

CITY OF BALDWIN PARK

FISCAL YEAR 2013/14

GENERAL FUND

PROJECTED BUDGET & LONG TERM FINANCIAL ANALYSIS & PLAN



The Process & Presentation

- Identify the Problem
- Determine the Extent of the Problem
- Identify and Investigate Various Solutions & Options
- Implementation of City Council Direction

Identifying the Problem

The Budget

- **The Budget is a Statement of Policy**
- **The Policy impacts the people and the community**
- Through the budget process the City Council establishes policy, priorities and expectations and allocates available funding to accomplish them



THE NEW ECONOMIC REALITY

How has the Recession
Impacted the Community
and Residents?

The Recession and its impacts

- The Recession has hit certain segments of the society much harder
- Even though the recession is officially over and economy may appear to be improving there are many who still have a long way to go

Some Recent Headlines

- **Summer Jobs Elude Many Teenagers**

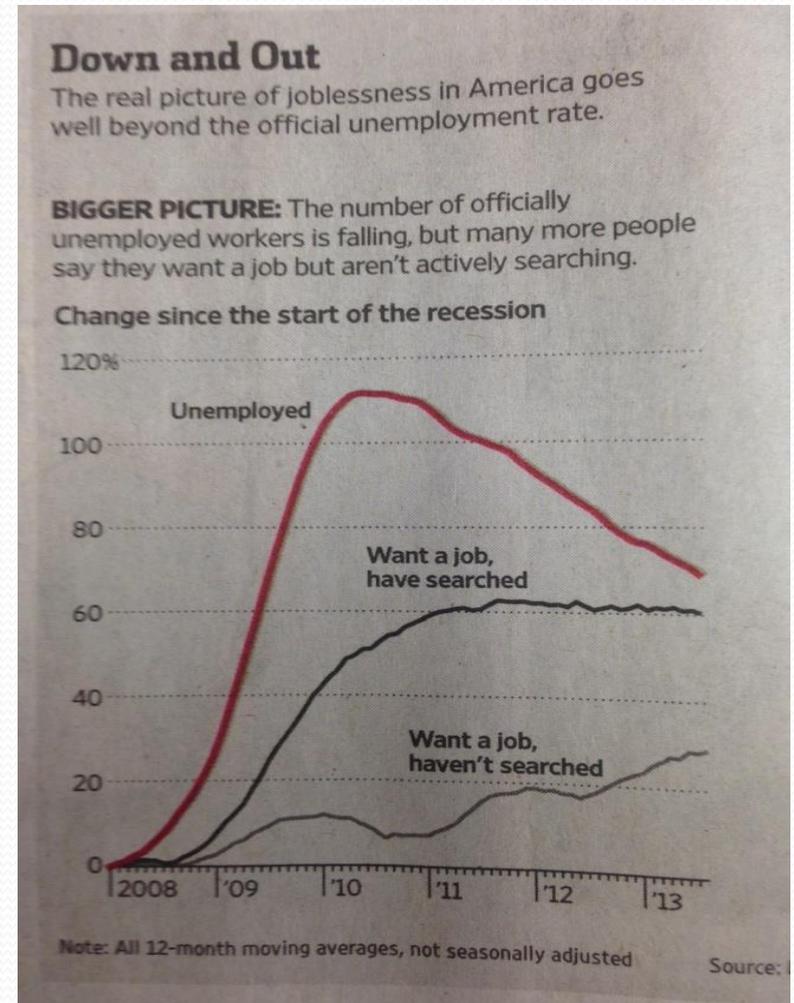
(The job-market recovery is leaving teenagers behind—especially those from low-income and minority backgrounds. Summer jobs are a chance to build work experience and develop everything from job-specific skills to basic work habits;

(WSJ August 21, 2013)

Long-Term Jobless Left Out of Recovery

(WSJ Sept 3, 2013)

Despite Improving Economy, Prospects are bleak for millions of Unemployed;



Help Wanted: Struggles of a Lost Generation

(The Young and the Jobless) *WSJ Sept 14-15, 2013*

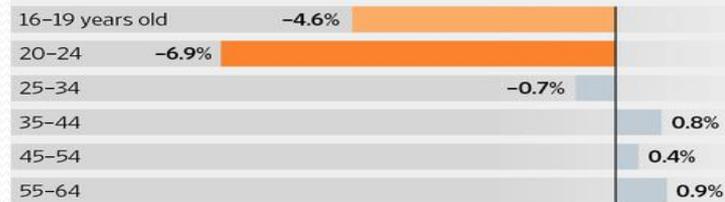
The financial crisis and its aftermath have taken a particularly heavy toll on younger workers. The struggles of this generation have few historical precedents

The Young and the Jobless

The financial crisis and its aftermath have taken a particularly heavy toll on younger workers. Americans under 25 make up a disproportionately large number of the unemployed relative to their share of the population. Many are staying in school to avoid the harsh job market. And those who are employed are working fewer hours and making less money than before the recession.

Losing Ground

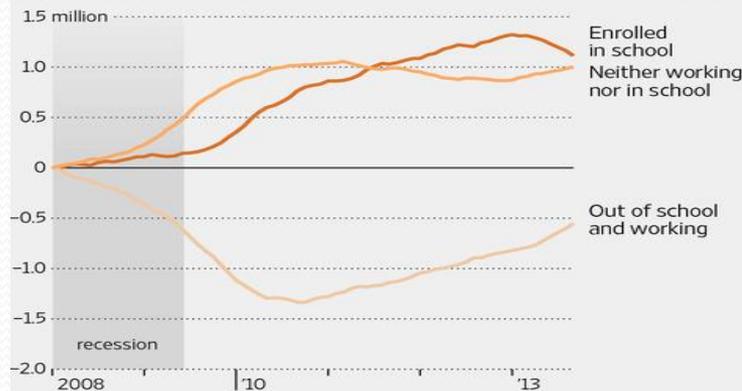
Change in median weekly earnings, adjusted for inflation, 2007-2012



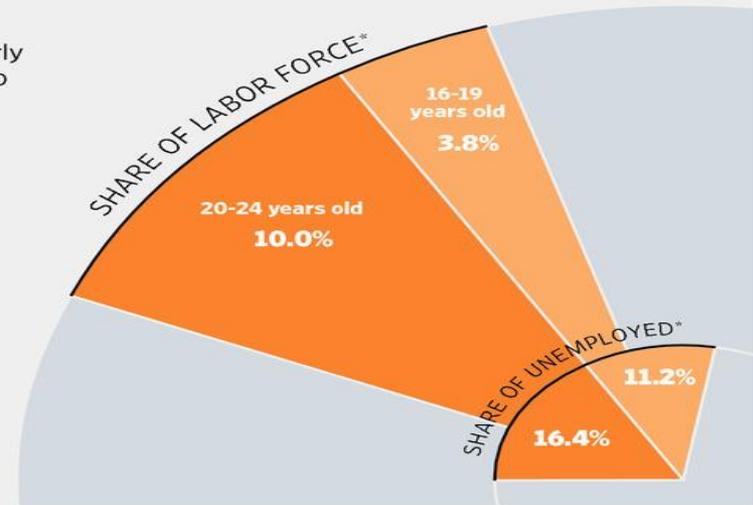
Late Start

Young Americans are much less likely to have jobs than before the recession...

Change since December 2007 in number of Americans age 20-24 who are*:

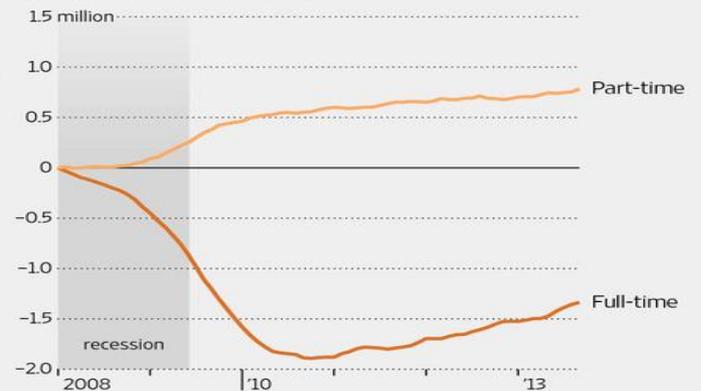


*2012, ages 16 and older †based on a 12-month rolling average Source: Labor Department



...and those who do, are more likely to be working part time.

Change since December 2007 in number of Americans age 20-24 who aren't in school and are working*:



Erik Brynildsen, Ben Casselman and Pat Minczeski/The Wall Street Journal

Our Future is at Risk

- Baldwin Park has a much younger population
- 1/3rd of our population is between 15-34 years (the segment hardest hit by recession)
- Baldwin Park has a very high unemployment rate

Where is the Economic Recovery?



Income, Poverty Rates Hold Steady

San Gabriel Valley Tribune Sept. 19, 2013

Baldwin Park-The City's unemployment decreased from 18 percent in 2011 to 15 percent in 2012. The rate stood at 9 percent in 2008.

While unemployment decreased between 2011 and 2012 in all three cities, many of the jobs gained back likely come with lower pay, leaving residents still struggling to pay bills and provide for their families,

Where is the Economic Recovery?

- Baldwin Park's **median is still at \$50,972** compared to \$55,166 in 2008.
- Poverty rate in Baldwin Park has increased from 17.4 percent in 2011 to 19 percent in 2012. This means that almost **15,000 of City residents live in poverty**

The Family Slipped So Far So Fast

(LA Times Sept 23, 2013)

- Although the economy is recovering and stock prices are setting records, **millions of middle-class Americans have been left behind.** Their financial expectations have been greatly diminished.
- **Income has stagnated**
- **Jobs are still hard to come by.** Unemployed people who find work often have to take pay cuts.
- The hardships cut across all age groups. Young people are saddled with student debt and have a hard time finding jobs they want after college. Mid-career workers are supporting their grown children and aging parents while worried about their own finances. And **older people who lose their jobs may never get another one.**

Impacts of Diminished Financial Expectations

(LA Times Sept. 23, 2013)



20%

of 18- to 34-year-olds
have delayed
marriage.



22%

of 18- to 34-year-olds
have postponed
having a baby.



85%

of laid-off workers
55 and older have
not found a new job



42%

of Americans believe
they will have to work
until their 70s or 80s.



45%

of workers invest in
job-based retirement
plans, down from
52% in 2000.

Sources: Pew Research, Rutgers University, Northwestern Mutual, Economic Policy Institute. Graphics reporting by SHAN LI

LORENA INIGUEZ ELEBEE Los Angeles Times

Cities Continue to Struggle

- Even though the economy has shown some growth most cities continue to struggle
- Stockton, San Bernardino, Detroit have declared Bankruptcy
- San Jose (the heart of the Silicon Valley) is struggling and considering reducing employee benefits
- Several Other Cities are struggling, some have already approved taxes, cut or contracted services, implemented employee concessions and others are looking at these options to survive

Baldwin Park is at Crossroads

- Today Baldwin Park is at a difficult juncture
- The future of City and its residents depends on your decisions
- As you debate and deliberate the priorities and city's future, you may find a paradigm shift in the decision making process because of this new economic reality

The Decision Making Process

- For some, the decision making process may focus on traditional services and models of service delivery.
- For others, the decision making process may transcend with a new focus, to make a difference in the lives of residents and to help prepare our youth for a better future.

A more entrepreneurial and visionary approach!

The Ultimate Decision!

- The choices are tough and the Council has already indicated that they want to seek voter approval.
- Therefore, while we have identified several options, we have not made any recommendations. We are not supporting one choice over another.
- Our goal is to present to you comprehensive information, so as leaders of the community, you can make well informed decisions. Decisions, that you believe are in the best interests of the community.

Identifying the Problem

The Long Term Financial Plan

The Questions

- What does Baldwin Park's financial future look like?
- What can and should be done to reshape that future?
- What do we want the City to look like and become?
- What will it take and how much will it cost to provide the basic quality services?

The City of Baldwin Park has a **Financial Problem**

- There is **not enough revenue** to pay for the services needed for a quality community
- It is a structural financial problem
- Even during boom years, the City was making staff reductions, reorganizing and making spending cuts
- It has been present for several years and is getting worse

Why do we have a Problem?

- **Low Revenue Base**
- **Impacts of Recession**
- **Elimination of Redevelopment**
- **Increased retirement costs**
- **The City has already implemented significant cuts and reductions**

THE EXTENT OF THE PROBLEM

LONG TERM FINANCIAL ANALYSIS AND PLAN

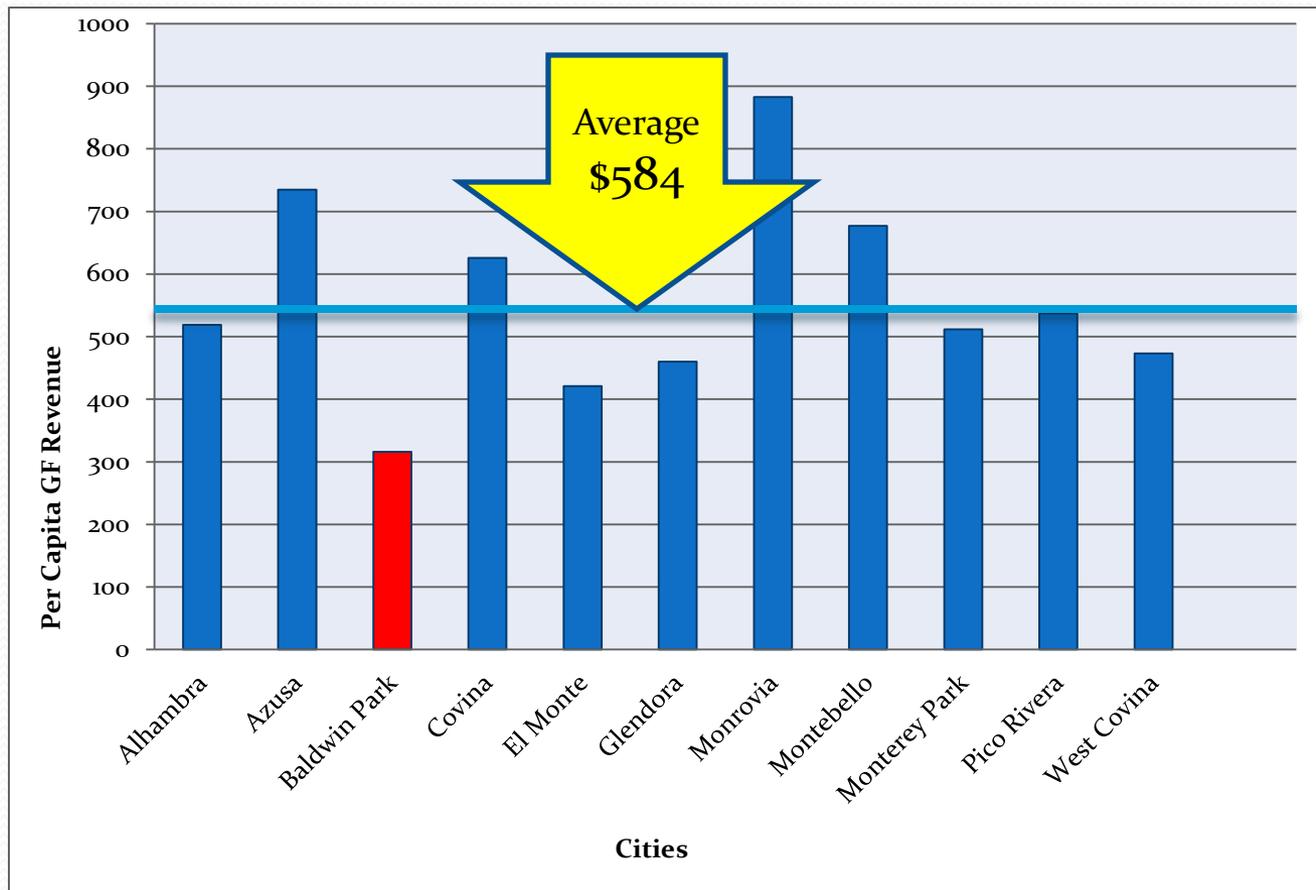
- **Revenues**

- Lower than surrounding cities
- Receive \$316 per person in Baldwin Park
- Average for San Gabriel Valley Cities is \$584 per person
- Next Lowest is El Monte at \$421 per person

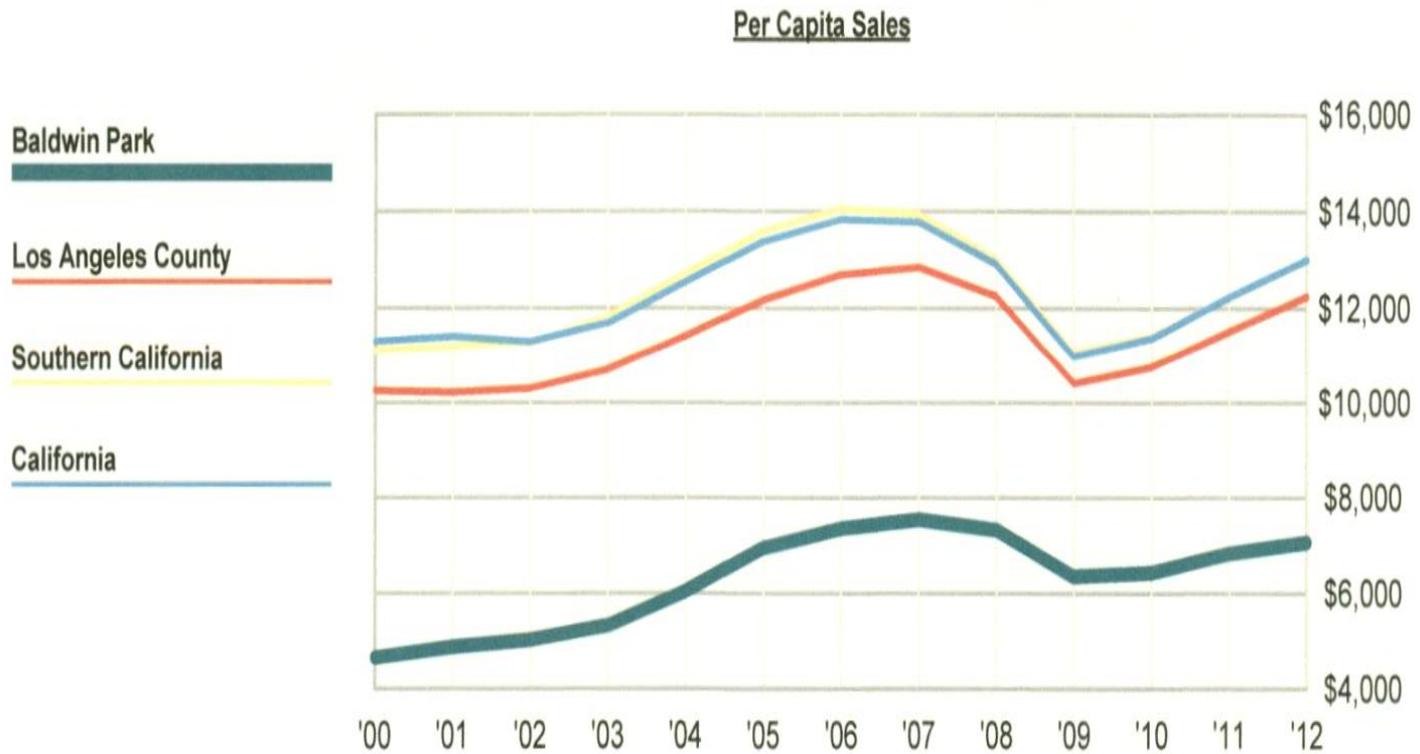
GENERAL FUND REVENUE PER CAPITA COMPARISON

Other SGV Cities	Per Capita GF Revenue	Baldwin Park Per Capita GF Revenue	Difference	% Difference
Alhambra	519	316	(203)	-39.1%
Azusa	735	316	(419)	-57.0%
Covina	626	316	(310)	-49.5%
El Monte	421	316	(105)	-24.9%
Glendora	460	316	(144)	-31.3%
Monrovia	883	316	(567)	-64.2%
Montebello	677	316	(361)	-53.3%
Monterey Park	512	316	(196)	-38.3%
Pico Rivera	537	316	(221)	-41.2%
West Covina	473	316	(157)	-33.2%
Average	584	316	(268)	-45.9%

Per Capita General Fund Revenue by City



Per Capita Sales

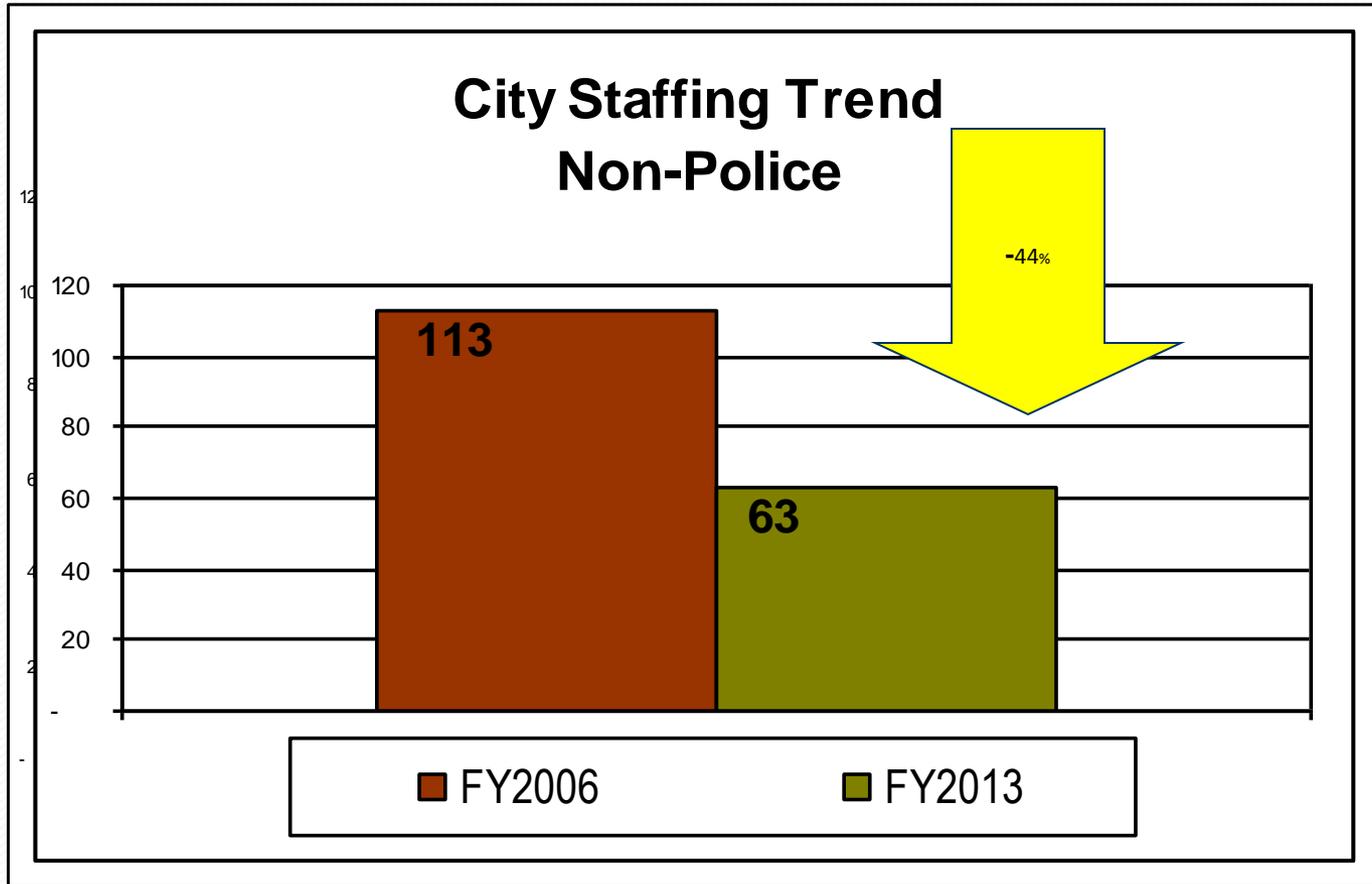


Periods shown reflect the period in which the sales occurred - Point of Sale

The Past Few Years

- Adopted last two budgets with deficits
- Laid off 8 employees & Eliminated 57 non sworn positions and 4 sworn positions
- Made significant cuts in non personnel areas
- Reduced Numerous Programs, Services & Special Events
- Deferred Vehicle/Equipment Purchases, Preventive Maintenance and Capital Improvements

Reduction in City Non-Police Staffing



Non Personnel Cost Reductions

	2005/2006	2013/2014	Difference	% Change
Materials & Supplies	506,188	328,650	(177,538)	-35%
Dues & Publications	65,239	58,630	(6,609)	-10%
Meetings & Conferences	113,221	50,000	(63,221)	-56%
Minor Equip. Purchases	56,106	20,900	(35,206)	-63%
Professional Services	211,146	30,890	(180,256)	-85%
Education & Training	36,404	8,500	(27,904)	-77%
Liability Insurance Costs	1,679,179	860,771	(818,408)	-49%

What Does the Future Look Like?

Despite major cuts and reductions in the past years; due to lower revenues, impacts of the recession, increased costs and elimination of Redevelopment, the City faces a very challenging financial future.

GENERAL FUND TEN-YEAR PROJECTIONS

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Resources	24,251,400	24,998,773	25,658,185	26,353,127	27,347,170
Outlay	27,890,677	28,852,715	30,024,225	31,048,434	32,261,496
Surplus/(Deficit)	(3,639,277)	(3,853,942)	(4,366,040)	(4,695,307)	(4,914,326)
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resources	28,289,298	29,089,064	29,847,184	30,701,215	31,551,753
Outlay	31,346,693	32,657,682	33,781,524	35,055,885	36,363,054
Surplus/(Deficit)	(3,057,395)	(3,568,618)	(3,934,340)	(4,354,670)	(4,811,301)

Vasquez & Co., CPA LLP Review

- The City contracted with Vasquez & Co, CPA LLP, a well respected CPA firm and independent outside auditor, to review the numbers, methodology and calculations dealing with:
 - The Fiscal Year 2013/14 Budget
 - The Long Term Financial Plan and Analysis
 - The comparison of costs between the Baldwin Park Police Department and the Los Angeles County Sheriff

CITY OF BALDWIN PARK



An Independently Owned Member
McGLADREY ALLIANCE



Members AICPA Division of Firms ♦ Center for Public Company Audit Firms ♦ Registered with Public Company Accounting Oversight Board
801 S. Grand Avenue, Suite 400, Los Angeles, CA 90017-4646 ♦ Member of the Government Finance Officers Association
♦ (213) 873-1700 ♦ Fax (213) 996-4242 ♦ www.vasquezcpa.com
Contact: Mr. Gilbert Vasquez, CPA ♦ Dated: September 25, 2013

AGENDA

- Vasquez & Company LLP
- The Engagement Team
- Financial Assessment & Long-Term Fiscal Planning
- Engagement Objective and Process Overview
- Agreed Upon Procedures
- Results of Procedures Performed
- Questions and Discussion

The Firm of Vasquez & Company LLP

- Independent CPA Firm
- Primary practice focus is local governmental auditing and accounting
- Untarnished professional reputation

ENGAGEMENT TEAM

- Gilbert Vasquez, CPA Managing Partner
- Margaret McBride, CPA Principal
- Cristy Caneida, CPA Concurring Principal
- Leticia Segura, CPA Engagement Manager

Financial Assessment & Long Term Fiscal Planning Process

Phase I

Phase II

Phase III

Phase IV

**Planning and
Issue
Identification**

**Compile/
Analyze
Financial
Information**

**Decision-
Making**

**Execution
and
Monitoring**

ENGAGEMENT OBJECTIVE AND PROCESS OVERVIEW

Objective – To assist the City Council and Management in ensuring that assumptions and methodologies used by management in preparing the City’s Long-term Financial Outlook and Plan through the fiscal year ended June 30, 2023, for the General Fund are supported by verifiable source documentation and that calculations of projections using those assumptions and methodologies are accurate.

Process - We researched, challenged and validated data used by the City and examined the updated Long-Term Financial Analysis and Plan, Available Options document and Budget Executive Summary, all dated August 29, 2013, as necessary to ensure that any and all corrections previously communicated to City management by Vasquez personnel had been addressed.

AGREED UPON PROCEDURES

1. Research accounts, perform analyses and review historical account activity.
2. Identify financial trends and key statistics impacting account fluctuations.
3. Review assumptions used in developing the Long-Term Financial Outlook and Plan and trace to supporting documentation and verifiable third-party sources.
4. Evaluate/recalculate projected revenues and expenditures for the ten-year period from fiscal year 2014 through 2023 based solely on the assumptions provided by the City.
5. Review the City's calculation of the net costs associated with continuing to use its own police department compared to the net costs of outsourcing to the County Sheriff's Office.
6. Review the City's calculation of the estimated revenues to be generated by the alternative taxing options of Utility Users Tax, Sales Tax and Parcel Tax.

RESULTS OF PROCEDURES PERFORMED

		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	\$	24,251,400	24,998,773	25,658,185	26,353,127	27,347,170
Expenditures		27,890,677	28,852,715	30,024,225	31,048,434	32,261,496
Differences	\$	<u>(3,639,277)</u>	<u>(3,853,942)</u>	<u>(4,366,040)</u>	<u>(4,695,307)</u>	<u>(4,914,326)</u>
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$	28,289,298	29,089,064	29,847,184	30,701,215	31,551,753
Expenditures		31,346,693	32,657,682	33,781,524	35,055,885	36,363,054
Differences	\$	<u>(3,057,395)</u>	<u>(3,568,618)</u>	<u>(3,934,340)</u>	<u>(4,354,670)</u>	<u>(4,811,301)</u>

Results - The procedures we performed support the amounts in the Long-Term Financial Analysis and Plan, General Fund Ten Year Projections schedule, which present fund deficits ranging from approximately \$3 million to \$4.9 million each year during the ten-year period from fiscal year 2014 to fiscal year 2023.

RESULTS OF PROCEDURES PERFORMED (Continued)

Tax Type	Proposed Increase	New Revenue
Utility Users Tax	Increase from 3% to 5%	\$1,450,000
Utility Users Tax	Increase from 3% to 6%	\$2,200,000
 		
Sales Tax	½ cent	\$3,189,750
Sales Tax	1 cent	\$6,379,500
 		
Parcel Tax	\$150 per parcel	\$2,148,846
Parcel Tax	\$290 per parcel	\$4,154,436

Results - Our procedures validate the calculations made to project new revenues from an adjusted Utility Users Tax or Sales Tax and from a new Parcel Tax.

RESULTS OF PROCEDURES PERFORMED (Continued)

COST COMPARISON BETWEEN BALDWIN PARK POLICE AND SHERIFF

		2013/2014	2014/15	2015/16	2016/17	2017/18
Police						
Net Costs	\$	17,307,969	17,644,931	18,380,295	19,079,318	19,879,525
Sheriff						
Net Costs		13,410,789	13,827,965	14,428,214	14,926,680	15,440,272
Difference	\$	3,897,180	3,816,966	3,952,081	4,152,638	4,439,253
		2018/19	2019/20	2020/21	2021/22	2022/23
Police						
Net Costs	\$	18,680,609	19,485,795	20,245,861	21,124,752	21,965,540
Sheriff						
Net Costs		14,021,478	14,515,740	15,032,945	15,574,477	16,141,820
Difference	\$	4,659,131	4,970,055	5,212,916	5,550,275	5,823,720

Results - Our procedures validate the calculations made to compare the estimated costs to be incurred and revenues to be generated by City and County law enforcement service delivery options. Police costs have excluded other public service costs for animal control, crossing guard and red light camera, because such services are not expected to be included in the Sheriff's Department contract.



QUESTIONS AND DISCUSSION

THANK YOU!

It has been a pleasure to serve the City of Baldwin Park.

THE EXTENT OF THE PROBLEM

A LONG TERM FINANCIAL ANALYSIS AND PLAN

- The Budget(Financial Plan) is a **Policy Document** that establishes the expectations for services, programs and performances and **allocates resources** based on priorities and needs
- It **protects the City's long term stability** in providing resources to protect the City's assets and discharge its liabilities and obligations
- It needs to make sure that the City creates value for its residents and pride by maintaining high standards of service and performance with the revenues available

THE EXTENT OF THE PROBLEM

A LONG TERM FINANCIAL ANALYSIS AND PLAN

- This year's budget looked at our current needs, their costs, our current revenues and the long term impacts
- The budget and long term financial plan reflect the costs needed to provide basic service levels, equipment, facilities and pay long term obligations
- The analysis reviewed both projected expenditures and revenues over the next ten years

General Fund Revenues

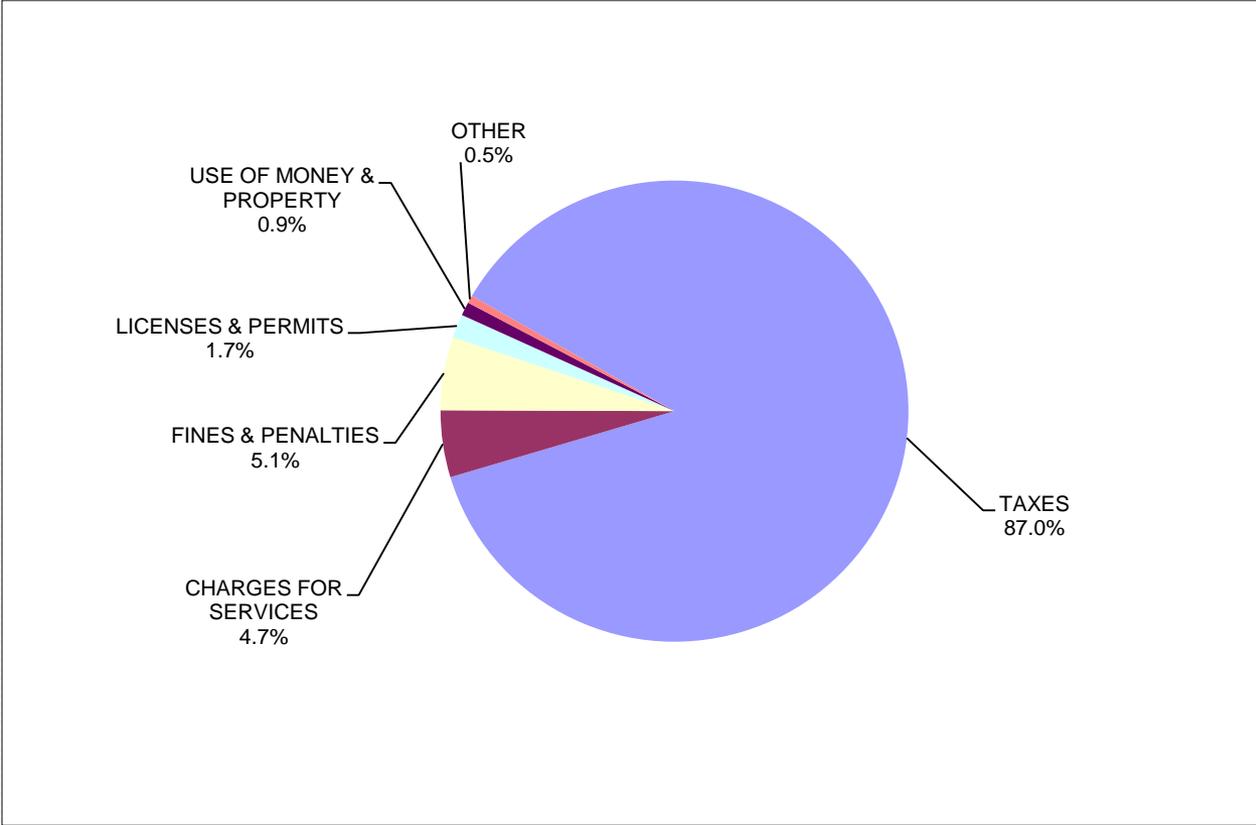
- **Revenue**

- Taxes make up 87% of the City's General Fund Revenue
- Our Tax Revenue is almost back to the peak years
- We have had major drops in
 - Charges for Services
 - Fines & Penalties

General Fund Revenues

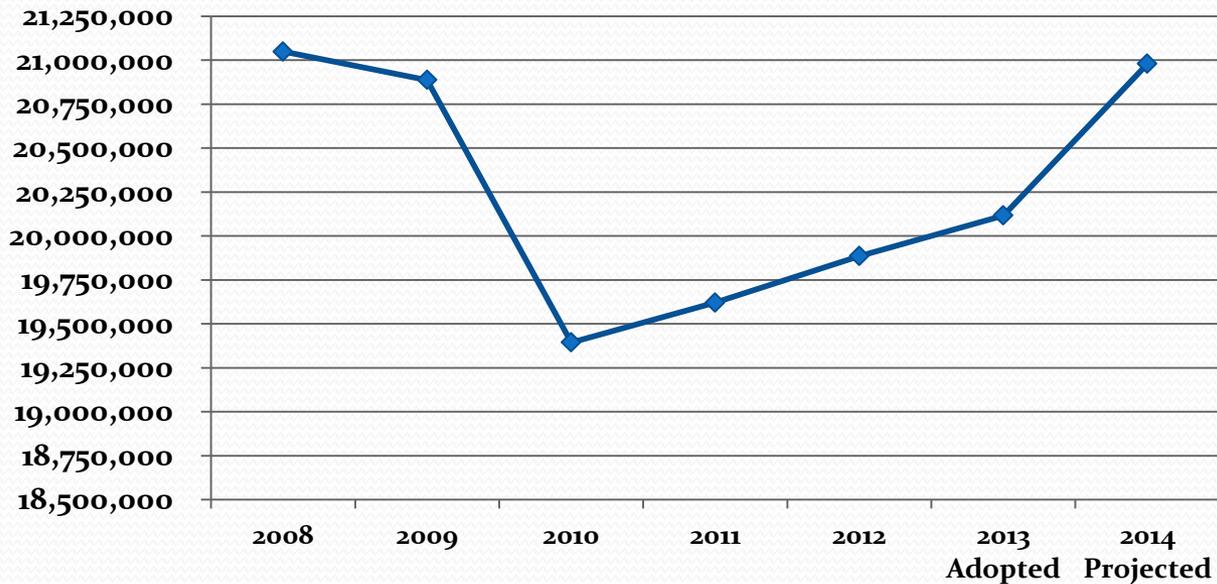
REVENUE SOURCE	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 ADOPTED	FY 2014 PROJECTED
Taxes						
Property Taxes	3,802,756	3,207,516	3,225,564	3,221,464	3,287,500	3,609,200
Sales Tax	5,105,862	4,761,873	5,185,624	5,324,720	5,509,300	5,682,100
Utility Users Tax	2,459,483	2,407,299	2,266,892	2,215,756	2,300,000	2,275,000
Franchise Tax	1,997,823	1,931,360	2,006,481	2,075,687	2,000,000	2,173,000
Transient Occupancy Tax	250,583	218,883	216,587	190,789	220,000	219,000
Business License Tax	578,847	563,739	511,439	602,630	525,000	567,000
Intergovernmental	163,237	120,104	184,125	218,782	145,000	204,000
Prop Tax In Lieu of VLF	6,623,715	6,254,715	6,158,462	6,215,340	6,250,000	6,379,500
<i>Subtotal Taxes</i>	<i>20,982,306</i>	<i>19,465,489</i>	<i>19,755,174</i>	<i>20,065,168</i>	<i>20,236,800</i>	<i>21,108,800</i>
Charges for Services	1,530,923	1,538,597	1,507,339	1,353,864	1,294,700	1,136,600
Fines & Penalties	1,844,475	1,671,699	1,421,252	1,119,318	1,195,000	1,245,000
Licenses & Permits	517,619	583,605	559,605	538,895	539,900	401,000
Use of Money & Property	444,315	248,994	720,594	218,006	208,500	230,000
Other	652,823	857,482	529,033	138,946	61,000	130,000
<i>Subtotal Other</i>	<i>4,990,155</i>	<i>4,900,377</i>	<i>4,746,823</i>	<i>3,369,029</i>	<i>3,299,100</i>	<i>3,142,600</i>
Grand Total	25,972,461	24,365,866	24,492,997	23,434,197	23,535,900	24,251,400

Sources of General Fund Revenue

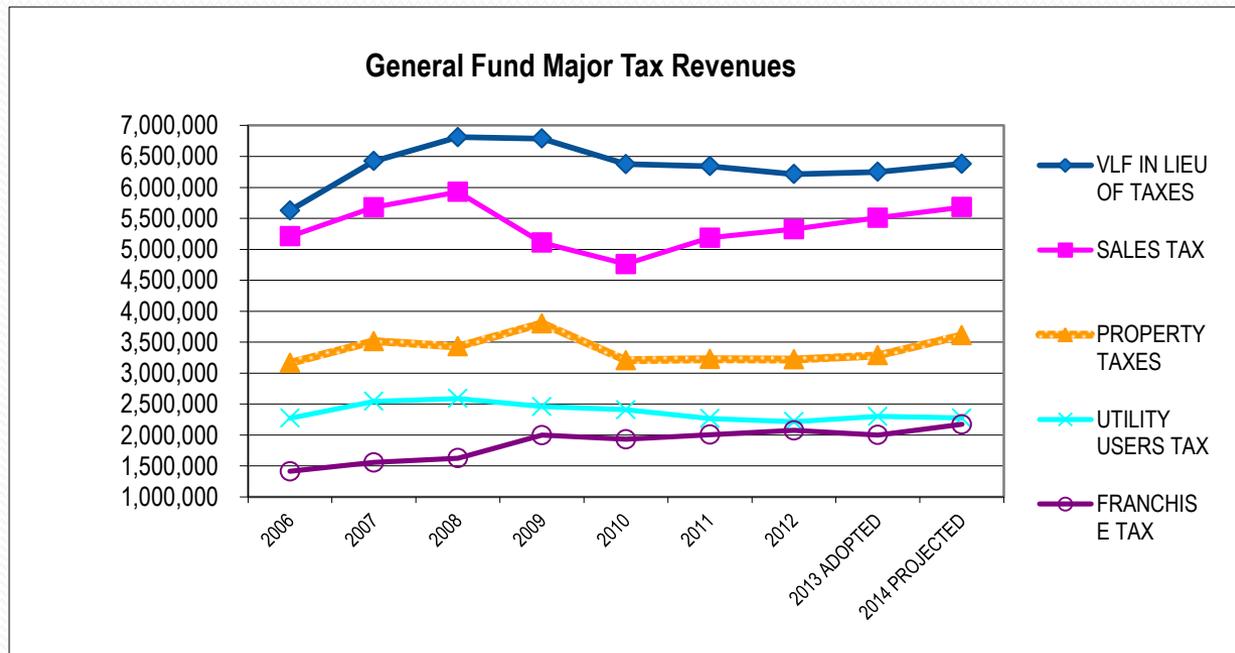


General Fund Taxes Summary

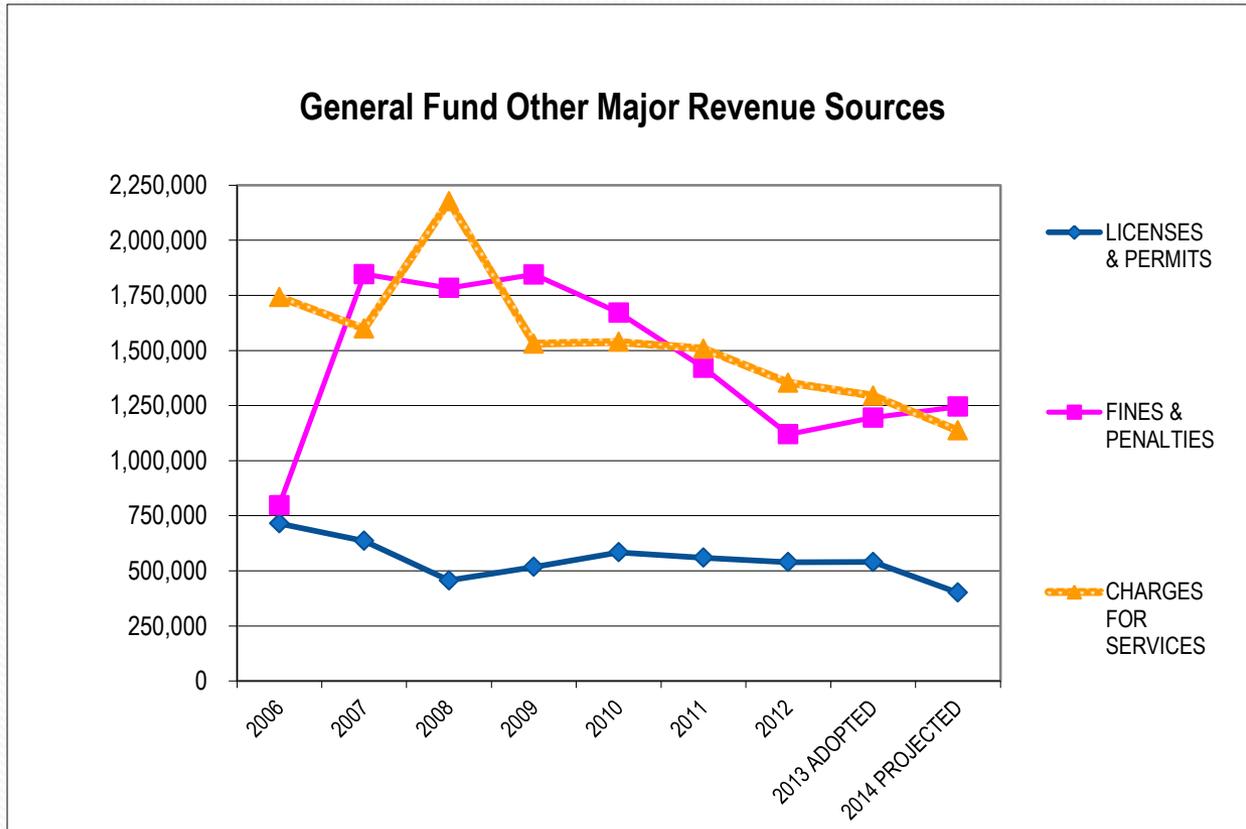
General Fund Taxes



General Fund Major Tax Revenues



Other Major General Fund Revenues



THE EXTENT OF THE PROBLEM

LONG TERM FINANCIAL ANALYSIS AND PLAN

● **Staffing**

- Reduced non police staffing by 44% since 2006
- 50 non police positions eliminated
- 7 non-sworn police positions and 4 sworn positions have been eliminated
- Some Divisions have been reduced in staff by 75%
- Some Divisions have only one or two full-time staff left to function

THE EXTENT OF THE PROBLEM

LONG TERM FINANCIAL ANALYSIS AND PLAN

- **Staffing** (continued)

- Administrative Support Departments have 50% less staff than other surrounding cities
- Public Works and Community Development have 37% less staff than other San Gabriel Valley cities
- Only staffing areas left to significantly reduce expenditures are Recreation and Sworn Police Officers

Full Time Staffing Trend By Department

Department	2005/2006	2012/2013	Difference	Increase (Decrease)
Non Police Departments				
CEO / City Clerk	8	2	-6	-75%
Finance	11	7	-4	-36%
Human Resources	4	2	-2	-50%
Information & Support Services	4	2	-2	-50%
Recreation & Community Services	11	9	-2	-18%
Facilities Maintenance / Fleet Services	9	3	-6	-67%
Community Development	29	13	-16	-55%
Public Works	37	25	-12	-32%
Total Non Police	113	63	-50	-44%
Police Department				
Police (Sworn)	81	77	-4	-5%
Police (Non-Sworn)	27	20	-7	-26%
Total Police	108	97	-11	-10%
Total City*	221	160	-61	-28%
*Does not include 7 Elected Positions. The revised staffing trend includes the reduction of eight positions in November, 2012.				

DEPARTMENTAL COMPARISONS FOR FISCAL YEAR 2012-13

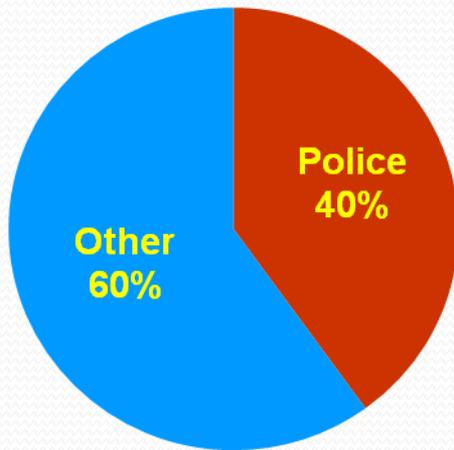
Departments	Baldwin Park	Average of 10 surrounding Cities	Difference	Percentage Difference
Administration	6	15	-9	-60%
Finance	7	12	-5	-42%
Comm. Dev.	8	12	-4	-33%
Public Works	25	40	-15	-38%

The cities included in calculating the average are Azusa, Alhambra, Covina, El Monte, Glendora, Montebello, Monrovia, Monterey Park, Pico Rivera and West Covina. The Community Development Department staffing does not include the five positions dedicated to the Housing Authority and other Housing programs.

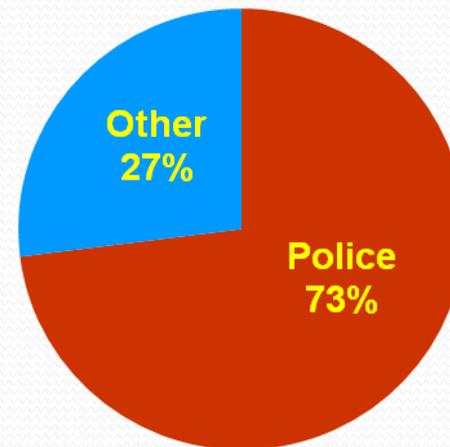
Long-Term Trend of Police Department Costs:

The City of Baldwin Park has maintained its Police Department despite a structural fiscal problem and low revenue base. As a result, its General Fund share of Police costs has increased over the years from 40% in 1979-80 to 73% or almost $\frac{3}{4}$ of the General Fund in 2011/2012.

1979/80



2011/12



Our Current Challenges

- Other Issues
 - Continuing increases in PERS, Medical Retiree Insurance and Worker's Compensation costs
 - Delayed funding for Medical Retiree Trust Fund
 - Delayed Equipment Purchases
 - Delayed Capital Improvements and Repairs
 - Delayed Compensation Adjustments

THE RESULTS OF THE REDUCTIONS

- Fewer Programs and Events
- Reduced Service Level
- Fewer Staff to address Resident and City Council requests in a timely manner

PRIORITY CONCERNS

- Reduced Recreation and Youth Programs
- Poor Maintenance of Parks and Landscaping
- Funding of Full Staffing of 77 Sworn Police Officers and Overtime
- Graffiti Abatement and Code Enforcement
- Fewer Street and Sidewalk Repairs
- Reduced and Eliminated Special Events
- Slow Response to Council and Community Requests

OTHER MAJOR ISSUES ADDRESSED

- Replacing Police Vehicles
- Replacing some City Equipment and Vehicles
- Repairing some Facilities and Replacing Equipment
- Limited Restoration of Economic Development Program
- Partially Restoring Planning Services for quicker turn around of plans

Proposed Program & Service Level Restorations and Costs

- City Clerk's Office – restore one position \$103,306
- Economic Development–marketing & consultants \$100,000
- Community Development, CEO Office Support & General Operations – restore analyst position \$103,306 and \$25,000
- Community Development-Planning – Planning Services \$20,000
- Public Works – Two maintenance workers for Parks and Landscape maintenance work. One Public Works Superintendent. Increase Graffiti Abatement Contract
Total General Fund Costs - \$121,007

Proposed Program & Service Level Restorations and Costs

- Community Development -Code Enforcement –Restore one full-time Code Enforcement Officer General Fund Costs-\$32,041
- Full Police Sworn Staffing – Fund 77 sworn positions with no salary savings mandate General Fund Costs \$626,480
- Police Overtime-Restore Police Overtime in General Fund – General Fund Costs \$424,190
- Police- Non sworn- Vacant Records Clerk not filled. Funds to be used to for additional part-time staff to augment community outreach, crime prevention and domestic violence programs. No General Fund Impact

Proposed Program & Service Level Restorations and Costs

- City Special Events – Restore \$50,000 in funding
- Recreation Programs – Part-time hours - Restore some of the hours for part-time staff which will allow for the restoration of recreation program levels that were reduced several years ago. \$65,780
- Information Technology – Add part-time hours and provide for needed software upgrades and computer hardware replacement IT Fund Impact \$173,000

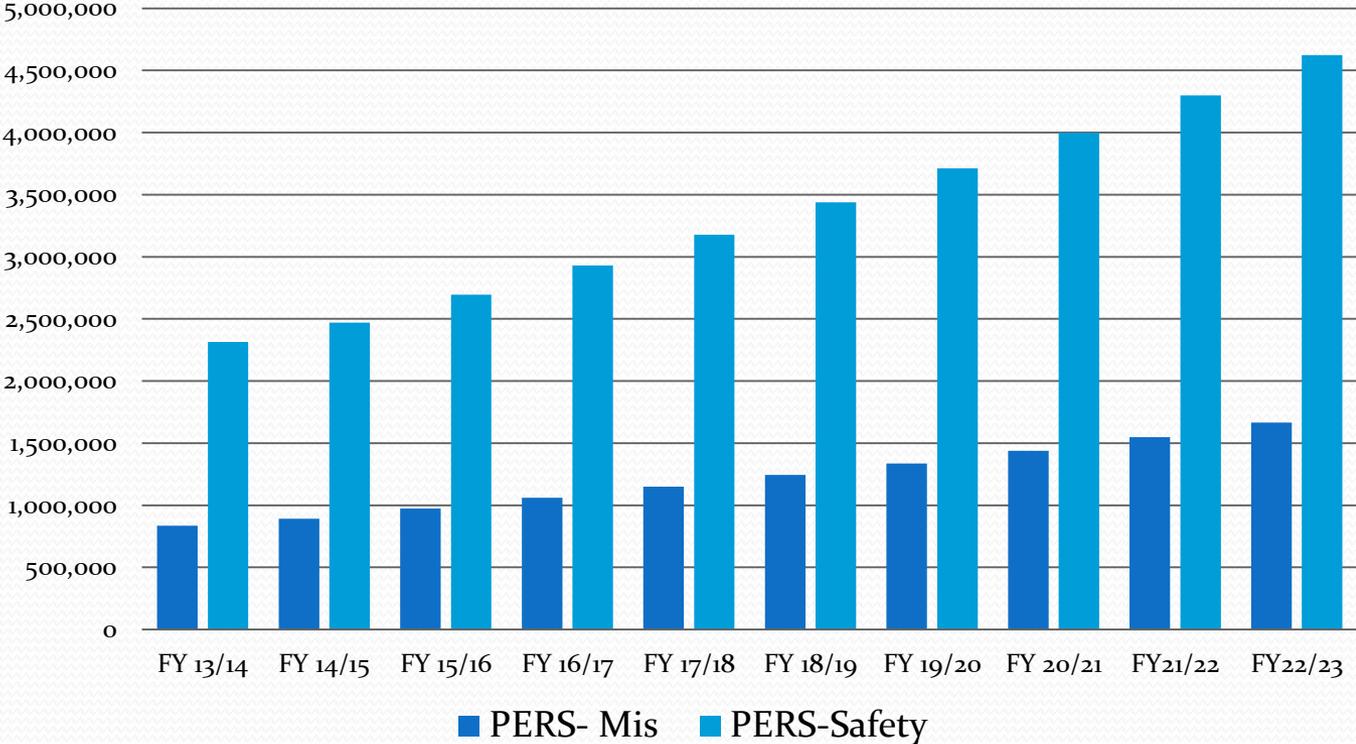
Proposed Program & Service Level Restorations and Costs

- Replace three Police Vehicles \$145,500
- Other Vehicle and Equipment Replacement \$65,000
- Facility and Equipment Repairs- \$126,000

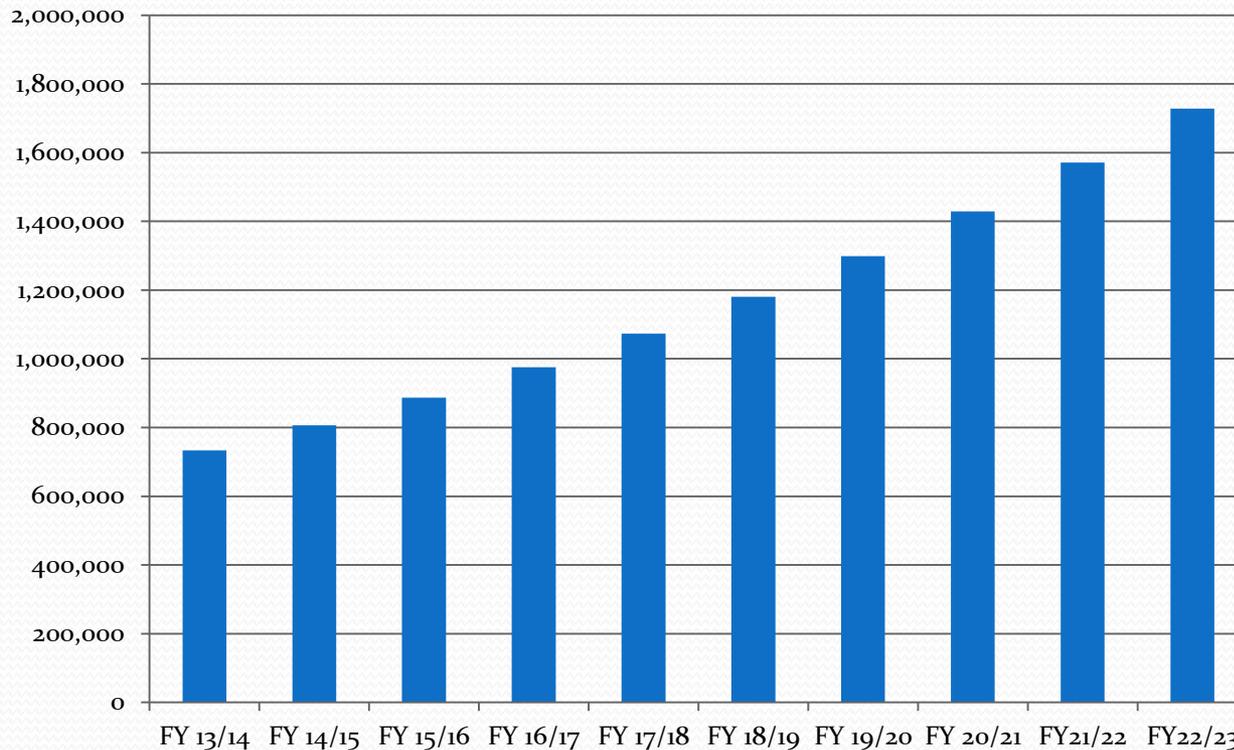
Operational Cost Increases

- Current increased operational costs including:
 - Increased PERS Costs
 - Increased Debt Service for Pension Obligation Bond
 - Increased Retiree Medical Premiums
 - Increased Special Pay and Allowances as determined by MOU's
 - Increased Utilities and Fuel costs

Increased PERS Costs



Retiree Medical Insurance Costs

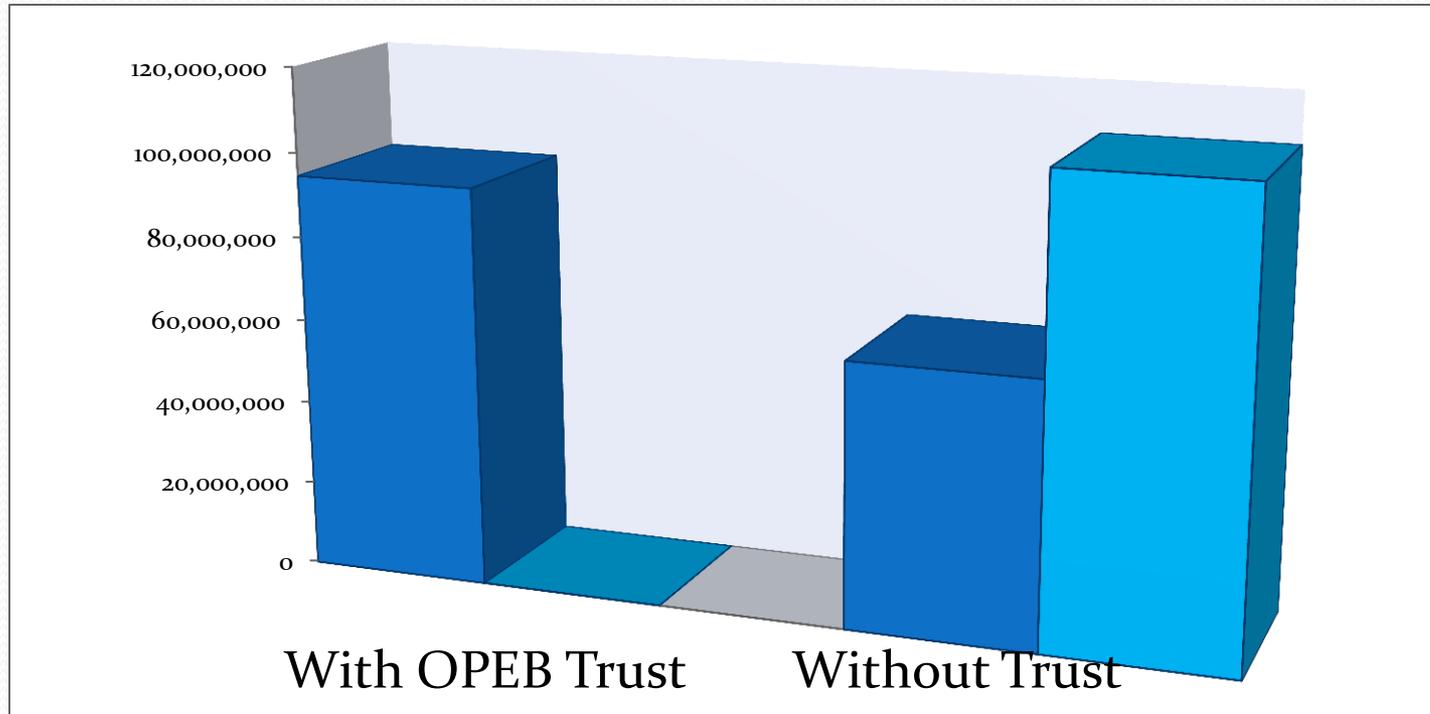


Total Annual payments over thirty year period will be \$ 62 million

OTHER COSTS

- Medical Retiree Insurance Trust Fund
 - Costs for FY 2013/14 are \$913,696
 - Total costs to eliminate projected unfunded liability of \$107 million would be \$31 million over thirty year period
 - Savings with Trust will be \$76 million

Retiree Medical Trust Costs and Unfunded Liability

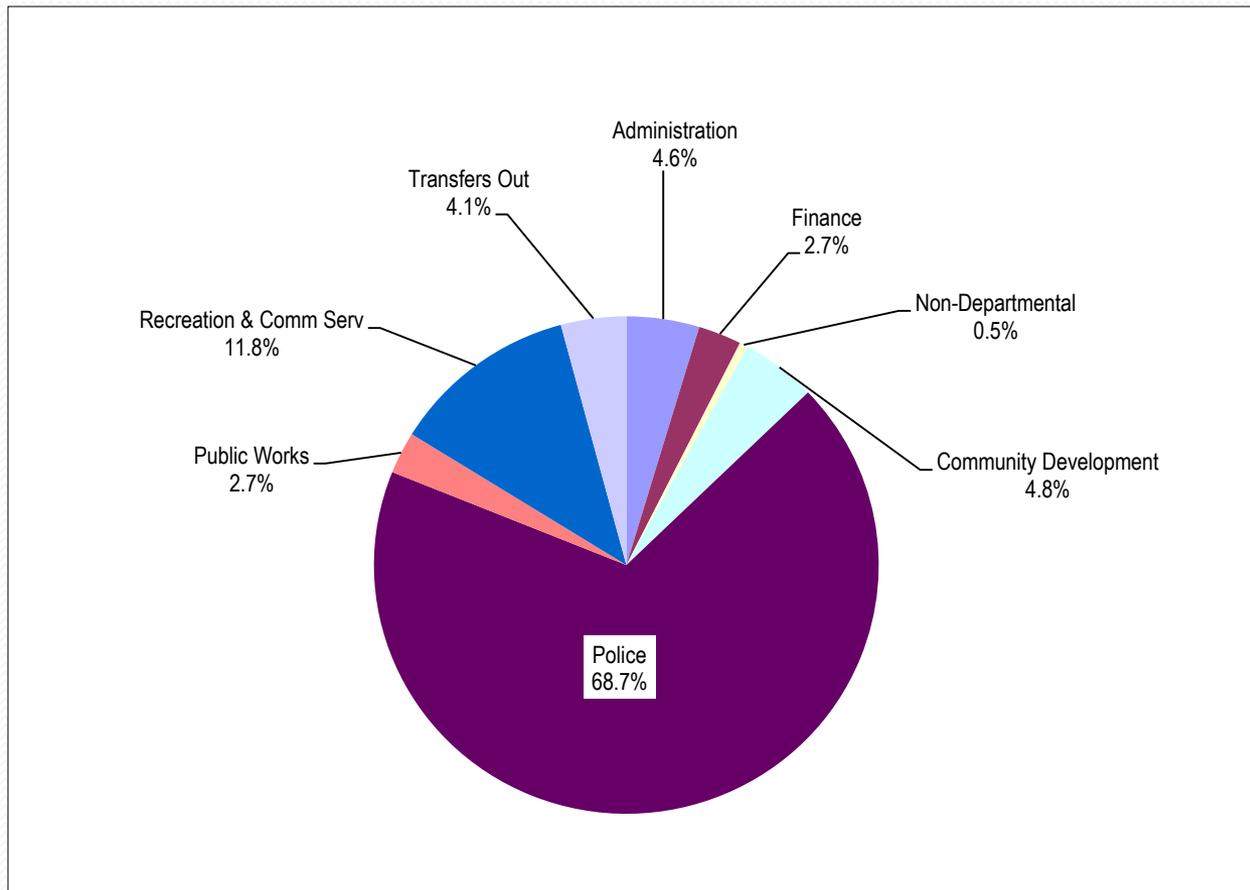


- Thirty year cost with Trust \$94 million
 - \$0 unfunded liability
- Thirty year cost with No Trust \$62 million
 - \$107 million unfunded liability
- Savings by Establishing OPEB Trust \$76 million

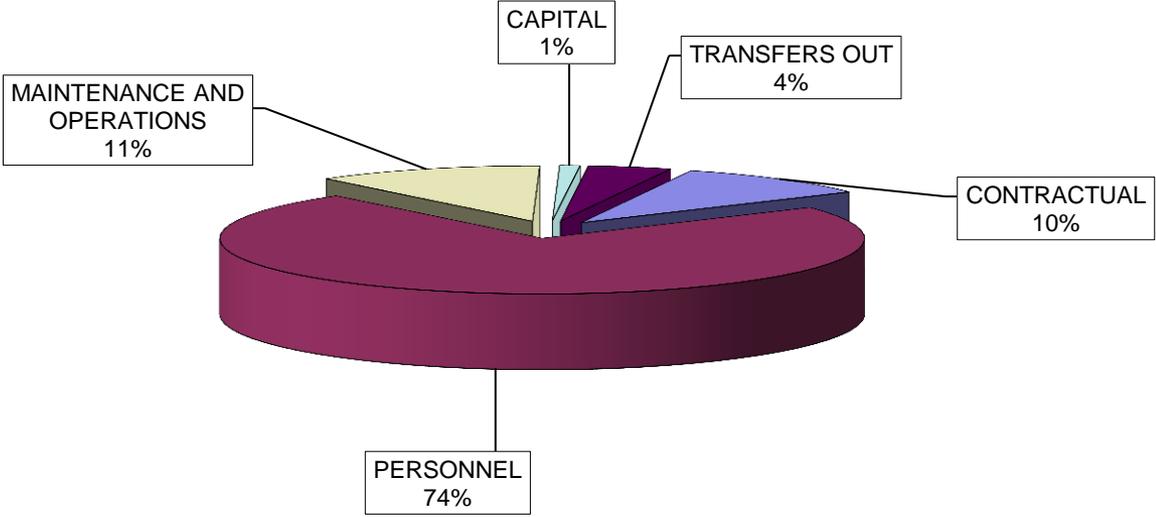
General Fund Expenditures By Department

Department	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 ADOPTED	FY 2014 PROJECTED
Administration:						
Council	101,193	170,437	152,128	162,239	195,480	262,392
CEO	129,193	131,582	125,467	101,855	92,780	133,891
Economic Development		0	0	0	0	134,736
City Clerk	133,360	150,983	105,278	146,993	96,010	212,357
City Attorney	245,847	250,649	247,888	154,595	179,000	193,000
Admin Retiree Health	0	0	0	0	0	107,233
Human Resources	289,075	271,853	217,591	209,794	216,450	275,345
Finance	749,368	612,510	556,063	532,596	539,020	899,065
Non-Departmental	1,677,453	1,924,081	9,753,415	2,569,267	1,961,986	144,850
Community Development	1,066,335	1,034,174	850,585	984,665	979,940	1,409,118
Police	16,422,702	15,877,473	16,007,714	16,380,014	16,751,060	19,163,205
Public Works	610,132	306,355	237,123	253,434	203,590	934,616
Facilities Maintenance	821,139	700,578	713,796	732,006	756,260	946,926
Recreation & Community Services	2,612,557	2,469,636	2,323,530	2,199,050	1,983,391	3,073,943
Grand Total	24,858,355	23,900,311	31,290,578	24,426,508	23,954,967	27,890,677

General Fund Expenditures by Department



General Fund Expenditures by Category



Summary of Departmental Expenditure Changes

- Major change in the location of transfers, medical retiree premiums and IT allocations to the individual departments
- Changes made to more closely align costs with the appropriate service or program instead of being in non-departmental costs
- All Departments now have the Retiree Medical Costs and the payments to the Retiree Medical Trust Fund in their Departmental Budgets in separate Cost Center
- First time retiree medical trust costs are included in the budget
- Recreation's budget now also has costs for the debt service for the community center and the summer lunch program match
- Public Works now has the General Fund Transfer to the Park Maintenance District

Summary of Departmental Expenditure Changes

- The City Clerk's Office, the City Council, the Finance Department and the Police Communication and Records Divisions had increases in their budgets due a change in the reallocation of software program and hardware costs
- The City Clerk's Office includes the cost for the election in November.
- The Police Department has restored funding for 77 sworn police officers and purchase of three new police vehicles
- The police overtime that was transferred for one year to Asset Forfeiture Fund has been returned to the General Fund.
- The Police Department, like the other Departments, has the Retiree Medical and payments to the Retiree Medical Trust Fund

Summary of Budget Fiscal Year 2013/14

Projected Increases from Fiscal Year 2012/13 to 2013/14

• Required Contractual & Operating Cost Increases	\$ 752,551
• Full Police Staffing, Overtime & 3 Police Vehicles	\$1,263,320
• Capital Repairs, Equipment & Computer Replacement	\$ 301,483
• Restoration of Some Programs and Positions	\$ 704,660
• Retiree Medical Insurance Trust Fund	<u>\$ 913,696</u>
TOTAL	\$3,935,710

Summary of Budget Fiscal Year 2013/14

- Estimated Revenues \$ 24,251,400
- Projected Expenditures \$ 27,890,766
- Deficit \$ (3,639,277)

Other City Issues Requiring Additional Funding

- Additional Funding needed for Youth and Training Programs
- Additional Funding is also needed for Community Outreach, Domestic Violence, Crime Prevention and Gang Diversion Programs
- A Collaborative Community and Multi-Agency Approach is Needed for many of these issues

Other City Issues Requiring Additional Funding

Major Street Improvement Requirements - \$34 million

Category	Area Of Pavement (square feet)	Cost per square foot	Total Funding Required over 10-years	Annual Funding Needed
I	6,516,895	\$0.40	\$5,200,000	\$520,000
II	6,913,110	\$3.25	\$22,468,000	\$2,246,800
III	1,122,000	\$4.50	\$5,048,000	\$504,800
Other Needs			1,350,000	135,000
Total			\$34,066,000	\$3,406,600

Other City Issues Requiring Additional Funding

- Additional Funding needed for Facility and Equipment Repairs
- Additional funding needed for Vehicle Replacement
- Funding also needed for Sidewalks Repairs
- **Current Projected Funding falls short of required needs**

Ten Year Plan –Other Issues

- No funding to join Mosquito and Vector Control District
- No funding for City Sustainability Program
- No funding for Sewer Repairs and Upgrades

Ten Year Plan

- Average a 2.8 to 3% increase in taxes annually
- Provisions for new businesses & revenue
- Non-Retirement Personnel Costs limited to 3%
- Projected PERS increases
- Increases in operations and maintenance costs

Ten Year Plan

- Increases in Retiree Medical Premium costs and costs to Retiree Medical Trust Fund as determined by actuarial study
- Provides some funding for new Vehicle & Equipment Replacement
- Provides some funding for Facility Repairs and Street improvements.

Ten Year Plan

- First Year projected deficit \$3.6 million
- Lowest projected annual deficit \$3 million
- Highest projected annual deficit \$4.8 million

General Fund Ten Year Revenue Projections

A-75

	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY21/22	FY22/23
Revenues										
Taxes										
Property Taxes	3,609,200	3,717,476	3,829,000	3,943,870	4,062,186	4,184,052	4,309,574	4,438,861	4,572,027	4,709,187
Sales Tax	5,682,100	5,786,900	5,941,300	6,093,450	6,285,000	6,704,000	6,891,712	7,098,464	7,311,417	7,530,760
TOT	219,000	222,285	225,619	229,004	479,004	486,189	493,481	500,884	508,397	516,023
Franchise Tax	2,173,000	2,227,325	2,283,008	2,340,083	2,398,585	2,458,550	2,520,014	2,583,014	2,647,589	2,713,779
Utility Users Tax	2,275,000	2,309,125	2,343,762	2,378,918	2,414,602	2,450,821	2,487,583	2,524,897	2,562,771	2,601,212
Property Tax in Lieu of VLF	6,379,500	6,570,885	6,768,012	6,971,052	7,180,183	7,395,589	7,617,457	7,845,980	8,081,360	8,323,801
Business License Tax	567,000	575,505	584,138	592,900	601,793	610,820	619,982	629,282	638,721	648,302
Intergovernmental	204,000	210,120	216,424	222,916	229,604	236,492	243,587	250,894	258,421	266,174
Projected New Business Income & Revenue	0	175,000	200,000	250,000	300,000	300,000	375,000	375,000	450,000	500,000
Taxes Sub total	21,108,800	21,794,621	22,391,263	23,022,193	23,950,957	24,826,513	25,558,390	26,247,276	27,030,703	27,809,238
License & Permits	401,000	409,020	417,200	425,544	434,055	442,736	451,591	460,623	469,835	479,232
Fines & Penalties	1,245,000	1,269,900	1,295,298	1,321,204	1,347,628	1,374,581	1,402,072	1,430,114	1,458,716	1,487,890
Use of Money & Property	230,000	234,600	239,292	244,078	248,959	253,939	259,017	264,198	269,482	274,871
Charges for Services	1,136,600	1,159,332	1,182,519	1,206,169	1,230,292	1,254,898	1,279,996	1,305,596	1,331,708	1,358,342
Other Revenue	130,000	131,300	132,613	133,939	135,279	136,631	137,998	139,378	140,771	142,179
Total Revenue	24,251,400	24,998,773	25,658,185	26,353,127	27,347,170	28,289,298	29,089,064	29,847,184	30,701,215	31,551,753

General Fund Ten Year Expenditure Projections

Expenditures	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY19/20	FY 20/21	FY 21/22	FY 22/23
Personnel										
Regular Pay	8,510,570	8,553,123	8,809,717	9,074,008	9,346,228	9,626,615	9,915,414	10,212,876	10,519,262	10,834,840
Part-Time Pay	1,177,410	1,264,215	1,302,141	1,341,206	1,381,442	1,422,885	1,465,572	1,509,539	1,554,825	1,601,470
Overtime	664,590	684,528	705,064	726,215	748,002	770,442	793,555	817,362	841,883	867,139
Holiday Pay	161,400	166,242	171,229	176,366	181,657	187,107	192,720	198,502	204,457	210,590
Cafeteria Benefit Plan	1,691,770	1,691,770	1,691,770	1,691,770	1,691,770	1,691,770	1,691,770	1,691,770	1,691,770	1,691,770
PERS- Mis	835,750	893,180	974,806	1,060,478	1,150,184	1,243,924	1,336,223	1,439,620	1,548,052	1,664,651
PERS-Safety	2,313,760	2,470,894	2,695,177	2,930,658	3,178,562	3,437,615	3,710,699	3,997,833	4,298,950	4,622,747
Pension Bond-Safety	1,640,940	1,706,564	1,764,228	1,829,928	1,891,392	0	0	0	0	0
Affordable Health Care	0	30,000	60,000	60,900	61,814	62,741	63,682	64,637	65,607	66,591
Workers Compensation	933,000	960,990	989,820	1,019,514	1,050,100	1,081,603	1,114,051	1,147,472	1,181,896	1,217,353
LTD Insurance	178,180	180,853	183,565	186,319	189,114	191,950	194,830	197,752	200,718	203,729
Other Benefits	791,130	814,864	839,310	864,489	890,424	917,136	944,650	972,991	1,002,180	1,032,245
Other New Positions	0	0	85,000	85,000	170,000	170,000	270,000	270,000	270,000	360,000
Retiree Health Costs	733,038	806,342	886,976	975,674	1,073,241	1,180,565	1,298,622	1,428,484	1,571,332	1,728,465
Retiree Health Trust-OPEB	913,696	909,051	895,047	877,899	852,255	821,772	784,016	739,166	681,443	611,326
Personnel Sub Total	20,545,234	21,132,616	22,053,851	22,900,424	23,856,185	22,806,125	23,775,805	24,688,003	25,632,375	26,712,916
Maintenance and Operations										
Departmental M & O	3,483,773	3,581,319	3,681,596	3,784,680	3,890,651	3,999,590	4,111,578	4,226,702	4,345,050	4,466,711
Other Debt Service	684,580	685,380	684,580	683,930	682,880	680,930	680,930	680,930	680,930	680,930
Street & Sidewalk										
Repairs	0	150,000	175,000	175,000	200,000	200,000	250,000	250,000	300,000	325,000
Facilities Repair	126,000	150,000	150,000	175,000	175,000	200,000	215,000	240,000	260,000	300,000
M & O Subtotal	4,294,353	4,566,699	4,691,176	4,818,610	4,948,531	5,080,520	5,257,508	5,397,632	5,585,980	5,772,641
Contractual Services	2,771,790	2,849,400	2,929,183	3,011,200	3,095,514	3,182,188	3,271,290	3,362,886	3,457,047	3,553,844
Capital										
Police Vehicles	214,300	184,000	225,015	193,200	236,266	202,860	248,079	213,003	260,483	223,653
Other Vehicles/Equip	65,000	120,000	125,000	125,000	125,000	75,000	105,000	120,000	120,000	100,000
Capital Sub Total	279,300	304,000	350,015	318,200	361,266	277,860	353,079	333,003	380,483	323,653
Total Expenditures	27,890,677	28,852,715	30,024,225	31,048,434	32,261,496	31,346,693	32,657,682	33,781,524	35,055,885	36,363,054

Deficit (3,639,277) (3,853,942) (4,366,040) (4,695,307) (4,914,326) (3,057,395) (3,568,618) (3,934,340) (4,354,670) (4,811,301)

Raise in Minimum Hourly Wage

- State Legislature recently approved and the Governor has signed legislation raising the minimum wage 25% over a two year period
- Many of the Part-time employees are receiving the minimum wage or close to it
- Impacts are not included in the current ten year projections

Identify and Investigate Various Solution and Options

The City Council sets Direction and Policy

- The City Council will make the final decision in direction and policy.
- Difficult Situation
- Difficult Decisions
- Long term impact
- San Bernardino delayed decisions and taking actions

Identify and Investigate Various Solution and Options Viable Available Options

- Only **two Options** are considered viable to deal with **projected deficits** and still provide **basic quality service levels**
- New or Increased Taxes
- Contracting of Police Services to Los Angeles County Sheriff's Department

Increased or New Taxes

- Need to generate at least \$4 million annually
- Sales Tax
- Utility Users Tax
- Parcel Tax

Various New or Increased Tax Options

Tax Type	Proposed Increase	New Revenue
Utility Users Tax	Increase from 3% to 5%	\$1,450,000
Utility Users Tax	Increase from 3% to 6%	\$2,200,000
Sales Tax	½ cent	\$3,189,750
Sales Tax	1 cent	\$6,379,500
Parcel Tax	\$150 per parcel	\$2,148,846*
Parcel Tax	\$290 per parcel	\$4,154,436*

New or Increased Taxes

- Original Preference was a Parcel Tax
- Flat Parcel Tax
 - Generate \$4,154,436 in new additional revenue
 - \$290 a parcel annually
 - \$24 a month
- Growth Parcel Tax
 - Starts at \$270 a parcel annually
 - Over ten years increases to \$316 a parcel annually

Flat Parcel Tax Proposal

Fiscal Year	Projected Deficit	Proposed Tax Rate	Tax Generated	Surplus/(Deficit)
2014/15	(3,853,942)	290	4,154,436	300,494
2015/16	(4,366,040)	290	4,154,436	(211,604)
2016/17	(4,695,307)	290	4,154,436	(540,871)
2017/18	(4,914,326)	290	4,154,436	(759,890)
2018/19	(3,057,395)	290	4,154,436	1,097,041
2019/20	(3,568,618)	290	4,154,436	585,818
2020/21	(3,934,340)	290	4,154,436	220,096
2021/22	(4,354,670)	290	4,154,436	(200,234)
2022/23	(4,811,301)	290	4,154,436	(656,865)
Total	(37,555,939)		37,389,924	(166,015)
Annual Average	(4,172,882)			

Parcel Tax with Growth Rate

Fiscal Year	Projected Deficit	Proposed Tax Rate	Tax Generated	Surplus/ (Deficit)
2014/15	(3,853,942)	270	3,867,923	13,981
2015/16	(4,366,040)	275	3,945,281	(420,759)
2016/17	(4,695,307)	281	4,024,187	(671,120)
2017/18	(4,914,326)	287	4,104,671	(809,655)
2018/19	(3,057,395)	292	4,186,764	1,129,369
2019/20	(3,568,618)	298	4,270,499	701,881
2020/21	(3,934,340)	304	4,355,909	421,569
2021/22	(4,354,670)	310	4,443,027	88,357
2022/23	(4,811,301)	316	4,531,888	(279,413)
Total	(37,555,939)		37,730,149	174,210

Contracting of Police Services

- Current Net Costs for Baldwin Park Police Department
\$17,307,969
- Costs do NOT include animal control, crossing guards, red flex cameras or parking enforcement costs
- Includes credit for revenues
- Staffing for 77 sworn police officers and 19 non-sworn full-time positions

Contracting of Police Services

- Net costs to the City for law enforcement services from Los Angeles County Sheriff's Department are projected to be \$13,410,789. This does include the completed Phase II study and amortized start up costs
- It includes the proposed law enforcement contract from the Sheriff's Department of \$11,894,773
- Proposal includes a 2.4% increase effective July 1, 2013
- Includes continuing costs for PERS, Pension Obligation Bonds, Medical Retirees Insurance, Medical Retiree Trust Fund Payments
- Credit for revenue and projected other savings

Contracting of Police Services

- Phase I completed
- Phase II on hold
- Phase II needs to be completed to know full start up and transfer costs and projected amortization schedule
- Projected initial first year savings without phase II costs are \$3,897,180
- Projected annual savings for year 2022/23 - \$5,823,720

Long Term Savings between the Baldwin Park Police Department and the Los Angeles Sheriff's Department

Fiscal Years	Police (Net Cost)	Sheriff (Net Cost)	Estimated Savings
2013/14	17,307,969	13,410,789	-
2014/15	17,644,931	13,827,965	3,816,966
2015/16	18,380,295	14,428,214	3,952,081
2016/17	19,079,318	14,926,680	4,152,638
2017/18	19,879,525	15,440,272	4,439,253
2018/19	18,680,609	14,021,478	4,659,131
2019/20	19,485,795	14,515,740	4,970,055
2020/21	20,245,861	15,032,945	5,212,916
2021/22	21,124,752	15,574,477	5,550,275
2022/23	21,965,540	16,141,820	5,823,720
Total	193,794,595	147,320,380	42,577,035

Ten Year Projected Costs of the Baldwin Park Police Department

	2013/2014	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<u>Police</u>										
Personnel	10,569,770	10,675,468	10,782,222	11,105,689	11,438,860	11,782,026	12,135,486	12,499,551	12,874,537	13,260,774
Retirement Sworn	2,313,760	2,470,894	2,695,177	2,930,658	3,178,562	3,437,615	3,710,699	3,997,833	4,298,950	4,622,747
Retirement Others	261,890	282,841	305,468	329,906	356,298	384,802	415,587	448,833	484,740	523,519
POB	1,640,940	1,706,564	1,764,228	1,829,928	1,891,392					
Retiree Medical	373,629	410,992	452,091	497,300	547,030	601,733	661,907	728,097	800,907	880,998
Retiree Medical Trust Fund (OPEB)	493,396	483,528	469,022	454,952	441,303	428,064	415,222	402,765	390,682	378,962
Sub-Total Personnel	15,653,385	16,030,287	16,468,209	17,148,433	17,853,445	16,634,240	17,338,900	18,077,080	18,849,817	19,666,999
		-	-	-	-	-	-	-	-	-
Contracts	744,300	766,629	789,628	813,317	837,716	862,848	888,733	915,395	942,857	971,143
Maintenance	1,620,184	1,668,790	1,718,853	1,770,419	1,823,531	1,878,237	1,934,584	1,992,622	2,052,401	2,113,973
Capital	214,300	220,729	227,351	234,171	241,197	248,432	255,885	263,562	271,469	279,613
	18,232,169	18,686,435	19,204,041	19,966,340	20,755,890	19,623,757	20,418,103	21,248,659	22,116,543	23,031,728
Revenues	(924,200)	(951,926)	(980,484)	(1,009,898)	(1,040,195)	(1,071,401)	(1,103,543)	(1,136,649)	(1,170,749)	(1,205,871)
Net Costs	17,307,969	17,734,509	18,223,557	18,956,441	19,715,694	18,552,356	19,314,560	20,112,009	20,945,794	21,825,856

Ten Year costs of the Sheriff's Department and Savings

	2013/2014	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<u>Sheriff</u>	11,894,773	12,251,616	12,619,164	12,997,739	13,387,672	13,789,302	14,202,981	14,629,070	15,067,942	15,519,980
Contract	11,894,773	12,251,616	12,619,164	12,997,739	13,387,672	13,789,302	14,202,981	14,629,070	15,067,942	15,519,980
POB	1,640,940	1,706,564	1,764,228	1,829,928	1,891,392					
Retirement	520,000	520,000	700,000	756,000	816,480	881,798	952,342	1,028,530	1,110,812	1,199,677
Retiree Medical Premiums	373,629	410,992	452,091	497,300	547,030	601,733	661,907	728,097	800,907	880,998
Retiree Medical Trust Fund (OPEB)	241,947	237,108	229,995	223,095	216,402	209,910	203,613	197,504	191,579	185,832
Other Savings	(460,000)	(473,800)	(488,014)	(502,654)	(517,734)	(533,266)	(549,264)	(565,742)	(582,714)	(600,196)
	14,211,289	14,652,480	15,277,464	15,801,408	16,341,242	14,949,477	15,471,578	16,017,459	16,588,526	17,186,291
Less: Revenues	(800,500)	(824,515)	(849,250)	(874,728)	(900,970)	(927,999)	(955,839)	(984,514)	(1,014,049)	(1,044,471)
Net Costs	13,410,789	13,827,965	14,428,214	14,926,680	15,440,272	14,021,478	14,515,739	15,032,945	15,574,477	16,141,820
Annual Savings With Sheriff	3,897,180	3,906,544	3,795,344	4,029,761	4,275,422	4,530,878	4,798,821	5,079,064	5,371,318	5,684,036

Other Options

Staff considered other options and found them not to be viable in providing basic service levels because:

- Other options would require a reduction of 12 to 15 police officers. A significant reduction of officers is not considered a safe option by the staff, the Chief of Police, Police Management or the Police Officers Association
- It would make the sworn police officer staffing below the average of the surrounding cities
- Would need to substantially reduce programs and staff in Recreation

Other Options

- Would require other program cuts that would almost eliminate other services with further reduced staffing
- Would require employee concessions on pay and benefits
- Would require annual use of reserve to make up the deficit
- Would eventually eliminate the reserves
- **Does not solve the long term budget issues of providing basic quality services to Baldwin Park**

Reduction of Employee Benefits

- In order to strengthen its long term financial condition the City should negotiate and implement:
 - Reduction of employee pensions
 - Increased employee contributions to pensions
 - Reduction and limitations of retiree medical benefits

Option of Reducing the Police Department by 15 Officers

Fiscal Year	Annual Deficits	Reductions by 15 Sworn Positions	Remaining Deficit
2014/15	(3,853,942)	1,807,530	(2,046,412)
2015/16	(4,366,040)	1,861,756	(2,504,284)
2016/17	(4,695,307)	1,917,609	(2,777,698)
2017/18	(4,914,326)	1,975,137	(2,939,189)
2018/19	(3,057,395)	2,034,391	(1,023,004)
2019/20	(3,568,618)	2,095,423	(1,473,195)
2020/21	(3,934,340)	2,158,286	(1,776,054)
2021/22	(4,354,670)	2,223,034	(2,131,636)
2022/23	(4,811,301)	2,289,725	(2,521,576)
Total	(37,555,939)	18,362,890	(19,193,049)

Additional Reductions Required after Reducing Police Department by 15 Officers

Fiscal Year	Remaining Deficit	Eliminate Three Restored Positions & Add No New Positions	Employee Contributions to CalPERS	Additional Program, Staffing and Service Cuts or Use of Reserves
2013/14				
2014/15	(2,046,412)	143,048	649,805	(1,253,559)
2015/16	(2,504,284)	228,763	653,054	(1,622,467)
2016/17	(2,777,698)	229,907	656,319	(1,891,472)
2017/18	(2,939,189)	316,057	659,601	(1,963,532)
2018/19	(1,023,004)	317,637	662,899	(42,468)
2019/20	(1,473,195)	319,225	666,213	(487,757)
2020/21	(1,776,055)	405,821	669,544	(700,689)
2021/22	(2,131,636)	407,850	672,892	(1,050,894)
2022/23	(2,521,576)	499,890	676,257	(1,345,430)
Total	(19,193,049)	2,868,198	5,966,585	(10,358,266)

Conclusion

Future Sessions

- Revenue
- Expenditures and Programs
- Options
- Council discussion on Budget and Options
- Provide Direction to Staff
- Final Adoption

Questions??

Thank you for your time and attention