

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: City Council

From: Measure O – Citizen’s Oversight Committee

Subject: MEASURE O COMMITTEE ANNUAL REPORT FOR FISCAL YEAR 2020-21

Date: October 26, 2021

OBJECTIVE

To present to City Council the Measure O Citizen’s Oversight Committee annual report for Fiscal Year 2020-21 per 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 2020-21

- Two Committee meetings were held during FY 2020-21:

September 21, 2020 Meeting

- Reviewed the amended FY 2020-21 Budget
- Reviewed Preliminary FY 2019-20 Measure O Revenue and Expenditures
- Discussed the fiscal impact of the Covid-19 pandemic

February 22, 2021 Meeting

- Reviewed FY 2019-20 audited financial information
- Reviewed FY 2020-21 mid-year General Fund revenue and expenditures
- Received information regarding the City's COVID-19 related costs and relief funds received

Audited Financial Information

Staff presented to the Committee FY 2019-20 audited revenue and expenditure for the City's General Fund. The General Fund as presented in the City's Comprehensive Annual Financial Report (Financial Report) includes the City's main operating fund (the General Fund), Economic Development Fund, Tourism Improvement District Funds, Land Sale Proceeds Fund, and Deposits Fund.

Table 1 below summarizes the City's total General Fund revenues. The City received approximately \$20.0 million from the one-cent sales tax from Measure O in FY 2019-20.

Table 1

General Fund Revenue	FY 2019-20 (\$000)
Sales Tax	\$ 23,129
Measure O	19,993
Property Tax	50,422
Hotel Tax (TOT)	18,277
Other Taxes	5,177
Licenses & Permits	2,576
Fines, Forfeits & Penalties	2,192
Charges for Current Services	6,850
Investment Earnings	4,984
Other	6,527
Total General Fund	<u><u>\$ 140,127</u></u>

Total General Fund expenditures for the same fiscal year was \$124.9 million, of which 73% was for Police and Fire. Table 2 on the following page summarizes the City's General Fund audited expenditures for FY 2019-20.

Table 2

General Fund Expenditures	FY 2019-20 (\$000)	% of Total
Public Safety - Fire	\$ 27,975	22%
Public Safety - Police	63,553	51%
Traffic Safety	2,445	2%
Public Right of Way	4,919	4%
Community Buildings	2,781	2%
Community Services	4,328	3%
Economic Development	1,146	1%
Parks and Green Belts	1,335	1%
Community Planning & Dev.	6,055	5%
Municipal Support	8,220	7%
Capital Improvement	522	0%
Debt Service	1,632	1%
Total Expenditure	\$ 124,911	100%

Adopted General Fund Biennial Budget FY 2021-23

The Committee reviewed the City's adopted biennial FY 2021-22 and FY 2022-23 General Fund Budget.

Table 3 below summarizes budgeted revenues. The revenue estimates for FY 2021-22 include \$24.0 million from the American Rescue Plan Act (ARPA). The City was allocated a total of \$48.4 million, of which \$24.2 million was received in May 2021.

Table 3

General Fund Revenue	FY 2021-22 (\$000)	FY 2022-23 (\$000)
Sales Tax	\$ 24,405	\$ 25,393
Measure O	21,811	22,694
Property Tax	53,967	55,631
Hotel Tax (TOT)	10,500	21,300
Other Taxes	5,100	5,100
Licenses & Permits	3,000	3,000
Fines, Forfeits & Penalties	2,300	2,300
Charges for Current Services	6,254	6,288
Investment Earnings	700	570
Other	27,000	3,000
Total General Fund	\$ 155,037	\$ 145,276

Table 4 below shows total budgeted expenditures of \$176.1 million for FY2021-22. This amount includes an estimated \$35.0 million for two major capital improvement programs funded by the ARPA funds, which are the Pavement Management Acceleration (\$17.5 million) and Public Facilities/Infrastructure Improvement (\$17.5 million) programs. Expenditures for FY 2022-23 are estimated to total \$145.6 million.

Table 4

General Fund Expenditures	FY 2021-22 (\$000)	FY 2022-23 (\$000)
Fire	\$ 30,172	\$ 31,737
Police	70,386	72,301
City Manager	3,100	3,228
City Attorney	890	908
Community & Economic Dev.	8,001	7,942
Community Services	4,526	4,661
Finance	3,256	3,347
Human Resources	1,607	1,619
Information Technology	922	948
Public Works	51,775	17,359
Long Term Debt Service	1,511	1,510
Total General Fund	\$ 176,146	\$ 145,560

Committee Findings and Recommendations

The Measure O – Citizen’s Oversight Committee has reviewed the audited financial data for FY 2019-20, and budget information for the Fiscal years 2021-22 and 2022-23. The Committee concludes the following:

- The audited financial information presented for FY 2019-20 properly reflects the Measure O – Public Safety and Vital City Services tax was collected and appropriately spent.
- The City’s adopted General Fund biennial budget and five-year Capital Improvement Plan for the fiscal years 2021-22 and 2022-23 protect and maintain the City’s core services including public safety.

The Committee recommends staff to continue:

- 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.