

Fiscal Years
2021/22
and
2022/23

City of
Fontana

Proposed Budget Overview
Presentation to City Council
June 8, 2021

Agenda



- **Economic Update**
- **The State Budget**
- **Budget Overview**
- **Proposed Operating Budget**
- **Capital Improvement Program (CIP)**
- **Ongoing Challenges**
- **Conclusion**

Economic Update

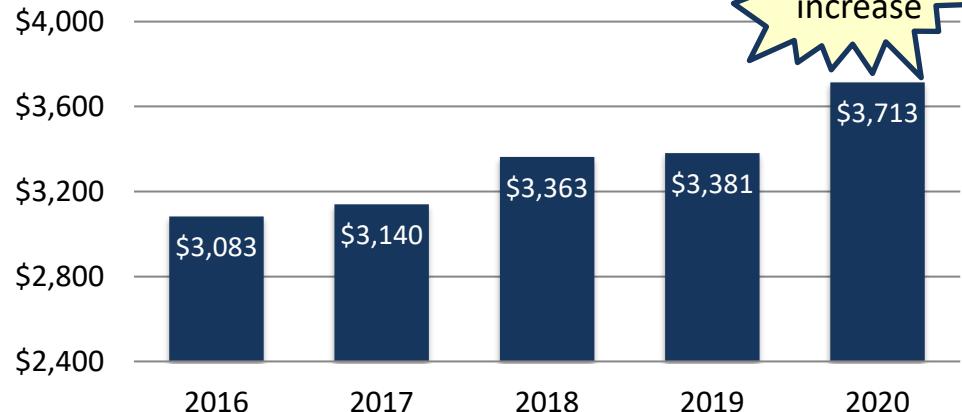


- **Population**
 - Estimate for 1/1/2021: **213,944**
 - Estimate for 2022: **216,198**
- **Income**
 - Average household income: **\$92,830** (*down 2.3%*)
- **Home prices**
 - Median price existing homes: **\$470,082** (*up 9.4%*)
 - Median price new homes: **\$517,790** (*up 2.1%*)
- **Assessed valuation: \$22.4 billion** (*up 6.4%*)
- **Housing permits: 875 to date** (*up 251*)

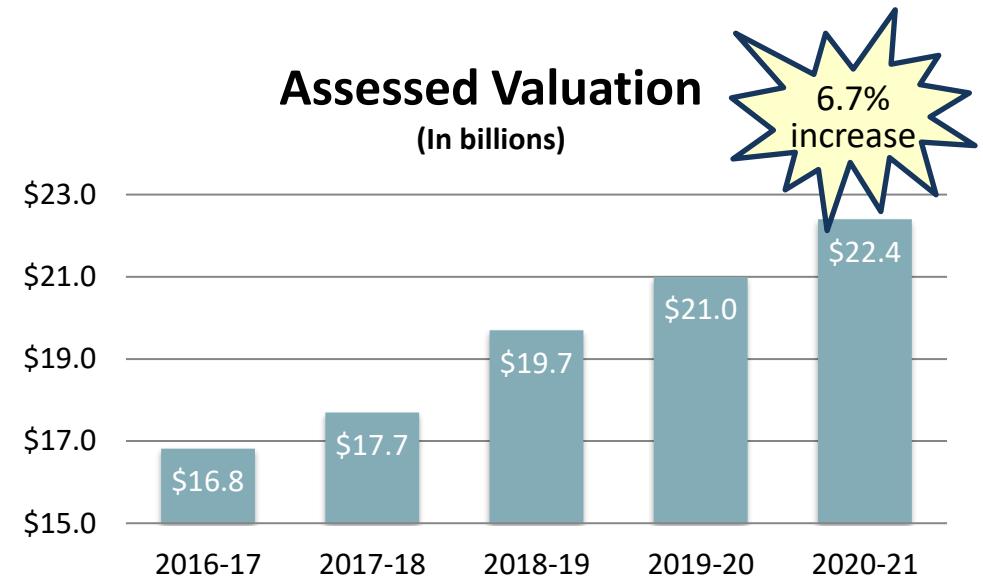
10% Gap

Fontana's Economic Report Card

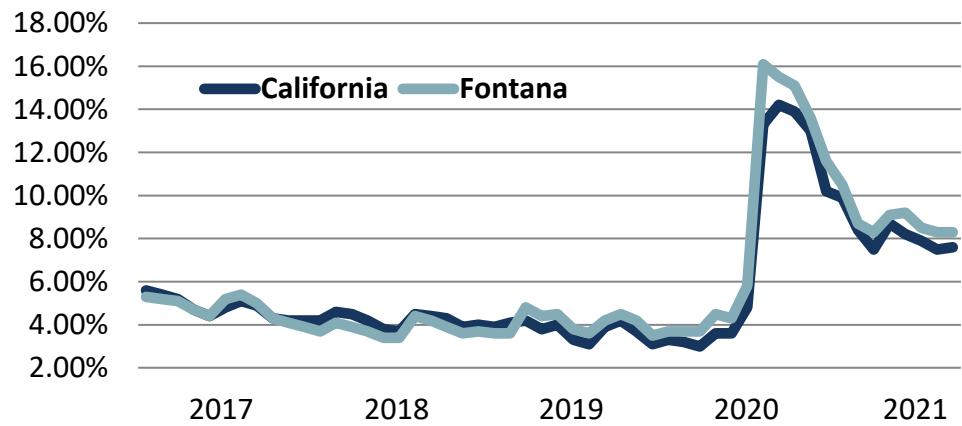
Retail Sales
(In millions)



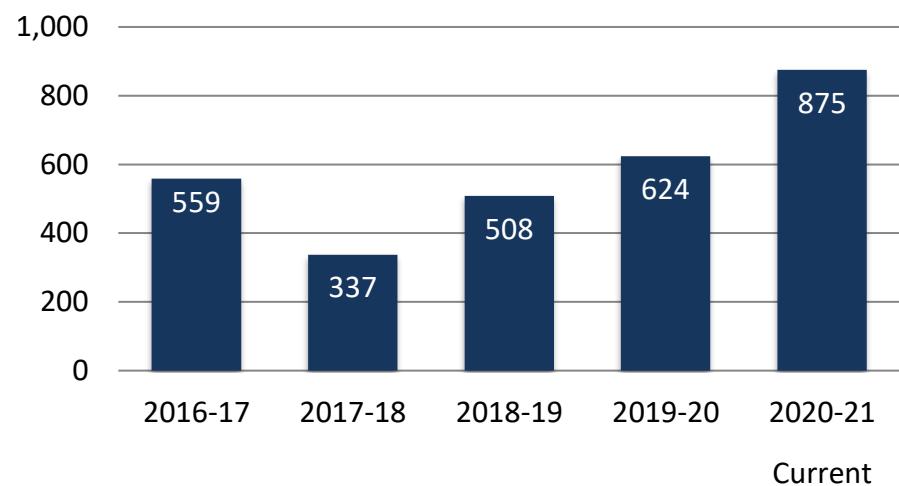
Assessed Valuation
(In billions)



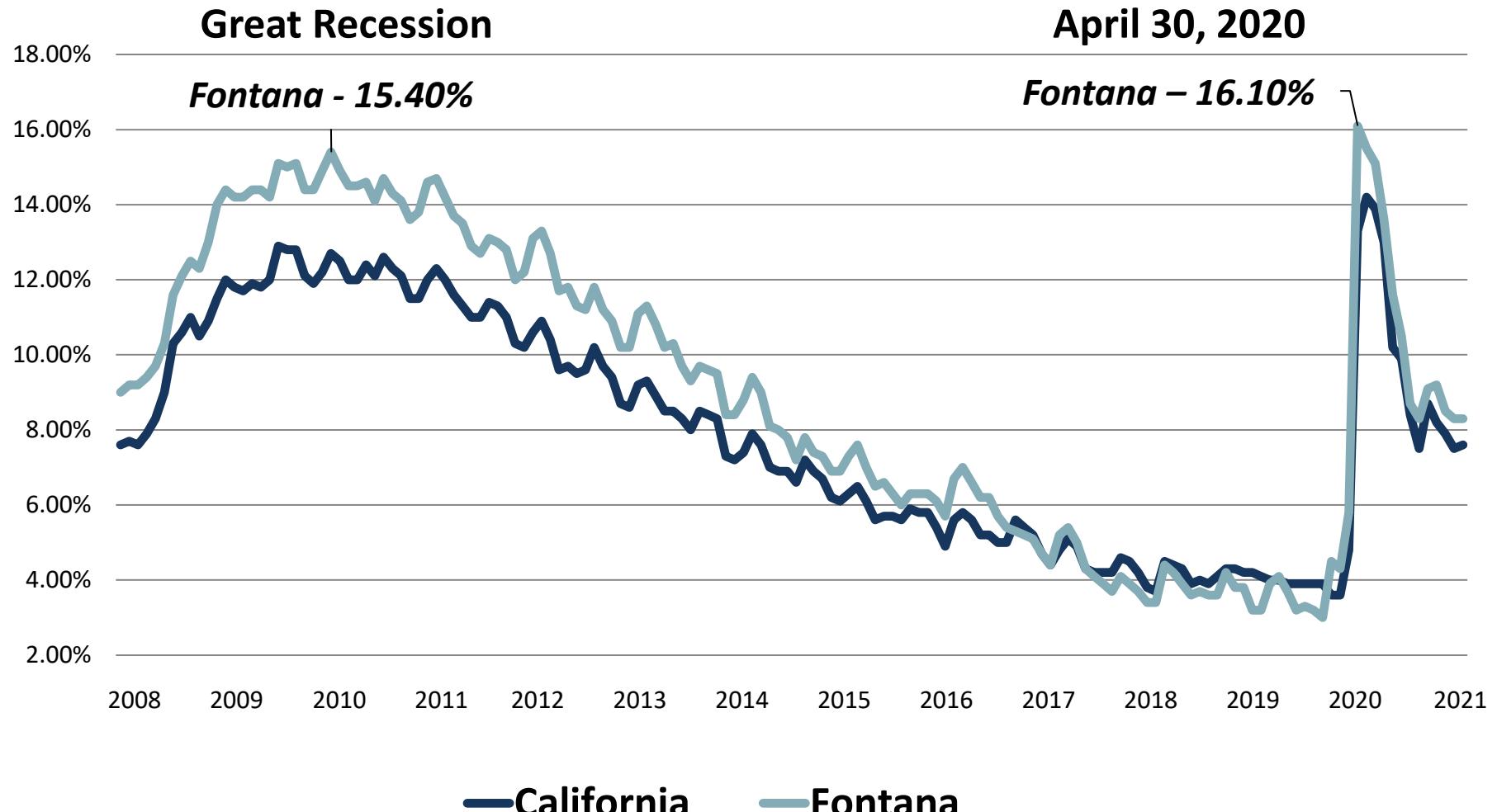
Unemployment Rate



Single Family Dwelling Permits



Unemployment Rate



The State Budget

The Governor's May Revise:

- Projects \$76 billion surplus, compared to \$54 billion deficit one year ago
- Combines with \$25 billion in federal relief to support \$100 billion California Comeback Plan
- Includes \$24 billion in reserves
- Continues pay down of long-term retirement liabilities
- Automatically ends some employee compensation reductions and pay deferrals
- Contemplates exceeding the tax revenue cap which will trigger allocation between schools and taxpayer refunds
- Structural deficit increasing to over \$11 billion by 2024/25



Budget Overview

What's new this year?



- **Two-year budget**
 - Saves staff time
 - Shifts focus to longer-term thinking
 - Opportunity to make adjustments both quarterly and through the second-year rollover process
- **New Mission Statement**
- **Updated Goals and Objectives**

Budget Overview

The following principles were established to guide development of the current year budget, and will continue through the next two years



- Preserve and protect the City's full-time staff – key element to going forward after crisis
- Reduce discretionary services, supplies and project spending – recreation programs, non-critical one-time projects
- Manage the budget on a quarter-by-quarter basis – navigate economic recovery and prepare for unforeseen issues

Proposed Operating Budget 2021/22

Revenues
\$277.0 million

Property Tax	\$ 99,721,400	36.0%
Sales Tax	47,130,000	17.0%
Interest & Rentals	7,134,950	2.6%
Business Related	7,012,000	2.5%
Franchise Fees	7,610,000	2.7%
Development Related	30,641,500	11.1%
Recreation	2,887,590	1.0%
Motor Vehicle In-Lieu	1,000,000	0.4%
Other Revenues	66,356,500	24.0%
Reimbursables	1,939,550	0.7%
From Other Agencies	<u>5,562,800</u>	<u>2.0%</u>
	<u><u>\$ 276,996,290</u></u>	<u><u>100.0%</u></u>

Expenditures
\$277.0 million

Personnel Services	\$ 109,848,140	39.6%
Operating Costs	26,585,340	9.6%
Contractual Services	87,299,140	31.5%
Internal Svc Charges	12,457,730	4.5%
Capital Expenditures	31,774,870	11.5%
Debt Service	3,235,310	1.2%
Other Financing Uses	637,540	0.2%
To Other Agencies	<u>5,164,800</u>	<u>1.9%</u>
	<u><u>\$ 277,002,870</u></u>	<u><u>100.0%</u></u>

Results from Operations
\$0.0 million

Proposed Operating Budget 2022/23

Revenues
\$284.6 million

Property Tax	\$ 102,088,720	35.9%
Sales Tax	48,206,100	16.9%
Interest & Rentals	6,987,260	2.4%
Business Related	7,062,200	2.5%
Franchise Fees	7,735,000	2.7%
Development Related	31,837,700	11.2%
Recreation	3,966,690	1.4%
Motor Vehicle In-Lieu	1,000,000	0.3%
Other Revenues	68,492,560	24.1%
Reimbursables	1,587,150	0.6%
From Other Agencies	5,651,150	2.0%
	<u>\$ 284,614,530</u>	<u>100.0%</u>

Expenditures
\$257.5 million

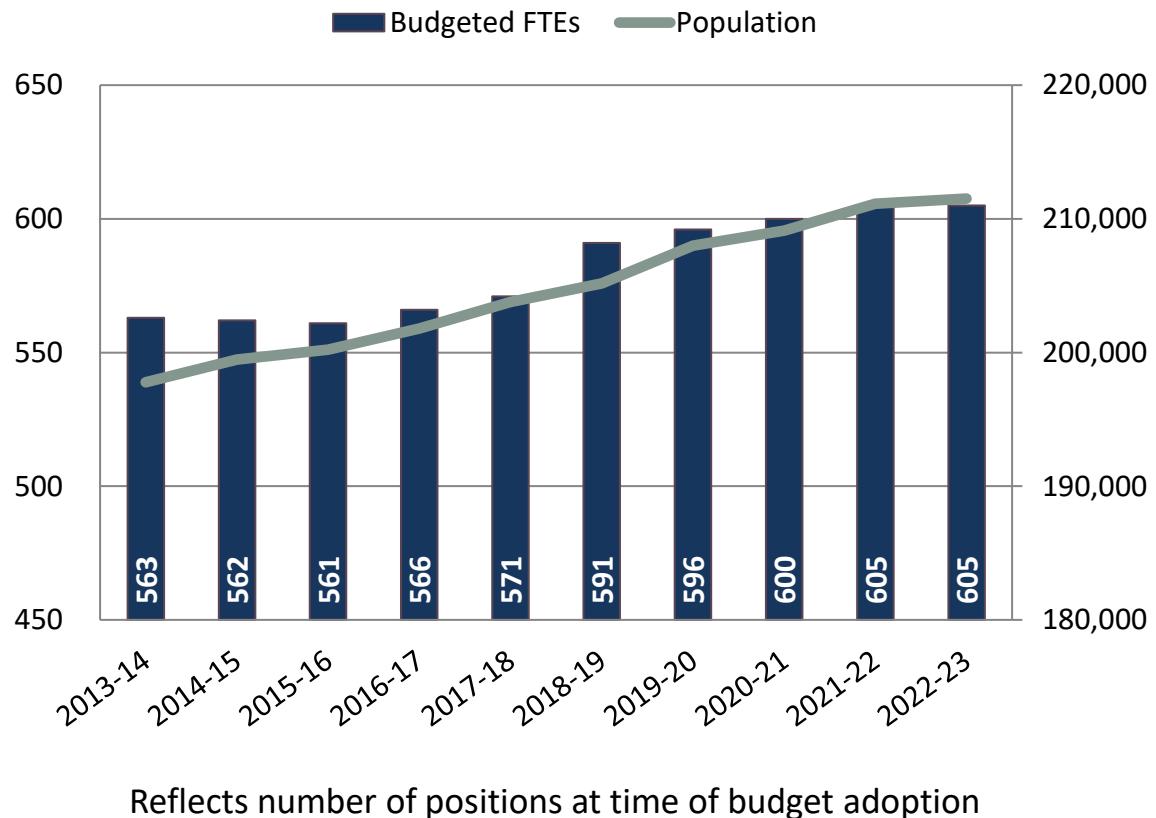
Personnel Services	\$ 113,704,640	44.2%
Operating Costs	26,175,000	10.2%
Contractual Services	84,408,080	32.8%
Internal Svc Charges	12,457,730	4.8%
Capital Expenditures	11,616,490	4.5%
Debt Service	3,231,480	1.3%
Other Financing Uses	637,540	0.2%
To Other Agencies	<u>5,249,540</u>	<u>2.9%</u>
	<u>\$ 257,480,500</u>	<u>100.0%</u>

Results from Operations
\$27.1 million

Organizational Changes



Due to continuing economic uncertainty, no new positions are being proposed for Fiscal Year 2021/22 or 2022/23



Five new grant-funded Police Officer positions were added during the current year after budget adoption.

Five vacant Police Officer positions have been carried over from the current fiscal year and will only be filled if the VLF revenues are restored.

General Fund Summary



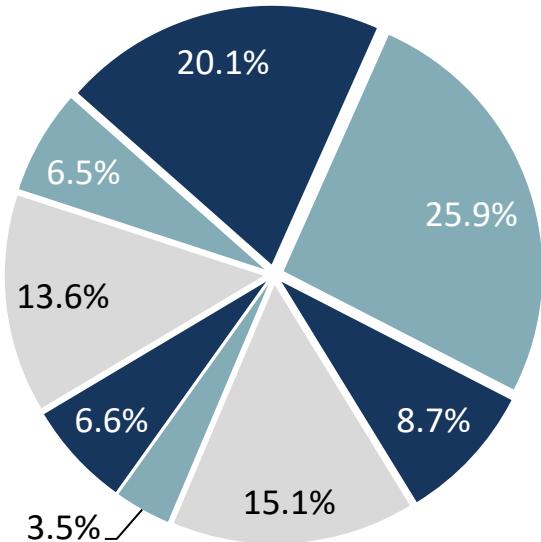
	Fiscal Year 2021-22	Fiscal Year 2022-23
15% Contingency Reserve beginning balance	<u>\$ 15,884,000</u>	<u>\$ 16,505,000</u>
 Sources of funds:		
Estimated revenues	119,887,910	123,360,510
Transfers in	<u>11,469,370</u>	<u>11,613,510</u>
 Total sources of funds	<u>131,357,280</u>	<u>134,974,020</u>
 Uses of funds:		
Appropriations	110,031,890	113,617,710
Transfers out	<u>20,704,390</u>	<u>20,818,310</u>
 Total uses of funds	<u>130,736,280</u>	<u>134,436,020</u>
 15% Contingency Reserve ending balance	<u>\$ 16,505,000</u>	<u>\$ 17,043,000</u>

General Fund - Revenue Comparison

	Current FY 2020-21	Proposed FY 2021-22	Percent Change	Proposed FY 2022-23	Percent Change
Sales tax	\$ 39,000,000	\$ 47,130,000	20.8%	\$ 48,206,100	2.3%
Property tax	30,760,000	31,981,550	4.0%	32,745,000	2.4%
Interest & rentals	4,283,610	3,933,540	-8.2%	3,785,850	-3.8%
Franchise fees	7,000,000	7,000,000	0.0%	7,100,000	1.4%
Business related	6,498,500	7,012,000	7.9%	7,062,200	0.7%
Development related	10,124,800	10,410,500	2.8%	10,682,200	2.6%
Recreation	1,285,250	2,887,590	124.7%	3,966,690	37.4%
Motor vehicle in-lieu	1,000,000	1,000,000	0.0%	1,000,000	0.0%
Other revenues	3,071,180	2,650,880	-13.7%	2,912,870	9.9%
Reimbursables	1,570,850	1,603,150	2.1%	1,543,550	-3.7%
From other agencies	<u>4,253,200</u>	<u>4,278,700</u>	0.6%	<u>4,356,050</u>	1.8%
	<u>\$ 108,847,390</u>	<u>\$ 119,887,910</u>	10.1%	<u>\$ 123,360,510</u>	2.9%

Sales Tax -

FY 2021-22: \$47.1 million – 39.3%
 FY 2022-23: \$48.2 million – 39.1%



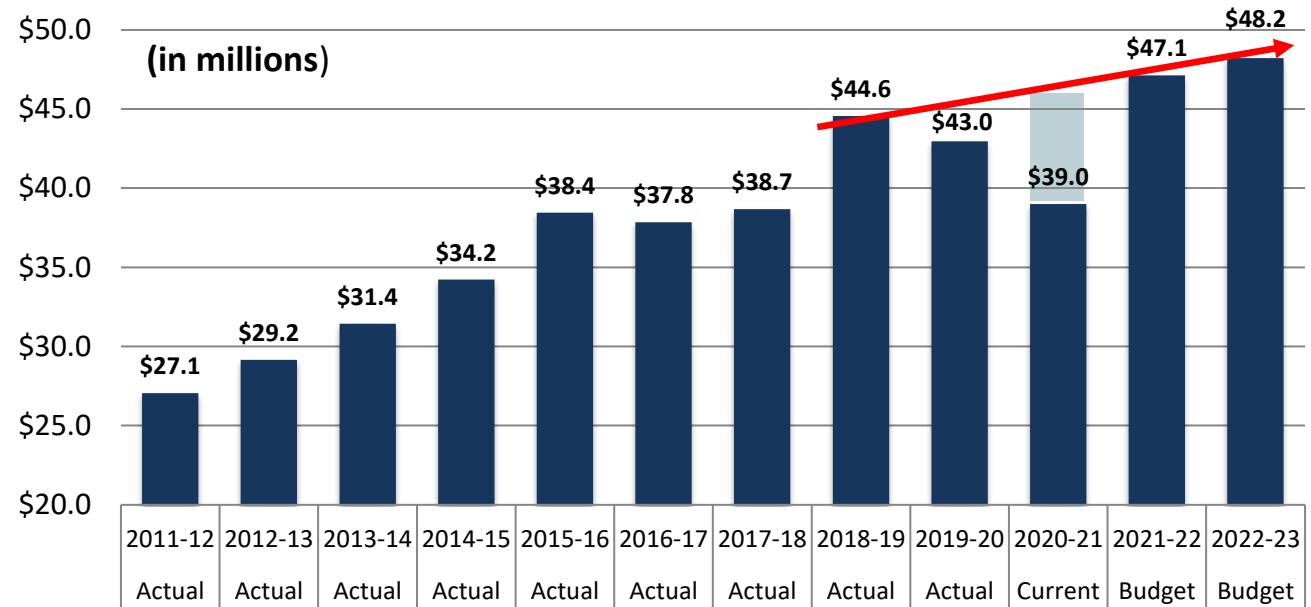
Autos/Transportation	25.9%
Building/Construction	8.7%
Business/Industry	15.1%
Food/Drugs	3.5%
Fuel/Service Stations	6.6%
General Consumer Goods	13.6%
Restaurants/Hotels	6.5%
State & County Pools	20.1%

Fontana's Top 25 Sales Tax Producers

American Hotel Registry
 Brown Strauss Steel
 Burrtec Waste Group
 Costco
 Design Space Mod Bldgs
 Dyson Direct
 Flying J Travel Centers
 Fontana Mazda

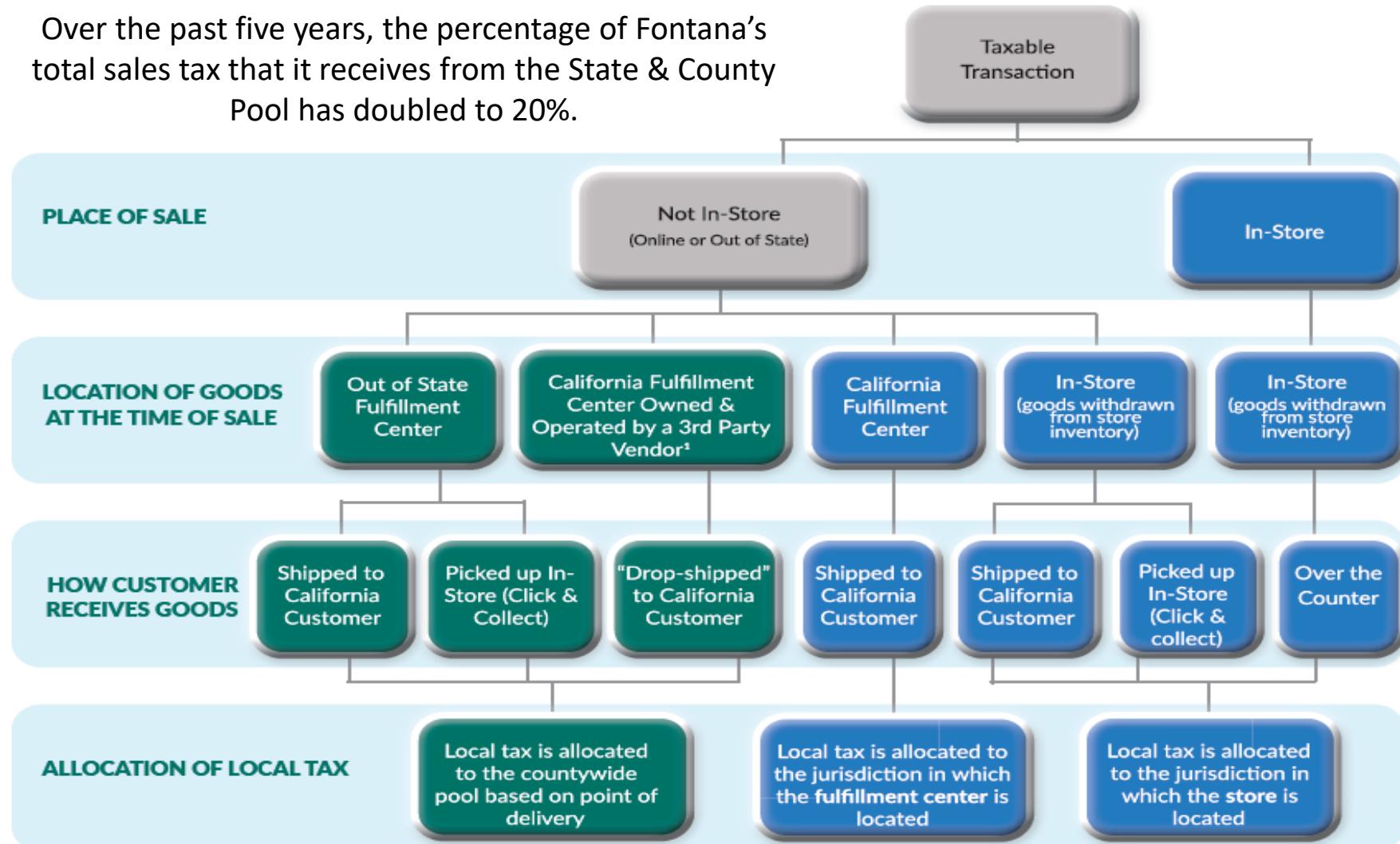
Fontana Nissan
 Fontana Truck Stop
 Home Depot
 HSN
 Lowes
 Pacific Auto Center
 Rock Honda
 Ross
 Rotolo Chevrolet

Rush Truck Center
 Stater Bros
 Sunrise Ford
 Target
 Thompson Bldg Mat'l's
 Utility Vault
 Valley Kia
 Walmart



Tax Allocation Guideline

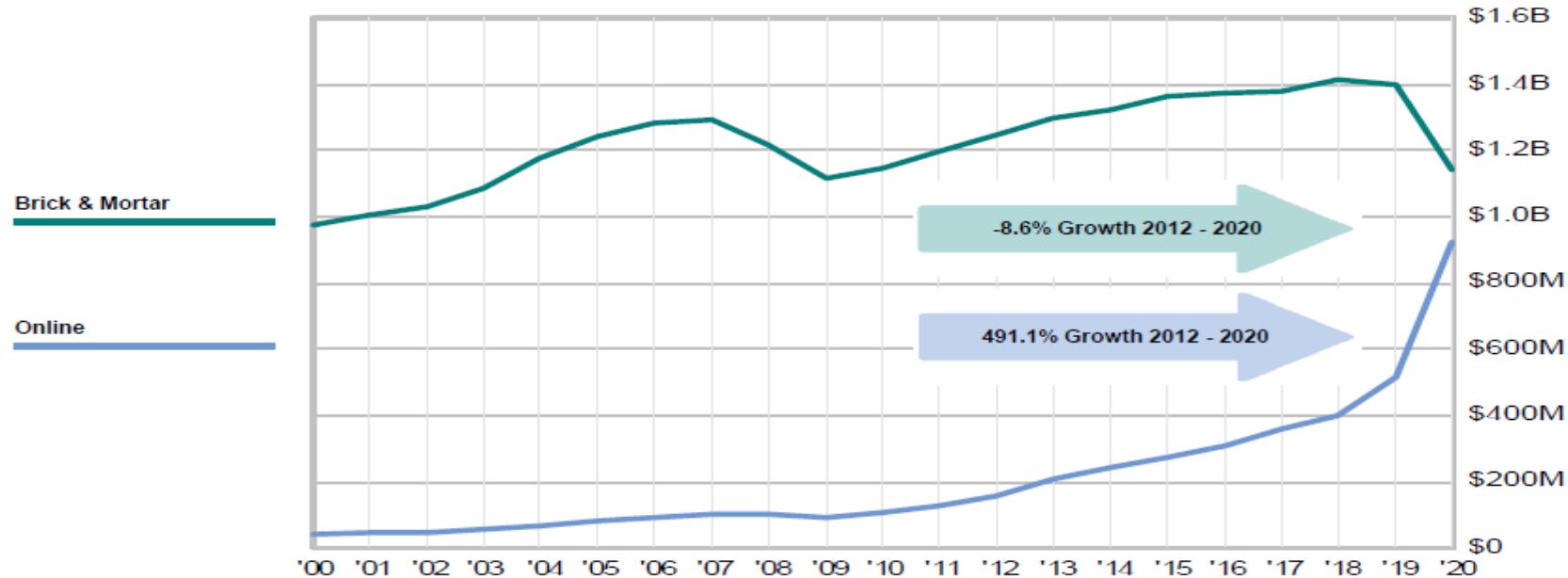
Over the past five years, the percentage of Fontana's total sales tax that it receives from the State & County Pool has doubled to 20%.



This chart is designed to show general scenarios that can impact the California local (1%) sales and use tax allocation. This chart does not exhaust all the sales and use tax law nuances that may determine a taxpayers filing status but rather focuses on the most common processes from sale to delivery.

Brick & Mortar vs Online Sales

Statewide General Consumer Goods from Place-of-Sales Locations
Local 1% Sales Tax by Calendar Year



September 2012: AB 155 requires out-of-state retailers to collect and remit local tax

April 2019: AB 147 (Wayfair Decision) requires out-of-state online retailers, and specifically marketplace facilitators, to collect and remit local tax

March 2020: Covid-19 Pandemic related “shelter-in-place” directive issued significantly impacting brick and mortar business and pushing consumers to buy online

Property Tax -

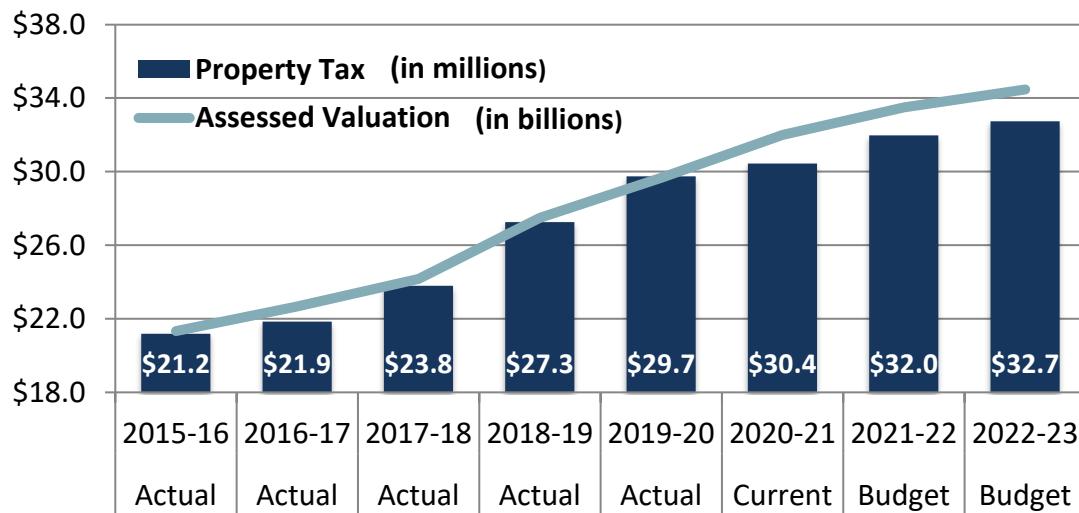
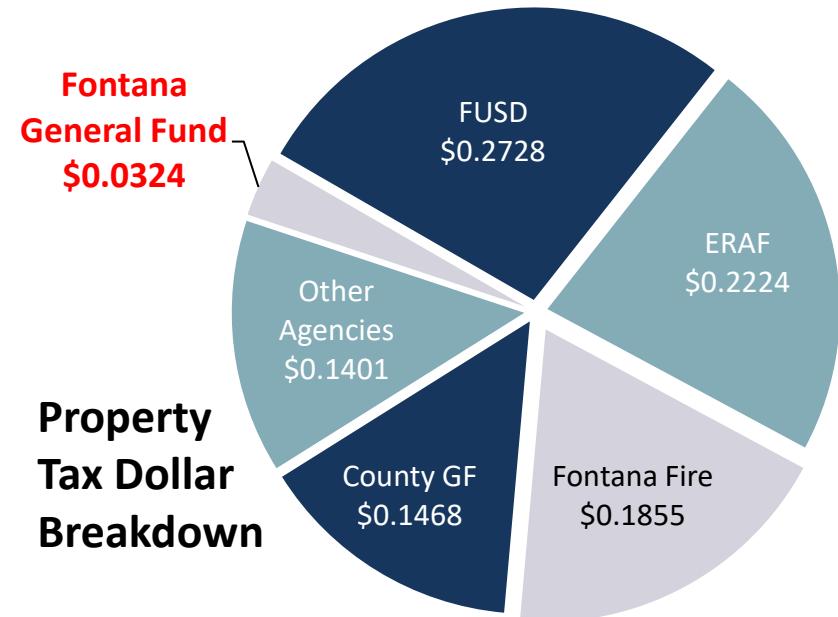
FY 2021-22: \$32.0 million – 26.7%
 FY 2022-23: \$32.8 million – 26.5%

Top Ten Property Taxpayers

Duke Realty LP
 San Gabriel Valley Water Company
 Vintage Park East LLC
 Target Corporation
 Sierra Lakes Commerce LLC
 Citrus Avenue LLC
 Prologis USLV NEWCA 1 LLC
 Francisco Street LP
 Intex Properties Inland Empire Corp
 DCT Jurupa Ranch LLC

Primary Use

Industrial
 Miscellaneous
 Industrial
 Industrial
 Industrial
 Industrial
 Industrial
 Industrial
 Industrial
 Industrial



Proposed Budget:

	Fiscal Year 2021-22	Fiscal year 2022-23
Property Tax (1%)	\$3,125,000	\$3,225,000
Prop Tax in Lieu of VLF	24,333,500	25,000,000
Other Property Tax	3,000,000	3,000,000
Property Transfers	1,100,000	1,100,000
Other Property Tax	423,050	420,000
	<u>\$31,981,550</u>	<u>\$32,745,000</u>

General Fund – Exp Category Comparison

	Current FY 2020-21	Proposed FY 2021-22	Percent Change	Proposed FY 2022-23	Percent Change
Personnel services	\$ 81,845,175	\$ 85,233,530	4.1%	\$ 88,569,830	3.9%
Operating costs	4,482,070	4,618,630	3.0%	4,747,900	2.8%
Contractual services	10,096,557	10,164,400	0.7%	10,354,380	1.9%
Internal svc charges	8,212,650	8,891,930	8.3%	8,891,930	0.0%
Capital expenditures	262,765	207,860	-20.9%	127,130	-38.8%
Other financing uses	978,540	637,540	-34.8%	637,540	0.0%
To other agencies	<u>72,260</u>	<u>278,000</u>	284.7%	<u>289,000</u>	4.0%
	<u>\$ 105,950,017</u>	<u>\$ 110,031,890</u>	3.9%	<u>\$ 113,617,710</u>	3.3%

Personnel services = 78% both years

PERS retirement costs = 19% and 20%

General Fund - Departmental Comparison

	Current FY 2020-21	Proposed FY 2021-22	Percent Change	Proposed FY 2022-23	Percent Change
City Administration	\$ 4,499,676	\$ 4,013,460	-10.8%	\$ 3,889,790	-3.1%
Human Resources	1,156,465	1,178,000	1.9%	1,191,030	1.1%
Admin Services	308,500	425,970	38.1%	328,700	-22.8%
City Clerk	906,078	795,570	-12.2%	818,490	2.9%
Community Services	9,973,995	13,040,800	30.7%	14,933,760	14.5%
Info Technology	3,640,835	3,751,660	3.0%	3,873,710	3.3%
Management Services	3,056,845	3,043,730	-0.4%	3,120,890	2.5%
Development Services	804,475	802,460	-0.3%	812,590	1.3%
Building and Safety	-	2,077,310	N/A	2,134,980	2.8%
Planning	4,664,598	2,476,090	-46.9%	2,511,990	1.4%
Engineering	3,772,652	3,672,900	-2.6%	3,731,200	1.6%
Public Works	6,975,836	7,455,800	6.9%	7,386,950	-0.9%
Police	66,190,061	67,298,140	1.7%	68,883,630	2.4%
	<u>\$ 105,950,016</u>	<u>\$ 110,031,890</u>	<u>3.9%</u>	<u>\$ 113,617,710</u>	<u>3.3%</u>

General Fund – Reserves



	FY 2020-21 Adopted	FY 2021-22 Proposed	FY 2022-23 Proposed
Economic Uncertainty	\$8,514,643	\$8,514,643	\$8,514,643
Designated for ECB	-	-	-
PERS Rate Stability	4,398,620	5,869,393	5,869,393
15% Contingency	15,884,000	16,505,000	17,043,000
Total reserves	<u>\$28,797,263</u>	<u>\$30,889,036</u>	<u>\$31,427,036</u>
Percentage of expenditures	27%	28%	28%

Fire Protection District



- **County Fire Contract:**

- \$37.4 million

Increase of 13.4% over current year amended which includes MOU increases and additional staffing:

- 3 new FireFighter EMTs
 - 3 new FireFighter Paramedics

- **Capital Costs:**

- \$5,570,000
 - \$775,000
 - \$250,000
 - \$250,000

Station 80 training facility

Station 81 – medic engine

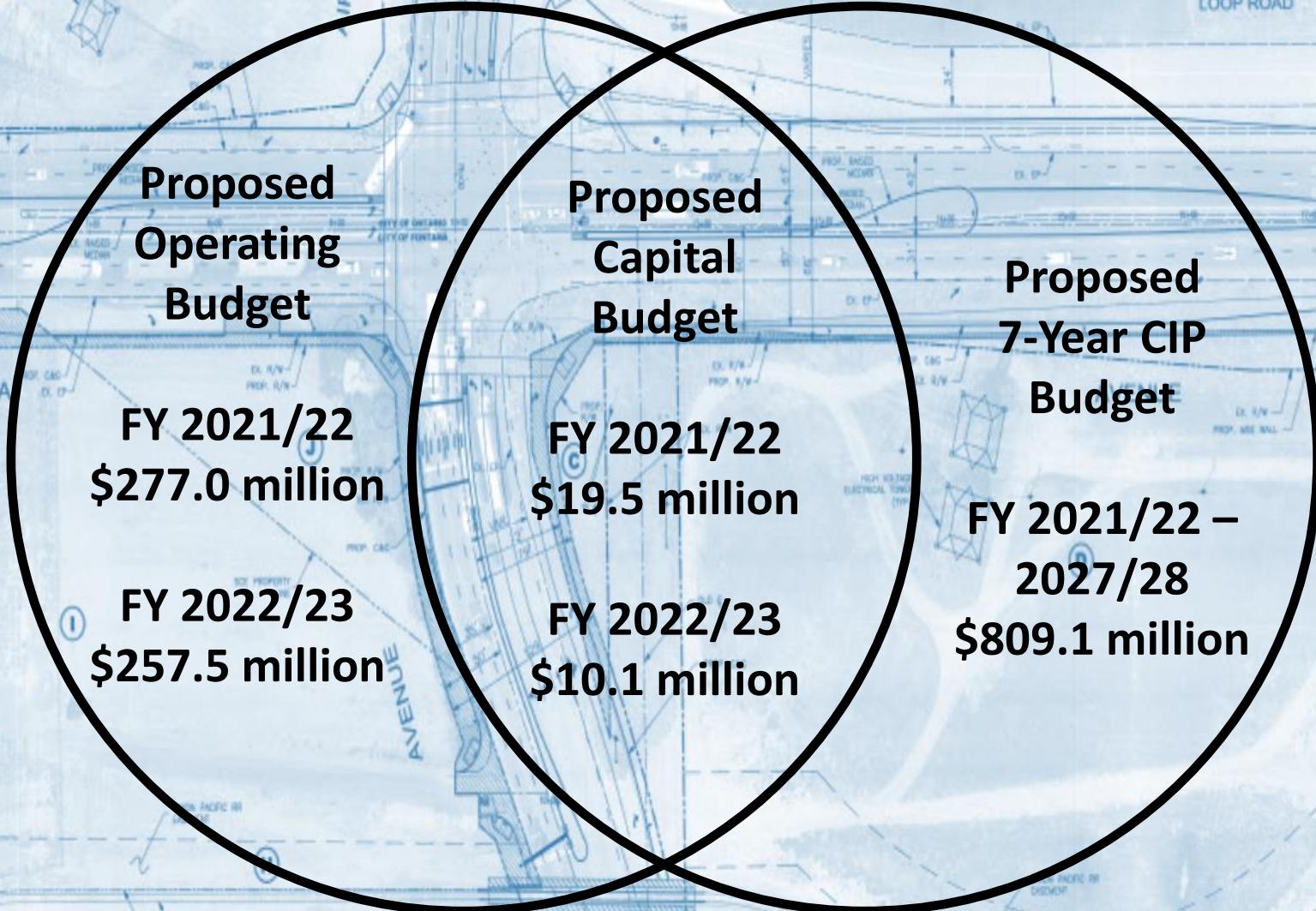
Station 72 – replace medic squad

Station 78 – replace medic squad

Fire Protection District

	Current FY 2020-21	Proposed FY 2021-22	Percent Change	Proposed FY 2022-23	Percent Change
<u>Revenues:</u>					
Property tax	\$ 39,300,000	\$ 49,440,000	25.8%	\$ 50,923,200	3.0%
Development related	870,000	870,000	0.0%	870,000	0.0%
Miscellaneous	20,000	20,000	0.0%	20,000	0.0%
Interest and rentals	180,000	109,000	-39.4%	109,000	0.0%
From other agencies	<u>1,078,360</u>	<u>1,284,100</u>	19.1%	<u>1,295,100</u>	0.9%
	<u>41,448,360</u>	<u>51,723,100</u>	24.8%	<u>53,217,300</u>	2.9%
<u>Expenditures:</u>					
Personnel services	\$ 423,440	\$ 1,589,710	275.4%	\$ 1,651,540	3.9%
Operating costs	5,970	5,000	-16.2%	5,000	0.0%
Professional services	33,126,530	37,474,230	13.1%	39,346,070	5.0%
Internal svc charges	-	170,730	N/A	170,730	0.0%
To other agencies	<u>3,867,400</u>	<u>3,686,800</u>	-4.7%	<u>3,760,540</u>	2.0%
	<u>37,423,340</u>	<u>42,926,470</u>	14.7%	<u>44,933,880</u>	4.7%
Revenues over expenditures	<u>\$ 4,025,020</u>	<u>\$ 8,796,630</u>		<u>\$ 8,283,420</u>	

Capital Improvement Program (CIP)



CIP – 2021-22 and 2022-23 Projects

Projects: (in millions)	Fiscal Year	Fiscal Year
	2021-22	2022-23
Pavement and sidewalk rehabilitation	\$ 2.50	\$ 3.00
Pavement and sidewalk rehabilitation (RMRA Funds)	4.15	4.15
Fire Station #80 training facility	5.57	-
Industrial sewer lift rehab	3.00	-
Tamarind sewer lift rehab	1.78	-
Alder-Locust Ramona SRTS	-	1.56
Santa Ana landscape median	0.70	-
Victoria Street AC sidewalk	0.36	-
Arrow/Tokay traffic signal	-	0.03
Sidewalk rehabilitation	0.30	0.30
Sawtooth/concrete	-	0.10
Hardware replacement program	1.15	0.92
	<u>\$ 19.51</u>	<u>\$ 10.06</u>

Additional Project Funding

■ **South Fontana Sports Park**

Total cost of project: \$17.3 million

Amount currently funded: \$10.648 million

Additional funding to fully fund project:

- \$4.584 million from CFD#90 bond issuance
- \$2.068 million from Community Benefit Contribution

■ **South Fontana Dog Park**

Total cost of project: \$500,000

Amount currently funded: None

Funding to fully fund project:

- \$500,000 from Community Benefit Contribution

Ongoing Challenges



- **COVID-19 Pandemic and the Economy**

- There is no historical reference from which to judge the length and depth of the effects of the COVID-19 pandemic on the City making it necessary to continue to manage the budget on a quarter-by-quarter basis.

- **City PERS Retirement Costs**

- Rates continue to rise claiming more and more General Fund resources.

- **Capital Reinvestment Program**

- The Pavement Management Report is being updated to evaluate the City's roads and identify the annual investment requirement.

Conclusion



The Proposed Budget . . .

- Includes revenue projections based on a recovering economy
- Preserves and protects the City's full-time staff
- Is balanced through continued operational savings
- Invests \$7.0 million for FY 2021-22 and \$7.5 million for FY 2022-23 in roads and sidewalks
- Funds ongoing contractual obligations
- Increases General Fund reserves to \$30.9 million in FY 2021-22 and \$31.4 million in FY 2022-23 (28% of appropriations)

Questions & Discussion