

**City of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

To:	Matthew Fertal	From:	Kingsley Okereke
Dept:	City Manager	Dept:	Finance
Subject:	BUDGET RESOLUTIONS FOR THE FISCAL YEAR 2011-12 PROPOSED BUDGETS	Date:	June 28, 2011

**OBJECTIVE**

To consider and adopt the City's Fiscal Year 2011-12 Basic Services, Cable Services, Grant Services, Water Services, Capital Improvements, Mobile Home Park, and Special Assessments Relating to Street Lighting, Main Street and the Parking District, Tourism Improvement District, and Park Maintenance District Budgets.

**BACKGROUND**

Consistent with the 3-year financial plan, this budget maintains the balancing philosophy of cost reductions, use of reserves, and aggressive redevelopment. It should also be noted that this is year 3 of the plan.

**DISCUSSION**

In accordance with the plan presented for City Council consideration are the resolutions for adoption of the City's budgets.

The following resolutions are attached:

1. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE ADOPTING A BASIC SERVICES, CABLE SERVICES, GRANT SERVICES, WATER SERVICES, CAPITAL IMPROVEMENTS, MOBILE HOME PARK, AND SPECIAL ASSESSMENTS RELATING TO STREET LIGHTING, MAIN STREET AND THE PARKING DISTRICT, TOURISM IMPROVEMENT DISTRICT, AND PARK MAINTENANCE DISTRICT BUDGETS FOR FISCAL YEAR 2011-12.
2. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE ADOPTING AN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2011-12 IMPLEMENTING ARTICLE XIII B OF THE STATE CONSTITUTION PURSUANT TO SECTION 7900 ET SEQ. OF THE GOVERNMENT CODE.
3. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE APPROPRIATING FUND BALANCES AS OF JUNE 30, 2011, TO RESERVES FOR FUTURE YEAR REAPPROPRIATION.

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE REAPPROPRIATING CERTAIN FY 2010-11 PROJECT BALANCES AND ENCUMBRANCES FOR THE FISCAL YEAR 2011-12.
5. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE ADOPTING AN ANNUAL BUDGET FOR THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT FOR FISCAL YEAR 2011-12.
6. A RESOLUTION OF THE GARDEN GROVE CITY COUNCIL AUTHORIZING THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT'S EXPENDITURE OF FUNDS FOR THE PROVISION OF CERTAIN ADMINISTRATIVE FUNCTIONS.
7. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE ADOPTING AN ANNUAL BUDGET FOR THE GARDEN GROVE HOUSING AUTHORITY FOR FISCAL YEAR 2011-12.

FINANCIAL IMPACT

Adoption of these resolutions will provide the funding needed for vital City services.

RECOMMENDATION

It is recommended that the attached resolutions be acted on simultaneously unless separate discussion and/or action is requested by a Councilmember.

  
KINGSLEY OKEREKE  
Finance Director

Attachments

prop-bgt.doc (FY 11-12)

Approved for Agenda Listing

  
Matthew Fertal  
City Manager

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE  
ADOPTING A BASIC SERVICES, CABLE SERVICES, GRANT SERVICES, WATER  
SERVICES, CAPITAL IMPROVEMENTS, MOBILE HOME PARK, SPECIAL ASSESSMENTS  
RELATING TO STREET LIGHTING, MAIN STREET AND THE PARKING DISTRICT,  
TOURISM IMPROVEMENT DISTRICT, AND PARK MAINTENANCE DISTRICT BUDGETS  
FOR FISCAL YEAR 2011-12**

WHEREAS, the City Council of the City of Garden Grove has given careful consideration to the budgets for Fiscal Year 2011-12;

WHEREAS, the City Council of the City of Garden Grove in accordance with the laws of the State of California is responsible for the administration of certain special assessment districts; and

WHEREAS, each special assessment district's budget for Fiscal Year 2011-12 has had a Public Hearing and reviews as required by State law.

NOW, THEREFORE, BE IT RESOLVED that the City Manager is hereby authorized to expend in accordance with the requirements of various grant programs, laws of the State of California, and the Ordinances of the City of Garden Grove on behalf of the City Council an amount of \$159,485,522 from new appropriations and reserved fund balances.

BE IT FURTHER RESOLVED by the City Council of the City of Garden Grove that the total of \$159,485,522 which the City Manager is authorized to expend in accordance with the grant program requirements, laws of the State of California, and the Ordinances of the City of Garden Grove shall be appropriated from the estimated revenues and reserved fund balances of the following funds and funds assessed in accordance with State laws for Fiscal Year 2011-12.

Basic Funds

State Bonds Proposition I-B (AB 1266)	\$ 250,000
State Gas Tax	1,800,000
State Gas Tax 2105	1,300,000
State Traffic Congestion Relief	1,700,000
Development Agreement Fees	1,090,734
Cultural Arts	137,235
Park Fee	650,000
Red Lite Enforcement Program	761,530
Traffic Offender	105,287
City Infrastructure (GASB 34 Depreciation) ①	10,439,501
Tourism Improvement District – Street Projects	52,500
Transient Occupancy Tax Sharing ②	2,100,000
General Purpose ③④	87,003,120
Forfeit/Seizure – Federal	150,000
Forfeit/Seizure – State	150,000
Golf Course	669,006

Self-Supporting Revenue	893,040
Measure M - Turnback	28,000
M2 Local Fairshare	<u>2,200,000</u>
Total Basic Funds	\$111,479,953

Cable Fund

Garden Grove Cable	<u>\$ 105,000</u>
Total Cable Fund	\$ 105,000

Grant Funds

Cal Home Reuse	\$ 1,000,000
Community Development Block Grant (CDBG)	2,706,324
HOME (Investment Partnership Program)	1,001,254
Emergency Shelter	113,845
Homeless Prevention	16,112
Justice Assistance Grant	49,407
Families And Communities Together (FACT)	343,577
Environmental Protection Agency (EPA) (Storm Drain)	485,000
Public Safety/Proposition 172	703,709
Air Quality Improvement	237,095
California Dept. of Conservation	44,602
Used Oil	55,831
Hazard Elimination Safety (HES)	900,000
County Service Grants	213,164
Federal Public Works Grants	<u>3,500,000</u>
Total Grant Funds	\$ 11,369,920

Mobile Home Park Fund

Travel Country RV Park	<u>\$ 404,055</u>
Total Mobile Home Fund	\$ 404,055

Special Assessment Funds

Street Lighting	\$ 1,319,641
Parking District (Maint. & Acq.)	28,061
Main Street Assessment District	25,832
Garden Grove Tourism Improvement District	2,000,000
Park Maintenance Assessment District	<u>700,000</u>
Total Special Assessment Funds	\$ 4,073,534

Water Funds

Water Operations	\$ 26,682,363
Water Debt Service	1,295,555
Water Capital	2,000,000
Water Replacement	<u>2,075,142</u>

Total Water Funds \$ 32,053,060

GRAND TOTAL BASIC, CABLE, GRANT, MOBILE HOME  
PARK, SPECIAL ASSESSMENT, AND WATER FUNDS \$159,485,522

① Depreciation Not Funded In Fiscal Year 2011-12 \$ 10,439,501

② Contains Transfers To The Community Project  
Redevelopment Fund:

To Provide For Hotel Assistance Payments \$ 2,100,000

③ Contains Transfers To The General Fund From:

(a) Development Agreement Fee	\$ 1,000,000
(b) Golf Course	600,000
(c) Fleet Management	1,000,000
(d) Employee Benefit	4,000,000
(e) Insurance	100,000
(f) Deposit Trust – Donations – Senior Center	11,400

④ Contains Transfer From The General Fund:

(a) To Provide For Self Supporting Revenue \$ (293,040)

**City of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

To: Matthew J. Fertal

From: William E. Murray

Dept.: City Manager

Dept.: Public Works

Subject: WATER SUPPLY PROGRAM  
BUDGET FISCAL YEAR 2011/12

Date: June 28, 2011

**OBJECTIVE**

To receive City Council approval for the proposed Water Supply Program Budget for Fiscal Year (FY) 2011/12.

**BACKGROUND**

The mission of the Water Services Division is to provide a reliable water supply of the highest quality at the lowest possible cost. In keeping with this mission, three major issues must be considered:

- Increase in cost for purchased water and energy;
- Improvement of the water delivery system; and
- State and federal water quality mandates

To comply with these issues, and in keeping with the above mission, the Water Services Division has initiated programs such as:

- Working with Orange County Water District to balance the groundwater basin's protection with rate stabilization and with water conservation measures;
- Working with the Metropolitan Water District of Southern California, Orange County Water District, and the Municipal Water District of Orange County to improve water reliability by way of water conservation with grant funding; and
- Compliance with all state and federal water quality standards

During FY 2010/11, a number of operational and capital goals were met. Projects in progress or completed that are related to the Water Enterprise Fund include the following:

- Implementation of the fourth year of the City's Five Year Water Financial Plan;
- Implementation of the Water Master Plan: replacement of two water mains that are fire flow deficient, replacement of natural gas engines at West Haven Reservoir, and install exhaust stacks corrections at Well 29; and
- Completion of the FY 2010/11 Capital Replacement Projects

**DISCUSSION**

Major areas being addressed in the proposed FY 2011/12 Water Supply Program Budget includes: water supply budget, water cost factors, and implementation of capital

improvements and replacements. This being the last year of the City's Five Year Water Financial Plan, the 5% rate adjustment will be applied to the current water rates to meet the essential financial needs for FY 2011/12. The capital improvement and replacement program for the upcoming fiscal year consists of the following:

- Replacement of 5,000 to 10,000 linear feet of main
- Replace 140 fire hydrants
- Replace 707 service lines
- Replace 2,256 small meters and test, repair or replace 400 large meters
- Replace 132 gate valves
- Replace 35 air/vacuum valves
- Completion of Well No. 31 Equipping Design and commence construction
- Design of transmission main to supplement water supply in the west side of the City
- Replacement of natural gas engines at west Garden Grove Reservoir and Well improvements for Well No. 19
- Annual upgrades for SCADA system
- Conduct reservoir condition assessment and cathodic protection survey
- Perform miscellaneous improvements and/or repairs

#### FINANCIAL IMPACT

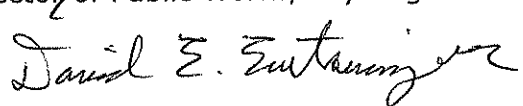
This proposed budget will allow for the Water Enterprise Fund to continue meeting its financial obligations and carry out its capital improvement and replacement programs for FY 2011/12.

#### RECOMMENDATION

It is recommended that the City Council approve the proposed Water Supply Program Budget for FY 2011/12 as presented.



WILLIAM E. MURRAY, P.E.  
Director of Public Works/City Engineer



By: David E. Entsminger  
Water Services Manager

Attachment: Water Supply Program Budget FY 2011/12

CITY OF GARDEN GROVE  
DEPARTMENT OF PUBLIC WORKS  
WATER SERVICES DIVISION

WATER SUPPLY PROGRAM  
FISCAL YEAR 2011/12

Presented By:

CITY OF GARDEN GROVE  
DEPARTMENT OF PUBLIC WORKS



# CITY OF GARDEN GROVE WATER SUPPLY PROGRAM

## BUSINESS PRINCIPLES

1. Satisfy Bond Covenant conditions under which outstanding water revenue bonds were issued.
2. Enterprise fund should break even, not generate a deficit.
3. In order to operate efficiently, a two (2) month cash flow is required, as well as maintenance of \$500,000 in reserves for contingencies.
4. Preserve replacement sinking fund. Ideal amount of fund should approach 5% of system value.
5. Maintain system and facilities up to industry standards by adequately funding new Capital Improvement Programs.
6. Continue design and construction of priority capital projects conforming to the annual budget and spending to the limits of the first tranche of water bonds issued in June 2010 within a three year period.

## ISSUES

### A. Federal and State Issues

1. New and stricter water quality mandates.
2. New and stricter requirements for NPDES permit.
3. New and stricter discharge requirements.
4. New and stricter AQMD requirements.
5. Comply with all state and federal water quality standards.
6. Continue to implement new State-mandated certification requirements.
7. Begin monitoring for unregulated contaminants as required by the EPA.
8. Comply with new AQMD regulations on six natural gas engines.

### B. Local Issues

1. Continue to improve the infrastructure of the distribution system.
2. Implement an energy conservation program for water production.
3. Continue programs to meet the California Urban Water Conservation Council's Best Management Practices.
4. Develop a Geographic Information System (GIS) for water systems.

# WATER SERVICES BUDGET

FY 2010-11 - 2013-14

(\$000)

	FY 10-11 Projected Year End	FY 11-12 Proposed Budget	FY 12-13 Forecast	FY 13-14 Forecast
<b><u>FUNDS AVAILABLE</u></b>				
BEGINNING BALANCE	\$ 2,452.9	\$ 2,330.9	\$ 3,176.4	\$ 4,075.5
BOND PROCEEDS (annual allocation)	0.0	0.0	0.0	14,000.0
TRANSFER FROM REPLACEMENT	0.0	0.0	0.0	0.0
REVENUES	34,497.1	30,823.5	31,656.2	33,714.8
ANNUAL COMMODITY INDEX	0.0	0.0	0.0	0.0
TRANSFER FROM RESERVES	0.0	0.0	0.0	0.0
LOAN FROM GENERAL FUND	0.0	0.0	0.0	0.0
TOTAL FUNDS AVAILABLE	36,950.0	33,154.4	34,832.6	51,790.3
<b><u>OPERATION EXPENDITURES</u></b>				
LABOR	3,463.7	4,087.6	4,126.0	4,270.8
CONTRACTUAL SERVICES	1,166.8	1,186.7	1,203.0	1,239.1
COMMODITIES	806.5	817.9	835.1	860.2
VEHICLE / EQUIPMENT RENTALS	682.0	770.2	795.1	818.9
INSURANCE	263.3	263.3	263.3	263.3
ADMIN SUPPORT COSTS	1,832.9	1,965.3	1,944.5	2,002.8
PURCHASED WATER	14,707.2	12,782.9	13,382.2	14,617.1
LONG TERM DEBT	2,017.3	2,679.0	2,679.0	4,059.5
RESERVE DRAWDOWN PAYBACK	0.0	0.0	0.0	0.0
DEPRECIATION (REPLACEMENT)	1,962.2	2,023.4	2,127.2	2,236.1
STREET REPAIR CHARGE	2,700.0	1,350.0	1,350.0	1,350.0
REPLACEMENT SINKING FUND	0.0	0.0	0.0	0.0
RATE STABILIZATION FUND	0.0	0.0	0.0	0.0
TOTAL OPERATION EXPENDITURES	29,601.9	27,926.3	28,705.4	31,717.8
PROJECTED AMOUNT UNDER SPENT	0.0	0.0	0.0	0.0
NET OPERATION EXPENDITURES	29,601.9	27,926.3	28,705.4	31,717.8
<b><u>WATER CAPITAL EXPENDITURES</u></b>				
REPLACEMENT OF WATER METERS	0.0	51.7	51.7	51.7
WATER MAINS	2,317.2	2,000.0	2,000.0	14,000.0
PRODUCTION CAPITAL	2,700.0	0.0	0.0	0.0
TOTAL CAPITAL EXPENDITURES	5,017.2	2,000.0	2,000.0	14,000.0
FUNDS AVAILABLE	36,950.0	33,154.4	34,832.6	51,790.3
WATER EXPENDITURES	34,619.1	29,978.0	30,757.1	45,769.5
ENDING BALANCE	\$ 2,330.9	\$ 3,176.4	\$ 4,075.5	\$ 6,020.8

CAPITAL IMPROVEMENTS - PUBLIC WORKS  
WATER

FY 2011-12

PROJECTS	CURRENT ESTIMATED COSTS	
	NEW CAPITAL	REPLACEMENT
Water Services	\$ -	\$ 415,028
Water Meter	0	1,037,571
Fire Hydrants	0	290,520
Main Valve	0	332,023
Water Main Improvements	2,000,000	0
Production Projects	0	0
	<hr/>	<hr/>
	\$ 2,000,000	\$ 2,075,142

# WATER CAPITAL PROJECTS

## FIVE YEAR PLAN (\$000)

<u>PROJECTS</u>	<u>10-11</u>	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>
1. WATER MAINS	\$ 2,317	\$ 2,000	\$ 2,000	\$ 14,000	\$ 2,000
2. PRODUCTION CAPITAL	<u>2,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 5,017	\$ 2,000	\$ 2,000	\$ 14,000	\$ 2,000

# WATER SERVICES REPLACEMENT PROGRAM

## FIVE YEAR PLAN

(\$000)

BEGINNING BALANCE	\$ -
REVENUE	52
DEPRECIATION	<u>2,075</u>
	\$ 2,127
TRANSFER TO CAPITAL	2,023
LESS REPLACEMENT COSTS	<u>(2,075)</u>
ENDING BALANCE	\$ 2,075

PROJECTS	<u>10-11</u>	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>
1. WATER SERVICE	\$ 346	415	436	458	480	504
2. WATER METER	1,290	1,037	1,089	1,144	1,201	1,261
3. FIRE HYDRANT	158	291	305	320	336	353
4. MAIN VALVE	220	332	349	366	385	404
5. PRODUCTION	0	0	0	0	0	0
6. WATER MAIN	0	0	0	0	0	0
7. NATURAL GAS ENGINE	1,756	0	0	0	0	0
TOTAL	<u>\$ 3,770</u>	<u>\$ 2,075</u>	<u>\$ 2,179</u>	<u>\$ 2,288</u>	<u>\$ 2,402</u>	<u>\$ 2,522</u>

### WATER REPLACEMENT PROJECTS

1. Replace deficient customer service lines on an as-needed basis.
2. Replace small and large deficient meters.
3. Replace deficient fire hydrants.
4. Replace non-repairable main line gate valves.
5. Replace production equipment as needed.
6. Replace water mains as needed.
7. Replace natural gas engines as needed.

# WATER COST FACTOR

(PER ACRE FOOT)

	<u>10-11</u>	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>
IMPORT WATER COST	\$ 751.0	\$ 798.0	\$ 836.0	\$ 879.0	\$ 921.0
POWER COSTS	\$ 63.0	\$ 43.0	\$ 44.0	\$ 45.0	\$ 46.0
REPLENISHMENT ASSESSMENT (GROUNDWATER)	\$ 249.0	\$ 254.0	\$ 264.0	\$ 280.0	\$ 297.0
EQUITY ASSESSMENT (OVER PUMPING COSTS)	\$ 455.0	\$ 494.0	\$ 520.0	\$ 548.0	\$ 577.0
BASIN PRODUCTION PERCENTAGE	62%	65%	65%	65%	65%