

CITY OF LODI

BUDGET-IN-BRIEF

ADOPTED BY
THE LODI CITY COUNCIL

ALAN NAKANISHI, MAYOR
JOANNE MOUNCE, MAYOR PRO-TEMPORE
MARK CHANDLER, COUNCIL MEMBER
BOB JOHNSON, COUNCIL MEMBER
DOUG KUEHNE, COUNCIL MEMBER

2
0
1
8



*Front cover photo courtesy of the Lodi
Winegrape Commission*

*Back cover photo of Lodi Lake, courtesy of
Visit Lodi! Conference & Visitors Bureau*



2
0
1
9

Highlights of Fiscal Year 2018/19 Budget

The Lodi City Council adopted a balanced budget and despite long-term challenges, Lodi has many successes to celebrate, including unprecedented growth with 210 single family houses constructed, 80 senior low income apartments occupied and market rate apartments under construction. Downtown has also seen its share of growth with new businesses and expansion of existing businesses under way. The employment base is growing with new industry and expansions planned.

The City looks forward to a strong local economy with continued growth in residential housing, hotels, and business & industry.

The budget includes over \$22 million of capital projects throughout the City, including electric underground system and facility improvements, Water Meter Phase 8 project, White Slough storage pond expansion, improvements to Transit station and bus shelters, street resurfacing and street lights, Blakely Park upgrades, repair of sidewalks, alley improvements and more.

General Fund revenues are up over \$600,000 and the general fund is balanced while maintaining targeted reserves of 16%.

In prior years Council established the PERS Stabilization Fund (PSF) and a Pension Stabilization Policy to help meet upcoming increases in PERS costs. General fund reserves in excess of the 16% target are swept into the PSF and are estimated to total \$9.2 million at end of fiscal year 2017/18.



Challenges

While a strong economy—along with Council and staff diligence—continue to extend Lodi’s service solvency, the 5-year outlook shows PERS costs growing faster than current revenue sources resulting in Lodi being on the brink of insolvency in fiscal year 2023/24.

Capital needs, including infrastructure upgrades and parks maintenance and improvements, lack funding.

The budget includes 390 full-time budgeted positions, a decrease of 17% compared to 470 positions in 2004/05, while population and need for services has grown.

This projection assumes no down-turn in the economy.

Absent new revenues, dramatic service cuts will be necessary in coming years.

The PERS Dilemma

The California Public Employees Retirement System (PERS) provides a pension to employees upon retirement from public service. The City of Lodi and its employees pay into PERS. PERS invests those funds. The interest earned, along with payments made, are used by PERS to make pension payments. Lodi has consistently paid all costs invoiced by PERS each pay period.

In recent years, PERS determined they are under-funded. To recoup this unfunded liability, PERS made changes which result in unprecedented cost increases for a period of time. By fiscal year 2023/24 the annual unfunded liability portion of Lodi's PERS cost is estimated to be \$9.5 million (total unfunded liability portion of PERS costs from 2017/18 through 2023/24 is about \$50 million). In spite of a projected strong local economy, projected revenues do not keep up with PERS increases. The City has evaluated options to resolve this problem including bankruptcy, opting out of PERS, advocating for the State to intervene, borrowing funds, cutting employees and services, and seeking new revenue sources. Bankruptcy, borrowing or opting out have proven to be far beyond Lodi's financial capacity. The only solutions in Lodi's control are revenue increases or drastic service reductions.

It is important to note the City has recognized retirement costs are escalating and has taken measures to correct the problem going forward by changing plans for new employees and having employees bear a share of costs. Lodi also implemented policies to sweep certain unspent dollars into a pension stabilization fund which will be used to meet upcoming PERS obligations thereby delaying insolvency.

FY 2018/19 Budget Summary

The budget is a financial plan the City Council uses to establish programs and services to be provided by the City and to allocate funds necessary to carry out those programs and services. The City's total 2018/19 budget consists of a \$204,366,300 revenue projection and an expenditure allocation of \$200,979,370. *Please note this amount includes some dollars that are expended twice—once as a transfer to another fund, and again when those funds are spent.*

In addition to the total or All Funds budget, budget information is provided by Fund. Major funds are the utilities - Electric, Water and Wastewater Funds, General Fund, Transit, Streets, Community Development, Parks, Recreation & Cultural Services, Library and Fleet.

Budget Process

December –April

Prepare revenue estimates for next fiscal year July 1-June 30 to identify resources available to fund City services.

Departments prepare budgets based on available resources and direction from City Manager.

Prepare 5-year General Fund projection.

May-June

City Manager presents a 5-year general fund projection and preliminary budget to City Council during a series of Shirtsleeve Sessions.

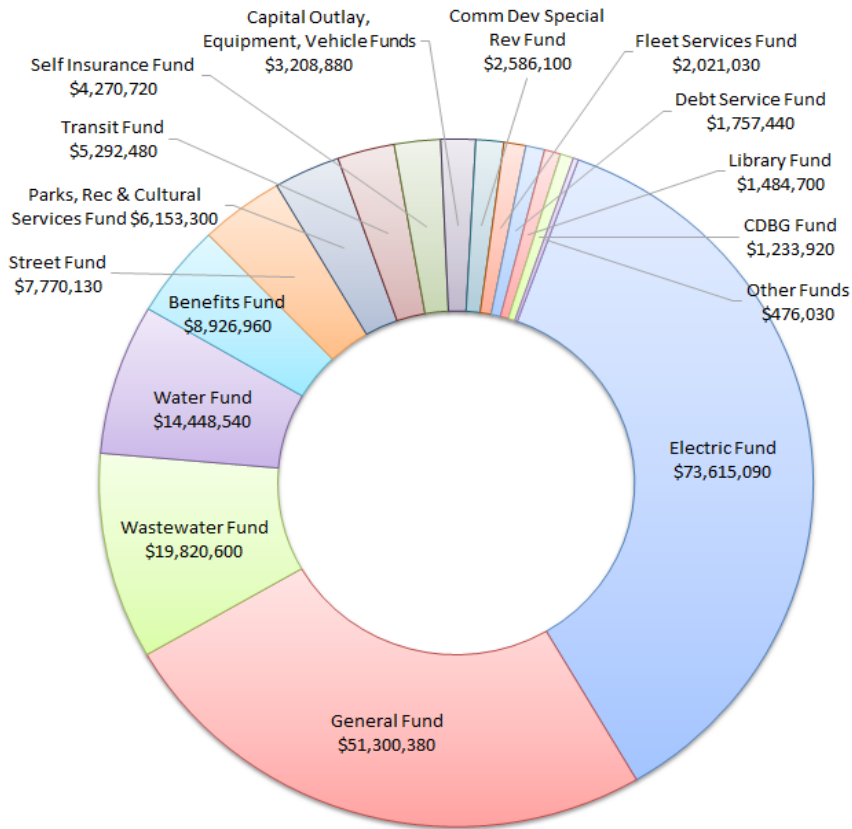
Draft copy of budget is available to public.

June

City Council adopts budget before it takes effect July 1.

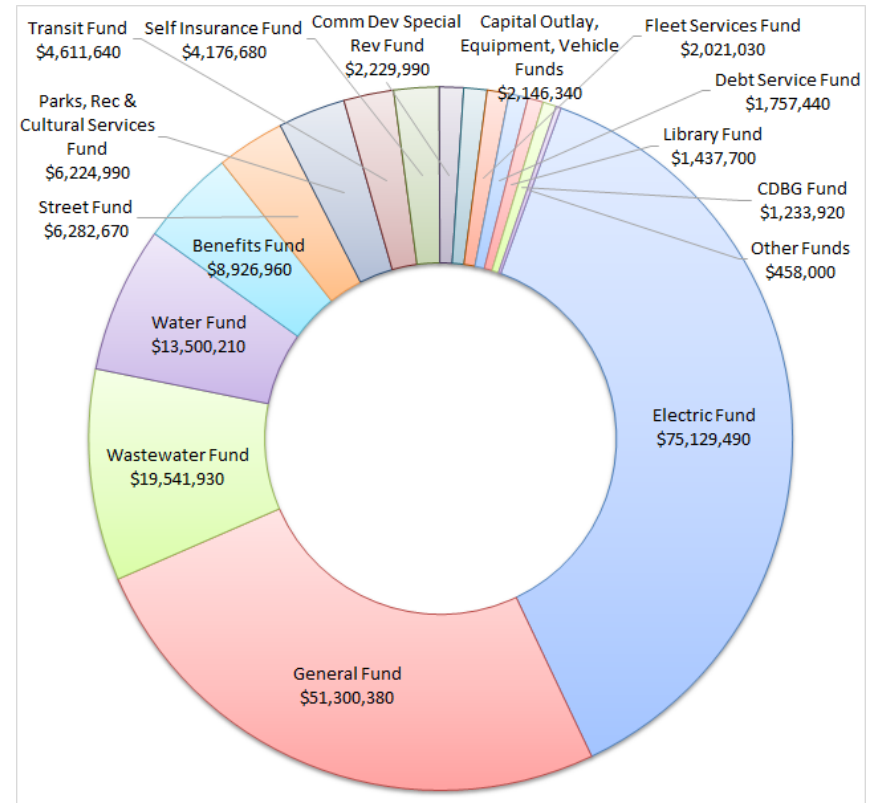
Revenues

All Funds Revenues (by fund): **\$ 204,366,300**

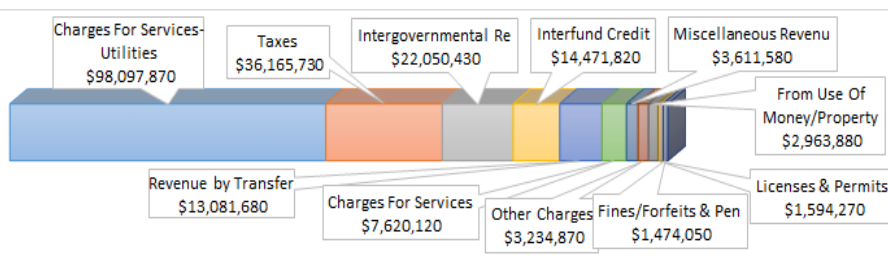


Expenditures

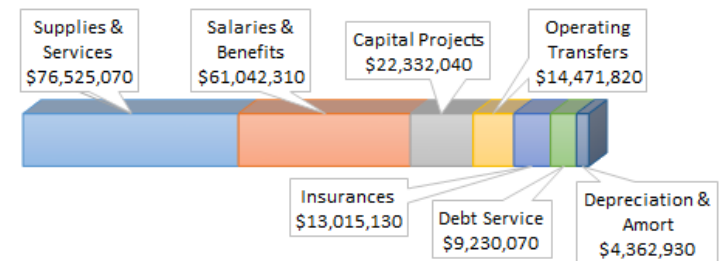
All Funds Expenditures (by fund): **\$ 200,979,370**



All Funds Revenues (by source)



All Funds Expenditures (by type)

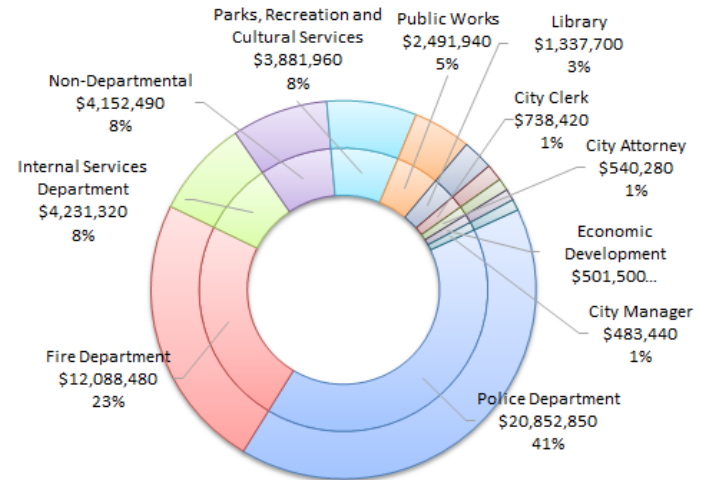
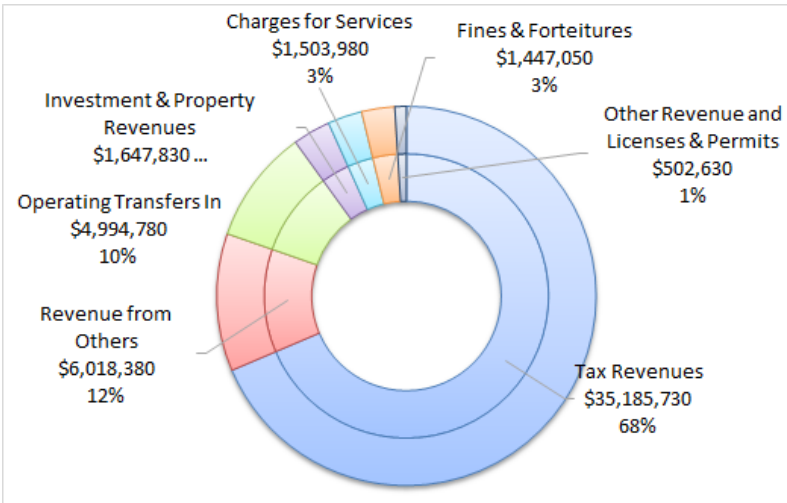


General Fund

The General Fund Budget comprises about 26 percent of all City expenditures. General Fund revenues provide basic City services to the public. The chart on the left illustrates General Fund revenues by source and their relation to the fund in total. The chart on the right illustrates City services supported by General Fund revenues according to department or function.

General Fund Revenues (by type): \$ 51,300,380

General Fund Expenditures (by department): \$ 51,300,380



Sales and property tax rates are the two single largest revenue sources. Examples of local taxes are the Transient Occupancy (hotel) Tax, Business License Tax and Electric Utility in-lieu transfer.

Non-Departmental* includes expenditures for city-wide phone costs, utilities and General Fund transfers to other funds. *Internal Services* are expenditures for Budget/Treasury, Financial Services, Human Resources, Information Systems and Risk Management.

GENERAL FUND 5-YEAR FORECAST

The five year forecast shows the City barely solvent by the end of FY 2023-24 based on strong projected revenue growth outpaced by significant increases in pension costs due to CalPERS reduction in discount (assumed earnings) rate. Only four actions can stave off or delay the City's insolvency beyond that year. They are:

1. Substantial service reductions to the point where current City operations are unrecognizable and service is inaccessible to the public.
2. Additional revenue (equivalent to approximately 1/2 cent sales tax).
3. CalPERS reconsideration of future rate increases to both the normal cost and Unfunded Accrued Liability "catch up" payments.
4. Legislative changes to pension benefit funding formulas or protections.

	Budget						
	FY 17/18 Est	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Revenue less Expenditure (w/o PARS)	\$ 804,276	\$0	\$(1,514,762)	\$(2,726,323)	\$(3,825,005)	\$(4,849,023)	\$(5,659,738)
Available Resources (w/o PARS)	\$ 8,884,353	\$ 8,884,353	\$ 7,369,591	\$ 4,643,268	\$ 818,236	\$0	\$0

Enterprise Funds

The City of Lodi has three utility enterprise funds. These include Electric, Water and Wastewater. Each utility is designed to be self-sufficient. Planned expenses in excess of current year revenues are funded by reserves in each fund.

- **Electric Utility Fund**

The Electric Utility not only provides electricity to Lodi’s residential, commercial and industrial customers, it strives to strengthen the community through a variety of programs. The Public Benefits program provides assistance to low-income households, demonstration projects, energy efficiency rebates, and energy conservation information.

2018/19	Estimated Revenues	Approved Expenses
Electric Utility Fund	\$73,615,090	\$75,129,490

- **Water and Wastewater Utility Funds**

The Water and Wastewater Funds finance the Water Services Division. This division is responsible for providing a reliable supply of safe drinking water for all residents, providing water at adequate pressure for fire hydrants and for treating wastewater in order to meet all federal and state standards. Public Works also oversees PCE/TCE remediation activities.

2018/19	Estimated Revenues	Approved Expenses
Water Fund	\$14,448,540	\$13,500,210
Wastewater Fund	\$19,820,600	\$19,541,930

The utility funds are intended to be self-sufficient and operate independently of the General Fund or other funds, much like a business. Revenues in the form of customer rate fees for electric, water and wastewater services are designed to meet not only daily needs but also to maintain and develop infrastructure for future use. Some capital projects included in the 2018/19 budget are: Phase 8 of the water meter installation project, White Slough ponds and irrigation improvements, and electric underground system improvements.

Other Funds

The City provides other services not included in the General Fund or the enterprise funds. Some of these funds are Streets, Library, Community Development, Transit, and Parks, Recreation and Cultural Services.

- **Transit Fund**

The Transit Fund provides citizens of Lodi with a daily fixed-route bus and Dial-A-Ride transit system as well as administration of transportation grants and oversight of the Lodi Station Parking Structure.

- **Streets Fund**

The Streets Fund handles all street and pavement maintenance activities including street cleaning and sweeping, traffic control devices, street trees, sidewalk and landscape maintenance, and management of runoff in the storm-water collection system.

- **Community Development Fund**

This fund provides community services including planning, issuance of construction permits, building inspection, and administration of the Community Development Block Grant program.

- **Parks, Recreation and Cultural Services (PRCS) Fund**

This fund provides the community with recreational programs, performing arts, and leisure opportunities through a variety of programs and 29 parks, including one regional park.

- **Library Fund**

The Library Fund provides programs and services offered including maintaining/updating book inventory, online databases, online e-books and audio books, adult literacy program, homework help, programs for children, teens and adults, and computer classes.

2018/19	Estimated Revenues	Approved Expenditures
Transit Fund	\$5,292,480	\$4,611,640
Streets Fund	\$7,770,130	\$6,282,670
Community Dev. Fund	\$2,586,100	\$2,229,990
PRCS Fund	\$6,153,300	\$6,224,990
Library Fund	\$1,484,700	\$1,437,700