

CITY COUNCIL

MICHAEL G. SAVIDAN
HENRY SANCHEZ JR.
JIM GAZELEY
BEN TRAINA
MARK WARONEK



ADMINISTRATION

RYAN SMOOT
CITY MANAGER

CITY OF LOMITA

June 18, 2018

Subject: City Manager's FY 2018-2019 Budget Message

Dear Honorable Mayor, City Council and Citizens of Lomita:

I am pleased to submit the Fiscal Year 2018-19 Annual Operating and Capital Improvement Budget for the City of Lomita. This budget continues to strive to provide quality public services, promote pride in our community, encourage economic growth and be fiscally responsible.

The Fiscal Year 2018-19 Proposed Budget is balanced without the use of any carryover funds. A structurally balanced budget is a budget in which available planned revenues equal or exceed planned expenditures for the year. Revenues are conservatively projected to stay relatively flat from FY 2017-18 with minor increases in our major revenue categories; however, expenditures continue to rise over time. This year, General Fund revenues are projected to be \$9,286,590 and expenditures are projected to be \$9,786,590 representing a net outflow of \$500,000; the City Council has elected to use the existing available unallocated General Fund balance to proactively pay down the City's unfunded pension obligations with CalPERS. This is a significant investment not only in the City's long term financial well-being, but as importantly, in the long term retirement security of our employees. The result for this year's budget is a net General Fund outflow and decrease in fund balance of \$500,000, while remaining structurally balanced.

Below is a general overview of the major revenue sources and expenditures with comparisons to previous years:

General Fund Overview of Fiscal Year 2018-2019 Budget

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenses which are not paid through other funds.

Despite a recovering economy, and in light of the prudence of the City Council in the past warrants recommending continuation in adopting conservative revenue projections. The proposed Fiscal Year 2018-19 budget is a balanced budget.

General Fund Revenues

General fund revenues for FY 2018-19 are projected at \$9,286,590; an increase of \$464,311 from FY 2017-18 Adopted Budget.

The most significant changes in funding for FY 2018-19 are listed below:

- Sales tax revenue is projected at \$1.81 million, a net increase of \$54,031 from FY 2017-18 Adopted Budget and represents 20% of total general fund revenues.
- Motor Vehicle In-Lieu revenue is projected at \$2.19 million, a net increase of \$63,199 over FY 2017-18 Adopted Budget, and represents 24% of total general fund revenues.
- Property tax revenue is projected at \$1.66 million, a net increase of \$75,520 from FY 2017-18 Adopted Budget and represents 18% of total general fund revenues.
- Business License Tax is projected at \$650,000, a net increase of \$38,000 over FY 2017-18 Adopted Budget, and represents 7% of total general fund revenues.
- Building Department Fees are projected at \$550,000, a net increase of \$100,000 over FY 2017-18 Adopted Budget, and represents 6% of total general fund revenues.

General Fund Expenditures

In March, staff began the process of preparing the budget. Each department began with preliminary projections for the coming years, and based on those projections, was instructed to prepare a conservative budget, with a focus on maintaining existing services and finding long term savings.

General Fund expenditures for FY 2018-19 are projected at \$9,786,590; an increase of \$424,311 from FY 2017-18 Adopted Budget, which includes the \$500,000 payment to CalPERS from the unallocated General Fund balance. Not including this payment the budget represents a decrease in General Fund expenditures of \$75,689 from the FY 2017-18 Adopted Budget.

Two of the largest areas of increased expenditures this year come from familiar sources – anticipated pension obligations, and public safety contracts. Rising pension costs continue to be a concern in the coming years, but the investments made now to pay down the obligation will not only produce ongoing interest savings, but also help to secure the retirement future for our employees. In addition to the increased payments to CalPERS, the contract for services with the Los Angeles County Sheriff's Department is increasing by approximately \$272,192 for FY 2018-19.

General Fund Reserve

All of the investments in the Fiscal Year 2018-19 Budget are made without the use of reserve funds and the City continues to maintain a general fund reserve of \$4,000,000.

Summary Conclusions

The proposed Fiscal Year 2018-19 Budget focuses on service delivery while living within our means. It is balanced with an overall positive outlook. It maintains critical services and keeps our enterprise fund in strong financial shape while continuing to invest in long term infrastructure improvements to enhance the quality of life of our residents. The General Fund is balanced as well, but reflects the difficulties of a softening revenue outlook and projected increases in pension and law enforcement costs. The Budget also includes departmental and operational adjustments to better align with the City Council's priorities and begin to shape our organization to continue to meet the future needs of the community. Given the challenges ahead in coming years, the City

will need to creatively improve our ongoing revenue sources as well as closely monitor and contain our expenditures.

In addition to a number of other changes from previous years, this year's budget document also reflects changes in the presentation of the City's ongoing CalPERS obligations (unfunded liability) to more clearly identify and account for the costs over time. Clearly identifying these costs will help the City more prudently plan and prepare for future cost increases while focusing on the community's priorities and making significant investment in the City's infrastructure.

In summary, the Fiscal Year 2018-19 Operating and Capital Improvement Budget provides a spending plan that maintains fiscal responsibility while continuing to meet the needs of our community and allows the City to continue to pursue its long-term goals and objectives.

I would like to recognize the efforts of the City's superior finance team for all their efforts in the preparation of this budget, as well as our Department Heads in preparing and managing a more concise, transparent and more informative budget document. I would like to thank the City Council for their continued support and for providing a long-term vision to make the City of Lomita the City of the future and beyond. I would also like to thank our City staff for their hard work and dedication in helping the City to achieve its goals and objectives with limited resources. It is the tireless dedication of our City Council and our staff that allows the City to continue to thrive.

Sincerely,

A handwritten signature in cursive script that reads "Ryan Smoot".

Ryan Smoot
City Manager

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