

City of Garden Grove

MEMORANDUM

To: City Council

From: Measure O Citizen's
Oversight Committee

Subject: MEASURE O COMMITTEE ANNUAL
REPORT

Date: November 10, 2020

OBJECTIVE

To present to City Council the Measure O Citizen's Oversight Committee's annual report as outlined in Resolution No. 9540-19.

BACKGROUND

On November 6, 2018, Garden Grove voters passed Ordinance No. 2897, also known as Measure O, imposing a one-cent (1%) transactions and use (sales) tax. The Measure O – Citizen's Oversight Committee was established on February 26, 2019, to review the City's annual budget, mid-year budget, and year-end audited financial information in regards to the receipt and use of Measure O funds. Resolution No. 9540-19 requires that an annual report be presented to the City Council communicating the Committee's activities and to provide a response to the following questions:

- Does the current audited financial information reflect that the Measure O – Public Safety and Vital City Services tax was collected and appropriately spent?
- Does the City's proposed General Fund annual budget and CIP plan protect and maintain the City's core services including public safety?

DISCUSSION

Summary of Committee's Proceedings and Activities for FY 2019-20

- Upon appointment, all Committee members have successfully completed harassment prevention training
- Two Committee meetings were held since during FY 2019-20:

July 22, 2019 Meeting

- Sandra Thomas was elected as Chair and Steven Sanders as Vice Chair
- City Attorney provided an overview of Brown Act to all Committee members

- Information regarding Code of Ethics was discussed and received by Committee members
- Reviewed the adopted FY 2019-21 Budget

January 21, 2020 Meeting

- Reviewed FY 2018-19 audited financial information
- Reviewed FY 2019-20 mid-year Measure O revenue and expenditures
- Received information regarding the City's Pension Funding Policy and General Fund Reserve Policy

Audited Financial Information

Staff presented to the Committee FY 2018-19 audited revenue and expenditure for the City's General Fund. The General Fund as presented in the City's Comprehensive Annual Financial Report (CAFR) includes the City's main operating fund (the General Fund), Economic Development Fund, Tourism Improvement District Funds, Land Sale Proceeds Fund, and Deposits Fund.

The one-cent sales tax from Measure O became effective on April 1, 2019, resulting in \$4.8 million in revenue for FY 2018-19. Table 1 below summarizes the City's total General Fund revenues.

Table 1

General Fund Revenue	FY 2018-19 (\$000)
Sales Tax	\$ 24,612
Measure O	4,759
Property Tax	49,471
Hotel Tax (TOT)	26,285
Other Taxes	5,115
Licenses & Permits	2,565
Fines, Forfeits & Penalties	1,645
Charges for Current Services	7,922
Investment Earnings	3,416
Other	4,049
Total General Fund	<u>\$ 129,839</u>

Total General Fund expenditures amounted to \$112.7 million, of which 71% was for public safety (Police and Fire). Table 2 summarizes the City's General Fund audited expenditures for FY 2018-19.

Table 2

General Fund Expenditures	FY 2018-19 (\$000)	% of Total
Public Safety - Fire	\$ 24,309	22%
Public Safety - Police	54,851	49%
Traffic Safety	2,174	2%
Public Right of Way	4,560	4%
Community Buildings	3,007	3%
Community Services	2,734	2%
Economic Development	884	1%
Parks and Green Belts	1,201	1%
Community Planning & Dev.	5,789	5%
Municipal Support	8,210	7%
Capital Improvement	3,320	3%
Debt Service	1,644	1%
Total Expenditure	\$ 112,683	100%

General Fund Annual Budget

The Committee reviewed the City's adopted FY 2019-20 General Fund Budget. Table 3 summarizes budgeted revenues for FY 2019-20, totaling \$134.2 million, with Measure O revenue estimated at \$19.0 million.

Table 3

General Fund Revenue	FY 2019-20 (\$000)
Sales Tax	\$ 22,668
Measure O	19,000
Property Tax	28,543
Hotel Tax (TOT)	26,477
Other	37,492
Total General Fund	\$ 134,180

The FY 2019-20 adopted budget included enhancements to public safety in the amount of \$9.2 million. Other enhancements were made to public works, neighborhood improvement, community partnerships and events, and other essential services. Public Safety expenditures occupy 73% of total General Fund appropriation. Table 4 provides a summary of the adopted FY 2019-20 main operating General Fund budget and includes mid-year appropriations made by City Council.

Table 4

General Fund Expenditures	FY 2019-20 (\$000)	% of Total
Public Safety - Fire	\$ 27,748	22%
Public Safety - Police	65,413	51%
Public Works	13,496	11%
Community and Econ Dev	7,127	6%
Community Services	3,329	3%
Support Services & Transfers	10,891	9%
Total Expenditures	\$ 128,004	100%

Other Information Communicated

Staff provided the Committee with the City's General Fund Reserve Policy which was adopted on December 17, 2019 by Resolution No. 9602-19. Council also approved \$22.5 million from the General Funds' unassigned fund balance to the newly established Stability Reserve, which will allow the City to mitigate future revenue shortfalls caused by changes in the economic environment.

Additionally, the Committee was updated in regards to the City's Pension Policy, which was adopted on August 13, 2019 by Resolution No. 9584-19. In November 2019, the City Council adopted Resolution No. 9596-19 which established the City's Internal Revenue Code Section 115 Trust, a tax-exempt irrevocable pension trust that was designed as a means to achieve the City's pension liability funding objectives outlined in the Pension Funding Policy.

Both policies were designed to set baseline for fiscal stewardship and perpetual structural balance.

Committee Findings and Recommendations

The Measure O – Citizen's Oversight Committee has reviewed the audited financial data for FY2018-19, the budget information for FY 2019-20, and newly established fiscal policies impacting the General Fund. The Committee concludes the following:

- The audited financial information presented for FY 2018-19 does reflect the Measure O – Public Safety and Vital City Services tax was collected and appropriately spent.
- The City's proposed General Fund annual budget and CIP plan for FY 2019-20 does protect and maintain the City's core services including public safety.

The Committee recommends staff to:

- Review year-end audited annual financial information which includes Measure O tax revenue and expenditures;
- Review annual General Fund operating budget; and
- Update the Committee periodically on General Fund revenue and expenditures to ensure a clear system of accountability.