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FY 2023-25 BUDGET WORKSHOP

MAY 31, 2023

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Highlights of the FY2023-24 and FY2024-25 Biennial Budget

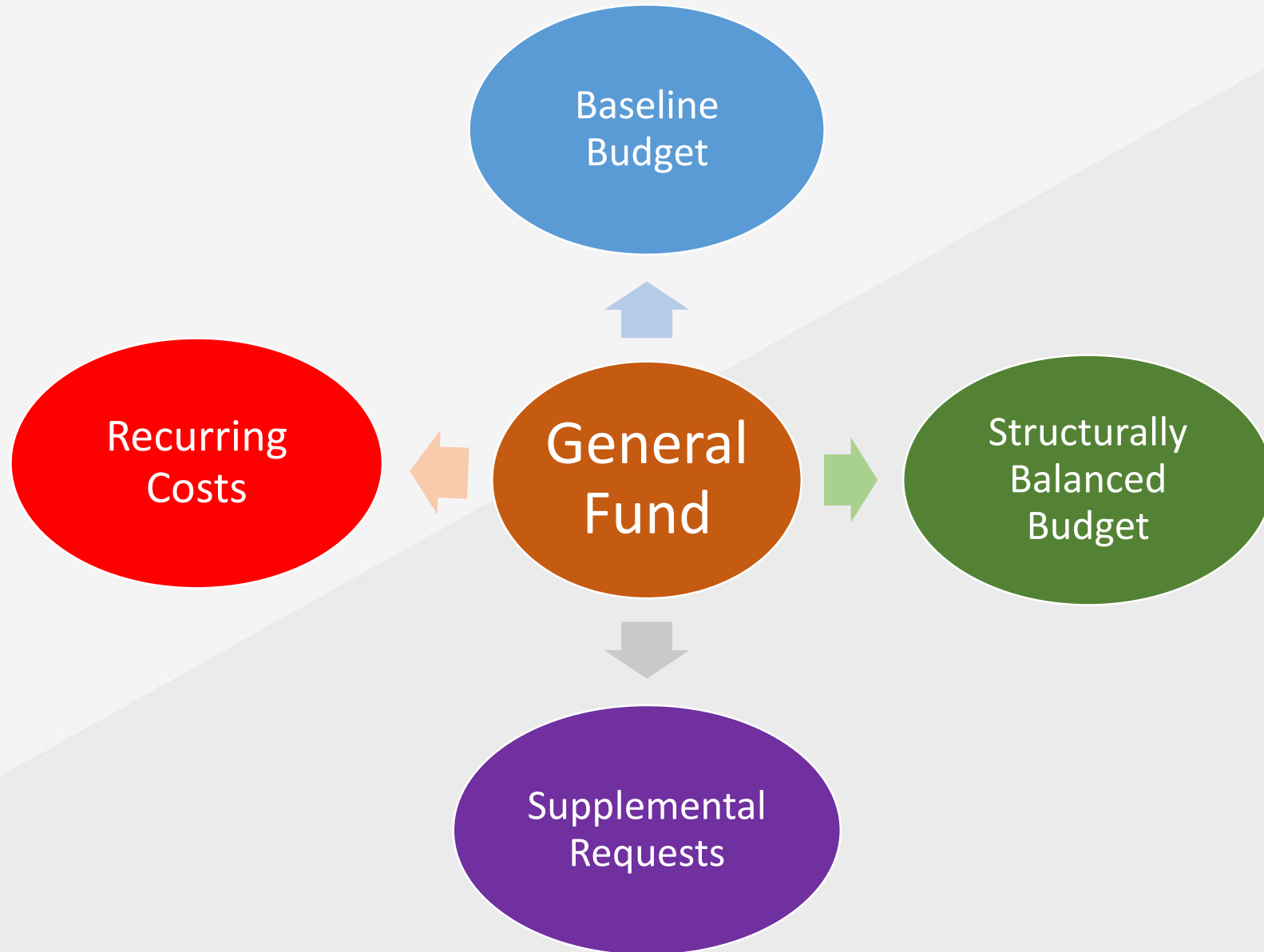
Good news...

- **Balanced budget for both years**
- Added 17 Full-time positions to strategically address Council priorities
- Increased funding for various City programs
- Implemented the Capital Asset Renewal and Replacement program
- Completed organizational restructure to improve efficiency and promote succession planning

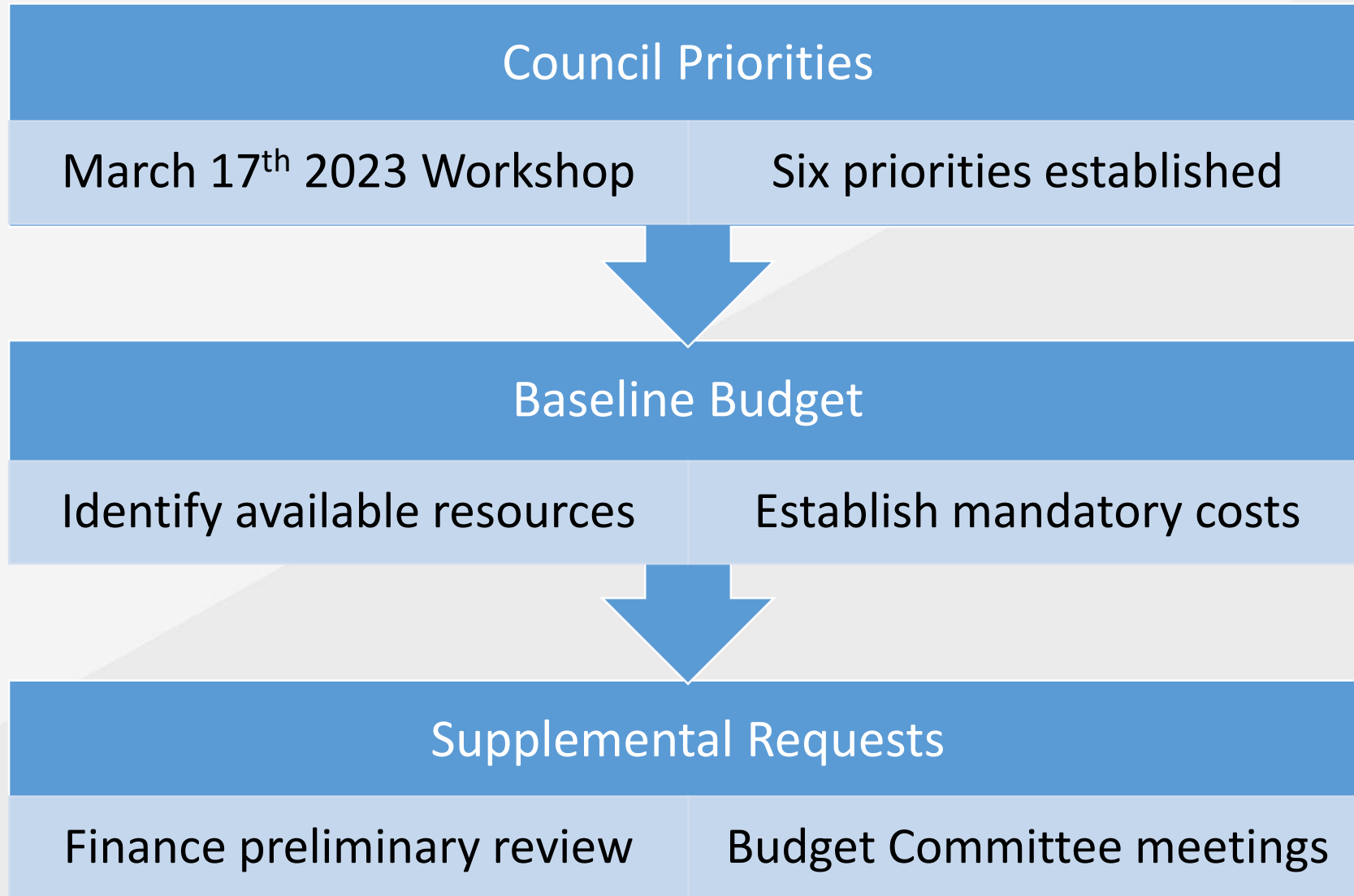
Continued focuses...

- Carefully align recurring costs with ongoing revenue sources
- Ensure sufficient reserves to weather potential mild recession
- Continue to address pension obligations
- Strategically fund the implementation of the City's comprehensive infrastructure policy

Budget Terminologies



FY2023-24 and FY2024-25 Biennial Budget – Development Process



2023-2025 Council Priorities



Let's start with BASELINE...

What do we have?

REVENUE SOURCES	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
SALES TAX	\$ 30,639	\$ 31,409
MEASURE O	29,669	30,415
PROPERTY TAX	60,890	62,596
HOTEL VISITOR'S TAX	25,000	25,750
OTHER GF REVENUE	20,945	21,453
TOTAL	<u>\$ 167,143</u>	<u>\$ 171,623</u>

What do we need?

EXPENSE CATEGORIES	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
LABOR COSTS (with OT)	\$ 97,885	\$ 102,478
OCFA & FIRE UAL	31,126	31,685
SERVICES & SUPPLIES	16,771	17,813
INTERNAL SERVICE /DEBT SERVICE	14,020	14,473
TRANSFERS OUT	1,700	1,697
TOTAL	<u>\$ 161,502</u>	<u>\$ 168,146</u>

	FY 2023-24 ('\$000)	FY 2024-25 ('\$000)
PROJECTED SURPLUS - BASELINE	\$ 5,641	\$ 3,477

Revenue Baseline:

- No new revenue sources
- Consistent estimation method from prior years

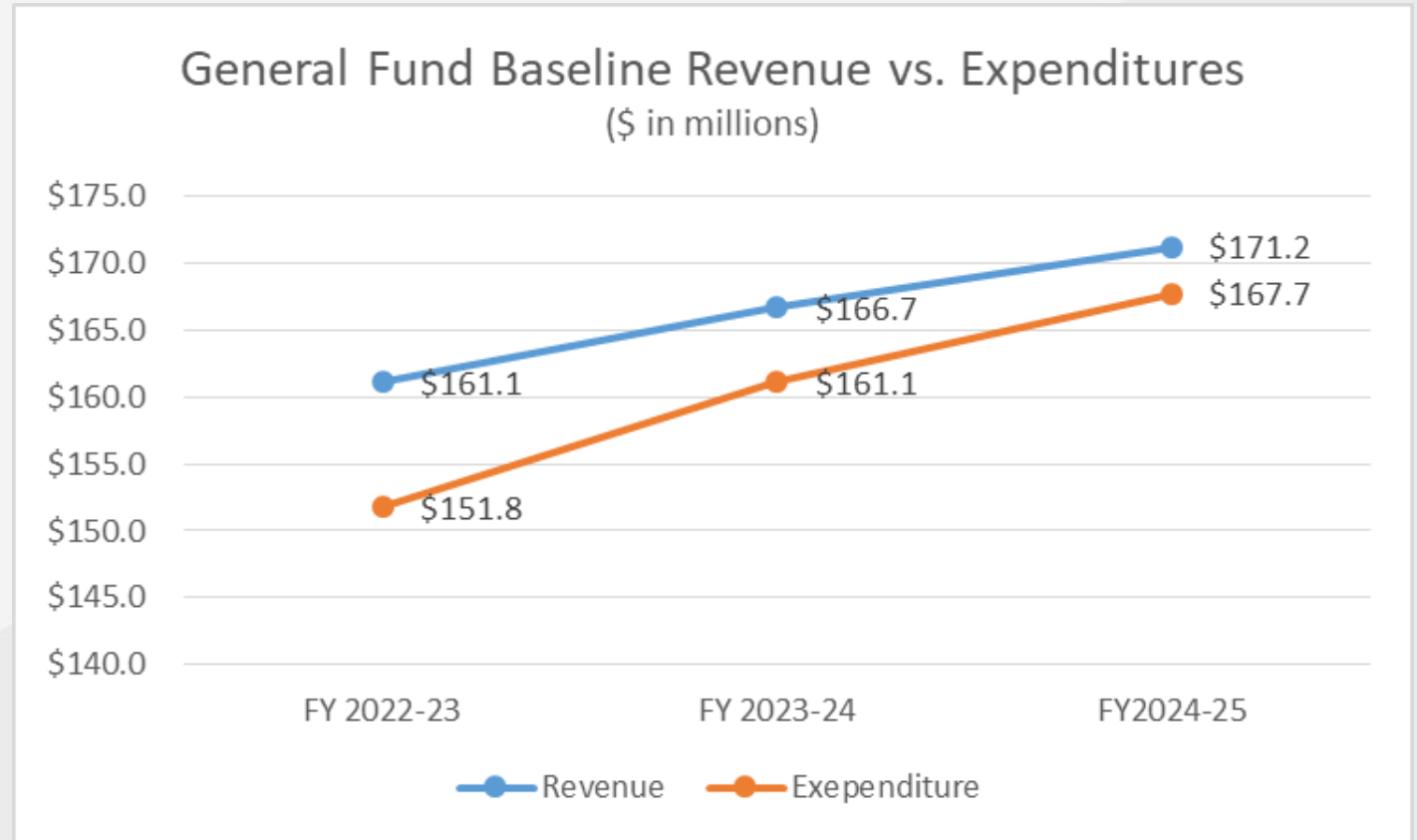
Expense Baseline:

- No increase in staffing or service level
- Only known cost increase included, wage, contractual etc.

Still on BASELINE...

What's the key takeaways?

- Core costs growth **outpaces** revenue growth
- Potential mild **recession** could threaten a balanced budget
- **New Reoccurring** costs should be carefully evaluated
- Certain internal service funds are still **underfunded** under Baseline scenario



Internal Service Funds – part of BASELINE...

	Amount	Frequency
Worker's Comp	\$ 2,000,000 ¹	FY 24 & 25

	Amount	Frequency
Information Technology	\$ 600,000 ²	Annually

	Amount	Frequency
Buildings & Facilities	\$ 600,000 ²	Annually

	Amount	Frequency
Fleet	\$ -	Annually

	Amount	Frequency
General Liability	\$ -	Annually

1. Worker's Comp Fund - \$3M Deficit Fund Balance as of June 30, 2022. \$2M transferred as of July 1, 2022, recommend continue annual transfer of \$2M for two years.
2. IT & Building & Facilities (new) internal service funds - \$600K per year funding included in baseline budget. These are additional ongoing funding needs.
3. Add equipment replacement in the future, to smooth out impact on major purchases.

FY 2023-2025 Supplemental Requests...

FY2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Available Fund Balance (\$'000)	Estimated Surplus (\$'000)	BASELINE Surplus (\$'000)	BASELINE Surplus (\$'000)
\$46,494	\$9,362	\$5,641	\$3,477

Main considerations:

- Fund Balance = One-time \$
- Diminishing surplus

TYPE	FY 2023-24 ('\$000)	FY 2024-25 ('\$000)	TOTAL ('\$000)
Ongoing Requests	\$ 4,200	\$ 4,600	\$ 8,800
One-time Costs	3,090	1,210	4,300
TOTAL	\$ 7,290	\$ 5,810	\$ 13,100

Sources for Supplemental Requests:

Projected current year surplus from Baseline Scenario	\$ 5,642	\$ 3,477 *
Estimated surplus from FY2022-23	1,648	2,333
	\$ 7,290	\$ 5,810

* Available surplus for Year 2 will decrease after funding Year 1 supplemental requests that are recurring.

FY 2023-2025 Supplemental Requests Summary (1/2)

Description	Amount	Council Priority
Automation		
Mobile equipment for field staff	\$ 15,700	1, 3
City Hall lobby kiosk	10,000	4, 6
Capital Improvement Project		
Channel repair and other improvements	1,250,000	4
Community Program		
Garden Grove Gems	5,000	3
Garden Grove Teen Action (GGTAC)	7,000	6
Police Explorer Program	10,000	2
Holiday lighting infrastructure	30,000	4
Cost Reduction & Recovery		
Subrogation service	45,000	3
Transient Occupancy Tax audit	70,000	3
Equipment		
Police equipment	155,300	2

Council Priorities:

Tire 1:

- 1. Homelessness*
- 2. Public safety*
- 3. Economic development & support for local businesses*
- 4. Infrastructure*

Tier 2:

- 5. Code enforcement*
- 6. Celebrate cultural diversity*

FY 2023-2025 Supplemental Request Summary (2/2)

Description	Amount	Council Priority
Infrastructure Enhancement		
Security cameras at City parks & other	\$ 111,500	1, 4
New Positions (14)	1,901,423	ALL
Position upgrade (7)	985,861	ALL
Professional service		
Be Well OC	1,200,000	1
Economic development	488,000	3
Parking enforcement	30,000	1, 2, 3
Tree maintenance	100,000	2, 4
Staff Augmentation		
Engineering, construction & grant development	173,000	3
Building and planning services	300,000	3
Code enforcement	200,000	5
Staff Development	61,364	ALL
Other		
SB 1383 Compliance	400,000	3,4
Other	27,000	ALL

Council Priorities:

Tire 1:

1. Homelessness
2. Public safety
3. Economic development & support for local businesses
4. Infrastructure

Tier 2:

5. Code enforcement
6. Celebrate cultural diversity

FY 2023-2025 Proposed General Fund Budget

Revenue and Expenditures

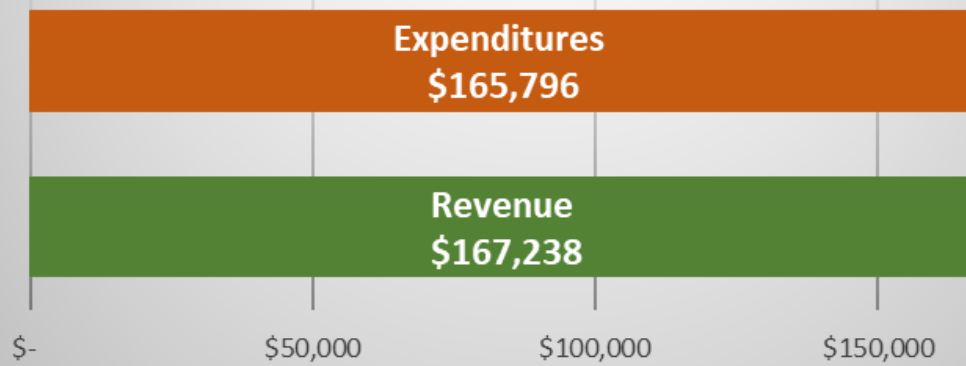
SOURCES:	FY 2023-24 ('\$000)	FY 2024-25 ('\$000)
OPERATING REVENUES:		
SALES TAX	\$ 30,639	\$ 31,409
MEASURE O	29,669	30,415
PROPERTY TAX	60,890	62,596
HOTEL VISITOR'S TAX	25,000	25,750
OTHER GF REVENUE	21,040	21,453
TOTAL OPERATING REVENUE	\$ 167,238	\$ 171,623
ONE-TIME FUNDING:		
FY2022-23 SURPLUS	1,648	2,652
TOTAL SOURCES	\$ 168,886	\$ 174,275

USES:	FY 2023-24 ('\$000)	FY 2024-25 ('\$000)
RECURRING COSTS:		
LABOR COSTS (with OT)	\$ 100,512	\$ 105,853
OCFA & FIRE UAL	31,760	32,966
SERVICES & SUPPLIES	17,757	18,076
INTERNAL SERVICE /DEBT SERVICE	14,067	14,473
TRANSFERS OUT	1,700	1,697
TOTAL RECURRING COSTS	\$ 165,796	\$ 173,065
ONE-TIME COSTS:		
SERVICES & SUPPLIES	\$ 1,940	\$ 1,210
CAPITAL IMPROVEMENT PLAN	1,150	-
TOTAL USES	\$ 168,886	\$ 174,275

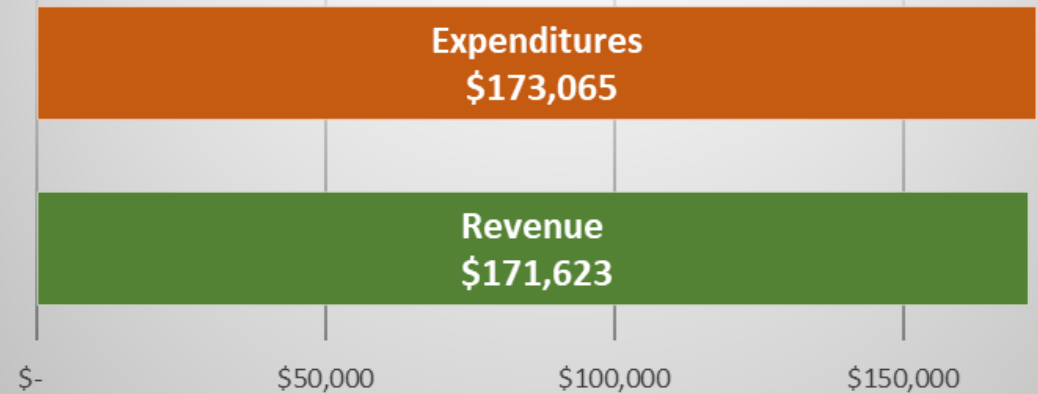
FY 2023-2025 Proposed General Fund Budget

Operating Revenue vs. RECURRING Expenditure

FY2023-24 General Fund Operating Revenue vs.
Recurring Expenditures
(\$'000)

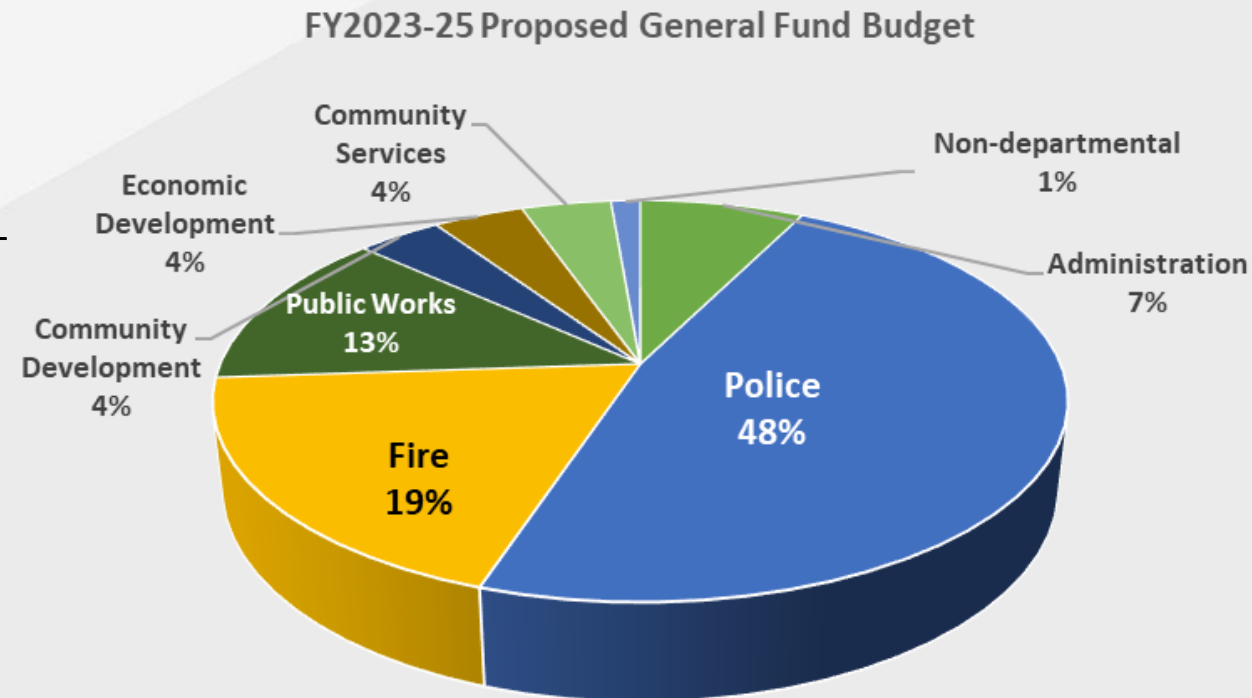


FY2024-25 General Fund Operating Revenue vs.
Recurring Expenditures
(\$'000)



FY 2023-2025 Proposed General Fund Budget

General Fund Expenditure	FY 2023-24 ('\$000)	FY 2024-25 (\$'000)
CITY ADMINISTRATION		
CITY MANAGER	\$ 4,222	\$ 4,392
CITY ATTORNEY	1,023	1,074
FINANCE	4,119	4,294
HUMAN RESOURCES	2,303	2,353
INFORMATION TECHNOLOGY	833	853
TOTAL CITY ADMINISTRATION	12,500	12,966
PUBLIC SAFETY - POLICE	80,552	84,532
PUBLIC SAFETY - FIRE	31,760	32,966
PUBLIC WORKS	21,621	20,902
COMMUNITY DEVELOPMENT	6,448	6,846
ECONOMIC DEVELOPMENT	6,926	6,724
COMMUNITY SERVICES	6,834	7,092
NON-DEPARTMENTAL	2,245	2,247
TOTAL USES	<u>\$ 168,886</u>	<u>\$ 174,275</u>



FY 2023-2025 Proposed Budget – All Funds

FY 2023-24 Proposed Operating Budget Summary ('\$000)

Fund	Beginning Fund Balance/ Working Capital		Sources		Uses		Ending Fund Balance
General Fund	\$	55,856	\$	167,238	\$	168,886	\$ 54,208
Other Govt Funds		78,807		28,477		41,436	65,848
Internal Service Funds		40,444		19,961		28,440	31,965
Water Utility		44,506		41,692		58,625	27,573
Sanitary District		65,959		15,309		26,075	55,193
Housing Authority		4,358		48,860		49,029	4,189
Successory Agency		8,811		352		9,163	-
TOTAL	\$	298,741	\$	321,889	\$	381,654	\$ 238,976

FY 2023-2025 Proposed Budget – All Funds

FY 2024-25 Proposed Operating Budget Summary ('\$000)

Fund	Beginning Fund Balance/ Working Capital	Sources	Uses	Ending Fund Balance
General Fund	\$ 54,208	\$ 171,623	\$ 174,275	\$ 51,556
Other Govt Funds	65,848	28,825	34,278	60,395
Internal Service Funds	31,965	20,460	28,804	23,621
Water Utility	27,573	41,654	52,793	16,433
Sanitary District	55,193	15,398	22,548	48,043
Housing Authority	4,189	51,039	51,233	3,995
Successory Agency	-	9,172	9,172	-
TOTAL	\$ 238,976	\$ 338,171	\$ 373,103	\$ 204,043

Five –Year Capital Improvement Plan

Five Year Capital Improvement Plan Budget
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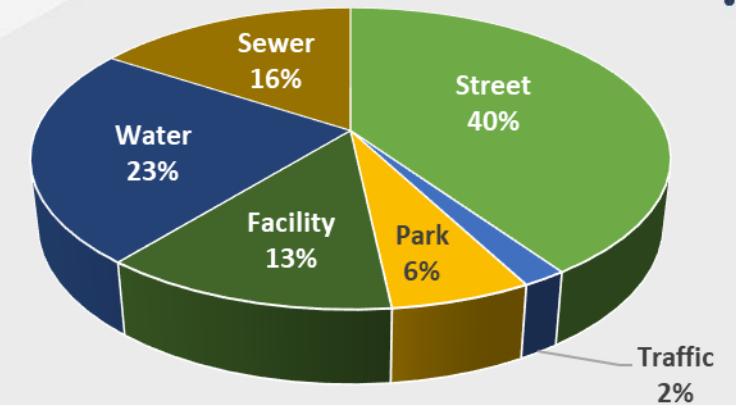
CIP CATEGORY	Prior Cost	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	TOTAL
STREET IMPROVEMENTS	\$ 11,554	\$ 27,348	\$ 10,620	\$ 9,422	\$ 9,372	\$ 9,616	\$ 77,932
TRAFFIC IMPROVEMENTS	1,370	1,287	1,050	500	500	500	5,207
PARK IMPROVEMENTS	8,378	4,075	745	795	600	400	14,993
FACILITY IMPROVEMENTS	15,523	8,535	55	55	55	55	24,278
WATER INFRASTRUCTURE	6,255	15,786	10,205	9,384	9,000	7,500	58,130
SEWER INFRASTRUCTURE	593	10,709	7,500	6,260	7,500	3,500	36,062
TOTAL	\$ 43,673	\$ 67,740	\$ 30,175	\$ 26,416	\$ 27,027	\$ 21,571	\$ 216,602

FY 2023-2025 Proposed Budget Capital Improvement Program

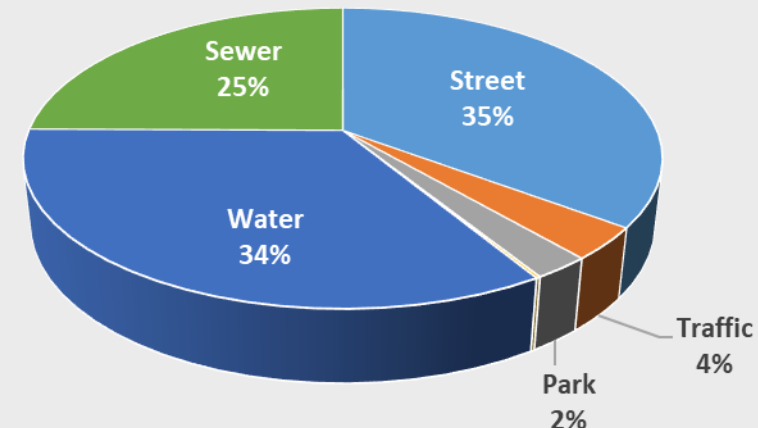
FY2023-25 Proposed CIP Budget
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CIP CATEGORY	FY 2023-24	FY 2024-25
STREET IMPROVEMENTS	\$ 27,348	\$ 10,620
TRAFFIC IMPROVEMENTS	1,287	1,050
PARK IMPROVEMENTS	4,075	745
FACILITY IMPROVEMENTS	8,535	55
WATER INFRASTRUCTURE	15,786	10,205
SEWER INFRASTRUCTURE	10,709	7,500
TOTAL	\$ 67,740	\$ 30,175

Fiscal Year 2023-24 Proposed CIP Budget



Fiscal Year 2024-25 Proposed CIP Budget



FY 2023-2025 Proposed Capital Improvement Program Budget

Streets

Arterial

- * Chapman from Springdale to Western
- * Lampson from Springdale to Knott and Harbor to Haster
- * Harbor/Garden Grove intersection
- * Westminster from Newhope to Harbor
- * Trask from Brookhurst to Benton
- * Garden Grove Blvd from Knott to Beach
- * Katella and Dale intersection

Residential

- * Acacia neighborhood street improvement
- * Residential overlay
- * Concrete replacement
- * Flood control channel improvement

Traffic Signal

- * Garden Grove & Nelson
- * Garden Grove & Newland
- * Lampson & Western
- * Springdale & Chapman
- * Brookhurst & Orangewood
- * Brookhurst & Woodbury
- * Chapman & Lamplighter

Facilities

- * Bike trail improvement
- * Purcell building improvement
- * Navigation Center construction
- * City facilities trash enclosure project
- * Fleet electrification planning & design

Parks

- * Magnolia Park playground
- * Woodbury Park expansion
- * Civic Center Park landscaping & ADA
- * Atlantis Play Center splash pad
- * Park irrigation system replacement
- * Eastgate Teen Center & Magnolia FRC

Water & Sewer

- * Magnolia Reservoirs & booster station
- * SCADA system implementation
- * Well 19 construction
- * Lampson & Trask reservoir
- * Water transmission line study
- * Water main replacement
- * Sewer main replacement

FY 2023-2025 Proposed Budget – Community Services User Fee Update

Background

- Current fee structure was established over ten years ago
- Standardize all classifications across all sections of fee schedule
- Propose fee increases based on two major factors:
 - Actual costs for providing the program, including labor, contractor, materials and supplies
 - Survey comparison of other Orange County cities to ensure reasonableness

Increases in Fees

- Atlantis Park – private rental and after-hour rentals. *No increase in daily admission & table rentals.*
- Facility reservations – building and show mobile rentals. *Picnic shelters will not increase.*
- Park reservations
- Community Meeting Center
- Sports and Recreation Center

FY 2023-2025 Proposed Budget – Water Utility

- Review and update water rates to develop a sustainable water utility financial plan
- Continue implementing the Water Master Plan
- Continue with major capital replacement
- Compliance with mandates (water quality, NPDES, AQMD, etc.)
- Continue joint efforts on construction of PFOA/PFOS treatment facilities

FY 2023-2025 Proposed Budget – Water Utility

	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
Sources:		
Beginning Working Capital	\$ 37,706	\$ 27,573
Operating Revenue	41,692	41,653
Bond Proceeds	6,800	-
Total Sources	<u>86,198</u>	<u>69,226</u>
Uses:		
Operations & Maintenance	16,028	16,829
Purchased Water Supply	21,498	21,993
Debt Service	3,862	2,918
Capital Replacement	200	-
Capital Improvement	15,786	10,205
Street Repair Charge	814	848
Capital Carryover	437	-
Total Uses	<u>58,625</u>	<u>52,793</u>
Ending Working Capital	<u>\$ 27,573</u>	<u>\$ 16,433</u>

FY 2023-2025 Proposed Budget Sanitary District

- Continue planned sewer capital program
- Continue manhole inspection and replacement
- Continue with public education for fats, oils, and grease control to stay compliant with the National Pollutant Discharge Elimination System (NPDES) regulation
- Implement District-wide mandatory Organics and Traditional Recycling programs per SB 1383
- Administer street sweeping and bus shelter trash clean-up
- Monitor landfill

FY 2023-2025 Proposed Budget

Sanitary District

Sewer Funds		
	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
Sources:		
Beginning Working Capital	\$ 49,806	\$ 39,232
Operating Revenue	11,950	11,938
Total Sources	<u>61,756</u>	<u>51,170</u>
Uses:		
Operations & Maintenance	8,096	8,369
Contractual Services	2,458	2,475
Debt Service	1,197	1,196
Capital Replacement	64	-
Capital Improvement	10,709	7,500
Total Uses	<u>22,524</u>	<u>19,540</u>
Ending Working Capital	<u>\$ 39,232</u>	<u>\$ 31,630</u>

Refuse Fund		
	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
Sources:		
Beginning Working Capital	\$ 16,153	\$ 15,961
Operating Revenue	3,359	3,459
Total Sources	<u>19,512</u>	<u>19,420</u>
Uses:		
Operations & Maintenance	3,551	3,007
Total Uses	<u>3,551</u>	<u>3,007</u>
Ending Working Capital	<u>\$ 15,961</u>	<u>\$ 16,413</u>

FY 2023-2025 Proposed Budget Housing Authority

- Federally funded through the Department of Housing and Urban Development (HUD)
- Rent subsidies for 2,545 low-income families
- Outreach activities to tenants & landlords
- Conduct initial, annual and special inspections
- Continue family self-sufficiency program
- Maintain owned properties
- Monitor Housing Successor Agency affordable housing agreements

FY 2023-2025 Proposed Budget Housing Authority

	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
Sources:		
Beginning Fund Balance	\$ 4,358	\$ 4,189
Housing Allocation	48,860	51,039
Total Sources	<u>53,218</u>	<u>55,228</u>
Uses:		
Voucher Program	40,235	42,220
HAP Portability	4,765	4,765
City Administration	4,029	4,248
Total Uses	<u>49,029</u>	<u>51,233</u>
Ending Fund Balance	<u>\$ 4,189</u>	<u>\$ 3,995</u>

FY 2023-2025 Proposed Budget Successor Agency

- Recognized Obligation Payment Schedule (ROPS) approved annually by the Department of Finance (DOF)
- Continued efforts in implementing DOF approved Development and Disposition Agreements (DDA) for various projects and outstanding Agency debts

FY 2023-2025 Proposed Budget Successor Agency

	FY 2023-24 Proposed ('\$000)	FY 2024-25 Proposed ('\$000)
Sources:		
Beginning Balance	\$ 8,811	\$ -
RPTTF Distribution	352	9,172
Total Resources	<u>9,163</u>	<u>9,172</u>
Uses:		
Administration	269	305
Recognized Obligation Payments	8,894	8,867
Total Uses	<u>9,163</u>	<u>9,172</u>
Balance	<u>\$ -</u>	<u>\$ -</u>

A Quick Recap...



Total budget – all Funds \$382M FY24 & \$373M FY25

Total Authorized Full-time positions – 569 FY24 & 572 FY25

Total Capital Improvement Plan budget – \$68M FY24 & \$30M FY25



Total General Fund supplemental requests – \$7.3M FY24 & \$5.8M FY25

Comments?