



CITY OF EASTVALE

AGENDA STAFF REPORT

City Council Meeting

CITY COUNCIL BUSINESS

Agenda Item No. 13.1

June 12, 2024

Draft Proposed Fiscal Year 2024-2025 Annual Operating and Capital Improvement Budget Review

Prepared By:

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Recommended Action(s)

Staff recommends that the City Council Conduct a Study Session, Review, and Provide Recommendations, as necessary, on the Draft Proposed Fiscal Year 2024-2025 Annual Operating and Capital Improvement Budget.

Summary

[Draft Fiscal Year 2024-25 Operating and Capital Improvement Budget Book Link](#)

The goal of the Annual Operating and Capital Improvement Budget serves to establish both long-term and short-term financial planning for the City while adhering to regulations set by the Governmental Accounting Standards Board (GASB) and criteria for the Government Finance Officers Association (GFOA) budget award. The comprehensive budget illustrates City Council's commitment to providing cost effective municipal services. City Council adopts an operating and capital improvement budget every year, which commits resources for the accomplishment of the City's Strategic Plan, provision of services to the public, regulatory and statutory requirements, and adherence to policies. The budget report identifies target areas while measuring achievements to ensure departments remain effective, efficient, and perform. An abundant amount of time, analysis, and data from various resources helps establish projections to forecast proper revenue and expenditure budgets. Early financial planning by the City Manager's Office and the Finance Department is followed with the identification of key goals identified by City Council, City departments, stakeholders, and members of the community supporting the determination of how the City should manage its assets and liabilities. The city's budget development timeline can be

found at [this link](#).

The budget is a dynamic document that is amended throughout the year for various reasons, including City Council actions on department requests, actions by third parties which impact the budget plan, or changes in the economy.

This proposed Fiscal-Year 2024-25 Annual Operating and Capital Improvement Budget document represents the City of Eastvale's conservative estimate of the City's financial performance in the coming year. The proposed budget plan includes \$103,653,646 in total revenues and \$81,496,890 in total expenditures (includes transfers of \$12,741,905). The proposed budget projects General Fund revenues at \$69,663,016, including transfers-in of \$510,406, and expenditures at \$49,948,943, including transfers-out of \$12,231,499. In total the General Fund budget surplus is \$19,714,073. After compiling budget projections and presenting a budget workshop to City Council in April, the proposed fiscal-year budget is brought to the full City Council for consideration and adoption. Although the primary emphasis is on the General Fund, the comprehensive budget document includes special revenue funds, capital improvement projects, capital reserves, underlying rationale, long-term forecasts, and investment strategy necessary to meet the projects and policies set forth by the City Council.

The city's Draft Fiscal Year 2024-25 Operating and Capital Improvement Budget Book can be found at [this link](#). The City Manager's Budget Message can be found at [this link](#).

Background

FISCAL YEAR 2024-25 BUDGET ANALYSIS

The city's Draft Fiscal Year 2024-25 Operating and Capital Improvement Budget Book can be found at [this link](#).

GENERAL FUND – REVENUES, EXPENDITURES & AVAILABLE RESOURCES: [General Fund Overview Link](#)

Overall, General Fund revenue projections are \$69,663,016 and expenditures are \$49,948,943 (inclusive of transfers). General fund revenues exceed expenditures by \$19,714,073, creating a budget surplus. Of the \$69.7 million in revenues, \$50.7 million are attributable to operating revenues and \$18.9 million are non-operating revenues. Of the \$49.9 million in expenditures, \$37.7 million are attributable to operating expenditures and \$12.2 million are non-operating expenditures. As a result, the city is expected to end the 2024-25 fiscal year with a \$13.0 million operating surplus, and a \$6.7 million non-operating surplus. Staff utilized a 50% ratio of non-operating versus operating sales tax as a conservative approach to ensure stable revenue sources are identified, considering the risks to the city's largest single source of revenue. The fiscal year 2024-25 budget includes \$12,231,499 in transfers out to the General Capital Projects Fund, Capital Replacement Funds and general contribution for special assessment districts.

General Fund Revenue Forecast: [General Fund Revenue Summary Link](#)

Revenues total \$69,663,016; operating revenues total \$50,728,374 and non-operating revenues total \$18,934,642 for the fiscal year 2024-25. Net of transfers, revenues total \$69,152,610.

General Fund Revenue highlights include the following:

- *Sales and Use Tax* – Staff recommends budget for sales tax revenues for fiscal year 2024-25 at \$49.0 million, based on HdL's projections (City's vendor for sales tax projections). Of the sales tax revenues, \$32.1 million is considered operating revenue and \$16.9 million is considered non-operating revenue. Staff continues to utilize the non-operating sales tax for one-time non-operating expenditures, such as funding future capital maintenance and replacement projects, future capital projects, and current capital projects. It is unknown how long the non-operating sales tax revenues will last, point of sale location for any business could change at any time for a multitude of reasons, as such it is a conservative approach to only use these revenues sparingly for operating costs and utilize a majority of the funding for non-operating capital equipment and infrastructure projects. It is likely that at least a portion of the revenues will become a long term revenue source.
- *Property Tax* – A wave of commercial parcel assessment valuation appeals has been occurring throughout the county for several years and is still continuing. Although home prices have remained steady and the city experienced development of new commercial property, the influx of assessment appeals will keep the city's overall assessed property valuation from growing at the same pace as the housing market. However, staff expects property tax revenues to still increase, almost 10% over the prior year based on projections provided by HdL Coren and Cone.
- *Franchise Fees* – The city expects to see an \$290,000 decrease in franchise fees. Although the trend for natural gas and electricity franchise fees has increased, fees for cable has slowly declined over the last several years, leading to the budget decrease for 2024-25. Electricity fees have increased mainly due to the price of natural gas, which drives the rates charged for electricity.
- *Licenses, Fees, and Permits* - Permitting activity remained steady over the past few fiscal years and saw a heavy increase in permits during the pandemic. However, development activity has slowed in the past fiscal year and is expected to slightly increase in the new year. Staff recommends budgeting building permits, development revenue, and encroachment fees with a 1% increase over the 2023-24 fiscal year projections at \$2.42 million. If the Leal development significantly impacts this revenue category, an appropriation will be included in the mid-year budget.
- *Fines, Penalties, and Forfeitures* - Staff recommends increasing this revenue category to \$2016,000 for fiscal year 2024-25, an increase of 37% from the previous year. Based on trend data for 2023-24 staff believes this category will continue to increase.
- *Intergovernmental* – Intergovernmental revenue consists primarily of Vehicle License Fee Adjustment Account (VLFAA) revenue, resulting from the passing of SB130 in April 2017. VLFAA revenues are based on property valuations, which have continued to steadily increase in the city over the last few years. Intergovernmental revenue is expected to increase from \$6,245,000 in fiscal year 2023-24 to \$6,425,000 in fiscal year 2024-25, an increase of 3%.

General Fund Expenditures

Overall, the total expenditures for the General Fund total \$49,948,943 in fiscal year 2024-25; operating expenditures total \$37,726,253 and non-operating expenditures total \$12,222,690.

Personnel Highlights: [General Fund Personnel Summary Link](#)

- *Salaries and Benefits* costs are projected at \$11,528,246 for fiscal year 2024-25. The personnel projections were prepared based on current pay rates plus 5% merit for all current employees. Budget estimates include full benefits, including health and retirement contributions. Vacant positions are budgeted at top step with full benefits. The proposed full-time equivalent (FTE) of City employees is 76 for fiscal year 2024-25, an increase of 2 positions over the amended 2023-24 budget. In total, personnel costs increased \$2,100,216 over the prior year. Several positions were added in the 2023-24 mid-year budget and these positions were not budgeted for a full twelve-month period in the prior year, however the full impact to the budget has been included in the calculations for the new fiscal year. Additionally, the City Council adopted a classification and compensation study on May 22, 2024. The adoption included a new salary range and placement of classifications at 10% above market average. The classification and compensation study changes impacted the budget by approximately \$1,400,000. Total proposed staffing includes 68.5 full-time staff and 7.5 part-time staff.
- *Position Changes* for the 2024-25 budget plan include adding five new full-time positions, five promotions, and four eliminated positions. In total the changes will equate to a \$450,853 impact to the personnel category.

Operations Highlights: [General Fund Department Summary Link](#)

- *Law Enforcement* costs are \$15,061,083 as compared to \$14,061,266 for fiscal year 2023-24. The proposed budget includes the continuation of Flock Security Cameras and a new Dedicated Sergeant. Additionally, the city continues to fund a \$136,000 line item for special overtime operations within the city. Finally, the Riverside Sheriff Office announced a 4.0% to 4.5% contract increase for the new fiscal year. Budget projections include the higher 4.5%.
- *General Government* includes city wide costs such as copier maintenance, revenue neutrality with Riverside County, transfers out to other funds, and building leases. Riverside County revenue neutrality will continue until 2040; budget projections are \$300,000 for the new year. Total expenditures for the general government category are \$13,975,989 for fiscal year 2024-25, an increase of \$84,997 from the prior fiscal year. Transfers-out to other funds represent the largest expenditure in this category at \$12,231,499. Transfers-out include funding the five capital replacement and maintenance funds for information technology, vehicles, street maintenance, facility maintenance, and storm drain maintenance for a total of \$1,020,000. Capital projects transfers total \$11,082,690 and include the Limonite Gap Pedestrian Bridge, Civic Center design and site development, and Public Works Yard Construction. Finally, \$8,809 of transfers are for general benefit contribution to four special assessment districts.
- *Community Development* expenditures are forecasted at \$2,672,980, an increase of 7% or \$165,437 from the prior fiscal year. The nominal increase is mainly due to the changes from the classification and compensation study. Additionally, this department funds the Business Incentive Loan Program, which is funded at \$70,000 for the 2024-25 fiscal year.
- *Public Works* expenditures are forecasted at \$5,780,789, an increase of \$1,158,650 over the 2023-24 fiscal year. The increase is caused by several budget proposals, including the addition

of a Management Analyst position and a Construction Inspector position, additional contracts related to citywide private land development, asset management software, and citywide maintenance. The department also added several street positions at mid-year and this budget cycle includes the first full year of related costs. Additionally, Public Works is the largest department and was affected by the classification and compensation study.

- *Community Safety* expenditures are forecasted at \$3,818,549 an increase of 15% or \$488,393 over the prior year. The increase is due to contract service increases expected for the Leal development, software leases, and the classification and compensation study.

General Fund Available Resources: [Fund Balance Link](#)

The beginning balance for the fiscal year 2024-25 budget reflects the projected General Fund ending balances for fiscal year 2023-24. The General Fund is anticipated to end the 2023-24 fiscal year with an estimated total fund balance of \$155,146,802 and the proposed fiscal year 2024-25 budget includes anticipated fund balance of \$174,860,875 as of June 30, 2025.

- Assigned reserves: \$55,240,710
 - The General Fund Emergency Contingency (based upon 50% of operating expenditure appropriations) is fully funded at \$18,863,127 and is classified as an assigned reserve.
 - Additionally, \$19,677,584 is held in assigned reserve to cover known and expected negative cash flow. \$19,500,000 is held to cover reimbursable grants until the project is complete and the granting agency has reimbursed the city for expenditures. \$177,584 is required to cover negative cash flow in ten special assessment districts. Staff also expects to receive an Active Transportation Program grant that will require a \$5.5 million match in fiscal year 2025-26, staff recommends holding this amount in reserve to meet the requirements in the following year. Staff has also set aside \$10.0 million for possible land purchases. Finally, \$200,000 for the city's Business Incentive Loan Program and \$1.0 million for a future financial system implementation is being held as assigned reserves.
- Committed reserves: \$66,534,498
 - The City continues to also maintain a committed reserve of \$33.0 million for City Hall construction, \$10.0 million for Library construction, \$9.3 million for police substation construction, \$2.5 million committed reserve for pension liabilities, \$1.7 million for a fire truck purchase, and \$3.0 million for public safety rate increase stabilization.
 - A new committed reserve category for the 2024-25 fiscal year is a \$7.0 million debt service reserve for the anticipated Civic Center lease revenue bonds. Staff expects the maximum annual debt service payment to be \$7.0 million; a specific reserve for the bond issuance should help the city obtain better bond ratings and possibly lower interest rates.
- Committed Appropriations Limit: Qualified Capital Outlay reserves: \$52,075,531
 - In the 2020-21, 2021-22, 2022-23, and 2023-24 fiscal years the city had an appropriations limit surplus. The surpluses may be set aside for qualified capital outlay that exceed \$100,000 and have at least 10 years of useful life. The city has set aside the following surplus amounts for qualified capital outlay projects in addition to the amounts stated above: \$20.4 million City Hall construction, \$17.8 million Library construction, \$12.9 Police Station construction, and \$965,502 for a fire truck purchase. As the city appropriates reserves for design and construction, these reserves are utilized first.
- Unassigned reserves:
 - Total projected unassigned general fund reserves are projected at approximately \$1.0

million.

SUMMARY OF OTHER GENERAL PURPOSE FUNDS: FIRE FUND

[Fire Fund Link](#)

The *Fire Fund* houses general purpose property taxes levied specifically for the purpose of fire protection services and funds are restricted through the City's incorporation procedures and revenue neutrality agreement by the County of Riverside for fire protection services and operations. Revenues are projected at \$9.6 million and expenditures total \$9.1 million; the fund is projected to end the fiscal year with a \$441,800 budget surplus, which will go towards the future third fire station construction. The total budget reflects 100% operating sources and uses, as such there is no operating/non-operating analysis. The main revenue source for the fund is property tax, which makes up \$9.1 million or 95% of the fund's revenue. Main expenditures in the fund are contract fire services at \$8.4 million, building maintenance and operations for the two City owned fire stations at \$306,800, and revenue neutrality with Riverside County at \$300,000. The City contracts for 2 medic engines and one medic squad at the two fire stations.

Fire Fund Available Resources

The Fire Fund is anticipated to end the 2024-25 fiscal year with an estimated total fund balance of \$17.3 million. Fire Fund fund-balance is restricted by the County of Riverside, however City Council has assigned and committed the following fund balances in order to ensure the ability to continue operations in down economic situations and ensure resources are available to purchase apparatus and build vital infrastructure, such as the City's third fire station:

- Assigned reserves:
 - The Fire Fund Emergency Contingency (based upon 75% of expenditure appropriations) is fully funded at \$7.2 million and is classified as an assigned reserve.
- Committed reserves:
 - The City continues to also maintain a committed reserve of \$9.5 million for a third fire station construction, and \$400,000 for apparatus replacement.
- Restricted fund balance:
 - Total projected remaining restricted Fire Fund fund-balance are approximately \$168,601.

SUMMARY OF SPECIAL REVENUE FUNDS

- *Gas Tax Fund* revenues are forecasted at \$2.0 million and expenditures are projected at \$3.6 million. Although expenditures exceed revenues, the Gas Tax fund has available fund balance, projected to end the fiscal year at \$695,189. Gas tax revenues are lower than originally anticipated; the Governor's final budget included less Gas Tax allocations for local agencies. The gas tax revenues in this fund are solely utilized to fund vital street infrastructure and maintenance projects.
- *Measure A Fund* revenues are projected at \$3.2 million and expenditures are projected at \$5.3 million. Expenditures exceed revenues; however, the Measure A fund has available fund balance, projected to complete fiscal year 2024-25 at \$241,309. Similar to Gas Tax, these funds are solely utilized for street related projects. Riverside County allocates the funding from a 1/2 cent sales tax measure to local agencies.
- *Miscellaneous Grant Fund* revenues are projected at \$2.6 million and expenditures are projected at \$347,946. The Grants Fund does not have available fund balance and is projected

to end the fiscal year at negative \$1.9 million. This is primarily due to the reimbursement nature of the fund and the Limonite Gap Bridge project which will likely be reimbursed in the following fiscal year. A bulk of the construction is projected to take place in the 2023-24 fiscal year, resulting in grant reimbursements from other government agencies being received in the following 2024-25 fiscal year; at this time Public Works does not have an estimated time frame when the funds will be reimbursed, as such complete revenue budget is not included.

Special Revenue Funds Available Resources

A large majority of the special revenue funds are forecasted to finish the 2024-25 fiscal year with a positive fund balance. Funds with an expected negative fund balance are the miscellaneous grants fund, the TUMF reimbursement fund, a few of the City's landscape and lighting maintenance districts (LLMD), several of the JCSD transferred lighting maintenance districts (LMD), and one community facility district (CFD). Both the miscellaneous grants fund and TUMF fund are reimbursed after projects are completed. The special districts (LLMD, LMD, and CFD) do not generate adequate revenues to offset district expenditures. Any funds with negative fund balances will utilize General Fund assigned fund balances to bring the funds to zero on the city's Annual Comprehensive Financial Report.

SUMMARY OF CAPITAL PROJECT FUND

[General Capital Project Fund Link](#)

The *Capital Project Fund* is used to track capital projects funded solely by the General Fund. Funds are transferred into the Capital Projects Fund from the General Fund. For the 2024-25 budget, revenues are projected at \$11.1 million and expenditures are projected at \$10.4 million. The fund is expected to end the 2024-25 fiscal year with \$0 in fund balance. Expenditures for 2024-25 include the Limonite Gap Bridge Construction, Civic Center Design, and Public Works Yard Construction.

SUMMARY OF CAPITAL REPLACEMENT FUNDS

[Capital Replacement Funds Link](#)

Staff established five capital replacement and maintenance funds in the prior fiscal year. Each was seeded by the General Fund with an estimated amount of fund balance to start fund balance accumulation in the funds. Finance staff is creating replacement schedules and will calculate annual contribution amounts for each of the funds, depending on the type of future maintenance and replacement the fund will supply. The expectation is to build adequate fund balance to prepare the city to replace and maintain public equipment and infrastructure as a means to support the General Fund during lean economic periods.

CAPITAL IMPROVEMENT BUDGET

[Capital Improvement Budget Link](#)

The five-year capital improvement budget identifies the highest priority capital needs that can be addressed with available and forecasted revenues. These capital needs are matched with the previous year's continuing appropriations and five-year revenue projections identified by the Finance department. Additionally, capital needs are delineated to eligible funding sources and programs available to the City's capital improvements.

Over the next five-years of this capital improvement budget, Eastvale will utilize the approximately \$82.4 million of revenues to provide City Street Improvements, Maintenance, Roadway and Traffic Safety Improvements, and future Civic Center plans. For the fiscal year 2024-25 the City will commit \$16.3 million to fund projects within the categories listed above.

Major capital projects for fiscal year 2024-25 include the Annual Overlay and Slurry Seal, Limonite Gap Pedestrian Bridge, Civic Center Design, Public Works Yard Construction, and Traffic Signal Dilemma Zone Detection and Mitigation.

GFOA AWARD

The city has been awarded the Government Finance Officer's Association (GFOA) Distinguished Budget Award for three consecutive years. Over the past several years GFOA has made changes to the award criteria. As a result, the city's budget document continues to be adjusted. Long range operational financial plans must now incorporate all appropriated funds, of which the city has 134 funds. In an effort to expand long-range planning, staff will prepare plans for the city's two major funds and several additional funds. At the time of the publication of this agenda, staff is still compiling information for the long range planning section of the budget document. Staff will submit the 2023-24 budget document for the GFOA distinguished budget award.

BUDGET DOCUMENT

In February 2022, staff began implementation with OpenGov budgeting software. The software provides a budgeting platform for departments to submit budget proposals, personnel budgeting tools, reporting, and online portals. Staff has utilized the online portal to create an online budget book, which appears similar to a website. The online budget book allows for a more interactive experience for the public, as reports and graphics can be drilled down to line item detail. As this is the second online budget book for the city and still a draft version, staff is still working through issues and the book may reflect some errors such as broken links or graphs that do not return data. Staff is working diligently to update the online book. The landing page for the book can be found here: [Online Budget Book](#). For convenience, a PDF of the website has been attached to this agenda report, however the online website version is the best method for viewing the budget information.

Environmental

Government fiscal activities and budget adoption are not considered a Project as defined by the California Environmental Quality Act (CEQA) and no environmental review is required.

Strategic Plan Action - Priority Level: 3 | Target #: C | Goal #: H

Target: Financial Planning; Goal: Ensure that city revenues align with expenditures.

Fiscal Impact

Overall, the proposed resolutions and reports are technical in nature and will enable the City Council

to direct staff in making necessary budget adjustments to the accounts to reflect the adopted City of Eastvale Fiscal Year 2024-25.

Prior City Council/Commission Action

City Council conducted a budget workshop on April 24, 2024 and capital improvement plan workshop on May 8, 2024. Since the draft budget workshop, no major program changes have been incorporated into the budget plan.

Attachment(s)

[Attachment 1 - Draft Resolution: Appropriations Limit](#)

[Attachment 2 - Draft Resolution: Operating Budget](#)

[Attachment 3 - Draft Resolution: Commitment of Fund Balance](#)

[Attachment 4 - Draft Resolution: Authorized Positions](#)

[Attachment 5 - Exhibit A: Authorized Position List](#)

[Attachment 6 - Draft Budget Website PDF](#)