

# Budget Workshop

October 13, 2015

# Agenda

- ▶ Historical Recap - How did we get here?
- ▶ Budget Update:
  - ▶ FY 2014-15 Preliminary
  - ▶ FY 2015-16 Budget
  - ▶ FY 2016-17 Projection
- ▶ Current Status
- ▶ Where do we go from here?
  - ▶ Potential Solutions/Options
- ▶ Finance Committee Recommendation
- ▶ Impact on CED

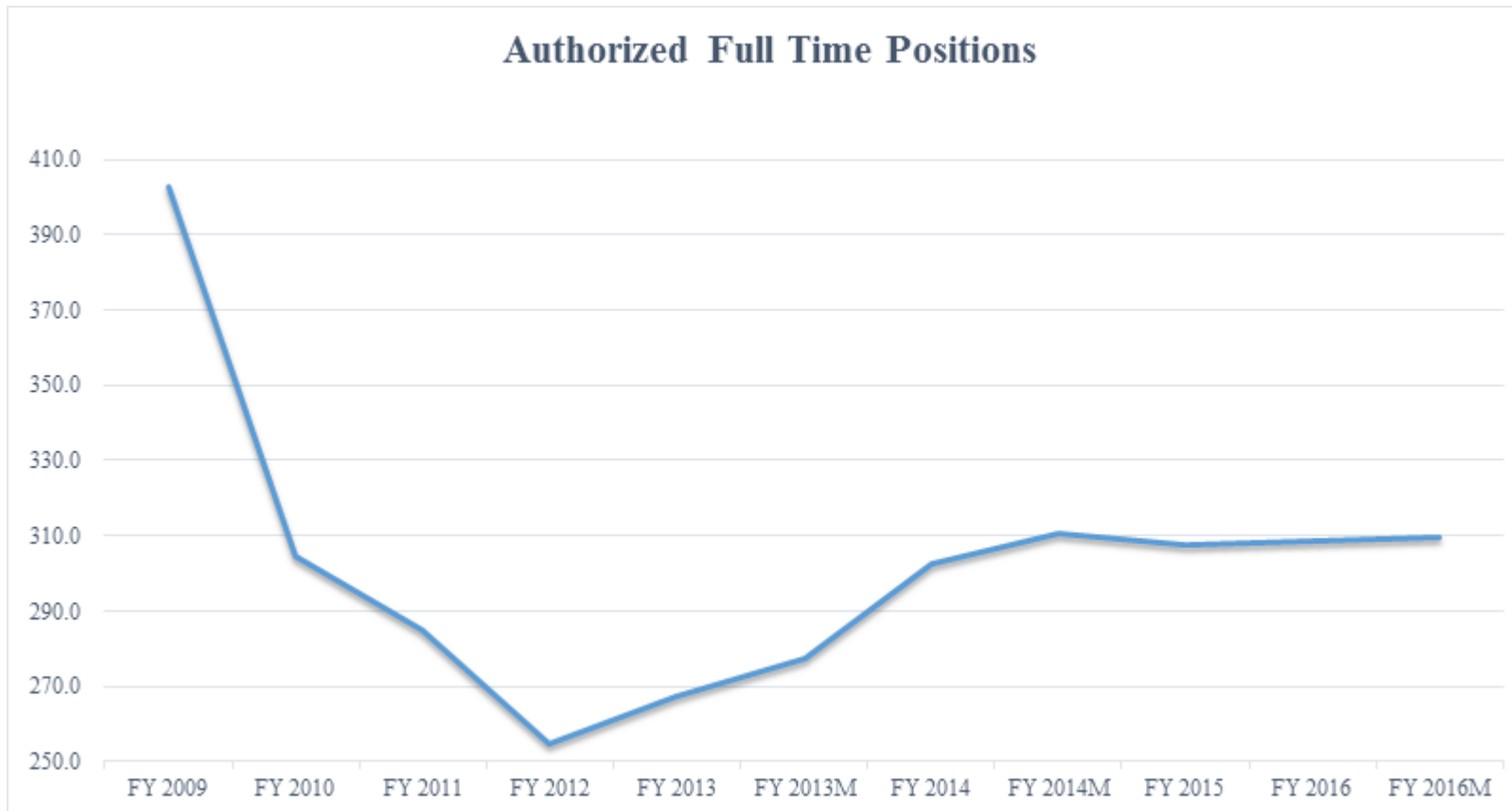
# Historical Recap - Contributing Factors

- ▶ Economic Decline - Great Recession
  - ▶ \$1.6 Million Decline in Property Tax (2015 still \$600K below high of 2009)
  - ▶ \$6.2 Million Decline in Sales Tax (2015 still \$3.5M below high of 2006)
- ▶ Loss of UUT - \$4.9 Million
- ▶ Loss of Redevelopment - \$1.5 Million Loss in 2013 and ongoing loss of funding for development in the City.
- ▶ Increase in operating costs - PERS \$1.6 Million increase in 2016
- ▶ General Fund Revenues peaked in 2007 at \$41.7 Million and dropped to \$27.0 Million in 2012 - a **\$14.7 Million revenue decline**

# Historical Recap - City's Response to Declining Revenues

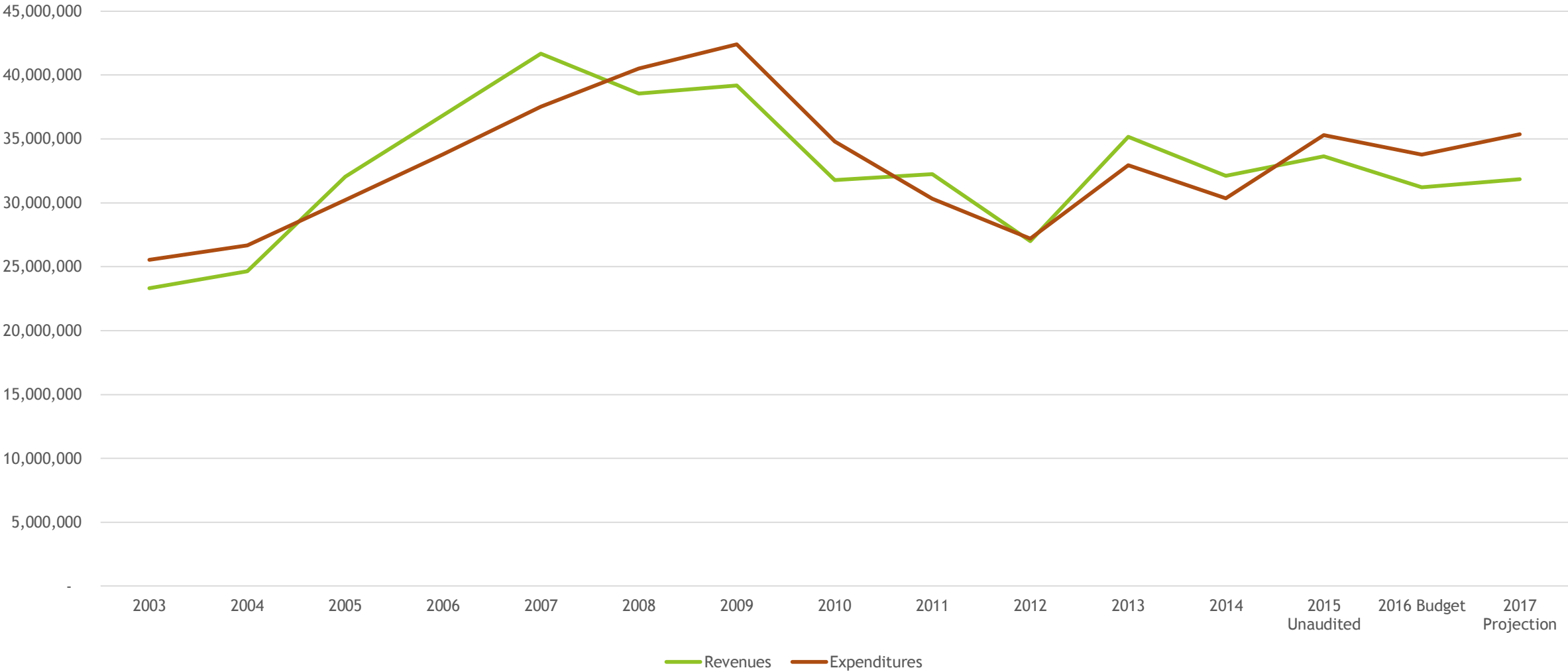
- ▶ City Wide Layoffs resulting in Reductions in Services Citywide
  - ▶ Police - Elimination of Gang Unit, Narcotics Unit, Neighborhood Enrichment Team, CART, Impound Lot, and Traffic Unit
  - ▶ Fire - Rolling Brown-Outs, elimination of Medic Squad
  - ▶ Recreation - Reductions in Hours at the Library (50%) and Community Centers, Reduced Hours/Services/Events Department Wide, lost funding for Birthday Celebration
  - ▶ Public Works - Weed Abatement, Sidewalk Repair, Street Patching, Park/Restroom Maintenance, Playground Repair, Tree Trimming/Removal, Active Graffiti Abatement, Irrigation Maintenance/Repair, Ball Field Maintenance, Building Maintenance/Repair, Vehicle Maintenance
  - ▶ Development Services - Staff reductions resulted in increased processing times
- ▶ Deferral of Capital Purchases and Capital Improvements
- ▶ Deferred Maintenance of City Facilities, Parks, Streets

# Historic Staffing Levels



- ▶ The City has lost about 148 positions during the recession
- ▶ Current budgeted positions are 93 less than in 2009 ~ 23% reduction
- ▶ Staffing levels continue to be below those of the 1980s and 1990s

# Historical Revenues and Expenditures



# One time Revenues...

These revenues assisted the City to get by since the Recession:

- ▶ 2013 - \$2.9 Million - City's share of Redevelopment Dissolution
  - \$4.9 Million - Waste Water loan payment
- ▶ 2015 - \$1.0 Million Grant Fund refund to General Fund
  - \$230K IVDA Refund
  - \$205K State Mandated Cost Reimbursements

# Fiscal Year 2014-15 Update (Preliminary/Un-Audited)

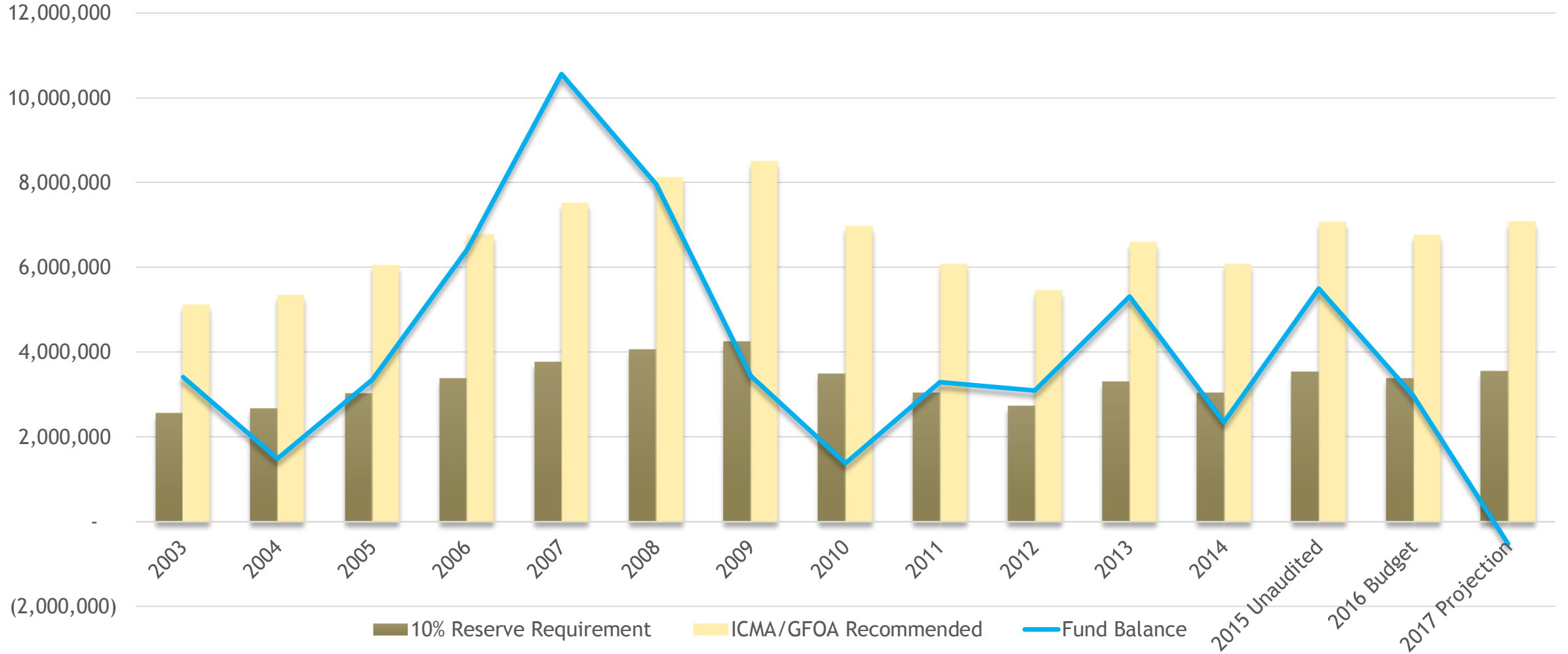
June 30, 2014 Audited Fund Balance	2,169,415
FY13 Wastewater Lease Payment Reclassification	<u>4,991,938</u>
Available Fund Balance	<u>7,161,353</u>
Revenues (un-audited)	33,644,978
Expenditures (un-audited)	33,331,473
Less Transfers to cover negative cash balances in other funds	(1,973,873)
Projected Fund Balance at June 30, 2015	<u><u>5,500,985</u></u>



# FY 2015-16 Budget and FY 2016-17 Projection

Revenues	31,232,368
Expenditures	<u>33,761,652</u>
Budget Surplus/(Deficit)	<u><u>(2,529,284)</u></u>
Projected Fund Balance at June 30, 2016	<u>2,971,701</u>
Projected FY 2016/17 Budget Deficit	<u>(3,500,000)</u>
Projected Fund Balance at June 30, 2017	<u><u>(528,299)</u></u>

# General Fund Reserves



# Measures Taken to Date

- ▶ Expenditure reductions in all departments
- ▶ Implementation of Rental Property Business License Program
- ▶ Restructuring of Redevelopment Bonds
- ▶ Reduction in legal costs in new agreement (City Council - 10/20/15)
- ▶ Increase in administrative reimbursement fee for Fire Services
- ▶ General Fund hiring freeze (administrative)

# Current Departmental Reductions in Services

- ▶ Police Department - Gang Unit, Narcotics Unit, Neighborhood Enrichment Team, Impound Lot, and Traffic Unit (50%)
- ▶ Fire - Medic Squad, Fire Inspection Program, Reception Service
- ▶ Public Works - Weed Abatement, Sidewalk Repair, Street Patching, Park/Restroom Maintenance, Playground Repair, Tree Trimming/Removal, Active Graffiti Abatement, Irrigation Maintenance/Repair, Ball Field Maintenance, Building Maintenance/Repair, Vehicle Maintenance
- ▶ Development Services - Staff reductions resulted in increased processing times
- ▶ Community Services - Reduced Library Hours (50%), Reduced Hours/Services/Events Department Wide
  
- ▶ Are we really a “Full Service City?”

# Measures In Progress

- ▶ Fee updates in all departments (all by mid-year)
  - ▶ Fire - Implementation of Paramedic Subscription Program
  - ▶ Police - Reestablishment of Tow Yard
  - ▶ Transient Occupancy Tax (TOT) increase - November 2016 ballot
- 
- ▶ ANTICIPATED IMPACT = \$700,000

# Where does this leave us?

- ▶ Planned expenditure reductions and increased cost recovery will not fully close the gap.
- ▶ Additionally, the budget gap does not include other unfunded needs
  - ▶ Vehicle replacement
  - ▶ Facility maintenance to the extent necessary
  - ▶ Capital needs in all departments
  - ▶ Staffing needs for full service
  - ▶ Unfunded OPEB (Other Post Employment Benefits)
  - ▶ Approximately \$4,000,000

# Where do we go from here?

- ▶ Expenditures & staffing levels have been cut to a level that is roughly 75% of FY 2008-09 levels.
- ▶ We are maintaining service levels minimally and are operating in a “reactive” manner, rather than “pro-active” for all other needs.
- ▶ Expenditures cannot be further reduced in any significant way without additional staffing and service reductions.
- ▶ If the City is to remain a “full service” city, we must find a way to provide sufficient revenue to be such.
- ▶ Allow Colton residents to choose their level of service?
  - ▶ BALLOT MEASURE

# Ballot Measure Options

## ▶ Utility Users Tax (UUT)

### ▶ Advantages

- ▶ Provides a steady, dedicated, reliable source of additional revenue to provide service

### ▶ Disadvantages

- ▶ Direct financial impact on residents

## ▶ Parcel Tax

### ▶ Advantages

- ▶ Provides a steady, dedicated, reliable source of additional revenue to provide services

### ▶ Disadvantages

- ▶ Direct financial impact on residents
- ▶ Requires study to determine appropriate tax per parcel
- ▶ Long implementation period



# Ballot Measure Options (continued)

## ▶ Transactions & Use Tax/Sales Tax

### ▶ Advantages

- ▶ Provides a steady, dedicated, reliable source of additional revenue
- ▶ Tax on transactions - more proportional in impact to residents

### ▶ Disadvantages

- ▶ Disincentive to business
- ▶ Direct Impact to Residents - Residents will be taxed on major purchases (Ex. Vehicles) even if the purchase is made outside of Colton

## ▶ Increase General Fund Transfer (GFT) from Electric

### ▶ Advantages

- ▶ No direct financial impact to residents to provide needed City services
- ▶ Recommend electric rate “freeze” for 5 years

### ▶ Disadvantages

- ▶ Increased reliance on utilities may that fluctuate with usage and the market

# Alternative Measures

Absent passage of a ballot measure, the reductions in staffing/services in the General Fund departments necessary to close the projected \$3.5M budget deficit would likely include:

- ▶ Admin Departments
  - Reduction of 5 positions (1 City Council Office, 1 City Clerk's Office, 1 Finance, 1 Human Resources, 1 Information Technology)
  - \$50K Reduction in City Attorney Contract
- ▶ Police Department - 14 Officers
- ▶ Fire Department - 9 Positions (Closure of 1 Fire Station)
- ▶ Community Services
  - ▶ Elimination of ALL Community Special Events
  - ▶ Program Eliminations & Reductions
  - ▶ Facility Hour Reductions
  - ▶ Elimination of 1 Recreation Coordinator Position
- ▶ Public Works - 4 Positions (Parks)
- ▶ Development Services - 2 Positions

# Finance Committee Recommendation

Bring forward resolutions to the November 3, 2015 City Council meeting to:

- ▶ Call a special election
  - ▶ Declare a “fiscal emergency” allowing staff to bring forward options for corrective action to close the current budget gap
- ▶ Authorize a ballot measure for April 2016 election
  - ▶ Utility Rate & City Service Stabilization Measure
    - ▶ Electric rate “freeze” for 5 years
    - ▶ Authorization of General Fund Transfer (GFT) from the Electric Utility of up to 20% annually, based on City Council approval during the yearly budget process to provide City services to rate payers

# Why GFT?

- ▶ GFT's are a common way for cities to recover their investment in the utility
- ▶ GFT's are comparable to Edison franchise fees, equating Colton residents to "stock-holders"
- ▶ The CED is financially strong and an increased GFT does not in any way jeopardize the utility or rates
- ▶ Currently CED residential rates are below Edison rates, industrial rates are about the same and commercial rates are about 2% higher than Edison
- ▶ The GFT is a way to give back to the "stock-holders" and the community by way of providing needed services

# Impact on Electric Department

- ▶ As of June 30, 2015, CED has a Reserve Balance / Rate Stabilization Account of approximately \$44.6 million
- ▶ Of this \$17 million is restricted under the flow of funds ordinance
  - ▶ Additional major planned future obligations include:
    - ▶ \$1.5 million for the decommissioning of San Juan 3
    - ▶ \$2 million in loans to Howard Industries
    - ▶ \$4 million for major overhaul of Agua Mansa Power Plant (CED is trying to spread this over 3 years and fund with current revenues)
- ▶ This leaves approximately \$20 Million to keep rates flat for as long as possible - With current financial projection through 2020-21, this amount is expected to grow
- ▶ CED's revenues are projected to increase as construction projects in the City come on line, while costs are projected to decline over the next 2 years due to the decommissioning of San Juan 3.
- ▶ In FY 2014-15 CED had \$61.2 million in Revenues and \$57.1 million in Expenditures
- ▶ The recommended GFT increase would result in up to \$4.8 million in additional costs to CED.

# How does Colton's GFT compare to Other Cities?

	GFT	UUT
LADWP	8.0%	10.0%
Azusa	12.5%	4.0%
Riverside	11.5%	6.5%
Banning	10.0%	0%
Colton	12.39%	0%

# Questions

▶ ?????