



FY 2019-20 Proposed Budget

Public Hearing | June 11, 2019

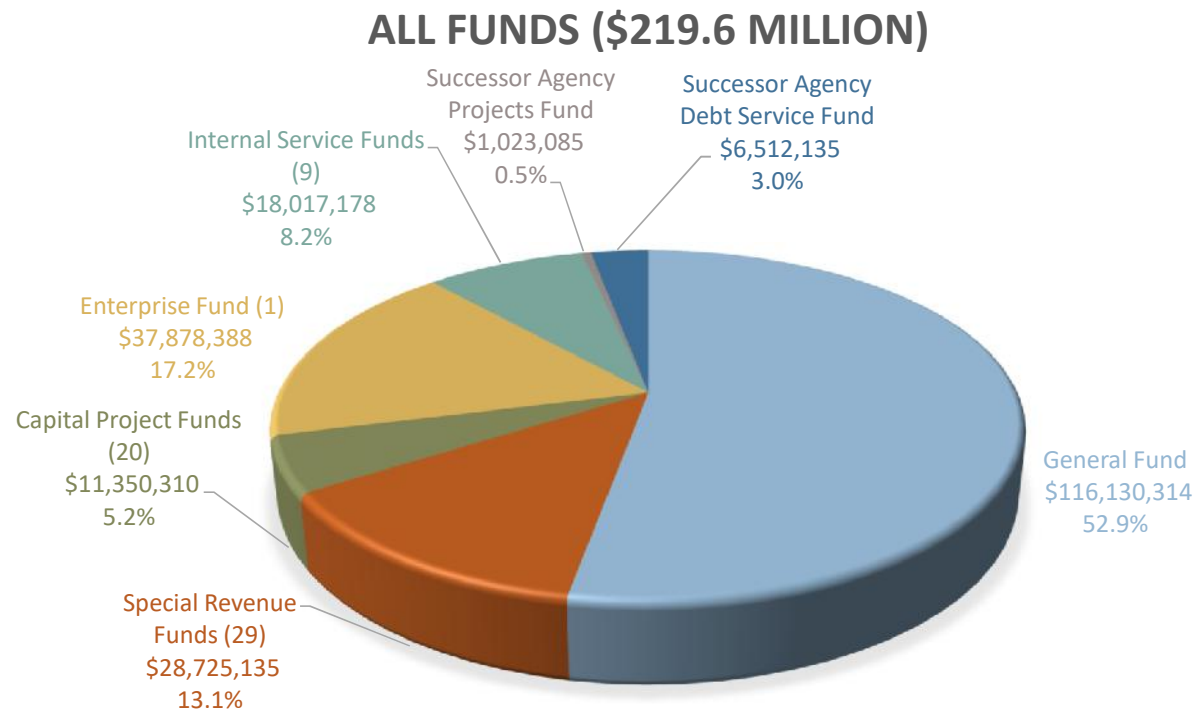
Agenda

- Overview of Overall Budget
- General Fund Budget
- Overview of Other Major Funds
- Fiscal Year Highlights
- Fee Update
- A Look Beyond FY 20

Budget Timeline

- Weekly (starting 9/26/2018) – Meetings with City Manager & Budget Team
- 12/4/2018 – Budget Kickoff
- 1/28/2019 – 2/1/2019 – Internal CIP Budget Meetings
- 2/11/2019 – 2/22/2019 – Internal Operating Budget Meetings
- 3/26/2019 – 1st City Council Budget Study Session
- 4/23/2019 – 2nd City Council Budget Study Session
- 6/11/2019 – Public Hearing

FY 20 Expenditures





FY 20 General Fund Budget

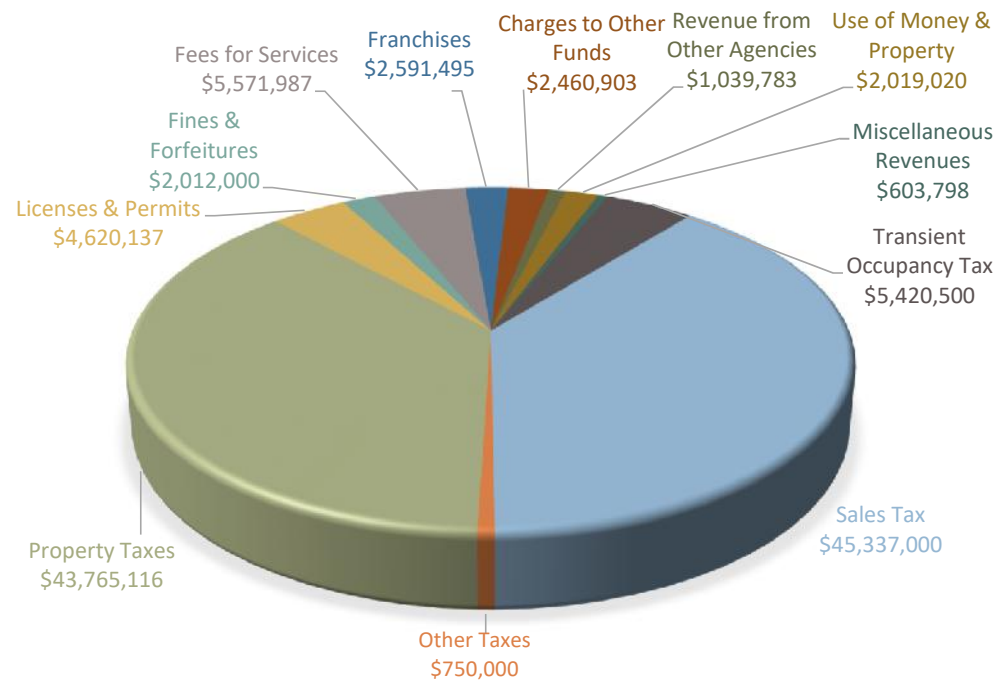
Balancing the Budget

- Sales tax and property tax are strong
- Loss of Theo Lacy revenue (\$600k)
- Increases in costs
- Budget saving measures
 - Reducing direct costs to Internal Service Funds
 - \$2.0 million departmental budget reductions (started in FY 19)
 - Approx. \$1.3M in Salaries & Benefits, \$700k in maint. & ops.
 - \$1.8 million anticipated salary savings
- Budget is balanced for 8th straight year

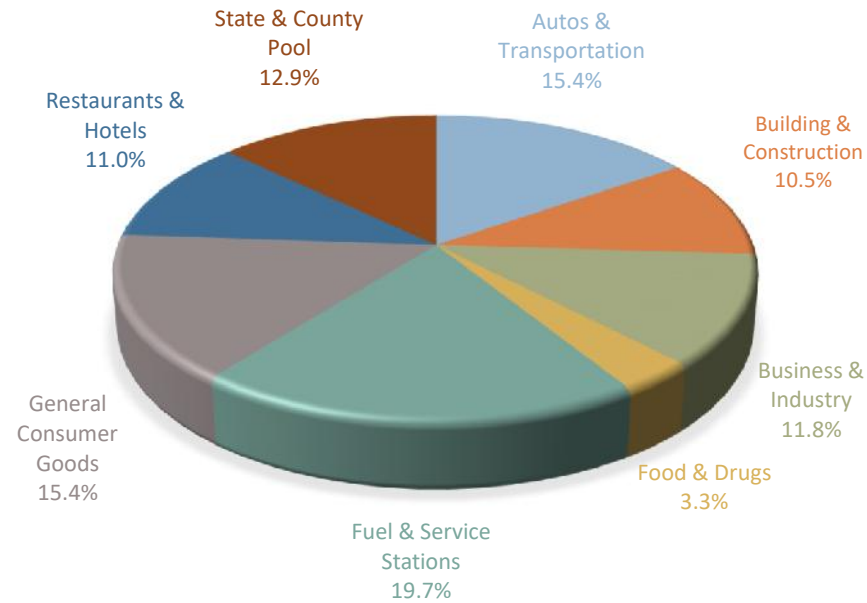
FY 20 General Fund Budget

Revenues	FY 19 Budget	FY 19 Estimate	FY 20 Budget	Budget % Change	Estimate % Change
Sales Tax	\$ 43,880,000	\$ 45,587,000	\$ 45,337,000	3.3%	(0.5%)
Property Tax	41,739,040	42,059,651	43,765,116	4.9%	4.1%
Transient Occupancy Tax	5,100,500	5,400,500	5,420,500	6.3%	0.4%
Licenses & Permits	4,679,600	5,020,455	4,620,137	(1.3%)	(8.0%)
Fees for Services	4,842,471	5,907,129	5,571,987	15.1%	(5.7%)
Fines & Forfeitures	1,658,000	2,024,000	2,012,000	21.4%	(0.6%)
Revenue from Other Agencies	1,532,808	2,037,900	1,039,783	(32.2%)	(49.0%)
Other Revenues	8,331,434	10,249,918	8,425,216	1.1%	(23.7%)
Total Revenues	\$ 111,763,853	\$ 118,286,553	\$ 116,191,739	4.0%	(1.8%)

FY 20 General Fund Revenue



FY 20 General Fund Sales Tax by Major Industry



Calendar Year 2018 Top 25 Sales Tax Producers

- Best Buy
- Chevron
- Claflin Medical Equip.
- DMG Corporation
- Enterprise Rent a Car
- Foundation Building Material
- Ford of Orange
- Home Depot
- Kia of Orange
- L&W Supply
- Mazda of Orange
- MS International
- Nike Factory Store
- Nordstrom's Rack
- Ralph's
- SC Fuels
- Selman Chevrolet
- Stadium Nissan
- Target
- Thompson Building Material
- Toyota Lease Trust
- Toyota of Orange
- Verco Decking
- Villa Ford
- Walmart

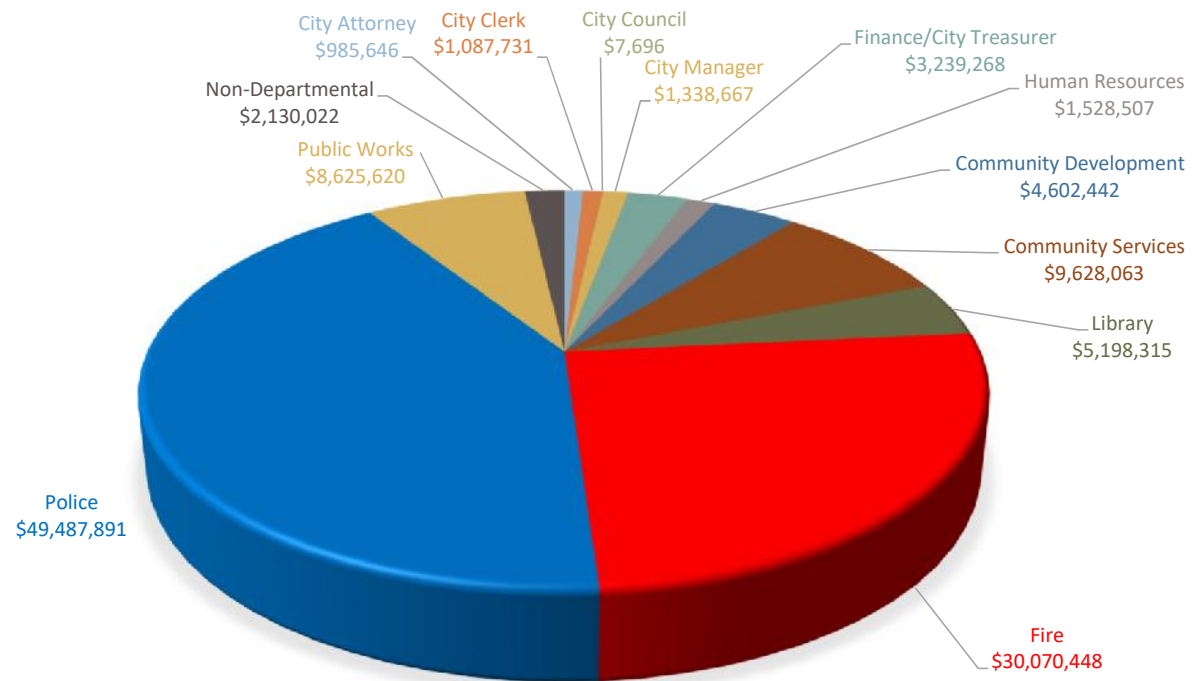
FY 20 General Fund Projections

Expenditures

FY 19 Adopted Budget	\$111.6 million
CalPERS Contribution Increase	\$2.6 million
Negotiated Labor Increases	\$2.6 million
Overtime Allocation Decrease	(\$132,000)
Special Election	\$470,000
Contractual Obligations	\$301,000
Internal Service Fund Allocations	\$460,000
FY 20 Estimated Expenditures	\$117.9 million
Anticipated Vacancies	(\$1.8 million)
FY 20 Proposed Budget	\$116.1 million

NOTE: Operating reductions of \$2.0 million continue with FY 20 Budget

FY 20 General Fund Expenditures by Department



FY 20 General Fund Projections

Transfers Out

Business Investment Fund (115)	\$ 2,250,000
Vehicle Replacement Fund (720)	200,000
General Liability Fund (740)	400,000
Computer Replacement Fund (790)	900,000
Total Transfers Out	\$ 4,400,000

FY 20 General Fund Projections

Estimated Unreserved Fund Balance at 7/1/2019		\$	9,516,448
FY 2019-20 Estimated Revenues	\$	116,191,739	
FY 2019-20 Proposed Expenditures		(117,930,314)	
FY 2019-20 Anticipated Vacancies		1,800,000	
Net Revenues over Expenditures			61,425
Proposed Transfers Out			(4,400,000)
Estimated Unreserved Fund Balance at 6/30/2020			5,177,873
General Fund Catastrophic Reserve at 6/30/2020			20,067,960
Estimated Total General Fund Balance at 6/30/2020		\$	25,245,833

FY 20 Reserve Balance Forecast

Estimated Reserves at 6/30/2020

General Fund Catastrophic Reserve	\$ 20,067,960
General Fund Unreserved Fund Balance	5,177,873
Business Investment Fund Balance (115)	1,551,894
Capital Projects Fund Balance (500)	8,846,234
PERS Set-Aside Fund (760)	6,243,000
Other Internal Services Funds (various)	10,877,887
Total Estimated Reserves at 6/30/2020	\$ 52,764,848



Other Major Funds

Other Major Funds

Fund	FY 20 Beginning Fund Balance	Revenues & Transfers In	Operating Expenditures	Capital Expenditures	FY 20 Ending Fund Balance
Water (600)	\$ 5,077,926	\$ 35,946,353	\$ (34,153,388)	\$ (3,725,000)	\$ 3,145,891
Sanitation (220)	2,683,682	5,867,791	(5,153,095)	(400,000)	2,998,378
Sanitation Capital (520)	1,875,481	2,175,925	-	(2,000,000)	2,051,406
Equipment Replacement (720)	5,229,850	675,000	-	(2,729,027)	3,175,822
Capital Projects (500)	9,988,746	484,676	-	(1,157,022)	8,843,234
Business Investment (115)	1,966,199	2,950,395	(3,500,000)	-	1,416,594
Measure M (263)	613,634	3,184,625	(593,017)	(2,105,000)	1,100,242
Gas Tax (270-272)	1,803	3,831,341	(2,869,068)	(838,883)	125,193
RMRA – SB1 (274)	-	2,363,852	-	(2,349,538)	14,314

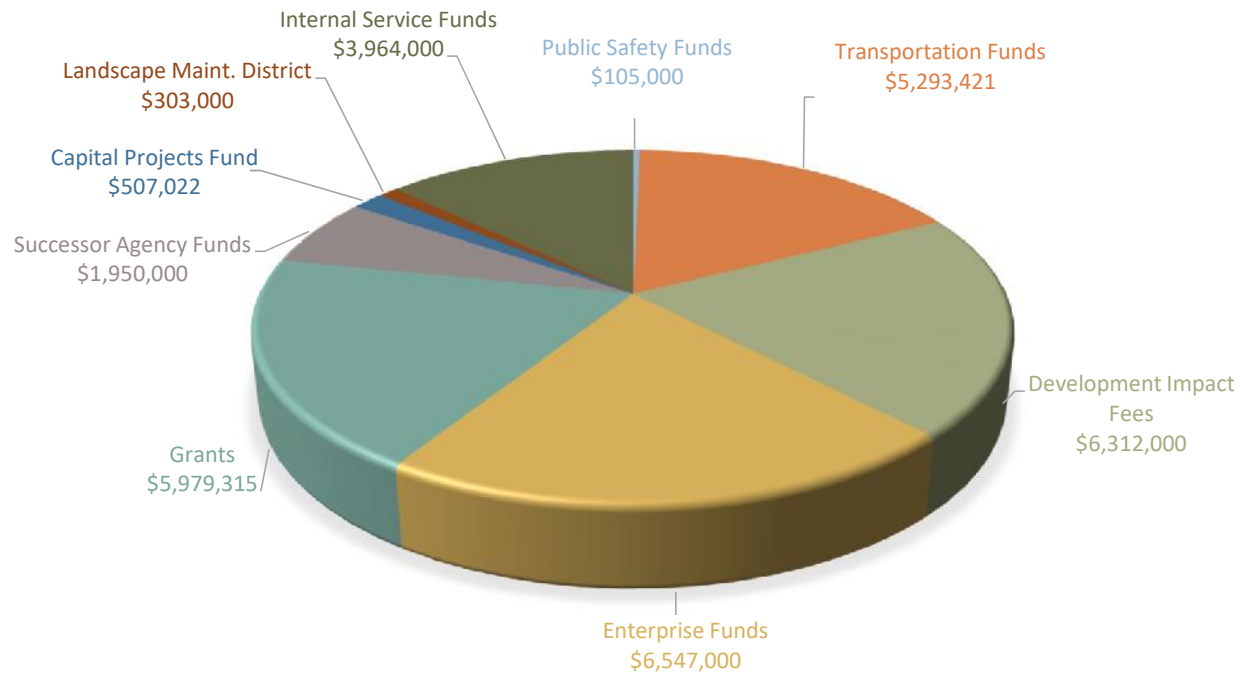


Capital Improvement Program

Capital Improvement Program

- 102 carryover projects
- 16 new projects
- \$31 million investment in City infrastructure for FY 20
- Project Highlights
 - Design of new Fire Headquarters
 - Design of proposed Old Towne East Parking Structure
 - \$11.4 million investment in street maintenance and rehabilitation
 - \$4.1 million investment in water system
 - Improvements at various parks and libraries

New FY 20 CIP Projects by Fund Type





Annual Fee Updates

Summary of Fee Changes

- Building Division permit fees
- Fire inspection fees
 - New Construction Inspection and Plan Check
 - Annual inspections
- Other changes reflect increases in CPI
- Addition of animal control fees
 - Collected by Orange County Animal Control and credited toward City's costs
 - These fees decrease animal control costs rather than add revenue
 - Proposed increase in dog license from \$28 to \$35
 - Reduces total animal control costs by approximately \$125,000

Fees by Department

Department	Revenue at Current Fee	Total Annual Cost	Annual Surplus/ (Deficit)	Cost Recovery %	Revenue at Staff Proposed	Change in Revenue	New Cost Recovery %
City Clerk	\$ 138,619	\$ 242,882	\$ (104,263)	57%	\$ 143,073	\$ 4,445	59%
Community Development	2,660,541	2,678,741	(18,200)	99%	2,528,569	(131,972)	94%
Community Services	1,013,468	2,110,038	(1,096,570)	48%	1,013,468	0	48%
Finance	672,915	1,835,631	(1,256,824)	37%	672,915	0	37%
Fire	999,354	1,074,182	(74,828)	93%	1,074,182	74,828	100%
Library	58,346	112,143	(53,797)	52%	58,346	0	52%
Police	735,535	1,245,043	(509,508)	59%	767,314	31,779	62%
Public Works	751,515	862,781	(57,135)	86%	772,509	20,994	90%
TOTAL	\$ 7,030,293	\$ 10,161,441	\$ (3,131,148)	69%	\$ 7,030,376	\$ 83	69%



Beyond FY 20

Beyond FY 20

- General Fund Cost Increases
 - FY 21
 - CalPERS increases - \$2.1 million
 - Negotiated labor increases - \$1.9 million
 - FY 22 and beyond
 - Unfunded liability increases of \$2 million per year
 - Assumes CalPERS meets rate of return assumptions

Economic Outlook

- Positives
 - Low interest rates
 - Low unemployment
 - Strong local economy
 - Longest growth period in history

- Concerns
 - Real estate slowing down
 - Tariffs?
 - Advanced economic indicators

Conclusion

- FY 20 Budget is balanced
- Leading economic indicators are mixed
 - Should leave FY 20 untouched
 - Economic slow-down indicators have begun to show
- Staff Recommendations
 - Resolutions to adopt budget, Gann Appropriations limit, 7-year Measure M2 Capital Improvement Program, and updated Master Schedule of Fees and Charges
 - Finding that appropriations are under the Gann limit
 - Each action should be acted upon individually as listed in staff report

Additional Questions or Comments?

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