

Citizens Fiscal Sustainability Task Force

City Council Update

June 15, 2016

Top Level Summary of Task Force Activities Since Last Joint Meeting

- **Task Force has held regularly scheduled monthly meetings**
 - Supported by city staff, outside data searches
 - Meetings are first Thursday of the month, 6:30PM
- **Task Force's major focus continues to be the identification, estimation, and refinement of a long-term fiscal planning methodology and the development of supporting decision making tools**
 - Fiscal planning worksheet is not to be confused with a long-term budget
 - Budget reflects a policy document, the task force worksheet goal represents a simple listing of "items of concern" and a repository for the financial impact of those items
- **Majority of effort has been focused on items funded (or potentially funded) by the General Fund**

Current General Fund Forecast

ID	Item	Estimated	Current Planned	Outyear Forecast								
		Actuals	Budget	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	
		FY15-16	FY16-17									
Current General Fund Forecast												
GFR	General Fund Revenue	33,027,910	33,270,116	33,322,063	33,916,981	34,510,604	35,108,544	35,719,899	36,344,995	36,076,496	36,649,496	
GFE	General Fund Expenditures	31,888,755	33,116,616	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,516,734	35,972,475	
SD1	General Fund Forecasted Balance (Operational Surplus/(Deficit))	1,139,155	153,500	(831,055)	346,899	1,345,858	1,375,693	1,554,623	1,734,978	559,762	677,021	

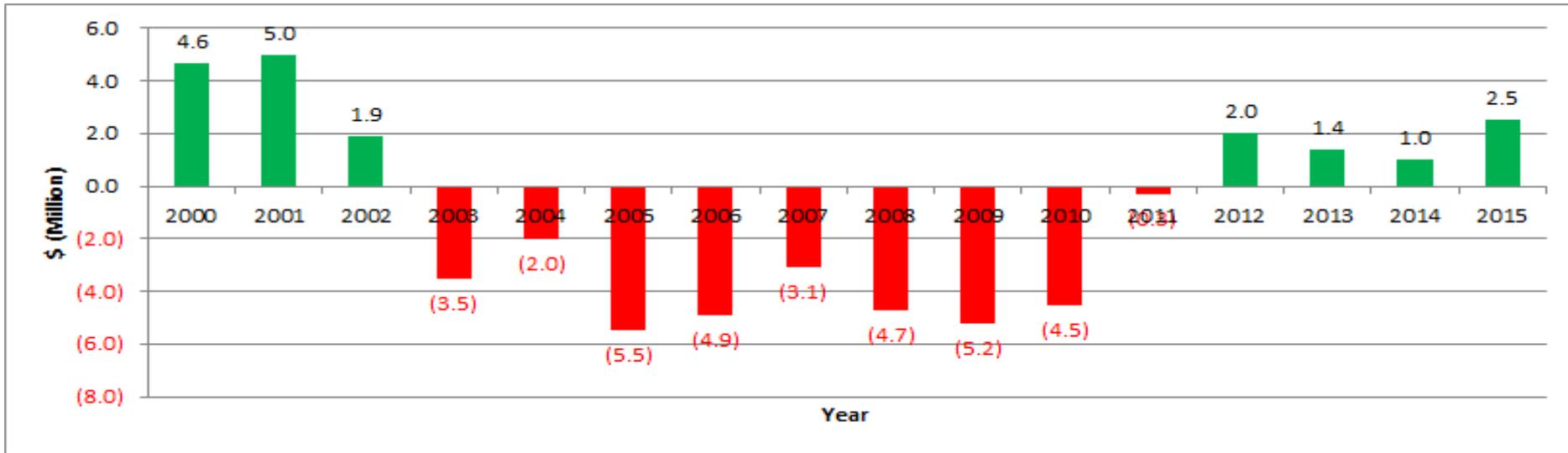
- Highlights:**
- 1) FY15-16 actuals are estimated to close at year end with revenues exceeding expenditures by \$1.1million
 - 2) Proposed FY16-17 budget under consideration is balanced
 - a) Proposed budget continues to defer certain “items of interest”
 - 3) General Fund forecasted assumptions are consistent with continuing present budget priorities

Overall takeaway: *The City faces two-more challenging years as existing long-term obligations are worked off, but prudent long-term planning would dictate that policies and priorities be established to address the identified “items of interest” proactively as flexibility returns to the budgeting process*

Identified “Items of Interest”

- **City policies currently not supported by budget / resources**
 - General Fund reserve threshold of 17% of General Fund Expenditures
 - FY17 General Fund Expenditures = \$33,116,616
 - FY17 General Fund reserve threshold = \$5,629,825
- **Unfunded liability obligations**
 - Other Post Employment Benefits (“OPEB”)
- **Postponed maintenance/equipment expenditures**
 - General Fund street maintenance
 - Equipment/Vehicle replacement
 - City Facilities
- **City staffing levels**
 - Unsupported City service levels, employee retention, training costs

Historical “Unassigned” General Fund Reserve Balance



Actions since last Task Force update

- Council adopted a reserve policy calling for “Unassigned” General Fund reserves of 17% of anticipated General Fund Expenditures
- Unassigned General Fund reserve level has been increasing, but remains significantly below policy level

Projected General Fund Reserve Levels

with and without application of projected operational surplus (deficit)

Assumes **NO** Application of General Fund Forecasted Balance (Operational Surplus/(Deficit))

	Estimated Actuals	Current Planned Budget	Outyer Forecast									
			FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
General Fund Expenditures	31,888,755	33,116,616	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,516,734	35,972,475		
General Fund Forecasted Balance (Operational Surplus/(Deficit))	1,139,155	153,500	(831,055)	346,899	1,345,858	1,375,693	1,554,623	1,734,978	559,762	677,021		
General Fund Reserve Requirements (17% General Fund Expenditures)	5,421,088	5,629,825	5,806,030	5,706,914	5,638,007	5,734,585	5,808,097	5,883,703	6,037,845	6,115,321		
"Unassigned" General Fund Balance FY15 (i.e. General Fund Reserve)	2,510,601	2,510,601	2,510,601	2,510,601	2,510,601	2,510,601	2,510,601	2,510,601	2,510,601	2,510,601		
Adj. General Fund Reserve Requirement Balance (Shortfall)	(2,910,487)	(3,119,224)	(3,295,429)	(3,196,313)	(3,127,406)	(3,223,984)	(3,297,496)	(3,373,102)	(3,527,244)	(3,604,720)		

Assumes Application of **ALL** General Fund Forecasted Balance (Operational Surplus/(Deficit))

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
General Fund Expenditures	31,888,755	33,116,616	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,516,734	35,972,475
General Fund Forecasted Balance (Operational Surplus/(Deficit))	1,139,155	153,500	(831,055)	346,899	1,345,858	1,375,693	1,554,623	1,734,978	559,762	677,021
General Fund Reserve Requirements (17% General Fund Expenditures)	5,421,088	5,629,825	5,806,030	5,706,914	5,638,007	5,734,585	5,808,097	5,883,703	6,037,845	6,115,321
Beginning "Unassigned" General Fund Balance (i.e. General Fund Reserve)	2,510,601	3,649,756	3,803,256	2,972,201	3,319,100	4,664,958	6,040,651	7,595,274	9,330,252	9,890,014
General Fund Forecasted Balance (Operational Surplus/(Deficit))	1,139,155	153,500	(831,055)	346,899	1,345,858	1,375,693	1,554,623	1,734,978	559,762	677,021
Ending "Unassigned" General Fund Balance (i.e. General Fund Reserve)	3,649,756	3,803,256	2,972,201	3,319,100	4,664,958	6,040,651	7,595,274	9,330,252	9,890,014	10,567,035
Adj. General Fund Reserve Requirement Balance Surplus/(Shortfall)	(1,771,332)	(1,826,569)	(2,833,829)	(2,387,814)	(973,049)	306,066	1,787,177	3,446,549	3,852,169	4,451,714

Other Post Employment Benefits (OPEB) Liability FY15 (Note 10 2015 CAFR)

Annual required contribution	\$1,502,994
Interest on net OPEB pbligation	25,837
Adjustment to annual required contribution	<u>(117,317)</u>
Annual OPEB cost (expense)	1,411,514
Actual Contributions made	<u>(1,065,441)</u>
Change in net OPEB obligation	346,073
Net OPEB Obligation - beginning of fiscal year	<u>2,583,692</u>
Net OPEB Obligation - end of fiscal year	<u><u>\$2,929,765</u></u>

OBEP Liability History

	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Starting Net OPEB Obligation	2,583,692	2,198,487	1,876,107	1,496,957	1,013,341	472,278	0
Adj. OPEB Annual Requirement	1,411,514	1,425,923	1,375,364	1,318,878	1,441,722	1,372,561	1,307,298
Contribution Made	(1,065,441)	(1,040,718)	(1,052,984)	(939,728)	(958,106)	(831,498)	(835,020)
% Contributed	75.5%	73.0%	76.6%	71.3%	66.5%	60.6%	63.9%
Change in Net OPEB Obligation	346,073	385,205	322,380	379,150	483,616	541,063	472,278
Ending Net OPEB Obligation	2,929,765	2,583,692	2,198,487	1,876,107	1,496,957	1,013,341	472,278

- The City’s OPEB liability has increased from \$472,278 in FY09 to \$2,929,765 in FY15
 - Liability attributable to (i) annual contributions less than 100% of annual requirements (ii) and interest accrued on unpaid amounts

General Fund Street Maintenance

- **City street maintenance activity for the past six years has been funded by sources of funds outside the general fund**
 - Last Task Force report estimate of funds necessary to restore city roads to PCI of 72 (Fair to Good) was \$30 million over ten years
- **Actions since last task force update**
 - City Wide Pavement Management Program Plan was updated (Harris & Associates, June 2, 2016)
 - More detailed cost estimates and trade-offs were performed to assess the rate at which costs would be affected given further deferral of funding, various rates of investment
 - Best case – immediate repair of all roads to PCI of 90 - \$24,940,000
 - Aggressive case – incremental funding to maintain all roads to PCI of 72 - \$3,265,000 per year for 7 years
 - Maintain case - incremental funding to maintain all roads at PCI above 60 - \$2,000,000 per year for 7 years
 - Deferral case - zero funding for 7 years- PCI falls to 51 – total estimated repair costs in year 7 grow to \$56,825,000

General Fund Street Maintenance (cont.)

- **Potential actions going forward**

- *Given budget realities over next three years, investigate detailed cost estimates of implementing a hybrid strategy of maintaining existing roads “good” through crack seal and slurry seal program, and deferring maintenance/rehabilitation of degraded roads until an overlay can be performed*

Equipment/Vehicle Replacement

- **Actions in the last year**
 - \$216,000 in general fund expenditures in FY15-16 to acquire 6 new PD vehicles, 1 new sewer truck, 10 electric vehicles
 - There has not been any detailed update contained in the forecast
 - Estimated cost to replace outdated vehicles/equipment and reestablish standard replacement plan budgeting remains at \$325,000 per year
- **Potential actions going forward**
 - Perform detailed cost estimate by vehicle by year to further refine forecast

City Staffing Levels

- **Actions since last task force update**

- Started review of city organization/staffing chart to characterize the unsupported workload represented by open positions
 - Not yet completed
- Started a review of all city outsourcing contracts
- Using interim results, city staff generated modified staffing plan which was utilized in formulating FY16-17 budget
 - Budget document identifies changes of position titles/responsibilities, recharacterization of F/T and P/T, elimination of outsourcing
- Budget document format will facilitate the completion of this task given the data that was collected and provided in budget package

- **Potential actions going forward**

- Complete open tasking

Non-General Fund Activities

- **Performed preliminary review of city real estate and leases in preparation of more detailed effort later**
- **Performed top-level review of FY16-17 Capital Improvement Plan**
 - Gain understanding of the General Fund implications
- **Potential actions going forward**
 - Revisit either of the items above for more detailed suggestions regarding possible relief in the next two fiscal years

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City of Placentia Citizens Fiscal Sustainability Task Force Solutions Worksheet 06/15/16							
ID	Item	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Current General Fund Forecast							
GFR	General Fund Revenue	33,027,910	33,270,116	33,322,033	33,935,381	34,510,604	35,100,000
GFE	General Fund Expenditures	31,888,755	33,116,616	34,153,118	33,570,082	33,164,746	33,100,000
SD1	General Fund Forecasted Balance (Operational Surplus/(Deficit))	1,139,155	(153,500)	(831,055)	346,899	1,345,858	1,999,999
	Satisfy OPEB "Annual Required Contribution"		358,516	358,516	358,516	358,516	
SD1A	General Fund Forecasted Balance (Operational Surplus/(Deficit)) w/ Annual Required OPEB	1,139,155	(205,016)	(1,189,571)	(11,617)	987,342	1,999,999
	General Fund Reserve Requirement (17% of General Fund Expenditures)	5,421,088	5,629,825	5,806,030	5,706,914	5,638,007	5,700,000
	"Unassigned" General Fund Balance FY15 (i.e. General Fund Reserve)	2,510,601	3,649,756	3,649,756	3,649,756	3,649,756	4,000,000
	Adj. General Fund Reserve Requirement Balance (Shortfall)	(2,910,487)	(1,980,069)	(2,156,274)	(2,057,158)	(1,988,251)	(1,000,000)
DE7	Contributions to the General Fund Reserve Requirement	1,139,155	0	0	0	987,342	1,000,000
	General Fund Reserve Requirement Balance/(Shortfall)	(1,771,332)	(1,980,069)	(2,156,274)	(2,057,158)	(1,000,909)	
Postponed Maintenance/Infrastructure Expenditures (Infrastructure Deficit)							
DE2	Street Maintenance Funded by General Fund	-	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
DE3	Facilities Maintenance	851,000	683,062	705,603	728,888	752,941	
DE4-A	Vehicle/Equipment Replacement - may be reduced - 6 new PD vehicles, 1 new sewer truck, 10 electric vehicles	216,000	325,000	325,000	325,000	325,000	
SD2	Subtotal Postponed Maintenance/Infrastructure Expenditures (Infrastructure Deficit)	(1,067,000)	(4,208,062)	(4,230,603)	(4,253,888)	(4,277,941)	(4,200,000)
SD3	TOTAL STRUCTURAL DEFICIT (Operational & Maintenance/Infrastructure)	72,155	(4,413,078)	(5,420,174)	(4,265,505)	(3,290,599)	(3,200,000)
	Prefund/Reduce OPEB Liability - \$2.930mm Liability as of FY15 - Paid off in 15 years		200,000	200,000	200,000	200,000	
SD3A	TOTAL STRUCTURAL DEFICIT (w/ Annual OPEB Reduction)	72,155	(4,613,078)	(5,620,174)	(4,465,505)	(3,490,599)	(3,200,000)
Other Items of Concern							

Available as handout

Discussion / Questions