

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 2021-22
Date: October 25, 2022

OBJECTIVE

To present to City Council the Measure O Citizen’s Oversight Committee annual report for Fiscal Year 2021-22 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 2021-22

- Two Committee meetings were held during FY 2021-22:

October 4, 2021 Meeting

- Reviewed the draft Measure O annual report to City Council for Fiscal Year (FY) 2020-21;
- Reviewed FY 2020-21 unaudited General Fund financial data;

- Reviewed the adopted FY2021-23 biennial budget for the General Fund; and
- Discussed the importance of continuing with clear communication between staff and the Committee and how it had ensured transparency and accountability on the use of the Measure O funds, and reinforced the confidence the Committee had in staff.

March 28, 2022 Meeting

- Reviewed Chapter 2.02 of the Garden Grove Municipal Code on Code of Ethics for Public Officers and Employees;
- Reviewed FY 2020-21 audited financial information;
- Reviewed FY 2021-22 mid-year General Fund revenue and expenditures; and
- Discussed the accounting and reporting of Measure O funds received and used, and how to potentially provide additional details on the use of Measure O funds in the annual report.

Audited Financial Information for Fiscal Year 2020-21

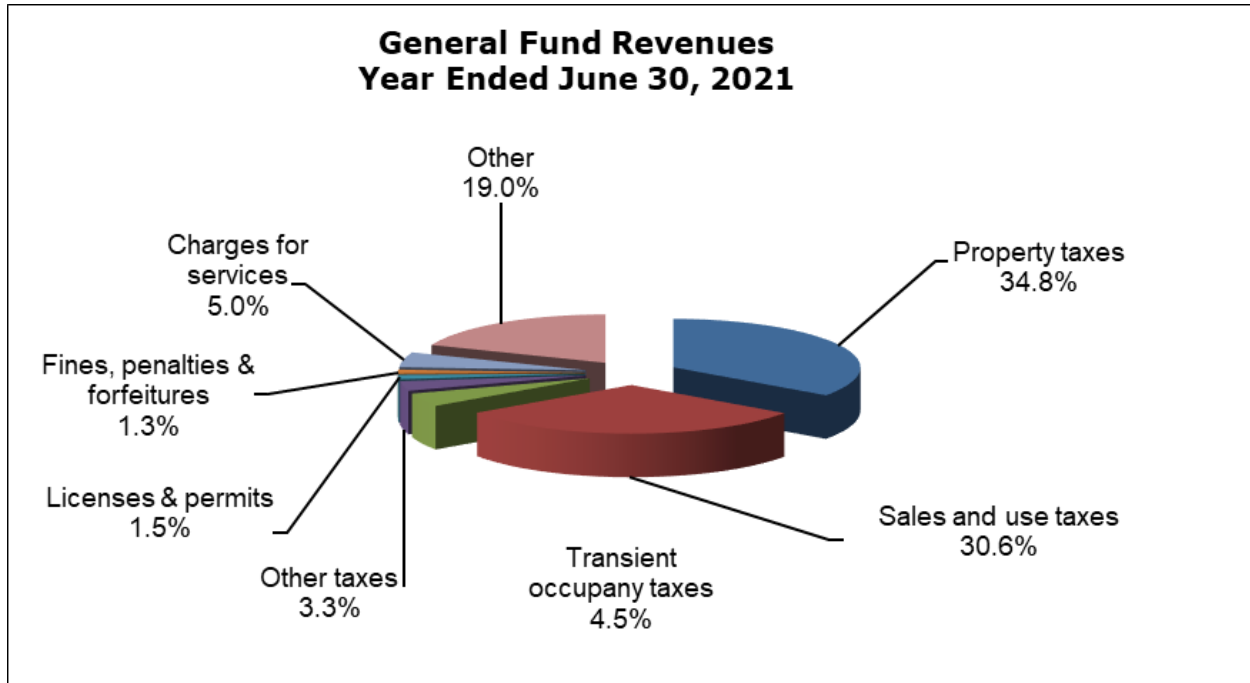
Staff presented to the Committee FY 2020-21 audited revenue and expenditure for the City’s General Fund. The General Fund as presented in the City’s Annual Comprehensive Financial Report (Financial Report) includes the City’s main operating fund (the General Fund), Economic Development Fund, Tourism Improvement District Funds, Land Sale Proceeds Fund, and Deposits Fund.

Table 1 below summarizes the City’s overall General Fund revenues. In FY2020-21, the City received approximately \$23.3 million from the one-cent sales tax from Measure O, which was an increase of \$3.3 million from the prior fiscal year.

Table 1 – General Fund Revenues

Revenue Description	FY 2020-21 (\$000)
Sales Tax – Bradley-Burns	\$ 26,026
Measure O	23,279
Property Tax	55,004
Hotel Tax (TOT)	7,136
Other Taxes	4,898
Licenses & Permits	2,372
Fines, Forfeits & Penalties	2,121
Charges for Current Services	7,938
Investment Earnings	19
Other	29,639
Total General Fund	<u>\$ 158,432</u>

Graph 1 – General Fund Revenue by Category

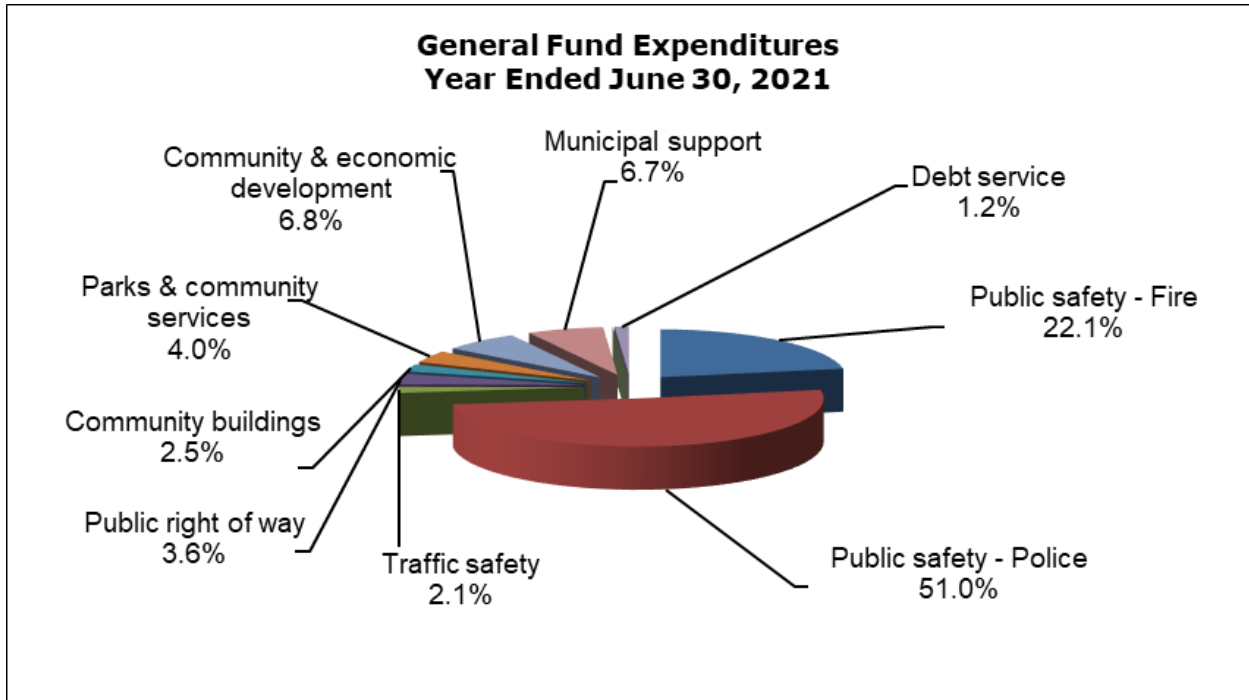


Total General Fund expenditures for the same fiscal year was \$128.9 million, of which 73.1% was for Police and Fire. Comparing to the previous fiscal year, public safety expenditure increased by 2.7 million, among which \$2.2 million was in police safety. Table 2 below summarizes the City’s General Fund audited expenditures for FY 2020-21.

Table 2 – General Fund Expenditures

Expenditure Category	FY 2020-21 (\$000)	% of Total
Public Safety - Fire	\$ 28,470	22.1%
Public Safety - Police	65,734	51.0%
Traffic Safety	2,702	2.1%
Public Right of Way	4,742	3.7%
Community Buildings	3,164	2.5%
Community Services	3,867	3.0%
Economic Development	2,237	1.7%
Parks and Green Belts	1,349	1.0%
Community Planning & Dev.	6,440	5.0%
Municipal Support	8,572	6.7%
Debt Service	1,606	1.2%
Total Expenditure	\$ 128,883	100.0%

Graph 2 – General Fund Expenditure by Type



Fiscal Year 2021-22 Mid-Year General Fund Budget Review

The Committee reviewed the FY 2021-22 mid-year General Fund financial position based on the recorded financial data as of February 2022.

As of February 2022, revenue came in stronger than anticipated. Both sales and property taxes were trending strong for the year. Sales tax had been realizing growth exceeding the pre-pandemic levels, largely due to pandemic related fiscal relief funds provided to businesses and individuals. Shortage on labor and limits placed on travel and entertainment also promoted consumer spending, resulted in high sales tax revenues.

By end of January 2022, Transient Occupancy Tax (TOT) already exceeded the adopted budget level. In the adopted budget, staff projected TOT revenue to be at 40% of our pre-pandemic peak level, based on the trend, staff believed TOT could potentially reach 70% to 80% of the peak level, which translated to an additional \$10.0 million revenue with a total of \$21.4 million for the year.

Other General Fund revenues stayed on target with the adopted amounts. Included in the adopted "Other Revenues" were \$24.2 million in State and Local Fiscal Relief Fund that was scheduled to be distributed in May of 2022, therefore the February amounts were not reflective of the prorated annual amount.

Table 3 below was presented with the Committee, it showed adopted General Fund revenues for FY2021-22 along with a snapshot of amount collected as of February 2022.

Table 3 – Fiscal Year 2021-22 General Fund Revenue

	FY 2021-22 Adopted Budget	FY 2021-22 Year-to-Date (Feb 2022)
Property Taxes ¹	\$ 53,967	\$ 32,154
Sales Tax-Bradley Burns ²	24,405	9,306
Sales Tax-Measure O ²	21,811	8,871
TOT	10,500	11,449
Other Revenues	44,354	8,629
Total	\$ 155,037	\$ 70,409

¹ Includes Motor Vehicle In-lieu Fee

² Payments through December 2021

FY2021-22 expenditure budget and actual amounts recorded as of February 2022 were also presented to the Committee as shown in Table 4 below.

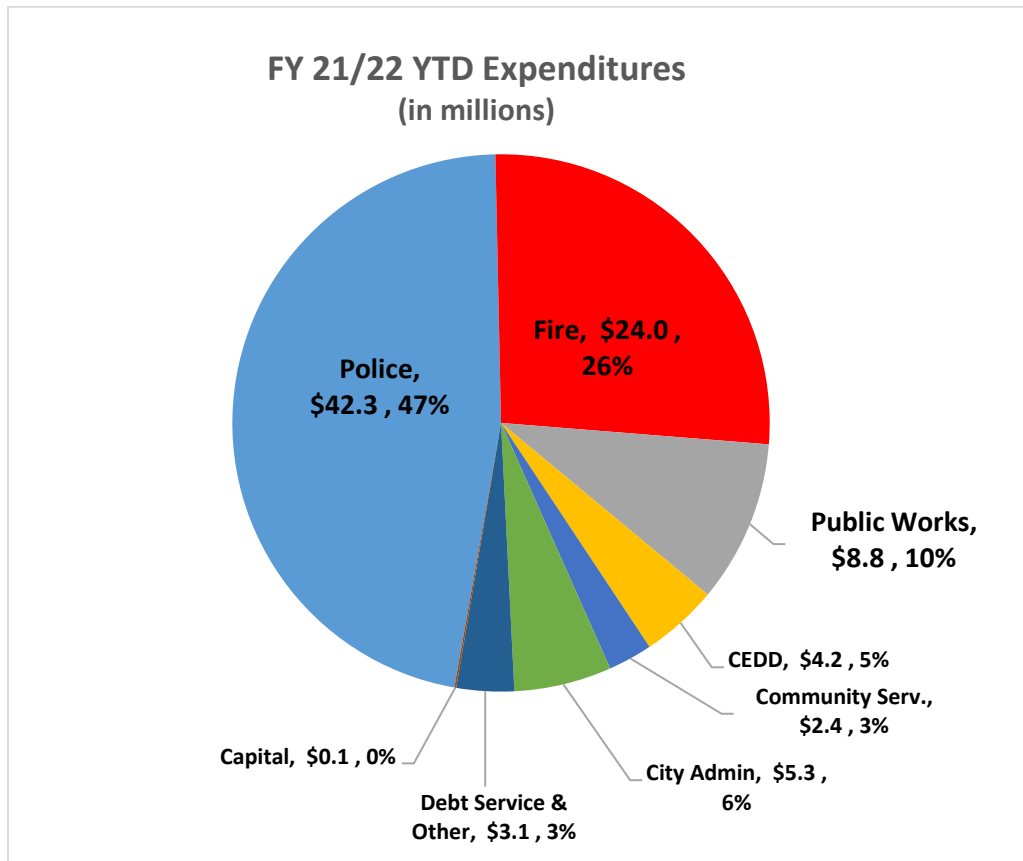
Table 4 – Fiscal Year 2021-22 General Fund Budget –Expenditure

Expenditures Category	Adopted (\$000)	As of Feb. 2022 (\$000)
Fire	\$ 30,172	\$ 24,003
Police	70,386	42,271
City Manager	3,100	1,778
City Attorney	890	497
Community & Economic Dev.	8,000	4,203
Community Services	4,526	2,391
Finance	3,256	1,547
Human Resources	1,607	1,038
Information Technology	922	434
Public Works	51,775	10,582
Debt Service	1,511	1,511
Total General Fund	\$ 176,145	\$ 90,255

On the expenditure side, staff has worked diligently to stay within budget. One-time funds such as the State and Local Fiscal Recovery Fund were committed to one-time uses that have long-lasting positive impact to our community. Included in the Public Works adopted budget amount were \$17.5 million committed to the street pavement program, and another \$17.5 million for the civic center/public safety facility project. As staff carry out these projects over the next few years, unspent funds are committed to the projects, and will not be diverted to cover potential shortfall in recurring operating costs.

As of February 2022, actual reported expenditures by category was shared with the Committee as shown in Graph 3 below. Public Safety spending occupied 73.2% of total General Fund expenditures.

Graph 3 – General Fund Expenditures as of February 2022



Committee Findings and Recommendations

The Measure O – Citizen’s Oversight Committee has reviewed the audited financial data for FY 2020-21, and budget information for the Fiscal Years 2021-22 at mid-year. The Committee concludes the following:

- The audited financial information presented for FY 2020-21 properly reflects the Measure O – Public Safety and Vital City Services tax was collected and appropriately spent.
- The City’s General Fund FY 2021-22 budget and five-year Capital Improvement Plan, as well as the mid-year performance indicators protect and maintain the City’s core services including public safety.

The Committee recommends staff to continue:

- Review future years’ audited annual financial information which includes Measure O tax revenue and expenditures;
- Review General Fund revenue sources and budget allocations; and
- Update the Committee periodically on General Fund revenue and expenditures to ensure a clear system of accountability.