

Honorable Chair and Members
of the Measure SST Citizens' Oversight Committee
City Hall
Torrance, California

Members of the Committee:

SUBJECT: Accept and File the Fiscal Year 2023-24 Mid-Year Measure SST Fund Budget Review Report.

RECOMMENDATION

Recommendation of the Finance Director that the Measure SST Citizens' Oversight Committee accept and file the Fiscal Year 2023-24 Mid-Year Measure SST Fund Budget Review Report.

BACKGROUND

On February 7, 2023, City Council adopted Resolution No. 2023-11 establishing guidelines for the composition and duties of the Measure SST Citizens' Oversight Committee (Committee).

Section 8 of Resolution No. 2023-11 outlines the powers and duties of the Committee to ensure that Measure SST funds are used effectively and as promised, and only to benefit the Torrance community. During regular meetings, these powers and duties include:

- 1) Review the Measure SST Fund annual operating budget adopted by City Council.
- 2) Review semi-annual reports from City staff each fiscal year on revenues and expenditures of the Measure SST Fund.
- 3) Review the annual third-party financial statement audit of the Measure SST Fund.
- 4) Advise City Council on issues identified.
- 5) Perform any other action or activity that may be directed by City Council.

ANALYSIS

The Measure SST Fund is a sub-fund within the overall structure of the General Fund as reported in the Annual Report that separately accounts for the 0.50% transaction and use tax (sales tax) approved by Torrance voters in June 2022. The purpose of the Fiscal Year 2023-24 Mid-Year Measure SST Fund Budget Review Report is to provide the Committee and the public with a summary of the fund's overall financial performance through the first six months of the fiscal year ending December 31, 2023.

On June 6, 2023, City Council adopted the proposed Fiscal Year 2023-25 Operating Budget and Capital Improvement Plan which included a balanced budget for the Measure SST Fund in the amount of \$22,942,288. However, in accordance with Council Policy 3, the City's budget is amended throughout the course of the fiscal year under the discretion of either the City Manager or City Council to address additional expenditures that occur after the public hearing process

and formal budget adoption. For this reason, the amounts presented under the 'Amended Budget' summary table columns may fluctuate throughout the year. It should also be noted that this budget report is prepared using actual, unaudited fiscal year 2023-24 activity.

FISCAL YEAR 2023-24 MID-YEAR RESULTS

Measure SST Fund Revenues and Expenditures Summary

Revenues	2022-23			2023-24			2023-24		
	Amended Budget	December Actuals	Percent of Budget	Amended Budget	December Actuals	Percent of Budget	Projected Total	Projected Surplus/ (Deficit)	Percent of Budget
Taxes	\$ 13,500,000	\$ 2,166,731	16.0%	\$ 23,002,688	\$ 8,477,489	36.9%	\$ 25,019,858	\$ 2,017,170	108.8%
Use of Money and Property	\$ -	\$ (3,585)	0.0%	\$ 25,000	\$ (93,603)	-374.4%	\$ (187,210)	\$ (212,210)	-748.8%
Total Revenues	\$ 13,500,000	\$ 2,163,146	16.0%	\$ 23,027,688	\$ 8,383,886	36.4%	\$ 24,832,648	\$ 1,804,960	107.8%
Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December Actuals	Percent of Budget	Amended Budget	December Actuals	Percent of Budget	Projected Total	Projected Surplus/ (Deficit)	Percent of Budget
City Manager (41)	\$ -	\$ -	0.0%	\$ 1,000,000	\$ 34,500	3.5%	\$ 144,500	\$ 855,500	14.5%
CIT (50)	\$ -	\$ -	0.0%	\$ 825,000	\$ 61,552	7.5%	\$ 825,000	\$ -	100.0%
Non-Departmental (63)	\$ 13,500,000	\$ 6,569,747	48.7%	\$ 21,202,688	\$ 12,618,833	59.5%	\$ 21,202,688	\$ -	100.0%
Total Expenses	\$ 13,500,000	\$ 6,569,747	48.7%	\$ 23,027,688	\$ 12,714,885	55.2%	\$ 22,172,188	\$ 855,500	96.3%
Revenues Less Expenditures	\$ -	\$ (4,406,601)		\$ -	\$ (4,330,999)		\$ 2,660,460		

The table above summarizes the Measure SST Fund's fiscal year 2023-24 (FY23-24) mid-year operating budget results compared to the same period the year prior as well as FY23-24 year-end projections. As of December 31, 2023, the Measure SST Fund realized revenues of **\$8.4 million**, achieving **36.4%** of the FY23-24 revenue budget. Currently, it is projected that a total of **\$24.8 million** will be received by fiscal year-end, exceeding budgeted estimates by **\$1.8 million** or **7.8%**. On the expenditure side, the Measure SST Fund realized expenditures of **\$12.7 million** or **55.2%** of the FY23-24 expenditure budget as of December 31, 2023.

Due to the timing of when revenues and expenditures are actualized, this fund typically operates at a negative cash position during the year, which is why a negative **Use of Money and Property** projection is shown in the above summary table. The budget will continue to be adjusted to better align with projected actuals in future budget cycles. Overall, it is anticipated that this fund will operate at a **\$2.7 million** fiscal year-end surplus when comparing projected revenues against projected expenditures.

City Manager Expenditures Summary

Expenses	2022-23			2023-24			2023-24		
	Amended Budget	December Actuals	Percent of Budget	Amended Budget	December Actuals	Percent of Budget	Projected Total	Projected Surplus/ (Deficit)	Percent of Budget
Capital Acquisitions	\$ -	\$ -	0.0%	\$ 110,000	\$ -	0.0%	\$ 110,000	\$ -	100.0%
Materials, Supplies & Maintenance	\$ -	\$ -	0.0%	\$ 855,500	\$ -	0.0%	\$ -	\$ 855,500	0.0%
Professional/Contract Services & Utilities	\$ -	\$ -	0.0%	\$ 34,500	\$ 34,500	100.0%	\$ 34,500	\$ -	100.0%
Total Expenses	\$ -	\$ -	0.0%	\$ 1,000,000	\$ 34,500	3.5%	\$ 144,500	\$ 855,500	14.5%

The City Manager's Office was allocated \$1.0 million in FY23-24 to address homelessness response efforts in Torrance. The department has been able to successfully secure funding through June 2025 from various grant programs, including Congressional Community Project Funding Grant, the California Department of Housing and Community Development Permanent Local Housing Allocation Grant, and a grant from Providence Little Company, which collectively cover most of the budgeted expenditures for the current fiscal year. However, since grant funding is not a guaranteed and recurring resource, any unused Measure SST funds can be applied to future budget cycles. As shown in the previous table, \$34,500 was expended as of December 31, 2023, to cover a portion of a contract with California Panther Security for overnight security

services at City parks. Additionally, the City Manager's Office has issued a purchase order for two Toyota Sienna XSE AWD vehicles from South Bay Toyota in the amount of \$109,028 to support homeless outreach efforts.

Communications and Information Technology (CIT) Expenditures Summary

Expenses	2022-23	2022-23	Percent of Budget	2023-24	2023-24	Percent of Budget	2023-24	Projected Surplus/ (Deficit)	Percent of Budget
	Amended Budget	December Actuals		Amended Budget	December Actuals		Projected Total		
Professional/Contract Services & Utilities	\$ -	\$ -	0.0%	\$ 825,000	\$ 61,552	7.5%	\$ 825,000	\$ -	100.0%
Total Expenses	\$ -	\$ -	0.0%	\$ 825,000	\$ 61,552	7.5%	\$ 825,000	\$ -	100.0%

The CIT Department was allocated \$825,000 in FY23-24 to implement cybersecurity upgrades; an additional \$175,000 was also included to partially offset salary costs for staff specifically dedicated to cybersecurity, which is separately accounted for under the Non-Departmental section of this report. As shown above, \$61,500 was expended as of December 31, 2023, for network monitoring software. The remaining is projected to be fully expended for Office 365 licenses with enhanced security features, additional cybersecurity monitoring services, contracted penetration testing services, and disaster recovery services.

Non-Departmental Expenditures Summary

Expenses	2022-23	2022-23	Percent of Budget	2023-24	2023-24	Percent of Budget	2023-24	Projected Surplus/ (Deficit)	Percent of Budget
	Amended Budget	December Actuals		Amended Budget	December Actuals		Projected Total		
Other Operating Transfers Out	\$ 13,500,000	\$ 6,569,747	48.7%	\$ 21,202,688	\$ 12,618,833	59.5%	\$ 21,202,688	\$ -	100.0%
Total Expenses	\$ 13,500,000	\$ 6,569,747	48.7%	\$ 21,202,688	\$ 12,618,833	59.5%	\$ 21,202,688	\$ -	100.0%
Revenues Less Expenditures	\$ -	\$ (4,406,601)		\$ 1,825,000	\$ (4,234,947)		\$ 3,629,960		

The Non-Departmental budget, as amended, was allocated \$21.2 million in FY23-24 to address the Quality of Life, Fiscal Sustainability, Deferred Maintenance and Community Services/Programs, and Emergency Responsiveness categories set forth by City Council. As shown above, \$12.6 million was expended as of December 31, 2023. Currently, it is projected that the Non-Departmental budget of \$21.2 million will be fully expended by fiscal year-end in the following categories:

Operating Transfers Out to:	Priority Category:	Expended through Dec 31, 2023:	FY23-24 Year-End Projections:
CalPERS CEPPT Fund	Fiscal Sustainability	\$ 2,500,000	\$ 2,500,000
Reserve Fund	Fiscal Sustainability	\$ 2,401,212	\$ 4,802,423
General Fund (for Self-Insurance Fund)	Fiscal Sustainability	\$ 499,998	\$ 1,000,000
General Fund - Police Department	Quality of Life	\$ 4,427,549	\$ 8,802,285
General Fund - Fire Department	Quality of Life	\$ 932,049	\$ 1,852,980
General Fund - CIT Department	Emergency Responsiveness	\$ 88,025	\$ 175,000
Capital Improvement Fund	Deferred Maintenance & Community Services/Programs	\$ 1,770,000	\$ 2,070,000
		\$ 12,618,833	\$ 21,202,688

Projected Fund Balance Summary

	2022-23	2022-23	Projected	2023-24
	Beginning Balance	Contributions/ (Usage)	Contributions/ (Usage)	Projected Ending Balance
Measure SST Fund				
Unassigned Fund Balance				
Other Unrestricted	\$ -	\$ 514,074	\$ 2,660,460	\$ 3,174,534

Based on FY23-24 mid-year results, it is currently projected that the Measure SST Fund will have a fund balance of \$3.2 million by fiscal year-end. While this balance is currently anticipated

to remain in the Measure SST Fund, it should be noted that these funds may be transferred to other funds to address the Quality of Life, Fiscal Sustainability, Deferred Maintenance and Community Services/Programs, and Emergency Responsiveness categories set forth by City Council in future budget cycles.

Capital Project Expenditures Summary

Capital Projects		Life to Date Budget	Life to Date Expenses	Life to Date Encumbrances	Remaining Balance
FEAP1158	Cybersecurity & Compliance Implementation Services	\$ 70,000	\$ -	\$ -	\$ 70,000
FEAP1159	Disaster Recovery Implementation Services	\$ 50,000	\$ -	\$ -	\$ 50,000
FEAP1164	Upgrade Downtown Torrance Lights to LED	\$ 200,000	\$ -	\$ -	\$ 200,000
FEAP1165	Columbia Park Bocce Courts Replace Court Turf Surface	\$ 25,000	\$ -	\$ -	\$ 25,000
FFAP1168	Madrona Marsh Pump & Sump Repair	\$ 60,000	\$ -	\$ -	\$ 60,000
FEAP1169	Playground Equipment Replacement	\$ 287,500	\$ -	\$ -	\$ 287,500
FEAP1172	Ruben C. Ordaz Community Center Improvements at Pueblo Park	\$ 161,000	\$ -	\$ -	\$ 161,000
FEAP1173	Victor Park Rehabilitation of Picnic Shelter Area	\$ 50,000	\$ -	\$ -	\$ 50,000
FEAP1174	Wilson Park Improvements	\$ 160,000	\$ -	\$ -	\$ 160,000
FEAP1185	Replace Amenities and Equipment at Various City Parks	\$ 39,500	\$ -	\$ 30,532	\$ 8,968
FEAP1176	Bartlett Senior Center Improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
FEAP1178	Exterior & Wood Repairs at Park Buildings	\$ 120,000	\$ -	\$ -	\$ 120,000
FEAP1180	Toyota Meeting Hall Lighting	\$ 180,000	\$ -	\$ 173,365	\$ 6,635
FEAP1182	Wilson Park Building 8 Project	\$ 100,000	\$ -	\$ -	\$ 100,000
FEAP978	Floor Covering & Carpet Replacement at various City Facilities	\$ 100,000	\$ -	\$ -	\$ 100,000
FEAP1184	Citywide Tree Planting Program	\$ 341,600	\$ -	\$ -	\$ 341,600
Total		\$ 1,984,600	\$ -	\$ 203,896	\$ 1,780,704

The above table provides a summary of projects that have been partially or fully funded by Measure SST. The latest updates for each project can be found in Attachment A.

Staff will continue to monitor the Measure SST Fund and will return in July 2024 to provide the Committee with an update on FY23-24 year-end actuals (unaudited) as well as information pertaining to the Adopted FY24-25 Operating Budget and Capital Improvement Plan. Lastly, the information provided in this budget review report will also be presented to the Finance and Government Operations Committee on February 27, 2024, and then to City Council on March 12, 2024.

Respectfully submitted,



Sheila Poisson
Finance Director

CONCUR:

for 
Aram Chaparyan
City Manager

Attachment: A) Departmental Capital Project Updates

* Project Number	Project Title	Department Update for Mid-Year Ending December 31, 2023
FEAP1158	Cybersecurity & Compliance Implementation Services	The Communications and Information Technology (CIT) Department received four proposals from Microsoft partners for Azure Site Recovery services. Microsoft's Azure Site Recovery will maintain the City's data security and business continuity when planned and unplanned network outages occur. The selected vendor proposal is currently under review with the City Attorney's Office and a purchase order will be issued thereafter.
FEAP1159	Disaster Recovery Implementation Services	CIT is currently in the implementation phase for a new Intune Device Management platform which will provide the City with enhanced mobile and computer security baselines; this project is expected to be completed by the end of fiscal year 2023-24.
FEAP1164	Upgrade Downtown Torrance Lights to LED	The Community Development Department (CDD) continues to coordinate discussions with the Public Works Department and Southern California Edison and examine options for LED lighting upgrades in Downtown Torrance.
FEAP1165	Columbia Park Bocce Courts Replace Court Turf Surface	The Community Services Department is waiting on a second vendor quote to proceed with the procurement process for this project.
FEAP1168	Madrona Marsh Pump & Sump Repair	Community Services will commence this project at the end of the rainy season as the first phase will require the pumping of all water.
FEAP1169	Playground Equipment Replacement	Community Services will be installing additional playground equipment at Entradero Park by June 30, 2024. The new playground additions will include interactive play equipment, public seating, shade coverings, and playground surface replacement.
FEAP1172	Ruben C. Ordaz Community Center Improvements at Pueblo Park	Community Services will be issuing a request for proposals to commence this project in the third or fourth quarter of calendar year 2024.
FEAP1173	Victor Park Rehabilitation of Picnic Shelter Area	Community Services has completed 50% of this project; installation of shelter windowing, tiered fencing, and a new water fountain are pending.
FEAP1174	Wilson Park Improvements	Community Services will be completing the roller rink resurfacing by February 16, 2024 and is waiting on a third vendor quote to proceed with the procurement process for the installation of new pickleball courts.
FEAP1185	Replace Amenities and Equipment at Various City Parks	Community Services has replaced 54 of 60 BBQ's at various City parks and has received the remaining six (6) BBQ's for installation.
FEAP1176	Bartlett Senior Center Improvements	The General Services Department is requesting additional vendor quotes to identify the most cost-effective approach while weather conditions improve; this project is scheduled to commence by the third quarter of calendar year 2024.
FEAP1178	Exterior & Wood Repairs at Park Buildings	General Services is currently conducting a needs assessment to strategically prioritize the replacement and repairs to restroom building exteriors at El Nido Park, Guenser Park, Delthorne Park, Columbia Park, El Retiro Park, and Sea-Aire Park.
FEAP1180	Toyota Meeting Hall Lighting	General Services anticipates completion of this project by March 2024.
FEAP1182	Wilson Park Building 8 Project	General Services has commenced pre-demolition work for this project; the asbestos survey is scheduled to be completed by March 2024.
FEAP978	Floor Covering & Carpet Replacement at various City Facilities	General Services recently completed carpet abatement and flooring replacement in the City Attorney's Office at City Hall and is currently assessing the flooring replacement needs at Fire Station 1.
FEAP1184	Citywide Tree Planting Program	The Public Works Department has successfully secured a contract for the replacement of 7,000 new parkway trees by fiscal year 2026-27 (previously scheduled for completion by fiscal year 2027-28). Tree planting will commence in spring 2024 with approximately 1,750 trees scheduled to be planted annually; plantings will be equally distributed across all six (6) City Council districts.