

Letter from the City Manager

June 15, 2016

Honorable Mayor Bruce Blayney, Members of City Council, and Residents of Kingsburg:

It is my pleasure to present the 2016-2017 recommended executive budget for the City of Kingsburg. The budget presents in summary form the revenues and expenditures from each of the City's funds. The Finance Committee has reviewed each of the funds, financial policies and capital improvement requests over the past several months.

The last fiscal year marks a continuation of effort from the previous eighteen months. The organization has experienced a myriad of personnel changes due to long-term retirements. We've been able to streamline a number of operations to become a leaner, more efficient organization.

Prudent fiscal decision making, along with higher than anticipated revenues has led to a healthy general fund surplus. The 2015-2016 budget is expected to close with the utilization of just \$83,299 in fund balance. This is in contrast to the \$530,000 originally budgeted to be spent on one-time capital purchases. With revenues outpacing projections and expenditures remaining true to budget, the City expects to move into the 2016/17 budget with a general fund balance of \$2,571,817. While this amount provides leverage to make one-time cash purchases, it's also an important long-term investment value as we continue to plan for post-employment benefit costs.

Our annual budget process is a reflection of our focus on transparency throughout the organization. It is our desire to present a budget that promotes accountability, increases engagement, and tells the story of our path to success. This document holds information that we believe is relevant to guide staff, Council and to inform our residents.

In 2013, the City engaged in a strategic planning process that engaged council members, employees and consultants. The goal of the session was to align all the community has to offer with the vision for its' future. Financial stewardship and planning, economic incentives for growth, and the retention of our employees and succession planning for those who retire were key driving forces for the plan.

Council and staff reinvested in the strategic planning process in 2015, reevaluating core initiatives and examining the overall progress made since 2013. With several of the main objectives addressed, Council and staff identified new goals to continue of progression into keeping Kingsburg the "Gem of the Valley."

The FY17 budget process has been guided by these strategic principles, and meets our commitment to a high level of service, our cultural history, and coincides with the financial parameters set by the City Council. The budget is the most important document that City creates on an annual basis. It is our blueprint for a more successful future.

2016-17 Budget in Brief

The City's overall budget is made up of the General Fund, Enterprise Funds, Capital Facilities Funds, Special Revenue Funds, Recreation Funds, Finance Authority, Grant Funds and Lighting and Landscaping Districts. The All Funds Budget totals \$18,670,139 for FY17, a 4.80% increase over FY16.

Some highlights of the 2015-16 budget include:

- \$194,500 for general fund related capital improvement projects.
- Continued CalPERS contributions based upon program actuaries.
- Additional \$200,000 in enterprise fund capital purchases related to equipment purchase, infrastructure replacement and software upgrades.
- Over \$1mm - Special revenue fund expenditures for street maintenance and repair (California St., Sunset St., Meadow Ln. and 20 other early preventative maintenance projects, as well as our annual striping program)
- Budget anticipates additional 15% increase for first half of 2017.
- Addition of new Police Officer from savings realized through Dispatch outsourcing in 2016.

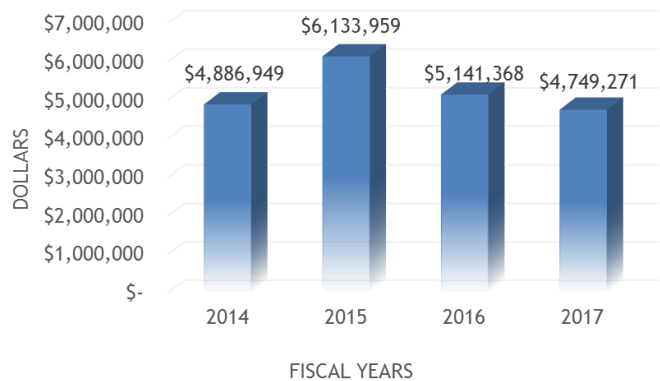
General Fund

The General Fund revenue is conservatively projected at \$4,749,271, or a 1.15% increase over the previous fiscal year. This assumes a moderate increase in property taxes, attributed to the improved economy and the addition of the Sun-Maid/Guardian annexation contribution. We anticipate a minor reduction in overall sales tax due to

the expiration of the State 'Triple-Flip', which expired in 2015, but will see final "true-ups" in mid-2016. We continue to see improved revenues related to the City's Building Dept. which was reorganized as part of the 2015-16 budget.

While we continue to work to reduce personnel and benefit costs in order to invest in our infrastructure, CalPERS obligations continue to be a major area of emphasis for future budget projections.

GENERAL FUND REVENUE TREND



Fund Balance

The General Fund carries a larger than normal surplus as a direct result of a Tulare County land sale executed in early 2015. Per the Governmental Finance Officers Association, agencies should develop and adopt a fiscal policy that maintains adequate levels of fund balance to mitigate current and future risks (revenue shortfalls and unanticipated expenditures). The amount of needed fund reserve can vary based upon each agencies need - *The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose*

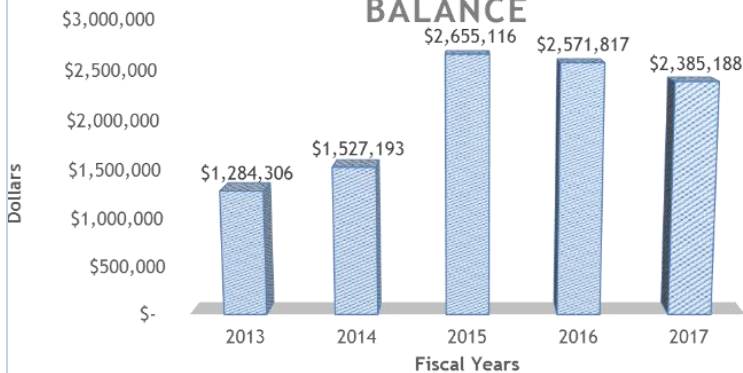
governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures, which would be about 17%. Current revenue and expenditure projections estimate the City will hold closer to 48% of fund balance in reserves by the end of FY2017. The Finance Committee and City Council will ultimately set policy on how to address surplus amounts over the adopted reserve policy.

- \$10,000 for planning/code enforcement software
- \$40,000 for one new police vehicle to be purchased and outfitted.

Enterprise Funds

The City now operates three business-type funds (Ambulance, Solid Waste, and Water) with the close out of the building permit fund in 2015. The Water and Solid Waste funds have historically operated at either a net break even or positive. The Ambulance fund, however, has historically operated at a net deficit. Critical changes in 2014-15 to billing procedures, paid call policy, and additional revenue generation have improved the fund nearly 40% since 2014.

GENERAL FUND ENDING FUND BALANCE



2016-17 Expenditures

As part of the projected budget, there are a number of impacts and expenditures to keep the City working efficiently and innovative in our approach. Along with normal operations, significant capital investment will be made as well.

- \$30,000 Façade/Alley P3 program to reinvest in Central Commercial Corridor. This is year two of the program, with the first year utilizing nearly \$27,000 on seven projects.
- \$50,000 for parks related improvements.
- \$10,000 for a personnel policy manual update

Ambulance Fund (320)

- Maintains 3-0 shift staffing.
- Year two of IGT program reimbursement.
- \$28,410 SCBA bottle replacement.
- \$44,775 personal protective equipment for Reserve program.
- \$184,000 debt payment for Station #2.
- 2% CalPERS increase from 15-16.

Solid Waste Fund (319)

- Third year of 10-year contract with Mid Valley Disposal
- First year to include a CPI increase
- Newly implemented software to save \$35,000 annually.
- Street Sweeping contract includes 5 year rate lock.

Water Fund (318)

- \$50,000 for Downtown Corridor valve replacement.
- \$24,000 for new utility truck purchase.

- \$25,000 for Urban Water Management Plan update (5 year cycle).
- \$155,000 for contractual payment to Consolidated Irrigation District for recharge fund.
- Estimated \$200,000 revenue to offset water meter debt payment.
- Second year of State mandated water restrictions.

Special Revenue Funds

The City maintains special revenue funds through the Fresno Council of Governments, as well as the State Highway. These funds are allocated towards the salaries, benefits, equipment and contracts awarded to maintain local streets, sidewalks and alley repair.

Gas Taxes (102)

- Continued reduction of funds due to myriad of factors (State formula, lower fuel prices and tax).
- 37% revenue reduction since 2013.
- \$20,000 for continued private landscaping work

Local Transportation Funds (104)

- \$705,759 for several street improvement projects (see capital improvement worksheet)
- \$15,000 for Beautification Committee project request.
- \$20,000 Street Striping program.
- \$9,000 for Sierra St. Traffic Synchronization (carryover from 15-16)

Measure C Funds (105)

- \$340,000 for California St. reconstruction (curb, gutter, road repaving, decorative bulb outs)

- \$20,000 toward private landscape maint. For highly visible areas and median drip irrigation retro-fit.
- \$20,000 for ADA curb ramp installs.
- \$20,000 contribution for future development plan line completion
- \$10,000 for necessary sidewalk potential trip/fall repairs.

Recreation Funds

The City's recreation funds account for revenues and expenditures for the Crandell Swim Complex and Senior Center activities, which include a lunch program and employees two part time positions.

Pool Fund (021)

- \$18,000 for sand filter replacement (one per year – 6 total).
- \$43,500 for lifeguard wages

Finance Authority (750)

In April, 2015 the City Council authorized the refinancing of 1991 & 1992 assessment bonds to take advantage of historically low interest rates. These bonds were placed privately and will provide a net surplus to the City of \$441,078 over the next seven years (maturity in 2022).

In addition, the City also refinanced a 2004 Lease-revenue bond. This bond was rated by Standard & Poors, and given an A+ rating based upon the City's existing financial policies and fund balance strength. With an interest rate of 3.25%, the city was able to greatly reduce annual obligations and improve overall cash flow to the Ambulance enterprise fund as well as the Fire Capital Facilities Fund.

- \$395,242 total debt service payments for the 2015 Kingsburg JPA

(former lease revenue bond) for Station #2.

- \$71,576 total debt service payment for refunding revenue bond series (1991-1992 assessment series).

Capital Facilities Funds

The Capital Facilities Funds are specialized set-aside funds that collect revenues related to new development to offset the cost of necessary infrastructure build-outs. Each new development project pays a formulaic fee based upon use and total square footage. Currently, the City has incentivized our program to reduce base fees by 25%. In 2015-16, the City undertook a third-party analysis to help reset these fees to ensure private development pays its fair share. Some upcoming year highlights include:

- Consolidation of the impact fee structure for transparency and streamlined permitting.
- Continued 25% impact fee reduction.
- Further reduction for qualifying projects based upon job creation and existing infrastructure.
- \$184,137 for debt payment for Station #2.

Completed and Ongoing Initiatives

A number of great new initiatives are in process to improve the City's processes and provide the amenities and charm our residents have come to expect.

Conservation: It's no secret that the State of California is in the midst of one of the worst droughts ever experienced. With record low rainfall and snowpack, Governor Brown has mandated water conservation across the State. With the installation of 1,800 meters on homes built before 1992, Kingsburg has positioned itself to be a leader in water conservation. With a mandate of 36% across the board cuts, the City has implemented new watering regulations as well as an incentive program to improve conservation participation City-wide.

While the State has amended individual jurisdiction mandates, our citizens have continued to set the standard for conservation efforts. Through May 2016, residents reduced usage on the aggregate (starting June 2015) over 41%. In March 2016, we reduced our one-month use by over 52% - easily the largest in the State.

Train Depot: The Historic Train Depot has been fully renovated and is planning for a September Grand Opening event. A former passenger hub, the once run-down building has new life with the support of nearly \$1mm in private donations and another \$1.2mm Federal Highways Transportation Grant. The building, when complete, will bring the Depot back to 1912 era accuracy, and will be used as educational museum, serving over 250,000 school kids in the tri-county area. With a revitalized freight platform and large loading area, the Depot

will also serve as a community gathering point, with the ability to host private events as well.

In addition, the reconstruction of California St. in front of the Depot will begin in early June, and will include aesthetic improvements to the California/Draper corner, improved parking, lighting, and pedestrian access to the Depot.

Parks: As part of the City's 2015-16 budget process, the City Council dedicated \$45,000 dollars directly to the City's Community and Utility Services Commission. Their task was to utilize this funding on our vital park system. Coupled with funding already budgeted for the City's pool and the Downtown Park pavilion remodel, our parks saw several improvements over the past year:

- **Downtown Park:** Truly a public/private endeavor, this remodel shared nearly \$75,000 in work to the City's Downtown Park Pavilion. A once beautiful trellis had fallen victim to time, and both safety and aesthetic improvements were badly needed. New block work, seated caps, landscaping and lighting have revitalized the area. Group rentals, family gatherings, community festivals and daily lunch breaks are all hosted by this newly remodeled focal point.
- **Off Leash Dog Park:** The City's first official off-leash dog park has been established and continually developed over the past year. The addition of nearly 40 newly planted trees, water source, and permanent shade structure have made the park

welcoming for both two and four-legged visitors.

- **Memorial Park:** The City's main park also saw improvement in the past year. The Band Shell, which has hosted the City's *Concert Under the Stars* series since 1887, was cleaned, painted and repaired. It's ready to host events for another 129 years!

Communication Efforts: Named a Citizen Engaged Community in late 2015, Kingsburg has shown itself to be committed to interacting through several forms of media (website, social media, newspaper, weekly e-newsletter). In early 2016, the City rolled out a new and improved website. The new format provides user-friendly features and a refreshed new look.

In addition, the City began a Coffee with the City Manager series in March 2016. The program is aimed at enabling a relaxed conversation in a comfortable environment with residents and business owners to discuss topics of their choice.

Economic Development

Kingsburg continues to strive to find new ways to improve our overall economic outlook. Existing incentives remain in place, and 2015-16 included the formation of new investment into the City's downtown corridor.

Public/Private Partnership (P3 Model): The City initiated a public/private partnership PILOT program to rejuvenate downtown. Designed to encourage physical improvements to a building or business facades visible from the public right-of-way, non-residential properties were eligible for up to \$5,000 in reimbursable grant funding.

In year one, six downtown properties utilized funding of nearly \$27,000 in grants. The overall improvements included nearly \$150,000 in private investment, including the restoration of three blighted properties (Cates CPA, Kingsburg Laundromat, and Olson Brothers Building).

The City will continue to fund the program in 2016-2017 at the \$30,000 level.

Mixed Use Downtown: The Marion Villas complex, a mixed-use, 46 unit Senior Living apartment complex completed construction and opened in early 2016. At 100% residential occupancy on opening day, the concept and architectural design has led the way in conceptual planning in the Central Valley. Located just one block from Draper, the building provided an in-fill, high density project with a high level of building material and architectural quality.

The bottom floor houses over 3,000 sq. ft. of commercial space that is now fully leased and will begin tenant improvements in summer 2016.

Business Park Focus: A major initiative for 2015-16 will be a renewed emphasis on development at the Kingsburg Business Park. The Park, developed in 2005, has remained relatively stagnant since the recession of 2008. The reasons for this are many, with several different property owners, a lack of cohesive planning and marketing, as well as disjointed land use designations. Many of the issues have been rectified:

- City-sponsored marketing and point of contact
- Large developer focused
- Ability to leverage existing infrastructure investments

- Mix-used land use designation for flexibility and protection of parcels



Aerial view of Kingsburg Business Park.

Ongoing/Future Projects: The City has once again begun to see new development spring up throughout town. There are several residential and commercial projects currently underway or prepared to begin:

Non-Residential/Multi-Family:

1. Business Park
 - Two proposed commercial projects have been submitted for site plan review to occupy space in the City's business park.
2. Chelsea Senior Living
 - Located along the eastern border of City limits, this senior living housing complex is in the process of seeking tax credits to begin construction. With high design standards and ample green space, it is sure to enhance one of the City's main entrances.
3. Old Swedish Mill
 - A local restaurateur has invested in the vacant 'Swedish Mill' property. With plans for a full service restaurant and bar, the new option is sure to provide amenities for local residents and those seeking options while traveling along Highway 99.

4. Grace Church of the Valley
 - A new multi-purpose church has been approved for construction at the Del Monte Plant along 18th Ave.
5. Stacked Burger Bar and Grill
 - Stacked, set to open in June 2016, provides another high quality restaurant option on Draper St. With a diverse menu and full bar, Stacked will offer traditional American fare options to complement our existing restaurant options.

Single-Family Residential

1. Kingsburg Crossings
 - A 46 parcel single family residential planned unit development is currently under construction. Several model homes have been permitted and phase II of the project includes additional SFR to be built upon completion of the first 46 units.
2. Lennar Annexation
 - Over 10 acres of land has been annexed to help accommodate the in-fill development of 34 single family homes. Grading and utility work is currently underway with home building set to begin in fall 2016.
3. New Home Allocations
 - As part of the city's Growth Management Ordinance, new housing must first be awarded allocations in order to request entitlements. Currently, 301 requests for allocations are being reviewed. Each would project would require annexation into the City limits.

In Conclusion

The 2016/17 budget highlights the projects, people and goals that will guide the City of Kingsburg in the coming year. Our creativity, innovation and improved efficiencies will guide our progress in the coming year. This budget document hopes to recognize the values that makes Kingsburg what it is today, and is a reflection of each of our employees. Each of our Department Heads participated and helped shape the upcoming fiscal year budget. I would like to give special thanks and recognition to City Finance Director, Maggie Moreno, for her hard work and long hours assisting with the development of this budget. I hope you'll find it a useful and beneficial tool.

Respectfully Submitted,



Alexander J. Henderson
City Manager