



CITY COUNCIL AGENDA REPORT

MEETING DATE: 6/20/2023

DEPARTMENT: Finance

SUBJECT:

2023-2025 OPERATING BUDGET AND 2023-2030 MASTER FINANCIAL PLAN AND FINANCIAL FORECAST

RECOMMENDED ACTION(S):

Adopt a resolution entitled: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE FOREST, CALIFORNIA, APPROVING A BUDGET FOR 2023-2025; APPROPRIATING FUNDS FOR FISCAL YEAR 2023-24 ONLY AND AUTHORIZING CERTAIN ACTIONS WITH APPROPRIATIONS; AND ADOPTING ALL OF THE FOLLOWING: THE UPDATE TO THE 2021-2022 THROUGH 2027-28 STRATEGIC BUSINESS PLAN, THE 2023-2030 CAPITAL IMPROVEMENT PLAN, THE 2023 GENERAL FUND RESERVE RISK ANALYSIS, AND THE 2023-2030 MASTER FINANCIAL PLAN AND FINANCIAL FORECAST

EXECUTIVE SUMMARY:

The Financial Management and Budgetary Policy (“Policy”) requires the City Manager to present a proposed budget to the City Council on a biennial basis to be adopted no later than June 30 in odd number years preceding the commencement of the two-year budget cycle. The budget is a resource allocation document and serves as the financial plan for the City. The budget provides policy direction in the areas of desired service level and funding priorities. The long-range fiscal perspective includes the development of a two-year Operating Budget, seven-year Capital Improvement Plan, and a seven-year Financial Forecast.

The City Council held its Budget Workshop on May 23, 2023, (“Budget Workshop”) and received presentations from staff on the City’s financial planning documents, including the proposed 2023 update to the Strategic Business Plan, Proposed 2023-2030 Capital Improvement Projects Plan, Proposed 2023-2025 Operating Budget, and the Proposed 2023-2030 Master Financial Plan and Financial Forecast. Additional information and analysis was provided during the City Council meeting on June 6, 2023 when City Council received presentations on the 2023 General Fund Reserve Risk Analysis.

Staff believes the financial planning documents have been prepared and analyzed to ensure the City's financial integrity and strong financial condition. In developing and deliberating these documents, staff ensured a continual adherence to the Policy to preserve the City's long-term, conservative financial vision. Staff believes the revisions made since the Budget Workshop are consistent with the direction provided by the City Council and will result in a reasonable estimate of the City's financial position. The Transmittal Review Letter attached describes the City's positive financial condition and accomplishments made during the previous two fiscal years (Attachment 1). The recommended action to adopt a resolution to approve the financial planning documents and authorize the funding for Fiscal Year 2023-24 is attached (Attachment 2).

The 2023 update to the Strategic Business Plan ("Strategic Plan") makes several alterations to the Implementation Plan within the document. 48 initiatives are proposed to be removed as they have been completed or cancelled, and 60 new initiatives are proposed. New initiatives were generated as part of the City's comprehensive strategic planning process, which considered feedback received from the 2023 Community Satisfaction Survey, the Joint Commissions Workshop, and the City Council Strategic Planning Workshop.

The 2023 General Fund Reserve Risk Analysis would establish a Target Reserve Level at \$56.6 million with a Minimum Reserve Level set at \$53.8 million (5% below the Target Reserve amount). The eight risk factors required per the Policy have been analyzed to ascertain what constitutes a prudent reserve level. This reserve level was reviewed subsequently by the City Council.

The Proposed 2023-2025 Operating Budget maintains municipal services at current levels and continues providing services that address the priorities of the community. Total revenues are projected to be \$76.9 million in Fiscal Year 2023-24 and \$78.2 million in Fiscal Year 2024-25. Total expenditures are projected to be \$76.5 million in Fiscal Year 2023-24 and \$74.2 million in Fiscal Year 2024-25.

General Fund revenues are projected to be \$63.3 million in Fiscal Year 2023-24 and \$65.3 million in Fiscal Year 2024-25. General Fund expenditures are projected to be \$59.6 million in Fiscal Year 2023-24 and \$60.8 million in Fiscal Year 2024-25. The Proposed 2023-2025 Operating Budget is balanced without the need to draw down General Fund reserves to fund the operating activities of the City.

The Proposed 2023-2030 Capital Improvement Plan for the 2023-2025 budget cycle includes 34 proposed projects, totaling \$21,971,569 in infrastructure investment. These projects include 1 environmental project, 9 traffic improvement projects, 8 street improvement projects, and 16 park improvement

projects. Approving the recommended action would approve the funding for Fiscal Year 2023-24 of the 2023-2030 Capital Improvement Plan. Funding for Fiscal Year 2024-25 would be presented for City Council consideration in June of 2024.

The Proposed 2023-2030 Master Financial Plan and Financial Forecast maintains a balanced operating budget for the upcoming seven fiscal years. Over the projection period, the accumulated projected operating surplus is approximately \$16.5 million. The resulting surplus provides for resources to utilize towards one-time operating projects, capital replacement needs, and maintaining a funded Target Reserve level in accordance with the Risk Analysis.

Overall, staff believes these financial planning documents and the execution of the initiatives in the Strategic Plan will reinforce the City's financial integrity, safeguard its assets, and ensure the provision of services that address the priorities of community.

BACKGROUND:

The City Council held its Budget Workshop on May 23, 2023, ("Budget Workshop") and received presentations from staff on the City's financial planning documents, including the Proposed 2023 Strategic Plan Update, Proposed 2023-2030 Capital Improvement Projects Plan, Proposed 2023-2025 Operating Budget, and the Proposed 2023-2030 Master Financial Plan and Financial Forecast. Additional information and analysis was provided during the City Council meeting on June 6, 2023, when the City Council received presentations from staff on the Proposed 2023 General Fund Reserve Risk Analysis.

DISCUSSION:

Staff presents a proposed budget to the City Council on a biennial basis to be adopted in odd-number years preceding the commencement of the two-year budget cycle. Per the City's Financial Management and Budgetary Policy ("Policy"), the long-range fiscal perspective includes the development of a two-year Operating Budget, a seven-year Capital Improvement Plan, and a Master Financial Plan ("MFP") with a seven-year Financial Forecast. Attachment 1 provides a 2023-2025 Operating Budget Transmittal Review Letter from the City Manager including a budget overview and identifying the Operating Budget's alignment to City's Strategic Business Plan ("Strategic Plan").

For legibility, this discussion section has been categorized into X categories:

- 2023 Strategic Plan Update (pg. 4-5)
- 2023 General Fund Reserve Risk Analysis (pg. 5-6)
- 2023-2025 Operating Budget Overview (pg. 6-9)
- 2023-2030 Capital Improvement Plan (pg. 9-16)
- 2023-2030 Master Financial Plan and Financial Forecast (pg. 16-17)
- Conclusion (pg. 17-18)

2023 Strategic Plan Update

Upon the City Council’s approval of the 2023 Strategic Plan Update, staff will finalize and publish the document on the City’s website. The implementation of the Strategic Plan is managed by the City Manager’s Office and progress updates will be provided to the City Council on a quarterly basis. The 2023 Strategic Plan Update includes the addition of 60 new initiatives (Attachment 3, yellow highlighted sections). The update also includes the removal of 48 initiatives that were either completed or removed for other reasons since the Strategic Plan’s adoption in 2021 (Attachment 3, strikethrough text sections). In some instances, existing initiatives were edited to comport with changes that occurred during the implementation (Attachment 3, tan highlighted sections). Lastly, the 2023 Strategic Plan Update removes Goal A, Priority Area 1, Strategy (g): “Develop and implement initiatives to address the negative economic impacts caused by COVID-19,” as the COVID-19 pandemic is no longer a primary concern.

The 2023 Strategic Plan Update is virtually the same document that was provided to the City Council and summarized during the Budget Workshop. Since that Budget Workshop, staff have inserted the following new initiatives for the City Council’s consideration (see Table 1):

Table 1: Newly Proposed Strategic Plan Initiatives

Goal A, Priority Area 1, Strategy (a)					
Initiative Title	Description	Lead Dept.	Budget	Fund	Est. Completion
Community Preservation Program	Develop and implement new citywide community preservation program to assist residents in need who may be unable to address code violations, deteriorated property, and neglected maintenance.	Com Dev.	\$95,000	GF	FY 2024-25
Goal A, Priority Area 2, Strategy (d)					
Initiative Title	Description	Lead Dept.	Budget	Fund	Est. Completion
Golf Course & Equestrian	Negotiate lease extensions at Lake Forest Golf &	Econ. Dev.	Staff Resources	GF	FY 2025-25

Center Lease Extensions	Practice Center (expires January 2025) and Equestrian Center (expires August 2026) to continue program offerings and maintain strong relationships with tenants.				
Goal B, Priority Area 3, Strategy (a)					
Initiative Title	Description	Lead Dept.	Budget	Fund	Est. Completion
Building Services Modernization	Use technology to enhance access to permitting, plan check, and building records for the public.	Com Dev.	Staff Resources	GF	FY 2023-24
Online Permitting	Configure and implement online permitting and plan check review for solar-related permits.	Com Dev.	Staff Resources	GF	FY 2023-24
Goal C, Priority Area 1, Strategy (c)					
Payroll Insourcing Study & Implementation	Produce analysis comparing in-house payroll processing costs vs outsourced arrangement and implement in-house system if financially justified.	Finance	\$35,000	GF	FY 2024-25
Evaluate Housing Authority Elimination	Evaluate the potential dissolution of the Lake Forest Housing Authority to reduce administrative costs.	Finance	Staff Resources	GF	FY 2024-25

2023 General Fund Reserve Risk Analysis

The Policy requires a Risk Analysis be performed biennially in coordination with the development of the operating budget. The Risk Analysis identifies a recommended reserve level for each risk factor that could impact the City’s ability to maintain a consistent level of service during the seven-year financial projection period, which protects the City against uncertainty and loss. These risk factors are taken into account when setting the target level of reserves.

The 2023 General Fund Reserve Risk Analysis would establish a Target Reserve Level at \$56.6 million with a Minimum Reserve Level set at \$53.8 million (5% below the Target Reserve amount). The eight risk factors required per the Policy have been analyzed to ascertain what constitutes a prudent reserve level as shown in Table 2 (Attachment 4).

Table 2: Risk Reserve Analysis

Policy Section	Risk Factor	2023 Analysis
1	Revenue Source Stability	\$9.60
2a	Vulnerability to Extreme Events - Political	1.00
2b	Vulnerability to Extreme Events - Disaster	1.95
2c	Vulnerability to Extreme Events – Legal	1.00
3	Expenditure Volatility	4.00
4a	Leverage-Debt Service	0.00
4b	Leverage- Pension Unfunded Liabilities	3.00
4c	Leverage – Other Unfunded Liabilities	1.25
5	Liquidity	8.00
6a	Other Fund Dependency – Short Term	1.00
6b	Other Fund Dependency – Annual	4.30
7	Growth	2.00
8	Capital Projects -Infrastructure & Replacement	27.50
	Total Reserve Per Risk Factor	\$64.60
	Optional Factors Not Used in Calculation	
5	Liquidity	(8.00)
	Target Reserve Level	\$56.60
	Minimum Reserve Level (5% below)	\$53.77

The recommended action to adopt the attached resolution would establish the Target Reserve Level and Minimum Reserve Level for the upcoming two-year budget cycle.

2023-2025 Operating Budget Overview

The Proposed 2023-2025 Operating Budget maintains municipal services at current levels and continues providing services that address the priorities of the community. Total revenues are projected to be \$76.9 million in Fiscal Year 2023-24 and \$78.2 million in Fiscal Year 2024-25. Total expenditures are projected to be \$76.5 million in Fiscal Year 2023-24 and \$74.2 million in Fiscal Year 2024-25.

General Fund revenues are projected to be \$63.3 million in Fiscal Year 2023-24 and \$65.3 million in Fiscal Year 2024-25. General Fund expenditures are projected to be \$59.6 million in Fiscal Year 2023-24 and \$60.8 million in Fiscal Year 2024-25. The Proposed 2023-2025 Operating Budget is balanced without the need to draw down General Fund reserves to fund the operating activities of the City.

The most significant change included in the updated budget figures include revised revenue projections for Gas Tax based on information and analysis received after the May 23, 2023, Budget Workshop. The Fiscal Year 2023-24 and the Fiscal Year 2024-25 Gas Tax Highway Users Tax Account “HUTA”, and Gas Tax Road Maintenance and Rehabilitation Account “RMRA” revenue projections presented during the Budget Workshop were \$2.49 million and have been revised to \$2.36 million. Staff believes these updated revenue projections utilize the best available information at this time and represent a reasonable, yet cautious estimate. This decrease in ongoing annual revenue is addressed in the 2023 Risk Reserve and has increased reserve levels due to the annual subsidy needed to maintain street maintenance service levels while gas tax revenues are diminishing. The subsidy in Fiscal Year 2023-24 is \$95,000 (Attachment 5) and the subsidy need in Fiscal Year 2024-25 is \$520,000 (Attachment 6). This is presented as a transfer on the Fund Balance Summary.

Since the Budget Workshop, these minor changes have been included in the budget and are illustrated in tables 3-6 below.

Table 3: Revenues by Fund

Fund Name	FY 2023-24	FY 2024-25
General Fund	\$63,275,800	\$65,339,600
General Fund (Capital)	-	-
Infrastructure Reserve	-	-
Neighborhood Park Reserve	-	-
Low- and Moderate-Income Housing Asset	66,400	66,400
Gas Tax (HUTA)	2,364,857	2,364,857
Road Maintenance Rehab Account (RMRA)	2,142,695	2,142,695
Measure M2 Local Fair Share	1,969,274	2,045,537
Measure M2 Senior Mobility	104,000	107,900
South Coast Air Quality Management District	112,700	112,700
Supplemental Law Enforcement Services	125,000	130,000
Franchise Agreement Recycling	50,000	50,000
Beverage Recycling	21,000	21,000
Certified Access Specialist Program	5,000	5,000
Permanent Local Housing Allocation Program	942,814	-
Community Development Block Grant	520,784	562,115
Foothill Circulation Phasing Plan	1,072,950	1,072,950
Park Development	23,100	23,100
Lake Forest Traffic Mitigation	215,700	215,700
City Facilities Fees	3,900,000	3,900,000
Total	\$76,912,074	\$78,159,554

Table 4: Expenditures by Fund

Fund Name	FY 2023-24	FY 2024-25
General Fund	\$59,594,104	\$60,781,871
General Fund (Capital)	2,517,200	2,130,000
Infrastructure Reserve	-	280,820
Neighborhood Park Reserve	555,000	950,000
Low- and Moderate-Income Housing Asset	102,200	102,200
Gas Tax (HUTA)	2,459,229	2,882,764
Road Maintenance Rehab Account (RMRA)	1,011,053	4,116,500
Measure M2 Local Fair Share	3,668,947	1,962,680
Measure M2 Senior Mobility	104,000	107,900
South Coast Air Quality Management District	-	45,000
Supplemental Law Enforcement Services	152,000	152,000
Franchise Agreement Recycling	50,000	50,000
Organics Waste Recycling	85,899	-
Beverage Recycling	21,000	21,000
Certified Access Specialist Program	5,000	5,000
Permanent Local Housing Allocation Program	942,814	-
Community Development Block Grant	520,784	562,115
Foothill Circulation Phasing Plan	1,525,000	-
Park Development	-	-
Lake Forest Traffic Mitigation	1,087,800	80,000
City Facilities Fees	-	-
Meadows Traffic Improvement	2,122,900	-
Total	\$76,524,930	\$74,229,850

Table 5: General Fund Revenues

Revenue Type	FY 2023-24	FY 2024-25
Taxes		
Property Taxes	\$24,937,000	\$26,392,300
Real Property Transfer Tax	675,000	675,000
Sales and Use Taxes	19,500,000	19,890,000
Transient Occupancy Taxes	5,500,000	5,610,000
Franchise Fees	2,700,000	2,767,500
Intergovernmental	260,000	260,000
Licenses and Permits	2,289,500	2,289,500
Charges for Current Services - Parks	1,291,300	1,309,300
Charges for Current Services - Other	1,551,000	1,551,000
Developer Contribution Maintenance Fee	120,000	120,000
Fines, Forfeitures, and Penalties	450,000	450,000
Facility and Park Rentals, Leases	917,000	940,000
Investment Earnings	3,000,000	3,000,000

Revenue Type	FY 2023-24	FY 2024-25
Other	85,000	85,000
Total	\$63,275,800	\$65,339,600

Table 6: General Fund Expenditures

Expenditure Major Program Area	FY 2023-24	FY 2024-25
Legislative	\$441,335	\$509,132
Management and Support	9,804,130	9,710,830
Public Safety	23,629,885	24,657,686
Infrastructure Maintenance Services	11,489,865	11,758,751
Planning, Engineering, Building & Safety	5,931,824	5,840,124
Transportation	1,468,550	1,357,250
Environmental Services	1,047,880	1,030,980
Culture, Leisure, & Recreation	4,304,500	4,346,283
Community Vitality & Engagement	1,476,135	1,570,835
Total	\$59,594,104	\$60,781,871

Adopting the attached resolution would approve the funding for Fiscal Year 2023-24 of the 2023-2025 Operating Budget (Attachment 2). Funding for Fiscal Year 2024-25 would be presented for City Council consideration in June of 2024.

2023-2030 Capital Improvement Plan

The 2023-2030 Capital Improvement Plan (“2023-2030 CIP Plan”) includes projects that reflect the City’s commitment to providing highly desired facilities while maintaining and improving existing infrastructure and assets. The 2023-2030 CIP Plan includes 17 traffic and street-related projects. These projects are designed to improve safety, traffic flow, median and parkway landscaping, and maintain the roadway network. Other projects include signal synchronization projects with neighboring cities, street asphalt resurfacing, and sidewalk rehabilitation. Also included are 16 sixteen park repairs and enhancements (including playground resurfacing), which are identified on the 2023-2030 CIP Plan Summary (Attachment 7).

To develop and prioritize projects included in the 2023-2030 CIP Plan, staff reviewed the City’s Strategic Plan for projects and programs that were previously recommended by the City Council. In general, the Strategic Plan reflects the priorities captured in the biennial community satisfaction survey, input from joint commission and City Council workshops, opportunity rankings, staff review and analysis, and other community inputs. This effort produced a list of projects for consideration in the 2023-2030 CIP Plan. The list of projects is categorized into

potential funding sources and is further analyzed based on each project's needs, increased costs if deferred, traffic model analysis, available staffing resources required, year-to-year programming, and other inputs. Next, the projects were analyzed by proposed funding source to optimize the available funding. The most restrictive funds were programmed first, followed by the next most restrictive funds, until all projects left for consideration were funded by the General Fund or another unrestricted funding source. Then, staff made a "draft" recommendation to City Council during the Budget Workshop and received comments.

At the Budget Workshop, there were several questions and comments from City Councilmembers. Councilmember Yu requested the installation of more accessible pedestrian signal ("APS") systems at signalized intersections. Currently, staff has implemented six APS systems at the following intersections:

- El Toro/Muirlands
- Ridge Route/Muirlands
- Ridge Route/Serrano
- Rockfield/Centre
- Rockfield/Ridge Route
- Trabuco/Peachwood

Staff continues to prioritize the promotion of pedestrian safety, independence, and inclusivity, as all the current and future traffic signal modification projects will include the implementation of the APS system. To note, Caltrans has standardized the requirement for APS systems for new traffic signal installation and upgrades to existing traffic signals. With 93 signalized intersections in the City, staff anticipates having one-third of the existing signalized intersections be upgraded with the APS system within the proposed two-year CIP plan and staff has identified CDBG funds to be used for future years to install approximately five to eight APS systems at signalized intersections every other fiscal year. Ultimately, staff anticipates installing APS systems for all 93 signalized intersections when there are any traffic signal improvement projects.

Councilmember Yu also requested the formation of an Ad-Hoc Committee to provide coordination with the City of Irvine on intersections and synchronization projects along the Bake Parkway and Alton Parkway corridor. Fortunately, the cities of Irvine and Lake Forest are already under agreement to cooperatively improve the traffic flow, optimize the signal timing, and synchronize the corridors of Bake Parkway and Alton Parkway for the next four to five years. Staff will provide updates to Council as the project progresses and reaches specific milestones.

Mayor Pro-Tem Tetteimer asked about the potential of installing disc golf at city parks. Community Services, as part of the Pickleball Analysis and Court Installation Project and the Neighborhood Park Renovations projects, will be performing outreach to the communities adjacent to neighborhood parks to see what additional improvements and amenities the residents desire. Staff will include asking about disc golf at park sites in the outreach.

Mayor Cirbo asked about potential improvement to facilities, specifically for bicycle and e-bike usage. As part of the City's commitment to enhance our city's infrastructure to promote sustainable transportation options, staff has been working diligently with the Orange County Transportation Authority ("OCTA") on identifying bikeway gap closures and proper e-bike utilization on these bikeway facilities as part of a feasibility study. These proposed gap closures would provide connectivity to the regional bikeways throughout Orange County, which can lead riders to the coastal bikeways or the foothill mountain bikeways. The conceptual plan is to strategically provide buffered bike lanes, separated class IV bikeways, and/or off-street Class I trails through the Foothill Ranch and Portola Hills areas and the Southwest Lake Forest areas as shown in the images 1-3 below.

Image 1: OC South Loop (Connection to cities of Irvine and Mission Viejo)

Figure 14: OC Loops Segment 07A

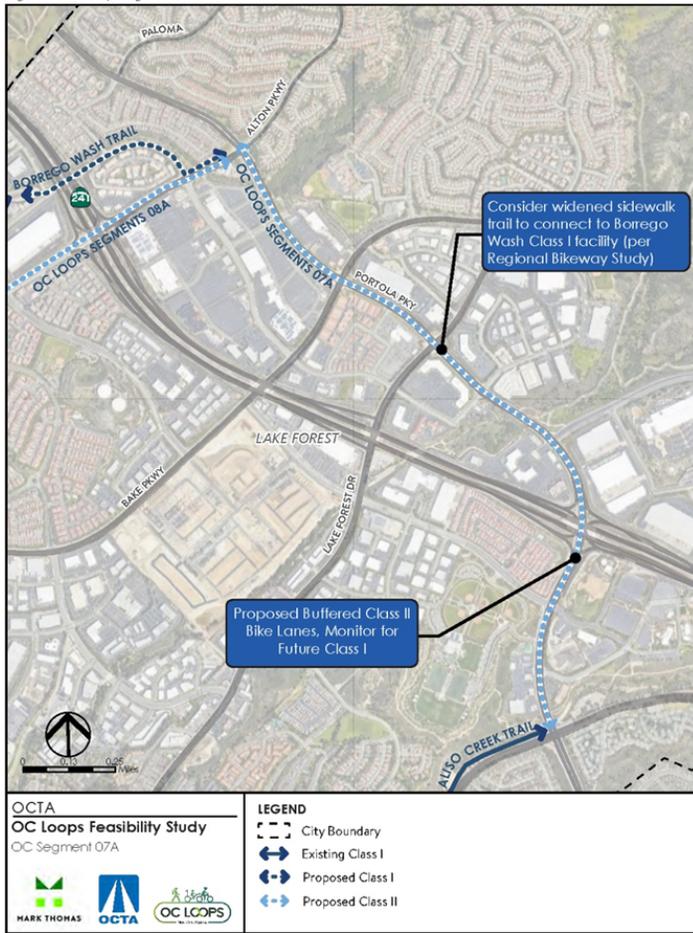


Image 2: OC Central Loop and South Loop

Figure 16: OC Loops Segments 08A-08B

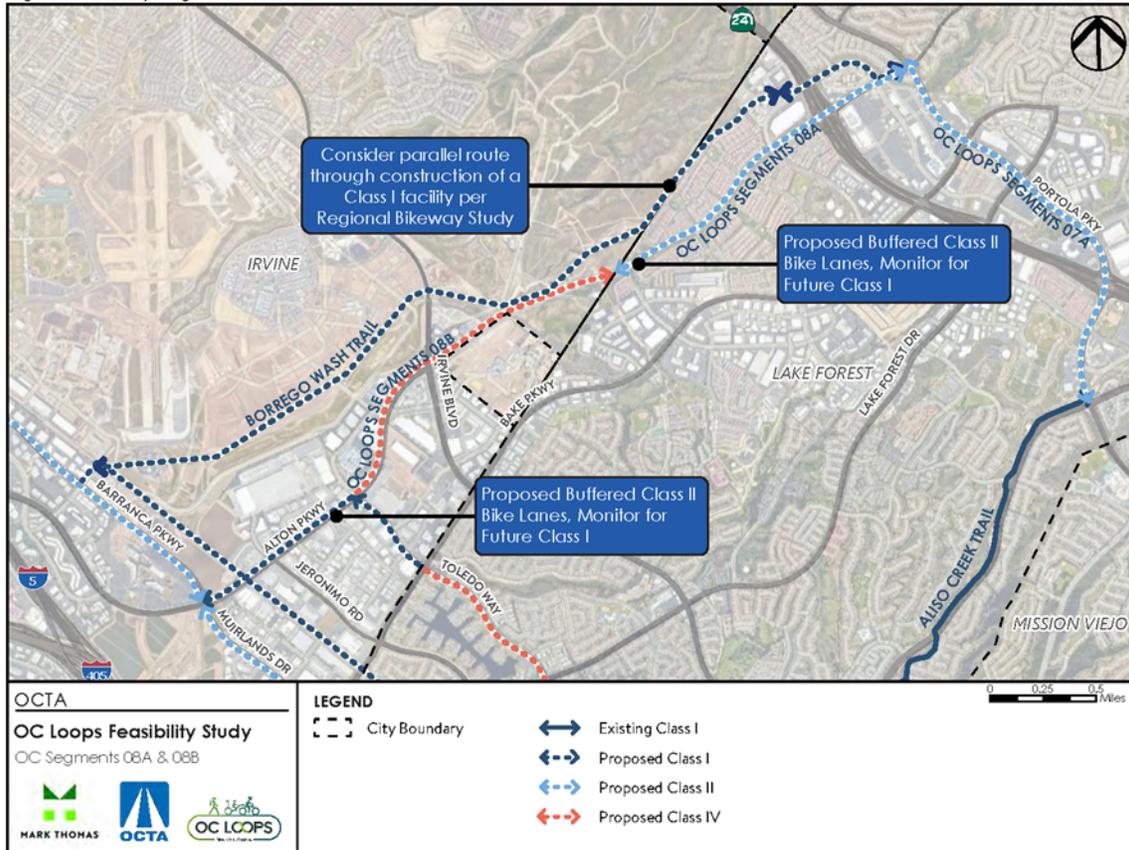
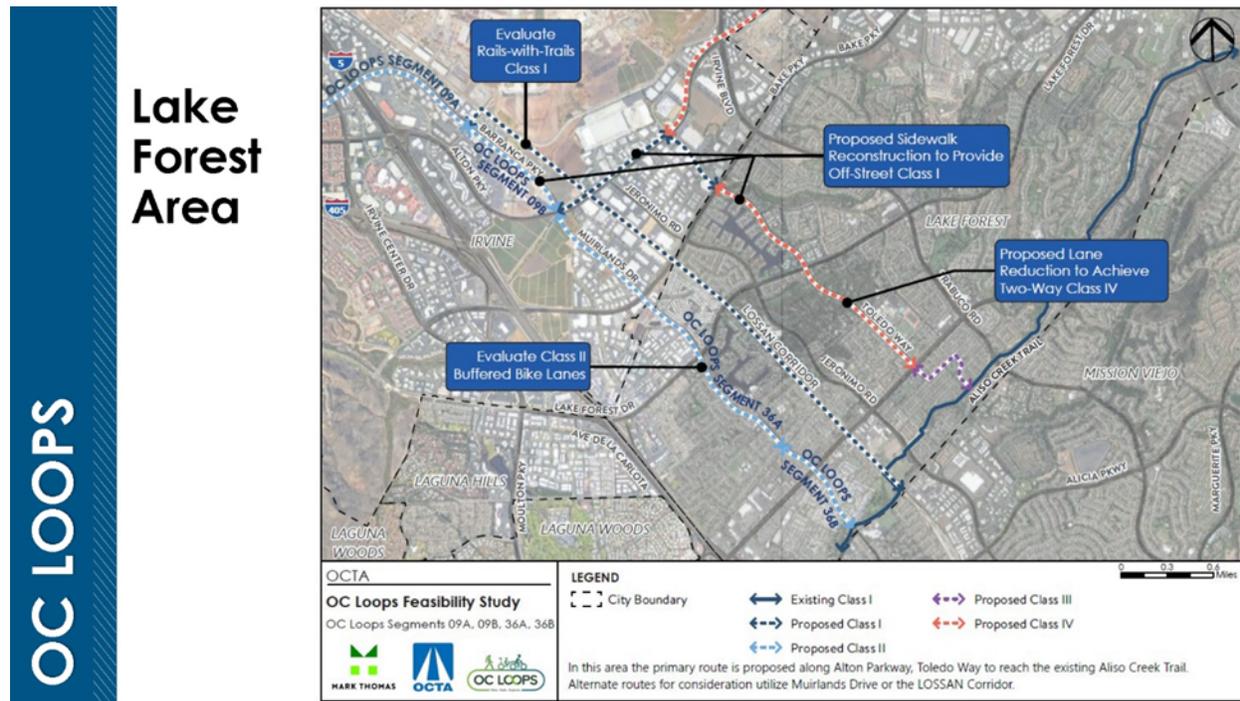


Image 3: OC Connect (Conceptual Bike Facilities in Lake Forest)



These conceptual plans prioritize the City’s commitment to creating a more sustainable future, promoting alternative modes of transportation, and enhancing overall traffic safety for all road users. Since these are conceptual plans within a feasibility study, staff will return to the City Council when the study is complete and propose prioritizing capital improvement projects stemming from the study at a future meeting. The feasibility study is anticipated to be completed by the end of 2023 and is being led by OCTA staff.

These comments were incorporated into the “final” recommendation, which is being presented tonight for the City Council’s consideration.

Although the City Council approves a seven-year Capital Improvement Plan, only the first year of the CIP plan is recommended for funding at this time. The seven-year Capital Improvement Plan will routinely be revised and updated to maintain a revolving seven-year program. Therefore, staff will recommend the second year of the CIP Plan in May 2024 for potential City Council adoption in June 2024. At the completion of the two years, staff will revisit the prioritization process to allow for further adjustments based on dynamic project needs, funding availability, or other factors.

Staff is recommending revisions to project funding included in the 2023-2030 CIP Plan as presented to the City Council during the Budget Workshop.

The recommended revisions are related to a change in available funding based on updated revenue projections related to the State Gas Tax Road Maintenance Rehab Account SB1 funding (“RMRA SB1”). The updated revenue projections were received subsequent to the Budget Workshop and reflect the best available information.

Street Resurfacing and Slurry Seal:

The Street Resurfacing and Slurry Seal Project is intended to provide asphalt overlays on arterial roadways and slurry seals on collector and residential streets. The roadways subject to the project are determined by the City’s Pavement Management System. The project description, timing, and \$31,040,000 cost remain unchanged. There is sufficient funding available, and staff recommends the project be approved as part of the 2023-2030 CIP Plan.

For the 2023-2025 budget cycle, there are 34 proposed projects, totaling \$21,971,569 in infrastructure investment. These projects included 16 park improvement projects, 8 street improvement projects, 9 traffic improvement projects, and 1 environmental project.

Table 7 below includes the project funding summary that reflects the aforementioned adjustments.

Table 7: Summary of 2023-2030 CIP Plan Funding

Funding Sources	Fiscal Year 2023-24	Fiscal Year 2024-25
General Fund	\$2,517,200	\$2,130,000
Infrastructure Reserve Fund		280,820
Neighborhood Park Improvement Reserve Fund	315,000	950,000
Gas Tax Road Maintenance and Rehabilitation Account Fund (RMRA SB1)	1,011,053	4,116,500
Measure M2 Local Fair Share Fund	3,668,947	1,962,680
South Coast Air Quality Management District Fund (SCAQMD)		45,000
Community Development Block Grant Fund (CDBG)	138,669	180,000
Lake Forest Traffic Mitigation Fund (LFTM)	1,007,800	
Foothill Circulation Phasing Plan Fund (FCPP)	1,525,000	
Meadows Traffic Improvement Fund (MTIP)	2,122,900	

Total	\$12,306,569	\$9,665,000
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Adopting the attached resolution would approve the funding for Fiscal Year 2023-24 of the 2023-2030 Capital Improvement Plan (Attachment 2). Funding for Fiscal Year 2024-25 would be presented for City Council consideration in June of 2024.

2023-2030 Master Financial Plan and Financial Forecast

The Proposed Financial Forecast presents:

- Historical operating revenue and expenditure results for four prior fiscal years
- The amended budget level for the current fiscal year
- The proposed budget level of the upcoming two fiscal years
- The projected budget level five fiscal years into the future

The projected revenue and expenditure levels maintain a balanced budget for the upcoming seven fiscal years. Table 8 provides a summary of the 2023-2030 Financial Forecast.

Table 8 – Financial Forecast

General Fund	Fiscal Year 2023-24 Proposed	Fiscal Year 2024-25 Proposed	Fiscal Year 2025-26 Proposed	Fiscal Year 2026-27 Proposed	Fiscal Year 2027-28 Proposed	Fiscal Year 2028-29 Proposed	Fiscal Year 2029-30 Proposed
Sources							
Beginning Fund Balance	\$98,929,940	\$99,444,436	\$100,121,345	\$102,285,060	\$103,668,888	\$104,258,888	\$104,022,188
Operating Revenues	63,275,800	65,339,600	66,964,615	68,053,028	70,062,000	72,138,300	74,284,600
Total Sources	162,205,740	164,784,036	167,085,960	170,338,088	173,730,888	176,397,188	178,306,788
Uses							
Operating Expenses	59,594,104	60,781,871	63,258,900	65,839,200	68,527,000	71,327,000	74,244,000
Capital Expenses	3,167,200	3,880,820	1,542,000	830,000	945,000	1,048,000	1,200,000
Total Uses	62,761,304	64,662,691	64,800,900	66,669,200	69,472,000	72,375,000	75,444,000
Ending Fund Balance	\$99,444,436	\$100,121,345	\$102,285,060	\$103,668,888	\$104,258,888	\$104,022,188	\$102,862,788

Staff believes the projection utilizes reasonable, yet cautious assumptions. Overall, the accumulated projected operating surplus is approximately \$16.5 million over the projection period. The resulting surplus provides for resources to utilize towards one-time operating projects, capital replacement needs, and maintaining a funded Target Reserve level in accordance with the Risk Analysis. The updated 2023-2030 Master Financial Plan and Financial Forecast is attached (Attachment 8).

Conclusion

Staff believes these financial planning documents, including the 2023 Strategic Plan Update, 2023 General Fund Reserve Risk Analysis, Proposed 2023-2030 Capital Improvement Projects Plan, Proposed 2023-2025 Operating Budget, and the Proposed 2023-2030 Master Financial Plan and Financial Forecast have been prepared and analyzed to ensure the City's financial integrity and strong financial condition. In developing and deliberating these documents, staff ensured a continual adherence to the Policy to preserve the City's long-term, conservative financial vision. Staff believe the revisions made since the Budget Workshop are consistent with the direction provided by the City Council and will result in a reasonable estimate of the City's financial position. The resolution to adopt the financial planning documents and authorize the funding for Fiscal Year 2023-24 is attached (Attachment 2).

FISCAL IMPACT:

The fiscal impact of the recommended actions establishes the revenue estimates and authorizes the appropriations and transfers for Fiscal Year 2023-24. In addition, the Target Reserve Level and Minimum Reserve Levels would be established. Fiscal Year 2024-25 revenue estimates and appropriations would be presented to the City Council's consideration in June of 2024.

ATTACHMENTS:

1. Transmittal Letter
2. Resolution 2023-XX
3. Update to the 2023-2030 Strategic Business Plan
4. 2023 General Fund Reserve Risk Analysis
5. Fiscal Year 2023-24 Fund Balance Summary
6. Fiscal Year 2024-25 Fund Balance Summary
7. 2023-2030 Capital Improvement Plan Summary
8. 2023-2030 Master Financial Plan and Financial Forecast

Initiated By: Amy Lewis, Assistant Director of Finance
Submitted By: Kevin Shirah, Director of Finance/City Treasurer
Approved By: Debra Rose, City Manager