



City of Lemon Grove FY 2023/24 Pre-Budget Workshop

April 2023

Workshop Agenda

- ▶ Budget Process
- ▶ Budget Basics
- ▶ General Fund Projections



Budget Timeline

- ▶ Budget Kick Off with Staff
- ▶ Council Budget Workshop
- ▶ Council Goal Setting Workshop
- ▶ Budget/CIP Workshop
- ▶ Proposed Budget Presentation
- ▶ Proposed Budget Adoption

January 24, 2023

April 10, 2023

May 3, 2023

May 9, 2023

June 6, 2023

June 20, 2023

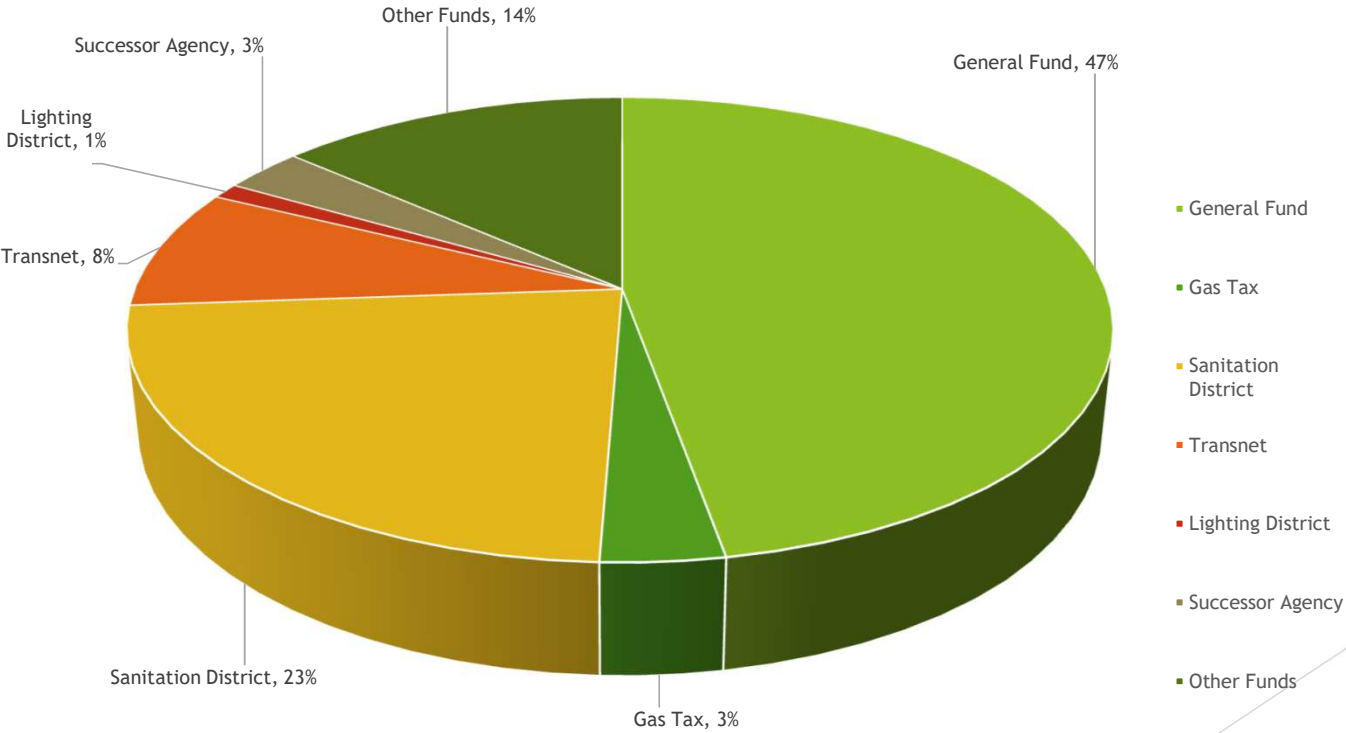
Budget Basics

▶ General Fund

- ▶ Major Governmental Fund
- ▶ Includes all financial resources not restricted to a specific purpose or required to be maintained in a separate fund
- ▶ Modified Accrual Accounting
- ▶ Maintains Fund Balance
- ▶ Primary day-to-day operating fund
- ▶ Contractual Obligations
 - ▶ Sheriff's Contract
 - ▶ Fire Association Labor Agreement
 - ▶ AFSCME Labor Agreement
 - ▶ CalPERS
 - ▶ OPEB

Financial Revenue Overview

FY 2023-24 Consolidated Revenue Projections





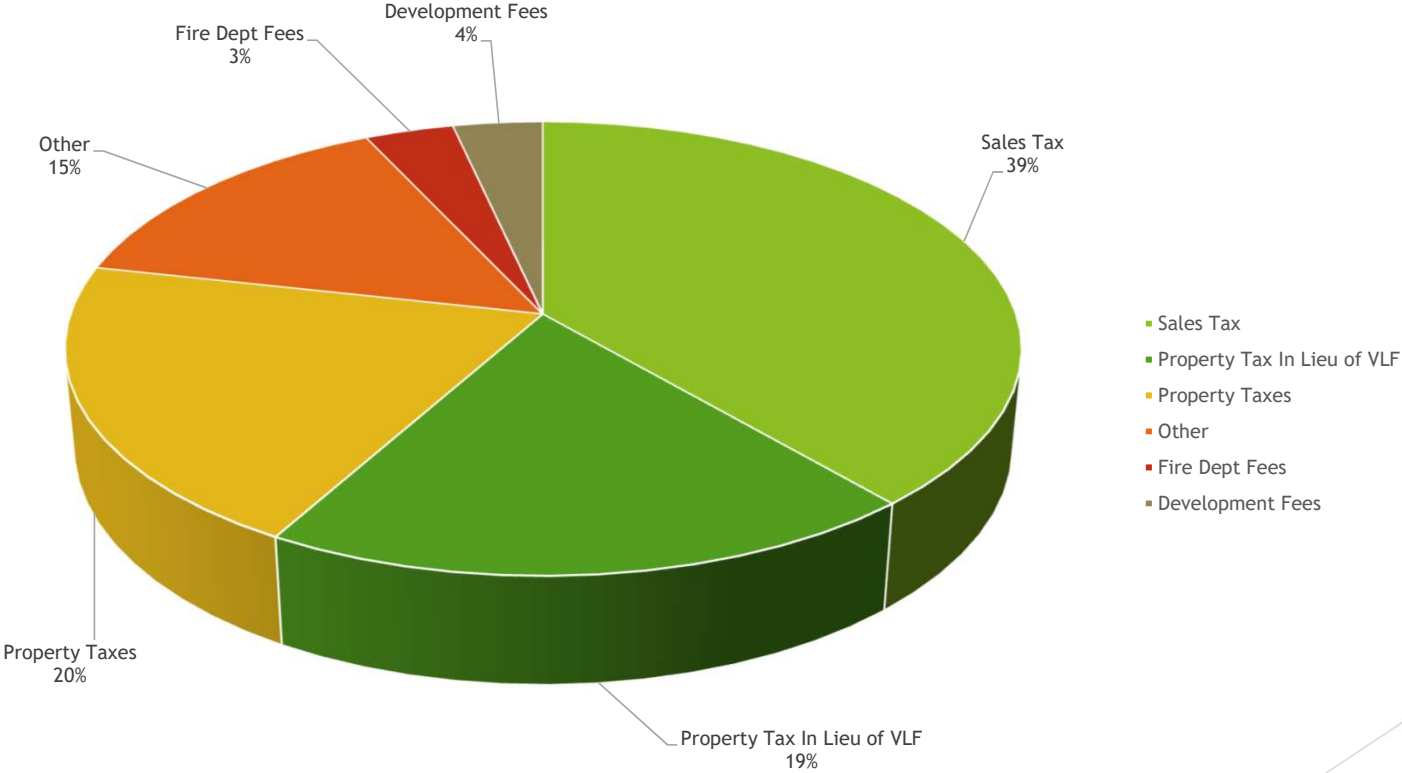
General Fund Budget

Fund 1



General Fund Revenue

FY 2023-24 General Fund Projected Revenue



FY 2022-23 Revenue Projections

	FY 2023/24 Budget
Sales Tax	6,844,881
Property Tax in Lieu of VLF	3,455,397
Property Taxes	3,596,264
Other Taxes	1,776,759
Fire Dept Fees	615,200
Development Fees	622,444
Community Services Fees	95,000
Fines & Forfeiture	132,618
Other Revenue	571,760
	\$ 17,710,323

5 Year Tax Revenue Projections

Account	Description	2023 Budgeted	2024 Estimated	2025 Estimated	2026 Estimated	2027 Estimated	2028 Estimated
Fund 01	General Fund						
01-00-00-4000	Sales Tax	(6,777,110)	(6,844,881)	(6,913,330)	(6,982,463)	(7,052,288)	(7,122,811)
01-00-00-4010	Sales Tax-Property Tax In Lieu .25%	-	-	-	-	-	-
01-00-00-4020	Property Tax-Secured and Unsecured	(3,151,003)	(3,214,023)	(3,278,304)	(3,343,870)	(3,410,747)	(3,478,962)
01-00-00-4030	Property Tax-Supplemental Roll	(82,000)	(83,640)	(85,313)	(87,019)	(88,759)	(90,535)
01-00-00-4040	Property Tax-Homeowners Relief	(16,000)	(16,320)	(16,646)	(16,979)	(17,319)	(17,665)
01-00-00-4050	Real Property Transfer Tax	(104,040)	(106,121)	(108,243)	(110,408)	(112,616)	(114,869)
01-00-00-4060	Property Tax-Post Redevelopment	(172,706)	(176,160)	(179,683)	(183,277)	(186,943)	(190,681)
01-00-00-4070	Motor VLF-Property Tax In Lieu	(3,387,644)	(3,455,397)	(3,524,505)	(3,594,995)	(3,666,895)	(3,740,233)

Financial overview - Revenue

Sales Tax - 39% of revenue

- ▶ Subject to volatility of market conditions
 - ▶ Local businesses do not have never-ending growth capacity
 - ▶ Federal Monies ended, slowing growth
 - ▶ Inflation and other Economic Impacts Beginning to Materialize
- ▶ Professional Sales Tax consultants (HdL) provide in-depth projections
 - ▶ Between FY 22/23 and FY 23/24 estimate decrease of .05%
 - ▶ Primarily due to falling gas prices and declining auto sales

Sales Tax Update



Published by HdL Companies in Winter 2023

Financial overview - Revenue

Property Tax - 20% of revenue

- ▶ Prop 13 - caps assessed taxable value at 2% growth per year and caps tax bill at 1% of assessed value
- ▶ Of the 1% of property value paid in taxes, the City receives about 12%
- ▶ 1978 Prop 8 - triggers automatic reduction in taxable property values when the real estate market declines



Property Tax in Lieu of VLF

In Lieu Tax - 19% of revenue

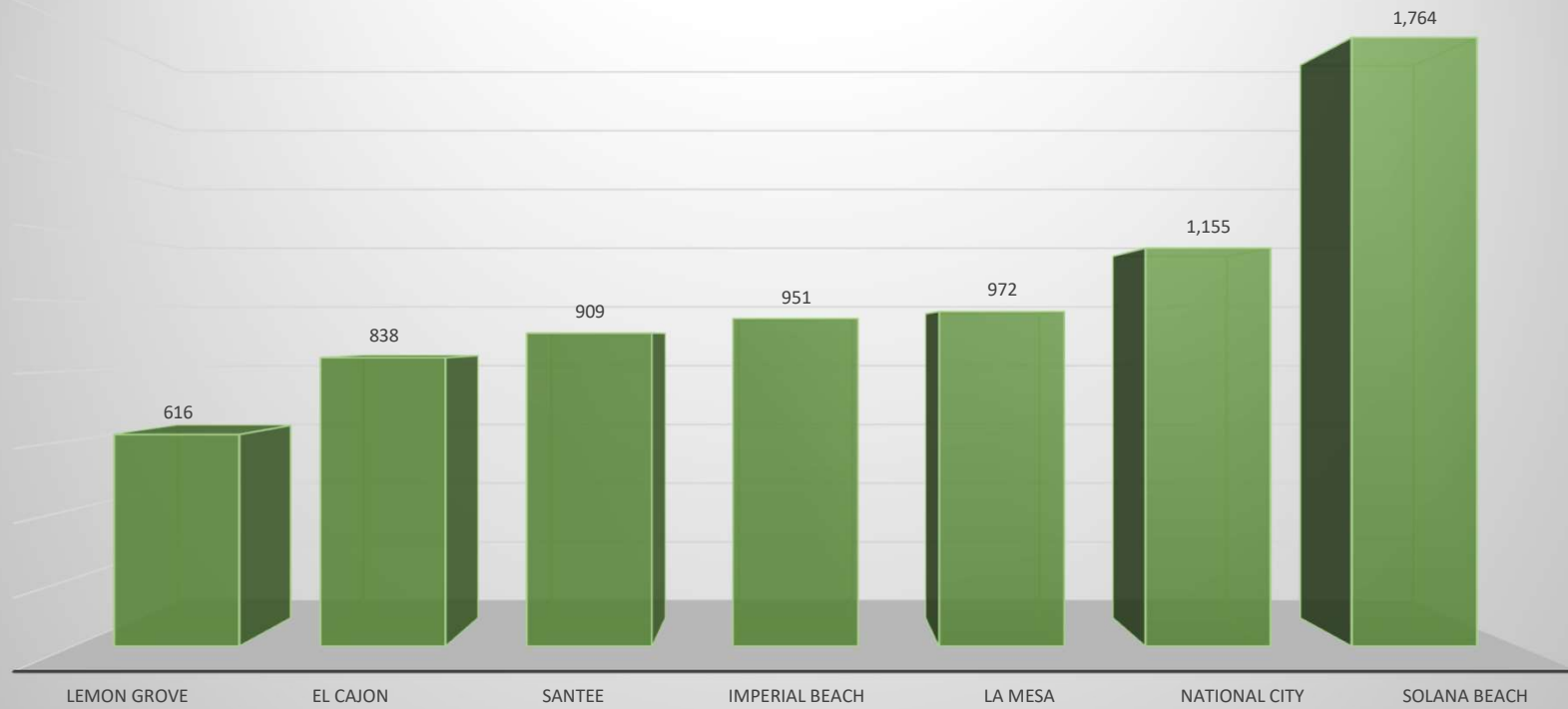
- ▶ 2004 Legislation reduced VLF from 2% to .65%
- ▶ State adjusted revenue loss dollar for dollar in Property Taxes
- ▶ Estimated 1.9% increase in FY2023-24

Other Revenue

- ▶ Cannabis Taxes estimated up 29%
- ▶ Building Permit Activity decreasing from prior year - Revenues are offset by Expenditures for these activities

General Fund Revenue Comparison

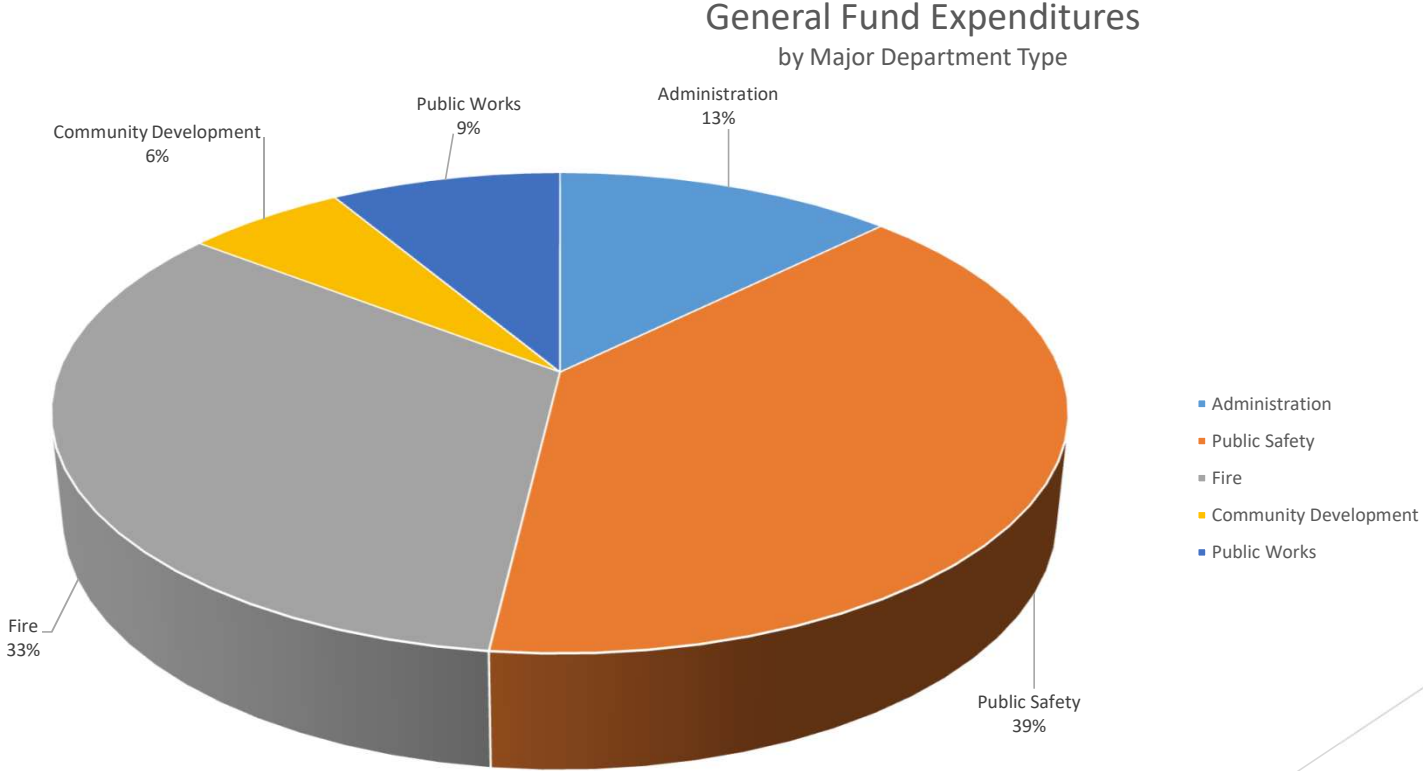
FY 2021/22 General Fund Revenue per Capita





General Fund Expenditures

Financial overview - Expenditures



Significant Expenditure Expectations

▶ Known:

- ▶ Budgeted Expenditure Requests will include staffing changes
 - ▶ Additional Staff
 - ▶ Reorganization and change of classification
- ▶ Costs of Goods and Services have increased 4% to 9% across all venues
- ▶ Public Safety Contract - 1% Increase

▶ Unknowns:

- ▶ Fire MOU in Negotiations
- ▶ AFSCME MOU In Negotiations
- ▶ Non-Represented Staff COLA

Expectations

- ▶ Anticipated:
 - ▶ Budget to remain steady and sustainable for FY24 and FY25
 - ▶ No New Programs
 - ▶ No New or expanded Services
- ▶ Add Revenue Streams
 - ▶ Current Streams cover day to day costs
 - ▶ Future requires 7 figure increase
- ▶ Unfunded Needs
 - ▶ Building Maintenance
 - ▶ Vehicle Replacements

Staff Requests and Changes

General Fund FY23/24:

- ▶ Public Works
 - ▶ Add Staffing to Streets Division

- ▶ Finance
 - ▶ Add One (1) Admin Staff (Shared with Development Services)
 - ▶ Reorganize Staffing to Create Succession Planning

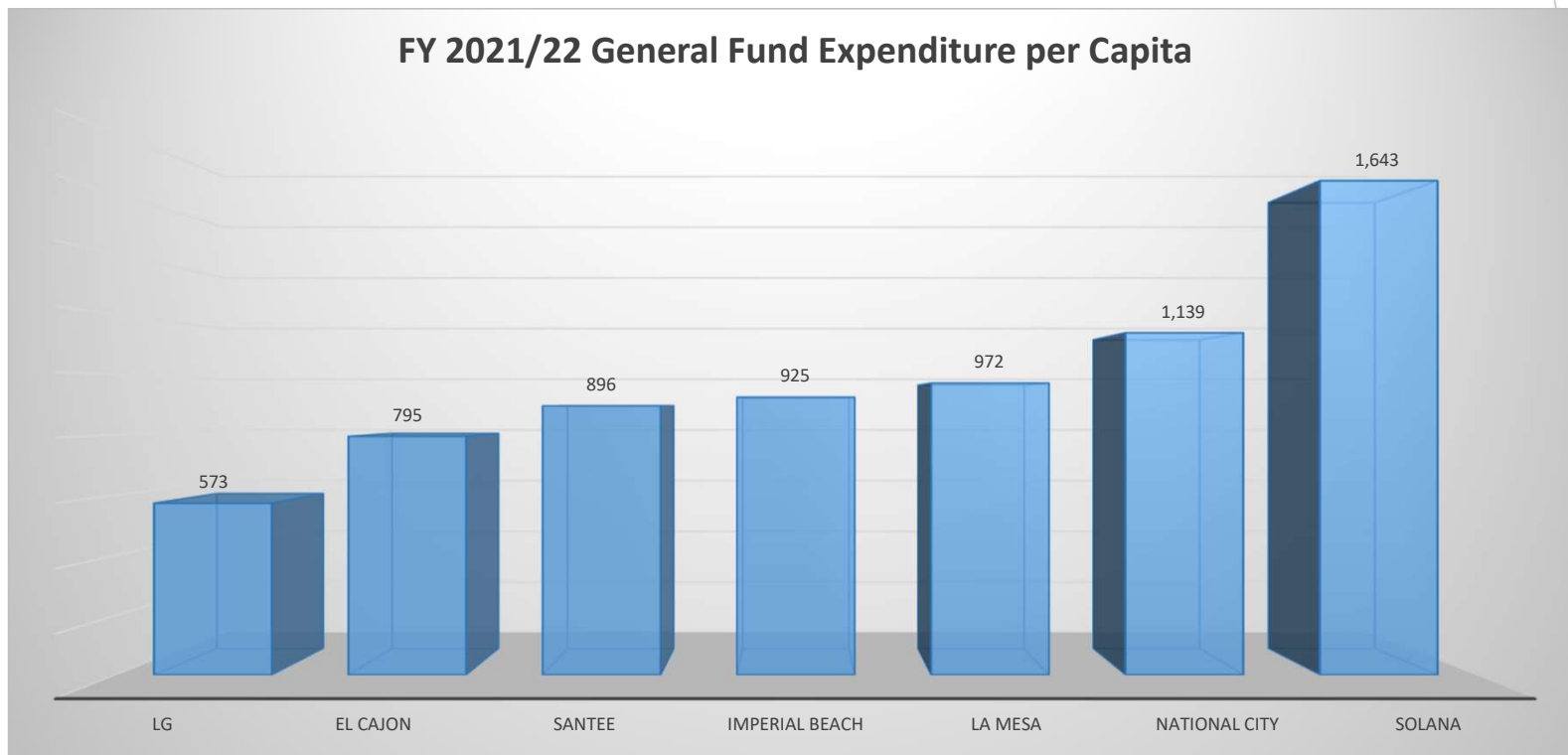
- ▶ Community Services
 - ▶ Add One (1) Admin Staff
 - ▶ Reorganize Staffing to Create Succession Planning

Staff Requests and Changes

General Fund FY23/24:

- ▶ Fire
 - ▶ Fire Engine
 - ▶ 1 Arrives Soon
 - ▶ Need replacement of 2nd Engine

General Fund Expenditure Comparison



Financial overview - summary

- ▶ Goal: Balance Budget with a positive revenue flow
- ▶ Expenses remain constrained
- ▶ Vendor Costs Continue to Increase
- ▶ Economic Indicators Beginning to Emerge
- ▶ Lemon Grove still provides basic local government services for the lowest cost per capita in the area
- ▶ Need to Consider Additional Revenue Streams

The background features abstract, overlapping green geometric shapes in various shades, including light lime green, medium green, and dark forest green. These shapes are primarily located on the left and right sides of the slide, framing the central text. The overall aesthetic is clean and modern.

Questions on Revenues and Expenditures?



Strategic Work Plan Update

Update on Council Work Plan

Strategic Focus Area: Public Streets and Sidewalks

Repairs

Street Repairs: Improve streets in poor condition in neighborhoods and near schools and parks	Costs: Staff recommends allocating \$250,000 for streets 25 pci and below	Staff Time: 15-25 hrs – field street analysis; prepare repair plan; prepare bid plans; contract management.	On going
PMP: Implement a Pavement Management Program (PMP) in FY 23	Costs: \$75,000 (carry over from FY 21-22)	Staff Time: 25-30 hrs –prepare bid plans; city council reports and contract management.	Summer/Fall 22

Traffic Calming

Traffic Calming: Continue traffic control and calming strategies and projects	Costs: Unknown. City was awarded a CalTrans grant to create mobility plan to improve safety especially around schools	Staff Time: 15-25 hrs – grant management, contract preparation, city council reports and contract management.	Summer 22
Vision Zero Plan: Develop Vision Zero Plan for Council review/approval	Costs: Estimate of \$50,000 to \$75,000	Staff Time: 25-30 hrs –prepare bid plans; council reports and contract management.	Summer/Fall 22

Update on Council Work Plan

Strategic Focus Area: Revenue, Economic Development, and Budget

Economic Development

Economic Development Plan: Seek a RFP for an Economic Development Plan	Costs: \$50,000, this is carry over from FY 21-22	Staff Time: 10-15 hrs – prepare bid proposal, contract preparation, city council reports and contract management	On going
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Budget Expenditures

Equipment, Technology and Resources: Develop a prioritized list of equipment (vehicles, etc.) and technology (computers, programs, etc.) needs for Council review and vote	Costs: Unknown	Staff Time: 15-20 hrs – prepare report, council presentation	February 23 - Report to be completed for mid-year budget update
Improve Staff Pay and ok Nonmonetary Benefits.	Costs: Varies, depending on City Council's direction	Staff Time: 5 hrs – prepare report, council presentation	On-going

Strategic Focus Area: Public Safety/Law Enforcement & Homelessness

Public Safety

Traffic Enforcement: Increase traffic control deputy from half-time to fulltime	Costs: \$233,000. This items will increase the Sheriff's contract in FY 22-23. This item will be built into future budgets, unless directed to remove from City Council.	Staff Time: .5 hrs – notify contracts division of sheriff's department	Summer 22
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Update on Council Work Plan

Strategic Focus Area: Community Life

Communications

Communication Specialist: Increase Communications Specialist from ½ to fulltime	Costs: approximately \$50,000 which includes salary, benefits and retirement costs.	Staff Time: 1 hrs – internal processes in HR and Finance	Summer 22
Council Meetings: A report will be prepared for City Council's consideration that would detail equipment and building costs to provide broadcasting of City Council meetings.	Costs: Will be determined on report to council.	Staff Time: 25-30hrs. The Staff will be dedicated to create the report with several alternatives.	Fall 2022

Parks/Park Space/Open Space

Rec. Center: Conduct Feasibility study for opening recreation center on Saturdays	Costs: Unknown, until report is completed.	Staff Time: 7 to 10 hrs – research, costs analysis and create report for City Council	Summer 22
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Next Steps

- ▶ Incorporate Council Feedback into Budget Recommendation
- ▶ Present Draft Budget to Council at June 6, 2023 Meeting
- ▶ Adopt Final Budget at June 21, 2023 Meeting