

# **AGENDA**

ADJOURNED REGULAR CITY COUNCIL MEETING  
EXECUTIVE BOARD ROOM  
5000 CLARK AVENUE  
LAKEWOOD, CALIFORNIA

June 6, 2023, 5:30 p.m.

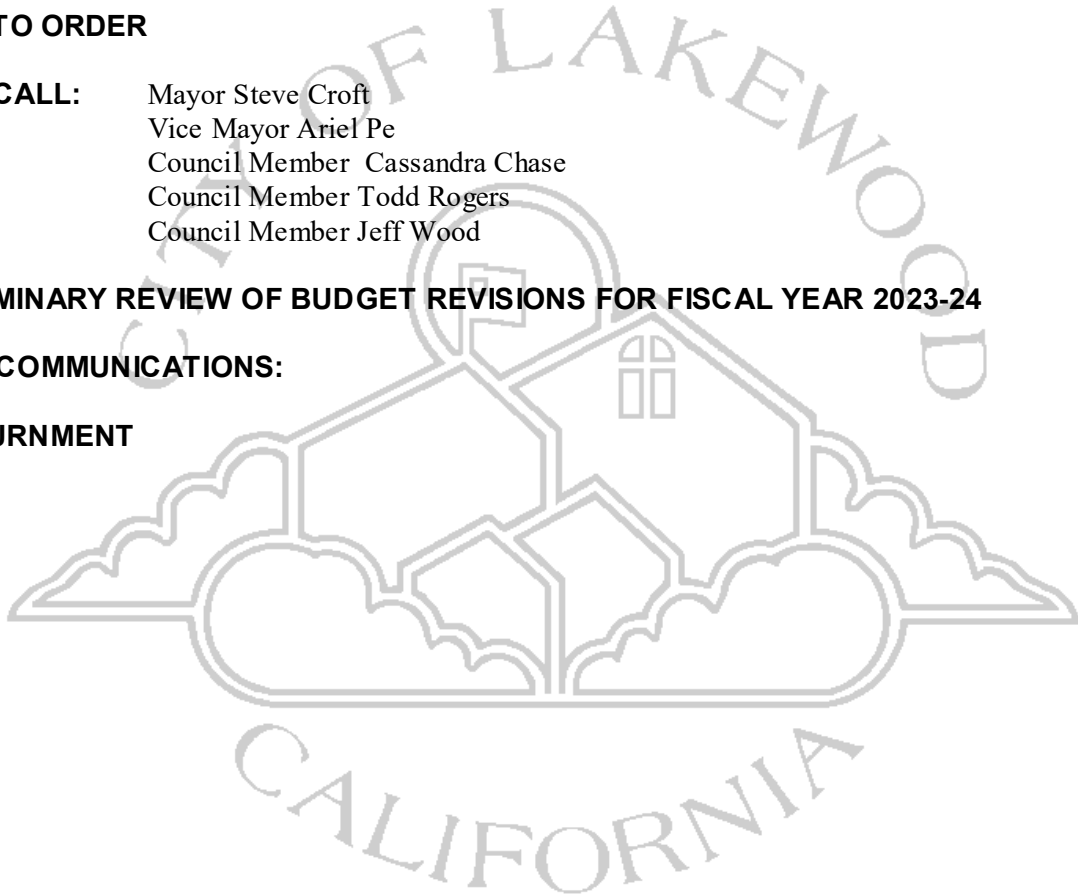
## **CALL TO ORDER**

**ROLL CALL:** Mayor Steve Croft  
Vice Mayor Ariel Pe  
Council Member Cassandra Chase  
Council Member Todd Rogers  
Council Member Jeff Wood

## **PRELIMINARY REVIEW OF BUDGET REVISIONS FOR FISCAL YEAR 2023-24**

## **ORAL COMMUNICATIONS:**

## **ADJOURNMENT**



Any qualified individual with a disability that would exclude that individual from participating in or attending the above meeting should contact the City Clerk's Office, 5050 Clark Avenue, Lakewood, CA, at 562/866-9771, ext. 2200; at least 48 hours prior to the above meeting to ensure that reasonable arrangements can be made to provide accessibility to the meeting or other reasonable auxiliary aids or services may be provided.

Copies of staff reports and other writings pertaining to this agenda are available for public review during regular business hours in the Office of the City Clerk, 5050 Clark Avenue, Lakewood, CA 90712

## **COUNCIL AGENDA**

June 6, 2023

**TO:** The Honorable Mayor and City Council

**SUBJECT:** Study Session – Revised FY 2023-24 Budget

I am very pleased to present for your consideration the revised budget for Fiscal Year (FY) 2023-24, the second year of the city's adopted two-year budget.

The City of Lakewood has a long tradition of strong fiscal oversight and prudent budget management, and we take to heart that maintaining our local quality of life and keeping our local property values high requires Lakewood to have the funding to keep our streets well-maintained and preserve our exceptional parks, recreation programs, and the safe and clean public spaces and neighborhoods that keep our community a desirable place to live, do business and raise a family.

The revised budget is in line with the city's guiding principles and traditional values, producing an operational blueprint that preserves those valued services while maintaining a fiscally-sound organization. While the city's overall expenditure budget (inclusive of special revenue and enterprise funds) is in excess of \$88 million, the General Fund is the largest and most discretionary component of the budget and extremely important in the provision of essential city services. Also reflective of the city's prudent fiscal management is the inclusion of a rainy-day reserve fund for economic uncertainty equaling 20 percent of the city's annual operating budget that is set by policy and allows the organization to weather funding shortfalls.

Even in years with limited resources resulting in a structural deficit, the city has consistently taken needed actions to balance the budget, whether it be making difficult budget cuts or pursuing new revenue streams when budget cuts have threatened the ability to provide essential services. The latter was the case when the community approved Measure L (the local Transaction and Use Tax) in March 2020. The budget before you and all future budgets for the foreseeable future would be much different in nature. Measure L represents a source of revenue that has allowed the city to maintain the programs and services that have helped define a quality of life in Lakewood that historically has distinguished us from other cities. We are grateful for the trust that the community has imparted on us and are respectful of the responsibility that we have to ensure that these new funds are spent with the same level of measured prudence that engendered the trust that facilitated the passage of the measure. These Measure L funds allow the city to chart a steady fiscal course for years to come. First and foremost, this includes maintaining core services and programs for Lakewood residents, addressing infrastructure needs, and focusing on strategic long-term funding solutions.

This budget allows the city to continue to preserve and improve the city's infrastructure such as streets, sidewalks, trees and community facilities, through a "save-then-spend" capital financing strategy rather than issuing debt. Prior to the passage of Measure L, operational savings realized each fiscal year were allocated toward the funding of future capital improvement projects. That became impossible over the past decade as the city grew into and began to realize a structural deficit.

The FY 2023-24 Revised Budget includes \$3.6 million for future-year capital improvement projects (CIPs), with \$3.1 million earmarked toward future projects and \$500,000 for additional contractual project management support. These resources allow for the city to continue “on track” funding the \$30+ million in projects identified in the comprehensive facilities' assessment study. The allocations will be incorporated into the City Council’s CIP planning and prioritization process outside of the budget development activity.

Following is a more detailed review of the budget specifics:

For the current FY 2022-23 Final Budget Estimate, it is anticipated that the city's General Fund will have a surplus of approximately \$6.5 million. While expenditures have trended slightly below budgeted amounts for the year, projected revenues (largely fueled by stronger than expected sales tax revenues) have remained stronger than originally anticipated.

#### **FY 2023-24 Revised Budget**

The FY 2023-24 Revised Budget forecasts a General Fund surplus totaling almost \$3.2 million. Revenues are anticipated to continue growing at a modest pace compared to the current year, but significantly higher than the original two-year budget forecast.

Following is a summary of the FY 2023-24 General Fund Revised Budget activity:

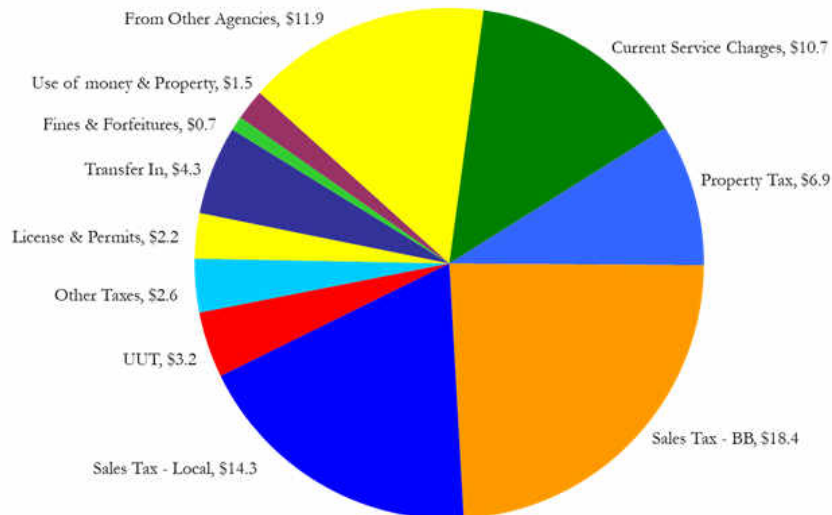
	<u>Revised FY 2023-24</u>
<b>Sources:</b>	
General Revenues	\$72,333,818
Transfers In:	<u>4,324,200</u>
Total Sources	76,658,018
<b>Uses:</b>	
Departmental Expenditures	\$70,360,258
CIP Set-Aside	<u>3,100,000</u>
Total Uses	73,460,258
<b>Projected Surplus</b>	<b><u>\$ 3,197,760</u></b>

#### **Revenues / Sources**

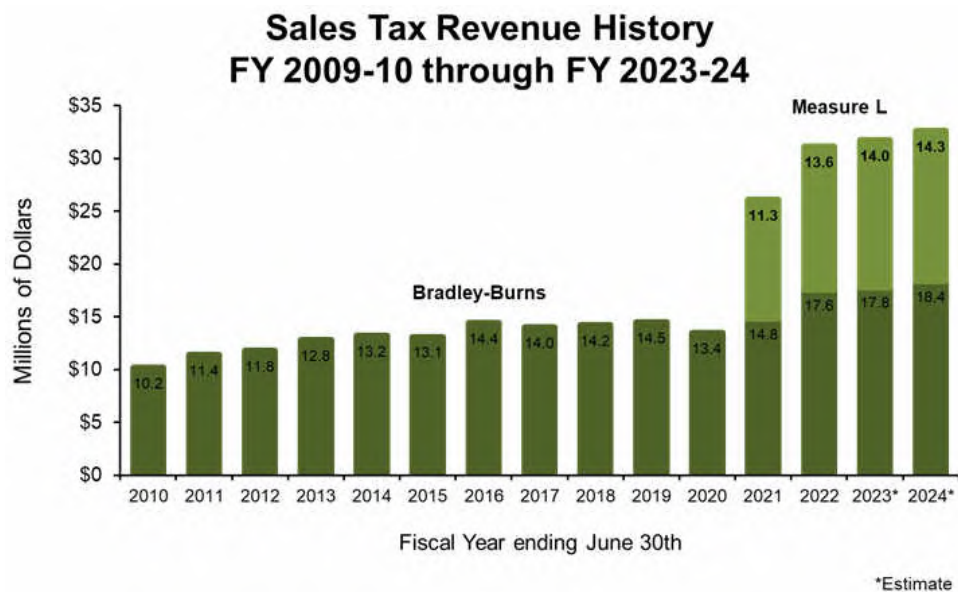
During FY 2023-24 we are expecting city General Fund revenues and sources to total approximately \$76.7 million, most of which (\$72.3 million) are revenues. This is about \$80,000 more than the prior year estimate (which includes approximately \$2 million in one-time revenues) and approximately \$4.9 million more than anticipated in the adopted budget. Among the biggest increases were Sales Tax (both Bradley Burns and Measure L), Building & Plan Check Fees, and Investment Earnings.

Following is a revenue chart graphically showing the anticipated revenues relative to other General Fund Revenues:

***FY 2023-24 General Fund Revenues: \$76.7 Million  
(Amounts below in millions)***



***Sales Tax Revenue*** – Like many municipalities throughout the State, Sales Tax Revenue is the largest General Fund revenue source. While significant declines were anticipated due to the COVID-19 pandemic, they were not as severe. In FY 2023-24 Bradley Burns Sales Tax and Measure L Sales Tax revenues are expected to be \$680,000 and \$200,000 more than originally estimated, respectively. Below is a chart with historical information going back to FY 2009-10:



***Building & Plan Check Fees*** – The Revised Budget includes over \$3 million in Building & Plan Check Fees for FY 2023-24, or about \$1,321,000 more than the adopted budget. This is indicative of the ongoing construction activity in the community and the expectation of its continuation through the upcoming fiscal year.

**Investment Earnings** - The city's investment earnings revenue has benefitted from the sharp rise in interest rates. We anticipate receiving \$1.1 million, or \$800,000 more than originally anticipated for FY 2023-24.

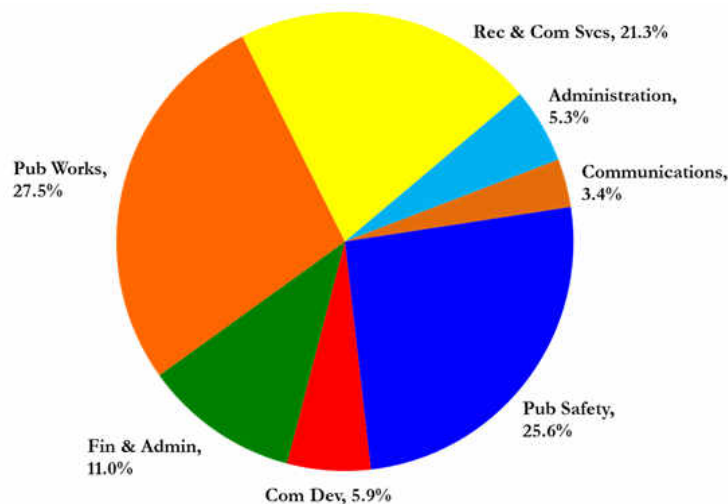
### **Expenditures / Uses**

General Fund expenditures and set-asides are expected to total almost \$73.5 million in FY 2023-24, or almost \$6 million more than the adopted budget, the bulk of which represents investments in public safety that began in FY 2022-23 and which are being extended into FY 2023-24, and investments in the city's infrastructure and maintenance needs, as well as its economic wellbeing. Among the larger components are: \$800,000 in Los Angeles County Sheriff's Department (LASD) contract rate increase, \$600,000 in additional funding for CIPs (for projects and contractual labor), \$545,000 for the addition of an LASD Two-Deputy Crime Suppression Unit and overtime, \$373,500 for the continuation of the citywide private security patrol contract, \$300,000 for the development of a Parks & Recreation Community Services Master Plan, \$250,000 in various Community Development studies, \$240,000 in one-time tree trimming, \$180,000 for the addition of an LASD Mental Evaluation Team (MET) unit clinician, \$176,000 for the addition of an LASD MET Unit with vehicle, \$150,000 for the continuation of a dedicated Community Prosecutor attorney, \$100,000 for the development of a citywide Hazard Mitigation Plan, \$67,000 in LASD contract Liability Trust Fund rate increase, \$67,000 in online Community Development permit submittal software, and \$6,000 for the continuation of the Graffiti Tracker program.

Departmental expenditures are estimated at \$70.4 million in FY 2023-24. The three largest department expenditure components (based on gross expenditures) are Public Works, Public Safety, and Recreation & Community Services. The relative financial balance amongst these three departments is unique in the municipal realm and represents Lakewood's holistic approach and emphasis on overall quality of life that recognizes the symbiotic relationship between infrastructure, community engagement and public safety.

Following is a department expenditure chart for the upcoming year graphically showing the relative expenditure component for each department:

***FY 2023-24 Departmental Expenditures - \$70.4 Million***



**WATER UTILITY FUND**

For the FY 2023-24 Revised Budget, it is anticipated that the fund will have a \$301,446 surplus at year's end. This is the result of stronger anticipated revenues and slightly lower projected expenses.

Following is a summary of the FY 2023-24 Water Utility Fund Revised Budget:

	<u>Revised FY 2023-24</u>
Sources:	
<u>Revenues</u>	<u>\$ 15,115,500</u>
Total Sources	15,115,500
Uses:	
Departmental Expenses	\$ 13,018,354
<u>Transfers Out – General Fund</u>	<u>1,795,700</u>
Total Uses	14,814,054
 <b>Projected Surplus</b>	 <b><u>\$ 301,446</u></b>

**Revenues**

During FY 2023-24 we are expecting Water Utility revenues to total approximately \$15.1 million, or about 13% more than the original budget estimate. This is due to higher than originally expected water sales (\$859,000) and a significant increase in expected water rights lease revenue from other water agencies (\$858,000).

**Expenses / Uses**

Water Utility expenses and fund transfers are expected to total about \$14.8 million in FY 2023-24. This is about \$614,000 (4.5%) less than the amount originally included in the adopted budget. This is primarily due to a \$755,000 decrease in the anticipated depreciation amount for the year, with a slight offset (\$83,400) from an increase in electricity charges.

**BUDGET CONCLUSION**

As the events and experiences of the COVID-19 induced shutdown fade into the history books, the stronger-than-expected performance of the city's main revenue generators has proven to be more than a temporary rebound. The city has endured and become stronger as a result of these experiences. The resilience of the community and the local economy has not only endured but thrived, positioning the city to continue flourishing, notwithstanding the challenges that the overall economy has faced over the last year. Although those external economic factors give us reason to be cautious, the underlying structure of our budget and local economy is sound. The revised budget maintains our levels of service and provides us with the ability to maintain our infrastructure needed to sustain the quality of life that our residents deserve and expect. The city's long tradition of prudent fiscal management has served us well in the past and will allow us to persevere through the next year and beyond. As we have historically, we will still remain vigilant in our efforts to maintain our prudent fiscal management, strong fiscal oversight, and "living within our means" approach to meeting the needs of today and on into the future.

I am proud of the professionalism and dedication that our organization has exhibited over the historic challenges of the recent past, and continues to exhibit as we emerge out of the pandemic. I want to thank and commend all of our staff for their indefatigable commitment to ever enhancing the quality of life of the people we serve. As well, I especially want to thank the City Council for its hard work and invaluable input to the process, as well as the members of the city's budget development team, comprising the department Directors, their senior support staff, and, of course, the stalwart efforts of the Finance & Administrative Services staff who acted as liaisons to the various departments. Their advice and input was critical in the development of this financial plan and they did the heavy lifting in the preparation of the actual document.

In closing, this revised budget is well within our tradition of fiscal prudence and living within our means in a sustainable way. As we move forward into what continues to be unconventional economic conditions, we will continue to focus on essential services and strategies for maximizing quality and cost efficiency through cost controls, improved service delivery methods, and strategic investments in technology and employee training and development. With the City Council's continued leadership, we will provide the necessary fiscal stewardship to meet the current and future needs of the community.

A handwritten signature in blue ink, appearing to read 'Thaddeus McCormack', with a stylized flourish at the end.

Thaddeus McCormack  
City Manager