



City of Pomona
505 South Garey Avenue
Pomona, CA 91766

July 1, 2014

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

After several years of fiscal challenges and painful decisions that have impacted services and our workforce, it is with cautious optimism that I present the City of Pomona's Fiscal Year 2014-15 Adopted Operating Budget and Capital Improvement Program. As a result of many strategic decisions over the past several years, successful labor negotiations, and implementation of the Council-adopted Fiscal Sustainability Plan, this budget displays a positive General Fund balance of estimated revenues over proposed appropriations although some one-time revenues have been included.

As the City looks ahead to 2014-15, staff is encouraged by indicators that a modest recovery is finally underway. How long the recovery will last is unknown, but we appear to have turned the corner for now, and our prospects for the future are much improved. All tax categories, as well as construction related categories, are reflecting a recovering economy. The Proposed General Fund Budget reflects estimated revenues of **\$87,068,954** which is a 6.8% increase from the previous fiscal year. However, of the \$87 million revenue estimate, \$1,670,916 is attributable to non-recurring sources. Factoring out this amount, ongoing operating revenue has increased 4.7% over the 2013-14 budgeted revenue. This moderate recovery requires the policy makers to exercise continued restraint in expanding the normal operating costs of the City.

The City of Pomona's Adopted Operating Budget, including transfers, for 2014-15 is **\$178,436,769** (which includes **\$86,191,763** in the General Fund and **\$92,245,006** in other funds such as Special Revenue, Debt Service, Capital Project, Enterprise Operations, and Internal Services). The Adopted Budget for the Housing Authority is **\$13,196,321**. The Capital Improvement Program Budget is approved at **\$5,919,910**. The total overall fiscal plan for 2014-15 totals **\$197,553,000**.

The total General Fund adopted budget is \$86,191,763 and maintains the City Council's long-standing funding priorities by allocating over three-quarters (79%) of the budget to direct costs for public safety. Despite the City's recent cost-cutting efforts, 2014-15 General Fund appropriations are 5.5% higher than 2013-14 adopted appropriations due primarily to increases in required retirement contributions, various contract costs, and the inclusion of funding equivalent to the cost of ending employee furloughs. Overall, General Fund revenues are anticipated to exceed current adopted appropriations by **\$877,191** for 2014-15.

Although the City is experiencing improvement in our economic recovery, serious challenges still remain as the General Fund remains structurally imbalanced as the current proposal includes non-recurring revenue, and does not include costs related to deferred wage increases, deferred maintenance, building of reserves, and unmet service needs. To compound these inevitable expenditures, other impending

increases lay ahead. Our challenges in the near future include increasing retirement rates, the continued rise in retiree health costs and debt service requirements, formula increases provided through contract provisions with the Los Angeles County Fire District, the potential future reconfiguration of Fire Services, the full absorption of police officer funding as the CRRP grant comes to a close in 2014-15, and the reliance on special funds for services traditionally funded by the General Fund.

Key Budget Assumptions – Based on data we have at this time and economic forecasts from a range of sources, we are making the following key assumptions for the 2014-15 budget:

- The local economy will generally hold steady and improve slightly during 2014-15, resulting in total General Fund operating resources increasing by 4.7% over budgeted 2013-14 revenue and 2.5% over year-end estimates.
- The costs of the 2014-15 General Fund budget will be covered by projected operating revenues and anticipated non-recurring revenues.
- Provisions within the Fiscal Sustainability Policy requiring contributions to future Capital Improvement Projects and Equipment Replacement are suspended until the General Fund reaches its 17% Fund Balance policy goal.
- Fees, such as Engineering, Building, and Planning, will be reviewed with possible revisions during the fiscal year.
- The General Fund will meet or exceed its 2016 Fund Balance goal of 11% by year-end.
- Total expenditures presented include sufficient funding to end employee furloughs in 2014-15 but also include ongoing savings from employees paying their portion of the required retirement contribution.
- The cost of fire services as provided by the LA County Fire District is budgeted at the Final Estimate Fee set by the District.
- All positions, except the vacant benefitted Library positions which are currently filled with hourly positions, have been funded for the full year.
- Capital Equipment requests (page 22 and 23 of the Financial Summaries Section) are funded.

Unmet Needs – As the City has struggled to balance the budget over the past several years, services and staffing in some areas have been cut to a point of marginal service delivery. While the Library was able to remain open and even add additional hours in 2013-14, hours are still below optimum levels. Additionally, reductions in Community Services have left key programs underfunded. The City is also struggling to maintain its aging infrastructure. The majority of Pomona's public infrastructure was constructed decades ago and now requires either an increased level or increased frequency of repair due to age and deferred maintenance. Below is a partial list of unmet needs for consideration by the City Council:

- Partial restoration of Employee Compensation Concessions
- Additional Recreation Program Funding
- Additional Library Hours

- Additional Police Resources
- New Telephone System for City Hall
- Street Maintenance
- Park Restroom Renovations
- Park Equipment Replacement
- Pool Refurbishment
- Turf Replacement at Veterans' Park (future)
- Reconfiguration of Fire Services – 2 man to 3 man crew
- Other Deferred Maintenance of Current Infrastructure/Facilities
- New Sidewalk / Streetlights
- Corridor Specific Plan Improvements
- Other Post-Employment Benefits (OPEB)
- Additional Reserves

This is only a partial list, but serves as a reminder that additional resources generated by the General Fund in the coming years are not really surpluses. Instead, they may provide a means to begin to chip away at the long list of unmet needs and deferred maintenance that has developed over the years.

Conclusion – The development of this budget was, as always, a team effort which reflects the collaborative spirit within our organization. The prolonged recession has forced us to make hard choices about which services we will provide to the community and how we will provide them. Fiscal discipline and wise stewardship over many years have made it possible for us to take a balanced approach as we strategically reset our service levels. As always, we are aware that development of the annual budget is a dynamic process and anticipate there will be ongoing economic issues that will require additional attention as we progress through the upcoming fiscal year. The City will remain vigilant in monitoring our budget process and will evaluate all impacts accordingly as we are committed to providing services that are responsive and fiscally sound.

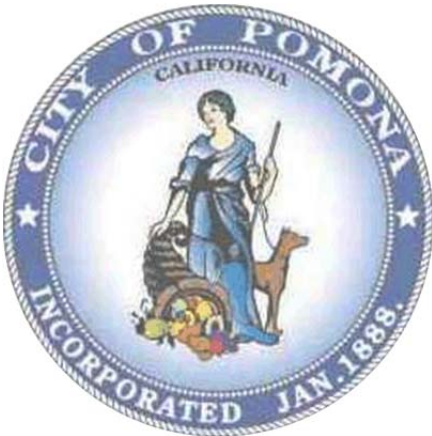
I also thank all those responsible for the successful completion of this budget. The budget represents a tremendous amount of work by Department Directors and key members of their staff. I would also like to acknowledge the efforts of the Finance Department without which the preparation of this document could not have been accomplished. Lastly, I thank both the City Council and City staff for the strong partnership that has enabled us to effectively meet the challenges we face, and the opportunities possible as we move forward.

Respectfully submitted,



Linda Lowry
City Manager

Honorable Mayor and Members of the City Council
July 1, 2014



BUDGET MESSAGE ADDENDUM

THE DOCUMENT

The Adopted 2014-15 Budget document is divided into seven sections including the City Manager’s Transmittal Message and Addendum (collectively the Budget Message), User’s Guide, Financial Summaries, Revenues, Authorized Staffing, and Capital Improvement Program (CIP). The seventh section includes department details. The proposed document includes line item details whereas the adopted document only presents summary information.

SUMMARY OF FUNDS 2014-15

The Operating Budget is the City’s financial plan, and consists of revenues and expenditures to finance the current year operations of the various funds and programs for the fiscal year beginning July 1, 2014 and ending June 30, 2015. 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 2014-15 Operating and Capital Improvement Budgets total \$197.6 million as follows:

Fund Type	Expense	Transfers Out	Total	% of Operating Budget
General Fund	81,591,982	4,599,781	86,191,763	48%
Special Revenue Funds	23,598,656	4,998,955	28,597,611	16%
Debt Service Funds	5,556,054	1,040,000	6,596,054	4%
Capital Projects Funds	170,000	393,096	563,096	0%
Enterprise Funds	47,011,923	1,017,000	48,028,923	27%
Internal Service Funds	8,459,322	0	8,459,322	5%
City Operating Budget	166,387,937	12,048,832	178,436,769	100%
Pomona Housing Authority	13,196,321	0	13,196,321	
Capital Improvements	5,919,910	0	5,919,910	
Total	185,504,168	12,048,832	197,553,000	

GENERAL FUND REVENUES

The City receives a multitude of revenue from many sources, many of which must be accounted for separately. Revenue projections in the Adopted Budget are estimated using historical information, data collected from the State Controller, the State Department of Finance, the League of California Cities, the Los Angeles County Auditor Controller’s Office, and consultants. City Staff utilized these sources along with a general sense of the economic status of the local community to prepare estimates within this document.

Total General Fund revenues for 2014-15 have been estimated at \$87,068,954. This amount reflects an increase of \$5.5 million over the Adopted 2013-14 Budget, however, nearly \$1.7 million is attributable to non-recurring revenue sources. The operating increase is primarily due to the growth in all tax and development related categories. Staff estimates the City’s ‘Big 3 Revenues’, which are comprised of Property, Sales, and Utility Users’ Taxes, will increase by nearly \$1.9 million over the 2013-14 budget while Licenses, Permits, and Fees are expected to increase by nearly \$1.45 million.

Following the chart below is a brief discussion on the 'Big 3'; however, a more comprehensive review and calculation methodology of all major revenue sources may be found within the Revenue Section of this document.

Revenue Category	2013-14 Budget	2013-14 Y/E Est	2014-15 Adopted	13-14 Budget to 2014-15	13-14 Y/E Est to 2014-15
Property Taxes	26,530,500	26,773,716	27,310,000	779,500	536,284
Sales Tax	15,610,000	16,042,593	16,375,000	765,000	332,407
Utility Tax	18,025,000	17,600,000	18,360,000	335,000	760,000
Total - Big "3"	60,165,500	60,416,309	62,045,000	1,879,500	1,628,691
Other Taxes	12,415,000	12,641,496	12,967,700	552,700	326,204
Fines	1,790,850	1,820,704	1,802,200	11,350	(18,504)
Use of Money	299,008	283,908	286,408	(12,600)	2,500
Other Intergov	164,000	128,389	120,000	(44,000)	(8,389)
Licenses	740,510	907,280	975,280	234,770	68,000
Permits	1,015,300	1,150,300	1,215,300	200,000	65,000
Fees	2,080,980	2,807,422	3,096,180	1,015,200	288,758
Misc Rev	331,300	342,168	290,900	(40,400)	(51,268)
Charges for Svc	2,552,823	2,806,815	2,599,070	46,247	(207,745)
Sub-total	81,555,271	83,304,791	85,398,038	3,842,767	2,093,247
Non-recurring	0	1,685,040	1,670,916	1,670,916	(14,124)
Total - All Sources	81,555,271	84,989,831	87,068,954	5,513,683	2,079,123

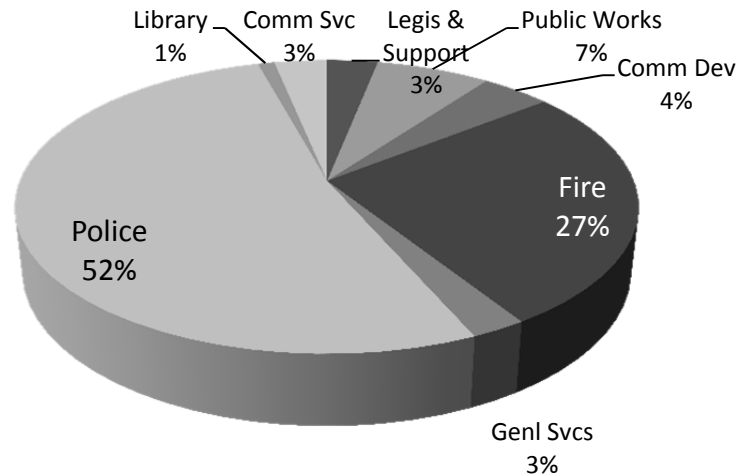
Property Taxes are expected to increase \$779,500 from the 2013-14 Budget as the recession-driven trend of declining property values (and taxes paid thereon) appears to have reached a bottom, and is returning once again to growth. These trends affect three individual line items; Secured, Unsecured, and Property Tax In-Lieu of VLF which, combined, are expected to increase by almost 2.9% from the 2013-14 fiscal year revenue budget. Until the County's assessed value rolls are published in August, Secured Property Tax is estimated to increase at a conservative 1% rate from current year-end estimates based upon consideration of the CPI rate of 0.454% used by LA County for property tax bills.

Sales and Use Tax is expected to increase by just over \$765,000 from the 2013-14 Budget, due primarily to growth in the City's sales tax base, which is fueled by further development of the Target center, as well as an improved economy affecting a broad array of Pomona's sales tax generating business sectors. Smaller increases (compared to the prior year's budget) are seen in the State's annual "true-up" of the 0.25% in local taxes that are deferred under the ongoing triple flip, and in the PSAF half-cent sales tax line item. Despite those signs of health, overall receipts are still notably diminished from the levels of collection prior to the "Great Recession."

Utility Tax is modestly estimated to grow by about \$335,000 when compared to the 2013-14 Budget. Insofar as this combination of individual line items is impacted by a number of highly unpredictable factors, including the weather (which drives consumption of electricity, natural gas and water), utility provider rate changes, and a rapidly-evolving telecommunications industry, a conservative approach has been judged to be most prudent.

GENERAL FUND EXPENDITURES

The General Fund is the largest fund of the City and represents approximately 48% of the City's Operating Budget. The General Fund accounts for all of 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, certain public works operations, development, and other essential support services such as the City Council, the City Manager's Office (Administration), City Clerk, City Attorney, Finance, and Human Resources. The Adopted 2014-15 General Fund expenditure budget is \$86.2 million; an increase of \$4.55 million over the 2013-14 Budget and \$4.43 million over 2013-14 year-end estimate. As always, community safety remains a high priority for Pomona, and this Budget continues to reflect that commitment. Public Safety utilizes 79% (Police 52.3%, Fire 26.5%) of all General Fund resources.



RECONCILING THE GENERAL FUND GROWTH

Revenue Growth	Amount	Brief Summary
Property Tax	\$ 779,500	Anticipated Growth
Sales Tax	765,000	Anticipated Growth
Utility Users' Tax	335,000	Anticipated Growth
All Other Taxes	552,700	Anticipated Growth
Intergovernmental Rev	(44,000)	Reductions in POST and Mandated Cost Reimb
Licenses, Permits, Fees	1,449,970	Anticipated Growth
All Other Revenue	4,597	Net of various increases and decreased in misc rev
Non-Recurring	1,670,916	Part of SBOE Settlement, Refunds Due, and Misc
Total	\$ 5,513,683	

Expenditure Growth	Amount	Brief Summary
Personnel	\$ 4,301,677	Increase in Retirement Rates and funding equivalent to end of furloughs, change in workers comp allocation (moved from allocated costs to a component of salary), partial assumption of CHRP funded sworn positions, increases in OT and anticipated retirement payouts
Controllable Exp	173,473	Increase to Interwest Contract (offset by increased rev), increase to Landscape contract, decrease in tree maint which was increased in 2013-14 to address dead trees, decrease for expense related to Palm Lakes and movement of Chamber of Commerce and PEOC exp to 'Supplemental' recommendations.

Required Exp	808,760	Increase in Fire Service Contract, Election expense, payment to Claremont for loan repayment (offset by reduced tree maint transfer to Gas Tax)
Utilities	156,125	Increase in water for park landscape maintenance, increase in gas and electricity for facilities
Allocated Costs	(1,068,653)	Large reduction due to reallocation of workers comp costs to a component of salary, decrease in liability claims allocation, increases in Self Insurance Admin costs and fleet allocations
Recovered Costs	45,578	Based on salaries in other funds
Capital	(73,722)	Based on recommended equipment versus amended 2013-14 budget
Transfers Out	(29,497)	Increase in Pension Bond debt service, offset by reduction in transfer to Gas Tax for tree trimming (to offset payment of Claremont loan for storm drain proj)
Approved Supplementals	240,853	
Total	\$ 4,554,594	

THE GENERAL FUND PROPOSED BUDGET

The structural changes that have occurred over the past few years have had a positive impact on the current budget and have set the framework for fiscal sustainability for the General Fund.

As a guide to understanding the changes within the Adopted Budget, the following information is offered:

General Fund	2012-13 Actuals	2013-14 Budget	2014-15 Adopted	% Chg	Dollar Change
General Government	2,713,990	2,324,874	2,685,025	15%	360,151
General Services	1,717,902	1,610,076	2,127,040	32%	516,964
Public Safety	61,027,007	64,402,665	67,984,239	6%	3,581,574
Public Works / Comm Dev	8,670,593	9,444,365	9,726,842	3%	282,477
Comm Svc / Library	3,600,076	3,855,189	3,668,617	-5%	(186,572)
Total	77,729,568	81,637,169	86,191,763	6%	4,554,594

DEPARTMENT-WIDE INCREASES – Each department reflects an increase to the ‘Earnings & Benefits’ line item due to increases in retirement rates, health insurance premiums, salary amount necessary to eliminate furloughs, and the change in methodology for workers compensation claims expense. Overall, these benefit components increase General Fund costs by approximately \$3,260,000 for 2014-15. Costs related to Internal Service Fund allocations (Information Systems, Liability, Workers’ Comp, Unemployment, and Equipment Maintenance) have decreased by \$1,069,000 in the General Fund with \$1,034,000 attributable to the change in methodology which moved claims expense from an allocation to a component of salary. The decrease also includes a reduction to liability claims expense offset by increases in self-insurance administrative costs and fleet charges.

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, and Human Resources, is \$4.8 million which is offset by \$2.1 million of recovered costs and administrative service charges resulting in a net expense of \$2.7 million. Recovered costs are the result of services assessed to other departments. The General Government group of departments also receipt \$3.4 million in revenue primarily related to the business licensing function within Finance. The total budget for these six departments has increased by \$360,000 (including recovered costs) over the 2013-14 budget.

The most significant increase within this grouping of departments is within the City Clerk's Office which increased by nearly \$180,000 primarily due to the addition of election costs in this election year for \$135,000 and salary related increases affecting all departments. The City Attorney's budget reflects an increase of \$23,000 due to the increase in salary related costs affecting all departments and a supplemental request to increase the City Attorney retainer by CPI (1.04%). Administration increases by \$62,000 due to increases in salary expense experienced by all departments, a decrease in hourly, and increases in liability claims and fleet allocations. Finance increases \$131,165 due to the salary related increases experienced by all, reallocation of staff salaries from Section 8 Housing Funds, an increase in hourly to reflect current working hours, offset by decreases in computer equipment and other supplies/materials. The department also experienced increases in telephone and other allocations. A \$12,000 supplemental request for a purchasing application was also approved. Human Resources increases by \$46,700 due primarily to the salary related increases assessed to all, an increase to allocations and decreases in equipment purchases.

GENERAL SERVICES – The General Services budget includes those expenses that are of a city-wide benefit rather than a particular department or program or for programs which do not fit within the current department structure. The 2014-15 budget is \$464,000 more than the 2013-14 amended budget. Changes in this department include an increase in anticipated retirement payouts in General Fund departments unable to cover with salary savings, an increase to the Humane Society contract for animal control services, and an increase in liability claims expense. Financial support to the Pomona Economic Development Center and Chamber of Commerce totaling \$125,000 is also included within this budget. Also included is a reestablishment of the standard \$250,000 in contingency funding for emergency or unforeseen expenses throughout the year.

The City contracts with Inland Valley Humane Society (IVHS) for animal control services in a shared cost environment with other communities. The Animal Services Contract renews on an annual basis, subject to a CPI increase on the total gross contract amount. The 2014-15 fee is set at \$529,000, a 3.5% increase over the 2013-14 fee assessed to Pomona net of revenue received. IVHS is continuing implementation of the administrative citation process and evaluating its cost allocation model in an effort to continue providing the City with efficient animal control services that can be supported within the City's financial means and existing fee structure.

POLICE – The Adopted Police budget is \$45,112,031 which is \$3.0 million more than its 2013-14 budget. This change is due to increases in 'Earnings & Benefits' (mostly related to PERS contributions, funding sufficient to eliminate current furloughs, the reallocation of workers compensation claims expense from allocations to salary, and the partial absorption of grant funded (CHRP) officer positions – \$3.2 million), adopted staffing changes (\$29,600), an increase in reimbursable overtime expense (\$159,000) and an increase in debt service payments (\$92,800) for the pension bonds, offset by overall decreases in allocations. Allocations for workers compensation claims expense decreased as this is now a component of salary, liability claims expense has also been reduced based on the current analysis, offset by increases in self-insurance administrative costs and the fleet allocation.

FIRE – The Fire Department budget for 2014-15 is adopted at \$22,872,208 which includes the contract amount of \$22,772,208 which is \$551,084 more than the 2013-14 budgeted estimate provided by the LA County Fire District. Additionally, the final 2013-14 fee provided by the County is \$22,326,056, nearly \$105,000 more than the final estimate provided May 2013. LA County has stated that this additional \$105,000 will be billed in 2014-15 however, given that it is an actual 2013-14 expense, the amount is shown within the 2013-14 year-end estimate and will be expensed within that year. The 2014-15 fee includes the continuation of the 2012-13 action that eliminated fire services at station 181 by relocating the Light Force and eliminating an engine company.

COMMUNITY DEVELOPMENT – The Adopted Budget for Community Development is \$3,673,664, approximately \$308,000 more than budgeted in 2013-14. Of this increase, over \$100,000 is attributable to the increase in PERS, funding for the end of furloughs, and change in workers compensation claims expense from an allocation to a component of salary. The Contract Service line for Building and Safety increases by \$259,650 due to an anticipated increase in building services which is offset by a \$367,000 increase in related revenue. The budget proposal also includes an additional \$10,700 for computer acquisitions and a decrease in liability claims expense.

PUBLIC WORKS – The Public Works Adopted Budget is \$6,303,641, offset by \$250,463 of Administrative Service Charges for facility maintenance. The budget decreased by approximately \$80,700 over the 2013-14 budget amount. Staffing costs are estimated to increase due to PERS increases, equivalent funding for the elimination of furloughs, a change in accounting for workers compensation claims expense, and requested staffing changes. Controllable expense has increased by \$129,000 based on an increase in landscape maintenance costs, and requested supplementals, offset by a decrease in tree maintenance. The decrease does not reflect a decrease in annual tree service but rather a decrease from the one-time increased funding from contingency for the removal of dead trees. Within the Required Expense category, a new expense for repayment of loan appears at \$78,750 for the repayment of a loan with the City of Claremont for a combined storm drain improvement project. This increase is offset by a decrease in the transfer to the Gas Tax fund to make the transaction fiscally neutral. Reductions in liability claims expense and fleet allocations complete the proposal for Public Works.

COMMUNITY SERVICES – The Adopted Budget for Community Services is \$2,798,213, a decrease of \$74,748 from the 2013-14 budget. The reduction in budget is due primarily to the elimination of funding for Palm Lake Golf Course (contract service and water) offset by an increase in staffing costs attributable to the PERS, furloughs, and the change in workers compensation funding. The Department also estimates it will receive \$822,700 in revenue for the coming fiscal year.

LIBRARY – The Library Budget for 2014-15 is adopted at \$870,404 which is \$111,824 less than the 2013-14 budget while maintaining last year's enhanced service hours of 29 hours per week. The reduction is due primarily to the unfunding of the 1.6 authorized benefitted positions as these are filled with hourly personnel, the elimination of required termination payouts paid in 2013-14, as well as the elimination of funding for some one-time expenses funded in 2013-14.

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 many separate funds. For presentation and adoption purposes, several of these funds are consolidated within this document. For example, the Community Development Block Grant Fund actually represents eight individual

funds and City Debt Service represents five individual funds. All funds are estimated to end the 2013-14 fiscal year with a positive fund balance with the exception of the Cal Home Grant Fund. Staff continues to work on a plan to remediate this issue which is the result of deposits illegally 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, General Sanitation Fees (GSF), Maintenance Assessment Districts, and the Vehicle Parking District (VPD). Prop A, Prop C, Measure R, and TDA Article 3 revenue estimates were provided by Metro, the granting authority. 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 street tree maintenance while the General Sanitation Fee (GSF) Fund provides funding for services such as graffiti removal, storm water compliance, median maintenance, street sweeping and right of way maintenance. The GSF 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. Funding shortfalls for services provided through the GSF are covered by Gas Tax.

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 \$48.03 million. This total includes \$4.23 million of depreciation expense and \$843,105 of capital equipment requests.

The City also has four internal service funds: Self-Funded Insurance Services, Equipment Maintenance, Information Technology, and Printing/Mail Services. The Adopted Budget for these funds is \$11.9 million which is covered by revenue received from assessed departments. The Self-Funded Insurance Fund is adopted at \$6.4 million offset by \$1.8 million of recovered costs; a decrease of \$121,000 over 2013-14 due to a combination of decreases in claims expense and staffing, and increases in contract services and insurance premiums. The Equipment Maintenance fund budget is adopted at \$3.9 million, down slightly over \$24,00 from 2013-14. The Information Technology (IT) Fund and Print/Mail Services Fund are operations transferred from the General Fund to better reflect its internal services nature. To keep the accounting structure consistent with the structure it held when presented in the General Fund, the operations receive 'recovered costs' funding rather than revenue. Adopted appropriations for IT operations total \$1,555,815, offset by an equal amount of Recovered Costs, which places the Adopted Budget at zero. The \$1.56 million estimated expense is \$40,000 more than estimated in 2013-14. Printing/Mail Services is adopted at \$37,217, offset by an equal amount of 'Recovered Costs' to reflect a zero budget amount.

STAFFING

Staffing costs for the 2014-15 Adopted Budget were developed using 2012-14 labor contract provisions, adding additional funding equivalent to the amount needed to end current furloughs, and full funding for authorized positions with the exception of the positions recommended for elimination and benefitted positions within the Library which are filled with employees working on an hourly basis. Costs also reflect expense growth related to increases in the City's retirement contribution rates (PERS), and changes in health premiums and pay-as-you-go retiree health costs. New for 2014-15, workers compensation costs have been converted from an allocation within departmental expense categories to a component of salary and benefits. Rates were established to closely mirror state rates and adjusted for Pomona historical cost experience. In some cases,

departments are also assessed an 'excess workers comp' allocation for areas of high cost experience.

Personnel history and funding allocations by department are shown in the Authorized Staffing section of this document and include a staffing level of 538.60 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.

As personnel changes are routinely considered in conjunction with the annual budget, the following approved actions, changed the authorized staffing to 534.60, and includes the removal of one Senior Communication Technician which was a temporary request authorized for 6 months; and are adopted for 2014-15:

POSITION ELIMINATIONS

<i>Department</i>	<i>Position</i>	<i>Budgeted Savings</i>	<i>Funding Source</i>
HR/Risk Mgmt	Workers Compensation Supervisor ¹	106,000/yr	Multiple Funds
PD	Senior Records Clerk	53,300/yr	General Fund
PW	Solid Waste Manager ²	114,000/yr	Refuse

POSITION RESTRUCTURES – AS REVIEWED AND RECOMMENDED BY HUMAN RESOURCES

<i>Dept</i>	<i>Current Title</i>		<i>Adopted Title</i>	<i>Top Step Comparison with PERS ⁴</i>	<i>Funding Source</i>
FN	Acct Technician I/II	to	Senior Accounting Technician ³	8,100/yr	GF/HSG
FN	Purchasing Technician	to	Senior Purchasing Technician	5,500/yr	General Fund
PD	Police Svcs Administrator	to	Police Civilian Division Commander	18,200/yr	General Fund
PD	Police Records Supervisor	to	Police Records Manager ³	30,400/yr	General Fund
PW	Street Services Manager	to	Streets and Solid Waste Svcs Mgr ²	11,900/yr	Multiple
PW	Utility Services Manager	to	Deputy Public Works Director	15,200/yr	Enterprise
PW	Environmental Prog Coord	to	Environmental Prog Supervisor ²	4,700/yr	Enterprise
PW	Management Analyst (1)	to	Program Specialist ³	(12,500)/yr	Enterprise
PW	Administrative Assistant	to	Program Assistant ³	0	Enterprise

POSITION TITLE CHANGES ONLY – AS REVIEWED AND RECOMMENDED BY HUMAN RESOURCES

<i>Dept</i>	<i>Current Title</i>		<i>Adopted Title</i>	<i>Funding Source</i>
FN	Lead Acct Tech	to	Sr Accounting Technician	General Fund
PD	Assistant Police Chief	to	Deputy Police Chief	General Fund

¹ Contract service for workers compensation administration was approved April 2014

² With the elimination of the Solid Waste Manager, additional duties have been assigned to these positions.

³ Position vacant

⁴ Comparison is top step to top step including PERS and does not reflect first year costs which are lower based on current step and range of incumbent. Typical first year increases are set near 5% for incumbent.

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. The purpose of the Oversight Board is to approve the Recognized Obligation Payment Schedule and Administrative Budget for submission to the Department of Finance for funding of prior Agency obligations. The account structure of the Successor Agency is that of a Trust and Agency account which carries neither revenues nor

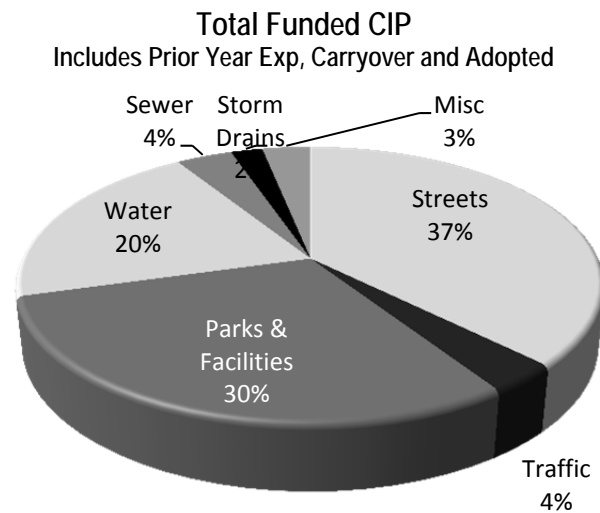
expenditures and is therefore, not presented within this document. However, Staff estimates that the total for the two 2014-15 Recognized Obligation Payment Schedules will be approximately \$17.5 million while the amount available in the Redevelopment Property Tax Trust Fund (RPTTF) collected by the County will be approximately \$12.8 million. The funding gap will be covered by a county grant and deferral, rental income, and other revenue due to the former Agency.

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) and oversee housing property of the former Redevelopment Agency. 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, \$9.5 million has been budgeted for housing assistance payments within the Section 8 Housing Fund which has a adopted total overall budget of \$11,638,436. The Shelter Plus Care Grant adopted at \$988,219 is also under the umbrella of the Housing Authority. Lastly, is the Housing Administrative Fund which oversees all Housing Authority programs including the assets of the former Redevelopment Agency’s Low/Mod Fund and is adopted at \$569,666.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) contains priorities for improvements to the City’s infrastructure over a five year period of time. It is annually reviewed and updated and its implementation is dependent upon the availability of capital and special funds. Since these funds are legally restricted, the funds must remain separate from and cannot be utilized for general operating costs. Capital projects often span many years, as the projects move from design and environmental review to plan check and ultimately construction and are subject to revision during the year to reflect fluctuations in City needs, priorities, and funding. The separate Capital Improvement Program document addresses, in greater detail, specific projects to be undertaken in both the short and long term. Included again this year is the Schedule of Work Plan by Category which highlights projects to be undertaken in the upcoming fiscal year, and the City’s Annual Infrastructure Needs Assessment.



Pomona’s five-year Capital Improvement Program (CIP) sets forth infrastructure needs and a capital plan involving 173 projects, totaling approximately \$376 million, of which \$170.5 million has been funded. The \$170.5 million is comprised of \$164.6 million of prior years’ appropriations, of which approximately \$76.6 million remains unspent, and \$5.9 million of new adopted funding. The approved funding for projects within this document reflects City Council approvals through June 16, 2014.

The following is a summary of the Five-Year Capital Improvement Program:

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	Adopted 2014-15	Following Four Years+
Streets	47,150,780	11,987,568	4,485,910	97,037,253
Traffic	2,106,125	2,946,369	625,000	18,728,601
Parks & Facilities	10,538,789	39,287,712	759,000	42,120,765
Water	21,662,649	13,426,259	-	39,779,650
Sewer	1,742,320	4,648,488	-	1,500,000
Storm Drains	1,402,379	2,163,790	50,000	6,684,867
Miscellaneous	3,351,620	2,172,165	-	-
Total	87,954,662	76,632,351	5,919,910	205,851,136

CAPITAL EQUIPMENT REQUESTS

Included in the Adopted Budget (page 18 and 19 of the Financial Summaries section) are recommended capital equipment requests totaling \$1,186,354 across multiple funds. Minimal General Fund capital equipment requests are adopted within the 2014-15 Budget and total \$52,600. The majority of requests (\$843,105) are within two of the Enterprise Funds.

KEY BUDGET ISSUES AHEAD

While the City has made a number of difficult decisions in recent years to improve its financial condition, including the use of layoffs, employee concessions, and various program and service level reductions, there continues to be various known cost increases that impact the City's overall fiscal picture. These cost drivers are detailed below:

CalPERS Retirement Rates – The State of California recently adopted pension reform legislation that will have a gradual positive impact on retirement costs incurred by cities. However, this impact is long-term in scope because most of the provisions apply to employees hired, and are new to the PERS system, after January 1, 2013. While this legislation will benefit the City in the long run as turnover occurs, savings to the City will be modest in the near future.

However, on April 17, 2013, the CalPERS Board of Administration approved a recommended change to the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experienced gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new policy will affect employer rates beginning in fiscal year 2015-16. Additionally, on February 18, 2014, the CalPERS Board adopted new actuarial assumptions which include increased mortality rates for retirees. The following table portraying estimated future rates was prepared utilizing information provided in the City's annual PERS valuation report and the estimated impact of the February 18, 2014 Board decision on rates, also provided by PERS. These rates should be considered estimates only.

Public Safety			Miscellaneous		
Fiscal Year	Est Annual Rate Increase	Estimated Rate	Fiscal Year	Est Annual Rate Increase	Estimated Rate
15-16	3.50%	44.00%	15-16	1.80%	18.90%
16-17	5.4%-6.8%	49.4%-50.8%	16-17	2.2%-3.1%	21.1%-22%
17-18	4.4%-5.0%	53.75%-55.8%	17-18	2.0%-2.8%	23.1%-24.8%
18-19	4.3%-4.9%	58.0%-60.7%	18-19	2.0%-2.8%	25.2%-27.5%
19-20	4.3%-5.0%	62.4%-65.7%	19-20	2.0%-2.8%	27.2%-30.3%
Cumulative	21.85%-25.2%		Cumulative	10.1%-13.2%	

Labor Contracts – As part of the City’s previous overall cost reduction efforts, employee bargaining groups agreed to accept multi-year salary and benefit concessions. The current contracts for all groups are due to expire on June 30, 2014. Negotiations are currently underway.

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 10 years from \$1.1 million in 2003 to \$3.2 million in 2012-13. The City follows a pay-as-you-go system for funding these expenses which are assessed to all departments through salary/benefit charges. The amount estimated for 2014-15 is \$3.25 million which equates to \$6,100 per active employee. Additionally, the City’s most recent Other Post Employment Benefit (OPEB) actuarial report indicates the City’s liability for these benefits is \$77.2 million. As of May 1, 2014, the City has 478 retirees receiving health benefits.

Fire Service Contract – The City contracts with the Los Angeles County Fire District for fire protection services. In 2012-13, the City negotiated the relocation of services to reduce the number of stations from eight to seven. This temporary realignment significantly reduced the City’s contract costs beginning in 2012-13 while the construction planning process continues to facilitate the long-term realignment of Fire services. However, the contract still provides for increases based on actual costs and a formula based upon which the 2014-15 fee increased over \$550,000. Future year cost increases are unknown, but based on previous experience, costs could increase significantly over time. Additionally, the long-term permanent realignment plan calls for permanent removal from service of the two-man light force engine and reestablishment of the three-man engine which has been removed from service in the temporary realignment. Implementation of the long-term realignment would restore one post position (the equivalent of three full-time firefighters) thus incurring significant future cost increases.

Successor Agency – While the abolishment of the Redevelopment Agency resulted in staff layoffs, there continues to be a need to retain and fund a variety of positions which were partially supported with redevelopment funds. As the ‘wind down’ continues, the General Fund will need to gradually absorb these costs. As of this 2014-15 proposal, there are still 1.85 positions funded through the Successor Agency at a cost of \$265,000.

Police Grant Funded Positions – The City was awarded a \$3.1 million COPS Hiring Recovery Program (CHRP) grant on July 15, 2009 which expires May 31, 2015. This grant provides full salary and benefits funding for (9) Police Officer positions for a total of (36) months for each position based on hire date. At the conclusion of the grant funding period, the City is responsible to continue to fund each of the (9) CHRP Police Officer positions for a (12) month retention period. Funding for all CHRP funded positions end in 2015 and while partial funding for these positions has been included in the 2014-15 General Fund proposal, nearly \$650,000 is still funded through this grant.

Deferred Maintenance – Although a defined budget estimate has not been fully developed, a transportation related and utility infrastructure needs assessment has been included within the Capital Improvement Program section. Undefined, yet just as important, are improvements needed to the City’s parks including playground equipment, restrooms, community centers, turf, pools, and sports fields. Civic Center buildings have also aged and are in need of refreshment and improvements.



FISCAL SUSTAINABILITY POLICY

City of Pomona *Fiscal* Policies & Procedures

Number:

Effective Date: **May 2, 2011**

Approval: **Reso #2011-49**

Purpose and Scope

The purpose of the Fiscal Sustainability Policy is to guide the City's financial planning to meet financial obligations while providing high quality services.

Approving Authority – City Council

Fiscal Sustainability Overview

The City has an important responsibility to its citizens to carefully account for public funds, to manage its finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities and ongoing infrastructure improvements. The City needs to ensure that it is capable of adequately funding and providing those government services desired by the community taking into account available ongoing resources, major changes in federal and state policies toward local government funding, and changes in economic conditions. Ultimately, the City's reputation and success will depend on its ability to set policy and goals and execute within those parameters.

The set of Fiscal Sustainability Policies are intended to establish guidelines for the City's overall fiscal planning and management. These principles are intended to foster and support the continued financial strength and stability of the City as reflected in its financial goals. The financial goals are broad, fairly timeless statements of the financial position the City seeks to attain:

- To deliver quality services in an affordable, efficient and cost-effective manner.
- To maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in the City of Pomona.
- To provide essential public facilities and prevent deterioration of the City's public facilities and its capital assets.
- To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the City's residents.
- To protect and enhance the City's credit rating in the financial community to assure the City's taxpayers the City government is well managed and financially sound.
- To insure the legal use of all City funds through adherence to the highest accounting and management practices as set by the Government Finance Officers' Association standards for

financial reporting and budgeting, by the Governmental Accounting Standards Board and other professional standards, and by adherence to State Law.

- To provide transparency in the financial operations of the City.

Following these principles will enhance the City's financial health as well as its image and credibility with its citizens, the public in general, bond rating agencies and investors. It will also protect the Council's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies.

To achieve these purposes, it is important to regularly engage in the process of financial planning, including reaffirming and updating these financial policies. Policy changes will be needed as the organization continues to change along with the services and service level it provides to its citizens.

Objective

The policies shall be designed and structured to develop principles that guide, support and respect the direction of the community so that taxpayers can look forward to stable, equitable and affordable service delivery.

Policies

The following policies are established as part of the City's Fiscal Sustainability Plan

- Budget
- Economic Development
- Risk Management
- Accounting, Auditing and Financial Reporting
- Cash Management and Investment
- Debt Management

Budget

I. GENERAL POLICY

Fiscal planning refers to the process of identifying resources and allocating those resources among competing purposes. The primary vehicle for this planning is the preparation, monitoring and analysis of the City's budget. It is increasingly important to monitor the performance of the programs competing to receive funding.

1. The City Manager shall submit to the City Council a proposed annual budget, with recommendations, and shall execute the budget as adopted, pursuant to Sections 1002 through 1011 of the Pomona City Charter. The City will budget on the basis of a fiscal year which begins July 1 and ends on the following June 30. The City Council will adopt the budget no later than June 30.
2. Annually, the City Manager shall submit to the City Council for consideration, a list of Budget Guiding Principles to be used in the development of the coming year's budget.
3. The City will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program. The proposed budget will contain the following:
 - a. Revenue estimates by major category, by major fund
 - b. Expenditure estimates by program levels and major expenditure category, by major fund
 - c. Estimated fund balance by major fund
 - d. Debt service by issue detailing principal and interest amounts by fund
 - e. Proposed personnel staffing levels
 - f. A detailed schedule of capital projects
 - g. Any additional information, data, or analysis requested of management by the City Council
4. The Finance Department in consultation with the City Manager shall provide annually a budget preparation schedule outlining the preparation timelines for the proposed budget. Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to City departments in a timely manner for the Department's completion. Department officials shall prepare and return their budget proposals to the Finance Department, as required in the budget preparation schedule.
5. The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues creating a balanced budget. The City will not balance the current budget at the expense of meeting future years' expenditures; for example accruing future years' revenues or rolling over short-term debt to avoid planned debt retirement.
6. One-time revenue sources or unexpected revenue should be placed in reserves and not used for operating expenses. Once the reserve balance exceeds the set policy amount, one-time revenue may be used for one-time expenses. If the one time expense results in ongoing

- operating costs, funding for the ongoing costs must be determined before the one-time funds are allocated.
7. All authorized regular positions will be fully funded at the start of the budget preparation cycle. During the budget development process a vacancy factor or allowance for identified vacant positions, either for the full year or partial year, may be incorporated into the proposed budget if fully disclosed within the proposed budget document and accompanying staff report. Department directors shall have input to any reductions in position funding, other than minor corrections, prior to removal or adjustment. If a vacancy factor is used, the amount established will be set in a separate line item number within the personnel category of each department affected. Salary savings from unanticipated vacancies may be used at the discretion of the Department Director with approval of the City Manager.
 8. At no time shall the number of regular full-time employees on the payroll exceed the total number of positions authorized by the City Council unless the position is related to a long-term absence of the incumbent and temporarily filled on a 'limited-term' basis. All personnel actions shall be in conformance with applicable federal and state law and all City ordinances and policies.
 9. Although alternatives for improving the efficiency and effectiveness of the City's programs and the productivity of its employees will be considered on a continuous basis, a more formal review shall be performed during the budget process. Duplication of services and inefficiency in service delivery should be eliminated wherever they are identified. Where practical, this will be accomplished by conducting performance audits of department operations on a rotating basis.
 10. The City's annual budget will include contingency appropriations in the General Fund sufficient to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. Expenditures from this contingency appropriation can only be undertaken with approval of the City Manager and only if funds are not available in the department requesting the contingency funding.
 11. Department Directors are required to control expenditures to prevent exceeding their total departmental expenditure budget as well as monitor departmental revenues. It is the responsibility of Department Directors to immediately notify the Finance Director and the City Manager of any exceptional circumstances that could cause a departmental expenditure budget to be exceeded or revenue estimates not be reached.
 12. Budget amounts for allocations, insurances, fleet operations, administrative service charges, telephones, lease payments, debt payments, and the like, shall be calculated by the Finance Department. Any movement of these expenses from one department to another will also result in a movement of the related budget with City Manager approval and department director notification.
 13. A mid-year report on the status of the major funds budgets will be prepared by the Finance Department and presented to the City Council within 75 days of the mid year.
 14. If a deficit is projected during any fiscal year, the City will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Fund Balance, to the extent necessary to ensure a balanced budget at the close of the fiscal

year. The City Manager may institute a cessation during the fiscal year on hiring, promotions, transfers, and capital equipment purchases. Such action will not be taken arbitrarily and without knowledge of the City Council.

II FUND BALANCE / RESERVES / SURPLUS

Defined –

Fund Balance – The excess of current assets over current liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. A positive fund balance means there are more assets than liabilities; a negative fund balance means just the opposite. Fund balance can be complicated by the fact that part of the fund balance is reserved and part unreserved. The difference between reserved and unreserved is that the unreserved can potentially be authorized for future expenditures while the reserved cannot. Additionally, the fund balance is a residual and not necessarily a cash amount. This term applies to governmental funds only; the equivalent term in proprietary funds is net assets.

Reserves – Prior to GASB 54, this was an account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for spending. For Pomona, the term Unreserved Fund Balance is used interchangeably with the 'amount of reserves available for use'.

Surplus – The amount of revenue received in excess of expenditures/expenses, exclusive of adjustments for balance sheet items (e.g. the purchase or sale of assets, principal payments for debt service etc) each year.

Policy –

Fund Balance / Reserves – a separate policy shall be established and approved by the City Council.

Surplus – any annual surplus will be placed in fund balance until amounts designated within the Fund Balance policy and those set herein (Capital Improvement Project, Equipment Replacement) have been reached.

III STAFFING

1. A listing of current authorized staffing shall be reviewed annually by the City Manager and submitted with the annual budget.
2. Requests for new positions that increase the authorized full-time equivalent budgeted position list must be submitted as supplemental budget requests during the budget preparation process along with a proposed funding source for the new position.
3. To offset workload increases that would otherwise trigger a need for additional staffing, departments are encouraged to:
 - a. Use available technology that provides for self-service without a loss of internal controls or increase to fraud opportunities
 - b. Reduce existing support positions and replace with front line service delivery positions
 - c. Consider outsourcing (See Contracting for Services Policy)
4. At the request of the Department Director and approval of the City Manager a position may remain vacant and unfunded for two years. If a position is vacant and or unfunded for two

years, it shall be deleted from the authorized staffing list with the adoption of the annual budget.

IV EXPENDITURE CONTROL

Management must ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with legal requirements.

1. Expenditures will be controlled by an annual budget at the fund level. The City Council shall establish appropriations through the budget process. The Council may increase/decrease these appropriations as necessary through the budget amendment process.
2. The City will maintain a purchasing system that provides needed materials in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the City's purchasing policies and procedures, City of Pomona Code Article VII, and applicable state and federal laws. The City will endeavor to obtain supplies, equipment and services as economically as possible.
3. Expenditures will be controlled through appropriate internal controls and procedures in processing invoices for payment.
4. Department Directors shall bear the responsibility for monitoring and staying within the adopted budget amount for the respective department/fund.

V REVENUES AND COLLECTIONS

All government employees are considered stewards of public funds. In order to provide funding for service delivery, the City must have reliable revenue sources. These diverse revenues must be collected equitably, timely, and efficiently.

1. The City's goal is a General Fund revenue base balanced between taxes, intergovernmental shared revenues, and other revenue sources such as licenses and permits, user fees, and other miscellaneous revenues.
2. The City will maintain a diversified and stable revenue base to shelter it from economic changes or short-term fluctuations in any one revenue source by doing the following:
 - a) Establishing new charges and fees as needed and as permitted by law
 - b) Pursuing legislative change, when necessary, to permit changes or establishment of user charges and fees
 - c) Aggressively collecting all revenues, late penalties and related interest as authorized by the California Statutes.
 - d) Setting and maintaining fees with a goal of full cost recovery. (See Section VII – User Fee and Service Charge Cost Recovery).
3. The City will monitor all taxes to insure they are equitably administered and collections are timely and accurate.

4. Department Directors are responsible for the administration of departmental revenue sources including collection, regular monitoring, and fee updates. It is the responsibility of Department Directors to immediately notify the Finance Director and the City Manager of any exceptional circumstances that could cause a departmental revenue to fall 10% or more below the budgeted amount. Revenue should be monitored no less than monthly.
5. The City should pursue intergovernmental aid for those programs and activities that address a recognized need and are consistent with the City's long-range objectives. Any decision to pursue intergovernmental aid should include the consideration of the following:
 - a) Present and future funding requirements
 - b) Cost of administering the funds
 - c) Costs associated with special conditions or regulations attached to the grant award
 - d) Cash flow of the aid
6. The City will attempt to recover all allowable costs--direct and indirect--associated with the administration and implementation of programs funded through intergovernmental aid. In the case of state and federally mandated programs, the City will attempt to obtain full funding for the service from the governmental entity requiring the service be provided.

VI SELF-FINANCED PROGRAMS (SEE ALSO ENTERPRISE FUNDS)

The City has several self-financed programs such as Water, Sewer, and Refuse. The costs for self-financed programs should be fully funded by user fees.

The City's self-financed programs are to be fully funded by user fees including overhead, equipment replacement, debt financing, transfers to reserves and capital expenditures.

VII NEW SERVICES AND MAJOR ENHANCEMENTS TO EXISTING SERVICES

New services or enhancements to existing services will be funded by one or a combination of the following:

- a) A reduction in the cost of existing services. This may include a reallocation of resources from one area to another
- b) An increase in ongoing revenues once defined Fund Balance levels and contributions to Capital Improvement efforts and equipment replacement have been met.

VIII USER FEE AND SERVICE CHARGE COST RECOVERY

User fees and charges are payments for purchased, publicly provided services that benefit specific individuals. The City relies on user fees and charges to supplement other revenue sources in order to provide public services.

1. All user fees will be established in compliance with Propositions 218 (1996), Proposition 26 (2011), and any succeeding laws that governs the establishment of fees for services.
2. The City may establish user fees and charges for certain services provided to users receiving a specific benefit.

3. User fees and charges will be established to recover all direct and indirect costs of service, unless the percentage of full cost recovery has been reduced by specific action of the City Council. It is recognized that occasionally competing policy objectives may result in reduced user fees and charges that recover only a portion of service costs.
4. The City will attempt to recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs on a yearly basis in conjunction with the budget process.

IX CAPITAL IMPROVEMENT PROGRAM AND ASSET REPLACEMENT

The purpose of the Capital Improvement Program is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance to established policies and goals. Capital projects and programs are funded from a variety of sources including grants and reserves. Once the project or program is completed, its ongoing maintenance costs need to be included in the operating budget and future upgrade and/or replacement costs need to be included in the capital plan. These ongoing and future costs must be clearly understood before a capital project is approved. The Asset Replacement Program is designed to plan for the replacement of certain capital assets.

1. The City Manager will annually submit a five-year Capital Improvement Program for review by the City Council pursuant to the timeline established within the City Charter and annual budget preparation schedule.
2. Each capital project or program submitted for consideration must clearly state:
 - a. The full initial cost as well as future costs, including operating and upgrade/replacement costs
 - b. The source of sustainable funding for such costs
3. The Capital Improvement Program shall provide:
 - a. For the systematic improvement and maintenance of the City's capital infrastructure;
 - b. An implementation program for each of the capital investments;
 - c. An annual updated estimate of each project's costs, anticipated sources of revenue for financing the project, and an estimate of the impact of each project on City revenues and operating budgets.
4. The City will match programs and activities identified in the Capital Improvement Program with associated funding sources.
5. The City's objective will be to dedicate to the Capital Improvement Program for citywide improvements without an alternative funding source at least 0.25% of the annual General Fund revenues allocated to the City's operating budget beginning with fiscal year 2013-14. This percentage will increase by 0.10% each year until reaching 1.0%.
6. Capital Improvement projects will not be budgeted, authorized or awarded until the funding sources have been identified to finance the project and to pay for future operating costs. Projects may be partially funded if the City is seeking to secure outside funding for the project. If outside funding is not awarded within three years, staff will seek City Council approval to unappropriate the project.

7. The Capital Improvement Program will monitor projects in progress to insure their timely completion or the substitution of alternative projects. A prior year capital project status report shall be presented to the City Council for information purposes when the Capital Improvement Program budget is considered.
8. Within 90 days of the completion of a capital project, any remaining appropriated funds for the project will be unappropriated.
9. The Public Works Director shall submit to the City Council quarterly reporting on, at a minimum, all projects in excess of \$2.0 million
10. The City will maintain a listing of capital infrastructure. This list will be used to analyze City infrastructure to provide for maintenance and replacement through the City's Capital Improvement Program and annual operating budget. Only projects equal to or greater than \$250,000 shall be capitalized.
11. An effective fixed asset accounting system is important in managing the City's fixed asset investment. As such, the City will maintain a schedule of fixed assets with values in excess of \$5,000. All items less than \$5,000 will be recorded as operating expenditures.
12. The City will provide replacement funding for fleet vehicles and major equipment using a Replacement Fund sinking account beginning fiscal year 2013-14. Vehicles that are replaced on a short-term routine basis such as patrol units may be leased purchased rather than part of the replacement fund. A replacement and available funding schedule will be updated as part of the annual budget process.
13. The Finance Director will establish a separate Fixed Asset / Infrastructure Capitalization policy which shall include a comprehensive depreciation schedule for capitalized assets.

X ENTERPRISE FUNDS

Government enterprises generate revenue to offset the cost of providing certain services including water, wastewater (sewer), and refuse. User charges are established to offset the cost of providing these services.

1. Separate funds will be established and maintained to properly account for each enterprise operation. Enterprise funds will not be used to subsidize the operations of other funds. Interfund charges will be assessed for the administrative support of the enterprise activity.
2. The City will establish rates and fees at levels that fully cover the total direct and indirect costs, including operations, capital outlay, debt service and bonded debt coverage requirements for water, wastewater (sewer), and refuse services.
3. All existing water, sewer and refuse rates and charges will be reviewed annually to recommend changes in order to maintain a minimum bonded debt coverage as identified within each bond document.

Economic Development

Economic development in its simplest form is the creation of economic wealth for all citizens so that all people have access to potential increased quality of life. It is an important tool to sustain an increase in living standards that implies increased per capita income, better education and health as well as environmental protection for the community.

1. The City will expand and diversify its economic base by attracting industrial, office and commercial firms to the City. Special emphasis will be given to industrial, office and commercial enterprises that will create employment opportunities in professional, technical and skilled labor positions. Such business and industry will be sited and developed in accordance with the plans and ordinances of the City.
2. The purpose of this Policy is to establish guidelines for focusing a special emphasis on economic development efforts and incentives that encourage value-added development and accrue public benefits to the City of Pomona. A public benefit may include:
 - a. A benefit that materially enhances the financial position of the City by increasing the employment base, assessed valuation or general and special use tax revenues
 - b. A general benefit received from the provision of a capital improvement or contribution to the basic infrastructure of the City that is greater than that benefit which would be required of the development alone
 - c. A benefit that increases access to other public services
3. The City's goal is to create employment opportunities for its residents by attracting companies that provide sustainable wage jobs.
4. Development incentives for commercial projects shall generally be provided for developments with a positive commercial impact to the local economy. These projects must demonstrate that either additional revenue or preserving existing revenue will be generated to the City, rather than a redistribution of existing revenue.
5. Office, business park and industrial projects within the City shall be considered for special emphasis when the project demonstrates at least three of the following:
 - a. Provides quality direct employment opportunities for the City of Pomona citizens
 - b. Provides additional indirect employment opportunities through primary and secondary employment generation to the City of Pomona residents
 - c. Significant increase in property tax revenues accruing to the City
 - d. Goods and/or services are purchased within the City of Pomona
 - e. Expands the labor base with jobs that meet specific criteria
 - f. Provides needed public infrastructure
 - g. Offers unique recreational opportunities or cultural enhancements for the residents of the City of Pomona
6. The City may consider a variety of development incentives to encourage development, which is clearly a benefit to the City. Incentives may include, but are not limited to, one or more of the following:
 - a. Formation of improvement districts

- b. Formation of Community Facilities Districts (CFDs)
 - c. Intergovernmental Agreements (IGAs) with other agencies for projects which will provide benefit to multiple jurisdictions
 - d. Use of Industrial Development Authority Bonds
 - e. Use of development mechanisms available to the City in redevelopment districts, including funding opportunities where appropriate
 - f. Use of State of California Enterprise Zone Tax Credits
 - g. Provision for allowing credits for off-site public infrastructure development costs
 - h. Use of discount lease rates on City-owned property coupled with reversion clauses for improvements constructed on the property
7. The City will, when possible, provide expedited plan review, development agreement processing, and permit processing on a cost recovery basis.
 8. The proposed development project shall typically be “performance based” so that the developer only receives the incentive if its performance meets selected criteria set forth in the development agreement. Other guidelines may apply to a project, which contributes to the overall benefit of the City in other ways, (e.g. downtown revitalization or development in specific target areas).
 9. The City may require a developer requesting development incentives to fund an impartial fiscal impact analysis of the proposed project. Preparer of the fiscal impact shall be chosen by mutual agreement of the City and developer. The City will evaluate the economic costs, economic benefits, intrinsic benefits and levels of each type of risk that are associated with the project requesting an economic development incentive, as well as the financial impact of all such incentives on the City’s operating and capital budgets.
 10. The fiscal impact evaluation shall be presented to the City Council by the City Manager, along with any recommended economic development incentive. The City Council shall make the final decision concerning proposed economic development incentives, including the terms and conditions contained within any proposed memorandum of understanding or development agreement.
 11. Certain exclusions, limitations, disclosures, and collateral requirements apply to these incentives.
 - a. Failure to operate facilities developed under a development incentive plan will require the developer to repay the City for certain amounts that may have been advanced, and/or costs that the City has incurred.
 - b. Residential development normally will not be provided any incentive package unless a clear net benefit to the City can be demonstrated or other public purpose served (e.g., affordable housing projects).
 12. The City shall utilize the powers and tools of its Redevelopment Agency to promote economic growth of the City.

Risk Management

Risk management has become increasingly important in guarding against economic loss and in ensuring public safety in a time of increasing public liability and litigation. Risk management is involved in the identification, evaluation, and treatment of the City's risk.

1. The City shall make diligent efforts to prevent or mitigate the loss of City assets and to reduce the City's exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.
2. The City shall manage its exposure to risk through cost effective methods such as self-insurance and/or the purchase of traditional third-party insurance in the following areas: general liability, automobile liability, public officials' errors and omissions, police professional liability, property loss and workers' compensation.
3. The City will further control its exposure to risk through the use of "hold harmless" agreements in City contracts and by requiring contractors to carry liability insurance which shall name the City, its elected officials and employees as additional insured's.
4. Insurance reserves shall be maintained at a level which, together with any purchased insurance, will adequately protect the City's assets and its elected officials, officers and directors against loss. A regular study will be conducted for potential liability areas and shall be used as a basis for determining self-insurance reserves based on historical loss data.
5. An internal litigation committee consisting of the City Manager, City Attorney, Human Resources / Risk Management Director, Risk Manager, and Finance Director will meet no less than quarterly to review outstanding claims and related costs. Department Directors may be asked to attend the Litigation Committee meeting when a claim related to his/her Department is being reviewed.
6. A debrief of all traffic fatalities shall be conducted by Risk Management with all internal parties present to assess and address the issues.
7. Department Directors shall be notified by Risk Management of current claims and in order to ensure that loss of City assets and exposure to litigation are mitigated, Directors will be responsible for implementing operational changes in their department as a result of those claims/cases that are filed.
8. The City will disclose material contingent liabilities in the City's Comprehensive Annual Financial Report (CAFR).

Accounting, Auditing and Financial Reporting

Accounting, auditing and financial reporting form the informational infrastructure for public finance. Internal and external financial reports provide important information to the City's legislative body, management, citizens, investors and creditors.

1. The City will comply with generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the following publications:
 - a. Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standard Board (GASB)
 - b. Pronouncements of the Financial Accounting Standards Board, (FASB)
 - c. Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada
 - d. Audits of State and Local Governmental Units, an industry audit guide published by the American Institute of Certified Public Accounts (AICPA)
 - e. Government Accounting Standards (GAS), issued by the Controller General of the United States
 - f. U.S. Office of Management and Budget (OMB) Circular A-133, issued by the U.S. Office of Management and Budget
2. A system of internal accounting controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions of the City and compliance with applicable laws and regulations.
3. In accordance with State law, a comprehensive financial audit, including an audit of federal grants according to the Single Audit Act of 1984 and the OMB Circular A-133, will be performed annually by an independent public accounting firm, with the objective of expressing an opinion on the City's financial statements. The City will prepare its financial statements in accordance with applicable standards and will account for its operations in a manner consistent with the goal of obtaining an unqualified opinion from its auditors.
4. The City will prepare a Comprehensive Annual Financial Report (CAFR) in accordance with the principles and guidelines established by the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program.
5. Annually, the Finance Director will solicit updates from the various departments to provide notice of all significant events and financial and related matters for the City's annual disclosures, as required by the SEC Regulation 15-C-2-12, to the municipal markets, financial statements and bond representations. The Finance Director will notify the auditors and agencies as appropriate.
6. The City's Comprehensive Annual Financial Report will include the bond related on-going disclosure requirements and will fully disclose all significant events and financial and related issues as provided by the departments to the Finance Director. The City will provide the CAFR to the rating agencies, municipal bond insurers and national bond disclosure repositories and post on City's website.

Cash Management and Investment

Cash management includes the activities undertaken to ensure maximum cash availability and maximum investment yield on a government's idle cash.

1. The City Treasurer shall invest all funds of the City according to four criteria, in order of their importance: (1) legality, (2) safety, (3) liquidity, and (4) yield.
2. The City shall maintain and comply with a written Investment Policy which is intended to provide guidelines for the prudent investment of the City's and Agency's temporary idle cash and that has been approved (annually) by the City Council.
3. The City will collect, deposit and disburse all funds on a schedule that ensures optimum cash availability for investment.
4. In order to maximize yields from its overall portfolio, the City will consolidate cash balances from various funds for investment purposes, and will allocate investment earnings to each participating fund.
5. The City will conduct its treasury activities with financial institution(s) based upon written contracts.
6. Ownership of the City's investment securities will be protected through third party custodial safekeeping.
7. All City bank accounts shall be reconciled and reviewed on a monthly basis.
8. The City Treasurer shall provide the City Council with a comprehensive quarterly investment report within 30 days of the end of each quarter.
9. No department shall open a bank or escrow account without the approval of the Finance Director. All monthly, quarterly, and/or annual bank and/or escrow statements must be directed to the attention of the Finance Director.

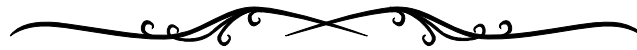
Debt Management

The purpose of this debt management policy is to provide for the preservation and eventual enhancement of the City's bond ratings, the maintenance of adequate debt service reserves, compliance with debt instrument covenants and provisions and required disclosures to investors, underwriters and rating agencies. These policy guidelines will also be used when evaluating the purpose, necessity and condition under which debt will be issued. These policies are meant to supplement the legal framework of public debt laws provided by the California Constitution, California Statutes, federal tax laws and the City's current bond resolutions and covenants.

1. The overall debt management policy of the City is to ensure that financial resources of the City are adequate in any general economic situation to allow the City to pay its debts when due.
2. The City will maintain debt ratios within the California Constitution limits and City Charter.
3. The City will not use long-term debt to fund current operations or projects that can be financed from current revenues or resources. The City will first attempt "pay as you go" capital financing for projects.
4. The City shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
5. The City shall comply with all legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.
6. Restructuring, refinancing, and advance bond refunding may be used to limit the City's debt service costs and to provide maximum future borrowing flexibility and must be financially beneficial.
7. The City shall comply with all continuing disclosure requirements including the reporting of significant events. If knowledge of the occurrence of a listed event would be material to the City, the City shall promptly file a "Notice of Material Event" with the Municipal Securities Rulemaking Board and with each depository. The following events are defined as significant events with respect to municipal securities.
 - a. Principal and interest payment delinquencies
 - b. Non-payment related defaults
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties
 - e. Substitution of credit or liquidity providers or their failure to perform
 - f. Adverse tax opinions or events affecting the tax-exempt status of the securities
 - g. Modifications to rights of holders (i.e. owners)
 - h. Bond calls (which are other than mandatory or scheduled redemptions, not otherwise contingent upon the occurrence of an event are optional or unscheduled)
 - i. Defeasances
 - j. Release, substitutions or sale of property securing repayment of the securities (including property leased, mortgaged or pledged as such security)
 - k. Bond rating changes

Budget Guiding Principles for 2014-15

1. The City Manager will present a 2014-15 budget that is structurally balanced and balances the City's delivery of essential services to the community with the resources available;
2. The budget will sustain essential services (Police, Fire, Public Works), as needed, to support the City's core mission;
3. Staff will analyze all existing services and target proposed service reductions or eliminations, if necessary, in those areas that are least essential;
4. The vacancy review program whereby the City Manager reviews and approves all requests for filling vacant positions prior to any recruitment efforts will remain throughout the year;
5. If needed, recommended reductions will seek to minimize service reductions, but when service reductions are required, the impact will be identified as accurately as possible;
6. Funding for training and professional development will be funded as necessary to fulfill job or grant requirements. Where practical, training will be provided on a rotational basis over multi-years. Training paid by grants or other funds not supported by the General Fund is unrestricted if budgeted;
7. Staff will actively pursue, at budget time and throughout the year, alternative service delivery methods, efficiency improvements, innovations, and elimination of service duplications;
8. Fees will be reviewed and revised based on full cost recovery where individuals/businesses rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole;
9. One-time resources shall not be used for current or new ongoing operating expenses— one time revenue for one-time expense only, however, first consideration for the use of one-time revenue will be the restoration of fund balance to meet the Fund Balance Policy requirements;
10. New facilities or programs will only be considered if there is no new impact on the City's General Fund or for which a new funding source exists or an existing service is sufficiently reduced to cover the cost of the new facility or program;
11. If additional, ongoing resources are identified, the prioritization of use of these resources will be presented separately to the City Council. Staff recommendations will be consistent with the Fiscal Sustainability and Fund Balance policies and long-range planning;
12. Any purchase of property recommendation must identify and include funds for the maintenance and oversight of the property until the final use is achieved; and;
13. City staff shall seek out, apply for, and effectively administer federal, state, and other grants that address the City's priorities with emphasis on restoring reduced service levels;



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