



Fiscal Year 2023-2024

Mid-Year Budget Update

Monday, March 18, 2024

FY 23/24 Mid-Year Budget Summary

GENERAL FUND

- The General Fund (GF), which is the City's main general government operating fund, is projected to end Fiscal Year 2023/2024 (FY 23/24) with approximately **\$1.2 million in year-end carryover**
- FY 23/24 Revenues are projected to end the fiscal year approximately \$265,000 (0.5%) less than the amended budget, mostly due to significant reductions in Sales and Transaction Taxes compared to budget
- FY 23/24 Expenses are projected to end the fiscal year approximately \$1.5 million (2.6%) below the amended budget, primarily due to savings from budgeted positions that are unfilled or have been frozen in anticipation of significant budget cuts which may be necessary to balance the upcoming FY 24/25 budget

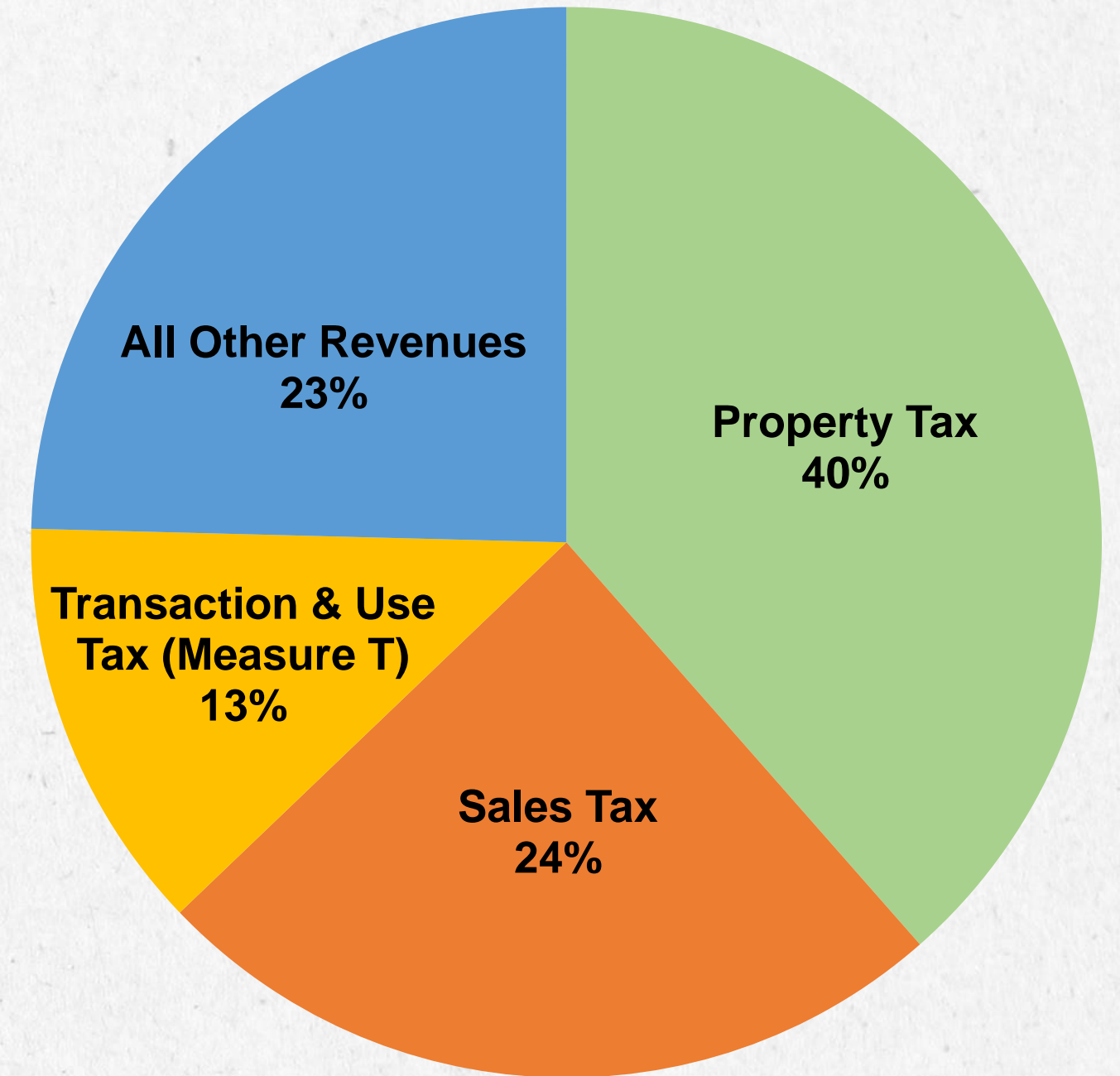
NON-GENERAL FUND

- Non-General Fund operating budgets are expected to end the fiscal year at or below their approved expenditure budgets, with associated revenues tracking to budget projections. The only exception is the Risk Management Fund which is proposed to receive a Mid-Year Appropriation Adjustment.

Where Do We Get Our Funding?

General Fund Revenue Performance by Major Revenue Category

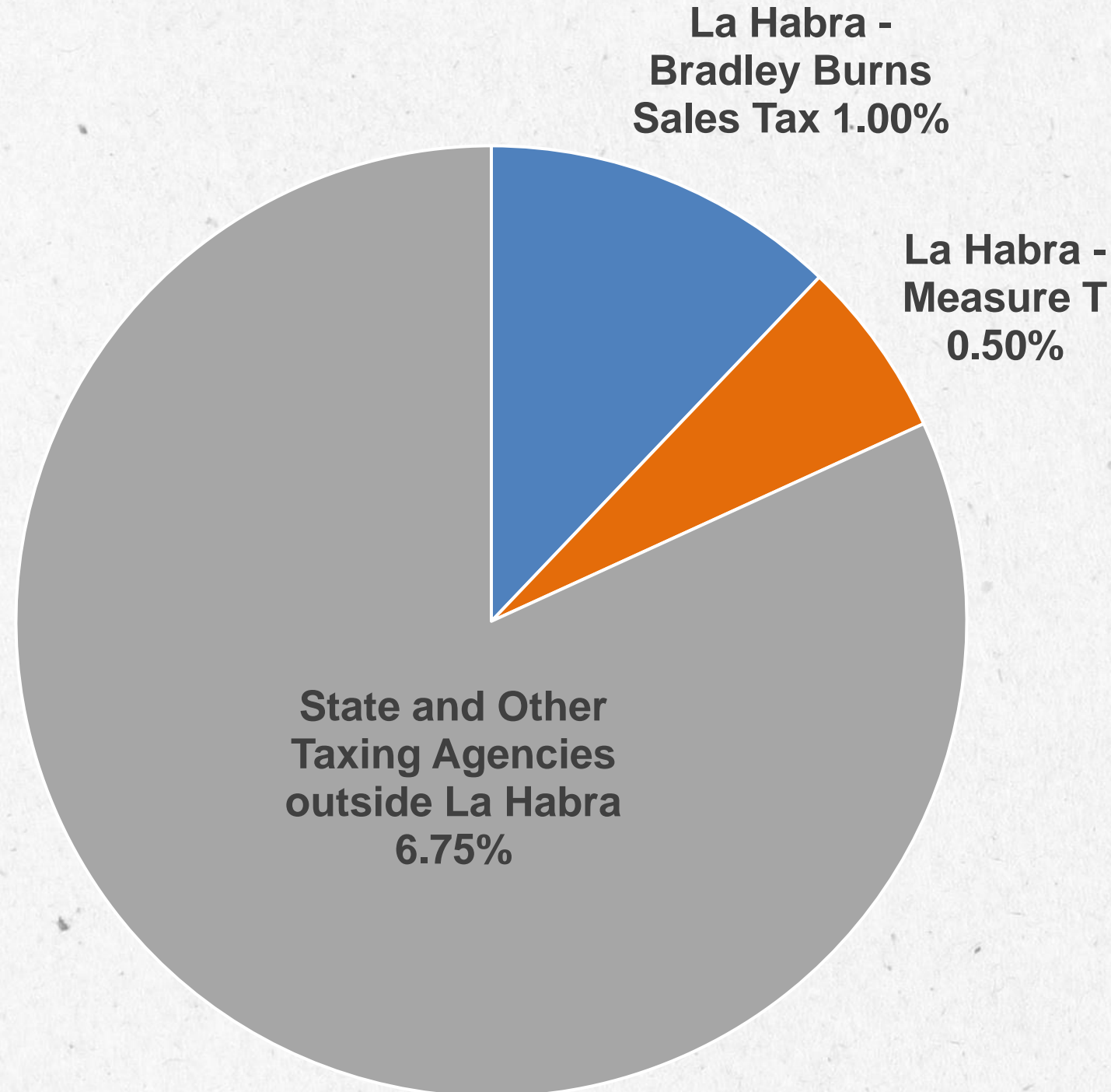
Major Revenue Category	FY23/24 Amended Budget	FY23/24 Year-End Estimates	Variance in \$	Variance as %
Property Tax	\$23,098,423	\$23,603,928	\$505,505	2.2%
Sales Tax	\$14,722,000	\$13,821,920	(\$900,080)	-6.1%
Transaction Tax	\$7,733,000	\$7,458,421	(\$274,579)	-3.6%
Franchise Fees	\$2,301,500	\$2,301,500	\$0	0.0%
Fines & Forfeitures	\$1,177,000	\$1,154,700	(\$22,300)	-1.9%
Licenses & Permits	\$1,583,200	\$1,756,641	\$173,441	11.0%
Fees & Charges	\$2,966,768	\$2,922,431	(\$44,337)	-1.5%
Use of Money & Property	\$2,812,696	\$2,870,696	\$58,000	2.1%
Contracts & Reimbursements	\$322,934	\$539,901	\$216,967	67.2%
Other Revenue	\$1,754,736	\$1,776,918	\$22,182	1.3%
Total General Fund	\$58,472,257	\$58,207,056	(\$265,201)	-0.5%



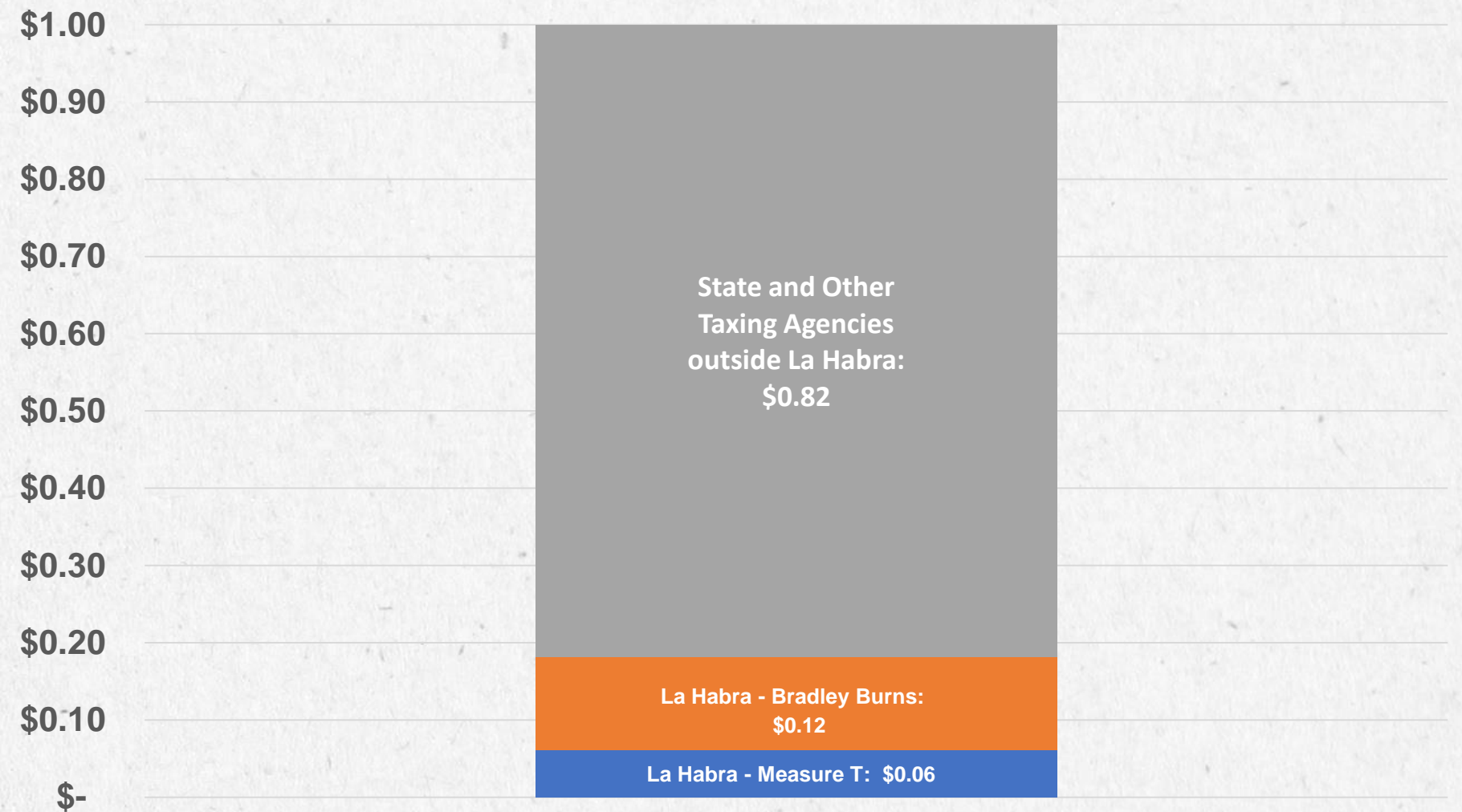
Combined Sales Tax and Transaction Tax (Measure T) generates approximately 37% of total General Fund revenues.

Where do Sales Taxes Paid in La Habra Go?

Breakdown of the 8.25% Sales Tax Rate in La Habra



Breakdown of \$1 of Sales Tax Collected

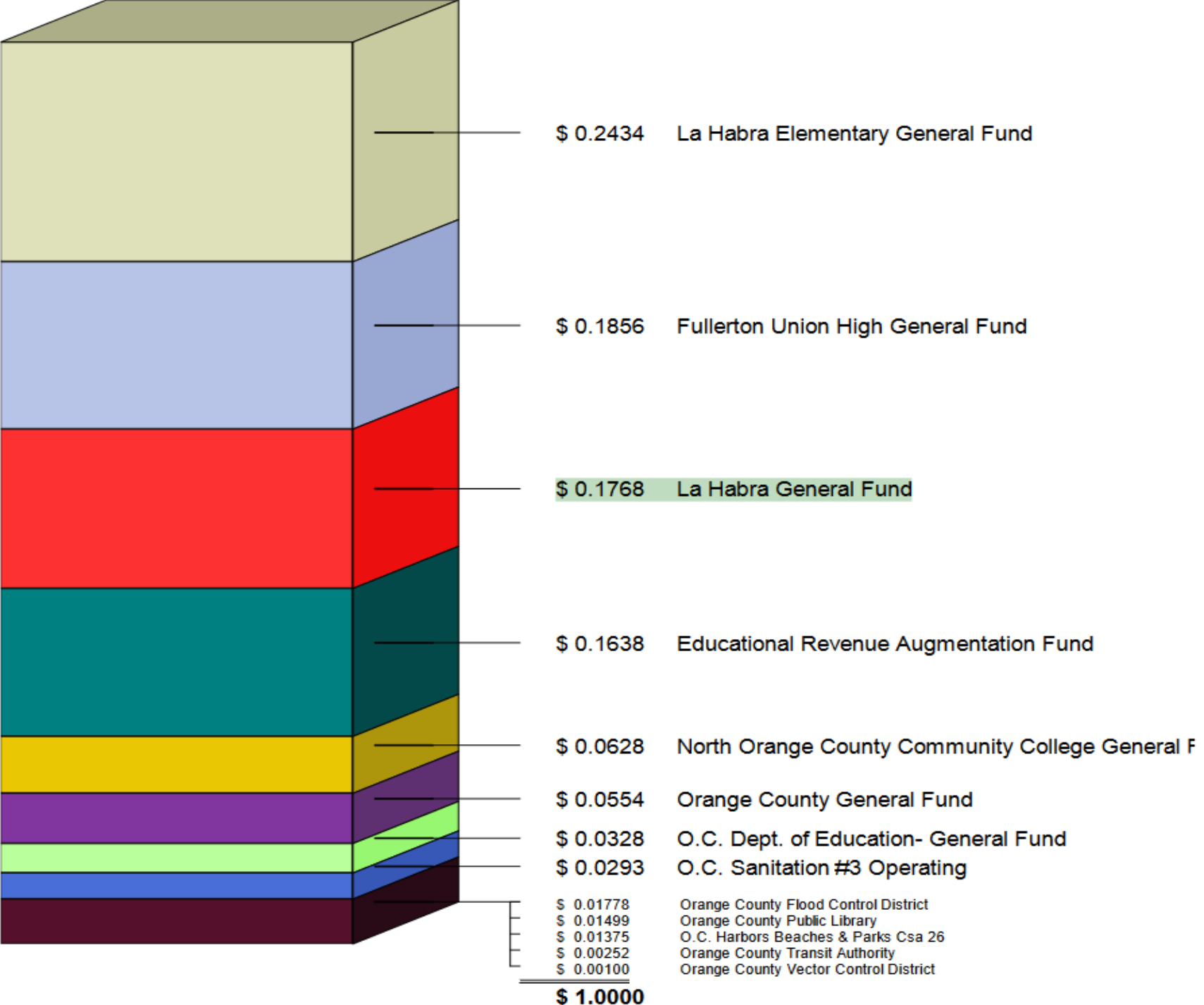


The City gets a total of 18 cents for every dollar of sales tax that is paid in La Habra.

Where do Property Taxes Paid in La Habra Go?



THE CITY OF LA HABRA PROPERTY TAX DOLLAR BREAKDOWN



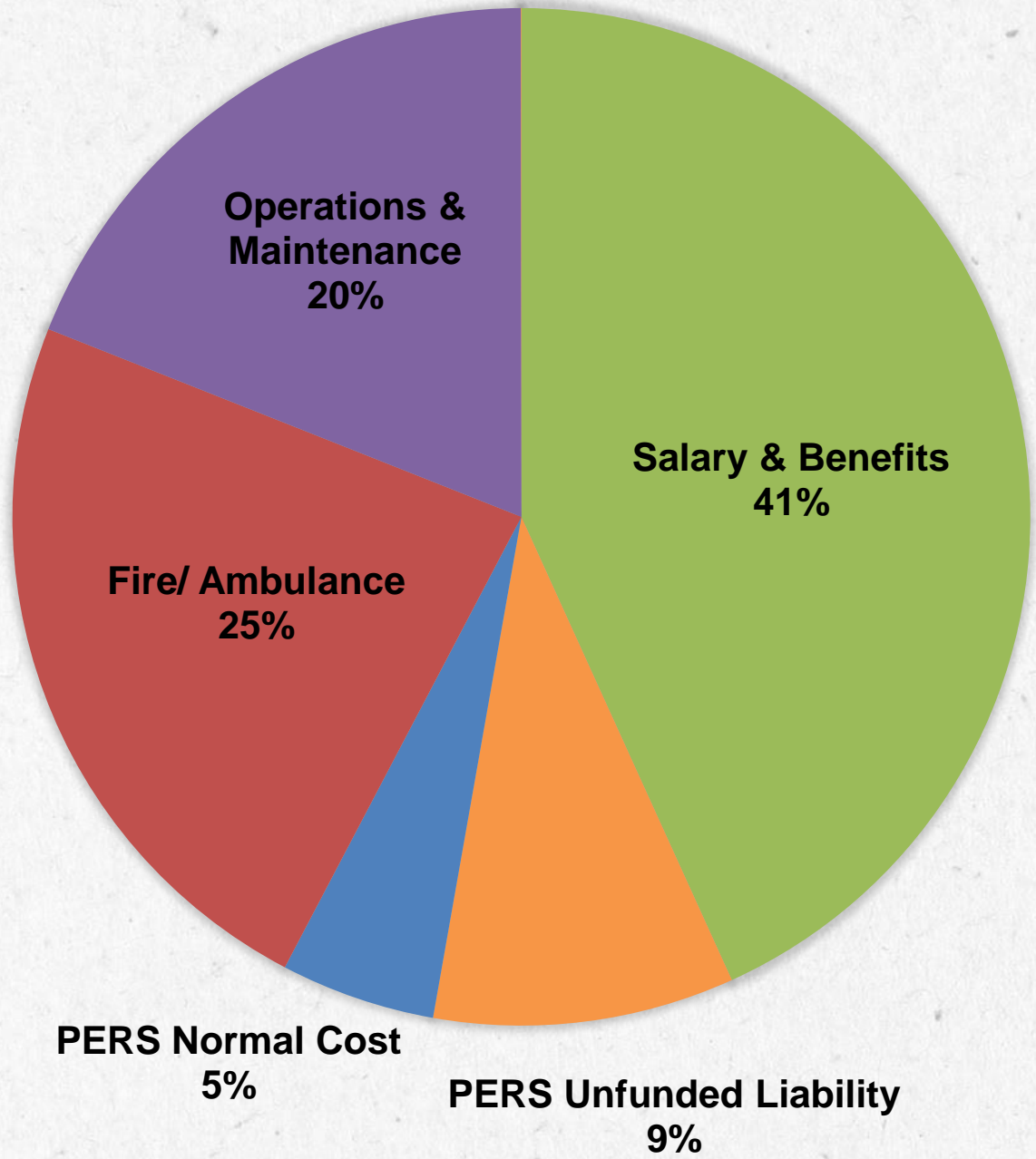
For every \$1 in property taxes paid by La Habra property owners, less than 18 cents goes to the City's General Fund

How Do We Spend Our Budget?

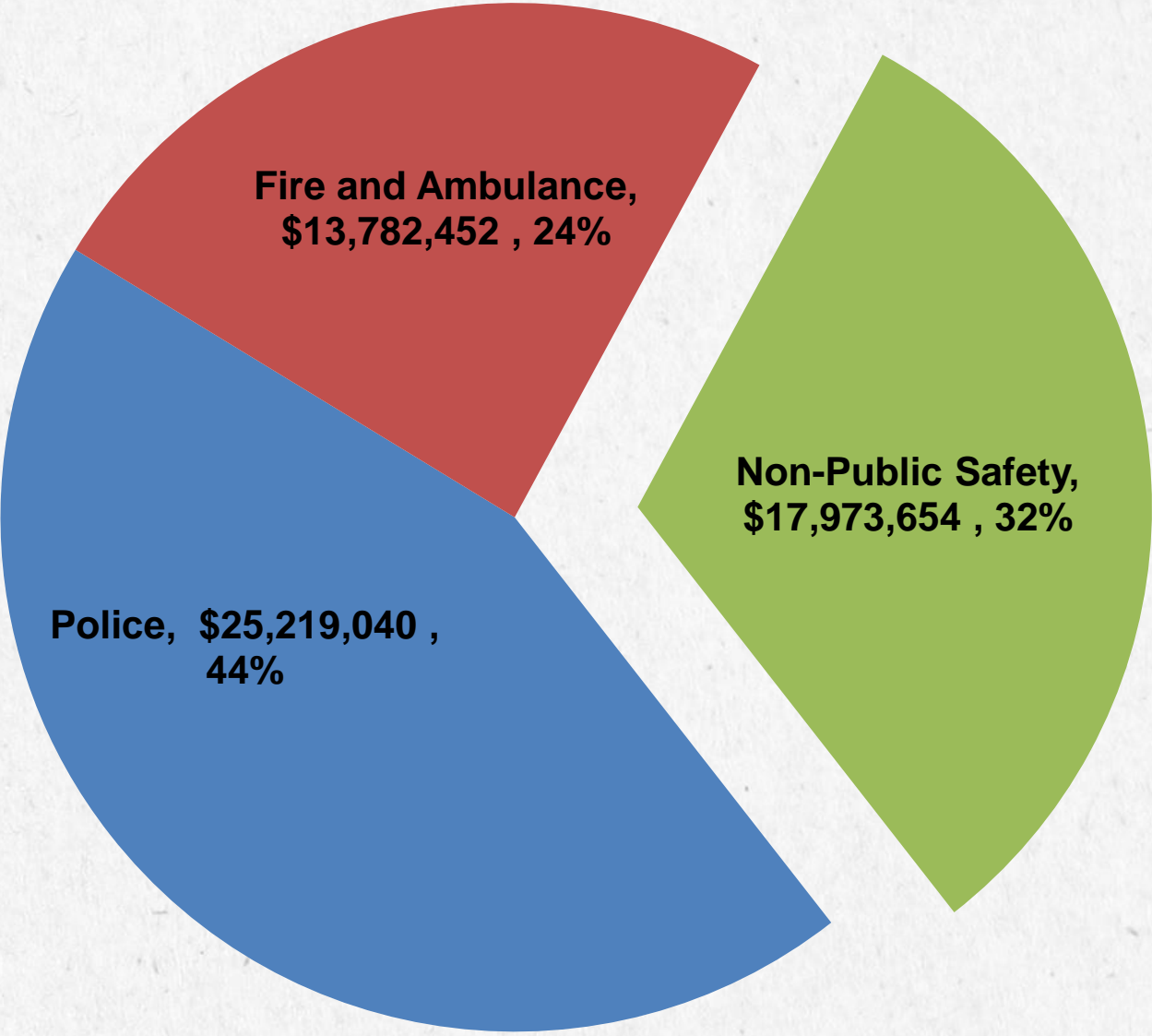
General Fund Expenditures by Department

Department	FY23/24 Amended Budget	FY23/24 Year-End Estimates	Variance in \$	Variance as %
Police	\$26,046,731	\$25,219,040	\$827,691	3.2%
Fire & Ambulance	\$14,235,482	\$13,782,452	\$453,030	3.2%
Public Works	\$6,181,659	\$6,038,160	\$143,499	2.3%
Community Services	\$4,699,519	\$4,690,980	\$8,539	0.2%
Administration & Support	\$4,343,381	\$4,299,008	\$44,373	1.0%
Community Development	\$2,965,485	\$2,945,506	\$19,979	0.7%
Total General Fund	\$58,472,257	\$56,975,146	\$1,497,111	2.60%

FY 23/24 GF Estimated Year-End Expenditures



Almost 80% of what the City spends in the General Fund goes to pay for labor to provide public safety, programs and services to the community.



Approximately 68 cents of every General Fund dollar is spent by the City for Police, Fire and Ambulance services

How We've Been Serving the Community



EMERGENCY PREPAREDNESS TRAINING

Spanish CERT coming in January 2024



EST. 1925 CITY OF LA HABRA

LA HABRA BOULEVARD SPECIFIC PLAN UPDATE



What We've Built and What We're Building

FY 23/24 Capital Projects

Completed Projects

- Community Center Parking Lot
- Corona Park Shade Structure
- Scoreboards at Esteli and La Bonita Parks
- Montwood Park Lighting Project
- Residential Street Rehabilitation
- Arterial Street Rehabilitation
- Alley Area 6 Improvements
- Annual Sidewalk & ADA Improvements



Under Construction

- Euclid Water Mainline Replacement
- Heli Hydrant Tank Installation
- Park La Habra Roof Improvements
- Old Reservoir Park Improvements
- Bishop Storm Drain Improvements
- Vista Grande Park Improvements
- Euclid Street Rehabilitation
- New Neighborhood Park at former Women's Club site

Coming Soon

- Alley Area 8 Improvements
- Residential Rehab and Slurry Seal FY 23/24
- Monte Vista Street Rehab
- New Parking Lot at 107 E. 2nd Ave
- Macy Street Rehab
- Euclid Traffic Signal Synchronization Project
- Whittier Preschool Playground Equipment
- Roofing project at View Park Mobile Home Park

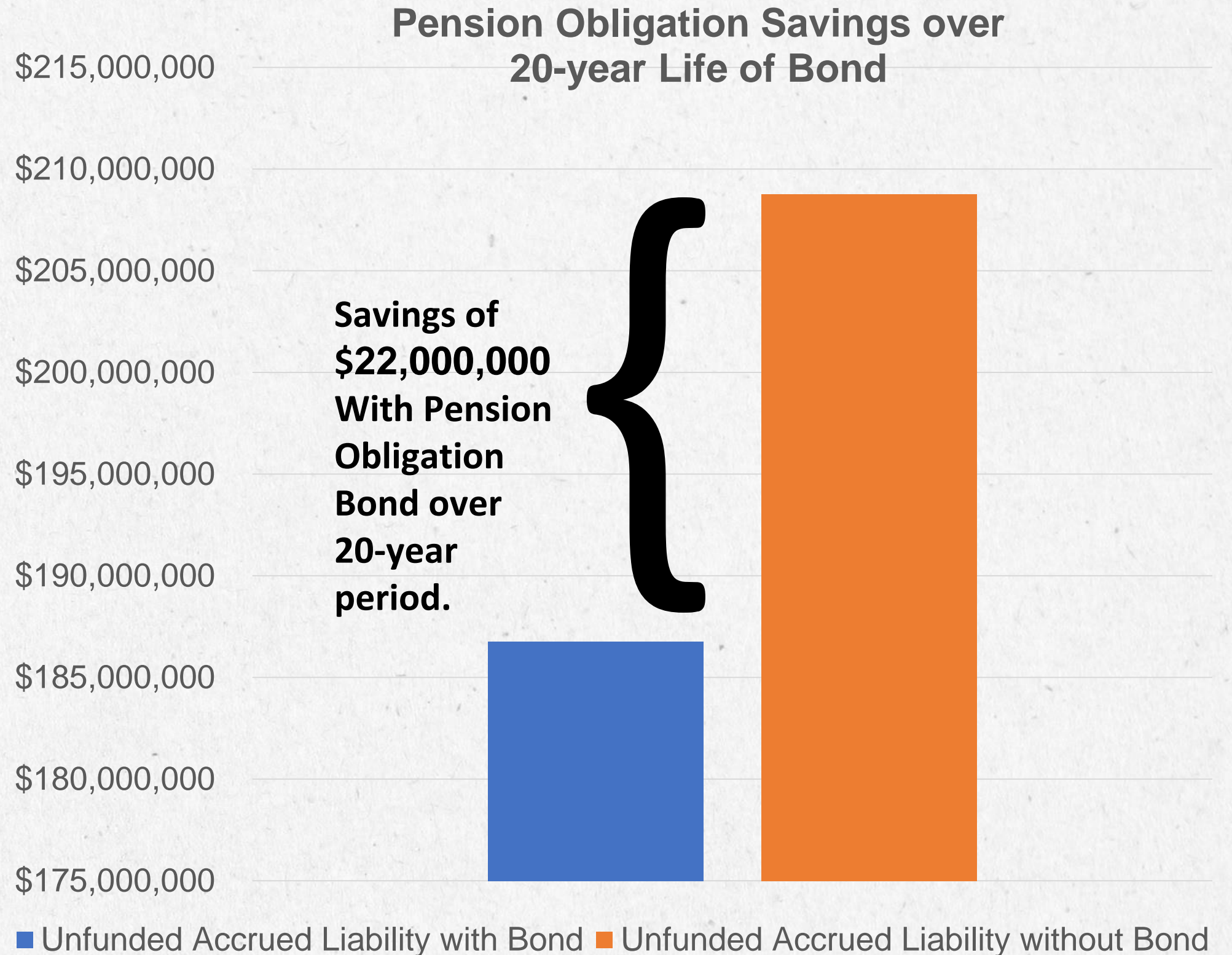
Lowering our Pension Costs

2010 – Began a successful multi-year process to negotiate lower pension formulas for newly hired employees and having City employees pay more toward their own pension costs.

2018 – A Pension Rate Stabilization Fund (PRSF) was established to help set aside funds for future pension costs.

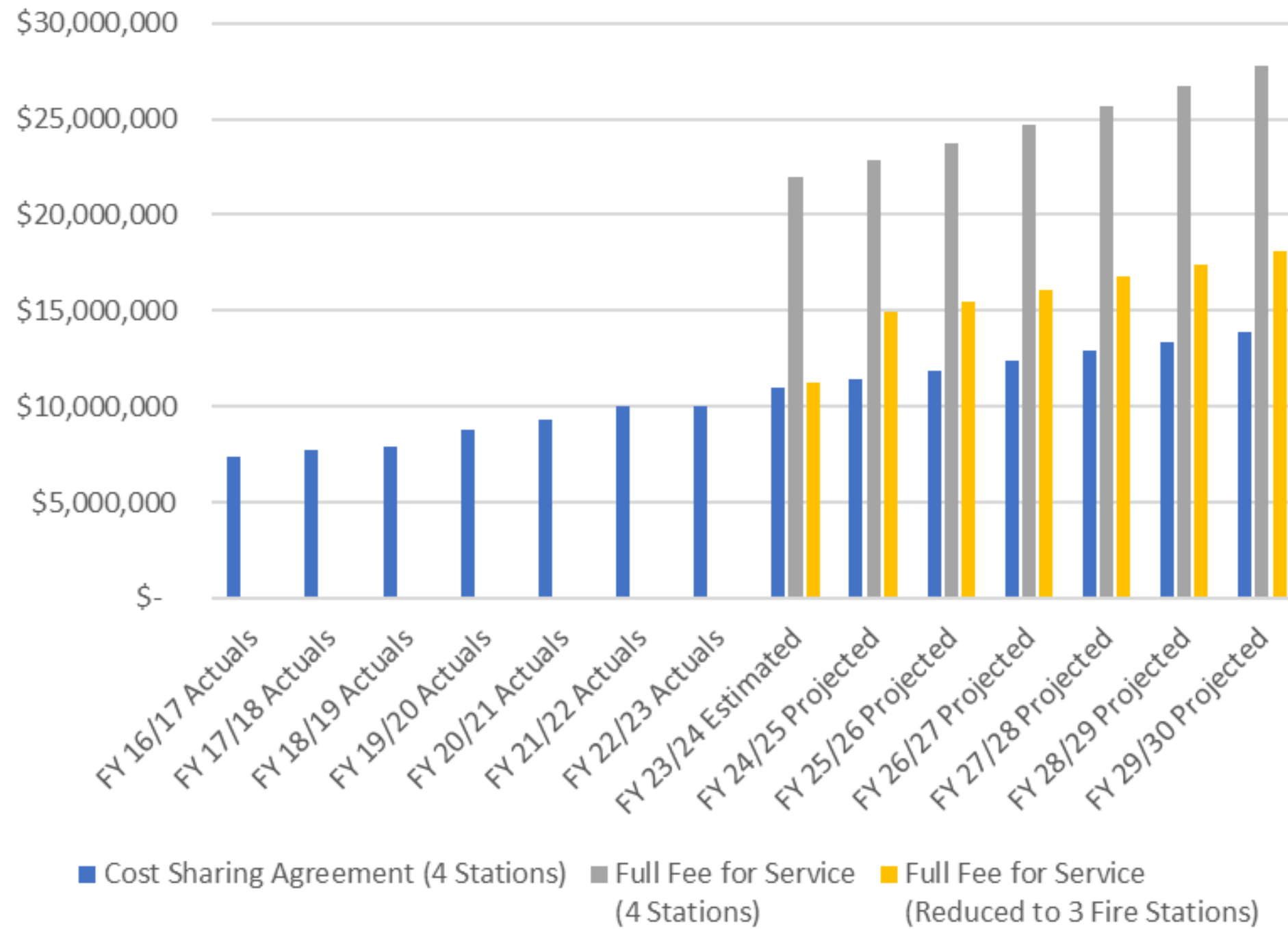
2021 – Approved Issuance of Pension Obligation Bonds (POB) to pay off the City's Unfunded Accrued Liability (UAL) at that time.

- The City took advantage of very low interest rates (approximately 3%) to refinance the almost 7% rate being charged by CalPERS
- The POB's saved the City approximately \$22,000,000 over 20 years compared to what was owed to CalPERS at the time
- The City also established a Pension Funding Policy leading to a current reserve balance of approximately \$10 million today in the PRSF



LA County Fire Dept Cost Increases

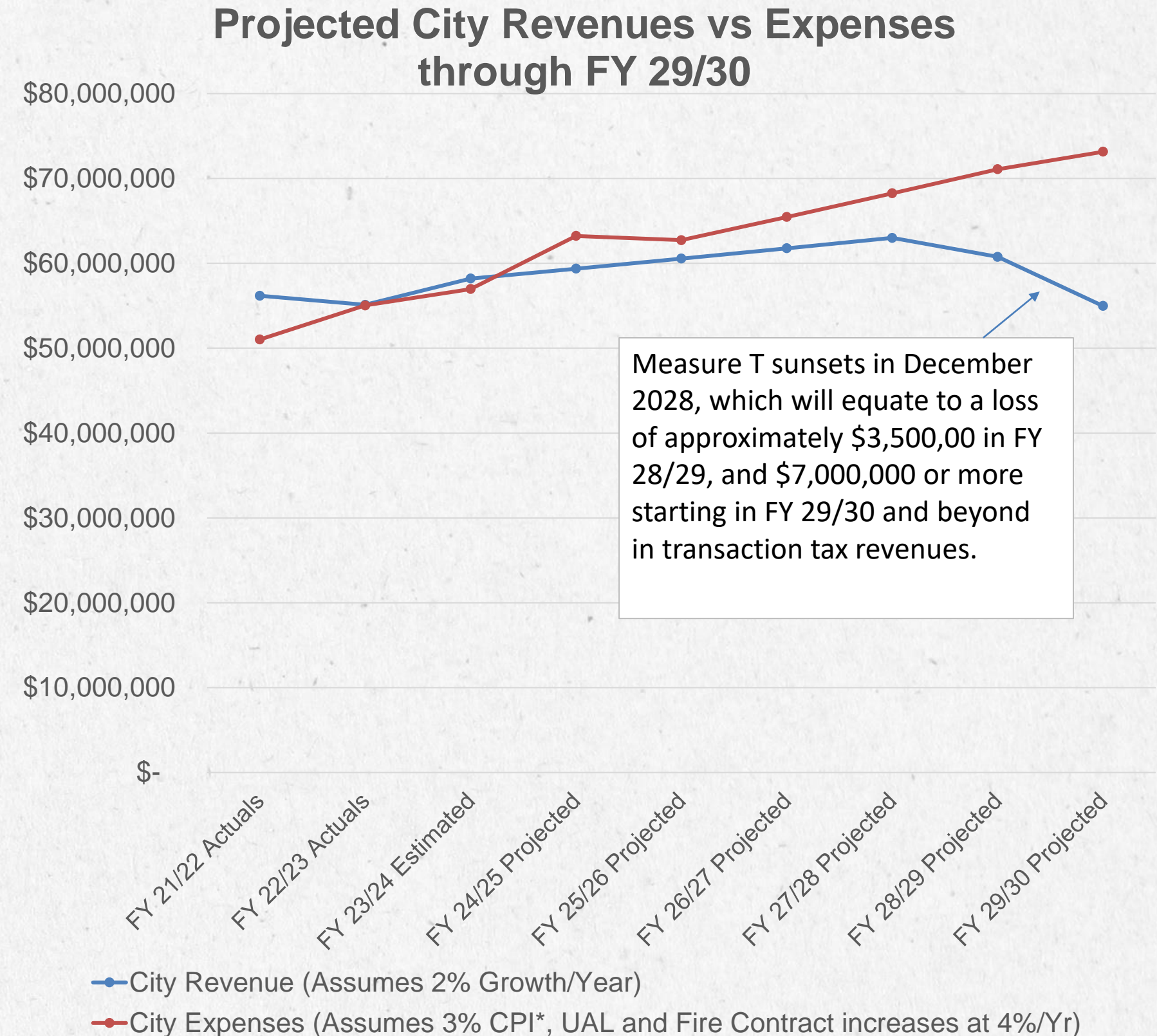
LACoFD Fire Service Contract Cost Increases



- 2005 – Cost Sharing Agreement established for 4 stations. La Habra Cost ≈ 49%; LA County Fire Cost ≈ 51%
- 2023 – LACoFD notified the City that the prior agreement was no longer available and proposed a Full Fee for Service model. La Habra’s Proposed Cost to = 100% of annual cost. Costs were projected to more than double from about \$10 million in FY 22/23 to almost \$22 million in FY 23/24 or LACoFD would terminate its agreement with the City.
- City negotiated to hold off Full Fees until FY 24/25, but because of the higher costs, the City was forced to close Fire Station 193 in October 2023.
- Despite this closure, FY 24/25 Cost will be almost \$3.7 million more per year than the FY 23/24 budget and almost \$5 million more per year than FY 22/23, even with the closure of a Fire Station.

Projected GF Revenues vs Expenses through FY 29/30

- Revenue assumption of 2% growth per year.
- Expenses assume increases in Fire Services Contract at 4% per year + the City's new UAL PERS Payment + City General Fund operating expenses estimated to grow by 3% CPI per year.
- Budget deficits anticipated to begin in FY 24/25, requiring deep cuts.
- Major decline in revenue will begin in FY 28/29 with the sunseting of Measure T. Revenue loss will be more than \$3.5 million in FY 28/29 and then \$7 million or more per year thereafter, or approximately 13% of the total General Fund's current revenue base.
- Cuts to Programs, Services and Capital Projects will need to be made in order to maintain a balanced budget and not deplete reserves.



Other Major Non-General Fund Budgets

- Major Non-General Fund operating budgets are expected to end the fiscal year at or below their approved expenditure budgets, with associated revenues tracking to budget projections. The only exception is the Risk Management Fund which is proposed to receive a Mid-Year Appropriation Adjustment.

Agency/Authority	FY23/24 Amended Budget	FY23/24 Year-End Estimates	Variance in \$	Variance as %
Utility Authority - Water	\$29,954,720	\$29,716,585	\$238,135	0.8%
Utility Authority - Sewer	\$4,220,471	\$4,099,848	\$120,623	2.9%
Housing Authority	\$2,239,064	\$2,016,640	\$222,424	9.9%
Total	\$36,414,255	\$35,833,073	\$581,182	1.6%

Enterprise Funds	FY23/24 Amended Budget	FY23/24 Year-End Estimates	Variance in \$	Variance as %
Refuse Fund	\$9,794,958	\$9,794,958	\$0	0.0%
Children's Museum Fund	\$871,240	\$871,240	\$0	0.0%
Mobile Home Fund	\$4,185,304	\$3,480,904	\$704,400	16.8%
Total	\$14,851,502	\$14,147,102	\$704,400	4.7%

Internal Service Funds	FY23/24 Amended Budget	FY23/24 Year-End Estimates	Variance in \$	Variance as %
Fleet Replacement Fund	\$900,577	\$900,577	\$0	0.0%
Fleet Maintenance Fund	\$1,653,189	\$1,653,189	\$0	0.0%
Risk Management Fund	\$3,841,273	\$4,305,273	(\$464,000)	-12.1%
Information Technology/Replc Fund	\$2,261,030	\$2,095,198	\$165,832	0.0%
Total	\$8,656,069	\$8,954,237	(\$298,168)	-3.4%

Future Budget Challenges and Planning

- Despite prudent fiscal management and conservative budgeting, the contract demands from LA County Fire have placed the City in a challenging position to be able to fund General Fund programs and services in the future.
- In addition to this unforeseen cost increase, the upcoming expiration of local Measure T funding will further challenge the City.
- While the mid-year outlook for the current fiscal year doesn't require any immediate cuts, significant budget cuts will need to be proposed and considered as the City begins planning for the FY 24/25 budget in the coming months.
- Staff will continue to evaluate all available avenues for cost savings, expense deferrals, grant funding and other revenue generation as the proposed FY 24/25 budget is being prepared for future Council consideration.

Recommendation

- Receive and File the Fiscal Year 2023-2024 Mid-Year Budget Update
- Approve an appropriation in the amount of \$464,000 from the Risk Management Fund Balance for the Workers Compensation Account 164151 to fund Legal Fees, Medical Claims, and Temporary Disability Claims
- Approve the reclassification of a Permit Tech I position to Permit Tech II
- Approve the reclassification of a Housing Specialist position to an Economic Development Project Manager

Q & A

