



Agenda No. 12A
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CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Patty Maitland, Finance Director

MEETING DATE: March 16, 2016

SUBJECT: Fiscal Year 2016-17 Budget Input from Council and Budget Workshop Scheduling

CEQA: Does not constitute a "project" under California Environmental Quality Act (CEQA) guidelines.

RECOMMENDATION

1. Receive FY 2016-17 Budget Information
2. Hold a public meeting(s) for Council Input to FY 2016-17 Budget
3. Provide any desired direction or requests for additional information

DISCUSSION

On February 17, 2016, Council received: the five-year fiscal forecast, the Fiscal Year (FY) 2016-17 budget schedule, and an updated fiscal analysis report. At that time, Council directed Staff to: return with additional information, provide some preliminary budget policy recommendations, and schedule a Budget Workshop public meeting.

Requested Information

Discretionary Funds

The Council noted that while the FY 2014-15 year end fund balance was \$8.2 million, this total is a combination of funds that are grouped together according to accounting and audit classifications. In general, these funds have been designated by the Council to be utilized for certain activities although they are still categorized as General Fund. The following table is taken from the Schedule of Fund Balances contained in the FY 2014-15 audit.

FUND DESCRIPTION	NO.	BALANCE
GENERAL FUND	1	\$7,596,156
CONSOLIDATED INVESTMENT	2	\$76,778
HYPERBARIC CHAMBER	4	\$28,227
CIVIC CENTER FUND	14	\$140,387
PEOPLE'S DESAL PROJECT	19	(\$37,891)
DRUG AWARENESS (DARE)	21	\$16,123
ASSET SEIZURE FUND	22	\$1,679
LOVERS POINT POOL	24	\$57,310
RECREATION DONATION FUND	25	\$27,102
OPERATING DONATIONS	31	\$99,186
VEHICLE REPLACEMENT FUND	32	\$0
STORM WATER FUND	44	(\$130,103)
KOO ESTATE DONATION	93	\$348,733

Council has directed the use of certain funds for capital improvements or other specific projects that necessitated the use of separate funds. This is the case with the exception of the Hyperbaric Chamber which is a fund that enables the City to account for the chamber expenditures and the donations that the volunteers collect to keep the facility operational. Those funds would not be considered discretionary dollars that the Council could designate for use. (Note that the Council took action on November 4, 2015 to resolve the two negative fund balances reflected in the table).

Liquidity

Council policy 400-5 *Investments* states: “A portion of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements.” As provided in the quarterly Treasurer’s report, this policy requirement is met by the deposits in the Local Agency Investment Fund (LAIF). LAIF is an investment vehicle for California's local governments and special districts which began in 1977 (Section 16429.1 et seq. of the California Government Code). The program enables local agencies to participate in a major portfolio, while preserving safety, liquidity, and yield requirements.

Each week, the City’s cash requirements are calculated and funds are transferred either in or out of LAIF, currently at a rate of .24%, to cover the City’s obligations. The quarterly LAIF balance over the past 12 months has varied from a low of \$2.1 million to \$9.1 million. This amount fluctuates depending on the disbursal of property taxes from the County and payables the City makes. Overall, the City possesses the ability to utilize a portion of its reserves with minimal impact to the overall return rate on the portfolio.

Under-Funded Services

While the five year forecast projected a modest surplus at the end of the current fiscal year and the subsequent fiscal year, the following table of under-funded services showed the City’s deferred needs.

Under-Funded Services			
Street Maintenance	\$ 600,000	Code Compliance	\$ 100,000
Sidewalk Maintenance	\$ 85,000	Police Services	\$ 200,000
Park Maintenance	\$ 150,000	Recreation	\$ 200,000
Library Hours & Materials	\$ 250,000	Long-Range Land Use Planning	\$ 200,000
Tree and Turf Removal	\$ 200,000	Capital Replacement Fund	\$ 300,000
Total Estimate Annual Cost = \$2,285,000			

Council requested follow up information for each of the services that differentiates between one-time costs and ongoing costs. Attachment 1 provides the requested detail provided by Department Heads and Program Managers. Also included in Attachment 1 are preliminary departmental budget requests and a pension unfunded liability payment option for the Council to be aware of in preparation for the Budget Workshop.

Budget Workshop

One of the primary purposes of holding a budget workshop is to provide Council, as the policy-making body, the opportunity to review the proposed budget at the departmental level. At the workshop, the Council will have the opportunity to consider operational expenditures and their contribution to achieving the Council’s priorities of infrastructure, financial sustainability, and effective public engagement.

Staff recommends a Special Meeting(s) be held on April 4th and, if necessary April 5th, 2016, 12 noon to 3pm. This will be a public meeting at which the Council will hear initial public comments before commencing the Budget Workshop.

FISCAL IMPACT

Receipt of this information does not impact the General Fund. Actions by the Council in its consideration and adoption of the FY 2016-17 Budget will impact the General Fund and other funds.

ATTACHMENTS

- Attachment 1: Preliminary Budget Data

RESPECTFULLY SUBMITTED:

Patty Maitland

Patty Maitland, Finance Director

Ben Harvey

Ben Harvey, Interim City Manager

Attachment 1: Preliminary Budget Data

Underfunded Services	One-Time, Baseline Cost	Ongoing Annual Cost
<p><i>Street Maintenance \$600,000</i> The City has deferred street maintenance over the past 10 years, repairing streets when associated with a specific project. In the past two years, the City has conducted preventative maintenance on roads, but minimal reconstruction work. The Pavement Assessment conducted in January of 2016 provides recommended treatments. \$600,000 is the starting point; however, future allocation of funds for reconstruction projects is necessary. – Gho</p>	\$600,000	\$450,000
<p><i>Sidewalk Maintenance \$85,000</i> For the past decade, sidewalk installation and maintenance has been reactive instead of proactive. Minimal sidewalk maintenance has been performed, primarily in response to citizen complaints. The City needs to complete a survey of the sidewalks to analyze condition, width, locations and utility boxes within the sidewalks. Many of the utility boxes have defects and need to be identified and documented for the owners (companies) to make repairs. – Gho</p>	\$85,000	\$50,000
<p><i>Park Maintenance \$150,000</i> Park Maintenance would include new equipment at the playgrounds, upgraded playing fields, new seating at the ball fields, and irrigation upgrades. (Some maintenance has occurred which decreased the one-time cost from \$150,000 to \$100,000) – Gho</p>	\$100,000	\$20,000
<p><i>Library Hours & Materials \$250,000</i> Open 60 hours/week; 80K library materials; 1 FTE Librarian; 2 FTE part-time Library Clerk - Silveria</p>		\$250,000
<p><i>Tree and Turf Removal \$250,000</i> Increased irrigation costs call for an evaluation of turf and other park surfaces. Due to the recent drought, diseased tree removals have significantly increased. Ongoing tree care costs and turf assessments will escalate in the near future (revised baseline cost from original \$200,000 estimate. - Gho</p>	\$250,000	\$100,000

<i>Code Compliance \$75,000</i> Salary and benefits for one full-time code compliance officer. (Re-evaluation of the salary position resulted in a lower projected cost). – Harvey/Brodeur		\$75,000
<i>Police Services \$109,000</i> Asset improvements, interior and exterior painting (\$20,000 & \$60,000), .5 FTE Police Services Technician (\$29,000). (Re-evaluation of specific needs resulted in a lower projected need). - Francis	\$80,000	\$29,000
<i>Recreation \$200,000</i> The reductions in the department over the past 10 years resulted in the elimination of all youth sports programs, reduction and eventual elimination of adult sports, and deferred facility maintenance. - Gho	\$150,000	\$50,000
<i>Long-Range Land Use Planning \$200,000</i> Advanced Planning activities, including but not limited to, CEQA compliance, architectural consultants to assist with development review, Lighthouse Avenue Streetscape studies, design guideline development, historic inventory, the Local Coast Plan (LCP), GIS mapping services, aerial photography, and other initiatives including Certified Local Government status and Mills Act contracts. - Brodeur	\$200,000	
<i>Capital Replacement - Information Technology \$250,000</i> Annual investment to bring the City's information technology systems, software, hardware and computing capabilities current, and making them secure and compliant with industry standards, best practices and regulations. - Harvey	\$150,000	\$250,000
Underfunded Services Subtotal	\$1,615,000	\$1,274,000

Preliminary Budget Requests	One-Time, Baseline Cost	Ongoing Annual Cost
<i>Streamlined, Affordable Care Act Compliant Benefits Package - \$700,000</i> Migration towards traditional health care benefit coverage for full-time employees ("Non-PERSable" employee-only coverage) that better attracts and retains qualified candidates to the City workforce from the regional market - Harvey		\$700,000
<i>CEQA Training \$10,000</i> Comprehensive California Environmental Quality Act Training for Planning Staff - Harvey	\$10,000	\$5,000
<i>OpenGov - \$5,000</i> Software that provides community access and user-driven reports of City budget data and financial information - Harvey	\$4,900	\$8,550

Preliminary FTE Activity Requests		
Add 1 Engineering Technician	\$	87,000
Increase .25 Recreation Assistant (bring to full-time)	\$	8,000
Reclassify Sr. Acctg. Asst. to Conf. HR Mgmt Analyst	\$	7,000
Reclassify Acctg. Asst. to Sr. Acctg. Asst. (Systems Administrator)	\$	4,600
Add .5 Administrative Technician	\$	24,500
Decrease 1 Chief Accountant	\$	(113,000)
Add .25 Admin Tech (bring to full-time)	\$	4,500
Add .25 Librarian (Poetry Fund)	\$	26,000
Add Salary and Benefits for Full Time Chief of Police*	\$	153,000
Add 1 Police Detective (+5% Special Pay)	\$	140,000
	<u>\$</u>	<u>341,600</u>
*Cost based on budget assumption of Step 3, Classic PERS, and Medical. Does not include the \$120,000 per year formerly paid to Seaside for contract services.		

CalPERS Unfunded Liability. At the annual California Society of Municipal Finance Officers (CSMFO) meeting, a CalPERS Actuary summarized the potential scenarios available to the City for paying the unfunded liability. (Currently, the city pays an annual amount to CalPERS to pay down the liability – Approximately \$500,000 for Classic Miscellaneous Employees and \$880,000 for Classic Safety Employees in FY 2016-17.) Committing to a long term repayment plan would yield savings, however, entering into a long term payment program *does not* guarantee that additional unfunded liability will not accrue. In other words, while the City pays down the currently identified liability, it is possible that separate, additional liabilities could accrue due to market changes and actuarial calculations. -Maitland

<i>Plan</i>	<i>Number of Annual Payments</i>	<i>Annual Payments</i>	<i>Savings over Payback Period</i>
Classic Misc	20	\$689,890	\$803,540
Classic Misc	15	\$837,580	\$376,3048
Classic Safety	20	\$1,195,985	\$1,719,135
Classic Safety	15	\$1,452,019	\$6,849,702

Mayor
Bill Kampe

Council
Members
Robert Huitt
Ken Cuneo
Rudy Fischer
Casey Lucius
Daniel Miller
Bill Peake

Interim City Manager
Ben Harvey

Finance Director
Patty Maitland



CITY OF PACIFIC GROVE

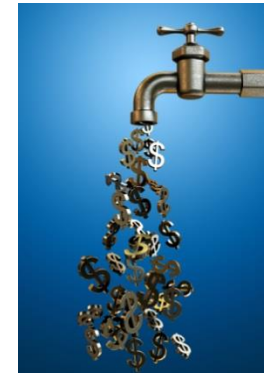
FY 2016-17 BUDGET

COUNCIL INPUT & WORKSHOP SCHEDULE

Discretionary Funds

FUND DESCRIPTION	NO.	BALANCE
GENERAL FUND	1	\$7,596,156
CONSOLIDATED INVESTMENT	2	\$76,778
HYPERBARIC CHAMBER	4	\$28,227
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STORM WATER FUND	44	(\$130,103)
KOO ESTATE DONATION	93	\$348,733

Liquidity



- Council policy 400-5 *Investments*
 - Requires a portion of the investment portfolio to be maintained in liquid, short-term securities
 - Requirement met by Local Agency Investment Fund (LAIF)
- LAIF balances are reported in the quarterly Treasurer's Report
 - The quarterly LAIF balance over the past 12 months has varied from a low of \$2.1 million to \$9.1 million.

CITY OF PACIFIC GROVE TREASURER'S REPORT AS OF DECEMBER 31, 2015

DEPOSITORY	DESCRIPTION OF SECURITY	MATURITY DATE	INTEREST RATE/YIELD	DOLLAR/PAR AMOUNT	MARKET VALUE
State of California	Local Agency Investment Fund (LAIF)	Immediate	0.240%	5,661,239.75	5,661,239.75
				<u>5,661,239.75</u>	<u>5,661,239.75</u>

- The City has the ability to utilize a portion of its reserves with minimal impact to the overall return rate on the portfolio.

Underfunded Services

Reported on February 17, 2016

Under-Funded Services			
Street Maintenance	\$ 600,000	Code Compliance	\$ 100,000
Sidewalk Maintenance	\$ 85,000	Police Services	\$ 200,000
Park Maintenance	\$ 150,000	Recreation	\$ 200,000
Library Hours & Materials	\$ 250,000	Long-Range Land Use Planning	\$ 200,000
Tree and Turf Removal	\$ 200,000	Capital Replacement Fund	\$ 300,000
Total Estimate Annual Cost = \$2,285,000			

Street Maintenance

One-Time Baseline Cost \$600,000

Ongoing Annual Cost \$450,000

- Deferred street maintenance
- Only preventative or special project work
- January 2016 Pavement Assessment provides recommended treatments.
- 600,000 is the starting point; however, future allocation of funds for reconstruction projects is necessary.



Sidewalk Maintenance

One-Time Baseline Cost \$85,000

Ongoing Annual Cost \$50,000

- Sidewalk installation and maintenance has been reactive instead of proactive.
- Minimal sidewalk maintenance
- Complete a survey of the sidewalks needed.
- Major issue - utility boxes



Park Maintenance

One-Time Baseline Cost \$100,000

Ongoing Annual Cost \$20,000

- New playground equipment
- Upgraded playing fields
- New seating at the ball fields
- Irrigation

[Note: Some maintenance has occurred reducing the one-time cost from \$150,000 to \$100,000]



Library Hours

One-Time Baseline Cost - None

Ongoing Annual Cost - \$250,000

- Open 60 hours per week
- \$80,000 library materials
- 1 FTE Librarian
- 2 FTE part-time Library Clerk



Tree and Turf Removal

One-Time Baseline Cost \$250,000

Ongoing Annual Cost \$100,000

- Increased irrigation costs call for an evaluation of turf and other park surfaces.
- Recent drought increased diseased tree.
- Ongoing tree care costs and turf assessments will escalate in the near future.
- [Note: One-time baseline cost has increased \$50,000 from original estimate.]



Code Compliance

One-Time Baseline Cost None

Ongoing Annual Cost \$75,000

- Salary and benefits for one full-time code compliance officer.
- [Note: Re-evaluation of the salary position resulted in a lower projected cost.]



Police Services

One-Time Baseline Cost \$80,000

Ongoing Annual Cost \$29,000

- Interior and exterior painting (\$20,000 & \$60,000)
- .5 FTE Police Services Technician (\$29,000)
- [Note: Re-evaluation of specific needs has resulted in a lower than projected estimate.]



Recreation

One-Time Baseline Cost \$150,000

Ongoing Annual Cost \$50,000

- Reinstatement youth sports programs
- Reinstatement adult sports programs
- Facility maintenance

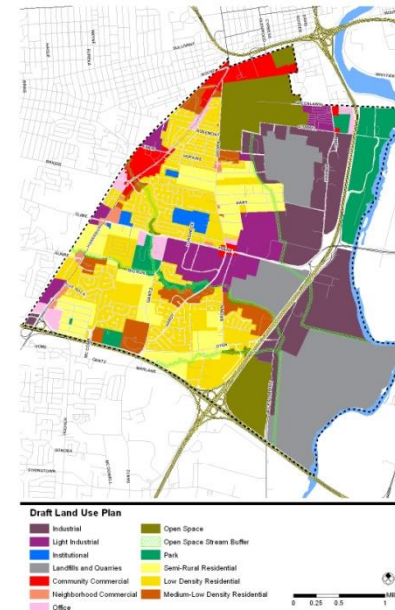


Long-Range Land Use Planning

One-Time Baseline Cost \$200,000

Ongoing Annual Cost None

- CEQA compliance
- Architectural consultants
- Lighthouse Avenue Streetscape studies
- Design guideline development
- Historic inventory
- Local Coastal Plan
- GIS mapping services
- Aerial photography
- Certified Local Government status and Mills Act contracts



Capital Replacement Fund Information Technology

One-Time Baseline Cost \$150,000

Ongoing Annual Cost \$250,000

- Annual investment to bring the City's information technology systems, software, hardware and computing capabilities current
- Data security
- Industry standards, best practices and regulations.
- [Note: Preliminary needs assessment indicates higher costs than originally estimated.]



Underfunded Services Summary

	One-Time	Ongoing
Street Maintenance	\$ 600,000	\$ 450,000
Sidewalk Maintenance	\$ 85,000	\$ 50,000
Park Maintenance	\$ 100,000	\$ 20,000
Library Hours & Materials	\$ -	\$ 250,000
Tree & Turf	\$ 250,000	\$ 100,000
Code Compliance	\$ -	\$ 75,000
Police Services	\$ 80,000	\$ 29,000
Recreation	\$ 150,000	\$ 50,000
Long Range Planning	\$ 200,000	\$ -
Capital (IT) Replacement	\$ 150,000	\$ 250,000
	<u>\$ 1,615,000</u>	<u>\$ 1,274,000</u>

Additional Identified Needs



Streamlined, Affordable Care Act Compliant Benefits Package

One-Time Baseline Cost None

Ongoing Annual Cost \$700,000

- Traditional health care benefit coverage for full-time employees
- "Non-PERSable" employee-only coverage
- Retain qualified candidates to the City workforce



CEQA Training

One-Time Baseline Cost \$10,000

Ongoing Annual Cost \$5,000

- Comprehensive California Environmental Quality Act (CEQA) Training for Planning Staff



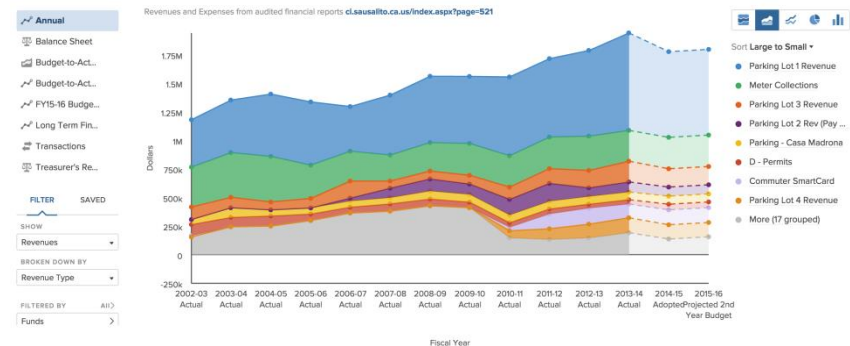
OpenGov

One-Time Baseline Cost \$4,900

Ongoing Annual Cost \$8,550

- Software that provides community access and user-driven reports of City budget and financial information

- [City of Sausalito Website](#)



Preliminary FTE (Position) Requests

Add 1 Engineering Technician	\$ 87,000
Increase .25 Recreation Assistant (bring to full-time)	\$ 8,000
Reclassify Sr. Acctg. Asst. to Conf. HR Mgmt Analyst	\$ 7,000
Reclassify Acctg. Asst. to Sr. Acctg. Asst. (Systems Administrator)	\$ 4,600
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Add Salary and Benefits for Full Time Chief of Police*	\$ 153,000
Add 1 Police Detective (+5% Special Pay)	\$ 140,000
	<u>\$ 341,600</u>

*Cost based on budget assumption of Step 3, Classic PERS, and Medical. Does not include the \$120,000 per year formerly paid to Seaside for contract services.

CalPERS Unfunded Liability

- Potential scenarios available to the City for paying the unfunded liability.
- The City currently pays an annual amount to CalPERS
- Committing to a long term repayment plan would yield savings
- Entering into a long term payment program *does not* guarantee that additional unfunded liability will not accrue.

<i>Plan</i>	<i>Number of Annual Payments</i>	<i>Annual Payments</i>	<i>Savings over Payback Period</i>
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Classic Misc	15	\$837,580	\$376,3048
Classic Safety	20	\$1,195,985	\$1,719,135
Classic Safety	15	\$1,452,019	\$6,849,702



CalPERS: FY 2016-17 Actual Costs FY 2017-18 Projected Costs

	FY 2016-17		FY 2017-18 (Projected)	
	Employer Rate	Unfunded Liability	Employer Rate	Unfunded Liability
Classic Miscellaneous	8.88%	\$ 498,741	8.90%	\$ 625,822
Classic Safety	19.54%	\$ 880,155	19.50%	\$ 1,072,244
PEPRA Miscellaneous	6.56%	\$ 60	6.60%	\$ 151
PEPRA Safety	12.08%	\$ 68	12.10%	\$ 176
Total		<u>\$ 1,379,024</u>		<u>\$ 1,698,393</u>



April 4, 2016

April 5, 2016

- Provide Council, as the policy-making body, the opportunity to review the proposed budget at the departmental level.
- Council can consider operational expenditures and their contribution to achieving the Council's priorities
 - Infrastructure
 - Financial sustainability
 - Effective public engagement

Sound Bites from the Annual Conference



- Cautiously optimistic for the next two years (Beacon Economics)
- Anticipate decline in gas tax revenue (impacts street maintenance) (Beacon Economics)
- Interest rates on investments show no sign of increasing (Bank of America/Merrill Lynch)
- Invest in infrastructure during the upturn (from “Smart Planning in an Upturn” - Grace Leung, City of Irvine/Drew Corbett, City of San Mateo)