



# *Presentation & Discussion of the City Manager's Proposed Budget*

Fiscal Year 2014-15 Budget Workshop

By: Valerie J. Barone, *City Manager*  
& Jovan Grogan, *Budget Officer*

May 13, 2014

# City of Concord's Mission Statement

**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.**

**May 13, 2014**  
*Budget Workshop*

**Part 1: Review Proposed General Fund Budget**

- 1. Organizational Overview and Economic Context**
- 2. Proposed FY 2014-15 General Fund Budget**
- 3. General Fund 10-Year Financial Forecast**
- 4. Report from the Citizen Measure Q Oversight Committee**
- 5. Council Questions on Staff Presentation**
- 6. Public Comment**
- 7. Council Discussion**

## Part 2: Discuss Enterprise Funds, Storm Water Operations, and Capital Improvement Program

- 8. Diablo Creek Golf Course Fund** *(time permitting)*
- 9. Storm Water and Sewer Funds** *(time permitting)*

**June 3, 2014**

*1<sup>st</sup> Budget Hearing*

- 1. Staff Response to Any Follow-up Items from May 13**
- 2. Update to Master Fee Schedule**
- 3. Capital Improvement Project Budget**
- 4. Council Questions on Staff Presentation**
- 5. Public Comment**
- 6. Council Discussion**

**June 24, 2014**  
*2<sup>nd</sup> Budget Hearing*

**Part 3: Council Discussion,**

- 1. Staff Response to Any Follow-up Items from June 3**
- 2. Public Comment**
- 3. Council Discussion**
- 4. Council Action**

Historical Budget Overview  
&  
Economic Context for FY 2014-15

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## Prior Actions Taken to Balance the Budget

- Staffing reduced by 25%
- Reduced annual GF expenditures by \$10 M (*from 2007 to 2011*)
- Partnered with employee groups to control costs:
  - Non-sworn staff gave up 5% of pay for approx. 3.5 years
  - Increased employee funding of benefits / reduced benefits
  - Eliminated Pay for Performance for Executives/Managers
  - Established later retirement age & larger employee contributions towards pension benefits for new hires

## Additional Steps Already Taken

- Used Reserves (\$24 Million from FY 07-08 to FY 10-11)
- Reduced programs and eliminated services
- Outsourced some services
- Received and spent **\$28 M** in grant funding for various capital projects and programs in the last 5 years
- Maintained 10-year financial forecasting model
- Removed Pavilion as a liability to the General Fund (refinanced debt and favorable new contract)
- Placed Measure Q on the ballot (*adopted by voters in Nov. 2010*)

# Concord's Fiscal Stability Impacted by the State

## State Takeaways and Unfunded Mandates

- \$78 million cumulative loss to Concord from State takeaways, includes:
  - Loss of property tax funds from local agencies to support/replace State funding (ERAF - Educational Revenue Augmentation Fund)
  - Loss of Vehicle License Fee revenue to the State
  - Loss of property tax increment funding (Redevelopment)
  - Unpaid claims from State mandated activities

- Staff work plan guided by Council Priority Focus Areas
  - *March 22 Council Retreat*

## Council Priority Focus Areas

**Long-term Financial Stability**

**Economic Development**

**Public Safety**

**Infrastructure Maintenance**

**Organizational Strength & Employee Success**

## Constant Areas of Focus

**Quality of Life**

**Customer Service**

## 2014 Community Survey Results

- 83% of the public satisfied with City services
- Identified public safety and quality of life service priorities:
  - 9-1-1 emergency response services
  - Neighborhood police patrols
  - Gang prevention programs
  - Crime investigation services
  - Road maintenance and pothole repair efforts
  - City street lights and traffic signals
  - City parks and playgrounds
  - Youth sports and recreation programs
  - Senior services and the senior center

# Measure Q Successful

- Preserved City services, like...
  - **Police services**  
*9-1-1 response, neighborhood patrols, gang prevention, crime investigation*
  - **Infrastructure maintenance**  
*Road maintenance, pothole repairs, city street lights and traffic signal upkeep*
  - **Parks and Recreation**  
*Maintenance of parks and playgrounds and support for youth sports, recreation programs, and the Senior Center*
- Successful at rebuilding reserves
  - Combined General Fund and Measure Q reserve projected to be 28% at the close of FY 2013-14

# Economic Context, the good news...

## Sustained recovery

- Unemployment down
  - United States: 6.3%
  - California: 8.1%
  - Contra Costa County: 7.0%
  - Concord: 7.6% (11.2% two years ago)
- Sales tax revenue up
  - Continued strong auto sales and recovery in non-auto sectors
- Home values up (*property tax revenue lags*)
  - 2013 Median Single Family Price: \$351,500; up 35% over last year
- Enhanced economic vibrancy in Concord

## Economic Context, the challenges...

- Slow recovery of property tax base
- Impact of Affordable Care Act
- Increased CalPERS pension costs and future changes
- Unfunded maintenance and infrastructure needs for roads, parks, facilities, and street signs/lights
- Unfunded long-term liabilities persist
- More unfunded State mandates likely
- Measure Q scheduled to expire in March 2016
- General Fund continues to rely on Measure Q to cover annual shortfall
  - *\$8M of Measure Q Support in Proposed FY 2014-15 Budget*

# City Manager's Guidelines for Budget Development

- **Status quo service level budget**
- **Keep expenditures flat**
- **If growth proposed, limit to items that are:**
  - Essential
  - Aligned with Council Priority Focus Area
  - Outside of the City's direct control
- **New position requests must have a positive financial impact or be cost neutral**

**FY 2014-15**  
**Proposed Budget Summary**

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# Proposed FY 2014-15 General Fund Summary

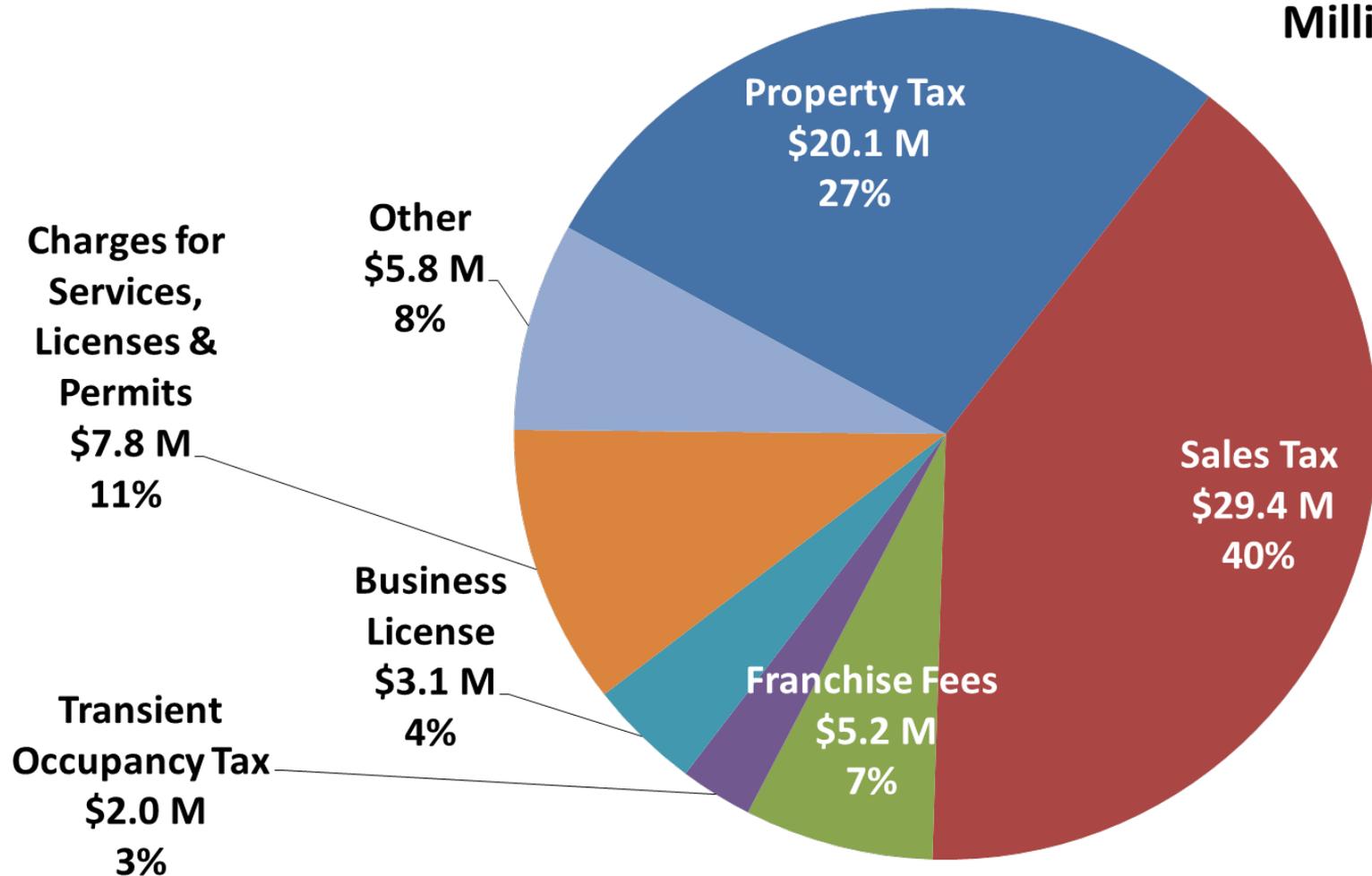
- **Proposed budget is balanced**
- **Total Revenues: \$85.0 Million**
  - Regular Revenues: \$73.4 Million
  - Measure Q Revenue: \$11.6 Million
- **Total Expenditures: \$81.4 Million**
  - Regular Revenues: \$73.4 Million
  - Measure Q Support for Operations: \$8.0 Million

# General Fund Revenues



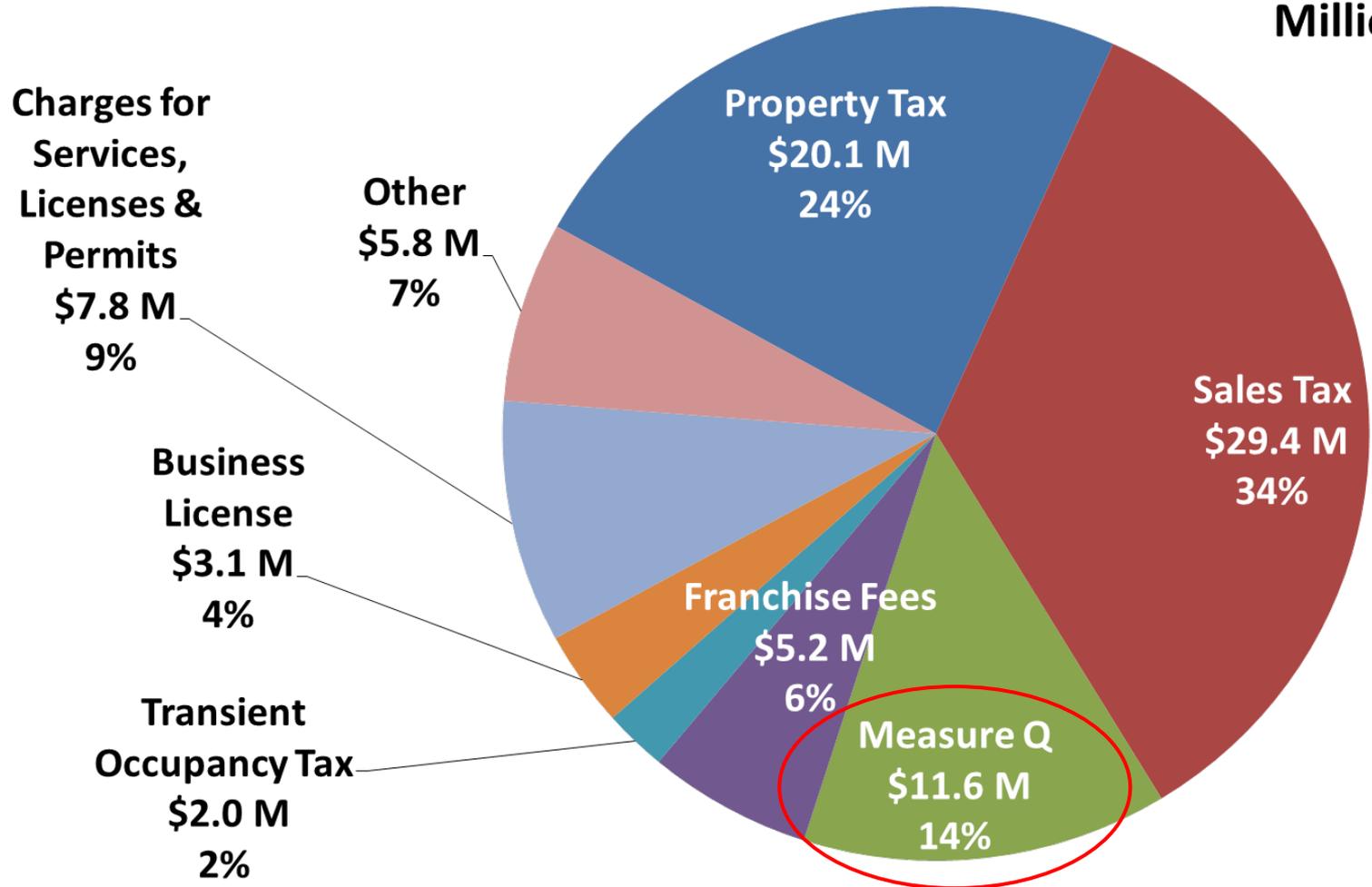
# Proposed FY 2014-15 General Fund Revenues by Category *without Measure Q*

**Total**  
**\$73.4**  
**Million**

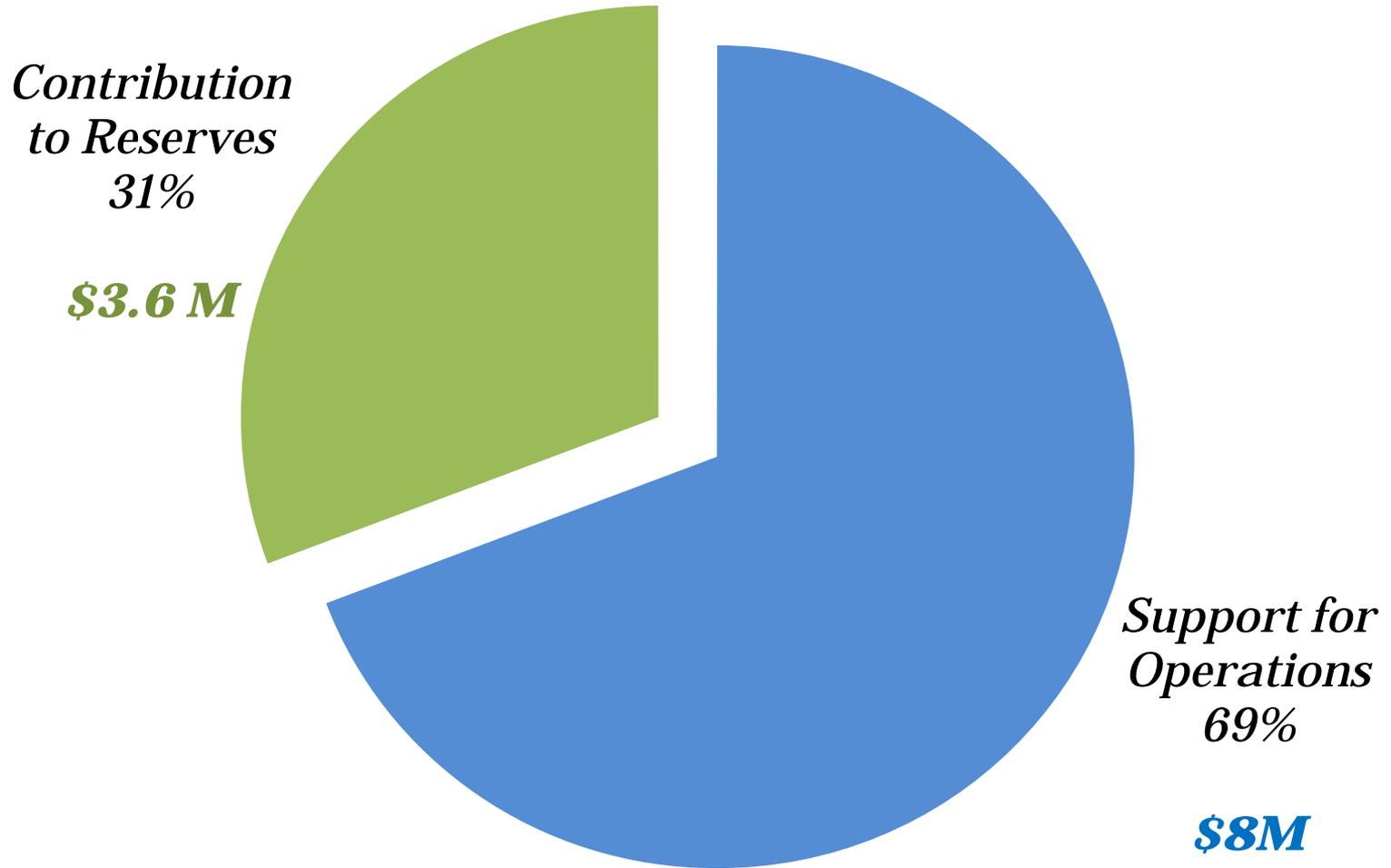


# Proposed FY 2014-15 General Fund Revenues by Category *with Measure Q*

**Total  
\$85.0  
Million**



## Total Measure Q Revenue Projected at \$11.6 Million



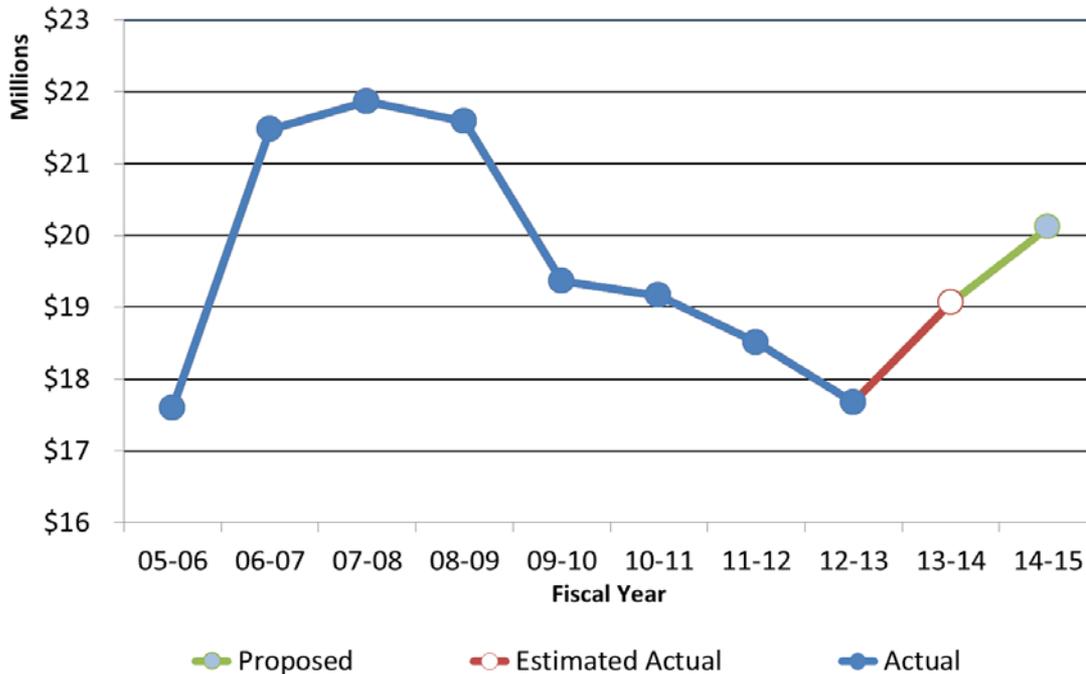
## Property tax revenue increasing, however

- lags behind growth in property values
- impacted by slow recovery in commercial properties

### Concord's Median Sale Value, 10-Year History Single Family Residential

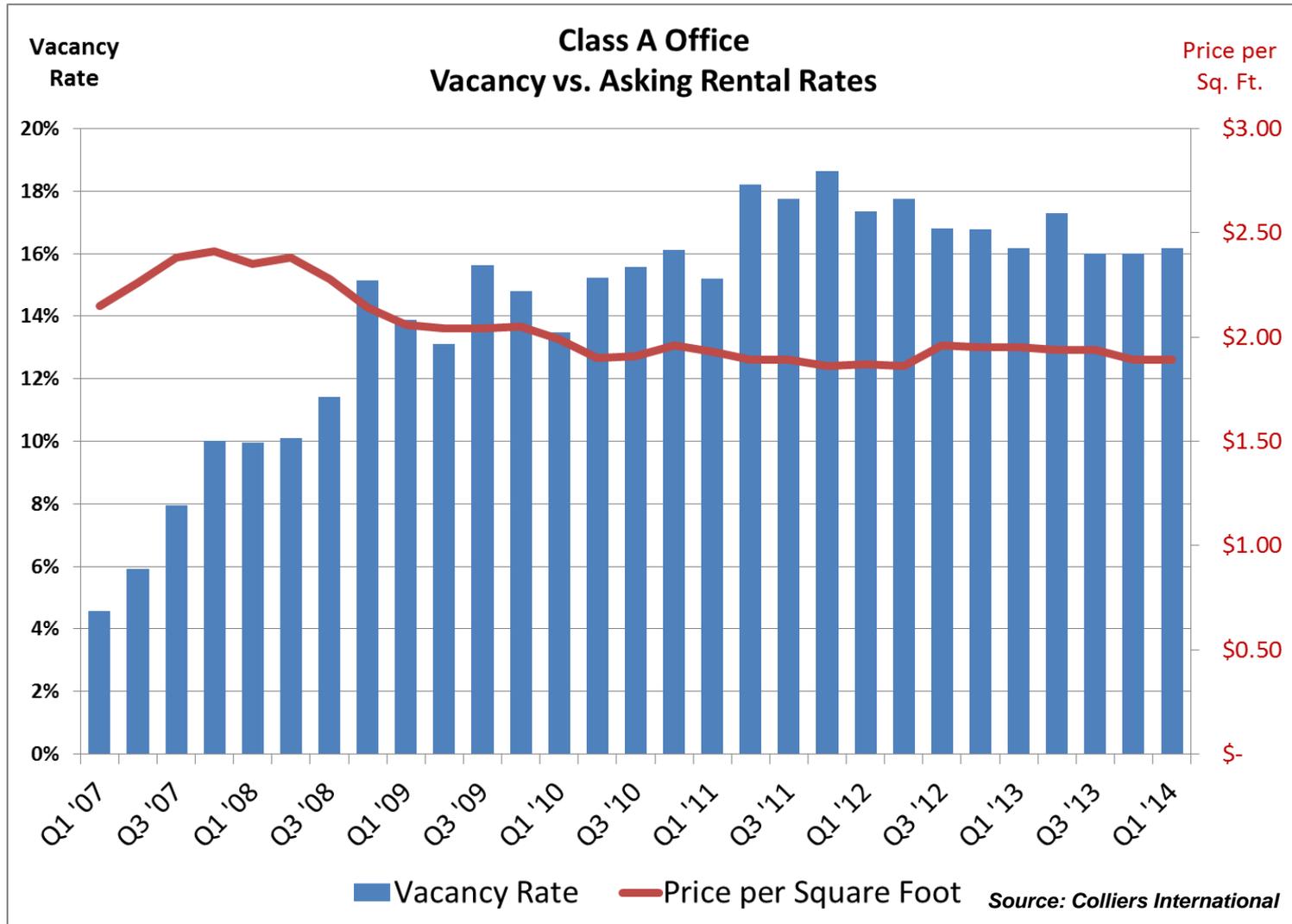
Year	Median Price	% Change
2004	\$416,500	18%
2005	\$505,000	21%
<b>2006</b>	<b>\$523,750</b>	<b>4%</b>
2007	\$485,000	-7%
2008	\$309,000	-36%
2009	\$240,000	-22%
2010	\$250,000	4%
2011	\$225,000	-10%
2012	\$260,000	16%
<b>2013</b>	<b>\$351,500</b>	<b>35%</b>

Property Tax



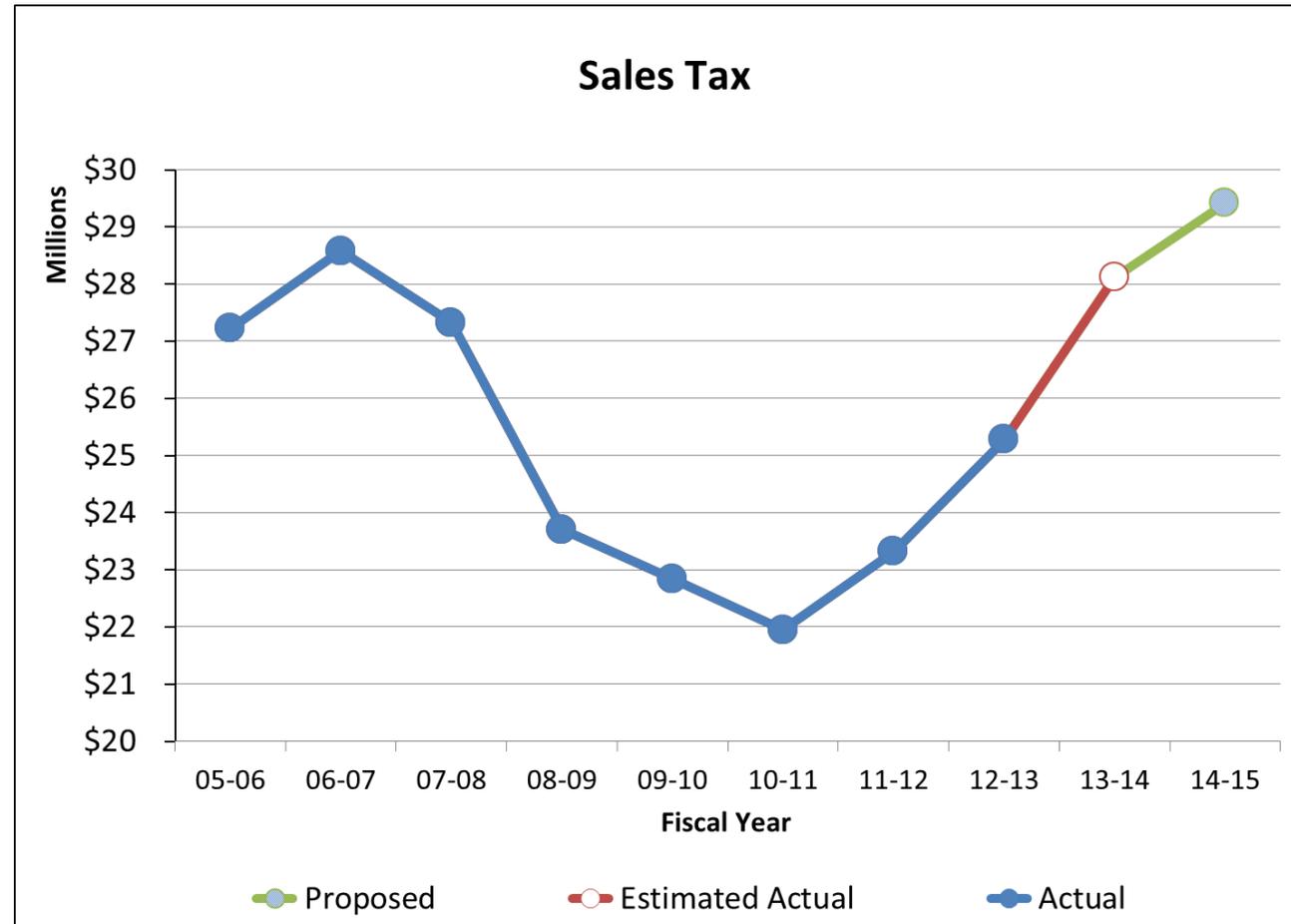
- Revenue projection: \$20.1 million (5.5% increase)

- **Class A vacancy rate down 2% from 2011 high of 18%**
- **Rental rates have not recovered**



## Regular (non-Measure Q) sales tax revenue increasing

- Revenue projected to surpass FY 2006-07 peak
- Continued strong auto sales (growth projected to slow in FY 2014-15)
- Gains in non-auto sectors, namely:
  - Building & Construction
  - Business & Industry



Revenue projection: \$29.4 million  
(4.6 % increase)

# Other Revenues

## Important Changes

- Real Property Transfer Tax:  \$50,000
- Business License Administrative Fees:  \$150,000
- State Mandated Reimbursements:  \$60,000

## Relatively Flat

- Transient Occupancy Tax (Hotel Room Tax)
- Business License Taxes
- Charges for Services
- Franchise Fees

# General Fund Expenditures



# General Fund Expenditures

- Total expenditures up \$2.3 million
  - Primarily related to increasing personnel line-item

	FY 2013-14 Est. Actual	FY 2014-15 Proposed Budget	Difference
<b>Total Recurring Expenditures</b>	<b>\$79.1 M</b>	<b>\$81.4 M</b>	<b>\$2.3 M</b>
<b><u>Major Expenditure Groups</u></b>			
<i>Full-time Salaries</i>	<i>\$29.0 M</i>	<i>\$30.8 M</i>	<i>\$1.7 M</i>
<i>Percent of Total</i>	<i>37%</i>	<i>38%</i>	
<i>Fringe Benefits</i>	<i>\$25.9 M</i>	<i>\$25.2 M</i>	<i>-625,000</i>
<i>Percent of Total</i>	<i>33%</i>	<i>31%</i>	
<i>Part time Salaries</i>	<i>\$1.9 M</i>	<i>\$1.4 M</i>	<i>-528,000</i>
<i>Percent of Total</i>	<i>2%</i>	<i>2%</i>	
<i>Operating Expenses</i>	<i>\$10.2 M</i>	<i>\$10.5 M</i>	<i>352,000</i>
<i>Percent of Total</i>	<i>13%</i>	<i>13%</i>	

## Personnel Budget

- **Change in vacancy saving assumptions, \$700,000 impact (does not increase employee compensation)**
- **Healthcare premiums increase by 8%, increase shared 50/50 between the City and employees/retirees**
- **California Public Employees' Retirement System (CalPERS) General Fund's share of pension costs increased by \$560,000**
- **Includes cost for recent agreements with the Police Officers and Police Managers' Associations**

## Personnel Budget, continued

- **City of Concord Retirement System (closed plan)**
  - Includes funding for full actuarial recommended annual contribution to the City of Concord Retirement System (increase of \$1.2 million)
- **Post-Employment Medical Liability**
  - Includes \$2.9 million towards long-term retiree medical liability
  - \$1.9 million of actuarial recommended annual contribution unfunded
- **Proposed budget includes 5 previously approved positions and 3 new positions**

# Full-time Positions

- **5 of the 8 positions approved by Council in FY 2013-14**
  - One Vehicle Abatement Officer
    - Funded by State motor vehicle license revenue
  - Three Dispatchers
    - Funded by the General Fund, new appropriation
  - One contract Program Coordinator
    - Cost offset by operating reductions
  
- **3 of the 8 positions proposed as new additions**
  - One Permit Technician I
    - Cost offset by new program revenue as well as part-time and contract reductions
  - One Building Inspection Supervisor
    - Cost offset by new program revenue and part-time and contract staff reductions
  - One Human Resources Specialist
    - Cost offset by operating reductions

## New Economic Development Marketing Initiative

**Augment Concord's Economic Vitality Strategy by increasing marketing budget from \$40,000 to \$162,000 (a \$122,000 increase to the proposed budget)**

- Marketing campaign to use BART station billboards, newspapers, radio and print media
- Proactive initiative to bring jobs and businesses to Concord
- Economic growth is crucial to the City's long-term fiscal stability
- With the recovering economy, the timing is right
- Aims to position Concord as the destination for regional businesses that are relocating

# 10-Year General Fund Forecast

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## 10-Year Forecasts in Concord

- **City has developed 10-Year Financial Forecasts since 1995**
- **Projects future impacts from continuing current service levels**
- **Provides a constant and long-term focus on revenues and expenditures**
- **Valuable planning and decision-making tool**
- **Helped the City see the need for significant changes at the start of the Great Recession**

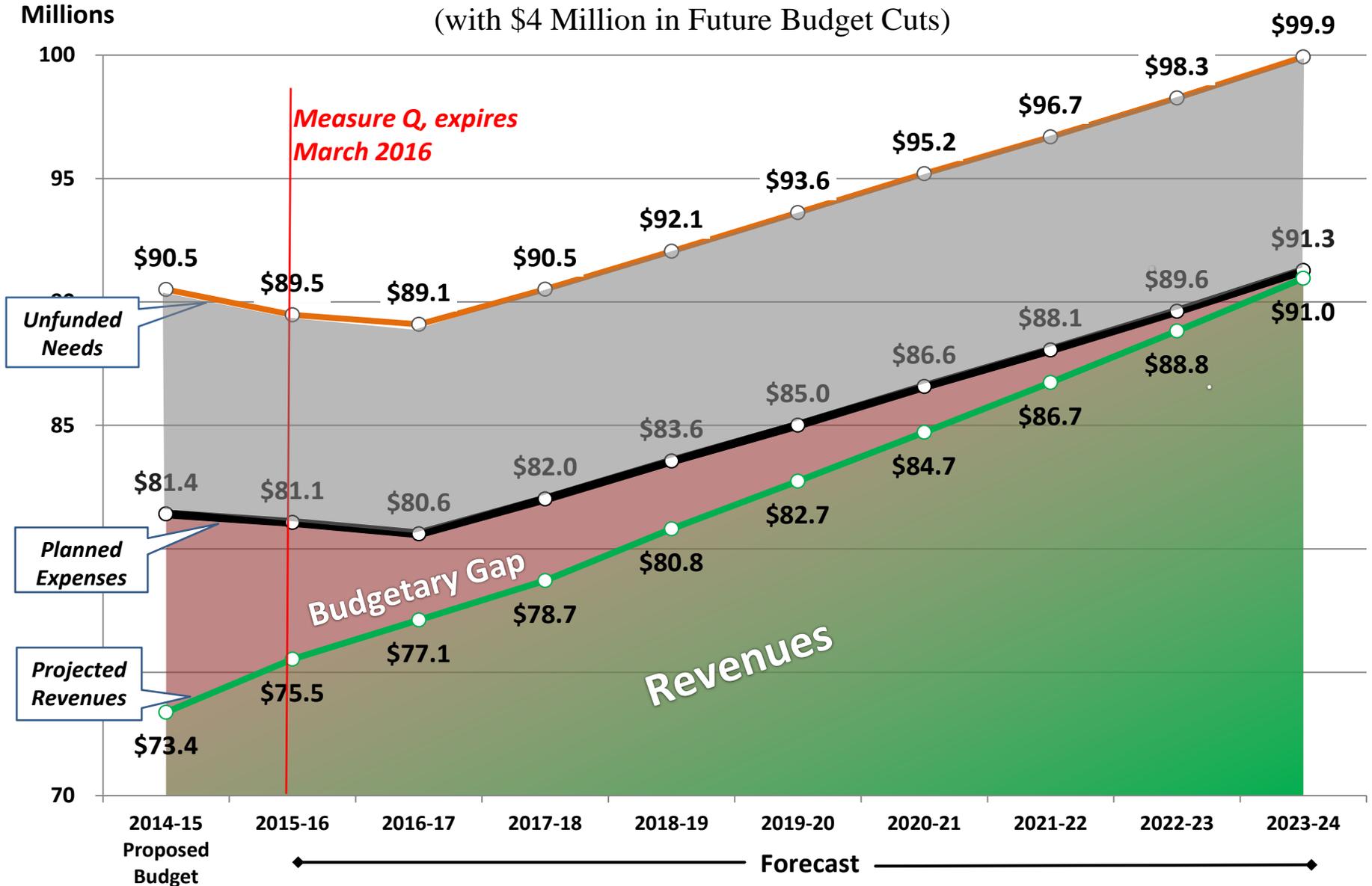
## Highlights of FY 2014-15 10-Year Forecast

- Continues to use Measure Q revenue to support operations until FY 2015-16
  - Relies on reserves to balance budget thereafter (\$16 million)
- Also includes \$4 million of unidentified budget cuts (service reductions) due to the pending expiration of Measure Q
  - \$2 million in FY 2015-16
  - \$2 million in FY 2016-17

## Highlights of FY 2014-15 10-Year Forecast

- Illustrates the magnitude of infrastructure needs and long-term liabilities
  - \$5.9 million, Roadways & Sign Improvements
  - \$1.2 million, Building Maintenance
  - \$1.2 million, Post-employment Medical Benefits
  - Park System TBD (assessment underway)

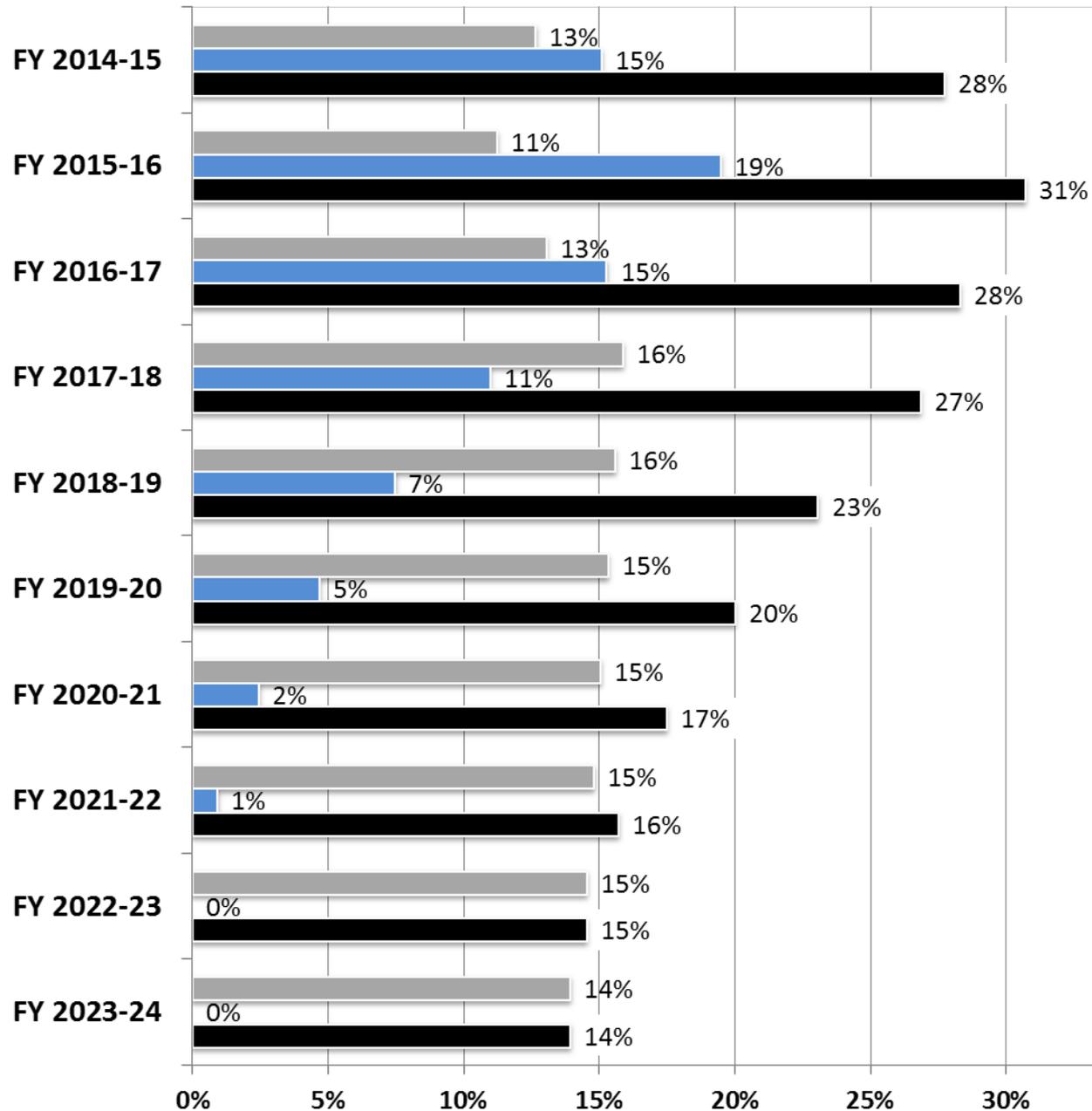
10-Year Forecast  
 FY 2014-15 Proposed Budget  
 (with \$4 Million in Future Budget Cuts)



# Reserves Balances as a Percent of Expenditures

*Projected to use \$16 million of reserves after Measure Q expires*

- General Fund Reserve, only
- Measure Q Reserve, only
- General Fund & Measure Q Reserve



# Summary of General Fund



## Continued Action on Fiscal Stability

- Engage community in a discussion on Measure Q success and remaining fiscal challenges
- Continue to work with employee groups on controlling retiree medical and other personnel costs
- Continue to focus on economic development
- Continue to look for program efficiencies that save money & generate new revenue
- Consider adoption of proposed Fiscal Stability Ordinance

# Key Takeaways

- Proposed FY 2014-15 budget is balanced
- Budget represents status quo service levels
- Slower than anticipated economic recovery
- Current 10-year forecast shows limited capacity to fund infrastructure backlog
- \$4 million in budget cuts needed due to pending expiration of Measure Q to balance operating costs over the next 10-years
- Dedicated employees continue to provide quality customer service
- Measure Q has and continues to provide support for vital City services

Report from the Citizen  
Measure Q Oversight Committee



**Citizen Report from the  
Measure Q Oversight Committee**  
*by Guy Bjerke, Chair*

**Annually, the Measure Q Oversight Committee responds to the following four questions:**

- 1. Does the prior year Annual Audit reflect that the Measure Q tax was collected and appropriately spent?**
- 2. Does the proposed General Fund Budget protect the City's core services?**
- 3. Does the proposed General Fund Budget rebuild the City's reserves?**
- 4. Does the proposed General Fund Budget make progress toward resolving the City's structural budget deficit within the next 10-years?**

# Council Discussion and Feedback

