



City of Huntington Beach

FISCAL YEAR 2014/15

PROPOSED BUDGET

JULY 21, 2014

FY 2014/15 Proposed Budget 100 Years of Surfing

- FY 2014/15 Proposed Budget Overview
 - General Fund Budget Highlights
 - CIP and Infrastructure Budget Summary
 - Status of General Fund Reserves
 - Discussion of Unfunded Liabilities
- FY 2014/15 Budget Calendar



100 Years of Surfing A Century of Excellence

Facts & Figures	1914	51 Years Later 1965	66 Years Later 1980	2014
Population	815	75,053	172,200	193,616
Land Area (square miles)	3.57	*	*	28
Budget – Citywide (in millions)	*	\$6.5	\$62.4	\$339.9
Budget – General Fund (in millions)	*	\$5.1	\$42.1	\$208.9
Number of Businesses	*	*	2,555	5,400
Number of Employed	*	*	43,747	115,100
Assessed Valuation (in millions)	*	\$189.8	\$1,122.0	\$31,198.3
<i>*Data not available</i>				

Building the Foundation for the Next 100 Years – The Strategic Plan

The Six Pillars:

- ▶ Enhance and Maintain Public Safety
- ▶ Enhance Quality of Life
- ▶ Enhance Economic Development
- ▶ Improve the City's Infrastructure
- ▶ Develop, Retain and Attract Quality Staff
- ▶ Improve Long-Term Financial Sustainability



FY 2014/15 Proposed Budget



Overview

FY 2014/15 Proposed Budget

- ▶ The Proposed All Funds budget totals \$339.9 million, a \$26.1 million or 8.3% increase from the FY 2013/14 Adopted Budget
- ▶ The Proposed General Fund budget totals \$208.9 million, a \$15.4 million, or 7.9% increase from the FY 2013/14 Adopted Budget



FY 2014/15 General Fund Overview

- ▶ Balanced General Fund Budget for FY 2014/15
- ▶ A General Fund revenue increase of 7.0% is projected
- ▶ Negotiated contract costs are factored in
- ▶ City Council authorized contract costs also factored in for units not yet finalized
- ▶ Fixed cost increases including PERS, Workers' Compensation, insurance premiums, and other costs
- ▶ Certain discrete fund balance reserves are used to fund high priority capital projects such as the Senior Center
- ▶ Equipment replacement funding is increased by \$500,000



FY 2014/15 General Fund Revenue

- ▶ Total General Fund projected revenue is \$207.0 million, reflecting a 7.0% increase from current year
- ▶ Property Tax is estimated at \$80.0 million, an increase of 6.4%
- ▶ Transient Occupancy Tax continues to grow, reflecting an increase of 15%
- ▶ Planning and Building revenues still robust and are expected to increase by over 20%
- ▶ However, Sales Tax is projected at \$28.8 million, a slight increase of only 1%, due to increased online sales
- ▶ Major industry groups continue to improve our local economy

FY 2014/15 General Fund Highlights

Description	Amount (in millions)
General Fund Expense	\$208.9
General Fund Revenue	<u>\$207.0</u>
Difference	(1.9)
Senior Center and LeBard Reserves	<u>\$2.4</u>
Surplus/(Deficit)	\$0.5



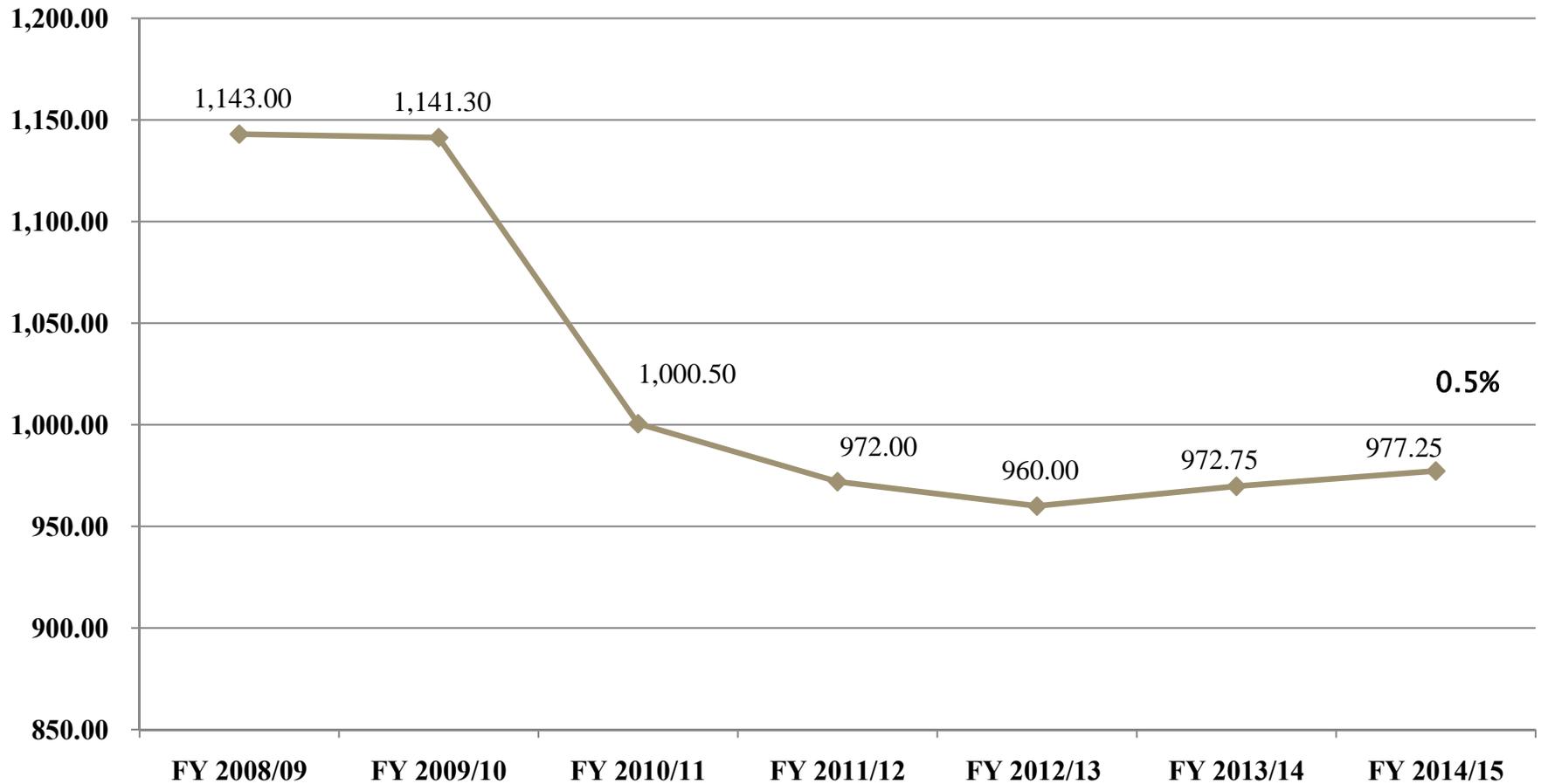
FY 2014/15 General Fund Highlights

- ▶ Labor adjustments totaling \$7.5 million are included
- ▶ A total of \$4.0 million is included for the new Senior Center
- ▶ Two newly funded Police Officer positions are added bringing the number of sworn positions to 214 FTEs
- ▶ This represents an increase of 7 sworn FTEs since FY 2012/13
- ▶ Two new Senior Permit Technicians in Fire and Planning
- ▶ New plans to help pay down unfunded liabilities
- ▶ Year one payment for the LeBard School site acquisition
- ▶ Restoration of funding for lifeguard services at Dog Beach, summer camp for 5-12 year olds, Shipley Nature Center, Art Center, library materials and tree trimming,
- ▶ New Commercial Revolving Loan Fund of \$200,000
- ▶ A surplus of \$500,000 is included to reduce unfunded liabilities

FY 2014/15 General Fund Expenditures

Description	in millions
FY 2013/14 Adopted Budget Baseline, <u>Plus</u>	\$ 193.5
➤ Deletion of One Time Items	(0.5)
➤ Labor Adjustments (PERS Pickup for Wage, 2% Raises, and Other)	7.5
➤ Senior Center Funding (including \$1M annual debt service)	4.0
➤ Workers' Compensation True-Up (Plus Plan to Reduce Liabilities)	1.4
➤ Fixed Costs and Tax Sharing Agreements	1.4
➤ Funding for 6.5 additional FTEs	0.8
➤ LeBard School Site Payment – GF Only Year One	0.3
➤ Equipment Replacement Increases	0.5
FY 2014/15 Proposed Budget	\$ 208.9
Increase from FY 2013/14	+\$15.4

Citywide Table of Organization (All Funds)



FY 2014/15 Staffing Highlights

Department	Title	Table of Organization	Total Funded
Police	Police Officer	0.00	2.00
Police	Property Officer	1.00	1.00
Fire	Administrative Secretary	(0.5)	(0.5)
Fire	Senior Permit Technician	<u>1.00</u>	<u>1.00</u>
	Subtotal	1.50	3.50
Planning & Building	Senior Permit Technician	1.00	1.00
Public Works*	Supervisor/Utilities/Water	1.00	1.00
Public Works*	Field Services Representative	1.00	1.00
Total		4.50	6.50

* Positions are funded by the Water Enterprise Fund.

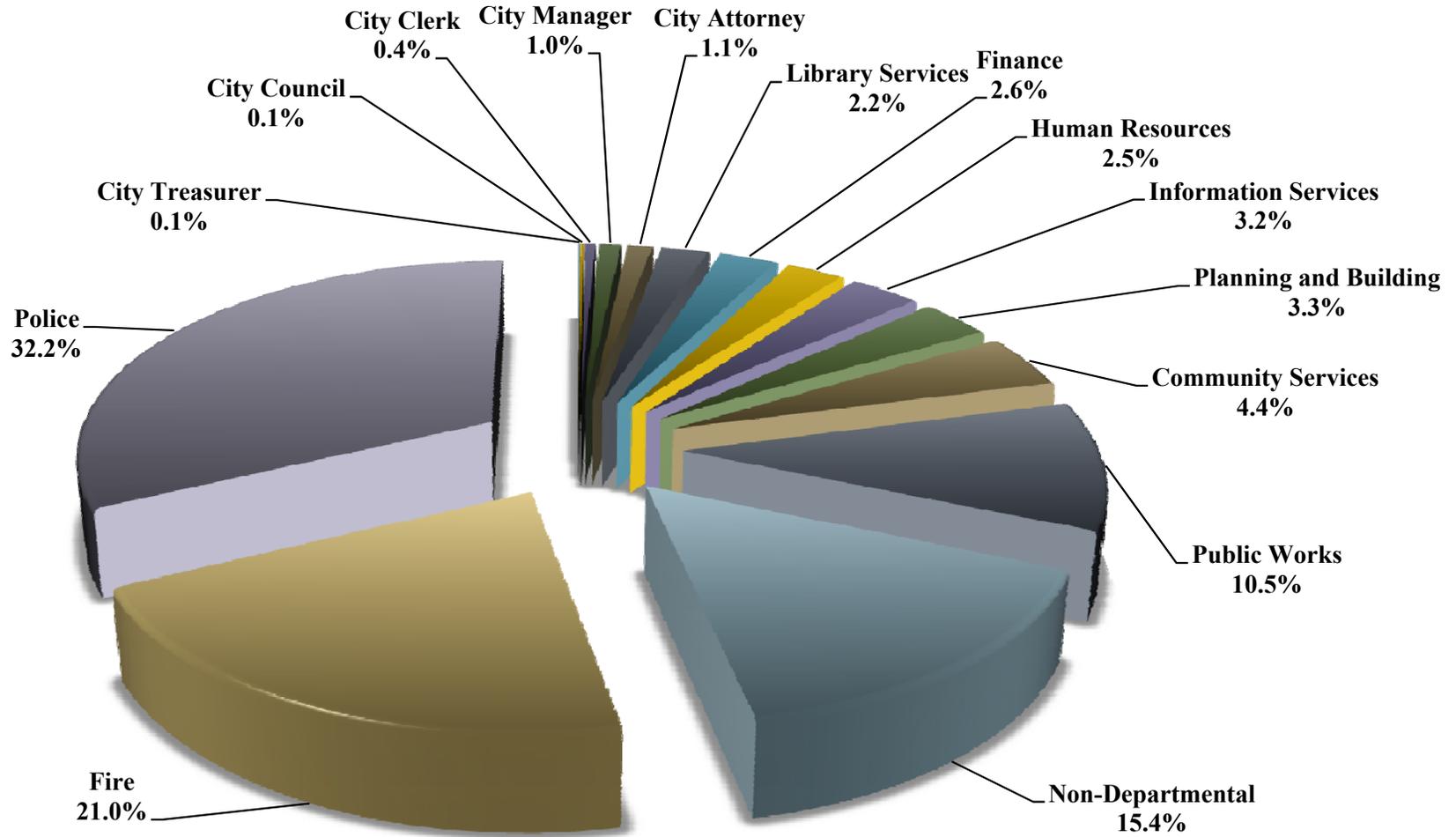
Enhance and Maintain Public Safety

Police Department	Amount
Fund Two Additional Police Officer Positions (Sworn to 214 FTEs)	440,000
Convert a Police Officer into a Sergeant Position	33,000
Increase Animal Control and Crossing Guard Services Contracts	364,610
Increase computer equipment and software maintenance contracts	110,000
Add one Property Officer position (Non-Sworn)	90,109
Increase equipment and supplies for new Police Officers	41,678
Increase Supplies for Mounted Enforcement Unit	25,000
Replace 20 Police vehicles	783,528
Fund Helicopter Repairs, Gun Range Study, Lobby and ADA Improvements	850,060
Total	2,737,985

Enhance and Maintain Public Safety

Fire Department	Amount
Add one Senior Permit Technician	53,464
Add one Part-Time Nurse	48,221
Transfer one Administrative Secretary from Community Services to Marine Safety	87,916
Medical supplies for 5 th ambulance, scuba, physical fitness equipment	40,000
Replace two lifeguard towers and junior lifeguard rollup doors	150,000
Replace Fire Department's emergency and computer equipment	137,202
Replace specialty vehicles and emergency alerting system	51,300
Lease financing for new \$1.4 million Fire Truck	300,000
Fire Station 8 – Heil Renovation	190,900
Refurbish Oil Wells, Metro Cities JPA and Oil Royalties	128,517
Total	1,187,520

Enhance and Maintain Public Safety



Enhance Quality of Life

- ▶ Increase beach restroom cleaning during the summer peak periods (\$39,200)
- ▶ New summer day camp program for children between 5 to 12 years old (\$35,600)
- ▶ Increase maintenance at Shipley Nature Center (\$10,000)
- ▶ Increase book budget at public libraries (\$25,000)
- ▶ Increase animal control services contract with the County (\$312,500)
- ▶ Increase crossing guard services (\$52,100)
- ▶ Increase funding for tree trimming (\$100,000)



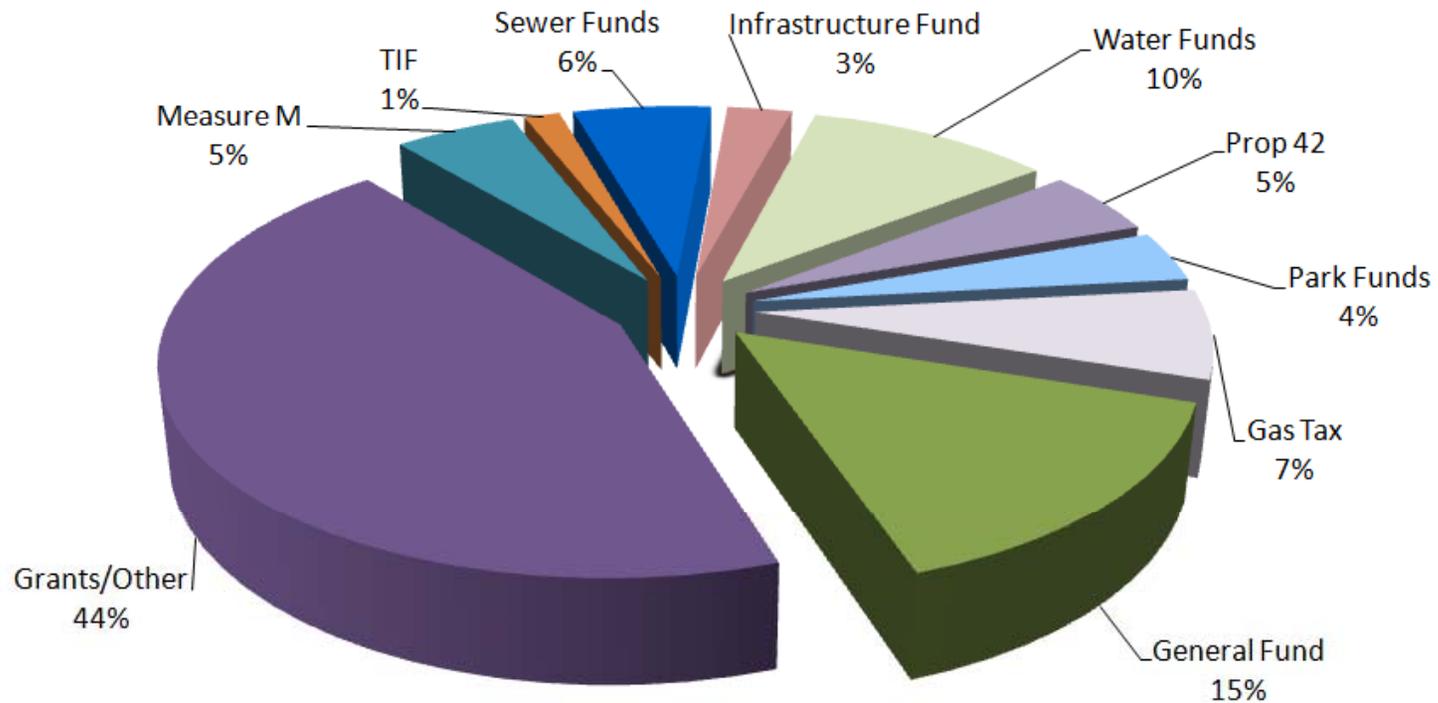
Enhance Economic Development

- ▶ For the first time since the economic crisis, the FY 2014/15 Proposed Budget includes funding for a new Commercial Revolving Loan Fund
- ▶ This new \$200,000 fund will assist in enhancing business retention and development strategies
- ▶ The Proposed Budget also includes an increase of \$460,000 for Tax Sharing Agreements
 - Sales Tax Agreement with Pinnacle
 - Hotel Tax Agreement with Visit HB
- ▶ The Budget also includes \$54,000 for the implementation of the new Economic Development Strategic Plan

Improve the City's Infrastructure

Capital Improvement Program FY 2014/15
New Appropriations by Funding Source

\$42,792,777



Improve the City's Infrastructure

- ▶ FY 2014/15 CIP includes \$42.8 million in projects
- ▶ This budget exceeds the 15% Infrastructure requirement
- ▶ Included in the CIP is \$3.0 million in recurring, structural General Fund support for infrastructure
- ▶ New State-of-the-Art Senior Center Project totaling \$21.5 million from a variety of funding sources
- ▶ LeBard School Site funding of \$667,000 for Year One (split funding from GF and other sources)
- ▶ Worthy Park improvements of \$1.3 million

Senior Center Project

- ▶ Construction costs are estimated at \$21.5 million
- ▶ The FY 2014/15 Proposed Budget includes \$3.0 million in the CIP from the General Fund for the project
- ▶ A General Fund-backed bond will address the remaining funding gap of \$15.0 million
- ▶ The Proposed Budget also includes \$1.0 million in the operating budget for the first year of debt service on bond



**Concept Rendering of East Elevation
view looking from Goldenwest Street**

Develop, Retain and Attract Quality Staff

- ▶ It has taken five to seven years for the economy to recover
- ▶ During the Great Recession employee groups provided significant concessions
- ▶ The FY 2014/15 Proposed Budget includes \$7.5 million in labor adjustments (including contracts awaiting finalization)
- ▶ This will help retain quality and experienced staff

Improve Long-Term Financial Sustainability

- ▶ The Proposed Budget continues funding for the City's award-winning 3-pronged approach to reduce unfunded liabilities:
 - The "25 to 10" Plan for Retiree Medical
 - The "16 to 10" Plan for Retiree Supplemental
 - CalPERS "One Equals Five" Plan
- ▶ The Proposed Budget provides full funding for the City's annual Workers' Compensation Costs
- ▶ Also includes a new plan for reducing the \$10.4 million Workers' Compensation unfunded liability

General Fund Balance

(In Thousands)

Fund Balance Category	FY 12/13 Audited	FY 13/14 Estimated	FY 14/15 Estimated
Economic Uncertainties*	\$ 24,011	\$ 24,011	\$ 24,011
Litigation Reserve	900	900	900
Equipment Replacement	8,295	8,295	7,673
Redevelopment Dissolution	1,323	1,323	1,323
Retiree Medical Unfunded	698	698	698
General Plan Maintenance	720	720	720
Capital Projects Reserve	7,136	7,136	6,801
Senior Center	2,000	2,000	-
CalPERS One Equals Five Plan	500	500	500
Other Fund Balance**	8,924	8,924	8,924
Total Fund Balance	\$ 54,507	\$ 54,507	\$ 51,550

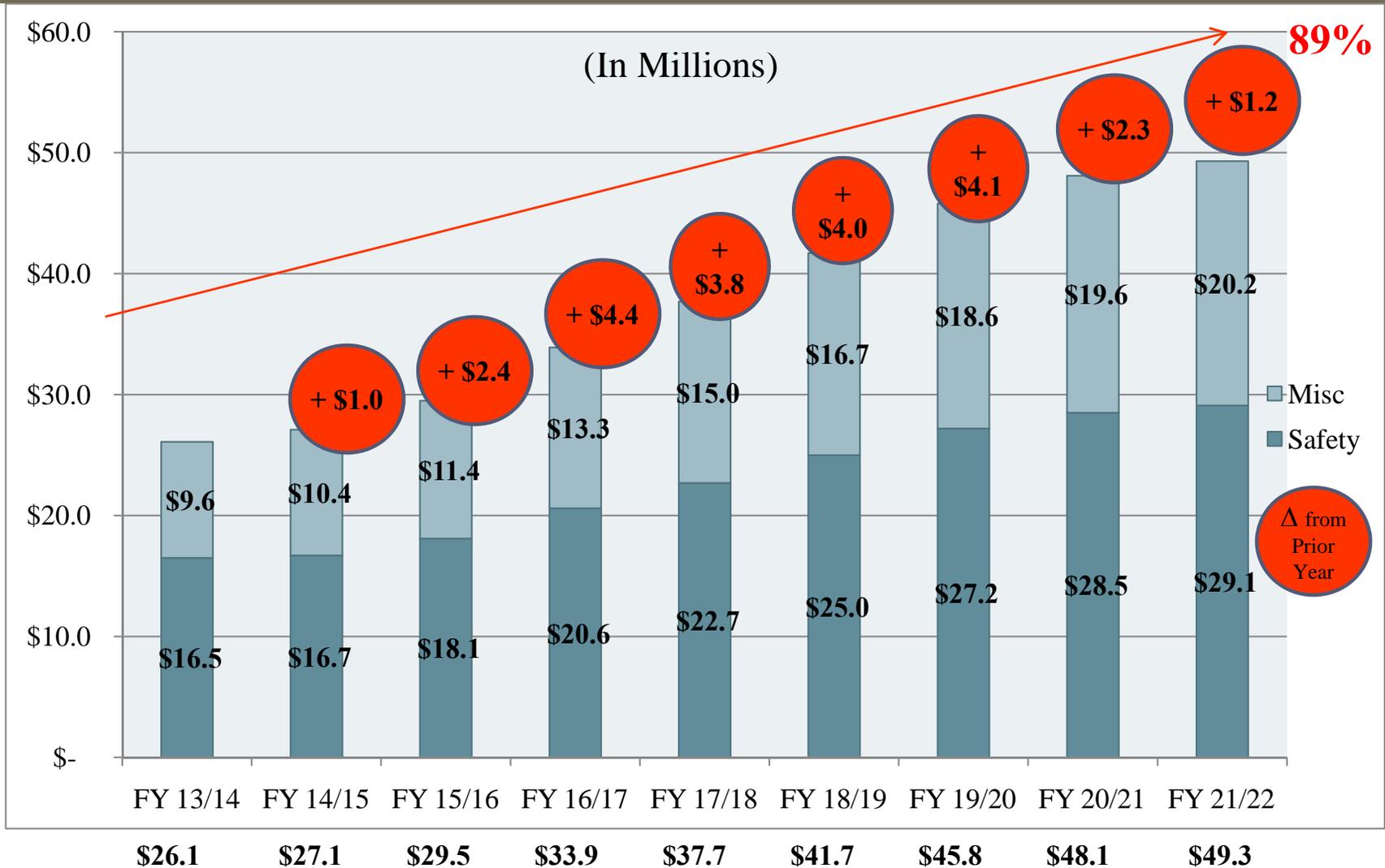
* Does not yet equal two months of General Fund expenditures of \$34.8 million.

**Includes Pre-paid Insurance, Encumbrances, Non-Spendable and other Restricted Items.

CalPERS Increases

- ▶ Total CalPERS costs will increase from \$26.1 million in FY 13/14 to \$49.3 million by FY 21/22 (eight years), an 89% increase
- ▶ Safety rate increases from 38.8% to 55.2% in eight years
- ▶ Miscellaneous rate increases from 21.4% to 34.7% in eight years
- ▶ These estimates DO NOT include the cost of recently negotiated or yet to be negotiated contracts
- ▶ Employee compensation currently totals almost three quarters of the General Fund Budget (71%)

8-Year CalPERS Employer Rate Increases



*Projections do not include fiscal impact of new negotiated contracts.

Plan to Address PERS Liabilities

- ▶ The City will be facing significant increases in PERS Employer contribution rates starting in FY 2015/16
- ▶ The Proposed Budget includes a \$500,000 surplus
- ▶ It is recommended the surplus be coupled with the \$500k in the “One Equals Five” set-aside to create a \$1 million plan to address PERS costs (choose one):
 - Fund the “One Equals Five Plan” (each \$1M saves \$5M); OR
 - Create a PERS Rate Stabilization Fund (minimize volatility); OR
 - Reduce amortization of Public Safety Plan from 27 to 22 years

Unfunded Costs on the Horizon

Description	Non-Discretionary	Discretionary
8 Additional Police Officers		1,600,000
PERS Rate Increases in FY 15/16 and FY 16/17	6,800,000	
800 MHz Project	9,000,000	
Workers' Compensation Unfunded Liabilities Plan		754,000
Extended Library Hours		184,500
LeBard School Site Funding Gap (Years 2 – 5)	667,000	
Class One Trail and Bicycle Boulevards		TBD
Project Self Sufficiency		58,300
Tree Trimming for a 6 Year Cycle		150,000
Annual Funding to Reduce Public Safety PERS Amortization 5 Years		500,000
Unfunded Staffing Requests (14.5 FTEs)		1,800,000
Unfunded Equipment Requests		1,100,000

FY 2014/15 Proposed Budget Recap

- ▶ Funds a new State-of-the-Art Senior Center
- ▶ Restores funding for two additional Police Officers, for a total of 7 new Police Officers since FY 2012/13
- ▶ Provides added funding for quality of life programs
- ▶ Eliminates two of the City's three retirement unfunded liabilities in 10 years* (15 years and 6 years ahead of schedule based on the plan)
- ▶ Restores funding for arts, culture and recreation
- ▶ Features a \$500,000 surplus to help pay down our PERS costs/liabilities

*Pending market conditions, no additional changes in actuarial methodologies, etc.

Budget Calendar

Proposed Date	Item
July 21, 2014	FY 2014/15 Proposed Budget Study Session
August 4, 2014	FY 2014/15 Proposed CIP and Infrastructure Study Session
August 18, 2014	FY 2014/15 Proposed Budget Study Session (Part 2)
September 2, 2014	FY 2014/15 Budget Hearing and Adoption
September 15, 2014	FY 2014/15 Budget Hearing and Adoption (as needed)
September 30, 2014	Charter Deadline to Adopt the FY 2014/15 Budget
October 1, 2014	New Fiscal Year Begins

Awards and Accolades



the Golden Hub of Innovation

Presented to
City of Huntington Beach
2014 Budgeting & Finance

CITY OF HUNTINGTON BEACH
FOR THE YEAR ENDED SEPTEMBER 30, 2012



CITY OF HUNTINGTON BEACH
FISCAL YEAR 2013/2014





Happy 100 Years of Surfing!

QUESTIONS?

JULY 21, 2014