

Introduction

On behalf of the City's Manager's office, the proposed municipal budget for Fiscal Year 2017-18 is being presented for Council's review and consideration. The proposed budget represents the implementation plan for executing the City Council's goals, policies and objectives for the upcoming year. As the City prepares for its centennial on May 28, 2018, it is well positioned for the future. The City has grown to a population exceeding 75,000 and has successfully transitioned out of a period of recessionary cuts to one of fiscal stability. The national economy is experiencing the third longest, yet slowest, expansion period since World War II and California's financial position continues to be strong. The City's finances continue to be sustained by a robust economic picture with not only strong housing starts but continued commercial and industrial growth.

While traversing through the challenging fiscal conditions resulting of the Great Recession, the City had to realign goals, priorities and service levels to match the City's revenue base. With the support of Council, the community and our employees, the City has shifted from a focus on fiscal stability to one of fiscal resiliency. To this end, the City has developed long-term strategies to balance the goals of fiscal responsibility,

economic growth, and enhancement of current service levels. In addition to an Assignment for Fiscal Stability, Cash Flow and Contingencies, the Council's adopted Reserve Policy establishes General Fund Assignments or Reserves for Economic Emergencies and Uncertainties; Economic Revitalization; Capital Facilities; and Technology.

As of July 1, 2016, all General Fund Assignments/Reserves met the adopted reserve goals. As of July 1, 2017, the City will once again be able to meet the reserve goals for the Assignment for Fiscal Stability, Cash Flow and Contingencies and the Assignment for Economic Emergencies. Due to deferred maintenance and aging equipment, a number of proposed Capital Improvement Program (CIP) projects identify the Assignment for Capital Facilities and the Assignment for Technology as the source of funding. Staff recommends that these assigned balances be reviewed in conjunction with the mid-year budget process and be given consideration for restored funding at the appropriate levels as set by the Reserve Policy.

As we begin the next fiscal year, the local economy has not only stabilized but continues to grow. Gains in the housing market in both new and resale homes continue to near record levels. Consumer

confidence has improved and remains strong. The UCLA Anderson Forecast continues to predict a healthy California and U.S. economic growth pattern between 2017 and 2020.

Economic Conditions

Sales tax and property tax continue to comprise the largest components of the General Fund revenue stream and are the primary indicators of the strength of our local economy. California sales tax receipts through March 2017 increased 2.8% over the same quarter for the previous year. The City of Manteca surpassed that growth with an increase of 5.8%. The past 12-month year-to-date benchmark period shows an increase in San Joaquin County sales tax receipts of 4.1%. In comparison, the City showed gains of 4.9%. Additional opportunities to expand our retail base continue to be available at the Promenade Shops at Orchard Valley and in the Stadium Center area. In the past year, Harbor Freight, Sizzler, Five Guys, and Tato's Mexican Grill and Cantena have opened. Economic Development staff continues to be diligent in attracting new business to our community while working on retention of our current businesses. Creative economic ventures and partnerships continue with the development of CenterPoint Intermodal Center. 5.11 Tactical has broken ground on an over 400,000 square foot warehouse. Negotiations

continue with McWhinney Real Estate Services for a hotel resort/conference center, along with negotiations with Manteca Development Group, LLC for a Family Entertainment Zone.

As a result of our expanded property base and recovery in the housing market, property tax assessments for Fiscal Year 2016-17 grew by 7.5% in secured property tax. For Fiscal Year 2017-18, property tax is projected to continue to increase by 7.5% due to the continued expansion of the new housing market and the development of additional retail and commercial properties. It is important to note final numbers for property tax increases will not be available until early fall.

During the next fiscal year, staff will continue to seek unique opportunities to attract retailers and other major businesses to our community. The addition of new business to our community not only assists with job creation and sales tax generation, but aids us in growing our property tax base.

Through new and diversified partnerships and continued economic development, the City will identify new sources of revenue, which will allow us to shore up our fiscal stability and move us to the necessary financial resiliency to address changing economic conditions.

Budget Goal Setting

On February 24, 2017, a mid-year budget update and budget goal-setting session was held with the City Council. Council reviewed and refined their previously adopted goals. Council met again on March 24, 2017 to develop initiatives for each goal.

The newly established Council Goals and Priorities are:

1. Public Safety
2. Enhance Fiscal Stability
3. Protect and Promote Quality of Life
4. Maintain and Improve Facilities and Infrastructure
5. Effective and Efficient Government
6. Planned Managed Growth

These goals and priorities were in the forefront as departments developed their budgets for adoption by Council.

Budget Overview and Highlights

The General Fund proposed budget for Fiscal Year 2017-18, including operating transfers, is \$39,432,408. This represents an 11.6% increase over the amended budget for Fiscal Year 2017-18 of \$35,331,915. The budget includes \$1.2 million in one-time capital requests which utilize the funds set-aside for technology and capital facilities improvements. The General Fund operating budget,

exclusive of transfers, is proposed at \$37,366,678. This is an increase of 7.3% over the Fiscal Year 2016-17 amended budget. General Fund operating revenues are projected at \$37,489,315. Total General Fund revenues are projected at \$39,319,625. The Citywide proposed budget is \$132,365,080. This includes new funding requests for capital improvement projects totaling \$21,807,480.

General Fund

As presented, the General Fund budget fully funds all Assignments/Reserves as established by the Council adopted Fund Balance Reserve Policy (R2015-56).

The proposed budget includes both new and ongoing expenditures. Some of these are contractual obligations, while others have been included to meet Council's goals and priorities. These expenditures include:

1. Increases to employee compensation and benefits including a 2% salary increase effective January 1, 2018 and the 2% re-opener. The increases were negotiated and included in the July 1, 2015-June 30, 2019 Memoranda of Understanding.
2. Increased contributions to the California Public Employees' Retirement System (PERS)

based on current actuarial valuations.

3. The transition of three Police Officers from the Public Safety Endowment Fund.
4. The addition of one Parks Planning & Project Supervisor.
5. Proposed increases to the City Attorney's contract for additional hours based on Fiscal Year 2016-17 usage.
6. \$48,000 for grant writing services.
7. \$62,500 for lobbying efforts.
8. \$20,000 for leadership training for the City Council and the new City Manager.
9. \$15,000 for the City's Centennial Celebration to potentially include keys to the City.
10. Continuation of the General Fund subsidy to the Recreation Fund in the amount of \$250,000.
11. General Fund contributions to the Equipment and Vehicle Internal Service Funds from Unassigned Reserve Balances. These contributions are proposed to take place via operating transfers by June 30, 2017. Without these transfers, insufficient reserves exist in the Vehicle Fund to allow for Fiscal Year 2017-18-requested purchases.

General Fund Assignment for
Economic Revitalization

In 2015, the City Council established an Assignment for Economic Revitalization (AER). The demise of redevelopment in California has significantly tied the hands of local agencies in pursuing economic development opportunities. The AER was established to capture funds provided to the City through the wind-down of redevelopment, and retain them specifically for economic development purposes. Although no policy has been adopted for the use of these funds, staff recommends that a formal policy be adopted in 2017-18. Following the direction that was implemented in the Fiscal Year 2016-17 budget, the Economic Development program budget of \$303,700 is recommended to be funded from this assignment. Additionally, staff has received three new requests from outside organizations that were funded in Fiscal Year 2016-17 using the Assignment for Economic Revitalization. These requests have not been including in the preliminary budget pending direction from Council regarding funding source. Staff recommends once again using the Assignment for Economic Revitalization. Letters of request from the organizations have been included for Council's reference.

*Manteca Chamber of Commerce
(Chamber)*

In prior years, the City has participated with the Chamber at the \$1,000 annual membership level. In Fiscal Year 2016-17, the contribution to the Chamber was increased and funded at the \$10,000 membership level. The Chamber has submitted a request for a renewal at the \$10,000 level.

Manteca Mural Society

In past years, the Manteca Mural Society was able to obtain redevelopment funding through the Façade Improvement program. The funds were used to help offset the cost to install historical murals throughout the City. In Fiscal Year 2016-17, the Manteca Mural Society requested funding in the amount of \$50,000 to complete the Veterans Mural Project and was provided \$20,000. The funds were used to help fund the painting of the Vietnam Mural which will be dedicated on May 20, 2017. For Fiscal Year 2017-18 the Mural Society is requesting \$20,000 to complete the World War I mural and \$5,000 for identifying plaques for each of the murals in the Veteran's Mural Project

San Joaquin Partnership

In past years, the annual contract between the City and the

Partnership had been funded through the General Fund, as an Economic Development program. In Fiscal Year 2016-17 this \$35,000 contract was funded using the Assignment for Economic Revitalization (AER). Staff is again recommending the AER as the funding source.

It is estimated the City will receive over \$1 million per year through the wind-down of redevelopment which, by Council policy, would be directed to the Assignment for Economic Revitalization. However, due to unpredictability of the receipt of these funds, staff does not recommend programming revenues beyond currently available receipts.

General Fund Assignment for
Capital Facilities

As part of the Fiscal Year 2016-17 budget, Council designated \$1.37 million to the Assignment for Capital Facilities. The following projects totaling \$250,750 were approved for funding:

- Fire Facility Improvements (CIP 17064)
- Senior Center Renovations (CIP 17013)
- Irrigation Smart Controller Upgrades (17025)

For Fiscal Year 2017-18, the following projects totaling \$382,250 are recommended for funding:

- Fire Facility Improvements (CIP 17064) additional funding
- Senior Center Renovations (CIP 17013) additional funding
- Golf Clubhouse Exterior Staircase Structure Restoration (CIP 17024)
- Playground Safety Surfacing Replacement (CIP 18022)
- Parks and Recreation Classroom Renovations (CIP 18024)
- Tennis Court Surface and Crack Repair (CIP 17027)

General Fund Assignment for Technology

As part of the Fiscal Year 2016-17 budget, Council designated \$1.7 million to the Assignment for Technology. For Fiscal Year 2017-18, the following Public Safety projects totaling \$831,280 are recommended for funding:

- Replacement Radios Consoles for Dispatch (CIP 18014)
- Taser Body Camera Upgrade and Maintenance (CIP 18015)
- Police Toughbook Computers (CIP 18016)

Fire Grant Fund/ Public Safety Endowment Fund

On September 15, 2015, Council approved receipt of the Staffing for Adequate Fire and Emergency Response (SAFER) Grant, which

provides up to \$1,272,234 for personnel expenditures for 6 Firefighters for a maximum of 2 years. The Fire Grant Fund was established to account for the revenues and expenditures related to this grant. The 6 Firefighters funded by this grant were hired in January 2016 with grant funding set to expire on December 31, 2017.

In response to critical public safety needs identified during the Fiscal Year 2012-13 budget study session, Council authorized the addition of 4 Police personnel to reinstate the City's Gang Prevention Unit and committed to funding 1 new Firefighter position for an initial period of 4 years using the Public Safety Endowment Fund. These positions were in addition to 2 positions already being funded in the Public Safety Endowment Fund.

It has been one of Council's priorities to identify permanent funding for these 7 positions and to transition them to a sustainable funding source. Beginning in Fiscal Year 2014-15, 3 of these positions have been transitioned to the General Fund and 1 position has transitioned into the Public Safety Sales Tax Fund. Staff is recommending the 3 remaining positions be transitioned to the General Fund beginning Fiscal Year 2017-18. By transitioning the last 3 positions to the General Fund, the remaining funds in the Public Safety Endowment Fund would then

become available for the retention of the personnel hired through the SAFER Grant. The projected fund balance for the Endowment Fund as of June 30, 2017 is \$2,152,614.

Staff is recommending that of the 6 SAFER Grant funded positions, 2 be transitioned to current vacant openings in the Public Safety Sales Tax Fund. The remaining 4 positions are recommended for transition to the Public Safety Endowment Fund. As was done with the four Police personnel that comprised the Gang Prevention Unit, staff would work to identify permanent sources of funding for the Fire personnel either through attrition or through identification of new or increased revenues.

Public Safety Sales Tax Fund

In November 2006, the citizens of Manteca passed a one-half-cent sales tax for public safety. As part of the adoption of this sales tax measure, a Citizen's Oversight Committee was formed to ensure that all expenditures meet the guidelines as set forth in the adopted ordinance. Sales tax projections for fiscal year-end June 30 are projected to be \$5.7 million, and \$5.87 million for the upcoming year. The Public Safety Sales Tax Fund provides funding for 15 Police protection personnel and 15 Fire protection personnel in complete fulfillment of the revised expenditure plan.

Development Services Fund

In Fiscal Year 2016-17, staff completed a Building Safety and Fire Prevention Fee Study (CIP 16057). The revised fee structure was adopted by Council on August 16, 2016. The newly established fees and recovery levels are projected to bring fiscal stability to this fund. Included in the study and presented in the preliminary budget are the following positions and projects:

- Plans Examiner II
- Assistant Engineer
- Community Development Software Conversion (CIP 17061)
- Open Counter Software (CIP 18047)

Development Agreement Fees Fund

The Development Agreement Fees Fund was established to account for the collection and use of negotiated development agreement fees for public facilities, recreational amenities, library enhancements, affordable housing, and other items identified by Council as necessary for the betterment of the community. The following are examples of past uses:

- Council Chamber Upgrade
- Moffat Community Center
- Library Flooring
- Emergency Operations Center
- Morenzone Park

The Fiscal Year 2017-18 budget includes requests for the following projects:

- Emergency Operations Center (CIP 16066) – additional funding
- Library Roof Replacement (CIP 18043)
- Fire Engine – Type 3 (CIP 18025)

The Fire Chief has indicated in his proposal that a Type 3 Engine could be deployed for mutual aid. It is recommended that any receipts from mutual aid deployment be redirected back to the Development Agreement Fees Fund until the cost of the engine is recovered.

Areas of Consideration/Future Concerns

As the City's finances stabilize, several areas of concern remain. In order to remain fiscally resilient, the City needs to incorporate the following as part of its long-term planning:

1. CalPERS revised actuarial assumptions

On December 21, 2016, the CalPERS actuarial Board approved to lower the rate of return assumptions from 7.5% to 7.0%. The implementation of the change is staged beginning in Fiscal Year 2018-19. It is projected that over the next five years

the City's contribution to CalPERS will double from its projected Fiscal Year 2017-18 city-wide contribution of \$9.5 million to over \$19 million.

2. Other Post-Employment Benefits (OPEB)

The City provides Other Post-Employment Benefits in the form of retiree health benefits and retirement enhancement benefits. The retirement enhancement benefits were provided through PARS to a small number of Executive Managers. This plan is a closed plan with 8 participants.

The most recent actuarial valuation as of June 30, 2016 calculates the City's unfunded liability related to retiree health benefits at \$31.6 million. In contrast, the City's unfunded liability related to the retirement enhancement benefits is \$559,000.

Currently, the Payroll Tax Benefit Fund has funds in reserve designated for OPEB benefits. Staff is recommending that \$400,000 of this reserve be used to pre-fund the unfunded liability related to the retirement enhancement benefits. This contribution, along with those made in Fiscal Year 2016-17,

will bring this plan to a nearly fully funded position.

3. Parks Infrastructure

The Parks Master Plan, approved in Fiscal Year 2016-17, included a detailed list of deferred parks maintenance projects. Until a long-term funding strategy can be developed to address these projects, staff recommends funding top priority projects via the General Fund Assignment for Capital Facilities.

4. Transportation

Deferred street maintenance continues to be a critical issue. On April 28, 2017, the Governor signed SB 1 – the Road Recovery and Repair Act of 2017 which provides State funding to municipalities for transportation needs. Initial estimates indicate that the City will receive an additional \$417,000 in Fiscal Year 2017-18. Until the City is in receipt of the funds, the revenues have not been programmed. Upon receipt of the funds, staff will bring forward an expenditure plan for Council consideration.

To address current needs with existing funding, the following projects have been included in

the Capital Improvement Program (CIP):

- 2018 Annual Pavement Maintenance Project (CIP 18007)
- Springtime Estates Improvement Project (CIP 17068)
- Citywide Truck Route Study (CIP 18001)
- Lathrop Corridor Study (CIP 18009)

5. Golf Course Fund

The Golf Course continues to face challenges. For a brief period, revenues appeared to be stabilizing. However, during the past several years, revenues have continued to decline. On April 18, 2017 Council received a Golf Course Operating Review prepared by Gene Krekorian. The study identified the ongoing financial difficulties currently impacting the Golf Course as well as the need to address deferred maintenance and capital projects. The City is currently looking for a new manager for the operations of the golf course and pro shop. Staff will work with the professional to develop strategies to address the current revenue shortfalls including revisions to the current fee structure. Until

the Golf Course Fund can be stabilized, the General Fund continues to assist the operations of the Golf Course Fund in specific ways:

- General administrative and overhead charges were suspended beginning in Fiscal Year 2007-08. While staff has prepared an updated cost allocation plan for overhead charges, due to the financial position of this fund the recommendation to suspend overhead charges continues.
- In the past, the City Council has approved a contribution from the General Fund to continue to provide the recreational benefit the Golf Course provides to the citizens of Manteca. In the past, this has amounted to \$155,000. Due to the decline in course revenues, a contribution of \$320,000 will be required in Fiscal Year 2017-18 in order to keep the Golf Course from moving to a negative cash flow position,.

Personnel Revisions

In coordination with the preparation of the Fiscal Year 2017-18 budget, personnel requests were reviewed for consistency and equity. Upon

review, several positions were identified for proposed reclassification and others are recommended for addition. Several of these positions have been discussed, including those pertaining to Public Safety and Development Services. Details of all of the recommendations can be found in the Personnel Summary Section of the budget with related costs. In recommending these reclassifications and additions to personnel, funding allocations were reviewed to ensure any impact would be sustainable.

Seven additional requests were received that would require funding from the General Fund. In order to meet the Council's goal of a balanced budget, these positions are not being recommended for funding. The requests for these positions can be found on pages D13 through D-18 and include:

- Police Lieutenant
- 3 Police Officer I
- Deputy Fire Marshall
- Assistant City Manager
- Community Outreach Manager

Conclusion

While the past several years have been challenging for the City, staff has continued to maintain service levels and meet Council goals and priorities, including the completion of the following:

- Parks Master Plan
- Development Services Fee Study
- Solid Waste Fee Study
- Dog Park
- Replacement of Library Flooring
- 2016 Annual Pavement Maintenance Project
- Expansion of Data Backup Capacity

Additional completed projects are listed on page F-7 of the budget.

During the next fiscal year, under new leadership, staff will continue to seek ways to maintain service levels, while continuing to lay the foundation for fiscal resiliency.

Staff has developed a budget that strikes a balance of maintaining service levels within the limits of available resources, and continues to fund new projects to allow for future development and enhanced community amenities, while protecting our citizens from an uncertain financial outlook.

In preparing the Preliminary Budget, we have made our best efforts to balance these competing, but

equally important, goals. Staff wishes to thank the Council for your leadership and support throughout the past year.



Suzanne L. Mallory
Finance Director

Acknowledgements

Developing the Preliminary Budget is a team effort, involving the time and talents of City employees, department managers and staff members from the Finance Department. Without the dedication of these City staff members, this budget would not have been possible. With Council's continued support of long-term planning and willingness to provide leadership in difficult circumstances, together we can develop a plan for the long-term financial stability of our City.



APR 3 '17 PM2:30
CITY_CLERKS_OFFICE

City of Manteca
City Council
1001 W. Center St
Manteca, CA 95337

4/3/17

Dear Manteca City Council,

The Manteca Chamber of Commerce would like to thank you for your support as a 2016-17 President Circle Sponsor. Your sponsorship has enabled the Chamber to make many improvements throughout the year, making it a very successful year.

The Chamber has worked closely with the City promoting City events and special meetings etc. We worked closely with the City to present our first "State of the City".

We were able to grow the Chamber with over 60 new members. We held 50 chamber coffees and numerous evening mixers. Each event we announce our Presidents Circle partners.

The Chamber hosted our Market & Music in Manteca during the summer months. We also hosted several "Lunch N Learn" events. These are well attended and business owners received valuable information.

We continue to assist business with various issues, hosting our new business workshops, buddy system for dealing with the permit process and our downtown revitalization efforts, to name a few.

In 2016 we added a wonderful community event, "Christmas in the Park". We partnered with the City of Manteca and were able to present an ice skating rink where over 600 children participated. We also had over 50 merchants participate and it was a nice addition to our holiday parade.

The Manteca Chamber of Commerce is excited about the future and focused on pursuing new opportunities to strengthen our business community in 2017. We continue to plan many events that provide opportunities to promote our President Circle Sponsors.

Manteca Chamber of Commerce respectfully requests your consideration for renewal of your \$10,000 President Circle Sponsorship for 2017-18.

Respectfully,

Joann Beattie / Executive Director

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Manteca, CA 95336
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chamber@manteca.org or joann@manteca.org

The Manteca Chamber of Commerce works hard to promote business and economic development in Manteca. The Chamber serves as an advocate for business and a liaison between the business community and the City of Manteca. We have recently developed several new programs to bring businesses together with the City in a positive, productive manner. The Chamber also has events for the entire community that enhances the quality of life in Manteca.

Below is a list of benefits offered to the City of Manteca as a President's Circle Sponsor of the Manteca Chamber of Commerce. Thank you for your consideration.

Platinum Sponsorship \$10,000

- Includes Annual Membership dues for ALL entities of the City of Manteca
- 48 email blast to Membership & Participates
- Featured semi-annually in the Manteca Bulletin "Member Spotlight"
- Recognition in Member Directory /Community Reference Guide (11,000 copies)
- Continual Distribution of Chamber Business/Community Reference Guides and Manteca maps to area Hotels, Restaurants & mailed to Visitors & potential business owners
- Parade entries for All City Council Elected Officials
- Booth at Farmers Market (10 weeks)
- Booth at Holiday Fair
- City Page on Website including links and City Events/Activities
- "State of the City" Event (The Chamber will host a "State of the City" event featuring the City leaders)
- Featured in weekly email blast
- Recognized as a Presidents Circle Sponsor at all events

Manteca Mural Society

Public Art for a Better Community

P.O. Box 1666 Manteca, CA 95336

March 18, 2017

MAR 21 '17 PM4:37
CITY_CLERKS_OFFICE

Dear Manteca Council Members,

The Manteca Mural Society (MMS) is a non-profit organization founded on June 1, 2002. Over the past 14 years we have added 29 quality murals to various locations throughout the city of Manteca. For many years the Mural Society and the Manteca Redevelopment Agency partnered together to help fund these murals under the facade improvement category, bringing public art downtown.

Last year the Manteca Mural Society requested funds from the newly established Economic Revitalization Fund for the City of Manteca. A grant of \$20,000 was approved and used to help fund the painting of the Vietnam Mural which is the 4th mural of the Veteran's Mural Project. It will be dedicated on May 20, 2017.

We are currently working on plans for the WWI Mural which will be the last mural of our Veteran's Mural Project which is a series of murals which commemorate the efforts of our military and our citizenry during World War I, World War II, the Korean War, the Viet Nam War, and the Global War on Terror.

We respectfully request a grant from the Economic Revitalization Fund of \$25,000 for completion of the Veteran's Mural Project. \$20,000 would be for the completion of the WWI Mural and \$5,000 for identifying plaques for each of the murals and plaques recognizing all the branches of the military.

The MMS plans to dedicate the WWI mural and the completed Veteran's Mural Project as part of a comprehensive part of Manteca's Centennial Celebration in May, 2018. We would like to think that the city could center the community celebration around this event as this has been the MMS long term goal for this project. The Veteran's Mural Project is valued at over \$200K when all of the volunteer hours are considered.

On behalf of the MMS, thank you for considering our request for funds and we look forward to working with you again.

Sincerely,



Charleen A. Carroll
President, Manteca Mural Society
209 823-1386

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