



STAFF REPORT

CITY of YORBA LINDA

FINANCE DEPARTMENT

DATE: March 18, 2025

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: SUNNY HAN, FINANCE DIRECTOR / CITY TREASURER

SUBJECT: FISCAL YEAR 2024/25 MID-YEAR BUDGET UPDATE AND FY 2025/26 & 2026/27 STRATEGIC BUDGET PRIORITIES UPDATE

RECOMMENDATION

It is recommended that the City Council:

1. Receive and file the attached list of line-item budget transfers and supplemental budget appropriations for the second quarter of FY 2024/25 (Attachment 1), as required by City Council Policy F-4 – Supplemental Budget and Line Item Transfers.
2. Approve adjustments to the Fiscal Year 2024/25 operating budget totaling \$454,421, of which \$286,421 is in the General Fund (Attachment 2).
3. Adopt Resolution No. 2025-5932 to include and adopt certain new job classifications and salary ranges effective March 31, 2025 (Attachment 3).
4. Approve five changes to the Authorized Position List (Attachment 4).
5. Reaffirm the City's Strategic Plan Core Strategies as overarching budget guidelines.
6. Provide direction to staff regarding any specific programs, services, staffing, or capital spending that should be prioritized as staff prepares the draft two-year budget for Fiscal Years 2025/26 and 2026/27 for the Council's consideration.

BACKGROUND

On June 20, 2023, the City adopted the Two-Year Budget for Fiscal Years 2023/24 and 2024/25. On June 4, 2024, the City Council approved revisions to the FY 2024/25 budget through the Mid-Term Budget Update process. On January 21, 2025, staff presented the first quarter budget update for Fiscal Year 2024/25. Subsequent budget adjustments and transfers for the second quarter of FY 2024/25 have been identified and recorded. This update is to inform Council of these adjustments.

Additionally, as the City develops the draft two-year budget for Fiscal Years 2025/26 and 2026/27 for the Council's consideration, staff requests reaffirmation of the City's Strategic Plan Goal Core Strategies included in the Strategic Plan adopted on March 17, 2020, as overarching budget guidelines.

The Mission Statement, Vision Statement, Guiding Values, Strategic Plan Theme, and Six Core Strategies are outlined below:

- **Mission Statement:** The City of Yorba Linda enhances quality of life by providing exceptional services and amenities in a transparent and financially responsible manner that responds to and exceeds community expectations.
- **Vision Statement:** The City of Yorba Linda is a welcoming, gracious and prestigious community that remains safe and financially sound, where families and businesses thrive.
- **Guiding Values:**
 - Excellence – Exceeding the standard and striving to maximize performance.
 - Honesty and Integrity – Displaying honesty, ethics, and good character while always demonstrating sound judgment.
 - Stewardship –Managing resources and assets of the City in a responsible, accountable, and transparent manner.
 - Dependability and Dedication –Being reliable and committed to serving others.
 - Professionalism –Exhibiting professional conduct and carrying out duties that display technical and interpersonal excellence in a manner that exceeds the community’s expectations.
 - Caring and Kindness –Commitment to serve the community by displaying compassion and empathy in a friendly manner.
- **Strategic Plan Theme:** Yorba Linda... Exceptional!
- **Six Core Strategies**
 - **Strategy 1:** Deliver exceptional City services in a customer-friendly manner.
 - **Strategy 2:** Maximize and strengthen the image, visual quality, and brand of the City.
 - **Strategy 3:** Sustain and enhance the City’s long-term financial position.
 - **Strategy 4:** Ensure a safe community through continued public safety efforts.
 - **Strategy 5:** Foster long-term prosperity through economic growth and support of a vibrant business community.
 - **Strategy 6:** Improve and expand City infrastructure, facilities, and amenities.

DISCUSSION

When the FY 2024/25 budget was adopted, a budget surplus of \$532,562 was projected, which was subsequently adjusted to \$620,761 during the Mid-Term Budget Review. During the First Quarter Budget Update, this number was revised to \$623,675, primarily due to property tax performing better than originally forecasted. Due to the adjustments to the revenue and expenditures budgets discussed in this report, the surplus is now anticipated to be \$753,359.

The following table includes the latest revenue and expenditure estimates which are discussed throughout the report and summarized below. The budget adjustments column reflects budget adjustments already approved by the City Council or City Manager during

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the second quarter of the fiscal year, as well as proposed General Fund Mid-Year adjustments totaling \$285,357. A list of these adjustments is reflected in Attachment 2.

**CITY OF YORBA LINDA
GENERAL FUND BUDGET
FY 2024/25 - SECOND QUARTER BUDGET TOTALS**

	ADJUSTED BUDGET 9/30/2024	BUDGET ADJUSTMENTS 12/31/2024	ADJUSTED BUDGET 12/31/2024	YTD ACTUALS 12/31/2024
RESOURCES				
Property Taxes	\$ 26,237,552	\$ -	\$ 26,237,552	\$ 6,984,215
Sales & Use Tax	8,596,000	(211,128)	8,384,872	2,034,845
Franchise Tax	2,433,960	-	2,433,960	325,454
Other Taxes	1,600,150	-	1,600,150	582,592
Fees, Charges & Permits	2,792,815	(633,465)	2,159,350	1,125,193
Parks & Recreation Revenue	2,704,351	36,000	2,740,351	1,021,984
Administrative Charges	2,601,302	-	2,601,302	1,276,010
Other Revenue	1,741,685	1,236,984	2,978,669	2,085,353
Total Operating Revenue	48,707,815	428,391	49,136,206	15,435,646
Interfund transfers	614,000	-	614,000	9,785
Fd Balance Reserves	1,054,902	583,800	1,638,702	-
Total Resources	50,376,717	1,012,191	51,388,908	15,445,431
APPROPRIATIONS				
Administration	\$ 10,072,864	\$ 636,464	\$ 10,709,328	\$ 6,111,506
City Attorney	650,000	-	650,000	176,976
Community Development	3,882,129	-	3,882,129	1,559,345
Finance	1,402,502	-	1,402,502	559,108
Non-Departmental	31,000	-	31,000	8,416
Parks & Recreation	10,307,515	78,043	10,385,558	4,814,540
Police Services	15,317,566	-	15,317,566	7,650,611
Public Works	6,610,747	-	6,610,747	2,326,765
Vacancy Factor	(363,165)	-	(363,165)	-
Total Operating Expenditures	47,911,158	714,507	48,625,665	23,207,267
Transfer to Special Reserve Fund	-	-	-	-
Transfer to SB2 Fund	110,000	168,000	278,000	-
Transfer to LMAD	1,275,127	-	1,275,127	-
Transfer to Capital Projects Fund	456,757	-	456,757	-
Total Appropriations	49,753,042	882,507	50,635,549	23,207,267
Excess Resources over Appropriations	\$ 623,675	\$ 129,684	\$ 753,359	
Fund Balance Reserves @ 7/1/2024	28,584,722	-	28,584,722	
Less Uses of Fd Bal Reserves	(1,054,902)	(583,800)	(1,638,702)	
Est. Fund Balance Reserves @ 6/30/2025	\$ 28,153,495	\$ (454,116)	\$ 27,699,379	
Uses of Fund Balance Reserves:				
Transfer out - CIP	\$ 456,757	\$ -	\$ 456,757	
Transfer to SB2 Fund	110,000	-	110,000	
Additional CalPERS Contribution		166,800	166,800	
Additional OPEB Contribution		417,000	417,000	
GF Carryovers from FY 2023/24	488,145	-	488,145	
	\$ 1,054,902	\$ 583,800	\$ 1,638,702	

General Fund Revenue Update

In comparison to the First Quarter budget update, General Fund resources (which includes interfund transfers and the use of General Fund reserves) is projected to be approximately \$1 million higher than anticipated. Here are some highlights of the changes:

1. **Sales Tax - <\$211,128>**: The forecast for sales tax has been reduced based on the most recent estimates provided by the City’s sales tax consultants, primarily due to continued high inflation pricing and interest rates.
2. **Fees, Charges, & Permits - <\$633,465>**: This category has been reduced due to revisions in projected start dates for larger projects and a lower volume of permit applications received than originally anticipated.
3. **Other Revenue - \$1,236,984**: This adjustment accounts for one-time revenue received from Cielo Vista for a Public Benefit Contribution in accordance with the Pre-Annexation Agreement between the City and North County BRS Project LLC.
4. **Use of General Fund Reserves - \$583,800**: The planned increase in the use of General Fund Reserves is to fund the additional discretionary payments of \$166,800 and \$417,000 to CalPERS and the City’s Other Post-Employment Benefits (OPEB) Trust, respectively, to proactively manage the repayment of the City’s unfunded pension and OPEB liabilities as approved by Council on November 19, 2024.

General Fund Expenditure/Transfers Adjustments

Operating expenditures/transfers are projected to increase by \$882,507, primarily due to the additional discretionary payments to CalPERS and the City’s Other Post-Employment Benefits (OPEB) Trust totaling \$583,800 discussed above. The other changes are included in the Mid-Year General Fund Adjustments summarized below.

Requested Mid-Year General Fund Budget Adjustments

Staff are recommending the following additional General Fund appropriations as mid-year adjustments to the approved budget.

Department	Division	Description	Amount
Administration	City Clerk	Elections	\$ 49,002
Administration	City Clerk	Personnel Changes	1,598
Administration	Human Resources	DMV Pull Notice Program	1,000
Administration	Information Technology	Personnel Changes	1,064
Parks & Recreation	Administration	Personnel Changes	1,757
Parks & Recreation	Park Maintenance	Automated Gate Installation	10,000
Parks & Recreation	Facilities Maintenance	Custodial Services	20,000
Parks & Recreation	Cultural Arts Center	Theater Expenditures	34,000
Transfers Out	Transfers	SB2 Fund	168,000
Total			\$ 286,421

Administration – The City Clerk’s Office is requesting one-time additional appropriation of \$49,002 to cover invoiced election costs that were higher than originally estimated. Additionally, the Human Resources division is requesting an appropriation of \$1,000 to participate in the DMV Employer Pull Notice (“EPN”) Program in order to enhance the City’s Driver Program and maintain a proactive approach to driver safety.

Parks & Recreation –The Parks & Recreation Department is requesting a one-time appropriation of \$10,000 in the Parks Maintenance Division to install automated locks/gates on all tennis and pickleball court gates. This recommendation from the Parks & Recreation Commission would address the uptick in after-hours use of the tennis and pickleball courts at Las Palomas Park and related noise complaints by residents. An automated lock has been installed on the pickleball gate; however, additional funding is required to complete the remainder of the project. Additional one-time appropriation of \$20,000 is requested in the Facilities Maintenance Division to cover extra janitorial services provided by outside vendors due to staffing shortages.

Additional appropriations of \$18,500 and \$15,500 are requested in the Cultural Arts Center division for increased expenditures paid to theatrical groups and AV operators, respectively, due to more productions and higher volume of ticket sales than originally projected. These appropriations are offset by additional estimate revenue of \$36,000 received from ticket sales and are budget neutral.

Transfers Out – A portion of the City’s funding for the construction and ongoing operation of the Navigation Centers is SB2 (Building Homes and Job Act) funds, which are derived from a \$75 recording fee on certain real estate transactions for the purpose of providing funding for the developing of affordable and homeless housing. Delays in the award and distribution of SB2 funds, a slowdown in the market impacting the amount of annual SB2 funds received, and increased cost of operations necessitate an additional advance from the General Fund in the amount of \$168,000. A corresponding appropriation is requested in the SB2 Fund (216) to process the invoice for the North SPA.

Personnel Budget – 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 4):

Administration Department – 0.00 FTE
City Clerk Division – 0.00 FTE

- *Reclassification of the Deputy City Clerk to Assistant City Clerk.* It is recommended that the current Deputy City Clerk be reclassified into this position. The estimated net increase in costs to the General Fund associated with this change is \$1,598 for Fiscal Year 2024/25, with an annual salary increase of \$10,300 upon reaching the maximum annual salary for this position.

Information Technology Division – 0.00 FTE

- *Reclassification of Information & Technology Services Manager to IT Manager.* It is recommended that the current Information & Technology Services Manager be reclassified into this position. The estimated net increase in costs to the General Fund associated with this change is \$1,064 for Fiscal Year 2024/25, with an annual salary increase of \$37,725 upon reaching the maximum annual salary for this position.

Library Department – 0.00 FTE

Library – 0.48 FTE

- *Reclassification of Administrative Secretary to Administrative Assistant II (new classification).* As the City's programs have become larger and more administratively complex, the nature of work performed by administrative support staff has changed in nature. The City acknowledged this in creating the Administrative Secretary – Housing in 2024. In addition to changes in the scope and scale of work, administrative support work has departed from traditional secretarial roles to administratively focused job responsibilities. Staff is recommending retitling the Administrative Secretary classification to Administrative Assistant, and creating a second tier, Administrative Assistant II, to capture more complex department-specific roles like Administrative Secretary – Housing into a more general job classification that can be used across all departments, limiting the proliferation of single-incumbent classifications. It is recommended to reclassify the current Administrative Secretary to Administrative Assistant II to align the position with the current duties being performed. The estimated net increase in costs to the Library Fund associated with this change is \$1,097 for Fiscal Year 2024/25, with an annual salary increase of \$7,685 upon reaching the maximum annual salary for this position.
- *Addition of one part-time Retired Annuitant (0.48) Library Assistant position.* This position is recommended in order to ensure continuity of service and maintain operational efficiency with current staffing levels and workload. Due to vacancies in the Library Department, there are sufficient salary savings in the Library Fund to negate the need for a budget adjustment at mid-year for both requests.

Parks & Recreation Department – 0.00 FTE

Parks & Recreation Admin – 0.00 FTE

- *Reclassification of Administrative Secretary to Administrative Assistant II (new classification).* It is recommended to reclassify the current Administrative Secretary to the newly created Administrative Assistant II classification to align the position with the current duties being performed. The estimated net increase in costs to the General Fund associated with this change is \$1,757 for Fiscal Year 2024/25, with an annual salary increase of \$7,685 upon reaching the maximum annual salary for this position.

PUBLIC WORKS DEPARTMENT – 0.00 FTE

Engineering – 0.00 FTE

- *Reclassification of one (1) Assistant Engineer to Associate Civil Engineer (new classification).* Creation of an Associate Civil Engineer position provides an

intermediary journey-level classification in the engineering series and allows for the promotion and retention of experienced incumbents. The estimated net increase in costs to the General Fund associated with this change is \$505 for Fiscal Year 2024/25, with an annual salary increase of \$19,127 upon reaching the maximum annual salary for this position. Due to vacancies in the Public Works Department, there are sufficient salary savings to negate the need for a budget adjustment at mid-year.

If all proposed changes are approved, the additional cost for FY 2024/25 is \$6,021, of which \$4,924 is funded by the General Fund and \$1,097 is funded by the Library Fund; with \$505 and \$1,097 funded from departmental salary savings in the General Fund and Library Fund, respectively. The ongoing annual cost of \$82,522 upon all recommended reclassifications reaching the maximum annual salary for this position, of which \$74,837 is funded by the General Fund and \$7,685 is funded by the Library Fund.

The Authorized Positions Listing can be found in Attachment 4 and the FY 2024/25 Salary Schedule can be found in Attachment 5.

FISCAL YEAR 2025/26 and 2026/27 STRATEGIC BUDGET PRIORITIES

It is commonplace in local government for budget documents to tie spending at the department level to a set of overarching organization-wide goals. While staff believe that the six core strategies listed above still support the City's vision, mission and values are still applicable in the same or slightly modified form for the upcoming Two-Year Budget cycle, staff wished to receive the City Council's feedback regarding proposed revisions or additions to these strategies. This list can easily be modified if the Council identifies other strategic budget priorities. In crafting a two-year budget for Fiscal Years 2024/25 and 2025/26, staff wishes to address the City Council's spending priorities to the extent that resources are available. While the core strategies above are a good set of broad organizational priorities for the upcoming two-year budget, there may be more specific priorities that the Council wishes to see addressed for programs, services, staffing or capital spending. Staff recommend the Council provide feedback regarding this issue so that any such requests can be costed out and/or incorporated, to the extent feasible, into the upcoming draft two-year budget. As staff begins preparation of the new two-year budget we plan to be before Council at different times to present the revenues, expenditures, reserves and capital projects and to seek Council's input prior to recommending adoption of the budget in June.

FISCAL IMPACT

The First Quarter Budget Review reflected an anticipated operating surplus of \$623,675. Due to the adjustments to the revenue and expenditures budgets discussed in this report, the surplus is now anticipated to be \$753,359.

ATTACHMENTS

1. List of Budget Adjustments for the Second Quarter of Fiscal Year 2024/25
2. Fiscal Year 2024-25 Mid-Year Budget Requests
3. Resolution No. 2025-5932
4. Authorized Position Listing Revised 3-12-2025
5. Misc Exhibit A Proposed Salary Schedule