



Community Report

Fiscal Year Ending June 30, 2023



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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) 2022-23 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 2022-23, the City's major revenues such as property tax and sales tax have remained strong as revenues surpass pre-pandemic levels. This coupled with the American Rescue Plan Act (ARPA) revenue replacement for government services has aided the City as we continue on a path toward fiscal sustainability. The City also achieved its 17% contingency reserve goal for the second year in a row, which is a positive measure and indicator of our fiscal health. Over the last fiscal year, the City continued to invest in its labor workforce and promote organizational efficiencies through the approved agreements with bargaining units and continuous recruitment efforts. The City continues to apply ARPA funding for various street rehabilitation projects, IT infrastructure projects, and shelter beds for the unhoused. While City revenues remain resilient, operating costs continue to rise, in which the City is committed to further development of its long-range strategic and financial planning efforts.

The City's Management team 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 2022-23 helpful and informational. A special thank you to the Administrative Services Department, including Toni Smart, John Ji, Steven Avalos, and Cinndy Barrios who complied and produced this year's Community Report.

Please feel free to share any questions, concerns, or feedback you may have with us.

Respectfully,




Eric J. Levitt
City Manager



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**City of Fullerton
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell
Executive Director/CEO

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 2022-23 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. Pre-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 142,873, Fullerton is the 41st largest city in the State and the 6th largest city in Orange County.



Unemployment Rate **3.3%**

Median Age **35.2**

Square Miles **22.4**

Population **142,873**

MAYOR & CITY COUNCIL



COUNCIL MEMBER
NICK DUNLAP
DISTRICT 2



COUNCIL MEMBER
SHANA CHARLES
DISTRICT 3



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

INTERIM

POLICE CHIEF

JON RADUS

LIBRARY DIRECTOR

JUDY BOOTH

FIRE CHIEF

ADAM LOESER

DIRECTOR OF HUMAN RESOURCES

EDDIE MANFRO

DIRECTOR OF ADMINISTRATIVE SERVICES

ELLIS CHANG

DIRECTOR OF COMMUNITY & ECONOMIC DEVELOPMENT

SUNAYANA THOMAS

DIRECTOR OF PUBLIC WORKS

STEPHEN BISE

OUR LOCAL ECONOMY

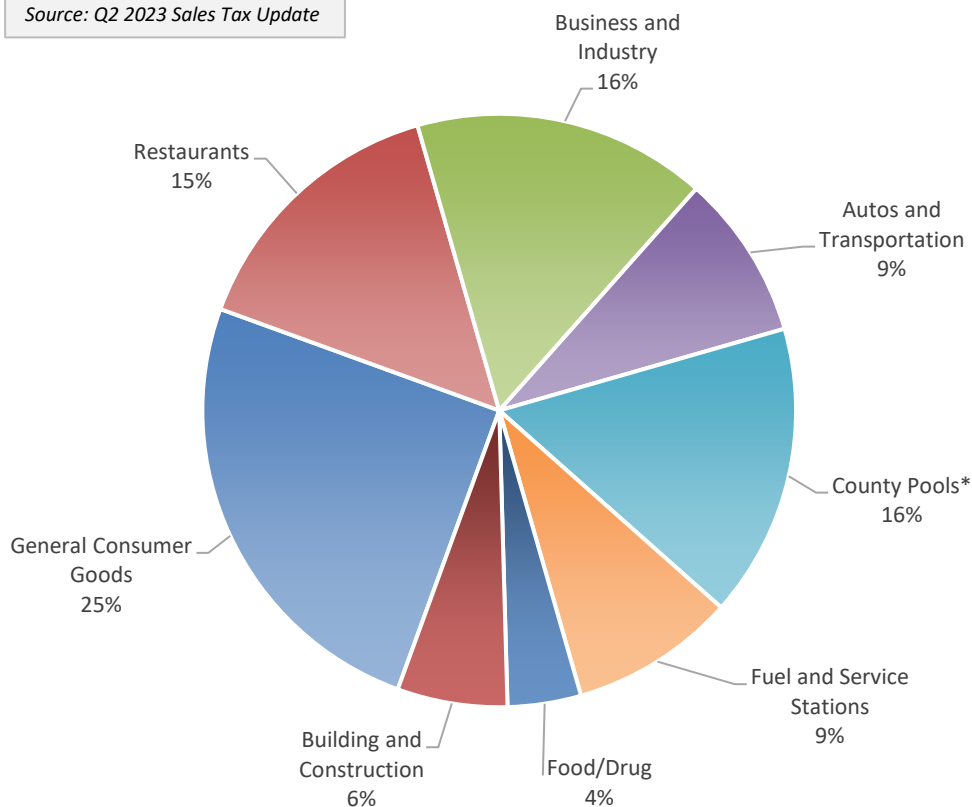
The Fullerton business community is diversified with no single industry or business dominating its local economy. Major employers in Fullerton include California State University- Fullerton, Fullerton Community College, St. Jude Hospital, Raytheon Systems Company, and AJ Kirkwood & Associates, Inc. In 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.



While City revenues remain resilient in FY2022-23, and surpassed pre-pandemic growth levels, the City’s diverse local economic base is balanced with no single industry or business dominating its local economy. General Consumer Goods and Business and Industry make up about 41% of total sales tax revenues. 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 2022-23 BY INDUSTRY

Source: Q2 2023 Sales Tax Update



* Revenue from online sales tax (county allocated)

CITY INITIATIVES

The City's recovery from the pandemic is well underway, and many community events and programs have returned and are available to residents. A few examples include Kids Storytime at the Fullerton Library and the Farmers Market on Wednesdays at the Fullerton Community Center. The City also held a ribbon-cutting ceremony for the grand opening of the West Coyote Hills trail, offering more trails for residents to enjoy. Throughout the year, the City has also been involved in various economic development initiatives, community programs, and community engagement events discussed below.

Economic Development

Fullerton has expanded its economic development efforts in FY 2022-23. The City successfully completed the land sale and entitlements for the Fox Block development project as well as the Westpark Tracks at Fullerton station project. These catalyst projects will bring new business to the community and serve as opportunities for growth in the downtown Fullerton area.

In addition, the execution of a citywide retail study brought forward new insights into the health of the City's retail base. This work showcased Fullerton's economic health as of the 6+ million square feet of retail, less than 4% of sites were vacant. The study also involved a detailed SWOT analysis and provided the team with key action items and deliverables to support long-term sustainability and growth. The City completed and processed over 5,000 permits and launched streamlining efforts to improve service levels and efficiencies, which include electronic reviews, digital booking features, online submittals, and after-hours services.



Fox Block Draft Renderings – Land Sale & Entitlement Completed

Community Programs

Senior programs came back in full this year, including Senior Grocery Distribution, Senior Taxi Program, Crafternoons, Senior Tax Assistance, as well as ongoing in-person health, fitness, and

exercise groups at the Fullerton Community Center (FCC). In addition, the City launched new free music programs including Drum Circle, Ukulele Jam, and Singalong. The Fullerton Senior Citizen's Club continues to partner with FCC on several enrichment programs, including the popular Tuesday Evening Dance, socials, excursions, and Senior Technology classes. Youth and community programs such as Family Movie Nights provided a fun night out for local families, with a movie, crafts, games, and snacks. The Downtown Fullerton Market ran for a total of 22 weeks, bringing the community together for farm fresh produce, crafts, music, and themed activities. Twilight at the Lake, introduced Laguna Lake to families with young children through a guided walk, crafts, and songs during the summer. Camp Hillcrest returned to its pre-pandemic attendance, running at capacity for both Summer and Winter breaks. We are excited to offer City residents with various community programs and events for all ages!

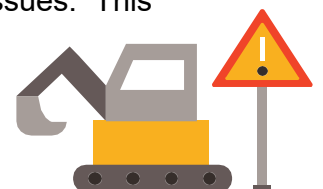
Community Engagement

The City of Fullerton began several initiatives to engage with residents and the community through various events and programs during the year. The Fire Department launched the Fullerton Community Emergency Response Team (CERT) which trains local volunteers about fire hazards, basic first aid, Stop the Bleed, and light search and rescue techniques. Volunteers go through 18 hours of training and are designated Disaster Service Workers after completion of the program. The goal for CERT volunteers is to prevent and prepare for emergencies and disasters and be ambassadors of preparedness within the community. The Fullerton Police Department also hosted various community engagement opportunities such as Coffee with A Cop, Pizza with the Police, and Cookies and Rookies to name a few. The Police Department plans to host a Citizens' Academy, a 10-week course designed to give an insight into the department's operations and community response, and National Night Out, an opportunity to meet police officers and the K-9 dogs. The Fullerton Municipal Airport hosted the first-ever Helicopter Day, a family-friendly event that provides an opportunity to get up close and personal with aircrafts, pilots, and their crew members.



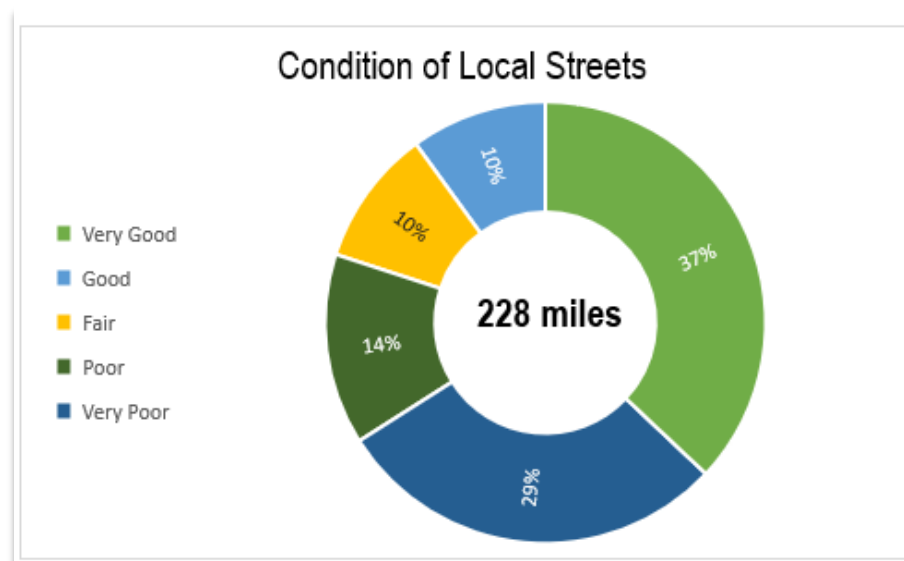
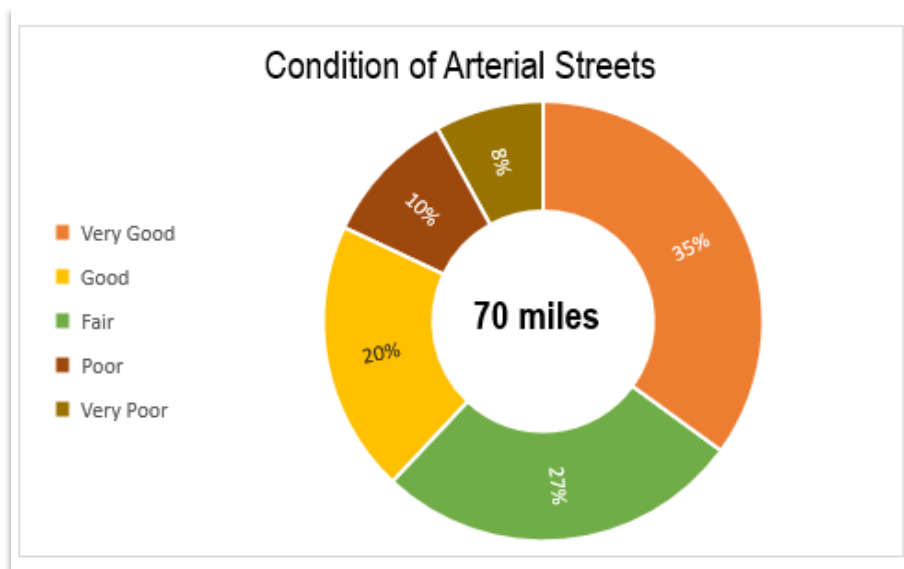
Addressing City Infrastructure

Deteriorating roadways have been of major concern for our residents. Every year funding is allocated to street rehabilitation projects, and while every attempt is made toward improvement, the extent of street damage far exceeds the available funding. For the City to start making noticeable improvements, a recurring budget of at least \$17 million per year is needed. City Council has identified infrastructure as a priority and has made strides over the last few years to help address the issues. This includes investing available one-time resources towards streets and infrastructure and establishing a new Infrastructure Fund in FY 2019-20 that allocates a portion of incremental tax revenue increases to street rehabilitation



and infrastructure. It is estimated that \$ 0.5M - \$2.0M 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, the 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 few 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. Major projects are currently underway and has resulted in an increase in street conditions year over year.



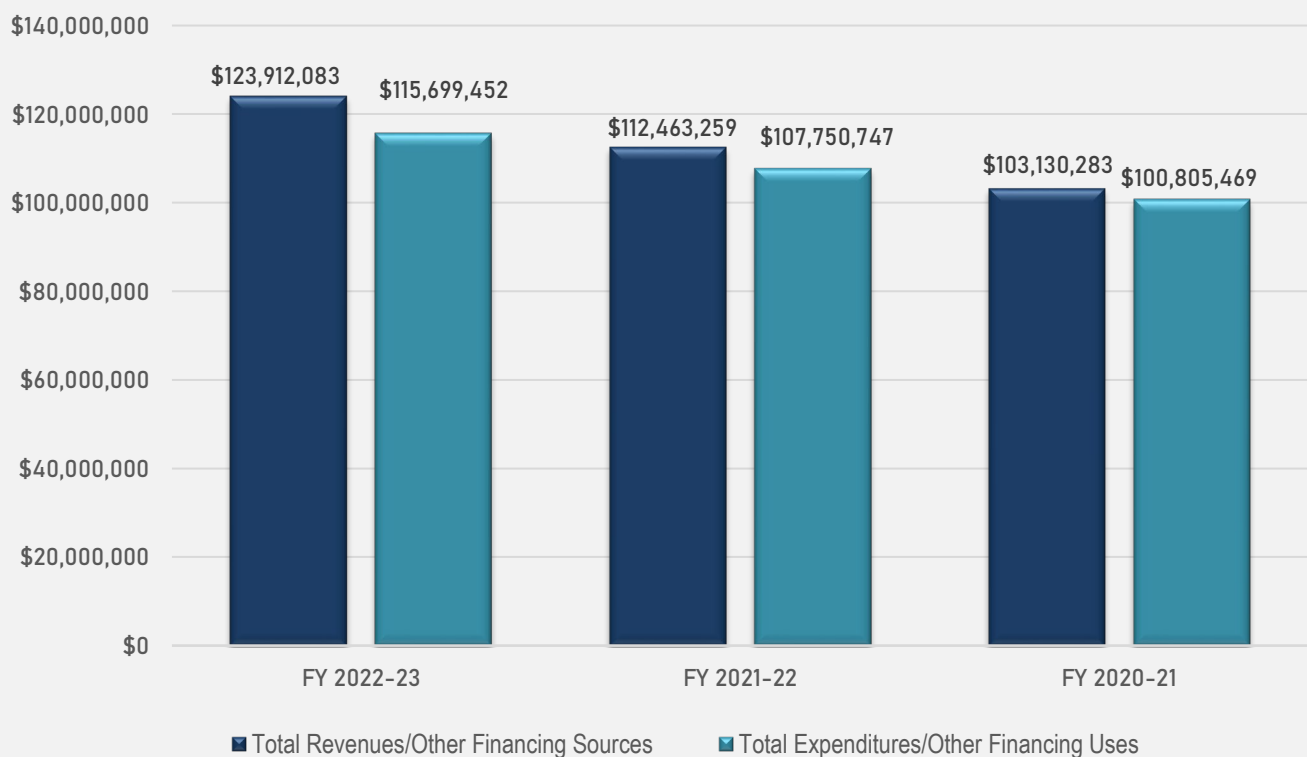
GENERAL FUND

The General Fund is the chief operating fund of the City. For FY 2022-23, General Fund revenues / other financing sources totaled \$123.9 million, and expenditures / other financing uses totaled \$115.7 million for the year, resulting in an operating surplus of \$8.2 million. The operating surplus is primarily due to an increase in property tax, sales tax revenue as well as increases in development-related fees.



At the end of FY 2022-23, the fund balance totaled \$33.5 million. Of that amount, \$19.4 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 second year in a row 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, 2023, 2022, and 2021



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.

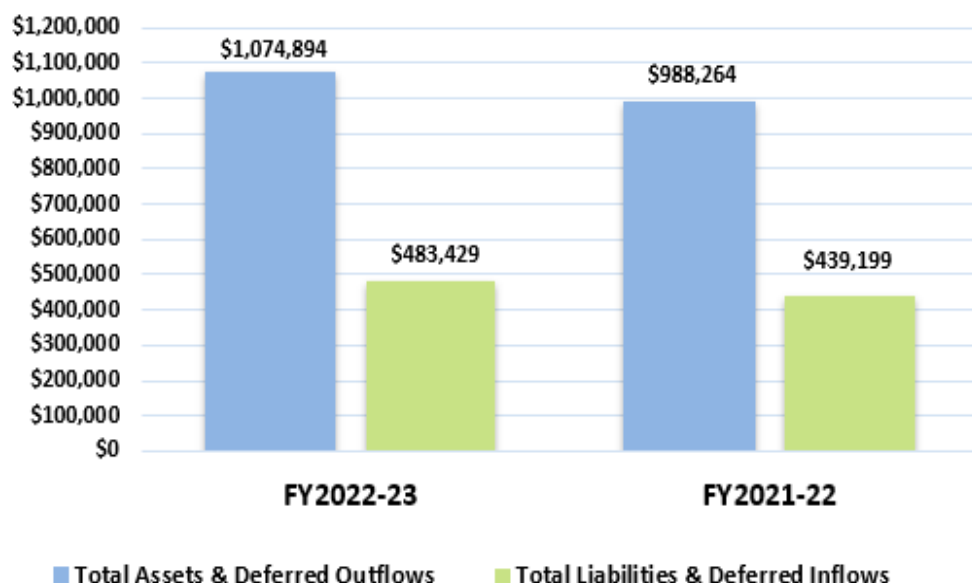


STATEMENT OF NET POSITION

City's Assets and Liabilities, Rounded to Nearest Thousand

Our Assets - What We Have	2023	2022
Current Assets Consisting Mainly of cash and amounts owed to the City	326,534	315,263
Net Capital Assets consisting primarily of buildings, equipment and vehicles	664,595	638,232
Total Assets of the City	991,129	953,495
Deferred Outflows - Positive effect on net position, similar to assets	83,765	34,769
Total Assets & Deferred Outflows	1,074,894	988,264
Our Liabilities - What We Owe	2023	2022
Long-Term Liabilities, including pension obligations	376,339	272,078
Other Liabilities, consisting of all amounts the City Owes except for debt	70,768	75,336
Total Liabilities of the City	447,107	347,414
Deferred Inflows - Negative effect on net position, similar to liabilities	36,322	91,785
Total Liabilities & Deferred Inflows	483,429	439,199
Net Position	2023	2022
Net Investment in Capital Assets	642,596	621,110
Restricted	45,940	42,682
Unrestricted	(97,071)	(114,727)
Total Net Position (Total Assets Less Total Liabilities)	591,465	549,065

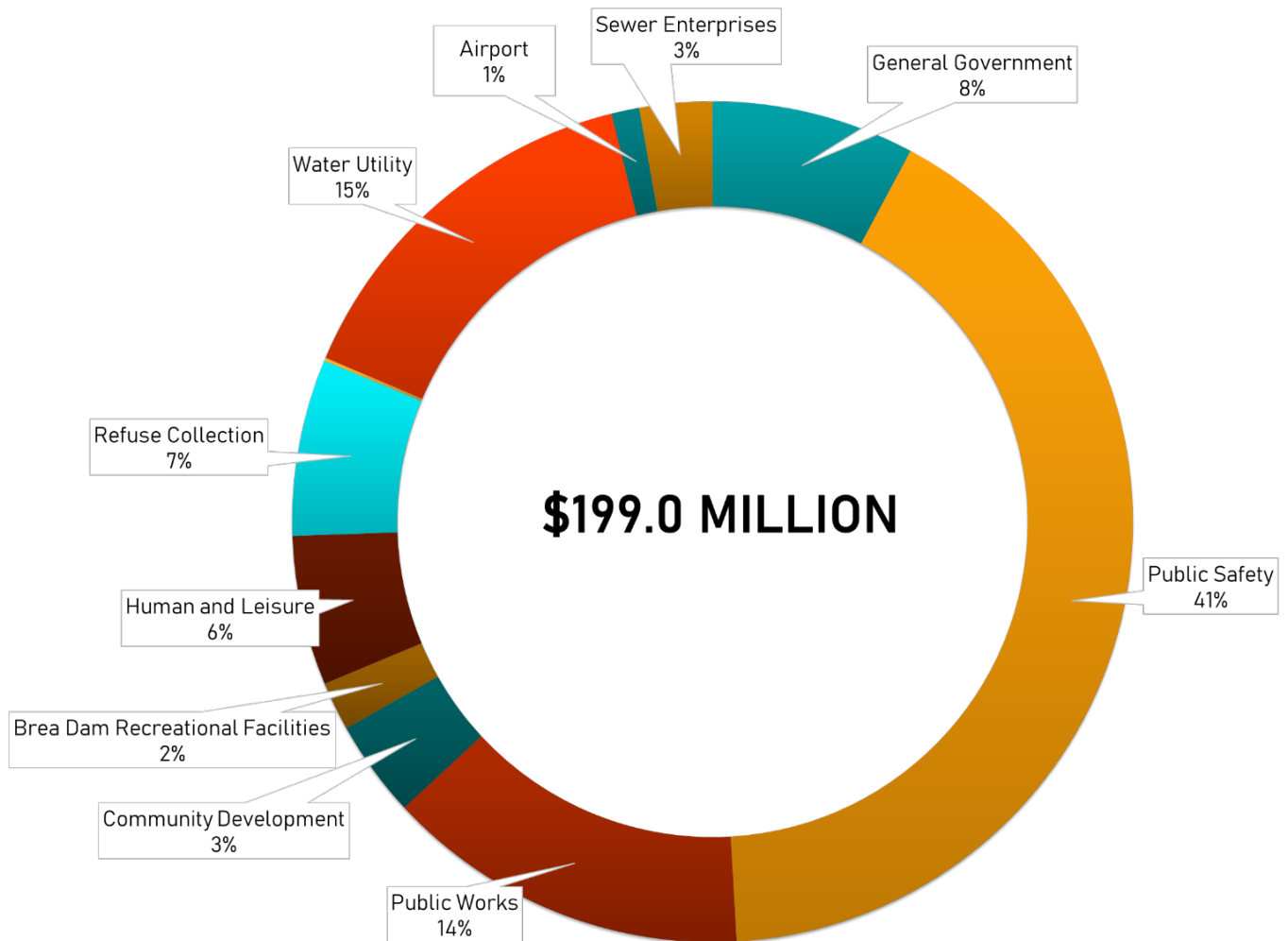
City's Assets and Liabilities Rounded to Nearest Thousand



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 \$591.5 million, an increase of \$42.4 million from the previous year. This is primarily due to increases in property and sales tax revenue growth, water sales, investment earnings, and increases in development-related fees that support cost recovery efforts.

FY 22-23 GOVERNMENT-WIDE EXPENDITURES

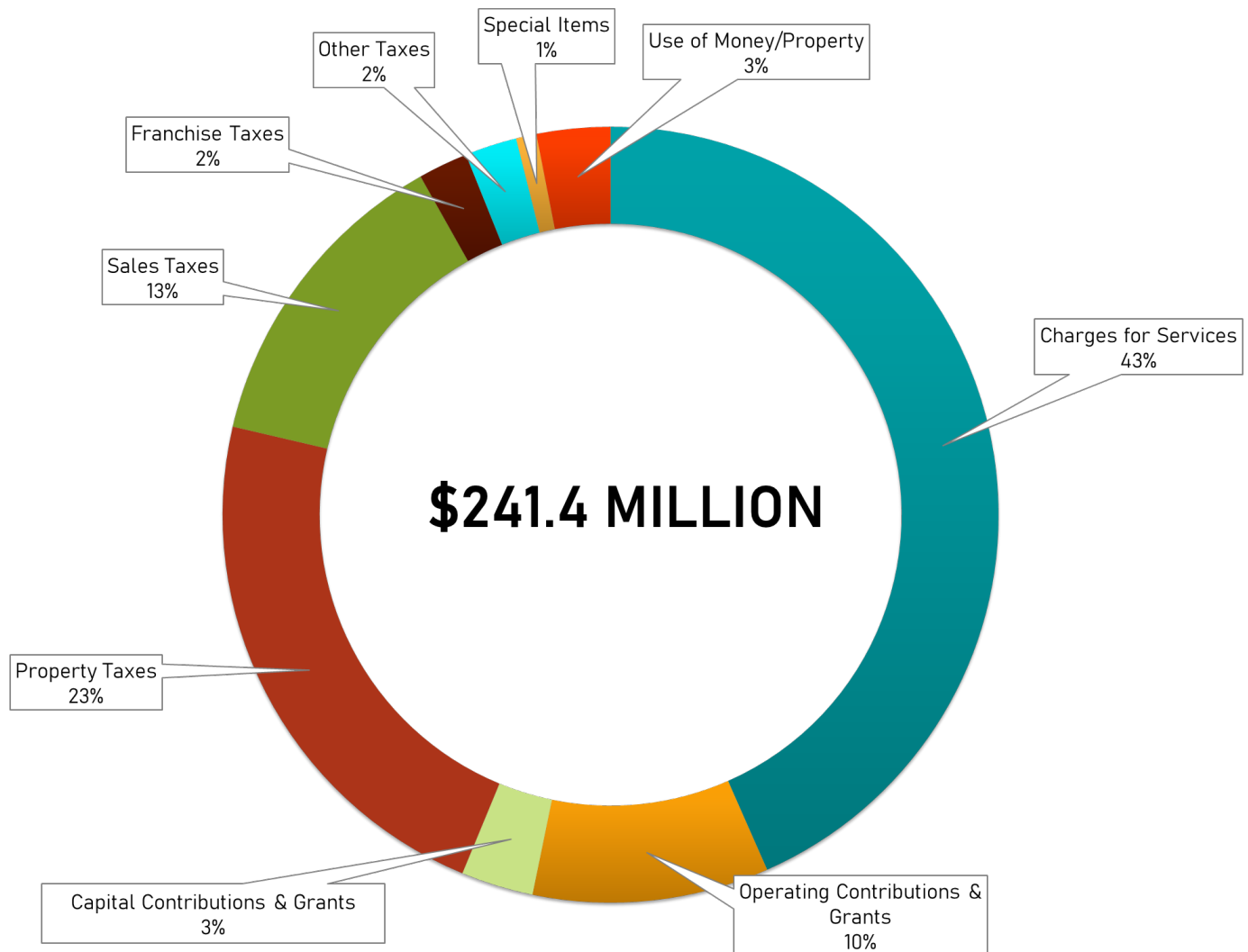
Total government-wide expenses increased by 10.4% from the prior fiscal year. The increase in expenditures is related to higher pension expenses as a result of a reduction in earnings on pension plan investments, and labor impacts related to renegotiations with various bargaining units. In addition, a change in pension plan assumptions contributed to the decrease as the discount rate was reduced from 7.15% to 6.90% due to long-term market return expectations and cash flows.



Expenditures (In Thousands)	FY 22-23	FY 21-22	FY 20-21	FY 19-20	FY 18-19
General Government	15,532	7,941	7,813	6,368	5,675
Public Safety	82,072	74,950	83,200	83,043	76,743
Public Works	27,870	24,819	24,617	26,077	24,726
Community Development	7,413	7,194	10,123	8,524	10,645
Brea Dam Recreational Facilities	3,730	3,978	2,730	2,679	2,945
Human and Leisure	11,447	11,134	11,058	13,574	13,065
Refuse Collection	13,504	12,766	12,862	11,716	10,878
Interest on Long-Term Debt	247	240	336	410	391
Water Utility	29,345	31,070	32,167	32,315	27,806
Airport	2,125	2,228	1,953	2,493	1,831
Sewer Enterprises	5,559	3,579	3,412	4,831	3,384
Parking Facilities	76	73	97	104	23
CNG	106	285	170	196	140
Grand Total	\$ 199,026	\$ 180,257	\$ 190,538	\$ 192,329	\$ 178,252

FY 22-23 GOVERNMENT-WIDE REVENUES

Total government-wide revenues decreased by 5.0% from the prior fiscal year. The decrease in revenues is related to the difference between the FY 2021-22 CalPERS pension investment gains which are not experienced in Fiscal Year 2022-23. The pension investment decrease is offset by an increase in property tax revenue growth as property value in the City has increased by 5.96% from the previous year.



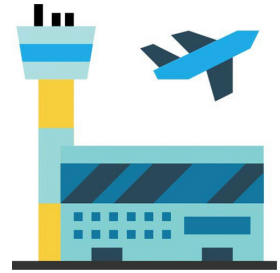
Revenues (In Thousands)	FY 22-23	FY 21-22	FY 20-21	FY 19-20	FY 18-19
Charges for Services	104,755	104,522	96,442	85,933	85,303
Operating Contributions & Grants	23,760	12,697	13,978	10,538	9,035
Capital Contributions & Grants	7,264	25,364	5,027	5,363	27,937
Property Taxes	54,098	51,007	50,238	46,365	44,291
Sales Taxes	31,876	30,494	25,571	23,095	24,438
Franchise Taxes	4,996	4,468	4,382	4,358	4,493
Other Taxes	5,217	5,552	3,461	4,398	5,328
Special Items	2,055	20,485	-	17,850	-
Use of Money/Property	7,405	(489)	3,498	9,065	8,489
Grand Total	\$ 241,426	\$ 254,100	\$ 202,597	\$ 206,965	\$ 209,314



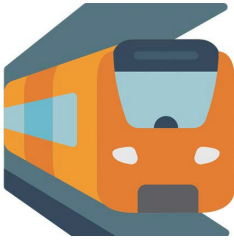
142K Residents



9.6K Businesses



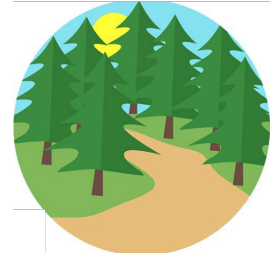
75K Flights/Year



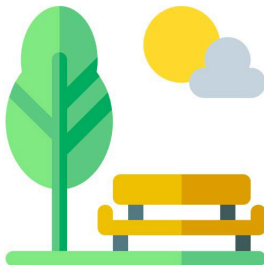
3K Rail Commuters/Day



4 Colleges/Universities



30 Miles of Trails



53 Parks



35K Street Trees



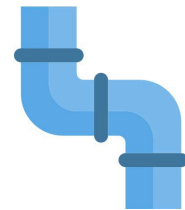
\$248M Budget



25.6K K-12 students



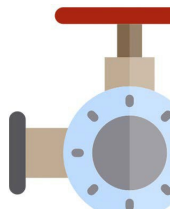
298 Miles of streets



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