



# Council Goals Workshop for FY 2019-20

Dominick Casey, City Manager

September 4, 2018

# Agenda

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- Building the budget
  - Council priorities & EngageRoseville
- Budget schedule (Sept-June)
- Review of fiscal trends, forecast, and fund balances
- Budget without Measure B
  - Potential reductions
- Budget with Measure B
  - Priority exercise
- City Council direction

# Council Priorities

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- Public Safety
- Fiscal Responsibility
- Economic Development
- Sound and Stable Utilities
- Great Downtown
- Infrastructure
- Legislative Advocacy
- Civic Engagement
- Core Neighborhoods
- Regional Engagement
- Culturally Rich Community

# EngageRoseville Recommendations

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- Reduce rather than eliminate services
- Prioritize efficient public safety
- Maintain Roseville's competitive edge
- Maximize flexibility in staffing levels
- Increase cost recovery for City services, as appropriate
- Use technology and automation to increase efficiencies and reduce costs
- Recruit, train and deploy volunteers where appropriate
- **Pursue ways to increase revenue instead of cutting or eliminating services**

# Budget Schedule FY2019-20

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- September - Council Goals workshop
- December - Personnel requests submitted & costing, salary survey impact determined
- January - Start of budget input
- February - Council Goals workshop (follow-up from Sept.)
- March - Council fiscal update
- March - City Manager budget reviews
- May - Proposed budget available to City Council
- June - Budget hearings and adoption

February–May: Various budget updates

# FY2019-20 General Fund Budget Challenges

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- 1. Projected budget deficit for FY2019-20**
  - *Will require \$1-3 million in service level reductions.*
- 2. Expenses growing faster than revenues**
  - *Absent revenue growth, additional service level reductions will be required*
- 3. Overall we are underfunding long-term obligations by \$13 million-\$14 million annually.**
  - *Fiscally unsustainable with current service levels*
- 4. Shifting legislative and regulatory environment adds unfunded mandates, costs to City**

# How City has addressed these items

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*Factors within City's control: 10 years of overall reductions include:*

- **Workforce Reduction**

- Began in 2007
- From 778 FTE (FY07) to 698 FTE (FY19) in General Fund
- Population increased 28% in that time
- =30% reduction per capita in staffing
- Contracted services

- **Employee Compensation Reductions**

- Employees now fund 100% of the employee's share of pension costs
- Eliminated defined benefit plan for retiree healthcare for new employees
- Set salary-level targets at median in labor market, reducing salary costs by about 10% overall
- Reduced the rate of increases within each salary range

- **Citywide Operational Efficiencies**

- Validated by independent audits

# Recent Budget Reductions

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- Reduced staffing from 4 to 3 on two fire trucks
- Closed libraries on Fridays
- Reduced Maidu Museum and History Site hours
- Eliminated several vacant positions including police and fire
- Decreased park and facility maintenance levels
- Eliminated GF goat grazing
- Suspended citywide park construction



# Early FY2019-20 Forecasts

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- Expenses increasing
  - PERS \$2,600,000
  - OPEB \$890,000
  - Salary and Benefits \$980,000
  - TOTAL \$4,470,000**
- Sales tax growth rate leveling off
- Significantly underfunding rehab/maintenance funds
- Likely budget deficit in FY2019-20
  - Will require additional service level reductions without new revenue

# Underfunding Long-Term Obligations

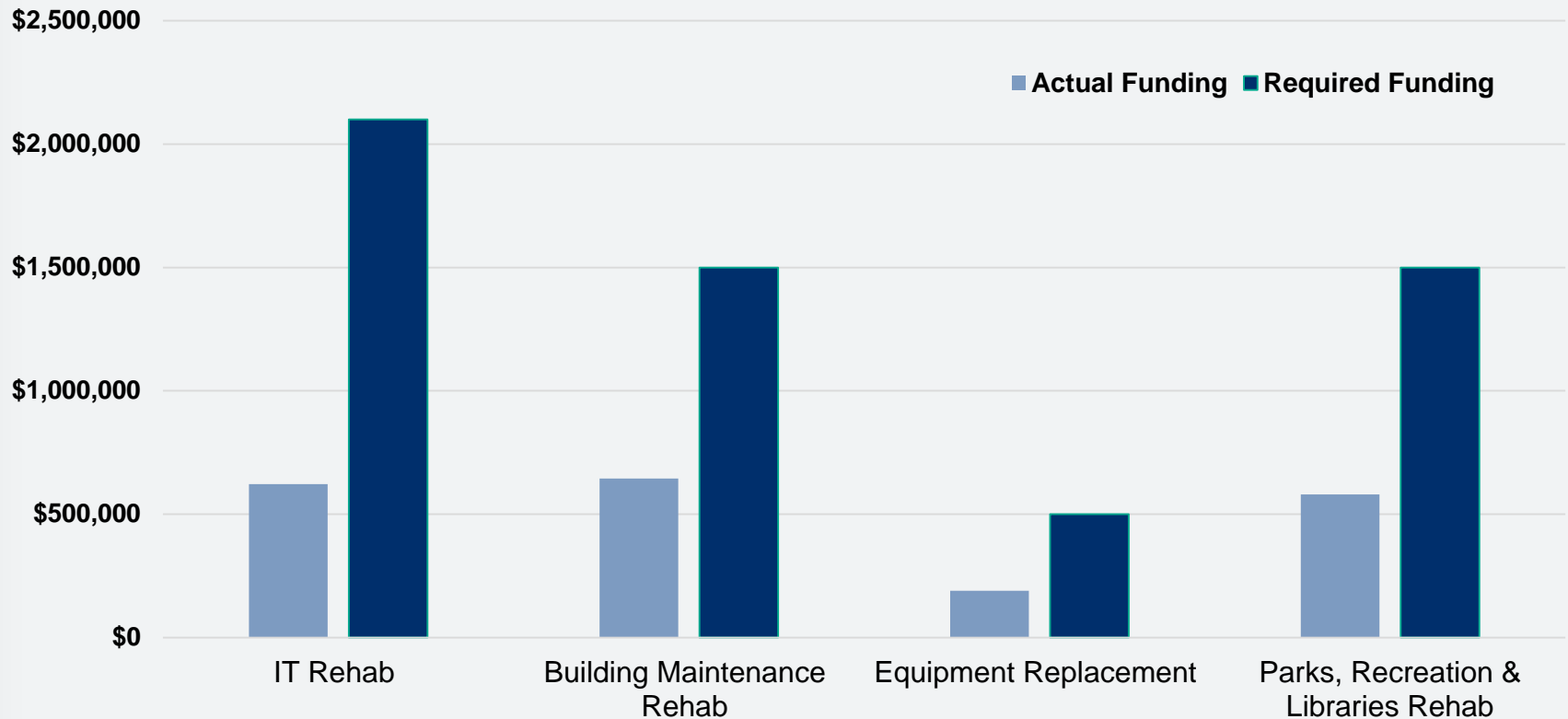
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- Priority: Fiscal Responsibility
- Overall we are underfunding long-term obligations by \$14 million annually
  - Building maintenance
  - Equipment replacement
  - Parks, recreation, and libraries rehabilitation
  - Information technology replacement
  - Street maintenance
  - Retirement obligations (pension and OPEB)
- Costs of obligations increase when deferred
- Fiscally unsustainable with current service levels

# CIP Rehab Funds

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Actual vs Required Funding  
FY2018-19 General Fund  
Funding Levels for CIP Rehab



# Questions?



# Council Goals Workshop

## Financial Overview

Jay Panzica, Chief Financial Officer

# FY20 Budget Goals

# Budget Goals FY2019-20

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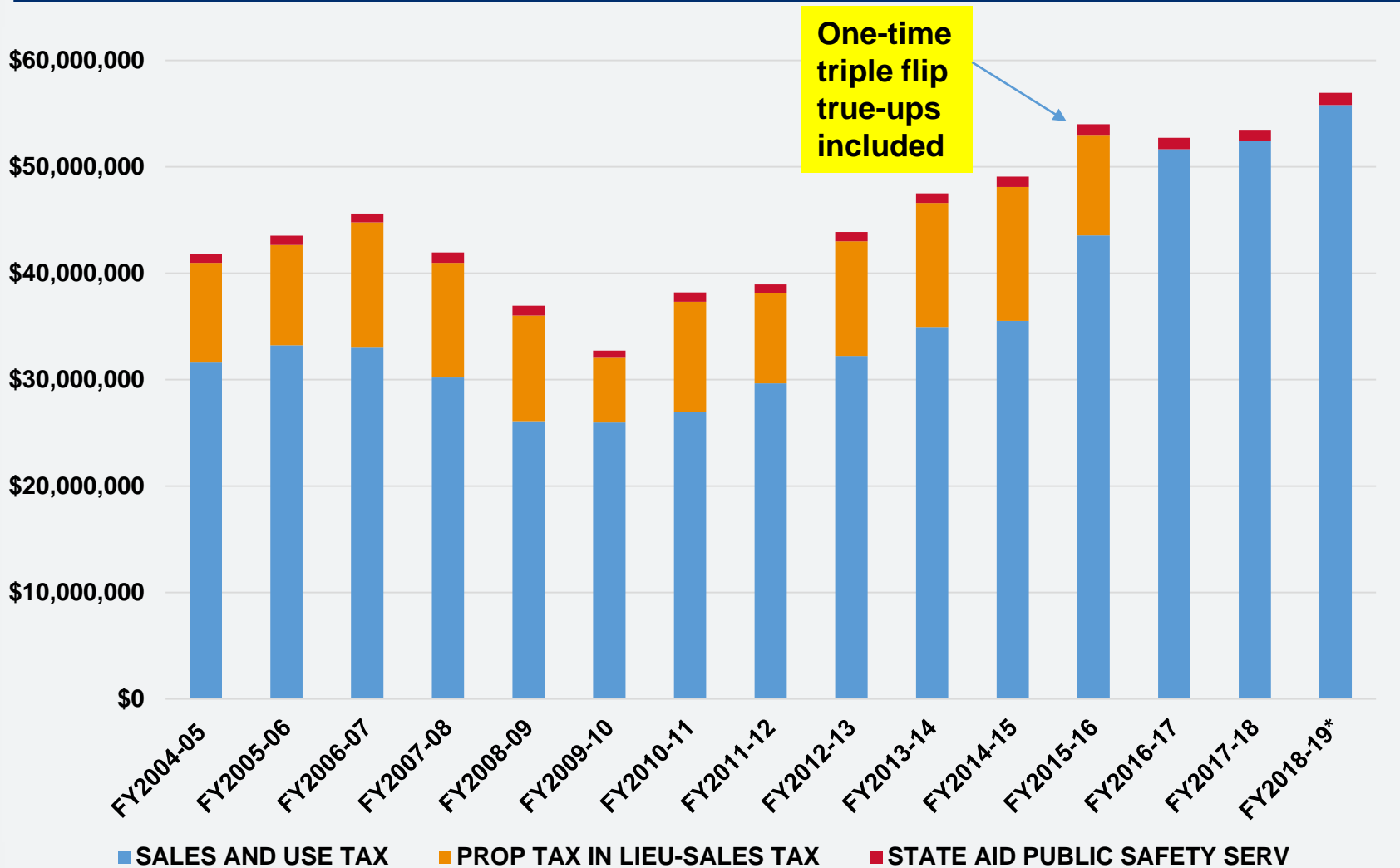
- Maintain fiscal responsibility
  - Implement council priorities
  - Live within our means
  - Provide core services

# 5-year General Fund Forecast



# Sales Tax

# Historical Sales Tax



\*Adopted Budget

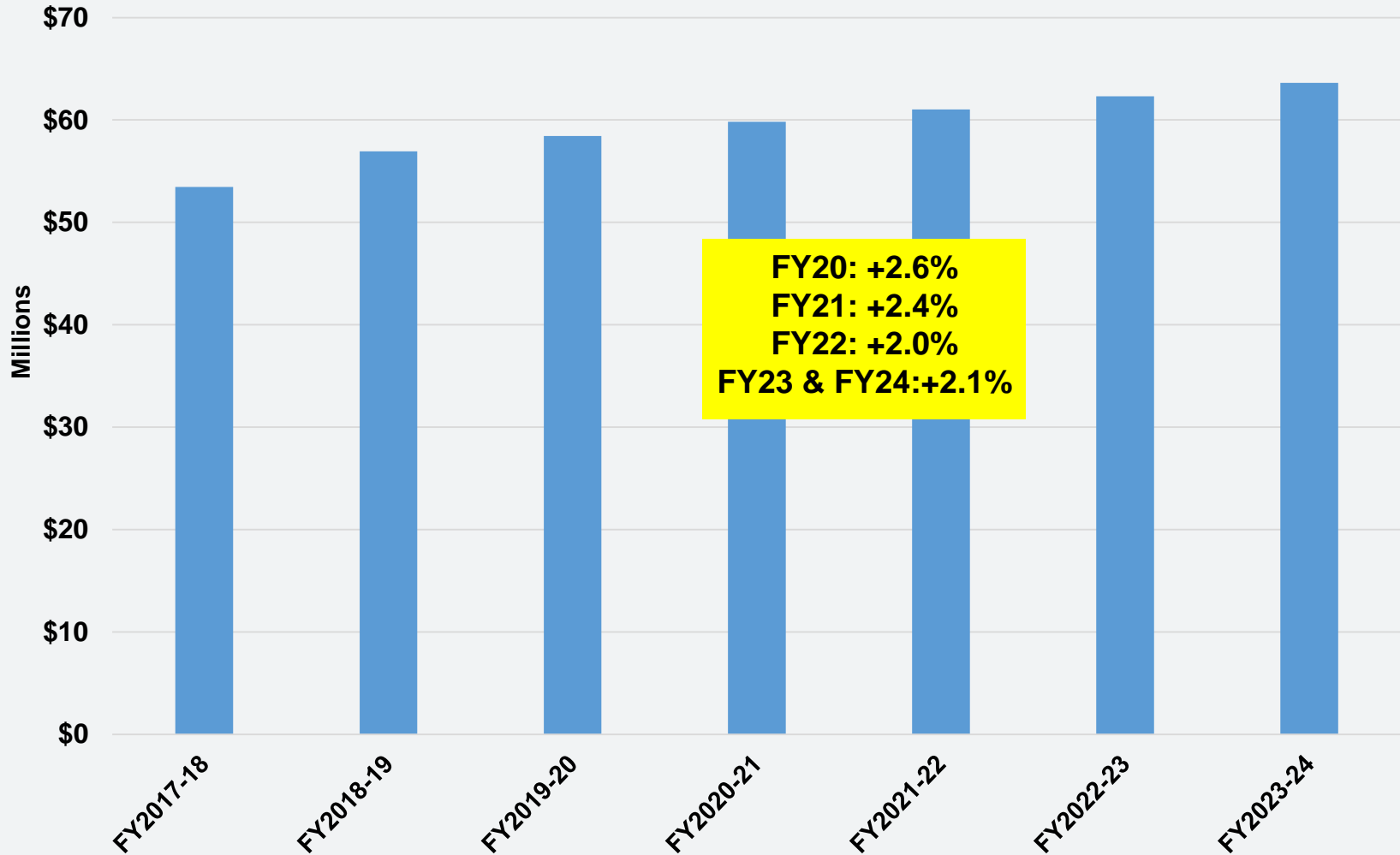
# Historical Sales Tax Growth

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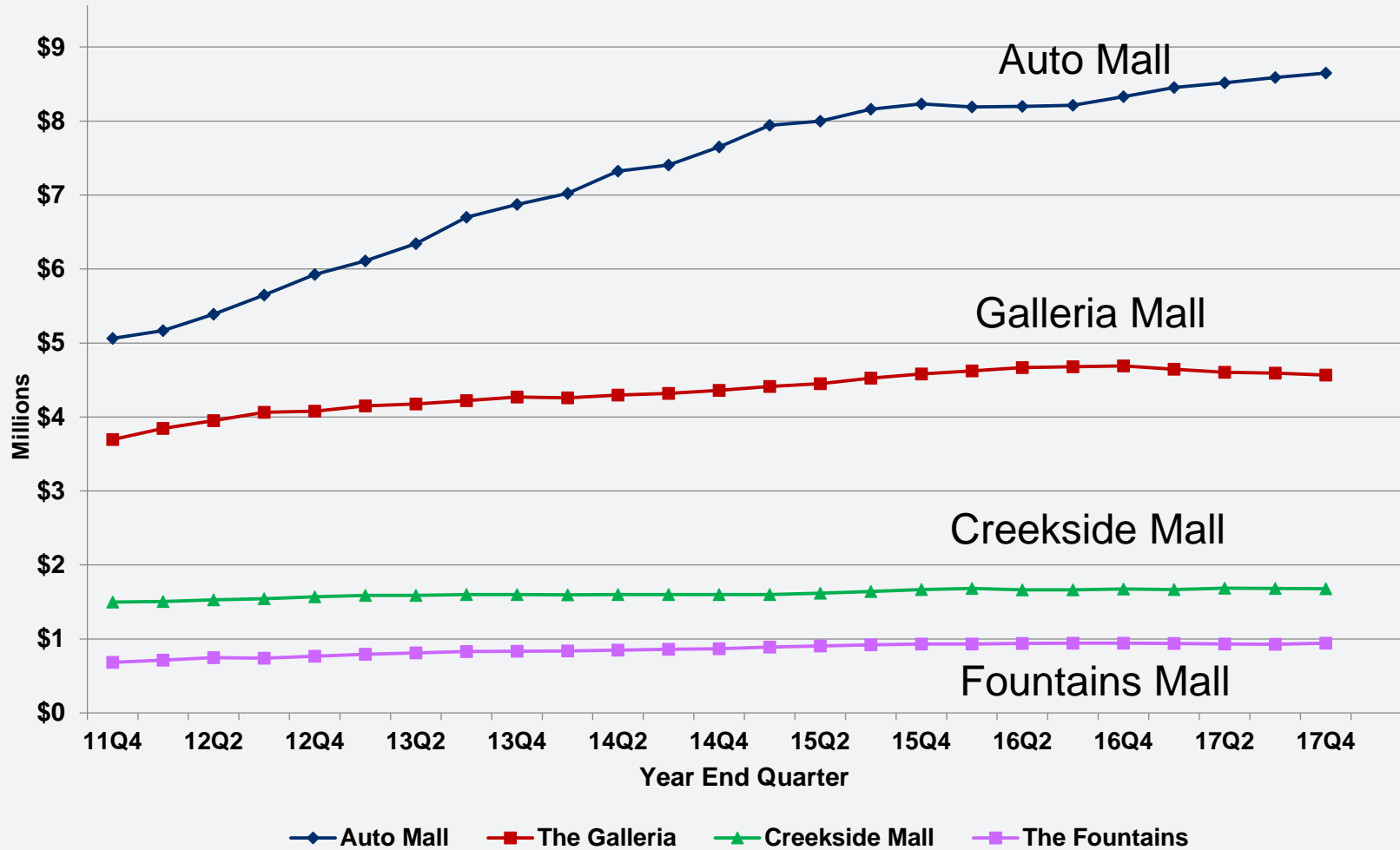
Fiscal Year	Growth Rate
FY09	(11.93%)
FY10	(11.47%)
FY11	16.77%
FY12	1.95%
FY13	12.66%
FY14	8.29%
FY15	3.32%
FY16	10.01%
FY17	(2.38%)
FY18	3.70%
FY19	4.16%

# Sales Tax Forecast

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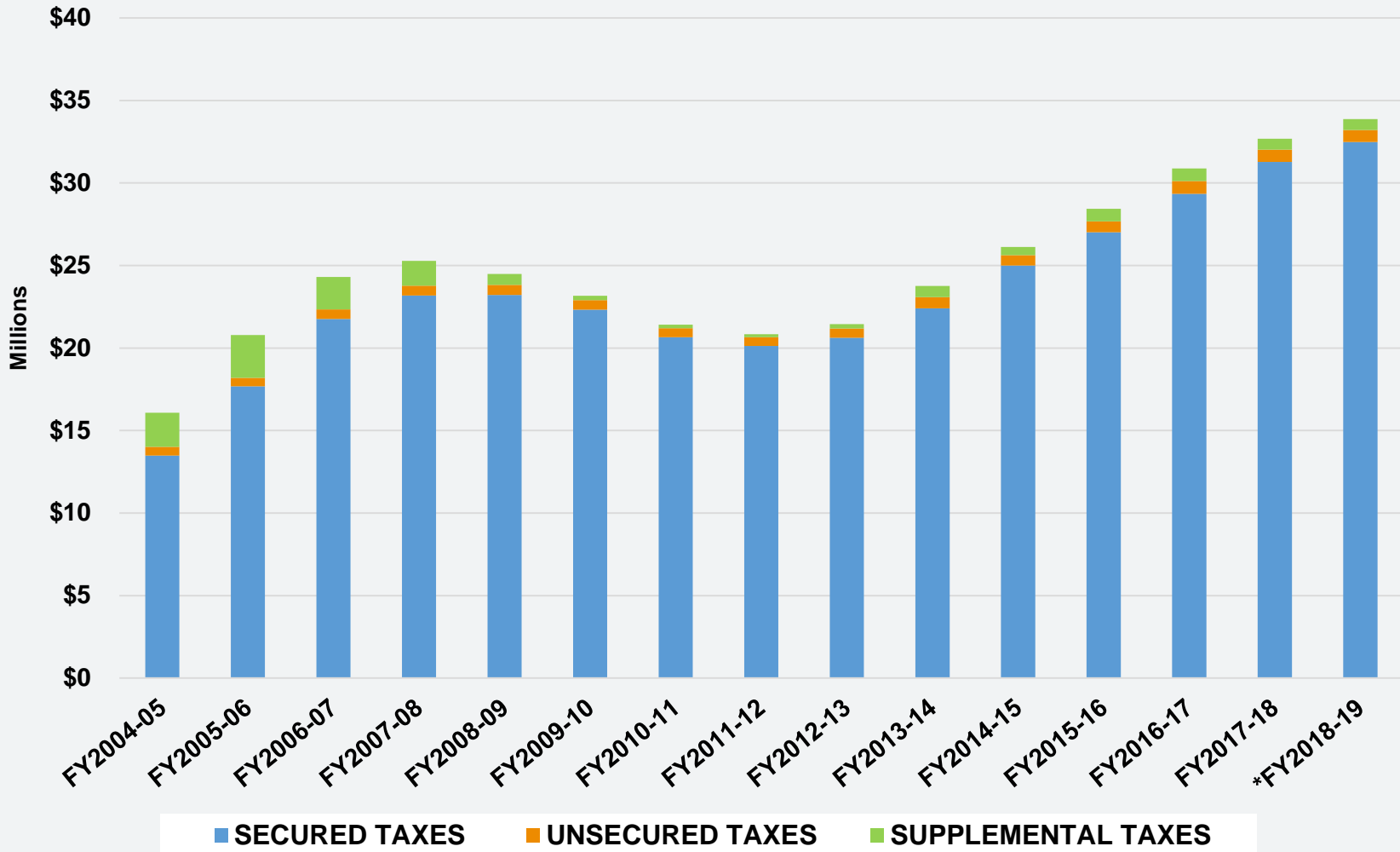


# Historical Sales Tax by Geographic Area



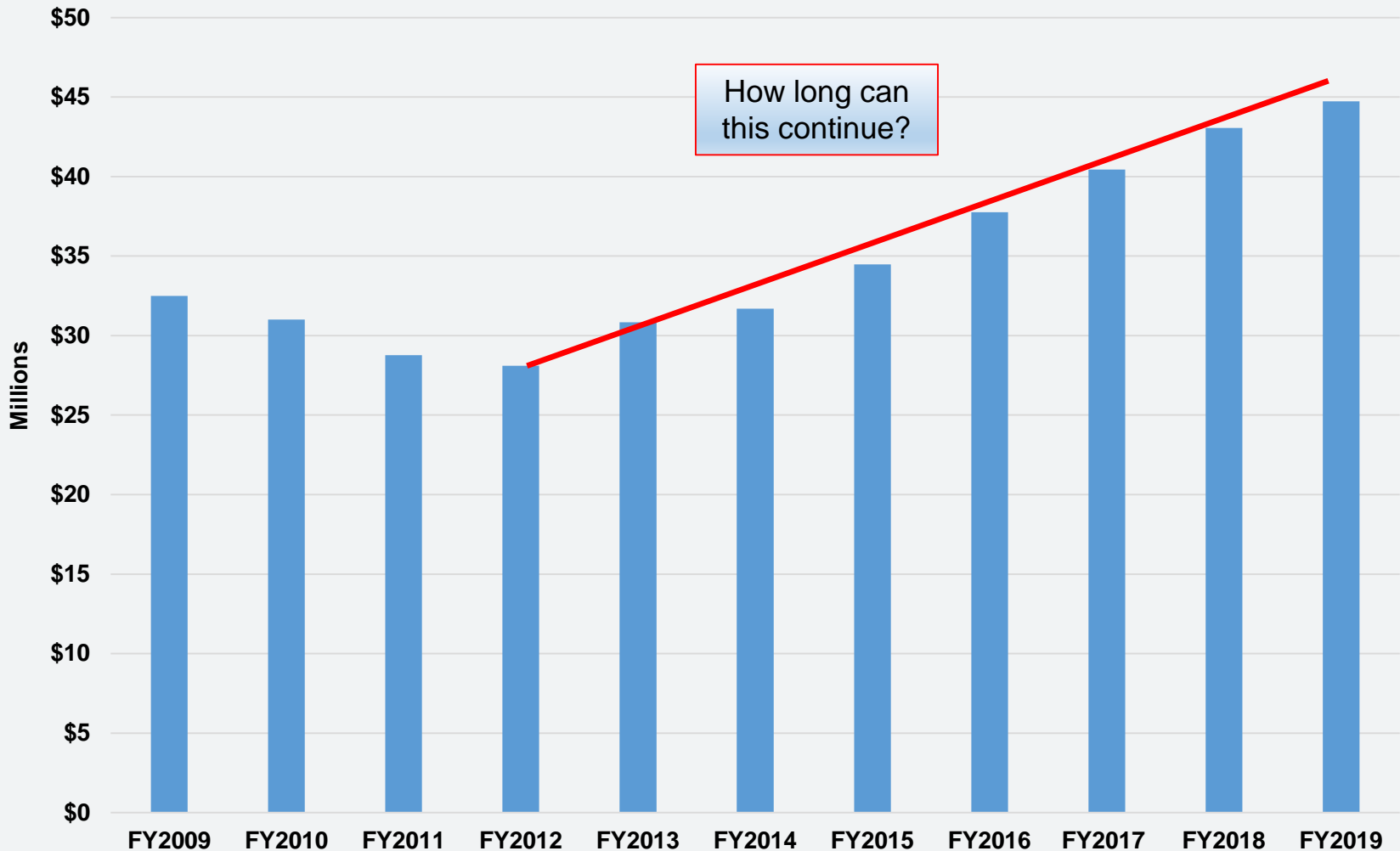
# Property Tax

# Historical Property Tax Revenues



\*Adopted Budget

# Property Tax



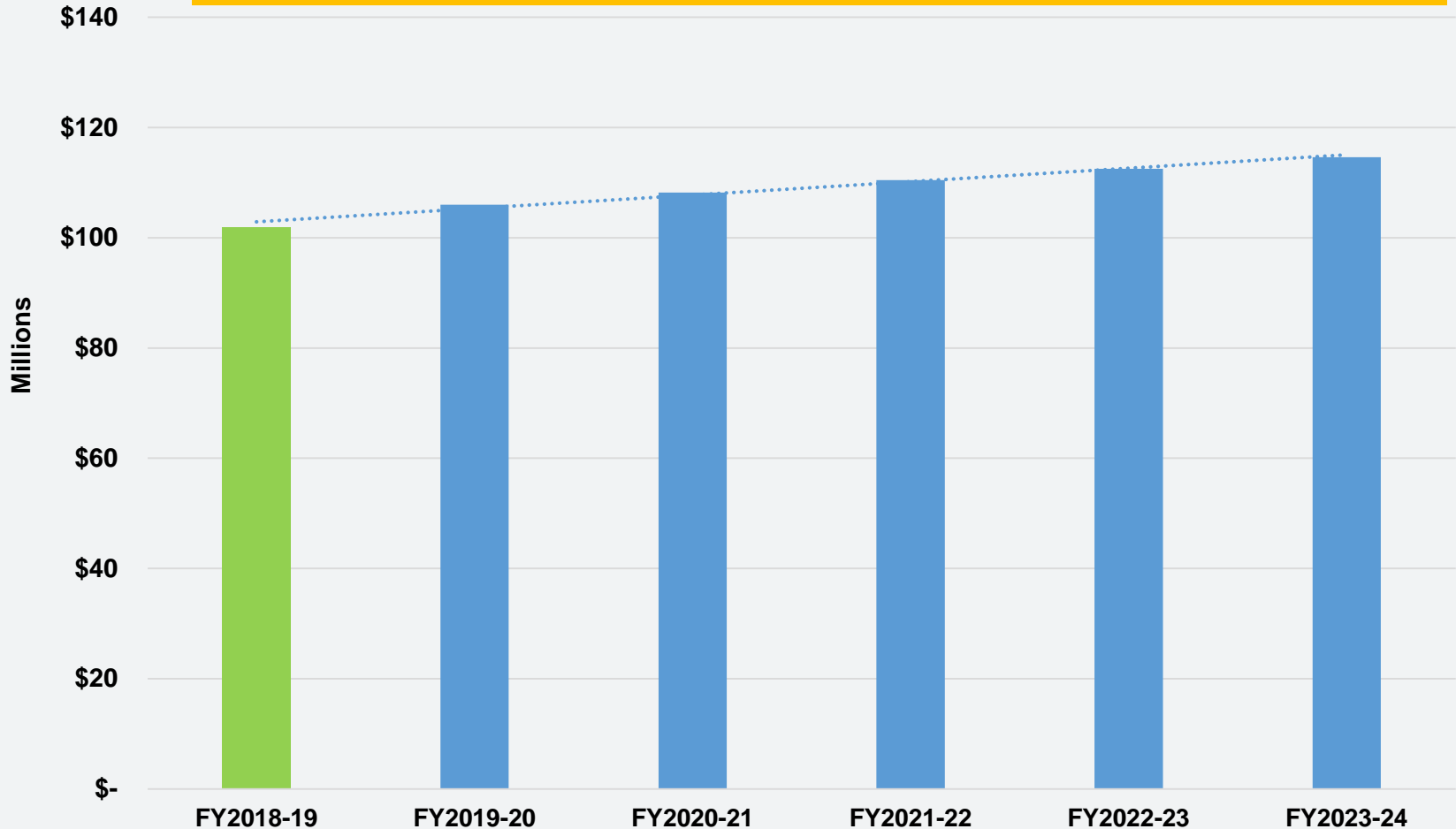
All property tax, plus VLF backfill, utilities, & RDA tax increment



# Wages, Salaries and Benefits

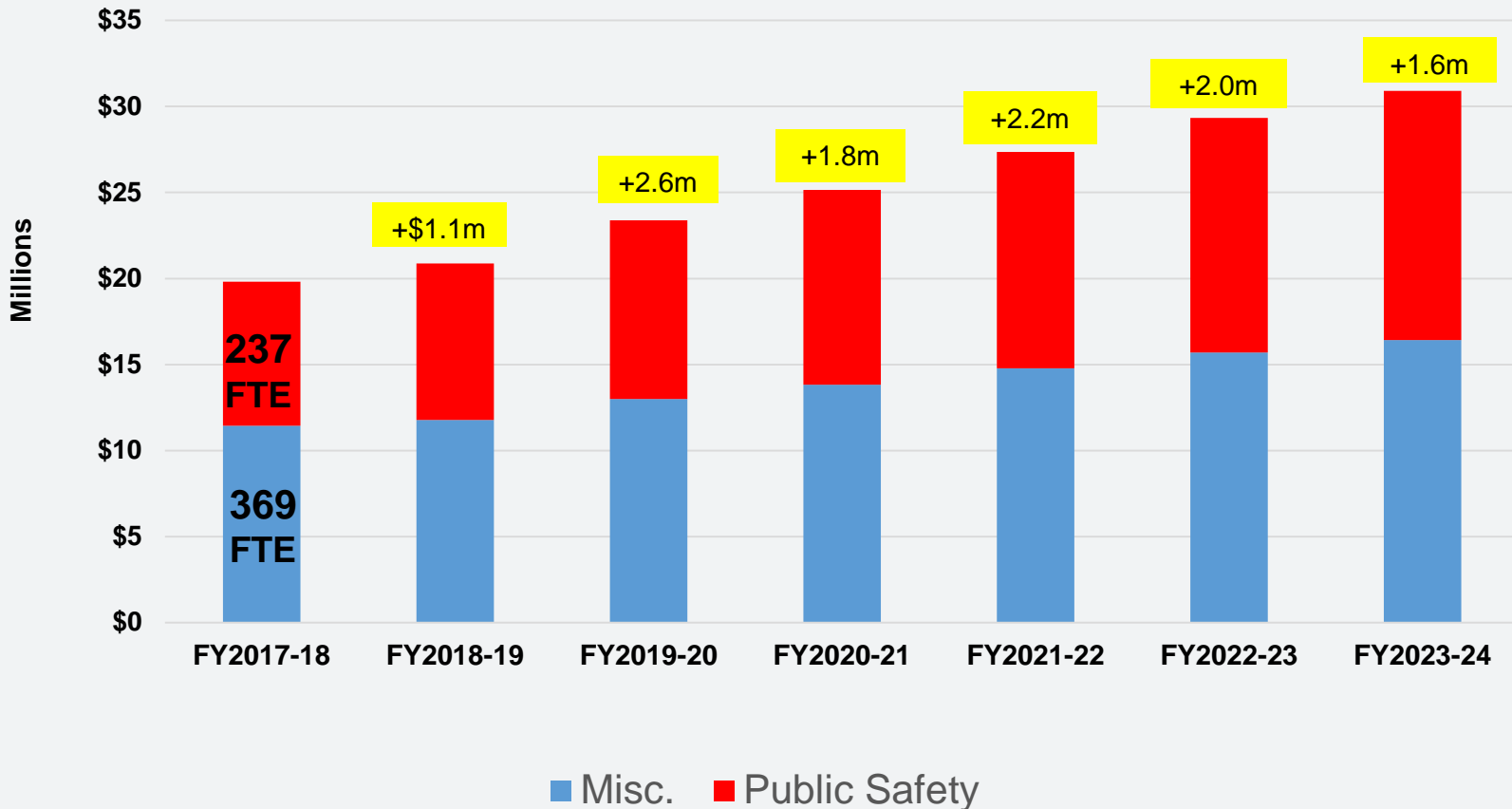
# Salaries/Wages/Benefits Forecasted

Assumption: 4 new positions/year to maintain current service levels



# General Fund PERS forecast

Assumption: 237 Public Safety FTEs and 369 Misc. FTE



# General Fund Forecast Summary

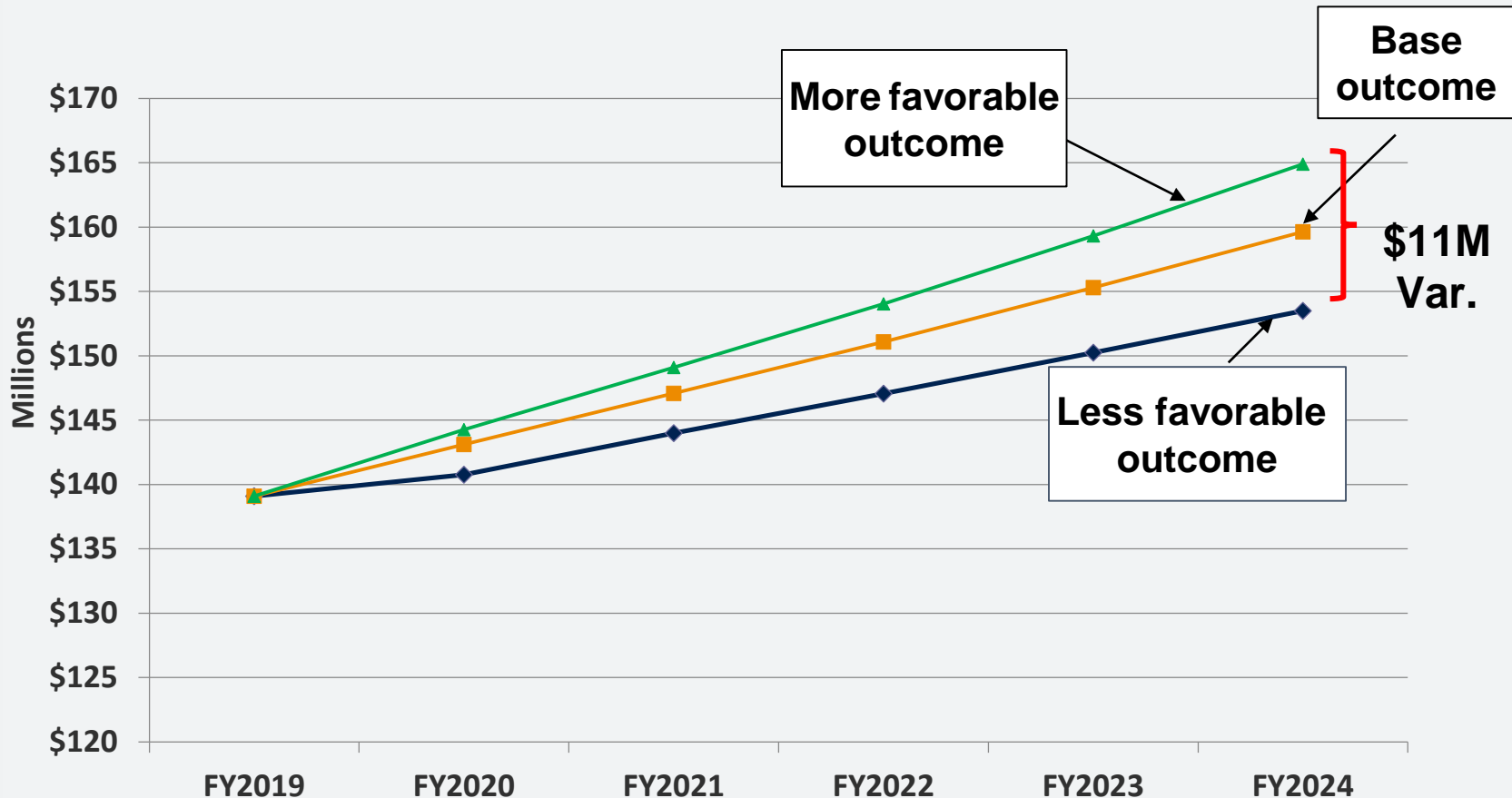
# 5-year Budget Forecast Summary

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- ❑ Assumes no new revenue from Measure B
- ❑ Assumes gas tax stays in place
- ❑ Assumes moderate growth of revenue
- ❑ Assumes no loss from potential sales tax overhaul
- ❑ Includes known operational expenses
  - 4 new staff per year and Council approved funding policies for OPEB and CIP Rehab, and required minimum payments to PERS
- ❑ Revenue does not cover all expenses nor build capacity to absorb next recession
- ❑ Without new revenue sources, service levels will continue to decrease

# General Fund Operating Revenue Forecast

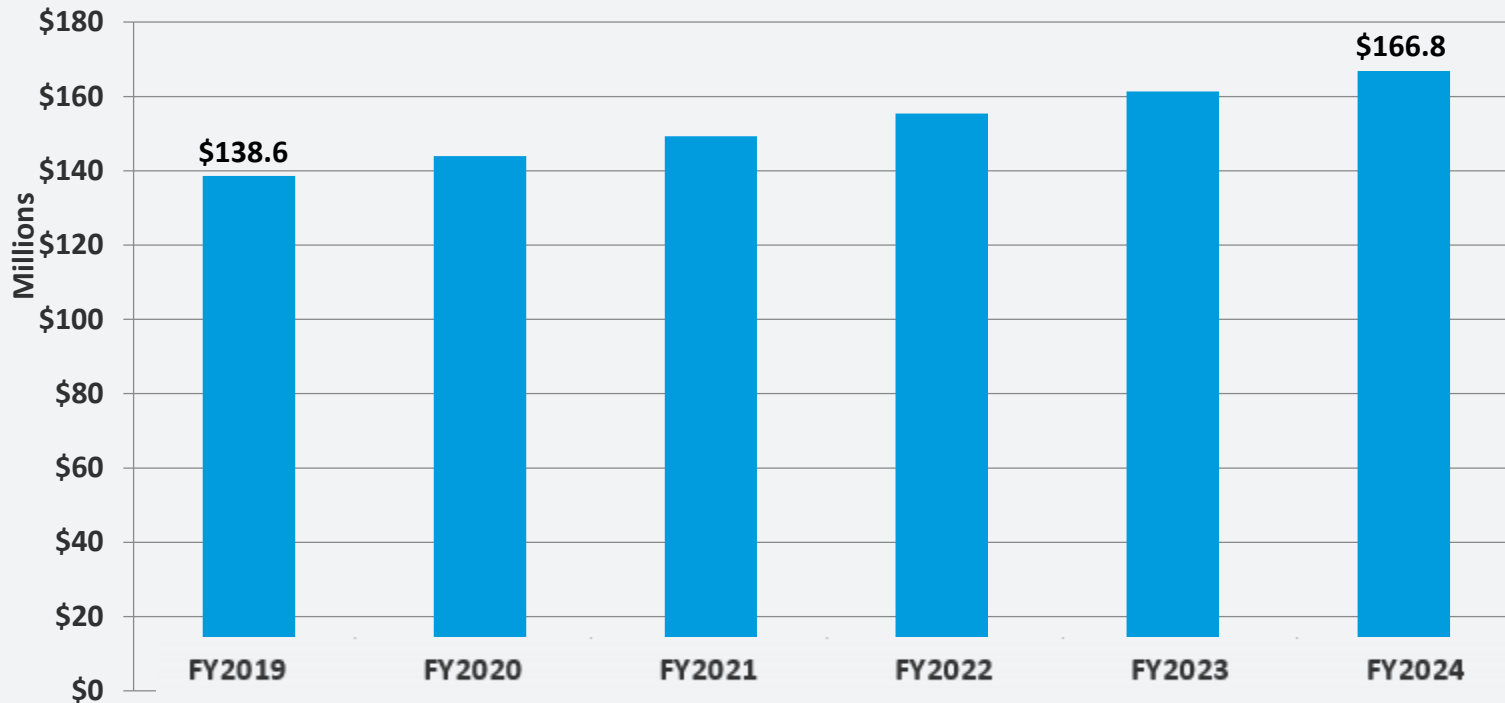
Assuming there is no recession in the next 5 years



# General Fund Operating Expenditures Forecast

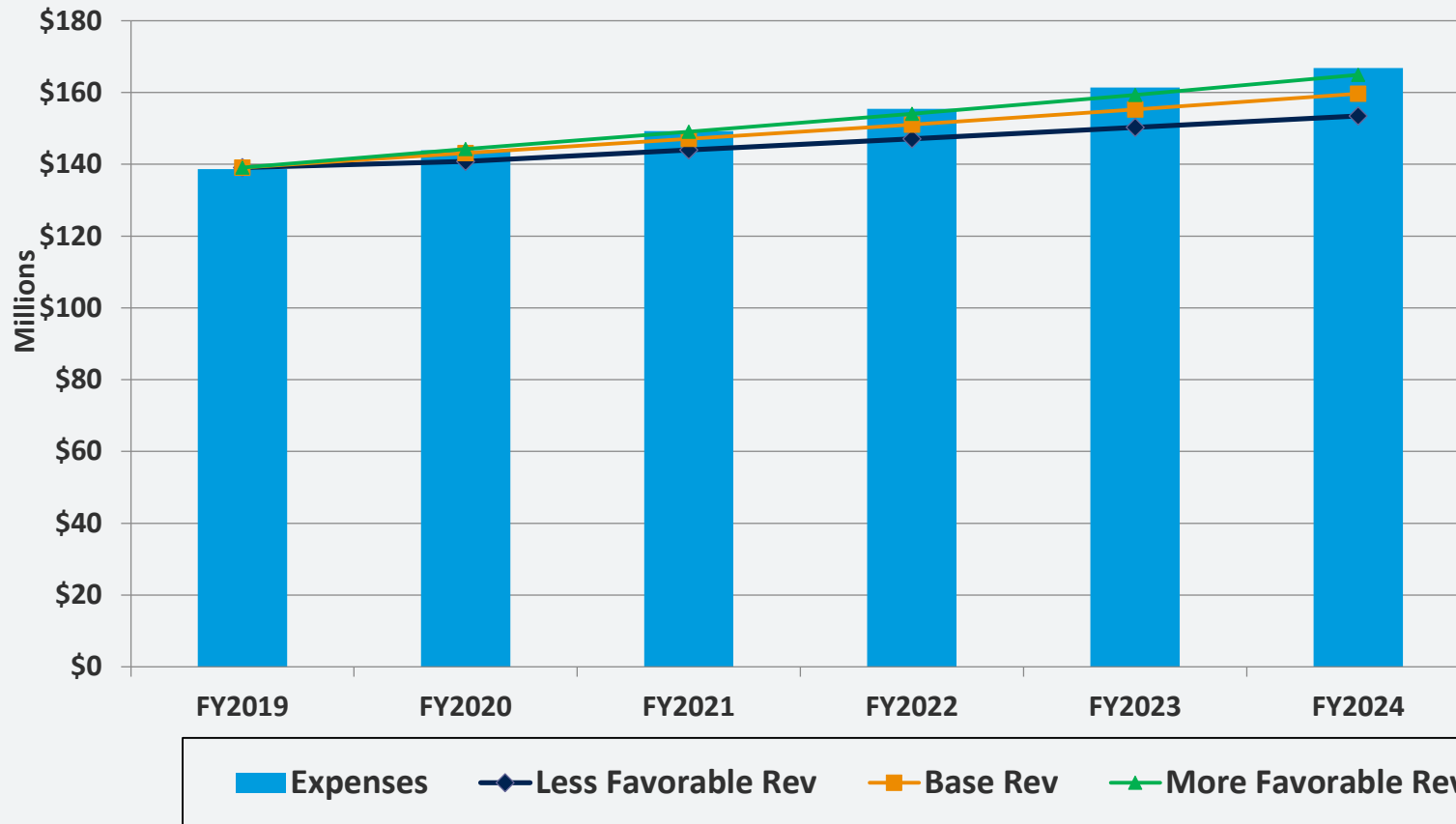
## Assumptions:

- (1) Does not include increasing funding for underfunded long-term obligations
- (2) 4 new positions per year in order to maintain current service levels



# 5-Year Forecast

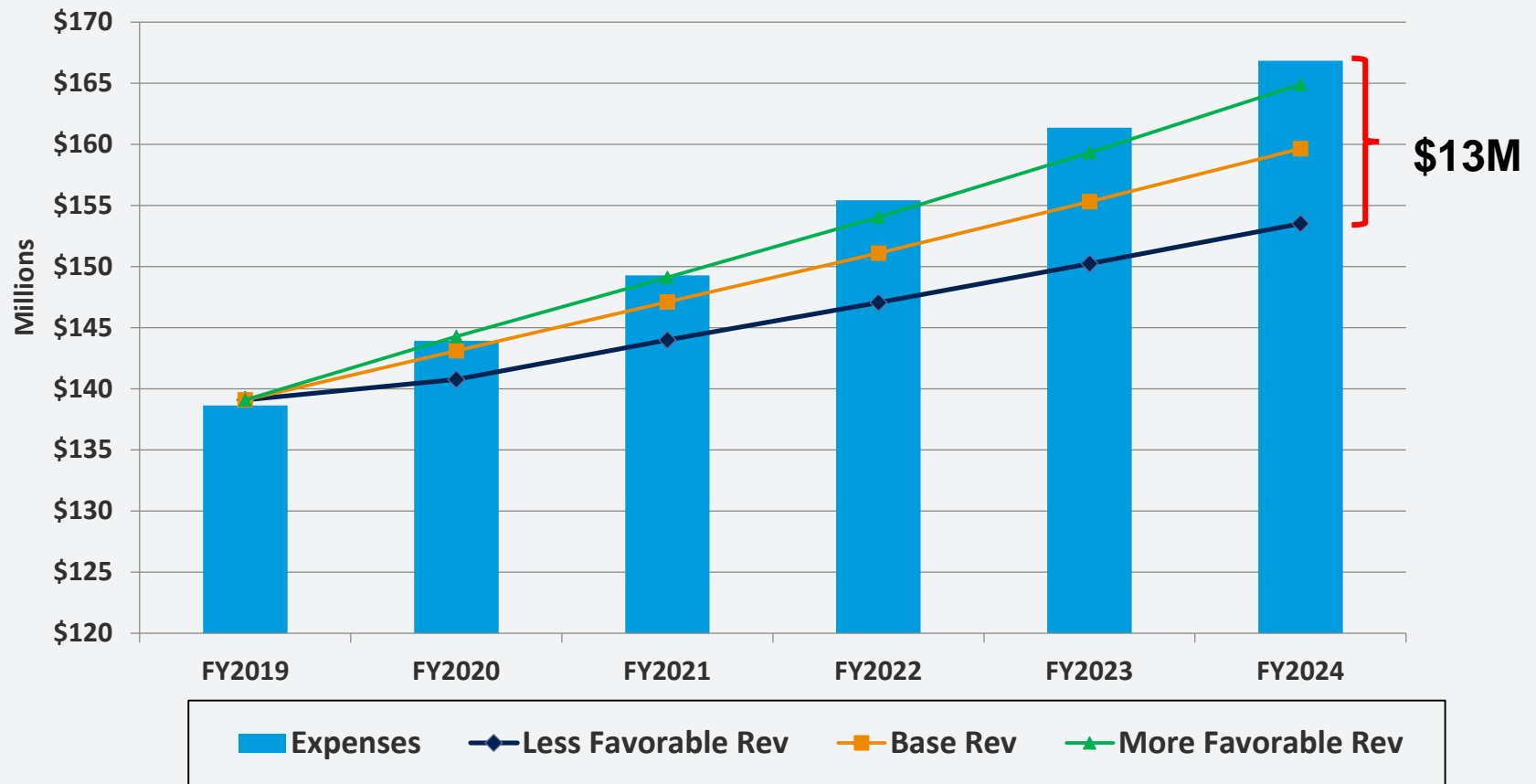
Structural deficits forecasted over 5 year period





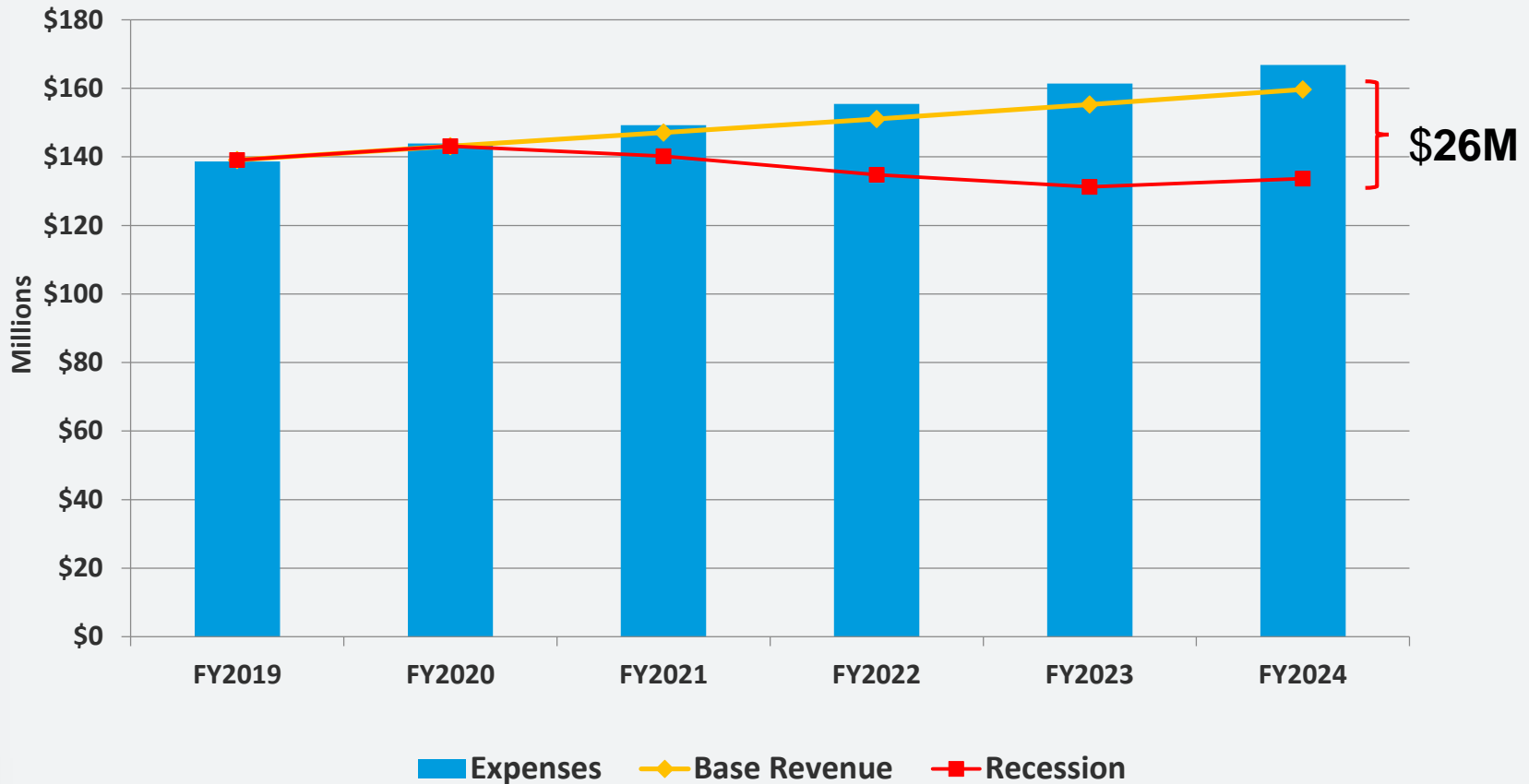
# 5-Year Forecast

Potential of Up To \$13M Annual Shortfall in Revenue vs Expenses



# Example Recession Forecast

FY2024 revenue loss of \$26M



# Council Discretionary Spending

# Council Discretionary Spending (\$ millions)

Major service area	Adopted FY2018-19
<b>Total</b> City Wide Budget	\$514.1
<b>Less</b> Enterprise Funds	(305.1)
<b>Less</b> Special Revenue Funds ( <i>LLD's, Golf, Gas Tax, etc.</i> )	(16.2)
<b>Less</b> Capital Project Funds ( <i>Park Dev Fees, PFF, TMF, etc.</i> )	(9.2)
<b>Less</b> Special District Agency Funds ( <i>CFD's</i> )	(27.4)
<b>Less</b> Trust Funds ( <i>OPEB, RDA Successor Agency</i> )	(9.6)
<b>Less</b> Other	(8.2)
<b>Equals</b> General Fund Operating Budget	<b>\$138.4</b>

# Council Discretionary Spending (*\$ millions*)

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Resource category	Adopted FY2018/19
<b>Total</b> General Fund operating expenses	\$138.4
<b>Less</b> revenue Offsets	(33.0)
<b>Less</b> non-discretionary expenses	<u>(12.9)</u>
<b>Equals</b> General Fund Discretionary Spending	<u>\$92.5</u>
Police and Fire net expenditures	\$59.8
All other discretionary net expenditures	\$32.7

# **Council Discretionary Spending** (*\$ millions*)

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- Examples of Revenue Offsets - \$33M
  - User Fees
  - Electric Franchise Fees
  - Reimbursement of Costs
  - Licenses and Permits
  - Grants
- Examples of Non-Discretionary Expenses \$12.9M
  - Annexation Payments
  - OPEB
  - Storm water management

# Police and Fire

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- Police and Fire budgets comprise an increasing proportion of the General Fund discretionary funding.

- Percentage of public safety expenses funded by property and sales tax revenue:

FY2006-07: 64%

FY2018-19: 67%

- Even during the recession, Public Safety remained a priority

# Emergency Reserve



# GF Emergency Reserve

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- ❑ Current fund balance: \$14.2 million
  - 10% of General Fund operating expenses
- ❑ Policy adopted with long-term goal to have 3 months or 25% of operating expenses reserved (GFOA best practice)
  - No short term plans to increase without further reducing service levels
- ❑ Provides financial security
- ❑ Will help City achieve AAA bond rating

# Fund Balance Discussions

# Strategic Improvement Fund

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## □ Purpose of the SIF

- Improve property values
- Generate sales tax and property tax
- Provide a community benefit

## □ Revenue Sources

- Community Benefit Fee
  - Impact fee built into Development Agreements
  - Average receipts ~ \$800K per year

# Strategic Improvement Fund

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- **Fund Balance**

- FY19 estimated beginning balance \$9.5M

- **Plus**

- FY19 estimated fees \$0.8M

- PFF Loan repayment (316 Vernon) \$0.4M

- Interest \$0.2M

- **Less**

- East radio site relocation (\$1.1M)

- Town square (\$0.1M)

- Village Center park (\$0.1M)

- Other operating expenses (\$0.2M)

- **Estimated FY19 ending balance \$9.4M**

# Summary

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- Maintain fiscal responsibility
  - Implement council priorities
  - Live within our means
  - Provide core services
- Concerns
  - No room for growth without new sources of revenue
  - Limited capital available for new projects

# Questions?

# Building the Budget

# Measure B on November 2018 ballot

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- Title: *Protecting Roseville's Public Safety, Roads and Essential Services Measure*
- ½ cent transactions and use (sales) tax increase
  - From 7.25% to 7.75%
- General tax requiring majority approval of 50%+1
- Would take effect April 1, 2019
- Remains in place until ended by voters
- Independent citizen oversight
- Financial audits
- Every half-cent legally required to stay in Roseville
- Funds cannot be taken by the State



# Without Measure B

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- \$3M operational shortfall in first year
- Continued postponement of \$10M in annual maintenance and replacement needs
- Note: This compounds 10 years of reductions
- Cuts to align with Council priorities and EngageRoseville recommendations

# Types of reductions we will look at

- Reduce specialized Police & Fire services
- Investigate taking a fire engine out of service
- Further reduce Parks, Recreation & Libraries programs and facility hours, up to closing facilities
- Continue delay of citywide parks construction
- Reduce street maintenance
- Decrease flood plain management
- Eliminate adult literacy programs
- Further reduce park maintenance levels
- Eliminate special event support
- Further reduce sponsorships, memberships, and accreditations

# Questions?

# Funding Priorities

# Public Safety

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- **Restore Police Service Levels** **\$875K**
  - Establish Beat 7 on west side with 2 officers
  - Restore 1 police officer to traffic unit
  - Restore 1 dispatcher
  - Add 1 animal-control officer
  
- **Restore Fire Service Levels** **\$300K**
  - Restore 1 training and development position
  - Restore fire investigation personnel

# Public Works

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- **Partially restore road funding** \$2.5M
  - \$2.5M to fully fund, assuming SB1 is not repealed
  - \$5.5M to fully fund if SB1 is repealed
- **Increase funding for sound wall repair and replacement** \$250K
- **Maintain FEMA Class 1 flood rating** \$72K
  - Affects flood insurance rates

# Parks, Recreation & Libraries

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- Phase in maintenance costs for new citywide parks \$600K
- Phase in more library hours and materials, and hours at Maidu Museum \$200K
- Stop erosion of park maintenance levels \$700K
  - Turf, trees, hardscapes, custodial
- Bring back GF goats to open space \$150K

# Economic Development

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- Expand job creation & start up initiatives \$225K
- Business recruitment and communications  
\$500K



# Development Services

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- Increase Code Enforcement service levels  
\$150K

# Create a recession fund

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- Create a recession fund \$3M/yr
  - Will minimize service-level reductions during next recession
  - \$3M per year for 7 years to achieve 25% goal

*In contrast to emergency reserves, a recession fund can be used to stabilize an operational shortfall*

# Pay down obligations

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- Pay down pension obligations \$3M/yr
- Pay down OPEB obligations \$1M/yr
  
- \$323M CalPERS pension unfunded liability
- \$144M OPEB unfunded liability
- \$467M Total retirement obligations
- \$300+M General Fund portion of pension/  
OPEB liabilities

# Citywide

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- Add internal auditor \$180K
- Add 1 staffer to address increase in Public Records Act requests for information
- Maintain adequate industry training and development programs \$200K
- Customer response tracking and reporting software \$600K
- Fully fund costs of repair and replacement for buildings and equipment \$5M

# Priority Exercise

# Council Direction

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- Questions and Discussion