



City of Pomona
505 South Garey Avenue
Pomona, CA 91766

July 1, 2015

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

It is my pleasure to present the Adopted Budget for Fiscal Year 2015-16.

The City of Pomona's Adopted Operating Budget, including transfers, for 2015-16 is **\$185,518,616** (which includes **\$91,344,509** in the General Fund and **\$94,174,107** in other funds such as Special Revenue, Debt Service, Capital Project, Enterprise Operations, and Internal Services). The Adopted Budget for the Housing Authority is **\$13,378,743**. The Capital Improvement Program Budget is **\$5,019,520**. The total overall fiscal plan for 2015-16 totals **\$203,916,879** and includes seven new positions, six position reclassifications, various enhanced service levels, the creation of a new department, and several supplemental items and capital equipment.

OPERATING BUDGET	Revenue and	Approp and	Total	Rev over
	T/I	T/O		Approp
General Fund	91,344,942	91,344,509	433	0%
Special Revenue Funds	26,413,020	27,905,807	(1,492,787)	-6%
Debt Service Funds	6,455,546	6,554,436	(98,890)	-2%
Capital Projects Funds	4,580,535	606,475	3,974,060	87%
Enterprise Funds	45,524,400	50,124,483	(4,600,083)	-10%
Internal Service Funds	7,918,958	8,982,906	(1,063,948)	-13%
City Operating Budget	182,237,401	185,518,616	(3,281,215)	-2%
Housing Authority	12,980,699	13,378,743	(398,044)	-3%
Total	195,218,100	198,897,359	(3,679,259)	-2%

The total General Fund adopted budget is **\$91,344,509** 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. General Fund appropriations for 2015-16 are 3.1% higher than 2014-15 adopted appropriations due primarily to the implementation of year two of labor agreements, increases in required retirement contributions, the full absorption of sworn personnel formerly funded by the CHRP grant, the full absorption of non-sworn personnel formerly funded by the Justice Assistance Grant (JAG), changes in various service contracts, and the inclusion of multiple staffing changes and service enhancements. Overall, General Fund revenues are anticipated to exceed appropriations by **\$433** for 2015-16.

I am also pleased to report that Pomona's General Fund fund balance continues to climb and, if year-end estimates are realized, may near the City Council adopted policy level of 17% by June 30, 2015. The General Fund ended fiscal year 2013-14 with a fund balance of \$12.3 million (15% of expenditures), and is expected to complete 2014-15 with a fund balance of \$14.5 million (16.7%).

With a growing General Fund budget in 2015-16, this \$14.5 million fund balance would drop back to 15.9% of expenditures. While there is reason for some optimism, any growth in programs must be reviewed with caution as additional expenses continue to loom ahead. 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 reconfiguration of Fire Services posed for a future date, the continued reliance on special funds for services traditionally funded by the General Fund, deferred maintenance of facilities and other infrastructure, the eventual full retirement of current Library staff, and unmet service needs.

Key Budget Assumptions – Based on data available through adoption, economic forecasts from a range of sources, and the 2015-16 Budget Guiding Principles approved by City Council on December 1, 2014, the following key assumptions were made for the 2015-16 budget:

- The local economy will improve slightly during 2015-16, resulting in total General Fund operating resources increasing by 3.1% over budgeted 2014-15 revenue and 2.4% over year-end estimates.
- The costs of the 2015-16 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 will be suspended until the General Fund reaches its 17% Fund Balance policy goal.
- The General Fund will meet or exceed its 2016 Fund Balance goal of 12% by year-end.
- The cost of fire services as provided by the LA County Fire District is budgeted at the Final Estimate fee set by the District.
- Positions, except the vacant benefitted Library positions which are currently filled with hourly positions, have been funded for the full year.
- Recommended Capital Equipment items are funded.
- Various enhanced services or programs, based on funds availability and City Council goal setting objectives, have been included in the 2015-16 Adopted Budget.

Supplemental Budget Items – Each year I present a budget representing a base budget for current services modified only by increases related to the cost of providing current services including labor agreement financial provisions, separately identified staffing changes, and supplemental service and equipment requests. For 2015-16, the following items have been approved and included in the adopted budget:

Program Enhancements in Accordance with City Council Goals – On January 12, 2015, the City Council held a Goal Setting Study Session to discuss prioritization of needs as funding became available. During the meeting, City Council authorized the use of the available \$130,000 for additional park security and one-time expenses related to median maintenance and park

improvements. This budget continues the funding for the enhanced park security, adds additional funding for items prioritized during the Study Session such as recreation programming, Police Department Report Taker positions and the in-sourcing of the illegal dumping clean-up program, as well as additional improvements for the efficiency of City operations such as in-sourcing the safety function of Risk Management, out-sourcing the liability claims management within Risk Management, and outsourcing of the crossing guard function within Police.

- Recreation services (General Fund) – Recreation services will be enhanced by the inclusion of \$149,090 of additional funding for after school programs (\$142,600), sports (\$5,800), and pool maintenance (\$690). To offset this increase, included is the initiation of a \$150,000 vacancy factor across all General Fund departments. Vacancies occur routinely within the City with salary savings typically going towards fund balance at the end of the year. Increasing funding for after school programs will provide for increased supervision at all sites, and increased quality by decreasing group sizes and increasing the activities that could be offered. Additionally, the increased funding will be used to create a clear point person at each site who will serve as a Site Supervisor and create a more stable career pathway which may reduce turnover, thereby building stronger more meaningful and impactful relationships and experiences for Pomona’s youth.

The additional funding for sports will provide funding for increased hours, from 18 hours per week to 20, for the six hourly staff positions who work at Veterans’ Sports Complex. Veterans’ Park is the most highly used field in the entire City and by adding two more hours per week per staff person, we will be better able to staff the field, thus providing better supervision and monitoring of the field along with improving customer service by providing faster screening of guests. The minimal funding increase for Washington Pool would provide increased hours for maintenance staff allowing for better care and cleanliness of the facility for the anticipated increased use of this pool.

- Police Services (General Fund) – As discussed during the Goal Setting Study Session, the inclusion of Report Taker positions would enhance public safety services in-lieu of more costly, and currently unaffordable) sworn positions. Approximately 2,000 reports are generated by police officers each month, of which a large percentage could be handled by Report Takers. These Report Takers will respond to calls for service in the field, just like a police officer, but will only be sent to calls that are considered to be simple investigations with a low chance of follow up needed. Examples include traffic collisions and property crime reports with no suspect information. The simple fact that a Report Taker will be handling these types of calls, will allow sworn officers to respond to higher priority calls and to conduct proactive patrols and enforcement in high crime neighborhoods. The end result is that for each hour of a Report Takers time, an hour of sworn time will be created. In effect, the addition of Report Takers to the Patrol Bureau is a cost-effective method of increasing the availability of police officers and has been proven to be a valuable resource in previous years. While the original discussion spoke of the addition of four new positions, this budget provides for the addition of only two,

at a first year cost estimate of \$136,000 and step 5 cost estimate of \$155,000 (using current salary and benefit rates). To fund these positions the addition of two hourly parking enforcement officers with equipment costing \$39,100, offset by the estimated \$120,000 of additional revenue to be generated have been added.

- **Illegal Dumping Program (Refuse Fund)** – Another service discussed during the Goal Setting meeting was the possible reconfiguration of the Illegal Dumping program. The program, as adopted, will be ‘in-sourced’ with the addition of one Solid Waste Driver and two Public Service Maintenance Worker I/II positions. This new program will consolidate the Illegal Dumping, Bulky Item Pickup, Shopping Cart, and Litter Clean-up programs under one Public Works crew. Including the cost of uniforms, materials, equipment purchases, disposal fees, and anticipated lower transportation costs to the disposal site, this new program is considered fiscally neutral at current rates, and potentially fiscally prudent under new contract rates. Bringing these services in-house provides for better control and customer service to the Pomona community. These services are funded through the Refuse fund with a combination of rate payer fees (bulky item pickups) and commercial refuse haulers fees (all other programs).

Efficiency Changes – As we work through each fiscal year, staff works to identify how City operations can work more efficiently. Based on departmental recommendations, funding availability, cost effectiveness, and citywide benefit, the adopted budget includes the following operational changes:

- **Risk Management Program** (Self Insurance Fund-Risk Management) – There will be several changes to the structure of the Risk Management program. These changes are designed to improve the cost effectiveness of the program and provide better continuity and timeliness of service at a minimal cost.
 - First, contracting with a professional liability claims service to manage, investigate and process liability claims. Currently, this function is performed by the Risk Manager (in addition to numerous other duties) and one part-time hourly employee. The City has approximately 100 litigated and non-litigated claims, which is more than the current staffing can reasonably manage. Partnering with a liability claims service allows for more time to proactively manage claims, with the goal of providing timely response to claimants and controlling claims costs. The cost of outsourcing the service is budgeted at \$75,000, and is funded by the elimination of a maintenance agreement for current software monitoring services (\$50,000) and a reduction in hourly staffing (\$17,350). The remaining \$7,650 is allocated to various funds through the Liability Claims allocation. Staff presented a report to the City Council on June 1, 2015 for contract consideration, which was approved.
 - Secondly, the creation of a full-time Safety and Emergency Preparedness Officer. This position will assume the duties assigned to the part-time emergency preparedness coordinator and the safety functions that are currently outsourced to an outside vendor. In addition to performing these critical functions, the position will provide back-up to the Risk Manager for continuity of service and will assume responsibility for the employee wellness program. The cost of the new position (\$114,000 at top step) is partially offset by the

elimination of the contract service and hourly staffing. The remaining cost, estimated at \$25,000 for fiscal year 2015/16, is allocated to multiple funds.

- Crossing Guards (General Fund) – In an effort to provide efficient and more consistent crossing guards to our community, crossing guard services will now be outsourced. While a recent proposal indicates the cost of this contract would exceed the current operational cost of the function by \$45,850, the benefits gained by the elimination of recruiting efforts and program supervision would offset the added expense. This service presents significant risk exposure to the City, and transferring the risk to a third party, through a carefully crafted bidding process, would be a good business decision.
- Water/Wastewater Department (Water and Sewer Funds) – Given the importance of our environmental issues, the creation of a Water/Wastewater Department along with the reclassification of the Water and Wastewater Operations Manager to Water and Wastewater Operations Director at a salary range equal to that of the Public Works Director was created. Establishing the new department entailed transferring the Water and Wastewater Divisions within Public Works to the new department including 68 employees.

Additional Supplemental Budget Items – Also included in the adopted budget are a variety of supplemental budget items for equipment and services not related to new or enhanced programs and include the following:

General Fund

- Agenda Management Software (estimated 1 st year cost) (CLK)	\$ 22,800
- Webpage Design (GS)	20,000
- State of the City (GS)	5,000
- An Internal Control Review by external auditors (FN)	10,000
- Implementation of the Business License module of EnerGov (FN)	15,000
- Intern (hourly) position for Planning Division (DN)	14,400
- 8 Replacement Patrol Vehicles (\$403,000 lease / 1 st payment in 16-17) (PD)	-
- Public Works Fee Study (PW)	75,000
- Bar Code Inventory System at Central Stores (Split cost with Water) (PW)	9,200
- Cultural Arts Commission Program Support	<u>3,400</u>
	\$174,800

Other Funds

- Replacement of AED Defibrillators (HR/Risk)	\$ 16,800
- Virtual Service Upgrade (IT)	25,000
- 2 Replacement Patrol Vehicles (PD/Traffic Offender Fund)	98,000
- 5 Replacement Parking Enforcement Pickup Trucks (PD/Traffic Offender Fund)	200,000
- Various Police Vehicles (Up to 5) (PD/SLESA)	144,000
- Equipment to Outfit New Vehicles (PD/Asset Forfeiture)	78,580
- Consultant Assistance for Zoning Code (DN/Series AV Bonds)	250,000
- Replacement of Code Blue System – Downtown Transit Ctr (PW/Prop A)	86,400
- Mobile Utility Work Order System (PW/WTR)	47,500

- Inventory Barcode System (PW/WTR – Split cost with General Fund)	9,200
- Replacement Service Truck (1 Ton) with Extended Cab (PW/WTR)	82,000
- Replacement Stake Bed Truck (2 Ton) with Crew cab (PW/WTR)	85,000
- Acoustic Water Leak Detector (PW/WTR)	34,600
- Replacement Pickup Truck (3/4 Ton) with Extended Cab (PW/WTR)	44,800
- 3 Replacement Service Trucks (2 Ton) with Extended Cab (PW/WTR)	405,000
- Replacement Backhoe (PW/WTR)	72,600
- Metering Pump Metering Pump (PW/WTR)	16,400
- Repl Universal Controller & Duplex Chemical Injection System pump (PW/WTR)	15,200
- 2 Replacement Tandem Axle Dump Trailers (PW/REF)	<u>17,200</u>
	\$1,728,280

In addition to these supplemental and capital equipment items approved, there were nearly \$6.2 million of staffing and equipment requests eliminated or deferred through my internal review and evaluation process. Of the \$6.2 million in non-recommended requests, \$6.1 million was attributable to the General Fund.

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:

- Additional Police Resources
- Additional Recreation Program Funding
- Additional Library Hours
- Technology Refreshment
- 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, any available growth 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.

Capital Improvement Program – As adopted, there are eight projects with new funding totaling \$5,019,520. Given our continued limited resources for capital improvements, I am recommending that we focus our efforts utilizing available bond proceeds for capital improvements.

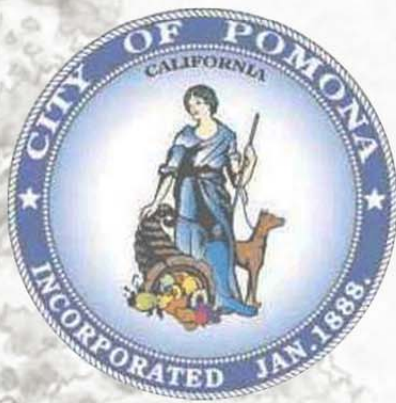
Conclusion – The General Fund budget is balanced, and reflects a current year surplus, with the aid of non-recurring revenue, in the amount of \$433. The development of this budget was, as always, a team effort which reflects the collaborative spirit within our organization. The prolonged recession has 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 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 would like to conclude by thanking all employees in the various departments who diligently worked on the budget and for those providing services to Pomona residents on a daily basis. I wish to thank all the departments for their thoughtful approaches to these difficult budget issues again this year. I especially want to thank Paula Chamberlain, Finance Director; Karen Zane, Assistant Finance Director; Andrew Mowbray, Budget Officer, and Jane Rich, Revenue Manager (CIP) for their work in creating this document. Lastly, I would like to thank the City Council for the guidance it provides in developing budgeting and service priorities.

Respectfully submitted,



Linda Lowry
City Manager



BUDGET MESSAGE ADDENDUM

THE DOCUMENT

The Adopted 2015-16 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 presented within Fund categories. General Fund details are presented by individual departments while all other funds are presented at the fund level. The final tab contains the 2015-16 Budget Guiding Principles, and the Council adopted Fiscal Sustainability and Fund Balance policies.

SUMMARY OF FUNDS 2015-16

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, 2015 and ending June 30, 2016. 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 2015-16 Operating and Capital Improvement Budgets total \$203.9 million as follows:

Fund Type	Expense	Transfers Out	Total	% of Operating Budget
General Fund	86,798,452	4,546,057	91,344,509	49%
Special Revenue Funds	22,440,393	5,465,414	27,905,807	15%
Debt Service Funds	5,459,436	1,095,000	6,554,436	4%
Capital Projects Funds	250,000	356,475	606,475	0%
Enterprise Funds	49,107,483	1,017,000	50,124,483	27%
Internal Service Funds	8,382,906	600,000	8,982,906	5%
City Operating Budget	172,438,670	13,079,946	185,518,616	100%
Pomona Housing Authority	13,378,743	0	13,378,743	
Capital Improvements	5,019,520	0	5,019,520	
Total	190,836,933	13,079,946	203,916,879	

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 2015-16 have been estimated at \$91,344,942. This amount reflects an increase of \$2.7 million over the Adopted 2014-15 Budget, and \$2.1 million over 2014-15 year-end projections. 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 \$3.1 million over the 2014-15 budget while reductions are recognized within Licenses, Permits, and Fees, Miscellaneous Revenue, and Charges for Services. Following the chart below is a brief discussion on the 'Big 3'.

Revenue Category	2014-15 Budget	2014-15 Y/E Est	2015-16 Adopted	14-15 Budget to 15-16	14-15 Y/E Est to 15-16
Property Taxes	28,360,000	28,884,828	30,047,300	1,687,300	1,162,472
Sales Tax	16,375,000	17,145,526	18,196,099	1,821,099	1,050,573
Utility Tax	18,360,000	18,310,000	18,587,000	227,000	277,000
Total - Big "3"	63,095,000	64,340,354	66,830,399	3,735,399	2,490,045
Other Taxes	12,967,700	12,938,015	13,241,872	274,172	303,857
Fines	1,802,200	1,868,800	1,839,500	37,300	(29,300)
Use of Money	286,408	353,108	366,108	79,700	13,000
Other Intergov	120,000	197,981	202,900	82,900	4,919
Licenses	975,280	692,340	742,480	(232,800)	50,140
Permits	1,215,300	1,310,300	1,277,300	62,000	(33,000)
Fees	3,102,580	2,849,080	3,145,480	42,900	296,400
Misc Rev	343,400	228,441	337,800	(5,600)	109,359
Charges for Svc	3,231,601	2,964,486	3,004,148	(227,453)	39,662
Transfers In	-	80	-	-	(80)
Other Fin Sources	-	21,550	-	-	(21,550)
Sub-total	87,139,469	87,764,535	90,987,987	3,848,518	3,223,452
Non-recurring	1,470,916	1,470,916	356,955	(1,113,961)	(1,113,961)
Total - All Sources	88,610,385	89,235,451	91,344,942	2,734,557	2,109,491

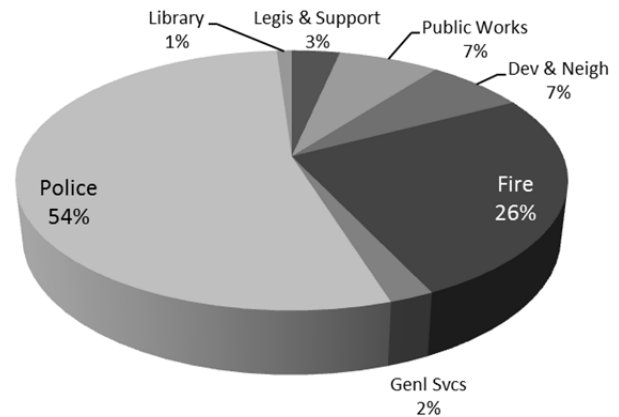
Property Taxes are expected to increase \$1,687,300 from the 2014-15 Budget with the greatest increase attributable to the Property Tax In-Lieu of VLF component. Based on the City's assessed value roll published August 2014 and current receipts, staff anticipates Secured Property Taxes to increase 4% over the revised 2014-15 Budget. The property tax in-lieu estimate is based on the actual amount known for 2014-15 and an estimated 9% over the 2014-15 Budget, but 4% over the year end number. The estimate for the remaining components in this category are based on current trends.

Sales and Use Tax is expected to increase by just over \$1,821,099 (excluding the SBOE settlement) from the 2014-15 Budget, due primarily to growth in the City's sales tax base, which is fueled by further recent developments, as well as an improved economy affecting a broad array of Pomona's sales tax generating business sectors. A significant amount of the increase, however, is also due to the expected end of the State's 'Triple Flip' program as it pays off its fiscal recovery bonds which will result in a one-time boost of receipts.

Utility Tax is modestly estimated to grow by approximately \$227,000 when compared to the 2014-15 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 49% 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 2015-16 General Fund expenditure budget is \$91.3 million; an increase of \$2.7 million over the 2014-15 Budget and \$4.4 million over 2014-15 year-end estimate. As always, community safety remains a high priority for Pomona, and this budget continues to reflect that commitment. Public Safety utilizes 79.4% (Police 53.8%, Fire 25.6%) of all General Fund resources.



RECONCILING THE GENERAL FUND GROWTH

Revenue Growth	Amount	Brief Summary
Property Tax	\$1,687,300	Anticipated Growth
Sales Tax	1,147,100	Anticipated Growth, end of Triple Flip, final SBOE settle
Utility Users' Tax	227,000	Anticipated Growth
All Other Taxes	274,200	Anticipated Growth
Intergovernmental Rev	82,900	Inclusion of annual VLF In-excess revenue
Licenses, Permits, Fees	(127,900)	Reduction in some development rev based on trend
Misc Revenue	(445,600)	Elim of one-time recovered cost; lower paramedic passthru
Charges for Services	(227,500)	Elim of placeholder for one-time rev
All Other Revenue	117,000	Various changes
Total	\$2,734,500	

Expenditure Growth	Amount	Brief Summary
Personnel	\$2,735,900	Implementation of MOU provisions for all groups (2.5% salary increase July 2015 for all non-sworn, not-to-exceed 2.5% salary increase October 2015 for all sworn, implementation of Section 125 contribution Dec 2015, and implementation of leave bank buyback program for PPOA), increase in Retirement Rates, full assumption of CHRP funded sworn and JAG funded non-sworn positions, inclusion of adopted staffing changes, and implementation of a fund-wide vacancy factor to fund recreation program increases.
Controllable Exp	(313,900)	Decrease to Interwest Contract based on new contract terms, increase to landscape and security contracts, decrease in special facilities repair account due to its one-

		time nature, various small changes to multiple accounts, and adopted supplemental items.
Required Exp	499,300	Increase in Fire Service Contract, offset by elimination of election expense, and required lease payments
Utilities	(199,400)	Majority of reduction is due to the elimination of the one-time expense to replace phone system and a recalculation of allocated phone expense
Allocated Costs	287,900	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	(89,000)	Based on salaries in other funds
Capital	(93,200)	Based on approved equipment versus amended 2014-15 budget
Transfers Out	(92,600)	Minimal one-time adjustment to debt service and elimination of transfer needed for GSF program.
Approved Supplementals	-	\$556,000 in supplemental approved items are included within the various categories above
Total	\$2,735,000	

THE GENERAL FUND ADOPTED 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	2013-14 Actuals	2014-15 Budget	2015-16 Adopted	% Chg	Dollar Change
General Government	2,369,127	3,066,136	3,100,767	0%	34,631
General Services	1,544,749	2,104,343	2,043,681	-4%	-60,662
Police	41,726,167	46,631,785	49,108,205	5%	2,476,420
Fire	22,415,425	22,880,283	23,409,237	2%	528,954
Dev & Neighborhood Svcs	6,149,342	6,648,523	6,291,870	-5%	-356,653
Public Works	5,912,873	6,394,428	6,433,671	1%	39,243
Library	831,902	883,995	957,078	8%	73,083
Total	80,949,585	88,609,493	91,344,509	3%	2,735,016

DEPARTMENT-WIDE INCREASES – Each department reflects an increase to the ‘Earnings & Benefits’ line item due to increases in retirement rates, health insurance premiums, and negotiated salary and benefit increases. Overall, these benefit components increase General Fund costs by approximately \$2,586,000 for 2015-16. Costs related to Internal Service Fund allocations (Information Systems, Liability, Workers’ Comp, Unemployment, and Equipment Maintenance) have increased by \$287,920 in the General Fund. Additional increases include the fire contract (\$637,029) and the Humane Society contract (\$126,000). The building and safety contract is estimated to decrease by \$335,000 along with the elimination of election related expenses of \$132,000.

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 \$5.3 million which is offset by \$2.2 million of recovered costs and administrative service charges resulting in a net expense of \$3.1 million. Recovered costs are the result of services assessed to other departments/funds. The General Government group of departments also receipt \$3.6 million in revenue primarily related to the business licensing function within Finance. The total budget for these six departments has increased by \$34,600 (including recovered costs) over the 2014-15 budget.

The City Clerk's Office decreased by \$92,000 primarily due to the elimination of election costs and offset by salary related increases affecting all departments and the purchase of Agenda Management Software. The City Attorney's budget reflects a decrease of \$33,000 due to the small increase in salary related costs affecting all departments offset by anticipated decreases in outside legal services. The Administration Department budget increases by \$58,000 due to increases in salary expense experienced by all departments, an increase in hourly staffing, offset by decreases in utilities and allocations for information systems and liability claims expense. The Finance Department increases \$133,934 due to the salary related increases experienced by all departments, a reallocation of staffing and a new position added mid-year offset by decreases in hourly and retirement/termination payouts as well as telephone related expense. Also included is \$25,000 for enhancements to two of the finance department information systems. The budget for Human Resources increases by \$63,423 due primarily to the salary related increases assessed to all, an increase to information systems and other allocations offset by decreases in various supplies/materials.

GENERAL SERVICES – The budget for General Services 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 2015-16 budget is \$52,054 less than the 2014-15 amended budget. Changes in this department include a decrease in anticipated retirement payouts in General Fund departments unable to cover with salary savings offset by an increase to the Humane Society contract for animal control services. Financial support to the Pomona Economic Development Center and Chamber of Commerce totaling \$125,000 are also included. In addition, a reestablishment of the standard \$250,000 in contingency funding for emergency or unforeseen expenses throughout the year is included. Also added is \$25,000 in funding to support the State of the City Address and the redesign of the Citywide Webpage.

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 2015-16 fee is set at \$655,000, a 24% increase over the 2014-15 fee assessed to Pomona net of revenue received.

POLICE – The Adopted Police budget is \$49,108,205 which is \$2.5 million more than the 2014-15 budget. This change is due to increases in 'Earnings & Benefits' (salary related increases experienced by all departments, the full absorption of grant funded (CHRP) officer positions and JAG non-sworn Crime Scene Investigator positions - \$1.7 million), staffing changes (\$193,100), and an increase in reimbursable overtime expense (\$32,100). The allocations for liability claims expense also increased (\$430,000), offset by decreases in lease equipment payments (\$85,400). Also added is \$45,800 for outsourcing of the crossing guard functions.

FIRE – The Fire Department budget for 2015-16 is estimated at \$23,409,237 which is \$528,954 more than the 2014-15 budget. The actual fire services contract increases by \$637,000 offset by

reductions in retirement/termination payouts and workers compensation claims expense. The 2015-16 estimate 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.

DEVELOPMENT AND NEIGHBORHOOD SERVICES – In 2014-15, the departments of Community Development and Community Services were combined to create Development and Neighborhood Services. The Adopted budget for this department is \$6,291,870 which is approximately \$350,000 less than budgeted in 2014-15. Of this decrease, \$335,000 is attributable to the decrease in the Building & Safety contract due to a renegotiation of that contract as well as reductions in workers compensation claims expense and utilities. These decreases are partially offset with increases in personnel costs due to salary related increases affecting all departments. The budget also includes an additional \$149,090 for increased funding of recreation programs, offset by a fund-wide vacancy factor of \$150,000.

PUBLIC WORKS – The Public Works Adopted Budget is \$6,679,781, offset by \$246,110 of Administrative Service Charges for facility maintenance for a total budget of \$6,433,671. The budget increases by \$34,890 over the 2014-15 budget. Staffing costs are estimated to increase due to salary related increases experienced by all departments and requested staffing changes offset by reductions in liability and workers compensation claims expense. The budget also includes an additional \$75,000 for a Public Works fee study.

LIBRARY – The Library Budget for 2015-16 is \$957,078 which is \$73,083 more than the 2014-15 budget and maintains last year's enhanced service hours of 29 hours per week. The increase is due primarily to the additional cost for hourly personnel and increases to allocations for information systems, telephone, workers compensation and liability.

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 2014-15 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 an Adopted Operating Budget of \$50.12 million. This total includes \$3.75 million of depreciation expense and \$829,500 of new 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 \$12.6 million which is covered by revenue received from assessed departments. The Self-Funded Insurance Fund is Adopted at \$6.3 million offset by \$1.9 million of recovered costs; a decrease of \$127,000 over 2014-15 due primarily to decreases in claims expense. The Equipment Maintenance fund budget is \$4.6 million, up due to the planned transfer to the Capital Outlay fund for future vehicle replacements and the addition of one heavy equipment mechanic position. 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 \$1,627,828 offset by an equal amount of Recovered Costs, which places the Adopted Budget at zero. The \$1.62 million estimated expense is \$165,000 less than 2014-15 due primarily due to the elimination of the \$214,500 one-time funding of a new phone system. Printing/Mail Services is \$54,402, offset by an equal amount of 'Recovered Costs' to reflect a zero budget amount.

STAFFING

Staffing costs for the 2015-16 Adopted Budget were developed using 2014-2016 labor contract provisions, and full funding for authorized positions with the exception of benefitted positions within the Library which are filled with employees working on an hourly basis and the initiation of a vacancy factor (0.35% of General Fund salary and benefit costs) to fund additional recreation programs. 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. Continuing a change initiated in 2014-15, workers compensation costs are a component of salary and benefits rather than the historical allocation assessed to departments. These rates were established to closely mirror state rates and adjusted for Pomona historical cost experience.

Personnel history and funding allocations by department are shown in the Authorized Staffing section of this document and include an adopted authorized staffing level of 544.60 positions. In addition to these employees, many departments, especially the Library and Development & Neighborhood 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 changes, change the authorized staffing to from 537.60 in 2014-15 to 544.60 for 2015-16:

NEW POSITIONS¹

<i>Dept</i>	<i>Position</i>		<i>Top Step Comparison with PERS</i> ⁴	<i>Funding Source</i>
HR	Safety and Preparedness Officer ²		114,000/yr	Ins Fund
PD	Report Taker (2)		155,000/yr	General Fund
PW	Solid Waste Driver ³		73,400/yr	Refuse
PW	Public Service Maintenance Worker I/II (2) ³		113,800/yr	Refuse
PW	Heavy Equipment Mechanic		83,300/yr	Equip Maint

POSITION RESTRUCTURES – AS REVIEWED AND RECOMMENDED BY HUMAN RESOURCES⁴

<i>Dept</i>	<i>Current Title</i>	<i>Adopted Title</i>	<i>Top Step Comparison with PERS</i> ⁴	<i>Funding Source</i>
HR	(1) Human Resources Analyst	to Senior Human Resource Analyst	15,050/yr	GF/Ins
PD	(1) Property & Evidence Tech	to Senior Property & Evidence Tech	9,900/yr	General Fund
PW	Program Assistant	to Administrative Assistant I/II	0/yr	Multiple
PW	(2) Public Works Inspector	to (2) Public Works Inspector II ⁵	17,800/yr	Multiple
WW	Wtr/Wastewtr Ops Manager	to Wtr/Wastewater Ops Director ⁶	34,700/yr	Enterprise

¹ Costs listed reflect cost at step 5. Typically, new employees are hired at step 1 unless otherwise warranted.

² Replaces consultant contract and reduces hourly staffing – net cost is \$25,000

³ Replaces current service contract and brings the Clean-up Program in-house

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.

⁵ Creates a tiered staffing level of Public Works Inspector to Public Works Inspector I/II. This action reclasses two of the three positions currently authorized. Cost reflected is for two positions.

⁶ Establishes Water and Wastewater as its own department and transfers related positions from Public Works to the new department.

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 State 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 2015-16 Recognized Obligation Payment Schedules will be approximately \$18.5 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.

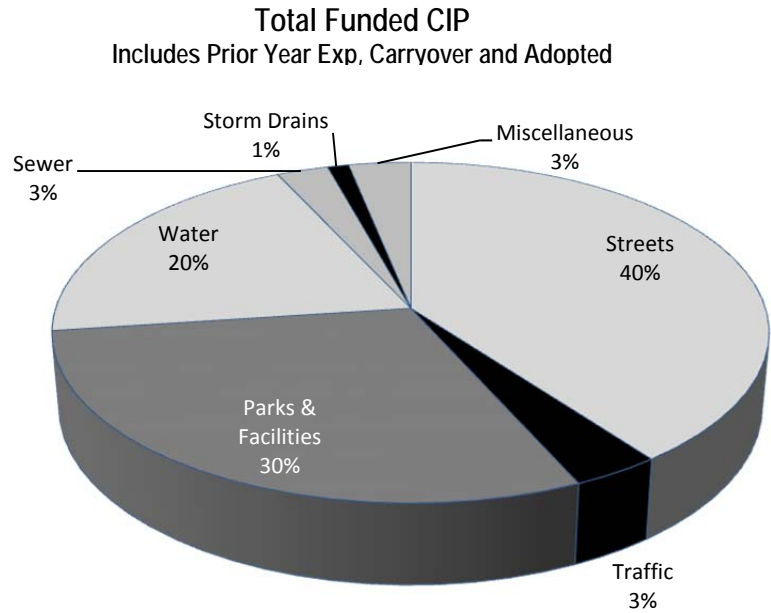
HOUSING AUTHORITY

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, \$9.6 million has been budgeted for housing assistance payments within the Section 8 Housing Fund which has a total overall budget of \$11,456,058. The Shelter Plus Care Grant adopted at \$1,005,523, and the Low/Mod Housing Asset Fund of the former Redevelopment Agency adopted

at \$795,000 are also under the umbrella of the Housing Authority. Lastly, is the Housing Administrative Fund which oversees all Housing Authority programs and is adopted at \$122,162.

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 175 projects, totaling approximately \$366 million, of which \$172 million is funded. The \$172 million is comprised of \$167.3 million of prior years' appropriations, of which approximately \$72.2 million remains unspent, and \$5.0 million of new adopted funding. The approved funding for projects within this document reflects City Council approvals through June 15, 2015.

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

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	Adopted 2015-16	Following Four Years+
Streets	52,948,760	10,809,667	4,769,520	87,363,134
Traffic	3,257,759	2,533,215	250,000	18,111,601
Parks & Facilities	10,654,784	40,430,717	-	40,635,765
Water	22,748,376	11,942,791	-	39,779,650
Sewer	1,459,988	3,120,637	-	1,500,000
Storm Drains	313,801	1,578,373	-	6,504,867
Miscellaneous	3,766,929	1,756,856	-	0
Total	95,150,397	72,172,256	5,019,520	193,895,017

CAPITAL EQUIPMENT

Included in the Adopted Budget (page 18 and 19 of the Financial Summaries section) are the approved capital equipment and Supplemental Budget items totaling \$1,980,712 across multiple funds. Minimal, but important, General Fund capital equipment and supplemental approved programs are within the 2015-16 Budget and total \$219,740. The significant changes adopted within the General Fund include an increase to recreation programs, offset by a vacancy factor for General Fund positions, the outsourcing of the crossing guard function, the lease-purchase of eight replacement patrol vehicles, and the implementation of the Business License module of Energov. The majority of the approved items (\$829,500) are within two of the Enterprise Funds and are mostly related to the replacement of vehicles and equipment, as well as the implementation of an Inventory Bar Code program for Central Stores and Water Warehouse (shared expense with General Fund). There are two significant changes that have been implemented with the Self Insurance Fund which include the outsourcing of Liability Claims processing, the cost of which is offset by a reduction of hourly staffing and the elimination of software maintenance fees, and the in-sourcing of the City's safety program which entails the creation of a new full-time position offset by the elimination of the consultant contract and hourly staffing. Another important change is the in-sourcing of the Refuse Cleanup program, the cost of which is offset by the elimination of the contract for like services. Additionally, the adopted budget contains \$875,805 in carry-forward capital items that were approved in prior years but not yet received.

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 affects 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. These rates should be considered estimates only.

Public Safety		Miscellaneous	
Fiscal Year	Estimated Rate	Fiscal Year	Estimated Rate
15-16	44.228%	15-16	19.749%
16-17	49.5%	16-17	21.5%
17-18	53.2%	17-18	22.9%
18-19	57.0%	18-19	24.3%
19-20	60.7%	19-20	25.8%
20-21	61.0%	20-21	25.5%

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 \$3.1 million in 2013-14. The City follows a pay-as-you-go system for funding these expenses which are assessed to all departments through salary/benefit charges at \$5,900 per active employee (2015-16). Additionally, the City’s most recent Other Post Employment Benefit (OPEB) actuarial report indicates the City’s unfunded actuarial accrued liability for these benefits is \$76.6 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 2015-16 fee increased over \$600,000. 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. The 2015-16 budget has 1.85 positions funded through the Successor Agency at a cost of \$265,000.

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.

