



Community Report

Fiscal Year Ending June 30, 2022



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City of Fullerton



Fullerton CA



City of Fullerton



City of Fullerton

303 W. Commonwealth Ave, Fullerton, CA 92832

www.cityoffullerton.com/financialreports

MESSAGE FROM THE CITY MANAGER

I am pleased to present the Fiscal Year (FY) 2021-22 Annual Community Report for the City of Fullerton, also known as the Popular Annual Financial Report (PAFR). This report highlights the City's financial position and capital investments and offers useful information about the City, including where revenues come from and how they are spent to operate our City. All this in a simpler, user-friendly format in comparison with the City's Annual Comprehensive Financial Report (ACFR)!

In FY 2021-22, coming out of pandemic restrictions, the City took steps to align its budgeted operating expenses with operating revenues to address fiscal challenges related to revenue growth outpacing expenditures. The City also continues to address employee retention and recruitment challenges given the tight labor market and works to identify funding sources to address capital improvement needs with respect to aging streets, water, and sewer lines, and other public facilities infrastructure.

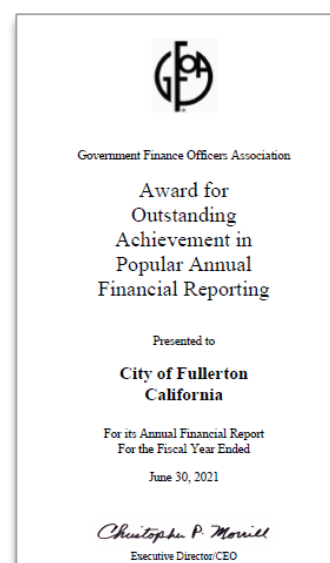
In FY 2021-22, revenues showed signs of economic recovery from the pandemic as sales tax revenues rebounded to pre-pandemic levels. This coupled with budget reductions has placed the City on a path toward fiscal sustainability. Also in FY 2021-22, City Council approved the "Spending Plan" for the \$32.7 million of American Rescue Plan Act (ARPA) funds allocated to the City to provide much-needed economic support and aid to the community, stabilize government finances and help address the City's infrastructure needs over the next few years.

City Management and our dedicated City staff continue to move City Council's initiatives forward – seeking a better Fullerton for all! We hope you find this Community Report for FY 2021-22 helpful. Please feel free to share any questions, concerns, or feedback you may have with us.

Respectfully,




Eric J. Levitt
City Manager



A special thank you to the Administrative Services Department staff including Toni Smart, John Ji, Steven Avalos, Cindy Barrios and Ryan Kim who compiled and produced this year's Community Report.

Report to the Citizens of Fullerton

The Community Report summarizes the financial activities of the City of Fullerton's governmental and proprietary funds and draws its information from the FY 2021-22 Annual Comprehensive Financial Report (ACFR), formerly known as the Comprehensive Annual Financial Report. The ACFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes audited financial statements.

The ACFR can be found at www.cityoffullerton.com/financialreports

The Community Report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is presented on a non-GAAP basis and communicates complex financial and statistical information in a user-friendly manner to citizens and other interested parties.

ABOUT THE CITY OF FULLERTON

The City of Fullerton is located in northwestern Orange County, approximately 25 miles southeast of downtown Los Angeles. The City is ideally located for transportation, bounded by 3 major highways, and located 15 miles northwest of John Wayne Airport. Prior to the pandemic, an average workday has Fullerton's Transportation Center served an average of 3,000 commuters on the Metrolink and Amtrak trains. With a population of 142,732, Fullerton is the 41st largest city in the State and the 6th largest city in Orange County.



Unemployment	
Rate	2.9%
Median Age	35.2
Square Miles	22.4
Population	142,732

MAYOR & CITY COUNCIL



COUNCIL MEMBER
JESUS SILVA
DISTRICT 3



COUNCIL MEMBER
NICK DUNLAP
DISTRICT 2



MAYOR
FRED JUNG
DISTRICT 1



MAYOR PRO TEM
BRUCE WHITAKER
DISTRICT 4



COUNCIL MEMBER
AHMAD ZAHRA
DISTRICT 5

CITY EXECUTIVE TEAM

CITY MANAGER
ERIC J. LEVITT

POLICE CHIEF
BOB DUNN

LIBRARY DIRECTOR
JUDY BOOTH

FIRE CHIEF
ADAM LOESER

DIRECTOR OF PUBLIC WORKS
MEG MCWADE

INTERIM
DIRECTOR OF COMMUNITY & ECONOMIC DEVELOPMENT
SUNAYANA THOMAS

DIRECTOR OF HUMAN RESOURCES
EDDIE MANFRO

DIRECTOR OF PARKS & RECREATION
VACANT

DIRECTOR OF ADMINISTRATIVE SERVICES
ELLIS CHANG

OUR LOCAL ECONOMY

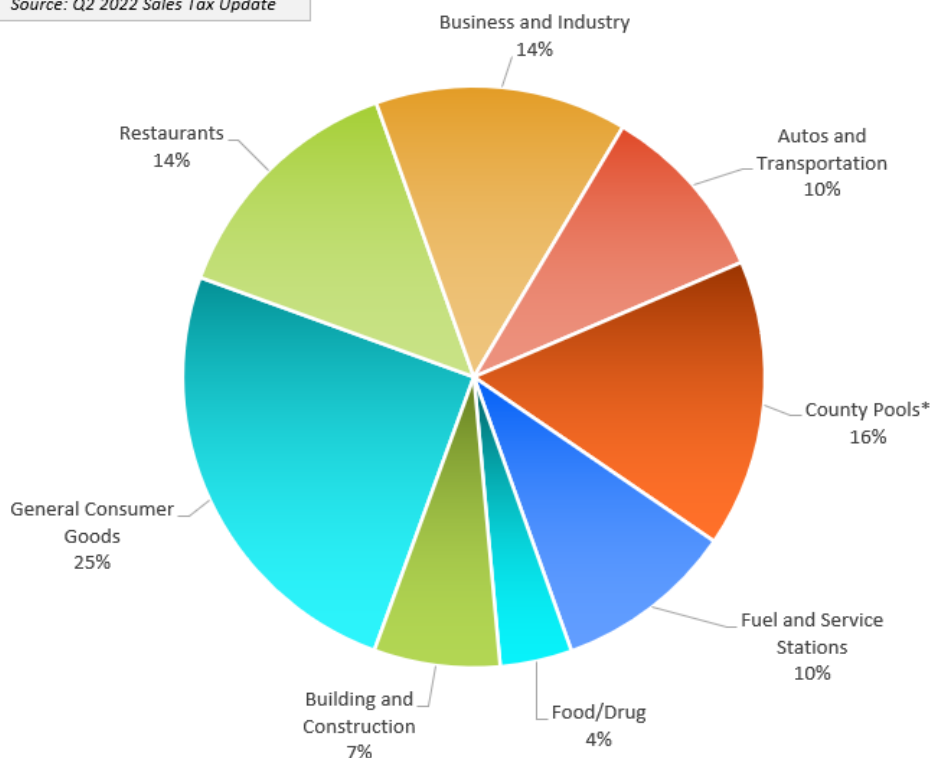
The Fullerton business community is diversified with no single industry or business dominating its local economy. Major employers in Fullerton include California State University- Fullerton, Fullerton Community College, St. Jude Hospital, Raytheon Systems Company, and AJ Kirkwood & Associates, Inc. In addition to its diverse business industry base, the City is a major center of higher education in Orange County and is considered the “Education Community.” California State University- Fullerton and Fullerton Community College are located within the City, as well as three private colleges/ universities for a total enrollment of over 61,000 students.



Although COVID-19 had an adverse effect on the overall economy, the City’s diverse local economic base has held up and the City began to see recovery in FY 2021-22. For sales tax, Fuel/Drug and General Consumer Goods industries both saw gains from the prior year related to more consumer spending. In addition, the City continues to benefit from the increases to its County pool sales tax allocations, attributed to an increase in online sales activities and a State law enacted in 2019.

SALES TAX REVENUE: FY 2021-22 BY INDUSTRY

Source: Q2 2022 Sales Tax Update



* Revenue from online sales tax (county allocated)

CITY INITIATIVES

As COVID-19 regulations eased around the nation, the City began to restore services in FY2021-22 that were offered prior to the pandemic. A few examples include kids Storytime at the Fullerton Library and the Farmers Market on Wednesdays at the Fullerton Community Center. Throughout the year, the City has also been involved in various economic development initiatives and community programs discussed below.

Economic Development

In the previous year, at the onset of the pandemic, Fullerton was the first Orange County city to support open al fresco dining experience through its “Walk on Wilshire” outdoor community area that helped our local eateries stay open during the pandemic. Although small businesses aren’t as adversely affected by the pandemic today, it has been maintained through a new pilot program to investigate the long-term value of outdoor dining in the area.

In addition, Fullerton has several key development projects in the works! The construction of the 1,561,522 square foot Goodman Fulfillment Center is underway. The center will serve as a four-building logistics campus suited for e-commerce customers. The Hub at Fullerton is a mix-use student housing project that will provide new retail stores and dining eateries, along with much needed affordable housing. Moving into FY 2022-23, the City continues to explore various ways to improve and enhance its tax base by attracting businesses and developments.



Goodman Logistics Center – Located at 2099 E. Orangethorpe Avenue, Fullerton, CA

Community Programs

Feed Fullerton is an income-based program that provided over 9,914 meals in the final 6 months of its operation. This program was developed as a community-based emergency feeding program created in response to the COVID-19 pandemic to provide healthy meals to residents in need as the City reinvested back into our local economy.

The Senior Grocery Distribution program in partnership with Second Harvest Food Bank and the Orange County Office on Aging has provided over 5,768 bags of groceries with stable shelf items and fresh produce. It has adapted a drive-thru service on the 1st and 3rd Thursdays of the month. In addition, the Senior Congregate Meal Service in partnership with Meals on Wheels OC was able to provide 5,816 grab-n-go services and 727 in-person dining senior lunches throughout FY21-22.



HOPE Center

The City of Fullerton, as a member of the North Orange County Collaborative, continued to work together over throughout FY 2021-22 to open the Homeless Outreach and Proactive Engagement Center (HOPE Center). Established in 2017, the Collaborative brings together cities, law enforcement and community-based organizations across Orange County to address leading public safety issues, with an emphasis on addressing homelessness. Significant building improvements were underway during FY 2021-22 with a goal to open the HOPE Center in order to begin offering services to the community.

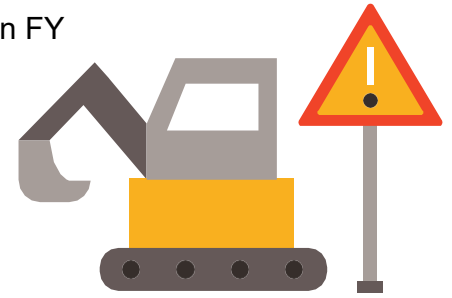
The HOPE Center is located in Fullerton on city-owned property near the St. Jude Hospital. Various funding sources have been allocated to support the rehabilitation and refurbishment of the existing building which will serve as a command center for case workers, healthcare, and outreach providers who will work together to assist the unhoused population in the North Orange County region. The HOPE Center project is funded through various sources, including the CARES Act, the County of Orange, and ARPA. The HOPE Center will dispatch mobile homeless outreach units with healthcare professionals and homeless liaisons to bring resources to the community.



Addressing City Infrastructure

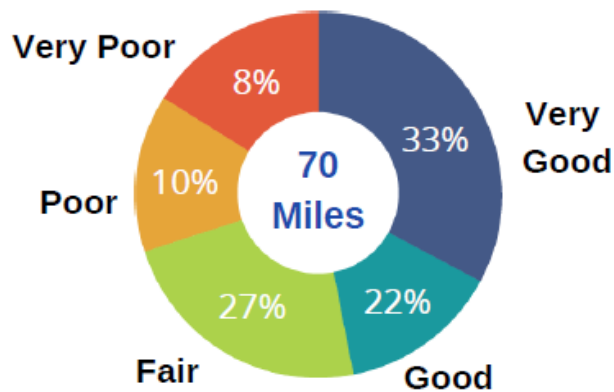
Deteriorating roadways have been of major concern for our residents. While every attempt is made toward improvements, the extent of street damage far exceeds funding to make significant strides. For the City to make noticeable improvements, a recurring budget of at least \$16.5 million per year is needed. City Council has identified infrastructure as a priority and has made strides over the last few years to invest available one-time resources towards infrastructure.

In an effort to address this, the City established a new Infrastructure Fund in FY 2019-20 to allocate a portion of incremental tax increases dedicated to street improvements. In FY 2021-22, the City allocated \$0.5M to facility improvement projects and it is estimated that \$0.5M-\$2M of secured property tax and sales tax will be dedicated annually to the Infrastructure Fund to initiate addressing the City's infrastructure needs.

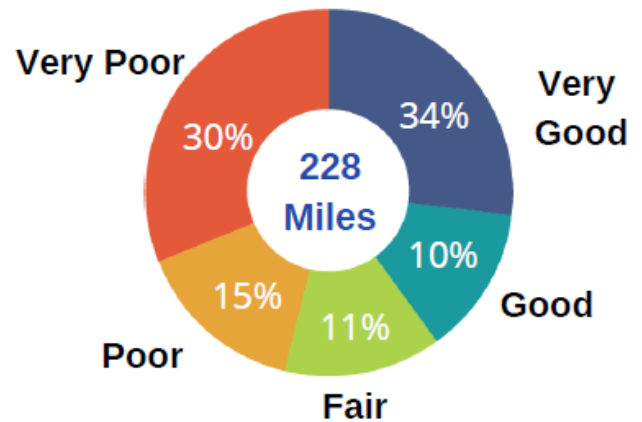


In addition, City Council approved \$13.1 million of ARPA funding for street rehabilitation projects under the revenue replacement provision and \$3.0 million for water main replacement projects that will be completed over the next several years. Although ARPA is one-time funding, it will allow the City to carry out significant projects that will improve both arterial and local streets. In FY 2021-22, the level of "Very Good" arterial streets increased by 6.0%.

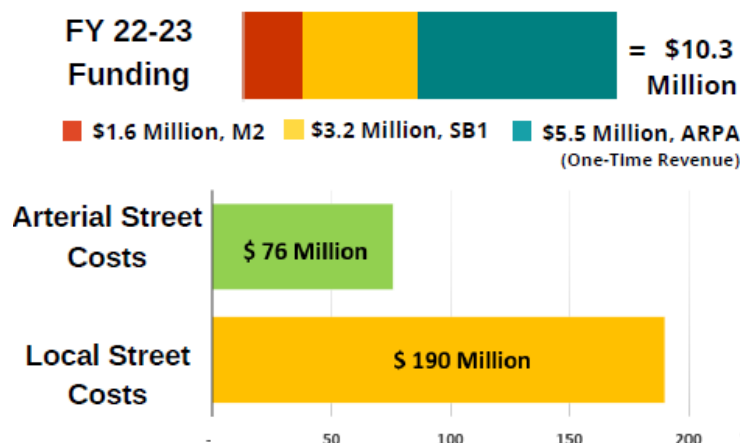
Condition of Arterial Streets



Condition of Local Streets



Funding vs Costs to Improve Streets to Good Condition



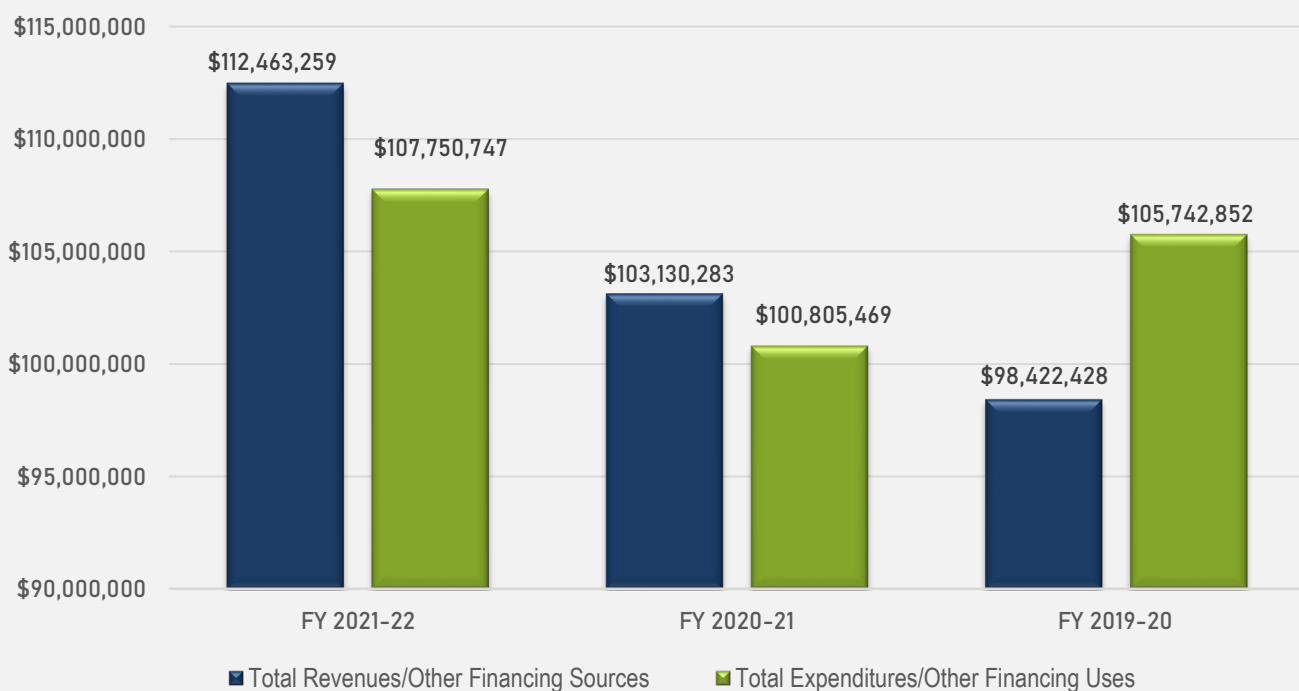
GENERAL FUND

The General Fund is the chief operating fund of the City. For FY 2021-22, General Fund revenues / other financing sources totaled \$112.5 million, and expenditures / other financing uses totaled \$107.8 million for the year, resulting in an operating surplus of \$4.7 million. The operating surplus is primarily due to the City's budget reduction initiatives implemented in FY 2021-22 and the higher than anticipated vacancy rate. The City's sales tax rebounded in FY 2021-22 to pre-pandemic levels as consumer spending continued to spur a strong recovery and developer-related fee revenues increased as building and planning charges for services were adjusted to support cost recovery.



At the end of FY 2021-22, the fund balance totaled \$25.3 million. Of that amount, \$17.7 million was assigned to a contingency reserve, which is 17.0% of total General Fund expenditures. The General Fund's reserve policy is to maintain a minimum reserve equal to 10% and strive to reach a level of 17% of total General Fund expenditures each year. This was the first year that the City met its goal for a 17% contingency reserve.

General Fund
Revenues and Expenditures (Including Transfers In & Out)
For the Years Ending June 30, 2022, 2021, and 2020



EXPLANATION OF ACCOUNTING TERMS

Assets - This is what the City owns. Assets are items that one can reasonably expect to convert to cash, sell, or consume within one year, such as selling a building or piece of equipment.

Capital Assets - The City's long-term investments, which include property, plant, equipment, and infrastructure assets. The City uses these capital assets to provide services to citizens; conversely, these assets are not available for future spending.

Deferred Outflows - Outflows are not revenue or expenses, nor are they assets or liabilities. Deferred Outflows represents a consumption of net position that applies to future periods. For example, prepaid items and deferred charges.

Deferred Inflows - Inflows are not revenue or expenses, nor are they assets or liabilities. Deferred Inflows represents an acquisition of net position that applies to future periods. For example, an advanced collection of fees or anticipated future revenue.

Liabilities - These are primarily debts that can be paid off in one year or less, and include accounts payable, accrued payroll and accrued interest payable. This includes money owed to vendors, utility payments, and other similar short-term items

Long-Term Liabilities - Represents mainly debt obligations of the City, such as loan payments or bonds payable. The proceeds from these are used to finance various City projects, such as road repair and major equipment purchases.

Net Investment in Capital Assets - One of three components of net position, consisting of capital assets net of accumulated depreciation, reduced by outstanding related borrowing.

Restricted Net Position - Represents resources with externally imposed restrictions for use. For example, grant funds provided for a specific purpose.

Unrestricted Net Position - These are resources that are accessible to the City to provide services to residents of Fullerton if there were no additional revenues or resources available.

Net Position - Generally, the difference between the City's assets and liabilities.

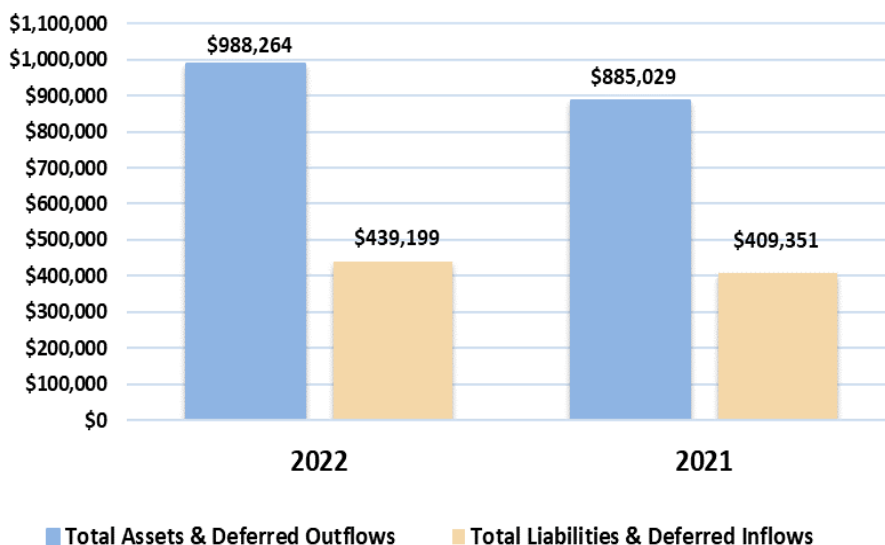


STATEMENT OF NET POSITION

City's Assets and Liabilities, Rounded to Nearest Thousand

Our Assets - What We Have	2022	2021
Current Assets Consisting Mainly of cash and amounts owed to the City	315,263	244,696
Net Capital Assets consisting primarily of buildings, equipment and vehicles	638,232	605,378
Total Assets of the City	953,495	850,074
Deferred Outflows - Positive effect on net position, similar to assets	34,769	34,955
Total Assets & Deferred Outflows	988,264	885,029
Our Liabilities - What We Owe	2022	2021
Long-Term Liabilities, including pension obligations	272,078	346,855
Other Liabilities, consisting of all amounts the City Owes except for debt	75,336	51,731
Total Liabilities of the City	347,414	398,586
Deferred Inflows - Negative effect on net position, similar to liabilities	91,785	10,765
Total Liabilities & Deferred Inflows	439,199	409,351
Net Position	2022	2021
Net Investment in Capital Assets	621,110	596,348
Restricted	42,682	41,731
Unrestricted	(114,727)	(162,401)
Total Net Position (Total Assets Less Total Liabilities)	549,065	475,678

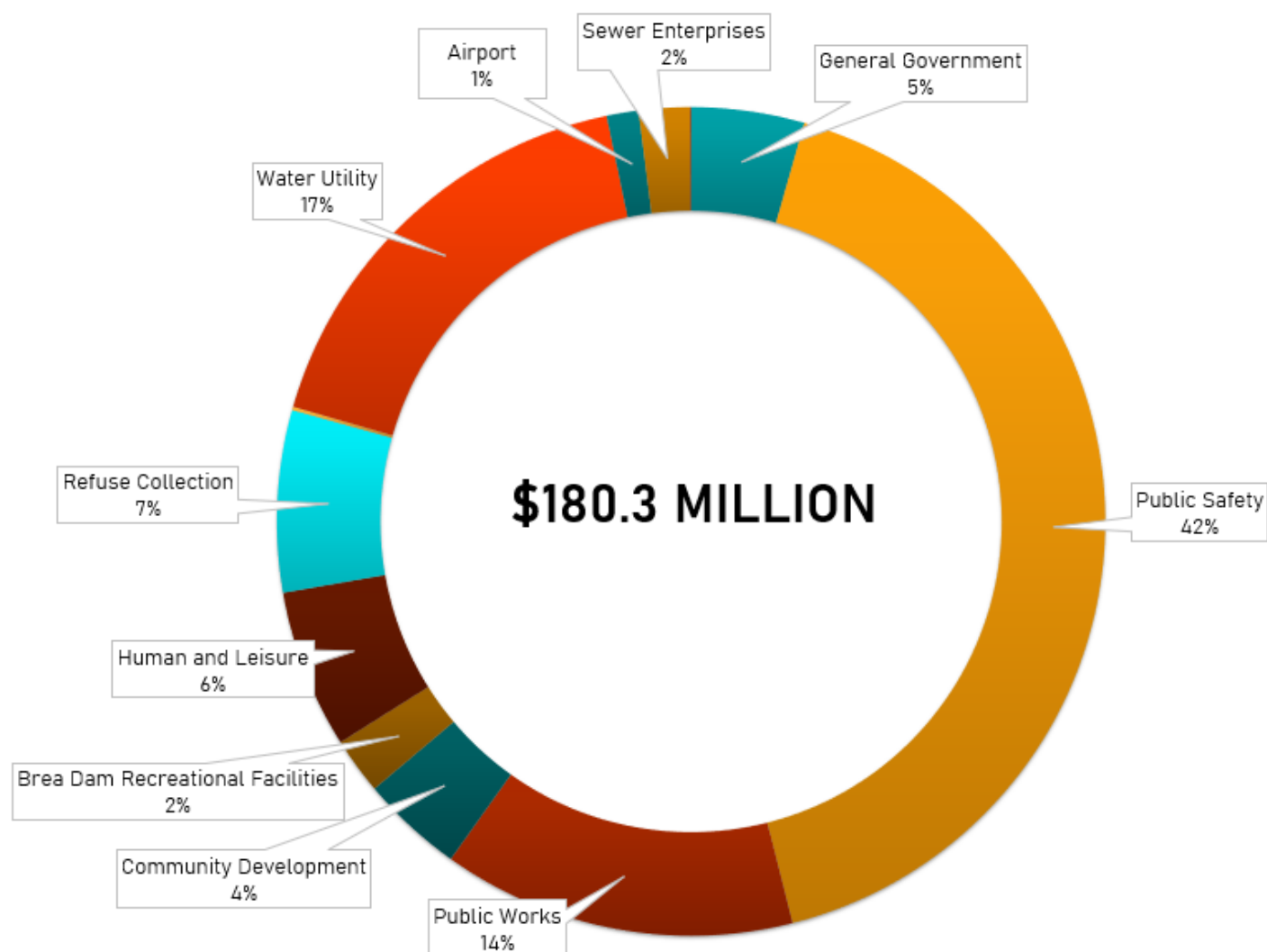
City's Assets and Liabilities Rounded to Nearest Thousand



The Statement of Net Position presents information on all of the City's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as a net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating. In the case of the City of Fullerton, assets/deferred outflows exceed liabilities/deferred inflows by \$549.0 million, an increase of \$73.4 million from the previous year. This is primarily due to increases in water rates, sales tax revenue growth, increases in development-related fees, state grants for the acquisition of the West Coyote land, and a decrease in worker's compensation claims expenses.

FY 21-22 GOVERNMENT-WIDE EXPENDITURES

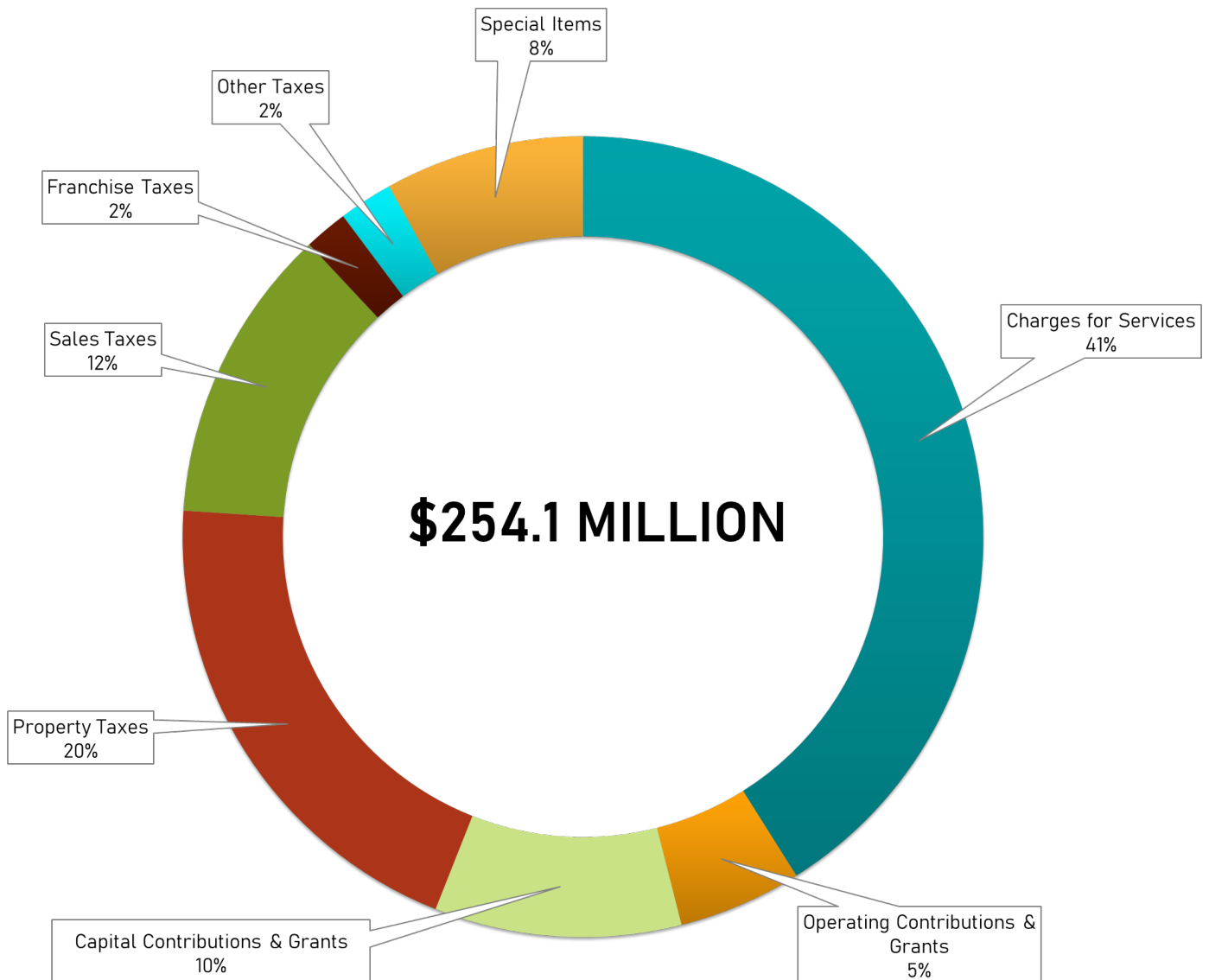
Total government-wide expenses decreased by 5.4% from the prior fiscal year. The decrease in expenditures is related to several budget reduction strategies which included unfunding of over 50 full-time equivalent (FTE) positions, in addition to decreases in pension expense and worker's compensation claims.



Expenditures (In Thousands)	FY 21-22	FY 20-21	FY 19-20	FY 18-19	FY 17-18
General Government	7,941	7,813	6,368	5,675	6,862
Public Safety	74,950	83,200	83,043	76,743	75,773
Public Works	24,819	24,617	26,077	24,726	28,183
Community Development	7,194	10,123	8,524	10,645	8,761
Brea Dam Recreational Facilities	3,978	2,730	2,679	2,945	2,770
Human and Leisure	11,134	11,058	13,574	13,065	12,670
Refuse Collection	12,766	12,862	11,716	10,878	10,394
Interest on Long-Term Debt	240	336	410	391	-
Water Utility	31,070	32,167	32,315	27,806	30,290
Airport	2,228	1,953	2,493	1,831	1,667
Sewer Enterprises	3,579	3,412	4,831	3,384	3,734
Parking Facilities	73	97	104	23	45
CNG	285	170	196	140	274
Grand Total	\$ 180,257	\$ 190,538	\$ 192,329	\$ 178,252	\$ 181,423

FY 21-22 GOVERNMENT-WIDE REVENUES

Total government-wide revenues increased by 25.4% from the prior fiscal year. The increase in revenues is attributed to sales tax growth as the City recovers from the COVID-19 pandemic, increases to development-related user fees, State grant revenues for the acquisition of land for the West Coyote Hills development project and return on pension plan investments.



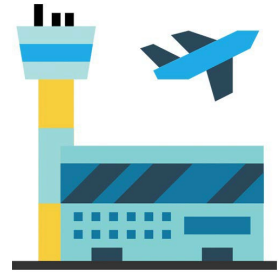
Revenues (In Thousands)	FY 21-22	FY 20-21	FY 19-20	FY 18-19	FY 17-18
Charges for Services	104,522	96,442	85,933	85,303	77,979
Operating Contributions & Grants	12,697	13,978	10,538	9,035	8,897
Capital Contributions & Grants	25,364	5,027	5,363	27,937	23,369
Property Taxes	51,007	50,238	46,365	44,291	42,244
Sales Taxes	30,494	25,571	23,095	24,438	21,834
Franchise Taxes	4,468	4,382	4,358	4,493	4,336
Other Taxes	5,552	3,461	4,398	5,328	4,829
Special Items	20,485	-	17,850	-	-
Use of Money/Property	(489)	3,498	9,065	8,489	4,633
Gain on Sale of Capital Asset	-	-	-	-	3,150
Grand Total	\$ 254,100	\$ 202,597	\$ 206,965	\$ 209,314	\$ 191,271



141K Residents



9.6K Businesses



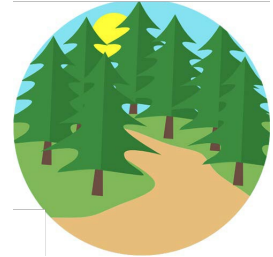
83K Flights/Year



3K Rail Commuters/Day



4 Colleges/Universities



28 Miles of Trails



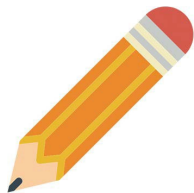
53 Parks



35K Street Trees



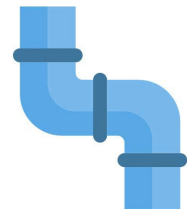
\$214M Budget



25.6K K-12 students



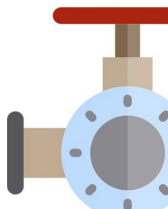
290 Miles of streets



320 Miles of Sewers



68 Miles of Storm Drains



423 Miles of Water Mains



61K Higher Ed Students



Scan QR code for more information about the City of Fullerton