

Letter From the City Manager

June 20, 2018

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

It is my pleasure to present the 2018-2019 recommended executive budget for the City of Kingsburg. The budget presents in summary form the revenues and expenditures from each of the City's funds. The Finance Committee has reviewed each of the funds, financial policies and capital improvement requests over the past several months.

The 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 of progression into keeping Kingsburg the "Gem of the Valley."

In early 2018, Council completed the most recent update to our strategic planning process. The document will serve 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 FY19 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.

Finding Our Way

Since becoming City Manager in 2014, the City Council, staff and residents have worked cohesively to progress our community forward. This has included assisting local businesses, becoming proactive in building abatement efforts, improving on quality of life

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initiatives, and investing in our public safety departments.

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, this equates to a \$7mm unfunded liability that will require significantly increased contributions.

As part of the FY18 budget, the City contracted with a private actuarial firm to help better determine our overall contribution increases, while exploring investment options for existing fund balance to help offset the increased unfunded liability payments over the next ten years. You can find additional information as part of a specific section later in this document.

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.

Residents have long expressed a desire for additional public safety personnel. Without

an additional dedicated source of revenue, expansion of programs or departments is cost prohibitive.

Measure E, by law, could only be used to fund public safety related items (personnel, equipment, training, etc.).

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 is remodeling the decades vacant second level of the former Ostrom Building for market rate apartments. Since announcing the partnership, the ground floor has already welcomed two new tenants, with a third currently performing building improvements. The upstairs is being transformed into Apotek Lofts, featuring two-bedroom, two bath apartments, complete with large historic windows and outdoor living space fronting both Draper and the north side of the building.

New Housing Stock

Both revenues and expenditures have been influenced by the uptick in commercial and single family residential building activity. FY19 forecasts the continued trend of higher revenues associated with single family residential development. In FY18, 121 acres of property was officially annexed into the City for single family housing 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. The 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.

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Commercial Activity

From a commercial standpoint, the former KMART site has been acquired by a local developer who plans to utilize the site for a new supermarket and headquarters for their State-wide business. The site may also contain other commercial uses as determined by the final developer buildout.

In addition, Downtown is expected to be impacted by development stemming from new upper floor apartments, as well as the demolition and rebuilding of the Stone Hotel (lost to fire in October 2016).

Staff is cautiously optimistic regarding building activity, and understands that the revenues associated are often cyclical with the strength of the economy.

Overall Outlook

Overall, the City is projecting an 4% 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, with recurring revenues outpacing recurring expenditures. 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 Stone Hotel, 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.

Serving as a focal point to the western entry to Draper Street and identified as a key property in the downtown corridor, the City and Economic Development Committee has been working closely with the new owner on options to promote ground floor retail combined with mixed-use living/office space on the upper levels.

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.

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The City has been aggressive with implementing their recommendations. This includes providing capital funds to help implement new signage and pedestrian improvements and have been aggressively exploring options for key properties identified in the report through enacting policy.

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.

In FY18, the Council approved new policy that set the parameters to become more aggressive with commercial buildings in need of significant repair. Five locations were identified, and staff has been working to garner compliance over the past six months. 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 a new skate park. With private fundraising ongoing, the Commission continues to evaluate other areas for improvement. New features such as volleyball, horseshoes, new and additional playground structures were implemented in FY18.

For the coming year, staff, Commission and Council are focusing efforts on Athwal Park. A new master plan includes a partnership with the local soccer league, a housing-related parks grant, and amenities for the entire neighborhood (playground equipment, splash pad, restrooms, etc.).

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 with Pelco/Ruckus 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 2018-19 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 makes Kingsburg what it is today, and is a reflection of each of our employees, businesses, and residents. Special thanks to the City's Finance Director, Alma Colado, Administrative Services Director, Christina Windover, and all staff who helped create this document. We hope you find it a useful tool.

Respectfully,



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