



City of Pomona
505 South Garey Avenue
Pomona, CA 91766

July 1, 2010

The Honorable Mayor and Members of the City Council

Respectfully submitted for your consideration, please find herein the City of Pomona's Fiscal Year 2010-11 Adopted Operating Budget. The document before you is the product of an unprecedented effort to not only address the vast array of immediate and pressing challenges before us, but to also develop a sustainable spending plan which will allow the City to live within its limited means for this, and future fiscal years. While such a task has been made urgent by the ongoing effects of a deep and persistent recession, the resulting fundamental changes to City operations will create a foundation which will help ensure the continued provision of essential services, while also safeguarding Pomona's current and future fiscal well being.

The creation of this budget was, as always, a team effort which reflects the collaborative spirit within our community and organization. I would like to thank the department directors, departmental budget coordinators, and other contributing staff for their efforts during the budget process. Lastly, and most emphatically, I would like to thank the budget staff in the Finance Department.

As evidenced throughout the balance of this document, these efforts closed the gap between revenues and expenditures for the Fiscal Year 2010 -11. The budget represents a best estimate as of July 1, 2010, and will, without doubt, require amendment during the ensuing fiscal year. At this time the formal process is completed, many decisions have been made, with resulting actions that will shape the City's future both for now, and many years to come. As always, with the diverse and reasoned guidance of Pomona's many stakeholders as given form by the wisdom of the City Council, we will together continue seeking solutions to those challenges before us to the very best of our combined abilities.

Respectfully submitted,

Linda Lowry
City Manager

THE DOCUMENT

The Adopted 2010-11 Budget document has been developed to highlight and refuel the overall budget. Herein you will find six tabs for the respective sections including the Budget Message, User Guide, Financial Summaries, Revenues, Authorized Staffing and Capital Improvement Program (CIP). Department details can be viewed in the individual titled tabs that follow.

SUMMARY OF FUNDS 2010-11

The operating budget is the City's financial plan for all funds, and consists of the revenues and expenditures to finance the current year operations of the various funds and programs for the fiscal year beginning July 1, 2010 and ending June 30, 2011. It is a flexible spending plan that is the legal authority for departments to commit financial resources for the provision of services within the City of Pomona. The adopted 2010-11 Operating and Capital Improvement Budgets total \$236 million as follows:

Fund Type	Expense	Transfers Out	Total	% of Operating
General Fund	75,062,943	4,283,214	79,346,157	48%
Special Revenue Funds	21,090,610	4,578,837	25,669,447	15%
Debt Service Funds	5,314,414	885,000	6,199,414	4%
Capital Projects Funds	30,730	439,764	470,494	0%
Enterprise Funds	45,163,013	1,560,700	46,723,713	28%
Internal Service Funds	8,114,167	0	8,114,167	5%
City Operating Budget	154,775,877	11,747,515	166,523,392	100%
Redevelopment Agency	32,387,851	14,882,354	47,270,205	
Pomona Housing Authority	13,204,080	0	13,204,080	
Capital Improvements	8,893,186	0	8,893,186	
Total	209,260,994	26,629,869	235,890,863	

GENERAL FUND REVENUES

Total General Fund revenues for Fiscal Year 2010-11 have been estimated at \$79,403,813. The amount reflects a decline of more than \$12.1 million from the budget adopted by the City Council just one year ago. This decline, however, moderates to just over \$9.9 million when adjusting for the 'prospective' revenues and the Proposition A Exchange included in the FY 2009-10 adopted totals. While this is primarily due to the effects of the ongoing recession and other economic woes, the following section more fully addresses some of the underlying causes. Additionally, a comprehensive review and calculation methodology of the major revenue sources may be found within the Revenue Section of this document.

Property Taxes are down over \$940,000 from current year-end estimates due to the impact of declining property values and resulting trends in taxes paid thereon. This decline affects three individual line items; Secured, Unsecured, and Property Tax In-Lieu of VLF, all of which are expected to decline approximately 4% versus the 2009-10 fiscal year. There may

also be further impacts to this category as the estimate provided by the City's Property Tax consultant does not include the impact of foreclosures, which remains largely unknown at the time of this writing.

Other Taxes are expected to be fairly static with declines in Business License fees (due to lower gross receipts), hopefully offset by a small recovery in Transient Occupancy Tax (travel and lodging has been a victim of the ebbing recession), and some minor growth in receipts from Tow Franchise fees.

Sales and Use Tax is down by just under \$1,200,000 from the adopted budget, due to a (presently) one-time payment in the settlement of prior years' SBOE tax misallocations to the County pool. When this aberration is factored out, total Sales and Use Tax receipts are actually expected to grow by almost \$600,000 in the coming fiscal year due mostly to "triple-flipped" sales taxes (Property Tax in Lieu of SUT) which were drastically reduced by the State of California in the current year. Only very modest growth is expected in Fiscal Year 2010-11, as recovering revenues in certain sales categories will be offset by the full-year impact of the closure of several large businesses (primarily in the Auto Center) and depressed receipts projected to continue in the highly significant Building and Construction-related sectors. There is also the prospect for significant additional Sales and Use Tax revenue depending upon the final disposition of the aforementioned SBOE settlement, but given its uncertainty, that is not included in the forecast.

Utility Tax is expected to grow by a conservatively estimated \$575,000 in FY 2010-11. This is due to several factors, none of which is viewed as being major on its own. However, the combination of increased demand as recession-driven conservation eases, a "bounce" in the wellhead price of natural gas, and modestly increased telephone UUT receipts following implementation of the City's modernized ordinance, are all seen as contributing to the above noted improved receipts.

All Fines are down slightly, with the most significant decline in Traffic Safety Fines, with other revenues remaining fairly static across the various components.

Revenue from Use of Money and Property is down by just over \$60,000 as the combined effect of various small growths and contractions across the category overall.

Intergovernmental Taxes are up by roughly \$350,000 (versus the FY 2009-10 Budget) due to increased SB211 pass-throughs from the Redevelopment Agency. The combined effect of other expected changes are not statistically significant. The data for Motor Vehicle License Fees is provided by the League of California Cities' financial analyst, and appears to be attainable at the present time.

Other Intergovernmental is down by approximately \$1,200,000 (when compared to FY 2009-10 adopted figures) due to the absence of revenue from any exchange of Prop A funds, and an expected contraction of the Prisoner Housing Program.

Licenses are forecast to decline by approximately \$145,000 in the coming fiscal year, primarily due to a continued drop in receipts from Contractors' Job Fees (with reduced building activity), and further small erosion to Pari-Mutuel (wagering) receipts.

Permits, however, are up slightly (\$35,000) as they represent a leading indicator of future activity, as the two-and-a-half year old recession begins to bottom out and ebb.

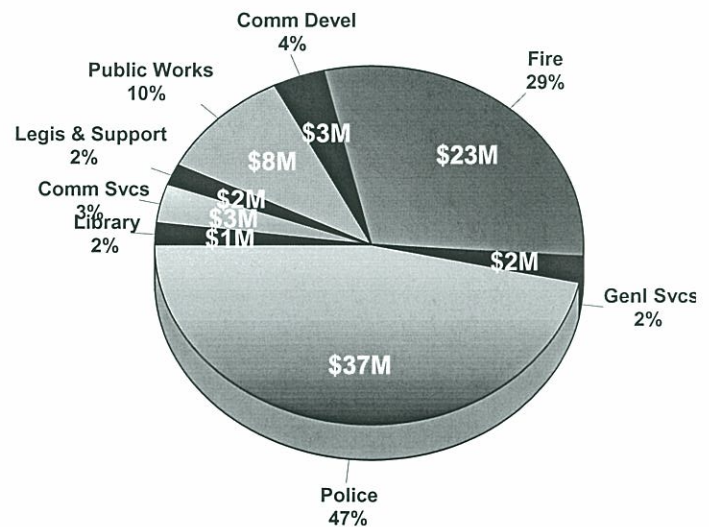
Fees, on the other hand, are a mix of current and future indicators (although skewed heavily to the current climate), and are forecast to be down by an aggregate \$280,000 versus the Fiscal Year 2009-10 Budget. This is largely driven by construction-related declines, amidst a number of smaller variations up and down within the many subcategories.

Other Miscellaneous Revenue – Beyond \$180,000 in increased Paramedic Pass-Throughs from the County, the only notable change is from the *Prospective Revenue* line item which represents the sale of land that is expected to occur only in 2009-10.

Charges for Services are expected to grow by almost \$16,000 compared to the FY 2009-10 Budget, due to \$510,000 growth in Billboard Revenue, partially offset by declines in Police Revenues (\$247,000), and Reimbursements from Other Agencies (\$178,000). The largest other growth areas are Swimming Pool Revenue (\$32,000) and Jail Booking Fees (\$29,000), with other variations up and down across the category.

GENERAL FUND EXPENDITURES

The General Fund provides for public services such as police and fire protection, library services, park and recreational programs, public works, planning, and other essential support services such as Administration, City Clerk, City Attorney, Finance, Human Resources and Information Technology. The adopted fiscal year 2010-11 General Fund expenditure budget is \$79.35 million. Community safety remains to be a high priority for Pomona, and this budget continues to reflect that commitment. Public Safety utilizes 76% (Police 47%, Fire 29%) of all General Fund resources.



BALANCING THE GENERAL FUND

In order to balance the 2010-11 General Fund Budget, significant citywide reductions were necessary. Beginning estimates reflected a General Fund deficit for the 2010-11 fiscal year of \$14.3 million. The following chart contains three columns of numbers and reflects 'Preliminary' numbers before any staffing and operational reductions, 'Department Submissions' which includes position reductions and operational reductions, and 'Adopted' which includes position reductions and operational reductions along with the proposed employee concessions that were requested through the collective bargaining process.

Department / Division	2010-11 Preliminary	2010-11 Dept Sub	2010-11 Adopted	\$ Change Prel to Prop
Mayor/Council	406,106	410,253	399,274	(6,832)
City Manager	483,660	486,037	435,799	(47,861)
City Clerk	567,904	569,255	501,604	(66,300)
City Attorney	890,347	825,994	804,539	(85,808)
Human Resource/Risk Mgm	2,478,893	2,279,236	2,141,399	(337,494)
Finance	1,694,077	1,665,322	1,504,903	(189,174)
Information Technology	1,618,368	1,619,714	1,569,971	(48,397)
Recovered Costs	(6,494,664)	(6,318,009)	(5,872,653)	622,011
Total - General Govt	1,644,691	1,537,802	1,484,836	(159,855)
General Services	1,648,526	1,748,526	1,807,984	159,458
Police	45,333,574	42,273,112	37,014,199	(8,319,375)
Fire	24,371,110	23,259,101	23,259,101	(1,112,009)
Total - Public Safety	69,704,684	65,532,213	60,273,300	(9,431,384)
Community Development	3,599,495	3,262,038	3,056,532	(542,963)
Public Works	9,009,364	8,631,563	8,193,606	(815,758)
Total - Urban Devel	12,608,859	11,893,601	11,250,138	(1,358,721)
Community Services	3,755,890	2,855,305	3,041,650	(714,240)
Library	2,309,100	1,589,325	1,488,249	(820,851)
Total - Neighborhood Svc	6,064,990	4,444,630	4,529,899	(1,535,091)
Grand Total	91,671,750	85,156,772	79,346,157	(12,325,593)

General Government (Legislative, Administrative, and Support Departments) –

Preliminary budget numbers for these services totaled \$8.1 million but were reduced to \$7.8 million through the reduction of four positions and operational expense reductions and further reduced to \$7.4 million when including employee concessions. Overall, staffing (excluding City Council) in these departments have dropped from 66 in 2007-08 to 43 for 2010-11; a reduction of 35%. Of the 43 remaining positions 27.5 are funded by the General Fund. Additionally, these departments receive \$2.1 million in 'Admin Service Charges' from other funds for the services provided to funds and \$3 million is charged to other departments and funds reducing General Fund support of these departments to \$2.3 million. These departments also bring in \$3.0 million in revenue primarily related to the business licensing function within Finance.

Community Development –

Preliminary budget numbers for this department were \$3.6 million including costs for the Code Compliance unit being transferred from Police to Community Development beginning July 1, 2010. With departmental reductions including the loss of 6 positions (4 from Code

Compliance) the budget falls to \$3.3 million excluding employee concessions and \$3.06 million with concessions. Code Compliance moves from the Police Department to Community Development beginning in 2010-11 with a reduced staffing of 11 positions. Total remaining staffing for the entire department is 47; however, only 12.44 are funded by the General Fund. Revenue attributable to this department is \$2.1 million.

Public Works –

Preliminary budget numbers for this department were \$9.0 million but were reduced to \$8.19 million. Additionally, General Sanitation Fee (GSF) operations accounted for in the GSF fund were originally estimated at \$2.17 million and reduced to \$1.88 million. Because any shortfalls in this fund are covered by the General Fund and Gas Tax Fund, savings within this fund directly affect the General Fund. Any savings in the Gas Tax fund can be used for allowable General Fund purposes, therefore, savings in Gas Tax relates to increased revenue for the General Fund (transfers in). Reductions in this department includes outsourcing Right-of-Way Cleanup and eliminating the in-house tree maintenance crew and increasing the current contract to provide emergency services.

Library –

Preliminary budget numbers for this department were \$2.3 million but were reduced to \$1.48 million in the adopted budget. One staff position is being transferred to Administration, the Director position is remaining intact but still split between the Library and Community Service departments; and the remaining staff are reduced to part-time with benefit staffing positions. Library hours are reduced from 36 hours to 26 hours. The Library is now open Monday, Tuesday, Wednesday, and Saturdays as of July 5, 2010.

Community Services –

Preliminary budget numbers for this department were \$3.75 million but are reduced to \$3.0 million in the adopted budget. The adopted budget includes the elimination of the full-time maintenance position at Veterans Park which will be replaced with an hourly position. Youth and Family Programs are reduced leaving only Holiday Lane and the Recreation Guide. The Youth Advisory Committee remains intact but stipends are eliminated. Overall maintenance, custodial services, clerical services, and department oversight are reduced. And lastly, nighttime sports lighting at all turf sports field locations, except those uses paid by rental groups, is eliminated or a lighting fee is assessed.

Police –

Preliminary budget numbers for this department were \$45.3 million (excluding Code Enforcement) but are reduced to \$37.0 million in the adopted budget. In addition to operational savings 12 non-sworn (16 including Code Compliance staff) positions are eliminated. Additionally, 46 sworn positions are eliminated; however, 28 of the 46 were unfunded in the 2009-10 fiscal year and five additional positions were expected to be vacant by year end and were not included in the original \$45.3 million preliminary number. Reductions will occur in the Patrol Services, Youth Services Program (graffiti program),

Aero Bureau Program (full-time to part-time service), Crime Prevention Programs, Investigative Services, Records, and Jail Services.

Fire –

No operational reduction is included for the Fire Department; however, it is anticipated that the County will approve a two-year loan of the 'Excess Rollover' amount due within the contract costs. This was originally estimated at \$1.1 million for 2010-11 but has decreased to \$500,000 due to revised cost estimates provided by the LA County Fire District. Because the original \$1.1 million amount was also anticipated to be considered a loan in the balancing numbers presented to the City Council on May 19, 2010, the bottom line contract budget of \$23.1 million for Fire remains unchanged from May 19th. To address future fiscal sustainability, the City has been considering the consolidation of two fire stations into one centrally located between the two. Such consolidation would save approximately \$1.7 million in future years and is supported by the County Fire Chief. In 2005, when faced with similar financial constraints, the engine company at Station 181 was temporarily removed. Although not supported by the Fire Chief, a similar action in 2010-11 would save the General Fund approximately \$1.46 million based on costs stated on the LA County's Annual Fee Schedule.

FUND BALANCE – GENERAL FUND

At June 30, 2009, Fund Balance was \$8.8 million; however, unreserved Fund Balance (available to fund services) is \$4.4 million. With 2009-10 year-end estimated revenues of \$86.9 million and expenditures estimated at \$89.5 million, the unreserved Fund Balance is estimated to fall to \$1.8 million by the end of fiscal year 2009-10. It should be noted that fund balance is not cash balance as some of the city's revenue is accrued at year-end. The effect of this is that revenue is recognized in the current fiscal year, but the cash may not be received until the next fiscal year.

OTHER FUNDS

The City of Pomona accounts for its operations in over 100 separate funds. For presentation and adoption purposes, many of these funds are consolidated within this document. For example, the Community Development Block Grant Fund actually represents 8 individual funds, the Miscellaneous Grants Fund represents 16 funds and the Redevelopment Agency Debt Service Fund represents 12 individual funds. All funds are estimated to end the 2009-10 fiscal year with a positive fund balance with the exception of the Landscape and Lighting District described herein.

Gas Tax Swap/Highway Users Tax Deferment – As part of the State of California's ongoing effort to balance its own budget, the Governor has signed two pieces of legislation (AB X8 6 and AB X8 9), that use a complex series of maneuvers to exempt various motor vehicle fuels from the State sales tax, while imposing additional excise taxes, with the results being

(in theory) revenue-neutral. The net impact of these actions will be to take constitutionally-dedicated funds and “swap” them for moneys which may be used to patch up the State’s own ailing General Fund. By so doing, however, local governments become more reliant upon revenues with less protection against future raids, an all-too-common fact of fiscal life in recent years.

Additionally, cities are also facing yet another deferment of Highway Users Tax receipts in the 2010-11 fiscal year, which will delay payment of an aggregate \$50 million monthly beginning in July of 2010 until a repayment date no later than May 2, 2011. Although local government will be repaid in full at the conclusion of ten months, the City’s cashflows would be adversely impacted by this action (Pomona’s share of deferred funds is a little over \$1.17 million). Staff applied for, and has received approval of, a hardship exemption from these provisions.

STAFFING

The 2010-11 adopted budget includes the elimination of 93.25 positions, 33 (sworn) of which were projected to be vacant by June 30, 2010 and for which funding was never included in preliminary budget estimates. These position reductions affect the operations of all City departments as outlined below. Specific position reductions are included within the Authorized Staffing section of this document. Additionally, there were three position reclassifications and two new positions approved as reflected below:

Eliminated Positions

<u>Department</u>	<u># of Positions</u>	<u>Funding</u>
Administration	1	Multiple
Redevelopment	2	RDA
Finance	1	Multiple
Human Resources	2	Multiple
Police – Non-sworn	16	General
Police – Sworn	46 (33 from 2009-10)	General
Public Works	13	Multiple
Community Development	2	General
Community Services	4	General
Library ⁽¹⁾	6.25	General

⁽¹⁾ Library positions will be reduced from full-time to part-time with benefits positions

Reclassifications

<u>Dept</u>	<u>Current Classification</u>	<u>Recommended</u>
Information Tech	Accounting Tech I	Telecommunication Tech
Public Works	Operations Supervisor	Traffic Operations Supervisor
Public Works	Operations Crew Chief	Maintenance Supervisor

Transfers

<u>Dept</u>	<u>Transfer From</u>	<u>Transfer To</u>
Sr Admin Assistant	Library	Administration
Code Compliance Unit	Police	Community Development

Proposed New Positions

<u>Dept</u>	<u>Recommended</u>	<u>Funding Source</u>
Public Works	Wastewater Maint Tech I/II/III (2)	Sewer

Personnel history and funding allocations by department are shown in the Authorized Staffing section of this document. As shown within that section, the City has significantly reduced its workforce through changes affecting all departments and all bargaining groups. A detailed listing of positions added and eliminated from 2007-08 through the proposed 2010-11 budget is also included within the Authorized Staffing section; however, the following chart details the changes on a bargaining group level –

Bargaining Unit	2007-08 Count	2010-11 Count	Change	% Chg
Executive Mgmt	49	34.5	14.5	30%
PMMCEA	118	78.25	39.75	34%
PCEA	407	301	106	26%
PPMA	10	8	2	20%
PPOA	190	145	45	24%
	774	566.75	207.25	27%

In addition to City employees, the County of Los Angeles provides Fire personnel under the current contract. Additionally, many departments, especially the Library and Community Services Departments, utilize part-time hourly employees to maintain current service levels.

REDEVELOPMENT AGENCY

The Redevelopment Agency (RDA) was established in 1966 to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City of Pomona. The 2010-2011 operating budget for the RDA is \$48 million. Beginning with the 2000-2001 fiscal year, the eleven Project Areas were combined to create one merged project area which is accounted for in three separate fund types. The Debt Service Funds account for the accumulation of resources (tax increment) for the payment of general long-term debt (principal and interest). The Capital Projects Fund accounts for the acquisition or construction of major capital facilities, as well as the day-to-day operational costs of the Agency. The Special Revenue Fund (20% set-aside for Low and Moderate Housing) accounts for the proceeds of specific revenues that are legally restricted to provide affordable housing programs.

Debt Service Funds: Although the project areas have been merged, the Agency continues to receive tax increment by project area per the existing agreements with the County. The

debt service funds are used to track this income and finance the current year's principal and interest payments, as well as other Agency approved agreements and obligations. The Agency receives approximately \$30.5 million in tax increment, and Los Angeles County grants and deferrals. This revenue stream is supplemented with investment earnings, participation revenue, a transfer from the Low/Mod fund for its portion of debt service payments, and other miscellaneous revenue for a combined total revenue stream of \$33.5 million. Of the revenue collected, \$8.2 million is allocated to debt service payments (excludes \$2.3 million in deferred interest expense), \$14.2 million is allocated for pass-through agreements and County property tax collection services, \$525,000 is allocated for Agency approved obligations, \$4.9 million is transferred to the low/mod housing fund and \$1.5 million is allocated for taxes and other expense. The combination of revenue over expense leaves approximately \$3.7 million to be transferred to the RDA capital projects fund for operations.

Capital Project Fund: As of June 2010, the working capital of this fund is estimated to be \$3.0 million (excludes land held for resale). For Fiscal Year 2010-11, revenues and transfers are estimated at \$4.0 million, and appropriations are budgeted at \$4.3 million.

Low/Mod Housing Funds: After paying its debt service obligation, the Low/Mod Fund nets approximately \$1.5 million per year of tax increment which is supplemented with additional estimated income of \$390,000 million from investment earnings, loan repayments, and miscellaneous revenue. With recommended appropriations of \$2.2 million, the Fund reflects a \$280,000 draw on reserves. Major programs such as the First Time Homebuyer Program and the rehabilitation program have been eliminated for 2010-11 at this time due to limited funding available.

FUNDS TO WATCH

Lighting and Landscape District Funds – As previously reported, these funds have exhausted their collective fund balances and are estimated to be deficit by approximately \$97,000 by June 30, 2010. This is due primarily to the normal increase of expenses over time in contrast to a static revenue source. The majority of this deficit (\$59,000) is in the Phillips Ranch Lighting and Landscape District fund. Beginning 2009-10, maintenance and water usage expenses for the two parks within the District were moved to the General Fund which, along with other continued operational efficiencies and reductions, provides for a significant reduction of the deficit over prior years. Staff is continuing to work on solutions to resolve the deficit balance issue in the remaining Lighting and Landscape District funds.

CAPITAL IMPROVEMENT PROGRAM

The total five-year Capital Improvement Program (CIP) sets forth infrastructure needs and a capital plan involving 298 projects, totaling approximately \$490.9 million, of which \$224.5 million has been or will be funded. The \$224.5 million is comprised of \$215.6 million of prior years' appropriations, of which approximately \$138.7 million remains unspent and \$8.9 million of new funding.

The projects encapsulated within the CIP are addressed in greater detail within the separate Capital Improvement Program document. As reflected in the CIP summary, the volume of projects identified in the five-year plan is far in excess of the City's present funding ability.

The following is a summary of the Five-Year Capital Improvement Program. Of the \$266 million in project costs estimated for future years (beyond 2011) only \$1.0 million has an identified funding source:

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	2010-11 Adopted	Following Four Years+
Streets	29,810,722	36,011,142	5,851,314	103,246,456
Traffic	927,528	1,122,012	1,813,172	11,379,777
Parks & Facilities	13,545,960	36,011,192	0	37,602,485
Water	26,495,016	47,667,101	888,700	87,974,043
Sewer	2,728,081	16,932,929	340,000	16,630,095
Storm Drains	159,771	63,229	0	9,580,000
Miscellaneous	3,305,774	843,282	0	0
	76,972,852	138,650,887	8,893,186	266,412,856

ECONOMIC OUTLOOK

The Fiscal Year 2010-11 economic outlook remains extremely uncertain, especially with respect to California and local governments throughout the State. The recession – which is now determined to have “officially” begun in December of 2007 – has proven to be deeper and far more pervasive than initially believed. And while many leading indicators are now pointing to an upward turn at the National level, California continues to lag behind much of the rest of the country. With a Statewide budget deficit of approximately \$20 billion, adding to the challenge, and to local government concerns that already-limited revenues will be subject to additional State “raids,” any sense of optimism is reasonably tempered by concern that things may still grow worse before they begin to recover to a marked degree.

On the purely local level, Pomona has lost a number of major Sales Tax generators with the virtual shuttering of the Auto Mall, and the closure of Circuit City, along with the relocation of the City's Toys R Us. Given that there are similar vacancies throughout the region with higher demographic appeal than our own local offerings, it becomes evident that there is little prospect for a rapid return to levels seen just two or three short years ago. With our older housing stock, Pomona's declining home values will be challenged to recover quickly, with effects of the current downturn most likely to be felt for many years to come. This budget document has therefore been prepared with what we believe to be a realistic view of those facts, while conversely trying to avoid the temptation to panic. Things will eventually improve, albeit slowly. The coming fiscal year will be one of challenges to government at every level, as an uncertain economy (global, national, state and local) seeks to seek and determine the most prudent path for a return to sustainable health.

