



July 1, 2017

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

It is my pleasure to submit the Adopted Budget for Fiscal Year 2017-18.

The enclosed adopted budget aligns with the City Council's priority to present a balanced budget, with the General Fund Budget contributing \$22,381 to reserves. The budget process this year went beyond "holding the line", Department Heads worked hard to make reductions in their budget to minimize the effects of flat revenues, increased cost in services, and increased retirement cost. This year's adopted budget also includes static staffing levels and use of one-time revenue sources to balance the budget. Although these strategies prove to be effective, reliance on one-time solutions cannot be utilized long term to ensure a sustainable level of services.

In the coming year, City Council, City Manager, and City Staff will all need to use forward-thinking leadership, innovation, various cost-saving budget strategies, and revenue generating ideas to meet the City's needs. Proactive development of a Five-Year and/or Ten-Year Financial Plan is essential to secure the financial needs and economic sustainability of the City.

ECONOMIC ENVIRONMENT

Despite current budget conditions of the City, there is evidence of slow progress towards economic recovery through gradual increases in population, employment, retail sales, building permits, and home prices.

In the "Local Profiles Report 2015" from the Southern California Association of Governments (SCAG) the following statistics were released:

- 1.8% Population Growth from 2010 to 2014
- 2.1% Household Growth & 24% Median Income Household Growth from 2000 to 2014
- 2,672 permits issued for all residential units from 2010-2014
- Median Home Sales Price increased from \$128,500 to \$308,000 from 2000 – 2014
- 956 foreclosures in 2008 to only 63 in 2014.
- 8.3% Job Growth in Pomona from 2010-2014
- 13.4% Avg. Annual Salary Growth from 2003-2013

Table 1



The growth markers for all these areas are modest compared to the same growth markers in Los Angeles County; nevertheless, there are signs of recovery from the economic downturn in the 2008 time period.

STRATEGIC PRIORITIES

City officials and staff are committed to prioritizing the services designed to meet the needs of Pomona's residents. So, despite adopted budget reductions, there are still some noteworthy programs/services included in the adopted FY 2017-18 Budget. A few of those programs/services include:

- Police
 - Special Programs such as Canine Program, Community Events, Crime Prevention, and Volunteer Program
 - Upgrade of Radio System / Strategic Partnership with Cal Poly
- Public Works
 - Homeless Encampment Action Response Team (Heart) Program which will focus on open space areas, brush clearance, and fire prevention tactics
 - \$35K in playground equipment
 - Various street improvements with the additional \$2.1M received from Measure M
 - Completion of Capital Improvement Projects (Streets rehabilitation and parking structure) with former RDA bond proceeds
- Water/Sewer Operations
 - Finalizing Strategic Plan – Will identify and address 5 key areas for improvement: communication, engineering, customer service, organization structure and financial management
 - Update of 2005 Master Plan for Water and Sewer
- Successor Agency
 - Selling of all Successor Agency-owned properties that will eventually lead to one-time property tax revenue for the General Fund
- Economic Development
 - Developer built Movie Theatre
 - Developer built/renovation of various hotels located throughout the City
 - Abatement Program for Buildings (\$30K)
- Development Services
 - Completion of the Zoning Ordinance
- Recreation
 - Thirteen After School Programs located in various parks throughout the City with an estimated 44,000 points of contact per year.
 - Special events such as Holiday at the Plaza, Haunted House, and the Easter Egg Hunt which serves over 5,000 residents per year.
 - Swim Program with over 11,500 points of contact per year
 - The Elderly Nutrition program serves over 36,000 meals per year



CITYWIDE BUDGET HIGHLIGHTS

The adopted FY 2017-18 Budget for Citywide expenditures is \$218M, and it is comprised of seven operating fund types as shown in the Table 2.

Total City Appropriations by Fund Type

FUND TYPE	FY 2016-17	FY 2017-18
General Fund	95,773,175	94,590,121
Special Revenue Funds	41,127,760	31,140,472
Debt Service Funds	6,739,195	6,360,531
Capital Projects Funds	19,290,844	9,023,549
Enterprise Funds	61,636,364	54,876,224
Internal Service Funds	8,799,060	8,310,486
Housing Authority	13,766,437	14,171,597
Total	247,132,835	218,472,980

Table 2

The General Fund Adopted budget is \$94.6M and it maintains City Council's long-standing funding priorities by allocating over 81% of the budget to Police and Fire Services. However, in total, the General Fund appropriations decreased by \$1.2M from the previous fiscal year. In order to balance the budget, non-Public Safety appropriations were reduced by \$2.3M, while the Public Safety portion resulted in a \$1.1M increase (majority related to the Los Angeles County Fire contract increase of \$979K). The Police Department did contribute to the overall budget decrease; by mitigating the \$685K increase in PERS cost for sworn personnel.

Budget appropriations for the Special Revenue Funds and the Capital Projects Funds each decreased by \$10M from the previous fiscal year. The Special Revenue Fund types decreased by \$9.9M due mostly to \$1.6M that was budgeted in FY 2016-17 for the one time purchase of the Year Round Emergency Shelter land purchase. Other Special Revenue Funds that had significant decreases in appropriations are; Proposition C (\$850K), Community Development Block Grant (\$670K), and Air Quality Management District (\$560K). The General Sanitation Fee Fund is budgeted to have a decrease in funding from the Gas Tax fund, which resulted in a (\$406K) decrease in budgeted appropriations. This decrease may impact service levels for graffiti removal services and storm water compliance.

There was also a \$10M decrease in all Capital Project Fund Types. This decrease was due mostly to the budgeting of one-time bond proceeds that were used to fund large CIP projects in the previous year.

KEY BUDGET ASSUMPTIONS

The following key assumptions were made for the FY 2017-18 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 LA County Fire District is budgeted with an increase \$979K.
- There is a \$1.3M vacancy factor budgeted for all General Fund departments. This amount in the past years has varied from \$.5M to \$1.8M.
- The General Fund will meet or exceed its FY 2017-18 graduated benchmark fund balance policy goal of 14% by year end; however, the reserve balance has declined from \$17.1M in FY 2014-15 to an estimated \$15.5M in FY 2017-18 and is below the Reserve Policy goal of 17%.
- Finance staff is in the process of refunding General Fund Bond Series, AR, AU & AV to lower future year debt service payments and to create annual budget savings for the General Fund. If successful, there will be FY 2017-18 budget savings of approx. \$2M. The refunding will also level out future debt service payments and save the City approximately \$7.5M in net present value savings. A portion of the FY 2017-18 budget savings is being used to balance the adopted FY 2017-18 Budget.
- 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.

CHANGES BETWEEN PROPOSED AND ADOPTED BUDGET

The FY 2017-18 Annual Budget was adopted by the Mayor and City Council on June 12, 2017. The Adopted Budget Resolution states, “That any subsequent Council action prior to June 30, 2017 that has the effect of amending the approved 2017-2018 Operating Budget will be reflected in the final 2017-2018 Operating Budget documents without additional or separate Council action.” Several FY 2017-18 amendments were presented and approved before June 30th. Table 2A below displays a summary of the additional amendments approved and included in the FY 2017-18 Final Budget figures.

CITY COUNCIL MEETING DATE	IMPACTED FUND	AMOUNT
6/5/2017	Fund 131 - Low Mod Housing Asset Fund	\$126,000
6/19/2017	Fund 101 - General Fund	(\$22,831)
6/19/2017	Fund 571 - Water Operations Fund	\$94,334
6/19/2017	Fund 581 - Sewer Operations Fund	(\$36,939)

Table 2A

GENERAL FUND

Fund Balance

The General Fund’s ending fund balance is projected to be \$15.5M which is 16.4% of the FY 2017-18 adopted operating expenditures (Table 3). The adopted FY 2017-18 Budget is balanced



and should not require the use of reserve fund balance. 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 2017-18 is 14%. Based on the current projections for FY 2017-18, the City will exceed the benchmark goal by \$2.3M; however, the General Fund is still below the Government Accounting Standards Board recommendation of 17% by \$566K. Fully funded reserves assist in improving the City's bond rating, provides for emergency situations, assist with cash flow needs in the first six months of the fiscal year, and any excess reserves allows for one-time capital replacement projects in the future.

General Fund - Fund Balance		
Est. Beginning Fund Balance FY 2017-18	15,517,989	
Est. Revenues	94,612,952	
Appropriations & Transfers Out	(94,590,121)	
Est. Ending Fund Balance FY 2017-18	15,540,820	16.4%
Fund Balance per graduated benchmark for FY 2017-18	13,242,617	14%
Excess	2,298,203	

Table 3

General Fund Revenues

The FY 2017-18 General Fund Revenues have been estimated at \$94,612,952. Overall, the estimates have decreased by .1% from last fiscal year due mostly to one-time revenues received in the prior year. Property Tax, Sales Tax, and UUT make up 72% of the total General Fund Revenues and are estimated to increase by \$1.4M over the prior fiscal year. Following Table 4 is a brief discussion of each of these revenue sources.

Revenue Category	FY 2016-17 Budget	FY 2016-17 Y/E Est	FY 2017-18 Adopted	FY 2016-17 Budget vs. FY 2017-18	FY 2016-17 Y/E Est vs. FY 2017-18
Property Taxes	31,449,664	31,334,664	32,842,629	1,392,965	1,507,965
Sales Tax	18,008,817	18,233,817	18,075,000	66,183	(158,817)
Utility Tax	17,364,670	16,264,670	17,338,266	(26,404)	1,073,596
Total - Big "3"	66,823,151	65,833,151	68,255,895	1,432,744	2,422,744
Other Taxes	13,494,437	14,008,017	14,454,366	959,929	446,349
Fines	2,031,192	1,868,630	1,908,500	(122,692)	39,870
Use of Money	360,363	390,108	545,185	184,822	155,077
Other Intergov	212,500	115,385	95,000	(117,500)	(20,385)
Licenses, Permits, & Fees	7,635,651	7,226,586	6,350,535	(1,285,116)	(876,051)
Misc Rev	495,000	502,168	465,500	(29,500)	(36,668)
Charges for Svc	2,726,095	2,758,013	2,537,971	(188,124)	(220,042)
Transfers In	1034170	974,170	-	(1,034,170)	(974,170)
Other Fin Sources	-	-	-	-	-
Total - All Sources	94,812,559	93,676,228	94,612,952	(199,607)	936,724

Table 4



Sales Tax – FY 2016-17 marked the end of the State imposed Triple Flip. Cash flow has improved due to the elimination of the Triple Flip, as now revenues are received on a monthly basis. For FY 2017-18 it is projected there will be a slight increase in sales tax generated in the City of Pomona. The strongest economic segment for sales tax generators is building materials-wholesale at 20.8% followed by restaurants at 14.7%. Service stations, which once was Pomona's second strongest economic segment, has fallen to the third position at 10.2% of total sales tax generated as of third quarter 2016.

Property Tax – The increase in property tax is due mostly to an estimated increase in assessed values for secured and unsecured property taxes. The City is also in the process of working with the Los Angeles County Auditor-Controller's Office to address the methodology in applying Senate Bill (SB) 107 that went into effect in January 2016. There could be additional revenues of \$850K to the City, if the City is successful in its claim to the Auditor-Controller.

Utility User Tax (UUT) – The UUT revenues are estimated to slightly decrease for FY 2017-18. Water, Electric and Telecommunication UUT have been coming in under budget for the previous and current fiscal years. Contributing factors to lower UUT revenues include water conservation and electricity credits issued by So Cal Edison (Emission Intensive Trade Expose (ELITE)) to eligible commercial and residential customers. This ELITE credit was significant as So Cal Edison paid out approximately \$115M to all customer types, and this payout impacts the UUT received by Pomona. Another reason for lower UUT revenues is how prepaid telephone UUT is administered. Most small prepaid cell phone carriers were not paying any UUT; however, when AB 1717 was enacted the State Board of Equalization (BOE) became responsible for the administration and collection of these revenues. The City of Pomona had to register with the BOE to receive prepaid cell phone UUT revenues. Pomona will begin receiving these revenues in September 2017 for the time period April through June 2017 and going forward. In addition to the UUT revenues from prepaid phone carriers not being collected, there is a decrease in telecommunication UUT overall as many homes have eliminated on a landline service.

Other Revenues – Business License and Transient Occupation Tax are estimated to increase for FY 2017-18. Development fees are slated to decrease for FY 2017-18 as new development will be leveling off. Due to a bond refinancing in FY 2016-17, the General Fund received one-time revenues of \$974,170 that inflated FY 2016-17 revenues when compared to FY 2017-18.

General Fund Expenditures

The General Fund is the largest fund of the City and represents approximately 43% 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 2017-18 expenditure budget is \$94.6M, which is a \$1.2M decrease over the prior fiscal year's budget.

The Police budget for FY 2017-18 increased over FY 2016-17 by \$156K; however, significant decreases were made by the department to offset the PERS increase of \$662K. The Fire Contract as submitted is a \$979K increase over the previous fiscal year.



Development Services expenditures decreased by \$560K because of departmental cuts to operations and a decrease in contract services. There was an offset to the decrease in contract services in the estimated permit revenues. General Services decreased by \$713K due mostly to a \$1M budget reduction reflecting one time savings from the General Fund bond refunding that occurred in June 2017.

By Department

General Fund	FY2015-16	FY 2016-17	FY 2017-18	Variance
	Actuals	Budget	Adopted	
Police	48,672,908	51,598,124	51,753,804	155,680
Development Services	4,257,458	4,320,051	3,759,183	(560,868)
Fire	23,445,024	24,306,716	25,286,162	979,446
General Government	3,416,541	3,475,752	3,070,718	(405,034)
Library	911,792	985,842	908,411	(77,431)
Neighborhood Services	2,549,563	3,131,658	2,951,509	(180,149)
Public Works	6,401,199	6,304,823	5,923,164	(381,659)
General Services	2,492,414	1,650,209	937,170	(713,039)
Total	92,146,899	95,773,175	94,590,121	(1,183,054)

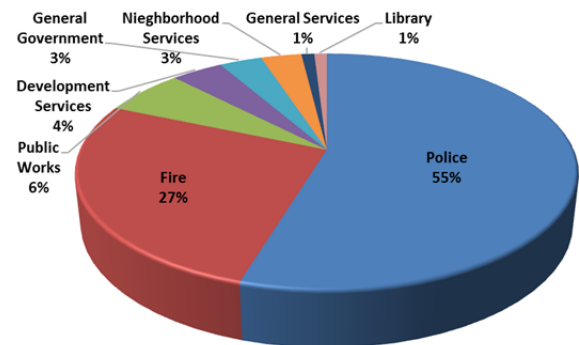


Table 5

By Spending Category

Expenditures	Amount	Brief Summary
Personnel	\$2,424,973	The largest increase in the personnel budget was due to PERS retirement increase, as well as step increases for staff and the impact of the 2% and 2.5% labor contracts for the full year versus the 9 months budgeted in the previous fiscal year. The \$194,000 increase for the Police Department's Dispatch Division Reclassifications is offset and reflected in controllable and required expense category.
Controllable Exp	(2,092,308)	The decrease in controllable expense is due mostly to city-wide departmental budget cuts and a \$553K decrease in Contract Services for Building & Safety. However, there is a corresponding decrease of \$850K in revenues for Building Permits and Plan Check fees. In addition, there is a \$189,000 decrease for the Police Department Dispatch Division reclassification offset mentioned in the Personnel category.
Required Exp	(313,619)	There was an increase in required expense due to an increase of \$979K for fire services provided by the LA County Fire District. This increase was offset by one-time budget savings from General Fund bonds refunding that reduces the General Funds debt service payments. There is a \$5,000 decrease for the Police Department Dispatch Division reclassification offset mentioned in the Personnel category.
Utilities	(84,415)	A majority of the reduction is due to a decrease in electricity charges.
Allocated Costs	(336,399)	This decrease is due to decrease in telephone allocations and liability claims expense.
Recovered Costs	(90,321)	A decreased in recovered cost has a corresponding decrease in General Fund revenues.
Capital	(1,416,430)	There are no capital expenditures adopted in FY 2017-18.
Transfers Out	726,199	The FY 2017-18 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 a bond refunding.
TOTAL CHANGE	(\$1,183,054)	

Table 6



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 12 black and white patrol vehicles which are needed to maintain the Police Department’s fleet per the City’s Fleet management policy. It is possible once the City has successfully refunded the last of the General Fund bond series there will be additional savings that can be used to purchase these supplemental items.

General Fund		
Administration	Appraisals, Title Escrow, & Property Acquisition Services	25,000
City Clerk	Granicus Hardware to Live Stream	15,500
Human Resources	NEOGOV Onboarding	12,945
	Employee Recognition Program - Service Pins	37,000
Neighborhood Services	Ford Transit Connect Cargo Van	37,500
	Gator Vehicle	10,000
	Internet at Community Centers	30,000
	Printing for Recreation Guide	30,000
	Computers at Recreation Sites	82,500
	Add 2 Maintenance Worker II	22,319
Police	8 Handheld Devices and Printers for Parking Enforcement	15,000
	Support Services For Handheld Devices - Parking	7,400
	Purchase (12) new/replacement police Specialty and/or Black & White vehicles & Builds	641,286
Public Works	Removal of Diseased Liquidambar and Hazardous Trees	60,000
	Ballfield Brick Dust	10,000
	Smart Controllers for Parks (TBD)	15,000
Total General Fund		1,051,450

Table 7

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 of repair and maintenance. Below is a partial list of unmet needs:

- 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
- Renovation of AC system at City Hall
- Other Deferred Maintenance of Current Infrastructure/ Facilities
- Corridor Specific Plan Improvements
- Other Post-Employment Benefits (OPEB) – accrued liability
- Additional Reserves



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, General Sanitation Fees (GSF), Maintenance Assessment Districts, and Vehicle Parking District (VPD).

Gas Tax Funds continue to provide partial funding for eligible expenses such as street maintenance, traffic and signal maintenance, the paint and sign program, and tree maintenance, while the GSF fund provides funding for services such as graffiti removal, storm water compliance, median maintenance, street sweeping and right of way maintenance. Funding shortfalls provided through the GSF are covered by Gas Tax Funds.

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 a adopted operating budget of \$52.9M and \$3.8M in depreciation expense and \$1.9M in capital expenditures.

Internal Service Funds

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

- The Self-Funded Insurance Fund has fund balance reserve requirement of \$3.5M, which is 25% of total claims liability. Currently, the City meets this minimum requirement with available cash balance.
- The Information Technology (IT) Fund and Print/Mail Services Funds are operations that 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 17-18 was approved for \$19.7M and the anticipated funded amount will be approximately \$15.6M in the Redevelopment Property Tax Fund (RPTTF). The difference of \$4M 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 2017-18 Adopted Budget.

FUND	DESCRIPTION	AMOUNT
Capital Outlay Fund	Citywide Zoning Code Update	87,661
Vehicle Parking District (VPD)	Parking Kiosk	1,275
Vehicle Parking District (VPD)	Land Acquisition	70,000
AQMD Fund	3/4 Ton Utility Truck - CNG Fuel	45,000
Water Resources	Laserfiche License	45,000
Water Resources	Load Bank Tester	9,000
Water Resources	Talk Radio Repeater	12,000
Water Resources	Atmospheric testing units and docking station	18,000
Water Resources	Backup Generator and Automatic Transfer Switch	7,000
Water Resources	Seismic Valves	75,300
Water Resources	Valve Truck Bed Rehabilitation - Unit # 81505	6,000
Water Resources	Valve Truck Bed Rehabilitation - Unit # 81519	6,000
Water Resources	Compressor Trailer	31,980
Water Resources	Compressor Trailer	31,980
Water Resources	Paint and Fuel Storage Cabinets	2,700
Water Resources	Atmospheric testing units and docking station	18,000
Water Resources	1/2 Ton Pick Up Truck - Unit # 82014	32,431
Water Resources	Metering Pumps	19,000
Water Resources	Brine/Dilution Pumps	20,000
Water Resources	Chlorine Tanks	10,000
Water Resources	Atmospheric testing units and docking station	18,000
	Carryover from 2016-17	
Water Resources	Utility Cost of Service Study	219,299
Water Resources	No-DES Truck	35,000
Water Resources/ Sewer	Pole Camera	16,500
Water Resources/ Sewer	CCTV - portable sewer pipeline video camera system	14,000
Water Resources/ Sewer	CNG - Power Combo Vacuum Jetter Truck - Unit # 27002	500,000
Water Resources/ Sewer	Atmospheric testing units and docking station	18,000
Traffic Offender Fund	2 BMW Police Motorcycles	60,000
Traffic Offender Fund	Carryover from 2016-17	
Traffic Offender Fund	Mobile Incident Commander Center Service Study	10,000
SLESA Fund	Up to 3 Chevrolet Caprice Pursuit rated specialty vehicles	123,700
	Carryover from 2016-17	
SLESA Fund	Location based intelligence software	26,300
Asset Forfeiture Fund	2017 Chevrolet Silverado 1500 P/U and Build	45,592
	TOTAL - OTHER FUNDS	1,634,717

Table 8

Table 9 includes Other Funds supplemental budget recommendations that have been identified as priority projects; however, funding sources have not been identified.



FUND	DESCRIPTION	AMOUNT
Information Technology	2016 Microsoft Exchange CClient Access Licensing (CAL) (800)	46,400
Information Technology	2016 Microsoft Exchange Server (2)	2,000
Information Technology	2016 Microsoft Office Volume License (700)	87,500
Information Technology	Vmware Support/Licensing City Hall and PD (10)	11,000
Information Technology	2016 Windows Client Access Licensing (1000)	28,000
Information Technology	PD Core Switch upgrade to Cisco 3850	20,000
Phillips Ranch Maintenance Assessment District	Remove 50 trees (Village Loop Greenbelt)	30,000
Phillips Ranch Maintenance Assessment District	Plant 30 trees to replace removal of Poplar trees	7,800
TOTAL - OTHER FUNDS		232,700

Table 9

STAFFING ALL FUNDS

Staffing cost for FY 2017-18 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. No Appropriations have been made to account for the outcome of current labor negotiations with the City's five bargaining units. Continuing a change initiated in FY 2014-15, worker's compensation costs are a component of salary and benefits rather than the historical allocation assessed to departments. Rates were established to closely mirror state rates and adjusted for Pomona's historical cost experience.

Personnel history and funding allocations by department are shown in the Authorized Staffing section of this document and include an adopted authorized staffing level of 548.60 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 the Table 10 below, there are no adopted increases to the number of FTE's; however, there are several adopted personnel reclassifications. Two reclassifications in the General Fund were funded by decreasing other budget line items. On June 19th the Finance Department's Revenue Management Division and Public Works Customer Service Division merged into one division in the Finance Department. This plan impacted 15 FTEs in the Public Works and Finance Department and resulted in a General Fund savings of \$22,831.

2017-18 Adopted Position Changes			
Finance	-	Reclass (1) Revenue Mgr to Finance Mgr (\$0 cost due to hourly reduction)	
Police	-	Reclass (1) Payroll Tech to Payroll Tech II (\$0 cost due to hourly reduction)	
Water Resources	-	Reclass (1) Administrative Assistant III to Sr Administrative Assistant	
Water Resources	-	Reclass (1) Program Assistant to Program Specialist	
Water Resources	-	Title Change (1) Water Wastewater Oper Director to Water Rescrs Director	
Water Resources	-	Title Change (1) Water Wastewater Oper Manager to Water Rescrs Ops Mgr	
Finance	-	Reclass (3) Account Technician I/II to Customer Service Specialist I/II	
Finance	-	Reclass (1) Senior Accounting Technician to Customer Service Specialist I/II	
Finance	-	Reclass (1) Senior Accounting Technician to Senior Customer ServSpecialist	
Finance	-	Reclass (1) Business License Specialist to Customer Service Specialist I/II	
Finance	-	Reclass (1) Revenue Services Supervisor to Revenue Operations Supervisor	
Finance	-	Reclass (3) Customer Service Repr I/II to Customer Service Specialist I/II	
Finance	-	Reclass (3) Senior Customer Service Repr to Senior Customer Serv Specialist	
Finance	-	Reclass (1) Lead Customer Service Repr to Senior Customer Service Specialist	
Finance	-	Reclass (1) Customer Service Supervisor to Revenue Operations Supervisor	
2017-18 Adopted Staffing	548.60	Proposed Staffing Levels at July 1, 2017	

Table 10



10 Year FTE Staffing Levels

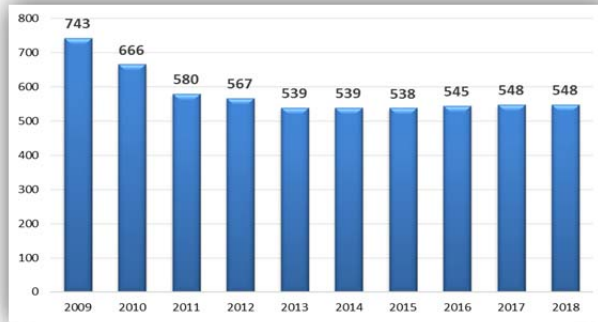


Table 11

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 143 projects, totaling approximately \$390.4M, of which \$160.3M is funded. The \$160.3M will be funded from prior year appropriations totaling \$149.9M and \$10.3M from adopted FY 2017-18 appropriations.

Noteworthy CIP projects:

CIP Completed FY 2016-17	TOTAL BUDGET \$17,312,912
Major Street Rehabilitation – Citywide (FY 13-14 to FY 15-16); Phase I (15 miles of street paving Citywide & N. Garey CSP)	Phase I Completed Spring 2017
ADA Curb Ramps and Sidewalks Compliance Pgm - Citywide (Phase I)	Phase I Completed Spring 2017
Cooperative Agreement - Traffic Signal (Foothill Blvd. And Sumner Ave.)	Completed Spring 2017
Streetlights - Citywide LED Replacement	Completed Winter 2016
Playground Rehabilitation - Memorial Park and Hamilton Park	Completed Winter 2016
Park Irrigation System Upgrade Program - District 4	Completed Winter 2016
Ganesha Park Restroom Demolition	Completed Spring 2017
Plaza Park - Electronic Reader Board	Completed Spring 2017
Civic Center - Security Improvements (Includes Transitional Storage Lockers Project)	Lockers Completed Fall 2016
Year-Round Emergency Shelter - Land Acquisition	Escrow closed March 2017
Water Mains - Phillips Blvd/Dudley Street (Design and Construction)	Completed Winter 2016-17

Table 12



CIP projects in process:

Infrastructure Projects In Process for FY 2017-18	TOTAL BUDGET \$36,397,994
Pedestrian Access Ramp - Norval Street	Estimated Completion (Fall 2017)
Plaza Park Improvements (Phase I: 6 Planters)	Estimated Completion (Fall 2017)
Various Park projects (Ganesha Park, Garfield Park, Kennedy Park, MLK Park, Phillips Paw Park, & Esperanza y Algeria Park)	Estimated Completion (Fall 2017)
Traffic Operations - Communications Upgrade (Bike Detection)	Estimated Completion (Fall 2017)
ADA Path of Travel - CW(CDBG) (FY 14-15 to FY 16-17)	Estimated Completion (Winter 2018)
Traffic Signal - Village Loop and Santa Clara	Estimated Completion (Winter 2018)
Transit Improvement Program - CW (Phase III)	Estimated Completion (Winter 2018)
(E/B), protected permission	Estimated Completion (Winter 2018)
Sidewalks - Penmar Lane (CDBG)	Estimated Completion (Winter 2018)
Major Street Rehabilitation – Citywide; Phase II(Bulb-outs/Pedestrian Improvements at 8 intersections Citywide)	Estimated Completion (Phase II: Spring 2018)
ADA Curb Ramps and Sidewalks Compliance Pgm - Citywide (Phase II)	Estimated Completion (Phase II: Spring 2018)
Downtown Parking Structures	2017/Construction starting Winter 2017-18
Year-Round Emergency Shelter	Estimated Completion Winter 2017-18
Water Main Replacement FY 2017-18 - Design	Estimated Summer 2018
Water Mains - District 3	Estimated Summer 2018
Water Mains - Ellen Place	Estimated Summer 2018
Sewer Main Replacement - FY 2017-18 Design	Estimated Summer 2018
Financial Software Project	Estimated Winter 2018

Table 13

KEY BUDGET ISSUES AHEAD

The Administrative Staff of the City acknowledge the necessity to complete a five to ten year financial plan so the City can be positioned to address future impacts to the budget. Below are key factors that will have a significant impact to the City’s budget in the next five to ten years.

CalPERS – On December 21, 2016, the CalPERS (PERS) Board of Administration approved lowering the PERS discount rate assumptions, (the long-term rate of return), from 7.5% to 7.00% phased in over time. Per information from PERS, the reason for the change is to mitigate market volatility, reduce the volatility in employer contributions and bring more long term stability to the pension fund. Upon receiving notice of the increase, staff applied the anticipated increases to the City of Pomona valuations to arrive at an estimated impact through Fiscal Year 2024/25. The results shown in Table 14 are as follows:



With No Salary Increase

Fiscal Year Impact	Estimated Employer Contribution with Reduction in Discount Rate	Anticipated Annual Increase in PERS cost	Impact to the General Fund
2017/18*	14,746,000	1,642,400	1,297,496
2018/19	17,476,000	2,730,000	2,156,700
2019/20	20,441,000	2,965,000	2,342,350
2020/21	23,526,000	3,085,000	2,437,150
2021/22	26,001,000	2,475,000	1,955,250
2022/23	28,143,000	2,142,000	1,692,180

*Impact of the change in Discount Rate is not effective until FY 2019.

Table 14

The increases projected as a result of the discount rate reduction are significant, ranging between \$1.6M and \$3.0M per year. Annual increases in revenues and minor expenditure adjustments will not accommodate annual increases within this range.

Retiree Medical – The City offers retiree medical benefits to its employees and assists them with their health care premiums. The cost to the City has increased over the past 13 years from \$1.1M in FY 2002-03 to \$3.2M in FY 2015-16. Additionally, the City’s most recent Other Post Employment Benefit (OPEB) actuarial report indicates the City’s unfunded actuarial accrued liability for these benefits is \$88.5M.

Deferred Maintenance – Although a defined budget estimate has not been fully developed and an infrastructure needs assessment has not be completed, it is important that the City be positioned to address improvements needed to the City’s infrastructure. Improvement areas include parks (playground equipment, restrooms, community centers, turf, pools, and sports fields) and all Civic Center buildings to address things such as AC, roof replacements, plumbing, electrical, etc.

Housing – Funding for the Upcoming FY 2017-18 Housing Budget has not been finalized. The current Continuing Resolution at Fiscal Year 2016 levels expired on April 28, 2017. The United States President’s adopted budget has included a reduction in the amount of funding available for many HUD programs. However, the adopted budget is under debate and may have to be adjusted in order for it to get the 60 votes it needs to pass in the Senate. Recent information has indicated the House Committee released an Omnibus Appropriations Bill for the Fiscal Year 2017, which provides discretionary funds for the remainder of their fiscal year (ending September 30, 2017). The City will likely receive funding similar to the level of the previous Fiscal Year until October 1st 2017. It is unknown what will happen after October 1st.

Gas Tax Measure M – On November 8, 2016, voters approved a Los Angeles County Traffic Improvement Plan, which imposed a retail transaction and use tax at the rate of one-half of one percent (.5%) within Los Angeles County. Funding is to improve freeway traffic flow/safety; repair potholes/sidewalks; repave local streets; earthquake retrofit bridges; synchronize signals; keep senior/disabled/student fares affordable; expand rail/subways/bus systems; improve



job/school/airport connections; and create jobs. In FY 2018, the City of Pomona is estimated to receive \$2.1M and this amount has been included in the adopted budget.

Homeless Measure H – Currently, it is not evident what financial benefit the City will receive from Measure H; however, any funds received will be utilized to help offset the costs related to the 24-hour Emergency Shelter and Service Center which is underway.

Proposition A – The approval of Measure A authorized the Los Angeles County Regional Park and Open Space District to levy a special tax annually on parcels within the entire County, including all cities and the unincorporated areas of the County, commencing with FY 2017-18. The Tax will be levied at a rate of 1.5 cents per square foot of structural improvements. No Measure A estimates have been included in the budget document. When reliable data is released by the Assessor, budget adjustments will be brought forward accordingly for City Council consideration.

CONCLUSION

City Staff has met the challenge of balancing the FY 2017-18 Budget without the use of reserves; however, this is just the beginning step in creating a sustainable budget plan for the next five to ten years. To keep up with community needs, maintenance of current facilities and infrastructure, there remains a need for further resources. While the budget does not propose, any fee increases, the City must consider identifying additional one-time and ongoing revenue sources.

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. This year's budget process was challenging, and everyone stepped up and participated in creating a balanced budget. Management and staff will continue to work hand-in-hand with City Council to ensure public resources are managed in a prudent and wise manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Linda Lowry".

Linda Lowry
City Manager

