

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 2022-23
Date: October 23, 2023

OBJECTIVE

To present to City Council the Measure O Citizen’s Oversight Committee annual report for Fiscal Year 2022-23 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 2022-23

- Two Committee meetings were held during FY 2022-23:

October 19, 2022 Meeting

- Reviewed the draft Measure O annual report to City Council for Fiscal Year (FY) 2021-22;
- Reviewed FY 2021-22 unaudited General Fund financial data;

- Reviewed the amended FY2022-23 biennial budget for the General Fund; and
- Discussed other matters including impact of federal interest rate hike to the City, the operating cost and funding source of the Navigation Center, and the public safety spending in relation to the overall General Fund operating budget.

March 6, 2023 Meeting

- Reviewed Chapter 2.02 of the Garden Grove Municipal Code on Code of Ethics for Public Officers and Employees;
- Reviewed FY 2021-22 audited General Fund financial information;
- Reviewed FY 2022-23 mid-year General Fund financial performance; and
- Discussed other matters including the progress of the Central Cities Navigation Center, the development of major hotel projects, and the potential environmental impact of the construction of the public safety facility.

Audited Financial Information for Fiscal Year 2021-22

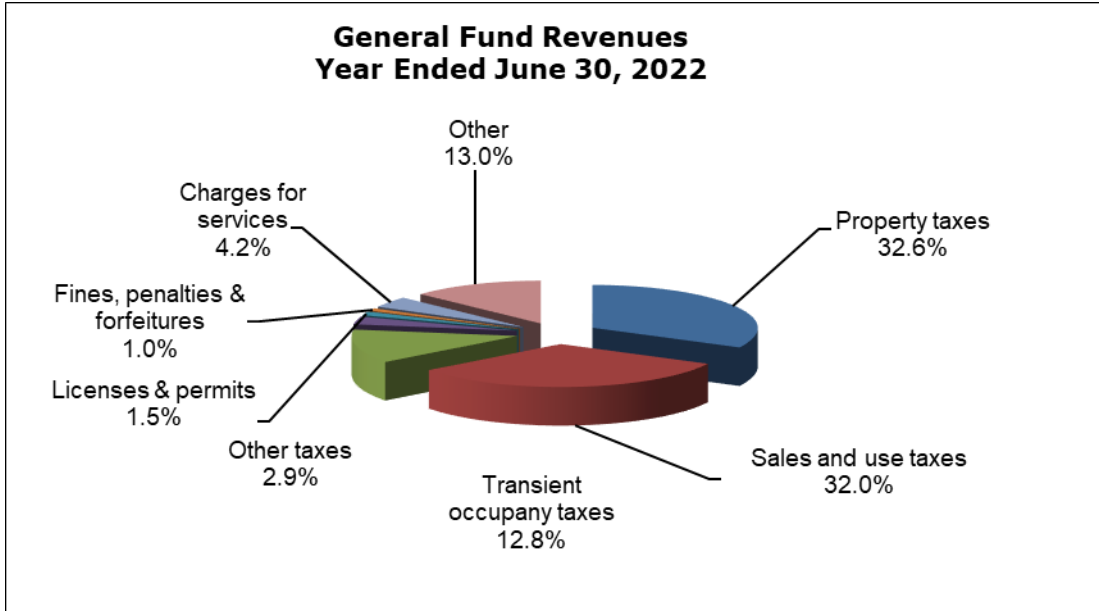
Staff presented to the Committee FY 2021-22 audited revenue and expenditure of the City’s General Fund. The General Fund as presented in the City’s Annual Comprehensive Financial Report (Financial Report) includes the City’s main operating fund (the General Fund), Economic Development Fund, Tourism Improvement District Funds, Land Sale Proceeds Fund, and Deposits Fund.

Table 1 below summarizes the City’s overall General Fund revenues. In FY2021-22, the City received approximately \$28.9 million from the one-cent sales tax from Measure O, which was an increase of \$5.6 million from the prior fiscal year.

Table 1 – General Fund Revenues - Audited

Revenue Description	FY 2021-22 (\$000)
Sales Tax – Bradley-Burns	\$ 29,860
Measure O	28,910
Property Tax	59,773
Hotel Tax (TOT)	23,421
Other Taxes	5,391
Licenses & Permits	2,705
Fines, Forfeits & Penalties	1,859
Charges for Current Services	7,671
Other	23,804
Total General Fund	<u>\$ 183,394</u>

Graph 1 – General Fund Revenue by Category

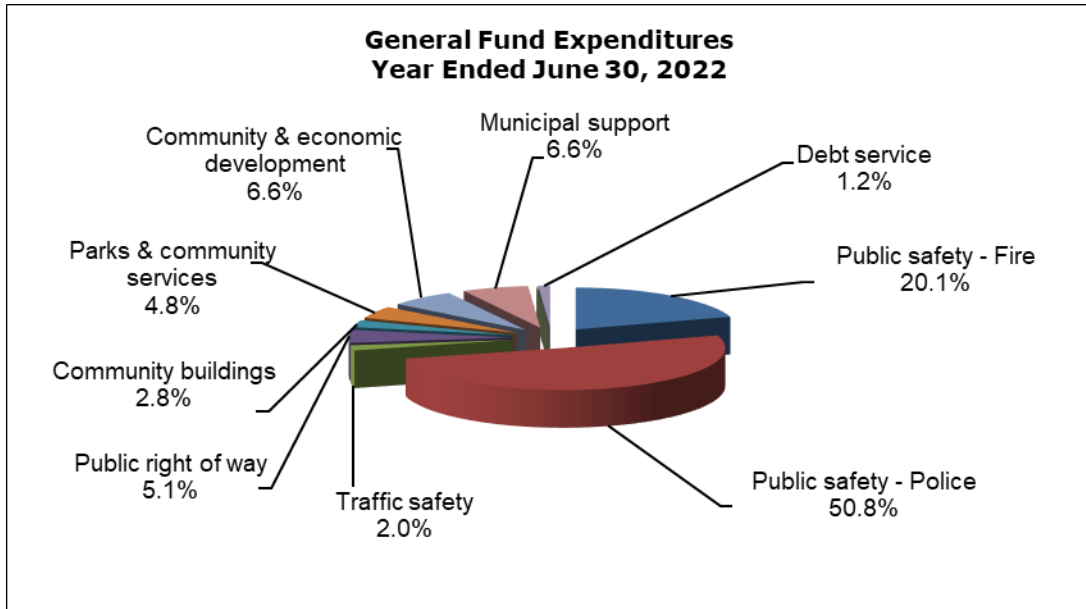


Total General Fund expenditures for the same fiscal year was \$134.2 million, of which 70.9% was for public safety. Comparing to the previous fiscal year, expenditure on police safety increased by 2.4 million. Table 2 below summarizes the City’s General Fund audited expenditures for FY 2021-22.

Table 2 – General Fund Expenditures - Audited

Expenditure Category	FY 2021-22 (\$000)	% of Total
Public Safety - Fire	\$ 26,975	20.1%
Public Safety - Police	68,181	50.8%
Traffic Safety	2,709	2.0%
Public Right of Way	6,781	5.1%
Community Buildings	3,713	2.8%
Parks & Community Services	6,407	4.8%
Community & Economic Dev.	8,916	6.6%
Municipal Support	8,856	6.6%
Debt Service	1,634	1.2%
Total Expenditure	\$ 134,172	100.0%

Graph 2 – General Fund Expenditure by Type



Amended General Fund Budget FY 2022-23

The Committee reviewed the City's amended FY 2022-23 General Fund Budget.

Amended revenue showed a total increase of \$11.4 million from the adopted budget. Sales tax has been realizing growth exceeding the pre-pandemic levels. While high inflation is causing the economy to show signs of slowing down, it does provide for additional tax collection related to higher prices. The City's revenue consultant increased their previous estimate by 17.2% for FY2022-23. Measure O was expected to bring in \$27.1 million to the City for the year.

Property tax also had an upward adjustment of \$2.7 million, largely due to the trend of higher prices and more active real estate market in the City.

Transient Occupancy Tax, or hotel tax, was amended to be at 85% level of the City's pre-pandemic peak based on strong performances during the last quarter of the previous fiscal year.

Other General Fund revenues were maintained at the same level with the adopted amounts.

Table 3 below is a summary of adopted and amended General Fund revenues for FY2022-23.

Table 3 – Fiscal Year 2022-23 General Fund Budget - Revenue

Revenue Description	Adopted (\$000)	Amended (\$000)
Sales Tax – Bradley-Burns	\$ 25,393	\$ 29,237
Measure O	22,694	27,133
Property Tax	55,631	58,362
Hotel Tax (TOT)	21,300	22,342
Other Taxes	5,100	5,100
Licenses & Permits	3,000	3,000
Fines, Forfeits & Penalties	2,300	1,800
Charges for Current Services	6,288	5,657
Investment Earnings	570	1,000
Other	3,000	3,012
Total General Fund	\$ 145,276	\$ 156,643

Table 4 below shows adopted and amended expenditure budget by category for FY2022-23.

Table 4 – Fiscal Year 2022-23 General Fund Budget – Operating Expenditure

Expenditures Category	Adopted (\$000)	Amended (\$000)
Fire	\$ 31,737	\$ 30,917
Police	72,301	76,136
City Manager	3,228	3,501
City Attorney	908	971
Community & Economic Dev.	7,942	9,570
Community Services	4,661	4,944
Finance	3,347	3,570
Human Resources	1,619	1,715
Information Technology	948	999
Public Works	17,359	17,946
Debt Service	1,510	1,510
Total General Fund	\$ 145,560	\$ 151,779

Operating budget for the General Fund increased by \$6.2 million in the amended budget to cover a 7.0% inflation adjustment as well as some mandated costs. Appropriations for public safety occupied 70.8% of total amended General Fund's operating budget.

For capital outlays, appropriations increased by \$17.4 million, among which \$7.0 million were designated for the acquisition of a navigation center, and \$8.3 million for the public facilities project, specifically Police Headquarters/Civic Center. The increase in appropriations were necessary to carry out City Council priorities, and was enabled by higher revenues and the one-time pandemic relief funds.

Committee Findings and Recommendations

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

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

The Committee recommends staff to continue:

- Review Fiscal Year 2022-23 audited annual financial information and report on Measure O tax revenue collected and expenditures for public safety and other vital services;
- Review General Fund operating budget allocations; and
- Update the Committee as needed on Fiscal Year 2023-24 General Fund revenue and expenditures to ensure an appropriate and transparent financial system is in place to account for the funds generated by the Measure O tax.