City of Rolling Hills INCORPORATED JANUARY 24, 1957

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

AGENDA
Special Finance/Budget/Audit Committee Meeting

FINANCE/BUDGET/AUDIT COMMITTEE
Monday, March 11, 2024

CITY OF ROLLING HILLS
6:00 PM

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT ON NON-AGENDA ITEMS

4. CONSENT CALENDAR

4.A. APPROVE AFFIDAVIT OF POSTING FOR THE SPECIAL FINANCE/BUDGET/AUDIT COMMITTEE MEETING OF MARCH 11, 2024
RECOMMENDATION: Approve.
CL_AGN_240311_FBA_AffidavitofPosting.pdf

5. DISCUSSION ITEMS

5.A. PRELIMINARY FISCAL YEAR 2024/25 PROJECTIONS AND BALANCING
RECOMMENDATION: Receive a report from staff on the preliminary projections for fiscal year 2024/25, including preliminary revenue and expenditure estimates, and preliminary status of the General Fund balancing picture.
CL_AGN_240311_FBA_Budget_Summary_FY24-25.pdf
CL_AGN_240311_FBA_Prelim_GF_RevProjections_FY24-25
CL_AGN_240311_FBA_Building_Revenue_Analysis_FY 2024-25.pdf
CL_AGN_240311_FBA_Prelim_FY24-25_Projections.pdf

6. ITEMS FROM THE FINANCE BUDGET AUDIT COMMITTEE

7. ITEMS FROM STAFF

8. ADJOURNMENT

Next meeting: Monday, May 6, 2024 at 6:00 p.m. in the City Council Chamber, Rolling Hills City Hall, 2 Portuguese Bend Road, Rolling Hills, California, 90274.

Notice:

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

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

Agenda Item No.: 4.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: APPROVE AFFIDAVIT OF POSTING FOR THE SPECIAL FINANCE/BUDGET/AUDIT COMMITTEE MEETING OF MARCH 11, 2024

DATE: March 11, 2024

BACKGROUND:
None.

DISCUSSION:
None.

FISCAL IMPACT:
None.

RECOMMENDATION:
Approve.

ATTACHMENTS:
CL_AGN_240311_FBA_AffidavitofPosting.pdf

Administrative Report

4.A., **File #** 2237 **Meeting Date**: 3/11/2024

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) §§
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	Finance/Budget/Audit Committee
Posting Type	Special Meeting Agenda
Posting Location	2 Portuguese Bend Road, Rolling Hills, CA 90274 City Hall Window City Website: https://www.rolling-hills.org/government/agenda/index.php https://www.rolling-hills.org/government/city_council/city_council_archive_agendas/index.php
Meeting Date & Time	MARCH 11, 2024 6:00pm

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: March 8, 2024

City of Rolling Hills INCORPORATED JANUARY 24, 1957

Agenda Item No.: 5.A
Mtg. Date: 03/11/2024

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: ROBERT SAMARIO, FINANCE DIRECTOR

THRU: KARINA BAÑALES, CITY MANAGER

SUBJECT: PRELIMINARY FISCAL YEAR 2024/25 PROJECTIONS AND BALANCING

DATE: March 11, 2024

BACKGROUND:
The City of Rolling Hills has initiated the process of developing the annual budget for fiscal year 2024/25. One of the key steps in the process, is developing revenue estimates as this establishes the amounts of funds available to spend for the delivery of services to the community.

It is still early in the process, and revenues will continue to be monitored and updated over the next few months as additional information and revenues are received. However, we are far enough in the fiscal year to be in a position to make reasonable projections to provide a preliminary sense of whether the City will be facing a structural deficit or will have adequate ongoing revenues to cover ongoing expenditures.

Thus, this report aims to provide the Finance, Audit, and Budget Committee with preliminary projections of General Fund revenues and expenditures for fiscal year 2024/25.

DISCUSSION:
The current fiscal year 2023/24 adopted budget is balanced, meaning ongoing revenues are adequate to cover ongoing costs. In fact, the adopted budget included a surplus of $206,837, which covered almost all of the $250,000 Solar Power/Battery Back-Up Project.

Based on revenues received in the current fiscal year through December 31, 2023, revenues are expected to end the year below budget by approximately $185,000. However, based on expenditure savings through December 31, 2023, due largely to staff vacancies, the savings by fiscal year-end will likely be in the $200,000 - $250,000 range.

Staff used the current fiscal year revenue projections to develop preliminary revenue projections for fiscal year 2024/2025. Based on these very preliminary estimates, ongoing revenues total $2,638,137, representing an increase of $60,480 from the current fiscal year's projected revenue. Please refer to Attachment 2. Note that, as discussed with Council on February 26, 2024, all current-year revenues are reasonably in line with the adopted revenues, with the exception of building revenues. Attachment 3 provides some historical data related to the number and value of building permits issued by the County of Los Angeles on behalf of the City of Rolling Hills, along with the related revenues received by the City. In the current fiscal year, while the number of building permits is trending much higher than last year, the average value is almost half of the average value last year. This seems to explain why revenues through the first half of the year are trending below last year and the adopted budget. Against a budget of $600,000, building and related revenues are projected to reach $440,000, $160,000 short of budget. For fiscal year 2024/25, staff has assumed for now, pending additional revenue in the coming months, that revenues will be flat next year - that is, there is no assumed growth in order to be conservative.

On the expenditure side, the "status quo" budget for fiscal year 2024/25 is $2,504,357. This is a $51,100 decrease from the current year's adopted budget of $2,555,457 due to new staff hired at a starting salary lower than their predecessors, which saves $73,862. Staff has also built into the estimate an assumed 3.5% increase to salaries starting July 1, 2024, pursuant to the existing Employee Handbook and Personnel Policy Manual, which adds $22,762 in costs.

Combining preliminary projections for revenues and operating expenditures, the General Fund appears to still be in balance, producing an operating surplus of $133,780. See Attachment 1.

Staff will be soliciting the Committee's feedback on the preliminary growth assumptions used to develop the fiscal year 2024/25 revenue estimates and any other recommendations for Council to consider.

FISCAL IMPACT:
None.

RECOMMENDATION:
As presented.

ATTACHMENTS:
CL_AGN_240311_FBA_Budget_Summary_FY24-25.pdf
CL_AGN_240311_FBA_Prelim_GF_RevProjections_FY24-25
CL_AGN_240311_FBA_Building_Revenue_Analysis_FY 2024-25.pdf
CL_AGN_240311_FBA_Prelim_FY24-25_Projections.pdf

CITY OF ROLLINGS HILLS
Preliminary Balancing
General Fund

	FY 2023/24 Adopted Budget	FY 2023/24 Year-End Projections	FY 2023/24 Prelim Projections
Operating Revenues	$ 2,762,294	$ 2,576,766	$ 2,638,137
Operating Expenditures	2,555,457	2,355,457	2,504,357
Operating Surplus (Deficit)	206,837	221,309	133,780
Capital Transfers	(250,000)	(50,000)	N/A
Surplus (Deficit)	$ (43,163)	$ 171,309	$ 133,780

CITY OF ROLLING HILLS
Preliminary Fiscal Year 2024/25 Projections
General Fund Revenues

	FY 2022/23 Actuals	Adopted Budget	Prelim Year-End Projection	Preliminary FY 2024/25 Projections	Projected Growth
Property Taxes	$ 1,378,564	$ 1,496,250	$ 1,450,000	$ 1,500,750	3.5%
Sales Taxes	20,555	13,905	10,000	10,300	3.0%
Property Transfer Tax	57,185	56,222	63,000	64,890	3.0%
Other Taxes	546	1,000	1,000	1,000	0.0%
Motor Vehicle In Lieu	263,988	269,267	272,374	280,545	3.0%
Building & Other Permits	578,496	600,000	440,892	440,892	0.0%
C&D Permits	5,750	5,600	10,000	10,000	0.0%
Variance, Planning & Zoning	61,244	67,000	25,000	25,000	0.0%
Animal Control Fees	353	150	300	300	0.0%
Franchise Fees	14,847	13,000	13,000	13,260	2.0%
Fines & Traffic Violations	4,422	3,500	4,000	4,000	0.0%
Cost Recoivery - Publications	9,353	7,200	3,000	3,000	0.0%
RHCA Lease Revenue	63,404	69,000	69,000	69,000	0.0%
Public Safety Aug Fund	1,040	1,200	1,200	1,200	0.0%
Interest on Investments	102,408	110,000	140,000	140,000	0.0%
PARS Earnings	25,244	20,000	44,000	44,000	0.0%
Miscellaneous Revenue	82,904	5,000	6,000	6,000	0.0%
Transfers In - Refuse Fund	24,000	24,000	24,000	24,000	0.0%
TOTALS	**$ 2,694,303**	**$ 2,762,294**	**$ 2,576,766**	**$ 2,638,137**	

CITY OF ROLLING HILLS
Analysis of Building Revenues

Fiscal Year	Count	Valuation Total	Valuation Average	Total Revenues
2016/17	66	$ 5,966,218	$ 90,397	$ 602,149
2017/18	69	8,773,580	127,153	769,138
2018/19	71	8,331,370	117,343	482,048
2019/20	44	6,017,600	136,764	369,250
2020/21	34	6,037,650	177,578	184,378
2021/22	40	4,066,192	101,654	487,909
2022/23	38	4,572,111	120,319	578,496
2023/24	33	2,281,919	69,149	183,705

CITY OF ROLLING HILLS

PRELIMINARY REVENUE PROJECTIONS

FISCAL YEAR 2024/25

Purpose of Report

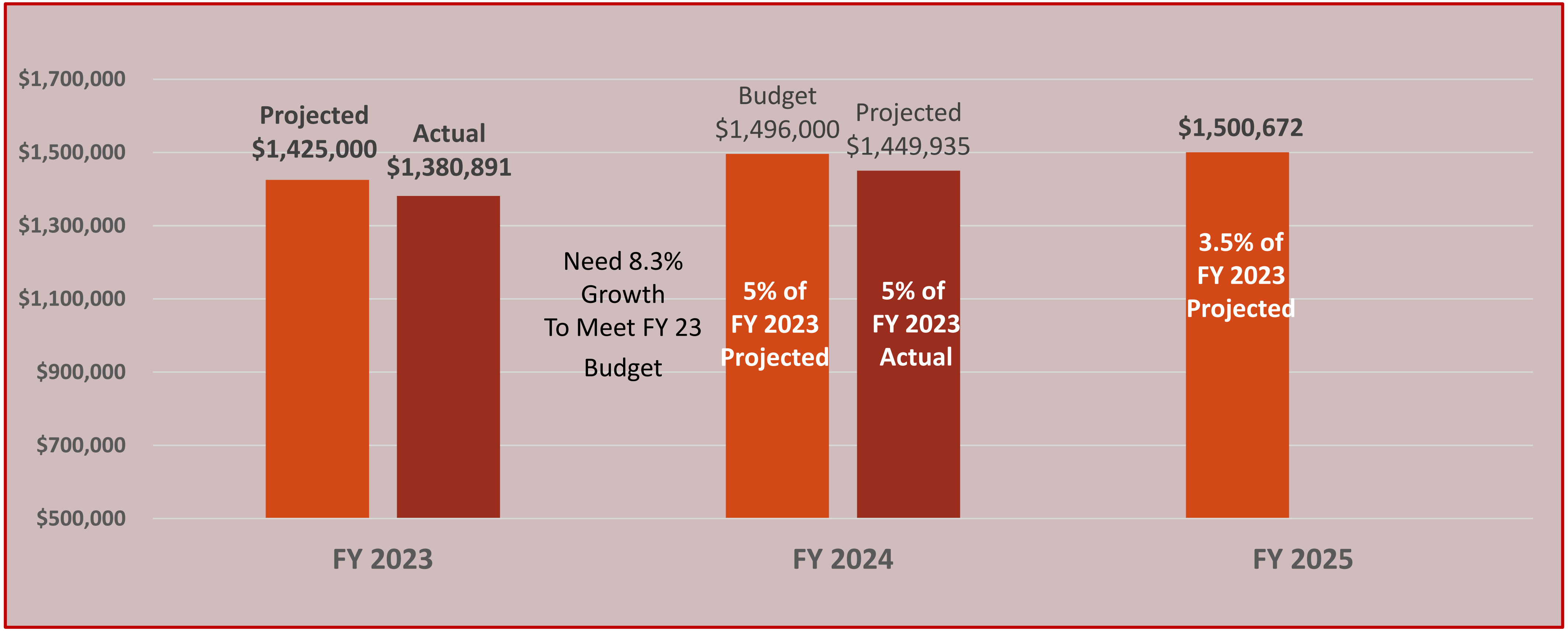
- To provide preliminary revenue projections for FY 2024/25
  - Projections largely based on revenues through 12/31/23 and projections for FY 2023/24
  - Revenues will continue to be monitored through the next few months and will be refined further
- To provide a preliminary glimpse of the balancing of revenues and expenditures
  - Do we have a projected deficit or surplus?

GENERAL FUND REVENUES

General Fund Revenues

	Adopted Budget	Pro-Rata Budget		Actuals Thru 12/31/23	Variance Favorable (Unfavorable)
401 Property Taxes	$ 1,496,250	$ 659,846	*	$ 641,750	$ (18,096)
405 Sales Taxes	13,905	6,953		5,000	(1,953)
410 Property Transfer Tax	56,222	28,111		31,782	3,671
415 Other Taxes	1,000	500		-	(500)
420 Motor Vehicle In Lieu	269,267	134,634		136,187	1,553
440 Building & Other Permits	600,000	300,000		183,705	(116,295)
441 C&D Permits	5,600	2,800		5,200	2,400
450 Variance, Planning & Zoning	67,000	33,500		12,542	(20,958)
455 Animal Control Fees	150	75		289	214
460 Franchise Fees	13,000	6,500		4,615	(1,885)
480 Fines & Traffic Violations	3,500	1,750		2,019	269
482 Cost Recoivery - Publications	7,200	3,600		750	(2,850)
600 RHCA Lease Revenue	69,000	34,500		34,496	(5)
650 Public Safety Aug Fund	1,200	600		620	20
670 Interest on Investments	110,000	55,000		72,130	17,130
671 PARS Earnings	20,000	10,000		22,880	12,880
675 Miscellaneous Revenue	5,000	2,500		5,556	3,056
699 Transfers In - Refuse Fund	24,000	12,000		12,000	-
TOTALS	**$ 2,762,294**	**$ 1,292,868**		**$ 1,171,520**	**$ (121,348)**

Property Taxes



Property Taxes

	Property Taxes	% Growth	
2017	1,007,250		Actual
2018	1,089,838	8.2%	Actual
2019	1,189,613	9.2%	Actual
2020	1,201,368	1.0%	Actual
2021	1,222,948	1.8%	Actual
2022	1,323,001	8.2%	Actual
2023	1,380,891	4.4%	Actual
2024	1,450,000	5.0%	Projected
2025	**1,500,750**	**3.5%**	**Prelim. Est.**

- 3 components to P/T growth
  - Annual CPI (2% max)
  - Supplemental assessments
  - Re-assessments from P/Y sales to MV
- Growth from re-assessments generally the largest component
- Dramatic reduction in sales due to sharp increase in interest rates
- Overall growth expected to be muted
- Consultant from neighboring City projected 3.5% for their client for next two years

Real Property Transfer Tax

- FY 2021 - $132,888
- FY 2022 - $80,719
- FY 2023 $57,185
- FY 2024 Adopted Budget - $56,222
- FY 2024 through December 31, 2023 = $31,782
- FY 2024 YE Projection = $63,000
- FY 2025 Projection = $64,890 (3%)

Building & Other Permit Revenue

		Valuation		Total
Fiscal Year	Count	Total	Average	Revenues
2016/17	66	$ 5,966,218.00	$ 90,397.24	$ 602,148.95
2017/18	69	8,773,580.00	127,153.33	769,138.01
2018/19	71	8,331,370.00	117,343.24	482,047.62
2019/20	44	6,017,600.00	136,763.64	369,250.33
2020/21	34	6,037,650.00	177,577.94	184,378.48
2021/22	40	4,066,192.00	101,654.80	487,909.09
2022/23	38	4,572,111.00	120,318.71	578,496.07
2023/24	33	2,281,919.00	69,149.06	183,704.81

INTEREST ON INVESTMENTS

- Recent trends
  - FY 2021/22 – $26,187
  - FY 2022/23 – $96,821
- FY 2023/24 Adopted Budget - $110,000
- FY 2023/24 thru 12/31/23 - $72,130
- Two main reasons:
  - Shifted $1.25M from LAIF to short-term CDs
    - LAIF was earning less than ½%
    - Yields on short-term CDs was/is in the 4-5% range
  - General increase in yields at LAIF (FY 2023 yield up to 2.17%)

FY 2024/25 Preliminary Revenue Projections

	FY 2022/23 Actuals	Adopted Budget	Prelim Year-End Projection	Preliminary FY 2024/25 Projections	Projected Growth
Property Taxes	$ 1,378,564	$ 1,496,250	$ 1,450,000	$ 1,500,750	3.5%
Sales Taxes	20,555	13,905	10,000	10,300	3.0%
Property Transfer Tax	57,185	56,222	63,000	64,890	3.0%
Other Taxes	546	1,000	1,000	1,000	0.0%
Motor Vehicle In Lieu	263,988	269,267	272,374	280,545	3.0%
Building & Other Permits	578,496	600,000	440,892	440,892	0.0%
C&D Permits	5,750	5,600	10,000	10,000	0.0%
Variance, Planning & Zoning	61,244	67,000	25,000	25,000	0.0%
Animal Control Fees	353	150	300	300	0.0%
Franchise Fees	14,847	13,000	13,000	13,260	2.0%
Fines & Traffic Violations	4,422	3,500	4,000	4,000	0.0%
Cost Recoivery - Publications	9,353	7,200	3,000	3,000	0.0%
RHCA Lease Revenue	63,404	69,000	69,000	69,000	0.0%
Public Safety Aug Fund	1,040	1,200	1,200	1,200	0.0%
Interest on Investments	102,408	110,000	140,000	140,000	0.0%
PARS Earnings	25,244	20,000	44,000	44,000	0.0%
Miscellaneous Revenue	82,904	5,000	6,000	6,000	0.0%
Transfers In - Refuse Fund	24,000	24,000	24,000	24,000	0.0%
TOTALS	**$ 2,694,303**	**$ 2,762,294**	**$2,576,766**	**$2,638,137**	

GENERAL FUND EXPENDITURES

General Fund Expenditures by Department

Department	Adopted Budget	Amended Budget	Pro-Rated Budget	Actuals Thru 12/31/23	Variance Favorable (Unfav)
City Administrator	$ 957,138	$ 1,063,827	$ 531,914	$ 378,401	$ 153,513
Finance	154,400	154,400	77,200	66,833	10,367
Planning & Development	858,801	858,801	429,401	408,493	20,908
Public Safety	270,000	270,000	135,000	127,671	7,329
Non-Departmental	134,018	141,618	70,809	110,772	(39,963)
City Properties	181,100	181,100	90,550	81,492	9,058
Total Operations	**2,555,457**	**2,669,746**	**1,334,873**	**1,173,660**	**161,213**
Capital Transfers	250,000	1,072,244	536,122	233,355	302,767
GENERAL FUND TOTALS	**$ 2,805,457**	**$ 3,741,990**	**$ 1,870,995**	**$ 1,407,015**	**$ 463,980**

CITY ADMINISTRATOR

- Total favorable variance - $153k
- Salary/Benefit Savings - $93k
  - Vacancies in 3 of 4 positions during 1st six months
- Consulting Fees (Project Management) - $21k
  - Many costs charged to project in CIP Fund (40)
- Records Management - $21k
  - Lots of work completed in 1st half of FY; invoices pending

NON-DEPARTMENTAL

- Unfavorable Variance - $39,963
- Insurance Premiums – Variance of $21,756
  - Premiums paid in July
- Emergency Preparedness – Variance of $19,087
  - Majority of costs paid in 1st half of the year

BUDGET SUMMARY

	FY 2023/24 Adopted Budget	FY 2023/24 Year-End Projections	FY 2023/24 Prelim Projections
Operating Revenues	$ 2,762,294	$ 2,576,766	$ 2,638,137
Operating Expenditures	2,555,457	2,355,457	2,504,357
Operating Surplus (Deficit)	206,837	221,309	133,780
Capital Transfers	(250,000)	(50,000)	N/A

Conclusion

- Revenues could end the year up to $200k below budget
- Revenue shortfall will likely be offset by expenditure savings (excluding capital)
- General Fund budget remains structurally balanced and is expected to remain so for next fiscal year

QUESTIONS/DISCUSSION