



Menifee

Fiscal Year 2016-17

Annual Operating Budget

City Manager's Message

City Council Budget Workshop

June 1, 2016



Budget Workshop Agenda



- Introduction – Robert Johnson, City Manager
- FY2015-16 Highlights – Bruce Foltz, Finance Director
 - Capital Improvement Program
 - Annual Operating Budget
- Discussion



Introduction

• City Profile

- Population: 89,004
- Median Age: 38 years old
- Average Household Income: \$67,318 (up 14.5%)
- April Median Home Price: \$307,000* (up 1% from April 2015)
*Southwest Riverside County Realtor Report, Gene Wunderlich, 4/2016
- 2nd Fastest Growing City in Riverside County (2014)
- 6th Fastest Growing in the State (2014)





Introduction

- Legacy Workshop Consensus Priorities (2015) *
 1. Economic Development (22 items)
 2. Public Safety (16 items)
 3. Financial Stability (10 items)
 4. Public Facilities Master Plan(s) (15 items)
 5. Policy Setting (27 items)

*Council shared & discussed issues/projects by District at Legacy Workshop to provide staff with direction over the next several years. Quarterly, the City Manager will update Council on the 90 items listed by category & by Councilmember District. After the Budget adoption, Staff will add the Legacy Items to the City's Website on the City Council page.



Fiscal Years 2016-20

Capital Improvement Program





Capital Improvement Program

Fiscal Years 2016-2020

• Major Infrastructure Capital Projects

- Newport/I215 Interchange – UNDERWAY
 - Menifee residents/travelers survived Merge!
 - Drilling & Southside Bridge Construction
- Holland Road Overpass
 - Plans Complete
 - Draft EIR Out for Public Comment
 - ROW Purchase after EIR Approved
- Bradley Bridge Project (Over Salt Creek)
 - 50% Final Design Complete – waiting final study by RCFC
- Scott Road/I215 Interchange
 - Working w/County & Caltrans on Traffic Study & Project Phasing
 - Under PS&E redesign of new 6 Lane Phasing Design (Newport-like)
- McCall Interchange is in Preliminary Design





Capital Improvement Program

Fiscal Years 2016-2020

Funding is Major Infrastructure Hurdle!

- Seeking \$60M in alternative financing to secure funding necessary to move all projects forward to construction
- All projects currently funded to be shelf ready
- Loss of VLF, Gas Tax & Lack of major City-owned facilities hinders opportunities to secure long-term debt
- Hope to have a financing plan to present to Council by August 2016





Fiscal Year 2016-17
Annual Operating
Budget





FY16-17 Annual Operating Budget

City Manager's Message

- Riding Wave of Odd vs. Even Years
 - 2012/13 (1,662,207)
 - 2013/14 1,356,474
 - 2014/15 (316,085)
 - 2015/16 *Balanced Projection*
 - 2016/2017 (\$2.5M)
 - *Sales Tax & Property Tax Not Keeping Pace w/Annual Increases in Public Safety Expenses*
- In May 2016, Council Approved Forming Public Safety CFD on New Home Development
 - \$526 p/DU annually x 10,000 possible new homes = \$5.26M in Revenue specifically for public safety and moving expenses off of the General Fund –
 - Still Need to Bridge Gap in Short Term*



FY16-17 Annual Operating Budget

City Manager's Message

- True Revenue Issue, not Expense Issue...
 - Loss of VLF This FY = \$4,450,200 (\$50 p/capita x 89,004)
 - Reduced Expenses by \$4.7M (2015) & \$2.3M (2016)
 - Increased Cost Public Safety (Police {7.49%} & Fire {5%})
 - Increased Cost of Doing Business (CPI, Cost of Living)
 - Increased PERS Rates/Insurance (PARSAC)
- Need to Solve Revenue Issue Outside of lost VLF until California Votes In New Governor (2018)
- Reviewed Dept. Head Requests & Got Good at Saying “No” (again) – *Fact: This is the 1st year, Bruce/I gave target budget #'s then we reduced them*
- Moved Staff to Appropriate non-General Fund Cost Centers to Accurately Depict Role & Funding Source (CSD, Public Works & Engineering)

FY16-17 Annual Operating Budget

City Manager's Message



- Until City Can Control Rising Cost of Public Safety (which it cannot), Menifee Needs Alternative Revenue Outside of VLF, Sales & Prop Tax and Development Fees to Solve Continuous Annual Budget Shortfall – Only So Much Staff Can Cut Each Budget Cycle
- In May 2016 During Post Mid-Year Budget Workshop, the City Manager proposed researching revenue generating options, which came in the form of proposed ballot measures for November 2016:
 - 1 Cent Sales Tax – good support from community polling
 - Utility User Tax – no support from community polling
 - Community Facilities District Assessment for Public Safety on new housing developments
- The City Council responded by authorizing the City Manager to move forward to hire a consultant to perform community polling
- A Comprehensive Report will be delivered by the City's Consultant, FM3, later at tonight's council meeting



FY16-17 Annual Operating Budget

City Manager's Message

- Department Percentage Change from FY2014/15:
 - City Council (15.2%)
 - City Manager (18.1%)
 - City Attorney (5.2%)
 - City Clerk (9.4%)
 - Administrative Services (29 %)
 - Finance (0.52%)
 - Planning (1.5%)
 - Building & Safety 6 %
 - Code Enforcement (5.7%)
 - Economic Development (5 %)
 - Public Works/Engineering 0.7 %
 - Community Services 7.45%

Our Challenge is Cutting Back in Certain Departments to Expand in Others to Meet Demands – We Currently Have No Other Options ...



FY16-17 Annual Operating Budget

City Manager's Message

- Finance Director poured over 3 years of Financials to get Handle on Our Roller Coaster
- After Dissecting Our Past Budgets & Reducing Our Revenue Estimates We Determined to Get on the Right Path to Controlling Our Expenses & Being Realistic w/ Revenue Opportunities
- Unenviable Task to Cut \$4.8M in Expenses again*
 - Cuts Across the Board, No Dept. was Spared, nothing more to cut – unless we reduce police force, look to close a fire station or lay off staff --- *which I am not recommending*

*(15/16 reduced \$4.7M to balance)

FY15-16 Annual Operating Budget



City Manager's Message

- Focused & Aggressive Economic Development over the Past 3 Years Has Improved Our Retail/Commercial Position in the Region
 - Menifee is under construction everywhere & sales tax revenues are up, as well as Development Fee Revenue
 - Still not able to meet the demands of increasing public safety expenses
 - 12% increase in 16% of Revenue does not compare to 12% increase in 64% of expense
- Welcomed Significant Contributors to Sales Tax Revenue Generation by Cultivating Relationships & Market the City at Both ICSC Annual Shows in San Diego/Las Vegas
- Last year, Menifee Welcomed its First Brewing Company Tasting Room with the Opening of Mason Jar Brewing Company!
- Last year, Menifee Welcomed its First Light Industrial Development Commerce Point (Zeiders Rd.) – New Opportunities to Bring Jobs

FY16-17 Annual Operating Budget



City Manager's Message

- Several New Retail/Commercial Centers Approved in FY2014/15 & Open or Under Construction:
 - Applebee's, 5 Guys Burgers/Fries, Flamebroiler – OPEN!
 - America's Tire Store (Haun Rd.) – OPEN!
 - AM/PM & CarWash (Newport/Menifee) – OPEN!
 - O'Reilly Auto Parts – OPEN!
 - International Auto Crafters (Haun Rd.) – ALMOST COMPLETE!
 - Town Center Marketplace (Haun/Newport):
Aldi's Grocery, Party City, Active Ride Shop, Buffalo Wild Wings, Sonic, El Pollo Loco, WaBa Grill, Jimmy John's, Rubio's, The Habit Burger, Krispy Kreme & more! – Getting Close!
 - Stater Brothers Shopping Center (Newport/Menifee) featuring Blue Ribbon Market, several out buildings – GRADING!

**Retail / Commercial
Development Provides
Amenities that keep
Sales Tax in Menifee!**

FY16-17 Annual Operating Budget

City Manager's Message



- Reductions by Department to date:
 - Development (*Planning & Economic Development*)
 - Kaiser/Marsten Study (Cherry Hills Plaza) Phase I = \$60,000
 - Business Park Plan Phase I = \$60,000
 - Enhanced Infrastructure Finance District Plan Phase I = \$60,000
 - McCall Medical Corridor Plan = \$60,000
 - Reduce Menifee Matters to 2x per year = \$18,700
 - Military Banner Program = \$25,000
 - EDC Coalition Dues = \$ 6,500
 - Small Bus. Dev. Center B3 Program = \$13,000
 - Chamber of Commerce Partner Contract = \$25,000
 - Drafting of the Zoning Code = \$70,000
 - \$398,200**
 - Administrative Services Department
 - IT Technician = \$110,000
 - Front Desk Office Assistant = \$80,000
 - Legislative Management Software (Clerk) = \$24,900
 - \$214,000**
 - Finance
 - Account Technician = **\$125,000**
 - City Manager's Office Admin Analyst = **\$125,000**

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City Manager's Message

- Reductions by Department to date:
 - Code Enforcement Division
 - Code Enforcement Officer **\$100,000**
 - Public Works Department
 - Traffic Engineer **\$175,000**
 - Land Development Engineer **\$175,000**
 - \$350,000**
 - Non-Departmental
 - General Supplies = **\$50,000**

Total Project/Staff Reductions = **\$1,362,200**



FY16-17 Annual Operating Budget

City Manager's Message: Recap/Summary

- Sales Tax \$7M & increasing: Menifee is the Sleeping Giant!
- Current Development Revenue must convert to property tax/sales tax revenue
- Lost VLF hurts GF / Lost Gas Tax hurts infrastructure/Public Works: no other City does what we do with 4 Public Works Guys & 46 sq. mi.!
- Increased cost of public safety hurts GF
- Infrastructure development financing hurt by GF losses
- \$4.7M reduced 2015/16 in GF hurt staff & programs to community
- Reduced another \$2.3M from \$4.8M 2016/17 hurts more
 - Took from staff, still have needs to be met (staff, public safety, streets, traffic, infrastructure, sidewalks, etc.), continue to do more w/ even less than before – Staff is amazing!
- Development is crazy, population is exploding, need more staff to keep up, need more police officers to keep up, need to solve traffic issues
- Community support has been unbelievable – people love Menifee
- Revenue generation IS our key legacy item!



FY16-17 Annual Operating Budget

City Manager's Message

- Special Thank You:
 - Bruce Foltz, Finance Director
 - Wendy Welch, Finance Manager
 - Finance Department Team that Assisted Departments in Preparing Budget Submittals (Ann-Marie Etienne, Esmeralda Torres, Lori Matley)
 - Huge Undertaking with 5 Staff ...
- Finally, a heartfelt “Thank You!” to All Department Heads ... They Will Do More with Less ... Again ... & Continue to Willingly Serve & Build This Community ...
- Bruce Foltz will now lead through the actual Budget