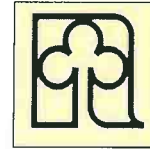


City of Newark

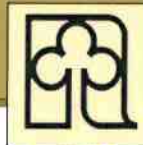


Budget Work Session

2018-2020
Biennial Budget

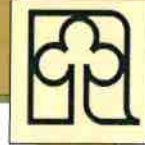
February 8, 2018

Agenda



- Overview
- Current Budget Updates and Budget Trends
- Department Priorities 2018-2020
- Budget Forecasts
- Next Steps

Overview



Budget Process

State Budget

PERS Rates

New Residential/Commercial
Development

Federal Tax Reform



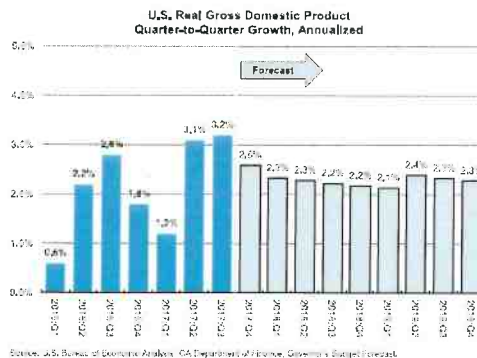
**Current Budget
And
Budget Trends**

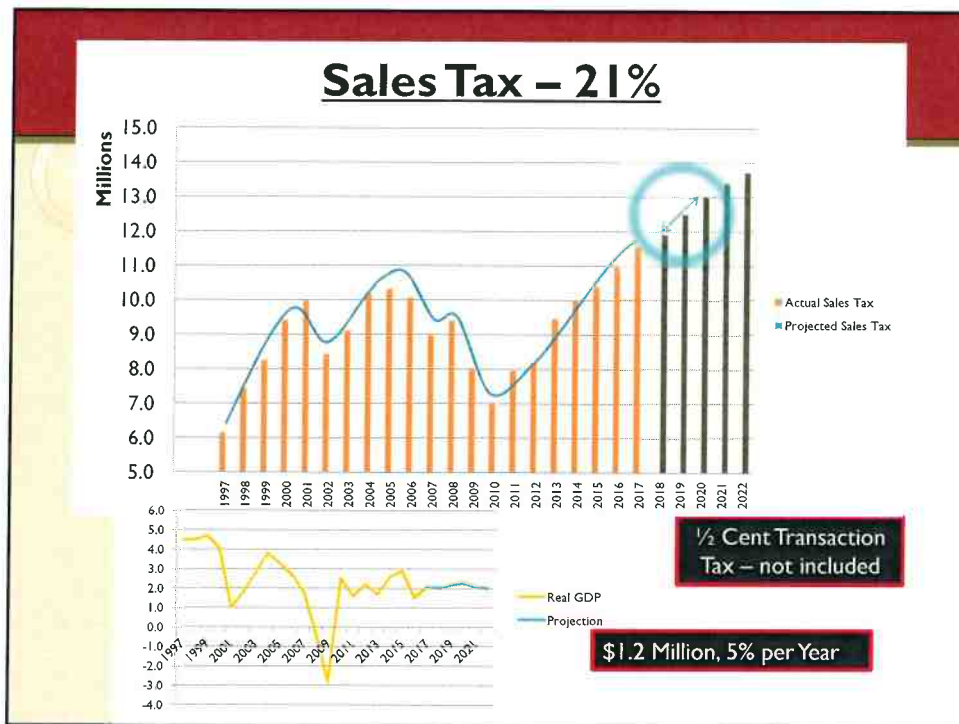
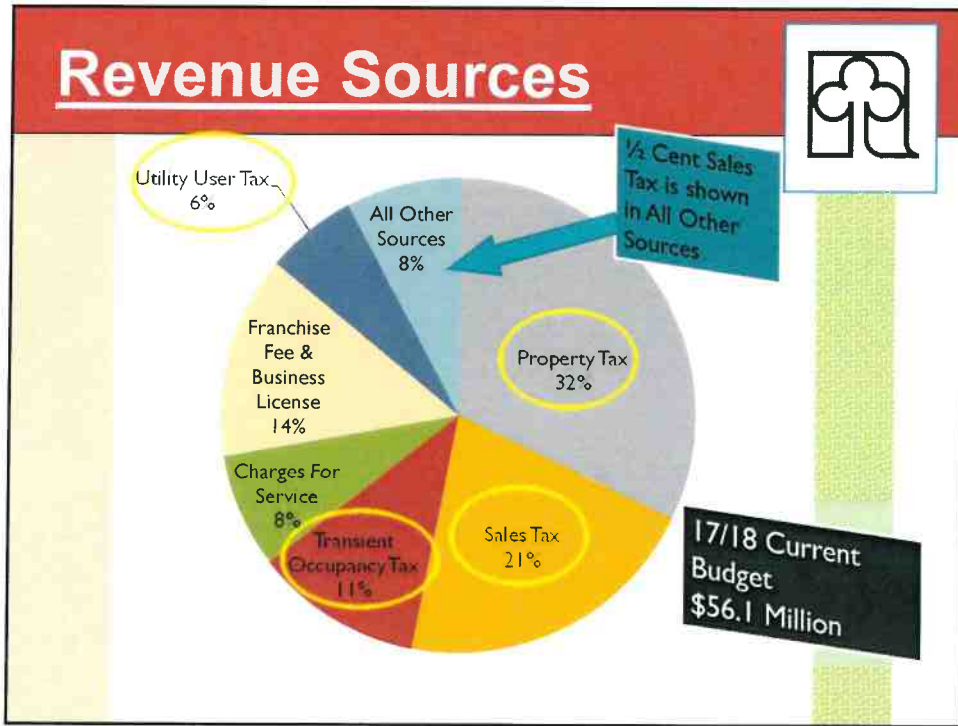
Previous Year & Current Year Budgets

In Millions	2016-17 Final Budget	2016-17 Actuals	2017-18 Approved Budget
General Fund Revenue	\$45.3	\$50.1	\$49.2
½ Cent Sales Tax	\$0.8	\$0.9	\$3.5
UUT Revenue	\$4.0	\$3.5	\$3.4
<u>Total General Fund Revenue</u>	\$50.1	\$54.5	\$56.1
<u>Expenditures</u>	\$50.7	\$48.8	\$53.7
Transfers in/(out)	\$0.6	(\$1.5)	(\$3.5)
<u>Surplus/(Deficit)</u>	\$0	\$4.2	(\$1.1)

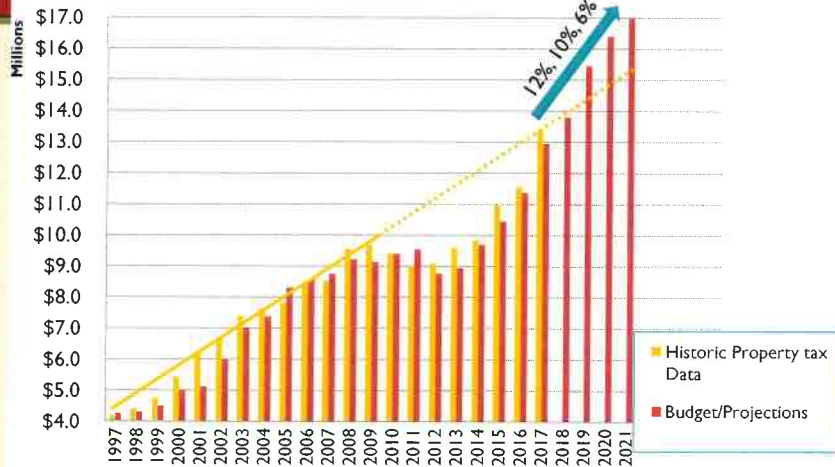
California Governor's Budget 2018-19

“The forecast assumes continued moderate economic growth over the next few years.”



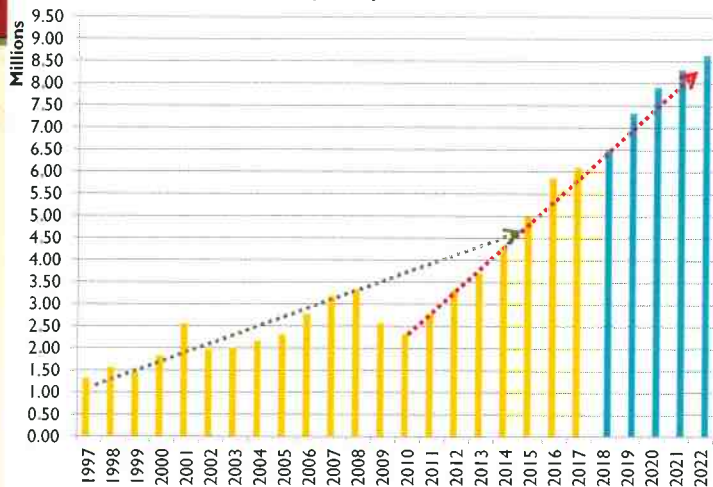


Property Tax – 32%

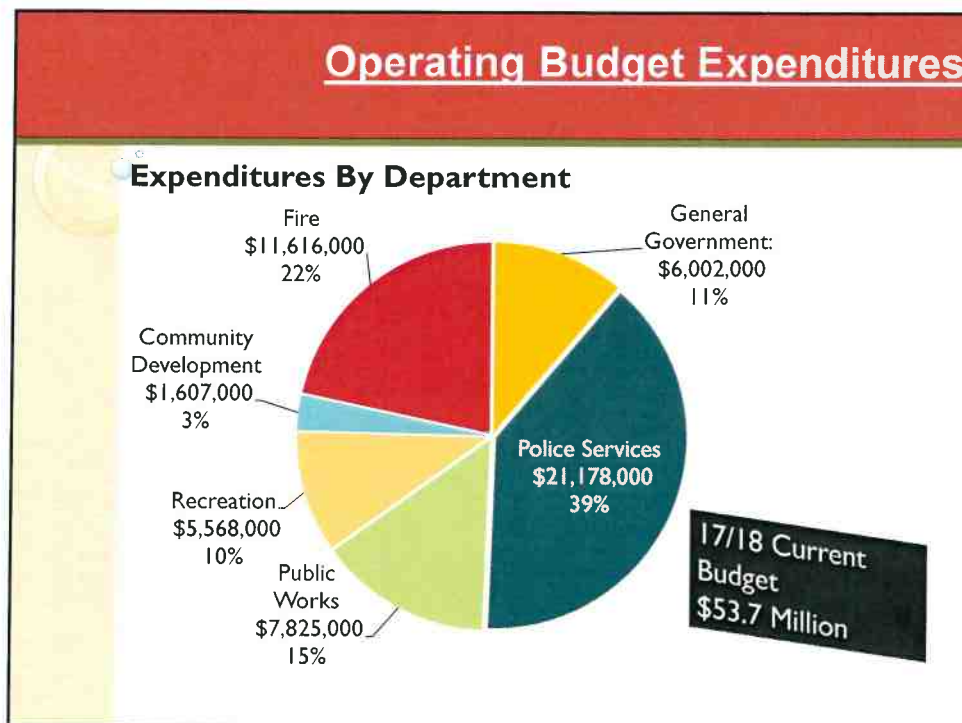
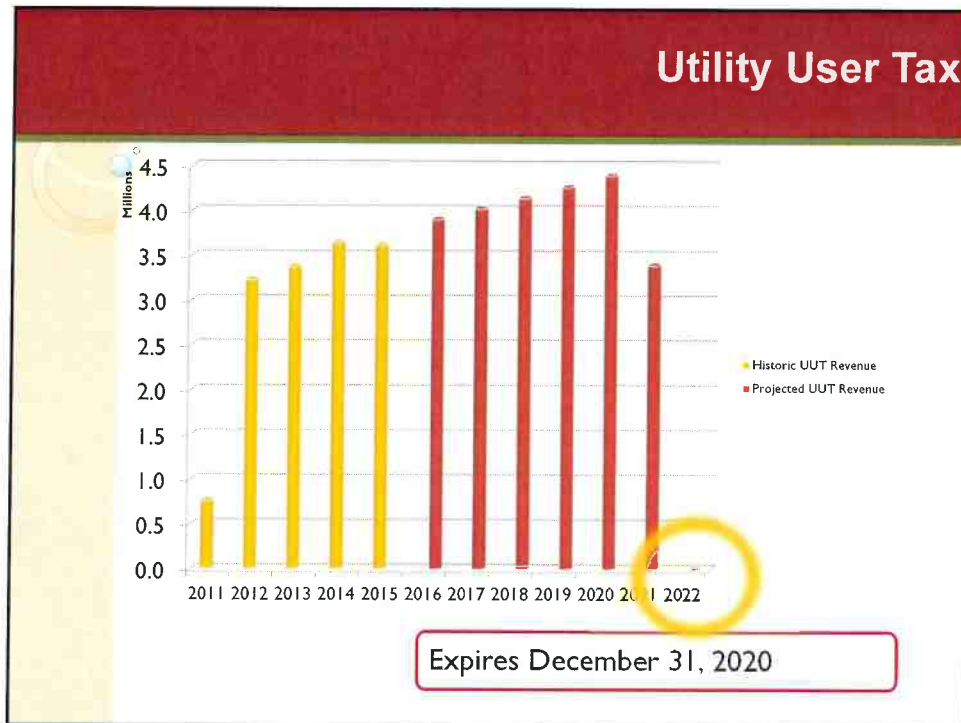


**400 New Homes, sold for \$900,000 each
= \$790,000 increase in City Property Tax Revenue per Year**

Transient Occupancy Tax

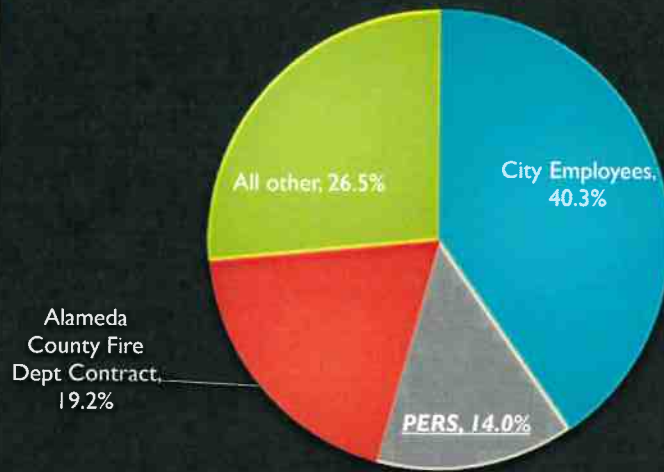


Project 3 new Hotels to open in the next 2 years.



Operating Budget Expenditures

2017-2018 Expenditures



PERS COSTS



CalPERS Investment Returns

TOTAL FUND SINCE INCEPTION DATE NET RATE OF RETURN (07/01/1988): 8.52%										
	FYTD		3-YR		5-YR		10-YR		20-YR	
	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS
TOTAL FUND (TF)	5.1%	21	6.6%	(13)	9.0%	17	4.4%	(13)	6.7%	(27)
TAP*	1.0%	-	2.8%	-	-	-	-	-	-	-
TF PLUS TAP	5.1%	-	6.6%	-	9.0%	-	4.4%	-	6.7%	-

December 2017 – Investment Committee Report

2017 Returns =
11.2%

June 30, 2016, City's Assets
In CalPERS =
\$173.6 Million

CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of fees.

June 30, 2016 Valuation Report

CalPERS Actions

Year	Action	Affect on Calculation
2014	Reduced Discount Rate to 7.5, change methodology	Added \$11.9 million to Unfunded Liability (UAL)
2017 (Rate Year 2018-19)	Reduced Discount Rate to 7.375	Added \$4 million to UAL
2018 (Rate Year 2019-2020)	Reduce Discount Rate to 7.25	Estimate to add \$4 million to UAL
Proposed 2018	Change amortization of gains/losses to 15 or 20 Year Schedule	Varies
2019 (Rate Year 2020-21)	Reduce Discount Rate to 7.0	Estimated to add \$8 million to UAL

Projected 2017-18

In Millions	2017-18 Projected
General Fund Revenue	\$51.0
½ Cent Sales Tax	\$4.2
UUT Revenue	\$3.4
<u>Total General Fund Revenue</u>	\$58.6
<u>Expenditures</u>	\$53.7
Transfers in/(out)	(\$4.2)
<u>Surplus/(Deficit)</u>	\$0.7

Questions?

Proposed Budget Priorities For 2018-2020



Police Department Operations

Continue an aggressive recruiting and hiring campaign to fill existing vacancies and anticipated retirements

Continue to utilize opportunities to regionalize law enforcement efforts

Continue to utilize a Team Policing staffing model

Continue to procure and implement less lethal devices and technologies to facilitate our de-escalation strategies.



Police Department Other Services

Continue community engagement efforts through the Citizen Police Academy, RAVEN, Graffiti Abatement, Police Explorer and Neighborhood Watch programs.

Continue to improve public relations and partnerships by attending events such as Coffee with Cops and safety fairs.

Increase public outreach efforts through social media outlets, community notification systems and other methods as available.



Alameda County Fire Department

Continue to meet Fire Contract obligations in the delivery of emergency response services.

Provide quarterly service level updates to the City Council.

Continue to improve public outreach and community partnerships by participating in events such as Newark Days, fundraisers, safety fairs and School District events.

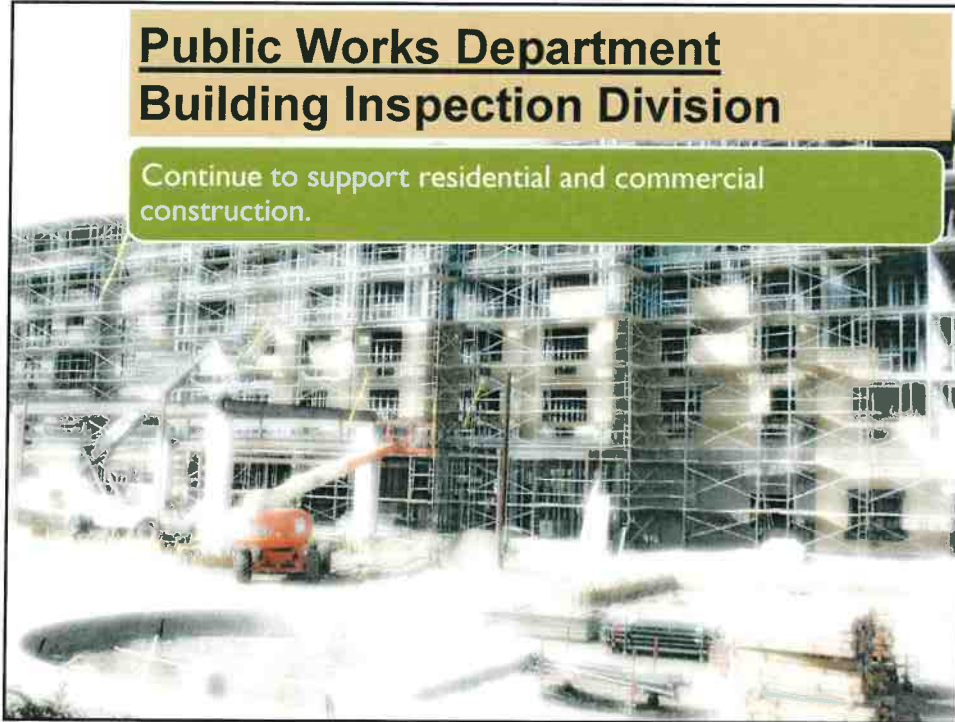
Continue to expand emergency preparedness effort.

Continue to provide direction and support to the Newark CERT Program.



Public Works Department Building Inspection Division

Continue to support residential and commercial construction.



Public Works Department Engineering Division

Support Development Activity

Implement Capital Improvement Plan

Continue to comply with Clean Water, Water Conservation, Complete Streets and other regulatory requirements

Complete design of New Civic Center and Central Avenue Overpass



Public Works Department **Maintenance Division**

Continue to Maintain and Improve Street and Park Landscaping

Continue to Maintain Public Buildings and Equipment



Planning

Facilitate Development of Bayside Newark (formerly Dumbarton TOD), Area 4 and Sanctuary

Implement NewPark Place Specific Plan

Facilitate Development of Affordable Housing


Coordinate with Census Department for 2020 Census.





Economic Development

- Attract new businesses – retail, hotel, and technology jobs
- Market Newark to Businesses and Real Estate Brokers
- Coordinate with Ohlone College for workforce development
- Work with regional Economic Development efforts
- Help Chamber to expand membership



Code Enforcement

- Pursue code enforcement violations on commercial and residential properties
- Help enforce new noise regulations
- Utilize receivership program when appropriate and other enforcement methods to address serious violations

Recreation and Community Services

Through innovative programs and services, create opportunities for all ages to participate in healthy and enriching recreational activities.

Utilize social media to promote programs and services and highlight department activities and accomplishments.

Continue to partner with local agencies to offer enhanced programs and services for all ages.



Human Resources

Attract, retain and develop a talented workforce.

Negotiate labor agreements and update compensation and benefit plans.

Create and implement hiring procedures for compliance with new State employment and privacy legislation.

Implement new CalPERS requirements for industrial disability retirements.

Enhance employee development, training and wellness.



Administrative Services Finance Division



Continue to manage the City's finances

Implement new finance software

Continue to manage the Equipment Replacement process

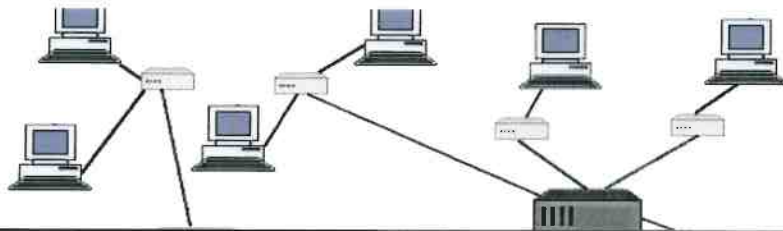
Explore alternative investment options

Administrative Services Information Systems Division

Implement new finance software

Support the expanded use of social media

Upgrade Information Systems infrastructure





2018/19 and 2019/20 Revenue and Expenditure Projections

2018-2020 Revenue Increases

	2018-19	2019-20
Increase Property Tax	\$2.0	\$2.0
Increase Sales Tax	\$0.6	\$0.6
Increase TOT	\$0.8	\$0.6
Increase UUT	\$0.1	\$0.1
Construction Permit/License Fees	\$0.5	\$0.5
Other	\$0.4	\$0.2
Total (Millions)	\$4.3	\$4.0

Proposed Budget Supplements for 2018/19 and 2019/20



		Annual Cost	
PERS Increases		\$900,000	
Fire Contract Increases		\$600,000	
Maintenance		\$560,000	
Police Overtime		\$300,000	
Engineering Contractual Services		\$392,000	
Equipment Replacement		\$400,000	
Recruitment Costs		\$90,000	
General Increases		\$605,000	
Total	(millions)	2018-19	2019-20
		\$3.8	\$5.3

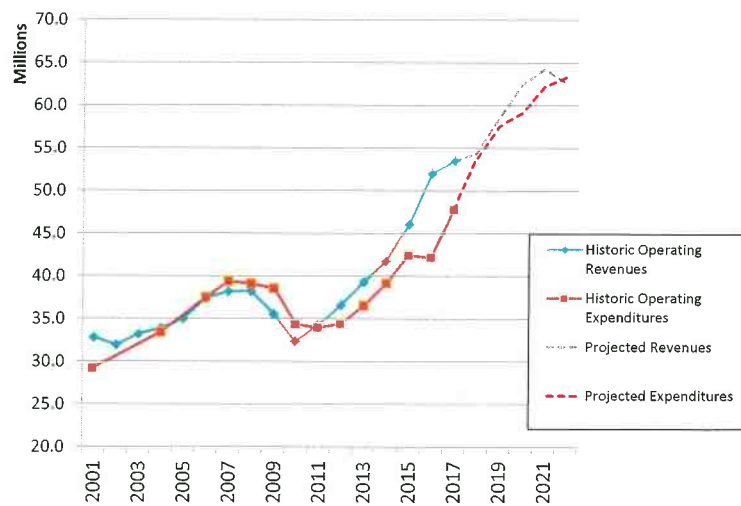
Proposed Revenue & Expenditure Forecasts 2018-2020

In Millions	2017-2018 Forecast	2018-19 Forecast	2019-20 Forecast
General Fund Revenue	\$51.0	\$54.6	\$58.3
½ Cent Sales Tax	\$4.2	\$4.4	\$4.6
UUT Revenue	\$3.4	\$4.0	\$4.1
Total Revenue	\$58.6	\$63.0	\$67.0
Expenditures	\$53.7	\$57.5	\$59.1
Net Transfers In/(out)	(\$4.2)	(\$4.4)	(\$4.6)
Surplus/(Deficit)	\$0.7	\$1.1	\$3.4

5-Year Forecast

In Millions	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
General Fund Revenue	\$51.0	\$54.6	\$58.3	\$61.4	\$62.5
½ Cent Sales Tax	\$4.2	\$4.4	\$4.6	\$4.8	\$4.9
UUT Revenue	\$3.4	\$4.0	\$4.1	\$2.8	0
<u>Total Revenue</u>	<u>\$58.6</u>	<u>\$63.0</u>	<u>\$67.0</u>	<u>69.0</u>	<u>67.4</u>
<u>Expenditures</u>	<u>\$53.7</u>	<u>\$57.5</u>	<u>\$59.1</u>	<u>62.2</u>	<u>63.3</u>
Transfers out	(\$4.2)	(\$4.4)	(\$4.6)	(\$4.8)	(\$4.9)
<u>Surplus/(Deficit)</u>	<u>\$0.7</u>	<u>\$1.1</u>	<u>\$3.4</u>	<u>\$2.1</u>	<u>(\$0.9)</u>

Historic Revenues and Expenditures



Reserves and Unallocated Fund Balance

Reserves	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Catastrophic = 15%	\$7.9	\$8.6	\$9.0	\$9.5	\$9.6
Fiscal Uncertainty = 10%	\$5.3	\$5.7	\$6.0	\$6.3	\$6.4
Unrestricted Capital	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2
Equipment Replacement	\$2.7	\$2.9	\$3.1	\$3.3	\$3.5
PERs	8.4	8.4	8.4	8.4	8.4
Unallocated Fund Balance	\$7.2	\$7.0	\$9.5	\$10.6	\$9.6

Next Steps

- Capital Improvement Plan Discussion-Feb 22
- Draft Five-Year Forecast Document Presentation – March
- Approve Five-Year Forecast Document - April
- Capital Improvement Plan Draft Presentation -April
- Budget Work Session -May
- Adoption of 2018-2020 Budget and CIP -June