

SUBJECT:           **UPDATE OF THE FISCAL YEAR 2022-23 MID-YEAR OPERATING  
BUDGET AND WORK PLAN PRIORITIES**

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

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**STATEMENT ON THE SUBJECT:**

The City Council will receive a report on revenues and expenditures for Fiscal Year 2021-22 and a mid-year budget update for the first half of Fiscal Year 2022-23. Updates include proposed mid-year budget adjustments and a report on departmental work plan priorities.

**RECOMMENDATION:**

- 1) Receive a report on Fiscal Year 2021-22 revenues and expenditures.
- 2) Receive an update on the Fiscal Year 2022-23 Budget and approve budget adjustments identified in the attached "Proposed Mid-Year Adjustments to the Fiscal Year 2022-23 Budget" (*Attachment A*)
- 3) Receive and file the Departmental Work Plan Priorities (*Attachment B*), Summary of Council-Initiated Items (*Attachment C*) and FY2023-24 Budget Schedule (*Attachment D*).

**BACKGROUND / ANALYSIS:**

Each year, the City of West Hollywood develops a budget that addresses the needs of the City's diverse community and reflects shared priorities, goals, and values. Based on a thorough review of current information, staff anticipate the City will meet FY2022-23 budget expectations. The City is projecting a modest budget surplus at the end of the fiscal year. Current revenue sources have recovered to pre-pandemic levels and in many cases are exceeding those values. Revenues are expected to continue at a moderate pace during the second half of the fiscal year.

The following discussion is organized into the following sections:

1. FY 2021-22 Full-Year Revenues & Expenditures
2. FY 2022-23 Mid-Year Revenues & Expenditures
3. FY 2022-23 Work Plan Priorities
4. Looking Ahead

Financial analysis is provided for the General Fund only. 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 2021-22**

The following discussion summarizes the City’s financial performance for the twelve-month period from July 1, 2021 to June 30, 2022 (FY22) in the City’s General Fund.

Table 1: FY22 Budget Summary

	Actual	Actual	Actual	Actual	Actual	Budget
General Fund	FY18	FY19	FY20	FY21	FY22	FY22 Midyear Budget
Revenues	\$101,265,304	\$113,153,362	\$108,903,570	\$89,667,580	<b>\$135,087,896</b>	\$111,538,109
Expenditures	\$95,556,554	\$105,791,316	\$110,245,950	\$98,652,347	<b>\$112,695,005</b>	115,465,435
<b>Surplus/(Deficit)</b>	\$5,708,750	\$7,362,046	(\$1,342,380)	(\$8,984,767)	<b>\$22,392,892</b>	(3,927,326)
One-Time Rev / (Exp)	\$0	\$0	(\$5,000,000)	\$0	<b>\$8,764,842</b>	\$3,948,211

As presented to the City Council on February 22, 2022, during the FY22 Midyear Budget Update, staff’s updated FY22 budget projection for revenues was \$111.5 million and for expenditures was \$115.5 million, with a projected operating expenditure deficit of \$3.9 million which would be offset by one-time federal revenues from the American Rescue Plan Act.

For the year ending June 30, 2022, General Fund actual operating revenues totaled \$135.1 million, exceeding the midyear budget projections by \$23.5 million. Actual General Fund operating expenditures were \$112.7 million, which included \$604,000 in emergency funds, and exceeded the midyear budget projections by \$2.8 million. General Fund operating revenues in excess of expenditures totaled \$22.4 million in FY22, which was an improvement of \$26.3 million compared to midyear budget projections. Stronger than

expected revenues in the second half of the fiscal year, particularly in the areas of the transient occupancy tax and sales tax, resulted in a substantial budget surplus.

- **FY22 Operating Revenues**

General Fund operating revenues for all program areas totaled \$135.1 million in FY22, an increase of \$45.4 million from FY21 revenues of \$89.7 million. FY22 revenues were 121% of the approved midyear budget.

Table 2: FY22 Revenues

	Actual	Actual	Actual	Actual	Actual	Budget
<b>General Fund Revenues</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY22 Midyear Budget</b>
Transient Occupancy Tax	\$24,775,813	\$25,989,558	\$20,740,065	\$9,675,868	<b>\$31,951,176</b>	\$21,930,000
Property Tax	18,521,887	20,212,711	21,619,622	24,818,423	<b>25,181,802</b>	22,115,200
Sales Tax	16,944,964	18,211,472	15,645,332	19,025,432	<b>36,258,528</b>	28,300,000
Other Taxes	10,548,349	11,054,429	14,174,214	12,489,204	<b>13,333,443</b>	12,930,000
Parking Fines	6,091,383	7,279,819	5,890,776	4,703,368	<b>5,992,701</b>	5,459,860
Parking Meters	6,178,474	7,749,120	6,008,622	4,707,928	<b>6,780,726</b>	6,250,000
City Permits	10,975,685	9,921,980	9,641,959	7,720,767	<b>9,023,510</b>	7,638,994
All Other Revenue	7,228,748	12,734,273	15,182,979	6,526,589	<b>6,566,011</b>	6,914,055
<b>Revenues</b>	<b>\$101,265,304</b>	<b>\$113,153,362</b>	<b>\$108,903,570</b>	<b>\$89,667,580</b>	<b>\$135,087,896</b>	<b>\$111,538,109</b>

Transient Occupancy Tax: In February 2022, the midyear budget projection for TOT revenue was increased in anticipation of revenue improvements in response to changes in travel behaviors to \$21.9 million from the \$17.7 million approved during the original budget process. TOT revenues of \$32.0 million were 146% of the updated projection. Receipts were up 230% compared to the prior year, reflecting the extreme impact of the extended duration of the safer-at-home orders implemented across the country, and travel restrictions implemented worldwide, in FY21. TOT receipts in FY22 were higher than in any previous fiscal year.

Property Tax: The original approved budget for property taxes in FY22 was \$22.1 million and was not changed during the midyear budget update. Actual property tax revenues of \$25.2 million were 114% of projections and were 1.5%, or \$363,000, higher than received in the prior year.

Sales Tax: In February 2022, the midyear budget projection for sales tax revenue was

increased in anticipation of revenue improvements in response to changes in consumer behaviors to \$28.3 million from \$25.0 million approved during the original FY22 budget process. FY22 sales tax revenues of \$36.3 million comprise \$21.1 (16.1) million in regular sales tax receipts and \$15.1 (\$2.9) million in Measure E local sales tax. The year-over-year growth rate for the regular sales and use tax (not including Measure E funds) was 31%, reflecting a robust increase in discretionary spending compared to the prior year. Regular sales tax revenues in FY22 reflect \$2.9 million in growth in taxable receipts compared to FY19, the last complete fiscal year prior to the pandemic. FY22 was the first full year in which Measure E sales tax revenues were collected, and revenues were \$12.2 million higher than in the prior year.

Other tax revenue: The original budget for other taxes in FY22 was \$12.9 million and was not changed during the midyear budget update. Revenue receipts include business taxes (\$4.6 million), franchise taxes (\$1.9 million), and MVIL fees (\$6.9 million). In total, all other General Fund tax revenues reached \$13.3 million and were 103% of budget. Other revenues increased by 6.8%, up \$844,000 compared to the prior year.

Parking Fines & Parking Meters: The original approved budget for parking fines in FY22 was \$5.5 million and for parking meters was \$6.25 million; neither was changed during the midyear budget update. Actual parking fine receipts of \$6.0 million were 110% of projections and were 27%, \$1.3 million, higher than received in the prior year. Actual parking meter revenues of \$6.8 million were 108% of projections and were 44%, \$2.1 million, higher than collected in the prior year. Parking fine and parking meter revenues in FY21 were lower than any of the previous four fiscal years, largely due to a loss of visitors combined with suspended enforcement of various parking regulations during the initial stages of the pandemic. The increase in FY22 parking-related revenues is reflective of a return to more typical visitor volumes and activity in the City.

City Permits: Includes building and safety, planning, transportation, code compliance, film, and public safety permits. These fees are charged as part of the city's cost recovery model and volume depends on constituent activity. The original approved for city permits was \$7.6 million and was not changed during the midyear budget update. FY22 city permit revenues of \$9.0 million were 118% budget projections and 1% lower than actual receipts

in the prior fiscal year.

All other revenue: The original FY22 budget for all other General Fund revenue was \$6.9 million and was not changed during the midyear budget update. Actual revenues include charges for services, use of money and property, and miscellaneous one-time or unpredictable revenues. In total, all other General Fund revenues reached \$6.6 million in FY22 and were 95% of the approved budget. Other revenues fell by 1% compared to the prior year.

- **FY22 Expenditures**

General Fund expenditures for all program areas totaled \$112.7 million in FY22, an increase of \$14.0 million compared to FY21 expenditures of \$98.7 million. FY22 expenditures reached 98% of the approved midyear budget.

Table 3: FY22 Expenditures

	Actual	Actual	Actual	Actual	Actual	Budget
<b>General Fund Expenditures</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY22 Midyear Budget</b>
Wages & Benefits	\$33,829,505	\$36,905,355	\$39,659,364	\$39,795,948	<b>\$41,736,594</b>	\$42,918,530
Other Operating Costs	7,589,985	7,446,346	7,350,587	6,781,232	<b>8,310,868</b>	8,495,024
Social Service Contracts	4,817,063	4,760,564	5,545,635	5,389,222	<b>5,213,502</b>	5,290,267
Public Safety Contracts	20,104,611	22,481,550	22,107,245	21,957,888	<b>23,021,022</b>	22,336,330
Other Contract Services	18,486,971	21,776,243	21,938,847	15,540,818	<b>19,501,796</b>	23,732,673
Emergency Funds	0	0	873,305	2,048,316	<b>603,659</b>	0
Capital Projects	2,148,600	3,433,302	3,218,102	1,345,436	<b>3,358,721</b>	1,180,800
Other Financing Uses	\$8,579,818	\$8,987,955	\$9,552,863	\$5,793,486	<b>\$10,948,842</b>	11,511,811
<b>Expenditures</b>	<b>\$95,556,554</b>	<b>\$105,791,316</b>	<b>\$110,245,950</b>	<b>\$98,652,347</b>	<b>\$112,695,005</b>	<b>\$115,465,435</b>

Wages and Benefits: General Fund expenditures for wages and benefits reached \$41.7 million, or 97% of budget, and were 4.9% higher than FY21. Year over year increases included the rising cost of benefits, the end of the voluntary furlough program, and resumption of hiring for vacant positions including staffing at the new Aquatic and Recreation Center at West Hollywood Park.

Other Operating Costs: Other General Fund operating costs, including the costs of maintaining and operating City Hall and other city facilities, reached \$8.3 million, 98% of budgeted expenditures in FY22. Actual expenditures rose by \$1.5 million from the prior

year, 23% higher than FY21.

Social Service Contracts: Spending on social service contracts includes those contracts managed by the Social Services division and initiated through the City's three-year grant cycle. FY22 expenditures reached \$5.2 million, 99% of the approved \$5.3 million budget. Spending was 3% lower than in FY21, reflective of the ongoing challenges faced by some agencies in reaching target populations during the pandemic and pandemic recovery.

Public Safety Contracts: General Fund spending for Public Safety totaled \$23.0 million in FY22, approximately 103% of the approved \$22.3 million budget, and were 4.8% higher than prior year expenditures. Costs include the Los Angeles County Sheriff's Department contract, Security Ambassador contract, and supplemental services for special events from the Fire Department, Sheriff, and emergency medical services providers. Year-over-year spending rose due to the resumption of major special events (West Hollywood Pride in June 2022).

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 \$19.5 million in FY22, 26% higher than in FY21. Expenditures reached only 82% of the approved FY22 budget. The City planned this substantial increase in contract services as part of the resumption of services that were deferred during the pandemic.

Emergency Funds: The City Council began approving the expenditure of emergency funding for COVID-19 related services in March 2020. Emergency expenditures from the General Fund were \$873,000 in FY20, \$2.0 million in FY21, and \$604,000 in FY22 for a total of \$3.5 million. 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. In FY22, the City received \$8.7 million in one-

time revenues from the American Rescue Plan Act (ARPA) related to the impacts of the COVID-19 pandemic. The City used its ARPA funds for governmental services that included community safety security ambassadors, parking management services, and economic and community development items such as West Hollywood Pride. In FY22, the total used for these governmental services was approximately \$6.8 million; \$5.4 million incurred within the General Fund and \$1.4 million incurred by Parking Improvement Fund. The FY23 midyear budget reflects the \$1.4 million transfer to the Parking Improvement Fund from the General Fund for its share of governmental services applied to ARPA in FY22. In FY23, the balance of approximately \$1.9 million is being spent on security ambassador services.

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. In FY22, the City budgeted \$1.2 million and spent \$3.4 million for capital projects and maintenance. Expenditures included a combination of current year funding combined with 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 \$10.9 million were 95% of budget. Expenditures included completion of scheduled payments into debt service funds for annual bond payments.

## **2. FY23 Mid-Year Budget Position**

The adopted budget for Fiscal Year 2022-23 had a General Fund surplus of \$13,110. Since the start of the fiscal year, the City Council has approved various supplemental expenditures in the amount of \$10,200,524 from the General Fund, of which \$9,190,524 were for operating expenditures from unallocated reserves, \$100,000 were for capital expenditures, and \$910,000 were drawdowns from designated reserves for Proposition A purchases. Details regarding these supplemental appropriations are provided in

*Attachment A.*

For the first six months of the fiscal year (July to December 2022), revenues have exceeded expenditures by \$12.7 million. This is largely on track with original budget projections. Table 4 summarizes the City’s mid-year actual position compared to the City’s approved budget as of July 1, 2022, and the projected budget position by the end of the fiscal year. Staff projects a year-end surplus of \$22,586, which is essentially a balanced break-even position on the total \$140 million FY23 General Fund budget.

Table 4: FY23 Mid-Year Budget Summary

General Fund	Mid-year Actuals (July-Dec 2022)	Approved Budget (July 1, 2022)	% of Budget	Projected Year-End (March 2023)	Difference (Projected v. Approved)
Operating Revenues	\$74,507,743	\$130,257,530	57%	\$139,557,530	\$9,300,000
Regular Expenditures	61,855,877	130,244,420	47%	139,534,944	9,290,524
Surplus or (Deficit)	\$12,651,866	\$13,110	--	\$22,586	\$9,476
One-time Revenue (carryover)	\$930,168	\$930,168	100%	\$0	\$0
Emergency Expenditures	417,510	930,168	45%	0	0
Emergency Surplus or (Deficit)	\$512,659	\$0	--	\$0	\$0

As part of the mid-year budget update, staff recommends that the City Council approve General Fund revenue adjustments totaling \$9,300,000.

- The first adjustment is a \$3,200,000 increase to Transient Occupancy Tax revenues. The City’s hotels have demonstrated higher occupancy and room rates than originally projected.
- The second adjustment is a \$1,500,000 adjustment to property tax revenues. Although property tax rates remain unchanged, FY23 revenues from property tax show moderate and steady gains due to a combination of factors, including rising property values and the addition of new buildings to the City’s property tax roll. This adjustment reflects revised estimates based on prior year performance.
- The third adjustment is a \$4,600,000 increase to sales tax revenues. Sales tax revenue has rebounded to pre-pandemic levels, and the major driver is the increase in revenues received from the inclusion of Measure E sales tax receipts in the City.



As part of the mid-year budget update, staff does not recommend additional General Fund operating or capital expenditures and will be maintaining a focus on moving the existing work program priorities to completion. There are \$2,533,638 in proposed transfers to the Parking Improvement to offset negative fund balances. This amount includes \$1,400,000 from the General Fund in carryover ARPA funding as discussed in a prior section of this report. There is a proposed transfer of \$1,133,638 from the Affordable Housing Trust Fund related to a change in use of the property at 8120 Santa Monica Boulevard from parking to affordable housing.

- **FY23 Mid-Year Operating Revenues**

The following discussion provides an overview of the FY23 mid-year budget position, starting with revenues and then moving to expenditures. General Fund revenues reached approximately \$74.5 million, 57% of budget, in the first half of the fiscal year (see Table 5).

Table 5: FY23 Mid-Year Revenues

General Fund Operating Revenues	Mid-year Actuals (July-Dec 2022)	Approved Budget (July 1, 2022)	% of Budget	Projected Year-End (March 2023)	Difference (Projected v. Approved)
Transient Occupancy Tax	\$17,223,905	\$28,035,000	61%	\$31,235,000	\$3,200,000
Property Tax	9,467,145	23,675,690	40%	25,175,690	1,500,000
Sales Tax	18,469,961	32,300,000	57%	36,900,000	4,600,000
Other Taxes	695,524	13,505,000	5%	13,505,000	0
Parking Fines	4,384,197	7,000,000	63%	7,000,000	0
Parking Meters	3,462,026	7,000,000	49%	7,000,000	0
City Permits	9,174,368	6,204,065	148%	6,204,065	0
All Other Revenues	11,630,616	12,537,775	93%	12,537,775	0
<b>Total Operating Revenues</b>	<b>\$74,507,743</b>	<b>\$130,257,530</b>	<b>57%</b>	<b>\$139,557,530</b>	<b>\$9,300,000</b>

Transient Occupancy Tax (TOT) receipts reached \$17.2 million through December (compared to \$14.1 million in the first half of FY22), 61% of the approved \$28.0 million TOT budget. The City projects TOT revenues will reach \$31.2 million by the end of the fiscal year, an increase of \$3.2 million compared to the original budget. TOT revenues improved substantially in the summer and early fall compared to the prior year. The City anticipates continued general improvement in the hospitality sector as well as regular pandemic-related fluctuations moving forward.

Sales Tax receipts reached \$18.5 million through December, 57% of the approved \$23.7 million sales tax budget. Sales tax includes local Measure E receipts, which are providing a significant new source of local government funding and were substantially higher than initially projected. The City projects sales revenues will reach \$36.9 million by the end of the fiscal year, an increase of \$4.6 million compared to the original budget after adjusting for strong general revenue performance including Measure E.

Revenue shortfalls in the first half of the fiscal year in the General Fund include Other Taxes at \$0.7 million through December, or 5% of the approved \$13.5 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.

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 expected to meet original FY23 budget estimates.

- **FY23 Mid-Year Expenditures**

General Fund expenditures reached approximately \$62 million, or 47% of budget, in the first half of the fiscal year (see Table 6).

Employee Costs totaled \$20.9 million, 44% of the approved \$48.0 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 spring and summer programming. Expenditures in this category are on track to meet budget projections.

Public Safety Contracts reached \$12.3 million, 49% of the original approved FY23 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 \$30.9 million by the end of the fiscal year, an increase of \$5.7 million compared to the original budget. This includes a City Council-directed expansion of security ambassador services along with public safety costs related to the production of the West Hollywood Pride festival in June of 2023.

Other Contract Services reached \$9.8 million, 37% 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 that other contract services will reach \$29.3 million by the end of the fiscal year, an increase of \$3.1 million compared to the original budget. This includes the production of the West Hollywood Pride festival in June of 2022 and increases to general contract services and professional services.

Other Financing Uses reached \$10.1 million, or 100% of approved budget, and includes payments for long-term debt obligations and transfers to other funds. These transactions are typically completed at the beginning of the fiscal year.

Expenditures in other major categories are on track to meet budget projections.

Table 6: FY23 Mid-Year Expenditures

General Fund Regular Expenditures	Mid-year Actuals (July-Dec 2022)	Approved Budget (July 1, 2022)	% of Budget	Projected Year-End (March 2023)	Difference (Projected v. Approved)
Wages & Benefits	\$20,884,303	\$47,997,119	44%	\$47,997,119	\$0
Other Operating Costs	4,206,411	10,778,545	39%	10,838,445	59,900
Social Services Contracts	3,056,777	6,378,852	48%	6,797,808	418,956
Public Safety Contracts	12,286,521	25,233,546	49%	30,887,913	5,654,367
Other Contract Services	9,768,524	26,236,598	37%	29,293,898	3,057,300
Capital Projects	1,565,582	3,532,000	44%	3,632,000	100,000
Other Financing Uses	10,087,760	10,087,760	100%	10,087,760	0
Expenditures	\$61,855,877	\$130,244,420	47%	\$139,534,944	\$9,290,524

This fiscal year, the City Council has approved numerous items requiring supplemental appropriations from the General Fund. The running total for the current fiscal year includes approximately \$7.3 million in one-time costs and \$2.0 in annual recurring costs, along with drawdowns of \$910,000 in General Fund Reserves for the discounted

purchase of Proposition A funds used for transportation services. Approved items include amendments to the contract for Block-By-Block services, increases to contracted social services, design fees for a dog park at Plummer Park, mitigation measures for businesses impacted by construction in the Design District, a housing survey, a disability access survey, and additional city programming for public events. These items are reflected in the projected year-end budget values shown in Table 6.

- **Emergency Funds**

One-time revenues and emergency expenditures related to the pandemic have been broken out from the regular General Fund reporting discussed above (see Table 7). Emergency fund expenditures reached \$417,510 in actual General Fund expenditures during the first half of the fiscal year. The total allocation of emergency funds from General Fund reserves is \$4.3 million since the start of the pandemic, and nearly \$4.5 million in emergency funding has been allocated across all funds. Emergency funds are typically allocated as requests are approved by City Council and funds are carried forward from the prior year until they are expended; \$930,168 in emergency funds were carried forward into FY23.

Table 7: FY23 Emergency Funds

General Fund Position	Mid-year Actuals (July-Dec 2022)	Approved Budget (July 1, 2022)	% of Budget	Projected Year-End (March 2023)	Difference (Projected v. Approved)
One-time Revenue	\$930,168	\$930,168	100%	\$930,168	\$0
Emergency Expenditures	417,510	930,168	45%	930,168	0
Emergency Surplus or (Deficit)	\$512,659	\$0	--	\$0	\$0

### **3. FY 2022-23 Work Plan Priorities and Council-Initiated Items**

*Attachment B* provides an overview of the major departmental work plan priorities for FY 2022-23. The document provides the department level description, goals, strategies, and measurements. The City is in the process of updating how performance is measured, so many of these performance measures will change in the FY 2023-24 budget. The document also provides work plan priorities for each department and the divisions within those departments. The departmental priorities include on-going programs or projects that serve the West Hollywood community, as well as one-time and new programs or

projects that require work plan adjustments. It is impossible to capture all the functions of all the City departments in one comprehensible document. This document is intended to provide a very high-level overview major work plan priorities for each department.

*Attachment C* provides the list of council-initiated items from January 21, 2020 through March 6, 2023. During that period of just over three years, there have been 314 council-initiated items for an average of about eight per month. These items may include new initiatives, policy proposals, community events and co-sponsorships, resolutions, and other directives. Each new council-initiated item is added to existing work plans and requires staff to re-prioritize and re-assess the significance of other work plan items, which can create staffing challenges and delays in completing the established work plan. In terms of funding for new council-initiated items and programs, the City Council Special Programs Account is allocated \$100,000 for the fiscal year. In Fiscal Year 2022-23, the City Council has approved allocations exceeding \$200,000, with the excess funding coming from General Fund reserves. As part of the FY 2023-24 budget process, the City Council should re-evaluate the council-initiated item process to ensure adequate ability to complete departmental work plans and adequate funding to cover council-initiated items throughout the fiscal year.

#### **4. Looking Ahead**

The City continues to monitor changing economic conditions while responding to community needs and providing regular updates during the transition from the COVID-19 pandemic to the end of the federal, state, and local emergency orders.

Staff anticipates the City will meet current budget expectations for FY2022-23 and will end the year with a balanced budget. The City continues to move forward with 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 operations of the new West Hollywood Park Aquatics and Recreation Center. The City will continue to maintain a long-term outlook of its financial health and ensure the provision of high-quality services as new programs and projects are considered for the work plan.

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 an update on the organizational structure and any recommended changes to budgeted positions in May 2023 followed by the FY 2023-24 Budget Update in June 2023, which will focus on updating the revenues, expenditures, and work plans for the second year of the City's approved two-year Budget. The FY24 Budget Calendar is provided as *Attachment D* to this staff report for reference. The complete Two-Year Operating Budget and Five-Year Capital Plan can be reviewed online at [weho.org/budget](http://weho.org/budget).

**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.

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](mailto:budget@weho.org).

**OFFICE OF PRIMARY RESPONSIBILITY:**

CITY MANAGER'S DEPARTMENT

**FISCAL IMPACT:**

This item provides an update on the City's current budget and authorizes the Director of Finance & Technology Services to make budget adjustments identified in *Attachment A*, the "Proposed Mid-Year Adjustments to the Fiscal Year 2022-23 Budget".

**ATTACHMENTS:**

- A. Proposed Mid-Year Adjustments to the Fiscal Year 2022-23 Budget
- B. FY 2022-23 Departmental Work Plan Priorities
- C. Summary of Council-Initiated Items
- D. FY 2023-24 Budget Calendar