

BUDGET WORKSHOP FISCAL YEAR 2017-18 AND 2018-19

MAY 23, 2017

JOHN PIETIG, CITY MANAGER

GAVIN CURRAN, DIRECTOR OF FINANCE AND INFORMATION TECHNOLOGY

SHOHREH DUPUIS, ASSISTANT CITY MANAGER/DIRECTOR OF PUBLIC WORKS

AGENDA



PROPOSED BUDGET

Budget Changes in the Past 2 Years

- Expansion of Neighborhood Trolley Services
- Approval of labor agreements
- Implementation of the Police Department Strategic Plan
- Reorganization of the Public Works Department
- Approval of Measure LL
- Expansion of fuel modification in Oro and Hobo canyons
- Added 14 new positions:
 - 8 in Police Department
 - 1 in Fire Department (also upgraded three positions to paramedic)
 - 2 in Marine Safety
 - 2 In Public Works
 - 1 in Community Development (5 Positions over past 5 years)

General Fund Assumptions

REVENUE ASSUMPTIONS

- Property taxes = 4.5% each year
- Sales taxes = 2% each year
- TOT taxes = 4% each year
- Community Development Fees = Flat
- No tax or fee increases
- Transfer in of \$525,000 from Parking Fund

EXPENDITURE ASSUMPTIONS

- Incorporates labor agreements
- Additional payment to unfunded liability \$2M in 17-18 and \$1.3M in 18-19
- Projected health insurance increases of 12% annually
- Workers' Comp and General Liability charges increased by \$100,000 in 17-18 and 18-19
- Transfers \$1M to Insurance Fund for potential legal expenses in 17-18
- Added back one clerical position each in Public Works and Community Development

General Fund Budget and Forecast

Fiscal Year	Revenue	Transfers	Expenditures	Surplus (Deficit)
2017-18	\$62.2M	(\$0.7)M	\$61.0M	\$0.5M
2018-19	\$64.1M	\$0.1M	\$63.6M	\$0.6M
2019-20	\$64.7M	\$0.5M	\$64.9M	\$0.3M
2020-21	\$66.3M	\$0.5M	\$67.7M	(\$.9)M
2021-22	\$68.6M	\$0.5M	\$70.9M	(\$1.8)M

- Operating Surplus next three years
- Expenditures will begin to outpace revenues beginning in FY 2020-21 due to increase in pension costs
- Assumes Revenues growth of 3% in FY 2019-20, 2020-21, 2021-22
- Assumes all surplus revenues to pensions

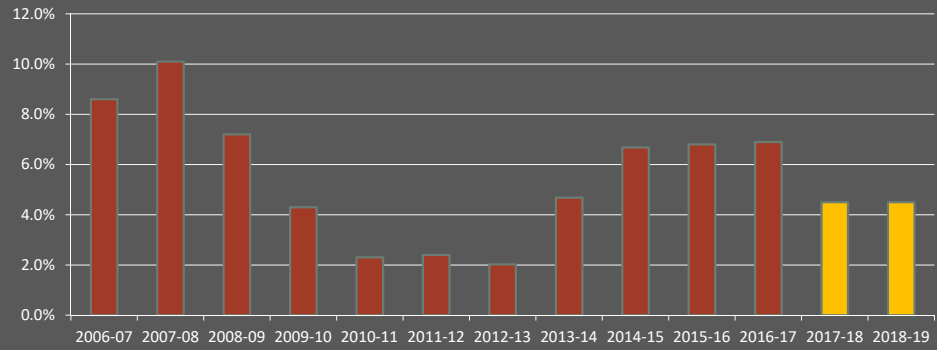
Property Taxes

Property Tax

YEAR	% GROWTH	BUDGET
2017-18	4.5%	\$34.6M
2018-19	4.5%	\$35.9M

1% GROWTH = \$300,000

PROPERTY TAX Changes in Assessed Value



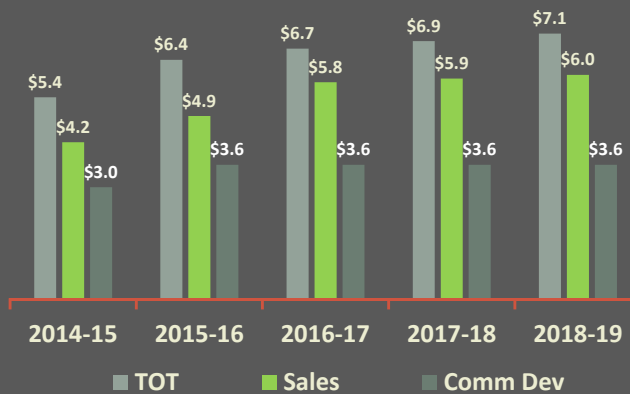
TOT / Sales Tax / Community Development Fees

TOT and Sales Tax Last Ten Years

YEAR	TOT	Sales
2007-08	4.4%	4.3%
2008-09	-5.6%	-15.4%
2009-10	-16.1%	-8.7%
2010-11	5.8%	8.3%
2011-12	10.2%	8.9%
2012-13	3.4%	6.8%
2013-14	11.8%	6.1%
2014-15	3.4%	6.7%
2015-16	8.9%	9.8%
2016-17	4%	3.0%
2017-18	4%	2%
2018-19	4%	2%

1% GROWTH TOT = \$70,000
1% GROWTH SALES = \$60,000

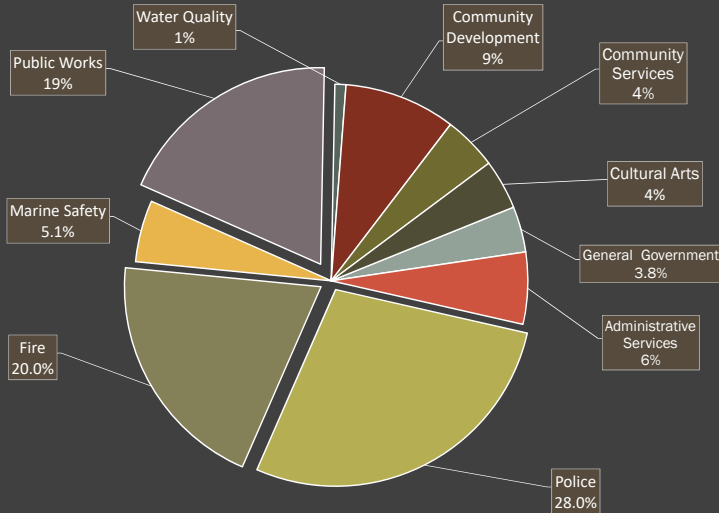
TOT / SALES / COMMUNITY DEVELOPMENT (\$16.7M)



Comm Dev Fees

YEAR	ESTIMATE	GROWTH
2017-18	\$3.6M	0%
2018-19	\$3.6M	0%

GENERAL FUND EXPENDITURE BY DEPARTMENT \$61.0M FY 2017-18 and \$63.6M in FY 2018-19



Department	2017-18 in millions	2018-19 in millions
General Government	\$2.2	\$2.4
Administrative Services	\$3.6	\$3.8
Police Department	\$17.3	\$18.0
Fire Department	\$12.2	\$12.7
Marine Safety	\$3.0	\$3.1
Water Quality	\$0.6	\$0.6
Public Works	\$11.0	\$11.7
Community Development	\$5.6	\$5.9
Community Services	\$2.7	\$2.8
Cultural Arts (Includes BID)	\$2.5	\$2.6
Total	\$61.0	\$63.6

Parking and Transit Fund

Parking Fund

- Revenues \$6.7M in 17-18, \$7.6M in 18-19
- Transfer of \$815,000 in 17-18 and \$896,000 in 18-19 to Transit Fund
- Transfer of \$500,000 annually to Vehicle Replacement Fund for trolley replacement
- Transfer of \$525,000 annually to the General Fund
- Ending available balance of \$8.7 million in 18-19

Transit Fund

- Operating Budget of \$3.3M
- \$2.2M from grants, State and OCTA assistance (67%)
- \$1.1 from City Funded (33%)
- Vehicle Replacement Fund purchase of two (2) propane trolleys, replacing exiting busses

Sewer, Gas Tax, Street Lighting

Sewer Fund

- Service Charges \$7.9M in 17-18, \$8.2M in 18-19 (4.75% rate increase each year)
- State loan of \$10M over four years for Capital Improvements (tentative)
- \$10.8M in capital improvements over next two years, \$39M over 10 years
- Moulton Niguel dispute and request for divestiture from SOCWA

Gas Tax Fund

- \$3M for projects and improvements over next two years
- New state tax will provide \$5.4M for projects over the next ten years

Street Lighting Fund

- Revenues exceed operating expenditures by more than \$800,000 a year
- Establish reserve of available fund balance for utility undergrounding including legal expenses

Measure LL (\$2.2M)

Public Safety (\$750,000)

- Two (2) Beach Patrol Officers and One (1) Community Outreach Officer
- One (1) Civilian Fire Marshal; Three (3) positions upgraded to paramedics
- Two (2) Marine Safety Officers, and 200 additional lifeguard days

Cleaning of Public Areas (\$450,000)

- Lead Worker
- Additional beach cleaning
- Summer Main Beach restroom cleaning
- Sidewalk steam and detailed cleaning; daily maintenance

Utility Undergrounding (\$1M)

- Laguna Canyon Road
- Evacuations routes
- Incentive Programs

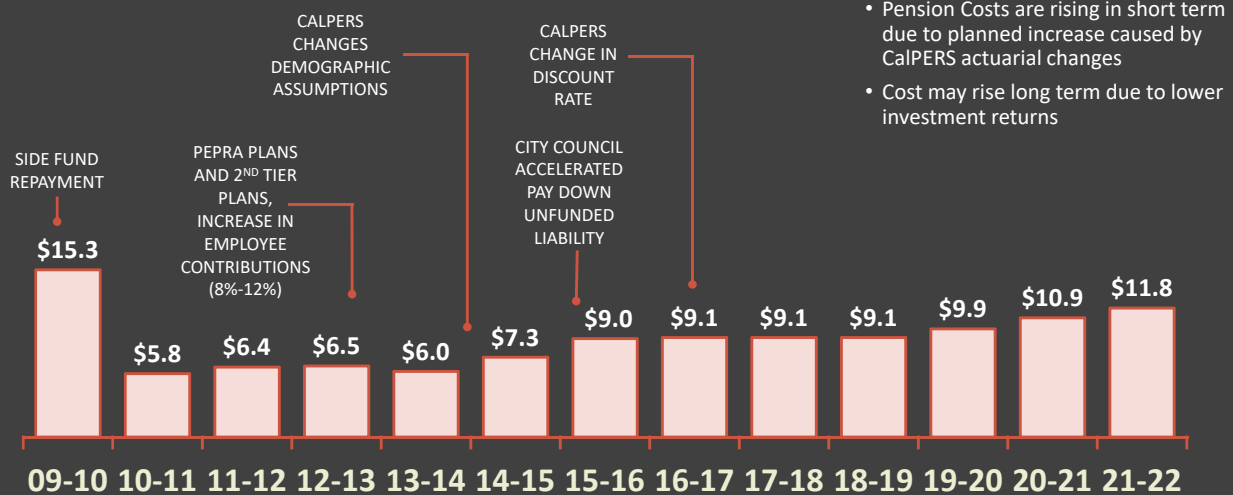
PENSION STRATEGY

Pensions

How Did we get here?

- Superfunded in 2000
- State approved enhanced employee benefit plans
- Changes in investment returns over the past 20 years
- Dotcom bubble in 2000 and recession in 2008
- Actuarial Changes: demographics people living longer

Pension Unfunded Liability Timeline (in millions)



Source: Finance Staff

Pension Strategies

PLAN A

1. Prepay unfunded liability each year and apply \$100,000 savings toward strategy
2. Reprogram side fund payment of \$850,000
3. Commit to programming 4% of revenue above estimates to pension costs over five years
4. Create smoothing fund to phase-in costs
5. Review of mid-year savings for possible additional lump sum payments to further reduce the unfunded liability

Pension Strategies

PLAN B

Revenues do not come in as hoped:

1. Increase employee contributions
2. Cut expenses or increase transfer from Parking Fund

Pension Strategies

	FISCAL YEAR							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Beginning Balance Pension Smoothing	300,000	850,000	1,550,000	2,300,000	2,400,000	1,500,000	600,000	-
Ongoing Revenue over estimates (4%/5Y)	450,000	900,000	1,350,000	1,800,000	1,800,000	1,800,000	1,800,000	1,850,000
Savings Prepay Required Pension Liability	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Reprogram Side Fund Loan							300,000	850,000
Plan B: Employee contrib, cut expenditures								
Total Sources	550,000	1,000,000	1,450,000	1,900,000	1,900,000	1,900,000	2,200,000	2,800,000
Increase in CalPERS Costs(1)		(300,000)	(700,000)	(1,800,000)	(2,800,000)	(2,800,000)	(2,800,000)	(2,800,000)
Ending Balance Pension Smoothing	850,000	1,550,000	2,300,000	2,400,000	1,500,000	600,000	-	-

(1) This estimate is based on preliminary information from CalPERS. CalPERS will release new updated information in July.

- Strategy evaluated every six months
- Goal is to not reduce services or reserves

Disaster Fund

Disaster Contingency Reserve replaced with bank line of credit

- Pros:
 - Reduces unfunded liability
 - Significant savings over long-term
- Cons:
 - Intent of reserve was exclusively for disasters
 - Would incur debt service after a disaster
 - Does not help with \$2.8 million burden in FY 21-22

What if other cities file bankruptcy

- Agencies that can't or will not make payments (e.g. bankruptcy)
- CalPERS reduces benefits to retirees and active member to available assets
- Assets are moved from pool to Terminated Agency Pool (TAP)
- According to CalPERS, City of Laguna Beach pooled assets are not impacted

WISH LIST

Requests for funding that could not be accommodated in the proposed budget

Wish List

- Community Garden: \$251,252 earmarked through 6/30/2017. Would return to Park In-Lieu fund unless extended.

		Request	
		One-Time	Ongoing
Available Balance		\$40,500	\$527,100
City Manager Recommended			
1	Contribution to Pension Strategy (Pension Smoothing Reserve)		300,000
2	Increase Funding Cross Cultural Task Force Day Laborer Site (Attach 1)		15,000
3	Coastal Facilitator (\$60K total, \$30K Paid by Street Lighting)		30,000
Subtotal City Manager Recommended		0	345,000
Subtotal Remaining Balance		\$40,500	\$182,100
4	Fire Department Strategic Plan (in addition to new fees)		100,000
4a	Seasonal Tower Lifeguards in high demand areas (100 lifeguard days)		20,000
5	Digital Communications Coordinator from part-time to full-time		85,000
6	Finance Division: full-time Senior Administrative Analyst		115,000
7	Community Development: full-time Planning Technician		100,000
8	Historical Inventory Consultant		50,000
9	Tree Planting and Care - Supplemental Funding	50,000	50,000
10	Police Department: Two (2) full-time Jailor Positions	5,000	135,000
11	Police Department: Civilian Investigator	5,000	100,000
12	Police Department: School Resource Officer (If LBUSD funds \$46K)		25,000
Subtotal Wish List Requests		60,000	780,000
Subtotal Remaining Balance		(\$19,500)	(\$597,900)
13	Pension Strategy target in 5 years		2,800,000
Remaining Balance		(\$19,500)	(\$3,397,900)
		Possible Funding Sources	
A	Measure LL ongoing revenue (Restricted)		\$59,400
B	Increase in Police Department and Animal Service Fees		50,000
Total Possible Funding Sources		\$0	\$109,400

CAPITAL IMPROVEMENT PROGRAM

City of Laguna Beach

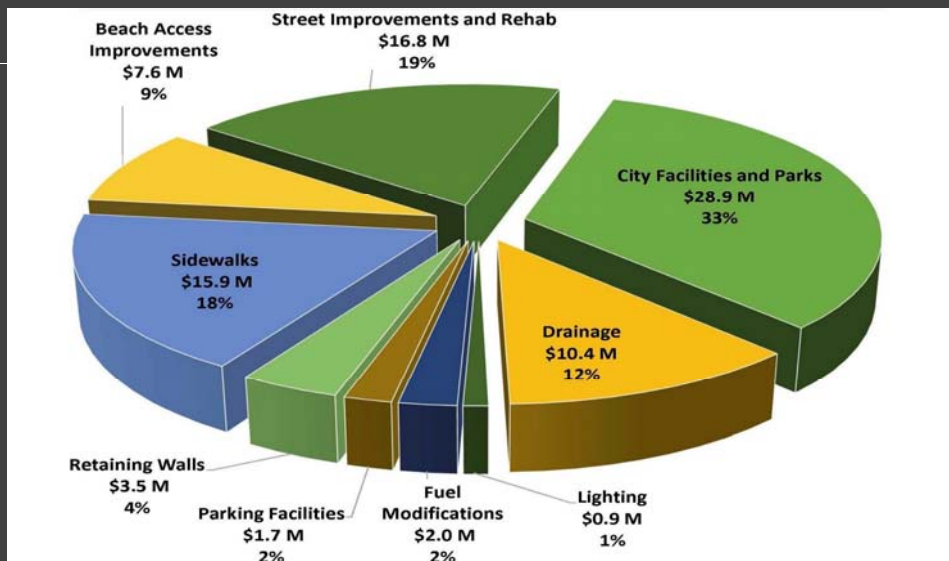
10-YEAR
CAPITAL IMPROVEMENT PROGRAM
(CIP)

2017/18 - 2026/27

CIP Development Process

- 1) Revenue projections
- 2) CIP from last year
- 3) Add new projects
- 4) Re-prioritize projects
- 5) Coordination
- 6) Divide into 10-years

Current Budget & 10-Year Plan by Project Type (Total \$87.7 Million)



Prioritization of the CIP

1. Prior Council Actions
 - Caltrans Coast Highway sidewalk improvement contribution
 - Fuel zone modification continuation
 - Supplemental funding for current projects
2. Storm preparation and drainage improvements
3. Maintenance of existing facilities
4. New projects

Key Projects, Previously Funded

Complete in FY 17/18:

- Dorn Court Storm Drain
- Cress Street Sidewalk
- Agate and Thalia Beach Access Improvement Projects
- Recreation Building Improvements

Break Ground in FY 17/18:

- Pearl Beach Access Improvements Projects
- Queda Way Retaining Wall
- Alisos Avenue Storm Drain
- Village Entrance Project
- South Main Beach Restrooms

Key Projects in Year 1 & 2

Year 1

Caltrans Coast Hwy. Sidewalk Improvements (City Contribution #1)	\$ 3,050,000
Drainage Improvement Projects	\$ 1,000,000
Fuel Zone Modification	\$ 1,000,000
Coast Highway Intersection Improvements	\$ 100,000
Laguna Canyon Road Master Plan	\$ 1,500,000
Street Lights Acquisition	\$ 570,000

Year 2

Caltrans Coast Hwy. Sidewalk Improvements (City Contribution #2)	\$ 2,700,000
Future City Facilities Funding (Accrual #1)	\$ 800,000
Ramona Alley Decorative Paving Replacement	\$ 100,000

Caltrans Coast Hwy. Sidewalk Improvements



Drainage Improvement Projects



Bolsa Way to St. Ann's Drive



Katella Street



Alisos Avenue



Dorn Court

Coast Hwy. Intersection Improvements

Analyze Traffic Flow on Coast Hwy. Between Broadway Street and Park Avenue



Laguna Canyon Road Master Plan



Future City Facilities Accrual, Starting in FY 18-19



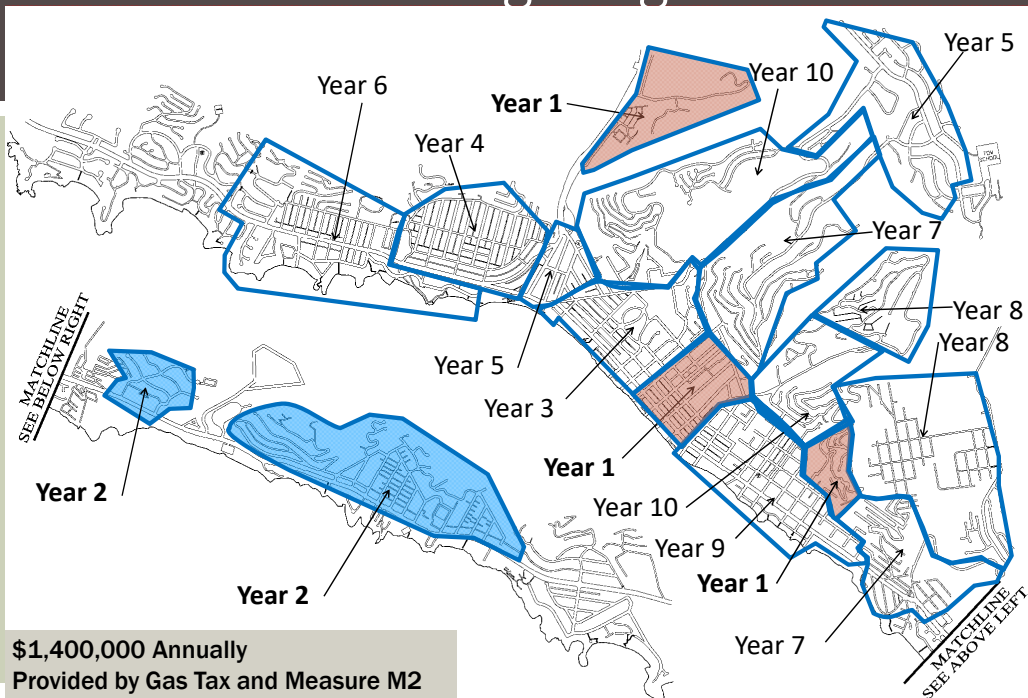
Fiscal Year	Amount
18-19	\$ 800,000
19-20	\$ 2,900,000
20-21	\$ 3,400,000
21-22	\$ 1,800,000
22-23	\$ 1,600,000
23-24	0
24-25	\$ 3,500,000
25-26	\$ 2,000,000
26-27	\$ 700,000
Total	\$ 16,700,000

Ramona Alley, Decorative Paving Replacement



FY 18-19, \$100,000

Street Resurfacing Program



\$1,400,000 Annually
Provided by Gas Tax and Measure M2

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Increase in Police Fees

Increase in Police Department Fees:

- Most fees have not been increased in 10-15 years
- Surveyed 23 agencies
- Impact approximately 60 different fees (List included in agenda packet)
- Most fees increases by \$5-\$25
 - Animal Licenses from \$12 to \$18 (lowest in Orange County)
 - Fingerprinting from \$15 to \$20
 - Booking fees from \$195 to \$250
- Increase in revenue \$50,000

END