

City of Pomona
505 South Garey Avenue
Pomona, CA 91766

July 1, 2011

The Honorable Mayor and Members of the City Council

Respectfully submitted for your consideration, please find herein the City of Pomona's Fiscal Year 2011-12 Adopted Operating Budget. The document before you is the product of an unprecedented effort to not only address the vast array of immediate and pressing challenges before us, but to also develop a sustainable spending plan which will allow the City to live within its limited means for this, and future fiscal years. Although the City has taken great strides in its effort for fiscal sustainability, our fiscal challenges continue through the 2012 fiscal year. The budget as presented is balanced; however, many uncertainties still remain that may affect the final outcome of 2011-12. As such, this budget remains a work-in-progress to be monitored and adjusted as necessary. Much still needs to be done to manage this budget for the coming fiscal year, but this beginning represents a framework upon which additional solutions may be built.

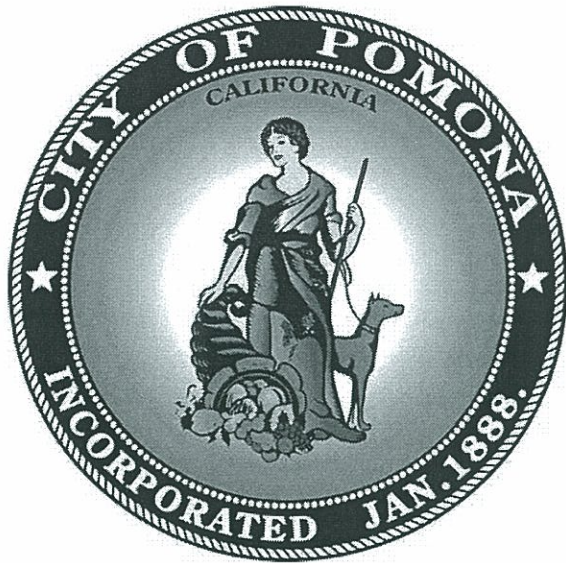
The creation of this budget was, as always, a team effort which reflects the collaborative spirit within our community and organization, and I would like to thank all those responsible for its successful completion. The adopted budget represents a tremendous amount of work by Department Directors and key members of their staff. Special thanks go to Finance Director Paula Chamberlain and her staff, who spent countless hours developing this budget into a single working document. I would also like to thank the City Council for their leadership as policymakers during these challenging times. Hard times have required hard decisions and the Council has been steadfast in their determination to provide cost effective services to the community.

As evidenced throughout the balance of this document, these efforts closed the gap between revenues and expenditures for the Fiscal Year 2011-12. The budget represents a best estimate as of July 1, 2011, and will, without doubt, require amendment during the ensuing fiscal year. At this time the formal process is completed, many decisions have been made, with resulting actions that will shape the City's future both for now, and many years to come. As always, with the diverse and reasoned guidance of Pomona's many stakeholders as given form by the wisdom of the City Council, we will together continue seeking solutions to those challenges before us to the very best of our combined abilities.

Respectfully submitted,

Linda Lowry
City Manager

Honorable Mayor and Members of the City Council
July 1, 2011





THE DOCUMENT

The Adopted 2011-12 Budget document has been developed to highlight and refuel the overall budget. Herein you will find six tabs for the respective sections including the Budget Message, User Guide, Financial Summaries, Revenues, Authorized Staffing and Capital Improvement Program (CIP). Department details follow these tabs and are presented within Fund categories.

SUMMARY OF FUNDS 2011-12

The operating budget is the City's financial plan for all City and Agency funds, and consists of the revenues and expenditures to finance the current year operations of the various funds and programs for the fiscal year beginning July 1, 2011 and ending June 30, 2012. It is a flexible spending plan by which the City Council establishes legal authority for departments to commit financial resources for the provision of services within the City of Pomona.

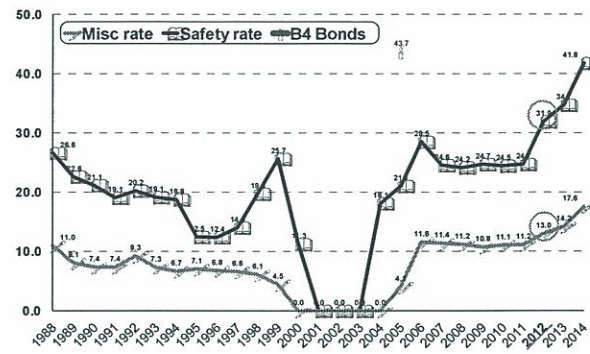
The adopted 2011-12 Operating and Capital Improvement Budgets total \$240.4 million as follows:

Fund Type	Expense	Transfers Out	Total	% of Operating Budget
General Fund	74,887,457	4,186,952	79,074,409	47%
Special Revenue Funds	18,942,757	5,496,116	24,438,873	15%
Debt Service Funds	5,365,765	915,000	6,280,765	4%
Capital Projects Funds	265,253	582,588	847,841	1%
Enterprise Funds	45,822,708	2,246,560	48,069,268	29%
Internal Service Funds	8,567,731	0	8,567,731	5%
City Operating Budget	153,851,671	13,427,216	167,278,887	100%
Redevelopment Agency	32,724,330	13,497,524	46,221,854	
Pomona Housing Authority	12,975,767	0	12,975,767	
Capital Improvements	13,926,395	0	13,926,395	
Total	213,478,163	26,924,740	240,402,903	

CITYWIDE ISSUES

Labor – Bargaining efforts in 2010 resulted in significant savings to all funds for fiscal year 2010-11 and helped close the funding gap within the General Fund for that year. While some of the concessions provided ongoing savings, the majority were for one year only and expired at the end of the current fiscal year. With the adoption of the budget, negotiations with all labor groups had not yet concluded, however the budget numbers provided herein (for all funds) include a like dollar value of the concessions obtained for 2010-11. If the dollar value obtained through the Fiscal Year 2011-12 negotiation efforts differ from those obtained for 2010-11, alternative reductions will be necessary.

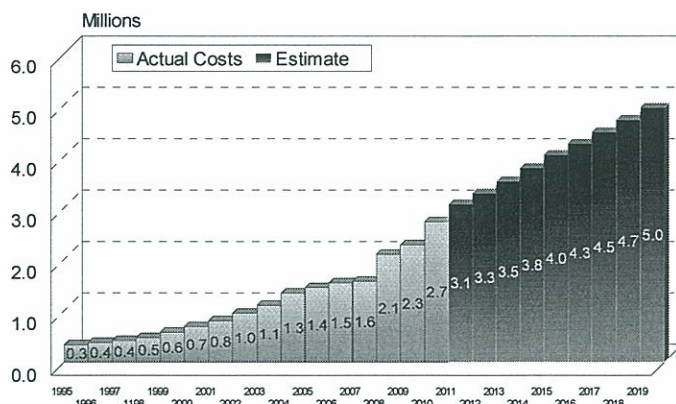
PERS rates – As reflected in this chart, the City has enjoyed relatively stable PERS rates for the past five years for both the miscellaneous and safety plans; however, the downturn in the economy has caused a significant reduction to PERS assets which results in increases to employer rates.



The rates for 2011-12 are based upon the City's retirement account valuation as of June 30, 2009 and reflect an increase of 1.841% to the miscellaneous group and 7.187% to the safety group with unfunded liabilities of \$20.3 million and \$29.6 million respectively. In addition to these unfunded liabilities, the City has an outstanding principle balance of \$41.9 million for the pension bonds issued in 2004 to fund the \$28 million unfunded liability in the safety group along with partial PERS contribution payments for two years. Below are the PERS employer rates for the current year, next year, and as projected for two years thereafter.

	Actual 2010-11	Actual 2011-12	Projected 2012-13	Projected 2013-14
Police 3% at 50	24.737%	31.924%	34.7%	41.8%
Police 3% at 55 (new tier)		31.371%	Not provided	
Miscellaneous 2% at 55	11.159%	13%	14.2%	17.6%

Retiree health – The City provides retiree health insurance to any employee that retires from the City of Pomona regardless of years of service. Based on the City's contract with CalPERS health, the City is required to contribute up to \$700/month per retiree towards premiums. With some variations, the City also provides a \$100/month collateral benefit to retirees who worked for the City 20 years or more before retirement. An additional benefit is also provided to retirees of the Police Management Group with at least 22 years of service as a police officer. Combined, these benefits are estimated at \$3.2 million for 2010-



11 and carry a \$73 million unfunded liability. As reflected in this chart, actuarial projections indicate the \$3.2 million pay-as-you-go cost will increase to nearly \$5.0 million within eight years. This cost of this benefit is charged to all funds as part of the allocated benefits category within each program and is currently assessed at \$5,740 per active position. The issue of retiree health benefits has also been a discussion point in recent labor discussions.

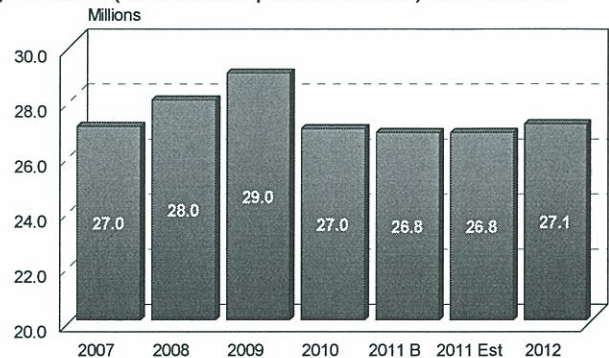
Population numbers – The State of California Department of Finance (DOF) released city population figures on April 29, 2011. As reported by the State, the City's population fell from 163,683 (2010) to 149,243 which is lower than the 2000 census figure. The total County population fell by 582,091 when comparing DOF information received last April to this year's statement. The City's percentage of the total Los Angeles County population changed minimally, however, since many County revenues such as Prop A, Prop C, Measure, R and TDA Article 3 as well as State revenues such as Vehicle License Fees

(VLF) and Gas Tax, are population based, staff will be reviewing revenue projections to determine if adjustments to estimates are warranted.

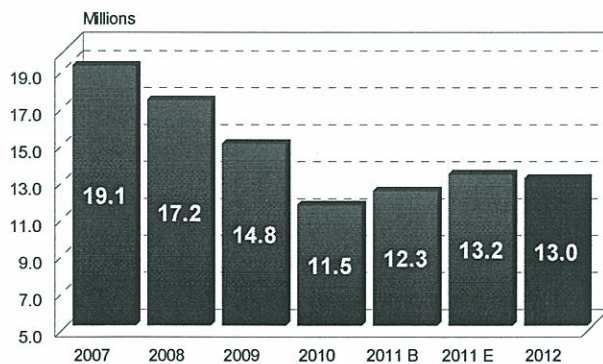
GENERAL FUND REVENUES

Total General Fund revenues for Fiscal Year 2011-12 have been estimated at \$79,090,776. This amount reflects a decline of nearly \$313,000 from the budget adopted by the City Council for the 2010-11 year. Diminished revenues are primarily due to the repayment of the RDA loan (and therefore the loss of continued interest income), combined with the various effects of the recent recession. The following section more fully addresses some of the underlying causes. Additionally, a comprehensive review and calculation methodology of the major revenue sources may be found within the Revenue Section of this document.

Property Taxes are expected to increase by approximately \$315,000 from 2010-11 year-end estimates as the recent trend of declining property values (and taxes paid thereon) is seen as having reached a bottom, and beginning to return to growth. These trends affect three individual line items; Secured, Unsecured, and Property Tax In-Lieu of VLF, all of which are expected to increase approximately 1% versus the 2010-11 fiscal year. There may also be further impacts to this category as the estimate provided by the City's Property Tax consultant does not include the impact of foreclosures, which remains largely unknown at this time.

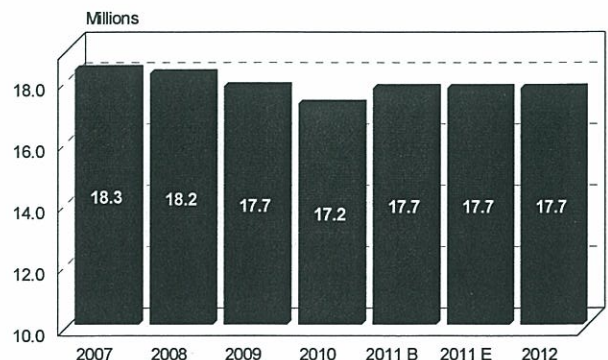


Sales and Use Tax is forecast to be down by just over \$225,000 from the 2010-11 year end estimate, due to an anticipated decline in the State's annual "true-up" of the 0.25% in local taxes that are deferred under the ongoing triple flip. That expectation notwithstanding, small growth is now foreseen across a number of



different retail sectors, as the economy continues to slowly emerge from the worst downturn in eighty years. Despite that very modest growth, collections remain dramatically diminished from the levels of collection prior to the "Great Recession." The closure of most of Pomona's Auto Center dealers, the loss of large retailers such as Circuit City and Toys R Us, and a still-depressed building and construction segment suggest that it will be a long, slow climb back to prior levels of activity, although the worst, at least, is likely past.

Utility Tax is prudently estimated to remain relatively unchanged when compared to the FY 2010-11 budget and year-end estimates. As of this writing, there is little expectation of dramatic rate changes in the immediate future, and the effects of weather and conservation on consumption – either or both of which may result in a very substantial impact to collections



– remain unknown and unpredictable from the current perspective.

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

All Fines are slightly down by approximately \$20,000, with the most significant decline in Traffic Safety Fines, offset by anticipated increases in parking violations and municipal court fines.

Revenue from Use of Money and Property is down by approximately \$1.4 million over 2010-11 primarily due to the loss of interest from RDA as a result of the payoff of various loans offset slightly by anticipated increases in leases for cell towers.

Intergovernmental Taxes are down by roughly \$438,000. A portion lost is due to a reduction in Motor Vehicle License revenue estimate as provided by the League of California Cities fiscal analyst. Received in this category is the City's portion of the Redevelopment Agency's statutory pass-through payments estimated at \$530,000.

Other Intergovernmental revenue is down by approximately \$131,000 from the 2010-11 year end estimate primarily due to an anticipated continued contraction of the Prisoner Housing Program as well as a decrease in motor vehicle in-lieu revenue based on League of California Cities estimate.

Licenses are forecast to decline by approximately \$20,000 in the new fiscal year, primarily due to a continued drop in receipts from Contractors' Job Fees (with reduced building activity).

Permits are estimated to be down by approximately \$60,000 primarily due an anticipated decrease in building permits offset slightly by modest increases in engineering permits and utility cut permits.

Fees are forecast to be down by an aggregate \$440,000 versus the Fiscal Year 2010-11 Budget. This is largely driven by hazardous building abatement revenue declines, amidst a number of smaller variations up and down within the many subcategories.

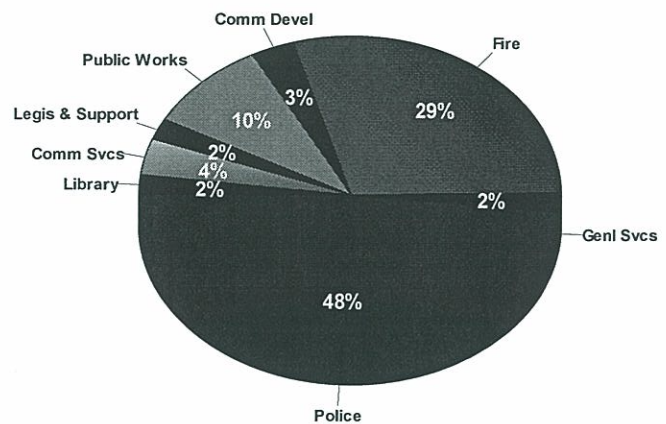
Other Miscellaneous Revenue is estimated to be down by approximately \$130,000 due to a decrease in the Paramedic Pass-Through revenue from the County. As the Paramedic Pass-Through revenue has fluctuated within the past few years, staff is working with County personnel to gain a better perspective of future estimates.

Charges for Services are expected to grow by an estimated \$195,000 due to a one-time \$170,000 reimbursement from Southern California Edison for the installation of energy efficient streetlights, a \$50,000 one-time refund due, and an increase in Municipal Sports revenue, all of which is offset by a decline in Police Revenues, including the L.A. County Fair police services contract, and other variations within the category.

Transfers from Other Funds are estimated \$240,000 lower than in 2010-11 due to a reduction in the transfer from Gas Tax. There are no other transfers into the General Fund for FY 2011-12.

GENERAL FUND EXPENDITURES

The General Fund is the largest fund and represents approximately 47% of the City's budget; 35% of the overall operating budget when including the Pomona Redevelopment Agency, and Pomona Housing Authority. The General Fund accounts for all the City's general financial resources and government activities, other than those specifically required to be accounted for separately, and pays for services such as police, fire, library, parks, recreational programs, public works, and other essential support services



such as Administration, City Clerk, City Attorney, Finance, Human Resources and Information Technology. The adopted fiscal year 2011-12 General Fund expenditure budget is \$79 million, a decrease of nearly \$271,000 over the 2010-11 adopted budget. As always, community safety remains a high priority for Pomona, and this budget continues to reflect that commitment. Public Safety utilizes 77% (Police 48%, Fire 29%) of all General Fund resources.

BALANCING THE GENERAL FUND

The structural changes that have occurred over the past few years have had a positive impact on the current budget proposal and have set the framework for fiscal sustainability for the General Fund. The City's challenges, however, are not over and balancing efforts were once again necessary for 2011-12. Very preliminary estimates developed in early January 2011, indicated an initial General Fund deficit for the 2011-12 fiscal year of approximately \$11 million. Through refinement of revenue estimates and reduction in departmental requests, this funding gap was closed resulting in the balanced adopted budget.

As a guide to understanding the changes within the proposed budget the following information is offered.

General Fund	2009-10 Actuals	2010-11 Budget	2011-12 Adopted	% Chg	Dollar Change
General Government	2,051,141	1,513,586	1,702,519	11%	188,933
General Services	1,731,157	1,777,234	1,800,864	1%	23,630
Public Safety	67,485,894	61,697,150	61,098,755	-1%	(598,395)
Urban Development	11,613,885	11,250,138	9,941,972	-13%	(1,308,166)
Neighborhood Services	5,676,333	4,563,371	4,530,299	-1%	(33,072)
Total	88,558,410	80,801,479	79,074,409	-2%	(1,727,070)

GENERAL GOVERNMENT (LEGISLATIVE, ADMINISTRATIVE, AND SUPPORT DEPARTMENTS) –The adopted budget for General Government, which includes the departments of City Council, City Clerk, City Attorney, Administration, Finance, Human Resources, and Information Technology, is \$7.1 million which is offset by \$5.9 million of recovered costs resulting in a net expense of \$1.2 million. Recovered costs are the result of services billed to other departments and funds for information technology, risk management administration, printing and mailing services, telecommunications and the administrative services charge. These departments also receipt \$3.0 million in revenue primarily related to the business licensing function within Finance.

Changes to these departments include the addition of one full-time position in the City Clerk's Office. Also included are additional resources for Emergency Operations efforts. These increases are more than offset by reductions in the City Clerk's operating budget from the off election year, reductions in supplemental legal services in the City Attorney's Office, and the reduced funding of one position in the City Manager's Office with staffing resources to be shared within the common area in Administration. The adopted budget also includes a funding increase to the technology contract for enhanced GIS services to be paid by user charges assessed to the Water and Sewer funds.

POLICE – The Police adopted budget is \$38,274,665 which is \$480,311 more than the 2010-11 amended budget and \$1.3 million more than originally adopted for 2010-11. As currently estimated, the increase in PERS rates adds nearly \$1.2 million. Additionally, due to the reduced revenue in the Traffic Offender Fund, crossing guard expense and a Community Services Officer previously funded through that fund have been transferred back to the General Fund. The departmental budget also includes the addition of five hourly positions for parking enforcement, the cost of which, is more than offset by the additional revenue included in the adopted revenues. Lastly, there is an increase in pension bond expense of \$180,000 and to Workers' Compensation claims expense of nearly \$300,000. These increases are partially offset by the insertion of a 'Managed Balance Control' negative appropriation of \$130,000 which is to be achieved through managed savings throughout the year.

FIRE – The Fire Department budget for 2011-12 is estimated at \$23.3 million which includes the annual contract cost of \$22.7 million and workers' compensation claims expense of just over \$120,000. This year's fee is less than staff's original estimate for 2011-12 due to the conclusion of the County's pension bond obligation which was part of their employee benefit calculation.

COMMUNITY DEVELOPMENT – The adopted budget for Community Development is \$2.69 million, nearly \$400,000 less than the 2010-11 year. This operating reduction mirrors the reduction of related revenue, namely the Building and Safety services contract cost estimate which is based on the amount of projected revenue. Minimal savings were also achieved through the vacancy of one position which has been unfunded for three months in anticipation of recruitment efforts.

PUBLIC WORKS – The Public Works adopted budget is \$7.7 million, or \$500,000 less than the 2010-11 budget. Changes within this department include the effects of the reorganization approved with the Mid-Year Budget Report resulting in significant savings within the personnel category. These savings, however, are offset by increased controllable contract services and materials with significant increases in Liability and Workers' Compensation claims expense. An additional savings to the General Fund and

this department is the transfer of the excess graffiti expense (cost over GSF revenue) to the Gas Tax fund.

COMMUNITY SERVICES – The adopted budget for Community Services is \$2.9 million which is offset by nearly \$600,000 of revenue. There are no changes proposed to the community centers this year.

LIBRARY – The Library is continuing its reduced service hours (4 days per week) with an adopted budget of \$1.59 million. This amount is \$100,000 over the 2010-11 budget due to the loss of Public Library Funds (PLF) that funded various positions in the PLF special revenue fund. Loss of those funds required the General Fund to absorb the cost or lose the necessary positions. However, these funds, depending on actions in Sacramento, may be restored in 2012-13.

OTHER FUNDS

In addition to being divided into a number of departments, from a budgetary standpoint the City, like other governmental agencies, is divided into a multitude of financial funds. In addition to the largest fund of the City, the General Fund, Pomona maintains over 100 separate funds. For presentation and adoption purposes, many of these funds are consolidated within this document. For example, the Community Development Block Grant Fund actually represents 8 individual funds, the Miscellaneous Grants Fund represents 16 funds and the Redevelopment Agency Debt Service Fund represents 12 individual funds. All funds are estimated to end the 2011-12 fiscal year with a positive fund balance with the exception of the Cal Home Grant Fund. Staff is working on a plan to remediate this issue which is the result of deposits taken by Rehab Financial.

Special Revenue funds are used to account for revenues derived from specific sources, which are required by law or administrative legislation to be accounted for in separate funds. The most common special revenue funds are grant funds, Gas Tax, Prop A, Prop C, Measure R, AQMD, Assessment Districts, and the Vehicle Parking District (VPD). Prop A, Prop C, Measure R and TDA Article 3 revenue estimates were provided by the MTA but because revenues received in the past few years have been under-producing, the proposed budgeted amounts are slightly less than revenue estimates. As part of legislation signed last year by the Governor, Prop 42 transportation funds were swapped with Gas Tax 2103 funds with the cities to be held harmless in the swap. By swapping the very restrictive Prop 42 funds for the restricted Gas Tax funds we are able to utilize more of these funds for eligible expenses such as the graffiti removal General Sanitation Fee (GSF) funding gap. The GSF fee is collected on Pomona utility bills for the activities associated with street sweeping, graffiti removal, storm water compliance, median maintenance, and right of way maintenance. The fees collected, however, fall \$540,000 short of paying for the services provided. The fees were first established in 1984 by the City Council and under Prop 218 guidelines, gained voter approval in 1998. The fee was revalidated in 2002 by the City's Measure A but the fee structure remained unchanged. Another change within this category is the assessment of administrative service charges to the VPD.

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 \$48.1 million. This total includes \$3.5 million of depreciation expense and \$780,211 of capital equipment requests.

The City also has two internal service funds: Equipment Maintenance and Self Funded Insurance Services (claims only). The adopted budget for these funds is \$8.6 million which is covered by revenue received from assessed departments.

STAFFING

For the first time within the last three years, there are no recommended position reductions within the adopted budget. Personnel history and funding allocations by department are shown in the Authorized Staffing section of this document and include a staffing level of 580.75 positions. In addition to these employees, many departments, especially the Library and Community Services Departments, utilize part-time hourly employees to provide services to our community. While not City employees, staffing is also provided for city services through the County of Los Angeles Fire Service Contract.

Adjustments to Staffing – One position has been unfunded and three positions only partially funded while staffing needs are assessed and/or recruitments conducted. One position, a City Clerk Assistant, has been approved to be added within the City Clerk’s Office. The cost of the position for 2011-12 is estimated \$57,100 which is offset by a reduction in hourly expense, netting a first year cost of \$21,000.

REDEVELOPMENT AGENCY

The Redevelopment Agency (RDA) was established in 1966 to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City of Pomona. The primary financing tool available to the Redevelopment Agency is the property tax increment, as authorized under California law. When a redevelopment project area is first formed, the property tax values at the time of project area formation are frozen, and serve as the “base year” property tax values. When property values increase, the values in excess of the base year are deemed to be the incremental assessed value. Thus, tax increment revenues are derived from incremental assessed value increases. The 2011-2012 operating budget for the RDA is \$46.2 million. Beginning with the 2000-2001 fiscal year, the eleven Project Areas were combined to create one merged project area which is accounted for in three separate fund types. The Debt Service Funds account for the accumulation of resources (tax increment) for the payment of general long-term debt (principal and interest). The Capital Projects Fund accounts for the acquisition or construction of major capital facilities, as well as the day-to-day operational costs of the Agency. The Special Revenue Fund (20% set-aside for Low and Moderate Housing) accounts for the proceeds of specific revenues that are legally restricted to provide affordable housing programs.

Debt Service Funds: Although the project areas have been merged, the Agency continues to receive tax increment by project area per the existing agreements with the County. The debt service funds are used to track tax increment and finance the current year’s principal and interest payments, as well as other Agency approved agreements and obligations. Tax increment revenue for 2011-12 is estimated at \$27.27 million, supplemented by a County grant and deferrals of \$3.5 million and a transfer from the Low/Mod Housing fund for \$2.6 million for its portion of debt service. The Agency’s obligation for the deferral is expected to reach \$35.7 million as of June 30, 2011. Of the revenue collected, \$14.3 million is allocated to debt service payments (excludes \$2.6 million in deferred interest expense), \$13.2 million is required for pass-through agreements and County property tax collection services, \$4.8 million is transferred to the Low/Mod Housing fund as required by Redevelopment Law, and

\$730,000 is required for other obligations of the Agency. Two noteworthy items here – debt service requirements on bonded debt increases by over \$4.0 million in 2011-12 which leaves only \$614,000 available to transfer to the Capital Project Fund for operations; and both Downtown I and Downtown II project plans expire in May of 2012. Each of these items will require timely review with further discussion and appropriate action by the Agency Board if necessary.

Capital Project Fund: As stated above, the amount provided to this fund for operations has been substantially reduced due to the increase in debt service requirements. With total revenues estimated at \$756,741, the fund cannot support the nearly \$4.4 million of adopted expenses without the use of available reserves. Budgeted within the \$4.4 million is a partial (\$500,000) repayment of the SERAF loan to the Low/Mod Housing Fund. The Agency borrowed \$5.0 million from the Low/Mod Fund in 2010 to make the required payment to the State, but repaid \$500,000 of the loan in 2011.

Low/Mod Housing Funds: This fund is estimated to receive \$4.8 million of tax increment transfers from the Debt Service Fund. It is expected to receive \$226,000 in other revenue along with the \$500,000 loan repayment described above. The total budget is adopted at \$5.47 million and includes a transfer of \$2.6 million back to the Debt Service Fund for the low/mod housing portion of debt service, \$795,000 for debt service of Series AQ Housing Bonds, and a transfer of \$4,367 to the Supportive Transitional Housing fund to clear the deficit in that fund for eligible expenses.

The adopted document does not include any possible effects from State actions now under consideration. Once more information is known, staff will notify the Agency Board as appropriate.

HOUSING AUTHORITY

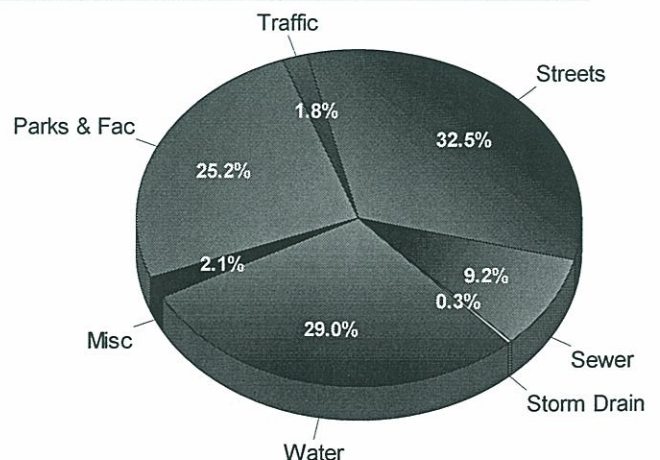
The City's Housing Authority's primary responsibility is to administer the Section 8 Rental Assistance Program that is funded by the United States Department of Housing and Urban Development (HUD). The program provides rent subsidy payments directly to landlords on behalf of eligible tenants and is intended to aid low-income families in obtaining decent, safe and sanitary housing. This year, over \$10 million has been budgeted for housing assistance payments. The Shelter Plus Care Grant proposed at \$976,152 is also under the umbrella of the Housing Authority.

CAPITAL IMPROVEMENT PROGRAM

The total five-year Capital Improvement Program (CIP) sets forth infrastructure needs and a capital plan involving 251 projects, totaling approximately \$548 million, of which \$218 million has been funded. The \$218 million is comprised of \$203.9 million of prior years' appropriations, of which approximately \$117 million remains unspent and \$13.9 million of new adopted funding.

The projects encapsulated within the CIP are addressed in greater detail within the

Total Funded CIP
Includes Prior Yr, Carryover and Proposed



separate Capital Improvement Program document. As reflected in the CIP summary, the volume of projects identified in the five-year plan is far in excess of the City's present funding ability. The following is a summary of the Five-Year Capital Improvement Program:

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	2011-12 Adopted	Following Four Years+
Streets	35,793,310	31,265,397	3,892,658	162,306,623
Traffic	115,111	2,064,681	1,498,277	15,758,352
Parks & Facilities	13,728,623	41,193,983	-	43,173,765
Water	29,028,938	26,330,594	7,964,914	87,227,623
Sewer	4,919,308	15,081,702	-	12,114,843
Storm Drains	160,554	17,579	370,546	9,893,957
Miscellaneous	3,115,944	993,112	200,000	-
Total	86,861,788	116,893,048	13,926,395	330,475,163

CAPITAL EQUIPMENT REQUESTS

Included in the adopted budget are capital equipment requests totaling \$1.3 million across various funds. Of the \$1.3 million, \$691,511 was approved in the 2010-11 budget but due to production and design of the respective items, will not be delivered until 2011-12 and required re-appropriation. Out of the remaining \$639,788, it is recommended that only the General Fund item to lease purchase the 9 Police vehicles totaling \$250,000 occur. The remaining equipment will be funded within each respective fund. A complete list of requested items can be found in the *Financial Summaries* section of this document.

ECONOMIC OUTLOOK

As we begin the 2011-12 fiscal year, there is general consensus that the nation has moved into slow recovery. The extent of the recovery, and how sustainable it will prove to be in the face of other economic challenges remains unknown. For now however, there is improvement – at least on the national level – on almost every measurable front, from consumer spending to employment, with a stock market that has recovered. But with fuel prices rising almost daily, and many global food staples experiencing dramatic price increases, there remains concern that prospects for a rapid and robust national recovery may be compromised.

Pomona's economy has certain "knowns". The last few years have seen significant closures within the Auto Mall, and the loss of major retailers such as Circuit City and Toys R Us. Although the City is expecting some growth among the remaining sales tax generators, local reliance on the building and construction sectors (a lagging economic segment), will serve to keep increases modest. Given the rate of commercial vacancies throughout the region, most of what was lost locally may be slow to return. On a more optimistic note, a small improvement is anticipated in property tax and related collections (the City's largest General Fund revenue source), as the impact of decline-in-value reassessments should gradually give way to the effects of a slowly improving residential and commercial market. Even so, the coming year is expected to be one of ongoing challenges to government at every level, as the overall economy seeks to find a firm footing on its way back to sustained

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July 1, 2011

health. Developers are approaching the City with renewed interest in local land purchases, as well as in retail, manufacturing, and housing projects. Pomona's key economic opportunity sites marketed by RDA are generating increased development inquiry and land use proposals. With the City Council's commitment to the General Plan Update and Corridor Study, along with the pending implementation of new development related software, the City is in a great position for the renewed development of our community.