



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



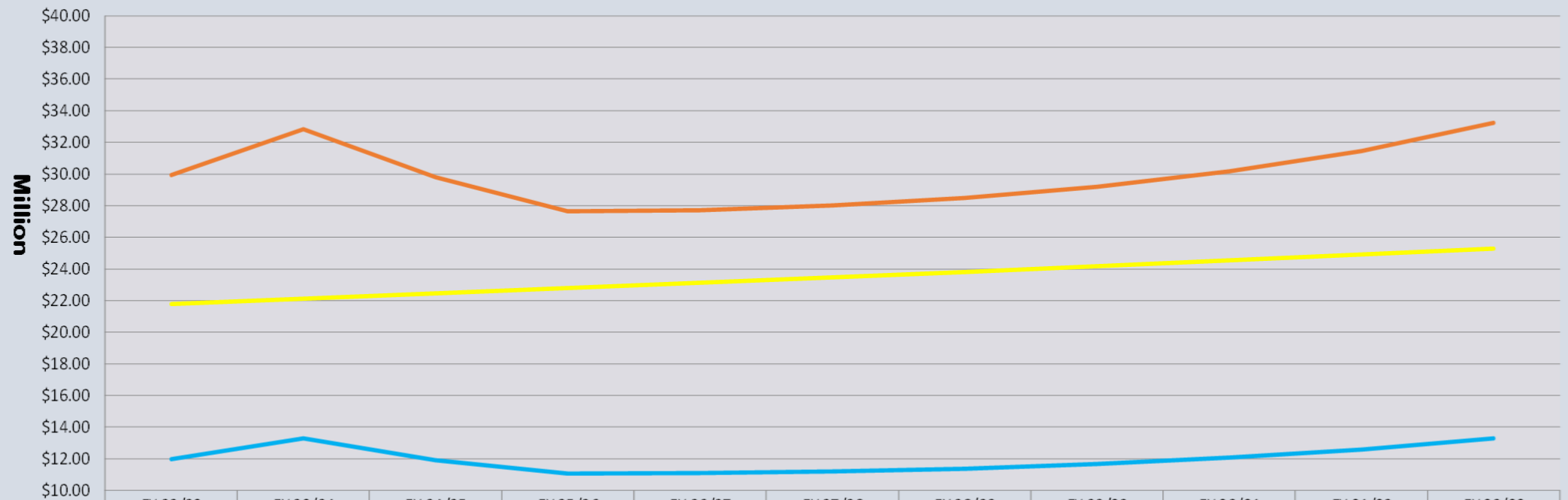
Reserve Funds FY 24/25

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

RSM General Fund Reserves
Fund Balance Changes - Ranges and Movement



	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33
Target FB	21.78	22.11	22.44	22.77	23.12	23.46	23.82	24.17	24.54	24.90	25.28
Ending FB	29.93	32.84	29.81	27.63	27.72	28.02	28.47	29.18	30.17	31.46	33.25
Emergency Reserve	11.98	13.28	11.92	11.05	11.09	11.21	11.39	11.67	12.07	12.58	13.30

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
Emergency	\$ 13,280,916	\$ (1,354,740)	\$ -	\$ 11,926,176
Council Strategic (a,c,e,g,h,i)	\$ 14,135,356	85,322	(1,448,923)	12,771,755
CalPERS UAL (l)	\$ 895,000	-	(105,000)	790,000
Technology (k)	\$ 2,176,981	217,380	(277,541)	2,116,820
Facilities (b,d,f,j)	\$ 1,838,366	1,383,122	(1,706,000)	1,515,488
Vehicles	\$ 177,480	17,722	-	195,202
Infrastructure	\$ 339,502	160,498	-	500,000
Totals	\$ 32,843,601	\$ 509,304	\$ (3,537,464)	\$ 29,815,441
<i>Encumbrances</i>	\$ -			\$ -
<i>Prepays</i>	\$ -			\$ -
	\$ 32,843,601	\$ 509,304	\$ (3,537,464)	\$ 29,815,441

10 Year Target (a)	% of 10 Year Target	Over/ (Under) Target Balance
\$ 9,909,357	120%	\$ 2,016,819
11,512,283	111%	1,259,472
-	na	685,000
1,709,087	124%	407,733
1,515,488	100%	0
127,178	153%	68,024
500,000	100%	0
\$ 25,273,393	118%	\$ 4,437,048

(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 Budget	FY 23/24 YE Est	Bud to YE % Change	FY 24/25 Budget	Bud to Bud % Change
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

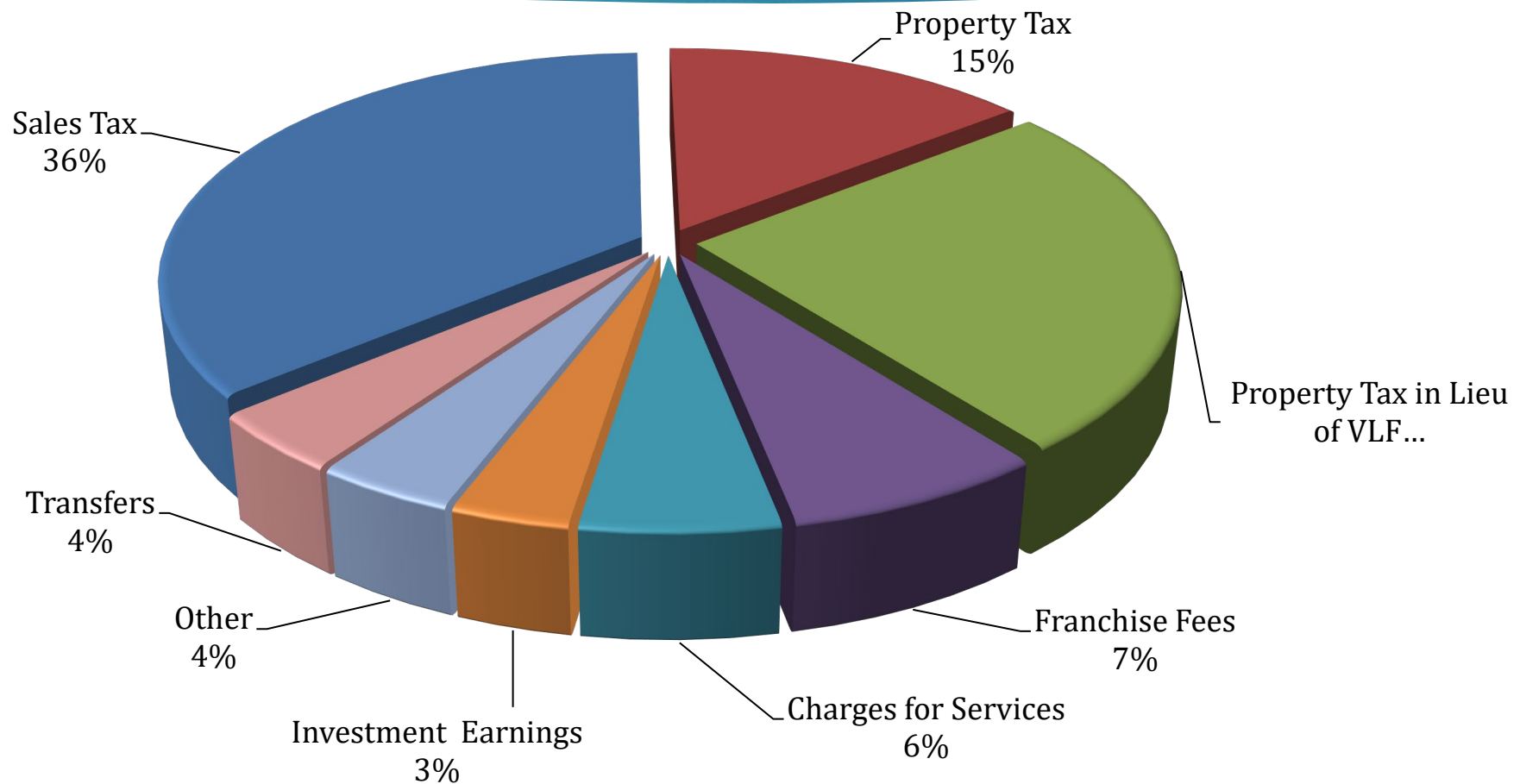
- ↑ 4% Property Tax \$130,080 ↔ Property Transfer Tax held flat
- ↑ 4% Property Tax in-lieu of VLF - \$218,196
- ↑ Modest increase in BTRCC program and facility rental revenues \$41,430
- ↓ Budget estimate based on revenue trend in building permit and planning fees
(Building revenues performing well; 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

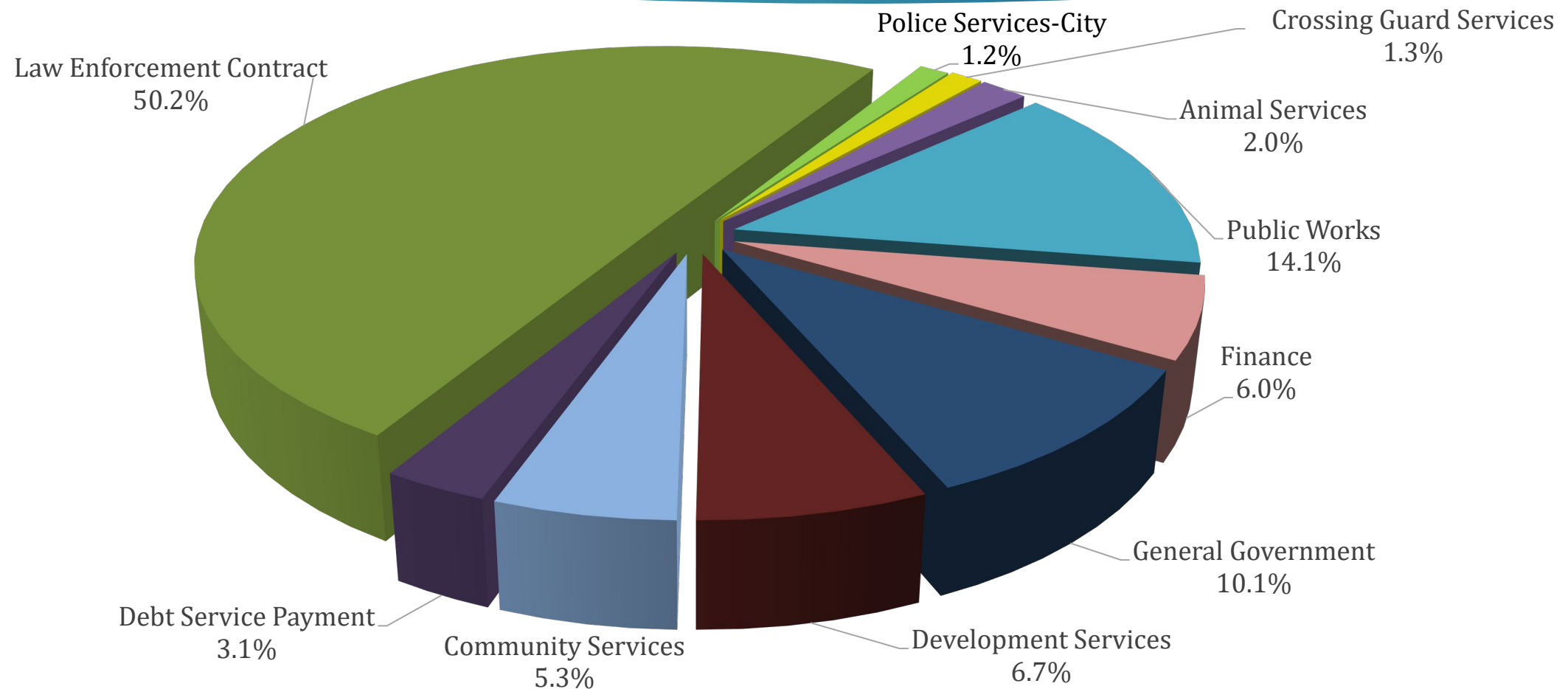


General Fund Expenditures

Expenditures	FY 23/24 Budget	FY 23/24 YE Est.	FY 24/25 Budget	Bud to Bud Change	Bud to YE 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

