



# STAFF REPORT

## CITY of YORBA LINDA

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### FINANCE DEPARTMENT

**DATE:** JUNE 20, 2023

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
HONORABLE CHAIR AND AGENCY BOARD MEMBERS

**FROM:** DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER

**SUBJECT:** RESOLUTIONS NO. 2023-5854 & 2023-5855 AND SUCCESSOR AGENCY  
RESOLUTIONS NO 2023-22 & 2023-23 ADOPTION OF THE OPERATING  
AND CAPITAL BUDGETS FOR FISCAL YEARS 2023/24 AND 2024/25 AND  
APPROVAL OF THE CAPITAL IMPROVEMENT PROGRAM FOR FISCAL  
YEARS 2023/24 THROUGH 2029/30

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### RECOMMENDATION

It is recommended that the City Council:

1. Approve the Two-Year Budget for fiscal years 2023/24 and 2024/25 as detailed in Attachment 1, approve the staffing authorizations set forth in the Authorized Positions Listing as shown in Attachment 2, approve the revised Salary Schedule as shown in Attachment 3 and adopt Resolution No. 2023-5854 (Attachment 4) approving the Two-Year Operating Budget for Fiscal Years 2023/24 and 2024/25; and
2. Approve the Seven-Year Capital Improvement Program (CIP) for fiscal years 2023/24 through 2029/30 as detailed in Attachment 6, including 1) the Tier 1 projects for fiscal years 2023/24 and 2024/25 in the Two-Year Budget (Attachment 5) and 2) approval of the projects for fiscal years 2025/26 through 2029/30 and the currently unfunded Tier 2 projects in order to remain in compliance with the Orange County Transportation Authority's Measure M2 Guidelines, and adopt Resolution No. 2023-5855 (Attachment 8) approving the CIP and Two-Year Capital Budget for Fiscal Years 2023/24 and 2024/25; and
3. Approve the Capital Improvement Program (CIP) Database submittals required by OCTA (Attachment 7); and
4. Determine that the proposed CIP is exempt from California Environmental Quality Act (CEQA) review pursuant to Section 158061(b)(3) as it can be seen with certainty that there is no possibility that this consistency finding will have a significant effect on the environment; and

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5. Authorize the carryover from the fiscal year 2022/23 budget to the fiscal year 2023/24 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 after the books for FY 22/23 are closed.

It is recommended that the City Council acting as the Successor Agency Board:

1. Adopt Successor Agency Resolution No. 2023-22 approving the Two-Year Operating Budget for Fiscal Years 2023/24 and 2024/25 (Attachment 9); and
2. Adopt Successor Agency Resolution No. 2023-23 approving the Two-Year Capital Budget for Fiscal Years 2023/24 and 2024/25 (Attachment 10).

### **BACKGROUND**

On May 16, 2023, staff presented the proposed Two-Year Budget to the City Council for preliminary review and discussion. A copy of the staff report is included as Attachment 11 to this report. On June 6, 2023, staff presented the proposed Capital Improvement Program (CIP) budget to the City Council for preliminary review and discussion. A copy of the staff report is included in Attachment 12. These staff reports provide greater detail regarding the significant changes, new positions/reclassifications and capital projects included in the operating and capital budgets proposed for adoption by the City Council.

Pursuant to Government Code Sections 65103(C) and 65401, the Planning Commission is also required to review the proposed CIP budget. Accordingly, the CIP was reviewed and deemed in conformance with the City's General Plan by the Planning Commission on May 24, 2023.

### **DISCUSSION**

Staff have incorporated final adjustments submitted by City Departments for approval. Several of the various attachments to this report summarize this information.

### **Revised General Fund Revenue and Expenditure Budgets**

The following table shows the currently projected General Fund budget for fiscal year 2022/23 as well as the proposed budget for fiscal years 2023/24 and 2024/25. The net changes made between the preliminary operating budget and this final budget resulted in excess resources over appropriations lower by \$57,040 in FY 2023/24 and \$25,815 in FY 2024/25. The details of the changes are explained after the table below.

**CITY OF YORBA LINDA**  
**GENERAL FUND BUDGET**  
**FY 2023/24 & FY 2024/25 - PROPOSED BUDGET**

	FY 22/23 ADJUSTED	FY 23/24 PROPOSED	FY 24/25 PROPOSED
<b>RESOURCES</b>			
Property Taxes	\$ 23,784,064	\$ 24,672,395	\$ 25,449,940
Sales & Use Tax	9,000,000	9,030,000	9,236,000
Franchise Tax	2,270,611	2,320,680	2,352,275
Other Taxes	1,612,100	1,613,000	1,614,650
Fees, Charges & Permits	2,451,618	1,982,350	2,159,350
Parks & Recreation Revenue	2,542,074	2,637,202	2,674,451
Administrative Charges	1,795,484	2,810,764	2,865,569
Other Revenue	1,493,951	1,726,842	1,330,531
Total Operating Revenue	<b>44,949,902</b>	<b>46,793,233</b>	<b>47,682,766</b>
Interfund transfers	1,062,964	539,000	539,000
Fd Balance Reserves	6,976,411	2,253,133	75,000
<b>Total Resources</b>	<b>52,989,277</b>	<b>49,585,366</b>	<b>48,296,766</b>
<b>APPROPRIATIONS</b>			
Administration	\$9,250,940	\$9,167,079	\$9,484,881
City Attorney	650,000	650,000	650,000
Community Development	4,003,868	3,769,294	3,721,654
Finance	1,322,961	1,339,221	1,373,221
Non-Departmental	34,800	35,000	35,000
Parks & Recreation	9,238,830	9,771,151	9,993,004
Police Services	14,230,522	14,638,543	15,299,177
Public Works	6,808,324	6,429,059	6,313,366
Vacancy Factor	(241,358)	(354,075)	(363,165)
<b>Total Operating Expenditures</b>	<b>45,298,887</b>	<b>45,445,272</b>	<b>46,507,138</b>
Transfer to Special Reserves	5,000,000		
Transfer to LMAD	943,735	1,147,637	1,182,066
*Transfer to Capital Projects Fund	896,946	2,253,133	75,000
<b>Total Appropriations</b>	<b>52,139,568</b>	<b>48,846,042</b>	<b>47,764,204</b>
<b>Excess Resources over Appropriations</b>	<b>\$849,709</b>	<b>\$739,324</b>	<b>\$532,562</b>
<b>Est. Beginning Fund Balance Reserves</b>	<b>31,633,612</b>	<b>25,506,910</b>	<b>23,993,101</b>
<b>Less Uses of Fd Bal Reserves</b>	<b>(6,976,411)</b>	<b>(2,253,133)</b>	<b>(75,000)</b>
<b>Est. Ending Fund Balance Reserves</b>	<b>25,506,910</b>	<b>23,993,101</b>	<b>24,450,663</b>
<b>Uses of Fund Balance Reserves:</b>			
*Transfer out - CIP	\$ 896,946	\$ 2,253,133	\$ 75,000
Zelman Subdivision Impr Agreement	68,268		
Add'l CalPERS payment	305,679		
Add'l OPEB Payment	426,200		
Transfer to Special Reserves	5,000,000		
GF Carryovers from FY 21/22	279,318	-	-
	<b>6,976,411</b>	<b>2,253,133</b>	<b>75,000</b>

\* Transfers Out to CIP in FY 2022/23 reflect actual anticipated expenditures with \$2.1 million carried over to FY 2023/24

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General Fund revenue is lower by \$54,040 in FY 2023/24 and \$24,040 in FY 2024/25. This is primarily due to the removal of the proceeds from the sale of vehicles that were originally purchased with AQMD funds. The City must return the proceeds of the sale to the AQMD Fund rather than the General Fund.

General Fund expenditures include:

- An increase of \$3,000 in FY 2023/24 and \$1,775 in FY 2024/25 due to a small change to an IT software subscription cost.
- The Parks & Recreation budget in FY 2022/23 is higher by \$25,000 due to a minor budget adjustment.

The inclusion of the transfer from General Fund reserves to the Capital Improvement Project Fund in the amount of \$2,253,133 in FY 2023/24 and \$75,000 in FY 2024/25 are as a result of the projects discussed at the June 6, 2023, Council meeting where the CIP budget was presented. While the addition of these figures reduces General Fund reserves, it does not impact the net operating surplus for each fiscal year. It should also be noted that \$2.0 million in FY 2023/24 represents carryover projects from FY 2022/23.

Based on the proposed revenue and expenditure budgets, including all requested budget enhancements, staff are forecasting a surplus of \$739,324 in fiscal year 2023/24 and \$532,562 in fiscal year 2024/25. Operating reserves as shown in the General Fund Budget table would represent 52.9% and 52.6% respectively.

### **Proposed Budget for Other Funds and CIP**

There have been no changes to the proposed budgets for the Library and CIP funds since the preliminary review of those funds. LMAD had minor adjustments pursuant to the final Engineer's Report. Expenditures for Black Gold are lower by the debt service payment because it was reclassified from an expenditure/transfer account to a due to/due from account on the balance sheet which does not affect the expenditures. Additionally, Black Gold Golf Club detail pages in Attachment 1 include transfers and CIP expenditures that were not previously mentioned in the prior report. Attachment 1 includes the detailed budgets for these funds in addition to the rest of the Special Revenue Funds and the Successor Agency Fund.

### **Budget Carryover Process**

Staff is also requesting the Council's approval for carrying forward certain budgeted amounts included in the fiscal year 2022/23 budget that have not been spent but are still required. These include funds budgeted for capital projects, funds encumbered for purchase orders and a limited number of additional amounts designated for specific purposes. Absent this action, these appropriations would lapse at the conclusion of the current fiscal year. Staff will assemble a final list of the specific amounts and purposes for funds to be carried over into fiscal year 2023/24 budget and will provide this information to the Council via a staff report once the books have been preliminarily closed for fiscal year 2022/23.

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### **FISCAL IMPACT**

As currently presented, the proposed General Fund budget is balanced, with a budget surplus projected for both fiscal years. The budgets for the Library, LMAD and Black Gold Golf Club Fund reflect an operating surplus in both fiscal years. Resources available in all other funds included in the proposed budget are sufficient to cover all requested expenditures in both fiscal years.

### **ALTERNATIVES**

The City Council could choose to modify the proposed budget and CIP as presented and/or request additional funding for programs or services of interest to the Council.

### **ATTACHMENTS**

1. Two-Year Budget Summary and Detail Information
  2. Authorized Positions Listing
  3. FY 2023/24 Salary Schedule
  4. Resolution Adopting the Operating Budget
  5. FY 2023/24 & FY 2024/25 Capital Improvement Program (CIP) Budget
  6. FY 2023/24 – FY 2029/30 Capital Improvement Program (CIP) and Tier 2 List
  7. FY 2023/24 Capital Improvement Program (CIP) OCTA Database Submittal
  8. Resolution Approving CIP and Adopting Capital Budget
  9. Successor Agency Resolution Adopting the Operating Budget
  10. Successor Agency Resolution Approving the CIP and Adopting the Capital Budget
  11. Staff Report from May 16, 2023 – Operating Budget
  12. Staff Report from June 6, 2023 – Capital Improvement Program
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