



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
June 3, 2025

TOPIC: Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, Seven Year Capital Improvement Program, and the City's Annual Update to Comply with AB2561

AGENDA TITLE

Public Hearing to Consider an Ordinance to Adopt the Fiscal Year 2025-26 Budget, Approve a Resolution for Changes to the City's Basic Classification and Compensation Plan Budget, Changes to the Executive Management Team's Classification and Compensation Plan, Adopt the Uniform Schedule of Miscellaneous Fees, Adopt the Seven-Year Capital Improvement Program, and the City's Annual Update to Comply with AB2561

Legal notice published in the OC Reporter on May 22 and May 28, 2025.

RECOMMENDED ACTION

1. Approve the introduction and first reading of an Ordinance to adopt the budget for Fiscal Year 2025-26 (FY25-26), which begins on July 1, 2025 and ends on June 30, 2026. *(Requires five affirmative votes)*

UNCODIFIED ORDINANCE NO. NS-XXXX entitled AN UNCODIFIED ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA ANA APPROPRIATING MONIES TO THE SEVERAL OFFICES, AGENCIES, AND DEPARTMENTS OF THE CITY FOR FISCAL YEAR BUDGET PERIOD COMMENCING JULY 1, 2025

2. Adopt a Resolution to effect certain changes to the City's basic classification and compensation plan, such as addition of new classification titles.

RESOLUTION NO. 2025-XXX entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA TO EFFECT CERTAIN CHANGES TO THE CITY'S CLASSIFICATION AND COMPENSATION PLAN

3. Adopt a Resolution to effect certain changes to the City's Classification and Compensation Plan for the Executive Management Classification.

RESOLUTION NO. 2025-XXX entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA AMENDING RESOLUTION NO. 2024-001 TO EFFECT CERTAIN CHANGES TO THE CITY'S CLASSIFICATION AND COMPENSATION PLAN FOR THE EXECUTIVE MANAGEMENT CLASSIFICATION

4. Adopt a resolution establishing a Uniform Schedule of Miscellaneous Fees for Fiscal Year 2025-26.

RESOLUTION NO. 2025-XXX entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA ESTABLISHING A UNIFORM SCHEDULE OF MISCELLANEOUS FEES FOR FISCAL YEAR 2025-26

5. Adopt the Seven-Year Capital Improvement Program (CIP) beginning FY25-26 through FY31-32, as required by the Orange County Transportation Authority (OCTA) for Measure M2 eligibility.
6. Deposit \$1,000,000 into the Section 115 Pension Trust Fund as part of the City's Pension Debt Strategy.

GOVERNMENT CODE §84308 APPLIES: No

DISCUSSION

The City Council provided budget direction on March 18, May 15, and May 20, and staff has updated the proposed budget accordingly. Staff began the annual community engagement process in January 2025, which included visits to all six Council Wards, conducting 11 Community Budget Meeting discussions, and participating in two citywide events. These efforts resulted in nearly 400 attendees.

As required by Santa Ana Charter Sections 604 and 605, the City Manager proposes a FY2025-26 Budget for City Council consideration during this Public Hearing. Staff has prepared resource estimates (beginning fund balances and new revenue), and the proposed Ordinance appropriates spending of these resources to support ongoing public services and capital improvement projects.

Santa Ana Charter Section 607 requires the City Council to adopt the annual budget by July 31. If the Council approves the recommended action, the Ordinances will return to City Council on June 17 to consider for adoption.

Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program

June 3, 2025

Page 3

General Fund Summary

The General Fund is the primary operating fund of the City and accounts for all unrestricted revenue. A summary of the proposed FY 2025-26 General Fund activity follows.

General Fund	FY24-25 Revised Budget ¹	FY25-26 Proposed Budget
Beginning Balance	\$ 129,845,057	\$ 109,415,830
Revenue	\$ 406,970,014	\$ 413,790,950
Expenditures	\$ (382,957,061)	\$ (392,221,650)
Net Transfers	\$ (30,911,160)	\$ (32,008,500)
Net Activity	\$ (6,898,207)	\$ (10,439,200)
Pension Stabilization	\$ (13,531,020)	\$ (1,000,000)
Estimated Ending Balance	\$ 109,415,830	\$ 97,976,630
Reserve Requirement ²	\$ 73,420,163	\$ 74,482,371

¹ The FY24-25 Revised Budget assumes City Council approves the recommended Third Quarter General Fund Adjustments on June 3, 2025

² The 18% Reserve requirement applies to recurring revenue only

A full reconciliation of changes from the revised FY2024-25 budget to the proposed FY2025-26 budget is included in Exhibit 1, on pages 2-5. City Council's Budget and Reserve Policy requires a General Fund Reserve equivalent to 18% of annual recurring General Fund revenue. Staff estimates the General Fund Reserve at June 30, 2025 and June 30, 2026 will be compliant with the policy. As General Fund revenue changes throughout the fiscal year, so will the dollar amount of the reserve requirement.

A summary of the proposed FY2025-26 General Fund budget identifying recurring and one one-time activity follows.

FY25-26 Proposed General Fund Budget	Recurring	One-Time	Total
Revenue	\$ 413,790,950	\$ -	\$ 413,790,950
Expenditures	\$ (381,781,130)	\$ (10,440,520)	\$ (392,221,650)
Net Transfers	\$ (32,008,500)	\$ -	\$ (32,008,500)
Pension Stabilization	\$ -	\$ (1,000,000)	\$ (1,000,000)
Net Activity	\$ 1,320	\$ (11,440,520)	\$ (11,439,200)

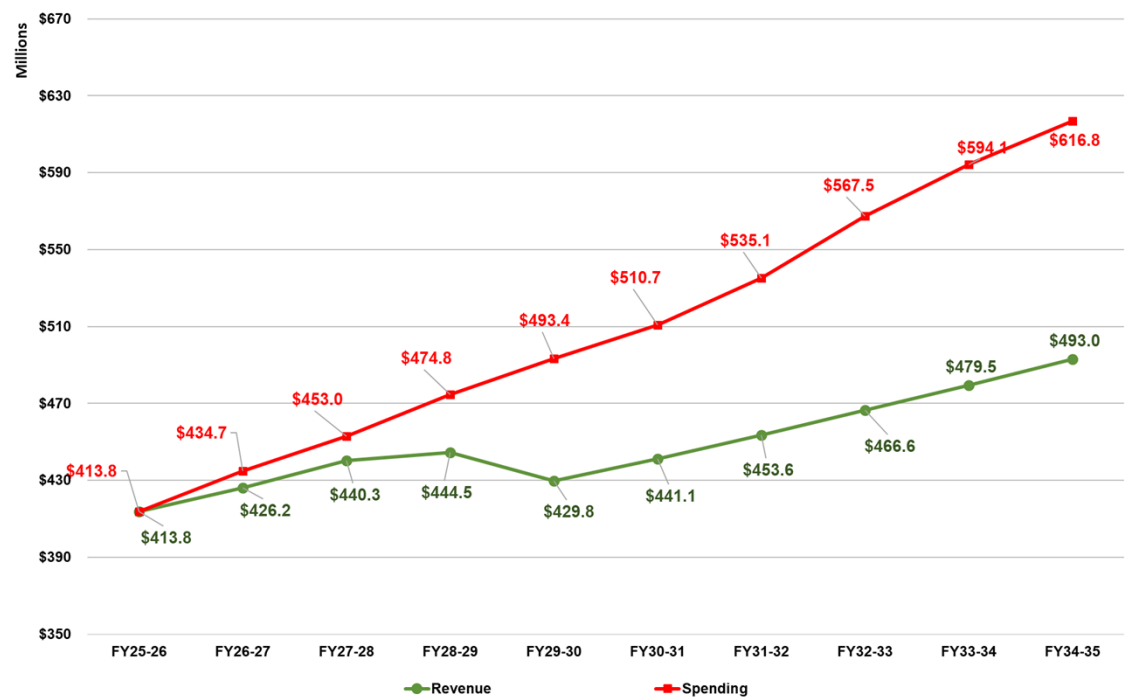
Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program
June 3, 2025
Page 4

General Fund Ten-Year Outlook

The Outlook is a tool that projects the future General Fund budget based on the proposed budget structure and known future events, such as the scheduled Measure X rate decrease.

This Outlook includes the following assumptions:

- Recurring amounts only
- Debt pay-offs
- Measure X rate decrease (1.5% to 1.0% in April 2019)
- Inflationary increases FY26-27 and later, based on the California Department of Finance forecast of CPI
- Labor increases based on MOU's
- Orange County Fire Authority (OCFA) contract increase of 4.5% annually
- Employee pension unfunded liability contributions as estimated by CalPERS
- Contributions to, and uses of, the Pension Stabilization Account have been included to smooth the pension debt fluctuations



The model indicates that the General Fund budget structure will need to be adjusted in future years to remain balanced. For FY 2025–26, overall General Fund revenues are projected to increase by approximately 1%. In the following years, revenue growth is based on projections from the California Department of Finance. However, operating

Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program
June 3, 2025
Page 5

costs are expected to rise faster than revenues due to factors such as negotiated salary and benefit increases for City staff, increases to construction costs, and the Orange County Fire Authority (OCFA) contract for fire services that can increase by up to 4.5% annually.

In addition, CalPERS investment performance has frequently fallen short of expectations, leading to increased pension debt costs. A significant drop in revenue is also expected in 2029, when the Measure X sales tax rate is scheduled to decrease.

Charter Requirement for Public Recreation Program Spending

Santa Ana Charter Section 607 requires City Council to adopt a budget that provides the support of public recreation programs of at least the equivalent of six (6) cents on each one-hundred dollars (\$100) of the assessed value of taxable property in the City on the legal assessment date for the previous fiscal year. The net taxable value of property for FY2024-25 was \$35,876,022,849. When applying the calculation required by the Charter, the required expenditure budget for public recreation programs is \$21,525,614. The proposed General Fund budget includes \$15,249,460 for the Parks, Recreation, and Community Services Agency, \$17,695,430 for the maintenance of parks and facilities, and \$3,267,620 for youth services funded by Cannabis tax revenue. The proposed budget exceeds the Charter requirement by \$14,686,896 or 68%.

Citywide Budget

The proposed FY 2025-26 Citywide Budget includes the General Fund as well as all other City funds, including those with internal and external restrictions. A summary of the Citywide Budget is provided below.

FY2025-26 Proposed Budget	General Fund	Other Funds*	Total Citywide
Revenues	\$ 413,790,950	\$ 326,768,190	\$ 740,559,140
Expenditures	\$ (392,221,650)	\$ (322,562,260)	\$ (714,783,910)
Net Transfers	\$ (32,008,500)	\$ (31,579,130)	\$ (63,587,630)
Net Activity	\$ (10,439,200)	\$ (27,373,200)	\$ (37,812,400)

**Other Funds excludes Internal Service Funds*

The negative net activity reflects a proposed use of accumulated fund balances for one-time, non-recurring projects. Exhibit 1 provides detailed budget information for each individual fund.

Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program

June 3, 2025

Page 6

Pension Stabilization Trust and Annual Prepayment of Unfunded Liability

The proposed budget includes a \$1 million General Fund deposit into the City's Section 115 Pension Trust in FY 2025-26. The Trust was created to help fund future increases in pension debt payments.

In addition, CalPERS requires the City to make an annual payment toward its Unfunded Actuarial Liability (UAL). The City has the option to either prepay the full amount by July 31 at a discounted rate or spread the payments evenly over 12 months. As in the past seven years, the City plans to prepay the UAL in July. The proposed budget includes this discounted prepayment.

Annual Reporting of Goals, Key Performance Measures, and Department Highlights

Each year, departments provide updates to their Strategic Goals, report on progress toward meeting Key Performance Measures, and highlight key accomplishments. These updates are summarized in Exhibit 2.

Workforce Changes

Proposed workforce changes include additions, deletions, and reclassifications of positions. Exhibit 1 on pages 24-31 details all of the proposed workforce changes to full-time staff. Two resolutions, the Classification and Compensation Resolution and the Executive Management Team Resolution include compensation adjustments to improve market parity, classification additions and deletions, and title changes.

A summary of proposed workforce changes follows:

Department	FY24-25	FY25-26 Workforce Changes	FY25-26 Proposed
City Attorney	23	-	23
City Clerk	7	-	7
City Manager	15	1	16
Community Development	81	2	83
Finance & Management Services	72	-	72
Human Resources	32	-	32
Information Technology	24	-	24
Library	38	1	39
Parks, Recreation & Community Svcs	69	(3)	66
Planning & Building	95	7	102
Police	660	5	665
Public Works	332	(6)	326
Total Workforce Changes	1,448	7	1,455

Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program

June 3, 2025

Page 7

After factoring in additions, deletions and reallocations, the net increase to the Citywide budget is seven (7) full-time positions.

The proposed changes are summarized by Department:

- City Attorney: The City Attorney requests to add an Assistant City Attorney to support increased litigation and provide further support for the large volume of legal agreements, ordinances, and resolutions presented to City Council each year. To provide additional complex legal analysis support for the Rental Registry, two Deputy City Attorneys are being reallocated to add one Senior Assistant City Attorney.
- City Manager: To support coordinated public outreach and engagement efforts, a Senior Graphic Artist position is being added and a Citywide Community Liaison position is being reallocated from the Public Works Agency to the City Manager's Office. Together, these positions will form a new Communications Team within the City Manager's Office.
- Community Development: The Executive Director of Community Development requests to reallocate an Accountant II position, formerly assigned to Finance, with a Senior Office Assistant, which is better suited to support the Rental Registry program. A Senior Office Specialist is also requested in the Housing Authority to provide individualized support services to seniors and people with disabilities.
- Finance and Management Services: The Acting Executive Director of Finance and Management Services requests to add an additional Customer Service Representative and a Senior Accounting Assistant. There is a net increase of zero because the Rental Registry Accountant II position moved to Community Development and was reallocated, and the ARPA funded Accountant II position is being deleted. The Customer Service Representative will provide specialized support to Business License taxation duties with an offsetting increase to revenue and the Senior Accounting Assistant will initially support Enterprise Resource Planning (ERP) general ledger software implementation over a period of three years.
- Library: The Executive Director of Library Services requests to add a Librarian for Young Adult Services to meet the ongoing increased demand for youth programs throughout the City.
- Parks, Recreation, and Community Services: The Executive Director of Parks, Recreation, and Community Services is requesting to delete four positions previously tied to the California Department of Social Services program. A full-time Recreation Specialist is requested to focus solely on managing permits related to city events and city owned facilities, fully offset by the part-time budget. A Graphic Designer I position is being reclassified to Graphic Designer II as a housekeeping adjustment to align the title.

Proposed Fiscal Year 2025-26 City Budget, Changes to the City's Basic Classification and Compensation Plan, Changes to the Executive Management Team's Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program

June 3, 2025

Page 8

- Planning and Building: The Acting Executive Director of Planning and Building is requesting to add five positions in Code Enforcement and one Planning Technician position to reduce the average number of days spent reviewing housing units and commercial/industrial development projects. An additional Senior Building Inspector is requested to reduce delays and provide further capacity for reviewing permitted projects. The reallocations for Associate Plan Check Engineers are intended to promote recruitment and retention efforts for market parity. The other allocations are merely housekeeping adjustments to align position titles.
- Public Works: The Executive Director of Public Works requests to delete four ARPA funded positions and reallocate several others. The three current incumbents are transitioning to other currently vacant positions, while the fourth will be deleted because it is not occupied. All other Workforce Changes are reallocations meant to address market disparity and/or or align position titles with the work currently being performed. The Principal Civil Engineer position, vacant since July 2022, is also proposed for deletion.

Classification and Compensation Resolution

The Human Resources Department, in collaboration with other departments, is requesting approval to update the City's Classification and Compensation Plan. The requested changes include the creation of three new classifications, deletion of one classification, compensation adjustments for nine classifications, and title change for one classification. Each change is detailed in Exhibit 4.

Executive Management Team Classification and Compensation Resolution

The Human Resources Department recently completed a labor market survey of Executive Management Team (EMT) compensation rates. This survey revealed that many of EMT's salary ranges are below the average of comparable agencies. The salary ranges need to be at market to effectively attract and retain EMT Members. With the exception of the Library Services Executive Director and Deputy City Manager positions, EMT salary ranges have not been updated since 2020.

The resolution will adjust the ranges to within market and establish a consistent range for the Deputy City Manager and all Director positions: Chief Technology Innovations Officer, Executive Director of Community Development, Executive Director of Finance and Management Services, Executive Director of Human Resources, Executive Director of Parks, Recreation, and Community Services, Executive Director of Planning and Building Safety, Executive Director of Public Works, and Library Services Director. The requested change would also set the top of the salary range for the Police Chief between the cities of Irvine and Anaheim.

Assembly Bill 2561: Public Reporting of Vacant City Positions

Assembly Bill 2561 (AB 2561), effective January 1, 2025, requires local public agencies in California to publicly report on job vacancies and outline efforts to improve recruitment and retention. To comply with this legislation, the City's public hearing on AB 2561 will address the following:

- Current status of vacancies
- Efforts and strategies related to recruitment and retention
- Identification of any policies, procedures, or activities that may pose obstacles in the hiring process, including changes to overcome those obstacles

If a recognized City bargaining unit reaches or exceeds a 20% vacancy rate in its authorized full-time positions, that unit may request additional information, including vacancy details, compensation structures, and hiring process data. As of March 31, 2025, none of the City's bargaining units meet or exceed the 20% threshold; therefore, no additional reporting is required at this time. Vacancy rates for each bargaining unit as of that date are provided below.

Bargaining Unit	Total Positions	Filled Positions	Vacant Positions	Vacancy Percentage
SEIU	657	547	110	17%
CASA	73	59	14	19%
POA	571	483	88	15%
PMA	23	22	1	4%
SAMA	85	72	13	15%
Appoint/Exec	15	13	2	13%
Unrepresented (CMM/CAM/UCE)	11	9	2	18%

Assumptions

Total positions include City Attorney.

CASA contains UC representation; POA/PMA contains all sworn and professional staff; SAMA contains all AM and MM staff.

All assumptions are based on position titles, not assignment titles.

Example: Budget Analyst (UC) underfilling a Senior Budget Analyst (AM) is counted in the SAMA count as filled position and not in CASA.

Uniform Miscellaneous Fees Schedule

The Miscellaneous Fee Resolution (Exhibit 6) includes various charges for City services provided for individual benefit, such as facility rentals, recreation program participation, and initial licensing for small cell installations. These fees are intended to recover the City's cost of providing the related services and, in accordance with state law, do not exceed the actual cost of service delivery.

The primary cost driver for these services is staff labor, which increases annually due to changes in employee compensation. Each year, staff compares the Consumer Price Index for All Urban Consumers (CPI-U) in the Los Angeles-Long Beach-Anaheim area to changes in employee compensation, which may include negotiated salary increases, step

increases, and rising benefit costs. As of December 31 2024, the CPI-U rose by 4.76%, which is consistent with the overall increase in employee compensation. Therefore, proposed fees have been increased for the upcoming year, with no additional catch-up increases for fees that were not increased in prior years.

The FY 2025-26 Miscellaneous Fees Schedule identifies all fees assessed as well as proposed new fees, deleted fees, and those recommended for adjustment (Exhibit 7). The Schedule includes the following items:

- Addition of twelve (12) new fees
 - 1 new fee in Community Development
 - 2 new fees in Planning and Building
 - 8 new fees in Parks, Recreation, and Community Services
 - 1 new fee in Public Works
- Modification of fifteen (15) existing fees
 - 1 modified fee in Community Development
 - 3 modified fees in Planning and Building
 - 1 modified fee in the Police Department
 - 4 modified fees in Parks, Recreation, and Community Services
 - 6 Modified fees in Public Works
- Deletion of twelve (12) fees that are no longer applicable
 - 1 deleted fee in Planning and Building
 - 11 deleted fees in Public Works

If approved, all fee changes become effective July 1, 2025.

Capital Improvement Program (CIP)

As part of the annual budget development process, City Council adopts a seven-year spending plan that includes the proposed budget as the first year of the plan. The Planning Commission affirmed that the proposed CIP is consistent with the City's General Plan on May 12, 2025. A summary of the CIP follows:

Project Category	Proposed FY25-26 Budget
City & Park Facilities	\$ 4,311,000
Streets	\$ 44,906,450
Traffic	\$ 6,988,120
Utility/Drainage/Lighting	\$ 1,780,000
Grand Total	\$ 57,985,570

The full document is attached to this report (Exhibit 8). The CIP has been updated to include prior year allocations as applicable to proposed FY 2025-26 projects.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

The Fund Balance Summary includes the estimated fiscal impact for each fund and is located in the Proposed Budget document (Exhibit 1), titled Estimated Spendable Fund Balance, on pages 20-22.

All exhibits are on the City's website at: <https://www.santa-ana.org/fiscal-year-2025-26-budget/>

EXHIBIT(S)

1. June 3 Proposed Budget Document- <https://www.santa-ana.org/fiscal-year-2025-26-budget/>
2. Program Sheets with Annual Goals
3. Ordinance No. NS-XXXX to Adopt the FY2025-26 Budget
4. Classification and Compensation Resolution
5. Executive Management Team Classification and Compensation Resolution
6. Miscellaneous Fee Resolution
7. Proposed Uniform Schedule of Miscellaneous Fees
8. Proposed Capital Improvement Program (CIP) including Seven-Year CIP

Submitted By: Alex Trinidad, Acting Executive Director, Finance and Management Services Agency

Approved By: Alvaro Nuñez, City Manager