

## 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 2012-13 PROPOSED  
BUDGETS

Date: June 26, 2012

## OBJECTIVE

To consider and adopt the City's Fiscal Year 2012-13 Basic Services, Cable Services, Grant Services, Water Services, Capital Improvements, Special Assessments Relating to Street Lighting, Main Street and the Parking District, Tourism Improvement District, and Park Maintenance District Budgets.

## BACKGROUND

Given the very anemic economic climate of the past few years and, consistent with the City's updated 3-year financial plan and outlook, this budget is based on a plan that includes staff and other cost reductions, initiatives to reduce the size of the City organization, cost recovery for special services, and use of reserves and other available funds.

## 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 BASIC SERVICES, CABLE SERVICES, GRANT SERVICES, WATER SERVICES, CAPITAL IMPROVEMENTS, SPECIAL ASSESSMENTS RELATING TO STREET LIGHTING, MAIN STREET AND THE PARKING DISTRICT, TOURISM IMPROVEMENT DISTRICT, AND PARK MAINTENANCE DISTRICT BUDGETS FOR FISCAL YEAR 2012-13.
2. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE ADOPTING AN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2012-13 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, 2012, TO RESERVES FOR FUTURE YEAR REAPPROPRIATION.

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE REAPPROPRIATING CERTAIN FISCAL YEAR 2011-12 PROJECT BALANCES AND ENCUMBRANCES FOR THE FISCAL YEAR 2012-13.
5. 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 2012-13.

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 12-13)

Approved for Agenda Listing

  
Matthew Ferial  
City Manager

**AGENDA ITEM NO. 7.c.1.**

GARDEN GROVE CITY COUNCIL

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE ADOPTING BASIC SERVICES, CABLE SERVICES, GRANT SERVICES, WATER SERVICES, CAPITAL IMPROVEMENTS, SPECIAL ASSESSMENTS RELATING TO STREET LIGHTING, MAIN STREET AND THE PARKING DISTRICT, TOURISM IMPROVEMENT DISTRICT, AND PARK MAINTENANCE DISTRICT BUDGETS FOR FISCAL YEAR 2012-13

WHEREAS, the City Council has given careful consideration to the budgets for Fiscal Year 2012-13;

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 2012-13 has had 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 \$168,490,720 from new appropriations and reserved fund balances.

BE IT FURTHER RESOLVED that the total of \$168,490,720 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 2012-13.

Basic Funds

State Bonds Proposition I-B (AB 1266)	\$ 845,000
State Gas Tax ①	1,800,000
State Gas Tax 2105	800,000
Traffic Mitigation	100,000
State Traffic Congestion Relief	2,500,000
Development Agreement Fees	1,159,191
Cultural Arts	100,500
Park Fee	285,000
Drainage	100,000
Red Lite Enforcement Program	733,555
Traffic Offender	228,129
City Infrastructure (GASB 34 Depreciation) ②	12,250,963
Tourism Improvement District – Street Projects ③	90,000
Transient Occupancy Tax Sharing	2,120,000
General Purpose ④⑤	88,887,426
Golf Course	669,297

Self-Supporting Revenue ⑥	879,762
M2 Local Fairshare	<u>2,000,000</u>
Total Basic Funds	\$115,548,823

Cable Fund

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

Grant Funds

Community Development Block Grant (CDBG)	\$ 2,327,057
HOME (Investment Partnership Program)	2,506,782
Emergency Shelter	266,993
Neighborhood Stabilization Program (NSP)	67,000
Justice Assistance Grant	39,298
POST Reimbursements	70,000
Families And Communities Together (FACT)	340,323
Public Safety/Proposition 172	690,000
Air Quality Improvement	280,993
California Dept. of Conservation	44,838
Cal. Integrated Waste Management Board (CIWMB)	342,343
Used Oil	50,181
Hazard Elimination Safety (HES)	3,901,500
Safe School Routes	173,000
County Service Grants	213,164
Federal Grants	485,000
Federal Public Works Grants	3,500,000
Cal. Hispanic Commission	8,000
Measure M2 – Comprehensive Transportation Fnd. Prog. (CTFP)	<u>500,000</u>
Total Grant Funds	\$ 15,806,472

Special Assessment Funds

Street Lighting	\$ 1,321,361
Parking District (Maint. & Acq.)	29,861
Main Street Assessment District	35,532
Garden Grove Tourism Improvement District	2,590,000
Park Maintenance Assessment District	<u>700,000</u>
Total Special Assessment Funds	\$ 4,676,754

Water Funds

Water Operations	\$ 27,178,833
Water Debt Service	1,330,000
Water Capital	2,000,000
Water Replacement	<u>1,844,838</u>

Total Water Funds	\$ 32,353,671
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GRAND TOTAL BASIC, CABLE, GRANT, SPECIAL ASSESSMENT, AND WATER FUNDS	\$168,490,720
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## ① Contains Transfers To State Gas Tax Fund From:

(a) State Traffic Congestion Relief	\$ 200,000
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② Depreciation Not Funded In Fiscal Year 2012-13	\$ 12,250,963
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## ③ Contains Transfers To The Tourism Improvement District – Street Projects Fund From:

(a) Garden Grove Tourism Improvement District	\$ 90,000
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## ④ Contains Transfers To The General Fund From:

(a) Development Agreement Fee Fund	\$ 1,000,000
(b) Transient Occupancy Tax Sharing Fund	2,120,000
(c) Golf Course Fund	600,000
(d) Workers Compensation Fund	1,000,000
(e) Fleet Management Fund	1,000,000
(f) Employee Benefit Fund	3,000,000
(g) Self Insurance Fund	1,100,000

⑤ Release of Assigned Reserve In The General Fund For Property Tax Lawsuit :	\$ 500,000
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## ⑥ Contains Transfer To The Self Supporting Revenue Fund From:

(a) General Purpose	\$ 279,762
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**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 2012/13

Date: June 26, 2012

OBJECTIVE

To receive City Council approval for the proposed Water Supply Program Budget for Fiscal Year (FY) 2012/13.

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:

- Purchased water and energy costs;
- 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 2011/12, 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 fifth year of the City's Five Year Water Financial Plan;
- Implementation of the Water Master Plan: completion of two supplemental studies to construct a water transmission main in lieu of replacement of a well in West Garden Grove; and
- Completion of the FY 2011/12 capital replacement projects

DISCUSSION

Major areas being addressed in the proposed FY 2012/13 Water Supply Program Budget include: water supply budget, water cost factors, and implementation of capital improvements and replacements. Since this is the last year of the City's Five Year Water

WATER SUPPLY PROGRAM  
BUDGET FISCAL YEAR 2012/13  
June 26, 2012  
Page 2

Financial Plan, the 2.5% rate adjustment will be applied to the current water rates to meet the essential financial needs for FY 2012/13. 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 31 equipping phase
- Construction of a transmission main to supplement the water supply in the west side of the City in lieu of constructing a new well in West Garden Grove
- Replacement of natural gas engines and pumps at the West Garden Grove Reservoir and well improvements for Well No. 22
- 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 2012/13.

RECOMMENDATION

It is recommended that the City Council approve the proposed Water Supply Program Budget for FY 2012/13 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 2012/13

CITY OF GARDEN GROVE  
DEPARTMENT OF PUBLIC WORKS  
WATER SERVICES DIVISION

WATER SUPPLY PROGRAM  
FISCAL YEAR 2012/13

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 ten 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 2011-12 - 2014-15

(\$000)

	FY 11-12 Projected Year End	FY 12-13 Proposed Budget	FY 13-14 Forecast	FY 14-15 Forecast
<b><u>FUNDS AVAILABLE</u></b>				
BEGINNING BALANCE	\$ 2,330.9	\$ 3,356.6	\$ 7,152.2	\$ 11,622.1
BOND PROCEEDS (annual allocation)	0.0	0.0	0.0	0.0
TRANSFER FROM REPLACEMENT	0.0	0.0	0.0	0.0
REVENUES	30,823.5	34,304.4	36,596.3	36,654.4
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	33,154.4	37,661.0	43,748.5	48,276.5
<b><u>OPERATION EXPENDITURES</u></b>				
LABOR	3,907.4	4,088.8	4,239.0	4,408.5
CONTRACTUAL SERVICES	1,186.7	1,241.1	1,224.6	1,273.6
COMMODITIES	817.9	810.8	847.8	881.7
VEHICLE / EQUIPMENT RENTALS	770.2	843.8	753.6	783.7
INSURANCE	263.3	263.2	282.6	293.9
ADMIN SUPPORT COSTS	1,965.3	1,868.0	2,072.4	2,155.3
PURCHASED WATER	12,782.9	13,295.1	14,569.8	15,377.8
LONG TERM DEBT	2,679.0	2,673.2	2,686.4	2,685.0
RESERVE DRAWDOWN PAYBACK	0.0	0.0	0.0	0.0
DEPRECIATION (REPLACEMENT)	2,023.4	1,793.1	1,848.5	1,905.5
STREET REPAIR CHARGE	1,350.0	1,550.0	1,550.0	1,550.0
CAPITAL EQUIPMENT	0.0	30.0	0.0	0.0
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	27,746.1	28,457.1	30,074.7	31,315.0
PROJECTED AMOUNT UNDER SPENT	0.0	0.0	0.0	0.0
NET OPERATION EXPENDITURES	27,746.1	28,457.1	30,074.7	31,315.0
<b><u>WATER CAPITAL EXPENDITURES</u></b>				
REPLACEMENT OF WATER METERS	51.7	51.7	51.7	51.7
WATER MAINS	2,000.0	2,000.0	2,000.0	2,000.0
PRODUCTION CAPITAL	0.0	0.0	0.0	0.0
TOTAL CAPITAL EXPENDITURES	2,000.0	2,000.0	2,000.0	2,000.0
FUNDS AVAILABLE	33,154.4	37,661.0	43,748.5	48,276.5
WATER EXPENDITURES	29,797.8	30,508.8	32,126.4	33,366.7
ENDING BALANCE	\$ 3,356.6	\$ 7,152.2	\$ 11,622.1	\$ 14,909.8

CAPITAL IMPROVEMENTS - PUBLIC WORKS  
WATER

FY 2012-13

PROJECTS	CURRENT ESTIMATED COSTS	
	NEW CAPITAL	REPLACEMENT
Water Services	\$ -	\$ 368,968
Water Meter	0	922,419
Fire Hydrants	0	258,277
Main Valve	0	295,174
Water Main Improvements	2,000,000	0
Production Projects	0	0
	<u>\$ 2,000,000</u>	<u>\$ 1,844,838</u>

# WATER CAPITAL PROJECTS

## FIVE YEAR PLAN (\$000)

<u>PROJECTS</u>	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>
1. WATER MAINS	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
2. PRODUCTION CAPITAL	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000

# WATER SERVICES REPLACEMENT PROGRAM

## FIVE YEAR PLAN

(\$000)

BEGINNING BALANCE	\$ -
REVENUE	52
DEPRECIATION	<u>1,793</u>
	\$ 1,845
TRANSFER TO CAPITAL	1,793
LESS REPLACEMENT COSTS	<u>(1,845)</u>
ENDING BALANCE	\$ 1,793

PROJECTS	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>	<u>16-17</u>
1. WATER SERVICE	\$ 415	369	380	391	403	415
2. WATER METER	1,037	923	950	979	1,008	1,038
3. FIRE HYDRANT	291	258	266	274	282	291
4. MAIN VALVE	332	295	304	313	323	332
5. PRODUCTION	0	0	0	0	0	0
6. WATER MAIN	0	0	0	0	0	0
7. NATURAL GAS ENGINE	0	0	0	0	0	0
TOTAL	<u>\$ 2,075</u>	<u>\$ 1,845</u>	<u>\$ 1,900</u>	<u>\$ 1,957</u>	<u>\$ 2,016</u>	<u>\$ 2,076</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>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>
IMPORT WATER COST	\$ 798.0	\$ 830.0	\$ 917.0	\$ 963.0	\$ 1,011.0
POWER COSTS	\$ 43.0	\$ 44.0	\$ 45.0	\$ 46.0	\$ 47.0
REPLENISHMENT ASSESSMENT (GROUNDWATER)	\$ 254.0	\$ 266.0	\$ 279.0	\$ 293.0	\$ 308.0
EQUITY ASSESSMENT (OVER PUMPING COSTS)	\$ 494.0	\$ 547.0	\$ 574.0	\$ 603.0	\$ 633.0
BASIN PRODUCTION PERCENTAGE	65%	68%	68%	68%	68%