

**BRIEF SUMMARY MINUTES  
TORRANCE CITY COUNCIL  
FINANCE AND GOVERNMENTAL OPERATIONS COMMITTEE  
TUESDAY, DECEMBER 06, 2022  
3:00 P.M. IN LeROY J. JACKSON COUNCIL CHAMBERS  
AT 3031 TORRANCE BL.**

**1. CALL MEETING TO ORDER**

Present: Committee Chair Kaji; Committee Member Griffiths; Committee Member Sheikh

**2. ROLL CALL**

: Committee Members Kaji, Griffiths, and Sheikh

**3. FLAG SALUTE**

: Committee Member Sheikh

**4. WELCOME & INTRODUCTIONS**

Other Staff Present: City Manager Chaparyan; Finance Director Poisson; Assistant Finance Director Dailey; City Treasurer Tim Goodrich; Deputy City Treasurer Jasmine Allen; and Deputy City Manager Viet Hoang

**5. CONSENT CALENDAR**

**5A. Approve Committee Minutes.**

Recommendation of Staff that the Committee approve the meeting minutes of March 29, 2022.

**MOTION:** Moved by Committee Member Griffiths, seconded by Committee Member Sheikh.

**VOTE:** Motion carried 3-0.

**6. ADMINISTRATIVE MATTERS**

**6A. Accept and File the Fiscal Year 2022-23 First Quarter Budget Review Report. Expenditure: None.**

Recommendation of the Finance Director that the Finance and Governmental Operations Committee:

- 1) Accept and file the Fiscal Year 2022-23 First Quarter Budget Review Report; and
- 2) Recommend to City Council to accept and file the Fiscal Year 2022-23 First Quarter Budget Review Report.

**MOTION:** Moved by Committee Member Griffiths, seconded by Committee Member Sheikh

**VOTE:** Motion carried 3-0.

Finance Director Sheila Poisson presented on the City's overall financial performance for the first quarter of Fiscal Year 2022-23 (FY22-23). As of the period ending September 30, the City has been able to rebuild its General Fund Unassigned fund balance to about \$45 million dollars through the use of one-time funding as well as holding approximately 150 vacancies. The voter-approved ½ cent sales tax Measure SST provided further mitigation for avoiding cuts in public safety. Prior to the sales tax measure being approved by voters, the miscellaneous non-public safety departments had already cut their budgets by 12%. However, budget cuts of \$10.4 million were restored in the Police and Fire Departments upon approval of the measure. In July 2022, the projected annual revenue for Measure SST was estimated to be \$18 million which City Council approved to allocate toward the following priorities: Quality of Life, Fiscal Sustainability, Deferred Maintenance & Community Services/Program, and Emergency Responsiveness.

FY22-23 is the first year since the pandemic that the General Fund is not relying on one-time monies or federal assistance. The year ending June 30, 2022 was the first year the City had a 20% unassigned fund balance since FY07-08 and the first time in seven years that the five-year General Fund revenue growth is outpacing expenditure growth. Finance Director Poisson also announced that for the first time in the city's history, the FY22-23 budget document received the Distinguished Budget Presentation Award from the Government Finance Officers Association. Based on the General Fund-Operating Fund 10-year forecast, it is anticipated that the City's budget will remain balanced over the next five to six years, largely attributable to Measure SST funds. However, a structural budget deficit is expected starting in FY30-31 primarily due to the CalPERS unfunded actuarial liability (UAL) payment increases resulting from the investment losses in FY21-22, but staff is already looking into how to address these budget gaps in the future.

Finance Director Poisson continued with the citywide first quarter results for the first three months ending September 30, 2022. Across all funds (General Fund, Internal Service Funds and Enterprise Funds), the City is expected to operate at a positive net fund balance of \$49.6 million. This is the result of revenues exceeding budget, transfers from Measure SST Fund to rebuild reserves, and expenditure savings. The Self Insurance Fund continues to be a challenge, despite a one-time contribution of \$10.0 million. The Fleet Services Fund is expected to have positive year-end results of \$2.8 million due to increased contributions to the replacement fund. The Enterprise Funds are expected to have positive year-end results of \$24.2 million, though \$10.0 million is from one-time grant funding in Transit.

The General Fund-Operating Fund is estimated to have a positive year-end net fund balance of \$16.6 million, adding that this is due to a \$10.4 million transfer from the Measure SST Fund to reinstate positions previously cut in the Police and Fire Departments as well as a \$3.1 million transfer from the Measure SST Fund to rebuild the City's reserves. The City's top three core revenue sources include sales and use tax, property tax, and utility users' tax. As of September 30, the City received \$5.3 million from sales and use tax. The largest category driving growth was auto & transportation, increasing by 11% when compared to the same period last year. The next largest increases were in the restaurants & hotels, business & industry, and fuel & service station categories, respectively. Despite seeing positive sales and use tax revenue growth, staff will continue to remain cautious with forecasting given that increases to the Federal Funds Rate and rising interest rates can decrease discretionary spending.

In looking at the General Fund's second largest revenue category, property tax receipts are expected to exceed budget by about \$400,000. The City has a healthy mix of residential, commercial, and industrial properties with most of the market being residential homes. As of August 2022, the median sale price for a detached single-family residential (SFR) home was \$1.2 million, an 11.4% increase when compared to the prior year. However, SFR property values recently decreased for the first time since 2020, dropping the median SFR sale price to \$1.1 million, or 13%

Additionally, utility users' tax receipts are significantly tracking above prior year by 10%, primarily due to electricity and gas at the refinery. Occupancy tax is also tracking 35% above the prior year, signaling that this revenue category will be back to pre-pandemic levels this year. Business license tax receipts remain relatively consistent compared to last year, but still expected to exceed budget by 7%, and the Charges for Services revenue category increased \$1.1 million from the previous year. that expenditures are expected to fall below budget by \$2.3 million, primarily due to vacancies and overall non-wage savings. As the single largest factor in achieving expenditure savings, vacancy levels continue to be monitored due to the associated challenges being experienced by departments.

While the City is moving in a positive direction, there are still some areas of concern that will continue to be closely monitored including the Self-Insurance Fund, Fleet Services Fund, cash balances by fund, labor trends, expiring labor agreements, and pension liabilities. They City is also monitoring national, state, and local economic indicators including federal funds rate, inventories to sales ration, real gross domestic product, unemployment rates, and consumer confidence index. The proposed FY22-23 program modifications across various city departments will have an overall net savings impact of approximately \$6,000 with a general fund net savings of about \$198,000, and a non-general net cost impact of about \$192,000.

City Treasurer Tim Goodrich discussed the City's Investment Portfolio including objectives, performance status, policy compliance, and market summary. The yield comparison chart shows lagging results which have yet to be caught up to current market conditions. He further stated that rising interest rates have allowed positive investment results for the City and City Treasurer Goodrich is currently evaluating the best strategy for investing additional cash.

Finance Director Poisson concluded the FY22-23 Mid-Year Budget Update by commenting that over the next year the City is preparing for a recession despite there being no indication as to what type of recession to expect. Nonetheless, the regional economy has proven to be fairly resistant over the past several years and the City continues to experience economic development. It was recommended that the Finance and Governmental Operations Committee accept and file the Fiscal Year 2022-23 First Quarter Budget Review Report and to bring forward an item to City Council to accept and file the Fiscal Year 2022-23 First Quarter Budget Review Report.

Member Mike Griffiths requested clarification on the approval of the proposed program modifications.

Finance Director Poisson confirmed that the program modifications were simply being introduced and a separate item would be brought forward in the future.

City Manager Aram Chaparyan added that the item will be brought to Council in early 2023.

Member Griffiths inquired about increases in airport revenue.

Finance Director Poisson clarified that the increases in airport revenue was a result of the one-time lease revenue signing fee allocation.

Member Griffiths also requested clarification on the revenue generated from the Fire Department's Emergency Medical Services (EMS) program under the Charges for Services classification.

Assistant Finance Director Ian Dailey stated that the EMS program's year-to-date revenues have remained relatively flat, though a small increase is projected at year end.

Finance Director Poisson further added that while the EMS program is meeting revenue projections, the year-over-year increase has been minimal since the program had only been fully operational for a nine-month period last year.

Member Griffiths asked about receiving an update on the EMS program from the Fire Department.

Policy and Resources Specialist Neli Mileva provided a brief update on the EMS program, stating that net revenues have exceeded projected estimates.

City Manager Chaparyan also added that City Council would be receiving a formal update on the EMS program in early 2023.

Member Asam Sheikh inquired about the year-over-year increases in the expenditure budget.

Finance Director Poisson stated that although salaries are the City's largest budget expenditure, the total year-over-year expenditures were mainly related to expenditure increases in the Self-Insurance and Fleet Services Funds.

Member Sheikh requested clarification on one-time funding sources.

Finance Director Poisson responded that the City was able to rebuild its fund balance through the use of one-time funding in FY20-21 and FY21-22.

Member Sheikh stated that the City should continue to be mindful of its financial resources and find ways to consolidate positions.

City Manager Chaparyan added that current vacancy counts are not being held by design and that the City continues to struggle with unprecedented resignations and retirements. He further added that all departments are constantly reviewing their operations based on delivery of core services and are continuously looking for ways to optimize resources and operational effectiveness.

Member Sheikh inquired about how the City will solve its unfunded pension liabilities.

City Manager Chaparyan responded that the City will address this issue over time as the majority of miscellaneous (non-safety) employees now fall under the 2% at 62 retirement formula established by the Public Employees' Pension Reform Act (PEPRA).

Member Sheikh expressed that the City should continue focusing on economic development to bring more revenue and demonstrate an aggressive strategy for attracting and retaining businesses.

City Manager Chaparyan stated that staff could provide an analysis on current business license data.

Member Griffiths inquired about the reduced reimbursements for strike team deployments in the Fire Department.

Finance Director Poisson stated that the decrease in year-over-year actuals were due to the reduced number of fires that occurred in Los Angeles County and not as a result of being reimbursed at a reduced rate.

Chair Jon Kaji inquired about the recent results of the City's interaction with a credit rating agency.

Finance Director Poisson stated that after a recent meeting with credit rating agency S&P Global, the City's credit rating was upgraded from AA negative outlook to AA stable.

Chair Kaji inquired about the City's current standing with the State Auditor's Office.

Finance Director Poisson responded that the City has also been able to improve its ranking with the State Auditor's Office, moving from the high risk category to the moderate risk category. The City is anticipating additional improvements across a majority of the risk indicator categories.

**7. ORAL COMMUNICATIONS**

Members of the public spoke.

**8. ADJOURNMENT**

The committee adjourned to Tuesday, February 28, 2023 at 3:00 p.m. in the LeRoy L. Council Chambers.

**MOTION:** Moved by Committee Member Griffiths, seconded by Committee Member Sheikh

**VOTE:** Motion carried 3-0.