

# Joint Finance Committee/City Council Meeting

## Fiscal Year 2020-21 Proposed Budget

May 26, 2020

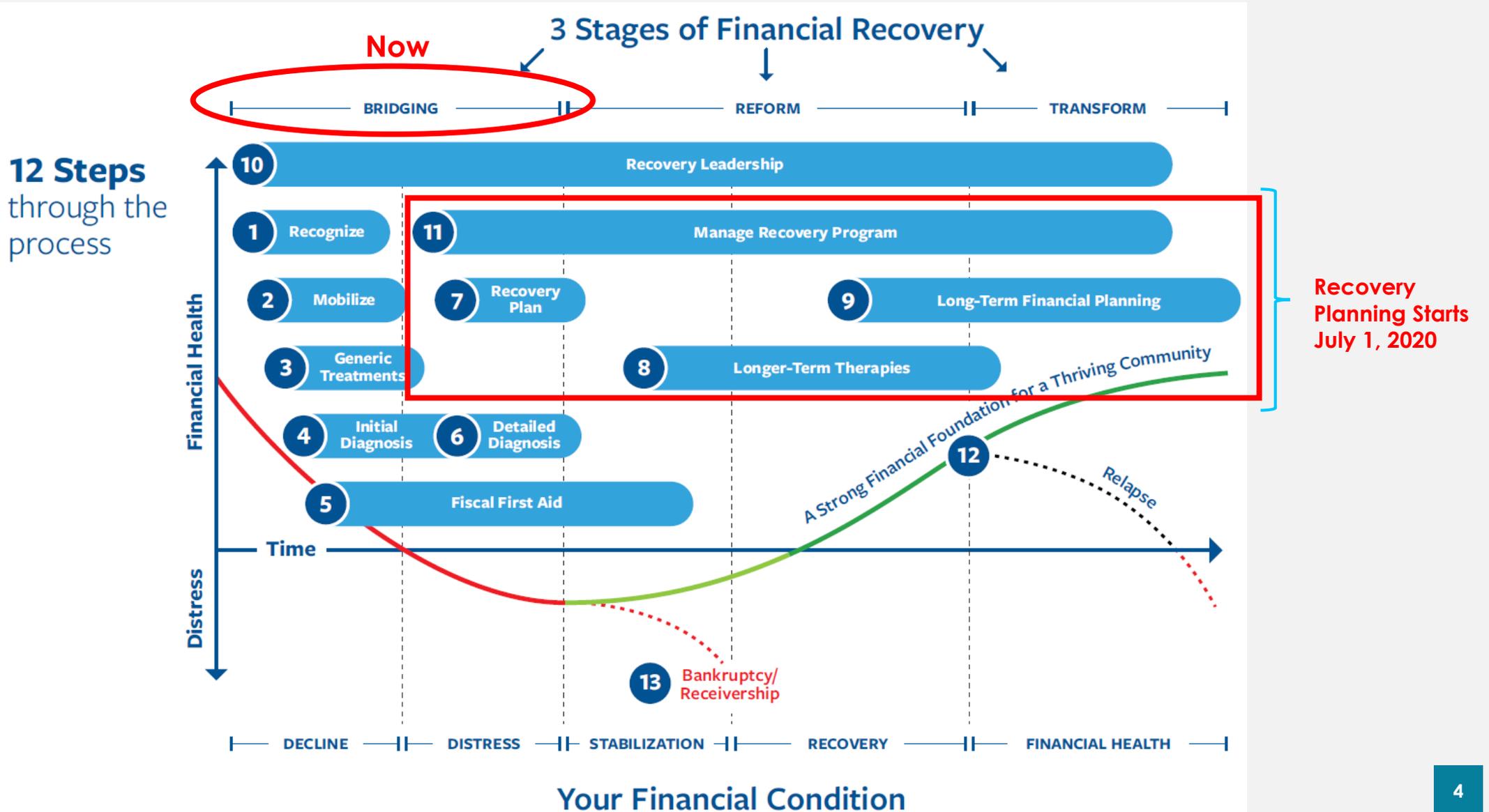
# Overview

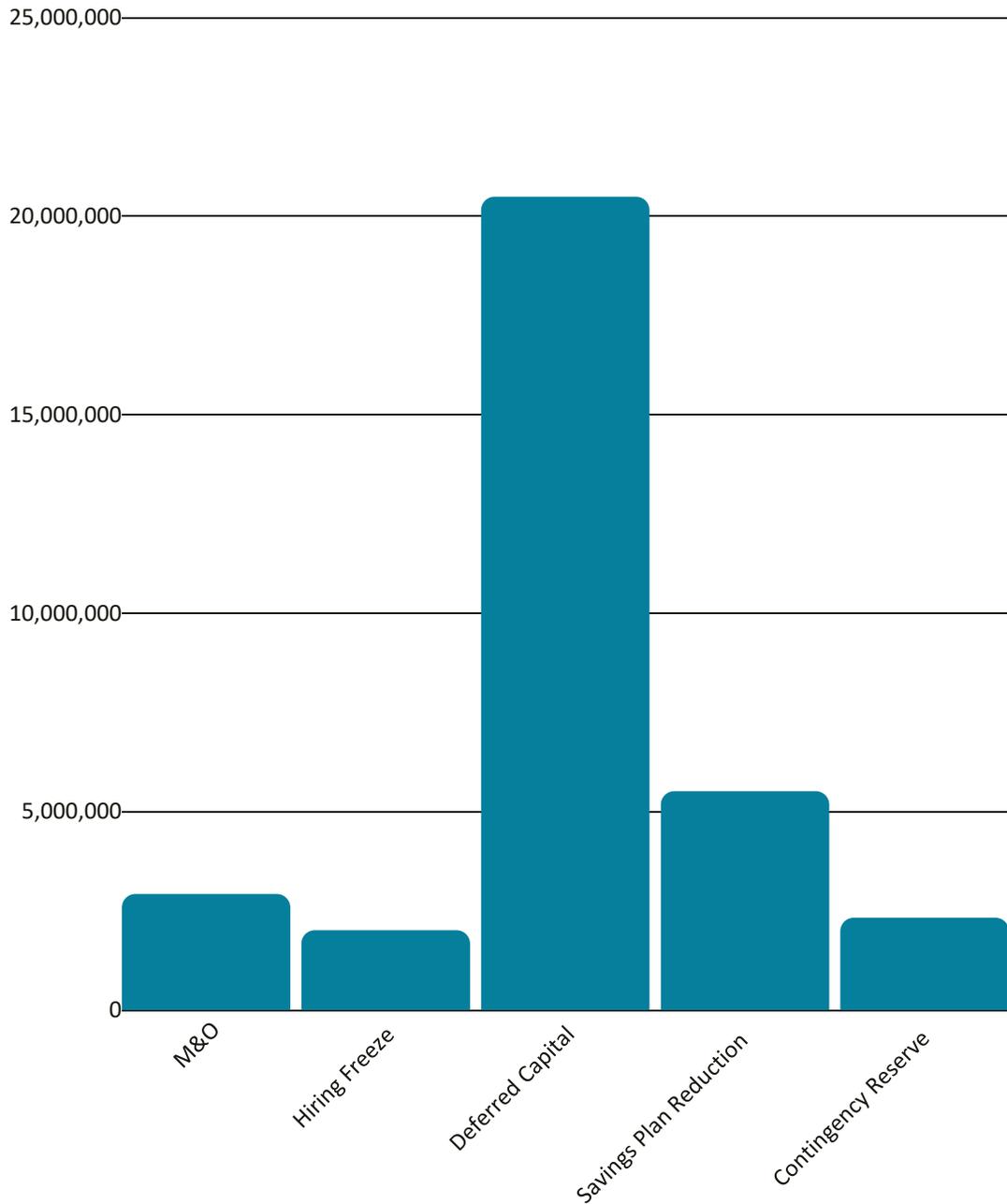
- The FY 2020-21 Proposed Budget is balanced.
- The initial 2020-21 Budgetary Gap was \$33.2 million.
  - Budget balancing strategies rely on a number of short-term tiered budgetary solutions.
- Budget maintains current service levels.
- Budget continues its commitment to maintaining critical CIP infrastructure and aggressive payment schedule of unfunded pension liability.
- Budget is a placeholder and will be reviewed after first quarter results.

# COVID-19 Disclaimers

- COVID-19 dealt a sudden and significant blow to local, national and global economies.
- Early stages of administering financial first aid.
- The Proposed Budget is ***an initial bridge to financial recovery, not a long-term solution if fiscal conditions persist past June 2021!***

# Administering Fiscal First Aid





# Short-term Budgetary Solutions

## Tiered Approach

Proposed Short-term solutions made to Operations, Capital Funding and Capital Expenditures by way of reversible levers as an initial bridge to financial recovery.

# General Fund Sources and Uses

	2018-19 ACTUAL	2019-20 REVISED BUDGET	2020-21 STARTING PROJECTION
<b>SOURCES:</b>			
FY 16-17 Surplus	\$ 12,090,743	\$ -	\$ -
FY 2017-18 Surplus	1,428,885	11,591,448	-
FY 2018-19 Surplus	-	11,528,065	-
FY 2019-20 Surplus	-	-	12,108,874
Use of FY 2019-20 Contingency Reserve	-	-	-
<b>Operating Revenues</b>	<b>229,812,594</b>	<b>219,003,184</b>	<b>199,583,904</b>
Less: Restricted Revenues	(345,135)	(1,534,114)	(730,967)
Use of Restricted Revenues and Encumbrances	-	2,549,640	20,000
Transfers-In	15,849,196	13,389,413	9,028,759
<b>TOTAL SOURCES</b>	<b>\$ 258,836,283</b>	<b>\$ 256,527,636</b>	<b>\$ 220,010,570</b>
<b>USES:</b>			
Operating Expenditures	\$ 208,164,257	\$ 219,837,899	\$ 230,126,525
Operational Savings	-	(4,722,708)	-
Transfers Out	34,824,531	29,303,571	23,088,804
Set aside-PERS Reserve	-	-	-
Increase in Contingency Reserve	4,319,430	-	-
<b>TOTAL USES</b>	<b>\$ 247,308,218</b>	<b>\$ 244,418,762</b>	<b>\$ 253,215,329</b>
<b>UNRESTRICTED RESOURCES</b>	<b>\$ 11,528,065</b>	<b>\$ 12,108,874</b>	<b>\$ (33,204,759)</b>
<b>CONTINGENCY RESERVE</b>	<b>\$ 52,618,059</b>	<b>\$ 52,618,059</b>	<b>\$ 54,969,903</b>

# Tiered Short-term Budget Reduction Strategy – All Funds

Financial First Aid - Initial Bridging Options	Operating Cuts No Service Level Change Tier 1	Temp Hiring Freeze Tier 2	Deferred Capital Funding & Spend Tier 3	ISF Charge Reductions Tier 4	Contingency Reserve Tier 5	Service Level Cuts Tier 6	TOTAL GAP FUNDING SOLUTIONS
<b>Salaries And Benefits</b>							
Salaries, Benefits and Other Pays		(2,000,000)					(2,000,000)
Discretionary Pension Payments					(2,316,684)		(2,316,684)
<b>Total Salaries And Benefits</b>		<b>(2,000,000)</b>			<b>(2,316,684)</b>		<b>(4,316,684)</b>
<b>Maintenance And Operations</b>							-
Professional & Contract Services	(1,774,131)						(1,774,131)
Internal Service Premiums	(17,511)			(4,500,000)			(4,517,511)
Workers' Compensation				(1,000,000)			(1,000,000)
General Liability							-
Uninsured Claims				(1,000,000)			(1,000,000)
OPEB							-
Equipment Replacement/Maintenance	(17,511)			(500,000)			(517,511)
Information Technology				(2,000,000)			(2,000,000)
Maintenance & Repair	(179,009)						(179,009)
Supplies & Materials	(289,671)						(289,671)
Utilities	(361,201)						(361,201)
General Expenses	(98,300)						(98,300)
Travel & Training	(151,115)						(151,115)
Grant Operating Expenses	(40,000)						(40,000)
<b>Total Maintenance And Operations</b>	<b>(2,910,938)</b>			<b>(4,500,000)</b>			<b>(7,410,938)</b>
<b>Total Transfers Out</b>			<b>(18,477,137)</b>	<b>(500,000)</b>			<b>(18,977,137)</b>
<b>Capital</b>			<b>(2,500,000)</b>				<b>(2,500,000)</b>
<b>General Fund Discretionary Reserves</b>							-
<b>Total by Tier</b>	<b>(2,910,938)</b>	<b>(2,000,000)</b>	<b>(20,977,137)</b>	<b>(5,000,000)</b>	<b>(2,316,684)</b>		<b>(33,204,759)</b>
<b>Cumulative by Tier</b>	<b>(2,910,938)</b>	<b>(4,910,938)</b>	<b>(25,888,075)</b>	<b>(30,888,075)</b>	<b>(33,204,759)</b>		

# General Fund Sources and Uses

		A		B	B-A	B/A
	2018-19 ACTUAL	2019-20 REVISED BUDGET	2020-21 STARTING PROJECTION	2020-21 PROPOSED BUDGET	\$ VAR	% VAR
<b>SOURCES:</b>						
FY 16-17 Surplus	\$ 12,090,743	\$ -	\$ -	\$ -	\$ -	-
FY 2017-18 Surplus	1,428,885	11,591,448	-	-	(11,591,448)	-100.0%
FY 2018-19 Surplus	-	11,528,065	-	-	(11,528,065)	-100.0%
FY 2019-20 Surplus	-	-	12,108,874	12,108,874	12,108,874	-
Use of FY 2019-20 Contingency Reserve	-	-	-	2,316,684	2,316,684	-
<b>Operating Revenues</b>	<b>229,812,594</b>	<b>219,003,184</b>	<b>199,583,904</b>	<b>199,583,904</b>	<b>(19,419,280)</b>	<b>-8.9%</b>
Less: Restricted Revenues	(345,135)	(1,534,114)	(730,967)	(730,967)	803,147	-52.4%
Use of Restricted Revenues and Encumbrances	-	2,549,640	20,000	20,000	(2,529,640)	-99.2%
Transfers-In	15,849,196	13,389,413	9,028,759	17,560,543	4,171,130	31.2%
<b>TOTAL SOURCES</b>	<b>\$ 258,836,283</b>	<b>\$ 256,527,636</b>	<b>\$ 220,010,570</b>	<b>\$ 230,859,038</b>	<b>\$ (25,668,598)</b>	<b>-10.0%</b>
<b>USES:</b>						
Operating Expenditures	\$ 208,164,257	\$ 219,837,899	\$ 230,126,525	\$ 219,859,038	\$ 21,139	0.0%
Operational Savings	-	(4,722,708)	-	-	-	-
Transfers Out	34,824,531	29,303,571	23,088,804	6,000,000	(23,303,571)	-79.5%
Set aside-PERS Reserve	-	-	-	5,000,000	5,000,000	-
Increase in Contingency Reserve	4,319,430	-	-	-	-	-100.0%
<b>TOTAL USES</b>	<b>\$ 247,308,218</b>	<b>\$ 244,418,762</b>	<b>\$ 253,215,329</b>	<b>\$ 230,859,038</b>	<b>\$ (18,282,432)</b>	<b>-5.5%</b>
<b>UNRESTRICTED RESOURCES</b>	<b>\$ 11,528,065</b>	<b>\$ 12,108,874</b>	<b>\$ (33,204,759)</b>	<b>\$ -</b>	<b>\$ (7,386,166)</b>	<b>-100.0%</b>
<b>CONTINGENCY RESERVE</b>	<b>\$ 52,618,059</b>	<b>\$ 52,618,059</b>	<b>\$ 54,969,903</b>	<b>\$ 50,301,375</b>	<b>\$ (2,316,684)</b>	<b>-4.4%</b>

# Revenues

SOURCE by Category	A		B		B-A	B/A
	2018-19 ACTUAL	2019-20 REVISED	2020-21 STARTING PROJECTION	2020-21 PROPOSED	\$ VAR	% VAR
Property Taxes	\$ 108,365,261	\$ 112,723,626	\$ 118,567,018	\$ 117,508,227	\$ 4,784,601	4.2%
Sales Taxes	38,502,470	34,411,405	38,760,900	28,690,831	(5,720,574)	-16.6%
Charges for Services	20,300,379	18,820,002	21,276,330	17,350,903	(1,469,099)	-7.8%
Use of Money & Property	12,609,169	10,676,836	12,141,243	9,821,619	(855,217)	-8.0%
Other Taxes	8,988,044	8,316,170	9,441,789	7,701,878	(614,292)	-7.4%
Transient Occupancy Tax	24,697,446	19,087,031	27,599,738	6,434,115	(12,652,916)	-66.3%
Licenses and Permits	5,071,609	4,567,521	5,138,647	4,239,333	(328,188)	-7.2%
Fines & Penalties	3,454,660	3,089,260	3,545,250	3,681,031	591,771	19.2%
Other Revenues	3,901,104	4,511,329	2,604,422	2,509,251	(2,002,078)	-44.4%
Intergovernmental	3,922,453	2,800,003	1,995,374	1,646,716	(1,153,287)	-41.2%
<b>TOTAL GENERAL FUND</b>	<b>\$ 229,812,595</b>	<b>\$ 219,003,183</b>	<b>\$ 241,070,711</b>	<b>\$ 199,583,904</b>	<b>\$ (19,419,279)</b>	<b>-8.9%</b>

# Top Three Revenue Categories



## Property Tax

4.2% Increase over Fiscal Year  
2019 -20



## Sales Tax

16.6% Decrease over already  
reduced Fiscal Year 2019 -20.



## Transient

### Occupancy Tax

66.3% Decrease over  
already reduced Fiscal Year  
2019 -20

# Expenditures

EXPENDITURES BY CATEGORY	2018-19	2019-20	2020-21	2020-21	\$ VAR	% VAR
	ACTUAL	REVISED	STARTING PROJECTION	PROPOSED		
Salaries and Benefits	\$ 142,315,971	\$ 145,397,927	\$ 156,491,072	\$ 149,134,523	\$ 3,736,596	2.6%
Professional & Contract Services	21,318,540	25,987,695	25,458,712	23,684,581	(2,303,114)	-8.9%
Internal Service Premium	23,154,076	26,008,196	26,104,969	26,087,458	79,262	0.3%
Maintenance and Repair	9,469,175	9,394,130	8,929,894	8,750,885	(643,245)	-6.8%
Supplies & Materials	5,235,678	5,360,234	5,990,636	5,700,965	340,731	6.4%
Utilities	2,971,221	3,328,840	3,322,958	2,961,757	(367,083)	-11.0%
General Expenses	2,209,597	2,272,634	2,223,801	2,125,501	(147,133)	-6.5%
Travel & training	826,174	967,741	964,483	813,368	(154,373)	-16.0%
Grant Operating Expenses	663,825	1,120,502	640,000	600,000	(520,502)	-46.5%
Operational Savings	-	(4,722,708)				
<b>TOTAL</b>	<b>\$ 208,164,257</b>	<b>\$215,115,191</b>	<b>\$ 230,126,525</b>	<b>\$ 219,859,038</b>	<b>\$ 4,743,847</b>	<b>2.2%</b>

# COVID-19 Impacts to Other Funds

- **Tidelands:** Decline in price of oil will result in revenue shortfall of \$354,000 within the Tidelands Operating Fund and an additional \$757,588 in the Tidelands Capital and Operating Fund for FY 2020-21 for other tidelands related revenue.
- **Gas Tax:** Reduction in fuel consumption will result in revenue shortfall of \$72,000 for FY 2020-21.
- **Measure M:** Reduction in taxable sales will result in revenue shortfall of \$70,000 in Measure M2 Local Fair Share Program allocation for FY 2020-21.
- **Water and Wastewater:** An increased number of accounts may be delinquent as a result of Governor Newsom's Executive Order N-42-20 temporarily suspending water shut off. However, staff does not anticipate a material impact to the Water and Wastewater Funds.

# Program Enhancements

## **Harbor Department - \$43,316 (Tidelands Fund)**

- Transfer of Code Enforcement Supervisor from the Community Development Department
- Additional part-time Code Enforcement Officer Trainees, offset by reduction of Department Assistant and Harbor Service Workers - total overall increase of .5 FTE

## **Public Works - \$106,658 (Environmental Liability Fund)**

- Added 1.5 part-time Code Enforcement Trainee positions to be funded by the Environmental Liability Fund

## **Utilities Department – \$336,300 (Multiple Funds)**

- Replacement of two Monochloramine water analyzers, and three chlorine water analyzers for the 16th Street Pump Station and Big Canyon Reservoir (One-time)
- Additional appropriations for contract services for street sweeping contract

# Staffing Levels

## FULL TIME

DEPARTMENT	FY 19 F/T	FY 20 F/T	FY 21 F/T
City Attorney	7.00	7.00	7.00
City Clerk	5.00	5.00	5.00
City Manager	21.50	21.50	21.50
Community Development	50.10	50.10	49.20
Finance	32.00	32.00	32.00
Fire	143.90	143.90	143.80
Harbor	1.00	1.00	2.00
Human Resources	11.00	11.00	11.00
Library	36.00	36.00	36.00
Police	231.00	232.00	232.00
Public Works	92.50	93.00	93.00
Recreation & Sr Svcs	42.00	42.00	42.00
Utilities	53.00	53.50	53.50
<b>TOTAL</b>	<b>726.00</b>	<b>728.00</b>	<b>728.00</b>

## PART TIME

DEPARTMENT	FY 19 FTE	FY 20 FTE	FY 21 FTE
City Attorney	1.00	1.60	1.60
City Clerk	1.00	1.00	1.00
City Manager	2.00	1.80	1.80
Community Development	7.86	10.20	10.20
Finance	4.26	4.55	4.55
Fire	42.17	43.12	43.12
Harbor	9.89	8.89	9.39
Human Resources	0.50	1.25	1.25
Library	22.83	22.83	22.83
Police	13.87	14.87	14.87
Public Works	6.05	6.35	7.55
Recreation & Sr Svcs	38.13	38.00	38.00
Utilities	1.46	3.96	3.96
<b>TOTAL</b>	<b>151.02</b>	<b>158.42</b>	<b>160.12</b>

# Capital Appropriations by Category

Category	Total CIP Budget
Assessment Districts	9,699,197
Facilities	10,064,500
Miscellaneous	3,555,011
Parks, Harbor, Beaches	24,353,538
Streets & Drains	16,573,200
Transportation	3,460,783
Waste Water	1,800,000
Water	12,733,475
Water Quality & Environment	4,741,344
<b>Grand Total</b>	<b>\$ 86,981,048</b>

**Critical Capital Infrastructure Maintenance Carries on!**

# FY20 and FY21 Project Adjustments per Council Direction

Project Title	RETURN TO FUND BALANCE	CONTINUE IN FY2020-21	DEFERRED TO FY2021-22
<b>PROJECTS CANCELLED/CLOSED - RETURN TO FUND BALANCE</b>			
Balboa Village Enhanced Maint	\$10,097		
Balboa Village Facade Program	\$80,414		
Dover Shores Traffic Study	\$130,000		
Ocean Front Bike Safety Improvement	\$75,000		
<b>Subtotal</b>	<b>\$295,511</b>	<b>\$0</b>	<b>\$0</b>
<b>PROJECTS TO CONTINUE - PARTIAL FY2020-21</b>			
Alleys Reconstruction		\$1,350,000	\$400,000
Facilities Maintenance Master Plan		\$2,555,720	\$500,000
Ocean Boulevard Concrete Pavement		\$200,000	\$1,600,000
Streetlight Rehabilitation Program		\$864,866	\$700,000
Vessel Pump Outs Replacement	\$90,000	\$35,000	
<b>Subtotal</b>	<b>\$90,000</b>	<b>\$5,005,586</b>	<b>\$3,200,000</b>
<b>PROJECTS TO CONTINUE - FULL FY2020-21</b>			
Concrete Replacement Program		\$750,000	
Grant Howald Park Rehabilitation		\$7,281,138	
Jamboree Road Pavement Rehab		\$300,000	
Lido Fire Station 2	\$9,564,500		
Newport Pier Bldg. Platform / Piles		\$1,978,051	
Slurry Seal Program		\$1,100,000	
Storm Drain System Repair		\$200,000	
Via Lido Outer Ring Roadway Rehab		\$150,000	
<b>Subtotal</b>	<b>\$9,564,500</b>	<b>\$11,759,189</b>	<b>\$0</b>
<b>Total</b>	<b>\$9,950,011</b>	<b>\$16,764,775</b>	<b>\$3,200,000</b>

# FY20 and FY21 Project Adjustments per Council Direction

Project Title	RETURN TO FUND BALANCE	CONTINUE IN FY2020-21	DEFERRED TO FY2021-22
<b>PROJECTS DEFERRED - REPROGRAM TO FY 2021-22</b>			
Balboa Boulevard Median Improvement	\$0	\$0	\$1,872,236
Balboa Island Enhancements	\$0	\$0	\$88,400
Central Library Lecture Hall	\$0	\$0	\$7,360,052
Cliff Drive Mobility Improvements	\$0	\$0	\$250,000
Cliff Drive Park Clubhouse	\$0	\$0	\$540,000
Collins Islands Bridge Replacement	\$0	\$0	\$150,000
Facilities Strategic Planning	\$0	\$0	\$50,000
Junior Lifeguards Building	\$0	\$0	\$3,179,991
Landscape Enhancement Program	\$0	\$0	\$623,512
Marine Ave Rehabilitation	\$0	\$0	\$231,129
Newport Blvd Landscape Rehab	\$0	\$0	\$711,270
Ocean Boardwalk / Parking Lot Improv	\$0	\$0	\$350,000
Orange Coast River Park Vision Plan	\$0	\$0	\$20,000
Park Walls and Staircases Rehab	\$0	\$0	\$500,000
Santa Ana Avon Slope Improvements	\$0	\$0	\$335,070
West Newport Park Rehabilitation	\$0	\$0	\$225,500
West Newport Streetscape	\$0	\$0	\$486,560
WC Highway Median Landscaping	\$0	\$0	\$100,000
<b>Subtotal</b>	\$0	\$0	<b>\$17,073,720</b>
<b>Grand Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,273,720</b>

# Next Budget Milestones

- **Thursday, June 4** – Finance Committee to develop written comment on City Manager's Proposed FY 2020-21 Budget. Recommendations for changes to Proposed budget will be presented via Proposed Budget Revision (PBR).
- **Tuesday June 9** – City Council Budget Adoption and GANN limit public hearing.
- **November 2020** – Review budget after first quarter results

