
CITY OF SAN CLEMENTE



2015

Long Term Financial Plan



san-clemente.org/LTFP

City of San Clemente

City Council

Chris Hamm, Mayor
Bob Baker, Mayor Pro Tem
Tim Brown, Councilmember
Lori Donchak, Councilmember
Kathy Ward, Councilmember

City Manager

James Makshanoff

Executive Team

Joanne Baade	City Clerk
William E. Cameron	City Engineer / Public Works Director
David Moodie	Police Services Chief
Rob Zur Schmiede	Interim Community Development Director
Erik Sund	Assistant City Manager
Kirk Wells	Fire Services Division Chief

Project Director

Erik Sund	Assistant City Manager
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Project Team

Kade Boisseranc	Information Services Specialist
Brian Brower	Information Services Analyst
Bill Cameron	City Engineer / Public Works Director
Sandee Chiswick	Senior Accountant
Ken Knatz	Principal Civil Engineer
Larry Moore	Information Services Manager
Jim Pechous	City Planner
Jake Rahn	Financial Services Officer
Tom Rendina	Business Services Officer
Matt Squires	Information Services Specialist
Judi Vincent	Finance Manager

Mission Statement



The City of San Clemente, in partnership with the community we serve, will foster a tradition dedicated to:

- ◆ *Maintaining a safe, healthy atmosphere in which to live, work and play;*
- ◆ *Guiding development to ensure responsible growth while preserving and enhancing our village character, unique environment and natural amenities;*
- ◆ *Providing for the City's long term stability through promotion of economic vitality and diversity....*
- ◆ *Resulting in a balanced community committed to protection of what is valued today while meeting tomorrow's needs.*

Project Team

Project Director

Erik Sund, Assistant City Manager

Financial Trend Analysis

Sandee Chiswick, Senior Accountant

Financial Forecast

Judi Vincent, Finance Manager

Reserve Analysis

Jake Rahn, Financial Services Officer

Fiscal Policy

Tom Rendina, Business Services Officer

Judi Vincent, Finance Manager

Capital Projects Analysis

William E. Cameron, Public Works Director

Ken Knatz, Principal Civil Engineer

Tom Rendina, Business Services Officer

Information Technologies Strategic Plan

Kade Boisseranc, Information Services Specialist

Brian Brower, Information Services Analyst

Larry Moore, Information Services Manager

Matt Squires, Information Services Specialist

Centennial General Plan Strategic Implementation Plan (SIP)

Jim Pechous, City Planner

Rob Zur Schmiede, Interim Community Development Director

Issues & Objectives

Financial Trend Analysis

Objective

A number of financial indicators are analyzed utilizing the International City Management Association's (ICMA) guidelines contained in "Evaluating Financial Condition". The analysis of these indicators is designed to present information on the fiscal health of the City of San Clemente as part of the Long Term Financial Plan. This annual financial trend analysis focuses on the City's General Fund.

Financial Forecast

Objective

To update the comprehensive five-year financial forecast for the General Fund, incorporating adopted City fiscal policies, expenditure patterns, revenue trends, fund balances and other known financial impacts.

Reserve Analysis

Objective

To analyze and recommend appropriate levels of reserves to (a) ensure that they are adequate to provide for the needs of each fund program, (b) meet program needs without unnecessarily obligating scarce dollar resources and (c) to insure compliance with City fiscal policies and legal requirements by State, County or Local Ordinances.

Fiscal Policy

Objective

To review the City's adopted Fiscal Policy on an annual basis in order to determine appropriate changes, additions or deletions.

Capital Projects Analysis

Objective

To provide a summary of capital projects with funding challenges and funding obligations for significant projects. This analysis will review the funding requirements as well as future projected funding sources, and attempt to determine the timing of the projects in connection with the City's current and future financial resources.

Information Technology Strategic Plan

Objective

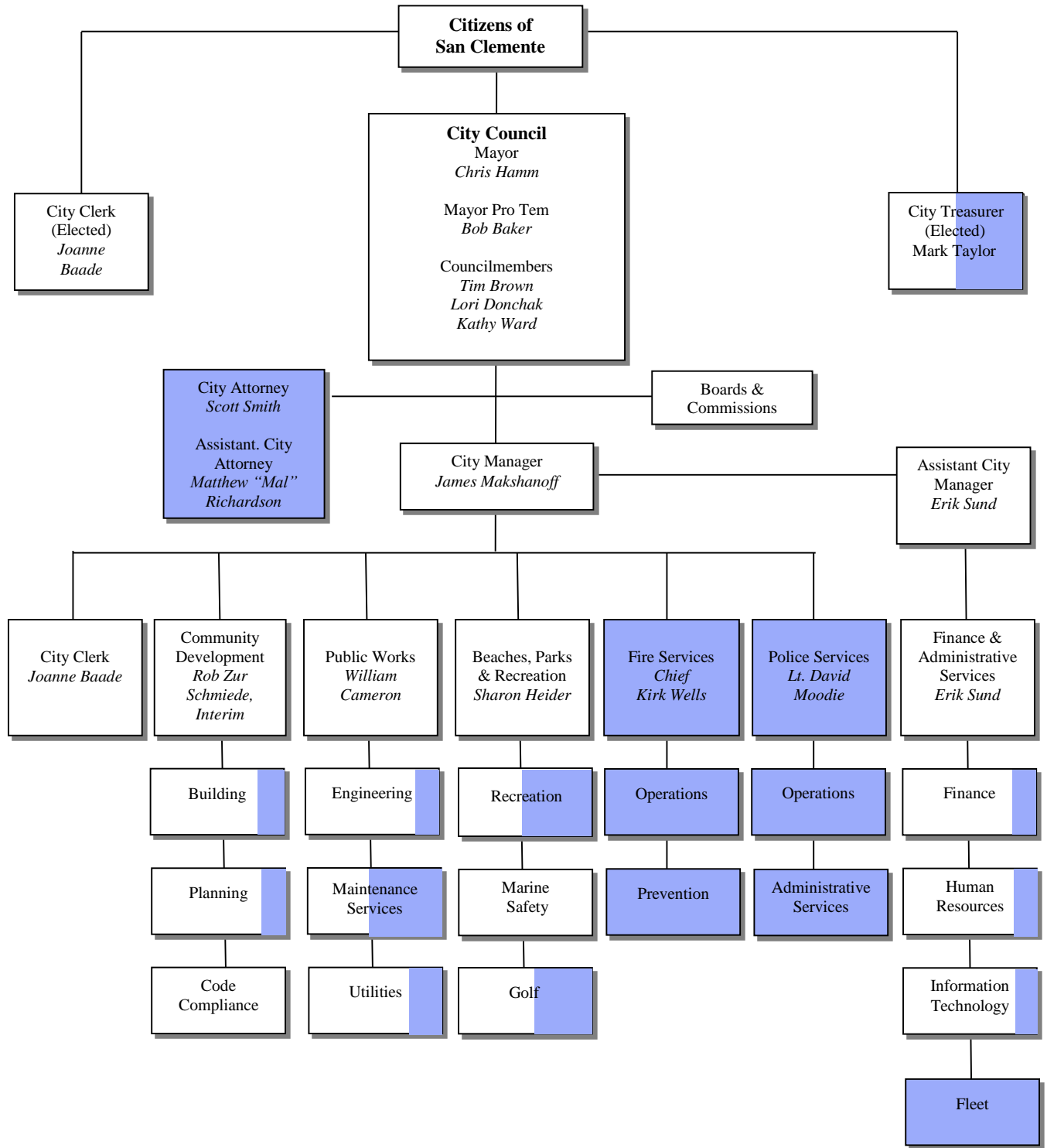
To provide a long term Citywide, high level plan to guide Information Technology decision making, budgeting, and implementations across all City functions and operations over the next five years.


Centennial General Plan Strategic Implementation Plan (SIP)

Objective

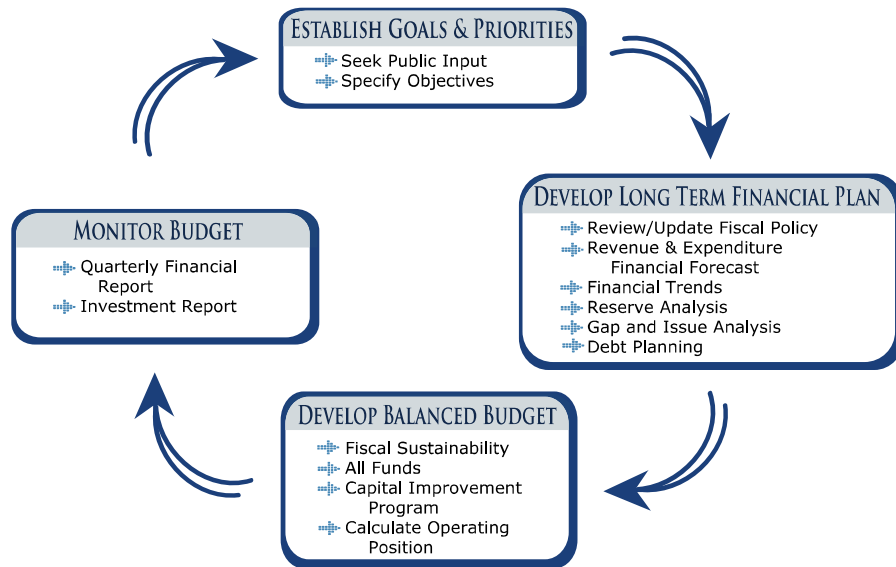
To review the General Plan Strategic Implementation Program (SIP), update the City Council on the status of the General Plan's implementation, and make recommendations and seek direction on which new General Plan Implementation Measures (IMs) should be implemented in the coming fiscal year.

City Organizational Chart



 Shading indicates contracted services

Long Term Financial Plan



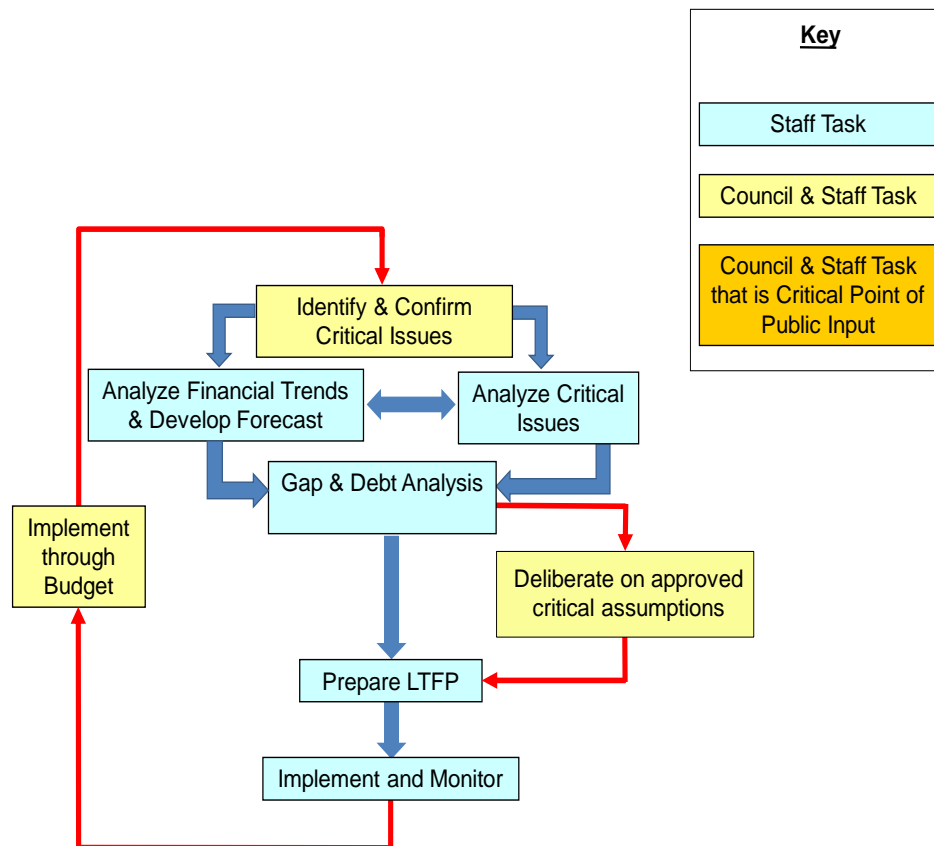
The City of San Clemente, at Council direction, annually prepares a comprehensive Long Term Financial Plan (LTFP). The LTFP is intended to serve as a tool, providing Council and the public with the insight required to address issues impacting the City's financial condition. The LTFP consists of a complete financial plan and an Issue Paper section which provides supporting documents used in developing a strategic plan after a thorough analysis of all issues that impact the City's financial condition.

The 2015 Long Term Financial Plan consists of the following sections:

- Introduction
- City Manager Transmittal Letter
- Executive Summary
- Financial Trend Analysis
- Financial Forecast
- Reserve Analysis
- Fiscal Policy
- Capital Projects Analysis
- Information Technology Strategic Plan
- Centennial General Plan Strategic Implementation Plan

Long Term Financial Plan Process

The flow chart below graphically describes the **process** that went into developing the City's Long Term Financial Plan. This project was conducted by City staff. In fact, 12 City staff members contributed directly to the Plan, while countless other employees also assisted in the gathering of information, research, word processing, scheduling meetings, etc. Including the Project Director, there were 7 project leaders each assigned to teams addressing a specific critical issue.



Long Term Financial Plan

Annually, City Council identifies which projects and programs are of the highest priorities for the coming years. Once priorities have been identified, Council and staff will identify the critical phases which have, or are expected to have, an impact on the financial condition of the City over the next five years. For each of the critical areas, specific goals and objectives are developed for each project which is designed to meet the overall goal of the project:

- ***To provide a clear and concise Long Term Financial Plan, identifying the City's current and projected financial condition, and proposing specific alternatives to address identified problems.***

Project teams and team leaders were then selected based on individual talents and expertise in given critical issue areas. A steering committee was formed in order to keep the project on track and on schedule. Each team was then asked to prepare option papers that meet the goals and objectives already defined. The key message expressed to each team was that the report had to be clear and concise while providing very specific and practical recommendations that addressed the issue at hand. After several months of intensive effort and time by all staff involved, the option papers were completed and incorporated into the Long Term Financial Plan.

Once the issue papers were completed, the actual Long Term Financial Plan was developed by using the Financial Trend Analysis and Financial Forecast as the foundation of the plan. Funding gaps for major one-time capital and maintenance projects are identified in the Capital Projects paper. Applying the Trend Analysis and the Financial Forecast, based on the Capital Projects paper, will help with the decision and prioritization of projects as we move into the budget process.

Schedule

March 4, 2015	Long Term Financial Plan Workshop (Special City Council Meeting)
May 14, 2015	Budget Workshop (Special City Council Meeting)
June 2, 2015	Budget Public Hearing
June 16, 2015	Budget Adoption

Long Term Financial Plan Review

Long Term Financial Plan Review

The City has prepared an updated table for all 2014 Long Term Financial Plan issues. This table provides an up to date report on the progress that has been made for all issues.

Financial Trend Analysis	Status
A number of financial indicators are analyzed utilizing the International City Management Association's (ICMA) guidelines contained in "Evaluating Financial Condition". The analysis of these indicators is designed to present information on the fiscal health of the City of San Clemente as part of the Long Term Financial Plan. This annual financial trend analysis focuses on the City's General Fund.	Done.

Financial Forecast	Status
To update the comprehensive five-year financial forecast for the General and operating funds incorporating adopted City fiscal policies, expenditure patterns, revenue trends and other known financial impacts.	Done.

Reserve Analysis	Status
To analyze and recommend appropriate levels of reserves to (a) ensure that they are adequate to provide for the needs of each fund program, (b) meet program needs without unnecessarily obligating scarce dollar resources and (c) to insure compliance with City fiscal policies and legal requirements by State, County or Local Ordinances.	All 2014 LTFP reserve transfer and funding recommendations were included in the FY 2015 budget and are currently being implemented, as per Council direction at the 2014 LTFP workshop.

Fiscal Policy	Status
Review the City's adopted Fiscal Policy on an annual basis in order to determine appropriate changes, additions or deletions.	Done.

Capital Projects Analysis	Status
<p>To provide a summary of capital projects with funding challenges and funding obligations for significant projects. This analysis will review the funding status of the existing reserves as well as future projected funding sources, and attempt to determine the timing of the projects in connection with the City’s current and future financial resources.</p>	<p>Based on Council feedback, projects discussed in the 2014 LTFP paper were addressed during the FY 2015 CIP budget process where applicable, with updates made as needed, based on funding availability and staff resources. Staff will continue to identify and make recommendations to fund major unfunded projects through the CIP program.</p>

Retirement System Analysis	Status
<p>To review the current City retirement plans and address unfunded liabilities.</p>	<p>To implement Council’s direction from the 2014 LTFP workshop, in the 2015 LTFP Reserve Analysis paper, staff proposes establishing a \$500,000 General Fund Pension Reserve Fund in FY 2015 and provides language to clarify the Fund’s purpose.</p> <p>In May 2014, the City paid off the remaining \$225,716 side fund balance for the CalPERS Safety Lifeguard Pension Plan, reducing the City’s required contribution by \$42,000 per year over the next six years.</p>

Other Post Employment Benefits (OPEB) Analysis	Status
<p>To provide an overview and alternative options for funding the City’s Other Post-Employment Benefits (OPEB) obligations.</p>	<p>Staff has explored the requirements and steps that need to be completed in order for the City to set up an irrevocable trust for OPEB benefits, and has ensured it’s most recent actuarial report was prepared appropriately, to facilitate setting up such a trust. Staff will continue reviewing the matter and will provide funding recommendations to Council when the review is complete.</p>

Insurance Coverage Alternatives	Status
<p>To present the findings of the Bickmore Review and Analysis of Insurance Alternatives for both General Liability and Workers' Compensation coverage the City maintains.</p>	<p>Findings of the report were presented to Council at the 2014 workshop. The City continues as a member with CJPIA for liability protection.</p> <p>Per Council direction, staff further evaluate CJPIA as an option for Workers Compensation coverage and, a change is not recommended at this time, as there is currently no cost savings to the City to warrant a change from our current self-insurance program.</p>

Marblehead Coastal Parks, Trails	Status
<p>To identify future maintenance and operational costs associated with the opening of the new parks, trails, and landscape medians in the Marblehead Coastal development which will be completed beginning in the next fiscal year.</p>	<p>As appropriate, funding for maintaining the new Marblehead parks, trails and landscape medians is included in the FY 2105 budget and additional funds will be budgeted in the coming fiscal year as the new amenities are completed and maintenance responsibility passed to the City.</p>

Civic Center Evaluation	Status
<p>To provide City Council with background and status updates for the proposed project to consolidate city operations, renovate and repurpose 910 Calle Negocio as a new City Hall. City Council will be requested to consider current and future needs and uses at 910 Calle Negocio and reconfirm that this project is still a Council priority.</p>	<p>An assessment of City Hall is being prepared by the Maintenance Services Division. Once completed, this assessment will be utilized to determine recommendations for the Adaptive Reuse of the Negocio building and the existing City Hall facilities.</p>

Sand Replenishment	Status
To develop a long-term strategy in response to our beaches sustained sand loss, to examine current and planned beach sand replenishment efforts and associated funding options.	Staff has developed a comprehensive long-term strategy, while seeking partnerships with other agencies. Staff will be presenting new funding options to offset future costs.

800 MHz	Status
To analyze funding options for required public safety radio communications equipment and infrastructure upgrades for the 800 MHz County Coordinated Communications System.	Funding for FY 2015 and future years funding projections for the 800 MHz system was included in the Capital Improvement Program in the FY 2015 Budget.

Marine Safety and Beach Maintenance Building Relocation Study	Status
To identify possible alternative locations to relocate the structure to a less hazardous location on the beach and to develop conceptual designs based on the operational and maintenance requirements for Marine Safety, Beach Maintenance, and Police Services.	Staff identified a potential site for relocation. The funding needed to relocate is significant and a funding source has not been determined. The City's 6-year Capital Improvement Program for FY 2017 will propose funding to make improvements to the current facility.

Centennial General Plan	Status
Implement the Centennial General Plan through the Long Term Financial Plan (LTFP) process to advance the Community's values and goals as expressed in the Centennial General Plan.	The 2015 LTFP includes a paper on the Centennial General Plan Strategic Implementation Priorities which updates the City Council on the status of the General Plan's implementation and seeks direction on which new General Plan Implementation Measures (IMs) should be implemented in the coming year.

County Library Analysis	Status
To present to City Council an overview of the current model for providing Library Services within the City of San Clemente and to give options for providing those services in the future.	The City has met with County officials to discuss steps to opting out of County Library System. Upon completion of the Library Expansion Project, staff will be meeting with County officials to discuss further steps while seeking improvements to this service on a Citywide basis.



City of San Clemente

James Makshanoff, City Manager

100 Avenida Presidio, San Clemente, CA 92672

Honorable Mayor and Council Members:

I am pleased to present the 2015 edition of the City's *Long Term Financial Plan (LTFP)* to the City Council and our San Clemente residents. The City has been presenting a strategic fiscal plan on an annual basis since 1993. As the new City Manager of San Clemente, I am proud to be a part of this important financial process that helps shape San Clemente's future. The LTFP process continues to provide a multitude of benefits as the City endeavors to maintain a fiscally prudent decision making process. The LTFP has been instrumental for the City in maintaining a strong and stable financial future. This stability and fiscal strength is reflected in the City's AAA bond rating. With the 2015 LTFP, we are taking a very strategic approach with how the LTFP is compiled and are streamlining the information to provide for a more long term review of impending issues. With that said, staff has reviewed and revisited the core values of financial sustainability outlined in the Fiscal Policy and are reconfirming these values. These improvements will help guide the City and the City Council with a more holistic perspective when having to make decisions.

The City's Long Term Financial Plan (LTFP) is a long-range planning tool that provides City Council with a variety of fiscal indicators to make strategic decisions regarding the City's fiscal sustainability both in the short and the long term. The foundation of the LTFP is built from a *financial forecast*, *financial trend analysis* and the City's underlying *fiscal policies*. The plan includes an *executive summary* which describes the City's current and projected financial condition, and a financial overview which outlines specific recommendations to address outstanding fiscal issues. The substance of the plan is contained in the *critical issue papers*, which analyze topics that have or may have a substantial impact on City finances.

Long-term financial planning combines financial forecasting with financial strategizing to identify future challenges and opportunities...Good financial planning does not simply project the status quo "x" number of years into the future...Financial planning stimulates discussion about the long-term impact of decisions made today and how the city can position itself now to deliver a stable level of essential services.

Government Finance Officers Association, Financing the Future

As we approach FY 2016 and look out over the next five fiscal years, we will see the City facing a number of difficult budget challenges, as well as a number of significant milestones, including substantial proposed increases to Public Safety costs, a need to strategically plan on funding a considerable amount of deferred maintenance improvement projects for the City's aging building and park infrastructures, the on-going monitoring and control of pension costs, the completion of the Marblehead development, the rehabilitation of the Ole Hanson Beach Club, the completion of the Bellota land sale, increases in insurance and general liability costs, and a comprehensive Park Master Plan, to name a few.

The 2015 LTFP critical issue papers address two prominent plans the City is initiating: an Information Technology Strategic Plan and the Centennial General Plan-Strategic Implementation Plan. Execution of these plans will have a positive effect on both the community and the City's operations. Whether it's improving City services through mobility IT enhancements, establishing standards to maintain attractive sidewalks, developing a utilities undergrounding plan, or reviewing City Engineering standards to public street lighting designs, these plans will provide an array of benefits to the City of San Clemente for years to come.

Operating position (operating revenues less operating expenditures, excluding one-time revenues or capital expenditures) is projected to be negative this year and over the next five years, continued public safety contractual increases, insurance premium increases, and full absorption of maintenance costs at the Vista Hermosa Aquatics & Sports Center. As always, adjustments will be made during the budget process in order to ensure a positive operating position.

Fund balances include the City's current Emergency Reserve of \$4.7 million and a Sustainability Reserve of \$10 million. These reserves are a major contributor to the City maintaining its AAA bond rating. While the City's fiscal policy governs the City's reserves, the core values of financial sustainability highlighted in the fiscal policy are being revisited to gain 100% compliance. Staff does anticipate providing potential reserve funding strategies upon the future sale of surplus land.

Unassigned fund balances (fund balances available for appropriation) are projected to end FY 2015 at \$3.4 million. City staff are diligently reviewing a number of capital and maintenance projects for FY 2016 that significantly exceed this projected unassigned fund balance. It is staff's intent to provide project recommendations that compliment available funding.

While the City is facing budget challenges over the coming years, I am very confident, based on San Clemente's strong financial position, staff's abilities to manage fiscal responsibilities and the City's comprehensive approach to financial planning, that we will manage the challenges presented in future years and will continue to maintain our strong financial position.



James Makshanoff
City Manager



Executive Summary

Executive Summary

The *Executive Summary* portion of the 2015 Long Term Financial Plan (LTFP) includes a financial summary section which provides a profile of the City's financial condition and a summary of this year's LTFP recommendations.

The 2015 Long Term Financial Plan Summary

Included within the *Executive Summary* section:

- *Introduction*
- *2015 LTFP Summary*
- *Current Financial Condition*
- *Reserve Funding*
- *General Fund Transfers*
- *General Fund Loan*
- *Financial Trend Analysis*
- *Capital Projects*
- *Five Year Financial Forecast*
- *Fund Balances*
- *Conclusion & Projected Financial Condition*
- *Summary of LTFP Recommendations*

The LTFP produces a financial plan and provides solutions

Introduction

The LTFP provides an objective look at the current financial issues facing the City of San Clemente and outlines a plan to meet the needs of the community without sacrificing the City's financial future.

Utilizing the financial tools already in place, the LTFP looks at the Fiscal Policy, Financial Trends, Financial Forecast, and Reserve Analysis to diagnose the "fiscal health" of the City of San Clemente in order to chart a sound financial course.

The financial trend analysis acts as an early warning system

A comprehensive analysis of the City's *financial trends and reserves* is conducted annually for the Long Term Financial Plan. The financial trends and reserve papers document the progress that has been made in implementing long-term solutions to improve the financial condition of the City. The trend analysis also acts as an early warning system to alert Council and the Administration of trend changes that will have an impact on the financial condition.

The five-year financial forecast shows the potential impact of current decisions on future budgets

The *five-year financial forecast* identifies the City's current and projected financial condition to determine if funding levels are adequate and if projected expenditures can be sustained. The forecast provides a basis for decision making and shows the potential future impact of current decisions.

Five-year forecast projects average growth of 3.2% for revenues and 3.7% for expenditures

2015 Long Term Financial Plan Summary

The *five-year financial forecast* was last updated after adoption of the FY 2015 budget. At that time, the General Fund operating position was projected to be positive in the first year of the forecast and negative beginning in FY 2016.

The updated 2015 LTFP five-year financial forecast reflects a negative operating position in all years of the forecast, beginning in FY 2016. Revenues are projected to increase by an average of 3.2% per year over the five year forecast period. Operating expenditures are expected to grow 3.7%, on average, over the same period. Based on these expected growth rates, operating deficits are projected in all five years of the forecast.

2015 LTFP Forecast (In millions)	2016	2017	2018	2019	2020
Projected surplus/deficit	-\$ 0.7	-\$ 0.3	-\$ 0.5	-\$ 0.7	-\$ 0.9

Sales Tax revenue to increase with the Marblehead retail outlet opening, expected in the fall of 2015

Forecasted increases of 3.2%, on average, for operating revenues is largely driven by the additional sales tax revenue anticipated from the opening of the Marblehead retail outlet, estimated at \$1.4 million annually, and by substantive gains in property tax revenue over the next two years. Property tax revenues are expected to increase by 5.6% in the first year, 3.8% in the second year, and to average increases of 2.0% through the remaining three years. In addition to the Marblehead Sales taxes projected beginning in the fall of 2015, general sales tax is expected to grow by an average of 2.0% annually over the forecast period.

Police Services contract projected to increase by 9.48%

Projected annual increases for operating expenditures average 3.7% over the next five-years and are mainly the result of anticipated increases in police and fire services contract costs as well as general liability insurance increases. In general, forecast expenditures are increased by inflation, known contractual increases, or other assumptions specific to an individual expenditure item. The police services contract was increased by 9.48% for FY 2016 based on the Orange County Sheriff Department's 2014 five-year Strategic Financial Plan. Projected increases for the police services contract average 2.6% over the remaining four years of the forecast. The fire services contract with the Orange County Fire Authority (OCFA) has been increased by 4.5% annually, which is the maximum amount the contract allows. There may be additional public safety financial impacts due to the potential closure of the San Clemente hospital. These are not contemplated in the forecast due to uncertainty surrounding this matter.

Fire Services contract increases by 4.5%, the maximum allowed

Vista Hermosa projected reserve balance \$181,000 at end of FY 2015

The Vista Hermosa Park Reserve was funded in 2010, with \$2.9 million from proceeds recognized from the sale of land to Target. The reserve has been used to fully offset the net maintenance and operations costs for Vista Hermosa Sports Park since the park opened in FY 2012. The reserve is projected to have a remaining balance of \$181,000 at the end of the current

fiscal year. Use of the remaining balance of the reserve is included in the forecast to help offset costs incurred in the first quarter of FY 2016.

Fiscal policies provide guidance for planning a sustainable financial future.

Fiscal policies established by City Council provide guidance and long-range direction for planning a sustainable financial future. Policies are reviewed annually to determine if additions or revisions are needed. Based on this year’s review, one new policy is being recommended to establish a debt service reserve in the Water Operating Fund as required under the State Revolving Fund Loan Agreement.

The 2015 LTFP also identifies the financial and implementation challenges of funding capital projects, provides a citywide Information Technology Strategic Plan, and provides an update on the Centennial General Plan Strategic Implementation process.

Financial challenges include funding of capital and maintenance projects

- The Capital Projects Analysis provides a summary of capital projects with funding challenges and funding obligations for significant projects. The analysis reviews the funding requirements as well as future projected funding sources, and attempts to determine the timing of the projects in connection with the City’s current and future financial resources. The analysis reviews the funding status of the USACE Sand Replenishment project, the Rail Corridor Pedestrian Beach Trail Extension, the Municipal Pier Rehabilitation, the Beaches, Parks, and Recreation Master Plan, and various City Facility Rehabilitations.

I.T. Strategic Plan provides a roadmap for the next several years.

- The Information Technology Strategic Plan (ITSP) paper provides a Citywide, high level plan to guide Information Technology decision making, budgeting and implementations across all City functions over the next several years. The ITSP is meant to act as a long-range technology compass as well as a financial planning tool to forecast major technology investments for the next five years.

Centennial General Plan Implementation Measures are recommended

- The Centennial General Plan Strategic Implementation Plan paper provides a review of the General Plan Strategic Implementation Program (SIP), updates the Council on the status of the General Plan’s implementation, and makes recommendations and seeks direction on which new General Plan Implementation Measures (IMs) should be implemented in the coming fiscal year.

The LTFP focuses on the financial condition of the General Fund

Current Financial Condition – Overview

The City's Long Term Financial Plan focuses on the financial condition of the General Fund, the City's key operating fund. The City's General Fund is anticipated to end FY 2015 with a total fund balance of \$18.3 million, which includes \$10 million in Sustainability Fund balance, \$4.7 million in emergency reserves, \$181,000 in the Vista Hermosa Sports Park O&M reserve, and \$3.4 million in unassigned fund balance.

For FY 2015, General Fund operating revenues, excluding one-time revenues but including the use of Vista Hermosa Sports Park subsidy reserve, are expected to amount to \$52.9 million, while General Fund operating expenditures, excluding one-time program costs, projects and transfers, are estimated to total \$52.5 million.

All General Fund reserves are funded

Reserve Funding

Several fiscal policies adopted by the City Council relate to the funding of various reserve funds, including funding of workers' compensation, general liability, capital equipment, accrued leave, facilities' maintenance, park asset, contingency and emergency reserves. All General Fund reserve funds are funded and will meet fiscal policy requirements if transfer recommendations made in the Reserve Analysis paper are incorporated into the FY 2016 budget. Reserve Analysis recommendations include:

- Maintain the General Fund emergency reserve at the target reserve level of 9% of operating expenditures.
- Authorize charges to funds in the amount of \$2.4 million for the General Liability Self-Insurance Fund, based on anticipated premiums and operating costs.
- Retain the proceeds from the Bellota land sales to fund the balance of the retrospective liability and to comply with the General Liability Fund's reserve policy.
- Authorize an increase in worker's compensation rates of approximately 4%, based on current claims activity and the balance in the fund.
- Make routine transfer of \$160,000 from the General Fund to the Accrued Leave Reserve in FY 2016 (\$130,000 was the FY 2015 transfer).
- Transfer \$110,000 from the General Fund to the Capital Equipment Replacement reserve in FY 2016 and maintain capital equipment replacement charges to keep the reserve at an adequate level (\$100,000 was the FY 2015 transfer).

- Transfer \$50,000 from the General Fund to Park Asset Replacement Reserve for FY 2016 (\$40,000 was the FY 2015 transfer).

General Fund Transfers

**Transfers total
\$1.1 million**

For FY 2016, forecasted transfers total \$1.1 million and include \$756,290 for the Street Improvement Program, \$370,000 in reserve contributions, \$14,500 for the Senior Mobility subsidy, and \$6,400 for utility low income subsidies, which will be phased out after FY 2016.

General Fund Loan

**RDA debt to the
General Fund is
\$1.9 million**

The General Fund has an outstanding loan originally made from the General Fund to the Redevelopment Agency (RDA) – Debt Service Fund. The interagency loan to the RDA – Debt Service Fund consolidated and repaid \$3.4 million from two prior Interfund loans to purchase the Casa Romantica and fund other activities in the RDA. The loan, which was made in 2002, is structured with an annual interest rate of 2.9% and a term of 16 years, and has a \$1.9 million balance due.

Due to the dissolution of all RDA's in the State of California, this loan is still currently outstanding. The General Fund loan was authorized for repayment by the State, however payments towards the liability are subject to limitations under State law. In FY 2015 the City received \$93,000 towards the balance of the loan. Future repayment amounts and timeframe are all uncertain at this point. As payments on the loan are received, the receipts would provide additional unassigned fund balance in the General Fund.

Financial Trend Analysis

**15 out of 21
indicators are
favorable as of
June 30, 2014**

The City's financial condition is also quantitatively measured using a financial trend monitoring system. The 2015 Long Term Financial Plan includes the analysis of twenty-one trends:

- One trend indicator received a Warning rating
- Five trend indicators received a Favorable/Caution rating
- Fifteen trend indicators received a Favorable rating

In total, these current year results are a positive change from the prior year when one indicator received a Warning rating, eight received Favorable/Caution ratings, and twelve received a Favorable rating. The City, over the last year, is continuing to see increases in its major revenue sources, as the economy continues to rebound with slow but stable growth.

The annual Financial Trend Analysis report for the year ending June 30, 2014 indicates fifteen of the twenty-one indicators are Favorable, an increase of 3 from the prior year.

The positive changes were:

- *Elastic Revenues: increase to Favorable (from Favorable/Caution).*
- *Permits and Business License Revenue: increase to Favorable (from Favorable/Caution).*
- *Community Development Service Charges: increase to Favorable (from Favorable/Caution).*

These three increases mainly relate to growth in development revenues, mainly due to the Marblehead Coastal commercial development project. Of the remaining six indicators, five maintained a favorable/caution rating, while one, fringe benefits, continued to maintain a warning rating, when compared to the prior year. A detailed review of the indicators is contained in the Financial Trend section of the 2015 LTFP.

Capital projects

Capital Projects Analysis

The Capital Projects Analysis identifies funding requirements for the construction of major projects.

The *USACE* Sand Replenishment design phase has been fully funded. An initial sand replenishment placement requires City funding of \$4.2 million and is not currently funded at this time.

Funding for the design of a Rail Corridor Pedestrian Beach Trail Extension was approved by Council action in 2015. The City will apply for an Active Transportation Program Grant in the spring of 2015 to fund 88% of the estimated at \$0.9 million in construction costs. The City would be responsible for the balance of this project cost.

The City's Municipal Pier requires periodic rehabilitation due to the harsh marine environment. Two projects have been identified in the Capital Projects Analysis, requiring \$1.2 million in FY 2016 and 2017, and a more comprehensive project, totaling \$2.8 million in FY 2021. A funding strategy to support five-year rehabilitation cycles will be necessary.

City Facility Rehabilitations are presented in this year's analysis. Multiple assessments have been performed to identify the scope of projects necessary to maintain the many facilities owned and operated by the City. Further assessments will be done in 2016 and a prioritization of the projects will be done through the City's Capital Improvement Program (CIP) process.

The City is conducting a Beaches, Parks and Recreation Master Plan update. This project will ensure that the City directs its limited available funding to capital projects and programs that matter most to the community.

**Updated 2015
LTFP five-year
Financial Forecast****Five Year Financial Forecast**

The 2015 forecast has been updated with revised revenue and expenditure assumptions. The forecast shows a negative operating position in all five forecast years, beginning in FY 2016. The forecast assumptions reflect maintenance of current level of services.

Beyond the economic and growth/trend assumptions used in the forecast, information specific to San Clemente is also included. The major forecast assumptions are noted below. A full list of assumptions can be found in the Financial Forecast 2015 LTFP paper.

Revenues:

- Property taxes are projected to increase, in total, by 5.6% for FY 2016 and by 3.82% for FY 2017. Increases averaging 2% are included beginning in FY 2018. Property tax projections are based on information provided by HdL Coren and Cone, the City's property tax advisors.
- Ongoing Sales taxes for the City is projected to increase 1.4% in FY 2016. Increases averaging 2.2% per year beginning in FY 2017 are projected based on CPI increases in Fullerton's Economic Forecast data for Orange County.
- Sales taxes are also assumed to increase due to the projected opening of the Marblehead Coastal retail outlet mall in the Fall of 2015. A partial year of revenue is projected for FY 2016, with full year revenue, estimated at \$1.4 million, projected beginning in FY 2017.
- Ole Hanson Beach Club rental, swimming pool and recreation program fees and related expenditures are included in the forecast beginning with six months of operation assumed in FY 2016, and full operations assumed beginning in FY 2017, as the rehabilitation of the Ole Hanson Beach Club is expected to be complete by the end of 2015.
- The Vista Hermosa Park Reserve's remaining projected balance of \$181,000 is in the forecast for the first quarter of FY 2016, after which the reserve is projected to be depleted.

Expenditures:

- New positions – No new city positions have been projected to be added.
- Police contract – Police contract costs are increased for FY 2016 based on initial estimates from the Orange County Sheriff's Department (OCSD). OCSD projects increases of 9.48%, 3.58%, 2.36%, 2.06%, and 2.32% over the next five years. Contract increases average \$528,000 per year, or 4.24%, over the five-year period. Police positions remain at the FY 2015 level for forecasting purposes.
- Fire Services costs –The 20 year fire services contract allows for a cap of 4.5% per year to the base service charge, annual contributions to a station maintenance reserve and fleet replacement reserve, and actual costs for ambulance transport services. For forecast purposes, contract costs are increased by 4.5% in each year of the forecast based upon

OCFA's base contract increase assumptions for the five year period. If OCFA's actual contract costs for FY 2016 are less, the changes will be adjusted in the FY 2016 budget. Service levels remain at the same level as FY 2015, including six months of seasonal ambulance service. Additional costs due to the potential closure of the San Clemente hospital are not contemplated in the forecast.

- Salaries and wages - Increases based on 3 year MOU agreement with the City's employee association (SCCEA) adopted 9/2/2014 for FY 2015, 16, and 17. Future year's increases are projected at 90% of CPI increase (for forecast purposes only). Assumed that step increases are offset by lower wages from employee turnover each year.
- Retirement – For FY 2016, the City share of retirement costs is relatively flat due to the 3 year MOU agreement, requiring employees to fund a larger share of retirement costs effective July 1, 2014. Other cost savings result from the City's payoff of the side fund balance of the Safety Lifeguard plan, as well as the City's transition to CalPERS for General employee's pension administration, resulting in a fixed rate for 2 years. Future years reflect increases tied to growth in salaries and wages.
- Capital and Major Maintenance - The forecast includes a total of \$950,000 for ongoing major maintenance projects (major street maintenance, slurry seal and sidewalk repair programs), but does not assume any spending for capital projects or one-time maintenance projects.
- The full costs for the operation and maintenance of new parks and trails associated with the Marblehead development project have been included in the forecast beginning in FY 2016, as those become the City's responsibility to maintain as they are completed.

Factors Not Included in the Forecast

- The forecast is based on the General Fund only.
- No new or enhanced programs or positions have been included.
- No changes have yet been assumed for the recently completed classification and compensation study.
- Additional property tax, sales tax and TOT revenues associated with future phases of the Marblehead development project have not been included in the forecast.
- No adjustments have been made for the potential hospital closure.
- Proceeds of an estimated \$5.8 million from the full sale of the Bellota lots are not included.
- The forecast does not include any spending for capital or one-time maintenance projects.
- No additional sales tax revenue has been included for the proposed Estrella Center development.
- No changes have yet been assumed for the recently completed classification and compensation study.

- The forecast does not include the potential cost of recommendations from other Long Term Financial Plan papers.

Forecast Operating Position

Based on revised expenditure and revenue trends, the financial forecast indicates a negative operating position in all five years of the forecast period. Results of the forecast with respect to operating position (operating receipts less operating disbursements, excluding one-time revenues and expenditures) are shown in the following table:

2015 LTFP Forecast (In millions)	2016	2017	2018	2019	2020
Operating receipts	\$55.0	\$57.3	\$58.5	\$59.7	\$61.0
Operating disbursements	<u>55.7</u>	<u>57.6</u>	<u>59.0</u>	<u>60.4</u>	<u>61.9</u>
Projected surplus/deficit	-\$ 0.7	-\$ 0.3	-\$ 0.5	-\$ 0.7	-\$ 0.9

*One-time revenues and expenditures have been excluded. One-time expenditures include transfers to reserves and one-time maintenance or capital projects.

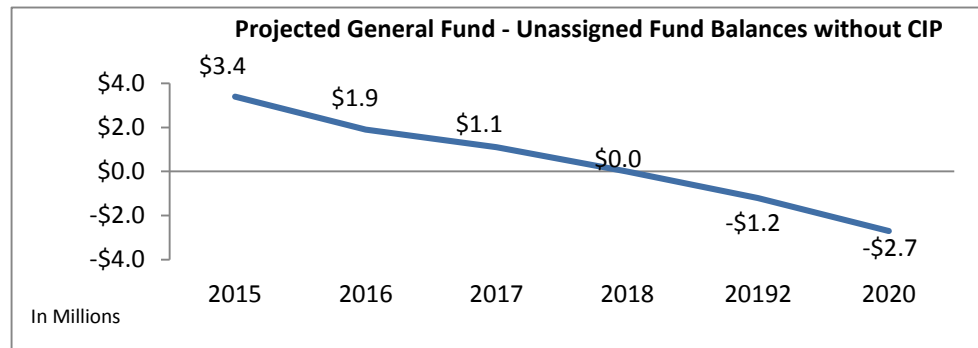
General Fund - Fund Balances

Fund balance is the excess of revenues (assets and resources) over the amount of expenditures (liabilities). The *unassigned* fund balance is the portion that is available for appropriation by the City Council. A positive fund balance represents a financial resource available to finance capital or other one-time expenditures. Fund balance should be used for one-time expenditures only.

For FY 2016, a projected negative operating position along with proposed one-time capital and maintenance expenditures and reserve transfers eliminates a substantial portion of the \$3.4 million unassigned fund balance expected at the end of FY 2015. Modifications will be made during the FY 2016 budget process to produce a positive operating position, which will increase available unassigned fund balance.

Negative operating positions for the remaining years of the forecast, reduce unassigned fund balance to negative \$2.7 million by the end of FY 2020, excluding any one-time capital and maintenance expenses. The forecast does not assume any spending for capital projects or one-time maintenance projects, but does include an annual total of \$950,000 for ongoing major maintenance projects (major maintenance, slurry seal and sidewalk repair programs).

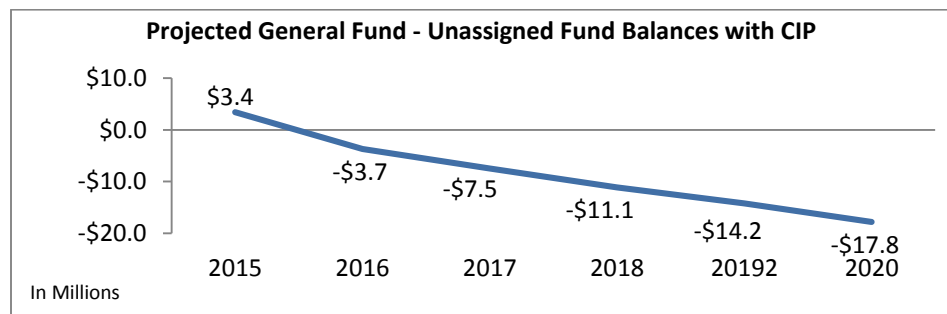
The following chart illustrates projected unassigned fund balances in the General Fund per the 2015 Long Term Financial Plan forecast:



If projected capital and one-time maintenance projects are added to the 2015 forecast, the projected unassigned fund balance would decrease substantially. The table below shows costs for General Fund capital and one-time maintenance projects that were proposed for the next five years as presented in the CIP section of the FY 2015 budget.

Proposed Projects (In millions)	2016	2017	2018	2019	2020
Capital Projects	\$5.1	\$2.6	\$2.0	\$1.7	\$2.0
Maintenance (not ongoing)	<u>0.5</u>	<u>0.3</u>	<u>0.6</u>	<u>0.1</u>	<u>0.2</u>
Totals	\$5.6	\$2.9	\$2.6	\$1.8	\$ 2.2

The chart below modifies the General Fund unassigned fund balance to show the impact of these proposed capital and one-time maintenance projects on fund balances:



As noted, this projection is based on the CIP program presented in the FY 2015 budget. Funding of capital projects is determined annually during the budget process and is dependent upon available funds. A revised CIP program for the next five years will be presented to Council as part of the FY 2016 budget process.

Fund Balance Issues - Several events are anticipated over the next several years which may enable the City to add to its unassigned fund balance, somewhat offsetting the negative balances shown above. The actual amounts and timing for these receipts is not assured; therefore, they are not included in the long-term projections.

Marblehead: The City will ultimately realize ongoing property, sales and hotel tax revenues, originally estimated at \$2.7 million, once all phases of the Marblehead Development are complete. The first phase of the commercial project, mainly consisting of a retail outlet mall, is anticipated to be complete in the fall of 2015. Revenues anticipated from this first phase will be needed to replace approximately \$1.0 million of annual operating revenue that had been funded by the Vista Hermosa Park reserve for the last several years. The reserve will be fully depleted in the first quarter of FY 2016.

A portion of the ongoing Marblehead revenues will be required to fund the ongoing operation and maintenance costs associated with the development's parks and trails, as ownership passes to the City as those projects are completed. Projected operation and maintenance expenditures for the parks and trails have been included in the forecast, based on projections from the 2014 LTFP. More accurate costs will be developed and presented during the FY2016 budget process.

Sales tax revenue from Phase I of the Marblehead retail outlet is included in the forecast for a partial year in FY 2016, and for a full year beginning in FY 2017. Property tax revenue for the retail outlet center improvements in Phase I is included beginning in FY 2017. No revenue has been included for future phases of the retail project, or for the residential or hotel developments. Permits are currently being pulled for the residential development, with the timing and sales prices still uncertain. The type of hotel development, and the timing of its construction, are still to be determined.

Additional one-time developer improvement fees are anticipated from the residential portion of the Marblehead Coastal Development project, but the amount and timing of those receipts is still to be determined. In December 2014, City Council authorized funding of \$864,000 towards the Ole Hanson Beach Club Rehabilitation project. It is intended that the General Fund unassigned fund balance is refunded in the amount of \$864,000 as a first priority from the receipts of Marblehead developer improvement fees.

Bellota: The City has begun to realize proceeds from the Bellota Land sale. It is estimated that a net \$5.8 million will become available once all the applicable lots are sold, with \$0.8 million of that already realized in FY 2015 from the sale of the three single family lots. As discussed in the Reserve Analysis LTFP paper, it is recommended that proceeds from selling the Bellota land be used first to fund the current retrospective payment

balance of \$3.0 million in the General Liability Fund. Further, it is recommended that the next \$2.0 million of the Bellota proceeds be used to meet reserve requirements in the City’s General Liability Fund, as per the City’s fiscal policy. Remaining proceeds would be used to repay the General Fund for amounts advanced for retrospective payments over the last two years. It should be noted that actual net proceeds may differ from the \$5.8 million estimate. The remaining lots are anticipated to be marketed in 2015 and 2016.

LaPata/Vista Hermosa Land: Receipt of proceeds from the disposition of 2.5 acres of land at the corner of La Pata and Vista Hermosa is anticipated in the coming fiscal year. Several years ago the value of the land was estimated to be somewhere between \$2.6 and \$3.5 million. An updated, formal appraisal of the property is in process to provide a current valuation in anticipation of marketing the property in FY 2016. When the disposition of the land is determined, staff will provide City Council with recommendations to use the proceeds as part of a funding strategy for the City’s Facilities Maintenance Reserve in order to provide resources for maintaining our aging infrastructure, including future pier maintenance.

RDA: Two years ago, the City lost RDA funding for the Pier Bowl area, which funded repairs and maintenance for the pier. Pier rehabilitation is recommended to be performed every 5 years and will need to be funded by the General Fund. These repair and maintenance costs could have a significant impact on the General Fund’s Fund balance in the future. In order to provide resources for future pier maintenance and repairs, an overall funding strategy for the City’s Facilities Maintenance Reserve would be needed in order to address all of the City’s facility maintenance needs, including pier maintenance.

Fund Balance Reserves

The City’s fund balances include the Sustainability Fund Balance, Emergency Reserves, and the remainder of the Vista Hermosa Sports Park Reserve. The Sustainability Fund Balance Reserve amounts to \$10 million. The Vista Hermosa Park Reserve balance is projected to be \$181,000 at the end of FY 2015. The Emergency Reserve is currently funded at 9% of operating expenditures. Contributions to the reserve are included in the forecast to maintain the 9% funding level. Council approval is required before expending the Emergency and Sustainability reserves.

General Fund – Committed Reserves (in millions)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
VH Park	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Emergency	4.7	5.0	5.2	5.3	5.4	5.6
Sustainability	10.0	10.0	10.0	10.0	10.0	10.0
Total Committed	\$14.9	\$15.0	\$15.2	\$15.3	\$15.4	\$15.6

Conclusion & Projected Financial Condition

The Financial Summary has provided an overview of the City's current financial condition and presented a five year financial forecast if fiscal trends and forecast assumptions were to continue. Projected operating position is shown below.

2016	2016	2017	2018	2019	2020
Forecast Operating Position	-\$0.7	-\$0.3	-\$0.5	-\$0.7	-\$0.9

Below are several potential changes to consider if budgetary operating position is still negative when City Council is presented with the FY 2016 budget. Options to bring projected operating deficits to a positive position in the first year of the forecast are the addition of new fees and revenue sources, a reduction of Public Safety contracts, and a \$50,000 reduction to the annual funding for the City's slurry seal program.

In thousands	2015	2016	2017	2018	2019	2020
Operating Revenue	52,877	55,029	57,318	58,505	59,717	60,953
Add new revenue sources	0	100	100	100	100	100
Revised Operating Revenue	52,877	55,129	57,418	58,605	59,817	61,053
Operating Expenditures	52,500	55,718	57,572	58,971	60,365	61,848
<i>Operating Reductions:</i>						
Reduce Public Safety Contracts	0	-650	-650	-650	-650	-650
Reduce Slurry Seal Program	0	- 50	- 50	- 50	- 50	- 50
Revised Operating Expenditures	52,500	55,018	56,872	58,271	59,665	61,148
Revised Operating Position	377	111	546	334	152	-95

Other Recommendations to improve the General Fund operating position are noted below and will be discussed in more detail during the budget process:

- Explore options for leasing/selling City properties
- Revisit Recreation Partnership subsidy agreements
- Pursue options for additional fee revenue where appropriate
- Review the structure of the City's parking lot lease agreements

Summary of Long Term Financial Plan Recommendations

Summary of Long Term Financial Plan Recommendations

This section summarizes the recommendations contained in the 2015 Long Term Financial Plan. It is recommended that the City Council endorse all recommendations as put forth by City Administration.

A narrative description and rationale for each recommendation is contained in the individual issue papers under separate tabs in this document. Council Actions are included under the Recommendation section of each paper.

Financial Trend Analysis

1. None

Financial Forecast

1. None.

Reserve Analysis

1. Maintain the Sustainability Reserve at \$10 million.
2. Maintain the General Fund Emergency Reserve at a level of 9% of operating expenditures.
3. Maintain the Enterprise funds emergency reserve level at 12% of operating expenses.
4. Establish a new Fiscal Policy creating a CWSRF Debt Service Reserve setting aside cash in the Water Operating Fund, as required under the financing agreement.
5. Establish a Pension Reserve to set aside funds to address large pension rate increases by establishing a restricted reserve in the General Fund to offset any pension rate increase related to the City's conversion to the California Public Employee Retirement System (CalPERS) for General employees. The reserve will be funded in FY 2015 as a result of the approval of creation of the reserve in the 2014 LTFP.
6. Draw the remaining balance of the VHSP Reserve to partially subsidize the net cost of operating the VHSP during the 1st Quarter of FY 2016, fully utilizing the VHSP Reserve.
7. Transfer \$160,000 from the General Fund unassigned fund balance to the Accrued Leave Reserve for FY 2016.
8. Authorize General Liability charges to City Funds in the amount of \$2.4 million as listed in Attachment "A" in the Reserve Analysis LTFP paper.
9. Retain the proceeds from the Bellota land sales to comply with the General Liability Fund's reserve policy and fund the payment of the retrospective liability.
10. Authorize the worker's compensation rates as listed in "Attachment A" in the Reserve Analysis LTFP paper.

11. Maintain contributions for the replacement of the City fleet vehicles and equipment to keep the reserve at an adequate level.
12. Transfer \$110,000 from the General Fund to the Capital Equipment Replacement Reserve for FY 2016 and maintain current contributions to fund the Capital Equipment Reserve.
13. Transfer \$50,000 from the General Fund to the Facilities Maintenance Reserve for FY 2016 and maintain current contributions to fund the Facilities Maintenance Reserve.
14. Transfer \$50,000 from the General Fund to the Park Asset Replacement Reserve for FY 2016 and maintain current contributions to fund the Park Asset Replacement Reserve.
15. Maintain annual depreciation fund charges and modify the asset model contributions to \$2.2 million charged to the Water Operating fund to achieve three years worth of future capital projects.

Fiscal Policy

1. Modify the City's Fiscal Policy to establish a restricted reserve in the Water Operating Fund equal to one year's debt service on the State Revolving Fund loan.

Capital Projects Analysis

1. **USACE Sand Project** – Pursue grant funding from the CA Department of Boating and Waterways for initial construction phase of the project. Fund City share of initial construction from the General Fund in FY 2017.
2. **Rail Corridor Pedestrian Beach Trail Extension** – Fund the Beach Trail extension from the General Fund with design in FY 2015 and construction in FY 2016. Pursue the Active Transportation Program grant to reduce the impact to the General Fund.
3. **Municipal Pier Rehabilitation** – Fund the pier rehabilitation from the General Fund with design in FY 2016 and construction in FY 2017. Develop a funding strategy in the Facilities Maintenance Reserve to provide for a five-year rehabilitation cycle for future pier maintenance.
4. **City Facilities Rehabilitations** - Fund the facilities rehabilitations from the General Fund to maintain an adequate level of service and viable use of the facilities per the recommendations of the Public Works Maintenance Division.
5. **Beaches, Parks and Recreation Master Plan** – Consider public input in prioritizing Beaches and Parks capital projects into the capital improvement program outlay.

Information Technology Strategic Plan

1. Accept the 5-year Information Technology Strategic Plan and direct staff to bring the recommended Fiscal Year 2016 projects and initiatives forward through the budget process.

Centennial General Plan-Strategic Implementation Priorities

1. Direct the **Beaches, Parks and Recreation Department** to initiate the development of the Beaches Parks and Recreation Master Plan related IM's 6, 7, 10, and 51 from the Beaches, Parks and Recreation Element.
2. Direct the **City Manager Department** to research legislative options to mitigate any impacts to medical services in the City of San Clemente as part of Land Use Element IM 5, and investigate a proposed six year ITSP that will enhance e-government initiatives and improve business operations for Economic Development Element 16.
3. Direct the **Community Development Department** to continue the Zoning and Specific Plan updates (Land Use Element IMs 1, 6 -8, 13, 17, and 21, Beaches, Parks and Recreation Element IM 30, Mobility and Complete Streets Element 7 and 20, and Urban Design Element IMs 17, 21 and 22), Housing Element update (per Housing Element requirements) and Local Coastal Program (Coastal Element IMs 1 and 14).
4. Direct the **Public Works Department** to initiate multiple IMs that involve the following:
 - Establishing standards to maintain attractive sidewalks and the beginning sidewalk and roadway maintenance projects required to accomplish the Mobility and Complete Streets Element. (Urban design Element IM 10, Mobility and Complete Streets Element IMs 3-5, 15-17, 36, and 39-41)
 - Developing a Tree Ordinance, updating the tree inventory and adopting a tree maintenance plan. (Natural Resources Element IM 7 and Urban Design Element IMs 23, 25, 26 and 29)
 - Developing a utilities undergrounding plan and reviewing City Engineering standards for possible changes to public street lighting design. (Natural Resources Element IMs 8 and 26)
 - Enhancing public safety by studying the feasibility of obtaining generators, and planning to mitigate any potential defects, at critical City facilities. (Public Safety Element IMs 15 and 17)
 - Improving the efficiency of public facilities by completing water efficiency use surveys, expanding recycling for commercial customers, achieving at the least minimum construction and demolition waste diversion required, and transitioning traffic signal lights to LED technology. (Public Services, Facilities, and Utilities Element IMs 27, 35, 38, and 41)

Financial Trend Analysis

Objective

A number of financial indicators are analyzed utilizing the International City Management Association's (ICMA) guidelines contained in "Evaluating Financial Condition". The analysis of these indicators is designed to present information on the fiscal health of the City of San Clemente as part of the Long Term Financial Plan. This annual financial trend analysis focuses on the City's General Fund.

Background

The City's financial trends are analyzed annually with many factors utilized in order to understand the financial condition of the City of San Clemente. These factors include:

- The economic condition of the City and the surrounding region;
- Types and amounts of revenues and whether they are sufficient, and the right mix, to support the population as it continues to grow;
- Expenditure levels and whether these expenditures are sufficient to provide the desired level of services currently and as the City continues to grow;
- Fund balances and debt levels and their impact upon current City financial resources.

This report examines these issues and others in determining the current financial condition of the City of San Clemente. The City's adopted fiscal policies have been considered in connection with this analysis.

Data used in developing this financial trend report was drawn from the City's Comprehensive Annual Financial Reports for fiscal years FY 2010 through FY 2014. Consequently, all trends are based on data available as of June 30, 2014, and do not incorporate any changes that have occurred since that time.

Executive Summary

The financial trends that follow provide City Council and Administration with insight into the overall financial position of the City by analyzing the City's General Fund. This analysis makes it possible to identify specific areas where new policies should be implemented or existing ones revised. One of the following ratings has been assigned to each of the twenty-one indicators:

Financial Trend Analysis

Favorable (F):	This trend is positive with respect to the City's goals, policies, and national criteria.
Favorable (Caution) (C):	This Favorable caution rating indicates that a trend is in compliance with adopted fiscal policies or anticipated results. This indicator may change from a positive rating in the near future.
Warning (W):	This rating indicates that a trend has changed from a positive direction and is going in a direction that may have an adverse effect on the City's financial condition. This rating is also used to indicate that, although a trend may appear to be Favorable, it is not yet in conformance with the City's adopted fiscal policies.
Unfavorable (U):	This trend is negative, and there is an immediate need for the City to take corrective action.

A summary of the indicators analyzed and the rating assigned to each is listed below. The past ten trend reports are presented and identify strengths and weaknesses of the City's financial condition and to illustrate any positive or negative changes.

Indicator	15	14	13	12	11	10	09	08	07	06
Revenues Per Capita	F/C	F/C	W	W	U	F/C	F/C	F	F/C	F/C
Property Tax Revenues	F/C	F/C	U	U	W	W	F/C	F	F	F
Property Values	F/C	F/C	U	U	U	W	F/C	F	F	F
Elastic Revenues	F	F/C	F/C	F/C	W	W	W	W	F/C	F
Sales Tax Revenues	F	F	F	W	U	U	F/C	F	F	F
Permits & Business License Revenues	F	F/C	F/C	F/C	F/C	U	U	W	F	F/C
Comm. Develop. Charges	F	F/C	F/C	F/C	U	U	U	W	F/C	F
Intergovernmental Revenues	F	F	F	F	F	F	F	F	F	F
One-Time Revenues	F	F	F	F	F	F	F	F	F	F
Revenue Overage	F/C	F/C	F/C	F/C	F/C	F/C	F	F	F	F
Population	F	F	F	W	F	F	F	F	F	F
Expenditures Per Capita	F	F	F	F	F	F	F	F	F/C	F
Expenditures By Function	F	F	F	F	F	F	F	F	F	F
Employees Per Capita	F	F	F	F	F	F	F	F	F	F
Fringe Benefits	W	W	W	F/C	F/C	F	F	F	F	F
Capital Outlay	F	F	F	F	F	F	F	F	F	F
Operating Position	F/C	F/C	F/C	F/C	F/C	F/C	F	F	F	F
Debt Service	F	F	F	F	F	F	F	F	F	F
Accumulated Comp. Absences	F	F	F	F	F	F	F	F	F	F
Fund Balance	F	F	F	F	F	F	F	F	F	F
Liquidity Ratio	F	F	F	F	F	F	F	F	F	F

Overview of the City's Financial Condition

The 2015 Long Term Financial Plan includes the analysis of twenty-one trends. One indicator received a Warning rating, five received a Favorable/Caution rating, and fifteen received a Favorable rating. In total, these current year results are a positive change from the prior year when one indicator received a Warning rating and eight received Favorable/Caution ratings. The City, over the last year, is continuing to see increases in its major revenue sources, as the economy continues to rebound with a slow, but stable growth.

Rating changes

There were 3 trend improvements from the last fiscal year. The positive changes were:

- *Elastic Revenues* – increase to Favorable (from Favorable/Caution)
- *Permits & Business License Revenues* – increase to Favorable (from Favorable/Caution)
- *Community Development Charges* – increase to Favorable (from Favorable/Caution)

Rating discussion

Three positive changes show that the City continues to see improvements along with the overall economy. This gradual increase of the trends can be seen in the ten year indicator chart on the preceding page.

Elastic Revenues changed from a Favorable/Caution to a Favorable rating due to sales taxes, permits, and community development service charges improvements from FY 2013 to FY 2014. Due to the recent activity associated with the Marblehead Coastal commercial development, the City should continue to see increases in these revenues in the near future.

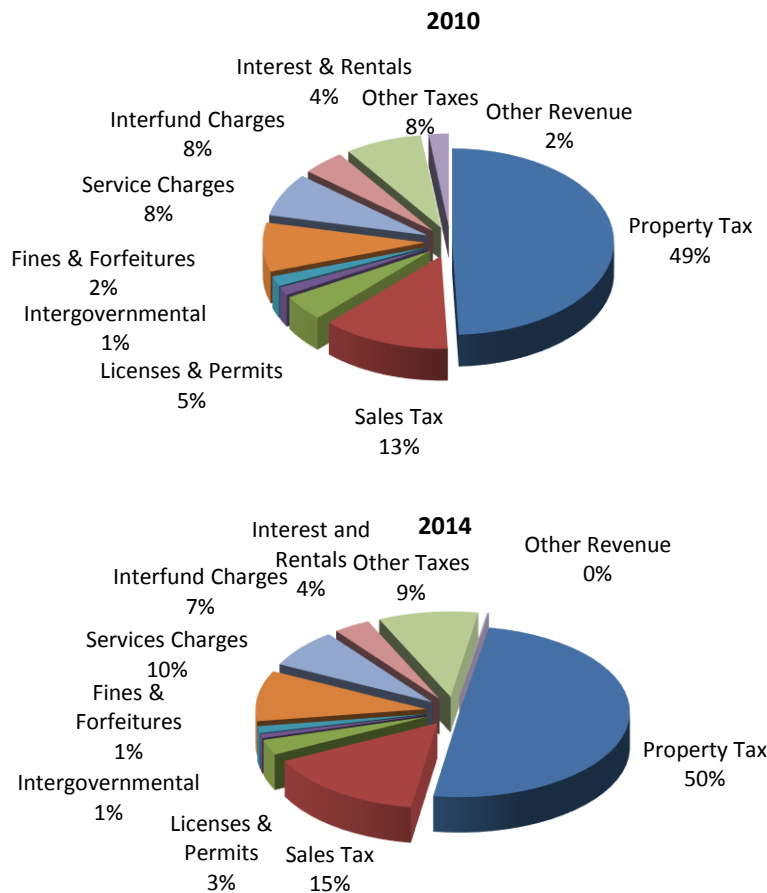
Permits & Business License Revenues increased from Favorable/Caution to a Favorable rating due to increases in construction permits from FY 2013 to FY 2014. These increases are due to the start of the Marblehead commercial development in FY 2014.

Community Development Service Charges increased from a Favorable/Caution to a Favorable rating because of the increases in Construction inspection and Building plan check fee revenue. This is mostly related to the Marblehead commercial development starting in FY 2014.

The City is continuing to see some positive changes over the past year, due to development and an improving local economy. The City still continues to be selective in filling positions and conservative in budgeting. Although the economy is looking brighter, it is still unstable and the City continues to review the budget annually at the department level, looking for ways to save and increase revenues.

Revenue Trend Analysis

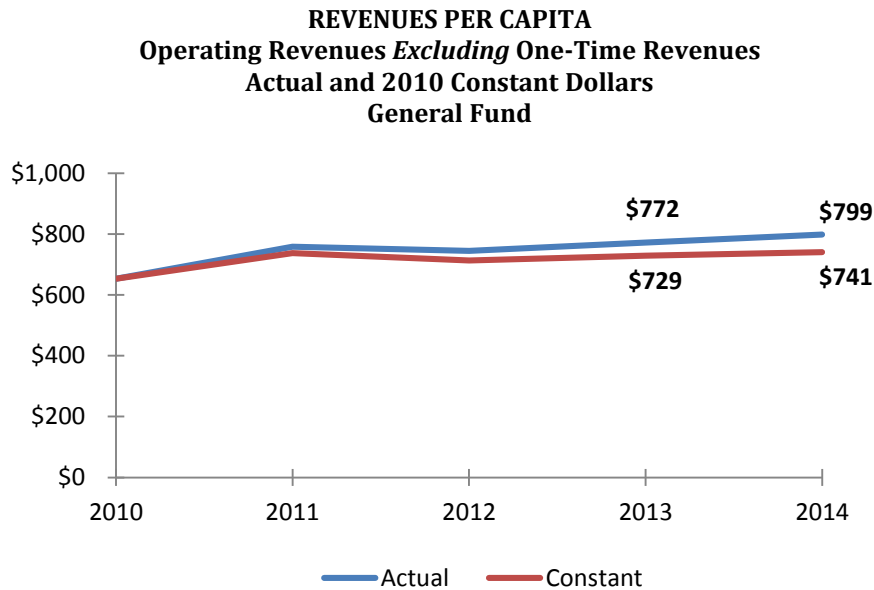
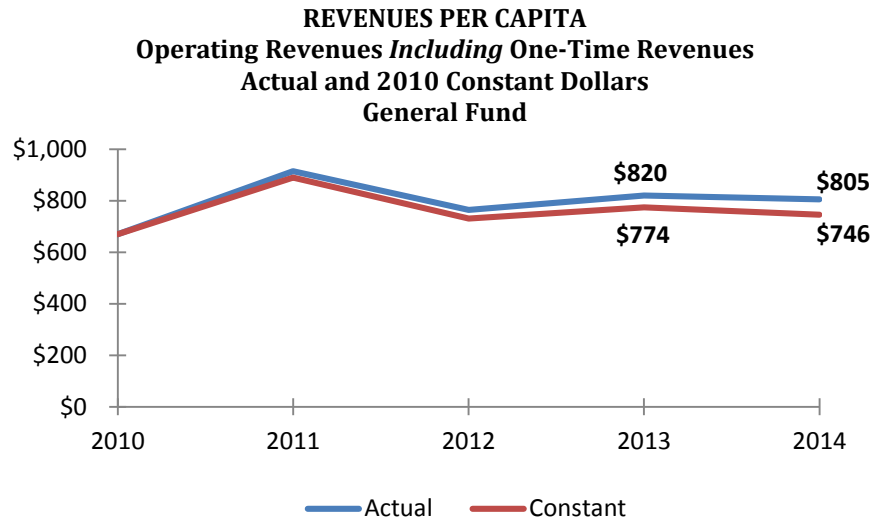
**Comparison of Revenues by Source
FY 2010 vs. FY 2014**



Comments: These charts, which compare current revenue sources to those five years ago, show changes in the revenue percentages by source for General Fund revenues in the Property Tax, Sales Tax, Fines and Forfeitures, Licenses and Permits, Service Charges, and Other Taxes and Revenues categories. Property tax revenues, as a percent of general fund revenues, increased from 49% in FY 2010 to 50% in FY 2014 due to a change in tax legislation that started in the 2005 fiscal year, and a shift in revenue from the Redevelopment Agency fund in FY 2013. The change in legislation increased property taxes by \$4.9 million while decreasing the City’s motor vehicle license fees and property taxes received by the RDA. Licenses and permits decreased from 5% in FY 2010 to 3% in FY 2014 due to reclassifying business license revenues as other taxes. This reclassification also increased other taxes from 8% in FY 2010 to 9% in FY 2014. Service charges increased from 8% in FY 2010 to 10% in FY 2014 as a result of La Pata Vista Hermosa Park revenues. Sales taxes increase from 13% in FY 2010 to 15% in FY 2014.

Fines and Forfeitures decreased from 2% in FY 2010 to 1% in FY 2014 based on lower parking and vehicle code fines in FY 2014. Other Revenues have also decreased from 2% in FY 2010 to 0% in FY 2014, due to a receipt of a one-time receipt in FY 2010.

Revenues Per Capita



Finding: FAVORABLE/CAUTION. Revenues per capita reflects a decrease when analyzing actual amounts; however, it reflects an increase when analyzing constant dollars for FY 2014. Revenues per capita, in actual dollars, experienced a decrease from FY 2013 of 1% (including one-time revenues) and an increase of 4% (excluding one-time revenues) related to a decrease in property taxes due to one-time Prop 1A revenue received in FY 2013. In constant dollars, the decrease was 3% when including one-time revenues, and an increase of 2% when excluding one-time revenues.

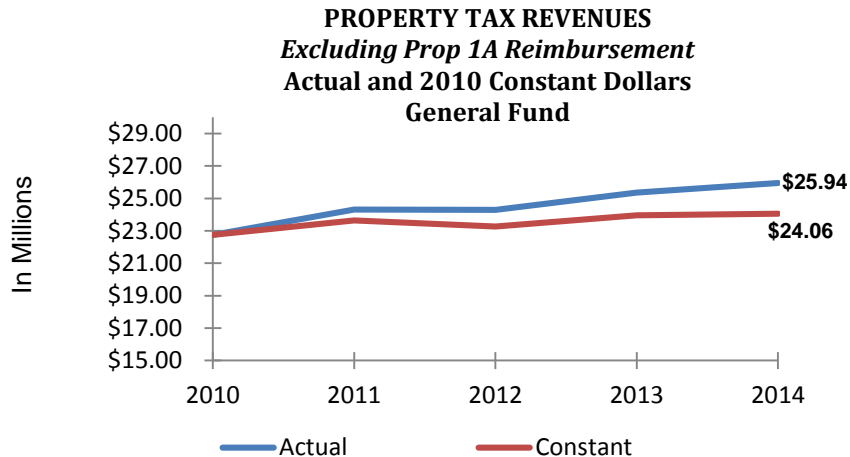
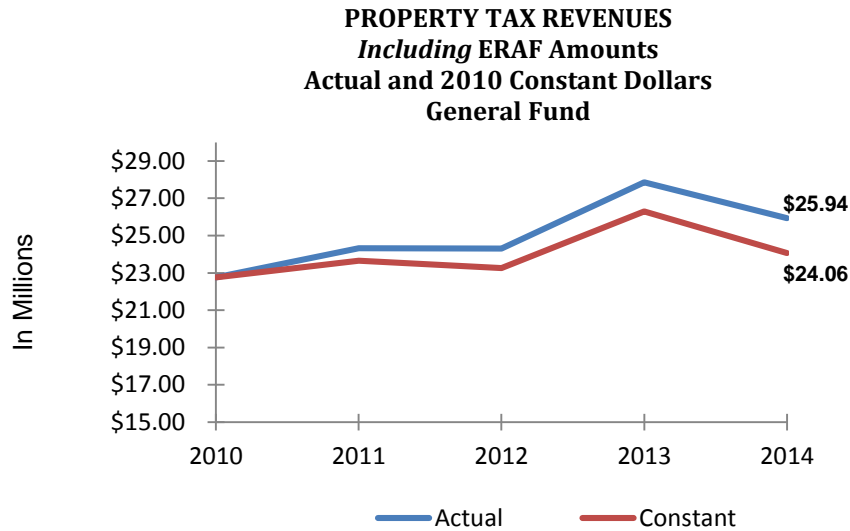
Comments: The first chart (which includes one-time revenues) shows a decrease from \$820 to \$805 in actual dollars and a corresponding decrease from \$774 to \$746 in constant dollars. Total revenues for fiscal year 2014 decreased by \$0.7 million from the prior year, mainly due to a one-time \$2.2 million Prop 1A Reimbursement from the State in the prior year. The revenue categories with the most significant decreases include Property Taxes (8%), Intergovernmental (19%), and Interest and Rentals (8%); while major increases include sales tax, licenses and

permits, and service charges.

The second chart (which excludes one-time revenues) shows an increase in actual dollars from \$772 to \$799 and an increase in constant dollars from \$729 to \$741. The approach of excluding one-time revenues is a realistic approach to analyzing revenues since the City only applies one-time revenues against one-time expenditures in accordance with the City's Fiscal Policy.

This trend remains at a Favorable/Caution rating due to the decreases in revenues from the prior year.

Property Tax Revenues



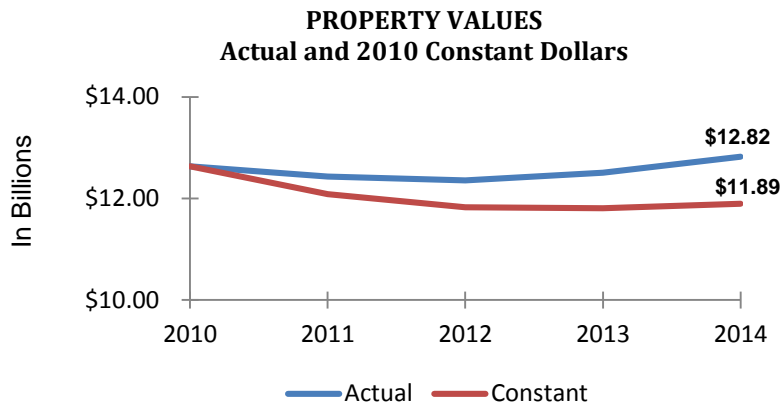
Finding: **FAVORABLE/CAUTION.** Property tax revenues decreased by \$1.9 million or 7% from the prior year. This is due to a one-time receipt of \$2.2 million for Prop 1A reimbursement from the State and recovery of property tax administrative fees in the prior year.

Comments: The first chart shows property tax revenues decreasing by \$1.9 million in actual dollars, and by \$2.2 million or 9% in constant dollars.

The second chart considers the effect of excluding the one-time Prop 1A reimbursement from the State, and the administrative fee collection in the prior year. When considering this exclusion, property taxes have increased by \$0.6 million or 2% in actual dollars and by \$0.11 million or 0.5% in constant dollars.

This indicator remains at a Favorable/Caution rating because, when considering the one-time reimbursement from the State, the increase was slight in both actual and constant dollars compared to the prior year. This rating will change to Favorable when stable growth has returned.

Property Values



Finding: **FAVORABLE/CAUTION**. Property values exhibited a positive growth rate in FY 2014.

Comments: The growth rate in property values as a percentage rate from the previous year in actual dollars was positive 2.58%. This indicator will remain a Favorable/Caution rating due to the second year of increases; however, the five year average change in property tax values using constant dollars is negative. The City is starting to see an increase in property tax values after several years of a declining economy. The chart below shows the percentage change in General fund assessed values for the past ten tax years based on 2014 Property Tax Data.

City of San Clemente
Assesed Value History
(In Thousands)

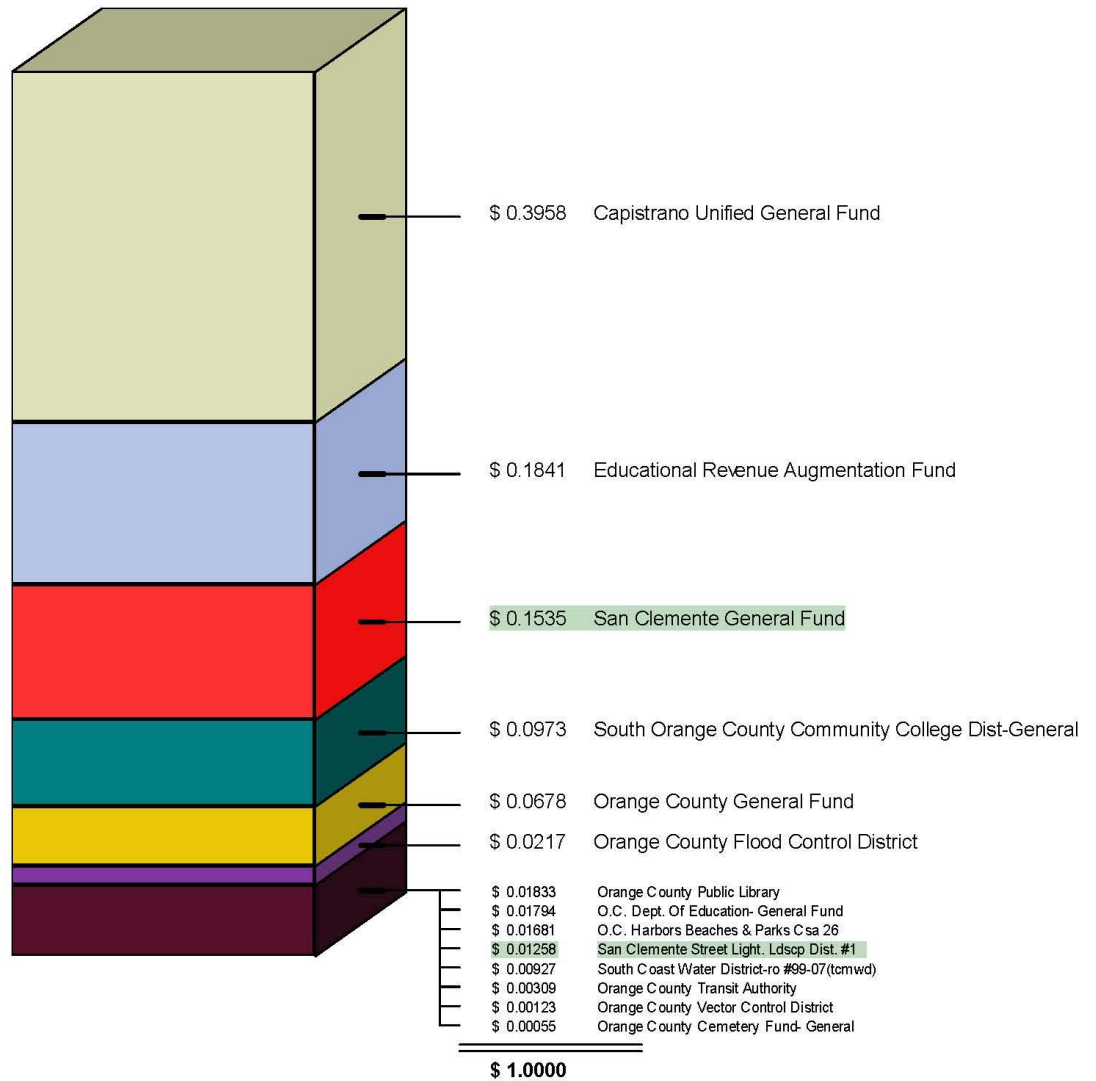
Tax Year	Secured Values	% Change
2005	\$8,528,143	15.98%
2006	\$9,762,930	14.48%
2007	\$11,106,184	13.76%
2008	\$12,248,078	10.28%
2009	\$12,582,840	2.73%
2010	\$12,379,602	-1.62%
2011	\$12,189,518	-1.54%
2012	\$12,116,627	-0.60%
2013	\$12,261,417	1.19%
2014	\$12,577,548	2.58%

Source: California Municipal Statistics, Inc. reports 2014

Personal property in California is subject to a basic levy equal to one percent of the assessed value. The property tax share can fluctuate between cities within a county. The City of San Clemente receives \$0.154 of each property tax dollar collected within the City. The following graph shows the distribution of the total property tax levy for each property tax dollar paid for the City.



THE CITY OF SAN CLEMENTE PROPERTY TAX DOLLAR BREAKDOWN

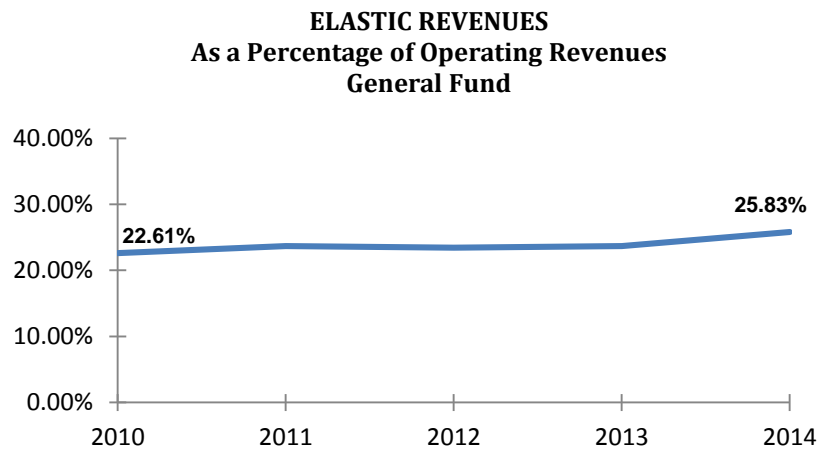


ATI (Annual Tax Increment) Ratios for Tax Rate Area 10000, Excluding Redevelopment Factors & Additional Debt Service
 Data Source: Orange County Assessor 2014/15 Annual Tax Increment Tables
 Prepared On 10/10/2014 By MV
 This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone Page 24

The chart above shows the portion each respective government agency receives of the typical Orange County property tax dollar.

Elastic Revenues

(Sales Tax, Transient Occupancy Tax, Permits and Business License Taxes, and Community Development Service Charges)

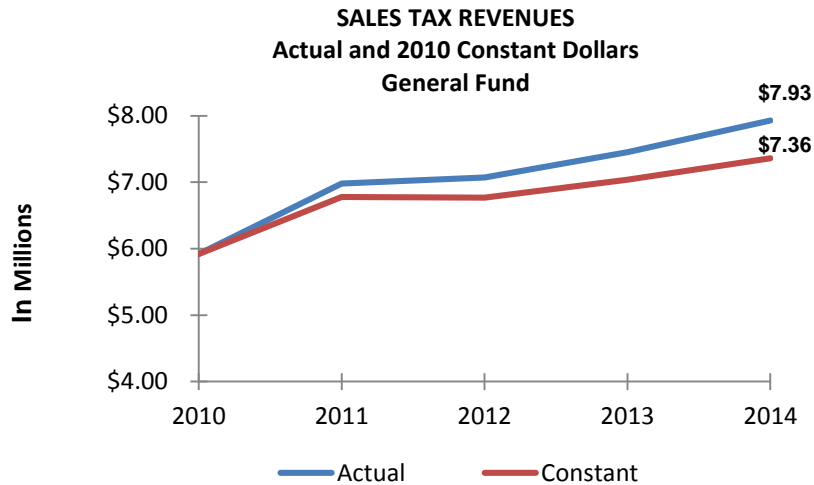


Finding: **FAVORABLE.** Elastic revenues are revenues that are highly responsive to changes in the economy and inflation. The City has classified Sales Tax, Transient Occupancy Tax, Permits and Business License Tax, and Community Development Service Charges as Elastic revenue, because these revenues are the most sensitive to economic change.

Elastic revenues, as a percentage of total revenues, shows an increase over the five year period. Elastic revenues increased by \$1.6 million or 14% from FY 2013. There were increases in Sales Taxes, Transient Occupancy Taxes, Permits, and Community Development Service Charges when comparing the two prior years. This overall improvement has changed the elastic revenue category from a favorable/caution to a favorable rating, since this is the second year of increases and further increases are anticipated in the near future.

Comments: Elastic revenues, as a percentage of total revenues, increased from 23.6% in FY 2013 to 25.8% in FY 2014. The increase in elastic revenues is due to increases in Sales Taxes, Transient Occupancy Taxes, Permits, and Community Development service charges. These indicators are examined further on the following pages.

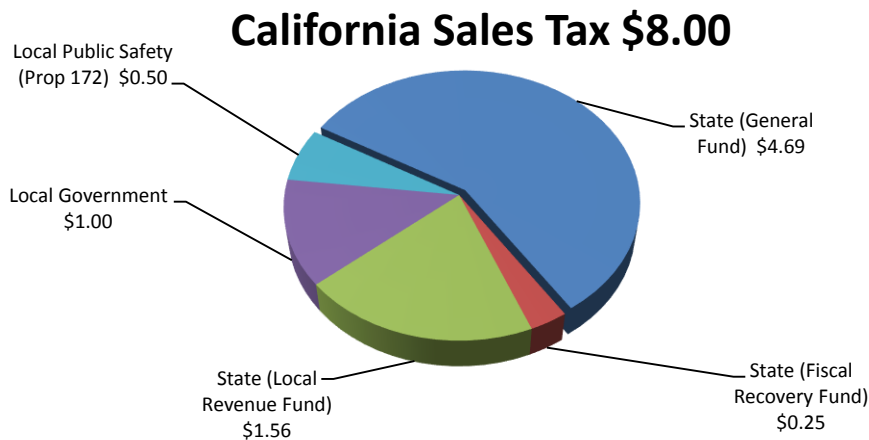
Sales Tax Revenues



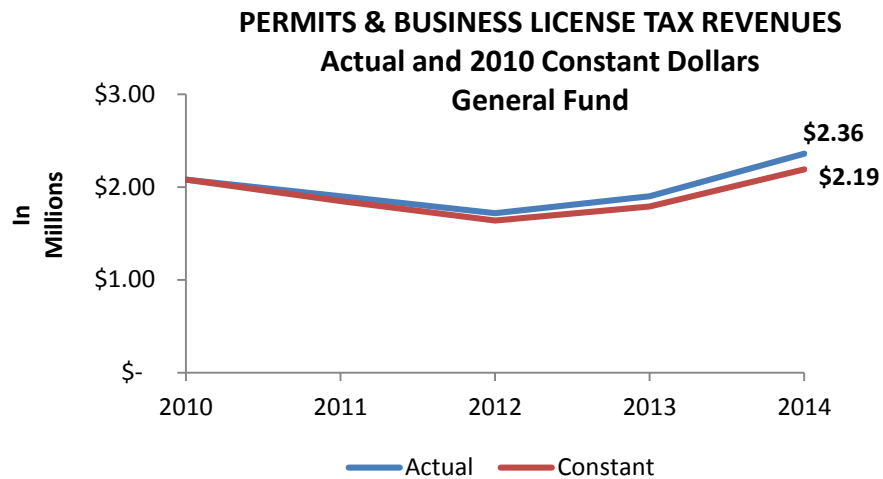
Finding: **FAVORABLE.** As summarized in the chart above, sales tax revenues show an increase of \$479,429, or 6.0% in actual dollars over the prior fiscal year. In constant dollars, there was an increase of \$319,999, or 4.5% for FY 2014.

Comments: As summarized in the chart, sales tax revenues have increased for the fourth time since FY 2010 in actual dollars. Continued economic recovery and increased consumer spending have contributed to this increase. Another factor that contributed to this increase was the increase in sales tax percentage by 0.25% from 7.75% to 8.00% during FY 2013. This indicator remains a Favorable rating because sales taxes have improved for the fourth consecutive year and should continue to improve due to growth in consumer spending and the increase in the sales tax rate in FY 2013.

The chart below shows how California Sales Tax is distributed.



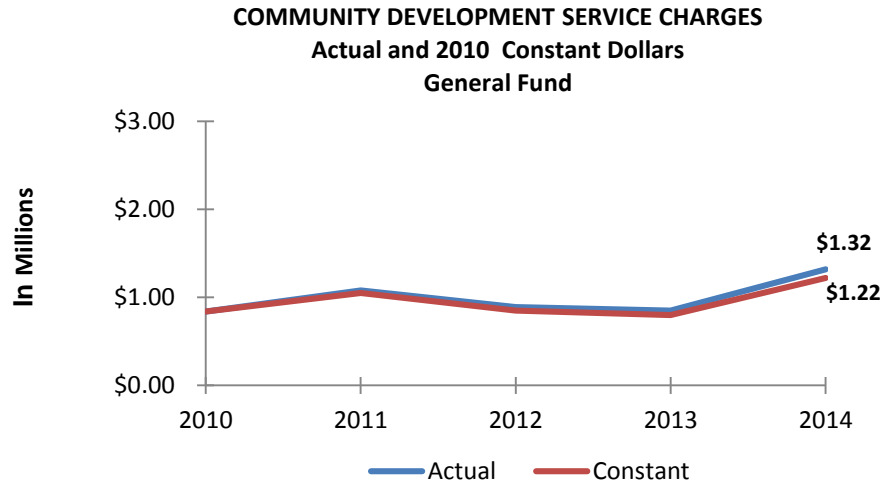
Permits & Business License Revenues



Finding: **FAVORABLE.** Permits and Business License Tax revenues increase in actual dollars in the amount of \$466,464 or 25% from the prior fiscal year. The constant dollar increase was \$400,894 or 22% from FY 2013. This indicator has changed from a favorable/caution to a favorable rating.

Comments: Construction permit revenue increased \$409,393, or 48% over the past year, which coincides with the increase in construction activity in the current year, due to the Marblehead Coastal development. Business license tax revenue decreased by \$25,509 or 3% from FY 2013 due to a decrease in development related licenses in FY 2014. Permits and Business License Tax revenues has changed from a favorable/caution to a favorable rating, due to the start of the Marblehead commercial project development in FY 2014. This project will bring notable business license taxes and related development fees in the near future. However, Marblehead Coastal is a one-time project and this trend could decline in future years as we see the City reach build-out.

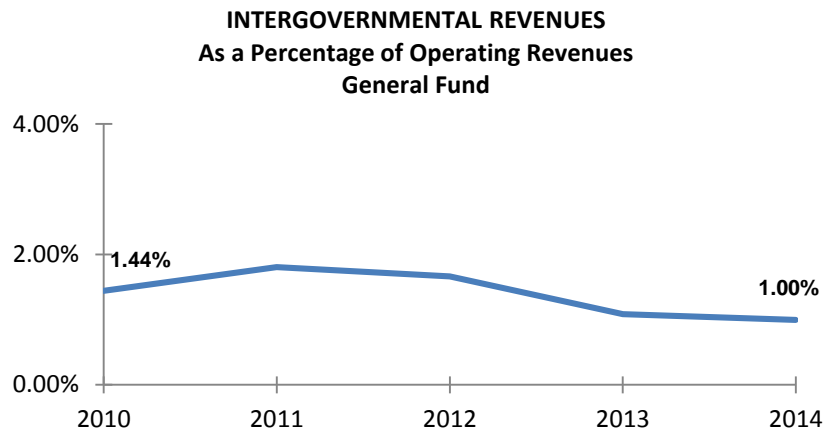
Community Development Service Charges Revenues



Finding: **FAVORABLE.** Total community development service charges increased by 56%, or \$470,046 from the prior year. This increase is due to construction inspection fees and building plan check fees related to the Marblehead Coastal development.

Comments: This trend increases from a favorable/caution to a favorable rating due to the increase in revenues relating to the Marblehead Coastal development. This is however, a one-time commercial development; therefore, in future years we should start to see a slow down in community development service charges as the City reaches build-out.

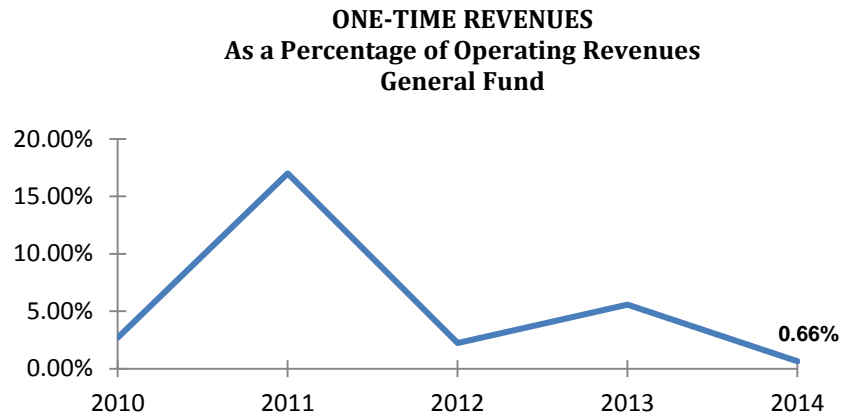
Intergovernmental Revenues



Finding: ***FAVORABLE***. General Fund Intergovernmental revenues, as a percentage of operating revenues decreased to 1.0% in FY 2014.

Comments: By analyzing intergovernmental revenues as a percentage of operating revenues, the City can determine the extent of its dependence upon resources from other governments. Excessive dependence on this type of revenue can be detrimental to the financial health of the City, as the factors controlling their distribution are beyond the City's control. The City's second largest intergovernmental revenue is Motor Vehicle tax at 30%. Motor vehicle tax declined in 2004 due to legislative action that transferred motor vehicle fees to the state. The City started to receive property tax dollars in-lieu of the motor vehicle fees in FY 2005. Once this change is adjusted for, it shows that motor vehicle fees received as in-lieu property taxes totaled \$5.4 million and the intergovernmental percentages were 10.9% in FY 2013 and 11.3% in FY 2014, which still supports the Favorable rating.

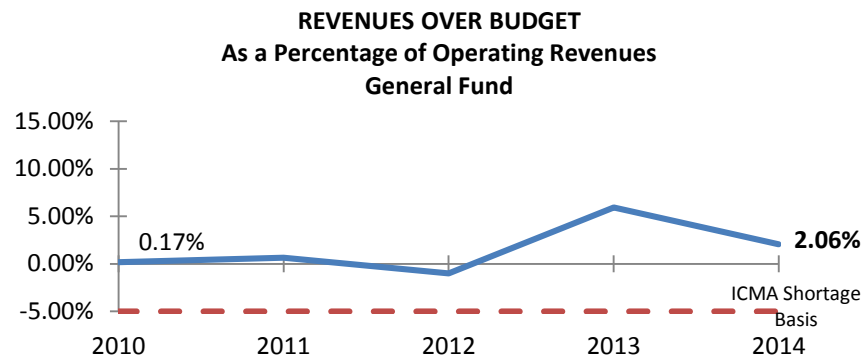
One-Time Revenues



Finding: **FAVORABLE**. One-time revenues, as a percentage of total General Fund revenues, equaled 0.66% in FY 2014, a decrease over the prior year.

Comments: One-time revenues decreased by \$2.6 million from the prior fiscal year. FY 2014 one-time revenues of \$346,207 include, \$262,254 of grant funds, and \$83,953 from miscellaneous reimbursements. In accordance with the City’s Fiscal Policy, one-time revenues are not utilized to fund ongoing operating expenditure, except in the case of a one-time policy change in FY 2011 to use these one-time revenues to provide a subsidy for ongoing expenditures for the Vista Hermosa Sports Park. Therefore, this indicator continues with a Favorable rating.

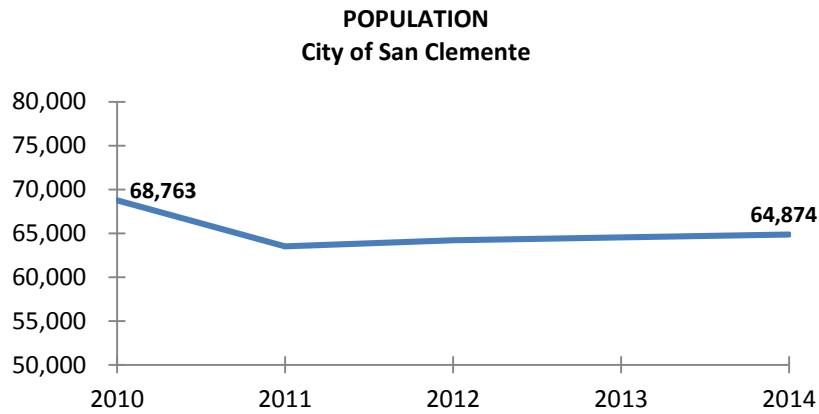
Revenue Overage



Finding: **FAVORABLE/CAUTION**. Actual revenues were greater than the adjusted budget by \$1.1 million for FY 2014 and ends with a positive revenue position of 2.06%. The City experienced revenues over budget in taxes by \$1.1 million due mainly to a conservative approach to budgeting and the uncertainty of property tax values; licenses and permits by \$120,000; and charges for services in the amount of \$252,600, due to increased parking meter and permit revenues, recreation service charges and planning and building fees. The City also experienced shortages in fines and forfeits (\$208,900) and Investment and rentals (\$38,180). This trend remains a Favorable/Caution due to the narrow margins during the five year period.

Comments: This trend began the five-year analysis with a positive revenue position of 0.17% and ended FY 2014 at a positive 2.06%. The City continues to monitor its revenues through the annual budget and long term financial planning processes in order to more accurately forecast its revenues.

Population

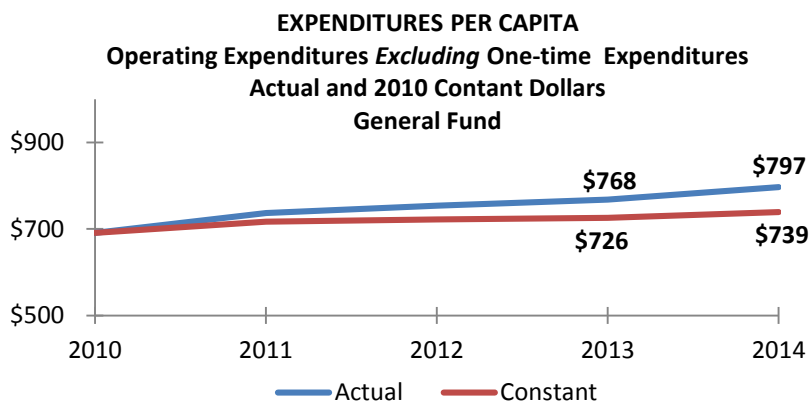
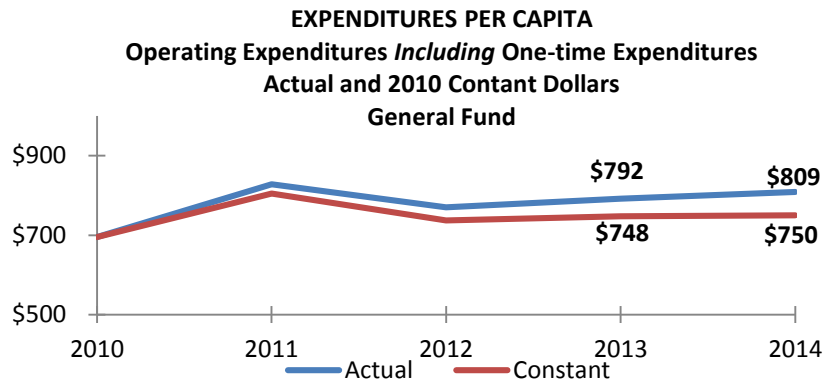


Finding: **FAVORABLE.** The City’s population has increased by 0.51% over the prior fiscal year. This increase is due to the California Department of Finance estimates bases on 2010 Census numbers.

Comments: The exact relationship between population change and other economic and demographic factors is uncertain. However, a sudden increase in population can create immediate pressures for new capital expenditures and higher levels of service. Increased population generates increased expenditures over time such as public safety (i.e. additional fire stations, increased police, etc.). Conversely, a rapid decline in population allows for a smaller tax base for spreading City costs that cannot be reduced in the short run.

The Census is completed every ten years. In the years following the 2000 and 2010 Census, the numbers used by the City are based on numbers from the California Department of Finance and estimates of growth from the Planning department. The years between the two Census years showed an over inflated growth rate, implemented by the California Department of Finance. At this point the estimates for FY 2013 and FY 2014 do not appear to be as inflated based on the 2010 Census. This indicator remains a Favorable rating due to the more stabilized increase in population based on current estimates, once the census adjustment is factored out.

Expenditures Trend Analysis



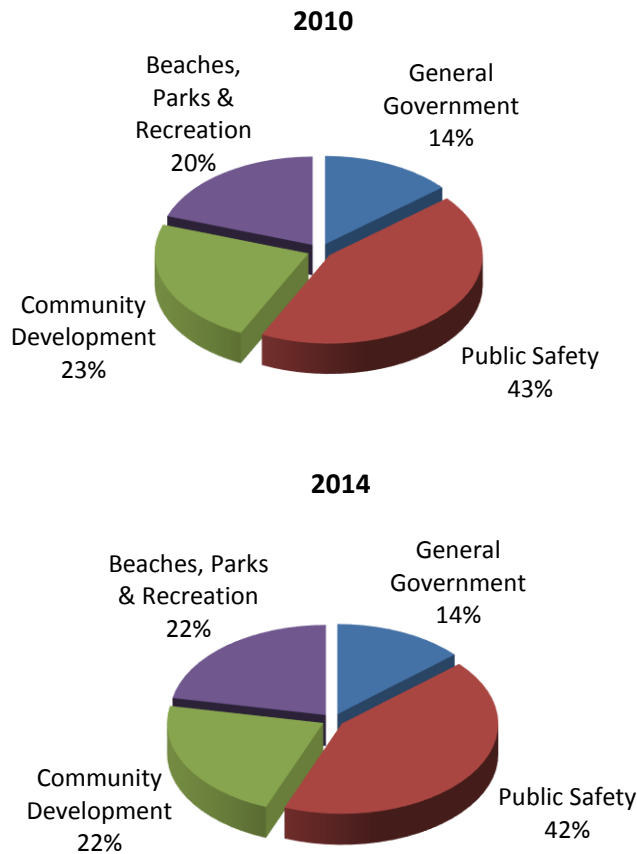
Finding: **FAVORABLE.** Expenditures per capita (including one-time expenditures) reflect an increase when analyzing actual and constant dollars for the past fiscal year when compared to the prior year. Changes in per capita expenditures reflect the changes in expenditures relative to changes in the population.

Comments: The first chart which includes one-time expenditures shows an increase from \$792 to \$809 in per capita actual dollars and an increase from \$748 to \$750 in per capita constant dollars. This reflects the increase in actual dollars of \$1.4 million and the increase in constant dollars of \$0.4 million when compared to FY 2013. The increase in actual dollars was mainly in Police (\$0.7 million), Beaches, Parks and Recreation (\$0.6 million), and Community Development (\$0.4 million). The increase in Police is due to contract increases. The increase in Beaches, Parks, and Recreation is a result of increases in contractual service contracts, including maintenance and utility costs. Finally, the increase in Community Development is a result of increases in construction inspection fees and building plan check fees.

The second chart (which excludes one-time expenditures) shows an increase in actual dollars from \$768 to \$797, and an increase in constant dollars from \$726 to \$739. The average constant change was less than 2% annual, and the average actual change was only 4.1%, despite the opening of the new park.

This trend remains favorable because expenditures per capita have remained fairly stable, with slight increases over the prior year.

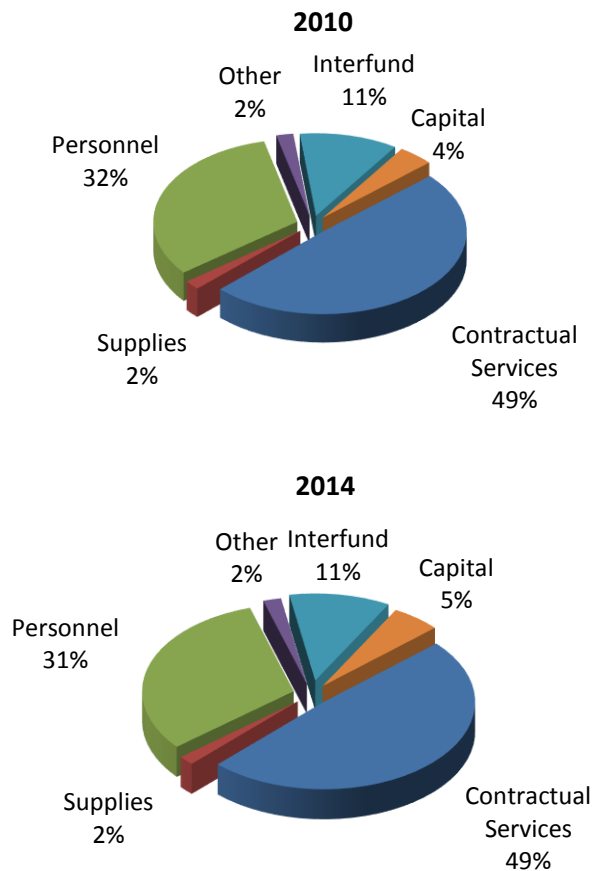
**Comparison of Expenditures by Function
FY 2010 vs. FY 2014**



Finding: **Favorable.** Expenditures by function, as a percentage of the total General Fund expenditures (excluding debt service, interfund transfers, and capital outlay) show slight changes in the allocation of resources from FY 2010 to FY 2014. These charts indicate that the largest fluctuations of expenditures are in Public Safety, Beaches, Parks, and Recreation, and Community Development with a decrease of 1%, an increase of 2%, and a decrease of 1% respectively.

Comments: When looking at the chart, Public Safety decreased from 43% in FY 2010 to 42% in FY 2014. In actual dollars, Public Safety increased by \$1.6 million, or 7%. The chart also shows a decrease in Community Development from 23% in FY 2010 to 22% in FY 2014. In actual dollars Community Development increased by \$0.5 million, or 4.6%. The real reason for these changes is due to a larger increase in total operating expenditures in FY 2014 when compared to FY 2010, which caused the percentages of each category to be lower. The Beaches, Parks, and Recreation category increased from 20% to 22% in FY 2014 reflecting actual increases in the recreation program during the period, primarily as a result of operating the new Vista Hermosa Sports Park.

Comparison of Expenditures by Category FY 2010 vs. FY 2014

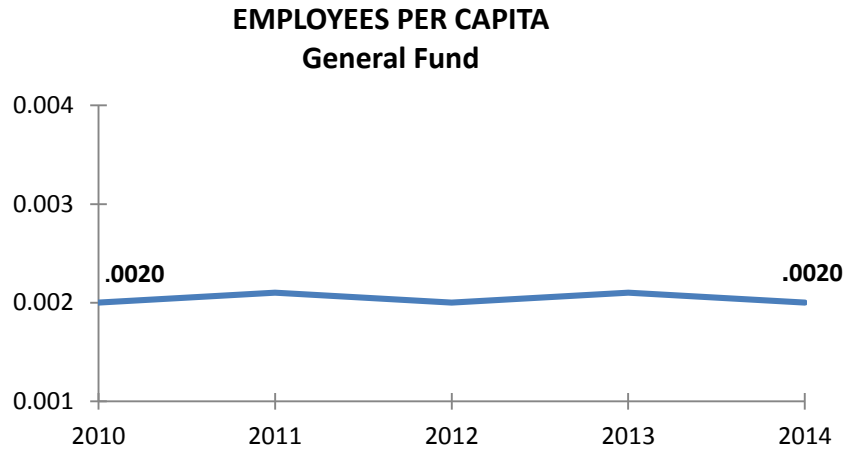


Comments: The charts above indicate that the Personnel and Capital expenditure categories, as a percentage of the total General Fund expenditures, changed between FY 2010 and FY 2014.

When looking at the chart, the personnel category has changed from 32% to 31%, which does not reflect the actual increases in salary and pension levels from FY 2010 to FY 2014. The reason for the change is due to a larger increase in total operating expenditures in FY 2014 when compared to FY 2010, which caused the percentage of each category be lower. Essentially, the City was able to control personnel costs more than the other operating costs, such as Contractual Services and supplies.

Capital has increased by 1% from FY 2010 to FY 2014, reflecting actual increases in major capital improvements during the five year period.

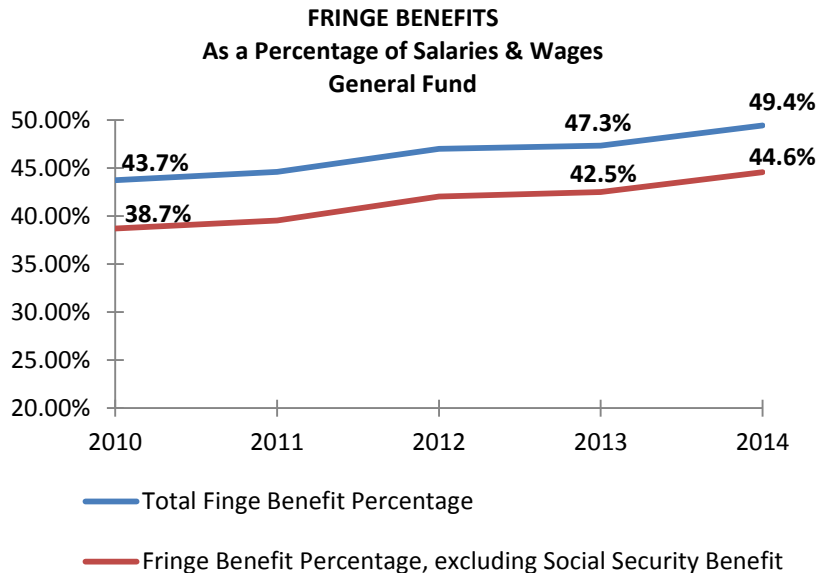
Employees per Capita



Finding: **FAVORABLE.** Employees per capita have remained relatively stable over the last five years.

Comments: This indicator is awarded a Favorable rating as growth in Full Time Equivalent's (FTE's) keep up with service level demands. This trend will be closely monitored to insure the City's ability to support current and future service levels.

Fringe Benefits

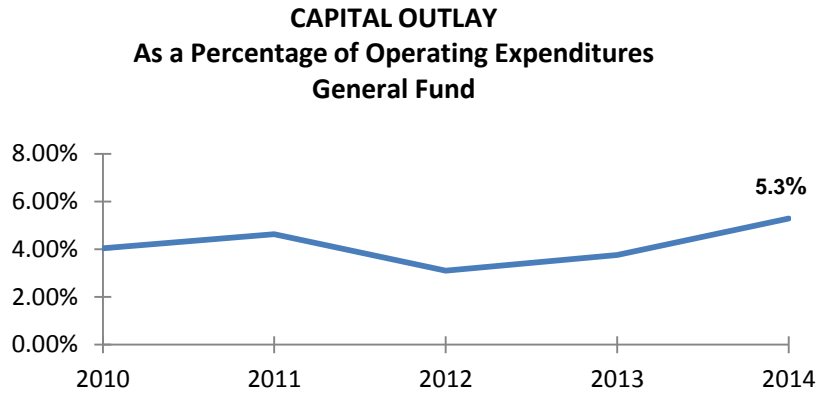


Finding: **Warning.** Fringe benefits (including social security benefits), as a percentage of General Fund salaries and wages, increased from 47.3% to 49.4%. Fringe benefits (excluding social security benefits) show a corresponding increase when compared to FY 2013.

Comments: The actual amounts of general fund benefits increased from \$5.19 million in FY 2013 to \$5.44 million in FY 2014, a 4.7% increase from the prior year. While general fund salary and wages increased from \$10.97 million in FY 2013 to \$11.0 million in FY 2014, a 0.2% increase from the prior year. These two factors together have caused the increase in the fringe benefits as a percentage of General fund salaries and wages to increase over the prior year.

The benefits increased from FY 2013 to FY 2014 because of an increase in pension costs of \$304,360, or 14%. The increase is mainly due to a one-time payment of \$226,000 for past retirement costs in Marine Safety. Excluding this payment, fringe benefits as a percentage of salaries would be 42.5% (excluding social security) and 47.4% (including social security). This trend will remain a Warning rating due to this percentage increase in comparison to the prior year. This trend will be subject to further review next year.

Capital Outlay

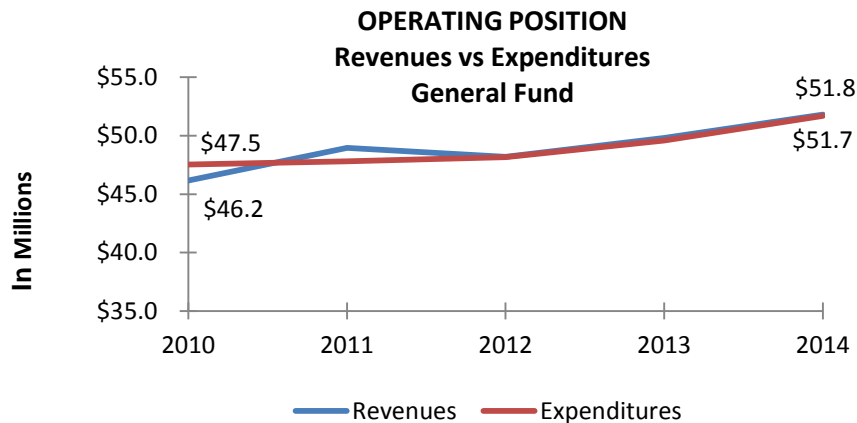
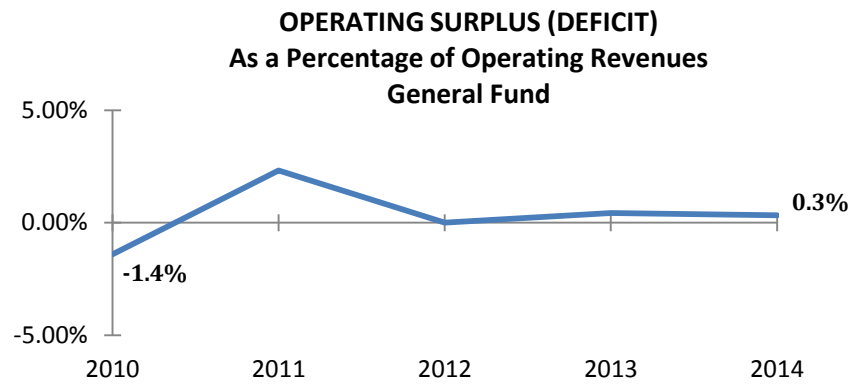


Finding: **FAVORABLE.** Capital outlay expenditures increased by \$0.8 million, or 44%, from the 2013 fiscal year. Capital outlay expenditures totaled \$2.8 million.

Comments: Spending on capital outlay has increased due to an increase in improvements including major street maintenance, the sidewalk construction program, Ole Hanson Beach Club renovations, and Safety/Quiet Zone improvements.

The Capital Equipment Replacement Reserve was established in FY 1995. This reserve fund ensures that obsolete and worn equipment is replaced in accordance with the City’s preventive maintenance program. This trend continues to be a Favorable rating due to the City’s continual commitment to maintaining capital assets, which improves the efficiency of City operations.

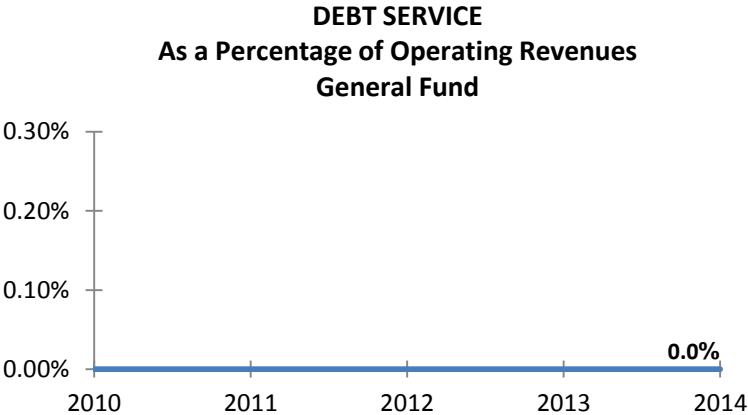
Operating Position



Finding: **FAVORABLE/CAUTION.** An operating surplus is when revenues exceed expenditures, conversely when expenditures exceed revenues there is an operating deficit. Fiscal year 2014 ended with a positive operating position.

Comments: Revenues used to calculate the operating position do not include one-time transfers and revenues of \$0.3 million, which includes \$262,254 of grant revenue and \$83,953 in miscellaneous one-time revenues. Also expenditures used to calculate this surplus do not include a one-time transfer from the General Fund the General Liability Fund of \$400,000, and one-time studies and costs of \$387,600. This calculation of operating expenditures does not exclude \$2.4 million of capital expenditures, since these capital costs are for yearly maintenance and improvements and are not considered one-time costs. The total operating position was \$0.17 million in FY 2014, compared to \$0.2 in FY 2013. This trend remains Favorable/Caution due to this low operating position and the instability of the current economy.

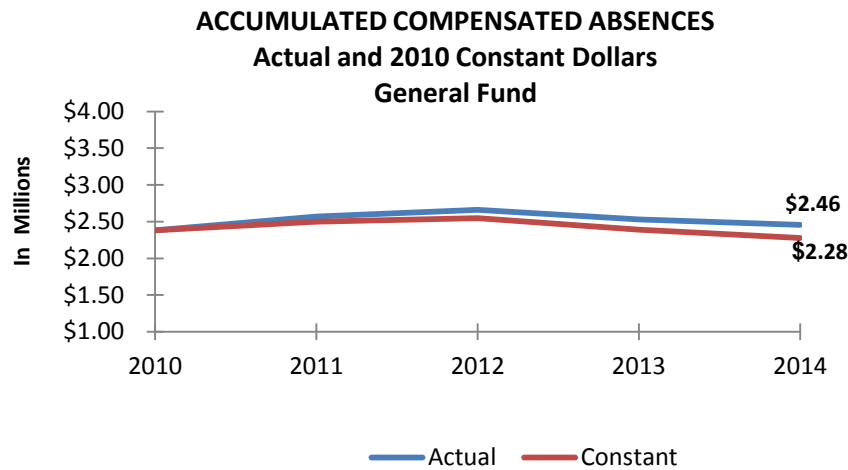
Debt Service



Finding: **FAVORABLE**. General Fund debt service receives a Favorable rating as it has remained immaterial (less than 1%) in comparison to total revenues over the last fifteen years. Credit rating firms generally view debt service as Unfavorable if debt service payments exceed 20% of net operating revenues. Standard & Poor’s, an independent firm that issues ratings, increased the City of San Clemente’s credit rating to AAA in 2009 from AA in 2005, and the AAA rating is still in effect today.

Comments: The City does not include debt service payments in the General fund. Debt service for the Negocio Building bonds, the City’s street assessment bonds, and capital equipment leases are accounted for in separate funds, and are not part of this analysis.

Accumulated Compensated Absences

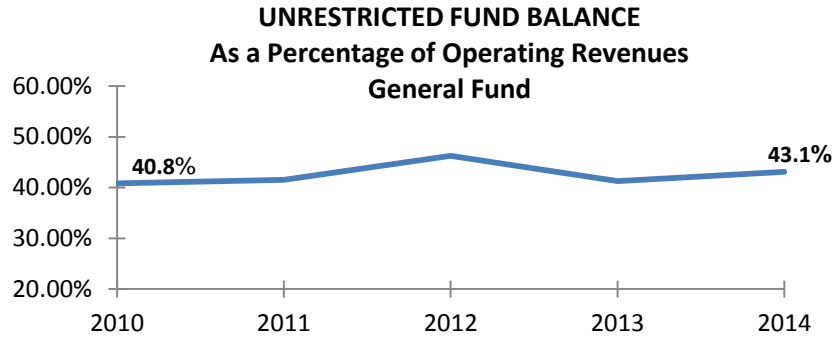


Finding: **FAVORABLE**. This indicator receives a Favorable rating, consistent with the prior year. The City’s average annual payments for terminated employees accumulated compensated absences amount to one-half of the accrued leave reserve balance. The reserve is continually funded to insure an adequate reserve, as outlined in the Long Term Financial Plan’s Reserve section.

Comments: At June 30, 2014, the balance of the liability for compensated absences was \$2.46 million consisting of \$1.17 million for vacation, \$1.17 million for sick leave, and \$79,262 for compensatory time. This is a decrease of \$76,256 or 3% from the prior year’s liability of \$2.53 million. The decrease is due to long term employees with hire dates before January 1, 2000 retiring during FY 2014. These employees were eligible to receive a percentage of their sick leave upon their years of retirement, because of their employment before January 1, 2000.

The Accrued Leave Reserve was established to pay accrued employee benefits for General Fund employees who terminate during the year. In FY 2014, the General Fund continued its annual contribution to the Accrued Leave Reserve Fund with an amount of \$110,000 for the payment of accrued leave for terminated employees. As of June 30, 2014 the Accrued Leave Reserve balance was \$694,069.

Fund Balance



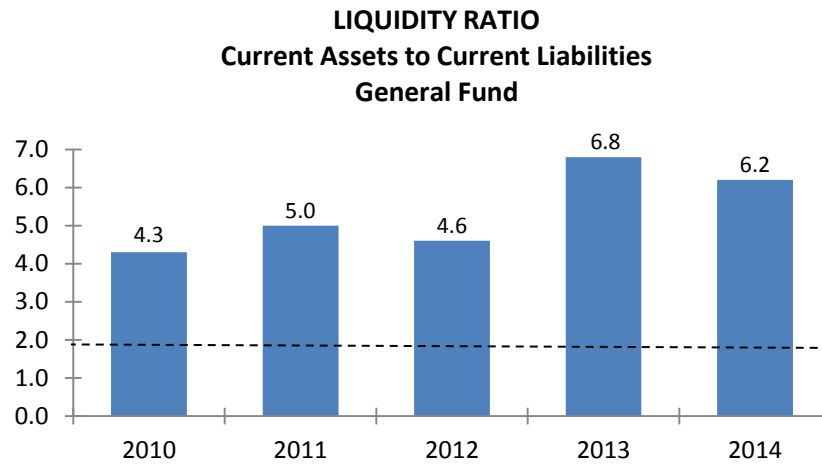
Finding: **FAVORABLE.** Unrestricted fund balance refers to those dollars available for use in the event of a financial emergency, short-term revenue fluctuations or an economic downturn. The City attempts to operate each year at a surplus to ensure the maintenance of adequate reserve levels.

Comments: Unrestricted fund balance excluding long term receivable reserves increased by 3% in FY 2014 from \$21.8 million to \$22.5 million. The stable position of the City’s General Fund is displayed by years of large unreserved fund balances as a percentage of operating revenues.

Included within the total FY 2014 unrestricted fund balances of \$22.5 million are committed funds of \$15.7, which includes \$10.0 million of sustainability funding, \$4.6 million of emergency funding, and \$1.1 million committed for other purposes. Also included is \$2.9 million for other purposes and unassigned funds of \$3.8 million. The reserves are discussed in detail in the Reserve Analysis section of the LTFP.



Liquidity Ratio



Finding: **FAVORABLE**. In FY 2014, the City's liquidity ratio remains positive at 6.2:1. Credit rating firms consider a ratio of 1:1 Favorable. The City's 6.2:1 current asset to current liability ratio is considered excellent.

Comments: Liquidity measures the City's ability to meet short term obligations. Liquidity is measured by comparing current assets to current liabilities. Current assets include cash, short-term investments, accounts receivable and other assets that can be readily converted to cash. Current liabilities include accounts payable, accrued wages, accrued expenses and all obligations that can be immediately demanded for payment.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY COUNCILMEMBER DONCHAK, CARRIED 5-0, to take action as follows:
None.

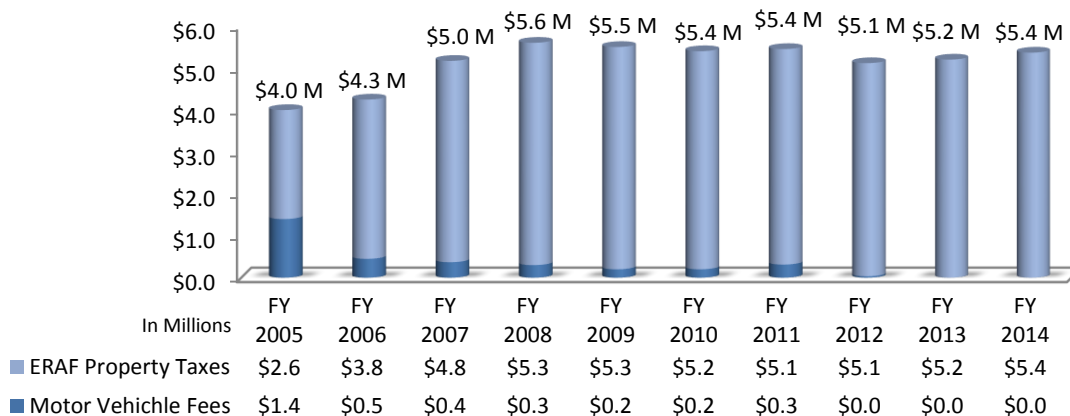
Attachment “A”

Sales Tax - Triple Flip

In March 2004, the voters of California approved Proposition 57, the California Economic Recovery Bond Act. The measure, commonly referred to as the “triple flip”, consists of 1) reducing the City’s local sales and use tax rate by 0.25% and increasing the State’s sales tax rate by 0.25% to fund the fiscal recovery bond payments, 2) repayment to cities and counties, on a dollar-for-dollar basis, of the 0.25% sales and use tax with Educational Revenue Augmentation Fund (ERAF) property tax money; and 3) repayment to schools of 0.25% of lost ERAF monies with State General Fund monies. In practical terms, the City’s sales tax revenue distributions are reduced by 0.25% each month. Twice a year, in January and May, the City receives “triple flip adjustment” distributions to reimburse for the 0.25% reduction. These distributions are an estimate of what is owed, based on prior year sales and use tax receipts, adjusted for a projected growth factor. Any difference between the estimate and what is actually owed to the City is treated as an adjustment in the subsequent year’s “triple flip adjustment” payments. This program is expected to wind down by the end of FY 2016 and quarterly local sales tax allocation will return to the pre-triple flip amount of 1%, without any true-up, in future years.

Property Tax – ERAF Property Tax replaces Vehicle License Fees (VLF)

Prior to the State’s budget crisis, vehicle license fees had been known as a “local” revenue source. The fees were allocated to cities and counties based on population. Beginning in 1998, the State Legislature began a series of reductions in the VLF rate charged to vehicle owners, but continued to allocate funding to cities and counties based on the original rate of 2% of market value of the vehicle. The State ultimately reduced the rate to vehicle owners to 0.65% of market value. The 1.35% revenue loss to cities and counties was offset, or “backfilled,” with a contribution from the State’s General Fund. In FY 2004-05, the offset from the State’s General Fund was eliminated and replaced with additional property tax revenue to the cities and counties. This additional revenue is often known as “ERAF Property Tax Revenue”, as the property taxes used to replace counties and cities VLF funds are diverted from each county’s Educational Revenue Augmentation Fund (ERAF). Annual growth in ERAF property taxes corresponds to the City’s annual growth in overall assessed valuation. In FY 2011-12, the State Legislature enacted SB 89, terminating the allocation to cities and counties of the remaining 0.65% VLF revenues and diverting these monies to fund state law enforcement grants.



Financial Forecast

Objective

To update the comprehensive five-year financial forecast for the General Fund, incorporating adopted City fiscal policies, expenditure patterns, revenue trends, fund balances and other known financial impacts.

Executive Summary

The five-year financial forecast was last updated after adoption of the FY 2015 budget. The prior forecast identified a small surplus in 2015, followed by projected deficits through 2019 as follows:

FY 2015 Budget Forecast (In millions)	2015	2016	2017	2018	2019
Projected surplus/deficit	\$ 0.2	-\$ 1.6	-\$ 1.8	-\$ 1.9	-\$ 2.1

The updated 2015 LTFP **five-year financial forecast reflects a negative operating position in all years of the forecast**, beginning in FY 2016. This is mainly due to projected increases in police and fire contractual costs as well as increases in general liability insurance charges. A partial year of ongoing revenues associated with the Marblehead Retail commercial development, anticipated to open in the fall of 2015, have been included in this year's forecast.

2015 LTFP Forecast (In millions)	2016	2017	2018	2019	2020
Operating receipts	\$55.0	\$57.3	\$58.5	\$59.7	\$61.0
Operating disbursements	<u>55.7</u>	<u>57.6</u>	<u>59.0</u>	<u>60.4</u>	<u>61.9</u>
Projected surplus/deficit	-\$0.7	-\$0.3	-\$0.5	-\$0.7	-\$0.9

The 2015 Long Term Financial Plan forecast shows improvement in operating position from the forecast presented at budget adoption due to the inclusion of annual revenues from the Marblehead Coastal development project in the 2015 plan.

Revenues increases are projected at an average of 3.2% over the forecast period. Property taxes continue to recover, with substantial increases seen over the last two years due to increased sales, increased values, and continued recapture of Proposition 8 reassessments. A number of these reassessments are still pending, with assessed values expected to rise, positively impacting property tax revenues into FY 2017. The median home price in San Clemente through the third quarter of 2014 was \$750,000, which is above the \$710,000 median price seen for 2013. Sales taxes included in the forecast are higher due to the addition of revenues from the Marblehead Coastal retail development project as well as continued growth in consumer spending.

Expenditures increase an average of 3.7% over the forecast period, excluding the impact of one-time capital and maintenance costs as well as other one-time costs. The projected increases are primarily due to growth in the police and fire services contracts, the addition of maintenance costs for the new parks and trails from the Marblehead Development, and an increase in general liability insurance premiums. Based on the 2014 strategic financial plan prepared by the County of Orange, the police services contract will increase by an average of \$528,000, or 4.24%, over the forecast period. In FY 2016, the contract is expected to increase by \$1.2 million, or 9.48%,

based on a projected 8.5% increase in salaries and wages for sworn personnel, a 12% increase in workers' compensation costs, and an additional charge of approximately \$500,000 for the City's allocated share of the new Field Services Training Bureau. The fire services contract includes an average increase of \$360,000, or 4.5%, per year, the maximum allowed by contract. There may be additional public safety financial impacts due to the potential closure of the San Clemente hospital. These are not contemplated in the forecast due to uncertainty surrounding this matter.

The Vista Hermosa Park Reserve was funded in 2010, with \$2.9 million from proceeds from the sale of land to Target, and has been used to fully offset the net maintenance and operations costs for Vista Hermosa Sports Park since the park opened in FY 2012. The reserve is projected to have a remaining balance of \$181,000 at the end of the FY 2015. Use of the remaining balance of the reserve is included in the forecast to help offset costs incurred in the first quarter of FY 2016.

While the Ole Hanson Beach Club is under construction, the majority of revenues and expenditures have been reduced or eliminated due to the building and pool closures. Construction is expected to be complete in December 2015, with the facility reopening at that time. The full cost of maintenance and operations, along with associated revenues, is included in the forecast for six months in FY 2016, with a full year forecasted beginning in FY 2017.

Background and Discussion

Annually, the City prepares a five-year financial forecast as a part of the Long Term Financial Plan. The forecast identifies the City's current and projected financial condition to determine whether funding levels are adequate and if projected expenditures can be sustained. The financial forecast, along with the Financial Trend Analysis, provides the foundation of the Long Term Financial Plan process.

The forecast is developed based upon guidelines provided by the Government Finance Officer's Association (GFOA). The financial forecast allows the City to determine how current spending plans will impact future budgets, but the forecast presented during the Long Term Financial Plan is *not* the budget that will be presented to City Council for the 2016 fiscal year. Projects prioritized by the Council, along with Administration's recommendation for changes or enhancements to the current service levels, will determine the funding requests that will be brought forth in the FY 2016 budget.

The base forecast is developed using the *present level of services* provided by the City. Inflation or historical growth rates are used to predict expenditure patterns. Revenues are projected by inflation, current trends, or by specific circumstances that are certain to occur during the forecast period.

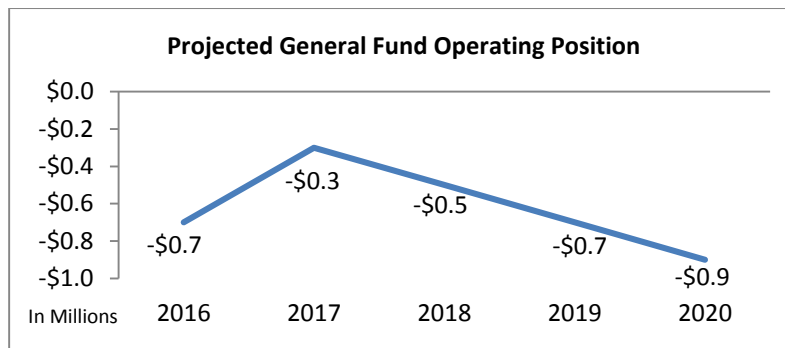
Information regarding economic indicators and the performance of the economy as a whole over the forecast period was taken from Cal State Fullerton's College of Business and Economics 2015 Economic Forecast for Southern California and Orange County, presented in October 2014.

Per the Cal State Fullerton forecast, the economic outlook is more nuanced than usual, with a forecast of a brighter near-term outlook and a less confident, more challenged, longer-term view.

The positive near-term outlook derives mostly from the fact that the recession was so vast, and the recovery to date has been so shallow, that there is ample pent-up demand in the system in virtually all sectors to allow for continued growth in the next several years. This growth is expected despite a number of risks, both domestically and internationally. Domestically, the unwinding of the Fed’s quantitative easing program is behind us, with relatively few hiccups, but concerns remain about the expected timing of future interest rate hikes and the strength of housing construction. Internationally, apprehension remains around the Ukraine conflict, the possible escalation of war in the Middle East and the vulnerability of the Chinese economy. In the long-term, the worry is that the deep recession and the snail-paced recovery may have caused lasting damage to the economy’s growth. Concerns remain over supply-side issues, with the labor force participation rate at its lowest since the late 1970’s, investment in capital stock well below pre-crisis trends, and productivity growth seeming to have shifted to a lower gear.

In order to strategically address future needs and to ensure the City maintains a positive operating position in the long-term, the City’s five year forecast focuses on two critical elements, *operating position* and *fund balances*, to determine the fiscal health of the City.

Operating position – Based on revised expenditure and revenue trends, the financial forecast indicates a negative operating position in all five years of the forecast period. Results of the forecast with respect to operating position (operating receipts less operating disbursements, excluding one-time revenues and expenditures) are shown in the following chart.



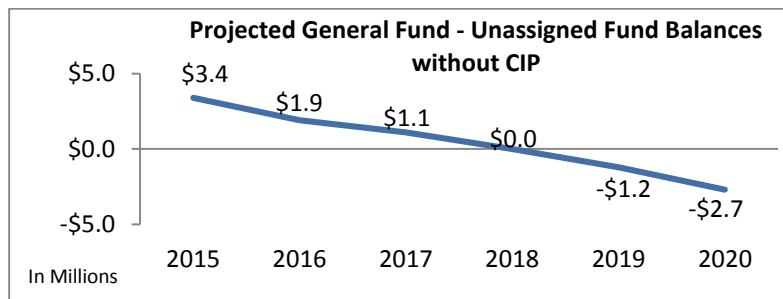
The projected operating position is negative beginning in FY 2016, mainly due to projected increases in police and fire contractual costs, the addition of maintenance costs for Marblehead parks and trails, and increases in General Liability insurance premiums. It should be noted that these are *projections* only and negative operating position will not actually occur, as adjustments will be made to ensure the city remains in a positive operating position.

Fund Balances – Fund balance is the excess of revenues (assets and resources) over the amount of expenditures (liabilities). The *unassigned* fund balance is the portion that is available for appropriation by the City Council, based on current policies. A positive unassigned fund balance represents a financial resource available to finance one-time expenditures of a future fiscal year. The City’s *committed* fund balances include the Sustainability Reserve, the Emergency Reserve, and the remaining balance of the Vista Hermosa Park O&M Reserve. The Sustainability Reserve amounts to \$10.0 million. The Emergency Reserve is funded at 9% of operating expenditures.

Financial Forecast

Annual contributions are included in the forecast to maintain the 9% funding level. Council approval is required before expending the Emergency and Sustainability reserves.

The chart below illustrates projected unassigned fund balance in the General Fund based on the 2015 LTFP forecast. The projected beginning unassigned fund balance of \$3.4 million does not include the Sustainability, Emergency, or Vista Hermosa Park Reserves. One-time expenditures and transfers, plus a projected negative operating position beginning in FY 2016, reduce unassigned fund balance from a positive \$3.4 million to a negative \$2.7 million in FY 2020.

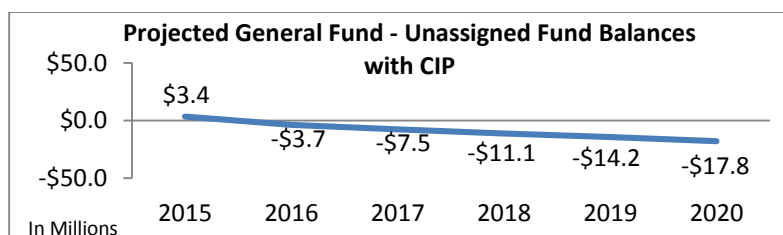


The 2015 forecast includes a total of \$950,000 for ongoing major maintenance projects (major street maintenance, slurry seal and sidewalk repair programs), but does not assume any spending for capital projects (including infrastructure and I.T. projects) or one-time maintenance projects.

If projected capital and one-time maintenance projects are added to the 2015 forecast, the City's projected unassigned fund balance would decrease substantially. The table below shows costs projected for General Fund capital and one-time maintenance projects over the next five years, as presented in the CIP section of the FY 2015 budget.

Proposed Projects (In millions)	2016	2017	2018	2019	2020
Capital Projects	\$5.1	\$2.6	\$2.0	\$1.7	\$2.0
Maintenance Projects (not ongoing)	0.5	0.3	0.6	0.1	0.2
Totals	\$5.6	\$2.9	\$2.6	\$1.8	\$2.2

The chart below modifies the General Fund unassigned fund balance to indicate the impact of these proposed capital and one-time maintenance projects on fund balances:



As noted, this projection is based on the CIP program presented in the FY 2015 budget. Funding of capital projects is determined annually during the budget process and is dependent upon available funds. A revised CIP program for the next five years will be presented to Council as part of the FY 2016 budget process.

Fund Balance Issues - Several events are anticipated over the next several years which may enable the City to add to its unassigned fund balance, somewhat offsetting the negative balances shown above. The actual amounts and timing for these receipts is not assured; therefore, they are not included in the long-term projections.

Marblehead: The City will ultimately realize ongoing property, sales and hotel tax revenues, originally estimated at \$2.7 million, once all phases of the Marblehead Development are complete. Phase I of the commercial project, mainly consisting of a retail outlet mall, is anticipated to be completed in the fall of 2015. Revenues anticipated from this first phase will be needed to replace approximately \$1.0 million of annual operating revenue that had been funded by the Vista Hermosa Park reserve for the last several years. That reserve will be fully depleted in the first quarter of FY 2016.

A portion of the ongoing Marblehead revenues will be required to fund the ongoing operation and maintenance costs associated with the development's parks and trails, as ownership passes to the City as those projects are completed. Projected operation and maintenance expenditures for the parks and trails have been included in the forecast, based on projections from the 2014 LTFP. More accurate costs will be developed and presented during the FY 2016 budget process.

Sales tax revenue from Phase I of the Marblehead retail outlet is included in the forecast for a partial year in FY 2016, and for a full year beginning in FY 2017. Property tax revenue for the retail outlet center improvements in Phase I is included beginning in FY 2017. No revenue has been included for future phases of the retail project, or for the residential or hotel developments. Permits are currently being pulled for the residential development, with the timing and sales prices still uncertain. The type of hotel development, and the timing of its construction, are also still to be determined.

Additional one-time developer improvement fees are anticipated from the residential portion of the Marblehead Coastal Development project, but the amount and timing of those receipts is still to be determined. In December 2014, City Council authorized funding of \$864,000 towards the Ole Hanson Beach Club Rehabilitation project. It is intended that the General Fund unassigned fund balance is refunded in the amount of \$864,000 as a first priority from the receipts of Marblehead developer improvement fees.

Bellota: The City has begun to realize proceeds from the Bellota Land sale. It is estimated that a net \$5.8 million will become available once all the applicable lots are sold, with \$0.8 million of that already realized in FY 2015 from the sale of the three single family lots. As discussed in the Reserve Analysis LTFP paper, it is recommended that proceeds from selling the Bellota land be used first to fund the current retrospective payment balance of \$3.0 million in the General Liability Fund. Further, it is recommended that the next \$2.0 million of the Bellota proceeds be used to meet reserve requirements in the City's General Liability Fund, as per the City's fiscal policy. Remaining proceeds would be used to repay the General Fund for amounts advanced for retrospective payments over the

last two years. It should be noted that actual net proceeds may differ from the \$5.8 million estimate. The remaining lots are anticipated to be marketed in 2015 and 2016.

LaPata/Vista Hermosa Land: Receipt of proceeds from the disposition of 2.5 acres of land at the corner of La Pata and Vista Hermosa is anticipated in the coming fiscal year. Several years ago the value of the land was estimated to be somewhere between \$2.6 and \$3.5 million. An updated, formal appraisal of the property is in process to provide a current valuation in anticipation of marketing the property in FY 2016. When the disposition of the land is determined, staff will provide City Council with recommendations to use the proceeds as part of a funding strategy for the City's Facilities Maintenance Reserve in order to provide resources for maintaining our aging infrastructure, including future pier maintenance.

RDA: Two years ago, the City lost RDA funding for the Pier Bowl area, which funded repairs and maintenance for the pier. Pier rehabilitation is recommended to be performed every 5 years and will need to be funded by the General Fund, and could have a significant impact on the General Fund's Fund balance in the future. An overall funding strategy for the City's Facilities Maintenance Reserve would be needed in order to provide resources for future pier maintenance and repairs and to address all of the City's facility maintenance needs.

Committed Fund Balances

Sustainability Reserve – In FY 2009, City Council established a General Fund Sustainability Reserve in the amount of \$10 million.

Emergency Reserve – One of the main financial goals of the City, as defined in the City's Fiscal Policy, is to ensure that adequate resources will be available to fund emergency reserves. Emergency reserve levels have been maintained at the required level of 9% of operating expenditures.

Vista Hermosa O&M Reserve – In FY 2011 Council established the Vista Hermosa Sports Park Operations and Maintenance reserve in the amount of \$2.9 million in order to provide resources for the first years of the park facility's operations. The reserve was used to subsidize the park's net operating costs for the last several years. At the end of FY 2015, the reserve is projected to have a small balance of approximately \$181,000 which will be fully depleted in the first quarter of FY 2016. Recommendations regarding fund balance reserves in the General Fund are discussed further in the LTFP Executive Summary.

General Fund – Committed Reserves (in millions)					
	2016	2017	2018	2019	2020
VH Park	\$0	\$0	\$0	\$0	\$0
Emergency	5.0	5.2	5.3	5.4	5.6
Sustainability	10.0	10.0	10.0	10.0	10.0
Committed Reserves	\$15.0	\$15.2	\$15.3	\$15.4	\$15.6

Forecast Assumptions

Beyond the economic and growth/trend assumptions used in the forecast, information specific to San Clemente is included in the forecast:

Revenues:

- Property taxes are projected to increase, in total, by 5.6% for FY 2016 and by 3.82% for FY 2017. Increases averaging 2% are included beginning in FY 2018. Property tax projections are based on information provided by HdL Coren and Cone, the City’s property tax advisors.
- Ongoing Sales taxes for the City is projected to increase 1.4% in FY 2016. Increases averaging 2.2% per year beginning in FY 2017 are projected based on CPI increases in Fullerton’s Economic Forecast data for Orange County.
- Sales taxes are also assumed to increase due to the projected opening of the Marblehead Coastal retail outlet mall in the fall of 2015. A partial year of revenue is projected for FY 2016, with full year revenue, estimated at \$1.4 million, projected beginning in FY 2017.
- Ole Hanson Beach Club rental, swimming pool and recreation program fees and related expenditures are included in the forecast beginning with six months of operation assumed in FY 2016, and full operations assumed beginning in FY 2017, as the rehabilitation of the Ole Hanson Beach Club is expected to be complete by the end of 2015.
- The Vista Hermosa Park Reserve’s remaining projected balance of \$181,000 is in the forecast for the first quarter of FY 2016, after which the reserve is projected to be depleted.

Expenditures:

- New positions – No new city positions have been projected to be added.
- Frozen positions – Of a total of seven positions, five positions in the General Fund are frozen and are not funded in the forecast.
- Police contract – Police contract costs are increased for FY 2016 based on initial estimates from the Orange County Sheriff’s Department (OCSD). OCSD projects increases of 9.48%, 3.58%, 2.36%, 2.06%, and 2.32% over the next five years. Contract increases average \$528,000 per year, or 4.24%, over the five-year period. Police positions remain at the FY 2015 level for forecasting purposes.
- Fire Services costs –The 20 year fire services contract allows for a cap of 4.5% per year to the base service charge, annual contributions to station maintenance and fleet replacement reserves, and actual costs for ambulance transport services. For forecast purposes, contract costs are increased by 4.5% in each year based upon OCFA’s base contract increase assumptions for the five year period. If OCFA’s actual contract costs for FY 2016 are less, the changes will be adjusted in the FY 2016 budget. Service levels remain at the same level as FY 2015, including six months of seasonal ambulance service. Additional costs due to the potential closure of the San Clemente hospital are not contemplated in the forecast.
- Salaries and wages - Increases based on 3 year MOU agreement with the City’s employee association (SCCEA) adopted 9/2/2014 for FY 2015, 2016, and 2017. Future year’s increases are projected at 90% of CPI increase (for forecast purposes only). Assumed that step increases are offset by lower wages from employee turnover each year.
- Retirement – For FY 2016, the City share of retirement costs is relatively flat due to the 3 year MOU agreement, requiring employees to fund a larger share of retirement costs effective

July 1, 2014. Other cost savings result from the City's payoff of the side fund balance of the Safety Lifeguard plan, as well as the City's transition to CalPERS for General employee's pension administration, resulting in a fixed rate for 2 years. Future years reflect increases tied to growth in salaries and wages.

- Vista Hermosa Sports Park – Operations of the Park will continue to be subsidized by a contribution from the Vista Hermosa Park Reserve through the end of the current fiscal year. A subsidy of approximately \$181,000 is projected for the first quarter of FY 2016, which will deplete the reserve balance.
- Council Contingency Reserve – The reserve is funded at \$100,000 in each of the forecast years, in accordance with the City's Fiscal Policy.
- General Fund Emergency Reserve - The General Fund emergency reserve is funded at the target reserve level of 9% of operating expenditures.
- Reserves - For forecast purposes, \$370,000 has been included in each year of the forecast for reserve transfers, based on projected reserve needs.
- CalPERS Safety Plan Unfunded liability - The City's unfunded liability (past service cost) for former fire and police personnel in the CalPERS retirement system was paid in FY 2011. However, a total of \$497,000 is included in the forecast for FY 2016, mainly to pay additional unfunded liability costs due to actuarial changes and CalPERS investment performance. This amount is subject to annual revisions.
- Street Improvement Program - The General Fund transfer to the Street Improvement Fund amounts to \$756,290 per year.
- Capital and Major Maintenance - The forecast includes a total of \$950,000 for ongoing major maintenance projects (major street maintenance, slurry seal and sidewalk repair programs), but does not assume any spending for capital projects or one-time maintenance projects.
- The full costs for the operation and maintenance of new parks and trails associated with the Marblehead development project have been included in the forecast beginning in FY 2016, as those become the City's responsibility to maintain as they are completed.

Factors Not Included in the Forecast

- The forecast is based on the General Fund only.
- No new or enhanced programs or positions have been included.
- No changes have yet been assumed for the recently completed classification and compensation study.
- No additional sales tax revenue has been included for the proposed Estrella Center development.
- Additional property tax, sales tax and TOT revenues associated with future phases of the Marblehead development project have not been included in the forecast.
- No adjustments have been made for the impacts of the potential hospital closure.
- Proceeds of an estimated \$5.8 million from the full sale of the Bellota lots are not included.
- The forecast does not include any spending for capital or one-time maintenance projects.
- The forecast does not include the potential cost of recommendations from other Long Term Financial Plan papers.

Forecast Results

The following table provides a review of beginning unassigned fund balances, operating and one-time receipts and disbursements, and projected ending unassigned fund balances over the five-year forecast period. Calculations for the table below assume \$950,000 for ongoing major maintenance projects (major street maintenance, slurry seal and sidewalk repair programs), but does not assume any additional spending for capital projects or large one-time maintenance projects.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
BEGINNING UNASSIGNED FUND BALANCE	\$3,400	\$1,931	\$1,052	\$2	\$(1,228)
<u>RECEIPTS</u>					
Property Tax	27,261	28,303	28,869	29,446	30,035
Sales Tax	8,891	9,715	9,929	10,147	10,371
Other Revenue	18,758	19,363	19,770	20,187	20,610
TOTAL RECEIPTS	54,911	57,381	58,568	59,780	61,016
<u>DISBURSEMENTS</u>					
Salaries & Benefits	17,419	17,902	18,257	18,618	18,999
Police Contract Services	13,499	13,983	14,312	14,607	14,946
Fire Contract Services	7,633	7,976	8,335	8,710	9,102
Other Contractual Services	8,465	8,613	8,802	8,996	9,194
Ongoing Maintenance	950	950	950	950	950
Other Expenses	8,273	8,669	8,835	9,004	9,177
TOTAL DISBURSEMENTS	56,239	58,093	59,492	60,886	62,369
<u>OTHER FUND BALANCE CHANGES</u>					
Vista Hermosa Reserve	181	0	0	0	0
Funding 9% Emergency Reserve	(322)	(167)	(126)	(125)	(134)
ENDING UNASSIGNED FUND BALANCE	\$1,931	\$1,052	\$2	\$(1,228)	\$(2,715)
<i>*displayed in thousands</i>					

The following pages will provide additional background and information on some of the city’s major revenue and expenditure line items.

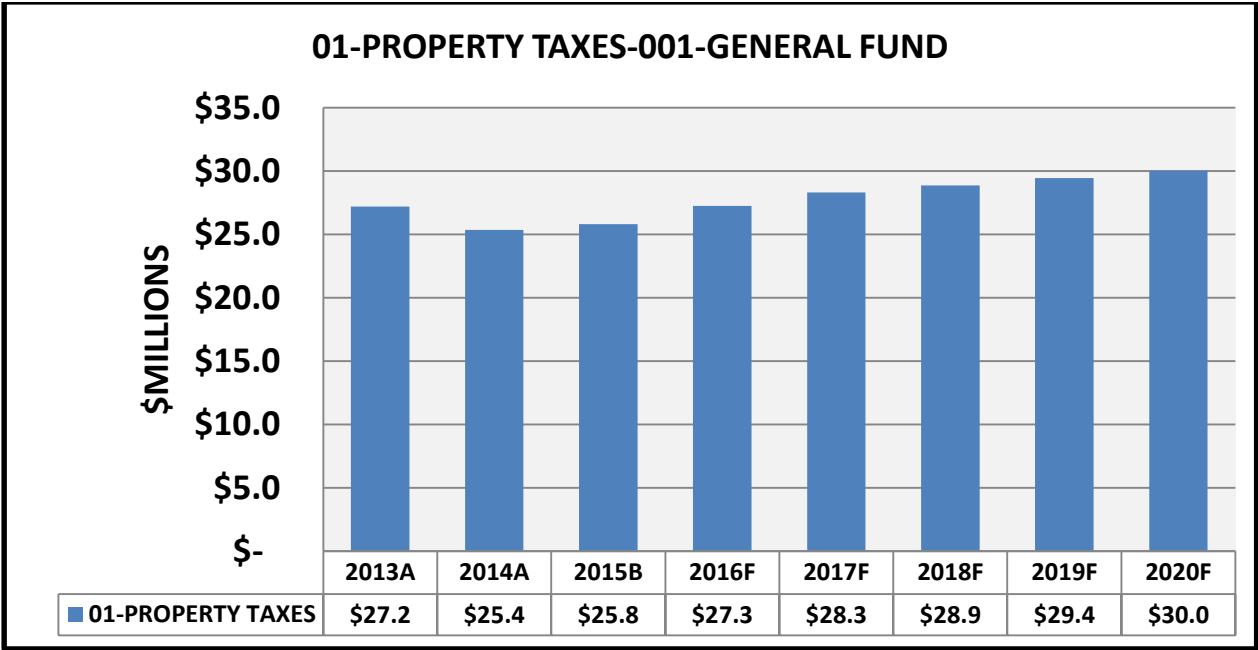
REVENUES

Property Tax

Property Tax is the City’s single largest revenue source and represents almost 50% of total General Fund operating revenues. Total property tax revenues for the City of San Clemente are projected to increase by 5.6% for FY 2016, and by 3.82% for FY 2017. Increases averaging 2% are included beginning in FY 2018. In FY 2016, valuation increases are anticipated due to 2% CPI adjustments, changes in valuation due to property resales, and continued recapture of temporary assessment reductions. Increases averaging 2%, reflecting CPI adjustments, are included beginning in FY 2018. Property tax projections are based on information provided by HdL Coren and Cone, the City’s property tax advisors.

There are three major factors that contribute to year over year assessed valuation changes. First, Proposition 13 allows the County Assessor to increase property valuation by the net change in CPI growth, with a cap of 2% growth per year. Second, property valuation is increased or decreased annually by transfer of ownership transactions or new construction in the prior year. Third, when property values decline, Proposition 8 allows properties to be temporarily reassessed at a lower value by the County Assessor through individual appeals, or through mass appeals if warranted by market conditions. Once the property’s value begins to rise again, the County Assessor may “recapture” the value through valuation increases of more than 2% per year, until reaching the Proposition 13 cap of no more than 2% annual growth over time.

The following chart shows actual property tax revenue for FY 2013 and 2014, budgeted revenue for FY 2015, and forecasted revenues for FY 2016 through FY 2020:



(NOTE: FY 2013 includes a one-time receipt of \$2.2 million for Prop 1A reimbursement from the State and recovery of property tax administrative fees from prior years).

As the chart above indicates, property tax assessed valuations continue to recover, with substantial increases seen over the last several years due to increased sales, increased sales prices, and continued recapture of Proposition 8 reassessments. A large portion of Proposition 8 reassessments were addressed by the County Assessor's office in the 2014 assessment, with those properties being brought back to full value. A portion of these reassessments are still pending, with those assessed values expected to rise, positively impacting property tax revenues into FY 2017.

Historically, the City's median sales prices for single family residences peaked in 2006, and then decreased for five straight years. The City saw 3% growth in assessed valuation in 2008, but assessed valuation then decreased for three subsequent years due to lower sales prices, foreclosure activity, and negative property reassessments rendered by the County Assessor's office.

The housing market has continued to improve in 2014, although the pace of the improvement has slowed, as compared to the last two years, due to increased interest rates and tight inventories. The housing market began to rebound during 2012, as home buying increased due to low interest rates and more affordable pricing. In 2012, the median sales price for single family residences in San Clemente increased to \$630,000, the first increase seen in 6 years. As recovery in the housing sector took hold, total property valuation in San Clemente reflected an increase in FY 2013 for the first time in four years. Median sales prices have continued to increase steadily, but at a slower pace than seen in 2013, which reflected a 12.7% increase in median prices. Through the 3rd quarter of 2014, the median sales price for a single family residence in San Clemente increased again, to \$750,000, reflecting a 5.6% increase over the \$710,000 median price seen for 2013.

Sales Tax

Ongoing sales tax revenues for the City has seen steady, but moderate growth over the last several years, boosted by the opening of Target in the City in late 2011 as well as by increased consumer demand after several years of economic recession. Sales tax revenues for FY 2014 showed an increase in actual dollars for the fourth time since FY 2010. Continued economic recovery with increased prices and consumer spending have contributed to this growth.

For the City of San Clemente, FY 2016 should mark a new era, with substantial increases in total sales tax revenue anticipated due to the projected opening of Phase I of the Marblehead Coastal retail outlet mall in the fall of 2015. A partial year of revenue is projected for FY 2016 for the first phase of the retail outlet, with the assumption that store openings and sales will begin to occur in the 2nd quarter of the fiscal year and will ramp up over the remaining year. Beginning in FY 2017 and throughout the remainder of the forecast, a full year of revenue for this initial phase, currently estimated at \$1.4 million, is projected.

Outside of the revenue gains anticipated from the Marblehead outlet, other ongoing sales tax revenue for the City is projected to increase 1.4% in FY 2016. While consumer demand is expected to continue its steady and moderate growth, the large decrease seen in fuel prices in 2014 is expected to continue into the next fiscal year. Fuel prices plunged to a 5 year low in

December 2014, with predictions that expanded North American oil production, gains in fuel efficiency, and a sluggish international economy will sustain lower gas prices through much of 2015, driving down sales tax revenue from fuel sales for the coming year. Other factors impacting the coming year are the increases seen in online shopping (shifting retail growth to the countywide allocation pool as opposed to brick and mortar stores within the City), and the impact the new Marblehead outlet mall will have on other sales tax revenue generated in the City.

No additional sales tax revenue has been assumed in the forecast for future phases of the Marblehead Outlet mall, due to the uncertainty as to the timing and nature of any future phases of the project. Similarly, no additional sales tax revenue has been assumed in the forecast for the proposed Estrella Center development.

After accounting for Marblehead revenue from full operations anticipated in FY 2017, increases averaging 2.2% per year beginning in FY 2017 are projected based on CPI increases in Fullerton's Economic Forecast data for Orange County.

EXPENDITURES

Salaries and Benefits

The City Council adopted a three year MOU agreement with the City's employee association (SCCEA) on September 2, 2014 (retroactive to July 2014), providing contractual wage and benefit growth for City employees over a three year period. The three year MOU agreement is in effect for FY 2015, FY 2016, and FY 2017. The forecast assumes growth in wages and benefits based on the growth provided in the MOU agreement. After FY 2017, for forecast purposes only, future year's wage and benefit increases are projected at 90% of the projected CPI increase. Actual increases will be determined through future negotiations with the City's employee association.

For the forecast, it is assumed that step increases are offset by lower wage and vacancies from employee turnover each year.

For FY 2016, the City share of retirement costs is projected to be relatively flat from the prior year for several reasons. First, the three year MOU agreement, discussed above, requires employees to fund a larger share of retirement costs beginning July 2014, with an increasing employee share required for each of the next two years. Secondly, in June 2014 the City transitioned General employee's pension administration from Great West Retirement System to CalPERS, resulting in a fixed, and lower, pension rate for two years. Additionally, the City is realizing reduced pension costs resulting from the City's payoff of the side fund balance of the CalPERS Safety Lifeguard plan in FY 2014. These savings are somewhat offset by expected pension increases due to wage growth, per the MOU, and due to additional pension costs for benefitted part-time positions, resulting from the transition to CalPERS. Other pension cost savings resulted from the City's payoff of the side fund balance of the Safety Lifeguard Plan. Future years reflect increases tied to growth in salaries and wages.

Police Contract Services

Police contract costs are increased in the forecast for FY 2016 based on initial estimates from the Orange County Sheriff's Department (OCSD). For FY 2016, OCSD projects an increase of 9.48%, with positions and service level remaining at the FY 2015 level. The increase is largely tied to wage and benefit growth, including a projected 8.5% increase in salaries and wages for sworn personnel, a 12% increase in workers' compensation costs, and an additional charge of approximately \$500,000 for the City's allocated share of a new Field Services Training Bureau.

OCSD projects increases of 3.58%, 2.36%, 2.06%, and 2.32% over the remaining four years of the five years forecast period. Police positions remain at the FY 2015 level for forecasting purposes. It is important to note that the OCSD contract or Police Services provides employee resources through contractual agreements with three different bargaining units. All three of the OCSD bargaining units are currently in contract negotiations, as all three employee agreements are expired or will be expiring in the coming fiscal year.

The project increases noted above assume little growth in wages and benefits from future negotiations with the bargaining units. Actual results and impacts from the negotiations can't be projected at this time and could result in increased costs above the percentage increases projected above.

Fire Contract Services

Fire Services costs are projected in the forecast to increase by 4.5% over the prior year, the highest increase allowed by the City's contract with the Orange County Fire Authority (OCFA). Service levels remain at the same level as FY 2015, including six months of seasonal ambulance service.

The 20 year fire services contract with OCFA allows for a cap of 4.5% per year to the base service charge, as well as annual contributions to station maintenance and fleet replacement reserves. OCFA's actual contract increase for FY 2016 will be determined over the next several months, through the budget process, and may be less than the 4.5% cap.

In addition, the OCFA contract also allows for actual costs to be reimbursed for ambulance transport services. The City has historically operated one ambulance through the OCFA contract. In May of 2014, the City contracted with OCFA for the addition of a seasonal ambulance, to be operated six months of each year, from May through October, for twelve hours each day. The projections for the five-year forecast assume continued use of this seasonal service, at the same level as the current year.

There may be additional public safety financial impacts due to the potential closure of the San Clemente hospital. A review of ambulance service levels and changes to those levels may be required. Due to the uncertainty surrounding this matter, cost and service impacts from the potential closure of the San Clemente hospital are not contemplated in the forecast.

Forecast Summary

Over the five year forecast period, the City's revenues are anticipated to grow by an annual average increase of 3.2% a year. Property taxes are projected to increase by an average of \$844,000 per year, or 3.3% over the forecast period. Sales taxes are projected to increase by an average of \$860,000 per year, or 15.25%, with the majority of the gain due to projected revenues from the Marblehead retail outlet, anticipated to open in the fall of 2015.

Expenditures are projected to increase at an average rate of 3.7% per year over the forecast period, excluding the impact of one-time capital, maintenance, and other costs, mainly due to projected increases in contractual services. The police and fire services contract projections include forecasted increases identified in the Orange County Sheriff's Department 2014 strategic financial plan and the Orange County Fire Authority's ongoing contract. No amounts have been included for any proposed capital or one-time maintenance projects.

No additional property tax, sales tax, or TOT revenues for future phases of the Marblehead development have been included due to uncertainty as to the nature and timing of those items. However, the costs for operation and maintenance of new parks and trails associated with the Marblehead development project have been included in the forecast, as those become the City's responsibility to maintain as they are completed.

The financial forecast indicates a negative operating position in all five years of the forecast period. These are projections only and negative operating position will not actually occur, as adjustments will be made to ensure the city remains in a positive operating position.

Conclusion

The 2015 LTFP Financial Forecast shows deficits beginning in FY 2016. The Executive Summary section of the LTFP includes options to improve the operating position and fund balances to maintain a positive operating position in all years of the forecast.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY COUNCILMEMBER DONCHAK, CARRIED 5-0, to take action as follows:

None.

Reserve Analysis

Objective

To analyze and recommend appropriate levels of reserves to (a) ensure that they are adequate to provide for the needs of each fund program, (b) meet program needs without unnecessarily obligating scarce dollar resources and (c) to insure compliance with City fiscal policies and legal requirements by State, County or Local Ordinances.

Background

The General Fund, the primary governmental fund of the City, maintains an Emergency Reserve and a Sustainability Reserve to protect essential service programs during periods of economic downturn and an Accrued Leave Reserve for the payment of vested leave. The Park Asset, Capital Equipment Replacement, and Facilities Maintenance Capital Asset Reserves comprise amounts for asset maintenance in the Reserve Capital Projects Fund. These reserves are supported by charges and transfers from the General Fund. The General Liability Self-Insurance Fund, Workers' Compensation Fund, and Fleet Fund are classified as Internal Service Funds. These funds charge other City departments for services they provide and are designed to fully recover the costs of providing the services. Additionally, these internal service funds should not have excess fund balances beyond what is necessary to maintain reserves and recover operating costs.

The Water, Sewer, Golf, Storm Drain, and Solid Waste Funds maintain an emergency reserve per Fiscal Policy similar to the General Fund to protect essential service programs during periods of economic downturn. In addition, the Water, Sewer, Storm Drain and Golf funds maintain Depreciation Reserves for the maintenance and replacement of assets.

Executive Summary

Sound accounting and budgeting practices require that each fund maintain a positive fund balance and the appropriate level of reserve as dictated by the City's fiscal policy. The City's reserves are reviewed annually as part of the LTFP process. The City's Fiscal Policy defines the types and criteria for funding levels for each of the City's reserves based on guidelines of the Insurance Institute of America, industry practice and GFOA recommendations.

The City's reserves are divided into five basic categories:

- Emergency Reserves
- Miscellaneous General Fund Reserves
- Self-Insurance Reserves
- Capital Replacement Reserves
- Infrastructure Reserves

Reserves are categorized under Governmental Accounting Standards Board Statements and are classified in the following categories or classifications:

- Restricted - amounts are considered subject to externally enforceable restrictions.
- Committed - amounts are based on limitations set at the highest level of decision making authority and requires formal action to remove, such as a resolution.
- Assigned - amounts under an informal limitation based on an intended use established by the highest level of decision making authority or the official designated.
- Unassigned – remaining resources available.

Reserve Analysis

The following table summarizes reserve type, the fund balance category, and the estimated balances of reserves as of June 30, 2015.

Reserves	Funding Source	Estimated Reserve Balances at June 30, 2015	In Compliance With Fiscal Policy
Emergency Reserves:			
General Fund Emergency Reserve	General Fund	\$ 4,693,000	Yes
Sustainability Reserve	General Fund	\$ 10,000,000	Yes
Water Operating Fund – Emergency Reserve	Water Fund	\$ 948,000	Yes
Sewer Operating Fund – Emergency Reserve	Sewer Fund	\$ 1,005,500	Yes
Golf Course Operating Fund – Emergency Reserve	Golf Course Fund	\$ 241,000	No ¹
Storm Drain Operating Fund – Emergency Reserve	Storm Drain Fund	\$ 181,000	Yes
Solid Waste Fund – Emergency Reserve	Solid Waste Fund	\$ 25,500	Yes
Debt Reserve:			
State Revolving Loan Reserve	Water Fund	\$ 900,000	Yes
Pension Reserve:			
Pension Reserve	General Fund	\$ 500,000	Yes
Miscellaneous General Fund Reserve:			
VHSP – Maintenance & Operations	General Fund	\$ 181,000	Yes
Accrued Leave	General Fund	\$ 551,000	No ²
Self-Insurance Reserves:			
General Liability Self-Insurance	All Funds	\$ 16,000	No ³
Workers' Compensation	All Funds	\$ 1,100,000	Yes
Capital Replacement Reserves:			
Fleet Replacement	All Funds	\$ 3,710,000	Yes
Capital Equipment Replacement	General Fund	\$ 982,000	No ⁴
Facilities Maintenance Capital Asset	General Fund	\$ 896,000	Yes
Park Asset Replacement	General Fund	\$ 1,246,000	Yes
Infrastructure Reserves:			
Water Fund Depreciation	Water Fund	\$ 7,700,000	No ⁵
Sewer Fund Depreciation	Sewer Fund	\$ 8,000,000	No ⁶
Storm Drain Fund Depreciation	Storm Drain Fund	\$ 1,900,000	Yes
Golf Course Fund Depreciation	Golf Course Fund	\$ 619,000	Yes
Golf Capital Improvement Reserve	Golf Course Fund	\$ 406,000	Yes
<p>¹ This reserve amount is not funded, improvements to the operating position of this fund have been realized and these reserves should achieve compliance by FY 2018. See the Emergency Reserve section.</p> <p>² Due to retirements and weak interest rate environment, this reserve dropped below the reserve level by \$25,000. The FY 2016 transfer will fund fiscal policy compliance into the future.</p> <p>³ This reserve will achieve full funding of the reserve levels upon the recovery of Bellota land sales.</p> <p>⁴ Due to two consecutive high years of activity and a weak interest rate environment, the reserve is underfunded by \$66,000. The FY 2016 transfer will fund fiscal policy compliance into the future.</p> <p>⁵ This reserve is under funded by \$5.0 million. The asset model contribution will be modified to accelerate the funding of this reserve. Refer to Infrastructure Reserves section.</p> <p>⁶ This reserve is under funded by \$0.9 million. Refer to Infrastructure Reserves section.</p>			

Reserve Analysis:

The following guidelines have been used to analyze each fund or reserve:

- City Council Fiscal Policy
- Assessment of the current situation and conclusions
- Recommendation

Each reserve listed is addressed in more detail in the following section along with a detailed explanation of the recommendations for FY 2016. A summary of the recommendations (changes) by reserve section are as follows:

Emergency Reserves

- No changes recommended, maintain current Sustainability and Emergency Reserve levels.

Debt Service Reserve

- Establish a new Fiscal Policy creating a CWSRF Debt Service Reserve setting aside cash in the Water Operating Fund, as required under the financing agreement.

Pension Reserve

- The City will establish a restricted reserve in the General Fund to offset any pension rate increase related to the conversion to the California Public Employee Retirement System.

Miscellaneous General Fund Reserves

- Draw the remaining balance of the VHSP Reserve to subsidize the net cost of operating the VHSP during FY 2016, fully utilizing the VHSP Reserve.
- Transfer \$160,000 from the General Fund unassigned fund balance to the Accrued Leave Reserve for FY 2016.

Self-Insurance Reserves

- Authorize General Liability charges to City Funds in the amount of \$2.4 million as listed in "Attachment A".
- Retain the proceeds from the Bellota land sales to comply with the General Liability Fund's reserve policy and fund the payment of the retrospective liability.
- Authorize the worker's compensation rates as listed in "Attachment A".

Capital Replacement Reserves

- Transfer \$110,000 from the General Fund to the Capital Equipment Replacement Reserve for FY 2016 and maintain current contributions to fund the Capital Equipment Reserve.
- Transfer \$50,000 from the General Fund to the Facilities Maintenance Reserve for FY 2016 and maintain current contributions to fund the Facilities Maintenance Reserve.
- Transfer \$50,000 from the General Fund to the Park Asset Replacement Reserve in FY 2016 and maintain current contributions to fund the Park Asset Replacement Reserve.

Infrastructure Reserves

- Maintain annual depreciation fund charges and modify the asset model contributions to \$2.2 million charged to the Water Operating fund to achieve three years worth of future capital projects.

Emergency Reserves

General Fund – Sustainability/Emergency Reserves

Sustainability Fund Balance Reserve:

City Council Fiscal Policy: Maintain \$10 million as a Sustainability fund balance in the General Fund. This fund balance will provide for economic and financial stability. Sustainability fund balance can be used only by formal action (Resolution) of the City Council for a specific purpose such as to provide consistent and adequate level of services, provide for future capital needs, or provide for asset replacement.

Assessment of the current situation/conclusions: The Sustainability fund balance reserve was adopted and funded as part of the FY 2009 budget in the amount of \$10 million from the General Fund's unassigned fund balance. This balance was a Council set amount to be maintained at this level and amounts can only be spent through the approval of a resolution by the City Council.

Recommendation: Maintain the Sustainability Reserve at \$10 million.

General Fund - Emergency Reserve

City Council Fiscal Policy: Maintain an emergency reserve of no less than 9% of General Fund operating expenditures. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn, lasting two years or more, or other unforeseen catastrophic costs. This reserve is to be accessed only upon the occurrence of serious conditions warranting emergency measures, and requires City Council approval prior to expenditure.

Assessment of the current situation/conclusions: The Emergency Reserve and the Sustainability Fund provide resources to allow the City to continue operations in the occurrence of any serious conditions. The emergency reserve and the sustainability reserve in total are approximately 30% of operating expenditures. The GFOA based on best practices recommends emergency reserves equivalent to at least two month's operating expenditures, or 16.67%. Rating agencies generally acknowledge the need for a General Fund reserve of between 5-10%.

Including sustainability reserves in place, maintaining the 9% emergency reserve level for the General Fund is appropriate. The increase in the current year emergency reserve amount is partially due to operating expenditures related to a full year's operation of the Vista Hermosa Sports Park. The following chart lists the FY 2015 projected emergency reserve balance and the recommended contribution to maintain the 9% reserve level for FY 2016.

	Projected Balance	FY 2016	
	June 30, 2015	Contribution	Percentage
General Fund	\$4,693,000	\$322,000	9%

Recommendation: Maintain the General Fund Emergency Reserve at a level of 9% of operating expenditures.

Other Operating Funds - Emergency Reserves

City Council Fiscal Policy: The City's Enterprise Funds will maintain a minimum reserve level at least equal to 12% of operating expenses. The primary purpose of these reserves is to set aside funds to provide for unanticipated or emergency expenses that could not be reasonably foreseen during the preparation of the budget.

Assessment of the current situation/conclusions: The emergency reserves for the Enterprise operating funds are funded at 12% of the operating costs which is in accordance with Government Finance Officers Association's best practices. This level has been in place since the 2012 LTFP and the requirement represents almost two full months of operating expenses. Operating expenses exclude capital, depreciation cost, transfers, and purchased water. The change to the 12% emergency reserve level has been implemented to the Water, Sewer, Storm Drain and Solid Waste Funds. However, the funding of the Golf emergency reserves is anticipated to achieve full funding by the end of FY 2018.

The following chart summarizes the projected reserve balances for each Enterprise Fund emergency reserve at June 30, 2015, and the targeted reserve balance at June 30, 2016 to maintain the 12% of operating costs level for the emergency reserve.

	Reserve Balance Funding at June 30, 2015	Target Reserve Balance at June 30, 2016	Percentage
Water Fund	\$ 948,000	\$ 1,070,000	12%
Sewer Fund	1,005,500	1,013,000	12%
Golf Course Fund	-	253,000	(a)
Storm Drain Fund	181,000	207,500	12%
Solid Waste Fund	25,500	25,000	12%

(a) Emergency Reserve funds in the Golf Course fund are not available for funding. As the Golf Course Fund's operating position improves the emergency reserve will be funded.

Recommendation: Maintain the Enterprise funds emergency reserve level at 12% of operating expenses.

Debt Service Reserve

Other Operating Funds – Debt Service Reserve

City Council Fiscal Policy: None.

Assessment of the current situation/conclusions: On June 17, 2013, the City of San Clemente entered into a loan agreement with the California State Water Resources Control Board under the Clean Water State Revolving Fund (CWSRF) loan program for financing construction of the Recycled Water System Expansion Project. The Recycled Water System Expansion Project includes a reclamation plant expansion, a pump station, pipelines, and the conversion of a recycled water reservoir.

The City was approved for a loan amount not to exceed \$14,370,000, with an interest rate of 2.2% amortized over a period of 20 years. Principal and interest payments will commence upon project completion and the annual payment amount will be determined upon project acceptance. The repayment of this loan is secured by the net revenues of the Water Fund with a revenue coverage level of 110% of the annual debt service.

Under the Special Conditions of the agreement Section 2(c) states “The City shall establish a restricted reserve fund held in the Water Operating Fund, equal to one year’s debt service prior to the construction completion date. The reserve fund shall be maintained for the full term of the financing and shall be subject to a lien and pledge as security for the CWSRF financing agreement”.

The reserve will be funded in FY 2015, as required under the State Revolving Loan, and equal to one year’s annual debt service payments (estimated to be \$900,000). The Water Operating Fund has available net working capital to fund the reserve. The Water Operating Fund budgeted net working capital will be reduced to \$1.5 million.

Recommendation: Establish a new Fiscal Policy creating a CWSRF Debt Service Reserve setting aside cash in the Water Operating Fund, as required under the financing agreement.

The Fiscal Policy should read “The City will establish a restricted reserve in the Water Operating Fund equal to one year’s debt service on the State Revolving Loan. The purpose of this reserve will be to provide a debt reserve as required under the State Revolving Loan financing agreement.”

Pension Reserve

Other Operating Funds – Pension Reserve

City Council Fiscal Policy: None.

Assessment of the current situation/conclusions: As part of the 2014 LTFP, a review of the retirement systems of the pension plans of the City was completed. The Analysis included a review of the pension plans, pension providers, funding levels, and the unfunded actuarial accrued liability. The City council approved paying off the remaining side fund balance for the Safety lifeguard plan in the amount of \$224,000 and creating a reserve fund and setting aside \$500,000 to address large pension rate increases that occur, essentially providing a means of smoothing pension rates.

As part of the conversion of the pension plan administration for General Employees to the California Public Employees Retirement System (CalPERS), the City's pension rate for CalPERS is fixed for FY 2016, based on the rate determined as part of the actuarial plan calculation. A new actuarial rate will be determined on an annual basis, and will be incorporated into the budget for FY 2017. A pension reserve will be created in the amount of \$500,000 to offset any substantial modification to the pension rates at that time, offsetting the pension operating costs. The \$500,000 reserve amount will be restricted to offset any increase in the pension percentage related to the conversion to the California Public Employees Retirement System. If the actuarial rates do not change or are lower than the current rate, the reserve will be moved to unassigned fund balance.

The reserve will be recorded in the General Fund from General Fund balance. No reserve will be established in other funds as a result of GASB 68, which requires accrual based funds to report the liability within the respective fund for Enterprise and Internal Service funds.

Recommendation: Establish a Pension Reserve to set aside funds to address large pension rate increases by establishing a restricted reserve in the General Fund to offset any pension rate increase related to the City's conversion to the California Public Employee Retirement System (CalPERS) for General employees. The reserve will be funded in FY 2015 as a result of the approval of creation of the reserve in the 2014 LTFP.

Miscellaneous General Fund Reserves

Vista Hermosa Sports Park (VHSP) Maintenance and Operations Reserve

City Council Fiscal Policy: Approve and authorize the creation of the La Pata Sports Park Operations and Maintenance Reserve.

Assessment of the current situation/conclusions: The Maintenance and Operations Reserve was created in FY 2010 with \$2.9 million of the proceeds recognized from the sale of land to Target. The \$2.9 million represented approximately 3 ½ years of Operations and Maintenance costs for the new sports park. Based on the budget, the amount to be subsidized during FY 2015 will be \$1.0 million. At June 30, 2015 there will be a projected remaining balance of \$181,000 in the reserve. The remaining amount of the reserve will be used to partially subsidize operations of Vista Hermosa Park in FY 2016.

Recommendation: Draw the remaining balance of the VHSP Reserve to partially subsidize the net cost of operating the VHSP during the 1st Quarter of FY 2016, fully utilizing the VHSP Reserve.

Accrued Leave Reserve

City Council Fiscal Policy: Maintain an account to accumulate funds for the payment of accrued employee benefits to terminated employees. This reserve will be maintained at a level at least equal to projected costs for employees who are eligible for retirement.

Assessment of the current situation/conclusions: The accrued leave reserve balance is based on General Fund liability for vacation and sick leave payoffs and the anticipated expenditures for eligible employees. The amount of this reserve fluctuates annually based upon the number of employees, length of service, pay rates and hours accrued (dollar value of accrued leave). The projected ending balance for the Accrued Leave Reserve as of June 30, 2015 is \$550,000. At June 30, 2014, the total General Fund liability for accrued leave was \$1.5 million with \$855,000 of this amount representing the liability for employees age 55 or older by June 30, 2015.

The Accrued Leave Reserve sets aside amounts for the payment of vacation and sick payoffs, with an amount budgeted for the payment of leave for employees who leave service during the course of the FY. The average annual payoffs during the last three years was \$135,000. Based on accrued leave payoffs to employees retiring during FY 2015, the projected ending balance, and average annual payouts transfer an amount of \$160,000 to the Accrued Leave Reserve. The amount transferred will be separated from unassigned General Fund balance, with accrued leave amounts paid from this separate reserve.

Recommendation: Transfer \$160,000 from the General Fund unassigned fund balance to the Accrued Leave Reserve for FY 2016 (\$130,000 was the FY 2015 transfer).

Self-Insurance Reserves

General Liability Self-Insurance Fund

City Council Fiscal Policy: Maintain a reserve in the City's self-insurance fund which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve of one times its annual insurance authority premium. In addition, the City will perform an annual analysis to document claims which are not covered by the insurance pool to which the City belongs, and reserve an additional appropriate amount to pay for such uncovered claims.

Assessment of the current situation/conclusions: California Joint Powers Insurance Authority (CJPIA) arranges and administers programs for the pooling of self-insured losses, and the purchase of excess insurance or reinsurance. Several types of occurrences are excluded from the liability coverage through membership within the CJPIA. Excluded losses include 1) breach of contract, 2) land use entitlement, 3) eminent domain, 4) release of hazardous materials, and 5) punitive damages.

Charges to maintain the General Liability reserve level are based on a methodology recognized by the Insurance Institute of America regarding essentials of risk financing. The methodology is based on two key factors, as follows:

1. A five-year average of historical claims for risk related to each fund which accounts for 25% of the basis for the charge (limited to the claims coverage level).
2. A fund's budgeted expenditures as a percentage of total budgeted expenditures which accounts for 75% of the basis for the charge.

In the FY 2012 LTFP, the City modified the reserve level to be based on a minimum of one times the annual risk financing premium (contribution). This change will allow the City absorb annual contribution fluctuations due to fluctuating claims activity. The City's annual insurance premium is projected to be \$2.05 million in FY 2016, which would create a reserve requirement of \$2.05 million. However, the projected ending balance of the General Liability fund at June 30, 2015 is \$617,000 and is projected to be depleted at June 30, 2016 based on anticipated activity.

The CJPIA implemented a change from a retrospective funding model to a prospective funding model by CJPIA. This funding model shift occurred in FY 2010 and resulted in the City owing a retrospective balance at June 30, 2012 of \$3.0 million. This liability was to be paid down under a seven year payment plan, with any additional assessments during the transition period of three years to be paid annually. Despite making payments of \$422,419 and \$400,629, the outstanding claims liability remains at \$3.0 million at July 1, 2014 based on additional assessments during the transition period.

Meanwhile, a past subsidence claim (Bellota) was funded through the General Liability Fund and General Fund transfers. This claim is nearing a recovery period where the City will receive based on the sale of land parcels which were stabilized. The anticipated land proceeds are estimated at \$5.8 million, with approximately \$0.8 recognized in FY 2015. This leaves a remaining balance of \$5.0 million to be recovered.

The remaining \$5.0 million should be received from the sale of mobile home lots and is anticipated to occur in FY 2016. The first portion of the receipts will fund the \$2.0 million General Liability Reserve fiscal policy requirement and then \$3.0 million will be used for the payment of the outstanding retrospective liability. Any excess proceeds, once the reserve is funded and the liability paid will be distributed to the General Fund and available for allocation by City Council. If the lot sales are not finalized in FY 2016 the General Fund will need to advance \$0.9 million at to provide funds to the General Liability reserve, which will be repaid upon receipt of the proceeds.

Recommendations:

1. Authorize General Liability charges to City Funds in the amount of \$2.4 million as listed in "Attachment A"
2. Retain the proceeds from the Bellota land sales to comply with the General Liability Fund's reserve policy and fund the payment of the retrospective liability.

Workers' Compensation Fund

City Council Fiscal Policy: Maintain a reserve at a level which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve of three times its self insurance retention for those claims covered by the insurance pool. In addition, the City will perform an annual analysis of past claims not covered by the insurance pool and reserve an appropriate amount to pay for uncovered claims.

Assessment of the current situation/conclusions: The City is self-insured for Workers' Compensation coverage. The CSAC Excess Insurance Authority provides coverage for Workers' Compensation claims in excess of \$300,000, which represents the City's Self-Insurance Retention (SIR) amount.

All City funds will continue to be charged for premiums and administrative costs paid by the Workers' Compensation Fund. The rates charged to these funds are based on each fund's employees' classifications and the type of work performed (e.g. manual labor, non-manual and clerical, etc.) as listed in "Attachment A". These rates allow the City to maintain compliance and funding with the applicable State law and maintain compliance with Governmental Accounting Standards Board Statement No. 10.

The City's fiscal policy requires a reserve equal to \$900,000 (three times the SIR), plus the estimated total for the "tail" claims of \$237,000, for a total reserve requirement of \$1,179,000. The estimated reserve balance is funded with \$1,110,000 projected at June 30, 2015. Based on current claims activity, staff is recommending a 4% increase to future rates to fund the reserve. This will increase costs to all funds by approximately \$20,000.

Recommendation: Authorize the worker's compensation rates as listed in "Attachment A" in the Reserve Analysis LTFP paper.

Capital Replacement Reserves

Fleet Replacement Reserve Fund

City Council Fiscal Policy: Maintain a reserve for costs associated with the replacement of vehicles and other rolling stock (such as trailers, compressors or other equipment on wheels) as they become unserviceable, obsolete or reach a predetermined service life. The reserve will be maintained at a level at least equal to the projected five-year fleet replacement costs.

Assessment of the current situation/conclusions: The reserve is reviewed annually to verify if funding is adequate to cover projected replacement costs for the next five years. Currently, the City's fleet is valued at \$7.4 million. The estimated schedule for replacements are \$1.8 million during the next five years, \$3.2 million during the next six to ten years and \$2.4 million after ten years. This reserve is fully funded with a projected balance of \$3.7 million at June 30, 2015.

Recommendation: Maintain contributions for the replacement of City fleet vehicles and equipment to keep the reserve at an adequate level.

Capital Equipment Replacement Reserve

City Council Fiscal Policy: Maintain a Capital Equipment Replacement Reserve for the accumulation of funds for the replacement of worn and obsolete equipment other than vehicles.

Assessment of the current situation/conclusions: As General Fund fixed assets are replaced, the capital expenditures are made from this fund. The replacement costs for these assets are charged to the benefiting General Fund program and transferred back to the Capital Equipment Replacement Reserve, thus accumulating funds to pay for future replacement of these assets. The projected fund balance at June 30, 2015 is \$979,000 and is fully funded for the projected five-year costs. However, a contribution of \$110,000 from the General Fund is required to maintain the fiscal policy target balance into FY 2016.

Recommendation: Transfer \$110,000 from the General Fund to the Capital Equipment Replacement Reserve for FY 2016 (\$100,000 was the FY 2015 transfer) and maintain current contributions to fund the Capital Equipment Reserve.

Facilities Maintenance Capital Asset Reserve

City Council Fiscal Policy: Maintain an account to cover the costs associated with the maintenance of all General Fund City facilities. The reserve should be maintained at a level at least equal to the projected five-year facilities maintenance costs.

Assessment of the current situation/conclusions: The reserve is reviewed annually to verify if funding is adequate to cover projected replacement and maintenance costs for the next five years. The reserve balance is projected to be \$897,000 as of the end of FY 2015 and is fully funded for the projected five-year costs. However, a contribution of \$50,000 from the General Fund is required to maintain compliance with the fiscal policy in FY 2016.

Recommendation: Transfer \$50,000 from the General Fund to the Facilities Maintenance Reserve for FY 2016 (there was no FY 2015 transfer) and maintain current contributions to fund the Facilities Maintenance Reserve.

Park Asset Replacement Reserves

City Council Fiscal Policy: The City will establish a Park Asset Replacement Reserve with a target balance of \$1.2 million for the replacement of park assets. The reserve balance will be reviewed annually and funded through one-time revenues, or unassigned General Fund balance transfers, when available.

Assessment of the current situation/conclusions: The City currently pays for parks on a “pay as you go” basis. However, recognizing the need for the replacement of park assets, an analysis was performed by City staff in FY 2009 that identified approximately \$28.3 million of buildings, fencing, lighting, playground, sports equipment, benches and bleachers related to parks (parking lots, access roads, sidewalks, and natural turf are excluded from this amount).

The annual required contribution of \$1.1 million to set aside funds for the replacement of the \$28.3 million of park system assets in FY 2009 was not done. However, the City Council was interested in funding an amount for park asset replacement reserve. A park replacement target reserve level of \$1.2 million (essentially one-years funding) was adopted in fiscal policy to fund a minimum level. This was funded by one-time transfers to start the reserve, with other contributions in future years considered from one-time resources.

In order to maintain these reserves, restrictions were made on projects funded from the Park Asset Reserve. The Park Asset Reserve shall be used only for replacement of park capital assets valued over \$50,000 for assets located within city parks. As replacement projects are identified, the reserve starts annual replacement charges to the benefiting program to replenish the Park Asset Reserve based on a reasonable asset life.

The reserve balance is projected to be \$1,210,000 at June 30, 2015. However, a \$50,000 transfer from the General Fund to maintain the fiscal policy target balance into FY 2016.

Recommendation: Transfer \$50,000 from the General Fund to the Park Asset Replacement Reserve for FY 2016 and maintain current contributions to fund the Park Asset Replacement Reserve.

Infrastructure Reserves

As part of the 2006 LTFP, a commitment was made to address the long-term funding requirements for the City's Water, Sewer, and Storm Drain infrastructure reserves due to the significant funding gaps identified at that time. The City also realized that achieving fully funded reserves would take multiple fiscal years.

In the 2009 LTFP, the reserve funding targets were modified from five years of projected costs to three years of projected costs. This change was based on the typical two-year cycle of major capital projects, which are appropriated (fully funded) by the Capital Improvement Budget funded from the depreciation reserves, but have construction cycles which cover multiple fiscal years. The combination of the funded capital projects and the targeted three years of projected future costs in the reserves represent funding for five years of capital project costs.

The following discussion addresses the current City Council Fiscal Policy for the Enterprise Reserves and addresses each of the Enterprise Depreciation Reserves individually.

City Council Fiscal Policy: The City will establish a Water, Sewer, Storm Drain and Golf Depreciation Reserve for costs associated with the major maintenance and capital improvement costs included in the Enterprise Fund budgets. The minimum reserve level shall be at a level equal to the projected three-year costs.

Water Depreciation Reserves

Assessment of the current situation/conclusions: The water infrastructure reserves have been under funded for a long period of time. In previous years, Council took steps to make additional contributions based on the asset model to narrow this significant funding gap.

The projected ending depreciation reserve balance at June 30, 2015 is \$7.7 million. The three-year capital costs total \$12.7 million. Therefore, the Depreciation Reserve is under funded by \$5.0 million.

The City is making progress toward funding three years worth of capital activity based on depreciation contributions, asset model contributions, and the interest earned on the reserve amounts. The Water Operating Fund contributed depreciation amounts of \$1.2 million based on the estimated useful life of the water capital assets. The asset model contribution amount of \$2.0 million was identified to address past underfunding, major maintenance costs and set aside funds for assets that are not owned by the City, such as joint agency assets. The underfunding of this reserve has fluctuated by year, but has not made significant funding progress during the last three years. Based on this lack of improvement and the weak interest rate environment which has lowered investment earnings on this higher dollar reserve, staff is recommending the asset model contribution amount be \$2.2 million in FY 2016 (increased from \$2.0 million).

Recommendation: Maintain annual depreciation fund charges and modify the asset model contributions to \$2.2 million (from \$2.0 million) charged to the Water Operating fund to achieve three years worth of future capital projects.

Sewer Depreciation Reserve

Assessment of the current situation/conclusions: The projected ending balance at June 30, 2015 is \$8.3 million and the three-year capital costs total \$9.2 million. Therefore, the Sewer Depreciation Reserve is currently underfunded by \$0.9 million.

The Sewer Operating Fund currently contributes \$2.6 million based on depreciation and \$0.3 million to set aside funds for assets that are not owned by the City. The depreciation funding amount is based on the estimated useful life of the capital assets. The City is funding capital activity based on these contributions. The reserves underfunding level has improved over time.

Recommendation: None. Maintain annual depreciation fund charges to the Sewer Operating fund to maintain three years worth of future capital projects.

Storm Drain Depreciation Reserve

Assessment of the current situation/conclusions: The projected ending balance at June 30, 2015 is \$1.9 million and the three-year capital costs total \$1.9 million. Therefore, the Depreciation Reserve is currently funded.

The Storm Drain Depreciation Fund will contribute \$800,000 based on depreciation funding and an additional reserve contribution of \$80,000 for a total contribution of \$880,000 in FY 2016. The depreciation funding amount is based on the estimated useful life of the capital assets. The additional contribution is estimated to fund past costs of the reserve.

Recommendation: None. Maintain annual depreciation fund charges and a Storm Drain Depreciation Reserve contribution to achieve funding for three years worth of future capital projects.

Golf Course Depreciation Reserve

Assessment of the current situation/conclusions: The Golf Depreciation Reserve is utilized for setting aside amounts for buildings, machinery, and equipment replacements, which can have lives between 5-50 years. The available ending balance projected at June 30, 2015 is \$620,000. This amount does not include the receivable from an internal loan to Golf Operating, which is not considered available. Projected capital expenses for the next three years total \$300,000. Therefore, the Depreciation Reserve is currently funded. Annual amounts placed into this reserve are based on the depreciation of the assets.

Recommendation: None. Maintain depreciation contributions to the reserve to keep the Golf Course Depreciation reserve at an adequate level.

Golf Capital Improvement Reserve

City Council Fiscal Policy: The City will maintain a Golf Capital Improvement Reserve for costs associated with capital improvements budgeted in the Golf Course Fund. The reserve will be maintained at a level at least equal to the projected three-year costs.

Assessment of the current situation/conclusions: The Golf Capital Improvement Reserve was established to set aside funds for capital improvements in the Golf Course Fund. The Improvement Reserve is to provide funds for green and tee reconstruction, fencing and other

miscellaneous golf improvements based on depreciation of these improvement assets. The Golf Capital Improvement Reserve at June 30, 2015 is projected to have an ending balance of \$406,000. Projected capital expenses for the next three years total \$360,000. Therefore, the Improvement Reserve is currently funded. Annual amounts placed into this reserve are based on the depreciation of the assets.

Recommendation: None. Maintain depreciation contributions to the reserve to keep the Golf Course Capital Improvement reserve at an adequate level.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY COUNCILMEMBER DONCHAK, CARRIED 5-0, to take action as follows:

1. Maintain the Sustainability Reserve at \$10 million.
2. Maintain the General Fund Emergency Reserve at a level of 9% of operating expenditures.
3. Maintain the Enterprise funds emergency reserve level at 12% of operating expenses.
4. Establish a new Fiscal Policy creating a California Water State Revolving Fund (CWSRF) Debt Service Reserve setting aside cash in the Water Operating Fund, as required under the financing agreement.
5. Establish a Pension Reserve to set aside funds to address large pension rate increases by establishing a restricted reserve in the General Fund to offset any pension rate increase related to the City's conversion to the California Public Employees Retirement System (CalPERS) for General employees. The reserve will be funded in FY 2015 as a result of the approval of creation of the reserve in the 2014 Long Term Financial Plan.
6. Draw the remaining balance of the Vista Hermosa Sports Park (VHSP) Reserve to partially subsidize the net cost of operating the VHSP during the 1st Quarter of FY 2016, fully utilizing the VHSP Reserve.
7. Transfer \$160,000 from the General Fund unassigned fund balance to the Accrued Leave Reserve for FY 2016.
8. Authorize General Liability charges to City Funds in the amount of \$2.4 million as listed in Attachment "A" in the Reserve Analysis Long Term Financial Plan paper.
9. Retain the proceeds from the Bellota land sales to comply with the General Liability Fund's reserve policy and fund the payment of the retrospective liability.
10. Authorize the worker's compensation rates as listed in "Attachment A" in the Reserve Analysis Long Term Financial Plan paper.
11. Maintain contributions for the replacement of the City fleet vehicles and equipment to keep the reserve at an adequate level.

12. Transfer \$110,000 from the General Fund to the Capital Equipment Replacement Reserve for FY 2016 and maintain current contributions to fund the Capital Equipment Reserve.
13. Transfer \$50,000 from the General Fund to the Facilities Maintenance Reserve for FY 2016 and maintain current contributions to fund the Facilities Maintenance Reserve.
14. Transfer \$50,000 from the General Fund to the Park Asset Replacement Reserve for FY 2016 and maintain current contributions to fund the Park Asset Replacement Reserve.
15. Maintain model contributions to \$2.2 million charged to the Water Operating fund to achieve three years worth of future capital projects.

ATTACHMENT A – Insurance Charges

General Liability charges

The following table shows the calculations for charges to other funds for FY 2015:

	% of Past Claims (25%)	% of Budgeted Expenditures (75%)	Total % of General Liability Charges (weighted average)	Total Charge for General Liability FY 2016	Total Charge for General Liability FY 2015
General Fund	71.2%	59.1%	62.1%	\$ 1,489,950	\$ 1,218,680
Water Fund	13.5%	21.1%	19.2%	460,030	402,990
Sewer Fund	12.1%	9.5%	10.1%	242,890	214,590
Solid Waste Fund	0.0%	0.2%	0.2%	4,010	3,650
Storm Drain Fund	2.7%	1.9%	2.1%	51,110	79,470
Golf Course Fund	0.5%	2.2%	1.8%	44,370	35,940
Clean Ocean Fund	0.0%	2.2%	1.7%	40,290	34,070
Central Services Fund	0.0%	0.6%	0.4%	10,060	9,290
Information Services Fund	0.0%	2.0%	1.5%	35,160	29,540
Fleet Maintenance Fund	0.0%	1.2%	0.9%	22,130	21,780
Total	100.0%	100.0%	100.0%	\$2,400,000	\$2,050,000

Workers Compensation charges

The following rates are in effect for FY 2015:

8810	Clerical	\$0.49/\$100 of payroll
9410	Non-Manual	\$1.40/\$100 of payroll
9420	Manual Labor	\$4.64/\$100 of payroll

The proposed rates for FY 2016 are:

8810	Clerical	\$0.51/\$100 of payroll
9410	Non-Manual	\$1.46/\$100 of payroll
9420	Manual Labor	\$4.83/\$100 of payroll

Fiscal Policy

Objective

Review the City's adopted Fiscal Policy on an annual basis in order to determine appropriate changes, additions or deletions.

Background

A review of the City Council adopted Fiscal Policy is conducted on an annual basis in conjunction with the preparation of the Long Term Financial Plan. This review is performed in order to document proposed new policies identified through the preparation of the Long Term Financial Plan. Additionally, as circumstances change, there is sometimes a need to modify existing fiscal policy statements.

The Fiscal Policy statements are presented by major categories, which include:

- Core Values of Financial Sustainability
- Operating Budget
- Revenue
- Expenditure
- Utility Rates and Fees
- Capital Improvements
- Short Term Debt
- Long Term Debt
- Fund Balance and Reserves
- Investment Policies
- Accounting, Auditing, and Financial Reporting
- Long Term Financial
- Risk Financing

A **Status** for each Policy Statement is presented, with a ✓ for "in compliance", or ✗ if the policy is "not in compliance" with the current Policy statement.

Comments are provided next to many of the policy statements to provide additional relevant information to the reader. Unless otherwise noted, reserve balances provided in the comment sections are based on projected numbers as of June 30, 2015, presented within the Reserve Paper in this year's Long Term Financial Plan.

One new policy is recommended for addition to the City's Fiscal Policy. Per a recommendation in the 2015 LTFP Reserve Analysis paper, a new Fiscal Policy creating a Clean Water State Revolving Fund (CWSRF) Debt Service Reserve, setting aside cash in the Water Operating Fund as required under the financing agreement, is being proposed.

Following are proposed changes to the current Fiscal Policy:

- 1. Long-Term Debt Policies:** Add a new policy to establish a debt service reserve in the Water Operating Fund as required under the State Revolving Fund Loan Agreement.

Current Policy Statement	Proposed Policy Statement
Policy # None	New The City will establish a restricted reserve in the Water Operating Fund equal to one year's debt service on the State Revolving Loan. The purpose of this reserve will be to provide a debt reserve as required under the State Revolving Fund loan financing agreement.

Recommendation

Modify the City's Fiscal Policy to establish a restricted reserve in the Water Operating Fund equal to one year's debt service on the State Revolving Fund loan.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY COUNCILMEMBER DONCHAK, CARRIED 5-0, to take action as follows:

1. Modify the City's Fiscal Policy to establish a restricted reserve in the Water Operating Fund equal to one year's debt service on the State Revolving Fund loan.
Also motioned by Council under Reserve Analysis.

Core Values of Financial Sustainability

Financial stability – The City will create financial stability to provide the community with a consistent and adequate level of public services. The City will take a long-term approach to its finances by developing and maintaining long-term plans, carefully weighing the cost and benefits of development opportunities and adhering to sound debt, reserve and investment policies.

Quality of life and local economic vitality – The City will provide effective and efficient services to ensure a safe and healthy atmosphere for its residents, businesses and visitors, while preserving and enhancing its unique cultural and environmental attributes.

Accountability and Financial Planning – The City will institute financial planning that ensures City services are provided at the best value, and that the services are in alignment with the needs and wants of the community.

Environmental and economic sustainability – The City’s financial strategy will support continued investment in the renovation and maintenance of physical infrastructure/facilities and in policies and programs that support a clean and healthy natural environment.

Transparency and engagement – The City will be accountable for producing value for the community by producing planning and report mechanisms that make it clear how the City plans to use its resources to achieve the community vision. The City is committed to engaging the public as a partner in formulating plans and delivering services.

Fiscal Policy Statement	Status	Comments
Operating Budget Policies		
1 The City will adopt a balanced budget by June 30 of each year. A balanced budget is defined as one in which total expenditures equal total revenue. An entity has a budget surplus if expenditures are less than revenues. It has a budget deficit if expenditures are greater than revenues.	✓	
2 An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year.	✓	
3 Current revenues will be sufficient to support current operating expenditures and a budgeted positive operating position will be maintained.	✓	

Fiscal Policy Statement	Status	Comments
4 The City will annually review the General Fund operating position to determine if funds are available to operate and maintain future capital facilities. If funding is not available for operations and maintenance costs, the City will delay construction of the new facilities.	✓	
Revenue Policies		
5 The City will try to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.	✓	
6 The City will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate.	✓	
7 All City Council-established General Fund User fees will be reviewed and adjusted annually as part of the budget process by each City department and the analysis with recommended changes will be provided to the City Council. The basis for adjustment will be the cost of providing services, inflationary impacts, or other budgetary factors as appropriate. User fees will be established to recover the full cost of services provided, except when the City Council determines that a subsidy from the General Fund is in the public interest.	✓	Annual review is presented in the Fee Schedule section of the Operating Budget
8 One-time operating, capital, and reserve revenues will be used for one-time expenditures. Exceptions must be formally adopted by Council Action and may only offset operating expenditures for a limited time period of less than five fiscal years.	✓	
9 The City will annually identify developer fees and permit charges received from “non-recurring” services performed in the processing of new development and use those funds to meet peak workload requirements.	✓	
10 General fund revenue categories (sales tax revenue by example) may not be committed directly to fund a specific expenditure line item or program.	✓	

Fiscal Policy Statement	Status	Comments
11 The purchase of new or replacement capital equipment with a value of \$5,000 or more and with a minimum useful life of two years will require budget approval.	✓	
12 The City will annually project its equipment replacement and maintenance needs for the next five years and will update this projection each year. A maintenance and replacement schedule will be developed and followed.	✓	
Utility Rates and Fees Policies		
13 The City will set fees and user charges for each utility fund at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual depreciation of capital assets and overhead charges.	✓	Annual review completed. Water rates increased 6.0% effective August 1, 2014. Sewer rates were not changed in 2014
14 Utility rates will be established for each of the next five years and this rate projection will be updated annually.	✓	
Capital Improvement Budget Policies		
15 The City will make all capital improvements in accordance with an adopted capital improvement program and will include an annual six-year plan for capital improvements (CIP design, development, implementation, and operating and maintenance costs. The first year of the six-year plan must be fully funded in the adopted budget. Projects that are not fully funded must be removed or delayed until adequate funding exists for design, construction, operating and maintenance.	✓	21 new Capital projects = \$6.0 million are included in the 2015 CIP Budget
16 Capital improvement projects must project operating and maintenance costs for the five-year forecast period to ensure that future year budgets maintain a positive operating position.	✓	

Fiscal Policy Statement	Status	Comments
17 The Park Acquisition & Development Fund and other special development impact funds may only be used to fund facilities included in the Master Plan for City Facilities.	✓	
Short-Term Debt Policies		
18 The City may use short-term debt to cover temporary or emergency cash flow shortages. All short-term borrowing will be subject to Council approval by ordinance or resolution.	✓	
19 The City may issue interfund loans to meet short-term cash flow needs. Short-term is defined as a period of one year or less. Interfund loans will be permitted only if a specific source of repayment is identified within the “borrowing” fund. Excess funds must be available and the use of these funds will not impact the “lending” fund’s current operations. The prevailing interest rate, as established by the City Treasurer, will be paid to the lending fund. Short-term interfund loans require Council approval.	✓	
Long-Term Debt Policies		
20 The City will confine long-term borrowing to capital improvements that cannot be funded from current revenues.	✓	
21 The City may issue long-term interfund loans to fund capital improvements. Interfund loans will be permitted only if a specific source of repayment is identified within the “borrowing” fund. Excess funds must be available and the use of these funds will not impact the “lending” fund’s long-term operations. Long-term interfund loans will be fully amortized (principal and interest included in payment). The prevailing interest rate and duration of the loan will be established by the City Treasurer. Principal and interest will be paid to the lending fund. Long-term interfund loans require Council approval. Long-term interfund loans will be disclosed in the City’s annual Operating Budget.	✓	The Golf Fund borrowed \$750,000 from the Workers’ Compensation Self-insurance reserve on July 1, 2012. The loan is fully amortized over a five-year period with annual payments due on June 30 beginning in 2013 and ending June 30, 2017.

Fiscal Policy Statement	Status	Comments
22 The City will establish and maintain a Debt Policy	✓	
Fund Balance and Reserve Policies		
23 The City will maintain emergency reserves equal to 9% of operating expenditures of the General Fund. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting two or more years), or other unanticipated or emergency expenditures that could not be reasonably foreseen during preparation of the budget.	✓	Emergency Reserve = \$4.7 million, or 9.00%, of General Fund operating expenditures.
24 The City will maintain emergency reserves equal to 12% of the operating expenses for Enterprise Funds. The primary purpose of these reserves is to protect the Funds during periods of economic downturn, other unanticipated expenses, or emergency expenses that could not be reasonably foreseen during preparation of the budget.	--	Emergency Reserves for: Water = \$948,000; Sewer = \$1,005,500; Storm Drain = \$181,000; Solid Waste = \$25,500; and Golf = \$241,000
25 The City will maintain \$10 million as a Sustainability fund balance in the General Fund. This fund balance will provide for economic and financial stability. Sustainability fund balance can be used only by formal action of City Council for specific purposes such as providing consistent and adequate level of services, provide for future capital needs, or provide for asset replacement.	✓	Sustainability reserve balance = \$10 million
26 The City will establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The level of this reserve will be maintained at a level at least equal to projected costs for employees who are eligible for retirement.	--	Accrued Leave Reserve = \$551,000

Fiscal Policy Statement	Status	Comments
<p>27 The City will establish a Capital Equipment Replacement Reserve and a Facilities Maintenance Capital Asset Reserve for the accumulation of funds for the replacement of worn and obsolete equipment other than vehicles and for costs associated with the maintenance of all City facilities. These reserves will be maintained at a level at least equal to the projected five-year capital asset replacement and maintenance costs.</p>	--	<p>Capital Equipment Reserve = \$982,000 Facilities Maintenance Reserve = \$896,000</p>
<p>28 The City will establish Water, Sewer, Storm Drain and Golf depreciation reserves for costs associated with the major maintenance and capital improvement costs included in the Enterprise Funds. The minimum reserve level shall be at a level equal to the projected three-year capital and major maintenance costs.</p>	--	<p>Sewer Depreciation Reserve = \$8.0 million; Golf Depreciation Reserve = \$619,000; Water Depreciation Reserve = \$7.7 million; and Storm Drain Depreciation Reserve = \$1.9 million</p>
<p>29 The City will establish a Golf Course Improvement reserve for costs associated with capital improvements budgeted in the Golf Course Fund. The reserve will be maintained at a level at least equal to the projected three year costs.</p>	✓	<p>Golf Course Improvement reserve = \$406,000</p>
<p>30 The City will establish a Park Asset Replacement Reserve with a target of \$1.2 million for the replacement of park assets in the future. The reserve balance will be reviewed annually and funded through one-time revenues or undesignated General Fund balance transfers, when available.</p>	✓	<p>Park Asset Replacement Reserve = \$1,246,000</p>

Fiscal Policy Statement	Status	Comments
31 The General Liability self-insurance reserve will be maintained at a level which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve of one times its annual insurance authority premium. In addition, the City will perform an annual analysis to document those claims which are not covered by the insurance pool to which the City belongs, and reserve an additional appropriate amount to pay for such uncovered claims.	--	General Liability Reserve = \$16,000
32 The Workers' compensation self-insurance reserve will be maintained at a level which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve of three times its self insurance retention for those claims covered by the insurance pool (of which the City is a member). In addition, the City will perform an annual analysis of past claims not covered by the insurance pool, and reserve an appropriate amount to pay for uncovered claims.	✓	Workers Compensation Reserve = \$1.1 million
33 The City will establish a Fleet Replacement Reserve for costs associated with the replacement of vehicles and other rolling stock (such as trailers, compressors or other equipment on wheels) as they become unserviceable, obsolete or reach a predetermined service life. The reserve will be maintained at a level at least equal to the projected five-year fleet replacement costs.	✓	Fleet Replacement Reserve = \$3.7 million

Investment Policies

34 The City Treasurer will annually submit an investment policy to the City Council for review and adoption.	✓	
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Accounting, Auditing & Financial Reporting Policies

35 The City's accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles and standards of the Government Accounting Standards Board.	✓	
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	Fiscal Policy Statement	Status	Comments
36	An annual audit will be performed by an independent public accounting firm with the subsequent issue of an official Comprehensive Annual Financial Report, including an audit opinion.	✓	
37	A fixed asset system will be maintained to identify all City assets, their condition, historical cost, replacement value, and useful life.	✓	A Fixed Asset inventory is maintained as part of GASB34
38	Quarterly financial, capital improvement program and investment reports will be submitted to the City Council and will be made available to the public.	✓	
39	An annual revenue manual will be prepared after the close of the fiscal year. The manual will provide information on the revenue source, legal authorization, timing of receipts and historical collection over the last five year period. Fee schedules or calculations will also be provided.	✓	
40	Full and continuing disclosure will be provided in the general financial statements and bond representations.	✓	
41	A good credit rating in the financial community will be maintained.	✓	Standard & Poor's = AAA
42	Establish and maintain a formal compensation plan for all employee salary or wage ranges.	✓	
43	Establish a position control system to ensure that staffing levels are maintained at the levels approved by City Council.	✓	

Long Term Financial Policies

44	Annually prepare a five year forecast that maintains the current level of services, including known changes that will occur during the forecast period. If the forecast does not depict a positive operating position in all five-years of the forecast, the City will strive to balance the operating budget for all years included in the five-year financial forecast.	✓	
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Fiscal Policy Statement	Status	Comments
45 Annually evaluate trends from a budget-to-actual perspective and from a historical year-to-year perspective to identify areas where resources have been over allocated. This would improve the accuracy of revenue and expenditure forecast by eliminating the impact of recurring historical variances.	✓	

Risk Financing Policies

46 The City will maintain adequate insurance coverage, pooled coverage, or self-insurance for general liability, property, errors and omissions, subsidence, automobile liability, workers' compensation, and other identified loss exposures.	✓	
47 The City will maintain a risk financing strategy, which shall include an annual review of insurance policy limits, types of coverage, reserve requirements, and self-insurance limits, if applicable.	✓	

Legend:

- ✓ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Capital Projects Analysis

Objective

To provide a summary of capital projects with funding challenges and funding obligations for significant projects. This analysis will review the funding requirements as well as future projected funding sources, and attempt to determine the timing of the projects in connection with the City's current and future financial resources.

Executive Summary

The City has reviewed capital projects that are significant and that are projected in the City's 6-year Capital Improvement Program budget. The capital projects were broken into 2 categories: 1) General Fund Projects, and 2) Enterprise Projects. Over the next 2 decades the City is going to be challenged by a significant amount of projects that will demand improvements to a variety of City facilities and other important related amenities to the City's aging facility infrastructure. It is of the utmost importance that the City initiate a process of prioritization and a funding strategy to accomplish these necessary improvements. As you will see, staff is taking the first step to initiate a holistic approach that prioritizes and identifies funding to address these improvements. City staff has analyzed the projects as to the available funding, the estimated project costs and the required funding. The information is summarized below.

General Fund Projects

Activity Project Name	Funding Source	Amount Budgeted	Estimated Project Cost	Required Funding
USACE Sand Project	General Fund	\$252,000	\$12,200,000 ¹	(\$4,170,000) ²
Rail Corridor Pedestrian Beach Trail Extension	General Fund	\$200,000	1,100,000	(900,000) ³
Municipal Pier Rehabilitation	General Fund	\$0	\$1,200,000	(\$1,200,000) ⁴
City Facilities Rehabilitations	General Fund	\$123,000	\$3,745,000	(\$3,745,000)
Beaches, Parks and Recreation Master Plan	General Fund	\$150,000	\$2,880,000	(\$TBD) ⁵

¹Project cost includes \$1,000,000 for design and \$11,200,000 for initial construction with the City's cost share with Federal Government at 25% for design and 35% for initial construction.

²There is a potential for 85% of the construction funds to be provided to the City by the California Department of Boating and Waterways.

³An Active Transportation Program grant will be pursued by staff and may fund up to 88% of the beach trail construction.

⁴This includes funding for FY 2016 & 2017; budgetary estimate of \$2.8M is anticipated for rehabilitation project FY 2021/2022.

⁵Master Plan process may add additional projects not currently identified in the 6-year plan; Estimated project cost of \$2.88M reflects current total shown in 6-year capital outlay.

Enterprise Fund Projects

Activity Project Name	Funding Source	Amount Budgeted	Estimated Project Cost	Required Funding
Doheny Ocean Desalination	Water Acreage Fee Fund	\$710,000	\$710,000 ⁶	(\$TBD)

⁶Funding includes the City's share of the pilot project and testing, total project cost is estimated between \$175 million and \$200 million.

Background and Discussion

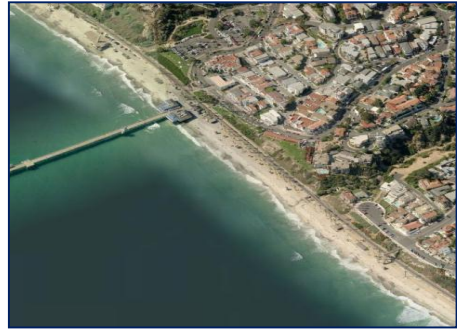
To provide information on individual projects, addressing the project background and expenditures related to each project, the projects have been grouped in the previously identified categories.

General Fund Projects

USACE Sand Project

Project Background:

San Clemente has suffered a severe erosion of beach sand in recent years which has resulted in the loss of recreational beach, damage, destruction to beachfront facilities and increased risk to beach patrons due to the exposure of underlying facilities. The City and the U.S. Army Corps of Engineers (Corps) have completed a Feasibility Study which identified a sand replenishment project to mitigate beach erosion along the central portion of San Clemente's shoreline. The recommended project is to place 251,000 cubic yards of sand along the shoreline from Linda Lane to South T-Street beaches (a distance of about 3,400 feet), which would widen the beach by 50 feet. This section of beach would be periodically replenished with sand about every 6 years over the course of a 50-year project life.



Current Status and Schedule:

The project was authorized in the latest Water Resources Reform and Development Act (WRRDA), which now makes it eligible for Federal funding assistance, although to receive construction funding the project must be included in a future Federal budget. Current Federal policy does not support funding for projects below a Benefit-Cost Ratio (BCR) of 2.5, and the City's project has BCR of 1.4. However, this issue impacts other similar projects and an effort to change this policy is anticipated. The Corps received its allocation for preliminary engineering and design (PED phase) and is preparing a PED cost-sharing agreement for City approval in early 2015. The City has local and State grant funds for its share of the PED cost. The City submitted a formal request to the California Division of Boating and Waterways (DBW) for grant funding assistance for construction of the sand project. DBW could provide up to \$3.4 million of the estimated \$4 million cost of the initial project, which is planned for Spring 2017.

Expenditures:

The design phase is estimated at \$1 million, with the Corps responsible for 65% of the cost and the City 35%. The cost for the recommended plan is estimated at \$11.3 million for the initial sand placement, with the Corps providing 65% of the cost. The total project cost for ongoing sand placement over the 50-year project life is estimated at \$99.1 million, with a 50-50 cost share. The following table summarizes the estimated design and construction costs and funding obligations:

Phase	Cost Share	Federal Share (millions)	City Share (millions)	Total (millions)
Design	65% Federal 35% City	\$0.65	\$0.35	\$1.0
Initial Construction	65% Federal 35% City	\$7.3	\$4.0	\$11.3
Ongoing Sand Replenishment	50% Federal 50% City	\$43.4	\$43.4	\$86.8
Total		\$51.35	\$47.75	\$99.1

Initial construction of the beach nourishment project would also be eligible for DBW grant funds (up to 85% of the City’s cost share obligation), subject to State funding availability which is not guaranteed. Unlike the City’s funding contributions for the feasibility study phase and potential design phase, which are paid over the duration of each phase, the City’s \$4 million payment for the initial construction would be due in full before the start of construction. Without significant DBW grant support, the City will need to identify other funding sources to meet its cost sharing obligation to proceed with the construction phase. This is further discussed in a separate report to the City Council.

Rail Corridor Pedestrian Beach Trail Extension

Project Background:

Opened in 2008, the 2.3 mile long San Clemente Rail Corridor Pedestrian Beach Trail (Beach Trail) stretches between North Beach and Calafia State Beach. The Beach Trail has improved coastal access, safety and recreational opportunities along San Clemente’s coastline. The Beach Trail is part of the larger California Coastal Trail which goal is to complete the trail over the entire length of California’s coast. Based on the Beach Trail’s success of improving safety along the railroad corridor and its unquestionable popularity as a recreational amenity, the City Council requested that staff evaluate the cost of extending the Beach Trail farther to the south. The extension would stretch a third of a mile from Calafia Beach to the State Park underpass.

Scope of the project will include extending the decomposed granite multi-use trail and protective fence that ends at the Calafia Beach access to the State Park underpass, where it would be ramped down to the underpass access point. An additional feature of this project would be to improve ADA accessibility to the State Park access point.

Staff contracted with BGB Landscape Architects who were the professional service providers that designed and oversaw the construction of phase I and II of the Beach Trail. They also completed a preliminary design for this trail extension for the California State Parks; however, the project was never pursued. BGB along with staff walked the trail extension to evaluate existing conditions for the basis of identifying permit processing requirements and preparation of a construction cost estimate for the project.

Expenditures:

The Beach Trail extension is estimated to cost \$1,100,000 and proposed to be budgeted over a two year cycle. Council approved funding of \$200,000 for the design phase; \$100,000 from a State Coastal Conservancy Grant and \$100,000 from the General Fund in FY 2015. \$900,000 is proposed in FY 2016 for construction based on the estimate prepared by BGB Landscape Architects. The City will apply for an Active Transportation Program Grant (ATP) in the spring of 2015 for the trail's construction which may fund up to 88% of the trail construction.

Potential Cash Flow Issues:

General Fund capital project expenditures will be reviewed and prioritized annually through the budget process in consideration with the annual available undesignated General Fund balance. Funding for the construction of the trail is likely contingent on the City being awarded the ATP grant or other funding source outside the General Fund.

Municipal Pier Rehabilitation

Project Background:

The municipal pier is considered one of the City's most treasured public assets by residents and visitors alike. The pier was originally constructed by the San Clemente's founder, Ole Hanson, in the late 1920's. Since that time, the 1,250 foot long structure has been a prominent landmark of southern Orange County and clearly identifies San Clemente from coastal waters.



Due to the harsh marine environment and storms throughout the years, the pier has undergone numerous repairs and some reconstruction. In the mid-1980's, 440 feet of the pier was destroyed and reconstructed due to high surf produced by a severe winter storm. Every few years, pilings were replaced until more recent major repairs and rehabilitation work completed in 2005 and 2011 was performed to address deterioration and maintain the overall integrity and safety of the pier structure. Work performed in 2011 included partial replacement of piles, bracing and decking, electrical upgrades, installation of new lights, new sewer line, corrosion protection for the steel piles and related incidental improvements. The project totaled \$2.8M and was funded from the City's former City's Redevelopment Agency.

To ensure the pier's long term use and viability, it is recommended that pier improvements be reviewed every few years due to the dynamic nature of the facility. Additionally, the City is required to conduct a biennial inspection of the timber piles as a condition of the California Coastal Commission (CCC) development permit that was secured for the 2011 rehabilitation. In order to meet the CCC condition and assist the City for budgeting of the future repair projects, a structural repair and maintenance assessment was conducted in FY 2013 by TranSystems Corporation. Findings from the evaluation were prioritized and used to develop recommended

capital improvements and budgetary estimates over the next 6-years. There is also numerous small miscellaneous maintenance projects recommended that can be undertaken by the Maintenance Division through their operating budget. Maintenance projects include items such as replacement of siding on the bait shop, replacement of small diameter corroded sewer lines and maintenance of electrical systems.

Pier capital improvements are grouped into two separate projects proposed to take place within 5 years of each other. The next pier rehabilitation is recommended for design and permitting in FY 2016 for \$200,000, and construction in FY 2017 for \$1,000,000. Improvements include replacement of timber piles, deteriorated timber decking and bracing as well as railing upgrades. A more comprehensive repair project is anticipated in FY's 2021 and 2022. Similar to proposed improvements in FY's 2016/2017, this project will include systematic replacement of timber piles, decking, bracing and railing to maintain the integrity of the pier. Additionally, it is anticipated that recoating of all the steel pile caps, recoating of the steel beams and replacement of the cathodic protection system will be needed. The full scope and budget of these improvements will not be known until a future assessment is conducted to determine the extent of deterioration caused by the marine environment. It is expected that the future rehabilitation will be more comprehensive than what is proposed for FY 2016/2017. Therefore, a total project cost of \$2,800,000 is recommended as a reasonable projection for improvements anticipated for design in approximately FY 2021.

Expenditures:

The Municipal Pier Rehabilitation is estimated to cost a total of \$1,200,000. Funding for the project will be budgeted over a two year cycle in FY's 2016 & 2017. The structural assessment and design is proposed to be budgeted for \$200,000 in FY 2016. Construction funding in the amount of \$1,000,000 is proposed for FY 2017.

Additionally, the City of San Clemente is working with the Government Finance Officers Association (GFOA) on a risk-based reserve analysis project to recommend funding and reserve levels related to pier maintenance.

Potential Cash Flow Issues:

Pier improvements were historically funded from the City's Redevelopment Agency, which was dissolved by the state in 2011. Given the dissolution of the Redevelopment Agency, the funding must now come from the General Fund. Staff recommends pier rehabilitation be funded through the Facilities Maintenance Reserve. A funding strategy to support a five-year rehabilitation cycle will be examined in conjunction with the use of proceeds from the disposition of surplus properties. Ongoing funding of the Facilities Maintenance Reserve will be presented in future LTFP's and budgets.

City Facilities Rehabilitations

Project Background

Many facilities owned and operated by the City were built decades ago. In order to maintain good levels of service for these buildings it is essential that the City prioritize, plan and conduct rehabilitations prior to major failures which will end up increasing repair costs. To that end, the Public Works Department contracted with TM Engineers and Lawson Burke Structural Engineers to conduct building evaluations and assessments for numerous city owned buildings – Bldg. A, Bldg. J Bldg. K and Bldg. N at the Corporate Yard, the Community Center, the Animal Shelter, the North Beach Concession Building, the T Street Concession Building, the Steed Park Concession and ticket booth as well as the 1960s City Hall.

The purpose of the assessments was to provide a professional evaluation of the structural, mechanical, plumbing, and electrical conditions that will require expenditures by the City for repair, replacement, or rehabilitation due to the age of many of the facilities. The firms reviewed available files and records of the City for each of the selected buildings. In addition to conducting on-site observations and assessments of each of these facilities.

The table below summarizes total improvement costs for each of the facilities based on the estimates provided in the assessments:

Facility	Estimate
City Hall	\$2,500,000
Community Center	\$80,000
North Beach Concession	\$90,000
T-Street Concession	\$100,000
Animal Shelter	\$90,000
Building A	\$220,000
Building J	\$260,000
Building K	\$100,000
Building N	\$100,000
Steed Park Concession	\$205,000
Total:	\$3,745,000

The assessments provide estimates for immediate, near-term, and long-term repairs needed at the facilities. Over the next 5-7 years staff will be recommending funding for repairs and upgrades to reach an acceptable level of maintenance at many of these facilities. The recommended improvements will be programmed into the 6-year capital outlay of the Facility Maintenance Reserve that is funded from the General Fund. Assessments and estimates for other City-owned facilities will be conducted in the coming years and projected as part of the 6-year capital outlay.

No major work on City Hall is planned until a decision is made on whether or not to pursue the adaptive re-use of 910 Negocio Building. Tenant leases for the second and third floor of the Negocio building will expire by May 2018. Therefore, the City should be prepared to budget funds for either the City Hall rehabilitation or the adaptive re-use project in the near future to

coincide with the sunset of the leases to allow sufficient time for design of the pursued facility improvements.

In addition to the listed facilities, the Marine Safety Building also requires maintenance upgrades. An evaluation of the building was not conducted due to the discussion of potential relocation of the building. However, it is anticipated that if the sand replenishment project is realized, the risk of wave damage is greatly reduced and rehabilitation of the existing structure would likely be much less costly than relocating the facility.

Expenditures:

Completion of the building assessments totaled \$123,000 and was budgeted from the General Fund.

Potential Cash Flow Issues:

Capital project expenditures for City Facilities will be reviewed and prioritized annually through the budget process based on recommendations of the Public Works Maintenance Division.

Beaches, Parks and Recreation Master Plan

In FY 2015 the City Council approved \$150,000 as part of the Capital Improvement Plan budget to prepare a Beaches, Parks and Recreation Master Plan. A request for proposal has been released soliciting consulting services to assist City staff in conducting this effort. It is anticipated that the project will be awarded in spring 2015. This project is being undertaken to ensure that the City directs its limited available funding to capital projects and programs that matter most to the community. The work to be completed as part of the master plan includes:

- Evaluate and prioritize what the community desires for Beaches, Parks, Recreation, Golf and facilities.
- Evaluate and prioritize the expenditure of public funds for development, rehabilitation, and maintenance of recreational lands and facilities.
- Assess existing recreation programs and make recommendations to best suit community needs.
- Identify trends in Beaches, Parks and Recreation and Golf that may be relevant to San Clemente.

By better understanding the community’s parks and recreation needs, programming of projects in the 6-year capital outlay can be better prioritized with more certainty. Beaches and Parks capital projects currently in the 6-year capital improvement plan include:

Project	Estimated Cost	Projected Budget Year(s)*
Bonito Canyon Park Rehabilitation	\$1,300,000	FY 2019 & 2020
Steed Park Lighting Replacements	\$1,000,000	FY 2021
Vista Bahia Restroom/Concession Building	\$300,000	FY 2018 & 2019

Dog Park Lighting	\$150,000	FY 2019 & 2020
Linda Lane Park Restrooms	\$500,000	FY 2020 & 2021
North Beach Restroom Rehabilitation	\$460,000	FY 2019 & 2020
End of Pier Restroom Rehabilitation	\$460,000	FY 2018 & 2019
Corto Lane Beach Restroom Rehabilitation	\$460,000	FY 2020 & 2021
Lausuen Beach Access Rehabilitation	\$700,000	FY 2018 & 2019
*Refers to projects with design budgeted in year 1 and construction budgeted in year 2.		

Expenditures:

A total of \$2,730,000 is projected to complete all of the listed projects. The projects will be prioritized for funding based on recommendations from the Beaches, Park and Recreation Master Plan.

Potential Cash Flow Issues:

General Fund capital project expenditures will be reviewed and prioritized annually through the budget process in consideration with the annual available undesignated General Fund balance.

Enterprise Projects

Doheny Ocean Desalination

Project Background:

The City is participating with 4 other agencies (City of San Juan Capistrano, City of Laguna Beach, South Coast Water District and Moulton Niguel Water District) to explore construction of an ocean water desalination plant in Dana Point. The construction of ocean water desalination facilities may provide South Orange County with a new water supply source that is independent of drought cycles and will help supplement judicially mandated Delta cutbacks. The projected water supply of up to 15 million gallons per day will significantly improve South Orange County's water supply system reliability. This project is especially important for San Clemente since it is at the south end of the regional pipeline distribution system, with 2 pipelines from the Diemer Filtration Plant providing imported water to the City from the north. There is no water available from the east or south.

A pilot plant was constructed and operated for approximately 18 months ending May 2012. Pilot testing and studies have been completed and include: water quality from a slant well in Doheny Beach, effects on the San Juan Basin Aquifer, corrosion analysis, reverse osmosis filter testing, microbial testing, post treatment testing, iron and manganese treatment, cost analysis and operation and maintenance costs. The project appears to be constructible, but impacts to the San Juan Basin groundwater are anticipated at approximately 1,660 acre-feet per year. The participants group will determine the next steps to include close out of Phase 3.

South Coast Water District (SCWD) and the City of Laguna Beach are funding additional studies within the San Juan Basin to evaluate a 5 MGD pilot plant. Potential construction is anticipated in 2020. SCWD is drafting an agreement that will allow for participation by other agencies in the project at various phases of permitting and design.

Expenditures:

To date, the City has budgeted \$710,000 for participation in the pilot plant and feasibility analysis of the project from the Water Acreage Fee Fund. The full scale 15 MGD plant total project cost is estimated between \$175 million to \$200 million depending on whether or not iron and manganese treatment is needed. No funding source has been identified to meet the City's share of the project.

Capital Project Analysis Gap Closing Recommendations:

USACE Sand Project – Pursue grant funding from the CA Department of Boating and Waterways for initial construction phase of the project. Fund City share of initial construction from the General Fund in FY 2017.

Rail Corridor Pedestrian Beach Trail Extension – Fund the Beach Trail extension from the General Fund with design in FY 2015 and construction in FY 2016. Pursue the Active Transportation Program grant to reduce the impact to the General Fund.

Municipal Pier Rehabilitation – Fund the pier rehabilitation from the General Fund with design in FY 2016 and construction in FY 2017. Develop a funding strategy in the Facilities Maintenance Reserve to provide for a five-year rehabilitation cycle for future pier maintenance.

City Facilities Rehabilitations - Fund the facilities rehabilitations from the General Fund to maintain an adequate level of service and viable use of the facilities per the recommendations of the Public Works Maintenance Division.

Beaches, Parks and Recreation Master Plan – Consider public input in prioritizing Beaches and Parks capital projects into the capital improvement program outlay.

Capital Program Outlay

The capital program 6-year outlay as approved in the FY 2015 budget is enclosed in the proceeding pages for reference.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY MAYOR HAMM, CARRIED 5-0, to take action as follows:

1. **USACE Sand Project** – Pursue grant funding from the California Department of Boating and Waterways for initial construction phase of the project. Fund City share of initial construction from the General Fund in FY 2017.
2. **Rail Corridor Pedestrian Beach Trail Extension** – Fund the Beach Trail extension from the General Fund with design in FY 2015 and construction in FY 2016. Pursue the Active Transportation Program grant to reduce the impact to the General Fund.
3. **Municipal Pier Rehabilitation** – Fund the pier rehabilitation from the General Fund with design in FY 2016 and construction in FY 2017. Develop a funding strategy in the Facilities Maintenance Reserve to provide for a five-year rehabilitation cycle for future pier maintenance.
4. **City Facilities Rehabilitations** – Fund the facilities rehabilitations from the General Fund to maintain an adequate level of service and viable use of the facilities per the recommendations of the Public Works Maintenance Division. An exception to this action is that Council did not approve \$2.5 million for improvements to City Hall. Council desires to further contemplate the City Hall issue before moving forward.
5. **Beaches, Parks and Recreation Master Plan** – Postpone the Beaches, Parks and Recreation Master Plan for 12 months.

Information Technology Strategic Plan

Objective

To provide a long term Citywide, high level plan to guide Information Technology decision making, budgeting, and implementations across all City functions and operations over the next five years.

Background

As part of the Long Term Financial Plan, the Information Technology Strategic Plan (ITSP) has been developed to serve as a roadmap for strategic technology projects that are anticipated over the next five years. This plan shall be updated annually to reflect new technology initiatives and technological advancements, while adapting to changing business needs or financial conditions. As recommended in the Information Technology Assessment prepared by Nexlevel Information Technology, Inc. and presented to City Council on May 6, 2014, the IT Strategic Plan and the Long Term Financial Plan are developed in concert such that the IT Strategic Plan is aligned with the City's business priorities. Details of the plan are developed by the Information Technology Division with input from each of the City's departments through the IT Steering Committee. This IT Strategic Plan outlines how the IT Division will align with City Departments to help achieve City goals and deliver services for the community.

Executive Summary

The Information Technology Strategic Plan includes a comprehensive listing of strategic projects, generated through a collaborative process that involved both the IT Division and IT Steering Committee that aims to satisfy current and future technology-related needs for all Departments/Divisions of the City.

The plan charts a course for future City technology investments that are appropriately aligned with Departmental goals and priorities. The plan includes a series of achievable projects and initiatives recommended for implementation over the next one to five year time span and beyond. Similar to the City's annual Capital Improvement Program, estimated expenditures for strategic technology projects have been scheduled over the 5 year period.

The technology planning process resulted in the identification, prioritization, and scheduling of technology projects that will help ensure the City's technology environment supports current and anticipated future business needs. The projects and initiatives under consideration have been categorized into the following major areas:

- Software Upgrades and Replacements
- Hardware and Infrastructure
- Communications
- Mobility
- Geographic Information Systems
- Training

Introduction

Technology plays an ever-increasing role in helping the City of San Clemente deliver a variety of City services, increasing productivity, and improving relationships with residents, businesses, and visitors. This plan represents an ongoing process to utilize information technology to improve City operations and overall service delivery, streamline operations to achieve cost efficiencies and increased productivity, and govern in an open and transparent manner.

The Information Technology (IT) Division is responsible for all of the organization's network infrastructure, technology hardware (networking, servers, PCs, laptops, telephone, and audio/video), software deployment and maintenance, user training and support, and technology planning activities. However, the strategic direction, the services provided, prioritization and approval for the expenditure of technology funds are not left solely to the IT Division. Rather, these decisions are developed and ratified by the department leaders within the City and ultimately the City Council, if necessary. This plan includes a listing of strategic projects, generated through a collaborative process that involved both the IT Division and IT Steering Committee that aims to satisfy current and future technology-related needs for all Departments/Divisions of the City.

A strategic project is one that has the potential to provide significant benefits to the City and/or the constituents we serve. For example, a strategic project may streamline existing processes, enable new capabilities to improve service delivery, improve operational processes to allow staff to be more efficient/productive, replace outdated or obsolete systems, reduce costs, or improve public safety.

The IT Strategic Plan serves two important roles. One is to act as a long-range technology compass. The City's IT infrastructure, resources, and service delivery technologies are under ever increasing pressure and need to be updated regularly to meet the current and future needs of the City. The plan will chart a course for future City technology investments that are appropriately aligned with Departmental goals and priorities. The plan includes a series of achievable projects and initiatives recommended for implementation over the next one to five year time span and beyond.

The other role of the ITSP is that of a financial planning instrument, forecasting major technology investments for the next five years. Similar to the City's annual Capital Improvement Program, estimated expenditures for strategic technology projects have been scheduled over the 5 year period. This five-year rolling outlook will be refined each year to adapt to changes in both the economy and the constantly evolving technology industry. The ITSP will be updated and presented to the City Council annually, setting the technology funding priorities for the budget process.

Methodology

The IT Strategic Plan began with a discovery phase in which City Departments were surveyed regarding technology wants and needs for each of their respective areas of operations. After a

preliminary list was assembled by the IT Division, meetings were conducted to refine the list and discuss estimated costs, prioritization, and potential staffing and training requirements to ensure ongoing support of the technology implemented.

The technology planning process culminated in the identification, prioritization, and scheduling of technology projects that will help ensure the City's technology environment supports current and anticipated future business needs. These projects span across all departments and will improve services, operations, and/or increase the security and reliability of the existing technology environment.

Projects were evaluated on criteria such as financial impact, streamlining business and operations, improving effectiveness of installed systems, need for replacement of obsolete or discontinued systems, improving citizen's access to information and services, and improving staff access to data. In addition to these criteria, the prioritization process also considered the resources (both staff and capital) available to implement and manage technology projects.

The ITSP provides a high-level perspective and does not include detailed specifications, requirements, or recommended vendor solutions. When a project is initiated, the ITSP will require City staff to follow traditional project planning and management processes that would include requirements analysis, formal procurement and selection, and implementation processes. With the rapid change in technology and vendor solutions, the City would be best served by carefully evaluating the market solutions available at the time a project is scheduled for procurement. The Plan strives to set reasonable expectations as to when the projects will be completed. However, a project's ultimate start date will be based on funding and budget approval.

Current Information Technology Environment

The City's current technology environment consists of a broad array of computing hardware, network equipment and infrastructure, software/applications and data repositories. The City maintains a secure and reliable "state-of-the-art" enterprise data center, as well as a secondary data center at an alternate location. In addition to end user support and the ongoing maintenance of existing systems, IT staff are responsible for managing technology projects and acting as technical consultants to City Departments. The IT Division consists of five full time positions that support and manage all aspects of City systems, including the following:

- 250+ Workstations / 300+ Computer Users
- Distributed network services over 9 building locations, including both wired and wireless connectivity.
- SCADA (Supervisory Control and Data Acquisition) Network for Water and Wastewater Utilities
- Traffic Signal Synchronization and Control Network
- 35 Physical Servers and Storage Appliances / 34 Virtual Servers
- Smartphones
- Printers, Copiers, Scanners
- Council Chambers and Meeting Room Equipment
- Observation and Surveillance Cameras
- Weather Stations
- City Website and related online services
- 40+ Software Applications
- Geographic Information Systems (GIS)
- User Training and Support

Financial Overview

The Information Technology operating budget for FY 2015 is \$1.6M. This represents costs for hardware, software, staffing, outside professional services, administrative and overhead costs. The IT budget includes funding for maintenance and replacement of existing systems. While the City does not have formal technology equipment refreshment policy, the IT Division selects equipment to be replaced by reviewing age, condition, critical functions, and infrastructure compatibility. Routine replacements are funded from the Computer Replacement line item (\$70,000 in FY 2015) and Maintenance of Computer Hardware (\$121,000 in FY 2015). Support and maintenance of the City's software inventory is funded in the Maintenance of Computer Software line item (\$377,000 in FY 2015). Requests for new hardware and software are submitted as part of the annual budget process. As existing systems reach the end of their useful lives, cost effective alternatives are explored on a case-by-case basis.

Recent Accomplishments

During the past 18 months, the IT Division has successfully completed a number of major projects and initiatives, including:

- IT Division Assessment
- GIS Needs Assessment and Strategic Plan Implementation
- Implementation of IT Steering Committee
- Complete Website Replacement
- Cloud Email Migration
- Traffic Signal Synchronization Network - Phase I
- SCADA Server and Storage Upgrade and Virtualization
- Storage Area Network (SAN) Expansion
- Cloud-based Backups of Critical Data
- Domain Controller/File Server Replacements
- HelpDesk Software Implementation
- Microsoft System Center Configuration Manager (SCCM) for Desktop Deployment/Management
- Wireless Network/Internet Access throughout City Offices
- Council Chambers A/V Upgrade

Current Technology Projects and Initiatives

The IT Division is currently assisting the Public Works Department with two large projects, the completion of the Utilities Supervisory Control and Data Acquisition (SCADA) system and Computerized Maintenance Management System (CMMS). In addition to these major efforts, the IT Division is working internally on the following projects as recommended in the IT Division Assessment:

- Security Assessment
- Disaster Recovery Plan Update
- Policies & Procedures
- Service Level Agreement / Cost Allocation Model
- Vendor / License Centralized Database
- Datacenter Upgrade

Future Technology Projects and Initiatives

In the coming years, the City will embark on many strategic projects and initiatives which involve the upgrade and replacement of computing software, hardware, and communications systems, as well as citywide initiatives for workforce mobility, Geographic Information Systems, and technology training.

Software Upgrades and Replacements

The City maintains a portfolio of over 40 computer software applications, ranging from *off-the-shelf* programs such as Adobe Acrobat and the Microsoft Office Professional Suite, to highly specialized line-of-business applications for various operational areas of City such as *Eden* Financials, *CRW TRAKiT* Permitting, and *Class* Recreation Management. Maintenance of these applications is a continuous process, as most vendors provide frequent updates to resolve known problems and add new functionality. Over time, the City invests in new applications and added functionality to existing applications. In some instances, programs require complete replacement due to obsolescence or a desire for improved functionality.

Over the next five years there are many proposed additions to the portfolio, as well as the potential for complete replacement of several critical programs.

The table below depicts major systems that are planned to be evaluated and potentially replaced over the next five years:

Name	Function	Reason for consideration
<i>Active Class</i>	Recreation Management	Vendor end-of-support date November 30, 2017
<i>Active Cashiering & Web Point-of-Sale</i>	Citywide cashiering and online payment processing	System is becoming obsolete / Maintain Payment Card Industry Data Security Standard (PCI-DSS) compliance
<i>CRW TRAKiT</i>	Permits, Development Tracking, Business License, Code Enforcement	Current vendor offers an improved Software-as-a-Service (SaaS) version of the product with functional improvements. City will study other options prior to upgrade.
<i>Tyler Eden</i>	ERP, Financials, Human Resources, Utility Billing	Vendor has indicated that product may reach end-of-support within 5 to 10 years. Staff will continue to monitor the vendor's timeline for product retirement.

The table on the following page depicts minor/moderate systems that are recommended for acquisition and implementation over the next five years.

Project Title	Justification/Business Driver
Financial Transparency Website	Improve Public Access to City Financial Information
Utility Billing Intelligent Voice Response (IVR)	Improve Customer Service & Staff Efficiency
Online Business License System Replacement	Improve Customer Service & Staff Efficiency
Customer Relationship Management (CRM)	Improve Customer Service
Network Monitoring	Improve Staff Efficiency / Productivity
Web Enhancements	Improve Customer Service & Staff Efficiency
EDMS Global Search / Publication	Improve Access to Information for Public and Staff
Customer Queuing	Maintain / Improve Customer Service
TRAKiT Permitting Enhancements	Improve Customer Service & Staff Efficiency
Building Inspection IVR	Maintain / Improve Customer Service
Public Outreach	Increase Public Participation
Electronic Patient Care Reporting	Regulatory Compliance

When procuring new business and operational applications, the City evaluates various service models that are available in the marketplace. Vendors are asked to provide pricing information for traditional technology purchases (i.e. licenses and professional services to install on the City infrastructure), as well as for vendor-hosted models such as web-based applications (Cloud) or Software-as-a-Service (SaaS) which are typically purchased through an ongoing subscription. For each new system, project stakeholders evaluate the costs and benefits of these service delivery models. Consideration is also given to the staffing resources that are available to support the new application, both from an implementation perspective and on-going support.

Cloud computing and the Software-as-a-Service application model are critical to the City’s long-term technology strategy. The general idea is to leverage the Internet for delivering applications to end users without the burden of maintaining the related back-end hardware and software. Having the SaaS provider manage the IT infrastructure can reduce the necessary investment for hardware, software, and the expertise needed to manage it all. In practice, this SaaS model makes it possible continue expanding the scope of IT services without increasing staffing levels. Several examples of the cloud/SAAS computing model are currently deployed at the City, including Microsoft Exchange Online, DMP GovClarity, ServiceDesk Plus Helpdesk, Vision Internet Website CMS, Alert OC, WebEOC, and WeatherLink IP.

Hardware and Infrastructure

In order to maintain operational viability of the City’s IT infrastructure, and to remain consistent with general IT industry standards and best practices, periodic investment is required in the City’s technology hardware and infrastructure.

Network Infrastructure Updates

In order to provide reliable, secure network connectivity throughout City facilities, as well the communication links that connect them, the City utilizes leased fiber-optic lines (Cox), City-owned copper and fiber-optic infrastructure, as well as wireless technology. There will be a need to upgrade/replace some of the existing infrastructure and equipment over the 5-year timeframe, as well as opportunities to improve network performance and reduce ongoing costs.

Cable TV Room

The equipment in the Cable TV Broadcast Room is nearing the end of its useful life, resulting in poor image and sound quality, as well as unreliable performance. A professional evaluation of this equipment has been scheduled in the first year of the ITSP, with potential replacement of some (or all) of the equipment in the following fiscal year.

EDMS WORM Storage

The City maintains an Electronic Document Management System (EDMS) for the storage of official documents in accordance with the City's Record Retention Policy. The system is in need of an updated Write-Once-Read-Many (WORM) *unalterable* backup mechanism.

Communications

The ITSP includes the assessment and potential replacement the existing Partner / Centrex telephone system with a modern Voice-over-Internet-Protocol (VoIP) unified communication system. Much of the equipment utilized by the current phone system was installed in 1994. At 20 years old, this exceeds the typical expected service life of such equipment. Similarly, the system depends upon a network of aged copper cabling that has become problematic at older locations such as City Hall and the Community Center. When replacement parts are needed, only "refurbished" parts are available. The City is dependent upon an outside contractor to service the system, which may not be readily available during a critical outage.

A modern VoIP system can utilize the City's existing computer network infrastructure, rather than traditional telephony equipment, for voice communications, video conferencing and instant messaging. Aging equipment and infrastructure would be replaced with a contemporary solution that can be maintained in-house with current staffing. The solution will improve upon the City's existing phone service, functionality and usability, and will allow staff to better communicate with each other as well as the public. There are several enhancements designed to improve communications and increase productivity, including:

- Desktop-Integrated Dialing
- Unified Messaging
- Voicemail-to-Email Transcription
- Video Conferencing
- Automated Call Forwarding

It is important to note that the initial cost of upgrading would be offset over time by an anticipated reduction in the City’s phone bill. These cost savings are made possible by the elimination of the need to pay a telecommunications provider for a discrete telephone line for each internal number. Conversations that take place internally will utilize the City’s computer network, and communications with outside parties will utilize a reduced number of shared phone lines, SIP trunks, or some combination of the two. The reduction in the number of phone lines allows for the monthly savings mentioned above.

Mobility

City staff can gain a great deal of efficiency by enabling access to data and applications wherever and whenever they are needed, whether that be in the office, a conference room, or out in the community serving the public. Effective mobility comes in the form of a laptop or tablet device, along with robust and reliable wireless data access via Wi-Fi and mobile cellular data services. While the initial purchase price of a tablet or laptop device can be well under \$1,000, the ongoing cost to connect to the internet over a cellular connection is roughly \$500/year, exceeding the original cost of the device over a multi-year lifespan. Beyond the basic cost of devices and data services, further resources must be allocated to ensure system security.

Specific areas of City operations that are already leveraging this technology include, Code Enforcement Officers, Utilities Field Staff, Animal Control Officers, and a select few members of the management team. The traditional methodologies for establishing a secure connection from these devices to the City’s internal infrastructure have been somewhat cumbersome and a more efficient method is currently under development. In the foreseeable future, mobility will be improved for the existing users and expanded to Environmental Engineering, Traffic Engineering, Building Inspectors, Marine Safety, Recreation, and a greater portion of the management team.

Geographic Information Systems (GIS)

The GIS Needs Assessment presented to City Council on May 20, 2014 identified the need to enhance the City’s existing Geographic Information Systems and integrate other business systems with GIS. Short term objectives which are currently underway include the implementation of an Esri ArcGIS Server Platform, refinement of the City’s existing Digital Map Products (DMP) cloud-based GIS solution, development of citywide GIS data standards, and improved coordination of GIS data, initiatives and projects throughout City departments. Over the next 5 years, the projects listed in the table below will contribute to the ongoing City-wide initiative to enhance GIS:

Project Description	Justification / Business Driver
Integration of GIS (ArcGIS) with TRAKiT	Staff Efficiency / Productivity
Citywide ESRI Enterprise GIS ELA	Staff Efficiency / Productivity
Accurate property owner information in TRAKiT	Staff Efficiency / Productivity
Budget for GIS data/application development and maintenance	Improve Access to Data for Staff, Decision Makers, and Public
Improved PC hardware and licensing for GIS work	Staff Efficiency / Productivity

Training

The ITSP includes a Citywide training initiative to equip city staff to better utilize the many software applications that are available to them. This initiative will include the offering of specialized instructor-led courses and online video training, which will be geared for both new and current employees. Funding may be allocated for the hiring of instructors, development of training videos, and the assembly of a number of computers in a dedicated “training center”.

Major Projects

In FY 2016, the following strategic projects are being recommended/requested by City staff. Details regarding each project and initiative listed below are provided in **Attachment A**. These items will be requested through the normal budget process in the coming months.

High Priority

- Payment Processing and Utility Billing IVR (Intelligent Voice Response) System
- Cable TV Equipment Replacement
- Replacement of CLASS software for Recreation (Study and RFP in FY 2016. Implement FY 2017)
- Unalterable Electronic Data Storage Appliance for EDMS
- Monitoring / Change Management Software
- Replace/Upgrade Customer Queuing System at 910 Calle Negocio
- VOIP Telephone System Replacement (Study/RFP in FY 2016)

Moderate Priority

- Replacement IVR for Building Inspection Requests
- Mobile Initiative (\$5,000 in FY 2016)
- GIS Initiative including Citywide ESRI Enterprise GIS ELA, Integration of GIS (ArcGIS) with TRAKiT, and Improved PC hardware and licensing for GIS work.

Low/Moderate Priority

- Web Application Enhancements
- Electronic Document Search Enhancement; includes Public Interface/Transparency
- Training Initiative (\$10,000 in FY 2016)

Recommendation

Staff recommends that the City Council accept the 5-year Information Technology Strategic Plan and direct staff to bring the recommended Fiscal Year 2016 projects and initiatives forward through the budget process.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY COUNCILMEMBER WARD, CARRIED 5-0, to take action as follows:

1. Accept the 5-year Information Technology Strategic Plan and direct staff to bring the recommended Fiscal Year 2016 projects and initiatives forward through the budget process.

FY 2016 Recommended Projects and Initiatives – Detail

Payment Processing and Utility Billing IVR (Intelligent Voice Response) System	
Description	<p>Replacement of the City’s self-hosted payment processing system to a new off-premises payment management system that will process credit card transactions, offer expanded online payment services, and provide an integrated Intelligent Voice Response (IVR) system for Utility Billing customers.</p> <p>The IVR will serve as a “front-end” phone answering system which will answer all inbound calls and provide the following specialized functions:</p> <ul style="list-style-type: none"> • Answer in-bound calls • Provide automated responses to a variety of “routine” questions (hours of operations, directions, etc.) • Provide off-hour, weekend, and holiday messaging • Provide emergency contact numbers for utility field personnel • Allow bill payment by phone • Provide account balances (unassisted) • Provide “automated call notification” capabilities (shut-off warnings, high-use warnings, etc.)
Benefit / Justification	<p>The current payment processing system is outdated. We currently offer only one payment method (credit card). This system will add repetitive payment options (recurring credit card), “payment by check” or customer-initiated ACH, phone payments, and mobile device payment processing. The upgrade will help to maintain Payment Card Industry Data Security Standard (PCI-DSS) compliance as well. The City’s revenue stream relies on the secure and reliable operation of this system.</p> <p>The previous IVR system was terminated due to reliability issues, placing additional burden on the utility billing specialists. A new system will reduce the number of calls to staff, provide an additional method of payment which is not available today (payment by phone), and reduce the “busy” and “unanswered” call activity (when all representatives are on the phone with customers).</p>

Information Technology Strategic Plan – Attachment A

Estimated Cost	\$25,000 for implementation and integration with other systems. \$30,000 annual increase in ongoing Merchant Fees. After the system is fully implemented, elimination of the older systems will result in a \$27,000 per year savings in ongoing support of existing IVR and payment management systems.
Payment Processing and Utility Billing IVR System (continued)	
Funding	Shared between General Fund and Utilities Enterprise Funds
Estimate Timeframe	FY 2016
Staffing Impact	Significant impact during implementation
Priority	High
Service Level Impact	Increase
Department/Division	Finance and Administrative Services / Business Services

Cable TV Equipment Replacement – Study and Implementation	
Description	Replacement of Cable TV equipment / Upgrade from analog to digital.
Benefit / Justification	The existing equipment in the Cable TV Broadcast Room is nearing the end of its useful life, resulting in poor image and sound quality, as well as unreliable performance. Replacement of the equipment has been scheduled in the first year of the ITSP to reduce the potential for a major system failure.
Estimated Cost	\$225,000 for Design and Implementation
Funding	General Fund. Cost may be offset by revenue collected under state video franchise. City Ordinance No. 1503 Section 1, dated 4-6-2010 authorizes the collection of a 1% PEG fee to support Public, Educational, and Government programming from local customers.
Estimate Timeframe	Study in FY 2016 / Implementation in FY 2017
Staffing Impact	Moderate
Priority	High
Service Level Impact	Due to the age of the equipment, failure to upgrade/replace may render the City unable to broadcast public meetings. In addition to maintaining a critical service, the quality of the broadcast will be improved.
Department/Division	City Clerk & Finance and Administrative Services / IT

Replacement of CLASS software for Recreation (Study and RFP in FY 2016. Implement FY 2017)	
Description	Replacement of the CLASS software that is used for management and administration of Recreation facilities and programs.
Benefit / Justification	The current system will be unsupported by the Vendor after November 30, 2017 so a replacement facility/program software will

Information Technology Strategic Plan - Attachment A

	be needed. The benefit will be a supported system that utilizes cloud technology (less hardware and IT overhead). Depending on the features of the new system, may also improve customer service and staff efficiency.
Replacement of CLASS software for Recreation (Continued)	
Estimated Cost	\$25,000 for Study and RFP / \$55,000 per year for Implementation
Funding	General Fund
Estimate Timeframe	Study in FY 2016 / Implementation in FY 2017
Staffing Impact	Significant
Priority	High
Service Level Impact	Maintain, possibly increase
Department/Division	Beaches, Parks and Recreation / Recreation

Unalterable Electronic Data Storage Appliance for EDMS	
Description	Purchase and Implementation of an updated <i>unalterable</i> backup mechanism to back up the City's Electronic Document Management System (EDMS).
Benefit / Justification	Due to the nature of the data within the City's Electronic Document Management System (EDMS), the system data must be backed up using Write-Once-Read-Many (WORM) <i>unalterable</i> backup media in adherence to best practices for legal compliance.
Estimated Cost	\$30,000
Funding	General Fund
Estimate Timeframe	FY 2016
Staffing Impact	Minor
Priority	High
Service Level Impact	Maintain
Department/Division	City Clerk

IT Monitoring / Change Management	
Description	Implementation of an automated monitoring system for key network and computing equipment
Benefit / Justification	Provide IT staff with the ability to proactively monitor the communications network and capacity of all critical equipment on the network. This activity will alert the IT Division of potential operational issues before they impact City computer users. Recommended in the IT Division Assessment presented to City Council in May 2014.
Estimated Cost	\$10,000 Implementation / \$5,000 per year ongoing software cost
Funding	Shared

Information Technology Strategic Plan – Attachment A

Estimate Timeframe	FY 2016
Staffing Impact	Minor
Priority	High
Service Level Impact	Increase
Department/Division	Finance and Administrative Services / Information Technology
Replace/Upgrade Customer Queuing System	
Description	The current customer queuing system (Q-Matic) has been extremely successful at managing customers in the Community Development Department. Unfortunately, the current software is outdated and doesn't work well with the latest Windows operating system. It is necessary to replace or upgrade the customer queuing system.
Benefit / Justification	The current system requires constant attention by staff to keep it functioning. It is very important that this system be upgraded or replaced as this is critical to the smooth overall operation of the Community Development lobby functions. The functionality problems with the current system are negatively impacting the efficiency of staff that work at the front counter. Counter staff is getting frustrated with the system and support staff is required to spend way too much time keeping the system up and running. Additionally, due to system obsolescence, it is vulnerable to a complete failure which will negatively impact our operations.
Estimated Cost	\$30,000 (one-time) – <i>estimated</i> \$2,500 (annual maintenance)
Funding	General Fund
Estimate Timeframe	FY 2016
Staffing Impact	Moderate
Priority	High
Service Level Impact	Maintain / Improve
Department/Division	Community Development / All

VOIP Telephone System Replacement (Study/RFP)	
Description	Replacement the existing Partner / Centrex telephone system with a modern Voice-over-Internet-Protocol (VoIP) unified communication system.
Benefit / Justification	A modern VoIP system can utilize the City's existing computer network infrastructure, rather than traditional telephony equipment, for voice communications, video conferencing and instant messaging. Aging equipment and infrastructure would be replaced with a contemporary solution that can be maintained in-house with current staffing. The solution will improve upon the City's existing phone service, functionality and usability, and will allow staff to better

Information Technology Strategic Plan - Attachment A

	communicate with each other as well as the public. The initial cost of upgrading would be offset over time by an anticipated reduction in the City's phone bill.
Estimated Cost	\$50,000 for Study and RFP in FY 2016 / \$250,000 for Implementation
VOIP Telephone System Replacement (Continued)	
Funding	Shared; Primarily General Fund
Estimate Timeframe	Study in FY 2016 / Implementation in FY 2017
Staffing Impact	Significant
Priority	High
Service Level Impact	Increase
Department/Division	Finance and Administrative Services / Information Technology

Replace Tele-Works IVR for Building Inspection Requests (Ties to similar project in Finance)	
Description	Building Division recommends switching building inspection IVR system from <i>Tele-Works</i> to <i>VoiceTRAKiT</i> IVR hosted alternative.
Benefit / Justification	Tele-Works is subject to periodic system outages which negatively impact our inspection request process. Additionally, Tele-Works is expensive and difficult to modify. TRAKiT has an IVR module (VoiceTRAKiT) available that integrates with the TRAKiT permit system. The Building Division would like to convert IVR inspection requests over to the VoiceTRAKiT module.
Estimated Cost	\$10,000 (one-time) – <i>estimated</i> \$6,500 (annually) - <i>estimated</i>
Funding	General Fund
Estimate Timeframe	FY 2016
Staffing Impact	Minor
Priority	Moderate
Service Level Impact	Increase, due to periodic outages in current system
Department/Division	Community Development / Building

Mobile Initiative	
Description	Enabling mobile (external) connectivity to internal City systems, applications, and data. Includes laptop or tablet devices, along with wireless data access via WiFi and mobile cellular data services.
Benefit / Justification	In order to improve efficiency and productivity, mobility will be improved for the existing users and expanded to Environmental Engineering, Traffic Engineering, Building Inspectors, Marine Safety, Recreation, and a greater portion of the management team.
Estimated Cost	\$5,000 in FY 2016
Funding	General Fund and Enterprise Funds

Information Technology Strategic Plan – Attachment A

Estimate Timeframe	Begin in FY 2016 > Ongoing
Staffing Impact	Moderate
Priority	Moderate
Service Level Impact	Increase
Department/Division	Finance and Administrative Services / Information Technology

GIS Initiative	
Description	Citywide ESRI Enterprise GIS ELA, Integration of GIS (ArcGIS) with TRAKiT, and Improved PC hardware and licensing for GIS work.
Benefit / Justification	Make Enterprise GIS platform available to all City staff members. It is important that the link between TRAKiT and ArcGIS be integrated for the best and most efficient access and use of City Building, Code Enforcement, and Land Use data. City Departmental GIS Champions require more robust systems to leverage GIS software.
Estimated Cost	\$44,000 in FY 2016
Funding	General Fund
Estimate Timeframe	Begin in FY 2016 > Ongoing
Staffing Impact	Moderate
Priority	Moderate
Service Level Impact	Increase
Department/Division	Finance and Administrative Services / IT

Web Application Enhancements	
Description	Ongoing funding for web-based applications that improve internal efficiency and enhance service to the public. To include improvements and new features on the existing website, and new applications that provide a particular service. Examples may include online vendor management and procurement, online presentment of City financial information, or civic engagement tools.
Benefit / Justification	Improve delivery of information and services to the public.
Estimated Cost	\$10,000 per year
Funding	General Fund
Estimate Timeframe	Begin in FY 2016
Staffing Impact	Moderate
Priority	Low / Moderate
Service Level Impact	Increase
Department/Division	Finance and Administrative Services / IT

Electronic Document Search Enhancement; includes Public Interface/Transparency	
Description	The City maintains an Electronic Document Management System (EDMS) for the storage of official documents in accordance with the City's Record Retention Policy. This software will enable digitized files within the City's (EDMS) to be searched across multiple applications and categories. System may also enable web-based publication of data for citizens.
Benefit / Justification	Increased staff efficiency and transparency
Estimated Cost	\$20,000
Funding	General Fund
Estimate Timeframe	FY 2016
Staffing Impact	Minor
Priority	Low / Moderate
Service Level Impact	Increase
Department/Division	City Clerk

Training Initiative	
Description	Citywide training initiative to equip city staff to better utilize the many software applications that are available to them. This initiative will include the offering of specialized instructor-led courses and online video training, which will be geared for both new and current employees. Funding may be allocated for the hiring of instructors, development of training videos, and the assembly of a number of computers in a dedicated "training center".
Benefit / Justification	Increased productivity and efficiency
Estimated Cost	\$10,000 per year
Funding	Shared
Estimate Timeframe	Begin in FY 2016 > Ongoing
Staffing Impact	Minor
Priority	Low / Moderate
Service Level Impact	Improve
Department/Division	Finance and Administrative Services / IT

Information Technology Strategic Plan - 5 Year Summary

Title	Fund	Current Year							Ongoing
		6 Yr. Total	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Finance and Administrative Services									
Eden Financial Software Replacement (Study/RFP/Implementation)	Shared	\$1,075,000				\$50,000	\$25,000	\$1,000,000	\$50,000
Transparency in Government - Public Interface to Financials	GF	42,000			10,500	10,500	10,500	10,500	10,500
Payment Processing and Utility Billing IVR System	Shared	67,000		55,000	3,000	3,000	3,000	3,000	3,000
On-line Business License Applications - Replacment of CRW/Trakit	GF	74,800				60,000	7,400	7,400	7,400
Online business license application submittal and processing systems	GF	10,000			10,000				
City-wide Cashiering (Study in FY 2017)	Shared	60,000			25,000	25,000	5,000	5,000	5,000
Automated Water Meter Reading capabilities (Study in FY 2017)	Ent	6,050,000			50,000			6,000,000	
		7,378,800	0	55,000	98,500	148,500	50,900	7,025,900	75,900
Information Technology									
VOIP Telephone System Replacement (Study/RFP in FY 2016)	Shared	300,000		50,000	250,000				
Citywide CRM / Notification (Integration with Trakit and CMMS)	Shared	40,000			10,000	10,000	10,000	10,000	10,000
Network Infrastructure Updates / Private Fiber / Wireless	Shared	150,000			50,000	50,000	50,000		
Monitoring / Change Management	Shared	30,000		10,000	5,000	5,000	5,000	5,000	5,000
Web Application Enhancements	Shared	50,000		10,000	10,000	10,000	10,000	10,000	10,000
		570,000	0	70,000	325,000	75,000	75,000	25,000	25,000
City Manager/City Clerk/Council									
Cable TV Equipment Replacement	GF	225,000		225,000					
Electronic Document Search Enhancement with Public Interface	GF	20,000		20,000					
Unalterable Electronic Data Storage Appliance for EDMS	GF	30,000		30,000					
		275,000	0	275,000	0	0	0	0	0
Public Works									
Completion of SCADA	Ent	1,667,120	1,667,120						
Completion of CMMS (Utilities)	Ent	467,110	467,110						
Completion of CMMS (PW Maintenance)	GF	253,330	253,330						
Traffic Signal Synchronization Network	Gas Tax	708,300	708,300						
		2,387,560	2,387,560	0	0	0	0	0	0
Community Development									
Replace/Upgrade Customer Queuing System	GF	40,000		30,000	2,500	2,500	2,500	2,500	2,500
"On-Line" Building Permit Applications	GF	15,000			15,000				
Electronic Plan Review	GF	15,000			15,000				
Replace Tele-Works IVR for Building Inspection Requests	GF	36,000		10,000	6,500	6,500	6,500	6,500	6,500
Upgrade from TRAKIT.net to TRAKIT 9 (Assessment in FY 2017)	GF	200,000			25,000	175,000			
Public outreach technologies	GF	40,000			10,000	10,000	10,000	10,000	10,000
		346,000	0	40,000	74,000	194,000	19,000	19,000	19,000
Beaches, Parks & Recreation									
CLASS Software Replacement (Study & RFP in FY 2016)	GF	245,000		25,000	55,000	55,000	55,000	55,000	55,000
Electronic Patient Care Reporting	GF	10,000						10,000	10,000
		255,000	0	25,000	55,000	55,000	55,000	65,000	65,000
Citywide Initiative - Mobility									
Water Quality Code Enforcement Mobile Office (Tablet with VPN)	Ent	8,000		4,000	1,000	1,000	1,000	1,000	1,000
Establish VPN Access to Central Traffic Server for Traffic Operations.	Gas Tax	5,000	5,000						
Code Enforcement Officer Field Desktop Replacement	GF	5,000		1,000	1,000	1,000	1,000	1,000	1,000
Building Inspector iPads / Mobile Office	GF	30,000			24,000	2,000	2,000	2,000	2,000
Tablets for Park Monitors & Facilities Staff	GF	4,000				2,000	1,000	1,000	1,000
WiFi tablets for Marine Safety Health Care Reporting	GF	2,000						2,000	1,000
		54,000	5,000	5,000	26,000	6,000	5,000	7,000	6,000
Citywide Initiative - GIS									
Integration of GIS (ArcGIS) with TRAKIT	GF	20,000		20,000					
Citywide ESRI Enterprise GIS ELA	GF	20,000		20,000					
Budget for GIS data development and maintenance	GF	80,000			20,000	20,000	20,000	20,000	20,000
Improved PC hardware and licensing for GIS work	GF	8,000	4,000	4,000					
		128,000	4,000	44,000	20,000	20,000	20,000	20,000	20,000
Citywide Initiative - Training									
Budget for computer training new and current employees.	GF	50,000		10,000	10,000	10,000	10,000	10,000	10,000
Total		\$11,444,360	\$2,396,560	\$524,000	\$608,500	\$508,500	\$234,900	\$7,171,900	\$220,900

Centennial General Plan Strategic Implementation Plan

Objective

To review the General Plan Strategic Implementation Program (SIP), update the City Council on the status of the General Plan's implementation, and make recommendations and seek direction on which new General Plan Implementation Measures (IMs) should be implemented in the coming fiscal year.

Executive Summary

The General Plan's Five-Year Strategic Implementation Program (SIP) sets the priorities for more than 300 General Plan IMs. The integration of the Long Term Financial Plan (LTFP) with the SIP assures the Centennial General Plan is continually implemented. In 2014 the Community Development, Public Works, Beaches Parks and Recreation and City Manager Departments started the first phases of the General Plan's implementation. As a part of this year's LTFP process, each department has reviewed the high priority and on-going IMs they are responsible for, and have provided an update and summary of the accomplishments for this year. For the upcoming fiscal year each department will continue to implement all their on-going IMs and those in process. In addition, each department has the following recommendations for the IMs to be addressed during Fiscal Year 2016.

- **Beaches Parks and Recreation:** IMs related to the Beaches, Parks and Recreation Master Plan.
- **City Manager:** Economic Development & Business Retention programs, Medical Services and potential legislation initiatives.
- **Community Development:** Multiple IMs related to Zoning Ordinance, Specific Plan, and Housing Element updates and the Local Coastal Program.
- **Public Works:** Multiple IMs related to the Bicycle and Pedestrian Master Plan, various IMs related to the safety and efficiency of public facilities, and developing a utilities undergrounding plan, a Tree Ordinance, and a tree maintenance plan.

Background and Discussion

During the review of the Centennial General Plan, the City Council approved a new approach to ensure the effective implementation of the General Plan and the LTFP. The General Plan SIP updates and sets IMs' priorities. The high priority IMs are then considered as part of the LTFP/budget process. The purpose is to:

1. Ensure effective implementation of the Centennial General Plan by aligning General Plan Strategic Priorities through the LTFP and the annual budget review process.
2. Ensure that the annual budget, Capital Improvement Plan (CIP), Information Technology Strategic Plan (ITSP) and the SIP address current community priorities and needs, as well as long term goals that improve the quality of life in San Clemente.

3. Ensure that the General Plan remains a dynamic, up to date, responsive guide to public decision making and expenditures.

SIP Annual Review Process

The following outlines the steps that will be taken to accomplish the above objectives:

1. **Annual Manager Meeting** – At the beginning of the LTFP development process, the Community Development Department will schedule a meeting with appropriate managers and staff to review the implementation measures in the SIP. The purpose of the meeting is to review with each department their progress with their assigned IMs, and to begin discussion on which implementations measures to recommend for the upcoming fiscal year.

The criteria to evaluate which measures will be pursued in the next fiscal year are as follows:

1. Ease of implementation
 2. Estimated cost vs benefit/ Quality of Life
 3. Community demand
 4. Ability to combine projects to gain efficiency and reduce costs
 5. Legal necessity
 6. Staff resources
 7. Funding
 8. City Council priority
2. **Status Report** – At the Annual Managers Meeting, departments will report on all IMs completed and in progress, and develop recommendations to prepare or not prepare new IM projects/programs in the upcoming fiscal year. The number of IMs recommended will be determined by the department's ability to complete the project/program and the available resources anticipated in the next fiscal year. The IMs selected will be forwarded for consideration as part of the LTFP process.
 3. **CIP & ITSP Evaluation** – Recommended IMs will be evaluated with the CIP/ITSP process to see if there are opportunities to reduce costs by combining projects. Additionally, the multi-disciplinary process of the Development Management Team (DMT) and Executive DMT (ExDMT) review insures thorough and thoughtful consideration from various department perspectives. Depending on the type of project/program, it may be included in the proposed six-year CIP/ITSP or a decision package will be developed.
 4. **LTFP Issue Papers** – Department managers will prepare a report (or reports) annually listing the recommended programs/projects for implementation and their funding source. A report will also evaluate the City's progress in achieving the goals of the General Plan and identify IMs that have been completed, in progress or reprioritized. If

projects/programs are recommended for removal, alternatives should be identified, if appropriate, to accomplish the relevant General Plan goals and/or policies.

5. **Financial Model** – The financial impact of projects and programs that are identified in the LTFP issue papers, including one-time expenses and all ongoing costs and/or associated revenue, will be included in a financial model to reflect the impacts of decisions made today on future costs and revenues. As projects and programs are approved and budgeted by the City Council, the Long-Term Financial Forecast will be updated to reflect the ongoing costs for future years.
6. **City Council Review and Action** – As part of the LTFP process, the City Council will complete the annual review of the General Plan SIP and evaluate the recommended IMs. Estimated costs and revenues from the projects/programs will assist the Council in prioritizing projects and, if necessary, amend the SIP to reflect changed priorities.
7. **Council Approved Implementation Measures** – If an approve IM requires funding, each department with a City Council prioritized IM will prepare a decision package or CIP proposal for the City Council’s budget consideration.
8. **SIP Annual Review** - At the end of the LTFP process the Community Development Department will provide an evaluation of success in achieving the SIP and other key General Plan milestones. The DMT and ExDMT review process significantly aides in the evaluation of these projects from a multi-departmental perspective. The evaluation will include suggested updates, or changes to the IMs. The findings of the report will be presented to the Planning Commission and City Council.

Status of the General Plan Implementation Measures

Of the more than 300 General Plan’s IMs, the City Council has identified 169 priority projects, of which staff is actively implementing over 75% (of the priority projects). These IMs are typically either a project that ends with a specific product or an on-going project that requires routine activity with no specified end date. Currently, City staff are working on IMs in both of these categories. The major activities that demonstrate how the GP is currently being implemented are the following, listed for each department:

- The **Beaches, Parks and Recreation Department** is updating the Beaches, Parks, and Recreation Master Plan, continuing to provide a variety of programs and explore new opportunities to meet the needs of the public and maximize use of City facilities, providing affordable recreational and healthy opportunities for the City’s residents, and continuing to promote health and wellness in Recreation programs and events. Marine Safety will continue to provide safe lifeguarding for the community, and Golf will review existing contracts and look for ways to reduce water consumption on the golf course.
- The **City Manager Department** is evaluating Economic Development initiatives, as well as maintaining the ongoing support and commitment to San Clemente businesses.
- The **Community Development Department** is undertaking the first phases of updating the Zoning Ordinance, Zoning Map, Housing Element, Local Coastal Program and specific

plans, and providing grants for affordable health services, drug prevention, and enhanced educational opportunities for the City's residents through Housing and Social Services and various partner organizations.

- The **Public Works Department** is implementing the Bicycle & Pedestrian Master Plan, identifying and installing roadway and intersection features to provide more bicycling opportunities, maintaining and adding to the City's pedestrian network for all users, maintaining many of the City's beach and park facilities, protecting the city's natural resources by promoting energy conservation and reduced greenhouse gas emissions, ensuring the safety of the community through the review and dissemination of information related to local hazards, and maintaining and updating public services, facilities, and utilities by expanding local water recycling capabilities, updating the City's Urban Water Management Plan, and upgrading City facilities with more energy efficient features.

For details on the progress of the City implementing high priority and on-going implementation measure see the attached Implementation Measure Matrix (Attachment A).

Recommendations

The General Plan includes over 300 IMs which have each been assigned to a lead department for implementation. Beaches Parks and Recreation, City Manager, Community Development and Public Works have evaluated their assigned IMs based on budget, need, legal requirements, resources, community demand, opportunities for efficiencies and other criteria. The following list contains specific recommendations for the Fiscal Year 2016 that describe specific measures that each department proposes to further implement the General Plan. These are in addition to the on-going and in progress IMs discussed above. These recommendations are dependent on anticipated funding and resources.

- Direct the **Beaches, Parks and Recreation Department** to initiate the development of the Beaches Parks and Recreation Master Plan related IM's 6, 7, 10, and 51 from the Beaches, Parks and Recreation Element.
- Direct the **City Manager Department** to research legislative options to mitigate any impacts to medical services in the City of San Clemente as part of Land Use Element IM 5, and investigate a proposed six year ITSP that will enhance e-government initiatives and improve business operations for Economic Development Element 16.
- Direct the **Community Development Department** to continue the Zoning and Specific Plan updates (Land Use Element IMs 1, 6 -8, 13, 17, and 21, Beaches, Parks and Recreation Element IM 30, Mobility and Complete Streets Element 7 and 20, and Urban Design Element IMs 17, 21 and 22), Housing Element update (per Housing Element requirements) and Local Coastal Program (Coastal Element IMs 1 and 14).
- Direct the **Public Works Department** to initiate multiple IMs that involve the following:
 - Establishing standards to maintain attractive sidewalks and the beginning sidewalk and roadway maintenance projects required to accomplish the Mobility

- and Complete Streets Element. (Urban design Element IM 10, Mobility and Complete Streets Element IMs 3-5, 15-17, 36, and 39-41)
- Developing a Tree Ordinance, updating the tree inventory and adopting a tree maintenance plan. (Natural Resources Element IM 7 and Urban Design Element IMs 23, 25, 26 and 29)
 - Developing a utilities undergrounding plan and reviewing City Engineering standards for possible changes to public street lighting design. (Natural Resources Element IMs 8 and 26)
 - Enhancing public safety by studying the feasibility of obtaining generators, and planning to mitigate any potential defects, at critical City facilities. (Public Safety Element IMs 15 and 17)
 - Improving the efficiency of public facilities by completing water efficiency use surveys, expanding recycling for commercial customers, achieving at the least minimum construction and demolition waste diversion required, and transitioning traffic signal lights to LED technology. (Public Services, Facilities, and Utilities Element IMs 27, 35, 38, and 41)

Fiscal Impact of Recommendations

Beaches Parks and Recreation: The Beaches Parks and Recreation Master Plan is currently funded.

City Manager: All applicable costs will either be presented as a Decision Package or incorporated into the FY 2016 budget, and will be clearly delineated with all relevant costs.

Community Development: All recommended projects are currently funded and in process.

Public Works: Most of the proposed IMs would be incorporated into the Fiscal Year 2016 CIP, which is funded by multiple funds such as the General Fund, Gas Tax Fund, Reserve Fund, Miscellaneous Grants Fund, Air Quality Improvement Fund, and the Street Improvement Fund. The Tree Ordinance cost estimate is undetermined at this time. If this recommendation is approved by City Council a Decision Package will be included in the FY 2016 budget.

Council Action:

MOTION BY COUNCILMEMBER BROWN, SECOND BY MAYOR HAMM, CARRIED 5-0, to take actions as follows:

1. Defer the Beaches, Parks and Recreation Master Plan for 12 months.
2. Direct the City Manager Department to research legislative options to mitigate any impacts to medical services in the City of San Clemente as part of Land Use Element IM 5, and investigate a proposed six year Information Technology Strategic Plan that will enhance e-government initiatives and improve business operations for Economic Development Element 16.
3. Direct the Community Development Department to continue the Zoning and Specific Plan updates (Land Use Element IMs 1,6-8, 13,17, and 21, Beaches, Parks and Recreation Element IM 30, Mobility and Complete Streets Element 7 and 20, and Urban Design Element IMs 17, 21 and 22), Housing Element update (per Housing

Element requirements) and Local Coastal Program (Coastal Element IMs 1 and 14). Staff is to return to Council with an in-depth analysis of a Local Coastal Program (including a comparison of the program's cost versus benefits). Council will further vet the program before moving forward.

4. Direct the Public Works Department to initiate multiple IMs that involve the following:
 - Establishing standards to maintain attractive sidewalks and the beginning sidewalk and roadway maintenance projects required to accomplish the Mobility and Complete Streets Element. (Urban Design Element IM 10, Mobility and Complete Streets Element IMs 3-5, 15-17, 36, and 39-41)
 - Developing a Tree Ordinance, updating the tree inventory and adopting a tree maintenance plan. (Natural Resources Element IM 7 and Urban Design Element IMs 23, 25, 26 and 29)
 - Developing a utilities undergrounding plan and reviewing City Engineering standards for possible changes to public street lighting design. (Natural Resources Element IMs 8 and 26)
 - Enhancing public safety by studying the feasibility of obtaining generators, and planning to mitigate any potential defects, at critical City facilities. (Public Safety Element IMs 15 and 17)
 - Improving the efficiency of public facilities by completing water efficiency use surveys, expanding recycling for commercial customers, achieving at the least minimum construction and demolition waste diversion required, and transitioning traffic signal lights to LED technology. (Public Services, Facilities, and Utilities Element IMs 27, 35, 38, and 41)

BEACHES, PARKS, AND RECREATION DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
BEACHES, PARKS and RECREATION	6	Incorporate strategies for neighborhood and commercial area enhancement in the Master Plan for Parks and Recreation.	This will be added to the BPR Master Plan 2015.
BEACHES, PARKS and RECREATION	7	Create a Beaches, Parks and Recreation Master Plan within two years of General Plan adoption and update it at least every ten years. Establish or improve joint-use agreements to maximize public recreation opportunities.	Planned for 2015, working on RFP for consultant.
BEACHES, PARKS and RECREATION	8	Consider reconfiguring Bonita Park to meet changing park user needs and provide additional parking for the Los Molinos area.	Part of BPR Master Plan.
BEACHES, PARKS and RECREATION	10	Prepare a plan which identifies underserved areas in terms of parks and recreational facilities and seek grants or other funding sources to help implement the plan.	This will be part of the BPRMP '15.
BEACHES, PARKS and RECREATION	51	Regularly review and update the Beaches, Parks and Recreation Master Plan, Bike and Pedestrian Master Plan and the City Facilities Master Plan to provide adequate guidance for the provision of parks, trails, and other recreational facilities.	This will be part of the BPRMP '15.
BEACHES, PARKS and RECREATION	52	Investigate the possibility of establishing a volunteer staffing program to assist with recreational programs and reduce staffing costs at City public parks and recreational facilities.	Program is developed, but need staffing to implement.
MOBILITY AND COMPLETE STREETS	24	Expand the Safe Routes to School program, including International Walk/Bike to School events, and encourage all schools to get involved.	Not started, BPR and Sheriff's Dept to implement.
PUBLIC SERVICES, FACILITIES AND UTILITIES	26	Review City landscaping and irrigation requirements for public and private development to ensure regulations promote drought-tolerant landscaping and systems best practices.	In progress, Planning staff has prepared a draft for PC and CC approval. Additional support from Public Works will be required.

RED IM = HIGH PRIORITY PROJECT

BLUE IM = ON-GOING PROJECT

BEACHES, PARKS, AND RECREATION DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
URBAN DESIGN	27	In addition to utilizing the existing Master Landscape Plan for Scenic Corridors (which provides policy for specific arterials), the City shall formulate a comprehensive master plan which lists permitted trees in the public right-of-way for all areas in San Clemente. It will specify species, minimum	Not Started, BPR and CDD.
BEACHES, PARKS and RECREATION	1	Explore new opportunities for the Community Center to improve programming and maximize facility use.	Working with other cities and agencies to explore new ideas for facility and program offerings.
BEACHES, PARKS and RECREATION	3	Continue to provide a variety of programs to meet a range of needs and maximize facility use.	Currently offering a plethora of programs and analyzing trends.
BEACHES, PARKS and RECREATION	4	Monitor program participation to identify demand, including populations with special needs.	Currently reviewing trends and data and will be part of BPRMP '15.
BEACHES, PARKS and RECREATION	5	Monitor facility (including beaches) use, population and development projections to plan for future program, facility, and staffing needs.	Currently analyzing data and will be part of BPRMP '15.
BEACHES, PARKS and RECREATION	12	The City will continue to support a dog park and access for dogs in neighborhood parks.	Staff promotes the dog park and dogs in other parks on the Cit website and City magazine.
BEACHES, PARKS and RECREATION	26	Encourage that healthy foods be served at City-sponsored events, meetings, and community-wide forums.	Staff encourages other departments and community groups to serve healthy food.
BEACHES, PARKS and RECREATION	29	Seek grant funding and innovative public-private partnerships, where feasible, to increase residents' access to healthy foods and opportunities for physical activity, especially in underserved areas.	Staff is currently seeking additional funds and working with the Friends for other opportunities.
BEACHES, PARKS and RECREATION	34	Continue collaboration with local health providers to provide public health programs and services in City parks with an emphasis on target areas.	Staff works with OC Health, Mission and Saddleback Hospital.

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BEACHES, PARKS, AND RECREATION DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
BEACHES, PARKS and RECREATION	35	Staff shall continue participation in healthy living programs sponsored by collaborative partners and active youth.	Staff works with SC Collaborative and other partners.
BEACHES, PARKS and RECREATION	49	Continue to require open space dedication or appropriate park in-lieu fees as part of the development review process.	This is part of the review process for BPR.
BEACHES, PARKS and RECREATION	50	Pursue grants and other funding opportunities for beaches, trails, parks and other recreational facilities in San Clemente.	Currently doing as grants and other opportunities arise.
BEACHES, PARKS and RECREATION	14a	Continue to enhance the beaches and beach support facilities at the Municipal Pier, recognizing their importance as City gateways. and North Beach train stations	This is an ongoing effort with regular maintenance.
SAFETY	19b	Pursue emergency services grants and other funding opportunities for marine safety staffing, facilities, training, and programs.	Staff is researching grant opportunities for marine safety.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
ECONOMIC DEVELOPMENT	2	Consider adopting a Business Retention and Expansion (BRE) Program.	To be considered in FY 2016.
ECONOMIC DEVELOPMENT	8	Establish and operate a City business visitation program to improve communication and understanding of business needs, opportunities and issues.	Not started, it ties in with other initiatives currently being considered.
ECONOMIC DEVELOPMENT	16	Maintain awareness of best practices in local government public information practices and in e-government.	In process, as part of the 2015 LTFP, the City has established an IT Strategic Plan that entails an IT Steering Committee to review all aspects of e-government.
LAND USE	5	Meet with medical office professionals and hospital administration to better understand their needs and use of City resources and to help them better.	In process, due to the potential closure of the San Clemente Hospital, the City has created an Advisory Committee to review impacts, options and alternatives.
PUBLIC SERVICES, FACILITIES AND UTILITIES	7	Work with the County of Orange to expedite the expansion of San Clemente’s Public Library into the former Senior Citizen’s Center and to include state-of-the-art technology and facilities.	FY16, once the Library Expansion Project is completed a strategic plan regarding the futures steps in Library Services will be researched.
PUBLIC SERVICES, FACILITIES AND UTILITIES	8	Explore opportunities to expand library services through creative public/private/non-profit partnerships, either as a supplement or alternative to the County operation.	FY16, once the Library Expansion Project is completed a strategic plan regarding the futures steps in Library Services will be researched.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
SAFETY	7	Partner with Orange County Fire Authority to pursue grant and other funding opportunities for appropriate Fire and Emergency Medical Services measures, staffing, and facilities, and to support wildfire mitigation efforts in the City and in surrounding open space areas such as the Richard and Donna O’Neill Conservancy and San Onofre State Beach.	FY16, to be reviewed during budget process.
BEACHES, PARKS and RECREATION	11	Work with other public agencies and non-profit organizations to help ensure all community-serving facilities, such as libraries, health centers, wellness centers, recreation facilities and parks are universally accessible.	Risk Management reviews all public facilities for ADA accessibility. Building division reviews private facilities through the building permit process.
BEACHES, PARKS and RECREATION	32	Continue City-sponsored Mayor’s Walks and similar activities to encourage residents’ participation in community events and encourage healthy neighborhoods.	None.
BEACHES, PARKS and RECREATION	33	Ensure that Police Services continues to work with neighborhoods to promote safety and the “Neighborhood Watch Program.”	Ongoing.
BEACHES, PARKS and RECREATION	39	Promote and support a City Employee Wellness Program.	Human Resources ongoing.
ECONOMIC DEVELOPMENT	12	Continue to support and promote an annual business awards program to recognize San Clemente’s outstanding business citizens.	On-going.
GROWTH MANAGEMENT	6	If annexation to the City is considered, the potential annexation shall require preparation of an economic impact analysis.	On-going.
GROWTH MANAGEMENT	5b	City shall periodically update its standards for the provision of public services and facilities to reflect current needs and costs, including: fire/emergency medical, library, and police.	On-going.

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CITY MANAGER

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
MOBILITY AND COMPLETE STREETS	32	Encourage City officials and employees, as well as other employers, to participate in "Bike to Work Month" and "Bike to Work Week."	On-going.
SAFETY	24	Support and maintain an Active Ambulance Subscription Service.	With OCFA, on-going.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
BEACHES, PARKS and RECREATION	30	Amend the Zoning Ordinance to allow small, neighborhood-serving markets within easy walking and biking distance from most residential areas and encourage such markets to include fruits, vegetables and other healthy foods.	Initiated – Part of the ZO update.
BEACHES, PARKS and RECREATION	38	In collaboration with local hospitals and health service providers, the City will support measures that improve the availability of and access to primary care and other physicians’ services and emergency care facilities in San Clemente, such as public access to mobile health services.	In progress – City Ad Hoc.
BEACHES, PARKS and RECREATION	44	Amend the Zoning Ordinance to allow the development of community gardens throughout the City.	Not started.
COASTAL	1	Prepare a Local Coastal Program and secure California Coastal Commission certification.	In progress: Consultant, Staff and CCC developing draft
COASTAL	14	Evaluate Environmentally Sensitive Habitat Areas (ESHAs) to determine their viability, restore degraded ESHAs, remove ESHA designation from areas that no longer contain environmentally sensitive habitat, and develop standards to protect ESHAs as open space.	In progress: LCP.
GROWTH MANAGEMENT	4	Working with LAFCO, initiate an update of the City’s Sphere of Influence and Municipal Services Review to address potential development in unincorporated areas adjacent to the City.	Not started, three years out.
HISTORIC PRESERVATION	22	Amend the Zoning Ordinance to require an assessment of potential impacts to onsite and nearby historic resources as part of applications for changes in zoning.	Initiated: ZO update.
HISTORIC PRESERVATION	23	Working with the property owner, citizens, San Clemente Historical Society, schools, performing arts, business and other community groups, adopt a CIP program to assist in the rehabilitation of the Miramar Theatre.	Not started –needs to be initiated by owner.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
LAND USE	1	1. Update the Zoning Ordinance, Zoning Map, Local Coastal Program and specific plans to ensure consistency with the Centennial General Plan. Key land use related areas to be revised include, but are not limited to: a. Zoning district changes to reflect General Plan land use changes. b. Mixed use districts development standards to reflect land use changes in the Focus Areas. c. Consideration of form-based standards for Avenida del Mar and El Camino Real, with emphasis on the commercial core in the T-Zone. d. New development standards for Professional Business and Medical Office Overlays. e. New standards to reflect the increases in Floor Area Ratios (FARs) in commercial areas along El Camino Real. f. Amending the Forster Ranch Specific Plan to change the former hotel site from CRC2 to RH and to require the property be used for senior housing.	In progress: Planning Staff & Consultant updating ZO in three phases.
LAND USE	6	Update the Rancho San Clemente Business Park Specific Plan to strengthen policies to encourage light manufacturing and business-oriented uses, and to protect employment-oriented businesses.	Initiated: Planning Staff updating.
LAND USE	7	Amend the Zoning Ordinance, Design Guidelines and Rancho San Clemente Specific Plan to accommodate automobile, truck, motorcycle, watercraft, and RV sales and services.	Initiated: Included in the 2nd phase of the ZO update and SP update.
LAND USE	8	Update the West Pico Specific Plan to reflect the vision, land uses and policies for the Los Molinos Focus Area.	Initiated: Planning Staff updating.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
LAND USE	13	Develop new flexible use standards in the Zoning Ordinance to accommodate changing market demands. Consideration should be given, however, to preserving “experiential retail uses” in key shopping areas along Avenida Del Mar and El Camino Real. Future changes in use must be sensitive to adjacent residential uses. [Experiential retail uses are those that enhance consumer interaction, drive repeat visits and purchases, and create distinction. This experience can only be achieved in “brick and mortar” retail establishments—not online.]	Initiated: ZO update.
LAND USE	17	Update the Pier Bowl Specific Plan for consistency with the new General Plan or retire the Plan by relocating its unique development standards to the	Initiated: Planning Staff updating.
LAND USE	21	Create new development standards for mixed use, including stand-alone corridor residential uses.	Initiated: Part of the ZO update.
MOBILITY AND COMPLETE STREETS	7	Update the Municipal Code to require end of trip bicycle facilities, as appropriate to the scale and use of the project, such as parking, lockers, and showers in new or major remodels of multi-family residential and non-residential sites.	Initiated – ZO update.
MOBILITY AND COMPLETE STREETS	14	Prepare comprehensive parking and circulation strategies for key commercial areas, including: North Beach, Pier Bowl, Del Mar/T-Zone and Plaza San Clemente.	Not started – follow completion of LCP, will include support from Public Works.
MOBILITY AND COMPLETE STREETS	20	Develop standards that require bicycle accommodations (such as parking, lockers and showers) in new or significantly rehabilitated nonresidential developments, consistent with Policy M-2.19.	Initiated – ZO update.
NATURAL RESOURCES	11	Revise City ordinances to require that all proposals for mineral extraction and reclamation be reviewed by the Planning Commission and City Council.	Not started.
PUBLIC SERVICES, FACILITIES AND UTILITIES	12	Consider establishing an Art in Public Places Ordinance, including a funding mechanism that might include incentives to encourage private development to provide public art.	Not started: City does have on-going public art programs.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
PUBLIC SERVICES, FACILITIES AND UTILITIES	26	Review City landscaping and irrigation requirements for public and private development to ensure regulations promote drought-tolerant landscaping and systems best practices.	In progress, Planning staff has prepared a draft for PC and CC approval.
URBAN DESIGN	11	Conduct public meetings or design charrettes, including community stakeholders, to discuss ways to identify, protect and enhance Downtown Village Character. Based on meeting findings, consider updating and refining a Downtown Mission Statement which new projects must follow, and consider adopting new development regulations such as form-based codes or revised design guidelines to improve the effectiveness and predictability of the design review process, including how to accommodate commercial development on small MU-zoned lots.	Not started, will follow ZO, LCP, SPs.
URBAN DESIGN	13	Update the Design Guidelines and incorporate the Henry Lenny Spanish Colonial Revival Architectural Design Guidelines for Spanish Colonial Revival Architecture.	Not started, 2 yrs.
URBAN DESIGN	14	Prepare Sign Design Guidelines and incorporate them into the Design Guidelines. Preparation of the Guidelines will involve business, sign designers and manufacturers in their preparation and provide follow-up education.	Not started, next year.
URBAN DESIGN	17	Update Zoning Code to avoid penalizing commercial developments that include exterior patios, paseos and other similar outdoor use areas by allowing usable outdoor spaces to meet minimum Floor Area Ratio requirements.	Initiated: ZO update.
URBAN DESIGN	19	Update the West Pico Specific Plan (future Los Molinos Specific Plan) to provide new design guidance for architecture and landscape character.	Not Started – follow update of WPCSP.
URBAN DESIGN	21	Review and update the Zoning Ordinance and Design Guidelines to streamline the development review process and to include the possibility of parking waivers and other incentives that encourage the rehabilitation and façade upgrades to one- and two-story buildings in the Downtown Core.	Initiated: ZO update.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
URBAN DESIGN	22	Review and update the Zoning Ordinance and Design Guidelines to require three-story buildings in the Downtown to reflect high-quality design and materials and to reinforce San Clemente’s Spanish Village by the Sea architectural character. Three-story buildings shall require City Council approval.	Initiated: ZO update & later Design Guideline updates.
BEACHES, PARKS and RECREATION	22	Work with the State, Federal and County agencies to advocate strict enforcement of laws against the sale to or use of alcoholic beverages and tobacco products by minors.	Planning Staff, Human Affairs Committee, SC Collaborative, SCHS PTA, Wellness & Prevention Center @ SCHS.
BEACHES, PARKS and RECREATION	23	Work with governmental and non-governmental agencies to stem the availability of illegal drugs and to prevent substance abuse.	Planning Staff, Human Affairs Committee, SC Collaborative, SCHS PTA, Wellness & Prevention Center @ SCHS, Sheriff’s Crime Prevention Unit.
BEACHES, PARKS and RECREATION	24	Encourage the development of healthy food outlets, farmers markets and food cooperatives and amend the Zoning Ordinance to establish standards allowing such uses where appropriate.	Will be included in ZO update.
BEACHES, PARKS and RECREATION	25	Encourage restaurants to provide nutritional information to help customers make healthy dining choices and recognize those that do.	Human Affairs Committee, SC Collaborative Wellness Committee.
BEACHES, PARKS and RECREATION	36	Continue to promote local health service providers participation in community-wide health fairs and similar events.	Planning Staff and BP&R.
BEACHES, PARKS and RECREATION	37	Continue to cooperate with nonprofit health organizations to provide no- or low-cost health services on a regular basis.	Planning Staff – CDBG Funding Camino Health Center & Mobile Vans.
BEACHES, PARKS and RECREATION	43	Where feasible, the City will implement the Vista Los Mares Revitalization recommendations in the University of California at Irvine’s Healthy Community Guide (March 2012), as grant funding is available.	Planning Staff and Planning Interns, when funding is available.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
BEACHES, PARKS and RECREATION	14b	Continue to enhance the beaches and beach support facilities at the North Beach train station, recognizing their importance as City gateways.	Part of review process when opportunities for enhancement arise.
COASTAL	3	Protect the public's right of coastal access where established through public ownership, legislative authorization prescriptive rights, as adjudicated by a court of law. Where appropriate and legally permissible, new development shall be designed to provide public access or be required to provide public access or irrevocable offer to provide public access, as a condition of development.	Development review process & N/S Beach Trail extension.
COASTAL	4	Identify and require property owners to remove all non-permitted structures, including signs and fencing, which inhibit legal public access.	Part of Code Enforcement duties.
COASTAL	7	Preserve existing and identify opportunities for and encourage new low cost overnight accommodations in the Coastal Zone.	Included in LCP stds.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
COASTAL	8	<p>Access management programs for Capistrano Shores and the private beach area north of Capistrano Shores, La Ladera, Cypress Shores and Cotton’s Point private communities shall be prepared when development is proposed in one of these private communities and a property owner is required to dedicate public coastal access. The purpose of such programs shall be to provide maximum public access consistent with the Coastal Act of 1976. The access management programs shall be implemented by the City of San Clemente, other public agencies or by private homeowner associations that accept the offers of dedication. The access management program shall include the following:</p> <ul style="list-style-type: none"> a. Establishment of hours of public access which shall include, at a minimum, the hours between sunrise and sunset, and b. The provision of aesthetically pleasing bicycle racks for the appropriate number of bicycles based on use and site conditions, and c. The provision of signage at the entrance to the private communities in order to make the public aware of the existence of the access way and its hours of operation, and d. The provision of a public restroom facility, and e. The provision of signage relating to proper animal management and animal waste disposal on the beach trail. 	Included in LCP stds.
COASTAL	13	Provide public information on residential landscape plantings in coastal canyon and bluff areas. The information should address recommended plant types and their care, invasive plants removal, and landscaping for fire safety.	Included in LCP.
COASTAL	16	Update hazard maps (e.g., sea level rise, flood zones, etc.) as new information becomes available and make these publicly available.	Included in LCP.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
ECONOMIC DEVELOPMENT	3	Continue to assign City urban planners with specialized knowledge and experience in specific business districts to serve as liaisons in the City’s award-winning Business Liaison Program. The liaisons provide services to business owners. Services include on-site meetings to learn business owner needs and explain how to access City resources, where possible, to help businesses accomplish their goals and objectives.	City added a 4 th Liaison assigned to RSC and Talega Business Parks.
ECONOMIC DEVELOPMENT	6	Support Business Improvement Districts or similar measures for Del Mar/T-zone, Los Molinos, El Camino Real, Pier Bowl, North Beach and other commercial districts. The districts should generate revenue to maintain each area, to support special events, and to publicize each area. The districts may also be empowered (or a separate financing vehicle established) to provide physical improvements, such as parking facilities, landscaping, lighting, and pedestrian and bicycle facilities.	Business Liaison program.
ECONOMIC DEVELOPMENT	13	Assess parking needs in Del Mar/T-Zone, Pier Bowl, and North Beach every five years, or as needed, and implement solutions to identified parking deficiencies to achieve the City’s Vision and Strategic Plan.	City completed a License Plate Survey this summer.
GOVERNANCE	1	Community Development Department staff will annually evaluate progress in achieving the Strategic Implementation Program and other General Plan	Is being done in coordination with the LTFP.
GOVERNANCE	2	Community Development Department staff will develop annual Centennial General Plan and Housing status reports. Reports will include a system of indicators or other feedback mechanisms to track the General Plan’s progress toward achieving its goals and community vision. The reports will be used to inform the Planning Commission, City Council, and the Long Term Financial Plan and annual budget process.	Is being done in coordination with the LTFP.
GOVERNANCE	3	Community Development Department staff will annually review the General Plan to ensure internal consistency and consistency with other Federal, State and local regulations and policies.	Is being done in coordination with the LTFP.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
GOVERNANCE	4	Community Development Department staff will review each new Capital Improvement Plan and Long Term Financial Plan for consistency with the General Plan and report its findings to the Planning Commission and City Council.	Is being done in coordination with the LTFP.
GOVERNANCE	5	The City will collect an impact fee as part of development applications or permits to offset costs of maintaining the Centennial General Plan, including updating web based text and graphics.	Impact fee is established.
HISTORIC PRESERVATION	3	Pursue financial resources from state, federal and private sources that assist in the identification and designation of cultural resources.	Applied for CLG grant for historic survey this year.
HISTORIC PRESERVATION	7	Continue to support and explore preservation incentives such as rehabilitation tax credits, façade easements, preservation grants, transfer of development rights, façade easements, preservation grants, transfer of development rights, zoning incentives, state, federal, non-profit assistance and private donations. Zoning incentives, state, federal, non-profit assistance and private donations.	Planning Staff is monitoring Staff effort for new tax pres. Law.
HISTORIC PRESERVATION	8	Provide public information on preservation methods and promote the use of California’s Historic Building Code for preservation of historic resources.	HPPA program and development review process.
HISTORIC PRESERVATION	9	Continue to provide technical assistance to property owners for the preservation of historic resources.	Historic Property Liaison.
HISTORIC PRESERVATION	10	Pursue a comprehensive strategy in partnership with other organizations to promote community awareness and appreciation of San Clemente’s historic resources.	HP Liaison to work with Hist. Soc., Casa and other org.
HISTORIC PRESERVATION	15	Develop and provide training for Cultural Heritage Board and City staff on the Secretary of the Interior’s Standards for the Treatment of Historic Properties, the San Clemente preservation ordinance, the California Historical Building Code, and other preservation information.	Training is provided annually.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
HISTORIC PRESERVATION	16	Maintain Certified Local Government (CLG) status and apply for CLG grants to help update the historic inventory and accomplish other important preservation objectives.	Applied for grant this year, maintained CLG programs.
HISTORIC PRESERVATION	17	Conduct workshops for homeowners, developers, real estate professionals and others describing the benefits and obligations of owning historic property and the incentives available for rehabilitation.	Workshop planned on Sec. of Interior design stds.
HISTORIC PRESERVATION	21	Utilize guidelines for discretionary design review to address exterior alterations proposed to historic buildings in accordance with the Historic Preservation Ordinance.	This year the City reviewed 25 CHPs or MCHPs.
LAND USE	19	Working with the Chamber of Commerce, Downtown Business Association, Pier Bowl Merchants' Association, property owners, businesses and other groups, support efforts to develop economic development tools to aid in the area's continued revitalization.	Business Liaison programs.
LAND USE	20	Meet with developers who specialize in mixed use and residential infill development to better understand changing opportunities and constraints (physical, regulatory and financial).	Planned for a future Planning Commission study session.
NATURAL RESOURCES	1	Identify and protect riparian corridors through zoning, easements or other measures that ensure effective, long-term conservation.	Included in ZO update and LCP.
NATURAL RESOURCES	2	Continue to provide public education materials regarding the City's sensitive habitats, the values of watershed, biological resources and sensitive habitats and how to protect them.	Resources made available when needed or requested.
NATURAL RESOURCES	12	Require development projects to utilize appropriate AQMD air quality mitigation measures.	Project review DMT, CEQA, C of A's.
PUBLIC SERVICES, FACILITIES AND UTILITIES	2	Continue communication and cooperation efforts between City officials and CUSD, especially in the areas of population projections, safety and security, circulation and pedestrian elements, development of schools and funding sources, and monitoring of development activities to prevent overcrowding of schools and help meet future educational needs.	Planning Staff, Human Affairs Committee, and Public Works – Safe Routes 2 School program.

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COMMUNITY DEVELOPMENT DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
PUBLIC SERVICES, FACILITIES AND UTILITIES	3	Through the development review process, solicit CUSD input to help assess the cumulative impacts of recent and new development on educational services and facilities.	Planning Staff and Human Affairs Committee.
PUBLIC SERVICES, FACILITIES AND UTILITIES	10	Encourage San Clemente arts and cultural groups and organizations to grow and contribute to the community's cultural richness and diversity.	Planning Staff, Murals & oral histories projects.
PUBLIC SERVICES, FACILITIES AND UTILITIES	11	Promote the City's rich cultural history by partnering with private and non-profit organizations to promote and support local arts, history and culture.	Tiles on Del Mar program. – Las Palmas Leadership Group, El Bajio families.
PUBLIC SERVICES, FACILITIES AND UTILITIES	17	Recreational and cultural activities should be promoted in the Pier Bowl and North Beach since these are tourist and recreational hubs. Promote the City's historic resources in visitor and tourist-oriented media and publications.	Planning Staff, on-going.
PUBLIC SERVICES, FACILITIES AND UTILITIES	18	Continue coordination among the City and other human services-related agencies and institutions, both locally and regionally.	Planning Staff and Human Affairs Committee.
SAFETY	6	Obtain and maintain information on fire and wildfire hazards and home, business, and open space fire mitigation measures. Make the information publicly	Available at the Planning and Building Counters.
SAFETY	8	Review the Existing and Future Noise Contour Maps and Noise Ordinance for applicability to each development project to identify potential impacts to sensitive uses.	Reviewed during DMT process, when applicable.
URBAN DESIGN	6	Maintain and expand the Wayfinding Sign Program.	Signs to the new La Cristianita/Casa are approved and will be installed this year.
URBAN DESIGN	20	Review and update specific plans and Zoning Ordinance as necessary to reflect best practices in architectural design, landscaping and maintenance.	ZO and SP Updates in progress.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
BEACHES, PARKS and RECREATION	13	Continue to maintain and enhance the City's beaches and Municipal Pier and seek outside funding sources to help support these efforts.	Continuing to maintain and enhance the City's beaches and Municipal Pier and seek outside funding sources to help support these efforts.
MOBILITY AND COMPLETE STREETS	39	Prepare and maintain an inventory of sidewalk facilities to determine where pedestrian improvements are most needed to provide a continuous safe route for pedestrians throughout San Clemente.	PW continues to update its inventory, but will implement a more comprehensive inventory in 2015. Need to conduct/update inventory & coordinate with Lucity implementation.
MOBILITY AND COMPLETE STREETS	41	Work towards closing gaps in San Clemente's pedestrian network.	Completed Palizada, Ola Vista, Calle Seville, La Paloma and Esplanade new sidewalk projects. Will submit additional proposed project(s) in FY16 budget process. Ongoing with private development.
NATURAL RESOURCES	7	Develop a Tree Ordinance (refer to Urban Forest Implementation Measures for Urban Design Element).	None, Collaboration with CDD, PW along with UD IMs #23 and 25.
NATURAL RESOURCES	26	Review Engineering standards for possible changes to public street lighting design/spacing to reduce light pollution, improve energy efficiency and maintain safety.	Will do as part of LED street light retrofit.
PUBLIC SERVICES, FACILITIES AND UTILITIES	27	Complete water efficiency use surveys of all City facilities.	Planned activity for FY16.
SAFETY	15	Study the feasibility and practicality of obtaining adequate generators for critical City facilities that do not currently have them.	Planned activity in FY16.

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PUBLIC WORKS DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
URBAN DESIGN	23	Review the standards established by the International Society of Arboriculture and incorporate appropriate standards into a Tree Ordinance. The Ordinance shall consider standards and procedures for tree selection and removal, preservation and maintenance and the establishment of a tree canopy percentage target. The tree ordinance shall include criteria for evaluating potential conflicts which may arise when trees uplift sidewalks or where new sidewalks are being constructed, and that address tree maintenance on City-owned water tank and other City-owned utility sites. Potential mitigation may include root pruning, modification of frontage improvements, root barriers, relocation, and removal and replacement.	None, Collaboration with CDD, PW along with NR IM #7 and UD IM #25.
URBAN DESIGN	25	Identify incentives for tree maintenance on private property.	None, Collaboration with CDD, PW along with NR IM #7 and UD IM #23.
BEACHES, PARKS and RECREATION	15	Seek sand nourishment and replacement funding opportunities to ensure beachgoers have a high quality beach experience and to maintain ongoing monitoring activities.	Seeking funding opportunities.
BEACHES, PARKS and RECREATION	16	Continue to provide and maintain beach fire pits in designated public beach locations.	BP&R leads efforts related to where fire rings should be allowed, and PW Maintenance handles actual placement and maintenance.
BEACHES, PARKS and RECREATION	27	Implement the Bicycle and Pedestrian Master Plan by allocating a portion of the annual City budget to complete sidewalk projects that infill public sidewalk gaps and provide connectivity.	Work under the previously-approved new sidewalk construction budget is completed. Suggest submitting a recommended FY16 new sidewalk construction project(s).

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
BEACHES, PARKS and RECREATION	47	Implement the City's Quiet Zone/Railroad Safety Program.	Done in annual CIP process as-needed. Recently completed additional improvements at seven crossings.
COASTAL	2	Maintain the San Clemente Beach Trails as part of the California Coastal Trail siting and design standard contained here. [http://san-clemente.org/sc/Standard.aspx?PageID=356]	Ongoing maintenance.
COASTAL	5	Periodically inventory beach access facilities to identify access needs. Based on the inventory, prepare capital improvements projects and/or establish schedule for renovating access facilities.	Done in annual CIP process as-needed.
COASTAL	11	Seek funding to maintain and improve access ways, implement complete streets projects as identified in the Mobility and Complete Streets Element, and to enhance public coastal access, including: a. Improved pedestrian railroad crossings through the construction of at-grade, above-grade, or below-grade crossings at existing accessways. b. Additional off-street public parking spaces at or near public coastal access ways through improvements of existing beach parking lots and creation of parking lots, where feasible.	Staff continues to seek funding opportunities to approved and potential projects.
COASTAL	15	Implement City Policies and Procedures (effective date September 5, 2001) regarding Management of Beach Facilities in terms of their maintenance, replacement, protection, or relocation.	Part of current review process.
GROWTH MANAGEMENT	1	Continue to regularly update development impact fees and/or other financing mechanisms so that development outside City Limits that request use of City services or facilities pays the full costs needed to serve it and does not decrease levels of service to San Clemente residents.	Reviewed by Public Works, Sewer, and Water Departments.
GROWTH MANAGEMENT	5a	City shall periodically update its standards for the provision of public services and facilities to reflect current needs and costs, including: drainage/flood control, parks, water and wastewater, and traffic.	Ongoing. Standards periodically reviewed.

RED IM = HIGH PRIORITY PROJECT

BLUE IM = ON-GOING PROJECT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
LAND USE	23	Consider traffic calming strategies in the area.	Do as request/petitions are received and in conjunction with street improvement projects plus annual CIP planning.
MOBILITY AND COMPLETE STREETS	4	Implement the Candidate Projects in the Bicycle and Pedestrian Master Plan, subject to more detailed engineering studies.	Do in annual CIP process. Recent projects include Los Mares, Vera Cruz, Vista Montana and Amanecer Class II bike lanes). Also ECR bike/ped path (in design).
MOBILITY AND COMPLETE STREETS	15	Identify and designate Class 2 bike lanes where considered appropriate and there is sufficient curb-to-curb street pave out width.	Do in annual CIP process. See above.
MOBILITY AND COMPLETE STREETS	16	Install vehicle actuation to detect bicycles when intersections with signals are rehabilitated (CVC 21450.5).	Do in annual CIP process with signal rehabilitation project.
MOBILITY AND COMPLETE STREETS	17	Install bicycle detector pavement markings at traffic signals using best practices and adopted State or Federal standards when intersections with signals are rehabilitated.	Do in annual CIP process. Same as above.
MOBILITY AND COMPLETE STREETS	26	Provide training opportunities for engineering and planning staff on ways to integrate bicyclists and pedestrians with the transportation network.	Ongoing as training opportunities/ courses arise.
MOBILITY AND COMPLETE STREETS	27	Provide training and public outreach opportunities about bicyclists' and pedestrians' legal rights and duties for City engineering and planning staff, as well as for law enforcement officials.	Ongoing as training opportunities/ courses arise.
MOBILITY AND COMPLETE STREETS	36	Provide assistance to school districts in facility planning and transportation operations to ensure safety for users of all modes during school pick-up, drop-off and other special events.	Ongoing as –requested.
NATURAL RESOURCES	18	Solicit state and federal grants to implement the City's energy conservation programs as such funding becomes available.	On-going as opportunities become available.

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PUBLIC WORKS DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
MOBILITY AND COMPLETE STREETS	40	Retrofit streets and require developments to install public improvements that provide disabled access and mobility on public streets, as required by State or Federal law.	ADA ramps are installed or upgraded when implementing street rehabilitation projects.
NATURAL RESOURCES	23	Seek grant funding for City lighting upgrades, incentive programs, and new fixtures.	Ongoing as opportunities arise.
NATURAL RESOURCES	31	Continue to promote energy conservation and educate residents on benefits of energy efficiency and solar power generation.	Ongoing – participate in local forums. Planning additional outreach in early 2015.
NATURAL RESOURCES	32	Continue to promote utility sponsored programs and training for City staff, local businesses and residents.	Ongoing – participate in local forums. Same as above.
NATURAL RESOURCES	33	Approach SDG&E about forming a local government partnership to develop, operate and maintain energy resources using sustainable practices and materials.	Met with SDG&E and started coordination on this.
PUBLIC SERVICES, FACILITIES AND UTILITIES	22	Continue implementation of a tiered water rate structure to incentivize water conservation.	Ongoing, rate structure still in place.
PUBLIC SERVICES, FACILITIES AND UTILITIES	23	Expand local water recycling capabilities.	Ongoing. Expansion project recently completed, now converting target sites.
PUBLIC SERVICES, FACILITIES AND UTILITIES	24	Explore the feasibility of desalinization and other regional projects as an alternative resource to reduce the City’s dependency on imported water.	Ongoing, participating in regional study.
PUBLIC SERVICES, FACILITIES AND UTILITIES	25	Maintain and update the City’s Urban Water Management Plan, as needed, and implement and enforce the water conservation ordinance.	Ongoing, plan is updated.
PUBLIC SERVICES, FACILITIES AND UTILITIES	30	Continue to prepare 5-year Capital Improvement Programs for the City’s storm drainage system.	Ongoing in annual CIP process.
PUBLIC SERVICES, FACILITIES AND UTILITIES	31	Review and amend as necessary and appropriate, drainage impact fees collected from new development for the construction of new drainage facilities necessitated by the new development.	Ongoing, fee schedule periodically reviewed.

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PUBLIC WORKS DEPARTMENT

ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
PUBLIC SERVICES, FACILITIES AND UTILITIES	35	Expand mandatory recycling for commercial customers consistent with State requirements.	Ongoing. State has implemented some mandates and City will update Muni Code by end of FY15.
PUBLIC SERVICES, FACILITIES AND UTILITIES	37	Continue using rubberized asphalt and recycled aggregate for City street projects, as appropriate.	Ongoing. We use rubberized asphalt for street rehabilitation projects.
PUBLIC SERVICES, FACILITIES AND UTILITIES	38	Continue to achieve at least the minimum construction and demolition waste diversion requirement of 75 percent.	Will incorporate into upcoming solid waste muni code update.
PUBLIC SERVICES, FACILITIES AND UTILITIES	40	Upgrade City facilities by installing energy-efficient lighting where feasible, upgrading City facilities with EnergyStar or equivalent facilities, updating HVAC systems and establishing shut-off times, occupancy-sensing lighting controls, programmable thermostats and variable speed drive motors in City water and sewer pumping stations.	Ongoing. Recent projects included HVAC replacement at Community Center and LED parking lot lights at Community Development.
PUBLIC SERVICES, FACILITIES AND UTILITIES	41	Transition to light emitting diode traffic signal light bulbs and pedestrian crossing signals.	Ongoing. LED traffic signals completed, and almost all LED pedestrian signals completed.
PUBLIC SERVICES, FACILITIES AND UTILITIES	45	Pursue grant funding and other financial resources to offset the public cost of energy retrofits to existing City facilities.	Ongoing, continue to seek grant funds.
SAFETY	1	When feasible, make information on fault locations, soil hazards and areas of landslide or liquefaction publicly available, on request.	Information is made available upon request.
SAFETY	4	Review and update drainage and water retention studies and improvement plans to incorporate appropriate best practices and Federal, State, and County flood control regulations.	Reviewing and updating drainage and water retention studies and improvement plans.
SAFETY	9	Work with local, State and Federal agencies to reduce highway-generated noise levels to within acceptable General Plan levels.	Engineering works with Cal-Trans.
SAFETY	11	Continue to use a program of truck prohibitions, including appropriate signage, to minimize truck traffic noise impacts to sensitive land uses.	Part of current operations.

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ELEMENT	IM #	DESCRIPTION	STATUS/ DEPT. INVOLVEMENT
SAFETY	14	Continue to collect and disseminate information relating to all hazards, as well as to radiological hazards preparedness, response, and recovery for SONGS.	Part of current operations.
SAFETY	16	Regularly review and update, exercise and revise the San Clemente Multi-Hazard Emergency Plan with appropriate best practices related to the community's natural and human-made hazards.	Part of current review process.
SAFETY	17	Explore the siting and structural integrity of the City's critical facilities to identify and plan to mitigate any potential defects related to natural or human-made hazards.	Part of current operations.
SAFETY	18	Continue to maintain and update emergency services, preparedness, response and recovery plans and training programs that meet Federal and State requirements.	Part of current operations.
SAFETY	22	Provide educational materials and outreach efforts to inform the public about emergency preparation and response, and about the availability of emergency services.	Information is made available upon request, outreach made when possible.
SAFETY	23	Support and maintain active programs to enhance community safety, emergency preparedness and disaster response through volunteer programs such as the Community Emergency Response Team Program (CERT), Retired Senior Volunteer Program (RSVP), Explorer Scouts, Neighborhood Watch and Radio Amateur Citizen Emergency Services (RACES).	Being done.
SAFETY	19a	Pursue emergency services grants and other funding opportunities for emergency planning, and public safety.	Pursuing emergency services grants and other funding opportunities
URBAN DESIGN	18	Develop incentives for the use of drought-tolerant and California native species in landscape design.	Periodically updating standards for the provision of incentives.

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Glossary

ADA (Americans with Disabilities Act of 1990):

Federal legislation requires State and local governments to make all public services, programs, and activities accessible to persons with disabilities.

Appropriation:

An authorization made by the City Council which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are typically granted for a one-year period.

Assessed Valuation:

The estimated value of real and personal property established by the Orange County Assessor as the basis for levying property taxes.

Assessment District (AD):

A defined area consisting of real property or businesses to pay for special assessments levied by a taxing authority.

Assessments:

The levy of a tax against real property.

Balanced Budget:

A balanced budget is one in which total expenditures equal total revenue. An entity has a budget surplus if expenditures are less than revenues. It has a budget deficit if expenditures are greater than revenues.

Bond (Debt Instrument):

A written promise to pay a specified sum of money at a specified future date, at a specified interest rate. Bonds are typically used to finance capital facilities.

Bond Rating:

The City has an "issuer bond rating" of AAA awarded by the rating firm of Standard & Poor's. An obligation rated "AAA" is the highest rating assigned by Standard & Poor's. This means that the City's capacity to meet its financial commitment on the debt obligation is extremely strong. An obligation rated "AA" differs from the highest-rated ("AAA") obligations only in small degree.

Budget:

A financial plan, including proposed expenditures and estimated revenues, for a period in the future.

CalPERS:

Public Employees Retirement System provided for Public Safety personnel by the State of California.

Capital Assets:

Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets.

Capital Improvements:

Buildings, structures, or attachments to land such as sidewalks, trees, drives, tunnels, drains and sewers.

Capital Improvement Program (CIP):

A plan over a period of six years setting forth each capital project, the amount to be expended in each year and the method of financing capital expenditures.

Capital Projects Fund:

In governmental accounting, a fund that accounts for financial resources to be used for the acquisition or construction of capital facilities. The total cost of a capital project is accumulated in a single expenditures account which accumulates until the project is completed, at which time the fund ceases to exist.

Capital Outlay:

Expenditures which result in the acquisition of or additions to fixed assets. Examples include land, buildings, machinery and equipment, and construction projects.

Capital Projects:

Projects typically included in the Capital Improvement Program (CIP) which result in the acquisition or addition of fixed assets.

CDBG (Community Development Block Grant):

Federal grant funds distributed from the U.S. Department of Housing and Urban Development that are passed through to the City from the Orange County Environmental Management Agency. The City primarily uses these funds for housing rehabilitation, public improvements, and local social programs.

Certificates of Participation (COP):

A method of financing capital facilities through a debt instrument, where a long term lease is entered into with the investors for constructed facilities. Lease payments are then used to service the debt instrument.

California Joint Powers Insurance Authority (CJPIA):

This is a public-entity risk pool comprised of a cooperative group of governmental agencies joined together to finance the exposure of liability and workers' compensation risks. The City is self-insured for both liability and workers' compensation insurance. CJPIA provides coverage for liability claims in excess of \$50,000.

COLA:

Cost of Living Allowance.

Community Facility District (CFD):

A method of financing capital facilities through a debt instrument through a defined area consisting of real property or businesses to pay for special assessments levied by a taxing authority.

Comprehensive Annual Financial Report (CAFR):

The official financial report of the City. It includes an audit opinion as well as basic financial statements and supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

Contingency:

A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contract Services:

Services provided to the City from the private sector or other public agencies.

Cost of Service:

An analysis of the cost structure of a particular service or function. The costs of operations, maintenance and capital replacements are considered.

Debt Service:

Payment of interest and repayment of principal to holders of the City's debt instruments.

Defease:

To pay off an outstanding liability. To replace a higher interest rate with a lower rate.

Deficit:

The excess of liabilities over assets.

Depreciation:

Is the reduction in value of assets over a defined period of life of that asset. In accounting, depreciation represents a charge to expense the value of an asset over its useful life.

Elastic Revenues:

Revenues which can vary depending upon changing economic conditions. Revenue categories include; sales taxes, transient occupancy taxes, license and permits, and community development charges.

Emergency Reserve:

Restricted money set aside to appropriate under serious conditions which warrant emergency measures. Money can only be appropriated by Council action.

Enterprise Fund:

In governmental accounting, a fund that provides goods or services to the public for a fee that makes the entity self-supporting. It basically follows GAAP as does a commercial enterprise.

ERAF:

Educational Revenue Augmentation Fund

ERAF Property Tax Shift:

Funding for California public school spending generated by shifting a portion of property taxes from cities, counties and special districts.

Expenditures:

Where accounts are kept on the accrual or modified accrual basis of accounting, expenditures are recognized when goods are received or services rendered.

Facilities Maintenance Reserve:

The Facilities Maintenance Reserve provides a funding source for maintenance of City facilities. Facilities maintenance expenditures include costs such as flooring replacement, roof replacement, interior and exterior painting, HVAC replacement and parking lot seal coat/stripping for all City facilities, plus the compressor, speed drive and boiler for the City pool.

Fiscal Policy:

A written set of policies adopted by City Council which establishes formal guidelines for financial activities of the City.

Fiscal Year:

A 12-month period to which the annual operating budget applies and at the end of which the City determines its financial position and results of its operations. San Clemente's fiscal year runs from July 1 - June 30.

Five-Year Financial Forecast:

Estimates of future revenues and expenditures to help predict the future financial condition of the community. The Five Year Financial Forecast is included in the City's annual Long Term Financial Plan.

Fixed Assets:

Assets which are intended to be held or used for a long term, such as land, buildings, improvements other than buildings, machinery and equipment.

Fleet Maintenance Fund:

The Fleet Maintenance Fund is used to account for the operation, maintenance and replacement of City owned vehicles and equipment.

Fleet Replacement Reserve:

The Fleet Replacement Reserve accounts for funds set aside for replacement of Fleet vehicles and equipment.

Full Time Equivalent (FTE):

The amount of time a position has been budgeted for in terms of the amount of time a regular, full-time employee normally works in a year. For example, a full-time employee (1 FTE) is paid for 2,080 hours per year, while a .5 FTE would work 1,040 hours per year.

Fund Balance:

The excess of fund assets and resources over fund liabilities is defined as Fund Equity. A portion of Fund Equity may be reserved or designated; the remainder is available for appropriation, and is referred to as the Fund Balance.

Fund Equity:

The excess of fund assets and resources over fund liabilities. A portion of the equity of a governmental fund may be reserved or designated; the remainder is referred to as fund balance.

General Fund:

In governmental accounting, the fund used to account for all assets and liabilities of a nonprofit entity, except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of the City of San Clemente.

General Liability Self-Insurance Fund:

The General Liability Self-Insurance Fund is used to provide the City with liability and property insurance. Coverage is provided through the City's participation in a joint powers agreement through the CJPIA.

General Obligation Bonds:

Bonds for which the full faith and credit of the City is pledged for payment.

Golf Course Capital Improvement Reserve:

The Golf Course Capital Improvement Reserve provides for capital improvements to the existing golf course.

Government Accounting Standards Board (GASB):

An organization created to provide comparability and consistency between different government agencies. GASB issues statements regarding various accounting issues and provides guidelines on how accounting transactions should be recorded.

Government Finance Officers Association (GFOA):

A national organization of governmental finance officers.

International City Management Association (ICMA):

Provides guidelines on the analysis of indicators presented in the trends.

Improvements:

Buildings, structures, or attachments to land such as sidewalks, trees, drives, tunnels, drains and sewers.

Infrastructure:

The term refers to the technical structures necessary to provide basic services, such as roads, water supplies, sewerage treatment facilities, and so forth.

Inter-Agency Loans:

Loans made between related Agencies.

Interdepartmental/Interfund Transfers:

Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.

Interfund Loans:

Loans made between City Funds.

Internal Service Fund:

Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.

Liquidity Ratio:

A calculation of the relationship between available assets (cash or near cash) and current liabilities (accounts payable, wages payable, etc.).

Long-Term External Debt:

Debt borrowed from a source outside the City with a maturity of more than one year after the date of issuance.

Long-Term Financial Plan (LTFP):

A plan which identifies fiscal issues and opportunities, establishes fiscal policies and goals, examines fiscal trends, produces a financial forecast, and provides for feasible solutions.

Maintenance:

Expenditures made to keep an asset in proper condition or to keep an asset in working order to operate within its original capacity.

Negocio Debt Service Fund:

The Negocio Debt Service Fund is used to account for the accumulation of funds for the payment of interest and principal on Certificates of Participation (COP). Proceeds from the COP were used for the purchase of the building located at 910 Negocio, San Clemente. Debt service is financed by revenues generated from the lease of the building.

One-time Expenditures:

Non-recurring expenditures, such as capital asset purchases, one-time studies, etc.

Operating and Maintenance Costs (O&M):

Refers to costs directly associated with the operation and maintenance of a program or activity.

Operating Budget:

The operating budget is the primary means by which most of the financing of acquisition, spending and service delivery activities of a government are controlled. The use of annual operating budgets is required by law.

Operating Position:

Refers to the difference between on-going revenues and expenditures. When revenues exceed expenditures, a “positive operating position” exists.

Operating Transfer:

Routine or recurring transfer of assets between funds.

Orange County Fire Authority (OCFA):

A joint powers agency (JPA) which provides fire protection services within Orange County.

Orange County Transportation Authority (OCTA):

A joint powers agency (JPA) which provides transportation services within Orange County.

Parks Acquisition and Development Fund:

The Parks Acquisition and Development Fund is used to account for the revenues received from developer fees and the expenditures for the acquisition, construction, improvement or renovation of City owned parks.

Personnel:

Salaries paid to City employees. Included are items such as regular full time, regular part time, premium overtime and special duty pay.

Personnel Benefits:

Those benefits paid by the City as conditions of employment. Examples include insurance and retirement benefits.

Projected Surplus/Deficit:

The projected surplus/deficit is the net of forecasted receipts and forecasted disbursements. A surplus is the result of receipts exceeding disbursements, and a deficit is the result of disbursements exceeding receipts.

Public Facilities Construction Fund:

The Public Facilities Construction Fund is used to account for developer fees collected at the time a building permit is issued to provide for future public facilities necessitated by new development and expenditures for construction of beach parking facilities, public safety buildings or equipment and public facilities.

Rates:

Refers to established fees for water, sewer, storm drain and clean ocean programs. Rates include fixed charges, such as water base fees, and variable charges, such as the sewer commodity fees.

RDA:

Redevelopment Agency.

Redevelopment Agency Capital Projects Fund:

The Redevelopment Agency Capital Projects Fund is used to account for the proceeds of notes, advances and other forms of indebtedness, and the expenditure of these funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the San Clemente Redevelopment Agency.

Redevelopment Agency Debt Service Fund:

The Redevelopment Agency Debt Service Fund is used to account for the accumulation of funds for the payment of interest and principal on advances from the City of San Clemente and other long-term debt. Debt service is financed through property tax revenues.

Replacement Reserve:

An account used to accumulate funds for the replacement of specified capital assets or major maintenance of capital assets.

Reserve:

An account used to indicate that a portion of fund equity is legally restricted for a specific purpose.

Reserve Fund:

The Reserve Fund is used to account for funds set aside for capital equipment replacement, facilities maintenance and accrued employee benefits for retired, terminated or former employees funded from the General Fund.

Revenue Bonds:

Bonds issued pledging future revenues, usually water or sewer charges to cover debt payments.

Self-Insurance Reserves:

Money set aside to pay insurance claims below the deductible limit of workers' compensation and general liability insurance policies.

Special Assessment Bonds:

Bonds payable from the proceeds of special assessments.

Street Improvement Fund:

The Street Improvement Fund is used to account for revenues and expenditures related to the rehabilitation of City streets.

Subsidence Claims:

Claims pending against the City's General Liability Self-insurance Fund for land movement.

Subventions:

Revenues collected by the State which are allocated to the City on a formula basis. For example, motor vehicle and gasoline taxes.

Supplemental Appropriation:

An appropriation approved by the Council after the initial budget is adopted.

Sustainability:

Is the capacity to maintain a certain process or state.

Sustainability fund balance:

\$10 million designation of the General Fund fund balance to provide for economic and financial stability. This fund balance can be used only by formal action of the City Council.

Taxes:

Compulsory charges levied by the City, County & State for the purpose of financing services performed for the common benefit.

Transient Occupancy Tax (TOT):

Commonly referred to as a “bed tax”, transient occupancy taxes are applied to all short-term rentals (less than 29 days of occupancy) within the City limits. The tax rate is 10% of the gross room rate.

Triple Flip:

The “triple flip” swaps one-quarter of the City’s local sales taxes to secure \$15 billion in deficit financing bonds approved through the passage of Proposition 57 (flip #1). The State intends to replace this revenue with Educational Revenue Augmentation Fund (ERAF) property tax money that was taken from cities and counties in the early ‘90’s (flip #2). Using ERAF money to backfill the sales tax taken from cities will increase the States obligation to fund schools from *other* general fund resources (flip #3). Another impact of the triple flip upon the City will be cash flow. Sales tax, which is received monthly, will be reduced by 25% and will be “backfilled” with property tax, which will be received bi-annually in January and May.

Unassigned Fund Balance:

Refers to fund balances available for spending, ie; funds not assigned for any other purposes.

Workers’ Compensation Fund:

The Workers’ Compensation Fund accounts for the cost to provide Workers’ Compensation insurance coverage to all City employees in compliance with State of California requirements.

