City of Santa Ana
Community Budget Outreach

Presented By:
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City Manager

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Director of Finance

Robert Cortez
Assistant Director of Finance

October 29, 2013
Topics that will be covered

- City Governance
- Strategic Plan Update
- Responding to the Sunshine Ordinance
- What is a budget & why we prepare one?
- Budget process
- Structure of the budget and funds
- Year-end 2012-13 Summary
- Adopted fiscal year 2013-15 Budget
- 1st Quarter 2013-14 results
City Governance
Voters elect at large

6 Council Members

1 Mayor

City Attorney
(serves at Council’s pleasure)

Appoint

City Clerk
(serves at Council’s pleasure)

Appoint

City Manager
(serves at Council’s pleasure)

Appoints all subordinate City Dept. Directors
(with Council ratification)
Strategic Plan Update
Development of a Strategic Plan

Budget

Strategic Plan
Responding to the Sunshine Ordinance

- Conducted three Budget Outreach meetings
  - February 2013
  - May 2013
  - October 2013

- Increased Transparency - Updated the City Finance Website
  - Posted all presentations on-line
  - Posted all responses to questions
  - Developed FAQ’s Sheet
  - RFP Process
What is a budget?

A budget is a plan. It helps us get where we want to go.

A budget is a way to track your money to make sure the amount you spend isn’t more than the amount you earn.
Why do budgets matter?

- A budget helps us understand the choices we make with our money.

- A budget is an important step and tool towards financial fitness.

- Always more programs & services than we have money for.
How long does it take to prepare a budget?

7-8 Month Process

- November to December – Development & distribution of assumptions
- January to April – Departmental budget meetings and briefings
- April to May – Budget presentation and outreach
- June – Public hearings & adoption of the budget
Definitions

- **Revenues** – Money that comes in (aka income)

- **Expenses** – Money that goes out (aka payments/costs)

- **Fund** – Checking account where revenues & expenditures are monitored and recorded (City has over 100 funds)

- **General Fund** – Account which the City has the most discretion on spending (least restrictions)

- **Reserves** – Savings account (to be used primarily for emergencies)

- **Budget** – Plan that tells us how much money we will receive and how we will spend it

- **Fiscal Year** – 12 month budget calendar (begins July 1 and ends June 30)
What are the basic services in a typical city budget?

- Public Safety – Police & Fire Services
- Quality of Life – Parks, Recreation, Community Services, Library, Cultural Arts, etc.
- Utilities – Water, Sewer, Trash pick-up, etc.
- Building & Development - Planning, Housing, Community Development, etc.
- Streets & Lights – Public Works, Capital Improvement Program, etc.
- General Services – City Managers Office, Finance, Human Resources, City Attorney’s Office, etc.
Typical Spending for Full Service City
(General Fund)

Source: 2006 CaliforniaCityFinance.com League of California Cities
Fund Structure

A fund is similar to a checking account where revenues & expenditures are monitored and recorded.

Within our budget, we group over 100 various funds into five major categories.
We manage over 100 funds

General Fund: City has the most discretion

### 011 General Fund

<table>
<thead>
<tr>
<th>Code</th>
<th>Fund Name</th>
<th>Code</th>
<th>Fund Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>020</td>
<td>OTS-Traffic Offender Program</td>
<td>071</td>
<td>Central Services</td>
</tr>
<tr>
<td>021</td>
<td>PRCASA CATV Fund</td>
<td>072</td>
<td>Copier Lease Program</td>
</tr>
<tr>
<td>022</td>
<td>PRCASA Fee &amp; Donation</td>
<td>073</td>
<td>Building Maint Fund</td>
</tr>
<tr>
<td>023</td>
<td>Inmate Welfare Fund</td>
<td>074</td>
<td>Civic Center Maintenance</td>
</tr>
<tr>
<td>024</td>
<td>PD Athletic Activities League</td>
<td>075</td>
<td>Fleet Maintenance/Stores</td>
</tr>
<tr>
<td>025</td>
<td>&amp; EZ Voucher Monitoring</td>
<td>076</td>
<td>Refuse Collection Service</td>
</tr>
<tr>
<td>026</td>
<td>Asset Forfeiture Fund</td>
<td>077</td>
<td>Retirement System</td>
</tr>
<tr>
<td>027</td>
<td>Parking Fund</td>
<td>078</td>
<td>Liability And Property Ins Fnd</td>
</tr>
<tr>
<td>028</td>
<td>Special Gas Tax</td>
<td>079</td>
<td>Employee Group Insurance</td>
</tr>
<tr>
<td>030</td>
<td>Prop 1B Bond Act of 2006</td>
<td>080</td>
<td>Workers Compensation Fund</td>
</tr>
<tr>
<td>031</td>
<td>Air Quality Impr. (Ab 2766)</td>
<td>081</td>
<td></td>
</tr>
</tbody>
</table>
Fund Categories

- General Fund
- Community Development
- Special Revenue Funds
- Capital Funds
- Enterprise Funds
Year-End 2012-13 Update
Year Ending 2012-13 General Fund (In Millions)
General Fund Reserves

*Forecast

FY11-12: $19.3
FY12-13: $33.9
FY13-14*: $34.9
FY14-15*: $37.5
Goal: $41.1

20% of Operations
Adopted Fiscal Year 2013-15 Budget
# Total City Budget (All Funds)

<table>
<thead>
<tr>
<th>Major Fund Category</th>
<th>Adopted FY 2013-14</th>
<th>Adopted FY 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>General Fund</td>
<td>205,741,000</td>
<td>204,516,000</td>
</tr>
<tr>
<td>General Fund Related Special Revenues</td>
<td>4,126,745</td>
<td>1,578,525</td>
</tr>
<tr>
<td>Community Development</td>
<td>62,699,850</td>
<td>59,939,950</td>
</tr>
<tr>
<td>Special Revenue Funds</td>
<td>27,959,755</td>
<td>18,803,224</td>
</tr>
<tr>
<td>Capital Funds</td>
<td>29,454,518</td>
<td>11,773,866</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>98,150,460</td>
<td>94,302,020</td>
</tr>
<tr>
<td>Totals</td>
<td>428,132,328</td>
<td>390,913,585</td>
</tr>
</tbody>
</table>

Note: Does not include internal service funds
2013-14 General Fund budget
Revenues $205.7M

- Property Tax*: 30.5%
- Sales Tax, 19.8%
- Utility Users Tax, 11.7%
- Business License, 5.4%
- Hotel Visitors Tax, 3.8%
- All Other, 28.8%

*Includes Prop. Tax In-Lieu of VLF
How much of my tax dollars does the City receive?

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Rate</th>
<th>City of Santa Ana</th>
<th>Other government agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Property Tax</td>
<td>8%</td>
<td>$0.18 – $0.20</td>
<td>$0.80 to $0.82</td>
</tr>
<tr>
<td>8% Sales Tax</td>
<td></td>
<td>1%</td>
<td>7%</td>
</tr>
</tbody>
</table>

City of Santa Ana

Other government agencies
2013-14 General Fund Expenditures
$205.7M

*Includes Information Services, City Manager’s Office, City Attorney’s Office, Clerk of the Council, Human Resources, Bowers Museum, Non-Departmental, etc.
## General Fund Budget
### By Expense Category

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Adopted FY 2013-14</th>
<th>Adopted FY 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor &amp; Benefit Costs</td>
<td>112,597,859</td>
<td>116,413,961</td>
</tr>
<tr>
<td>Fire &amp; Medical Services</td>
<td>40,218,470</td>
<td>41,018,818</td>
</tr>
<tr>
<td>Contractual &amp; Other Services</td>
<td>23,654,433</td>
<td>20,585,063</td>
</tr>
<tr>
<td>Debt Service</td>
<td>10,452,440</td>
<td>10,545,730</td>
</tr>
<tr>
<td>Fixed Costs</td>
<td>10,084,217</td>
<td>10,088,682</td>
</tr>
<tr>
<td>Other Operating Costs</td>
<td>4,115,052</td>
<td>4,107,797</td>
</tr>
<tr>
<td>Reserves</td>
<td>3,048,409</td>
<td>185,574</td>
</tr>
<tr>
<td>Bowers Museum</td>
<td>1,474,285</td>
<td>1,474,540</td>
</tr>
<tr>
<td>Capital</td>
<td>95,835</td>
<td>95,835</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$205,741,000</strong></td>
<td><strong>$204,516,000</strong></td>
</tr>
</tbody>
</table>
1st Quarter 2013-14 Update
1st Quarter Projection vs. Actuals
Total General Fund
(July 1 to September 30, 2013)

<table>
<thead>
<tr>
<th>General Fund</th>
<th>1st Quarter Projections (In Millions)</th>
<th>1st Quarter Actual (In Millions)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GF Revenues (represents under 11% of annual revenue)</td>
<td>$21.6M</td>
<td>$20.8M</td>
<td>$800K or 3.7%*</td>
</tr>
<tr>
<td>Total GF Expenditures (represents approx. 24% of annual exp.)</td>
<td>$48.2M</td>
<td>$46.6M</td>
<td>$1.6M or 3.3%</td>
</tr>
</tbody>
</table>

* Due to the timing of certain revenues
## 1st Quarter GF Major Revenue Variances vs. Projections
(July 1 to September 30, 2013)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
<th>Variance</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$459K</td>
<td>17.5%</td>
<td>🟢</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$24K</td>
<td>3.1%</td>
<td>🟢</td>
</tr>
<tr>
<td>Property Tax In-Lieu VLF</td>
<td>$80K</td>
<td>234%</td>
<td>🟢</td>
</tr>
<tr>
<td>UUT</td>
<td>$169K</td>
<td>3.8%</td>
<td>🟢</td>
</tr>
<tr>
<td>Business License</td>
<td>$65K</td>
<td>9.3%</td>
<td>🟢</td>
</tr>
<tr>
<td>Hotel Visitors Tax</td>
<td>$249K</td>
<td>17.4%</td>
<td>🟢</td>
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1st Quarter 2013-14 Update
(Budget Office website)

CITY OF SANTA ANA

September 30, 2013 marked the end of the 1st quarter of fiscal year 2013-14. Total General Fund (GF) revenues received amounted to $20.8M. The amount, which is approximately $1.3M lower when compared to 1st Quarter 2012, reflects a reduction in overhead charges, end of the gas tax exchange program as well as the timing of certain revenues. However, GF Major Tax revenues which equate to almost 70% of the City’s revenue sources continue to show signs of growth (see below). A major risk factor to continued economic growth is the federal government shutdown and spending limits (debt ceiling). Staff will continue to monitor the Fed’s actions and local impacts. Currently, we are continuing to receive all revenue drawdowns as scheduled.

GF total expenditures reached $46.4M and is approximately $1.4M lower than originally projected. When compared to 1st Quarter 2013, total expenditures were $925k or 3% higher as a result of higher labor costs tied to PERS rates, end of concessions (i.e., furloughs) and filling of vacancies.

**GF Major Tax Revenues**

**FY2013-14 Variances vs. Projections**

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>FY2013-14</th>
<th>Variance</th>
<th>Notes</th>
</tr>
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<tbody>
<tr>
<td>Sales Tax</td>
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<td>$80K</td>
<td>23.4%</td>
<td></td>
</tr>
<tr>
<td>UUT</td>
<td>$169K</td>
<td>8.8%</td>
<td></td>
</tr>
<tr>
<td>Business License</td>
<td>$45K</td>
<td>9.3%</td>
<td></td>
</tr>
<tr>
<td>Hotel Visitors Tax</td>
<td>$249K</td>
<td>17.4%</td>
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**BOTTOM LINE: WHAT THE NUMBERS MEAN**

Two main factors make it difficult to predict where the finances are headed:

1. First quarter revenues typically represent 10-15% of the City’s GF revenue while the majority arrives in the 3rd and 4th quarters.

2. The upcoming Fed actions may drive the direction of the economy which is the primary driver of the City’s major tax revenue sources.

At this point, Santa Ana’s fiscal position is improving but still too early to tell if the trends will continue throughout the fiscal year.
Budget Operations

The City of Santa Ana has an annual fiscal budget, which begins in July and ends in June of the following year. Our approach is to combine the strategic plan and annual financial plan for operations and capital improvements.

This process enables us to direct our resources towards programs and activities with the greatest potential to successfully achieve our Vision and Purpose.

Available below, we provide key documents to help you understand the City’s budget process and results. If you require additional budget information or would like to learn more about the City budget you may contact the Budget office at 714-647-5420.

City of Santa Ana