

29. Public Hearing to Consider an Ordinance to Adopt the Fiscal Year 2021-22 City Budget, Approve the Revive Santa Ana Spending Priorities, Approve a Resolution for Changes to the City's Basic Classification and Compensation Plan Budget, and Adopt the Seven-Year Capital Improvement Program

Legal Notice published in the Orange County Reporter on May 21, 2021 and May 28, 2021.

Department(s):

Recommended Action: 1. Approve the introduction and first reading of an Ordinance to adopt the budget for Fiscal Year 2021-22 (FY21-22), which begins on July 1, 2021 and ends on June 30, 2022.

2. Approve the Revive Santa Ana Spending Priorities.

3. Resolution No. 2021-XXX – Adopt a Resolution, to effect certain changes to the City's basic classification and compensation plan, such as addition of new classification titles.

4. Adopt the Seven-Year Capital Improvement Program (CIP) beginning FY21-22 through FY27-28, as required by the Orange County Transportation Authority (OCTA) for Measure M2 eligibility.



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
June 1, 2021

TOPIC: Proposed Fiscal Year 2021-22 City Budget, Revive Santa Ana Spending Priorities, Changes to the City's Basic Classification and Compensation Plan, and the Seven-Year Capital Improvement Program

AGENDA TITLE:

Public Hearing to Consider an Ordinance to Adopt the Fiscal Year 2021-22 City Budget, Approve the Revive Santa Ana Spending Priorities, Approve a Resolution for Changes to the City's Basic Classification and Compensation Plan Budget, and Adopt the Seven-Year Capital Improvement Program

RECOMMENDED ACTION

1. Approve the introduction and first reading of an Ordinance to adopt the budget for Fiscal Year 2021-22 (FY21-22), which begins on July 1, 2021 and ends on June 30, 2022.
2. Approve the Revive Santa Ana Spending Priorities.
3. Adopt a Resolution, to effect certain changes to the City's basic classification and compensation plan, such as addition of new classification titles.
4. Adopt the Seven-Year Capital Improvement Program (CIP) beginning FY21-22 through FY27-28, as required by the Orange County Transportation Authority (OCTA) for Measure M2 eligibility.

DISCUSSION

The City Council provided budget direction on March 16, May 4, May 18, and May 24, 2021, and staff has updated the proposed budget accordingly.

As required by Santa Ana Charter Sections 604 and 605, the City Manager shall annually prepare a fiscal year budget for City Council consideration. Staff has prepared resource estimates (beginning fund balances and new revenue), and the proposed Ordinance would appropriate spending of those resources to support public services and Strategic Plan Goals.

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 2

Santa Ana Charter Section 607 requires the City Council to adopt the annual budget by July 31. If the City Council approves the recommended action, the Ordinance will return to City Council on June 15 to consider for adoption, in time for the beginning of the new fiscal year on July 1.

Revive Santa Ana Spending Plan

The federal American Rescue Plan Act (ARPA) includes restricted stimulus funding for the City, including the primary allocation of \$128,360,813 and additional housing allocations totaling \$21,497,795. The City will also receive another \$10,633,695 passed through from the state as part of the Emergency Rental Assistance Program. Staff has presented five recommended spending priorities that incorporate City Council direction and community input. Most recently, on May 24, City Council received the draft Revive Santa Ana Spending Plan and provided further direction to staff. As a result, the draft Spending Plan now includes the following updates:

1. Included Mental Health Recovery from COVID-19 for \$1,000,000 in "Recovery from the Pandemic" with a corresponding reduction to "Critical Infrastructure".
2. Included Memorial to Lives Lost for \$200,000 in "Recovery from the Pandemic" with a corresponding reduction to "City Fiscal Health".
3. Included a contribution to Local Health Clinics for \$500,000 in "Recovery from the Pandemic".
4. Moved one-third or \$4,000,000 or the planned \$12,000,000 Resident Stimulus Funding to FY21-22 within "Direct Assistance Programs"; with corresponding postponements to FY22-23 of allocations within "Critical Infrastructure" and "City Fiscal Health".
5. The Healthy Food Access allocation of \$2,000,000 within "Public Health & Safety" will include a Community Garden.
6. The Central Library Update of \$15,000,000 (\$7,000,000 planned for FY21-22 and \$8,000,000 planned for FY22-23) within "Critical Infrastructure" will include a playful learning landscape for children.
7. The Early Childhood Support & Head Start allocation of \$500,000 within "Direct Assistance Programs" will include arts programming.
8. The After-School Programs allocation of \$300,000 within "Direct Assistance Programs" will include homework assistance.

The five recommended spending priorities at May 24 and updated for June 1 follow:

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 3

| | May 24 | June 1 |
|----------------------------|----------------------|----------------------|
| Recovery from the Pandemic | 6,000,000 | 7,200,000 |
| Direct Assistance Programs | 20,613,881 | 24,613,881 |
| Public Health & Safety | 14,000,000 | 14,000,000 |
| Critical Infrastructure | 24,000,000 | 19,500,000 |
| City Fiscal Health | 14,880,000 | 14,180,000 |
| | \$ 79,493,881 | \$ 79,493,881 |

The proposed FY21-22 budget Ordinance does not include appropriations for the spending plan. On June 15, staff will propose a budget adjustment for City Council to appropriate the first tranche of allocations for FY21-22. Federal ARPA funding must be obligated by December 31, 2024 and fully spent by December 31, 2026.

City Council Direction from May 24 Budget Workshop

The proposed General Fund budget includes resources of \$353,975,774 (\$340,944,200 of revenue + \$13,031,574 available fund balance in excess of 18% Reserve requirement) and spending of \$353,816,770 (\$329,113,180 of expenditures + \$24,703,590 of transfers to other funds primarily for debt payments). The net resources available is \$159,004, which is not sufficient to add all City Council requests.

The City Council could direct staff to make the following amendments to the proposed Budget Ordinance to fit within estimated available resources:

1. Postpone the Charter Amendments Ballot Measure until November 2022. The proposed budget currently includes an estimated cost of \$660,000 for a special election to coincide with the gubernatorial recall election. The Clerk of the Council has received a cost estimate of \$370,000 for a regular election in November 2022.
2. The proposed General Fund budget includes \$200,000 for the Legal Defense Fund and the proposed Cannabis Set-Aside Fund budget includes \$100,000 for Deferred Action for Childhood Arrivals (DACA). Increase the General Fund budget by \$100,000 to provide a total of \$300,000 for the Legal Defense Fund.
3. Include \$100,000 in the General Fund budget for City sponsorship of local Arts and Culture events.
4. Include funding for a Vietnamese Community Liaison. A part-time position has an estimated cost of \$60,000 and a full-time position has an estimated cost of \$150,000. If funding is included, staff will create the job classification and return to the City Council for final approval prior to conducting a recruitment.
5. Include a one-time allocation of \$1,000,000 for sidewalk improvements from the available Gas Tax fund balance, and a recurring annual allocation of \$250,000 for median maintenance from Gas Tax revenue.

If the City Council directs staff to make amendments #1-#4, the net result will provide for a reduction in use of reserves.

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 4

Option A with a part-time Vietnamese Community Liaison:

| | |
|--|------------------|
| Estimated resources less proposed spending | \$159,004 |
| Postpone Charter Amendments | 660,000 |
| Increase Legal Defense Fund | (100,000) |
| Sponsor local Arts & Culture events | (100,000) |
| Vietnamese Community Liaison | (60,000) |
| Option A Reduction in Use of Reserves | \$559,004 |

Option B with a full-time Vietnamese Community Liaison:

| | |
|--|------------------|
| Estimated resources less proposed spending | \$159,004 |
| Postpone Charter Amendments | 660,000 |
| Increase Legal Defense Fund | (100,000) |
| Sponsor local Arts & Culture events | (100,000) |
| Vietnamese Community Liaison | (150,000) |
| Option B Reduction in Use of Reserves | \$469,004 |

General Fund

The General Fund is the primary operating fund of the City and accounts for all unrestricted revenue. A summary of proposed FY21-22 General Fund activity follows (before potential adjustments made by City Council, as outlined above).

| | FY20-21 | FY21-22 |
|--|-----------------|-----------------|
| General Fund | Adjusted Budget | Proposed Budget |
| Beginning Balance | \$ 81,868,704 | \$ 71,187,440 |
| Revenue | 323,835,019 | 340,944,200 |
| Expenditures | (313,226,023) | (329,113,180) |
| Interfund Transfers | (21,290,260) | (24,703,590) |
| Net Activity | \$ (10,681,264) | \$ (12,872,570) |
| Estimated Ending Balance | \$ 71,187,440 | \$ 58,314,870 |
| Reserve Requirement (18% of recurring revenue) | \$ 58,155,866 | \$ 61,369,956 |

A full reconciliation of changes from the adjusted FY20-21 General Fund budget to the proposed FY21-22 General Fund budget is included with Exhibit 3. City Council policy requires a General Fund Reserve equivalent to 18% of recurring annual General Fund revenue. Staff estimates the General Fund Reserve at June 30, 2021 will be compliant with City Council Policy. As General Fund revenue grows for FY21-22, so does the Reserve requirement. Staff will monitor the actual General Fund balance and recommend adjustments if necessary to ensure compliance with the Reserve requirement at June 30, 2022.

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 5

A summary of the proposed FY21-22 General Fund budget identifying recurring activity and one-time activity follows.

| Proposed FY21-22 General Fund Budget | Recurring | One-Time | Total |
|--------------------------------------|-----------------|--------------|-----------------|
| Revenue | \$ 340,944,200 | | \$ 340,944,200 |
| Expenditures | (328,453,180) | (660,000) | (329,113,180) |
| Interfund Transfers | (24,703,590) | | (24,703,590) |
| Net Activity | \$ (12,212,570) | \$ (660,000) | \$ (12,872,570) |

Charter Requirement for Public Recreation Program Spending

Santa Ana Charter Section 607 requires the City Council to adopt a budget to “provide for the support of public recreation programs at least the equivalent of six cents (6) 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 in the City for FY20-21 was \$29,107,443,521. If we apply the calculation required by the Charter, the required budget for public recreation programs is \$17,464,466. The proposed General Fund budget includes \$23,289,740 for the Parks, Recreation & Community Services Agency, appropriations totaling \$5,864,340 for Library Services, and \$9,637,690 for Youth Services funded by Cannabis tax revenue.

City Wide Budget

The proposed FY21-22 City Wide Budget includes the General Fund and all other funds of the City, including those with internal restrictions and those with external restrictions. A summary of the City Wide Budget follows.

| Proposed FY21-22 Budget | General Fund | Other Funds* | Total City Wide |
|----------------------------------|-----------------|-----------------|-----------------|
| Revenue | \$ 340,944,200 | \$ 252,018,210 | \$ 592,962,410 |
| Expenditures | (329,113,180) | (321,696,800) | (650,809,980) |
| Interfund Transfers | (24,703,590) | 24,902,330 | 198,740 |
| Net Activity | \$ (12,872,570) | \$ (44,776,260) | \$ (57,648,830) |
| *Excludes Internal Service Funds | | | |

Exhibits 2 and 4 include individual information for each fund.

Workforce Changes

Each year, there are many workforce changes, including additions and reclassifications of positions. Exhibit 3 includes a detailed table of proposed workforce changes to full-time staff and the Classification and Compensation Plan Resolution (Exhibit 5) includes classification additions impacted by those changes.

A summary of proposed workforce changes follows.

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 6

| Department | FY 20-21 | FY 21-22 Workforce Changes | FY 21-22 Proposed |
|---|-------------|----------------------------------|----------------------|
| City Manager's Office | 10 | 0 | 10 |
| Clerk of the Council | 6 | 0 | 6 |
| City Attorney's Office | 15 | 0 | 15 |
| Human Resources | 27 | 1 | 28 |
| Finance and Management Services | 62 | 2 | 64 |
| Library | 26 | 0 | 26 |
| Parks, Recreation, and Community Services | 79 | 0 | 79 |
| Police Department | 629 | 0 | 629 |
| Planning and Building | 75 | 5 | 80 |
| Public Works | 234 | 15 | 249 |
| Community Development | 48 | 3 | 51 |
| Information Technology | 24 | 0 | 24 |
| Total | 1235 | 26 | 1261 |

General Fund Ten-Year Outlook

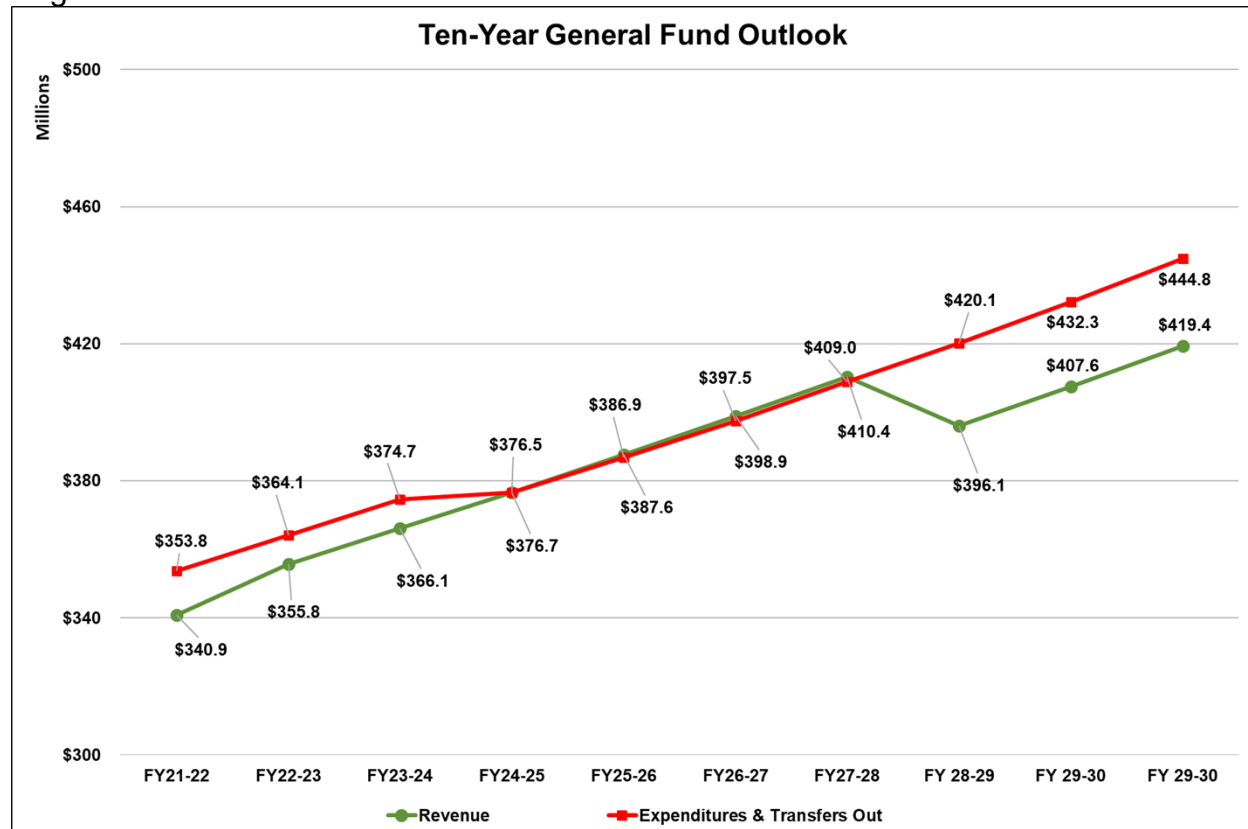
Assumptions for the Outlook follow.

- Updated with the proposed FY21-22 Budget.
- Removed the one-time \$660,000 cost of a Charter amendments ballot measure for years 2-10.
- Revenue fully recovers from pandemic in FY22-23.
- The final jail module produces revenue in FY22-23.
- Revenue and spending increases by inflation each year (the Consumer Price Index as forecasted by the California Department of Finance).
- Debt is paid off, primarily in 2024, with other small debt pay-offs in the years following.
- The Measure X tax rate decreases from 1.5% to 1.0% in 2029.

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 7



Results indicate the General Fund will have a short-term 2% deficit in FY22-23 and FY23-24, and a larger deficit in FY28-29 when the Measure X tax rate decreases.

Capital Improvement Program (CIP)

The May 18 City Council agenda packet included the proposed Capital Improvement Program for FY21-22, which is the first year of the seven-year document. The Planning Commission reviewed the entire seven-year document on May 25th and found it compliant with the City's General Plan.

Exhibit 6 includes the full CIP document. Year 1 includes \$57.4 million of new spending as part of the proposed FY21-22 Budget, entirely funded with restricted money. Due to budgeting for multi-year projects, staff expects to request City Council approval this fall to carryover significant unspent CIP appropriations from FY20-21 to FY21-22.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

Proposed Fiscal Year 2021-22 City Budget, Changes to the City's Basic Classification and Compensation Plan and the Seven-Year Capital Improvement Program

June 1, 2021

Page 8

FISCAL IMPACT

The Fund Balance Summary (Exhibit 2) includes the estimated fiscal impact for each fund.

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

EXHIBIT(S)

1. Ordinance No. NS-XXXX to adopt the FY21-22 budget
2. Fund Balance Summary
3. Budget Summary
4. Detailed Proposed Budget
5. Classification and Compensation Plan Resolution
6. Proposed Capital Improvement Program (CIP) including Seven-Year CIP

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager