

City of
VALLEJO
California



VALLEJO'S FINANCIAL OUTLOOK

FEBRUARY 26, 2013

OVERVIEW

- Economic Update
- Final Report on FY 11/12 Budget
- Status of FY 12/13 Budget
- Update on Measure B
- Update on CIP
- Obligations, Risks and Uncertainties
- Questions and Feedback

KEY MESSAGES

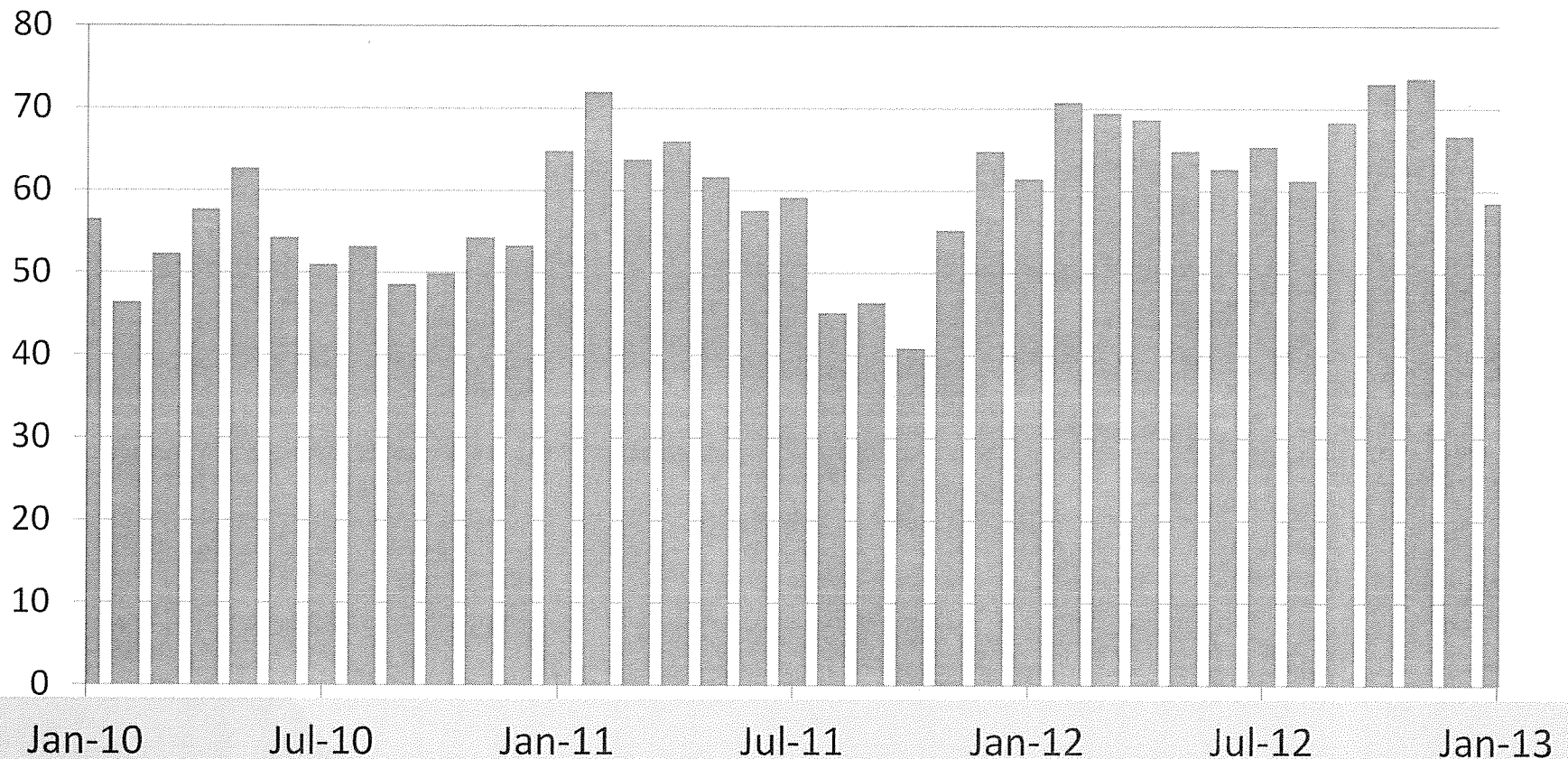
- **Economy remains slow to recover**
- **Revenues are beginning to stabilize**
 - Sales tax is increasing
 - Property taxes are beginning to increase
- **Passage of Measure B provides financial resources in interim (10 years) to prevent additional painful reductions and allow for strategic investments**
- **Current budget does not adequately address anticipated future needs and unfunded liabilities**
- **Limited ability to absorb unanticipated ongoing revenue reductions or additional expenditure requirements**

ECONOMIC UPDATE

ECONOMIC UPDATE

- Last minute deal to avoid the “fiscal cliff” deferred spending cuts for 2 months
- U.S. will again need to raise the debt ceiling
- State’s labor markets are slowly improving, but unemployment is expected to remain high
- Housing continues to be a drag on the recovery
- The Affordable Care Act will change how health care is provided

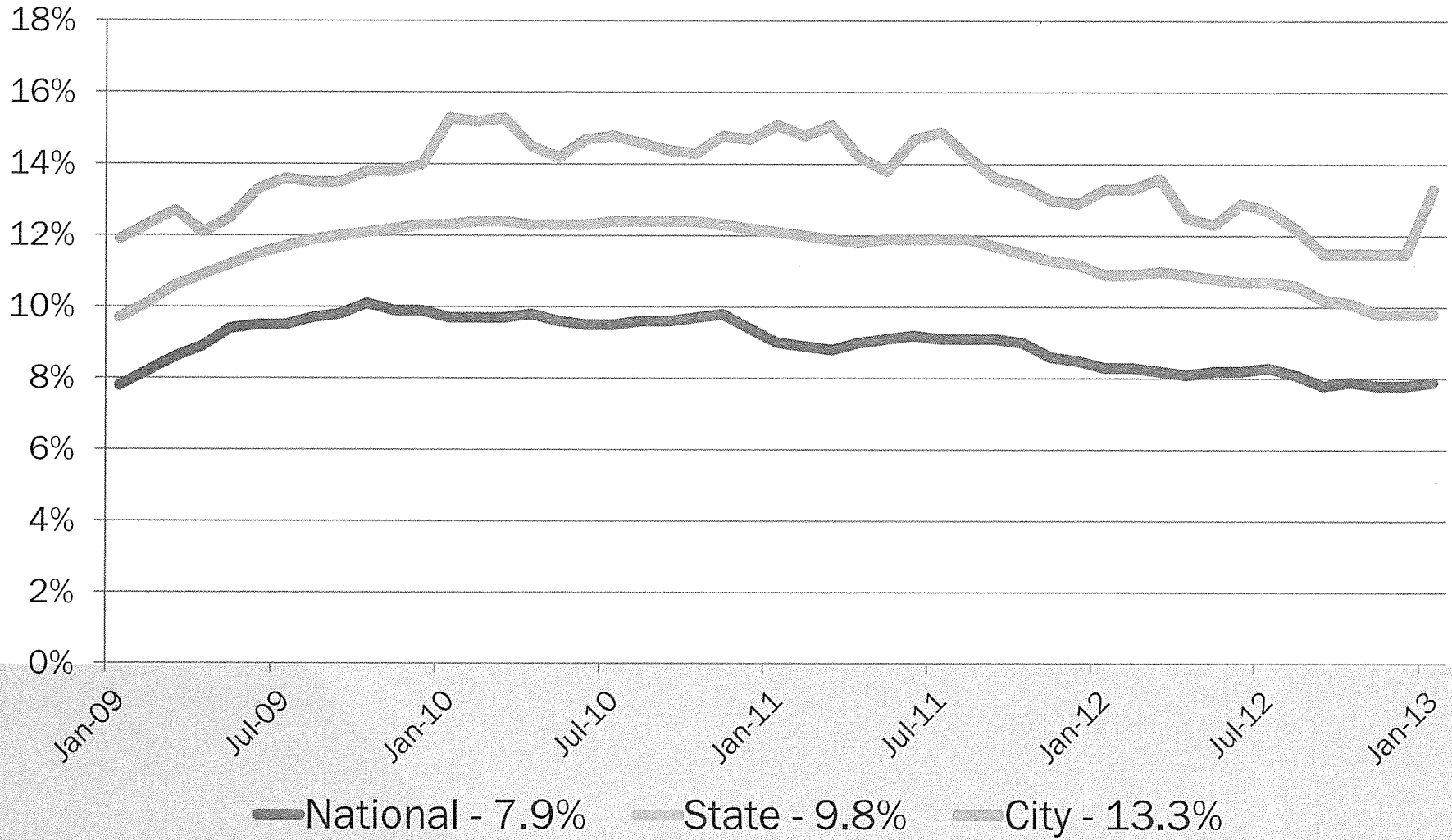
U.S. CONSUMER CONFIDENCE DOWN IN DECEMBER AND JANUARY



Consumer confidence is the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

UNEMPLOYMENT

AS OF JANUARY 2013



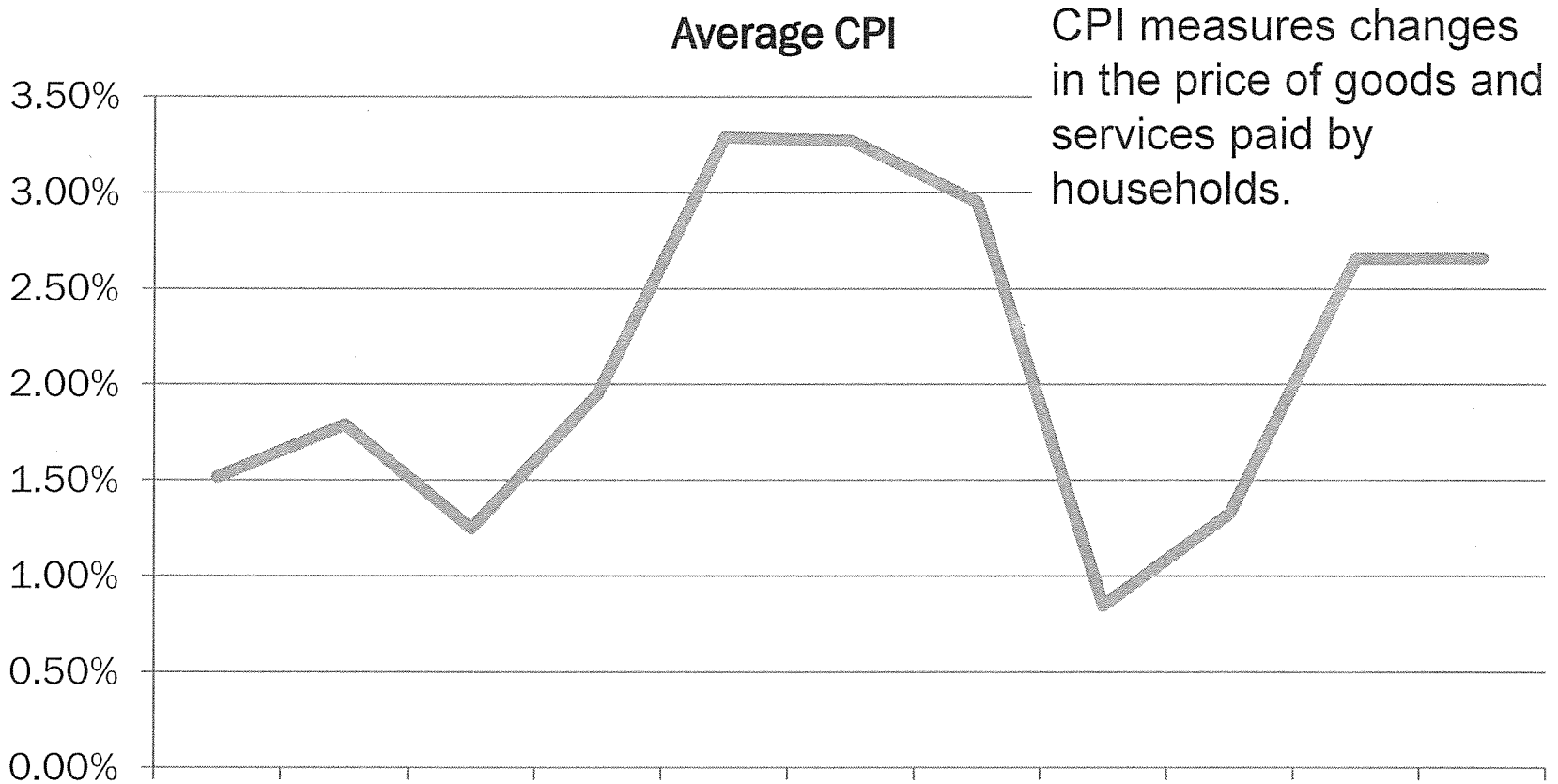
STATE BUDGET DEFICIT

The State's challenges this year are broken down into 4 categories:

- The impacts from the Federal Government/ Fiscal Cliff
- Uncertainty from the recession
- Federal Court Actions
- Healthcare cost to implement the Affordable Care Act

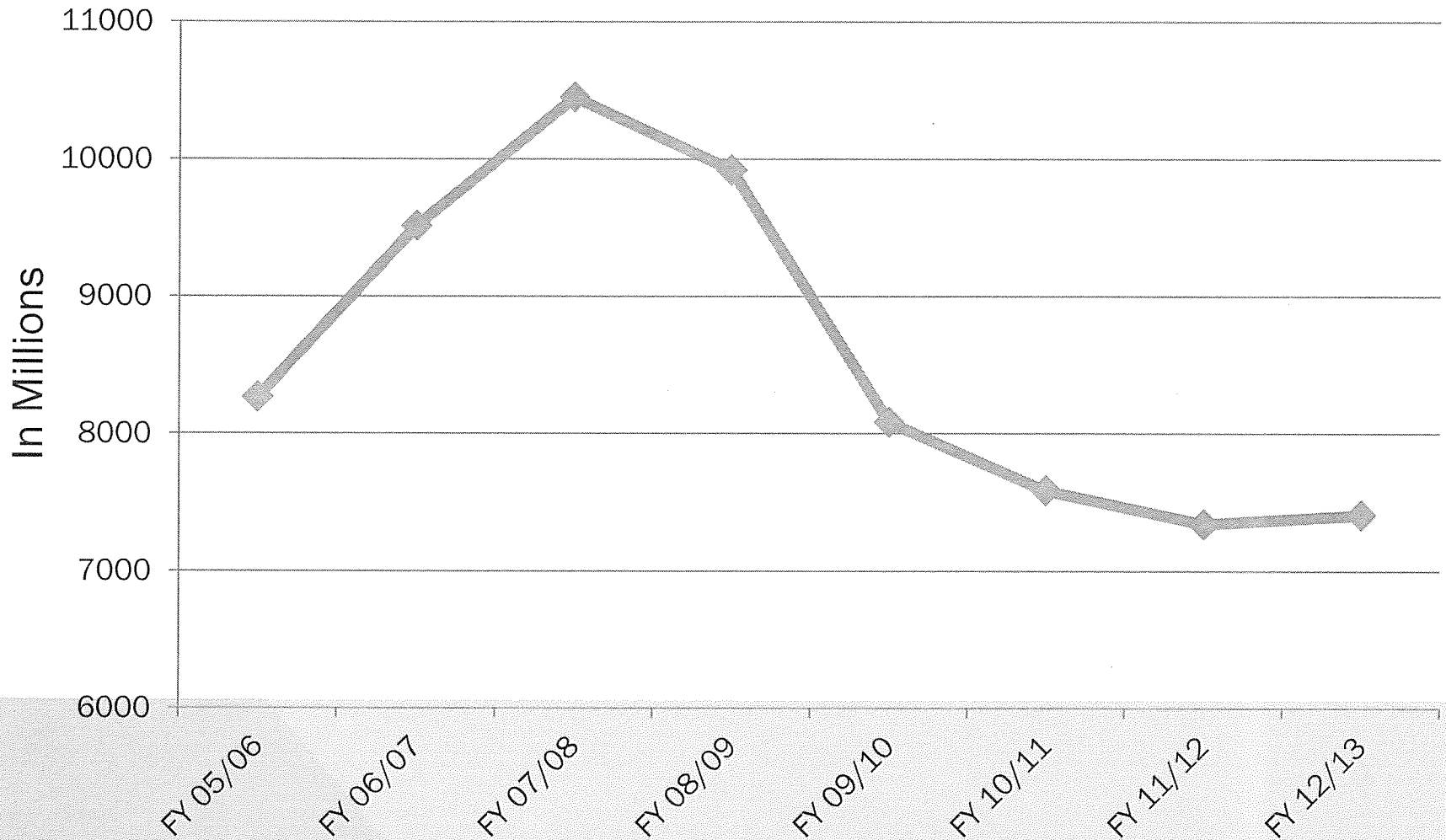
The Governor released his budget proposal January 10th. He is projecting a balanced budget with multi-year surpluses. During the press conference, the governor declared the State's operating deficits are gone.

HISTORIC CONSUMER PRICE INDEX



3 year average 2.22%
5 year average 2.09%
10 year average 2.20%

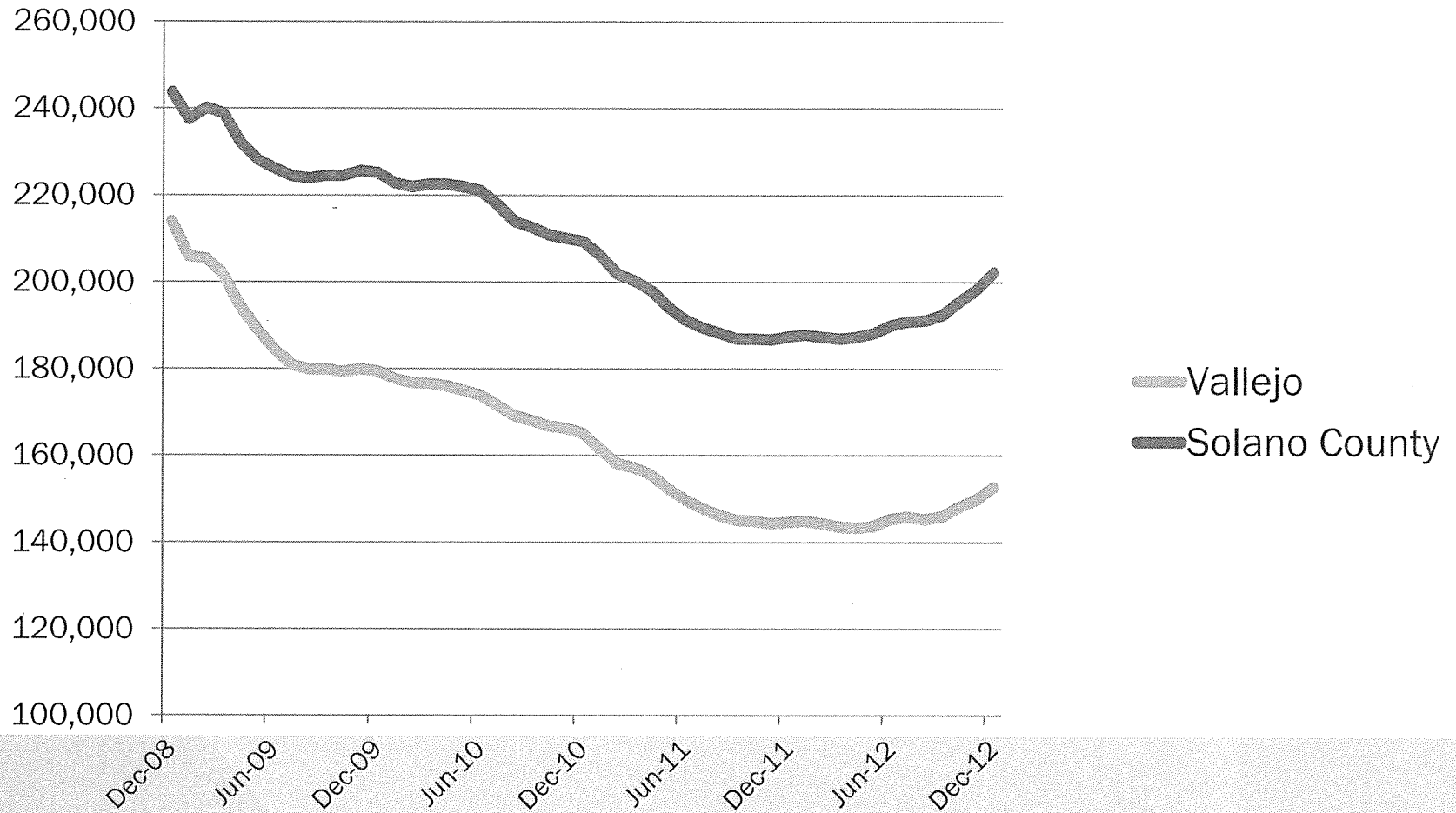
CITYWIDE ASSESSED VALUE TREND



Less than 1% increase from FY 11/12

VALLEJO MEDIAN HOME PRICE

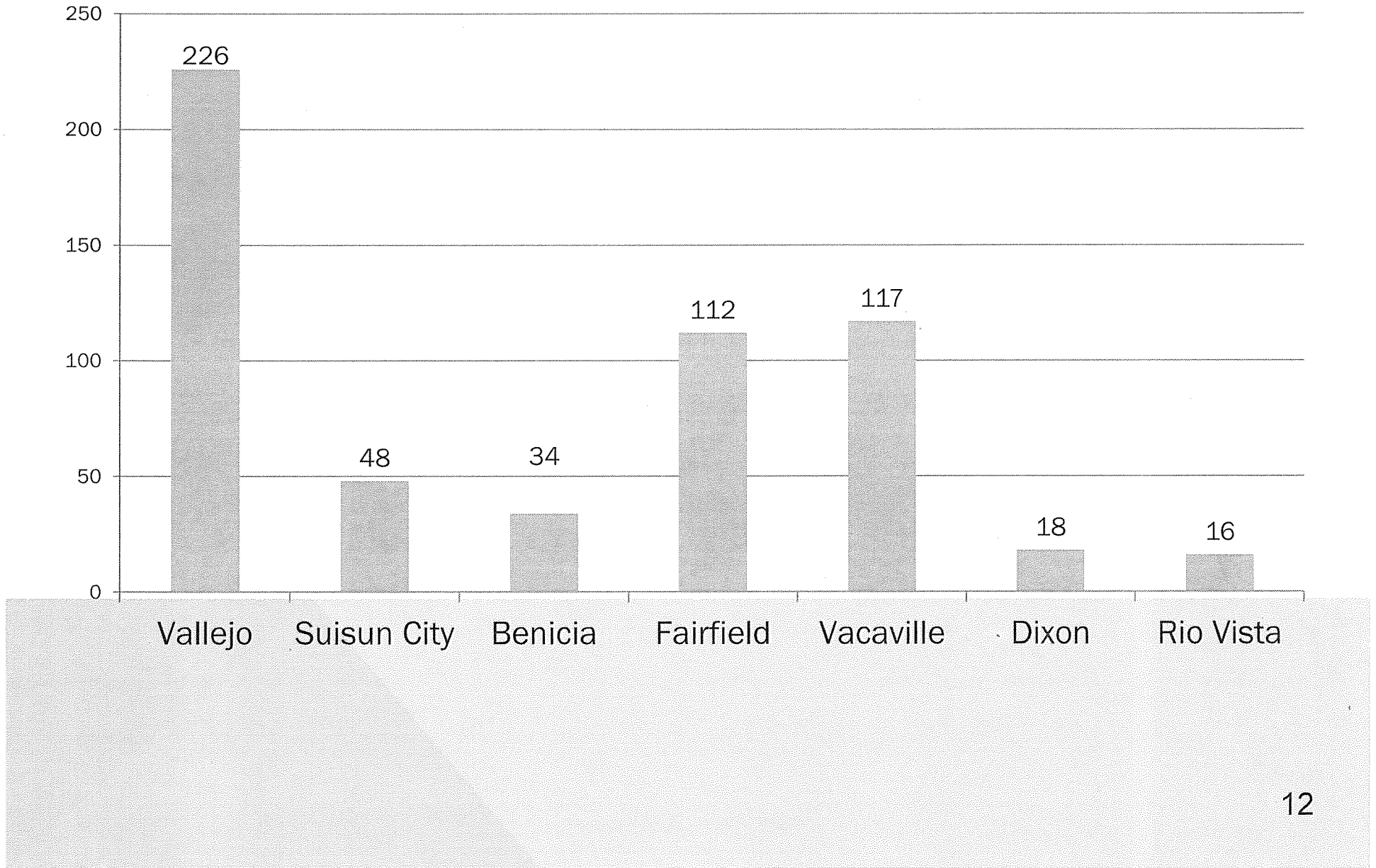
AS OF DECEMBER 2013



*** Home Prices reached bottom in April 2012

PROPERTIES IN FORECLOSURE

AS OF DECEMBER 2012



**FINAL REPORT ON
FY 2011-12 CITY BUDGET**

FY 2011-12 OPERATING RESULTS

- **Ending Undesignated Fund Balance or Reserves were higher than expected by \$400,000**
- **Revenues exceeded expectations by \$1.2 Million**
 - Property Tax was \$917,500 greater than projected
 - Sales tax was \$484,000 greater than projected
- **Expenditures were below expectations by \$220,000**
 - Salaries & Benefits were \$754,000 below expected
 - Services and Supplies were \$1 Million above budget
- **Ending Reserve balance \$7.4 Million or 11.7%**

Note: the FY 12/13 Budget uses \$3.8 Million of FY 11/12 ending reserve balance in order to balance the operating needs of the City to end the year with a 7.8% undesignated reserve balance

STATUS OF FY 2012-13
CITY BUDGET

CITY OF VALLEJO FY 2012-13 BUDGET

- **City-Wide Adopted Budget – All Programs**

- ✓ \$200 million

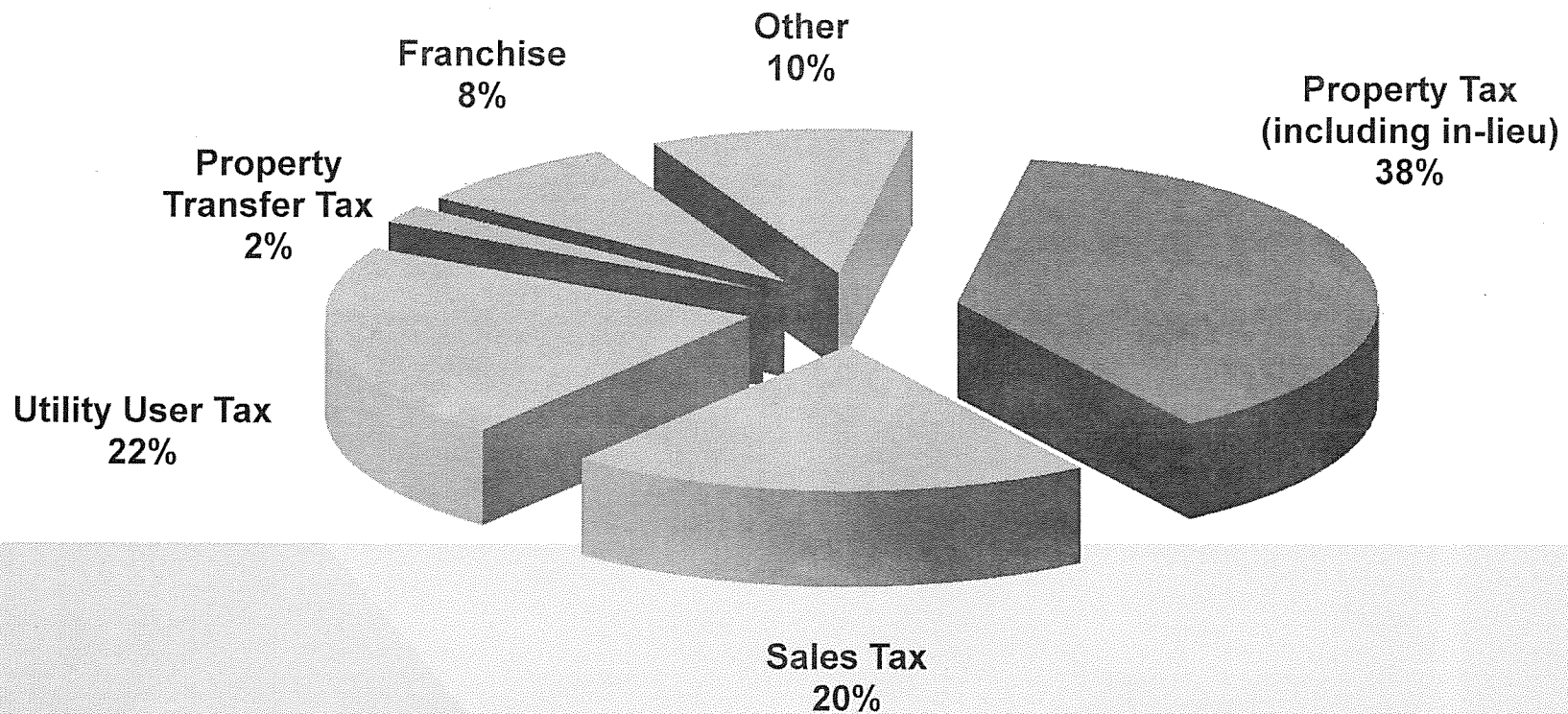
- **General Fund Adopted Budget**

- ✓ \$79.5 million – 40% of total budget

- ✓ Measure B is General Fund Revenue but is reported separately

MAJOR REVENUE SOURCES

Percent of General Unrestricted Tax Revenues
(excludes Measure B and Program Income)



MAJOR REVENUE SOURCES (CONTINUED)

Property Tax — 38% of total general fund revenues

- **Revenue = 1% of City's Assessed Value (AV)**
- **Vallejo property values are beginning to show slight improvement**
- **AV growth limited to lesser of CPI or 2%**
 - FY 10/11 had the first ever negative adjustment
 - FY 11/12 adjustment was positive 0.753%
 - FY 12/13 adjustment was capped at 2%
- **Vallejo FY 12/13 budget projected no change in this revenue from FY 11/12**
- **Actual receipts show an increase of 3.2%**

MAJOR REVENUE SOURCES

(CONTINUED)

Sales Tax – 20% of total general fund revenues

- Revenue = 1% of taxable sales
- Vallejo FY 12/13 budget projected an increase of 2% from FY 11/12
- Actual receipts show an increase of 6%
- Passage of Measure B doubles this revenue adding approximately \$10 Million annually for 9 more years.

MAJOR REVENUE SOURCES

(CONTINUED)

Utility Users Tax — 22% of total general fund revenues

- **Tax on gas, electricity, telecommunication services**
- **Re-established by Vallejo voters in November 2009 to comply with Federal Laws**
 - 7.5% - gas and electricity
 - 7.3% - television cable and telephone services
- **Vallejo FY 12/13 budget projected a slight decrease to this revenue compared to FY 11/12**
- **Actual receipts show a decrease of 2%**
- **Conservation and Bundled services are reducing revenues**

FY 12/13 BUDGET STATUS

ESTIMATES BASED ON ACTUALS THROUGH DECEMBER 2012

FY 12/13 Revenues up \$942,100

Property Taxes (including MVLFF in lieu)	\$ 320,000
Sales Tax	670,000
Measure B Sales Tax	500,000
Utility Users Tax	(267,400)
Franchise Taxes	233,000
Other General Taxes	225,000
Program Revenues	(738,500)
TOTAL Proposed Revenue Adjustments	\$ 942,100

FY 12/13 BUDGET STATUS

ESTIMATES BASED ON ACTUALS THROUGH DECEMBER 2012

FY 12/13 Expenditures up \$226,545

- ❖ \$4 M of Salary Savings Expected
- ❖ \$1.6 M in Salary savings reduced from budget
- ❖ \$1.4 M in additional Leave payouts expected
- ❖ \$401,545 added to departmental budgets for unexpected additional expenditures

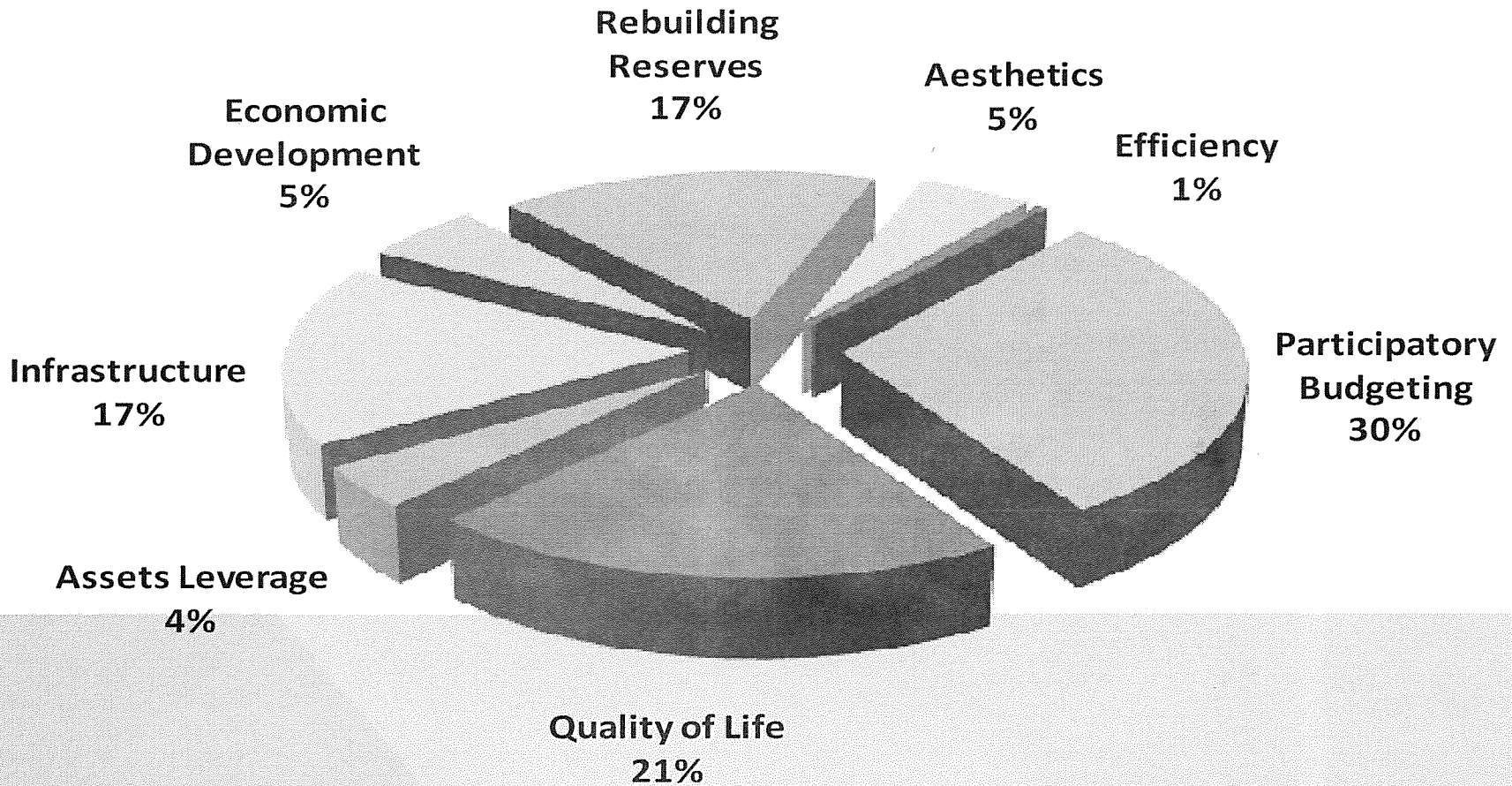
Items reduced in order to balance the FY 12/13 budget

- ❖ Reserve Balances – reduced by \$3.8 M
- ❖ Infrastructure Maintenance – reduced by \$891,200
- ❖ CalPERS Supplemental Payment – reduced by \$720,000

Net effect to the FY 12/13 GF Budget \$715,555

MEASURE B PROJECT UPDATE

MEASURE B FUNDS DISTRIBUTION

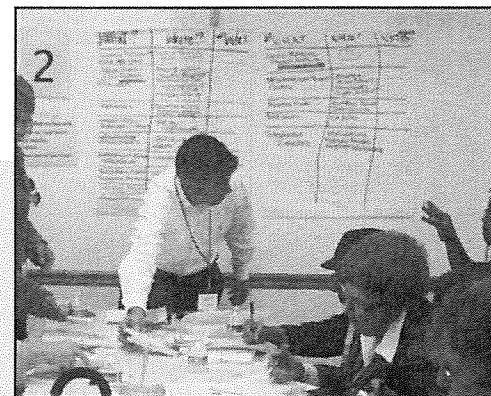


PARTICIPATORY BUDGETING

30% - \$3.4 MILLION

➤ Timeline

- ❖ March: Budget Delegates finalizing proposals to be submitted to Staff for review.
- ❖ April: Project Expos scheduled.
- ❖ May: Voting scheduled.
- ❖ June: Final recommendation to Council.



PRESERVING AND ENHANCING PUBLIC SAFETY AND QUALITY OF LIFE

21% - \$2.8 MILLION

➤ **5 Field Police Officers - \$1 Million**

- ❖ 1 Police Officer hired on January 28. He has begun the Field Training Program.
- ❖ 2 former Vallejo Police Cadets/Police Trainees will graduate from the Police Academy on March 22 and will begin the Field Training Program on March 25.
- ❖ 2 Police Officer candidates are currently undergoing background checks. Pending the outcome, it is anticipated that they will be hired by April 1.

PRESERVING AND ENHANCING PUBLIC SAFETY AND QUALITY OF LIFE

21% - \$2.8 MILLION

- **Data Terminals (MDT) - \$645,000**
- **Computer Aided Dispatching (CAD) Records Management System (RMS) - \$650,000**
 - ❖ Preferred vendors and products have been reviewed by Police Department Staff.
 - ❖ Next steps are being reviewed by the City Attorney.

PRESERVING AND ENHANCING PUBLIC SAFETY AND QUALITY OF LIFE

21% - \$2.8 MILLION

➤ **Disaster Preparedness - \$60,000**

- ❖ Contract under review by City Attorney. Pending approval, program anticipated to commence in March.

➤ **Reserve Firefighter Program - \$20,000**

- ❖ Under review by Risk Management for Insurance and Liability.

PRESERVING AND ENHANCING PUBLIC SAFETY AND QUALITY OF LIFE

21% - \$2.8 MILLION

➤ **Code Enforcement - \$200,000**

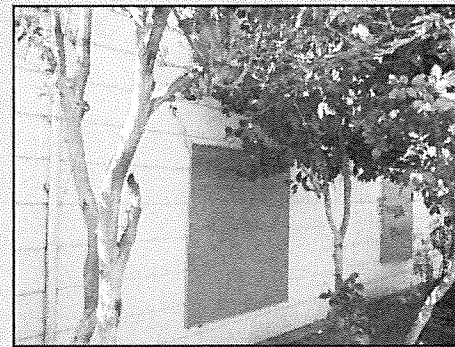
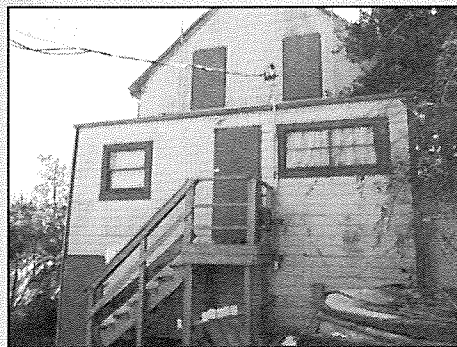
- ❖ Hired two temporary officers to begin pro-active inspections of: vacant buildings, code violations per the downtown action plan, and pro-active inspections in partnership with the Inter-Agency Entrance and Major Thoroughfare Collaboration Team.
- ❖ Initiated the Pro-Active Graffiti Inspection and Removal process for private properties in partnership with the Public Works Vallejo Free of Graffiti (V-FOG) program.

PRESERVING AND ENHANCING PUBLIC SAFETY AND QUALITY OF LIFE

21% - \$2.8 MILLION

➤ **Neighborhood Law Program - \$255,000**

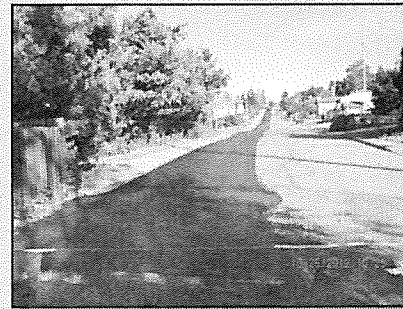
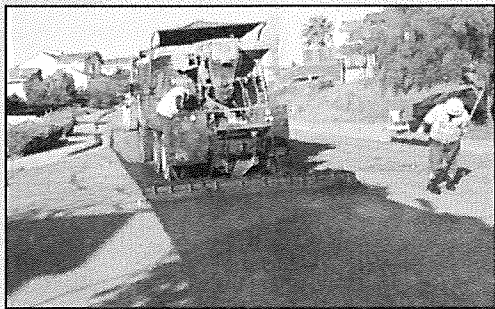
- ❖ Neighborhood Law Program kicked-off on January 17th.
- ❖ Created 'Watch List' and 'Action List' of properties.
- ❖ Formed team of City staff from the Police Department, and Code and Building Divisions.
- ❖ Have met with neighborhood groups and property owners to facilitate the speedy abatement of nuisance buildings.



ENHANCING AND RECONSTRUCTING INFRASTRUCTURE - \$2.1 MILLION

➤ **Streets Maintenance - \$1.7 Million**

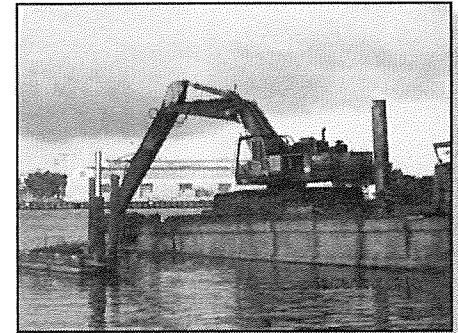
- ❖ Slurry Seal Project: 80 of 107 roads complete. Remaining 27 roads scheduled to be completed this spring when the weather improves.
- ❖ Pavement Rehabilitation bid will go out in March. Project anticipated to begin by June.
 - Sereno Drive between Tuolumne Street and Fairgrounds Drive.
 - Admiral Callaghan Road between Columbus Parkway and Turner Drive.



ENHANCING AND RECONSTRUCTING INFRASTRUCTURE - \$2.1 MILLION

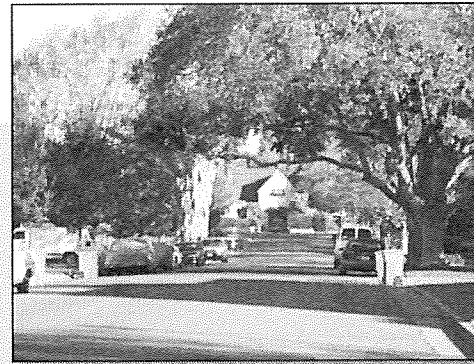
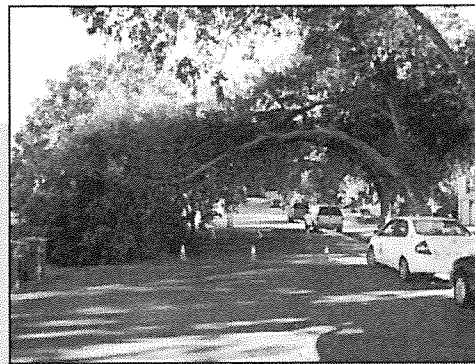
➤ **Marina Dredging - \$300,000**

- ❖ Project completed on November 30, 2012.



➤ **Tree Maintenance Program - \$100,000**

- ❖ Public Works staff have trimmed 875 trees and ground out 36 stumps.



REBUILDING RESERVES

\$2 MILLION

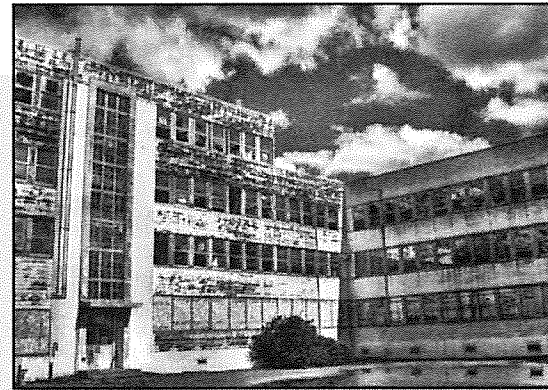
- **Rebuild General Fund Reserve - \$1,500,000**
- **Rebuild Risk Fund Reserve - \$500,000**
 - ❖ Funding holding up.
 - ❖ Full review of reserve funds will take place in year end process.

IMPROVING COMMUNITY AESTHETICS

\$625,000

➤ **North Mare Island Building Demolition - \$500,000**

- ❖ Three phase process: identification and assessment of hazardous materials and conditions; abatement of those materials and conditions; and demolition of the buildings.
- ❖ An assessment is being performed on building 655.
- ❖ Upon completion, a contract will be advertised and awarded for abatement and demolition by May 2013.

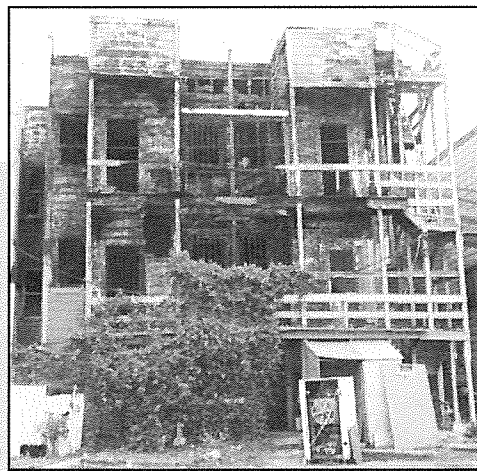


IMPROVING COMMUNITY AESTHETICS

\$625,000

➤ **Building Demolition - \$60,000**

- ❖ Under review by the Engineering Division.
- ❖ After review, the Public Works Department will perform a Structural Hazmat Assessment.
- ❖ First property is scheduled for demolition by June 2013.

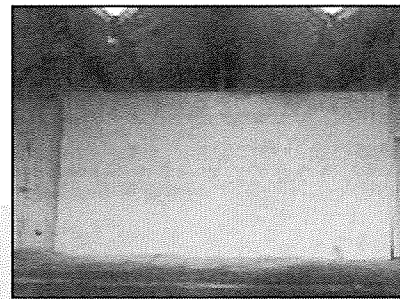


IMPROVING COMMUNITY AESTHETICS

\$625,000

➤ **Graffiti Abatement - \$40,000**

- ❖ The Public Works Department has received over 250 calls for service since July 2012.
- ❖ Merlin Graffiti detection devices were recently installed and can detect the sound of aerosol being sprayed. An alert is ultimately sent to the Police Department.



➤ **Citywide Volunteer Coordinator - \$25,000**

- ❖ Under evaluation by the Human Resources Department.

ECONOMIC DEVELOPMENT

\$550,000

➤ **General Plan Update - \$400,000**

- ❖ The Planning Division is working with the recommended consultant teams to finalize the scope and budget.
- ❖ The next steps will include finalization of the consultant contract and a presentation to Council for consideration.
- ❖ Included in the project scope is a robust civic engagement component, that will include a number of opportunities for the community to help guide the vision and goal-setting.

➤ **Project Management and Marketing - \$150,000**

- ❖ Recommendation will be provided to Council for consideration.

LEVERAGING CITY ASSETS

\$480,000

- **Community Based Organizations - \$450,000**
 - ❖ Vallejo Naval & Historical Museum Lighting Retrofit and upgrade complete. (\$30,000)
 - ❖ Replacement of Cunningham Pool boiler complete. (\$120,000)
 - ❖ Solano County JFK Library renovation anticipated to be complete by May 2013. (\$250,000)
 - ❖ Florence Douglas Senior Center HVAC replacement. Informal bids will be advertised in March 2013. Project anticipated to be complete by May 2013. (\$50,000)

LEVERAGING CITY ASSETS

\$480,000

➤ **Interagency Efficiency - \$30,000**

- ❖ The Interagency Committee is comprised of representatives from the City, Vallejo Sanitation and Flood Control District, Greater Vallejo Recreation District, Solano Community College, Solano County Library and the Vallejo City Unified School District.
- ❖ A consultant was retained to work on the collaborative effort to consolidate US Postal Service mailing services, pooled office supply purchasing, coordinated security camera acquisition, maintenance and monitoring, and consolidated software licensing.
- ❖ The effort is moving forward and subsequent meetings are being scheduled to review the consultants efforts.

GOVERNMENT EFFICIENCY

\$65,000

➤ **Records Retention Program**

- ❖ Preliminary meetings are in process with representatives or “Records Coordinators” for each Department.
- ❖ Next steps include organization of gathered information to be reviewed by Records Coordinators, and approval of each records filing index.
- ❖ The index will then be used to research each type of records series. All departments will be responsible for maintaining all levels of records retention; creation, active use, and final disposition.

CIP BUDGET PROJECT UPDATE

CAPITAL IMPROVEMENT PROGRAM - CIP

➤ **Citywide Street Rehabilitation**

- ❖ Budgeted in FY10/11 and FY11/12 - \$2.5M
- ❖ Funded with Capital Grants and Traffic Congestion Relief Funds
- ❖ Mini, Magazine, Rollingwood, Florida, Skyline
- ❖ Construction complete November 2012
- ❖ Project acceptance April 2013

➤ **Downtown Streetscape Phase 2**

- ❖ Budgeted in FY11/12 - \$2.5M
- ❖ Funded with Capital Grants and Traffic Congestion Relief Funds
- ❖ Virginia and Sacramento Streets
- ❖ Construction underway
- ❖ Project completion anticipated May 2013

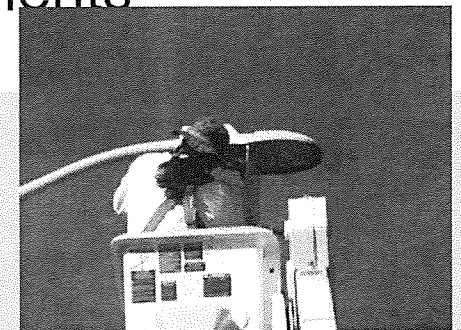
CAPITAL IMPROVEMENT PROGRAM - CIP

➤ Glen Cove Improvements

- ❖ Budgeted in FY07/08 - \$1.2M
- ❖ Funded with Property Tax Special Assessments
- ❖ Streetlight conversion; illuminated crosswalks; radar speed signs; street maintenance

➤ Fairgrounds Drive Improvements

- ❖ Budgeted in FY07/08 and FY11/12 - \$1.5M
- ❖ Funded with Property Tax Special Assessments



CAPITAL IMPROVEMENT PROGRAM - CIP

➤ **Sacramento Street Bridge**

- ❖ Budgeted in FY07/08 and FY10/11 - \$10M
- ❖ Funded with State & Federal Grants, Capital Outlay Fund
- ❖ Currently in environmental phase
- ❖ Scope changed from seismic retrofit to bridge replacement

➤ **Ferry Maintenance Facility**

- ❖ Budgeted in prior fiscal years - \$16.5M
- ❖ Funded with Transportation Capital Fund
- ❖ Project transferred to WETA

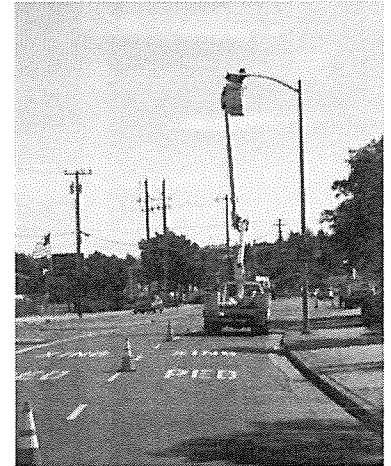
NOTE: The Capital Outlay fund receives funding from General Fund, Technology Fund, Assessment District Funds and other sources

CAPITAL IMPROVEMENT PROGRAM - CIP

➤ **Projects Funded with Mare Island Community Facilities District Funds**

1. Mare Island Causeway Bridge Deck Repairs

- ❖ Budgeted in FY11/12 - \$670k
- ❖ Project complete, accepted August 14, 2012



2. Mare Island Streetlights

- ❖ Budgeted in FY11/12 - \$100k
- ❖ To date \$67k expended and 95 LED streetlights installed
- ❖ Next phase will install retrofit LED lighting in residential neighborhoods with the remaining \$33k

CAPITAL IMPROVEMENT PROGRAM - CIP

➤ **Projects Funded with Mare Island Community Facilities District Funds (cont.)**

3. Mare Island Street Rehabilitation

- ❖ Budgeted in FY11/12 - \$680k
- ❖ Project complete, acceptance April 2013

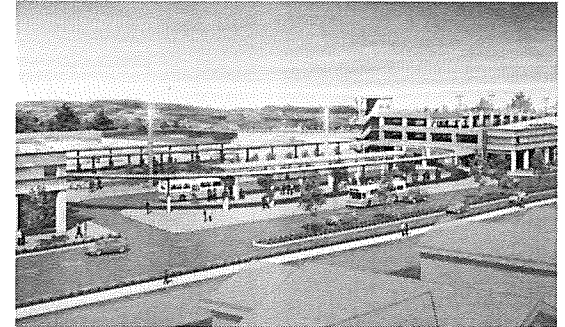
4. Mare Island Causeway Bridge West Approach

- ❖ Budgeted in FY10/11 - \$2.7M
- ❖ Currently in final design phase
- ❖ Construction anticipated to begin 2014

CAPITAL IMPROVEMENT PROGRAM - CIP

➤ Vallejo Station Parking Structure

- ❖ Budgeted prior years \$57M
- ❖ Funded with Vallejo Station Fund
- ❖ Construction of Parking Structure Phase A complete
- ❖ Installation of parking revenue system summer 2013
- ❖ Next steps
 - Relocate Post Office
 - Environmental mitigation



➤ Lemon Curtola Parking Structure

- ❖ Budgeted in FY10/11 and FY11/12 - \$1.5M
- ❖ Funded with Transportation Capital Grants
- ❖ Project transferred to SolTrans, COV will administer
- ❖ Next step RFP/RFQ for final design and bid documents
- ❖ Construction anticipated 2014

CAPITAL IMPROVEMENT PROGRAM – WATER SYSTEM

- Funding was appropriated in the FY 12/13 budget for 18 projects costing \$4,733,000
- Mid-Year proposed adjustments request an additional \$500,000 for a total of 20 projects costing \$5,233,000

FY 12/13 Capital Improvement Program - Water	FY 12/13 Budget	Mid-Year Adjustments	After Adjustments
Facilities Maintenance & Replacement Projects	\$ 739,000	\$350,000	\$1,089,000
Equipment Upgrades	835,000	\$150,000	\$985,000
Failed Infrastructure Piping Replacement	2,459,000	\$1,000,000	\$3,459,000
Funding for Grid Zone Water Main	700,000	(\$1,000,000)	(\$300,000)
Total	\$4,733,000	\$500,000	\$5,233,000

CAPITAL IMPROVEMENT PROGRAM – WATER SYSTEM

- **New Project: New Capitol Zone Pump Station Project**
 - ❖ \$100,000 budget
 - ❖ Acquiring property, under design

- **New Project: Cordelia Unit No. 3 Emergency Standby Replacement Project**
 - ❖ \$500,000 budget
 - ❖ Design finalized
 - ❖ Equipment to be procured upon approval of budget

OBLIGATIONS, RISKS AND UNCERTAINTIES

FUTURE OBLIGATIONS WE MUST PLAN FOR

- CalPERS unfunded liabilities \$146.6 M

per CalPERS October 2012

- OPEB – Other Post Employment Benefits unfunded liabilities \$82.1 M

per April 12, 2011 actuarial report

- Fleet replacement

Annual depreciation \$923,000

- Leave pay-outs

5 year average \$1.7 M

THE TOOL WE USE

- Annual Budget

RISKS WE MUST PLAN FOR

- Lawsuits
- Natural Disasters
- Economic Decline
- Federal Budget deficit impacts
- Impact of the Affordable Care Act

THE TOOL WE USE

- Adequate Reserves

OBLIGATIONS THAT ARE INADEQUATELY ADDRESSED

- Infrastructure Maintenance
- Public Safety
- Unfunded Liabilities
- Unanticipated Risks
- Reserve Balances

QUESTIONS & FEEDBACK