

# Budget Adoption

FY 2024/2025

JUNE 12, 2024

# Presentation Overview

- ▶ General Fund
  - ▶ Revenues
  - ▶ Expenditures
  - ▶ Reserves
- ▶ Capital Improvement Program
- ▶ Public Hearing and Adoption

# 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**

# General Fund Overview

## General Fund Summary Comparison

	FY 2023/24 Amended Budget	FY 2024/25 Proposed Budget	Percent Change
<b>Estimated Beginning Fund Balance</b>		<b>\$ 32,843,601</b>	
Total Revenues	\$ 24,462,719	\$ 23,745,483	-2.93%
Total Expenditures	22,162,479	23,494,989	6.01%
Surplus/(Deficit)	<b>\$ 2,300,240</b>	<b>\$ 250,494</b>	
Use of Reserves Specific One-time Expenses:			
Capital Improvement Projects	1,381,113	2,766,000	
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	<b>\$ 640,788</b>	<b>\$ (2,714,856)</b>	
<b>Estimated Ending Fund Balance</b>		<b>\$ 30,128,745</b>	

# Budget Workshop Adjustments

## **General Fund FY 24/25 Proposed Budget Adjustments**

### Revenues:

CDBG Grant Revenue	\$ 4,340
Total Revenue - Increase /(Decrease)	<u>\$ 4,340</u>

### Expenditures:

MV-Animal Services	\$ 6,269
CDBG Grant Expenditures	4,340
Non-Dept. Capital Outlay	(25,000)
Total Expenditure - Increase / (Decrease)	<u>\$ (14,391)</u>

Change in Surplus - Increase / (Decrease)	<u>\$ 18,731</u>
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Adjustment also includes a reduction in General Fund Reserves of \$294,573

# General Fund Revenues



# General Fund Revenues

Revenue	FY 23/24		FY 23/24		Bud to YE % Change	FY 24/25 Budget	Bud to Bud % Change	
	Budget	YE Est						
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% 	\$ 955,605		44.6% 
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% 
<b>Operational Revenue</b>	<b>\$ 21,588,820</b>	<b>\$ 22,418,491</b>			<b>3.8%</b>	<b>\$ 22,760,266</b>		<b>5.4%</b>
Transfers	\$ 2,873,899	\$ 2,835,120			-1.3% 	\$ 985,217		-65.7% 
<b>Total Revenue</b>	<b>\$ 24,462,719</b>	<b>\$ 25,253,611</b>			<b>3.2%</b>	<b>\$ 23,745,483</b>		<b>-2.9%</b>

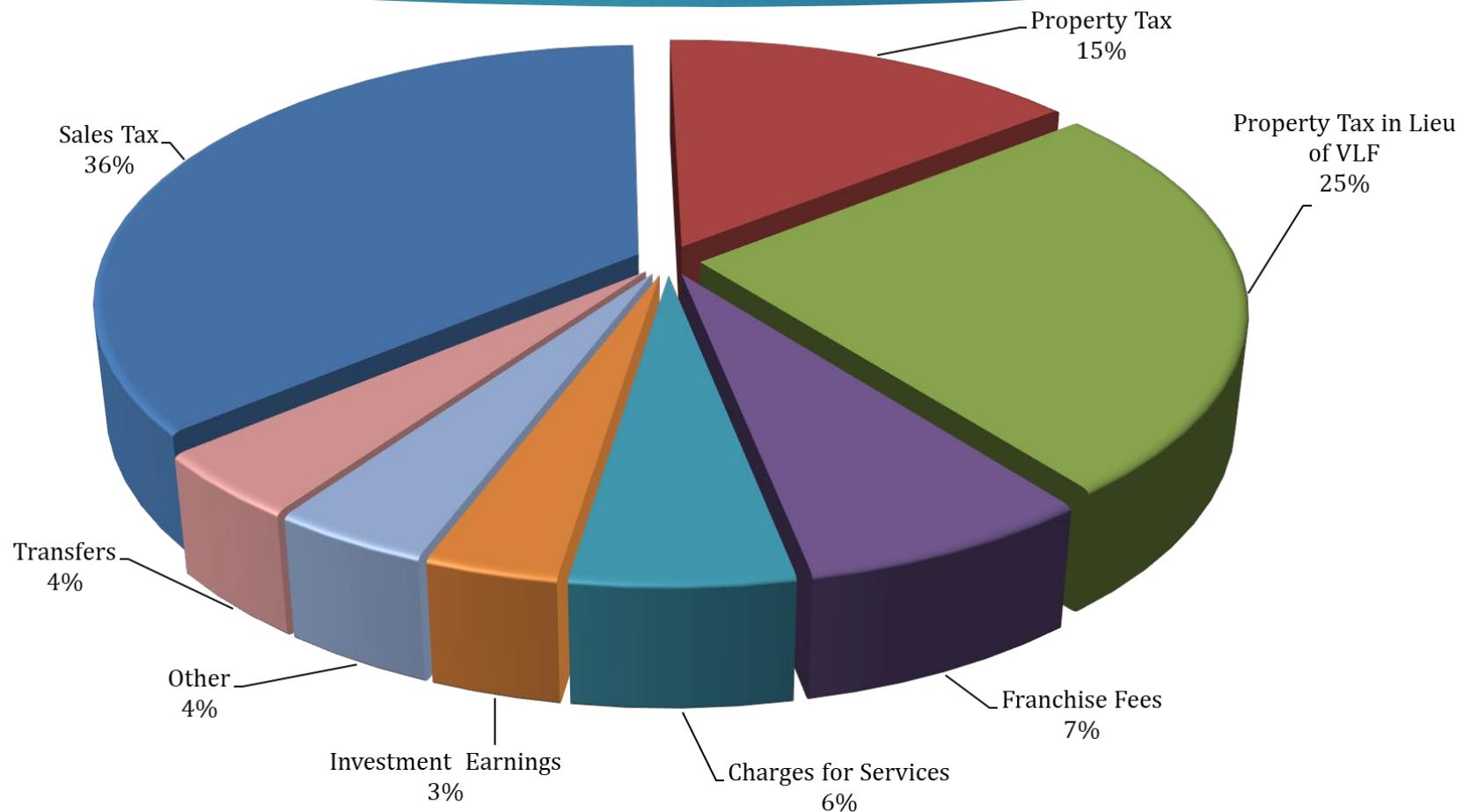
Operational Revenue growth is positive; transfers are without the ARPA Grant

# Sales Tax Revenues

Sales tax revenues are estimated to reflect growth of 2.3%, \$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
  - ▶ 4Q23 experienced growth of 5.2% in Countywide Pool sales tax revenues
- ▶ 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

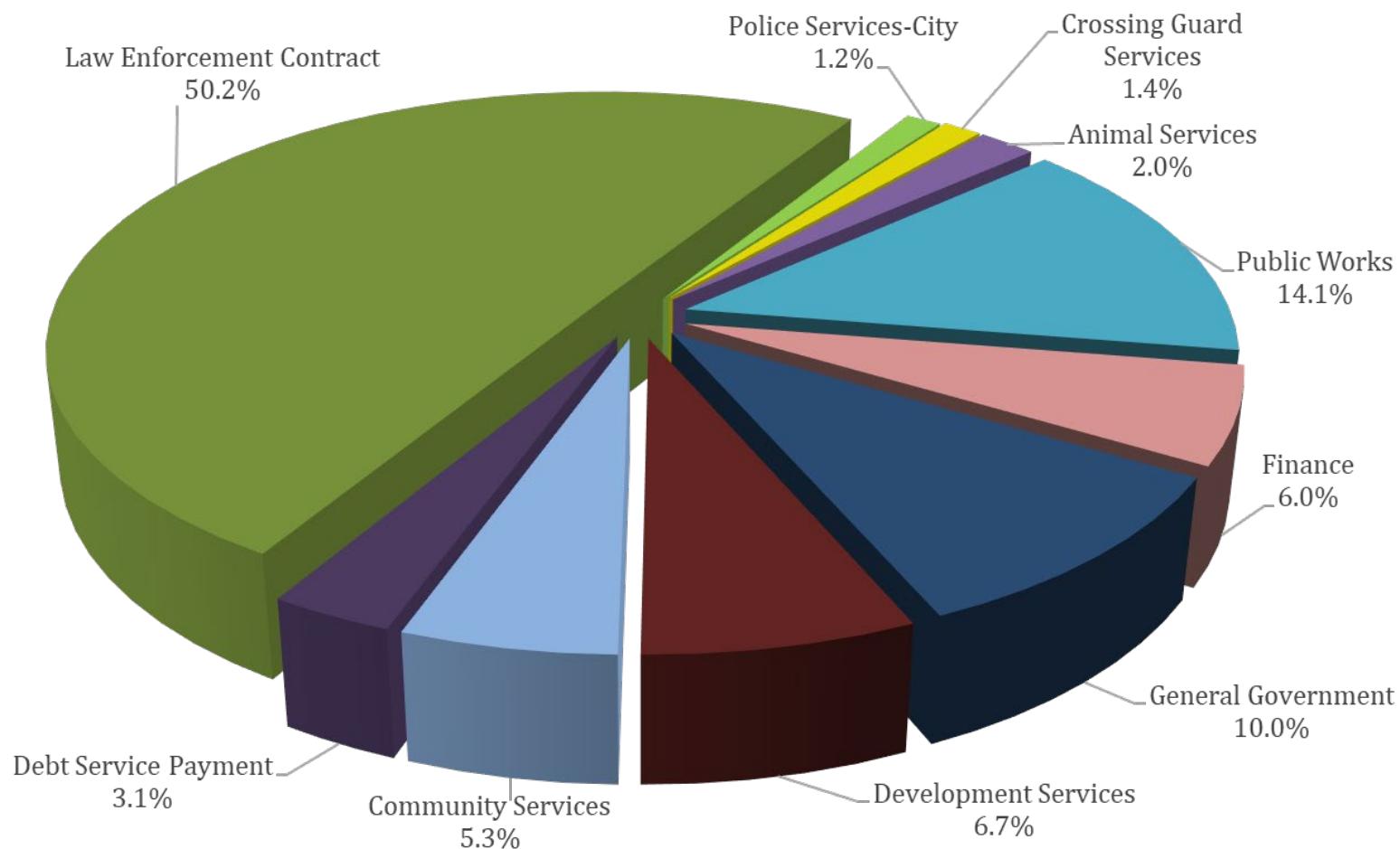


# General Fund Expenditures

Expenditures	FY 23/24		FY 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	\$ 2,115,896	\$ 58,633	\$ 129,345			
Police	\$ 11,756,576	\$ 11,460,488	\$ 12,348,859	\$ 592,283	\$ 888,371			
Animal Control	\$ 441,757	\$ 409,987	\$ 471,483	\$ 29,726	\$ 61,496			
Development Services	\$ 1,625,998	\$ 1,586,507	\$ 1,592,688	\$ (33,310)	\$ 6,181			
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	\$ 23,494,989	\$ 1,332,510	\$ 1,860,627			

Increase of \$1,332,510 includes an increase in the OCSD contract due to the recent labor agreement with the County of Orange

# Expenditure Allocation



# Law Enforcement

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

- ▶ OCSD Law Enforcement Contract = \$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 ( NIBs projecting larger increase than anticipated)
  - ▶ Year 2 of Automated License Plate Readers lease - \$70,800
  - ▶ Additional use of SLESF funds:
    - ▶ Slight increase in Special Event Overtime - \$5,000



# 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 3% (\$37,523)/ Building & Safety up \$4,213 (1%)
  - ▶ Standard CDBG funding allocations, slight adjustment to budget; minimal CDBG-CV
  - ▶ 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%):
  - ▶ Continued maintenance and additional 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 25<sup>th</sup> Anniversary
  - ▶ Senior Mobility program (SMP) expenditures based on most current census data
- ▶ Mission Viejo Animal Services (MVAS) increased \$29,726, adjusted by \$6,269, or (7%)
  - ▶ 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



# Community Support Requests

- ▶ RSM Chamber of Commerce Rancho Family Fest Support
  - ▶ \$32,837.89 – cost of stage, sound and lighting (reimbursement basis)
  - ▶ \$3,468.73 – in kind support (facility staffing and facility use fees/permits)
  - ▶ \$10,000 – in kind support for law enforcement
  - ▶ Funding resolution included for City Council approval
- ▶ SAMLARC – Streetscape Banner Program:
  - ▶ Budget includes funding of \$10,000 to accommodate continued funding in the refresh of SAMLARC's citywide holiday banner program.
  - ▶ Funding resolution included for City Council approval

# General Fund Reserves

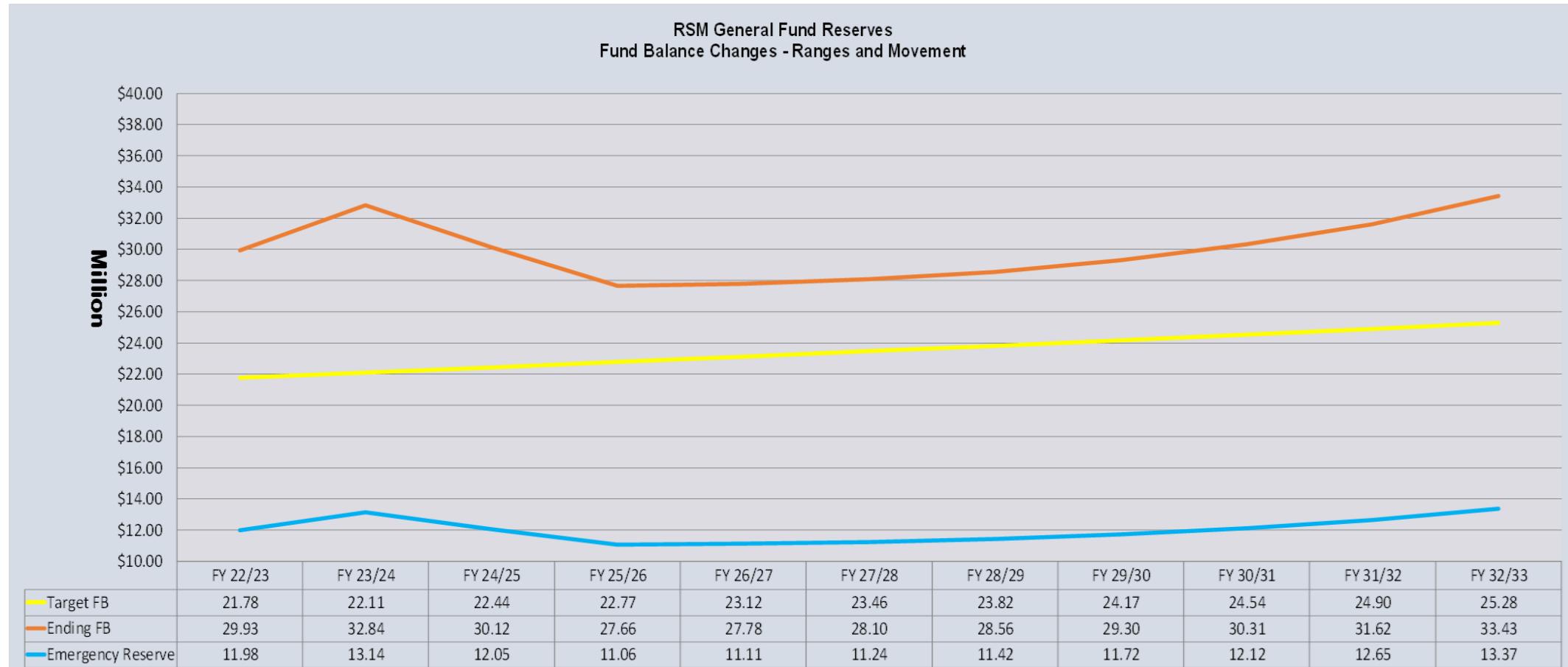


# Reserve Funds FY 24/25

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 \$2.96M (CIP of \$2.76M, UAL \$105K, Planning \$94.3K)
    - ▶ Largely discretionary in nature
- ▶ GF balance expected to fluctuate between \$27M & \$29M over the next 5 years; uptick in FY 30/31

# Reserve Funds



# Reserve Funds

	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
<b>Emergency</b>	\$ 13,137,440	\$ (1,085,942)	\$ -	\$ 12,051,498	\$ 9,909,357	122%	\$ 2,142,141
<b>Council Strategic (a,c,f,g)</b>	\$ 14,026,316	\$ 45,113	\$ (1,154,350)	\$ 12,917,079	\$ 11,512,283	112%	\$ 1,404,796
<b>CalPERS UAL (j)</b>	\$ 895,000	\$ -	\$ (105,000)	\$ 790,000	\$ -	na	\$ 685,000
<b>Technology (i)</b>	\$ 2,223,014	\$ 187,778	\$ (252,541)	\$ 2,158,251	\$ 1,709,087	126%	\$ 449,164
<b>Facilities (b,d,e,h)</b>	\$ 1,880,702	\$ 1,340,786	\$ (1,706,000)	\$ 1,515,488	\$ 1,515,488	100%	\$ (0)
<b>Vehicles</b>	\$ 181,129	\$ 15,300	\$ -	\$ 196,429	\$ 127,178	154%	\$ 69,251
<b>Infrastructure</b>	\$ 500,000	\$ 0	\$ -	\$ 500,000	\$ 500,000	100%	\$ 0
<b>Totals</b>	<b>\$ 32,843,601</b>	<b>\$ 503,035</b>	<b>\$ (3,217,891)</b>	<b>\$ 30,128,745</b>	<b>\$ 25,273,393</b>	<b>119%</b>	<b>\$ 4,750,352</b>

(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 Electric Vehicle Charger install \$10,000

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

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

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

(i) use of reserves for IT \$252,541

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

\* Based on current Reserve Policy

# Capital Improvement Plan



# CIP Revision and Requests from May 15, 2024 Budget Workshop

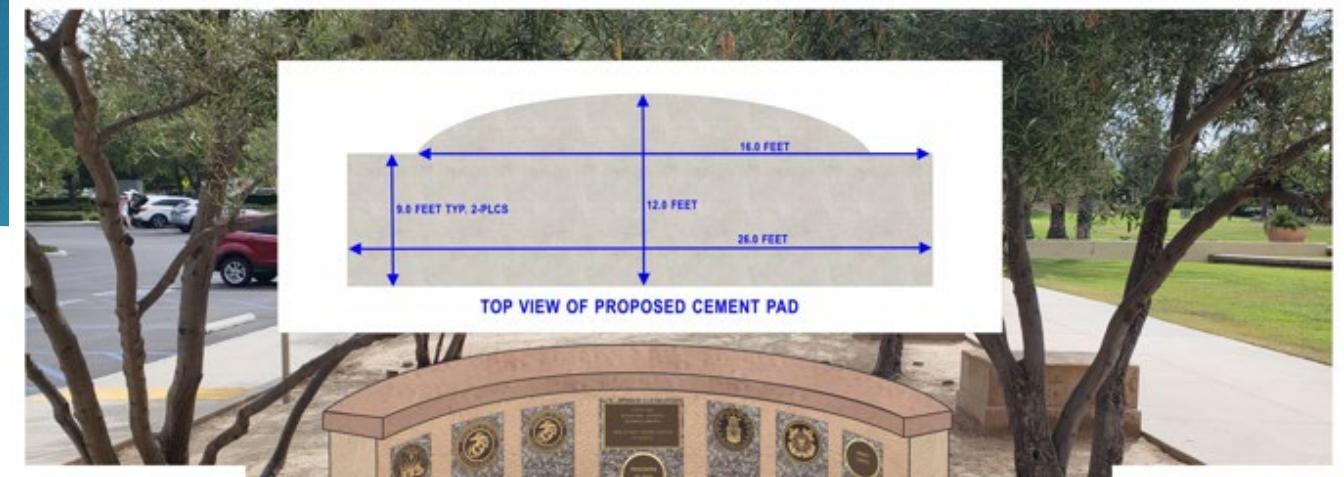
Budget includes three main revisions to the seven-year CIP:

- ▶ Veterans Monument at Central Park
- ▶ Skatepark Improvements
- ▶ Landscaping at SR-241 and Santa Margarita Parkway



# Veterans Monument at Central Park

- ▶ Project deferred to FY 25/26 to provide additional time to research private and public funding opportunities
- ▶ SAMLARC easement is required
- ▶ Design concept will be presented to the City Council for review and comment



SUGGEST THIS MONUMENT, AS SHOWN ABOVE, SIT ON ITS OWN CEMENT PAD, FACED OFF WITH STONE AS SHOWN IN THE PARKING LOT MONUMENT.



15' (180")  
APPROXIMATE INSIDE DISTANCE - TREE TRUNKS AT BASE TO OTHER TREE TRUNK  
SCALING WITHIN DRAWING: (0.22" IN DRAWING + 1.0" TRUE")

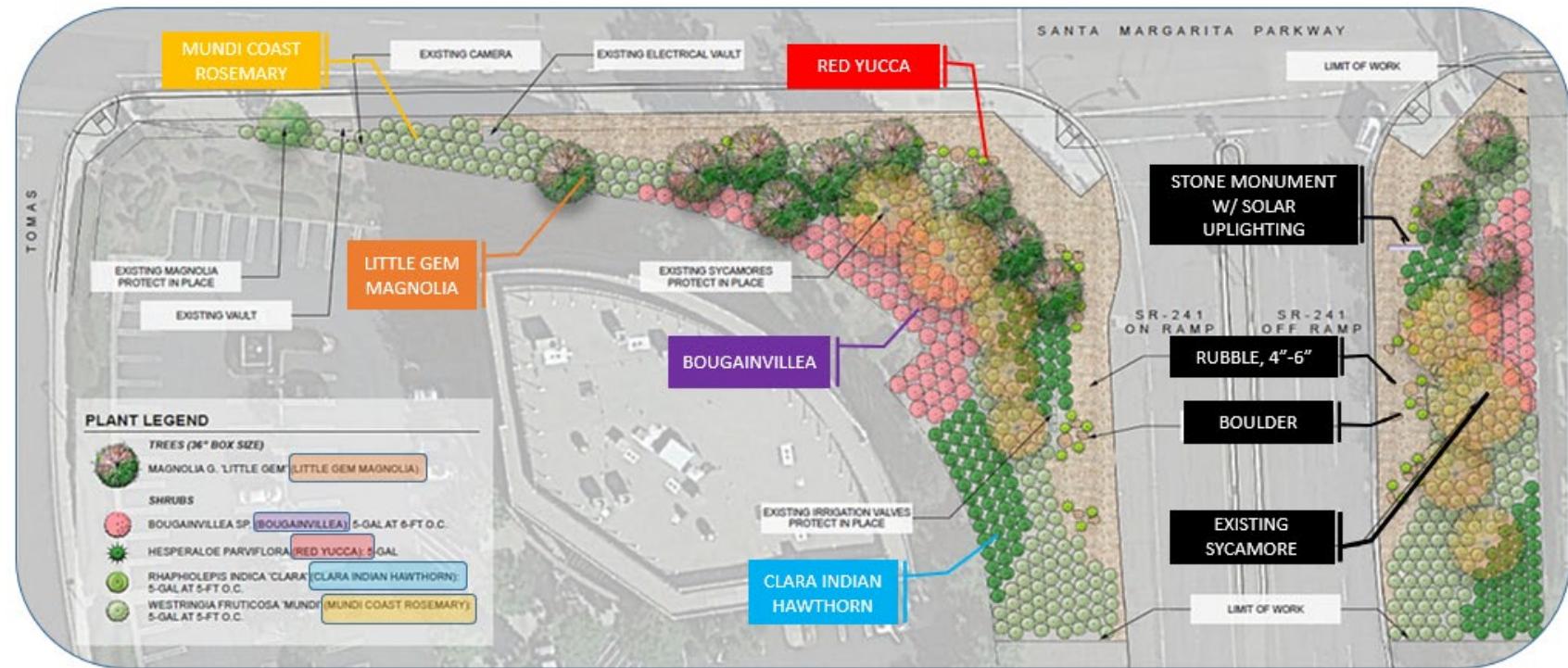
# Skatepark Improvements

- ▶ Project advanced to FY 24/25 by the City Council, at the May 15<sup>th</sup> budget workshop
- ▶ Proposed improvements to City-owned skatepark facility
- ▶ Improvements may include replacement of awnings, installation of drinking fountain, and performance of minor concrete and general preventive maintenance
- ▶ Proposed funding is \$55,000 in Park Trust Fees, which may only be used for limited purposes



# Landscaping at SR-241 and Santa Margarita Parkway

- ▶ Project postponed to FY 25/26 by the City Council, at the May 15<sup>th</sup> budget workshop, due to economic outlook concerns
- ▶ Landscaping pilot project at South SR-241 and Santa Margarita Parkway
- ▶ Design concept approved on February 28, 2024
- ▶ Design phase is expected to be finished by July 2024



# CIP Budget – Project Types

Project Category	Total No. of Projects	Year 1 2024/25 (in 1,000's)	Percent
STREET IMPROVEMENT/MAINTENANCE PROJECTS - Overlays, Slurry Seals, ADA Improvements, Concrete Repairs	5	\$ 2,856	34%
SPECIAL PROJECTS - Skatepark Improvement	1	\$ 55	1%
LANDSCAPE/RENOVATION PROJECTS - Signal Enhancements, Antonio Gateway Improvements	3	\$ 3,020	36%
CITY HALL & BELL TOWER REGIONAL COMMUNITY CENTER PROJECTS - Interior Lighting, EV Charger Install, Roof Improvements, Ballroom Floor, etc.	5	\$ 1,746	21%
TRAFFIC IMPROVEMENT PROJECTS - Signal and Equipment Maintenance, Signal Synchronization	3	\$ 371	4%
BRIDGE PROJECTS - WB SMP Bridge Hinge Habitat, EB SMP Bridge, Antonio Bridge	3	\$ 312	4%
CIP FUND EXPENDITURES SUBTOTAL	20	\$ 8,360	100%

# Recommendations

- ▶ Adoption of the FY 24/25 Operating Budget and CIP Budget Plan, staff recommends approval of the following:
  - ▶ A Resolution adopting the Operating Budget and CIP Budget Plan for FY 24/25
  - ▶ A Resolution adopting a 7-Year Capital Improvement Program in conformance with Renewed Measure M2 requirements
  - ▶ A Resolution establishing the City's Appropriations Limit for FY 24/25
  - ▶ Two Community Support Resolutions – RSM Chamber of Commerce & SAMLARC

# Conclusion

## Council Questions and Discussion

