



FY 2025/26 Budget Workshop

MAY 8, 2025

Budget Calendar

- ▶ FY 24/25 Mid-Year Budget Update – March 2025
- ▶ FY 25/26 Budget Development – March / April 2025
- ▶ Budget Workshops: May 8th and 14th (if needed)
 - ▶ General Fund budget
 - ▶ Capital Improvement Plan
- ▶ Budget Adoption – June 11, 2025

FY 25/26 Budget Priorities

- ▶ **Public Safety** – maintain existing staffing and focus
- ▶ **Essential Services** – maintain at current levels
- ▶ **Financial Growth** – minimal, yet stable revenue growth
- ▶ **Excellent Staffing** – invest in skill development and retention
- ▶ **Quality of Life** – investments in infrastructure enhancements

Budget Development

- ▶ Budgetary Assumptions and Development
 - ▶ Sales Tax expected to be flat compared to budget, minimal growth from Year-end
 - ▶ Operational revenue growth expected to be 2% higher than prior year's budget; and 1% compared to year-end estimates
 - ▶ Operational expenditures relatively flat
 - ▶ OCSD contract increase of \$632,943 (5.34%)
 - ▶ Investment earnings remain strong
 - ▶ Proposed budget includes a very nominal General Fund surplus
 - ▶ Planned use of General Fund reserves for one-time expenditures

General Fund Reserves



Reserve Funds FY 25/26

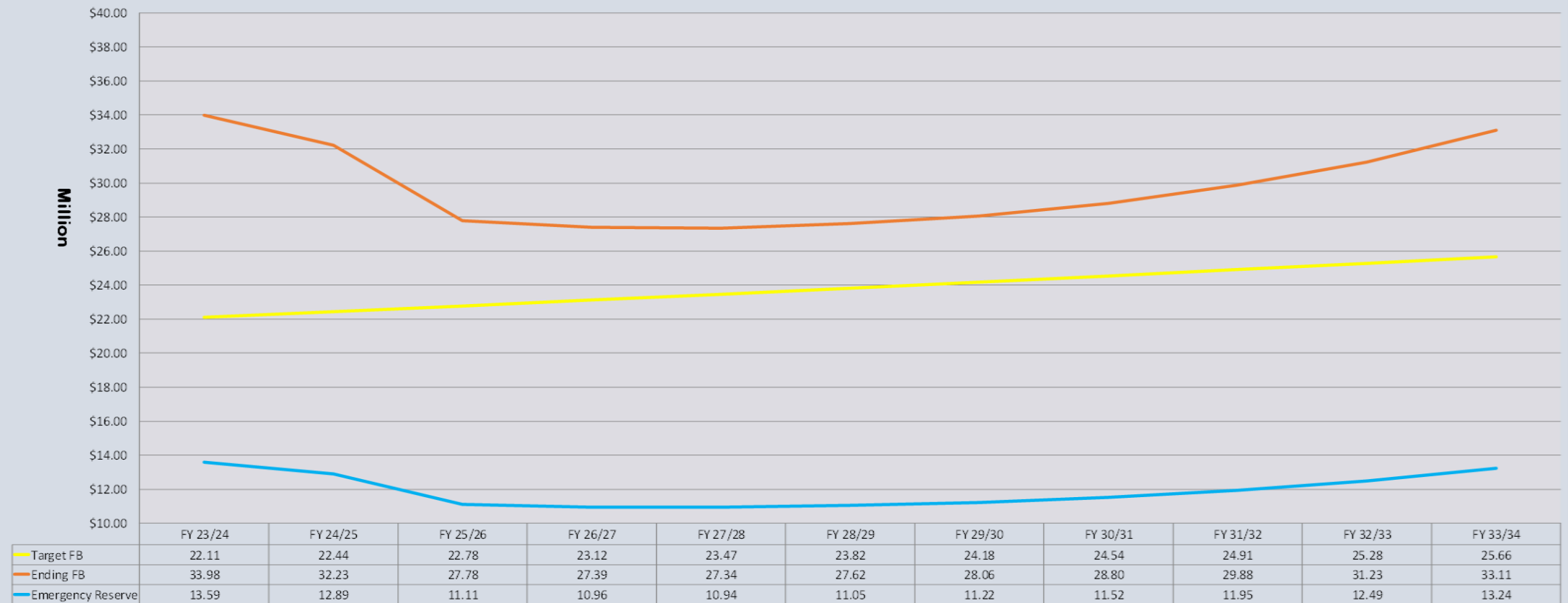
General Fund Reserves as of FY 24/25 is projected to be approximately \$32.2 M

- ▶ Reserve Model

- ▶ Reflects a modest increase in GF revenues in FY 25/26
 - ▶ Largely due to growth in all areas of Property Tax revenues
 - ▶ Incorporates a conservative increase in Investment Earnings
- ▶ Expenditures maintain services and accomplish required goals and priorities
- ▶ Proposed Reserve expenditures total \$4.6M (CIP of \$3.9M)
- ▶ GF balance expected to fluctuate between \$27M & \$28M over the next 6 years; growth resumes in FY 31/32

Reserve Funds

**RSM General Fund Reserves
Fund Balance Changes - Ranges and Movement**



General Fund Reserve Balances*

	FY 25/26 Estimated Beginning Balance	FY 25/26 Surplus (Deficit)	FY 25/26 Uses	FY 25/26 Estimated Year End Balance
Emergency	\$ 12,895,201	\$ (1,780,382)	\$ -	\$ 11,114,820
Council Strategic (a,c,e,f,g,h,i,n,o,p)	\$ 14,247,388	\$ 110,064	(2,395,317)	11,962,135
CalPERS UAL (j)	\$ 790,000	\$ -	(105,000)	685,000
Technology (k,l,m)	\$ 2,041,768	\$ 240,242	(502,124)	1,779,886
Facilities (b,d)	\$ 1,515,488	\$ 1,852,000	(1,852,000)	1,515,488
Vehicles	\$ 205,538	\$ 24,184	-	229,721
Infrastructure	\$ 543,408	\$ (43,408)	-	500,000
Totals	\$ 32,238,791	\$ 402,700	\$ (4,854,441)	\$ 27,787,050

10 Year Target (a)	% of 10 Year Target	Over/ (Under) Target Balance
\$ 9,909,357	112%	\$ 1,205,463
11,512,283	104%	449,852
-	na	685,000
1,709,087	104%	70,799
1,515,488	100%	(0)
127,178	181%	102,543
500,000	100%	0
\$ 25,273,393	110%	\$ 2,513,657

- (a) use of reserves for Traffic Signal Enhancements \$200,000
- (b) use of reserves for Civic Center Turf Replacement \$12,000
- (c) use of reserves for Antonio Pkwy Gateway Improv. \$150,000
- (d) use of reserves for Solar Roof Panel Install \$1,840,000
- (e) use of reserves for Ave de las Flores intersection Improv. \$50,000
- (f) use of reserves for Veterans Monument \$100,000

- (g) use of reserves for Emergency Operations Plan \$48,350
- (h) use of reserves for User Fee Study \$45,000
- (i) use of reserves for Legal Services-Litigation \$64,000
- (j) use of reserves for UAL \$105,000
- (k) use of reserves for IT \$192,124
- (l) use of reserves for Financial Software System \$250,000

- (m) use of reserves for Audio-Visual BTRCC \$60,000
- (n) use of reserves for SB 1383 \$104,967
- (o) use of reserves for Zoning Codes \$8,000
- (p) use of reserves for Antonio Pkwy (Parkways) \$1,625,000

* Based on current Reserve Policy

General Fund Overview

General Fund Summary Comparison

	FY 2024/25 Amended Budget	FY 2025/26 Proposed Budget	Percent Change
Estimated Beginning Fund Balance		\$ 32,238,791	
Total Revenues	\$ 23,745,483	\$ 24,289,568	2.29%
Total Expenditures	23,494,989	24,078,992	2.49%
Surplus/(Deficit)	<u>\$ 250,494</u>	<u>\$ 210,576</u>	
Use of Reserves Specific One-time Expenses:			
Capital Improvement Projects	3,336,000	3,977,000	
Financial Software	-	250,000	
AV System Upgrade - BTRCC	-	60,000	
EOC Plan & Training	-	48,350	
User Fee Study	-	45,000	
Legal Services - Special Counsel	-	64,000	
Unfunded Accrued Liability Pay-down	105,000	105,000	
General Plan & Housing Elements	94,350	-	
Zoning Code Updates	-	8,000	
SB 1383 State Recycling Grant	-	104,967	
Use of reserves net budgeted surplus	<u>\$ (3,284,856)</u>	<u>\$ (4,451,741)</u>	
Estimated Ending Fund Balance		\$ 27,787,050	

General Fund Revenues

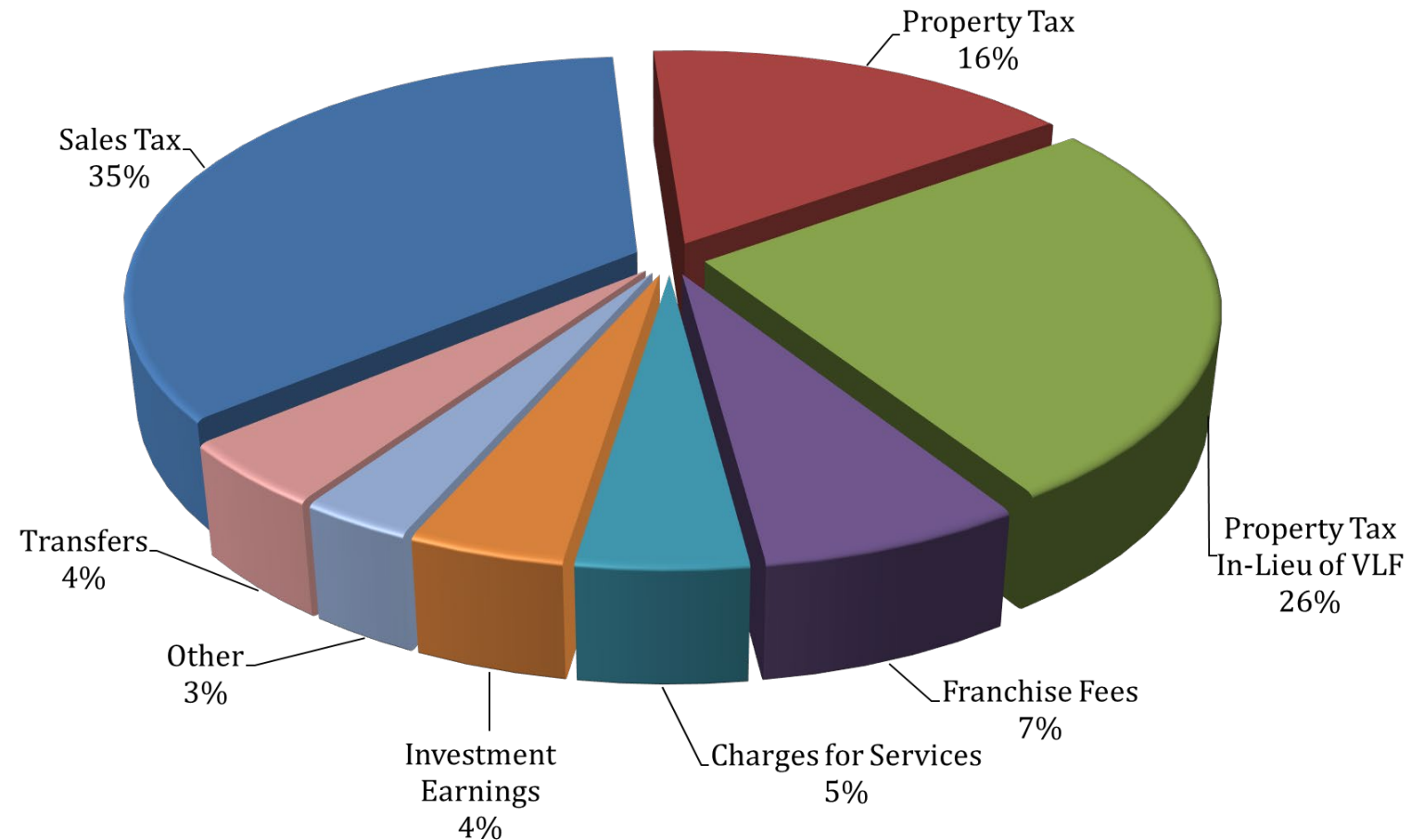


General Fund Revenues

Revenue	FY 24/25 Budget	FY 24/25 YE Est	Bud to YE % Change	FY 25/26 Budget	Bud to Bud % Change
Sales Tax	\$ 8,579,086	\$ 8,342,419	-2.8% ↓	\$ 8,590,538	0.1% ↔
Prop Tax - VLF	\$ 6,021,699	\$ 6,088,838	1.1% ↑	\$ 6,341,525	5.3% ↑
Prop Tax	\$ 3,275,382	\$ 3,300,195	0.8% ↔	\$ 3,451,335	5.4% ↑
Prop Transfer Tax	\$ 250,000	\$ 273,513	9.4% ↑	\$ 275,000	10.0% ↑
Franchise Fees	\$ 1,775,818	\$ 1,757,765	-1.0% ↓	\$ 1,713,409	-3.5% ↓
Other	\$ 955,605	\$ 843,336	-11.7% ↓	\$ 734,059	-23.2% ↓
Charges for Services	\$ 1,101,100	\$ 1,105,307	0.4% ↔	\$ 1,108,826	0.7% ↔
Investment Earnings	\$ 801,576	\$ 1,280,238	59.7% ↑	\$ 1,017,022	26.9% ↑
Operational Revenue	\$ 22,760,266	\$ 22,991,611	1.0%	\$ 23,231,714	2.1%
Transfers	\$ 985,217	\$ 917,957	-6.8% ↓	\$ 1,057,854	7.4% ↑
Total Revenue	\$ 23,745,483	\$ 23,909,568	0.7%	\$ 24,289,568	2.3%

Operational Revenue reflects modest, yet positive growth

General Fund Revenue Sources



General Fund Revenues

Property and sales tax account for 77% of General Fund

Sale Tax represents 35%, comparable to prior years

- ↑ 5% Property Tax \$175,953 ↑ Property Transfer Tax up slightly \$25,000
- ↑ 5% Property Tax in-lieu of VLF - \$319,826
- ↑ Stable growth in BTRCC program and facility rental revenues \$14,000
- ↔ Budget estimate based on revenue trend in building permit and planning fees
(Building revenues performing well; volume and valuation consistent year-to-year)
- ↓ Gas franchise fees spiked in FY 23/24; lower but in-line with prior years (\$63,470)
- ↑ Significant increase in Investment Earnings; some uncertainty in future rate adj's

Sales Tax Revenues

Sales tax revenues are estimated to be relatively flat for FY 25/26

- ▶ Minor growth compared to prior year budget estimates; due to economic uncertainty; however modest growth compared to year-end estimates \$248,119 (2.97%)
- ▶ Concerns pertaining to tariffs, inflation, and consumer spending habits
 - ▶ Consumers reflect a prudent and cautious mindset
- ▶ Changes in sales tax revenue from Countywide Pools have stabilized
- ▶ Lower sales tax receipts also reflective of significant gains in comparable prior quarters
- ▶ Steady growth in sales tax revenue projected in future years
- ▶ On-going monitoring of missing and late payments to ensure revenue collection

General Fund Expenditures

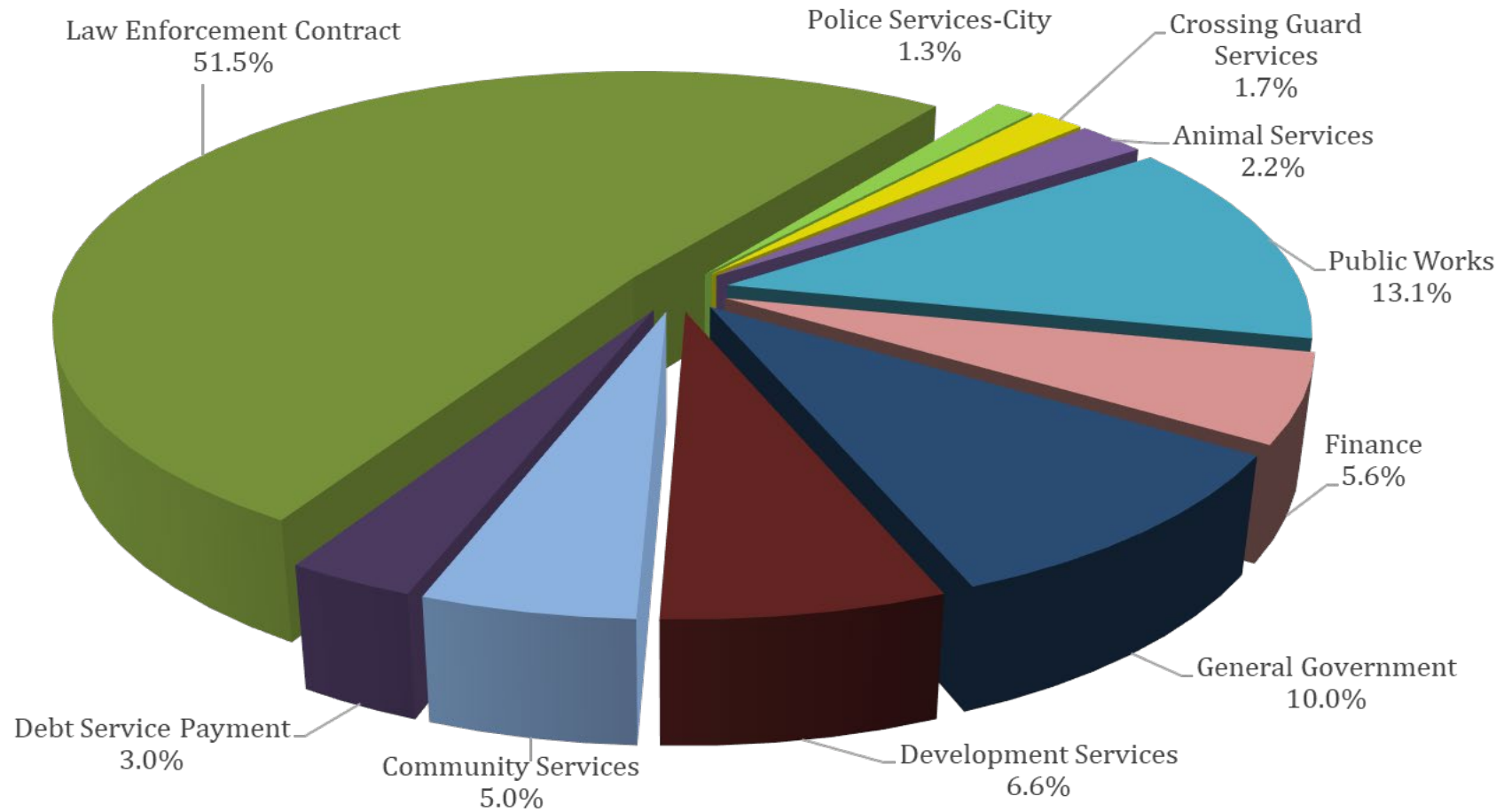


General Fund Expenditures

Expenditures	FY 24/25 Budget	FY 24/25 YE Est.	FY 25/26 Budget	Bud to Bud Change	Bud to YE Change
General Government	\$ 2,378,502	\$ 2,454,602	\$ 2,428,985	\$ 50,483	\$ (25,617)
Finance / Non-Dept.	\$ 2,115,896	\$ 2,055,945	\$ 2,094,868	\$ (21,028)	\$ 38,923
Police	\$ 12,348,859	\$ 12,378,399	\$ 13,039,944	\$ 691,085	\$ 661,545
Animal Control	\$ 471,483	\$ 484,256	\$ 520,424	\$ 48,941	\$ 36,168
Development Services	\$ 1,592,688	\$ 1,581,466	\$ 1,603,948	\$ 11,260	\$ 22,482
Public Works	\$ 3,335,281	\$ 3,088,253	\$ 3,181,265	\$ (154,016)	\$ 93,012
Community Services	\$ 1,252,280	\$ 1,139,902	\$ 1,209,558	\$ (42,722)	\$ 69,656
Total	\$ 23,494,989	\$ 23,182,823	\$ 24,078,992	\$ 584,003	\$ 896,169

Net increase of \$584,003 includes an increase in the OCSD contract offset by lower costs throughout the department budgets

Expenditure Allocation



Public Safety Expenditures

- ▶ Mission Viejo Animal Services (MVAS) increased \$48,941 (10%)
 - ▶ Increases attributed to personnel costs including PERS UAL costs
 - ▶ Maintenance, equipment replacement, and capital outlay shelter project costs:
 - ▶ Shelter surveillance system
 - ▶ Improvements to the sewer lift system that cleans the kennels
 - ▶ Assumes a True-Up credit, the City has historically received a true-up credit each fiscal year
- ▶ Crossing Guard Services:
 - ▶ Crossing Guard contract (Year 2 of 3) – \$403,152
 - ▶ Provides services at approximately 19 designated locations



Law Enforcement Contract

Total proposed Police Services - \$13,254,228 (increase of 6%)

- ▶ OCSD Law Enforcement Contract = \$12,486,050
 - ▶ Police contract reflects an increase; last year of labor agreement costs
 - ▶ General Fund - \$12,326,302; SLESF funds \$159,748
 - ▶ LEC increase of \$632,943 (5.34%)
 - ▶ Additional use of SLESF funds:
 - ▶ Special Event Overtime - \$15,000
 - ▶ Purchase of E-Bikes (\$15,000), E-Citation support (\$1,000)
 - ▶ Automated License Plate Readers lease; proposes additional 10 cameras - \$113,800



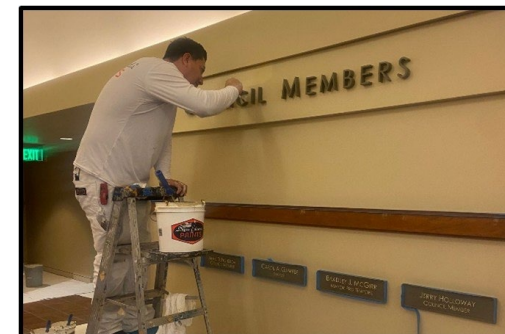
Public Works Expenditures

- ▶ Public Works decrease of \$104,221 (7%):
 - ▶ Personnel costs allocated to CIP projects are based on proposed projects
 - ▶ Includes cost for SB 1383 State requirements; offset by 2nd CalRecycle grant
 - ▶ Lower NPDES permit costs based on County of Orange & State estimates
 - ▶ One-time expenditures completed in FY 24/25; purchase of EV Truck and Speed Study
- ▶ Street Maintenance increase of \$46,437 (4%):
 - ▶ Street maintenance contract budget held relatively flat
 - ▶ Estimates include striping of the streets for routine and deferred annual striping
 - ▶ Special Repairs held flat; incident costs recouped through insurance claims
 - ▶ Increase in Street Sweeping contract for additional seasonal sweeping from Oct. through April; estimated cost \$36,474 (Street Sweeping is funded with Gas Tax special revenues)



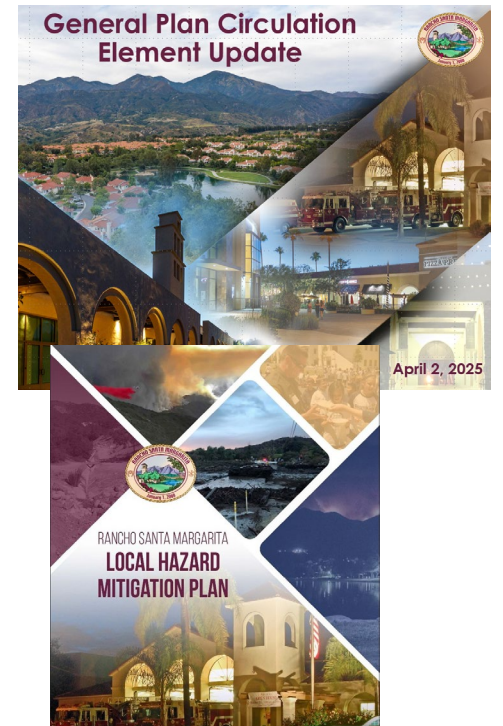
Public Works Expenditures

- ▶ Building Maintenance increase of \$8,735 (2%):
 - ▶ Continues maintenance and addition of holiday decorations
 - ▶ Utility costs held relatively flat due to projected savings:
 - ▶ New HVAC units at both buildings
 - ▶ City Hall & BTRCC Interior LED lighting Conversion Project
- ▶ City is experiencing lower energy usage, which keeps overall costs down, even with annual increases in utility rates



Development Services Expenditures

- ▶ Development Services - Planning decrease of 6% (\$82,649)/Building & Safety up \$7,559 (2%)
 - ▶ Standard CDBG funding allocations based on current estimates
 - ▶ Building & Safety budget kept flat
 - ▶ Steady general economic development activities with the following:
 - ▶ ICSC Business attraction conference
 - ▶ RSM Chamber of Commerce support
 - ▶ CoStar and Placer.ai services
 - ▶ Advanced Planning Projects:
 - ▶ Completed updates to Local Hazard Mitigation Plan and Circulation Element
 - ▶ Minor Zoning code updates - GF Reserves
 - ▶ Anti-camping ordinance



General Government Expenditures

▶ Personnel Costs:

- ▶ Includes proposed increases for performance-based increases, range adjustments with a total cost up to \$190,628; No cost-of-living adjustment proposed.
- ▶ No proposed increase in medical insurance cafeteria allowance.
- ▶ Year 3 of UAL Pay-down Plan - \$105,000 (Use of Reserves)
- ▶ Includes staff training & development

▶ General Government:

- ▶ Increase in Non-Departmental mostly due to use of Reserves for CIP projects and Technology expenditures
- ▶ Increases in City General Liability, Property, and Workers Compensation Insurances
- ▶ No General Municipal Election costs in FY 25/26

Community Service Expenditures

- ▶ Community Services decreased by \$42,772 (3%)
 - ▶ The BTRCC serves as the center for a variety of community needs:
 - ▶ Enrichment Programming
 - ▶ Community Wellness and Education
 - ▶ Youth Activities
 - ▶ Intergenerational Initiatives
 - ▶ Civic Engagement
 - ▶ Seasonal or Pop-Up Events
- ▶ Programs offer a full range of class options with year-over-year increased enrollment
- ▶ Facility rentals are in high demand and thriving; regular use by approximately 25 user groups; additional HOAs, High School and Corporate events
- ▶ Former Youth Lounge – expansion and diversification of City-operated programs; allows flexibility and multi-use options
- ▶ Robust number of Senior Activities offered



Community Service Expenditures

- ▶ Senior Mobility program (SMP) – providing essential transportation to RSM Seniors
- ▶ New format of the Community Living Magazine proposes a slight decrease in production cost
- ▶ Funding for community events and activities:
 - ▶ Six Summer Concerts
 - ▶ Patriot Day Commemoration
 - ▶ Veterans Day Reception
 - ▶ New Year's Eve Event
- ▶ Continued celebration of the City's 25th Anniversary



Conclusion

Council Questions and Discussion

