




# AGENDA ITEM

June 12, 2018

**TO:** Honorable Mayor and  
Members of the City Council  
**FROM:** Rick Otto,  
City Manager

<b>Reviewed/Verified By:</b>	
City Manager	
Finance Director	
<b>To Be Presented By: City Manager</b>	
<input type="checkbox"/> Cons. Calendar	<input type="checkbox"/> City Mgr. Reports
<input type="checkbox"/> Council Reports	<input type="checkbox"/> Legal Affairs
<input type="checkbox"/> Boards/Cmtes.	<input checked="" type="checkbox"/> Public Hearings
<input type="checkbox"/> Admin Reports	<input type="checkbox"/> Plan/Environ.

## 1. SUBJECT

Proposed Fiscal Year 2018-2019 (FY 19) City of Orange Budget and Five Year Capital Improvement Program including approval of recommended personnel actions.

## 2. SUMMARY

Each spring, staff presents to the City Council an Annual Budget that serves as the City's financial and operational plan for the upcoming fiscal year. This budget document is prepared following two City Council study sessions during which various aspects of the proposed budget were considered and Council direction was given.

In addition, in FY 2017-18 (FY 18), staff is requesting a transfer of \$200,000 from General Fund (100) to Employee Accrued Liability Fund (760), and a transfer of \$42,261.45 from the General Fund to the CASp Certification and Training Fund (140). These are considered clean-up items to properly state the current FY18 budget.

Finally, staff is proposing adjustments to the Master Schedule of Fees and Charges. The proposed adjustments are based on the presentations by staff and feedback from the City Council at the April Budget Study Session and May City Council meeting. The additional revenue associated with the fee adjustments is NOT included in the proposed FY 19 budget.

## 3. RECOMMENDED ACTION

### For Fiscal Year 2017-18

1. Approve a budget transfer of \$200,000 from General Fund unreserved fund balance to 760.0000.49010.00000 Employee Accrued Liability Fund;
2. Authorize the appropriation of \$200,000 from the Employee Accrued Liability Fund unreserved fund balance to expenditure account number 760.0000.50101.00000, Salaries and Benefits;

3. Approve a budget transfer of \$42,261.45 from General Fund unreserved fund balance to CASp Certification and Training Fund unreserved fund balance, and;
4. Approve Resolution No. 11089 relating to the classification, compensation, and terms of employment of Executive Directors and Top Management employees and repealing Resolution No. 11071 and amendments thereto, and include the new salary range for Administrative Services Director, Assistant Public Works Director, and Budget Manager as follows:

CLASSIFICATION TITLE	RANGE	STEP	STEP	STEP	STEP	STEP	STEP
		A	B	C	D	E	F
Administrative Services Director	704	11943	12553	13191	13865	14572	15315
Assistant Public Works Director	678	10490	11026	11587	12179	12800	13453
Budget Manager	602	7181	7548	7931	8336	8762	9208

**For Fiscal Year 2018-19**

At the conclusion of the public hearing, five action items are recommended to adopt the FY19 Budget. These are:

1. Approve Resolution No. 11086 adopting the Budget for Fiscal Year 2018-19;
2. Approve Resolution No. 11087 adopting the Gann Appropriations limit of \$177,819,419 for Fiscal Year 2018-19;
3. A motion making a finding that the portion of the Fiscal Year 2018-19 Budget subject to the Gann limit is \$98,343,919, and therefore within the limit;
4. Approve Resolution No. 11088 authorizing staff to submit to the Orange County Transportation Authority the Measure M2 Seven-Year Capital Improvement Program for Fiscal Year 2018-19 through 2024-25, to comply with Measure M2 eligibility criteria, and;
5. Approve Resolution No. 11090 relating to the classification, compensation, and terms of employment of Orange Management Association employees and repealing Resolution No. 11056 and amendments thereto, and include the new salary range for Senior GIS Analyst as follows:

CLASSIFICATION TITLE	RANGE	STEP	STEP	STEP	STEP	STEP	STEP
		A	B	C	D	E	F
Senior GIS Analyst	612	7548	7934	8337	8763	9210	9679

6. Approve Resolution No. 11091 relating to the classification, compensation, and terms of employment of Orange Municipal Employees' Association employees and repealing Resolution No. 11057 and amendments thereto, and include the new salary range for Library Volunteer Coordinator as follows:

CLASSIFICATION TITLE	RANGE	STEP	STEP	STEP	STEP	STEP	STEP
		A	B	C	D	E	F
Library Volunteer Coordinator	488	4067	4274	4492	4721	4962	5215

7. Approve Resolution No. 11092 amending the citywide salary schedule in accordance with the requirements of California Code of Regulations, Title 2, Section 570.5.
8. Approve Resolution No. 11103 amending the Master Schedule of Fees and Charges for various services and the rental of rooms and equipment.

#### 4. FISCAL IMPACT

##### For Fiscal Year 2017-18

1. Funds are available to cover the cost of the budget transfer from General Fund to the Employee Accrued Liability Fund and the CASp Certification and Training Fund.
2. Upon appropriation of \$200,000 from the from the Employee Accrued Liability Fund unreserved fund balance, funds will be available to cover the cost of terminating employees accrued liability payouts as follows:

760.0000.50101.00000	Salaries and Benefits	\$200,000
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##### Fiscal Year 2018-19

Adoption of the annual budget establishes the City fiscal plan for the year.

#### 5. STRATEGIC PLAN

2a. Expend fiscal resources responsibly; 2b. Analyze future fiscal needs and potential revenue opportunities; and 2c. Provide appropriate reserves.

#### 6. DISCUSSION and BACKGROUND

##### Fiscal Year 2018-19

Subject to testimony received this evening at the noticed public hearing, adoption of the FY 2018-19 (FY 19) Budget and related documents will ensure that the City has established a set of legally adopted appropriations, met all the requirements of the Gann Initiative, and complied with the Measure M and Transportation Congestion Relief Fund (TCRF) funding requirements (Maintenance of Effort) of a Seven-Year Transportation Capital Improvement Plan. The FY 19 budget represents the City's spending plan for the coming fiscal year, which will begin July 1, 2018 and end June 30, 2019.

In preparing the FY 19 budget, the City Council conducted two study sessions to discuss various aspects of the proposed budget. Council deliberated extensively regarding methods to balance the FY18 budget, while also recognizing the need to continue to ensure the City's General Fund budget remains in solid financial position. Through the leadership of the City Council, the resulting budget document has been developed in a collaborative manner involving all City departments. The proposed FY 19 General Fund Budget is balanced with a slight surplus of \$132,660. The attached Budget Message provides in detail how we are able to present a balanced budget for FY19.

The budget presented at this Public Hearing is an abbreviated version of the complete budget package, but contains all of the information and attachments required for adoption. As such, the essential elements that are included and required for adoption of the FY 19 Budget are:

- Budget Message
- Budget Resolutions
- Selected Budget Worksheets
  - Fund Balances
  - Transfers

- Revenues and Expenditures
- Frozen Positions
- Recommended Staffing Changes
- Schedule of Positions
- Carryovers
- Successor Agency (Redevelopment Agency) Debt Issues
- Capital Improvement Projects for FY19
- Budget Workplans for FY19
- Five-Year Capital Improvement Plan

**Fiscal Year 2017-18**

As part of clean-up items for FY 18, staff recommends the following appropriations be approved:

A budget transfer from the General Fund unreserved fund balance to the Employee Accrued Liability Fund in the amount of \$200,000 is recommended due to an unanticipated volume of retirements. Terminating employees must cash out their accrued leave balances based on the provisions set forth in their representative bargaining group’s Memorandum of Understanding. This appropriation will provide sufficient funds to cover applicable accrued liability payouts expenses for FY 18.

For the past several years, staff has been keeping track of Certified Access Specialist Program (CASp) monies in the General Fund. CASp is a state-mandated building permit fee that is to be utilized by local governments to implement state and federal construction-related accessibility standards. In October 2017, Assembly Bill No. 1379 required that monies retained by cities and counties be deposited in a special fund. As a result, a budget transfer of the CASp monies collected in prior years from the General Fund unreserved fund balance will be transferred to the CASp Certification and Training Fund in the amount of \$42,261.45.

**Recommended Staffing Changes**

Due to a number of organizational changes, there are recommended reclassifications and adjustments to positions that are based on operational needs or to better reflect position duties. The following adjustments have been made in FY 18, as well as recommended for FY 19:

<b>FY 18</b>		
<b>Position</b>	<b>Reclassify</b>	<b>Justification</b>
Finance Director	Administrative Services Director	Reorganization with Human Resources and Finance Departments
Deputy Public Works Director/City Engineer	Assistant Public Works Director	To reflect current job duties.
Budget Officer	Budget Manager	To reflect current job duties.

<b>FY 19</b>	
<b>Position</b>	<b>Justification</b>
<b>Eliminate</b>	
Police Dispatcher (2 20-hour)	To provide funding for additional Police Dispatch Supervisor.
<b>Add</b>	
Library Assistant (19-hour)	To provide services for the literacy program.

<b>Unfreeze</b>	
Police Cadet II (4)	Based on evolving department need.
Police Dispatch Supervisor	Based on evolving department need.
<b>Reclassify</b>	
Crime Analyst	To Senior Administrative Analyst to reflect current job duties.
GIS Analyst	To Senior GIS Analyst to reflect current job duties.

### Fee Study

On April 24, 2018, at the Budget Study Session, staff presented a cost of service study along with recommended fee updates to the City Council for discussion. Following the feedback received at the Budget Study Session, staff provided an update at the City Council meeting on May 8, 2018. The Council provided additional feedback in regards to the recommended fees.

The primary concern of the City Council was the overall recommended increase of fees (28.1%) exceeded the rate of inflation since the last major revision to the Master Fee Schedule in 2008 (19.6%). Members of the Council stated they would be more comfortable considering increases that, taken together, are in line with inflation.

With this in mind, staff focused reductions on fees with the following attributes: those that were recovering 90% or higher of their cost and whose increases were greater than 19% (the rate of inflation). We also included all fees related to the Building Division, since they were set at 100% and the methodology was changing. These fees accounted for 88% of the overall increase in revenue. Further, in order to reduce the overall increase to the rate of inflation, the overall increase would need to be reduced from \$1.7 million to \$1.2 million. Based on these parameters, it was determined that those fees would need to be reduced by 9.4%. It is important to note that new fees, other than Building-related fees, were NOT reduced, since there is no comparative data for those particular fees.

Provided below are some examples of changes in the recommended fees:

Department	Type of Fee	Current Fee	Cost	Recommended Fee	
				Original	Revised
CDD/Building	Water Heater Installation Inspection	\$15	\$104	\$98	\$89
CDD/Building	Air Conditioner (<100,000 BTU's)	\$25	\$104	\$104	\$94
Fire	High Rise Bldg. Inspection (<75 ft.)	\$475	\$1,313	\$1,313	\$1,190
Fire	Hazardous Materials (2-4)	\$285	\$366	\$366	\$332
Police	Tow Release	\$40	\$210	\$210	\$190
Police	Residential Parking Permit (SFR)	\$25	\$33	\$33	\$30
PW/Engineering	Encroachment Permit Application	\$100	\$158	\$155	\$140
PW/Water	Utility Account Establishment	\$35	\$54	\$50	\$45

Based on the feedback received from the City Council, we feel this is in line with their desire to increase fees consistent with inflation, yet ensure that those receiving specific benefits are paying at least a majority of the costs incurred. Resolution No. 11103 includes an updated Master Schedule of Fees that reflects the revised methodology described. In the future, we will review fee adjustments within the context of inflation and changes in costs and propose fee adjustments accordingly. The proposed fee adjustments will raise fee revenue by 19.6% in the aggregate, which

would generate approximately \$1 million in the General Fund for FY 19. It is important to note that the FY 19 budget does NOT include any revenue from the proposed fee adjustments.

## **7. ATTACHMENTS**

- Resolution No. 11086
- Resolution No. 11087
- Resolution No. 11088
- Resolution No. 11089
- Resolution No. 11090
- Resolution No. 11091
- Resolution No. 11092
- Resolution No. 11103
- Summary of Changes in Fees
- Budget Message
- Selected worksheets for the Proposed FY19 Budget
  - Historical Summary of Revenues and Expenditures by Fund Type
  - Schedule of Changes in Fund Balance
  - Schedule of Transfers
  - Historical Schedule of Revenue Sources by Fund
  - Schedule of Revenues Sources - Detail
  - Summary of All Fund Expenditures by Department
  - Historical Schedule of Expenditures by Fund
  - Summary of General Fund Expenditures by Department
  - Schedule of All Fund Expenditures by Department
  - Listing of Frozen Positions
  - Schedule of Recommended Staffing Changes
  - Schedule of Positions - Citywide Summary and by Department
  - Schedule of Operating Carryover Appropriations
  - Successor Agency Debt Issues
  - Schedule of New Capital Improvement Funding by Fund
- Workplans for FY19
- Five-Year Capital Improvement Plan