

**SUBJECT: UPDATE AND DISCUSSION OF THE FISCAL YEAR 2021-22
MID-YEAR BUDGET AND LIVING WAGE**

PREPARED BY: CITY MANAGER'S DEPARTMENT
(David A. Wilson, City Manager)
(Christine Safriet, Budget Officer)

STATEMENT ON THE SUBJECT:

The Finance & Budget Subcommittee will receive an update on the Fiscal Year 2021-22 Budget and the potential change in the City's living wage rate. The Finance & Budget Subcommittee will have the opportunity to discuss the outlook in relationship to City priorities.

RECOMMENDATIONS:

Receive an update on and discuss the Fiscal Year 2021-22 Budget.

BACKGROUND / ANALYSIS:

The City is preparing the FY 2021-22 Mid-Year Budget Update for City Council discussion and approval at the February 22, 2022 City Council Meeting. Based on actual and expected revenues received through December in the General Fund, the City is projecting a revenue shortfall by the end of the fiscal year. However, the projected budget deficit is substantially less than initially estimated due to stronger than expected economic performance in the hospitality and retail industries. One-time funding from the Federal Government will replenish some of the General Fund Emergency Reserves used for pandemic-related emergency services and revenue losses in the current and prior fiscal years from FY 2019-20 through FY 2021-22.

The update is organized as follows:

1. Recap of FY 2021-22 Budget and COVID-19 Impacts
2. Mid-year budget position
3. Living wage
4. Items for discussion and next steps

1. Recap of FY 2021-22 Budget and COVID-19 Impacts

The City completed the fiscal year ending June 30, 2021 (FY21) in better shape than expected. General Fund revenues exceeded budget projections by \$11 million (15%). General Fund expenditures exceeded budget projections by \$1.3 million (1%), including nearly \$1 million in emergency expenditures. The FY21 expenditure deficit totaled \$9 million and was covered by General Fund Reserves.

The City’s current fiscal year budget (FY22) is more expansive than FY21 and returns to revenues and expenditures more in line with FY20 actual values. The City projected General Fund revenues totaling \$104 million and expenditures totaling \$111 million; in comparison, the City’s pre-pandemic expenditure budget approved in February 2020 was \$115 million. Significant revenue gains were projected in sales and hotel tax receipts as populations received access to COVID vaccines and travel, business activity, and individual movement increased.

With the significant improvement in revenue expectations for FY22, the City reduced but did not eliminate the projected financial shortfall anticipated from the COVID-19 pandemic. Cost-saving measures taken in FY21 were eased, though many contract services and capital expenditures continued to be constrained. The approved FY22 expenditure budget included increases related to staffing, operations, contracted services, and long-term debt repayment. A planned drawdown of approximately \$6.9 million from General Fund reserves was budgeted and approved for FY22.

The City also pursued pandemic-related grants and reimbursements to help reduce the impact on the General Fund of costs related to emergency services provided during the pandemic. The City has received approximately \$5.4 million in federal and local funding to date; details are provided in Table 1 below.

Table 1: Federal and Local Funding

Agency / Program	Amount Received	Use of Funds
U.S. Department of the Treasury - Coronavirus Aid Relief and Economic Security (CARES) Act (FY21)	\$447,003	Rental Assistance
Federal Emergency Management Agency (FY21)	\$204,356	Meal Service, PPE, Cleaning Supplies, and Other Expenses
Westside Cities Council of Governments (FY21)	\$172,914	Rental Assistance
US Department of Housing and Urban Development - Community Development Block Grant Program (FY21)	\$138,241	Meal Service
U.S Department of Justice (FY21)	\$61,053	Technology Software & Equipment
Federal American Rescue Plan Act (ARPA) (FY22)	\$4,381,503	Offset Pandemic Revenue Losses

2. Mid-year Budget Position

For the first six months of the fiscal year (July to December 2021), expenditures have exceeded revenues by \$2.5 million. This is largely on track with original budget projections.

General Fund revenues reached approximately \$54 million, or 52% of budget, in the first half of the fiscal year. Major revenue highlights include:

- Transient Occupancy Tax (TOT) receipts of \$14.1 million through December (compared to \$3.3 million in the first half of FY21), or 79% of the approved \$17.7 million TOT budget. The City projects TOT revenues will reach \$21.7 million by the end of the fiscal year, an increase of \$4.0 million compared to the original

budget. TOT revenues improved substantially in the summer and early fall compared to the prior year; however, the hospitality industry has experienced a dip in demand that coincided with the onset of the Omicron variant. The City anticipates continued general improvement in the hospitality sector as well as regular pandemic-related fluctuations moving forward.

- Sales tax receipts of \$16.4 million through December, or 66% of the approved \$25.0 million sales tax budget. This year for the first time the City's sales tax includes local Measure E receipts, which are providing a significant new source of local government funding. The City projects sales revenues will reach \$28.3 million by the end of the fiscal year, an increase of \$3.3 million compared to the original budget.

Revenue shortfalls in the first half of the fiscal year in the General Fund include Other Taxes at \$0.7 million through December, or 6% of the approved \$12.9 million budget. This category includes receipts from business and franchise taxes and motor vehicle in lieu (MVIL) taxes. These revenues are generally received in the spring so a significant shortfall at mid-year is typical. Business tax receipts are likely to be lower than initially budgeted due to impacts from COVID-19 on business receipts in fall of 2020 and spring of 2021.

Revenues in other major categories are on track to reach budget projections. Property taxes are based on assessed values from more than 12 months prior, and as such are a trailing indicator of periods of economic stress. The real estate market remained strong throughout the pandemic and revenues are on track to reach budget projections this fiscal year. Parking meter and parking fine revenues, city permits, and other revenues including charges for city services such as rent stabilization, recreation, and film permits, are meeting original FY22 budget estimates.

General Fund expenditures reached approximately \$56 million, or 51% of budget, in the first half of the fiscal year. Major expenditures include:

- Employee costs totaled \$19.3 million, or 45% of the approved \$42.9 million wages & benefits budget. Expenditures are expected to be higher in the second half of the fiscal year as hiring for the West Hollywood Park Aquatic and Recreation Center accelerates in anticipation of a spring opening. Expenditures in this category are on track to meet budget projections.
- Public safety contracts reached \$10.6 million, or 48% of approved budget. This category includes expenditures for the Los Angeles County Sheriff, Security Ambassadors, and related services. Expenditures are on track to meet budget projections. The City projects public safety contracts will reach \$22.3 million by the end of the fiscal year, an increase of \$0.4 million compared to the original budget. This includes an expansion of security ambassador services and public safety costs related to the production of a Pride festival in June of 2022.
- Other Contract Services reached \$8.1 million, or 39% of approved budget. This category includes expenditures for professional and legal services, general contract services, and parking meter collection and maintenance services. The City projects other contract services will reach \$23.5 million by the end of the fiscal

year, an increase of \$3.0 million compared to the original budget. This includes discounted purchases of additional Proposition A transit funding, the production of a Pride festival in June of 2022, and increases to general contract and professional services.

- Other Financing Uses reached \$10.7 million, or 100% of approved budget, and includes payments for long-term debt obligations and transfers to other funds. These transactions are completed at the beginning of the fiscal year. The City projects other financing uses will reach \$11.5 million by the end of the fiscal year, an increase of \$0.9 million compared to the original budget. This accounts for a transfer to balance the reserves in the Gas Tax Fund.
- Expenditures in other major categories are on track to meet budget projections.

One-time Federal revenues and emergency expenditures related to the pandemic have been broken out from the regular general fund reporting discussed above.

- Emergency fund expenditures reached \$0.4 million in actual General Fund expenditures this fiscal year. The total allocation of emergency funds from General Fund reserves is \$3.9 million since the start of the pandemic. Emergency funds are allocated as requests are approved by City Council and funds are carried forward from the prior year until they are expended. Emergency expenditures will impact the overall FY22 drawdown from the General Fund Emergency reserves.
- One-time revenues totaling \$4.4 million from the Federal Government's American Rescue Plan Act of 2021 have been received in the first half of the fiscal year. These funds are being used to offset emergency expenditures and pandemic-related revenue losses from FY20 through FY22.

In the tables below, revenues (Table 2) and expenditures (Table 3) are shown for the first quarter of FY22 (July-Sept 2021), the first half of FY22 (July-Dec 2021), the approved FY22 Budget, and the projected year-end values as of the writing of this staff report. Table 4 provides a summary of the General Fund ending position before and after the inclusion of one-time pandemic-related revenues and emergency expenditures.

Table 2: FY22 Revenues

General Fund Revenues	First Quarter Actuals (July-Sept 2021)	Mid-year Actuals (July-Dec 2021)	Approved Budget (07/01/22)	Projected Year-End (01/31/22)	Difference
Transient Occupancy Tax	\$6,612,161	\$14,092,578	\$17,730,000	\$21,730,000	\$4,000,000
Property Tax	587,324	9,067,327	22,115,200	22,115,200	0
Sales Tax	8,413,843	16,399,921	25,000,000	28,300,000	3,300,000
Other Taxes	0	720,356	12,930,000	12,930,000	0
Parking Fines	1,323,127	2,356,799	5,459,860	5,459,860	0
Parking Meters	1,824,593	2,966,446	6,250,000	6,250,000	0
City Permits	2,164,581	4,443,437	7,638,994	7,638,994	0
All Other Revenue	2,674,508	3,802,789	6,914,055	6,914,055	0
Total Revenue	\$23,600,137	\$53,849,653	\$104,038,109	\$111,338,109	\$7,300,000

Table 3: FY22 Expenditures

General Fund Expenditures	First Quarter Actuals (July-Sept 2021)	Mid-year Actuals (July-Dec 2021)	Approved Budget (07/01/22)	Projected Year-End (01/31/22)	Difference
Wages & Benefits	\$9,722,824	\$19,306,952	\$42,918,530	\$42,918,530	\$0
Other Operating Costs	2,912,235	3,765,946	8,495,024	8,495,024	0
Social Services Contracts	1,317,147	2,577,280	5,179,267	5,289,267	110,000
Public Safety Contracts	5,185,905	10,598,217	21,891,330	22,336,330	445,000
Other Contract Services	4,023,902	8,077,639	20,573,123	23,533,123	2,960,000
Capital Projects	600,315	1,358,735	1,180,800	1,180,800	0
Other Financing Uses	10,661,811	10,661,811	10,661,811	11,511,811	850,000
Total Expenditures	\$34,424,139	\$56,346,580	\$110,899,885	\$115,264,885	\$4,365,000

Table 4: Summary

General Fund Position: Surplus or (Deficit)	First Quarter Actuals (July-Sept 2021)	Mid-year Actuals (July-Dec 2021)	Approved Budget (07/01/22)	Projected Year-End (01/31/22)	Difference
Regular Surplus or (Deficit)	(\$10,824,003)	(\$2,496,927)	(\$6,861,776)	(\$3,926,776)	\$2,935,000
One-time Revenue	4,362,798	4,381,508	0	4,381,508	4,381,508
Emergency Expenditures	221,529	359,319	0	433,297	433,297
Revised Surplus or (Deficit)	(\$6,682,734)	\$1,525,261	(\$6,861,776)	\$21,435	\$6,883,211

4. Living Wage

At the August 31, 2021 Study Session of the City Council, staff requested direction from the City Council regarding the City’s Living Wage:

- Should the City continue to have a living wage?
- Should the current living wage rate be adjusted to a higher amount?
- Should the City continue to use a two-tiered approach for the living wage, including a rate for employees with employer provided healthcare and one for employees without employer provided healthcare?
- Should the living wage rate be applied to more than only City contractors?
- Should development agreements be subject to the living wage or should the City continue to evaluate this on a case by case basis?

Council provided direction to make the City living wage at least \$19.35 with no distinction between those that have health insurance and those that don’t have health insurance from their employer. Council also directed staff to study and come back with the fiscal impact of this increase to the City’s budget and social service agencies and a timeline and analysis for phasing it in.

Ordinance No. 97-505, adopted by the City in 1997, initiated a living wage rate for contractual service providers to the City of West Hollywood. In enacting this ordinance,

the City promoted an economic environment that protected public resources devoted to social support services and required service contractors to pay employees performing City-related work the living wage and benefits designated in it.

In 2011, the City Council amended the Living Wage Ordinance (West Hollywood Municipal Code Chapter 3.20) to provide that the City Council will adjust the living wage rate each July 1. The amendment established that the living wage rate shall reflect increases during the preceding year in the CPI for all urban consumers in the Los Angeles-Long Beach-Anaheim area, as published in January each year by the United States Department of Labor Statistics.

Key provisions of the City's living wage ordinance are summarized as follows:

- Applies to contractors engaging in service contracts with a value over \$25,000 and a term of 3 months or more to provides services to or for the City
- Requires employers to pay a wage at least as high as the City's Living Wage to employees and subcontractors who expend any of their time in the performance of work related to a service contract with the City.
- Requires employers to provide minimum numbers of compensated and uncompensated days off per year.

Pending revisions to the living wage ordinance include:

- Increasing the wage rate to \$19.35 per hour.
- Phasing options to align with the minimum wage ordinance.
- Removing provisions related to health benefits.
- Updating the language related to supercession by collective bargaining agreement to align with recently adopted language in the minimum wage ordinance and the hotel worker protection ordinance.
- Clarifying an exemption for social vocational service employers.

Staff analyzed the impact of the proposed change in the living wage rate to the City's active service contracts. The proposed change is likely to affect approximately 30 contracts with an increase of approximately \$1.2 million in annual contracting costs, as shown in the table below (Table 5).

Table 5: Living Wage Analysis

Division	Description	Annual Cost Impact
Parking	3 impacted contracts: Parking enforcement, parking facility operations, meter maintenance	\$350,000
Public Safety	2 impacted contracts: Security Ambassadors, Security Guards	\$315,000
Social Services	14 impacted contracts: Social Services (12), Transit Services (2)	\$35,000 \$100,000
Facilities & Field Services	8 impacted contracts: Janitorial, landscaping, sidewalk & waste receptacle maintenance	\$330,000
Event Services	1 impacted contract: Production assistance	\$30,000
Total Annual Cost Estimate	28 impacted contracts	\$1,160,000

5. Items for Discussion and Next Steps

The City’s strategy to balance the budget for the second half of the fiscal year and beyond continues to recognize that the full extent of the economic reach of the COVID-19 pandemic remains unpredictable and the eventual trajectory of the economic recovery will not be known for some time.

Use of Reserves – The original FY22 budget adopted in June of 2021 projected a budget deficit of \$6.9M that would have come from General Fund Reserves. The updated budgeted deficit projected at mid-year is reduced to \$3.9M, primarily due to a sooner-than-anticipated recovery in hotel and sales tax. Additionally, the City received \$4.4M in Federal emergency funds that will be used to replenish General Fund Emergency Reserves.

Fiscal Restraint – City leadership will continue to guide efforts in responsible fiscal stewardship. This includes considering the long-term staffing and financial resources required to initiate new policies and programs while continuing to advance the City’s current priorities and work plan. As always, the health and safety of the West Hollywood community remain top priorities.

Planning for the Future – The City anticipates the next year will continue to be a challenging fiscal environment due to ongoing uncertainties related to the evolving nature of the pandemic. The operational program for FY23 will need to balance ongoing program and service expansions, for example: programming and staffing of the West Hollywood Park and the Recreation and Aquatic Center, startup of the Behavioral Health Crisis Unit, implementation of the seismic retrofit program, project labor agreements, and potential increases to the living wage; with revenue projections that allow for pandemic-related fluctuations. Operational revenue and expenditure budgets for FY23 and for the City’s capital program will be developed and refined over the next several months.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing

Strategic Program(s) (OSP) of:

- PSG-3: Fiscal Sustainability.
- OSP-1: Adaptability to Future Change.

In addition, this item is compliant with the following goal(s) of the West Hollywood General Plan:

- G-2: Maintain transparency and integrity in West Hollywood's decision-making process.

EVALUATION PROCESSES:

The City is committed to continue monitoring the changing economic and fiscal conditions and impacts to the local economy. The strategies listed above will assist the City to ensure continued financial stability.

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

The City of West Hollywood is taking every precaution to prioritize community and employee health, slow the rate of transmission of COVID-19, and assist community members who are at higher risk of serious illness.

COMMUNITY ENGAGEMENT:

Members of the West Hollywood community are encouraged to send questions to budget@weho.org.

OFFICE OF PRIMARY RESPONSIBILITY:

CITY MANAGER'S DEPARTMENT

FISCAL IMPACT:

COVID-19 continues to impact FY22 revenues and expenditures as described in this report. The mid-year general fund budget deficit is estimated to be \$2.5 million, 36% of the approved FY22 budget deficit of \$6.9 million, prior to any revisions or one-time revenues or expenditures.

ATTACHMENTS:

Attachment A: 6/21/2021 City Council Agenda Item 4.A. FY 2021-22 OPERATING BUDGET AND CAPITAL WORK PLAN
(The adopted budget differs from the budget proposed in the staff report due to changes adopted at the City Council Meeting.)

Attachment B: Resolution 21-5421. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST HOLLYWOOD ADOPTING THE BUDGET FOR FISCAL YEAR 2021-22.

Attachment C: 11/03/2021 City Council Agenda Item 4.B. BUDGET UPDATE – FIRST QUARTER FY2021-22

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CITY COUNCIL
UNFINISHED BUSINESS

JUNE 21, 2021

SUBJECT: FY 2021-22 OPERATING BUDGET AND CAPITAL WORK PLAN

PREPARED BY: CITY MANAGER'S DEPARTMENT
(Paul Arevalo, City Manager)
(David A. Wilson, Assistant City Manager)
(Christine Safriet, Senior Management Analyst)

FINANCE & TECHNOLOGY SERVICES DEPARTMENT
(Lorena Quijano, Finance & Technology Services Director)
(Annie Ruiz, Revenue Manager)

STATEMENT ON THE SUBJECT:

The City Council will consider adopting the West Hollywood Operating Budget and Capital Work Plan for Fiscal Year 2021-22.

RECOMMENDATIONS:

- 1) Adopt Resolution Number 21-_____ "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST HOLLYWOOD ADOPTING THE BUDGET FOR FISCAL YEAR 2021-22" (Attachment A) as specified in the Statement of Changes to Fund Balance, or as amended by the City Council.
- 2) Provide direction to staff regarding the use of \$150,000 for additional investment in community safety.
- 3) Approve adding the following new positions:
 - a. Public Safety Specialist, Public Safety Department
 - b. Information Technology Systems Analyst, Information Technology Division
 - c. Building Maintenance Engineer, Facilities & Field Services Division
 - d. Senior Maintenance Technician, Facilities & Field Services Division
 - e. Facilities & Landscape Maintenance Superintendent, Facilities & Field Services Division
 - f. Lead Maintenance Technician, Facilities & Field Services Division
 - g. Aquatics Coordinator, Recreation Services Division
 - h. Senior Lifeguard (50% FTE), Recreation Services Division
 - i. Recreation Coordinator, Recreation Services Division
 - j. Recreation Specialist, Recreation Services Division

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- 4) Approve eliminating the Administrative Analyst position, Public Safety Administration Division.
- 5) Approve the following new job classification specifications:
 - a. Approve the new classification specification of Public Safety Specialist within the Public Safety Department. Authorize salary placement at Grade 5220n. (Attachment B)
 - b. Approve the new classification specification of Building Maintenance Engineer within the Facilities & Recreation Department. Authorize salary placement at Grade 5270n. (Attachment C)
 - c. Approve the new classification specification of Recreation Specialist within the Facilities & Recreation Department. Authorize salary placement at Grade 5210n. (Attachment D)
 - d. Approve the new classification specification of Recreation Assistant within the Facilities & Recreation Department. Authorize salary placement at Grade 6150. (Attachment E)
 - e. Approve the new classification specification of Aquatics Aide within the Facilities & Recreation Department. Authorize salary placement at Grade 6010. (Attachment F)
- 6) Approve the following recommendations to support local businesses:
 - a. Extend payment deadlines for City business license tax fees, parking credit fees, encroachment permit fees, and regulatory business license fees to December 31, 2021, and waive any related late fees and/or penalties through the same period.
 - b. Extend the repayment plan term of the advance for critical operational funding with the West Hollywood Travel & Tourism Board from 12 months to 36 months.
- 7) Approve the Fiscal Year 2021-22 Salary Schedule (Attachment G) reflecting all City positions and associated salaries in order to meet the California Public Employees' Retirement System requirements of Government Code § 20636(b)(1).
- 8) Approve the list of Pre-Approved Organizations and Events for City Councilmembers to attend at the City's expense (Attachment H).
- 9) Authorize the Director of Finance & Technology Services to allocate \$2 million in General Fund Reserves for purchase of Proposition A Funds.
- 10) Adopt the division and capital work plans presented in the 2021-22 Operating Budget and Capital Work Plan (as previously provided to the City Council and the public on the City's website, www.weho.org/budget).

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BACKGROUND / ANALYSIS:

The City of West Hollywood's 2021-22 Operating Budget and Capital Work Plan Update is a policy document which establishes how the City will allocate funds to address its evolving priorities and strategic goals. The City has developed this one-year budget in response to the challenges presented by the COVID-19 pandemic and plans to return to a two-year budget cycle next year.

The Preliminary Budget contains the City Manager's recommended budget and is presented here to the City Council for review and action. Once approved, the Adopted Budget incorporates any Council modifications to the City Manager's proposed budget and serves as the annual appropriations, setting aside funding for specific purposes. The majority of the budget document is devoted to planned work program and budget summaries for each division; however, the Transmittal Letter and subsequent fund summaries inform the reader of the overall financial position of the City.

The staff report is organized into the following discussion areas:

1. Revenues
2. Cost Saving Measures
3. Expenditure Priorities
4. Organizational Changes
5. Business Support
6. Subcommittee Comments
7. Looking Ahead

1. Revenues

Over the past decade, the City of West Hollywood has experienced significant revenue growth in multiple tax revenue streams. The COVID-19 pandemic had a substantial negative impact on the City's revenue budget in FY20 and FY21, and staff projects revenues will take several years to recover to pre-pandemic levels. The City's tourism industry, which has historically been its strongest sector for jobs and tax revenue, has experienced sudden and dramatic challenges from the COVID-19 emergency orders that required people to remain in their homes and ordered businesses to limit the provision of in-person services. Since the start of calendar year 2020, the national economy has contracted substantially and both state and national unemployment reached the highest levels since the Great Depression. The improvement in public health metrics and the relaxation of public health restrictions in spring of 2021 has directly impacted city businesses. Local hotel occupancy has improved steadily since January 2021, suggesting that many visitors are eager to return as pandemic-related restrictions are eased. As COVID-19 infection rates continue to fall and vaccination rates rise in California and across the US, our local economic conditions will improve. West Hollywood depends on a healthy tourism industry to provide a significant portion of its municipal revenues.

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Ongoing uncertainty regarding global travel and tourism suggest prudent moderation when budgeting for the next fiscal year by balancing revenue growth with continued expenditure restraint. This is an unusual and challenging position for the City, which typically responds to budgeting expansions with enthusiasm. The City believes that the proposed revenue estimates are reasonable under current conditions.

Hotel Tax Revenue

FY22 projections of Transient Occupancy Tax revenues reflect a substantial rebound in tourism and visitation to the region. The City is taking a moderate approach to estimating the recovery speed and volume of the tourism industry. TOT revenues are projected to grow by more than 150% compared to current receipts. They are still projected to be lower than any year in the past decade except for FY21. The City is working closely with the West Hollywood Travel + Tourism Board and local hotel operators to understand current concerns in the hospitality industry and support a sustainable recovery for this key industry. Based on this ongoing partnership, the City has budgeted \$17.7 million in TOT revenues for FY22.

Sales Tax

Sales Tax revenues are projected to increase by \$10 million due to the new local sales tax approved by voters in November 2020. Regular sales tax revenues are projected to remain relatively flat at \$15 million, growing by less than 1%. Combined, the year-over-year growth in the total sales tax revenue budget is 68%. These projections are based on actual revenues over the past two years combined with the City's experience during previous recessions. The City continues to work closely with its sales tax partner to leverage regional data to anticipate changes in real time.

Property Tax

Property Tax revenues have remained steady over the past year and the regional housing market appears to be fundamentally healthy. Revenues are projected to grow by 6% to \$22.1 million. Staff continue to monitor real estate trends for slowdowns or impacts related to the pandemic, such as changes in sales velocity or volume or change in the initiation and/or completion of real estate development projects in the City.

Parking Meters & Parking Fines

As we learned this year, parking meter receipts are closely tied to visitor-driven tourism. Parking meter revenues are projected to grow 40% from the current year and reach \$6.25 million, equivalent to FY18 levels. Parking Fines are projected to remain flat at \$5.5 million.

Digital Media

The City has made progress on several programs that are anticipated to expand its revenue base. Initial billboard projects for the Sunset Arts and Advertising program have been awarded through a merit-based selection process; one project is under construction and numerous others are under permit review. As projects progress through implementation, the City will negotiate new development agreements in order to bring significant public benefits and revenue sharing to the City. The Sunset Spectacular billboard project completed construction in spring of 2021 and the City Council approved

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a site license amendment that increased the term of agreement by up to two years and reduced the minimum annual guaranteed payment in FY22 and FY23. The City will still receive the greater of the minimum annual guarantee or 40% of the modified gross advertising revenue generated by the sign. After several amendments to defer the start date of the new revenue sharing agreement, the City's street media and street furniture contract is expected to take effect in the coming fiscal year.

2. Cost Saving Measures

To address the projected revenue shortfall, the City proposes the following cost savings measures for the 2021-22 fiscal year:

- **Capital Projects:** The City continues to defer most non-essential capital maintenance and capital project work from the General Fund.
- **Special Events:** Following City Council guidance, the FY21 budget included the elimination of the City's two major special events, Halloween and Pride. This had the dual benefit of reducing public health risks inherent in crowded public gatherings and yielding substantial cost savings related to public safety and event production services. The FY22 budget does not include funding for Halloween events in October 2021. Funding for a reconfigured Pride in June 2022 is included for expenditures up to \$2 million including public safety deployments, production costs, and all related one-time operations and maintenance costs.
- **Ongoing expenditure restraint:** Last year, the City reduced spending across departments by 15 to 20 percent. The majority of these reductions have been carried forward into FY22. The reductions primarily consist of reduced funding for contracts and administrative costs. Public safety costs were managed by eliminating two positions on the Community Impact Teams along with the elimination of deployments for special events.
- **Personnel:** Last year, the City adjusted staffing and personnel levels in order to control costs by not immediately filling most vacant and vacated positions. In FY22, many of these positions are anticipated to be opened for recruitment as the City returns to in-person service.
- **Federal Assistance:** The City will receive an estimated \$8.7 million in fiscal recovery funds for non-entitlement cities from the American Rescue Plan Act of 2021 (ARPA). These funds are expected to be received in two payments during FY22 and FY23. These funds will be used to reimburse the City for emergency funding provided for social services and business relief, and to replenish revenues loss during the pandemic. The City also received approximately \$1 million in federal and local funding related to COVID-19 in FY21, including funding from FEMA. The City will continue to seek these types of additional COVID-19 related funding.

With the combined reductions in operating and capital spending as described above, the City has reduced but not eliminated the projected gap due to the COVID-19 pandemic. The General Fund, from which most core services are funded, anticipates a planned

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drawdown of approximately \$10 million from reserves, representing a 9.2% excess of expenditures over revenues.

City leadership will continue to guide efforts in responsible fiscal stewardship. This includes considering the long-term staffing and financial resources required to initiate new policies and programs while continuing to advance the City's current priorities and work plan. As always, the health and safety of the West Hollywood community remain top priorities.

The actions listed above, along with supporting businesses and workers with relief measures and aiding in their economic recovery, will assist the City in ensuring continued financial stability. The City's strategy to balance the budget moving forward recognizes that the full extent of the economic reach of the COVID-19 pandemic is still not known.

3. Expenditure Priorities

As it moves into a new budget year, the City will continue to focus on the priorities identified in the prior budget cycle: Public Safety; Public Health & Homelessness; Neighborhood Livability; and Capital Project Management. Staff continue to closely monitor the economic trends of the region and nation and will regularly evaluate the impacts of proposed programmatic changes to the City's core municipal service offerings.

- *Public Safety*

The City remains committed to the safety and health of the community, including residents, visitors, and employees. The City contracts with the Los Angeles Sheriff's Department for general patrol deputies, which are delivered based on minutes of services, and for Community Impact Teams (CIT), which are delivered as positions. CIT collaborates with City officials, residents, and businesses to resolve community concerns, including homeless outreach and other neighborhood livability and quality of life issues through a combination of intervention and enforcement. At the start of FY21, the West Hollywood Sheriff's Station staffing was reduced by 3 positions: a photo enforcement Deputy (program discontinued) and two reductions to the CIT, a Sergeant and a Deputy, resulting in an 11-member CIT program. The program is \$5 million annually.

The City's FY22 budget continues to include funding for regular patrols as well as the Sheriff's Community Impact Team Program. The budget also continues to include ongoing supplemental funding for the Sheriff's Department to provide additional foot and bike patrols across the City. These supplemental patrols can be rapidly deployed according to community need; in the past, they have provided additional presence on the Eastside in response to neighborhood demand.

Over the past five years, the City has supplemented its Public Safety response through the expansion of the Block By Block Security Ambassador program in the community and through contracted Security Guards at City parks and facilities. The City's security ambassador and security guard programs will be incorporated into the security plan for West Hollywood Park and the new Aquatics & Recreation Center. The City has reserved \$150,000 for additional investment in community safety pending direction from the City Council.

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The City is considering how to tackle special events in light of ongoing COVID-19 health and safety concerns along with budgetary constraints. Halloween Carnival is a \$2 million, one-night event and is not recommended in the FY22 budget. Sixty percent of Halloween-related costs are for Public Safety. The preliminary proposed budget includes up to \$2 million for Pride-related activities and events throughout the month of June 2022, including Public Safety and event production support.

- *Public Health & Homelessness*

The City is maintaining full funding for the provision of social services to constituents in FY22 and has reinstated a cost of living adjustment for social services agencies for the 2021-22 contract year. Expanded support for the community such as rental assistance, housing-related legal assistance, and grocery subsidies continues to be provided in response to the COVID-19 pandemic through use of emergency reserves.

Funding from the City of West Hollywood empowers local nonprofit organizations to provide street outreach services for homeless community members. Outreach staff work directly with people experiencing homelessness in West Hollywood to connect them to shelter, substance abuse treatment, health care, mental health services, and housing opportunities. The outreach teams also provide assistance in the form of food, hygiene kits, blankets, and other emergency supplies. Outreach services are provided in the City of West Hollywood seven days a week, including some early morning, late night, and weekend hours. The work of these agencies sometimes goes unseen by the broader community because services are delivered confidentially to highly vulnerable individuals, often in moments of great need.

Outreach services in the City are currently provided by nine organizations; many of these provide targeted services to people experiencing homelessness with unique needs, including those who are LGBT, those with mental health or substance abuse conditions, and those who are living with or at risk of HIV.

Outreach teams work directly on the streets and with local business owners, housed and unhoused community members, and community service providers such as the Los Angeles County Library, Sherriff's Department, and Fire Department to engage and assess individuals in need of service. These activities are often in coordination with other City-contracted agencies, as well as regional partners such as the Department of Mental Health, the Los Angeles Homeless Services Authority, and Cedars Sinai. Several homeless services agencies meet on a weekly basis to case conference and collaborate on outreach strategies. The City hosts quarterly Homeless Collaborative meetings that allow outreach staff to connect regularly and discuss resources. These collaborative efforts keep our service providers in close contact, helping to ensure that clients can be easily connected to the entire range of social services provided by the City of West Hollywood.

The City's homeless population is also served by the West Hollywood Sheriff's Mental Evaluation Team, or MET. MET specializes in serving individuals experiencing a mental health crisis with the goal of diverting their path from the criminal justice system into behavioral health services and housing. When not on crisis calls, the MET unit proactively engages with homeless community members to build rapport and provide ongoing assessment. The MET unit coordinates with the City, as well as City-contracted service

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provider, to connect people to services. Additionally, the MET unit has been vital in preventing homelessness among West Hollywood's older adult residents who are impacted by mental health symptoms or cognitive decline due to dementia.

The County added a second Mental Health team to the West Hollywood Sheriff's Station in FY20 to respond to calls across the larger service area, including calls for service in West Hollywood; however this team was eliminated in FY21 due to County budget constraints. The FY22 budget includes \$530,000 to add a second West Hollywood MET unit to the City's deployment to support at-risk and homeless community members.

- *Neighborhood Livability*

The City will complete an update to the Housing Element of the General Plan this year. The Housing Element is a key element of the General Plan and provides analysis of the community's housing needs for all income levels as well as strategies to respond to and provide for those housing needs. Additional projects scheduled for completion in FY22 include a survey of multi-family properties and an update to the Climate Action and Adaptation Plan. New projects include Vision Zero, a citywide pedestrian safety action plan; evaluation of minimum parking requirements across land uses, and development of a digital three dimensional model of the city to assist with long-term planning efforts across departments including supporting various aspects of the city's billboard program.

- *Capital Project Management*

In FY22, staff will complete construction on the West Hollywood Park and Aquatics & Recreation Center and will open these facilities to the public. The budget includes \$4.6 million in new operating and capital maintenance funding to support programs, services, and general operations at the new facility. Staff will also complete building assessments and community engagements for a number of key properties throughout the City in order to prioritize and position those projects for improvement plans in future years as funding becomes available.

In June 2020, the City's Public Financing Authority issued \$80 million of Lease Revenue Bonds to finance or reimburse the City for long term capital improvements or property acquisitions using long-term debt rather than cash reserves. FY22 is the first budget cycle in which the City will be including an annual debt payment of \$3.1 on this bond issuance.

The City continues to move forward with a capital improvement project to design and build fiber optic cable infrastructure along major corridors to improve network speed, capacity, and reliability for uses including emergency communication, traffic management, public Wi-Fi, and more. The project has been moving steadily through the design process. In FY22, the City will add \$600,000 to the project budget for construction of the Sunset phase of the Fiber Loop project.

In FY21, the City eliminated capital funding from the one-year General Fund budget as a cost-saving measure. In FY22, \$1.2 million has been added back to the General Fund budget for capital investment and maintenance in addition to funds allocated but not yet spent in prior years. Newly funded projects include vehicle purchase and replacement, roof maintenance and replacement, security system upgrades, installation of electric vehicle fast charging stations, and development of a green building plan to reach zero net energy or carbon neutrality in existing, new, and future City facilities.

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- *Key Initiatives*

One of the City's core values is respect and support for people, which we interpret broadly to include a commitment to social justice and racial equity. Galvanized by the Black Lives Matter movement and other national acts targeting BIPOC individuals and groups, the City has made explicit progress over the past year to affirm and uphold our commitments, including: the formation of a Social Justice Taskforce to advise on social and racial equity issues and provide policy recommendations to the City Council to address systemic racism for the City of West Hollywood; the formation of a staff-led Diversity, Equity, and Inclusion Subcommittee for internal-facing improvement and training; and joining the Government Alliance on Race and Equity to access institutional resources for these efforts. In FY22, the City will continue to cultivate diversity, advance equity, and promote inclusion within City Hall and throughout the West Hollywood community, including providing trainings for staff, City Council, Commissioners, and Advisory Board members.

Vision 2050 is the City of West Hollywood's planning process for its forthcoming strategic plan. The community engagement process was abruptly interrupted by pandemic-related restrictions in early 2020 and the development of the plan was put on hold. The city intends to recommence work on Vision 2050 this year.

4. Organizational Changes

The proposed FY22 budget includes adjustments within the organization that will continue to advance the City's commitment to providing effective and efficient public services, civic engagement, and transparency. In total, 9.5 new full-time equivalent employees (FTEs) are recommended for inclusion in the budget and one FTE position is recommended for elimination for a net increase of 8.5 FTE permanent positions. Of the new positions, three are new roles (classifications) in the City and required the development of new job classification specifications.

The reopening of West Hollywood Park and the new West Hollywood Aquatics and Recreation Facility will require significant new staffing resources. The City engaged with Citygate Associates to evaluate staffing and personnel requirements in preparation for the West Hollywood Park Aquatics & Recreation Center (WHPARC) opening in Fall 2021. The resultant WHPARC operating plan projects the need for up to 8.5 new permanent full-time equivalent employees to be recruited over the next two fiscal years at a cost of \$750,000 in FY22 and approximately \$1.3 million once fully hired. In FY22, the ARC budget includes \$1 million in temporary staffing for lifeguards, recreation leaders, and aquatic and park aides, growing to \$1.7 million once the facilities are operating at full capacity. Based on a comprehensive evaluation, the City concurs with Citygate Associate's recommendations on the following new job specifications within the Facilities & Recreation Services Department to meet the needs of the ARC's opening and to provide adequate staffing levels for facility operations.

The budget also includes a Public Safety Specialist position in the Public Safety Department to replace the unfilled Public Safety Analyst position which is proposed for elimination. Summaries of the new job classification specifications are provided below. Human Resources collaborated with all appropriate divisions to develop new job

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specifications for staffing and recruitment planning.

- *Public Safety Specialist, Public Safety Department*

The City continues to enhance public safety programming and community engagement as part of the work plan for the Public Safety Department. A new position is recommended to provide focused attention for multiple community based Public Safety priority areas. The position will provide coordination support for Public Safety programming/events, including, but not limited to, Neighborhood Watch Program, Dog-Walker Watch program, National Night Out Event and CERT program. In addition, the position will assist with community engagement and evaluation of programming/events as well as assist in monitoring City and grant-funded Public Safety programs. The position will serve as the departments liaison to ensure programming and event information is communicated through all the appropriate City communications channels.

The administrative duties of the Public Safety Department, as well as those related to the Public Safety Commission will be assigned to this position including meeting coordination and support for the programming and events of the Commission.

The Public Safety Specialist position is placed at Grade 5220n (\$78,505.08 to \$100,312.20) and will be represented by WEHOME/AFSCME.

- *Building Maintenance Engineer, Facilities & Field Services Division*

The building maintenance operations is a critical function of the WHPARC facility. The proposed Building Maintenance Engineer job specification is recommended to meet the maintenance, servicing and operational needs of City facilities and the new aquatic center. This position will perform technical functions related the general maintenance and repair of City facilities, recreational pool and building systems which include mechanical equipment and components related to pool and water operation systems, HVAC, Fire Life Safety systems, security and alarms, electrical and plumbing. The Building Maintenance Engineer will be responsible for routine inspections, scheduled maintenance services and ensuring compliance with regulatory standards for facilities, mechanical equipment and building systems.

The Building Maintenance Engineer position is placed at Grade 5270n (\$96,188.56 to \$122,910.74 annually) and will be represented by WEHOME/AFSCME.

- *Recreation Specialist, Recreation Services Division*

The Recreation Specialist job specification is recommended to provide lead customer service delivery to support the day-to-day operations of the WHPARC. The Recreation Specialist is responsible for the public counter/front desk operations of the WHPARC, including customer and guest relations. This position will process registrations, coordinate facility usage, rentals, and reservations. Additionally, this position will oversee facility operations in the absence of the Recreation Coordinator.

The Recreation Specialist position is placed at Grade 5210n (\$69,314.28 to \$88,567.08 annually) and will be represented by WEHOME/AFSCME.

- *Recreation Assistant, Recreation Services Division*

The Recreation Assistant job specification is recommended to ensure park spaces and

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facilities are safe and welcoming for the community and park patrons. This position will serve as park ambassador monitoring park grounds and facilities on foot and closely engaging with the public to provide information and customer service support to park patrons. The Recreation Assistant responds to requests for service, makes initial response to service complaints and seeks resolution to minor disputes among park visitors. This position serves as the first point of contact and will monitor assigned areas to address safety concerns and issues.

The Recreation Assistant position is recommended as a temporary part-time position and is placed at Grade 6150 (\$18.22 to \$23.27 hourly). This temporary position will not be represented by a bargaining union.

- *Aquatics Aide, Recreation Services Division*

The Aquatics Aide job specification is recommended to provide customer service tasks to support day-to-day operations of the WHPARC public counter. The Aquatics Aide position will provide aquatics-related information and assist customers at the public counter and over the phone regarding aquatics programs. This position will check in patrons entering the pool area, register the public for aquatics programs, and troubleshoot and assist the with registration problems. Additionally, this position provides general guidance about city services and will monitor the locker rooms and secured pool supply area.

The Aquatics Aide position is recommended as a temporary part-time position and is placed at Grade 6010 (\$15.00 to \$18.23 hourly). This temporary position will not be represented by a bargaining union.

5. Business Support

In January 2021, City Council requested a review of City taxes and fees charged to local businesses and directed staff to propose reductions that would assist businesses faced by the ongoing pandemic-related economic challenges. At the City Council meeting on February 16, 2021, City Council adopted an urgency ordinance reducing certain annual business tax and business tax certificate fees by 50% for fiscal year 2020-21 billing cycle as applied to calendar year 2020 business tax payments. In an on-going effort to support businesses during the economic recovery period, staff recommends the extension of payment deadlines for City fees through the end of the calendar year 2021, and the waiver of any late fees and/or penalties through the same period.

Division	Business Fee	Current Due Date	Proposed Due Date
Revenue	Business License Tax	5/1/2021	12/31/2021
Parking	Parking Credits	6/15/2021	12/31/2021
Code Compliance	Encroachment Permits (outdoor dining, valet meter, and valet sign)	Varies throughout the calendar year	12/31/2021
Code Compliance	Regulatory Business License	Varies throughout the calendar year	12/31/2021

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At the City Council Meeting on April 20, 2020, City Council authorized the City Manager to execute an agreement with the West Hollywood Travel and Tourism Board to provide an advance from the Tourism Improvement District Agency Fund in the amount of up to \$100,000 per month for three months for critical operational funding due to the economic impacts of the COVID-19. Upon execution of the agreement, the terms of the advance included a 12-month repayment plan, starting 12-months after the first advance. Since occupancy rates in the City are still substantially lower compared to pre-pandemic baseline values, staff recommends extending the repayment plan to 36-months.

6. Subcommittee Comments

On April 26, 2021, the City hosted a public meeting of the City Council Finance and Budget Subcommittee by teleconference to present an update on the FY21 budget, the budget process, and the City's FY22 Preliminary Operating Budget and Capital Work Plan. The meeting included public comment, presentation of the key issues in the staff report, and Subcommittee discussion. Subcommittee members provided the following comments:

- *Recreation fees.* Subcommittee members expressed interest in updating the recreation fee structure before the Aquatics & Recreation Center opens. Staff are in the process of developing updated recreation fees and will be bringing an item to City Council as part of a larger policies and procedures update for the WHPARC.
- *Emergency programs for constituents and continued funding.* Subcommittee members expressed support for continuing pandemic-related emergency services including nutrition and rental assistance. The City is continuing to provide these services for the duration of the pandemic. The Human Services & Rent Stabilization Department has included a separate staff report on the agenda for this Council Meeting to provide a detailed update on the City's emergency programs, funding, and utilization.
- *Social services outreach services and coverage, funding, and housing services.* Subcommittee members expressed concern about the coverage provided at night and on weekends and expressed support for funding to address homelessness and provide housing services. Staff are working with the Homeless Subcommittee to develop an expanded response to provide services for community members who are unhoused or at risk of losing their housing. They intend to bring an item to Council in late summer/early fall.
- *Social services funding.* Subcommittee members inquired about the proportion of the City's budget allocated for social services. The City has allocated 11% of the total FY22 operating budget for the provision of services through the Human Services and Rent Stabilization Department. The Department's mission is to provide services and programs supporting a healthy and resilient community and a high quality of residential life; departmental activities are carried out by the Strategic Initiatives, Social Services, and Rent Stabilization & Housing Divisions. HSRS Department operations as a percent of the City's total operating budget, across all funds: $\$15,544,717 \div \$139,575,079 = 11\%$.

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- *Community safety funding.* Subcommittee members provided comments expressing support for additional funding to address homelessness, residential safety, and business safety.
- *City events & staffing.* Subcommittee members provided comments including support to postpone large events until the City's financial position improves and interest in dedicating more staffing resources for community events. Comments also included taking a closer look at the list of annual events to determine if some events should be removed. This staff report includes an attachment (Attachment I) listing the City's annual event calendar and budget for annual, recurring city-produced events and city-permitted events (e.g., the Los Angeles Marathon). This year, the attachment also includes a three-year history of the budget, attendance, and budgeted cost per attendee for each event.
- *Capital maintenance for city-owned properties.* Subcommittee members provided comments regarding the City's capital investments and development schedule. The City continues to maintain capital facilities and has organized a property development team to strategically organize and advance the capital program.

7. Looking Ahead

Staff anticipates the next year will continue to be a challenging fiscal environment. We are moving forward with an expanded continuation budget for FY22 similar in scope to FY21 with the addition of an expansive new public facility and redesigned West Hollywood Park. Given the positive public health outlook and vaccination uptake rate, substantial increases in revenues are projected. At the same time, the City's operational program for FY22 requires balancing ongoing program and service maintenance with capital program deferrals and extended capital phasing to minimize community impacts and drawdowns of General Fund Reserves.

Over the longer term, the City is focused on developing a structurally balanced budget emphasizing:

- Community safety and public health
- Service to the community, focusing on the delivery of core social services
- Responsible capital infrastructure maintenance and sustainable capital enhancements

Long-term budgetary reductions or restructuring, if needed and based on the depth of the economic slowdown and length of the recovery, include:

- Organizational consolidations that promote staffing and program efficiencies
- Suspension or deferral of capital projects
- Reconfiguration of special events

The City will continue its expansive approach to civic leadership and governmental transparency in response to clear demands from its constituency for accurate, timely, and relevant communication regarding the provision of City services, availability of City

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facilities, issuance and interpretation of emergency orders, and other responses to the COVID-19 pandemic and recovery efforts.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing Strategic Program(s) (OSP) of:

- PSG-3: Fiscal Sustainability.

This item is also compliant with the following goal(s) of the West Hollywood General Plan:

- G-2: Maintain transparency and integrity in West Hollywood's decision-making process.

EVALUATION PROCESSES:

The City Manager's Department monitors the external economic environment to seek fiscal savings and determine impacts of the business climate and relevant state and federal legislation. The Finance and Technology Services Department monitors the City's revenues and expenditures and brings forth budget adjustment recommendations as necessary to ensure budget projections are being met. Staff provides regular, periodic reporting to other Departments and the City Council.

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

Budget documents been provided electronically to protect public health and improve environmental sustainability. Due to the work-from-home orders in place this year, the budget was developed and produced entirely electronically; no paper documents were provided or exchanged. The City's preliminary digital budget book is available online (www.weho.org/budget); it will be updated with final information and published to the same web location as well as shared with members of the City's management team. The digital budget book is available online for public review (www.weho.org/budget); full copies and/or individual sections can be downloaded and printed at will.

COMMUNITY ENGAGEMENT:

On April 26, 2021, at 5 pm, the City hosted a public meeting of the City Council Finance and Budget Subcommittee by teleconference to present an update on the FY21 budget, the budget process, and the City's FY 2021-22 Preliminary Operating Budget and Capital Work Plan. The meeting included public comment, presentation of the key issues in the staff report, and Subcommittee discussion. The meeting was livestreamed to the web and a video recording is available on the City's YouTube channel at www.youtube.com/wehotv.

On June 7, 2021, staff distributed the 2021-22 Preliminary Operating Budget and Capital Work Plan, including work plans and accomplishments, to the City Council and the public by electronic copy. The interactive preliminary budget book is available on the City's website at www.weho.org/budget.

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Detailed budget data can be viewed and downloaded on the City's Open Budget and Open Data portals. Open Budget allows interested individuals to drill down into the proposed budget using various charts and graphs, while Open Data provides current and historic budget line-item account level detail in an easy to use and export format. Users can view the information in various formats, including charts, graphs, and maps, depending on the type of data. The websites may be accessed at: budget.weho.org and data.weho.org.

OFFICE OF PRIMARY RESPONSIBILITY:

CITY MANAGER'S DEPARTMENT / CITY MANAGER'S OFFICE

FISCAL IMPACT:

All Funds: The budget presents a spending plan across all funds that anticipates total revenues of \$138 million, interfund transfers of \$16.5 million, and total operating expenses of \$142 million. The budgeted amount for capital improvement projects is \$10 million for all funds. There is a net anticipated drawdown of \$14 million from reserves across all City funds.

General Fund: In the General Fund, expenditures are projected to exceed revenues by \$10 million. The budget anticipates revenues of \$104 million, operating expenditures of \$102 million, capital expenditures of \$1.2 million, and transfers out to other funds of \$11 million. Planned drawdowns are projected at \$2 million from reserves for Proposition A purchases.

ATTACHMENTS:

- A: A Resolution of the City Council of the City of West Hollywood Adopting the Budget for Fiscal Year 2021-22, including the 2021-22 Statement of Changes to Fund Balance
- B: Public Safety Specialist Job Classification Specification
- C: Building Maintenance Engineer Job Classification Specification
- D: Recreation Specialist Job Classification Specification
- E: Recreation Assistant Job Classification Specification
- F: Aquatics Aide Job Classification Specification
- G: Fiscal Year 2021-22 Salary Schedule
- H: List of Pre-Approved Organizations and Events for Councilmember Travel
- I: List of Budgeted Special Events
- J: Implementation Report for the Eastside Community Priorities Plan
- K: City Manager Recommended Budget

ATTACHMENT B

RESOLUTION NO. 21-5421

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST HOLLYWOOD ADOPTING THE BUDGET FOR FISCAL YEAR 2021-22.

THE CITY COUNCIL OF THE CITY OF WEST HOLLYWOOD DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, the City of West Hollywood is required to appropriate and expend funds to conduct its business activities on a daily basis; and

WHEREAS, Section 37208 of the California Government Code provides that expenditures conforming to a budget approved by ordinance or resolution need not be audited by City Council;

NOW, THEREFORE, the City Council of the City of West Hollywood does resolve as follows:

SECTION 1. That the budget for the City of West Hollywood for fiscal year 2021-22, is hereby adopted as set forth in the statement of Changes to Fund Balance (Exhibit 1), which details available operating resources of \$138,066,780, inter-fund transfers of \$16,510,789, operating appropriations of \$138,893,505, and capital projects of \$10,022,528.

SECTION 2. That the 2021-22 Appropriation Limit applicable to the City, pursuant to Article XIII B of the California State Constitution, shall be \$202,498,852, where actual appropriations subject to the limit equal \$83,305,329. The Appropriation Limit consists of the prior year's limit adjusted by a population factor and an inflationary factor. For the population factor, the City has the option of selecting either the City's or the County's percentage change in population as provided by the State's Department of Finance. For the inflationary factor the City has the option of selecting either the change in per capita personal income provided by the State or the net change in nonresidential new construction provided by the County. The City has selected the factors resulting in the highest increase in the appropriation limit. For fiscal year 2021-22, the City will use the City of West Hollywood percentage change in population of -0.60% as provided by the State and the City of West Hollywood's net change in nonresidential new construction of 19.1% as provided by the Los Angeles County Office of the Assessor for the Gann Limit calculation.

SECTION 3. That staff is directed to prepare and publish a final budget document incorporating those changes approved by Council.

ATTACHMENT B

SECTION 4. That the Director of Finance and Technology Services is authorized to make budget adjustments to accounts within the same fund, as described and allowed within the City's Financial Policies; and the Director of Finance and Technology Services may make budget adjustments to any fixed cost allocation accounts, including transfers between funds and departments. This establishes the fund as the legal level of control.

SECTION 5. That the Director of Finance and Technology Services may carry forward prior year unexpended capital improvement budgets for those projects that are funded but not completed, and may transfer projects from one department to another as described and allowed within the City's Financial Policies, and may carry forward prior year unexpended budgets for one-time projects, new initiatives, or programs in the Innovation and Technology Fund. Transfers in and out of Capital and Debt Service Funds will be completed and adjusted annually by the Director of Finance and Technology Services based on expended amounts drawn from bond proceeds for projects previously approved.

SECTION 6. That the Director of Finance and Technology Services may make any budget adjustments to grant-funded programs and enterprise funds, provided those adjustments are within the approved budgets of the funding agency and are within the scope of the funded program. Any reductions to fund balances or programmatic changes will require Council approval.

SECTION 7. That the City Manager may authorize the Director of Finance and Technology Services to draw down on the Designated Reserves Assigned for Insurance as needed for insurance or litigation expenditures.

SECTION 8. That any transfers to other funds approved in this resolution will be made only to the extent necessary to prevent the recipient fund from having a deficit fund balance, but not to exceed the amount authorized herein by Council.

SECTION 9. That the Director of Finance and Technology Services may increase revenue and expenditure budgets in accounts where the increase in expenditure is directly related to the increase in revenue (e.g., building & safety plan check costs and building & safety permit revenue, grant revenues and expenditures); and for deposits and payments that are booked as revenue and expenditures, which may have been transferred from liability accounts.

SECTION 10. That the Director of Finance and Technology Services may carry over to the next fiscal year any unexpended funds from City contracts with social service agencies, to be reprogrammed into the next year's contracts by the Social Services Division. Such reprogrammed funds will not be limited to the agency returning unspent money, but may be awarded by Council to any agency contracting with the City or used to cover other social services expenditures.

ATTACHMENT B

SECTION 11. That the Director of Finance and Technology Services, or their designee, may negotiate the exchange of up to \$2,000,000 in General Fund Reserves for Proposition A Funds. Any agreement to execute the negotiated exchange, up to the approved amount, shall be approved by the City Council on the Consent Calendar.

SECTION 12. That the Director of Finance and Technology Services may draw down General Fund Reserves of up to \$1,000,000 to transfer to the Affordable Housing Trust Fund if total revenues received in the Fund do not reach \$1 million dollars in any fiscal year, and may complete a budget adjustment to increase revenue and expenditure budgets accordingly.

SECTION 13. That the City Council, by affirmative action of a majority of the Council, may authorize all supplemental appropriations not described herein by minute action.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of West Hollywood at a regular meeting held this 21st day of June, 2021 by the following vote:

AYES:	Councilmember:	Erickson, Shyne, Mayor Pro Tempore Meister, and Mayor Horvath.
NOES:	Councilmember:	None.
ABSENT:	Councilmember:	D'Amico.
ABSTAIN:	Councilmember:	None.

LINDSEY P. HORVATH, MAYOR

ATTEST:

MELISSA CROWDER, CITY CLERK

Exhibit 1

Changes to Fund Balance

COPY

ATTACHMENT B

FY 2021-22 Budgeted Changes to Fund Balance

FUND	PROJECTED OPENING FUND BALANCE	PROJECTED REVENUES FY 21-22	TRANSFERS IN FY 21-22	TRANSFERS OUT FY 21-22	OPERATING EXPENDITURES FY 21-22	CAPITAL PROJECTS FY 21-22	CHANGE TO FUND BALANCE FY 21-22	ESTIMATED ENDING RESOURCES
SOURCES AND USES OF FUNDS								
100 General	\$110,897,455	\$104,038,109	\$0	(\$10,661,811)	(\$99,057,236)	(\$1,180,800)	(\$6,861,738)	\$104,035,717
202 Miscellaneous Grants	844,674	4,087,968	-	-	(476,488)	(3,611,480)	-	844,674
203 Proposition A	841,141	3,913,432	-	-	(3,689,792)	(100,000)	123,640	964,781
204 Proposition C	1,648,976	611,550	-	-	(572,147)	-	39,403	1,688,379
205 Measure R	728,975	459,950	-	-	(495,448)	(200,000)	(235,498)	493,477
206 Gas Tax	(786,564)	775,565	-	-	(1,172,963)	-	(397,398)	(1,183,962)
207 Air Quality Improvement	235,696	50,470	-	-	(40,000)	(60,000)	(49,530)	186,166
208 Traffic Mitigation	583,114	56,650	-	-	(173,498)	(300,000)	(416,848)	166,266
209 Public Art & Beautification	1,688,203	66,200	-	-	(123,500)	(110,000)	(167,300)	1,520,903
210 Park Development (Quimby Act)	2,347,294	66,200	-	-	-	(246,600)	(180,400)	2,166,894
211 Lighting District	2,772,462	1,530,800	-	-	(800,000)	-	730,800	3,503,262
212 Public Access Corporation	24,710	144,895	-	-	(139,504)	-	5,391	30,101
213 Parking Improvement	(1,784,187)	2,740,740	-	(1,252,946)	(3,146,051)	-	(1,658,257)	(3,442,444)
214 Permit Parking	166,312	821,531	-	-	(1,145,239)	-	(323,708)	(157,396)
215 Community Development Block Grant	2,848	\$225,530	-	-	(42,730)	(185,648)	(2,848)	-
216 Housing Trust	23,111,092	1,142,600	-	-	(854,690)	-	287,910	23,399,002
217 Sunset Strip BID	9,110	250,339	575,441	-	(825,780)	-	-	9,110
219 Housing Asset	138,463	-	-	-	-	-	-	138,463
220 Measure M	489,446	518,465	-	-	(515,000)	-	3,465	492,911
221 Road Repair & Accountability SB1	596,526	556,000	-	-	(356,328)	(550,000)	(350,328)	246,199
222 Measure W Safe Clean Water	258,740	260,000	-	-	-	-	260,000	518,740
301 Debt Funded Capital Projects	2,801,538	1,980,000	600,000	-	-	(2,580,000)	-	2,801,538
303 Santa Monica Blvd Project	4,527,888	41,200	-	-	-	(250,000)	(208,800)	4,319,088
304 Successor Agency of RDA-Capital	-	-	65,000	-	(65,000)	-	-	-
305 Successor to RDA Low & Mod Housing	-	-	871,863	-	(871,863)	-	-	-
401 Debt Administration & Bonds	77,631,976	977,306	11,339,316	(600,000)	(11,339,316)	-	377,306	78,009,281
403 Retirement Obligation Payment Fund	-	3,996,032	-	(3,996,032)	-	-	-	-
404 Successor to RDA Debt Service	-	-	3,059,169	-	(3,059,169)	-	-	-
602 Sewer Charge/Assessment	6,195,034	1,485,200	-	-	(730,435)	(585,000)	169,765	6,364,799
603 Solid Waste	603,815	1,575,448	-	-	(1,568,131)	-	7,317	611,132
604 Landscape District	282,649	205,500	-	-	(205,500)	-	-	282,649
605 Street Maintenance	84,466	303,100	-	-	(304,697)	-	(1,597)	82,869
702 Innovation & Technology Fund	360,965	600,000	-	-	(537,000)	(63,000)	-	360,965
801 West Hollywood Design District	-	98,000	-	-	(98,000)	-	-	-
803 Hotel Marketing Benefit Zone	-	4,248,000	-	-	(4,248,000)	-	-	-
805 Legacy Medical Business Marketing	-	240,000	-	-	(240,000)	-	-	-
SUBTOTAL, ALL FUNDS	\$236,934,294	\$138,066,780	\$16,510,789	(\$16,510,789)	(138,893,505)	(\$10,022,528)	(\$8,849,253)	\$228,085,041
Planned Reserve Savings/Drawdowns								
100 Proposition A Reserve	-	-	-	-	(2,000,000)	-	(2,000,000)	(2,000,000)
SUBTOTAL, SAVINGS/DRAWDOWNS	-	-	-	-	(2,000,000)	-	(2,000,000)	(2,000,000)
GRAND TOTAL, ALL FUNDS	\$236,934,294	\$138,066,780	\$16,510,789	(\$16,510,789)	(138,893,505)	(\$10,022,528)	(\$10,849,253)	\$226,085,041

adjusted and adopted 06/21/2021 per City Council direction

* The FY 2021-22 Projected Opening Fund Balance includes projected drawdowns of \$21 million from FY 2020-21 General Fund reserves.

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CITY COUNCIL
UNFINISHED BUSINESS

NOVEMBER 1, 2021

SUBJECT: **BUDGET UPDATE – FIRST QUARTER FY2021-22**

INITIATED BY: **CITY MANAGER'S DEPARTMENT**
(David A. Wilson, City Manager)
(Christine Safriet, Budget Officer)

STATEMENT ON THE SUBJECT:

The City Council will receive an update on revenue and expenditures for Fiscal Year 2020-21 and for the first quarter of Fiscal Year 2021-22.

RECOMMENDATION:

Receive and file.

BACKGROUND / ANALYSIS:

The City of West Hollywood continues to be impacted by the COVID-19 crisis. As we have done during times of crisis in the past, the City increased its monitoring of the local and national economy and has adjusted revenue and expenditure projections accordingly.

The City came out of the fiscal year ending June 30, 2021 (FY21) in better shape than expected. General Fund reserves were used to cover the FY21 expenditure deficit of \$8.8 million. General Fund revenues exceeded budget projections by \$11 million (15%). General Fund expenditures exceeded budget projection by \$1.3 million (1%) while including nearly \$1 million in emergency expenditures. Compared to prior year (FY20) totals, FY21 revenues were down by 18% while expenditures were down by 11%.

The City's current fiscal year budget (FY22) is more expansive than FY21 and returns to revenues and expenditures more in line with FY20 actual values. The City has projected General Fund revenues totaling \$104 million and expenditures totaling \$111 million; in comparison, the City's pre-pandemic expenditure budget approved in February 2020 totaled \$115 million.

First quarter FY22 General Fund revenues were 22% of budget. Of note, first quarter transient occupancy tax revenues were four times higher than the same period last year. This reflects an improvement in the regional travel market compared to summer and fall of 2020; however, visitation is still being impacted by the late summer COVID-19 Delta variant surge and continued worldwide travel restrictions. First quarter TOT receipts are aligned with expectations. First quarter sales tax revenues were on track for FY22 projections and the City is expecting property tax receipts to align with budget expectations.

General Fund expenditures in the first quarter were \$2.6 million higher compared to last year. After adjusting for bond payments and transfers that are made in one lump sum at the beginning of the fiscal year, Q1 expenditures reached 24% of the FY22 budget.

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Based on current information, staff anticipate the City will meet FY22 budget expectations. Revenues are expected to come in at a modest pace during the second quarter. Current revenue sources are not expected to recover to pre-pandemic levels for several years.

The City will continue to draw down from emergency reserves to fund emergency services and backfill for revenue loss during the pandemic. We have budgeted a drawdown of \$6.9 million from unallocated reserves to balance the FY22 expenditure deficit.

At the same time, the City is evaluating expansive changes to community safety and crisis response services, planning an aggressive five-year capital infrastructure program, and implementing a significant operating expansion with the phased opening of the new West Hollywood Park Aquatics and Recreation Center. The City will continue to maintain a long-term outlook of the City's financial health to ensure the provision of high-quality services as new programs and projects are considered for the work plan.

- **Organization of the remainder of this report**

The following detailed discussion is organized into the following sections:

1. FY 2020-21 Full-Year Preliminary Revenues & Expenditures
2. FY 2021-22 First Quarter Revenues & Expenditures
3. FY22 Look Ahead

Financial analysis is provided for the General Fund only and values presented for FY21 have not yet been audited. The General Fund is the general operating fund for the City and includes a majority of the City's revenues and operating program expenditures.

1. Fiscal Year 2020-21

The following discussion summarizes the City's financial performance for the twelve months ending June 30, 2021 (FY21) in the City's General Fund. FY21 revenues and expenditures are preliminary actuals and are subject to change based on the city audit.

Table 1	Actual	Actual	Actual	Actual	Actual	Budget	Budget
General Fund	FY17	FY18	FY19	FY20	FY21	Original FY21 Budget (07/01/20)	Midyear FY21 Update (02/16/21)
Revenues	\$102,287,980	\$101,265,304	\$113,153,362	\$108,903,570	\$89,667,580	\$90,076,109	\$78,206,101
Expenditures	\$96,738,184	\$95,556,554	\$105,791,316	\$110,245,950	\$98,486,891	\$94,909,390	\$97,151,475
Surplus/(Deficit)	\$5,549,795	\$5,708,750	\$7,362,046	(\$1,342,380)	(\$8,819,311)	(\$4,833,281)	(\$18,945,374)
One-Time Drawdowns	\$0	\$0	\$0	(\$5,000,000)	\$0	\$0	\$0

As presented to the City Council on February 16, 2021, during the FY21 Midyear Budget Update, staff's updated FY21 budget projection for revenues was \$78.2 million and for expenditures was \$97.2 million, with a projected expenditure deficit of \$18.9 million from unallocated reserves.

For the year ending June 30, 2021, General Fund actual operating revenues totaled \$89.7 million, exceeding the midyear budget projections by \$11.5 million. Actual General Fund operating expenditures were \$98.5 million, which included \$1.9 million in emergency

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funds, and exceeded the midyear budget projections by \$1.3 million. General Fund expenditures in excess of revenues totaled \$8.8 million in FY21, which was an improvement of \$10.1 million compared to revised budget projections. Stronger than expected revenues in the second half of the fiscal year, particularly in the areas of the transient occupancy tax, property tax, and sales tax, resulted in a lower year-end deficit.

- **FY21 Operating Revenues**

General Fund operating revenues for all program areas totaled \$89.7 million in FY21, a decrease of \$19.2 million from FY20 revenues of \$108.9 million. FY21 revenues were 115% of the approved midyear budget.

Table 2	Actual	Actual	Actual	Actual	Actual	Budget	Budget
General Fund Revenues	FY17	FY18	FY19	FY20	FY21	Original FY21 Budget (07/01/20)	Midyear FY21 Update (02/16/21)
Transient Occupancy Tax	\$22,636,844	\$24,775,813	\$25,989,558	\$20,740,065	\$9,675,868	\$15,638,168	\$6,650,000
Property Tax	17,290,520	18,521,887	20,212,711	21,619,622	24,818,423	20,887,160	20,887,160
Sales Tax	16,242,475	16,944,964	18,211,472	15,645,332	19,025,432	14,911,332	14,911,332
Parking Fines	8,154,689	6,091,383	7,279,819	5,890,776	4,703,368	5,459,860	5,459,860
Parking Meters	5,986,433	6,178,474	7,749,120	6,008,622	4,707,928	5,811,840	4,430,000
City Permits	9,515,384	10,975,685	9,921,980	9,641,959	7,720,767	7,639,294	7,639,294
All Other Revenue	22,461,634	17,777,097	23,788,702	29,304,239	19,015,793	19,728,455	18,228,455
Total Revenues	\$102,287,980	\$101,265,304	\$113,153,362	\$108,850,616	\$89,667,580	\$90,076,109	\$78,206,101

Transient Occupancy Tax: In February 2021, the midyear budget projection for TOT revenue was reduced in anticipation of ongoing revenue losses and deferrals in response to COVID-19 to \$6.65 million from the \$15.6 million approved during the original budget process. TOT revenues of \$9.7 million were 146% of the updated projection. Receipts were down by 53% compared to the prior year, reflecting the extended duration of the safer-at-home orders implemented across the country, and travel restrictions implemented worldwide. TOT collections in FY21 were lower than any of the previous four fiscal years (FY17-FY20).

Property Tax: The approved budget projection for property taxes at the midyear budget update was \$20.9 million and was not changed in response to COVID-19. Actual property tax revenues of \$24.8 million were 119% of projections, reflecting an increase of \$3.9 million over the prior year. Growth was related to increases in the pass-through and residual tax revenue received from the Redevelopment Property Tax Trust Fund (\$1.6 million in excess of budget) combined with a 9% increase in regular property tax revenues.

Sales Tax: The approved budget projection for sales taxes at the midyear budget update was \$14.9 million and was not changed in response to COVID-19. FY21 sales tax revenues of \$19.0 million comprise \$16.1 million in regular sales tax receipts and \$2.9 million in new Measure E local sales tax. The year-over-year growth rate for the regular sales and use tax (not including Measure E funds) was 3%, reflecting a modest increase in spending over the prior year. Revenues from regular sales tax were \$2.1 million lower

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than sales tax values in FY19 and reflect a 12% decline in overall taxable spending during the pandemic compared to pre-pandemic years.

Parking Fines & Parking Meters: In February 2021, the midyear budget projection for parking meter revenue was reduced by \$1.4 million to \$4.4 million, in anticipation of ongoing revenue losses and deferrals in response to COVID-19. The approved budget projection for Parking Fines was not changed. FY21 revenues of \$4.7 million (parking fines) and \$4.7 million (parking meters) reached 86% and 106% of the midyear budget projection. Parking fine revenues were 20% lower than FY20 and parking meter revenues were 22% lower. Parking fine and parking meter revenues in FY21 were lower than any of the previous four fiscal years. The reduction in revenues is reflective of a significant pandemic-related decline in visitor volume to the City in conjunction with suspended enforcement of various parking regulations citywide.

City Permits: Includes building and safety, planning, transportation, code compliance, film, and public safety permits. The approved budget projection for city permits at the midyear budget update was \$7.6 million and was not changed in response to COVID-19. FY21 city permit revenues of \$7.7 million were 101% budget projections and 20% lower than the prior fiscal year.

All other revenue: Includes business taxes (\$3.9 million), franchise taxes (\$1.9 million), MVIL fees (\$6.6 million), charges for services (\$2.4 million), use of money and property (\$2.3 million), and miscellaneous one-time or unpredictable revenues such as FEMA assistance during the pandemic. In February 2021, the midyear budget update included a 50% reduction (\$1.5 million) in Business Taxes to provide relief to most businesses located in the City. In total, all other General Fund revenues reached \$19.0 million in FY21 and were 104% of the midyear budget. Other revenues fell by 35%, down \$10.3 million compared to the prior year.

- **FY21 Expenditures**

General Fund expenditures for all program areas totaled \$98.5 million in FY21, a reduction of \$11.8 million compared to FY20 expenditures of \$110.2 million. FY21 expenditures were 101% of the approved midyear budget.

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Table 3	Actual	Actual	Actual	Actual	Actual	Budget	Budget
General Fund Expenditures	FY17	FY18	FY19	FY20	FY21	Original FY21 Budget (07/01/20)	Midyear FY21 Update (02/16/21)
Wages & Benefits	\$32,659,229	\$33,829,505	\$36,905,355	\$39,659,364	\$39,801,948	\$37,523,443	\$37,523,443
Other Operating Costs	6,750,510	7,589,985	7,446,346	7,350,587	6,781,232	7,772,813	7,772,813
Social Services Contracts	4,602,535	4,817,063	4,760,564	5,545,635	5,389,222	5,962,502	5,962,502
Public Safety Contracts	19,270,147	20,104,611	22,481,550	22,107,245	21,382,447	21,469,303	21,469,303
Other Contract Services	17,732,645	18,486,971	21,776,243	21,938,847	15,540,818	15,824,874	15,824,874
Emergency Funds	0	0	0	873,305	1,876,860	0	2,242,085
Capital Projects	4,008,495	2,148,600	3,433,302	3,218,102	1,345,436	0	0
Other Financing Uses & Transfers	\$11,714,623	\$8,579,818	\$8,987,955	\$9,552,863	\$6,368,927	\$6,356,455	\$6,356,455
Total Expenditures	\$96,738,184	\$95,556,554	\$105,791,316	\$110,245,950	\$98,486,891	\$94,909,390	\$97,151,475

Wages and Benefits: General Fund expenditures for wages and benefits reached \$39.8 million, or 106% of budget, and were 0.4% higher than FY20. Compared to other years, which averaged between 4 and 9 percent annual growth, the City instituted a hiring freeze for most vacation positions and a voluntary furlough for all staff. The savings from these actions were partially offset by employee use of accrued leaves, retirement cash outs, and higher healthcare costs.

Other Operating Costs: Other General Fund operating costs, including the costs of maintaining and operating City Hall and other city facilities, reached \$6.8 million, or 87% of budgeted expenditures in FY21. Other operating costs were 8% lower than FY20.

Social Services Contracts: Spending on social services contracts includes only those contracts managed by the Social Services division and initiated through the City's three-year grant cycle. FY21 expenditures reached \$5.4 million, or 90% of the approved \$5.9 million budget. Spending was 3% lower than in FY20, reflective of the challenges faced by some agencies in reaching target populations during the pandemic.

Public Safety Contracts: General Fund spending for Public Safety totaled \$21.4 million in FY21, approximately 100% of the approved \$21.5 million budget, and were 3% lower than prior year expenditures. Costs include an annual cost of living adjustment for the Sheriff's contract combined with a reduction in total Sheriff positions. The budget was also reduced to account for fewer unarmed bike and foot patrols by Security Ambassadors while West Hollywood Park was closed for construction, and for pandemic related cancellations of major events (Halloween in October 2020 and Pride in June 2021).

Other Contract Services: Other contract services in the General Fund include the remainder of services provided by contracted vendors to the City, including administrative, urban livability, human services and homelessness prevention, parks and recreation, legal services, streets and transportation, and housing and redevelopment services. General Fund spending for these contracts totaled \$15.5 million in FY21 and were 29% lower than in FY20. The City planned this substantial reduction in contract services as part of pandemic-related efforts to reduce total expenditures.

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Emergency Funds: The City Council began approving the expenditure of emergency funding for COVID-19 related services in March 2020. Emergency expenditures specific to Council appropriations in FY20 were \$873,000 and in FY21 were \$1.9 million for a total of \$2.8 million; these were paid using emergency reserves in the General Fund. Services included rental assistance, meal and grocery delivery, legal assistance, business assistance, and technology to enable business continuity during the full operation of a digital City Hall. Additional expenditures for various pandemic-related operational changes, not included in these emergency funds, included enhanced sanitation of public facilities, digital engagement projects, and other costs supporting the provision of direct constituent services. Most, if not all, of the emergency expenditures will be returned to General Fund reserves from state or federal emergency management agency funds or American Rescue Plan Act (ARPA) funds.

Capital Projects: Capital Projects expenditures in the General Fund include citywide routine capital maintenance, such as improvements to streets, infrastructure, and public facilities. Typically, the City budgets 2.5% to 3% of total expenditures for capital maintenance. In FY21, all non-essential capital projects were deferred to future years. The City spent \$1.3 million for capital projects and maintenance using funds budgeted in and carried forward from prior years.

Other Financing Uses: Financing and transfers from the General Fund include expenditures for fees and payments on various debt financing instruments as well as transfers to the debt service funds to cover principal and interest payments on City-issued bonds. General fund expenditures of \$6.4 million were 100% of budget. Expenditures included completion of scheduled payments into debt service funds for annual bond payments.

2. Fiscal Year 2021-22 First Quarter Revenues & Expenditures

The following discussion includes revenues and expenditures in the City's General Fund from July through September 2021. This period is referred to as the first quarter (Q1) of the City's current 2021-22 fiscal year (FY22). First-quarter values are based on recorded revenues and expenditures for the period combined with reasonable estimates and projections.

- **FY22-Q1 Revenues**

General Fund operating revenues for all program areas totaled \$22.6 million in the first quarter of FY22, reaching 22% of the approved \$104.0 million budget.

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Table 4	Actual	Actual	Actual	Actual	Actual	Estimate	Budget
General Fund Revenues	FY17-Q1	FY18-Q1	FY19-Q1	FY20-Q1	FY21-Q1	FY22-Q1	Approved FY22 Budget (07/01/21)
Transient Occupancy Tax	\$6,327,594	\$6,390,075	\$6,912,375	\$7,220,470	\$1,645,877	\$6,751,185	\$17,730,000
Property Tax	439,685	584,879	535,007	634,435	559,927	535,618	\$22,115,200
Sales Tax	4,013,358	4,198,268	4,932,228	4,547,058	3,910,987	6,737,017	\$25,000,000
Parking Fines	2,099,073	2,328,005	1,924,737	2,064,391	1,061,501	1,489,318	\$5,459,860
Parking Meters	1,609,667	1,598,214	2,047,975	2,164,085	1,139,865	2,029,931	\$6,250,000
City Permits	3,267,426	2,224,954	2,456,414	2,850,770	2,305,214	2,129,335	\$7,638,994
All Other Revenue	3,519,373	4,693,635	5,215,560	6,350,960	2,231,404	2,891,875	\$19,844,055
Total Revenues	\$21,276,176	\$22,018,030	\$24,024,296	\$25,832,170	\$12,854,776	\$22,564,279	\$104,038,109

Transient Occupancy Tax: Estimated first-quarter revenues of \$6.8 million reached 38% of the approved \$17.7 million budget and were four times higher than first quarter receipts in FY21. This reflects an improvement in the regional travel market compared to summer and fall of 2020; however, visitation is still being impacted by the late summer COVID-19 surge and continued worldwide travel restrictions. First-quarter TOT receipts are aligned with expectations. Occupancies at the City's hotels reached into the low 70% range in July and dropped into the high 50% range by the end of September. Room supply held steady over the period with 20 active properties. Average daily room rates were steady, averaging about \$340 per night during the period. Occupancies were substantially lower compared to the average pre-pandemic baseline values of 80% from the first quarter of 2019, when there were also more hotel rooms available in the local market.

Property Tax: First-quarter property tax receipts of \$540,000 reached 2% of the approved \$22.1 million budget and were slightly lower than prior year receipts. While the City has received a small amount of property tax revenues, most property tax receipts are distributed to cities in two major payments in December and May.

Sales Tax: Q1 sales tax receipts of \$6.7 million comprise \$4.2 million in regular sales tax receipts and \$2.5 million in new Measure E local sales tax. Total receipts reached 27% of the approved \$25 million budget. The year-over-year growth rate for the regular sales and use tax (not including Measure E funds) was 9% higher than the same period last year. The City's total sales tax budget has increased due to new Measure E revenues; however, regular sales tax receipts are projected to reach only FY17 levels this fiscal year due to ongoing pandemic impacts on local and regional purchasing.

Parking Fines & Parking Meters: First-quarter parking fine revenues of \$1.5 million reached 27% of the approved \$5.5 million budget. Revenues were 40% higher than FY21-Q1 receipts but only 72% of pre-pandemic values. A large part of the comparative increase is due to the resumption of parking enforcement. In March 2020, the City suspended enforcement of various parking regulations citywide. Citywide suspensions remained in effect through August 17, 2020, when the City resumed enforcing residential street sweeping parking restrictions. Enforcement for peak/rush-hour zone restrictions (on La Brea Avenue, Crescent Heights Boulevard, and Fountain Avenue) remained suspended until October 15, 2020, when peak hour parking violations on N. La Brea

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Avenue and N. Crescent Heights Boulevard resumed. Peak hour parking enforcement on Fountain Ave resumed in early 2021.

Q1 parking meter revenues of \$2.0 million reached 32% of the approved \$6.3 million budget and were 1.8 times higher than the first quarter of FY21.

City Permits: First-quarter permit revenues of \$2.1 million reached 29% of the approved \$7.6 million budget. In addition, \$1.6 million in building permit fees and \$2.0 million in plan check fees were collected in prior years and carried forward for ongoing projects but are not shown in the budget nor in estimated receipts for FY22. These funds have been set aside for expected project expenditures and will be used as they occur. Plan check project application and inspection request volumes continued at a steady pace from the final quarter of FY21 into the first quarter of FY22.

All Other Revenue: First-quarter revenues of \$2.9 million reached 15% of the approved \$19.7 million budget and are 30% higher compared to the first quarter of FY21. Many of the revenues in this category (business taxes, franchise taxes, MVIL fees, charges for services, use of money and property, and miscellaneous one-time or unpredictable revenues) are received during the second half of the fiscal year. Additionally, the city has allowed payment of regulatory business license fees to be deferred until December 31, 2021 and waived late fees for BID assessments and business tax certificates

- **FY22-Q1 Expenditures**

General Fund expenditures for all program areas totaled \$33.0 million in the first quarter of FY22, 30% of the approved budget and an increase of \$2.6 million over first quarter expenditures last year. After adjusting for bond payments and transfers that are made in one lump sum at the beginning of the fiscal year, Q1 expenditures totaled 24% of the \$110.9 million FY22 budget.

Table 5	Actual	Actual	Actual	Actual	Actual*	Estimate	Budget
General Fund Expenditures	FY17-Q1	FY18-Q1	FY19-Q1	FY20-Q1	FY21-Q1	FY22-Q1	Approved FY22 Budget (07/01/21)
Wages & Benefits	\$7,160,367	\$7,428,405	\$8,020,329	\$8,790,337	\$9,530,559	\$9,725,234	\$42,918,530
Other Operating Costs	2,431,257	3,182,436	2,759,006	3,035,018	2,975,729	2,780,468	8,495,024
Social Services Contracts	1,059,989	1,284,971	1,182,046	1,278,914	1,441,495	1,304,839	5,179,267
Public Safety Contracts	4,133,328	4,344,791	4,771,070	5,033,483	4,930,890	5,262,003	21,891,330
Other Contract Services	3,841,403	4,146,932	4,851,459	5,433,163	3,615,870	2,516,757	20,573,123
Emergency Funds	0	0	0	0	1,110,365	156,676	\$0
Capital Projects	321,677	0	715,884	703,699	421,872	544,966	1,180,800
Other Financing Uses & Transfers	8,000,078	7,517,091	8,985,877	7,700,391	6,356,455	10,661,811	10,661,811
Total Expenditures	\$26,948,100	\$27,904,626	\$31,285,670	\$31,975,005	\$30,383,235	\$32,952,754	\$110,899,885

Wages and Benefits: First quarter expenditures for wages and benefits reached 23% of the approved \$42.9 million budget. Personnel costs were 2% higher than the same period in FY21. Major factors impacting wages and benefits in the first quarter include the end

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of the voluntary furlough in early July and the resumption of staff recruitments for many frozen positions. There were no cost of living adjustments to employee salaries in FY22.

Other Operating Costs: Other operating costs, include costs to maintain and operate City Hall and other city facilities, reached 33% of the approved \$8.5 million budget. Expenditures were 7% lower than the same period in FY21.

Social Services Contracts: First-quarter expenditures for social services contracts reached 25% of the approved \$5.2 million budget. Expenditures were \$137,000 lower than the same period in FY21. The change appears likely to be due to delays in invoicing by some service providers. The Social Services division works closely with contracted agencies to ensure constituent needs are addressed and payments are timely.

Public Safety Contracts: Public safety expenditures in the first quarter were \$5.3 million, 24% of the approved budget of \$21.9 million. Expenditures were 7% higher than the same period in FY21.

Other Contract Services: Other contracted services include the remainder of services provided by contracted vendors to the City, including administrative, urban livability, human services and homelessness prevention, parks and recreation, legal services, streets and transportation, and housing and redevelopment services. First quarter expenditures reached 12% of the approved \$20.6 million budget and were 30% lower than the same period last year. Expenditures in this category are likely to be understated due to a lag in vendor invoicing for September services. At the same time, the City cut back on many contract services during the pandemic and continued to maintain expenditure restraint in FY22.

Emergency Funds: The City Council began providing emergency funding for COVID-19 related services in March 2020. The City Council has approved \$3.9 million from General Fund reserves and \$4.1 million across all funds to provide emergency services to the community, including rental assistance, meal and grocery delivery, legal assistance and eviction protection and defense, business assistance, and technology upgrades. Emergency expenditures in the first quarter of FY22 were \$157,000. Total emergency funds expenditures have reached \$3.1 million in the General Fund and \$3.5 million across all funds since the onset of the pandemic.

Capital Projects: First-quarter expenditures for capital projects and capital maintenance were \$545,000, 46% of the approved \$1.2 million budget and 29% higher than the same period in FY21. Last year, the approved General Fund budget for capital expenditures was \$0; actual expenditures were for projects that were already underway from funds encumbered in prior years. Those rollovers continue into the current fiscal year and as a result staff anticipates that capital expenditures will appear higher than budgeted.

Other Financing Uses: Financing and transfers from the General Fund include expenditures for fees and payments on various debt financing instruments and transfers to the debt service funds to cover principal and interest payments on various bonds. Transfers are processed at the beginning of the fiscal year; therefore, first quarter General Fund expenditures were 100% of the approved budget. The FY22 budget includes new payments for the 2020 Lease Revenue Bonds issued at the beginning of the pandemic, increasing the total debt service payments by \$4.3 million over last fiscal year.

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3. FY22 Look Ahead

The City continues to monitor changing economic conditions while responding to community needs and providing regular updates during the COVID-19 pandemic. The City is also taking extensive and proactive measures to safeguard public health and continue providing certain essential services during this time.

Additional ARPA emergency funds totaling \$8.7 million are anticipated to be received during the current fiscal year. The use of these federal funds is restricted and the City plans to reimburse emergency expenditures and supplement revenues lost during the pandemic. The City is closely monitoring regulatory requirements to ensure compliance with ARPA guidelines.

Staff anticipates the City will meet current budget expectations for FY22. The City's budget includes a drawdown of \$6.9 million from unallocated reserves to balance the planned excess of expenditures over revenues. At the same time, the City is evaluating expansive changes to community safety and crisis response services, planning an aggressive five-year capital infrastructure program, and implementing a significant operating expansion with the phased opening of the new West Hollywood Park Aquatics and Recreation Center. The City will continue to maintain a long-term outlook of the City's financial health and to ensure the provision of high-quality services as new programs and projects are considered for the work plan.

So far this fiscal year, the City Council has approved numerous items that will require additional funding; however those funds have not yet been appropriated and are not reflected in any budget numbers presented above. The running total for the current fiscal year (July 1 to October 31) includes approximately \$3.4 million in one-time costs and \$350,000 in annual recurring costs. Approved items include Ciclavia, a potential dog park, augmented funding for social services, phase 2 of the Sunset Gateway, expansion of rental unit registration, the FEMA seismic grant program, and a community safety kiosk.

Current revenue sources are not expected to recover to pre-COVID-19 levels for several years; however, revenue from the adoption of the Measure E local sales tax and the Sunset Boulevard Arts and Advertising Program may offset some of those losses. The City will continue to seek other sources of revenue to expand our ability to enhance our programs and services.

Over the longer term, the City will continue to focus on maintaining a structurally balanced budget emphasizing community safety, the delivery of core social services and recreational offerings, capital infrastructure maintenance, and investment in sustainable infrastructure enhancements.

The next scheduled budget report to the City Council will be the Mid-Year Budget Update in February 2022, which will focus on the first half of the fiscal year (July 1 through December 31, 2021) along with budget revisions and requests as needed.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing

ATTACHMENT C

Strategic Program(s) (OSP) of:

- PSG-3: Fiscal Sustainability.

In addition, this item is compliant with the following goal(s) of the West Hollywood General Plan:

- G-2: Maintain transparency and integrity in West Hollywood's decision-making process.

EVALUATION PROCESSES:

The City is committed to continue monitoring the changing economic conditions and impacts to the local economy. The strategies listed above, including issuing bonds, curtailing expenditures, and implementing business relief measures will assist the City to insure continued financial stability.

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

The City of West Hollywood is taking every precaution to prioritize community and employee health, slow the rate of transmission of COVID-19, and assist community members who are at higher risk of serious illness.

COMMUNITY ENGAGEMENT:

Members of the West Hollywood community are encouraged to send questions to budget@weho.org.

OFFICE OF PRIMARY RESPONSIBILITY:

CITY MANAGER'S DEPARTMENT

FISCAL IMPACT:

None at this time.

ATTACHMENTS:

None.