



# CITY OF POMONA COUNCIL REPORT

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June 4, 2018

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 2018-2019 City of Pomona Operating Budget, Housing Authority Budget, Five Year Capital Improvement Program Budget, Related Actions, and Review and Adoption of Fiscal Year 2017-2018 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 2018-2019 City of Pomona Operating Budget including related personnel actions and amending the Fiscal Year 2017-2018 Budget.
- 2) Housing Authority Resolution adopting the Housing Authority Budget for Fiscal Year 2018-2019.
- 3) City Council Resolution approving the 2018-2019 to 2022-2023 Five Year Capital Improvement Program and adopting a Capital Improvement Program Budget for Fiscal Year 2018-2019.
- 4) City Council Resolution establishing the 2018-2019 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 Appendix B Memorandum of Understanding between the City of Pomona and the Pomona Mid-Management Confidential Employees Association.
- 8) 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 2018-2019 Operating and Capital Improvement Program budgets as follows:

<b>Proposed Budget</b>	<b>Revenue Estimates</b>	<b>Appropriations</b>
1) City of Pomona Operating	\$212,304,617	\$214,127,650
2) Housing Authority	14,768,547	15,073,145
3) Capital Improvement Program *		11,208,953
	<b>\$227,073,164</b>	<b>\$240,409,748</b>

\* Revenue Estimates for CIP are included in the operating budget

**Previous Related Action** – City Council adopted the FY 2017-18 Operating Budget, Housing Authority Budget, and the Five-Year Capital Improvement Program on June 12, 2017. City Council also approved the Budget Preparation Calendar, Guiding Principles and Process for the FY 2018-19 on November 20, 2017, received the Mid-Year Budget Report on March 19, 2018, and approved various amendments to the Operating and Capital Improvement Program budgets throughout the year.

**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, 2018 in the Inland Valley Daily Bulletin.

## EXECUTIVE SUMMARY

The Mayor and City Council were presented with the FY 2018-19 Proposed Budget at the May 14, 2018 Study Session. During the meeting the Mayor and City Council had questions that were answered by the Finance Director. As proposed, the FY 2018-19 Operating Budget, for citywide expenditures is \$214M 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 \$15M and the Capital Improvement Program Budget is proposed at \$11.2M. The total overall fiscal plan for FY 2018-19 totals \$240.4M and includes:

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- Deletions of 5 positions
- Additions of 10 positions
- Reclassification of 10 positions
- Unfunding of 7 positions
- Supplemental and Capital Equipment recommendations in non-General Funds

Any changes to the FY 2018-19 Proposed Budget after the May 14, 2018 Study Session have been 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, July 1, 2018.

## 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, 2018 and ending June 30, 2019. 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 2018-19 Operating and Capital Improvement Program Budgets total \$240.4M as follows:

Table 1

<b>Fund Type</b>	<b>Revenue Including Transfers In</b>	<b>Appropriations Including Transfers Out</b>
General Fund	\$102,456,164	\$107,149,313
Special Revenue Funds	30,308,694	31,493,787
Debt Service Funds	6,264,424	6,223,368
Capital Project Funds	11,346,977	713,595
Enterprise Funds	52,552,526	58,470,538
Internal Service Funds	9,375,832	10,077,049
<b>City Operating Budget</b>	<b>\$212,304,617</b>	<b>\$214,127,650</b>
Housing Authority	14,768,547	15,073,145
Capital Improvements	-	11,208,953
<b>Total</b>	<b>\$227,073,164</b>	<b>\$240,409,748</b>

**General Fund** – There are no changes proposed since the May 14, 2018 Study Session to the General Fund. The General Fund's year end ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 proposed operating expenditures. The proposed budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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In June 20, 2011, City Council adopted Resolution #2011-63A Fund Balance Reserve Policy, which included a graduated benchmark plan that would allow the City to reach the 17% policy goal by FY 2019-20. This plan was a nine-year plan and the benchmark goal for FY 2019 is 15.5% or \$16.6M. The projected fund balance for FY 2019 will be \$3.8M below the benchmark goal and \$5.4M below the recommended 17%. If the City does not meet its reserve requirement, the City's bond rating could be impacted and that could drive interest rates up. It will also reduce the amount of funds available for emergency situations, cash flow needs in the first six months of the fiscal year and one-time capital replacement projects in the future.

**General Fund Appropriations** – The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund proposed budget for FY 2018-19 is \$107.1M, and it continues to maintain the City Council's long standing funding priorities by allocating 78% 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 2018-19 expenditure budget is \$107.1M, which is a \$9.3M increase over the prior fiscal year's budget as reflected in Table 2 below.

The increase is a result of \$4.5M in Police Department related increases including personnel items: CalPERS, step increases, MOU changes, as well as one time pension bond refinance savings recognized in the prior year, and the elimination of the Managed Budget Control (Vacancy Factor). Also contributing is the increase to the LA County Fire District base contract \$600K and the accumulated deferred cost of \$900K, thus totaling \$1.6M.

The increase of \$1.7M in General Government is related to a reduction of \$1.2M in recovered cost and an increase of \$.5M in the administrative budget. The \$1.2M reduction in recovered cost is due to a change in methodology for the Administrative Cost Overhead Allocation. The City recently hired MGT Consulting Group to develop a formal Cost Overhead Allocation Plan. It was determined that the current methodology used was not in line with federal guidelines, which are codified in the Code of Federal Regulations (CFR) part 200. The advantages of having a 2 CFR Part 200 compliant cost allocation plan is the ability for local governments to be reimbursed for administrative and support expenditures from federal and state grants and awards. In the future, Departments that receive federal and state funding will be able to include the indirect cost rate per the City's compliant cost allocation plan. However, in the immediate future, the financial impact of this study lowered the amount the General Fund could collect from \$2.6M to \$1.5M in the General Fund.

Table 2

<b>General Fund Expenditures</b>	<b>FY 2018 Budget</b>	<b>FY 2019 Proposed</b>	<b>Variance</b>
Police	\$52,182,494	\$56,695,760	\$4,513,266
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,102,966	6,921,816	818,850
Development Services	3,915,916	4,657,237	741,321
General Government	3,657,805	5,389,211	1,731,406
General Services	2,775,934	2,076,987	(698,947)
Neighborhood Services	2,923,419	3,426,306	502,887
Library	940,043	1,040,372	100,329
<b>Total</b>	<b>\$97,831,372</b>	<b>\$107,149,313</b>	<b>\$9,317,941</b>

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**General Fund Revenues** – The General Fund Revenues for FY 2018-19 have been estimated at \$102.5M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received from the sale of property in the Successor Agency. Property Tax, Sales and Use Tax, and Utility User Tax (UUT) make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Details are provided in Table 2A below.

Table 2A

Revenue Category	FY 2018 Budget	FY 2019 Proposed	FY 2018 Budget vs. FY 2019
Property Taxes	\$34,002,371	\$38,964,732	\$4,962,361
Sales Tax	18,075,000	18,754,400	679,400
Utility Tax	17,338,266	17,687,803	349,537
<b>Total - Big "3"</b>	<b>\$69,415,637</b>	<b>\$75,406,935</b>	<b>\$5,991,298</b>
Other Taxes	14,297,429	13,072,900	(1,224,529)
Licenses, Permits, & Fees	5,733,035	6,198,035	465,000
Charges for Svc	2,677,395	2,546,393	(131,002)
Fines	1,908,500	2,310,480	401,980
Other Revenues	2,292,484	2,921,421	628,937
<b>Total - All Sources</b>	<b>\$96,324,480</b>	<b>\$102,456,164</b>	<b>\$6,131,684</b>

**Special Revenue Funds** – Four (4) Special Revenue Funds have expenditure and revenue updates since the May 14, 2018 study session. The changes are related to recent HUD allocation information for Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and the HOME program. Gas Tax has a \$140K increase related to the citywide fleet allocation that was incorrectly budgeted in the Section 8 Program. Table 3 highlights the changes to the Special Revenue Funds that have occurred since the FY 2018-19 Proposed Document publication.

Table 3

FUND	Fund #	Revenue	Appropriation
State Gas Tax	208	-	\$139,579
Emergency Solutions	212	\$133,880	133,858
HOME	214	308,702	336,609
CDGB	213	164,191	190,288
<b>Special Revenue Fund Changes</b>		<b>\$606,773</b>	<b>\$800,334</b>

**Capital Projects, Debt Service, Enterprise and Internal Service Funds** - There are no changes proposed since the May 14, 2018 Study Session to these Fund types.

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**Position Restructures – As Reviewed and Recommended By Human Resources**

**CITYWIDE PROPOSED STAFFING AND DEPARTMENT CHANGES**

As reflected in the proposed budget document and presented during the May 14, 2018 Study Session, Pomona's current authorized staffing level stands at 558.60 and is proposed at 563.60. The FY 2018-19 staffing proposal includes the reduction of 4 non-sworn Police Department positions, 10 additional positions citywide, along with the reclassification/restructure of 10 positions. Since the May 14, 2018 Study Session, and a result of the May 7, 2018 Council action regarding the restructuring of the Information Technology Department, there was the elimination of 1.00 Telecommunication Technician position. The financial impact from the elimination of this position has already been absorbed into the proposed FY 2019 budget. The proposed authorized staffing total is now 563.60 as reflected in Table 4.

**Table 4**

<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collct Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>563.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

**HOUSING AUTHORITY BUDGET**

The Housing Authority budget as recommended for FY 2018-19 totals \$15M, offset by \$14.8M in estimated revenues. The difference between the estimated revenue and recommended appropriations is \$305K which will be covered by available fund balance. This budget has changed since the May 14, 2018 Budget Study Session, as the Section 8 revenue will increase as a result of revenue that HUD provides the City to fund this Housing Program, as well as the expenditures in Section 8 were lowered as it relates to the fleet allocation correction discussed under the Special Funds Revenue Section.

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**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 2018-19 now totals \$11,208,953. This amount has increased by \$1,390,069 from the originally proposed amount of \$9,818,884 due to the execution of an agreement with the California Natural Resources Agency for the Urban Greening Grant received for the “Phil and Nell Soto Park” CIP Project. The capital plan includes a total of 137 projects, totaling approximately \$418.9M, of which \$168.9M will be funded from prior year appropriations and \$11.2M from proposed FY 2018-19 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 5 displays the CIP Budget by Category and total funded amounts.

**Table 5**

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	Adopted 2018-19	Following Four Years+
Streets	\$60,745,225	\$34,623,016	\$7,088,116	\$117,699,121
Traffic	1,694,142	2,469,313	1,102,952	28,998,501
Parks & Facilities	9,361,409	35,418,475	2,797,885	9,407,012
Water	4,783,875	4,223,396	-	60,850,422
Sewer	3,103,344	2,674,045	-	12,200,000
Storm Drains	185,920	126,895	-	9,594,867
Miscellaneous	4,918,888	4,609,709	220,000	-
<b>Total</b>	<b>\$84,792,803</b>	<b>\$84,144,849</b>	<b>\$11,208,953</b>	<b>\$238,749,923</b>

**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 2018-19 the items listed in Table 6 below have been identified as priority projects in the General Fund which is recommended by the City Manager; however, staff is still working to identify a funding source. The most significant item listed is 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 6

<b>C ity M anager R ecommended S upplemental Budget</b>		
Fund / Department / Expenditure Description		Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Carpet Cleaning	20,000
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (12) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$984,971</b>

**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 2018-19 Proposed Budget.

Table 7

<b>C ity M anager R ecommended to be F unded C apital E quipment/ S upplemental Budget Items</b>		
Fund / Department / Expenditure Description		Cost
<b>General Fund</b>		
Police	Police Department Radio System Software/Operating System upgrades	\$99,200
<b>Total General Fund</b>		<b>99,200</b>
<b>Capital Outlay Fund</b>		
Carryover from 2017-18		
Development Services	Citywide Zoning Code Update	67,661
		<b>67,661</b>
<b>Equipment Maintenance Fund</b>		
Public Works	Ford Transit Cargo Van	37,500
<b>Total Equipment Maintenance Fund</b>		<b>37,500</b>
<b>Water Fund</b>		
Water Resources	Wash Rig	25,000
Water Resources	Generator	115,000
Water Resources	Safety System Harness	7,000
Water Resources	Light Tower	10,000
Water Resources	Message Board	16,000
Water Resources	Vehicle GPS	10,000
Water Resources	Compressor Trailer	64,000
Water Resources	Vac Trailer	42,000
Water Resources	Polymer Pumps (2)	19,000
Water Resources	Containment Building	21,000
Carryover from 2017-18		
Water Resources	Laserfiche License	45,000
Water Resources	Seismic Valves	75,300
Water Resources	2 Compressor Trailers	63,960
Water Resources	1/2 Ton Pick-Up Truck - Unit# 82014	32,431
Water Resources	Chlorine Tanks	20,000
<b>Total Water Fund</b>		<b>565,691</b>
<b>Sewer Fund</b>		
Water Resources	Vehicle GPS	3,100
Carryover from 2017-18		
	CNG-Power Combo Vacuum Jetter Truck	468,624
<b>Total Sewer Fund</b>		<b>471,724</b>
<b>Traffic Offender Fund</b>		
Police	2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	65,000
<b>Total Traffic Offender Fund</b>		<b>65,000</b>
<b>TOTAL - All Requests</b>		<b>\$1,306,776</b>



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### **FY 2017-18 BUDGET AMENDMENTS**

*Capital Outlay – CIP Project City Hall Floor Remodel* – As part of the March 19, 2018 Mid-Year Budget Report, \$121,074 was transferred to the General Fund from the Water Fund for the City Hall First Floor Remodel CIP Project. Additional funding of \$5,771 was also identified in the General Fund Budget, resulting in total \$126,845 funded for this project from Capital Outlay via a Transfer from the General Fund. This budget amendment will allow the transfer of funds to the Capital Outlay Fund in FY 2017-18 as reflected in the CIP project No.74115.

### **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 2018-19 appropriations limit, based on the proposed General Fund budget, is calculated at \$241.7M. The City's FY 2018-19 General Fund budget "Appropriations Subject to Limitation" is \$84.3M which is \$157M 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.

### **KEY BUDGET ISSUES AHEAD**

The Administrative Staff of the City acknowledge the necessity of having a ten year financial plan so the City can be positioned to address future impacts to the budget. Below are highlights from the City's Financial Advisor. These are excerpts from their Fiscal Sustainability and Financial Sustainability Report for the General Fund. This report can also be found on the City's website.

## **HIGHLIGHTS FROM URBAN FUTURES (UFI) REPORT**

### **OVERVIEW**

In preparing the forecast and analysis, UFI worked with City staff in the Finance Department, Human Resources Department, and others. UFI relied on the City's historical data, published documents from the City, CalPERS, the City's actuary for other post-employment benefits (OEPB), and the City's labor costing to develop projections. This data was used to construct a long-range budget model tailored to the City's specific financial situation.

Key assumptions were in UFI's baseline forecast: revenue and expense assumptions were considered moderate (simply trend-based predictions or static); no recessionary period over the next ten years was assumed; no salary increases or benefit adjustments in the next ten years were assumed; and finally it incorporates six years of projected costs provided by California Public

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Employee Retirement System (PERS) which also assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the proposed FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8 to \$10 million over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$16 million in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

**RECOMMENDATIONS**

There were three recommendations provided in UFI's Fiscal Sustainability Report:

1. **OPTION #1** Increase revenues by \$8 to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and an extension of the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either ½ or ¾ percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is ¾ percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$10 to \$12 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1 million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.
2. **OPTION #2** Reduce General Fund operating cost by \$8 to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund

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Services, seek or impose labor cost concessions, or permanently reduce General Fund Staffing and Municipal Service Levels.

**a. Restructuring Delivery Model of One or More General Fund Services**

- i. Consolidating or Regionalizing service delivery possibly in the areas of parks and recreation, human services, code enforcement and library services
- ii. Contract with private sector (UFI's analysis indicated this option would only work if the City was successful in contracting out the operations of Neighborhood Services, Development Services and Public Works for less than \$4M and that would only create a savings of \$1M)

**b. Seek or Impose Labor Cost Concessions**

**c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

- i. Priority Based Budgeting which begins with total revenue available to the City, and identifies core community needs and priorities, evaluates the relative benefit/value of each municipal service, and creates strong funding for priority services, while reducing or potentially eliminating lower-value services.
- ii. Create a scope of required cuts that could include reducing or eliminating: neighborhood services, parks, community facilities, fire stations (requires renegotiations with County Fire), special Police units like gang suppression and major crime, library services, code enforcement, and internal service funds such IT or vehicle maintenance.

**3. OPTION #3 Implement a combination of Items #1 & #2**

**SUMMARY**

In order to achieve fiscal stability and financial sustainability for the General Fund, the City will need to take bold, decisive action to implement changes. The required actions and changes, especially those required to restore General Fund budget solvency, must be commenced immediately. The City has less than two years to correct the General Fund's budget insolvency before the General Fund faces potential cash shortfall and dramatic decreases in service levels. The recommendations in UFI's report can assist the City in realigning General Fund annual revenues with annual expenditures to establish a basic level of fiscal stability.

**CONCLUSION**

At this time, the General Fund Budget proposed for FY 2018-19 will need to utilize the use of reserves; however, if recommendations from UFI are incorporated, it would be the beginning of 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.

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The City must generate and identify new ongoing revenue sources, and cannot rely on one-time revenues as a common practice.

Staff has acknowledged the biggest challenge continues to be working to improve City services, meeting the City's goals and objectives, and meeting the needs of the residents with limited resources. The development of this budget is a dynamic process and there will be ongoing economic issues and opportunities 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.

### **FINAL COMMENTS**

Over the last ten years, City Staff has met the challenge of getting the City through a great economic downturn, rebuilding General Fund reserve balances, operating a full service city with limited resources, generating new revenue sources where possible, making budget cuts as needed and hired a Financial Advisor to assist the City in creating a sustainability plan. However, to continue meeting the needs of this growing community and to maintain current facilities and infrastructure, there remains a need for greater resources. While the budget does not propose, any fee increases, the City must consider moving forward with recommendations from UFI that will secure ongoing revenue sources and streamline the budget where needed.

I thank the employees of the City of Pomona for their hard work and ongoing dedication to operating and providing services with the available resources. I also want to echo the words of UFI, "Moving the City beyond basic fiscal stability, towards long-term financial sustainability and economic resiliency will require a shared culture of partnership and commitment to engagement, transparency and fiscal discipline among the City Council, staff and community."

Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

### **Attachments:**

- 1) City Council Resolution adopting the Fiscal Year 2018-2019 City of Pomona Operating Budget including related personnel actions and amending the Fiscal Year 2017-2018 Budget.
- 2) Housing Authority Resolution adopting the Housing Authority Budget for Fiscal Year 2018-2019.
- 3) City Council Resolution approving the 2018-2019 to 2022-2023 Five Year Capital Improvement Program and adopting a Capital Improvement Program Budget for Fiscal Year 2018-2019.
- 4) City Council Resolution establishing the 2018-2019 Gann Appropriations Limit.
- 5) City Council Resolution amending Appendix A of the Personnel Rules and Regulations for Management Group A and B Employees.

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- 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).
- 7) City Council Resolution amending Appendix B Memorandum of Understanding between the City of Pomona and the Pomona Mid-Management Confidential Employees Association.
- 8) 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).