

LA MESA

JEWEL OF THE HILLS

Budget Monitoring Report Quarter ending December 31, 2023



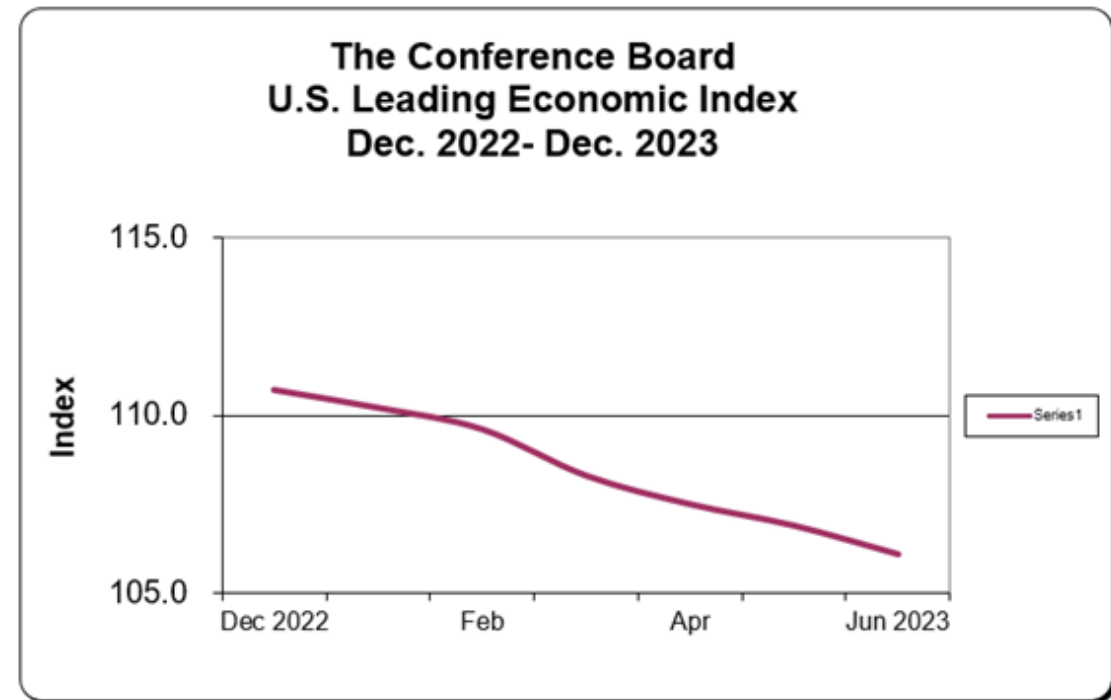
CITY OF
LA MESA
JEWEL of the HILLS

Economic Outlook December 2023



National Economy

- The Conference Board Leading Economic Index (LEI) contracted by 2.9% over the six-month period between June and December 2023, smaller than the 4.3% the previous six months
- “Overall we expect the GDP growth to turn negative in Q2 and Q3 of 2024 but begin to recover late in the year”. (Conference Board)

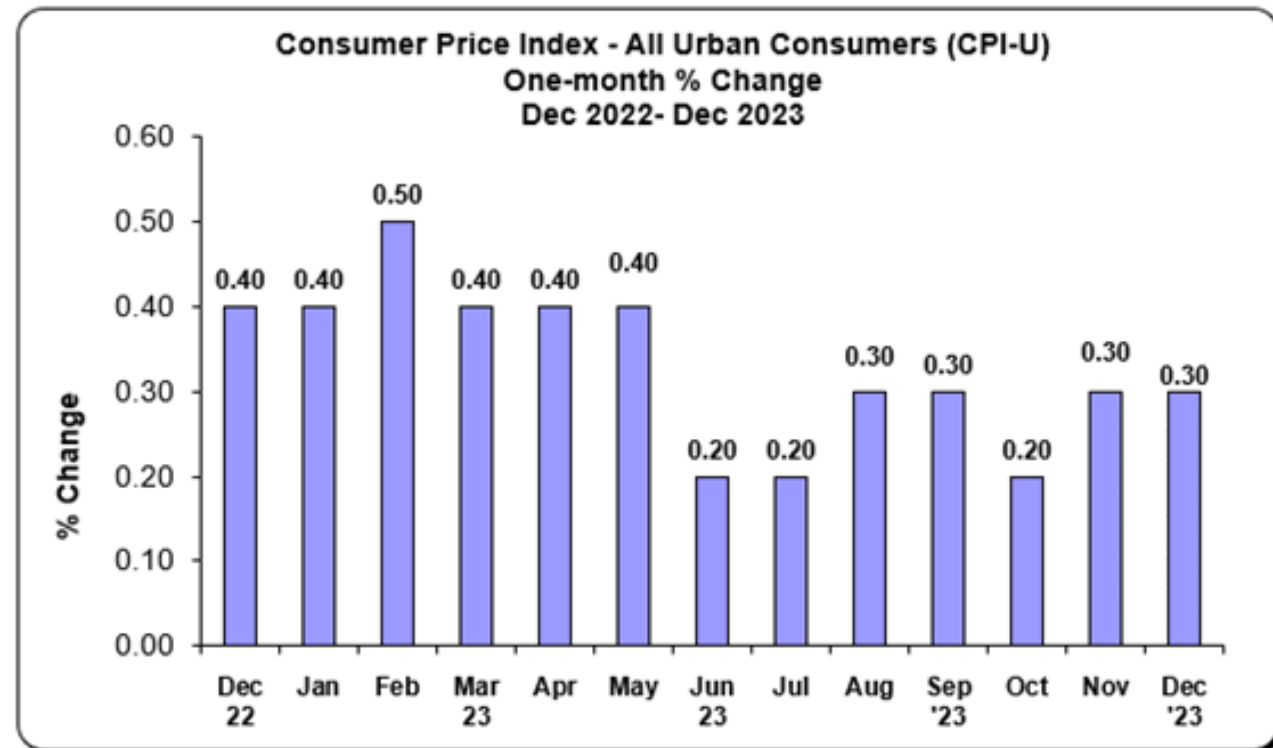


Consumer Price Index

December 2022-December 2023



- The CPI for All Urban Consumers (CPI-U) increased .03 percent in December
- Over the last 12 months, all items index increased 3.4 percent before seasonal adjustment.
- Energy index decreased 2.0 percent
- Food index rose 2.7 percent



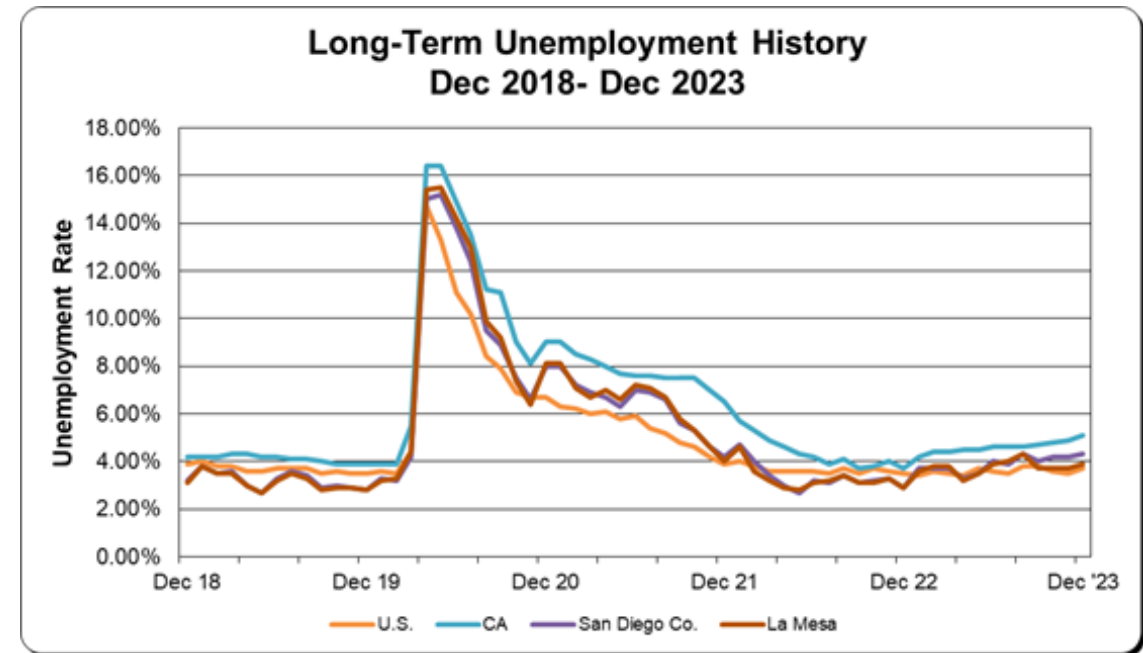
Source: U.S. Bureau of Labor Statistics

State/Local Economic Outlook

Unemployment through December 2023



- Federal unemployment rate stable at 3.7%
- The County of San Diego and the City of La Mesa saw unemployment rates slightly increase to 4.1% and 3.9% respectively
- Overall, La Mesa is back in line with pre-pandemic unemployment rates

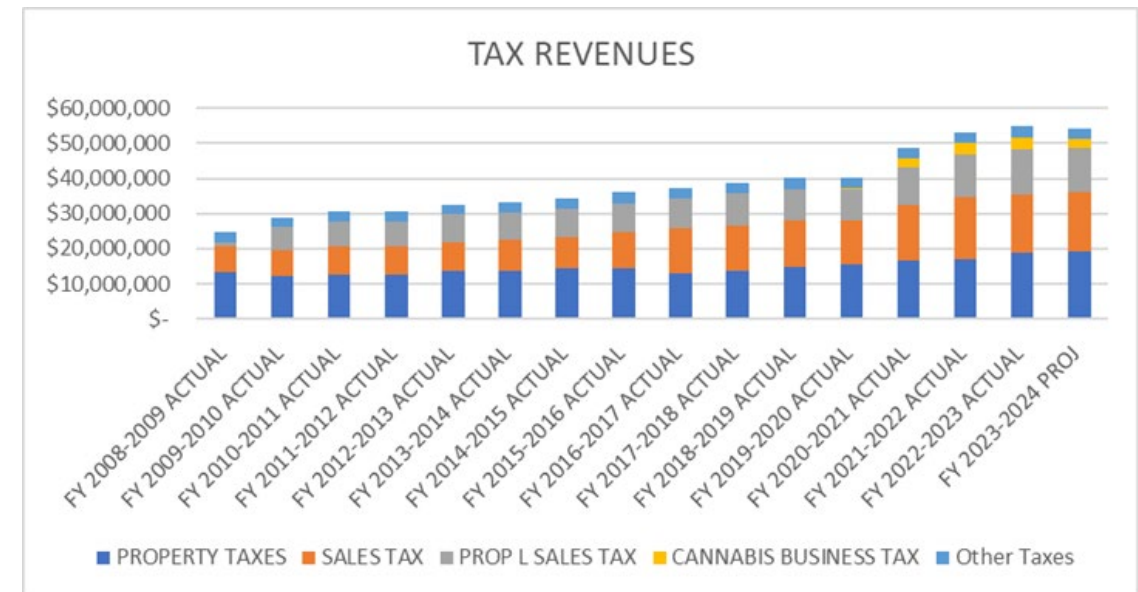


Source: State of California, U.S. Department of Labor

Tax Revenue at a glance



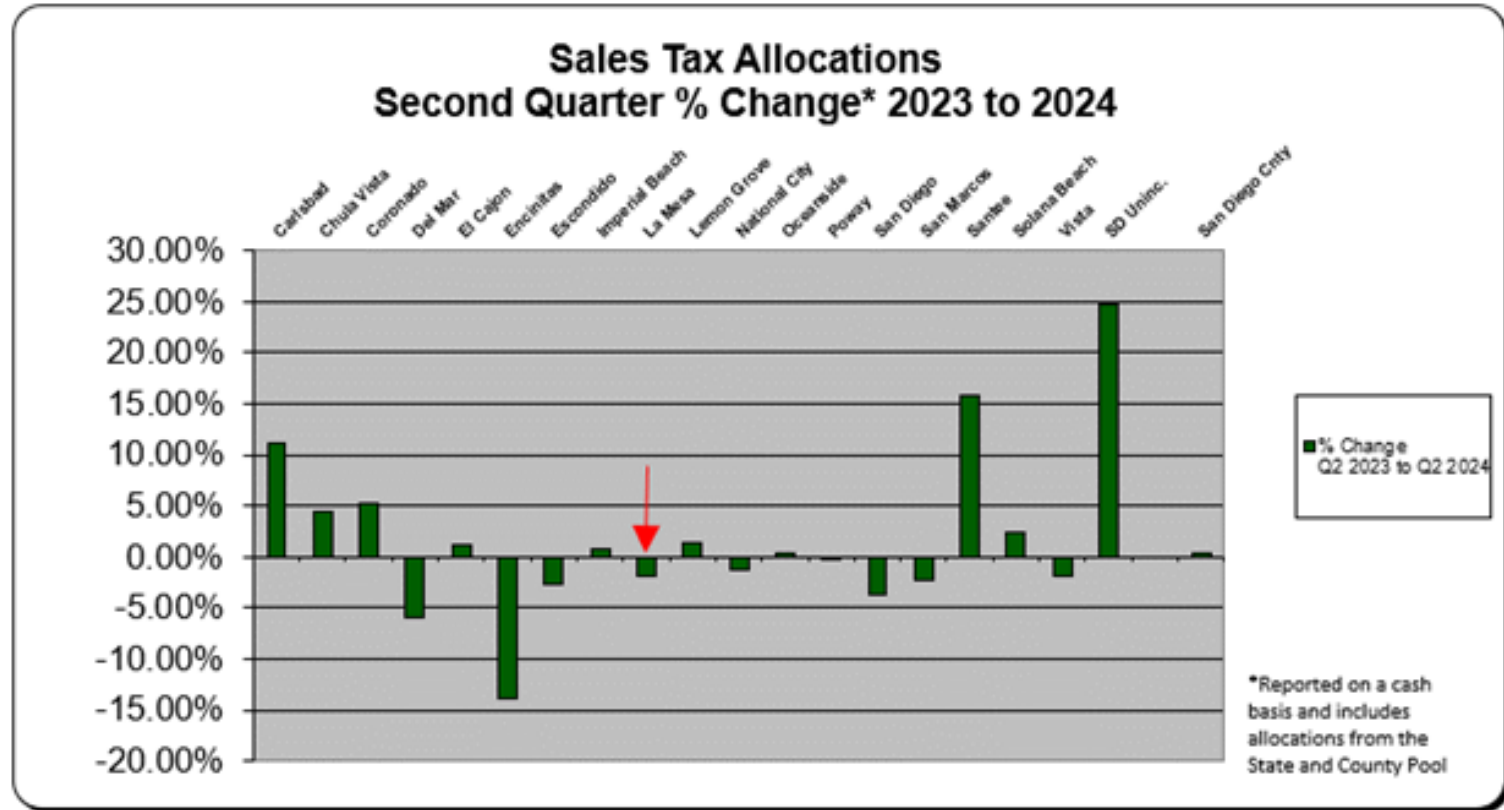
- Main sources of tax revenue are Property, Sales, Prop L, Cannabis, and Other
 - Property tax is based on sales from the previous year
 - Sales tax comes from local spending as well as the county pool
 - Prop L tax is based directly on sales within City limits
 - Cannabis tax is part of both sales and Prop L as well as an additional 4% excise tax
 - Other taxes come from refuse, cable, gas and electric



Sales Tax Revenues Third Quarter 2023 (July-September)



- Down 2.6% from the same period last year
- County Pool decreased 4.1% from same period last year
- New car sales, restaurants, and cannabis all remain positive



Source: Hinderliter de Llamas and Associates

General Fund Performance

All Revenues (through December)



- General fund revenues are meeting budgetary expectations
- Property tax revenue is starting to come in
- Sales tax from the holidays not reflected on this quarters report
- Licenses and permits, fines, forfeitures & penalties, use of money and property are above from same time last year

General Fund Resources	Current Fiscal Year			Prior Year Comparison	
	2023 - 2024 Budget ¹	YTD Collected (unaudited)	% of Budget Collected	YTD Collected (unaudited)	% of Budget Collected
Through 50% of Fiscal Year					
Revenues:					
Taxes					
Property Tax	\$ 18,610,380.00	\$ 4,253,074.40	22.9%	\$ 814,000.00	4.4%
Former Tax Increment (RDA)	300,000.00	-	0.0%	-	0.0%
Sales	17,000,000.00	7,651,891.41	45.0%	5,567,335.00	32.7%
Proposition L	12,500,000.00	4,983,092.72	39.9%	4,049,045.00	32.4%
Cannabis Business Tax	2,500,000.00	732,818.00	29.3%	648,440.00	25.9%
Other	3,207,680.00	1,105,980.57	34.5%	996,826.00	31.1%
Subtotal Taxes	\$ 54,118,060.00	18,726,857.10	34.6%	12,075,646.00	22.3%
Licenses & permits	\$ 1,752,300.00	\$ 1,016,403.33	58.0%	\$ 740,220.00	42.2%
Fines, forfeitures & penalties	469,000.00	237,869.13	50.7%	92,430.00	19.7%
Use of money and property	1,904,000.00	1,358,290.35	71.3%	550,970.00	28.9%
Revenue from other agencies	1,530,750.00	786,829.39	51.4%	513,690.00	33.6%
Service charges	2,534,150.00	1,314,051.28	51.9%	1,296,510.00	51.2%
Other revenue	5,499,190.00	2,548,398.62	46.3%	(94,400.00)	-1.7%
Total Revenues	\$ 67,807,450.00	25,988,699.20	38.3%	15,175,066.00	6.0%
Other financing sources:					
Interfund transfers in	3,090,200.00	489,886.60	15.9%	888,410.00	29%
Interfund transfers out	(2,448,450.00)	-	0.0%	(556,250.00)	23%
Total other financing sources	641,750.00	489,886.60	76.3%	332,160.00	52%
Plus: Fund Balance at July 1	50,122,196.00	50,122,196.00	100%	39,777,922.00	79%
Total resources	\$ 118,571,396.00	\$ 76,600,781.80	65%	\$ 55,285,148.00	47%

¹ Budget reflects any amendments approved by the City Council through end of the quarter

General Fund Performance Expenditures (through December)



General Fund Expenditures			
Through 50% of Fiscal Year	2023-2024 Budget ¹	YTD Encumbered/ Expended ²	% of Budget
General Fund Department Expenditures			
Police	\$ 26,218,750.00	\$ 8,660,467.00	33.0%
Fire	16,189,490.00	5,856,199.00	36.2%
Public Works	12,985,960.00	5,251,148.00	40.4%
Administrative Services	12,362,280.00	6,127,481.00	49.6%
Community Development	3,769,710.00	1,486,704.00	39.4%
Community Services	2,538,090.00	998,496.00	39.3%
Total General Fund Expenditures	\$ 74,064,280.00	\$ 28,380,495.00	38.3%

¹ Budget reflects any amendments approved by the City Council through the end of the quarter
² Includes expenditures encumbered through end of quarter reported

- Expenditures are at or slightly below expectations through the first half of the year

General Fund Performance Reserves



- Reserves are forecasted and currently in audit
- Reserves higher than anticipated
- General Fund reserves are projected to meet both the 15% Rainy Day and the 25% Cash Flow reserve targets

	Actuals		Forecasted	Final Budget	
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Available Reserves at June 30	36,598,856.00	42,293,571.00	50,122,196.00	41,920,331.00	36,826,970.00
Reserves as % of Operating Expenditures	69.6%	61.6%	79%	59%	57%
<i>Source of Revenues:</i>					
<i>Property Sale (Police Station)</i>	<i>3,050,000.00</i>	<i>3,050,000.00</i>	<i>3,050,000.00</i>	<i>3,050,000.00</i>	<i>3,050,000.00</i>
<i>Property Sale (Other land)</i>	<i>4,000,000.00</i>	<i>4,000,000.00</i>	<i>4,000,000.00</i>	<i>4,000,000.00</i>	<i>4,000,000.00</i>
<i>Proposition L Revenues</i>	<i>10,900,549.00</i>	<i>11,900,000.00</i>	<i>10,301,000.00</i>	<i>12,500,000.00</i>	<i>12,656,300.00</i>
<i>Reserves from Operations</i>	<i>18,648,307.00</i>	<i>23,343,571.00</i>	<i>32,771,196.00</i>	<i>22,370,331.00</i>	<i>20,687,757.00</i>
Total Ending General Fund Reserves	36,598,856.00	42,293,571.00	50,122,196.00	41,920,331.00	40,394,057.00

Going Forward



- Tracking local economy as we head into the budget season
- Gauging indicators that may have an effect on our budget such as:
 - Middle East/European conflicts
 - Upcoming elections
 - Federal Reserve interest rates
 - State budget

Finance Information



Information about the finance department and the information provided tonight as well as other information can be found at:

<https://www.cityoflamesa.us/748/Finance-Department>

City Treasurer

Budget Information

Business Licenses

CalPERS Annual Valuation Reports

Cannabis Business Tax

Council Presentations

Dog Licenses

Fee Schedule

Financial Statements

OpenGov

Parking Citations

Purchasing

Sales Tax/Proposition L

Sewer Billing

Unclaimed Checks

Home » Government » Finance Department

FINANCE DEPARTMENT

Department Overview

The Finance Department provides a variety of quality services to internal city departments, city employees and the public. Staff in the Finance Department are dedicated to providing excellent customer service. We are located in City Hall. Our responsibilities include:


- Accounts Payable
- Budget Monitoring
- Business Licensing
- Financial Planning and Forecasting
- General Accounting
- Payroll
- Preparing the City Budget
- Purchasing

La Mesa's e-Budget Available on OpenGov

In an effort to provide the community with greater and easy access to the City's financial data, we have partnered with [OpenGov](#) to provide a financial transparency reporting tool that displays the City's finances over a six year period. Through the City's new transparency tool, OpenGov, users can view the city's e-Budget in a variety of formats by fund, department, or type. Users can drill down to finite details or scale up to view the big picture. Users can also download the data as an excel spreadsheet or share a particular view through social media.

We invite you to explore La Mesa's OpenGov site by selecting the icon below. We have also provided a [Frequently Asked Question/User Guide](#) to assist you in navigating the site.

Visit website:



Cannabis Business Tax


[Potential Cannabis Excise Tax Measure Presentation](#)

FAQs

- [Where can I find out more about the City's budget?](#)
- [How much Proposition 172 sales tax is generated from La Mesa?](#)
- [Do I need a business license?](#)

[View All](#)

Contact Us



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Director of Finance

[Email](#)

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Hours

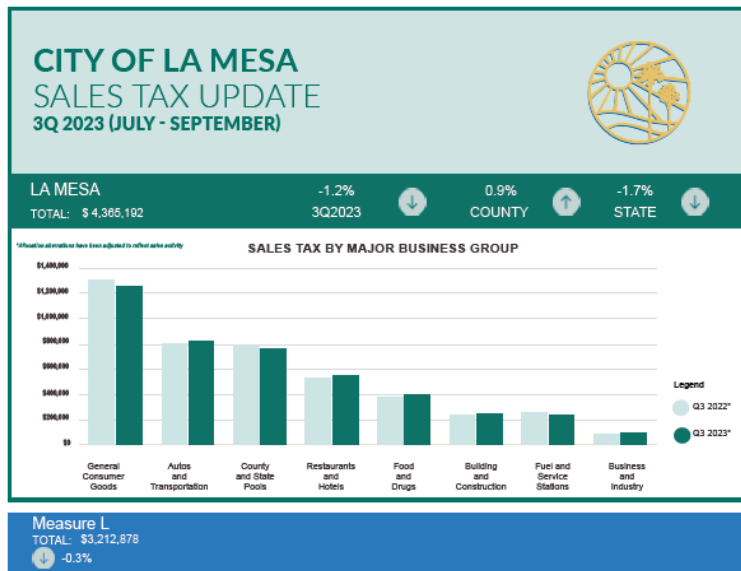
Monday - Thursday

7:30 am - 5:30 pm

Friday

7:30 am - 4:30 pm

Finance Information: Sales Tax Update



CITY OF LA MESA HIGHLIGHTS

La Mesa's gross receipts from July through September were 2.6% below the third sales period in 2022. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 1.2%.

General retail reflected a slowing in consumer spending, edging down 4.2%. The City's share of the countywide use tax pool shrank 4.1% due to waning third-party auto and internet sales. Furthermore, a shift by online retailers to fill more internet orders from out-of-state locations to instate fulfillment centers resulted in some revenues moving out of the pools and into direct jurisdictions. Additionally, fuel prices dipped, and service station revenues dropped accordingly.

On the positive, bucking statewide declines, new car sales remained in positive territory and lifted the autos-transportation group. For the tenth consecutive quarter, restaurants-hotels returns grew as people enjoyed eating out during the summer months. Moreover, heavily supported by cannabis sales, the food-drugs group also posted gains for the period.

Voter-approved Measure L posted slightly lower results, as local consumers pulled back on retail and transportation-related spending.

Net of adjustments, taxable sales for all of San Diego County grew 0.9% and the Southern California region declined 1.4%.

TOP 25 PRODUCERS

- | | |
|-----------------------|----------------------------|
| Arco | Probuild Company |
| Bob Stall Chevrolet | Roofline Supply & Delivery |
| Brigantine | Ross |
| Burlington | Sedano Ford |
| Carl Burgers Dodge | Sedano Lincoln |
| Chrysler Jeep World | Speedway |
| Chick Fil A | Target |
| Costco VW Gas | The Grove |
| Evergreen Evolution | Vons |
| Guitar Center | Walmart |
| Hobby Lobby | |
| Jungle Boys San Diego | |
| La Mesa Lumber | |
| Lake Murray Ventures | |
| Macy's | |
| Massachusetts Arco | |

Hdl Companies

Published by Hdl Companies in Winter 2024

3Q 2023

CITY OF LA MESA SALES TAX UPDATE



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

Despite continued increases of new car registrations, revenue from the autos-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

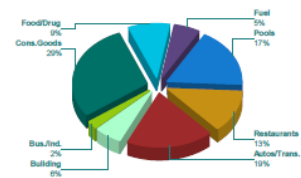
Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP

La Mesa This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

La Mesa Business Type	Q3 '23*	Change	County Change	Hdl. State Change
New Motor Vehicle Dealers	678.7	1.4%	2.0%	-2.4%
Casual Dining	320.5	0.8%	1.8%	2.8%
Service Stations	235.2	-7.8%	-3.0%	-7.4%
Cannabis Related	225.5	7.6%	-7.4%	-3.5%
Quick-Service Restaurants	152.3	7.0%	3.4%	2.7%
Grocery Stores	96.8	12.2%	3.1%	2.3%
Family Apparel	83.1	4.3%	5.7%	3.1%
Specialty Stores	80.5	-1.8%	-0.6%	-2.0%
Convenience Stores/Liquor	66.0	-14.3%	-11.8%	-9.9%
Fast-Casual Restaurants	52.6	2.8%	2.7%	3.3%

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars

Budget Monitoring Report

Quarter Ending September 30, 2023



Questions/Comments