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**1995**  
**Long Term Financial Plan**

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**Volume II**

**City of San Clemente**



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# City of San Clemente

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## City Council

- Candace Haggard Mayor
- Steve Apodaca Mayor Pro Tem
- Joe Anderson Council member
- Patrick Ahle Council member
- Scott Diehl Council member

## City Manager

- Mike Parness City Manager

## Department Directors

- Paul Gudgeirsson Director, Office of Management & Budget
- James S. Holloway Director, Community Development
- Michael L. Sorg Director, Public Works
- Bruce E. Wegner Director, Beaches, Parks & Recreation
- Tom Davis Police Services Chief
- Richard Witesman Fire Services Chief

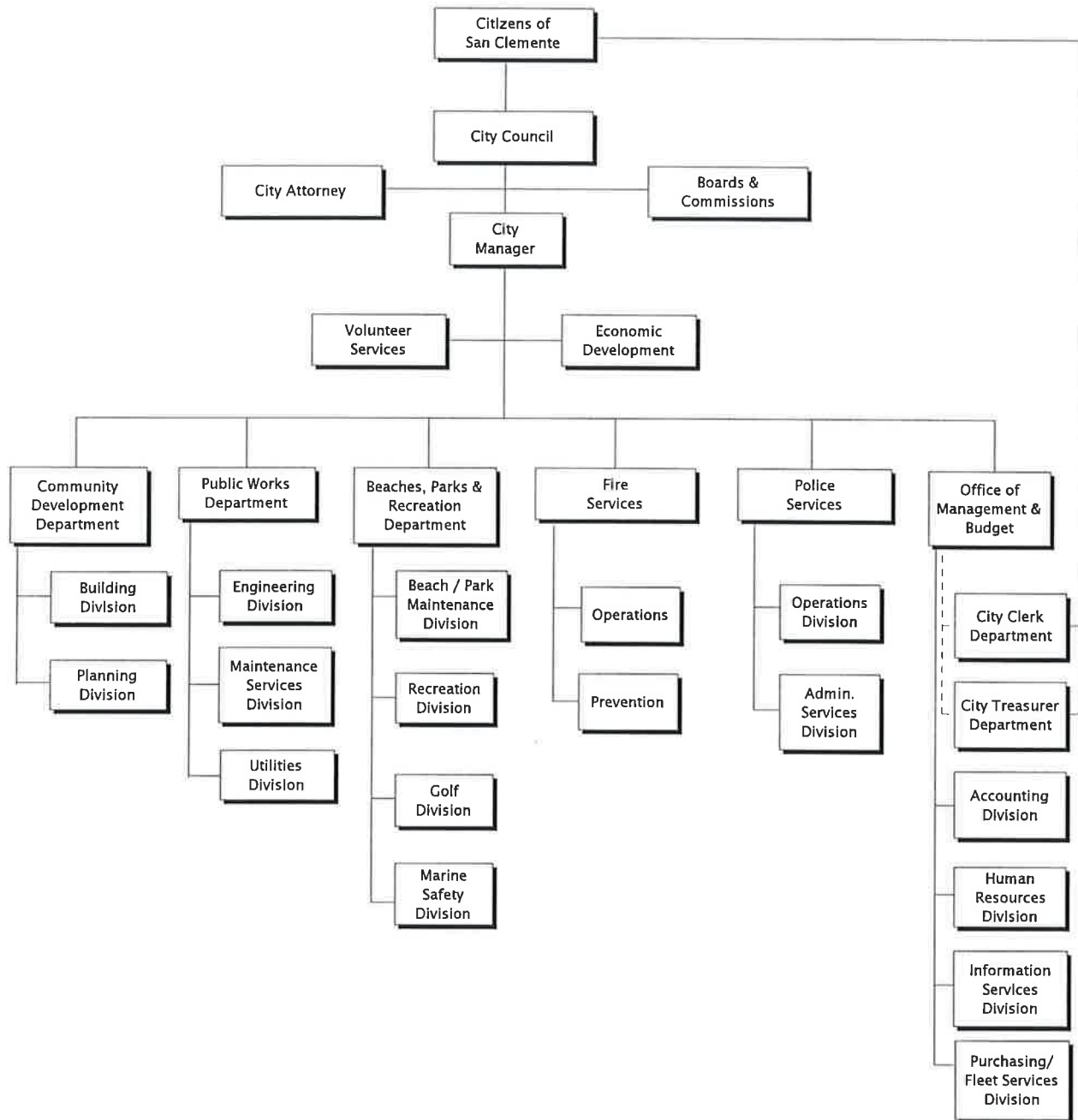
## Project Leaders

- Bradley H. Cagle Controller
- James L. Mies Budget Officer
- James S. Holloway Director, Community Development
- David N. Lund Economic Development Manager
- Michael L. Sorg Director, Public Works
- Bill Aylward Senior Accountant
- Bruce E. Wegner Director, Beaches, Parks & Recreation
- Greg Morehead Utilities Manager
- Kumi L. Johnson Purchasing Manager
- Larry K. Moore Management Information Services Manager
- Linda Kulp Human Resources/Risk Manager
- Marsha Payne Management Analyst





# City Organizational Chart





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# Project Teams

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## **Project Director**

*Paul Gudgeirsson, Director, Office of Management & Budget*

## **Financial Trends**

*Brad Cagle, OMB, Project Lead*

## **Financial Forecast**

*Jim Mies, OMB, Project Lead*

## **Development Fee Analysis**

*Jim Holloway, Community Development, Project Lead*

*Dave Lund, Economic Development, Project Lead*

## **Street Improvement Program**

*Mike Sorg, Public Works, Project Lead*

*Bill Cameron, Engineering*

*Akram Hindiye, Engineering*

## **Reserve Analysis**

*Jim Mies, OMB, Project Lead*

## **Pension Plan Analysis**

*Linda Kulp, OMB, Project Lead*

*Marsha Payne, OMB*

## **Unfunded Liability Analysis**

*Bill Aylward, OMB, Project Lead*

## **Fire Fund Analysis**

*Kumi Johnson, OMB, Project Lead*

*Brad Cagle, OMB, Project Lead*

## **Classification & Compensation Study**

*Marsha Payne, OMB, Project Lead*

## **Master Plans**

*Bruce Wegner, BPR, Project Lead-Lighting & Landscaping*

*Greg Morehead, Utilities, Project Lead-Storm Drain*

*Dave Lund, Economic Development, Project Lead-RDA*

*Jim Holloway, Community Development, Project Lead-RDA*

## **Organizational Adjustments**

*Kumi Johnson, OMB, Project Lead*

## **Computer Action Plan**

*Larry K. Moore, OMB, Project Lead*

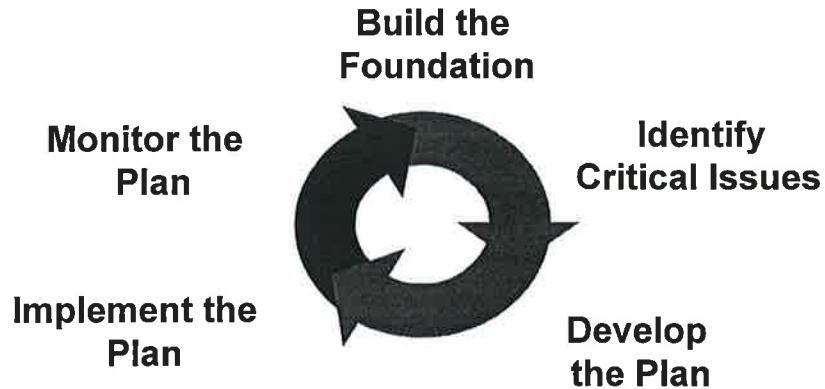


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# Introduction

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## Long Term Financial Plan



***The LTFP is a financial strategic 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 Plan consists of two volumes: The Long Term Financial Plan - Volume I provides the complete financial plan, while the Long Term Financial Plan Volume II - Issue Papers publication provides support documents used in developing a strategic plan after a thorough analysis of all issues that impact the City's financial condition. Further explanation of each volume is provided below:

*Long Term Financial Plan:* This volume, published under separate cover, includes the complete strategic financial plan and consists of the following sections:

***The LTFP consists of the complete financial plan***

- Introduction
- City Manager's Transmittal Letter
- Executive Summary
- Financial Trends
- Financial Forecast
- Fiscal Policy

It should be used as a companion volume to this document.

***The Issue Papers provide support documents and are used to develop the plan***

*Long Term Financial Plan - Issue Papers:* This volume of the Long Term Financial Plan, includes the complete issue analysis conducted by staff over a period of several months in developing the City's financial strategic plan. The issues outlined on the following pages were analyzed as a part of the 1995 Long Term Financial Plan process:

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# Long Term Financial Plan

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## Financial Trend Analysis

### **Objective:**

*Utilizing the International City Manager's Association (ICMA) Financial Trend Monitoring System, update the comprehensive Financial Trend Report, including specific recommendations to address those trends considered unfavorable or where a warning trend has been observed. Ratings assigned to each trend include: Favorable (F), Unfavorable (U) or Warning (W).*

## Financial Forecast

### **Objective**

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

## Development Fees

### **Objective**

*(1) To re-examine the City's policy on developer financing of infrastructure; (2) to ensure that various impact fees are reasonable; (3) to analyze whether or not the City's fee structure is competitive when compared to other cities; and (4) to determine if fees are detrimental to economic development opportunities.*

## Street Improvement Program

### **Objective**

*The purpose of this report is to recommend (1) a street improvement and replacement program which will raise the overall condition of the City's street system to an acceptable level, and (2) an annual preventive maintenance program which will keep the system at an acceptable level.*

## 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 and (b) meet program needs without unnecessarily obligating scarce dollar resources.*

## **Pension Analysis**

### **Objective**

*To determine the fiscal feasibility of converting the City's current "defined benefit" pension plan to the State Public Employees Retirement Plan (PERS).*

## **Unfunded PERS Liability**

### **Objective**

*To identify and address unfunded (PERS) liabilities pertaining to former public safety personnel.*

## **Fire Fund Analysis**

### **Objective**

*To determine the feasibility of direct property tax contributions to the Structural Fire Fund for the payment of Fire Services.*

## **Classification and Compensation Study**

### **Objective**

*To adopt the revised classification and compensation report prepared by Ralph Andersen & Associates which restructures the City's classification specifications and compensation plan.*

## **Master Plans**

### **Objective**

*To create five year master plans and determine how rates may be impacted by future Capital projects, as well as maintenance and operating costs for the Redevelopment Agency, Lighting & Landscaping and Storm Drain Utility Funds.*

## **Organizational Changes**

### **Objective**

*To determine the operational impacts of the City's downsizing and contracting upon the remaining City departments/divisions and to determine if organizational changes should be made to further reduce cost and enhance efficiency.*

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# Long Term Financial Plan

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## Computer Action Plan

### **Objective**

*To adopt in concept the City's updated "Two Year Action Plan" for Management Information Services. The goals of the ongoing Action Plan are threefold:*

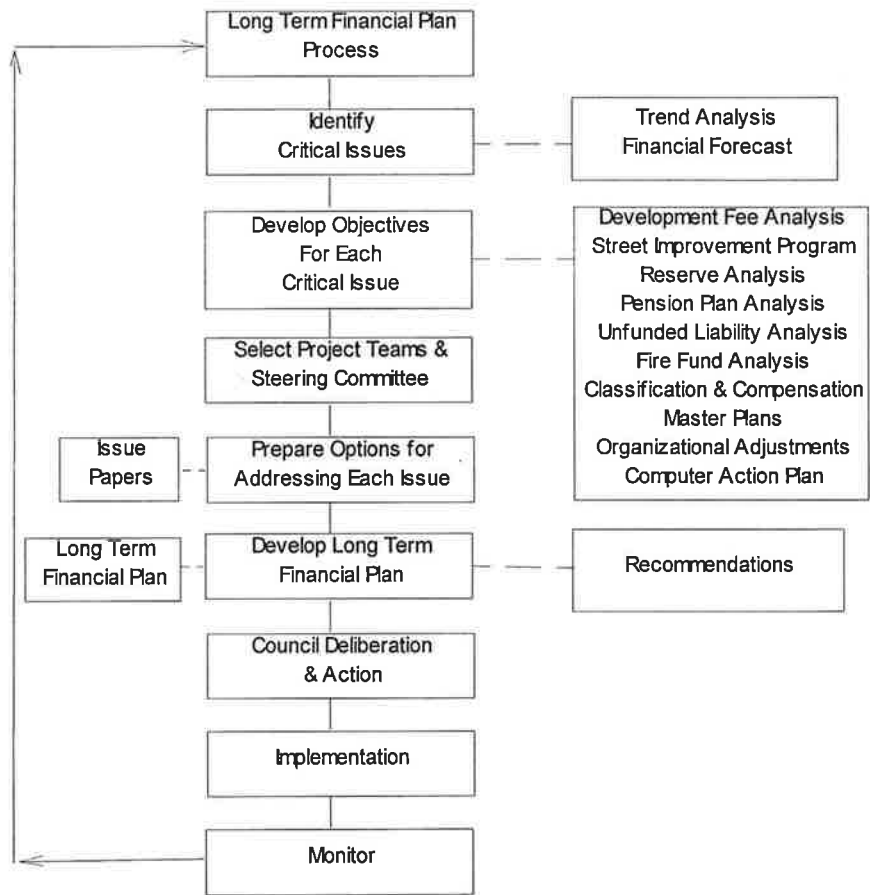
- 1. Maximize staff productivity through automation*
- 2. Protect the City's investment in automation*
- 3. Ensure that funding is invested in technologies that are in line with the goals of the City*



## Long Term Financial Plan Process

The flow chart below graphically describes the **process** that went into developing the City's comprehensive Long Term Financial Plan. This project was conducted largely by City staff. In fact, over 25 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. The Classification and Compensation Study was conducted by a professional compensation firm, Ralph Andersen & Associates. Assistance was provided by KPMG Peat Marwick in completing the cash and fund balance analysis relating to the collapse of the Orange County Investment Pool. Including the Project Director, there were 12 project leaders each assigned to teams addressing a specific critical issue.

### *The Long Term Financial Plan process*



### **Goals**

As indicated, the process of developing the Long Term Financial Plan began by identifying ten critical areas which have, or are expected to have, an impact on the financial condition of the City over the next five years. Once the critical issues were identified, specific goals and objectives were developed for each project designed to meet the overall goal of the project:

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# Long Term Financial Plan

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***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 which met 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 five months of intensive effort and time by all staff involved, the option papers were completed and incorporated into the Long Term Financial Plan - Issues Papers report.

***Trends & Forecast are the Foundation of the LTFP***

Once the issue papers were completed, the actual Long Term Financial Plan, was developed by using the Trend Analysis and Financial Forecast as the foundation of the plan. Appropriate recommendations made in the issue papers were incorporated into this Long Term Financial Plan, which can essentially be described as a long-term financial strategic plan.

This Financial Plan will be presented to the City Council on February 25, 1995. Following is the schedule that will be followed by the Council as they develop an action plan that the City will implement as a part of the 1993-94 Budget or 1994-95 budget process:

***Schedule***

February 15, 1995	LTFP provided to Council and public for review.
February 25, 1995	Staff presentations to Council/Public and Council discussion of issues. Council deliberations and direction.
March 1, 1995	Additional Council deliberations and direction if needed.
March 1-13, 1995	Staff incorporates Council decisions into proposed Budget.

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# Financial Trend Analysis

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## **Objective**

Utilizing the International City Manager's Association (ICMA) Financial Trend Monitoring System, update the comprehensive Financial Trend Report, including specific recommendations to address those trends considered unfavorable or where a warning trend has been observed. Rating assigned to each trend include: Favorable (F), Unfavorable (U) or Warning (W)

## **Background**

Analyzing financial trends and deriving applicable conclusions and recommendations is a very complex process. It involves sorting through a number of factors to determine the health of the City. Some of the factors which must be analyzed include:

- The state of the economy;
- Revenue yields and whether they are sufficient to support a growing community;
- Expenditure levels and whether they are providing for the public well being and safety of the residents of the community;
- Fund balances and reserve levels and whether they are sufficient to protect the City against an economic decline;
- Debt levels and their impacts upon current City financial resources.

This report examines these issues and others in determining the current financial condition of the City of San Clemente.

This is the City's third annual trend analysis report which again focuses almost entirely on the City's General Fund. Several recommendations were identified and implemented in the 1993 and 1994 Long Term Financial Plans in order to strengthen the General Fund's financial condition. The City Councils actions in several critical areas have helped in significantly improving the financial condition of the City's General Fund. Recommendations that were implemented by Council include:

- Contracting of police services to the Orange County Sheriff that eliminated 78 positions and saved \$1.4 million in the General Fund and saved the City \$2.1 million across all funds in FY 1993-94.
- Establishment of a storm drain utility fund that reduced the General Fund budget for storm drain maintenance by \$250,000 in FY 1993-94.

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## Financial Trend Analysis

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- Reorganization of City departments, the streamlining of operations and the contracting of various City services resulted in the elimination of 168 positions from FY 1991-92 to FY 1994-95.
- Contracting of fire services to the Orange County Fire Department in FY 1994-95 further reduce General Fund costs by \$733,000 in the first year and is projected to save the City a total of \$2.1 million over 5 years.
- Reduction in City paid medical insurance premiums by \$508,000 in FY 1993-94.
- Additional contributions made towards the under funded reserves of worker' compensation and general liability. The general emergency reserve balance increased to \$659,640 at June 30, 1994 with additional contributions budgeted of \$150,000 in FY 1994-95.
- Additional cost were avoided through salary freezes, benefit reductions and the implementation of an unpaid work furlough for two consecutive years.
- Contracting of fleet services, water meter reading, park and beach maintenance, street striping and marking to third parties for an estimated first year savings through FY 1994-95 of \$488,000 and is projected to save the City a total of \$2.4 million over 5 years.

This report analyzes the affects of these changes on the City's current financial condition and makes further recommendations on improving the General Fund's financial condition. It will again analyze the fiscal condition in three major areas of the General Fund:

<b>General Fund Revenues</b>	The accumulation of financial resources that fund those services which have the greatest impact upon the citizens of San Clemente including police, fire, recreation, and street maintenance.
<b>General Fund Expenditures</b>	The application of financial resources towards the cost of providing the services of police, fire, recreation, street maintenance, and other services.
<b>General Fund Operating Position</b>	The ability of the City to balance current revenues with current expenditures, maintain adequate reserve levels, and to cover short-term liabilities.

Also included within this report is a section covering additional indicators that ultimately affect General Fund operations.

A thorough analysis of the financial trends applicable to the City's General Fund will provide the City Administration and Council with a much clearer picture of the overall financial position of

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## Financial Trend Analysis

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the City and help identify areas where policies need to be revised or implemented. This report examines data from FY 1989-90 through FY 1993-94 and combines information from Annual Budgets, Comprehensive Annual Financial Reports, Annual State Controller's Report, and the International City's Managers Association (ICMA) Trend Monitoring System in assessing operating results. Financial indicators have been analyzed in accordance with the City's adopted fiscal policies (see "City Fiscal Policy" following the "Summary of Trends") and national standards. One of the following ratings has been assigned to each indicator:

**Favorable:** This trend is **positive** with respect to the City's goals, policies, and national criteria.

**Unfavorable:** This trend is a **negative** one, and there is an immediate need for the City to take corrective action.

**Warning:** 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. The City also uses this rating to indicate that, although a trend may appear to be favorable, it is not yet in conformance with adopted fiscal policies.

The following sections provide detailed insights into the City of San Clemente's FY 1993-94 General Fund operating position.

### Overview of The Financial Condition

Several revenues categories including sales tax revenues, licenses and permits, community development charges, increased and continue to show signs of ongoing growth. Actual FY 1993-94 revenues exceeded budget by \$127,000 or 0.7%. General fund expenditures totaled approximately \$1.9 million less, or 8.9% than that budgeted the prior year. The net effect was an increase for the third year in the ending general fund balance, to a total fund balance of approximately \$1.5 million.

Like most California cities, the City's financial condition continues to be greatly affected by the loss of revenues through unfunded State and federal mandates and the diversion of property tax revenues from the City to the state (\$1.2 million annually). Additionally, property values have begun to decline as evidenced by the drop in property tax revenues. However, despite these factors the financial condition of the City, as measured by the City's adopted fiscal policies and national standards, has improved dramatically over the prior fiscal year.

In evaluating the financial health of the City, it is necessary to re-examine the underlying factors affecting financial condition. This analysis reveals that most of the past problem areas, which have been addressed by previous Long-Term Financial Plans and by Council, have shown great improvement. Although there are still several weaknesses in the City's current financial condition, an improving economy, combined with the positive impacts of implemented cost

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## Financial Trend Analysis

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reduction measures, should result in a continuation of improvements in the City's financial picture.

- The City's **revenue base** is growing and, as a result of Council's actions from prior Long-Term Financial Plans, appears to be at a level sufficient to maintain existing service levels. Through the process of contracting and privatization, the City has been able to enhance service levels including critical public safety services.
- The City's dependency on **elastic revenues** continues to impact General Fund operations. Although there is evidence of growth in the local economy, certain elastic revenues, including property taxes are declining as the result of decreased property valuation and diversions to the State. The City Council's continued commitment to the funding of emergency reserves, however, will help safeguard against any future short-term unforeseen economic downturns that may have an effect on elastic revenues.
- The effect of **reducing expenditures** because of an economic downturn usually jeopardizes the operations of a City. However, the City of San Clemente has significantly reduced expenditure levels while maintaining and, in fact, enhancing service levels. This has largely been accomplished by resorting to contracting and privatization, operational improvements, organizational streamlining, and reduced benefit and salary levels. Employee salary and benefit levels have been reduced and employees have not had a salary increase for the past three years. Staffing levels have decreased to 184 full time positions in FY 1994-95, from 352 in 1992. Again, these measures have allowed the City to maintain and enhance City services, while keeping costs at levels comparable to FY 1989-90.

### ***Comparison of Trend Reports***

As evidenced by the summary chart below, the City has made significant progress in improving the financial condition of the City since the development of the City's first Long-Term Financial Plan in 1993.

Since last year, seven financial indicators improved while, unfortunately, two dropped to a lower level. Of the 9 indicators relating to revenues, 5 are considered favorable while 4 are considered unfavorable, including: Revenues Per Capita, Property Tax Revenues, Community Development Charges and Revenue Overages/Shortages. Four revenue indicators actually improved from unfavorable/warning to favorable.

Three other indicators improved from warning or unfavorable to favorable, including: Expenditures Per Capita, Employees Per Capita and Fund Balance. For reasons discussed at length in this report, Property Tax Revenues and Property Values changed from a warning to an unfavorable rating.

The following chart depicts the financial indicator's for the past three years.



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## Financial Trend Analysis

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### Summary of Annual Trends

<b>Indicator Number</b>	<b>Description</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
1	Revenues Per Capita	U	U	U
2	Property Tax Revenues	U	W	F
3	Sales Tax Revenues	F	U	U
4	License & Permits	F	U	U
5	Comm Dev. Service Charges	U	U	U
6	Elastic Revenues	F	U	U
7	One Time Revenues	F	W	W
8	Intergovernmental	F	F	F
9	Revenues Overages/Shortages	U	U	U
10	Expenditure Per Capita	F	W	W
11	Employees Per Capita	F	W	W
12	Fringe Benefits	W	W	U
13	Capital Outlay	U	U	U
14	Operating Surplus	W	W	U
15	Fund Balance	F	W	W
16	Liquidity Ratio	F	F	F
17	Debt Service	F	F	F
18	Compensated Absences	F	F	F
19	Property Value	U	W	W
20	Population	F	F	F

**F**    **Favorable**  
**W**    **Warning**  
**U**    **Unfavorable**

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# Financial Trend Analysis

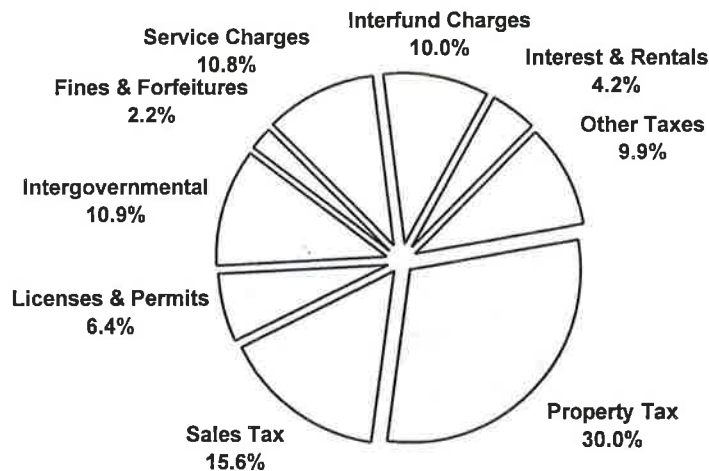
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## General Fund Operating Results

Overall, the General Fund has shown signs of rebounding from the economic recession. Revenues for FY 1993-94, decreased 1.8% from FY 1992-93, which is attributable to a sharp decrease in one-time revenues. Actual General Fund revenues were approximately \$19 million, which is \$127,000 or 101% of that budgeted in FY 1993-94, and \$242,000 more than that projected. This increase is largely due to the increases in development activity and stabilization of sales tax receipts.

As demonstrated below, the predominant revenue source of the General Fund is taxes. These include property, sales and other taxes that comprise 55.5% of the total FY 1993-94 General Fund revenue.

**1993-94 Operating Revenues By Source**



Of the total amount of General Fund tax revenue, sales and property taxes represent the largest source of revenues. The City receives 1% of the total 7.75% in sales tax generated within the City limits, with 6.25% distributed to the State and 0.5% to the County under Measure M for street improvements. In FY 1993-94, the property tax of the typical resident of San Clemente was apportioned to local governments with school districts receiving 69.3%, special districts receiving 6.8%, the County 8.6%, the Redevelopment Agency 2.4%, and the City receiving 12.9%.



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## Financial Trend Analysis

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Expenditures in the General Fund represent the largest portion of the total operating costs for the City. In FY 1993-94, General operating expenditures decreased by \$2.3 million or 10.6% due largely to cost savings realized from the contracting of police services to the Orange County Sheriffs Department. An analysis of expenditure trends reveals several major areas of concern for the City, including the lack of funding for capital outlay and street improvements, and under funded reserve levels in the General Fund, Worker's Compensation Fund, and General Liability Insurance Fund.

The City's initial response to the drop in General Fund revenues has been to reduce total expenditures across departments, including the elimination of 168 full time equivalent positions since FY 1991-92. This was accomplished by contracting out police services, fleet services, park and beach maintenance, street striping and marking, and meter reading services which saved costs while maintaining or enhancing services.

In addressing the City's street improvement needs, decisions are going to have to be made as to whether it is to be accomplished through existing resources, debt financing, or by the creation of a special assessment district that assess property owners for their share of the improvement costs.

In regards to the deficiency in reserves, the City is gaining ground on the funding of reserves although the City is still short of funding them to levels sufficient to see it through a prolonged economic slump or survive a natural disaster such as a severe storm, flood, or fire. The City's General Fund Emergency Reserve is currently funded at 4% while the target of 8% is projected to be met by FY 1997-98. Continued additional funding needs to be provided in the Worker's Compensation and General Liability Funds in order to eliminate the negative fund balances and establish proper reserve levels. A schedule has been established for the funding of these critical reserves. (See Reserves issue paper)

In summary, the aggressive and positive actions taken by the City Council over the past three years, has improved the financial condition of the City's General Fund considerably. The continued development and implementation of the Long Term Financial Plan is designed to address the financial stability of the City, and to monitor and make recommendations that will improve upon the financial condition of the City.

### **General Obligation Debt**

According to California State law, the City's legal debt capacity for general obligation indebtedness is equal to 3.75% of total assessed property values within the City, or \$145.8 million. The City's only current general obligation debt is \$3,755,000 at June 30, 1994, for certificates of participation issued on June 1, 1993. This debt was issued to finance the acquisition and improvements of the three story 56,988 square foot building located at 910 Negocio, San Clemente. Debt service payments are completely subsidized through the leasing of office space.

# Financial Trend Analysis

## Summary of Trends

Indicator Number	Page Number	Description	Trend	Comments
<u>General Fund Revenues</u>				
1.	19	Revenues Per Capita	U	Revenues per capita reflected slight increases in both actual and constant dollars in FY 1993-94 excluding one-time revenues and is still below the levels of FY 1989-90. Rating unchanged from prior year.
2.	21	Property Tax Revenues	U	Property tax revenues evaluated over time reflect a steady increase up until FY 1992-93 which dropped significantly and continued to drop through FY 1993-94. This is a result of decreasing property values and a 9% State mandated property tax shift. Rating changed from warning to unfavorable from prior year.
3	23	Sales Tax Revenues	F	Sales tax revenue increased 5.6% in actual dollars, 4.6% in constant dollars in FY 1993-94, and this represent levels higher than any of those over the past five years. Rating changed from unfavorable to favorable from prior year.
4	24	Licenses & Permits	F	License and Permit Revenues reflect a 21.9% increase over the prior year in actual dollars. This represents the third straight year of increases to a level of approximately that of FY 1989-90. Rating changed from unfavorable to favorable from prior year.
5	25	Com. Dev. Service Chgs.	U	Community Development Service Charges in actual dollars increased 15%, or \$180,000 from the 1992-93 but is still significantly below the levels reached five years ago. Rating unchanged from prior year.
6	26	Elastic Revenues	F	Elastic revenues have shown an increase in the last two years, with a significant increase of 9.8% in FY 1993-94, and with a modest increase in FY 1992-93. Rating changed from unfavorable to favorable from prior year.
F	Favorable			
W	Warning			
U	Unfavorable			

## Financial Trend Analysis

Indicator Number	Page Number	Description	Trend	Comments
7	27	One-Time Revenues	F	One-time revenues decreased 83 % FY 1993-94 over FY 1992-93 and shows signs of decreased reliance on one-time revenues. One-time revenues are expected to dwindle in the future and the City will continue to apply one-time revenues towards one-time expenditures. Rating changed from warning to favorable from prior year.
8	29	Intergovernmental	F	Intergovernmental revenues as a percentage of operating revenues have been relatively the same over the last five years. This is viewed as a positive trend since the City should avoid becoming over dependent upon revenue sources it cannot control. However, it could also be viewed negatively because of the continual shift of mandated programs onto cities. Rating unchanged from prior year.
9	31	Revenue Overages/ Shortages	U	Revenue overages/shortages as a percentage of operating revenues examines the differences between revenue estimates and revenues actually received. This indicator has continued to decline over the last five years with revenue shortages being minimized over the past three years to a current year revenues over budget of .67%. Rating unchanged from prior year.

### General Fund Expenditures

10	37	Exp. Per Capita	F	Expenditures per capita in constant dollars decreased for the second year, with constant dollars falling to the lowest level in five years. City Council has reduced spending significantly by contracting and privatizing services. This represents cost savings while services to City residents have been maintained or enhanced. Rating changed from warning to favorable from prior year.
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F Favorable  
W Warning  
U Unfavorable

# Financial Trend Analysis

Indicator Number	Page Number	Description	Trend	Comments
11	39	Employees Per Capita	F	The number of employees per capita dropped to its lowest level in over 5 years as a result of the elimination of 168 positions since FY 1991-92. This action was necessitated due to the economic recession, and the impact this downturn has had on State funding to local governments. Rating changed from warning to favorable from prior year.
12	41	Fringe Benefits	W	Fringe benefits, as a percentage of salaries and wages, increased slightly from FY 1992-93 to FY 1993-94. This is an aberration due to a low percentage in FY 1992-93 when medical costs were subsidized from excess medical reserves. A change in carriers and benefit levels in FY 1993-94 will result in a lower percentage in FY 1994-95. Additionally, the full impact of reduced medical costs and the contracting out of public safety personnel will serve to reduce this percentage in future years.
13	43	Capital Outlay	U	Capital Outlay as a percentage of operating expenditures has declined steadily over the last five years. The economic recession has required nonessential purchases to be deferred. However, the continued practice of non-replacement of inefficient and obsolete equipment will eventually lower productivity and expose the City to greater liability costs. It should be noted that an annual contribution of \$100,000 is now made to a new Capital Improvement Reserve fund, thus, although an Unfavorable rating has been assigned, the trend will improve in the near future.
14	46	Operating Surplus	W	As a result of the economic downturn, General Fund operating expenditures have exceeded operating revenues in two of the past five fiscal years with FY 1993-94 barely showing a deficit at -0.14%. It is crucial that the City budget revenues conservatively and that current expenditures be supported entirely by current revenues. Rating unchanged from prior year.

F Favorable  
W Warning  
U Unfavorable

## Financial Trend Analysis

Indicator Number	Page Number	Description	Trend	Comments
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### General Fund Operating Position

15	48	Fund Balance	F	The City's unreserved fund balance at June 30, 1994, as a percentage of operating revenues, increased slightly over the prior year to 7.71%, as a result of a modest increase in operating revenues. At July 1, 1992, Council set aside \$509,640, or 2.6% of General Fund expenditures, as a "General Fund Emergency Reserve". This was increased by \$120,000 at July 1, 1993 to \$629,640. Over the next four years, the City plans to build this reserve to an amount equal to 8% of General Fund expenditures. Rating changed from warning to favorable from prior year.
16	50	Liquidity Ratio	F	The General Fund liquidity ratio (current assets to current liabilities) at June 30, 1994 was 1.7:1 which is above the 1:1 ratio viewed as favorable by credit rating firms. Rating unchanged from prior year.
17	51	Debt Service	F	General Fund debt service represented only 0.08% of operating revenues in FY 1993-94, which is well below the 20% maximum established by credit rating firms. Rating unchanged from prior year.

### Additional Indicators

18	53	Compensated Absences	F	Accumulated compensated Absences (unpaid vacation, sick leave, and compensatory time) have dropped for three consecutive years. The drop in this liability for FY 1993-94 amounted to 2.6%, or \$30,000. Results are attributed to the leave payoff of 78 police department employees at June 30, 1993, the reduction of 26 other positions from FY 1991-92 to FY 1992-93, and the retirement of some long term employees. Rating unchanged from prior year
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F Favorable  
W Warning,  
U Unfavorable

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## Financial Trend Analysis

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Indicator Number	Page Number	Description	Trend	Comments
19	55	Property Values	U	Changes in the value of property is of primary importance to the City because property tax revenue is the City's single largest revenue source. The growth rate of property values declined to -.64% in FY 1993-94 from the FY 1990-91 growth rate of 15.22%. The decline in the growth rate is a reflection of the drop in property values experienced in the housing, retail, and industrial markets due to the economic recession. A continued decrease in market values of property will ultimately lower the amount of property tax revenues to the City. Rating changed from warning to unfavorable from prior year.
20	56	Population	F	A sudden increase in population can create immediate pressures for new infrastructure and higher levels of service. Conversely, a rapid decline in population allows for a smaller tax base for spreading City costs that cannot be reduced in the short run, such as debt service, pensions, and governmental mandates. This trend receives a favorable rating because the population growth has been a steady, but not rapid, increase over the last five years and has been relatively planned and controlled. Rating unchanged from prior year.

F Favorable  
W Warning,  
U Unfavorable

## City Fiscal Policy

### ***General Financial Goals***

1. To maintain a financially viable City that can maintain an adequate level of municipal services.
2. To maintain financial flexibility in order to be able to continually adapt to local and regional economic changes.
3. To maintain and enhance the sound fiscal condition of the City.

### ***Operating Budget Policies***

4. The City will adopt a balanced budget by June 30 of each year.
5. The City Manager will prepare a budget calendar no later than January of each year.
6. An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year.
7. During the annual budget development process, the existing base budget will be thoroughly examined to assure removal or reduction of any services or programs that could be eliminated or reduced in cost.
8. Current revenues will be sufficient to support current operating expenditures.
9. Annual operating budgets will provide for adequate design, construction, maintenance and replacement of the City's capital plant, and equipment.
10. The City will project its equipment replacement and maintenance needs for the next five years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.
11. The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets.
12. The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.
13. That the City will establish a Capital Equipment Replacement Fund for the accumulation of funds for the replacement of worn and obsolete equipment other than vehicles.

### ***Revenue Policies***

14. The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.
15. Because revenues, especially those of the General Fund, are sensitive to both local and regional economic conditions, revenue estimates adopted by the City Council must be conservative.
16. The City will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate.



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## Financial Trend Analysis

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17. User fees will be adjusted annually 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.
18. One-time revenues will be used for one time expenditures only. (Including capital and reserves)

### ***Expenditure Policies***

19. The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.

### ***Utility Rates and Fees***

20. The City will set fees and user charges for each enterprise 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.
21. Utility rates will be established for each of the next five years and this rate projection will be updated annually.

### ***Capital Improvement Budget Policies***

22. The City will make all capital improvements in accordance with an adopted and funded capital improvement program.
23. The City will develop an annual five-year plan for capital improvements, including CIP design, development, implementation, and operating and maintenance costs.
24. The City will identify the estimated costs, potential funding sources and project schedule for each capital project proposal before it is submitted to Council for approval.
25. The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the Capital Improvement Plan and City priorities, and whose operating and maintenance costs have been included in the budget.
26. The City will coordinate development of the capital improvement budget with the development of the operating budget. All costs for internal professional services needed to implement the CIP will be included in the operating budget for the year the CIP is to be implemented.
27. Cost tracking for components of the capital improvement program will be implemented and updated quarterly to ensure project completion within budget and established timelines.



### ***Short-Term Debt Policies***

28. 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 of resolution.
29. The City may issue inter-fund loans rather than outside debt instruments to meet short-term cash needs. Inter-fund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's current operations. The prevailing interest rate, as established by the City Treasurer, will be paid to the lending fund.

### ***Long-Term Debt Policies***

30. The City will confine long-term borrowing to capital improvements that cannot be financed from current revenues.
31. Where possible, the City will use special assessment, revenue, or other self supporting bonds instead of general obligation bonds.
32. Proceeds from long-term debt will not be used for current on-going operations.
33. Total debt service for general obligation debt will not exceed ten percent of net operating revenues.
34. Before bonded debt long-term debt is issued, the impact of debt service on total annual fixed costs will be analyzed.

### ***Reserve Policies***

35. The City will maintain General Fund reserves (Rainy Day Reserve) at a level at least equal to 8% of general fund expenditures. 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 2 or more years), or other unforeseen catastrophic costs not covered by the Contingency Reserve.
36. A Contingency Reserve will be established to provide for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The level of this reserve will be established as needed but will not be less than 1.5% of general fund expenditures.
37. Council approval is required before expending General Fund or Contingency Reserves.
38. 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 established based on an annual projection of employee retirements.
39. Self-insurance reserves will be maintained at a level which, together with purchased insurance policies, adequately protect the City. The City will maintain a reserve of three times its self insurance retention.

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## Financial Trend Analysis

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### ***Investment Policies***

40. The City Treasurer will annually submit an investment policy to the City Council for review and adoption. (Note: This policy is currently under review by the City Council appointed Treasurer's Committee).

### ***Accounting, Auditing, and Financial Reporting***

41. 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.
42. A fixed asset system will be maintained to identify all City assets, their condition, historical cost, replacement value, and useful life.
43. Quarterly financial reports will be submitted to the City Council and will be made available to the public.
44. Full disclosure will be provided in the general financial statements and bond representations.
45. Maintain a good credit rating in the financial community.
46. 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.

### General Fund Revenues

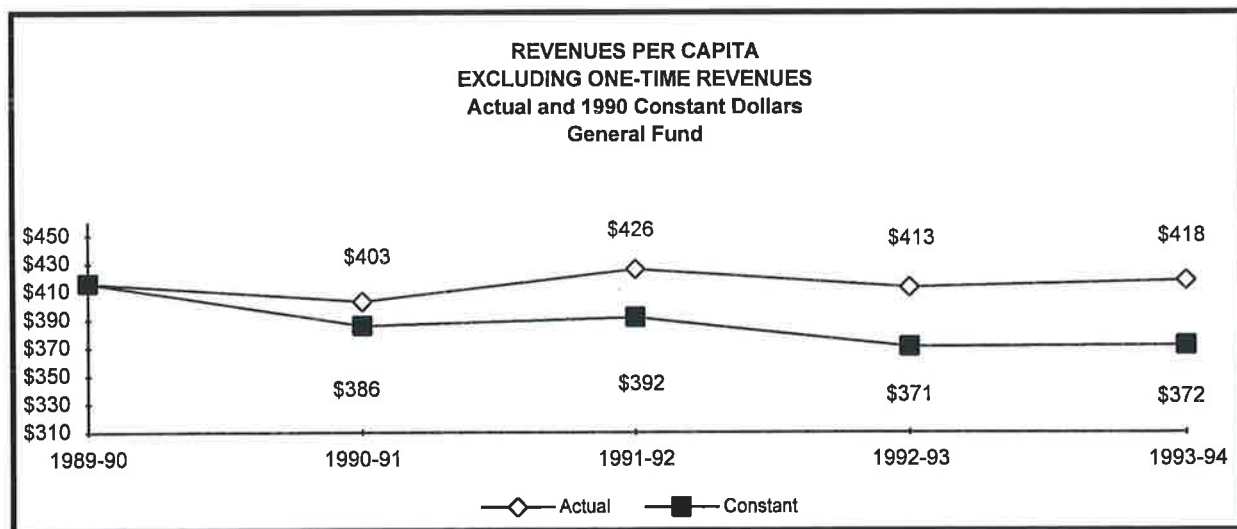
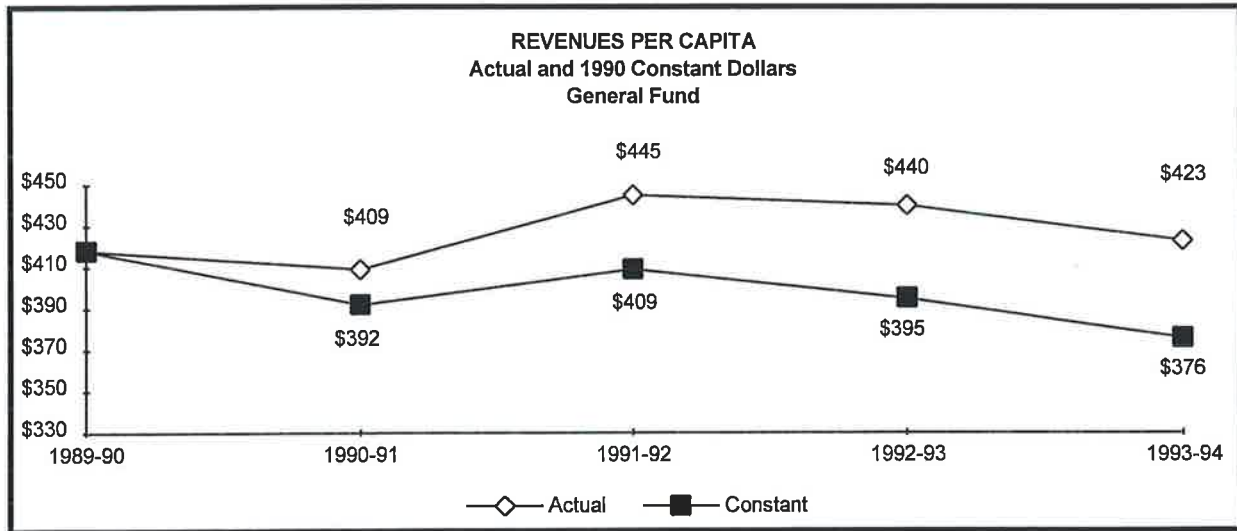
General Fund revenues finance the majority of the day to day operations of the City. Consequently, changes in revenue levels and composition will have a significant impact on the City's ability to provide services to the citizens of San Clemente. Not only is the dollar amount received important, but also the type of revenue. Revenues should be balanced between those that change as the economy shifts (elastic) and those that flow independently of economic activity (inelastic). General Fund revenues should also come from diverse sources within the community and be sufficiently flexible in order to allow for spending based on the changing needs of the City.

In the following section, a number of indicators have been evaluated to determine the financial condition of the City's revenue base. After in-depth analysis, it is relatively easy to conclude that the City of San Clemente has shown immense improvement in revenues due to the growing economy. Property tax revenues are still an area of concern because of decreasing property values and the loss of revenues to the State. A full revenue analysis is provided for the following indicators:

- Revenues Per Capita
- Property Tax Revenues
- Sales Tax Revenues
- License and Permit Revenues
- Community Development Service Charges
- Elastic Revenues
- One-Time Revenues
- Intergovernmental Revenues
- Revenues Over (Under) Budget

# Financial Trend Analysis

## Indicator 1



**Current Trend: Unfavorable**

**Prior Year Trend: Unfavorable**

### **Description**

Revenues per capita in constant dollars is a measure of the City's ability to maintain current service levels. Constant dollars reflect the real changes in operating revenue after adjusting for inflation. An increase in constant dollars normally means a city will be able to respond positively to increasing service demands. Conversely, a decrease in constant dollars may indicate that revenue yields are not sufficient to maintain existing levels of service.

### ***Comments And Analysis***

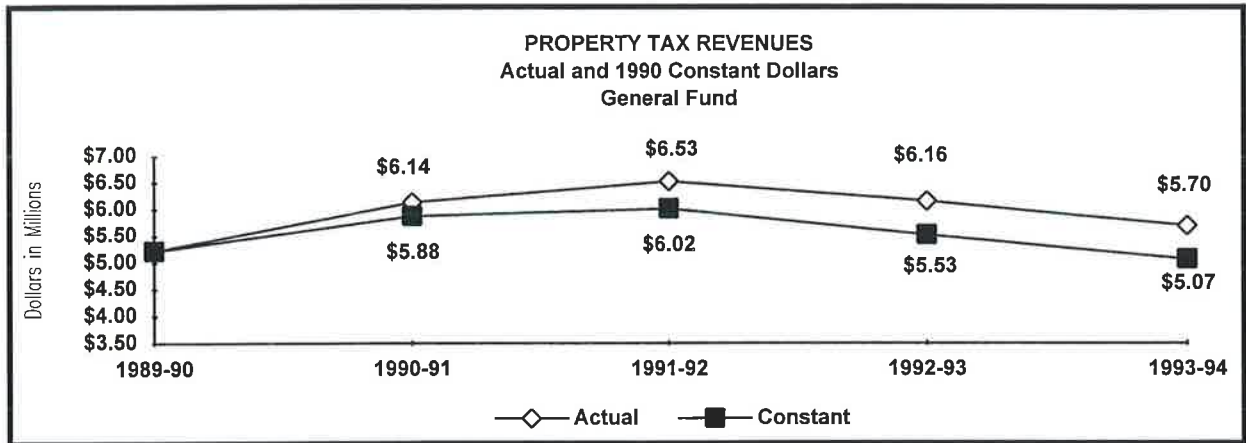
The first chart above on revenues per capita reflects an overall decrease in the past two years in both actual and constant dollars. However, the City has experienced increases in most revenue sources with the exception of property taxes (which is analyzed in an indicator 2). The decrease in revenue per capita is primarily due to the sharp decrease in one-time revenues received by the City, as shown in the second chart. This chart (which excludes one-time revenues), shows that both actual and constant dollar revenues per capita increased from the prior year. One-time revenues dropped \$959,000 or 83% while revenues (excluding one-time revenues) increased \$600,000 or 3.3%. One-time revenues were extremely high during FY 92-93 due to the Telega Valley fire protection service charge, and inter-fund transfers due to the contracting of police services, which totaled approximately \$1.15 million. The City attempts to only apply one-time revenues against one-time expenditures. In summary, this trend indicates that, in constant dollars, revenues per capita is improving and the City's reliance on one-time revenues is diminishing. In the next fiscal year this trend should continue to improve.

### ***Related Fiscal Policy***

- #12 The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.
- #14 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.
- #18 One-time revenues will be used for one-time expenditures only (including capital and reserves).

# Financial Trend Analysis

## Indicator 2



**Current Trend: Unfavorable**

**Prior Year Trend: Warning**

### Description

Property tax revenues are evaluated over time to measure the City's economic health. Again, constant dollars are examined in order to evaluate that part of the change that is not due to inflation. Property taxes are the City's primary source of revenue and is relatively inelastic in that it should remain constant in real terms. By State law (Proposition 13), the County levies property taxes at one percent of full market value at the time of purchase. Assessed values can be increased by no more than two percent per year. The City also has the authority to impose an excess property tax levy to pay debt service on voter approved general obligation bonds. Through June 30, 1992, the City had been receiving a share of the basic levy proportionate to the amount received at the time Proposition 13 was passed, approximately 19 percent. Effective July 1, 1992, the City's share of the basic levy dropped to approximately 17 percent as the State, in an effort to solve their budgetary problems, imposed a 9% property tax shift. Effective July 1, 1993, the City's share dropped to 12.9 percent as the State again imposed an additional and permanent 9 percent property tax shift.

### Comments And Analysis

In FY 1993-94, property tax revenues dropped \$456,000 or 7.4 percent in actual dollars, and \$459,000 or 8.3 percent in constant dollars. This drop continues a two year decrease in both constant and actual dollars since FY 1991-92. The decrease in property tax revenue is a reflection of the State mandated property tax shift which cost the City \$1.2 million and the recent decrease in the valuation of property due to the economic recession. This decrease in revenue and decline in property valuation result in a unfavorable rating.

### ***Related Fiscal Policy***

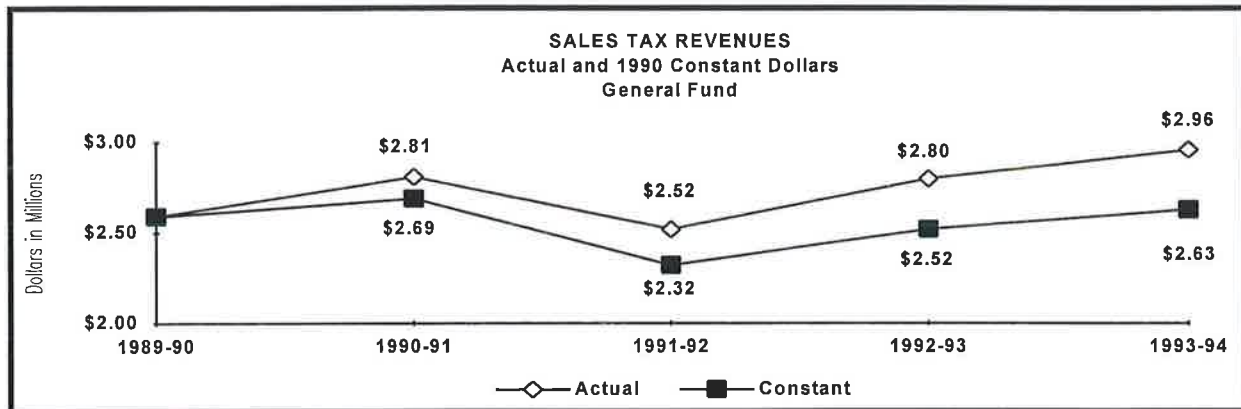
- #14 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.

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## Financial Trend Analysis

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### Indicator 3



**Current Trend: Favorable**

**Prior Year Trend: Unfavorable**

#### **Description**

Sales tax revenue is another strong indicator as to the City's economic health. Sales taxes are the City's second largest source of revenue and is relatively elastic in that it varies directly with changes in the economy. Again, constant dollars are examined in order to evaluate the part of the change that is not due to inflation. The State Board of Equalization levies the sales tax on most retail sales with principal exemptions applying to sales of food for home consumption and prescription drugs. As of June 30, 1993, the Board had been collecting and administering 1.0% of local sales tax for the City which is part of the overall County of Orange sales tax rate of 7.75%. Effective July 1, 1993, the City's allocation increased by an additional 0.5% and was earmarked for public safety as mandated by the State. In November 1993, voters in the statewide elections approved proposition 172, which continues this public safety sales tax indefinitely. As of June 30, 1994, the rate was still 7.75%.

#### **Comments And Analysis**

In FY 1993-94, sales tax revenue increased \$157,000, or 5.6 percent in actual dollars over FY 1992-93, and \$114,000, or 4.6 percent in constant dollars. This level is at a five year high in actual dollars and is almost at the same level of five years ago in constant dollars. The upward trend for the past two years results in a favorable rating.

#### **Related Fiscal Policy**

- #14 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

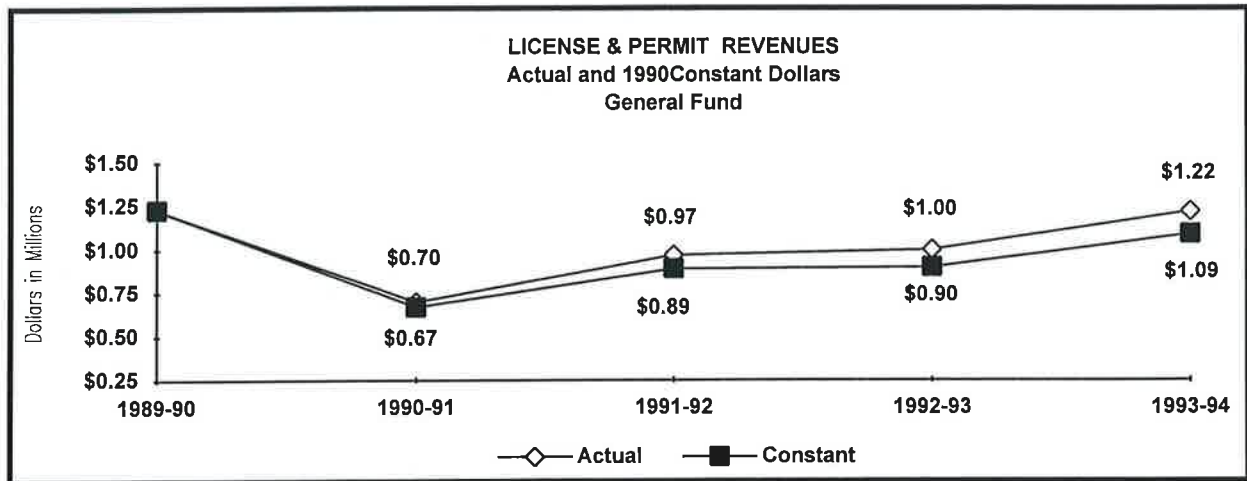


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## Financial Trend Analysis

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### Indicator 4



**Current Trend: Favorable**

**Prior Year Trend: Unfavorable**

#### **Description**

Licenses and permits is another major revenue category that should be analyzed in determining the City's economic health. Again, constant dollars are examined in order to evaluate the part of the change that is not due to inflation. Included within this revenue category are business licenses, construction permits, alarm permits, and animal licenses. Licenses and permits are also relatively elastic in that they vary directly with changes in the economy.

#### **Comments And Analysis**

In FY 1993-94, license and permit revenue increased \$219,000, or 21.9% in actual dollars over the prior year. This increase is primarily a result of a recovery from the economic downturn and its impact on construction activity. Construction permit revenues, consisting of building, electrical, mechanical, plumbing, and grading permits, increased \$186,000, or 43.6% in actual dollars over the prior year. The City experienced increases in licenses and permits for three consecutive years, resulting in the assignment of a favorable trend.

#### **Related Fiscal Policy**

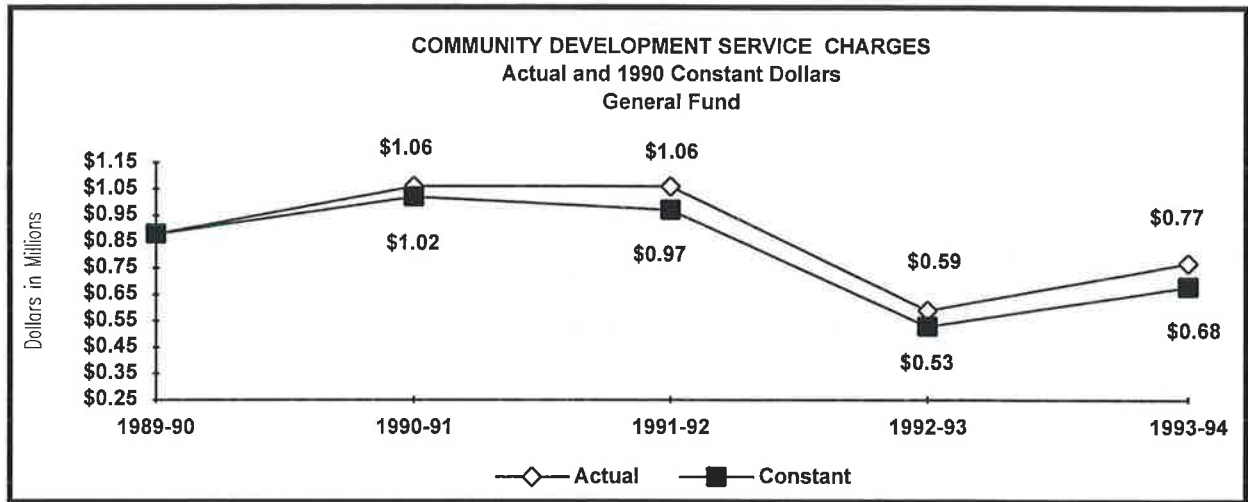
#14 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

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# Financial Trend Analysis

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## Indicator 5



**Current Trend: Unfavorable**

**Prior Year Trend: Unfavorable**

### **Description**

Analyzing community development service charges allows the City to evaluate the growth or decline in development. Again, constant dollars are examined in order to evaluate the part of the change that is not due to inflation. Included within this revenue category are building plan check fees, construction inspection fees, and engineering reimbursements. Community development service charges are also relatively elastic in that they vary directly with changes in the economy.

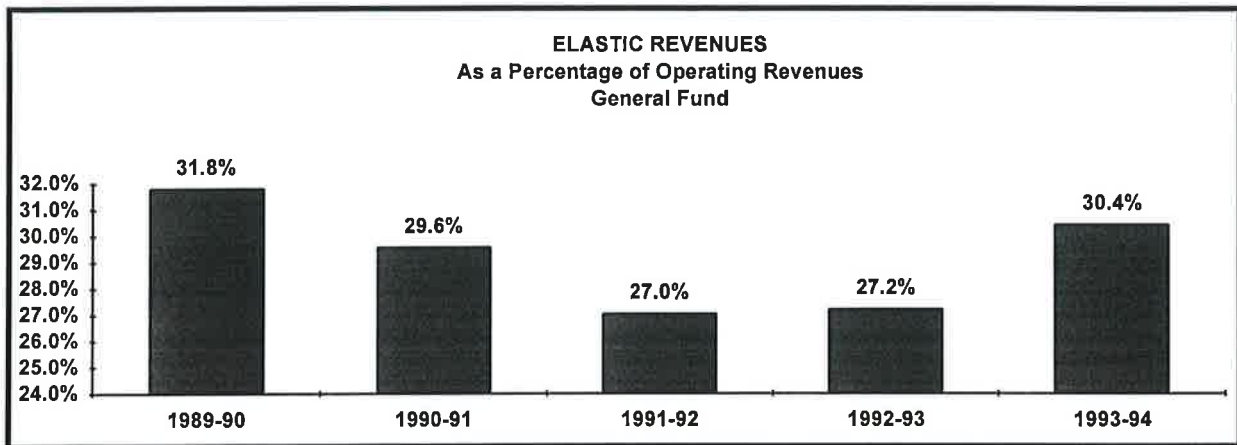
### **Comments And Analysis**

In FY 1993-94, total community development service charges increased 15 percent, or \$180,000 from the prior year. Specific revenue source increases include building plan check fees, and public works inspection fees increasing \$146,000 and \$118,000, respectively. Overall, the City is rebounding in FY 1993-94 from a severe drop in community development service charges experienced in FY 1992-93. This is a positive sign that we are at the end of the recession, although the current level is well below the levels reached five years ago in constant dollars and actual dollars. An unfavorable rating has been assigned until a clear favorable trend emerges.

### **Related Fiscal Policy**

- #14 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

### Indicator 6



**Current Trend: Favorable**

**Prior Year Trend: Unfavorable**

#### ***Description***

Elastic revenues are those that vary directly with changes in the economy. Included in this category are sales tax, transient occupancy tax, in-lieu tax, licenses and permits, and community development service charges. During times of inflation, a high percentage of elastic revenues is desired in order to insulate the government from the higher prices found in the market. During a recession or periods of slow economic growth, elastic revenues tend to decline.

#### ***Comments And Analysis***

Elastic revenues as a percentage of operating revenues have increased for the last two years. Although there was a modest increase in FY 1992-93, there was a substantial increase to 30.4% in FY 1993-94 which is almost the same level as that in FY 1989-90. A steady decline was noted from FY 1988-89 through FY 1991-92 with a modest increase in FY 1992-93 due to the economic slowdown and resulting recession. The total dollar amount of elastic revenues increased by 9.8 percent over FY 1992-93 while total net operating revenues decreased by 1.8 percent resulting in a 3.2 percent increase in elastic revenues as a percentage of operating revenues. As noted previously, the City's largest elastic revenue source, sales tax revenue, was up 5.6 percent, or \$157,000, from the prior year. In addition, community development charges increased 30.6 percent, or \$181,000.

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## Financial Trend Analysis

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### *Related Fiscal Policy*

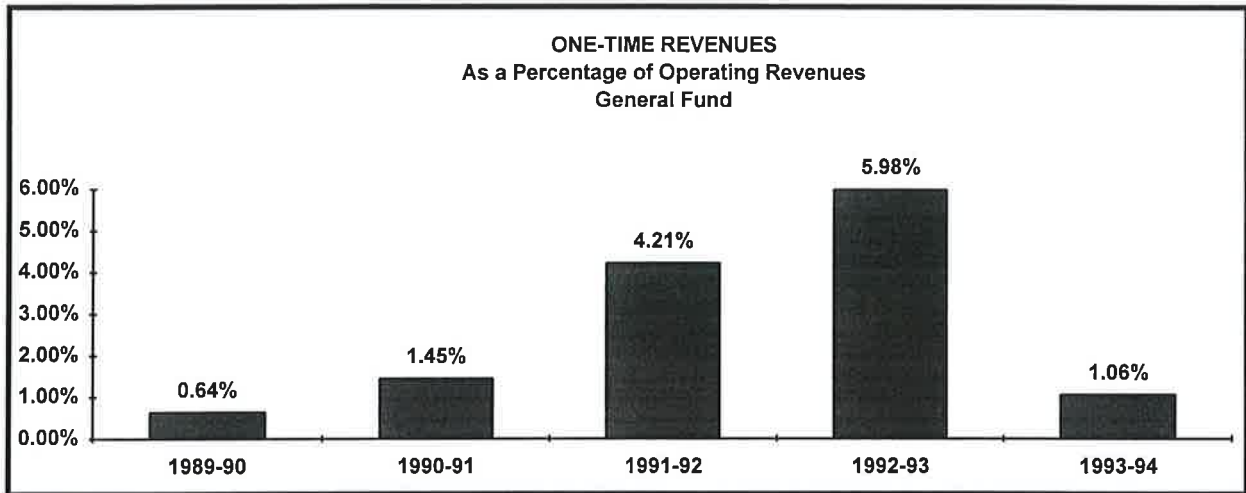
#14 The City will strive to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

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## Financial Trend Analysis

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### Indicator 7



**Current Trend: Favorable**

**Prior Year Trend: Warning**

#### ***Description***

A one-time revenue is one that is not expected to continue in future years. Examples of such revenues include one-time equity transfers from funds that are being discontinued, single purpose grant revenue, revenue from the sale of assets, and the appropriation of reserves. Continual use of one-time revenues to balance the annual budget is an indication that the revenue base may not be strong enough to support current service levels.

#### ***Comments And Analysis***

In FY 1993-94, one-time revenues decreased 83% over the previous year, and has reversed a trend of one time revenues being material to total operating revenues (the City will also realize one-time revenues in FY 1994-95 with the contracting of fire services to the Orange County Fire Department). The City attempts to only apply one-time revenues against one-time expenditures. One-Time revenues totaling \$201,000 for FY 1993-94 represents the sale of assets to the Orange County Sheriff's Department when the City contracted those services. This revenue was used for the purpose of start-up costs and accrued leave payments to police personnel.

A favorable rating has been assigned, since one-time revenues have declined and are expected to be minimal in the future. Also, the City is operating within the confines of Council adopted fiscal policies, that is, that one time revenues be used only for one time expenditures.

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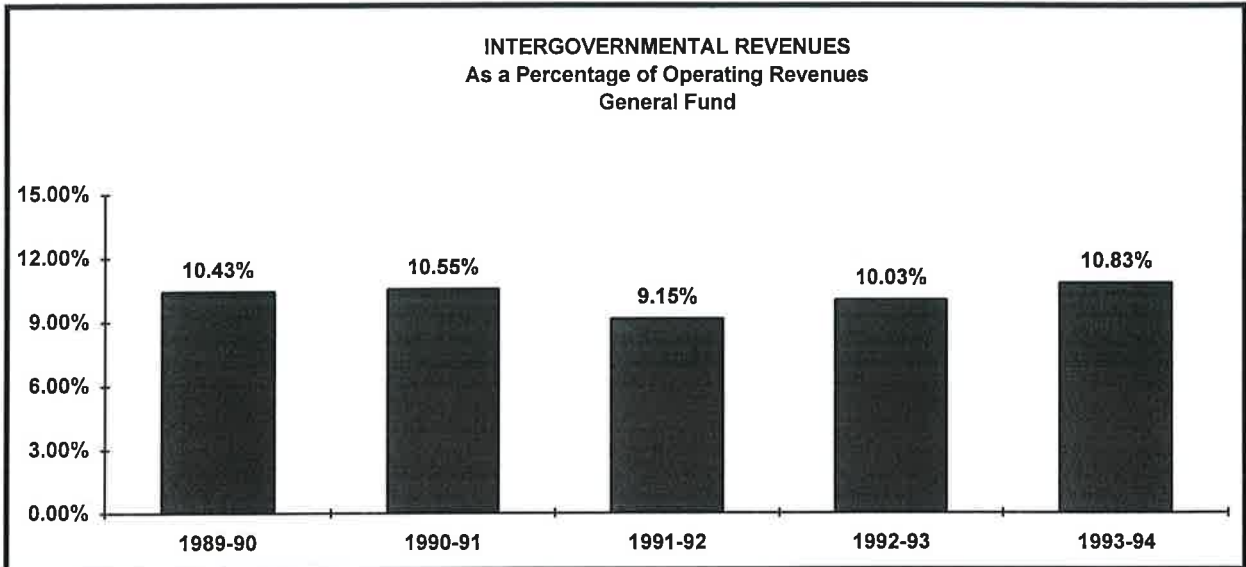
## Financial Trend Analysis

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### *Related Fiscal Policy*

#18 One-time revenues will be used for one-time expenditures only (including capital and reserves)

## Indicator 8



**Current Trend: Favorable**

**Prior Year Trend: Favorable**

### ***Description***

Intergovernmental revenues include State, Federal, and County grants, State shared revenues, and State reimbursements. By analyzing these revenues as a percent of operating revenues, the City can determine the extent of its dependence upon resources from other governments. Excessive dependence on these revenues can be detrimental to the financial health of the City as the factors controlling their distribution are beyond the City's control.

### ***Comments And Analysis***

General Fund intergovernmental revenues as a percent of operating revenues have increased for the second year in a row. This is due to a 5.9% increase in intergovernmental revenues while operating revenues decreased 1.9%. The increase in intergovernmental revenues is attributable to a \$75,000 increase received in Motor Vehicle Tax and an increase in reimbursements of state mandated costs of \$48,000. This trend is viewed as favorable because the dependence on intergovernmental revenues has remained at fairly stable levels over the last five years. However, this favorable rating should be tempered by the fact that the State and Federal governments are continuing to mandate programs, along with the cost burden, to local governments. Examples of these mandates include compliance with the Federal Americans with Disabilities Act, National Pollution Discharge Elimination System for storm drains, and regulations regarding underground storage tanks and toxic waste disposal. Because of these additional burdens, the City has continued an aggressive pursuit of State mandated cost

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## Financial Trend Analysis

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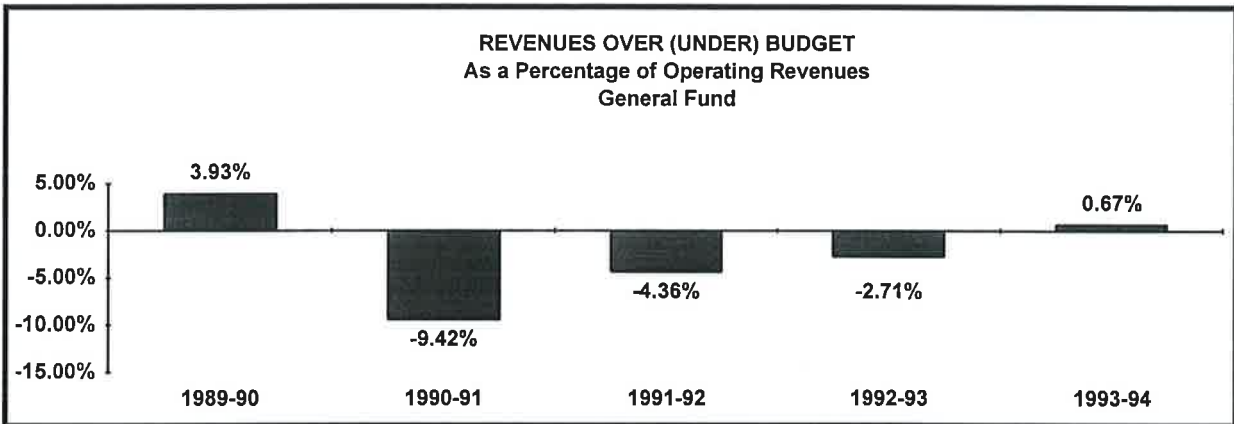
reimbursements under SB 90. In FY 1993-94, the City was reimbursed \$85,000 from the State for costs incurred on behalf of State mandated programs.

### ***Related Fiscal Policy***

#14 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.



## Indicator 9



**Current Trend: Unfavorable/Improving**

**Prior Year Trend: Unfavorable**

### **Description**

Revenue overages/shortages as a percentage of operating revenues examines the differences between revenue estimates and revenues actually received during the fiscal year. Major discrepancies that continue year after year can indicate a declining economy, inefficient collection procedures, or inaccurate estimating techniques.

### **Comments And Analysis**

In FY 1993-94 actual revenues exceeded budget by \$127,000. The City experienced a general overall increase in actual revenues in community development charges (\$206,000), permits and fees (\$132,000) and intergovernmental revenues (\$148,000). Major decreases include property tax revenues (\$323,000) and transient occupancy taxes (\$63,000).

As a result of the economic recession, revenue shortages have occurred in each year since FY 1990-91; however these shortages have declined and, in FY 1993-94, the City ended the year with a revenue overage. Thus, an unfavorable/improving rating has been assigned.

### **Related Fiscal Policy**

- #6 An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year.

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## Financial Trend Analysis

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### General Fund Expenditures

General Fund expenditures are largely indicative of the level and types of services the City provides. Changes in the total dollar amount of expenditures can indicate a shift in the level of services delivered, either because demand has changed or because the cost of maintaining existing services has increased or decreased. Expenditures need to be analyzed for more than just a change in the total dollar figure. The types of expenditures the City is committed to also needs to be examined.

Expenditures in the General Fund for FY 1993-94 are comparable to those levels of FY 1989-90. Because of the recent economic recession and the loss of revenues through State mandated actions, the City had been forced to cut back on variable costs, such as the postponement of capital replacement and capital improvement projects and the deferral of all supply expenditures that did not have an immediate impact on operations. The City was forced to cut fixed costs with the elimination of 168 full time equivalent positions over the past three years. Expenditures were also reduced through the contracting and privatization of several core City services, operational improvements, organizational streamlining and reduced benefit and salary levels.

Additionally, the storm drain maintenance and improvement program of the General Fund was transferred into the newly adopted Storm Drain Utility Fund for a cost savings of \$250,000 in 1993-94. Cost savings will continue in FY 1994-95 due to the contracting of fire services to the Orange County Fire Department. Costs will be reduced \$733,000 in FY 1994-95 and \$2.1 million over the next five years.

It is important note that all of these cost saving measures were accomplished while maintaining and in some cases significantly increasing the level of service associated with them.

A full expenditure analysis is provided for the following:

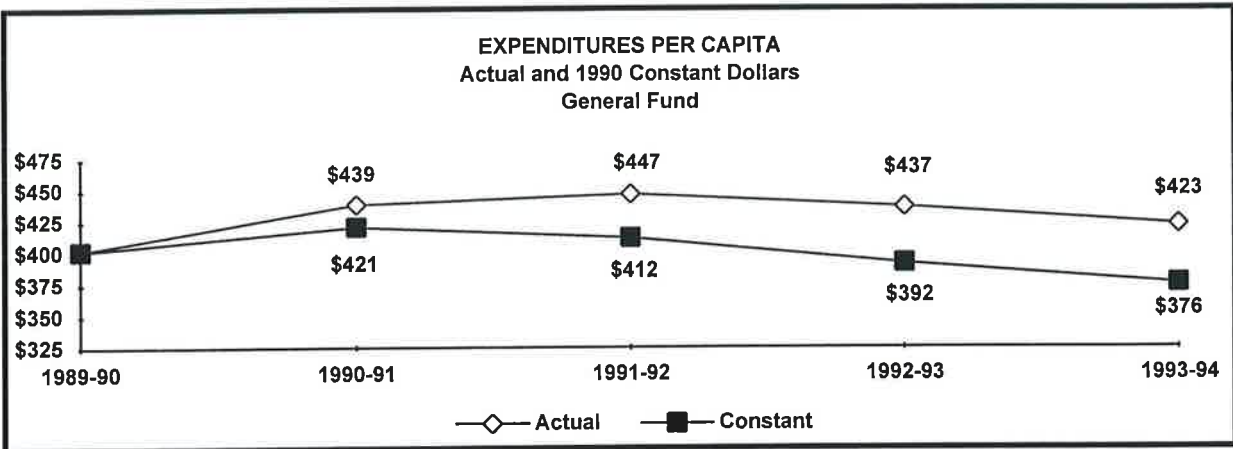
- Expenditures Per Capita
- Employees Per Capita
- Fringe Benefits
- Capital Outlay

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# Financial Trend Analysis

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## Indicator 10



**Current Trend: Favorable**

**Prior Year Trend: Warning**

### *Description*

Expenditures per capita demonstrate the change in expenditures relative to the change in population. This indicator gives an overall perspective of the demand for city services as population increases. Increasing per capita expenditures may indicate the costs of maintaining existing service levels are rising or service levels are changing to reflect new demands. A decrease in expenditures per capita could signal the City's inability to maintain current service levels.

### *Comments And Analysis*

In FY 1993-94, expenditures per capita decreased in both constant and actual dollars in comparison to the prior year. This represents a total decrease of 10.7% in constant dollars and 3.6% in actual dollars since FY 1990-91 when expenditures per capita appears to have peaked in constant dollars. Actual FY 1993-94 expenditures were under budget by \$823,000 or 4.2 percent.

Property tax revenues represent 30% of the general funds source of revenue, and the City has realized decreased property tax revenue since FY 1992-93. As a result the City has acted to monitor and reduce spending in every area possible. These reductions were accomplished through the contracting of police services to the Orange County Sheriff's department which decreased police service General Fund appropriations by \$1.4 million, by transferring the annual storm drain maintenance and improvement costs of approximately \$250,000 to the newly formed Storm Drain Utility Fund and by contracting Fleet Maintenance, Park and Beach Maintenance, Street Striping and Marking to third party contractors for a annual savings in appropriations of \$400,174. Cost savings will continue in FY 1994-95 due to the contracting of fire services with

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## Financial Trend Analysis

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the Orange County Fire Department that will reduce costs this year in the amount of \$733,000 and \$2.1 million over the next five years.

A favorable rating has been assigned due to the fact that, although expenses per capita are declining, service levels have been maintained or enhanced during the last 2 years.

### ***Related Fiscal Policy***

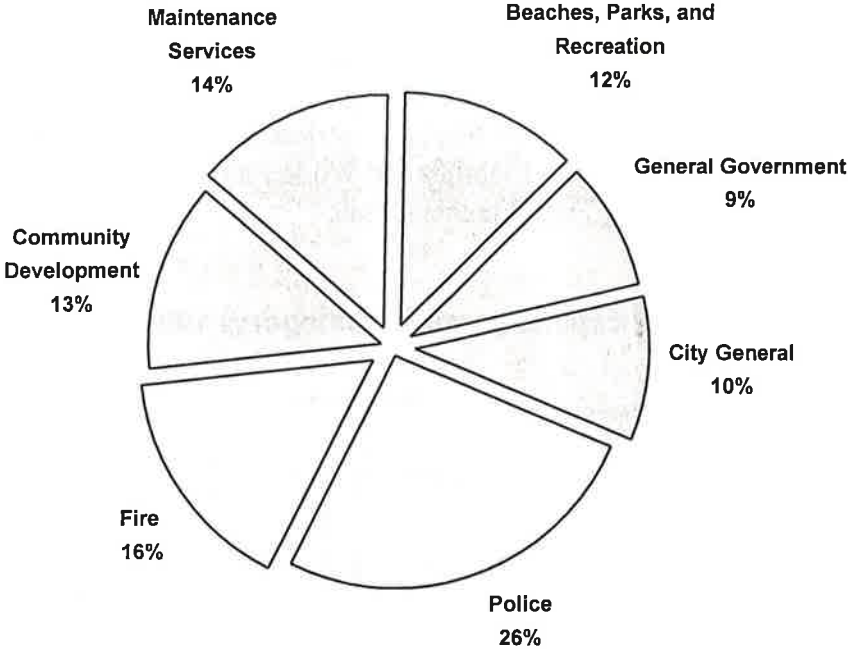
- #12 The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.
- #18 The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.

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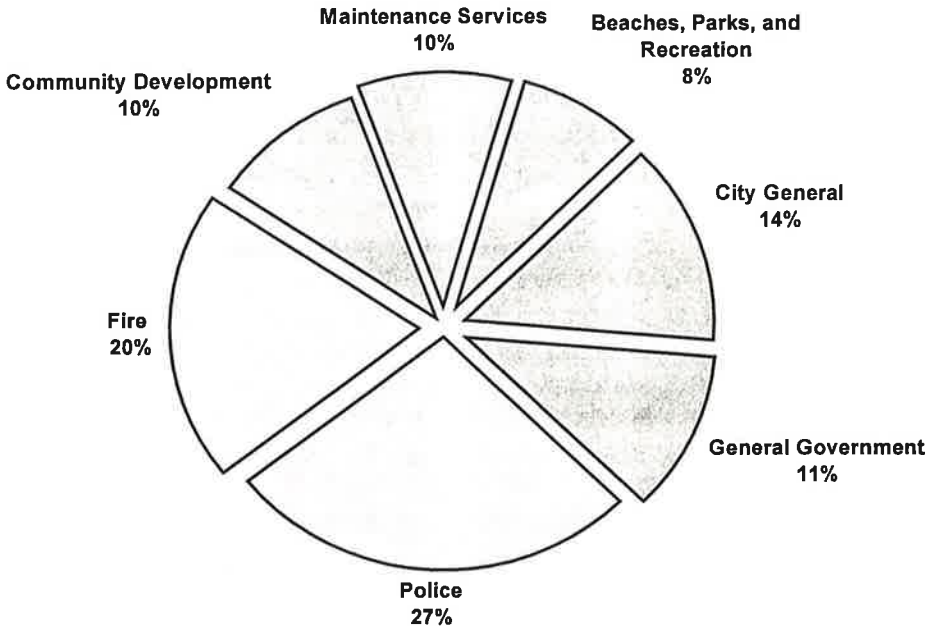
# Financial Trend Analysis

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## Comparison of Expenditures By Department - 1989-90 vs. 1993-94



Percentage of Expenditures By Department  
1989-90



Percentage of Expenditures By Department  
1993-94

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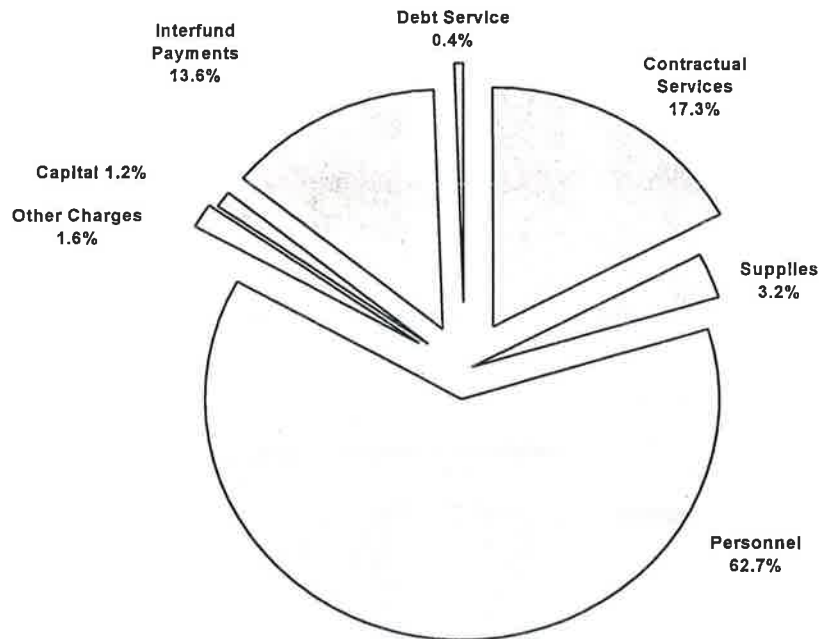
## Financial Trend Analysis

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As depicted in the charts above, a significant shift in General Fund resources occurred from FY 1989-90 to FY 1993-94. In FY 1993-94 public safety accounted for 47% of expenditures whereas only 42% was expended in FY 1989-90. This shift was at the expense of Maintenance Services, Beaches, Parks, and Recreation, and Community Development. Not shown in the chart is that Police Services were contracted to the County of Orange in 1993 and the expenditure level actually declined considerably from the prior fiscal year.

City General costs increased by 4% over this same period which is primarily due to General Fund reserve transfers to the General Liability and Worker's Compensation Funds as recommended in the 1993 Long Term Financial Plan.

### Comparison of Expenditures by Category- 1989-90 vs. 1993-94

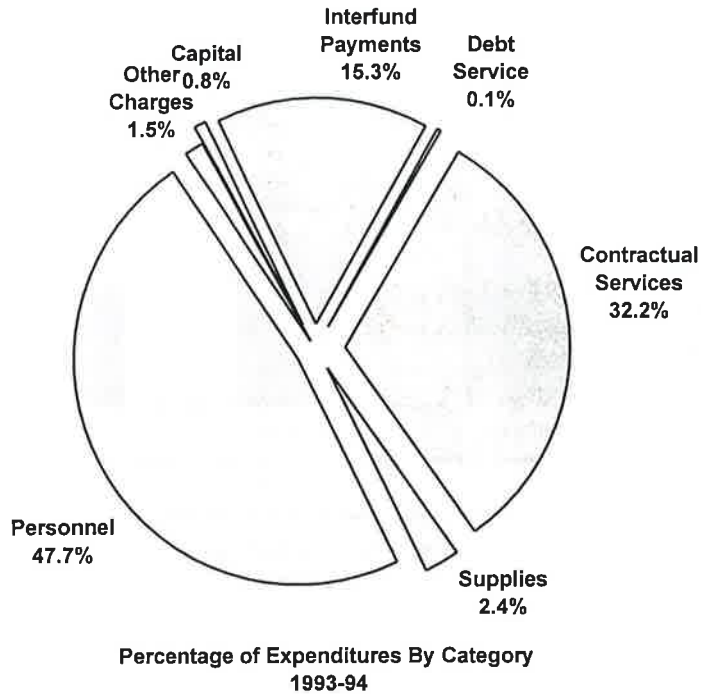


Percentage of Expenditures By Category  
1989-90

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## Financial Trend Analysis

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These charts indicate that personnel costs and contractual costs, as a percentage of the General Fund budget altered course. Personnel costs have declined 15% while contractual service costs have increased 15%. This accounts for the transfer of Police services from the City to the County.

Interfund transfers have increased almost 2% due to reserve transfers. Capital and supply expenditures have declined as budgets have been reduced over the past several years.

### ***Related Fiscal Policy***

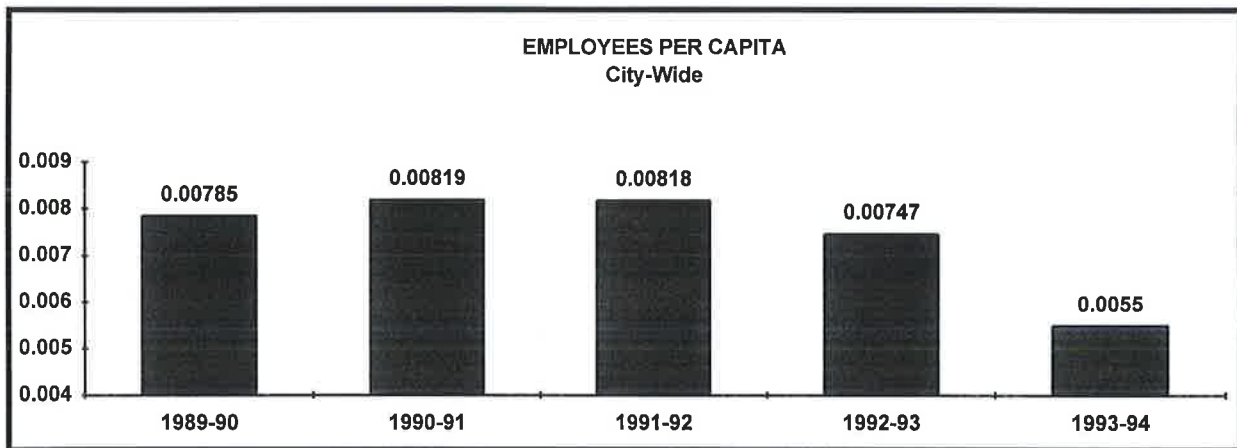
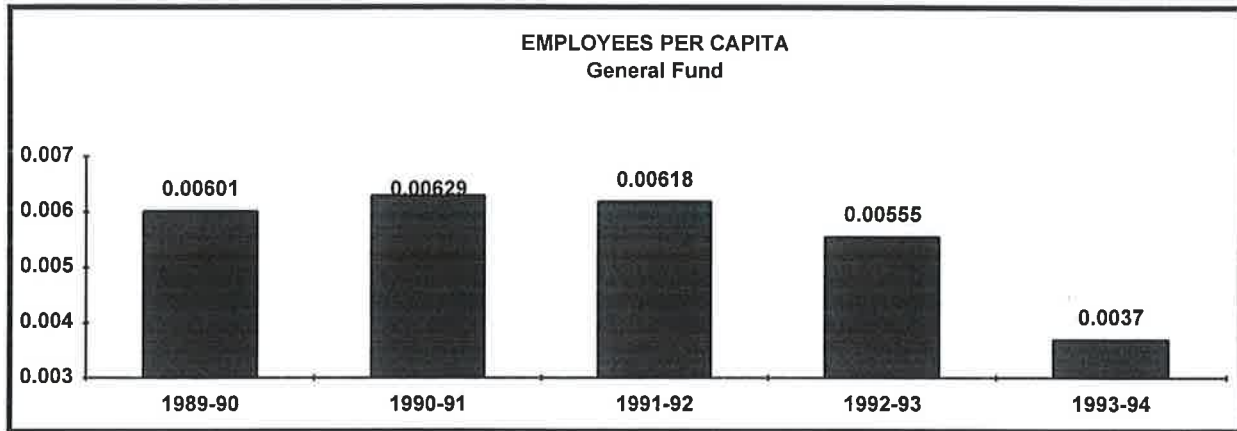
- #12 The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.
- #18 The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.

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# Financial Trend Analysis

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## Indicator 11



**Current Trend: Favorable**

**Prior Year Trend: Warning**

### *Description*

This indicator measures the number of employees per capita. If this figure is rising, it could indicate that the City is becoming more labor intensive or that employee productivity is declining. Conversely, if this figure is declining, it could indicate that employee productivity is increasing; a need for more employees to respond to additional service demands; or the City is becoming less labor intensive.

### *Comments And Analysis*

The City has reduced staffing levels from 352 full time equivalents in FY 1991-92 to 184 in FY 1994-95, a 48% reduction. Because staffing levels have decreased as a result of contracting and



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## Financial Trend Analysis

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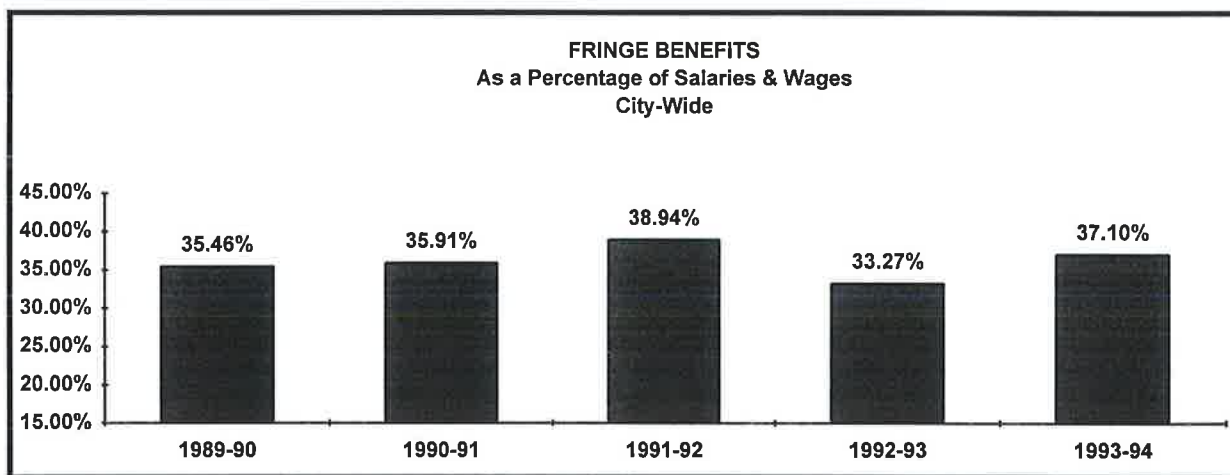
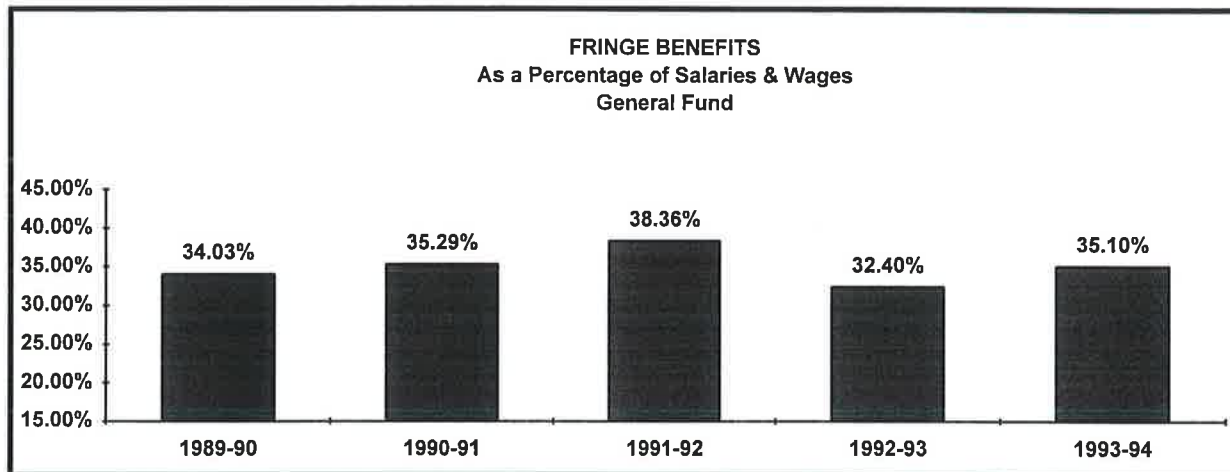
privatization City services, a favorable trend has been assigned. The City has obviously become less labor intensive during the past four years as certain services, including Police, Fire, Beach and Parks Maintenance, Meter Reading and Fleet Maintenance, have been contracted to both the public and private sector. Additionally, the City has seen an improvement in the level of service provided through the a several of the aforementioned contracts.

### ***Related Fiscal Policy***

No related fiscal policy.

# Financial Trend Analysis

## Indicator 12



**Current Trend: Warning**

**Prior Year Trend: Warning**

### Description

Fringe benefits refer to the City's share of payroll taxes, pension plan and deferred compensation contributions, medical, life and disability insurance, worker's compensation funding, educational reimbursements, and auto and uniform allowance. Fringe benefits should be directly related to salaries and wages so any change in the percentage rate would reflect a change in the benefits package or more reliance on temporary help.

### Comments And Analysis

Fringe benefits, as a percentage of General Fund salaries and wages have increased from 34% to 35% over the past 5 years. Medical insurance costs and increased public safety pension costs are directly responsible for the increase in fringe benefits as percentage of salaries and wages from FY 1989 to FY 1991-92. Over this period of time, medical insurance cost rose from \$1.2 million

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## Financial Trend Analysis

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to \$1.6 million. However, total City paid medical insurance costs decreased in FY 1992-93 to \$1.1 million as a result of an excess buildup in medical reserves which were used to subsidize medical premium costs. In FY 1993-94, the City paid medical insurance premiums increased to \$1.4 million. As a result of these escalated costs, the City, with cooperation of all employee groups, changed medical providers and implemented a cost effective managed care plan. Consequently, insurance premiums were reduced 30% which will become evident in FY 1994-95.

Although a Warning trend has been assigned for FY 1993-94, this trend is expected to shift in a positive direction in FY 1994-95 for the reasons indicated above.

### ***Fiscal Policy***

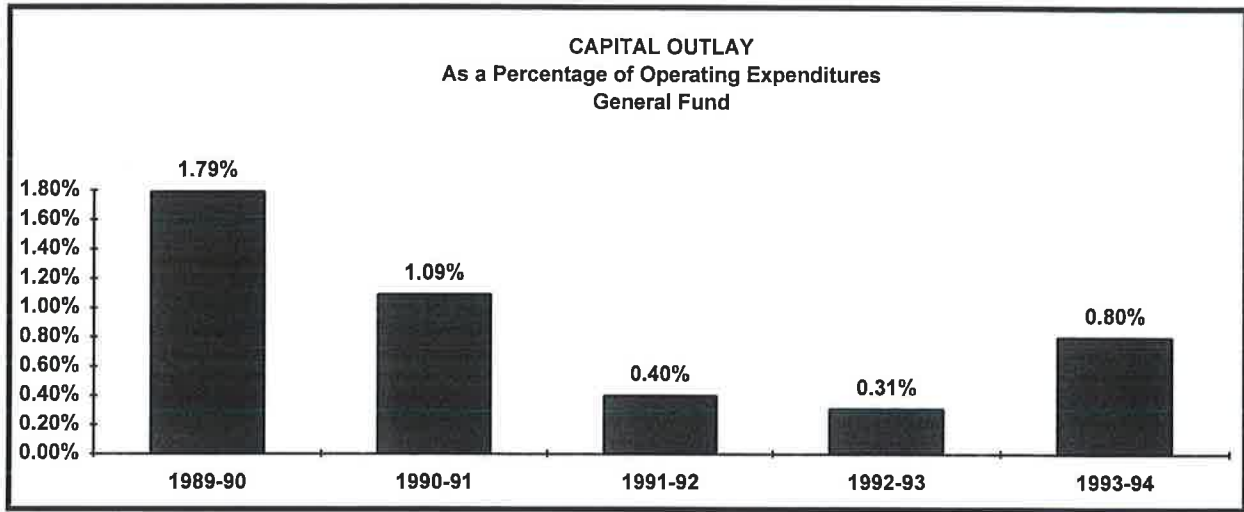
None.

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## Financial Trend Analysis

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### Indicator 13



**Current Trend: Unfavorable/Improving**

**Prior Year Trend: Unfavorable**

#### **Description**

The City's capital outlay policy consists of the acquisition of equipment that will last longer than one year and has a minimum cost of \$500. Capital outlay does not include capital project expenditures for construction of improvements or buildings, or for infrastructure such as streets or storm drains. The purpose of capital outlay in the operating budget is to replace worn equipment or to add new equipment. The ratio of capital outlay to net operating expenditures is an indicator as to whether worn or obsolete equipment is being replaced. A decline in this ratio over a period of years may indicate that capital outlay needs are being deferred and that inefficient or obsolete equipment is being utilized. This would not only have the effect of lowering productivity, but could also expose the City to greater liability exposure.

#### **Comments And Analysis**

Capital outlay expenditures, as a percentage of operating expenditures, declined considerably from FY 1989-90 to 1992-93. Although the total FY 1993-94 capital outlay expenditures of \$59,000 is up one-half percent from FY 1992-93, it is still 65% lower than FY 1989-90. The current increase is due to the purchase of essential equipment that had been deferred in prior years because of the City's negative financial condition. Furthermore, the City Council implemented a 1993 LTFP recommendation to establish a reserve for the replacement of capital equipment. A total of \$100,000 was allocated to this fund in FY 1994-95 and will be used to (a) fund a fixed asset appraisal of all General Fund assets and (b) provide seed money for a capital equipment replacement revolving fund which will operate similarly to the City's fleet replacement reserve fund.

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## Financial Trend Analysis

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This analysis must also be tempered by the fleet replacement policy regarding the acquisition and replacement of City vehicles. This policy requires first time acquisitions of City vehicles to be purchased directly out of the operating budget with replacements funded from the Fleet Maintenance Internal Service Fund.

### ***Related Fiscal Policy***

- #10 The City will project its equipment replacement and maintenance needs for the next five years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed.
  
- #14 That the City will establish a Capital Equipment Replacement Fund for the accumulation of funds for the replacement of worn and obsolete equipment other than vehicles.

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# Financial Trend Analysis

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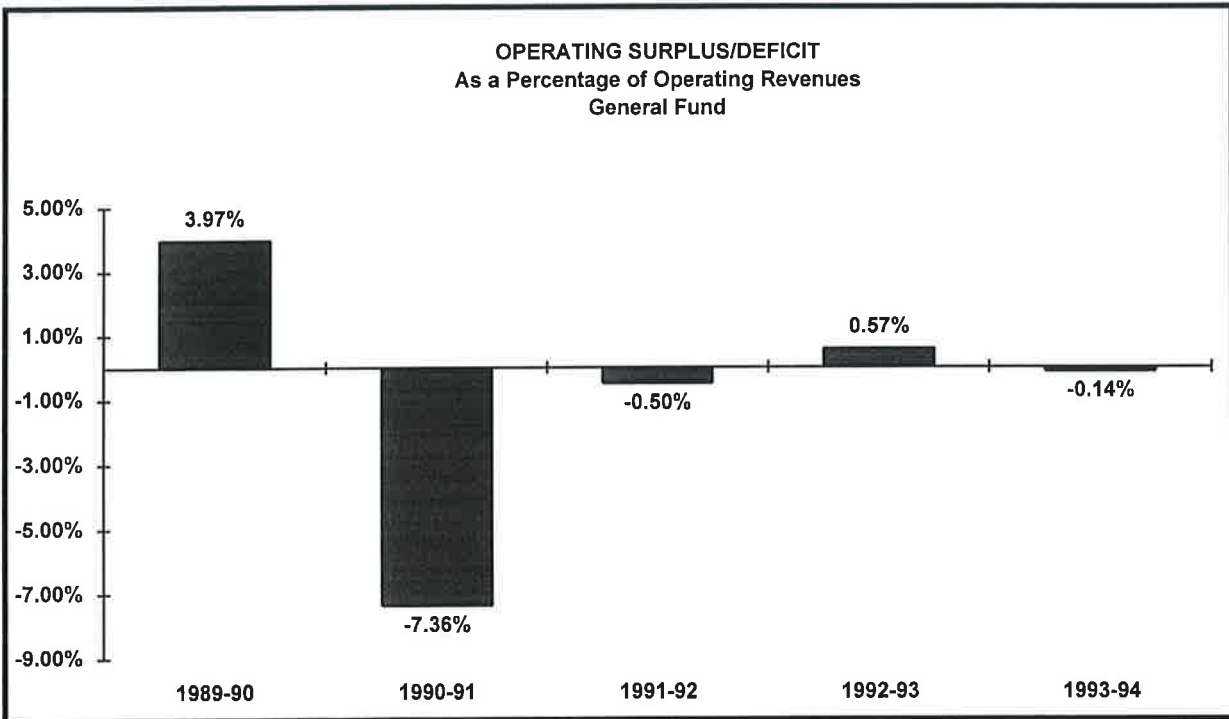
## General Fund Operating Position

Operating position refers to the ability of the City to balance current revenues against current expenditures, maintain adequate reserve levels, and cover short-term liabilities with short term assets.

It appears that the City has recovered, at least in part, from the recent economic recession. The improvement of the local economy, combined with cost reduction and streamlining measures implemented by the City, has resulted in a generally positive operating position. The Council adoption of a comprehensive Fiscal Policy in FY 1992-93 and subsequent implementation of the policy has resulted in a substantially improved operating position. A complete analysis is provided in this section. The following indicators are examined in detail:

- Operating Surplus/Deficit
- Unreserved Fund Balances
- Liquidity Ratio
- Debt Service

## Indicator 14



**Current Trend: Warning**

**Prior Year Trend: Warning**

### ***Description***

This indicator measures the City's ability to balance operating revenues, excluding cash balances from the prior year, against operating expenditures. An operating surplus occurs when operating revenues exceed operating expenditures. A deficit occurs when the reverse happens and the City dips into available fund balances from prior years. It is particularly important to review this indicator for the General Fund, as this is where the majority of operating activity takes place. A credit rating firm would regard a current-year operating deficit as a minor warning signal. However, two consecutive years of operating deficits, or an abnormally large deficit of more than 5 to 10 percent in any one year would be considered negative factors.

### ***Comments And Analysis***

The recent economic recession was primarily responsible for the excess of General Fund expenditures over revenues by \$96,500 and \$1.27 million in FY 1991-92 and FY 1990-91, respectively. Operating expenditures exceeded operating revenues in FY 1993-94 by \$34,000 following a year of operating surplus.

Through cost saving measures, implemented by the City Council and Administration, budgeted expenditures were reduced by \$823,000 and budgeted revenues increased by \$126,000. Over the

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## Financial Trend Analysis

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past three years, this indicator has stabilized to a operating surplus or deficit margin of less than 1% of operating revenues. Over the last three years reserves have not been used to fund current operating expenditures.

This indicator is assigned a warning rating because deficits have occurred in 3 of the 5 years analyzed. Future deficits are not anticipated due to the implementation of Council adopted fiscal policies.

### ***Related Fiscal Policy***

#8 Current revenues will be sufficient to support current operating expenditures.

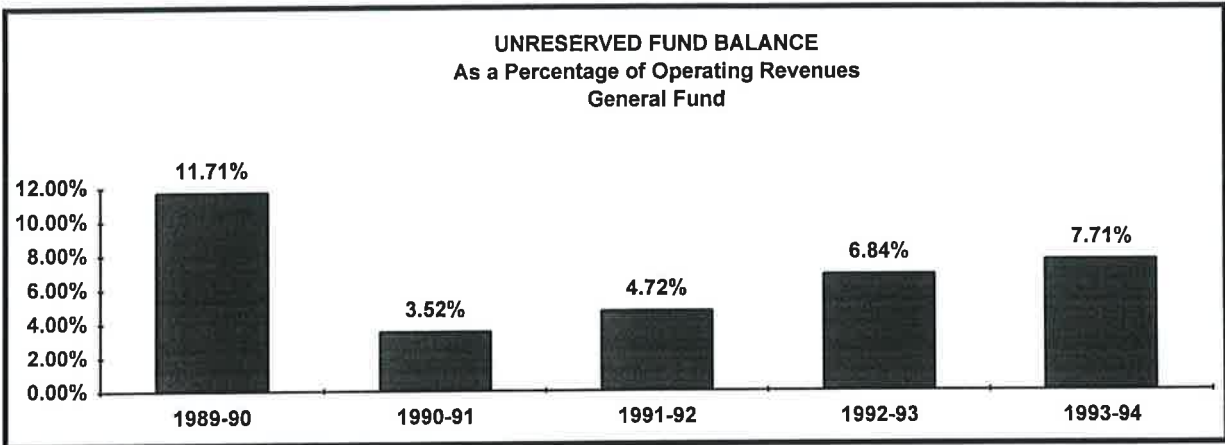


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## Financial Trend Analysis

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### Indicator 15



**Current Trend: Favorable**

**Prior Year Trend: Warning**

#### **Description**

Unreserved fund balances refer 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 And Analysis**

Unreserved fund balance as a percentage of operating revenues rose 0.9% in FY 1993-94 as a result of an increase in fund balances of \$141,000. The increase in fund balance is primarily due to the net effect of a decrease in year end encumbrances in the amount of \$175,000 and an operating deficit of \$34,000. Steady increases in this trend shows that the general fund balance is working toward a more secure financial position.

In FY 1990-91, as result of the excess operating expenditures over operating revenues of \$1.5 million, General Fund Unreserved Fund Balance was only 3.52 percent of operating revenues. The subsequent increase to 7.71% by FY 1993-94 is due to Council adoption of fiscal policies requiring that emergency reserves be increased to 8% of General Fund operating expenditures. Included within the total FY 1993-94 unreserved fund balance of \$1.5 million are General Fund Emergency Reserves totaling \$629,000.

#### **Related Fiscal Policy**

- #35 The City will maintain General Fund reserves (emergency reserve) at a level at least equal to 8 percent of general fund operating expenditures. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements

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## Financial Trend Analysis

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during periods of economic downturn or other unforeseen catastrophic costs not covered by the Contingency Reserve.

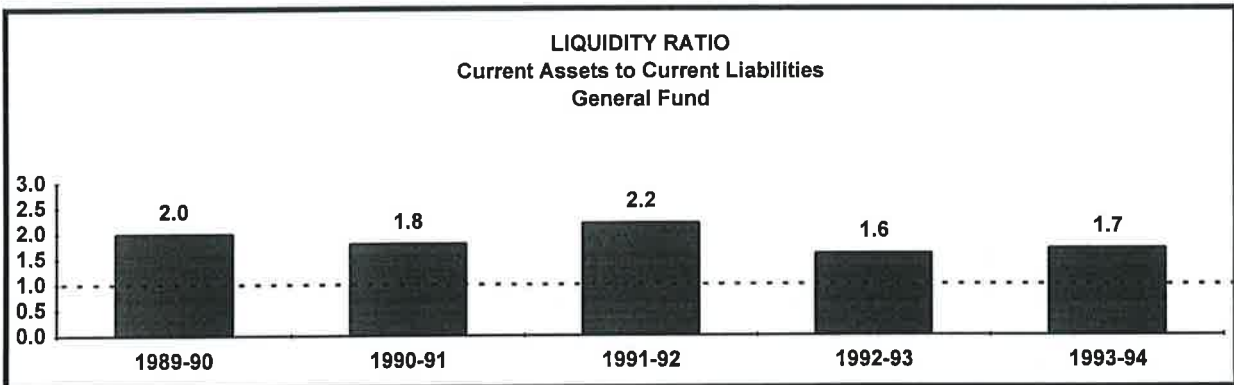
- #36 A Council Contingency Reserve will be established to provide for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The level of this reserve will be established as needed but will not be less than 1.5% of general fund operating expenditures.

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## Financial Trend Analysis

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### Indicator 16



**Current Trend: Favorable**

**Prior Year Trend: Favorable**

#### **Description**

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 deposits, all obligations that can be immediately demanded for payment. A liquidity percentage of less than 1:1 can indicate insolvency and is cause for alarm.

#### **Comments And Analysis**

In FY 1993-94, the City's liquidity ratio increased to a 1.7:1 ratio from the prior year's to 1.6:1. This represents a small increase from FY 1992-93 and indicates that the City's liquidity remains stable and consistent.

Credit rating firms consider a ratio of 1:1 as favorable. A 1.7:1 current asset to current liability ratio is excellent.

#### **Related Fiscal Policy**

No related fiscal policy.

#### **Recommendation**

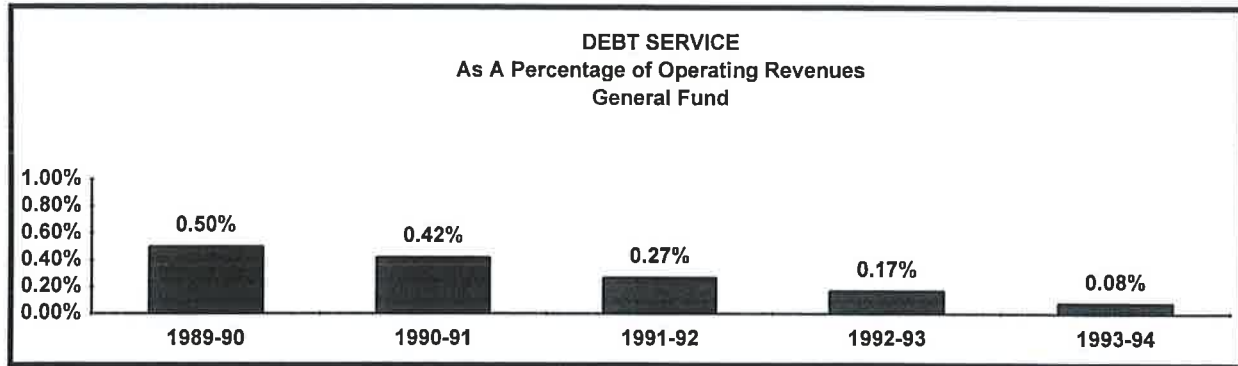
That the City establish a fiscal policy that requires the City to maintain at least a liquidity ratio of 1:1.

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# Financial Trend Analysis

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## Indicator 17



**Current Trend: Favorable**

**Prior Year Trend: Favorable**

### ***Description***

Debt service includes the principal and interest payments on capitalized lease obligations of the City, the only type of General Fund debt service payments incurred by the City over the past five years. It is analyzed as a percentage of operating revenues, the base against which the size of the debt service payment can be measured and compared.

### ***Comments And Analysis***

General Fund debt service receives a favorable trend as it has remained relatively immaterial (less than 1%) in comparison to operating revenues over the last five years. Credit rating firms generally view debt service unfavorable if debt service payments exceed 20% of net operating revenues.

It should be noted that the debt service for the Negocio Building bonds is in a separate fund, and is not part of this analysis. The operating cash flow of the Negocio building is self sustaining and does not require funding from the General Fund.

### ***Related Fiscal Policy***

- #30 The City will confine long-term borrowing to capital improvements that cannot be financed from current revenues.
- #33 Total debt service for general obligation debt will not exceed ten percent of net operating revenues.
- #34 Before bonded debt long-term debt is issued, the impact of debt service on total annual fixed costs will be analyzed.

### Additional Indicators

Three additional indicators are analyzed to provide information on the financial condition of the City. Accumulated Compensated Absences, consisting of accrued vacation, sick, and compensatory time (time-off in-lieu of overtime pay), represents an unfunded liability of the City. Unfunded liabilities are those which are incurred but have no reserve set aside for their payment when the obligation matures. In FY 1993-94, the City established a reserve for the payment of accrued leave. Accumulated compensated absences balance is payable at termination or retirement.

Because the City is so dependent on property tax revenues, a further analysis was done on the change in property values from one year to the next. As could be expected from an economic downturn, property values have slowed over the past three years and showed a decrease in constant dollar value in FY 1993-94.

Finally, the population of the City was analyzed over time to determine its impact on the tax base as well as the effects on additional service demands.

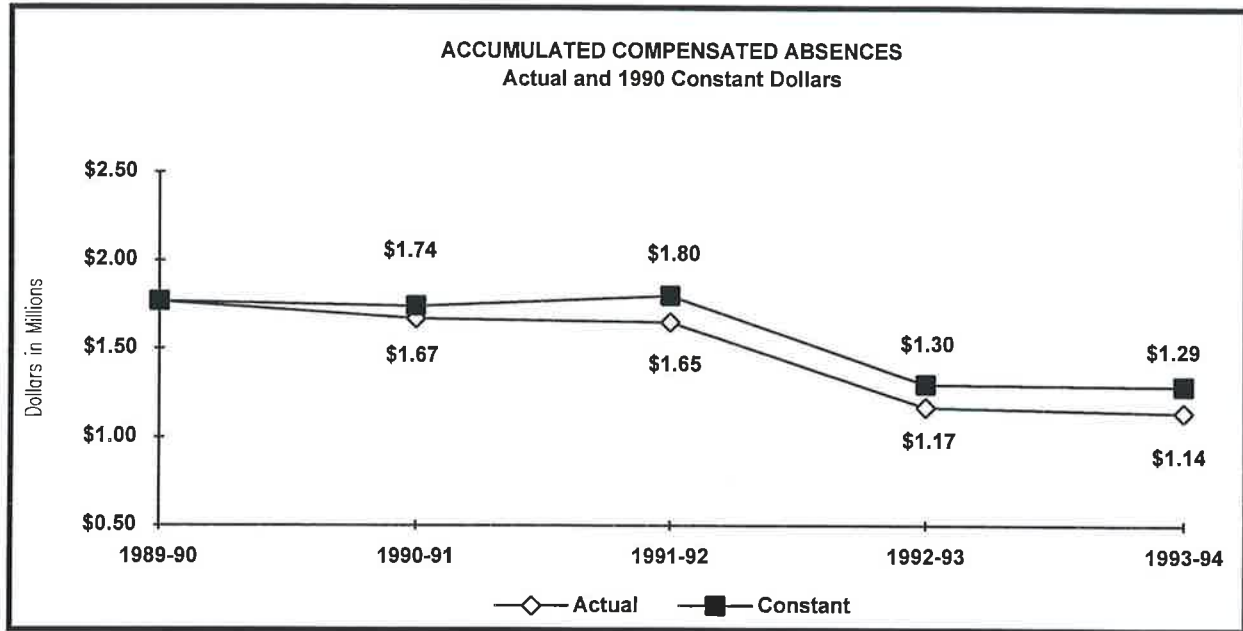
- Accumulated Compensated Absences
- Property Tax Values
- Population

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# Financial Trend Analysis

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## Indicator 18



**Current Trend: Favorable**

**Prior Year Trend: Favorable**

### ***Description***

Compensated absences represent the payment of salaries and benefits for time off during scheduled work days and consists of accumulated compensatory time (time off in-lieu of overtime pay) as well as vacation, sick, bereavement, administrative, and special leave (time off for the emergency care of family members). Unused bereavement, administrative, and special leave lapse at the end of the calendar year. Compensatory time and vacation leave continue to accrue as a liability of the City upon termination of the employee at 100% of the employee's current pay rate, or until used as time off. Prior to March 1994, vacation leave was carried over from year to year. After March 31, 1994, vacation leave will no longer accrue after reaching two times (and in some cases two and one half times) the employee's annual accrued vacation. Unused sick leave continues to accrue and is also payable to the employee upon termination at the rate of 35% and 50% after ten and twenty years of service, respectively.

### ***Comments And Analysis***

This indicator receives a favorable rating because the City's liability for compensated absences has dropped for the last five consecutive years in actual dollars. Except for a slight increase in FY 1991-92, it has also dropped in constant dollars during the same period. The slight drop in FY 1993-94 is attributed to the change in the accrual of vacation leave and the contracting of several City services. Last year's drop is mostly attributable to the contracting out of the Police Department and the related leave payoff to 78 employees. At June 30, 1994, the balance of the liability for compensated absences was \$1,140,000 consisting of \$658,000 for vacation, \$448,000 for sick leave, and \$34,000 for compensatory time. This is a total drop of \$30,000, or 2.6% from the prior year's total liability of \$1,170,000.

In the FY 1994-95 approved budget, an Accrued Leave Reserve Fund was established through a \$75,000 appropriation from the General Fund. This represents a contribution towards the establishment of sufficient reserves to cover future liabilities for compensated absences.

### ***Related Fiscal Policy***

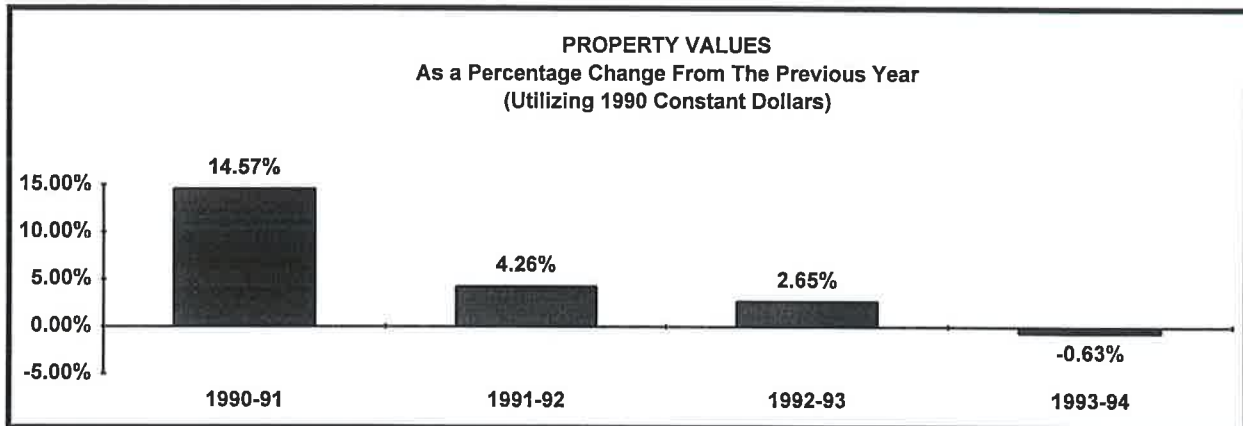
- #38 The City will establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The level of this reserve will be established based on an annual projection of employee retirements.

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# Financial Trend Analysis

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## Indicator 19



**Current Trend: Unfavorable**

**Prior Year Trend: Warning**

### ***Description***

Property values as a percentage change from the previous year is of primary importance to the City because property tax revenue, comprising 30.0% of total General Fund operating revenue in FY 1993-94, is the City's single largest source of revenue. The effect of declining property values on total General Fund revenues is a significant concern considering the City's reliance on property taxes.

### ***Comments And Analysis***

The growth rate in property values as a percentage rate from the previous year has declined over the past three years from a healthy increase of 14.57% in FY 1990-91 to an actual decrease of -0.63% in FY 1993-94. This decline in the growth rate is a reflection of a decline in the housing market due to the economic recession. This reduced growth rate has effectively reduced property taxes in constant dollar terms to it's lowest level in five years.

### ***Related Fiscal Policy***

#14 The City will try to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

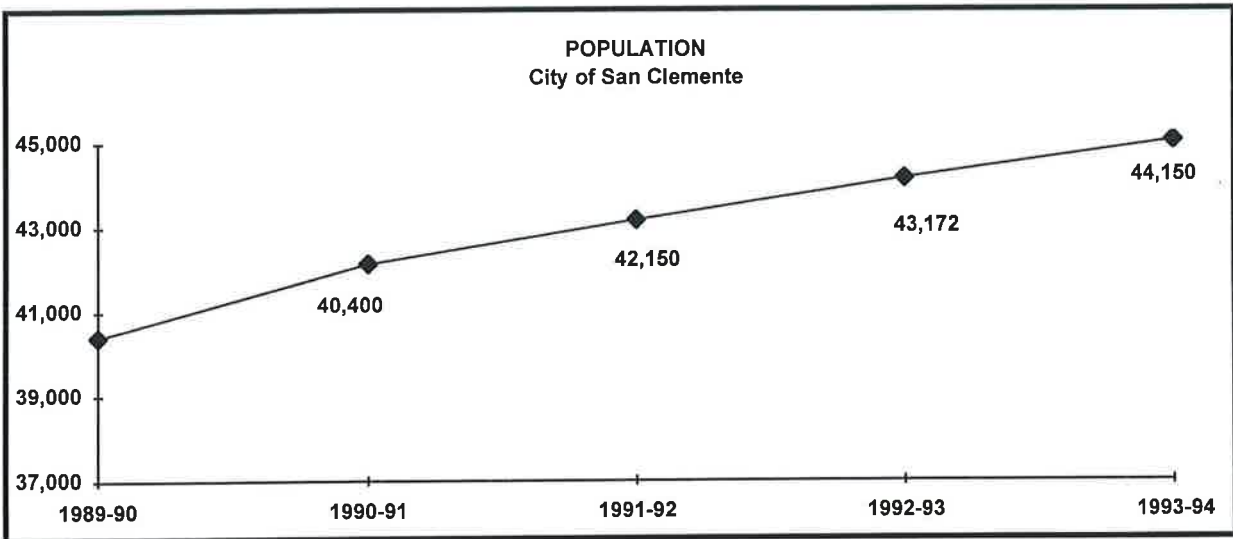


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## Financial Trend Analysis

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### Indicator 20



**Current Trend: Favorable**

**Prior Year Trend: Favorable**

### ***Description***

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. Conversely, a rapid decline in population allows for a smaller tax base for spreading City costs that cannot be reduced in the short run, such as debt service, pensions, and governmental mandates.

### ***Comments And Analysis***

The change in the City's population is considered favorable because this growth has been relatively planned and controlled. This planned growth is allowing the City the opportunity to ensure that the cost of servicing new residents does not exceed the City's ability to generate new revenues, that the level of business activity grows along with the increase in residential development, and that the growth does not strain the sewer system capacity, traffic circulation, and off-street parking.

### ***Related Fiscal Policy***

No related fiscal policy. Population and growth were factors considered within the recent update of the City's General Plan.



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# Financial Forecast

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## **Objective**

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

## ***Development of the Forecast***

Financial forecasting is one of several important tools used by the City of San Clemente to manage General Fund resources. It provides an assessment of what will happen in the future if a given set of circumstances and assumptions hold true. As conditions change, so must the forecast if it is to remain a reliable source of information about the fiscal condition of the City.

It should be kept in mind that forecasting is an art, not a science. Forecasts portray what will happen in the future, based on stated assumptions, and are only as reliable as their underlying premises. Also, forecasting is time sensitive. The further into the future a forecast attempts to predict, the less certain are the results. However, if the underlying assumptions are sound, the information generated in the short-term can be very reliable. Furthermore, valuable insights can be obtained about longer term trends and emerging issues.

To ensure the City's forecast is as reliable as possible, the Office of Management and Budget, uses conservative assumptions based on information solicited from many sources, including the State Commission on Finance, Chapman University, California State University Fullerton, First Interstate Bank, and City staff. In addition to information provided from internal and external sources, the forecast relied upon historical revenues and expenditures from 1989-90 to 1993-94.

As was the case in 1993 and 1994, this forecast was based on a baseline environment, that is, revenues and expenditures were projected based primarily on growth patterns or inflation factors and the present level of services provided by the City was presumed.

Inflation and historical growth rates were used to predict expenditure patterns while revenues were projected by trend or by specific circumstances as the case warranted. Revenue and expenditure projections are discussed in greater detail in subsequent sections of this report.

Information regarding economic indicators and the performance of the economy as a whole over the forecast period was taken from the Economic and Business Review prepared by the School of Business at Chapman University, December, 1994. In general, that report predicts a more rapid recovery than anticipated in the City's 1994 forecast which projected a slow upturn in mid-1994. The 1995 forecast is based on an improved economic environment that began in 1994, with a continuing upturn in economic activity in 1995, a minor slowdown in 1996, and a gradual upturn again in 1997 through the year 2000.

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# Financial Forecast

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The 1995 Financial Forecast will update the assumptions and data upon which the last two Financial Forecasts were based and will provide a comparison of this year's Forecast to historic data.

## ***Economic And Demographic Assumptions***

It is expected that the economy will continue to recover from the economic downturn that was experienced over the past four years. The Forecast anticipates that the local economic environment will continue to improve through out the entire forecast period to FY 1999-00, Throughout the recovery period, real personal income, consumer spending and construction activity will increase at a much more moderate pace than experienced during previous economic recoveries.

Economic and demographic assumptions used in the forecast measure the anticipated changes in economic activity and population growth, and affect many of the revenue and expenditure projections. The economic assumptions utilized in this forecast are based primarily on the annual Economic and Business Review developed by Chapman University and published in December 1994 and do not include any adjustments for the recent financial dilemma confronting the County.

A summary of the parameters utilized in the 1995 Financial Forecast to project the various revenue and expenditures categories are indicated on page 28 of this report.

### ***1. General Inflation***

Inflation affects many revenue and most expenditure categories throughout the Forecast. The inflation estimates used in this Forecast are based on the percentage of change in the Consumer Price Index obtained from the Chapman University five year forecast for Orange County.

The following shows the estimated annual percentage change in inflation for the forecast period as projected by Chapman University's Economic and Business Review.

	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Inflation	3.3%	3.4%	2.9%	2.8%	3.5%

### 2. *Personal Income*

Personal income measures the growth of consumer purchasing power and it is used to project the changes in economically sensitive revenue sources, such as Sales Tax, Transient Occupancy Taxes and concession revenues.

The following indicates the estimated annual percentage change in Orange County personal income for the forecast period as projected by Chapman University's Economic and Business Review.

	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Personal Income	6.2%	4.7%	6.1%	6.5%	7.1%

### 3. *Population*

Population size is the primary basis for the allocation of Motor Vehicle Taxes, one of the City's larger revenue sources (6.5% of total General Fund revenue) and is also reflective of the scale of residential and commercial development within the City. In addition, year-to-year population growth is a useful factor in predicting increases in several other revenue categories, such as Franchise Fees, In-Lieu Taxes and Business Licenses. The following are the population growth projections used for this Forecast and are based on estimates developed by the City's Planning Division..

	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Population	45,864	46,678	47,492	48,306	49,120
% Change	1.8%	1.8%	1.7%	1.7%	1.7%

#### ***Financial Forecast Assumptions:***

Beyond the economic and growth/trend factors, information specific to San Clemente was included in the forecast:

- The failure of the OCIP is expected to have a negligible impact on the General Fund.
- The forecast presumes that cost of living increases will be granted at 90% of inflation.
- The 1994-95 budget has been updated to reflect the mid-year budget adjustments recently approved by the City Council. This increased the total General Fund budget by \$484,000

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## Financial Forecast

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- The Forecast assumes the full implementation of the Classification and Compensation in FY 1994-95.
- Two new full-time positions will be added each year in order to maintain existing service levels.
- Actual expenditures are projected at 2.5% less than budgeted. This is conservatively based on a five year average of actual expenditures versus budgeted expenditures.
- Public Employee Retirement System (PERS) will be allocated \$130,000 per year to fund unfunded liabilities. (See Unfunded Liability issue paper).
- Revenue for FY 1994-95 will exceed budget by 1% based on current revenue projections
- The forecast includes, as operating transfers out of the General Fund, annual expenditures to fund reserves projected at \$657,400 for FY 1995-96, which are as follows:

To the General Liability Fund to augment reserves and reduce fund deficit:	\$120,400
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To the Workers' Compensation Fund to augment reserves and reduce fund deficit:	\$112,000
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To the Accrued Leave Reserve to provide for future payout of accrued employee leave:	\$ 75,000
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To the Capital Equipment Reserve	\$100,000
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The General Fund Emergency Reserve will be fully funded by year three of the forecast:

Year 1	\$250,000
Year 2	\$350,000
Year 3	\$345,000
Year 4	\$50,000
Year 5	\$71,000

- City Council Fiscal Policy establishes a goal of 1.5% of operating expenditures to be set aside as the City Council Contingency Reserve. This forecast provides for only 1% or approximately \$200,000 per year to be allocated to this reserve based on historical expenditure levels. (See Reserve Analysis issue paper)

***Factors Not Included in the Forecast:***

- This forecast is based on the General Fund only. The impact of operations of the Enterprise Funds or other funds on the overall City financial structure is not included in this forecast.
- No new programs are included in the forecast.
- No attempt was made to predict further actions by the State of California to divert revenues traditionally dedicated to local government, as has occurred in recent years. However, it is important to note that the State of California has not resolved its projected budget deficits in the short or long term. At the time this forecast was prepared, the State's adopted budget consists of very optimistic revenues projections, which if not realized could lead to diverting revenues away from Cities. Some sources are projecting a \$3.5 billion dollar deficit by June 30, 1995. Historically, these projections have been underestimated by about one-half.

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# Financial Forecast

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## Overall Revenue Results

Over the forecast period, General Fund revenues are projected to increase at an average annual rate of 3.2%, compared to a historical five year average growth rate of 5.1%. This decrease in overall revenue growth is a result of the following:

- An anticipated 1.2% further decline in Property Tax revenues for the first year of the forecast.
- A decrease in Interfund Transfers-in as a result of the one time sale of Fire equipment in FY 1994-95.
- The Cost Allocation Plan was initiated in FY 1993-94 and fully implemented in FY 1994-95 resulting in a \$1.4 million increase in transfers to the General Fund. Future increases of this size will not occur in future years.

The following table provides a comparison between the forecast and historical average growth rates for the major revenue classifications, and for selected large individual revenue categories within those classifications.

Major Revenue Categories	Forecast 5-year Average	Historical 5-year Average
Taxes	4.6%	3.1%
Property Tax	3.7%	2.4%
Sales Tax	6.1%	4.1%
Transient Occupancy Tax (1)	3.4%	4.6%
In-Lieu & Franchise Taxes (2)	5.4%	11.3%
Property Transfer Tax	3.4%	-9.1%
Construction permits	6.3%	.2%
Business licenses (3)	3.4%	12.4%
Other Licenses & permits	5.4%	14.7%
Grants and Subventions	3.5%	.3%
Service Charges	4.0%	-.6%
Fines	6.7%	-6.9%
Interest and Rents	3.4%	-8.2%
Interfund Transfers (4)	-1.4%	76.3%
Total General Fund Revenue	3.2%	5.1%

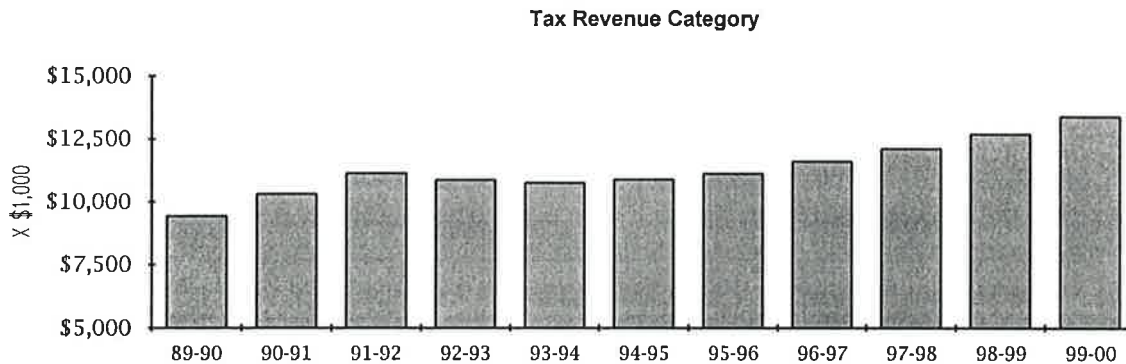
- (1) Transient occupancy tax rate increased from 8% to 10% effective 10-1-91.  
 (2) In-lieu tax assessed to Sewer Fund and franchise fees extended to refuse collection as of 7-1-91.  
 (3) The business license fee schedule was completely rewritten and updated in FY 1991-92.  
 (4) Certificate of Participation proceeds for \$3 million received in FY 1992-93.



## Taxes

The taxes category, which is the largest single revenue category, comprises 52% of total General Fund revenues and is currently projected at \$10.9 million for FY 1994-95. Overall, this category is expected to achieve a relatively healthy average annual growth rate of 4.6%, which is above the historical average of 3.1% for the past five years. Individual tax revenues and the forecast assumptions used for each of the Tax categories are described below.

The following chart provides both historical and projected revenues for the Tax revenue category:

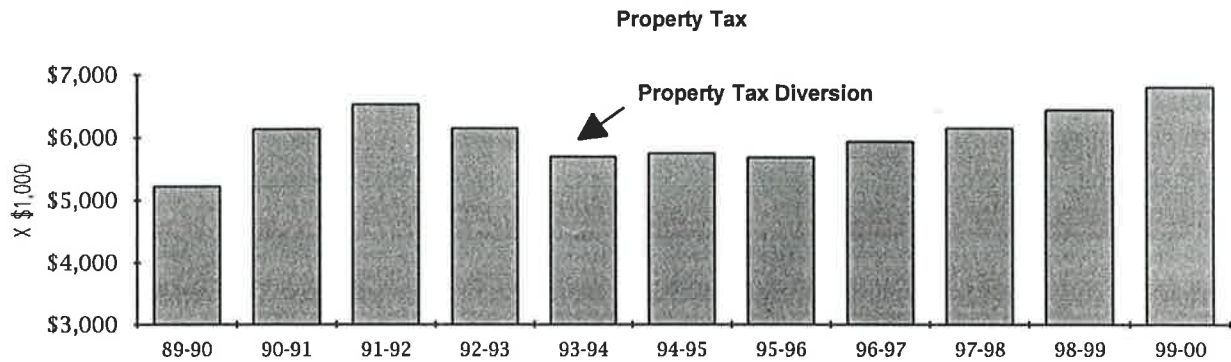


## Property Tax

Property Tax revenue, which is the City's largest revenue source, is currently estimated to total \$5,755,000 for the current 1994-95 fiscal year and represents 27% of the total General Fund revenue projection. This estimate is consistent with actual tax billing data recently released by Orange County, and reflects a 6.5% reduction from the prior year as a result of a decline in property valuations that occurred during the recent recession. Property Tax revenues are anticipated to decline an additional 1.2% in FY 1995-96 before a recovery begins in FY 1996-97. It is projected that it will take until FY 1998-99 for property tax revenues to reach the same level achieved in FY 1992-93. Over the past three years the City has realized an actual \$778,000 reduction in Property Tax receipts, as a result of the shift in revenues from the City to the State and the decline in property valuation.

The average annual forecast Property Tax growth rate of 3.7% is slightly better than the five year historical average of 2.4%. Property Tax projections for the forecast period include provisions for a 2% annual valuation increase based on inflation provisions provided by Proposition 13, the revaluation allowed when property changes hands, as well as new construction required to accommodate expected population growth. However, the forecast does not provide for any possible action by the State of California to once again shift additional property tax revenues away from municipalities to fund the State's budgetary deficit.

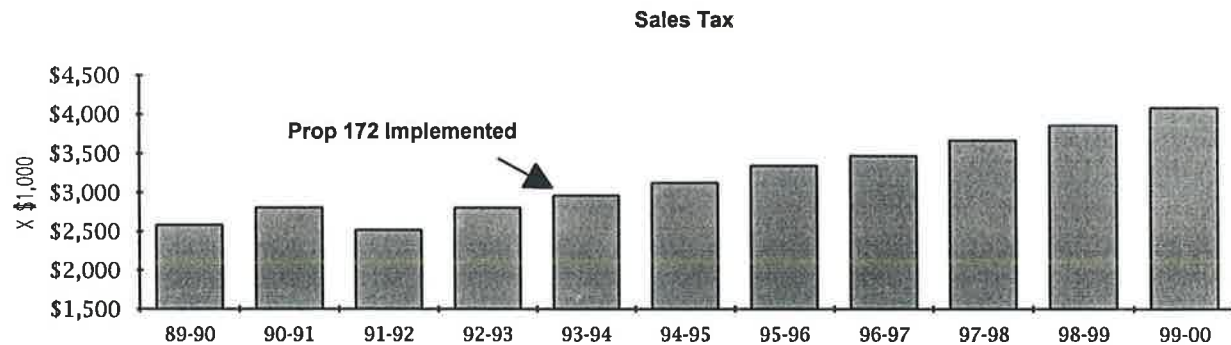
# Financial Forecast



## Sales Tax

Sales tax is one of the City's most economically sensitive revenue sources, and although it was greatly impacted during the past several years by the economic recession, it is now starting to reflect the turnaround in the local economy. Sales tax revenue is currently projected at \$3,125,000 for the current fiscal year. Sales Tax represents 14.8% of total General Fund revenues for the year, and therefore, constitutes the second largest revenue source for the City. The current year estimate represents a 5.6% increase over the prior year total of \$2.96 million. The implementation of Proposition 172 in FY 1993-94, also contributed to the growth of the Sales Tax revenue category by generating \$190,000 in FY 1994-95

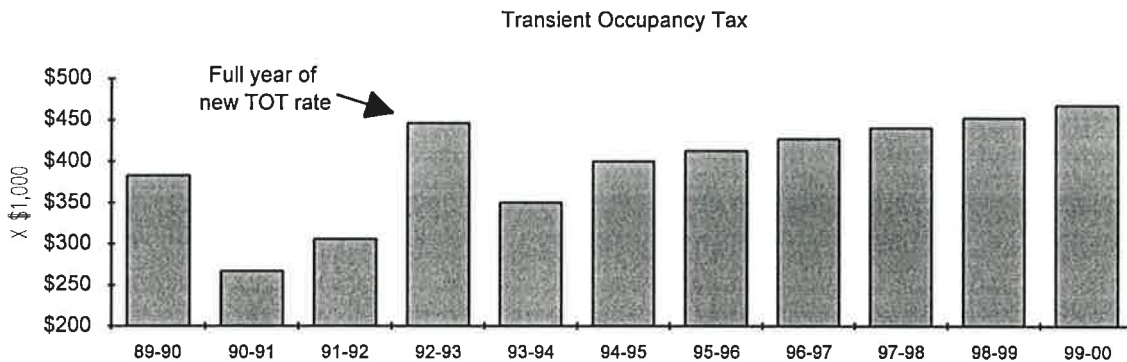
The average annual forecast sales tax growth rate of 6.1% is considerably better than the five year historical average of 4.1%, which was greatly impacted by the economic downturn. Annual growth rates in the forecast are based on taxable sales projections for Orange County presented in the Chapman University Economic and Business Review of December, 1994.



### *Transient Occupancy Tax*

Another economically sensitive revenue source is transient occupancy tax (TOT), which is projected to total \$400,000 for FY 1994-95. During the past year this revenue source has continued to be somewhat anemic, in spite of the economic recovery that has been taking place both nationally and locally indicating that this particular revenue source has not yet recovered from the recession. In FY 1992-93 actual TOT receipts totaled \$446,000 and dropped to only \$350,000 in FY 1993-94.

The average growth rate of this revenue source for the five year forecast period is projected at 3.4% per year, and is based on the consumer price index projections for Orange County presented in the Chapman University Economic and Business Review of December, 1994.



### *In-Lieu and Franchise Taxes*

This category includes in-lieu taxes at 4% of operating revenues from the Water, Sewer and Golf Course enterprise funds, as well as franchise taxes remitted by SDG&E, Southern California Gas Company, Times Mirror Cable TV and San Clemente Commercial, Inc. under the terms of their long term franchise agreements with the City.

For the forecast period, an average growth rate of 5.4% is projected, which reflects 100% of anticipated inflation plus 100% of population growth.

### *Property Transfer Tax*

A transfer tax of 0.05% times the selling price is collected by the County and remitted monthly to the City on all sales of real property in the City. This revenue source has remained relatively consistent throughout the past several years, even with the recession.

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## Financial Forecast

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Revenues from this source are projected to achieve an average annual growth rate of 3.4% over the forecast period based on the Chapman University forecast of the consumer price index.

### *Licenses And Permits*

Licenses and permits make up 5.4% of estimated General Fund revenues for FY 1994-95. Included in this category are business licenses, various types of construction related permits and miscellaneous licenses and permits, such as animal licenses and taxi cab permits. Revenues in this category are expected to rebound from the recent recession and achieve average annual growth of 5% over the forecast period compared to the historical growth of 2.9% over the past five years.

#### 1. Construction Permits

Building, electrical, mechanical, plumbing and grading permits were greatly impacted by the economic recession and the related drop in construction activity. These revenues are expected to exceed budget estimates for the current 1994-95 fiscal year, and are expected to continue to grow at an average annual rate of 6.3% during the forecast period, as the residential housing market improves. Annual growth estimates are based on a combination of the Chapman University annual economic forecast and City of San Clemente Community Development Department.

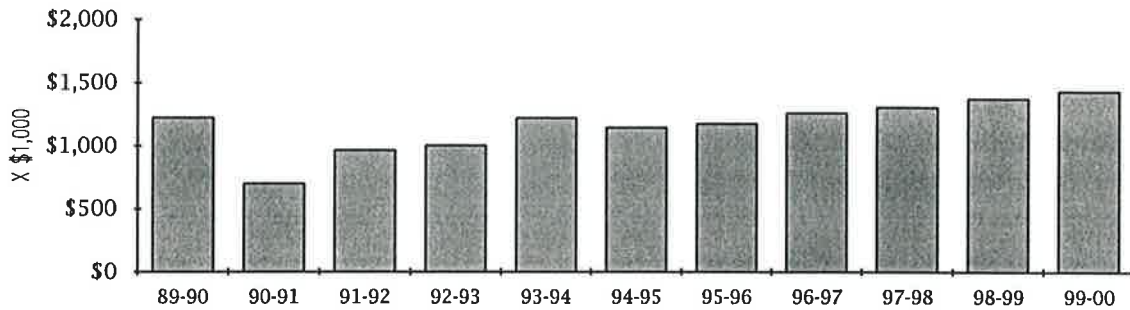
#### 2. Business Licenses

During fiscal 1991-92, business license fees were revised and updated, tying more of the fee calculations to gross receipts and removing the caps that previously existed. The result was a 52% increase in business license revenue over the previous year. These revisions will enable this revenue source to achieve a more normal growth rate, averaging 3.4% annually over the forecast period. These projections are based on 100% of inflation.

#### 3. Other Licenses and Permits

This category is composed of several minor types of licenses and permits, plus two substantive ones - alarm permits at approximately \$125,000 per year, and animal licenses which adds another \$45,000 per year. As a whole, this revenue group is projected to realize an average annual growth rate of 5.4% over the coming five year period, with this projection being based primarily on 100% of inflation plus 100% of population growth.

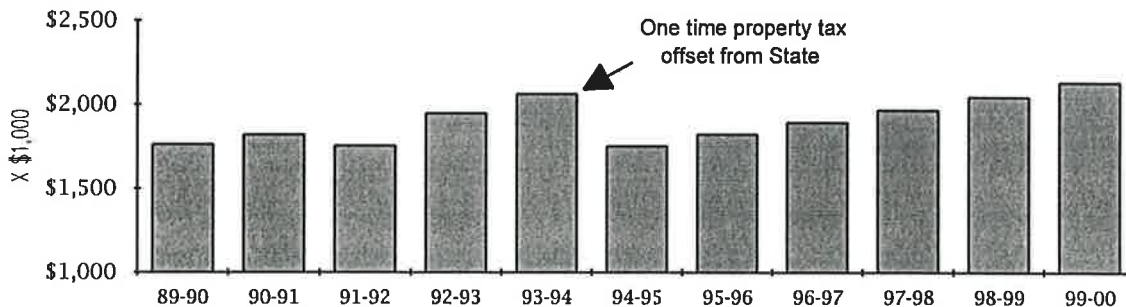
Licenses and Permits



## Grants And Subventions

The predominant revenue source in this category is Motor Vehicle Tax, a State shared revenue which comprises 79% of the intergovernmental revenue total. Other significant items are the SONGS grant (8.6%) and the State reimbursement for homeowner exemptions on property taxes (7.7%). These revenues are projected to grow at a rate of 3.5% over the forecast period, compared to the recession impacted historical growth rate of .3%. Projections for both County and State grants are at 0%. Motor Vehicle projections are projected to increase by 3.6% and are based on 50% of expected inflation plus 100% of anticipated population growth. In FY 1993-94 the City received an additional \$182,000 in Motor Vehicle fees from the State as a one time revenue to offset the impact on the shift of Property Tax from cities to the schools.

Grants & Subventions



## Service Charges

The service charges category includes a wide variety of fees and charges administered by all City departments and range from ambulance fees to recreation fees. These revenue sources are projected to total \$1.7 million for FY 1994-95 or 8% of the General Fund budget. Some of the major revenue sources for this category and their current projected revenues are as follows:

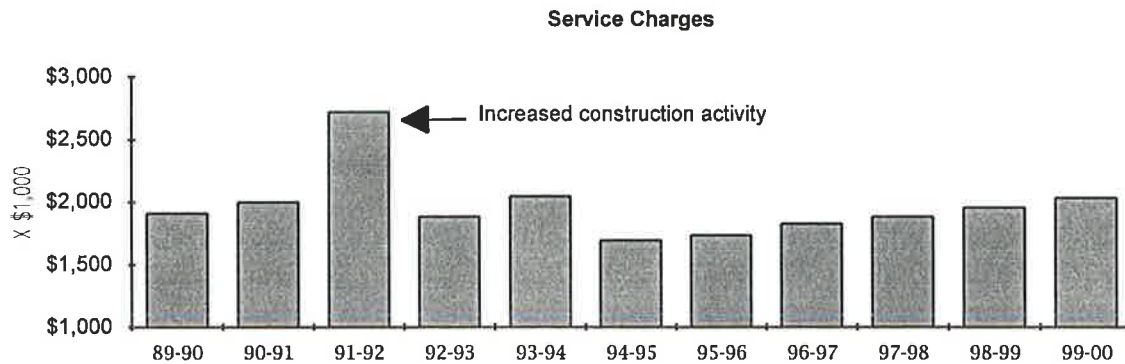
Building Plan Check Fees	\$ 240,000
Construction Inspection Fees	\$80,000



# Financial Forecast

Abandoned Vehicle Program	\$70,000
Ambulance Service Charges and Subscriptions	\$260,000
Parking Meters and Permits	\$305,000
Weed Abatement	\$27,000

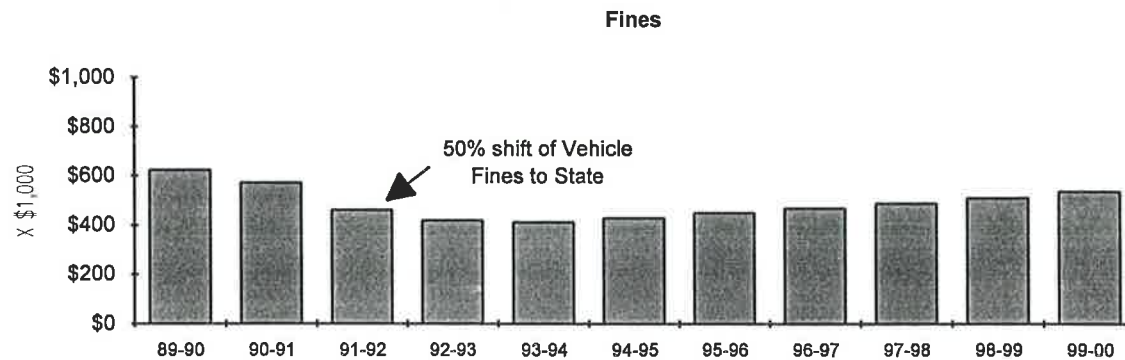
Total service charges are projected to grow at an annual rate of 4% over the forecast period, compared to the recent historical average growth of -.6% per year over the past five years. The forecast projections rely on a number of relevant indices, including inflation, building permits issued, population and personal income growth.



## Fines

This revenue category consists of all fines levied by the City for vehicles, animals, alarms, and other fines. The Parking violations account is the largest single item in this category and makes up 74.5% of this revenue category. Total revenue for this category is \$430,00 for FY 1994-95 and consists of 2% of all General fund Revenues.

The average growth rate of this revenue source for the five year forecast period is 6.7% per year, and is based on 100% of expected inflation plus 100% of anticipated population growth.



### *Interest And Rents*

This revenue group includes a wide variety of revenue sources, which are currently projected to total \$724,000 for the 1994-95 year, or 3.4% of total General Fund revenues. In addition to interest earnings on invested funds, the category includes revenue from rental agreements and leases, including the Casa Romantica lease.

As a group, this category is expected to achieve an average annual growth rate of 3.4% for the five year forecast period. This is in contrast to the average historical -8.2% decrease over the previous five years.

Projections for the forecast period anticipate an average growth in interest earnings of 3.4% due to the increase in General Fund revenues and increased reserves even though interest rates are anticipated to decline in the first few years of the five year projection based on interest projections for Orange County presented in the Chapman University Economic and Business Review of December, 1994.

Projections for other revenues in this category are based on a combination of inflation, population growth and personal income growth.

### *Interfund Transfers*

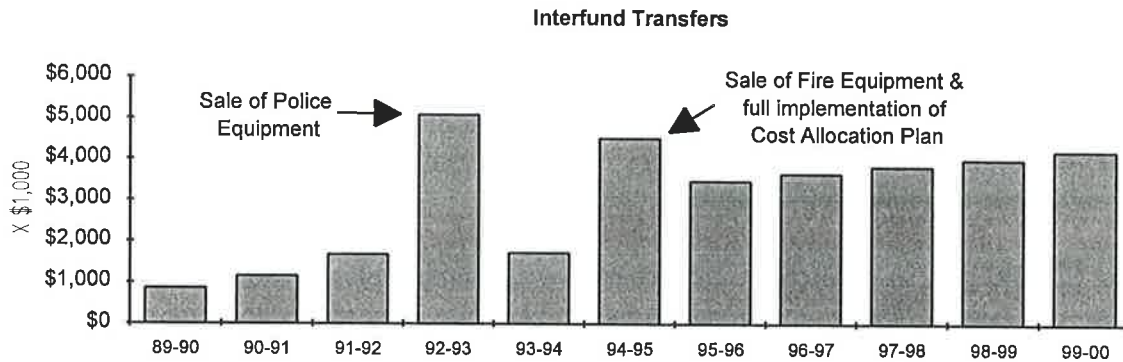
This revenue category is comprised predominantly of overhead charges (\$2.4 million) assessed by the General Fund to other operating funds of the City that have their own revenue sources and are self-supporting. These include the water, sewer, golf course, storm drain, and solid waste management enterprise funds as well as the lighting and landscaping assessment district fund. These funds rely on the General Fund for administrative and accounting support for which they are assessed an overhead charge that is recalculated each year to assure that the rate is equitable and current. This category also includes the sale of property and interfund transfer of all state shared 2107 gas tax monies received by the City, which are used to support the various street maintenance programs conducted and accounted for within the General Fund.

In total, the 1994-95 revenue from Interfund Transfers amounts to \$4.5 million or 21.3% of the General Fund total. This category is projected to achieve an average growth rate of -1.4% over the forecast period. This negative growth rate is the result of the one time sale of Fire equipment to the County of Orange (\$1.2 million) in FY 1994-95. Projections are based on 100% of inflation plus 100% of anticipated population growth.

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# Financial Forecast

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## ***General Fund Expenditure Assumptions and Results***

This section presents assumptions that were utilized in the development of the General Fund expenditure portion of this Forecast, which are as follows:

- Inflation rate for expenditures will be the same as for revenues.
- Existing service levels will be maintained by the addition of two full-time positions per year.
- No new programs will be added.
- A 3% cost of living adjustment has been incorporated into year one of the forecast.
- Cost of living adjustments for years two through five are allocated at 90% of projected inflation.
- The recommendations of the Classification and Compensation study have been incorporated into the base year.
- Actual expenditures are projected at 2.5% less than budgeted. This is conservatively based on a five year average (7.4%) of actual expenditures versus budgeted expenditures.
- Public Employee Retirement System (PERS) will be allocated \$130,000 per year to reduce the City's unfunded liability.



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## Financial Forecast

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The following table provides a comparison between the forecast and historical growth averages for the major expenditure classifications.

Major Expenditure Categories	Forecast 5-Year Average	Historical 5-Year Average
Salaries & Wages	4.2%	-10.8%
Employee Benefits	-2.2%	-5.2%
Supplies	2.4%	-8.5%
Capital Outlay (1)	3.2%	-33.1%
Services/Other Charges	3.8%	31.2%
Total General Fund Expenditures	3.1%	3.0%

(1) Allocation of \$3 million in FY 1992-93 for purchase of Negocio building.

It should be noted that as a result of contracting Police and Fire Services to the County and contracting out other services that were performed by City staff in the past the comparison of historical and projected averages is problematical. This accounts for the dramatic changes in historical and forecast averages presented in the above table.

The major General Fund expenditure categories with associated forecast assumptions are further discussed in the following sections:

### *Salaries And Wages*

Salaries and wages used to be one of the largest expenditure categories within the General Fund, representing 50% of the total budget. During the past several years this category has been reduced as a result of contracting various City services, and now represents only 25% of the General Fund budget. Most of the costs are for salaries of permanent personnel, with the remainder being for part time help and overtime.

The forecast projections assume the addition of two full-time positions each year, annual cost of living raises equal to 90% of the inflation rate, and assume that merit increases and position reclassifications will equal 1.5% of the prior year salary base.

The average annual growth rate for the Salaries and Wages category is only 4.2% for the five year projection due to the transfer of Fire Services to the County, which results in a first year projection of -2.6%.

### *Employee Benefits*

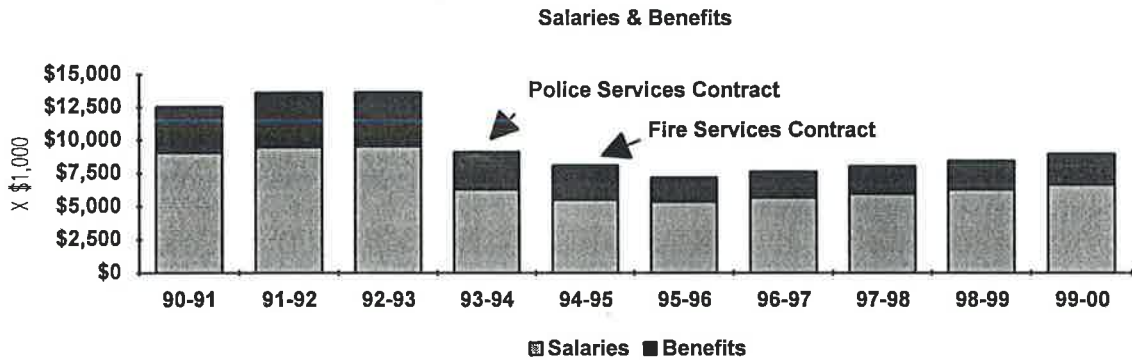
The Employee Benefits category used to represent 20% of the total budget. Due to the same reasons indicated in the Salaries and Wages category, now represents only 12.5% of the General Fund budget.

# Financial Forecast

Forecast projections for employee benefits reflect the same growth factors used for salaries and wages, namely the addition of two full-time positions each year, 90% of inflation for cost of living increases, 1.5% for merit raises and reclassifications plus an additional .5% for increased medical insurance costs above the rate of inflation. This combination is utilized because some employee benefits, such as unemployment and FICA are based on a percentage of employee salaries, while other benefits such as medical insurance and life insurance is a fixed dollar amount.

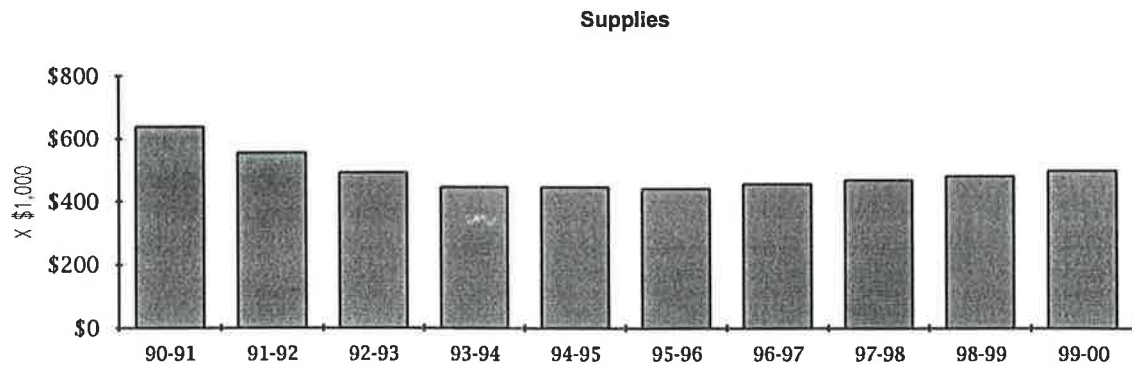
The employee benefits category reflects an average growth rate of -2.2% for the forecast period. This decrease is a result of the contracting of Fire services to the County. The first year of the forecast projects a -29% reduction in benefits. The historical average is -5.2% for this category as a result of contracting Police services to the County and other functions formerly performed by City staff.

The following chart provides a comparison of both Salaries and Benefits:



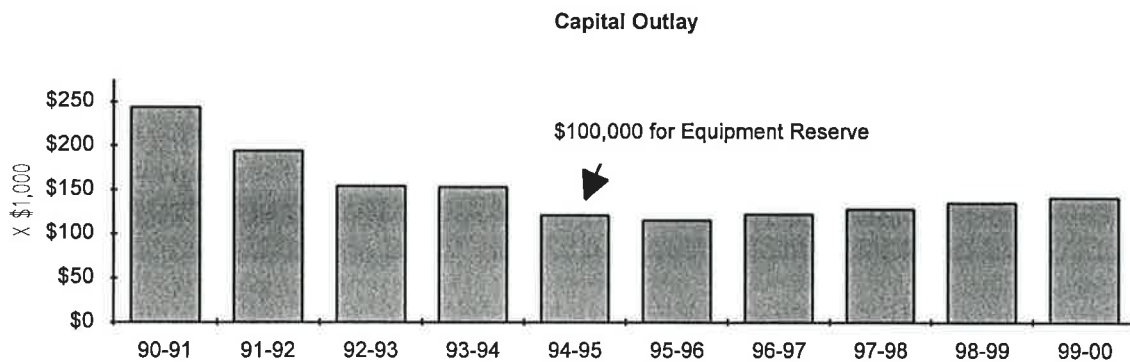
## Supplies

The supplies category includes a wide variety of items ranging from pencils and paper to street patching materials. Forecast projections are based on 100% of projected inflation in order to maintain the present levels of service throughout the forecast period.



## Capital Outlay

For purposes of this forecast, Capital Outlay includes funding of only \$21,000 for minor new and replacement equipment purchases as currently budgeted in the FY 1994-95 budget and an annual \$100,000 allocation to the Equipment Replacement Reserve Fund. Historically both new and replacement equipment, and even infrastructure replacement and funding for capital projects for which the General Fund was the only available funding source have utilized this expenditure category. The allocation of \$3 million in FY 1992-93 was an example of the use of this expenditure category for the purchase of infrastructure. The one time allocation of \$3 million for the purchase of the Negocio property is not indicated on the chart for this section for FY 1992-93 as it does not allow for a valid comparison. Forecast projections for this category are based only on inflation, resulting in an average annual increase of 3.2% for the five year forecast.

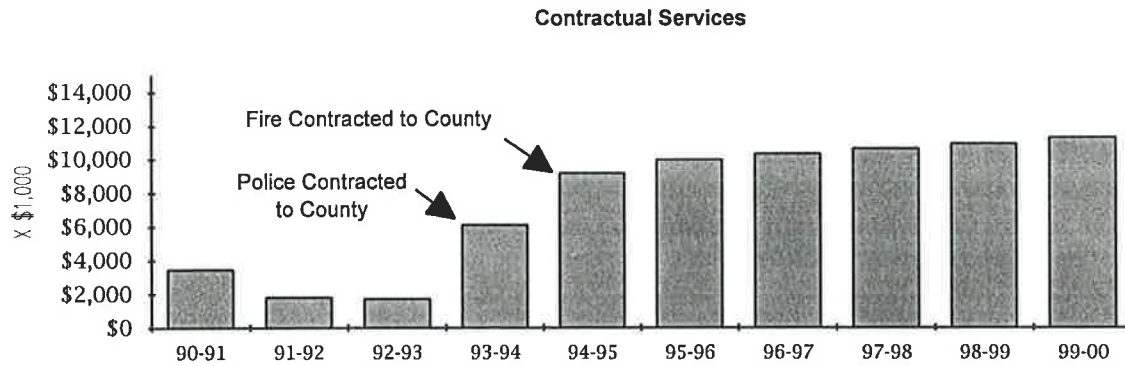


## Contractual Services

Contractual services provides for a wide range of services such as legal services, printing, electricity and Police and Fire services from the County. Due to the major change in services now being contracted, the contractual services category now represents 45% of General Fund expenditures, compared to less than 10% in FY 1991-92.

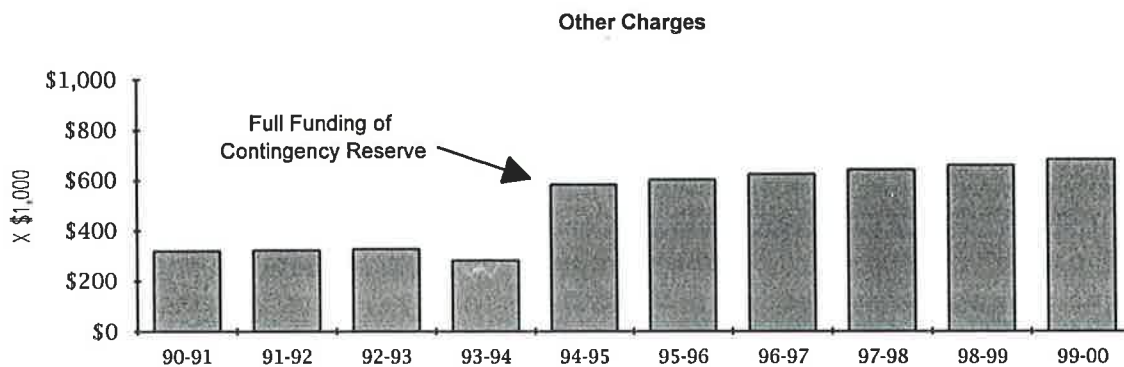
Overall, this category is expected to experience an average annual increase of 4.6% over the forecast period, well below the historical average of 63% (The historical average reflects both Police and Fire services changing from internal operations to contractual services). Projections are based on 100% of inflation.

# Financial Forecast



## Other Charges

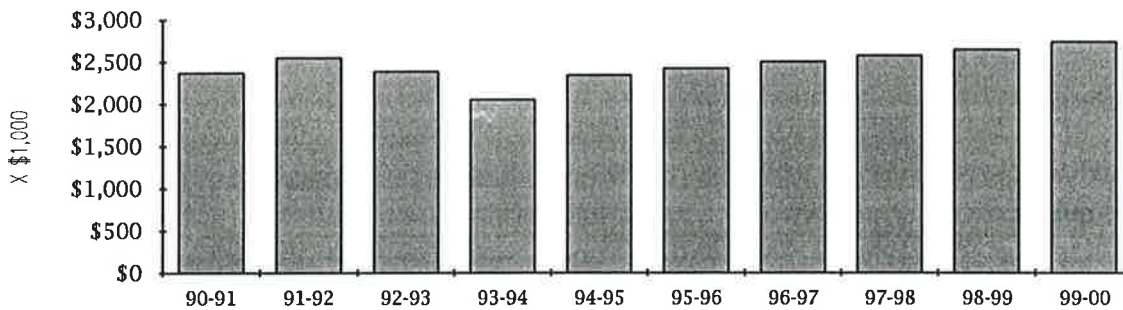
The Other Charges category provides for a wide variety of expenditures such as recreation program expenditures, dues and subscriptions and other items that do not fit within other expenditure categories. Within this expenditure category is the Council Contingency reserve account. Funding in this category consists of less than 3% of the General Fund expenditures. Overall, this category is expected to experience an average annual increase of 3.4% over the forecast period, will below the historical average of 23.7% . These projections are based on 100% of inflation.



## Interdepartmental Charges

Interdepartmental Charges are for services provided by the other funds such as fleet services for use of vehicles. Interdepartmental Charges represents 11.5% of the General Fund budget and is currently budgeted at \$2.3 million. This category is projected to average a 3.4% increase over the five year forecast, compared to an historical average of .3% over the past five years. The low historical average is due to the change in contractual services that were formally provided internally. As these services are contracted there is a corresponding reduction in interdepartmental charges for services.

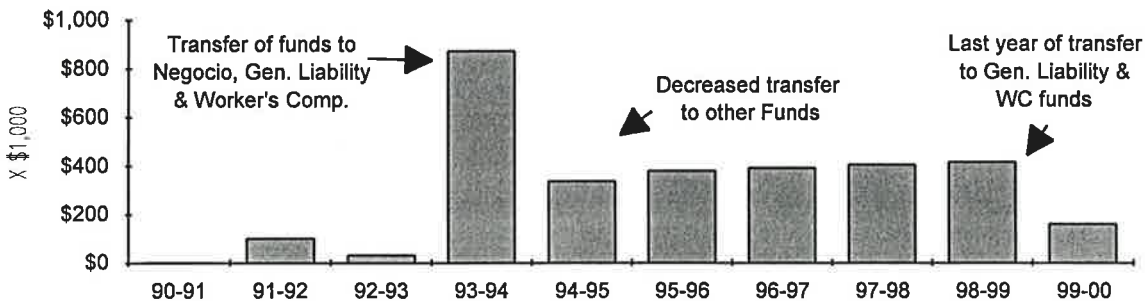
Interdepartmental Charges



## Interfund Transfers

The Interfund Transfers category provides for the transfer of General Fund monies to other funds such as the Worker's Compensation fund, General Liability Fund, and Capital Equipment Replacement Reserve. Interfund Transfers represent only 2% of the total General Fund budget. The Interfund Transfer category is projected to experience an average annual decrease of -9.7% due to the projected full funding of the General Liability and Worker's Compensation reserves in FY 1998-99, which will result in the decrease in Interfund Transfers in FY 1999-00. The growth during the first four years of the Forecast are based on 100% of inflation.

Interfund Transfers



## Forecast Summary

A summary of the projected revenue and expenditures including fund balance is provided on the Cash Flow summaries that begin on page 23 of the Forecast. Three different Cash Flow scenarios are provided;

- Optimistic Cash Flow - projects that budgeted revenues will be exceeded by 1% in year one and by .5% in year two through five and that actual expenditures will be 2.5% under budget each year.



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## Financial Forecast

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- Realistic Cash Flow - projects that budgeted revenues will be exceeded by 1% in year one only and that actual expenditures will be 2.5% under budget.
- Pessimistic Cash Flow - projects that budgeted revenues will not be exceeded and that actual expenditures will be equal to budget each year.

As indicated at the bottom of the summary, any unexpended funds increase the ending fund balance, which are then carried over and become the beginning fund balances for the next year. Conversely, as new programs are added to the General Fund, they have an impact on the ending fund balance that can cause a reduction in fund balance and affect the financial stability of the City in future years.

Over the five year forecast period, the City's revenue and expenditures are projected to maintain fairly constant growth patterns. Revenues are anticipated to grow by an annual average increase of 3.2% a year compared to expenditures growing at an annual average rate of 3.1% per year.

### Forecast Analysis

The following analysis assumes the use of the "Realistic" cash flow scenario described above.

In year one of the Forecast revenues are anticipated to decrease by -3% due to the one time sale of Fire equipment to the County and the -1.2% reduction in property tax resulting from the anticipated continued decline in property valuation.. However, even with this decline in revenues during the first year of the Forecast combined with a projected increase in Emergency Reserve funding of \$250,000 for the year, the ending fund balance is projected at \$1.3 million at the end of FY 1995-96.

In year two of the Forecast revenues are anticipated to increase by 4.6% as property valuations once again begin to increase as a result of continued new construction being added to the City's total property valuation and a return to normal annual property valuation increases based on the resale of property and inflation. Expenditures are projected to increase by 4.3%. However, due to the need to fully fund the Emergency Reserve within three year of the Forecast, a \$350,000 allocation is needed. This will result in a projected fund balance of \$928,000 at the end of FY 1996-97

During year three of the Forecast revenue growth of 4.1% continues to slightly outpace the rate of expenditures at 3.8% resulting in a positive fund balance of \$679,000 even with an allocation of \$345,000 to Emergency Reserve. By the end of year three of the Forecast the Emergency Reserve is fully funded at 8% of the General Fund operations budget.

Year four of the Forecast results in an ending fund balance to \$917,000 due to revenues increasing at a rate of 4.6% , while expenditures are only increasing at a rate of 3.6%. The

## Financial Forecast

allocation to the Emergency Reserve only requires an allocation of \$50,000 based on an incremental increase in total expenditures.

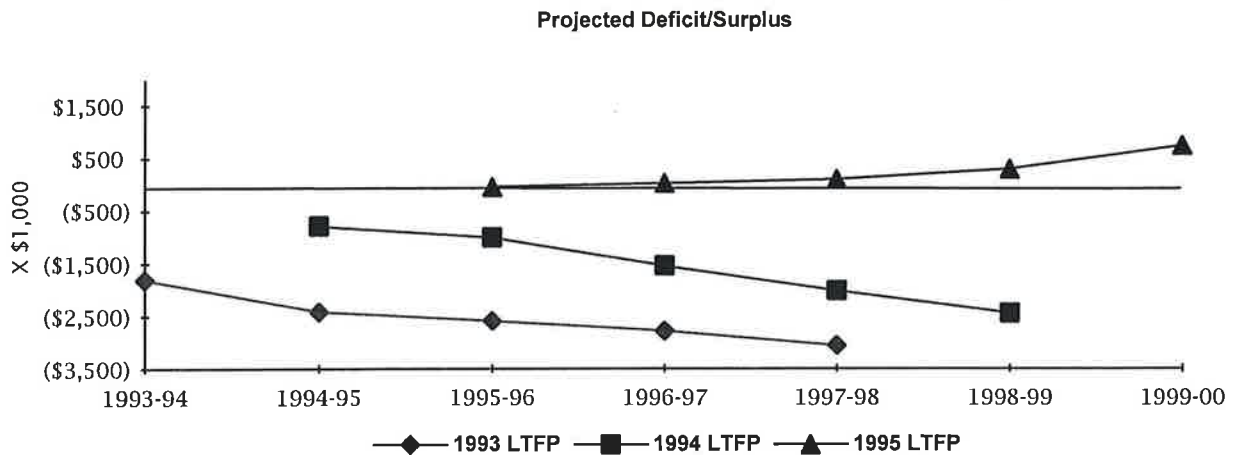
Year five of the Forecast completes the year with a fund balance of \$1.6 million due to a decrease in the transfers from the General Fund to the General Liability and Worker's Compensation reserves, and a minor contribution to General Fund reserves to maintain an 8% emergency reserve level.

### Operating Surplus/Deficit

The forecast predicts a steady recovery from the economic recession that confronted the City during the first half of the 90's. Results of the forecast with respect to the annual deficit or surplus (excluding fund balances) is shown in the following two graphs that compares the 1993 and 1994 forecasts to the 1995 forecast.

#### Projected Deficit/Surplus

Amounts in \$1,000	1995-96	1996-97	1997-98	1998-99	1999-00
Revenues	\$20,526	\$21,469	\$22,360	\$23,382	\$24,566
Expenditures	20,566	21,446	22,264	23,094	23,826
Deficit/Surplus Total	-\$40	\$23	\$96	\$288	\$740



### Realistic, Optimistic, Pessimistic Scenarios

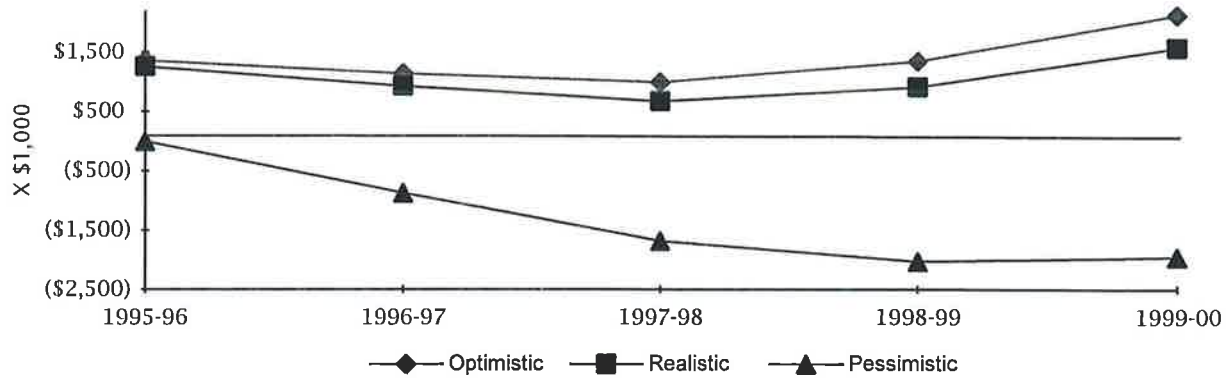
A comparison of the projected ending fund balance for the Realistic, Optimistic and Pessimistic scenarios in this forecast are summarized in the following two graphs:

#### Fund Balance Comparison

Amounts in \$1,000	1995-96	1996-97	1997-98	1998-99	1999-00
Optimistic	\$1,358	\$1,138	\$1,001	1,355	\$2,148
Realistic	\$1,255	\$928	\$679	\$917	\$1,585
Pessimistic	-\$3	-\$872	-\$1,681	-\$2,022	-\$1,948

# Financial Forecast

Comparison of Scenarios  
Fund Balance



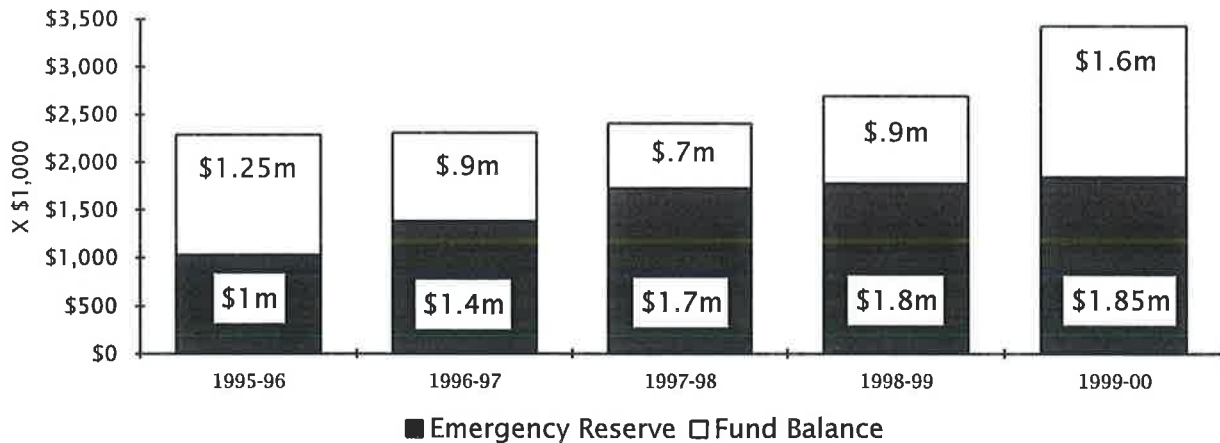
## Fund Balances and Emergency Reserves

The following two graphs indicates the projected growth in the General Fund Emergency Reserve and the ending fund balance over the five year forecast period.

### Fund Balance & Emergency Reserve

Amounts in \$1,000	1995-96	1996-97	1997-98	1998-99	1999-00
Fund Balance	\$1,255	\$928	\$679	\$917	\$1,585
Emergency Reserves	\$1,030	\$1,380	\$1,725	\$1,775	\$1,846
Total	\$2,285	\$2,308	\$2,404	\$2,692	\$3,431

Fund Balance & Emergency Reserve





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## Financial Forecast

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The major reasons for the improvements in the 1995 Financial Forecast as compared to prior year forecasts are outlined below:

- Contracting of Police Services to Orange County in July 1993. Saved \$1.4 million to the General Fund in FY 1993-94.
- Contracting of beach and park maintenance, street striping and marking, utility meter reading, and fleet maintenance in FY 1993-94. Five year savings = \$2.4 million.
- Contracting of Fire Services to Orange County in September 1994. Five year savings = \$2.1 million.
- Implementation of a General Fund Cost Allocation Plan. Resulted in \$107,000 increase in General Fund revenues in FY 1993-94 and an additional \$436,000 in FY 1994-95.
- Reduced staffing levels by 48% from a high of 352 FTE's in FY 1991-92 to 184 FTE's in FY 1994-95.
- Froze cost of living adjustments for City employees for three years resulting in a significant savings in avoided costs.
- Reduced a number of employee benefits, including medical benefits. Medical costs reduced \$300,000 annually.
- Implemented a work furlough program for employees. Estimated General Fund savings for two year = \$150,000
- Creation of Storm Drain Utility fund resulting in reduced General Fund expenditures. Savings of approximately \$200,000 annually.

In addition to cost control factors the Forecast for 1995 is obviously reflective of the improvements in the economy that started to take place during the past year and are projected to continue throughout the five years of the Forecast.

### Historical/Projected Revenue and Expenditure

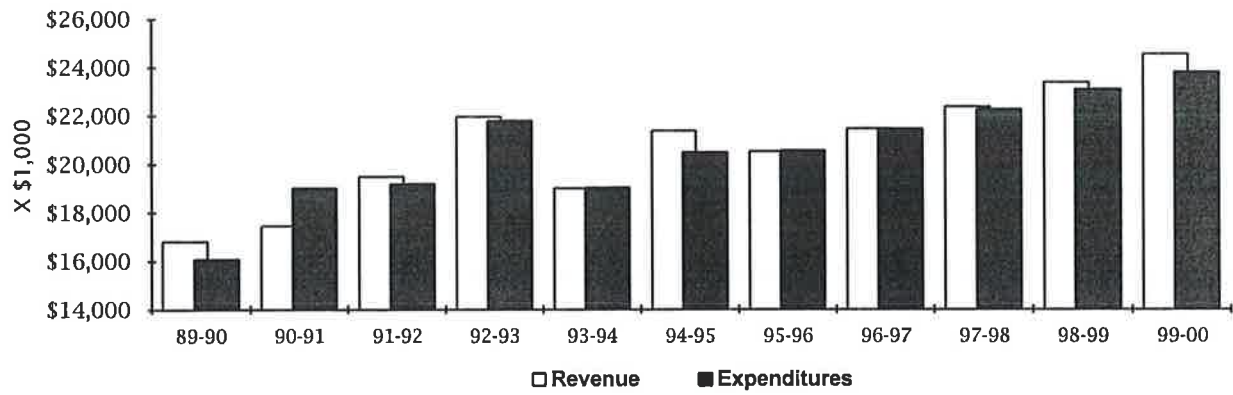
The following chart provides actual historical and projected revenue and expenditure levels as utilized in this Forecast.

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# Financial Forecast

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General Fund Revenue & Expenditure Comparison



The summary of the cash flow and revenues and expenditures categories that are projected in the five year forecast are summarized beginning on page 25.

# Financial Forecast

## 1995 FINANCIAL FORECAST Realistic Cash Flow (Amounts in Thousands)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Beginning Fund Balance</b>	809	1,546	1,255	928	679	917	
<b>Revenues</b>							
Taxes	10,997	11,127	11,609	12,115	12,698	13,399	60,949
Licenses & Permits	1,157	1,175	1,261	1,306	1,374	1,434	6,550
Intergovernmental	1,783	1,817	1,880	1,939	2,000	2,071	9,706
Service Charges	1,710	1,734	1,825	1,882	1,957	2,031	9,428
Fines & Forfeits	434	455	476	504	536	573	2,544
Interest And Rents	745	751	770	798	830	864	4,013
Interfund Transfers	4,544	3,467	3,648	3,815	3,987	4,195	19,112
<b>Total G F Revenues</b>	<b>21,370</b>	<b>20,526</b>	<b>21,469</b>	<b>22,360</b>	<b>23,382</b>	<b>24,566</b>	<b>112,302</b>
<b>Expenditures</b>							
City Council	20	19	19	20	21	21	100
City Manager	494	507	530	550	571	596	2,754
City General	1,728	1,946	2,013	2,072	2,131	1,949	10,112
Office Of Mgt. & Budget	278	290	303	316	328	343	1,581
City Clerk	365	370	386	401	416	434	2,007
Accounting	623	649	677	702	728	760	3,517
City Treasurer	33	34	35	37	38	40	184
Human Resources	297	309	322	334	347	362	1,675
Purchasing	115	120	125	130	135	142	652
Police	5,820	5,992	6,196	6,375	6,554	6,783	31,900
Fire	4,217	3,370	3,484	3,585	3,686	3,815	17,939
Comm Dev.- Admin.	211	221	230	240	249	260	1,200
Building	709	739	772	802	833	870	4,016
Planning	730	744	777	808	839	877	4,045
Public Works Admin.	238	248	259	270	280	293	1,350
Engineering	1,041	1,088	1,142	1,194	1,247	1,310	5,980
Maintenance Services	2,055	2,132	2,221	2,305	2,390	2,493	11,542
B, P & R Admin.	214	216	226	235	245	257	1,179
Recreation	715	744	775	802	830	865	4,017
Marine Safety	581	607	634	660	686	717	3,305
PERS Unfunded Liability	0	130	130	130	130	130	650
New Employees	0	90	188	295	410	509	1,492
<b>Total GF Expenditures</b>	<b>20,483</b>	<b>20,566</b>	<b>21,446</b>	<b>22,264</b>	<b>23,094</b>	<b>23,826</b>	<b>111,196</b>
<b>Emergency Reserve</b>	<b>150</b>	<b>250</b>	<b>350</b>	<b>345</b>	<b>50</b>	<b>71</b>	<b>1,066</b>
<b>Ending Fund Balance</b>	<b>1,546</b>	<b>1,255</b>	<b>928</b>	<b>679</b>	<b>917</b>	<b>1,585</b>	<b>5,365</b>

# Financial Forecast

## 1995 FINANCIAL FORECAST Optimistic Cash Flow (Amounts in Thousands)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Beginning Fund Balance</b>	809	1,546	1,358	1,138	1,001	1,355	
<b>Revenues</b>							
Taxes	10,997	11,183	11,667	12,176	12,761	13,466	61,253
Licenses & Permits	1,157	1,181	1,268	1,313	1,381	1,441	6,583
Intergovernmental	1,783	1,826	1,889	1,948	2,010	2,081	9,755
Service Charges	1,710	1,743	1,834	1,891	1,967	2,041	9,475
Fines & Forfeits	434	457	478	507	539	576	2,556
Interest And Rents	745	754	774	802	834	868	4,033
Interfund Transfers	4,544	3,485	3,666	3,835	4,007	4,215	19,208
<b>Total G F Revenues</b>	<b>21,370</b>	<b>20,629</b>	<b>21,576</b>	<b>22,471</b>	<b>23,498</b>	<b>24,688</b>	<b>112,863</b>
<b>Expenditures</b>							
City Council	20	19	19	20	21	21	100
City Manager	494	507	530	550	571	596	2,754
City General	1,728	1,946	2,013	2,072	2,131	1,949	10,112
Office Of Mgt. & Budget	278	290	303	316	328	343	1,581
City Clerk	365	370	386	401	416	434	2,007
Accounting	623	649	677	702	728	760	3,517
City Treasurer	33	34	35	37	38	40	184
Human Resources	297	309	322	334	347	362	1,675
Purchasing	115	120	125	130	135	142	652
Police	5,820	5,992	6,196	6,375	6,554	6,783	31,900
Fire	4,217	3,370	3,484	3,585	3,686	3,815	17,939
Comm Dev.- Admin.	211	221	230	240	249	260	1,200
Building	709	739	772	802	833	870	4,016
Planning	730	744	777	808	839	877	4,045
Public Works Admin.	238	248	259	270	280	293	1,350
Engineering	1,041	1,088	1,142	1,194	1,247	1,310	5,980
Maintenance Services	2,055	2,132	2,221	2,305	2,390	2,493	11,542
B, P & R Admin.	214	216	226	235	245	257	1,179
Recreation	715	744	775	802	830	865	4,017
Marine Safety	581	607	634	660	686	717	3,305
PERS Unfunded Liability	0	130	130	130	130	130	650
New Employees	0	90	188	295	410	509	1,492
<b>Total GF Expenditures</b>	<b>20,483</b>	<b>20,566</b>	<b>21,446</b>	<b>22,264</b>	<b>23,094</b>	<b>23,826</b>	<b>111,196</b>
<b>Emergency Reserve</b>	<b>150</b>	<b>250</b>	<b>350</b>	<b>345</b>	<b>50</b>	<b>70</b>	<b>1,065</b>
<b>Ending Fund Balance</b>	<b>1,546</b>	<b>1,358</b>	<b>1,138</b>	<b>1,001</b>	<b>1,355</b>	<b>2,148</b>	<b>7,000</b>

# Financial Forecast

## 1995 FINANCIAL FORECAST Pessimistic Cash Flow (Amounts in Thousands)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Beginning Fund Balance</b>	809	809	-3	-872	-1,681	-2,022	
<b>Revenues</b>							
Taxes	10,889	11,127	11,609	12,115	12,698	13,399	60,949
Licenses & Permits	1,145	1,175	1,261	1,306	1,374	1,434	6,550
Intergovernmental	1,765	1,817	1,880	1,939	2,000	2,071	9,706
Service Charges	1,693	1,734	1,825	1,882	1,957	2,031	9,428
Fines & Forfeits	430	455	476	504	536	573	2,544
Interest And Rents	738	751	770	798	830	864	4,013
Interfund Transfers	4,499	3,467	3,648	3,815	3,987	4,195	19,112
<b>Total G F Revenues</b>	<b>21,158</b>	<b>20,526</b>	<b>21,469</b>	<b>22,360</b>	<b>23,382</b>	<b>24,566</b>	<b>112,302</b>
<b>Expenditures</b>							
City Council	21	20	20	20	21	22	102
City Manager	507	520	543	564	585	611	2,824
City General	1,773	1,996	2,065	2,125	2,186	1,999	10,372
Office Of Mgt. & Budget	285	298	311	324	337	352	1,621
City Clerk	374	380	396	411	427	445	2,059
Accounting	639	666	694	720	747	780	3,607
City Treasurer	33	35	36	38	39	41	188
Human Resources	305	317	331	343	356	371	1,718
Purchasing	118	123	128	134	139	145	669
Police	5,969	6,146	6,355	6,539	6,722	6,957	32,718
Fire	4,325	3,456	3,574	3,677	3,780	3,912	18,399
Comm Dev.- Admin.	217	226	236	246	255	267	1,231
Building	727	758	791	823	854	893	4,119
Planning	749	764	797	829	860	899	4,149
Public Works Admin.	244	255	266	277	287	300	1,385
Engineering	1,068	1,116	1,171	1,224	1,279	1,343	6,133
Maintenance Services	2,107	2,186	2,278	2,365	2,452	2,557	11,838
B, P & R Admin.	220	221	232	241	252	264	1,209
Recreation	733	764	794	823	852	887	4,120
Marine Safety	596	623	651	677	703	736	3,389
PERS Unfunded Liability	0	130	130	130	130	130	650
New Employees	0	90	188	295	410	509	1,492
<b>Total GF Expenditures</b>	<b>21,008</b>	<b>21,088</b>	<b>21,988</b>	<b>22,824</b>	<b>23,673</b>	<b>24,421</b>	<b>113,993</b>
<b>Emergency Reserve</b>	<b>150</b>	<b>250</b>	<b>350</b>	<b>345</b>	<b>50</b>	<b>71</b>	<b>1,066</b>
<b>Ending Fund Balance</b>	<b>809</b>	<b>-3</b>	<b>-872</b>	<b>-1,681</b>	<b>-2,022</b>	<b>-1,948</b>	<b>-6,526</b>

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# Financial Forecast

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## 1995 FINANCIAL FORECAST

Realistic Parameters

Par #	Description	1995-96	1996-97	1997-98	1998-99	1999-00	Average
1	Inflation	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%
2	Population	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%
3	Assessed Valuation	-1.2%	4.5%	3.6%	4.8%	5.7%	3.5%
4	Personal Income	6.2%	4.7%	6.1%	6.5%	7.1%	6.1%
5	Taxable Sales	6.9%	3.8%	5.8%	5.3%	5.7%	5.5%
6	Property Taxes	-1.2%	4.5%	3.6%	4.8%	5.7%	3.5%
7	Trans. Occup. Tax	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%
8	In-Lieu/Franchise Taxes	5.1%	5.2%	4.6%	4.5%	5.2%	4.9%
9	Prop. Transfer Tax	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%
10	Construction Permits	1.1%	11.6%	3.7%	7.3%	4.7%	5.7%
11	State Subventions	3.5%	3.5%	3.2%	3.1%	3.5%	3.3%
12	Service Charges	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%
13	Interest Earnings	-17.0%	-2.7%	5.6%	8.0%	2.0%	-0.8%
14	Pier & Beach Concessions	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%
15	Interfund Charges	5.1%	5.2%	4.6%	4.5%	5.2%	4.9%
16	Salaries & Wages	4.5%	4.6%	4.1%	4.0%	4.7%	4.4%
17	Employee Benefits	5.0%	5.1%	4.6%	4.5%	5.2%	4.9%
18	Supplies	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%
19	Services/Other Charges	3.3%	3.4%	2.9%	2.8%	3.5%	3.2%

# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Revenues - Base Forecast (Amounts in Thousands)

	Par #	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Taxes</b>								
Property Taxes	6	5,755	5,686	5,942	6,156	6,451	6,819	31,054
Sales Tax	5	3,125	3,341	3,468	3,669	3,863	4,083	18,423
Trans.Occup. Tax	7	400	413	427	440	452	468	2,200
In-Lieu	8	563	592	622	651	680	716	3,262
Franchise Tax	8	888	933	982	1,027	1,073	1,129	5,144
Property Trans. Tax	9	150	155	160	165	169	175	825
Delinquent Taxes	1	8	8	8	8	8	9	41
<b>Total</b>		<b>10,889</b>	<b>11,127</b>	<b>11,609</b>	<b>12,115</b>	<b>12,698</b>	<b>13,399</b>	<b>60,949</b>
<b>Licenses &amp; Permits</b>								
Business Licenses	1	440	455	470	484	497	515	2,420
Business Permits	4	7	8	8	9	9	10	43
Construction Permits	10	516	522	582	604	648	678	3,034
Non-Bus. Lic.& Perm.	8	182	191	201	210	220	231	1,053
<b>Total</b>		<b>1,145</b>	<b>1,175</b>	<b>1,261</b>	<b>1,306</b>	<b>1,374</b>	<b>1,434</b>	<b>6,550</b>
<b>Intergovernmental</b>								
Mandated Cost Reimb	0	15	15	15	15	15	15	75
SONGS Grant	11	150	155	161	166	171	177	829
Other State Grants	0	46	46	47	48	49	50	240
Motor Vehicle Tax	11	1,380	1,428	1,478	1,524	1,571	1,626	7,626
Off-Highway/Trailer In Lieu	0	2	2	3	4	5	6	20
Homeowner Exemptions	3	135	133	139	144	151	160	728
Lifeguard Grant	0	24	24	24	24	24	24	120
Other Govern. Revenues	0	14	14	14	14	14	14	68
<b>Total</b>		<b>1,765</b>	<b>1,817</b>	<b>1,880</b>	<b>1,939</b>	<b>2,000</b>	<b>2,071</b>	<b>9,706</b>
<b>Service Charges</b>								
Building Plan Check Fees	10	240	243	271	281	301	315	1,411
Plan Check Fees	10	62	63	70	73	78	81	365
Inspection Fees	10	97	98	110	114	122	128	573
Treasurer Serv.Fees	13	30	25	24	26	28	28	131
Other Gen Gov Service Chgs	12	223	231	239	246	252	261	1,229
Weed Abate. Assmts.	12	46	48	49	51	52	54	253
Ambulance Serv. Chgs.	12	210	217	224	231	237	246	1,155
Ambulance Subscr. Fees	12	50	52	53	55	56	58	275
Other Pub. Safety Chgs.	12	129	133	138	142	146	151	709
Parking Meter Rev.	1	305	315	326	335	345	357	1,677
Recreation Charges	12	300	310	321	330	339	351	1,651
<b>Total</b>		<b>1,693</b>	<b>1,734</b>	<b>1,825</b>	<b>1,882</b>	<b>1,957</b>	<b>2,031</b>	<b>9,428</b>

# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Revenues - Base Forecast (Amounts in Thousands)

	Par #	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Fines &amp; Forfeits</b>								
Parking Violations	8	320	340	356	378	402	431	1,906
Vehicle Code Fines	8	85	90	95	100	107	114	506
Court Fines	2	13	13	13	14	14	14	69
Other Fines & Pen.	2	12	12	12	13	13	14	63
Total		430	455	476	504	536	573	2,544
<b>Interest And Rents</b>								
Interest Earnings	13	60	50	48	51	55	56	261
Comm. Site Leases	1	159	164	170	175	179	186	873
Casa Romantica Lease	0	107	107	108	109	110	111	545
Pier & Beach Concess.	4	273	290	303	322	343	367	1,625
Facility Rentals	8	114	114	114	114	114	114	568
Other Revenue		26	26	27	28	29	30	141
Total		738	751	770	798	830	864	4,013
<b>Interfund Transfers</b>								
Sale Of Fixed Assets	15	641	5	5	6	6	6	28
Negocio Debt Service	15	0	0	0	0	0	0	0
2107 Gas Tax	15	300	315	332	347	363	381	1,738
Disaster Relief	15	300	315	332	347	363	381	1,738
Storm Drain	15	115	121	127	133	139	146	665
Fleet Maint.	15	564	50	53	55	57	60	276
Other Funds	15	200	161	169	177	185	194	886
G. F. Overhead Charges	15	2,379	2,500	2,631	2,752	2,875	3,025	13,783
Total		4,499	3,467	3,648	3,815	3,987	4,195	19,112
General Fund Total		21,158	20,526	21,469	22,360	23,382	24,566	112,302



# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Revenues - Base Forecast (Amounts in Thousands)

TOTAL ALL REVENUES	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
	Taxes	10,889	11,127	11,609	12,115	12,698	13,399
Licenses & Permits	1,145	1,175	1,261	1,306	1,374	1,434	6,550
Intergovernmental	1,765	1,817	1,880	1,939	2,000	2,071	9,706
Service Charges	1,693	1,734	1,825	1,882	1,957	2,031	9,428
Fines & Forfeits	430	455	476	504	536	573	2,544
Interest And Rents	738	751	770	798	830	864	4,013
Interfund Transfers	4,499	3,467	3,648	3,815	3,987	4,195	19,112
General Fund Total	21,158	20,526	21,469	22,360	23,382	24,566	112,302

PERCENTAGE CHANGE	1995-96	1996-97	1997-98	1998-99	1999-00	Total 95-00	Average
	Taxes	2.2%	4.3%	4.4%	4.8%	5.5%	23.1%
Licenses & Permits	2.6%	7.3%	3.6%	5.2%	4.4%	25.2%	5.0%
Intergovernmental	2.9%	3.5%	3.1%	3.2%	3.5%	17.3%	3.5%
Service Charges	2.4%	5.2%	3.1%	4.0%	3.8%	20.0%	4.0%
Fines & Forfeits	5.9%	4.6%	5.9%	6.3%	6.9%	33.4%	6.7%
Interest And Rents	1.7%	2.6%	3.6%	4.0%	4.1%	17.1%	3.4%
Interfund Transfers	-22.9%	5.2%	4.6%	4.5%	5.2%	-6.8%	-1.4%
General Fund Total	-3.0%	4.6%	4.1%	4.6%	5.1%	16.1%	3.2%

# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Expenditures - Base Forecast (Amounts in Thousands)

Program/ Account	Par #	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>City Council</b>								
Salaries & Wages	0	13	13	13	13	13	13	65
Employee Benefits	0	1	0	0	0	1	1	2
Supplies	18	0	0	0	0	1	1	2
Services/Other Charges	19	6	6	6	7	7	7	33
Capital Outlay	20	0	0	0	0	0	0	0
Total		21	20	20	20	21	22	102
<b>City Manager</b>								
Salaries & Wages	16	254	266	278	289	301	315	1,448
Employee Benefits	17	91	95	100	105	109	115	524
Supplies	18	9	9	10	10	10	11	49
Services/Other Charges	19	153	150	155	160	164	170	799
Capital Outlay	20	0	0	1	1	1	1	4
Total		507	520	543	564	585	611	2,824
<b>City General</b>								
Salaries & Wages	16	110	115	120	125	130	136	625
Employee Benefits	17	30	31	33	34	36	37	171
Supplies	18	25	25	26	27	28	29	136
Services/Other Charges	19	1,507	1,722	1,779	1,829	1,880	1,680	8,890
Capital Outlay	20	102	103	107	110	113	117	550
Total		1,773	1,996	2,065	2,125	2,186	1,999	10,372
<b>Office Of Mgt. &amp; Budget</b>								
Salaries & Wages	16	176	184	192	200	208	218	1,001
Employee Benefits	17	72	76	80	83	87	92	418
Supplies	18	3	3	3	3	3	3	14
Services/Other Charges	19	34	35	37	38	39	40	188
Capital Outlay	20	0	0	0	0	0	0	0
Total		285	298	311	324	337	352	1,621
<b>City Clerk</b>								
Salaries & Wages	16	187	195	204	212	221	231	1,063
Employee Benefits	17	66	70	73	76	80	84	383
Supplies	18	5	5	6	6	6	6	29
Services/Other Charges	19	116	110	114	117	120	124	585
Capital Outlay	20	0	0	0	0	0	0	0
Total		374	380	396	411	427	445	2,059
<b>Accounting</b>								
Salaries & Wages	16	313	327	342	356	371	388	1,784
Employee Benefits	17	107	112	118	123	129	136	618
Supplies	18	70	72	74	77	79	82	383
Services/Other Charges	19	149	154	159	164	169	175	821
Capital Outlay	20	0	0	0	0	0	0	0
Total		639	666	694	720	747	780	3,607

# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Expenditures - Base Forecast (Amounts in Thousands)

Program/ Account	Par #	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>City Treasurer</b>								
Salaries & Wages	16	23	24	25	26	27	29	131
Employee Benefits	17	1	1	1	1	1	1	6
Supplies	18	1	1	1	1	1	1	5
Services/Other Charges	19	8	9	9	9	9	10	46
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>33</b>	<b>35</b>	<b>36</b>	<b>38</b>	<b>39</b>	<b>41</b>	<b>188</b>
<b>Human Resources</b>								
Salaries & Wages	16	141	148	155	161	167	175	806
Employee Benefits	17	48	50	53	55	58	61	277
Supplies	18	3	3	4	4	4	4	18
Services/Other Charges	19	112	116	120	123	127	131	617
Capital Outlay	20	0						0
<b>Total</b>		<b>305</b>	<b>317</b>	<b>331</b>	<b>343</b>	<b>356</b>	<b>371</b>	<b>1,718</b>
<b>Purchasing</b>								
Salaries & Wages	16	72	75	78	82	85	89	409
Employee Benefits	17	25	27	28	29	31	32	147
Supplies	18	2	2	2	2	2	2	11
Services/Other Charges	19	18	19	20	20	21	22	102
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>118</b>	<b>123</b>	<b>128</b>	<b>134</b>	<b>139</b>	<b>145</b>	<b>669</b>
<b>Police</b>								
Salaries & Wages	16	5	0	0	0	0	0	1
Employee Benefits	17	0	0	0	0	0	0	0
Supplies	18	0	0	0	0	0	0	0
Services/Other Charges	19	5,949	6,145	6,354	6,539	6,722	6,957	32,717
Capital Outlay	20	15	0	0	0	0	0	0
<b>Total</b>		<b>5,969</b>	<b>6,146</b>	<b>6,355</b>	<b>6,539</b>	<b>6,722</b>	<b>6,957</b>	<b>32,718</b>
<b>Fire</b>								
Salaries & Wages	16	432	0	0	0	0	0	0
Employee Benefits	17	868	0	0	0	0	0	0
Supplies	18	15	0	0	0	0	0	0
Services/Other Charges	19	3,010	3,456	3,574	3,677	3,780	3,912	18,399
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>4,325</b>	<b>3,456</b>	<b>3,574</b>	<b>3,677</b>	<b>3,780</b>	<b>3,912</b>	<b>18,399</b>
<b>Comm Dev.- Admin.</b>								
Salaries & Wages	16	136	142	149	155	161	169	776
Employee Benefits	17	45	47	49	52	54	57	259
Supplies	18	6	6	6	6	7	7	32
Services/Other Charges	19	30	31	32	33	33	35	163
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>217</b>	<b>226</b>	<b>236</b>	<b>246</b>	<b>255</b>	<b>267</b>	<b>1,231</b>

# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Expenditures - Base Forecast (Amounts in Thousands)

Program/ Account	Par #	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Building</b>								
Salaries & Wages	16	424	443	464	483	502	525	2,417
Employee Benefits	17	139	145	153	160	167	176	801
Supplies	18	6	6	6	6	7	7	32
Services/Other Charges	19	158	163	169	174	179	185	869
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>727</b>	<b>758</b>	<b>791</b>	<b>823</b>	<b>854</b>	<b>893</b>	<b>4,119</b>
<b>Planning</b>								
Salaries & Wages	16	407	425	444	462	481	503	2,316
Employee Benefits	17	154	162	170	178	186	195	889
Supplies	18	12	12	13	13	14	14	66
Services/Other Charges	19	176	165	170	175	180	187	877
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>749</b>	<b>764</b>	<b>797</b>	<b>829</b>	<b>860</b>	<b>899</b>	<b>4,149</b>
<b>Public Works Admin.</b>								
Salaries & Wages	16	139	146	152	159	165	173	794
Employee Benefits	17	53	56	58	61	64	67	306
Supplies	18	8	8	8	8	9	9	42
Services/Other Charges	19	44	46	47	48	50	52	242
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>244</b>	<b>255</b>	<b>266</b>	<b>277</b>	<b>287</b>	<b>300</b>	<b>1,385</b>
<b>Engineering</b>								
Salaries & Wages	16	979	1,023	1,069	1,113	1,158	1,212	5,576
Employee Benefits	17	325	341	358	375	392	412	1,879
Supplies	18	7	7	8	8	8	8	40
Services/Other Charges	19	-248	-256	-264	-272	-280	-289	-1,361
Capital Outlay	20	4	0	0	0	0	0	0
<b>Total</b>		<b>1,068</b>	<b>1,116</b>	<b>1,171</b>	<b>1,224</b>	<b>1,279</b>	<b>1,343</b>	<b>6,133</b>
<b>Maintenance Services</b>								
Salaries & Wages	16	820	856	895	932	970	1,015	4,668
Employee Benefits	17	354	371	390	408	426	448	2,044
Supplies	18	201	204	211	217	223	231	1,084
Services/Other Charges	19	733	745	771	793	815	844	3,967
Capital Outlay	20	0	10	12	15	18	20	75
<b>Total</b>		<b>2,107</b>	<b>2,186</b>	<b>2,278</b>	<b>2,365</b>	<b>2,452</b>	<b>2,557</b>	<b>11,838</b>
<b>B, P &amp; R Admin.</b>								
Salaries & Wages	16	162	169	177	184	192	201	922
Employee Benefits	17	57	60	63	66	69	72	330
Supplies	18	7	7	7	8	8	8	38
Services/Other Charges	19	-6	-15	-16	-16	-17	-17	-81
Capital Outlay	20	0	0	0	0	0	0	0
<b>Total</b>		<b>220</b>	<b>221</b>	<b>232</b>	<b>241</b>	<b>252</b>	<b>264</b>	<b>1,209</b>

# Financial Forecast

## 1995 FINANCIAL FORECAST General Fund Expenditures - Base Forecast (Amounts in Thousands)

Program/ Account	Par #	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 TOTAL
<b>Recreation</b>								
Salaries & Wages	16	303	317	331	345	359	376	1,728
Employee Benefits	17	75	79	83	87	91	96	436
Supplies	18	53	55	57	58	60	62	292
Services/Other Charges	19	302	312	322	331	341	353	1,658
Capital Outlay	20	0	1	1	1	1	1	6
<b>Total</b>		<b>733</b>	<b>764</b>	<b>794</b>	<b>823</b>	<b>852</b>	<b>887</b>	<b>4,120</b>
<b>Marine Safety</b>								
Salaries & Wages	16	393	410	429	447	464	486	2,236
Employee Benefits	17	113	119	125	130	136	143	653
Supplies	18	13	14	14	15	15	16	73
Services/Other Charges	19	77	79	82	84	87	90	421
Capital Outlay	20	0	1	1	1	1	1	6
<b>Total</b>		<b>596</b>	<b>623</b>	<b>651</b>	<b>677</b>	<b>703</b>	<b>736</b>	<b>3,389</b>
<b>New Employees</b>								
Salaries & Wages	16	0	67	139	218	302	396	1,122
Employee Benefits	17	0	23	49	77	81	113	343
<b>Total</b>		<b>0</b>	<b>90</b>	<b>188</b>	<b>295</b>	<b>410</b>	<b>509</b>	<b>1,492</b>
<b>TOTAL ALL EXPENDITURES</b>								
		1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	96-00 Total
Salaries & wages		5,490	5,345	5,657	5,962	6,277	6,648	29,889
Employee benefits		2,624	1,865	1,984	2,101	2,197	2,339	10,487
Supplies		446	441	456	469	482	499	2,347
Services/other charges		12,328	13,191	13,639	14,033	14,425	14,665	69,952
Capital outlay		121	115	122	128	135	141	641
<b>Total</b>		<b>21,008</b>	<b>20,958</b>	<b>21,858</b>	<b>22,694</b>	<b>23,516</b>	<b>24,291</b>	<b>113,316</b>
<b>PERCENTAGE CHANGE</b>								
		1995-96	1996-97	1997-98	1998-99	1999-00	Total 95-00	Average
Salaries & wages		-2.6%	5.8%	5.4%	5.3%	5.9%	21.1%	4.2%
Employee benefits		-28.9%	6.4%	5.9%	4.6%	6.4%	-10.9%	-2.2%
Supplies		-1.1%	3.4%	2.9%	2.8%	3.5%	12.0%	2.4%
Services/other charges		7.0%	3.4%	2.9%	2.8%	1.7%	19.0%	3.8%
Capital outlay		-4.6%	5.8%	5.1%	4.9%	4.5%	16.2%	3.2%
<b>Total</b>		<b>-0.2%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.6%</b>	<b>3.3%</b>	<b>15.6%</b>	<b>3.1%</b>



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# Development Fee Analysis

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## Objective

(1) To re-examine the City's policy on developer financing of infrastructure; (2) to ensure that various impact fees are reasonable; (3) to analyze whether or not our fee structure is competitive when compared to other cities; and (4) to determine if fees are detrimental to economic development opportunities.

## Background

Development impact fees, or impact fees, are used by many cities across the state for the purpose of collecting money from new development in order to pay for infrastructure that is needed to support that new development. The purpose of this study will be to reexamine the impact fees to determine: (1) whether or not impact fees are fair, judged by State statutes established by AB1600 and the recent Nollan and Dolan cases, (2) do our impact fees create a competitive advantage or disadvantage for development in San Clemente as compared to development being purposed in other jurisdictions, and (3) do our impact fees create an economically detrimental impact on economic development opportunities.

The City of San Clemente currently has six impact fees for residential land uses and five impact fees for commercial development. A few cautionary notes are in order before beginning a fee by fee analysis of the fees that apply within the City of San Clemente. In other cities, and in the City of San Clemente, there are some major important alternatives to funding infrastructure other than by impact fees.

**Assessment Districts** have been used for the past 80 years to fund various types of street improvements, water and sewer lines, schools and all sorts of different types of infrastructure. Currently, the City has one assessment district, 85-01, which was used to fund the \$35 million sewer plant expansion. When assessment districts are used to finance infrastructure, instead of impact fees being collected at time of issuance of the building permit, assessments are placed upon property within the assessment district. Assessments are then collected on an annual basis from the property owners within the district. Based upon the assessment that is being collected, bonds are sold and the proceeds of which are used to pay for needed improvements.

**Community Facilities Districts (CFD)** were used widely during the decade of the 80's. CFD's are much like assessment districts, but are somewhat more flexible and have other technical differences.

When jurisdictions use assessment districts, CFD's, or other types of infrastructure financing other than impact fees, a jurisdiction-to-jurisdiction comparison of the amount of impact fees raised at time of issuance with the building permits becomes an apples-to-oranges comparison.



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## Development Fee Analysis

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State legislation known as AB1600, and recent court cases known as the "Nollan" case, and the "Dolan" case all have influenced how impact fees are used. AB1600 and the Nollan case require that there be a reasonable and fair "nexus" between a fee being placed upon new development and the impacts the development can reasonably be said to cause. The Dolan case requires that "rough proportionality" exist between the size of the development, the amount of the fee being levied, and the impact that is being assigned to the new development. With this background in mind, the following analysis is provided for Council's consideration.

### **Analysis**

Included in this report are two charts concerning the impact fees that the City of San Clemente currently levies. One chart is entitled "Residential" and includes the six impact fees that pertain to residential uses. The second chart is entitled "Commercial" and includes four impact fees which are currently being assessed in the City of San Clemente. Zones of benefit are established throughout the City which determine how much development in any given part of town is assessed. The reason for zone differences are that the infrastructure needs and cost vary from one geographic area to the next throughout the City. In most cases the line of demarkation is the I-5 Freeway. Therefore, fees are separated into zones east of the freeway and west of the freeway. This is illustrated by the two charts. In addition, the Regional Circulation Financing and Phasing Program (RCFPP) is further broken down into ten zones. Costs can vary greatly according to geographic area, as indicated by these charts. The following fee-by-fee analysis will consistently apply a format which (1) explains what the fee is, (2) discusses how the fee positions the City of San Clemente in terms of competitive advantage or disadvantage with other jurisdictions, and (3) will make recommendations regarding that fee.

### ***Transportation Corridor Agency (TCA)***

#### ***What it is:***

TCA fees are assessed for both the Foothill Corridor and the San Joaquin Corridor. For the Foothill and San Joaquin Corridors there are two zones of benefit, "A" and "B." San Clemente development west of the I-5 freeway is in the San Joaquin Corridor's "B" zone. Development east of the I-5 freeway is in the Foothill Corridor's "A" zone. The "A" zone benefit designation implies that there is a more direct or greater benefit for development in those areas than for development that might happen to be in a "B" zone area. This explains why the development in the newer parts of town, which is primarily east of the freeway, has a higher TCA impact fee than development on the west side of the freeway.

#### ***Position:***

There is a strong argument to suggest that the TCA fees for the Foothill Corridor that affect most of our new commercial development on the east side of the freeway, especially in the Rancho San Clemente Business Park, places the City at a major disadvantage with competitors in the central parts of Orange County. The reason for this disadvantage is that we are being assessed a very high fee, \$4.88 per sq. ft. of commercial/industrial development, and while the Foothill Corridor is beginning to be constructed in the northern part of the benefit zone, development of



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## Development Fee Analysis

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the "southern segment" appears to be many years off. The result is that our commercial/industrial developers are paying high fees for infrastructure that is being built in a geographic area that is remote to San Clemente. At the same time, no infrastructure is currently being developed to provide better transportation and access to our commercial sites at the southern most section of the Foothill Corridor.

The City has little control over this fee structure. The TCA sets the fees that are paid and bonds have been sold based upon projected fee revenue.

***Recommendation:***

A strong lobbying effort should be pursued to bring construction of the Foothill Corridor to our area as soon as possible, so that impact fees provided by our development community are of benefit to our commercial/industrial developers.

### ***Regional Circulation Financing and Phasing Program (RCFPP)***

***What it is:***

The RCFPP is a local fee program which was developed to fund improvements to the Pico, Vista Hermosa, and Estrella Interchanges - in addition to major improvements for the LaPata and Vista Hermosa arterial roadways.

***Position:***

The RCFPP fees are high when compared to other city fee programs. Fee programs are required in order to be qualified for Measure M monies. As a result, OCTA has done an analysis of fees collected by all cities in the County. While all cities have some sort of traffic improvement impact fees, San Clemente has some of the highest. There are three specific reasons why San Clemente has high fees.

1. **Growth Potential** - The City of San Clemente is still a growing city. The General Plan calls for a 50% increase in housing and a 100% increase in commercial development over the next 15 years. Converting this amount of growth to acres and lane miles of new development, indicates a very large need for new roadways to support future development in San Clemente. Because the need for improved circulation systems to accommodate this large amount of new growth is high, this is one of the reasons impact fees are high. In many cities that developed at an earlier time, different financing tools were used to make road improvements, i.e. assessment districts, and CFD's. CFD assessments are often cited as a negative marketing factor. So, when our competitive position is analyzed, more than a simple fee-to-fee comparison should be considered.
2. **Terrain** - The terrain in San Clemente is extremely hilly. Construction of arterials, such as LaPata and Vista Hermosa, are far more expensive over the steep San Clemente terrain, than say Beach Blvd. in Huntington Beach where the topography is absolutely flat.

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## Development Fee Analysis

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3. Geology - The geology in San Clemente is probably some of the worst in the County. Developer after developer is shocked by the amount of remedial grading that is required to stabilize ancient landslides. Very expensive drainage systems are needed to accommodate our clay soil. The combination of extensive remedial grading and drainage systems makes for very expensive roadway construction.

Because of the high cost factors discussed above, there is a need to take a creative look at how the RCFPP operates. Compounding the problems mentioned above, the pace of development has slowed to the point that it will be years before the entire circulation system is completely built-out. More attention to our ability to phase-in components of the circulation system needs to be studied. We need to be able to make expenditures today for some parts of the circulation system and realize that other parts of the circulation system may take many, many years to develop.

In addition, we need to be more sensitive to our need for economic development which translates into commercial development. Fortunately, the Rancho San Clemente Business Park, which accounts for almost all of our new job creation locally, is in Zone 3 of the RCFPP. As a result probably 90% of our commercial development, as of late, is assessed at \$1.50 per sq. ft. which is less than a third of the Zone "A" TCA fees (\$4.88 per sq. ft.).

There is a definite public benefit that is deriving from commercial development in the Business Park and elsewhere in the City (including, in the future, Marblehead Coastal.) Because of the important need to promote economic opportunities through commercial development, creative ways to provide public financing to help pay for the cost of new commercial development should be pursued as a policy. Years of discussion and experiences strongly indicate that in order to remain a vital community, economic development must take place. In order for economic development to occur, public assistance in private/public partnerships must take place in the form of public assistance in financing infrastructure. Residential development should continue to pay 100% of their fair share of infrastructure cost, but no more than their fair share. A residential to commercial forced subsidy would violate AB1600 and Nollan.

### ***Recommendation:***

1. Benefit zones within the RCFPP should be combined so that funds raised throughout the district can be spent on projects that are needed immediately. By combining traffic impact zones, we will shift the emphasis to more of a total system orientation which should be more practical and feasible in terms of phasing and implementation of needed improvements.
2. Public funding to help encourage economic development should be pursued. Public funding, from State and Federal sources, should be used to help offset the cost of impact fees to commercial development.
3. Residential development should continue to pay fees based upon fair share assessments.

### ***Park Fees***

#### ***What it is:***

Park fees are used to provide money in-lieu of park land dedication. Both park land dedications and fees in-lieu of park land dedications are governed by the State legislation known as the

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## Development Fee Analysis

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Quimby Act. Since park land dedications occur at the large scale planning stages, both park dedications and fee in-lieu for large tract development is collected at the final tract map stage of development. The Quimby

Act fees are updated on a periodic basis in order to reflect market value of land, which is the basis for establishment of the fees.

There is a relatively small fee that is assessed for in-fill development, occurring mainly in the older parts of town, which is based on Quimby Act assessments. This fee, \$400.00 per unit, is the only park fee that is collected at time of issuance of the building permit.

***Position:***

Because these fees are controlled by the Quimby Act and applied evenly across the State, San Clemente is generally no better or worse off in terms of fee impacts resulting from the park impact fee. However, the in-lieu fee is based on land value and since land values vary from jurisdiction-to-jurisdiction, San Clemente impact fees do tend to be higher than impact fees found in, say, Riverside County. However, this isn't a big problem because park impact fees do not apply to commercial property.

Fairness is a key issue. Appraisals of land, upon which fees are based, need to be current and accurate. The last appraisal done in San Clemente was 4 years ago. New appraisals should be budgeted and done this next fiscal year. Fees should then be adjusted accordingly.

***Recommendation:***

1. Retain the basis for fee structure as is currently in place.
2. Provide bi-annual appraisals of land value upon which the fees are based.

### ***Beach Parking Impact Fee***

***What it is:***

The beach parking impact fee is unique to San Clemente. In the mid-80's the City began noticing that as the new ranch areas began to develop, a higher percentage of San Clemente residents began to drive to the beach and park, rather than walk. This was simply a proximity issue that highlights that the residents in the older parts of town living closer to the beach were able to walk to the beach, while residents in the new parts of town, which are further from the beach, tended to drive to the beach. As a result of this noted trend, the City required the development community to do a beach parking impact study as one of their development requirements. The study verified that people in the areas that are further from the beach drive to the beach and people that are close to the beach walk to the beach. The surveys conducted as part of the beach parking impact study also indicated that one-third of the on-beach users were local residents that walked to the beach, one-third of the on-beach users were local San Clemente residents that drove to the beach, and one-third of the users were from outside the city limits. Based on this information and some preliminary cost estimates for providing structured parking in the Pier Bowl area, an impact fee was calculated and then approved by the City Council during the late

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## Development Fee Analysis

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80's. The intended purpose and use for the impact fee was to provide additional parking to accommodate increased parking demands generated by new residential development within the City.

Since that time, the City commissioned a study with Economic Planning Services (EPS) to analyze the market potential, financing potential, and infrastructure needs of the Pier Bowl area. The EPS study indicated that based upon market demand, market potential, and financing capability of development in the pier bowl area, a parking structure would not be needed to accommodate future growth. These preliminary recommendations lead to a general conclusion that without the need for a parking structure, the parking impact fees that were originally calculated should be reduced. More recently, the Council has authorized a comprehensive parking analysis of North Beach, the Pier Bowl, and the downtown areas. The IBI Group has been contracted with and will provide specialized parking analysis and recommendations for those areas. Also, beach usage trends, monitored by Marine Safety, indicate that half of the beach users are now coming from out-of-town.

***Position:***

Since this fee applies only to residential development, it does not negatively impact upon commercial development within the City. A competitive disadvantage would only occur to the commercial sectors of our local economy if provision of beach parking is wholly inadequate and beach-goers begin using commercial parking areas for their beach going parking needs.

If beach parking can be adequately addressed without expensive structured parking and without negatively impacting parking resources for commercial development, then the beach parking impact fee should be reduced.

There is also a fairness issue involved with beach parking. The question "Why should local residents pay for regional parking?," should be fully considered when the results of the IBI study are available.

***Recommendation:***

Following the finalization of the IBI reports and agreement on the provision of parking for the Casa Romantica/Alameda development, the parking fees should be adjusted in order to meet the test of fairness and need for parking in the Pier Bowl area.

## Sewer Connection Fees

***What it is:***

Sewer connection fees help pay for sewer plant and collection systems and the expansion of those systems. Currently sewer infrastructure costs for plant and collection systems are paid by a combination of connection fees in the older part of town, and Assessment District 85-01 in the newer part of town. In addition, replacement of the plant is paid through user fees which have a component devoted to depreciation reserves. In the older part of town there are two zones which have a fairly large difference in fee structure. Preliminary studies have indicated that those zones

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## Development Fee Analysis

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should be combined. The City is in the process of developing a new Waste Water Master Plan. Based on that plan, recommendations concerning the fees in Zone "A" and Zone "B" will be generated. The fees in Zone A are \$2,784.00 and the fees in Zone "B" are \$6,654.00 per residential unit. Commercial fees are \$11,143.00 per acre.

In Assessment District 85-01, assessments are placed on individual pieces of property and will be paid off over time. The assessments break down to an equivalent fee of \$3,367.00 for single-family low density units and \$2,562.00 for single-family medium density homes. For the commercial properties the fees are \$32,115.00 per acre and for industrial properties the fee is \$48,173.00 per acre.

***Position:***

The \$32,115.00 per acre for commercial property and \$48,173.00 per acre for industrial property is a competitive disadvantage to new commercial and industrial development wanting to locate in this City. It will be very difficult to mitigate this competitive disadvantage because the fees are established by contract between the development community and the City. Based upon the contracts that were entered into, bonds were sold and the \$35,000,000 sewer plant expansion was funded. The bonds must be paid off with the assessments which are levied annually on properties located in Assessment District 85-01.

***Recommendation:***

The sewer impact fees are a competitive disadvantage which require creative mitigation. City staff should be directed to investigate, with all possible diligence, ways to mitigate this negative impact.

### ***Proposed Civic Center Construction Fund (CCCF)***

***What it is:***

The CCCF development fee program would provide revenue to meet the City's future office and support space requirements. Specifically, it would provide partial funding for one of three alternatives, which are:

1. Construction of a new unified Civic Center, at a cost of approximately \$5.9 million (93 dollars).
2. Continue utilization of two sites, through remodeling and expanding the existing Civic Center, at a cost of approximately \$2.1 million (93 dollars).
3. Unify municipal operations at the Negocio Building at a cost of approximately \$1.74 million (93 dollars) and possible loss of net rents amounting to \$130,000 annually.

***Position:***

With the approval of the City Council, the consulting firm of Hughes, Heiss & Associates was retained to conduct a study of the space needs for municipal operations with an analysis of the long range office and support space requirements as well as development and site alternatives. The consultant's principal findings are as follows:



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## Development Fee Analysis

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- By build-out, when San Clemente's population is expected to be over 60,000, staffing levels in City departments currently operating in City Hall and the Negocio Building are projected to grow to about 102 - almost 22% over current staffing levels and over 6% above the previous peak in FY 1990-91.
- Current office space for municipal operating departments housed at the Civic Center is insufficient for the number of staff authorized. Office space in the Civic Center is also poorly configured, further impacting its efficiency.
- Departmental office space needs are projected to grow by build-out to about 27,000 square feet, compared to the 20,000 square feet available in the two facilities (including Council Chambers and common area space). Growth in space needs are about equal for departments operating out of City Hall and those at the Negocio Building.
- The City has three construction/development alternatives, previously referenced above.
- Because most of these construction costs would be incurred to accommodate current staff, the CCCF development fee, if approved, could only be expected to cover approximately 22% of costs outlined in each alternative.

The final element in the consultant's report discusses the level of mitigation fees which the City could levy against new development to support one of the three alternatives. The principal findings in this area are:

- AB 1600 requires that mitigation fees are to be calculated based upon the incremental capital costs associated with new development. Deferred facility improvements and other capital costs cannot be included in the calculation and subsequent levy of mitigation fees.
- This requirement has the following implications for the City.
  - Remodeling costs for the existing Civic Center facility cannot be charged off to new development.
  - Additional space at the existing Civic Center cannot be financed through mitigation fees. Only that space which is the direct result of growth can be financed through an impact fee mechanism.
  - New (remodeled) space required at the Negocio Building in a two-site alternative could be tied to a development fee, if this space were required for development related functions. Use of the Negocio Building as a single site alternative could only be tied to a mitigation fee for growth related functions and staff.

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## Development Fee Analysis

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- Any space built at a new site could be tied to new development and a mitigation fee only in percentage relationship to the new staff added as a result of the new growth.
- Only a portion of the cost of new space can be financed through a development impact fee - at most only 22%

The table below shows the maximum construction costs which can be financed through a development impact fee.

### Project Proportions Which Could be Financed Through A Mitigation/Impact Fee

Scenario	Total Project Cost	Max % Which Could be Tied to a Fee	Construction Tied to a Fee	Amount Tied to Other Sources
Entirely New Construction	\$5,933,694	22%	\$1,305,413	\$4,628,281
Two Site Alternative	\$2,116,553	22%	\$465,642	\$1,650,911
Negocio Building Only	\$1,740,750	22%	\$382,965	\$1,357,785

**Recommendation:**

Based on scenario (1) an entirely new civic center complex, (2) a two-site alternative, or (3) Negocio building as City Hall, a per unit fees should be assessed. Based upon projected new units of 5,300 units for Talega Valley, the remainder of Forster Ranch, Marblehead Inland, Marblehead Coastal, Rancho San Clemente, and some in-fill, there will be 5,300 new units built within the City, including the to be annexed portion of Talega Valley which is currently in the County. With these factors in mind, the per unit assessment, which can be fairly assessed would be \$873.00 per unit, \$311.00 per unit, or \$256.00 per unit, depending upon which development scenario is selected in the future.

Staff recommends that following completion of all other fee analysis and implementation plans and Council selection of a scenario which will take care of future civic center needs, a civic center impact fee, as stated in the above paragraph, should be complemented.

### **Public Safety Construction Fund (PSCF)**

**What it is:**

The PSCF fee program was implemented in July 1980 for the express purpose of providing revenue to meet the community's expanding need for public safety services. Although the fund is captioned as a construction fund, program fees generated may be used to furnish future fire protection, emergency medical services, police services and other related public safety services to the citizens of the City.

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## Development Fee Analysis

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### ***Position:***

As previously referenced in the section dealing with the RCFPP, the City expects to see its residential development increase by 50 percent and commercial development by 100 percent over the next 15 years. With this type of projected growth, it is inevitable that the City will have to expand its public safety services and facilities to meet the needs and demands of its citizenry. The current fee is \$911.00 per dwelling unit; \$911.00 per 5,000 square feet of commercial development; and \$911.00 per 4,000 square feet of industrial/manufacturing development. The fee can increase on a quarterly basis depending on the fluctuation of the Consumer Price Indexing factor. From a competitive point of view, the imposition of the fee on commercial development represents a cost of \$.18 per square foot and \$.23 per square foot for industrial/manufacturing. This particular fee is considered to have a minimal cost impact relative to other fees that are charged by the City.

### ***Recommendation:***

Retain the basis for the fee structure as is currently in place.

## **Overall Conclusion**

The conclusions reached in this analysis indicate that from a fairness and "position" standpoint, some fees need to go up, some fees need to go down, and some must remain unchanged. In the area of commercial/industrial development, San Clemente is competitive with its major competitors in the surrounding sub-regional area. The one possible exception is in the area of sewer connection fees. Current competitiveness is based, in part, because growth is occurring in areas where fees for that zone are relatively low, i.e. the Rancho San Clemente Business Park has low RCFPP fees. Amendments need to be made to the RCFPP in order to maintain competitiveness for new commercial areas which may develop in the intermediate future, i.e. Marblehead Coastal.

In order for fees to be fair to residential development some adjustments should be made. Specifically, it is anticipated that the beach parking impact fee will be lowered when the IBI study is completed. Also, in order for residential development to pay its fair share, a civic center impact fee should be implemented in the near future.

Staff recommends that rather than have a variety of fees related to public facilities unique to San Clemente's needs (for example: beach parking, a civic center complex and public safety construction needs), a consolidated public facilities fee should be brought forth to the Council once all the individual fees have been analyzed and finally agreed upon.

## **Exhibits**

(A) Six City Development Fee Comparison Matrix



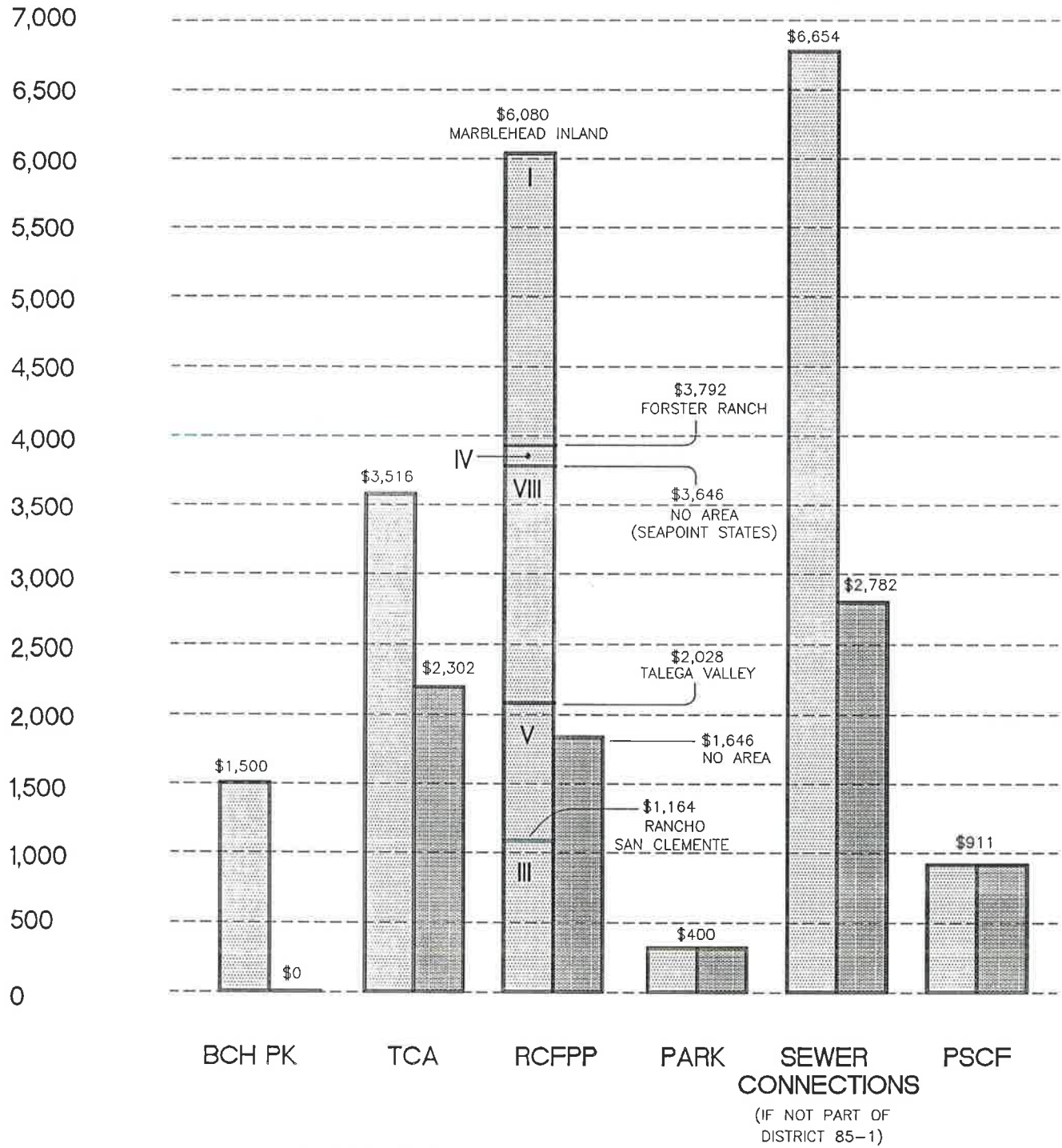
**SIX-CITY DEVELOPMENT FEE COMPARISON MATRIX**

**TABLE OF CONTENTS**

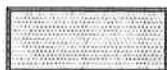
<b><u>Attachment</u></b>	<b><u>Title</u></b>	<b><u>Page</u></b>
<b>A.</b>	<b>Residential and Commercial Comparison Fee Matrix.....</b>	<b>1</b>
<b>B.</b>	<b>Notes.....</b>	<b>5</b>
<b>C.</b>	<b>City of Mission Viejo Miscellaneous Fees.....</b>	<b>7</b>
<b>D.</b>	<b>City of Carlsbad Equivalent Dwelling Units .....</b>	<b>8</b>
<b>E.</b>	<b>Growth Management Area Fee Program Matrix.....</b>	<b>10</b>

# RESIDENTIAL

\$ UNIT



EAST OF I-5

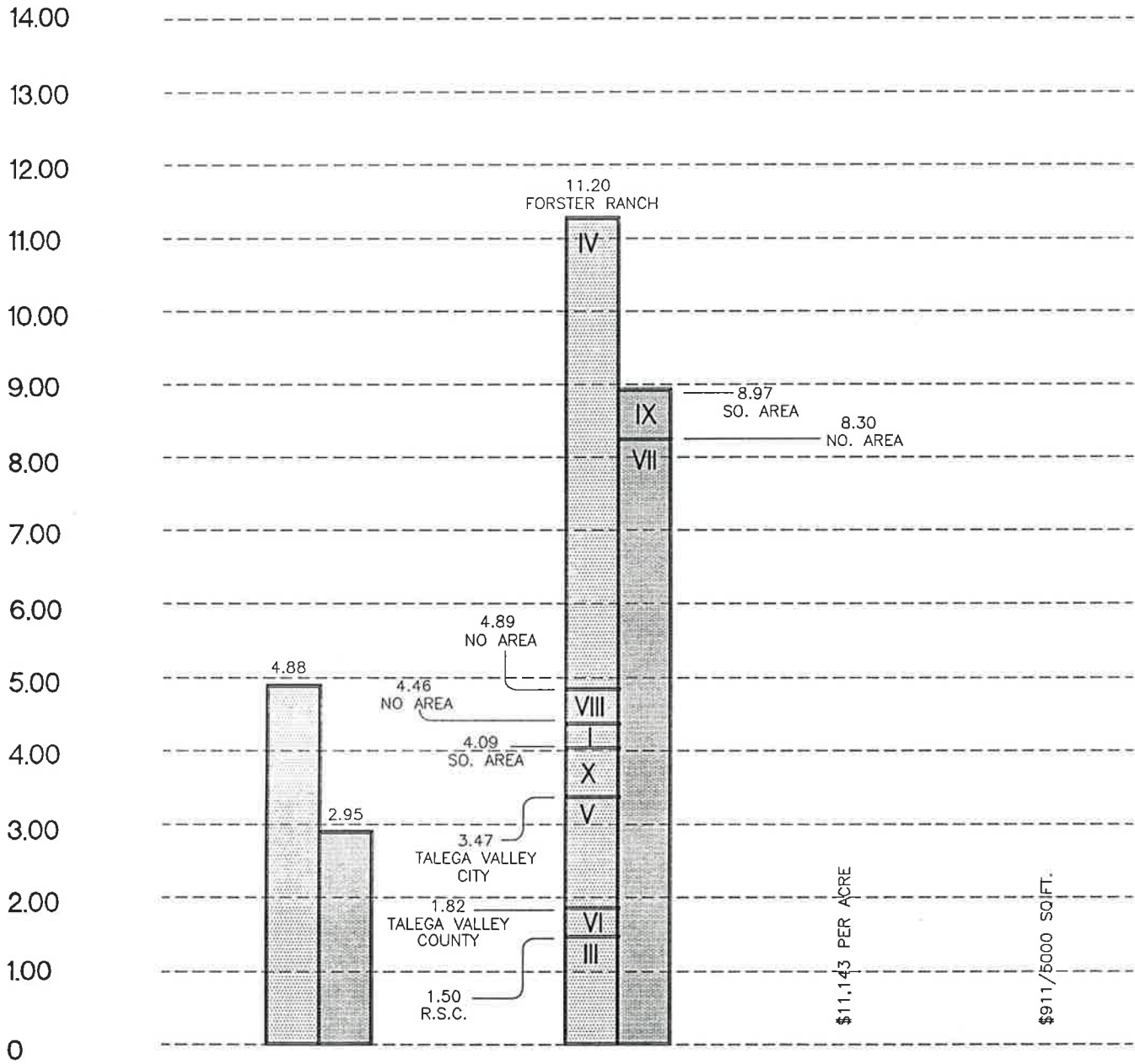


WEST OF I-5

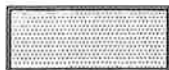


# COMMERCIAL

\$/SQ.FT.



EAST OF I-5



WEST OF I-5



**RESIDENTIAL**

Fee	Carlsbad	Dana Point	Laguna Niguel	Mission Viejo	San Clemente	San Juan Capistrano
Beach Parking	None	None	None	None	Zone A <sup>1</sup> : \$1,500/du	None
TCA <sup>2</sup>	None	SJHTC: Zone B F/ETC: Zone A	SJHTC: Zone A	F/ETC: Zones A & B	SJHTC: Zone B F/ETC: Zone A	SJHTC: Zones A & B F/ETC: Zone A
RCFPP <sup>3</sup>	Bridge & Thoroughfare District: SFR: \$530/du Condos: \$424/du MFR: \$318/du  Traffic Impact Fee: Outside CFD: SFR: \$840/du Condos: \$672/du MFR: \$504/du  Within CFD: SFR: \$540/du Condos: \$432/du MFR: \$324/du	CARITS: Zone 2, C & D  Transportation Impact Fee: \$431/P-H trip	MP/LNF <sup>F</sup>  CARITS: Zone 2, A, B & D	MP/LNF  CARITS: Zones 1 & 2, A - D  El Toro Road Fee/DU: LDR: \$953.80 MDR: \$796.80 HDR: \$491.30  Plano Trabuco Fee: Tracts: \$1,939/a SFR: \$1,139 - \$3,232/du  Crown Valley Parkway Fee: \$500/du  FCPP, FTC & SCRF <sup>6</sup> - see attached tables.	RCFPP <sup>7</sup> : Zones 1 - 10	System Development Fee: For street improvements, signalization, striping & speed humps, etc. Levied on new construction: 1% of building valuation or \$.05/s.f.
Park Acquisition <sup>8</sup>	Park In-Lieu Fee: Quadrant 1: SFR/D: \$1,755/du Att <5: \$1,463/du Att 5+: \$1,170/du MH: \$1,034/du  Quadrants 2-4:	Park In-Lieu Fee: Varies between \$3,525 and \$6,800/du depending on location	Dedication of land: 1. <6.6 du/ga: .0096 a/du 2. 6.6-15.5 du/ga: .0078 a/du 3. 15.6-25.5 du/ga: .0060 a/du 4. >25.5 du/ga: .0056	Dedication of land: 1. <6.6 du/ga: .016 a/du 2. 6.6-15.5 du/ga: .013 a/du 3. 15.6-25.5 du/ga: .010 a/du 4. >25.5 du/ga: .009 a/du	Park Acquisition Fee: 1. <6.6 du/a: \$6,823/du 2. 6.6-15.5 du/a: \$5,180/du 3. 15.6-25.5 du/a: \$5,927/du 4. >25.6 du/a: \$5,080/du	Parks Fee: Resid. <50 units: SFR: \$4,840/du MFR: \$4,390/du MH: \$2,877/du  Resid. 50+ units: Land dedication may be

**RESIDENTIAL**

Fee	Carlsbad	Dana Point	Laguna Niguel	Mission Viejo	San Clemente	San Juan Capistrano
	SFR/D: \$1,575/du Att. <5: \$1,313/du Att. 5+: \$1050/du MH: \$919/du  Benchmark: SFR = \$1,665/du	Benchmark: SFR = \$5,080/du	a/du OR Fee = acreage land value (\$470,645 - \$941,291/a) x # acres calculated above  Benchmark: SFR = \$6,246/du	OR Fee = acreage land value x # acres calculated above  Benchmark: SFR = \$10,409/du	5. In-fill: \$400/du  Benchmark: SFR = \$6,823/du	substituted for fee; or fee = # units x O.F. <sup>9</sup> x .005 x \$302,500  Benchmark: SFR = \$4,840/du
Sewer Connection	Sewer Capacity Fee: \$1,806/edu  Sewer Benefit Area Fee, 13 Areas: \$38 - \$1,981/edu	CBSD; DPSD; SCWD <sup>10</sup>	MNWD	ETWD; MNWD; SMWD	Zone A <sup>11</sup> : \$6,653.90/du Zone B: \$2,781.90/du  Sewer Assessment District 85-1 <sup>12</sup> :	Sewer Capacity Fee: \$3,165/1500 s.f. or fraction (\$2.11/s.f.)
PSCF <sup>13</sup>	Public Facilities Fee Tax: Outside CFD: 3.5% x building valuation	General Govt. Impact Fee: \$20.02/trip  Fire Protection Impact Fee: \$300.62/ga	Fire Station Fee: Resid: \$57 - \$203/du  Library Fee: \$167 - \$177/du	None	Public Safety Construction Fund: \$914/du	None
Other	None	Salt Creek Corridor Fee: \$50/du	None	None	None	Agricultural Preservation Fee: \$500/du

**COMMERCIAL**

Fee	Carlsbad	Dana Point	Laguna Niguel	Mission Viejo	San Clemente	San Juan Capistrano
Beach Parking	None	None	None	None	N/A to commercial	None
TCA	N/A	SJHTC: Zone B F/ETC: Zone A	SJHTC: Zone A	F/ETC: Zones A & B	SJHTC: Zone B F/ETC: Zone A	SJHTC: Zones A & B F/ETC: Zone A
RCFPP	Bridge & Thoroughfare District: \$22/ADT  Traffic Impact Fee: Outside CFD: \$34/ADT  Within CFD: \$22/ADT	CARITS: Zone 2, C & D	MP/LNF  CARITS: Zone 2, A, B & D	RCFPP: Zones 1 - 10  MP/LNF  CARITS: Zones 1 & 2, A - D  El Toro Road Fee: RC: \$24,536.60/a NC: \$55,259.15/a OC: \$13,754.80/a IND: \$4,794/a  Crown Valley Pkwy Corridor Fee: \$1.30/s.f.	RCFPP: Zones 1 - 10	System Development Fee: For street improvements, signalization, striping & speed humps, etc. Levied on new construction: 1% of building valuation or \$.05/s.f.
Park Acquisition	N/A	N/A	N/A	N/A	Hotel: \$400 per unit	N/A
Sewer Connection	Sewer Capacity Fee: \$1,806/edu	CBSD; DPSD; SCWD	MNWD	ETWD; MNWD: SMWD	\$11,143.44/a  Sewer Assessment District 85-1	\$3,165/1500 s.f. or fraction (\$2.11/s.f.)

**COMMERCIAL**

Fee	Carlsbad	Dana Point	Laguna Niguel	Mission Viejo	San Clemente	San Juan Capistrano
PSCF	None	None	Fire Station Fee: \$.0621 - \$.219/s.f.	None	Public Safety Construction Fee: \$914/base unit <sup>14</sup>	None
Other	None	None	None	None	None	Agricultural Preservation Fee: \$1,000/a

**Glossary:**

*a:* Acre  
*ADT:* Average Daily Trip  
*Att.:* Attached  
*CFD:* Community Finance District  
*D:* Duplex  
*du:* Dwelling Unit  
*edu:* Equivalent Dwelling Unit (see attached table)  
*FR:* Forster Ranch  
  
*ga:* Gross Acre  
*Govt.:* Government  
*HDR:* High Density Residential  
*IND:* Industrial  
*LDR:* Low Density Residential  
*MC:* Marblehead Coastal  
*MFR:* Multiple Family Residential  
  
*MI:* Marblehead Inland  
*NC:* Neighborhood Commercial  
*NE:* North Area East of I-5  
*NW:* North Area West of I-5  
*OC:* Office Commercial  
*P-H:* Peak Hour  
  
*RC:* Regional Shopping Center  
*SE:* South Area East of I-5  
  
*s.f.:* Square Foot  
*SFR:* Single Family Residential  
*SW:* South Area West of I-5  
  
*TCO:* Talega (County)  
*TSC:* Talega (City)



**NOTES:**

- 1) Beach Parking Impact Fee: Zone A = East of I-5 Freeway.
- 2) Transportation Corridor Agency Fee:
 

	<u>SFR</u>	<u>MFR</u>	<u>COMM</u>
San Joaquin Hills Transportation Corridor (SJHTC):	Zone A: Zone B:	\$1,731/du \$1,343/du	\$3.98/s.f. \$2.95/s.f.
Foothill/Eastern Transportation Corridor (F/ETC):	Zone A: Zone B:	\$2,053/du \$1,455/du	\$4.88/s.f. \$2.84/s.f.
- 3) Regional Circulation Financing and Phasing Program fee for street improvements at specific locations throughout the City. See (6) below for specific fees. Some cities have other types of street improvement fees; see also attached Growth Management Area Fee Program Matrix.

4) Coastal Area Road Improvements and Traffic Signals Fee/DU:

	Zone 1			Zone 2			
	A	B	C	A	B	C	D
SFR	\$1,279.25	1,255.05	1,456.20	\$741.60	741.60	1,254.15	1,254.15
MFR	\$1,023.97	1,004.05	1,164.40	\$442.22	442.22	1,003.14	1,003.14
COMM	\$1.1508/s.f.	1.1291/s.f.	1.31033/s.f.	\$.8663/s.f.	.86630/s.f.	1.291/s.f.	1.1291/s.f.

5) Moulton Parkway and Laguna Niguel Fee/DU:

	<u>Moulton Parkway (MP) Zone</u>	<u>Laguna Niguel (LN) Zone</u>
SFR	\$258.25	\$142.25
MFR	\$151.30	\$ 82.45
COMM	\$51125/s.f.	\$60445/s.f.

6) Foothill Circulation Phasing Plan (FCPP) & Santiago Canyon Road Fee (SCRF).



7) RCFPP Fees/DU:

Zones:	<u>I (MI)</u>	<u>II (MC)</u>	<u>III (RSC)</u>	<u>IV (FR)</u>	<u>V (TSC)</u>	<u>VI (TCO)</u>	<u>VII (NW)</u>	<u>VIII (NE)</u>	<u>IX (SW)</u>	<u>X (SE)</u>
SFR	\$6,080	N/A	\$1,164	\$3,792	\$2,028	\$1,017	\$1,646	\$3,646	N/A	N/A
MFR	N/A	N/A	\$679	\$2,212	\$1,183	\$594	\$96	N/A	N/A	N/A
COMM	\$4.46/s.f.	N/A	\$1.51/s.f.	\$11.20/s.f.	\$3.47/s.f.	\$1.82/s.f.	\$8.30/s.f.	\$4.89/s.f.	\$9.00/s.f.	\$4.10/s.f.

8) The Quimby Act, Government Code Section 66477, provides that cities may require residential subdivisions to provide park land or pay in-lieu fees of up to five acres per 1,000 residents provided existing park area is at least five acres per 1,000 residents.

9) O.F. = Occupancy Factor: SFR = 3.2 occupancy/unit; Condos = 2.9 occupancy/unit; MFR/MH = 1.8 occupancy/unit.

10) Some cities' sewer connection fees are paid to water and/or sewer districts:

CBSD:	Capistrano Beach Sanitary District	MNWD:	Moulton Niguel Water District
DPSD:	Dana Point Sanitary District	SMWD:	Santa Margarita Water District
ETWD:	El Toro Water District	SCWD:	South Coast Water District

11) Zone A: East of I-5 Freeway  
 Zone B: West of I-5 Freeway

12) Sewer Assessment District 85-1 applicable to Marblehead Inland, Forster Ranch and Rancho San Clemente, paid annually with property tax through the year 2005 as follows:

Resid.	\$3,367.44/du (approximately \$319/year)
Comm.	\$32,115.40/a
Ind.	\$48,173.10/a

13) Public Safety Construction Fund (PSCF).

14) The Public Safety Construction Fee is assessed using "base units" as follows:

One (1) Base Unit =
Residential: 1 du
Commercial: 5,000 s.f.
Manufacturing: 4,000 s.f.
Public Assembly: 2,500 s.f.

# CITY OF MISSION VIEJO - FCPP, FTC & SCRF

**FOOTHILL CIRCULATION PHASING PLAN per unit by zone - ADOPTED OCTOBER 14, 1987  
AMENDED AND ADOPTED PER RESOLUTION NO. 92-614 DATED JUNE 2, 1992**

Page 2

**(PARTICIPATING FCPP LANDOWNERS)**

ZONE	1	2	3	4	5	6	7	8	9
CODE	3011	3012	3013	3014	3015 MV	3016 COTO	3017	3018	3019
SFD	\$2,700	\$3,340	\$1,560	\$2,300	\$2,740	\$3,270	\$5,540	\$2,580	\$7,590
MFD	\$2,160	\$2,670	\$1,250	\$1,840	\$2,190	\$2,620	\$4,440	\$2,070	\$6,070
COMM./S.F.	\$2.43	\$3.00	\$1.40	\$2.07	\$2.46	\$2.94	\$4.99	\$2.33	\$6.83

**FOOTHILL CIRCULATION PHASING PLAN per unit by zone - ADOPTED JANUARY 1, 1993**

**NON-PARTICIPATING FCPP LANDOWNERS**

Rate Decrease on FCPP for Non-Participating FCPP Landowners - Effective January 1, 1994

Land Use	1	2	3	4	5	6	7	8	9
Single- Family unit	\$2,930	\$3,624	\$1,693	\$2,495	\$2,973	\$3,548	\$6,012	\$2,800	\$8,236
Multi- Family unit	\$2,344	\$2,898	\$1,356	\$1,996	\$2,376	\$2,843	\$4,818	\$2,246	\$6,587
Non- Residential/S.F.	\$2,636	\$3,256	\$1,519	\$2,246	\$2,669	\$3,190	\$5,415	\$2,528	\$7,411

**SPECIAL FTC FEES per unit by zone - 3020 - ADOPTED OCTOBER 14, 1987**

ZONE	1	2	3	4	5	6	7	8
SFD	\$510	\$319	\$0	\$155	\$474	\$1,566	\$372	\$514
MFD	\$408	\$255	\$0	\$124	\$379	\$1,253	\$298	\$411
COMM./S.F.	\$0.459	\$0.287	\$0	\$0.140	\$0.427	\$1.409	\$0.335	\$0.463

**SANTIAGO CANYON ROAD FEE PROGRAM - 3039 - ADOPTED AUGUST 10, 1990**

Rate Decrease to Santiago Canyon Road Fee Program - Effective January 1, 1994

SFD	\$473.60/DU (old 505.43/DU)
MFD	\$378.87/DU (old 404.34/DU)
COMMERCIAL	\$ .41/SQ.F (old .45/SQ.FT.)

**SAN CLEMENTE REGIONAL CIRCULATION FINANCING AND PHASING PROGRAM**

per unit by zone - ADOPTED NOVEMBER 12, 1990

ZONE/CODE	SFD	MFD	COMM./SQ.FT.
1 3040	\$6,080	N/A	\$4.46
2 3041	N/A	N/A	N/A
3 3042	\$1,164	\$679	\$1.51
4 3043	\$3,792	\$2,212	\$11.20
5 3044	\$2,028	\$1,183	\$3.47
6 3045	\$1,017	\$594	\$1.82
7 3046	\$1,846	\$960	\$8.30
8 3047	\$3,846	N/A	\$4.89
9 3048	N/A	N/A	\$9.00
10 3049	N/A	N/A	\$4.10

**AVENIDA LA PATA SUPPLEMENTARY ROAD FEE PROGRAM - 3050 - ADOPTED NOVEMBER 12, 1990**

SFD	MFD	COMM./SQ.FT.
\$1,347/Unit	\$1,078/Unit	\$1.212/SQ.FT.

CITY OF CARLSBAD - EQUIVALENT DWELLING

UNITS

(Excerpt)

<u>Type of Building, Structure or Use</u>	<u>Equivalent Dwelling Units</u>
Each space of a trailer court or mobilehome park.....	1.00
Each duplex.....	2.00
Each separate apartment in an apartment house .....	1.00
Each housing accommodation designed for occupancy by a single person or one family, irrespective of the number actually occupying such accommodation.....	1.00
Each room of a lodginghouse, boardinghouse, hotel, motel or other multiple dwelling designed for sleeping accommodations for one or more individuals	
Without cooking facilities.....	0.60
with cooking facilities .....	1.00
Churches, theaters and auditoriums, per each unit of seating capacity (a unit being one hundred fifty persons or any fraction thereof).....	1.33
Restaurants	
No seating .....	2.67
Seating .....	2.67 plus 1.00 per each 7 seats or fraction thereof
Delicatessen or fast food, using only disposable tableware:	
No seating .....	2.67
Seating .....	2.67 plus 1.00 per each 21 seats or fraction thereof
Automobile service stations	
<5 gasoline pumps.....	2.00
5+ gasoline pumps.....	3.00
Retail.....	1 EDU/1,800 s.f.

ATTACHMENT "D"

CITY OF CARLSBAD - EQUIVALENT DWELLING UNITS (cont.)

<u>Type of Building, Structure or Use</u>	<u>Equivalent Dwelling Units</u>
Office space in industrial or commercial establishments .....	1 EDU/1,800 s.f.
Research and Development .....	1 EDU/4,000 s.f.
Warehouse.....	1 EDU/5,000 s.f.
Self-service laundries, per washer .....	0.75
Schools	
Elementary, for each 60 pupils or fraction thereof.....	1.00
Junior High, for each 50 pupils or fraction thereof.....	1.00
High School, for each 30 pupils or fraction thereof .....	1.00

In the case of all commercial, industrial and business establishments not included above, the number of equivalent dwelling units shall be determined in each case by the city engineer and shall be based upon his estimate of the volume and type of wastewater to be discharged into the sewer...

**GROWTH MANAGEMENT AREA  
FEE PROGRAMS**

September 26, 1994

	AGENCY	TITLE OF FEE PROGRAM(S)	FEE AMOUNTS
<b>GMA 1</b> \$207/pm pht	Anahelm	Transportation Improvement Fee	SFR(\$590/du); MFR(\$400/du); HO(\$448/du); OB(\$1.39/sf); GR(\$1.68/sf) ID(\$.34/sf); CH(\$.96/sf); HOS(\$96/sf); CCF(\$2.76/sf); SCH(\$.57/sf); \$679/phte
		FTC/EIC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)
	Brea	Interim program	Fees are determined on a case-by-case basis using a fair share, prorated formula.
	Buena Park	Development Mitigation Program	\$207/PHTE
	Fullerton	Traffic Impact Mitigation Fee	PSFR(\$325.50/du); SSFR(\$195.30/du); MFR(\$195.30/du); SCA(\$93.70/du); OB(\$ .98/sf); MO(\$1.26/sf); CR(\$504/sf); TOR(\$12.57/sf); HO(\$241.80/rm); HOS(\$ .41/sf); CH(\$ .27/sf); DC(\$306.90/stu); OLU(\$1.74/sf); Comm./Rec./Ent.(\$186/ combined am/pm trip rate); ID(\$ .35/sf); WH(\$ .24/sf); IDOB(\$ .98/sf); MS(\$ .08/sf)
	La Habra	Traffic Improvement Fee	\$218/pm PHTE
	Placentia	Bridge Crossings and Major Thoroughfares Fee Program	\$5.525/acre of development
	Yorba Linda	FTC/EIC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf) R(\$600/du); ID(\$ .15/sf); OB(\$ .48/sf); CM(\$1.98/sf)
	County of Orange	FTC/EIC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)
	Anahelm	Transportation Improvement Fee	SFR(\$590/du); MFR(\$400/du); HO(\$448/du); OB(\$1.39/sf); GR(\$1.68/sf) ID(\$ .34/sf); CH(\$ .96/sf); HOS(\$96/sf); CCF(\$2.76/sf); SCH(\$.57/sf); \$679/phte
<b>GMA 2</b> \$109/pm pht	Buena Park	Development Mitigation Program	\$109/phte
	Cypress	Business Park Fee Program	\$.51/sf gfa (excluding retail and hotel development)
	Garden Grove	Cypress Race Track Development Fee Program	\$1.00/sf development (returned to Los Alamitos)
		Transportation System Improvement Program	SFR(\$564/du); MRF(\$508/du); HO(\$484/rm); OB(\$1.26/sf); ID(\$ .41/sf); GR(\$2.39/sf); CH(\$ .58/sf); HO(\$1.14/sf); CCF(\$3.28/sf)
	La Palma	Traffic Impact Mitigation Fee	SFR(\$250/du; MFR(\$250/du); HO(\$250/rm); OB(\$250/ksf); GR(\$1.175/ksf); ID(\$200/ksf); CH(\$300/ksf); HOS(\$575/ksf); CCF(\$1.625/ksf)
	Los Alamitos	Cypress Race Track Development Fee Program	\$1.00/sf development (collected by Cypress)
	Santa Ana	Transportation Systems Improvement Program	All areas: (new develop. only) SFR(\$1.80/sf), MFR(\$1.10/sf), Area A: NR(\$5.15/sf); Area B: NR(\$4.00/sf); C: NR(\$5.53/sf); D: NR(\$3.31/sf); E: NR(\$5.00/sf); F: NR(\$4.00/sf)
	Seal Beach	Transp. Facil. and Programs Development Appl. Fee	SC < 175ksf(\$7.98/gla); SC > 175ksf(\$2.48/gla); OB(\$2.69/gsf); RE(\$6.13/gsf); HO(\$539/rm); SFR(\$932/du); APT(\$625/du); CPRK(\$3.17/ec); OLU(\$929/phte)
	Stanton	Transportation Systems Improvement Program	R(\$698/du); OB(\$1.62/sf); ID (\$ .85/sf); HC(\$2.72/sf); CM(\$5.75/sf)
	County of Orange	pending	to be developed
Anahelm	Transportation Improvement Fee	SFR(\$590/du); MFR(\$400/du); HO(\$448/du); OB(\$1.39/sf); GR(\$1.68/sf) ID(\$ .34/sf); CH(\$ .96/sf); HOS(\$96/sf); CCF(\$2.76/sf); SCH(\$.57/sf); \$679/phte	
<b>GMA 3</b> R(\$354.14/du); NR(\$34/sf)	Garden Grove	Anahelm Stadium Business Center Fee Program	\$4.12/sf gfa (plus a short-fall fee for a total of \$8.15/sf)
		FTC/EIC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)
	Garden Grove	Transportation System Improvement Program	SFR(\$564/du); MRF (\$508/du); HO(\$484/rm); OB(\$1.26/sf); ID(\$ .41/sf); GR(\$2.39/sf); CH(\$ .58/sf); HO(\$1.14/sf); CCF(\$3.28/sf)
		FTC/EIC	SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)
	Orange	Transportation Systems Improvement Program	Area A: NR(\$4.95/sf); Area B: OB(\$3.05/sf); CM(\$5.05/sf); ID(\$1.85/sf); R(\$434/du); Area C: NR(\$2.75/sf); R(\$418/du)
	Santa Ana	Transportation Systems Improvement Program	All areas: (new develop. only) SFR(\$1.80/sf), MFR(\$1.10/sf), Area A: NR(\$5.15/sf); Area B: NR(\$4.00/sf); C: NR(\$5.53/sf); D: NR(\$3.31/sf); E: NR(\$5.00/sf); F: NR(\$4.00/sf)
	Villa Park	Development Mitigation Program, TSlP	R(\$354.14/du); NR(\$3.30/sf)
	County of Orange	FTC/EIC	SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)



**GROWTH MANAGEMENT AREA  
FEE PROGRAMS**

September 26, 1994

	AGENCY	TITLE OF FEE PROGRAM(S)	FEE AMOUNTS	
<b>GMA 4</b> 1/2 of 1% building valuation	Anaheim	Transportation Improvement Fee	SFR(\$590/du); MFR(\$400/du); HO(\$448/du); OB(\$1.39/sf); GR(\$1.68/sf) ID(\$ .34/sf); CH(\$ .96/sf); HOS(\$96/sf); CCF(\$2.76/sf); SCH(\$ .57/sf); \$679/phte	
	Invine	FTC/ETC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		Systems Development Charge	1% of building valuation (.5% goes to transportation)	
		Street Surface Construction Impact Fee	CM: <50,000sf(\$ .03/sf), >50,000sf(\$ .05/sf), +55' or 5 stories(\$ .16/sf), max(\$3,500); R(\$ .03/sf), max(\$50.00/unit); tenant improvements CM/ID(.01/sf)	
		SJHTC	Zone A: SFR(\$2,822/du); MFR(\$1,643/du); NR(\$3.78/sf) Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)	
		FTC/ETC	Zone A: SFR (\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf); Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		FTC/ETC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		Transportation Systems Improvement Program	Area A: NR(\$4.95/sf); Area B: OB(\$3.05/sf); CM(\$5.05/sf); ID(\$1.85/sf); R(\$434/du); Area C: NR(\$2.75/sf); R(\$418/du)	
		FTC/ETC	Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		Traffic Impact Fee	R(\$600/du); ID(\$ .15/sf); OB(\$ .48/sf); CM(\$1.98/sf)	
<b>GMA 5</b> FTC/ETC	County of Orange	FTC/ETC	Zone A: SFR (\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf); Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		Santiago Canyon Road Fee Program	SFR(\$488.20/du); MFR(\$390.56/du); NR(\$440/ksf)	
		FTC/ETC	Zone A: SFR (\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf); Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		FQPP	Zones 1 - 8: SFR(\$1,560-\$5,540/du); MDR(\$1,250-\$4,440/du); CM(\$1.40-\$4.99/sf)	
		El Toro Road Fee Program	LDR(\$983.24/du); MDR(\$852.40/du); HDR(\$524.33/du); FC(\$26,186.34/ac); CM(\$58,974.56/ac); OC(\$14,743.64/ac); IP(\$5,116.34/ac)	
		Santiago Canyon Road Fee Program	SFR(\$488.20/du); MFR(\$390.56/du); NR(\$440/ksf)	
		Crown Valley Parkway Fee Program	R(\$500/du); NR(\$1.30/sf)	
		FTC/ETC	Zone A: SFR (\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf); Zone B: SFR (\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)	
		FQPP	Zones 1 - 8: SFR(\$1,560-\$5,540/du); MDR(\$1,250-\$4,440/du); CM(\$1.40-\$4.99/sf)	
		El Toro Road Fee Program	LDR(\$983.24/du); MDR(\$852.40/du); HDR(\$524.33/du); FC(\$26,186.34/ac); CM(\$58,974.56/ac); OC(\$14,743.64/ac); IP(\$5,116.34/ac)	
<b>GMA 6</b> \$59/phte	County of Orange	Plano Trabuco Fee Program	SMParkway: Tract Record(\$1,159/ac); SFD(\$1,932/du); Tract 6970(\$681/du); Trabuco Bridge: Tract Record(\$780/ac); SFD(\$1,300/du); Tract 6970(\$458/du)	
		Santiago Canyon Road Fee Program	SFR(\$488.20/du); MFR(\$390.56/du); NR(\$440/ksf)	
		Development Agreement Mitigation Fee	3% of construction costs	
		Transportation System Improvement Program	SFR(\$564/du); MRF(\$508/du); HO(\$484/rm); OB(\$1.26/sf); ID(\$ .41/sf); GR(\$2.39/sf); CH(\$ .58/sf); HO(\$1.14/sf); CCF(\$3.28/sf)	
		Comprehensive Transp. System Improvement Prog.	\$75/new vehicle trip	
		Transp. Facil. and Programs Development Appl. Fee	SC < 175ksf(\$7.98/gla); SC > 175ksf(\$2.48/gla); OB (\$2.69/gsf); RE(\$6.13/gsf); HO(\$539/rm); SFR(\$952/du); APT(\$625/du); CPRK(\$3.117/ac); OLU(\$929/phte)	
		Traffic Impact Fee	LDR(\$910/du); MDR(\$600/du); HDR(\$550/du); CM(\$2,857/ksf); C/O(\$1,905/ksf); WH(\$381/ksf); ID(\$381/ksf)	
		pending	to be developed	
		County of Orange	pending	

**GROWTH MANAGEMENT AREA  
FEE PROGRAMS**

September 26, 1994

AGENCY	TITLE OF FEE PROGRAM(S)	FEE AMOUNTS
Irvine	Systems Development Charge	1% of building valuation (.5% goes to transportation)
	Street Surface Construction Impact Fee	CM < 50,000sf (\$ .03/sf), > 50,000sf (\$ .05/sf), +55' or 5 stories (\$ .16/sf), max (\$3,500); R (\$ .03/sf), max (\$50.00/unit); tenant improvements CM/ID (.01/sf)
	Irvine Business Complex Mitigation Fee	OB (\$10.70/sf); ID (\$3.30/sf); HO (\$4.833/mm); R (\$3.734/du); GR (\$10.70/sf)
	SJT/C	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
Orange	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf); Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FTC/ETC	Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	Transportation Systems Improvement Program	Area A: NR (\$4.95/sf); Area B: OB (\$3.05/sf); CM (\$5.05/sf); ID (\$1.85/sf); R (\$434/du); Area C: NR (\$2.75/sf); R (\$418/du)
	Transportation Systems Improvement Program	All areas: (new develop. only) SFR (\$1.80/sf), MFR (\$1.10/sf); Area A: NR (\$5.15/sf); Area B: NR (\$4.00/sf); C: NR (\$5.53/sf); D: NR (\$3.31/sf); E: NR (\$5.00/sf); F: NR (\$4.00/sf)
Tustin	SJT/C	Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	FTC/ETC	Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	Transportation Systems Improvement Program	Zone A: \$5.53/sf new or added gross square foot floor area (does not include SFD or some TI); Zone B: \$3.31/sf new or added gross square foot floor area (does not include SFD or some TI);
	FTC/ETC	Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
County of Orange	SJT/C	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf); Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	City-wide Traffic Improvement Program	\$228/average daily trip end. Assessed on new comm., indust., and resid. development.
	SJT/C	Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
Irvine	Systems Development Charge	1% of building valuation (.5% goes to transportation)
	Street Surface Construction Impact Fee	CM < 50,000sf (\$ .03/sf), > 50,000sf (\$ .05/sf), +55' or 5 stories (\$ .16/sf), max (\$3,500); R (\$ .03/sf), max (\$50.00/unit); tenant improvements CM/ID (.01/sf)
	Irvine Business Complex Mitigation Fee	OB (\$10.70/sf); ID (\$3.30/sf); HO (\$4.833/mm); R (\$3.734/du); GR (\$10.70/sf)
	SJT/C	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
Newport Beach	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf); Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	Fair Shair Fee Program	SFR (\$1,103.05/du); D, T&F (\$721.23/du); F&> (\$551.53/du); RC (\$382/sf); GR (\$3.39/sf); BY (\$3.39/sf); OB (\$1.10/sf); MO (\$3.39/sf); CR (\$6.39/sf); TOR (\$3.39/sf); ID (\$ .51/sf); YC (\$4.24/sf); AC (\$3.39/sf)
	SJT/C	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	Transportation Systems Improvement Program	All areas: (new develop. only) SFR (\$1.80/sf), MFR (\$1.10/sf); Area A: NR (\$5.15/sf); Area B: NR (\$4.00/sf); C: NR (\$5.53/sf); D: NR (\$3.31/sf); E: NR (\$5.00/sf); F: NR (\$4.00/sf)
Santa Ana	SJT/C	Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	FTC/ETC	Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	CARITS	Zone 1: SFR (\$1,385-\$1,607/du); MFR (\$1,108-\$1,285/du); NR (\$1,246-\$1,446/ksf); Zone 2: SFR (\$814-\$1,384/du); MFR (\$488-\$1,107/du); NR (\$956-\$1,246/ksf)
	SJT/C	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
County of Orange	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf); Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	SJT/C	Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	CARITS	Zone 1: SFR (\$1,385-\$1,607/du); MFR (\$1,108-\$1,285/du); NR (\$1,246-\$1,446/ksf); Zone 2: SFR (\$814-\$1,384/du); MFR (\$488-\$1,107/du); NR (\$956-\$1,246/ksf)
	SJT/C	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)



**GROWTH MANAGEMENT AREA  
FEE PROGRAMS**

September 26, 1994

AGENCY	TITLE OF FEE PROGRAM(S)	FEE AMOUNTS
Irvine	Systems Development Charge	1% of building valuation (.5% goes to transportation)
	Street Surface Construction Impact Fee	CM < \$50,000/sf (\$ .03/sf), > \$50,000/sf (\$ .05/sf), +55' or 5 stories (\$ .16/sf), max (\$3,500); R (\$ .03/sf), max (\$50.00/unit); tenant improvements CM/ID (.01/sf)
	SJHTC	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	El Toro Road Fee Program	LDR (\$983.24/du); MDR (\$852.40/du); HDR (\$524.33/du); RSC (\$26,186.34/ac); CM (\$58,974.56/ac); OC (\$14,743.64/ac); IP (\$5,116.34/ac)
	Santiago Canyon Road Fee Program	SFR (\$488.20/du); MFR (\$390.56/du); NR (\$440/1,000sf)
	FPP	Zones 1-8: SFR (\$1,560-\$5,540/du); MDR (\$1,250-\$4,440/du); CM (\$1.40-\$4.99/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FPP	Zones 1-8: SFR (\$1,560-\$5,540/du); MDR (\$1,250-\$4,440/du); CM (\$1.40-\$4.99/sf) LDR (\$983.24/du); MDR (\$852.40/du); HDR (\$524.33/du); RC (\$26,186.34/ac); CM (\$58,974.56/ac); OC (\$14,743.64/ac); IP (\$5,116.34/ac)
San Juan Capistrano	Santiago Canyon Road Fee Program	SFR (\$488.20/du); MFR (\$390.56/du); NR (\$440/ksf)
	Crown Valley Parkway Fee Program	R (\$500/du); NR (\$1.30/sf)
	System Development Tax	1% of building valuation (or \$.05/sf)
	SJHTC	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FPP	Zones 1-8: SFR (\$1,560-\$5,540/du); MDR (\$1,250-\$4,440/du); CM (\$1.40-\$4.99/sf) LDR (\$983.24/du); MDR (\$852.40/du); HDR (\$524.33/du); RC (\$26,186.34/ac); CM (\$58,974.56/ac); OC (\$14,743.64/ac); IP (\$5,116.34/ac)
	El Toro Road Fee Program	LDR (\$983.24/du); MDR (\$852.40/du); HDR (\$524.33/du); RC (\$26,186.34/ac); CM (\$58,974.56/ac); OC (\$14,743.64/ac); IP (\$5,116.34/ac)
	Plano Trabuco Fee Program	SM Parkway: Tract Record (\$1,159/ac); SFD (\$1,932/du); Tract 6970 (\$681/du); Trabuco Bridge: Tract Record (\$780/ac); SFD (\$1,300/du); Tract 6970 (\$458/du)
	Santiago Canyon Road Fee Program	SFR (\$488.20/du); MFR (\$390.56/du); NR (\$440/ksf)
County of Orange	Santiago Canyon Road Fee Program	SFR (\$488.20/du); MFR (\$390.56/du); NR (\$440/ksf)
	Crown Valley Parkway Fee Program	R (\$500/du); NR (\$1.30/sf)
	System Development Tax	1% of building valuation (or \$.05/sf)
	SJHTC	Zone A: SFR (\$2,822/du); MFR (\$1,643/du); NR (\$3.78/sf) Zone B: SFR (\$2,185/du); MFR (\$1,275/du); NR (\$2.80/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FTC/ETC	Zone A: SFR (\$2,399/du); MFR (\$1,401/du); NR (\$3.33/sf) Zone B: SFR (\$1,706/du); MFR (\$993/du); NR (\$1.94/sf)
	FPP	Zones 1-8: SFR (\$1,560-\$5,540/du); MDR (\$1,250-\$4,440/du); CM (\$1.40-\$4.99/sf) LDR (\$983.24/du); MDR (\$852.40/du); HDR (\$524.33/du); RC (\$26,186.34/ac); CM (\$58,974.56/ac); OC (\$14,743.64/ac); IP (\$5,116.34/ac)
	El Toro Road Fee Program	LDR (\$983.24/du); MDR (\$852.40/du); HDR (\$524.33/du); RC (\$26,186.34/ac); CM (\$58,974.56/ac); OC (\$14,743.64/ac); IP (\$5,116.34/ac)
	Plano Trabuco Fee Program	SM Parkway: Tract Record (\$1,159/ac); SFD (\$1,932/du); Tract 6970 (\$681/du); Trabuco Bridge: Tract Record (\$780/ac); SFD (\$1,300/du); Tract 6970 (\$458/du)
	Santiago Canyon Road Fee Program	SFR (\$488.20/du); MFR (\$390.56/du); NR (\$440/ksf)

GMA 9

FTC/ETC



**GROWTH MANAGEMENT AREA  
FEE PROGRAMS**

September 26, 1994

AGENCY	TITLE OF FEE PROGRAM(S)	FEE AMOUNTS
<b>GMA 10</b> CARITS	Laguna Beach CARITS (northern portion of the city)	Zone 1: SFR(\$1,385-\$1,607/du); MFR(\$1,108-\$1,285/du); NR(\$1,246-\$1,446/ksf); Zone 2: SFR(\$814-\$1,394/du); MFR(\$488-\$1,107/du); NR(\$956-\$1,246/ksf)
	Laguna Hills SJHTC	Zone A: SFR(\$2,822/du); MFR(\$1,643/du); NR(\$3.78/sf) Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)
	CARITS	Zone 1: SFR(\$1,385-\$1,607/du); MFR(\$1,108-\$1,285/du); NR(\$1,246-\$1,446/ksf); Zone 2: SFR(\$814-\$1,394/du); MFR(\$488-\$1,107/du); NR(\$956-\$1,246/ksf)
	Moulton Parkway Fee Program	SFR(\$295/du); MFR(\$167/du); NR(\$.57/sf)
	Laguna Niguel SJHTC	Zone A: SFR(\$2,822/du); MFR(\$1,643/du); NR(\$3.78/sf)
	CARITS	Zone 1: SFR(\$1,385-\$1,607/du); MFR(\$1,108-\$1,285/du); NR(\$1,246-\$1,446/ksf); Zone 2: SFR(\$814-\$1,394/du); MFR(\$488-\$1,107/du); NR(\$956-\$1,246/ksf)
	Moulton Parkway Fee Program	SFR(\$295/du); MFR(\$167/du); NR(\$.57/sf)
	Mission Viejo FTC/ETC	Zone B: SFR(\$1,706/du); MFR(\$993/du); NR(\$1.94/sf)
	FQPP	Zones 1-8: SFR(\$1,560-\$5,540/du); MDR(\$1,250-\$4,440/du); CM(\$1.40-\$4.99/sf)
	El Toro Road Fee Program	LDR(\$983.24/du); MDR(\$852.40/du); HDR(\$524.33/du); RC(\$26,186.34/ac); CM(\$58,974.56/ac); OC(\$14,743.64/ac); IP(\$5,116.34/ac)
<b>GMA 11</b> FTC/ETC; SJHTC	Santiago Canyon Road Fee Program	SFR(\$488.20/du); MFR(\$390.56/du); NR(\$440/ksf)
	Crown Valley Parkway Fee Program	R(\$500/du); NR(\$1.30/sf)
	Laguna Niguel SJHTC	Zone A: SFR(\$2,822/du); MFR(\$1,643/du); NR(\$3.78/sf) Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)
	CARITS	Zone 1: SFR(\$1,385-\$1,607/du); MFR(\$1,108-\$1,285/du); NR(\$1,246-\$1,446/ksf); Zone 2: SFR(\$814-\$1,394/du); MFR(\$488-\$1,107/du); NR(\$956-\$1,246/ksf)
	Moulton Parkway Fee Program	SFR(\$295/du); MFR(\$167/du); NR(\$.57/sf)
	Laguna Niguel Fee Program	SFR(\$157/du); MFR(\$91/du); NR(\$.67/sf)
	Dana Point SJHTC	Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)
	FTC/ETC	Zone A: SFR(\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf);
	CARITS	Zone 1: SFR(\$1,385-\$1,607/du); MFR(\$1,108-\$1,285/du); NR(\$1,246-\$1,446/ksf); Zone 2: SFR(\$814-\$1,394/du); MFR(\$488-\$1,107/du); NR(\$956-\$1,246/ksf)
	Moulton Parkway Fee Program	SFR(\$295/du); MFR(\$167/du); NR(\$.57/sf)
<b>GMA 11</b> FTC/ETC; SJHTC	San Clemente SJHTC	Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)
	FTC/ETC	Zone A: SFR(\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf);
	Regional Circulation Financing and Phasing Program	Z1: SFR(\$6,080), NR(\$4,46/sf); Z3: SFR(\$1,164), MFR(\$679), NR(\$1.51/sf); Z4: SFR(\$3,792), MFR(\$2,212), NR(\$1,120/sf); Z5: SFR(\$2,028), MFR(\$1,183), NR(\$3.47/sf); Z6: SFR(\$1,017), MFR(\$594), NR(\$1.82/sf); Z7: SFR(\$1,646), MFR(\$960), NR(\$8.30/sf); Z8: SFR(\$3,646), NR(\$4.89); Z9: NR(\$9.00/sf); Z10: NR(\$4.10/sf)
	Avenida La Pata Supplementary Road Fee Program	SFR(\$1,347/du); MFR(\$1,076/du); NR(\$1,212/ksf)
	System Development Tax	1% of building valuation (or \$.05/sf)
	San Juan Capistrano SJHTC	Zone A: SFR(\$2,822/du); MFR(\$1,643/du); NR(\$3.78/sf) Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)
	FTC/ETC	Zone A: SFR(\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf);
	Avenida La Pata Supplementary Road Fee Program	SFR(\$1,347/du); MFR(\$1,076/du); NR(\$1,212/ksf)
	SJHTC	Zone A: SFR(\$2,822/du); MFR(\$1,643/du); NR(\$3.78/sf) Zone B: SFR(\$2,185/du); MFR(\$1,275/du); NR(\$2.80/sf)
	FTC/ETC	Zone A: SFR(\$2,399/du); MFR(\$1,401/du); NR(\$3.33/sf); Zone 1: SFR(\$1,385-\$1,607/du); MFR(\$1,108-\$1,285/du); NR(\$1,246-\$1,446/ksf); Zone 2: SFR(\$814-\$1,394/du); MFR(\$488-\$1,107/du); NR(\$956-\$1,246/ksf)



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# Street Improvement Program

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## Objective

The purpose of this report is to recommend (1) a *street improvement and replacement program* which will raise the overall condition of the City's street system to an acceptable level, and (2) an annual *preventive maintenance program* which will keep the system at an acceptable level.

## Summary

The Public Works Department is proposing a two prong program to correct the largest public works problem in the history of the City. Half of the streets in San Clemente are currently in a substandard condition or will need major rehabilitation within the next ten years. Some 60 miles of the 120 mile system are in need of significant repair. These streets are a "patchwork quilt" of potholes, cracks, alligatored sections, patches, and other obvious pavement failures. Some of the streets can be salvaged by placing a one to three inch layer of asphalt or rubberized asphalt on top of the existing street, but many sections need to be completely removed and replaced. Replacement is a very expensive proposition.

In the past three years, the department has proposed two different improvement programs, but the response from those who addressed the Council was mixed. They agreed that the streets need to be fixed, but because of the recession did not think the timing was right. Several of the speakers expressed the opinion that the cost to the individual property owner was too high. During this time, and before, a number of people in the community also called for a reduction in the size of the City government, privatization of services, streamlining of its processes, and more involvement of community members.

**City response** - The City has done much in the past three years to respond to the community and to the recession. It impaneled a Blue Ribbon Committee of prominent citizens to look at every program in the City and make cost reduction recommendations to the City Council. As a result, all ranks were thinned, including management, supervisory, professional, technical and other classifications. The police and fire departments were disbanded in favor of county contracts and a number of services such as park maintenance, fleet maintenance, meter reading, and street painting/stripping were contracted out to the private sector. City staffing dropped from a high of 352 employees in 1991/92 to the present 184, a decrease of nearly 50%. The City also hired a volunteer services coordinator to oversee volunteer programs which had been established and to recruit more volunteers from the community. The changes resulted in a net reduction of \$2,181,000 in expenditures in the General Fund for 1994/95 compared to 1992/93.

The reduction in expenditures helped the City adjust to the reduction in revenue, allowed it to begin rebuilding its depleted reserves (\$821,000 of the savings was transferred to General Fund Reserves), and for the first time, enabled it to consider dedicating funds to a long term street improvement program.

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## Street Improvement Program

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**Timing** - Until the County of Orange declared bankruptcy on December 6, 1994, the papers were filled with reports of a strong economic recovery and increased consumer confidence. Following are recent examples of nationwide and local perspectives:

*"Economic Data Show Expansion Remains Strong, WASHINGTON - An array of reports yesterday on income, spending, jobs, construction and manufacturing all painted the same picture: The economic expansion shows virtually no signs of letting up. Among the most significant developments was a surge in manufacturing in November to its strongest level in 10 years, according to the widely followed index of the National Association of Purchasing Managers. The index, a monthly measure of growth of the manufacturing sector based on a survey of corporate purchasing managers, rose 1.5 percentage points from October to 61.2%, marking the 15th consecutive increase in the index."* The Wall Street Journal, December 2, 1994, p. A2.

*"Life Getting Better For O.C. - After a few years of red lights, Orange County residents are seeing green again when it comes to the local economy, the freeways and that intangible thing called 'quality of life', the 13th Orange County Annual Survey shows. The survey reveals a renewed but guarded optimism, with residents happier with life as a whole since 1990. . . Orange County residents reacting to the results cited everything from dirt mounds along freeways representing construction dollars at work to reports of brisk post-Thanksgiving shopping as sign that happy days are - almost - here again."* The Orange County Register, November 29, 1994, pp. 1-10.

These are positive developments, but the delays in starting a replacement program has allowed more streets to degrade into the "replacement" category and the cost of the proposed program is now higher. Where the streets are concerned, time continues to work against us.

Now the City is faced with an additional dilemma. We knew all along that the City would have to persuade its residents that the proposal was sound, reasonable, and timely. We thought we could do that by pointing to the City's streamlining and cost reduction efforts, the increased funding commitments to be made by the City, the comprehensiveness of the plan, the reduction in costs to private parcels, the improved financial stability of the City, and the resultant improvements to property values.

Just as the City was prepared to discuss an exciting proposal for overcoming the long-standing problem of its streets, the County's bankruptcy filing, based upon failed investments, has created a tremendous turmoil. Although the City's operational funds and near-term projects have been little affected, this proposal is for a large scale, long term program. Because of that, as of the due date for this paper, additional monitoring and assessment of the situation is called for. We anticipate that the situation will be clarified a great deal by the time this issue is discussed with

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## Street Improvement Program

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Council. Even so, it represents another significant hurdle to overcome if we are to gain the support of the public.

To summarize, approximately 6.45 miles of the street system must be completely removed and reconstructed. Another 15.1 miles of the system is very bad, but may be saved by overlaying it with a new "rubberized" asphalt. Finally, another 38 miles of the system may be saved by applying 1" to 3" standard asphalt overlays. Further delays will cause more miles of streets to fall into the "replacement" category, dramatically increasing the overall program cost. There is no way to avoid the problem. In fact, the problem will continue to get worse with time if not addressed. Deteriorated streets are a blight. They reduce property values, damage vehicles, create liability, damage underground utilities, generate complaints, waste maintenance funds, and reflect poorly on the reputation and image of the City. It is imperative that we start a street improvement and preventive maintenance program as soon as possible.

*"Roads and streets are the single public facility which practically every taxpayer uses every day. Unlike other facilities or public buildings he may occasionally visit, roads and streets get a physical and visual rating every day of the year. They are, in brief, the most visible public facility that affects every citizen's safety, comfort and economy each day of the year. The public relations value of providing timely preventive maintenance and strengthening overlays for increased traffic should be obvious."*, Special Report 81-21, US Army Corps of Engineers, September, 1981, Revised December, 1989, p. 4.

### **Define the Current Situation**

The City's 120 miles of streets are divided into three types: (1) Arterials - wide, heavily traveled streets, such as Avenida Pico and Camino de los Mares, (2) Local streets - small neighborhood residential streets, and (3) Collectors - medium size streets which connect local neighborhood streets to arterials. South Ola Vista, Avenida Presidio, and Avenida Vaquero are examples of collector streets in San Clemente.

It is the City's policy to prioritize expenditures on street projects according to the classification of the street and the volume and speed of traffic on the street. This policy is meant to focus improvements where they will benefit the most people and provide the most safety. Therefore, arterials are rehabilitated before collector streets and collectors are rehabilitated before local streets.

**Arterials** - Of the 120 miles of streets in the system, 14.5 miles (12%) are arterials. The arterials are in good condition. The City has obtained several millions of dollars of grant and gas tax funds over the past few years and has resurfaced nearly all of them. For example, Avenida Pico and El Camino Real were resurfaced and Camino de Las Mares was rehabilitated, including the addition of sidewalks and landscaping of the center medians.



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## Street Improvement Program

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**Collectors** - Of the 120 miles of streets in the system, 35.5 miles (30%) are classified as collectors. Gas taxes and grants have also been applied to correct problems in some of the collectors. For example, South Ola Vista, Avenida Calafia, Avenida Victoria, and Avenida Vaquero were overlaid and Avenida Del Mar was rehabilitated in recent years. A local assessment district, established in conjunction with property owners, paid for the rehabilitation of streets in the pier bowl area. Via Cascadita and a portion of Avenida Presidio are budgeted to be overlaid this year. Still, of the 35.5 miles of collector streets, 24.3 miles (68%) are in a substandard condition.

**Locals** - Of the 120 miles of streets in the system, 70 miles (58%) are classified as local streets. More than half (35.27 miles) of the 70 miles of local streets are in a substandard condition.

### ***Critical Problem - Examples***

Repeated Damage - The street deterioration problem in the neighborhoods has reached a critical stage. Trucks damage many local streets and collectors every time they pass by. Many small cul-de-sacs are torn up each time a trash truck jockeys back and forth to turn around. Maintenance crews repeatedly return to patch holes knowing the holes will reappear as soon as the truck makes its next pick up. It got so bad on Dije Court that the street maintenance supervisor had to make special arrangements with the trash hauler and the residents. Each trash day all residents of this multi-family residential area cart all blue and black containers to one spot near the entrance to the cul-de-sac. They place all blue cans on the sidewalk and then place all black cans on the street in front of them. The first trash truck then backs into the cul-de-sac and empties the black cans. The recycling truck then backs into the area and the driver sorts through the empty black cans to reach and dump the blue recycling containers. This is effort "above and beyond" for the residents, the disposal company and the maintenance supervisor - all caused by a street which can no longer support the weight and turning movements of the trucks. Many of these people understandably expressed support for the street improvement program; they don't want to have to go through this process for too long a time. They are to be commended for the cooperative effort, but such conditions should not exist. We cannot blame the trash trucks; they should be able to rely on a street to support its weight.

Sinking Delivery Trucks - We can also cite the example of a couple attempting to build a house on Calle Los Alamos. The delivery trucks kept sinking two or three feet into the street. On more than one occasion, after unloading the delivery truck, they had to pull it out with a tractor. Our crews were out there every day trying to make temporary repairs to get them through the construction period. We finally resorted to renting steel plates to cover the soft area. When a break in construction was scheduled, the crew did major removals of asphalt, base material, and soft native soil and rebuilt a large section of the street. Although this is an extreme example, it's quite common for our crews to try to keep abreast of similar problems. We fear that the increasing activity in the construction industry will create widespread damage in the City. We cannot tell a homeowner who wants to add a couple of rooms to his house that he will have to

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## Street Improvement Program

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spend thousands of dollars to also reconstruct part of the street. Few people could improve their homes if that were the case. A street should be able to support such activity.

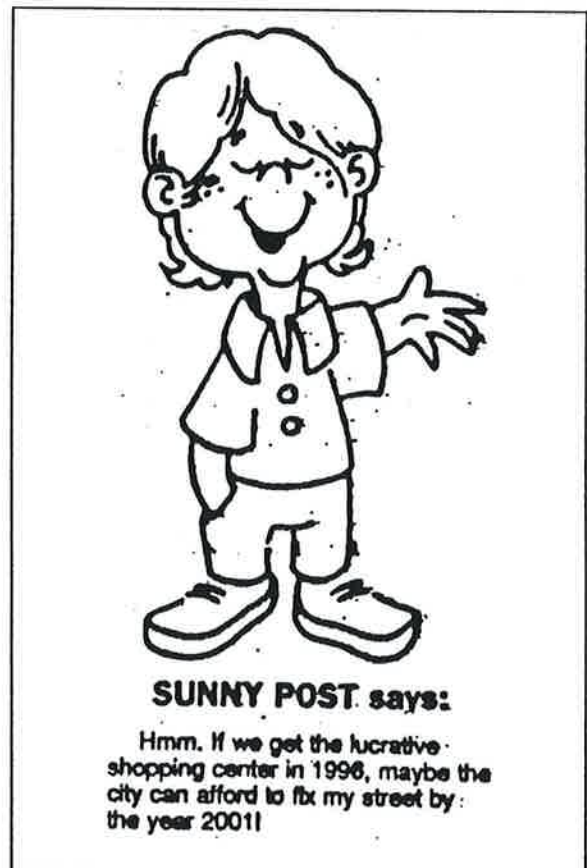
Destroyed Street - The Gas Company installed a new transmission line in the 200 block of Aragon. The street was so badly damaged by the trucks that the street had to be rehabilitated when the Gas Company completed its work.

Poor Reputation and Image - When advocating the need to spend more on street rehabilitation, employees of other cities often refer to San Clemente's streets as an example of what happens when streets aren't properly maintained. Even the local newspaper, the *Sun Post News*, makes the most of every opportunity to comment on the situation.

Campaign Issue - Street repair, say some candidates, was the issue they most heard about during the last Council campaign. Residents have made it crystal clear that they are tired of poor streets and want them fixed.

More Destroyed Streets - Just before the final draft of this report was completed, another situation occurred. The contractor repairing the La Ventana slide decided to have dump trucks haul dirt from Coast Highway to the top of the slide area via Vista Montana and La Ventana. Within two days the streets were destroyed - made dangerous and virtually impassable in many places. Staff had to go to Council with an emergency request to downsize a budgeted project (an overlay of a collector) in favor of rebuilding these local streets.

Urgent Need - As far as the street system is concerned, the City finds itself in the classic position of "pay me now or pay me later". The problem is growing in magnitude and urgency. It is not one which will go away or not be noticed in the future. The problem will continue to worsen until it is corrected. Horror stories like those cited will become as commonplace as complaints about potholes are now. These comments may sound melodramatic, but they're not. The problem may be far worse than most people realize.



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## Street Improvement Program

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### *How did the streets get into this condition?*

The City of San Clemente has been a relatively isolated, primarily residential community since its inception in 1925. A typical residential community does not support itself through locally generated revenue. That is, unless the value of its homes are in the upper price range, the taxes generated by a residential community are not enough to cover the cost of police, fire, public works, and other services.

The annual funding shortfalls must be met by reductions in costs/services and greater reliance on other revenue sources, such as sales taxes. Since San Clemente's isolated location and relatively small population could not provide an adequate customer base for business, the City has never enjoyed an adequate revenue flow. Grant funding is not available for local streets and the gas taxes allocated to the City are insufficient to even complete rehabilitation of the collector streets. Because street projects require large annual expenditures from the General Fund, street maintenance needs from year to year have not been able to compete with more urgent and vital services, such as police and fire protection. This situation was exacerbated by the passage of Proposition 13, the very oppressive and costly energy crisis, and the more recent diversion of revenues by the state. To make matters worse, even local gas tax distribution formulas favor the larger cities north of San Clemente. The following excerpt from a recent OCTA newsletter illustrates the point:

*"A list of streets most in need of repair was presented, topped by Whittier Boulevard in Brea, Fairview Avenue in Costa Mesa, and McFadden Avenue and Westminster Boulevard in Santa Ana. These and other streets in the older northern, western, and central parts of the county are the leading contenders for a new round of OCTA-programmed state and federal gas tax funds set aside for major road repairs. This fiscal year, more than \$9 million is going to fix up 35 deteriorated streets." OCTA Board Actions Newsletter, Meeting of November 28, 1994, p. 1.*

Another excerpt from the special report prepared by the Army Corps of Engineers illustrates another revenue problem and underscores the fact that such problems are far from being unique to San Clemente:

*"While travel is still increasing, gasoline usage and highway revenues are down due to more fuel-efficient autos. . . Gas tax increases have steadily risen, but have not kept up with inflation. . . Inflation has increased road maintenance costs 2 to 3 times in the past 10 years, so that fixed maintenance budgets are covering fewer and fewer repairs. . . So, while finances are decreasing, our traffic needs are still growing." Special Report 81-21, US Army Corps of Engineers, September, 1981, Revised December, 1989, pp 1-2.*



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## Street Improvement Program

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Maintenance Crews Overwhelmed - Over the past few years, as more and more streets began to fail in our City, more efforts were put into pothole patching and larger maintenance efforts. Demands for service have escalated exponentially. The maintenance crews are completely overwhelmed, especially in the rainy season. Pothole repairs on many streets now fail shortly after they are completed. Crews repeatedly have to return to the same areas to patch patches. It's a losing game in which we throw good money after bad.

In 1992, a Pavement Management System report for the City calculated that 95.9% of the City's local streets will fail within 10 years if we do not institute an aggressive improvement program. Substantial improvements have been made to arterials since then, but lack of funding for locals and collectors has limited efforts in other areas primarily to pothole patching and larger scale maintenance efforts.

### ***Definition and Analysis of Issue***

Five major factors have contributed to the problem in San Clemente: (1) the way streets were originally constructed, (2) the age of streets, (3) moisture in and under streets, (4) increased traffic volume and vehicle weight, and (5) deferred maintenance.

*" . . . let's first focus on where the largest number of potholes occur. They are found principally on the local road and street system. While highways of the state system also have potholes, they are not nearly as numerous as on the local road system. . . the local system mileage far exceeds the state system mileage. Additionally, the local road systems are often occupied by underground utilities where frequent pavement openings and surface access castings for manholes tremendously aggravate the problem of pavement maintenance." Special Report 81-21, US Army Corps of Engineers, p.5.*

Construction Standards - Current City Engineering standards require developers to construct residential streets generally of 4" of asphalt on top of 7" of base material (gravel) on top of compacted soil. Collectors and arterials require thicker layers of asphalt and deeper layers of base material (up to 6" of asphalt and 12" of base.) Many of the streets in the older parts of the City were constructed at a time when cars, buses and trucks were much lighter. Streets were designed to carry the loads of the day, so they cannot withstand today's greater traffic demand and heavier loads.

Age - The sun's ultraviolet rays dry a street and make it brittle. As it increases in brittleness, and as rain washes away the fine particles and oil on the surface, cracks begin to form. This allows water from rain and irrigation systems to penetrate the base material. The older the street, the faster the deterioration. Although the life of a street varies according to the type of ground it is constructed upon, the amount of water in the subsoil, the type of traffic it endures, and other factors, modern asphalt streets are generally designed to have a useful life of 15 to 20 years. After that design period, it is anticipated that major street repair or reconstruction may be

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## Street Improvement Program

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necessary. Since many of these streets were constructed prior to the advent of modern design practice, the City is fortunate that the system has served as long as it has.

Moisture - Cracks in the asphalt allow water to penetrate and dampen the base materials. As the base materials get saturated, they get soft and lose their ability to support weight. Vehicles passing over the saturated spots cause the pavement to begin moving up and down. This up and down motion creates a pumping action in which the water is forced deeper into the base material and allows more water to enter the area. This causes the base material to further lose its ability to support weight and the pumping action increases. The movement of the brittle asphalt causes it to break. Potholes and "alligatored" sections are formed.

Increased traffic volume and weight - Local streets have to endure the loads of far more daily trips and heavy vehicles than in the past. Most families now have two, or more, vehicles. The average single family home generates 10 - 12 trips a day. Parents and children drive to and from school and/or work each day and run errands. Visitors, mail carriers, and solicitors come and go and trash trucks move from house to house. These trucks are larger and carry heavier loads than those of the past. The same applies to buses and delivery trucks. In-fill and remodeling activities bring concrete trucks, lumber trucks, grading equipment and other heavy loads onto local streets. Private and public utilities bring heavy equipment into neighborhoods for installation and maintenance activities. Large recreational vehicles are a common sight on local streets. Local restrictions on truck traffic prevent trucks from using local streets as through routes, but state law allows them to make local deliveries.

*"The average fleet truck in 1960 weighed about half of what the average fleet truck weighs today, and depending on the pavement thickness, this increase can have a most significant effect on pavement life. Estimates range from a decrease of 10% in design pavement life on thick pavements to reductions of 90% on thin pavements. Many of our local roads were never designed for the truck traffic they are experiencing today. We no longer see the small local delivery trucks that used to service the railroads. Now, for economy and efficiency, many stores are serviced by huge trailer trucks. Further, with improved all-season construction techniques, trucks loaded with concrete and building materials roll each year over spring-weakened pavements." Special Report 81-21, US Army Corps of Engineers, 1989, p.2.*

Deferred Maintenance - As described above, the sun and rain causes a street to become increasingly brittle and rough. Timely maintenance efforts can slow the deterioration and extend the life of the street. Crack sealing keeps the water from invading the base materials and slurry coats replace fine materials washed away by rain and irrigation runoff. The inability to fund such maintenance efforts allows the streets to deteriorate more rapidly than necessary and eventually requires more expensive maintenance or rehabilitation efforts to be employed.

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## Street Improvement Program

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*"Surveys on road condition, cost of maintenance, and rehabilitation have shown what might appear to be obvious, that it costs more to rehabilitate if we delay until a street is in very poor condition. What is not obvious is that the cost escalates three, four, or five times higher the longer the delay. The surveys also show that this period of rapidly escalating costs is very short in terms of the life of the street.*

### Pavement Life

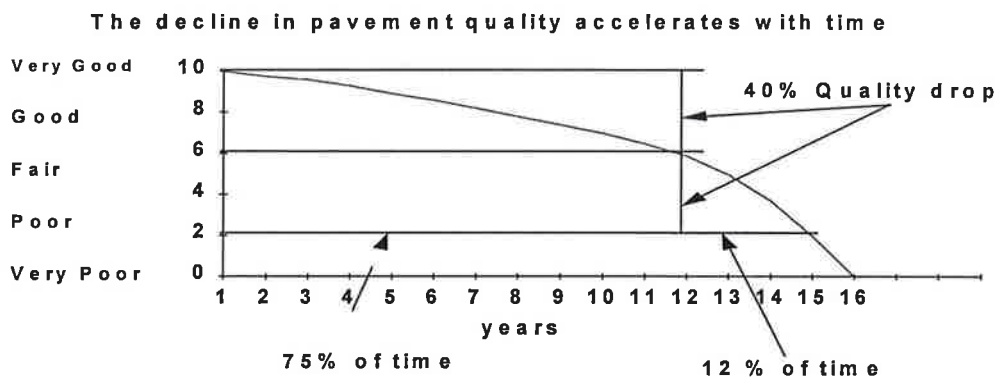


Figure 13-6 emphasizes time in relation to road quality and deterioration. The same road condition index that appears in Figure 13-5 is used here, and the acceptability index level is at fair. At this point, 40 percent of the quality has been lost over a period of twelve years. The next 40 percent drop in quality takes place in only two years. At the acceptability level, each \$1 of renovation will jump to \$4 or \$5 if the work is delayed just two more years. Further neglect will cause the road to fail." Management of Local Public Works, International City Management Association, 1986, p. 241.

**Liability** - The City receives claims from people regarding damage (1) to their vehicles from hitting potholes and (2) to themselves from trips and falls. Over the past 10 years, the City has received \$1,005,573 in claims having to do with street design/defects and another \$160,572 from slips and falls. The street design/defect category is the largest of 49 categories of claims, accounting for 28% of all claims (\$3,572,199) filed during that period. Larger claims could easily be filed.

*"The swing to downsizing the US automobile is finally accelerating and the damage from potholes to these small, but very costly, cars has increased substantially. The growing popularity of bicycles, mopeds, and motorcycles has*

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## Street Improvement Program

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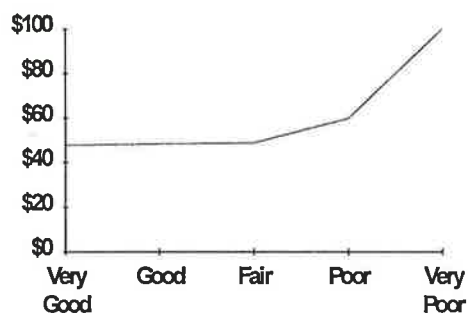
*increased the danger of potholes and other pavement defects. The immunity of the municipalities from legal action arising out of claims from pothole damage has been significantly diminished in recent years and the trend is increasing each year. Television newsmen are even jumping on the bandwagon and leading the lawyers to claims against municipalities. A UPI article reported that a Brooklyn man, who suffered permanent disabilities when riding in a car that hit a pothole, agreed to accept \$365,000 in settlement of a \$5 million lawsuit against the City. The claimant lost movement in all four limbs in the accident." Special Report 81-21, US Army Corps of Engineers, p.3.*

Cost to operate a car - Rough roads take a toll on automobiles. The continuous pounding to a car's suspension and working parts causes them to fail sooner. Note the following comment:

*"The third way to look at street costs is to consider the costs to the automobile driver. Figure 13-7 shows that poorly maintained street and road surfaces exact a high price from automobile owners. The point is clear: good roads run at \$960 for 20,000 kilometers whereas poor roads cost \$1,920 for the same mileage. The costs increase sharply after the road or street goes from fair to poor.", Mgmt of Local Public Works, Int'l City Mgmt Association, 1986, pp 241-243.*

### Automobile Operating Costs

Automobile Operating Costs compared to street condition.



Economic Development Concerns - Although difficult to quantify, deterioration of the City's infrastructure has a negative impact on the City's economy. Properties fronting severely damaged streets are less appealing to potential buyers; some will turn away from them. Businesses do not want to locate to areas which are in an obvious state of decline. The law of supply and demand suggests that this reduced demand results in lower prices. In addition, an appraiser comparing like parcels will appraise a property on a sound street higher than one on a poor street.

*"The quality of a nation's infrastructure is a critical index of its economic vitality. Reliable transportation, clean water, and safe disposal of wastes are basic*

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## Street Improvement Program

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*elements of civilized society and a productive economy. Their absence or failure introduces an intolerable dimension of risk and hardship to everyday life, and a major obstacle to growth and competitiveness. . . After two years of study, the National Council on Public Works Improvement (the 'Council') has found convincing evidence that the quality of America's infrastructure is barely adequate to fulfill current requirements, and insufficient to meet the demands of future economic growth and development." - Fragile Foundations: A Report on America's Public Works, Final Report to the President and Congress, National Council on Public Works Improvement, February, 1988, p. 1.*

### **What's needed?**

The City has 120 miles of streets. Since streets have an average life of 15 to 20 years, we should be rehabilitating a minimum of 6 miles of streets per year. With grant funds coming to the City in the last three or four years, we've made great progress compared to prior years. Even so, the effort amounts to 3 miles per year, only half what we need to do. With no grant money coming in, the City can only reconstruct about 1 mile per year. That gives us an effective street replacement cycle of once every 120 years. If a street's life is only 20 years and we continue to replace streets on a 120 year cycle, it's obvious we haven't even begun to see the true impacts to the system.

The City needs to initiate two complementary programs and commit to a policy of funding them on a continuing basis: (1) a repair and replacement program - to correct the problems found in half our streets and (2) an aggressive preventive maintenance program - to keep the other half of the system and the improved areas in good repair and to extend their useful life.

By implementing the proposed programs, the following improvements will result:

- 91% of all substandard streets in the "reconstruct" category will be reconstructed within 5 years and 100% will be reconstructed within 10 years.
- 45% of all substandard streets in the "overlay" category will be overlaid within 5 years and 80% will be overlaid within 10 years.
- Those streets which are not substandard will be crack sealed, and/or patched if needed, then slurry sealed.
- The patchwork quilt look will no longer be a dominant theme for San Clemente streets.



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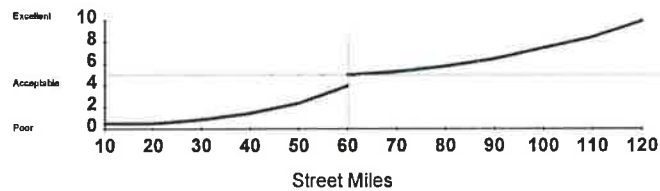
# Street Improvement Program

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The figure at the right illustrates the current condition of the 120 miles of streets in the city. Those in the lower left quadrant (60 miles) are below standard (below 5 on a scale of 0 to 10, with 10 being a new or reconstructed street). Engineering will focus its efforts on raising those streets to the acceptable category (upper left quadrant). The other 60 miles are now in the acceptable category (upper right quadrant), and the aging effect is pressing them downward toward the substandard category. Maintenance crews will apply preventive maintenance techniques to these streets in an effort to slow the rate of decline.

## Half Good, Half Bad

Half the streets are substandard; need to be rehabilitated.  
The other half meet standards; need preventive maintenance



This is a dynamic process. As streets in the first 60 miles are raised to acceptable levels, maintenance crews will begin to transition their preventive maintenance efforts to those streets. As streets in the second 60 miles begin to enter the substandard categories, engineering will begin to transition its repair and replacement efforts into those areas. This will be a fluid process where the two divisions, in conjunction with the utilities, continue to move back and forth between the two halves of the system, working constantly to keep the entire system at an acceptable level. The goal is to extend the useful life of the streets in the city so that no more than 20% (2.4 mi.) have to be rehabilitated each year. Upon achieving this goal, the city will be maximizing the preventive maintenance program and minimizing the rehabilitation program. This is less costly than rehabilitating 6 miles of streets per year, as would be required without an effective preventive maintenance program.

### ***A. Details of the Proposed Street Repair and Replacement Program***

Engineering, Maintenance, and Utility Division employees have surveyed all street segments in the City. Each segment was listed on a matrix which identifies the length and width of the segment, its current condition, the type of improvement or maintenance it requires, and an estimate of the cost. The segments were then listed in a year by year project schedule according to specific selection criteria and the amount of funding anticipated each year, given the proposed program. Refer to attachment A.

If street conditions change such as those caused by underground water, earth movement, or other factors, and those changing conditions call for changes in the project schedule, staff will bring the issue to Council for disposition. The Emergency action in which funding for the Presidio

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## Street Improvement Program

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overlay project was diverted to the reconstruction of Vista Montana and a portion of La Ventana because of safety and cost concerns is an example of this.

### ***Project Selection Criteria***

The engineers used the following criteria as a guide for setting project priorities/schedules:

1. Safety issues - (a) Danger to parked or moving vehicles, (b) Danger to pedestrians, (c) Potential danger from damage to underground utilities
2. Technical Issues - (a) Pavement surface distress, (b) Pavement structural adequacy, (c) Street classification, (d) Traffic amount, (e) Bus routes, school bus routes, (f) Truck routes, (g) Drainage problems
3. Cost Issues - (a) Type of proposed rehabilitation, (b) Cost effectiveness of the proposed rehabilitation, (c) Timing of improvement and its impact on the type of rehabilitation to be done
4. Coordination Issues - (a) Schedules of other CIP improvements, (b) Availability of other funding, i.e. grants, (c) Schedule of other street improvement projects within the area, (d) Geographical distribution of projects
5. Other Issues - If and when a situation develops which does not fit the above criteria, Engineering will use its best judgment in classifying and scheduling the project

Conservative approach - Staff took a conservative approach when designing the program. It would be wonderful to have all new streets, curbs, gutters, sidewalks, storm drain basins, storm drains, water lines, valves, and sewer lines. Likewise, it would be wonderful to complete all remaining undergrounding of overhead wires. Unfortunately, to do so would greatly increase the cost of the program and slow progress on the street repairs.

On the other hand, ignoring obvious drainage problems, potential water service leaks, potential sewer problems, and the needs and activities of private utilities would result in too many streets being cut open shortly after the pavement was rehabilitated. That will not do. As such, problem areas in the city have been pinpointed and utility services within those areas will be closely scrutinized. Staff will attempt to identify those utilities which are likely to cause problems within the next two to three years and will replace them in conjunction with the paving program. This program anticipates that curbs and gutters which are badly damaged or create drainage problems will be replaced. Sidewalk sections damaged by city street trees will also be replaced. Curbs, gutters, and sidewalks with minor cracking or damage, however, will not be replaced, nor will curbs, gutters, and sidewalks be installed where they do not now exist, unless necessary to solve drainage or other engineering concerns.



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## Street Improvement Program

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Cooperative efforts with property owners - Although the proposed program does not include construction of NEW sidewalks, curbs, gutters, and driveways, or under grounding of utilities, the City is willing to work with property owners/neighborhoods wishing to do so. The work would have to be paid for by the property owners and they would have to meet the City's timeline, but those doing so may benefit from the lower unit prices of the larger contract. On the other hand, factors such as the legal requirement for the City to pay union wages and the additional overhead costs may make it more expensive.

Pavement Preservation Efforts - We are creating a "Pavement Preservation Task Force" in partnership with the private utilities. The purpose of this group will be to coordinate the efforts of all entities with the aim of restricting the number of asphalt cuts in new pavement. The private utilities will be supplied with copies of the streets to be rehabilitated year by year. They will be asked to complete their work on each street in advance of the rehabilitation projects. Staff is preparing an ordinance for council's consideration. Under this ordinance, utilities would not be granted an encroachment permit for three years following a street rehabilitation project, unless they can demonstrate an emergency exists. If circumstances are such that an emergency does not exist but the work cannot wait, they would be fined for cutting up new pavement.

Improved patches - The public works department now requires the maintenance division to install higher quality patches in newer streets. The old method was to use a large aggregate asphalt mix to repair the utility cuts and potholes. The larger aggregate mix is strong, but leaves a course finish. On newer, smooth streets, the crews now place the large aggregate mix in the hole for strength, but stop about an inch from the top. A finer grade of asphalt is then placed on top and blended with the street. It's a more costly repair, but the difference is dramatic. Private utilities and contractors will have to use the same process in the future.

The engineering division is also preparing a new standard which will require contractors and utilities to grind a lip into the asphalt or remove six inches of the asphalt on either side of a trench. When the new asphalt is installed, the wider replacement area will bridge the trench and a stronger, longer lasting patch will result.

### ***B. Details of the Proposed Preventive Maintenance Program***

Rebuilding and overlaying streets is only half the concern. It is equally important to properly maintain the streets in order to extend their useful life and delay the time when they have to be overlaid or replaced. The Public Works Department is proposing to phase its street maintenance efforts away from the current practice of patching potholes and removing/replacing alligatored sections of pavement in favor of a preventive maintenance program of slurry sealing and crack sealing. There will always be a need to repair potholes and to pave utility cuts, but as more and more streets are brought up to acceptable standards we will be able to divert more and more of the crews' time and efforts into preventive maintenance.

## Street Improvement Program

Industry experts agree that an aggressive preventive maintenance program reduces the long term maintenance and replacement costs. It costs far less per mile to slurry seal a street than to overlay it with 2" of asphalt. Likewise, it costs at least twice as much to reconstruct a street as it does to overlay it. In some instances, the difference can be as much as four to five times. It is very cost effective to extend the useful life of a street as much as possible. Therefore, the Public Works Department has prepared an aggressive preventive maintenance program, proposed to be funded entirely by the City, to complement the street improvement program.

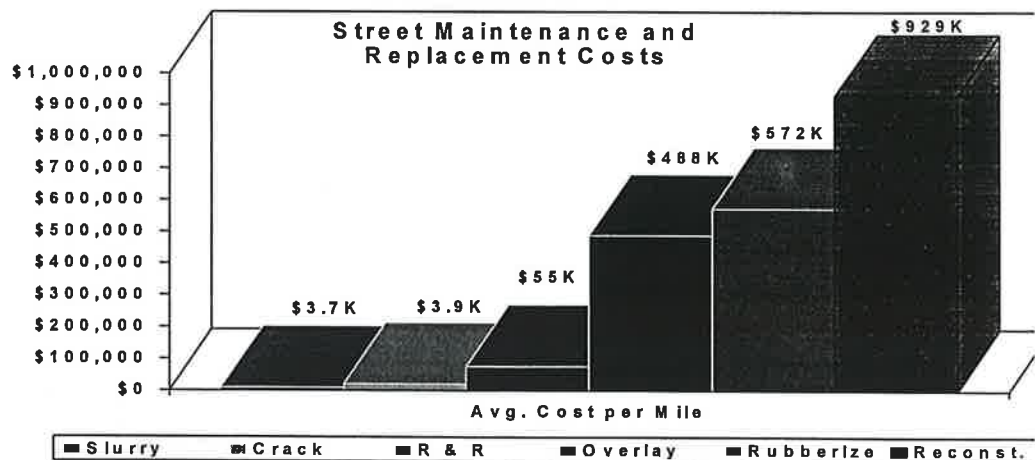
*"The cardinal rule in preventive maintenance is knowing when to carry out what type of maintenance or rehabilitation and then carrying out the planned program on time. Failure to observe all three of these points will result in a more costly or lower quality street." - Management of Local Public Works, International City Managers Association, 1986, p. 233.*

The preventive maintenance program of the Maintenance Division was designed to mesh with the replacement activities of the Engineering Division. Those streets not included on Engineering's improvement list will be found on the Maintenance Division's preventive maintenance list. Refer to Attachment B. Preventive maintenance activities include the following:

Slurry Seal - The first defense is to coat the street with a slurry seal every six or seven years. A slurry seal is an asphalt oil and sand mixture which is spread onto the street. It replaces the fine materials and oils which have been washed away, seals the fine cracks which have begun to appear, and protects the street from the sun. It improves the appearance of the street and makes it look new. This is the least expensive maintenance measure. At .07 ¢ a square foot, the cost to coat a 40' wide street is approximately \$3,700 per mile.

Crack Sealing - If slurry is not applied in a timely manner, larger cracks appear. These cracks have to be routed,

cleaned with compressed air, and sealed with a pliable crack sealer before the street is slurry sealed. This adds approximately \$3,900 to the average mile of pavement (40' width). Crack sealing should be done whether a street will soon be slurried or not.



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## Street Improvement Program

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Pothole patching/Removal and Replacement Operations - If the larger cracks are not sealed in a timely manner, potholes form. Now the material in and around the potholes must be removed and replaced, in addition to the crack sealing process in adjacent areas, before the street can be slurry sealed. If the cracks and potholes are not repaired in a timely manner, large "alligatored" sections of asphalt must be removed and replaced. Costs can again jump significantly at this stage. Although maintenance crews do not remove and replace a mile of street at a time, they are currently removing and replacing large alligatored and potholed sections. For cost comparison purposes, a mile of street which is addressed in this manner will cost an average of \$55,500. This is not the same as reconstructing the street. All base material generally is not removed in this process, ride quality and appearance is not the same, and it will not last as long as a reconstructed street will last.

Despite preventive maintenance measures, the life of a street is finite and at some point (Designed to last 15 - 20 years) the street will require a major rehabilitation investment. At this point, the street transfers from the maintenance division's list to the engineer's list. The engineer's efforts will focus on two main techniques: overlay and replacement.

Overlay - The next step in saving the street is to grind the edges along the gutters and overlay the street with a 1" to 3" asphalt cap. For arterials, this should be done at approximately the 15 year mark. Minor collectors and residential streets should be overlaid between their 20th and 25th years. The existing street below the overlay must be solid if the overlay is to survive. The overlay process is expensive, especially if significant removals and replacements of alligatored areas are required to prepare the street for the overlay. Since the deterioration process accelerates at this stage, once the City identifies a street as an overlay candidate it has a relatively short time to overlay the street before the street becomes too damaged and weak to support the overlay. Costs vary according to the type of overlay material used, the thickness of the overlay, and the amount of preparatory work required. A 1" asphalt overlay on a 40 foot wide street with a 10% R & R (removal and replacement of damaged areas) would cost \$330,000 per mile. At the other extreme, a 3" overlay of the same size street with 30% R&R would cost \$650,000 per mile. The average cost per mile is \$490,000. A new process, in which chips of rubber are mixed into the asphalt increases the flexibility and life of the overlay. It can be used in some areas instead of reconstruction. It is somewhat more expensive than the standard asphalt mix. Costs range from \$370,000 to \$775,000 with an average of \$570,000 per mile.

Reconstruction - The street has now reached the age where deterioration changes from a gradual, almost imperceptible process to a dramatic and alarming process. Heavy delivery trucks, trash trucks, and buses damage the street every time it is used. One can often actually see the asphalt give as they pass. This is especially true in the rainy season. Pothole patching is evident throughout the street. Crews are unable to keep up with the damage. The only remaining option at this point is total reconstruction of the street. This entails complete removal and replacement of the base material as well as the asphalt itself. Generally, when more than 20% to 25% of a street needs to be replaced, the whole street should be reconstructed. This cost is the highest of all methods, or approximately \$930,000 per mile, depending upon subsoil and other conditions.

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## Street Improvement Program

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### Funding

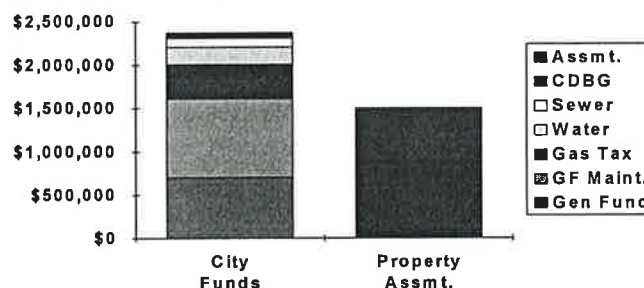
If we are to come to grips with this rapidly accelerating problem, our alternatives are limited. There are many miles of streets which, if not overlaid soon, will cost two or three times as much, or more, to correct.

The City, for the first time, may be in a position where it can consider dedicating a significant amount of funding to the street improvement program. This funding alone, however, is not enough to completely correct the street deterioration problem. Three program alternatives, all based on the same funding sources, have been developed (Refer to Attachment D).

#### Where will the money come from?

The funding sources will be discussed and then the various ways of applying the revenues will be listed. The revenue, as proposed, will come from the following sources:

**Proposed Funding Sources**



- The **General Fund** will dedicate \$700,000 the first year, will drop to \$300,000 for each of the next two years, and then will jump to \$500,000 in the fourth and subsequent years. \$90,000 is included in years 4, 5, and 6. This is savings from changing maintenance functions. Beginning in year 7, these funds are added to the expanded preventive maintenance program. A 3% annual inflation factor is added beginning in year three. The maintenance contributions are not inflated.
- Approximately \$909,000 in Street Maintenance funds will continue to be dedicated to the program. This is also a **General Fund** expenditure.
- \$400,000 in **Gas Taxes** will be dedicated to the program each year. A 3% annual inflation factor is included. Current Gas Tax funds are committed to currently budgeted street improvement projects. As such, they are not shown in this program.
- Approximately \$200,000 per year will be dedicated from the **Water Fund** each year to replace water lines and valves under streets which are to be rehabilitated.
- Approximately \$100,000 per year will be dedicated from the **Sewer Fund** to replace sewer facilities under streets which are to be rehabilitated.



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## Street Improvement Program

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- Approximately \$63,000 in **CDBG grant** funds for sidewalks will be spent in conjunction with street improvement projects in this program. This amount will vary from year to year, based upon what the City is awarded.
- Approximately \$1,500,000 per year will come from **assessments on properties** in the City. No inflation factor was included, but \$16,000 per year was added as a population growth estimate.

### ***Method of Apportionment of Assessment***

The following information regarding assessments was adapted from information contained in a report entitled, Engineer's Report, Street Overlay and Replacement District, City of San Clemente, June 1993, Willdan Associates. The basic concept and approach for the current proposal remain the same; the assessments were adjusted to reflect the recommended program.

The statutes provide that assessments, as levied pursuant to the provisions of the Benefit Assessment Act of 1982, must be based on the benefit that the properties receive from the works of improvement. The statutes do not specify the method or formula that should be used in any special district proceedings.

The final authority and action rests with the City after hearing all testimony and evidence presented at that public hearing. Upon conclusion of the public hearing, the City must make the final action in determining whether or not the assessment spread has been made in direct proportion to the benefits received. The following discussion provides an analysis of the facts and recommends the method of apportioning the assessment obligation.

First of all, it is necessary to identify the benefit that the maintenance will render to the properties within the boundaries of the Maintenance District. In order to develop a relationship between the various land uses in the City, an equivalent dwelling unit (EDU) has been established to set forth a single-family detached home as one EDU. All other residential and non-residential uses have been proportioned to the single family home.

The utility of street improvements is a function of the number of vehicle trips per day generated by the use of the land served by the streets. Traffic engineers have developed traffic generation factors which are related to development density and type of land use. Therefore, traffic generation factors are an appropriate basis for the apportionment of the street maintenance costs among the benefited parcels. The traffic generation factors deemed appropriate for the area were identified in the San Clemente Traffic Model Description Report prepared by Austin-Faust Associates, Inc. which was prepared specifically for the City.

However, judgment must be used in applying the traffic generation factors. The factors in and of themselves do not provide sufficient information on which to develop a benefit relationship between the land uses. The street rehabilitation program is prioritized to maintain first arterial,

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## Street Improvement Program

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then collector, and finally local streets. Therefore, the EDU's developed need to take into consideration the traffic generated on arterial, collector, and local streets by each land use. To develop a benefit relationship between the land uses in the City, the benefit each land use receives from these three components must be considered.

The City's zoning and existing development show that residential property may front either a publicly or a privately maintained street. As a result, a home fronting a public street receives a different benefit than a home fronting a private street. Similarly, non-residential land uses primarily front collector or arterial streets. Therefore, non-residential land uses may receive a different benefit than residential land uses. The following Table 3 summarizes the maintenance component benefit relationship to each land use.

**Table 3**  
**Street Maintenance Benefit Assessment District**  
**Benefit of Maintenance Component to Each Land Use**

<b>Land Use</b>	<b>Arterial</b>	<b>Collector</b>	<b>Local</b>
Residential on Public Street	X	X	X
Residential on Private Street	X	X	
Offices	X	X	
Commercial/Industrial	X		
Industrial	X	X	

The specific EDU for each land use has been determined from a hybrid of the traffic generation factors provided in the San Clemente Traffic Model and the above table as discussed below.

Residential Land Use on Public Streets - Traffic generation for residential units fronting public streets is related to the single-family detached units by fractions proportional to their traffic generation. The multi-family and attached condominium EDU's are adjusted to reflect this relationship. The determination of the amount of traffic, and thus the benefit, for each residential property which fronts a public street has been estimated by utilizing the traffic volumes set forth in the San Clemente Traffic Model Description Report:

Single-Family Residential	10 average daily trips
Multi-Family Residential	8 average daily trips per unit

# Street Improvement Program

Residential Land Use on Private Streets - Residential parcels on private streets, where the maintenance costs are borne entirely by the properties fronting the streets, have less benefit from the proposed maintenance to local streets. Property owners fronting private streets are paying for the maintenance of their local streets, usually through homeowner associations, therefore, they do not receive benefit from this district for local street maintenance. However, these properties benefit fully from the maintenance of arterials and collector streets. The EDU for properties fronting on private streets has, therefore, been adjusted to reflect the cost associated with the benefit to be received from arterial and collector streets only.

Non-residential Land Use - Non-residential land uses are primarily zoned on arterial and collector streets. The amount of traffic generated by non-residential land uses on local streets is insignificant. Plus, traffic generated by non-residential land uses, specifically offices, has the ability to reduce the overall traffic within the City by allowing residents to work and live in the same community. Therefore, non-residential land use EDU has been adjusted to reflect the benefit associated with maintaining the collector and arterial streets.

Vacant Land Use - Vacant parcels generally do not generate significant traffic, and, therefore, will not be assessed.

Comparison of equivalent dwelling units and assessments - The following table outlines the equivalent dwelling units for each of the various types of land uses with the single family detached residence on a public street as the basis for comparison". The table following it identifies the assessments for each land use based upon the EDU's presented below.

**Comparison of Equivalent Dwelling Units**

<b>Land Use Designation</b>	<b>Equivalent Dwelling Unit Comparison</b>
<b>SFR/Detached Condominium - Public St.</b>	<b>1.00/lot</b>
<b>SFR/Detached Condominium - Private</b>	<b>.25/lot</b>
<b>Multi-family residential - Public</b>	<b>.80/unit</b>
<b>Multi-family residential - Private</b>	<b>.20/unit</b>
<b>Time-share Condominium Interest</b>	<b>.80/52/timeshare</b>
<b>Office</b>	<b>3.17/acre</b>
<b>Commercial/Industrial</b>	<b>2.75/acre</b>
<b>Industrial</b>	<b>2.04/acre</b>



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## Street Improvement Program

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### Assessment Rate Comparison

Property Type	Effective Monthly Rate	Annual Rate
Single Family Residence Detached Condominium on a <i>Public</i> Street	\$7.50	\$90.00
Single Family Residence Detached Condominium on a <i>Private</i> Street	\$1.88	\$22.50
Multi-Family Residence Attached Condominium on a <i>Public</i> Street	\$6.00	\$72.00
Multi-Family Residence Attached Condominium on a <i>Private</i> Street	\$1.50	\$18.00
Timeshare	\$0.12	\$1.38
Office	\$23.78	\$285.30
Commercial Institutional	\$20.63	\$247.50
Industrial	\$15.30	\$183.60

"The assessment rates have been assigned to properties based on land uses, acreages, and dwelling units designated by the County Assessor, which are deemed accurate, but cannot be guaranteed to be correct. Therefore, as additional information becomes known regarding specific parcel information, the City Engineer may authorize changes to the tax roll and district database as necessary to reflect the actual condition of a parcel as it existed as of March 1, 1993." (For purpose of this proposal, changes would be based upon the actual condition of a parcel as it existed as of March 1, 1994.)

### ***Legal Authority***

Over the years, the State of California has passed a number of improvement acts, some of which apply to this program. Refer to attachment C for details.

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# Street Improvement Program

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## *Funding Alternatives Examined*

Certain Improvement Acts provide for maintenance, others do not. Certain Improvement Acts provide for issuance of bonds, others do not. The following alternatives specify the use of specific Improvement Acts, based upon the program which is proposed. The first alternative calls for the fast reconstruction of badly damaged streets only through a large bond issuance program. It does not address all the streets in the city. The second alternative calls for a slower, but more comprehensive approach through the issuance of no bonds at all (pay-as-you-go). The third alternative calls for both the fast reconstruction of the worst streets (through a small bond issuance) and a less expensive/more comprehensive program for the remainder using a pay-as-you-go approach. The fourth alternative calls for a limited program in which no assessment district is formed, and the overall deterioration of the system is merely slowed down.

### **Alternative 1 - Large Bond Issue:**

Under this alternative, Council would take the following actions:

- a. Adopt or modify the proposed street improvement program.
- b. Adopt a street assessment district based upon the 1913/1915 Improvement Acts.
- c. Authorize issuance of \$21,890,405 in bonds in two series.
- d. Adopt the proposed preventive maintenance program.
- e. Commit funding as outlined on page 18.

Pros	Cons				
<ul style="list-style-type: none"> <li>•Much work done in a short time frame (\$22,700,000 in the first six years)</li> </ul>	<ul style="list-style-type: none"> <li>•Funding completely used in 6 years.</li> <li>•No improvements during years 7 through 18 (Revenue dedicated to debt service.)</li> <li>•Costly               <table style="margin-left: 20px; border: none;"> <tr> <td>Bond issuance cost:</td> <td style="text-align: right;">\$ 4,200,000</td> </tr> <tr> <td>Interest:</td> <td style="text-align: right;">\$ 25,900,000</td> </tr> </table> </li> <li>•Would need second financing mechanism for remaining streets in the City.</li> <li>•Requires creation of an assessment district</li> <li>•Not an ongoing program.</li> </ul>	Bond issuance cost:	\$ 4,200,000	Interest:	\$ 25,900,000
Bond issuance cost:	\$ 4,200,000				
Interest:	\$ 25,900,000				

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## Street Improvement Program

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### Alternative 2 - Pay-As-You-Go Option

Under this alternative, Council would take the following actions:

- a. Adopt the pay-as-you-go option.
- b. Adopt a street assessment district based upon the Benefit Assessment Act of 1982.
- c. Do not issue bonds.
- d. Adopt the proposed preventive maintenance program
- e. Commit funding as outlined on page 18.

Pros	Cons
<ul style="list-style-type: none"><li>•This option costs less, because there are no bond issuance costs or interest to pay.</li></ul>	<ul style="list-style-type: none"><li>•Since there is no up-front infusion of funds, the improvement program would be extended over a longer time period. (This option generates \$14,500,000 the first 6 years compared to \$22,700,000 in option one.)</li></ul>
<ul style="list-style-type: none"><li>•This eliminates the funding gap in years 7-19 in alternative one.</li></ul>	<ul style="list-style-type: none"><li>•Totally destroyed streets would not be repaired early in the program. The available funding would be applied to those streets needing an overlay. This would keep those streets from falling into the "reconstruct" category.</li></ul>
<ul style="list-style-type: none"><li>•Long term program funds are much higher: \$55,000,000 under this option compared to \$29,600,000 under alternative one</li></ul>	<ul style="list-style-type: none"><li>•People living on totally destroyed streets would not likely favor a program which makes them wait 8 to 10 years for their streets to be rehabilitated.</li></ul>
<ul style="list-style-type: none"><li>•This provides an ongoing program which will address the remaining 60 miles of streets after the currently substandard streets have been rehabilitated.</li></ul>	

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# Street Improvement Program

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## Alternative 3 - Combined approach - small bond issue plus pay-as-you-go.

Under this alternative, Council would take the following actions:

- a. Adopt the combined option
- b. Adopt 2 street assessment districts:
  - a 1982 Act District for the "pay-as-you-go" portion of the program, and
  - a 1913/15 Act district for the sale of bonds.
- c. Issue \$7,200,000 in bonds as outlined on attachment D-3.
- d. Commit funding as outlined on page 18.
- e. Adopt the proposed preventive maintenance program.

Pros	Cons
<ul style="list-style-type: none"><li>•This option combines the best features of alternatives 1 &amp; 2 and reduces the negative features.</li></ul>	<ul style="list-style-type: none"><li>•Bond issuance costs and interest are still significant (\$8,000,000 over 15 years)</li></ul>
<ul style="list-style-type: none"><li>•A bond issue of \$7,200,000 each in year three would be used to rehabilitate the worst streets.</li></ul>	<ul style="list-style-type: none"><li>•Requires creation of 2 assessment districts.</li></ul>
<ul style="list-style-type: none"><li>•This option generates \$17,700,000 in the first six years as compared to \$14,500,000 in alternative 2, the pay as you go option and \$22,700,000 in option one, large bond issue.</li></ul>	
<ul style="list-style-type: none"><li>•This option generates the same amount over a six year period as alternative 1, but the costs are much less (\$6,000,000 vs \$30,100,000) than alternative one.</li></ul>	

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## Street Improvement Program

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### Alternative 4 - City contribution plus neighborhood assessment district.

Under this alternative, Council would take the following actions:

- a. Authorize expenditure of City funds only (as outlined on attachments A-C)
- b. Do not adopt a citywide assessment district.
- c. Encourage individual neighborhoods to participate in neighborhood-sized assessment districts only, according to the interest shown.

Pros	Cons
<ul style="list-style-type: none"><li>•This allows those neighborhoods which can muster a majority of property owners to contribute to an assessment district to do so, but does not require it Citywide.</li></ul>	<ul style="list-style-type: none"><li>•The City has had this as an open offer for a number of years. Only one neighborhood has taken advantage of it (Pier Bowl).</li> <li>•This option would result in a sporadic program, at best.</li> <li>•Many of the worst streets probably wouldn't be addressed.</li> <li>•The cost to administer a number of small districts would be much higher than a combined citywide district.</li> <li>•Start up costs would be duplicated again and again if a number of neighborhoods accepted the offer.</li> <li>•Individual collection systems would have to be established, thereby increasing total cost of the overall program.</li></ul>

### Recommendation

The street system in San Clemente is in terrible condition. It gets worse every day. The proposed program costs about \$55 million over 20 years. If we do not adopt a program, more streets will fall into the "reconstruct" category and the cost will continue to escalate. A few years from now the costs could be much higher. We must come to grips with this problem.

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# Street Improvement Program

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**THEREFORE STAFF RECOMMENDS THAT** the City Council:

1. Adopt alternative 3, the combined approach
2. Adopt two street assessment districts:
  - A 1982 Act District for the "pay-as-you-go" portion of the program, and
  - A 1913/15 Act District for the sale of bonds.
3. Issue \$7,200,000 in bonds as outlined on attachment D-3.
4. Commit funding as outlined on page 18.
5. Adopt the proposed preventive maintenance program.

## **Fiscal Impact**

The cost of each alternative is the same for the property owner and for the City. Attachment D (charts one through three) outline the annual funding and expenditures of each alternative. The funding recommendations in this report are in keeping with the findings and recommendations of the National Council on Public Works Improvements. Their recommendations included the following.

*"The Council endorses the following principles to guide this effort:*

*Users and other beneficiaries should pay a greater share of the cost of infrastructure service. . .*

*Local governments should give budgetary priority to funding the maintenance of existing facilities"*

Fragile Foundations: A Report to the President and Congress, National Council on Public Works Improvement, February, 1988, p. 11.

## **Decision-Making Process**

This report proposes that the Council launch the greatest public works program in the history of the City. The program would literally affect every person living in or owning a business in the City. As such, the Council must carefully weigh the benefits and feel comfortable that the community is in support of the program. Many residents will undoubtedly want to have a say in the decision.

The Council can (1) make the decision or (2) put the matter on the ballot. The two options are discussed below:

**Approach #1. City Council makes the decision** - Under this scenario, the City Council has three basic options:

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## Street Improvement Program

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- A. Accept or modify the recommended program Accepting or modifying the program means the decision will have been made in a timely manner. This will allow staff to immediately act to arrest the progress of decay in the streets. The sooner the problem is attacked, the more streets we can salvage with lower cost remedies. The sooner people see mass improvements being made to the streets, the sooner the spin-off economic development activities will start. The program should act as a shot-in-the- arm for the local economy.

On the down side, if Council votes to implement the program when the will of the community is not behind that decision, the resultant turmoil could defeat the program in the long run and we could be worse off than we are now. Therefore, the Council needs to be sure of the concerns of its constituency before voting.

- B. Reject or Delay the decision A decision to reject the program would send staff back to the drawing boards. A decision to delay the program could prevent completion of the assessment engineering work in time to get the paperwork to the Assessor's office before the August 1st deadline. This has happened twice before. Staff has examined option after option and has met with legal and financial experts to ensure that the recommendations presented to council are the best it can develop.

This alternative would delay the program for at least one year. Although difficult to quantify, any streets we could have overlaid this year, but which would have to be reconstructed next year, would cost 2 to 3 times more. On the other hand, if Council is concerned that it truly doesn't have a sense of what the community wants, this alternative would buy time.

- C. Enact just the City financed portion of the program This approach would not be productive. Despite the total amount of money dedicated to the program for other purposes (such as storm drain, water valve, and sewer line replacements) the City is able to add an average of just \$500,000 per year to its current General Fund street pavement efforts. That only provides about one mile of reconstructed street per year when we need to average 6 miles per year. This alternative does not keep the street system from declining. In fact, if the City only reconstructs 10 miles of streets in the next ten years, it will probably be further in the hole than it is now. We currently need to correct 60 miles of streets. Over the next ten years, if not maintained, at least another 15 to 20 miles of streets will be added to the list. Therefore, despite 10 years of effort, the City will still have 65 or 70 miles of streets to rehabilitate - a worse problem than we now face. It's hard to imagine the community would accept such an approach.

- D. Reject All Options - The Council could vote against all options and ask staff to come back with others. The difficulty of this decision is that the street system is



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## Street Improvement Program

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now deteriorating so fast that delays of any significant length can add up to significant amounts of increased cost.

**Approach #2. The Council Opts for a Ballot Measure** - The other approach is for Council to call for a special election or hold the matter until the next general election. The ramifications of this option also need to be carefully weighed.

This approach has the appeal of allowing community input and buying time, but there are a number of problems Council should consider before deciding to refer the matter to a vote.

Timing and Cost of Elections - A delay of the street improvement program is automatically built into this decision. The process of calling and preparing for an election must begin 120 days prior to the election date.

A *special election* conducted by *in-house staff* would cost the City approximately \$40,000 and would require a significant amount of staff time. Since some of the election cost is determined by the amount of material in the ballot pamphlet, the cost could fluctuate up or down \$5,000.

A *special election*, if the City contracts with the *Orange County Registrar of Voters*, would cost from \$38,000 to \$51,000, depending upon the size of the ballot pamphlet.

There will be no elections conducted by the County in 1995 which affect San Clemente, so there is no possibility of *consolidating* a special election we might have with any other agency until March, 1996. Preparations for an election at that time would have to begin in October of 1995. The cost for a consolidated election would be approximately \$25,000, depending on the number of agencies sharing the cost. Staff knows of no agencies contemplating a special election in March, 1996 and does not consider it to be a likely possibility.

The next *General Municipal Election* is in November, 1996. Preparations for this election must begin in June, 1996. Off-year elections tend to attract only 20% of the registered voters, generally those who feel strongest about the issues.

Educational Campaign - Since this is such a critical issue, the City should launch an extensive educational campaign to ensure that the people make an informed decision.

Advisory Measure - Since notice, public meetings and public hearings are statutory required and an election is not mandated, it is assumed Council would want this to be an advisory measure, rather than an approval of 2/3 of those voting.

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## Street Improvement Program

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### Conclusion

Despite the current situation, the cost of repair, and the difficulty of spreading the word, the City must act soon. A massive and continuous investment in the City's infrastructure will have a major positive impact on the City's economy. If all streets in the City were restored, it follows that property values would increase. If the streets were sound, the customers who avoided the area in the past because of the streets would no longer have a reason for doing so. This increase in demand should also be followed by an increase in value.

Various "spin-off" economic benefits would also follow. It is quite customary for property owners to improve their properties after a deteriorated street has been rebuilt. We have seen it occur on Del Mar and in the Pier Bowl. When the streets were rebuilt, business owners up and down the streets were seen painting, improving the facades of their stores, remodeling, investing in exterior tables, chairs, and umbrellas, etc. Local contractors got work. Local suppliers got extra business. Local residents got jobs. Spin-off improvements such as these would further improve the value of the properties and that would encourage even more improvements. The City would have done much to create a positive upward economic spiral.

Ideally, we could move fast, make the commitment and get to work for the many reasons cited. Given the County's bankruptcy and the public's reasonable level of concern and confusion, however, a delay may be reasonable and necessary. At the time of this writing, the matter was unclear.

STREET REHABILITATION PROGRAM

1995-1996		1996-1997		1997-1998		
1	W. Ave. Valencia (# 164) from El Camino Real to S. Ola Vista	\$256,000	1 W. Ave. Valencia (# 164a) from S. Ola Vista to Toledo	\$232,000	1 Escalones (# 55) from E.C.R. to W. Canada	\$378,000
2	Ave. Presidio (#123, 116) from Calle Miguel to El Camino Real	\$446,000	2 Salvador (# 124) from Presidio to Malaguena	\$246,000	2 E. San Juan (# 172) from Salvador to El Camino Real	\$504,000
3	Ave. Cabrillo (#49, 50) from El Camino Real to Seville	\$241,000	3 Via Alegre (# 18) from Via Montego to Cul De Sac	\$188,000	3 Via Ballena (# 20) from Cascadita to Socorro	\$232,000
4	Calle Real (# 8) from City Limit to Via Del Campo	\$240,000	4 Via Montego (# 27) from Cascadita to Montezuma	\$219,000	4 Via San Andreas (# 29) from Cascadita to Ballena	\$199,000
5	Blenviendo (# 3) from City Limit to Via Del Campo	\$314,000	5 Vista Torito (# 36) from Vaquero to Montezuma	\$172,000	5 Via Socorro (# 34) from Cam. San Clemente to Ballena	\$193,000
6	Poniente Del Ave. (# 69) from Buena Vista to Oso	\$57,000	6 Toledo (# 163) from Esplanade to Valencia	\$248,000	6 Barcelona (# 128) from Ola vista to ECR	\$120,000
7	Buena Vista (# 46) from cul de sac to Pelayo	\$140,000	7 Calle Frontera (# 38) Ave. Pico to Ave. Vista Hermosa	\$378,000	7 Esplanade (# 135) from E.C.R. to Trafalgar	\$425,000
8	Buena Vista (# 47) from Pelayo to cul de sac	\$83,000	8 Monterey Ave. (# 64a) from Victoria to Madrid	\$92,000	8 Conchita CI (# 131) from Esplanade to cul de sac	\$8,000
9	Santa Barbara (# 75) from Seville to Ola Vista	\$120,000	9 Monterey Ave. (# 64b) from Madrid to Algodon	\$142,000	9 Comelio W. Ave. NDT (# 133) from Ola Vista to Presidente	\$79,000
10	Diji Court (# 54) from Buena Vista to cul de sac	\$15,000	10 Monterey Ave (# 64c) from Algodon to Rosa	\$39,000	10 Ave. Granada (# 58) from El Camino Real to Ola Vista	\$154,000
11	San Pablo (# 173) from E.C.R. to San Gabriel	\$79,000			11 Ave. Granada (# 57) from Ola Vista to Del Mar	\$199,000
					12 Grulla Ave. De La (# 59) from Florencia to E.C.R.	\$127,000
					13 Comercio Cl. Del (#177) from S. E.C.R. to San Luis Rey	\$121,000
					14 Ave. De La Estrella (# 79) from Cl De Los Molinos to El Portel	\$323,000
					15 Esperanza N. La (# 114) from La Paz to Presidio	\$155,000
					16 Ave. Palizada (# 66) from El Camino Real to Seville	\$283,000
					17 Seville (# 77) from Palizada to Victoria	\$125,000

**STREET REHABILITATION PROGRAM**

1995-1996	1996-1997	1997-1998
		18 Canada W. (# 52) from E.C.R. to Pontiente \$124,000
		19 Nina Cl. (# 118) from De Soto to E.O.P. \$71,000
		20 Caballeros Ave. (# 108) from El Oriente to Palizada \$89,000
		21 Monte Vista (# 14) from La Ventana to Capistrano \$77,000
		22 La Ventana (# 13) from Cul De Sac to Cul De Sac \$251,000
		23 Via Breve (# 16) from La Ventana to Capistrano \$106,000
		24 Loma Lane (#62) from Palizada to Palizada \$46,000
		25 Redondel Cl (# 82) from Estrella to Estrella \$184,000
		26 Estrella Avd. (# 56) from Palizada to El Portal \$106,000
		27 Corto Lane (# 53) from Palizada to cul de sac \$35,000
	Design 96-97 \$200,000	Design 97-98 (\$200,000)
	Design 97-98 \$2,191,000	Design 98-99 \$400,000
<b>TOTAL</b>	<b>\$2,191,000</b>	<b>TOTAL</b> \$4,714,000
Construction Cost	\$2,191,000	Construction Cost with inflation of 3%
Revenue Available	\$2,200,000	Revenue Available
Difference	\$9,000	Difference
Accumulated Reserves	\$9,000	Accumulated Reserves
Mileage	3.49	Mileage
Design 96-97	Design 96-97 (\$200,000)	Design 97-98 (\$400,000)
Design 97-98	Design 97-98 \$2,156,000	Design 98-99 \$400,000
<b>TOTAL</b>	<b>\$2,156,000</b>	<b>TOTAL</b> \$4,714,000
Construction Cost	Construction Cost with inflation of 3%	Construction Cost with inflation of 3%
Revenue Available	Revenue Available	Revenue Available
Difference	Difference	Difference
Accumulated Reserves	Accumulated Reserves	Accumulated Reserves
Mileage	Mileage	Mileage
	3.35	8.36

STREET REHABILITATION PROGRAM

1998-1999		1999-2000		2000-2001		
1	Junipero E. Ave. (# 167) from Trieste to Entrada Paraiso	\$32,000	1 Cordoba W (132) ECR to Toledo	\$162,000	1 Santiago # (161) from Ola Vista to ECR	\$485,000
2	Junipero E. Ave. (# 168) from E.C.R. to Trieste	\$48,000	2 Gaviota W (136) ECR to Valencia	\$173,000	2 Ola Vista (# 65/#149 a or b) various location	\$200,000
3	Alcazar (# 103) from E.O.P. to San Juan	\$108,000	3 Junipero W (137) Ola Vista to Del Presidente	\$73,000	3 Calle Andalucia (# 2) from Bienvenido to City Limit	\$85,000
4	Calle Abril (# 1) from Bienvenido to Calle Real	\$231,000	4 S. La Esperanza (# 115) from Patricia to Buena Suerte	\$215,000	4 Calle Juno (# 4) from Bienvenido to Calle Mayo	\$176,000
5	Calle Juarez (# 41) from Frontera to Guadalaajara	\$135,000	5 Buena Suerte (# 107) from Esperanza to San Juan	\$82,000	5 Via Manzana (# 5) from Calle Real to City Limit	\$142,000
6	Calle Mayo (# 6) from Bienvenido to Calle Real	\$222,000	6 Calle Valle (# 84) from Los Molinos to Los Molinos	\$108,000	6 Ramona E. Ave. (# 170) from E.C.R. to Entrada Paraiso	\$139,000
7	Calle Monterey (# 7) from Calle Juno to City Limit	\$45,000	7 Puente CI (# 72) from Palizada to Del Poniente	\$167,000	7 Ramona E. Ave. (# 169) from Entrada Paraiso to E.O.P.	\$43,000
8	Via Sacramento (# 9) from Calle Juno to City Limit	\$46,000	8 Poniente Del Ave. (# 70) pcc from E.C.R. to Puente	\$83,000	8 Riviera Ave. De La (# 158) from Ola Vista to cul de sac	\$130,000
9	Allessandro W Avd (# 127) from Del Presidente to San Antonio	\$233,000	9 Portal EI (# 71) pcc from E.C.R. to Prado	\$79,000	9 Serra Ave. (# 76) from E.C.R. to Palizada	\$152,000
10	Calle Campo (# 78) from Sierra to E.O.P.	\$24,000	10 Puente CI (# 73) from Aragon to Del Poniente	\$50,000		
11	Sierra (# 83) from Estralla to Las Flores	\$385,000	11 Rosa (# 74) from Ola Vista to Victoria	\$101,000		
12	E. Cordoba (# 109) from Alcazar to Ladera Ln.	\$19,000	12 Cadiz (# 129) from Ola Vista to ECR	\$202,000		
13	E. Cordoba (# 110) from Via Avila to La Jolla	\$230,000	13 Aragon Ave. (#44) from E.C.R. to Puente	\$79,000		
14	E. Cordoba (# 111) from Ladera to Avila	\$34,000				
15	E. Ave. Magdalena (# 182) from S. E.C.R. to Santa Margarita	\$759,000				
16	Ave. Santa Margarita (# 184) from San Luis Rey to Magdalena	\$374,000				
17	Lasuen CI (# 139) from Los Alamos to Lobos Marinos	\$21,000				



STREET REHABILITATION PROGRAM

2001-2002		2002-2003		2003-2004		
1	Calle de Anza (#104) from San Carlos to Ave. Presidio	\$58,000	1 Calle Vallarta (# 42) from Vaquero to Guadaluajara	\$304,000	1 Hacienda Ave. (# 60) from Sacramento to Florencia	\$89,000
2	Avenida Arlena (#105) from Esperanza to Cordoba	\$101,000	2 Guadaluajara (# 40) from Vaquero to Vallarta	\$346,000	2 Las Bolas Cl. (# 61) from Florencia to E.C.R.	\$156,000
3	Bella Loma (#106) from EOP to La Cuesta	\$61,000	3 Calle Fiesta (#91) from E.O.P. to Empalme	\$123,000	3 Playa Boca De La (# 68) from E.O.P. to E.O.P.	\$97,000
4	Calle Neblina (# 94) from Miguel to Empalme	\$105,000	4 Calle Pueblo (# 97) from E.O.P. to E.O.P.	\$144,000	4 Pico Ave. (#57) from E.C.R. to Boca de la Playa	\$45,000
5	Calle Neblina (# 95) from E.O.P. to Miguel	\$33,000	5 Calle Villario (#102) from E.O.P. to Presidio	\$82,000	5 Via Arboleda (# 19) from Via Montego to Via Alegre	\$95,000
6	Calle Familia (# 89) from E.O.P. to E.O.P.	\$145,000	6 Calle Felicidad (# 90) from E.O.P. to Presidio	\$95,000	6 Via Bandita (# 21) from Montego to Alegre	\$63,000
7	Calle Delicada (# 85) from E.O.P. to E.O.P.	\$146,000	7 Calle Dorado (# 86) from Calle Miguel to E.O.P.	\$144,000	7 Via Corbina (# 24) from Vista Torita to Cul De Sac	\$47,000
8	Calle Pescador (# 96) from Miguel to Presidio	\$93,000	8 Palizada (#66a) from Seville to Del Mar	\$174,000	8 Calle Alondra (# d2) from Mira Costa to Quieto	\$108,000
9	Calle Rica (# 98) from E.O.P. to E.O.P.	\$36,000	9 Calle Agua (#10) from Los Mares to Calle Verano	\$62,000	9 Calle Quieto (#d3) from Grande Vista to Grande Vista	\$104,000
10	Robles (# 99) from Empalme to Presidio	\$64,000			10 Avenida Salvador (# d9) from Malaguena to San Juan	\$361,000
11	Avenida La Cuesta (# 113) from Solano to Miguel	\$234,000			11 Via San Gorgonio (# 31) from Vaquero to Vista Torito	\$190,000
12	Calle Sandia (#101) from Cul de Sac to Escuela	\$33,000			12 Via San Jacinto (# 32) from San Gorgonio to Vista Torito	\$111,000
13	Calle Salida (100) from Cul de Sac to Escuela	\$33,000			13 Verbena (# 35) from Montego to Alegre	\$86,000
14	Calle Del Juego (# 92) from Cul de Sac to Escuela	\$24,000				
15	San Luiz Rey (# 183) from ECR to Santa Margarita	\$210,000				
16	Calle Escuela (# 88) from Presidio to Miguel	\$104,000				



STREET REHABILITATION PROGRAM

	2001-2002	2002-2003	2003-2004		
Design 01-02	(\$200,000)	Design 02-03	Design 03-04	Design 03-04	(\$200,000)
Design 02-03	\$200,000	Design 03-04	Design 04-05	Design 04-05	\$200,000
<b>TOTAL</b>	<b>\$1,480,000</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>\$1,552,000</b>
Construction Cost with inflation of 3%	\$1,767,000	Construction Cost with inflation of 3%	Construction Cost with inflation of 3%	Construction Cost with inflation of 3%	\$1,966,000
Revenue Available	\$1,772,700	Revenue Available	Revenue Available	Revenue Available	\$1,866,400
Difference	\$5,700	Difference	Difference	Difference	(\$99,600)
Accumulated Reserves	\$35,300	Accumulated Reserves	Accumulated Reserves	Accumulated Reserves	(\$54,200)
Mileage	3.86	Mileage	Mileage	Mileage	3.24

STREET REHABILITATION PROGRAM

2004-2005		2005-2006		2006-2007		
1	Avenida Salvador (# d11) from San Juan to San Pablo	\$222,000	1 Algodon (# 43) from E.C.R. to Monterey	\$57,000	1 Paseo Del Cristobal (# 151) from E.O.P. to E.C.R.	\$551,000
2	Calle Guaymas (# 12) from La Veta to Mira Costa	\$51,000	2 Avenida Aragon (# 45) from Buena Vista to Puente	\$132,000	2 Paseo Poco (# 153) from La Rambia to Esplanade	\$31,000
3	Veta Ci La (# 17) from Mira Costa to cul de sac	\$115,000	3 Avenida Cabrillo (# 48) from Palizada to Seville	\$67,000	3 La Rambia (# 156) from cul de sac to Esplanade	\$136,000
4	Grande Vista (# 11) from Quieto to Vaquero	\$214,000	4 E. Canada (# 51) from E.C.R. to El Portel	\$60,000	4 Calle Serena (# 162) from Los Alamos to Lobos Marinos	\$51,000
5	Via Nada (#15) from Grande Vista to Cul De Sac	\$15,000	5 Avenida Miramar (# 64) from E.C.R. to Palizada	\$88,000	5 Vista Marina (# 165) from Esplanade to Cristobal	\$39,000
6	Calle Majorca (# 145) from cul de sac to La Riviera	\$18,000	6 El Levante (# 117) from La Esperanza to E.O.P	\$139,000	6 San Antonio (# 171) from E.C.R. to E.O.P.	\$20,000
7	Calle Monte Carlo (# 148) from La Costa to La Riviera	\$67,000	7 El Oriente (# 119) from Caballeros to La Paz	\$69,000	7 Calle La Sema (# 174) from San Pablo to E.O.P.	\$42,000
8	Calle Monaco (# 147) from La Costa to La Riviera	\$22,000	8 Palero De Oro (# 120) from La Cuesta to El Levante	\$91,000	8 Avenida Trieste (# 175) from Junipero to E.O.P.	\$29,000
9	Calle Monte Cristo (# 149) from La Costa to La Riviera	\$30,000	9 Avenida De La Paz (# 121) from Solano to Palizada	\$267,000	9 Calle de Los Alamos (# 141) from Valencia to Lobos Marinos	\$218,000
10	Plaza a La Playa (# 152) from cul de sac to cul de sac	\$30,000	10 Avenida Pizarro (# 122) from La Esperanza to El Levante	\$37,000	10 Avenida Los Lobos Marinos (#142) from Presidente to E.O.P.	\$358,000
11	Calle Capri (# 130) from cul de sac to La Riviera	\$9,000	11 Calle de Industrias (# 44) from Pico to E.O.P.	\$50,000		
12	Calle Las Palmas (# 138) from La Costa to La Riviera	\$31,000	12 Calle Frontera (# 39) from Vista Hermosa to Guadalaajara	\$428,000		
13	Calle Madera (# 143) from cul de sac to La Riviera	\$10,000				
14	Via Casa Loma (# 22) from Montego to Alegre	\$92,000				
15	Via Lado (# 25) from Montego to Alegre	\$45,000				
16	Via Montecito (# 26) from Vaquero to Alegre	\$158,000				
17	Via Montezuma (# 28) from Montego to Alegre	\$119,000				



STREET REHABILITATION PROGRAM

2007-2008	2008-2009	2009-2010
1 Avenida Cota (# 179) from Costanzo to cul de sac	1 Calle Amanecer (#d5) from Pico to La Pata	1 Portico De Sur/Norte (# d1) from Los Mares to Los Mares
2 Avenida Cota (# 180) from Santa Margarita to Costanzo	2 Calle Negocio (#d7) from Amanecer to E.O.P.	2 Calle Del Cerro (#d6) from Pico to La Pata
3 Bahia Cl. (# 176) from Margarita to private streets	3 Avenida Del Presidente (#d12) from Calafia to City Limit	3 Vista Montana (#d8) from Del Cerro to Pastadero
4 Costanzo (# 178) from E.O.P. to Cota		
5 Crespi Ave. (# 181) from Magdalena to Gomez		
6 Avenida San Carlos (# d10) from El Levante to Presidio		
7 Camino San Clemente (# 30) from Pacific Coast Hwy to E.O.P.		
8 Calle Cortez (# 112) from Balboa to San Carlos		
9 Calle Sonora (# 125) from E.O.P. to Presidio		
10 Calle de Soto (#126) from Presidio to Salvador		
11 Magdalena W. Ave. (# 144) from Ola Vista to Presidente		
12 Avenida Lobeiro (# 140) from Montalvo to Califfa		
13 Avenida La Costa (# 134) from La Palaya to Las Palmas		
14 W. Avenida Ramona (# 157) from Ola Vista to Presidente		
15 Avenida Madrid (#63) from Victoria to Monterey		
16 Avenida Del Presidente (# d12a) from Valencia to Calafia		
	\$525,000	\$431,000
	\$23,000	\$539,000
	\$30,000	\$478,000
	\$62,000	
	\$102,000	
	\$96,000	
	\$172,000	
	\$62,000	
	\$55,000	
	\$183,000	
	\$17,000	
	\$96,000	
	\$120,000	
	\$67,000	
	\$95,000	
	\$284,000	

STREET REHABILITATION PROGRAM

	2007-2008	2008-2009	2009-2010
Design 07-06	(\$200,000)	Design 08-09	Design 09-10
Design 08-09	\$200,000	Design 09-10	Design 10-11
		(\$200,000)	(\$200,000)
		\$200,000	\$200,000
<b>TOTAL</b>	<b>\$1,564,000</b>	<b>\$1,183,000</b>	<b>\$1,448,000</b>
Construction Cost with inflation of 3%	\$2,230,000	Construction Cost with inflation of 3%	Construction Cost with inflation of 3%
Revenue Available	\$2,066,600	Revenue Available	Revenue Available
Difference	(\$163,400)	Difference	Difference
Accumulated Reserves	(\$209,400)	Accumulated Reserves	Accumulated Reserves
	Mileage 4.04	Mileage 2.62	Mileage 3.53

CITY OF SAN CLEMENTE  
STREET IMPROVEMENT PROGRAM  
FUNDING ANALYSIS  
11/7/94

BOND OPTION

Year	Fiscal Year	City Contribution	Gas Tax	Benefit Assessment	Revenue Available	Program Expenditures	Cum. Program Expenditures	Pay as Go	Debt Program	Bond Financing	Debt Service	Project Reserve	Cumulative Reserve
1	1995/96	\$700,000	\$0	\$1,500,000	\$2,200,000	\$3,000,000	\$3,000,000	\$0	\$3,000,000	\$17,200,000	\$2,200,000	\$0	\$0
2	1996/97	\$300,000	\$400,000	\$1,516,000	\$2,216,000	\$4,635,000	\$7,635,000	\$0	\$4,635,000	\$0	\$1,840,000	\$376,000	\$376,000
3	1997/98	\$309,000	\$412,000	\$1,532,000	\$2,253,000	\$4,774,000	\$12,409,000	\$0	\$4,774,000	\$0	\$1,840,000	\$413,000	\$789,000
4	1998/99	\$590,000	\$424,360	\$1,548,000	\$2,562,360	\$2,923,136	\$15,332,136	\$812,000	\$2,111,136	\$8,870,000	\$2,472,360	(\$722,000)	\$67,000
5	1999/00	\$605,000	\$437,991	\$1,564,000	\$2,606,991	\$5,065,000	\$20,397,136	\$0	\$5,065,000	\$0	\$2,516,091	\$90,000	\$157,000
6	2000/01	\$620,450	\$450,204	\$1,580,000	\$2,650,654	\$2,305,269	\$22,702,405	\$0	\$2,305,269	\$0	\$2,560,654	\$90,000	\$246,999
7	2001/02	\$546,364	\$463,710	\$1,596,000	\$2,606,073	\$0	\$22,702,405	\$0	\$0	\$0	\$2,606,073	\$0	\$246,999
8	2002/03	\$562,754	\$477,621	\$1,612,000	\$2,652,375	\$0	\$22,702,405	\$0	\$0	\$0	\$2,652,375	\$0	\$247,000
9	2003/04	\$579,637	\$491,950	\$1,628,000	\$2,699,587	\$0	\$22,702,405	\$0	\$0	\$0	\$2,699,587	\$0	\$246,989
10	2004/05	\$597,026	\$506,708	\$1,644,000	\$2,747,734	\$0	\$22,702,405	\$0	\$0	\$0	\$2,747,734	\$0	\$247,000
	Subtotal	\$5,410,231	\$4,063,642	\$15,720,000	\$25,193,874	\$22,702,405	\$22,702,405	\$812,000	\$21,890,405	\$26,070,000	\$24,134,874	\$4,130	\$251,130
11	2005/06	\$614,937	\$521,909	\$1,660,000	\$2,796,846	\$0	\$22,702,405	\$0	\$0	\$0	\$2,792,716	\$8,175	\$259,304
12	2006/07	\$633,385	\$537,567	\$1,676,000	\$2,846,952	\$0	\$22,702,405	\$0	\$0	\$0	\$2,838,777	\$12,133	\$271,437
13	2007/08	\$652,387	\$553,694	\$1,692,000	\$2,898,080	\$0	\$22,702,405	\$0	\$0	\$0	\$2,885,947	\$16,005	\$287,442
14	2008/09	\$671,958	\$570,304	\$1,708,000	\$2,950,263	\$0	\$22,702,405	\$0	\$0	\$0	\$2,934,258	\$19,788	\$307,230
15	2009/10	\$692,117	\$587,413	\$1,724,000	\$3,003,530	\$0	\$22,702,405	\$0	\$0	\$0	\$3,034,432	\$23,484	\$330,715
16	2010/11	\$712,880	\$605,036	\$1,740,000	\$3,057,916	\$0	\$22,702,405	\$0	\$0	\$0	\$3,086,363	\$27,091	\$357,806
17	2011/12	\$734,267	\$623,187	\$1,756,000	\$3,113,454	\$0	\$22,702,405	\$0	\$0	\$0	\$3,139,569	\$30,608	\$388,414
18	2012/13	\$756,295	\$641,883	\$1,772,000	\$3,170,177	\$0	\$22,702,405	\$0	\$0	\$0	\$3,194,088	\$34,035	\$422,449
19	2013/14	\$778,984	\$661,139	\$1,788,000	\$3,228,123	\$3,194,088	\$25,896,493	\$3,194,088	\$0	\$0	\$0	\$0	\$0
20	2014/15	\$802,353	\$680,973	\$1,804,000	\$3,287,326	\$3,709,775	\$29,606,268	\$3,709,775	\$0	\$0	\$0	(\$422,449)	\$0
	Total	\$12,459,794	\$10,046,747	\$33,040,000	\$55,546,541	\$29,606,268	\$29,606,268	\$7,715,863	\$21,890,405	\$26,070,000	\$47,830,678	\$0	\$0

ASSUMPTIONS:

- \$700,000 Initial City contribution, \$300,000 for years 2 & 3, then \$500,000 annually.  
The City's contribution is escalated at 3% annually.
- There are additional contribution of \$90,000 in years 4, 5 & 6.  
\$400,000 Gas Tax Fund contribution starting year 2.
- The Gas Tax Fund contribution is escalated at 3% annually.  
The Gas Tax Fund contribution is escalated at 3% annually.
- The Benefit Assessment revenue is escalated by \$16,000 annually for population growth.  
Term of the bonds is 15 years.  
The average bond interest is 7.17%.

CITY OF SAN CLEMENTE  
STREET IMPROVEMENT PROGRAM  
FUNDING ANALYSIS  
11/7/94

Fiscal Year	City Contribution	Gas Tax	Benefit Assessment	Revenue Available	Program Expenditures	Cum. Program Expenditures	Pay as Go	Debt Program	Bond Financing	Debt Service	Project Reserve	Cumulative Reserve
1 1995/96	\$700,000	\$0	\$1,500,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000	\$0	\$0	\$0	\$0	\$0
2 1996/97	\$300,000	\$400,000	\$1,516,000	\$2,216,000	\$2,216,000	\$4,416,000	\$2,216,000	\$0	\$0	\$0	\$0	\$0
3 1997/98	\$309,000	\$412,000	\$1,532,000	\$2,253,000	\$2,253,000	\$6,669,000	\$2,253,000	\$0	\$0	\$0	\$0	\$0
4 1998/99	\$590,000	\$424,360	\$1,548,000	\$2,562,360	\$2,562,360	\$9,231,360	\$2,562,360	\$0	\$0	\$0	\$0	\$0
5 1999/00	\$605,000	\$437,091	\$1,564,000	\$2,606,091	\$2,606,091	\$11,837,451	\$2,606,091	\$0	\$0	\$0	\$0	\$0
6 2000/01	\$620,450	\$450,204	\$1,580,000	\$2,650,654	\$2,650,654	\$14,488,104	\$2,650,654	\$0	\$0	\$0	\$0	\$0
7 2001/02	\$546,364	\$463,710	\$1,596,000	\$2,606,073	\$2,606,073	\$17,094,177	\$2,606,073	\$0	\$0	\$0	\$0	\$0
8 2002/03	\$562,754	\$477,621	\$1,612,000	\$2,652,375	\$2,652,375	\$19,746,553	\$2,652,375	\$0	\$0	\$0	\$0	\$0
9 2003/04	\$579,637	\$491,950	\$1,628,000	\$2,699,587	\$2,699,587	\$22,446,139	\$2,699,587	\$0	\$0	\$0	\$0	\$0
10 2004/05	\$597,026	\$506,708	\$1,644,000	\$2,747,734	\$2,747,734	\$25,193,874	\$2,747,734	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$5,410,231</b>	<b>\$4,063,642</b>	<b>\$15,720,000</b>	<b>\$25,193,874</b>	<b>\$25,193,874</b>	<b>\$25,193,874</b>	<b>\$25,193,874</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
11 2005/06	\$614,937	\$521,909	\$1,660,000	\$2,796,846	\$2,796,846	\$27,990,720	\$2,796,846	\$0	\$0	\$0	\$0	\$0
12 2006/07	\$633,385	\$537,567	\$1,676,000	\$2,846,952	\$2,846,952	\$30,837,671	\$2,846,952	\$0	\$0	\$0	\$0	\$0
13 2007/08	\$652,387	\$553,694	\$1,692,000	\$2,898,080	\$2,898,080	\$33,735,751	\$2,898,080	\$0	\$0	\$0	\$0	\$0
14 2008/09	\$671,958	\$570,304	\$1,708,000	\$2,950,263	\$2,950,263	\$36,686,014	\$2,950,263	\$0	\$0	\$0	\$0	\$0
15 2009/10	\$692,117	\$587,413	\$1,724,000	\$3,003,530	\$3,003,530	\$39,689,544	\$3,003,530	\$0	\$0	\$0	\$0	\$0
16 2010/11	\$712,880	\$605,036	\$1,740,000	\$3,057,916	\$3,057,916	\$42,747,461	\$3,057,916	\$0	\$0	\$0	\$0	\$0
17 2011/12	\$734,267	\$623,187	\$1,756,000	\$3,113,454	\$3,113,454	\$45,860,915	\$3,113,454	\$0	\$0	\$0	\$0	\$0
18 2012/13	\$756,295	\$641,883	\$1,772,000	\$3,170,177	\$3,170,177	\$49,031,092	\$3,170,177	\$0	\$0	\$0	\$0	\$0
19 2013/14	\$778,984	\$661,139	\$1,788,000	\$3,228,123	\$3,228,123	\$52,259,215	\$3,228,123	\$0	\$0	\$0	\$0	\$0
20 2014/15	\$802,353	\$680,973	\$1,804,000	\$3,287,326	\$3,287,326	\$55,546,541	\$3,287,326	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$12,459,794</b>	<b>\$10,046,747</b>	<b>\$33,040,000</b>	<b>\$55,546,541</b>	<b>\$55,546,541</b>	<b>\$55,546,541</b>	<b>\$55,546,541</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>ASSUMPTIONS:</b>												
1 \$700,000 initial City contribution, \$300,000 for years 2 & 3, then \$500,000 annually.												
The City's contribution is escalated at 3% annually.												
There are additional contributions of \$90,000 in years 4, 5 & 6.												
2 \$400,000 Gas Tax Fund contribution starting year 2.												
The Gas Tax Fund contribution is escalated at 3% annually.												
3 \$1,500,000 annual revenue from the Benefit Assessment based on \$7.50/EDU monthly (\$90.00 annually).												
The Benefit Assessment revenue is escalated by \$16,000 annually for population growth.												



CITY OF SAN CLEMENTE STREET IMPROVEMENT PROGRAM FUNDING ANALYSIS 11/17/94												
PAY AS YOU GO WITH AN INITIAL BOND OPTION												
Fiscal Year	City Contribution	Gas Tax	Benefit Assessment	Revenue Available	Program Expenditures	Cum. Program Expenditures	Pay as Go	Debt Program	Loan Financing	Debt Service	Project Reserve	Cumulative Reserve
1 1995/96	\$700,000	\$0	\$1,500,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000	\$0	\$0	\$0	\$0	\$0
2 1996/97	\$300,000	\$400,000	\$1,516,000	\$2,216,000	\$2,216,000	\$4,416,000	\$2,216,000	\$0	\$0	\$0	\$0	\$0
3 1997/98	\$309,000	\$412,000	\$1,532,000	\$2,253,000	\$4,981,213	\$9,397,213	\$1,981,213	\$3,000,000	\$7,280,000	\$271,788	\$0	\$0
4 1998/99	\$590,000	\$424,360	\$1,548,000	\$2,562,360	\$4,728,785	\$14,125,998	\$1,728,785	\$3,000,000		\$833,575	\$0	\$0
5 1999/00	\$605,000	\$437,091	\$1,564,000	\$2,606,091	\$11,775,931	\$15,901,928	\$1,775,931	\$0		\$830,160	\$0	\$0
6 2000/01	\$620,450	\$450,204	\$1,580,000	\$2,650,654	\$11,820,471	\$17,722,399	\$1,820,471	\$0		\$830,183	\$0	\$0
7 2001/02	\$546,364	\$463,710	\$1,596,000	\$2,606,073	\$11,772,666	\$19,495,065	\$1,772,666	\$0		\$833,408	\$0	\$0
8 2002/03	\$562,754	\$477,621	\$1,612,000	\$2,652,375	\$11,823,118	\$21,318,183	\$1,823,118	\$0		\$829,258	\$0	\$0
9 2003/04	\$579,637	\$491,950	\$1,628,000	\$2,699,587	\$11,866,414	\$23,184,597	\$1,866,414	\$0		\$833,173	\$0	\$0
10 2004/05	\$597,026	\$506,708	\$1,644,000	\$2,747,734	\$11,918,362	\$25,102,959	\$1,918,362	\$0		\$829,373	\$0	\$0
Subtotal	\$5,410,231	\$4,063,642	\$15,720,000	\$25,193,874	\$25,102,959	\$25,102,959	\$19,102,959	\$6,000,000	\$7,280,000	\$6,090,915	\$0	\$0
11 2005/06	\$614,937	\$521,909	\$1,660,000	\$2,796,846	\$11,963,711	\$27,066,670	\$1,963,711	\$0		\$833,135	\$0	\$0
12 2006/07	\$633,385	\$537,567	\$1,676,000	\$2,846,952	\$2,013,087	\$29,079,756	\$2,013,087	\$0		\$833,865	\$0	\$0
13 2007/08	\$652,387	\$553,694	\$1,692,000	\$2,898,080	\$2,066,588	\$31,146,344	\$2,066,588	\$0		\$831,493	\$0	\$0
14 2008/09	\$671,958	\$570,304	\$1,708,000	\$2,950,263	\$2,119,050	\$33,265,394	\$2,119,050	\$0		\$831,213	\$0	\$0
15 2009/10	\$692,117	\$587,413	\$1,724,000	\$3,003,530	\$2,170,923	\$35,436,317	\$2,170,923	\$0		\$832,608	\$0	\$0
16 2010/11	\$712,880	\$605,036	\$1,740,000	\$3,057,916	\$2,227,664	\$37,663,981	\$2,227,664	\$0		\$830,253	\$0	\$0
17 2011/12	\$734,267	\$623,187	\$1,756,000	\$3,113,454	\$2,280,011	\$39,943,992	\$2,280,011	\$0		\$833,443	\$0	\$0
18 2012/13	\$756,295	\$641,883	\$1,772,000	\$3,170,177	\$2,338,577	\$42,282,570	\$2,338,577	\$0		\$831,600	\$0	\$0
19 2013/14	\$778,984	\$661,139	\$1,788,000	\$3,228,123	\$3,228,123	\$45,510,692	\$3,228,123	\$0		\$0	\$0	\$0
20 2014/15	\$802,353	\$680,973	\$1,804,000	\$3,287,326	\$3,287,326	\$48,798,019	\$3,287,326	\$0		\$0	\$0	\$0
<b>Total</b>	<b>\$12,459,794</b>	<b>\$10,046,747</b>	<b>\$33,040,000</b>	<b>\$55,546,541</b>	<b>\$48,798,019</b>	<b>\$48,798,019</b>	<b>\$42,798,019</b>	<b>\$6,000,000</b>	<b>\$7,280,000</b>	<b>\$12,748,523</b>		
<b>ASSUMPTIONS:</b>												
1 \$700,000 Initial City contribution, \$300,000 for years 2 & 3, then \$500,000 annually.												
The City's contribution is escalated at 3% annually.												
There are additional contributions of \$90,000 in years 4, 5 & 6.												
2 \$400,000 Gas Tax Fund contribution starting year 2.												
The Gas Tax Fund contribution is escalated at 3% annually.												
3 \$1,500,000 annual revenue from the Benefit Assessment based on \$7.50/EDU monthly (\$90.00 annually).												
The Benefit Assessment revenue is escalated by \$16,000 annually for population growth.												
4 Term of the bond is 15 years.												
The average bond interest is 7.66%.												

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# Reserve Analysis

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## 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 and (b) meet program needs without unnecessarily obligating scarce dollar resources.

## Summary

The reserve funds analyzed include:

- General Fund Emergency Reserve
- General Fund - City Council Contingency Reserve
- General Liability Insurance Fund
- Workers' Compensation Insurance Fund
- Accrued Leave Reserve Fund
- Employee Medical Insurance Fund
- Fleet Replacement Reserve
- Capital Equipment Replacement Fund

Each fund is currently supported by charges to the operating budgets and other interdepartmental transfers. Each fund should maintain a positive fund balance and a reserve fed by appropriate internal charges and transfers. The question becomes one of establishing adequate charges to operating budgets to keep the fund in balance and funding a prudent reserve while avoiding an over commitment of dollar resources.

A prudent set aside is one that provides financial security to the fund without placing an unrealistic burden on operating resources to support it. In good economic times, the City can afford to be more proactive in building up reserves. But, when money is tight, the City may not be able to afford the luxury of obligating the optimum amount of money to such purposes and incremental steps may be necessary.

## Background

The initial Long Term Financial Plan was completed in January, 1993 (1993 LTFP) and updated in January, 1994 (1994 LTFP), both plans made recommendations addressing negative fund balances and the critical need to build up severely underfunded and non-existent reserve levels. The 1993 LTFP prescribed annual amounts to be contributed to these funds over five years in order to accomplish those objectives. The annual amount to be contributed was updated in the 1994 LTFP based on actual contributions made in the 1993-94 fiscal year and adjustments in the negative fund balances.

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## **Reserve Analysis**

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Additionally, the City Council has adopted Fiscal Policies with respect to reserves as follows:

- The City will maintain General Fund Emergency Reserves at a level at least equal to 8% of General Fund operating expenditures for the purpose of providing protection of City services during economic downturns or unforeseen catastrophic losses.
- A City Council Contingency Reserve of no less than 1.5 % of General Fund operating revenues will be established to provide for non-recurring, unanticipated expenditures or to set aside monies to cover known contingencies with unknown costs.
- The Accrued Leave Reserve will be utilized to accumulate funds to be used for payment of accrued leave payable to employees upon termination or retirement.
- Self-insurance reserves will be maintained at a level which, together with purchased insurance policies, adequately protect the City. The City will maintain a reserve of three times the self-insured retention (SIR) levels for the General Liability Insurance Program (Currently \$750,000) and a reserve for the Workers' Compensation fund which is recommended annually based historical claim trends (Currently \$460,000).
- The City will project capital equipment replacement and maintenance needs for the next five years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed.

The 1993-94 and 1994-95 adopted budgets included budgeted monies to address the recommendations of the 1993 LTFP and 1994 LTFP and City Council policies to the maximum feasible extent.

The balance of this report will review and update previous LTFP recommendations, City Council policies, and prior budget actions with respect to each of the funds mentioned in the background section above. Recommendations will be made with respect to funding strategies in future years.

### **Analysis of the Funds**

Each of the funds will be analyzed under the following guidelines:

- City Council Fiscal Policy
- 1993 LTFP and 1994 LTFP Recommendations
- 1993-94 and 1994-95 Annual Budget Actions
- Assessment of the Current Situation
- Recommendations
- Fiscal Impact of Recommendations

### ***General Fund Emergency Reserve***

City Council Fiscal Policy: Maintain a reserve of no less than 8% of General Fund operating expenditures. The purpose of this reserve is to provide for a set aside for significant economic downturns, lasting two years or more, and for unforeseen catastrophic events. This reserve is to be accessed only upon the occurrence of serious conditions warranting emergency measures.

An 8% reserve level is based on the City's aging infrastructure, history of naturally caused damage (flooding, storms, etc.), potential recessionary or inflationary conditions and other such factors. Additionally, rating agencies generally acknowledge the need for a General Fund reserve of between 5-10% depending on the factors indicated above.

The 1993 LTFP noted an historic decline in unreserved fund balance due to operational losses incurred beginning in FY 1989-90. The 1993 LTFP recommended an annual boost of \$320,000 per year in order to achieve the 8% reserve level by FY 1997-98. Due to the continuing downturn in the City's economic resources only \$120,000 was designated to be added to the General Fund accumulated fund balance, bringing the reserve to 3.3% of General Fund operating expenditures.

The 1994 LTFP recommended postponing any actions until after the mid-year budget review was completed to determine the full impact of various cost reduction measures implemented during that fiscal year in order to have a more accurate basis on which to assess the 8% reserve requirement and the corresponding annual dollar contribution. It was assumed that a contribution between \$300,000 and \$350,000 per year would be needed. Due to limited resources available in FY 1994-95 it was not considered feasible to contribute the entire amount recommended in the 1994 LTFP, therefore only \$150,000 was allocated in the budget to the Emergency Reserve bringing the amount funded to 3.9% of General Fund operating expenditures.

In order to provide for the full 8% emergency reserve, a total contribution of \$826,000 would be required in FY 1995-96. The increase in the amount required is due to the projected increase in the General Fund operating budget for FY 1995-96. In order to continue the phasing in approach and obtain full funding of the reserve by FY 1997-98 it seems economically reasonable to contribute the following amounts:

<i>Year</i>	<i>Amount</i>	<i>%</i>
• FY 1995-96	\$250,000	5.12%
• FY 1996-97	\$350,000	6.6%
• FY 1997-98	\$345,000	8%

This will bring the total funding for the Emergency Reserve to \$1.725 million or 8% by FY 1997-98. Annual allocations beginning in FY 1998-99 will only require minor adjustments based on the actual increase in the General Fund operations budget.

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## Reserve Analysis

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### *Recommendation*

1. Affirm the Council Fiscal Policy to maintain a General Fund Emergency Reserve of at least 8% of General Fund operating expenditures. Contribute \$250,000 to the emergency reserve in FY 1995-96 and strive toward a full funding level by fiscal year 1997-98.

### *Fiscal Impact of Recommendation*

1. Will require a General Fund contribution of \$250,000 in FY 1995-96, \$350,000 in FY 1996-97 and \$345,000 in FY 1997-98, for a total allocation of \$945,000 over the next three years.

### **General Fund - City Council Contingency Reserve**

City Council Fiscal Policy: Maintain a reserve of no less than 1.5% of General Fund operating expenditures. The purpose of this reserve is to provide for non-recurring, unanticipated expenditures or for known projects/programs with unknown costs. It is fully anticipated that this reserve will be drawn upon annually to address operating needs of the City. In contrast, the General Fund Emergency Reserve is generally not expected to be used on an annual basis.

Based on LTFP recommendations and the City's Fiscal Policy requirements a Contingency Reserve contribution of \$242,000, or 1.2% of operating expenditures, was allocated in the FY 1994-95 Budget. Furthermore, it was anticipated that approximately \$60,000 would be saved and contributed to the reserve if an unpaid furlough was initiated for a third consecutive year. However, the furlough period was funded by a reduction in employee leave accounts which reduced the City's contingent liabilities for accrued leave but did not increase the reserve to the required 1.5%.

### *Recommendation*

1. Recommend that the Council Fiscal Policy on the Council Contingency Reserve be revised from 1.5% of General Fund operating expenditures to 1% of General Fund operating expenditures based on the historical level of expenditures. This will require a total contribution of approximately \$200,000 in FY 1995-96.

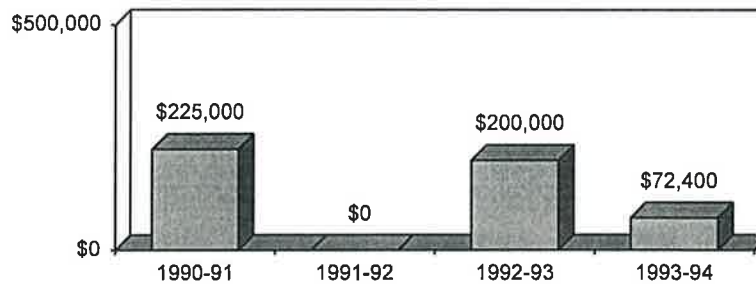
As indicated in the following chart, average expenditures from Council Contingency Reserves over the past four years amount to \$124,350.



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## Reserve Analysis

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### *Fiscal Impact*

The Financial Forecast incorporated a 1% Council Contingency Reserve for all five years of the Forecast. Total reserve contribution in FY 1995-96 amounts to \$200,000.

### **General Liability Insurance Fund**

City Council Fiscal Policy: Maintain a reserve equal to three times the Self Insured Retention (SIR)

The 1993 LTFP projected a fund balance deficit of \$1.1 million and a reserve requirement of \$1.2 million. The fund balance deficit means that the revenue stream into the fund has been insufficient to cover costs. The reserve requirement is set by the risk sharing pool, Orange County Cities Risk Management Authority (OCCRMA), to which the City belongs as a self-insured entity. The 1993 LTFP recommended an annual transfer from the General Fund to this fund of \$448,000 over the next five years in order to balance the fund and establish the reserve.

The 1994 LTFP recommended the City's SIR be reduced from \$400,000 to \$250,000 as a result of the decline in premiums for excess insurance over the past several years, the reduction in claims against the City, and the growing tendency to shift more risk to insurance pools. In the City's case there was an even more compelling argument, that is, the relationship between the SIR and reserve requirements. With an SIR of \$400,000, the reserve requirement was \$1.2 million. The reduction of the SIR to \$250,000 reduced the reserve requirement to \$750,000, and allowed the City to reduce the fund deficit and establish a reserve with a less severe impact on scarce dollar resources.

The FY 1993-94 Budget provided for a transfer of \$270,000, noting that a significant element of risk, namely the City Police Department, being contracted to the County would lower the City's potential liability. This contribution came from a one time revenue source, the phase out of the Rancho San Clemente Fire & Medical Reserve. The fund deficit was reduced, but the City came no closer to establishing a reserve until later in the year when the accrued claims against the City were reduced from \$1.68 million to \$1.2 million as a result of some claims being closed and

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## Reserve Analysis

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others dropped. As a result of this reduction, the FY 1994-95 Budget provided for a transfer of \$206,000 to the General Liability Reserve.

Due to the corrective actions taken over the past two years to reduce the General Liability Reserves' deficit and to develop a reserve equal to three times the SIR, the annual contributions have decreased from the original projection of \$448,000 in 1993 to \$280,000 in 1995.

	<b>SIR Level</b>	<b>Required Reserve</b>	<b>Deficit</b>	<b>LTFP Recommended Transfer</b>
1994 LTFP	\$250,000	\$750,000	*\$775,000	\$305,000
1995 LTFP	\$250,000	\$750,000	**\$371,000	***\$280,000

\*Based on 1993-94 projected year end fund balance deficit.

\*\*Based on 1994-95 projected year end fund balance deficit.

\*\*\* $[(\$750,000 + \$371,000)/4 = \$280,250]$

The projected fund balance as of June 30, 1995 is -\$371,000. In order to balance the fund and establish the new reserve level by fiscal year 1998-99, the annual contribution would need to be \$280,000 over the next four years. This amount is \$25,000 less than the 1994 LTFP recommendations. Funding for the reserve would be allocated from the following funds:

General Fund	\$120,400
Water Fund	\$58,800
Sewer Fund	\$25,200
Golf Fund	\$25,200
Storm Drain Fund	<u>\$50,400</u>
Total	\$280,000

Allocations from each fund are based on a proportionate share of historical claims.

### *Recommendations*

1. Reaffirm the City Fiscal Policy of maintaining three times the established SIR in reserve. And maintain the Self Insured Retention at \$250,000.
2. Contribute \$280,000 annually toward deficit reduction and the build up of the required reserve over the next four years. This is a delay of one year toward full funding of this reserve, however, claims activity is anticipated to decrease or stabilize due to workforce reductions and the transfer of risks associated with these reductions.



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## Reserve Analysis

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### *Fiscal Impact*

Contribution of an additional \$280,000 into the General Liability Fund. Funding in FY 1995-96 of \$280,000 will require an allocation of \$120,400 from the General Fund with the remaining allocation of \$159,600 to be provided by contributions from other funds.

### **Workers' Compensation Insurance Fund**

City Council Fiscal Policy: Maintain a reserve based on the historic trend of annual claims paid to be reviewed and adjusted annually by the City's Claims Administrator.

The 1993 LTFP projected a \$1.78 million shortfall consisting of a prescribed reserve set by the City Council at \$825,000 (3 X Self Insured Retention of \$275,000) and a deficit fund balance of \$958,000. An annual transfer from the General Fund was recommended in the amount of \$321,000 to balance the fund and establish the required reserve.

As part of the 1994 LTFP the City Council adjusted the reserve requirement to \$460,000 from the former reserve of \$825,000 (three times SIR of \$275,000) based on the City's historic claims and the dramatic lessening of claims liability over time due to the change from City Police to contract. The recent contracting of Fire services with the County of Orange will also contribute to a reduction of the City's future claims liability.

The FY 1993-94 Budget provided for a General Fund transfer of \$225,000, which was less than the goal specified in 1993 LTFP. In FY 1994-95 \$296,000 was allocated to the Worker's Compensation fund, within this amount is a transfer of \$271,000, as recommended in the 1994 LTFP. These actions reduced the deficit to \$822,000.

Based on the historic trend of annual claims, an annual evaluation of the fund, and the City's current employee population the City's Claims Administrator recommends that workers compensation reserves in FY 1995-96 be reduced from the current \$460,000 to \$400,000.

The following table compares the 1994 LTFP recommended transfer with the proposed transfer:

	<b>Required Reserve</b>	<b>Deficit</b>	<b>LTFP Recommended Transfer</b>
1994 LTFP	*\$460,000	\$896,000	\$271,200
1995 LTFP	*\$400,000	**\$790,000	***\$297,500

\*Based on claims history.

\*\*Projected 1994-95 year end fund balance deficit.

\*\*\* $[(\$400,000 + \$790,000)/4 = \$297,500]$

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## **Reserve Analysis**

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The projected deficit fund balance in June 1995 is \$790,000. That figure, when added to the \$400,000 SIR equals \$1,190,000. Using this new figure along with the projected deficit, over four years, the required annual contribution is \$297,500 as opposed to the 1994 LTFP recommended contribution of \$271,200, an increase of \$26,300. It should be noted that the deficit did not decrease as much as projected in the 1993 LTFP resulting in a higher recommended transfer.

### *Recommendation*

1. Maintain a reserve level based on the historic trend of annual claims paid and transfer \$297,500 annually toward deficit reduction and the build up of the required reserve over the next four years.

### *Fiscal Impact*

The recommended annual contribution is \$297,500. This contribution will erase the deficit and build up required reserves within four years. Funding in FY 1995-96 of \$297,500 will require an allocation of approximately \$112,000 from the General Fund with the remaining allocation of \$186,000 to be provided by contributions from other impacted funds. The fund allocations are based on the same proportion of current workers compensation payments from each fund.

### ***Accrued Leave Reserve***

City Council Fiscal Policy: Maintain an account to accumulate funds to be used for payment of accrued leave payable to employees upon termination or retirement.

The 1993 LTFP recommended an annual contribution of \$75,000 in FY 1993-94 and \$50,000 for each year thereafter, based on average annual experience. The FY 1993-94 budget provided the recommended funding level of \$75,000. In FY 1994-95 an additional \$75,000 was allocated to this fund.

Based on the two years since this fund was established, average costs continue to be about \$73,000 annually. This does not factor in the cost savings that will be evident in the future due to reductions in the number of employees.

### *Recommendation*

1. Continue to base the accrued leave reserve level on average annual payout experience and transfer \$75,000 to the fund in FY 1995-96.

### *Fiscal Impact*

There is no deficit to deal with in this fund as the FY 1994-95 program is fully funded. A \$75,000 contribution is included in each year of the City's five year financial forecast.

### ***Employee Medical Insurance Fund***

City Council Fiscal Policy: There is no applicable fiscal policy.

The 1993 LTFP recommended that several alternative approaches to providing health coverage be negotiated with employee groups to achieve cost savings.

As a result of an employee/employer task force, a new health insurance plan was approved and became effective in January 1994. The new plan was designed to promote the health maintenance organization (HMO) option, which historically is considered less expensive. The resulting savings are shared by the City and the employees.

The FY 1994-95 Budget projects an ending fund balance of \$139,050. A portion of this balance must be used to pay off the "tail" of claims incurred under the former providers of health coverage. It is anticipated that a fund balance of approximately \$124,000 will remain at fiscal year end. Since the new health insurance plan is fully insured, no reserves are required.

### *Recommendation*

1. Transfer the remaining fund balance at fiscal year end to the General Fund in FY 1995-96. Current projections indicate that approximately \$124,000 will be available at June 30, 1995.

### ***Fleet Replacement Funds***

City Council Fiscal Policy: Annually update the Capital Equipment Replacement schedule and maintain adequate reserves to fund it.

A complete analysis of the fleet replacement reserve was conducted and submitted to and approved by the City Council in February 1994. As a result of the fleet replacement reserve analysis, a policy was established to annually update the Fleet Replacement Reserve schedule. This reserve is fully funded with a projected ending fund balance of \$2.5 million.

### *Recommendation*

None

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## **Reserve Analysis**

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### *Fiscal Impact*

Contributions for the replacement of City fleet vehicles and equipment will continue to be charged to user funds. Total replacement costs included in the FY 1994-95 budget equals \$564,000.

### **Capital Equipment Replacement Reserve**

City Council Fiscal Policy: Maintain a Capital Equipment Replacement schedule and maintain adequate reserves to fund it.

To date, only fleet vehicles have been set up on a replacement schedule. Funding was allocated in FY 1994-95 for a full capital assets inventory, which will be conducted in this fiscal year and will identify and catalog all General Fund assets and establish a replacement schedule for these assets.

Until that study is completed, a precise determination can not be made regarding future needs. However, \$100,000 was allocated in FY 1994-95 to the new Capital Equipment Replacement Reserve Fund as a result of recommendations contained in the 1994 LTFF. Within the \$100,000 allocated to the fund, \$30,000 was allocated for the capital assets inventory.

### *Recommendation*

1. Establish a Capital Equipment Replacement schedule and continue funding the Capital Equipment Reserve Fund at \$100,000 annually.

### *Fiscal Impact*

An allocation of \$100,000 was budgeted in FY 1994-95. The Financial Forecast has incorporated an annual allocation of \$100,000 in each year of the five year financial forecast.

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# Pension Analysis

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## Objective

To determine the fiscal feasibility of converting the City's current defined benefit pension plan to the State Public Employees Retirement Plan (PERS).

## Summary

The purpose of this report is to recommend whether or not the City should retain its retirement plan which has its investments with and is administered through the New England Life Insurance Company, in Boston, Massachusetts or contract with the Public Employees Retirement System in Sacramento. Since both plans are defined benefit plans, staff focused on the advantages, disadvantages and costs of both of the plans in its analysis.

## Background

A defined benefit plan provides retirement income by actuarially calculating the amount of money that would be necessary to pay an employee during his/her years of service by charging a percentage of salary. The benefit paid depends on the years of service, age at retirement, and final compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries.

Members become fully vested in their retirement benefits earned to date after five years of credited City service. They are eligible to retire upon attainment of age 60 for a regular service retirement; age 55 (age 50 for PERS) for early retirement and over age 60 for late retirement.

Once an employee decides to retire, he/she receives the benefit determined by these factors and according to one of the following options:

- **Contingent Annuitant Form:** Covers the Participant during his/her lifetime and after his/her death will be continued in the same amount or reduced in amount by one-third, as elected by the Participant, for the balance of the contingent annuitant's lifetime.
- **Life Income with Payments Form:** Payments made to Participant for a designated ten or fifteen year period certain. If the death of the Participant occurs after the pension commences, the balance of the payments shall be paid to the beneficiary for the designated period or in a lump sum if that is the option selected.
- **Cash Option ( only available to employees enrolled prior to January 1, 1985):** A one lump sum payment to Participant in an amount equal to the actuarial equivalent of the normal annuity form to which the Participant would otherwise be entitled at retirement.

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## Pension Analysis

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- New England Life Variable Annuity Fund I: Participant must receive a current prospectus relating to this fund and the individual variable annuity policies issued thereunder. He/she may then transfer an amount equal to 1/4, 1/2, 3/4 or 100% of his/her annuity to NELESCO for the purchase of an individual variable annuity policy for his/her benefit.

The plan also provides a two percent (2%) cost of living increase at the beginning of July of each year.

Since both the City's plan and PERS are defined benefit plans, they are highly comparable and separated only by investment differences, specific plan regulations and requirements. The chart below compares the City's plan and benefit structure with PERS.

### PLAN COMPARISONS

	CITY DEFINED BENEFIT PLAN	PUBLIC EMPLOYEES RETIREMENT SYSTEM
<b>Contributions to Fund Benefit</b>	<b>Employer:</b> Current amount equal to 14.04% of monthly base salary. \$133.33 (social security coordination) is deducted from salary before computation is done. <b>Employee:</b> No contribution required.	Total amount of 20.944%; includes 7% employee share. \$133.33 (social security coordination) is deducted from salary before computation is done.
<b>Compensation to be included in calculation</b>	Base pay	Base pay, uniforms, bonuses
<b>COLA</b>	2% each July; City could increase.	2% each year; can purchase up to 5% by contract amendment.
<b>Vesting Schedule</b>	100% in five (5) years	100% in five (5) years

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## Pension Analysis

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<b>Total Fund Performance for Five Years</b>	1993:5.7%	1993: 11.8%
	1992: 6.9%	1992: 12.5%
	1991: 6.89%	1991: 6.5%
	1990: 7.5%	1990: 9.7%
	1989: 8.63%	1989: 15.7%

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<b>Rate of Return for Non Vested Members</b>	5%	6% (1992)
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<b>Control of Funds</b>	Pension plan committee may direct investing; employee controls vested funds received at termination either through a lump sum distribution (enrolled prior to 1/1/85) or through the purchase of an annuity.	PERS conducts all investing; employee controls funds once received in monthly distribution at retirement
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<b>Reciprocity</b>	Reciprocity with PERS plans or other plans which are reciprocal with PERS	Granted with PERS member agencies or agencies with reciprocity agreements.
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<b>Disability</b>	Must be totally and permanently disabled for a 90 day period while actively employed; eligible for and receiving disability benefits under the Social Security Act. City's pension committee has the right to initiate or discontinue disability payments. Pension is based on employee's vested benefit.	If disabled and the employee is not able to perform the function of the job, employee will receive 30% of their salary plus one percent for each year of service.
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## Pension Analysis

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**Coordination With Social Security**

Yes; upon early retirement and prior to eligibility to receive social security payments, the pension benefit is increased, thereafter decreased once social security payments are initiated.

Yes; same

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**Part-Time Employees**

Not members of plan

Automatically become members of plan if they work 1000 hours or more in a calendar year.

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**Monthly Benefit**

Employee must be vested and at least age 55; purchase an annuity in an amount determined by average monthly pay of 12 highest paid consecutive months of employment.

Employee must be vested and at least age 50; the amount is determined by average monthly pay of 12 highest paid consecutive months of employment.

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**Cash Out At Termination**

Pre-Vesting:  
May elect to cash out employee portion of contributions only;  
May cash out at any time after termination.  
Post-Vesting:  
May elect to cash out employee portion of contributions only or may wait until age of retirement to purchase annuity.

Automatic cash out of employee portion only.

Cash out of employee portion of contributions only; may wait until retirement age.

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## Pension Analysis

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**Death Benefits**

Automatic refund of employee contributions plus interest (5%) upon death of participant; paid to beneficiary.

A refund of employee contributions plus interest; up to 6 months pay (one month for each year of service), paid to beneficiary.

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**Prior Service Credit**

Can be purchased; was done for employees who were enrolled in plan prior to 1/1/85.

Can be purchased

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**Actuarial Services**

City employs its own Actuary; typically costs less than \$18,000 annually.

Actuarial services are supplied by PERS staff.

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**Life Insurance for Participants**

Through the City's plan, all members are given two times their annual salary to a maximum of \$60,000 in life insurance coverage.

Not included.

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**Inflation Protection**

Not available

Added protection against inflation; automatic through PERS; usually takes about 10 years into retirement before it is needed; depends on exceptional investment earnings; restores monthly benefit to 75% of its original purchasing power.

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**Service Retirement**

Must be at least 55 years of age and have 5 years of service (vested).

Must be at least 50 years of age and have 5 years of service (vested).

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## Pension Analysis

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### *FINANCIAL ANALYSIS FROM PERS*

Based on the current plan census information, PERS will charge the following rates to fund the same or similar level of benefits.

	<u>CITY</u>	<u>PERS</u>
<b>Employer Rate</b>	7.04%	13.944%= (prior service 7.448%) (Current service 6.496%)
<b>Employee Rate</b>	7.0%	7.0%
<b>Total</b>	14.04	20.944%

For comparative purposes, based on a bi-weekly pension payroll of approximately \$241,535, the City pays \$33,910 to fund the plan whereas PERS would require \$50,585.

## **ADVANTAGES & DISADVANTAGES OF THE PLANS**

### **Public Employees Retirement Plan (PERS)**

#### **Advantages**

- PERS is one of the largest and most secure retirement systems in the United States. In fact, the following cities in Orange County and the cities included in the recent classification and compensation study from San Diego County and Orange County are in PERS.

<b>ORANGE COUNTY CITIES IN PERS</b>	<b>SAN DIEGO COUNTY CITIES IN PERS</b>	<b>RIVERSIDE COUNTY CITIES IN PERS</b>
Anaheim, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, Laguna Beach, La Habra, Laguna Hills, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Newport Beach, Orange, Placentia, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Tustin, Villa Park, Westminster, Yorba Linda	Carlsbad, Encinitas, Oceanside, San Marcos and Vista	Corona and Temecula

The only other City in Orange County that has a private retirement plan is Irvine.

- Financially, PERS has total assets of \$65.8 Billion (1993 Annual Report) and has almost 690,000 active members and 290,000 retired members, survivors, and beneficiaries. In fact, the majority of public agencies in the state of California are enrolled in PERS. Sixty-two percent of PERS income is from their investments.
- Staff would spend less time administering the plan, because PERS completes the majority of the administrative work.
- For recruitment purposes, it advantageous for the City to be a member of the PERS system. The City has reciprocity with PERS, however, an employee must move from the PERS system to the City's retirement plan within 6 months or reciprocity will not be established. We currently have several employees that are vested with PERS, but did not receive

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## **Pension Analysis**

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reciprocity because they came to the City after the 6 month period. This means that if they wish to establish reciprocity they must eventually find employment with a PERS agency.

- PERS has a multitude of resources due to its size. They provide training for employees, they provide workshops for employees planning to retire, they provide assistance to employees if they have questions or need issues resolved.
- Historically, the investment return for PERS has been significantly higher than the New England Life investment return (New England 5 year average of 7.1% vs. 11.2% for PERS). (Note: The average investment return of 7.1% is low in comparison to other investment options that may be available to the City. Currently, pension funds are invested entirely in Guaranteed Insurance Contracts. See Recommendation section).

### ***Disadvantages***

- If the City wishes to make changes to the PERS plan, it requires a lengthy administrative process to do so. It requires contract amendments and may be costly. Part-time employees who work more than 1000 hours per fiscal year are eligible for PERS. This would mean the City would have to control the number of hours per year a part-time employee could work or could enroll certain part-time employees in PERS. Any additional enrollment in PERS would be an added cost to the City.
- Currently, the part-time employees are enrolled in the Lincoln National 457 plan. The City pays 3.75% of the contribution and the employee pays 3.75% of the contribution. If a part-time employee were enrolled in PERS, they would no longer participate in the Lincoln National 457 plan. The City could require the employee to pay their 7% contribution to PERS. Since the City already pays 3.75% to the Lincoln National plan, at today's rate the City would pay an extra 3.29% of wages for a part-time employee to be enrolled in PERS.

### ***New England Life Retirement Plan***

#### ***Advantages***

- On June 30, 1994, the actuarial report showed that Plan assets were \$8.5 million dollars, which is more than sufficient to cover all vested benefits. The number of participants in Funding as of June 30, 1993 was 181 of which 156 are active participants. There are currently 20 retirees.
- Because the City has a private plan, appropriate changes can be readily made in plan design. For example, the City may choose to offer "Inflation Protection" based on the same criteria as PERS.

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## Pension Analysis

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- The City has control of its plan and its investment portfolio.
- The City is not subject to PERS restrictions or imposed regulations.
- An employee who retires from the City of San Clemente may work for a PERS agency without disrupting his/her retirement. If an employee retires from PERS and later is employed by another PERS agency, the retirement benefit is suspended. PERS allows a maximum of 960 hours to be worked before retirement is affected.
- As of June 30, 1994 the City had an unfunded liability of \$506,015. This means that this is the amount that needs to be funded in order to pay for all participants in the Plan for past service and their schedule of benefits. All unfunded liability for past service will be amortized or "paid" by June 30, 2000. Once the unfunded liability is satisfied, the City (employer) will pay approximately 5% to fund the current level of benefits as we go forward year to year. Since the City is also paying the employees' share of the plan, the total cost to the City would be 12% of pension payroll.

### ***Disadvantages***

- Staff resources are required to administer the plan.
- As of October, there is approximately \$8.6 million in the City's private pension plan. In order to move the entire portfolio from the New England investments to PERS would require a penalty payment of approximately \$400,000. Additionally, any dividend in the year of the transfer would be forfeited which, based on the past couple of years, would amount to approximately \$25,000.
- In order to benefit from the reciprocity agreement with PERS, the retired employee must retire concurrently with both systems. This is a very time consuming process for the employee.

### **Recommendations**

1. Due to the significant cost associated with converting to the PERS pension plan, including the initial penalty of over \$400,000 if funds are removed from the New England plan to another agency, staff recommends that the City retain the current New England plan.
2. Direct the City's Pension Committee, which consists of the Director, Office of Management & Budget (Chair), Controller, and Human Resources Manager, to evaluate investment plan options available through New England Life. Additionally, an investment policy which takes into consideration the unique aspects of pension fund investments and appropriate diversification strategies should be drafted and submitted for adoption by the City Council. Professional expertise should be sought to assist with this process. Recommendations will be

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## **Pension Analysis**

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submitted to the City's Treasurer Committee for evaluation and subsequent adoption by the City Council.

3. Staff recommends that actuarial fees be paid directly from the pension fund rather than the City's General Fund.

### **Fiscal Impact of Recommendations**

A savings of \$18,000 in the City's General Fund will be realized by transferring actuarial costs to the pension fund. An increase in the investment rate of return may be realized by converting to a different type of investment plan that meets the safety requirements of the City.



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# Unfunded Liabilities

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## **Objective**

To identify and address unfunded PERS liabilities pertaining to former public safety personnel under existing PERS rules and regulations.

## **Summary**

Historically, the employees of the City of San Clemente have been covered under one of two retirement plans. All permanent employees were covered by the City of San Clemente Employees' Retirement Plan except public safety personnel. Public safety personnel included police, fire and marine safety personnel. Public safety personnel were covered under the Public Employees' Retirement System of the State of California (PERS). PERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Police and Fire protection services were contracted out to the County of Orange on July 2, 1993 and September 2, 1994, respectively, effectively ending the City's participation in PERS except for four full-time marine safety personnel.

Though police and fire personnel are no longer employed by the City, the City is still required to pay for the unfunded pension benefits that accrued while police and fire personnel were employed by the City. The unfunded pension benefits would have been paid if both police and fire personnel were still employed by the City. Estimates of the unfunded pension benefits were taken into consideration when determining the estimated savings of the City when transferring police and fire services to the County of Orange. Unfunded pension benefits consist of both unfunded current service benefits and unfunded prior service benefits.

## **Background**

### ***Definitions***

#### ***Unfunded liability for current service benefits***

The liability for service and disability pensions and annuities for service since the City joined PERS, including future service.

#### ***Unfunded liability for prior service benefits***

The liability for service and disability pensions for service before the City joined PERS.

Unfunded actuarial liability may be created by (a) the actuarial cost method used, (b) benefit increases, (c) changes in actuarial assumptions, and (d) experience that deviates from the actuarial assumptions.

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## Unfunded Liabilities

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The City joined PERS on March 13, 1972. Police and fire participants, who retire at or after age 50 are entitled to a monthly retirement benefit, payable for life, in an amount equal to 1.33% of the first \$400 of average monthly earnings plus 2% of the excess over \$400 for each year of credited service. Average monthly earnings are based on the highest twelve consecutive months of salary for each employee. PERS also provides death and disability benefits.

On an annual basis, PERS actuarially determines the unfunded liability for current service benefits and prior service benefits. Significant actuarial assumptions include (a) a rate of return on investments of 8.75%, (b) projected salary increases of 4.5%, compounded annually, attributable to inflation, and (c) additional projected salary increases of 2% attributable to seniority/merit.

Participants are required to contribute on the basis of 7% of reportable salary in excess of the first \$133.33 of monthly earnings. The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants. These benefit provisions and contribution obligations are established under the authority of State statutes.

The following table summarizes various PERS rates and amounts since 1980:

Year Ending	Current Service Liability	Prior Service Liability	Total Liability	Contribution Rate	Employer Contribution
6/30/81	1,480,032	236,467	1,716,499	14.425%	203,700
6/30/82	1,745,434	244,727	1,990,161	15.544%	204,968
6/30/83	1,930,206	67,803	1,998,009	13.725%	209,467
6/30/84	1,939,286	250,700	2,189,986	14.241%	136,394
6/30/85	1,900,816	298,152	2,198,968	14.456%	220,074
6/30/86	1,746,983	230,921	1,977,904	14.320%	332,260
6/30/87	1,442,305	251,633	1,693,938	14.255%	306,713
6/30/88	1,111,102	196,077	1,307,179	15.430%	417,778
6/30/89	784,616	174,773	959,389	14.769%	438,717
6/30/90	1,232,192	267,322	1,499,514	13.890%	456,190
6/30/91	1,286,388	282,958	1,569,346	12.978%	498,244
6/30/92	1,456,546	364,137	1,820,683	14.264%	607,015
6/30/93	872,899	713,293	1,586,192	14.864%	585,344

The City contribution for the unfunded liability was to be paid by adjusting the annual rate so that the amount would be amortized by the year 2011. As shown in the above table, the annual rate paid to PERS ranged from 12.9% to 15.6% of regular, eligible police and fire salaries,

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## Unfunded Liabilities

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excluding overtime. Since the City no longer has police and fire personnel on the payroll, the annual rate method to amortize the unfunded liability is not possible.

Therefore, PERS has calculated the City's total unfunded liability (both current service and prior service) for police and fire personnel. PERS has indicated that they would accept payment over five or ten year periods, with an annual rate of interest of 8.75%. The City would have to negotiate with PERS to extend the payments further. The total liability and payment options are as follows:

	Fire	Police	Total
Unfunded Liability	\$388,214	\$1,099,263	\$1,487,477
Five Yr Amortization	\$99,160	\$280,781	\$379,941
Ten Yr Amortization	\$59,828	\$169,407	\$229,235

### Alternatives

1. The City agrees to pay PERS using either the five year or ten year amortization option. As shown above, the average City contribution to PERS from 1989 to 1993 was \$517,102. The five and ten year amortization amounts proposed by PERS would be 74% and 45%, respectively, of the five year average.
  
2. The City negotiates with PERS to extend the repayment period until 2011, which was assumed by the actuaries to be the year that the unfunded liability would be amortized. If the City was successful in extending the due date until 2011 (which appears viable), the annual payments would be \$176,193 (assuming an 8.75% interest rate).
  
3. The general fund may pursue other alternative debt financing to reduce the annual rate of interest below 8.75% or perhaps reduce the payments by extending the due date beyond ten years. The following table shows the payment amount using various interest rates and repayments periods:

Years	6%	7%	8%
5	\$353,122	\$362,782	\$372,548
10	\$202,100	\$211,783	\$221,678
15	\$153,155	\$211,783	\$173,781
16	\$147,189	\$157,461	\$168,051
17	\$141,972	\$152,355	\$163,071
20	\$129,685	\$140,407	\$151,503

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## **Unfunded Liabilities**

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### **Recommendation**

1. It is recommended that the general fund obtain alternative debt financing at the lowest interest rate possible, extend the repayment period to twenty years and begin repayment during the 1995-96 fiscal year.

### **Fiscal Impact of Recommendation**

An appropriation to the FY 1995-96 budget will be required for the amount of debt service being paid on the alternative debt financing obtained. The annual debt service will have to be appropriated on an annual basis thereafter. The City's current five year financial forecast includes an annual contribution of \$130,000 to fund the PERS liability.

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# Fire Fund Analysis

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## **Objective**

To determine the feasibility of direct property tax contributions to the Structural Fire Fund for the payment of Fire Services.

## **Summary**

Orange County cities have the option of paying for fire services on a cash basis or by designating a portion of the City's property tax for payment to a Structural Fire Fund (SFF). The payment options will apply whether the County or Orange County Fire Authority is the service provider. The Fire Authority is scheduled to be implemented on March 1, 1995.

For those cities that designate a portion of property tax for allocation to the SFF, the cost for fire services escalates as property values increase. For those cities that utilize the cash contract option, increases to the cost for fire services are based on an annually adjusted cost allocation plan.

The City's adjustments to the cost of fire services are based on the cost allocation plan. It was determined that the City should remain with this payment option.

## **Background**

The Orange County Fire Authority will provide fire protection services for eighteen of the County's thirty one cities and all of the unincorporated areas of the county. The cities fund fire protection services either by property tax allocation or on a cash contract basis.

The formation of the Fire Authority was initiated by the cities, primarily as a means to gain direct representation and control over operational and financial issues. The major issues confronting the cities were:

- Lack of direct control over fire service policy
- Equity among the cities over the allocation of revenues and costs
- Future expansion of the service area

## ***Control Over Fire Service Fiscal Policy***

The twelve cities currently contributing to the Structural Fire Fund (SFF) have established tax rates that are exclusively reserved to pay for the cost of fire service. Prior to FY 1978-79, a single tax rate was applied to all cities in the SFF. Following the passage of Proposition 13 and AB 8, the tax rates were recalculated and resulted in a different tax allocation factor for each entity. The median tax rate is 0.102525.

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## Fire Fund Analysis

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Each City's portion of property tax revenue was placed in the SFF. Forty percent of the revenue was retained in the fund and applied directly to the cost of fire service. Prior to the formation of the Fire Authority, the remaining sixty percent was allocated to the Special District Augmentation Fund (SDAF). Annual allocation of the SDAF was made *at the discretion of the Board of Supervisors*. Although in every year since the SDAF was established the County Board of Supervisors had applied the SDAF funds to the cost of providing fire services, the SFF cities did not have a recognized voice in the policy decisions. The formation of the Fire Authority transfers control of SFF funds to the elected representatives of the Fire Authority Board of Directors.

### ***Equity***

Existing SFF cities can add staff, equipment and new fire stations to meet the regional service standard without an increased contribution to the Structural Fire Fund. SFF cities are concerned that a direct correlation between cost and level of service has not been established.

Similarly, there are concerns with the Cost Allocation Plan (CAP) formula established to annually adjust fire service costs for the contract cities. The CAP determined cost adjustments based on changes in:

- Population
- Assessed value of improvements
- Alarms
- Service area

Arguments have been made that the CAP formula also calculates annual adjustments without regard to service level changes in a single jurisdiction. However, this argument does not apply to the City. San Clemente's agreement for fire services specifies a level of service. The costs for staffing or equipment increases, as well as the planned construction of a new fire station would be the responsibility of the City.

Regardless of the payment method, both the SFF and contract cities have expressed the concern that the financing system does not consider that some areas may require a greater or lesser level of service than the regional standard.

### ***Projected Expenses***

In addition to the control and equity issues, the 1989 Master Plan Study of fire protection services forecasted future operating deficits as the capital cost for stations and fire companies increased due to growth in the central and southern parts of the area. The operating deficit would have to be absorbed, but the method to reallocate the costs have not been established.

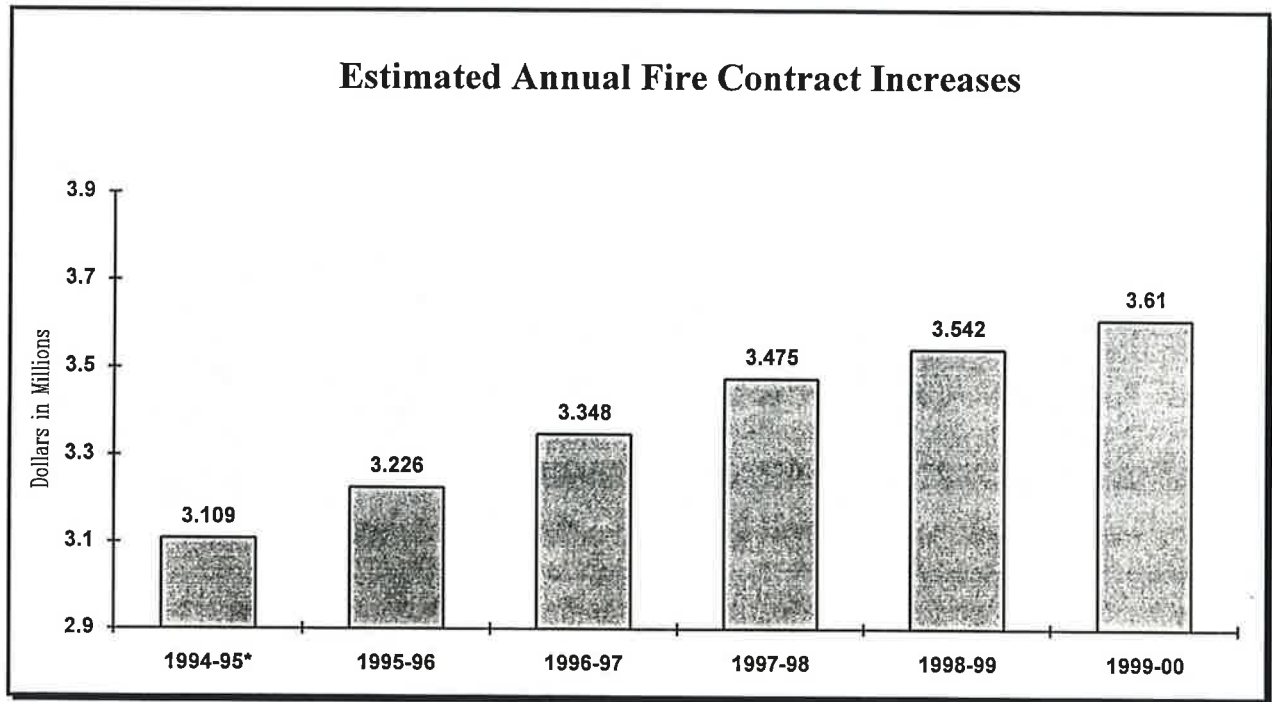


## Alternatives

The City can continue to provide payment for fire services as a contract city with adjustments calculated by the current cost allocation plan (CAP) *or* the City can choose to directly contribute a portion of property taxes to the Structural Fire Fund.

### ***Contract Cost Adjustments Calculated by the CAP Method***

The FY 1994-95 contract cost for fire services (when annualized) is approximately \$3.108 million and represents \$2.967 million for fire services and \$141,000 for vehicle replacement. Using FY1994-95 as the base year, the following chart shows the projected five year contract cost for fire services.



The City anticipates the cost of the contract to increase from \$3.23 million in 1995-96 to \$3.61 million in 1999-00. The Fire Authority Agreement stipulates that increases to the cost of fire services will be adjusted for the first three years utilizing the Cost Allocation Plan. The projection assumed a 3.95% rate which was based on historical increases experienced by the contract cities. Adjustments after FY 1997-98 were projected at a rate of 2% and are based on the Orange County Fire Authority agreement to be implemented March 1, 1995. The agreement capped increases at 2% per year



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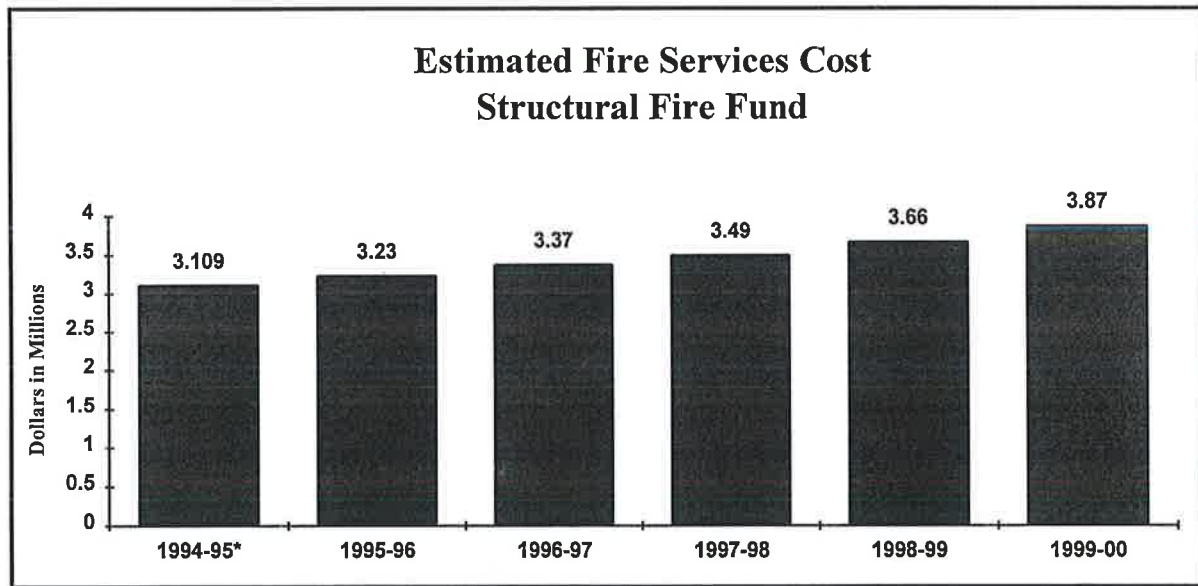
# Fire Fund Analysis

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## **Structural Fire Fund Contributions**

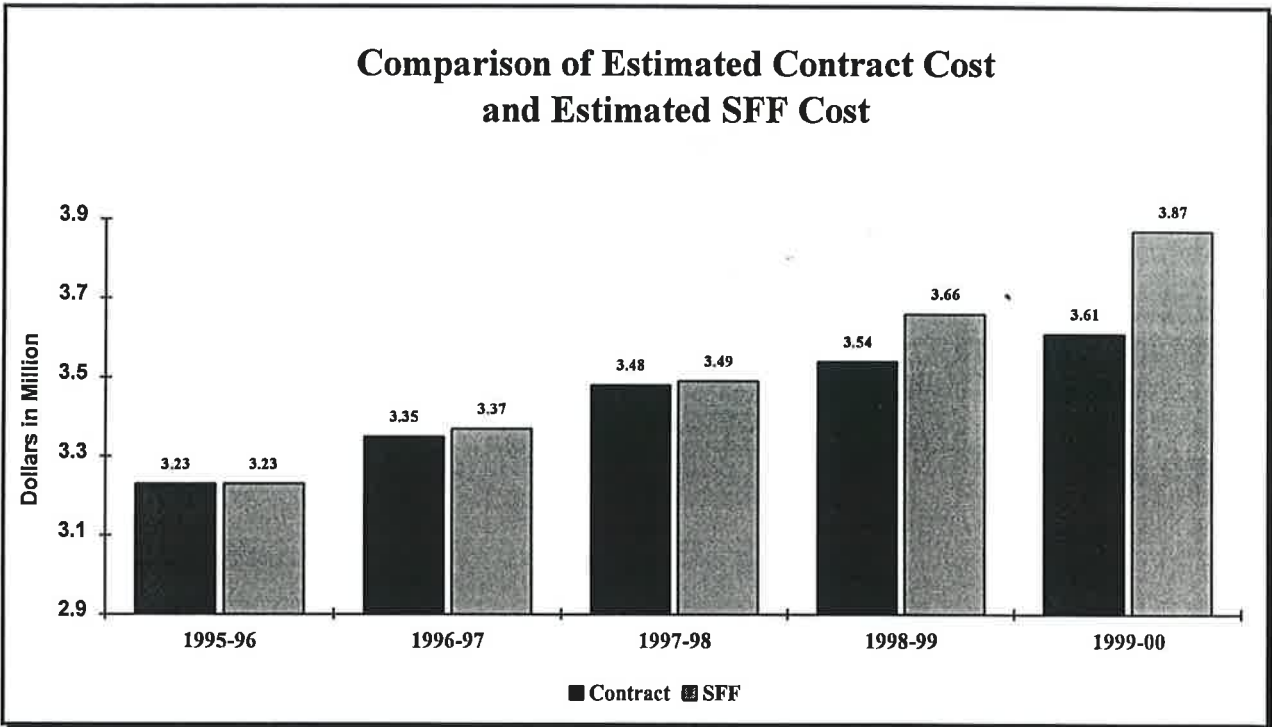
For those cities that designate a portion of property tax for allocation to the Structural Fire Fund, the cost for fire services escalates as property values increase. The City's 1994 Long Term Financial Plan forecasted an annual average property tax increase of 3.7%. Although the first year projected a short term drop in property values, the forecast anticipated property tax revenues to increase from -1.2% in 1995-96 to 5.7% in 1999-00.

To determine the cost of fire services using the SFF formula, FY 1995-96 contract costs are assumed. A 56.7% contribution of the City's property tax to the SFF would be necessary to fund fire services. The cost increases from \$3.23 million in 1995-96 to \$3.87 million in FY 1999-00 and is illustrated on the following graph:



## **Conclusion**

Initially, the cost of fire services are only slightly higher based on the SFF allocation. As the economy improves and property values increase, the SFF option will cost the City an additional \$410,000 over the four year period from FY 1996-97 to FY 1999-00.



### Recommendation

The City should remain on a cash contract with the Orange County Fire Authority. If the cash contract or property tax estimates change, the City retains the option to contribute to the SFF at a future date.



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# Classification and Compensation

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## **Objective**

To adopt the revised classification and compensation report prepared by Ralph Andersen and Associates which restructures the City's classification specifications and compensation plans.

## **Background**

On February 2, 1994, the City Council authorized staff to prepare a request for proposal (RFP) to conduct a classification and compensation study for all City classes. The purpose of this study was to restructure the classification and compensation plan in order to ensure that all classification specifications are reflective of the jobs which employees are doing and that compensation scales are assigned accordingly. The City had 103 full-time classifications and several hourly classifications which needed to be reviewed and modified. Due to the comprehensive nature of the study, an outside firm was retained to conduct the analysis with City staff assistance.

On April 6, 1994, the City Council directed staff to proceed with the Classification and Compensation Study and further directed staff to retain the services of Ralph Andersen and Associates to conduct the study.

## **Summary**

Ralph Anderson & Associates included the following elements while conducting the Classification and Compensation Study for the City:

### ***Classification Analysis***

The classification analysis was a very extensive portion of the study. A classification plan provides materials which can be used for recruitment, compensation, legal documentation and a variety of other purposes. Specifically, an effective classification plan provides for the following:

- A current and accurate description of the various jobs that are performed.
- A basis for establishing a compensation program that is related to the nature of the work performed.
- A means of ensuring internal equity among the overall workforce.
- Providing an improved basis for recruiting, testing and selecting employees.
- Establishing a framework for evaluating employee performance during probation and continuing period of employment.

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## Classification and Compensation

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It is important to note that the classification plan is a "snapshot" of the organization, in classification terms, at the time of the analysis. It is not static, and as the organization grows or changes, must be amended and updated. The concept, terms and definitions included in the study form the basis for that ongoing management and growth.

There was a distinct process followed in order to create the new classification specification for each class in the City. The process was as follows:

- Representatives from Ralph Andersen and Associates met with management and employees to explain how the entire process would progress.
- Each employee was asked to complete a comprehensive job analysis questionnaire. The job analysis questionnaire provided the consultant with valuable information on class title, definition, distinguishing characteristics, supervision received and exercised, essential and marginal function statements, qualifications, experience and training guidelines, licenses or certificates and working conditions. The completed questionnaire was then reviewed by the supervisor and department head for accuracy.
- After the questionnaires were returned to the consultant, employees were scheduled for a personal interview with a representative from Ralph Andersen and Associates. Employees were interviewed in groups or individually.
- From this information the consultant began to develop the classification specification using the questionnaires and the information provided during the interviews. Draft classification descriptions were then developed and sent back to the employee for review. If the employee did not agree with the contents of the description, the employee had the right to appeal and was asked to complete a form with his/her comments. This form was then reviewed by the supervisor and department heads for remarks and returned to Ralph Andersen and Associates. From this information, the consultant designed the final classification description.
- The consultant met with Department Heads to receive any final modifications to the classification descriptions.
- Finally, in accordance with the meet and confer process, the City met with SCCEA to discuss the classification descriptions. The SCCEA, with some modifications, agreed with the classification concepts.

The completed Final Classification Report for the City of San Clemente is attached as "Exhibit A".

The following key components were used by the consultant to develop the classification plan:

### *Classification Levels*

A job family is a group of two or more classes similar with respect to the duties performed but different in terms of the nature and level of responsibilities assumed. The classifications which are placed in job families according to six distinct classification levels are designated as entry, journey, advanced journey, supervisor/section head, division head and department head.

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## Classification and Compensation

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### *Titling Guidelines-Clerical, Maintenance and Technical*

For the clerical, maintenance and technical job families, distinctions between levels in a class series are expressed in terms of the scope of duties assumed and the nature of supervision received and exercised. If levels are expressed in a job classification, the classifications are developed as follows:

- Entry Level are the "I" Classes
- Journey Level are the II Classes
- Advanced Journey Level are the Senior Classes.

### *Titling Guidelines-Professional*

Professional classes perform duties of a complex analytical nature requiring a skill and ability level typically achieved through a formal, higher education or training program. Professional job families may include classes at the entry level through advanced journey level. In addition, the series may also include a technical supervisory level, principal class.

### *Titling Guidelines-Supervisory and Management Classes*

Distinctions between class levels and the scope of duties assumed at each level with the supervisory and management group are clarified on the following pages. Distinctions between class levels take into account organizational impact, decision making responsibilities and management control.

- Supervisor - The term "Supervisor" is used in the job titles of those classes where the focus of the class is on the direct supervision and coordination of a significant work unit within a division or department.
- Manager - When the term "Manager" appears in a job title, the predominant focus of the class is the management of a major division within a department.
- Department Head - When the term "Director" is used in a job title, it designates classes which assume full management responsibility for a City department.

### *Exceptions to Titling Guidelines*

In a few instances, a title has been recommended that uses terminology that may not appear consistent with the recommended titling guidelines. The recommended title, in many of these cases, conforms with titles used within the respective industry or trade. For example, Building Official is used instead of Building Manager.

### *Flexible Staffing*

Associated with series classifications is the practice of flexible staffing. The City may choose to flexibly staff positions within any class series containing an entry and a journey level position. Flexible staffing gives the City the flexibility to hire employees at the entry level or at the journey level depending upon applicant qualifications and City staffing needs. After gaining the experience and knowledge to perform the full range of journey level tasks, the employee could

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## **Classification and Compensation**

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reasonably expect to progress from the entry level to the journey level based upon the judgment of appropriate management staff.

### *Classifications*

The new classification developed for the City consists of a total of 90 classes. The consultant also included whether a classification was exempt or non-exempt under the provisions of the Fair Labor Standards Act (FLSA). To comply with the Americans with Disabilities Act which became effective in January of 1992, each of the job classifications encompasses a requirement for reasonable accommodation on the part of the City to employ a disabled individual. The documentation of essential and non-essential duties and responsibilities is useful in determining the degree of accommodation that may be considered reasonable.

### *Appeals*

Once the classification was developed, a copy was returned to each employee for review. The employees had the right to appeal the recommendations made by the consultant. The consultant reviewed the appeals made by the employees and made changes if warranted.

### *Format*

The format of each of the classification specifications now includes the following:

- Class Title
- Definition
- Distinguishing Characteristics
- Supervision Received and Exercised
- Essential and Marginal Function Statements
- Qualifications
- Experience and Training Guidelines
- Licenses or Certificates
- Working Conditions.

### **Compensation Analysis**

The City's compensation plan is one of the most important elements in its personnel system. Combining a sound compensation system with an effective classification system contributes to the overall effectiveness of an organization. The role or primary objective of the compensation analysis is to determine how the City classes compare to similar employers in terms of base salary. In broad terms, the City's compensation plan should:

- Ensure that the City has the ability to attract and retain well-qualified people for all job classes.
- Ensure the City's compensation practices are competitive with those of comparable employers.
- Provide defensibility to City salary ranges based on the pay practices of similar employers.
- Ensure pay consistency and equity among related classes based on the duties and responsibilities assumed.



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## Classification and Compensation

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Previously, salaries in San Clemente were established by using the market median. (Market median is defined as the midpoint variable when salaries are arranged in ascending or descending order. For example, if monthly salaries for five survey cities were \$2,000, \$3,000, \$4,000, \$5,000 and \$6,000, the median would be \$4,000 since there are two salaries above it and two below it). To determine market median in the past the City utilized the Orange County League of Cities survey. This document contains the salary data for selected positions and includes all the cities in Orange County.

Based on the identified need of the City, this study achieved the following overall objectives:

- Development of a compensation system that is objective, competitive and equitable across all City classes.
- Development of a compensation plan that is easily maintained and understood by all levels of personnel.
- Development and application of a point factor job evaluation system to ensure an objective and accurate internal relationship comparison of unique job classes within the City.
- Development of specific salary recommendations for all classes included within the scope of the study which take into account internal equity, as determined through the application of the point factor system and external labor market data.

Ralph Andersen and Associates conducted the following process to establish the City's revised compensation plan:

- The consultant met with managers to discuss how the compensation plan would be developed.
- The consultant used the information from the classification data to determine the job evaluation process. This system rates and ranks job classes which can be used to determine pay internally.
- The consultant conducted a workshop with managers and the Classification and Compensation Committee to explain the job evaluation process.
- The consultant selected the classifications that would be included in the labor market survey and the cities that would be surveyed.
- The consultant collected the survey data using "E" step or the control point for each of the benchmark classifications.
- Staff updated the City Council as to the progress of the study. The City Council at that time directed staff to include Riverside County cities in the labor market survey.
- The consultant integrated the benchmark survey data and the job evaluation factors using the modified whole job approach to determine the salary for each classification and prepared the salary schedules.
- The compensation data was presented to management for comment and review and then the final salary recommendations were made.

The Final Compensation Report for the City of San Clemente is attached as "Exhibit B".

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## Classification and Compensation

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The following were key components associated with the formation of the compensation plan for the City:

### *Point Evaluation Factors*

One critical part of the compensation plan involved the development of the point evaluation factors. When undertaking the point factor evaluation study, the consultant identified appropriate and applicable job evaluation factors for purposes of rating and ranking job classes. Job evaluation factors, or compensation factors, are those elements or dimensions of a job for which an employer wishes to pay. The point factor method measures expertise, decision making, supervisory responsibility, contacts with others required by the job and working conditions. Once the compensable factors were identified and reviewed, each job class within the scope of the study was rated based on analysis by the consultants. To ensure accuracy and consistency, classifications were evaluated independently by the project consultant using job descriptions, information gained from the classification analysis and related documentation.

### *Labor Market*

In order to establish the labor market selection, the consultant used the following criteria for cities that fell within an approximate 30 mile radius:

#### Geographic Proximity

Geographic proximity of potential employers is a major factor utilized in identifying the City's labor market. This factor is particularly important because it identifies those employers that directly compete with the City to recruit and retain personnel. The resulting labor market should be generally reflective of the region's cost of living, housing costs, growth rate and other geographic characteristics.

#### Nature of Services

Another criterion used in identifying the City's labor market is the nature of services provided. This criterion is important for the following reasons:

- Employers who provide similar services are most likely to compete with one another for employees.
- These employers are most likely to have comparable jobs.
- These employers are most likely to have similar organizational and economic characteristics.

#### Employer Size

As a rule, the more similar employers are in size and complexity, the greater the likelihood that comparable positions exist within another organization. Specifically, agencies of a size and complexity similar to that of the City are more likely to have a similar service and organization structure. Two consistent indicators of size are number of employees and population served.

The recommended labor market survey agencies were as follows:

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## Classification and Compensation

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### Orange County

Dana Point  
Cypress  
Fountain Valley  
Irvine  
Laguna Beach  
Laguna Niguel  
Mission Viejo  
Newport Beach  
San Juan Capistrano  
Tustin  
Westminster

### San Diego County

Carlsbad  
Encinitas  
Oceanside  
San Marcos  
Vista

### Riverside County

Corona  
Temecula

When conducting the compensation survey, the consultant selected survey classifications for comparison purposes. Survey classifications are a representative sample of all classifications contained in the City's classification plan and provide a reference point for determining salary recommendations for non-survey classifications. They are:

- Survey classes should have a clear and identifiable relationship to other classes in their occupational group. This assures that they will make good references in relating and establishing salaries for other classes.
- They should be reasonably well known and clearly and concisely described.
- They should be commonly used classes such that counterparts may be readily found in other agencies in order to ensure that sufficient compensation data will be compiled.

The "E" step or the control point for each class was used in the survey.

After the survey was completed, the consultant discovered the following:

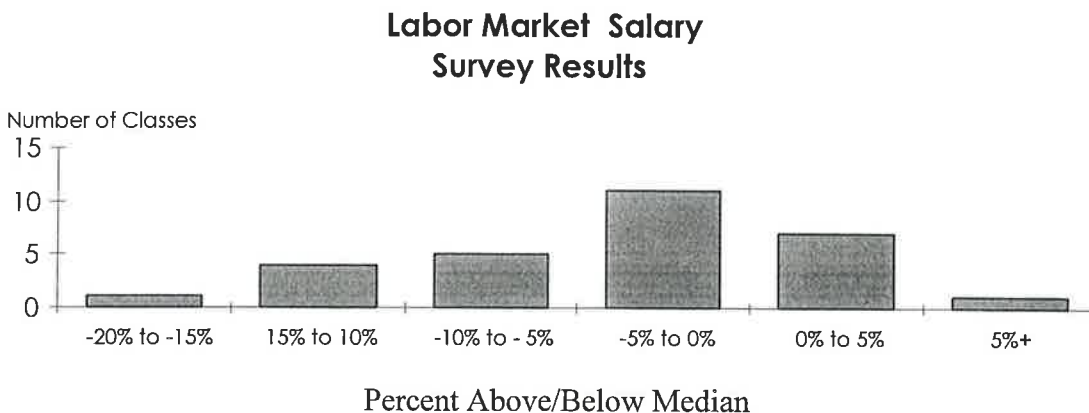
- Of the 36 survey classes analyzed, 21 classes are below the labor market median.
- Five of the survey classes are more than 10% below the labor market median.
- Eight of the survey classes are above the labor market median ranging from .18% to 5.73%.

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## Classification and Compensation

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The following chart represents the above data:



Of the 37 classes in which market data was available, 33 were selected as benchmark classes.

The next step in the salary setting process was the development of internal salary relationship guidelines. Using the top step or range control point of each salary range as a consistent point of reference, it was recommended that the following guidelines be used:

- Entry level classes were set 10 percent below the journey level class.
- Advanced journey level classes should be set at 10 percent above journey level classes. If a significant difference in technical expertise exists, a 15 percent differential is used.
- Supervisory and management classes were set a minimum of 15 percent above the highest paid subordinate class.

For unique classes in which no market data existed, the job evaluation results were used as a guide in setting salaries.

The salary plan structure contained in the attached report is based on a revised salary table which utilizes a consistent 2.5 percent differential between ranges. This provides a consistent relationship between pay levels and facilitates the use of 5, 10, 15 and 20 percent differentials.

### *Modified Whole Job Approach*

Based on the City's desire to maintain consistency with the labor market, the modified whole job method was used. For this method, market data is the primary source used in setting salaries to ensure market equity. Job evaluation ratings are then used to establish pay relationships for unique, unrelated classes. This approach provides a balanced pay plan which is internally consistent and externally equitable.

In developing the final salary recommendations for the City, both internal salary relationship as determined through the point factor job evaluation system and external labor market data were utilized.

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## Classification and Compensation

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### *Management Incentive Pay*

Currently, the City utilizes four 2.5% incentive steps above the "E" step for Management employees. While this mechanism was designed to recognize exceptional performance, fixed step increments have, in many cases, simply become an extension of "automatic" step increases when an employee's performance was deemed to be satisfactory.

In order to establish a system where exceptional performance may be recognized and rewarded on an annual basis, the study recommends that the current automatic step incentive system be scrapped. The proposed new "pay for performance" system would reward employees for exceptional performance on a "one time" basis rather than increasing pay on a permanent basis as is currently done. This will result in a greater degree of management control and will incent employees to perform at a high level each year in order to receive increased pay. In other words the manager must re-earn the incentive pay each year. Funding for the program would be included as a part of the annual budget process.

### *Confidential Employees*

Confidential employees currently receive 5 incentive steps above the "E" step. The study recommends the elimination of incentive steps for this group of employees; however, current City employees will be "grandfathered" and will continue to move through the incentive steps. However, any Confidential employee hired after the adoption of the study will be ineligible for the incentive step program.

### *Private Sector Trends*

While private sector employers are important to consider, several difficulties exist in conducting a valid analysis of private sector data including:

- Private employers are generally not willing to participate in surveys.
- The number of comparable jobs is limited.
- Pay philosophies and compensation structures are different.
- Recruitment and retention practices are more flexible in the private sector.
- Private sector data is often unreliable because of undocumented plans.

In addition to these difficulties there are problems in comparing wages of small private businesses with those of large private or public employers. For example, many federal laws and rules only apply to employers with 50 or more employees including:

- The Family Leave Act of 1993
- The Americans with Disabilities Act of 1990
- Equal Employment Opportunity Guidelines on Selection
- Affirmative Action Plan Administration and Compliance

It is more common for large employers to have established compensation structures which provide defensibility in pay practices by ensuring fairness and technical soundness. This is partly in response to the fact that larger employers are often a more likely litigation target than



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## Classification and Compensation

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small businesses. In contrast, small businesses generally do not have formal compensation plans and will set wages based on the minimum wage or on the basis of their ability to recruit and retain employees. This methodology is much less structured than that of larger employers.

To ensure that the compensation analysis takes into account private sector trends, the consultants analyzed the recently published private sector survey data prepared for the Orange County League of Cities. This published data was used as the primary source of the analysis for the following reasons:

- The report contains a diverse sample of Orange County employers from which detailed statistical data can be drawn.
- The report includes employers that are within a reasonable commuting distance from the City of San Clemente.
- The data analyzed in the report includes summaries of key benefits.
- An insufficient number of local employers were available for comparison to the City's pay practices.

While the survey incorporates data from many employers larger than the City, employer size did not significantly impact the comparability of the data. This was demonstrated by a detailed correlation analysis of employer size and its impact on high salaries. The results of the analysis were as follows:

- There was not a statistically significant difference in non-management salaries between large employers (500 or more employees) and smaller employers (less than 500 employees).
- Employer size did have an impact on management salaries with larger organizations generally having higher, more aggressive salaries.

Using median base salaries as a comparison, the following conclusions were reached:

- Private sector compensation is higher than public data for the following classes: Associate Civil Engineer, Associate Planner, City Manager, Administrative Secretary, Maintenance Worker II and Management Analyst II.
- Private data is lower than the public data for the following classes: Accounting Clerk, Public Works Inspector, Maintenance Services Manager and Office Specialist II.
- Public data is within approximately six percent above or below private data for seven of the ten survey classes.
- While the City is below the public median in seven instances, the City is below the private median in six instances.
- Private sector data is significantly more variable than public data.

Because there is not a significant trend demonstrated in the private sector analysis, it does not appear that compensation adjustments to the City's compensation plan are required. For example, while it appears that public agencies do compensate clerical/secretarial jobs at a higher

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## Classification and Compensation

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rate of pay, private employers also compensate many professional and management jobs at higher rates of pay. It would be inconsistent to use private data to justify a more conservative clerical/secretarial salary and not use private professional/management data. Since there is no trend overall and only limited data exists, the consultants recommend that the City should continue to utilize local government data for maintaining equity with the labor market.

### *Management Benefits*

The consultant also reviewed the benefits provided by other agencies in comparison to San Clemente and based on the City's current benefit structure recommended the following:

- Provide a consistent deferred compensation contribution by the City for the four Department Heads of \$3,500 per year. One department head currently earns over \$3,500 per year and would be “grandfathered”.
- Provide a consistent car allowance policy of \$300 per month for the four Department Heads and \$220 per month for the three Managers in the Executive Management group. Car allowances for two department heads will increase from \$220 to \$300 and one Executive Team Manager will increase from zero to \$220.
- Provide a more consistent vehicle usage policy which does not provide for personal usage of a City vehicle. Vehicle assignments should only be used in situations where the employee is required to spend significant amounts of time at outside work sites or multiple meeting locations. This will result in the loss of assigned vehicles for three Division Managers.

### *Final Salary Recommendations*

The final salary recommendations will place the incumbents at the “nearest dollar” amount in the salary range. The incumbents will not be placed on the basis of “step to step” in the revised salary ranges due to the significant costs associated with this type of adjustment. Some employees will be "Y" rated as a result of the study, because the market data indicated that the salary was being paid above the median. If an employee is "Y" rated, the employee's salary will not be reduced, but the employee will not receive any salary increases until the salary catches up with the range.

### *Performance Appraisal System*

The Classification and Compensation study also included a review of the City's performance appraisal system. Based on this review and the revised classification and compensation concepts, a new appraisal system is being developed. The system is a two-prong approach; one for management employees and one for employees in general or non-management classes.



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## Classification and Compensation

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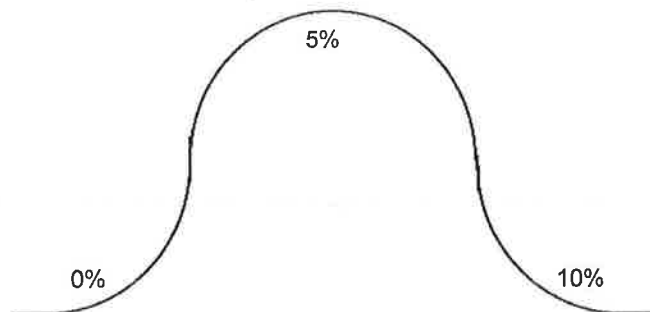
### *Management*

The management performance appraisal system has been designed to reflect a "pay for performance" approach which is more closely associated with private sector organizations. This type of program removes the automatic step or incentive increases which are typical of public agencies and currently in use by the City of San Clemente. This will result in the elimination of steps F through I which amounts to a total 10% increase over the control point (Step E or top step).

The performance system is designed to reward those managers that perform at an exceptional level. Managers may receive pay for performance payments amounting to 1-10% of their annual salary; however only extraordinary efforts will result in pay increases of over 5%. Criteria used in assessing performance will include, for example: extraordinary efforts on the part of the manager, completion of major projects, management ability, improved efficiencies, significant budget savings, completion of annual work plan, and other criteria established by the City Manager. Department heads will be responsible for recommending pay for performance payments ranging from 1 to 10 percent; however, only the City Manager is authorized to grant increases in excess of 5%. The majority of employees will receive 1 to 5 percent with a very limited number eligible for 5% and above.

Funding for the annual pay for performance system will be incorporated into the annual budget. Since it is anticipated that average performance pay will amount to 5%, projections will be developed on an annual basis using 5% as the estimate. If an average of 5% were given in FY 1995-96 a total of \$81,400 will be required to fund the program.

The following "bell curve" will be used in managing the pay for performance plan. Thus, as shown, average increases are estimated at 5% with certain managers also receiving less and more than 5%.



All performance evaluations for managers will be conducted in August-September of each year once the status of work plans for the prior year can be evaluated.

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## Classification and Compensation

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### *Non-Management*

The appraisal system for non-management employees is also newly designed and focuses on key job factors for each classification series on which employees are to be rated. For example, the evaluation of a supervisor will include the following factors:

- Job Knowledge
- Supervisory Skills
- Public Relations and Communication
- Oral/Written Communications
- Equipment Operation
- Planning and Organization
- Judgment and Decision Making
- Attendance and Punctuality

Within the maintenance and labor series, the factor of "Manual Labor" is listed whereas "Planning and Organization" is not. In this manner, skills and tasks associated with successful performance in a particular classification are developed and rated.

One of the following performance ratings will be assigned to all employees based on the Performance Evaluation of:

- Exceptional Performance
- Above Standard
- Effective
- Needs Improvement
- Unsatisfactory

Employees that receive an over-all rating of at least "Effective" are eligible for a step increase until they reach the top of the range. By using forms designed to reflect actual job duties and skills, managers will be able to rate their subordinates more effectively and fairly.

### ***Implementation and Administration***

After City Council approval, the new classification and salary plan will be adopted. If salary adjustments have been recommended, they will be retroactive to July 1, 1994.

In addition, Ralph Andersen and Associates will train Human Resources staff on how to create or modify classifications based on the same methodology. This is important for future classification changes.

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## Classification and Compensation

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### ***Meet and Confer***

Since the salaries of employees were affected, the City was required to meet and confer with the San Clemente City Employees' Association (SCCEA). After several months of negotiations, SCCEA agreed to the implementation of the Classification and Compensation study as presented by Ralph Andersen and Associates.

### ***Projected Implementation Costs***

Employees will be placed at the nearest dollar amount in the new salary range or will be "Y" rated. "Y" rated means the employee will not suffer a decrease in salary, but will not receive a salary increase until the salary range catches up to their current salary. The yearly costs for each of the groups are as follows:

Employee Group	% Increase	\$ Increase 1994-95	6 Mo. Merit Inc. 94-95	Cost of Living Increase 94-95	Projected Merit Increase 1995-96
General Employees	2.72%	\$122,000	\$23,000	\$125,500	\$59,000
Confidential Employees	2.25%	\$7,200	\$2,400	\$9,800	\$3,300
Administrative Management	1.52%	\$21,300	\$1,300	\$14,300	\$57,100
Executive Management	0%	-0-	-0-	\$7,500	\$24,300
Total	2.25%	\$150,500	\$26,700	\$157,100	\$143,700

The total costs to implement all salary adjustments amounts to \$177,200 for FY 1994-95. This represents 2.5% of total budgeted salaries. \$200,000 was included in the FY 1994-95 Budget for classification and compensation implementation costs. The total costs for FY 1995-96 will amount to \$143,700 or 2% of the total salary budget.

As shown in the above table, a proposed 3% cost of living increase, effective July 1, 1995, will amount to \$157,100 in FY 1995-96. This amounts to approximately 2.2% of total FY 1994-95 salaries and wages.

### **Recommendations**

Staff recommends that the City Council adopt the Compensation and Salary Report as presented by Ralph Andersen and Associates. The specifics of the study will include the adoption of:

- Revised classification specifications for all City classifications
- Revised salary schedules for:

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## Classification and Compensation

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- ◇ General Employees
- ◇ Confidential Employees
- ◇ Management Employees
- ◇ Executive Management Employees
- Placement of employees to the nearest dollar amount in the appropriate revised salary retroactive to July 1, 1994.
- A revised performance appraisal system.
- A pay for performance system for management employees.
- Grandfather the incentive steps from "F" to "I" steps for Confidential employees and new employees, once hired, will only be eligible for step "A" through step "E".
- "Y" rate employees whose salary would be reduced as a result of the study.
- Provide consistent benefits for management employees which includes:
  - ◇ Provide a consistent deferred compensation contribution of \$3500 for three Department Heads and grandfather one Department Head that receives more than this amount.
  - ◇ Provide a consistent monthly auto allowance of \$300 per month for the four Department Heads and \$220 for the three Managers in the Executive Management Group.
  - ◇ Provide a more consistent vehicle usage policy which does not allow personal use of a city vehicle.



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# Organizational Adjustments

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## Objective

To determine the operational impacts of the City's downsizing and contracting upon the remaining City departments/divisions and to determine if organizational changes should be made to further reduce cost and enhance efficiency.

## Summary

As a result of financial pressures and the need to streamline the City's organizational structure, a number of studies have been conducted to determine if the City could operate more effectively and efficiently by consolidating or reorganizing programs or functions. In 1991, a management audit was conducted by Hughes, Heiss & Associates. In 1992 a Blue Ribbon Committee, comprised of residents and members of the business community, examined City services and costs and made recommendations as to organizational adjustments which would enhance services or lower the cost of providing services. In 1993 and 1994, the City adopted a Long Term Financial Plan which included several more suggested organizational adjustments, including contracting and privatization options. Almost all recommendations from the Hughes, Heiss study, the Blue Ribbon Committee report, and the Long Term Financial Plan have been implemented by the City Council over the past several years.

Primarily through the City's Long Term Financial Plan process, City staffing levels have been reduced from 352 FTE's in FY1991-92 to 184 FTE's in FY1994-95. The 1993 LTFP recommendation to contract Police Services to the Orange County Sheriff's Department reduced City staff by 77 FTE's. The 1994 LTFP process recommended the contracting of Fire Services and five other program areas, resulting in an additional reduction of 66 employees. Organizational changes such as the reorganization of the Finance Department to an Accounting Division, the creation of the "one stop" permit process and the restructuring of the Water/Sewer divisions have also been implemented through the LTFP process.

One of the 1994 LTFP recommendations was to potentially contract, regionalize or reorganize some of the remaining administrative or operational functions once contracting of Police, Fire, and other major program areas was completed. The 1995 Long Term Financial Plan continues the tradition of examining the City organizational structure for further opportunities to consolidate and streamline operations, identify feasible contracting and privatization options, and allocate available resources as appropriate. The following programs have been examined:

- *Electrical/Facilities Maintenance*
- *Accounting/Permitting*
- *Human Resources/Risk Management*
- *Police Services Jail & Dispatch*

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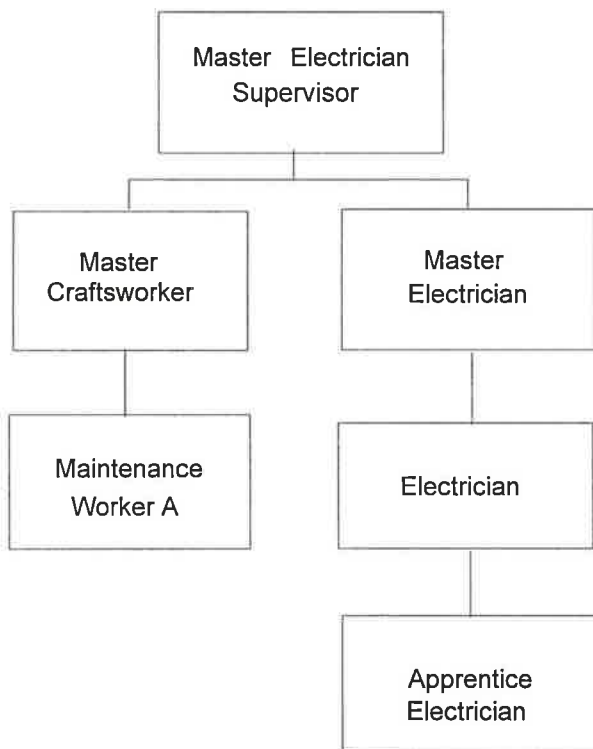
## Organizational Adjustments

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### Background

#### ***Public Works Department - Facilities & Electrical Maintenance***

The current organizational structure of the combined Facilities/Electrical Maintenance division is graphically illustrated below:



The Facilities Maintenance staff is responsible for general maintenance on all City facilities. The 1991 Hughes-Heiss study determined that the facilities maintenance staffing level should be increased to six personnel to properly maintain City facilities. The current staff, consisting of a Master Craftsworker and a Maintenance Worker cannot adequately meet the facility maintenance demands of the City.

The Electrical Maintenance staff is responsible for:

- City facilities
- Street light maintenance and repair
- Traffic signal maintenance and repair
- Electrical maintenance of the wastewater treatment plant, pumps and reservoirs

The current staff consists of a Master Electrician/Supervisor, one master electrician, one electrician and one apprentice electrician. The 1991 Hughes-Heiss study also determined the appropriate staffing level for the electrical maintenance of the wastewater treatment plant to be 2 FTE's due to the 24 hour operation of the plant and the critical nature of the operation. These



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## Organizational Adjustments

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duties are presently assigned to the master electrician and the electrician. The master electrician/supervisor and the apprentice electrician are also responsible for the street light, traffic signal and electrical facility maintenance. All personnel in the electrical program, however, are cross trained to provide the City with maximum efficiency.

The recent resignation of the master electrician/supervisor presents an opportunity to redirect the efforts of the division. The primary responsibility of the new supervisor would be to develop a facilities program emphasizing scheduled replacement of capital equipment and preventative maintenance. The supervisor would utilize the combined staff from the Facilities/Electrical program to conduct a comprehensive inventory of City facilities and develop an implementation program designed to protect the City's real property investments. For example, an inspection of all heating and air conditioning systems should be conducted to identify the capacity, age and condition of each unit. An energy audit should also be conducted to determine the operational cost of each unit. The Facilities Supervisor would then establish a work program to correct the immediate problems and implement a preventative maintenance/scheduled replacement program.

### Alternatives

Under the direction of the new Facilities Supervisor, the resulting pool of five employees would address the Facilities planning and staffing deficits identified by the Hughes-Heiss study. However, as a result of the shift in priorities it is anticipated that the workload, especially in the areas of street light and traffic signal maintenance, would exceed the capacity of the program's personnel.

The workload could be shifted by contracting street light maintenance to the private sector or the City street light program could be transferred to San Diego Gas & Electric. A contract cost of \$21,450 to maintain the City's street lights was identified in the 1994 LTFP. The transfer of street lights to SDG&E would be based upon an established Public Utility Commission rate.

Similarly, the traffic signal maintenance workload could be shifted to a private contractor. A contract cost of \$24,433 to maintain traffic signal lights was identified in the 1994 LTFP.

### Recommendations

1. Redirect the efforts of the Facilities/Electrical Maintenance program in the following areas:
  - Develop a Capital Equipment Replacement Schedule for all City facilities.
  - Develop a preventative maintenance schedule.
  - Identify and implement cost saving programs.
2. Solicit formal proposals for the maintenance of City street and traffic lights.

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## Organizational Adjustments

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### **Accounting/Permit Processing**

The Accounting Division staffing level has been reduced to correspond with Citywide organizational adjustments. In FY 1990-91, there were 12 full time equivalents (FTE's) in the Finance Department. The 1993 Long Term Financial Plan recommended the reorganization of the Finance Department to an Accounting Division, a streamlining of the management structure and a reduction of 4 FTE's. An emphasis was placed on providing centralized accounting functions. Personnel in the treasury, accounts payable, accounts receivable, payroll and utility billing areas were cross trained to provide for greater efficiency. Additionally, the financial management functions previously provided by the Finance Director were assigned to the Director, Office of Management & Budget. The implementation of contracting has further reduced the workload in the payroll and accounts payable areas.

Implemented as a part of the FY 1993-94 budget, the business license program was relocated to the Community Development Department and the function was coordinated with other development related functions such as building, sign and engineering permit processing. The staffing level of the combined programs was reduced by .5 FTE as the peak activity periods were not concurrent and permit related activity was down. The business license and permit processing programs have cross trained personnel, allowing for more efficiency in the "one stop" permit process.

However, construction related activity has increased the volume of permits in the past year. As of the second quarter of FY 1994-95, the number of construction permits was 3,253 as compared to 2,813 for the same period of FY 1993-94 which reflects a 15.6% increase. This increase in activity is projected to continue and the 1995 LTFP forecast indicates that construction related activity will grow at an average annual rate of 5.7%. Additionally, the contracting of fire services to the County has increased the workload in permit processing, as the administrative responsibilities of fire permits has been absorbed by Community Development personnel.

The business license and permit processing programs are operating at the capacity of the current staffing level, however future growth of the business license program is reliant upon a proactive business plan. The Business License Coordinator must aggressively explore ways to identify and license new businesses within the City.

### **Recommendation**

A transfer of .5 FTE from the Accounting Division to Community Development will shift resources from an area of decreasing workload to an area with increasing activity. The duties and responsibilities of the part time account clerk can be absorbed by the remaining Accounting personnel. The permit processing program will benefit from the additional personnel and business license revenue, which has remained constant over the past two years, will grow as staff focuses on an enhanced business license program.

1. Transfer .5 FTE from Accounting to Permit Processing.

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## Organizational Adjustments

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### ***Human Resources/Risk Management***

One of the recommendations adopted by City Council during the 1994 LTFP process was to explore the regionalization or contracting of Human Resources/Risk Management administrative functions. This recommendation was included in the 1994 Contracting section, as City Council recognized that a decrease in City staff would have a direct impact upon the workload in Human Resources.

As previously stated, City staff has been reduced from 352 FTE's in FY1991-92 to 184 FTE's in FY1994-95, of which 143 FTE's were the result of contracting Police, Fire and some Maintenance services. Correspondingly, the HR division was reduced by .6 clerical FTE's and a Management Analyst (1 FTE) from HR was recently transferred to the Management Information Services division.

The Human Resources/Risk Management staff currently consists of a Manager, a Management Analyst and two part time clerical employees. Staff is responsible for the following general functions:

- Personnel Administration - Recruitments, benefits, wellness program, classification & compensation employee relations issues and centralized training.
- Risk Administration - Coordination of safety, workers compensation, general liability and training programs. The City utilizes outside contractors to handle the routine activities associated with the programs, with the exception of the safety program which is coordinated by the Management Analyst and a committee of City employees.

### ***Recruitments***

Employee recruitment is a centralized service provided by the HR division. Staff is directly involved in applicant processing, testing, selection and orientation. The process is carefully monitored to ensure compliance with legal requirements.

Workload in this program area has been decreasing. The number of recruitments has decreased from 47 in 1990-91 to 24 in 1993-94. Additionally, the contracting of Police and Fire Services to the County has eliminated a number of complex and time consuming recruitments for public safety positions.

	<u>90/91</u>	<u>91/92</u>	<u>92/93</u>	<u>93/94</u>	<u>94/95*</u>
<i>Number of Recruitments</i>	47	40	30	24	8

\*July 1994 - December 1994

### ***General Liability***

Several years ago, the City joined the Orange County Risk Management Authority (OCCRMA) primarily to obtain insurance protection at a reduced group rate. OCCRMA currently purchases

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## Organizational Adjustments

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comprehensive liability, property, auto, bond, special events and excess workers compensation insurance for the City and other local agencies. A third party administrator (TPA) provides claims processing and investigation, as well as settlement recommendations to the City and OCCRMA. The City Attorney is the City's primary contact for general liability litigation, with the TPA and HR staff providing support.

With the exception of claims arising from the Winter Storms of 1992, the number of new claims has decreased 70% from 1990-91 to 1993-94. This decrease can be attributed to: a) implementation of the City's capital improvement program and focused efforts to repair or replace the aging infrastructure; b) preventative actions taken on conditions identified by OCCRMA during annual audits and property inspections; and c) contracting of police services and the shift of liability for police matters to the County. Currently, 11 new claims have been filed in fiscal year 1994-95 and 38 claims remain "open" from previous years. This downward trend in claims activity is expected to continue.

<i>General Liability</i>	<i>90/91</i>	<i>91/92</i>	<i>92/93</i>	<i>93/94</i>	<i>94/95*</i>
New Claims	51	49	75	15	11
Claims Open at Year End	53	54	74	50	38
Police Claims	14	6	7	1	0
Fire Claims	0	0	0	1	0
Other Claims	37	43	68	13	11

\*July 1994 - December 1994

### *Workers Compensation*

The City has a self-insured Workers Compensation program and purchases excess workers compensation insurance through OCCRMA. As with General Liability, a third party administrator (TPA) is responsible for the claims administration and coordination between the employee and the doctor. The TPA makes recommendations to the City on settlements. A contracted Workers Compensation Attorney is responsible for all claims litigation.

Overall, workers compensation claims have decreased from 119 new claims in 1990-91 to 52 in 1993-94. Public safety employees, due to the types of activities required by the positions, have accounted for almost half of the claims filed. The number of Police claims decreased from 24 in 1992-93 to 0 in 1993-94. The number of Fire claims decreased from 10 in 1993-94 to 1 in the two months of 1994-95 that the City was responsible for fire employees.

<i>Workers Compensation</i>	<i>90/91</i>	<i>91/92</i>	<i>92/93</i>	<i>93/94</i>	<i>94/95*</i>
New Claims	119	92	83	52	23
Claims Open at Year End	6	14	7	11	15
Police Claims	25	35	24	0	0
Fire Claims	9	9	9	10	1
Other Claims	72	38	55	39	23

\*July 1994 - December 1994

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## Organizational Adjustments

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Although the workload in the Human Resources has declined considerably over the past several months, the staffing level is currently considered appropriate and is in line with other comparable cities.. This is due to the fact that one Management Analyst has already been transferred from the division which equates to a 25% reduction in staff. However, given the reduced workload, it appears that the emphasis of the Human Resources Division staff could be directed toward other critical areas.

### Alternatives

The Human Resources/Risk Management workload has steadily declined primarily as a result of the City's contracting of services. As the City continues to look for new ways to enhance public services or reduce the cost of providing services, administrative functions must also be examined for contracting or streamlining opportunities. Programs are evaluated based upon the following criteria:

- The level of service must be maintained or increased.
- The service quality level must be clearly defined and measurable.
- There is available private or public sector competition.
- The service is contracted by other cities which are similar to San Clemente.
- The public trust, safety or welfare will not be compromised.
- A potential savings can be identified.
- The savings are long term.

The Risk Management program, primarily in the areas of General Liability and Workers Compensation, meet the criteria established for contracting. An informal market evaluation has indicated that the incremental cost of \$20,000, offset by an undetermined avoided cost, would result in a proactive program designed to identify potential risk, promote prompt recovery or remediation and aggressively manage open claims.

Since the City's employee population has significantly decreased, another viable option for the Workers Compensation program is to become fully insured.

### Recommendation

1. Pursue the contracting of the General Liability and Workers Compensation programs and direct staff to conduct a formal RFP process. The costs associated with the implementation of this recommendation would be identified during the 1995-96 budget process. Redirect staff efforts in the following areas:

- Streamline the remaining HR functions
- Improve the employee orientation process
- Enhance the City's safety program
- Administer the General Liability and Workers Compensation contracts
- Expand Citywide and Regional Training programs



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## Organizational Adjustments

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### ***Police Services - Regionalized Dispatch & Jail***

Included in the 1993 Long Term Financial Plan was the recommendation to determine the operational and financial feasibility of a regionalized dispatch and jail. The studies were included as a part of the 1994 Police Services Annual Report and are summarized below.

#### ***Regional Dispatch Center***

San Clemente Police Services operates an independent Emergency Communications Bureau (ECB). The other South County cities utilize the ECB operation in Santa Ana. The creation of a Tri-City dispatch center would transfer the communications from the cities of Dana Point and San Juan Capistrano to the San Clemente ECB. The Tri-City arrangement would reduce the communication load at the Santa Ana ECB and would improve the effectiveness and responsiveness of the ECB to the cities of Dana Point and San Juan Capistrano.

The Tri-City dispatch center would have minimal impact upon the San Clemente ECB. The personnel and equipment necessary for a Tri-City operation would not significantly increase operating costs.

However, the financial feasibility of the Tri-City operation would depend upon the transfer of Dana Point and San Juan's current Santa Ana ECB funding to the San Clemente ECB. The loss of funding from the Santa Ana ECB would have to be absorbed by the other agencies served by the Santa Ana ECB.

While the Tri-City operation is operationally feasible, it would be more prudent to implement this program during the installation of the Countywide 800 Mhz project. The project will increase the functionality of radio communication throughout the County and provides a multitude of expansion possibilities. Although completion of the project was estimated to be late 1997, the Orange County bankruptcy filing has temporarily put the project on hold.

#### ***Regional Jail Facility***

The City of San Clemente's Police Department operated a jail/holding facility before the merger with the Orange County Sheriff's Department on July 2, 1993. Upon transition, the decision was made to arrest and transport to the Intake Release Center (IRC) in Santa Ana for booking. This procedure removes a deputy from the field while transporting the prisoner. Additionally, the IRC in Santa Ana charges \$158 per arrest.

A feasibility study was conducted by the San Clemente Police Services division to determine the financial and operational feasibility of a South County Regional Jail operating out of the San Clemente station. It was quickly determined that the operation of the jail/holding facility on a 24 hour basis was not financially feasible. The project team then examined the feasibility of part time jail operations during the hours of greatest need. The following options were examined:

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## Organizational Adjustments

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	<i>% Open per Week</i>	<i>% of Arrests in So. County</i>
<i>Option One</i>	21%	33%
<i>Option Two</i>	43%	63%
<i>Option Three</i>	24%	38%
<i>Option Four*</i>	24%	38%

\* Although the hours of operation are the same, the staffing requirements changed from a sworn deputy in the jail to a Sheriff's special officer.

At this time, none of the options prove to be cost effective if operational costs of a South County jail are compared to the reduction in transportation costs and booking fees.

### **Recommendation**

Although the concepts of a South County regional jail and dispatch center are certainly feasible, the potential savings are not substantial enough to recommend the implementation of either program at this time. As the South County region grows in population and density, the increase in calls for services and arrests may make the programs financially viable.



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# Organizational Adjustments

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## Summary of Recommendations

1. Redirect the efforts of the Facilities/Electrical Maintenance program in the following areas:
  - Develop a Capital Equipment Replacement Schedule for all City facilities.
  - Develop a preventative maintenance schedule.
  - Identify and implement cost saving programs.
2. Solicit formal proposals for the maintenance of City street and traffic lights.
3. Transfer .5 FTE from Accounting to Permit Processing in the Community Development Department.
4. Pursue the contracting of the General Liability and Workers Compensation programs and direct staff to conduct a formal RFP process. The costs associated with the implementation of this recommendation would be identified during the FY 1995-96 budget process. Redirect staff efforts in the following areas:
  - Streamline the remaining HR functions
  - Improve the employee orientation process
  - Enhance the City's safety program
  - Administer the General Liability and Workers Compensation contracts
  - Expand Citywide and Regional Training programs
5. Examine the feasibility of regional jail and dispatch when the South County population and density grows substantially.

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# Master Plans

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## **Objective**

To create five year master plans and determine how rates may be impacted by future Capital projects, as well as maintenance and operating costs for the Redevelopment Agency, Lighting & Landscaping and Storm Drain Utility Funds.

## **Summary**

Three Master Plans were developed for consideration during the 1995 Long Term Financial Plan process. The three specific programs were examined to determine:

- Goals and objectives
- Available financial resources
- Recommendations for implementation
- Cost of implementation
- Funding alternatives

## ***Redevelopment Agency Master Plan***

The San Clemente Redevelopment Agency project area one, the "Pier Bowl" was established on June 18, 1975. The purpose of the redevelopment agency was to eliminate blighted conditions and to improve and preserve the affordable housing in the area. The project area encompasses approximately 56 acres of land adjacent to the San Clemente Municipal Pier in the western portion of San Clemente.

The Pier Bowl Specific Plan was adopted in September 1992. Extensive public participation in the development of the Pier Bowl Specific Plan resulted in land use, development standards and implementations measures that reflect the community goals and policies. The specific plan was used as the guiding document to develop the Redevelopment Agency Master Plan.

The primary goals of the Redevelopment agency Master Plan include:

- Elimination of blight and improvement of the Pier Bowl area.
- Increase, improve and preserve the City's supply of affordable housing.
- Maintain and enhance the Pier Bowl's unique blend of uses, natural beauty and village character.
- Stimulate the area's mix of pedestrian oriented uses.
- Improve traffic flow and increase parking.
- Promote the preservation and restoration of historically significant sites and structures.
- Assist the City in financing public improvements to encourage private rehabilitation and development.

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## **Master Plans**

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The Master Plan identifies the programs necessary to implement the goals and objectives of the Redevelopment Agency. Revenue and expenditure projections for the implementation of the programs have also been identified.

### ***Lighting & Landscaping Assessment District***

The Lighting and Landscaping Assessment District was formed in 1981. The District boundaries are the same as the City's boundaries and funded through the collection of annual assessments placed upon property owners. The assessment has remained constant over the past four years although the inventory maintained by the District has increased. Capital improvement projects have been deferred and specific maintenance functions have been contracted.

The Master Plan presents five alternatives available to the City Council to mitigate an assessment rate increase. The following alternatives are detailed in the Lighting & Landscaping Master Plan document:

- Incorporate capital improvement projects with maintenance and operating expenditures resulting in a \$31 per residential parcel per year assessment increase.
- Eliminate all capital improvement projects for five years which will result in increased maintenance and operational expenses. The assessment rate would increase \$18 per residential parcel per year.
- Utilize bond financing to pay for capital improvement projects.
- Reduce the level of services provided by the District.
- Negotiate with the existing contract providers to determine the actual increases to the District.

The Master Plan document used projected cost increases based upon inflation rates noted in the 1993 Chapman University Economic and Business Review.

### ***Storm Drain Utility***

The Storm Drain Utility was established in June 1992 to provide a funding source for the repair or replacement of the City's aging storm drain system. The fees are assessed on single family dwellings, multi family dwellings, non residential lots and vacant lots based upon the average amount the property contributes to runoff during storm drain events. The fees are included on the property owner's utility bill and are collected monthly, with the exception of vacant lots which are billed quarterly.

Although staff had identified the need to repair or replace the system, minimal funding had been allocated due to competing priorities within the General Fund. The Winter Storm of 1992 caused significant damage to the storm drain system and the failure of the system caused severe damage throughout the City. Establishment of the Storm Drain Utility in 1992 provided a funding source for an aggressive annual \$910,000 program to correct the problems.

A five year capital improvement program was established and several projects have been completed. Although the program address the City's storm drain infrastructure, the coastal canyons represent an unfunded liability to the City. The City's Engineering division will monitor the extent of canyon drainage system mitigation through a pilot program currently in progress in Trafalgar Canyon. Additional assistance may be required to determine the magnitude of the canyon drainage problems and to determine the priority of future canyon projects.



## **Redevelopment Agency**





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# Redevelopment Agency

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## Objective

The objectives of this Master Plan are to:

- 1) Determine what financial resources are available for each year from 1995 through 1999.
- 2) Determine what projects are needed and establish priorities given the available resources.

## Background

The City of San Clemente develops a Long-Term Financial Plan (LTFP) annually. The purpose of the LTFP is to assist the City Council in making policy decisions which will guide the City over the coming year. An issue for this year's LTFP is development of Master Plans for major City funds. The Master Plans in turn will, when adopted, provide a decision making tool which will help guide how resources are used, within those funds. This Master Plan issue coincides perfectly with new State legislation (AB 1290) which calls for development of a five year implementation plan for all California Redevelopment Agencies.

The purpose of the changes introduced by AB 1290 is to address concerns about unlimited durations for redevelopment project areas, ensure that redevelopment in a project area addresses blight and that agencies expend their affordable housing funds. Specifically, AB 1290 includes a new definition of blight, the end to fiscal review committees, time limits on all project areas, the repeal of authority to receive sales tax revenues and a strong penalty provision for agencies which do not spend their housing set-aside funds.

One of the provisions of AB 1290 is the requirement that each agency adopt a five-year implementation plan. The implementation plan achieves a major purpose of AB 1290 which is to clearly link redevelopment activities with the elimination of blight. Each agency that has adopted a redevelopment plan prior to December 31, 1993, must adopt, after a public hearing, an implementation plan on or before December 31, 1994. Thereafter, this implementation plan shall be revised and adopted every **five years**. In addition, during the third year after its adoption, at least one public hearing for the purpose of reviewing the implementation plan is required.

The implementation plan must include the following:

- Identify a description of specific goals and objectives of the Agency for the Pier Bowl Project Area.
- Identify specific programs and establish expenditures proposed to be made during the next five years.

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## Redevelopment Agency

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- An explanation of how these goals, objectives, programs and expenditures will assist in the **alleviation of blight.**
- An explanation of how the goals, objectives, programs and expenditures will implement the requirements for expenditure of monies in the low and moderate Income Housing Fund, including an annual housing program for the five years covered by the implementation plan.

AB 315 does not require Redevelopment Agencies adopted before 1976 to include an **Inclusionary Housing Production Plan or a Replacement Housing Compliance Plan** until after **January 1, 1996**. At that time staff will develop a log of all substantial rehabilitation and review all projects to ensure that the inclusionary and replacement requirements are met. Presently, San Clemente need only include an Affordable Housing Plan within the overall RDA Implementation Plan.

### ***San Clemente Redevelopment Agency***

The San Clemente Redevelopment Agency Project Area No. 1, the "Pier Bowl" was established on June 18, 1975. The purpose of the project area is to eliminate blighted conditions through the provision of new public improvements, commercial developments and rehabilitation programs and to improve and preserve the affordable housing existing in the Pier Bowl and the surrounding area. The project area encompasses approximately 56 acres of land adjacent to the San Clemente Municipal Pier in the western portion of San Clemente. The approximate boundaries of the redevelopment area are Linda Lane Park to the north, Trafalgar Canyon to the south, the Pacific Ocean to the west and Avenida Granada and Avenida Del Mar to the east (See the attached boundary and land use map for the Pier Bowl).

According to the San Clemente General Plan, the land use in the Redevelopment Agency consists of the following:

RM-A	Medium Density Residential-Architectural Overlay
RH-A	High Density Residential-Architectural Overlay
CRC1-P-A	Tourist/Visitor Serving Commercial-Pedestrian and Architectural Overlay
MU4.1-P-A	Mix Use-Pedestrian and Architectural Overlay for the Pier Bowl Core
MU4.2-P-A	Mixed Use-Pedestrian and Architectural Overlay for Alameda Lane property
MU4.3-P-A	Mixed Use-Pedestrian and Architectural Overlay for the Casa Romantica
OS1	Publicly Owned Open Space
OS2	Privately Owned Open Space

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## Redevelopment Agency

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The following is a summary of existing development in the Redevelopment Agency.

Total Acreage	56
Total parcels	133
Total Lot Area	1,235,876 Sq. Ft.
Total # of Units	577
Total Retail Area	11,000 Sq. Ft.
Total Hotel Units	43
Total Office Area	800 Sq. Ft.
# of Vacant Parcels	15

### ***Plan Drafting Process***

Since the formation of Redevelopment Project Area No.1, approval of a master plan in the Pier Bowl has been characterized by controversy. In the past the views of special interest groups -- including local residents, historic preservationists, and community business associations-- have varied greatly on how to best revitalize the area. In light of the controversy in the Pier Bowl, the City recognized that a unique approach must be taken in building a consensus among the varying view points. The City realized the only method for the approval of any meaningful redevelopment in the Pier Bowl is through intense public involvement. To insure this would happen, the City Council endorsed a three-phased planning approach for the Pier Bowl. Phase I included the development of a Conceptual Plan which provided goals and policies on developed of the Pier Bowl; Phase II, the development of the Pier Bowl Specific Plan provided the guidelines and the standards to implement the areas goals and policies; and Phase III, includes the design and development of the Casa Romantica.

Phase I began with an extensive period of public participation began in February 1991 with the appointment of a Pier Bowl Sub-Committee. Representatives from the Planning Commission, Community Design Commission and members of the public made up the committee. The Pier Bowl Conceptual Plan was adopted in September, 1992 and won the Orange County American Planning Association award for best Comprehensive Planning Document due to the extensive public participation in developing the plan. Phase II, Pier Bowl Specific Plan was adopted on October 13, 1993. The Pier Bowl Specific Plan provides the land uses, development standards and implementation measures that implement the community goals and policies identified in the Pier Bowl Conceptual Plan. The Pier Bowl Specific Plan contains a twenty year implementation program for the City of San Clemente Redevelopment Project Area No. 1. The Specific Plan was used as the guiding document to develop this Five Year Implementation Plan.

Phase III, the Casa Romantica Development project is currently progressing and is the primary redevelopment project in RDA Project Area No. 1 (See the project description under Proposed Agency Programs to Eliminate Blighted Conditions).

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# Redevelopment Agency

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## II. IDENTIFICATION OF BLIGHTED CONDITIONS

Although AB 1290 modified the definition of blight which can be used for project areas adopted on or after January 1, 1994, the definition of blight applicable to Project Area No. 1 is the definition in effect at the time the Redevelopment Plan for Project Area No. 1 was adopted. Based on the applicable definition, the following conditions of blight require alleviation:

- ***Depreciated or Stagnant Property Values***  
All the newer developments within the Pier Bowl have experienced declining property values during the last three years. Businesses, hotels and summer retails and other visitor serving related uses in the Pier Bowl have experienced particularly difficult times during the California recession. One recently developed project (mixed use) and one under development (30 unit condominium development) have filed bankruptcy, other mixed use projects have experienced a significant decline in business.
- ***Economically Obsolete Buildings/Lots***  
The 600 block of Avenida Victoria and Coronado Lane are zoned for mixed use development. Two of the commercial buildings are marginally utilized on Victoria and there is one vacant lot for sale. Coronado Lane is particularly underutilized. Five of the seven lots on Coronado Lane have residential buildings that were built between 1929 and 1963. Two of the lots are vacant and two have deteriorated structures. The small lot size, the lack of parking, age of the buildings and the building design often times not respecting current development standards all combine in making these buildings difficult, if not impossible, for any adaptive reuse and are therefore economically obsolete.
- ***High Crime Rate***  
The Pier Bowl has traditionally had one of the highest crime rates in the City. Although conditions in the Pier Bowl have improved since 1975 when the redevelopment agency was first established, the crime rate remains high. The Pier Bowl falls within Police service area 15 which is the busiest area in the City. The Pier Bowl, generates 3% of all calls for Police services in the City, yet constitutes only .5% of the City land area.

## III. PROPOSED REDEVELOPMENT AGENCY FIVE-YEAR GOALS

The goals of the Five Year Implementation Plan are aimed at the elimination of blight and improvement of the Pier Bowl. A primary goal of the Five Year Implementation Plan is to maintain and enhance the Pier Bowl's unique blend of uses, natural beauty, and village character. The Pier Bowl is a recreational focal area of the City. The commercial use in the area is naturally oriented toward recreation and vacation. Many of the apartments in the Pier Bowl are used as summer rentals, which is consistent with the recreational theme. New uses in the Pier Bowl should be compatible with the area's recreational attractions.

To stimulate the area's use, a mix of pedestrian-oriented uses should be encouraged. The creation of a mixed-use zoning district that encourages pedestrian activity will enhance the area's vitality and village character. The City, in partnership with community groups, should encourage and promote cultural, community, and athletic events in the Pier Bowl.

The lack of adequate parking and circulation has been among the most frequently identified issues discussed at public workshops for the Pier Bowl. New policies that encourage economic development in the Pier Bowl will result in the need to improve traffic flow and add more parking. The following goals are a summary of the those identified in Chapter 3 of the Pier Bowl Specific Plan. Please refer to the Pier Bowl Specific Plan for a detailed list of goals, objectives and policies. The goals identified herein and in the Pier Bowl Specific Plan set forth the framework for the evaluation of development, programs and public and capital improvements in the Pier Bowl. These goals are intended to be used by the City, developers and the public in making decisions how to best utilize the resources of the Redevelopment Agency to eliminate blighted conditions in the Pier Bowl.

### **Goals**

1. Ensure the continuation and enhancement of Ole Hanson-era Spanish Colonial Revival architecture, and a pedestrian scale and orientation in the Pier Bowl.
2. Retain and enhance the Pier Bowl's unique mix of residential, commercial, and recreational land uses.
  - Establish allowable uses for each sub-area in the Pier Bowl, including areas where mixed-residential and commercial uses are allowed in the same building.
  - The Agency shall consider assisting the City with acquisition of vacant property, when available, for the development of pedestrian-oriented parks.
  - The Agency shall work with the City's Site Plan and Architectural Design Review processes, to encourage private-property owners to preserve and enhance the pedestrian scale of residential neighborhoods. Development of large monolithic residential structures shall be discouraged.
3. To promote the preservation and restoration of historically significant sites and structures in the Pier Bowl.
  - Provide incentives to private owners of historic resources to maintain and/or enhance their properties in a manner that will conserve the integrity of the building in the best condition possible.



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## Redevelopment Agency

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4. Maintain and enhance key vistas and view opportunities within the Pier Bowl, while allowing tree planting that supports and directs the streetscape.
  - Establish a cohesive landscape and streetscape design theme for the Pier Bowl.
  - Through enhanced landscaping, create a "sense of arrival" at key intersections that reinforce the City's natural and cultural characteristics.
5. Provide adequate parking in the Pier Bowl to meet present and future parking demands.
  - Improve directional signage, pedestrian access and traffic flow in the Pier Bowl
6. The Agency should seek public/private ventures to preserve the Casa Romantica and develop other City property in a manner that will promote enhancement of the Pier Bowl Project Area.
7. Enhance the Pier Bowl's financial viability through the development of both commercial and non-commercial uses, while seeking the right balance between economic development and maintaining the area's pedestrian orientation, scale, and unique village character.
  - The Agency shall consider strategies that will encourage uses with the highest probability of success and generate increased revenue for the City.
  - The Agency shall work to draw to the Pier Bowl a range of restaurants, fine dining, cafes, food stands, and pubs through incentives and development of new leasable restaurant space in the Pier Bowl area.
  - The Agency in working to enhance recreational opportunities at the Pier, Linda Lane Park, Parque Del Mar, and the beach by providing public facilities such as park land, sidewalks, bike racks, picnic spots, fire pits, basketball and volleyball courts, restrooms/showers, and improved beach access.
8. The Agency shall assist the City in financing public improvements to encourage private rehabilitation and development.

### ***IV. PROPOSED AGENCY PROGRAMS TO ELIMINATE BLIGHTED CONDITIONS***

Described below, is a list of programs that will implement the goals and policies of the Project Area and will alleviate the blighted conditions identified.

## ***Casa Romantica Restoration and Development***

In January 31, 1989 the Agency purchased the Casa Romantica, the home of the founder of San Clemente, Ole Hanson. The Casa Romantica is a community historic landmark and is listed on the National Register of Historic Places. The building is presently in a blighted condition, with the structural integrity of the building being in jeopardy. The Agency has selected a development team that will work with the Agency to restore this historic landmark, and convert the building into a publicly accessible use such as a restaurant and museum. The project will also include development of the Alameda Lane property and a portion of the municipal parking lot with tourist commercial uses. The additional, retail, commercial and lodging uses proposed in this plan should reduce the blight and improve the areas economic conditions.

## ***Parking Study***

The City has contracted with a traffic consultant to assess the existing parking situation in the Pier Bowl and the future parking needs based on the potential growth of the area. The Agency will be working with the City to implement programs to alleviate parking problems.

## ***Circulation Program***

The Circulation program in the Pier Bowl Specific Plan identifies specific street improvements to direct traffic to public parking areas and improve traffic circulation in and out of the Pier Bowl. The Agency will be working with the city to implement programs to alleviate parking problems.

## ***Streetscape Program***

The streetscape program in the Pier Bowl Specific Plan provides for a unifying street theme for the area, enhances the pedestrian and community character of the area, defines circulation routes, improves pedestrian circulation, and enhances the visual character of the streets. Refer to Chapter 10 of the Pier Bowl Specific Plan for detail on the streetscape program.

## ***Architectural Design Guidelines***

The Architectural design Guidelines in Chapter 5 of the Pier Bowl Specific Plan provides specific guidelines for all new and redeveloped projects in the Pier Bowl. The purpose of these guidelines is to ensure that the "Spanish Village Character" of the Pier Bowl is maintained and enhanced.

## ***Capital Improvement Projects***

Through the development process for the Pier Bowl Specific Plan, the public and the City developed a list of public improvements and infrastructure improvements needed in the Pier Bowl to achieve the goals identified by the public. These projects will also eliminate blighted conditions in the Project Area. The table at the end of this report, lists the public and infrastruc-



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## Redevelopment Agency

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ture capital improvement projects targeted for construction within the next five years (See the Pier Bowl Specific Plan, Chapter 11 and the City of San Clemente 5 year CIP). Over the next five years there will be approximately 2.5 million dollars of Agency funds available from next tax increment revenues to fund Capital Improvements in the Project Area without incurring additional debt service. Since only 2.5 million dollars of tax available tax increment is anticipated and approximately 5 million dollars of improvements are identified, not all of the projects listed will be funded by the Agency and some may only be partially funded by the Agency. There are supplemental funds available that can allow the development of all the public improvements identified for the next five years. Redevelopment is, however a very fluid process, subject to a myriad of changing issues and the forces of market dynamics. For this reason the CIP for the Project Area will need to be updated on a regular basis.

### **V. AFFORDABLE HOUSING**

The Community Redevelopment Law requires redevelopment agencies to annually set aside 20% of their tax increment funds in a special Low and Moderate Income Housing Fund, ("Housing Fund"), to be used to increase, improve and preserve affordable housing in the community. The requirements pertaining to low and moderate income housing applicable to the Agency are:

1. Expenditure of Housing Funds within the time required by statute; and
2. Commencing January 1, 1996, replacement of low and moderate income housing which is demolished as a result of a redevelopment project.

Redevelopment Law allows for the Housing Funds to be used outside of the Project Area if the City Council makes a finding that use of the funds will be of benefit to the redevelopment project area. There are a total of 133 parcels in the Project Area; fifteen are vacant. Residential land use in the Project Area is comprised of 96 residential lots, 9 of which are vacant. Sixteen residential buildings, or 20% of the total, have been identified either as under utilizing their lots, having deferred maintenance, or structural blight. There is only one large vacant residential lot, located on Arenoso Lane, which was slated for the development of 30 housing units in 1988. However, the original developer has sold the property, permits have expired, and the new owner has not presented any development plans to the City. Due to the limited size of the remaining residential lots, there are few opportunities for increasing the number of new affordable units, short of demolishing existing small buildings and rebuilding. There are no plans for the Agency to purchase any of the existing lots in the Project Area. Indeed, there is a greater supply of affordable housing adjacent to the Project Area needing both rehabilitation and redevelopment, which could provide affordable housing and benefit the Project Area. Therefore, the Agency is considering purchasing existing blighted rental properties outside of the Project Area through financial assistance to non-profit organizations. If the buildings are substandard, they may be demolished and rebuilt. Any housing which is demolished will be rebuilt on-site. Additional funds may be used to accomplish this including, tax credit financing, HOME funds, and other government grants.

AB1290 requires this Implementation Plan to set forth how the Agency intends to address the requirement for expenditure of its Housing Funds and the replacement housing, if any. In the fall of 1992, the Agency established priorities for the expenditure of Housing Funds. The first priority was to address the provision of affordable housing for families earning less than 50% of median income. The second priority was established as the Neighborhood Revitalization Program (including the Neighborhood Pride and Home Rehabilitation Programs). The third priority was to implement Housing Support Services. The fourth priority<sup>1</sup> was identified to be new affordable housing for seniors. The following programs have been developed to increase, preserve, and improve the supply of affordable housing in and serving the Project Area. Specific expenditures and unit development figures are set forth in Attachments No. 1 and 2 to this plan.

### **Priority 1**

**New Housing Resources-** The Agency will devote the majority of the Housing Fund to assist non-profit organizations in purchasing existing rental properties for rehabilitation and conversion to long term affordable housing for households earning less than 50% of median income.

The first family housing project was successfully completed with the Mary Erickson Foundation. The purpose of acquiring deteriorated rental properties is to improve and preserve existing low income neighborhoods by providing financial assistance to non-profit agencies whose mission is to provide long term affordable housing. The use of Housing Funds for downpayment assistance to acquire properties will produce rents low enough for one family to occupy one dwelling unit for the economic life of the property.

Presently there are over 7,300 multi-family units in the City. Besides the 8 unit building purchased by Mary Erickson Foundation, there is only one other below-market rate apartment building in San Clemente. This is a 72 unit senior housing building constructed with Federal Government funds. The acquisition of existing properties by non-profit agencies will improve and increase the supply of below-market rate rental housing.

As stated above, there are very few opportunities for purchasing properties in the Project Area, but many in the adjacent streets in the three Neighborhood Pride target areas. Properties will be appraised and analyzed to determine which can meet the rental needs of the program. Properties will either be purchased and rehabilitated or demolished and replaced with new affordable housing. Determining priority for use of the funds will depend on the project, the length and depth of affordability, the number of units, and subsidy required. Priority will also depend on the supply of other affordable housing built or provided by private developers. The intent of the program is to provide a balance between family, senior and individual housing needs. A portion of the Housing Coordinator's time is allocated to working with non-profit organizations, analyzing properties and writing grants to further leverage Housing Funds to acquire properties.

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<sup>1</sup>Senior Housing was given the fourth priority because \$367,000 was utilized to provide 15 loans for low income seniors to purchase their lot in the Shorecliffs Mobile Home Park. However, senior housing needs will be balanced with family and individual needs when allocating funds for New Housing Resources.

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## Redevelopment Agency

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### ***Priority 2***

**Neighborhood Revitalization Program** - In 1992, the City Council approved the City's Home Rehabilitation Program. The Agency administers this Program and administration is paid by Housing Funds. Funds pay for staff to apply for and administer the Federal Housing Grants (CDBG and HOME) and to carry out all aspects of the rehabilitation of private properties. In addition, staff administers the Neighborhood Pride Program which is an education, clean-up and enforcement program to improve low-income properties and neighborhoods.

Grants and loans from the Home Rehabilitation Program are available to property owners of both owner-occupied and rental housing in the Project Area. An owner-occupied loan program is offered to property owners earning less than 80% of median income. To be eligible for loans, single family properties can not have an after-rehabilitation value of more than \$237,000. Rental property must house tenants earning less than 65% of median family income and rents are limited for a period of 5 years according to the HOME Program guidelines. Ten properties are projected to be rehabilitated each year depending on the amount of funds allocated to the City by the CDBG and HOME Programs. A total of \$150,000 is being requested for the 1995-96 FY.

### ***Priority 3***

**Housing Support Services**- Two programs have been funded by the Housing Fund to assist low income households in the City. These programs are: the San Clemente Seniors Shared Housing Program and the ESA Homeless Prevention Program. A total of \$15,000 has been allocated to pay for part-time staff and supplies for the operation of the San Clemente office of the San Clemente Seniors, Shared Housing Program. This program provides a screening service matching seniors with other individuals who need to share housing in San Clemente. Shared housing reduces the housing cost of individuals an average of \$350 per month, thereby providing another means of providing affordable housing in the City. Last year an approximately 200 matches were made and over 600 calls were responded to each month.

The Homeless Prevention Program commenced during the fall of 1994. The program assists the working poor to move out of motels or transitional shelters and into apartments by providing the first month's rent and deposit. The program also assists households that are temporarily in need of rent funds due to a lost job, illness, etc. Loans of up to \$2,000 are made and paid back over 2 years or as set-up by the caseworker. The Housing Fund provided \$25,000 to be used as the funding source for the loans. It is estimated that 50 -75% of the funds will be repaid and can be loaned out again, thereby establishing a revolving loan account. It is projected that an additional \$10,000 per year for 5 years will be allocated to the loan fund until it is firmly established. The ESA also intends to encourage private businesses to donate to the fund.

### **Conclusion**

The San Clemente Redevelopment Agency Five Year Master Plan describes the programs which are proposed to be undertaken during the next five years in order to assist in the alleviation of blighted conditions existing in the Project Area and to increase, improve and preserve the community's supply of affordable housing. Redevelopment is subject to changing community needs and market forces. Therefore, this Master Plan should be reevaluated annually.

### **Recommendation**

The San Clemente Redevelopment Agency should meet annually to review the goals and set priorities for the Five Year Master Plan.



**Lighting  
&  
Landscaping  
Assessment  
District**





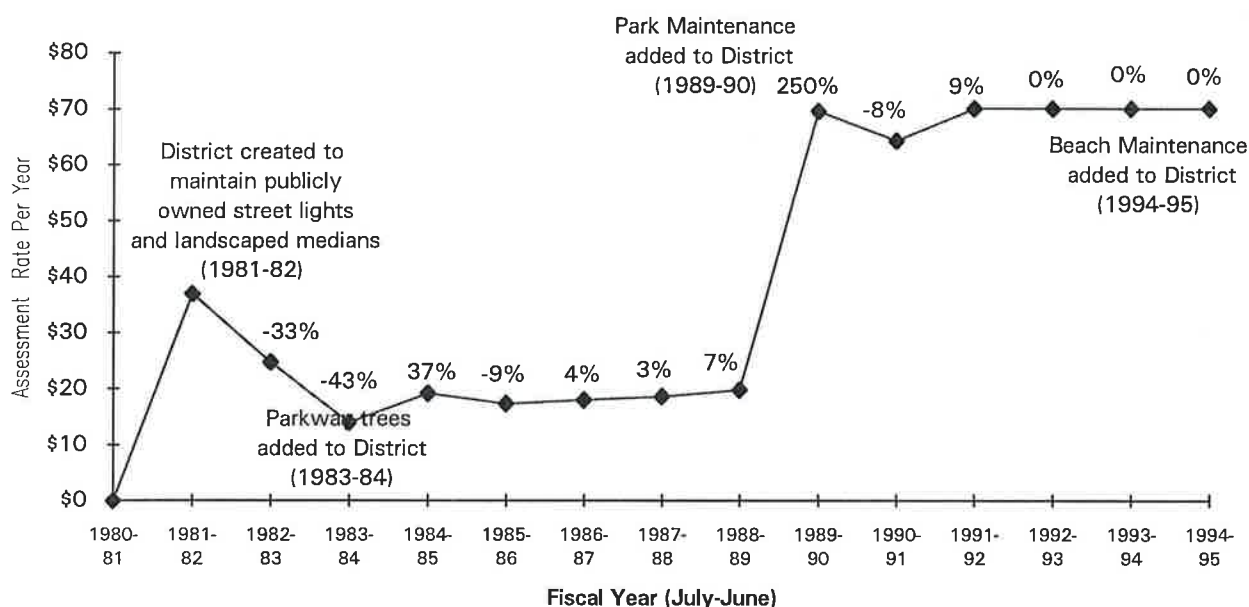
# Lighting and Landscaping

## Objective

The goal of this master plan is to create a concise five year plan for the Lighting and Landscape Assessment District that anticipates necessary expenditures and matching revenues for the Lighting and Landscape Assessment District. The desired result is the continued efficient and effective utilization of the District for the benefit of the residents of San Clemente.

## Background

The San Clemente Lighting and Landscaping Assessment District was formed by City Council action in 1981, pursuant to the Landscape and Lighting Act of 1972. The original purpose of the District was to fund the operation and maintenance of the city's street lights, and landscaped medians. In 1983, the District was expanded to fund the maintenance of city owned trees and specified parkway areas. In 1989, the District was expanded to fund the maintenance of city parks and public buildings. Finally, in 1994, the District incorporated the maintenance of city beaches. The following graph provides a visual picture of the 14 year history of the District.



The boundary of the District is the same as the city limits boundary. The District receives its funding through the collection of an annual assessment placed upon property owners within the city limits. The assessment costs are set annually and approved by City Council at a public hearing. The assessment costs are based upon the operational and maintenance requirements of those functions within the District jurisdiction. In addition, renovation and revitalization capital improvement projects specific to the functions described above are funded each year through the District.

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# Lighting and Landscaping

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## Summary

### **Expenditures**

In order to anticipate the future expenditures of the Lighting and Landscape Assessment District, a five year plan has been prepared. This plan is separated into four areas:

1. Beach and Park Maintenance
2. Tree Maintenance
3. Median and Parkway Maintenance
4. Street Light Maintenance

The Beaches, Parks and Recreation Department also prepared a forecasting model that expands upon the adopted Parks and Recreation Master Plan in anticipating new park and recreation development from 1994 through 2010. Portions of this model that relate to the Lighting and Landscape Assessment District are included in this mater plan (Attachment "B").

### **1. Beach and Park Maintenance**

The City currently maintains 141 acres of parks and beaches. They represent an extremely valuable resource to the community and provide for a variety of leisure time pursuits for all ages. The facilities and amenities that are a part of the park system are in a constant state of use. Therefore, they require ongoing maintenance and regularly scheduled renovation and upgrading if they are to retain an acceptable level of usability. In order to anticipate these expenditures, a fifteen year capital improvement plan has been prepared that is a part of the forecasting model (Attachment "B"). This plan establishes time frames for when facilities will be renovated and an estimate of the cost. In addition, the Chapman University Economic and Business Review, December 1993 inflation rates were used to forecast costs.

Please note that the 133 acre Municipal Golf Course is not included in this report. The Municipal Golf Course is operated and maintained separately from the Lighting and Landscape Assessment District. The Golf Course is self sufficient, utilizing a separate Enterprise Fund to fund all of its needs.

### **2. Tree Maintenance**

The City owns approximately 12,000 trees located in city parks, beaches and along city streets that are maintained by the Lighting and Landscape Assessment District. In order to anticipate expenditure budgets for maintenance over the next five years, the Forecasting Model (Attachment "B") was used to determine long term capital and maintenance needs and the Chapman University Economic and Business Review, December 1993 inflation rates was used to forecast costs.

### **3. Median and Parkway Maintenance**

The City owns and maintains 21 acres of medians and parkways that are maintained by the Lighting and Landscape Assessment District. The Forecasting Model (Attachment "B") was used to determine potential increases in the improvements and assets and the Chapman University Economic and Business Review, December 1993 inflation rates was used to forecast costs.

### **4. Street Lighting**

The City currently is responsible for 2,246 street lights located along public streets. A portion of these lights are located on utility poles that are owned by San Diego Gas and Electric Company (SDGE). The District pays for SDGE to operate and maintain the lights attached to the utility poles. The remaining lights are owned and maintained by the City. In order to anticipate expenditure budgets for maintenance and capital improvements over the next five years, the Maintenance Services Division (that manages street lights in the City) provided the forecasting. The Maintenance Services Division does not anticipate City acceptance of new street lights during this five year time frame. There is the potential that the Forster Ranch specific plan area will continue to develop. However, the vast majority of streets in this area will be private. Therefore, the five year plan has utilized 1994-95 fiscal year budget funding levels, modified by the Chapman University Economic and Business Review, December 1993 inflation rates.

It should be noted that the City is currently studying the potential of contracting street light maintenance services. This could lead to a reduction in the cost to maintain street lighting in the City. However, since the potential contracting option is still preliminary in nature, it is not anticipated to be implemented within this report. If it becomes a reality in the near future, the impact upon the Lighting and Landscape Assessment District will be a reduction in the expenditure budget pertaining specifically to street light maintenance. The amount of the reduction will depend upon the actual price of the successful contractor selected by the City.

### **Revenue**

In order to fund the various expenditure budgets within the Lighting and Landscape Assessment District, the District generates revenue through annual assessments placed upon property owners within the City. The assessments are levied on the basis of benefit and are considered a user fee. All privately held properties within the City are assessed on a yearly basis.

The Assessment District classifies fees into six different zones. These zones, labeled A through F, are defined as follows:

A: R-1 and R-2 residential parcels not included in Zones B, C, and D. Assessment fee is charged on a per parcel basis.

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## Lighting and Landscaping

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B: Commercial, industrial, recreational, R-4 residential, R-3 residential (west of Buena Vista between Dije Court and Linda Lane), and large parcels in process of development. Assessment fee is charged on a per acre basis.

C: Residential parcels (including condominiums) with privately owned streets and not served by public street lighting or landscaping. Assessment fee is charged on a per unit basis.

D: Condominium units served by public street lighting and landscaping. Assessment fee is charged on a per unit basis.

E: Publicly owned and other parcels exempt from assessments. No assessment fee is charged per parcel.

F: Time share units given separate assessor parcel numbers. Assessment fee is charged on a per unit basis.

Each zone is assessed based upon a formula that establishes the specific benefit received. Please refer to the bottom portion of Attachment "A-1 through A-4" for the annual cost per unit or parcel within each zone. For comparison purposes, please utilize Zone A, which represents single family residential development and contains the largest number of parcels of the six zones. The individual assessments are tabulated by Assessor's parcel number and forwarded to the County of Orange. The County adds the assessment fee to each property tax bill.

### Conclusion and Alternatives

The Lighting and Landscape District annual assessments have remained the same for the past four years. In this time frame, two parks, three miles of hiking trail and a number of landscaped median islands and parkway trees have been added to the District. In addition, the entire beach maintenance operation has been transferred to the District. This has resulted in an increase in the overall maintenance budget covered within the District. In order to balance the budget, capital improvement projects have been placed on hold and specific maintenance functions have been contracted. All park and beach maintenance operations are now provided by private landscape maintenance companies. These efforts have been successful in retaining a high level of maintenance quality within the park system at current revenue allocations.

Unfortunately, the four year stretch with no rate adjustments to cover increased maintenance responsibilities has now created a situation where a substantial rate increase will be necessary in order to continue current levels of maintenance and allocate additional funding for capital improvement projects.

In an effort to determine what options would be available, staff investigated a number of different scenarios to mitigate the potential assessment rate increases. The first two scenarios maintain current service levels in maintenance and opposing options (incorporating all capital

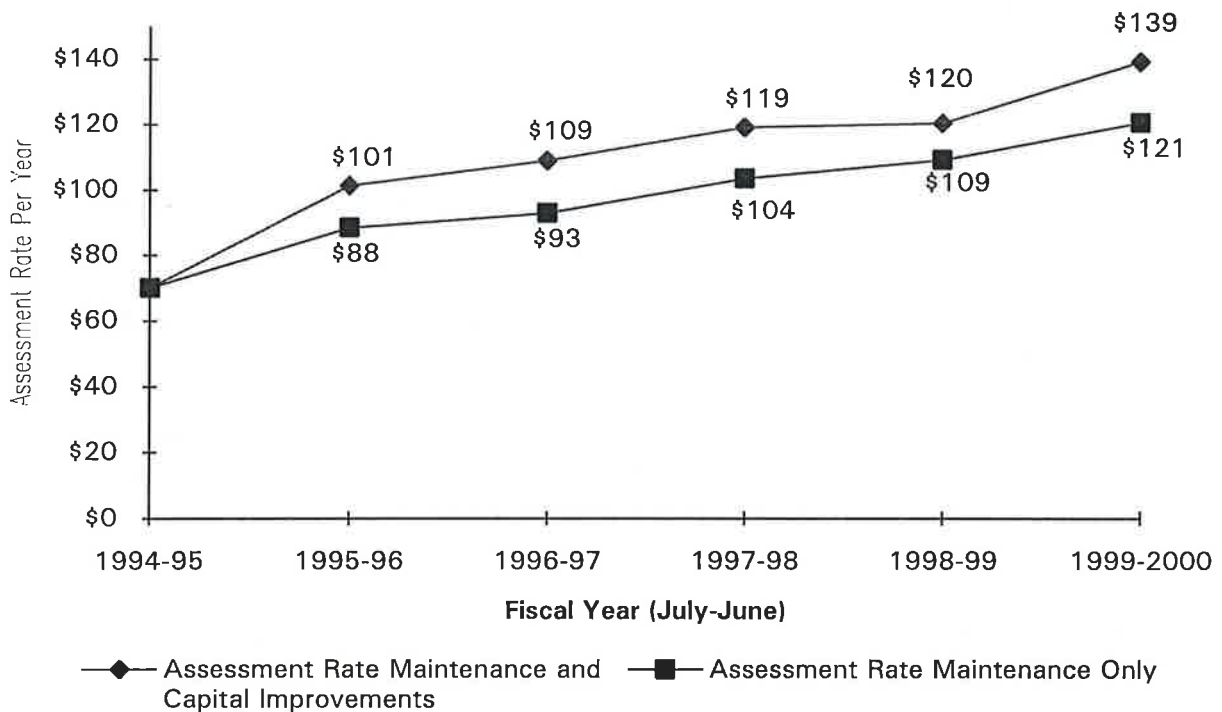
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## Lighting and Landscaping

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improvement projects into the equation or eliminating all capital improvement projects from the equation) in managing capital improvement needs. Staff has developed these scenarios in order to provide City Council with a picture of the impact of the potential assessment rate increases.

The lower portion of Attachment "A-1" and "A-2" details the individual cost per unit or parcel within each of the six zones over the next five years under these scenarios. The following graph shows the projected assessment rate for an average single family residence under scenarios one and two:



**Scenario One:** The first scenario incorporates capital improvement projects along with maintenance and operational expenditures. Under this scenario, Zone A (single family residential) would increase from the current assessment rate of \$70 per residential parcel per year to \$101 per parcel per year. On a monthly basis, the cost would be \$8.42. This amounts to a 45% increase (\$31) in the assessment rate per year. The other Zone rates are provided in the lower portion of Attachment "A-1".

**Scenario Two:** The second scenario provides a comparison to the first scenario. This scenario eliminates all capital improvement projects from the five year budget. This creates a picture of the impact of maintenance and operational expenditures upon the District without capital expenses. Under this scenario, Zone A (single family residential) would increase from the current assessment rate of \$70 per residential parcel per year to \$88 per parcel per year. On a monthly basis, the cost would be \$7.33. This amounts to a 26% increase (\$18) in the assessment rate per year. The other Zone rates are provided in the lower portion of Attachment "A-2".



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## Lighting and Landscaping

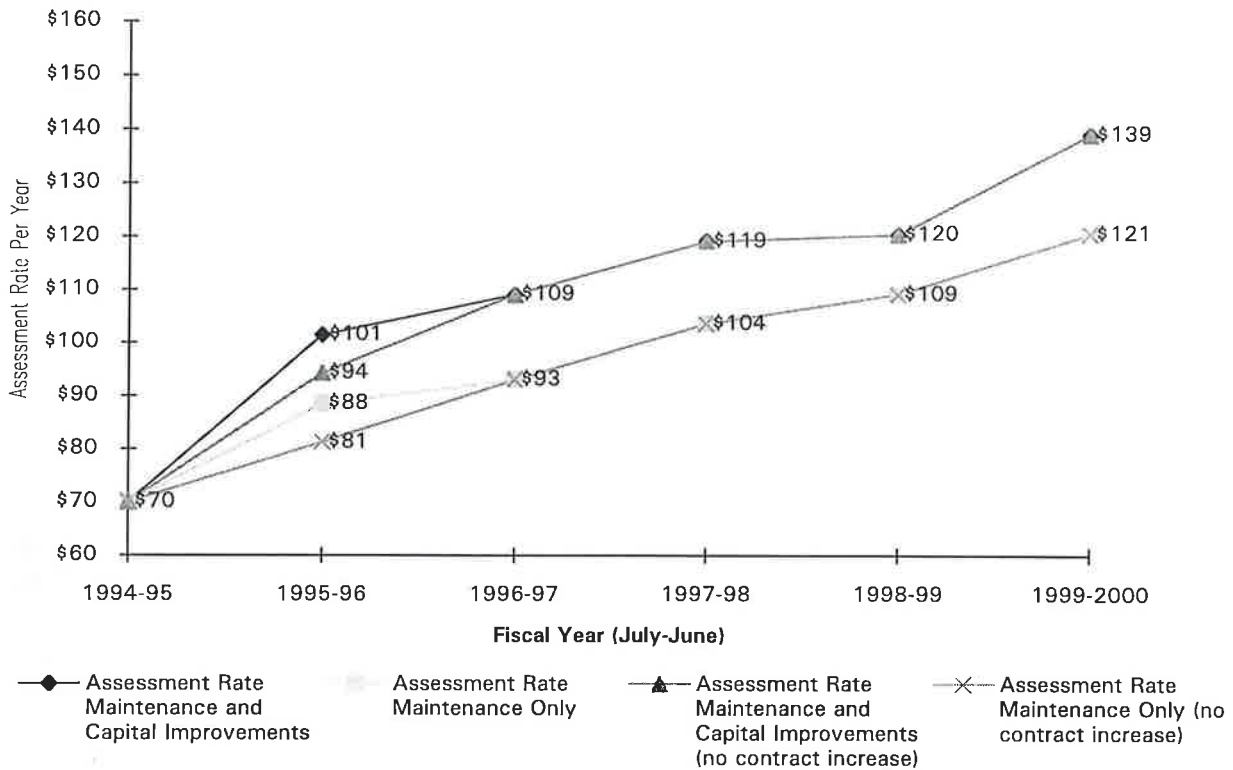
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A third scenario looked at utilizing bond financing to pay for the capital improvement projects within the District, as a separate issuance or in combination with other capital needs within the City. Unfortunately, this scenario would be very expensive, since the cost of issuance of the bonds would be high in comparison to the limited capital improvement budget (approximately \$1.5 million over the next five years) to be financed.

Staff also explored the potential that no or only limited assessment rate increases would be acceptable. Under this fourth scenario, staff considered (a) reducing the maintenance service level in all areas of the beach and park system or (b) closing of specific beach and park facilities while maintaining current maintenance levels in the remaining beaches and parks in order to reduce costs. This scenario would be very painful since all park and beach facilities are important resources to the City. To consider the possibility of allowing all or selected facilities to deteriorate from current quality standards would not be a pleasant decision. Under this scenario, staff would suggest that the Parks and Recreation Commission be directed to consider the options and make their recommendations to City Council.

Finally, in the fifth and sixth scenarios, staff considered the possibility of negotiating with all maintenance contract providers funded within the Lighting and Landscape Assessment District to determine actual increases in maintenance costs for the coming fiscal year and utilizing the Chapman University Economic and Business Review 1993 inflation rates only for all non-contract portions of the expenditure budget. These scenarios appear to have the best potential for reducing the initial impact of a large assessment rate increase in the 1995-96 fiscal year. In order to better visualize the concept, staff has developed these scenarios to compare the rate increases against scenarios one and two described earlier. Please refer to Attachments "A-3" and "A-4". The following chart graphically depicts the assessment rate increases in comparison to scenarios one and two above.

## Lighting and Landscaping



In these scenarios, staff has assumed that all contract maintenance service providers would agree to no increase in cost for contract services in the 1995-96 fiscal year.

**Scenario Five:** This scenario incorporates capital improvement projects along with maintenance and operational expenditures with no projected increase in contract maintenance services. Under this scenario, Zone A (single family residential) would increase from the current assessment rate of \$70 per residential parcel per year to \$94 per parcel per year. On a monthly basis, the cost would be \$7.83. This amounts to a 35% increase (\$24) in the assessment rate per year. Staff has assumed that contract maintenance providers would be rewarded for their sacrifice in the 1995-96 fiscal year by authorizing an agreed upon increase that is tied to the Consumer Price Index for both the 1995-96 and 1996-97 fiscal years as part of their contracts in the 1996-97 fiscal year. For purposes of consistency in this report, staff has utilized the Chapman University Economic and Business Review 1993 inflation rates to calculate possible increases. This would provide the necessary rate increase relief the City desires in the 1995-96 fiscal year and yet provide the contract maintenance service providers with a way to recoup their loss in the following fiscal year. The other Zone rates are provided in the lower portion of Attachment "A-3".

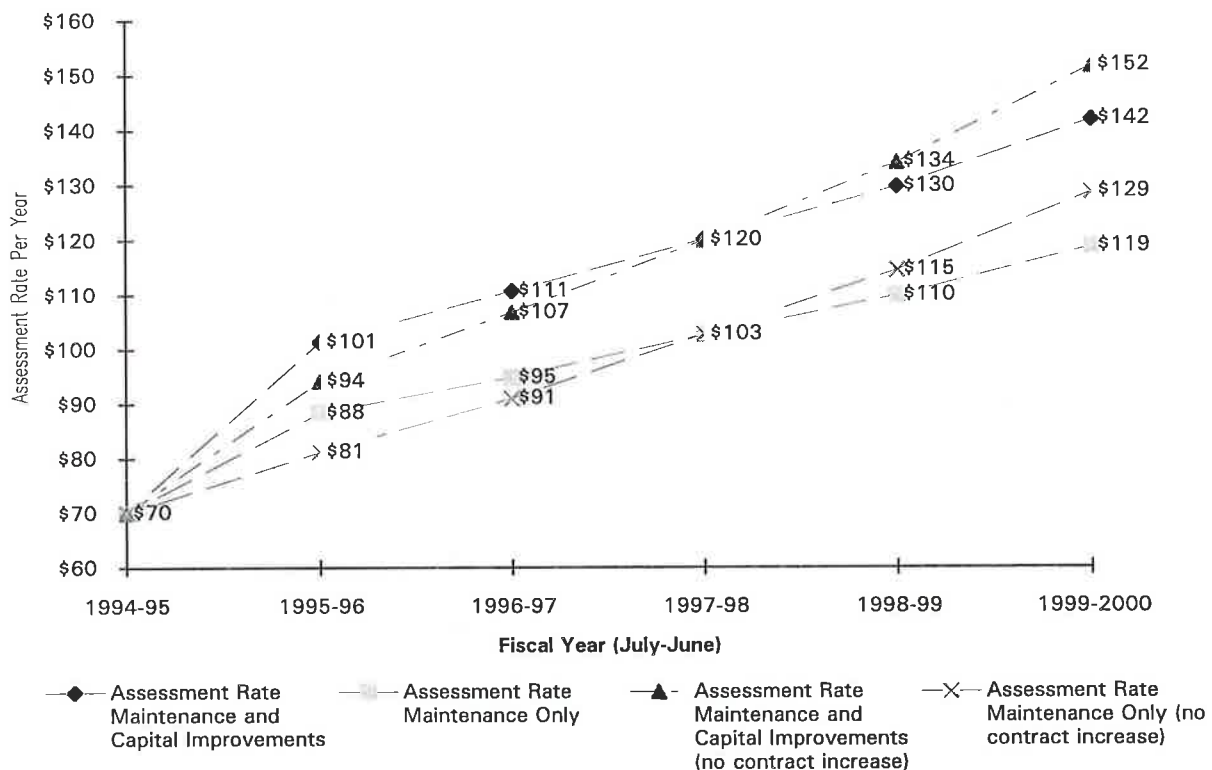
**Scenario Six:** This scenario provides a comparison to the fifth scenario. This scenario eliminates all capital improvement projects from the five year budget. This creates a picture of the impact of maintenance and operational expenditures upon the District without capital expenses. Under this scenario, Zone A (single family residential) would increase from the current assessment rate of \$70 per residential parcel per year to \$81 per parcel per year. On a monthly basis, the cost



# Lighting and Landscaping

would be \$6.75. This amounts to a 16% increase (\$11) in the assessment rate per year. Once again, staff has assumed that contract maintenance providers would be rewarded for their sacrifice in the 1995-96 fiscal year by authorizing an agreed upon increase that is tied to the Consumer Price Index for both the 1995-96 and 1996-97 fiscal years as part of their contracts in the 1996-97 fiscal year. For purposes of consistency in this report, staff has utilized the Chapman University Economic and Business Review 1993 inflation rates to calculate possible increases. This would provide the necessary rate increase relief the City desires in the 1995-96 fiscal year and yet provide the contract maintenance service providers with a way to recoup their loss in the following fiscal year. The other Zone rates are provided in the lower portion of Attachment "A-4".

Finally, in addition to reducing the initial assessment rates for the 1995-96 fiscal year in scenarios five and six, staff has utilized the concept of averaging the annual assessment cost over the next four years to create a more consistent rate increase versus a sporadic increase driven solely by the expenditure budgets. Please refer to Attachment "A-5". Under this averaging concept, the District would realize either a positive or negative fund balance at the end of each fiscal year that would then be carried forward into the next fiscal year. At the end of the five year forecast, the District would be financially healthy.



### **Recommendation**

In order for the City to continue to properly manage its park and recreational resources in an efficient and effective manner, both maintenance and capital improvement needs must be balanced. To continue to place necessary capital improvement projects on hold due to lack of funding will result in higher maintenance costs to repair and provide quality upkeep. Ultimately, it will result in the closure of facilities due to decay and vandalism. Considering the recreational and economic value of these assets, this is not a wise course of action to take.

THEREFORE, Staff recommends that City Council direct staff to (1) finalize negotiations with all contract maintenance companies providing services within the Lighting and Landscape Assessment District, requesting that they delay requests for increases in maintenance costs in the 1995-96 fiscal year, (2) authorize staff to negotiate an acceptable maintenance cost increase in the 1996-97 fiscal year based upon the Consumer Price Index that would allow maintenance contractors to recoup the loss sustained in the 1995-96 fiscal year and, (3) authorize staff to average appropriate rate increases over the next 5 years. This will provide a consistent and level percentage increase over the 5 year period.

**Lighting Landscape Assessment District  
Five Year Forecast  
Expenditure Budget Assessment Rates  
With Capital Improvement Projects**

Attachment A1

<b>Maintenance Functions</b>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>Total</i>
Beach & Park Maintenance	\$1,190,580	\$1,368,760	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,632,321
<i>Subtotal</i>	\$1,190,580	\$1,368,760	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,632,321
Tree Maintenance	\$178,690	\$186,731	\$194,574	\$270,920	\$283,111	\$366,275	\$1,480,301
Median & Parkway Maintenance	148,200	154,869	161,374	195,488	204,285	252,319	1,116,535
Street Light Maintenance	349,240	364,955	380,283	396,255	414,086	428,579	2,333,398
<i>Subtotal</i>	\$676,130	\$706,555	\$736,231	\$862,663	\$901,482	\$1,047,173	\$4,930,234
<b>Subtotal Maint. Functions</b>	\$1,866,710	\$2,075,315	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623	\$13,562,555
 <b>Capital Improvement Projects</b>							
Capital: Beach & Park	\$45,000	\$125,000	\$125,000	\$239,000	\$213,000	\$365,000	\$1,112,000
<i>Subtotal</i>	\$45,000	\$125,000	\$125,000	\$239,000	\$213,000	\$365,000	\$1,112,000
Capital: Tree, Median & Parkway		\$115,000	\$165,000	\$65,000	\$15,000	\$15,000	\$375,000
Capital: Street Lighting							0
<i>Subtotal</i>	\$0	\$115,000	\$165,000	\$65,000	\$15,000	\$15,000	\$375,000
<b>Subtotal Capital</b>	\$45,000	\$240,000	\$290,000	\$304,000	\$228,000	\$380,000	\$1,487,000
<b>Grand Total</b>	\$1,911,710	\$2,315,315	\$2,452,520	\$2,652,855	\$2,682,532	\$3,034,623	\$15,049,555

**Assessment Rates**

Rates Per Zone

	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>
A	\$70	\$101	\$109	\$119	\$120	\$139
B	\$420	\$609	\$654	\$714	\$722	\$835
C	\$61	\$85	\$90	\$99	\$101	\$115
D	\$62	\$87	\$92	\$101	\$103	\$117
E	\$0	\$0	\$0	\$0	\$0	\$0
F	\$1	\$2	\$2	\$2	\$2	\$2

Percentage Increase Per Zone

	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>
A	0%	45%	7%	9%	1%	16%
B	0%	45%	7%	9%	1%	16%
C	0%	39%	6%	10%	2%	14%
D	0%	39%	6%	10%	2%	14%
E	0%	0%	0%	0%	0%	0%
F	0%	40%	6%	10%	2%	14%

**Lighting Landscape Assessment District  
Five Year Forecast  
Expenditure Budget Assessment Rates  
With No Capital Improvement Projects**

Attachment A2

<b>Maintenance Functions</b>	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	Total
Beach & Park Maintenance	\$1,190,580	\$1,368,760	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,632,321
<i>Subtotal</i>	\$1,190,580	\$1,368,760	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,632,321
Tree Maintenance	\$178,690	\$186,731	\$194,574	\$270,920	\$283,111	\$366,275	\$1,480,301
Median & Parkway Maintenance	148,200	154,869	161,374	195,488	204,285	252,319	1,116,535
Street Light Maintenance	349,240	364,955	380,283	396,255	414,086	428,579	2,333,398
<i>Subtotal</i>	\$676,130	\$706,555	\$736,231	\$862,663	\$901,482	\$1,047,173	\$4,930,234
<b>Subtotal Maint. Functions</b>	\$1,866,710	\$2,075,315	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623	\$13,562,555
<b>Capital Improvement Projects</b>							
Capital: Beach & Park	\$45,000						
<i>Subtotal</i>	\$45,000						
Capital: Tree, Median & Parkway							
Capital: Street Lighting							
<i>Subtotal</i>	\$0						
<b>Subtotal Capital</b>	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0
<b>Grand Total</b>	\$1,911,710	\$2,075,315	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623	\$13,607,555

**Assessment Rates**

Rates Per Zone

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
A	\$70	\$88	\$93	\$104	\$109	\$121
B	\$420	\$531	\$558	\$621	\$655	\$723
C	\$61	\$76	\$80	\$86	\$90	\$97
D	\$62	\$77	\$81	\$88	\$92	\$99
E	\$0	\$0	\$0	\$0	\$0	\$0
F	\$1	\$2	\$2	\$2	\$2	\$2

Percentage Increase Per Zone

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
A	0%	26%	5%	11%	5%	10%
B	0%	26%	5%	11%	5%	10%
C	0%	24%	5%	8%	5%	7%
D	0%	24%	5%	8%	5%	8%
E	0%	0%	0%	0%	0%	0%
F	0%	25%	5%	8%	5%	8%

**Lighting Landscape Assessment District  
Five Year Forecast  
Expenditure Budget Assessment Rates  
With Capital Improvement Projects  
(no contract increase)**

Attachment A3

<b>Maintenance Functions</b>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>Total</i>
Beach & Park Maintenance	\$1,190,580	\$1,230,005	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,493,566
<i>Subtotal</i>	\$1,190,580	\$1,230,005	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,493,566
Tree Maintenance	\$178,690	\$181,331	\$194,574	\$270,920	\$283,111	\$366,275	\$1,474,901
Median & Parkway Maintenance	148,200	152,819	161,374	195,488	204,285	252,319	1,114,485
Street Light Maintenance	349,240	364,955	380,283	396,255	414,086	428,579	2,333,398
<i>Subtotal</i>	\$676,130	\$699,105	\$736,231	\$862,663	\$901,482	\$1,047,173	\$4,922,784
<b>Subtotal Maint. Functions</b>	\$1,866,710	\$1,929,110	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623	\$13,416,350

**Capital Improvement Projects**

Capital: Beach & Park	\$45,000	\$125,000	\$125,000	\$239,000	\$213,000	\$365,000	\$1,112,000
<i>Subtotal</i>	\$45,000	\$125,000	\$125,000	\$239,000	\$213,000	\$365,000	\$1,112,000
Capital: Tree, Median & Parkway		\$115,000	\$165,000	\$65,000	\$15,000	\$15,000	\$375,000
Capital: Street Lighting							0
<i>Subtotal</i>	\$0	\$115,000	\$165,000	\$65,000	\$15,000	\$15,000	\$375,000
<b>Subtotal Capital</b>	\$45,000	\$240,000	\$290,000	\$304,000	\$228,000	\$380,000	\$1,487,000
<b>Grand Total</b>	\$1,911,710	\$2,169,110	\$2,452,520	\$2,652,855	\$2,682,532	\$3,034,623	\$14,903,350

**Assessment Rates**

Rates Per Zone

	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>
A	\$70	\$94	\$109	\$119	\$120	\$139
B	\$420	\$566	\$654	\$714	\$722	\$835
C	\$61	\$78	\$90	\$99	\$101	\$115
D	\$62	\$80	\$92	\$101	\$103	\$117
E	\$0	\$0	\$0	\$0	\$0	\$0
F	\$1	\$2	\$2	\$2	\$2	\$2

Percentage Increase Per Zone

	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>
A	0%	35%	16%	9%	1%	16%
B	0%	35%	16%	9%	1%	16%
C	0%	28%	15%	10%	2%	14%
D	0%	28%	15%	10%	2%	14%
E	0%	0%	0%	0%	0%	0%
F	0%	29%	15%	10%	2%	14%



**Lighting Landscape Assessment District**  
**Five Year Forecast**  
**Expenditure Budget Assessment Rates**  
**With No Capital Improvement Projects**  
**(no contract increase)**

Attachment A4

<b>Maintenance Functions</b>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>Total</i>
Beach & Park Maintenance	\$1,190,580	\$1,230,005	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,493,566
<i>Subtotal</i>	\$1,190,580	\$1,230,005	\$1,426,289	\$1,486,192	\$1,553,050	\$1,607,450	\$8,493,566
Tree Maintenance	\$178,690	\$181,331	\$194,574	\$270,920	\$283,111	\$366,275	\$1,474,901
Median & Parkway Maintenance	148,200	152,819	161,374	195,488	204,285	252,319	1,114,485
Street Light Maintenance	349,240	364,955	380,283	396,255	414,086	428,579	2,333,398
<i>Subtotal</i>	\$676,130	\$699,105	\$736,231	\$862,663	\$901,482	\$1,047,173	\$4,922,784
<b>Subtotal Maint. Functions</b>	\$1,866,710	\$1,929,110	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623	\$13,416,350

**Capital Improvement Projects**

Capital: Beach & Park	\$45,000						
<i>Subtotal</i>	\$45,000						
Capital: Tree, Median & Parkway							
Capital: Street Lighting							
<i>Subtotal</i>	\$0						
<b>Subtotal Capital</b>	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0

<b>Grand Total</b>	\$1,911,710	\$1,929,110	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623	\$13,461,350
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**Assessment Rates**

Rates Per Zone

	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>
A	\$70	\$81	\$93	\$104	\$109	\$121
B	\$420	\$488	\$558	\$621	\$655	\$723
C	\$61	\$69	\$80	\$86	\$90	\$97
D	\$62	\$70	\$81	\$88	\$92	\$99
E	\$0	\$0	\$0	\$0	\$0	\$0
F	\$1	\$1	\$2	\$2	\$2	\$2

Percentage Increase Per Zone

	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>
A	0%	16%	14%	11%	5%	10%
B	0%	16%	14%	11%	5%	10%
C	0%	13%	15%	8%	5%	7%
D	0%	13%	15%	8%	5%	8%
E	0%	0%	0%	0%	0%	0%
F	0%	14%	15%	8%	5%	8%

**Lighting Landscape Assessment District  
Five Year Forecast  
Revenue Expenditure Budget Assessment Rates  
Based Upon Averaging**

Attachment A5

**Assessment Rate Maintenance and Capital Improvements**

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Beginning Balance	\$0	\$0	\$0	\$36,444	\$59,225	\$253,001
Revenue (7.5%)	\$1,911,710	\$2,315,315	\$2,488,964	\$2,675,636	\$2,876,309	\$3,092,032
Expenditure	\$1,911,710	\$2,315,315	\$2,452,520	\$2,652,855	\$2,682,532	\$3,034,623
<i>Ending Balance</i>	\$0	\$0	\$36,444	\$59,225	\$253,001	\$310,410

**Assessment Rate Maintenance Only**

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Beginning Balance	\$0	\$0	\$0	\$37,314	\$20,283	\$37,484
Revenue (6.5%)	\$1,911,710	\$2,075,315	\$2,199,834	\$2,331,824	\$2,471,733	\$2,620,037
Expenditure	\$1,911,710	\$2,075,315	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623
<i>Ending Balance</i>	\$0	\$0	\$37,314	\$20,283	\$37,484	\$2,899

**Assessment Rate Maintenance and Capital Improvements (no contract increase)**

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Beginning Balance	\$0	\$0	\$0	(\$44,808)	(\$25,102)	\$258,908
Revenue (11%)	\$1,911,710	\$2,169,110	\$2,407,712	\$2,672,560	\$2,966,542	\$3,292,862
Expenditure	\$1,911,710	\$2,169,110	\$2,452,520	\$2,652,855	\$2,682,532	\$3,034,623
<i>Ending Balance</i>	\$0	\$0	(\$44,808)	(\$25,102)	\$258,908	\$517,146

**Assessment Rate Maintenance Only (no contract increase)**

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Beginning Balance	\$0	\$0	\$0	(\$40,499)	(\$55,131)	\$57,983
Revenue (10%)	\$1,911,710	\$1,929,110	\$2,122,021	\$2,334,223	\$2,567,645	\$2,824,410
Expenditure	\$1,911,710	\$1,929,110	\$2,162,520	\$2,348,855	\$2,454,532	\$2,654,623
<i>Ending Balance</i>	\$0	\$0	(\$40,499)	(\$55,131)	\$57,983	\$227,769





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# Lighting and Landscaping

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BEACHES, PARKS AND RECREATION DEPARTMENT  
FORECASTING MODEL 1995-2010  
PREPARED OCTOBER 1994  
(Revised)

ATTACHMENT "B"

1.	Existing park and beach access acreage (1995) ****	120.71 acres
	Existing beach (1995) ****	20.00 acres
	Existing Municipal Golf Course	<u>133.00</u> acres
		253.71 acres
	Proposed additional park and open space acreage (2010)	98.29 acres
	Proposed additional beach acreage	0.00 acres
	Proposed additional golf course acreage (second course)	<u>150.00</u> acres
		248.29 acres
2.	Existing median/parkway acreage (1995)	20.90 acres
	Proposed additional median acreage (2010) **	17.18 acres
3.	Existing street and park trees (1995) *	12,000 trees
	Proposed additional street and park trees (2010) *	12,000 trees
4.	Existing bicycle paths (off street) (1995)	0 miles
	Existing bicycle paths (on street) (1995)	? miles
	Existing hiking trails (1995)	3 miles
	Proposed additional bicycle paths (off street) (2010) ***	13 miles
	Proposed additional bicycle paths (on Street) (2010) ***	? miles
	Proposed additional hiking trails (2010) ***	4 miles

\* This is a rough estimate of tree counts. Actual inventories do not exist at this time. It is also unknown to what extent street trees will be planted on residential streets.

\*\* Proposed median/parkway acreage is based upon 11.25 miles of new streets with 14' wide median islands.

11.25 miles X 5,280' = 59,400 linear ft. of medians  
59,400 X 90% = 53,460 linear ft. (excluding intersections & other median cuts)

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## Lighting and Landscaping

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$53,460 \times 14'$  (width of median)= 748,440 sq. ft.  
 $748,440 \text{ sq. ft.} \div 43,560 \text{ sq. ft. (acre)}= 17.18 \text{ acres}$

Note: No additional parkway maintenance responsibilities are anticipated.

\*\*\* Proposed bicycle/hiking trails (off street) are based upon 6 miles of bicycle trails and 4 miles of additional hiking trails. All on street bicycle trails will be maintained by Maintenance Services Division of the Public Works Department.

### Bicycle Trails

$6 \text{ miles} \times 5280' = 31,680 \text{ linear ft} \times 8'$  (trail width)= 253,440 sq. ft.  
 $253,440 \text{ sq. ft} \div 43,560 \text{ (acre)}= 5.82 \text{ acres}$

### Hiking Trails

$4 \text{ miles} \times 5280' = 36,960 \text{ linear ft.} \times 16'$  (trail width)= 337,920 sq. ft.  
 $337,920 \text{ sq. ft.} \div 43,560 \text{ (acre)}= 7.76 \text{ acres}$

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# Lighting and Landscaping

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MAINTENANCE FORECASTING 1995-2010  
BEACH/PARK/BEACH ACCESS/TREES AND MEDIAN MAINTENANCE  
LIGHTING AND LANDSCAPE  
ASSESSMENT DISTRICT  
PREPARED OCTOBER 1994

1. MEDIAN AND PARKWAY MAINTENANCE

- (a) Cost per acre/year = \$7,091 (in 1995 dollars)

Median and Parkway Maintenance Contract cost: \$134,180 per year  
Overhead cost: \$14,020 per year  
Existing Median/Parkway acreage: 20.90

- (b) Type of maintenance: All city owned medians and parkways are maintained by contract with private landscape contractors. (Maint. level is "C" on a scale of A-E.)

- (c) New median island acceptance by City for maintenance.  
Note: It is not anticipated that additional parkway maintenance responsibilities will be accepted by the City.

1.	Marblehead Inland medians (2.5 miles)	1997
2.	Talega Valley Medians (first half) (3.25 miles)	1999
3.	Talega Valley Medians (second half) (3.0 miles)	2005
4.	Marblehead Coastal (2.5 miles)	1999

2. STREET AND PARK TREE MAINTENANCE

- (a) Cost per tree = \$179 (average in 1995 dollars)

Tree Maintenance cost: \$164,670 per year  
Overhead cost: \$14,020 per year  
Existing Street and Park Trees: 12,000 (Contractor required to trim 1000 trees per year)

- (b) Type of maintenance: All city owned trees are maintained by contract with private arborists. City requires that arborists must be able to trim 1000 trees per year. For planning purposes, street/park trees should be trimmed on a four year cycle. Some trees require trimming more often, others less often. (Example: palms- 2 yr. cycle; pines- 4 yr. cycle; Eucalyptus 3 yr, cycle)

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## Lighting and Landscaping

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- (c) New street/park tree acceptance by city for maintenance.
- (1) Park trees: Park trees are accepted as new parks are developed. Please refer to chart "Capital Improvement Schedule in Constant 1995 Dollars" for time lines. For planning purposes, it is estimated that there will be an additional 1,000 in future parks.
  - (2) Street trees: anticipated schedule of median island acceptance. Assume 792 trees/mile @ 20' O.C. for both parkways and center median or 528 trees per mile @ 20 O.C. for both parkways without medians.
    - Marblehead Inland streets w/medians  
(2.5 miles with 1,980 trees) 1997
    - Forster Ranch Streets w/o medians  
(3 miles with 1,584 trees) 1999
    - Talega Valley (first half w/medians)  
(3.25 miles with 2,574 trees) 1999
    - Talega Valley (first half w/o medians)  
(2.5 miles with 1,320 trees) 1999
    - Talega Valley (second half w/medians)  
(3.0 miles with 2,376 trees) 2005
    - Talega Valley (second half w/o medians)  
(1.5 miles with 792 trees) 2005
    - Marblehead Coastal w/medians  
(2.0 miles with 1,584 trees) 1999

At this time, it is not anticipated that local residential streets will be planted with street trees due to a variety of reasons (i.e., inadequate R.O.W. widths and ocean view blockage). Only arterial and collector streets will be planted with street trees.

- (d) Maintenance Requirements in the Future.

As the City grows, new parks and public streets will be built. These improvements will include trees. Based upon an anticipated tree population of 24,000 by the year 2010, and a current trimming schedule of every tree receiving maintenance approximately every 4 years, the following number of trees will need to be trimmed on an annual basis.

- 1,000 trees trimmed per year 1994

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## Lighting and Landscaping

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• 1,500 trees trimmed per year	1995
• 1,500 trees trimmed per year	1996
• 2,000 trees trimmed per year	1997
• 2,000 trees trimmed per year	1998
• 2,500 trees trimmed per year	1999
• 2,500 trees trimmed per year	2000
• 3,000 trees trimmed per year	2001
• 3,500 trees trimmed per year	2002
• 4,000 trees trimmed per year	2003
• 4,500 trees trimmed per year	2004
• 4,500 trees trimmed per year	2005
• 5,000 trees trimmed per year	2006
• 5,000 trees trimmed per year	2007
• 5,500 trees trimmed per year	2008
• 5,500 trees trimmed per year	2009
• 6,000 trees trimmed per year	2010

### 3. BEACH/PARK AND BEACH ACCESS MAINTENANCE

- (a) Cost per acre/year = \$8,781 (in 1995 dollars)

Park, Beach and Beach Access Maintenance cost: \$919,840

Overhead cost: \$315,740

Existing Beach/Park and Beach Access acreage: 140.71

- (b) Type of maintenance: All city owned parks and associated landscapes are maintained by contract (maintenance level is "C" on a scale of A-E.)
- (c) New park development time lines are described in chart "Capital Improvements Schedule in Constant 1995 Dollars".
- (d) Administration: As the responsibilities of the Beaches and Parks Maintenance Division increase, so does the need for proper administration of the contract services. The Beaches and Parks Maintenance Division is also responsible for beach, wastewater treatment plant, median and tree maintenance contracts as well as weed abatement of undeveloped private and public parcels. Based upon total maintenance responsibilities at City buildout, the Division will need to add 2 full time equivalent Contract Inspector positions and increase clerical support from a current part time position (15 hours per week) to a full time equivalent position. The Contract Inspector positions will need to be hired as landscape acreage expands. Current standard is one Contract inspector per 50 acres of landscape maintenance responsibility. Currently, the city employs 3 Contract Inspectors and

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## Lighting and Landscaping

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one Manager to oversee all aspects of the Beaches and Parks Maintenance Division. The full time clerical position will need to be hired in 1997.

NEW RESPONSIBILITIES AT CITY BUILDOUT (2010)  
BEACH/PARK/GOLF/TREE AND MEDIAN MAINTENANCE  
TOTALS IN THE LIGHTING AND LANDSCAPING DISTRICT

Median Maintenance

- Service: By contract
- Total expenditure budget: \$121,823/year

Street/Park Tree Maintenance

- Service: By contract
- Total expenditure budget: \$1,002,000/year

Beach/Park and Beach Access Maintenance

- Service: By contract
- Total expenditure budget: \$863,085/year

- Grand Total Full Time Equiv Staff: 2.00
- Grand Total Expenditure Budget: \$1,986,908

The above numbers do not reflect existing responsibilities as of January 1995. The numbers only reflect new responsibilities and their associated costs accepted by the City from 1995 through buildout in the year 2010 in constant 1995 dollars.



**Beaches, Parks & Recreation Department Forecasting Model 1995-2010**

Capital Improvement Schedule in Constant 1995 Dollars

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/20	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Lighting &amp; Landscaping District</b>																	
Totals	\$3,148,001	\$69,000	\$240,000	\$290,000	\$304,000	\$380,000	\$298,000	\$353,001	\$339,000	\$175,000	\$105,000	\$110,000	\$15,000	\$15,000	\$115,000	\$62,000	\$50,000
Medians/Misc.		\$162,000		\$100,000	\$50,000												
Renovation of Esplanade Medians		\$162,000		\$100,000	\$50,000												
Renovation of Valencia Medians		\$12,000		\$50,000	\$78,000												
ADA Upgrades at Several Parks		\$311,000		\$80,000	\$75,000												
Vista Bahin/San Luis Rey Parks		\$80,000					\$80,000										
Concessionaire Vista Bahin		\$170,000		\$50,000				\$60,000			\$60,000						
Renovation Vista Bahin/Sewer, LS		\$30,000				\$75,000					\$30,000						
Slope - Vista Bahin		\$70,000				\$70,000											
Renovation San Luis Rey/Pkg Lot		\$36,000					\$36,000										
Lighting San Luis Rey																	
Irrigation System San Luis Rey												\$60,000					
Bonito Canyon Park					\$75,000												
Renovation Bonito Cyn: Drainage, Oth		\$135,000															
Irrigation System - Bonito Canyon Pk		\$100,000					\$100,000										
Lighting Bonito Canyon Park		\$83,000						\$83,000									
Slope Renovation Bonito Canyon		\$40,000															
Beaches/Beach Accesses																	
North Beach Utility Sheet Pile Wall		\$36,000			\$36,000												
Beach Play Equipment Replacement		\$20,000			\$20,000												
Walkway Parque Del Mar		\$20,000			\$20,000												
Landscaping Leslie Park		\$50,000			\$50,000												
Landscaping T-Street		\$130,000			\$130,000					\$100,000							
Ole Hanson Beach Club/Community Center			\$25,000		\$25,000												
Upgrade Beach Access:Conto & Dille		\$110,000			\$110,000			\$70,000									
Upgrade Beach Access:Alamos Riviera		\$122,000			\$122,000				\$52,000								
Beach Club Repair:Roof,Balcony,Paint		\$105,000			\$20,000						\$15,000				\$100,000		
OH/Beach Club-pool, ADA, others		\$145,000			\$45,000												
Irrigation - Beach Club		\$22,000			\$22,000				\$22,000								
Cont'y Cir Rmv:HVAC, Renov:Paint		\$320,000			\$320,000				\$250,000								
Irrigation Community Center		\$25,000			\$50,000			\$25,000									
Repair Remaining Wall-Comm. Ctr.		\$67,000			\$67,000												
Repair Shuffleboard Crs-Comm. Ctr.		\$100,001			\$100,001												
San Geronimo/Mira Coast, Linda Ln, Verde Park										\$60,000							
Renovation San Geronimo Park		\$60,000			\$60,000												
Irrigation - Mira Costa Park		\$35,000			\$35,000											\$25,000	
Irrigation - Linda Lane Park		\$25,000			\$25,000											\$22,000	
Irrigation - Verde Park		\$22,000			\$22,000												
Stables																	
Urban Tree Management Program		\$40,000			\$40,000												
Street Tree Horticulture Repairs		\$240,000			\$240,000												
<b>Redevelopment Fund</b>																	
Total	\$2,226,000	\$0	\$672,000	\$129,000	\$240,000	\$650,000	\$140,000	\$50,000	\$0	\$50,000	\$0	\$310,000	\$0	\$0	\$0	\$0	\$0
Pier Bowl SP CIP w/Dir: Signage, Del Mar S.C., Victoria S.C.		\$415,000		\$415,000													
Pier Bowl SP CIP w/ Pocket Park Area/Development		\$920,000		\$920,000													
Pier Bowl SP CIP w/LL Walk, Tee Walk/Fence, Bluff Walk		\$800,000		\$800,000													
Case Romanica Restoration/Furniture/Walkway		\$0		\$0													
Parque Del Mar:At Grade Stair, Retail Plaza & Park Etnp.		\$35,000		\$0													
Fisherman's Res:Slide Deck Exp		\$237,000		\$237,000													
Fisherman's BOP Conc. +OB+FM		\$293,000		\$293,000													
T.St. Overpass Repairs		\$79,000		\$79,000				\$50,000									
Pier Repairs		\$320,000		\$320,000				\$50,000									
Beach Play Equipment Replacement		\$40,000		\$40,000													
T or Restroom Repair/Replacement		\$162,000		\$162,000			\$140,000										
T or Concession Bldg Replacement		\$200,000		\$200,000													
Replace (8) Lifeguard Towers		\$60,000		\$60,000													

5yrCIPLimit

**Beaches, Parks & Recreation Department Forecasting Model 1995-2010**

Capital Improvement Schedule in Constant 1995 Dollars

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Totals</b>	\$24,768,000	\$640,000	\$497,000	\$26,000	\$0	\$3,930,000	\$0	\$3,300,000	\$600,000	\$6,000,000	\$2,430,000	\$700,000	\$0	\$0	\$0	\$0	\$6,500,000
<i>Developer Fund</i>	\$220,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lawn Bowling San Luis Rey	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rancho San Clemente Ridgeline Trail	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Develop Forster Ranch Park, Pha. I	\$600,000	\$450,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Forster Ranch Community Park, Ph II	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Forster Ranch Community Park, III	\$2,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Forster/La Cribanata Site Acquisition/Development	\$270,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Steed Park - Concession	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
San Geronimo Concession Building	\$171,000	\$26,000	\$0	\$0	\$145,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aquatics Complex	\$6,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Concordia School Park	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$0	\$400,000	\$0	\$0	\$0	\$0	\$0	\$0
San Pablo Residential Park	\$400,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marblehead Bluff Top Park	\$1,200,000	\$0	\$0	\$0	\$0	\$1,200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Our Lady of Fatima Nbrhd Park	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Talega Valley Nbrhd Park III (Cty)	\$1,200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Talega Valley Nbrhd Park I	\$800,000	\$0	\$0	\$0	\$0	\$0	\$0	\$800,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Talega Valley Nbrhd Park II	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Talega Valley Community Park	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LaRambra Park	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0
Parks & Recreation Master Plan Update I/Trails Master Plan Update II Update III	\$47,000	\$47,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0
<b>Enterprise Fund</b>	\$10,749,000	\$91,000	\$463,000	\$0	\$195,000	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>(Capital Reserve)</i>	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clubhouse ADA Upgrade	\$4,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Mini Golf Course, Acquisition	\$195,000	\$0	\$0	\$0	\$195,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Mini Golf Course, Design	\$6,000,000	\$0	\$0	\$0	\$0	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Mini Golf Course, Construction	\$469,000	\$36,000	\$433,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Depreciation Reserve)	\$60,000	\$30,000	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tee Reconstruction	\$20,000	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clubhouse Renov	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>General Fund</b>	\$755,000	\$80,000	\$25,000	\$3,000	\$3,000	\$80,000	\$8,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pier Storm Drain Replacement (2)	\$80,000	\$0	\$0	\$0	\$0	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marine Safety Bldg. Roof/Paint (1)	\$36,000	\$0	\$0	\$0	\$0	\$36,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marine Safety Bldg. Renovation	\$600,000	\$0	\$25,000	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADA Access Beach Club (+\$10,000 CDBG)	\$39,000	\$39,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$600,000



## **Storm Drain Utility**



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# Storm Drain Utility

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## Objective

To analyze the projected revenues and expenditures for the Storm Drain Utility Fund to sustain the program in a manner which most benefits the residents of San Clemente.

## Background

The winter storms of early 1993 exposed significant weaknesses in the City's drainage system. Staff subsequently developed a capital improvement program which would strengthen the system, and reduce the risk of future failure. The San Clemente Storm Drain Utility (Utility) was formed by City Council action in 1993. The purpose of the Utility was to fund the operation and maintenance of all City owned storm drain systems, including preventive maintenance and or rehabilitation to the system to avoid future damage to property by weakened or failed systems.

During the past two years staff has performed a storm drain system inventory. The system is comprised of a maze of complex natural drainage areas interconnected to catch basins, pipes, and channels. The steep terrain in parts of the City intensifies the impact of storm run-off by providing energy to increase its velocity and momentum. Run-off is conveyed from dwellings over land to concrete ditches (V ditches), curbs and gutters, and pipelines. The pipes sizes vary from six (6) inches to sixty (60) inches. Pipe materials consist of reinforced concrete (RCP), or corrugated metal (CMP). The inventory revealed that the majority of the CMP has or will fail within the next 10 years, due to the corrosive nature of our soils. The majority of the catch basins, which serve to collect debris before it enters the storm drains, were found to be in relatively good shape. Out of over 1500 catch basins inspected, only five or six were found to be in need of repair.

Information gathered from the in-house inventory analysis has enabled the City to plan future CIP projects. This list is attached as "Storm Drain CIP List". All of these projects correct existing system problems. Examples of three of the seven projects scheduled for next year include:

1. Abandonment of a 24 inch pipe at 2110 South El Camino Real and replacement with 300 feet of a 30 inch concrete with an estimated price of \$152,000.
2. The replacement of a large corrugated metal storm drain pipe with concrete pipe on Los Alamos for a projected cost of \$132,000.
3. The replacement of a 19 inch corrugated metal storm drain pipe with concrete on Serena for a projected cost of \$118,000.

Engineering has completed several major projects, five of which are noted on the attached table. The remaining projects represent system repair needs, identified by our inventory study.



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## Storm Drain Utility

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The Utility receives its funding through the collection of fees from property owners within the city limits. The utility fees are set and approved by City Council through a public hearing process. These fees are based upon the operational and maintenance requirements of those functions along with the associated CIP program within the Utility.

The basic theory of charges for storm drainage utility rates is that each property within the City should pay its share of the system costs based on that property's contribution to the runoff during storm drainage events. The method of assigning responsibility or fair share to properties has been based on the average amount of impervious area on a particular property.

The Storm Drain Utility classifies fees into four categories. These categories and associated fees are listed below:

1. **Single Family Dwellings** are assessed \$2.96 per month throughout the City.
2. **Multi Family Dwellings** are assessed \$2.37 per month per unit (80% of a single family dwelling).
3. **Non Residential** lots are assessed \$29.60 per acre per month (assumes 10 units per acre).
4. **Vacant Lots** are assessed \$1.48 per lot per month up to 2 acres, with \$0.296 per additional acre.

### Summary

The City currently is responsible for over 25 miles of improved storm drains (underground pipes), and 1500 catch basins. A list of all proposed CIP projects has been created to detail future expenditures for the fund (see attached "Storm Drain CIP List").

Canyons represent an unfunded liability to the City. Dealing with the canyons is extremely difficult because of geotechnical, ownership, assumption of responsibility due to historical maintenance, and ecological issues. Not all canyon instability issues are the product of insufficient or improper drainage. Some of the problems are slope stability issues in canyons which are sometimes inappropriately presumed to be associated with drainage. In many cases these slopes would be unstable irrespective of consideration for impacts from drainage. Where drainage threatens slope stability it may be possible to isolate that particular problem without jeopardizing the integrity of the remaining system.

Engineering is currently involved with a project involving Trafalgar Canyon. The project is one of several canyon drainage systems which are very complex. Since Trafalgar Canyon is the least complex of the canyon drainage problems, we are tackling this project first as a pilot project. The solution to canyon drainage issues has not been developed at this time.



# Storm Drain Utility

As we focus on specific projects, it is likely that the City will need to contract for assistance to extend the labor capabilities of the Engineering Division. Staff will evaluate the magnitude of labor impact created by these projects as soon as they are prioritized. Some areas have systems which are old and broken/worn out, which if we take a look at the system as a whole might be improved upon.

The following table reflects the cost of maintaining the existing system, and should be viewed only as a mechanism to keep the existing system from failing. If future improvements to the canyon systems become necessary, there will not be sufficient funds to support this function. Also, if the proposed Street Assessment program is implemented, there could be significant impacts to the Storm Drain Fund balance.

### Storm Drain Assessment

	Charge Per Unit/mo	Units Per Category	Revenue/mo
Single Family Dwellings	\$2.96	11,747	\$34,771
Multiple Family Dwellings	\$2.37	5,692	\$13,478
Non Residential	\$29.60	7,578	\$22,432
Vacant Lots	\$1.48	105	\$155
		25,120	\$850,036/yr
94 Ending Cash Balance	\$482,000		

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Storm Drain O&M Costs	\$740,220	\$540,000	\$540,000	\$540,000	\$540,000	\$540,000
CIP Program Costs	\$381,000	\$462,000	\$458,000	\$453,000	\$330,000	\$320,000
Total Costs	\$1,121,220	\$1,002,000	\$998,000	\$993,000	\$870,000	\$860,000
Total Costs with Inflation @		\$1,032,060	\$1,027,940	\$1,022,790	\$896,100	\$885,800
Projected Revenues		\$875,537	\$901,803	\$928,858	\$956,723	\$985,425
Projected Ending Cash Balance	\$360,030	\$203,507	\$77,371	(\$16,562)	\$44,061	\$143,686

## Conclusion

The existing fees are sufficient to support the short term needs of the storm drain system. Staff is recommending that an analysis of the storm drain system be performed toward the end of the 95/96 budget year. It is anticipated that staff will evaluate the functionality of the existing system and identify areas which represent the highest risk to the City. These high risk systems will be prioritized. A detailed analysis will be performed to determine the most effective solution. The estimated cost to perform additional analysis on selected projects is \$60,000.

## Recommendation

It is recommended that the City proceed with the implementation of the proposed storm drain CIP Projects. It is anticipated that the project list will change after the specific storm drain system analysis is completed. Staff will be able to include the information produced to determine if a storm drain fee adjustment is necessary.

# Storm Drain Utility

## STORM DRAIN CIP LIST

	Project Type	Scheduled Completion	Project Cost	
410 Arenosa Storm Drain	Replace	<b>Completed</b>	\$217,500	Replace old CMP
317 Cazador Storm Drain	Replace	<b>Completed</b>	\$86,300	Replace old CMP
427 Arlena Storm Drain	Replace	<b>Completed</b>	\$200,000	Upgrade and replace existing CMP
Ave. San Pablo Erosion Repair	Rehab	<b>Completed</b>	\$50,000	Vditch failed due to storm
2110 ECR Storm Drain CP	Replace	<b>Completed</b>	\$4,000	Old failing catch basin
2110 S. El Camino Real SD	Replace	94/95	\$152,000	Replace old CMP
PCH Storm Drain to MO2 (AHFP Match)	Replace	94/95	\$75,000	Replace old CMP
PCH Storm Drain Replacement (AHFP Match)	Replace	94/95	\$90,000	Replace old CMP
Santa Inez SD	New	94/95	\$164,000	Flooding of private property (90% design)
305 Cristobal SD	Rehab	95/96	\$65,000	Rehab old CMP
Los Mares & El Molino Cross Gutter	New	95/96	\$20,000	Divert flow of residual water causing traffic hazard
Valencia & Gaviota CB Repl	Replace	95/96	\$37,500	Old failing undersized catch basin
1820 Los Alamos SD	Rehab	95/96	\$132,500	Rehab old CMP
Ola Vista/Junipero 18" CMP	Rehab	95/96	\$59,000	Replace old CMP
Los Alamos/Serena 19" CMP	Rehab	95/96	\$118,000	Replace old CMP
Spot System Analysis	Other	95/97	\$60,000	Evaulate selected high risk special system problems
36" CMP @ Pier (N. side)	Replace	96/97	\$80,000	Replace old CMP
San Carlos/Cortez 21" CMP	Replace	96/97	\$68,000	Replace old CMP
220 Santa Barbara (S. Ola Vista)	New	96/97	\$280,000	Improve capacity of system
E. San Juan/E side of ECR CB Repl	Replace	97/98	\$37,000	Old failing undersized catch basin
Lobiero to Calafia Park SD	Replace	97/98	\$73,000	Replace old CMP
340/344 Santa Margarita SD	Replace	97/98	\$69,000	Improve capacity
140 Ave. Pico CB	Replace	97/98	\$45,000	Old failing restricted catch basin outlet
Vista Torito/Montego CB	Replace	97/98	\$60,000	Structural failure and settlement problems
Cristobal/T Outlet @ Bluff	Reconst	97/98	\$105,000	Replace old CMP
207 W. Alessandro SD	Replace	97/98	\$64,000	Replace old CMP
Monterey SD	Replace	98/99	\$180,000	Replace old CMP

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# Computer Action Plan

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## **Objective**

To adopt in concept the City's updated "Two Year Action Plan" for Information Services. The Goals of the ongoing Action Plan are:

Maximize staff productivity through automation

Protect the City's investment in computerization

Ensure that funding is invested in technologies that are in line with the goals of the City.

## **Summary**

During the last five years the City has successfully used automation to maintain service levels while reducing expenditures through staff downsizing. The City's computer systems provide employees with tools to do more, with fewer people.

### ***Computer Administration Team and The Two Year Action Plan***

The key to the success of the City's computer systems is the Computer Action Plan which is updated every year by the Computer Administration Team. This group of representatives from all City departments recommends to the City Manager an updated plan which is presented to the City Council as part of the Long Term Financial Plan. With Council's conceptual approval the plan is then implemented as part of the budget process. This coordinated planning including City Staff and Council has resulted in an automation plan focused on the needs of the City.

## **Background - Two Systems**

The City has two computer systems. A database server is referred to as the "ADDS System" and a Wide Area Network of Microcomputers which is called the "VINES Network". Each system is specialized to provide office automation in the most efficient and economical manner.

### ***The ADDS Database Server.***

In 1990 the City implemented a new financial/geobase computer system using hardware from Applied Digital Data Systems Inc. (ADDS). The ADDS System uses conservative, economical and time proven methods to managing large quantities of data such as our financial records. It continues to provide staff with quick and reliable detail. This financial detail reporting has been vital during the fiscal crises of the last few years. The ADDS system is not slated for replacement until June of 1996 and should continue to serve the City adequately until then. It is interesting to note the few computer systems live out their anticipated life span. Select the ADDS System has proved to be a wise decision.

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# Computer Action Plan

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## ***The VINES Wide Area Network.***

In 1985 the City installed a creative "new" system called a microcomputer network using an operating system call VINES from Banyan Inc. Lacking the initial funds to hire outside consultants Information Systems Staff became experts in networking microcomputers. Now most Citys are attempting to connect their microcomputers together using networks and the City of San Clemente is a recognized authority in this field.

The VINES system links all the buildings together providing staff with centralized office automation, electronic mail and workflow applications. Since the entire system was designed and implemented by City Staff it's costs are relatively small as compared to outside sources.

The City now depends upon the VINES network to perform it's daily office administration. The network has grown from 4 file servers linking 50 computers to 7 file servers connecting 130+ computers. Currently Information Systems is attempting to maintain the older computers but the slower microcomputers can not keep pace with the newer programs. Too much of IS time is invested in keeping the older computers working.

## ***Aging Microcomputers***

The pace of technology continues to rapidly grow. Due to the fiscal challenges the City has not been able to update/replace it's older microcomputers. Now the majority of the systems cannot run current business software. These need to be replaced in a conservative manner that protects the City's long term investment in automation.

## ***Leasing New Microcomputers***

The Computer Administration Teams recommends a three year lease on all new computers. This will ensure that every three years the systems will turn over with newer technology without the large upfront investment. Approximately a third of the computers will be replaced each year. Since the "business productivity" of a microcomputer seldom exceeds three years this represents a cost effective alternative to purchasing and maintaining computers. The leased computers come with onsite service so IS will be able to reduce it's hardware maintenance account and focus it's staff on productivity solutions not repairing hardware.

## ***Cost to lease.***

To address it's aging microcomputer hardware IS allocated \$40,000 for microcomputer upgrades in the 1994-95 budget. There is additional \$10,000 available in computer hardware maintenance savings. Total General Fund Expenditure would be \$50,000, all of which is currently budgeted.

## ***Additional funding would come from the following funds:***

Water Fund - \$4,300 per year  
Sewer Fund - \$2,880 per year  
Golf Fund - \$2,160 per year

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# Computer Action Plan

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The actual cost to this year's budget will be considerable less depending upon when the lease is implemented. IS savings from not leasing until late in the fiscal year will be rolled into the lease costs for the next year.

**Geobase Development**

The Geobase development in Public Works and Community Development has been addressed by Information Services with the opening an IS office in the Community Development building. This office is manned 2 days a week using current Information Services staff. A comprehensive landuse database will be developed seeded with monthly updates from the County Assessors Office which the City has available on optical disk.

**Details of the Current Two Year Action Plan:**

Please see the attached Two Year Action Plan along with the narrative that explains the focus of each "semester" in the next two years

**Alternatives**

1. Maintain funding at the current level and upgrade hardware using the currently budgeted \$40,000. This would address about 60% of the computers that need to be replaced
2. Adopt the Two Year Action Plan as presented by the Computer Action Team. This would include a three year lease for new hardware using budgeted funds plus no more than \$10,000 split between the three Enterprise Funds. Information Services will return to Council with the actual dollars when the details of the lease/purchase have been worked out.

**Recommendation**

Adopt the Two Year Action Plan as presented by the Computer Action Team.

**Fiscal Impact**

Following are the costs per fund per year for the three year lease.

- General Fund - \$50,000
- Water Fund - \$4,300
- Sewer Fund - \$2,880
- Golf Fund - \$2,160

Historically IS has budgeted approximately \$80,000 per year for computer decision packages. Since most of these decision packages would be addressed by the lease there is potential that the lease would cost no more than the City's current method of financing it's microcomputers. The actual dollar cost/savings is difficult to determine at this point but the long term costs should be less.



# Computer Action Plan

## Information Services Two Year Action Plan

Jan 95 - June 95	July 95 - Dec 95	Jan 96 - June 96	July 96 - Dec 96
Lease and Install new microcomputers so that 95% of all computers can run Windows	Install new graphical software on all computers.	Complete the selection process for upgrading the minicomputer	Implement the conversions to new financial systems and Geobase systems
Install Information Services office at Com Dev and man 2 days a week.	Install new graphical applications on the servers	Develop applications for the new system which will not be provided by the vendor	
Transfer all optical disk Geobase to minicomputer	Train staff in new applications	Consider migrating to Windows 95 or similar microcomputer 32 bit Operating System	
Connect all users at Com Dev to minicomputer	Develop workflow software to automate forms management	Continue City wide staff training	
Automate phone call tracking and bill departments directly	Begin the process of upgrading our mini-computer system	Test moving to a new networking solution such as Windows NT and SQL server	
Develop Beta implementation of Office Software on a server			

## Narrative On Computer Two Year Action Plan

Every year the Computer Administration Team (CAT) adopts an updated Two Year Action Plan. This current action plan (above) is a continuation of last year's action plan with most projects delayed about 6 months due to the Utility Billing challenges.

The action plan breaks the two years into four, six month semesters. Each semester has its primary focus and builds on the previous semester. Each year the CAT evaluates the last two semesters, updates the next two semesters and adds two more semesters to the Action Plan

## Highlights of this two year action plan

### Jan 95 - June 95

The focus of this semester will be to upgrade the City's hardware so that current programs can run properly. This will include purchasing, configuring and installing/replacing about 100 microcomputers. IS will also open a office in the Negocio Building to address Community Development and Public Works automation needs.

### July 95 - Dec 95

This semester will see the implementation of new City Wide software running under Microsoft Windows. The most important aspect will be aggressive user training in all the packages. With the addition of the Windows environment we can begin City Wide Work Flow automation including electronic forms and group scheduling .

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## Computer Action Plan

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Jan 96 - June 96

By Spring of 1996 the City will make a decision on replacing/upgrading the City's Financial/Geobase minicomputer. It is difficult to forecast what decision that will be. Once the decision is made a number of applications developed by MIS will have to be converted for the new platform. Continued development of Work Flow Automation will take up the balance of MIS resources

July 96 - Dec 96

The final semester of this action plan will be consumed with the installation and implementation of the new centralized database system (ie minicomputer). If the decision is made to use newer client/server technology this conversion will be challenging with considerable work in data conversion and user training.



