

AUDIT COMMITTEE FINANCIAL REVIEW

City Council
June 10, 2025



INTRODUCTION

2008-2013

Recession

- Brian Wilterink
- Caleb Brown
- Jeff Grampp

2014-2019

Post Recession

- Andrew Li
- Chris Horton
- Jack Schroeder
- Jeff Grampp

2020-2023

COVID

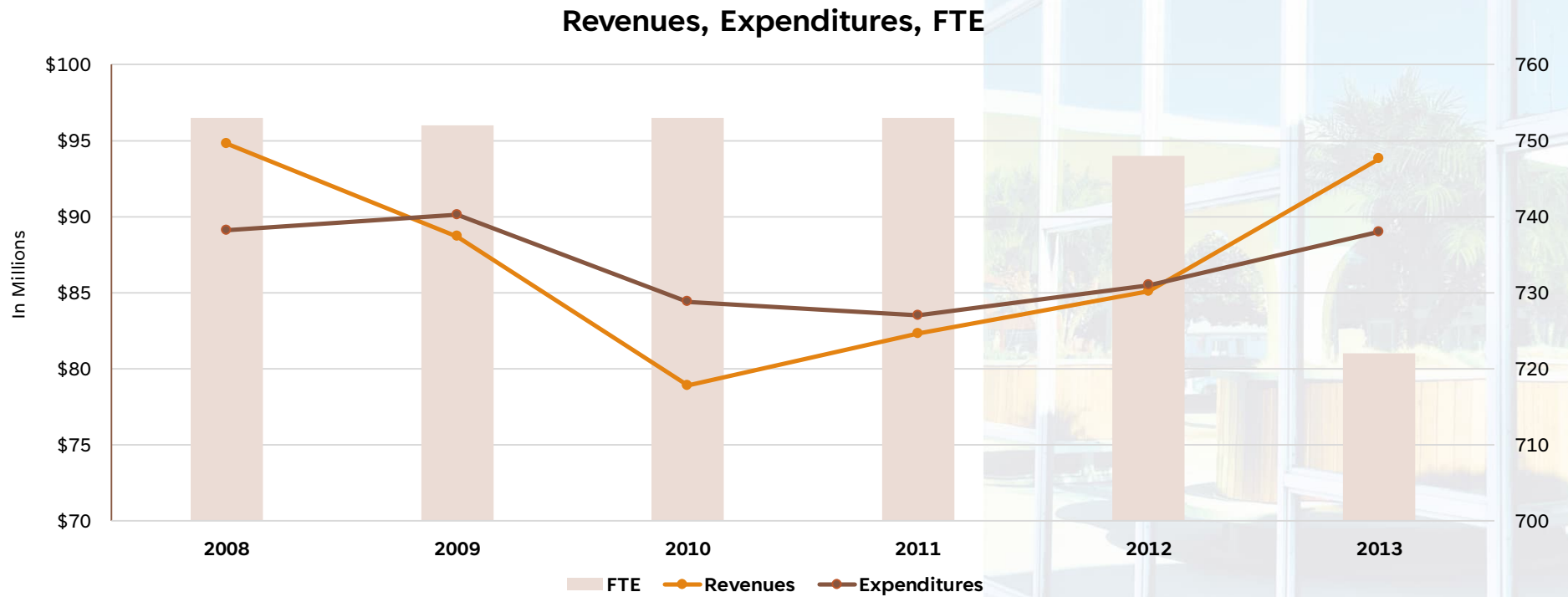
- Carolyn Cavecche
- Chris Horton
- Garrett Smith

2024

Present

- Carolyn Cavecche
- Chris Horton
- Garrett Smith

Recession Years (2008-2013)



Recession Years (2008-2013)

Fund Balance		
Balance as of	June 30, 2008	June 30, 2013
General Fund	\$38,285,796	\$29,255,854
Capital Projects	12,859,238	10,561,355
Equipment Maintenance	389,097	2,277,784
Equipment Replacement	19,439,157	17,154,447
Major Building Improvement	2,387,255	225,351
Workers' Compensation	6,636,941	(1,231,493)
Self Insurance Liability	1,927,685	2,109,698
Self Insurance Liability – Dental	224,671	85,219
Employee Accrued Liability	2,416,795	3,998,388
Information System	323,293	779,159
Computer Replacement	5,161,121	2,029,983
Total Fund Balance	\$90,051,049	\$67,245,745

Recession Years (2008-2013)

Long Term Liabilities

Balance as of	Pension Liability	OPEB Liability	Cert of Participation	Compensated Absences	Claims Payable	Total
June 30, 2008	\$64,587,794	\$11,231,057	\$6,120,000	\$6,520,368	\$4,882,178	\$93,341,397
June 30, 2013	\$123,462,370	\$16,163,851	\$0	\$7,981,486	\$8,688,468	\$156,296,175

Recession Years (2008-2013)

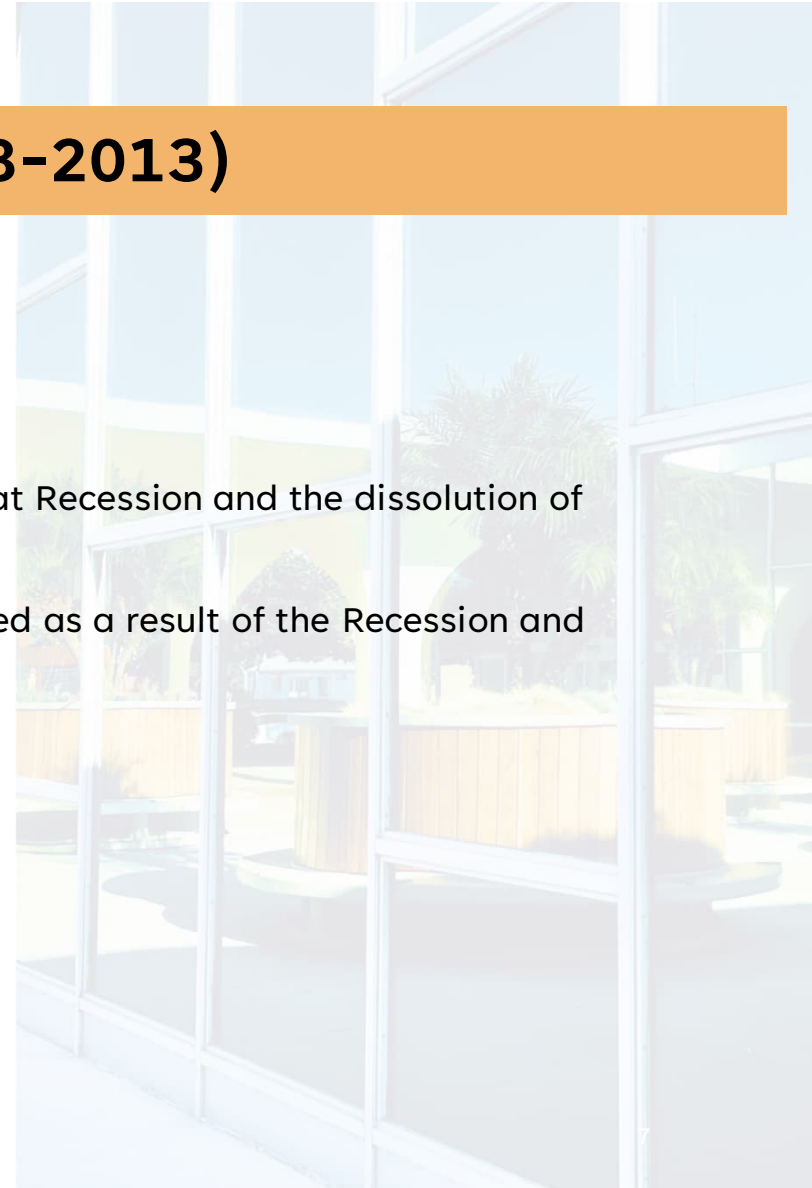
Expenditures, Payroll, Pension Contribution, FTE

	2008		2013		
	Amount	% of Total Expenses	Amount	% Increase	% of Total Expenses
Expenses	\$89,171,284		\$89,018,039	-0.2%	
Covered Payroll	\$55,686,962	62.4%	\$55,939,736	0.5%	62.8%
Pension Contributions	\$9,555,230	10.7%	\$13,331,741	39.5%	15.0%
Full Time Employee Equivalents	753		722	-4.1%	

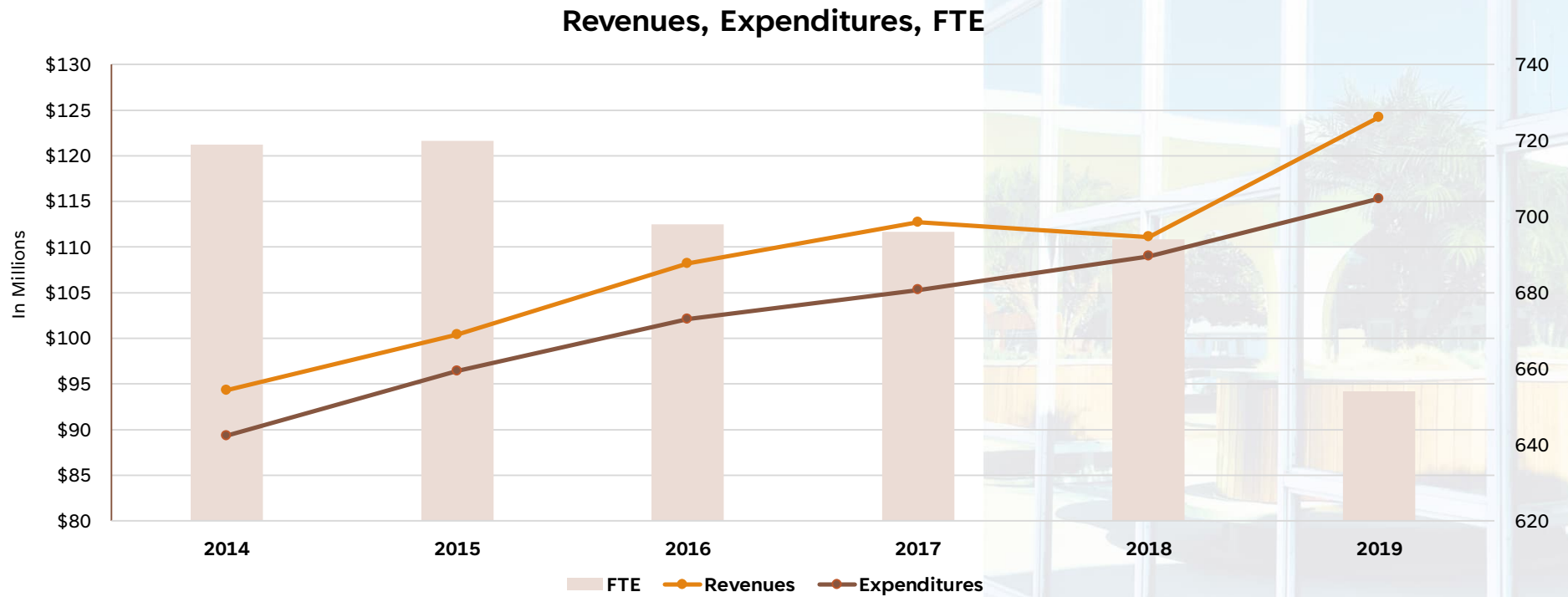
Recession Years (2008-2013)

Key Takeaways

- The City suffered significant financial setbacks due to the Great Recession and the dissolution of the Redevelopment Agency (RDA)
- A total of \$19 million in General Fund fund balance was reduced as a result of the Recession and RDA dissolution.



Post Recession Years (2014-2019)



Post Recession Years (2014-2019)

Fund Balance		
Balance as of	June 30, 2013	June 30, 2019
General Fund	\$29,255,854	\$38,771,518
Capital Projects	10,561,355	29,603,940
Equipment Maintenance	2,277,784	(4,183,758)
Equipment Replacement	17,154,447	17,400,891
Major Building Improvement	225,351	288,880
Workers' Compensation	(1,231,493)	(9,378,545)
Self Insurance Liability	2,109,698	(1,222,261)
Self Insurance Liability – Dental	85,219	341,991
Employee Accrued Liability	3,998,388	6,935,245
Information System	779,159	60,425
Computer Replacement	2,029,983	2,538,427
Total Fund Balance	\$67,245,745	\$81,156,753

Post Recession Years (2014-2019)

Long Term Liabilities					
Balance as of	Pension Liability	OPEB Liability	Compensated Absences	Claims Payable	Total
June 30, 2013	\$123,462,370	\$16,163,851	\$7,981,486	\$8,688,468	\$156,296,175
June 30, 2019	\$208,370,338	\$24,891,855	\$7,910,834	\$17,928,670	\$259,101,797

Post Recession Years (2014-2019)

Expenditures, Payroll, Pension Contribution, FTE

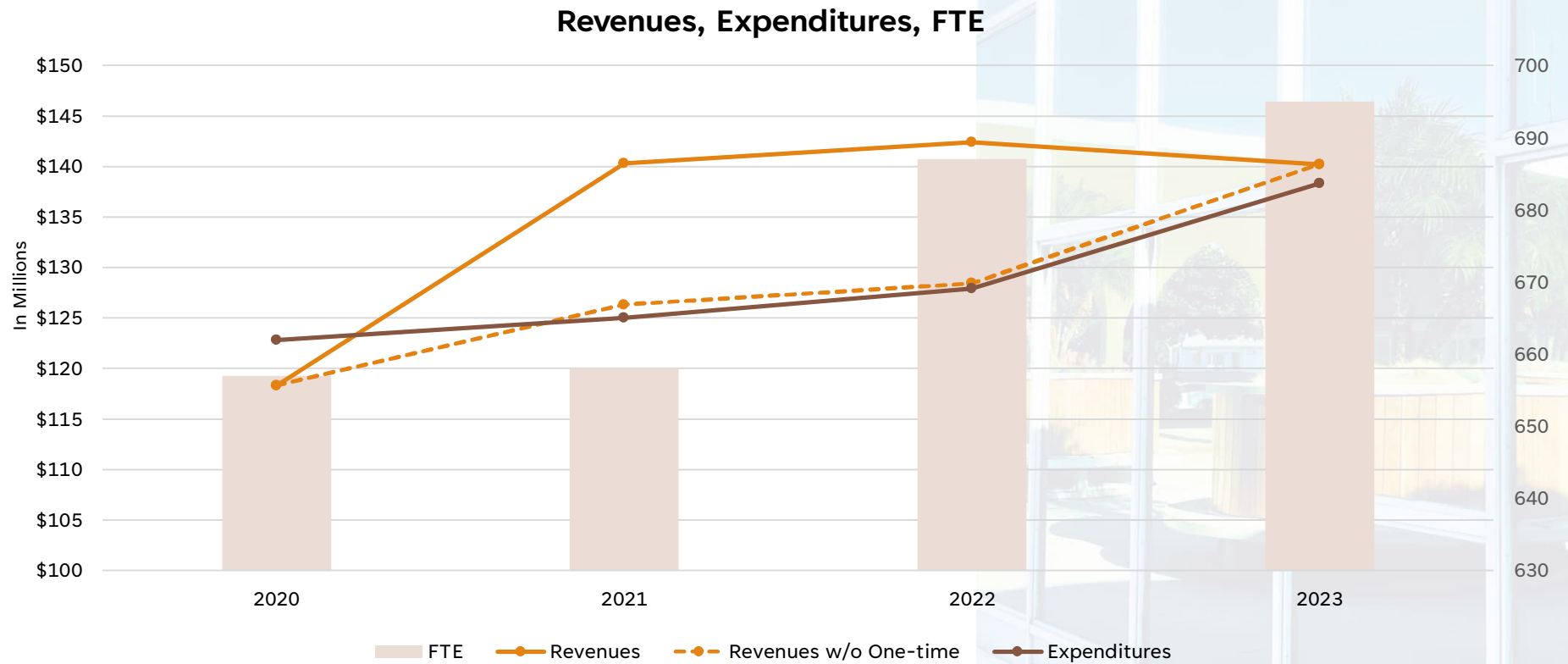
	2013		2019		
	Amount	% of Total Expenses	Amount	% Increase	% of Total Expenses
Expenses	\$89,018,039		\$115,378,298	29.6%	
Covered Payroll	\$55,939,736	62.8%	\$62,167,047	11.1%	54.0%
Pension Contributions	\$13,331,741	15.0%	\$23,520,033	76.4%	20.0%
Full Time Employee Equivalents	722		654	-6.7%	

Post Recession Years (2014-2019)

Key Takeaways

- The City was treading water.
- Revenues did not rebound enough to offset the financial impact of the Recession.
- There were deficits in three funds.
- FTE decreased during this period.
- Long term debt increased by \$102.8 million, or 67%, during this period.

COVID Years (2020-2023)



COVID Years (2020-2023)

Fund Balance		
Balance as of	June 30, 2019	June 30, 2023
General Fund	\$38,771,518	\$25,728,204
Capital Projects	29,603,940	38,359,032
Equipment Maintenance	(4,183,758)	(4,449,029)
Equipment Replacement	17,400,891	25,004,239
Major Building Improvement	288,880	202,129
Workers' Compensation	(9,378,545)	(9,624,987)
Self Insurance Liability	(1,222,261)	(832,553)
Self Insurance Liability – Dental	341,991	536,653
Employee Accrued Liability	6,935,245	6,761,574
Information System	60,425	1,047,901
Computer Replacement	2,538,427	10,457,915
Total Fund Balance	\$81,156,753	\$93,141,078

COVID Years (2020-2023)

Long Term Liabilities

Balance as of	Pension Liability	OPEB Liability	Compensated Absences	Claims Payable	Pension Obligation Bond	Lease Revenue Bond	Total
June 30, 2019	\$208,370,338	\$24,891,855	\$7,910,834	\$17,928,670	\$0	\$0	\$259,101,797
June 30, 2023	(\$29,695,653)	\$31,950,811	\$9,595,557	\$15,780,002	\$248,970,043	\$32,797,907	\$309,398,667

COVID Years (2020-2023)

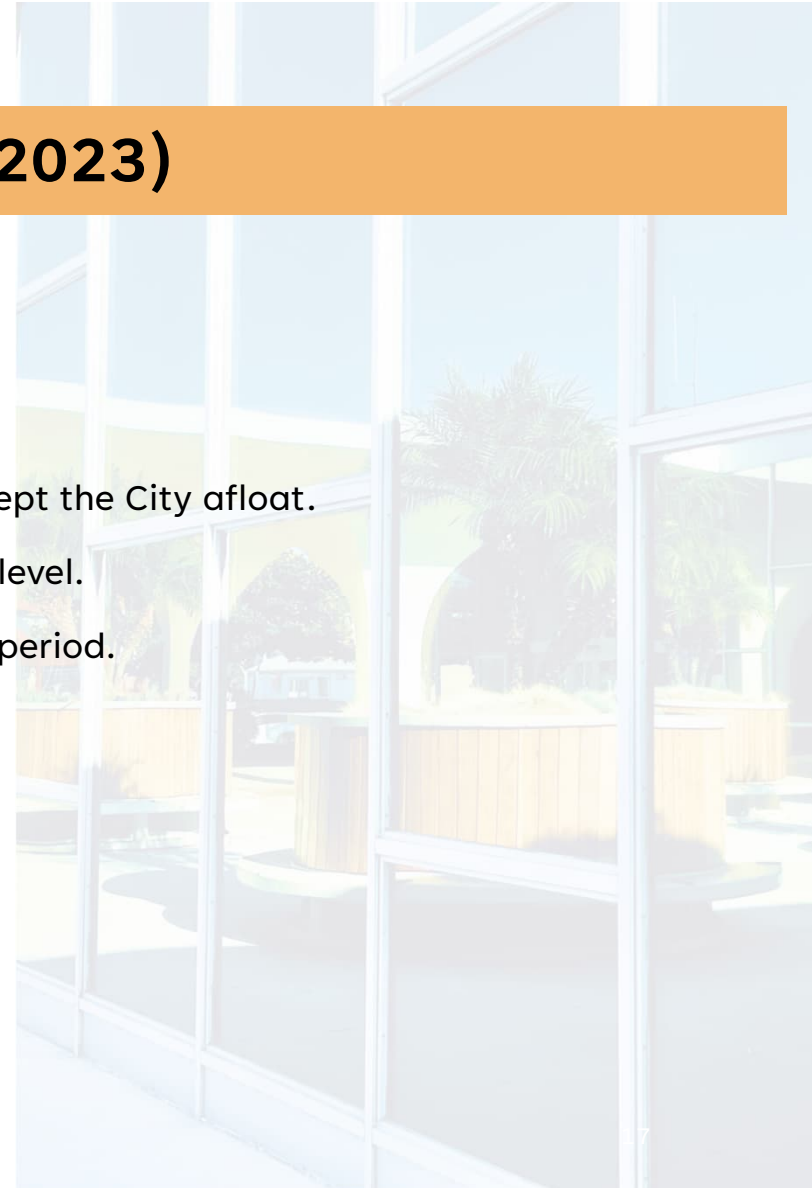
Expenditures, Payroll, Pension Contribution, FTE

	2019		2023		
	Amount	% of Total Expenses	Amount	% Increase	% of Total Expenses
Expenses	\$115,378,298		\$138,337,618	19.9%	
Covered Payroll	\$62,167,047	54.0%	\$65,479,775	5.3%	47.3%
Pension Contributions	\$23,520,033	20.0%	\$27,389,222	16.5%	19.8%
Full Time Employee Equivalents	654		695	6.3%	

COVID Years (2020-2023)

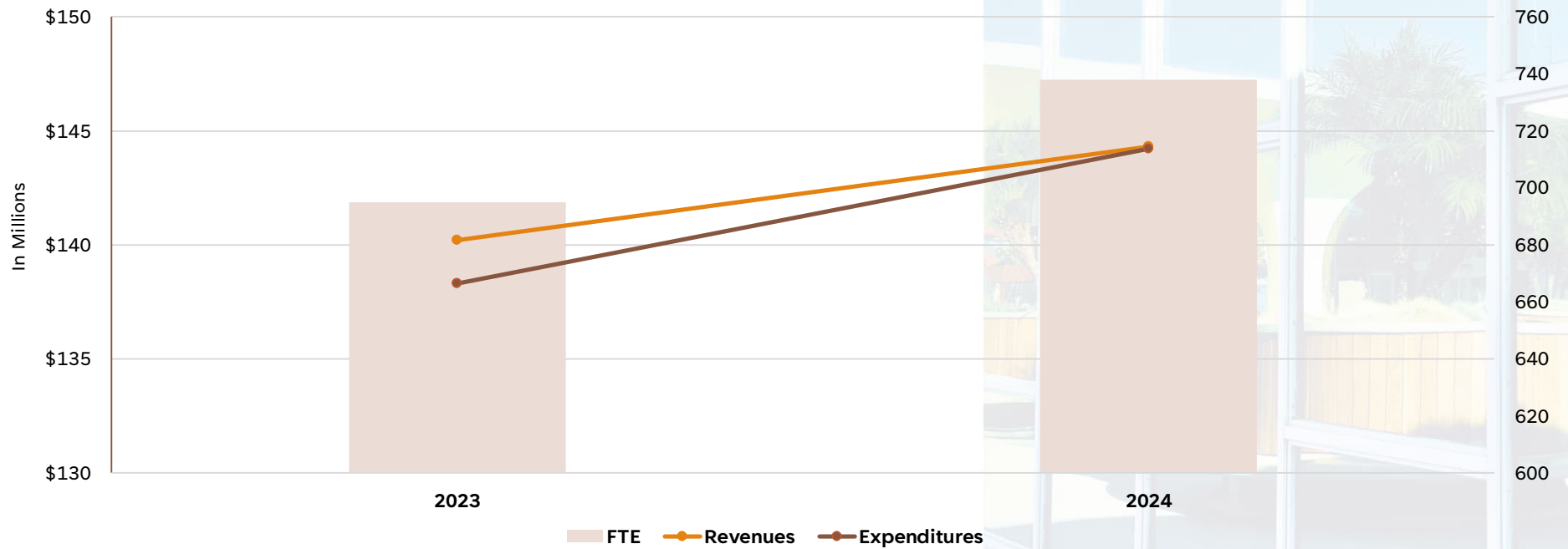
Key Takeaways

- One-time federal dollars, American Rescue Plan Act (ARPA), kept the City afloat.
- General Fund reserves fall to below immediate post recession level.
- Long term debt increased by \$50.3 million, or 19%, during this period.



Present (2024)

Revenues, Expenditures, FTE



Present (2024)

Fund Balance		
Balance as of	June 30, 2023	June 30, 2024
General Fund	\$25,728,204	\$28,457,558
Capital Projects	38,359,032	34,802,557
Equipment Maintenance	(4,449,029)	(4,618,612)
Equipment Replacement	25,004,239	23,678,522
Major Building Improvement	202,129	176,328
Workers' Compensation	(9,624,987)	(7,903,557)
Self Insurance Liability	(832,553)	(691,138)
Self Insurance Liability – Dental	536,653	576,014
Employee Accrued Liability	6,761,574	7,383,486
Information System	1,047,901	1,320,963
Computer Replacement	10,457,915	8,364,107
Total Fund Balance	\$93,141,078	\$91,546,228

Present (2024)

Long Term Liabilities

Balance as of	Pension Liability	OPEB Liability	Compensated Absences	Claims Payable	Pension Obligation Bond	Lease Revenue Bond	Total
June 30, 2023	(\$29,695,653)	\$31,950,811	\$9,595,557	\$15,780,002	\$248,970,043	\$32,797,907	\$309,398,667
June 30, 2024	(\$2,698,431)	\$32,444,297	\$11,389,987	\$14,394,262	\$238,632,971	\$32,082,059	\$326,245,145

Present (2024)

Expenditures, Payroll, Pension Contribution, FTE

	2023		2024		
	Amount	% of Total Expenses	Amount	% Increase	% of Total Expenses
Expenses	\$138,337,618		\$144,257,908	4.3%	
Covered Payroll	\$65,479,775	47.3%	\$69,624,157	6.3%	48.3%
Pension Contributions & POB	\$27,389,222	19.8%	\$29,611,523	8.1%	20.5%
Full Time Employee Equivalents	695		738	6.2%	

Present (2024)

Key Takeaways

- Three funds continued to run at a deficit.
- Total 2024 fund balance is slightly above June 2008 fund balance, yet the annual budget increased by \$50 million over that time.
 - o 2008 General Fund Budget - \$94 million
 - o 2024 General Fund Budget - \$144 million
- FY 2023-24 long term debt increased by \$16.8 million, or 5%, over FY 2022-23.

Present (2008-2024)

	2008		2024		
	Amount	% of Total Expenses	Amount	% Increase	% of Total Expenses
Revenue	\$94,872,591		\$144,358,213	52.2%	
Expenses	89,171,284		144,257,908	61.8%	
Operating Surplus	\$5,701,307		\$100,305		
Covered Payroll	\$55,939,736	62.7%	\$69,624,157	24.5%	48.3%
Pension Contribution & POB	\$9,555,230	10.7%	\$29,611,523	209.9%	20.5%
Total Long-term Liabilities	\$93,341,397		\$326,245,145	249.5%	

- Pension Cost if Increased at Same Rate of Covered Payroll: $\$9,555,230 \times 24.5\% = \$11,896,261$
- Increase in Pension Cost from Changes in Assumptions: $\$29,611,523 - \$11,896,261 = \$17,715,262$
 - Assumptions such as life expectancy and projected investment earnings.

Key Takeaways and Recommendations

- The City never fully recovered from the Great Recession, and dissolution of the Redevelopment Agency (RDA).
- In subsequent years, revenues did not keep up with city needs.
- Debt Service is becoming an ever increasingly larger percentage of yearly budget; this is not unique to Orange.
- Specific goals and target levels for internal service funds need to be clarified and set by City Council.
- Balancing service levels with available revenue for a city the size of Orange will become increasingly challenging.