

## Introduction

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**Mayor**

HONORABLE TIMOTHY S. GRAYSON

**Vice Mayor**

LAURA M. HOFFMEISTER

**City Council Members**

EDI E. BIRSAN

RONALD E. LEONE

DANIEL C. HELIX

**City Clerk**

JOELLE FOCKLER

**City Treasurer**

THOMAS J. WENTLING

**City Manager**

VALERIE J. BARONE

- Guy Swanger ..... Chief of Police
- Mark Coon ..... City Attorney
- Jovan Grogan ..... Deputy City Manager
- Victoria Walker ..... Director of Community and Economic Development
- Jeff Lewis ..... Director of Information Technology
- Karan Reid ..... Director of Finance
- Laura Brunson ..... Director of Human Resources
- Joan Carrico ..... Director of Parks and Recreation
- Justin Ezell ..... Director of Public Works

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## **Mission Statement for the Organization**

Our mission is to join with our community to make Concord a city of the highest quality. We do this by providing responsive, cost-effective, and innovative local government services.

## **Our Vision for the Future**

- We will be a customer based, performance driven, results oriented organization, focused on finding the answer, solving the problem, and achieving positive outcomes.
- We will partner with the Concord community to maximize resources, deliver high quality services, and be recognized as setting the standard for excellence.
- We will be trustworthy guardians of the public's resources.
- We will make Concord a premier business location.
- We will collaborate to provide "seamless" services that benefit both our external and internal customers, streamlining our work processes and removing barriers wherever they arise.
- We will accept the challenge of change and be committed to continually enhancing the safety, environment, quality of life, and economic vitality of our community.
- We will constantly look for new and better ways to deliver services. We will seek to be innovative, take reasonable risks, learn from our mistakes and always strive for excellence.
- We will welcome diversity in our community and our work place.
- We will conduct our work in an atmosphere of trust, respect and courtesy with open doors and open communication for our customers and each other.
- We will provide ethical, dynamic and effective leadership, establish clear direction and priorities, and model the mission and values in support of our common Vision.
- We will be accountable for our performance and our organization's success, and be recognized for our achievements.



## Organizational Values

**Integrity and Trust** - We say what we mean and mean what we say. We honor our word and keep our commitments. We are worthy of the public's and each other's trust.

**Commitment to Service** - We put our customers first. We respond to our internal customers and treat them with the same courtesy and respect as our external customers. We facilitate, enable, and problem-solve.

**Partnerships** - We place a high value on building partnerships with members of our community to assure we understand their needs and continue to deliver the services they desire in the most effective manner possible.

**Innovation and Continuous Improvement** - We strive for excellence in the quality and productivity of our work. We create a work environment in which we look for new solutions and experiment with innovative ways to do things - even if they don't always work the first time. We recognize the need to be dynamic in meeting the community's changing needs. Each and every employee is given the opportunity to develop and grow.

**Performance Accountability** - We set measurable performance goals which support the priorities of the City and our individual work groups. We are given the necessary authority, training and resources to enable us to achieve these goals. Performance reviews are conducted in a timely and effective manner. Employee advancement and other incentives are based on performance. We are proud of the professionalism, competency and dedication that exist throughout the organization.

**Long Range Planning** - We conduct long range strategic and financial planning to maximize service delivery and build the economic stability of the City. We practice sound fiscal management to protect the public's resources.

**Team Work** - We respect each other as individuals, and we take the time and effort to show it. Although certain positions have more decision-making authority, we treat all members of the organization with the same consideration for their ideas and concerns. We really listen to, and give each other honest feedback. We recognize partnerships among work groups and employees as essential to effectively maximizing resources and delivering high quality services.

**Individual Worth and Diversity** - We recognize and appreciate the uniqueness of each individual. We value the contribution made and the synergy created by different experiences and perspectives. We are committed to treating each and every person within the organization and the larger community with respect and dignity.



## Corporate Goals

- Goal 1 Continue to make Concord a desirable place to live, work, and raise a family.
- Goal 2 Be responsive to the needs of Concord citizens, maintain a high level of customer satisfaction, and provide quality public information and outreach.
- Goal 3 Promote and improve Concord as a premier location for existing, expanding, and new businesses.
- Goal 4 Ensure a balanced budget for a ten-year planning period with adequate replacement funds for buildings and equipment.
- Goal 5 Preserve and enhance the livability of Concord's residential neighborhoods with opportunities for a broad range of housing options.
- Goal 6 Offer an array of recreation, leisure, and cultural events and programs to meet the needs of citizens of all ages, with an emphasis on the well-being of youth.
- Goal 7 Maintain a safe and efficient traffic circulation system.
- Goal 8 Have Concord be among the safest cities of comparable size in California and have citizens feel safe in their homes, places of work, and throughout the City.
- Goal 9 Maintain City parks, recreation facilities, streets, buildings, and other infrastructure to meet high standards of condition and appearance.
- Goal 10 Guide Concord's development according to the General Plan and manage physical resources based on sound environmental principles.

## **FY 2015-16 and FY 2016-17 Council Adopted Priority Focus Areas**

(There is no priority to the listing order)

*The City Council adopts priority areas of focus as part of preparing its two-year general fund budgets. The priority areas of focus can and do change over time. Two areas of priority focus that remain constant, however, are customer service and quality of life. You'll find these listed as "Constant Areas of Focus" in the list below.*

- **Long Term Financial Stability**

- ✓ Adopt a balanced two-year budget and a 10-year financial forecast that acknowledges unfunded liabilities & deferred maintenance
- ✓ Implement strategies that reduce unfunded liabilities and address the City's Annual Recommended Contributions (ARC) for retiree benefits
- ✓ Outreach to the community on how Measure Q revenues are working for them and the City's responsible use of the revenues
- ✓ Pursue initiatives that enhance the City's long-term financial stability

- **Economic Development**

- ✓ Select and complete negotiations with a Master Developer for Phase 1 of development of the Concord Reuse Project Area
- ✓ Complete negotiations with the Navy on the value structure and transfer approach in support of the future development of the Concord Reuse Project Area
- ✓ Select a Master Developer for Phase One development of the Concord Reuse Project and make progress on the entitlements necessary for development to occur
- ✓ Initiate and complete work on the Specific Plan for Phase 1 development of the Concord Reuse Project Area
- ✓ Implement the Downtown Specific Plan
- ✓ Enhance the City's economic vitality by adding resources to the program and focusing the program on driving investment into the City's catalyst/high-opportunity development sites
- ✓ Implement strategies that address blighted and/or vacant properties

- **Public Safety**

- ✓ Focus all City departments on public safety
- ✓ Focus on preventative measures that enhance long-term public safety
- ✓ Reduce criminal activity in Concord—pay special attention to:
  - Homeless related criminal activity, and
  - Juvenile related criminal activity

Assure the continued success of the Family Justice Center as part of the County’s regional approach to wrap-around services

- **Infrastructure Maintenance**

- ✓ Maintain existing infrastructure & facilities in a safe and operational condition
- ✓ Implement strategies that optimize all modes of travel through the City
- ✓ Implement strategies that address sewer and storm-water needs
- ✓ Implement strategies that address pavement & roadway needs
- ✓ Implement strategies that address park infrastructure maintenance needs

- **Organizational Strength & Employee Success**

- ✓ Implement strategies that engage and strengthen Concord’s relationship with regional, state and national organizations and elected officials
- ✓ Implement technology that enhances customer service and organizational efficiencies
- ✓ Perform timely and effective performance evaluations
- ✓ Adopt policies that address key personnel and legal needs
- ✓ Implement programs that support employee recognition and networking
- ✓ Enhance communication at all levels of the organization
- ✓ Develop employees, the executive team, and council members through training & growth opportunities

## **Constant Areas of Focus**

**Quality of Life**

**Customer Service**



*The Civic Center is a complex of three buildings where the majority of city services are provided. In the center is the Council Chamber.*



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# Memorandum

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**DATE:** June 23, 2015

**TO:** Honorable Mayor Grayson and Members of the City Council

**FROM:** Valerie J. Barone, City Manager

**SUBJECT:** **Biennial Budget Message for Fiscal Years 2015-16 and 2016-17; and Ten-Year Financial Forecasts for Fiscal Year 2015-16 through Fiscal Year 2024-25**

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For the first time in more than seven years, this budget message contains some good economic news. The slow recovery from the Great Recession seems to have turned a corner. Concord's unemployment rates are declining, retail sales (including auto sales) are growing, and property values have not only stopped their decline but are returning to pre-recession levels. Because of this economic recovery, the City's General Fund budget for Fiscal Years 2015-16 and 2016-17 predicts sales and property tax revenues returning to pre-recession levels and growth in the City's hotel room taxes. Additionally, for the first time since Fiscal Year (FY) 2007-08, the City will once again have a 30% reserve and for the first time since FY 2005-06, the City will be able to allocation more than \$2 million of General Fund revenue into capital investments to address a portion of the City's deferred maintenance in streets and buildings.

Revenue increases, when added to the City's past and current efforts to control cost increases, are allowing the City to begin closing the gap between revenues and expenditures. Even with this positive progress, the City continues to rely on Measure Q<sup>1</sup> revenues for day-to-day City operations, although the amount of support is decreasing. In fact, had the voters not extended Measure Q in November of 2014, this budget would be proposing significant cuts to services in order to maintain a balanced 10-year financial forecast. As in every year since FY 2011-12, Measure Q is a life line for the City, preserving vital City services including 911 operations, park and street maintenance, senior and youth programing as well as all other City programs.

While there is much good news in this budget, the City continues to face many fiscal challenges. Some of these include rising costs for employee benefits, rising salary costs, the lack of adequate funding for infrastructure maintenance, decreasing support from the State for roadway

<sup>1</sup> Measure Q is a voter approved half-cent use and transaction tax that provides revenue to the City of Concord that cannot be taken by the State of California. Originally approved by voters in November 2010 with a 5-year sunset, an extension of the tax measure was ratified with 76.3% voter approval on the November 2014 ballot. Measure Q will now expire on March 31, 2025.

maintenance, decreasing gas tax funding, and increasing stormwater costs. These challenges are discussed in more detail in the body of the report. The bottom line for Concord is that while the fiscal situation is improving, the City is far from out of the woods and will need to continue to control costs, enhance economic development, and develop new revenue streams for many years to come.

## **INDEX**

There is a lot of information in this memo, so it is divided into two major topic areas: Background, and Adopted Budget for FY 2015-16 and FY 2016-17. Each of these major areas is divided into numerous subsections. An index to help guide you through this report is provided below.

### **I. BACKGROUND**

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5. Council's Priority Focus Areas for FY 2015-16 and FY 2016-17 (Pg. 6)

### **II. ADOPTED OPERATING BUDGET FOR FY 2015-16 AND FY 2016-17**

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## **I. BACKGROUND**

### **1. Economic Outlook**

The local economy continues to experience a sustained recovery from the Great Recession. The North I-680 Office Market which includes the cities of Walnut Creek, Pleasant Hill, Martinez and Concord shows strong leasing activity during first quarter of 2015. Overall vacancy levels for the market were at 16%, which is the lowest rates since mid-2009. Concord's vacancy rate is trending a bit higher at approximately 18% which is reflective of the conversion of the million square foot Bank of America Technology Center from a single tenant to a multi-tenant office complex, now called Swift Plaza.

The office market is seeing increased activity from San Francisco-based businesses looking to escape San Francisco's higher cost office market. This trend is anticipated to get stronger as more San Francisco companies look to flee towards the East Bay and specifically Concord. Concord's Class A office rates are approximately \$2.10 a foot per month compared to San Francisco's Class A which is at \$5.50 per foot.

From an unemployment perspective, Concord registered a 5.4% unemployment rate for March 2015, compared to 7.6% a year ago. Concord is out-performing the state and the nation, which registered unemployment rates of 6.5% and 5.6% respectively, during the same period. The unemployment rate for Contra Costa County was 5.0% for March 2015.

The Concord single family housing market continues to improve year over year. According to the City's property tax consultant "the housing market has continued to improve in 2014 although the pace of the improvement has slowed due to increase of interest rates and tight inventories. The median sale price of a single family home in Concord for calendar year 2014 was \$400,000; this represents a \$50,000 (13.80%) increase from 2013."

### **2. New Biennial Budgeting Process**

At a January 13, 2015 City Council workshop on fiscal planning, staff recommended that the City of Concord shift from an annual budgeting process to a biennial process for the operating and capital budgets. Biennial budgeting refers to the practice of developing a budget every two years. Under biennial budgeting, the City of Concord will continue to operate on a July–June annual fiscal year. The public and City Council will continue to receive annual mid-year updates in January as well as a mid-cycle review approximately 12 months after the initial adoption of the biennial budget.

Biennial budgeting allows the City to use its human resources more efficiently and reallocate resources to the capital budgeting process during the off cycle year. Below is a summary of the budget actions that will be before the City Council over the next two years under a biennial budgeting process.

### **Budget Actions**

- June 2015
  - Adoption of Biennial **Operating** Budget for FY 2015-16 and FY 2016-17
  - Adoption of an Annual **Capital** Budget for FY 2015-16
  
- January 2016
  - Mid-Year **Operating** and **Capital** Budget Review
  
- June 2016
  - Mid-Cycle Review of the **Operating** Budget for FY 2016-17 and approval of any modifications
  - Adoption of Biennial **Capital** Budget for FY 2016-17 and FY 2017-18
  
- January 2017
  - Mid-Year **Operating** and **Capital** Budget Review
  
- June 2017
  - Adoption of Biennial **Operating** Budget for FY 2017-18 and FY 2018-19
  - Mid-Cycle Review of the **Capital** Budget for FY 2017-18 and approval of any modifications

### **3. Update on Measure Q - Half-cent Local Sales Tax**

Originally placed on the ballot and approved by voters in November 2010, Measure Q is a half-cent use and transaction tax that provides general-purpose revenue to the City of Concord's General Fund. The original tax was passed with a five-year sunset clause and was set to expire on March 31, 2016. However, the City Council placed a nine-year extension of the tax on the November 2014 ballot that was ratified with 76.3% voter approval. Measure Q will now expire on March 31, 2025.

Measure Q has helped maintain the community's quality of life and kept Concord a safe place to live, work and raise a family, supporting 9-1-1 services, gang prevention services, neighborhood police patrols, pothole repairs, park and recreation programs, and youth and senior services. However, the lingering effects of the Great Recession, the slow economic recovery and State takeaways are continuing to hamper the City's ability to provide essential city services. Consequently, the City continues to rely heavily on annual Measure Q revenues to cover the gap between expenditures and regular (on-going) revenue sources.

In the General Fund budget for FY 2014-15, the City relies on nearly \$8 million of Measure Q revenue to support operations. Eliminating the City's reliance on Measure Q to cover the shortfall over time continues to be a challenge for the City. The adopted 10-year financial forecast shows that the annual shortfall and Measure Q support to operating costs, is projected to

decrease to approximately \$3.7 million in FY 2024-25 (the same fiscal year that the Measure Q tax sunsets).

Over the next ten years, the City will need to pursue multipronged and sustained efforts to ensure that the organization is fiscally sustainable and can cover its operating costs without reliance on Measure Q. Achieving fiscal sustainability will be a marathon, not a sprint. Further, reaching this target must be done in concert with continuing to provide vital city services to the community and maintaining pay and benefit levels that retain quality employees.

The good news is that the extension of Measure Q until March 2025 has given City Council, staff and the public time to strategically implement solutions.

On February 10, 2015, the City Council revised the City's Fiscal Sustainability Ordinance to include a section on Measure Q revenues. In the amendments, Measure Q was defined as a *limited duration* revenue source. The revisions also state that the annual amount of Measure Q revenues that are "allocated to fund the operating shortfall shall be limited to no more than \$8,000,000 per fiscal year, and this amount is intended to decrease over time, reducing reliance on this limited term revenue." The biennial budget reduces the use of Measure Q to support the operating budget to \$7.5 million by FY 2016-17.

#### **4. Restoration of General Fund Reserves to 30% of Expenditures**

Like many cities throughout the Country and State, Concord was hard hit by the economic downturn that began in FY 2007-08. The recession and slow recovery forced the City to cut its workforce by 25%, defer infrastructure and facility maintenance, reduce programs and outsource services. Additionally, the Concord workforce stepped up to help with the City's deficit by paying more for health benefits, agreeing to a new lower tier of retiree pension benefits, picking up the full employee-share of retiree pension benefits, participating in a 5% furlough program for 3.5 years, cutting the salary ranges of all management employees by 12%, and eliminating salary increases for all employees for multiple years. Even with all of these service reductions and employee give-backs, the City had to utilize \$24 million of General Fund reserves just to keep vital city services and programs available to the residents. This dire situation required that the City Council modify the General Fund reserve policy in February 2009 allowing a minimum of a 15% reserve, with the goal of returning to a 30% reserve when the economy was healthy enough to do so.

At the close of the current 2014-15 fiscal year, it is projected that the City will once again reach its historical General Fund reserve level of 30%. This has been possible due to the voter's adoption of the Measure Q in November 2010 and the City's diligent use of annual Measure Q revenue (using a portion to provide core services and a portion to help rebuild reserves) over the past four years.

As a part of the adoption process for this biennial budget, staff recommended that the City Council formally return Concord's reserve policy to the 30% level. This recommendation was accepted and the Council formally restored the reserve policy to the 30% level on June 23, 2015.

## **5. Council's Priority Focus Areas for FY 2015-16 and FY 2016-17**

Since 2013, the City Council has adopted priority areas of focus as part of preparing its budget that guides staff's allocation of resources. The use of priority focus areas has proved to be very successful, allowing the City to manage its resource allocation to achieve Council's highest priority objectives.

On March 28, 2015, the City Council held a workshop to confirm and refine the priority areas of focus for the next two fiscal years. A total of five Priority Areas of Focus and two areas of Constant Focus are adopted below (not listed in any priority order):

### Long Term Financial Stability

- Adopt a balanced two-year budget and a 10-year financial forecast that acknowledges unfunded liabilities and deferred maintenance
- Implement strategies that reduce unfunded liabilities and address the City's Annual Recommended Contributions (ARC) for retiree benefits
- Outreach to the community on how Measure Q revenues are working for them and the City's responsible use of the revenues
- Pursue initiatives that enhance the City's long-term financial stability

### Economic Development

- Select and complete negotiations with a Master Developer for Phase 1 of development of the Concord Reuse Project Area
- Complete negotiations with the Navy on the value structure and transfer approach in support of the future development of the Concord Reuse Project Area
- Select a Master Developer for Phase One development of the Concord Reuse Project and make progress on the entitlements necessary for development to occur
- Initiate and complete work on the Specific Plan for Phase 1 development of the Concord Reuse Project Area
- Implement the Downtown Specific Plan
- Enhance the City's economic vitality by adding resources to the program and focusing the program on driving investment into the City's catalyst/high-opportunity development sites
- Implement strategies that address blighted and/or vacant properties

### Public Safety

- Focus all City departments on public safety
- Focus on preventative measures that enhance long-term public safety
- Reduce criminal activity in Concord—pay special attention to:
  - Homeless related criminal activity, and
  - Juvenile related criminal activity
- Assure the continued success of the Family Justice Center as part of the County’s regional approach to wrap-around services

### Infrastructure Maintenance

- Maintain existing infrastructure and facilities in a safe and operational condition
- Implement strategies that optimize all modes of travel through the City
- Implement strategies that address sewer and storm-water needs
- Implement strategies that address pavement and roadway needs
- Implement strategies that address park infrastructure maintenance needs

### Organizational Strength & Employee Success

- Implement strategies that engage and strengthen Concord’s relationship with regional, state and national organizations and elected officials
- Implement technology that enhances customer service and organizational efficiencies
- Perform timely and effective performance evaluations
- Adopt policies that address key personnel and legal needs
- Implement programs that support employee recognition and networking
- Enhance communication at all levels of the organization
- Develop employees, the executive team, and council members through training and growth opportunities

The above priority areas of focus can and do change over time. Two areas that remain constant, however, are **customer service** and **quality of life**.

In light of the challenges the City faces, the adopted budget provides the necessary resources for the City to make progress in each of the Council’s priority focus areas, while also limiting the

increase in operating expenditures to only items that are essential, align to a Council goal, or are outside of the City’s control (such as utility costs and contractual obligations).

## II. ADOPTED BIENNIAL OPERATING BUDGET FOR FY 2015-16 and FY 2016-17

What follows is a summary of the City’s adopted FY 2015-16 and FY 2016-17 General Fund budget.

### 1. Adopted Biennial General Fund Budget for FYs 2015-16 and 2016-17 Compared to the Current FY 2014-15 General Fund Budget

The following table provides a comparison of the biennial General Fund budget for FY 2015-16 and FY 2016-17 to the FY 2014-15 budget. Each major revenue category and expenditure category is discussed in detail later in this report.

**Table 1. Adopted Biennial General Fund Budget for FY 2015-16 and FY 2016-17 Compared to the Current FY 2014-15 General Fund Budget**

	FY 2014-15 Adj. Budget	FY 2015-16 Adopted Budget	Difference	FY 2016-17 Adopted Budget	Difference
<b>RESOURCES</b>					
Regular Revenue <sup>1</sup>	\$74,405,000	\$81,312,000	\$6,907,000	\$81,016,000	(\$296,000)
Measure Q for Support	7,930,000	7,800,000	(130,000)	7,500,000	(300,000)
Use of Prior Year Budget Residual Funds	1,500,000 <sup>2</sup>				
Total Resources	83,835,000	89,112,000	5,277,000	88,516,000	(596,000)
<b>EXPENDITURES</b>					
Total Expenditures	83,535,000 <sup>3</sup>	89,112,000	5,577,000	88,516,000	(596,000)
<b>DIFFERENCE</b>	300,000 <sup>4</sup>	-	(300,000)	-	-

<sup>1</sup> Excludes Measure Q revenue.

<sup>2</sup> During the mid-year budgeting process, \$1.5 million of budget residual funds from the prior year (FY 2013-14) was allocated to help fund the City’s annual contribution to the City of Concord post-employment medical liability, as determined by an independent actuarial report.

<sup>3</sup> Includes \$2.2 million that was appropriated during the mid-year budgeting process to help fund the City’s annual contribution to the City of Concord post-employment medical liability.

<sup>4</sup> During the mid-year budgeting process approximately \$300,000 was reserved for economic development program enhancements.

## 2. General Fund Revenues

In FY 2015-16, the total increase in General Fund revenue is projected to be \$6.9 million. As shown in Table 2 (below), the increase in property tax is approximately \$2.4 million (over the FY 2014-15 budget) and the increase in non-Measure Q sales tax is approximately \$4.0 million in FY 2015-16. Almost half of this additional sales tax revenue (approximately \$1.9 million) is one-time and related to the payoff of State bonds.

In FY 2016-17, total General Fund revenue is projected to decrease by \$296,000. This decrease is primarily influenced by a \$1.0 million reduction in regular sales taxes (related to the receipt of one-time revenue in the prior year).

Total Measure Q sales tax is projected to increase by 8%, above the \$11.6 million in FY 2014-15. In FY 2015-16, Measure Q revenue is projected to be \$12.6 million (an increase of \$982,000) and in FY 2016-17, the projected revenue is \$12.9 million.

Together, property taxes and the City’s regular sales tax represent 68% of the total regular General Fund budgeted revenue. The following table provides a brief summary of the most recent budget for FY 2014-15 and the budget projections for property and regular sales taxes, followed by budgeted revenue for Measure Q in the biennial budget.

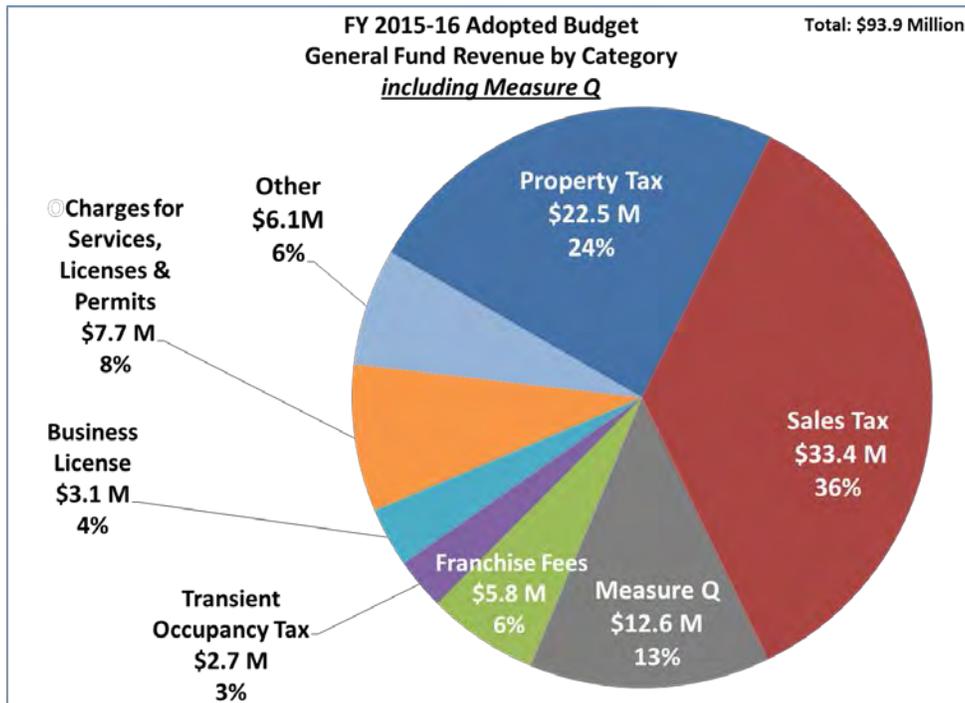
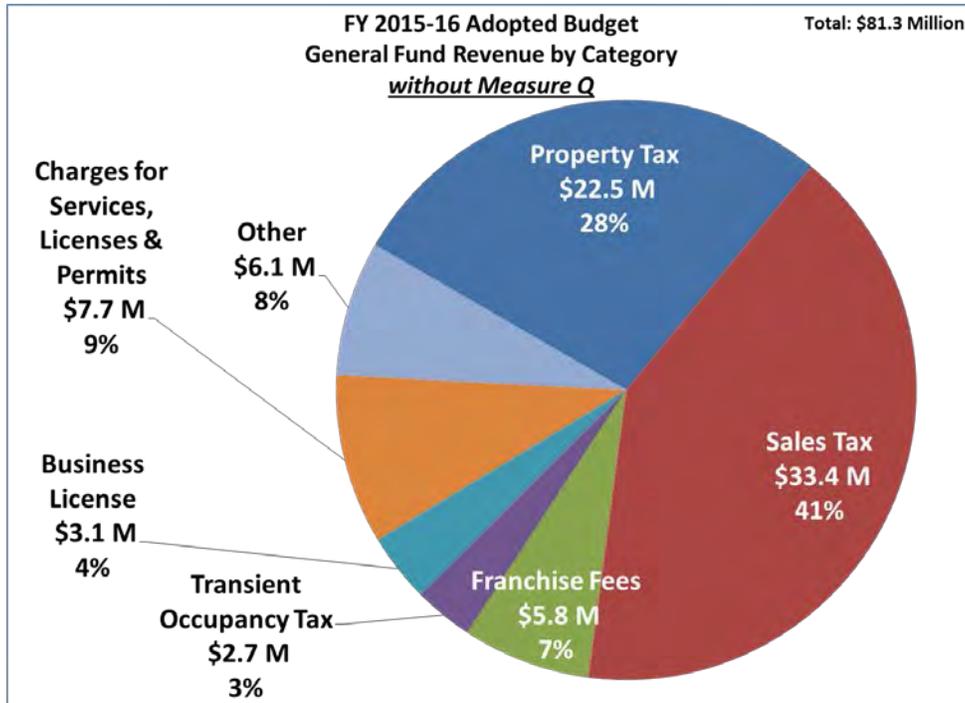
**Table 2. General Fund Revenue Summary**

	FY 2014-15 Adjusted Budget	FY 2015-16 Adopted Budget	Difference	FY 2016-17 Adopted Budget	Difference
<b>Total Recurring Revenue (excluding Measure Q)</b>	\$74,405,000	\$81,312,000	\$6,907,000	\$81,016,000	(\$296,000)
<i><b>Major Revenue Sources*</b></i>					
<i>Property Tax</i>	20,115,000	22,499,000	2,384,000	22,925,000	426,000
<i>Percent of Recurring</i>	28%	28%		28%	
<i>Sales Tax</i>	29,415,000	33,414,000	3,999,000	32,402,000	(1,012,000)
<i>Percent of Total</i>	40%	41%		40%	
<b>Measure Q Revenue</b>	11,609,000	12,591,000	982,000	12,911,000	320,000

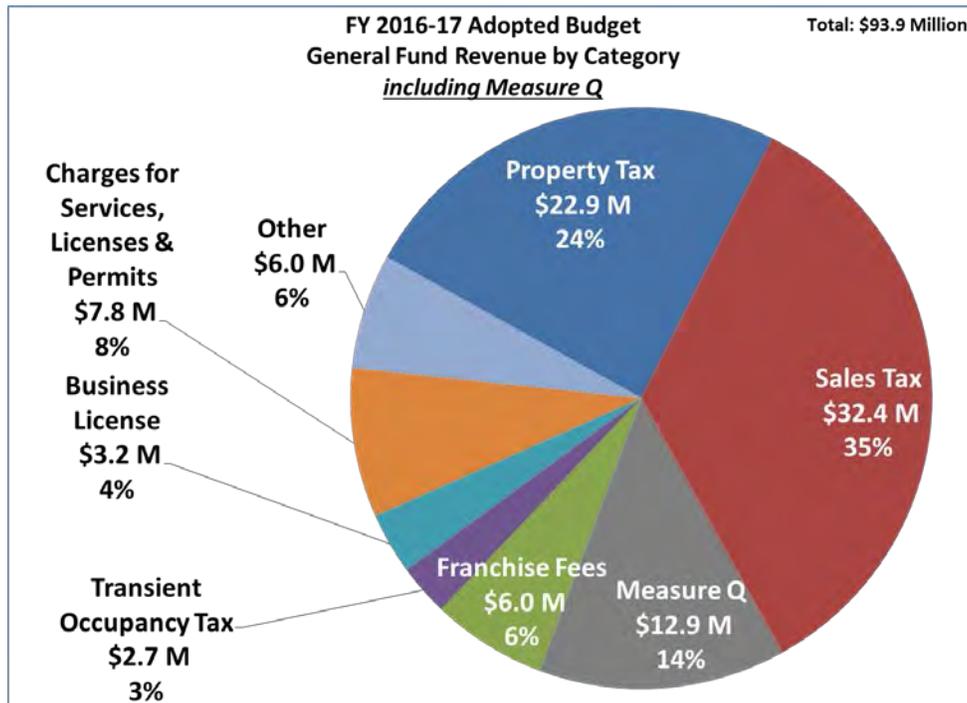
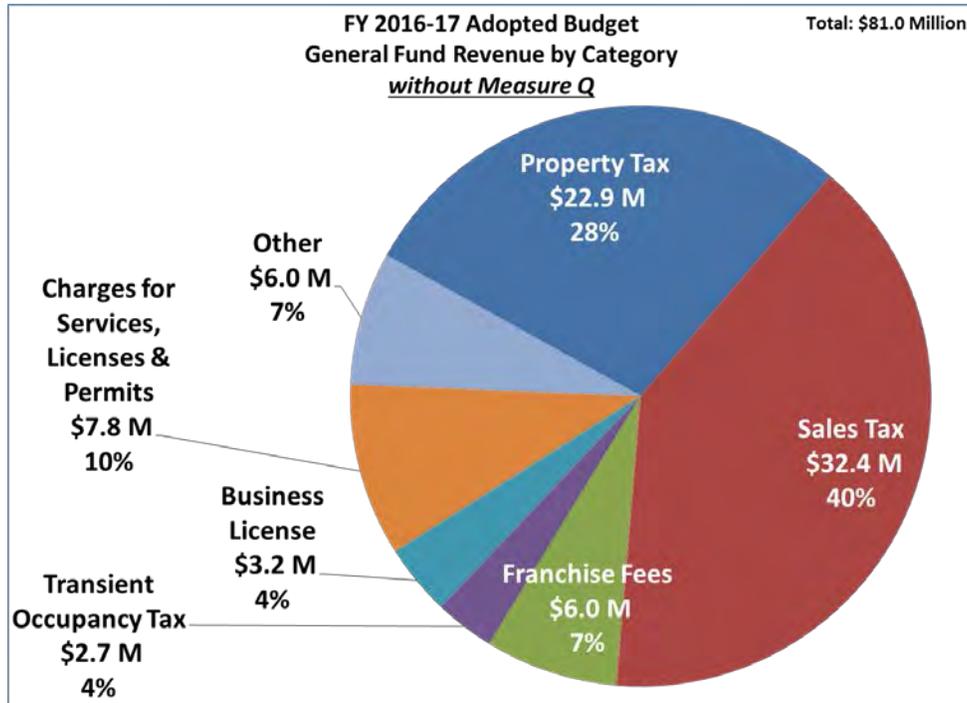
*\*Only the major revenue sources of property tax and sales tax are shown. Other categories revenue are shown and analyzed later in this report.*

The following charts show the projected General Fund revenue by category in FY 2015-16 with and without Measure Q. This portrait demonstrates that revenue from the Measure Q special use and transactions (sales) tax represents a significant portion of total General Fund resources

(13%), which supports vital community services such as 911, city parks, youth sports and senior services.



The following charts show the projected General Fund revenue by category in FY 2016-17 with and without Measure Q.



Further explanation and analysis of the City's General Fund revenues by category follow:

**a. Property Tax**

Property taxes represent 28% of General Fund revenue. The City of Concord continues to see recovery in property taxes as a result of increased sales activity and prices. In the adopted FY 2014-15 Budget, property tax revenue was projected to be \$20.1 million. Based on current receipts and updated information from the City's property tax consultant, staff expects this revenue source to outperform the budget by \$1.3 million. The current estimated actual for FY 2014-15 is \$21.4 million. After the close of the current fiscal year, staff will report on the final property tax revenue and seek City Council approval to appropriate the anticipated budget residual funds, in accordance with the Fiscal Sustainability Ordinance.

Projected property tax revenue for FY 2015-16 is expected to match the peak from FY 2007-08 (property tax revenue that year was \$22.5 million). This will amount to a 5% increase over the estimated actual for the current 2014-15 fiscal year.

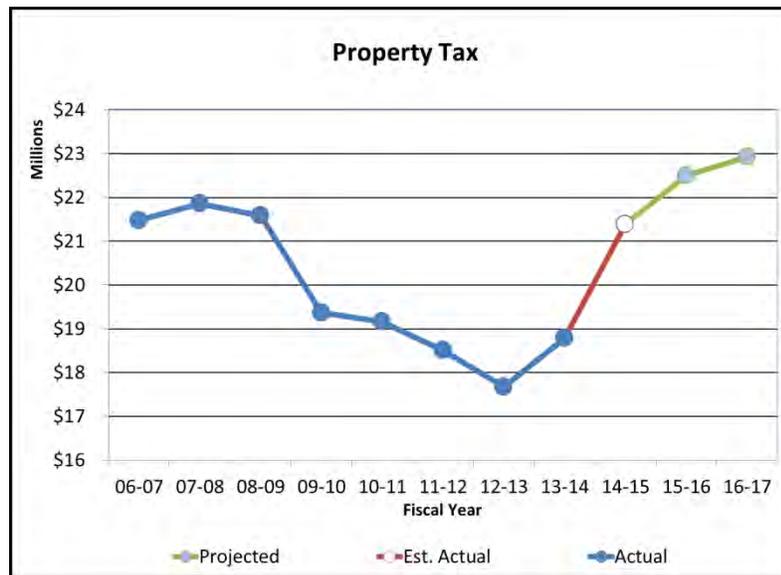
In FY 2016-17, property tax revenue is expected to grow by 2% (from \$22.5 million to \$22.9 million). This estimate anticipates a near full recovery of Proposition 8<sup>2</sup> reductions that occurred during the recent recession, followed by the annual 2% inflation factor that is allowed under Proposition 13<sup>3</sup>.

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<sup>2</sup> Proposition 8 is a constitutional amendment that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) value as of January 1 of each year.

A property that has been reassessed under Proposition 8 is then reviewed annually to determine its lien date value. The assessed value of a property with a Proposition 8 value in place may increase each lien date (January 1) by more than the standard two percent maximum allowed for properties assessed under Proposition 13; however, unless there is a change in ownership or new construction, a property's assessed value can never increase above its base year value after adjusting for the annual 2% increase.

<sup>3</sup> In 1978, California voters passed Proposition 13, which significantly lowered property taxes on homes, businesses and farms. Under Proposition 13 tax reform, property tax value was rolled back and frozen at the 1976 assessed value level. Property tax increases on any given property were limited to no more than 2% per year as long as the property is not sold. Once sold, a property is reassessed at 1% of the sale price, and the 2% yearly cap became applicable to future years.



**b. Sales Tax**

The original Bradley-Burns 1% sales tax (non-Measure Q) comprises 40-41% of General Fund revenue (excluding Measure Q revenue). As shown in the following graph, in the current 2014-15 fiscal year, the City’s regular sales tax revenue will have fully recovered from the recession. This revenue source continues to perform strongly, and is projected to meet budget projections for the current fiscal year. This will provide an increase of 5% (\$29.4 million) in FY 2014-15 over FY 2013-14, primarily due to continued strong auto sales as well as a recovery in other non-auto related industries. The City’s sales tax consultant anticipates continued growth in the City’s sales tax for FY 2015-16 and FY 2016-17.

The biennial budget projects 7% growth in FY 2015-16 for the base portion of the sales tax. This is tied to continued improvement of the local economy and strong auto sales. The base portion is projected to grow from \$29.4 million in the current fiscal year (FY 2014-15) to \$31.5 million in FY 2015-16. In addition, for FY 2015-16, the City will also receive a one-time payment of \$1.9 million from the State of California that is connected to a final payment (or true-up) for money that is owed to cities for the financing plan for State Economic Recovery Bonds from 2004 and 2008. This one-time payment brings the total projected non-Measure Q sales tax revenue to \$33.4 million (a 13% increase from FY 2014-15).

In the following year (FY 2016-17), total non-Measure Q sales tax is projected to decrease by \$1 million (or -3%). This amount to approximately \$900,000 of growth, however, there is an overall decline due to the non-receipt of \$1.9 million in one-time funds from the prior year.



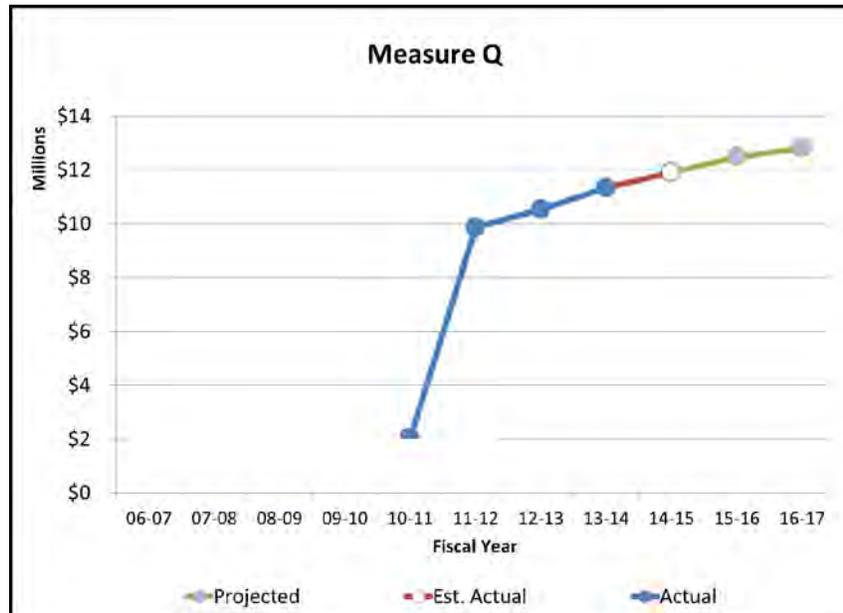
**c. Measure Q**

In the adopted FY 2014-15 budget, Measure Q revenue was projected to be \$11.6 million. Based on current receipts and updated information from the City’s sales tax consultant, staff expects this revenue source to out-perform the budget by \$400,000. The current estimated actual for FY 2014-15 is \$12.0 million. After the close of the current fiscal year, staff will report on the final Measure Q revenue and seek City Council approval to appropriate the anticipated budget residual funds, in accordance with the Fiscal Sustainability Ordinance.

In the coming 2015-16 fiscal year, Measure Q sales tax is projected to increase from the current budget of \$11.6 million in FY 2014-15 to \$12.6 million in FY 2015-16. This represents an 8% budget increase. However, based on the new estimated actuals for FY 2014-15, the actual increase in FY 2015-16 is projected to be 5% (an increase of \$600,000 from the estimated actual of \$12.0 million for the current fiscal year).

In FY 2015-16, Measure Q revenue is projected to increase by 3% (or \$300,000), from \$12.6 million in FY 2015-16 to \$12.9 million in FY 2016-17.

When comparing this growth rate with that of the regular Bradley-Burns sales tax, it is important to keep in mind that the taxable base is slightly different for each tax, so the growth rates are slightly different.

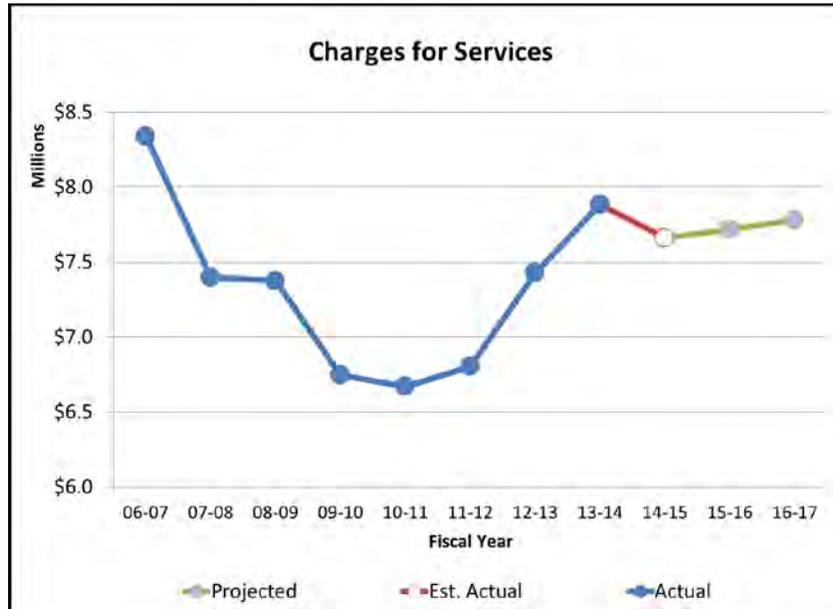


**d. Charges for Services** (*Permits, Plan Review Fees, Inspection Fees, and User Charges*)

Overall, the budget projections for revenue in the charges for services category are estimated to increase annually by 1% in FY 2015-16 and FY 2016-17. Projected revenue in FY 2015-16 is \$7,717,000 and \$7,782,000 in FY 2016-17. The increase amounts to \$55,000-\$65,000 of additional revenue in each of the two years. The increase is primarily related to growth in development activity related to permits, plan reviews and inspections. In addition, the moderate revenue growth is also related to the fact that staff is not recommending an increase to citywide fees and charges at this time. A comprehensive review of citywide fees and charges is nearing completion and staff expects to provide the study to the City Council between July-September of this year. It is possible that Council may choose to alter specific or citywide fees and charges at that time.

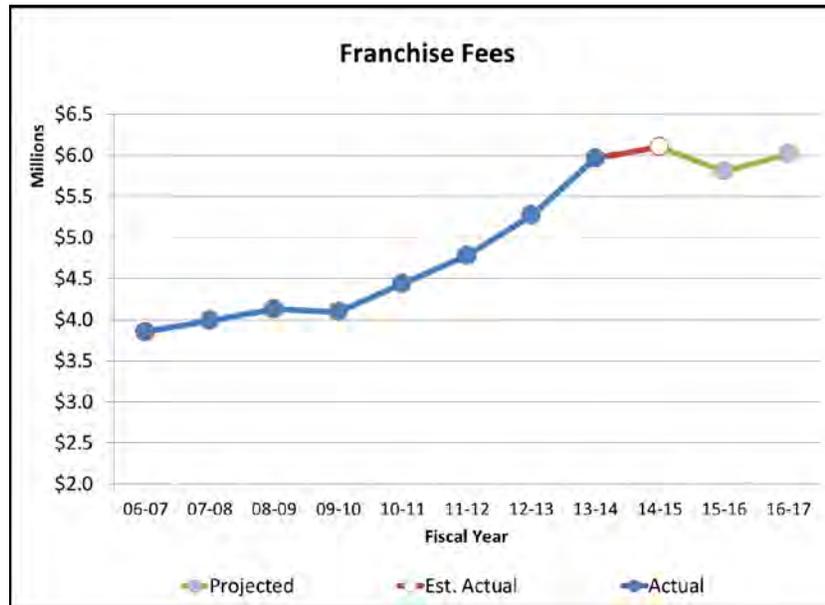
In the following graph, charges for services were \$7.9 million in FY 2013-14. This is an outlier, as it reflects an increase in Multi-Family Inspection Fee revenues which are cyclical in nature. It also includes \$100,000 in Abandoned Vehicle Fees, which were transferred to its own fund in the FY 2014-15 budget.

The following graph also shows a significant drop in charges for services between FY 2006-07 and FY 2007-08. This decline was primarily related to two factors: (1) building, planning and developer fees decreased by roughly \$560,000 between FY 2006-07 and FY 2007-08 (the beginning of the Great Recession); and (2) there was also a decline in Police Department charges for services of approximately \$311,000, which was attributable to a one-time payment received from the State of California for booking fees in FY 2006-07 of \$286,000.



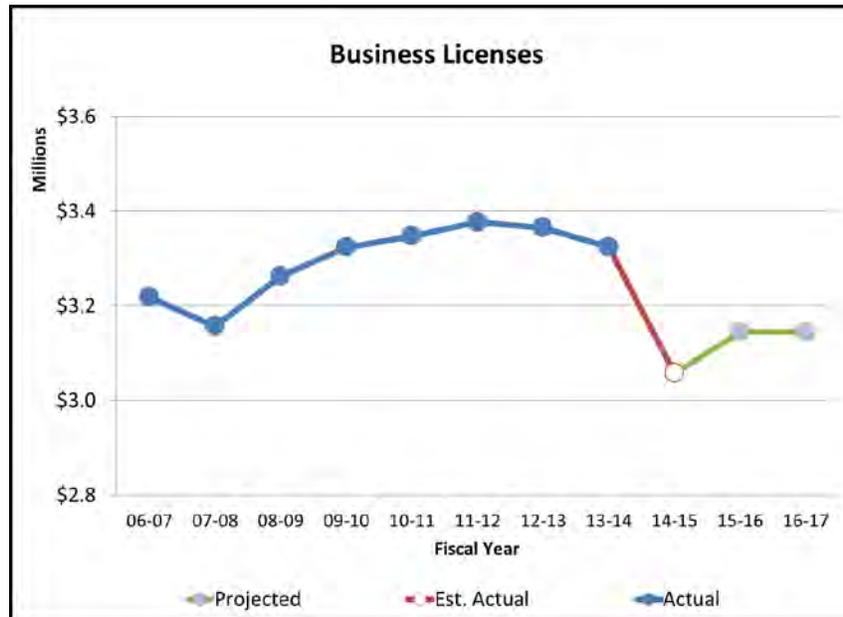
**e. Franchise Fees**

The overall franchise fees category is estimated to decrease by 5% in FY 2015-16 to \$5.8 million (from \$6.1 million in FY 2014-15). This decrease is caused by the re-allocation of \$583,000 of annual Public Educational and Government (PEG) access revenue from cable franchisees into a separate fund for better tracking and reporting. Without this change, Franchise Fee revenue increases by 7% in FY 2015-16 due to increased revenue from the Concord Disposal waste franchise and AT&T video franchise agreements. In FY 2016-17, total franchise fee revenue is projected to increase by 2% to \$6.0 million.



**f. Business Licenses**

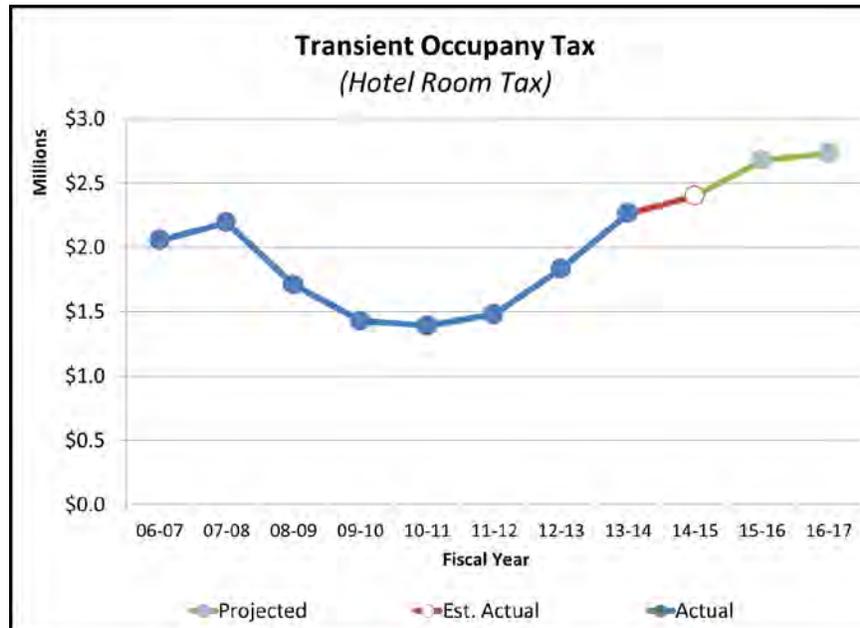
Total revenue related to business licenses is projected to be just under \$3.2 million in FY 2015-16 and FY 2016-17. This represents a 3% increase from FY 2014-15. The following graph shows a decline in this revenue source from FY 2012-13 to FY 2014-15. This relates to Council’s prior action to reduce administrative fees for new and renewing businesses. In the adopted biennial budget, revenue from business taxes and penalties are projected to be relatively flat and no changes to the fee structure are recommended at this time.



**g. Transient Occupancy Tax (TOT)**

Based on monthly revenue trends, estimates for the transient occupancy tax (also known as the hotel room tax) are projected to out-perform the current FY 2014-15 budget by \$374,000. In the adopted FY 2014-15 Budget, transient occupancy tax revenue was projected to be \$2.026 million. The current estimated actual for FY 2014-15 is \$2.4 million. The strength of the hotel market is likely linked to two factors—an improving economy and therefore more business and recreational travel, and the impact of the Tourism Business Improvement District and its efforts to increase hotel occupancy rates in Concord. After the close of the current fiscal year, staff will report on the final transient occupancy tax revenue and seek City Council approval to appropriate the anticipated budget residual funds, in accordance with the Fiscal Sustainability Ordinance.

In FY 2015-16, transient occupancy tax revenue is projected to increase by 12% (from \$2.4 million in FY 2014-15 to \$2.7 million in FY 2015-16). The projection for FY 2016-17 assume moderate (2%) growth in the second year of the biennial budget. Staff will continue to monitor monthly revenue trends over the next 12 months. Should the current level of growth continue, staff will project an adjustment to the FY 2016-17 revenue estimate.

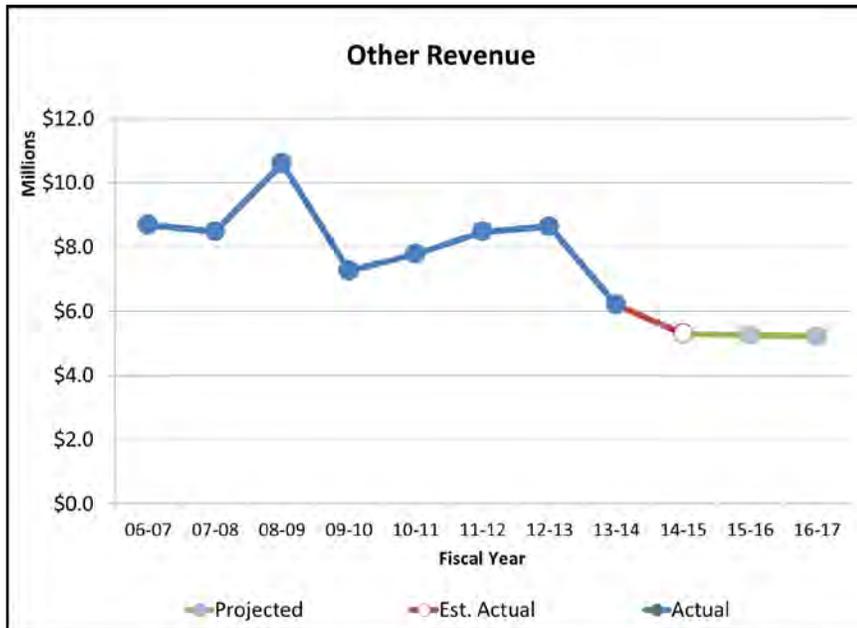


**h. Other Revenue**

“Other Revenue” includes one-time special revenue, fines and forfeitures, inter-governmental, and inter-fund charges (among others). This revenue category is projected to be flat (at approximately \$2.2 million) in both FY 2015-16 and FY 2016-17.

In the adopted FY 2014-15 budget, this category was down by approximately \$200,000 (from \$6.2 million to \$6.0 million). Some revenues in this category were projected to increase, the largest increases relate to \$270,000 from the City’s partnership with the Mt. Diablo Unified School District to fund School Resource Officer positions and rental income increase of \$130,000 from Waterworld. Other individual revenue sources were projected to decline. The most significant declines in this category are a \$450,000 reduction in one-time revenue that resulted from development deposit reconciliation.

The following graph shows an overall, gradual decline in Other Revenue. This decline stems from the discontinuation of redevelopment support for General Fund operations in FY 2011-12, caused by the dissolution of the City’s Redevelopment Agency. In FY 2012-13, the City received one-time, unbudgeted revenues of \$2 million from the County (Property Tax Administration Fee refund and the Low and Moderate Income Housing fund share payment) which temporarily delayed the general decline we are seeing in this revenue category.



### 3. General Fund Expenditures

Table 3 shows the changes in total expenditures from the FY 2014-15 budget to the adopted biennial budget for FY 2015-16 and FY 2016-17.

**Table 3: General Fund Expenditure Summary**

	FY 2014-15 Adjusted Budget	FY 2015-16 Adopted Budget	Difference	FY 2016-17 Adopted Budget	Difference
<b>Total Expenditures</b>	\$83,535,000	\$89,112,000	\$5,577,000	\$88,516,000	(\$596,000)
<b>Major Expenditure Groups</b>					
<i>Full time Salaries</i>	29,234,000	30,188,000	954,000	31,509,000	1,321,000
<i>Percent of Total</i>	35%	34%		36%	
<i>Fringe Benefits*</i>	27,361,000	28,804,000	1,443,000	28,188,000	(616,000)
<i>Percent of Total</i>	33%	32%		32%	
<i>Internal Service Charges</i>	11,535,000	12,717,000	1,182,000	13,148,000	431,000
<i>Percent of Total</i>	14%	14%		15%	
<i>Operating Expenses</i>	10,660,000	11,080,000	420,000	11,356,000	276,000
<i>Percent of Total</i>	13%	12%		13%	
<i>Part time Salaries</i>	1,328,000	1,371,000	43,000	1,396,000	25,000
<i>Percent of Total</i>	2%	2%		2%	
<i>Transfer Out/Capital Projects</i>	1,265,000	2,529,000	1,264,000	542,000	(1,987,000)
<i>Percent of Total</i>	2%	3%		1%	

\*Includes medical, vision, dental, life insurance, disability insurance, pension contributions and payments, deferred compensation, social security, and workers' compensation.

Significant changes to the adopted General Fund expenditure budgets for FY 2015-16 and FY 2016-17 are presented below.

#### Cost-of-Living Adjustment

While the City does not yet have labor agreements with any of its bargaining groups that cover FY 2015-16 or FY 2016-17, the budget does incorporate an assumed cost of living increase (COLA) of 2% for full-time employees in each of the two fiscal years. The fully loaded cost to the General Fund for these wage increases is approximately \$1.0 million in FY 2015-16 and \$1.1 million FY 2016-17. These cost appear in three of the categories in Table 4 above (full-time salaries, fringe benefits, and internal service charges, which include personnel cost for the City's information technology, fleet, and building maintenance services).

#### Post-Employment Retiree Medical

Fully funding the City's annual recommended contribution for retiree medical benefits costs \$4.9 million annually, as determined by an independent actuarial report. The City's budget approach to funding full annual recommended contribution for retiree medical benefits, has been to include a base level of funding in the adopted budget (typically \$2-3 million) and seek to augment the funding through one-time funds as they become available during the fiscal year. For the last three years, the City has been successful in this approach.

The budget for FY 2015-16 breaks from this approach and proposes fully funding the \$4.9 million annual cost. This is possible because of the one-time payment of \$1.9 million in sales tax revenue from the State (that was discussed under the revenue section of this report). In FY 2016-17, the budget returns to the City's usual approach of funding only a base portion of the annual cost, specifically, \$2.5 million. As one-time and surplus funds become available during FY 2015-16 and FY 2016-17 2016-17, staff will seek to augment funding for retiree medical benefits, as has been done in past years.

#### Employee Pension Costs - California Public Employees' Retirement System (CalPERS)

The CalPERS Board has adopted several actions to reduce risk and ensure long-term stability, including new demographic assumptions in 2014 and a change to amortization and smoothing policies in 2013 (essentially recognizing the financial impact of investment losses more quickly than before). In addition, CalPERS is continuing to deal with the lingering effects of the significant investment losses from the 2008 crash in the financial markets.

The result is the City's pension costs are expected to continue to rise over the next five years, by about 30%. Rates will flatten but continue at high levels for 20 years before prior investment losses and longevity assumption changes are fully recovered, then rates will start to drop. Rates are expected to peak in Fiscal Year 2019-20 at 44.5% of salaries for safety (law enforcement) employees and 36.7% of salaries for non-safety employees. While the 2013 Pension reform reduces benefits for new hires, it does little to reduce costs in the next 15-20 years.

In FY 2015-16 budget, the CalPERS rates for Concord's non-safety employees increase by 2.38% of pensionable income for full-time employees (from 28.27% to 30.65%). This amounts to a cost increase of approximately \$940,000. In FY 2015-16, the CalPERS rates for Concord's safety employees increase by 1.86% of salary for full-time employees (from 34.15% to 36.01%). This amounts to a cost increase of just under \$350,000. Together, increased CalPERS costs for full-time safety and non-safety employees in FY 2015-16 will cost the City an additional \$1.290 million (approximately \$970,000 of this amount is in the General Fund). This results in a total CalPERS cost of approximately \$12.0 million in FY 2015-16.

The budget also includes CalPERS rates estimates for FY 2016-17. In that year, Concord's rate for non-safety employees is project to increase by 1.75% of pensionable income for full-time employees (from 30.65% to 32.4%). This amounts to a cost increase of approximately \$670,000. In FY 2016-17, the CalPERS rates estimates for Concord's safety employees increase by 3.09% of salary for full-time employees (from 34.15% to 36.01%). This amounts to a cost increase of just over \$900,000 million. Together, increased CalPERS costs for full-time safety and non-safety employees in FY 2016-17 is projected to cost the City an additional \$1.570 million (approximately \$1.350 million of this amount is in the General Fund). This results in a total CalPERS cost of approximately \$13.6 million in FY 2016-17.

#### Vacancy Savings

In the prior three fiscal years, the City has included a budgetary vacancy factor for full-time personnel of 2% as a tool to capture in the budget the salary and benefit savings that occur because of staff turn-over and the reality that many of these positions remain vacant for a number of months. The adopted biennial budget continues this practice. In this budget the general vacancy factor is 2% for all employees, with the exception of sworn officers and staff that provide direct support for development services (building/engineering inspection as well as plan and permit review services). A 1% vacancy factor is assumed for sworn officers and direct development service employees in recognition of the vacancy trends for these positions and the fact that the backfill requirements for these positions do not consistently provide financial savings. Total vacancy factor savings in the General Fund for FY 2015-16 is \$815,000 and \$870,000 in FY 2016-17.

#### Personnel / Organizational Changes

The biennial budget includes a total of three additions to the City's full-time staffing –one of which is not a cost increase because it is partnered with the elimination of a professional service contract with an outside company. In addition, there is one conversion of an existing contract Executive Assistant position to a permanent full-time Executive Secretary position.

Table 4 shows full-time positions by department for the FY 2014-15 budget, compared to the biennial budget for FY 2015-16 and FY 2016-17. The 3 new positions appear as additions, whereas the conversion of an existing contract position does not show up as a change because the contract position it is already in the position count for the budget in current fiscal year (FY 2014-15).

**Table 4. Adopted Full-time Position Additions**

Department	FY 2014-15 Adjusted Budget	FY 2015-16 FY 2016-17 Adopted Budget	Difference
City Attorney	4	4	-
City Council	6	6	-
Community & Economic Development	41	43	2
Finance	19	19	-
Human Resources	7	7	-
Information Technology	12	13	1
Local Reuse Authority	3	3	-
Office of the City Manager	10	10	-
Parks & Recreation	13	13	-
Police	213	213	-
Public Works (includes Storm Water and Sewer)	77	77	-
<b>Total Full-Time</b>	<b>405</b>	<b>408</b>	<b>3</b>

The three new positions and one position conversion for Council consideration in the adopted biennial budget are described below.

- Local Reuse Authority (position conversion)

**Executive Secretary – Confidential** (\$112,000 annually for salary and benefits, there is no budget impact)

Converts an existing contract Local Reuse Authority Executive Assistant position to a permanent full-time Executive Secretary – Confidential position. The fully loaded cost of the Executive Secretary position (\$112,000) is neutral to the budget because the pay range remains constant and the contract position is currently a full-time and benefited position.

This position provides primary administrative support to the Local Reuse Authority to advance the City Council’s objective for the formal Naval Weapons Station reuse project. The contract position has been a part of the City’s workforce for eight years and, with the upcoming land transfer and selection of a master developer for phase 1 of the site plan, continued administrative support for the Local Reuse Authority will be needed for the foreseeable future.

- Community & Economic Development Department

**Administrative Secretary – Engineering** (\$103,000 annually for salary and benefits, of this \$26,000 comes from the General Fund)

The biennial budget includes the addition of an Administrative Secretary position within the Capital Improvement Program of the Engineering Division. The position will be responsible for tracking project related contracts/agreements, managing schedules and reviewing/processing invoices for payment. This position is warranted based on the current pipeline of capital improvement projects as well as the anticipated project support needs that will result from the recent \$22.4 million of upcoming debt financed infrastructure improvements. The total compensation cost (salary and benefits) for this position is estimated at \$103,000 annually. However, as is typical with positions that support capital projects, approximately 80% of the cost for the position will be reimbursed from the budgets of the capital projects, thus having a 20% impact on the General Fund (\$26,000 annually).

**Economic Development Manager** (\$184,000 annually in salary and benefits)

The biennial budget includes a new Economic Development Manager position as a part of a multi-pronged effort to enhance the City's economic development program, so that the City is more proactively marketing the City of Concord and attracting new businesses and expansions. Council reviewed staff's proposals to enhance the City's economic development program at two separate workshops earlier this year and Council strongly expressed its desire that the City move forward with this effort.

A major prong in the enhanced economic development program is the addition of this Economic Development Manager position. This position would work for the City's Economic Development and Housing Programs Manager and take on significant outreach activities associated with business attraction, retention and expansion efforts. This would include ombudsman activities with the business community, permit facilitation and outreach to local businesses and business organizations. Associated activities would include researching specific industries for business attraction prospects, attending trade shows, networking with related industry associations, implementing social media campaigns and related marketing efforts to generate business attraction leads. The Economic Development Manager position would also assist in reviewing the Buy Concord web site to see how best to update the program.

The biennial budget includes the fully loaded cost of \$184,000 to support the Economic Development Manager position in the General Fund.

By adding this position, existing staff in the Economic Development Program will have more time to:

- ✓ Increase real estate broker and site selector interactions
- ✓ Proactively participate in Regional Economic Development efforts such as the Bay Area Innovation Districts, Bay Bio, International Council of Shopping Centers (ICSC), Urban Land Institute (ULI) and Facility Manager Association
- ✓ Outreach to regional developers
- ✓ Outreach to South Bay and San Francisco Based businesses
- ✓ Outreach to Concord's private property owners
- ✓ Outreach to Bay Area Brokerage firms
- ✓ Outreach to foreign business trade/investment groups
- ✓ Increase interaction with Reuse project Master Developer to market the Base

Another \$250,000 of annual resources is included in the biennial budget to support marketing and site selection services. These expenses are discussed later in this report.

- Information Technology Department

**Systems and Program Manager – Engineering** (\$175,000 annually for salary and benefits; there is no impact to the budget)

In 2014, the Information Technology (IT) Department developed a strategic plan for the department and its services with assistance from a firm that has expertise in municipal technology services, Savant Solutions. The plan strongly recommended shifting from the use of third-party contract to support the City's financial, human resources and land use (Accela) business systems, and instead use the same financial resources to employ a full-time City employee to perform these tasks. Subsequent to the development of the IT strategic plan, the City hired a new IT Director. The new IT Director performed his own independent assessment of the staffing situation in terms of supporting these three mission critical technology systems and came to the same conclusion, that the City would be better served to have this expertise in-house where an individual could be dedicated to the tasks full-time; rather than having less than full-time support from an outside company. The biennial budget includes reallocating \$175,000 of the IT Department's professional services funds to create a Systems and Program Manager position.

#### **4. Significant Changes to Other Funds**

##### **a. Sewer Enterprise Fund**

On June 2, 2015, the City Council introduced an ordinance that will increase the sewer service fees over the next four years. As noted in the staff report on June 2, the rate increases were requested to (1) offset rate increases by Central Contra Costa Sanitary District (CCCSD) to the City of Concord, (2) rebuild the City system's reserve funds, (3) increase support for City sewer maintenance activities, and (4) allow for needed City system capital improvements. Because the Sewer Enterprise System's operating costs were exceeding its revenue, the system would have depleted its reserves by the end of Fiscal Year 2016 had a fee increase not move forward.

The City pays CCCSD for 30%-32% of both the treatment plant operations and the treatment plant capital improvements based on the City's volume of sewer waste processed at the plant. CCCSD's costs have been rising significantly over the past few years.

Although CCCSD expenditures for FY 2014-15 have not yet been received by Concord, they are projected to total \$18.9 million; while Concord's revenues are projected to be \$24.5 million. If these amounts are correct, CCCSD costs will be 77% of the Sewer Enterprise revenue for FY 2014-15. The remaining revenue is used to pay for the City's sewer operations and maintenance and new (as opposed to carry-over from a previous year) capital costs. For FY 2014-15 the City's operations, maintenance and capital budget totaled \$5.9 million.

Total projected CCCSD charges in the FY 2015-16 budget are \$19.4 million. Total city-related operating and debt service changes for the Sewer Enterprise in FY 2015-16 are estimated at \$6.1 million. Another \$750,000 is budgeted for capital projects managed by the City of Concord. Total revenues for FY 2015-16 are projected to be \$28.0 million and expenses are estimated at \$25.5 million.

Total projected CCCSD charges in the FY 2016-17 budget are \$21.3 million. Total city-related operating and debt service changes for the Sewer Enterprise in FY 2015-16 are estimated at \$6.2 million. Another \$1.3 million is budgeted for capital projects managed by the City of Concord. This increase in capital expenditures is possible due to the adopted rate increases. Total revenues for FY 2016-17 are projected to be \$31.0 million and expenses are estimated at \$27.5 million. With the fee increases, the 10-year plan shows an increasing fund balance and the ability to provide needed funding for capital improvements to the sewer system.

**b. Stormwater Fund**

Contra Costa County, the 19 cities and towns within, and the Contra Costa Flood Control and Water Conservation District are each Permittees under a stormwater National Pollution Discharge Elimination System (NPDES) Permit issued by the California Regional Water Quality Control Board (Water Board).

The permits require each local jurisdiction to implement specified activities year-round. They must incorporate stormwater pollution prevention into municipal operations; inspect local businesses and construction sites; enforce prohibitions against non-stormwater discharges entering creeks or storm drains; perform specified public outreach activities; require new developments to manage runoff pollutants; reduce the quantity of trash, copper, mercury, and PCBs entering creeks and storm drains; and, monitor water quality, among other activities. In addition, each municipality pays an annual permit fee, ranging from \$9,594 to \$48,285, to the State. Concord's annual fee in FY 2014-15 was \$36,400.

Concord, like most Contra Costa municipalities, funds its stormwater pollution prevention activities through a stormwater utility assessment. The assessment is listed on property tax bills under "Special Taxes and Assessments." The assessments were authorized countywide in 1993 and Concord collects \$35 per equivalent residential parcel. Assessments for properties are based on estimates of impervious area.

Voters in Contra Costa County were unwilling to raise the stormwater assessment in 2012. Also since 1993, each successive NPDES permit has added additional and more stringent requirements that are more expensive to implement. Like most Contra Costa municipalities, Concord's annual costs of implementing the current NPDES permit requirements considerably exceed annual revenues from the assessment.

Revenues from the stormwater assessment for the City of Concord are expected to be \$2.0 million in FY 2015-16. Operation and Administration costs of the program are projected to cost \$2.3 million in the fiscal year. This trend is expected to continue and, as a result, the Stormwater Program is projected to have an annual shortfall that ranges between \$200,000 and \$400,000 in each of the next 10 years. Unchanged, the current revenue and spending trends will result in the current stormwater fund balance of \$2.9 million being depleted by FY 2020-21. Once the reserves are depleted, the City will be forced to identify other resources, such as the General Fund or additional fee revenue, to pay for NPDES Permit requirements. Implementing the program is a State requirement; the program is not optional. Non-compliance could, and almost certainly would, result in extreme fines and penalties.

In order to provide the City Council with a balanced 10-year financial forecast for stormwater revenues and expenses, staff has included \$650,000 in gradual and on-going budget stabilization measures to begin in FY 2018-19. What these stabilization measures will be (increased revenue or program cuts) is currently undefined. Over FY 2015-16, staff will work with the Council's Policy Committee to design a plan that addresses the Stormwater funding issues.

**c. Measure Q Fund**

As noted earlier in this document, at the close of the 2014-15 fiscal year, it is projected that the City will once again reach its historical General Fund reserve level of 30%. This allows the City to use the portion of Measure Q revenues that had been allocated to rebuilding reserves for other purposes that align with the City's Fiscal Sustainability Ordinance, which states that such funds can be used for the following purposes:

- Annual recommended contributions for long-term financial liabilities.
- Capital projects that do not create new, ongoing expenditure requirements unless it can be demonstrated that adequate alternative resources exist to support the new, ongoing expenditure requirements.
- Infrastructure maintenance backlog.
- Debt service for infrastructure improvements
- Maintaining the City's general fund reserves pursuant to Policy and Procedure Number 129 (PP129).
- One-time expenditures that advance a City Council Priority Focus Area or area of constant focus.

Table 5 provides a summary of the adopted expenditures in the biennial budget for FY 2015-16 and FY 2016-17. The table begins with the annual Measure Q revenue estimates and then shows the amount that is allocated to support operations and other expenditures. These items will be discussed at the City Council's budget hearing on June 9, 2015.

**Table 5: Adopted Use of Measure Q Revenue**

	FY 2015-16 Adopted Budget	FY 2016-17 Adopted Budget
<b>Measure Q Revenues</b>	<b>12,591,000</b>	<b>12,911,000</b>
<b><u>Appropriations</u></b>		
Support for General Fund	7,800,000	7,500,000
Econ. Dev. Marketing	150,000	150,000
Econ. Dev. Real Estate / Site Selection Support	100,000	100,000
Immediate Park System Safety and Code Needs	280,989	-
Supplemental Building Maintenance Funding	227,500	227,500
\$22M Roadway Maintenance Debt Service	2,495,573	2,497,632
Supplemental Funding for Capital Projects	1,536,938	2,435,868
<b>Total</b>	<b>12,591,000</b>	<b>12,911,000</b>

What is important to note in the table above are the following:

- ✓ Support for the General Fund Budget decreases by half a million dollars, in accordance with the City’s fiscal stability ordinance,
- ✓ Council’s desire to enhance economic development efforts is addressed (it is important to note that the City’s Measure Q Citizen Oversight Committee supports this investment of Measure Q revenue in economic development),
- ✓ Money is allocated to support the immediate park system safety and code needs that were identified in the recently completed Parks report,
- ✓ Building maintenance funding is being enhanced to allow existing staff to perform necessary and back-logged building maintenance
- ✓ Funding is allocated to pay the City’s recently issued lease/revenue debt that produced \$22.4 million that will be used to support the City’s roadways
- ✓ The remaining annual Measure Q revenue is allocated through the City’s Capital Improvement Project process.

**d. Gas Tax Funds**

Based on the most recent estimates released by the State Department of Finance in February 2015, the budget for FY 2015-16 includes a 26% decline in gas tax revenues. This decline is attributed to lower gasoline prices as well as a statewide reduction in gas tax revenue as a result of a fuel tax swap that took effect in 2010.

The swap reduced the sales tax on fuel, thus reducing the pool of monies shared by cities and counties.

Based on the very low price of gasoline recently, along with increased fuel efficiency, forecasters are suggesting FY 2016-17 will be yet another down year; early estimates reflect a decline of about 4%.

Below is the gas tax funding for the City of Concord over a four year period. You will note a significant downturn in projected revenue for FY 2015-16 from the current year. This is largely due to falling gasoline prices and consumption as well as “true ups” under the new fuel tax swap system.

**Table 6: City of Concord Gas Tax Revenue FY 2013-14 to FY 2016-17**

Fiscal Year	Gas Tax Revenue	Difference
FY 2013-14 (actual)	\$3,801,000	
FY 2014-15 (anticipated)	3,572,000 <sup>4</sup>	-229,000 (or -6%)
FY 2015-16 (projected)	2,658,000	-914,000 (or -26%)
FY 2016-17 (projected)	2,544,000	-114,000 (or -4%)

Concord has historically used its annual gas tax revenue to both provide funding for capital street improvement projects and finance annual operating costs for street, sidewalk and median maintenance. Due to the projected 26% decrease in revenue for FY 2015-16 and the anticipated continued weakening of this revenue source, staff is concerned about the viability of continuing to support the current level of operating expenses as well as the City’s ability to fund capital projects with Gas Tax Funds. In the FY 2015-16 budget, the Gas Tax fund is using \$362,000 from its reserves to fund operating costs. No annual gas tax revenue is being put towards capital projects; all of the annual revenue is being used for operating expenses. The CIP budget for FY 2015-16 includes \$390,000 of project funding from the Gas Tax fund balance. The projected Gas Tax fund balance is currently estimated at \$3.7 million, however; this balance is projected to be depleted by FY 2020-21, if the current revenue and spending trends continue.

In order to provide the City Council with a balanced 10-year financial forecast for Gas Tax revenues and expenses, staff included \$800,000 in gradual and on-going budget stabilization measures (new revenue or budget cuts), that are currently undefined, to begin in FY 2018-19. It is possible that over the next few years the

<sup>4</sup> In the current FY 2014-15 fiscal year, the City’s budget estimated gas tax revenues of \$3,149,000 in light of declining demand and the implementation of the new gas tax swap. The amount anticipated above of \$3,572,000 includes the City’s share of the repayment by the Legislature of a previous \$100 million loan from the local HUTA allocations to the state general fund that was not forecast when the budget was adopted for FY 2014-15.

legislature will move forward with a bill that enhances the City's gas tax revenue flow. Over FY 2015-16, staff will work with the Infrastructure and Franchise Committee to design a plan that addresses the Gas Tax funding issues.

It should be noted that there are active capital improvement projects that received Gas Tax funding in prior years. These projects will continue and their prior allocation of Gas Tax revenues will not be affected by the decrease in revenues that is projected for FY 2015-16.

**e. Golf Enterprise Fund**

The Golf Enterprise Fund is used to account for the operations of the City's Diablo Creek Golf Course. At this time, estimated revenue and expenditures for the next two fiscal years are projected to be relatively flat, primarily because no fee increase is currently proposed. However, golf course fees are typically increased on a bi-annual basis—which is this year. Consequently staff intends to propose fee changes in conjunction with the comprehensive review of citywide fees that will be brought before Council between July-September of this year. If fees are increased there would be a positive impact on this fund's budget.

Because the Fund is paying off its long-term debt in FY 2018-19, the 10-year Golf Course Fund shows an increasing fund balance from \$150,000 to \$300,000 over the next five years. This will provide some funds for future capital improvements. In addition, the adopted CIP budget includes the use of \$42,500 of golf course capital funds in FY 2015-16 to do the design work necessary to slurry seal and repair/repave portions of the parking lots and other hardscape surfaces at the Diablo Creek Golf Course. The improvement work will be done as part of the year's Citywide repaving program. Last, in the continuing effort to fully understand the City's deferred maintenance needs, staff will be initiating a golf course infrastructure assessment, which is anticipated to cost around \$40,000 and will be paid for from the Golf Enterprise Small Capital account.

**5. General Fund Loans to Support Reuse Planning**

The adopted budget includes loans to support reuse planning efforts on two large parcels within the City's boundaries: 1) the former Naval Weapons Station and 2) the 58-acre Coast Guard Site. The activities related to these sites are both structured as loans from the General Fund because the City will be repaid, with interest, for the money it expends to prepare the sites for development. The approved loan are described below.

**a. Former Concord Naval Weapons Station** (\$2.2 million in FY 2015-16; and \$1.8 million in FY 2016-17)

In FY 2006-07, the City, acting as the Local Reuse Authority (LRA), retained a consultant team, appointed a Citizens Advisory Committee, and initiated the Reuse Planning process. The Concord Naval Weapons Station represents a unique opportunity to develop a new mixed-use area that is vital, livable, transit-supportive, at the cutting edge of ecological and sustainable planning, and integrates and supports the entire Concord community.

The adopted biennial budget includes a loan from the City of Concord's General Fund to the LRA in the amount of \$2.2 million in FY 2015-16 and \$1.8 million in FY 2016-17 to fund operating costs, not covered by grants. As with prior loans, this loan will provide bridge funding until the conveyance of the land, which is estimated to begin in 2016. The funds will be used for costs associated with managing the Base Reuse Project, including City staff costs, costs for legal fees related to negotiations with the U.S. Navy and securing necessary permits from the U.S. Army Corps and U.S. Fish and Wildlife Service; and expenses for professional services to assist with financial analysis, regulatory negotiations and risk management reviews.

To date (through FY 2014-15), loan agreements between the City of Concord's General Fund and the Local Reuse Authority total \$2.7 million. Loan repayment, with interest, is scheduled to begin in FY 2017-18. At the time of repayment, total loans to the LRA from the General Fund are projected to be approximately \$6.7 million. In the General Fund 10-Year Forecast, repayment of principle and interest is planned to occur over three fiscal years (of approximately \$2.2 million annually).

**b. Coast Guard Site** (\$130,000 in FY 2015-16; and no loan request for FY 2016-17)

The U.S. Coast Guard is currently in possession of a 58-acre property on East Olivera Road, adjacent the former Concord Naval Weapons Station. The property was formerly used for military housing by the Navy. The Navy transferred the property to the Coast Guard in 2008. Initially, the Coast Guard housed enlisted personnel on the property; however the Coast Guard later designated the site as surplus property, which triggered a disposal process. The City's Community & Economic Development Department is working with the Coast Guard and the Federal General Services Administration on a direct sale of the property to Concord to facilitate a mixed-affordability housing project on the site. While this 58-acre property abuts the 5,028-acre inland portion of the former Concord Naval Weapons Station, the reuse planning and regulatory transfer processes for both properties are separate.

At this point, the City anticipates that once the Coast Guard and General Services Administration agree to a direct sale, the City Council will select a developer for the Coast Guard Property and that this developer will provide funds for the City to purchase the site from the Coast Guard. The loan from the General Fund is anticipated to be repaid (with interest) by proceeds from the sale/transfer of the property to the developer. The General Fund loan supports planning efforts, architectural design review, legal services, as well as real estate consultant and appraisal services. In FY 2014-15, the City Council authorized \$97,000 for this effort during the mid-year budgeting process. The FY 2015-16 budget includes an additional \$130,000 for specific planning services, architectural review, real estate appraisal services, financial analysis of developer proposals, and legal services related to obtaining a negotiated development and disposition agreement (DDA). This brings the total General Fund loan to \$227,000.

#### **6. Capital Improvement Program / Transportation Improvement Program / Information Technology Projects (CIP/TIP/ITP)**

Given the number and range of properties and public facilities the City is responsible to maintain, the adopted FY 2015-16 budget for the Capital Improvement Program/Transportation Improvement Program/Information Technology Projects (CIP/TIP/ITP), represents a varied program focused on supporting these facilities and infrastructure and maintaining them in a high quality condition. The majority of the projects in the CIP are carry-over projects, approved through prior budgets. The total allocation from all funding sources for FY 2015-16 is \$17,557,625, with \$4,541,200 from the General Fund (of which \$2,350,000 is a loan to the Naval Weapons Reuse Projects).

Detailed descriptions of all adopted CIP/TIP/ITP projects in the FY 2015-16 Budget is contained in the CIP/TIP/ITP section of the Budget Book.



- c. Galindo Street Multi-Modal Design Improvements** (Project No. 2321)  
This project will prepare a precise alignment plan for multi-modal design improvements to the Concord Ave/Galindo St corridor and identify additional right-of-way needs to create a safe transition of southbound lanes from Concord Blvd and Clayton Rd. \$125,000 in Measure J 28(a) funds.
- d. Citywide Traffic Signal System Upgrade** (Project No. 2322)  
This project will upgrade the City's outdated Streetwise Central Traffic Management Software with the new advanced ATMS.now platform to serve as the foundation for modernizing the City's traffic monitoring and management system. This project is funded with \$225,000 in Measure J 28(a) funds.
- e. FY14-15 Access Improvements at Various Locations** (Project No. 2325)  
This project constitutes the FY14-15 annual Citywide ADA improvement program which includes the construction of concrete ADA-compliant curb ramps and associated driveway and sidewalk improvements in various locations throughout the City. This project is funded with \$84,000 in CDBG funds and \$50,000 in Measure J funds.
- f. FY14-15 Pavement Maintenance (Zone 3)** (Project No. 2329)  
This project is a part of the City's Annual Pavement Maintenance Program which includes the slurry and/or cape seal of 231,744 square yards of pavement maintenance improvements on residential streets within Zone 3. This project is currently funded with \$100,000 in Gas Tax funds, additional funding will be requested through the allocation of the Measure Q Debt Financing.
- g. FY14-15 Pavement Rehabilitation** (Project No. 2331)  
This project is a part of the City's Annual Pavement Maintenance Program which includes the construction of approximately 31,487 square yards of pavement rehabilitation improvements on the following streets: Oak Grove Rd (Monument Blvd to Whitman Rd); Salvio St (Parkside Dr to Port Chicago Hwy); and Diablo Creek Golf Course (repair of certain portions of the parking lots and pathways. This project is currently funded with \$355,000 in Measure J Grant (511 Contra Costa) funds, \$42,500 in Golf Course Enterprise funds and \$285,000 in Measure J funds. Additional funding will be requested through the allocation of the Measure Q Debt Financing.
- h. FY15-16 Pavement Maintenance (Zone 4)** (Project No. 2332)  
This project is a part of the City's Annual Pavement Maintenance Program which includes the slurry and/or cape seal of pavement maintenance improvements on residential streets within Zone 4. This project is currently funded with \$80,000 in Gas Tax funds, additional funding will be requested through the allocation of the Measure Q Debt Financing.
- i. FY15-16 Pavement Rehabilitation** (Project No. 2333)  
This project is a part of the City's Annual Pavement Maintenance Program which includes the construction of pavement rehabilitation improvements on specific streets.

Staff is currently preparing the selection of streets for preparation of the design package, with construction during FY15-16. This project is currently funded with \$120,000 in Gas Tax funds, additional funding will be requested through the allocation of the Measure Q Debt Financing.

- j. Willow Pass Park Restroom & Concession Facility Replacement – Field #1** (Project No. 2334)  
This project will replace the restrooms and concession building at Willow Pass Park, near Athletic Field #1. This project is funded with \$425,000 in General Funds.
- k. Citywide Bridge Repair Program – Grp 1 Bridges Construction** (Project No. CIP-1601)  
This project will construct maintenance repairs to the Group 1, six identified bridge structures in the City, as part of the larger Citywide Bridge Repair Program (PJ2060). This project is funded with \$682,724 in Federal Highway Bridge Program Grant funds and \$163,400 in General Funds.
- l. Citywide Bridge Repair Program – Grp 2 Bridges Construction** (Project No. CIP-1602)  
This project will construct maintenance repairs to the Group 2, eleven identified bridge structures in the City, as part of the larger Citywide Bridge Repair Program (PJ2060). Additionally, this project will follow construction of the Group 1 Bridges Construction (CIP-1601), in FY16-17. This project is funded with \$1,474,883 in Federal Highway Bridge Program Grant funds.
- m. Furniture, Fixtures & Equipment Reserve** (Project No. CIP-1603)  
This project is a holding account to fund the replacement and repair of capital assets and soft goods that typically have an individual valuation of less than \$50,000. When the repair or replacement of an item is warranted, funding is transferred from this account into a separate project account for implementation and expenditure tracking purposes. This project is funded with \$500,000 in General Funds.
- n. Implement Disaster Recovery Plan Equipment for Core Application** (Project No. ITP-1604)  
This project will allow the City to relocate the necessary equipment at the Rocklin collocation facility to run the City's critical applications in a disaster. This project is funded with \$140,000 in General Funds.
- o. Replace Equipment at Concord Community Pool** (Project No. PR-1605)  
This project will replace the pool covers, reels and canvas covers for the reels, used at Concord Community Pool. This project is funded with \$75,000 in Measure Q funds.

- p. Willow Pass Park Field Lights Replacement** (Project No. PR-1606)  
This project will replace the field lighting on Athletic Fields #2, #3 and #4 at Willow Pass Park with new light fixtures and automated technology similar to what is not installed at Bundy Field. This project is funded with \$500,000 in Measure Q funds.
- q. Analysis of Golf Course Infrastructure & Deferred Maintenance Conditions** (Project No. PR-1607)  
This project will provide an inventory and analysis of all golf course infrastructure to identify current conditions, and fiscal resources required to maintain infrastructure at a safe and desirable level of care. This project is funded with \$40,000 in Golf Course Enterprise funds.
- r. Water Quality Improvements at City Park Ponds** (Project No. PW-1609)  
This project will improve the water quality at the ponds at Newhall, Hillcrest and Willow Pass Parks. The specific project scope will have a 3-phased approach: (1) evaluate conditions and develop recommendations, (2) implement solutions at Newhall Park, and (3) implement solutions at Hillcrest and Willow Pass Parks. Funding for this project (Measure Q) was decreased by \$325,000 to \$425,000 in FY 2015-16, with an anticipated allocation of \$325,000 in FY 2016-17. Staff anticipates that the \$425,000 allocation in FY 2015-16 will fund phases 1 and 2. Phase 3 is planned to be funded by the \$325,000 allocation in FY 2016-17.
- s. Farm Bureau Road Complete Streets – Phase 2 (Wren Ave to Walnut Ave)** (Project No. TIP-1610)  
This project will upgrade Farm Bureau Rd from Wren Ave to Walnut Ave to Complete Streets standards, consistent with the conceptual design developed under PJ2252 (Farm Bureau Rd Pavement Reconstruction – Wren Ave to Clayton Rd). This will allow members of the community to walk and bike safely within the neighborhood. This project is funded with \$227,000 in Measure J Bond funds, recently reprogrammed through TRANSPAC and CCTA from the Commerce Avenue Extension project.
- t. Salvio Street Complete Streets Sidewalk Installation** (Project No. TIP-1611)  
This project will install a new concrete sidewalk on the north side of Salvio Street from Parkside Drive to Beach Street (1,200 LF) near Olympic High School. This will allow members of the community to walk and bike safely within the neighborhood. This project is funded with \$3,800,000 in Measure J Bond funds, recently reprogrammed through TRANSPAC and CCTA from the Commerce Avenue Extension project.
- u. Operational Improvements on Parallel Arterials** (Project No. TIP-1612)  
This project will improve the traffic flow, intersection monitoring and incident management in Downtown Concord in coordination with traffic operations on I-680 and SR 242. Approximately 45 traffic signals will be retimed and upgraded with fiber-optic interconnect cable, and CCTV cameras will be installed at key intersections. This project is funded with \$2,893,103 in Measure C funds, recently reprogrammed through TRANSPAC and CCTA from the Commerce Avenue Extension project.

**v. Ellis Lake Park Restroom Building** (Project No. PR-1613)

This project will install a pre-fabricated restroom building and drinking fountain to service visitors to Ellis Lake Park. Based on site assessments and community surveys by the Monument Community Park Assessment Committee, this project has been ranked as its highest priority. This project will require coordination with the Police Department and Public Works to address appropriate site location and design elements that will help mitigate crime and vandalism and promote its appropriate use. Staff estimates completion of this project by the end of this Fiscal Year. This project will be funded with \$325,000 in Measure Q funds.

**w. Ellis Lake Park Playground and Park Improvements** (Project No. PR-1608)

This project will provide a new playground and site improvements at Ellis Lake Park, including: installation of a new playground and equipment for 5-12 year olds; additional park safety lighting; installation of a lakefront border for safety; and additional park/picnic benches. Based on site assessments and community surveys by the Monument Community Park Assessment Committee, this project has been ranked as its second-highest priority. Staff estimates construction of this project between July-September, 2016. This project will be funded with \$100,000 from the General Fund, and \$290,000 in Measure WW funds reallocation.

**x. Meadow Homes Park Playground Installation** (Project No. PR-1614)

This project will provide for the design and installation of a new multi-age playground (2-5 and 5-12 year olds) at Meadow Homes Park, fronting Sunshine Drive, near the Meadow Homes Spray Park. Based on site assessments and community surveys by the Monument Community Park Assessment Committee, this project has been ranked as its third-highest priority. Staff estimates completion of the design of this project between July-September, 2016. To construct the project, additional funding will be required. Staff will work proactively with the Monument Community Park Committee and other interested parties to identify grant funding opportunities for this project. This project will be funded with \$60,000 in Parkland funds, \$70,000 in Measure WW funds reallocation, with \$195,000 remaining unfunded.

## **7. Measure Q Oversight Committee Findings**

The Measure Q Citizens' Oversight Committee reviewed the preliminary biennial General Fund budget for FY 2015-16 and FY 2016-17, as well as the 10-year financial forecast. The Committee found that it is consistent with the principles adopted with the decision to place Measure Q on the ballot in 2010 and the recently approved extension of the tax on November 2014 ballot. The Oversight Committee has found that:

- The FY 2013-14 Annual Audit reflects that Measure Q funds were collected and appropriately spent.

- The City's General Fund biennial budget for FY 2015-16 and FY 2016-17 protects the City's core services.
- The City's General Fund biennial budget for FY 2015-16 and FY 2016-17 rebuilds the City's reserves.
- The City's General Fund biennial budget continues to rely on Measure Q, however, the amount decreases by nearly \$500,000 to \$7.5 million in FY 2016-17. Further, the Committee stressed the importance of enhancing the City's economic development efforts as a tool to grow the local economy and further reduce reliance on Measure Q for operating expenses. The Committee commended staff for their recommendation to use significant Measure Q dollars to improve roadway and infrastructure maintain on existing facilities.

A copy of the Measure Q Citizens' Oversight Committee report to the City Council is attached to this budget memo (Attachment 2) and the chair of the Committee is expected to address the Council at the Council's at the May 12 budget workshop.

## CONCLUSION

Over the past two decades, the State of California has taken more than \$78 million from the City of Concord. That on-going loss of funding to the State combined with the fiscal impacts of the Great Recession have forced significant cuts to services to the community and changes to the pay and benefits of our employees.

Measure Q has helped the City avoid the worst of the service and program cuts, rebuild its reserves and, frankly, stay solvent. Measure Q assisted the City by providing a guaranteed source of local funding for essential City services that the State of California couldn't take away. The community has clearly been pleased with the Council's stewardship of the Measure Q revenue because the voters extended the measure for another nine years with a 74% affirmative vote in November of 2014.

With the beginning of this biennial budget, the City once again returns to a 30% reserve, which is a significant achievement. Consequently, the City can begin investing Measure Q revenue in the City's streets and in the backlogged maintenance needs of our parks, medians, and buildings.

Concurrent with this, the City continues to tightly control cost increases so that revenue from the economic recovery currently occurring can be used to begin to close the City's operational funding deficit. It is great news for the City that this biennial budget projects the City's sales and property tax revenues returning to pre-2008-09 levels.

While fiscal challenges remain, the City should celebrate the successes it has had and the economic growth it is currently experiencing. I have no doubt that the City will face the future with the same dedication to its Mission statement that it has demonstrated to date: *To join with*

*our community to make Concord a City of the highest quality. We do this by providing responsive, cost effective and innovative local government services.*

Respectfully submitted,

A handwritten signature in black ink that reads "Valerie J. Barone". The signature is written in a cursive style with a large, stylized initial "V" and "B".

Valerie J. Barone  
City Manager

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## City of Concord

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May 12, 2015

**TO:** Honorable Mayor and Councilmembers

**FROM:** Measure Q Oversight Committee - Guy Bjerke, Chair;  
Diane Sprouse, Vice Chair; Brian Beckon, Greg Grassi, Matthew Hohenstreet

**SUBJECT: Measure Q Oversight Committee's Review of the FY 2013-14 Audit and Evaluation and Report on the City's Proposed Use of Measure Q Revenues in the Proposed Biennial General Fund Budget for FY 2015-16 and FY 2016-17**

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The Measure Q Oversight Committee (Committee) met on April 29, 2015 to review the Fiscal Year (FY) 2013-14 Comprehensive Annual Financial Statement (CAFR), which includes the annual audit. At this meeting, the Committee also heard a presentation from staff on the City's preliminary FY 2015-16 and FY 2016-17 General Fund budget and 10-year financial forecast.

The purpose of the budget presentation was to obtain an understanding of the preliminary budget in order to advise the Council as to whether Measure Q revenues are proposed to be spent in a manner consistent with what the voters were told during the election process: to protect core services, re-build the City's reserves, and provide more time for the City to address its on-going structural budget deficit.

The Committee has made the following findings with regard to its charge in oversight of the tax:

**1. Does the FY 2013-14 Annual Audit reflect that the Measure Q tax was collected and appropriately spent?**

On April 29, 2015, the Committee reviewed the FY 2013-14 Comprehensive Annual Financial Statement (CAFR) and determined that the presentation of the Measure Q Use and Transaction Tax in the financial statements (pages x, 13, 25, 27 and 43) reflect the collection of the tax appropriately.

The Committee finds that usage of Measure Q tax revenue (\$11.4 million) was identified clearly in the annual audit (pages x, 13, 25, 27 and 43 of the CAFR). Further the Committee finds that \$9.1 million of Measure Q tax revenue went to maintain City services and the remaining \$2.3 million went into the City's reserve. Consequently, the Measure Q Committee concludes that the tax was collected and appropriately utilized.

**2. Does the City's proposed General Fund biennial budget for FY 2015-16 and FY 2016-17 protect the City's core services?**

The proposed biennial budget estimates the collection of Measure Q revenue in the amount of \$12.6 million during the 2015-16 fiscal year and \$12.9 million during the 2016-17 fiscal year. Since the reserves in the City's General Fund are projected to be fully restored to 30% of expenditures by the end of fiscal year 2014-15, the preliminary biennial budget uses a portion of Measure Q revenues to support operations, and a portion for uses consistent with the City's Fiscal Sustainability Ordinance which restricts use of Measure Q revenues.

Of the projected Measure Q revenues for FY 2015-16, \$7.8 million will be used to maintain the City's services, including public safety, parks and recreation, infrastructure maintenance, and internal operations; the remaining \$4.8 million is allocated to economic development and various infrastructure maintenance backlog projects. For FY 2016-17, \$7.5 million will be used to maintain the City's services and the remaining \$5.4 million is also allocated to economic development and infrastructure maintenance backlog projects. Because Measure Q revenues are available no significant cuts to services are being proposed in the FYs 2015-16 and 2016-17 biennial budget; therefore, all core services are being protected.

Consequently, the Committee finds that the use of Measure Q revenue in the budget for FYs 2015-16 and 2016-17 protects the City's core services.

**3. Does the City's proposed General Fund biennial budget for FY 2015-16 and FY 2016-17 rebuild the City's reserves?**

The Committee finds that the proposed General Fund biennial budget for FYs 2015-16 and 2016-17 maintains the City's reserves at 30% of expenditures. The total Measure Q reserve at the end of FY 2014-15 is projected to be \$12.4 million; this reserve when, combined with the City's 15% General Fund reserve, results in a total City Reserve of unallocated funds of \$22.8 million or 30% of the budget. The proposed biennial budget retains the 30% reserve and increases it to 34% by FY 2016-17.

Further, the proposed 10-year financial forecast illustrates that Measure Q has been successful in rebuilding reserves. However, this Committee would like to express its concern that while the 10-year forecast reduces the City's reliance on Measure Q, challenges remain and the City must take future actions to stabilize the budget to fully close the budget gap by the time Measure Q is set to expire in March 2025.

**4. Does the City's proposed General Fund biennial budget for FY 2015-16 and FY 2016-17 make progress toward resolving the City's structural budget deficit within the next 10-years?**

The Committee finds that while the City's reliance on Measure Q revenues decreases over the next ten years based on current forecasts, challenges remain. The General Fund budget shortfall is projected to be approximately \$3.7 million in March 2025 when Measure Q expires and the 10-year forecast does not fully address the City's other post-employment benefit (OPEB) liability.

The Committee supports the City Council's commitment to gradually reduce the amount of Measure Q revenue that funds existing services and personnel costs, so that the City is fiscally sustainable by the time Measure Q expires in March 2025. Further, the Committee wishes to emphasize that the limited term Measure Q resource is most appropriately used for activities that maintain current infrastructure and/or result in a positive return on investment to the City's General Fund.

The Committee is concerned that, although the City is experiencing some revenue growth as the economic recovery continues, the recovery has been slow and the City will continue to rely on Measure Q revenue. In addition, it is likely another recession will occur within the next decade that will hamper efforts to reduce reliance on Measure Q revenue.

The Committee supports the economic development surge proposals included in the proposed FY 2015-16 and FY 2016-17 budget, and encourages the City Council and staff to continue to look for creative ways to leverage private sector resources to accelerate the improvement of the local economy so that the City is able to fully address service needs using regular (non-Measure Q) revenue sources, maintain its reserves, and eliminate reliance on Measure Q within the 10-year horizon.

Lastly, the proposed biennial budget allocates significant Measure Q dollars to fund infrastructure maintenance and capital projects to address the City's backlog of deferred maintenance. A total of \$1.5 million in FY 2015-16 and \$2.4 million in FY 2016-17 is allocated to this effort. The Committee supports this allocation, as it will have a direct improvement on infrastructure (roads, buildings, and parks) that the community uses each day. In addition, the Committee believes that improving infrastructure will add to the safety and quality of city services, enhance economic development efforts, and will advance the goal of achieving fiscal sustainability by addressing maintenance issues sooner rather than later (when costs are typically higher).

## **Conclusion**

The Committee continues to encourage the staff and the City Council to think creatively to further enhance efficiencies, restrain spending and invest in the long-term economic vitality of

Measure Q Committee's Finding Memo  
May 12, 2015

the City. Further, the Committee recognizes that opportunities to invest in the local economy will occur outside of the budgeting cycle and encourages staff and the City Council to take advantage of such opportunities as they occur. The Committee thanks the City Council for the opportunity to comment and make recommendations on the use of Measure Q revenue.

BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD  
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

A Resolution Establishing the Appropriation Limit  
for the City of Concord for Fiscal Year 2015-16  
Pursuant to California Constitution Article XIII B

Resolution No. 15-43

WHEREAS, Article XIII B of the California Constitution (Proposition 4) established appropriation limits for cities; and

WHEREAS, Government Code Section 7910 (a portion of the Legislation implementing Proposition 4) requires cities to annually adopt a resolution establishing their appropriation limit; and

WHEREAS, the Director of Finance has made, or caused to be made, calculations in accordance with the provisions of Article XIII B and the implementing legislation to determine the appropriation limit for Fiscal Year 2015-2016; and

WHEREAS, Proposition 111 requires a recorded vote of the Council regarding the limit and the annual adjustment factors selected to calculate it; and

WHEREAS, said calculations were available for public review a minimum of fifteen (15) days prior to the consideration of said calculations by the City Council at its meeting of June 23, 2015.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES RESOLVE AS FOLLOWS:**

**Section 1.** Approves and adopts by reference the calculations prepared by the Director of Finance regarding the appropriation limit for the City of Concord for Fiscal Year 2015-2016. Said calculations are available for public review in the Finance Department of the City of Concord.

**Section 2.** Finds and determines that the total appropriation limit of Article XIII B, Proposition 111, and implementing State Legislation amounts to \$154,624,506 for Fiscal Year 2015-2016. The Council further finds and determines that the annual adjustment factors to be applied to the limit calculation are California Per Capita Income and County of Contra Costa's annual population growth.

**Section 3.** This resolution shall become effective immediately upon its passage and adoption.

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BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD  
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

A Resolution Establishing the Minimum Threshold  
over Which City Council Approval is Required in  
Accordance with Concord Municipal Code Title III,  
Sec. 3.10.040(a), for Fiscal Year 2015-16

Resolution No. 15-44

WHEREAS, the City Council approves a number of purchasing agreements during the course of each Fiscal Year; and

WHEREAS, in accordance with Concord Municipal Code Section 3.10.040(a), the City Council is required to establish the threshold over which a purchase requires City Council approval prior to said purchase; and

WHEREAS, the City Council seeks to establish the minimum threshold over which City Council approval is required for Fiscal Year 2015-16.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES  
RESOLVE AS FOLLOWS:

Section 1. That purchases and contracts in excess of \$50,000 are subject to City Council approval before the execution of said purchase or contract.

Section 2. The purchasing threshold confirmed by this resolution shall become effective on July 1, 2015.

Section 3. This resolution shall become effective immediately upon its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Concord on June 23, 2015, by the following vote:

AYES: Councilmembers - E. Birsan, D. Helix, L. Hoffmeister, R. Leone, T. Grayson

NOES: Councilmembers - None

ABSTAIN: Councilmembers - None

ABSENT: Councilmembers - None

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1           **I HEREBY CERTIFY** that the foregoing Resolution No. 15-44 was duly and regularly  
2 adopted at a regular meeting of the City Council of the City of Concord on June 23, 2015.  
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6 Joelle Fockler, CMC  
City Clerk

7 **APPROVED AS TO FORM:**

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9 Mark S. Coon  
City Attorney  
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BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD  
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

**A Resolution Adopting the Municipal Budget for  
Fiscal Years 2015-2016 and 2016-2017, Including a  
Ten-Year Financial Forecast and the 2015-2016  
Capital Improvement Program, Including a Ten-Year  
Capital Improvement Forecast for Fiscal Year 2015-  
2016**

Resolution No. 15-45

**WHEREAS**, the City Manager has recommended a Biennial Municipal Operating Budget for Fiscal Years 2015-16 and 2016-17 and a Ten-Year Financial Forecast; and

**WHEREAS**, the City Manager has recommended a Capital Improvement Program Budget for Fiscal Year 2015-16 and a Ten-Year Capital Improvement Program Forecast; and

**WHEREAS**, at the May 12, 2015 workshop, the City Manager received comment and direction from Council regarding the proposed budget recommendations and strategy; and

**WHEREAS**, at the June 23, 2015 hearing the Council conducted its final review of the budget; and

**WHEREAS**, the expenditures provided in said Budget, together with any revisions to it, are within the expenditure limitations imposed by Article XIII B of the California Constitution; and

**WHEREAS**, the City Manager has recommended amending *Policy & Procedure No. 129, Budget and Fiscal Policies*, which provides the concepts and processes that help protect City resources and long-term fiscal health, to restore Concord’s General Fund reserve policy to the 30% level and amend the policy to reflect the implementation of a biennial budgeting process for the operating budget.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES RESOLVE AS FOLLOWS:**

**Section 1.** The City Council approves the Municipal Budget as modified per Council direction for Fiscal Years 2015-16 and 2016-17 and a Ten-Year Financial Forecast submitted by the City Manager as adjusted by adopted City Council budget modifications.

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1           **Section 2.** The City Council accepts the Planning Commission's determination that the Fiscal  
2 Year 2015-16 Capital Improvement Program Budget complies with the goals and objectives of the  
3 General Plan.

4           **Section 3.** The City Council approves the Capital Improvement Program Budget for Fiscal  
5 Year 2015-16 and a Ten-Year Capital Improvement Plan as modified.

6           **Section 4.** A copy of the Municipal Budget and Ten-Year Financial Forecast including  
7 Capital Improvement Program Budget and Ten-Year Capital Improvement Plan for Fiscal Years  
8 2015-16 and 2016-17 as modified during the hearings are on file with the City Clerk.

9           **Section 5.** The City Council amends *Policy & Procedure No. 129, Budget and Fiscal Policies*  
10 to restore Concord's General Fund reserve policy to the 30% level and reaffirms all other language.

11           **Section 6.** This resolution shall become effective immediately upon its passage and adoption.

12           **PASSED AND ADOPTED** by the City Council of the City of Concord on June 23, 2015, by  
13 the following vote:

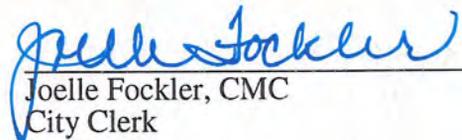
14 **AYES:**           Councilmembers - E. Birsan, D. Helix, L. Hoffmeister, R. Leone, T. Grayson

15 **NOES:**           Councilmembers - None

16 **ABSTAIN:**       Councilmembers - None

17 **ABSENT:**        Councilmembers - None

18           **I HEREBY CERTIFY** that the foregoing Resolution No. 15-45 was duly and regularly  
19 adopted at a regular meeting of the City Council of the City of Concord on June 23, 2015.

20  
21  
22   
Joelle Fockler, CMC  
City Clerk

23 **APPROVED AS TO FORM:**

24  
25   
Mark S. Coon  
26 City Attorney