FISCAL SUSTAINABILITY TASK FORCE REPORT
FEBRUARY 2018

CITY OVERVIEW

The City of Dublin, incorporated in 1982, is located in the East Bay of the San Francisco Bay Area approximately 30 miles east of San Francisco and 30 miles northeast of Silicon Valley. Dublin is one of five communities that comprise the Tri-Valley region. In 2011, the City was named an “All-America City” by the National Civic League, one of the nation’s oldest and most prestigious civic organizations. In 2017, the City celebrated its 35th anniversary as an incorporated city. According to the California Department of Finance, the population in the City of Dublin is 53,746, excluding group quarters, as of January 1, 2016. The City covers a land area of 14.62 square miles.

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For more information on the Task Force’s work, please visit the City of Dublin’s Fiscal Sustainability Task Force Website at:
http://dublinca.gov/1880/Fiscal-Sustainability-Task-Force

ACKNOWLEDGEMENTS

The Task Force wishes to thank the City Council for establishing fiscal sustainability as its top strategic priority for the last two years. We also want to acknowledge the foresight by this City Council in working so far in advance of the actual projected deficit through the creation of this Task Force. This effort is extraordinary, and deserves recognition by municipalities across the state who will also be faced budgetary challenges over the next several years.

Our work was faced with great discussion, debate, and oftentimes with dissention on matters under consideration. We respect the views of the members of this Task Force and to that end, some may wish to express how their personal opinions may differ from the recommendations. However, this report was unanimously approved by the Task Force.

We want to thank City staff and our facilitator, Greg Larson, for his work, patience and participation. This effort gave us all a greater appreciation of managing a large group of people with strong personalities.

Lastly, we strongly believe that the City Council has a real opportunity to create a constructive dialogue with the community about the long-term fiscal challenges, and prepare them over the next several years that their levels of service will be impacted.

EXECUTIVE SUMMARY

While the City of Dublin's FY 2017-18 Adopted Budget reflects growth in the City's major revenue categories resulting in a budgeted surplus of $8.4 million, flattening sales tax revenue, rising contracted service costs, and the anticipated decline in development revenue as the City nears build out, are causes for concern. The City's 10-Year General Fund Forecast projects deficit spending of $1.5 million in the General Fund by FY 2022-23, potentially growing to a deficit of $4.3 million in FY 2024-25, as reflected in the most recent update provided to the City Council.

In March 2015, the City Council identified long-term fiscal sustainability as the City's key strategic initiative and directed Staff to ensure that fiscal sustainability becomes a major factor in future decisions, including future budget proposals. In November 2016, the City Council approved the formation of the City's first Fiscal Sustainability Task Force with the goals of:

> a) Educating the public and fostering discussion on the City of Dublin's current and projected financial status; and
> b) Producing an advisory document with future budget options for the City Council to consider.

This report is the product of the Task Force's work over the last year in evaluating the City's financial position and formulating potential solutions to the structural deficit. Each of the recommendations contained herein were approved by a majority vote of Task Force Members.

BACKGROUND – FINANCIAL OUTLOOK

Dublin's short term financial picture reflects a healthy, growing community able to provide a high level of services and fund large capital projects. Annual growth in the City's primary revenue sources of property tax, sales tax, and development revenue, which make up 46%, 24%, and 12% respectively, of total General Fund revenues budgeted in FY 2017-18, have allowed for budget surpluses the last few years. In addition, the City has been able to sustain the rising costs of public safety and maintenance contracts, which make up the majority of General Fund expenditures, and in the current year Police Services staffing was increased in response to the community's needs.

The City's General Fund reserves are healthy, with $125.3 million in total reserves, $37.2 million in unassigned cash flow reserves, and a variety of emergency and economic stability reserves. The City's pension and retiree health plans are well funded, at 73% and 102% respectively, and the City sets aside annual budgets for additional contributions to long-term liabilities.

Dublin, like most of its neighbors, has rebounded from the recession and entered a rapid recovery period. Following a 2% loss in overall assessed valuation (AV) during FY 2010-11, the City has increased total AV from $8.4 billion in FY 2011-12 to $13.7 billion in FY 2016-17, owing to real estate values that have been restored, higher sales prices, and new developments coming on line. Large projects have also brought in high permit and development services revenues, which cover City development costs and provide an overhead revenue source. In a developing City, such continual building activity can sustain and supplement General Fund operations for many years. In a developed City, operations are focused on maintenance and ongoing operations, and large spikes in revenue are atypical. As Dublin transitions to a developed City, it must plan for revenue declines and increased service costs associated with a larger, mature community.

Furthermore, the City must be ready to weather the next recessionary cycle, the signs of which are beginning to be seen with recent Sales Tax reports. The City's second largest revenue stream is flattening out, particularly in the Autos and Transportation sector – in FY 2016-17 auto sales tax grew only 2.4% over the prior year, adding just $155,815 to Sales Tax revenues, after three years of average annual growth of 7.8%. For an agency heavily concentrated in the Auto sector, this is a concern. Moreover, the majority of the total Sales Tax growth in Fiscal Year 2016-17 occurred in the third quarter of 2016, followed by two quarters of flat revenue, and a final quarter that reflected a loss of 7.9% ($133,241). The Building and Construction sector also grew 2.4% ($101,231) for the year, compared to 7.0% the prior year.

Development-related revenue is the third largest revenue stream to the City, but it is the most volatile. Building permit revenue and development services revenue (planning and engineering services) increased a combined 17% last year, but the yearly increases since the recession have been extremely varied: since FY 2010-11, development revenue increased 52%, 18%, 7%, 3%, 1%, and 17% in the respective years. The City anticipates a downward trend as some of the larger development projects near completion, and continues to maintain a Service Continuity Reserve in the General Fund to ensure that there are future funds to cover expenditures when development activity slows.

While FY 2016-17 finished with a General Fund surplus of $17.7 million (before transfers out to capital projects), it is long-term fiscal sustainability that remains at the forefront of budget discussions. Even with the continued growth in property and sales tax, declining development revenues and the rising costs of contracted services could result in deficit spending of $1.5 million in the General Fund by FY 2022-23 up to $4.3 million in FY 2024-25.

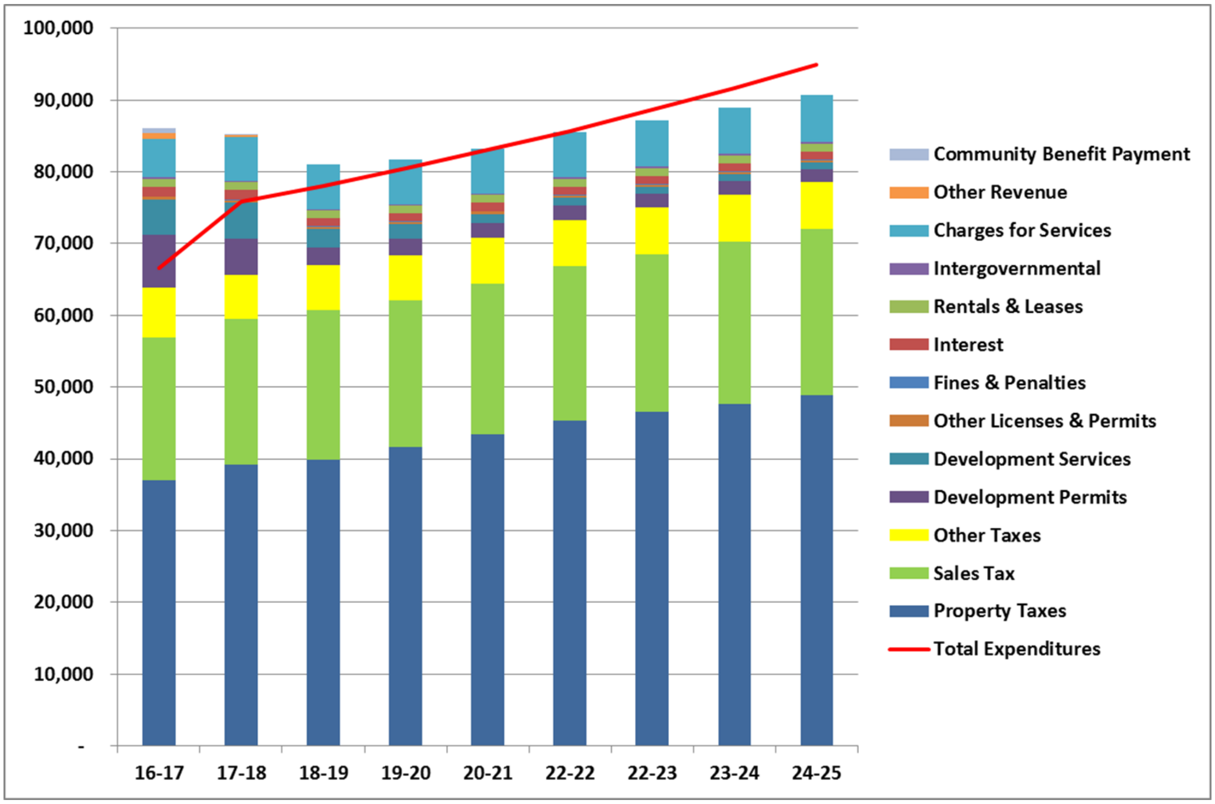
10-Year Forecast

The 10-Year Forecast serves as the foundation of the City's annual budget, in terms of guiding the City's use of resources now to prepare for the future. The Forecast is typically updated and presented with the annual budget adoption, however as major changes occur (e.g., a large property tax increase), Staff provides an updated Forecast to the City Council.

The current assumptions as revised during the FY 2017-18 1st Quarter Financial Review are presented below, followed by a graphical representation of revenues and expenditures.

Revenue	
Property Tax	2.0% growth in FY 2018-19, 4.4% annually until FY 21-22, 2.5% growth thereafter.
Sales Tax	2.7% growth in FY 18-19, Flat in FY 19-20 (conservative recessionary scenario), 2.5% thereafter.
Development Revenue	Permit revenue decreasing 48.6% in FY 18-19, then an average decrease of 6.3% annually until it baselines at $1.7 million in FY 24-25. Development Services revenue decreasing in FY 18-19 by 49.7%, then an average decrease of 15.1% annually.
Interest Income	Flat interest of $1.1 million (recessionary scenario).
Transient Occupancy Tax and Franchise Fees	1.0% annual growth.
Recreation Revenue	1.0% annual growth (including The Wave).
Community Benefit Payments	None after FY 17-18.
Expenditures	
Salaries and Wages	5.0% annual growth. (accounts for COLAs and merit increases)
Benefits	3.0% annual growth, including $1 million supplemental pension funding and potential health rate increases.
Services and Supplies	Flat in FY 18-19, 1.0% annual growth thereafter.
Internal Services Charges	2.0% annual growth.
Utilities	3.0% annual growth.
Contracted Services	3.0% annual growth on all contracts (development contracts will be reduced while public safety and maintenance will increase more than 3.0%).
CIPs	No General Fund CIP funding after FY 21-22.

General Fund 10-Year Forecast (in $ thousands)
Updated November 2017



It is important to note that in years 5-10 of the forecast Staff uses conservative assumptions, as projecting long term conditions is challenging. Some recessionary factors have been included, such as a one-year decrease in Sales Tax and flat interest income. It is important to note that in the out years, while the numbers fluctuate with new information, the overarching story does not change. As the City nears build out, the focus will be on maintaining facilities rather than building them, and development revenue will not come in as high as it has in recent years. This information was provided to the Task Force to set the stage for its discussions.

TASK FORCE MEETING SUMMARY

The Task Force was originally set to meet bi-monthly for two hours beginning January 25th, 2017 for a total of six meetings, culminating in the production of an advisory document to be presented to the City Council in early 2018. Due to the amount of information that was to be presented to the Task Force, and to give the Task Force adequate time to review and debate the issues, four meetings were added for a total of 10 meetings lasting three hours each. The first five meetings were classified as “informational downloads”, in which City Staff presented an overview of the City’s finances and major functions of each direct-service department. Following the Staff presentations, Task Force Members were given the opportunity to ask questions on the information presented.

Once the “informational downloads” were complete, the next three meetings were dedicated to decision-making, in which the Task Force worked to develop, review, and revise recommendations which were ultimately included in this report. During this time, the Task Force Members had the opportunity to request additional and clarifying information to aid in the discussion. The November meeting was used for refining the language in the recommendations and making formal votes on the recommendations. The January 2018 meeting was dedicated to reviewing the draft report and discussing the presentation of the materials to the City Council.

The following is a description of the work undertaken at the Task Force Meetings.

January 25, 2017 (Mission and City Finance Introduction)
This first meeting served as an introduction of the Task Force, Staff members, and the Facilitator, Greg Larson of Management Partners. Members discussed their backgrounds and why they were interested in being on the Task Force. Mr. Larson provided a review of the Task Force’s objectives and work plan. It became apparent from the on-set that the number of meetings proposed, as well as the meeting length, would not be sufficient to cover the amount of material at the depth necessary to fully understand the City’s financial status and formulate recommendations to the City Council. As a result, the work group added four meetings to the schedule. The second half of the meeting included a high-level overview of municipal finances and the City’s General Fund Operating Budget presented by Administrative Services Director Colleen Tribby.

February 23, 2017 (10-Year Forecast and Capital Improvement Plan)
As a continuation of the high-level overview from the first meeting, Administrative Services Director Tribby provided an overview of the City’s Financial Forecasting, including the 10-year revenue and expenditure assumptions and the City’s long-term liabilities and reserve funds. The Assistant Public Works Director/City Engineer Andrew Russell then presented an overview of the City’s Capital Improvement Program (CIP). The presentation included information on the CIP budgeting process and funding sources, as well as highlighting some of the City’s large parks and streets projects.

March 22, 2017 (Public Safety and Retirement)
Beginning with the March meeting, City department directors were invited to present to the Task Force an overview of their departments and discuss current and future challenges. At this meeting Dublin Police Chief Dennis Houghtelling presented information on the Alameda County Sheriff’s police services contract with the City, including service levels and operational budgets. Following the Police Chief Houghtelling, Assistant City Manager Linda Smith and Assistant Administrative Services Director Lisa Hisatomi provided an overview of Dublin Fire Services. Following the presentations, Administrative Services Director Colleen Tribby provided an overview of the CalPERS pension system, the City’s retirement benefit provisions and liabilities, and the steps that the City has taken to reduce current costs and address long term liabilities.

April 25, 2017 (Public Works, Community Development and Parks and Community Services)
The departmental review sessions continued with Public Works Director Gary Huisingh, Community Development Director Luke Sims, and Parks and Community Services Director James Rodems. Each presenter provided information on departmental structure, services, and challenges in continuing to provide the same level of services as the City reaches build-out. The Parks discussion included information on the City's park acreage and recreational facilities.

May 25, 2017 (Economic Development and Decision Points)
Assistant City Manager Smith provided an overview of the City's Economic Development efforts, including opportunities and challenges, proposed projects and future development sites, and commercial capacity. After the presentation, Facilitator Larson reviewed the initial Decision Points, or proposals to address the structural deficit, brought forward by the Task Force Members. The Decision Points were classified into four categories:

A. Expenditure-Related: proposals to reduce costs
B. Revenue-Related: proposals to raise new revenues or increase existing revenues
C. Net Benefit Solutions: proposals that would have some initial investment but that would result in cost savings or revenue increases over time
D. Process-Related: proposals that introduce new, or improve existing, processes, that ultimately will help the City be more proactive in addressing future challenges

The original Decision Points brought forward by the Task Force are listed below. Under each of these general categories the Task Force identified specific recommendations which were ultimately voted on. Several categories (shown in italics below) were eliminated or changed in the Final Recommendations, though they were all discussed in detail.

Expenditure-Related Proposals	
E-1	Address General Fund CIP's
E-2	Decrease Park Maintenance Costs (MCE contract)
E-3	*Move to Fixed Retirement Contribution for New Hires*
E-4	Across the Board Departmental Reductions (1 - 5%)
E-5	*Eliminate Cemetery Expansion Plans*
Revenue-Related Proposals	
R-1	Increase Business License Fees
R-2	Increase Parks Use Fees
R-3	Increase Non-Resident Fees
R-4	Increase Overall Cost Recovery for City Programs
R-5	Increase Commercial Growth
R-6	Increase Sales Tax
R-7	*New Public Works Revenues*
R-8	*Full Cost Recovery for Solar Permits*
R-9	*Increase "Buy Dublin" Efforts*

Net Benefit Solutions	
N-1	Downtown Renovation
N-2	*Implement Parking Meters/Enhance Parking Fine Enforcement*
Process-Related Proposals	
P-1	Plan for Appropriate Police Services Growth
P-2	Consider Non-Sworn Police Support (Reserves, Volunteers)
P-3	Realign Reserve Needs
P-4	Tier Budget Response Based on Forecast
P-5	*Require Budget Offsets for New/Increased Services*
P-6	*Establish Base Year with Annual Inflation Thereafter*

*Augu*st 3, 2017 (Decision Packages and Direction, Part I)

Facilitator Larson began the discussion reminding the Task Force of the current projects which showed a $530,000 projected deficit in the City's General Fund operating budget beginning in FY 2021-22 increasing to $3.7 million in FY 2024-25. Administrative Services Director Tribby reviewed the revenue- and expenditure-related Decision Points. Task Force Members discussed the Decision Points and provided ideas on the best way to move forward, narrowing their focus on what the recommendations to the City Council will ultimately include.

September 13, 2017 (Decision Packages and Direction, Part II)

Facilitator Larson reviewed the remaining Decision Points to be considered. The Task Force continued their discussion.

October 19, 2017 (Decision Packages and Direction, Part III)

The Task Force reviewed the remaining points for final discussion and vote during the November meeting.

November 15, 2017 (Final Decision)

Administrative Services Director Tribby began the meeting by providing an overview of the City's most up-to-date financial information including the current 10-year forecast received by the City Council at its November 7 meeting. Director Tribby indicated that with an increase in property tax in FY 2017-18, the first year of the projected deficit was pushed out one year to FY 2022-23. Director Tribby also stated that while revenue numbers may change in the short term, the eventuality of a structural deficit still exists: eventually the City will no longer collect development revenue for large projects, and contracted service costs will rise.

Facilitator Larson then led the Task Force through all Decision Points discussed to date and took a final vote on each.

FINAL RECOMMENDATIONS

The Task Force's recommendations, summarized in the table below, are based on the most current 10-Year Forecast as presented by Staff at the November 7, 2017 City Council meeting, and based on a final vote tally taken at the November 15 meeting. Final recommendations required a majority vote of Task Force Members (excluding alternates). The three alternates who participated throughout the Task Force process voted with the majority of the Task Force members or abstained, except for one “No” vote on the half-cent sales tax measure. All three alternates voted in support of the full package, along with all but one regular member of the Task Force.

The background information presented to the Task Force to aid the discussions is included in the Appendix to this report.

The Task Force would like to specifically note the following assumptions upon which its recommendations are made:

- Future development revenue and sales tax projections are based only on vested residential and commercial projects and existing businesses; no assumptions about potential changes to zoning and/or potential businesses coming to Dublin have been incorporated.
- Police staffing is held constant at 63 positions (55 sworn, 4 non-sworn, 4 City support staff).

	Recommendation	Estimated Annual Fiscal Impact	Member Vote Tally
EXPENDITURE-RELATED PROPOSALS			
E-1 (a)	Policy Statement: The CIP planning process should include a specific discussion of the future General Fund obligations due to on-going operational costs of the CIP. Future CIP budget books will include an operational impact statement for all projects. Should a CIP project scope be revised, or should a new CIP be created at a time other than the Budget, Adoption, the Staff Report will include the operating impact statement.	None- Policy Statement	Pass: 6-1
E-1 (b)	Policy Statement: As a general policy the General Fund should only be used to fund renovation CIPs, not new CIP’s. Should it be determined that the General Fund will be used to fund in whole or part a new CIP, a statement of justification must be included in the project description, indicating why it is necessary to use the General Fund.	None- Policy Statement	Pass: 6-1
E-2	Policy Statement: When considering multi-year maintenance contracts the City must complete	None- Policy Statement	Pass: 7-0

	the full Request for Proposal/Qualification process, including where applicable comparing like services with the other Tri-Valley cities. In addition, contracts should include a review of the performance of the existing service provider.		
E-4	Reduce the General Fund operating budget, exclusive of Public Safety, by at least, $600,000 by the first year of the deficit according to the prior 10-Year Forecast.	Savings - $600,000	Pass: 7-0
REVENUE-RELATED PROPOSALS			
R-1	Do not subsidize the Business License Fee. Continue fee proration throughout the year.	Revenue Increase – $91,000	Pass: 7-0
R-2	Parks and Community Services, excluding the Library, should reach at least a 65% cost recovery rate department wide, within five years.	Revenue Increase - $1,500,000	Pass: 7-0
R-3	Increase non-resident rates to levels comparable to neighboring cities.	Revenue Increase – $25,000 - $125,000	Pass: 7-0
R-4 (a)	Evaluate potential efficiencies at The Wave, once full costs and adjustments are understood. If after several years, the City subsidy continues to be $1 million or more, the Task Force recommends looking into alternative management and operational models including outsourcing.	Unknown	Pass: 4-2-1
R-4 (b)	Consider revising/updating City's current User Fee Policy	Unknown	Pass: 7-0
R-5	Increase Economic Development resources to implement activities as detailed in the Economic Development Strategy.	Potential Revenue Increase	Pass: 7-0
R-6 (a)	Bring Half-Percent Sales Tax Measure to Dublin Voters.	Revenue Increase - $6,200,000	Pass: 5-2
R-6 (b)	Policy Statement: If a Sales Tax measure goes forward to the voters the ballot language should include the potential cuts that the City would have to make if the Sales Tax measure fails, and the impact of those cuts.	None- Policy Statement	Pass: 6-1
NET BENEFIT SOLUTIONS			
N-1	Continue to strategically use the Downtown Public Improvement Reserve to promote and improvement downtown businesses, as exemplified by work that has been undertaken	Increase in costs, funded from reserve. Potential revenue increase due to new businesses /	Pass: 6-1

	on Village Parkway. Consider replenishing the reserve, as funds are used, during Year-End when unassigned fund balance is available.	additional foot traffic.	
PROCESS-RELATED PROPOSALS			
P-1	Budget for additional sworn police officers through buildout and include the officers in the 10 year forecast.	Increased Cost – $250,000 per new position	Pass: 6-1
P-2	Explore the possibility of using non-sworn volunteers in the Police Department.	Increased Cost - start-up costs and on-going operational costs. Potential savings from using volunteers in support of Safety staff.	Pass: 5-2
P-3	Policy Statement: The City should only use the reserve to balance the budget as a matter of last resort.	None- Policy Statement	Pass: 7-0
P-4 (a)	Policy Statement: The City should use one-time money and reserves to invest in new ways to reduce future costs and/or in technologies that create efficiency.	None- Policy Statement	Pass: 7-0
P-4 (b)	Policy Statement: The City shall, during the course of the year, minimize budget adjustments needing Council approval to those issues that have been deemed urgent. All other budget adjustments shall be made as part of the City's quarterly financial report to the City Council. All budget adjustment will include the long-term impact of any approved budget adjustments and once approved will be incorporated in the City's long-term financial forecast.	None- Policy Statement	Pass: 7-0
P-4 (c)	In the event that the Sales Tax measure doesn't pass and the City is in a deficit, the City should explore staffing furloughs at a projected savings of $40,000 per day.	Cost Savings – $40,000 per day	Pass: 5-1-1
	APPROVE TOTAL PACKAGE OF RECOMMENDATIONS		**Pass: 6-1**

The following section provides some context to the Task Force's Final Recommendations. Information on all original Decision Points, including those that did not make the final list, is included in the Appendix.

E-1. Address General Fund CIP's

The Task Force believes that the full impact of capital improvement projects (CIPs) should be clear to both the City Council and the public. To that end, they recommend all CIPs should include a clear statement of their future operational impact on the General Fund. In addition, the Task Force recommends that as a general policy the General Fund should not be used for new CIP's, given the projected deficit.

E-2. Decrease Park Maintenance Costs

Initially, the discussion was focused on detailing maintenance costs at City parks and looking for areas of efficiencies. This proved difficult as the group did not have reliable comparative data from other agencies and could not responsibly suggest specific service reductions. Instead, emphasis was placed on the need to conduct a full competitive bid process when the maintenance contract with MCE Corporation is next up for renewal. The Task Force felt that long term contracts should not be renewed without a periodic review of performance and a study of comparable services in other similar organizations to ensure the City is getting the highest level of service for the best possible price. The Task Force noted that one of the possible outcomes of such a comparison could be the City's consideration of multiple contractors to perform the work currently being provided by MCE, if that makes financial sense.

E-4. Across the Board Reductions

The Task Force sought to balance the need for cost reductions while maintaining a high level of service. The Task Force discussed in depth the potential for across-the-board cuts on a percentage basis, but ultimately decided upon a dollar amount that the General Fund should be reduced. The Task Force recommends leaving the decision of what to cut to City staff, as opposed to singling out any single function or department. The Task Force agreed on a minimum reduction of $600,000, exclusive of Public Safety, by the first year of the projected deficit.

It should be noted that this proposed reduction is in addition to overall cost recovery proposals discussed in this report.

R-1. Increase the Business License Fee

As part of the City's 2012 User Fee Study that was used to adopt a Master Fee Schedule, it was determined that it cost the City $72.85 to issue a business license. During the adoption of the

Master Fee schedule, the City Council opted to set the fee at $50.00 and to pro-rate it for partial year licensing, to encourage compliance and support economic development.

The Task Force discussed this issue and reviewed the business license practices in surrounding cities, and is recommending that the City charge the full cost of the fee, and that pro-rating the fee should continue. Using 2012 numbers, the difference is roughly $91,000 per year that the City could potentially collect.

Note: the City is currently undertaking an update to the User Fee Study, therefore the actual City cost may will likely change.

R-2. Increase Parks Use Fees

This category focused initially in rental rates for City parks and facilities, and the Task Force evaluated Dublin's rates as compared to neighboring cities. There was consideration of the fact that Dublin's rates for other public agencies and sports leagues is lower than in surrounding communities, but it was determined that that category is not a particularly high revenue-generator.

The Task Force decided that a more holistic approach to the City's provision of parks and community services was needed; in particular, in light of at the existing overall cost recovery rate of 50% the Task Force felt that the larger impact would be felt by achieving a 65% cost recovery rate over five years for the entire PCS Department (excluding the Library). This is estimated to generate $1.5 million in additional revenue (or in cost savings) to the General Fund.

R-3. Increase Non-Resident Rates

The City of Dublin currently charges non-Dublin residents 20% more than Dublin residents for Parks and Recreation classes. This premium is consistent with the Tri-Valley area, though San Ramon's non-resident premium is at 25%.

Based on data from PCS, non-residents make up roughly 15% of total program registrations. Assuming 15% Non-Residents across all program categories, including the 20% premium, Non-Resident revenue would be approximately $500,000. For every 1% that Non-Resident rates were increased, Dublin would receive an additional $25,000 in revenue. Note: this assumes no reduction in registrations.

R-4. Increase Overall Cost Recovery for City Programs

As an expansion of the PCS cost recovery discussion, the Task Force felt it was important to call out increased cost recovery at The Wave as a separate item. There was significant interest by the members in finding ways of reducing the General Fund's projected subsidy of $1 million per year for operations at the City's new aquatics complex. While some members felt that the City does not yet have enough information to make significant changes to the way the facility is run, the majority determined that contracting the service to an outside entity is a viable option.

In addition, the Task Force concluded that with the next User Fee Study (to be completed in the next few months), the City should focus on full cost recovery efforts for all services it provides.

R-5. Increase Economic Development Activities

The Task Force emphasized the need for a strong focus on work that supports initiatives identified in the Economic Development Strategy.

R-6. Increase Sales Tax

Of all Decision Points discussed, the Sales Tax Measure has the greatest immediate positive impact on the General Fund. The Task Force evaluated a quarter-percent measure and a half-percent measure, deliberated about their impacts on the Dublin consumer, and considered the potential for another public agency (the County, BART, or a special district) to pass its own sales tax measure, thus directing those potential funds away from the City. The group looked at recent similar measures, rates of success, and uses of such funds, and ultimately determined by majority vote that the City should move forward with a measure on a future ballot.

In addition, the Task Force agreed that any language used to advocate for such a measure should clearly identify the potential impacts to the City should the measure not pass and the City is still in a deficit position. This includes identifying service cuts or other budget-balancing solutions the City would undertake that would impact Dublin residents.

N-1. Downtown Renovation

The Task Force determined that the City should continue to promote and improve Downtown businesses similar to the work that has been recently done on Village Parkway. The Task Force also felt that, should the City have one-time funds available, it should consider setting funds aside for future investment in in the Downtown area. The recommendation is centered on the idea that the use of use one-time monies and reserves to fund projects may positively impact the City’s revenues or save the City money in the future.

P-1. Plan for Police Services Growth

The importance of public safety was a consistent and universal theme throughout the Task Force meetings. The group praised the work of Dublin Police Services, while acknowledging the rising cost of the contract (the Alameda County Sheriff’s Office contract for police services is the largest single cost to the City). The Task Force had multiple discussions about the increase in the cost of the contract and the potential need for additional police staffing as the City continues to grow. To that end, the Task Force recommends a policy statement to continue to plan for the expansion police services in the 10-Year Forecast.

P-2. Consider Non-Sworn Police Support

As part of the discussion around the need to increase public safety support, the Task Force discussed the use of non-sworn volunteers to supplement enforcement and provide an additional public safety monitoring presence in the City, as is done in other California cities such as Lincoln, Newark, Palm Springs, Rancho Cucamonga, and Santa Paula. The use of volunteers is not meant to supplant the hiring of additional sworn officers, but to supplement them, possibly delaying the need for additional sworn staff. The Task Force believes this could potentially save money in the future while providing additional service to Dublin residents. It should be noted that the Task Force recommendation comes with the understanding that any program such as this would require operational support and guidance from the Alameda County Sheriff's Office.

P-3. Realign Reserve Needs

The Task Force discussed the General Fund reserve categories and restrictions of use and evaluated the potential to use reserves as a budget balancing solution. The Task Force acknowledged the health of the City's reserves and agreed with the City's practice of using budgetary surplus to shore up reserves against future liabilities (such as pension and retiree health obligations). The group determined that reserves are one-time funding sources that should only be used for General Fund budgetary solutions as a temporary, last resort.

P-4. Tier Budget Response Based on Forecast

The Task Force discussed tiered levels of budget reductions based on changes in the Forecast; however the group ultimately recommended the consideration of several policy statements to guide the future budget process. These policies address the following:

1) The use of one-time funds on projects that reduce costs or create revenues over time (such as investment in new technologies that create operational efficiencies);
2) A more controlled and transparent process for bringing mid-year budget amendments to the City Council; and
3) The use of furloughs in the event of a deficit and no new sales tax revenue.

CONCLUSION

The recommendations contained in this report represent the good faith work of the Fiscal Sustainability Task Force over the last year.

APPENDIX:
Information Provided to the Fiscal Sustainability Task Force

R-1 – Increase Business License

Overview

The topic of business licenses has been brought up on multiple occasions through discussion during Task Force meetings and in member correspondence asking for more information. The following is an overview of Dublin's Business License fee, what flexibility the city has in terms of increases/decreases in the fee and how Dublin compares to the rest of the Tri-Valley area.

Most Important: The City of Dublin Business License is a fee not a tax.

There have been many inquires about revenue the City could generate by increasing the cost of Business Licenses fees to certain benchmarks such as $100 or $200. However, since this is a fee rather than a tax, the maximum the City can charge is equal to the cost of providing the service (i.e., to issue licenses and renewals, and to maintain the database) and is determined by a User Fee study. The current maximum fee the City can charge is $72.85 as determined by the City's 2012 User Fee study. The City is currently undertaking a new User Fee Study which will give us an updated cost of this service.

The current fee is $50.00 and is Pro-Rated.

A User Fee Study determines how much it cost for a City to perform a service or task, which per Prop 218, with few exceptions, is the maximum a City may charge. The City does have flexibility when it comes to charging less than the full fee. During the adoption of the Master Fee Schedule, the City Council decided to set the Business License Fee at $50.00 "to encourage compliance and support economic development". In addition, the fee is prorated at $4.17 per month if a business license is obtained for a partial year (business licenses must be renewed annually on the Federal Fiscal Year – October 1 – September 30).

Based on data provided during the last User Fee Study, the average fee paid was $42.50, due to prorating the fee.

Estimated General Fund Subsidy

Based on the projected revenue for FY 2017-18 generated from Business License Fees, and the $72.85 total cost as calculated in 2012, the City is currently subsidizing this service by **$121,400.** Approximately $30,000 of the subsidy is due to prorating.

Items for Consideration

Consider 1) whether the General Fund should subsidize the cost to provide Business Licenses; and 2) whether to prorate the Business License Fee for a partial year.

R-2: Increase Park Use Fees

Overview

In the FY 2015-16 the City spent $2,624,000 on parks and open spaces.

Maintenance	$1,923,000
Utilities	$701,000
Total	**$2,624,000**

During the same period, the City received $249,300 in revenue for rental of sports fields and picnic areas.

Sports Field	$219,000
Picnic Area	$30,330
Total	**$249,330**

The City charges field rental fees based on a tiered system. Note: this does not include all fees such as lighting and synthetic turf.

Tier	Dublin Rates	Pleasanton/San Ramon (Avg)
Tier 1: Public Agencies Serving City	$7.00	$14.52
Tier 2: Dublin Sports League Organizations	$7.00	$14.52
Tier 3: Non-Profit Organizations	$16.80	$17.00
Tier 4: Residents	$21.00	$15.40
Tier 5: Non-Residents	$25.20	$24.75
Tier 6: Commercial Residents	$33.60	$23.56
Tier 6: Commercial Non-Residents	$40.30	$27.25

Revenue generated in Dublin by each tier is as follows:

Tier	% of Field Usage	Estimated Revenue
Tier 1	1.45%	$3,165
Tier 2	87.63%	$191,901
Tier 4	1.66%	$3,626
Tier 5	9.14%	$20,006
Tier 6: Non-Residents	0.14%	$302
Total		$219,000

Items for Consideration

Based on usage, for every dollar that all fees are increase for all tiers, assuming no reductions in field rentals, the City would receive an additional **$28,883**.

Tier	$1.00 Increase Additional Revenue
Tier 1	$459
Tier 2	$27,419
Tier 3	$0
Tier 4	$180
Tier 5	$797
Tier 6 – Resident	$0
Tier 6 – Non- Resident	$29
Total	$28,883

R-3: Increase Park Non-Resident Fees

Overview

The City of Dublin currently charges non-Dublin residents 20% more than Dublin residents for Parks and Recreation classes. This premium is consistent with the Tri-Valley area.

In Fiscal Year 2015-16, the Parks and Community Services Department's (PCS) program revenue was as follows:

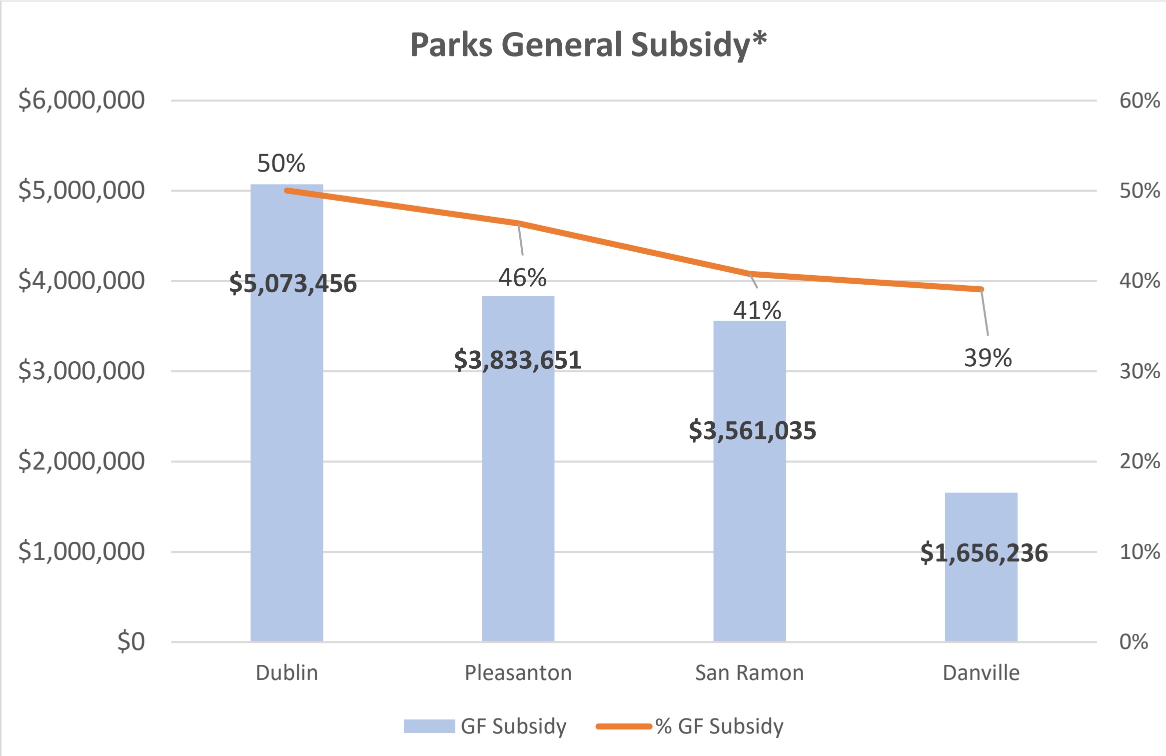
Revenue Source	Amount
Cultural Activities	$5,423
Heritage Center Programs	$14,364
Family Programs	$748,950
Recreational Activities	$503,508
Preschool Programs	$363,212
Senior Programs	$110,463
Sports Programs	$849,202
Aquatic Programs	$237,369
Total	$2,832,495

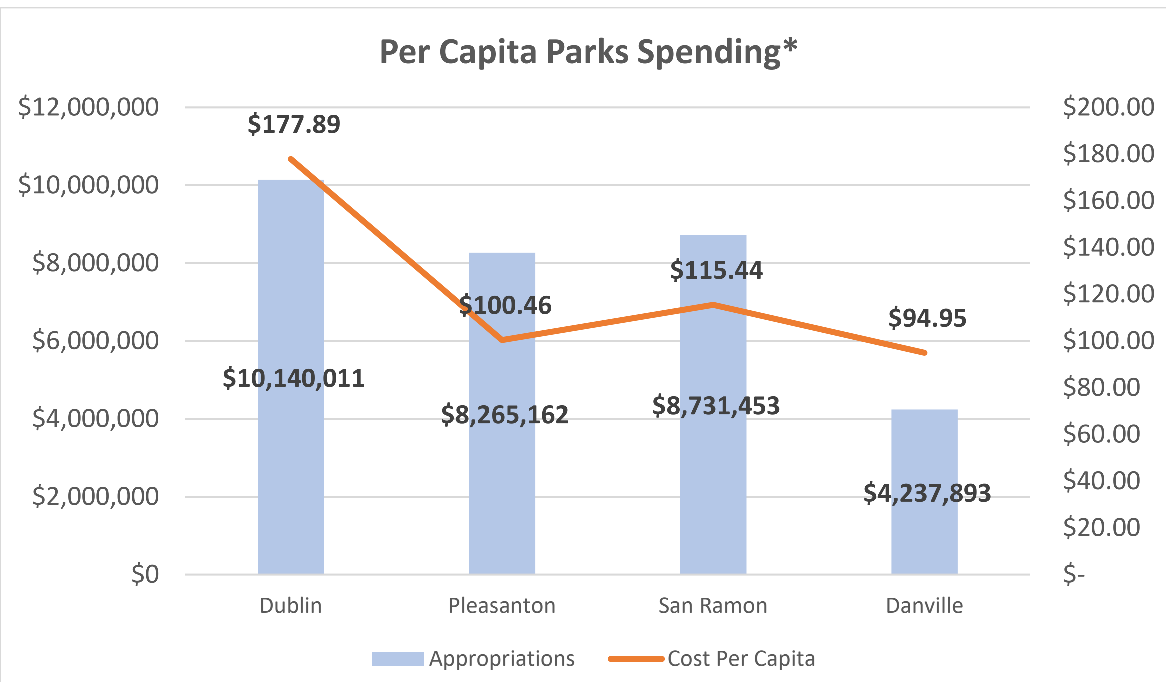
Based on data from PCS, non-residents make up roughly 15% of total program registrations. Assuming 15% Non-Residents across all program categories, including the 20% premium, Non-Resident revenue would be approximately $500,000. For every 1% that Non-Resident rates were increased, Dublin would receive an additional $25,000 in revenue. Note: this assumes no reduction in registrations.

Non-Resident Rate	Increased Revenue	Estimated Total Revenue
Resident + 20%	**$0**	**$500,000**
Resident + 21%	**$25,000**	**$525,000**
Resident + 22%	**$50,000**	**$550,000**
Resident + 23%	**$75,000**	**$575,000**
Resident + 24%	**$100,000**	**$600,000**
Resident + 25%	**$125,000**	**$625,000**

Local Rec Program Premiums for Non-Residents

City	Non-Resident Rate
Pleasanton	Non-Resident 10% increase in costs
Danville	Non-Resident 20% increase
Dublin	Non-Resident 20% increase
San Ramon	Non-Resident 25% increase





*Does not include the cost associated with the Dublin Library

Items for Consideration

Should the City increase the Non-Resident premium, and if so, to what level?

R-4 – Increase overall cost recovery for City Programs

Overview

The City recovers costs for City programs/services through user fees. The City's User Fee Cost Recovery Policy requires the completion of a comprehensive User Fee Study every five years to assure that these user fees reflect the City's underlying costs. Furthermore, the Policy states that "absent reasons to the contrary, the City will set user fees at a level to recover the total cost of delivering the related service, including indirect costs". To ensure that the fees keep pace with annual increases in City costs, the Policy includes an automatic annual increase to fees based on the consumer price index. The City is currently working with consultants on a new study, which is anticipated to be completed by the end of 2017.

After reviewing the 2011 User Fee Study, the City Council approved a fee schedule that included a City subsidy of 57 fees (including building and solar permits), at an estimated total subsidy of $380,000. The current dollar figure of the subsidy is unknown, as the new study is not yet complete. However, the majority of the fees that are subsidized, would net little revenue to the city with the exception of two fees 1) the Business License 2) Conditional Use Permit.

Parks and Community Services Program Revenue

The above information does **not** include Parks and Community Services fees, which are set by a separate pricing policy and are not calculated through the user fee study process. The Parks and Community Services Pricing Policing (PCS Pricing Policy) was first adopted by the City Council on September 21, 2010 and revised on June 21, 2016. Where the user fee study looks to set rates at full cost recovery the PCS Pricing policy sets the goal of a 65% cost recovery minus the cost of the Library.

The General Fund Subsidy for Parks and Community Services (minus the Library) for FY 2017-18 is $5.0 million which represents a cost recovery of 50%.

Items for Consideration

User Fees (Non-PCS):

The current User Fee Cost Recovery Policy already provides for the City to recover the City's full underlying costs including departmental and citywide overhead costs, with the exception of fees that are subsidized for reasons of economic development, resident access to programs/services and health and safety. In Addition, the Business License fee is being addressed separately and increasing the Conditional Use Permit fee would directly affect Dublin resident access to service.

PCS Fees:

Does the Task Force want to recommend an adjustment to the current Pricing Policy of 65%?

R-5: Increase Commercial Growth / Increase “Buy Dublin” Efforts

Overview

The City of Dublin already employs a robust economic development strategy, which includes a “Buy Dublin” effort and which was developed with the help of Economic & Planning Systems, Inc and stakeholders from all facets of the business community. A copy of the report detailing the economic development strategy has been distributed to the Task Force. The City believes that any additional efforts will not result in any new bankable revenue for the City and as such recommends that the current efforts continue.

Items for Consideration

Staff is providing this as an informational item.

R-6: Increase Sales Tax

Overview

The Sales Tax rate in the City of Dublin is 9.25%, allocated to various agencies as follows:

Sales Tax Break Down (Alameda County)

Rate	Jurisdiction	Purpose
3.6875%	State	State General Fund
0.25%	State	State General Fund
0.50%	State	Local Public Safety Fund (Support Local Criminal Justice)
0.50%	State	(1991 Realignment) – Support Local Health & Social Services
1.0625%	State	2011 Realignment
1.00%	Local	City Operations
0.25%	Local	County Transportation
7.25%	Total Statewide Rate	
0.50%	Alameda County	Hospital
0.50%	Alameda County	Transportation
0.50%	Alameda County	Transportation
0.50%	Alameda County	Transportation
9.25%	Alameda County Rate	

Since the passing of Prop 13, the options for cities to generate revenue have continually declined or become much more difficult. One option agencies have is to seek a voter-approved increase to the Sales Tax rate, the proceeds from which would belong solely to the agency passing the measure.

Projected Additional Revenue in Dublin from Sales Tax Measure

% Increase	Additional Revenue
.25%	$3.1 million
.50%	$6.2 million

The maximum Sales Tax that can be charged in Alameda County without a legislative waiver is 9.75%.

City Sales Tax Rates in Alameda County

City	Rate
Albany	9.75%
Hayward	9.75%
Newark	9.75%
San Leandro	9.75%
Union City	9.75%
Alameda	9.25%
Berkeley	9.25%
Dublin	**9.25%**

Emeryville	9.25%
Fremont	9.25%
Livermore	9.25%
Oakland	9.25%
Piedmont	9.25%
Pleasanton	9.25%

Alameda County Cities with Sales Tax Increases

Albany

Type	General Tax
Rate	0.50%
Effective	April 1, 2013 – March 31, 2021
Measure	Measure F - **79.88% (Pass)**
Estimated Revenue	$1.1 Million/Annually

Hayward

Type	General Tax
Rate	0.50%
Effective	October 1, 2014 – September 30, 2035
Measure	Measure C – **67.36% (Pass)**
Estimated Revenue	$10 Million/Annually

Newark

Type	General Tax
Rate	0.50%
Effective	April 1, 2017 – March 31, 2042
Measure	Measure GG – **61% (Pass)**
Estimated Revenue	$3.5 Million/Annually

San Leandro

Type	General Tax
Rate	0.50%
Effective	April 1, 2015 - March 31, 2046
Measure	Measure HH – **64.45% (Pass)**
Estimated Revenue	$11 - $13 Million/Annually

Union City

Type	General Tax

Rate	0.50%
Effective	April 1, 2011 – March 31, 2025
Measure	Measure JJ **– 73.74% (Pass)** – JJ extended previously approved (November 2010 m- Measure AA) tax for 10 years.
Estimated Revenue	$4.5 Million/Annually

General vs. Special Tax

General Local Sales Taxes cannot be allocated for a specific purpose and must be approved by a majority (50%+1) of the vote in the city.

Special Local Sales Taxes are for a specific purpose and can only be used for that purposes, these are most commonly used for Police/Fire and Transportation/Streets/Roads. Special Taxes must be approved by a supermajority (66%+1).

California Local Sales Tax (Add-Ons)

As of April 1, 2017 California had 176 cities with approved Local Sales Taxes; 27 were Special Taxes.

Rate	**0.25%**	**0.50%**	**0.75%**	**1.00%**	**1.25%**	**1.50%**	**1.75%**
#	13	84	18	53	2	5	1

From 1995 through November 2016 (537) proposals for local Sales Taxes have been submitted to the voters (City and County)

	General Tax	**Special Tax**
Proposed	324	213
Approved	230	92
%	**71%**	**43%**

Cities general purpose taxes have shown a greater rate of success that county measures passing 76% (224/295) of the submitted measures. Approximately half of the special purpose taxes submitted by cities have passed 50% (40/79). Sales Taxes structured as a majority vote has and continues to be the most popular and successful revenue tool for cities, in part to due to the lower threshold for approval.

Sales Tax Recession Impact

The following projection includes what could happen in a mild economic downturn and is similar in scale to the recession of the early 2000's. The projection takes into consideration the City's heavy reliance on automotive sales. The below figures are already calculated into the City's 10-year forecast.

2016-17 Projected	**2017-18 Budgeted**	**2018-19 Projected**	**2019-20 Projected**	**2020-21 Projected**	**2021-22 Projected**
$20,666,260	$20,296,801	$20,615,327	$20,446,605	$21,742,279	$22,297,711

Items for Consideration

Would the Task Force consider recommending a City Sales Tax Measure? If so, what level and type of Sales Tax increase would best serve the City?

Does the Task Force want Staff to bring back information related to other tax mechanisms? (TOT, UUT)

R-7: New Public Works Revenue

Overview

Special Districts are a common tool for agencies to finance the operating cost of maintaining streetlights, landscaping, general maintenance, and other related items, or the capital cost of infrastructure, in specific areas.

Types of Funding

Districts are required to be approved by the property/landowners who will benefit from the improvements, although the voter approval threshold and process vary by district. The following is a list of the most commonly used forms of Special Districts.

Type	Description
Benefit Assessment District	Benefit Assessments are commonly used by local government to pay for fire suppression, sewer, sanitation and flood control services. **(Government Code 54710)**
Geological Hazard Abatement District	Provides a vehicle for property owners to finance and share the potentially high costs or preventing and controlling geologic threats to properties **(Public Resources Code 26500)**
Abatement Districts	Created to pay the costs of preventing and controlling threats to public health and property. Two most common: 1) Mosquito Abatement District 2) Vector Control Districts **(California Health and Safety Code 2200)**
Business Improvement Districts	Allows business owners to approve an assessment to pay to increase services and promote their district. **(Streets & Highways Code 36500 & 36600)**
Mello-Roos Community Facilities District	Allows for financing of public improvements and services, including streets, sewer system and basic infrastructure, police protection, fire protection, ambulance services, and parks **(Government Code 53311-53368.3)**
Community Rehabilitation Districts	Created to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure, but cannot be used to pay for maintenance. **(Government Code 53370)**
Maintenance District	Create to finance the costs of maintaining open space, parks, playgrounds and other public areas. **(Government Code 50575)**
Landscaping and Lighting Districts	Created to pay the costs of landscaping and lighting public areas and to finance parks, open space and community centers **(Streets & Highways 22500)**

The City currently has the following Special Districts:

Landscape and Lighting

- 1983-1 Street Lighting
- 1983-2 Stagecoach Landscape
- 1986-1 Dougherty Landscape
- 1997-1 Santa Rita Landscape
- 1999-1 East Dublin Street Lighting

Geologic Hazard Abatement Districts

- Schaefer Ranch
- Fallon Village Annex/Jordan Ranch
- Fallon Crossing

Mello-Roos Community Facilities Districts

- 2015-01 Dublin Crossing
- 2017-01 Dublin Crossing (Public Services)

In addition Dublin Residents reside in one or more Mosquito and Vector control abatement districts, which are not controlled by the City.

<u>Items for Consideration</u>

Staff is providing this as an informational item.

R-8: Full Cost Recovery for Residential Solar Permits

Overview

Residential Solar Permits

The City's current residential Solar permit fee is $250, for any size system. This fee was set by City Council as part of the City's green building program to enhance public health and welfare by encouraging green building measures in the design, construction and maintenance of buildings. The full cost as calculated as part of the 2012 User Fee study was $327.

The City's permit fee is currently below the State maximum as set by SB 1222 which states, residential rates have a max fee of $500 for a 15Kw system or less and $15 for each KW above the 15KW.

Commercial Solar Permits

SB 1222 set the commercial rate for permit fees at a max of:

Size	Amount
Up to 50Kw	**$1,000**
51Kw to 250 Kw	**$7.00 for each additional Kw**
251Kw and above	**$5.00 for each additional Kw**

The City's Commercial permit fee rate is **not** subsidized and is as follows, $972 (for one inverter and up to ten panels); $110 per additional inverter; and $125 per each additional 100 panels. When a permit is processed in the City system, the database calculates the City fee and the State maximum fee. Should the City fee by higher, the system will charge the applicant only up to the State maximum.

In FY 2015-16 the City received:

Fee Type	Number of Permits	Revenue
Commercial	6	$7,820
Residential	524	$131,000
Total	**530**	**$138,820**

Estimated General Fund Subsidy

Based on the number of permits, the City is subsidizing this service by **$40,348. Please Note:** The subsidizing of the residential solar permit fee is part of the City's Climate Action Plan which addresses targets established by SB 350 to reduce greenhouse gas emissions to 40% below 1990 levels by 2030.

Items for Consideration

Would the Task Force like to consider recommending increasing the cost recovery to a level closer to the maximum allowable?

Additional Information: (R-2: Increase Park Use Fees/ R-3 Increase Park Non-Resident Fees)

Overview

At the August 3rd Task Force meeting staff presented information on multiple topics related to Parks and Community Services (PCS). The Task Force requested that additional information be provided that showed the expenses and revenue for the whole PCS program, to put the previous information in context. The prior information/decision points that were presented was

- Increase Park Use Fees
- Increase Park Non-Resident Fees

The following discussion does not include the cost of the Library, which is a cost placed in the PCS budget, but which is a City program and City cost and not that of anyone City Department. In addition the Library costs are not included due to the fact that the City's PCS pricing policy also excludes the costs. The City Council has set the cost recovery target for PCS at 65%.

The PCS budget has increased 88% ($4.8 million) since FY 2012-13, while the departments General Fund subsidy has increased 119% ($2.77 million). During the same time period excluding PCS the City's operating budget grew 38%. (**Note:** The below numbers do **not** include the cost to maintain the City parks. These costs are reflected in the Public Works budget)

	FY 2012-13 Actuals	**FY 2013-14 Actuals**	**FY 2014-15 Actuals**	**FY 2015-16 Actuals**	**FY 2016-17 Actuals**	**FY 2017-18 Adopted Budget**
Expenditures	5,380,103	5,671,310	5,942,186	6,805,690	8,100,787	10,140,011
Revenue	3,073,969	3,426,991	3,738,237	3,747,907	3,731,185	5,066,555
GF Subsidy	**2,306,134**	**2,244,320**	**2,203,950**	**3,057,784**	**4,369,602**	**5,073,456**
Cost Recovery %	**57.1%**	**60.4%**	**62.9%**	**55.1%**	**46.1%**	**50.0%**

As indicated in the chart above the City's current budgeted Cost Recovery percentage is 50%. To reach the 65% threshold PCS would need to collect an additional $1.5 million. The following is an overview of the PCS Cost Recovery by Program area along with the FY 2017-18 Adopted Budget Expenditures.

PCS Program	**Cost Recovery %**	**FY 2017-18 Adopted Budget**
Human Services	**2.6%**	**$290,200**
Historical Facilities Operations & Rental	**42.4%**	**$209,150**
Dublin Cemetery	**85.0%**	**$7,321**

Heritage Center Programs	**11.0%**	**$226,216**
Cultural Activities	**53.4%**	**$393,835**
Community Events & Festivals	**26.1%**	**$698,181**
Facility Operations& Rentals	**34.2%**	**$1,385,602**
Parks & Community Services Admin	**0.0%**	**$1,821,447**
Family Programs	**136.2%**	**$544,245**
Recreational Activities	**103.0%**	**$309,285**
Preschool Programs	**144.3%**	**$249,413**
Senior Programs	**21.7%**	**$443,728**
Sports Programs	**107.1%**	**$720,929**
EGRAC	**62.0%**	**$2,877,750**

Items for Consideration

Create a Policy Statement that requires the Parks and Community Service Department to obtain a 65% cost recovery within 5 years, with benchmarks for each year leading up until the 65% mark to avoid a dramatic increase in costs and/or reduction in services.

E-1: Address General Fund CIP's / E-5: Eliminate Cemetery Expansion Plans

Note: Items E-1 and E-5 have been combined and replaced as Decision Point E-1

Overview

The majority of the City's capital improvement projects result in an ongoing operating impact on the City's General Fund. The Task Force has discussed the importance of weighing these costs when determining whether a project should move forward. In addition, specific General Fund reserves have been set aside to fund capital projects – the Task Force is scrutinizing these uses for relevancy/feasibility in the current financial climate.

On July 15, 2017, the City Council discussed future capital projects requiring General Fund contributions. This item was continued to August 15th to allow Staff to provide the City Council with additional information.

Items for Consideration

These decision points are related to actions the City Council will likely consider in the near future.

Pending City Council action removing the cemetery expansion project, it is recommended that, should the Task Force wish to address this topic in its final recommendations to the City Council, it should create a policy statement, such as the following:

"The CIP planning process should include a specific discussion of General Fund obligations, for both capital funding needs and operational funding needs."

E-2: Decrease Park Maintenance Costs (MCE Contract)

Overview

The budget for the MCE contract for FY 2017-18 is $5.6 million. The following is list of the major cost components of the work performed by MCE, with potential savings and impacts of cost cutting. If all cost cutting actions are implemented, the City would save approximately **$ 656,400** annually.

1. Turf

Cost Cutting Actions

- Reduce mowing schedule by 50%
    - Parks – 2x a week to 1x a week
    - Neighborhood parks – 1x a week to 1x every other week

Impact

The City currently uses recycled water in the major of the parks, which causes grass to grow at a high rate. Reducing the mow schedule would result in 40% cost savings (longer grass results in longer mow times). Longer grass could impact user groups.

FY 2017-18 Budget

Task	Budget	Estimated Savings
Mow Schedule	**$316,000**	**$126,400**

2. Trees

Cost Cutting Actions

- Reduce tree staking and pruning
- Eliminate tree replacement (note – the City Council recently re-funded tree replacement)
    - Tree pruning and removal will be focused on public safety to accommodate sidewalk encroachment and vertical pedestrian clearances. Removal will be limited to dangerous trees.

Impact

The cost cutting actions would result in a reduction of approximately 50% in tree maintenance. Any reduction in tree pruning service level will result in deferred costs, as the tree will continue to grow and lack of pruning in any given year will result in one-time maintenance that takes longer and is more expensive. Additionally, if trees are not pruned, this can become a liability to the City, especially in winter months, as the unpruned trees become saturated and the risk of tree-related damage increases. Please note: that the MCE budget in FY 2016-17 was the first year that tree pruning/upkeep was restored to pre-recession levels. The City has approximately 8,550 trees.

FY 2017-18 Budget

Task	Budget	Estimated Savings
Tree Upkeep	**$301,000**	**$164,000**

3. Shrubs/Bedding/Leaves

Cost Cutting Action

- Reduce pruning from 2x a year to 1x a year
  - Focus on sidewalks and high traffic areas
- Reduce leaf clean up
  - Focus on high traffic areas

Impact

As with reduced tree upkeep, the reduction in shrub/bedding pruning will result in a deferred cost as the pruning will eventually need to occur. A reduction in leaf clean-up may cause additional costs in maintaining the City's storm water system as a building in leaves and debris can be costly to clean and cause street flooding. The City has 220 acres of City parks and 74 landscape acres.

FY 2017-18 Budget

Task	Budget	Estimated Savings
Shrubs/Bedding	**$998,000**	**$300,000**
Leaf	**$165,012**	**$66,000**

4. Park Restrooms Maintenance

The City currently spends approximately $300,000 annually on park restroom maintenance. A neighborhood park costs the City between $10,000 - $15,000 annually, with heavier-trafficked parks such as Fallon and Emerald Glen costing $45,000 each annually. MCE has not provided an estimate of potential cost-cutting measures and impacts of those, although Staff believes a reduction in service or availability could produce significant savings, should it become necessary.

<u>Items for Consideration</u>

Should the City explore any reduction to the services described above?

E-3: Alternate Retirement Option

Overview

This paper is meant to address issues brought up by the Task Force regarding alternate retirement options, available to CALPERs or 1937 Act Retirement systems. The 1937 State County Employees Retirement Law (CERL), allowed Counties to establish retirement systems for County Employees. The following is not a legal opinion nor has any legal counsel been sought. The majority of research is from information available from CALPERs.

Do all California City Government agency participate in a Defined Benefit Plan, such as Calpers?

No, but of the 459 California municipalities identified in a recent study only 10 had no defined benefit plan with only two of those cities having populations over 24,000 (Danville and Lafayette).

City	Population	City	Population
Danville	43,146	Mendota	11,225
Holtville	6,154	Orinda	18,089
Huron	6,843	Rio Dell	3,347
Lafayette	24,659	San Juan Bautista	1,905
McFarland	13,745	Trinidad	361

- Of the non-PERS agencies that could be identified, the average maximum Employer contribution is between 10% - 15%.
- Orinda was the only municipality that could be identified as once having a defined benefit plan for all employees. The defined benefit plan for non-safety employees was phased out in the late 90's. Orinda current contracts with Contra Costa Sheriff for Police Services.

Can a CalPERs contracted municipality have a split retirement system that includes both a Defined Benefit Plan and a Defined Contribution Plan?

No. CalPERs contracted municipalities cannot have a split plan, as this would violate current Public Employee Retirement Law (PERL). Currently the only way to establish a Defined Contribution plan would be to place a hard freeze (stopping future service accruals for all (current and future) employees) on the Defined Benefit plan.

Can a City implement a hard freeze?

Yes, but there would be significant hurdles. Municipalities have in fact approved a hard freeze for their organizations, but in cases that could be researched, one of two situations occurred: 1) the organizations no longer had employees eligible to receive pensions; or 2) had themselves been dissolved (i.e. small special districts absorbed into other municipalities). Another option would be for current employees of an organization to agree to a hard freeze in exchange for an alternative benefit.

While a City could attempt to unilaterally institute a hard freeze, without employee consent, outside of bankruptcy, it would in all likelihood be seen as a violation of the "California Rule" which comprises a series of court decisions ruling that the pension promised on the date of hire becomes a vested right, protected by contract law, that can only be cut if offset by a new benefit of comparable value.

In the case of Orinda, a soft freeze was implemented where current employees were allowed to keep the Defined Benefit plan and new employees were placed into a Defined Contribution plan. This is now against the law.

What would be the cost for Dublin to get out of CALPERs?

A lot. Assuming all other hurdles were dealt with the cost for the City of Dublin to leave CalPERs would be between $44,711,069 and $63,641,481 as of the most current valuation. In addition this amount would be required to be paid immediately upon termination from CALPERs (no multiple year payments plans are available).

Why is the Termination Liability so much higher than the City's current unfunded liability?

CALPERs policy is to use a discount rate for "risk-free securities" which is a blended rate of various Treasury bond maturities, but which is closely aligned with the yield of the 20-year Treasury Bond, which was approximately 2.75% as of the release of the current actuarial report.

Does the City have any options in terms of CALPERs?

Yes and No. Options to change benefits within CALPERs are available. Prior to 2013 the most common action was to lower the benefit level for future employees. With the passage of PEPRA (Public Employees' Pension Reform Act), the State took that step for all municipalities for anyone hired into the system after January 2013. The largest impact of PEPRA in terms of employer savings was shifting all new employees to a new, likely lower, State retirement formula. For the City of Dublin that works out as follows:

Retirement Age	55	62
Classic PERS Factor	2.7%	2.7%
PEPRA Factor	1.3%	2.0%

EXAMPLE:

	Benefit	Compensation	Years of Svc	Benefit Factor
Classic	2.7@55	$100,000	30	.027 x $100,000 x30 =**$81,000**
PEPRA	1.3@55	$100,000	30	.013 x $100,000 x30 =**$39,000**

What actions has the City of Dublin taken?

The City of Dublin provides two retirement benefit plans, the City's pension plan and retiree health care. Both plans have unfunded liabilities and are long-term liabilities for the City. The following is a list of actions taken by the City and City Staff to address them:

Retiree Health (OPEB):

- Fully funded annual retirement contribution (ARC). In FY 2015-16 Dublin had the highest OPEB funding percentage in all of Alameda County (Note: Most cities institute a pay-as-you-go approach to OPEB funding (i.e not setting funds aside). Dublin fully funds the OPEB ARC to help ensure future benefits are funded.

- Beginning January 1, 2016 all new employee receive the minimum OPEB benefit of $125/month compared to $1,680/month. Projected savings is $4.4 million over 15 years.
- Pre-funded additional $1,000,000 in FY 2015-16, saving $120,000 per year.

CALPERs Pension:

- Shifted 7% of the City's annual pension costs to the employees – saving approximately $700k annually.
- Implemented PEPRA (State Law), reducing pension benefits for new PERS members. It is estimated that within 20 years of implementation, all active employees will be PEPRA members.

Status	Classic	PEPRA
Active	80	11
Transferred	47	0
Separated	34	1
Retired	71	0
Total	**232**	**12**

- Budgeted for lump sum payments against unfunded liabilities (in addition to fully funding the annual required contribution):
    - FY 2015-16 - $250,000, FY 2016-17 - $750,000, FY 2017-18 - $1,000,000.
- Created Post-Employment Benefits Trust Program with Public Agency Retirement Services (PARS) to Pre-Fund Pension Obligations. This allows for greater interest earnings and acts as protection against potential future budget hits. Any assets invested with this new trust count against the City's unfunded liability.

City of San Diego

In 2012 the City of San Diego placed Measure B on the ballot which would create a dual pension system, in which all new hires would be placed into a new "401 (k) – style" plan, while current members would remain in the "classic pension" system. Coming out of the great recession left many cities hanging on a thread trying to balance budgets while seeing pension obligation continue to increase, it was this that prompted the City of San Diego to act. The measure ultimately passed, was implemented while the City has simultaneously been defending the Measure in court.

Epilogue

During the time City Staff was writing this paper a court decision was handed down by the State Appellate Court which found in favor of the City of San Diego and their hybrid retirement system, this was seen by many as an opening for other municipalities to create similar systems. The case will be appealed to the State Supreme Court, which many believe will serve as the first test case for cities to follow to create plans similar to San Diego. How the case will play out at that level is unknown, but what is known is under the current law San Diego, itself is an outlier, as mentioned above. San Diego is a charter city, with a retirement system that was created independently of the State's 1937 Act to allow counties to create a retirement system similar to "CalPERs" and therefore have different laws pertaining what that system can or cannot do. Current law as applied to CALPERs cities states that cities/counties could not independently create a hybrid system, this could only be done by the State Legislator or possibly by a Statewide ballot. The State did look into creating the ability for agencies to create a hybrid system, but this was ultimately not included in the law that would become known as CALPEPRA. Individual citizens in the past 2016 election attempted to get statewide ballot measures placed, but ultimately were not able to.

San Diego was not alone in their attempt to create a hybrid plan. Many cities have looked into the possibility. Around the same time, Ventura County attempted to take a similar measure but was blocked by a court decision.

Items for Consideration

This option is not feasible under current law. Staff is providing this as an informational item.

E-4: Across the Board Reductions (1-5%)

Overview

The Task Force is exploring the impact of potential tiered cuts to all operating departments. Please note that any across the board reduction would include a reduction to the maintenance (MCE) budget and, therefore (E-4) Across the Board Reduction and (E-2) Decrease Park Maintenance Costs cannot be considered as separate savings.

The FY 2017-18 General Fund operating budget is $74,786,921. Assuming all things being equal, if every department were to make a 1% - 5% reduction to their budget, the resulting savings would be:

Operating Budget (Total)	1%	2%	3%	4%	5%
$74,786,920	747,869	1,495,738	2,243,608	2,991,477	3,3739,346

Due to Dublin's unique set-up, many of the services and associated costs are contracted out including Public Safety, the City's biggest expense. Therefore an across the board reduction to all departments is not possible and in some cases not practical. Reduction calculations should exclude Public Safety.

Operating Budget (w/o Public Safety)	1%	2%	3%	4%	5%
$41,101,137	411,011	822,022	1,233,034	1,644,045	2,055,057

The City has three revenue generating Departments: Community Development, Parks and Community Services and Public Works. While each of these departments has the availability to cut costs, because they do generate revenue they, as a general rule, would not want to cut a cost that is revenue offset. To capture this, all costs that have revenue off-sets should be removed from the calculation.

Operating Budget (w/o Public Safety or revenue offsets)	1%	2%	3%	4%	5%
$25,713,915	257,139	514,278	771,417	1,028,556	1,285,695

The remaining cost cuts would be borne by supporting departments. Preliminarily, should departments need to cut 1% or 2% from their budgets, this could be absorbed without reducing staff. Higher than 3% departmental reductions would require a reduction in Staff.

Items for Consideration

How could a tiered cost-cutting approach be used in actuality?

N-1: Downtown Renovation

Overview

The City Council set aside $1 million in a General Fund reserve for Downtown Public Improvement projects. To date, the city has spent a portion of funds on Amador Plaza pedestrian improvements and Downtown Wi-Fi access.

The City Council recently approved a consultant to being work on a Downtown Streetscape Master Plan. Funding for the consultant will come from this General Fund reserve. The costs associated with the public improvements will come from community benefit payments as a result of the Downtown Specific Plan Development Pool.

Items for Consideration

Recommend reallocating the remaining reserve funds.

Consider alternate uses of/ongoing contributions to this reserve.

N-2: Implement Parking Meters/Enhance Parking Fine Enforcement

Overview

The City currently does not have parking meters. Parking violation enforcement is currently undertaken by the Dublin Police. In FY 2017-18 the City received **$47,942.50** in Parking fines.

For comparison: the City of Walnut Creek operates a Downtown Parking and Enhancement Enterprise Fund. All funding is used for operations, parking structure improvements and downtown enhancements. Includes operations of 1,500 parking meters, 22 city parking lots and garages and the downtown trolley.

Operating Expenditures*	$5,353,404
Operating Revenues	$5,687,534
+/-	**$ 334,130**

*Includes depreciation of $606,042

Items for Consideration

Staff is providing this as an informational item.

P-1: Plan for Appropriate Police Services Growth/ P-2: Consider Non-Sworn Support

Overview

As part of the FY 2017-18 Budget, the City of Dublin added two Deputies to the Dublin Police Services, bring the total allocated positions to 63.

City Support Staff	**4**
Contracted Positions	**59**

With the addition of the 2 deputies, the projected General Fund cost for Dublin Police Services over the next 8 years is:

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Police Contract	18,259,770	19,333,784	20,397,142	21,518,985
City Support	2,048,625	2,110,084	2,173,386	2,238,588
Total	**20,308,395**	**21,443,868**	**22,570,528**	**23,757,573**

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Police Contract	22,702,529	23,951,168	25,268,482	26,658,249
City Support	2,305,745	2,374,918	2,446,165	2,519,550
Total	**25,008,275**	**26,326,086**	**27,714,648**	**29,177,799**

All costs have been included into the City's Forecast

The costs are based on the following assumptions

- No new staff being added
- Contract costs increasing 5.9% in FY 2018-19 and 5.5% annually beginning FY 2019-20
- Support staff costs increasing 3% annually

In addition to the projected costs the City has set aside an additional $1 million in a General Fund Reserve to provide future funding of four officers.

Non-Sworn Support

The City currently does not have Reserve Police or Volunteer Police, although the Sheriff's Department does utilize Non-Sworn support at various Dublin events.

Items for Consideration

Staff is providing this as an informational item.

P-3 – Realign Reserve Needs

Overview

The Governmental Accounting Standards Boards Statement No. 54 (GASB 54) requires fund balance (City Reserves) to be classified into different categories depending on the extent to which the use of the resources is constrained for specific purposes.

Non-Spendable – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained.

Restricted – amounts with constraints placed on the use of the resource which are either (a) externally imposed by creditors, contributors, or laws and regulations of other agencies or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to formal action of the agency's governing body.

Assigned – amounts that are constrained by the governing body's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – used by General Fund for residual classification of positive funds.

The following is a summary of the estimated amounts the City's will have in each of the Reserve categories.

Type	Amount
Non-Spendable	$199,943
Restricted	$639,000
Committed	$32,825,059
Assigned	$43,337,733
Unassigned	$33,333,200
Total	**$110,334,935**

Reserves of Note

Catastrophic Facility/Infrastructure Loss & City Business Recovery – City Council target is 15% of the reported book value of the City-owned buildings. **($11,368,531)**

Unassigned for Cash Flow Purposes – Should have a minimum equal to two months of budgeted operating expenditures with a goal to achieve a maximum of four months. **($35,530,554 – 4 months)**

Allocation of additional residual resources. After maintaining the minimum level of unassigned cash-flow funding, additional resources shall be allocated as follows – a) 50% to Pension and Other Post-Employment Benefits; b) 50% to Non-Streets CIP Reserve.

Since the great recession the City's General Fund reserves have grown 72% from $64 million to $110 million. This growth is not sustainable and as such the City has worked to strategically set aside cash flow surpluses into reserves that address the City's current and future liabilities, such as retirement, but also includes funding for known replacement of City assets and future projects. In addition, the City has used the surpluses to fund an economic uncertainty reserve as well as setting funds aside for City costs as development slows down.

Items for Consideration

With the exception of the Non-Spendable and Restricted funds plus the reserves that require a minimum level of funding, the Task Force can recommend realigning the reserves.

P-4: Tiered Budget Response Based on Forecast/P-6: Establish Base Year with Annual Inflation Thereafter

Overview

The following is a high level overview of the City's Budget process.

1. The City utilizes a baseline budget to start the budget process, in the current year adjusted budget becomes the new budget. The budget is then adjusted based on the following:

   - Salary and Benefit increases
   - Projected contractor workload
   - Inflationary Factors – (i.e. increase in utility costs)
   - Contract proposals (Public Safety and MCE)

2. Next City Council initiatives and priorities are included. This can result in a myriad of increases, (staffing – adding a planner or contracted services – adding a deputy)

3. Departments are then able to request additional funds theat can include both one-time costs and/or on-going costs.

The City's current practice for budgeting does not include any single inflationary factor. The Urban Consumers Price index for the San Francisco area has increased by an average of 2.8% over the past five years, while City revenues has increased by approximately 5.0%.

Within the Budget Document presents all new costs as well as a detailed description of all the assumptions and increase/decreases in costs and revenue are provided

Items for Consideration – P-4

Recommend a tiered budget Policy Statement where actions should be taken when benchmarks are hit. Actions would correlate with the severity of the benchmarks hit.

Items for Consideration – P-6

Recommend the City tie budget increases to a general inflationary factor.

P-5 – Require Budget offsets for new/increased services

Overview

The City currently does not require new costs to be offset by the reduction of costs in another area. The City does ensure funding is currently available for any new costs and also incorporates those cost into the City's 10-year forecast. The effects of the additional cost in the years in which the City is running a deficit play a large role in determining whether a new cost is brought forward to the City Council. An example of this can be seen in the City's hiring of limited term staff when filling vacancies and the use of contractors instead of adding City staff.

Items for Consideration

Recommend a Policy Statement requiring new costs are offset with costs reduction.

Recommend a Policy Statement requiring that future cost of new/increased services are clearly identified for the Council in Staff Reports and the Budget.