

City of Rancho Cucamonga

Fiscal Year 2016/17
Proposed Budgets

Budget Study Session
June 7, 2016



A Year of Transitions

- *Transition – “A movement, development, or evolution from one form, state, or style to another.”*
- FY 2016/17 is definitely a year of transition
- Rancho Cucamonga has finally reached a point where, from FY 2016/17 forward, we should experience true new growth (as opposed to regaining ground lost during the recession)



A Year of Transitions

- Property tax, minus the new post-RDA taxes, will surpass our pre-recession peak of \$4,874,790 in FY 2008/09
- Sales tax is projected to reach \$28,854,580, just slightly higher than our pre-recession peak of \$28,617,960 in FY 2007/08



A Year of Transitions

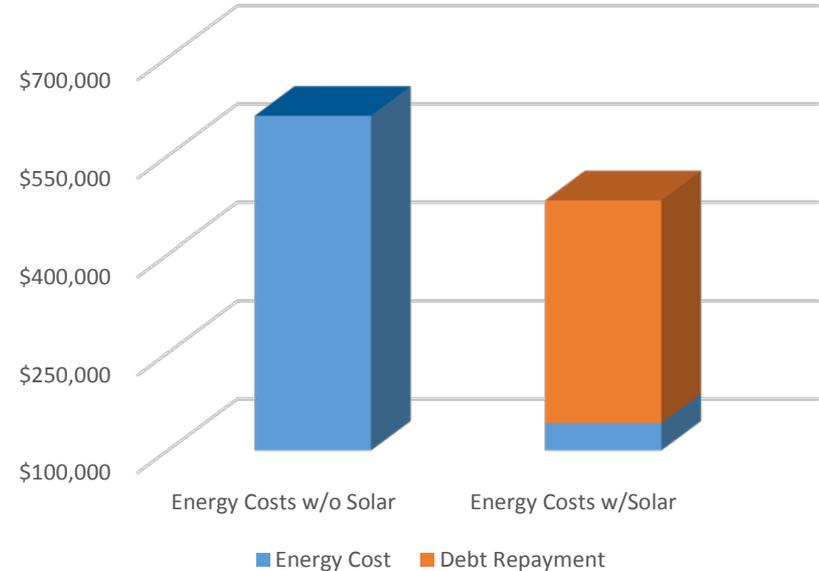
- We are challenged by sustained growth in fixed costs
- Electricity and natural gas rates have increased more than 6% in the last 5 years, despite becoming more energy-efficient
- Utilities are some of our biggest fixed costs to operate facilities
- City Council directed staff to explore opportunities to reduce fixed costs whenever possible



A Year of Transitions

- Rancho Cucamonga has invested in Solar RC
- Investment in solar infrastructure projects are starting to yield net budget savings from this very first full year of operations, and will only grow in the future

Solar RC Expansion Project
Energy Cost w/o Solar vs. with Solar
FY 2016/17 Savings: \$129,307



A Year of Transitions

- As we enter this year of transition, it is important to:
 - Rethink priorities
 - Develop new habits of conservation
 - Create a new normal
- Staff is working hard to ride the wave of transition and develop intentional new habits that will ensure success and permanence



A Year of Transitions

- Some examples of transitions and changes coming to Rancho Cucamonga include:
 - Replace use of Gas Tax funds with General Fund dollars to cover budget deficits in Street Light Districts
 - Purchasing City street lights from Southern California Edison to save the City an estimated \$1.3 million in cost for electricity each year
 - Replacing soon to be terminated leased space for Family Sports Center with a new City Gymnasium located off Rochester



FY 2016/17 Budget Changes

- Top priorities for FY 2016/17
 - Implementation of 2015 Economic Development Strategic Plan
 - Focus on critical infrastructure projects
 - Improvements to public safety and critical community services
 - Continued development of technology and workforce reorganization
- Priorities were carefully developed to be consistent with the City Council Goals



Economic Development

- In March 2016, Rancho Cucamonga's unemployment rate continued to decrease even more to 4.2%
 - Anything below 5% is considered full employment
 - Current rate is less than half of where we were at this time four years earlier
- In the first four months of 2016, we issued 1,700 building permits, an increase of 16% over the same time period in 2015
- Overall, local economic development is picking up solidly



Economic Development

- Examples of the activity, innovation and growth occurring at the local level:
 - Two hotel projects are in the grading or construction phase
 - A new Stater Bros. supermarket is coming soon to the NW corner of Base Line Road and Day Creek Boulevard
 - Construction is underway for additional commercial space in the Vons/Trader Joe's shopping center at Haven and the 210 freeway



Economic Development

- Mixed use multi-story housing projects are currently going through staff review, design review, or Planning Commission approval for Hermosa/Foothill, Etiwanda/Foothill, and East/Foothill
- Haven City Market tenant improvement plans were submitted to the Building and Safety Department and are currently in review (former K-Mart site)
- All approvals have been granted for a new commercial center to replace the old China Buffet at Foothill and Spruce Avenue
- GOALS soccer complex lease agreement was recently approved by the City Council



Economic Development

- All of these developments help support the strategies contained in the City's Economic Development Strategic Plan approved last March 2015
- Five target industries identified:
 1. Health Care and Social Assistance;
 2. Transportation, Warehousing, and Wholesale Trade;
 3. Retail, Accommodation/Food Services;
 4. Manufacturing; and
 5. Professional, Scientific, and Technical Services



Infrastructure

- As the City transitions toward being a largely built-out community, our infrastructure is also transitioning into one that is slowly aging
 - More frequent and regular maintenance required
- New facilities will require their own level of maintenance
- **\$197,000,000** in reserves set aside for maintenance and repair as well as construction of future facilities were seized by the State of California when it eliminated Redevelopment



Infrastructure

- When the current economic recovery first began, City Council challenged staff to start replacing those reserves
- Rebuilding is in progress
- Budgeted General Fund reserve contributions:
 - FY 2013/14: \$508,680
 - FY 2014/15: \$607,480
 - FY 2015/16: \$700,000
 - FY 2016/17: \$1,000,000
- At this rate, it would take over 100 years to replace what was lost



Infrastructure

- Key infrastructure projects for FY 2016/17:
 - Construction of Base Line / I-15 interchange
 - Replacement of leased Family Sports Center with the City's own Gymnasium (\$15 million)
 - Installation of \$3.9 million Cucamonga Storm Drain Upper Phase 3
 - Undergrounding of utilities on Arrow Route (\$724,000) and Base Line Road (\$559,000)
 - Completion of Los Amigos Park in Southwest Rancho Cucamonga (\$3.9 million)
 - \$850,000 Extreme Makeover of the Animal Center



Infrastructure

- Replacement of flooring at Central Park in halls and rooms (\$310,000)
- Completion of second floor of Biane Library at Victoria Gardens (\$2.5 million)
- \$625,000 for concrete replacement
- \$255,000 to fill in missing pieces of sidewalk
- \$510,000 for tree maintenance contract
- \$200,000 in new or upgraded ADA ramps citywide
- \$250,000 Traffic Center Management Upgrade (citywide)



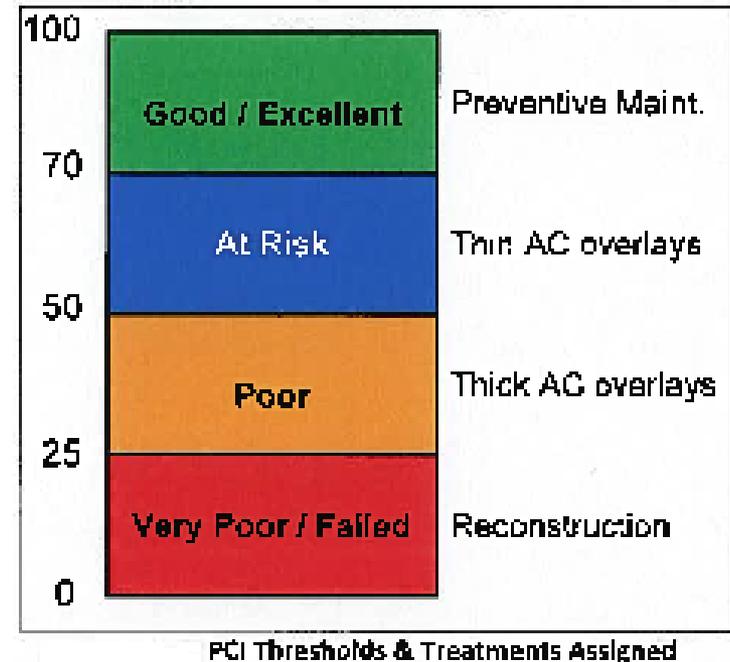
Infrastructure

- Single largest infrastructure component the City is responsible for is the network of streets inside our incorporated boundaries
- Traditionally, largely maintained by all local governments using gasoline tax revenues, which are declining



Infrastructure

- Rancho Cucamonga's goal for local street maintenance is no less than a 79% pavement condition index (PCI) and more towards our goal of 85%
- California roads are at a 66% PCI



Infrastructure

- City is utilizing all \$3,552,840 in projected Gas Tax revenues, along with \$2,762,470 in projected Measure I revenues, for local streets overlay and slurry seal programs; minor sidewalk projects; and pavement management
- Without an increase in Gas Tax revenue, Rancho Cucamonga will also slowly fall behind the infrastructure curve like so may other agencies have in the last 5 to 7 years
- City is partnering with the League to address issue with the Governor and Legislature



Public Safety/Community Services

- Utilization of technology as force multiplier
 - Automated License Plate Readers (ALPRs)
 - Public Safety Video Network (PSVN)
 - K-9s
 - Electric motorcycles
- Public safety has always been the City Council's highest priority and remains so today



Public Safety/Community Services

- Part II crimes decreased 12% (*amazing!*)
- Part I crimes increased 8% (*much lower than comparable size agencies*)
 - Increase is largely due to changes in methodology of what is counted and how certain things are classified
- In 2015, Deputies took more reports and made more arrests, on a lower volume of calls for service, than at any time in the last three years



Public Safety/Community Services

- Long term goal is to keep deputy to citizen staffing ratios stable
- For FY 2016/17, staff is recommending hiring one additional Deputy Sheriff and one Sheriff Services Specialist (SSS) out of current resources
- City is applying for a COPS Hiring Program Grant to bring on an additional three Deputies in FY 2016/17
 - Matching funds are budgeted in anticipation of approval



Public Safety/Community Services

- Goal is to add additional Deputies in the future
- This is a challenge with the Sheriff's Contract budget in the General Fund increasing from \$31,530,550 to \$33,088,530 largely due to salary increases and retirement cost increases



Public Safety/Community Services

- FY 2016/17 Proposed Budget includes funding for another bus for Senior Transportation Programs as well as funding to expand our special needs programs
- City's highly successful 24-hour Kitten Nursery will be continuing again this year



Personnel/Technology

- Rancho Cucamonga (like other cities) delivers the vast majority of its services through our personnel
 - Single largest expense as we are a service-based business
- During the Great Recession, the City's workforce shrank by 25% or over 110 full time equivalent positions
- Coming out of the recession, City Council directed staff to focus on moderating growth in new personnel to help control personnel related costs



Personnel/Technology

- City accomplished this goal through
 - Continued implementation of new technology
 - Strategic personnel decisions
 - Reprioritizing existing resources
- Ways we are leveraging new technologies to serve as force multipliers across the organization:
 - Accela Automation building permit and Electronic Document Review process
 - Implementing additional modules in OneSolution, the City's finance system, to automate processes



Personnel/Technology

- Expanding PSVN and ALPR systems
- Implementing new ESRI software to visualize building projects in 3-D to ensure a better fit with surroundings
- Upgrading to a new voice over internet protocol (VoIP) telephone system
- Installation of public facing high speed internet access at Biane and Archibald Libraries and improved internet speed across the entire City network
- Development of business intelligence and spatial reference platforms for all enterprise applications to allow better data visualization and analysis



Personnel/Technology

- Made possible by modest, sustained revenue growth, the FY 2016/17 Proposed Budget continues the trend of improving services to the community through strategic personnel decisions
- Included in the FY 2016/17 Proposed Budget is a modest set of personnel changes and reclassifications at a total cost to the City of slightly over \$300,000, including salary and benefits
- Reflects the addition of a net 3.5 full-time and 14 part-time positions
 - Concentrated in Public Works and Administrative Services



Operating Budgets

The operating budgets for Rancho Cucamonga are comprised of the following:

- City General Fund \$77,501,290
- Fire District Operational Funds \$33,242,760
- Library Fund \$ 4,730,730

In addition to the operating budgets, the complete City budget includes other special funds which are restricted from use for general municipal operations. The total budget for Special Funds (including CIP) is \$100,089,170. The Fire District's Capital Fund budget is \$24,946,730.



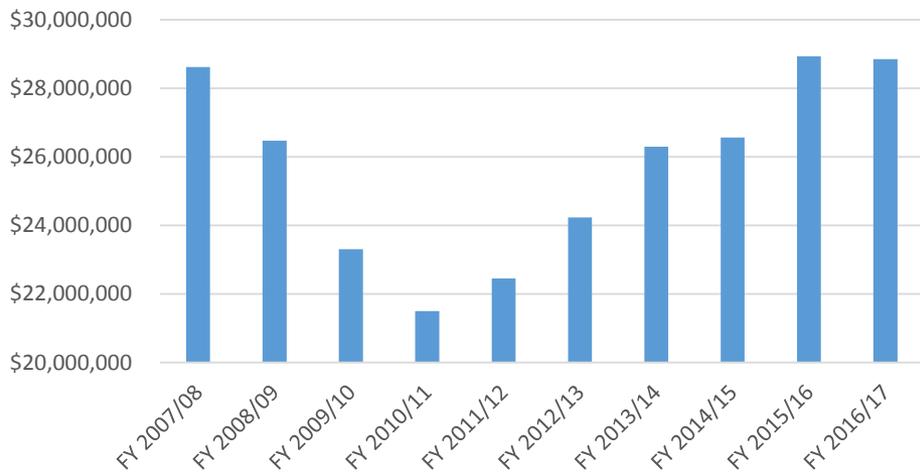
City General Fund – Key Revenues

- City General Fund budget comprised of multiple sources including seven key revenues (*91.6% of total General Fund revenues*)
 1. Sales tax
 2. Vehicle license fees (VLF and Motor Vehicle in Lieu)
 3. Franchise fees
 4. Property tax (includes post-RDA property tax and property transfer tax)
 5. Development fees
 6. Business licenses
 7. Transient occupancy taxes

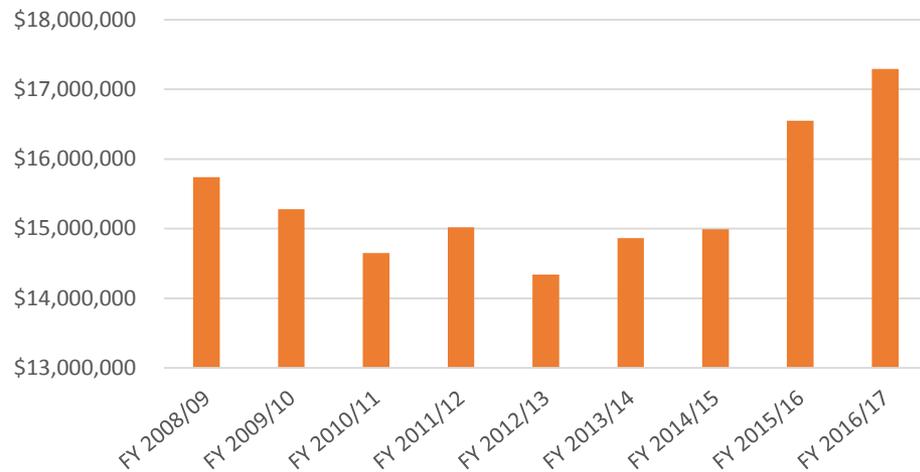


City General Fund Revenues

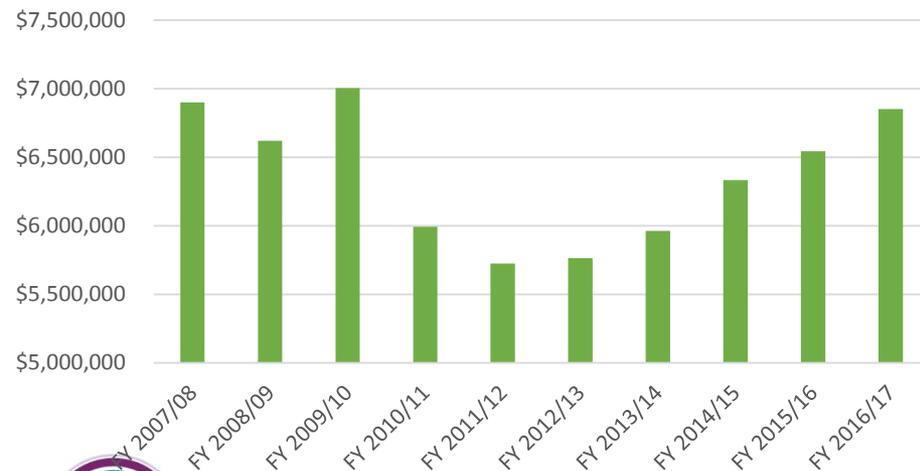
Sales Tax



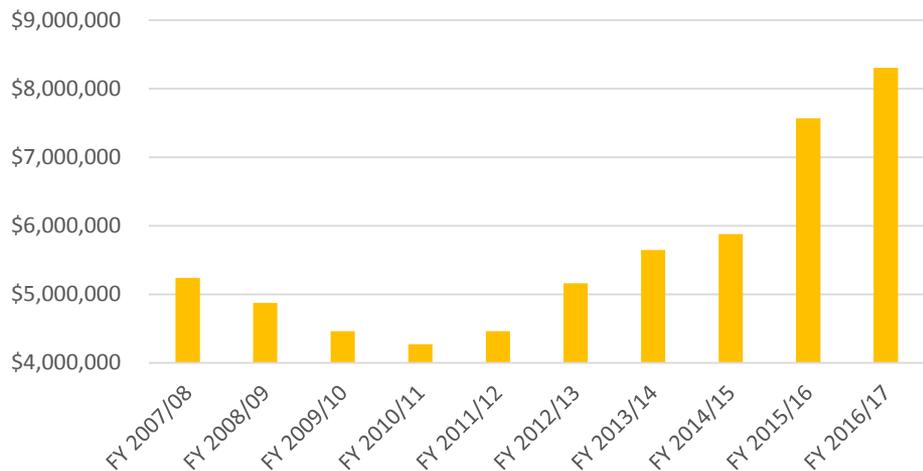
VLF and Property Tax In-Lieu of VLF



Franchise Fees



Property Taxes*

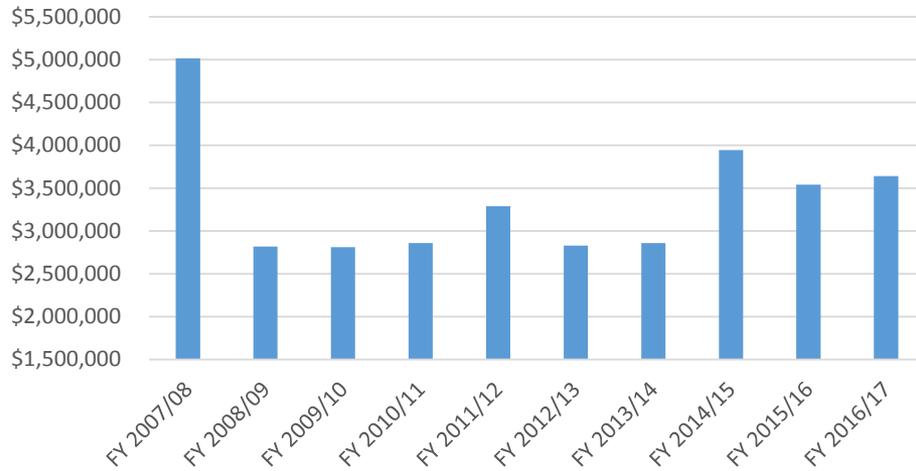


*Includes Property Transfer Tax

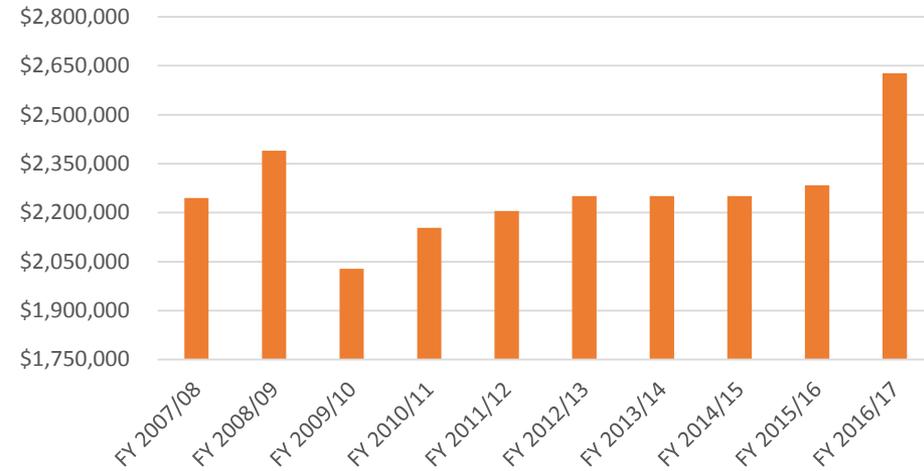


City General Fund Revenues

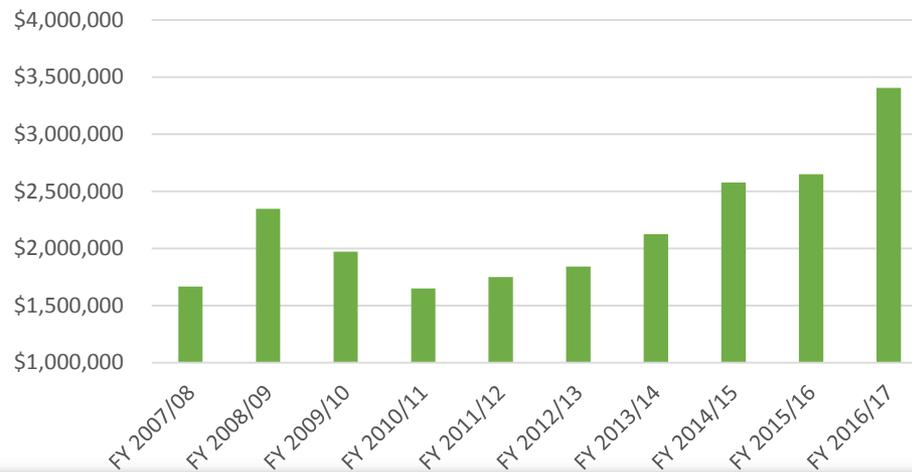
Development Fees



Business Licenses

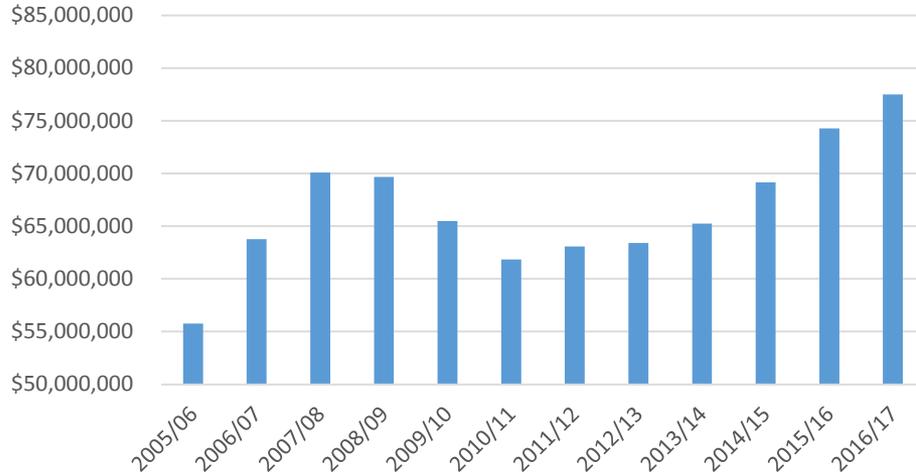


Transient Occupancy Taxes

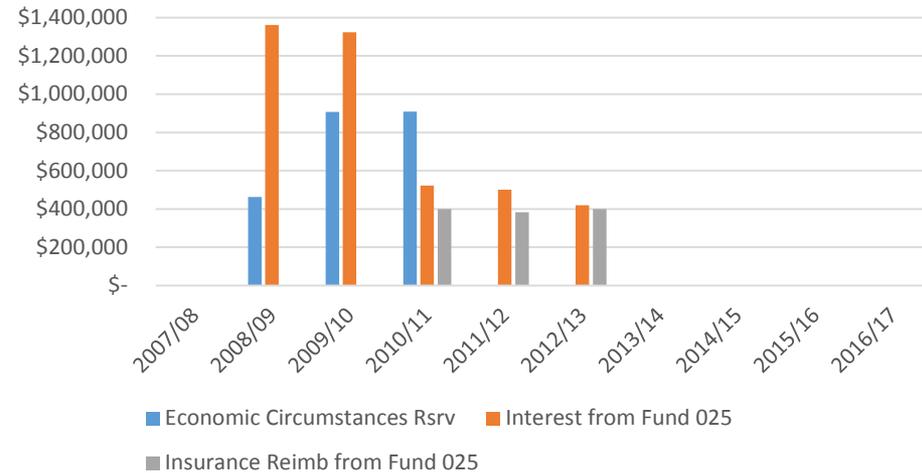


City General Fund Operating Budget

Changes in Operating Budget - City General Fund



Reduction in Usage of Reserves - City General Fund



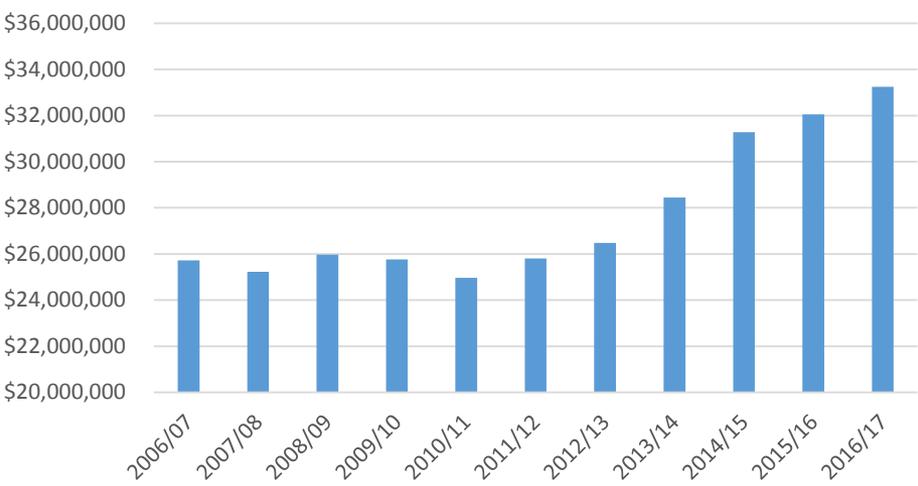
Fire District and Library Revenues

- Principal revenue source is property tax; fluctuates based on:
 - Changes in property tax assessments
 - New secured properties being added to the tax roll
- Typically property tax changes lag one to two years behind other revenue changes
- Fire District post-RDA property tax revenues are allocated between the District's General Fund and the Capital Reserve Fund to provide for current operational needs

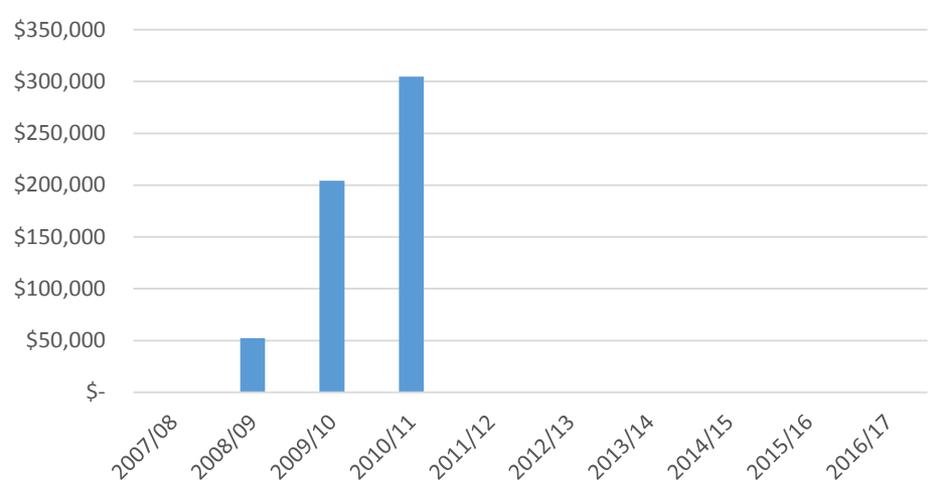


Changes in Operating Budgets and Reserves

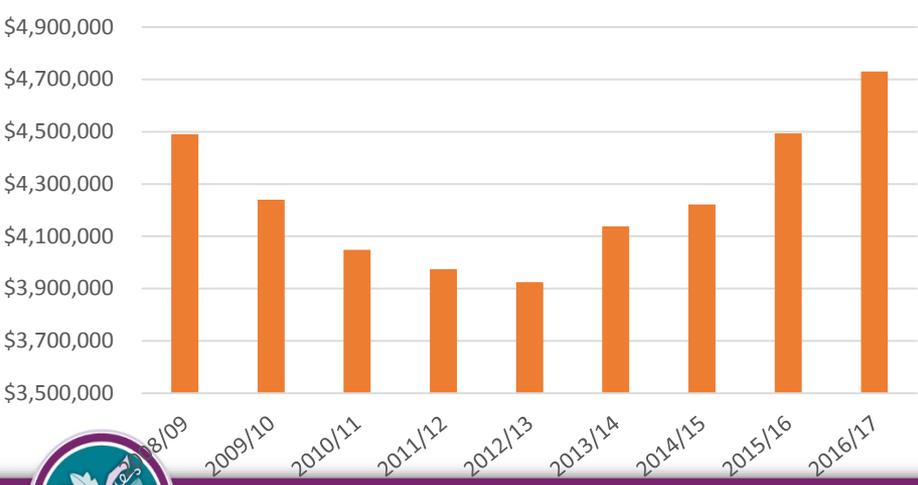
Changes in Operating Budget - Fire District



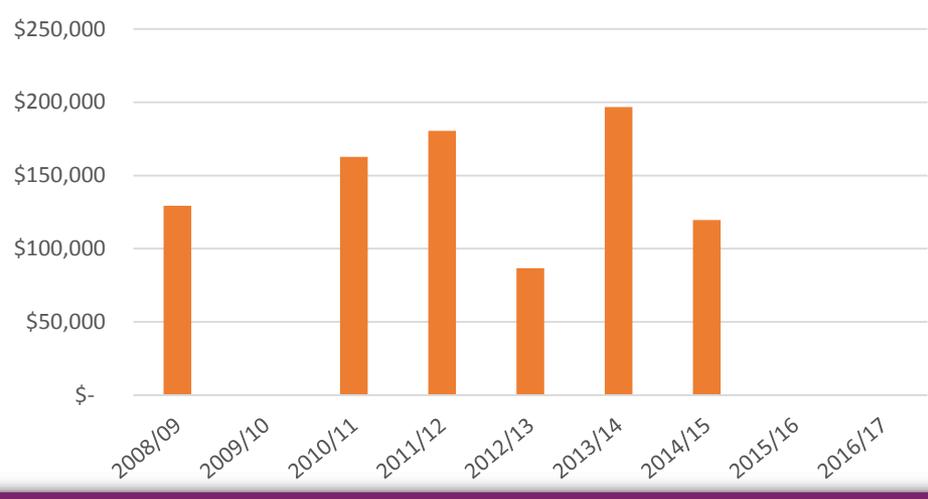
Reduction in Usage of Reserves - Fire District



Changes in Operating Budget - Library Fund



Use of Library Reserves



Operating Budget Analysis: Fire District

- FY 2016/17 Fire District Operating Budget: \$33,242,760
 - A \$1,194,310 or 3.7% increase from prior year
 - No use of reserves for the operating budget
- Continues to redistribute operating expenses in various areas to improve accountability and transparency
- No increase in CFD assessments for five years in a row
 - Reflects District's commitment to maintaining rates and, where possible, to reduce rates in a prudent manner
 - Suspend Fire Inspection Fees again



Operating Budget Analysis: Fire District

- Applied the California Municipal Health Financial Diagnostic to the Fire District for the first time
 - Improves accountability and transparency
- Fire District is financially stable and healthy

City of RCFPD		Fire General Fund	
The California Municipal Financial Health Diagnostic			
Financial Health Indicators - Summary Checklist			
	Indicator	Rating	
Measures	1. Net Operating deficit / surplus. There are no recurring general fund operating deficits. General revenues are sufficient to meet the net general revenue demand of programs.	Healthy	Healthy
	2. Fund balance. Reserves are sufficient over multiple consecutive years and in compliance with adopted policy.	Healthy	Healthy
	3. Capital Asset Condition. The county is keeping pace with the aging of its capital assets.	Healthy	Healthy
	4. Liquidity. Cash and short-term investments are sufficient to cover current liabilities (including short-term debt and accounts payable within 60 days).	Healthy	Healthy
	5. Fixed costs & labor costs. Fixed costs (including debt service and other contractual obligations), salaries and benefits are stable or decreasing over multiple years relative to reasonably expected revenue growth.	Caution	Caution
	6. General fund subsidies of other funds. Any general fund subsidies other enterprises or special funds are sustainable and in compliance with adopted policy.	Healthy	Healthy
Practices and Conditions	7. Constraints on budgetary discretion. The board of supervisors' authority to make budget changes is not excessively constrained by charter, contract, or law.	Healthy	Healthy
	8. Balancing the budget with temporary funds. The use of reserves, selling assets, deferring asset maintenance to balance the general fund has been limited, prudent and in compliance with adopted policy.	Healthy	Healthy
	9. Balancing the budget with borrowing. The use of short-term borrowing, internal borrowing or transfers from special funds to balance the general fund has been limited, prudent and in compliance with adopted policy.	Healthy	Healthy
	10. Balancing the budget by deferring employee compensation costs. Pension liabilities and other non-salary benefits have been determined, disclosed and actuarially funded in compliance with adopted policy.	Healthy	Healthy
	11. Balancing the budget with backloaded debt service payments. Debt service payments have not been "backloaded" into future years.	Healthy	Healthy
	12. Funding operating costs with non-recurring revenues. Ongoing operating costs are being funded with ongoing rather than temporary revenues (e.g., from development, etc.)	Healthy	Healthy
	13. Timeliness and accuracy of financial reports. Financial Reports are being filed on time. (CAFR, Annual Audit, State Controller's Financial Transactions Report)	Healthy	Healthy
	14. Service level solvency. Public service levels meet the standards and needs in this community.	Healthy	Healthy



Operating Budget Analysis: Library

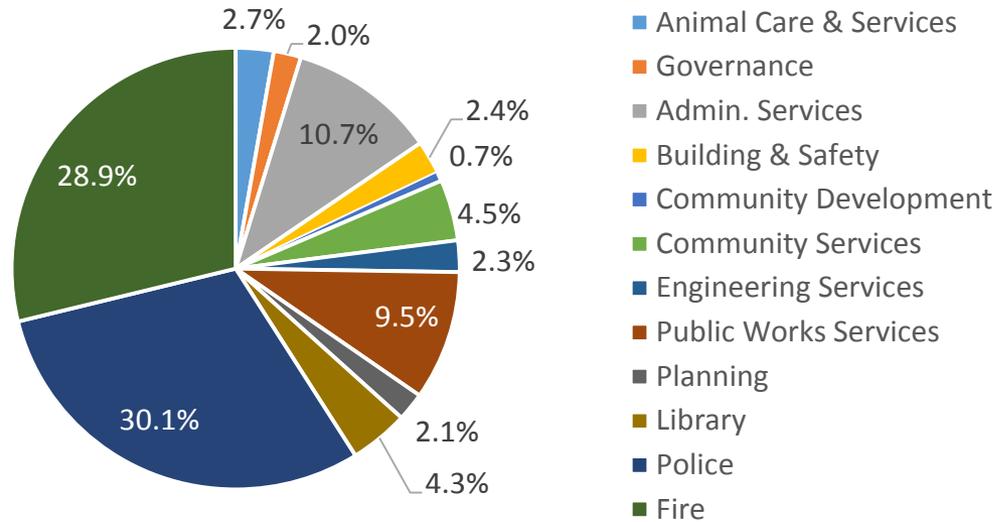
- FY 2016/17 Library Budget: \$4,730,730
 - A \$237,550 or 5.3% increase from prior year
 - Increases funding for Children's Programming Fund
 - Maintains funding for books and materials for adults and children at both libraries
 - Continues successful entrepreneurial endeavors to support operating budget



City Operating Budgets

City General Fund, Library Fund,
and Fire District Operational Funds

**Public
Safety:
59.0% ***



*A healthy city typically has between 50% and 70% of its budget dedicated to public safety. An unhealthy city is in excess of 70%.



Special Districts

- There are 38 special assessment districts in the City; most created prior to Prop 218
- Continuing challenge: West-side Districts
 - Measure A rejected
 - City Council approved:
 - A series of one-time expenditures of General Fund capital reserves designed to yield savings over time
 - Provided a General Benefit Equivalent payment to PD 85 and LMD 1; capped to provide equity with the East-side Districts



Special Districts

- Need to address long-term fiscal stability of PD 85 (*Heritage and Red Hill Parks*), LMD 1 (*8 parks and various green spaces/trails*), and SLD 2 (*local street lights*)
- Implementation of Council-approved changes are not yet complete
 - Rebid landscape contracts and reduce personnel costs; required negotiations with labor group in progress
- Over the next 5 to 10 years, recently approved Empire Lakes mixed use project will contribute in excess of \$400,000 annually to the reserves of these districts



Special Districts

- Together, these changes will help stabilize these districts for the next several years at a “C-” level of service
- A new approach will eventually be needed to ensure fiscal stability for the west side parks and landscape districts
- In the meantime, a West-side Citizens’ Oversight Committee was formed and has begun its work reviewing the PD 85, LMD 1, and SLD 2 budgets, including revenues and expenditures



Special Districts

- Overall, City is committed to ensuring revenues and expenses remain balanced; however, all recurring costs such as water, electricity, and contract services, must be covered
- Recommended changes for FY 2016/17 include:
 - LMD 2: Increase of 2.41%
 - LMD 3B: Decrease of 20% (commercial and industrial property owners)
 - LMD 4R: Increase of 2.41%
 - LMD 6R: Increase of 2.41%
 - CFD 2000-03: Increase of 6%



Special Districts

- List of fiscally-troubled districts has dwindled as the City has addressed and is addressing many of the major ones
- Still work to do in the future
- LMD 7 remains in a deficit position
 - Rate increases in this district will require property owner consideration in the future



Fiscal Summary

- Proposed FY 2016/17 Budget is a product of past and continuing fiscal discipline enhanced by a recovering economy
- Following is a summation of all FY 2016/17 City budgets:
 - City General Fund \$ 77,501,290
 - Library Services \$ 4,730,730
 - Fire Protection District \$ 58,189,490
 - Special Funds (including CIP) \$100,089,170



Conclusion

- Rancho Cucamonga remains committed to maintaining its more than 30 year tradition of fiscal stability and providing the highest quality services to its customers within budgetary constraints
- To ensure a vibrant and healthy community, the City must maintain a comprehensive suite of community services, guided by the City Council Goals as well as the City's established Vision Statement, Mission Statement, and Values



Conclusion

- Looking ahead, we need to plan as carefully for the last phases of the City's development as those before us did for the first 39 years
 - Ensure that our high development standards are continued and that long-term fiscal sustainability of the organization remains at the forefront



Any Questions or Comments?

