



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: February 9, 2016

Time: 7:00 a.m.

For information regarding this Agenda please contact:

Jennifer M. Ferraiolo

City Clerk

Telephone: (209) 333-6702

Informal Informational Meeting

A. Roll Call by City Clerk

B. Topic(s)

B-1 Discuss Framework for Long-Range Budget Policies (CM)

C. Comments by Public on Non-Agenda Items

D. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Jennifer M. Ferraiolo
City Clerk

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CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Discuss Framework for Long-Range Budget Policies

MEETING DATE: February 9, 2016

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Discuss framework for Long-Range Budget Policies.

BACKGROUND INFORMATION: One of the goals identified by staff and approved by Council in mid-2015 was the development of a comprehensive set of financial policies. Budgetary policies were last included in the 2005-06 budget document. Staff brought forward information in the Shirtsleeve meeting of February 2, 2016 regarding parameters for Operating Budget and Reserve policies.

Staff is bringing forward information today to help define the parameters of a comprehensive policy to address long-range budget policies including development of a Capital Improvement Plan, Capital Replacement policies, and policies related to funding liabilities for Other Post-Employment Benefits and Pensions.

FISCAL IMPACT: None at this time.

FUNDING AVAILABLE: Not applicable.

Jordan Ayers
Deputy City Manager

JA/ja

APPROVED: _____
Stephen Schwabauer, City Manager

Long Range Budget Policies

City Council Shirtsleeve
February 9, 2016

Goal

- ▶ Establish policies for Capital Improvement Plan
- ▶ Establish policies for Capital Replacement
 - Vehicles
 - Facilities
 - IT Equipment
- ▶ Establish policies for OPEB Funding
- ▶ Establish policies for Pension Stabilization

Capital Improvement Plan

▶ Current

- Capital Projects included in Enterprise rate models
- Annual budget includes projects expected to be done in budget year
- Additional projects brought forward as they are ready each year
- No one-stop location for all capital projects for the current year and future years

Capital Improvement Plan

▶ Proposed

- 5 year plan covering capital projects in:
 - Enterprise Funds
 - Special Revenue Funds
 - General Fund
- Include as a separate section of the annual budget

Capital Replacement–Vehicles

▶ Current

- Transfer from Operating funds at level that budget can withstand (General Fund and Special Revenue Funds)
- Underfunded
- Enterprise funds–fund annually; no reserve set aside

Capital Replacement–Vehicles

▶ Proposed

- Transfer from Operating funds based upon annual depreciation (General Fund and Special Revenue funds)
- Enterprise funds–annually reserve amount equal to depreciation
- Fund at a level to amortize unfunded liability over a fixed period of time

Capital Replacement–Facilities

▶ Current

- Major components of buildings (roof, HVAC, painting, flooring, etc.)
- General Fund contributes \$435,000 annually to GF Capital Outlay
- Projects brought forward by Public Works
- Approved in annual budget
- Special Revenue and Enterprise funds–fund annually for necessary repairs/maintenance

Capital Replacement–Facilities

▶ Proposed

- Include in 5 year CIP
- Transfer from Operating funds based upon annual depreciation (General Fund and Special Revenue funds)
- Enterprise funds–annually reserve amount equal to depreciation
- Fund at a level to amortize unfunded liability over a fixed period of time

Capital Replacement–IT

▶ Current

- General Fund contributes \$65,000 annually to IT Replacement fund
- Public Safety grants generally fund upgrades or replacements
- Special Revenue and Enterprise funds–fund annually for additional equipment or upgrades or replacements

Capital Replacement-IT

▶ Proposed

- Transfer from Operating funds based upon annual depreciation (General Fund and Special Revenue funds)
- Enterprise funds—annually reserve amount equal to depreciation
- Leverage grant funds where possible
- Fund at a level to amortize the unfunded liability over a fixed period of time

OPEB Funding

▶ Current

- Pay current year costs on a pay-as-you-go basis
- Not funding at Actuarially Required Contribution
 - Creates increasing unfunded liability that is shown in financial statements
- Funds set aside locally not eligible for inclusion in actuarial report

OPEB Funding

▶ Proposed

- Consider establishing and funding a third party trust
 - Funds are eligible for inclusion in actuarial report
- Fund trust at the difference between the Actuarially Required Contribution level and the pay-go estimate each year
 - Consider funding at a level to amortize unfunded liability over a fixed period of time
- Consider adding any one-time revenue or annual budgetary savings to trust to reduce unfunded liability

Pension Stabilization

- ▶ Current
 - Pay current year Actuarially Required Contribution from current funding

Pension Stabilization

▶ Proposed

- Consider establishing and funding a third party trust
 - Funds are eligible for inclusion in actuarial report
- Fund at a level each year to amortize the unfunded liability over a fixed period of time
- Consider adding any one-time revenue or annual budgetary savings to trust to reduce unfunded liability

Recommended Priorities

- ▶ Staff recommends the following priority:
 - Increasing General Fund Economic Reserve
 - OPEB
 - Pension
 - IT Replacement
 - Facilities Replacement
 - Vehicle Replacement

Questions?

