



Budget Workshop FY 24/25

MAY 8, 2024

Budget Calendar

- ▶ FY 23/24 Mid-Year Budget Update – March 2024
- ▶ FY 24/25 Budget Development – March / April 2024
- ▶ Budget Workshops:
 - ▶ General Fund budget - May 8, 2024
 - ▶ Capital Improvement Plan – May 15, 2024
- ▶ Budget Adoption – June 12, 2024

FY 24/25 Budget Priorities

- ▶ **Public Safety** – increased expenditures based on OCSD salary and benefit agreement
- ▶ **Essential Services** – maintain at optimal levels
- ▶ **Financial Growth** – manage and sustain revenue growth
- ▶ **Excellent Staffing** – invest in development and retention
- ▶ **Quality of Life** – continue desired services, programs and activities
- ▶ **Planning for the Future** – investments in infrastructure and reserves maintenance

Budget Development

- ▶ Budgetary Assumptions and Development
 - ▶ Sales Tax expected to have modest growth from year-to-year
 - ▶ Operational revenue growth expected to be 5% higher than prior year's budget; and 2% compared to year-end estimates
 - ▶ Increase in operational expenditures:
 - ▶ Personnel costs
 - ▶ Inflationary factors
 - ▶ OCSD contract second estimate increase of \$867,742 (7.90%); net increase is less when compared to prior year as a majority of the increase has already been incorporated
 - ▶ Total revenues lower as the use of ARPA funds has been completed
 - ▶ Proposed budget includes a very nominal General Fund surplus

General Fund Reserves

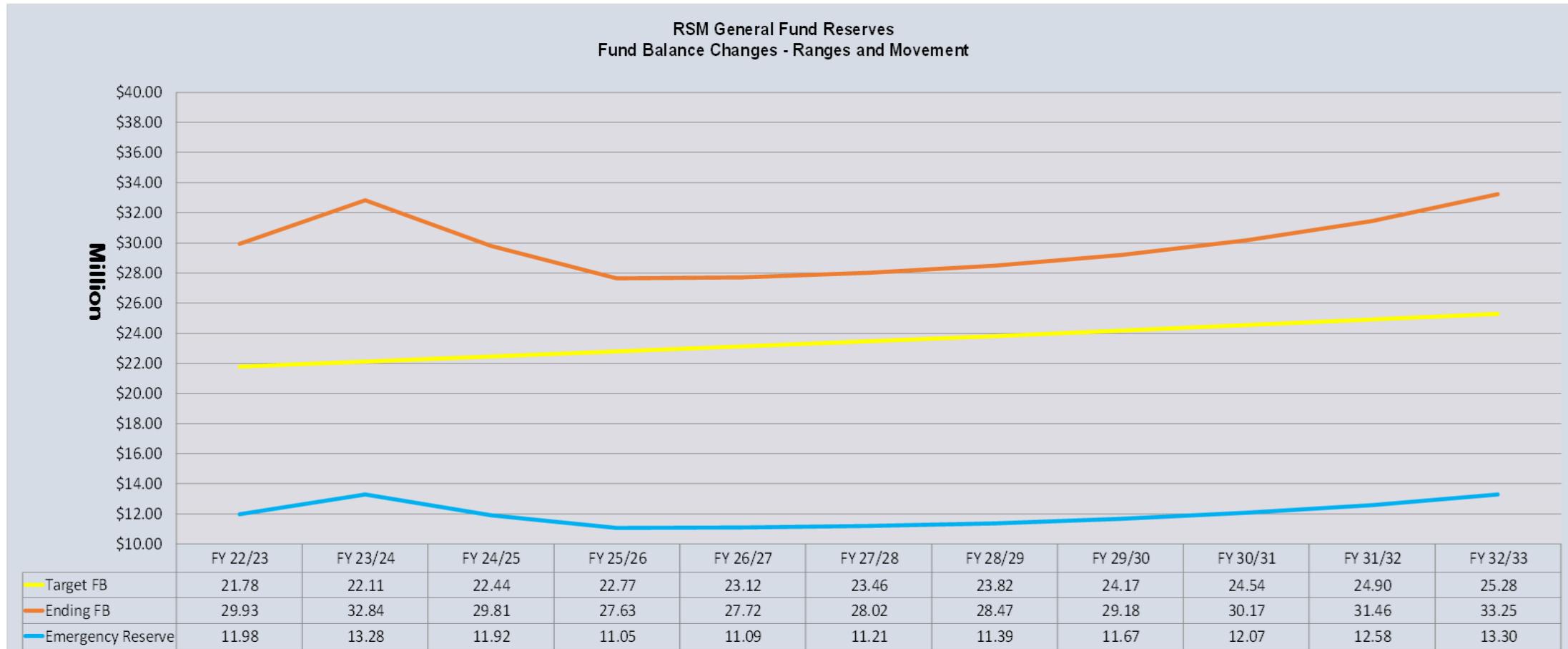


Reserve Funds FY 24/25

General Fund Reserves as of FY 23/24 is projected to be approximately \$32.8 M

- ▶ Reserve Model
 - ▶ Reflects an increase in GF revenues in FY 24/25
 - ▶ Largely due to growth in both Property Tax and Sales Tax
 - ▶ Incorporates a significant increase in Investment Earnings; yet remains a conservative estimate
 - ▶ Expenditures that maintain services and accomplish required goals and priorities
 - ▶ No longer includes the use of ARPA funding
 - ▶ Proposed Reserve expenditures total \$3.3M (CIP of \$3.1M, UAL \$105K, Planning \$94.3K)
 - ▶ Largely discretionary in nature
- ▶ GF balance expected to fluctuate between \$27M & \$29M over the next 6 years; uptick in FY 30/31

Reserve Funds



General Fund Reserve Balances*

	FY 24/25 Estimated Beginning Balance	FY 24/25 Surplus (Deficit)	FY 24/25 Uses	FY 24/25 Estimated Year End Balance	10 Year Target (a)	% of 10 Year Target	Over/ (Under) Target Balance
Emergency	\$ 13,280,916	\$ (1,354,740)	\$ -	\$ 11,926,176	\$ 9,909,357	120%	\$ 2,016,819
Council Strategic (a,c,e,g,h,i)	\$ 14,135,356	85,322	(1,448,923)	\$ 12,771,755	11,512,283	111%	1,259,472
CalPERS UAL (l)	\$ 895,000	-	(105,000)	\$ 790,000	-	na	685,000
Technology (k)	\$ 2,176,981	217,380	(277,541)	\$ 2,116,820	1,709,087	124%	407,733
Facilities (b,d,f,j)	\$ 1,838,366	1,383,122	(1,706,000)	\$ 1,515,488	1,515,488	100%	0
Vehicles	\$ 177,480	17,722	-	\$ 195,202	127,178	153%	68,024
Infrastructure	\$ 339,502	160,498	-	\$ 500,000	500,000	100%	0
Totals	\$ 32,843,601	\$ 509,304	\$ (3,537,464)	\$ 29,815,441	\$ 25,273,393	118%	\$ 4,437,048
<i>Encumbrances</i>	\$ -			\$ -			
<i>Prepays</i>	\$ -			\$ -			
	\$ 32,843,601	\$ 509,304	\$ (3,537,464)	\$ 29,815,441			

(a) use of reserves for Traffic Signal Enhancements \$260,000

(b) use of reserves for Ballroom Resurfacing \$32,000

(c) use of reserves for Antonio Pkwy Gateway Improv. \$800,000

(d) use of reserves for CH & BT Interior LED lighting conversion \$764,000

(e) use of reserves for landscaping SMP & SR-241 \$260,000

(f) use of reserves for Electric Vehicle Charger install \$10,000

(g) use of reserves for CH Veterans Monument \$34,573

(h) use of reserves for Housing Element & Zoning \$79,850

(i) use of reserves for Local Hazard Mit. Plan \$14,500

(j) use of reserves for Solar Roof Panel Install \$900,000

(k) use of reserves for IT \$277,541

(l) use of reserves for UAL \$105,000

* Based on current Reserve Policy

General Fund Overview

General Fund Summary Comparison

	FY 2023/24 Amended Budget	FY 2024/25 Proposed Budget	Percent Change
Estimated Beginning Fund Balance		\$ 32,843,601	
Total Revenues	\$ 24,462,719	\$ 23,741,143	-2.95%
Total Expenditures	22,162,479	23,509,380	6.08%
Surplus/(Deficit)	<u>\$ 2,300,240</u>	<u>\$ 231,763</u>	
Use of Reserves Specific One-time Expenses:			
Capital Improvement Projects	1,381,113	3,060,573	
Unfunded Accrued Liability Pay-down	105,000	105,000	
General Plan & Housing Elements	111,500	79,850	
Local Hazard Mitigation Plan Update	-	14,500	
SB 1383 State Recycling Grant	61,839	-	
Use of reserves net budgeted surplus	<u>\$ 640,788</u>	<u>\$ (3,028,160)</u>	
Estimated Ending Fund Balance		\$ 29,815,441	

General Fund Revenues



General Fund Revenues

Revenue	FY 23/24		FY 23/24		Bud to YE % Change	FY 24/25		Bud to Bud % Change	
	Budget	YE Est				Budget			
Sales Tax	\$ 8,379,761	\$ 8,478,137			1.2% 	\$ 8,579,086		2.4% 	
Prop Tax - VLF	\$ 5,803,503	\$ 5,814,134			0.2% 	\$ 6,021,699		3.8% 	
Prop Tax	\$ 3,145,302	\$ 3,155,922			0.3% 	\$ 3,275,382		4.1% 	
Prop Transfer Tax	\$ 250,000	\$ 250,954			0.4% 	\$ 250,000		0.0% 	
Franchise Fees	\$ 1,769,684	\$ 1,765,686			-0.2% 	\$ 1,775,818		0.3% 	
Other	\$ 660,960	\$ 829,312			25.5% 	\$ 951,265		43.9% 	
Charges for Services	\$ 1,102,080	\$ 1,115,816			1.2% 	\$ 1,101,100		-0.1% 	
Investment Earnings	\$ 477,530	\$ 1,008,530			111.2% 	\$ 801,576		67.9% 	
Operational Revenue	\$ 21,588,820	\$ 22,418,491			3.8%	\$ 22,755,926		5.4%	
Transfers	\$ 2,873,899	\$ 2,835,120			-1.3% 	\$ 985,217		-65.7% 	
Total Revenue	\$ 24,462,719	\$ 25,253,611			3.2%	\$ 23,741,143		-2.9%	

Operational Revenue growth is positive; transfers are without the ARPA Grant

General Fund Revenues

Property and sales tax account for 76% of General Fund
Sale Tax represents 36%, comparable to prior years

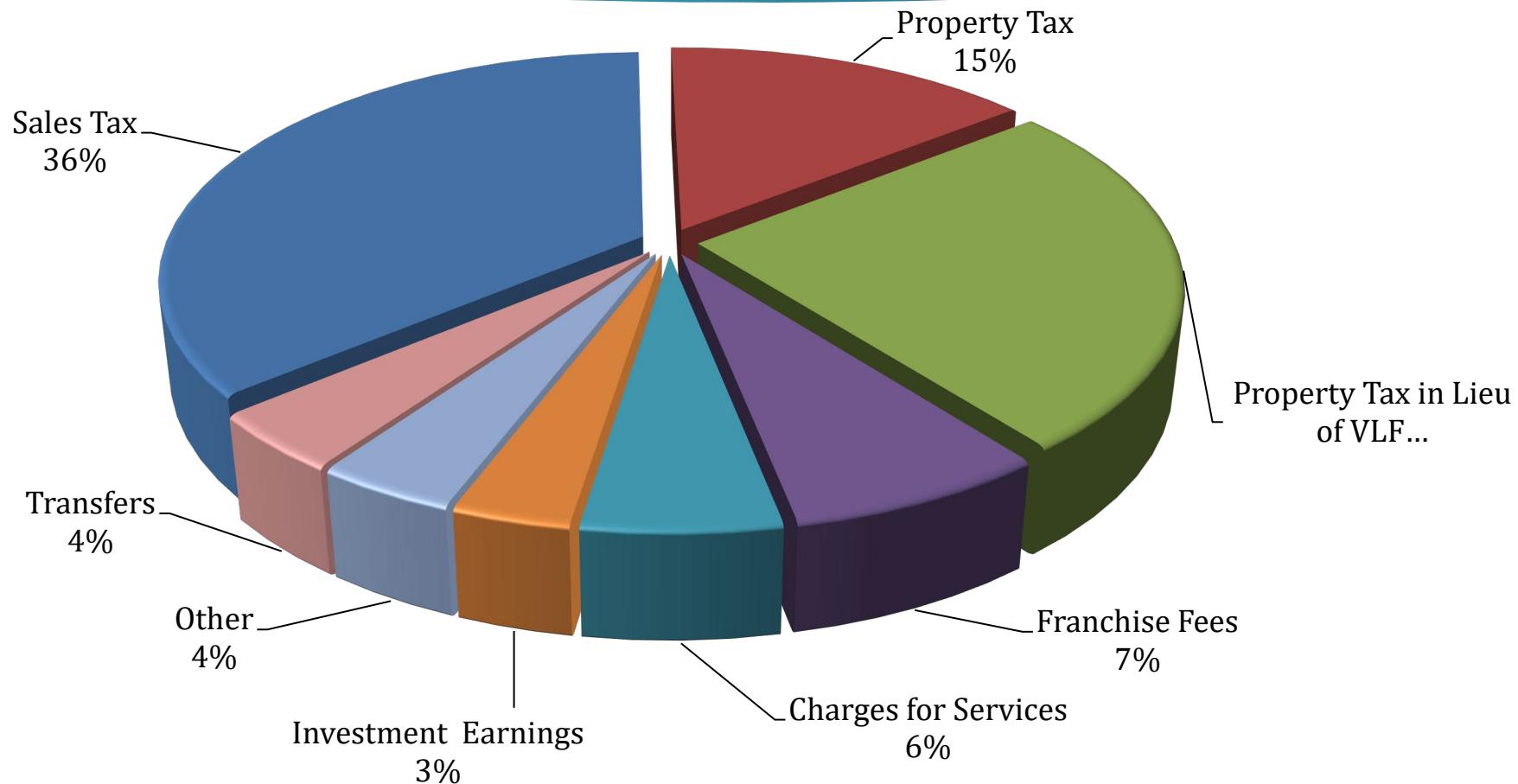
- ↑ 4% Property Tax \$130,080 ↔ Property Transfer Tax held flat
- ↑ 4% Property Tax in-lieu of VLF - \$218,196
- ↑ Modest increase in BTRCC program and facility rental revenues \$41,430
- ↓ Budget estimate based on revenue trend in building permit and planning fees
(Building revenues performing well; however, noticeable slowdown in volume)
- ↑ Grant revenues toward ongoing CalRecycle regulations from SB1383
- ↑ Significant increase in Investment Earnings; some uncertainty in future rate adj.

Sales Tax Revenues

Sales tax revenues are estimated to reflect growth of 2%, \$199K

- ▶ Nominal growth compared to prior year budget estimates; which included a reduction of \$148K, in a prudent move, due to the uncertainty of a recession
- ▶ Changes in sales tax revenue from Countywide Pools beginning to stabilize
 - ▶ Revenue shift to local agencies with in-state distribution centers
- ▶ Growth stems from inflation on taxable goods; uncertainty in consumer spending habits
 - ▶ Strongest category is Autos & Transportation; fluctuations throughout other categories
- ▶ Steady growth in sales tax revenue projected in future years
- ▶ On-going monitoring of missing and late payments to ensure revenue collection

General Fund Revenue Sources



General Fund Expenditures

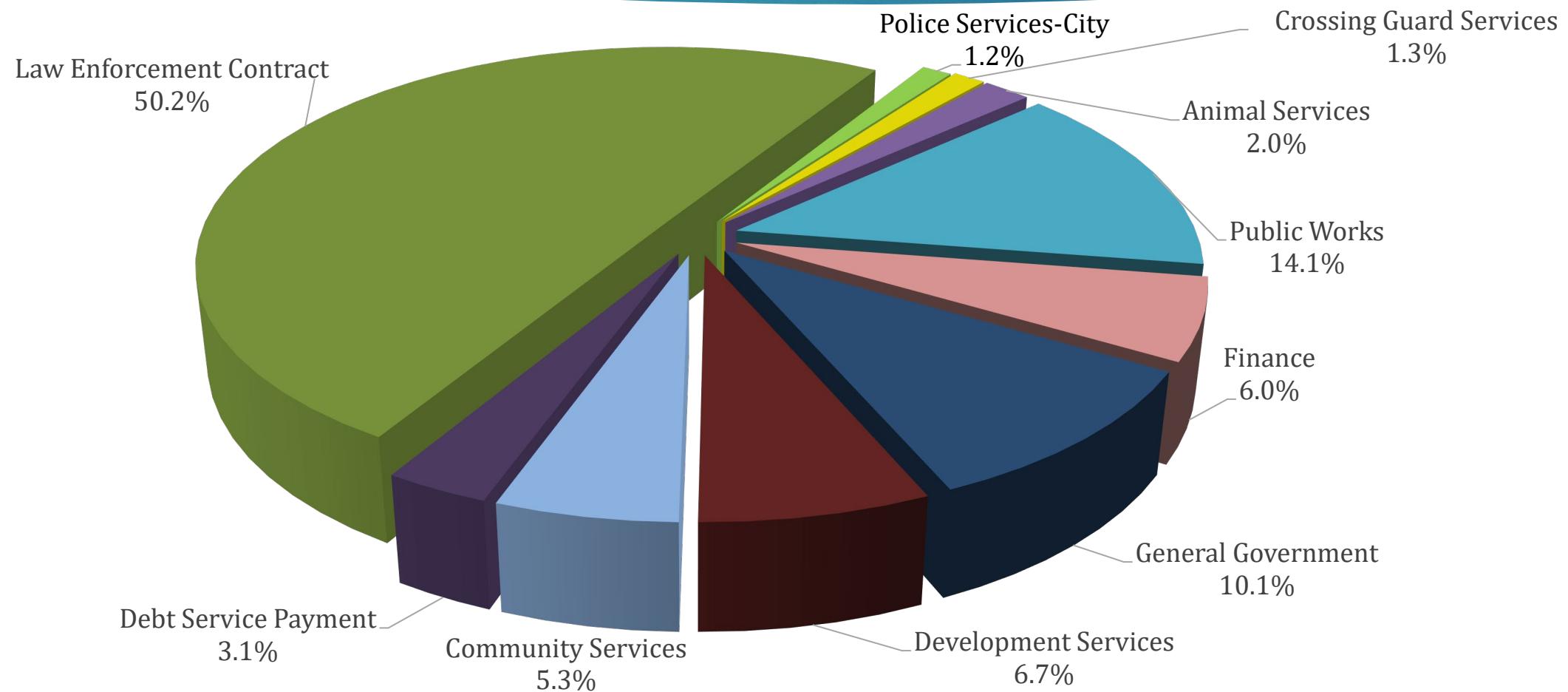


General Fund Expenditures

Expenditures	FY 23/24		FY 23/24		FY 24/25		Bud to Bud		Bud to YE	
	Budget	YE Est.			Budget		Change		Change	
General Government	\$ 2,215,952	\$ 2,152,711	\$ 2,378,502	\$ 162,550	\$ 225,791					
Finance / Non-Dept.	\$ 2,057,263	\$ 1,986,551	\$ 2,140,896	\$ 83,633	\$ 154,345					
Police	\$ 11,756,576	\$ 11,460,488	\$ 12,348,859	\$ 592,283	\$ 888,371					
Animal Control	\$ 441,757	\$ 409,987	\$ 465,214	\$ 23,457	\$ 55,227					
Development Services	\$ 1,625,998	\$ 1,586,507	\$ 1,588,348	\$ (37,650)	\$ 1,841					
Public Works	\$ 2,880,416	\$ 2,893,274	\$ 3,335,281	\$ 454,865	\$ 442,007					
Community Services	\$ 1,184,517	\$ 1,144,844	\$ 1,252,280	\$ 67,763	\$ 107,436					
Total	\$ 22,162,479	\$ 21,634,362	\$ 23,509,380	\$ 1,346,901	\$ 1,875,018					

Increase of \$1,346,901 includes an increase in the OCSD contract due to the recent labor agreement with the County of Orange

Expenditure Allocation



General Fund Expenditures

► Personnel Costs:

- Includes proposed increases for performance-based increases, range adjustments with a total cost up to \$209,946
- No cost-of-living adjustment proposed
- Proposed increase in insurance cafeteria allowance \$100 per month, cost of \$34,800
- Year 2 of UAL Pay-down Plan - \$105,000 (Use of Reserves)

► General Government:

- Includes expenditure for proposed Customer Satisfaction Survey
- Incorporates the General Municipal Election costs of approximately \$60,000
- Increases in City General Liability, Property, and Worker Compensation Insurances
- Increase to Non-Departmental mostly due to use of Reserves for CIP projects

General Fund Expenditures

- ▶ Development Services – Planning decrease of 9% (\$117,013)/ Building & Safety up \$4,213 (1%)
 - ▶ Standard CDBG funding allocations; minimal CDBG-CV funding remaining
 - ▶ Building & Safety budget kept flat; reflective of a slowdown in permit volume (offset by permit revenues)
 - ▶ Steady general economic development activities with the following:
 - ▶ HdL EconSolutions contract & ICSC Business attraction conference
 - ▶ RSM Chamber of Commerce support
 - ▶ CoStar and Placer.ai monitoring services
- ▶ Advanced Planning Projects:
 - ▶ Completion of the Housing Element Rezoning Prog. & Circulation Element Update – GF Reserves
 - ▶ Update the Local Hazard Mitigation Plan - GF Reserves & grant funds

General Fund Expenditures

- ▶ Public Works increase of \$339,573 (27%):
 - ▶ Personnel costs allocated to CIP projects
 - ▶ Includes cost for SB 1383 State requirements; offset by second CalRecycle grant
 - ▶ Higher NPDES permit costs based on County of Orange & State estimates
 - ▶ Proposed purchase of an electric vehicle covered by EECBG grant (\$76,570)
 - ▶ Assist Public Works with daily functions, minimal annual operational and maintenance costs
 - ▶ Completion of speed limit study commenced in current fiscal year
- ▶ Street Maintenance increase of \$137,137 (12%):
 - ▶ Street maintenance contract budget held relatively flat
 - ▶ Increased allocation for striping of the streets for routine and deferred annual striping
 - ▶ Special Repairs held flat; incident costs recouped through insurance claims
 - ▶ Significant increase in Street Sweeping contract of \$114,707; funded with Gas Tax special revenues

General Fund Expenditures

- ▶ Building Maintenance decrease of \$21,845 (5%):
 - ▶ Continues maintenance and addition of holiday decorations
 - ▶ Utility costs held relatively flat due to projected savings:
 - ▶ Newly installed HVAC units at both buildings
 - ▶ City Hall & BTRCC Interior LED lighting Conversion Project
 - ▶ Recent transition from traditional to LED bulbs in the SCE streetlights
 - ▶ Includes funding for continued citywide banner partnership with SAMLARC (\$10,000)

General Fund Expenditures

- ▶ Community Services increased \$67,763 (6%)
 - ▶ BTRCC open and fully operational with continued participation improvement
 - ▶ Includes instructor costs for a full range of recreation classes and programs
 - ▶ Facility rentals are in demand and thriving; regular use by approximately 25 user groups
 - ▶ Funding for community events and activities; including six Summer Concerts, Patriot Day, Veterans Day
 - ▶ New Year's Eve event recognizing the City's 25th Anniversary
 - ▶ Senior Mobility program (SMP) expenditures based on most current census data
- ▶ Mission Viejo Animal Services (MVAS) increased \$23,457 (5%)
 - ▶ Increases mostly attributed to personnel costs – New Animal Care Technicians (ACT)
 - ▶ Assumes a True Up credit, received credits over the last three years, current year credit of \$28,997



Law Enforcement

Total proposed Police Services - \$12,509,431 (increase of 5%)

- ▶ OCSD Law Enforcement Contract (2nd Est.) = \$11,853,107
 - ▶ Police contract reflects an increase; includes new labor agreement costs
 - ▶ General Fund – \$11,738,273; SLESF funds \$114,834
 - ▶ Various rate increases over 3 years, special pay for Motorcycle Officer and Mgt. POST certificate
 - ▶ LEC increase of \$867,742 (7.90%); budget difference skewed due to labor estimate in FY 23/24
 - ▶ Increased costs in fuel due to inflationary pricing – \$15,020
 - ▶ Modest increase in Crossing Guard contract (NIB in process) – \$319,020
 - ▶ Year 2 of Automated License Plate Readers lease – \$70,800
 - ▶ Additional use of SLESF funds:
 - ▶ Slight increase in Special Event Overtime – \$5,000



Conclusion

Council Questions and Discussion

