

January 30, 2001

Honorable Mayor and Members of
the Hermosa Beach City Council

City Council Meeting of
February 13, 2001

MIDYEAR BUDGET REVIEW 2000-01

RECOMMENDATION:

It is recommended that:

- (1) The City Council approve the revisions to estimated revenue, appropriations, budget transfers and fund balances as shown in the attached Budget Summary and Revenue Worksheet.
- (2) Direct staff to evaluate parking rates and report back at the first meeting in March.
- (3) Consider items 7 a, b, and c which appropriate funds from the balance in Prospective Expenditures contained herein.

BACKGROUND:

The City has conducted a Midyear Budget Review annually since fiscal year 1981-82. The review is a good tool to ensure that assumptions and estimates originally used to prepare the budget ten months earlier remain realistic.

ANALYSIS:

Overview

The revenue changes recommended at midyear 2000-01 reflect a continuing improved economy and an enhanced revenue picture, primarily in tax revenue. Approval of midyear revisions results in additional funds in the General Fund.

**Revenue
(see Revenue Worksheet)**

The net change in revenue in the General Fund is \$482,834 or 3%. Some of the most notable changes are mentioned below.

Taxes

The tax category overall increases by 3.8%. Secured property taxes increased 9%, based on the actual levy, which is 9% higher than 99-00.

Sales tax for the first two quarters is up 10% over 99-00. As reported at the last City Council meeting, sales tax was up 12% overall last year. The estimate is being increased by almost \$188,404, or approximately 8%.

The chart below compares sales tax on major accounts for the first half of this year to the first half of last year by the top ten categories.

**SALES TAX
Comparison of First Half of 1999/00 to 2000/01
Top Ten Categories**

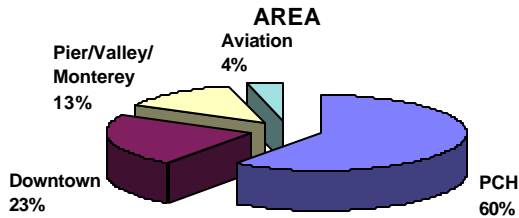
RANK	BUSINESS CLASS	2000-01	INC/ (DEC)	% CHANGE PREV YEAR	% OF TOTAL
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1.	AUTO DEALERS	335,846	\$75,961	29.23%	32.36%
2.	EATING/DRINKING PLACES	286,956	30,851	12.05	27.65
3.	GROCERY STORES/LIQUOR STORES	105,228	7,374	7.54	10.14
4.	AUTO LEASES	66,496	5,059	8.23	6.41
5.	LUMBER/BUILDING MATERIALS	56,891	(4,977)	(8.04)	5.48
6.	SPECIALTY STORES	45,542	4,995	12.32	4.39
7.	SPORTING GOODS/BICYCLES	41,249	4,433	12.04	3.97
8.	SERVICE STATIONS	40,130	1,860	4.86	3.87
9.	HOUSEHOLD/HOME FURNISHINGS	31,452	11,119	54.68	3.03
10.	WHOLESALE TEXTILES/FURNISHINGS	28,076	837	3.07	2.70

Sales Tax Comparison by Geographic Area

	REVENUE	% OF		REVENUE	% OF
LOCATION	99-00	TOTAL	% CHG	00-01	TOTAL
PCH	526,090	58%	16%	610,253	60%
Downtown	204,612	23%	14%	233,378	23%
Pier/Valley/Monterey	131,307	14%	4%	136,721	13%
Aviation	41,549	5%	-2%	40,627	4%

2000-01 MIDYEAR SALES TAX BY GEOGRAPHIC



The utility users tax estimate is being adjusted as a result of the 10% increase in receipts for the first half.

Revised estimates for parking structure revenue and the related payment to the County, as well as revised estimates for Lot A, are included. The estimates are based on receipts to date.

Additional Appropriations

The following additional appropriations are requested. Most of the CIP adjustments occur because, when estimates used in the 2000-01 budget substantially differ from amounts expended the prior year, current year CIP's must be adjusted up or down accordingly.

FUND/DEPARTMENT	AMOUNT	EXPLANATION
<u>GENERAL FUND (001)</u>		
Community Resources		
Contract Services/Rec Classes	(\$14,000)	Class enrollment down. Offset by revenue reduction.
Public Works		
CIP 621		
Pier Renovation/Phase II		
Contract Services/Private	(\$80,498)	Reduction in current budget because expenditures were higher in 99-00.
CIP 630		
Pier Renovation/Phase III		
Contract Services/Private	(\$39,540)	Reduction in current budget because expenditures were higher in 99-00.
TOTAL GENERAL FUND	(\$134,038)	
<u>DOWNTOWN ENHANCEMENT FUND (109)</u>		
Public Works		
Downtown Enhancement		
Regular Overtime	\$550	Overtime not budgeted in this division, but overtime repairs are applicable to the division.
Maintenance Materials	\$2,500	Palm tree upright ignitors and new security lights for Lot A (requested by the Police Dept.).
North Pier Parking Structure		
Contract Services/Private	\$11,507	Neon lights/maint (1,000), Elevator repair/maint(1,000), Alarm/security rep/maint (1,000), Trash Pickup (1,532), and earthquake insurance (\$6,975) . Costs unknown at budget prep time.
Utilities	\$20,000	Estimated cost of electric and water for parking structure.
Maintenance Materials	\$2,100	Fire extinguishers, elevator fixtures, and lighting supply costs for parking structure.
Equipment less than \$1,000	\$1,000	Purchase of trash containers.

County Share Parking Structure Revenue

Contract Services/Government (\$123,975) Adjust to reflect Midyear net income estimate.

TOTAL DOWNTOWN ENHANCEMENT FUND
(\$86,318)

STATE GAS TAX FUND

Public Works

CIP 144

Strand Bikeway/ Pedestrian Path

Contract Services/Private \$6,400 Additional funds remaining at 6/30/00.

TOTAL STATE GAS TAX FUND
\$6,400

PROP A OPEN SPACE FUND (121)

Public Works

CIP 305

Installation of CDS Clarifier Units

Contract Services/Private \$33,512 Additional funds remaining at 6/30/00.

CIP 306

Installation of Catch Basin Inserts

Contract Services/Private \$16,000 Additional funds remaining at 6/30/00.

CIP 630

Pier Renovation Phase III

Contract Services/Private \$230,648 Additional funds remaining at 6/30/00 from Pier Renovation Grant, Prop A Discretionary Funds, and L.A. County Agreement.

TOTAL PROP A OPEN SPACE FUND
\$280,160

LOWER PIER ADMIN EXPENSE FUND (136)

Administrative Charges

Contract Services/Private

\$1,752 Administrative Fees were not included in budget.

TOTAL LOWER PIER ADMIN EXP FUND
(\$1,752)

MYRTLE ADMIN EXPENSE FUND (137)

Administrative Charges

Contract Services/Private

(\$1,766) Actual administrative fees were unknown at budget prep time.

TOTAL MYRTLE ADMIN EXP FUND
(\$1,766)

LOMA ADMIN EXPENSE FUND (138)

Administrative Charges

Contract Services/Private

(\$1,155) Actual administrative fees were unknown at budget prep time.

TOTAL LOMA ADMIN EXP FUND
(\$1,155)

PROP C FUND

Public Works

CIP 150

Hermosa Avenue Street Improvements

Contract Services/Private

(\$35,581) Reduction in current year budget because expenditures were higher in 99-00.

TOTAL PROP C FUND **(\$35,581)**

GRANTS FUND (150)

Community Development

Local Coastal Grant

Contract Services/Private

\$5,970 Grant approved 12-29-00 for completion of Local Coastal Program.

Public Works

CIP 621

Pier Renovation/Phase II

Contract Service/Private

(\$19,502) Move Coastal Conservancy funding to Phase III.

CIP 630

Pier Renovation/Phase III

Contract Services/Private

\$100,000 Appropriate Coastal Conservancy grant.

TOTAL GRANTS FUND **\$86,468**

SEWER FUND (160)

Public Works

CIP 305

Installation of CDS Clarifier Units

Contract Services/Private

\$4,408 Additional funds remaining at 6/30/00

CIP 306

Installation of Catch Basin Inserts

Contract Services/Private

\$2,824 Additional funds remaining at 6/30/00

TOTAL SEWER FUND **\$7,232**

Use of Additional Funds

It is recommended that the estimated additional funds of \$ 554,447 be used in the following manner:

Transfer to Prospective Expenditures:

\$ 100,000

Transfer to Capital Improvement Fund:

\$ 454,447

(\$37,836 to be used for
Items 7a, b, c)

Summary

The positive effects of the economy allow more funds to be allocated for capital improvement. With adoption of these revisions, staff will begin work on the 2001-02 Budget.

Concur:

Viki Copeland
Finance Director

Stephen R. Burrell
City Manager