



CITY OF POMONA COUNCIL REPORT

June 5, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

By: Onyx Jones, Finance Director

Subject: **Public Hearing - Adoption of Resolutions Approving the Fiscal Year 2017-2018 City of Pomona Operating Budget, Housing Authority Budget, Five Year Capital Improvement Program Budget, related actions, and Review and Adoption of Fiscal Year 2016-2017 Budget Amendments**

OVERVIEW

Recommendation – That the City Council and the City Council sitting as the Commission of the Housing Authority conduct the public hearing and after receiving comments and testimony adopt respectively the following resolutions:

1. City Council Resolution adopting the Fiscal Year 2017-2018 City of Pomona Operating Budget including related personnel actions and amending the Fiscal Year 2016-2017 Budget.
2. Housing Authority Resolution adopting the Housing Authority Budget for Fiscal Year 2017-2018.
3. City Council Resolution approving the 2017-2018 to 2021-2022 Five Year Capital Improvement Program and adopting a Capital Improvement Program Budget for Fiscal Year 2017-2018.
4. City Council Resolution establishing the 2017-2018 Gann Appropriations Limit.
5. City Council Resolution amending Appendix A of the Personnel Rules and Regulations for Management Group A and B Employees.
6. City Council Resolution amending the Memorandum of Understanding between the City of Pomona and the Pomona City Employees' Chapter of the Teamsters Local 1932 (PCEA).

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7. City Council Resolution Amending the City of Pomona's Positions and Salary Schedule pursuant to the California Code of Regulations (CCR) Title 2, Section 570. 5 and Amendments to CCR Section 571, Subdivision (b).

Fiscal Impact – The adoption of the attached resolutions will establish the City's and Housing Authority's Fiscal Year 2017-2018 Operating and Capital Improvement Program budgets as follows:

<u>Proposed Budget</u>	<u>Revenue Estimate</u>	<u>Appropriation</u>
1) City of Pomona Operating	\$195,909,050	\$193,952,814
2) Housing Authority	13,421,027	14,045,597
3) Capital Improvement Program	In operating budget	10,314,005
	\$209,330,077	\$218,312,416

Previous Related Action – City Council adopted the FY 2016-17 Operating Budget, Housing Authority Budget, and the Five-Year Capital Improvement Program on June 6, 2016. City Council also approved the Budget Preparation Calendar, Guiding Principles and Process for FY 2017-18 on January 9, 2017, received the FY 2016-17 Mid-Year Budget Report on March 6, 2017, approved various amendments to the Operating and Capital Improvement Program budgets throughout the year and held a Study Session to discuss the FY 2017-18 Proposed Budgets on May 8, 2017.

Public Noticing Requirements - Pursuant to section 1006 of the City Charter, this item must be noticed in a newspaper of local circulation not less than two (2) weeks prior to the meeting. A notice for this hearing was published on May 17, 2017 in the Inland Valley Daily Bulletin.

EXECUTIVE SUMMARY

The Mayor and City Council were presented with the FY 2017-18 Proposed Budget at the May 8, 2017 Study Session. During the meeting the Mayor and City Council had questions that were answered by the Finance Director. No requests or changes to the proposed budget were requested at that time. A discussion on the use of the Public Art Fund for future City projects occurred. An idea was proposed to form a City Council subcommittee to discuss future public art planning uses. As proposed, the FY 2017-18 Operating Budget, for citywide expenditures is \$193M and it is comprised of six operating fund types (General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds). The Proposed Budget for the Housing Authority is \$14M and the Capital Improvement Program Budget is proposed at \$10.3M. The total overall fiscal plan for FY 2017-18 totals \$218.3M and includes:

- 4 position reclassifications
- Title change to the Water Resources Department
- 2 position title changes in the Water Resources Department
- Supplemental and Capital Equipment recommendations (Non-General Funds)

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There are some FY 2017-18 changes from the Proposed Budget reviewed during the May 8, 2017 Study Session. These specific changes are highlighted in the Discussion section of this staff report.

Staff recommends the City Council adopt the budgets as presented and the related actions. In accordance with the City Charter, the budget is to be adopted prior to the beginning of the new fiscal year.

DISCUSSION

OPERATING BUDGET

All Funds – The Operating Budget is the City's financial plan, and consists of revenues and expenditures to finance the current year operations of the various funds and programs for the fiscal year beginning July 1, 2017 and ending June 30, 2018. It is a flexible spending plan by which the City Council establishes legal authority for departments to commit financial resources for the provision of services within the City of Pomona.

The recommended FY 2017-18 Operating and Capital Improvement Program Budgets total \$218.3M as follows:

Table 1

Fund Type	Revenue Including Transfers In	Appropriations Including Transfers Out
General Fund	\$94,612,952	\$94,612,952
Special Revenue Funds	30,946,910	31,140,472
Debt Service Funds	6,205,106	6,360,531
Capital Project Funds	8,423,007	609,544
Enterprise Funds	47,807,391	52,918,829
Internal Service Funds	7,913,684	8,310,486
City Operating Budget	\$195,909,050	\$193,952,814
Housing Authority	13,421,027	14,045,597
Capital Improvements	-	10,314,005
Total	\$209,330,077	\$218,312,416

General Fund – There are no changes proposed since the May 8, 2017 Study Session to the General Fund. In summary, the proposed General Fund budget is balanced. The General Fund's ending fund balance is projected to be \$15.5M which is 16.4% of the FY 2017-18 proposed operating expenditures. The proposed FY 2017-18 budget is balanced and should not require the use of fund balance. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board and Government Finance Officers Association (GFOA).

General Fund Appropriations – The General Fund is the largest fund of the City and represents approximately 49% of the City's Operating Budget. The General Fund proposed budget for FY 2017-18 is \$94.6M and it continues to maintain the City Council's long standing

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funding priorities by allocating over 80% of the budget to direct cost for public safety. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The proposed FY 2017-18 expenditure budget is \$94.6M, which is a \$1M decrease over the prior fiscal year's budget.

General Fund Revenues – The General Fund Revenues for FY 2017-18 have been estimated at \$94.6M. Overall, the estimates have decreased by .1% from last fiscal year due mostly to one-time revenues received in the prior year. Property Tax, Sales and Use Tax, and UUT make up 72% of the total General Fund Revenues and are estimated to increase by \$1.4M over the prior fiscal year.

Table 2

Revenue Category	FY 2017-18 Proposed
Property Taxes	32,842,629
Sales and Use Tax	18,075,000
UUT	17,338,266
Other Revenue	26,357,057
Total	94,612,952

Special Revenue, Capital Projects, Debt Service, Enterprise and Internal Service Funds -
There are no changes proposed since the May 8, 2017 Study Session to these Fund types.

CITYWIDE PROPOSED STAFFING AND DEPARTMENT CHANGES

As reflected in the proposed budget document and presented during the May 8, 2017 Study Session, Pomona's current authorized staffing level stands at 548.60 and is proposed at 548.60. The FY 2017-18 staffing proposal includes the reclassification/restructure of 6 positions. Since the May 8, 2017 Study Session, two title changes have been requested to the Water Resources Department. There is no fiscal impact associated with these 2 title changes.

Position Restructures – As Reviewed and Recommended By Human Resources

Table 3

2017-18 Proposed Position Changes			
	Finance	-	Reclass (1) Revenue Mgr to Finance Mgr (\$0 cost due to hourly reduction)
	Police	-	Reclass (1) Payroll Tech to Payroll Tech II (\$0 cost due to hourly reduction)
	Water Resources	-	Reclass (1) Administrative Assistant III to Sr Administrative Assistant
	Water Resources	-	Reclass (1) Program Assistant to Program Specialist
	Water Resources	-	Title Change (1) Water Wastewater Oper Director to Water Rescrcls Director
	Water Resources	-	Title Change (1) Water Wastewater Oper Manager to Water Rescrcls Ops Mgr
2017-18 Proposed Staffing		548.60	Proposed Staffing Levels at July 1, 2017

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The FY 2017-18 proposed budget also includes a \$1.2M vacancy factor for all General Fund departments. In the past three years, actual vacancies have varied from \$.5M to \$1.8M. The impact of budgeting for the vacancies will result in less funds being available to build reserves at the end of the fiscal year.

HOUSING AUTHORITY BUDGET

The Housing Authority budget as recommended for FY 2017-18 totals \$14M offset by \$13.4M in estimated revenues. The difference between the estimated revenue and recommended appropriations is \$624,570 which will be covered by available fund balance.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks, public facilities, etc. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The recommended Capital Improvement Program (CIP) budget for FY 2017-18 totals \$10.3M. The capital plan includes a total of 148 projects, totaling approximately \$399M, of which \$159M will be funded from prior year appropriations and \$10.3M from proposed FY 2017-18 appropriations. All other projects that were listed with funding pending have been moved to a future year. As always, staff may recommend the CIP be amended through the year as funding is secured or otherwise identified. Table 4 displays the CIP Budget by Category and Total Funded amounts.

Table 4

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	Adopted 2017-18	Following Four Years+
Streets	57,435,736	24,981,947	5,369,371	119,238,439
Traffic	2,155,182	2,572,502	850,000	23,243,501
Parks & Facilities	5,005,996	33,967,519	94,634	7,213,584
Water	15,066,156	3,598,157	2,600,000	60,500,422
Sewer	90,550	1,470,450	600,000	12,200,000
Storm Drains	185,091	127,724	-	9,594,867
Miscellaneous	4,150,461	8,107,503	800,000	(1,840,285)
Total	84,089,172	74,825,802	10,314,005	230,150,528

RECOMMENDED SUPPLEMENTAL BUDGET REQUESTS

General Fund – Recommended Supplemental Budget Request for Future Funding

Each year the proposed budget includes supplemental budget recommendations for staffing, service, and equipment requests. For FY 2017-18 the items listed in Table 5 below have been identified as priority projects in the General Fund which are recommended by the City Manager; however, staff is still working to identify a funding source. The most significant item listed are the Police Specialty and Black & White patrol vehicles. The police vehicles are needed to continue to maintain the Police Department's fleet per the City's Fleet Management Policy.

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Table 5

GENERAL FUND	DESCRIPTION	AMOUNT
Administration	Appraisals, Title Escrow, & Property Acquisition Services	25,000
City Clerk	Granicus Hardware to Live Stream	15,500
Human Resources	NEOGOV Onboarding	12,945
Human Resources	Employee Recognition Program - Service Pins	37,000
Neighborhood Services	Ford Transit Connect Cargo Van	37,500
Neighborhood Services	Gator Vehicle	10,000
Neighborhood Services	Internet at Community Centers	30,000
Neighborhood Services	Printing for Recreation Guide	30,000
Neighborhood Services	Computers at Recreation Sites	82,500
Neighborhood Services	Add 2 Maintenance Worker II	22,319
Police	8 Handheld Devices and Printers for Parking Enforcement	15,000
Police	Support Services For Handheld Devices - Parking	7,400
Police	Purchase (12) new/replacement police Specialty and/or Black & White vehicles & builds	641,286
Public Works	Removal of Diseased Liquidambar and Hazardous Trees	60,000
Public Works	Ballfield Brick Dust	10,000
Public Works	Smart Controllers for Parks (TBD)	15,000
	Total General Fund	1,051,450

Other Funds – Recommended Supplemental Budget Request for Future Funding

Table 6 includes recommended supplemental budget items from Other Funds that have been identified as priority projects; however, funding sources have not been identified.

Table 6

FUND	DESCRIPTION	AMOUNT
Information Technology	2016 Microsoft Exchange CClient Access Licensing (CAL) (800)	46,400
Information Technology	2016 Microsoft Exchange Server (2)	2,000
Information Technology	2016 Microsoft Office Volume License (700)	87,500
Information Technology	Vmware Support/Licensing City Hall and PD (10)	11,000
Information Technology	2016 Windows Client Access Licensing (1000)	28,000
Information Technology	PD Core Switch upgrade to Cisco 3850	20,000
Phillips Ranch Maintenance Assessment District	Remove 50 trees (Village Loop Greenbelt)	30,000
Phillips Ranch Maintenance Assessment District	Plant 30 trees to replace removal of Poplar trees	7,800
	TOTAL - OTHER FUNDS	232,700

Other Funds – Recommended Supplemental Budget Request with Identified Funding

Table 7 includes supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2017-18 Proposed Budget. Two items have been added to the Supplemental and Capital Equipment Recommended Section since the May 8, 2017 Study session. Funding for these items were included in the FY 2017-18 Traffic Offender Fund Proposed Budget.

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Table 7

FUND	DESCRIPTION	AMOUNT
Capital Outlay Fund	Citywide Zoning Code Update	87,661
Vehicle Parking District (VPD)	Parking Kiosk	1,275
Vehicle Parking District (VPD)	Land Acquisition	70,000
AQMD Fund	3/4 Ton Utility Truck - CNG Fuel	45,000
Water Resources	Laserfiche License	45,000
Water Resources	Load Bank Tester	9,000
Water Resources	Talk Radio Repeater	12,000
Water Resources	Atmospheric testing units and docking station	18,000
Water Resources	Backup Generator and Automatic Transfer Switch	7,000
Water Resources	Seismic Valves	75,300
Water Resources	Valve Truck Bed Rehabilitation - Unit # 81505	6,000
Water Resources	Valve Truck Bed Rehabilitation - Unit # 81519	6,000
Water Resources	Compressor Trailer	31,980
Water Resources	Compressor Trailer	31,980
Water Resources	Paint and Fuel Storage Cabinets	2,700
Water Resources	Atmospheric testing units and docking station	18,000
Water Resources	1/2 Ton Pick Up Truck - Unit # 82014	32,431
Water Resources	Metering Pumps	19,000
Water Resources	Brine/Dilution Pumps	20,000
Water Resources	Chlorine Tanks	10,000
Water Resources	Atmospheric testing units and docking station	18,000
	Carryover from 2016-17	
Water Resources	Utility Cost of Service Study *	35,000
Water Resources	No-DES Truck *	219,299
Water Resources/ Sewer	Pole Camera	16,500
Water Resources/ Sewer	CCTV - portable sewer pipeline video camera system	14,000
Water Resources/ Sewer	CNG - Power Combo Vacuum Jetter Truck - Unit # 27002	500,000
Water Resources/ Sewer	Atmospheric testing units and docking station	18,000
Traffic Offender Fund	2 BMW Police Motorcycles	60,000
Traffic Offender Fund	9 New Handheld Devices for Motor Officers **	38,100
Traffic Offender Fund	8 New/Replacement M4 Commando Rifles **	9,400
	Carryover from 2016-17	
Traffic Offender Fund	Mobile Incident Commander Center Service Study *	10,000
SLESA Fund	Up to 3 Chevrolet Caprice Pursuit rated specialty vehicles	123,700
	Carryover from 2016-17	
SLESA Fund	Location based intelligence software *	26,300
Asset Forfeiture Fund	2017 Chevrolet Silverado 1500 P/U and Build	45,592
	TOTAL - OTHER FUNDS	1,682,217

* These Items are carryover from the Fiscal Year 2016-17 Budget

** These Items were added since the May 8, 2017 Study Session

NON -RECOMMENDED SUPPLEMENTAL BUDGET REQUESTS

As the City struggles to balance the budget services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations or increased frequency of repair and maintenance. Below is a partial list of unmet needs:

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- Additional Police Resources
- Reconfiguration of Fire Services – (2 – 3 man crew)
- New Sidewalk / Streetlights
- Additional Recreation Program Funding
- Additional Library Hours and Staff
- Technology upgrades
- Street Maintenance
- Full Time Recreation Coordinator for Senior Program
- Park Restroom Renovations
- Park Equipment Replacement
- Pool Refurbishment
- Turf Replacement at Veterans' Park
- Renovation of AC system at City Hall
- Other Deferred Maintenance of Current Infrastructure/ Facilities
- Corridor Specific Plan Improvements
- Other Post-Employment Benefits (OPEB) – accrued liability
- Additional Reserves

KEY BUDGET ISSUES AHEAD

The Administrative Staff of the City acknowledge the necessity to complete a five to ten year financial plan so the City can be positioned to address future impacts to the budget. Below are key factors that will have a significant impact to the City's budget in the next five to ten years.

CalPERS – On December 21, 2016, the CalPERS (PERS) Board of Administration approved lowering the PERS discount rate assumptions, (the long-term rate of return), from 7.5% to 7.0% phased in over time. Per information from PERS, the reason for the change is to mitigate market volatility, reduce the volatility in employer contributions and bring more long term stability to the pension fund. Upon receiving notice of the increase, staff applied the anticipated increases to the City of Pomona valuations to arrive at an estimated impact through Fiscal Year 2022/23. The results shown in Table 8 are as follows:

Table 8

With No Salary Increase			
Fiscal Year Impact	Estimated Employer Contribution with Reduction in Discount Rate	Anticipated Annual Increase in PERS cost	Impact to the General Fund
2017/18*	14,746,000	1,642,400	1,297,496
2018/19	17,476,000	2,730,000	2,156,700
2019/20	20,441,000	2,965,000	2,342,350
2020/21	23,526,000	3,085,000	2,437,150
2021/22	26,001,000	2,475,000	1,955,250
2022/23	28,143,000	2,142,000	1,692,180

*Impact of the change in Discount Rate is not effective until FY 2019.

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The increases projected as a result of the discount rate reduction are significant, ranging between \$1.6M and \$3.1M per year. Annual increases in revenues and minor expenditure adjustments will not accommodate annual increases within this range.

Retiree Medical – The City offers retiree medical benefits to its employees and assists them with their health care premiums. Due to increased number of retirees over the years, retiree cost have increased from \$1.1M in FY 2002-03 to \$3.2M in FY 2015-16. Additionally, the City's most recent Other Post Employment Benefit (OPEB) actuarial report indicates the City's unfunded actuarial accrued liability for these benefits is \$88.5M.

Deferred Maintenance – Although a defined budget estimate has not been fully developed and an infrastructure needs assessment has not be completed, it is important the City be positioned to address improvements needed to the City's infrastructure. Improvement areas include parks (playground equipment, restrooms, community centers, turf, pools, and sports fields) and all Civic Center buildings to address needed items such as AC, roof replacements, plumbing, electrical, etc. Of particular concern is the \$1.5M estimate to replace the Veteran's Park turf in the next two years. Before the warranty for the turf expired in 2016, worn out areas were repaired and since 2008 Community Services staff has established precautions to extend the life of the turf including; No food, gum or sugary drinks on the fields, No chairs that could create holes, No steel cleats or high heels. It is anticipated that by 2018 the Veterans Park turf will need to be replaced.

Housing – Funding for the Upcoming FY 2017-18 Fiscal Year has not been finalized. The current Continuing Resolution at Fiscal Year 2016 levels expired on April 28, 2017. The United States President's proposed budget has included a reduction in the amount of funding available for many HUD programs. However, the proposed budget is under debate and may have to be adjusted in order for it to get the 60 votes it needs to pass in the Senate. Recent information has indicated the House Committee released an Omnibus Appropriations Bill for the Fiscal Year 2017, which provides discretionary funds for the remainder of their fiscal year, which ends September 30th 2017. The City will likely receive funding similar to the level of the previous Fiscal Year until October 1, 2017. It is unknown what will happen after October 1, 2017.

Gas Tax Measure M – on November 8, 2016, voters approved a Los Angeles County Traffic Improvement Plan, which imposed a retail transaction and use tax at the rate of one-half of one percent (.5%) within Los Angeles County. Funding is to improve freeway traffic flow/safety; repair potholes/sidewalks; repave local streets; earthquake retrofit bridges; synchronize signals; keep senior/disabled/student fares affordable; expand rail/subways/bus systems; improve job/school/airport connections; and create jobs. In FY 2017-18, the City of Pomona is estimated to receive \$2.1M and this amount has been included in the proposed budget.

Homeless Measure H – Currently, it is not evident what financial benefit the City will receive from Measure H; however, any funds received will be utilized to help offset the costs of running a 24-hour Emergency Shelter and Service Center.

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Proposition A – The approval of Measure A authorized the Los Angeles County Regional Park and Open Space District to levy a special tax annually on parcels within the entire County, including all cities and the unincorporated areas of the County, commencing with FY 2017-18. The Tax will be levied at a rate of 1.5 cents per square foot of structural improvements. Currently, it is not evident what financial benefit the City will receive from Measure A. A timeline for the City to receive its portion of these funds has not yet been established, nor has the process by which the funds will be granted by the County. Therefore, no appropriations have been included in this budget. It is recommended that the City Council provide direction to the Parks and Recreation Commission about a Pomona process to frame the future use of these funds which will include an estimated annual allocation of \$450,000 per year, based on preliminary projections from the County.

FY 2016-17 BUDGET AMENDMENTS

General Fund – Human Resources – The Human Resources Department incurred unexpected legal costs in FY 2016-17, including costs related to responses to an Internal Revenue Service audit, compliance issues related to the Affordable Care Act and Fair Labor Standards Act, and union organizing activities. Staff is seeking an appropriation increase of \$36,000 to cover these costs.

General Fund – Finance – On March 6, 2017, the Fiscal Year 2016-17 General Fund Mid-Year Budget Review was approved by the City Council and included a revenue estimate increase for refinancing of Bond Series AG and AN. This figure was reflected correctly in the council report at \$974,170, but in the adopted budget resolution reflected an amount of \$974,140 (difference of \$30). This request is to change the appropriation and correct this data entry error reflected in the actual resolution, by increasing the General Fund revenue estimate by the amount of \$30.

GANN APPROPRIATIONS LIMIT

In November 1979, California voters approved Proposition 4 commonly known as the Gann Initiative. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government from the proceeds of taxes. Pursuant to California Government Code, the City is required annually to adopt the adjustment factors and the appropriations limit by resolution.

The appropriations limit for any fiscal year is equal to the previous fiscal years limit adjusted for population growth in Los Angeles County or the City of Pomona and the State per capita income as supplied by the State of California Department of Finance and reflected in Schedule A of Attachment 4. The Calculation of Proceeds of Taxes is shown in Schedule B of Attachment 4. The 2017-18 appropriations limit, based on the proposed General Fund budget, is calculated at \$231.7M. The City's FY 2017-18 General Fund budget "Appropriations Subject to Limitation" is \$76.7M which is \$155M below the allowable limitation. As always, the numbers reflected herein and in the attachments will be changed to reflect any changes made to the operating budget prior to its adoption.

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FINAL COMMENTS

City Staff has met the challenge of balancing the FY 2017-18 Budget without the use of reserves; however, this is just the beginning step in creating a sustainable budget plan for the next five to ten years. To keep up with the residents' needs, maintenance of current facilities and infrastructure, there is a need for further resources. While the budget does include a \$156,900 amount related to a fee increase, which if not approved would reduce the budget in the same amount; the City must consider identifying additional one-time and ongoing revenue sources.

Staff has acknowledged the biggest challenge continues to be working to improve City services, meeting the City's goals and objectives, meeting the needs of the residents, and operating in a fiscally responsible way. The development of this budget is dynamic process and there will be ongoing economic issues that may require additional attention as we progress through the fiscal year. The City will remain vigilant in monitoring the budget and will evaluate fiscal impacts in a responsive and fiscally sound way.

Attachments:

- 1) City Council Resolution adopting the Fiscal Year 2017-2018 City of Pomona Operating Budget including related personnel actions and amending the Fiscal Year 2016-2017 Budget.
- 2) Housing Authority Resolution adopting the Housing Authority Budget for Fiscal Year 2017-2018.
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