

CITY OF CORONA

GENERAL FUNDS

LONG RANGE FINANCIAL OUTLOOK



May 2018



What is the General Fund?

- The General Fund is the primary Operating Fund of the City and is the main source of monies used to provide and maintain essential City services:
 - Public safety services
 - Culture and leisure
 - Animal control
 - Administration
 - Legal
 - Planning and building
 - Engineering
 - Other essential governmental type services



General Fund Revenues

Property Tax

Sales Tax

Other Taxes

**Motor Vehicle
License Fees**

Franchise Fees

**Transient
Occupancy Tax**

**Charges
for Services**

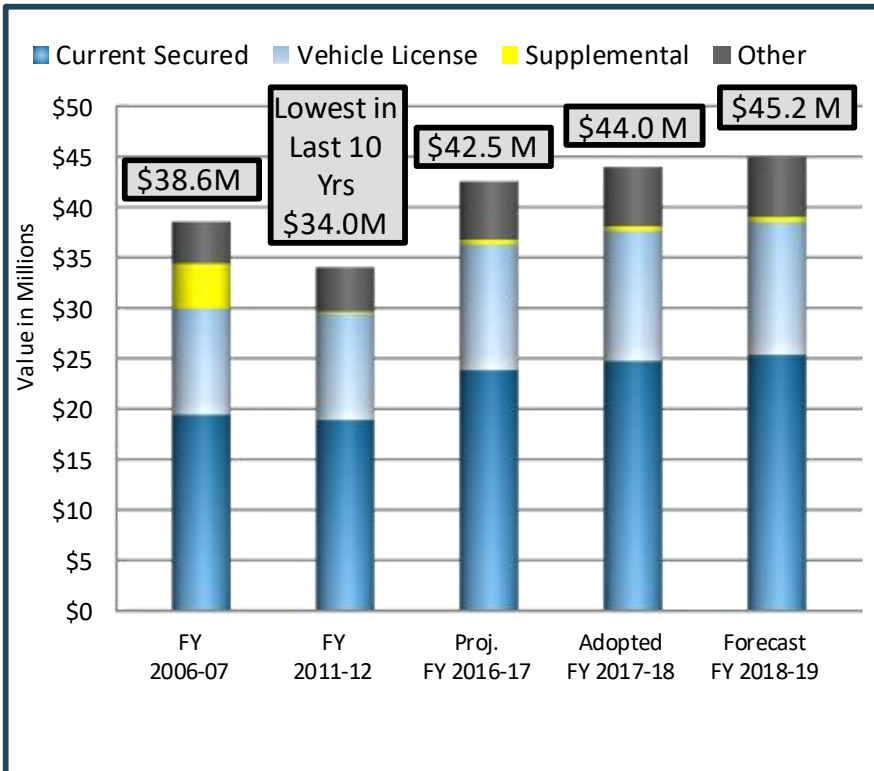
Interest Income

Other Revenue

**Services to
Other Funds**

Property Taxes – General Fund

(Eight cents for every dollar goes to Corona)

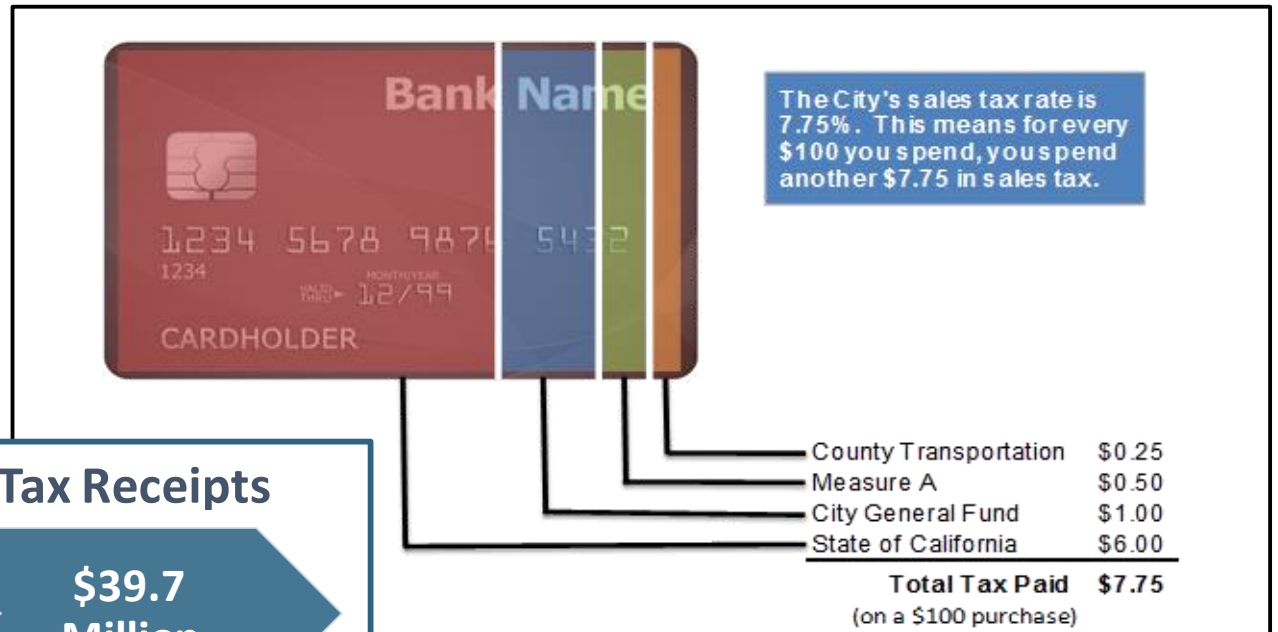


Example:
Home valued at \$500,000
1% secured property tax = \$400 to City of Corona General Fund

Corona's Median Home Price - \$511,912
(1st Qtr 2018 data)

Sales Tax – General Fund

(1% goes to Corona)



Taxable Sales Sales Tax Receipts



Other Taxes



Business License Tax:

- An annual regulatory permit for conducting business within city.
- \$2.3 Million



Property Transfer Tax:

- A tax collected when a real property exchanges hands or is sold.
- \$0.9 Million



Half Cent Public Safety Sales Tax

(Prop 172):

- Revenues to be used for public safety purposes.
- \$2.1 Million



State Controlled Funding

Motor Vehicle Fees - \$12.9 M

- A tax on the ownership of a registered vehicle in place of taxing vehicles as personal property. By law, all revenues fund city and county services, but the state legislature controls the tax rate and the allocation among local governments.



Public Goods



Franchise Fees - \$5.3 M

- An annual fee charged by the City to private companies as compensation for using public property as right-of-way for delivering their services. These revenues are primarily generated by:



Refuse



Electric



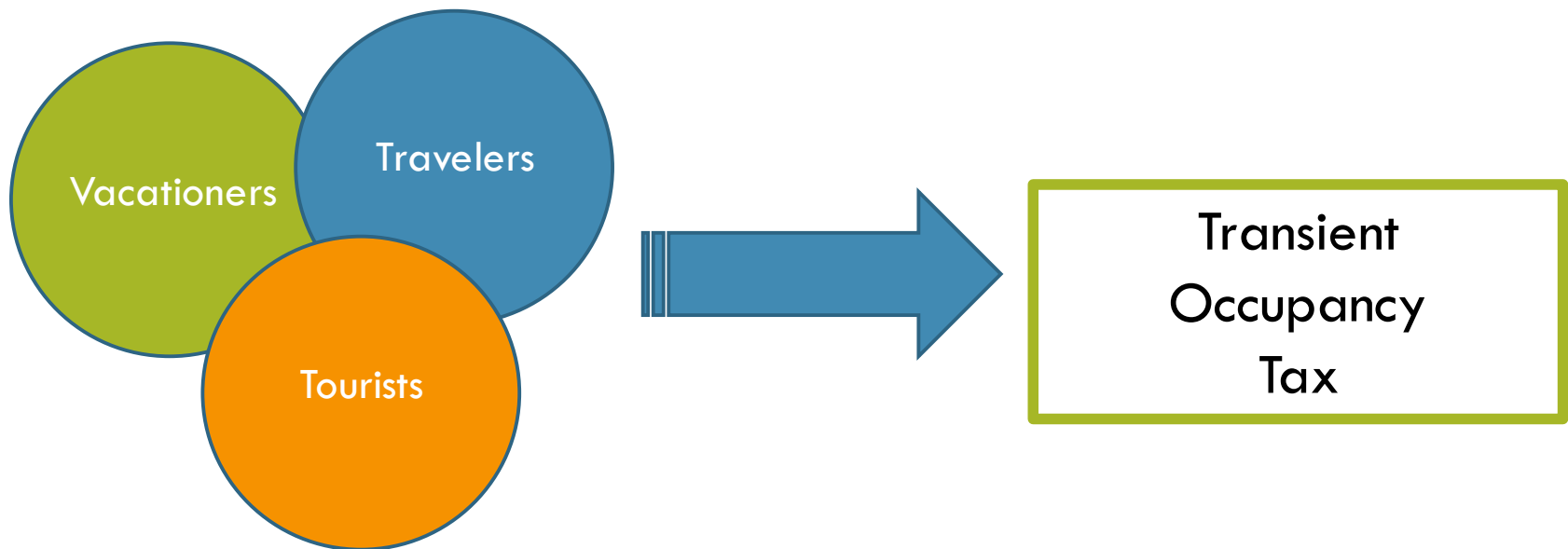
Gas



Cable

Transient Occupancy Tax - \$2.2 M

- ▣ A tax charged to visitors and tourists when they rent accommodations (a room or other living space) in a hotel, inn, motel, or other lodging place.





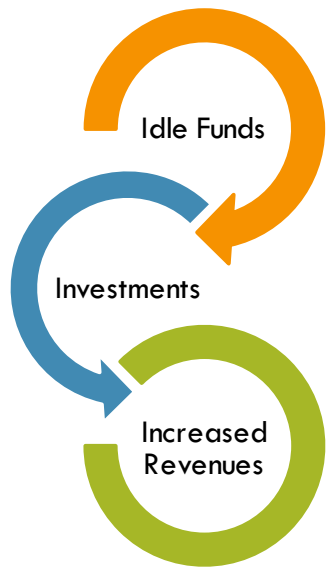
Charges for Services - \$20.6 M

- User Fees are charges for services such as engineering, planning and building fees; parks and recreation fees.



Interest Income / Rents & Leases - \$9.6 M

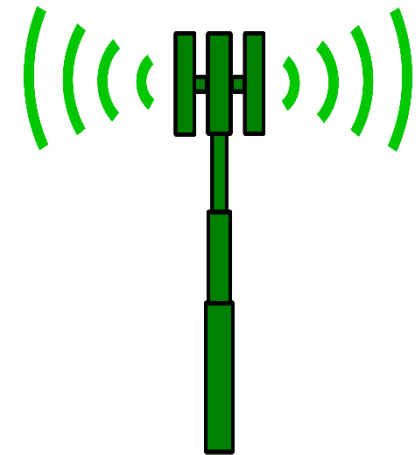
- ▣ Lease and interest earnings consist of investment earnings on account balance, office leases, and cellular site leases.



Investment Earnings



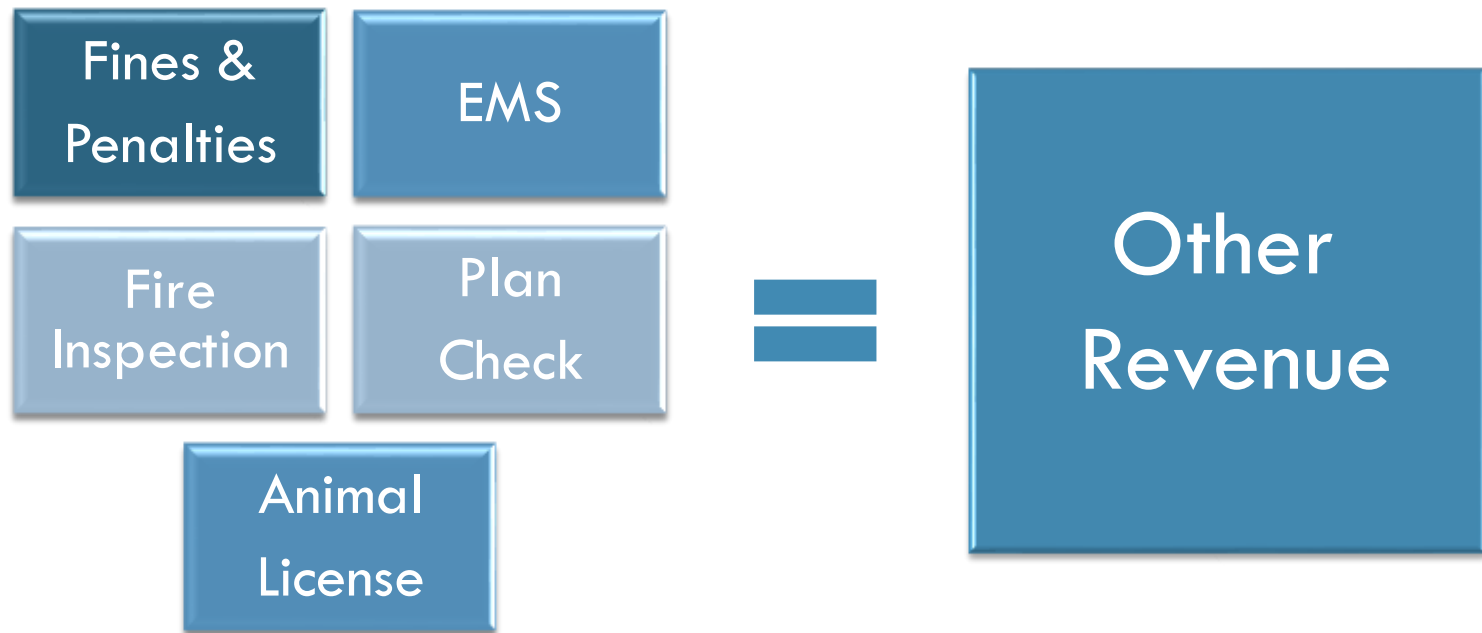
Office Leases



Cell Site Leases

Other Revenue - \$5.7 M

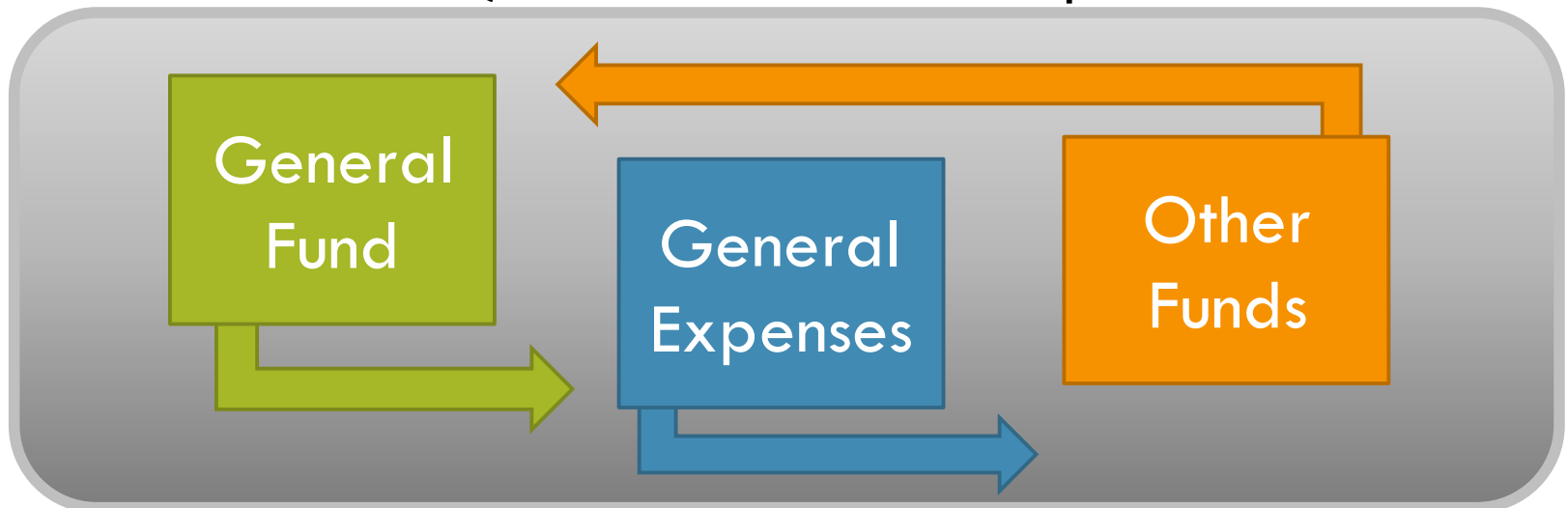
- Other revenues include fines, penalties, intergovernmental, voluntary emergency medical subscription fees, fire inspection and plan check fees, dog license, and other miscellaneous revenues.





Services to Other Funds - \$9.9 M

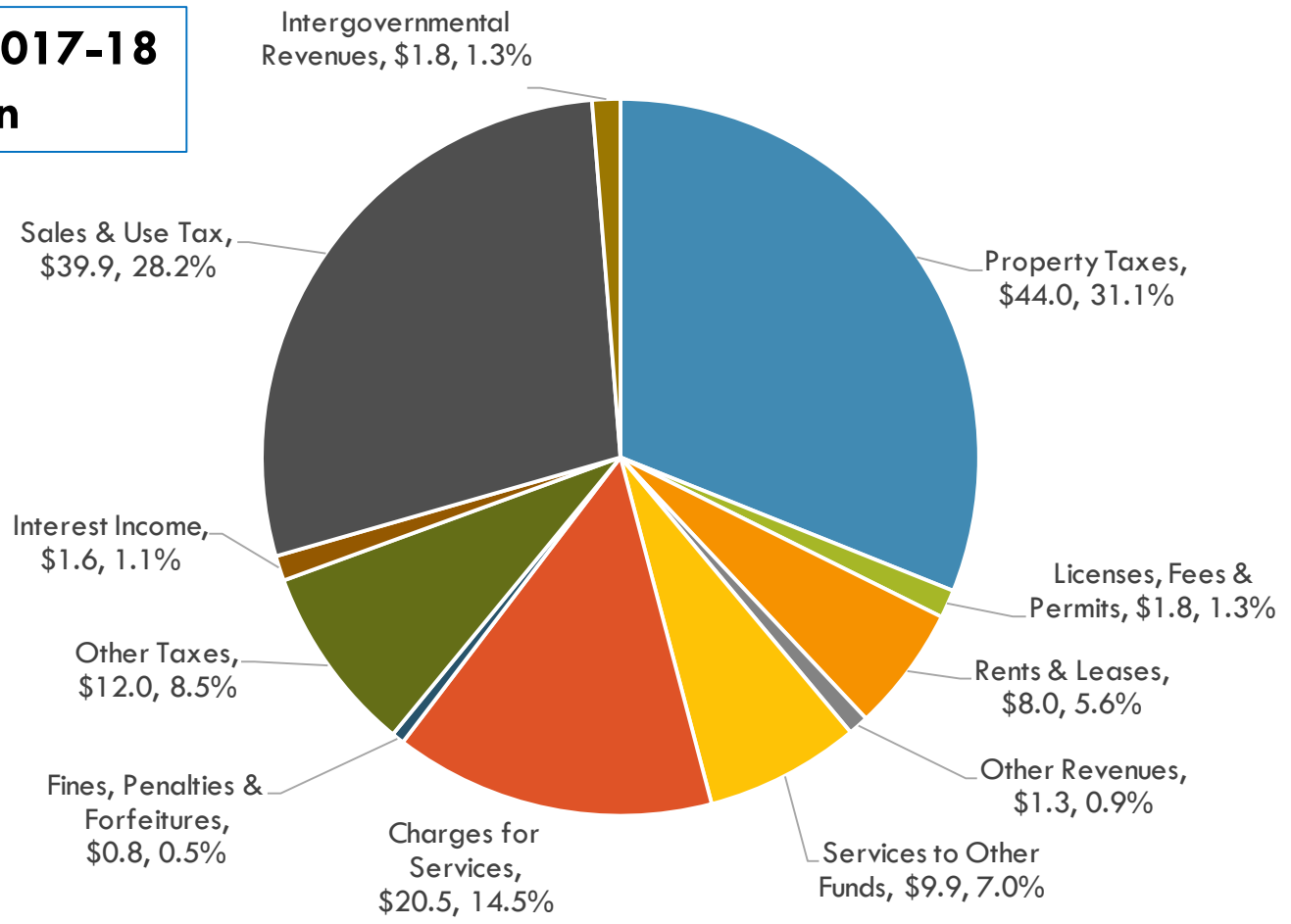
- Overhead Reimbursements and transfers to the general fund represent each transferring fund's share of overhead costs which are paid by the general fund. Examples of costs paid by the general fund and proportionately reimbursed by other benefiting funds are general administrative costs, liability insurance premiums, building use and maintenance, retiree medical insurance, and self-insurance expenditures.





Revenues – General Fund

Adopted FY 2017-18
\$141.6 Million





General Fund Revenues

REVENUES/TRANSFERS IN	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Property Tax	\$ 43,961,800	\$ 45,200,456	\$ 46,249,670	\$ 47,238,239	\$ 48,183,000	\$ 49,146,600
Sales Tax	39,884,300	40,823,700	40,701,400	42,322,400	43,509,300	44,379,500
Charges for Services	20,566,719	20,358,520	20,691,600	21,089,400	21,495,100	21,909,000
Services to Other Funds	9,867,100	10,093,000	10,294,900	10,500,800	10,710,800	10,925,000
Rents and Leases	7,989,030	7,771,667	7,616,000	7,464,000	7,315,000	7,169,000
Other Taxes - Franchise Tax	5,312,400	5,386,400	5,547,992	5,714,432	5,885,900	6,062,500
Other Taxes - Business Licenses	2,325,000	2,347,000	2,370,500	2,394,200	2,418,100	2,442,300
Other Taxes - Transient Occupancy	2,220,000	2,220,000	2,242,200	2,264,600	2,287,200	2,310,100
Other Taxes - Prop 172	2,112,000	2,155,000	2,099,000	2,015,000	2,035,000	2,075,700
Intergovernmental Revenue	1,775,895	1,468,355	1,000,000	1,000,000	1,000,000	1,000,000
Licenses, Fees & Permits	1,769,740	1,627,106	1,643,400	1,659,800	1,676,400	1,693,200
Interest Income	1,645,802	1,905,631	1,924,700	1,943,900	1,963,300	1,982,900
Transfers In	1,425,711	1,396,149	1,448,000	1,473,000	1,499,368	1,499,368
Other Revenue	1,309,397	1,319,855	1,346,300	1,373,200	1,400,700	1,428,700
Fines, Forfeitures & Penalties	829,800	833,494	841,800	850,200	858,700	867,300
Other Taxes - Special Assessments	33,024	455,666	842,937	1,330,132	1,355,400	1,381,200
Total Revenues/Transfers In	\$ 143,027,718	\$ 145,361,999	\$ 146,860,399	\$ 150,633,303	\$ 153,593,268	\$ 156,272,368



General Fund Expenditures

**Salaries/Benefits
of Employees**

**Pension
Contributions**

**Medical
Insurance**

**Workers Comp.
and Disability
Insurance**

**Supplies and
Services**

Maintenance

Utilities

**Contractual &
Professional
Services**

**Internal Service
Fund Charges**

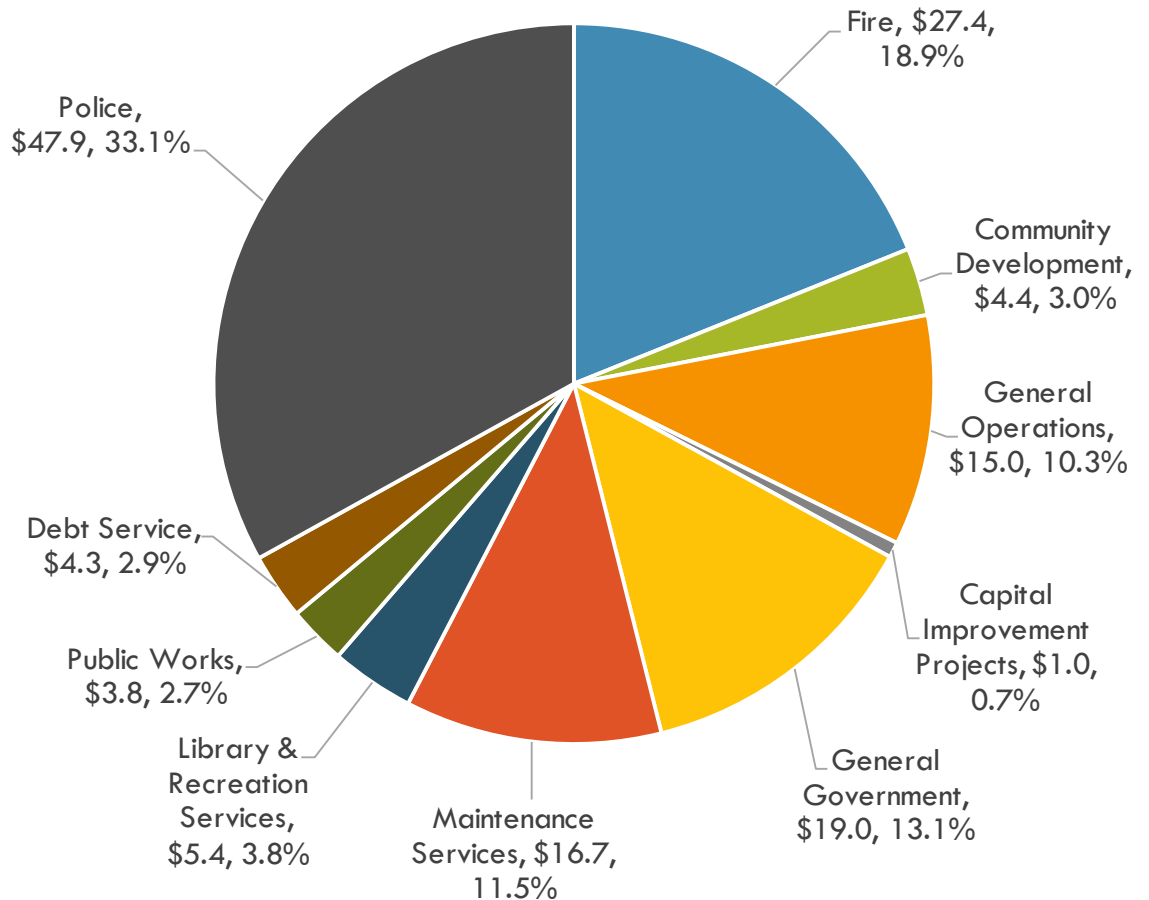
Capital Outlay



Expenditures – General Fund

**Adopted FY 2017-18
\$144.9 Million**

Department	(in millions)			Total
	Personnel	Services-Supplies	Other	
Admin Svcs	\$ 4.8	\$ 1.0		\$ 5.8
Elected	0.1	0.1		0.2
Info Tech	2.1	3.0		5.1
Legal/Risk	1.5	0.2		1.7
Mgmt Svcs	1.8	0.4		2.2
General Operations	10.3	4.7	-	15.0
Capital Projects			1.0	1.0
Community Dev	3.1	1.3		4.4
Debt Service			4.3	4.3
Fire	25.6	1.8		27.4
General Govt	9.0	10.0		19.0
Library & Rec Svcs	4.3	1.1		5.4
Maint Svcs	3.6	13.1		16.7
Police	43.8	4.1		47.9
Public Works	2.2	1.6		3.8
GRAND TOTAL	\$ 101.9	\$ 37.7	\$ 5.3	\$ 144.9





General Fund Expenditures

Includes labor imposition (non-sworn), CFA labor agreement, and Council items pending on 4/18/18

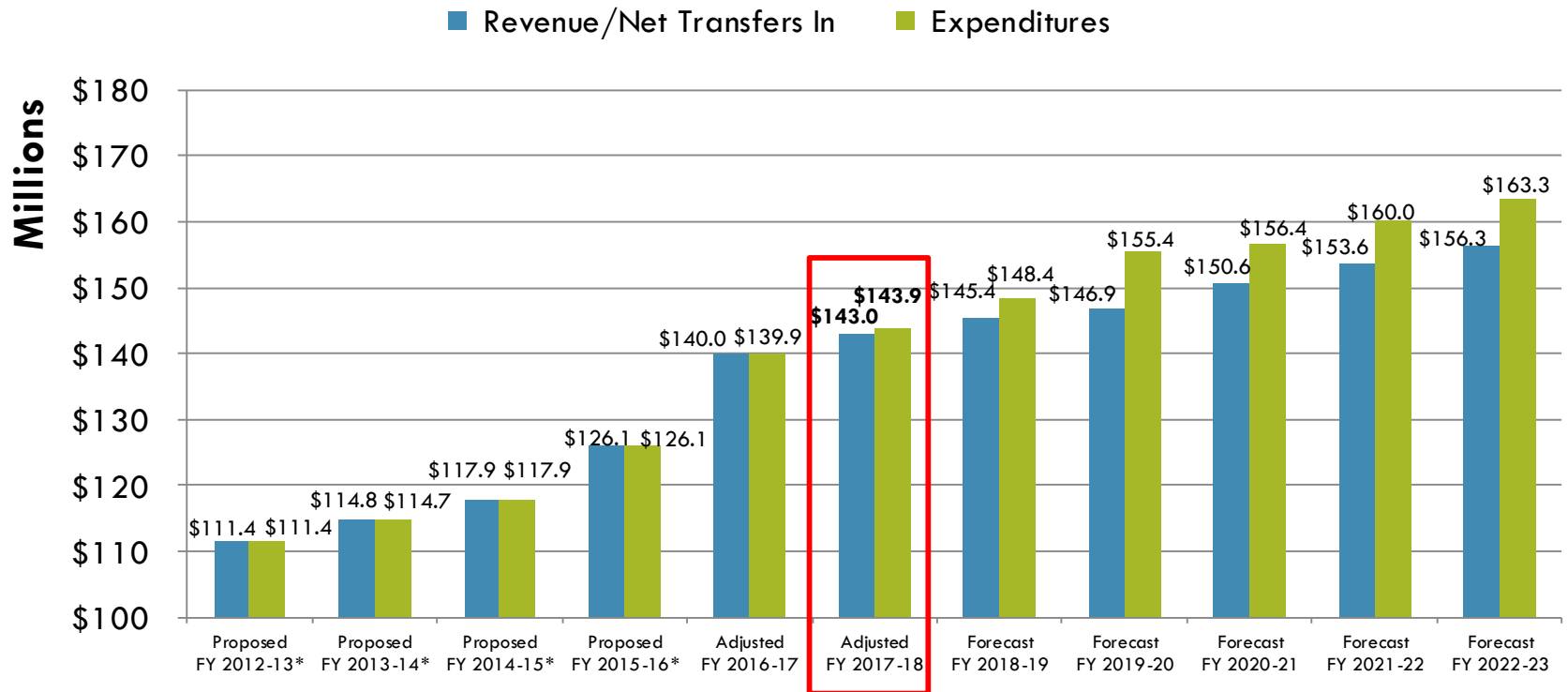
EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries and Benefits (Excluding Pension and Medical Costs)	\$ (65,227,534)	\$ (65,142,953)	\$ (65,394,753)	\$ (65,759,862)	\$ (65,842,064)	\$ (65,873,577)
Pension Contributions	(18,815,020)	(21,089,814)	(23,691,580)	(26,209,040)	(28,363,830)	(30,319,339)
Medical Costs (Allowance, Difference and Opt Out)	(8,648,918)	(8,415,023)	(8,509,681)	(8,635,148)	(8,879,818)	(9,131,614)
Retiree Costs/Other Post Employment Benefits (OPEB)	(8,117,431)	(8,239,629)	(9,644,175)	(9,937,807)	(10,222,216)	(10,515,010)
Services and Supplies	(15,589,488)	(16,079,557)	(13,910,294)	(14,335,583)	(14,593,298)	(14,883,197)
Refuse/Recycling	(7,913,347)	(7,933,130)	(8,845,440)	(9,022,349)	(9,202,796)	(9,386,852)
Professional/Contractual Services	(8,176,633)	(8,197,075)	(9,139,738)	(9,322,533)	(9,508,984)	(9,699,163)
Motor Pool	(3,031,373)	(3,038,951)	(3,388,431)	(3,456,199)	(3,525,323)	(3,595,830)
Utilities (Gas, Water, Electric)	(3,101,600)	(3,109,354)	(3,466,930)	(3,536,268)	(3,606,994)	(3,679,134)
Debt Service	(4,251,022)	(4,255,872)	(4,247,472)	(4,241,372)	(4,243,272)	(4,247,872)
Capital Improvement Projects	(1,000,000)	(2,854,500)	(5,169,260)	(1,982,711)	(2,000,000)	(2,000,000)
Total Expenditures	\$ (143,872,366)	\$ (148,355,858)	\$ (155,407,755)	\$ (156,438,873)	\$ (159,988,596)	\$ (163,331,588)

Projected Deficit	\$ (844,648)	\$ (2,993,859)	\$ (8,547,356)	\$ (5,805,570)	\$ (6,395,328)	\$ (7,059,220)
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General Fund

Revenue and Expenditure Overview



* As presented at the Budget Workshop for each year.

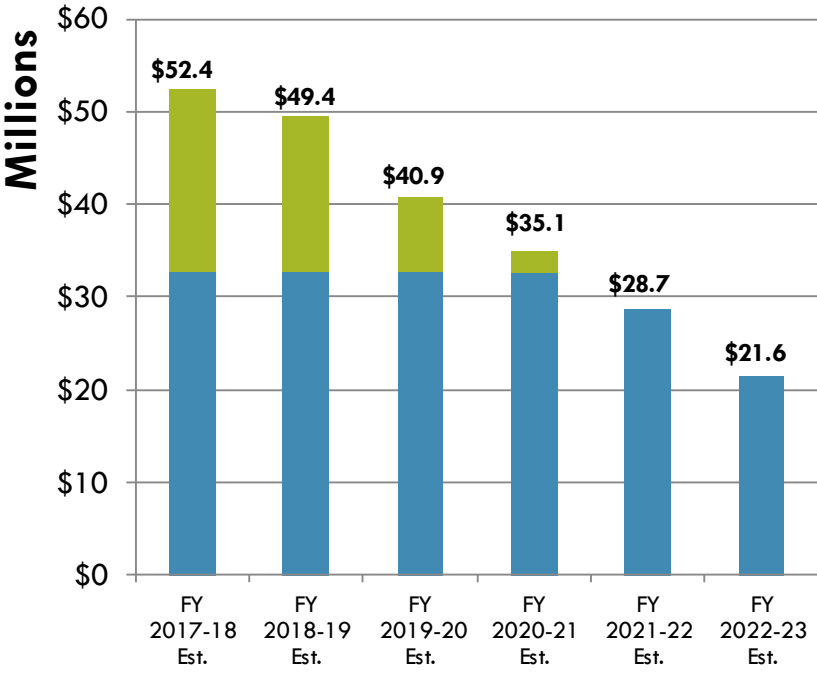
**Growing gap between revenue and expenditures -
\$0.8 Million in FY 2017-18 to \$7.1 Million in FY 2022-23**



General Fund - Reserve Balances

■ Emergency Contingency Reserve

■ Budget Balancing Measures Reserve



	Budget Balancing Measures Reserve	Emergency Contingency Reserve	Reserves Running Total
FY 2017-18 Est.	19,800,604	32,600,000	52,400,604
FY 2018-19 Est.	(2,993,859)		49,406,745
FY 2019-20 Est.	(8,547,356)		40,859,389
FY 2020-21 Est.	(5,805,570)		35,053,819
FY 2021-22 Est.	(2,453,819)	(3,941,509)	28,658,491
FY 2022-23 Est.		(7,059,220)	21,599,271
Reserve Balance	\$ -	\$ 21,599,271	

FY 2022-23 Estimated Emergency Contingency Reserve - \$21.6 million is equal to 1.6 months of estimated operating costs.

What have we done to mitigate budget shortfalls?

□ FY 2007-08

- \$5 Million in reductions
- 28 vacant positions eliminated (full time)



□ FY 2008-09

- \$10.5 Million in reductions
- 112 vacant and filled positions eliminated (full and part time)
- 56 vehicles eliminated

□ FY 2010-11

- \$5.3 Million in reductions
- 57 vacant and filled positions eliminated (full and part time)
- 14 vehicles eliminated



What have we done to mitigate budget shortfalls? – cont'd

▣ FY 2011-12

- Early Retirement Incentive Plan (PARS)
 - 72 vacant and filled positions eliminated (full time)
 - \$5.0 Million in reductions
- Refunded City Hall Lease Revenue Bonds - \$1.7 Million One Time General Fund Savings

▣ FY 2012-13

- Eliminated and extended life cycle of fleet vehicles – approximately \$700,000 in reductions
- Refunded several utility bonds
- California Public Employees' Pension Reform Act (PEPRA) took effect in January 2013
- Restructured cell site leases, managed by in-house legal team



What have we done to mitigate budget shortfalls? – cont'd

■ FY 2013-14

- Consolidated departments to reduce costs and streamline operations
 - Maintenance Services separated from Public Works
 - Parks and LMD Maintenance merged with Maintenance Services
 - Recreation Services merged with Library
 - 14 vacant and filled positions eliminated (full and part time)
 - Approximately \$900,000 in reductions

■ FY 2015-16

- Department reorganizations to reduce operating costs
 - Administrative Services
 - Department of Water and Power
 - 6 vacant and filled positions eliminated (full time)
- Refunded Corp. Yard Lease Revenue Bonds - \$3.8 Million in One Time General Fund Savings



What have we done to mitigate budget shortfalls? – cont'd

■ FY 2016-17

- Implemented zero based budgeting
- Pre-funded PERS contribution for cash flow savings - \$522,489 in cash savings
- Formation of two Citywide Community Facility Districts (CFD)
 - 2016-1 Public Services – Potential annual tax revenue \$2.2 Million after build-out of CFD
 - 2016-3 Maintenance Services – Projected annual revenue \$20,860
- Concluded AUP Audits
- Charting our Path – Solicited input for maintaining financial stability
- Changed investment strategy – reduced idle cash, increased investments



What have we done to mitigate budget shortfalls? – cont'd

■ FY 2017-18

- Established personnel vacancy factor in the budget
- Citizen's Tax Receipt & Balancing Act Budget Engagement App
- What Works Cities – results driven contracting
- Imposed terms for non-sworn employees - est. 2 yr savings, \$2.457M
 - Capped medical allowance and medical difference, increased opt out
 - Adopted FLSA definition for overtime, eliminated comp time banking
 - Created Tier IV, eliminated flex spending
 - Restructured special comp pay
 - Capped tuition reimbursement
 - Annual leave buy-back calculated at base hourly rate
 - Reduced auto allowance
 - 2% COLA



What have we done to mitigate budget shortfalls? – cont'd

■ FY 2017-18 – cont'd

- New contract with Corona Fire Assoc. – est. savings over term of agreement, \$1.9M
 - Capped medical allowance and medical difference, increased opt out
 - Eliminated flex spending
 - Eliminated “buddy system” annual leave, reduced OT
 - Created Tier IV
 - Capped tuition reimbursement
 - Restructured special comp pay, annual leave buy-back calculated at base hourly rate
 - 2% COLA
- Additional audits underway and upcoming
 - Transient occupancy tax (TOT)
 - Franchise agreements
 - Utilities – SCE, So Cal Gas, AT&T, Verizon, T-Mobile
 - Copiers/printers - Konica



How have these budget cuts impacted services to date?

- The City has prioritized maintaining public safety and essential quality of life services. However, to help maintain fiscal stability public safety services impacted include:
 - The City continues to be below recommended police staffing levels by 30 officers
 - Our City continues to grow
 - Recent changes in state law have put more offenders on our streets, with no state funding to mitigate costs
 - Reduced fire services:
 - There are neighborhoods in Corona where the response times are longer than the approved national standards for safety



Full Time Staffing Levels FY 2006-07 to FY 2017-18

PERS Group	FY 2006-07 Authorized Full Time Positions	FY 2017-18 Adopted Full Time Positions	Change	% Change
Miscellaneous	569	368	(201)	(35.3%)
Police	191	162	(29)	(15.2%)
Fire	133	113	(20)	(15.0%)
Totals	893	643	(250)	(28.0%)
Payroll \$ (All Funds)	\$102.7 M	\$112.7 M	\$10.0 M	9.7%

Note: ~\$30M has been saved due to staffing and service reductions in public safety departments and elsewhere

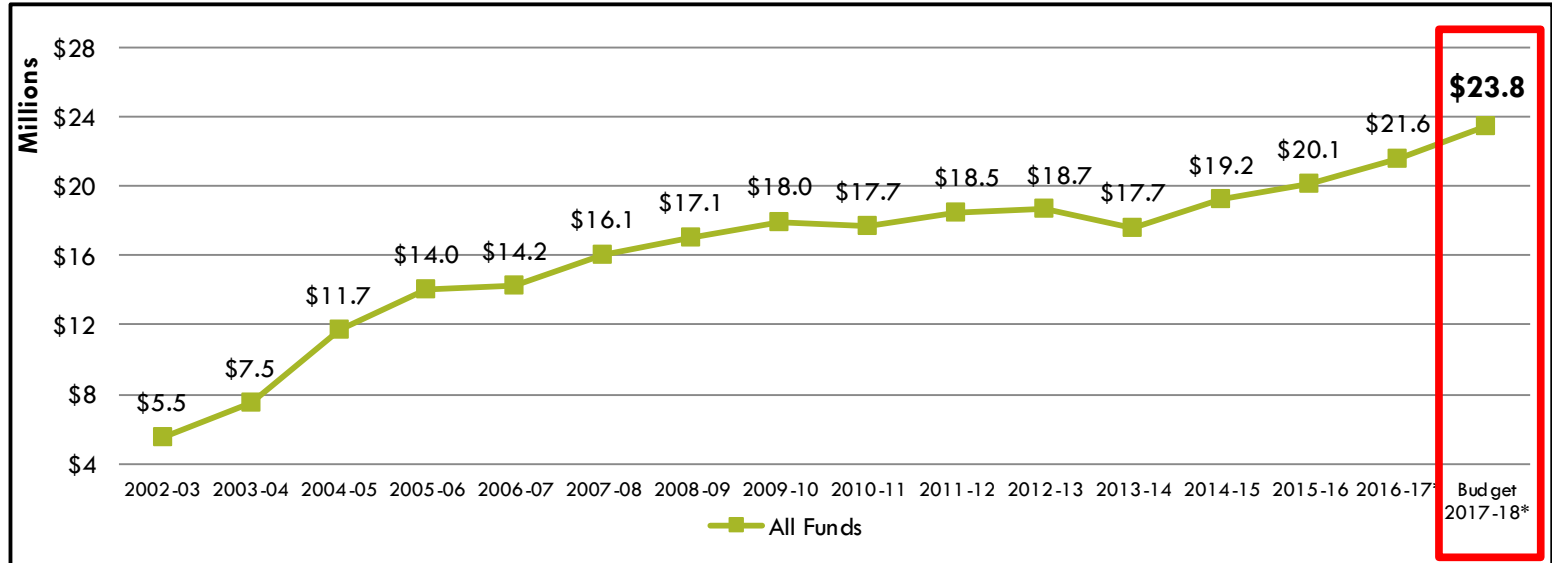




Uncontrollable Cost Contributors

Major cost increase in the following areas over past 15 years:

- PERS contributions have **increased 304%**



*Differs from actuarial report due to prepayment option and vacant positions.

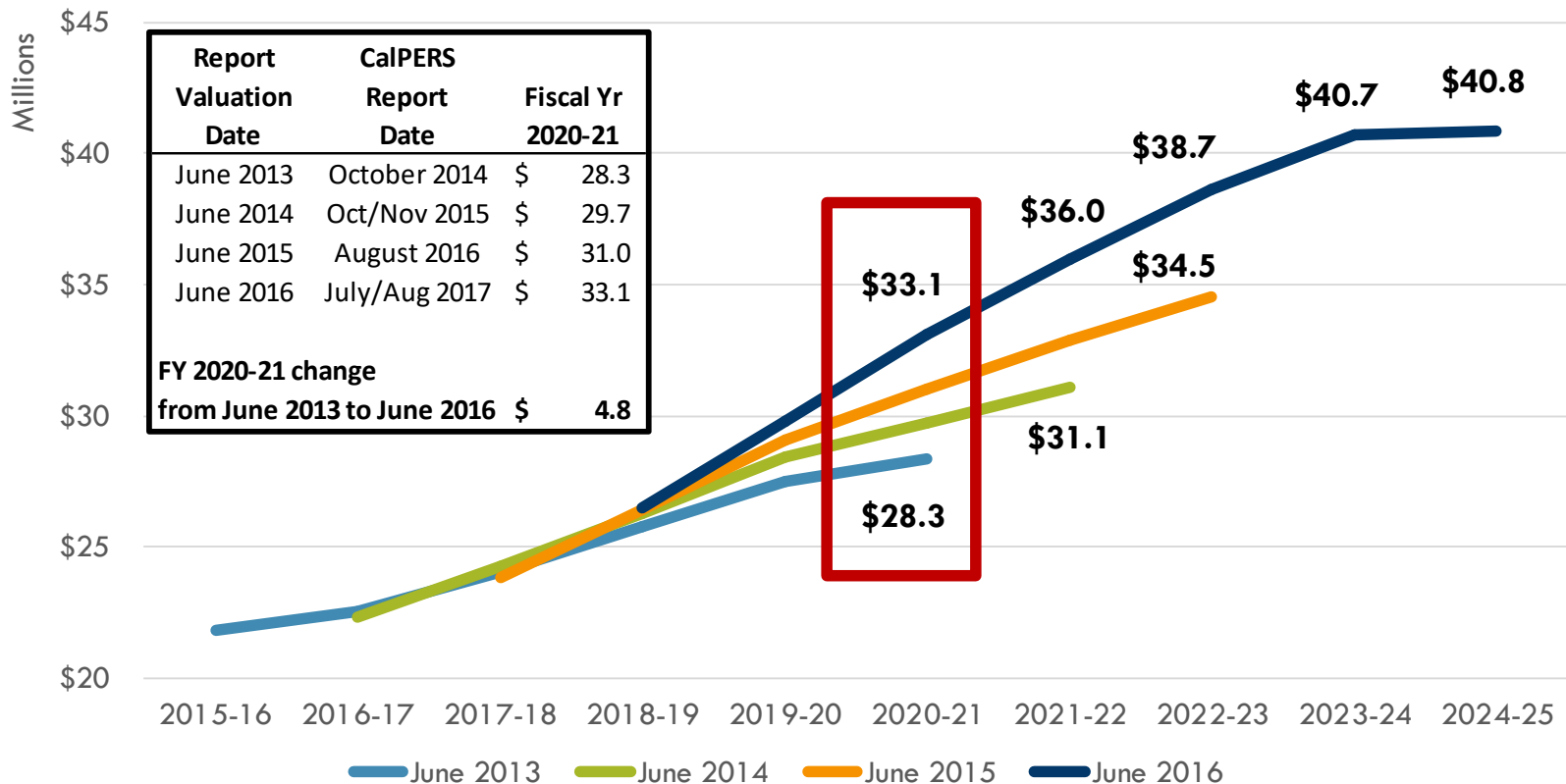
- Health costs have **increased over 95%**
 - Imposed and negotiated terms with Misc. and CFA employee groups have resulted in a cap on medical insurance
- Workers Comp rates have **increased by over 100%**



CalPERS Pension Costs - Citywide

Based on CalPERS Actuarial Reports June 2013 - June 2016

Cal PERS Pension Costs / Estimates - City Wide



Report Valuation Date	CalPERS Report Date	Fiscal Yr 2020-21
June 2013	October 2014	\$ 28.3
June 2014	Oct/Nov 2015	\$ 29.7
June 2015	August 2016	\$ 31.0
June 2016	July/Aug 2017	\$ 33.1
FY 2020-21 change from June 2013 to June 2016		\$ 4.8

Note: Annual amount was calculated with the contribution rates and UAL amounts provided in the valuation reports, using covered payroll data provided for the current year, with a 3% growth factor as disclosed in the actuarial assumptions.



Overall Considerations: Fiscal Year 2018-19 Budget

- ❑ Difficult policy choices and options facing the City
- ❑ Long-term horizon decisions with long-term impacts:
 - What do we want our community to look like?
 - How do we maintain our quality of life?
 - What services need to be prioritized and maintained amid unsustainable rising costs?
- ❑ How do we remain fiscally stable?
 - Amid unfunded state mandates and increased costs, the City has reduced the workforce and enacted fiscal reforms to save money and improve efficiency
- ❑ We want to make sure community knows discussions are occurring and their input is important



Overall Considerations:

Fiscal Year 2018-19 Budget & Community Priorities

- Essential service priorities identified by residents through independent public opinion research & the Charting Our Path community conversation, include:
 - Reducing traffic impacts
 - Maintaining local police protection /911 emergency response
 - Maintaining local fire protection/paramedic services
 - Maintaining clean, safe drinking water
 - Effectively addressing homelessness



Fiscal Year 2018-19 Budget

- Budget preparation is underway
 - ✓ Budget items distributed to departments Jan. 30th
 - ✓ Items due to Administrative Services Feb. 28th
 - ✓ Department budget review meetings scheduled starting week of March 12th
 - Document preparation March-April
 - Budget Workshop scheduled Wed., May 23rd
- FY 18-19 includes 7% reduction target in the General Fund



Methodology for Budget Reductions

Fiscal year 2017-18 adopted budget: \$143,920,139
Budget reduction target – 7% **\$ (7,906,273)**

Departmental total budget \$112,946,757

- (excluding General Government, Debt Service, and Refuse/Recycling)

- Reduction is 7% of each department's total FY 2017-18 budget
- Credit for imposed and negotiated terms given to applicable departments
- Remaining bal. for budget reduction (\$5,968,867)
 - ▣ Adjusted for CFA agreement March 2018



Budget Reductions – FY 2018-19

Excludes CIP budget of \$1.0 million

Adopted Budget FY 2017-18

Decrease	Reduction
\$ 112,946,757	\$ (7,906,273)
-7%	

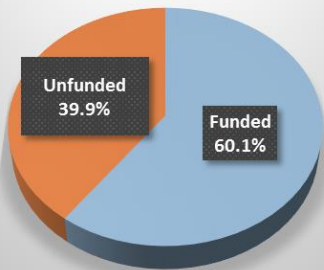
Department	Salaries & Benefits	Services & Supplies	Grand Total	Budget Adjustment	Personnel Changes	Remaining Balance
Administrative Services	4,774,214	1,028,604	5,802,818	(406,197)	(144,363)	(261,834)
City Council	137,117	50,120	187,237	(13,107)	4,875	(17,982)
City Treasurer	13,788	700	14,488	(1,014)	1,956	(2,970)
Community Development	3,046,849	1,345,298	4,392,147	(307,450)	(41,905)	(265,545)
Fire	25,616,593	1,782,395	27,398,988	(1,917,929)	(742,672)	(1,175,257)
Information Technology	2,071,591	3,024,901	5,096,492	(356,754)	(12,099)	(344,655)
Legal/Risk Management	1,498,047	169,000	1,667,047	(116,693)	3,517	(120,210)
Library & Recreation Services	4,298,347	1,139,946	5,438,293	(380,681)	(236,968)	(143,713)
Maintenance Services	3,575,965	5,438,498	9,014,463	(631,012)	(158,138)	(472,874)
Management Services	1,831,272	364,217	2,195,489	(153,684)	(60,158)	(93,526)
Police	43,813,629	4,077,144	47,890,773	(3,352,354)	(489,368)	(2,862,986)
Public Works	2,241,928	1,606,594	3,848,522	(269,397)	(62,083)	(207,314)
Subtotal Departments	\$ 92,919,340	\$ 20,027,417	\$ 112,946,757	\$ (7,906,273)	\$ (1,937,406)	\$ (5,968,867)
General Government	9,004,931	10,020,282	19,025,213	-	-	-
Debt Service		4,251,022	4,251,022	-	-	-
Refuse/Recycling	9,405	7,687,742	7,697,147	-	-	-
Subtotal Non Departmental	\$ 9,014,336	\$ 21,959,046	\$ 30,973,382	\$ -	\$ -	\$ -
GRAND TOTAL	\$ 101,933,676	\$ 41,986,463	\$ 143,920,139	\$ (7,906,273)	\$ (1,937,406)	\$ (5,968,867)



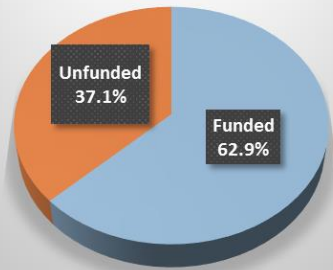
Unfunded CalPERS Liability – July 2017

Plan	June 30, 2014		June 30, 2015		June 30, 2016	
	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio
Misc.	103,681,862	65.6%	113,765,363	63.6%	129,480,665	60.1%
Police	61,102,806	68.7%	67,952,480	67.0%	81,779,726	62.9%
Fire	27,846,968	80.0%	33,516,570	77.0%	42,249,164	72.6%
Fire PEPR	(34)	104.2%	2,994	91.0%	13,439	89.2%
Total	\$192,631,602		\$215,237,407		\$253,522,994	

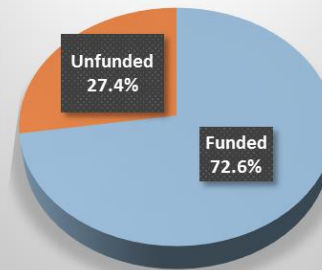
Misc. - June 30, 2016



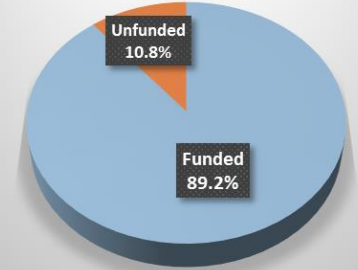
Police - June 30, 2016



Fire - June 30, 2016



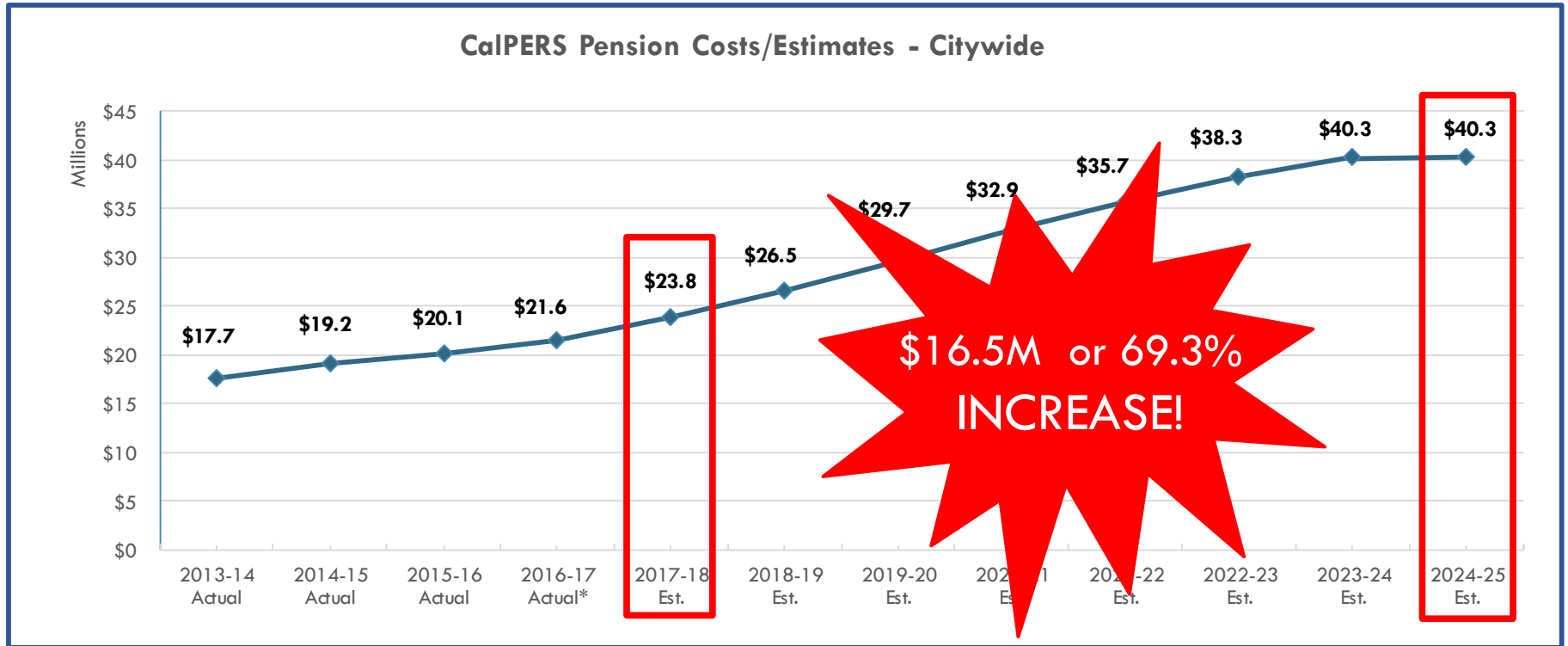
Fire PEPR - June 30, 2016



Note: Data obtained from the most recent CalPERS actuarial valuation dated July 2017



CalPERS Pension Costs - Citywide



- Based on CalPERS June 2016 actuarial reports received July 2017
- Each time we receive a new valuation report from CalPERS, the annual contribution amount gets worse



CALPERS ACTUARIAL VALUATION - June 30, 2016
 MISCELLANEOUS PLAN OF THE CITY OF CORONA
 CALPERS ID: 130771-1161

CalPERS Required Employer Contribution

Every payroll
 dollar requires
 an additional
 \$0.42 in PERS
 contribution,
 increasing to
 \$0.48 in
 FY 2018-19

Required Contributions

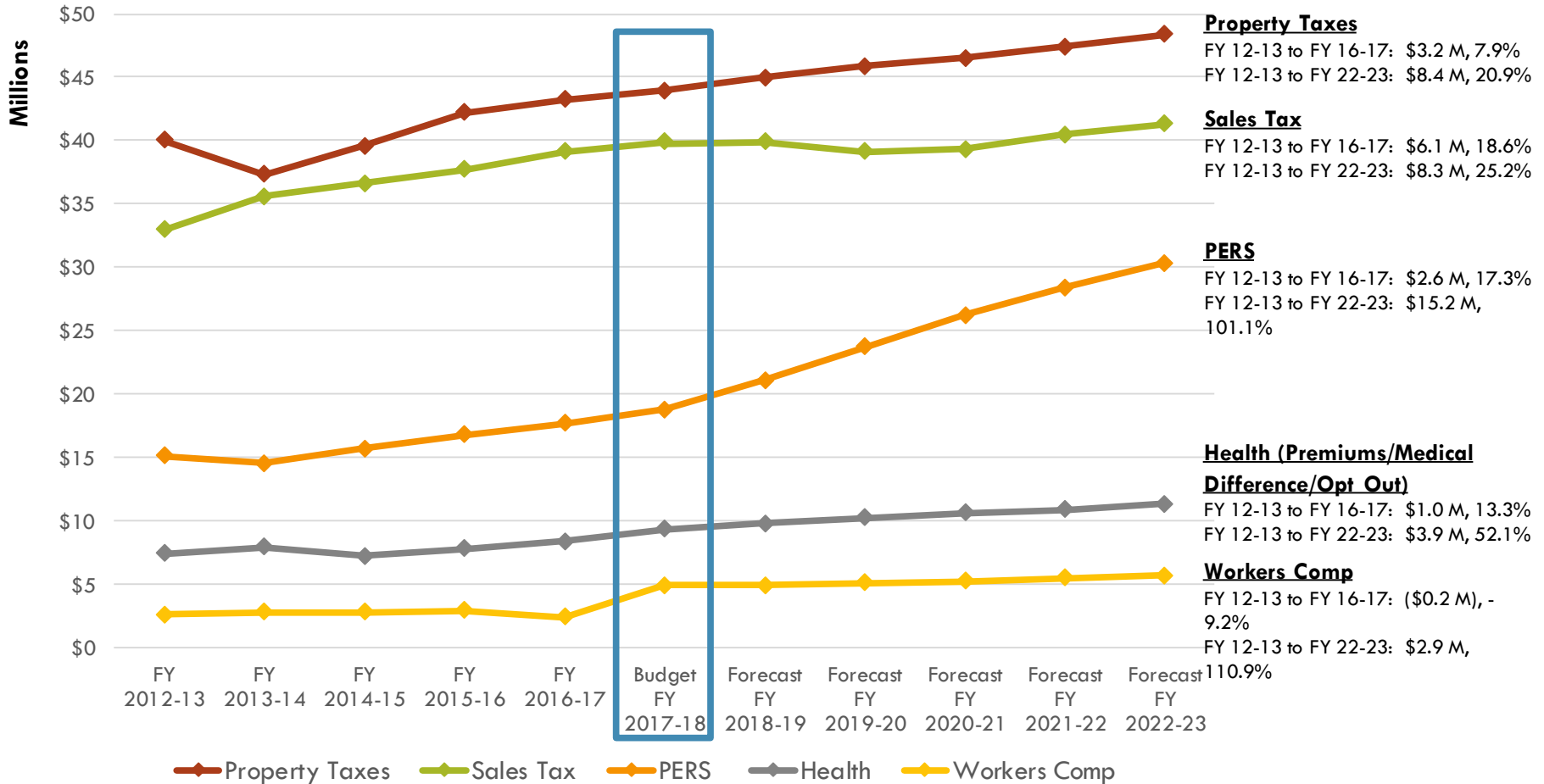
	Fiscal Year 2017-18	Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll		
Total Normal Cost	17.141%	17.496%
Employee Contribution ¹	7.782%	7.688%
Employer Normal Cost	9.359%	9.808%
 Projected Annual Payroll for Contribution Year	 \$ 27,549,770	 \$ 26,087,903
Estimated Employer Contributions Based On Projected Payroll		
Total Normal Cost	\$ 4,722,306	\$ 4,564,340
Employee Contribution ¹	2,143,923	2,005,638
Employer Normal Cost	2,578,383	2,558,702
Unfunded Liability Contribution	8,951,976	9,950,229
% of Projected Payroll (illustrative only)	32.494%	38.141%
Estimated Total Employer Contribution	\$ 11,530,359	\$ 12,508,931
% of Projected Payroll (illustrative only)	41.853%	47.949%

For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.



General Fund

Major Revenue Categories and Major Personnel Expenditures 5 Year Actuals / Current Fiscal Year / 5 Year Forecast



What are the different financial lens?

Different lens provides different information...

▣ Adopted Annual Budget

- Two year financial plan with one fiscal year being adopted
- Represents cash flow
- Think of it as an income statement



▣ Comprehensive Annual Financial Report (CAFR)

- Represents overall fiscal health
- Think of it as a balance sheet

▣ Monthly Fiscal Report

- Where is the money, who it belongs to



Comprehensive Annual Financial Report

Fiscal Year 2016-17

What's included in the CAFR:

- ▣ Independent Auditors' Report
 - ◆ Financial audit conducted by independent audit firm (Lance, Soll, Lunghard)
 - ◆ Clean opinion on financial statements and testing of internal controls
- ▣ Management's Discussion and Analysis
 - ◆ Financial Highlights – citywide
 - ◆ Overview of Financial Statements
 - ◆ General Fund Financial Analysis
 - ◆ General Fund Budgetary Highlights
- ▣ Basic Financial Statements
- ▣ Notes to Basic Financial Statements
- ▣ Supplementary Information
- ▣ Statistical Section



City of Corona CAFR

General Fund Balance Sheet Year Ended June 30, 2017

	<u>General</u>
Assets	
Cash and Investments	\$ 78,203,200
Accounts Receivable	3,013,491
Interest Receivable	408,620
Due from Other Governmental Agencies	12,431,104
Due from Other Funds	5,610,516
Long-term Receivables, Net	8,039,763
Interfund Advances Receivable	24,928,512
Loans Receivable, Net	-
Inventories and Prepayments	273,634
Land Held for Resale	-
Restricted Assets:	
Cash and Investments	84,732
Total Assets	<u>\$ 132,993,572</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances	
Liabilities	
Accounts Payable and Accrued Liabilities	\$ 8,063,334
Deposits	12,401,912
Due to Other Funds	-
Unearned Revenue	2,248,726
Interfund Advances Payable	-
Liabilities Payable from Restricted Assets	-
Total Liabilities	<u>22,713,972</u>
Deferred Inflows of Resources	
Unavailable Revenue	1,160,308
Total Deferred Inflows of Resources	<u>1,160,308</u>
Fund Balances	
Nonspendable	33,241,909
Restricted	-
Committed	33,898,271
Assigned	41,979,112
Unassigned	-
Total Fund Balances	<u>109,119,292</u>



City of Corona CAFR

Notes to Financial Statements

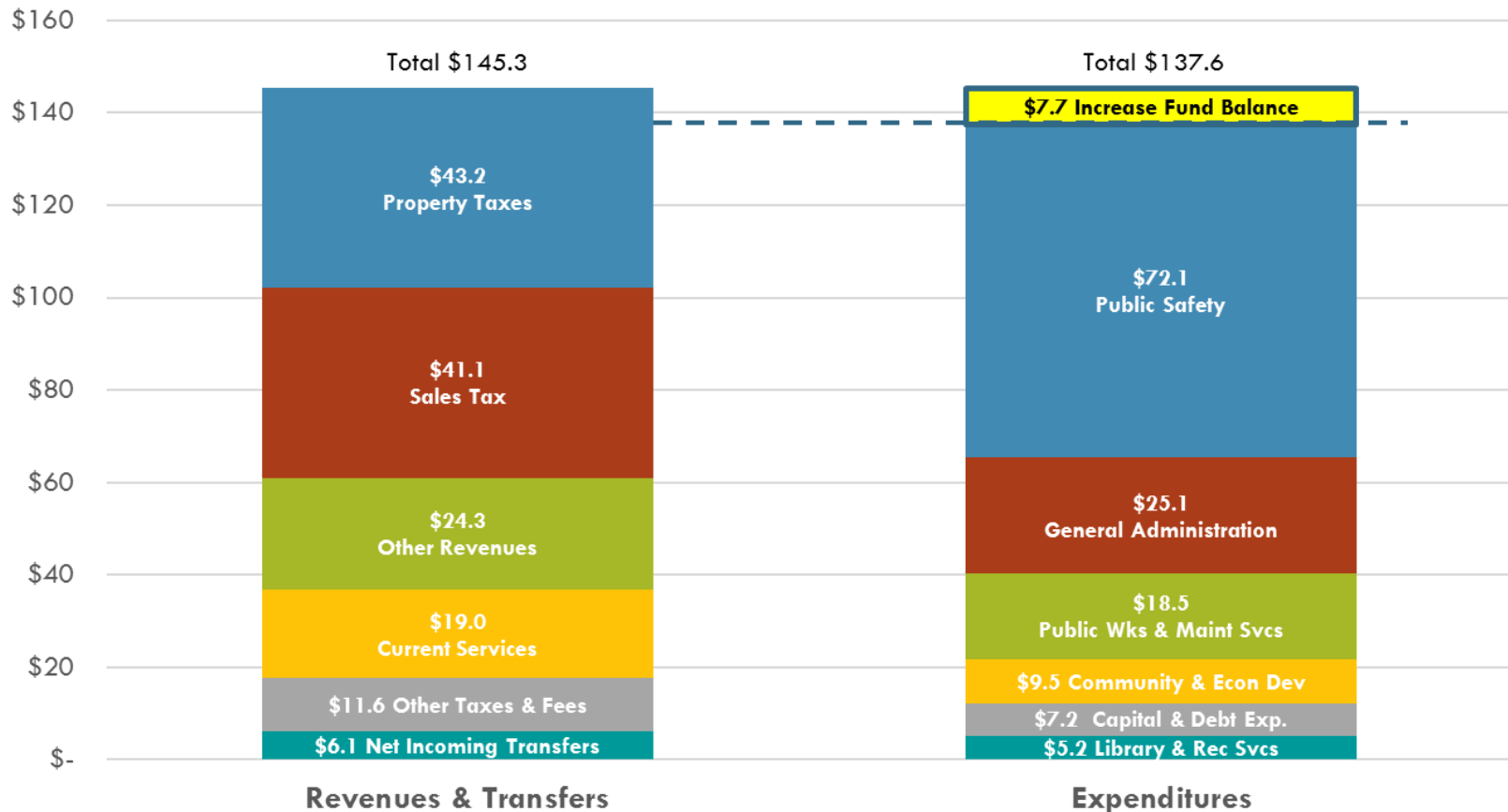
Year Ended June 30, 2017

	<u>General Fund</u>
Fund Balances:	
Nonspendable:	
Long-term Receivable	\$ 8,039,763
Interfund Advances Receivable	24,928,512
Inventories and Prepayments	273,634
Committed to:	
Emergency Contingency	30,000,000
Designated Revenues	3,898,271
Assigned to:	
Budget Balancing Measures	28,945,252
Continuing Appropriations	12,029,030
City Equipments	122,647
Other Purposes	882,183
Total Fund Balance	<u><u>\$109,119,292</u></u>



How did the General Fund perform in Fiscal Year 2016-17?

General Fund Revenue and Expenditures (in millions)





General Fund's operational results

What could have we accomplished?

- With the benefit of 20/20 hindsight, additional requested (but deferred) capital expenditures could have been funded in FY 2016-17, such as:
 - Technical rescue tools and fire equipment including fire hoses, cylinder replacements for respiratory program, air lifting bags, and vehicle stabilization tools
 - Replacement of aging fire engines
 - Information technology needed to update network equipment
 - Animal control facility capital improvements
 - Additional funding for citywide ADA improvements
 - For example, plaintiffs in a pending ADA lawsuit just sent us a 197 page long list of alleged access barriers at 31 parks

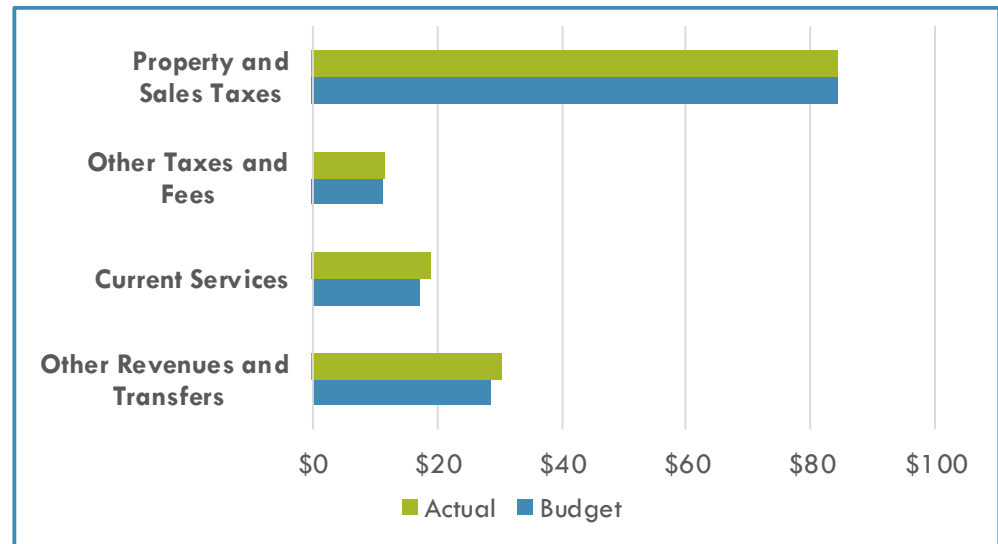


Budget Variance - Revenues

General Fund

Comparing revenue estimates to actual (amount in millions):

Revenue Category	Budget	Actual	Variance
Property and Sales Taxes	\$ 84.4	\$ 84.3	\$ (0.1)
Other Taxes and Fees	11.4	11.6	0.2
Current Services	17.2	19.0	1.8
Other Revenues and Transfers	28.6	30.4	1.8
Total Revenues and Transfers	\$ 141.6	\$ 145.3	\$ 3.7



- \$3.7 million variance, or 2.5%
- Includes one-time money, \$2.4 million – refunding of bond
 - Without this one-time money, the variance is \$1.3 million, or 0.9%

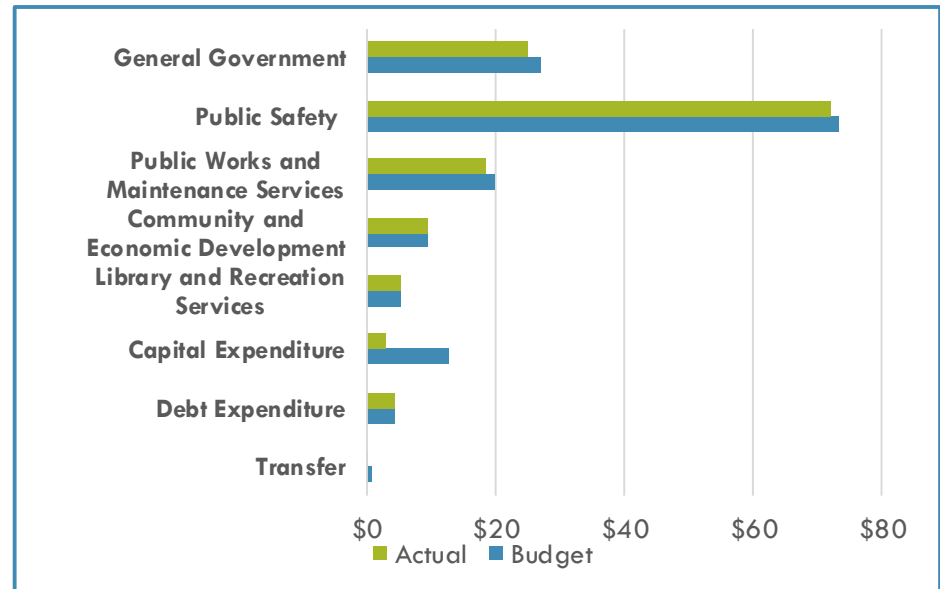


Budget Variance - Expenditures

General Fund

Comparing expenditure estimates to actual (amount in millions):

Expenditure Category	Budget	Actual	Variance
General Government	\$ 27.2	\$ 25.1	\$ (2.1)
Public Safety	73.2	72.1	(1.1)
Public Works and Maintenance Services	19.9	18.5	(1.4)
Community and Economic Development	9.5	9.5	-
Library and Recreation Services	5.3	5.2	(0.1)
Capital Expenditure	12.8	2.8	(10.0)
Debt Expenditure	4.3	4.3	-
Transfer	0.7	0.1	(0.6)
Total Expenditures and Transfers	\$ 152.9	\$ 137.6	\$ (15.3)



- \$15.3 million variance, includes \$11.8 in unused budget that will 'roll over' into next fiscal year:
 - \$10.0 million in multi-year capital projects
 - \$1.5 million in encumbered purchase orders
 - \$0.3 million in operating grants
- Excluding the \$11.8 million in 'roll over,' the variance is \$3.5 million, or 2.3%
 - Most of that \$3.5 million is personnel vacancies, which we now account for in current year budget



Budget Variance - Expenditures

General Fund

What generated the budget variance?

	(In Millions)		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	\$ 152.9	\$ 137.6	\$ 15.3
Capital Expenditures, balance forwards to FY 2017-18			(10.0)
Operating Grants, balance forwards to FY 2017-18			(0.3)
Encumbered purchase orders, forwards to FY 2017-18			(1.5)
Total Operating Variance			<u>\$ 3.5</u>
Salaries-Benefits			\$ 1.9
Item addressed through vacancy factor applied to FY 2017-18 budget			
Transfers to Other Funds			0.6
Transfer to supplement other funds reduced, based on year end actuals			
Other - professional/contractual services, utilities usage, equipment purchases and maintenance, building maintenance, maintenance contracts, and refuse disposal			1.0
Total Operating Variance			<u>\$ 3.5</u>



Cash Status Report – Feb. 28, 2018

DESCRIPTION	BEGINNING BALANCE	RECEIPTS	DISBURSEMENTS	ENDING BALANCE
Balance Per Bank - Bank of America	\$ 3,600,149.39	\$ 47,923,053.01	\$ 48,561,470.57	\$ 2,961,731.83
Deposits in Transit	327,238.19	480,465.46	327,238.19	480,465.46
Outstanding Checks	(1,924,850.47)	1,924,850.47	885,880.63	(885,880.63)
Fiscal Agents	24,212,441.63	14,227,197.06	0.00	38,439,638.69
Developer Escrow Accounts	162,253.21	12,455.73	0.00	174,708.94
Investments	300,221,408.77	21,117,713.90	28,709,277.64	292,629,845.03
Change Fund	10,175.00	0.00	0.00	10,175.00
Returned Checks	253.56	15,274.87	14,559.57	968.86
Credit Card Reconciling Items	(1,223.87)	1,223.87	0.00	0.00
Miscellaneous Reconciling Items	(0.00)	0.00	0.00	(0.00)
TOTAL	\$ 326,607,845.41	\$ 85,702,234.37	\$ 78,498,426.60	\$ 333,811,653.18

*For information purposes only

Subject to final audit

Source: City of Corona, Monthly Fiscal Report



Cash Balance by Fund February 28, 2018

General Fund		\$ 78,842,851.16
Special Revenue Funds		
Gas Tax	4,390,940.06	
Measure A	11,862,403.61	
Trip Reduction	1,002,163.96	
Asset Forfeiture	329,680.25	
Development	24,205,065.80	
Landscape and Streetlight Maintenance	17,592,585.96	
Other Grants and Endowments	606,941.14	
		59,989,780.78
Debt Service Funds		
Public Financing Authority	818.94	
		818.94
Capital Project Funds		
Housing/Community Development	476,475.42	
Planned Local Drainage	(92,650.39)	
Other Grants	2,610,693.32	
Public Facility Project	(586,855.59)	
Housing Authority	9,214,339.56	
		11,622,002.32
Enterprise Funds		
Water Utility	33,788,111.41	
Water Reclamation Utility	64,390,047.34	
Transit	1,399,258.94	
Electric Utility	16,066,805.85	
Airport	501,839.29	
		116,146,062.83
Internal Service Funds		
Fleet Operations	11,984,590.37	
Workers' Compensation	21,095,519.70	
Liability Risk	1,510,541.88	
Warehouse Services	296,041.87	
		34,886,693.82
Fiduciary Funds		
AD & CFD Bond Funds	21,250,419.75	
AB109 PACT	1,706,777.58	
Successor Agency	9,366,246.00	
		32,323,443.33
Total All Funds		\$ 333,811,653.18

Subject to final audit



Recap of What's Been Done so Far

- ❑ Sold unused property – land parcels and equipment
- ❑ Eliminated positions, outsourced plan check and inspections
- ❑ Eliminated fleet vehicles
- ❑ Consolidated departments for greater efficiencies and reduced costs
- ❑ Refinanced debt during favorable bond market times to lower debt payments
- ❑ Established new CFDs that will generate new revenue
- ❑ Implemented zero based budgeting and vacancy factor
- ❑ Implemented personnel vacancy rate into the budget
- ❑ Changed investment strategy
- ❑ Community engagement – Charting our Path, launched new app's
- ❑ Imposed/negotiated new employment contracts
- ❑ Additional audits – TOT, franchise agreements, utilities



Revenue

Expense

Property & Sales
Tax

Licenses, Fees, &
Permits

Fines, Penalties,
other Revenue

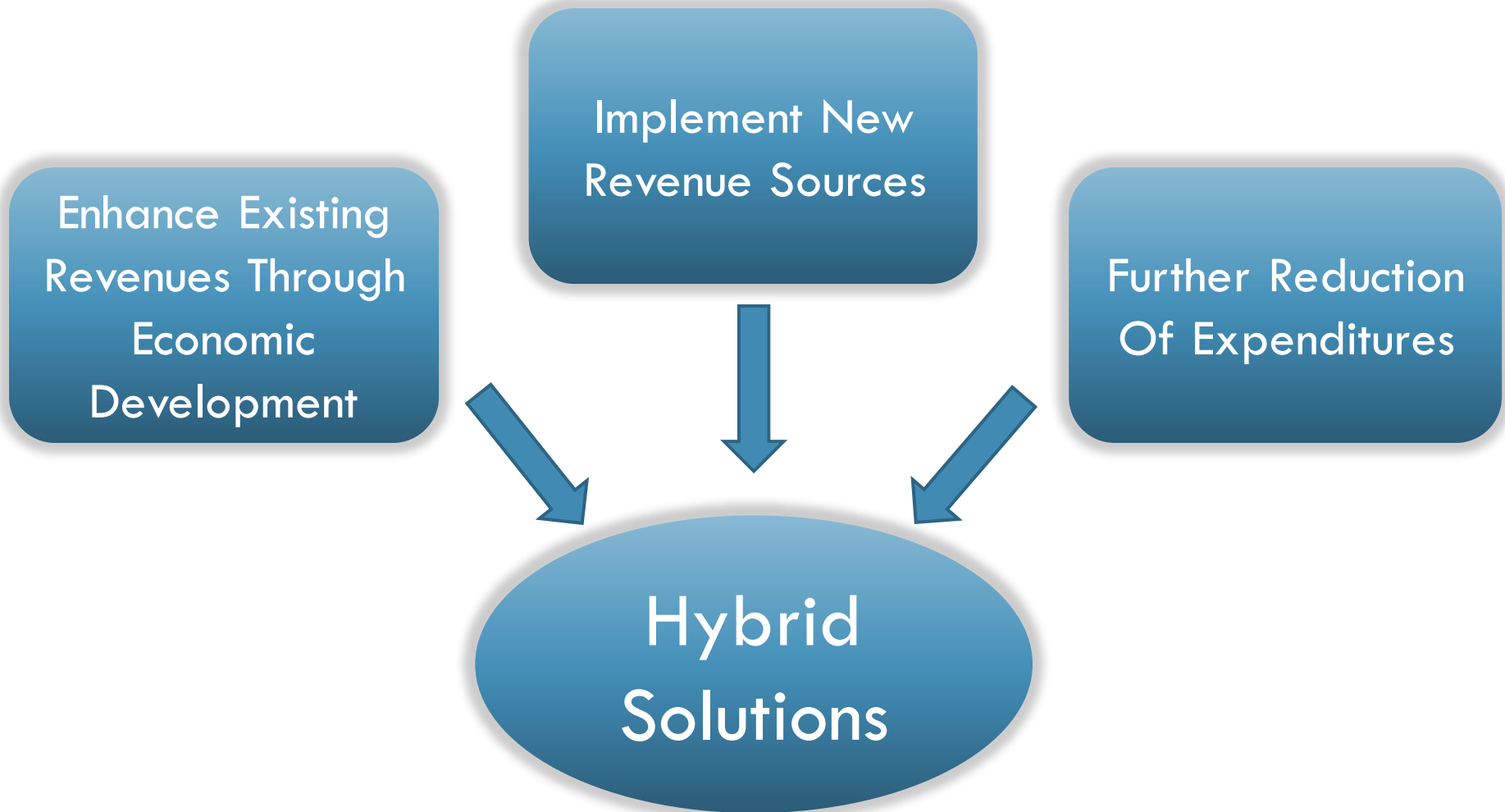
Salaries & Benefits

Pension
Contributions

Maintenance &
Utilities

Service & Supplies

Available Options





General Fund Revenues

Property Tax –
Parcel tax?

Sales Tax –
Locally-controlled sales tax?

Other Taxes –
Increase business license fees?

Motor Vehicle License Fees

Franchise Fees

Transient Occupancy Tax –
Increase TOT %?

Charges for Services –
Increase fees?

Interest Income

Other Revenue –
Increase recreational fees?

Services to Other Funds



General Fund Expenditures

Salaries/Benefits –
Reduce staffing levels?

Pension Contributions –
Stabilize ARC pmnt, reduce UAL?

Medical Insurance –
Increase emp. contribution?

Workers Comp. and Disability Insurance

Supplies and Services –
Eliminate programs?

Maintenance –
Defer repairs & maintenance?

Utilities –
Reduce operating hours?

Contractual Services –
Reduce service level (e.g. landscaping)?

Internal Service Fund Charges

Capital Outlay

ARTICLES



Recent Articles

How broke is your California city?

By **TERI SFORZA** | tsforza@scng.com | Orange County Register
 PUBLISHED: January 23, 2018 at 11:59 pm | UPDATED: January 24, 2018 at 6:54 am

Public agencies are grappling with a gap between how much money they have and how much money they owe, thanks largely to unfunded pension promises and retiree health care benefits. Truth in Accounting, an organization that promotes clarity in public financial records, [ranked the long-term financial health](#) of the nation's 75 most populous cities.

California cities in the black...

1. Irvine, \$5,200 surplus per household, Grade B
2. Stockton, \$3,000 surplus per household, Grade B
9. Fresno, \$1,200 surplus per household, Grade B

California cities in the red...

15. Bakersfield, \$900 deficit per household, Grade C
20. Long Beach, \$1,500 deficit per household, Grade C
21. Chula Vista, \$2,100 deficit per household, Grade C
25. Riverside, \$2,600 deficit per household, Grade C
28. Santa Ana, \$3,400 deficit per household, Grade C

32. Sacramento, \$4,300 deficit per household, Grade C
37. Anaheim, \$5,300 deficit per household, Grade D
38. San Diego, \$5,400 deficit per household, Grade D
47. Los Angeles, \$7,200 deficit per household, Grade D
56. San Jose, \$10,600 deficit per household, Grade D
69. Oakland, \$20,700 deficit per household, Grade F
72. San Francisco, \$27,500 deficit per household, Grade F





Corona's Fiscal Health Scorecard

Fiscal Health Assessment

Data from June 30, 2017 Audited CAFR

	Corona 6/30/2017
Assets	\$ 1,451,676,763
Minus: Capital assets	1,090,262,588
Restricted assets	74,064,430
Available to pay bills	\$ 287,349,745
Minus: Bills	536,658,366
Money available to pay bills	(249,308,621)
Number of households	69,460

Each taxpayer's share of (deficit)/surplus	\$ (3,600)
Grade per Truth in Accounting Grading Rubric	C

Bills the City has accumulated

Other liabilities	\$ 199,826,288
Unfunded pension benefits	236,094,946
Unfunded retiree health care	100,737,132
Bills	\$ 536,658,366

REFERENCE CITIES

	IRVINE 6/30/2016	Riverside 6/30/2016	Anaheim 6/30/2016	Chula Vista 6/30/2016	Santa Ana 6/30/2016
Assets	\$ 2,676,658,000	\$ 4,166,511,000	\$ 4,913,192,000	\$ 1,216,238,468	\$ 1,514,473,936
Minus: Capital assets	1,566,452,000	3,155,636,000	3,372,632,000	930,572,318	1,053,834,388
Restricted assets	500,474,000	190,395,000	358,641,000	128,242,774	159,062,087
Available to pay bills	\$ 609,732,000	\$ 820,480,000	\$ 1,181,919,000	\$ 157,423,376	\$ 301,577,461
Minus: Bills	195,573,000	2,468,468,000	3,168,383,000	445,506,016	796,870,198
Money available to pay bills	414,159,000	(1,647,988,000)	(1,986,464,000)	(288,082,640)	(495,292,737)
Number of households	79,127	107,439	102,288	76,095	82,990
Each taxpayer's share of (deficit)/surplus	\$ 5,200	\$ (15,300)	\$ (19,400)	\$ (3,800)	\$ (6,000)
Grade per Truth in Accounting Grading Rubric	B	C/D	C/D	C	C/D
Other liabilities	79,127,000	1,993,004,000	2,309,114,000	187,570,263	289,537,963
Unfunded pension benefits	111,180,000	435,229,000	667,813,000	245,058,753	468,044,235
Unfunded retiree health care	5,266,000	40,235,000	191,456,000	12,877,000	39,288,000
Bills	195,573,000	2,468,468,000	3,168,383,000	445,506,016	796,870,198

Truth In Accounting Grading Rubric

Surplus/(Deficit) per Household	Grade
\$0 - \$5,200	B
\$(4,900) - \$0	C
\$(20,000) - \$(5,000)	D
< \$(20,000)	F

Source: <https://www.ocregister.com/2018/01/23/how-broke-is-your-city/>

Recent Articles

State pension costs are crowding out basic services

By [The Editorial Board](#) |
October 11, 2017 at 8:16 am

Rising pension costs throughout the state will continue to crowd out resources needed for tangible services for years to come, according to a new report by the Stanford Institute for Economic Policy Research.

“There is contentious debate about what is driving these cost increases — significant retroactive benefit increases, unrealistic assumptions about investment earnings, policies that mask or delay recognition of true costs, poor governance, to name the most commonly cited,” explained former Assemblyman Joe Nation, who authored the report.

“[B]ut there is agreement on one fact: rising pension costs are making it harder to provide services traditionally considered part of government’s core mission...”

...There is no other way to look at it. The greater the share of the state budget pension costs account for, the less money there is to spend on anything else...

...It is imperative that we not allow this problem to get worse or allow squeamish politicians to keep sweeping the problem under the rug. Governments exist to serve not [sic] the public, not to sustain unsustainable pension benefits. Self-respecting taxpayers should not allow this to go on.



Recent Articles

Stanford Professor Joe Nation Talks Pension Crisis

Wed, 10/4/2017

The noose is tightening around California's cities and counties. At least one-third of local and state budgets now go toward public employee pensions. And that number is expected to climb much higher, putting a number of municipalities at risk of bankruptcy.

Public pensions are "the albatross around the necks of cities and counties," Stanford Professor of Public Policy Joe Nation told attendees at a university workshop on public retirement last month. "Unless we do something the system may not survive."

The nation's largest public pension system, CalPERS, is short by as much as \$1 trillion by some estimates, though unrealistic investment projections conceal the true extent of the problem. But the lower the projected rate of return, the more cities and counties -- and their taxpayers -- are forced to foot the bill. That puts everyone in a seemingly untenable position.

CBS San Francisco reporter Melissa Griffin recently sat down with Joe Nation to discuss the issue further.

"This is absolutely the most challenging issue facing state and local government, not just in California but across the country," Nation told her. No one is safe. No municipality should feel comfortable with the retirement system the way things are.

Nation talked about the need for leadership from both the state legislature and the public employees unions. He also discussed some of the legal aspects, including the fate of the so-called 'California rule.'



Recent Articles

How Much More Will Cities and Counties Pay CalPERS?

By Edward Ring
January 10, 2018

...These pension plans are underfunded after a bull market in stocks has doubled since it's last peak in June 2007, and has nearly quadrupled since it's last low in March 2009.

When stocks and real estate have been running up in value for eight years, pension plans should not be underfunded. But they are. CalPERS should be overfunded at a time like this, not underfunded. That bodes ill for the financial status of CalPERS if and when stocks and real estate undergo a downward correction.

CalPERS, and the public employee unions that dominate CalPERS, have done a disservice to taxpayers, public agencies, and ultimately, to the individual participants who are counting on them to know what they're doing. **They were too optimistic, and the consequences are just beginning to be felt...**





How Much More Will Cities and Counties Pay CalPERS?

CalPERS Actuarial Report Data - Cities (\$=Millions)

CITY	Payroll	2017-18						Payroll	2024-25						% Increase 2018 to 2025
		PAYMENTS TO CALPERS							PAYMENTS TO CALPERS						
		Total	%	Normal	%	Catch-Up	%		Total	%	Normal	%	Catch-Up	%	
4 Anaheim	190.4	66.7	35%	27.0	14%	39.7	21%	242.8	129.4	53%	40.6	17%	88.8	37%	94%
5 Riverside	190.2	56.4	30%	28.4	15%	28.0	15%	234.3	111.5	48%	40.9	17%	70.5	30%	98%
30 Ontario	87.2	24.5	28%	11.9	14%	12.6	14%	110.1	47.5	43%	17.7	16%	29.8	27%	94%
35 Costa Mesa	47.2	23.2	49%	7.1	15%	16.1	34%	56.5	41.7	74%	9.9	18%	31.8	56%	80%
37 Orange	58.8	21.6	37%	8.5	15%	13.0	22%	70.7	40.9	58%	12.1	17%	28.7	41%	90%
38 Corona	56.3	23.8	42%	8.5	15%	15.4	27%	67.0	40.8	61%	12.2	18%	28.6	43%	71%
45 Fullerton	50.0	17.7	35%	6.5	13%	11.1	22%	62.5	35.4	57%	9.7	15%	25.7	41%	100%
50 Irvine	78.0	23.6	30%	10.7	14%	12.8	16%	98.5	32.0	32%	15.9	16%	16.1	16%	36%
55 Pomona	41.4	14.7	36%	5.7	14%	9.0	22%	51.7	29.9	58%	8.5	16%	21.4	41%	103%
67 Fontana	52.5	14.2	27%	6.3	12%	7.9	15%	63.8	24.8	39%	9.2	14%	15.6	24%	75%

Source: <https://californiapolicycenter.org/much-will-cities-counties-pay-calpers/>

Retirement System Sustainability Study and Findings

JANUARY 2018

Executive Summary

1. Rising pension costs will require cities over the next seven years to nearly double the percentage of their General Fund dollars they pay to CalPERS;
2. For many cities, pension costs will dramatically increase to unsustainable levels;
3. The impacts of increasing pension costs as a percentage of General Fund spending will affect cities even more than the state. Employee costs, including police, fire and other municipal services, are a larger proportion of spending for cities; and
4. Rising pension costs are more pronounced for mature cities (like Corona) with large numbers of retirees.

Retirement System Sustainability Study and Findings

JANUARY 2018

What Cities Can Do Today

- Develop and implement a plan to pay down the city's Unfunded Actuarial Liability (UAL):
 - Possible methods include shorter amortization periods and pre-payment of cities UAL. This option may only work for cities in a better financial condition.
- Consider local ballot measures to enhance revenues:
 - Some cities have been successful in passing a measure to increase revenues. Others have been unsuccessful. Given that these are voter approved measures, success varies depending on location.

Retirement System Sustainability Study and Findings

JANUARY 2018

What Cities Can Do Today – cont'd

- Create a Pension Rate Stabilization Program (PRSP):
 - Establishing and funding a local Section 115 Trust Fund can help offset unanticipated spikes in employer contributions. Initial funds still must be identified. Again, this is an option that may work for cities that are in a better financial condition.
- Change service delivery methods and levels of certain public services:
 - Many cities have already consolidated and cut local services during the Great Recession and have not been able to restore those service levels. Often, revenue growth from the improved economy has been absorbed by pension costs. The next round of service cuts will be even harder.

Retirement System Sustainability Study and Findings

JANUARY 2018

What Cities Can Do Today – cont'd

- Use procedures and transparent bargaining to increase employee pension contributions:
 - Many local agencies and their employee organizations have already entered into such agreements.
- Issue a pension obligation bond (POB):
 - However, financial experts including the Government Finance Officers Association (GFOA) strongly discourage local agencies from issuing POBs. Moreover, this approach only delays and compounds the inevitable financial impacts.

Retirement System Sustainability Study and Findings

JANUARY 2018

Primary Factors Contributing to CalPERS Funded Status

■ Enhanced Benefits

- The most prominent source of the pension system's cost escalation began with enhanced pension benefits granted by state and local government employers following the passage of SB 400 and AB 616 in 1999 and 2000.
- These enhanced benefits have caused a ripple effect that have fundamentally altered the way in which local agencies can retain employees and provide basic and critical services to the public.

■ Investment Losses

- Fallout from Great Recession...
- 2008 - CalPERS suffered a negative 27% return on investment results in a gross 34.75% impact to the fund.
- CalPERS' outside investment advisors expect returns over the next decade will also be below anticipated returns.
- CalPERS projects that the projected market rate assumptions will yield a 6.1% return for the fund over the next decade.
- While it is widely known that CalPERS determines its discount rate, using a 60-year blended return to calculate its discount rate — 6.1% is well below the 7% assumption.
- Under the current statutory paradigm, public employers will assume the liability associated with this shortfall.

Retirement System Sustainability Study and Findings

JANUARY 2018

Primary Factors Contributing to CalPERS Funded Status – cont'd

■ Cost of Living Adjustments

- Automatic Cost of living adjustments (COLA) have continued to hamper CalPERS' ability to compound investment earnings, hampering growth.

■ CalPERS Contribution Policy

- Most notably after the Great Recession, did not require agencies pay interest on accrued unfunded liability.
- While this shift in policy was an attempt to ease the burden on employers, the policy resulted in pushing unfunded liability payments to future taxpayers.

■ Demographics

- The liability for retirees at most cities significantly exceeds that of actives.
- This creates more volatility and led to having a much bigger impact on funded status (and ultimately contributions) than any prior downturn.



Corona's finance team received two prestigious awards –

❖ GFOA's Distinguished Budget Presentation (2nd consecutive year)

❖ CSMFO's Excellence in Budgeting (14th consecutive year)



For Immediate Release

March 21, 2018

CITY RECEIVES GFOA DISTINGUISHED BUDGET PRESENTATION AWARD AND CSMFO EXCELLENCE IN BUDGETING AWARD

Corona, CA–The Government Finance Officers Association of the United States and Canada (GFOA) has announced that City of Corona, California has received the GFOA's Distinguished Budget Presentation Award for its 2017-18 Annual Budget. The GFOA's award program is the only national awards program in governmental budgeting. The Excellence in Budgeting Award was also received from the California Society of Municipal Finance Officers (CSMFO).

"Corona's finance team is committed to meeting the highest principals of governmental budgeting and transparency" said Kerry Eden, Assistant City Manager/Administrative Services Director. "We are honored to receive both of these prestigious awards and will continue in our commitment to provide detailed and clear budget documents to the public."



The awards represent a significant achievement by the City of Corona. In order to receive the budget award, the city had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the city's budget serves as a policy document, a financial plan, an operations guide, and a communications device. Budget documents must be rated "proficient" in all four categories, as well as the 14 mandatory criteria within those categories, to receive the award.

"Our budgeting process has evolved during the past year and this is a significant accomplishment for the City. Our staff showed great focus and determination in preparing a budget document that serves as an excellent planning, financial, and public education tool," said Corona City Manager Darrell Talbert.

About the City of Corona: Corona is located adjacent to Orange County California at the junction of the 91 and 15 freeways with a population of more than 160,000 residents. For more information regarding the City of Corona visit www.CoronaCA.gov.

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Collective Insight: Three City Data Champions on the Power of Learning Together



Two weeks ago, What Works Cities (WWC) brought together 60 participants from 10 cities for a daylong workshop in Downey, California, as part of our What Works Cities on Tour traveling workshop series. Attendees got to deepen their skills in behavioral insights, results-driven contracting, open data, communicating publicly about data and evidence work, and more.

We caught up with three of our participants on what brought them to What Works Cities on Tour, what they learned and will take back to their cities, and the value they find in cities coming together.

Tell us about your role in your city and why you wanted to attend What Works Cities on Tour.



Cita Longworth (Corona, CA): I am the Purchasing Manager for the City of Corona. My role and responsibility entails overseeing all procurement transactions that acquire products and services for all city operations. As a team, we advocate for procuring with integrity and ensure all procurement transactions are performed within municipal regulations. Our responsibilities include supplier sourcing, managing bid solicitations, vendor negotiations, and post-contract-award supplier management.

My team and I attended What Works Cities on Tour to learn about all the different projects other cities have been working on and to learn about WWC methods and strategies for vendor contract performance. We also wanted to engage with other public employees to learn firsthand about their experiences and successes using data and evidence...