



STAFF REPORT

CITY of YORBA LINDA

FINANCE DEPARTMENT

DATE: MARCH 15, 2022

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER

SUBJECT: FISCAL YEAR 2021/22 MID-YEAR BUDGET UPDATE

RECOMMENDATION

It is recommended that the City Council:

1. Approve adjustments to the fiscal year 2021/22 operating budget as follows

Fund	Resources	Appropriations
General Fund	\$1,337,030	\$743,985
LMAD Fund	\$ 19,645	\$ 41,500
Library Fund	\$ 64,515	\$ 6,535
Black Gold Golf Course Fund	\$1,089,300	\$551,790
CIP Fund	\$ 63,000	\$ 63,000
Total	\$2,573,490	\$1,406,810

2. Receive and file the attached list of line-item budget transfers and supplemental budget appropriations for the first two quarters of the fiscal year (Attachment 1), as required by City Council Policy A-15 – Supplemental Budget and Line-Item Transfers.

BACKGROUND

On June 15, 2021, the City Council adopted the Two-Year Budget for fiscal years 2021/22 and 2022/23. On December 21, 2021, staff presented the first quarter budget update for fiscal year 2021/22. As part of the first quarter update, the proceeds from the sale of the West Bastanchury property were identified. Expenditures at that time were unchanged.

DISCUSSION

Since the budget was adopted in June, the City Council has made additional appropriations, the revenue projection for the General Fund has been revised based on new information and the City Manager has authorized several small adjustments to the budget pursuant to City Council Policy F-4. Proposed revisions to the revenue and appropriations estimates are discussed throughout the report and summarized below.

Requested Mid-Year Budget Adjustments to the General Fund

Revenue projections, for the most part, are increasing across most categories. When the budget was developed, there was still some uncertainty related to the COVID-19 pandemic. The economy has recovered stronger than anticipated over the last eight months, so General Fund revenue is being adjusted accordingly. Expenditures also need to be adjusted as we progress through the fiscal year.

General Fund Revenue Adjustments

Total operating revenue is projected to increase by \$982,555 with total revenue (including interfund transfers) increasing by \$1,337,030. Highlights of the changes include an increase in expected sales tax revenue (\$458,850), property transfer tax (\$250,000), transient occupancy tax (\$75,000) and interest revenue (\$90,000). The increase in the interfund transfers (\$354,475) is related to the transfer from the American Rescue Plan Act (ARPA) Fund. City Council authorized the use of these funds for the lump sum payment as part of employment contract negotiations which concluded in December 2021. This represents the General Fund portion of the payment.

General Fund Expenditure Adjustments

The operating expenditures are projected to increase by \$743,985. Highlights of the changes are summarized as follows:

Administration - <\$94,355>

- Personnel – Increase in retirement benefit payments and medical examination costs (\$21,205).
- Information Systems – Contract Services for Finance System update (\$30,000).
- Emergency Management – Personnel cost adjustments, CPR training costs, miscellaneous contract services (\$9,935).
- City Clerk – Special supplies, printing, off-site record storage offset by the removal of the Measure B election cost that is no longer necessary during FY 21/22. (<\$155,475>).

Public Works - \$90,035

- Administration – Overtime, additional recruiting advertisement costs and office furniture (\$10,300).
- Project Development – Overtime, design and creation of plans for future construction of missing trail connection along Highland Avenue adjacent to the YLWD reservoir, consultant services for a parkway treatment inventory project (\$37,000).
- Infrastructure Maintenance – Gasoline due to increased supply costs, property tax assessments (\$41,735).
- NPDES – Overtime (\$1,000).

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Parks & Recreation - \$200,665

- Administration – Overtime, special supplies (\$10,000).
- Contract Class - Overtime, Increase to contract class instructor costs (\$115,750).
- Community Center – Special supplies, contract services, property tax special assessments, custodial services and facilities maintenance (\$36,915).
- Field House – Overtime, special supplies, landscape services and facilities maintenance (\$38,000).

Finance - \$34,350

- Personnel and consultant services costs related to staff absences (\$34,350)

Non-Departmental/Debt Service - <\$84,810>

- Increase in postage (\$5,000) offset by the elimination of the second debt service payment on the Cultural Arts Center due to the payoff earlier in the fiscal year. (<\$89,810>).

Transfers - \$598,080

- Transfer to Special Reserves for the loan repayment for the Town Center project. This is the final payment (\$478,464).
- Transfer to the Affordable Housing Fund for the 20% set aside portion of the City loan repayment (\$119,616).

After considering the recent allocation of General Fund reserves in excess of 50% at the end of FY 2020/21 and the current anticipated results for FY 2021/22, General Fund reserves are estimated to be at 59.3% of General Fund operating expenditures.

Total Budgetary Reserves	23,588,651.20
Use of Reserves from FY 2020/21	(1,967,729.00)
Mid-Year Excess Reserves Over Appropriations	1,887,854.00
	23,508,776.20
Percentage	59.30%

The following schedule summarizes the changes to the General Fund resources and appropriations that are proposed in this report.

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CITY OF YORBA LINDA GENERAL FUND BUDGET FY 2021/22 - MID-YEAR BUDGET TOTALS

	ADJ BUDGET 12/31/2021	YTD ACTUALS 12/31/2021	MID-YEAR ADJUSTMENT	REVISED BUDGET
RESOURCES				
Property Taxes	\$ 22,495,783.00	\$ 7,481,592.00	\$ -	\$ 22,495,783.00
Sales & Use Tax	7,699,850	2,682,405	458,850	8,158,700
Franchise Tax	2,183,785	312,511	(59,500)	2,124,285
Other Taxes	1,592,000	648,916	425,325	2,017,325
Fees, Charges & Permits	2,126,618	1,440,921	20,175	2,146,793
Parks & Recreation Revenue	1,835,880	902,969	(2,795)	1,833,085
Administrative Charges	1,761,766	872,862	-	1,761,766
Other Revenue	806,215	197,028	140,500	946,715
Total Operating Revenue	40,501,897	14,539,204	982,555	41,484,452
Interfund transfers	2,856,330	2,335,393	354,475	3,210,805
Fd Balance Reserves	1,102,561	370,677	-	1,102,561
Total Resources	44,460,788	17,245,274	1,337,030	45,797,818
APPROPRIATIONS				
Administration	\$8,224,346	\$4,825,810	(\$94,335)	\$8,130,011
City Attorney	650,000	302,248	-	650,000
Community Development	3,969,790	1,679,844	-	3,969,790
Finance	1,209,340	628,689	34,350	1,243,690
Non-Departmental	30,800	10,307	5,000	35,800
Parks & Recreation	8,021,041	3,904,376	200,665	8,221,706
Police Services	13,193,712	6,563,589	-	13,193,712
Public Works	6,192,044	2,500,298	90,035	6,282,079
Vacancy Factor	(241,358)	-	-	(241,358)
Total Operating Expenditures	41,249,715	20,415,161	235,715	41,485,430
Capital Projects	-	-	-	-
Debt Service	179,620	89,810	(89,810)	89,810
Transfer to Special Reserves	-	478,464	478,464	478,464
Transfer to Affordable Housing	-	119,616	119,616	119,616
Transfer to LMAD	872,632	-	-	872,632
Transfer to Capital Projects Fund	864,012	-	-	864,012
Total Appropriations	43,165,979	21,103,051	743,985	43,909,964
Excess Resources over Appropriations	\$1,294,809	(\$3,857,777)	\$593,045	\$1,887,854
Fund Balance Reserves @ 7/1/2021	25,289,292	25,289,292	25,289,292	25,289,292.00
Less Uses of Fd Bal Reserves	(1,102,561)	(370,677)	-	(1,102,561)
Est. Fund Balance Reserves @ 6/30/22	25,481,540	21,060,838	25,882,337	26,074,585
Uses of Fund Balance Reserves:				
GF Carryovers from FY 20/21	1,102,561	370,677	-	1,102,561

Requested Mid-Year Budget Adjustments to the LMAD Fund

There are minor adjustments to the LMAD fund including the transfer in of funds from the ARPA Fund for the portion of the lump sum payment for employment contracts attributable to LMAD employees (\$19,645). One expenditure adjustment to the LMAD Fund includes an appropriation for a part-time Maintenance Inspector which was an oversight when the

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budget was adopted (\$41,500). Also being requested is a transfer in the amount of \$35,000 from miscellaneous maintenance services to special supplies.

Requested Mid-Year Budget Adjustments to the Library Fund

There are minor adjustments to the Library Fund including the transfer in of funds from the ARPA Fund for the portion of the lump sum payment for employment contracts for the employees working at the Library (\$64,515). There is a minor change to the expenditures for the appropriation for property taxes related to special assessment charges (\$6,535).

Requested Mid-Year Budget Adjustments to the Black Gold Golf Course Fund

Black Gold has seen an uptick in all categories (golf rounds, range visits, pro shop and food & beverage sales) which has increased revenue projections by nearly \$1.1 million during FY 2021/22. There are some unforeseen capital repairs that need to be addressed during FY 2021/22 which are projected to be \$75,000. These include repairs to the kitchen hood system, unanticipated IT repairs and repairs to the driving range lighting control panel. An additional item to be discussed is the repayment of the loan between the Black Gold Golf Course Fund (BGGC) and the Master Plan of Drainage Fund that occurred in FY 2019/20. At that time, it was agreed that this loan would eliminate the BGGC Fund negative cash balance and would be repaid over a ten-year period with variable interest due annually. These payments were to commence in FY 2020/21. Staff is proposing that the Council authorize the payment of the FY 2020/21 and FY 2021/22 payments for a total amount of \$476,790. These payments do not affect the net income of the BGGC Fund as this balance is a liability on the balance sheet. Payment of this debt will reduce cash and the liability on the balance sheet of the BGGC Fund.

Requested Mid-Year Budget Adjustments to the CIP Fund

There is an additional funding request for the existing Traffic Calming Project (TC211006) in the amount of \$63,000, funded by Measure M2. A budget of \$200,000 was approved during the two-year budget cycle (FY 21/22 & FY 22/23) for the cumulative costs associated with the project. During FY 20/21, Council approved staff to proceed with the Local Roadway Safety Plan project with a total cost of \$63,000. The award of the grant funds should have been added to the \$200,000 rather than supplant funding. This appropriation increases the total project to \$263,000.

FISCAL IMPACT

Staff's current projection for fiscal year 2021/22 remains positive with a projected General Fund budget surplus of \$1.9 million and operating reserves of 59.3% of General Fund expenditures, safely above the required minimum balance of 50% of General Fund expenditures.

ALTERNATIVES

The City Council could choose not to approve one or more of the mid-year budget adjustments and/or provide staff with direction to undertake any additional analysis by the City Council.

ATTACHMENTS

1. List of Budget Adjustments for the Second Quarter of Fiscal Year 2021/22
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