



Honorable Mayor and Members of the Hermosa Beach City Council

ADOPTION OF FISCAL YEAR 2025–26 BUDGET

CEQA: Determine the (i.e. project, ordinance, etc.) is exempt from the California Environmental Quality Act.

(Administrative Services Director Brandon Walker)

Recommended Action:

Staff recommends City Council:

1. Receive public testimony regarding the Fiscal Year 2025–26 Budget ([Link 1](#));
2. Approve contracts for services contained in the table herein;
3. Approve the revisions to the Preliminary Budget as shown in the Staff Report;
4. Approve transfer of \$90,000 from the General Fund to the Capital Improvement Fund for future Capital Improvement Project (CIP) needs; and
5. Adopt a Resolution approving the 2025–26 Budget as presented in Exhibit A (**Attachment 1**).

Executive Summary:

The 2025–26 Budget estimates revenue growth of 2 percent and an overall expenditure increase of 3 percent. The 2025–26 Budget funds \$457,892 in supplemental requests from the General Fund and maintains the Contingency balance at 20 percent of operating expenses. The result is a balanced City budget that balances long-term fiscal challenges while sustaining core services for the community despite rising costs and economic uncertainties.

Background:

On May 13, 2025, a study session was held for the 2025–26 Capital Improvement Program to review the 38 projects proposed for the upcoming fiscal year. Council removed two projects during the study session, which resulted in the 2025–26 Capital Improvement Program including 36 projects. The total CIP budget totals \$33.9 million, which includes \$18.5 million in estimated carryover funds from 2024–25.

The City utilized an interactive online budget document for the fifth year and City Council held a special meeting as the FY 2025-26 Budget Study Session on June 10, 2025.

Past Council Actions

Meeting Date	Description
<u>May 13, 2025</u>	<p>City Council held the 2025–26 CIP Study Session</p> <p>A motion was made by Councilmember Keegan, seconded by Mayor Saemann to move forward with the 14th Street Restroom Project for \$75,000, cancel the previous associated Capital Improvement Project, and utilize the remaining funds for street paving. The motion carried unanimously.</p> <p>A motion was made by Councilmember Jackson, seconded by Mayor Saemann to defund the Lot D project and explore other uses for the lot. The motion was carried unanimously.</p> <p>A motion was made by Mayor Pro Tem Detoy, seconded by Councilmember Francois to renegotiate the lease with the Storage Lot and revisit its long-term use in one year. A friendly amendment was provided by Councilmember Keegan to create a subcommittee composed of Councilmember Keegan and Mayor Pro Tem Detoy to assist with renegotiations. Mayor Pro Tem Detoy accepted the friendly amendment. The motion was carried 3-2 (Councilmember Jackson and Mayor Saemann voted no).</p> <p>A motion was made by Councilmember Keegan, seconded by Mayor Pro Tem Detoy to amend the 2025-26 CIP project sequencing and funding by moving the playground replacement in place of the the Lot D project, table the tsunami siren project for one year, and create a subcommittee with Mayor Pro Tem Detoy and Councilmember Jackson to discuss the lighting and beautification goals in the downtown area. The motion was carried unanimously.</p>
<u>June 10, 2025</u>	<p>City Council held the FY 2025–26 Budget Study Session</p> <p>Staff informed City Council during the June 10, 2025 Budget Study Session that the \$90,000 supplemental request for an Emergency Operations Plan (EOP) is no longer required. After further evaluation, the EOP will be prepared in-house or with potential grant funding. Staff recommends transferring the \$90,000 from the General Fund to the Capital Improvement Fund for future Capital Improvement Project (CIP) needs.</p>

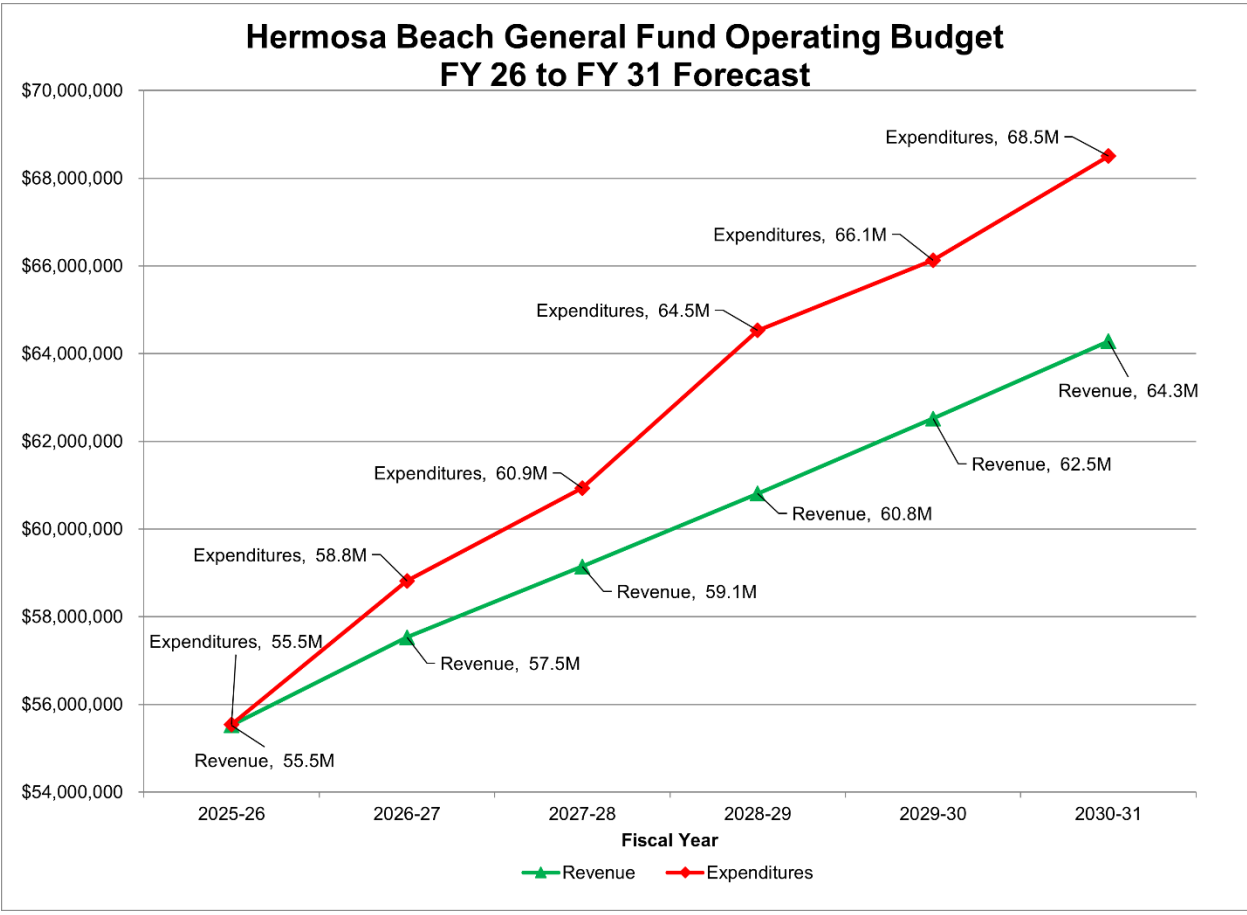
Analysis:

The chart below shows the steps taken to balance the budget. At the FY 2024-25 midyear budget review, the starting FY 2025-26 General Fund unassigned fund balance was expected to be \$553,832. Due to the unanticipated departure of key City leadership, the unspent funds are projected to be \$169,305. Staff is using assigned compensated absences of \$143,839 and assigned FY 2022-23 Prop A Fund Exchange funds in response to the unanticipated departures.

General Fund Summary of Budget Balancing Actions for FY 2025-26	
Beginning Unassigned Fund Balance 7/1/2025	0
FY25 Midyear Surplus to FY26 Budget	169,305
Compensated Absences to FY26 Budget	143,839
FY23 Prop A Fund Exchange	48,211
Estimated FY26 Revenues	55,121,394
Transfer In from Other Funds	361,054
Total FY 26 Current Financial Resources	55,843,803
City Operating Budget Appropriations	(53,236,851)
Supplemental Requests (Preliminary)	(547,892)
Remove EOP Supplemental – Per 6/10 Study Session	90,000
Transfers Out to Other Funds	(1,828,535)
Total FY 26 Expenditures	(55,523,278)
Projected Changes to Fund Balance for 6/30/2026	320,525
Change in Fund Balance Reserves	
Replenish 25% Compensated Absences Balance	(143,839)
Add to Maintain 20% Contingency Balance	(86,686)
Transfer to CIP Fund for future CIP projects	(90,000)
Projected Ending Unassigned Fund Balance 6/30/2026	0

As mentioned in the Budget Overview, department performance measures and the Five-Year Forecast were not included in the May 29, 2025 preliminary draft of the 2025–26 Budget. A preliminary Five-Year forecast was presented in the Budget Study Session and has been updated to reflect the removal of the EOP supplemental.

The department performance measures and forecast with assumptions have since been added to the online budget book.



Contracts for Services

The following contracts are extensions of existing contracts that are already budgeted for FY 2025-26. Rather than submitting them individually on future agendas, they are included here for approval. The contracts are on file for review in the Administrative Services Division.

Administrative Services		
Vendor	Services Provided	FY 26 Amount
Gruber and Lopez, Inc.	<p>Gruber and Lopez provides required independent CPA financial audit services for the City. They have met City expectations of contract and are familiar with the City operations to perform audits effectively and thoroughly.</p> <p>This amendment would extend the contract for a third two-year term for FY 26 and FY 27. They will maintain the same cost of living adjustment for two percent for both years.</p>	\$36,500

City Clerk		
Vendor	Services Provided	FY 26 Amount
Vital Records Control	Vital Records Control provides Laserfiche licensing and support for City Hall and the Police Department. They also provide scanning services and offsite storage services for City records. The City has been working with them since 2017. The services received from Vital Records Control are satisfactory.	Not to exceed \$67,530
Jeanne O'Brien Bender	O'Brien Bender Consulting has provided professional organizing support for the records division since July 11, 2022. Jeanne O'Brien Bender organizes record transfer and destruction requests and supports all City departments with research inquiries. She is primarily tasked with organizing and sorting physical records in preparation for destruction or retention.	Not to exceed \$20,000

Information Technology (IT)		
Vendor	Services Provided	FY 26 Amount
Netrix LLC	<p>Netrix LLC. is the city's IT Managed Services Provider. The current contract was renewed for a 3-year term in June 2024 and includes the City's data back-up service, Datto. The warranty on the Datto device currently in use expired at the end of April 2025 and it is running low on space.</p> <p>The Datto upgrade to replace and upgrade the backup system is already budgeted as an IT supplemental for \$8,236.</p> <p>The Managed Services contract includes the following items: on-site support services (5 days a week), remote support 24x7, a Technical Account Manager, patching on all workstations and servers, monitoring all network devices, back-up services (Datto), security awareness training (KnowBe4).</p> <p>This will increase the annual cost of the Datto service by \$8,236 to \$31,380 annually.</p>	\$8,236

General Plan Consistency:

PLAN Hermosa, the City's long-range planning document, was adopted by the City Council in August 2017, and envisions a future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability. Other relevant General Plan policies are listed below:

Governance Element

Goal 1. A high degree of transparency and integrity in the decision-making process.

Policies:

- **1.2 Strategic planning.** Regularly discuss and set priorities at the City Council and management level to prioritize work programs and staffing needs.
- **1.6 Long-term considerations.** Prioritize decisions that provide long-term community benefit and discourage decisions that provide short-term community benefit but reduce long-term opportunities.

Parks and Open Space Element

Goal 1. First class, well maintained, and safe recreational facilities, parks and open spaces.

Policy:

- **1.1 Facility upgrades.** Improve and update park and open space facilities on a regular basis.

Goal 2. Abundant parks, open space, and recreational facilities to serve the community.

Policy:

- **2.6 Investment and maintenance.** Prioritize the investment and maintenance of existing facilities prior to development and expansion of new facilities.

Infrastructure Element

Goal 1. Infrastructure systems are functional, safe, and well maintained.

Policy:

- **1.2 Priority investments.** Use City Council established priorities and the Capital Improvement Program (CIP) to identify and allocate funding for projects identified in the infrastructure plan.

Public Safety Element

Goal 5. High quality police and fire protection services provided to residents and visitors.

Policy:

- **5.2 High level of response.** Achieve optimal utilization of allocated public safety resources and provide desired levels of response, staffing, and protection within the community.

Fiscal Impact:

The recommendations contained in the Preliminary Budget balances long-term fiscal challenges while sustaining core services for the community despite rising costs and economic uncertainties. The 2025–26 Budget, including all funds, estimates revenue of \$71,927,893 and appropriations of \$83,043,552 of which \$15,392,838 is for Capital Improvement Projects with \$18,551,287 carried forward from prior year Capital Improvement Projects. Staff will review the Fiscal Year 2025-26 budget at midyear.

Link:

[Link to 2025–26 Preliminary Budget](#)

Attachment:

Draft Resolution and Exhibit A

Respectfully Submitted by: Henry Chao, Finance Manager

Concur: Charlotte Newkirk, Senior Finance Analyst

Noted for Fiscal Impact: Brandon Walker, Administrative Services Director

Approved: Steve Napolitano, Interim City Manager