



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
May 4, 2021

TOPIC: City Council Fiscal Year 2021-22 Budget Workshop Session

AGENDA TITLE:

City Council Fiscal Year 2021-22 Budget Workshop Session

RECOMMENDED ACTION

Provide additional direction to staff, as needed.

EXECUTIVE SUMMARY

This Budget Workshop Session is an opportunity for the City Council to provide staff with further direction for the FY 2021-22 budget with the updated information provided. Staff will present the draft budget to the City Council on May 18, 2021. The PowerPoint presentation for this Budget Workshop Session will include a summary of the work-in-process draft budget for the General Fund.

Staff will present the draft FY 2021-22 budget and the proposed spending plan for the American Rescue Plan Act (ARPA) allocation of \$143 million on May 18, after the public opinion survey closes on May 16 and the U.S. Department of Treasury publishes the spending guidelines.

DISCUSSION

The FY 2021-22 budget process kicked-off in November and the City Council approved a budget calendar on December 15, 2020.

The City Council received early FY 2021-22 budget information on March 16, 2021 and provided initial direction to staff.

The PowerPoint presentation for this Budget Workshop Session includes the following information:

- Public Outreach Summary and efforts to obtain public opinion
- Preliminary ARPA Spending Plan information
- FY 2020-21 Third Quarter Budget Update for the General Fund
- Updated Ten-Year General Fund Outlook

- Draft FY 2021-22 General Fund Budget Status
- Measure X Oversight Committee Recommendations
- Preliminary FY 2021-22 Measure X Spending Plan
- Preliminary FY 2021-22 Capital Improvement Plan
- Pension Debt Refinancing Status

Public Opinion Survey

An informal public opinion survey launched on April 22 and includes questions designed to understand public priorities for the ARPA spending plan and the City's budget. The survey is available in English, Spanish and Vietnamese on the City's main webpage and in English and Spanish in paper format at the City Hall public counters. The survey closes on May 16. The May 18 budget presentation will include the results of the survey.

Revive Santa Ana – the American Rescue Plan Act Spending Plan

Revive Santa Ana is a commitment to protect and revive our community as we emerge from the impacts of the COVID-19 pandemic. The funding source includes multiple allocations from the federal American Rescue Plan Act (ARPA). The spending plan fits within the following five goals.

- Recovery from COVID-19
 - Further Vaccination/Education Collaboration
 - Public Health Equity
 - Explore Public Health Department
 - Add an Equity & Inclusion Coordinator
 - Expansion of Critical City Communication Tools
 - Fixed digital boards throughout the City
 - Text Alert Notification System
 - Cleaning and Sanitization of Public Spaces
- Financial Assistance and Targeted Programs
 - Resident Stimulus Funding for Essential Purchases
 - Reopening Assistance to Businesses
 - Water Bill Waivers
 - After School/Early Childhood Programs
 - Youth Violence/Sexual Assault Intervention Programs
 - Digital Literacy Education
 - Support Food Distribution Efforts
- Public Health & Safety
 - Enhanced Graffiti Removal and Trash Abatement
 - Supplemental Code Enforcement Staffing
 - Rapid Response Homeless Services
 - Replacement of Parks Restrooms
 - Enhanced Security/Monitoring for Community Space
 - Addition of Green Space: Santa Anita
 - Central Healthy Food Market

- Santa Ana Zoo Safety Renovations
- Santiago Park Rehabilitation
- Trail Lighting
- Sports Lighting
- Playground Replacement/Shade
- Critical Infrastructure
 - Affordable Broadband Access
 - Pedestrian and Mobility Improvements
 - Community Center Renovations
 - Update of Central Library
 - New Library Branch/Expansion of Accessibility thru kiosks
 - Addition Neighborhood Streetlights
 - Security Improvements at Fire Stations
 - Information Technology and Process Upgrades
- City Fiscal Health
 - Unemployment Fund/Employee Leave
 - Santa Ana Regional Transportation Center
 - City Downtown Parking Enterprise
 - General Revenue Losses

The City's primary allocation is \$142,974,013. The City will receive the first half of the allocation by May 10, and the second half will be available no earlier than May 10, 2022. Therefore, the plan includes spending broken out by first allotment and second allotment. The U.S. Department of Treasury expects to issue spending guidelines in advance of the first allotment on May 10. The spending plan work-in-process includes City Council input from March 16, staff input, and public input.

In addition to the primary allocation, the City expects to receive the following housing allocations from ARPA.

- HOME program for homeless assistance – \$6,183,914 allocation from the total \$5 billion program.
- Emergency Rental Assistance Program – unknown allocation from the total \$21.55 billion program.
- Housing Vouchers – unknown allocation from the total \$5 billion program.

Public Works will also apply for competitive awards from the ARPA \$10 billion capital project fund “to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency.”

Finally, the City will appeal to the state and county officials for pass-thru allocations from their federal ARPA allotments.

Updated General Fund Ten-Year Outlook

The updated Ten-Year Outlook includes the FY20-21 budget structure at March 31 (the third quarter update) and the draft FY21-22 budget, along with the following assumptions.

- Revenues and expenditures increase annually by the CPI as forecasted by the California Department of Finance.
- Savings from Pension Debt Refinancing has not yet been included in the Outlook.
- City revenue makes a full recovery from the pandemic during FY22-23.
- The final jail module begins producing revenue during FY22-23.
- The Measure X tax rate decrease from 1.5% to 1.0% in FY28-29.
- The City pays off the debt for the Police facility in 2024.

Measure X Oversight Committee Recommendations

Voter approved Ordinance NS-2952 requires a "...citizen oversight committee to act in an advisory role to the City Council in reviewing the annual revenue and expenditures of funds from the tax..." Committee establishing Resolution 2019-008 requires "During its March meeting, the Committee shall prepare an annual report to City Council, including recommendations, in time for City Council consideration during the budget process for the upcoming fiscal year."

The Committee met on March 10, 2021 and prepared the following recommendations for the FY 2021-22 budget, in accordance with establishing Resolution No. 2019-008.

1. Favor one-time spending from Measure X revenue.
 - a. Remember, Measure X is temporary.
 - b. Focusing in on one time spending will reduce reliance upon Measure X revenue for future minimum/expected service levels.
2. Consider the following pilot programs:
 - a. Community based professionals/specialists vs. sworn Police for non-violent response such as substance abuse, mental health crisis and small neighborhood disputes in order to control costs and improve results; and/or
 - b. Seed economic development such as community cooperatives to provide future revenue growth and stimulate the local economy.
3. Prepare a long-term plan to prepare for the Measure X rate reduction.
 - a. Focus on the temporary nature of Measure X and prepare for the phase-out of such revenue on service levels.
 - b. The plan should identify areas where Measure X is supporting recurring spending instead of one-time use of revenue.
4. Shift Measure X revenue to fixing streets.
 - a. This is one of the most visual items for the public.
 - b. This is one of the areas that has not been funded historically with Measure X.
 - c. This is one time use of funds.
5. Use Measure X revenue increase to reduce the reliance on the General Fund Reserve to preserve service levels.

- a. Avoid using the increase of Measure X for incremental increases of recurring services.
 - b. If the Measure X increase is used, limit the use to one-time spending.
6. Use the pandemic as an opportunity to identify lessons learned and shifting priorities.
7. The Committee supports dedicated Measure X spending accounts within the General Fund.
 - a. Each year, accounting for Measure X spending will become more and more difficult because of the inherent General Fund nature. Adding dedicated accounts will improve tracking, reporting and auditing of Measure X revenue.

Measure X Spending Plan

To improve and enhance the reporting and auditing process for Measure X spending, staff has created Measure X accounts within the General Fund for the FY 2021-22 budget. A summary of the work-in-process spending plan is included in the PowerPoint presentation for the Workshop Session.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

There is no fiscal impact directly associated with providing additional direction to staff for preparation of the draft FY 2021-22 budget. The City Council schedule includes receiving the draft budget on May 18 and conducting a public hearing for the proposed budget on June 1.

Submitted By: Kathryn Downs, Executive Director Finance and Management Services

Approved By: Kristine Ridge, City Manager