



# 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 8<sup>th</sup> and 14<sup>th</sup> (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

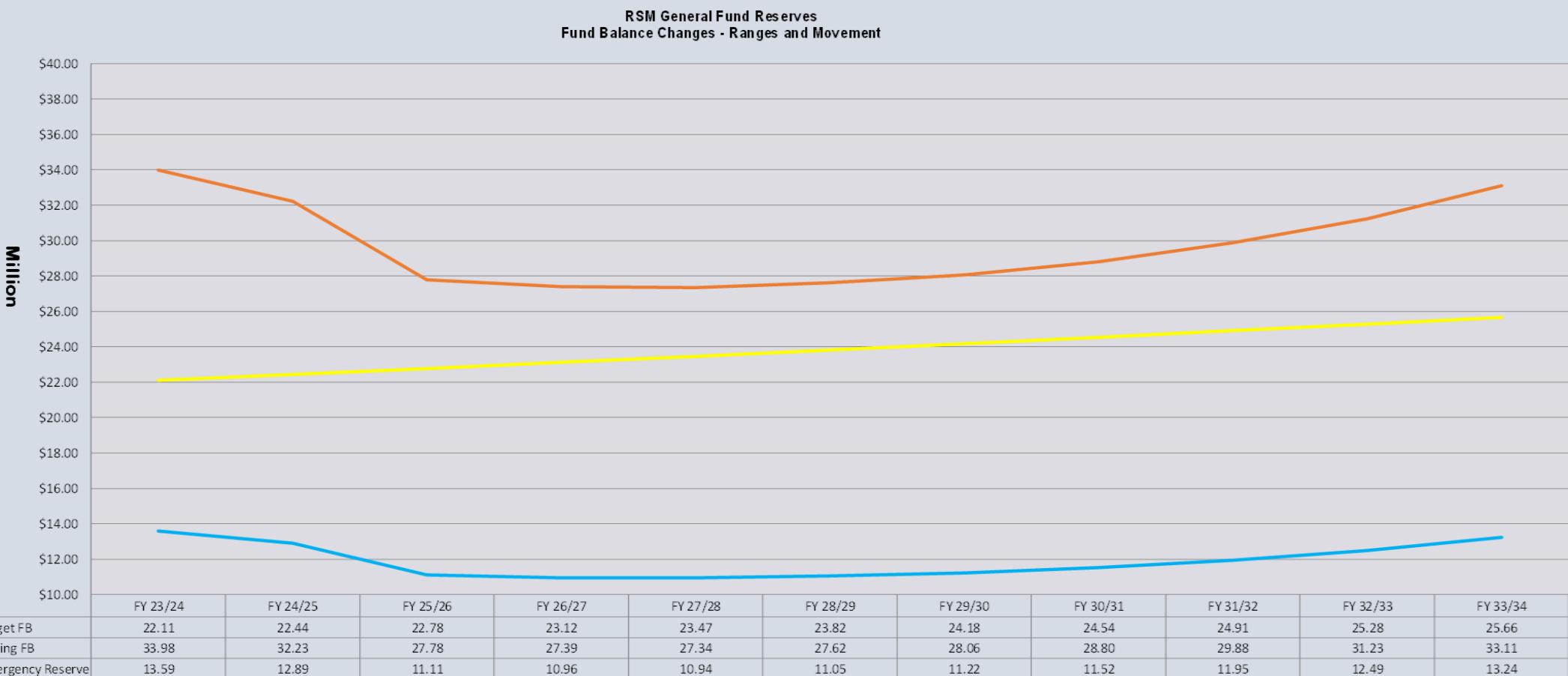


# Reserve Funds FY 25/26

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



# General Fund Reserve Balances\*

	<b>FY 25/26 Estimated Beginning Balance</b>	<b>FY 25/26 Surplus (Deficit)</b>	<b>FY 25/26 Uses</b>	<b>FY 25/26 Estimated Year End Balance</b>	<b>10 Year Target (a)</b>	<b>% of 10 Year Target</b>	<b>Over/ (Under) Target Balance</b>
<b>Emergency</b>	\$ 12,895,201	\$ (1,780,382)	\$ -	\$ 11,114,820	\$ 9,909,357	112%	\$ 1,205,463
<b>Council Strategic (a,c,e,f,g,h,i,n,o,p)</b>	\$ 14,247,388	\$ 110,064	\$ (2,395,317)	\$ 11,962,135	\$ 11,512,283	104%	\$ 449,852
<b>CalPERS UAL (j)</b>	\$ 790,000	\$ -	\$ (105,000)	\$ 685,000	-	na	\$ 685,000
<b>Technology (k,l,m)</b>	\$ 2,041,768	\$ 240,242	\$ (502,124)	\$ 1,779,886	1,709,087	104%	70,799
<b>Facilities (b,d)</b>	\$ 1,515,488	\$ 1,852,000	\$ (1,852,000)	\$ 1,515,488	1,515,488	100%	(0)
<b>Vehicles</b>	\$ 205,538	\$ 24,184	\$ -	\$ 229,721	127,178	181%	\$ 102,543
<b>Infrastructure</b>	\$ 543,408	\$ (43,408)	\$ -	\$ 500,000	500,000	100%	0
<b>Totals</b>	<b>\$ 32,238,791</b>	<b>\$ 402,700</b>	<b>\$ (4,854,441)</b>	<b>\$ 27,787,050</b>	<b>\$ 25,273,393</b>	<b>110%</b>	<b>\$ 2,513,657</b>

(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

# General Fund Overview

## General Fund Summary Comparison

	FY 2024/25 Amended Budget	FY 2025/26 Proposed Budget	Percent Change
<b>Estimated Beginning Fund Balance</b>		<b>\$ 32,238,791</b>	
Total Revenues	\$ 23,745,483	\$ 24,289,568	2.29%
Total Expenditures	23,494,989	24,078,992	2.49%
Surplus/(Deficit)	<b>\$ 250,494</b>	<b>\$ 210,576</b>	
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	<b>\$ (3,284,856)</b>	<b>\$ (4,451,741)</b>	
<b>Estimated Ending Fund Balance</b>		<b>\$ 27,787,050</b>	

# General Fund Revenues

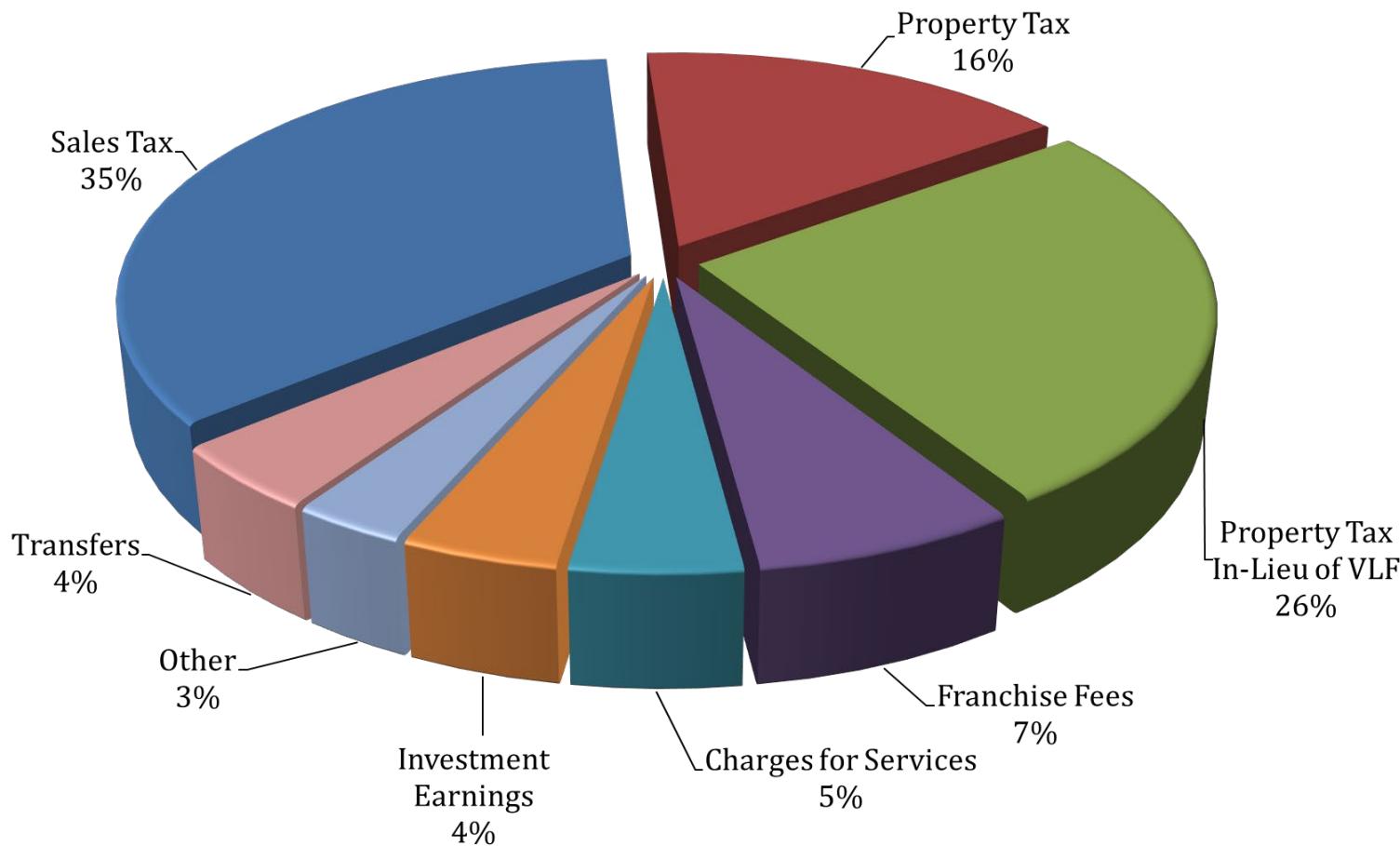


# General Fund Revenues

Revenue	FY 24/25		FY 24/25		Bud to YE % Change	FY 25/26		Bud to Bud % Change	
	Budget	YE Est				Budget	% 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% 		
<b>Operational Revenue</b>	<b>\$ 22,760,266</b>	<b>\$ 22,991,611</b>			<b>1.0%</b>	<b>\$ 23,231,714</b>	<b>2.1%</b>		
Transfers	\$ 985,217	\$ 917,957			-6.8% 	\$ 1,057,854	7.4% 		
<b>Total Revenue</b>	<b>\$ 23,745,483</b>	<b>\$ 23,909,568</b>			<b>0.7%</b>	<b>\$ 24,289,568</b>	<b>2.3%</b>		

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

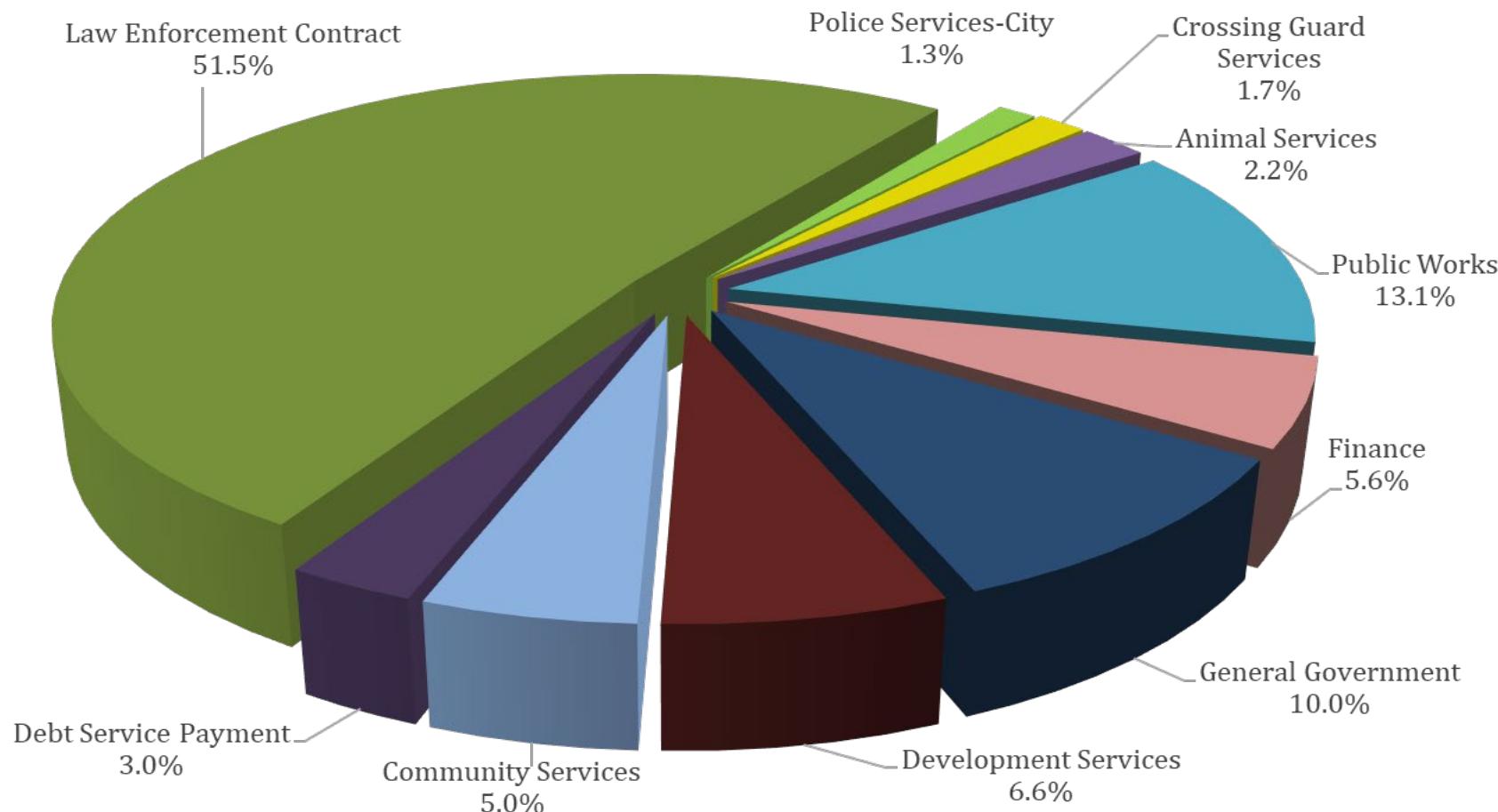


# General Fund Expenditures

<b>Expenditures</b>	<b>FY 24/25</b>		<b>FY 24/25</b>		<b>FY 25/26</b>		<b>Bud to Bud</b>		<b>Bud to YE</b>	
	<b>Budget</b>	<b>YE Est.</b>	<b>Budget</b>	<b>Budget</b>	<b>Change</b>	<b>Change</b>				
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)



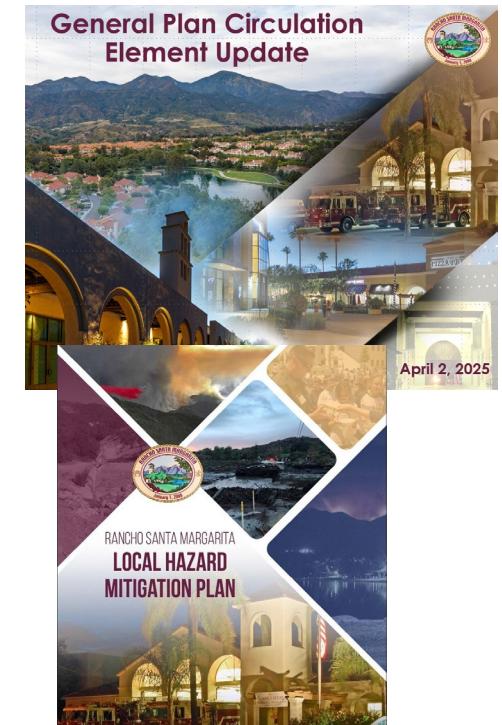
# Public Works Expenditures

- ▶ 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 25<sup>th</sup> Anniversary



# Conclusion

## Council Questions and Discussion

