

# **FY 26 MIDYEAR BUDGET REVIEW**

**MARCH 24, 2026**



**CITY OF  
HERMOSA  
BEACH**

# Midyear Budget Adjustments

**+\$552K**

Revenue Increase

Driven by parking meters, plan checks, and an one-time \$100K reimbursement

**+\$1.835M**

Operating Appropriations

Driven mainly by \$1.28M labor growth from recently negotiated MOUs

**-\$548K**

Projected Shortfall

Projected by June 30, 2026 after midyear adjustments

**\$548K**

One-Time Funds Used

Additional one-time funds at midyear to balance the current FY 26 budget

## Main Takeaway

- The City intends to end the FY 2026 without a deficit, but only drawing from one-time resources.
- Management should treat one-time resources as a temporary solution as a bridge, not a permanent fix, heading into the upcoming FY 2026–27 budget cycle.

**\$236K of \$548K**

One-Time Deputy City Manager savings

**\$312K of \$548K**

One-Time FY 25 Stabilization Contingency



# FY 26 Budget with Midyear Adjustments

	Amount
One-Time Funds at Budget Adoption	\$361K
Amended Estimated Revenue	\$55.561M
Midyear Revenue Adjustments	\$552K
<b>Total Estimated Revenue and One-Time Funds</b>	<b>\$56.474M</b>
Amended Operating Appropriations	\$53.399M
Transfers Out	\$1.788M
Midyear Operating Appropriation Increases	\$1.835M
<b>Total Estimated Operating Appropriations</b>	<b>\$57.022M</b>
<b>Projected FY 2026 Ending Shortfall at 6/30/2026</b>	<b>-\$548K</b>
Additional One-time Funds at Midyear	+\$548K
<b>Projected FY 2026 Ending Balance after One-Time Funds</b>	<b>\$ 0</b>

**\$909K.**

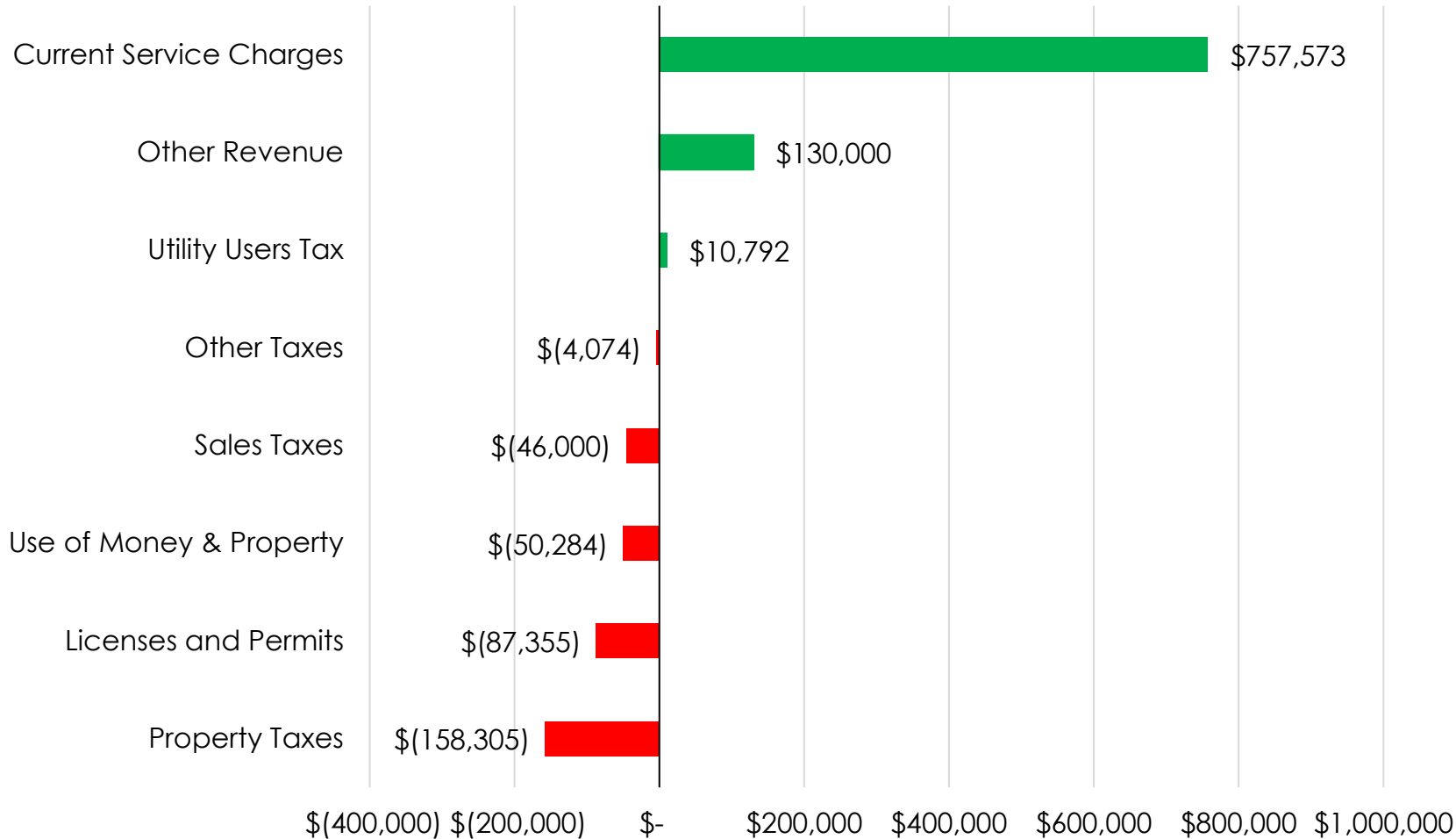
Total one-time assigned funds used to balance FY 2026.

The balance depends on one-time "fixes" / non-recurring resources rather than recurring operating growth.



# Midyear Revenue Breakdown

## Midyear Revenue Amendments



### What is driving the increase?

- Updated parking meter rates adopted in October 2025 are expected to add about \$635k this year to current service charges.
- Plan-check fees is projected to increase \$240k based on 1<sup>st</sup> ½ of the year.
- An one-time \$100K reimbursement for City Administrative costs from the Greenwich Undergrounding Bond Issuance.

### What is softening results?

- Property tax projected lower due to successful valuation appeals and higher expected delinquency payment rate.
- Decreases in electrical and plumbing permits (offset by building permits) from 1<sup>st</sup> ½ of the year.



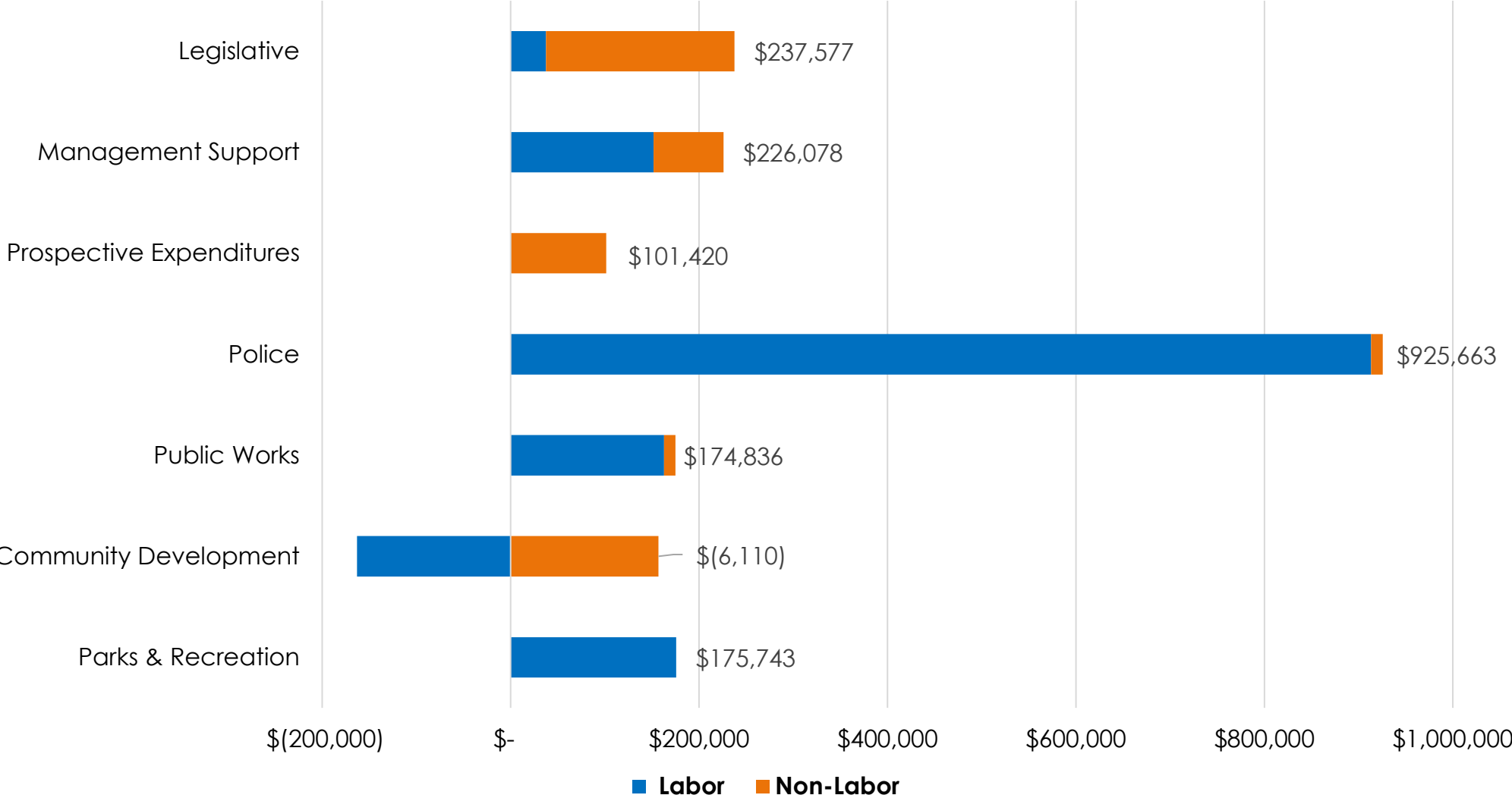
# Midyear Revenue Chart

	Amended Budget to Date	Requested Budget Amendment	Revised Budget	% Change
Property Taxes	\$ 26,750,921	\$ (158,305)	\$ 26,592,616	-0.6%
Sales Taxes	\$ 3,686,400	\$ (46,000)	\$ 3,640,000	-1.3%
Utility User's Tax	\$ 2,502,252	\$ 10,792	\$ 2,513,044	0.4%
Transient Occupancy Tax	\$ 5,190,000	\$ -	\$ 5,190,000	0.0%
Other Taxes	\$ 2,822,559	\$ (4,074)	\$ 2,818,485	-0.1%
Licenses and Permits	\$ 1,145,946	\$ (87,355)	\$ 1,058,591	-7.6%
Fines and Forfeitures	\$ 2,001,500	\$ -	\$ 2,001,700	0.0%
Use of Money & Property	\$ 1,700,765	\$ (50,284)	\$ 1,650,481	-2.9%
Intergovernmental / State	\$ 153,414	\$ -	\$ 153,414	0.0%
Current Service Charges	\$ 9,691,637	\$ 757,573	\$ 10,449,210	7.8%
Other Revenue	\$ 68,200	\$ 130,000	\$ 198,200	190.6%
<b>Total Revenue</b>	<b>\$ 55,713,194</b>	<b>\$ 552,347</b>	<b>\$ 56,265,541</b>	<b>1.0%</b>
Transfers-in	\$ 361,054	\$ 175,112	\$ 536,166	48.5%



# Midyear Expenditure Breakdown

## Midyear Expenditure Amendments



**\$1.278M**

Labor Increase

Salary and benefit increases from MOU's

**\$557K**

Non-Labor Increase

Mostly contract services



# Midyear Expenditure Breakdown

- Police \$926K increase is due to the new MOU's which account 98.6% of the increase.
- Legislative \$200k increase for City Attorney budget based on 1<sup>st</sup> half of FY26 activity.
- Community Development labor decreased but offset by contractual service needs.

# Other Fund Highlights

- **705 Insurance Fund:** Transfer \$317,833 to bring beginning FY 2026 balance up to the \$3.0M funding goal.
- **715 Equipment Replace. Fund:** Additional \$181,000 for technology and police equipment purchases.

Includes \$106,600 to purchase 2 Ford Explorers for Police Admin staff.



# CIP Adjustments & Highlights

**+\$1.439M**

Net Change to CIP Fund

Projected ending CIP balance: \$1.664M

**+\$1.274M**

Completed projects released back to CIP Fund.

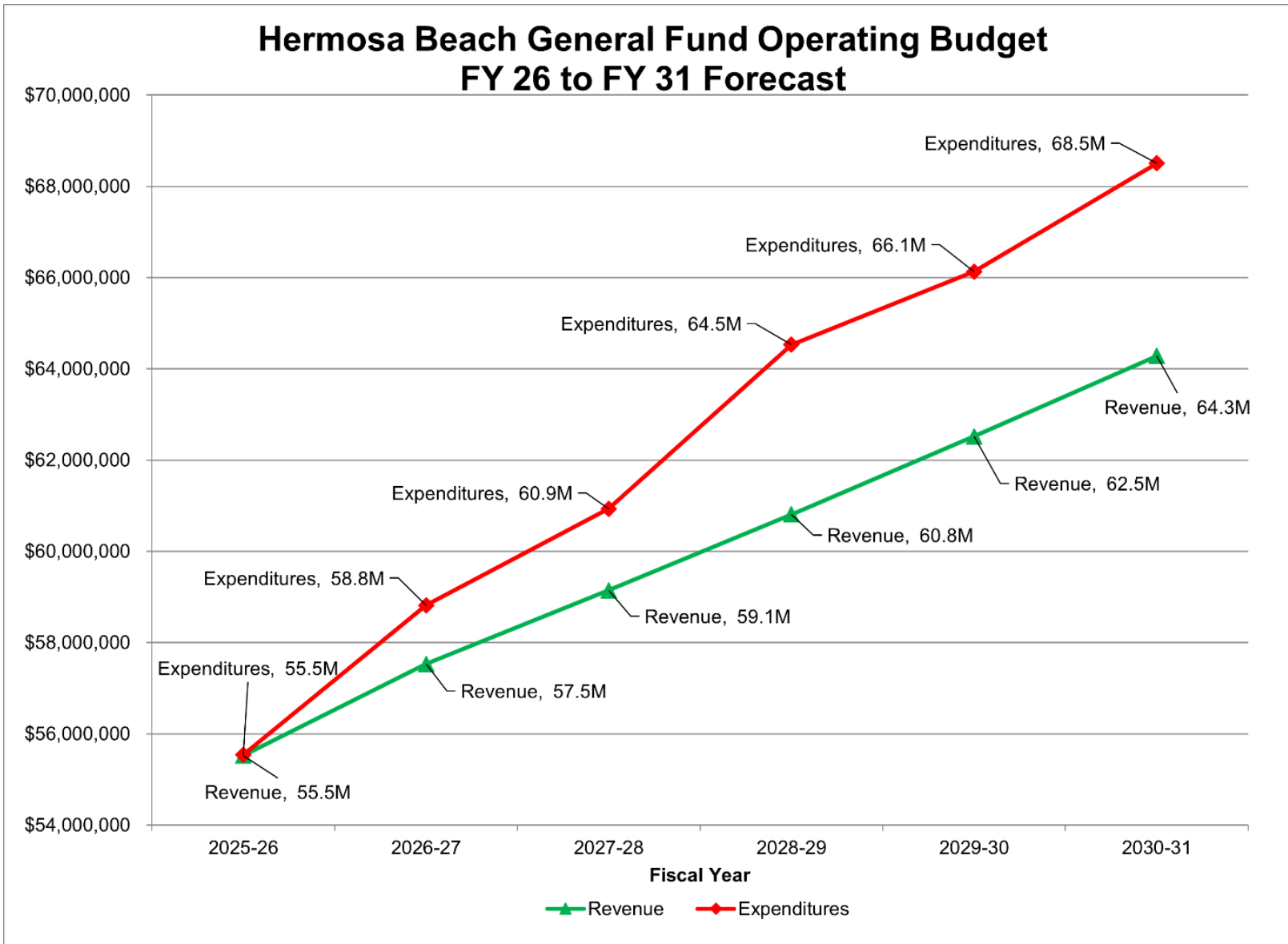
Primarily from lower than actual costs

## Capital Improvement Program (CIP) Highlights

- Major releases include CIP 603 South Park Landscape Improvements, CIP 604 ADA Improvements, CIP 605 City Facilities Assessment, and CIP 689 Clark Building renovations.
- New appropriations highlighted are CIP 615 New Corporate Yard Facilities using set aside reserve balance of ~\$889K and CIP 619 Kelly Court Improvements for ~\$51K .
- Chuck and Diane (Missy) Sheldon \$500K donation for CIP 111 Monument Signage and Chambers September 2014 \$50K donation for CIP 112 Marquee Sign to be budgeted.
- Release needed to free up funds for necessary CIP projects next budget cycle.



# FY26 to FY31 Forecast (Adopted Budget)



# Balanced Using One-Time Funds

- City practice is using one-time savings and measures to manage structural City budget deficits.
- If the one-time \$100K Greenwich Admin reimbursement is excluded, the projected FY 26 shortfall without one-time funds would rise to over \$1 million.
- Not sustainable for the City as expenditures outpacing revenues.



# Future Upcoming FY 27 Uncertainty

- CalPERS Pension UAL increasing by ~\$600K next FY 27 budget cycle.
- MOU costs will put pressure to base budget.
- RCC increasing by nearly ~\$100K next FY 27 budget cycle.
- Fire (Dec 27) and LA County (Mar 27) Agreements forward risk.
- City Vendor Service Contracts Up for Negotiations.

# Future Upcoming 27 Uncertainty

- General Fund ~\$410K annual subsidy of Lighting / Landscaping Fund
- CIP Fund absorbs \$300 - \$350K of General Fund Public Works labor as past and current practice.
- Insurance Fund \$3.0M funding goal
- CIP projects – Critical Infrastructure Needs
- **Cuts to upcoming FY 27 budget are needed to maintain core priority City services.**



# Midyear Recommendation

1

Approve revisions to estimated revenue, appropriations, budget transfers, and fund balances.

2a

Appropriate \$548,007 of assigned fund balance to cover the projected unassigned fund balance shortfall.

2b

Transfer \$317,833 of unspent 2024–25 actuals to the Insurance Fund.

2c

Assign estimated remaining \$2.239M of unspent funds to assigned fund balance.

3

Receive and file the City Council Travel Summary.

4

Provide direction on whether to continue or discontinue participation in Beach Cities Transit Line 109.



# Beach Cities Transit 109

- City participated in BCT Line 109 since 2006 with minimal subsidy requirements.
- BCT Line 109 subsidy currently budgeted for \$17,200 using Prop A funds.
- Expected to increase to \$19,800 for upcoming FY 27 budget.
- Insufficient usage data provided to City.



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