

City of Concord, California

Fiscal Year 2013 - 2014



Adopted Operating Budget



City Council

Daniel C. Helix, Mayor
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Prepared By

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On the Cover

Clockwise from top left: City parking garage providing service to businesses near Salvio Pacheco Square and Todos Santos Plaza; new homes near the downtown area; Concord unfolds at the foot of Mt. Diablo; the stage in Todos Santos Plaza; Sleep Train Pavilion during one of many packed performances; Concord Senior Center hosts hundreds of visitors every day.

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Mayor

HONORABLE DANIEL C. HELIX

Vice Mayor

TIMOTHY S. GRAYSON

City Council Members

EDI E. BIRSAN

LAURA M. HOFFMEISTER

RONALD E. LEONE

City Clerk

MARY RAE LEHMAN

City Treasurer

THOMAS J. WENTLING

City Manager

Valerie J. Barone

Joan Carrico.....Director of Parks and Recreation
Mark Coon City Attorney
Kathy Ito.....Director of Human Resources
Karan Reid.....Director of Finance
Justin Ezell..... Director of Public Works
Tom Kuhlman.....Interim Director of Information Technology
Guy Swanger Chief of Police
Victoria Walker..... Director of Community and Economic Development
Katherine Winer Interim Assistant City Manager



Mission Statement for the Organization

Adopted January 31, 1996

Our mission is to join with our community to make Concord a city of the highest quality. We do this by providing responsive, cost-effective, and innovative local government services.

Our Vision for the Future

- We will be a customer based, performance driven, results oriented organization, focused on finding the answer, solving the problem, and achieving positive outcomes.
- We will partner with the Concord community to maximize resources, deliver high quality services, and be recognized as setting the standard for excellence.
- We will be trustworthy guardians of the public's resources.
- We will make Concord a premier business location.
- We will collaborate to provide "seamless" services that benefit both our external and internal customers, streamlining our work processes and removing barriers wherever they arise.
- We will accept the challenge of change and be committed to continually enhancing the safety, environment, quality of life, and economic vitality of our community.
- We will constantly look for new and better ways to deliver services. We will seek to be innovative, take reasonable risks, learn from our mistakes and always strive for excellence.
- We will welcome diversity in our community and our work place.
- We will conduct our work in an atmosphere of trust, respect and courtesy with open doors and open communication for our customers and each other.
- We will provide ethical, dynamic and effective leadership, establish clear direction and priorities, and model the mission and values in support of our common Vision.
- We will be accountable for our performance and our organization's success, and be recognized for our achievements.



Organizational Values

Integrity and Trust - We say what we mean and mean what we say. We honor our word and keep our commitments. We are worthy of the public's and each other's trust.

Commitment to Service - We put our customers first. We respond to our internal customers and treat them with the same courtesy and respect as our external customers. We facilitate, enable, and problem-solve.

Partnerships - We place a high value on building partnerships with members of our community to assure we understand their needs and continue to deliver the services they desire in the most effective manner possible.

Innovation and Continuous Improvement - We strive for excellence in the quality and productivity of our work. We create a work environment in which we look for new solutions and experiment with innovative ways to do things - even if they don't always work the first time. We recognize the need to be dynamic in meeting the community's changing needs. Each and every employee is given the opportunity to develop and grow.

Performance Accountability - We set measurable performance goals which support the priorities of the City and our individual work groups. We are given the necessary authority, training and resources to enable us to achieve these goals. Performance reviews are conducted in a timely and effective manner. Employee advancement and other incentives are based on performance. We are proud of the professionalism, competency and dedication that exist throughout the organization.

Long Range Planning - We conduct long range strategic and financial planning to maximize service delivery and build the economic stability of the City. We practice sound fiscal management to protect the public's resources.

Team Work - We respect each other as individuals, and we take the time and effort to show it. Although certain positions have more decision-making authority, we treat all members of the organization with the same consideration for their ideas and concerns. We really listen to, and give each other honest feedback. We recognize partnerships among work groups and employees as essential to effectively maximizing resources and delivering high quality services.

Individual Worth and Diversity - We recognize and appreciate the uniqueness of each individual. We value the contribution made and the synergy created by different experiences and perspectives. We are committed to treating each and every person within the organization and the larger community with respect and dignity.



Corporate Goals

Adopted June 23, 1998

- Goal 1 Continue to make Concord a desirable place to live, work, and raise a family.
- Goal 2 Be responsive to the needs of Concord citizens, maintain a high level of customer satisfaction, and provide quality public information and outreach.
- Goal 3 Promote and improve Concord as a premier location for existing, expanding, and new businesses.
- Goal 4 Ensure a balanced budget for a ten-year planning period with adequate replacement funds for buildings and equipment.
- Goal 5 Preserve and enhance the livability of Concord's residential neighborhoods with opportunities for a broad range of housing options.
- Goal 6 Offer an array of recreation, leisure, and cultural events and programs to meet the needs of citizens of all ages, with an emphasis on the well-being of youth.
- Goal 7 Maintain a safe and efficient traffic circulation system.
- Goal 8 Have Concord be among the safest cities of comparable size in California and have citizens feel safe in their homes, places of work, and throughout the City.
- Goal 9 Maintain City parks, recreation facilities, streets, buildings, and other infrastructure to meet high standards of condition and appearance.
- Goal 10 Guide Concord's development according to the General Plan and manage physical resources based on sound environmental principles.



FY 2013-14 City Council Priority Focus Areas

Developed on March 9, 2013

- **Long Term Financial Stability and Economic Vitality**
 - ✓ Balanced annual budget and 10-year financial plan
 - ✓ Development of a plan for addressing unfunded liabilities
 - ✓ Enhancement of the economic vitality of Concord
 - ✓ Progress on developing the Concord Naval Weapons Station

- **Public Safety**
 - ✓ Focus all City departments on public safety
 - ✓ Reduce criminal activity in Concord—pay special attention to:
 - Homeless related criminal activity, and
 - Juvenile related criminal activity

- **Infrastructure Maintenance**
 - ✓ Maintain existing infrastructure & facilities in a safe and operational condition
 - ✓ Development of a plan to address sewer district needs
 - ✓ Development of a plan to address the street maintenance needs
 - ✓ Identification of backlogged infrastructure and facility maintenance needs

- **Organizational Health & Employee Success**
 - ✓ Timely and effective performance evaluations
 - ✓ Adoption of policies addressing key personnel and legal needs
 - ✓ Employee recognition and networking



The Civic Center is a complex of three buildings where the majority of city services are provided. In the center is the Council Chamber.



Memorandum

DATE: June 25, 2013

TO: Honorable Mayor Helix and Members of the City Council

FROM: Valerie Barone, City Manager

SUBJECT: **Budget Message for Fiscal Year 2013-14 and Ten-Year Financial Plan for Fiscal Year 2013-14 through Fiscal Year 2022-23**

INTRODUCTION

With this transmittal memo, the Executive Team, the Finance Department, and I present the adopted City of Concord operating budget for Fiscal Year (FY) 2013-14. Accompanying the budget are the 10-Year Financial Plans for FY 2013-14 through FY 2022-23 for each of the City of Concord's major funds. Staff presented the proposed budget to the City Council and the public at the Council's May 7 Budget Workshop and at two budget hearings on June 11 and June 25. The City Council approved Resolution No. 13-56, adopting the Municipal Budget, including a Ten-Year Financial Plan and the FY 2013-14 Capital Improvement Program, including a Ten-Year Capital Improvement Plan, after the closing of the second public hearing on June 25, 2013.

While there are signs the economy is improving, the recovery is not expected to occur quickly enough to solve the budget imbalance within the Ten-Year Financial Plan timeline, without additional budget stabilization measures. Furthermore, fiscal challenges remain including:

- Loss of Measure Q revenue in 2016 (a temporary sales tax measure providing about \$10 million per year)
- Slow recovery in property tax revenues
- Significant increases to Cal PERS retirement rates beginning in FY 2015-16
- The need to incorporate funding for unfunded liabilities for retiree health (OPEB) and the City's closed pension plan (CCRS) into the 10-year plan
- The need to address routine maintenance needs that were deferred as part of prior budget balancing measures implemented in response to the recession
- Implementation of the Affordable Care Act

DISCUSSION

The City of Concord has been hit hard by the Great Recession and has experienced significant downsizing and organizational change. Since the FY 2007-08 budget, the organization has lost approximately 25% of its workforce. No department has been spared the impacts of downsizing.

Additionally, until March of this year, the City implemented a 5% furlough program for all miscellaneous employees (everyone except sworn law enforcement officers); this program lasted for more than 3 years. The furloughs served as a budget stabilization measure with the consequence of both reducing employee pay and total staff hours available to serve the public. Together, the furloughs and position reductions represented a loss of 356,000 staff hours (the equivalent of 171 full-time staff members). Another step the City took to address the ongoing structural deficit was to renegotiate benefits, such that all employees are now contributing significantly more from their paychecks towards their pension and health benefits.

In February 2013, the City reached tentative agreements on new contracts with Teamsters Local 856, OPEIU Local 29, and all unrepresented miscellaneous employees; the new terms and conditions were approved by the City Council in March 2013. The agreements put an end to protracted labor negotiations and represent a compromise that recognizes both the employees' strong desire to restore some of the concessions made by employees beginning in 2009, as well as the Council's strong desire for fiscal responsibility.

With the new labor agreements, furloughs were eliminated for the last 5 months of the 2012-13 fiscal year and forward. This action increased the number of staff work hours in the organization by almost 25,000 hours a year, the equivalent of 12 full-time staff members. In addition, classification steps are unfrozen and placed on a modified schedule in the FY 2013-14 budget. This means that eligible employees will receive merit-based step increases in pieces, instead of getting them all at once. At the same time, all miscellaneous employees will begin paying their full member contribution towards their CalPERS pensions in FY 2013-14, which is a long-term Council priority. The costs of the agreements have been built into the FY 2013-14 budget and amount to approximately \$2.4 million in additional cost across all funds.

There are reliable indicators that an economic recovery is occurring; this is evidenced locally by improved sales tax receipts and statewide by a recovering commercial and residential real estate market. Yet the recovery is not fast enough nor strong enough to fully resolve Concord's remaining fiscal challenges. Concord's fiscal challenges were discussed at a Council workshop on March 9, 2013.

At that workshop, the Council set the following four priority focus areas (not listed in any priority order):

Long Term Financial Stability and Economic Vitality:

- ✓ Balanced annual budget and 10-year financial plan
- ✓ Development of a plan for addressing unfunded liabilities
- ✓ Enhancement of the economic vitality of Concord
- ✓ Progress on developing the Concord Naval Weapons Station

Public Safety:

- ✓ Focus all City departments on public safety
- ✓ Reduce criminal activity in Concord—pay special attention to:
 - homeless related criminal activity
 - juvenile related criminal activity

Infrastructure Maintenance:

- ✓ Maintain existing infrastructure & facilities in a safe and operational condition
- ✓ Development of a plan to address sewer district needs
- ✓ Development of a plan to address street maintenance needs
- ✓ Identification of backlogged infrastructure and facility maintenance needs

Organizational Health and Employee Success:

- ✓ Timely and effective performance evaluations
- ✓ Adoption of policies addressing key personnel and legal needs
- ✓ Employee recognition and networking

The FY 2013-14 budget provides the necessary resources for the City to make progress in each of the Council’s priority focus areas, while also limiting the increase in operating expenditures to only items that are essential, align to a Council goal, or are out-side of the City’s control (such as utility costs and contractual obligations). However, the City’s General Fund continues to rely on Measure Q¹ revenues to create a balanced budget.

As shown in Table 1, in the FY 2013-14 budget, \$5.9 million of Measure Q revenue is needed to create a balanced budget. Approximately \$4.6 million of Measure Q revenue will be placed into reserves. Of the \$4.7 million, \$2.9 million will be allocated to maintain the General Fund reserve at 15% and \$1.8 million will be allocated to the designated Measure Q reserve.

¹ On November 2, 2010, the voters of Concord passed Measure Q, establishing a temporary half-cent use and transactions tax for five years, which sunsets on March 31, 2016. The infusion of this temporary revenue stream was intended to protect core services and to rebuild the City’s reserves which were depleted from the recession which began in Fiscal Year 2008-09.

Table 1. General Fund FY 2013-14 Budget Compared to FY 2012-13

	FY 2012-13 Est. Actual	FY 2013-14 Adopted Budget	Difference
Total Recurring Revenue (excludes Measure Q)	\$65,956,619	\$68,657,663	\$2,701,044
Total Recurring Expenditure	71,924,151	74,596,520	2,672,369
Initial Surplus/(Shortfall)	(5,967,532)	(5,938,857)	28,675
Measure Q Revenue Used to Balance the Budget	5,384,702	5,938,857	554,155
Measure Q Revenue Allocated to GF Reserve		2,850,000	2,850,000
Measure Q Revenue Allocated to Measure Q Reserve	4,062,298	1,769,143	(2,293,155)
Total Measure Q Revenue	9,447,000	10,558,000	1,111,000

Measure Q has been Concord’s lifeline as the City dealt with the impacts of the Great Recession, and this temporary revenue source is now helping the City through its recovery from the Great Recession –both maintaining services and restoring reserves. The sobering news is that Measure Q is set to expire in 3 years; but Concord’s fiscal recovery is projected to take much longer.

The General Fund 10-year financial plan assumes a modest economic recovery with average sales tax growth of 3% and average property tax growth of 2%. The 10-year plan illustrates that if projected revenues are achieved and service levels and expenditure trends remain constant, annual General Fund expenditures are projected to exceed annual revenue for each of the next 10 years, although the size of the gap does shrink.

Given the City’s revenue projections, service levels, and cost structure, and without any significant changes to projections or operations, the City would begin to gradually deplete its Measure Q and General Fund reserves in 2016, and by FY 2021-22 the General Fund reserve would drop below 15%. The adopted 10-year financial model avoids this by including unidentified budget stabilization measures² to be implemented, beginning in FY 2016-17, the first year following the expiration of Measure Q. The 10-year plan assumes \$800,000 in on-

² Budget stabilization can include a wide array of actions including, but not limited to, revenue enhancements, service elimination, cost shifting or expenditure controls. The only constant is that any new revenue, cost avoidance or cost reduction be permanent and on-going, thereby relieving pressure on the General Fund.

going stabilization measures in FY 2016-17 and an additional \$1 million the following year, for a total of \$1.8 million.

There are a number of internal and external factors influencing the City's current and future financial situation, notably:

California Public Employees' Retirement System - On April 17, 2013, the California Public Employees' Retirement System (CalPERS) Board, adopted a policy to change how it amortizes pension liabilities and the "smoothing" process for rate adjustments. This change will dramatically increase what the City of Concord and other state and local government agencies pay annually toward pension benefits for retired and active employees. For Concord, it is projected that the City will be required to contribute an additional \$430,000 towards pension costs in FY 2015-16, increasing to \$1 million in FY 2016-17. The City's CalPERS payment next fiscal year will be \$9.8 million. Without the policy change the City's CalPERS payment in FY 2016-17 was anticipated to be \$11.2 million, now with the policy change the City's CalPERS payment is anticipated to rise to \$12.1 million by FY 2016-17. Additionally, CalPERS is considering modifying its pension formulas to reflect longer life expectancies and to again lower its assumed rate of return on investments. If these changes occur, the City's CalPERS rates would again rise.

Unfunded Liabilities - The City's 10-year plan has not historically factored in all of its unfunded liabilities. At its March 9th workshop Council directed staff to prioritize the development of plans to address its unfunded liabilities as part of the Fiscal Year 2013-14 work program. Funding these liabilities will put further stress on the City's budget. Specifically, staff will prepare a funding plan for both its retiree health benefit liabilities (OPEB) and its closed City of Concord Retirement System (CCRS) liabilities.

Affordable Care Act - As a large employer, the City of Concord is subject to the Affordable Care Act's (ACA) complex mandates on coverage, affordability, tracking and reporting and its financial penalties for failure to comply. The 700-page federal ACA affects all areas of medical insurance. Some of its provisions, such as extending dependent coverage to age 26 and providing preventive and wellness benefits without co-pays are already in effect. The City now faces the Act's next major expansion — "employer shared responsibility" for ensuring coverage. Effective January 1, 2015, employers with 50 or more full-time employees must offer affordable and minimum essential medical coverage to 95 percent of full-time employees and their children under 26 or pay financial penalties. The Internal Revenue Service guidance on the Affordable Care Act provides that employees working an average of 30 hours per week shall be considered full-time.

Slow Property Tax Recovery - Total property tax revenue in the current fiscal year is estimated to be \$3 million lower than the \$22.4 million that was received at the start of the Great Recession, five years ago. The budget for FY 2013-14 projects modest growth in property taxes of 2% over the current year (from \$19.2 million to \$19.6 million). Although property values have begun to rise and the city has seen an uptick in

development activity, modest growth is projected in the 10-year plan (an average of 2%) and property tax revenues are not expected to reach pre-recession levels until FY 2020-21.

Deferred Maintenance Backlog - In FY 2007-08, the City's 10-year General Fund forecast projected that expenditures in FY 2012-13 would need to be \$90.5 million to meet both operational and capital maintenance needs. The actual budgeted General Fund expenditures in FY 2012-13 were \$19 million lower than the projected amount. During the Great Recession, Concord (like many other municipalities) had to not only reduce expenditures and cut services, but also defer capital projects and reduce the annual expenditures on preventative facility maintenance. This is in addition to a backlog of projects for roadway and sewer system maintenance. This deferral of maintenance needs cannot be continued indefinitely and will need to be addressed through the City's financial planning for the next 10-years.

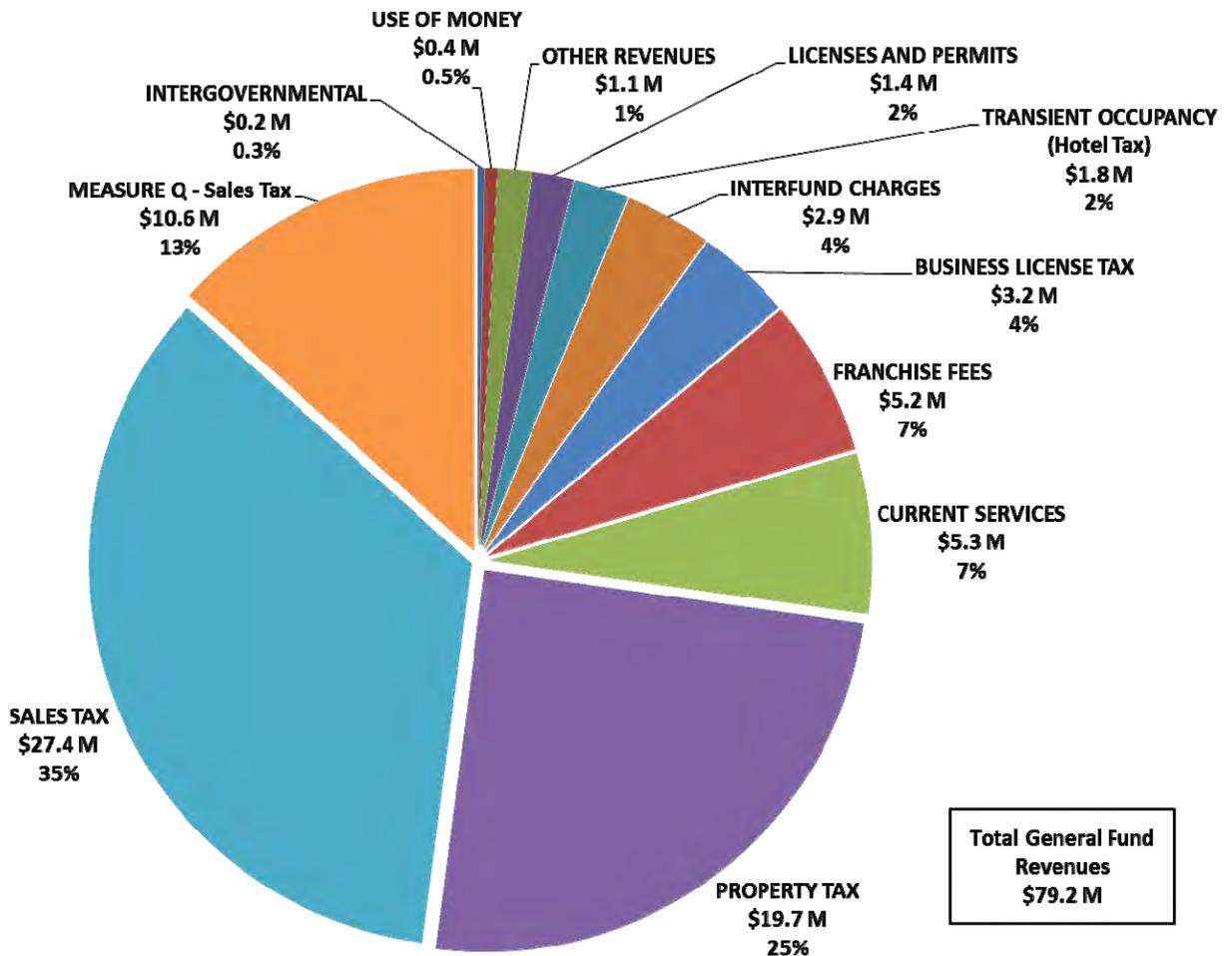
While the FY 2013-14 Operating Budget and 10-Year Plan continues the City's efforts to attain structural balance with the use of Measure Q revenues, at Council direction, staff will continue to work towards long term financial stability by reviewing and making recommendations on the aforementioned fiscal challenges over the next 12 months. The goal is to have this information available for inclusion in subsequent 10-year plans; doing so may lead to the development of a revised action plan to address the structural deficit more quickly, so that a 15% operating reserve is maintained and the structural deficit is eliminated by the end of the 10-year planning cycle.

Below staff provides details on the City's budget. To aid your review, the information has been organized into the following topics:

1. General Fund Revenues (Pg. 7).
2. Expenditure Assumptions (Pg. 14)
3. Significant Changes Other Funds (Pg. 20)
4. Capital Improvement Project (CIP) Budget (Pg. 21)
5. Measure Q Oversight Committee Findings (Pg. 25)
6. Summary (Pg. 26)

1. GENERAL FUND REVENUES

Taxes provide the majority of General Fund revenues. Property, sales, business license, Measure Q, franchise and transient occupancy taxes comprise 85%, or \$67.9 million of the \$79.2 million in resources provided to the General Fund. External and internal charges for service (current services and interfund charges) make up another 11%, or \$8.2 million. The remaining 4%, or \$3.2 million, comes from permits, fines, interest, rent and other miscellaneous sources.



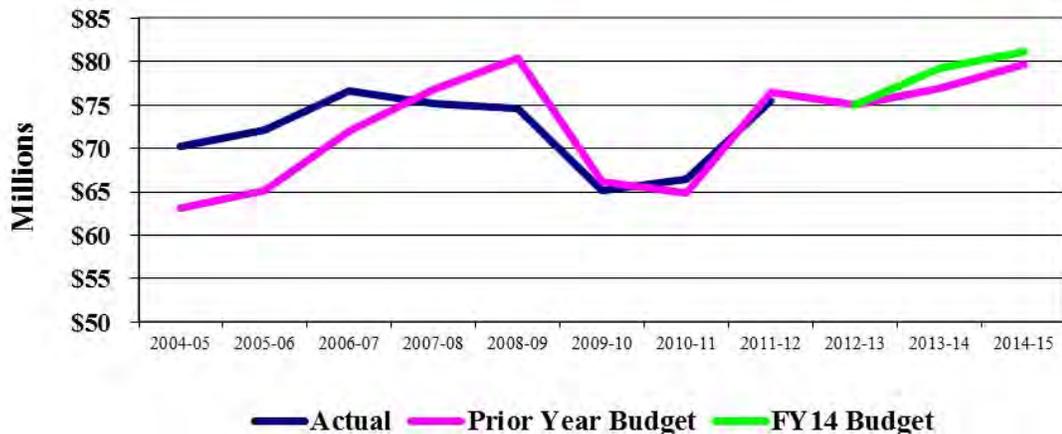
Total budgeted revenues for the General Fund are up \$2.7 million from \$66 million to \$68.7 million. This excludes Measure Q revenue, which is projected to be \$10.6 million, up \$1.1 million from \$9.4 million in the current fiscal year. The following table shows this information, as well as the budget projections for property and sales taxes. Property tax is projected to be up by 2%, a reflection of increased sale activity and the fact that homes are selling for higher values. Total non-Measure Q sales tax is projected to increase by 7.7%, which is attributable to continued strong automobile sales and general growth in the local economy. See Table 2.

Table 2. General Fund Revenue Summary

	FY 2012-13 Est. Actual	FY 2013-14 Adopted Budget	Difference
Total Recurring Revenue (excluding Measure Q)	\$ 65,956,619	\$ 68,657,663	\$ 2,701,044
<i>Major Revenue Sources:</i>			
<i>Property Tax</i>	19,258,903	19,653,985	395,082
<i>Percent of Total</i>	29%	29%	2%
<i>Sales Tax</i>	25,450,219	27,427,706	1,977,487
<i>Percent of Total</i>	39%	40%	7.7%
Measure Q Revenue	9,447,000	10,558,000	1,111,000
Total Revenue (Recurring + Measure Q)	75,403,619	79,215,663	3,812,044

The graph below shows General Fund revenue since FY 2004-05 and illustrates the budget as well as the projected amount for FY 2014-15, which is \$81 million.

General Fund Revenues



Further explanation and analysis of the City’s General Fund revenues follow:

a. Sales Tax

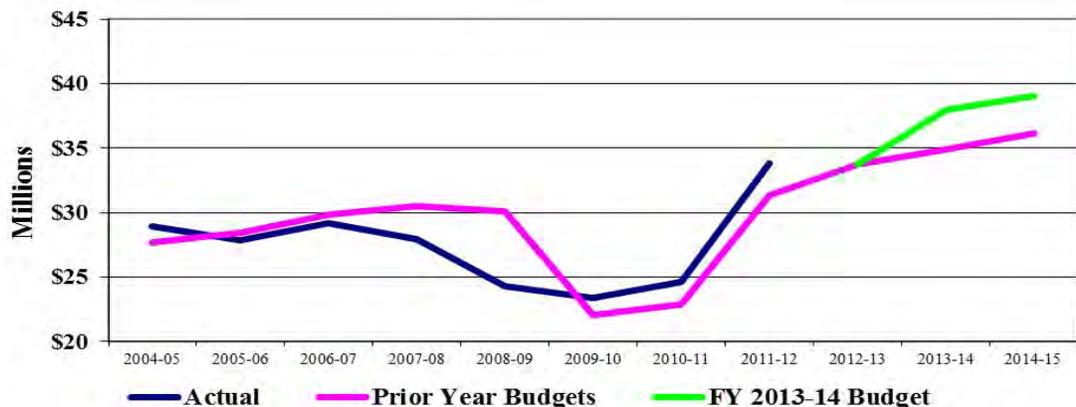
Sales tax and Measure Q transaction and use tax make up 48% of General Fund revenue (\$38 million).

The original Bradley-Burns 1% sales tax is estimated at \$27.4 million for FY 2013-14. An increase of approximately 7% has been experienced in this tax when compared with the projected actuals for this sales tax revenue for FY 2012-13, over FY 2011-12. Future growth is conservatively estimated at approximately 3% per year in the 10-year plan.

Measure Q, the initiative approved by Concord voters in November, 2010, is bringing much needed revenue to the City. The tax collection began on April 1, 2011, with FY 2011-12 being the first full year of receiving the sales tax. The tax sunsets on March 31, 2016. The original estimates of Measure Q receipts were developed conservatively at \$8 million per year. The City’s experience in FY 2011-12 indicates that the revenue is more robust with a projected receipt of \$9.2 million for the year. Measure Q revenue for the current FY 2012-13 is estimated to come in at \$9.4 million. Given this improved level of the revenue, staff anticipates revenue from Measure Q in FY 2013-14 to be approximately \$10.6 million. When comparing this growth rate with that of the general Bradley-Burns sales tax, it is important to keep in mind that the taxable base is slightly different for each tax, so the growth rates are slightly different.

The General Fund 10-Year Plan presented in the FY 2013-14 Operating Budget has been developed using the assumption that the Measure Q transaction and use tax will be used throughout the ten years of the plan and not just for the five years of collection in order to conclude with structural balance in FY 2022-23. The impact of Measure Q on sales tax revenues is the cause of the growth shown in the table below, beginning slowly in FY 2010-11 and more significantly in FY 2011-12 (the first full year of Measure Q revenue).

Sales Tax

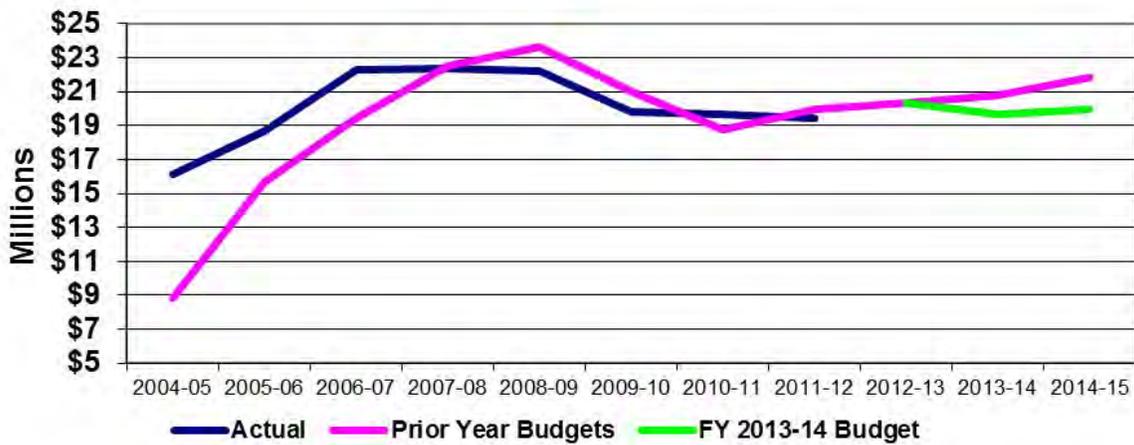


b. Property Tax

Property tax revenues represent 29% of projected General Fund revenues and are estimated to be \$19.7 million for FY 2013-14. This revenue is significantly less than pre-recession levels, as property taxes were especially hard hit because of lowered assessed values, slumping real estate sales and foreclosures. In the current fiscal year (2012-13), property tax revenues are estimated to be 19.3 million, which is 1% lower than the actual amount received in the prior FY 2011-12 (\$19.5 million).

As noted above, although property values have begun to rise and the city has seen an uptick in both residential and commercial development activity, modest growth is projected in the 10-year plan and property tax revenues are not expected to reach pre-recession levels until FY 2020-21. Annual growth of approximately 2% is projected in the 10-year plan.

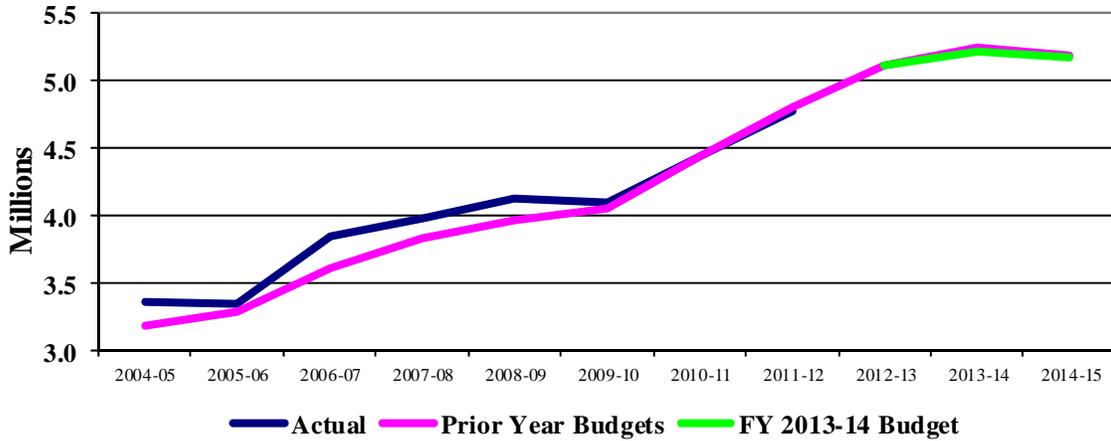
Property Tax



c. Franchise Tax

Franchise taxes are estimated to be about \$5.2 million, or 7% of General Fund revenue in FY 2013-14. This projection reflects approximately \$110,000 of growth, which is consistent with growth levels sustained over the past few years. Ongoing franchise taxes are paid by waste management, cable franchise, electric and gas utility and oil pipeline companies under individual franchise tax agreements. Annual growth of 3% is projected in the 10-year plan.

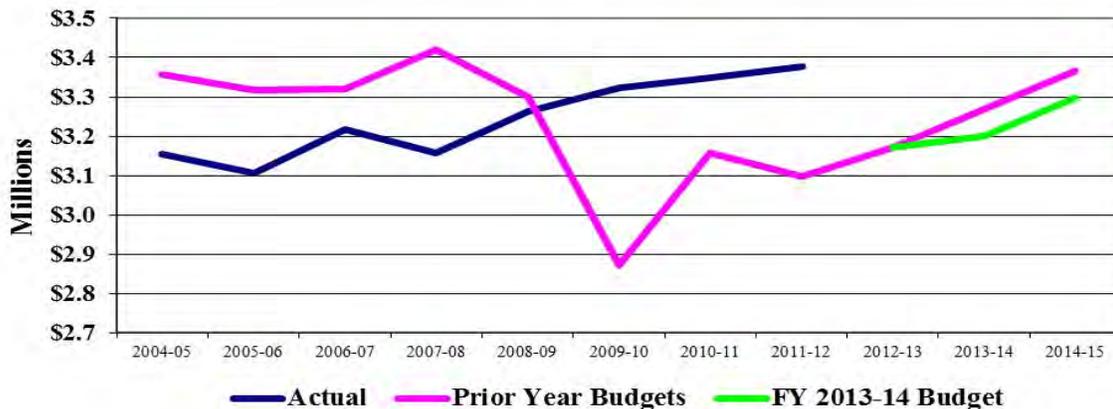
Franchise Tax



d. Business License Tax

Business License tax revenue is estimated to be approximately \$3.2 million, exclusive of penalties and interest, for FY 2013-14. This is an increase in ongoing revenue of approximately \$28,000 over the previous year. For the past several years, staff has focused on compliance efforts in order to increase collections. These efforts have been successful, and the extra income produced through penalties and interest has inflated the revenue from this source over the last several years. Finance staff does not anticipate that there will be as many businesses discovered as operating without a business license moving forward so the revenue projection for FY 13-14 forward is based on actuals, exclusive of penalties and interest. Annual growth of 3% is projected in the 10-year plan.

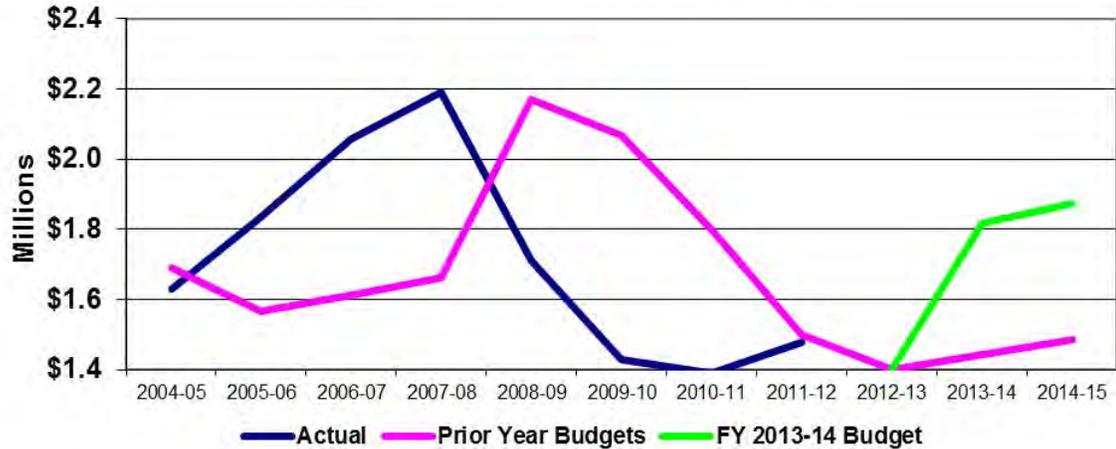
Business License



e. Transient Occupancy Tax

The FY 2013-14 budget reflects anticipated collection of Transient Occupancy Tax (TOT) of \$1.8 million. This amount reflects an increase of approximately \$400,000 from the prior year due to a partial recovery in local hotel/motel room occupancies. Annual growth of 3% is projected in the 10-year plan.

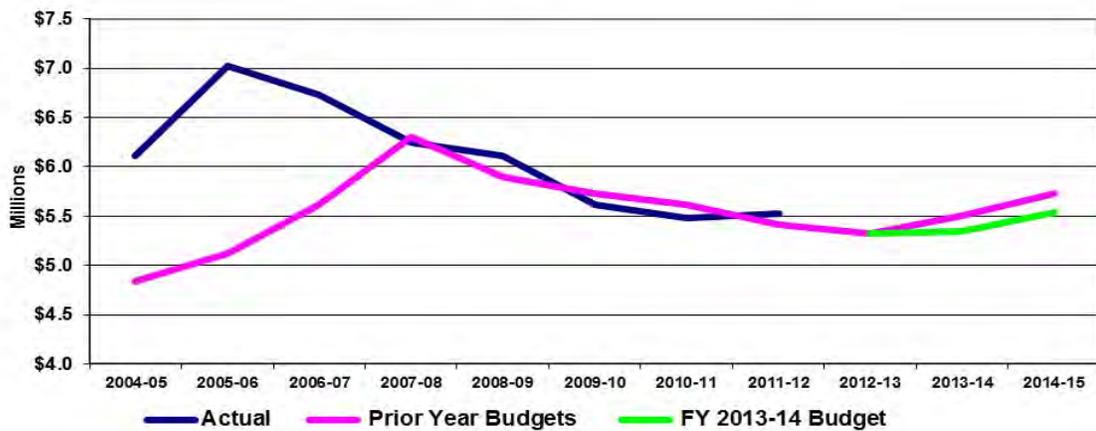
Transient Occupancy Tax



f. Fees and Charges for Current Services

This General Fund revenue category includes the revenues generated by all City departments for services provided. Examples include fees for the use of the community pool, building plan checking and other permit center activities, and special event fees. Current service charges are estimated at \$5.3 million, or 7% of General Fund revenues. This is an increase from the FY 2012-13 budget of approximately \$28,000. Fees and charges are reviewed each year to ensure that the City is charging appropriately for these services, balancing recovery of the cost of doing business (cost recovery), the market, and the state of the economy. The Finance Department continues to work with each department to ensure that fees are calculated appropriately, using cost factors, the Consumer Price Index (CPI) and marketability. Annual growth rates range from of 3-5%, depending on the specific fee, in the 10-year plan.

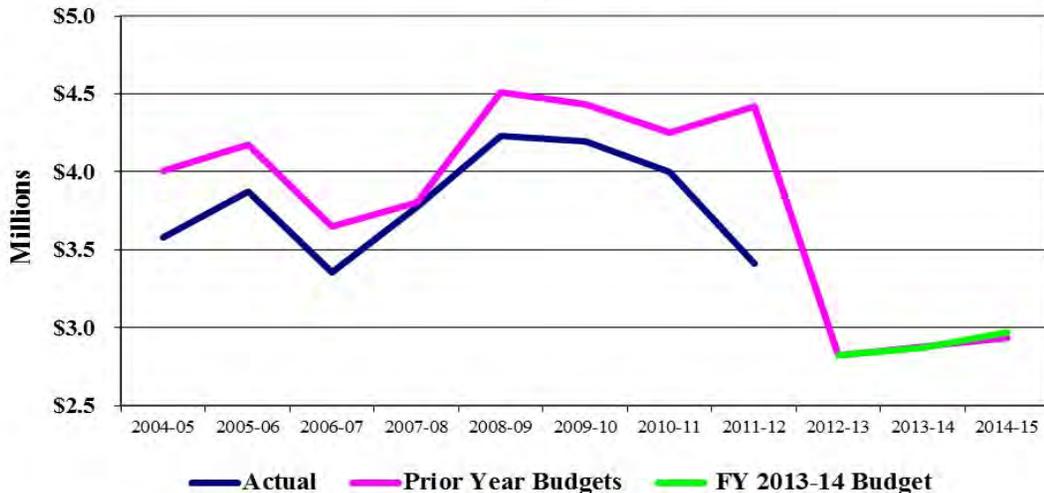
Charges for Services



g. Interfund Charges (Transfers from Other Funds)

Transfers are made from other funds (e.g., Enterprise Funds, Storm Water, etc.) under a Cost Allocation Plan to pay for the support provided by General Fund departments to their operations. For FY 2013-14, approximately \$2.9 million is budgeted for transfer to repay the General Fund for services provided. This represents approximately 4% of General Fund revenue. In the FY 2012-13 budget, the dissolution of the Redevelopment Agency resulted in a reduction of approximately \$1.7 million in interfund charges and accounted for the significant decrease in this funding source. The loss of this funding causes the revenue reduction shown on the chart below. Annual growth of 3% is projected in the 10-year plan.

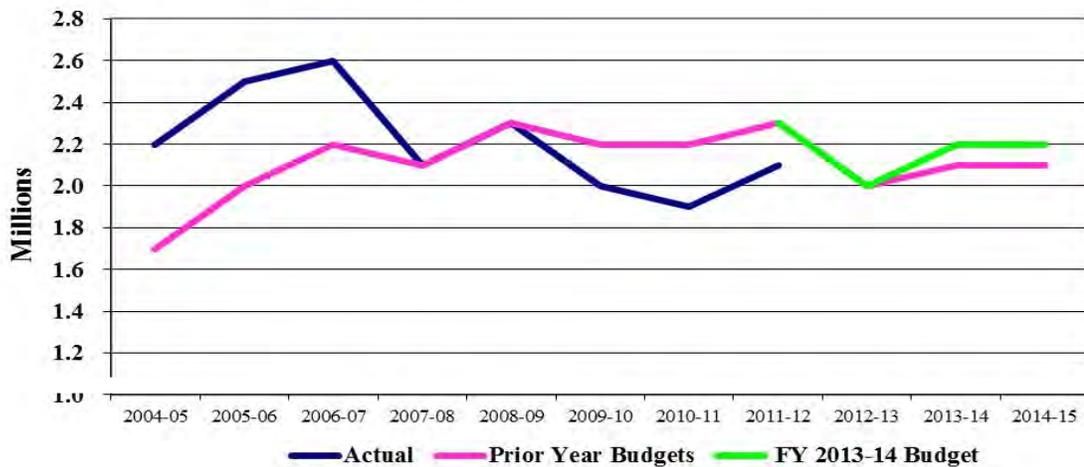
Interfund Charges



h. Licenses, Permits, Fines & Forfeitures

This revenue category is estimated to be about \$2.2 million, approximately 3% of the total General Fund revenues. It consists of all types of permit fees (e.g., building, plumbing, electrical) and fines assessed in the Police Department and for code compliance by Neighborhood Services. In FY 2013-14 this revenue source is projected to increase by approximately \$150,000, which is attributable to a rise in building, plumbing, mechanic and electrical permits. Annual growth rates range from of 2-5%, depending on the revenue source, in the 10-year plan.

Licenses, Permits, Fines and Forfeitures



i. Use of Money, Property and Other

This final category of revenue includes interest, rent and other smaller revenues received annually on a regular basis. The FY 2013-14 estimate for this category is \$685,000, \$278,000 lower than the amount budgeted in FY 2012-13 due to a decrease in investment earnings related to the State’s dissolution of the Redevelopment Agency.

2. EXPENDITURE ASSUMPTIONS

Significant budgetary changes to salaries and benefits and operating expenses are discussed below.

a. Salaries and Benefits

As noted above, the City reached agreement with Teamsters Local 856, OPEIU

Local 29, and all unrepresented miscellaneous employees on terms for new labor contracts, which were approved by the City Council in March 2013. The costs of the agreements, which are budgeted to increase costs by \$2.4 million across all funds, have been built into the FY 2013-14 budget.

The Memoranda of Understanding with the safety unions (Concord Police Association and Police Management Association) has no pay increases in FY 2013-14.

Table 3 shows the changes in full-time salaries, part-time salaries, over-time wages, and fringe benefits in the adopted General Fund FY 2013-14 budget. Together these three items amount to a \$1.683 million increase.

Table 3. General Fund Personnel Expenditure Summary

Major Personnel Expenditure Groups	FY2012-13 Adj. Budget	FY2013-14 Adopted Budget	Difference
Full-time Salaries	26,344,825	27,541,667	1,196,842
Part-time Salaries	2,158,128	1,996,886	(161,242)
Over-time Wages	1,360,685	1,438,548	77,863
Fringe Benefits*	21,766,044	22,413,996	570,123
Total	51,629,682	53,391,097	1,683,586

**Includes medical, vision, dental, life insurance, disability insurance, pension contributions and payments, deferred compensation, social security, and workers' compensation.*

Within the 10-year General Fund plan contributions to CalPERS are projected to increase by 5% annually, healthcare costs by 2% annually and other fringe benefits by 3% annually. Other personnel-related cost increases over the aforementioned increases are projected at 1.5% annually.

Personnel/Organizational Changes in the FY 2013-14 Budget

Table 4 represents additions to the authorized full-time positions that are included in the budget. All of the staffing changes would be implemented in a manner that makes them cost neutral or cost beneficial to the budget. Additionally, the need to add these positions as regular full time positions is being driven either by the City's need to comply with the Affordable Care Act or to enhance customer service. An explanation for each change is presented following Table 4.

Table 4. Full-time Positions

Department	FY 2012-13 Adopted	FY 2013-14 Adopted	Difference
City Attorney	4.0	4.0	-
City Council	6.0	6.0	-
Community & Economic Development	37.0	39.0	2.0
Finance	18.0	19.0	1.0
Human Resources	6.0	6.0	-
Information Technology	11.0	12.0	1.0
Office of the City Manager	10.0	10.0	-
Parks & Recreation	14.0	15.0	1.0
Police	205.0	205.0	-
Public Works (includes Storm Water and Sewer)	76.0	76.0	-
Total Full-Time	387.0	392.0	5.0

Community and Economic Development Department - A desire to structure the Community and Economic Department (CED) to more effectively deliver services within the available funding resources led to three changes in staffing within CED.

1. ***Convert a ½ Time Contract Building Plans Engineer to a Full Time Regular Position.*** This change creates efficiency in the area of building plan review services and enhances customer service by allowing most, if not all, building plan checks to remain in-house. And it extends the available hours of the City’s plan check engineer to consult with applicants from the current level of 4-hours a day to 8-hours a day. Last, it better positions the City to meet permit turn around schedules as the building division’s workload continues to increase, as it has for the last two years.

Budget Impact: This change will have a slight positive or neutral impact to the General Fund. The City currently spends \$166,000 a year for contract staffing and the fully loaded cost of the new position, once filled, is anticipated to be \$143,000 to \$160,000 annually.

2. ***Convert a .96 FTE Limited Service Construction Inspector Position in the Current Engineering function to a Full Time Regular Position.*** The main responsibilities of the position are to perform inspections of construction activities that occur within the public right-of-way. The current workload for the Limited Services Construction Inspector has necessitated that the position work nearly full-time over the past 4 years. Further, implementation of the Affordable Care Act will require the City to provide medical insurance to this position.

Budget Impact: This change does not have a significant impact on the budget, as the current fully loaded cost of the regular full-time Construction Inspector is relatively equivalent to the cost for the Limited Services Construction Inspector (approximately \$105,000 annually). In addition, this Inspector generated about \$140,000 in revenue (permit fees) over the past year, offsetting the cost of the position.

3. **Convert a Permit Center Technician III position (currently vacant) to an Assistant Engineer Position.** To be more efficient and responsive to internal and external customers of the Current Development Engineering operations, the Community and Economic Department's budget exchanges a vacant Permit Center Technician III position for a new Assistant Engineer position. The Assistant Engineer position will enhance the capacity to the Current Development program, in the following ways:

- Increased technical (Civil Engineering) knowledge at the public counter operations, resulting in increased over-the-counter approvals.
- Administration of the City's mandated Storm Water Program.
- Administering the City's ADA Self Evaluation and Transition Plan.

Budget Impact: The fully loaded cost of the Permit Center Technician III for this year, if the position remained filled, would be \$92,866. The fully loaded cost of the Assistant Engineer position is budgeted at approximately \$128,000, an increase of more than \$35,000 annually. However, this cost difference will be offset by a \$36,000 reduction in the Professional Services budget of the program, because the new Assistant Engineer will provide capacity that will enable staff to reduce reliance on consultant firm assistance to provide needed professional engineering services.

Information Technology

4. **Convert a Full Time Contract IT Analyst Position to a Regular Full Time Position:** The position of IT Analyst was left vacant due to the early retirement program in 2009. At that time the goal was to eliminate the position; however, due to the continuing need for someone to be solely focused on managing the numerous contracts for which IT is responsible, the function has continued to be filled through a professional services contract since it was eliminated. Given this on-going workload demand and anticipation of a PERS audit finding requiring the City to treat this position as a regular position and the anticipation that the affordable care act will require the City to pay medical benefits for this position, the adopted budget converts it to a regular position.

Budget Impact: This change has a slightly positive benefit on the budget, as the City currently spends \$163,000 annually to meet this workload demand through a professional services contract. The fully loaded cost to fill it as a regular position is budgeted at \$144,000.

Parks and Recreation

5. ***Convert Part-Time Staff Support to One Full Time Regular Recreation Program Aide Position.*** Senior Center management has found it difficult to attract and retain quality part-time staff to manage senior center operations. Currently the Senior Center is funded with just two full-time permanent professional staff. This full-time Recreation Program Aide position would provide much needed continuity for program and service delivery at the center.

Budget Impact: This change is neutral to the budget. The new position is budgeted to cost \$75,439 annually. The Parks and Recreation Department has reduced the Senior Center program's part-time and contract services line items to fund the full cost of the position.

Finance

6. ***Convert a Full-time Equivalent Accounts Clerk III Professional Services Position to a Regular Full Time AP Team Leader Position:*** The position of Account Clerk III was left vacant due to the early retirement program in 2009. At that time the goal was to eliminate the position; however, due to the continuing need for support to the accounts payable function within the Finance Department, the function has continued to be filled through a professional services contract since it was eliminated. In evaluating the staffing needs of the Accounts Payable function, the Finance Director recognized the improved accountability created if the position were raised one level from Accounts Clerk III to Accounts Payable (AP) Team Leader. Given this on-going workload demand and anticipation of a PERS audit finding requiring the City to treat this position as a regular position and the anticipation that the Affordable Care Act will require the City to pay medical benefits for this position, the adopted budget converts it to a regular full-time AP Team Leader position.

Budget Impact: This change is budget neutral. The prior professional services contract had \$103,000 a year allocated. The fully loaded cost for the AP Team Leader position at mid-range is budgeted at approximately \$103,000.

b. Operating Expenditures

Operating expenditures were not inflated in FY 2013-14 over the amounts appropriated for FY 2012-13 unless there was a specific reason to increase the amount budgeted. In future years in the 10-Year General Fund Plan, an inflator of 1-3% is used depending on the expense category, assumptions are reviewed each year and revisions are made as appropriate.

Below are a few notable changes to operating expenses.

City Attorney Professional Services Budget - The budget includes a reduction of \$60,000 in professional services contracts. This adjustment reflects a transition in the City Attorney's Office to utilizing full time City employees in attorney positions, as opposed to part time independent contractors.

Citywide Recruitment and Selection - The budget includes an increase in the recruitment and selection line item of \$50,000 to reflect added cost for conducting both regular and executive recruitments due to staff turnover.

Building Division Professional Services - Within the Building Division, the Professional Services Contracts account is to be increased by \$132,000. The Professional Services account is used to hire private consultants to provide plan review and building inspection services. Due to the significant uptick in building permit service demand over the past two years, as well as the impact of long-term staff illnesses, the Building Inspection program has relied on consultant firms to provide extra Building Inspection services on an as-needed basis. It should be noted that the cost of these consultant services are recovered via building permit fees.

Liability Claims Budget Reduction - The budget includes a reduction of \$130,000 in the liability claims administration program (No. 1710), which funds payment of fees and costs for outside litigation counsel. Over the past 24 months, the City has resolved all of the harassment/employment practices lawsuits that were resulting in abnormally large expenditures on outside counsel, and we have experienced an overall decline in litigation that cannot be handled in-house. With one exception, the City Attorney is not aware of any significant lawsuits on the horizon. Accordingly, staff believes that it is prudent to reduce the amount budgeted to this program for FY 2013-14.

Police Background Checks - In order to facilitate hiring of Police Officers and other key staff in Police, \$45,000 in one-time funding has been added to allow for contracting out of required background checks (this is currently the pinch-point in our hiring process).

Successor Agency Budget (former Redevelopment Agency) - As a part of the State of California's FY 2011-12 budget, redevelopment agencies across the State

were eliminated. The City of Concord is now the fiduciary agency for the Successor Agency, which is responsible for winding down operations and property held by the former Redevelopment Agency. The Concord City Council does not approve the Successor Agency budget; however, the agency does provide funds to reimburse the City for personnel and other administrative costs. The Successor Agency budget for FY 2013-14 has not been finalized; however the current version includes \$224,000 in personnel and administrative reimbursement to the City. These reimbursements are applied to the Finance and Community & Economic Development departments.

Because the City Council has no oversight of the Successor Agency, information on the financial activity of the Agency has been moved from the Community Development Department, and can be found in the “Fiduciary” section of the budget document. While this action results in a *budgetary* \$2.7 million reduction in the Community Development Department from the current FY 2012-13 budget, the actual operations of the Community Development Department is not significantly impacted by the change.

3. SIGNIFICANT CHANGES TO OTHER FUNDS

a. Sewer Enterprise Fund – Annual Charge from CCCSD

Concord’s Sewer Enterprise contracts with the Central Contra Costa Sanitation District (CCCSD) to provide wastewater treatment of sewage at the CCCSD treatment plant. Consequently, the Concord Sewer Enterprise pays a proportionate share (30% to 32%) of the maintenance, operation, and capital replacement costs of the CCCSD treatment plant, based on flow volumes.

The Sewer Enterprise Fund includes a budget line item for annual charges from the Central Contra Costa Sanitation District (CCCSD). Two years ago, in FY 2011-12, the actual for CCCSD charges were \$13.8 million. In the current FY 2012-13, the budget for CCCSD charges is \$12.8 million. This budget will be inadequate to cover the CCCSD charges, and staff will seek a budgetary adjustment from the Sewer Fund Balance once the precise invoice amount is known (not likely until after the start of the FY 2013-14 fiscal year). After consultations with CCCSD, staff projects the cost for FY 2013-14 to be \$16.7 million; this number has been incorporated into the Sewer Enterprise budget.

The main financial drivers for the CCCSD increases include: a) capital investment in infrastructure for renewal and replacement; b) cost of meeting new federal and state regulatory requirements; c) real estate downturn and revenue reductions in sanitary sewer charges, interest income, property taxes, and developer permit and connection fees; d) increased operational costs; e) Contra Costa County Employees Retirement Association pension and healthcare cost increases; and f)

significant unfunded accrued liabilities for which payment should be incorporated in the CCCSD 10-year plan.

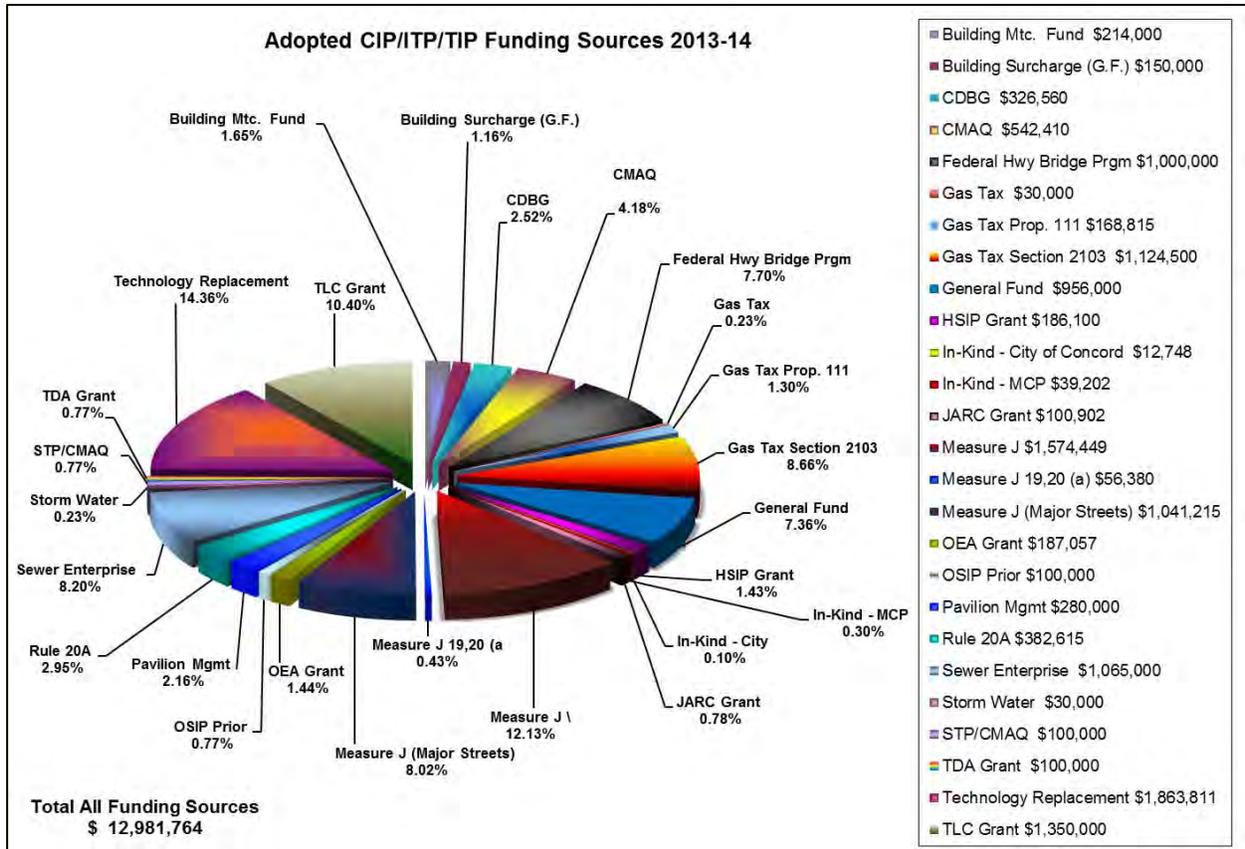
b. Golf Course Fund – Increase in revenue at the Diablo Creek Golf Course

Over the last year, the Diablo Creek Golf Course green fee revenue and food and beverage revenue have come in higher than projected in the fiscal year 2012-13 budget. Consequently, the estimated revenue for fiscal year 2013-14 has been adjusted upward. The revenue at the golf course is very weather dependent. This year has been a dry year with favorable conditions for increased rounds of golf. Total revenue to the City is budgeted to increase by just over \$130,000 to a total of 1.4 million.

4. CAPITAL IMPROVEMENT PROJECT (CIP) BUDGET

Given the number and range of properties and public facilities the City is responsible to maintain, the FY 2013-14 Capital Improvement Program (CIP) represents a varied program focused on supporting these facilities and infrastructure and maintaining them in a high quality condition. The majority of the projects in the CIP are carry-over projects, approved through prior budgets. The total allocation from all funding sources for FY 2013-14 is \$12,981,764³, with \$956,000 from the General Fund (of which \$800,000 is a loan to the Naval Weapons Reuse Project).

³ The adopted CIP budget has been updated for the printing of this document to include CIP budget revisions adopted by the City Council on July 9, 2013 (via Resolution No.13-60). By that action, the City Council appropriated funds for two projects: 1) Local Measure J funds to support the implementation of pavement rehabilitation improvements on Concord Boulevard and on Arnold Industrial Way for Fiscal Year 2013-2014 in the amount of \$347,000; and 2) Gas Tax funds to support the implementation of a traffic signal at the intersection of Oak Grove Road and Sierra Road for Fiscal Year 2013-2014 in the amount of \$65,415.



A brief description of fifteen new projects (some recipients of Grant funding, and others newly submitted projects) is provided below.

a. Project 2276 (Detroit Avenue Pedestrian and Bicycle Improvements)

This project will improve pedestrian and bicycle access and safety on Detroit Avenue, better serve the needs of the Monument Corridor community for non-automobile travel by constructing Complete Streets improvements along Detroit Avenue between Monument Boulevard and Clayton Road. This project is subject to approval by CCTA and MTC for federal Congestion Mitigation and Air Quality (CMAQ) funding through the One Bay Area Grant (OBAG) program. Local Measure J funds will be used to fulfill the local match requirements for this federally-funded project, if the OBAG application is approved. This project is funded with \$2,154,315 in CMAQ funds and \$415,000 in Measure J funds.

b. Project 2277 (Downtown Concord Bicycle Lane Improvements)

This project will improve bicycle access and safety between the BART station and downtown Concord. The project will install Class II bike lanes in downtown Concord, including on the Concord Boulevard-Clayton Road Couplet between Sutter Street and Grant Street, and on Grant Street and Oakland Avenue near the

downtown BART station. This project is funded with \$1,194,959 in CMAQ funds and \$230,000 in Measure J funds.

c. Project 2279 (Monument Neighborhood Shuttle)

This project will provide safe, convenient and free transit service for the Monument Corridor community, including, but not limited to, low-income workers, seniors, people with disabilities, and residents employed during offpeak hours. The project will provide a three-year shuttle service targeted for the Monument Corridor community that is free of charge, provides service to priority destinations, fits the needs of the area residents including on weekends and evenings, and operates on demand with flexible schedule/routes. The total cost of the project is estimated at \$627,694, with 50% of this cost (or \$311,704) to be funded through a federal funding program known as the Jobs Access and Reverse Commute (JARC). JARC is one of several federal funding sources used by the Metropolitan Transportation Commission (MTC) to fund its Lifeline Transportation Program (LTP). A 25% local match (\$160,138) will be provided through Line 20(a) Measure J funds recently approved by TRANSPAC. The remaining local match of \$155,852, which will be required to fully fund the project, will be provided through in-kind services by the City and MCP/Chavez Center in the form of staff time to administer the project and provide oversight.

d. Project 2280 (Citywide Bicycle Master Plan)

This project will create a comprehensive Citywide Bicycle Master Plan to be used as a blueprint for expanding the bicycle network to promote safe alternative modes of transportation and help position the City for future funding for bicycle projects and roadway improvements benefiting the cycling community. This project is funded with \$100,000 in TDA funds and \$20,000 in Measure J funds.

e. Project 2283 (Install Traffic Signal at Oak Grove Rd. /Smith Ln)

Enhance pedestrian and traffic safety by installing traffic signal and related roadway improvements at intersection located where St. Francis of Assisi Parish and School abuts the east side of Oak Grove Road. This project is funded with \$435,100 in HSIP funds and \$48,500 in Measure J funds.

f. Project 2285 (Willow Pass Rd and Nearby Intersections Traffic Signal Upgrades)

Enhance traffic safety by installing protected left-turn phasing for Willow Pass Road (at Galindo St, Grant St, Parkside Dr, and Sixth St), for Market Street at Fry Way and for Salvio Street at East Street intersections. This project will replace existing permissive/protected left-turn (LT) phases and signal heads with protected LT phases and signal heads on existing poles and mast arms; install new protected LT phases and signal heads on new poles and mast arms for existing LT

lanes. Also installation of mast arm signals will improve visibility of signal indicators for side street traffic (Sixth St. and Parkside Drive at Willow Pass Road). This project is funded with \$716,700 in HSIP funds and \$79,800 in Measure J funds.

g. Project 2286 (Concord Blvd. Traffic Signal Upgrades at Sixth St., Farm Bureau Rd., Clayton Way, and West St.)

Enhance traffic safety by installing protected left-turn phasing and mast arm signals at identified intersections. Replace existing permissive/protected left-turn (LT) phases and signal heads with protected LT phases and signal heads on existing poles and mast arms; install new protected LT phases and signal heads on new poles and mast arms for exist LT lanes. This project is funded with \$224,400 in HSIP funds and \$25,100 in Prop. 111 funds.

h. Project 2251 (Farm Bureau Road Safe Route to School Improvements)

This project will enhance the safety of students walking and bicycling to school by constructing sidewalk, curb and gutter, and a designated bicycle route on the west side of Farm Bureau Road between Willow Pass Road and Wren Avenue. This project is funded with \$436,400 in SR2S funds and \$148,000 in Prop. 111 funds.

i. Project 2179 (ADA Barrier Removal for Baldwin Park)

The project will improve ADA access throughout Baldwin Park by reconstructing deteriorated concrete walkways, improving pedestrian access to park facilities, renovating the existing restroom, upgrading accessible pedestrian ramps and installing accessible parking spaces & signage. The project is funded with \$340,000 of Community Development Block Grant funding, and \$100,000 of Measure WW grant funding, augmented by \$72,188 of Measure J local funds and \$20,000 in local Parkland funds.

j. Project 2236 (Todos Santos Fence on Willow Pass Road)

The project will install approximately 320 linear feet of 42"+/- tall, open-style fence between the back of curb and the sidewalk along the Todos Santos Plaza frontage of Willow Pass Road, between Mt. Diablo Street and Grant Street. This project is funded with \$75,000 in Downtown Landscape Maintenance District funds and \$124,650 in Art in Public Places funds.

k. Project 2268 (Pavilion Fire Alarm System)

The Pavilion is an outdoor venue with a seating capacity of 12,500. The Pavilion plays host to a variety of events including concerts, high school graduations, musicals, and local community events. This project will install an addressable Simplex fire alarm control panel with addressable smoke detectors, to bring the system up to standard. This project is funded with \$30,000 of Pavilion Management Account funds.

l. Project 2269 (Pavilion Parking Lights)

This project will remove and replace 22 light poles that have become corroded at the base and are beginning to fail along entrance drive that feeds into main parking lots. Significant injury or property damage could occur should the facility be in use when failure occurs. This project is funded with \$200,000 of Pavilion Management Account funds.

m. Project 2278(Treat Boulevard Median Safety Fence)

The median fence will enhance the safety of pedestrians and bicyclists traveling along Contra Costa Canal Trail, by discouraging them from crossing Treat Boulevard at a mid-block location and directing them to safely cross the street at Navaronne Way. This project will install 200' long, 42" high green-coated steel fence in the median island of Treat Boulevard between Navaronne Way and San Miguel Road, to safely channelize Contra Costa Canal Trail users to the signalized crosswalk at Navaronne Way to cross Treat Boulevard. This project is funded with \$50,000 in Measure J funds.

n. Project 2282 (Battery Backups for Traffic Signals)

This project will remove and replace existing failed batteries that have reached the end of service life, to maintain uninterrupted operations of signalized intersections, which is a critical component for keeping traffic signals operating during power outages. Batteries will be placed on a replacement schedule of 20% a year. This project is funded with \$300,000 in Gas Tax Sect. 2103 funds.

o. Naval Weapons Station Reuse Project

In FY 2006-07, the City, acting as the Local Redevelopment Authority (LRA), retained a consultant team, appointed a Citizens Advisory Committee, and initiated the Reuse Planning process. The Concord Naval Weapons Station (CNWS) represents a unique opportunity to plan a new mixed-use area that is vital, livable, transit-supportive, and at the cutting edge of ecological and sustainable planning.

The federal Office of Economic Adjustment has been a strong funding source for the LRA since 2006 and is expected to provide some modest support through FY 2013/2014 but will likely not be available for funding support thereafter. As a result, there is a need to provide bridge funding until the conveyance of the land to the LRA and others in late in calendar year 2014 or early 2015.

In order to continue negotiations with the U.S. Navy and facilitate reuse of the CNWS, on February 5 2013, a loan agreement was executed between the City of Concord's General Fund and the Local Reuse Authority to provide \$117,000 in funds for costs associated with the project.

In the FY 2013-14 budget, a capital improvement project has been established to facilitate additional loans from the General Fund to the LRA until the land transfer is complete. In FY 2013-14, the loan amount is \$800,000. Subsequently loans are \$783,000 in FY 2014-15 and \$716,000 in FY 2015-16. The General Fund 10-year plan reflects these loans as well as their repayment in 2015, 2016 and 2017.

5. MEASURE Q OVERSIGHT COMMITTEE FINDINGS

The Measure Q Oversight Committee reviewed the FY 2013-14 Proposed Operating Budget and 10-Year Plan and found that it is consistent with the principles adopted with the decision to place Measure Q on the ballot in 2010. The Committee has found that:

- The FY 2011-12 Annual Audit reflects that the Measure Q tax was collected and appropriately spent.
- The City's proposed General Fund budget for Fiscal Year 2013-14 protects the City's core services.
- The City's proposed General Fund Budget for Fiscal Year 2013-14 rebuilds the City's reserves.
- The City's proposed General Fund Budget for Fiscal Year 2013-14 makes progress toward resolving the City's structural budget deficit within the next 10-years.

A copy of the Measure Q Oversight Committee report to the City Council is attached to this budget memo and the chair of the Committee addressed the Council at the Council's budget study session on May 7, 2013.

6. SUMMARY

The City of Concord, as with most local governments in California, has significant fiscal challenges ahead. The good news is that the economy is showing signs of recovery. The balanced budget for FY 2013-14 reflects the City's continuing efforts to bring the City's budget back into long-term structural balance and provide fiscal stability to the community. Indisputably, the approval of Measure Q by the voters of Concord has provided the City with additional time to adjust ongoing expenditures to ongoing revenues. Effective use of this additional time and the Measure Q revenues is a critical component of the City's 10-year financial plan.

The Fiscal Year 2013-14 budget is dependent on the use of \$5.9 million dollars of Measure Q revenue to balance revenue against expenditures. Additionally, the 10-Year Financial Plan assumes undefined budget stabilization actions that have a total value of \$1.8 million to begin in Fiscal Year 2016-17, after Measure Q expires. While we believe that implementing significant budget stabilization measures on or near the sunset of Measure Q is in alignment with the voter's intent to use Measure Q revenue to maintain City services and help restore the General Fund reserve, we note that there are unfunded and unmet needs that may necessitate further or more immediate action in the future.

As a part of the work plan for next fiscal year, staff will continue to work towards the Council's goal of Long Term Financial Stability by developing strategies to address the City's unfunded liabilities and other expenditure needs that are currently not captured in the 10-year plan. City staff will be returning to Council with detailed information on the City's unfunded liabilities and other expenditure needs later this calendar year.

Concord's Mission Statement states: *Our Mission is to join with our community to make Concord a City of the highest quality. We do this by providing responsive, cost effective and innovative local government services.* This remains the organization's mission and with the Council's continued leadership; employee support, creativity and hard work; and the Concord community's support and partnership, I have no doubt that we will continue to be successful in achieving our mission.

Respectfully submitted,



Valerie J. Barone
City Manager

City of Concord

May 7, 2013

TO: Honorable Mayor and Councilmembers

FROM: Measure Q Oversight Committee - Guy Bjerke, Chair;
Richard Eber, Vice Chair; Norm Freitas, Bill Gram-Reefer; Beri Kasper;
Dr. Harmesh Kumar; Rosanne Nieto

SUBJECT: Measure Q Oversight Committee's Review of the FY 2011-12 Audit and Evaluation and Report on the City's Proposed Use of Measure Q Revenues in the Fiscal Year 2013-14 General Fund Budget

The Measure Q Oversight Committee (Committee) met on March 20 and on April 10, 2013. At the March 20 meeting the Committee reviewed the FY 2011-12 Comprehensive Annual Financial Report (CAFR) which includes the annual audit. On April 10, the Committee reviewed the City's proposed Fiscal Year 2013-14 General Fund Budget and its 10-Year Financial Planning Model.

On March 10, the Committee determined that the presentation of the Measure Q Use and Transaction Tax (tax) in the financial statements (pages xiv, 12, 24, 26, and 64 of the CAFR) reflect the collection of the tax appropriately.

On April 10, the Committee reviewed and evaluated the FY 2013-14 Proposed Operating General Fund Budget and 10-Year Plan to advise the Council as to whether Measure Q revenues are proposed to be spent in a manner consistent with what the voters were told during the election process: to protect core services, to re-build the City's reserves, and to provide more time for the City to address its on-going structural budget deficit. The Committee has made the following findings with regard to its charge in oversight of the tax:

1. Does the FY 2011-12 Annual Audit reflect that the Measure Q tax was collected and appropriately spent?

The Committee finds that usage of Measure Q tax revenue (\$10 million) was identified clearly in the annual audit (pages xiv, 12, 24, 26, and 64 of the CAFR). Further, the Committee finds that \$3 million of Measure Q tax revenue went to maintain City services and the remaining \$7 million went into the City's reserve. Consequently, the Measure Q Committee concludes that the tax was collected and appropriately utilized.

2. Does the City's proposed General Fund Budget for Fiscal Year 2013-14 protect the City's core services?

The proposed budget projects the collection of \$10.6 million dollars of Measure Q revenue and the use of \$5.8 million of that revenue to maintain the City's services, including public safety, parks and recreation, infrastructure maintenance, internal operations, etc. It is directly due to the availability of the Measure Q revenue that City services are not proposed for significant cuts. In fact, due to the availability of Measure Q revenue, the Council was able to reinstate a standard 40-hour work week for all of the miscellaneous employees, returning approximately 25,000 a year hours of service to the community. Consequently, the Committee finds that the use of Measure Q revenue in the Fiscal Year 2013-14 budget protects the City's core services.

3. Does the City's proposed General Fund Budget for Fiscal Year 2013-14 rebuild the City's reserves?

The Committee finds that the proposed General Fund budget for Fiscal Year 2013-14 rebuilds the City's reserves. The City expects a total of \$10.6 million in Measure Q revenue in Fiscal Year 2013-14. Of this amount, \$4.7 million will be deposited into the City's reserves accounts (\$2.8 million allocated to maintain the General Fund reserve at 15% and \$1.9 million allocated to the designated Measure Q reserve), as shown on the 10-year plan presented to the Committee.

4. Does the City's proposed General Fund Budget for Fiscal Year 2013-14 make progress toward resolving the City's structural budget deficit within the next 10-years?

The Committee finds that the proposed General Fund Budget and 10-Year Financial Planning Model for FY 2013-14 makes progress to resolve the structural deficit, however, more needs to be done to reflect how the City plans to address its unfunded liabilities and unmet needs. The financial plan that staff presented avoids the General Fund reserve dropping below 15% over the next ten years. ~~Further,~~ and staff informed the Committee that work will be underway at the beginning of FY 2013-14 to identify budget stabilization measures to be implemented, beginning in FY 2016-17, the first year following the expiration of Measure Q. The Committee concurs that it makes sense to minimize service reductions while Measure Q is being collected from tax payers to preserve City services, however, the Committee also recognizes that all of the City's funding needs over the next 10 years have not been captured in the proposed 10-Year Financial Planning Model. As such, the exact dollar value required for budget stabilization will change as the budget evolves and a plan for addressing unfunded liabilities and unmet needs is developed.

Lastly, the Committee urges the City Council and management to develop a strategy to address the City's unfunded liabilities and other expenditure needs that are

currently not captured in the 10-Year Financial Planning Model. A few of the items not included in the current 10-Year Financial Planning Model that most concern the Committee are the:

- potential for significant increases in CalPERS pension costs;
- deferred maintenance backlog;
- additional annual funding for preventative maintenance;
- unfunded liability for the City of Concord Retirement System;
- unfunded liability for retiree medical benefits; and
- needed business system improvements.

Conclusion

The Committee continues to encourage the City staff to think creatively to further enhance efficiencies, reduce spending and raise revenues and to present those solutions to the City Council. The Committee thanks the City Council for the opportunity to comment and make recommendations on the use of Measure Q revenue.

BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

A Resolution Establishing the Appropriation Limit
for the City of Concord for Fiscal Year 2013-2014
Pursuant to California Constitution Article XIII B

Resolution No. 13-55

WHEREAS, Article XIII B of the California Constitution (Proposition 4) established appropriation limits for cities; and

WHEREAS, Government Code Section 7910 (a portion of the Legislation implementing Proposition 4) requires cities to annually adopt a resolution establishing their appropriation limit; and

WHEREAS, the Director of Finance has made, or caused to be made, calculations in accordance with the provisions of Article XIII B and the implementing legislation to determine the appropriation limit for Fiscal Year 2013-2014; and

WHEREAS, Proposition 111 requires a recorded vote of the Council regarding the limit and the annual adjustment factors selected to calculate it; and

WHEREAS, said calculations were available for public review a minimum of fifteen (15) days prior to the consideration of said calculations by the City Council at its meeting of June 25, 2013.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES
RESOLVE AS FOLLOWS:**

Section 1. Approves and adopts by reference the calculations prepared by the Director of Finance regarding the appropriation limit for the City of Concord for Fiscal Year 2013-2014. Said calculations are available for public review in the Finance Department of the City of Concord.

Section 2. Finds and determines that the total appropriation limit of Article XIII B, Proposition 111, and implementing State Legislation amounts to \$145,961,484 for Fiscal Year 2013-14. The Council further finds and determines that the annual adjustment factors to be applied to the limit calculation are California Per Capita Income and County of Contra Costa's annual population growth.

Section 3. This resolution shall become effective immediately upon its passage and adoption.

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1 **PASSED AND ADOPTED** by the City Council of the City of Concord on June 25, 2013, by
2 the following vote:

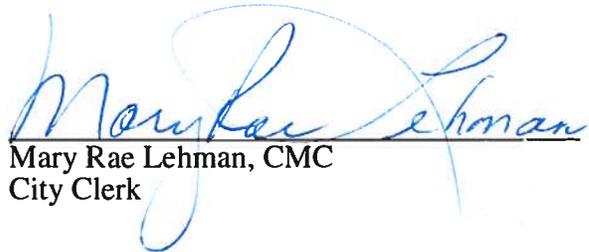
3 **AYES:** Councilmembers - E. Birsan, L. Hoffmeister, R. Leone, T. Grayson

4 **NOES:** Councilmembers - None

5 **ABSTAIN:** Councilmembers - None

6 **ABSENT:** Councilmembers - D. Helix

7 **I HEREBY CERTIFY** that the foregoing Resolution No. 13-55 was duly and regularly
8 adopted at a regular meeting of the City Council of the City of Concord on June 25, 2013.

9
10
11 
12 Mary Rae Lehman, CMC
13 City Clerk

13 **APPROVED AS TO FORM:**

14 
15 Mark S. Coon
16 City Attorney

BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

**A Resolution Adopting the Municipal Budget,
Including a Ten-Year Financial Plan and the 2013-
2014 Capital Improvement Program Budget and Ten-
Year Capital Improvement Plan for Fiscal Year 2013-
2014**

Resolution No. 13-56

WHEREAS, the City Manager has recommended a Municipal Budget for Fiscal Year 2013-14 and a Ten-Year Financial Plan; and

WHEREAS, the City Manager has recommended a Capital Improvement Program Budget for Fiscal Year 2013-14 and a Ten-Year Capital Improvement Plan; and

WHEREAS, at the May 7, 2013 workshop, the City Manager received comment and direction from Council regarding the proposed budget deficit reduction recommendations and strategy; and

WHEREAS, at the June 25, 2013 hearing the Council conducted its final review of the budget; and

WHEREAS, the expenditures provided in said Budget, together with any revisions to it, are within the expenditure limitations imposed by Article XIII B of the California Constitution.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES
RESOLVE AS FOLLOWS:**

Section 1. The City Council approves the Municipal Budget as modified per Council direction for Fiscal Year 2013-14 and a Ten-Year Financial Plan submitted by the City Manager as adjusted by adopted City Council budget reduction measures.

Section 2. The City Council accepts the Planning Commission’s determination that the Fiscal Year 2013-14 Capital Improvement Program Budget complies with the goals and objectives of the General Plan.

Section 3. The City Council approves the Capital Improvement Program Budget for Fiscal Year 2013-14 and a Ten-Year Capital Improvement Plan as modified.

Section 4. A copy of the Municipal Budget and Ten-Year Financial Plan including Capital Improvement Program Budget and Ten-Year Capital Improvement Plan for Fiscal Year 2013-14 as

1 modified during the hearings are on file with the City Clerk.

2 **Section 5.** This resolution shall become effective immediately upon its passage and adoption.

3 **PASSED AND ADOPTED** by the City Council of the City of Concord on June 25, 2013, by
4 the following vote:

5 **AYES:** Councilmembers - E. Birsan, L. Hoffmeister, R. Leone, T. Grayson

6 **NOES:** Councilmembers - None

7 **ABSTAIN:** Councilmembers - None

8 **ABSENT:** Councilmembers - D. Helix

9 **I HEREBY CERTIFY** that the foregoing Resolution No. 13-56 was duly and regularly
10 adopted at a regular meeting of the City Council of the City of Concord on June 25, 2013.

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13 
14 Mary Rae Lehman, CMC
15 City Clerk

16 **APPROVED AS TO FORM:**

17 
18 Mark S. Coon
19 City Attorney

BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

A Resolution Establishing the Minimum Threshold
over which City Council Approval is Required in
Accordance with Concord Municipal Code Article
VIII, Sec. 2-644 (a) for Fiscal Year 2013-14

Resolution No. 13-57

WHEREAS, the City Council approves a number of purchasing agreements during the course of the Fiscal Year; and

WHEREAS, in accordance with Concord Municipal Code Section 2-644(a), the City Council is required to establish the threshold over which a purchase requires City Council approval prior to said purchase; and

WHEREAS, the City Council seeks to establish the minimum threshold over which City Council approval is required for FY 2013-14.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES
RESOLVE AS FOLLOWS:

Section 1. That purchases and contracts in excess of \$50,000.00 are subject to City Council approval before the execution of said purchase or contract.

Section 2. The new purchasing threshold established by this resolution shall become effective on July 1, 2013.

Section 3. This resolution shall become effective immediately upon its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Concord on June 25, 2013, by the following vote:

AYES: Councilmembers - E. Birsan, L. Hoffmeister, R. Leone, T. Grayson

NOES: Councilmembers - None

ABSTAIN: Councilmembers - None

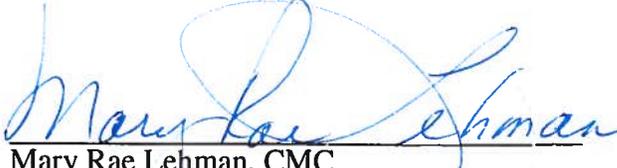
ABSENT: Councilmembers - D. Helix

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1 **I HEREBY CERTIFY** that the foregoing Resolution No. 13-57 was duly and regularly
2 adopted at a regular meeting of the City Council of the City of Concord on June 25, 2013.

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5 
6 Mary Rae Lehman, CMC
City Clerk

7 **APPROVED AS TO FORM:**

8
9 
10 Mark S. Coon
City Attorney