Proposed Budget Workshop
Fiscal Year 2016

City Council Special Meeting May 14, 2015

JAMES MAKSHANOFF
CITY MANAGER
FY 2016 Budget Key Themes

- Long Term Financial Plan and annual budget process contributes to financial sustainability

- Maintain City’s AAA credit rating

- Continue process to fund, maintain and improve all City facilities and infrastructure
FY 2016 Budget Focus

Fiscal Responsibility
  ◦ Balanced Budget
  ◦ Long-Term Sustainability through LTFP
  ◦ Maintain Healthy Reserves

Improving Revenue
  ◦ Revenues Continue to Recover at a Slow Pace
  ◦ Improving Economy
Budget Highlights
Erik Sund, Assistant City Manager

Photograph taken by Will Buddenhagen
FY 2016 Budget Workshop

• Budget Overview
• Department Budget Highlights
• CIP Program Overview
• Review and Address City Council Decision Packages
• Direct Staff
FY 2016 Budget Workshop

- Budget Public Hearing
  - Tuesday, June 2, 2015 at 6:00 PM in Council Chambers

- Budget Adoption
  - Tuesday, June 16, 2015 at 6:00 PM in Council Chambers
Budget Overview
Judi Vincent, Finance Manager

Photograph taken by Will Buddenhagen
All Funds Summary
FY 2016

In Millions

$124.9
$132.3

Revenues
Expenditures
## All Funds Overview

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$58,053,040</td>
</tr>
<tr>
<td>Special Revenue Funds</td>
<td>5,298,060</td>
</tr>
<tr>
<td>Capital Project Funds</td>
<td>4,179,260</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>604,430</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>52,281,500</td>
</tr>
<tr>
<td>Internal Service Funds</td>
<td>11,860,080</td>
</tr>
</tbody>
</table>

**Total Spending Plan**  
$132,276,370
General Fund Revenues & Expenditure Comparison
FY 2015 to FY 2016
($ in millions)
General Fund Operating Budget Comparison
FY 2015 to FY 2016
Excluding Fund Balances, Capital Outlay & Reserve Transfers
($ in millions)

FY 2015:
- Revenues: $52.3
- Expenditures: $52.1

FY 2016:
- Revenues: $54.2
- Expenditures: $53.9
General Fund Operating Position

FY 2016:

Operating Revenue $ 54,244,011
Operating Expenditures 53,854,490
General Fund Operating Position $ 389,521
Total General Fund Revenues
FY 2016 - $55.7 million

<table>
<thead>
<tr>
<th>Revenue Categories</th>
<th>2015 Budget</th>
<th>2015 Projected</th>
<th>2016 Budget</th>
<th>Dollar Change</th>
<th>% Bud 15 To Bud 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$39,365,250</td>
<td>$39,370,480</td>
<td>$41,960,100</td>
<td>$2,594,850</td>
<td>7%</td>
</tr>
<tr>
<td>Permits &amp; Fees</td>
<td>1,749,180</td>
<td>1,734,180</td>
<td>1,942,530</td>
<td>193,350</td>
<td>11%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,013,230</td>
<td>999,370</td>
<td>343,000</td>
<td>(670,230)</td>
<td>-66%</td>
</tr>
<tr>
<td>Service Charges</td>
<td>5,266,070</td>
<td>5,279,110</td>
<td>4,822,180</td>
<td>(443,890)</td>
<td>-8%</td>
</tr>
<tr>
<td>Fines</td>
<td>789,000</td>
<td>789,000</td>
<td>706,000</td>
<td>(83,000)</td>
<td>-11%</td>
</tr>
<tr>
<td>Interest &amp; Rents</td>
<td>1,695,850</td>
<td>1,776,960</td>
<td>1,775,420</td>
<td>79,570</td>
<td>5%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>121,100</td>
<td>132,130</td>
<td>71,000</td>
<td>(50,100)</td>
<td>-41%</td>
</tr>
<tr>
<td>Interfund Revenue</td>
<td>4,053,410</td>
<td>3,960,410</td>
<td>4,077,610</td>
<td>24,200</td>
<td>1%</td>
</tr>
<tr>
<td><strong>General Fund Revenue</strong></td>
<td><strong>$54,053,090</strong></td>
<td><strong>$54,041,640</strong></td>
<td><strong>$55,697,840</strong></td>
<td><strong>1,644,750</strong></td>
<td><strong>3%</strong></td>
</tr>
<tr>
<td>Expenditure Categories</td>
<td>FY 2015 Adj Budget</td>
<td>FY 2015 Projected</td>
<td>FY 2016 Budget</td>
<td>Dollar Change</td>
<td>% Bud 15 To Bud 16</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------</td>
<td>-------------------</td>
<td>----------------</td>
<td>--------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Personnel</td>
<td>$17,160,290</td>
<td>$16,556,690</td>
<td>$17,632,860</td>
<td>$472,570</td>
<td>3%</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,117,620</td>
<td>1,066,590</td>
<td>1,212,530</td>
<td>94,910</td>
<td>8%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>28,285,320</td>
<td>28,085,210</td>
<td>28,351,690</td>
<td>66,370</td>
<td>0%</td>
</tr>
<tr>
<td>Other Charges</td>
<td>1,057,040</td>
<td>1,068,910</td>
<td>1,026,780</td>
<td>(30,260)</td>
<td>-3%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>9,562,990</td>
<td>9,533,390</td>
<td>3,194,500</td>
<td>(6,368,490)</td>
<td>-67%</td>
</tr>
<tr>
<td>Interdepartmental Charges</td>
<td>3,865,370</td>
<td>3,821,370</td>
<td>4,026,460</td>
<td>161,090</td>
<td>4%</td>
</tr>
<tr>
<td>Interfund Transfers</td>
<td>1,880,550</td>
<td>1,861,940</td>
<td>2,111,590</td>
<td>231,040</td>
<td>12%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>388,650</td>
<td>388,650</td>
<td>496,630</td>
<td>107,980</td>
<td>28%</td>
</tr>
<tr>
<td>Expenditure Subtotals</td>
<td>63,317,830</td>
<td>62,382,750</td>
<td>58,053,040</td>
<td>(5,264,790)</td>
<td>-8%</td>
</tr>
</tbody>
</table>
Personnel Budget

- SCCEA MOU – Effective FY 2015, 2016, & 2017
  - Salaries increases 2.775% in July each year
  - Offset by Employee pickup of retirement costs each July
  - City Paid portion of Health Insurance increases 2\textsuperscript{nd} and 3\textsuperscript{rd} year
- Ongoing Step Increases
Staffing Changes

◦ Classification and Compensation Study completed FY 2015

◦ Eliminate 2 frozen (unfunded) positions:
  ◦ Business Relations Officer (Business Services)
  ◦ Senior Communications Technician (Maintenance Services)

Budget Enhancements:
◦ Reclassify 1 Associate Planner to Senior Planner
◦ Increase Code Enforcement Specialist Hours
  ◦ Benefitted Part-Time position increases from 30 to 36 hours per week
Pension Costs

◦ General Employees:
  ◦ Overall 4% pension cost reduction for FY 2016
  ◦ Pension administration transferred to CalPERS – June 2014
    ◦ Stable pension rate for 2 years
    ◦ Retired/Inactive employees remain with Great West

◦ Public Safety Employees:
  ◦ Safety Lifeguard – increase of $12,820 (12%)
  ◦ Retired/Inactive Police & Fire – increase of $107,980 (28%)
## Pension Unfunded Liabilities

<table>
<thead>
<tr>
<th>Type of Liability</th>
<th>Unfunded</th>
<th>% Funded</th>
<th>As of date</th>
<th>Plan to Address Liability</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great West (Misc.)</td>
<td>($9,695,000)</td>
<td>66.9%</td>
<td>7/1/2014</td>
<td>Continue current schedule</td>
<td>20 years</td>
</tr>
<tr>
<td>CalPERS (Misc.)</td>
<td>(7,801,761)</td>
<td>77.5%</td>
<td>8/31/2013</td>
<td>Continue current schedule</td>
<td>20 years</td>
</tr>
<tr>
<td>CalPERS (Lifeguard)</td>
<td>(1,153,149)</td>
<td>76.6%</td>
<td>7/1/2013</td>
<td>Continue current schedule</td>
<td>22-30 years</td>
</tr>
<tr>
<td>CalPERS (Safety)</td>
<td>(9,025,016)</td>
<td>76.7%</td>
<td>7/1/2013</td>
<td>Continue current schedule</td>
<td>24-30 years</td>
</tr>
<tr>
<td>Retiree Medical</td>
<td>(1,861,276)</td>
<td>0.0%</td>
<td>7/1/2014</td>
<td>Establish Irrevocable Trust</td>
<td>24-30 Years</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>($29,536,202)</td>
<td>73.0%</td>
<td></td>
<td>Reassess Liability in a year</td>
<td></td>
</tr>
</tbody>
</table>
### Total General Fund Expenditures FY 2016 by Department

<table>
<thead>
<tr>
<th>Departments</th>
<th>FY 2015 Adj Budget</th>
<th>FY 2015 Projected</th>
<th>FY 2016 Budget</th>
<th>Dollar Change</th>
<th>% Bud 15 To Bud 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government*</td>
<td>$7,263,190</td>
<td>$7,195,680</td>
<td>$7,321,550</td>
<td>$58,360</td>
<td>1%</td>
</tr>
<tr>
<td>Finance &amp; Admin Services</td>
<td>3,341,690</td>
<td>3,220,890</td>
<td>3,126,680</td>
<td>(215,010)</td>
<td>-6%</td>
</tr>
<tr>
<td>Police Services</td>
<td>13,118,090</td>
<td>13,109,310</td>
<td>13,355,400</td>
<td>237,310</td>
<td>2%</td>
</tr>
<tr>
<td>Fire Services</td>
<td>8,177,340</td>
<td>8,159,620</td>
<td>8,490,810</td>
<td>313,470</td>
<td>4%</td>
</tr>
<tr>
<td>Community Development</td>
<td>5,156,480</td>
<td>4,943,240</td>
<td>4,766,070</td>
<td>(390,410)</td>
<td>-8%</td>
</tr>
<tr>
<td>Public Works</td>
<td>16,344,600</td>
<td>15,949,220</td>
<td>15,038,490</td>
<td>(1,306,110)</td>
<td>-8%</td>
</tr>
<tr>
<td>Beaches, Parks &amp; Rec.</td>
<td>9,916,440</td>
<td>9,804,790</td>
<td>5,954,040</td>
<td>(3,962,400)</td>
<td>-40%</td>
</tr>
<tr>
<td><strong>Expenditure Subtotal</strong></td>
<td><strong>63,317,830</strong></td>
<td><strong>62,382,750</strong></td>
<td><strong>58,053,040</strong></td>
<td><strong>(5,264,790)</strong></td>
<td><strong>-8%</strong></td>
</tr>
</tbody>
</table>
General Government - Highlights

- Interfund Transfers total $2.1 million, including:
  - $900,000 to the General Liability Fund
  - $756,290 to the Street Improvement Fund
  - $370,000 to Reserve Funds
- $1.5 million in General Liability Insurance charges (up $271k)
- $717,400 City contribution to CASA Animal Shelter (up $18k)
- DBA Funding included at $38,000
- Council Contingency funded at $100,000 for FY 2016
Finance & Administrative Services - Highlights

- RSVP administration moved from Police Services to Human Resources
- ADA Improvements for FY 2016 included in Capital Project budgets
- Reductions due to several studies budgeted in prior year
- Budget Enhancements:
  - Payment Processing System and Utility Billing Intelligent Voice Response (IVR) (ITSP project)
Public Safety - Highlights

- Public Safety total funding = $23.3 million

Fire Services
- OCFA base contract increases $248,000 (3.25%)
- OCFA total contract costs increase by $317,000 (3.9%)
- Seasonal Ambulance Service continues for 2nd year (began May 1, 2015)

Marine Safety (budgeted in BPR)
- Junior Lifeguard Education Program expanding
Public Safety – Highlights

- Police Services
  - OCSD contract costs increase by $323,000 (2.6%)
  - Contract changes include cost savings from defunding 2 positions:
    - Crime Prevention Specialist (vacant) $ 91,800
    - Deputy II - Motorcycle (vacant) 246,000
    - Less: Revenue Reduction (Fines) (70,000)
    - Administrative “Extra Help” (vacant) 40,000
    - NET ANNUAL SAVINGS $ 307,800
Community Development - Highlights

- Contractual Services reductions from General Plan related projects budgeted in prior year
- Reductions in Contractual Plan Check and Inspection Services
- Budget for Parking Lot Leases moved to General Government/Economic Development
- **Budget Enhancements:**
  - Planning Intern Program (one-time/annual review)
  - Integration of GIS with Trak-It System (ITSP project) (pgs. 103-109)
  - Two GIS Workstations (ITSP project)
  - Replace/Upgrade Customer Queing System (ITSP project)
  - Replace IVR for Building Inspection Requests (ITSP project)
Public Works - Highlights

- Beaches and Parks Maintenance Divisions moved from BPR to Public Works
- Park Planning and construction management of Parks and Recreation projects moved to Public Works
- Budget includes new costs related to maintenance of the new Marblehead Parks and Trails

Budget Enhancements:
- T-Zone Bench Replacement and Bulb-out Maintenance (ongoing)
- Chain Link Fence Repair (ongoing)
- Emergency Operations Center (EOC) Laptop Replacements-80% grant funded (one-time)
- Conversion of Liberty Park Tennis Court Lighting (one-time)
Beaches, Parks, & Recreation - Highlights

- Beaches and Parks Maintenance Divisions moved to Public Works Department
- Park Planning and project construction management moved to Public Works Department
- Contractual Services and Staffing added for part-year for OHBC opening (est. Spring 2016)
- **Budget Enhancements:**
  - Expansion of Playschool Kids Club Program (ongoing /revenue generating)
  - Start-up Equipment, Furnishings and Supplies for OHBC opening (one-time)
### Fund Balance
**June 30, 2016**

![Pie chart showing fund balance categories]

<table>
<thead>
<tr>
<th>Fund Balance</th>
<th>Beginning</th>
<th>Increase</th>
<th>Decrease</th>
<th>Ending</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserve amounts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability Reserve</td>
<td>10,000,000</td>
<td>-</td>
<td>-</td>
<td>10,000,000</td>
<td>0%</td>
</tr>
<tr>
<td>Emergency Reserve</td>
<td>4,693,000</td>
<td>154,000</td>
<td>-</td>
<td>4,847,000</td>
<td>3%</td>
</tr>
<tr>
<td>VHSP Reserve</td>
<td>202,171</td>
<td>-</td>
<td>(202,171)</td>
<td>-</td>
<td>-100%</td>
</tr>
<tr>
<td>Pension Reserve</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>500,000</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>15,395,171</td>
<td>154,000</td>
<td>(202,171)</td>
<td>15,347,000</td>
<td>0%</td>
</tr>
<tr>
<td>Unassigned</td>
<td>4,091,028</td>
<td>-</td>
<td>(2,307,029)</td>
<td>1,783,999</td>
<td>-56%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,486,199</td>
<td>154,000</td>
<td>(2,509,200)</td>
<td>17,130,999</td>
<td>-12%</td>
</tr>
</tbody>
</table>
General Fund – Five-Year Forecast

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$54.2M</td>
<td>$56.3M</td>
<td>$57.5M</td>
<td>$58.7M</td>
<td>$59.9M</td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>53.8M</td>
<td>55.6M</td>
<td>57.0M</td>
<td>58.4M</td>
<td>59.8M</td>
</tr>
<tr>
<td>Projected surplus/deficit</td>
<td>$ 0.4M</td>
<td>$ 0.7M</td>
<td>$ 0.5M</td>
<td>$ 0.3M</td>
<td>$0.1 M</td>
</tr>
</tbody>
</table>
Enterprise Funds - Highlights

- **Water Fund**
  - Proposed Budget includes water rate increase (4%)
  - Funding added for Drought Cost of Service Analysis
  - Purchased water increase projected at 4.4% (94% of potable water is imported)
  - Temporary Part-time hours added in Water Conservation
  - **Budget Enhancements:** 5 year Urban Water Management Plan update

- **Sewer Fund**
  - No sewer rate increase proposed for FY 2016
  - **Budget Enhancements:** Electric Carts for Water Reclamation Plant (one-time)

- **Clean Ocean**
  - **Budget Enhancements:** Water Quality Code Enforcement Mobile Office (one-time)
Special Revenue Funds - Highlights

- **Street Improvement Fund**
  - Measure M2 Funds provide on-going revenue source
  - General Fund annual transfer of $756,290 continues for FY 2016

- **Miscellaneous Grants Fund**
  - $150,000 for sidewalk improvements - CDBG Program initiative for FY 2016

- **Air Quality Improvement Fund**
  - Includes funding for Traffic Calming Program ($80,000) and Downtown Circulator/Trolley Update ($40,000)

- **Police Grants Fund**
  - Portion of one deputy position continues to be funded by State COPS grant
Internal Service Funds - Highlights

- **General Liability Fund**
  - City continues to participate in the California Joint Powers Insurance Authority (CJPIA)
  - CJPIA Liability Insurance Premium budgeted at $2.1 million for FY 2016
  - Retrospective payments of $1.4 million due July 1, 2015

- **Fleet Replacement Fund**
  - 22 pieces of fleet equipment are budgeted for replacement in FY 2016 - $886,480

- **Central Services Fund**
  - **Budget Enhancements:** Electronic Data Storage and EDMS Search Enhancements (ITSP projects)

- **Information Technology Fund**
  - **Budget Enhancements:** Telephone System Replacement (ITSP Project)
Debt Service Fund - Highlights

- Negocio Debt Service Fund
  - General Fund transfer suspended in FY 2014
  - Lease income covers the building’s operational costs and debt service payments
Capital Improvement Program
Ken Knatz, Principal Civil Engineer

Photograph taken by Will Buddenhagen
Questions?
City Council Decision Packages
Council Decision Items – General Fund

Operating (General Fund):

Good Neighbor Funding $8,000
Lucity CMMS Administrator (30%-General Fund) 35,200
Code Compliance Officer – Unfreeze Senior Position 71,140
Code Compliance Technician – Unfreeze Officer Position 63,290
Building Division – On-Call Emergency Staffing 12,650

$190,280

FY 2016 General Fund Operating Position - $389,521
## Council Decision Items – General Fund

**One-Time (General Fund):**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Downtown Business Association (DBA) support</td>
<td>$20,400</td>
</tr>
<tr>
<td>General Fund Fee Update</td>
<td>50,000</td>
</tr>
<tr>
<td>City Office Space Needs Assessment</td>
<td>50,000</td>
</tr>
<tr>
<td>Mitigation Fee Study</td>
<td>50,000</td>
</tr>
<tr>
<td>Beach Trail Bridges Recoating-CIP</td>
<td>150,000</td>
</tr>
<tr>
<td>Citywide Tree Inventory-CIP</td>
<td>80,000</td>
</tr>
<tr>
<td>Marblehead/N. ECR Sidewalk-CIP (60%-General Fund)</td>
<td>160,000</td>
</tr>
</tbody>
</table>

**FY 2016 General Fund Unassigned Fund Balance** - $1,783,999
### Council Decision Items – Other Funds

**Operating (Other Funds):**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucity CMMS Administrator (70%-Utility Funds)</td>
<td>$86,300</td>
</tr>
<tr>
<td>Recycled Water Specialist-Limited Term (Water Fund)</td>
<td>99,172</td>
</tr>
<tr>
<td></td>
<td>$185,472</td>
</tr>
</tbody>
</table>

**One-Time (Other Funds):**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marblehead/N. ECR Sidewalk-CIP (40%-Air Quality Fund)</td>
<td>$100,000</td>
</tr>
<tr>
<td>Cable TV Equipment Replacement (Special Rev. Fund)</td>
<td>225,000</td>
</tr>
<tr>
<td></td>
<td>$325,000</td>
</tr>
</tbody>
</table>

Detail after page 48
FY 2016 Budget Schedule

Budget Presentation
- Tuesday, May 5, 2015  6:00 p.m.

Budget Workshop
- Thursday, May 14, 2015  4:00 p.m.

Budget Public Hearing
- Tuesday, June 2, 2015  6:00 p.m.

Budget Adoption
- Tuesday, June 16, 2015  6:00 p.m.

Photograph taken by Will Buddenhagen
Resources

All information pertaining to the City’s Budget is located at: