



FY 2021-22 Budget Adjustments & Initial ARPA Designation

City of Fullerton, CA
December 7, 2021



Budget Adjustment Decisions

Recommendation **Package A** Summary:

- City Council to take formal action to chose from the presented budget adjustment scenarios or provide another directive.
- City Council selection will modify the budget, initially use of ARPA monies for Revenue Replacement for government operations, and determine a resulting level of contingency reserve.

OR

Recommendation **Package B** Summary:

In the absence of a decision on a budget adjustment scenario, City Council is requested to:

- Formally obligate the use of initial ARPA monies as revenue replacement to budgeted government operation to maintain minimum contingency reserves, and direct staff to return for City Council to receive direction on use of remaining ARPA for non-budgeted projects/programs (up to \$8M).



Recommendation: Package A (Original Proposal)

- Selection of a Budget Adjustment Scenario
- Confirm Rank Order of Strategic Priorities
- Authorize City Manager to develop specific budget adjustments per rank order of strategic priorities and return to City Council for approval
- Subsequent agenda meeting for City Council to designate use of remaining ARPA monies not obligated for Revenue Replacement for non-budgeted projects/programs.



Summary of Scenarios with Corresponding Contingency Reserve Level Impacts

Scenario	ARPA – Revenue Replacement (Gov't Operations)	ARPA – Non-Budgeted Projects / Programs	Impact to Contingency Reserve Level
Scenario Status Quo: \$3.8M Vacancy Savings w/o Use of ARPA (No Addt'l Cuts; No ARPA for Gov't Operations)	\$0	\$32.7M	Reserves depleted by FY 22-23; Negative Fund Balance FY 23-24
Scenario 1: \$3.8M Vacancy Savings & ARPA for Revenue Replacement (No Addt'l Cuts)	\$19.4M	\$13.3M	~ 13%
Scenario 2: \$3.8M Vacancy Savings + Addt'l 2% & ARPA for Revenue Replacement	\$8.7M	\$24.0M	~ 13%+
Scenario 3: \$3.8M Vacancy Savings + Addt'l 5% & ARPA for Revenue Replacement	\$2.7M *	\$30.0M	~ 17%+
Scenario 4: \$3.8M Vacancy Savings & ARPA for Revenue Replacement at 17% Reserves (No Addt'l Cuts)	\$24.1M	\$8.6M	~ 17%

* ~\$700,000 for Revenue Replacement and ~\$2M for unforeseen COVID-19 Expenditures and ARPA administration.



Alternate Scenarios 5, 7, 9, 11, 13, 15, 17 at ~10%+ Contingency Reserves

Scenario	ARPA - Revenue Replacement (Gov't Operations) (millions)	ARPA - Non-Budgeted Projects/ Programs (millions)	Impact on Contingency Reserve Level
<u>Alternate Scenario 5:</u> \$0.0M Vacancy Savings + Addt'l 0.0% & ARPA for Revenue Replacement at 10% Reserves	\$32.7	\$0.0	FY25-26 Contingency Reserve <10%
<u>Alternate Scenario 7:</u> \$3.8M Vacancy Savings + Addt'l 1.0% & ARPA for Revenue Replacement at 10% Reserves	\$13.7	\$19.0	~13%+
<u>Alternate Scenario 9:</u> \$3.8M Vacancy Savings + Addt'l 1.5% & ARPA for Revenue Replacement at 10% Reserves	\$11.0	\$21.7	~13%+
<u>Alternate Scenario 11:</u> \$3.8M Vacancy Savings + Addt'l 2.5% & ARPA for Revenue Replacement at 10% Reserves	\$6.9	\$25.8	~14%+
<u>Alternate Scenario 13:</u> \$3.8M Vacancy Savings + Addt'l 3.0% & ARPA for Revenue Replacement at 10% Reserves	\$5.2	\$27.5	~14%+
<u>Alternate Scenario 15:</u> \$3.8M Vacancy Savings + Addt'l 3.5% & ARPA for Revenue Replacement at 10% Reserves	\$3.7	\$29.0	~14%+
<u>Alternate Scenario 17:</u> \$3.8M Vacancy Savings + Addt'l 4.0% & ARPA for Revenue Replacement at 10% Reserves	\$2.7*	\$30.0	~14%+

* ~\$700,000 for Revenue Replacement and ~\$2M for unforeseen COVID-19 Expenditures and ARPA administration.



Alternate Scenarios 6, 8, 10, 12, 14, 16, 18 at ~17%+ Contingency Reserves

Scenario	ARPA - Revenue Replacement (Gov't Operations) (millions)	ARPA - Non-Budgeted Projects/ Programs (millions)	Impact on Contingency Reserve Level
Alternate Scenario 6: \$0.0M Vacancy Savings + Addt'l 0.0% & ARPA for Revenue Replacement at 17% Reserves	\$32.7	\$0.0	FY25-26 Contingency Reserve <10%
Alternate Scenario 8: \$3.8M Vacancy Savings + Addt'l 1.0% & ARPA for Revenue Replacement at 17% Reserves	\$18.5	\$14.2	~17%+
Alternate Scenario 10: \$3.8M Vacancy Savings + Addt'l 1.5% & ARPA for Revenue Replacement at 17% Reserves	\$15.8	\$16.9	~17%+
Alternate Scenario 12: \$3.8M Vacancy Savings + Addt'l 2.5% & ARPA for Revenue Replacement at 17% Reserves	\$11.9	\$20.8	~17%+
Alternate Scenario 14: \$3.8M Vacancy Savings + Addt'l 3.0% & ARPA for Revenue Replacement at 17% Reserves	\$10.2	\$22.5	~18%+
Alternate Scenario 16: \$3.8M Vacancy Savings + Addt'l 3.5% & ARPA for Revenue Replacement at 17% Reserves	\$8.5	\$24.2	~18%+
Alternate Scenario 18: \$3.8M Vacancy Savings + Addt'l 4.0% & ARPA for Revenue Replacement at 17% Reserves	\$7.4	\$25.3	~18%+

* ~\$700,000 for Revenue Replacement and ~\$2M for unforeseen COVID-19 Expenditures and ARPA administration.



City Council Strategic Priorities by Rank Order Consensus

- Public Safety
- Infrastructure maintenance (roads, water, sewer, IT, buildings)
- Community & Economic Development
- Workforce: employee attraction and retention
- Parks & Recreation
- Library
- Arts
- Other



Recommendation: Package B

In the absence of a budget adjustment scenario selection:

- Designate initial use of ARPA monies as revenue replacement for budgeted government operations allowing for maintenance of minimum (10%) Contingency Reserve Levels for the next five fiscal years.
- Direct staff to return to receive direction on remaining ARPA monies for designation to non-budgeted projects/programs.



Recommendations

Recommendation Package A (Original Proposal):

A1. City Council choose one of the following budget adjustment directives:

- A. Scenario Status Quo: \$3.8M Reduction – No ARPA for Revenue Replacement
 - Contingency Reserve depleted by FY 2022-23; Negative General Fund Balance by FY 2023-24
- B. Scenario 1: \$3.8M Reduction and Initial \$19.4M of ARPA for Revenue Replacement; ~13% Contingency Reserve; \$13.3M of remaining ARPA funds to non-budgeted programs/projects
- C. Scenario 2: \$3.8M + Additional 2% Reduction and Initial \$8.7M of ARPA for Revenue Replacement; ~13%+ Contingency Reserve
- D. Scenario 3: \$3.8M + Additional 5% Reduction and Initial \$2.7M ARPA for Revenue Replacement; ~17%+ Contingency Reserve; \$24M of remaining ARPA funds to non-budgeted programs/projects
- E. Scenario 4: \$3.8M Reduction and Initial \$24.1M ARPA for Revenue Replacement; 17% Contingency Reserve; \$31.9M of remaining ARPA funds to non-budgeted programs/projects
- F. Alternative Scenario 5, 7, 9, 11, 13, 15, or 17
- G. Alternative Scenario 6, 8, 10, 12, 14, 16, or 18
- H. Other



Recommendations (continued)

A2. Affirm consensus rank order of Strategic Priorities (i.e., Public Safety, Infrastructure, Community and Economic Development, Workforce, Parks and Recreation, Library, Arts, Other).

A3. Authorize City Manager to develop and recommend specific budget adjustments pursuant to City Council direction and rank order of Strategic Priorities and return to City Council for approval.

A4. Direct City Manager to agendize an item to receive City Council direction on the use of remaining ARPA monies not obligated for Revenue Replacement within allowable US Treasury categories.

OR



Recommendations (continued)

Recommendation Package B:

B1. Approve the initial use of ARPA monies as revenue replacement for budgeted government operations thereby allowing for the maintenance of at least a minimum 10% Contingency Reserve level at fiscal year-end for the next five fiscal years.

B2. Direct staff to return to City Council within thirty days for City Council to allocate a portion (up to \$8 million) of the remaining ARPA funds for non-budgeted projects/programs.