



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Jason Simpson, City Manager

Prepared by: Shannon Buckley, Assistant City Manager

Date: June 28, 2022

Subject: Adoption of the FY 2022-23 Annual Operating Budget, Schedule of Authorized Positions, and the GANN Limit

Recommendation

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ADOPTING THE FY 2022-23 ANNUAL OPERATING BUDGET AND ESTABLISHING THE CONTROLS ON CHANGES IN THE APPROPRIATIONS; and,

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, REVISING THE SCHEDULE OF AUTHORIZED POSITIONS; and,

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ESTABLISHING THE APPROPRIATIONS GANN LIMIT FOR FY 2022-23 AND SELECTING THE POPULATION AND INFLATION FACTOR ACCORDINGLY.

Background

Attached for your review is the Proposed FY 2022-23 Annual Operating Budget. The budget includes revenue projections and expenditure requests for the General Fund, Special Revenue Funds, Capital Project Funds, and Agency Funds. Also presented with this report are the fiscal year 2022-23 proposed authorized position schedule and the Gann Limit Calculation. The budget subcommittee has reviewed and discussed the FY2022-23 Annual Operating Budget and the items noted.

While the economy is showing continuing signs of improving and the development activity momentum is building within the City, but we must continue to operate in a fiscally prudent manner, maintain current public safety service levels, and provide key services that our citizens have come to expect.

The City is committed to reflecting the community's priorities in the budget and is looking forward to ongoing engagement of soliciting resident feedback from residents and reporting back to the public and City Council on needs and priorities. The City seeks to keep Lake Elsinore safe, clean, and well maintained to help protect and improve local property values. Working together, we will ensure our budget and financial policies reflect spending consistent with the community's priorities.

Adoption of the FY 2022-23 Annual Operating Budget
June 28, 2022

As such, the FY2022-23 Annual Operating Budget Status Report proposes to maintain current services through June 30, 2023, and the Uncertainty Reserve will increase to 20% from 17.5%.

Discussion

Current Condition - State of California – May 2022 Revision Budget (Governor Newsom)

Gov. Gavin Newsom unveiled his May revision to the 2022-2023 budget proposal on Friday, May 13, 2022. It projects an astonishing \$97.5 billion surplus, fueled by the state's highest earners. That far eclipses the \$76 billion the Governor predicted in January and is the largest surplus a state has ever had.

The total amount of the budget is \$300.7 billion — a record high. About half must be earmarked for education, with K-12 schools getting \$128 billion. That would raise per-pupil spending to \$22,850.

One of the biggest issues Californians want tackled is rising inflation and the high cost of gas prices. To offset the pain at the pump, the Governor wants to send \$400 to most car owners (price tag: \$11.5 billion). His plan would also allocate \$750 million to temporarily halt public transportation travel fees. The blueprint includes a total \$18.1 billion in direct inflation relief payments. These will help with rising utility, rent, health, and child care costs.

Homelessness continues to be a top priority. Newsom's plan includes \$14.7 billion to address the crisis of homelessness and mental health. That's a \$700 million increase over January's proposal. The extra funding includes \$500 million for crisis response and interim housing, \$150 million for Project Homekey and \$65 million for his CARE Court proposal. The plan also provides \$2.7 billion in rental assistance for those who applied in March — part of an effort to keep struggling people in their homes.

The Governor's blueprint includes new funding for public safety as well. \$660 million will fund new officers, mental health support, victim support and efforts to crack down on various crimes. He's proposing a one-time \$50 million grant for cities and counties to support officers' health and well-being.

The governor has proposed \$233 million more for CalFire. With \$104 million, Cal Fire will be able to add 270 new positions over four years. To tackle the drought and climate change, Newsom proposes \$32 billion in climate investments this year — \$9.5 billion more than his January plan; \$1.3 billion for drought and water resilience, which is a \$550 million increase over the amount in his January spending plan; and \$44 million to modernize California's water rights system. An additional \$8 billion would increase reliability of the state's power grid and support clean energy projects.

With the country bracing for the overturning of Roe v. Wade, Newsom's budget devotes significantly more attention and money to reproductive rights. The revised budget includes an additional \$57 million to expand access to abortions and help clinics meet increased demand from out of state. Newsom is also encouraging businesses in states like Texas and Florida to relocate to California where the values they claim to share "are actually reflected in terms of the work we do as a state." As an incentive, he has proposed "additional consideration" in the business relocation tax credit program for businesses that relocate from states with anti-abortion and anti-LGBTQ+ laws.

The next step is negotiation with lawmakers. The California Legislature must sign off on a state budget by June 15.

City General Fund Revenues

The projected General Fund revenues are \$62.99 million for the fiscal year 2022-23, which reflects a \$11,780,990, or 18.70% increase from the fiscal year 2021-22. General Fund revenues have increased primarily as a result of the passing of Measure Z. The most significant revenue increases are identified below:

- \$3,399,650 in Sales Tax
- \$5,853,910 in Reimbursements
- \$844,240 in Property Tax
- \$506,050 in Licenses & Permits

City General Fund Expenditures

The proposed budget of \$63.49 million reflects an increase in General Fund expenditures of \$5,727,760 or 9.92% from the fiscal year 2021-22 projected budget. The primary increases contributing to this include a 1) increase in Salary & Benefits due to MOU negotiations 2) increase Police patrol rate; 3) increase in Fire rate and additional staffing of the medic squad.

The City has continued to focus on reorganizing department structures to streamline processes and enhance efficiencies without reducing essential public services to the community. The following is a summary of important items by the department in the proposed Annual Operating Budget for the Fiscal Year 2022-2023:

Police Services: Another significant increase in contract administration costs passed down from the County of Riverside for Police Service costs. The Police patrol hours will remain at 132 hours per day providing 11 deputies on duty or 24 hours. The City will also continue to fund a dedicated Deputy for park patrol and an additional Community Service Officer to assist with the Homeless Team along with the two Community Patrol Deputies.

Fire Services: A significant increase in contract administration costs passed down from the County of Riverside for Fire Service costs. The City introduced Medic Squad #10 on March 28, 2022. The squad consist of an engineer, a firefighter paramedic per shift, and Advanced Life Support equipment.

Animal Services: Increase is due to adding additional field personnel from 1.5 Officers to 2.0.

General Government: Increased due to general election cost in support of the upcoming elections and MOU negotiated increases.

Community Development: Increased due to additional support staff and MOU negotiated increases.

Public Services: Increased due to additional support staff and MOU negotiated increases.

Community Services: Increase due to starting up programs again and MOU negotiated increases.

Schedule of Authorized Positions

Section 37206 of the California Government Code requires the City Council to prescribe the time and method of paying salaries and wages of City officers and employees. Under Government Section 37206, the City Council annually adopts by resolution a schedule of authorized positions for each fiscal year.

"Gann" Appropriations Limit

Under Government Section 7910, the City Council is required, on an annual basis, to adopt by resolution the "Gann" Appropriations Limit. The Appropriations Limit creates a restriction on the amount of revenue that can be appropriated in any fiscal year. The Limit is adjusted each year based on the change in the population, and either the change in non-residential assessed valuation or the change in California per capita income. The Limit for the fiscal year 2022-23 is based on California's per capita income.

Using population and per capita, personal income data provided by the State Department of Finance, the City's Appropriations Limit for FY 2022-23, has been computed to be \$123,526,080. Appropriations subject to the Limit in the proposed FY 2022-23 budget total \$43,843,828, which is \$79,682,252 less than the computed limit. Additional appropriations to the budget are funded by non-tax sources such as service charges, restricted revenues from other agencies, grants, or beginning fund balances would be unaffected by the Appropriations Limit. However, any supplemental appropriations funded through increased tax sources could not exceed the \$79,682,252 variance indicated above. Further, any overall actual receipts from tax sources greater than \$79,682,252 from the budget estimates will result in proceeds from taxes above the City's Appropriations Limit, requiring refunds of the excess within the next two fiscal years, or voter approval to increase the City's Appropriations Limit.

Fiscal Impact

The Proposed Fiscal Year 2022-23 Annual Operating Budget provides a reinvestment of fund balance resources (operating budget deficit), in addition to operating revenues, to fund operating expenditures by \$500,000 after the operating transfers. The 20.0% designation for the economic uncertainty reserve target is \$14,746,926.

Exhibits

- A – Res. Operating Budget
- A1 – General Fund Summary
- A2 – All Other Funds Summary
- B – Res. Authorized Positions
- B1 – Schedule of Authorized Positions
- C – Res. Gann Limit
- C1 – Appropriations Limit Calculation
- D – Measure Z Spending Plan