

Letter From the City Manager

June 19, 2019

Honorable Mayor Michelle Roman, Members of City Council, and Residents of Kingsburg:

In accordance with City Charter 2.08.090(G), it is my pleasure to present the 2019-2020 recommended executive budget for the City of Kingsburg. The budget presents in summary form the revenues and expenditures from each of the City's funds.

The annual budget serves as the blueprint for policy decisions and is a direct corollary to the City's strategic initiatives, adopted by City Council. In 2013, the City committed to a strategic planning process that engaged council members, employees and consultants. The goal of the session was to align all the community has to offer with the vision for its' future. Financial stewardship and planning, economic incentives for growth, retention of our employees and succession planning for those who retire were key driving forces for the plan.

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

In 2018, Council completed the most recent update to our strategic planning process. The document serves as the City of Kingsburg's 2018-2023 Strategic Plan. Its purpose is to help the City prioritize its efforts, allocating both fiscal and human capital to achieve a shared vision and goals that also reflect community priorities and needs. The Plan is the result of a comprehensive review by Regional Government Services (RGS) of the City's current operations and finances, interviews with staff members and discussions with City Council members and

an online survey taken by Kingsburg residents.

The findings and conclusions of the review and survey results were presented to Council and staff at a one-day Study Session. The Study Session, which was open to the public, resulted in the development of a Mission Statement, a Vision Statement, a set of Core Values and six Goals to guide the City's future operations:

1. Ensure Financial Stability
2. Improve Public Safety
3. Provide Recreation Opportunities for All Ages
4. Improve Community Communication
5. Increase Retail Opportunities
6. Promote Sustainable Development

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

The FY20 budget process has been guided by these strategic principles and meets our commitment to a high level of service, our cultural history, and coincides with the financial parameters set by the City Council. The budget is the most important document that the City creates on an annual basis.

Staying Aggressive

FY2018-2019 marked a year of continued efforts to invest in the long-term viability of our community. Over 500 new single-family homes were approved for development. Downtown development continues, spurred by public-private partnerships. Quality of life investments through planning and citizen input have shaped future park and recreation opportunities. Investment in our

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infrastructure included several road improvement projects and the design of two new water treatment plants at Wells #12 and #13, to be constructed in 19-20. The passage and implementation of Measure E, a 1% Public Safety Tax saw the hiring of five new employees, the City's first-ever brand-new engine, and a 5-year budget plan that will help ensure our citizens receive the best public safety available.

Moving into 2019-2020, we know there are challenges, but we have the chance to turn those into opportunities. Some of the major factors impacting the 2019-2020 budget are outlined below.

New T-Mobile

On April 4, 2019, T-Mobile and Sprint (New T-Mobile) announced they would be locating their new Customer Experience Center (CEC) in Kingsburg, pending the approval of their merger by the federal government.

The announcement of the new CEC brings the creation of more than 1,000 new jobs, positioning the New T-Mobile to be one of the largest employers in the area.

The CEC will provide:

- 1,000+ new jobs;
- Contribute \$122mm to California's economy
- Pay an average wage that is 51% higher than the average wage in Fresno Co.
- New T-Mobile will become one of the largest and highest-paying employers in the Central Valley

The location of the call center will bring immediate economic impact to the entire Central Valley. An Economic Impact Assessment completed by the Berkeley Research Group concluded the CEC would directly and indirectly provide up to 1,500 jobs and \$105 million to the economy of Fresno County on an annual basis.

The announcement by T-Mobile comes on the heels of renewed and continued economic investment in the Kingsburg community. With over 25 new businesses opening over the last two years, Kingsburg continues to exemplify a location that offers affordable California living, low crime, high quality of life and a relentless effort to support businesses large and small.

Partnership Based

The City has been an aggressive player as it relates to downtown development. In FY18 the City partnered with a private developer to help revitalize a 105-year-old building on Draper St. Utilizing our second form of Public/Private Partnership (Upper Floor Rehab Loan), local developer CJ Brock remodeled the decades vacant second level of the former Ostrom Building for market rate apartments. The apartments are fully rented, and the first-floor retail is also 100% occupied, including new tenants that bring additional quality of life amenities to our residents.

FY20 brings more of the same. Our public-private partnership (P3) programs continue to grow. Our programs now include nine (9) different ways to partner for economic development:

1. 25% reduction in impact fees for all new development
2. 50% rebate in City property taxes for new businesses for 36 months
3. 50% rebate in City sales tax for new businesses for 36 months
4. 21-day streamlined permit review and approval process
5. Additional impact fee reduction for new qualifying development in designated Business Improvement Zones (B.I.Z) – this area has been expanded to include the Business Park, Light Industrial area and Central commercial zone (Which includes downtown)

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6. Façade/Alley Public/Private Partnership Matching Grant Program
7. Micro-Grant Public/Private Partnership Matching Grant Program
8. Upper Floor Rehabilitation Loan Program - to promote downtown living and re-use of second story space
9. New development incentive fund created utilizing residual payments from the dissolution of redevelopment – gives the council flexibility and a brand to partner with individual businesses.

New commercial projects in FY20 include the renovation of a 25+ vacant Woods Apparel building, Stone Plaza and New T-Mobile.

CalPERS Contributions

In December 2016, the CalPERS Board of Administration took a step to cut the “discount rate” by a half percentage point over the next three years. CalPERS CEO Marci Frost writes, “The discount rate is what CalPERS assumes their \$304 billion in investments will return in a typical fiscal year, July 1 to June 30. It’s a critical component of pension financial planning, because it’s used in calculating the amount of money those who are part of the CalPERS system contribute. Achieving a 7.5 percent return – the rate in place since 2012 – was now far less likely than it was just two years ago. Solid investment returns are the cornerstone of the CalPERS system: They pay for nearly two-thirds of every dollar paid out in pension benefits. But cutting the discount rate has real financial impacts for California taxpayers. The state, local public agencies, and school districts that make up CalPERS will have to contribute more money.”

For Kingsburg, the change equates to a \$7mm unfunded liability that will require significantly increased contributions on an annual basis.

In 2018, the Council adopted a financial resolution that created a ‘waterfall’ policy that designates any surplus funding to three designated funds:

1. CalPERS UAL (70%)
2. Economic Stabilization (15%)
3. Equipment Reserve (15%)

All three funds are designed to leverage the City’s current financial health to plan for the potential impact of future years.

For 2019-2020, the City’s contribution to CalPERS increases to ~\$577,000, nearly \$150,000 more than just two years ago. That trend will continue for the next decade. The Council will be examining the use of additional discretionary payments to help realize long-term savings on interest.

Public Safety Investment

The Kingsburg City Council concluded nearly two years of research, feedback and planning and voted to place a 1% sales tax for public safety services on the June 5, 2018 ballot. Measure E passed with approximately 72% approval.

In the first (partial) year of collecting new revenue, investment in public safety came swiftly, including:

- 5 New Employees (2 Police, 3 Fire/Medics)
- Tasers, Rifles, Tablets for Patrol Squads
- New Engine
- KFD – New Personal Protective Equipment (PPE)

The coming year includes additional public safety activity:

- Maintains 5 employees from previous year (3 KFD, 2 KPD)
- Adds additional officer 7/1/2019
- 7 KPD Patrol Vehicles (2 additional from General Fund)

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- Tasers, Rifles, Tables for Patrol Squads
- KFD – replace line staff radios (9)
- KFD - Purchase New SCBA Filling Station
- KFD – New Personal Protective Equipment (PPE)

New Housing Stock

Both revenues and expenditures have been influenced by the uptick in commercial and single family residential building activity. FY20 forecasts the continued trend of higher revenues associated with single family residential development. Currently, over 500 new housing starts have been approved for development. While these build outs will take 3-5 years, depending upon market demand, the City has poised itself to provide available new housing stock that meets the parameters of our housing design guidelines. This is especially important given the New T-Mobile announcement.

Perhaps most importantly, all housing is required to meet development standards, which ensures high-quality development. New housing tracts include pedestrian pathways, bike friendly access, and new neighborhood parks. Each of the subdivisions meets the specifications of the North Kingsburg Specific Plan, which places emphasis on quality of housing and neighborhood uniqueness.

In addition, the City has again partnered with Fresno Housing Authority to provide low-income housing options. A new Senior-living facility is expected to begin construction by the end of 2019.

Overall Outlook

Overall, the City is projecting an ~8% increase in general fund revenues, sparked mainly by increases in local property taxes, building permits (as described above), and transient occupancy taxes.

The budget presented provides a structural balance. We firmly believe our citizens demand and deserve the highest level of service delivery and quality of life amenities. As such, we're continuing the trend of providing significant capital planning and purchasing to help address areas of equipment and quality of life needs, while working to address long-term pension liabilities through the creation of a dedicated account utilizing existing fund balance reserves.

New Projects

There are several projects that highlight the upcoming fiscal year. Our goal is to achieve organizational efficiency while improving upon the high sense of place Kingsburg offers.

The Catalyst

In 2017, Kingsburg was recognized by the Deluxe Corporation as part of the *Small Business Revolution's Main Street Series*. From 14,000 nominations, Kingsburg made the final 5 of communities nation-wide. As the only representative on the West Coast, the competition breathed new life into our small businesses, and we want to continue to build upon that momentum.

Small businesses are the core of Kingsburg's success. They help drive foot traffic to the downtown, support our local tax base and give back to our community. Development efforts in our downtown have increased significantly over the past eighteen months, with more expected in the coming year.

Downtown Mixed Use

Unfortunately, the City lost a 100+ year old historic building to a structure fire in October 2016. Known by many as the former Hotel Stone, the building housed four separate small businesses, while the second story sat vacant. While the businesses have been relocated, the property was purchased and demolished this past year.

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Serving as a focal point to the western entry to Draper Street and identified as a key property in the downtown corridor, the Council entered into a development agreement with the property owner to create mixed-use living/retail on the former Hotel Stone site. That work will begin in September 2019 and will provide 10 market-rate apartments with ground floor commercial space.

Community Planning

In April 2017 Kingsburg was proud to be the first community in California to utilize the Community Planning Action Team (CPAT), a program of the American Planning Association. The program brought six expert planners from throughout California to provide a fresh look at recommendations to continue our downtown resurgence and ensure we remain proactive.

The City has been aggressive with implementing their recommendations. This includes providing capital funds to help implement new signage and pedestrian improvements. In FY19, new wayfinding signage was erected to help guide visitors to local popular destinations, but also provides uniformity and strengthens our brand as a Swedish Village.

Code Enforcement

The City continues to maintain high standards of property maintenance. City Hall, KPD, and KFD all work together to provide notice of necessary abatement needs for property in disrepair. National studies show that code enforcement aids in crime prevention and helps to maintain property values.

Council approved policy that set the parameters to become more aggressive with commercial buildings in need of significant repair. Staff has been working with individual property owners to help bring underutilized and nuisance properties into compliance. Two of the properties have been sold since initial staff contact (with

redevelopment planned), and others are in various stages of compliance/abatement efforts.

Park Upgrades

The Community Services Commission continues their efforts on providing new options at several public parks, including efforts aimed at design and coordination of improvements at Athwal Park. A master plan of Athwal Park includes a partnership with the local soccer league, a housing-related parks grant, and amenities for the entire neighborhood (playground equipment, skate park, restrooms, etc.). Phase 1 of the project was funded through a generous grant from the Tri-County Health Care District. Construction is expected to begin in July 2019, with a skate park, fitness court and playground area to be completed.

Public Wi-Fi

As part of a partnership with Kingsburg Media Foundation, the City has provided and expanded free public Wi-Fi in several areas, including: Draper St., Coffee Pot Park, Athwal Park, Memorial Park, Historic Train Depot, and the Historical Park (non-City owned).

An ongoing project has tied in cameras in strategic locations to offer additional public safety support and improving our network backbone to support future amenities to improve our quality of life and public safety efforts.

In Conclusion

The 2019-2020 budget highlights the projects, people and goals that will guide the City of Kingsburg in the coming year. The budget presented is one that is structurally balanced, promotes engagement, and continues to invest in safety and community.

We're committed to providing the highest level of service and quality of life to our citizens. This budget document hopes to recognize the values that make Kingsburg what it is today, and is a reflection of each of

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our employees, businesses, and residents.
Special thanks to the City's Finance Director,
Alma Colado, Administrative Services
Director, Christina Windover, and all staff
who were a part of presenting the FY20
budget. We hope you find it a useful tool.

Respectfully,

A handwritten signature in brown ink, appearing to read 'AJH', with a large loop at the bottom.

Alexander J. Henderson; ICMA-CM
City Manager, Kingsburg, California