

CITY OF SOUTH GATE MID-YEAR REPORT

FEBRUARY 23, 2023

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AGENDA

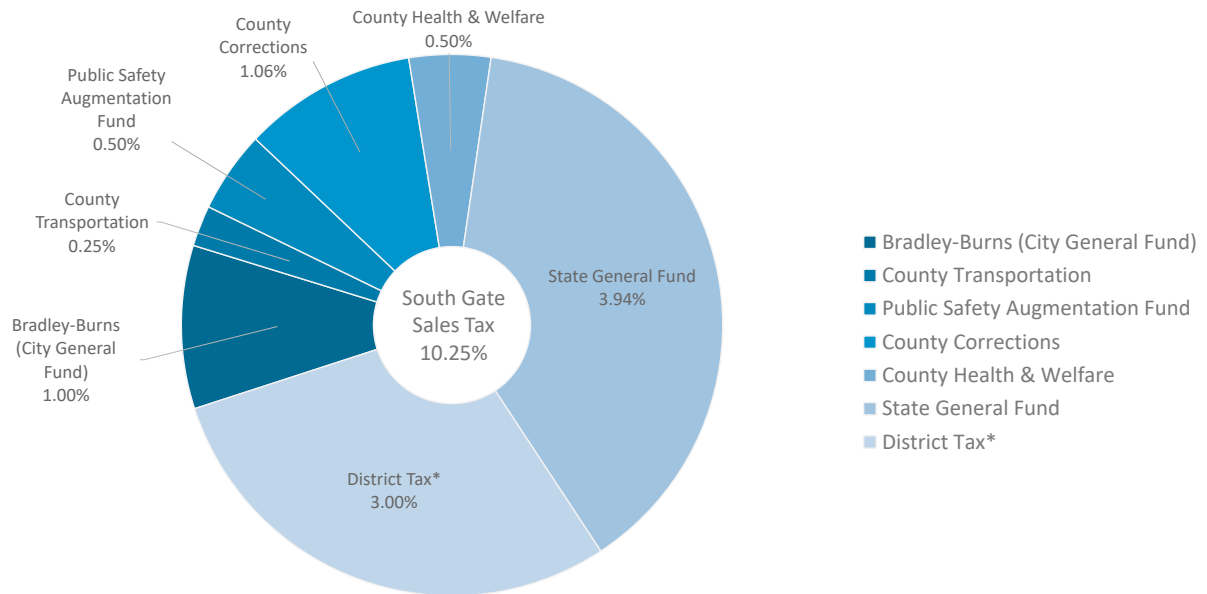
- Sales Tax Presentation
- Fund Balances Fiscal Year 2021-22
- Proposed Budget Modifications
- Financial Status Update Fiscal Year 2022-23
- City Council Questions/Comments

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SALES AND USE TAX

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CALIFORNIA SALES AND USE TAX COMPONENTS



*includes 1% for Measure P

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SALES & USE TAX – LOCAL

- Bradley-Burns Tax – City receives 1% of Sales for eligible goods
 - Tangible personal property is any material asset, such as household goods and business equipment, which is readily movable and not permanently attached to real property.
 - Example of 10.25% sales tax on a \$100 purchase
 - Total Sales Tax paid is \$10.25
 - South Gate receives \$1.00
- Sales Tax is applied to purchases made at a physical location in South Gate.
- Use Tax is applied to purchases made from an out-of-state vendor and shipped to the County where they are being used.
 - Examples of Use Tax are catalog or online orders
 - City shares in County/State pool allocations

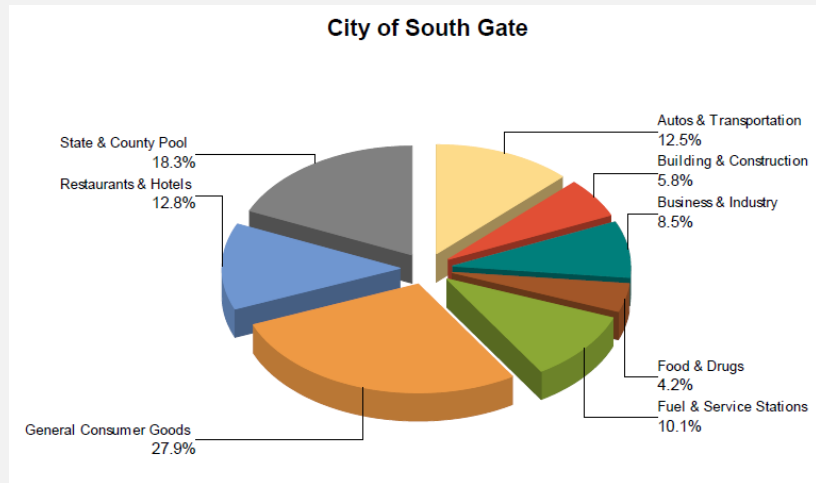
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SALES & USE TAX – LOCAL (cont.)

- Use Tax Allocations
 - If the County can be identified as the place of Use – it will go to the county pool
 - If the County cannot be identified as the place of Use - it will go to state pool
 - All pools are distributed to each jurisdiction based on pro rata share
 - County Pool makes up 16%-18% (historically) of total sales & use taxes received
 - State Pool allocations are very minimal (less than 0.1%)

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Major Industry Groups



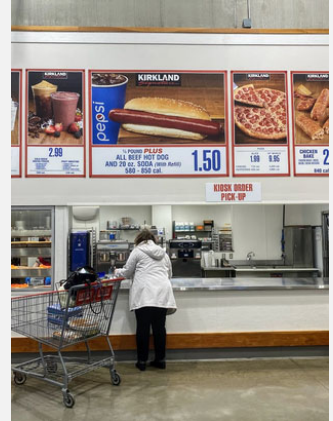
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District Tax

- Voters of City/County can approve an additional Sales & Use tax from .10% to 1.00% per district.
- Max District Tax Rate is 3.00% in Los Angeles County
 - South Gate Measure P is a District Tax for 1.00%
 - Propositions A and C are District Tax by Metro (1/2 cent each proposition)
 - Measure R and M are District Tax by Metro (1/2 cent each measure)
 - 7.25% (State) plus 3.00% (District) equals 10.25%.
- “District” entities include:
 - Cities
 - Counties
 - Special Districts
 - Transportation Authorities

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SALES TAX – FOOD PRODUCTS



NONTAXABLE

TAXABLE

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Sales Taxable
Products



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SALES TAX - SERVICES

- Labor Nontaxable (Repair/Installation)



- Labor Taxable (Fabrication/Assembly)



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SALES TAX – GOVERNMENT

- Nontaxable Government Sales (Federal Agencies)



- Taxable Government Sales (Local and State Agencies)



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Top 25 Bradley-Burns Local Tax Producers (random order)

- Alliance California Laundry
- McDonalds
- Arco AM PM
- Northgate Market
- Blue Diamond Materials
- Sam's Club
- Brenntag Pacific
- South Gate Arco
- Central Ford
- T Mobile
- Chevron
- Target
- Curacao
- Ulta Beauty
- dd's Discount
- United Rentals
- Frameless Hardware
- Walmart Supercenter
- Ganas Auto
- Glasswerks
- In N Out Burger
- La Playita Auto Sales
- Lucas Auto Sales
- Marshalls

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FY 2021-22 Sales Tax Data

South Gate Sales Tax Receipts

- Bradley-Burns 1.00% - \$14,043,557
 - Total of 2,058 businesses with resell permits - \$11,540,130 or 82% (\$5,452 average for 2,058)
 - Top 25 - \$6,222,838 or 55% of total (\$248,913 average)
 - Top 100 - \$9,056,071 or 81% of total (\$37,776 average for the next 75)
 - County/State Pool accounts for \$2,503,427 or 18%
- Measure P 1.00% - \$13,645,787
 - Total 9,162 businesses filed - \$13,645,787 (\$1489.39 average for 9,162)
 - Top 25 - \$5,401,793 or 38% of total (\$216,071 average)
 - Top 100 - \$8,294,785 or 61% of total (\$38,573 average for the next 75)

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Sales Tax History

Bradley Burns Local Return 1.00%

- FY 17-18 \$11,057,999
- FY 18-19 \$11,494,175(3.9%)
- FY 19-20 \$10,716,557(-6.8%)
- FY 20-21 \$12,769,852(19.2%)
- FY 21-22 \$14,043,557(10.0%)
- FY 22-23 Budget \$13,928,657(-0.8%)

District Tax (Measure P) 1.00%

- FY 17-18 \$10,063,210
- FY 18-19 \$11,066,448(10%)
- FY 19-20 \$10,445,967(-5.6%)
- FY 20-21 \$12,336,395(18.1%)
- FY 21-22 \$13,645,787(10.6%)
- FY 22-23 Budget \$13,372,000(-2.0%)

REVISED FUND BALANCES

REVISED FUND BALANCES

City Operating Funds

Fund Category	Estimated Ending Fund Balance FY 2021-22	Actual Ending Fund Balance FY 2021-22	Change in Ending Fund Balance
General Fund*	20,395,647	25,503,413	5,107,766
Special Revenue Funds	70,464,704	66,997,564	(3,467,140)
Capital Project Funds	3,426,146	4,979,522	1,553,376
Enterprise Funds	38,560,561	39,040,640	480,079
Internal Service Funds	3,642,600	4,792,220	1,149,620

**excludes General Fund Reserves*

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GENERAL FUND

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REVISED FUND BALANCES

General Fund

Change in Ending Fund Balance for FY 2021-2022 was \$5.1 million

- \$3.4 million in Sales Tax above FY 2021-22 Adopted Budget
 - Major attributable categories include:
 - Fuel and service stations
 - New and used car sales
 - Restaurants and fast-food establishments
- \$3.2 million in salary savings due to vacancies
 - Averaged 37 full-time vacancies throughout the year

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UNASSIGNED FUND BALANCE

Budgetary Policy – Unassigned Fund Balances

- Maintain an emergency reserve of 20% of operating costs
- 30% of all excess would go to the Capital Projects Reserves
- Next 50% would go to the PERS/OPEB Reserves
- If needed, the final 20% would go to reduce any fund deficits

Emergency Reserves - \$3,000,000
Capital Project Reserves - \$1,370,000
PERS/OPEB Reserves - \$730,000
Total - \$5,100,000

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PROPOSED BUDGET MODIFICATIONS

General Fund

FY 2022-23 Adopted Ending Fund Balance			Appropriate	
			One-time	Ongoing
			\$979,272	\$0
1	Various Departments	FY21-22 Ending Fund Balance Adjustment (Savings)	5,107,766	
2	Admin Services	Transfer Out to Emergency Reserves (to maintain 20% of operating budget)	(3,000,000)	
3	Admin Services	Transfer Out to Capital Project Reserves	(1,370,000)	
4	Admin Services	Transfer Out to PERS/OPEB Reserves	(730,000)	
5	Various Departments	Council Appropriations from Jul 2022 - Jan 2023	(648,230)	
Subtotal Budget Changes			338,808	
6	Various Departments	Salary savings from staff vacancies	3,200,000	
7	City Attorney	Increase City Attorney budget for Legal Fees	(500,000)	
8	City Clerk	Primary Election and November 2022 General Election	(60,000)	
9	Human Resources	Professional Services for administering Sgt./Lt. promotional testing	(30,000)	
10	Various Departments	Price increases for vehicle equipment included in Adopted Budget	(36,800)	
11	Public Works	Transfer Out to CIP Fund for carpet replacement & paint for HR offices	(12,102)	
12	Public Works	Increases in custodial, electrical, and plumbing supplies	(20,000)	
13	Public Works	HVAC equipment rentals at Police Department	(45,000)	
14	Public Works	Roof repairs at City Hall	(62,000)	
15	Public Works	Computer Software for graffiti abatement and facilities	(20,000)	
16	Community Development	Environmental Protection Agency Grant (Revenue) appropriation	500,000	
17	Community Development	Environmental Protection Agency Grant (Expenditure) appropriation	(500,000)	
18	Parks & Recreation	Californians for All Grant Transfer (Revenue) appropriation	500,000	
19	Parks & Recreation	Californians for All Grant (Expenditure) appropriation	(500,000)	
Subtotal Budget Changes			2,414,098	
Remaining Fund Balance			\$2,752,906	\$0

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SPECIAL REVENUES

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PROPOSED BUDGET MODIFICATIONS

American Rescue Act Plan Fund

		Appropriate	
		One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance		\$7,992,723	
1 Admin Services	FY21-22 Year-End Actuals Adjustment	(118,397)	
2 Admin Services	Council Appropriations from Jul 2022 - Jan 2023	(768,120)	
3 Admin Services	Reserve the remaining portion of Revenue Losses for future appropriations	(1,212,926)	
4 Admin Services	Utility Assistance Program for South Gate water customers	(500,000)	
5 Parks & Recreation	Reduce budget for Sports Center lockers replacement and reprogram from Park Enhancement Fund	130,000	
Subtotal Budget Changes		(2,469,443)	
Remaining Fund Balance		\$5,523,280	\$0

Asset Forfeiture Fund

		Appropriate	
		One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance		\$1,322,659	\$0
1 Admin Services	FY21-22 Year-End Actuals Adjustment	(183,404)	
2 Police	Council Appropriations from Jul 2022 - Jan 2023	(42,853)	
3 Police	Price increases for Vehicle equipment and MDC replacements	(25,857)	
4 Police	Carpet replacement for PD offices	(14,874)	
5 Police	Replacement of 12 computers and radios	(20,221)	
6 Police	Axon redaction software	(10,455)	
7 Police	Price increases for radio and equipment replacement	(39,172)	
8 Police	AC Unit Rentals for Detective Bureau	(8,395)	
9 Police	Vehicle lease agreement	(14,348)	
Subtotal Budget Changes		(359,579)	
Remaining Fund Balance		\$963,080	\$0

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PROPOSED BUDGET MODIFICATIONS

Gas Tax Fund

- Revenues received from excise taxes on gasoline and diesel fuel, sales taxes on gasoline and diesel fuel and registration taxes on motor vehicles
- Revenues must be spent on street related construction and/or maintenance projects

Gas Tax Fund

		Appropriate	
		One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance		\$2,714,720	\$ -
1 Admin Services	FY21-22 Ending Fund Balance Adjustment	(403,436)	
2 Public Works	Council Appropriations from Jul 2022 - Jan 2023	(3,000)	
3 Public Works	Replacement of six street light poles	(25,000)	
4 Public Works	Emergency light tower rentals for street outages	(31,500)	
Subtotal Budget Changes		(462,936)	
Remaining Fund Balance		\$2,251,784	\$0

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PROPOSED BUDGET MODIFICATIONS

Measure M Fund

Measure R and Measure M Funds

- ½ cent sales tax for Measure R and ½ cent sales tax for Measure M
- Both are administered through Metropolitan Transit Authority (MTA/Metro)
- Funds must be used to finance new transportation projects and programs, and accelerate those already in the pipeline

			Appropriate	
			One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance			\$2,112,933	\$ -
1	Administrative Services	FY21-22 Ending Fund Balance Adjustment	(965,286)	
2	Public Works	Council Appropriations from Jul 2022 - Jan 2023	60,000	
3	Public Works	Median Sign Replacement at three locations (Garfield @ El Paseo, Firestone @ Alameda, Tweedy @ Alameda) 50% Split Measure M and R	(30,176)	
Subtotal Budget Changes			(935,462)	
Remaining Fund Balance			\$1,177,471	\$0

Measure R Fund

			Appropriate	
			One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance			\$2,626,234	\$ -
1	Administrative Services	FY21-22 Ending Fund Balance Adjustment	784,144	
2	Public Works	Council Appropriations from Jul 2022 - Jan 2023	(1,354,122)	
3	Public Works	Median Sign Replacement at three locations (Garfield @ El Paseo, Firestone @ Alameda, Tweedy @ Alameda) 50% Split Measure M and R	(30,176)	
4	Public Works	Parking improvements along State Street	(30,000)	
Subtotal Budget Changes			(630,154)	
Remaining Fund Balance			\$1,996,080	\$0

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PROPOSED BUDGET MODIFICATIONS

Prop A Fund

Prop A and Prop C Funds

- ½ cent sales tax for Prop A and ½ cent sales tax for Prop C
- Both are administered through Metropolitan Transit Authority (MTA/Metro)
- Funds must be used in developing and/or improving local public transit, paratransit, and related transportation infrastructure

			Appropriate	
			One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance			\$5,195,069	\$ -
1	Administrative Services	FY21-22 Ending Fund Balance Adjustment	107,932	
2	Public Works	Replacement of 68 trash receptacles at bus/shuttle locations on Tweedy Blvd and surrounding vicinity	(100,000)	
Subtotal Budget Changes			7,932	
Remaining Fund Balance			\$5,203,001	\$0

Prop C Fund

- Prop C is more flexible in that funds can also be used for street/traffic signal improvements

			Appropriate	
			One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance			\$1,200,585	\$ -
1	Administrative Services	FY21-22 Ending Fund Balance Adjustment	(2,309,345)	
2	Administrative Services	Increase Prop C Revenue Projection	200,000	
3	Public Works	Reduce Transfer Out for Prior Year expenditures	705,145	
4	Public Works	Reduce expenditure budget for Professional Services	203,615	
Subtotal Budget Changes			(1,200,585)	
Remaining Fund Balance			\$0	\$0

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PROPOSED BUDGET MODIFICATIONS

Park Enhancement Fund

		Appropriate	
		One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance		\$120,379	\$ -
1	Administrative Services FY21-22 Ending Fund Balance Adjustment	45,315	
2	Parks & Recreation Add budget for Sports Center lockers replacement	(130,000)	
Subtotal Budget Changes		(84,685)	
Remaining Fund Balance		\$35,694	\$0

Capital Improvement Projects Fund

		Appropriate	
		One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance		\$0	\$ -
1	Admin Services FY21-22 Ending Fund Balance Adjustment	1,553,376	
2	Public Works Carpet replacement & paint for HR Offices (Revenues)	12,102	
3	Public Works Carpet replacement & paint for HR Offices (Expenditures)	(12,102)	
4	Public Works Update CDBG funded projects per FY22-23 Action Plan (Revenues)	(33,405)	
5	Public Works Update CDBG funded projects per FY22-23 Action Plan (Expenditures)	33,405	
Subtotal Budget Changes		1,553,376	
Remaining Fund Balance		\$1,553,376	\$0

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ENTERPRISE FUNDS

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PROPOSED BUDGET MODIFICATIONS

Sewer Fund

- \$21.9 Million City Loan was deemed satisfied and discharged
- Operating costs exceed revenues by \$700K
- Results of Sewer Study and proposed changes to sewer rates in coming months

Sewer Fund

		Appropriate	
		One-time	Ongoing
FY 2022-23 Adopted Ending Fund Balance		\$88,094	\$ -
1 Admin Services	FY21-22 Ending Fund Balance Adjustment	393,333	
2 Public Works	Council Appropriations from Jul 2022 - Jan 2023	(52,000)	
3 Public Works	Computer Software for sewer mapping and geotagging	(10,000)	
Subtotal Budget Changes		331,333	
Remaining Fund Balance		\$419,427	\$0

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INTERNAL SERVICE FUNDS

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INTERNAL SERVICE FUNDS

Fund Category	Revised Beginning Fund Balance	FY 2022/23 Adopted Revenues	FY 2022/23 Adopted Expenditures	Fund Balance Coverage	Estimated Ending Fund Balance
Insurance Fund	(1,773,105)	6,785,066	6,736,346	2,188,576	464,191
Fleet Management Fund	639,270	2,019,855	2,443,459	-	215,666
Information Systems Fund	70,356	1,554,719	1,572,843	-	52,232
Capital Asset & Equip Replacement Fund	4,591,388	605,684	1,861,469	-	3,335,603
Building & Infrastructure Maint Fund	1,264,311	1,223,380	2,396,011	140,894	232,574

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FY 2022-23 FINANCIAL STATUS REPORT

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GENERAL FUND OVERVIEW

Revenues by Major Category

Revenues - By Category	2022-23 Adopted Budget	Actuals as of 01/31/2023	% Rec'd
Property Taxes	15,888,803	8,228,776	51.79%
State Sales Taxes	13,928,657	6,022,835	43.24%
Local Sales Taxes	13,372,000	5,645,647	42.22%
Franchise Taxes	1,603,968	306,813	19.13%
Business License Taxes	1,580,525	263,493	16.67%
Transient Occupancy Taxes	570,511	218,915	38.37%
Other Taxes	2,007,906	629,279	31.34%
Permits	1,734,601	938,841	54.12%
Fines & Forfeitures	1,127,092	650,576	57.72%
Use of Money & Property	1,797,938	686,388	38.18%
Intergovernmental	140,389	88,667	63.16%
Fees & Charges	3,092,303	1,792,224	57.96%
Other Revenues	4,934,624	2,499,017	50.64%
Total General Fund Revenues	61,779,316	27,971,470	45.28%

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GENERAL FUND OVERVIEW

Expenditures by Major Category

Expenditures – By Department	2022-23 Adopted Budget	Actuals as of 01/31/2023	% Spent
City Council	349,256	183,466	52.53%
City Clerk	892,225	552,168	61.89%
City Treasurer	38,863	25,014	64.37%
City Attorney	1,250,663	753,721	60.27%
City Manager	1,285,402	600,622	46.73%
Administrative Services	3,861,931	2,019,035	52.28%
Parks & Recreation	11,316,943	5,347,778	47.25%
Police	34,819,541	20,076,236	57.66%
Community Development	3,845,998	1,739,318	45.22%
Public Works	5,588,897	2,900,087	51.89%
Non-Departmental	2,668,530	1,293,100	48.46%
Total General Fund Expenditures	65,918,249	35,490,547	53.84%
<i>Excludes UAL annual prepayment</i>		28,091,493	42.62%

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GENERAL FUND 5-YEAR FORECAST

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5-YEAR FINANCIAL FORECAST

GENERAL FUND	Actuals			Forecast				
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Est. Beginning Fund Balance				\$25,503,413	\$2,752,906	(\$1,712,912)	(\$6,859,112)	(\$11,789,012)
Revenues								
Property Tax	14,078,869	15,082,297	15,323,098	15,888,800	16,404,000	17,133,600	17,679,700	18,242,900
Sales Tax	21,162,524	25,106,247	27,689,344	27,300,700	27,660,882	28,214,100	29,060,500	29,932,300
Other Taxes	5,145,428	5,411,633	5,758,177	5,762,900	5,527,700	5,581,100	5,682,700	5,786,600
Permits	1,988,477	1,649,566	1,623,236	1,734,600	1,754,100	1,776,200	1,815,200	1,869,400
Fines & Forfeitures	1,418,757	1,040,478	1,310,097	1,127,150	1,138,400	1,149,700	1,184,100	1,219,500
Use of Money & Property	1,148,122	242,237	(727,636)	1,797,900	1,807,100	1,815,900	1,825,100	1,834,600
Intergovernmental	283,239	2,232,340	216,631	140,300	140,500	140,500	140,500	140,500
Fees & Charges	1,731,802	1,212,093	2,339,037	3,092,300	3,087,300	3,098,400	3,132,200	3,166,900
Other Revenues	3,998,230	3,466,358	4,196,786	4,934,667	4,975,800	5,017,400	5,143,500	5,273,400
Total Revenues	50,955,449	55,443,249	57,728,770	61,779,317	62,495,782	63,926,900	65,663,500	67,466,100
					1%	2%	3%	3%
Expenditures								
Salaries & Benefits	\$38,492,866	\$39,351,224	\$40,539,917	\$46,413,940	\$48,260,100	\$49,953,600	\$51,609,200	\$53,336,800
Supplies & Services	\$7,833,221	\$7,232,531	\$8,501,551	\$9,402,354	\$9,147,300	\$9,517,300	\$9,334,500	\$9,729,400
Internal Services	\$4,283,443	\$4,268,760	\$4,261,104	\$7,296,082	\$7,341,500	\$7,387,800	\$7,435,300	\$7,483,900
Debt Service	\$2,211,482	\$2,192,444	\$2,214,397	\$2,216,849	\$2,212,700	\$2,214,400	\$2,214,400	\$2,214,400
Capital Outlay	\$26,944	\$48,422	\$79,034	\$480,818	\$0	\$0	\$0	\$0
Total Expenditures	\$52,847,956	\$53,093,381	\$55,596,003	\$65,810,043	\$66,961,600	\$69,073,100	\$70,593,400	\$72,764,500
					2%	3%	2%	3%
Net Revenues Over (Under) Expenditures	(1,892,507)	2,349,868	2,132,767	(4,030,726)	(4,465,818)	(5,146,200)	(4,929,900)	(5,298,400)
Est. Year-End Savings				\$3,200,000				
Transfer Out for CIP				(\$2,757,204)				
Fund Balance Coverage				(\$4,628,445)				
Transfer Out to Reserves				(\$13,100,000)				
Council Appropriations				(\$785,903)				
Mid-Year Budget Requests				(\$648,229)				
Est. Ending Fund Balance				\$2,752,906	(\$1,712,912)	(\$6,859,112)	(\$11,789,012)	(\$17,087,412)

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RECOMMENDED ACTIONS

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RECOMMENDED ACTIONS

- Update the Fiscal Year 2022-23 Adopted Budget by accepting June 30, 2022, ending fund balances as depicted in Attachment A;
- Modify the Fiscal Year 2022-23 Adopted Budget and approve the additional appropriations and adjustments as recommended in this report and as outlined in Attachment B and C with any additional changes approved by City Council; and
- Approve a Grant Agreement with the U.S. Environmental Protection Agency for full federal funding in the amount of \$500,000 to inventory, characterize, assess, and conduct cleanup planning and community involvement related activities; and
- Authorize the Mayor to execute the Grant Agreement in a form acceptable to the City Attorney.

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