



# Agenda Item

## City Council

Item #: 10.4.

6/8/2021

File #: 21-0284

**TO:** Honorable Mayor and Members of the City Council

**THRU:** Rick Otto, City Manager

**FROM:** Will Kolbow, Assistant City Manager/Administrative Services Director

### 1. SUBJECT

Proposed Fiscal Year 2021-2022 City of Orange Budget and Five-Year Capital Improvement Program.

### 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 three City Council study sessions during which various aspects of the proposed budget were considered and Council direction was given.

Staff is also 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 March, April, and May Budget Study Sessions.

### 3. RECOMMENDED ACTION

#### For Fiscal Year 2020-2021

1. Accept into the City's revenue budget \$27,749,752 in funds from the American Rescue Plan.
2. Authorize the appropriation of \$27,749,752 into the following expenditure account numbers for salaries and benefits:

\$10,616,859	101.3099.50002.00000
\$17,133,093	101.4099.50002.00000

3. Approve a budget transfer of \$430,000 from the City Trf: NW& SW 2003 Exempt Fund unreserved fund balance to the City Trf: Merged 2008 Exempt Fund unreserved fund balance.

#### For Fiscal Year 2021-2022

At the conclusion of the public hearing, five action items are recommended to adopt the Fiscal Year 2020-2021 Budget, effective July 1, 2022. These are:

1. Adopt Resolution No. 11334. A Resolution of the City Council of the City of Orange adopting said City's Budget for the Fiscal Year 2021-22 and relating to transfers of funds between and

within appropriations, transfers between funds, and additional appropriations.

2. Adopt Resolution No. 11335. A Resolution of the City Council of the City of Orange adopting the appropriations limit of \$200,945,256 for the Fiscal Year 2021-22.
3. A motion making a finding that the portion of the Fiscal year 2021-2022 Budget subject to the Gann Appropriations limit is \$105,384,300, and therefore within the limit.
4. Adopt Resolution No. 11336. A Resolution of the City Council of the City of Orange amending the Master Schedule of Fees and Charges for various services and the rental of rooms and equipment.
5. Adopt Resolution No. 11337. A Resolution of the City Council of the City of Orange to approve and authorize staff to submit to the Orange County Transportation Authority the Measure M2 Seven-Year Capital Improvement Program for Fiscal Year 2021-22 through 2027-28 to comply with Measure M2 eligibility criteria.
6. Adopt Resolution No. 11341. A Resolution of the City Council of the City of Orange amending Resolution no. 11277 between the City of Orange and the City of Orange Police Association.

#### **4. FISCAL IMPACT**

##### **For Fiscal Year 2020-2021**

1. The total appropriations for this grant are funded by the additional revenue received from the American Rescue Plan.
2. Funds are available to cover the cost of the budget transfer from the City Trf: NW& SW 2003 Exempt Fund to the City Trf: Merged 2008 Exempt Fund.

##### **For Fiscal Year 2021-22**

Adoption of the annual budget establishes the City financial plan for the 2021-2022 Fiscal Year.

#### **5. STRATEGIC PLAN GOALS**

Goal 2: Be a fiscally healthy community

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

#### **6. DISCUSSION AND BACKGROUND**

##### **For Fiscal Year 2020-21**

As mentioned during previous budget sessions, President Joe Biden signed into law a \$1.9 trillion COVID-19 economic relief package, entitled the American Rescue Plan Act of 2021 (ARP). One of the key features of the ARP includes state and local aid to be distributed through a modified Community Development Block Grant (CDBG) formula, of which the City's share is \$28,018,188. On May 19, 2021, the City received the first half of this federal funding. Staff is recommending that the

funds be used to recover lost revenue. Using the guidance provided by the United States Treasury Department, the City's calculated loss for Calendar Year 2020 is \$27,749,752. Staff is recommending that this full amount be appropriated in FY 21, deposited into the separate ARP Fund (101) and used for public safety salary expenditures. The first half of the funds has been received and will be used towards safety salary expenditures incurred in the last five pay periods of FY 21, which are estimated at \$13.5 million. The balance of the appropriation, approximately \$14.2 million, will be carried over to FY 22 and also designated towards safety employees' expenditures, as the balance of the ARP funds will be received in FY 22.

Additionally, as part of clean-up items for FY 21, staff recommends a budget transfer of \$430,000 from the Northwest & Southwest 2003 Exempt Bond Fund (954) unreserved fund balance to the Merged 2008 Exempt Bond Fund (953) unreserved fund balance. This appropriation will provide for sufficient funds to cover unanticipated expenses for FY 21. Further, this is essentially a reversal of a transfer from FY 20 that was intended to fund a portion of the new Fire Station No. 1. However, the City subsequently pursued bond financing and had favorable construction bids; therefore, the funding was no longer needed.

### **For Fiscal Year 2021-22**

The adoption of the FY 2021-22 (FY 22) Budget and related documents will ensure 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 22 budget represents the City's spending plan for the coming fiscal year, which will begin July 1, 2021 and end June 30, 2022.

In preparing the FY 22 budget, the City Council conducted three study sessions to discuss various aspects of the proposed budget. Council deliberated extensively regarding methods to balance the FY 22 budget, while also recognizing the need to continue to restore the City's General Fund budget and establish a 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 22 General Fund Budget is balanced with revenues exceeding expenditures by \$10.1 million, due to the aforementioned \$14.2 million carryover of the American Rescue Plan Federal aid. The attached Budget Message provides in detail how we are able to present a balanced budget for FY 22.

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 22 Budget are:

- Budget Message
- Budget Resolutions
- Selected Budget Worksheets
  - Fund Balances
  - Transfers
  - Revenues and Expenditures
  - Recommended Staffing Changes

- Schedule of Positions
  - Carryovers
  - Successor Agency (Redevelopment Agency) Debt Issues
  - Capital Improvement Projects for FY 22
- Budget Workplans for FY 22
- Five-Year Capital Improvement Plan

## Fee Study

At the May 11, 2021 Budget Study Session, staff presented the proposed fee changes to the City's Master Fee schedule. These changes were based on a review of specific fees and an update to the fee model with revised time estimates and costs for delivering the services. With the recommended fees, we expect to recover approximately 63% of costs associated with the services provided. The total revenue impact of the proposed fees represents an increase in General Fund revenue of approximately \$112,000. Resolution No. 11336 includes an updated Master Schedule of Fees that reflects all the recommended fee changes.

Following adoption of the FY 22 Budget, staff will complete the preparation of the Budget and Capital Improvement Plan documents and present them to the City Council upon publication.

## 7. ATTACHMENTS

- Budget Message
- Resolution No. 11334
- Resolution No. 11335
- Resolution No. 11336
- Resolution No. 11337
- Resolution No. 11341
- Selected worksheets for the Proposed FY 22 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 Type and Fund

Summary of General Fund Revenues by Type

Summary of All Fund Expenditures by Department

Historical Schedule of Expenditures by Fund Type and Category

Summary of General Fund Expenditures by Department

Schedule of Positions and Listing of Frozen Positions

Schedule of Recommended Staffing Changes

Schedule of Operating Carryover Appropriations

Schedule of New Capital Improvement Funding by Fund

Workplans for FY 22

Five-Year Capital Improvement Plan