

NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

Date/Time: **Tuesday, May 24, 2016, 5:00 p.m.**
(or as soon thereafter as possible)

Location: **Council Chambers, City Hall**
333 Civic Center Plaza, Tracy

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. Items from the Audience - *In accordance with Procedures for Preparation, Posting and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052 any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting.*
4. CONDUCT WORKSHOP TO REVIEW AND DISCUSS THE PROPOSED FISCAL YEAR (FY) 2016/17 AND 2017/18 CITY BUDGET, FIVE-YEAR FORECAST, GENERAL FUND RESERVE POLICY AND BUDGET PRINCIPLES AS THE NEXT STEP IN THE FY 2016/17 AND 2017/18 BUDGET ADOPTION
5. Adjournment



Mayor

Posted: May 23, 2016

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

CONDUCT WORKSHOP TO REVIEW AND DISCUSS THE PROPOSED FY 2016/17 AND 2017/18 CITY BUDGET, FIVE-YEAR FORECAST, GENERAL FUND RESERVE POLICY AND BUDGET PRINCIPLES AS THE NEXT STEP IN THE FY 2016/17 AND 2017/18 BUDGET ADOPTION

EXECUTIVE SUMMARY

The purpose of the FY 2016/17 and 2017/18 City Budget Workshop is to review and discuss the proposed City Budget, Five Year Forecast, General Fund Reserve Policy and Budget Principles.

DISCUSSION

This report discusses the City's Proposed FY 2016/17 and FY 2017/18 City Budget, Five-Year Forecast, General Fund Reserve Policy and Budget Principles.

PROPOSED FY 2016/17 and 2017/18 CITY BUDGET

The attached budget document (Attachment 1) includes the City Manager's Budget Message which provides a detailed overview of the City budget by fund.

In summary, the proposed FY 2016/17 and 2017/18 City Budget is as follows for all funds:

PROPOSED FY 2016/17 - 17/18	FY16/17	FY17/18
Financial Plan		
<i>Operating Budget</i>	\$135.7	\$134.3
<i>Capital Budget</i>	\$66.3	\$66.3
<i>Debt Service</i>	\$19.1	\$20.2
TOTAL PROPOSED BUDGET BY YEAR	\$221.1M	\$220.8M

FY 2016/17 and 2017/18 General Fund Budget

The proposed FY 2016/17 budget is presented with the expected use of \$3.7 in unallocated fund balance reserves and in FY 2017/18 use of \$.2M in unallocated fund balance reserves. Based on current projections, the City's revenue outlook is positive, but continues to be challenging with approved bargaining agreements and the first full year without the "voter approved" Measure E.

Below is a summary of the FY 2016/17 and 2017/18 General Fund Budget:

GENERAL FUND SOURCES	FY16/17	FY17/18
<i>Property Tax</i>	\$19.2	\$20.0
<i>Sales Tax</i>	\$17.7	\$18.8
<i>Expiring Local Funding Source – Measure E</i>	\$0.0	\$0.0
<i>Other Revenue</i>	\$13.9	\$14.1
Total Sources	\$50.8M	\$52.9M
GENERAL FUND USES		
<i>General Fund Operating Expenses</i>	\$51.1	\$51.7
<i>Capital Projects</i>	\$2.0	\$2.0
<i>Debt Service Payments</i>	\$1.2	\$1.3
<i>Transfers CD</i>	\$0.3	\$0.3
TOTAL GENERAL FUND USE	\$54.6M	\$53.3
TOTAL GENERAL FUND NET RESOURCES	(\$3.8M)	(\$0.4M)

After receiving Council and community input, staff will present the proposed FY 2016/17 and 2017/18 City Budget for Council adoption on June 7, 2016.

IMPLICATIONS OF LOSS OF MEASURE E TO COMMUNITY QUALITY OF LIFE SERVICES

Measure E was adopted by voters in 2010 to address community priorities such as maintaining neighborhood police patrols and fire protection services, 9-1-1 emergency response and crime prevention. With the loss of Measure E funds, the City will need to impact reserves to maintain current staffing levels. The loss of this voter-approved, locally controlled funding - amounting to \$6.3 Million in the FY 2015/16 budget – is a significant revenue loss.

FY 2016/17 GENERAL FUND ON GOING/ONE TIME BUDGET AUGMENTATIONS

Total proposed FY 2016/17 General Fund budget augmentations, including one-time costs, are approximately \$1.3 million. Taking one-time costs of \$400,000 into consideration, proposed on-going augmentations are estimated to be \$900,000 as reflected in the table below.

Proposed FY 2016/17 General Fund Budget Augmentations

Proposed FY 2015/16 Budget Augmentations	\$1.3M
Less One-Time Expenses	(\$.4M)
Total On Going Budget Augmentations	\$0.9M

Ongoing General Fund Budget Augmentations

Of the \$.9 million of ongoing augmentations, approximately \$311,000 relates to quality of life initiatives and \$419,000 relates to public safety. The remaining ongoing augmentations are for miscellaneous items, including but not limited to increased maintenance and special recruitment costs. In regard to the \$400,000 of one time augmentations, \$240,000 is public safety related; \$73,000 is for increased maintenance needs; and \$100,000 is for increased technology costs.

GENERAL FUND RESERVES

The City's General Fund Reserves continues to be strong. As of June 30, 2015, the City's total unassigned reserves were \$31.1 million.

In October of 2014, the City Council adopted a Reserve Policy to establish three new Reserve categories along with the general fund balance:

- General Fund "Measure E" Mitigation Reserve
- General Fund Economic/Budget Stability Reserve
- General Fund Contingency Reserve

Council has requested to reevaluate the current reserve categories.

General Fund "Measure E" Mitigation Reserve

The "Measure E" Mitigation Reserve is to be used as bridge funding upon the sunset of the Measure E sales tax in FY 2016/17. This temporary reserve is to be used over a multi-year period to mitigate the loss of revenue from the half cent sales tax and allow the City time to transition to the reduced revenue level. The "Measure E" Mitigation Reserve was established at \$7 million as this was estimated to be the peak revenue prior to the measure's expiration in March 2016.

General Fund Economic/Budget Stability Reserve

The Economic/Budget Stability Reserve is intended to offset revenue/expenditure uncertainty while stabilizing service levels through economic cycles. The Economic/Budget Stability Reserve was established at \$5.8 million with a targeted goal of 10% of the General Fund's adopted annual budget for expenditures and recurring transfers out.

General Fund Contingency Reserve

The Contingency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. **This reserve should be used only in extreme situations.** The Contingency Reserve was established at \$11.6 million with a targeted goal of 20% of the General Fund's adopted annual budget for expenditures, including recurring transfers out.

General Fund Balance

Unassigned, unallocated generic fund balance that can be used for most purposes.

The table below shows the estimated Fund Balance and the Reserve Balances at May FY 2015/16 and the estimated beginning balances for FY 2016/17 and FY2017/18.

FY 2016/17 & FY 2017/18 Estimated Fund Balance							
Fund Balance & Reserve Balances (Millions)	FY 15/16 Estimated Fund Balance			FY 2016/17 Estimated Fund Balance			FY 2017/18 Estimated Fund Balance
	Balance	Additions	(Uses)	Balance	Additions	(Uses)	Balance
Fund Balance	\$8.7	\$1.5	(\$5.2)	\$5.0	\$1.8	(\$2.0)	\$4.8
Measure "E" Mitigation Reserve	\$7.0			\$7.0			\$7.0
Economic/Budget Stability Reserve	\$5.8			\$5.8			\$5.8
Contingency/Emergency Reserve	\$11.6			\$11.6			\$11.6
Total Fund Balance & Reserve	\$33.1	\$1.5	(\$5.2)	\$29.4	\$1.8	(\$2.0)	\$29.2

In the table above the additions and uses are the estimated year end operational results including Capital Projects.

FIVE-YEAR FORECAST

The General Fund Five-Year Forecast spans FY 2016/17 – FY 2021/22, setting the stage for the FY 2016/17-2017/18 budget development. The Five-Year Forecast is an independent financial tool that is based upon current cost and revenue forecasts, but is designed to be fluid in nature to plan for expected changes in revenues and/or increases in expenditures.

The updated forecast, which covers FY 2016/17 through FY 2021/22, is based on several key general fund revenue and expenditure assumptions, many of which are determined by established policy, trend analysis from prior years, and/or empirical data provided by consulting and auditing firms.

The five-year financial projections below reflect revenues less expenditures projections for FY 2015/16 through FY 2021/22. It should be noted that with the on sunset of Measure E in FY 2015/16 beginning in FY 2016/17 and continuing through the forecast the City is projected to run a deficit in each subsequent year.

Five-Year Forecast

GENERAL FUND FORECAST	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
REVENUES	\$58.8M	\$50.8M	\$53.0M	\$53.1M	\$54.1M	\$54.1M	\$55.6M
EXPENDITURES	\$56.7M	\$54.5M	\$53.2M	\$55.4M	\$57.2M	\$59.2M	\$60.9M
REVENUES LESS EXPENDITURES	\$2.1M	(\$3.8M)	(\$.2M)	(\$2.3M)	(\$4.3M)	(\$5.1M)	(\$5.3M)

In the table above, the estimated FY 2016/17 (\$3.8M) deficit is a combination of two factors:

The economy is improving with the uptick in development; property tax has increased at a robust 4% annually, whereas Sales Tax is anticipated to increase at a mild 1% annually. The City received one-time funds of \$1.0M for a CDA refund realized in property tax, and \$0.5M triple flip final payment realized in Sales Tax. Preliminary trends indicate that assessed value in San Joaquin County will continue to steadily increase.

Recent Investments in our employees and in the community, along with the expiration of Measure E has put the City in a structural deficit. The City has a strong reserve balance, but future increased revenue opportunities will need to be investigated before the reserves fall below mandatory limits.

Several revenue opportunities are on the horizon, but cannot be incorporated into the forecast until there is a higher level of certainty as to if and when those projects will occur. In the interim, staff continues to develop revenue enhancement strategies and cost-containment approaches to mitigate assumed future deficits.

The following table shows the effects of the Five Year Forecast has on the City's reserves:

Projected Impact on Use of Balance & Reserves (By FY21/22)				
Fund Balance & Reserve Balances (Millions)	FY 16/17 Estimated Fund Balance			FY 21/22 Estimated Fund Balance
	Additions	(Uses)		
Fund Balance	\$5.07	\$5.0	(\$10.0)	\$0.0
Measure "E" Mitigation Reserve	\$7.0		(\$7.0)	\$0.0
Economic/Budget Stability Reserve	\$5.8		(\$5.3)	\$0.5
Contingency/Emergency Reserve	\$11.6		0.0	\$11.6
Total Fund Balance & Reserve	\$28.1	\$5.0	(\$22.3)	\$4.5

In 2011, during the middle of the recession, the Council Adopted 14 Budget Principles. Now is the appropriate time to revisit those Budget Principles to ensure the principles align with Council's goals.

- General Fund Reserves – 20%
- Budget – Balanced budget, use of reserves if necessary
- Economic Uncertainty Fund – Increase as budget allows
- Structurally Balanced Budget
- Proposed Budget Revisions – Annual proposed budget balancing plan shall be presented and discussed in context of the updated five-year forecast.
- Use of One-Time Resources - Used only for one-time payments
- Reserves – All funds shall maintain a 20% reserve
- Prudent Use of Debt – General Obligation debt limited to 8% of budget
- Capital Improvement Projects – City Council approval over \$25,000
- Fees and Charges – fees should cover cost of service
- Grants – Maximize use of Grants
- Personnel Services Costs – should not exceed 75% of General Fund operating budget
- Performance Measures - Funding requests include performance measurement data
- Budget Offsets – Supplemental appropriations accompanied by a corresponding reduction

FY 2016/17 CAPITAL BUDGET

The total proposed FY 2016/17 Capital Budget is approximately \$164 million including carry forward amounts. There are 56 new projects and 26 current with increased appropriations request which total \$66.3M.

- 161 Active Projects – Funded from FY 15/16 or Prior Years
- 56 New Projects for FY 16/17
- 219 Future Projects (Planning Purposes Only; No Funds Appropriated)
- \$66.3M Proposed New Appropriations for FY16/17(GF \$2.2 M)(Others \$64.1M)
- \$164M Grand Total Proposed FY 16/17 CIP Budget, including Carry-forwards.

This year funding for General Fund (Fund 301) projects is approximately \$4,200,000.

Available Funds for FY15/16	\$ 4,200,000
Projects Proposed for FY15/16	\$ 2,220,000
Unallocated Funds	\$1,980,000

As part of the FY 2016/17 Capital Budget Workshop, Council recommended use of Fund 301 monies to support the following active projects:

- Recarpet Police Facility (\$110.5K) Council Chamber Audio/Visual System Upgrade (\$142.9K)
- Replace Cooling Tower Police Facility (\$133K)
- Public Works Renovation Phase 2 (\$180K)
- Community Center Upgrades (\$200K)
- Senior Center Upgrades (\$70K)
- Median Landscape Improvements (\$70K)
- Roof Replacement – Tracy Library (\$232K)
- Basketball & Tennis Court Resurfacing – (\$75K)
- Playground Replacement Larsen Park – (\$250K)
- Public Restrooms – Legacy Fields – (\$450K)
- Computerized Maintenance Management System (CMMS) – (\$10K)
- Rehabilitation of Old Fire Station 96 – (\$70K)
- Fire Station 97 Repair and Renovation – (\$90K)

Funding was also recommended for an existing project:

- Joe Wilson Pool - Dr. Powers Park (\$135K)

The proposed **Non** General Fund projects are as follows:

- General Government and Public Safety Facilities – 2 Projects - \$973,730
- Traffic Safety - 3 Projects - \$256,250
- Water Improvements -7 Projects - \$1,737,000

- Streets & Highways - 9 Projects - \$5,332,650
- Wastewater Improvements - 12 Projects - \$1,876,000
- Drainage Improvements - 4 Projects - \$1,110,300
- Parks & Recreation Improvements – 2 Projects - \$2,327,615
- Miscellaneous Improvements - 1 Projects - \$50,000

STRATEGIC PLAN

This item is in accordance with Council Governance Strategy, Goal 2: Ensure continued fiscal sustainability through budgetary and financial stewardship and Objectives 1- 3: Update General Fund Reserve Policy, Develop Revenue Growth and Expenditure Reduction Strategies, and Enhance Fiscal Transparency.

FISCAL IMPACT

The attached proposed budget details the fiscal impact on all City funds.

RECOMMENDATION

It is recommended that the Council conduct a budget workshop to review and discuss the Proposed FY 2016/17 and 2017/18 City of Tracy Budget, Five-year Forecast, General Fund Reserve Policy and Budget Principles. No City Council action is required at the workshop.

Prepared by: V. Rachele McQuiston, Administrative Services Director
Allan Borwick, Budget Officer
Martha Garcia, Finance Division Manager

Reviewed by: Stephanie Garrabrant-Sierra, Assistant City Manager

Approved by: Troy Brown, City Manager

Attachment:

1. Legacy Fields Phase 1 and Phase 2 Remaining Amenities Menu
2. Proposed FY 2016/17 and 2017/18 City of Tracy Budget (Oversized: Available at the City Clerk's Office in City Hall and on the City of Tracy Website at: http://www.ci.tracy.ca.us/documents/FY1617_1718_Proposed_Financial_Plan.pdf)

Legacy Fields Phase 1 and Phase 2 Remaining Amenities Menu					
Item #	Location	Item	Description	Cost Estimate	Priority
1	Various	Develop Site Strategic Plan	Create a plan to address vision and goals for Legacy Fields	\$25,000	1
2	Various	Drinking Fountains	Place drinking fountains (8 @ \$3,500 each) throughout the complex	\$28,000	1
3	Various	Additional Restrooms/Concession	Construct 1 set of restroom/concession building per original specifications (includes 3 stalls for men and 3 for women with attached concession stand and storage room)	\$350,000	1
4	TBR 5th Baseball Field	Backstop and Dugouts	Construct backstop, overhang netting and 2 dugouts on the 5th baseball field that has only irrigation and drainage	\$325,000	1
5	TBR 5th Baseball Field	Outfield Turf	Seed outfield turf on the 5th baseball field that has only irrigation and drainage	\$85,000	1
6	TBR 5th Baseball Field	Infield Mix and Bases	Place infield mix and bases (Note - must be completed if backstop is completed) on the 5th baseball field that only has irrigation and drainage	\$75,000	1
7	TBR Site	Outfield Fencing and Warning Track	Secure the entire baseball wheel with 7 foot fencing and construct warning tracks	\$350,000	1
8	TBR/TLL	Bleachers	16 total @ \$7,500 each (5-row style bleachers)	\$120,000	1
9	TBR/TLL	Landscaping	Construct trees, shrubs, turf, hydro seed and other landscaping items for shade, wind block and aesthetics	\$350,000	1
10	TBR/TLL	Extend Electrical Service	To serve the electrical needs of each baseball wagon wheel restroom/concession	\$200,000	1
11	TYSL Soccer	Complete 2 Unfinished Soccer Fields	Includes soil prep, seed and 90-day maintenance period	\$135,000	1
12	TYSL Soccer	Landscaping	Planting of trees for shade and wind block	\$150,000	1
Sub-Total				\$2,193,000	
13	Various	Paved Parking	Pave existing parking lots (4) with asphalt for dust and mud control	\$570,000	1
14	Various	Security System	Placement of cameras in various locations to prevent vandalism and theft	\$50,000	2
15	Various	Maintenance Yard	Construct a centralized maintenance yard for large equipment and maintenance staff	\$250,000	2
16	Various	Parking Lot Gates	Place gates at entrance of parking lots to allow leagues to charge fees for parking	\$16,000	2
17	Various	Backflow/Flow Meter	Prevent cross contamination of water and sewer	\$60,000	2
18	Various	Site Furnishings	Picnic benches/tables (26), bike racks (22), trash receptacles (28) throughout the complex	\$90,000	2
19	Various	Restrooms/Concession	Construct 1 set of restroom/concession buildings per original specifications (includes 3 stalls for men and 3 for women with attached concession stand and storage room)	\$350,000	2
20	Various	Upgrade Water System	This will add a redundant source of water in the event the pond fails - eventually will be connected to the new recycle	\$50,000	2
21	TBR Site	Foul Line Fencing	Placement of foul line fencing to prevent spectators from entering the field and to prevent line drive foul balls from entering spectator area	\$100,000	2
22	TBR/TLL	Hardscaping	Construct hardscape (decomposed granite, asphalt or concrete) in the middle of wagon wheels (fields currently have only an ADA concrete pathway surrounded by dirt - this would cover the dirt area). Includes construction of concrete sidewalks, DG paths and viewing areas, and other surface treatments at \$200,000 per wagon wheel.	\$400,000	2
23	TBR/TLL	Shade Structures	Throughout the site	\$150,000	2
24	TLL Site	Complete Outfield and Foul Line Fencing	Secure the entire baseball wheel with 7 foot fencing (gates and foul line fencing)	\$75,000	2
25	TYSL Soccer	Bleachers	8 total @ \$7,500 each (5-row style bleachers)	\$60,000	2
26	TYSL Soccer	Shade Structures	Place shade structures throughout the soccer site	\$100,000	2
Sub-Total				\$2,321,000	
27	Various	Drinking Fountains	Place drinking fountains (16 @ \$3,500 each) throughout the complex	\$56,000	3
28	Various	Storage Units	Construct storage units in various locations for field prep materials and tools	\$50,000	3
29	Various	Signage	Place large entrance signage (similar to the entrance at the Tracy High football stadium) and way finding signage throughout the complex	\$100,000	3
30	Various	Flag Poles w/ Lights	Place flag poles and lights throughout the complex	\$10,000	3
31	TLL Site	Construct 2 Large Baseball Fields	Construct the 2 planned large baseball fields that will include all amenities (backstop, dugouts, turf, infield, irrigation, drainage, fencing, stadium lights, ADA pathways, bleachers)	\$726,000	3
32	TYSL Soccer	Stadium Lights	4 soccer fields	\$1,500,000	3
33	TBR/TLL	Stadium Lights	Stadium lights for 9 baseball fields (including all electrical work)	\$4,200,000	3
34	TBR/TLL	Scoreboards	Electronic scoreboards at each field (8 total @ \$20,000 each)	\$160,000	3
35	TBR/TLL	Playgrounds	construct playground structures for youth and toddlers in various locations	\$300,000	3
36	TBR/TLL	Batting Cages	For both wagon wheels	\$250,000	3
Sub-Total				\$7,352,000	
Phase 1 Total				\$11,866,000	
37	Phase 2	Infrastructure Expansion for Phase 2	Construct necessary infrastructure to serve remaining 84 acres of Legacy Fields (also referred to as Phase 2) that includes mass grading, offsite roadway and utilities, onsite roadway, gravel parking lots, storm drainage, sewer, water, irrigation and landscaping (does not include construction of any sports fields)	\$8.3-\$9.3M	4

	Priority 1 = 1-3 years
	Priority 2 = 3-5 years
	Priority 3 = 5-10 years

*Menu and menu items do not include design support and construction management related costs.