



City of Pomona  
505 South Garey Avenue  
Pomona, CA 91766

July 1, 2016

*The Honorable Mayor and Members of the City Council  
and Citizens of Pomona*

It is my pleasure to present the Adopted Budget for Fiscal Year 2016-17.

The City of Pomona continues to put neighborhoods first by investing in infrastructure and first rate services to the community all while maintaining a strong commitment to responsible financial management. All department heads, employees, and Council Members have worked together to develop a financial plan that is in line with the City's Goals and Objectives. With an emphasis on "holding the line", Pomona has worked to minimize the effects of increased cost in services, personnel and infrastructure.

The Adopted FY 2016-17 Budget for Citywide expenditures is \$206M and it is comprised of seven operating fund types; General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, and Housing Authority Funds. The Adopted FY 2016-17 Citywide Budget is \$6M below the previous year's FY 2015-16 Budget.

**Total City Expenditures by Fund Type**

<b>FUND TYPE</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
General Fund	\$95,357,993	\$95,355,416
Special Revenue Funds	33,095,992	29,949,773
Debt Service Funds	6,554,436	6,739,195
Capital Project Funds	5,554,238	5,406,548
Enterprise Funds	49,533,050	46,910,451
Internal Service Funds	9,012,906	8,665,262
Housing Authority Funds	13,408,405	13,416,735
<b>Total Budget</b>	<b>\$212,517,020</b>	<b>\$206,443,380</b>

The total General Fund proposed budget is **\$95,355,416** and maintains City Council's long-standing funding priorities by allocating over three-quarters (79%) of the budget to direct costs for public safety. General Fund appropriations for FY 2016-17 are closely aligned with FY 2015-16 adopted appropriations.

There is a \$3M decrease in expenditures in the Enterprise Funds due mostly to the Water Fund. The reasons for the decrease were one time capital purchases that were budgeted in FY 2015-16 and a reduction of water purchases and water production due to the State's required conservation efforts.

The Special Revenue Funds also have a \$3M decrease in expenditures due to decreased funding from Cal-Home for mortgage assistance and home rehabilitation; HUD for housing grant programs; Department of Justice for Asset Forfeiture Program; and miscellaneous State grants.

The total overall fiscal plan for FY 2016-17 includes two new positions (Police Division Coordinator & Management Analyst), reclassification of 13 positions (1 Admin, 1 Police, 5 Neighborhood & Development Services, & 6 Water Fund), a split of "Development & Neighborhood Services" department into two separate departments, some enhanced service levels in Community Services, Police and Housing, and minimal supplemental and capital equipment approved items.

In Summary, the Adopted General Fund budget is balanced with the use of \$1.8M in excess General Fund reserves. The General Fund's ending fund balance is projected to be \$16.5M, which is 17% of FY 2016-17 Adopted operating expenditures. FY 2015-16 will end with no increase and a slight use of the City's positive cash balance. This is a reminder of the importance of the monthly cash flow and only serves to validate the necessity of the adopted 17% fund balance goal. It should be noted that according to the 2011-2012 final report investigating Charter Cities, from the Los Angeles County Civil Grand Jury, Cities should adopt a Financial Policy that requires a designated General Fund working capital reserve equivalent to 15% of the General Fund's operating budget and a designated emergency reserve equivalent to 5% of the General Fund's operating budget. This would put the ideal reserve amount at 20% vs. the City Council's policy goal of 17% (which is the minimum percentage recommended by the Government Accounting Standards Board).

Although, the fund balance for the General Fund has been reestablished, it's important to note challenges in the near future which include:

- increasing retirement contribution rates
- continued rise in retiree health costs
- debt service requirements
- formula increases provided through contract provisions with the Los Angeles County Fire District
- continued reliance on special funds for services traditionally funded by the General Fund
- deferred maintenance of facilities and infrastructure
- decrease in funding for Asset Forfeiture and Gas Tax
- unmet service needs.

Key Budget Assumptions – Based on data available through the budget adoption process, economic forecasts from a range of sources, and the FY 2016-17 Budget Guiding Principles approved by City Council on December 7, 2015, the following key assumptions were made for the FY 2016-17 budget:

- The local economy will improve slightly during FY 2016-17; however, previous one time revenues received in FY 2015-16 and a decrease in sales tax revenues due to loss of previous subventions will result in a decrease of \$944K in General Fund Revenues.
- The General Fund's total budgeted PERS cost is \$10.7M and \$13.6M Citywide.

- The cost of fire services as provided by the LA County Fire District is budgeted at the Final Estimate fee set by the District. There was a \$780K increase for Fire Services in FY 2016-17.
- There is a \$900K vacancy factor budgeted for all General Fund departments. This amount in the past three years has varied from \$.5M to \$1.8M. The impact of budgeting for the vacancies could result in less funds being available to build reserves at the end of the fiscal year.
- Regardless of the planned use of reserves, the General Fund will meet or exceed its FY 2016-17 Graduated Benchmark Fund Balance policy goal of 13% by year-end.
- Provisions within the Fiscal Sustainability Policy requiring contributions to future Capital Improvement Projects and Equipment Replacement will be suspended until the General Fund again reaches its ultimate 17% Fund Balance policy goal.
- Various enhanced services or programs, based on funds availability and City Council goal setting objectives, have been included in the FY 2016-17 Budget.
- Without an increase in sustainable resources, the operations as presented in the FY 2016-17 budget cannot be continued into future years without significant and detrimental reduction to the General Fund reserves. Deterioration of the reserves effects the City's credit standing and will lead to more difficult future financial hardships.

Supplemental Budget Items – Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. For FY 2016-17, the following items have been approved and included in the adopted budget:

GENERAL FUND

Development Services	Hourly Planning - Permits and Applications	\$11,362
Development Services	Hourly Planning and Cultural Arts Commission Support	11,362
Development Services	Planning Services Contract	111,485
Administration	California Assc Local Economic Devlp (CALED) Member	1,570
Neighborhood Services	Community Life Commission	3,000
Human Resources	Annual Language Access Plan	5,000
Human Resources	Flex Spending Account Administration	2,580
Public Works	Security Guard Service at Civic Center Plaza and Library	44,262
<b>Total General Fund</b>		<b>\$190,621</b>

- Development Services (General Fund) –There are several developments projected to get started in FY 2016-17 and an increase of \$760K is budgeted in permit revenues. This new development requires additional assistance in the department. The conservative approach taken is to increase part time staff and contract staff to assist with this added workload rather than adding additional full time employees with benefits.
- Public Works (General Fund) – The other significant supplemental budget item is for security guard service at the Civic Center Plaza and Library. Increased security, has made a significant difference in addressing matters that arise in and around the Civic Center Plaza.

**SPECIAL REVENUE FUNDS**

Administration (VPD)	Acquisition of Property/Land	\$70,000
Administration (VPD)	Security Cameras	26,000
Police (Traffic Offender Fund)	Upgrade of Mobile Incident Command Center	125,000
Police (SLESA Funds)	Replacement of (5) Police Vehicles	151,000
Public Works (Gas Tax)	Sidewalk, Curb and Gutter Repairs	100,000
Public Works (Gas Tax)	GPS Tracking for Vehicles	5,000
Public Works (GSF Operation)	Portable Hot Water Pressure Washer	12,213
Public Works (Measure R)	Angle Broom Attachment for Bobcat	6,061
Public Works (AQMD)	5 Yard Dump Truck - CNG Fuel	100,000
Public Works (AQMD)	3/4 Ton Utility Truck - CNG Fuel	50,512
Public Works (Phillips Ranch)	Removal of 40 Poplar Trees and 30 Replacement Trees	27,500
Public Works (Phillips Ranch)	Irrigation Systems Component Upgrades	25,000
<b>Total Other Funds</b>		<b>\$698,286</b>

- Each of the above supplemental line items are funded either with current year revenue estimates or fund balance. The supplemental budget recommendations for Gas Tax will only be approved if the Governor’s transportation funding proposal for FY 2016-17 includes an additional \$3.6M increase for state and local transportation programs. The City of Pomona is estimated to receive an additional \$808K from this funding.

**Recommended Supplemental Budget Items for future funding** – The items listed in this table have been identified as priority projects; however, staff is still working to identify a funding source. The most significant items listed are eight black and white patrol vehicles and a new financial system. The patrol vehicles are needed to continue to maintain the Police Department’s fleet per the City’s Fleet Management Policy. The new financial system is needed Citywide to improve efficiencies and to ensure the software programs will continue to be supported by the current vendors.

<b>General Fund</b>		
Neighborhood Services	Custodial Cargo Van	\$37,500
Neighborhood Services	Athletic Field Gator Utility Vehicle	10,000
Police	Replacement of Negative 48 Volt power supply system	16,130
Police	8 Black and White Patrol Vehicles	402,008
Public Works	Library Landscape Fencing	50,000
Finance	New Financial System - (Current system is 25 yrs old) - Including General Ledger, Accounts Payable, Accounts Receivable, Purchasing, Revenue Collection, Budgeting, Payroll, HR	2,000,000
<b>Total General Fund</b>		<b>\$2,515,638</b>
<b>Information Technology Fund</b>		
Information Technology	City E-mail Exchange Upgrade	110,000
<b>Total Information Technology Fund</b>		<b>\$110,000</b>
<b>TOTAL - All Supplemental Requests for Future Funding</b>		<b>\$2,625,638</b>

In addition to these supplemental requests, there is also \$4.7M of staffing and equipment requests that have been eliminated or deferred through an internal review and evaluation process. Of the \$4.7M in non-recommended requests, \$3.4 million was attributable to the General Fund.

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| <ul style="list-style-type: none"><li>• Program Specialist – Administration</li><li>• Administrative Clerk – City Clerk</li><li>• Human Resources Technician/Analyst</li><li>• Classification Study</li><li>• Employee Recognition Program – Service Pins</li><li>• Library Clerk</li><li>• Additional Library Books</li><li>• Library Health &amp; Wellness Database</li><li>• Administrative Clerk – Neighborhood Services</li><li>• Recreation Coordinator</li><li>• Maintenance Workers II – Neighborhood Services</li></ul> | <ul style="list-style-type: none"><li>• American Flags (Mounted on Streetlights)</li><li>• Printed Recreation Program and Service Guide</li><li>• Gang Violent Suppression Unit Squad (7FTE's)</li><li>• Police Dispatcher (2)</li><li>• Increase Sworn Overtime</li><li>• Engineering Associate (Public Works)</li><li>• Maintenance Worker II (Public Works)</li><li>• Security Guard Park Patrol (1 per district)</li><li>• Security Guard Park Patrol (1 per Park)</li></ul> |
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Unmet Needs – As the City has struggled to balance the budget over the past several years, services and staffing in some areas have been cut to a point of marginal service delivery. The City is also struggling to maintain its aging infrastructure. The majority of Pomona's public infrastructure 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 for consideration by the City Council:

- Additional Police Resources
- Additional Recreation Program Funding
- Additional Library Hours
- Technology Refreshment
- Street Maintenance
- Park Restroom Renovations
- Park Equipment Replacement
- Pool Refurbishment
- Turf Replacement at Veterans' Park (future)
- Reconfiguration of Fire Services – 2 man to 3 man crew
- Other Deferred Maintenance of Current Infrastructure/Facilities
- New Sidewalk / Streetlights
- Corridor Specific Plan Improvements
- Other Post-Employment Benefits (OPEB)
- Additional Reserves

This is only a partial list, but serves as a reminder that additional resources generated by the General Fund in the coming years should be used to address these needs.

Capital Improvement Program – As adopted, there are 18 projects with adopted appropriations totaling \$5,222,135. Funding resources includes monies from Federal Agencies, State Agencies, misc. granting agencies, and bond proceeds.

Conclusion –The prolonged recession and slow recovery have forced hard choices about which services we will provide to the community and how we will provide them. It is essential that Finance work with the City Manager’s Office and City Department Heads to create a sustainable budget plan for City Council consideration in FY 2017-18 and the years to come. Staff has acknowledged the biggest challenge will be to work to improve City services, meet the City’s goals and objectives, meet the needs of the residents, and operate in a fiscally responsible way. The development of a municipal budget is a dynamic process and there will be ongoing economic issues that may require additional attention as we progress through the fiscal year. The City remains vigilant in monitoring the budget and will constantly evaluate fiscal impacts in a responsive and fiscally sound way.

The development of this adopted budget was a team effort, which reflects the collaborative spirit within our organization. I would like to conclude by thanking all employees in various departments who diligently worked on this budget and those that provide services to Pomona residents on a daily basis. I also wish to thank all the departments for their thoughtful approach to these difficult budget issues again this year. Lastly, I would like to thank the City Council for the guidance they provide in developing budgeting and service priorities.

Respectfully Submitted,



Linda Lowry  
City Manager

# **BUDGET MESSAGE ADDENDUM**

## **T**HE DOCUMENT

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The FY 2016-17 Budget document is divided into seven sections including the City Manager’s Transmittal Message and Addendum (collectively the Budget Message), User’s Guide, Financial Summaries, Revenues, Authorized Staffing, and Capital Improvement Program (CIP). The seventh section includes department details presented within Fund categories. General Fund details are presented by individual departments while all other funds are presented at the fund level. The final tab contains the FY 2016-17 Budget Guiding Principles, and the Council adopted Fiscal Sustainability and Fund Balance policies.

## **S**UMMARY OF FUNDS 2016-17

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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, 2016 and ending June 30, 2017. It is a 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 FY 2016-17 Operating and Capital Improvement Budgets total \$206M as follows:

### **Total City Expenditures by Fund Type**

<b>FUND TYPE</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
General Fund	\$95,357,993	\$95,355,416
Special Revenue Funds	33,095,992	29,949,773
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Housing Authority Funds	13,408,405	13,416,735
<b>Total Budget</b>	<b>\$212,517,020</b>	<b>\$206,443,380</b>

There is a \$3M decrease in the Enterprise Funds due mostly to the Water Fund. There were one time capital purchases that were budgeted in FY 2015-16 and there has been a reduction of water purchases and water production due to the State’s required conservation efforts. There is also a \$3M decrease in the Special Revenues Funds due to decreased funding from Cal-Home for mortgage assistance and home rehabilitation; HUD for housing grant programs; the Department of Justice for the Asset Forfeiture Program; and miscellaneous State grants.

The only fund experiencing notable increases in expenditures is the Debt Service Fund. The Debt Service Fund has increased due to principal payment increases that are consistent with the annual schedule that is set forth.

The total overall fiscal plan for FY 2016-17 includes the creation of two new positions, reclassification of 13 positions (1 Admin, 1 Police, 5 Neighborhood & Development Services, 6 Water Fund), a split of “Development & Neighborhood Services” department into two separate

departments, some enhanced service levels in Community Services, Police and Housing, and minimal supplemental and capital equipment recommendations.

In summary, the adopted General Fund budget is balanced with the use of \$1.8M of excess General Fund reserves. The General Fund ending fund balance is projected to be \$15M, which exceeds the reserve policy limit of 13% of operating expenditures.

## GENERAL FUND REVENUES

The City receives a multitude of revenue from many sources, many of which must be accounted for separately. Revenue projections in the Adopted Budget are estimated using historical information, data collected from the State Controller, the State Department of Finance, the League of California Cities, the Los Angeles County Auditor Controller's Office, and consultants. City Staff utilized these sources along with a general sense of the economic status of the local community to prepare estimates within this document.

Total General Fund revenues for FY 2016-17 have been estimated at \$93,511,899. Overall, the General Fund revenue estimates have decreased by 1% from the previous fiscal year. Sales Tax, UUT, and Property Tax make up 72% of the General Fund's budgeted. Staff estimates the City's 'Big 3 Revenues', which are comprised of Property, Sales, and Utility Users' Taxes, will decrease by nearly \$656K from the FY 2015-16 Budget. Following the chart below is a brief discussion on the 'Big 3'.

Revenue Category	FY 2015-16 Budget	FY 2015-16 Y/E Est	FY 2016-17 Proposed	FY 2015-16 Budget vs. FY 2016-17	FY 2015-16 Y/E Est vs. FY2016-17
Property Taxes	\$31,607,300	\$31,029,000	\$32,514,085	\$906,785	\$1,485,085
Sales Tax	18,853,054	18,117,955	17,741,950	(1,111,104)	(376,005)
Utility Tax	17,817,000	16,985,000	17,364,670	(452,330)	379,670
<b>Total - Big "3"</b>	<b>\$68,277,354</b>	<b>\$66,131,955</b>	<b>\$67,620,705</b>	<b>(\$656,649)</b>	<b>\$1,488,750</b>
Other Taxes	13,241,872	13,401,835	13,494,437	252,565	92,602
Fines	1,959,500	1,991,500	1,902,000	(57,500)	(89,500)
Use of Money	366,108	344,363	340,363	(25,745)	(4,000)
Other Intergov	202,900	216,913	212,500	9,600	(4,413)
Licenses, Permits, & Fees	5,658,260	6,624,287	6,971,299	1,313,039	347,012
Misc Rev	662,388	906,954	270,000	(392,388)	(636,954)
Charges for Svc	4,088,232	3,426,027	2,700,595	(1,387,637)	(725,432)
Transfers In	-	-	-	-	-
Other Fin Sources	-	-	-	-	-
<b>Total - All Sources</b>	<b>\$94,456,614</b>	<b>\$93,043,834</b>	<b>\$93,511,899</b>	<b>(\$944,715)</b>	<b>\$468,065</b>

Sales Tax – FY 2016-17 marks the end of the Triple Flip imposed by the State. This will improve the City's cash flow because the full 1% sales tax payment will now be received on a monthly basis with a quarterly true up payment. The ½ Cent PSAF sales tax from the County is projected to increase by 5%. However, there are several factors that have had a negative impact on sales tax. The elimination of the SBOE settlement payments that were received for the past three years are not reflected in FY 2016-17. There was a slight increase in sales tax for FY 2015-16 due to the final year of the triple flip and the receipt of some year-end true-up payments. This increase is not reflected in FY 2016-17 budget. Sales



tax is also responsive to economic circumstances and the recent decline in gas prices has had a significant impact to service station revenues. Service stations are the City's third largest economic segment for sales tax and the projected decrease is estimated at approximately \$425K. All of these factors have contributed to a \$1.1M decrease in Sales Tax estimates.

Property Taxes – The increase of \$906K in property tax revenue is due mostly to an estimated increase in assessed values for secured and unsecured property taxes. Finance is also working with MuniServices to receive five-year projections for property tax to allow staff to do a five-year outlook of General Fund revenues vs. expenditures.

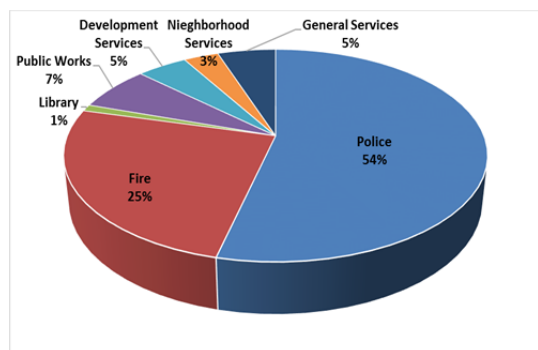
Utility User Tax –The UUT receipts are estimated to decline by \$452K for FY 2016-17. The UUT collected for electricity and natural gas are trending in line with prior years; however, there continues to be a decline in revenues related to both water and telecommunications. The drought and water conservation efforts imposed by the State have had a significant impact on the UUT collected for water use. As for the telecommunications UUT, the City is working to offset the declining trend by registering in August 2016 to receive UUT for pre-paid cell phone use.

Other Revenues –Other revenues include Transient Occupancy Tax, Property Transfer Tax, Franchise Fees, Business License Tax, Permits, Fees, Charge for Services, and other Miscellaneous Revenues. The largest projected increase in FY 2016-17 is \$900K for building permits and plan check fees. However, there is a corresponding increase in expenditures of \$585K to fund the building and safety Contract. The other significant increase in other revenues is \$400K for a franchise fee related to the City's transfer station and \$270K in real property transfer tax. Real property transfer taxes are imposed on real property during transfers of title for properties sold within the City. The tax is typically based upon the sales price of the transferred property (ad valorem tax). Staff is also looking at options to increase Business License tax by improving billing methods, auditing licensed businesses, identifying unlicensed businesses, and reviewing the current rate structure to determine if any changes are needed.

Significant decreases in revenues include an \$1M elimination of one-time revenues that were identified in the November 16, 2015 1st quarter General Fund Fiscal Review Report. This one-time adjustment was from CalPERS (as a result of its software conversion), excess Pension Bond proceeds, and unclaimed funds that were identified by the Finance Department. There was also a \$657K decrease due to a re-class of reimbursable services for special events to a separate fund. There is a corresponding savings in General Fund expenditures as a result of this re-class.

## GENERAL FUND EXPENDITURES

The General Fund is the largest fund of the City and represents approximately 46% of the City's Operating Budget. The General Fund accounts for all of the City's general financial resources and government activities, other than those specifically required to be accounted for separately, and pays for services such as police, fire, library, parks, recreational programs, certain public works operations, development, and other essential support services such as the City Council, the City Manager's Office (Administration), City Clerk, City Attorney, Finance, and Human Resources. The FY 2016-17 General Fund expenditure budget is \$95M; a slight decrease over the FY 2015-16 Budget and \$2.6M over the FY 2015-16 year-end estimates. As always, community safety remains a high priority for Pomona, and



this budget continues to reflect that commitment. Public Safety utilizes 79% (Police 54%, Fire 25%) of all General Fund resources.

## RECONCILING THE GENERAL FUND

Revenues	Amount	Brief Summary
Property Tax	\$906,785	Anticipated Growth
Sales Tax	(1,111,104)	Decrease in gas prices, one-time revenues, and elimination of triple flip
Utility Users' Tax	(452,330)	Decrease in UUT assessed to Water and Telecommunications
All Other Taxes	252,565	Anticipated Growth
Intergovernmental Rev	9,600	Motor Vehicle In-Lieu Tax
Licenses, Permits, Fees	1,313,039	Increase in Development Revenue & Franchise Fees
Misc Revenue	(392,388)	Elimination of one-time recovered cost from CalPERS
Charges for Services	(1,387,637)	Re-class of reimbursable services for special events to a separate fund. There is a corresponding savings in the GF expenditures. Elimination of one-time revenues.
All Other Revenue	(83,245)	Various changes
<b>Total</b>	<b>(\$944,716)</b>	

Expenditures	Amount	Brief Summary
Personnel	1,689,456	PERS rates increased for both sworn and non-sworn, step increases are budgeted for current employees, contract negotiations of 2.5% for sworn personnel, and an increase in the budget for hourly staff in Community Services and Development Services. The increase in hourly staff in Community Services is to enhance the after school programs and sports programs. The increase in Development Services is to handle the increased volume of permits being processed and for support to the cultural arts commission.
Controllable Exp	(378,767)	The decrease in controllable expense is due mostly to a increase in Contract Services for Building & Safety at the end of FY 2015-16 that was approved. However, this is not anticipated in FY 2016-17
Required Exp	144,248	The increase in required expense is due mostly to an increase of \$780K for Fire Services. The cost estimate for fire services is provided by the LA County Fire District.
Utilities	(98,423)	Majority of reduction is due to decrease in phone expense
Allocated Costs	(114,770)	Large reduction due to reallocation of workers comp costs due to decrease in liability claims
Recovered Costs	(49,563)	Re-class of reimbursable services for special events to a separate fund. There is a corresponding decrease in GF revenues.
Capital	154,950	Based on approved equipment versus amended FY 2015-16 Budget

Transfers Out	(1,349,708)	There were budget adjustments done in FY 2015-16 to fund one-time projects that were identified in the November 16, 2015 1st quarter General Fund Fiscal Review report. Projects such as tree trimming, park improvements, IT purchases, alarm system upgrades, and AC units were budgeted in the previous fiscal year and are not reflected in FY 2016-17 budget. As previously discussed, if any of these projects remain unspent at the end of FY 2015-16 they will be carried over into FY 2016-17 with a separate Council Action and budget resolution as per the City's Charter Section 1008.
Approved Supplementals	-	\$190,621 in supplemental approved items are included within the various categories above
<b>Total</b>	<b>(\$2,577)</b>	

## THE GENERAL FUND ADOPTED BUDGET

The structural changes that have occurred over the past few years have had a positive impact on the current budget and have set the framework for fiscal sustainability for the General Fund.

As a guide to understanding the changes within the Adopted Budget, the following information is offered:

General Fund	FY2014-15	FY 2015-16	FY 2016-17	%	Dollar
	Actuals	Budget	Proposed	Chg	Change
Police	\$45,102,939	\$49,471,231	\$51,259,951	4%	\$1,788,720
Development Services	3,235,521	4,323,248	4,370,502	1%	47,254
Fire	22,820,559	23,409,237	24,189,909	3%	780,672
General Government	2,748,015	3,648,902	3,381,989	-7%	(266,913)
Library	816,249	1,008,078	967,343	-4%	(40,735)
Neighborhood Services	2,640,106	3,214,278	3,030,920	-6%	(183,358)
Public Works	5,968,131	7,012,470	6,690,003	-5%	(322,467)
General Services	1,731,534	3,270,549	1,464,799	-55%	(1,805,750)
<b>Total</b>	<b>\$85,063,054</b>	<b>\$95,357,993</b>	<b>\$95,355,416</b>	<b>0%</b>	<b>(\$2,577)</b>

**DEPARTMENT-WIDE INCREASES** – Each department reflects an increase to the ‘Earnings & Benefits’ line item due to increases in PERS retirement rates, negotiated salary increase for sworn personnel, step increases and an increase in hourly staff in Community Services and Development Services.

**GENERAL SERVICES** – The budget for General Services includes those expenses that are of a city-wide benefit rather than a particular department or program or for programs which do not fit within the current department structure. The FY 2016-17 budget is \$1.8M less than the FY 2015-16 amended budget. As discussed previously, approximately \$1M is due to one-time capital projects that were identified in the first quarter of FY 2015-16 and are not reflected in FY 2016-17. There was also an increase of \$750K budgeted for vacancies in the General Fund. In the past three years, actual vacancies have varied from \$.5M to \$1.8M. The impact of budgeting for the vacancies could result in less funds being available to build reserves at the end of the fiscal year.

**POLICE** – The Adopted Police budget is \$51,259,951, which is \$1.8M million more than the FY 2015-16 Budget. This change is due to increases in ‘Earnings & Benefits’ for increased PERS, 2.5% salary increase for sworn personnel, and regular step increases.

**FIRE** – The Fire Department budget for 2015-16 is estimated at \$24,189,909 which is \$780,672 more than the FY 2015-16 Budget. The actual fire services contract increased by this amount.

**DEVELOPMENT SERVICES** – The slight increase of \$47,254 in Development Services is offset compared to a larger increase that took place in FY 2015-16 for Contract Services for Building & Safety. The FY 2016-17 budget is not projected to have a significant impact as the previous year.

**PUBLIC WORKS** – The Public Works Adopted Budget is \$6,690,033. The decrease of \$322,467 is a result of one-time tree trimming projects that were approved by Council during the First Quarter report for FY 2015-16.

## **OTHER FUNDS**

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In addition to being divided into a number of departments, from a budgetary standpoint, the City, like other governmental agencies, is divided into a multitude of financial funds. In addition to the largest fund of the City, the General Fund, Pomona maintains many separate funds. For presentation and adoption purposes, several of these funds are consolidated within this document. For example, the Community Development Block Grant Fund actually represents eight individual funds and City Debt Service represents five individual funds. All funds are estimated to end the FY 2016-17 with a positive fund balance with the exception of Gas Tax, Misc. Grant Funds and the Cal Home Grant Fund. Gas Tax is anticipating revenues of \$800K once the Governor’s budget is approved. If this amount is not approved, staff is prepared to make adjustments in the budget in the first quarter of FY 2016-17. Staff continues to work on the Cal Home Grant Fund to remediate the issue that created the deficit fund balance.

Special Revenue Funds are used to account for revenues derived from specific sources, which are required by law or administrative legislation to be accounted for in separate funds. The most common special revenue funds are grant funds, Gas Tax, Prop A, Prop C, Measure R, AQMD, General Sanitation Fees (GSF), Maintenance Assessment Districts, and the Vehicle Parking District (VPD). Prop A, Prop C, Measure R, and TDA Article 3 revenue estimates were provided by Metro, the granting authority. Gas Tax funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, and street tree maintenance while the General Sanitation Fee (GSF) Fund provides funding for services such as graffiti removal, storm water compliance, median maintenance, street sweeping and right of way maintenance. The GSF fees were first established in 1984 by the City Council and, under Prop 218 guidelines, gained voter approval in 1998. The fee was revalidated in 2002 by the City’s Measure A but the fee structure remained unchanged. Funding shortfalls for services provided through the GSF are covered by Gas Tax.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City of Pomona has three enterprise funds: Water, Sewer, and Refuse with an Adopted Operating Budget of \$46M. This total includes \$3.6M of depreciation expense.

Internal Service Funds include the Self-Funded Insurance Services, Equipment Maintenance, Information Technology, and Printing/Mail Services. The Adopted Budget for these funds is \$8.6M which is covered by revenue received from assessed departments.

- The Self-Funded Insurance Fund is \$4.6M offset by \$1.9M of recovered costs; an increase of \$203K over FY 2015-16 due primarily to increases in claims expense.
- The Equipment Maintenance fund budget is \$4M and \$520K less the FY 2015-16 Budget. There was a one-time transfer of \$600K in FY 2015-16 to the Capital Outlay fund for future vehicle replacements.
- The Information Technology (IT) Fund and Print/Mail Services Fund are operations transferred from the General Fund to better reflect its internal services nature. To keep the accounting structure consistent with the structure it held when presented in the General Fund, the operations receive 'recovered costs' funding rather than revenue.
- Printing/Mail Services is \$55,411, offset by an equal amount of 'recovered costs' to reflect a zero budget amount.

## STAFFING

Staffing costs for FY 2016-17 Budget is calculated using FY 2016-2017 labor contract provisions for sworn personnel, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. Continuing a change initiated in FY 2014-15, workers compensation costs are a component of salary and benefits rather than the historical allocation assessed to departments. These rates were established to closely mirror state rates and adjusted for Pomona historical cost experience.

Personnel history and funding allocations by department are shown in the Authorized Staffing section of this document and include an adopted authorized staffing level of 547.60 positions. In addition to these employees, many departments, especially the Library and Development & Neighborhood Services Departments, utilize part-time hourly employees to provide services to our community. As personnel changes are routinely considered in conjunction with the annual budget, the following changes, increased the authorized staffing to from 545.60 in FY 2015-16 to 547.60 for 2016-17:

2016-17 Adopted Position Changes		
Administration	-	Reclass Youth & Family Services Mgr to Gov and Community Affairs Mgr
Police	1.00	Add (1) Police Div Coordinator position (\$0 cost due to hourly reduction)
Police	-	Reclass (1) Senior Jailer to Jail Supervisor
Development Svcs	-	Reclass (1) Dev & Neighborhood Svcs Director to Development Svcs Director
Neighborhood Svcs	-	Reclass (1) Neighborhood Services Manager to Neighborhood Svcs Director
Neighborhood Svcs	-	Reclass (1) Housing Grants Administrator to Housing Services Manager
Neighborhood Svcs	-	Reclass (1) Housing Authority Administrator to Housing Authority Manager
Neighborhood Svcs	-	Reclass (1) Housing Analyst to Housing Technician
Neighborhood Svcs	1.00	Add (1) Management Analyst
Water/Wastewater	-	Reclass (5) Water Utility Workers II to Water Utility Crew Leaders
Water/Wastewater	-	Reclass (1) Utility Engineering Associate to Senior Water Resources Engineer
<b>2016-17 Adopted Staffing</b>	<b>547.60</b>	

## SUCCESSOR AGENCY

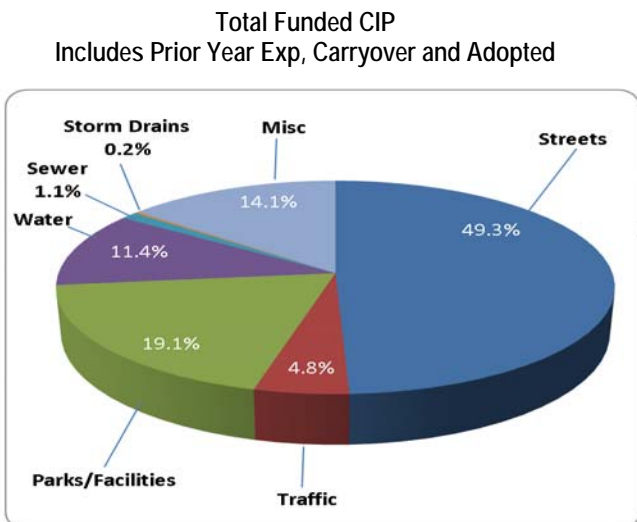
With the passage of AB1X-26, the Redevelopment Agency (RDA) which was established in 1966, was abolished. In accordance with provisions of the legislation, the City assumed the role of Successor Agency to oversee the dissolution of the Agency and its assets. Also, in accordance with the legislation, an Oversight Board has been established. The purpose of the Oversight Board is to approve the Recognized Obligation Payment Schedule and Administrative Budget for submission to the State Department of Finance for funding of prior Agency obligations. The account structure of the Successor Agency is that of a Trust and Agency account which carries neither revenues nor expenditures and is therefore, not presented within this document. However, Staff estimates that the total for the FY 2016-17 Recognized Obligation Payment Schedules will be approximately \$20.4M while the amount available in the Redevelopment Property Tax Trust Fund (RPTTF) collected by the County will be approximately \$17.3M. The funding gap will be covered by the projected land sales that are being done in FY 2015-16 and FY 2016-17. There is also a county grant and deferral, rental income, and other revenue available to the former Agency.

## HOUSING AUTHORITY

The City's Housing Authority's primary responsibility is to administer the Section 8 Rental Assistance Program that is funded by the United States Department of Housing and Urban Development (HUD) and oversee housing property of the former Redevelopment Agency. The program provides rent subsidy payments directly to landlords on behalf of eligible tenants and is intended to aid low-income families in obtaining decent, safe and sanitary housing. This year the Section 8 Housing Fund has a total overall budget of \$11M. The Shelter Plus Care Grant budget is \$1M and the Low/Mod Housing Asset Fund (under the umbrella of the Housing Authority) budget is \$578K. Lastly, is the Housing Administrative Fund which oversees all Housing Authority programs and is adopted at \$140K.

## CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) contains priorities for improvements to the City's infrastructure over a five year period of time. It is annually reviewed and updated and its implementation is dependent upon the availability of capital and special funds. Since these funds are legally restricted, the funds must remain separate from and cannot be utilized for general operating costs. Capital projects often span many years, as the projects move from design and environmental review to plan check and ultimately construction and are subject to revision during the year to reflect fluctuations in City needs, priorities, and funding. The separate Capital Improvement Program document addresses, in greater detail, specific projects to be undertaken in both the short and long term. Included again this year is the Schedule of Work Plan by Category which highlights projects to be undertaken in the upcoming fiscal year, and the City's Annual Infrastructure Needs Assessment.



Pomona’s five-year Capital Improvement Program (CIP) sets forth infrastructure needs and a capital plan involving 133 projects, totaling approximately \$294 million, of which \$145.8 million will be funded. The \$145.8 million is comprised of \$140.6 million of prior years’ appropriations, of which approximately \$71.5 million remains unspent, and \$5.2 million of adopted funding.

The following is a summary of the Five-Year Capital Improvement Program:

<b>Category</b>	<b>Estimated Prior Year Expenses</b>	<b>Estimated Prior Year Carryover</b>	<b>Adopted 2016-17</b>	<b>Following Four Years +</b>
Streets	\$48,656,579	\$18,654,194	\$4,584,573	\$58,889,007
Traffic	3,474,419	3,073,835	512,562	15,765,401
Parks & Facilities	3,448,484	24,264,860	125,000	15,587,035
Water	9,945,987	6,613,653	-	45,779,650
Sewer	46,604	1,514,396	-	7,000,000
Storm Drains	184,254	178,561	-	9,594,867
Miscellaneous	3,316,784	17,241,460	-	(4,426,689)
<b>Total</b>	<b>\$69,073,111</b>	<b>\$71,540,959</b>	<b>\$5,222,135</b>	<b>\$148,189,271</b>

## **CAPITAL EQUIPMENT**

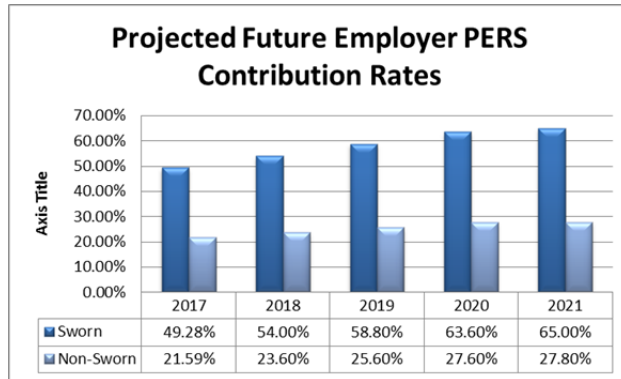
Included in the Adopted Budget (page 17 and 18 of the Financial Summaries section) are the approved capital equipment and Supplemental Budget items totaling \$888,907 across multiple funds. Minimal, but important, General Fund capital equipment and supplemental approved programs are within the 2016-17 Budget and total \$190,621. The significant changes adopted within the General Fund include an increase of hourly staff and contract services in the Planning Department, the funding of the Security Guard contract at Civic Center Plaza and the Library, the Human Resources – Annual Language Access Plan and Administration services for the Flex Spending benefit accounts. Also included is a funding in support of the Community Life Commission, these are offset by a vacancy factor for General Fund positions. The majority of the approved items (\$698,286) are within various Non-General Funds and are mostly related to the replacement of vehicles and equipment, as well as GPS Tracking system for vehicles, and tree removal/replacement contract for the Poplar Trees in the Phillips Ranch maintenance assessment District.

## **KEY BUDGET ISSUES AHEAD**

While the City has made a number of difficult decisions in recent years to improve its financial condition, including the use of layoffs, employee concessions, and various program and service level reductions, there continues to be various known cost increases that impact the City’s overall fiscal picture. These cost drivers are detailed below:

CalPERS Retirement Rates – Although, the State of California adopted pension reform legislation that will have a gradual long term reduction in retirement costs for employees who are new to the PERS system and hired after January 1, 2013, the City is currently faced with a revised actuarial from CalPERS that shows increased rates for the next five years (see table on next page). In FY 2016-17 the General Fund will pay approximately \$10.7M of the total estimated PERS cost of \$13.6M. There is a potential

General Fund annual increase of \$900K until 2021 based on projections provided by CalPERS and assuming no additional FTE positions are approved.



Retiree Medical – The City offers retiree medical benefits to its employees and assists them with their health care premiums. The cost to the City has increased over the past 10 years from \$1.1M in FY 2002-03 to \$3.1M in FY 2013-14. The City follows a pay-as-you-go system for funding these expenses which are assessed to all departments through salary/benefit charges at \$6,150 per active employee (FY 2016-17). 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 \$76.6M.

Fire Service Contract – The City contracts with the Los Angeles County Fire District for fire protection services. In FY 2012-13, the City negotiated the relocation of services to reduce the number of stations from eight to seven. This temporary realignment significantly reduced the City’s contract costs beginning in FY 2012-13 while the construction planning process continues to facilitate the long-term realignment of Fire services. However, the contract still provides for increases based on actual costs and a formula based upon which the FY 2016-17 fee has increased over \$700K. Future year cost increases are unknown, but based on previous experience, costs could increase significantly over time. Additionally, the long-term permanent realignment plan calls for permanent removal from service of the two-man light force engine and reestablishment of the three-man engine which has been removed from service in the temporary realignment. Implementation of the long-term realignment would restore one post position (the equivalent of three full-time firefighters) thus incurring significant future cost increases.

Successor Agency – While the abolishment of the Redevelopment Agency resulted in staff layoffs, there continues to be a need to retain and fund a variety of positions which were partially supported with redevelopment funds. As the ‘wind down’ continues, the General Fund will need to gradually absorb these costs. The FY 2016-17 budget has 1.85 positions funded through the Successor Agency at a cost of \$260K.

Deferred Maintenance – Although a defined budget estimate has not been fully developed, a transportation related and utility infrastructure needs assessment has been included within the Capital Improvement Program section. Undefined, yet just as important, are improvements needed to the City’s parks including playground equipment, restrooms, community centers, turf, pools, and sports fields. Civic Center buildings have also aged and are in need of refreshment and improvements.