates	11,142	2,000	13,142	13,602
Rancho Palos Verdes	17,051	3,250	20,301	21,012
Redondo Beach	26,615	3,250	29,865	30,910
Rolling Hills	6,817	1,000	7,817	8,091
Rolling Hills Estates	9,854	2,000	11,854	12,269
Torrance	50,704	4,500	55,204	57,136
County of Los Angeles	51,959	4,500	56,459	58,435
	431,063	54,250	485,313	502,299





Schedule & Next Steps

Budget Schedule –

- Notify the Board in Feb. 2024 that an increase is being considered
- Determine recommended dues for budget preparation at April 2024 Steering Committee meeting
- Discussion of Budget at May 2024 Board meeting
- Action: Budget Adoption at June 2024 Board meeting

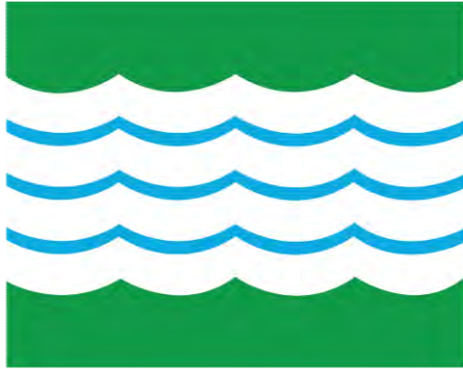
Next Steps –

- Review by Steering Committee at Feb. 12, 2024 meeting
- Recommendation for approval at Feb. Board meeting depending on feedback

South Bay City Council of Governments - Items provided to RH	SBCCOG Funds	In-House	Consultant (Estimate)	Opt Out	Legislative Mandate (Yes/No)	Direct or Indirect Benefit	Comments
Facility Equipment Inventory/Energy Efficiency							
SBCCOG inventoried City Hall and RHCA and identified ongoing cost-saving opportunities.	Part-Time Employee & technical support from outside consulting firm at a cost of \$25,000	\$5,292.20*	-	-	No	Direct	While identifying incentives is not mandated, the state continues to mandate equipment refrigerants and energy consumption. The SBCCOG's partnership with the SoCalREN (energy efficiency) goes out 8 years and a lot can change in that time period. This partnership helps ensure that cities have access to technical resources and incentives now and in the future.
SBCCOG worked with the SoCalREN to try to get the HVAC unit incentivized					No	Direct	
Grant Application/Writing							
SBCCOG wrote the application for SB1383.	Part-Time Employee	\$5,292.20*	\$30,000.00	-	No due to city size	Direct	In addition to completing the applications, the SBCCOG seeks opportunities to bring funding to South Bay subregion and member cities
SBCCOG submitted a CalFire Wildfire Grant on behalf of Rolling Hills and other Peninsula cities					No	Direct	
Legislative Lobbying Services							
SBCCOG monitors Housing issues, transportation, etc.	Part-time employee	\$8,228**	\$30,000.00	-	Monitoring is not mandated, but compliance with housing laws is	Direct	In 2021 RH, RPV,RHE and PVE considered a joint professional service agreement with a consulting firm to monitor legislation as it pertains to Peninsula cities. Ultimately, RPV was the only agency that decided to proceed with this action.
SBCCOG monitors legislation and reports on recommendations and lobbies for member cities in coordination with CalCities as well as other agencies to protect local control					Some legislation is mandated	Direct	
Metro Deputy to support Board Member	\$103,954.00	-	-	-	No, but required to support South Bay Metro Board member	Indirect	
Information Technology							
South Bay Fiber Network	\$100,000.00	-	\$150,000	-	No	Direct	Rolling Hills is part of the SBFN, which vastly improves the City's ability to host a virtual server and conduct daily operations. SBCCOG monitors the service levels to ensure ongoing month-to-month savings
General support							
SBCCOG works directly with City staff regarding sustainability and provides research regarding access to resources.	2 Full-Time Employee equivalent (does not include implementation of programs.	\$8,228**	\$100,000	-	No	Direct	Staff attends workshops and utilizes resources and information shared for potential operational cost savings.
SBCCOG is a resource for eventually using Measure M & R monies.		-			No	Indirect	City Staff can utilize COG staff for assistance regarding Local Return monies
Monitors subregional issues to help ensure the sustainability - housings (RHNA), transportation, homelessness, energy efficiency, water conservation, waste reduction, etc.		-			No	Direct	Staff utilizes resources and information shared for potential operational cost savings or service improvements.
SBCCOG proactively anticipates needs in future years to help secure resources, including funding and education, that ensure member cities meet future needs.		-			No	Direct	Staff can utilize resources and information shared for potential operational cost savings or service improvements.
Planning							
Climate Action Plan including assessing city progress to 2020 goals	75K-100k	-	\$75,000.00	-	No, but agencies request demonstration of sustainability actions as requirements in city planning documents, funding, etc.	Direct	
Planning Assessment	\$110,000	-	\$75,000-\$100,000	-	No	Direct	
Accessory Dwelling Unit (ADU) study to assess the current use and affordability of ADUs in Rolling Hills	\$382,660.00	-		No	Direct		
Training for Staff							
Housing education forums - conducted by bench of experts	\$101,250.00	-	-	-	No	Direct	
Committees and Working Grougs - Best practices (Parks & Rec., City Managers, Community Develop)	Part-time employee	-	-	-	No	Direct	Rolling Hills staff attend regularly

Legend:
SBCCOG Funds: 88% grants 7% dues 4% Other GF Revenues 1% Special Assessment FY23/24 Mid-Year Budget: https://southbaycities.org/wp-content/uploads/2024/02/FY2023-24-Mid-Year-Budget-1.pdf
In-House: Rolling Hill staff performing work
Consultant: Estimated cost for consultant to perform work (hired by city)
Opt Out: Cost if City does not perform the work
Legislative Mandate: Various legislation City is required to complete
Direct/Indirect: Work that directly/indirectly impacts RH
* City Clerk hourly rate (fully burdened) \$66.19 at 80 hours a month
**Planning Director hourly rate \$103.53 (fully burden) at 80 hours a month

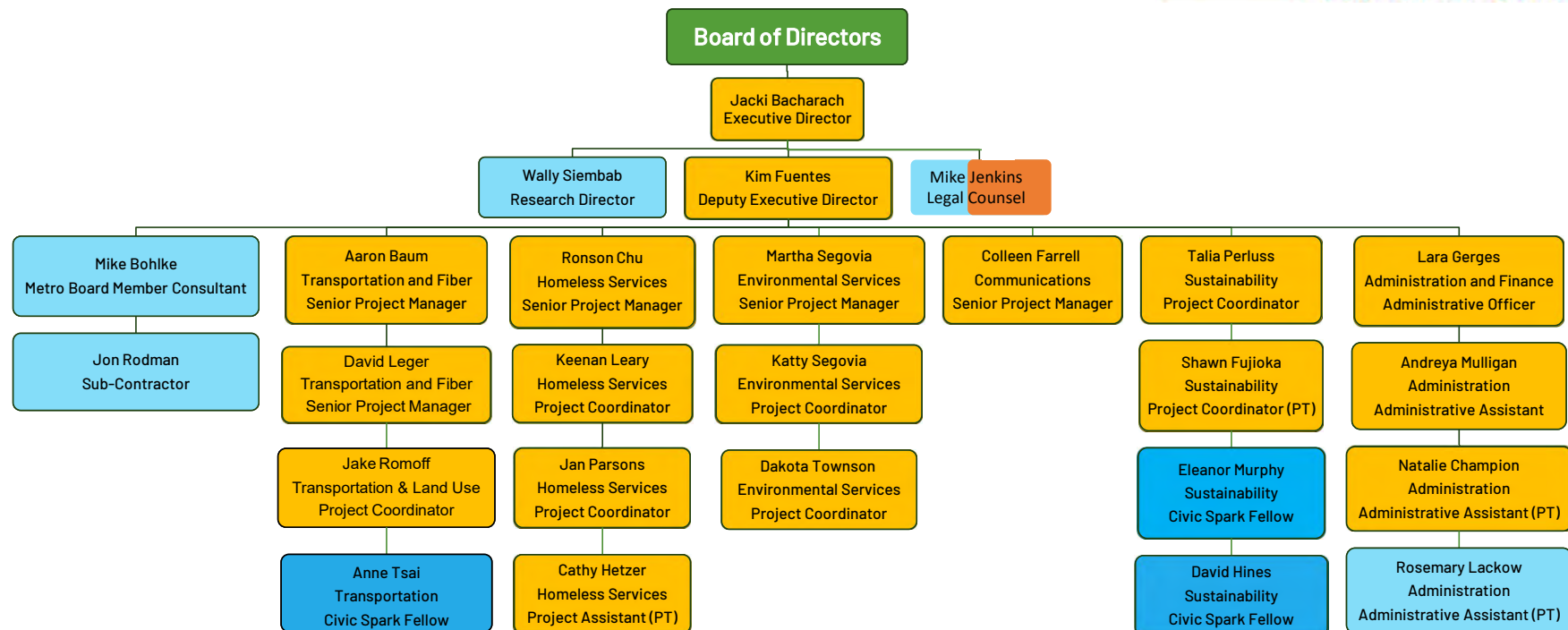
Other Council of Governments 2023-2024 Membership Dues
San Gabriel Valley – COG
Formula [\$5,000 base fee + \$.32 per capita] X Annual CPI Adjustment = Member Dues.
The Los Angeles area CPI report for January 2023 was referenced for the annual CPI dues adjustment. The January 2023 12-month CPI was 5.8% but was capped at 5% in the calculation of the dues. The cap for member agency dues for FY 2023-2024 is \$40,233.48.
San Gabriel Valley COG is charging the City of Industry, with a population of 244, \$25,055.99 for FY2023-24 dues (pg. 15 of their budget).
The City of Bradbury is in this COG, and their annual dues for 2023-24 were 6,725.04
Las Virgenes-Malibu - COG
Malibu, Agoura Hills, Hidden Hills, Westlake Village, Calabasas - \$25,000 each.



SOUTH BAY CITIES
COUNCIL OF GOVERNMENTS

MID-YEAR BUDGET
FISCAL YEAR 2023-2024
February 22, 2024

SBCCOG Organization Chart



Legend

- SBCCOG Contractor
- SBCCOG Employee
- Pro-Bono
- Fellowship Temporary Assignment

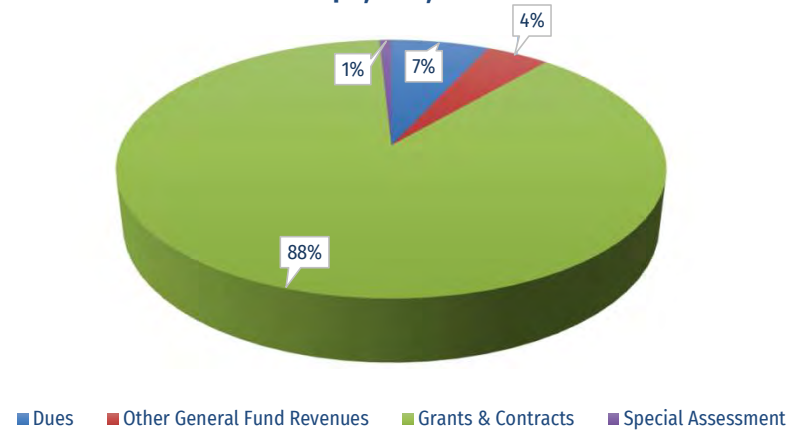
Last updated: 01/12/24

**SBCCOG
BUDGET SUMMARY
MID-YEAR BUDGET
FISCAL YEAR 2023-2024**

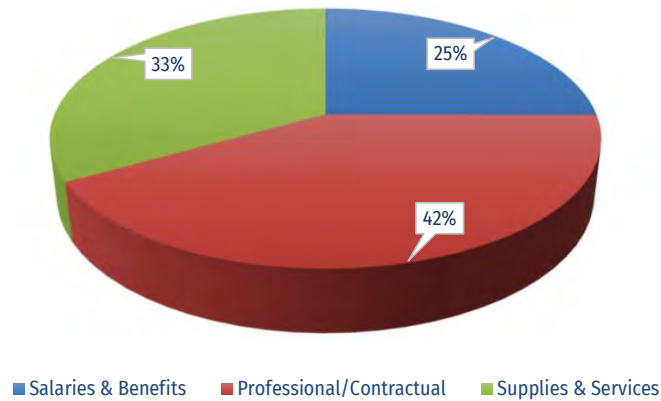
	ACTUAL FY 22-23	ADOPTED BUDGET FY 23-24	YTD AS OF 12/31/23	MID-YEAR BUDGET FY 23-24	INCREASE (DECREASE) ADOPTED BUDGET FY 23-24 / MID-YEAR BUDGET FY 23-24	
					AMOUNT	PERCENT
<u>ESTIMATED REVENUES:</u>						
Dues	\$ 392,499	\$ 431,063	\$ 427,746	\$ 431,063	\$ -	-
Other General Fund Revenues	313,357	274,517	88,930	279,064	4,547	1.7%
Grants & Contracts Revenues	2,819,889	5,681,983	713,944	5,525,930	(156,053)	-2.7%
Special Assessment	52,000	53,250	54,250	53,250	-	-
Total Revenues	\$ 3,577,745	\$ 6,440,814	\$ 1,284,870	\$ 6,289,307	\$ (151,507)	-2.35%
<u>ESTIMATED EXPENDITURES:</u>						
Salaries & Benefits	\$ 1,201,093	\$ 1,735,978	\$ 711,465	\$ 1,595,101	\$ (140,877)	-8.1%
Professional/Contractual	1,495,423	3,498,973	476,113	2,660,955	(838,018)	-24.0%
Supplies & Services	595,109	1,424,091	552,054	2,111,088	686,997	48.2%
Audit & Other Adjustments	139,197	-	-	-	-	-
Total Expenditures	\$ 3,430,822	\$ 6,659,042	\$ 1,739,633	\$ 6,367,143	\$ (291,899)	-4.38%
Revenues less Expenditures	\$ 146,922	\$ (218,228)	\$ (454,763)	\$ (77,837)	\$ 140,392	-64.33%
Use of General Fund Balance	20,628	218,228		77,837	(140,392)	-64.3%
	\$ 167,550	\$ -	\$ (454,763)	\$ 0	\$ -	-128.67%
<u>RESERVES:</u>						
Total Restricted Reserve Commitment	\$ 405,000					
Reserve Goal	405,000					
Reserve to be evaluated per policy in FY 28-29						

SBCCOG
ESTIMATED REVENUES / EXPENDITURES CHARTS
MID-YEAR BUDGET
FISCAL YEAR 2023-2024

ESTIMATED REVENUES FY 2023-2024:
\$6,289,307



ESTIMATED EXPENDITURES FY 2023-2024:
\$6,367,143



REVENUE DETAILS BY ACCOUNT
MID-YEAR BUDGET
FISCAL YEAR 2023-2024

REVENUE SOURCE:	ACCOUNT CODE	ACTUAL FY 22-23	ADOPTED BUDGET FY 23-24	YTD AS OF 12/31/23	MID-YEAR BUDGET FY 23-24	INCREASE (DECREASE) ADOPTED BUDGET FY 23-24 / MID-YEAR BUDGET FY 23-24	
						AMOUNT	PERCENT
Dues	4020	\$ 392,499	\$ 431,063	\$ 427,746	\$ 431,063	\$ -	-
Special Assessment	4026	52,000	53,250	54,250	53,250	-	-
General Assembly Sponsorship	4050	67,500	60,000	2,500	60,000	-	-
MTA South Bay Deputy	4070	109,425	112,652	49,391	112,652	-	-
Interest Income	4090	65,324	36,065	25,217	36,065	-	-
Green Business Assist Program	4125	7,500	7,500	7,500	7,500	-	-
CIMP Dominguez Channel Admin Fee	4035	56,500	56,500	-	56,500	-	-
City Staff Refreshment Contributions - New	4195	-	-	-	1,200	1,200	N/A
Room Usage/Rentals	4899	1,050	1,800	975	1,800	-	-
Miscellaneous Revenue	4999	6,058	-	3,347	3,347	3,347	N/A
Sub-total General Fund Revenues		\$ 757,856	\$ 758,830	\$ 570,926	\$ 763,377	\$ 4,547	0.60%
GBN Hawthorne	4126	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -	-
GBN Torrance	4127	30,000	15,000	-	15,000	-	-
GBN El Segundo	4128	27,000	24,500	16,050	24,500	-	-
DWP Outreach	4512	40,000	40,000	13,333	40,000	-	-
SCG Contract	4513	-	83,333	24,002	50,000	(33,333)	-40.0%
WBMWD Contract	4520	159,211	170,740	77,480	170,740	-	-
Sanitation District	4525	49,000	49,000	12,250	49,000	-	-
Torrance Water	4540	25,375	29,000	3,625	29,000	-	-
Water Replenishment District	4610	66,000	72,000	18,000	72,000	-	-
Metro Express Lane	4546	48,000	48,000	24,000	48,000	-	-
Measure R Hwy	4570	16,563	15,000	3,330	7,830	(7,171)	-47.8%
Measure R Transit/Transfer	4571	43,779	9,000	1,911	3,911	(5,089)	-56.5%
Measure M MSP	4611	18,031	20,000	9,452	15,452	(4,549)	-22.7%
Measure M LTN	4572	310,451	190,000	79,089	190,000	-	-
MOEV	4573	11,984	3,016	-	-	(3,016)	-100.0%
PACE (Ygrene)	4580	105	100	-	-	(100)	-100.0%
Integrated Pest Management	4589	10,000	10,000	-	10,000	-	-
Energy Coalition (REN)	4592	252,292	172,995	89,405	107,596	(65,399)	-37.8%
LA County REN - New	new	-	-	-	150,000	150,000	N/A
ICF Resources (REN)	4593	26,259	12,816	3,656	12,816	-	-
Homeless (PATH)	4600	13,157	16,667	6,250	12,500	(4,167)	-25.0%
Homeless: LA County Innovation Fund	4602	821,254	715,678	122,793	850,293	134,615	18.8%
Homeless: LA County Local Solutions Fund	4604	-	2,247,375	-	2,344,214	96,839	4.3%
South Bay Fiber Network (SBFN)/Broadband	4612	445,876	532,182	46,253	556,182	24,000	4.5%
Fiber - State of CA	4613	27,254	75,000	25,039	75,000	-	-
SCAG REAP	4011	348,297	595,856	138,027	163,896	(431,960)	-72.5%
LATA Grant	4574	-	498,000	-	498,000	-	-
Sub-total Grant Revenues		\$ 2,819,889	\$ 5,675,258	\$ 713,944	\$ 5,525,930	\$ (149,328)	-2.63%
Unrealized Investment Gain/(Loss)	new	-	-	-	-	-	-
Proceeds from Lease	4910	-	-	-	-	-	-
Total Estimated Revenues		\$ 3,577,745	\$ 6,440,814	\$ 1,284,870	\$ 6,289,307	\$ (144,781)	-2.25%

EXPENDITURE DETAILS BY ACCOUNT
MID-YEAR BUDGET
FISCAL YEAR 2023-2024

EXPENDITURE CATEGORY	ACCOUNT CODE	ACTUAL FY 22-23	ADOPTED BUDGET FY 23-24	YTD AS OF 12/31/23	MID-YEAR BUDGET FY 23-24	INCREASE (DECREASE) ADOPTED BUDGET FY 23-24 / MID-YEAR BUDGET FY 23-24	
						AMOUNT	PERCENT
Salaries/Regular	6010	\$ 896,895	\$ 1,332,635	\$ 535,351	\$ 1,203,286	\$ (129,349)	-9.7%
Salaries/Part-Time	6030	82,091	133,850	55,194	137,818	3,968	3.0%
Overtime	6011	3,497	6,035	113	1,125	(4,910)	-81.4%
Medical/Deferred Comp	6012	98,807	131,600	47,670	109,445	(22,155)	-16.8%
Life Insurance	6013	1,632	2,369	969	3,707	1,338	56.5%
Social Security	6014	64,265	83,290	38,473	83,922	632	0.8%
Medicare	6015	15,030	19,323	8,998	19,627	304	1.6%
FUTA	6016	1,090	1,219	650	1,779	560	45.9%
California SUI-ER	6017	4,812	5,460	4,223	4,914	(546)	-10.0%
Workers' Comp	6018	11,047	9,858	4,252	9,211	(647)	-6.6%
Employee Phone Stipends	6019	15,590	10,340	4,173	8,866	(1,474)	-14.3%
Vacation/Floating Holiday Payoff	6020	6,336	-	11,402	11,402	11,402	N/A
Sub-total Salaries & Benefits		\$ 1,201,093	\$ 1,735,978	\$ 711,465	\$ 1,595,101	\$ (140,877)	-8.12%
Office Supplies	6201	\$ 6,760	\$ 7,500	\$ 1,652	\$ 7,500	-	-
Postage	6202	1,249	1,280	128	500	(780)	-60.9%
Refreshments	6203	11,303	12,000	6,668	12,000	-	-
Dues to Outside Organizations - Renamed	6204	9,431	15,000	11,731	15,000	-	-
Mileage & Parking Reimbursements	6205	3,636	5,000	1,836	5,000	-	-
Meetings/Conferences	6206	7,190	10,000	2,229	10,000	-	-
Special Events/General Assembly	6224	46,681	45,000	504	45,000	-	-
Staff Training/Development	6207	1,304	5,000	648	5,000	-	-
Newsletter	6208	11,071	12,000	9,059	12,000	-	-
Audit Fees	6209	6,000	6,200	6,120	6,120	(80)	-1.3%
Contractual Services	6210	1,079,823	3,426,873	404,013	2,588,855	(838,018)	-24.5%
Management Services (JB&A)	6211	415,600	72,100	72,100	72,100	-	-
Rent	6212	(34,922)	138,091	92,458	138,091	-	-
Equipment Lease	6213	321	5,000	5,250	5,000	-	-
Telephone	6214	8,153	9,600	3,570	9,600	-	-
IT Services/Maintenance	6215	38,726	38,195	18,280	38,195	-	-
Software/Hardware	6216	26,455	30,047	9,269	30,047	-	-
Liability Insurance	6217	1,816	2,070	-	2,070	-	-
Subscription/Advertising	6218	349	1,000	1,624	2,000	1,000	100.0%
Specialty Legal Services	6220	4,473	15,000	20,883	30,000	15,000	100.0%
City Reimbursements (Homeless Services)	6222	435,228	1,058,109	344,139	1,717,965	659,856	62.4%
Miscellaneous Expenses	6225	9,888	8,000	16,005	20,000	12,000	150.0%
Sub-Total Supplies & Services		\$ 2,090,533	\$ 4,923,064	\$ 1,028,167	\$ 4,772,042	\$ (151,022)	-3.07%
Moving Expenses	6221	-	-	-	-	-	-
General Operation Expenses	6000	-	-	-	-	-	-
Debt Service - Principal	6227	135,537	-	-	-	-	-
Debt Service - Interest	6228	3,661	-	-	-	-	-
Capital Outlay	6229	-	-	-	-	-	-
Total Operating Expenditures		\$ 3,430,822	\$ 6,659,042	\$ 1,739,633	\$ 6,367,143	\$ (291,899)	-4.38%

SBCCOG
CALCULATION OF ESTIMATED FUND BALANCE
FOR JUNE 30, 2024

Fund Balance for June 30, 2023 per Audited Financial Statement		\$	347,833
Retention & Receivables Not Collected Within 90 Days of the Fiscal Year-End			711,306
Restricted Reserve Commitment (Recently Revised):			(405,000)
Adjusted Fund Balance for June 30, 2023		<u>\$</u>	<u>654,139</u>
 Adopted Revenue Budget FY23-24	 \$	 6,440,814	
Midyear Adjustments:			
General Fund Revenues	4,547		
Grant Revenues	(149,328)		
Special Assessment	<u>-</u>		
Total Revenue Adjustments		(144,781)	
Adjusted Revised Revenue Budget FY23-24			6,296,033
 Adopted Expenditure Budget FY23-24	 \$	 (6,659,042)	
Midyear Adjustments:			
Salaries & Benefits	140,877		
Supplies & Services	<u>151,022</u>		
Total Expense Adjustments		291,899	
Adjusted Revised Expenditure Budget FY23-24			<u>(6,367,143)</u>
 Estimated Fund Balance June 30, 2024 (Revenue over Expenditures)		 \$	 583,028

Note: The SBCCOG has received a \$1.2 million advance from the State of California for the fiber network, of which \$132,464 has been expended. The balance of \$1.067 million is not part of the fund balance and is currently showing as a liability. The liability is offset by cash received. Should the funds not be used, they will be returned to the State.

SBCCOG
APPROVED SALARY SCHEDULE BY POSITION /
LABOR AND SERVICES DISTRIBUTION
MID-YEAR BUDGET
FISCAL YEAR 2023-2024

POSITION	RANGE
Accountant	\$66,560 - \$85,102
Administrative Assistant (Hourly)	32,240 - 70,000
Administrative Officer	95,000 - 130,000
Deputy Executive Director	120,000 - 164,102
Executive Director	175,000 - 210,000
Project Coordinator	66,560 - 72,400
Project Manager	72,400 - 82,400
Senior Project Manager	82,400 - 92,400
Program Manager	102,400 - 112,400
Senior Program Manager	112,400 - 122,400
Project Assistant (Hourly)	32,240 - 50,000
Intern (Hourly)	32,240 - 50,000
Part-Time Hourly Staff	15.5 - 25 / hour

CONTRACTUAL SERVICES - 6210	ADOPTED BUDGET	YTD AS OF 12/31/2023	MID-YEAR BUDGET	AMOUNT IN/DECREASE	PERCENTAGE IN/DECREASE
Research Director - Siembab Corp.	75,000	34,770	75,000	-	-
Metro Deputy - Mike Bohlke	110,821	60,283	115,569	4,748	4%
Broadband/Measure M Fiber Contractors (ADF & Magellan)	509,182	24,234	509,182	-	-
Homeless Services Contractors	1,494,944	45,995	1,082,645	(412,299)	-28%
SCAG-REAP Contractors	485,856	110,194	110,194	(375,662)	-77%
Measure M LTN Contractors	55,331	7,385	15,724	(39,607)	-72%
LTN GIS - Jon Rodman	16,520	3,096	16,520	-	-
CivicSpark - 3 Fellows	93,000	46,500	93,000	-	-
Rosemary Lackow - Technical Support Contractor	10,000	2,508	10,000	-	-
LATA Grant Consultant	398,866	34,749	397,866	(1,000)	-
Temporary Staffing Agency	59,853	26,770	34,300	(25,553)	-43%
Accounting Services (Eide Bailly)	15,000	7,530	26,355	11,355	76%
Graphic Design	2,500	-	2,500	-	-
Additional Consultants or Staff	100,000	-	100,000	-	-
Estimated Contractual Services Expenses FY 2023-2024	3,426,873	404,013	2,588,855	(838,018)	-24%

SBCCOG
LIST OF ACRONYMS USED
MID-YEAR BUDGET
FISCAL YEAR 2023-2024

<u>ACRONYM</u>	<u>DEFINITION</u>
CALCOG	California Council of Governments
CAP	Climate Action Plan
CA-SUI	California State Unemployment Insurance
CEC	California Energy Commission
CIMP	Coordinated Integrated Monitoring Program
CPUC	California Public Utilities Commission
DWP	Department of Water & Power
ETRM	Electronic Reference Technical Manual
EUC	Energy Upgrade California
EV	Electric Vehicle
FTE	Full Time Equivalent
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GA	General Assembly
GBC	Green Building Challenge
GBN	Green Business Network
GSW	Golden State Water
HERO	Home Energy & Resources Organization
HLE	Holiday Light Exchange
ICLEI	International Council for Local Environmental Initiatives
LA	Los Angeles
LADWP	Los Angeles Department of Water & Power
LAIF	Local Agency Investment Fund

<u>ACRONYM</u>	<u>DEFINITION</u>
LARC	Los Angeles Regional Coalition
LATA	Local Agency Technical Assistance
LGSEC	Local Government Sustainability Energy Coalition
LTN	Local Travel Network
MEL	Metro Express Lanes
MTA	Metropolitan Transportation Authority
ODC	Other Direct Costs
PACE	Property Assessed Clean Energy
PATH	People Assisting the Homeless
PUC	Public Utilities Commission
REAP	Regional Early Action Planning
REN	Regional Energy Network
SB	South Bay
SBCCOG	South Bay Cities Council of Governments
SBFN	South Bay Fiber Network
SBWIB	South Bay Work Investment Board
SCAG	Southern California Association of Governments
SCE	Southern California Edison
SCG	Southern California Gas
SPA	Service Planning Area
WBMWD	West Basin Metropolitan Water District
WRCOG	Western Riverside Council of Government
WRD	Water Replenishment District

Budget Summary

The mid-year budget for FY 2023-24 continues to reflect a deficit budget, which is covered with the use of the unrestricted fund balance. The FY 2023-24 adopted budget included \$218,228 from the unrestricted fund balance which has now been reduced to \$77,837 (a 64% decrease) with this mid-year budget. While revenues are anticipated to decrease by \$144,781 (2.25%), expenditures are also anticipated to decrease by \$291,899 (4.38%) compared to the adopted FY 2023-24 budget.

The revenue decrease is primarily due to SCAG REAP 2 postponement and reduced activity required for contract completion. The expenditures decrease is due to staffing changes, and adjustments to both contract services for REAP 2 postponement as well as city reimbursements due to LA County contract delays.

It is important to note that the California Green Business Network (CAGBN) contracts between the SBCCOG and the cities of El Segundo, Hawthorne, and Torrance have been terminated due to state budget cuts and will not be included in the FY 2024-25 budget. In addition, the Torrance Water contract partnership has been terminated and will also not be included in the FY 2024-25 budget.

The narrative below highlights overall budget changes with explanations for significant variances (+/-5%).

Revenue

The following are explanations of the revenue increases (and decreases) with the corresponding account codes and descriptions of the revenue categories:

- 4513: SCG Contract – decrease of \$33,333 due to funding rollover to FY 2024-25
- 4570: Measure R Hwy – decrease of \$7,171 based on FY 2023-24 YTD spend
- 4571: Measure R Transit/Transfer – decrease of \$5,089 based on FY 2023-24 YTD spend
- 4611: Measure M MSP – decrease of \$4,549 based on FY 2023-24 YTD spend
- 4573: MOEV – decrease of \$3,016 due to project work on hold until FY 2024-25
- 4580: PACE (Ygrene) – decrease of \$100 due to overall program inactivity
- 4592: Energy Coalition (REN) – decrease of \$65,399 due to change in contract administrator which is now LA County
- **NEW** LA County (REN) – \$150,000 received; \$85,000 more than projected
- 4600: PATH – decrease of \$4,167 due to contract ending, being replaced by a \$50,000 contract for SD2 and SD4
- 4602: Homeless - LA County Innovation Fund – increase of \$134,615 due to funding rollover from FY 2022-23
- 4604: Homeless - LA County Local Solutions Fund – increase of \$96,839 due to contract increase

- 4612: *South Bay Fiber Network (SBFN)/Broadband* – increase of \$24,000 based on FY 2023-24 YTD spend and delayed billing from contractors
- 4011: *SCAG REAP* – decrease of \$431,960 due to delayed funding for REAP 2.0 (\$585,000); only permitted to bill for administrative tasks

Expenditures

The following are explanations of the expenditure increases (and decreases) with the corresponding account codes and descriptions of the expenditure categories:

Salaries & Benefits – overall decrease of \$140,877

- 6010: *Salaries/Regular* – decrease of \$129,349 due to changes in staffing needs because of reduced contracts
- 6011: *Overtime* – decrease of \$4,910 due to changes in staffing needs
- 6012, 6013, 6016-6018: *Benefits* – overall decrease of \$21,450 reflecting applicable rates based on current and anticipated staffing
- 6019: *Employee Phone Stipends* (Formerly known as *Employee Reimbursable Expense*) – decrease of \$1,474 due to accounting adjustments/reclassifying expenses
- 6020: *Vacation/Floating Holiday Payoff* – increase \$11,402 due to staffing changes

Supplies & Services – overall decrease of \$151,022

- 6202: *Postage* – decrease of \$780 based on the current needs of the organization
- 6209: *Audit Fees* – decrease of \$80 due to previously overbudgeting for GASB 87 implementation
- 6218: *Subscription/Advertising* – increase of \$1,000 for job posting advertisements
- 6220: *Specialty Legal Services* – increase of \$15,000 due to increased need
- 6222: *City Reimbursements* – increase of \$659,856 due to combining Innovation Fund, the new Local Jurisdiction/Solutions contracts, and additional city programs
- 6225: *Miscellaneous Expenses* – increase of \$12,000 mostly due to unanticipated expenses incurred for implementing El Segundo's Local Travel Network (LTN), which is a passthrough

6210: Contractual Services – overall decrease of \$838,018 (24%)

- *Metro Deputy: Mike Bohlke* – increase of \$4,748 due to finalized increase per Metro

- *Homeless Services Contractors* – decrease of \$412,299 with Innovation Fund and the new Local Jurisdiction/Solutions contracts combined along with the reduced need for outside contractors
- *SCAG-REAP Contractors* – decrease of \$375,662 due to REAP 2.0 funding postponement
- *Measure M LTN Contractors* – decrease of \$39,607 based on contract revision
- *LATA Grant Consultant* – decrease of \$1,000 now that contract has been finalized
- *Temporary Staffing Agency* – decrease of \$25,553 as contracted employee has been converted to SBCCOG personnel
- *Accounting Services (Eide Bailly)* – increase of \$11,355 as firm (vs. an individual accountant) has been contracted, in support of routine bookkeeping functions due to the increased number of contracts and complexity of new GASB reporting requirements

South Bay Cities Council of Governments

April 8, 2024

TO: SBCCOG Steering Committee

FROM: Ad Hoc Finance Committee

SUBJECT: 2024-2025 Dues Increase

BACKGROUND

At the February 22, 2024, meeting of the SBCCOG Board of Directors, a vote was taken to base the FY2024-2025 dues on the total amount paid to the SBCCOG for FY 2023-2024 with an increase using the annual 2023 CPI of 3.5%.

Additionally, a policy was adopted that each year's dues from this year forward will include an annual CPI increase based on the previous calendar year for each succeeding budget with a cap (a maximum increase limit) of 5%.

Also, with this new policy of the SBCCOG, if there is no other increase proposed for the annual dues, the CPI increase alone each year will not trigger the Bylaws provision requiring a notice to the Board 60 days in advance.

RECOMMENDATION

That the Board approve the new dues allocations attached for Fiscal Year 2024-2025.

	City of/Entity	FY 2023-24 Dues	Proposed FY2024-25 Dues Using Annual 3.5% CPI
1	Carson	33,964	35,153
2	El Segundo	20,177	20,883
3	Gardena	27,194	28,146
4	Hawthorne	34,595	35,806
5	Hermosa Beach	15,253	15,787
6	Inglewood	49,115	50,834
7	Lawndale	18,972	19,636
8	Lomita	13,801	14,284
9	Los Angeles	55,204	57,136
10	Manhattan Beach	22,396	23,180
11	Palos Verdes Estates	13,142	13,602
12	Rancho Palos Verdes	20,301	21,012
13	Redondo Beach	29,865	30,910
14	Rolling Hills	7,817	8,091
15	Rolling Hills Estates	11,854	12,269
16	Torrance	55,204	57,136
17	County of Los Angeles	56,459	58,435
		485,313	502,299