



STAFF REPORT

CITY of YORBA LINDA

FINANCE DEPARTMENT

DATE: JUNE 21, 2022

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER

SUBJECT: FISCAL YEAR 2022/23 MID-TERM BUDGET UPDATE AND ADDITION OF FY 2028/29 TO THE CAPITAL IMPROVEMENT PROGRAM TO REMAIN IN CONFORMANCE WITH THE ORANGE COUNTY TRANSPORTATION AUTHORITY RENEWED MEASURE M2 AGREEMENT

RECOMMENDATION

It is recommended that the City Council:

1. Adopt Resolution 2022-5805 approving the fiscal year 2022/23 Mid-Term Budget adjustments as outlined in this report, which include:
 - a. Revenue Budget adjustments listed in Attachment 1 of which \$4,846,293 are in the General Fund;
 - b. Expenditure Budget adjustments listed in Attachment 2 of which \$5,046,104 are in the General Fund;
 - c. Budget adjustments for the LMAD as approved in the fiscal year 2022/23 Engineer's Report;
 - d. Budget adjustments for the Black Gold Golf Course as outlined in the Kemper Sports budget for fiscal year 2022/23; and
 - e. Adjustments to the Capital Improvement Program (CIP) (Attachment 3)
2. Approve the Capital Improvement Program (CIP) Database submittals (Attachment 4) as well as the addition of Fiscal Year 28/29 to the CIP (Attachment 5) in order to remain in compliance with the Orange County Transportation Authority's Measure M2 Guidelines;
3. Approve the staffing authorizations set forth in the Authorized Positions Listing (Attachment 6) and the revised Salary Schedule (Attachment 7);
4. Authorize the carryover from the fiscal year 2021/22 budget to the fiscal year 2022/23 budget of 1) unspent CIP project budgets, 2) funds encumbered for outstanding purchase orders, and 3) certain unspent operating budget account balances, and direct staff to return to the City Council with a final list of carryovers for review and final approval.

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BACKGROUND

On June 15, 2021, the recommended Two-Year Budget for fiscal years 2021/22 and 2022/23 was adopted by the City Council. At that time, available General Fund resources were projected to total \$42,214,797 million for fiscal year 2022/23, and budget requirements were projected to total \$41,013,587 million. The resulting budget surplus was projected to increase the General Fund operating reserve balance by \$1,201,210.

DISCUSSION

Since the adoption of the Two-Year Budget last year, various changes have been made to the fiscal year 2021/22 budget, which have ongoing cost impacts and therefore need to be incorporated into the fiscal year 2022/23 budget. Additionally, staff has comprehensively reviewed General Fund revenue forecasts and made appropriate updates, and City Departments have submitted various budget requests for consideration by the City Manager. The approved budget requests have been incorporated into this report for the Council's consideration. Staff are also requesting approval of an updated Seven-Year Capital Improvement Program, which incorporates one additional year of projects and several adjustments to the CIP as submitted last fiscal year.

Fiscal Year 2021/22 General Fund Update

Staff presented the Third Quarter Budget Update to the City Council on June 7, 2022. At that time, a budget surplus in the amount of \$5.4 million was anticipated, without taking into account the use of \$3.6 million in excess General Fund reserves. After taking that adjustment into account, operating reserves were projected to total \$27.1 million as of June 30, 2022, or 67.5% of General Fund expenditures. There have been adjustments made to the General Fund reserve balance as a result of the Mid-Term Budget review which are reflected in this report. Once the books are closed, staff will return to the City Council to provide year-end results for fiscal year 2021/22 and make recommendations for the use of any General Fund reserve balance in excess of 60% of operating expenditures.

Fiscal Year 2022/23 General Fund Update

As part of the Mid-Term Budget update, staff has reviewed the revenue and expenditure budgets that were included in the original Two-Year Budget for fiscal year 2022/23. The following table outlines the changes being requested to the General Fund. Adjustments to the FY 2022/23 budget will result in an estimated \$1,001,149 excess in resources over appropriations, the use of \$3.3 million of General Fund reserves and an estimated ending General Fund reserve balance of \$27.4 million.

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**CITY OF YORBA LINDA
GENERAL FUND BUDGET
FY 2022/23 - MID-YEAR BUDGET TOTALS**

	FY 22/23 ADOPTED BUDGT	MID-TERM ADJUSTMENT	REVISED BUDGET
RESOURCES			
Property Taxes	\$ 23,195,855	\$ 563,681	\$ 23,759,536
Sales & Use Tax	7,995,000	565,000	8,560,000
Franchise Tax	2,292,486	(45,000)	2,247,486
Other Taxes	1,593,100	68,900	1,662,000
Fees, Charges & Permits	2,126,618	21,800	2,148,418
Parks & Recreation Revenue	2,018,399	267,000	2,285,399
Administrative Charges	1,795,484	-	1,795,484
Other Revenue	794,605	133,245	927,850
Total Operating Revenue	41,811,547	1,574,626	43,386,173
Interfund transfers	403,250	-	403,250
Fd Balance Reserves	-	3,271,417	3,271,417
Total Resources	42,214,797	4,846,043	47,060,840
APPROPRIATIONS			
Administration	\$7,707,412	\$327,101	\$8,034,513
City Attorney	650,000	-	650,000
Community Development	3,502,164	260,613	3,762,777
Finance	1,182,606	78,501	1,261,107
Non-Departmental	30,800	4,000	34,800
Parks & Recreation	7,810,411	949,358	8,759,769
Police Services	13,526,197	311,525	13,837,722
Public Works	5,775,648	300,489	6,076,137
Vacancy Factor	(241,356)	-	(241,356)
Total Operating Expenditures	39,943,882	2,231,587	42,175,469
Capital Projects	-	-	-
Debt Service	179,620	(179,620)	-
Transfer to LMAD	890,085	53,650	943,735
Transfer to Capital Projects Fund	-	2,940,487	2,940,487
Total Appropriations	41,013,587	5,046,104	46,059,691
Excess Resources over Appropriations	\$1,201,210	(\$200,061)	\$1,001,149
Est Fund Balance Reserves @ 7/1/2022	29,642,775	29,642,775	29,642,775
Less Uses of Fd Bal Reserves	-	(3,271,417)	(3,271,417)
Est. Fund Balance Reserves @ 6/30/23	30,843,985	26,171,297	27,372,507
Uses of Fund Balance Reserves:			
Transfer out - CIP	\$ -	\$ 2,940,487	\$ 2,940,487
GF Carryovers from FY 21/22	-	330,930	330,930
	-	-	-
	-	3,271,417	3,271,417

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General Fund Revenue Update

In comparison to the adopted budget, General Fund resources (which includes interfund transfers and the use of General Fund reserves) is projected to be \$4.8 million (11.5%) higher than anticipated. Here are some highlights of the increases:

1. The booming real estate market has resulted in strong growth in the City's assessed valuation. Property Tax revenue has been increased by \$563,681 based on projections by the City's property tax consultant.
2. Continued growth in the economy has shown ongoing positive improvements in business activity. The forecast for sales tax has been increased by \$565,000 over original estimates.
3. Franchise Tax is decreasing by \$45,000 due to lower Cable TV franchise revenue offset by increases in both the So Cal Gas and Disposal franchise revenues.
4. Other Taxes, which includes TOT and Business License revenue, is increasing by \$68,900.
5. Fees/Permit revenue is increasing by \$21,800.
6. Parks & Recreation programs are anticipated to be operating at near pre-pandemic levels and therefore the revenue estimates are being increased by \$267,000.
7. Other Revenue includes increases in grant revenue, interest revenue, lease revenue, offset by the transfer of North SPA revenue being moved to a special revenue fund, is increasing by \$133,245.
8. The use of General Fund reserves is for various capital improvement projects totaling \$2.9 million and certain carryover projects totaling \$330,930 that will not be completed by June 30, 2022.

General Fund Expenditure Update

In comparison to the adopted budget, General Fund appropriations (which includes transfers to other funds) are increasing by \$5.0 million (12.3%). Here are some highlights of the increases:

1. Personnel changes across all departments total \$739,500. This includes all personnel changes, reclassifications and cost of living adjustments reflected in the General Fund.
2. Increases in the Administration Department include the Local Hazard Mitigation Plan contained in the Emergency Management division in the amount of \$150,000, of which \$112,500 is paid for with a grant. Also reflected in this department is an increase for one-time implementation costs for budget preparation software and the related annual software maintenance fees (\$103,000) offset by the reclassification of North SPA costs (<\$145,000>) to a special revenue fund.
3. Increases in the Community Development Department include a carryover of \$215,000 for Housing Element costs which will be paid for with General Fund reserves.

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4. Increases in the Finance Department include increases in various consultant services and the addition of a fiduciary consultant for the Deferred Compensation Plan.
5. Increases in the Parks & Recreation Department include various capital outlay and building improvement projects (\$88,000 will be paid for from General Fund reserves), utility cost increases and Recreation class supplies.
6. Increases to Police Services include an increase in the public safety contract, which is \$182,185 higher than original estimates, the addition of 36 Flock cameras which are automated license plate readers (\$113,400), and minor facility costs (\$15,940).
7. Increases in the Public Works Department include increased gasoline costs, higher utility costs and the purchase of a tractor.
8. The interfund transfer from the General Fund to the LMAD Fund has increased by \$53,650 based on the recently adopted FY 2022/23 Engineer's Report.
9. The interfund transfer from the General Fund to the CIP Fund is increasing by \$2.9 million which will be paid for with General Fund reserves.

Requested Mid-Term Budget Adjustments for Other Funds

LMAD Fund Update

Revenue estimates are being increased by \$258,367 over original estimates. This is made up of increases in Property Tax revenue and the transfer in from the General Fund. Expenditures are increasing by \$204,285. This is comprised primarily of personnel changes in the amount of \$57,300, increases in utility costs of \$150,000 offset by a reduction in capital project costs.

Library Fund Update

Revenue estimates are being increased by \$294,948 over original estimates. This is made up of increases in Property Tax revenue offset by a reduction in investment income. Expenditures are increasing by \$355,369. This is comprised primarily of personnel changes in the amount of \$215,200, increases in utility costs (\$50,000), building improvements (\$50,000) and technology upgrades (\$23,000).

Black Gold Golf Course

Golf continues to be very popular, therefore, revenue estimates in all categories have been increased by a total of \$1.7 million. Expenditure increases total \$1.5 million, which includes a payment of \$250,000 towards the loan from the Master Plan of Drainage Fund. Other increases include staffing increases (\$439,000) related to re-hiring two positions that were vacant due to Covid (Director of Sales & Marketing and a full-time salesperson for banquets and weddings), cost of living adjustments, hiring of additional event staff and increased salaries in order to retain employees. There were increases in the cost of food & beverage and pro shop items in addition to higher demand (\$348,350). The Kemper management fee

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has been increased by \$132,750 based on higher sales. Capital costs are increasing by \$227,000 due to increased needs, including a parking lot project which is very expensive. There is also an adjustment for the debt service payment on the equipment in the amount of \$113,450.

A complete list of revenue and expenditure adjustments for all funds can be found in Attachment 1 and 2, respectively.

FY 2022/23 Capital Improvement Program

When the Two-Year Budget was approved in June 2021, the FY 2022/23 Capital Improvement Program (CIP) contained projects that totaled \$17.1 million. The Bastanchury Road Widening Project (Casa Loma Ave. to Eureka Ave.) was moved to FY 2021/22 leaving a balance of \$11.8 million in the FY 2022/23 CIP budget.

An estimated \$13.9 million in CIP projects from the FY 2021/22 budget will be completed by June 30, 2022. Projected carryover projects total \$31.5 million. Additional funding for existing projects or new appropriations for new projects is being requested in the amount of \$5.6 million. The following is a summary of these requests:

Project Category	Add'l Request Amt	Funding Source
Municipal Buildings & Facilities	\$445,000	Special Reserves
Street Improvements	\$3,025,191	Special Reserves, ARPA, Gas Tax, RMRA, Grants
Traffic Control Improvements	\$1,399,593	Grants, Traffic Signal funds,
Landscape Improvements	<\$374,000>	LMAD
Storm Drain Improvements	<u>\$1,077,600</u>	Master Plan of Drainage
Total	\$5,573,384	

The FY 2022/23 CIP budget totals \$48,820,912, of which \$40,270,912 is funded. The unfunded projects in the amount of \$8,550,000 include Eastside Parking Lot (\$550,000), Travis Ranch Irrigation Replacement (\$400,000), Vista Del Verde Park Phase II Construction (\$6.8 million) and Yorba Linda Community Center Wedding & Event Plaza (\$800,000).

A complete detailed list of proposed projects can be found in Attachment 3.

Addition of Fiscal Year 2028/29 to the Capital Improvement Program

The Master Agreement between OCTA and the City requires the City to adopt a seven-year CIP annually in order to remain eligible for OCTA funding programs. The Two-Year Budget adopted by the City Council on June 15, 2021, included a seven-year CIP covering Fiscal Years 2021/22 through 2027/28 for planning purposes. This report removes the FY 2021/22

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column and adds FY 2028/29 to the schedule. Additionally, OCTA requires that City Council approves the Database Submittals found in Attachment 4. This is a database maintained by OCTA which contains project and funding details. The updated Seven Year CIP Budget can be found in Attachment 5.

Personnel Budget

When the Two-Year Budget was adopted in June 2021, staff did not build in any increases to employee salary and benefit costs due to upcoming employment negotiations. In December 2021, staff wrapped up negotiations with the three bargaining units representing Miscellaneous, Mid-Management and Management employees. At that time, appropriations were made to adjust the FY 2021/22 budget. Additionally, what was not figured into the budget were changes that were made to certain positions that were part of a classification and compensation study that was performed prior to negotiations. Certain positions were adjusted to market value at that time.

As Mid-Term Budget adjustments are being considered, an adjustment must be made for the FY 2022/23 budget. The resulting agreements will provide for a 2% general wage increase to the base rate of all represented classifications, effective July 1, 2022.

In addition, City departments have reviewed departmental operations and staffing structures to determine that the delivery of services to the public are efficient and cost effective, as well as providing for long-term organizational stability and succession planning. Upon the conclusion of this review, it is recommended that the following positions be funded and added to the Authorized Position Listing (Attachment 6):

ADMINISTRATION DEPARTMENT – 0.75 FTE

Information Technology Division – 0.00 FTE

- Reclassify the Information Technology Manager (vacant) to Information Services & Technology Manager. The net cost savings associated with this change total \$70,390 in FY 2022/23.
- Reclassify the current full-time IT Technician to IT Analyst. The net increase in costs associated with this change is \$9,567 in FY 2022/23.

Human Resources Division – 0.50 FTE

- Reclassify the Human Resources and Risk Manager to the new classification entitled Administrative Services Director. The Administrative Services Director will retain the Human Resources and Risk Management functions but will add oversight of the IT Division to his responsibilities. The net increase in costs associated with this change is \$17,509 in FY 2022/23.
- Replace the part-time Management Assistant position with a full-time Management Analyst. This change results in a net increase of \$ 98,578 in FY 2022/23.

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Administration Division – 0.25 FTE

- Reclassify the current Permanent Part-Time Recreation Superintendent to Full-Time Principal Management Analyst due to current and projected Department needs. The net increase in costs associated with this change is \$63,756 in FY 2022/23. 10% of the costs related to this position are funded by the LMAD.

COMMUNITY DEVELOPMENT DEPARTMENT – 0.50 FTE

Building Division – 0.50 FTE

- Add a Temporary Part-Time Building Inspector. This will replace a contract employee. As a result of this proposed change, the Construction Inspection Services line item in this division is reduced by \$79,400. The cost associated with this new position is \$45,356, resulting in a savings of \$34,044 in FY 2022/23.

PARKS & RECREATION DEPARTMENT – 0.50 FTE

Youth Programs – 0.50 FTE

- Replace a Temporary Part-Time Recreation Specialist with a Permanent Part-Time Recreation Specialist dedicated to Adventure Playground. The net increase in costs associated with this change is \$18,974 in FY 2022/23.
- Add a Recreation Supervisor position to the Travis Ranch Activity Center to coordinate and supervise Department-wide programs and events, including the contract class program, activity guide design, Tiny Tots and various in-house programming. The cost associated with the newly created Recreation Supervisor position is \$124,371.
- Eliminate the Permanent Part-Time Recreation Specialist position at the Cultural Arts Center. This will result in a savings of \$41,000.
- Reclassify the current Recreation Superintendent to Parks & Recreation Superintendent to align the position with the current duties being performed. The net increase in costs associated with this change is \$2,320 in FY 2022/23.

Parks & Facilities Maintenance – 0.00 FTE

- Reclassify the current Parks & Facilities Manager to Parks & Facilities Maintenance Superintendent to align the position with the current duties being performed. The net increase in costs associated with this change is \$4,413 in FY 2022/23.

PUBLIC WORKS DEPARTMENT – 0.50 FTE

Engineering – 0.00 FTE

- Add a new classification entitled Principal Civil Engineer and reclassify the current Senior Civil Engineer. The net increase in costs associated with this change is \$7,903 in FY 2022/23.
- Reclassify the current Engineering Aide to Assistant Engineer. The increase in costs associated with this change is \$6,988 in FY 2022/23.

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LMAD – 0.50 FTE

- Add a Temporary Part-Time Landscape Inspector. The cost to add this position is \$44,505 in FY 2022/23 and is 100% funded by the LMAD.

LIBRARY – 2.00 FTE

- Add a Permanent Part-Time Librarian Assistant. The cost to add this position is \$58,937 in FY 2022/23
- Add a Permanent Part-Time Library Clerk. The cost to add this position is \$43,567 in FY 2022/23.
- Add a Temporary Part-Time IT Technician dedicated and funded 100% by the Library. The cost to add this position is \$38,017.

If all the above proposed changes are approved, this will result in the addition of 4.25 Full Time Equivalents (FTEs) city-wide with 1.75 FTEs in the General Fund, 0.50 FTEs in the LMAD and 2.00 FTEs in the Library.

After all adjustments are made to the City's personnel budget, including the previously approved cost of living adjustments and the aforementioned proposed staffing changes, there is a total increase of \$1,101,988 to the personnel budget of which, \$739,500 is related to the General Fund. The City's total personnel budget, as proposed, is \$18,771,820 of which \$14,553,032 is related to the General Fund, \$1,018,150 is LMAD funded and \$3,200,638 is funded by the Library.

The Authorized Positions Listing can be found in Attachment 6 and the updated FY 2022/23 Salary Schedule can be found in Attachment 7.

FISCAL IMPACT

The fiscal year 2022/23 budget, including the adjustments recommended in this report, is balanced with General Fund resources exceeding appropriations by \$1.0 million. The use of \$3.3 million in General Fund reserves is being appropriated for anticipated carryover projects from FY 2021/22.

ALTERNATIVES

The City Council could choose to modify or deny one or more of the Mid-Term Budget adjustments and/or provide staff with direction to undertake any additional analysis requested by the City Council.

ATTACHMENTS

1. FY 2022/23 Mid-Term Revenue Adjustments
2. FY 2022/23 Mid-Term Expenditure Adjustments
3. FY 2022/23 Capital Improvement Program (CIP) Budget

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4. FY 2022/23 Capital Improvement Program (CIP) OCTA Database Submittals
 5. FY 2022/23 – FY 2028/29 Capital Improvement Program List
 6. FY 2022/23 Authorized Position Listing
 7. FY 2022/23 Salary Schedule
 8. Resolution 2022-5805 Approving Fiscal Year 2022/23 Mid-Term Budget Adjustments
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