

Introduction

Transmittal Letter

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Transmittal Letter

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Kenneth R. Hunt, City Manager

SUBJECT: Transmittal of the Proposed Operating Budget
Fiscal Year 2014/2015

DATE: June 16, 2014



I am pleased to present for your review and consideration the Fiscal Year 2014/2015 Proposed Operating Budget for the City of Fontana, the Fontana Fire Protection District, the Fontana Housing Authority, and the Fontana Community Foundation. This budget has been developed with the guidance provided by the Mayor and City Council to provide the highest level of service to the residents and business community of Fontana.

The economy continues to improve, but very slowly when compared to prior recoveries. Although we are only half way through the year, 2014 is definitely looking better than 2013. Unemployment continues to drop, construction is returning, home prices are climbing with the share of underwater mortgages plunging, and strong gains continue to be reported in sales tax revenue. The economy, however, although more than three years into recovery, is still slightly below pre-recession levels.

The Fiscal Year 2014/2015 Proposed Operating Budget includes conservatively estimated resources reflecting a slowly recovering economy as demonstrated by recently experienced revenue trends. It is structurally balanced with recurring expenditures being met by recurring revenues. Due to budget challenges ahead including significant increases in the City's CalPERS retirement costs in future years and the rising cost of medical benefits, it is recommended that the City continue with its conservative budgeting approach.

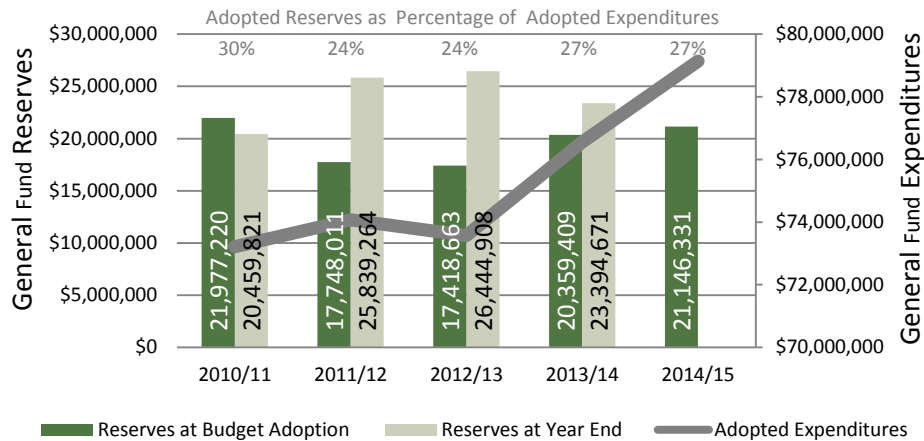
Funding and obligations related to the Successor Agency to the Former Redevelopment Agency have been removed from the Fiscal Year 2014/2015 budget; and from prior years for comparison purposes. Indebtedness of the former redevelopment agency was transferred to the Successor Agency and will be paid with funds received from the State through the Recognized Obligation Payment Schedule (ROPS) process.

Introduction

Fiscal Year 2014/2015

The overall Proposed Budget for Fiscal Year 2014/2015 is \$192 million, an increase of \$14 million over the current year adopted budget. Overall revenues are projected at \$185 million, a decrease of \$4 million over the current year adopted budget.

General Fund Reserves



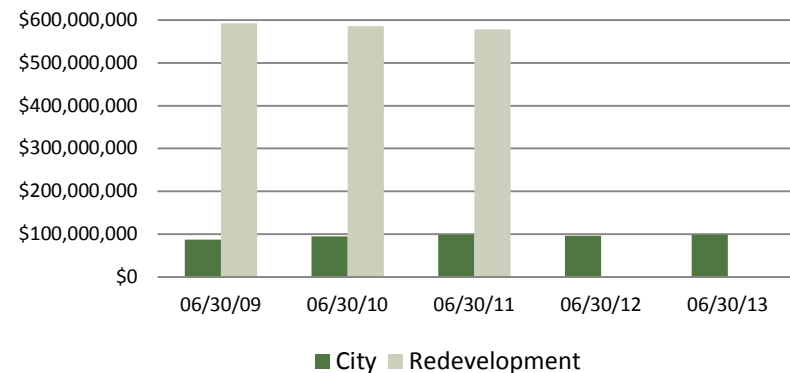
The City's Issuer Credit Rating was upgraded in January 2014 by Standard and Poor's Ratings Services to "AA-" with a stable outlook from "A+" with the City's overall creditworthiness, including its capacity and willingness to meet its financial commitments as they come due, cited as the primary reason. Standard and Poor's indicated that the stable outlook reflects their view of the City's ability to adjust its budget to sustain very strong reserve levels during the past five fiscal years.

The City maintains strong General Fund reserves, and did so even during the most recent economic downturn. The Contingency Reserve of \$11.9 million is calculated at 15% of annual appropriations at budget adoption and is intended to be used for specific and defined emergency events such as earthquakes to address immediate needs without impacting City services.

Although much has been said about the amount of debt carried by the City of Fontana, for the years shown in the chart to the right, City debt has ranged from \$80 to \$100 million. For the year ended June 30, 2013, the City debt of \$99 million consisted of \$53 million of bonded debt, \$13 million of loans payable relating to the San Bernardino Trunk Sewer Project, \$11 million of estimated claims and judgments payable, and \$22 million of compensated absences and other post employment benefits.

As you can see, redevelopment made up the lion's share of the outstanding debt and with its dissolution in 2012, indebtedness of the former redevelopment agency was transferred to the Successor Agency and will be paid with funds received from the State through the Recognized Obligation Payment Schedule (ROPS) process.

Long Term Debt



Introduction

Fiscal Year 2014/2015

General Fund

The proposed budget of the City's General Fund is balanced. Recurring expenditures are equal to recurring revenues; one-time expenditures are equal to one-time sources, including projected expenditure savings from the current year. General Fund revenues are projected at \$87.4 million, an increase of \$3.6 million or 4.3% over the current year *adopted* budget, and an increase of \$1.5 million or 1.8% over the current year *adjusted* budget. This increase is primarily attributable to the following:

- an increase in sales tax revenue of \$1.00 million reflecting the positive economic trends seen statewide
- an increase in property tax revenue of \$0.36 million reflecting a 4% projected increase in city-wide assessed valuation, offset by one-time tax increment residual revenue received in the current fiscal year
- an increase in franchise fees, business and development-related revenues of \$0.46 million reflecting slowly improving economic conditions
- an increase in vehicle license fee (VLF) revenue of \$0.79 million reflecting the return of funding related to newly incorporated annexations (legislation pending)
- offset by reductions in reimbursables and other revenue of \$0.96 million; and slight reductions to interest, recreation and revenues from other agencies of \$0.13 million

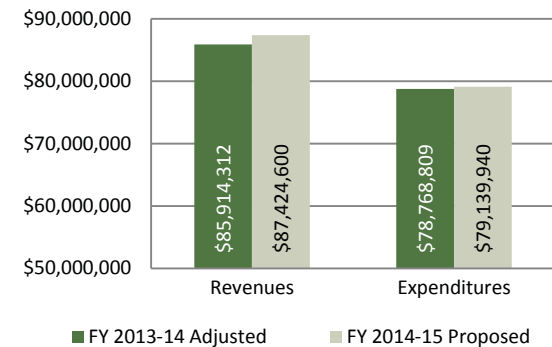
General Fund expenditures of \$79.1 million reflect an increase of \$2.6 million or 3.4% from the FY 2013-14 *adopted* budget, and an increase of \$0.4 million or 0.5% more than the FY 2013-14 *adjusted* budget. This increase is primarily attributable to an increase in expenditures as follows:

- \$0.84 million contractual obligations related to City staff
- \$0.53 million positions returned to General Fund
- \$0.30 million fleet maintenance cost increases
- \$0.20 million minimum wage increases*
- \$0.19 million recurring departmental requests
- \$0.18 million one-time departmental requests
- \$2.24 million total**

These increases are partially offset by the following expenditure reductions:

- \$1.60 million prior year one-time expenditures
- \$0.29 million elimination of two vacant police positions
- \$1.89 million total**

**General Fund Budget
At a Glance**



Net transfers out:

FY 2013-14	\$11,416,330
FY 2014-15	\$13,530,000

*Additional funding will be required as the minimum wage increases from \$9 per hour to \$10 per hour January 1, 2016.

Introduction

Fiscal Year 2014/2015

General Fund net transfers out of \$13.5 million reflect an increase of \$1.8 million or 14.8% from the FY 2013-14 *adopted* budget, and an increase of \$2.1 million or 18.5% more than the FY 2013-14 *adjusted* budget. This increase is the result of:

- \$1.01 million increase to transfers in for cost allocation
- \$0.35 million decrease to transfers in for interest from other funds
- \$0.87 million increase to transfers out for grant matches and other obligations
- \$0.50 million increase to transfers out to Self Insurance Fund for increased costs and to rebuild reserves
- \$0.25 million increase to transfers out to Technology Fund for hardware replacement program
- \$0.78 million increase to transfers out for one-time requests (net)
- \$0.38 million prior year adjustments
- \$2.12 million total**

	Fiscal Year 2014-15		
	Total	Recurring	Non-recurring
Revenues	\$ 87,424,600	\$ 87,424,600	\$ -
Expenditures	(79,139,940)	(78,958,850)	(181,090)
Transfers in	9,566,300	9,566,300	-
Transfers out	<u>(23,096,300)</u>	<u>(18,774,800)</u>	<u>(4,321,500)</u>
	(5,245,340)	(742,750)	(4,502,590)
15% Contingency Reserve	(388,000)	-	(388,000)
PERS Rate Stability Reserve	1,000,000	742,750	257,250
Projected expenditure savings	3,000,000	-	3,000,000
Unappropriated Fund Balance	<u>1,633,340</u>	<u>-</u>	<u>1,633,340</u>
	\$ -	\$ -	\$ -

One-time General Fund uses:

- \$3.00 million Pavement management
- \$0.50 million Sidewalk rehab program
- \$0.75 million General Plan Update
- \$0.07 million PD vehicle purchases
- \$0.11 million Election costs
- \$0.07 million PD recruitment/training
- \$0.39 million 15% contingency reserve
- \$4.89 million total**

One-time General Fund sources:

- \$3.00 million Projected exp savings
- \$1.63 million Unappropriated fund balance
- \$0.26 million PERS Rate Stability Reserve
- \$4.89 million total**

Organizational Changes

Two vacant police officer positions were eliminated in order to balance the budget. Additional vacant positions are slated for elimination if the City is not successful in recovering the \$790,000 VLF for newly annexed areas (legislation currently pending).

City Council Priorities from Goal Setting Meeting

As a result of the February 1, 2014 goal setting meeting, the City Council identified a number of budget priorities. The following identifies the top priorities and the status of each:

Spanish Speaking Community Meetings

The City Council set a very high priority on establishing Spanish speaking community meetings in the core of the city. Two Spanish language community meetings are being planned for 2014. Additionally, the Police Department purchased translation equipment that will allow for Spanish language translation at any meeting which will be available at all community meetings throughout the year.

Foothill Landscaping

The Foothill Boulevard median landscape project consists of the installation of the City Council approved theme including landscaping, rock cobble hardscape, automatic irrigation system, and accent lighting within the constructed raised median. The project limits will extend approximately $\frac{3}{4}$ mile from Cherry Avenue to Hemlock Avenue and will improve the general aesthetics by providing visual amenities and be a catalyst for new development. Design is completed, and it is anticipated that the construction will begin late summer 2014. Estimated funding in the amount of \$1.5 million is included in the proposed budget.

Fontana Museum/Knopf Center

In collaboration with the Fontana Historical Society, staff is exploring the Knopf Center as a possible relocation site for the Fontana Historical Society Museum. A Business Plan for the creation of the museum which will be run by the Historical Society has been circulated.

Miller Park Amphitheater

The Miller Park Amphitheater will be a downtown focal point for culture, arts and entertainment within the City of Fontana and will serve as a gathering place and a visual icon for the local community. It will be a versatile public venue with adequate amenities and accommodations to draw both local and regional performers and patrons. The design portion of the project has been completed with an expanded "plaza" area that could accommodate as many as 1,500 chairs. Fixed seating has not been included to keep the area as flexible as possible. Funding for this \$10 million project has not been identified.

General Plan Update

The General Plan is out of date according to the State Attorney General Guidelines, and an update is needed to review and revise land uses, infrastructure and other plans and policies citywide to take advantage of investment that is flowing into the community this development cycle. Staff is planning a complete update to the 2003 General Plan and a corresponding update to the Zoning and Development Code. After completion, the document will be used as a "strategic plan" citywide with guiding principles and policies to be implemented by numerous city departments for the benefit and improvement of the community. The update is a two-year project with an estimated cost of \$1.5 million; \$750,000 is included in the proposed budget.

Introduction

Fiscal Year 2014/2015

City-Wide Budget

Revenues for all entities city-wide have been estimated at \$185.2 million, with expenditures projected at \$191.5 million.

	Total Revenues ⁽¹⁾				Total Expenditures ⁽²⁾			
	FY 2013-14		FY 2014-15	Change from FY 2013-14 Current	FY 2013-14		FY 2014-15	Change from FY 2013-14 Current
	Adopted	Current			Adopted	Current		
General Fund	\$ 83,843,200	\$ 85,914,312	\$ 87,424,600	\$ 1,510,288	\$ 76,550,200	\$ 78,768,809	\$ 79,139,940	\$ 371,131
Other General Funds	5,326,900	5,506,640	5,847,490	340,850	15,315,680	15,782,758	16,376,260	593,502
Special Revenue Funds	40,034,790	57,888,389	37,905,030	(19,983,359)	31,981,790	39,628,327	31,373,080	(8,255,247)
Debt Service Funds	1,096,120	1,185,300	995,070	(190,230)	5,260,500	5,260,500	5,263,190	2,690
Capital Project Funds	5,331,750	19,238,658	5,084,820	(14,153,838)	5,105,950	10,239,038	11,123,270	884,232
Internal Service Fund	3,640,240	3,668,240	3,982,730	314,490	4,930,530	4,947,915	5,068,610	120,695
Enterprise Funds	15,611,080	16,366,150	16,025,090	(341,060)	14,056,940	15,718,207	15,206,230	(511,977)
Fire Protection District	26,048,100	26,791,100	27,300,100	509,000	24,044,100	25,504,843	27,608,450	2,103,607
Housing Authority	8,113,270	8,265,770	648,040	(7,617,730)	515,110	692,123	290,340	(401,783)
Community Foundation	20,000	22,000	21,800	(200)	20,000	28,875	20,000	(8,875)
Totals	\$ 189,065,450	\$ 224,846,559	\$ 185,234,770	\$ (39,611,789)	\$ 177,780,800	\$ 196,571,395	\$ 191,469,370	\$ (5,102,025)

⁽¹⁾ Excludes operating transfers in

⁽²⁾ Excludes operating transfers out and carryover projects of \$110 million

Other General Funds include City Technology, Facilities Maintenance, Self Insurance and Retiree Medical Benefits and are funded primarily through operating transfers from the General Fund. They are maintained separately for accounting purposes only and are reported as part of the General Fund in the Comprehensive Annual Financial Report (CAFR). Proposed revenues exceed current year budgeted amounts by \$0.3 million primarily due to an increase in funding to the Self Insurance Fund. Proposed expenditures exceed current year budgeted amounts by \$0.6 million as a result of new recurring expenditures such as hardware replacement, facility maintenance, and self insurance costs.

Special Revenue Funds account for specific revenues legally restricted to expenditures for particular purposes such as Gas Tax, Measure I, Asset Seizure funds, Grants, Landscape and Lighting Maintenance Districts and Maintenance Community Facilities Districts. Current year budgeted revenues and expenditures exceed the proposed amounts by \$20.0 million and \$8.3 million, respectively, primarily due to multi-year projects and corresponding revenues included in the current year.

Introduction

Fiscal Year 2014/2015

Debt Service Funds are used to accumulate resources for the payment of principal and interest on the 2003 Lease Revenue Bonds (Police Facility), the 2007 Lease Revenue Bonds (Ventana Land Purchase) and the 2010 Lease Revenue Bonds (Fire Station No. 71). This represents all debt obligations of the City with principal outstanding of \$52.7 million at June 30, 2013. Annual debt service payments are approximately \$5.3 million with \$0.8 million reimbursed by the former Redevelopment Agency through the Recognized Obligation Payment Schedule (ROPS) process.

Capital Project Funds are used to account for the acquisition and construction of major capital facilities and are funded by various sources including development impact fees and community facilities district special assessment bond proceeds. The Capital Reinvestment Fund is funded by transfers from the General Fund. Activity in these funds varies significantly from year to year as resources are accumulated and then used to fund large capital projects. The current year budgeted revenues exceed the proposed amount by \$14.2 million, while the proposed expenditures exceed the current amount by \$0.9 million, primarily due to multi-year projects revenues included in the current year. Any amounts unspent at year end will be carried forward into the next year at the First Quarter Budget Review.



The City's only **Internal Service Fund** is used to accumulate costs related to fleet services which are allocated to the benefiting funds and departments through an internal service charge. The fund balance reflects amounts available for future fleet replacements. Revenues have increased by approximately \$314,000 and expenditures by \$121,000 million reflecting the comprehensive fleet maintenance system and new vehicle purchases.

Enterprise Funds account for the City's business-type activities, operating and capital funds for sewer and water. In recent years, the Water Fund has been used to account for expenses related to the water rate case study. The sewer funds account for the billing and collection of sewer charges, and for the operations, maintenance and construction of the City's sewer system. Both revenues and expenditures are expected to remain relatively flat.

Introduction

Fiscal Year 2014/2015

The **Fontana Fire Protection District** was created effective July 1, 2008, to provide fire suppression, emergency medical, fire prevention and education services within the City limits and unincorporated area within the City's sphere of influence. Revenues to the District include property taxes, fees and special assessments from a Community Facilities District and have been increased from the current year adjusted amount to reflect some recovery in assessed valuations city-wide as well as distributions of excess tax increment resulting from the dissolution of redevelopment.

District expenditures reflect a contractual agreement with the County of San Bernardino and City overhead costs.

Revenues are expected to remain relatively flat, while expenditures are proposed to increase by approximately \$2.1 million primarily due to additional staffing for Station 77, full year funding for Station 72 staffing added at mid-year, contractual increases for personnel, increased fleet costs, and related administrative overhead.



The **Housing Authority** utilizes funding from the Federal Department of Housing and Urban Development (HUD) grants to improve and develop quality neighborhoods and housing opportunities throughout the City. With the elimination of redevelopment agencies, the Housing Authority became the Successor Agency to the former Low/Moderate Income Housing Fund (LMIHF). The reduction in proposed revenue reflects items approved on ROPS 13-14A which are included in the current year. Proposed expenditures are approximately \$400,000 less than the current year which included some one-time costs.

The **Fontana Community Foundation** was established for the purpose of aiding and assisting in the implementation, improvement and maintenance of public services that preserve and promote the health, welfare and education of local citizens. Current activity in this fund reflects grant application efforts. Estimated revenues and expenditures remain flat.

Capital Improvement Program

The seven-year Capital Improvement Program (CIP) is a companion volume to this document. A planning tool, the CIP identifies the capital improvement needs in a manner that assures the most responsible and efficient use of resources.

The proposed capital budget for Fiscal Year 2014-15 through 2020-21 is \$451 million and contains 113 projects. Of that amount, the proposed operating budget includes \$12.044 million of funding for new and ongoing projects.

- **Pavement rehabilitation** – funds \$5.0 million from various funds for street overlay and rehabilitation, and construction of new and replacement sidewalks, curbs and gutters
- **Banana storm drain** – funds \$3.0 million for installation of storm drain from Santa Ana to Jurupa
- **Foothill landscaping from Cherry to Hemlock** – funds \$1.5 million for irrigation, landscape and plant material for center median
- **Traffic signals** – funds \$1.25 million from Measure I 2010/2040 Local for design and construction of traffic signals at the intersections of Foothill and Beech, and East and Miller
- **Martin and Sierra cul de sac** – funds \$360,000 from Measure I 2010/2040 Local for sidewalk, curb and gutter to improve pedestrian foot traffic
- **Valley median from Sierra to Vineyard** – funds \$100,000 from Measure I 2010/2040 Local to modify median to increase left turn pocket length
- **Hardware replacement program** – funds \$834,000 from City Technology Fund to replace computers, servers, network equipment, etc. throughout the City as needed on an ongoing basis



Introduction

Fiscal Year 2014/2015

The City of Fontana continued to see a number of significant events during the past year despite the struggling economy and resulting budget constraints.

Significant Events of FY 2013-14

- Fontana was named one of the 20 safest communities in the United States with a population over 200,000.
- Expanded the Fontana Reentry Support Team (FRST) into a regional program where officers act as a conduit between the multitudes of government and private service providers and the early release population. Through this program, Fontana has become a model for other communities who are not implementing similar programs based on our success.
- The International Association of Chiefs of Police singled out Fontana's Air Support Unit for its use of cutting-edge technology in monitoring and fighting crime.

The City of Fontana is currently involved in the construction of **three** major interchanges, all scheduled to be completed in 2014:

- **I-10 Citrus:** The City of Fontana is the lead on this \$52.5 million joint project with the San Bernardino Associated Governments, the County of San Bernardino, and Caltrans. The City has been successful in securing \$23.6 million in State Trade Corridor Improvement Funds, \$3,238,000 in State Transportation Improvement Program Funds, and \$238,000 in Federal Funds. Construction commenced in February 2012 and the ribbon cutting ceremony was held in May 2014.
- **I-10 Cherry:** The County of San Bernardino is the lead on this \$80.6 million joint project with the City of Fontana, San Bernardino Associated Governments, and Caltrans. The City was successful in securing \$30 million in State Prop 1B Trade Corridor Improvement Funds for the construction of this project. Construction commenced in October 2012 and is expected to be completed in December 2014.
- **I-15 Duncan Canyon:** Duncan Canyon is currently an overpass with no connection to the I-15. This \$40 million project received \$1,972,000 in State Local Partnership Program Funds and \$12 million in Corridor Mobility Improvements Act (CMIA) Prop 1B Funds. Construction has begun and is expected to be completed in November 2014.



Challenges Ahead

While positioned to take advantage of the economic recovery, a number of challenges for the City of Fontana remain on the horizon.

- **State Budget.** The Governor's May Revise directs more than \$2 billion in unexpected tax revenues to new spending including expanded health care coverage under Medi-Cal for a million more people, emergency drought assistance, added funding to meet the Proposition 98 guarantee for K-14 schools, caseload increases in the In-Home Supportive Services (IHSS) program, additional contributions to the California Public Employees' Retirement System (CalPERS), and added staffing to administer California's unemployment insurance program. It also sets aside \$1.6 billion for a Rainy Day Fund.

The FY 2014-15 Operating Budget makes no provision for potential State takeaways or additional losses the City may encounter from the dissolution of redevelopment agencies by the State.

- **Property Value Reassessments.** Proposition 8 allows a temporary reduction in assessed valuation when a property suffers a decline in value. These reassessments continue to be a factor in the annual assessed valuations. The annual Consumer Price Index (CPI) adjustment which provides the basis for changes in assessed valuations state-wide has once again declined below the 2% level to 0.454% (cap), although properties that have enjoyed Prop 8 valuation reductions are not subject to this limit. It is anticipated that properties will begin to return to their pre Prop 8 values beginning in FY 2014-15; assessed valuations will be available from the County in July. True economic recovery for the City of Fontana rests on strong and continuing growth of base values.
- **California Public Employees Retirement System (CalPERS).** The City is a member of the California Public Employees Retirement Systems. In April 2013, the CalPERS Board approved a recommendation to change their amortization and smoothing policies. Prior to this change, CalPERS spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. The new policy will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The initial rate changes resulting from this change will begin in FY 2015-16.

In February 2014, the CalPERS Board adopted an asset allocation strategy that lowers CalPERS' investment risk, but holds their long-term assumed rate of return at 7.5%. In order to mitigate the rate impact, a 20-year amortization period with a five year ramp up was approved. Initial rate changes resulting from this change will begin in FY 2016-17.

Several years ago, the City Council approved a PERS Rate Stability Reserve to help smooth out rate spikes and \$1 million of that reserve has been used to balance the FY 2014-15 Operating Budget leaving a balance of \$0.9 million.

- **Unfunded Liability.** Governmental Accounting Standards Board (GASB) Statement No. 45 requires public-sector employers to *recognize* the cost of post-employment benefits over the active service life of their employees rather than on a pay-as-you-go basis. GASB 45 does not require the City to *fund* this benefit, only to report the liability and the funding progress. The annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for the City of Fontana was last calculated to be \$4.1 million per year and is included in the FY 2014-15 Operating Budget. As required by GASB 45, a new ARC will be calculated during 2014.
- **Capital Reinvestment Program.** Since 1996/1997, the City Council has been investing a portion of the annual General Fund Budget back into the community in the form of capital projects (streets, parks and facilities). While the actual annual investment has varied, the goal has been to reinvest 10% of the total General Fund Budget back into the community. The significance of the Capital Reinvestment Program was underscored by the pavement management report for 2013 which identified a \$28 million backlog of necessary road repairs, and the need to invest \$6.5 million annually to maintain the roads in their current condition. A total of \$5 million from various funds has been allocated in the FY 2014-15 Operating Budget to this critical area.
- **Proposition 218.** On November 5, 1996, the California electorate approved Proposition 218 affecting a change to the California State Constitution by making numerous changes to local government finance law. This measure impacts the generation and use of many fundamental revenue sources including fees, charges, assessments, and taxes. This proposition also changes the methods by which certain assessments and taxes are challenged by the electorate. The FY 2014-15 Operating Budget fully complies with the provisions of Proposition 218.
- **Services and Growth.** The City of Fontana has experienced significant growth over the past several years. With this growth comes the need to service a growing community. The funding sources for these additional services are revenue growth and the Municipal Services Fiscal Impact Fee Program (MSFIF).
- **The Economy.** *Although* we are currently recovering from the Great Recession, it is a very slow recovery. Repeatedly in the last five years, the ability of the Inland Empire's economy to return to normal has been held up by the depression in the residential real estate market. Home affordability has increasingly become a challenge for prospective buyers with a 29 percent reduction of Federal Housing Agency loan limits for first-time home buyers in San Bernardino and Riverside counties. With about one-fifth of first-time home buyers in the area using FHA loans to pay for their homes, the loan limit reduction will continue to have a negative impact on the market.

Conclusion

The Fiscal Year 2014-15 Operating Budget as proposed is fiscally balanced and continues to support services, maintenance, facilities and infrastructure. The budget is comprised of three separate volumes: Operating Budget Summary which provides a high-level overview of activities and programs; Operating Budget Detail which provides detail information at the object code level; and Seven-Year Capital Improvement Program (CIP) which presents the City's comprehensive capital spending plan.

I am pleased to report that the City of Fontana has received distinguished budget awards from the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) for its Fiscal Year 2013-14 Operating Budget for the twenty-first consecutive year. These awards are presented to cities whose budget documents meet program criteria as a policy document, operations guide, financial plan and communications device.

I would like to take this opportunity to thank the Mayor and City Council for their outstanding leadership and clear direction in building this budget document, as well as the staff members and community partners who have taken the time to participate in this very important process.

Respectfully submitted,



Kenneth R. Hunt
City Manager

Budget Awards

Governmental Finance Officers Association (GFOA)

The Government Finance Officers Association (GFOA) awarded a Distinguished Budget Presentation Award to the City of Fontana for its annual budget for the fiscal year beginning July 1, 2013.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communication device.

The award is valid for a period of one year. The City of Fontana believes that the current budget continues to meet program requirements and will be submitted to GFOA to determine its eligibility for another award.



California Society of Municipal Finance Officers (CSMFO) Award



**California Society of
Municipal Finance Officers**

Certificate of Award

**Operating Budget Excellence Award
Fiscal Year 2014**

Presented to the

City of Fontana

For meeting the criteria established to achieve the Operating Budget Excellence Award.

February 11, 2014



**Pauline Marx
CSMFO President**



**Ken Brown, Chair
Professional Standards and
Recognition Committee**



Dedicated Excellence in Municipal Financial Reporting

City Council Priorities

Maintaining the City's 15% Fund Balance Reserve is critical to the ongoing financial stability of the City of Fontana. The following prioritized list will be used to evaluate all future funding alternatives generated from new revenue and savings achieved:

1. **Economic Development Strategy.** Focus on continuing the City Council's Economic Development Strategy.
2. **Public Safety.** Maintain 40% proactive patrol time and absorb as many previously grant-funded sworn and non-sworn positions into the General Fund when the grant ends as recurring revenues will allow.
3. **Neglected Infrastructure.** Apply a minimum of 10% of annual General Fund adopted recurring appropriations to discretionary infrastructure projects as defined in the Seven-Year Capital Improvement Program. These funds are to be used whenever possible to leverage outside funding alternatives.
4. **Community Based Recreational and Cultural Services.** Expand and enhance recreational and cultural services which are key factors to the ongoing health, welfare and quality of life within the community.
5. **Public Services and Public Works Projects.** Maintain sufficient funding to adequately maintain parks, streets, open space, storm drains and buildings.
6. **Long-Term Financial Stability.** Live within our means and maintain adequate reserves for emergencies.
7. **Investment in Newly Annexed Areas.** Invest tax dollars generated from newly annexed areas in those same areas.
8. **Legislative Advocacy.** Return and reinvest as many tax dollars paid by the City's residents at the State and Federal levels back into this Community as possible.
9. **Investment in Productivity Enhancing Equipment.** Strive to achieve and excel in efficiency enhancements.

City Council Goals and Objectives

The following guidelines were structured to reflect the City Council goals and objectives and provide the framework in which the Operating Budget for Fiscal Year 2014/2015 was prepared:

GOAL #1 TO CREATE A TEAM

- ***Work together to provide stability and consistent policy direction***
- ***Communicate goals and objectives to all sectors of the community***
- ***Support the decisions of the majority once made***
- ***Ensure commissions work within clear guidelines to achieve Council goals***

Guideline: Reflect the City's Vision Statement, City Council Goals and Objectives and City Council priorities in the proposed budget.

Guideline: Communicate policies established with the adoption of the annual budget to the community using brochures, monthly Financial Performance Reports and Quarterly Budget Reports.

GOAL #2 TO OPERATE IN A BUSINESS-LIKE MANNER

- ***Become more service oriented***
- ***Improve services through the effective use of technology***
- ***Ensure that the public debate is based on accurate information***
- ***Emphasize staff training and development***
- ***Correct problems immediately***

Guideline: Consider privatization and contracting out programs and services that demonstrate measurable cost effectiveness.

Guideline: Use community responsiveness as a top priority for all contracting decisions.

Guideline: Invest in the utilization of new technologies and staff training to enhance efficiency.

City Council Goals and Objectives - continued

GOAL #3 TO PRACTICE SOUND FISCAL MANAGEMENT

- ***Produce timely and accurate financial information***
- ***Emphasize capital formation***
- ***Live within our means while investing in the future***
- ***Fully fund liabilities and reserves***
- ***Developing long-term funding and debt management plans***

Guideline: Update and present budgetary information to the City Council through the issuance of monthly Financial Performance Reports and Quarterly Budget Reviews.

Guideline: Strive to reinvest in infrastructure in an amount equal to 10% of recurring appropriations.

Guideline: Set proposed General Fund departmental budgets at a spending level that will be free from reliance upon non-recurring revenue sources or deficit spending.

Guideline: Maintain an Undesignated General Fund Balance equal to 15% of adopted recurring appropriations.

Guideline: Continue to maintain an "Expenditure Control Budget (ECB)" approach to reward departments for not spending their entire budget by providing saving incentives.

Guideline: Prepare a balanced budget that fully funds the City's retiree health benefit costs, the Self Insurance Fund, fleet and equipment replacement costs and debt service obligations.

City Council Goals and Objectives - continued

GOAL #4 TO PROMOTE ECONOMIC DEVELOPMENT

- ***Concentrate on job creation***
- ***Pursue business retention, expansion and attraction***
- ***Establish a quick, consistent development process***
- ***Be business friendly at all levels of operations***
- ***Strive to constantly improve the City's competitiveness***
- ***Aggressively pursue annexations***

Guideline: Provide for sufficient operational and capital expenditures to adequately service the business and development communities.

Guideline: Provide specific funding for economic development activities such as annexations, business attraction, marketing, expansion and retention.

GOAL #5 TO IMPROVE PUBLIC SAFETY

- ***Increase operational efficiency, visibility and availability***
- ***Emphasize community oriented policing and community involvement***
- ***Utilizing other City programs to help reduce crime***
- ***Combat gang and drug activity***
- ***Maximizing fire and emergency medical service resources***
- ***Minimize community impact from disaster events with emergency disaster preparedness and community awareness***

Guideline: Maintain as a top priority a sworn officer ratio sufficient to achieve a 40% proactive patrol time.

Guideline: Absorb sworn and non-sworn police positions back into the General Fund as grants end and recurring revenues permit.

City Council Goals and Objectives - continued

GOAL #6 TO INVEST IN THE CITY'S INFRASTRUCTURE (STREETS, SEWERS, PARKS, ETC.)

- ***Maintain and improve the City's existing infrastructure***
- ***Provide for the development of new infrastructure***
- ***Improve the aesthetics of the community***
- ***Focus on relief of traffic congestion***
- ***Create and promote community through people, parks and programs***

Guideline: Prepare the City's Seven-Year Capital Improvement Program (CIP) as part of the Operating Budget process.

Guideline: Provide specific funding to maintain aggressive graffiti removal and proactive Code Compliance functions.

Guideline: Continue to elevate building standards within the community.

Guideline: Retain the historic and natural elements of the community as Fontana continues to develop.

Guideline: Continue to set aside funding for freeway interchange and corridor projects.

Guideline: Provide Measure I outreach to address transportation issues and to bring awareness to residents and businesses of how the City utilizes Measure I funds.

City Council Goals and Objectives - continued

GOAL #7 TO CONCENTRATE ON INTER-GOVERNMENTAL RELATIONS

- **Working cooperatively with neighboring jurisdictions**
- **Establish partnerships with other public agencies providing services to residents**
- **Pursue financial participation from county, state and federal governments**
- **Advocate Fontana's position in regional, state and federal organizations**

Guideline: Continue to work with the League of California Cities to keep local revenues "local" in order to provide the services our residents and businesses expect and deserve.

Guideline: Seek financial assistance such as grants and relief from unfunded mandates.

GOAL #8 TO INCREASE CITIZEN INVOLVEMENT

- **Seek community input**
- **Inform the public about issues, programs and accomplishments**
- **Develop future leaders**
- **Utilize technology to promote communication and linkages in the community**
- **Promote healthy lifestyle opportunities to Fontana residents of all ages**

Guideline: Provide an opportunity for public review and comment of the proposed budget.

Guideline: Provide easy access to the budget and other financial documents through the City's website.

Guideline: Expand community awareness through Fontana's Government Access Channel "KFON."

Guideline: Hold community meetings throughout the City and meet regularly with faith-based organizations.

Guideline: Enhance the Intra-City Marketing Program.

City Council Goals and Objectives - continued

GOAL #9 TO PROMOTE AFFORDABLE HOUSING

- **Facilitate construction of high-quality multi-family housing which also serves to address the affordability needs of this community**
- **Acquisition, substantial rehabilitation and professional management of selected multi-family properties as a vehicle to reduce crime and code enforcement activity.**

Guideline: Facilitate the acquisition, substantial rehabilitation and professional management of selected apartment buildings and/or neighborhoods located throughout the City.

GOAL #10 TO PRESERVE THE LOCAL ENVIRONMENT FOR GENERATIONS TO COME AND TO CREATE A HEALTHY ECONOMIC AND ENVIRONMENTAL FUTURE

- **Commit to conservation and efficiency in city buildings and equipment**
- **Reduce water use in city operations and in the community**
- **Outreach to businesses and residents to promote energy efficiency in the community**
- **Enhance existing waste reduction and recycling activities**
- **Commit to purchasing specific products and goods that are climate friendly**
- **Create communities and neighborhoods that are attractive, safe and convenient for walkers & bicyclists**
- **Implement sustainable landscaping and the use of recycled water**
- **Adopt policies that promote compact and efficient development in new and existing communities**
- **Promote an environment that encourages healthy eating, regular physical activity and responsible individual choices**
- **Promote programs that encourage reducing greenhouse gas emissions**
- **Adopt policies that will attract new green business technologies to Fontana**

Guideline: Continue efforts to ensure projects incorporate Federal guidelines for "Green policies and environmental friendliness."

Guideline: Utilize drought-tolerant landscaping where possible to comply with approved Water Conservation ordinances.