



BUDGET WORKSHOP

FISCAL YEARS 2019-21

JUNE 4, 2019

1

Budget Goals and Objectives

✓ Prioritize Public Safety

- 11 Additional sworn officers
- 5 new non-sworn positions
- School Resource Officer Program

✓ Promote Development

- Economic Development Strategic Plan
- Current development activities

✓ Enhance Quality of Life

- Re-Imagine Downtown Initiatives
- Seeking partnership to address community issues

✓ Community Engagement & Transparency

- Measure O Citizens' Oversight Committee
- Open Data
- Citywide Emergency Plan
- Performance Measurements

✓ Strengthen Financial Sustainability

- Pension Funding Policy
- Fund Balance Policy

2

Financial Overview

Looking Back...

Structural deficit year over year for over a decade...

FY2018-19 Financial Adopted Budget (\$ in Millions)

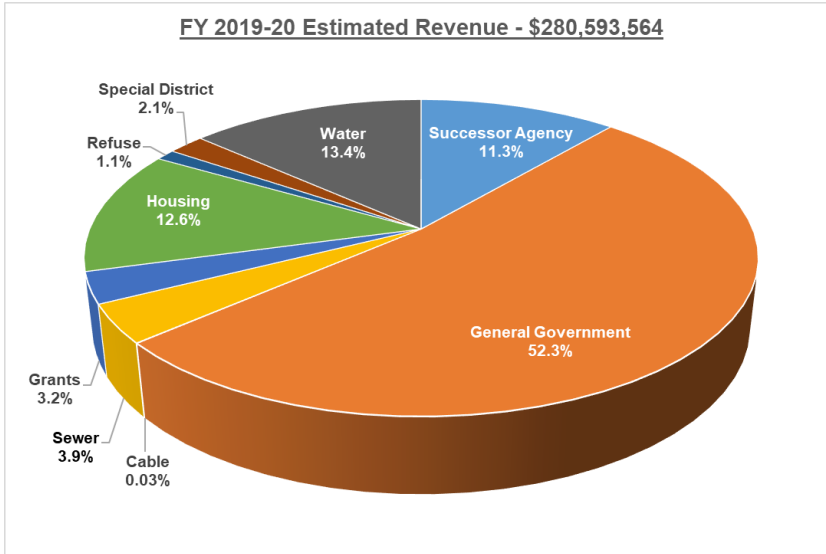
Structural Deficit	\$ 4.2
Balancing Measures:	
Budget Reductions	2.9
One-time Drawdown from Internal Service Funds	1.3
	<u>\$ 4.2</u>

Looking Forward...

- Measure O – Estimated \$19M in sales tax revenue
 - Enhancement to Police workforce
 - Fire Transition to OCFA with enhanced EMS response
 - Funding for facility/street/park improvements
 - Implementation of key financial policies for long-term sustainability
- Challenges Ahead
 - Unfunded pension liability
 - Infrastructure & Maintenance
 - Community issues

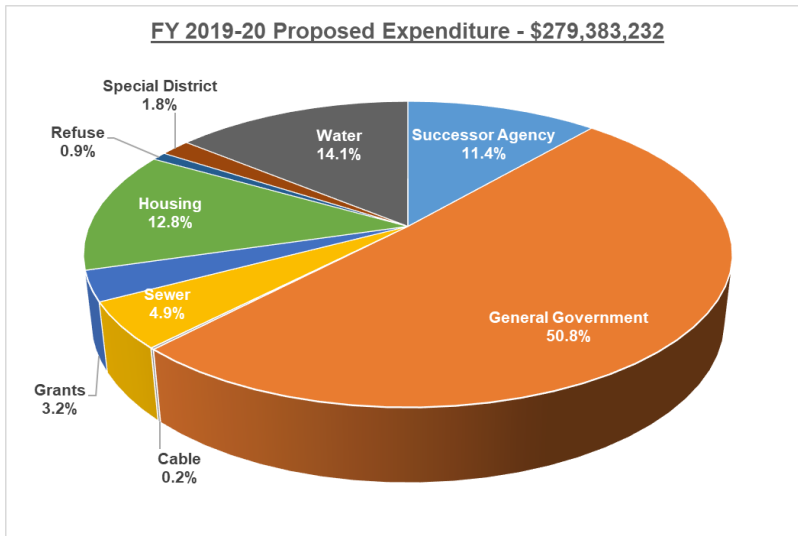
Proposed Budget - City-wide - Fiscal Years 2019-21

Revenue Estimates – All Funds Fiscal Year 2019-20



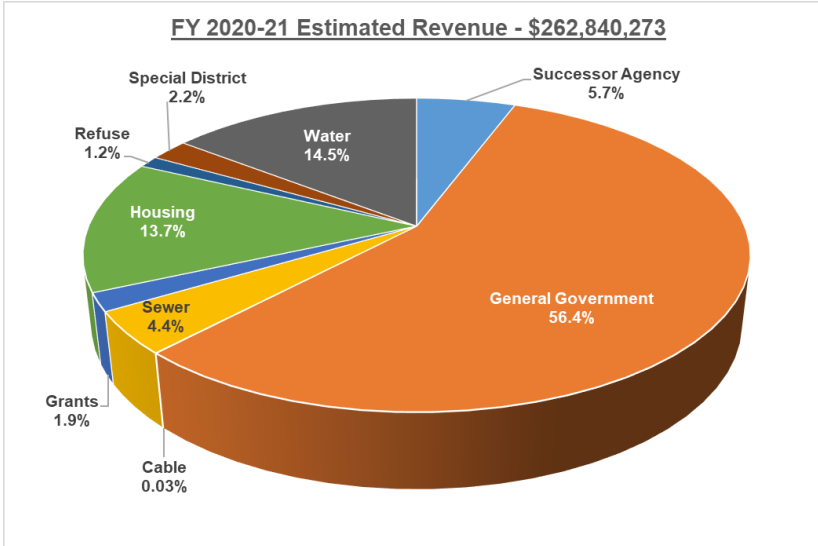
Fiscal Year 2019-20	
Successor Agency	\$ 31,635,595
General Government	146,801,816
Cable	90,000
Sewer	11,023,100
Grants	8,918,585
Housing	35,444,529
Refuse	3,132,793
Special District	5,870,646
Water	37,676,500
Grand Total	\$ 280,593,564

Expenditure Estimates – All Funds Fiscal Year 2019-20



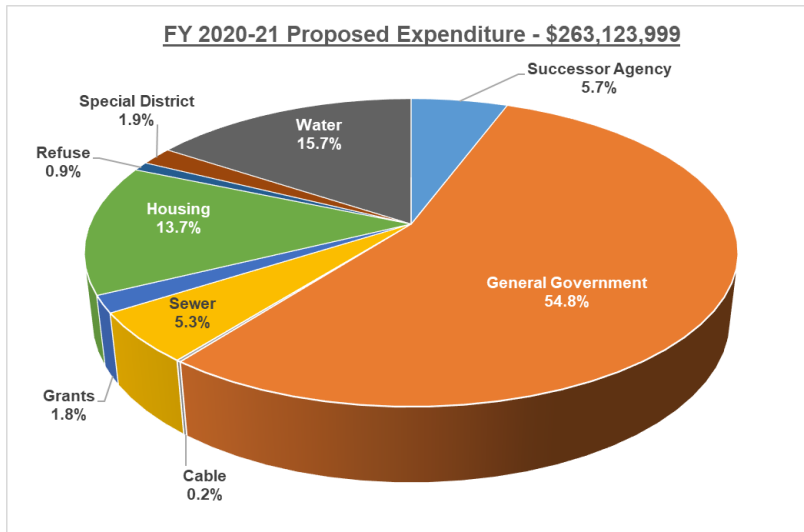
Fiscal Year 2019-20	
Successor Agency	\$ 31,749,624
General Government	141,915,855
Cable	462,259
Sewer	13,773,367
Grants	8,918,411
Housing	35,794,529
Refuse	2,421,684
Special District	4,971,585
Water	39,375,918
Grand Total	\$ 279,383,232

Revenue Estimates – All Funds Fiscal Year 2020-21



Fiscal Year 2020-21	
Successor Agency	\$ 15,005,764
General Government	148,117,855
Cable	90,000
Sewer	11,463,999
Grants	4,928,767
Housing	35,974,742
Refuse	3,159,400
Special District	5,870,646
Water	38,229,100
Grand Total	\$ 262,840,273

Expenditure Estimates – All Funds Fiscal Year 2020-21

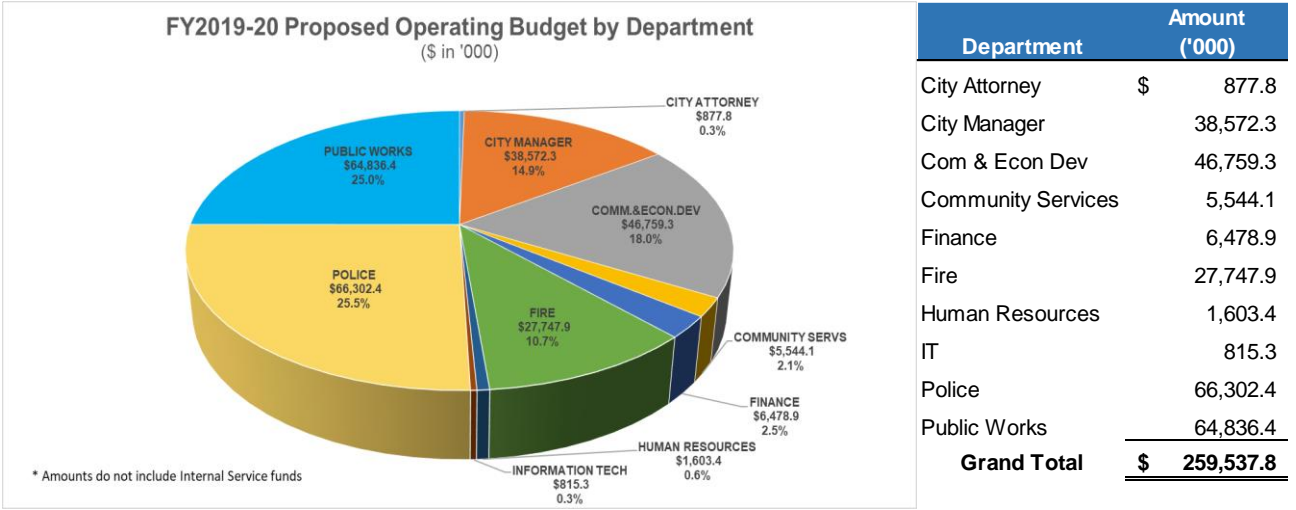


Fiscal Year 2020-21	
Successor Agency	\$ 15,005,764
General Government	144,195,674
Cable	481,319
Sewer	13,827,532
Grants	4,702,621
Housing	35,974,742
Refuse	2,489,986
Special District	5,026,772
Water	41,419,589
Grand Total	\$ 263,123,999

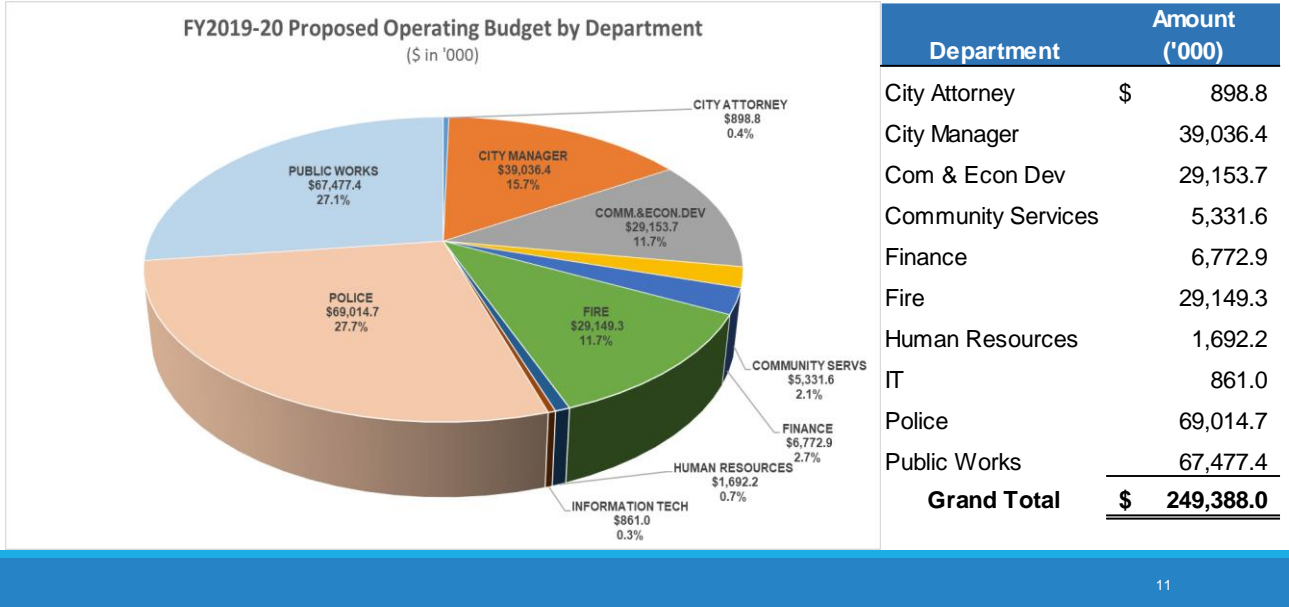
Proposed Position Count – Citywide Fiscal Year 2019-21

Public Safety	FY 2018-19	FY 2019-20 & 20-21	Non Safety	FY 2018-19	FY 2019-20 & 20-21
Police-Sworn	168	182	City Manager	33	33
Police- Non Sworn	68	70	Finance	35	35
Total Police	236	252	Comm & Econ Dev	34	34
Fire - Sworn	96	N/A	Public Works	153	153
Fire – Non Sworn	4	N/A	Comm Svcs.	20	20
Total Fire	100	N/A	Human Resources	10	10
Total Public Safety	336	252	Info. Technology	19	19
			Total Non Safety	304	304
			CITY TOTALS	640	556

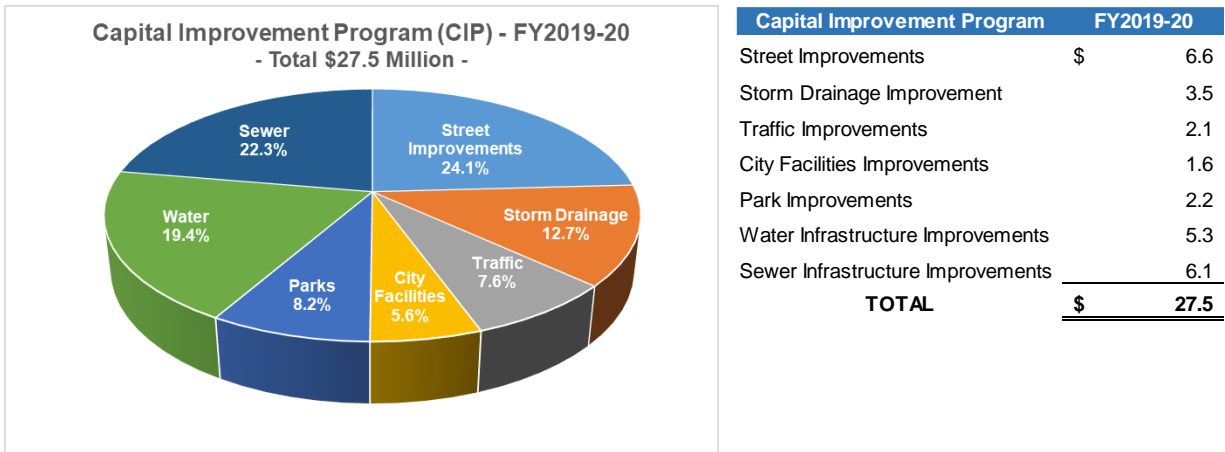
Proposed Budget – FY2019-20 Operating Budget by Department



Proposed Budget – FY2020-21 Operating Budget by Department

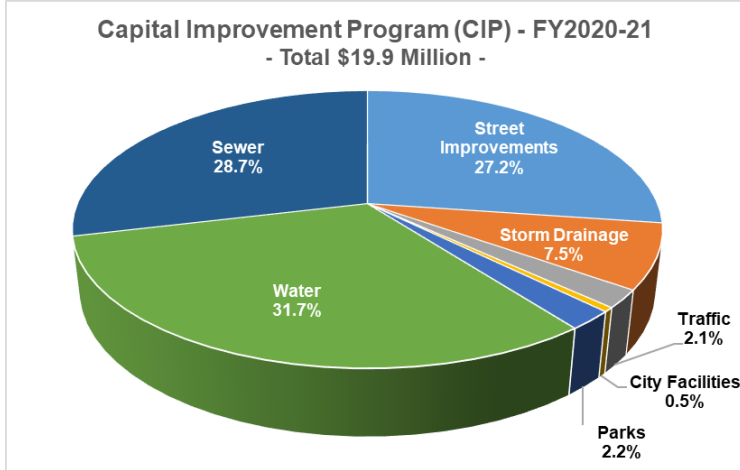


Proposed Budget – FY2019-20 Capital Improvement Program at a Glance



Proposed Budget – FY2020-21

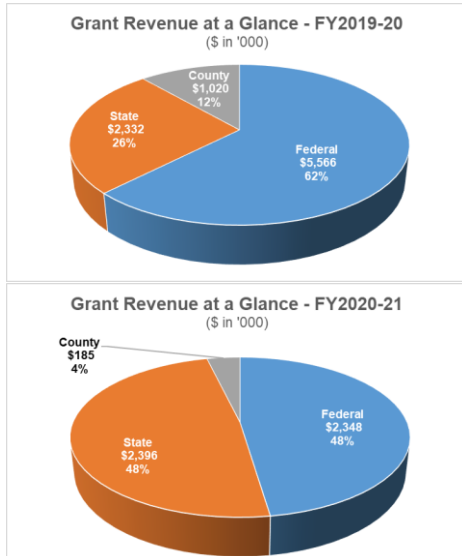
Capital Improvement Program at a Glance



Capital Improvement Program	FY2020-21
Street Improvements	\$ 5.4
Storm Drainage Improvement	1.5
Traffic Improvements	0.4
City Facilities Improvements	0.1
Park Improvements	0.4
Water Infrastructure Improvements	6.3
Sewer Infrastructure Improvements	5.7
TOTAL	\$ 19.9

Proposed Budget – FY 2019-21

Grants at a Glance



Grant	Source	FY 2019-20 ('000)	FY 2020-21 ('000)
AQMD	State	\$ 220	\$ 226
CA Dept of Conserv.	State	44	44
Calhome	State	250	250
CDBG	Federal	2,083	841
ESG	Federal	178	179
FACT	Federal	391	402
Other Federal Grants	Federal	2,095	99
HOME	Federal	819	827
Measure M2 - CTFP	County	1,020	185
Police - SLESA	State	250	250
Post Reimbursement	State	50	50
Public Safety/ Prop 172	State	750	821
State Grants	State	721	708
Used Oil	State	47	47
Total		\$ 8,918	\$ 4,929

Proposed Budget - Component Units & Water Utility - Fiscal Years 2019-21

15

Proposed Budget – FY2019-21 Housing Authority

Budget Highlights

- Federally funded through the Department of Housing and Urban Development (HUD)
- Rental subsidies up to 2,337 low-income families
- Outreach activities to tenants, landlords, and others
- Conduct initial and planned annual inspections
- Continue family self-sufficiency program
- Maintain owned properties
- Monitor Former Agency Affordable Housing Agreements

16

Proposed Budget – FY 2019-21 Housing Authority (\$ in '000)

	FY 2019-20	FY 2020-21
Sources:		
Beginning Fund Balance	\$ 561	\$ 561
Housing Allocation	35,445	35,975
Transfer From General Fund	350	-
Total Resources	<u>36,356</u>	<u>36,536</u>
Uses:		
Voucher Program	(32,570)	(32,570)
Family Self Sufficiency Program	(133)	(143)
Property Management	(143)	(147)
City Administration	(2,949)	(3,115)
Total Uses	<u>(35,795)</u>	<u>(35,975)</u>
Ending Fund Balance	<u>\$ 561</u>	<u>\$ 561</u>

17

Proposed Budget – FY 2019-21 Garden Grove Successor Agency

Budget Highlights

- Reduced funding level for administrative costs of \$152,000 for each year
- Recognized Obligation Payment Schedule (ROPS) approved annually by the Department of Finance (DOF)
- Continued efforts in implementing of DOF approved Development and Disposition Agreements (DDA) for various projects:
 - Brookhurst Triangle
 - Site B2

18

Proposed Budget – FY 2019-21 Garden Grove Successor Agency (\$ in '000)

	FY 2019-20	FY 2020-21
Sources:		
RPTTF Distribution	31,636	14,798
Other Revenue	114	208
Total Resources	31,750	15,006
Uses:		
Operations and Overhead	(395)	(581)
Recognized Obligation Payments	(31,355)	(14,425)
Total Uses	(31,750)	(15,006)
Sources Over/(Under) Uses	\$ -	\$ -



Proposed Budget – FY 2019-21 Sanitary District

Budget Highlights

- Balanced budget
- Continue planned Sewer capital program (Capacity/Structural)
- Continue manhole inspection and replacement program
- Continue fats, oils, and grease control education
- Continue AB 939 Waste Diversion efforts
- Implement commercial organic waste program



Proposed Budget – FY 2019-21 Sanitation District (\$ in '000)

SEWER FUND	FY2019-20	FY2020-21	SOLID WASTE FUND	FY2019-20	FY2020-21
Sources:			Sources:		
Beginning Fund Balance	\$ 27,332	\$ 24,582	Beginning Fund Balance	\$ 6,142	\$ 6,853
Operating Revenue	<u>11,023</u>	<u>11,464</u>	Operating Revenue	<u>3,133</u>	<u>3,159</u>
Total Resources	<u>38,355</u>	<u>36,046</u>	Total Resources	<u>9,275</u>	<u>10,012</u>
Uses:			Uses:		
Operation and Maintenance	(4,972)	(5,340)	Operation and Maintenance	(1,922)	(1,990)
Contractual Services	(1,499)	(1,564)	Landfill Reserve Contribution	(500)	(500)
Debt Service	(1,194)	(1,207)	Debt Service		
Capital Replacement	(1,808)	(1,717)	Capital Replacement		
Capital Improvement Projects	<u>(4,300)</u>	<u>(4,000)</u>	Capital Improvement Projects		
Total Uses	<u>(13,773)</u>	<u>(13,828)</u>	Total Uses	<u>(2,422)</u>	<u>(2,490)</u>
Ending Fund Balance	<u>\$ 24,582</u>	<u>\$ 22,218</u>	Ending Fund Balance	<u>\$ 6,853</u>	<u>\$ 7,522</u>

21

Proposed Budget – FY 2019-21 Water Utility

Budget Highlights

- Balanced budget
- Review and update water rates to develop a sustainable Water Utility financial plan
- Continue implement Water Master Plan
- Continue with major capital replacement
- Implement energy conservation program for water production
- Compliance with all mandates (water quality, NPEDS, AQMD etc.)

22

Proposed Budget – FY 2019-21 Water Utility (\$ in '000)

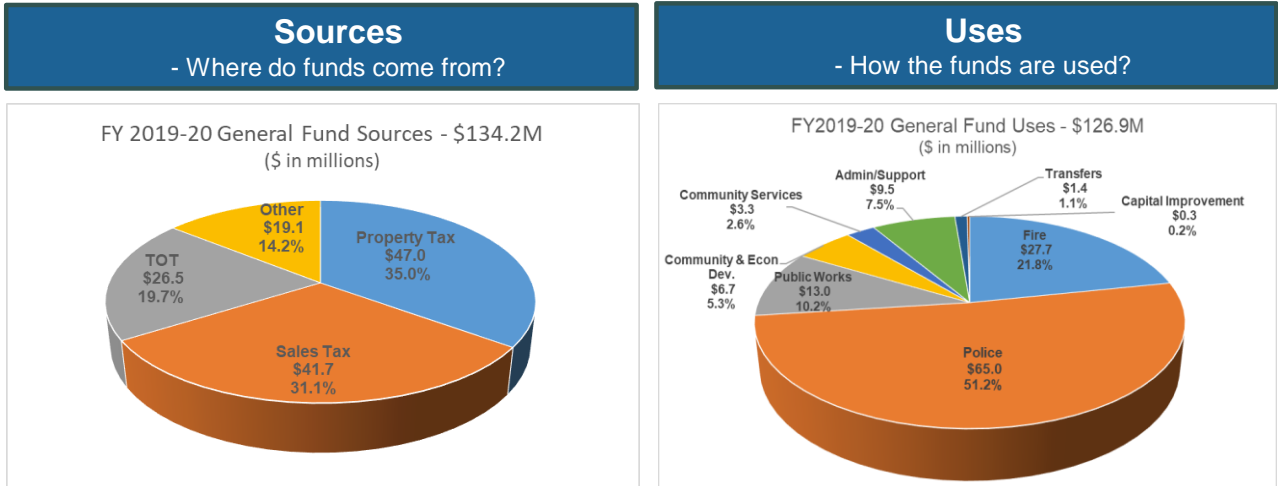
WATER UTILITY	FY2019-20	FY2020-21
Sources:		
Beginning Fund Balance	\$ 4,990	\$ 3,191
Operating Revenue	<u>37,677</u>	<u>38,229</u>
Total Resources	<u>42,667</u>	<u>41,420</u>
Uses:		
Operation and Maintenance	(12,711)	(13,012)
Purchased Water Supply	(16,972)	(17,737)
Enterprise Resource Program	(100)	-
Debt Service	(2,395)	(2,388)
Capital Replacement	(3,339)	(3,305)
Street Repairs Charge	(1,959)	(1,978)
Capital Improvement Projects	<u>(2,000)</u>	<u>(3,000)</u>
Total Uses	<u>(39,476)</u>	<u>(41,420)</u>
Ending Fund Balance	<u>\$ 3,191</u>	<u>\$ -</u>

23

Proposed Budget - General Fund - Fiscal Years 2019-21

24

Proposed Budget –General Fund Fiscal Year 2019-20

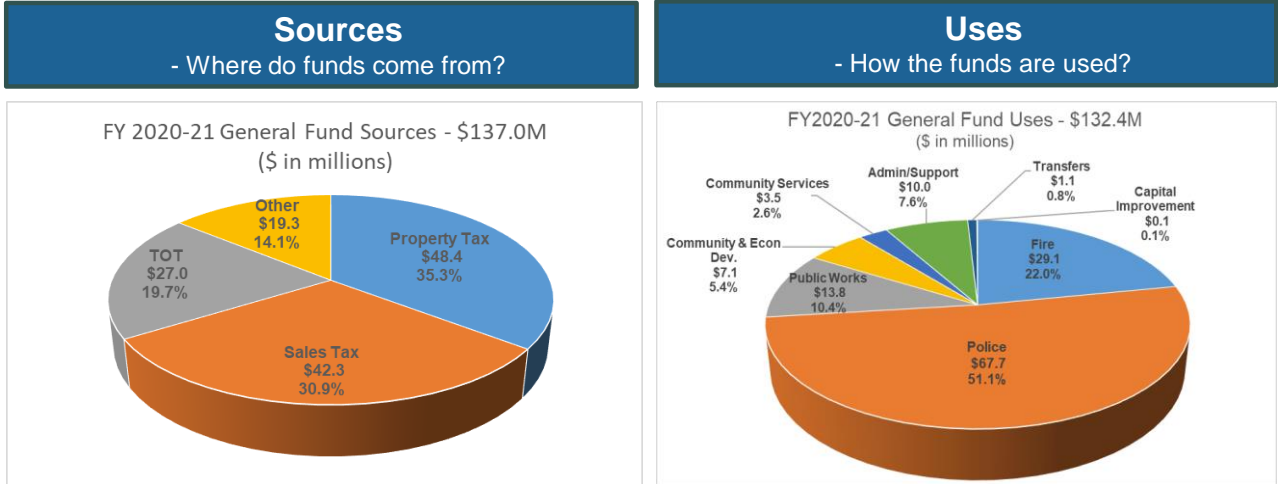


Proposed Budget –General Fund (\$ in '000)

	FY2019-20
Sources:	
Estimated Operating Revenue	\$ 134,180
FY2017-18 Operating Surplus Designation	<u>3,300</u>
Total Resources	\$ <u>137,480</u>
Uses:	
Baseline Expenditure Budget	(115,686)
Enterprise Resource Planning (ERP) Phase II Funding	(3,300)
Transfer to Other Funds	(1,446)
Mandates	(602)
Supplemental/Changes to Baseline Budget	(4,773)
Equipment/Automation	(41)
MOU Adjustments	(2,705)
Orange County Fire Authority (OCFA) Transition	<u>(1,720)</u>
Total Uses	(130,273)
Estimated Surplus/(Deficit)	\$ <u>7,207</u>

Changes to Baseline Budget	
\$ 3,884	Prioritize Public Safety
567	Promote Development
176	Enhance Quality of Life
80	Infrastructure & Maintenance
67	Service Level Enhancement
<u>\$ 4,773</u>	

Proposed Budget –General Fund Fiscal Year 2020-21

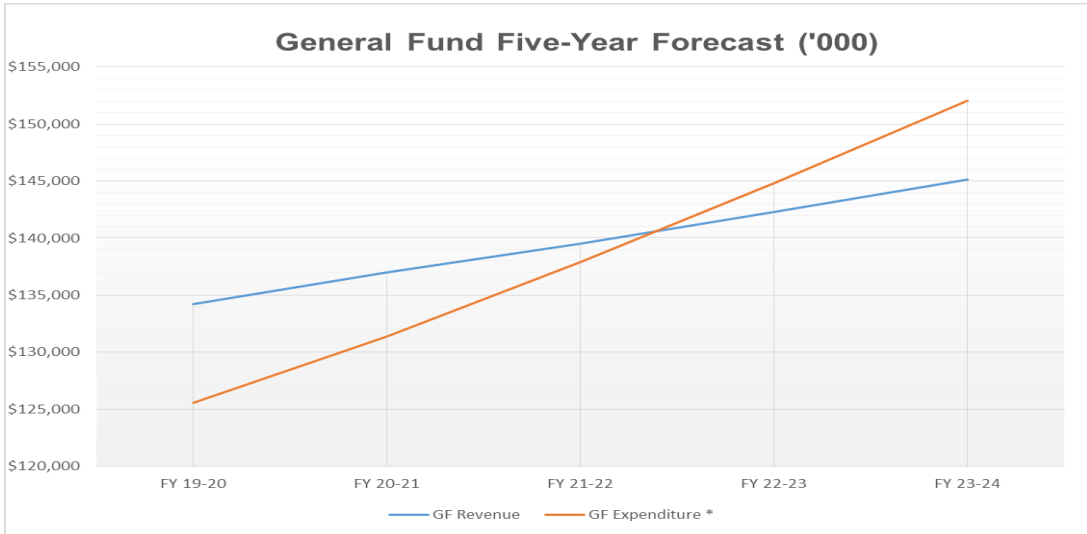


Proposed Budget –General Fund (\$ in '000)

FY2020-21	
Sources:	
Estimated Operating Revenue	\$ 136,996
Total Resources	\$ 136,996
Uses:	
Baseline Expenditure Budget	(126,611)
Transfer to Other Funds	(1,133)
Mandates	(334)
Supplemental/Changes to Baseline Budget	(168)
MOU Adjustments	(2,815)
Orange County Fire Authority (OCFA) Transition	(1,408)
Total Uses	(132,469)
Estimated Surplus/(Deficit)	\$ 4,527

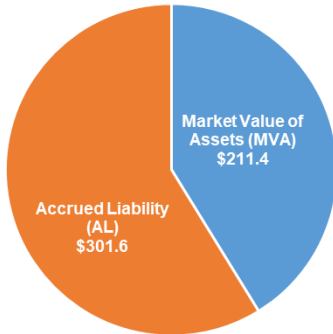
Changes to Baseline Budget	
\$ 96	Promote Development
52	Enhance Quality of Life
20	Financial Sustainability
\$ 168	

General Fund Five-Year Forecast

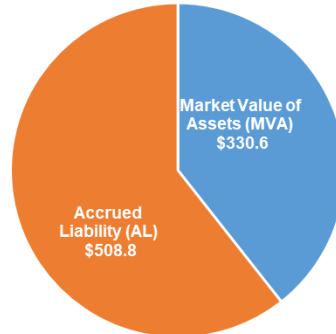


Unfunded Pension Liability (\$ in Millions)

Miscellaneous Plan
Funded Ratio 70.1%
 As of June 30, 2017



Safety Plan
Funded Ratio 65.0%
 As of June 30, 2017



	Miscellaneous Plan	Safety Plan	TOTAL
Market Value of Assets (MVA)	\$ 211.4	\$ 330.6	\$ 542.0
Accrued Liability (AL)	301.6	508.8	810.4
Unfunded Accrued Liability (UAL)	\$ 90.2	\$ 178.2	\$ 268.4
Funded Ratio	70.1%	65.0%	66.9%

Source: CalPERS August 2018 valuation report

Proposed Budget – FY2019-21

Long-term Financial Sustainability

Pension Funding Policy

Goal: *To establish a systematic and disciplined method to accumulate resources to be used towards funding pension liability and future benefit payments, and to provide reasonable assurance that the cost of pension benefits will be funded in an equitable and sustainable manner.*

- Set budget priority
- Minimum contribution tie to actuarially determined annual contribution
- Structure a viable plan to reduce unfunded liability and stabilize future contribution rates
- Restrict future benefit enhancements
- Demonstrate accountability and promote transparency

Fund Balance Policy

Goal: *To maintain a prudent level of financial resources to protect the community against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures in the General Fund .*

- Follow best practices
- Establish a contingency reserve
- Define conditions warranting the use of contingency reserve and the methodology for balance replenishment
- Demonstrate accountability and promote transparency

31



Next Steps...

- **June 25, 2019** – Budget Adoption
- **July/August 2019** – Pension Funding Policy Adoption
- **November/December 2019** – Fund Balance Policy Adoption

32

