



07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

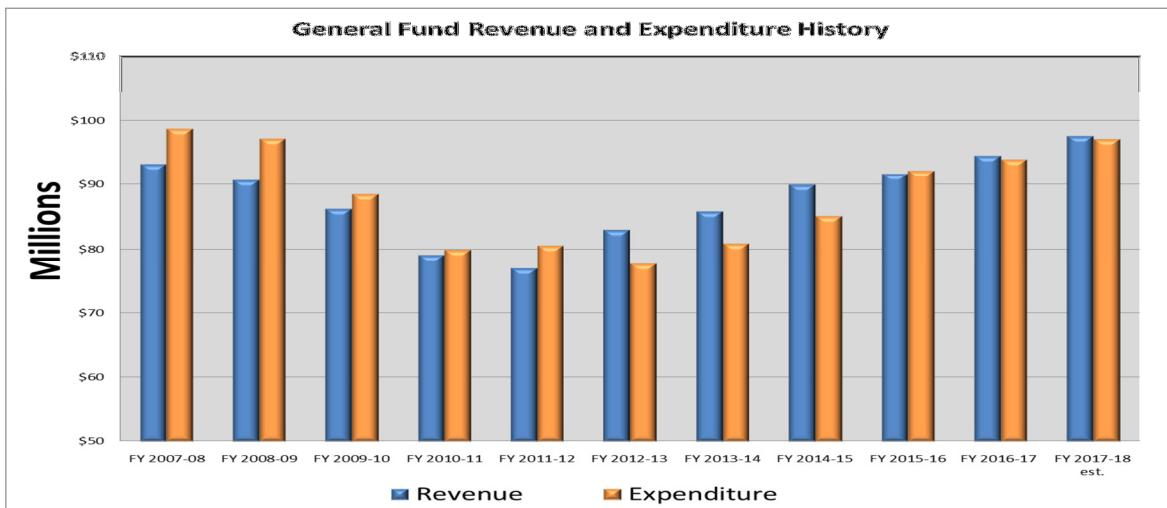


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City's infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers' compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the "General Fund Expenditure" section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

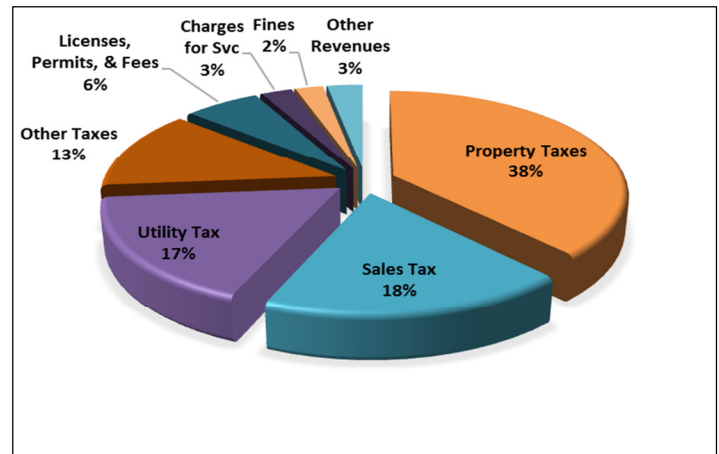
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



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## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

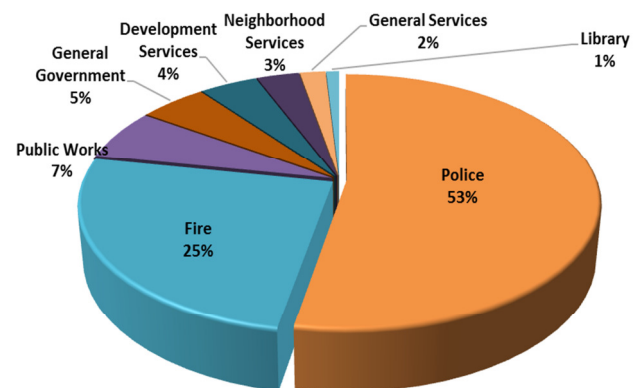
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





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**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



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As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

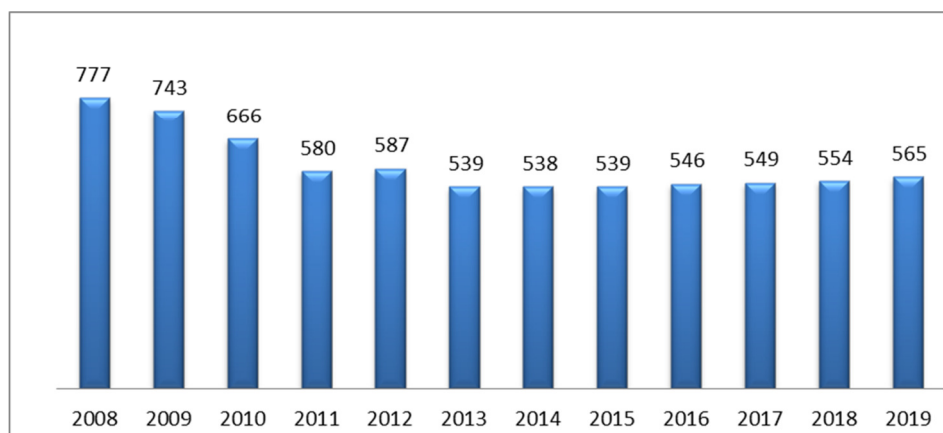


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



# CITY OF POMONA

## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

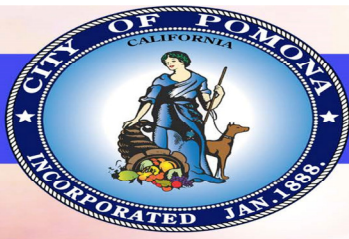
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

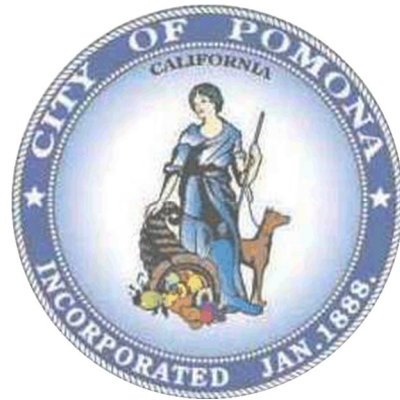
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

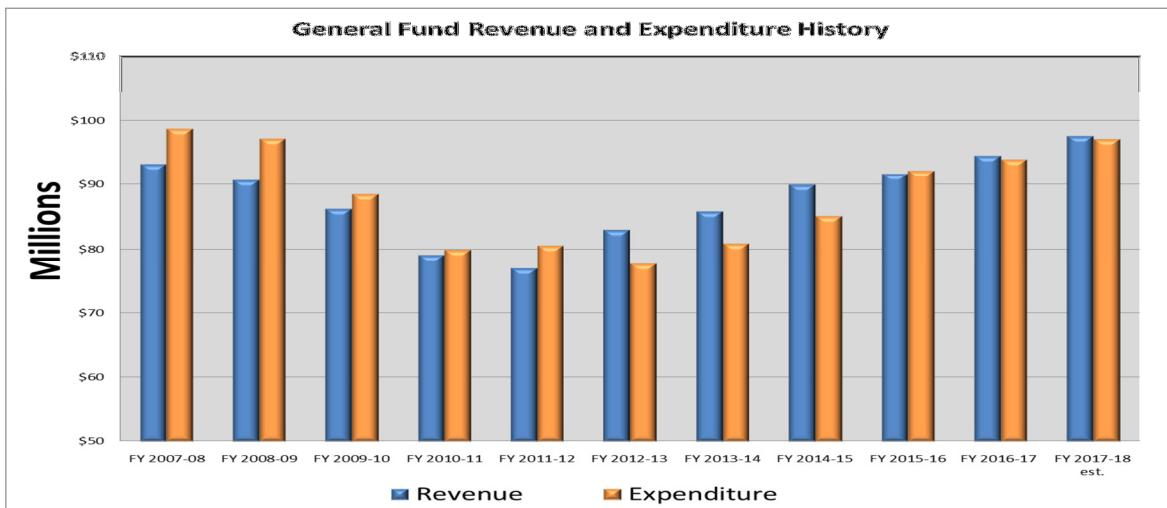


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

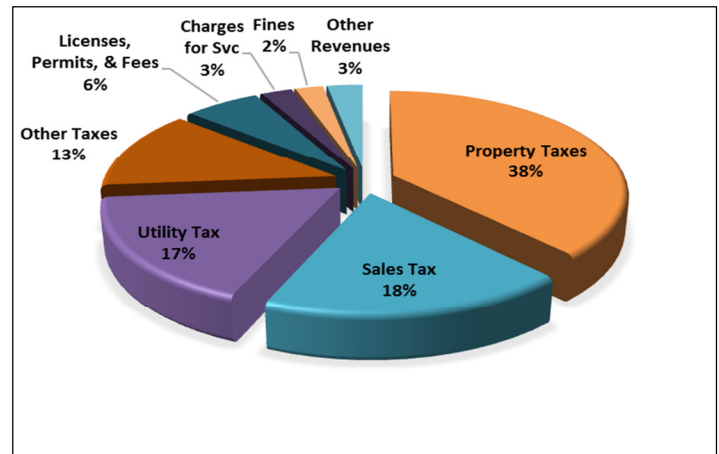
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

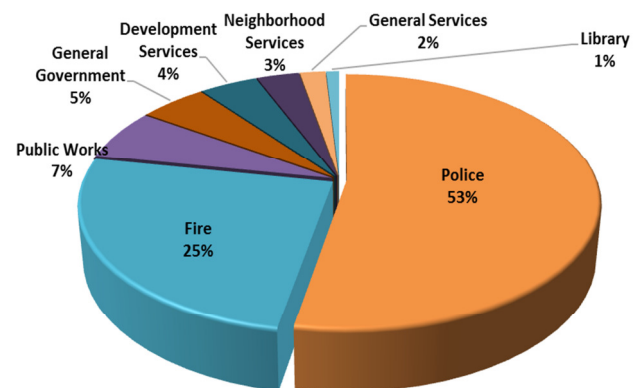
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

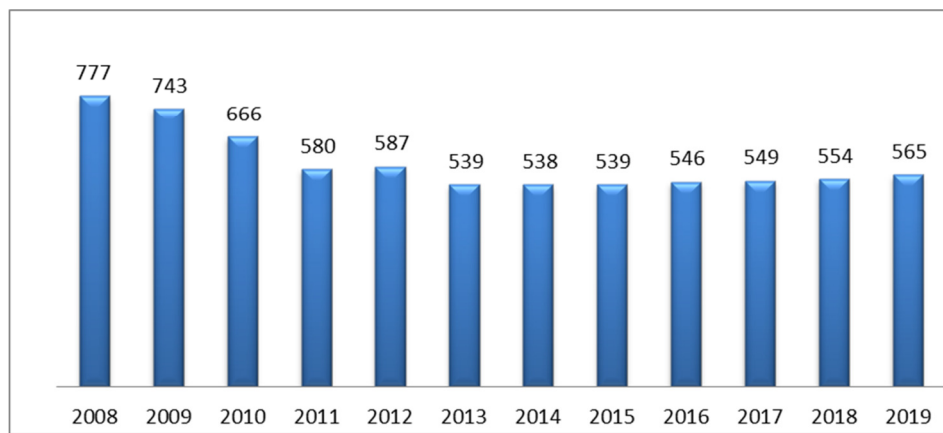


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

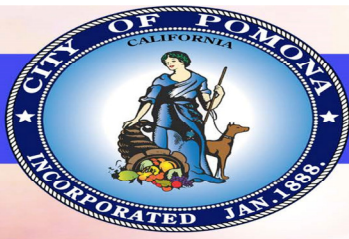
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

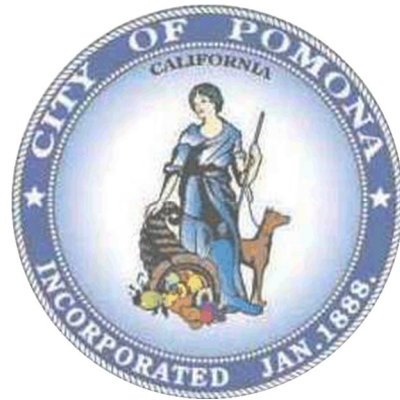
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

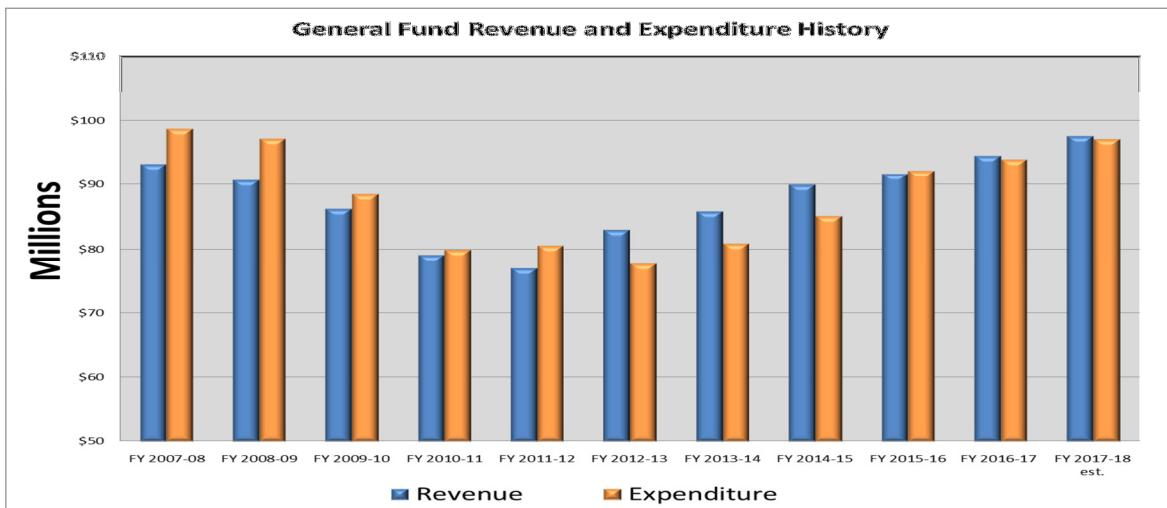


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

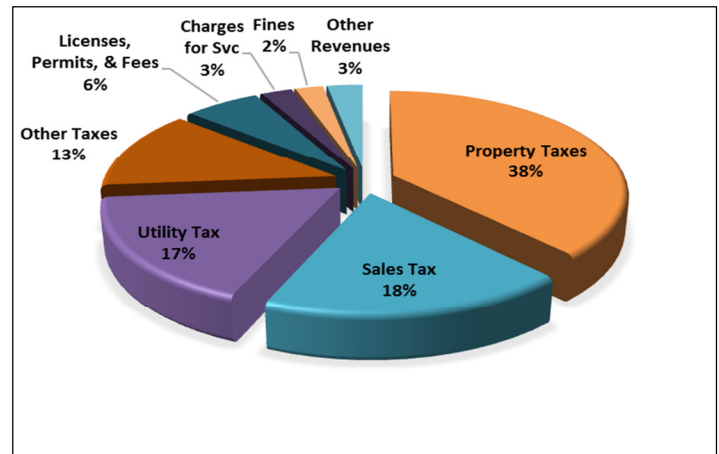
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

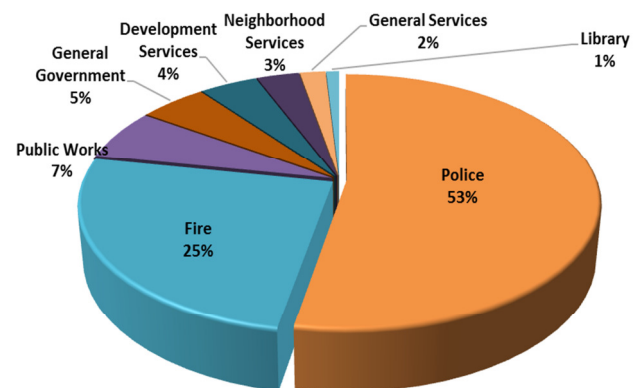
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
Fund / Department / Expenditure Description		Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

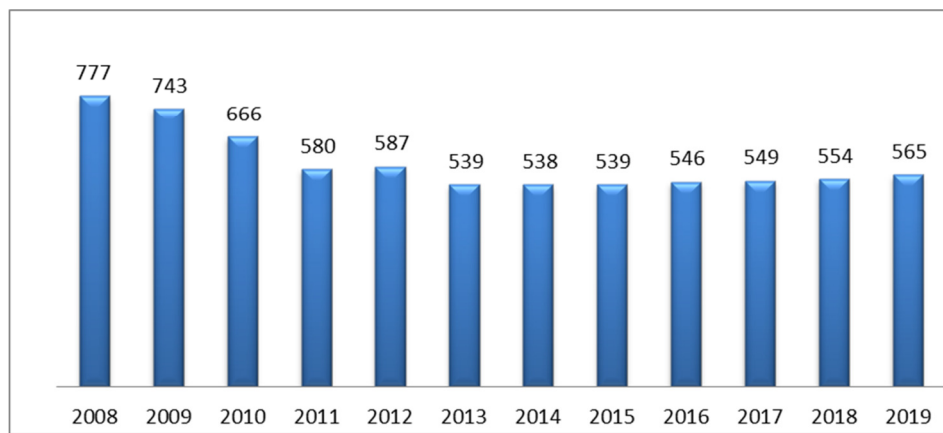


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

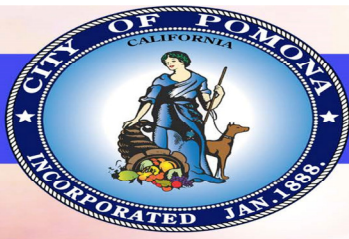
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

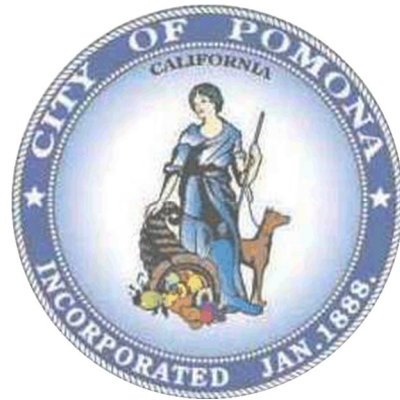
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

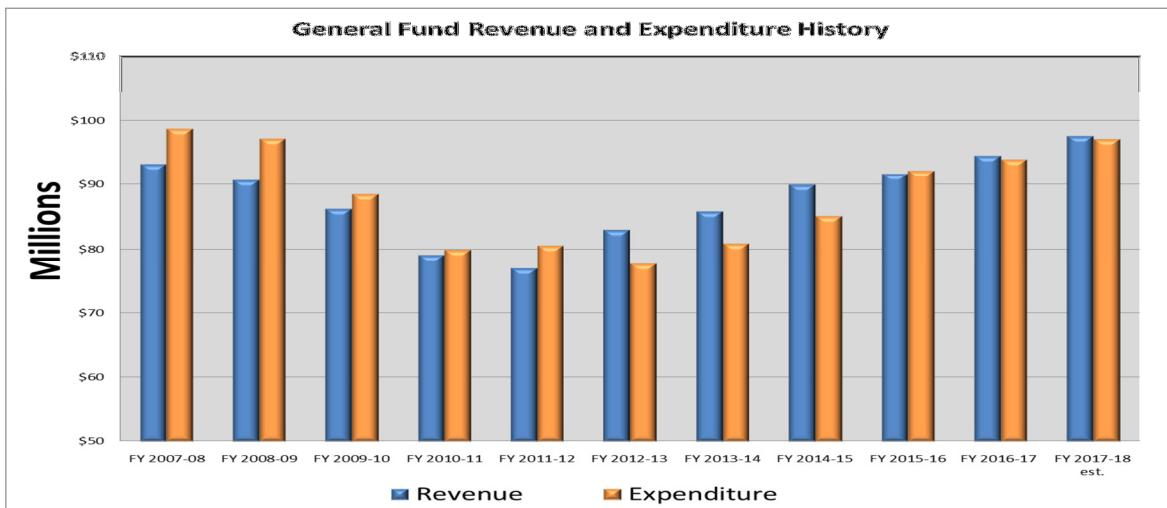


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City's infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers' compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the "General Fund Expenditure" section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

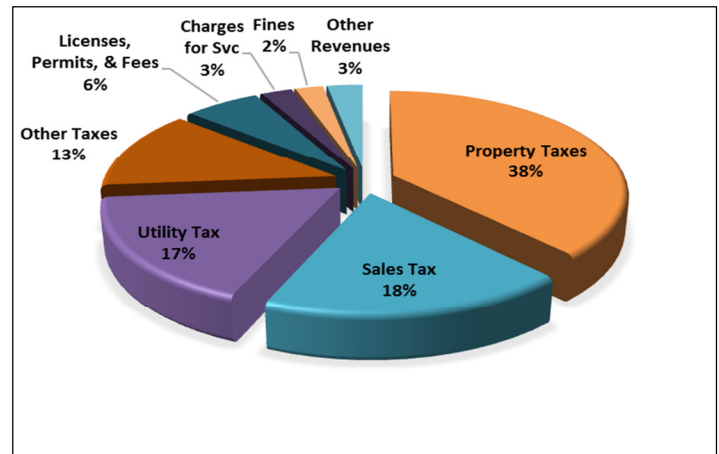
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

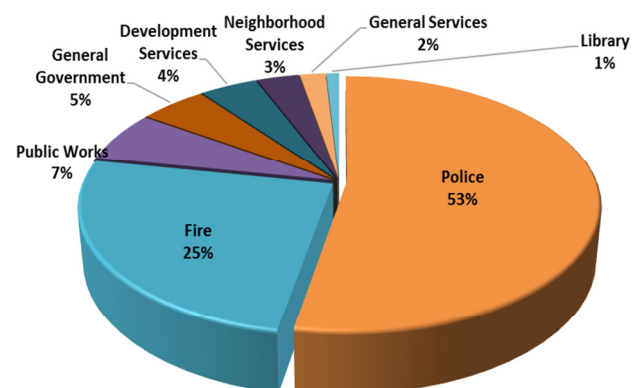
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

Other Funds - Supplemental Request		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



# CITY OF POMONA

Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

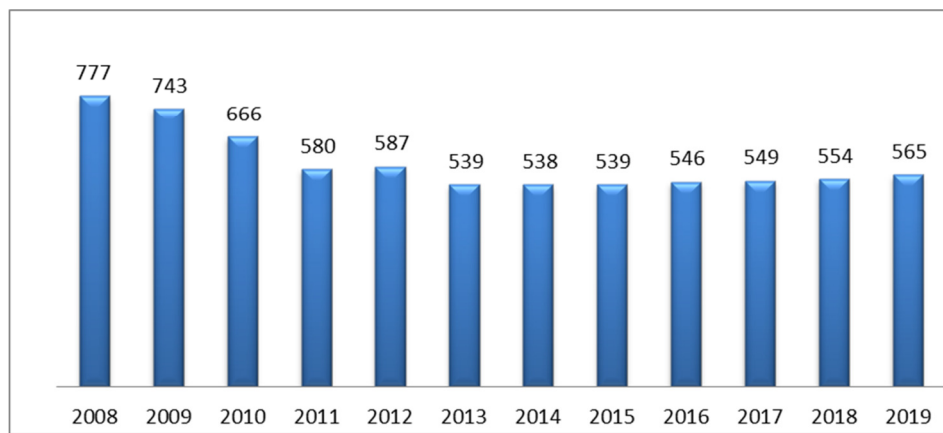


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



# CITY OF POMONA

## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

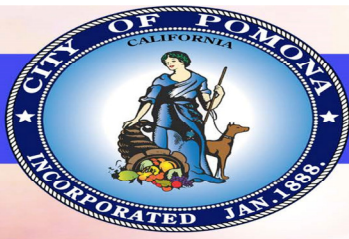
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

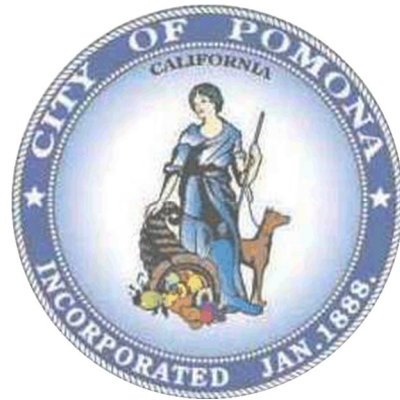
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

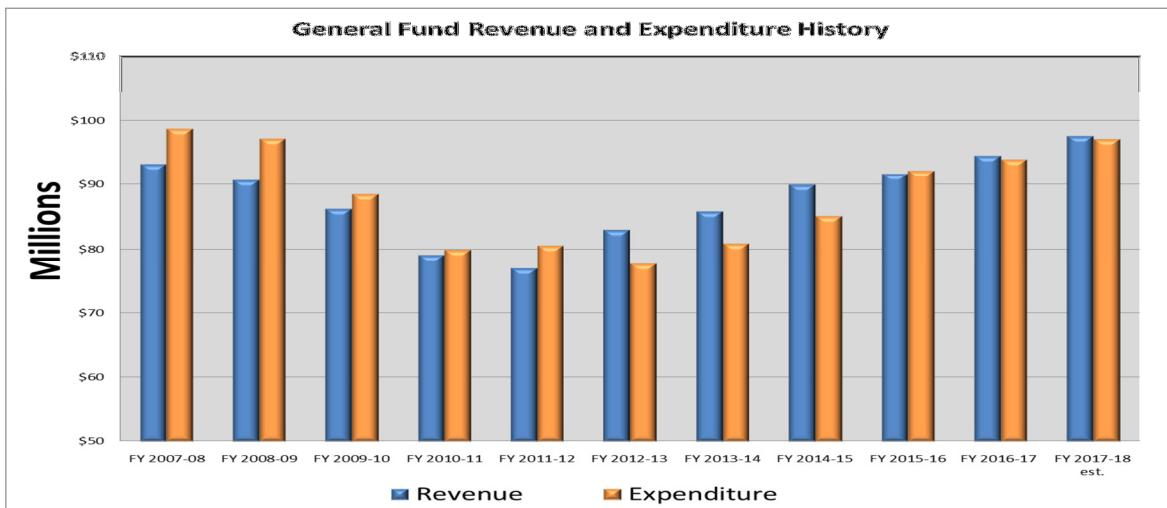


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

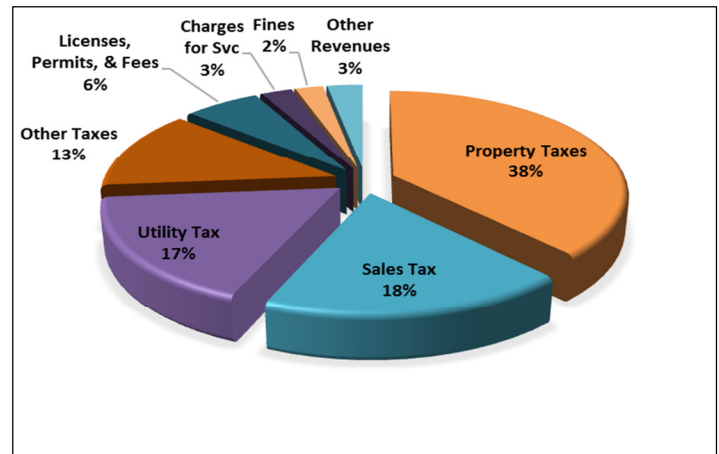
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

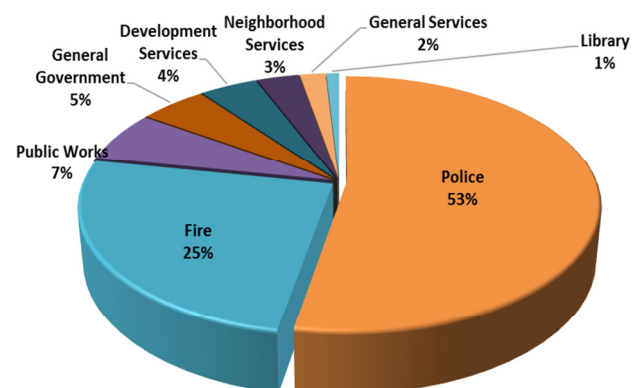
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

<b>General Fund Expenditures</b>	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

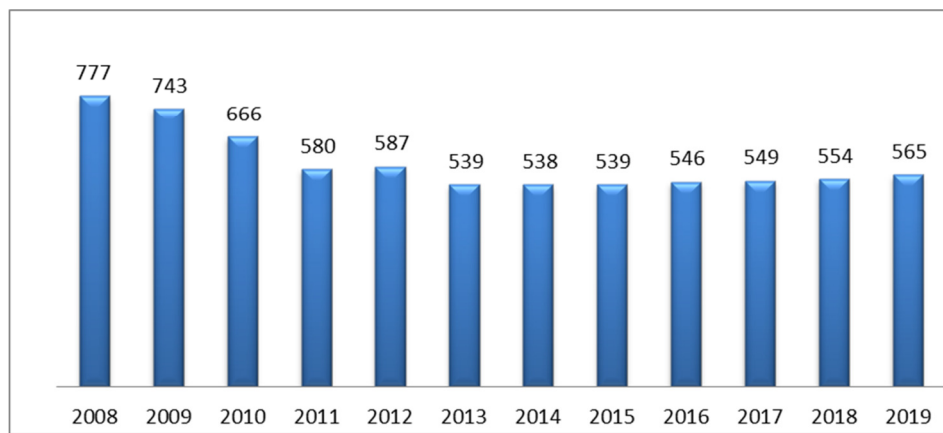


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

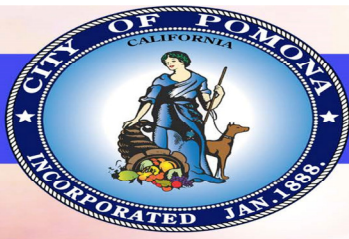
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

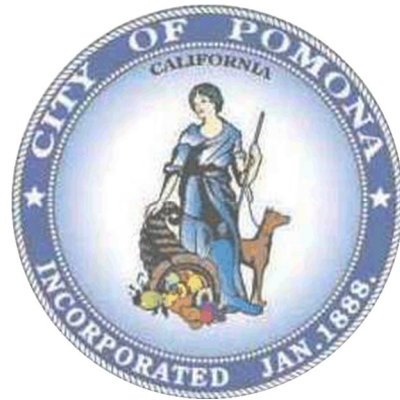
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

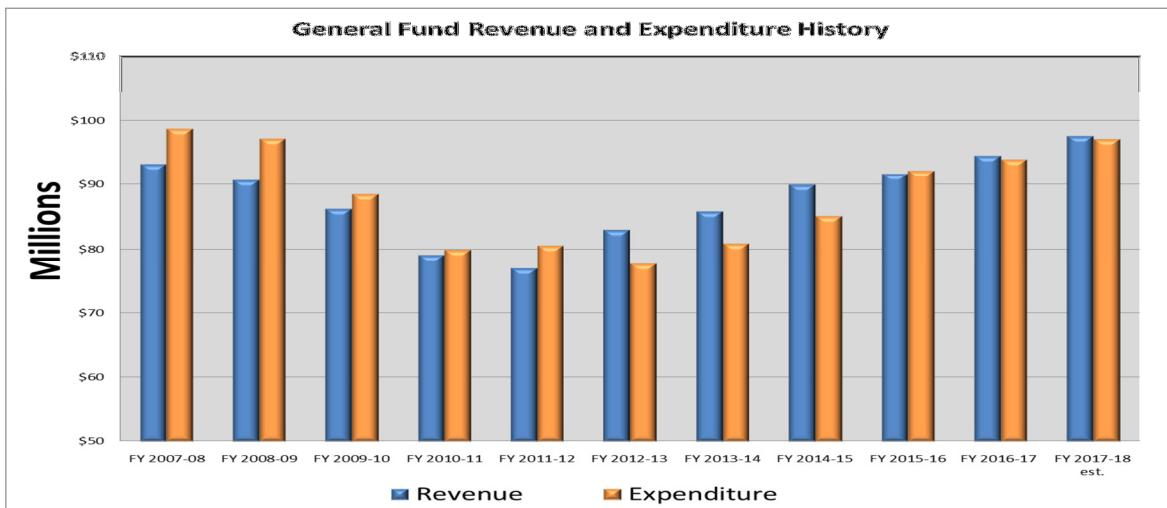


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City's infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers' compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the "General Fund Expenditure" section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

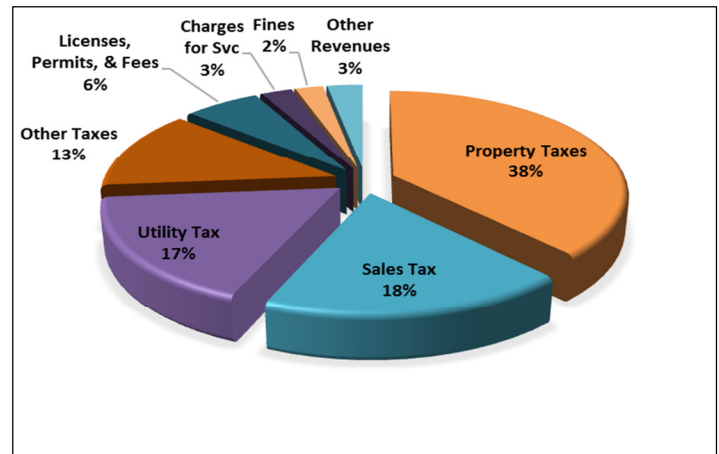
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

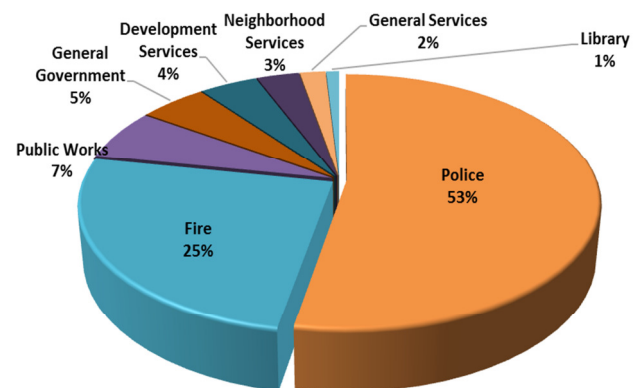
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

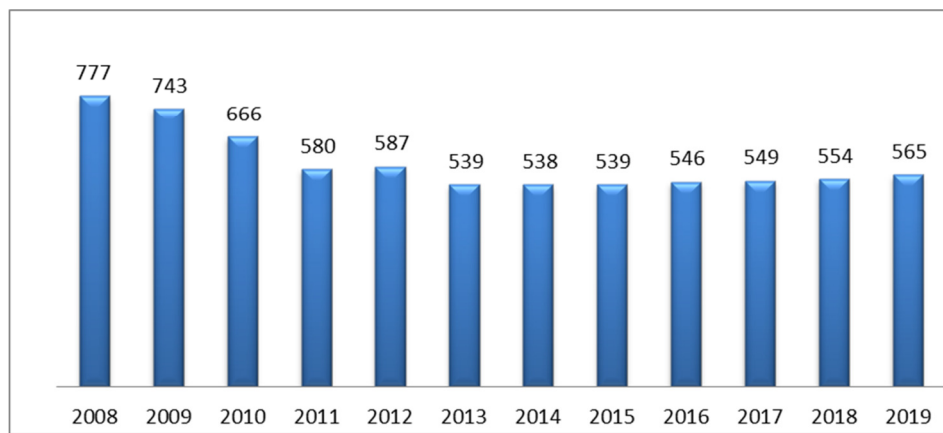


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



# CITY OF POMONA

## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019(Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018(Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018(Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018(Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

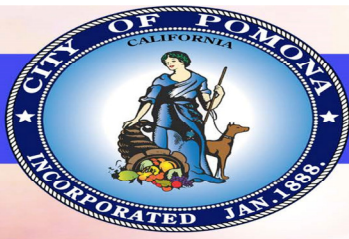
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

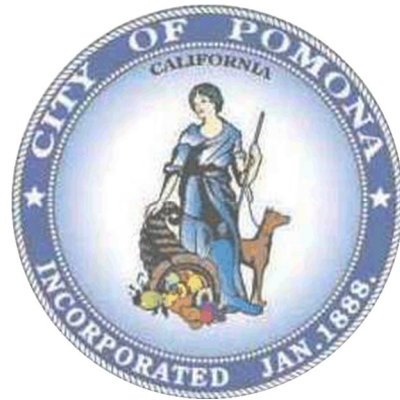
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

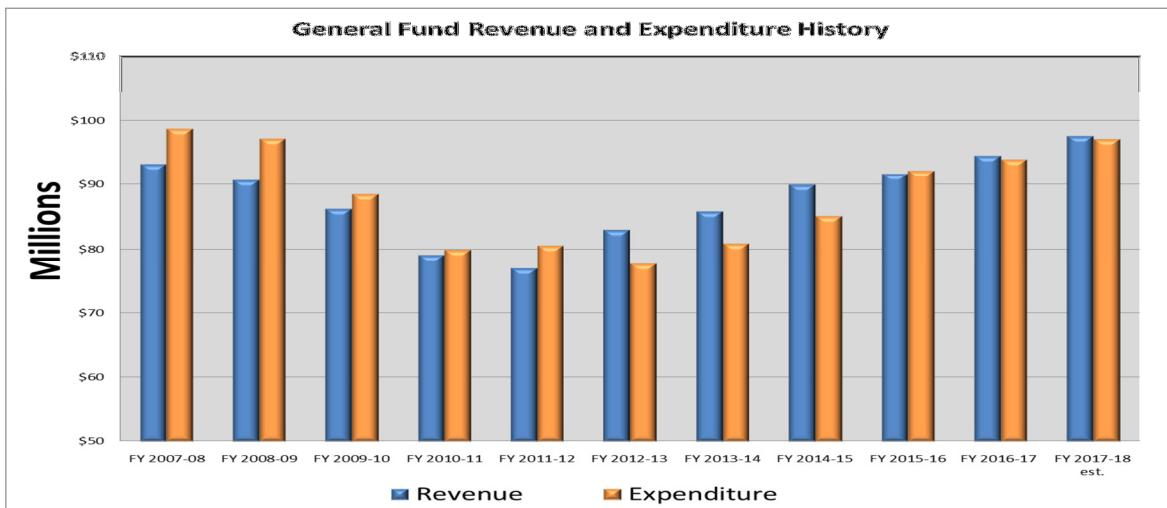


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

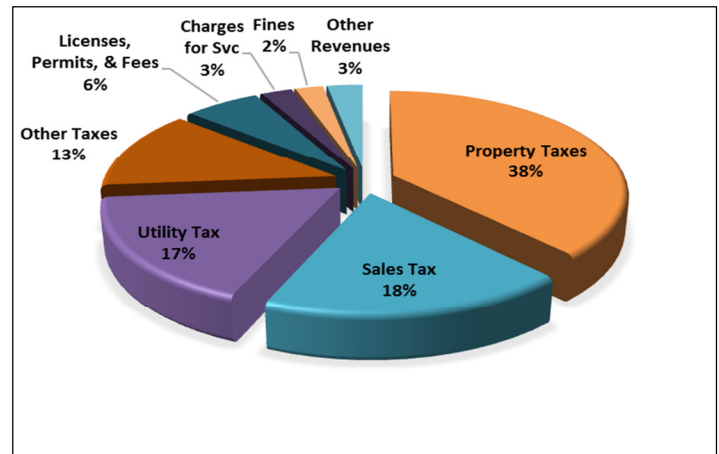
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

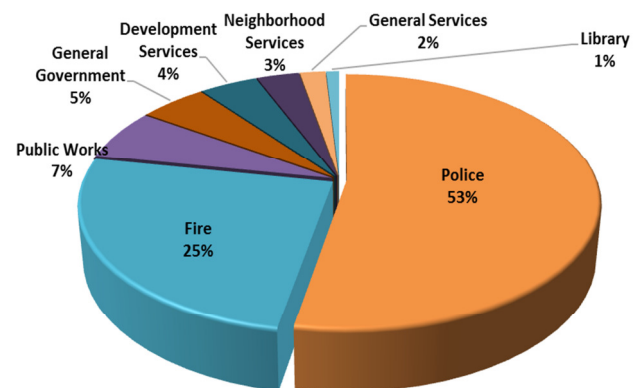
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### By Department

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

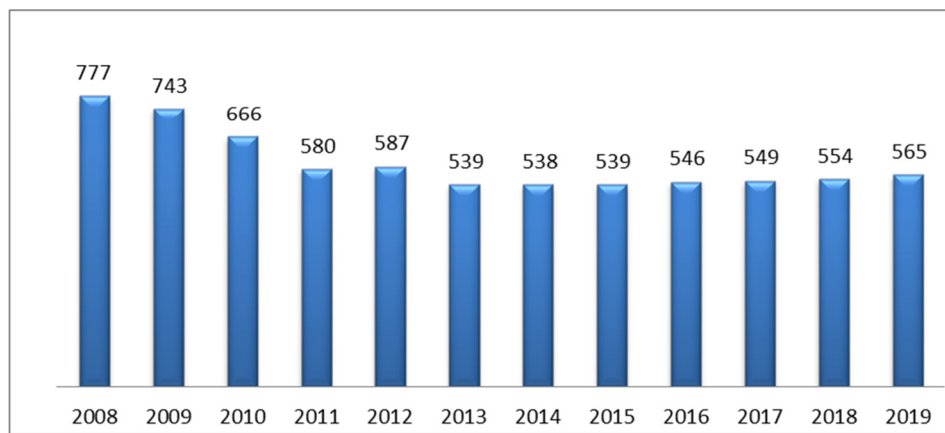


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

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

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

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

## SUMMARY

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



## CONCLUSION

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

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

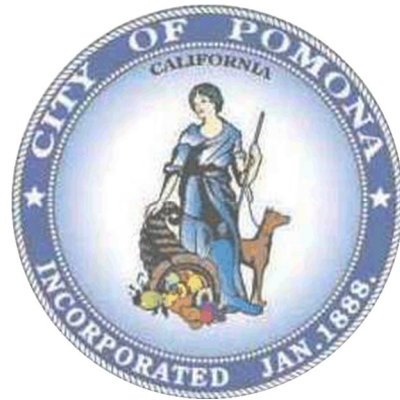
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

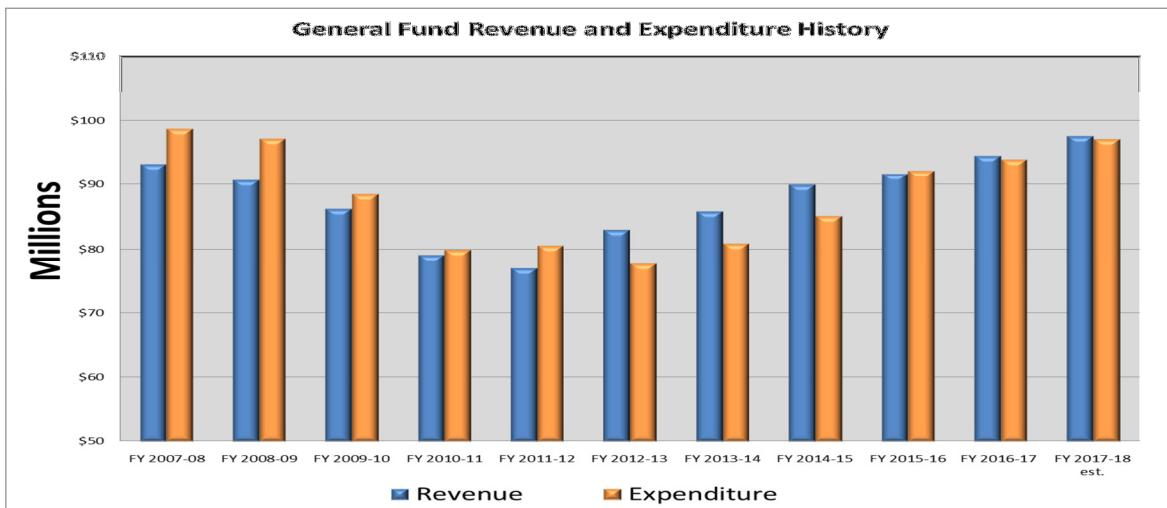


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

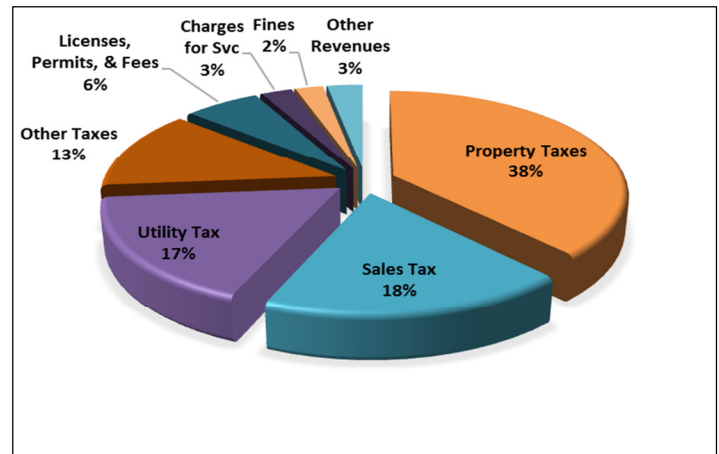
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

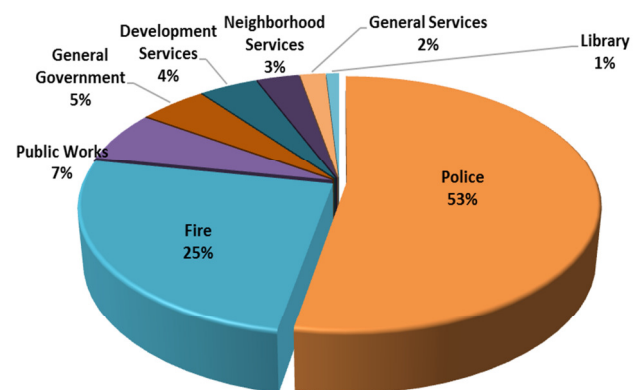
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
Fund / Department / Expenditure Description		Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



# CITY OF POMONA

Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

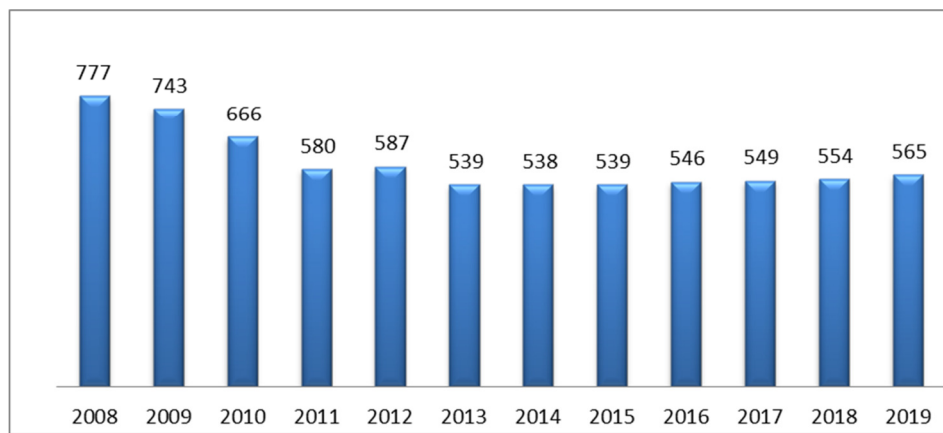


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

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

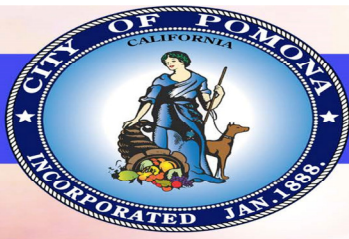
**c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

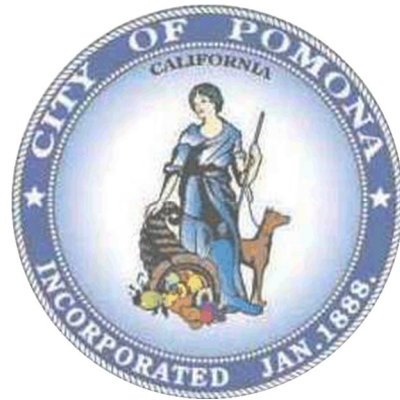
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

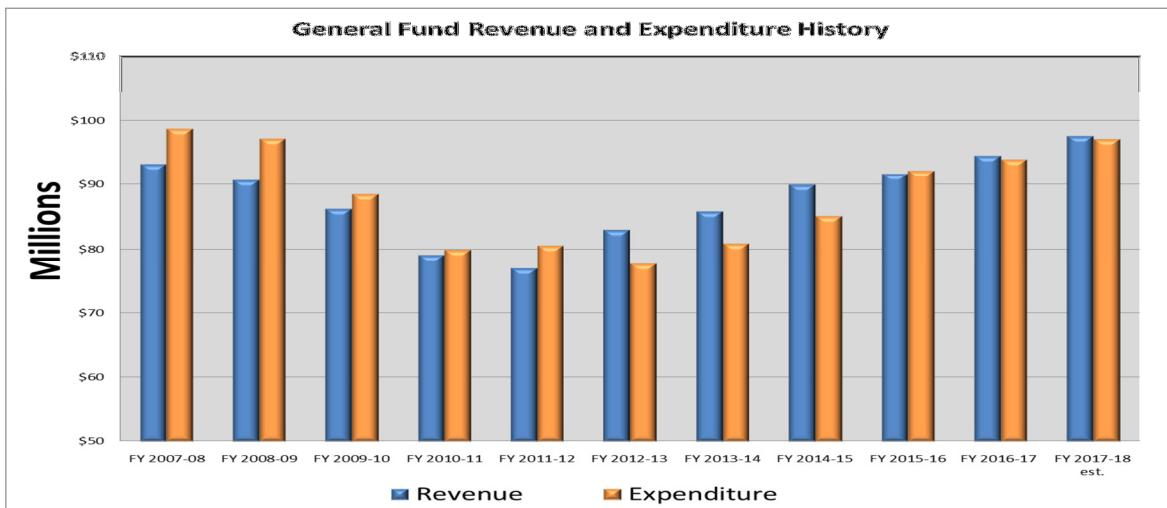


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

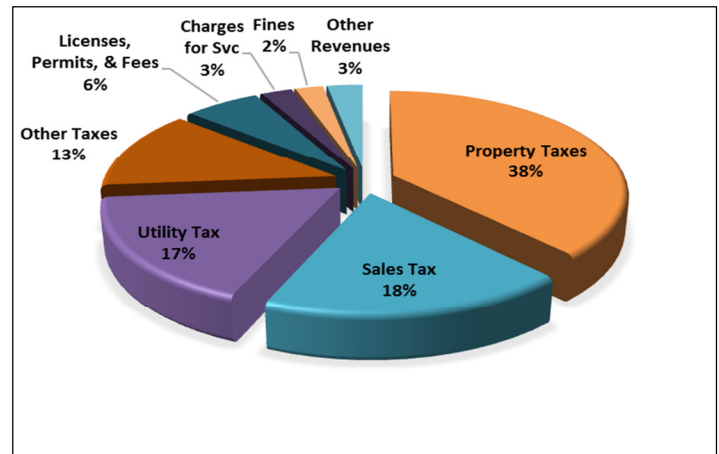
Table 4





# CITY OF POMONA

*Property Tax* – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



*Sales Tax* – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

*Utility User Tax (UUT)* – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

*Other Revenues* – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

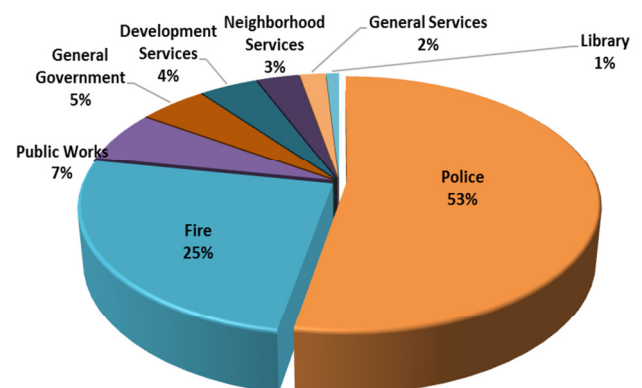
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
Fund / Department / Expenditure Description		Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

Other Funds - Supplemental Request		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

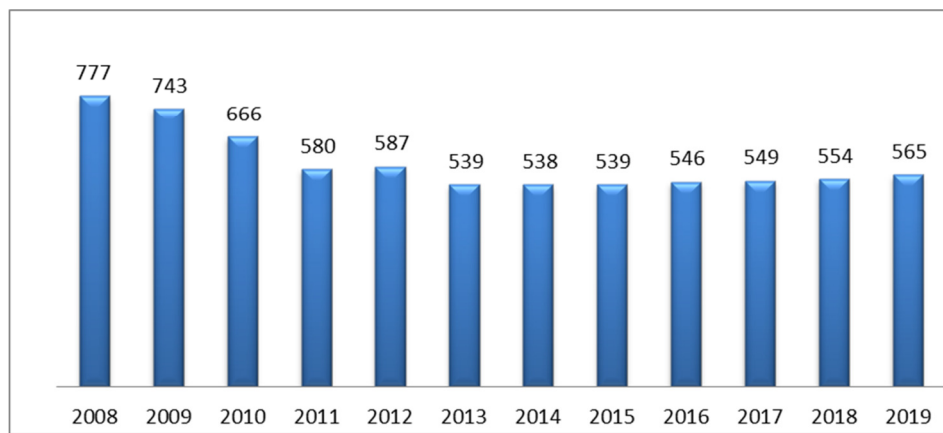


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

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

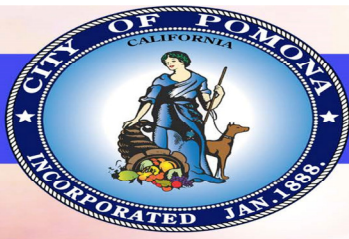
**c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

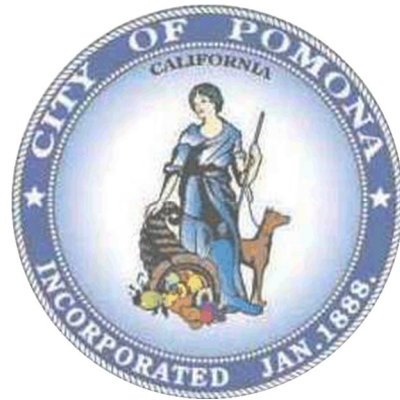
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

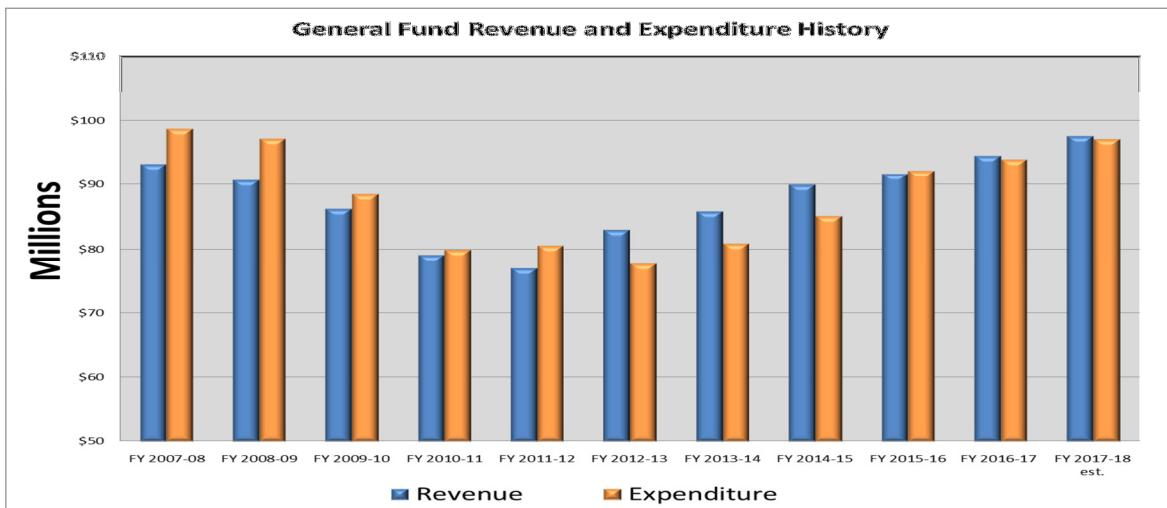


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

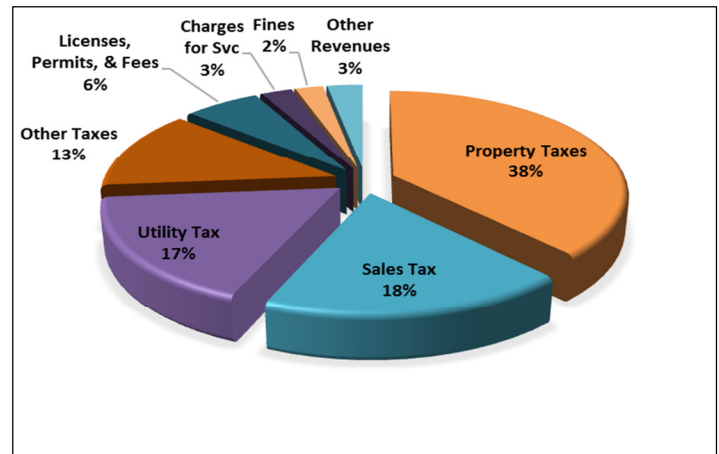
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

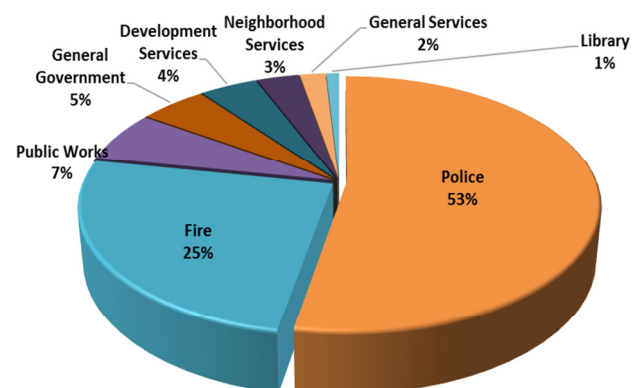
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

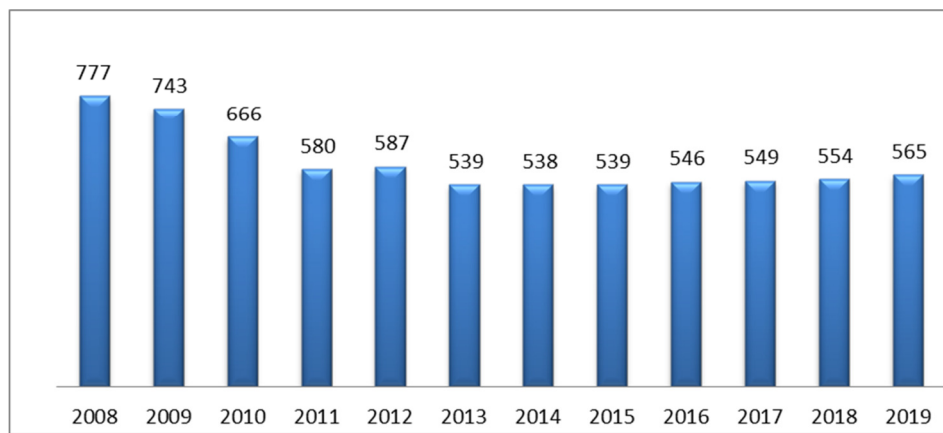


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



# CITY OF POMONA

## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

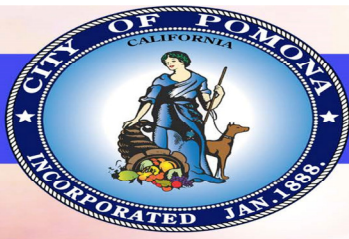
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

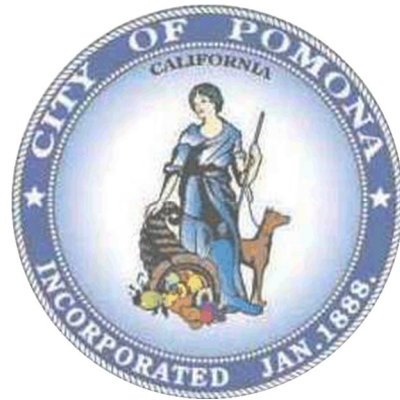
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

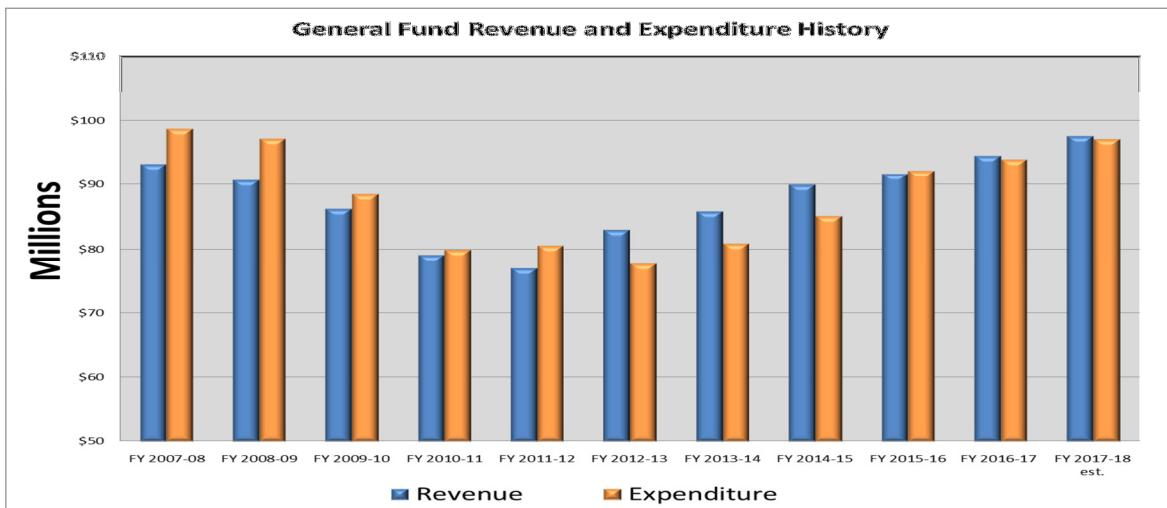


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

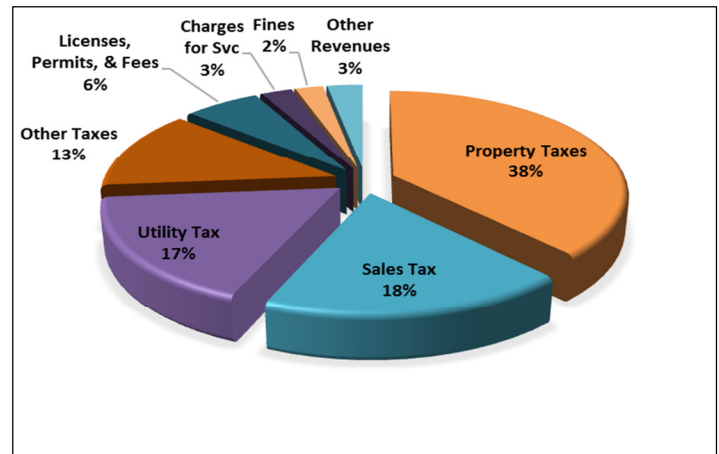
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

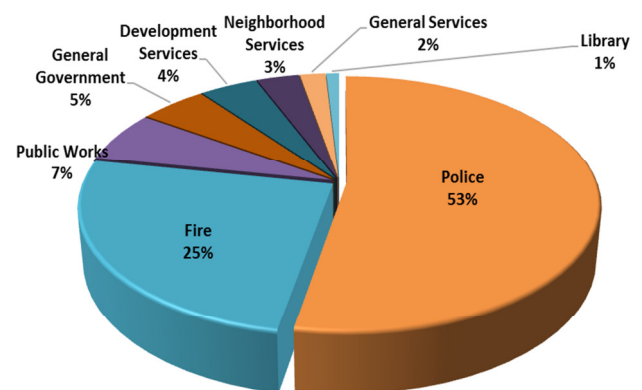
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



# CITY OF POMONA

Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

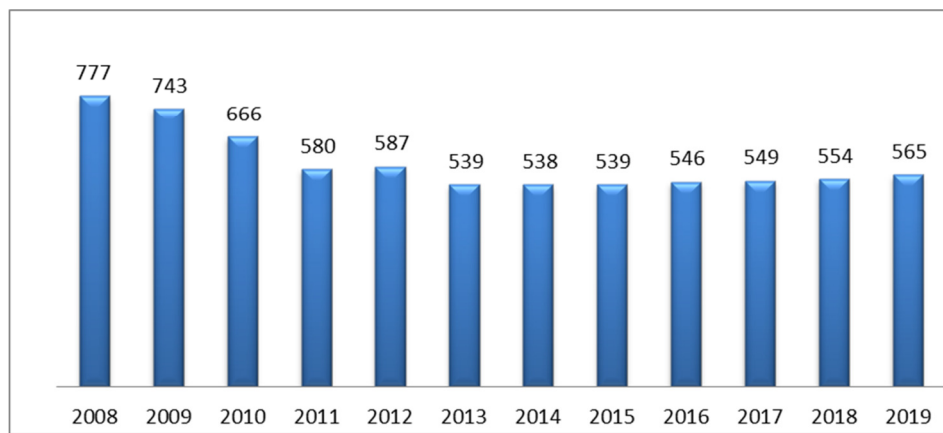


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

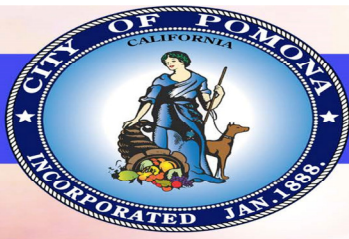
- c. Permanently Reduce General Fund Staffing and Municipal Service Levels through the use of:**

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

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

## SUMMARY

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



## CONCLUSION

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

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

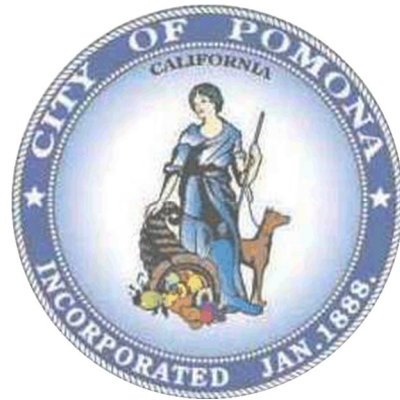
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

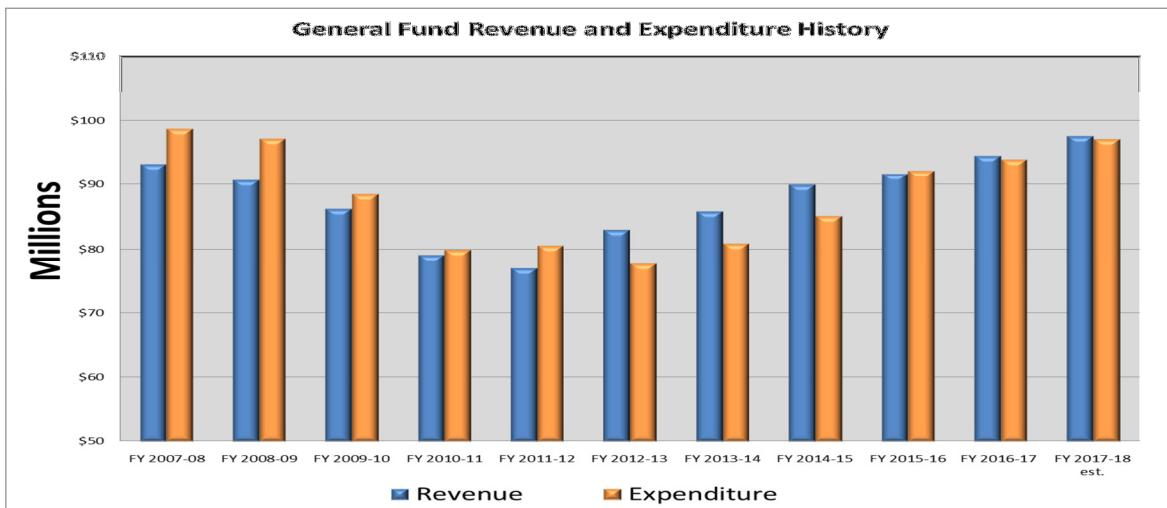


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

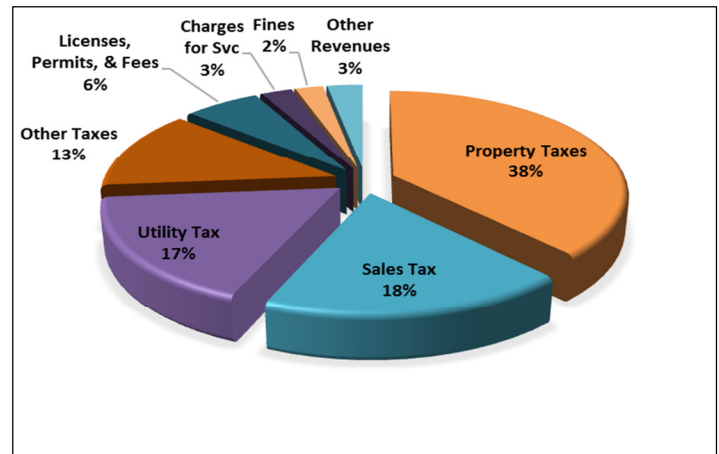
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

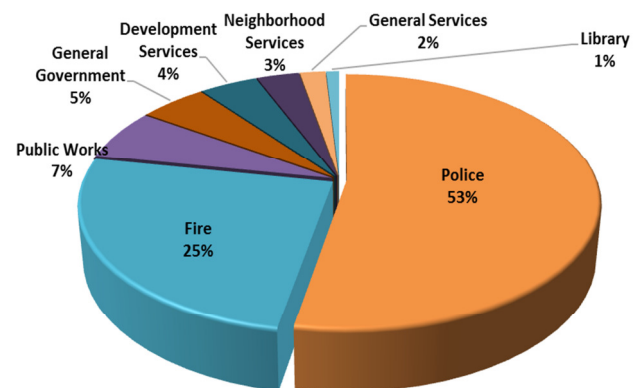
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

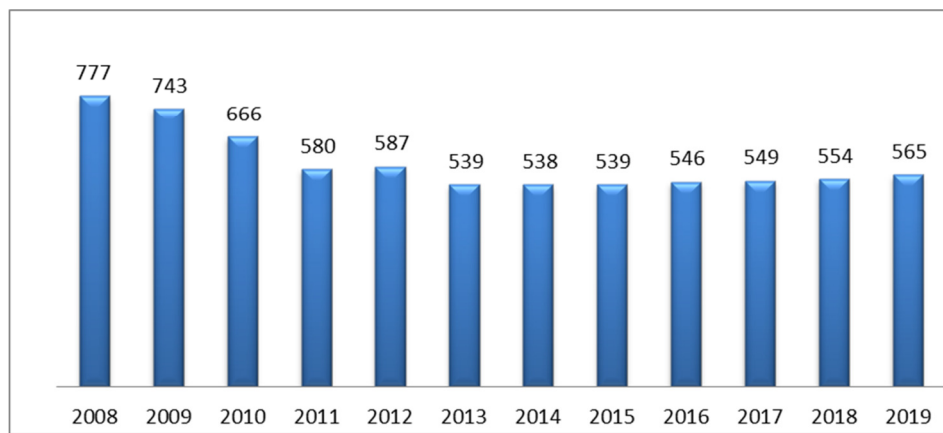


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

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

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

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

## SUMMARY

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



## CONCLUSION

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

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

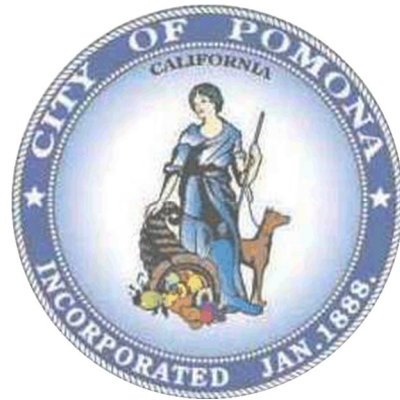
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

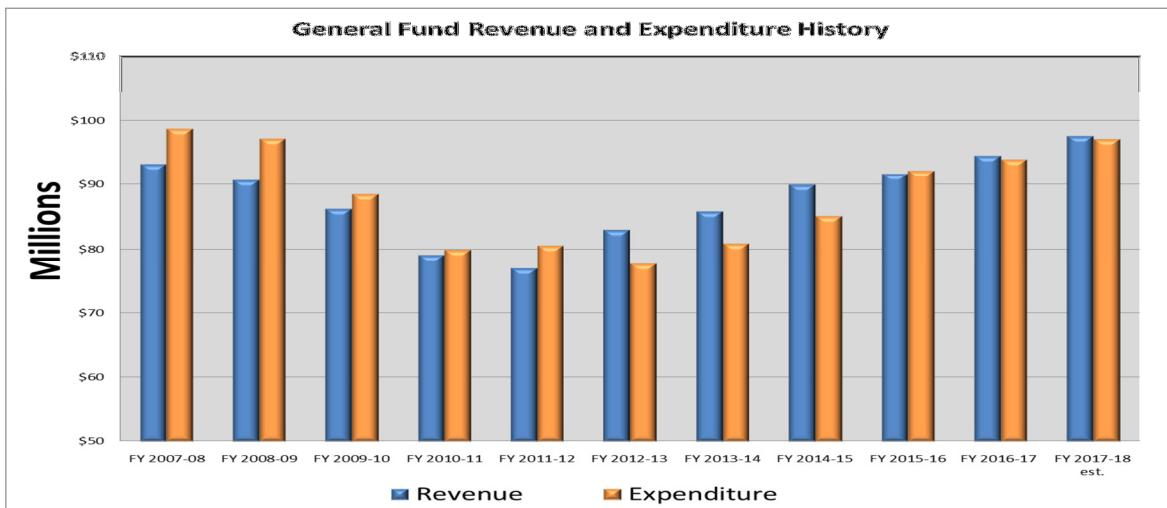


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City's infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers' compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the "General Fund Expenditure" section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

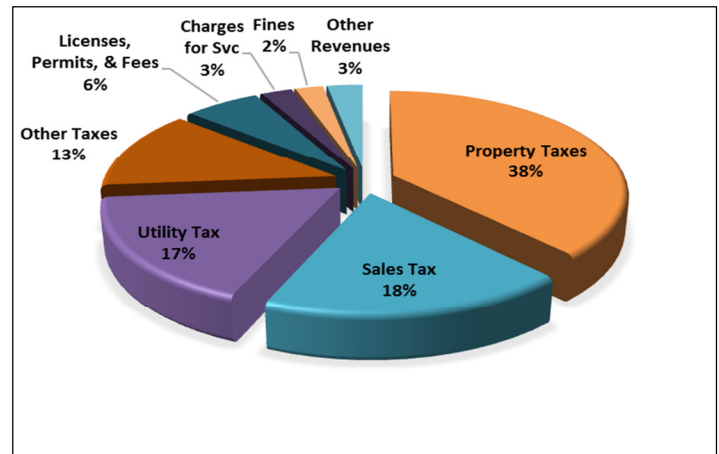
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

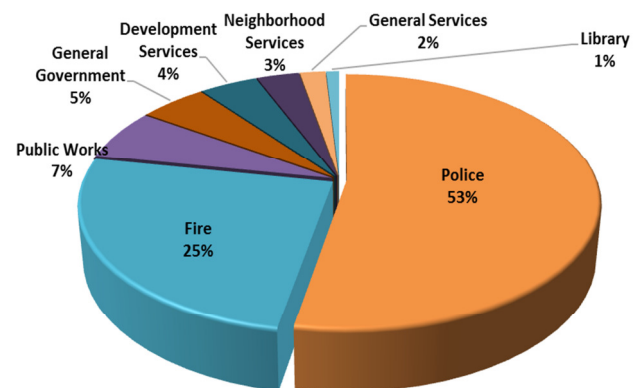
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### By Department

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## **STAFFING ALL FUNDS**

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

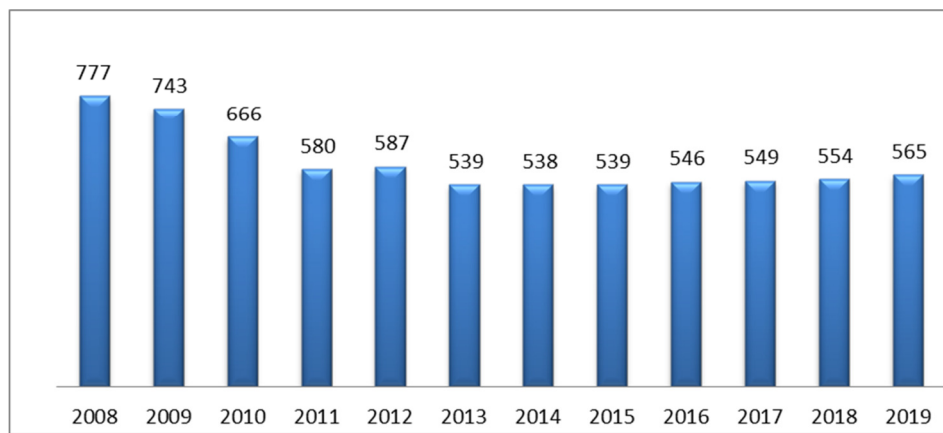


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

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

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

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

## SUMMARY

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



## CONCLUSION

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

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

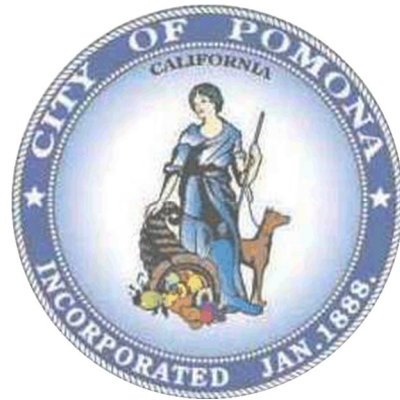
Pomona is vibrant and resilient. This fiscal challenge will decide the City’s future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

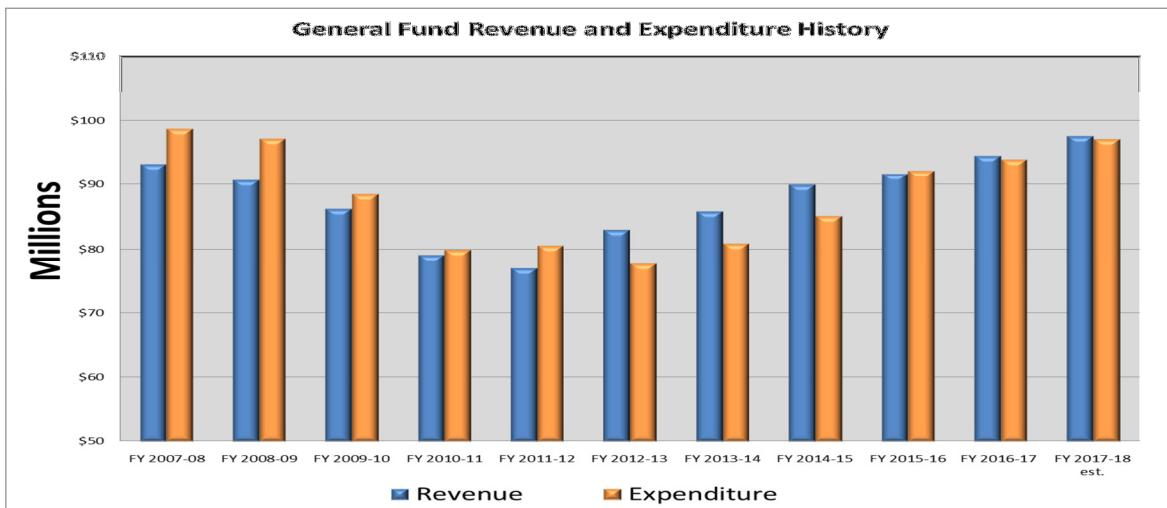


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

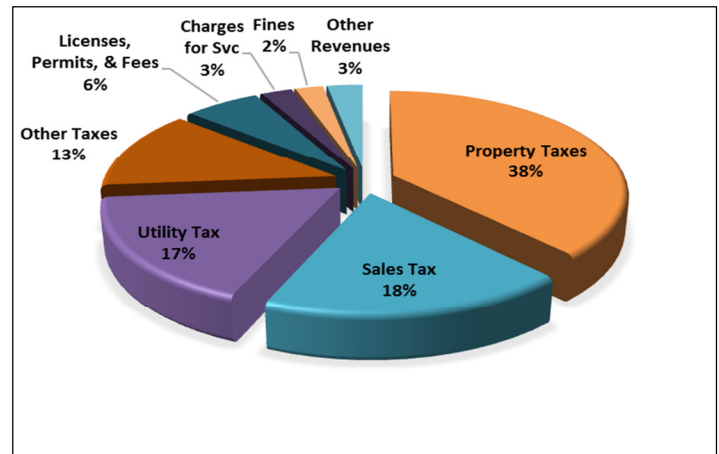
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

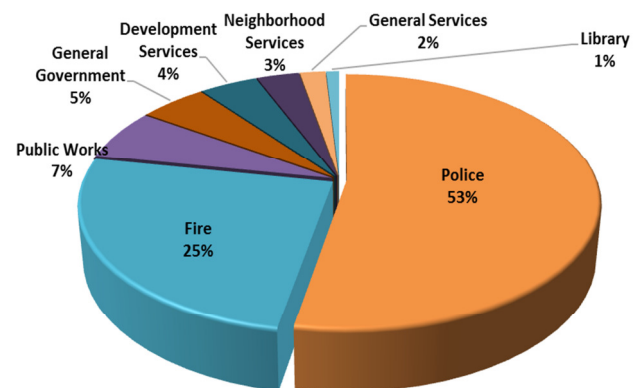
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### By Department

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
Fund / Department / Expenditure Description		Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
<b>Total General Fund</b>		<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

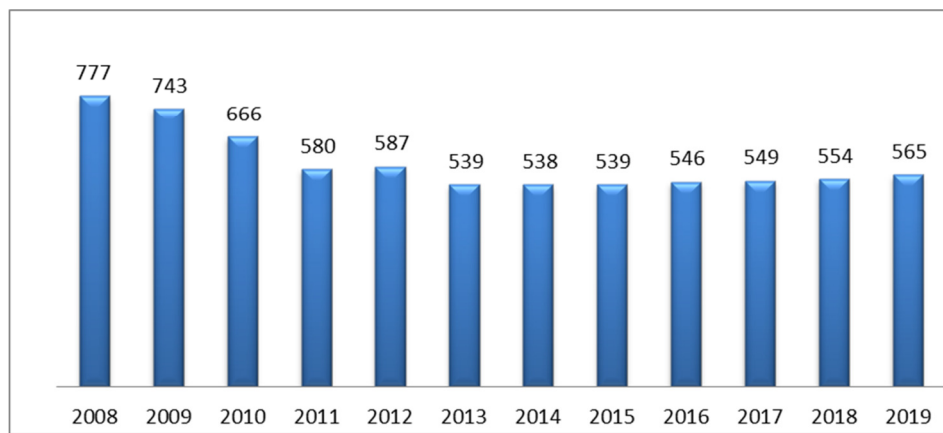


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

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

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

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

## SUMMARY

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



## CONCLUSION

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

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

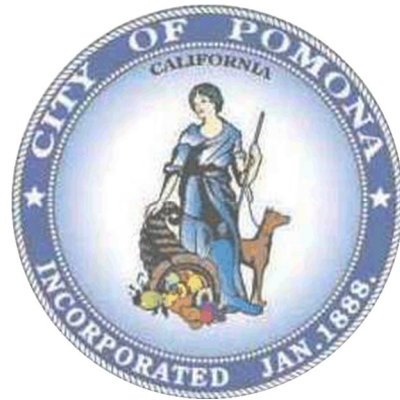
Pomona is vibrant and resilient. This fiscal challenge will decide the City's future. City staff is eagerly committed to assisting in creating solutions.

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA







07/1/2018

## *The Honorable Mayor and Members of the City Council and Residents of Pomona*

In accordance with Article X Sec. 1003 of the City’s Charter, staff submitted the Proposed Fiscal Year (FY) 2019 Citywide Budget and Budget Message on May 7, 2018 and the FY 2018-19 Adopted Budget was approved on June 4, 2018. The enclosed budget is consistent with City Council’s priorities for public safety, customer service and transparency. The budget process this year, like previous years, required each department to work hard to “hold the line” to minimize the effects of flat revenues and increased cost in retirement, contract services and operational cost. The FY 2019 Adopted Budget also required the utilization of \$4.7M in General Fund Reserves.

On May 7, 2018, the City’s Financial Advisor, Urban Futures Inc. (UFI), provided City Council, City Staff and the Community with a “Ten-Year Fiscal Sustainability Plan”. In the immediate future, the City will need to work together to review UFI’s recommendations and determine which strategies will assist the City in creating financial stability, improved city services, and programs that will continue to make residents proud of Pomona.

### **HISTORICAL OUTLOOK**

There continues to be evidence of progress towards economic recovery through gradual increases in population, employment, retail sales, building permits and home prices. As noted in Table 1; in FY 2008, the City’s General Fund had \$93M in revenues and \$99M in expenditures. The General Fund revenues are estimated to reach \$98M in FY 2018, which is an increase of only 5% over a ten-year period. The expenditures are estimated to reach \$97M, which is a \$2M decrease in expenditures compared to FY 2008. There was a reserve balance of \$15M in FY 2008. The fund balance at the end of FY 2018 is projected to be \$17.5M, a gain of \$2.5M.

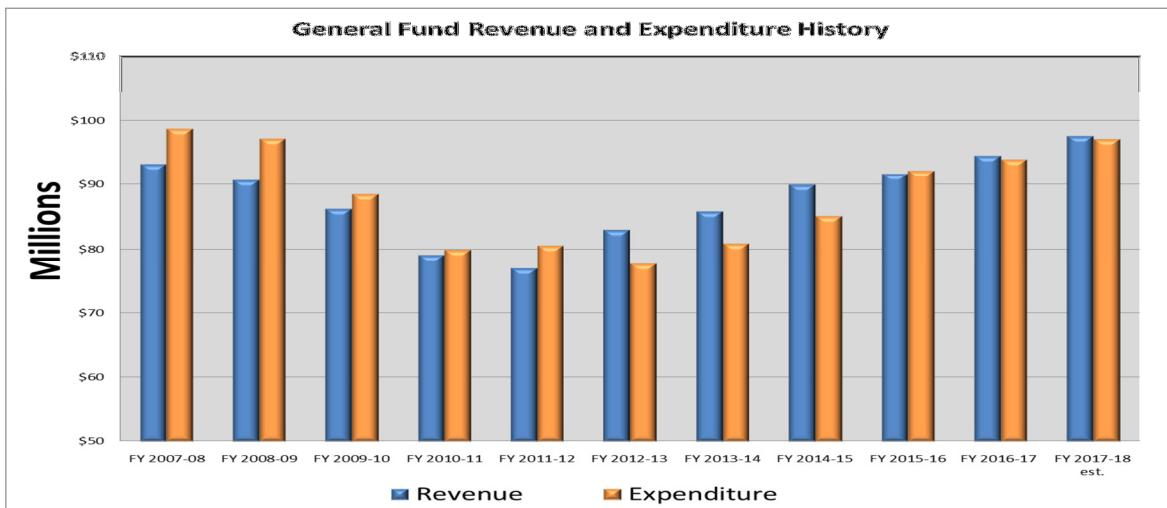


Table 1



In 2008, when revenues were at the highest levels, there was an operating deficit of \$8.6M. The economic recession hit and General Fund revenues declined at an alarming rate from FY 2008 to FY 2012. How has the City managed to provide services with limited revenues and increased cost over the last ten years? The City had to make significant cuts to the budget from FY 2010 to FY 2013. As a result, city services have suffered, programs had to be cut and various staff positions were laid off. City employees who remained agreed to furloughs, salary cuts, paying for a portion of retirement contributions and non-competitive medical benefits. The maintenance on City buildings and parks was deferred, the software and hardware in the IT Department had minimal upgrades, street related services that were previously funded by the General Fund had to be funded with Special Revenue Funds such as Gas Tax, and the list goes on.

In FY 2018, the City operated with the same amount of budget it had in FY 2008 and the cost of providing these same services is significantly higher. Unfortunately, many of the cost savings measures have come to an end. As the City moves forward into FY 2019 there must be some investment in the City’s infrastructure (buildings, streets, IT, etc.), City staff (through memorandum of understandings (MOU) negotiations), and capital purchases and/or replacements.

## CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2019 Budget for Citywide expenditures is \$241M, and it is comprised of seven operating fund types as shown in Table 2.

**Total City Appropriations by Fund Type**

FUND TYPE	FY 2018	FY 2019
General Fund	98,286,979	107,394,313
Special Revenue Funds	39,523,274	31,791,853
Debt Service Funds	6,360,531	6,223,368
Capital Project Funds	19,121,239	12,374,016
Enterprise Funds	60,895,864	58,470,538
Internal Service Funds	8,440,707	10,077,049
Housing Authority Funds	14,297,132	15,103,131
<b>Total</b>	<b>246,925,726</b>	<b>241,434,268</b>

Table 2

The General Fund budget for FY 2019 has its own challenges with an increase of \$9M over the prior year. There have been significant increases in retirement cost for current employees (PERS) and retiree benefits, public safety cost, general liability, workers’ compensation, salary increases and Information Technology. In FY 2018, there was also \$2M in budget savings from the refunding of bonds in the General Fund which cannot be experienced again in FY 2019. A more in-depth analysis of the \$9M increase can be found in the “General Fund Expenditure” section of this report.

Budget appropriations for the Special Revenue Funds decreased by \$7.7M and the Capital Project Funds decreased by \$6.7M from the previous fiscal year.



The decrease in Special Revenue Funds was due to decreases or elimination of some Federal and State funding such as Cal Home and Neighborhood Stabilization as well as big reductions in Police Asset Forfeitures and Supplemental Law Enforcement Services Account grant funding. More details are provided in the “Other Funds” section of this report.

The decrease in the Capital Project Funds type is from budgeting one-time revenue sources such as bond proceeds that were used to fund projects in the previous year; however, it is likely the FY 2019 budget will increase as the year moves forward and new funding sources (i.e. Federal and State money) and capital projects are identified.

## **KEY BUDGET ASSUMPTIONS**

Key assumptions for the FY 2019 adopted budget:

- Revenue estimates are based on data made available through various sources such as: the City’s sales and property tax consultant, reports from various State and Federal agencies, the League of California Cities, HUD, Department of Finance, and the State Controller’s Office, as well as trend analysis that included historical fiscal performance and modifications for any anticipated anomalies.
- The cost of services as provided by L.A. County Fire District is budgeted with an increase of \$1.6M. The contract for fire services increased by \$.6M and there was a recovery of deferred cost of \$.9M. The deferred cost was accumulated over the past three years. When the Fire District’s annual contract increases exceed the “cap” (a 3-year average of contract increases) the amount over the cap is deferred interest free until such year that the District’s annual contract increase is below the “cap”. This year the contract increase of \$.6M was well below the “cap” and the District was able to charge the previous \$.9M that had been deferred.
- There was a \$1.3M vacancy factor budgeted for all General Fund departments in FY 2018; however, there is no vacancy factor budgeted in the adopted FY 2019 Budget. It is staff’s intent to work to fill the vacancies to improve customer service, response times, regular maintenance of City property, etc.
- At the end of FY 2019, the General Fund will NOT meet City Council’s graduated benchmark Fund Balance Policy goal of 15.5% (\$16.6M) by year end. The projected use of \$4.7M that is needed to balance the FY 2019 budget will bring the reserve balance to \$12.8M. If the City is able to procure additional one time money in FY 2019, the use of reserves will be mitigated.
- In FY 2018, there was \$2M of budget savings due to the refunding of General Fund Bond Series, AR, AU & AV. This was a one-time savings that is not reflected in FY 2019.
- The provisions within the Fiscal Sustainability Policy requiring contributions to future capital improvement projects and equipment replacement will be suspended until the General Fund budget is balanced without one-time monies and the fund balance reserves can maintain the 17% Reserve Policy requirement.



## GENERAL FUND

### Fund Balance

The General Fund's ending fund balance is projected to be \$12.8M which is 12% of the FY 2019 adopted operating expenditures (Table 3). The adopted budget requires the use of \$4.7M in reserves. The current reserve policy goal of 17% is based on recommendations by the Government Accounting Standards Board.

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

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2019	17,521,782	
Est. Revenues	102,701,164	
Appropriations & Transfers Out	(107,394,313)	
Est. Ending Fund Balance FY 2019	<b>12,828,633</b>	11.9%
Fund Balance per graduated benchmark for FY 2019	16,646,119	15.5%
<b>Shortfall</b>	<b>(3,817,486)</b>	

Table 3

### General Fund Revenues

The FY 2019 General Fund Revenues have been estimated at \$102.7M. Overall, the estimates have increased by 6% from last fiscal year due mostly to \$3.1M in one-time revenues that will be received in FY 2019 from the sale of property in the Successor Agency.

Property Tax, Sales Tax and UUT make up 73% of the total General Fund Revenues and are estimated to increase by \$6M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2018 Budget	2018 Y/E Estimate	FY 2019 Adopted	FY 2018 Budget vs. FY 2019	FY 2018 Y/E Est vs. FY 2019
Property Taxes	34,002,371	34,552,371	38,964,732	4,962,361	4,412,361
Sales Tax	18,075,000	18,105,000	18,754,400	679,400	649,400
Utility Tax	17,338,266	17,161,065	17,687,803	349,537	526,738
<b>Total - Big "3"</b>	<b>69,415,637</b>	<b>69,818,436</b>	<b>75,406,935</b>	<b>5,991,298</b>	<b>5,588,499</b>
Other Taxes	14,297,429	14,827,223	13,072,900	(1,224,529)	(1,754,323)
Fines	1,908,500	1,944,000	2,310,480	401,980	366,480
Rev from Use of Money	545,185	546,702	615,231	70,046	68,529
Intergovernmental Reve	95,000	97,000	141,000	46,000	44,000
Licenses, Permits, & Fee	6,475,735	5,976,487	6,198,035	(277,700)	221,548
Other Misc Revenue	1,531,225	1,551,158	459,350	(1,071,875)	(1,091,808)
Charges for Svc	2,677,395	2,688,038	2,791,393	113,998	103,355
Transfers In	121,074	121,074	1,705,840	1,584,766	1,584,766
Other Financing Sources	-	12,500	-	-	(12,500)
<b>Total - All Sources</b>	<b>97,067,180</b>	<b>97,582,618</b>	<b>102,701,164</b>	<b>5,633,984</b>	<b>5,118,546</b>

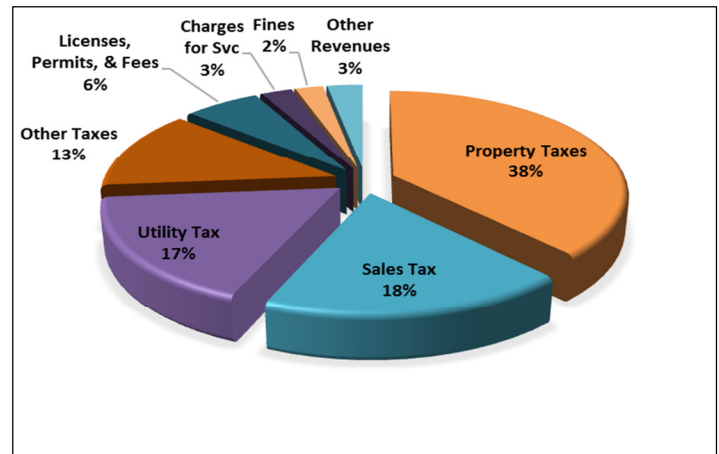
Table 4





# CITY OF POMONA

**Property Tax** – There is a projected increase of 15% over the prior fiscal year in property taxes. Of that amount \$1.8M (5%) is due to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of selling property currently owned by the Successor Agency. Once escrow closes, the proceeds from the sale of land will be forwarded to the Auditor Controller for distribution among all taxing entities. The City of Pomona’s share of those proceeds is estimated at \$3.1M.



**Sales Tax** – Sales tax is estimated to increase by 3.8% (\$.7M). Cash flow has improved now that sales tax is received on a monthly basis. The strongest economic segment for sales tax generators is building materials-wholesale at 21.5% followed by restaurants at 12.8%. The third strongest economic segment continues to be service stations at 10.7% of total sales tax generated as of fourth quarter 2017.

**Utility User Tax (UUT)** – UUT revenues are estimated to have a slight increase of 2% (\$.3M) for FY 2019. Although UUT for water and electric are starting to improve over prior years, UUT for telecommunications continues to decline. This is due to a decrease in homes that have landline service and more competitive cell phone plans.

**Other Revenues** – There are several revenue streams (other taxes, licenses, permits, fees, other miscellaneous revenue and transfers-in) that are notable in FY 2019. The most significant change in revenues is due to a re-classification of \$2.1M from Other Taxes (Franchise In-Lieu fees for water, sewer and refuse) to Transfers-In and Fines for late fees related to water, sewer and refuse collections.

**Note:** A study was recently done by the City’s financial advisor to develop a reimbursement model which documented the basis and methodologies to establish annual reimbursements from the Utility Enterprise Funds to the General Fund based on an evidenced and proportional share of costs and benefits which the General Fund provides to support the utility’s infrastructure, operations and services. These benefits include water rights, street pavement maintenance and repairs, real property and buildings and late fees. Each of these represents a specific and identifiable service, cost or benefit provided by the General Fund in support of the utility infrastructure, operations, and services, and for which the Utility Enterprise Funds should reimburse the General Fund. These specific services, cost and benefits, however, do not include general administrative support services provided by the General Fund.

Other notable variances in this revenue category include a decrease of \$1M in other Miscellaneous Revenue and an increase of \$.5M in Building Permits. The decrease in Miscellaneous Revenue is due to a one-time insurance payout that was received in FY 2018 to reimburse the City for damages to the City’s Stable Facility. The increase in Building Permits is a result of anticipated growth in development activity within the City.



# CITY OF POMONA

## General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 45% of the City's Operating Budget. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The adopted FY 2019 expenditure budget is \$102M, which is a \$9M increase over the prior fiscal year's budget. Table 5 and Table 6 shows details of the \$9M increase by Department and by category.

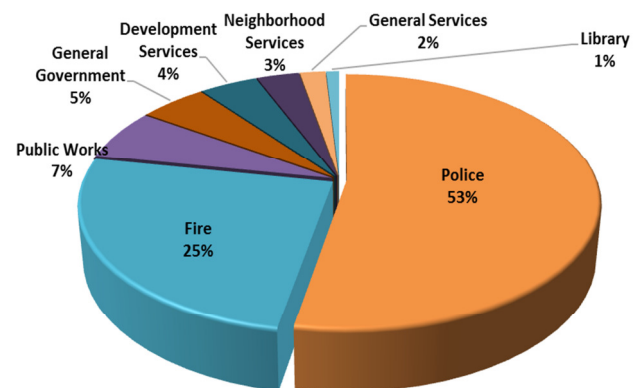
The Police budget for FY 2019 increased over FY 2018 by \$4.5M. The impact of PERS increases and MOU's (memorandum of understandings) created an increase of \$1.8M. The other significant increases are related to a change in reflecting anticipated budget savings due to vacancy of budgeted positions. This has been called a Managed Budget Control (MBC) and is no longer being used. Instead anticipated actual employment costs are being budgeted. Also, the Police Department's share of the budget savings related to the refunding of the pension bonds (\$1.7M) as well as its vacancy factor is no longer being reflected in FY 2019 (\$1M).

As previously discussed, the Los Angeles County Fire Contract as submitted is a \$1.6M increase over the previous fiscal year.

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

### *By Department*

General Fund Expenditures	FY 2018	FY 2019	
	Budget	Adopted	Variance
Police	52,209,087	56,920,760	4,711,673
Fire	25,332,795	26,941,624	1,608,829
Public Works	6,126,641	6,921,816	795,175
Development Services	4,220,343	4,657,237	436,894
General Government	3,728,273	5,389,211	1,660,938
General Services	2,788,705	2,076,987	(711,718)
Neighborhood Service	2,940,067	3,426,306	486,239
Library	941,068	1,060,372	119,304
<b>Total</b>	<b>98,286,979</b>	<b>107,394,313</b>	<b>9,107,334</b>





# CITY OF POMONA

**Table 6**

Expenditures	Amount	Brief Summary
Personnel	\$3,222,961	The largest increase in the personnel budget was due to PERS retirement increases, step increases for staff, the impact of contract negotiation for FY 2019, and the increase in workers' compensation. There were a net total of 6 positions added and 10 positions re-classed which created a budget savings of \$785K to the General Fund. Finally, there was \$300K in salary savings budgeted in FY 2018 that is not reflected in FY 2019.
Controllable Exp	\$840,619	In FY 2018 there was a \$1M Managed Balance Control factor that was budgeted in the Police Department that is no longer being budgeted in FY 2019.
Required Exp	\$1,891,431	There was an increase in required expense due to an increase of \$1.6M for fire services provided by the LA County Fire District.
Utilities	\$3,759	The expense for utilities is consistent with last fiscal year.
Allocated Costs	\$1,138,199	Allocations from the IT fund increased by \$225K to absorb the cost of bringing IT services in-house and hiring five new full time positions. The remainder of the increase is from General Liability insurance premiums and an anticipated increase in General Liability claims.
Recovered Costs	\$1,188,009	The decrease of \$1.2M is a result of a change in methodology for the Cost Overhead Allocation.
Capital	\$87,585	This increase is related to the purchase of the Police Department's radio system software and operating system.
Transfers Out	\$734,771	The FY 2019 transfers are related to normal scheduled bond payments. The previous fiscal year's budget was lower than normal due to one-time bond savings from bond refundings.
<b>TOTAL CHANGE</b>	<b>\$ 9,107,334</b>	

### General Fund Supplemental Budget Items

Each year the budget includes supplemental budget recommendations for staffing, service, and equipment requests. Items listed in Table 7 below have been identified as priority projects; however, staff is still working to identify funding sources. The most significant items listed are the black and white patrol vehicles which are needed to maintain the Police Department's fleet per the City's Fleet management policy. Fortunately, the General Fund was able to finance 12 new vehicles in FY 2018 with a three year capital lease.

City Manager Recommended Supplemental Budget		
	Fund / Department / Expenditure Description	Cost
<b>General Fund</b>		
Neighborhood Services	Staff computers at Recreation sites (1 per site)	\$19,300
Neighborhood Services	Computer labs at each Community Center (7 sites remaining)	59,500
Library	Library Conference Room Furniture	20,000
Human Resources	Employee Recognition Program	15,000
Police	Purchase (16) new/replacement police Specialty and/or Black & White vehicles & Builds	851,171
	<b>Total General Fund</b>	<b>\$964,971</b>

**Table 7**



# CITY OF POMONA

As the City struggles to balance the budget, services and staffing in some areas have been cut to a point of marginal service delivery. There is also a large majority of Pomona's public infrastructure that was constructed decades ago and now requires either major renovations of increased frequency or repair and maintenance. A partial list of unmet needs follows:

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

## **OTHER FUNDS**

### Special Revenue Funds

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, Proposition A and C, Measure R, AQMD, Maintenance Assessment Districts, and Vehicle Parking District (VPD). New Funds that were recently established include Measure H, Public, Educational and Government (PEG) Access Fund, and State Gas Tax RMRA.

The Measure H fund is used to capture the tax revenues generated from the recent Los Angeles County ballot measure that was passed to assist with homelessness. It is anticipated that the City will receive \$1.4M in FY 2019 and those funds will go towards the 24-hour Emergency Shelter and Service Center.

In 2008, in accordance with DIVCA requirements, the City adopted Ordinance No. 4111, which allowed the City to impose a Public, Educational and Government (PEG) Access fee on state franchise holders within the City. Staff has decided to set up a separate fund to track the PEG fees collected separately from the General Fund. In FY 2019, the estimate \$80K in PEG fees will be used for capital costs relating to PEG channel facilities and programming which are essential to providing City residents with important civic programs including emergency alerts and community and government news.

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, tree maintenance, median maintenance, street sweeping and right of way maintenance. The General Sanitation Fee Fund previously covered the expense of graffiti removal, storm water compliance, median maintenance, street sweeping, and right away maintenance. The GSF fund is being dissolved in the FY 2019 budget and the expenditures will now be covered with various gas tax funding, the General Fund, and the Water Fund will be funding the storm water compliance expense.





## Enterprise Funds

The 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 \$58.5M and \$3.6M in depreciation expense. The operating budget for the Water Resources Department includes \$1M for capital purchases for large items such as: a generator, compressor trailers, seismic valves, ½ ton pickup truck, and a CNG Power Combo Vacuum Jetter Truck.

## Internal Service Funds

Internal Service Funds include the Self-Insurance Services, Building and Equipment Maintenance, Information Technology and Printing/Mail Services.

- The Self-Insurance Fund has a fund balance reserve requirement of \$3.6M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance. The Self-Insurance fund, which includes General Liability, Workers' Compensation, and unemployment, allocates its expenditures to Departments within the City. The allocation is based on each Department's number of employees and experience history for claims. In FY 2019, there is an overall projected increase in insurance premiums and claims expense, which will result in an additional \$1.4M in cost recovery from all Funds within the City which have employees.
- In FY 2018, City Council approved bringing Information Technology (IT) services back in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. The IT Fund and Print/Mail Services Fund provide services to Departments throughout the City. The expenditures in these funds are allocated to Departments based on their usage or number of employees. These Funds receive 'recovered costs' funding rather than revenues.

## 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 to approve the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget. The ROPS is annually submitted to the State Department of Finance for funding of prior Agency obligations.

The ROPS 18-19 was approved for \$17.4M and the anticipated funded amount will be approximately \$12.9M in the Redevelopment Property Tax Trust Fund (RPTTF). The difference of \$4.5M will be funded with Successor Agency reserves, rental income and other revenue available to the former Agency.



# CITY OF POMONA

## Other Funds Supplemental Budget Items

Table 8 includes Other Funds supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019 Adopted Budget.

<i>Other Funds - Supplemental Request</i>		
Item	Division	Cost
Citywide Zoning Code Update	CIP Planning	67,661
Ford Transit Connect Cargo Van	Equipment Maintenance (Fleet)	37,500
Wash Rig	Water Resources	25,000
Generator	Water Resources	115,000
Safety System Harness	Water Resources	7,000
Light Tower	Water Resources	10,000
Message Board	Water Resources	16,000
Vehicle GPS	Water Resources	10,000
Compressor Trailer	Water Resources	64,000
Vac Trailer	Water Resources	42,000
Polymer Pumps (2)	Water Resources	19,000
Containment Building	Water Resources	21,000
Vehicle GPS	Water Resources / Sewer	3,100
2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	Traffic Offender Fund	65,000
<b>Total Other Funds</b>		<b>\$502,261</b>
Laserefiche License	Water Resources	\$45,000
Seismic Valves	Water Resources	\$75,300
2 Compressor Trailers	Water Resources	\$63,960
1/2 Ton Pick-Up Truck - Unit# 82014	Water Resources	\$32,431
Chlorine Tanks	Water Resources	\$20,000
CNG-Power Combo Vacuum Jetter Truck	Water Resources / Sewer	\$468,624
<b>Total Carryover Requests from FY 2018</b>		<b>\$705,315</b>
<b>Total Other Funds Supplemental Requests</b>		<b>1,207,576</b>

Table 8

## STAFFING ALL FUNDS

Staffing cost for FY 2019 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. 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 564.60 full time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 9 and Table 10, there are increases to the number of FTE's and reclassifications of positions; however, these changes created a citywide budget savings of \$.4M and a General Fund budget savings of \$.8M.

The Police Department is proposing to delete four administrative positions, un-fund seven police positions, and create seven Community Services Officer positions in the Community Programs Division. Public Works is proposing to reclass three positions and add two program assistant positions. There were two reclassifications in the Administration Department and Finance. Finally, the Water Resources Department is proposing to reclass three positions, add one Water Resources Manager position and a title change for one position (Table 9).



# CITY OF POMONA

Authorized Staffing Change Reconciliation		
Department	FTE Net Change	Details
<b>2017-18 Authorized Staffing</b>	<b>558.60</b>	<b>Proposed Staffing Levels at June 30, 2018</b>
Police	(2.00)	Delete (2) Report Takers
Police	-	"Unfund" (7) Police Officers
Police	(2.00)	Delete (2) Police Record Specialist I/II
Police	7.00	Add (7) Community Services Officer I/II
Police	1.00	Add (1) Police Investigator
Administration	-	Reclass (1) Executive Assistant to Senior Administrative Assistant
City Council Offices	-	Reclass (1) Administrative Assistant I/II/III to Senior Admin Assistant
Public Works	-	Reclass (1) Deputy Public Works Director to Engineering Associate
Public Works	1.00	Add (1) Program Assistant
Public Works	1.00	Add (1) Program Assistant
Public Works	-	Reclass (1) Program Specialist to Management Analyst
Finance	-	Reclass (2) Payroll Specialists to Payroll Coordinators from PCEA to PMMCEA (Confidential)
Information Technology	(1.00)	Delete (1) Telecommunications Technician
Water Resources	-	Reclassify (1) Senior Storekeeper to Program Assistant
Water Resources	1.00	Add (1) Water Resources Manager
Water Resources	-	Reclassify (1) Water Production Supvr to Water Prod and Trtmnt Ops Supvr
Water Resources	-	Reclassify (1) Wstetwater Collect Systems Supvr to Dist&Wstetwater Ops Supvr
Water Resources	-	Title Change (1) Water Res Operations Mgr to Water Operations Manager
<b>2018-19 Proposed Staffing</b>	<b>564.60</b>	<b>Proposed Staffing Levels at July 1, 2018</b>

Table 9

## Historical FTE Staffing Levels

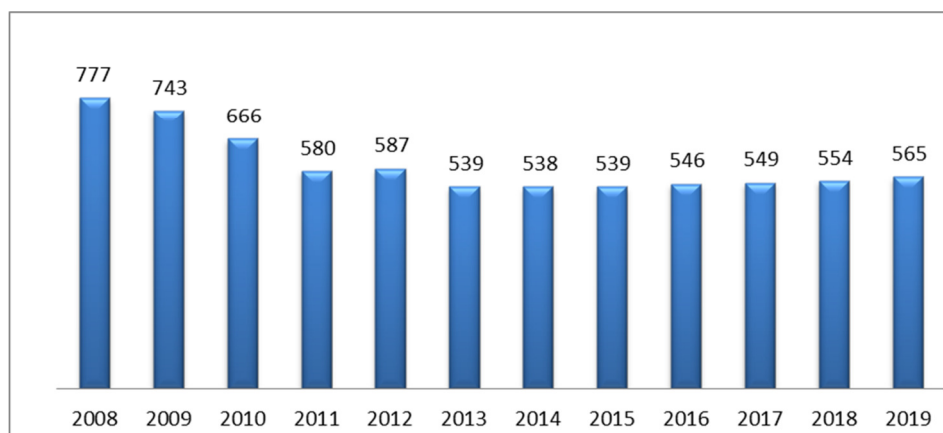


Table 10

## CAPITAL IMPROVEMENT PROGRAM (CIP)

CIP projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks and public facilities. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The capital plan includes a total of 138 projects, totaling approximately \$419.0M, of which \$181.1M is funded. The \$181.1M will be funded from prior year appropriations totaling \$169.1M of which approximately \$84.3 million remains unspent, and nearly \$12.0M of new funding. The approved funding for projects within this document reflects City Council approvals through June 18, 2018.



# CITY OF POMONA

## Noteworthy CIP projects for FY 2018:

CIP Highlights of FY 2018	TOTAL COST/BUDGET TO DATE \$24,630,758
Pedestrian Access Ramp Removal & Wall Replacement - Norval Street	Closed 12/18/17
Street Rehab - Slurry Seal & Overlay	Closed 12/18/17
Major Street Rehabilitation – Citywide 12 miles of street rehabbed plus 2 miles of N. Garey CSP and Phase II (Bulb-outs/Pedestrian Improvements Citywide)	Phase I completed, Construction Phase II completion Summer 2018
Sidewalks - Penmar Lane (CDBG)	Completion Spring 2018.
Traffic Signal - Village Loop and Santa Clara	Completed
Cooperative Agreement (w/Caltrans)-Traffic Signal Foothill Blvd & Sumner Ave	Closed 12/18/17
Traffic Signal Improvements - Towne Ave and Riverside Drive	Completed
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Phases I & II completed; Phase III Completion Spring 2018
Ganesha Park Restroom Demolition	Closed 12/18/17
Plaza Park Improvements (6 Planters)	Closed 12/18/17
Various Park Projects (Ganesha Park Tree Grove, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Alegria Park)	Completed
Six Basins - Groundwater Optimization (VOC plants)	Completed
Sewer Pipeline Replacement - Citywide (Phase IV)	Completed

Table 12

Infrastructure Projects In Process for FY2019	TOTAL BUDGET \$46,858,162
ADA Path of Travel - CW (CDBG)	Estimated Completion Summer 2018
Bridge Rehab Program - Phase I	Estimated Completion Spring 2019
ADA Curb Ramps and Sidewalks Compliance Program - Citywide Phase III	Estimated Completion Winter 2019
Traffic Operations - Communications Upgrade (Bike Detection) - S Garey between Mission and County Rd.	Estimated Completion Summer 2018
Transit Improvement Program - CW (Phase III)	Construction Commences Spring 2018
Major Street Rehabilitation – Citywide, Phase II (Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion Summer 2018 (Phase II)
Corporate Yard Facility	Construction Commences Summer 2018
Downtown Parking Structures	Estimated Completion Winter 2019 (Design); Construction starting Spring 2019
Year-Round Emergency Shelter	Construction Commences Summer 2018
Meter Replacement – Metering GPS	Construction Commences Fall 2018
Palm Lakes Golf Course - Spreading Grounds Feasibility Study	Estimated Completion Spring 2018 (Design)
Six Basins - Groundwater Optimization	Estimated Completion Summer 2018
Water Main Replacement FY 2017-18 - Design	Estimated completion Summer 2018
Water Mains - District 3	Estimated Completion Summer 2018 (Design); Construction starting Fall 2018
Water Mains - Ellen Place	Estimated Completion Summer 2018 (Design); Construction starting Fall 2019
Strategic Plan (Water Master Plan, Sewer Master Plan, Sewer Model Update/Exp)	Estimated Completion Winter 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated completion Summer 2018
Drainage Master Plan	Estimated Completion Summer 2018

Table 13

## HIGHLIGHTS FROM URBAN FUTURES (UF) REPORT OVERVIEW

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





Key assumptions in UFI's baseline forecast were: revenue and expense assumptions were considered moderate (simply trend-based predictions or static), it does not assume any recessionary period over the next ten years, assumes no salary increases or benefit adjustments in the next ten years and finally it incorporates six years of projected costs provided by California Public Employee Retirement System (PERS) but assumes a flattening or stabilizing of pension costs for the final four years of the forecast.

When you eliminate the use of one-time monies, the adopted FY 2019 budget shows the City's General Fund will experience budget insolvency and an annual operating deficit \$8M to \$10M over the next ten years. The City is facing long-term sustained budget insolvency that will quickly deplete its \$17.5M in reserves within the next two years. The City has very little time to act and a significant structural budget deficit to fix.

## RECOMMENDATIONS

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

1. **OPTION #1** Increase revenues by \$8M to \$10M annually through local tax options such as a transaction and use tax (TUT), a parcel tax, and to extend the Utility User Tax (UUT) to include sewer and refuse.
  - a. **TUT** – For the City, a TUT would be added to the current 9.5% sales tax applicable throughout Los Angeles County. Currently, fifteen cities in Los Angeles County (mostly in the southern and eastern areas) have adopted a TUT of either  $\frac{1}{2}$  or  $\frac{3}{4}$  percent, for a total sales tax rate of 10% to 10.25%. The closest cities in Los Angeles County with an adopted TUT are El Monte and South El Monte.
    - i. Under current law, the maximum amount the City can adopt for a TUT is  $\frac{3}{4}$  percent, which would create a total sales tax rate in Pomona of 10.25%. At this rate, the City's sales tax consultant provided a very rough estimate that the TUT could potentially generate additional new revenue of approximately \$7 million to \$10 million annually. The TUT measure would need to be approved by majority of the voters.
  - b. **Parcel Tax** – The Los Angeles County Assessor's data shows the City has approximately 31,300 taxable parcels. If a flat per-parcel rate of \$100 was adopted, the revenue derived would be approximately \$3,000,000 after the costs of the County Assessor's administration and distribution (estimated at 3.00%). To support on-going basic level services, such as public safety, the City may want to consider a floating rate which keeps pace with Proposition 13 limits and would supplement property tax revenues when Proposition 8 reductions are implemented. To fully address the City's budget insolvency, the per-parcel flat rate would likely need to be \$250 to \$300 per parcel, unless combined with other measure or actions.
  - c. **UUT** –The City currently has a 9% tax on all utilities, except refuse and sewer. If the current UUT was extended to the City's refuse and sewer services, the estimated additional revenue to the General Fund would be approximately \$1.1



million annually. To fully address the City's budget insolvency, the extension of the UUT would need to be combined with other measure or actions.

2. **OPTION #2 Reduce General Fund operating cost by \$8M to \$10M annually by various measures such as: restructuring the delivery model of one or more General Fund Services, seek or impose labor cost concessions or permanently reduce General Fund Staffing and Municipal Service Levels.**

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

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

- b. Seek or Impose Labor Cost Concessions**

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

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

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

## SUMMARY

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



## CONCLUSION

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

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

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

Respectfully submitted,

Linda Lowry  
City Manager



# CITY OF POMONA

