



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 13, 2023

Subject: Adoption of the FY 2023-24 Annual Operating Budget, Schedule of Authorized Positions, and the Gann Limit

Recommendation

1. adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ADOPTING THE FY 2023-24 ANNUAL OPERATING BUDGET AND ESTABLISHING THE CONTROLS ON CHANGES IN THE APPROPRIATIONS; and,
2. adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, REVISING THE SCHEDULE OF AUTHORIZED POSITIONS; and,
3. adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ESTABLISHING THE APPROPRIATIONS GANN LIMIT FOR FY 2023-24 AND SELECTING THE POPULATION AND INFLATION FACTOR ACCORDINGLY.

Background

The Proposed FY2023-24 Annual Operating Budget is attached for your review. 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 FY2023-24 proposed authorized position schedule and the Gann Limit Calculation. The budget subcommittee has reviewed and discussed the FY2023-24 Annual Operating Budget and the items noted.

While today's economic outlook is dramatically different from the previous two years, the economy hasn't shown signs of slowing. Development activity is continuing within the City. But we must continue to operate in a fiscally prudent manner, maintain current public safety service levels, and provide critical services that our citizens have come to expect.

The City is committed to reflecting the community's priorities in the budget and looking forward to ongoing engagement of soliciting resident feedback from residents and reporting to the public and City Council on needs and priorities. The City seeks to keep Lake Elsinore 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.

As such, the FY2023-24 Annual Operating Budget Status Report proposes maintaining current services through June 30, 2024, and the Uncertainty Reserve at 20%.

Discussion

Current Condition - State of California – May 2023 Revision Budget (Governor Newsom)

Gov. Gavin Newsom unveiled his May revision to the FY2023-24 budget proposal on Friday, May 12, 2023. The revised budget reflects a shortfall of \$31.5 billion, a \$9 billion increase from the \$22.5 billion projected back in January. Since the release of the Governor's Budget, monthly revenue shortfalls have continued, which have contributed to the May Revision General Fund revenue estimate shortfall.

To balance the budget, the Governor's budget reduced and delayed spending, shifted spending commitments from the General Fund to other funds, and borrowed from special funds, including a withdrawal from the Safety Net Reserve. However, the May Revision sustains and protects many vital investments and commitments. Those commitments are:

- **K-12 Education** — The May Revision fully funds the 8.22 percent cost-of-living adjustment, maintains the Equity Multiplier, which would help accelerate learning gains and close opportunity gaps, continues to fully fund the first and second years of expanded eligibility for Transitional Kindergarten, and fully funds the Universal School Meals program, which provides two meals to students each day of school.
- **Higher Education** — The May Revision maintains the commitment to the compacts, with the University of California (UC) and California State University (CSU) providing 5-percent increases to each segment. This results in approximately \$216 million for UC and \$227 million for CSU.
- **Healthcare** — The May Revision maintains funding to expand full-scope Medi-Cal eligibility to all income-eligible Californians, regardless of citizenship status. It also maintains over \$8 billion in various behavioral health investments. It will expand the California Food Assistance Program for income-eligible individuals aged 55 years or older, regardless of their immigration status, by October 2025.
- **Housing and Homelessness** — The May Revision continues the Administration's emphasis on local accountability so that all jurisdictions build their fair share of housing units. It also maintains \$3.4 billion in funding proposed for homelessness programs.
- **Climate** — The May Revision maintains \$2.7 billion in a multi-year wildfire and forest resilience package. It adds \$290 million for a flood risk reduction package to reduce flood risk and enhance flood system resilience. The Administration also continues to engage the Legislature in pursuing a climate bond over the coming months. As a result of lower

revenue projections and a resulting increase in the budget problem, the May Revision includes an additional \$1.1 billion in General Fund shifts across climate resilience programs that would be bond eligible.

- **Infrastructure** — The May Revision includes proposals to facilitate and streamline project approval and completion to maximize California's share of the federal infrastructure spending opportunity and expedite implementing projects that meet our social, climate, and economic goals.

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 \$68.49 million for FY2023-24, which reflects a \$2,770,090, or 4.22% increase from FY2022-23. General Fund revenues have increased primarily due to the passing of Measure Z. The most significant revenue increases are identified below:

- \$1,202,190 in Sales Tax
- \$803,660 in Reimbursements
- \$655,550 in Property Taxes

City General Fund Expenditures

The proposed budget of \$68.49 million reflects an increase in General Fund expenditures of \$2,770,090 or 4.22% from the FY2022-23 projected budget. The primary increases contributing to this increase are:

- Increased contribution payment amounts to the City's PERS Unfunded Liability
- Adding a Deputy to the Robbery Burglary Suppression Team (RBST)
- Adding a Community Services Officer
- Increasing the fire service contract rate.

The City has continued to focus on reorganizing department structures to streamline processes and enhance efficiencies without reducing essential public services to the community.

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 restricts the 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 FY2023-24 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 FY2023-24 has been computed to be \$128,984,827. Appropriations subject to the Limit in the proposed FY2023-24 budget total \$46,864,189, which is \$82,120,638 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 \$82,120,638 variance indicated above. Further, any overall actual receipts from tax sources greater than \$82,120,638 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 FY2023-24 Annual Operating Budget provides a balanced budget while maintaining the 20.0% designation for the economic uncertainty reserve target of \$13,697,520.

Attachments

Attachment 1 - Resolution Operating Budget FY 23-24

Exhibit A – General Fund Summary

Exhibit B – FY 23-24 All Other Funds Summary

Exhibit C – FY 22-23 All Other Funds Summary

Attachment 2 - Resolution Authorized Positions FY 23-24

Exhibit A – Schedule of Authorized Positions FY 23-24

Attachment 3 - Resolution Gann Limit FY 23-24

Exhibit A – Appropriations Limit Calculation

Attachment 4 - Measure Z Spending Plan