



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
June 6, 2023

TOPIC: Proposed Fiscal Year 2023-24 City Budget, Changes to the City's Basic Classification and Compensation Plan, Uniform Schedule of Miscellaneous Fees, and the Seven-Year Capital Improvement Program

AGENDA TITLE

Public Hearing: Consider an Ordinance to adopt the Fiscal Year 2023-24 Budget, Approve a Resolution for Changes to the City's Basic Classification and Compensation Plan Budget, Adopt the Uniform Schedule of Miscellaneous Fees, 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 2023-24 (FY23-24), which begins on July 1, 2023 and ends on June 30, 2024. (Exhibit 1 and Exhibit 2)
2. Adopt a Resolution, to effect certain changes to the City's basic classification and compensation plan, such as addition of new classification titles. (Exhibit 3)
3. Adopt a resolution establishing a Uniform Schedule of Miscellaneous Fees for Fiscal Year 2023-2024. (Exhibit 4 and Exhibit 5)
4. Adopt the Seven-Year Capital Improvement Program (CIP) beginning FY23-24 through FY29-30, as required by the Orange County Transportation Authority (OCTA) for Measure M2 eligibility. (Exhibit 6)
5. Deposit \$18,944,407 (\$16,285,920 General Fund and \$2,658,487 Non-General Fund) into the Section 115 Pension Trust Fund as part of the City's Pension Debt Strategy.

DISCUSSION

The City Council provided budget direction on April 18, May 2, and May 11, 2023, and staff has updated the proposed budget accordingly. In addition, staff solicited community input with 7 community meetings, 3 citywide outreach events, online budget simulation tools, and an online survey published in English, Spanish, and Vietnamese. The City received 1,769 responses.

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As required by Santa Ana Charter Sections 604 and 605, the City Manager proposes a FY23-24 Budget for City Council consideration during this Public Hearing. Staff has prepared resource estimates (beginning fund balances and new revenue), and the proposed Ordinance would appropriate spending of those resources to support ongoing public services and Strategic Plan Goals.

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 20 to consider for adoption, in time for the beginning of the new fiscal year on July 1.

General Fund

The General Fund is the primary operating fund of the City and accounts for all unrestricted revenue. A summary of proposed FY23-24 General Fund activity follows.

General Fund	FY22-23 Revised Budget	FY23-24 Proposed Budget
Beginning Balance	121,401,064	101,433,519
Revenue	405,190,650	400,938,670
Expenditures	(369,622,314)	(370,905,820)
Net Transfers	(47,787,070)	(43,032,280)
Net Activity	(12,218,734)	(12,999,430)
Pension Stabilization	(7,748,811)	(16,285,920)
Estimated Ending Balance	101,433,519	72,148,169
Reserve Requirement (18%)*	72,287,298	72,068,961
<i>*Excludes One-Time Revenues</i>		

A full reconciliation of changes from the adjusted FY22-23 General Fund budget to the proposed FY23-24 General Fund budget is included with Exhibit 2. 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, 2023 will be compliant

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with City Council Policy. As General Fund revenue changes, so does the dollar amount of the Reserve requirement.

A summary of the proposed FY23-24 General Fund budget identifying recurring activity and one-time activity follows.

FY23-24 Proposed General Fund Budget	Recurring	One-Time	Total
Revenue	400,938,670		400,938,670
Expenditures	(343,413,390)	(27,492,430)	(370,905,820)
Net Transfers	(41,169,960)	(1,862,320)	(43,032,280)
Pension Stabilization	(16,285,920)		(16,285,920)
Net Activity	69,400	(29,354,750)	(29,285,350)

The proposed recurring General Fund budget is balanced.

General Fund Ten-Year Outlook

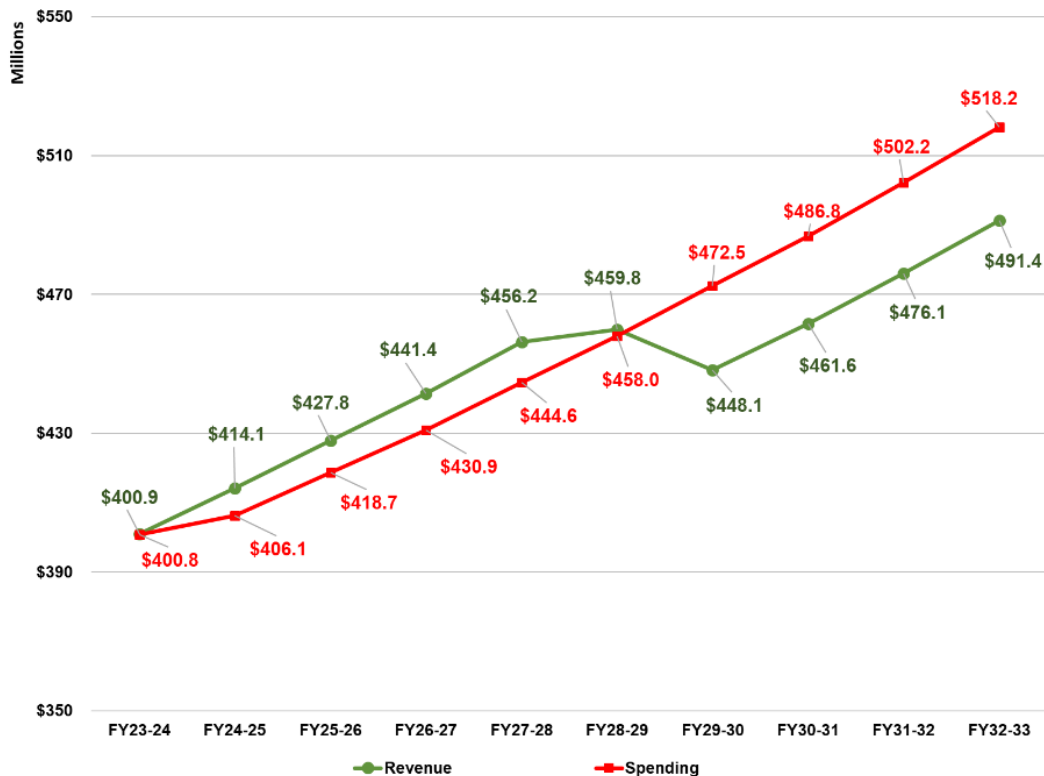
Assumptions for the Outlook:

- Recurring amounts only
- Debt pay-offs
- Measure X rate decrease (1.5% to 1.0% in 2029)
- Inflationary increases FY24-25 and later, based on the California Department of Finance forecast of CPI.
- City's contribution OC Streetcar operations begin in FY24-25 (\$1M estimated)
- Planned wage increases

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The Ten-Year Outlook indicates the General Fund may have a balanced budget until FY29-30, after Measure X decreases to 1%. By FY29-30, we expect to have an annual budget deficit of approximately \$24 million.

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 FY22-23 was \$32,383,358,705. When applying the calculation required by the Charter, the required budget for public recreation programs is \$19,430,015. The proposed General Fund budget includes \$15,206,990 for the Parks, Recreation & Community Services Agency, \$17,781,760 for maintenance of Parks and Facilities, and appropriations of \$3,207,410 for Youth Services funded by Cannabis tax revenue. The proposed budget exceeds the requirement by 86%.

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City-Wide Budget

The proposed FY23-24 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.

FY23-24 Proposed Budget	General Fund	Other Funds*	Total City-Wide
Revenue	400,938,670	279,994,910	680,933,580
Expenditures	(370,905,820)	(322,865,670)	(693,771,490)
Net Transfers	(43,032,280)	35,646,700	(7,385,580)
Net Activity	(12,999,430)	(7,224,060)	(20,223,490)

**Excludes Internal Service Funds*

The negative net activity reflects a proposed budget to spend accumulated available fund balances for non-recurring projects. Exhibit 2 includes individual information for each fund.

Workforce Changes

The proposed workforce changes include additions, deletions, and reclassifications of positions. Exhibit 2 includes a detailed table of proposed workforce changes to full-time staff and the Classification and Compensation Plan Resolution (Exhibit 3) includes classification additions, title changes, and deletions.

The City's Hiring Freeze now consists of eight positions. There are six in the Police Department and two in the Public Works Agency. The remaining frozen positions are:

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Dept	Position Title	# of Positions
PD	Management Aide	1
PD	Police Evidence and Supply Specialist	1
PD	Police Service Officer	1
PD	Senior Office Assistant	2
PD	Senior Police Records Specialist	1
		6
PWA	Sanitation Inspector II	1
PWA	Maintenance Worker II	1
		2

A summary of proposed workforce changes follows.

Department	FY22-23	FY23-24 Workforce Changes	FY23-24 Proposed
City Manager's Office	16	(1)	15
City Clerk's Office	7	0	7
City Attorney's Office	17	4	21
Human Resources	31	1	32
Finance & Management Services	68	1	69
Library	37	0	37
Parks, Recreation & Community Services	60	3	63
Police	640	0	640
Planning & Building	99	3	102
Public Works	310	3	313
Community Development	62	10	72
Information Technology	23	1	24
Total	1,370	25	1,395

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The majority of workforce changes are due to the implementation of the Rent Stabilization Ordinance. The table outlines the funding source for the proposed position additions:

Fund Sources	# of Positions
General Fund	1
Other Funds	24
Total Additions	25

Uniform Miscellaneous Fees Schedule

The Miscellaneous Fee Resolution (Exhibit 4) is comprised of various charges associated with city services provided for individual benefit; such as building and planning permits, facility use and recreation participation, and water meter installation. Miscellaneous Fees (Fees) are intended to recover the City's costs associated with delivering the corresponding services, however, the collection of Fees does not exceed the City's actual costs in delivering the said service, in accordance with state law.

On an annual basis, fees and related services associated with the Miscellaneous Fee Resolution are reviewed and adjusted to reflect the City's costs in delivering the services. The Consumer Price Index for All Urban Consumers (CPI-U) is 5.56% for the Los Angeles-Long Beach-Anaheim area as of December 2022. Staff proposes an increase of 4.1% for the FY 2023-2024 Miscellaneous Fees to reflect the compensation increase for City staff providing the services. Furthermore, each city department has confirmed that the actual cost of providing the service does not exceed the proposed fees for FY 2023-2024.

The FY 2023-2024 Miscellaneous Fee Schedule (Schedule) identifies all fees assessed as well as proposed new fees and those recommended for adjustment (Exhibit 5). The Schedule includes the following items:

- Addition of thirty-six (36) new fees
 - 1 new fee in Community Development
 - 1 new fee in City Manager's Office
 - 1 new fee in Library
 - 1 new fee in Police Department
 - 3 new fees in Planning and Building
 - 4 new fees in City Clerk's Office
 - 7 new fees in Parks, Recreation, and Community Services
 - 18 new fees in Public Works

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- Modification of forty-four (44) existing fees
 - 3 modified fees in other City departments
 - 3 modified fees in City Clerk's Office
 - 4 modified fees in Parks, Recreation, and Community Services
 - 11 modified fees in Public Works (including account number changes)
 - 23 modified fees in Planning and Building
- Deletion of six (6) fees that are no longer active
 - 1 deleted fee in Police
 - 1 deleted fee in Public Works
 - 4 deleted fees in Planning and Building

All proposed fee changes become effective July 1, 2023.

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 proposed CIP is scheduled to be reviewed by the Planning Commission on June 16 to ensure conformity with the City's General Plan.

A summary of the CIP follows.

Project Category	Proposed FY23-24 Budget
City & Park Facility Improvements	2,487,640
Street Improvements	31,064,580
Traffic Improvements	3,410,630
Utility/Drainage/Lighting Improvements	24,000
Grand Total	36,986,850

Exhibit 6 includes the full CIP document. Due to budgeting for multi-year projects, staff expects to request City Council approval this fall to carryover significant unspent CIP appropriations from FY22-23 to FY23-24.

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Pension Stabilization Trust

Staff will deposit \$18,944,407 (\$16,285,920 General Fund and \$2,658,487 Non-General Fund) of pension cost-savings into the City's Section 115 Pension Trust in FY23-24. The Trust will be available to help fund future increases in pension debt payments.

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 Detail Proposed Budget document (Exhibit 2).

All exhibits are on the City's website at: <https://www.santa-ana.org/fy-23-24-budget-documents/>

EXHIBIT(S)

1. Ordinance No. NS-XXXX to adopt the FY23-24 budget
2. Detailed Proposed Budget
3. Classification and Compensation Plan Resolution
4. Miscellaneous Fee Resolution
5. Proposed FY2023-24 Miscellaneous Fee Schedule
6. Proposed Capital Improvement Program (CIP) including Seven-Year CIP

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager