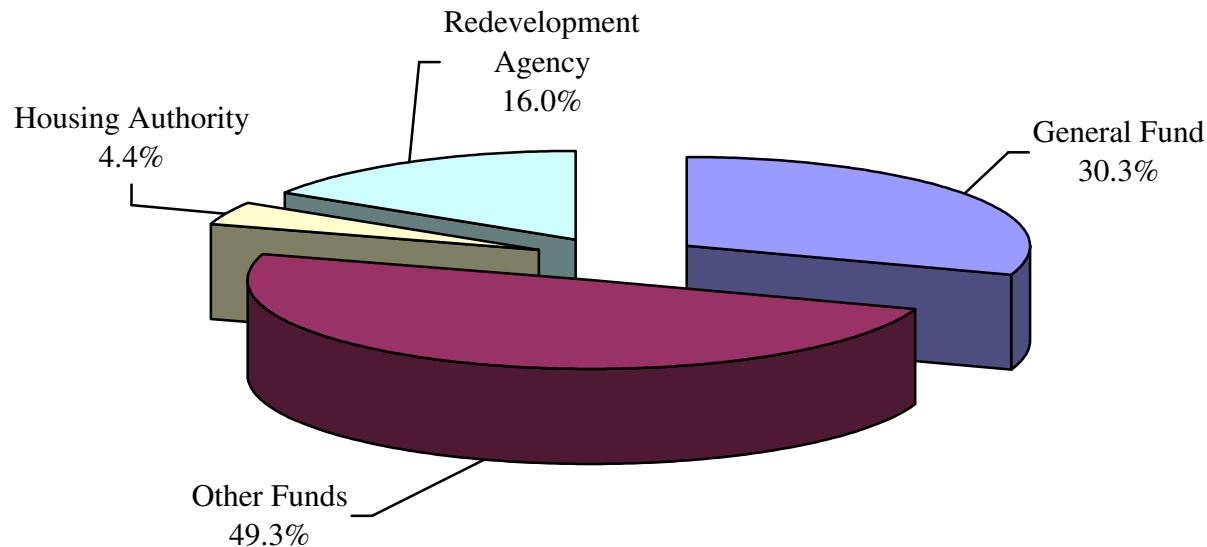


Budget Overview

City of Ontario Adopted 2005-06 Operating Budget Overview

The City's Operating Budget is a flexible spending plan that is the legal authority of departments to commit financial resources to provide services within the City of Ontario. The Operating Budget for the City of Ontario, Ontario Redevelopment Agency and the Ontario Housing Authority is **\$432,421,921** for Fiscal Year 2005-06. This includes **\$344,203,851** for the City (**\$130,864,687** in the General Fund and **\$213,339,164** in Other Funds such as Enterprise Operations, Gas Tax, Community Development Block Grant and Capital Projects), **\$69,088,414** for the Ontario Redevelopment Agency, and **\$19,129,656** for the Ontario Housing Authority. The City's General Fund Budget of **\$130,864,687** is **30.3%** of the total City, Redevelopment Agency and Housing Authority Operating Budgets. The City's General Fund Budget provides most of the services commonly associated with government (public safety, recreation, parks, City administration, planning, and development). The Adopted Fiscal Year 2005-06 Capital Improvement expenditures of **\$98,350,025** have also been included in the Operating Budget.

Total Expenditures \$432,421,921



I. Key Budget Assumptions

Several budget assumptions are included in the Adopted Operating Budget for Fiscal Year 2005-06. They will be carefully monitored throughout the fiscal year while evaluating budgetary performance. Key budget assumptions for Fiscal Year 2005-06 include:

- A. The City developed its adopted budget predicated upon the State's adoption of a budget that incorporates the key assumptions and components of the Governor's May Budget Revision. If the State's final adopted budget varies significantly from the Governor's proposal, the City will be required to revisit its spending plan and take action as appropriate to mitigate changes in service levels provided to the citizens of Ontario.
- B. As included in the Governor's May Budget Revision, the State will eliminate the General Fund "back-fill" reimbursement of Motor Vehicle License Fee revenue of approximately **\$9 million** and, in turn, California cities will receive additional property tax revenue from the County equal to the "back-fill" amount. Although there is no overall impact to revenues in total, it will result in a change in reporting of revenue components.
- C. The national economy's modest recovery and continued stock market fluctuations will not have a significant adverse impact on the City's revenue stream.
- D. Sales Tax revenue is expected to moderate due to the anticipated cooling of the housing market by early 2006 (after the rapid growth experienced over the last two years), which in turn will reciprocate into a reduction of consumer spending for the Inland Empire and Ontario. The sales tax revenue projection of **\$46.7 million** represents a significant increase of **12%** compared to the Fiscal Year 2004-05 Adopted Budget of \$41.7 million, but conservatively flat compared to 2003-04 receipts of \$47.2 million.
- E. Transient Occupancy Tax revenue will increase by approximately **\$610,000** or **6.8%** over the City's 2004-05 Adopted Budget.
- F. Property Tax revenue, after excluding the commensurate increase of approximate \$9 million in property tax revenues in lieu of motor vehicle license "back-fill", will increase **8.6%** or approximately **\$1.4 million** over the City's current projection of almost \$16 million.
- G. Ontario Redevelopment Agency will annually reimburse the City **\$998,500** for the Allegiance Sales Tax Agreement.
- H. Development related revenues will significantly increase by over **25%** compared to the prior year budget due to continued commercial and residential development.
- I. PERS retirement contributions will be reduced by approximately **\$320,000** offset from prior year surpluses.
- J. The City's revenue and expenditures will not be adversely affected by court decisions, various propositions, initiatives, or other actions beyond the City's control.

II. New General Fund Recurring Appropriations

<u>Costs</u>	<u>Description</u>	<u>Agency</u>
\$2,500,000	Additional Staffing (Full time and Part-time)	Various
1,100,000	Employee Labor Contracts	Various
550,000	Overtime	Police Department
<u>\$4,150,000</u>	TOTAL RECURRING	

III. Other Key Service and Community Enhancements

\$3,800,000	Office Facility Renovation at 200 North Cherry Avenue, a total \$4.1 million project
2,788,486	D Street Community Center and Park Improvements, a total \$2.9 million project
2,664,635	Bon View Community Center Rehabilitation, a total \$2.9 million project
2,045,368	Continuum with Mercy House to assist homeless individuals and families, a total \$3.1 million project
1,805,000	Replacement of City Hall Roof and HVAC System
1,645,000	Construction of a Central Recycling Center and Household Hazardous Waste Collection Facility, a \$9.9 million project (Developer Impact Fees from NMC development are anticipated to offset future expenditures)
1,457,353	City Library Renovation and Expansion, a \$20.9 million project scheduled to be open in Fall 2005
500,000	Design of a Master Plan for a high-speed telecommunication system, 'Fiber to the Home' in the New Model Colony
442,830	Replacement of one Fire Pumper (Fire Station No. 5) and related apparatus, equipment, and tools
410,590	Building repairs to Fire Stations No. 3, 4, and 8
348,730	Improvements of Littleton Ball Park (includes replacement of wooden light poles, site work for ADA compliant accessibility route, and improvements to announcer booth and concession stands), a total \$839,067 project
250,000	Design and installation of a new electrical backup generator at City Hall
114,600	Installation of a lighted crosswalk to improve pedestrian safety in front of Chaffey High School
100,350	Increase to Library's collection (books, periodicals, videos/DVDs, etc) budget and additional public access computers
75,000	Replacement of fire hoses
50,000	Curb and gutter repairs to assist in West Nile Virus prevention
138,207	DeAnza Park Facility expansion for recreation programming and maintenance operation (a total \$280,000 project)

IV. Personnel Adjustments

It is a practice to consider personnel changes in conjunction with the adoption of the annual operating budget. The Adopted Operating Budget for Fiscal Year 2005-06 has been developed using current compensation levels, cost of living increases outlined in employment contracts, and the continuation of the current work schedules. Following is a list of position changes:

<u>Agency</u>	<u>Classification Title</u>	<u>Number</u>
<u>Additions:</u>		
City Administration	Senior Records Specialist	1
City Administration	Administrative Intern, Part-time (two)	n/a
Administrative Services	Accounting Manager	1
Administrative Services	General Services Director	1
Administrative Services	Information Technology Specialist	2
Administrative Services	Senior Information Technology Specialist	1
Administrative Services	Web Technician	1
Development	Senior Landscape Planner	1
Development	Associate Planner	2
Development	Senior Planner	1
Development	Building Inspection Manager	1
Development	Plan Check and Permit Services Manager	1
Development	Assistant Engineer	1
Development	Associate Civil Engineer	3
Development	Engineering Assistant	1
Development	Principal Engineer	1
Police Department	Deputy Police Chief (<i>previously frozen - funding effective 10/1/05</i>)	n/a
Police Department	Police Services Administrator	1
Police Department	Administrative Assistant (<i>previously frozen</i>) *	n/a
Police Department	Detective	2
Police Department	Police Officer *	4
Police Department	Evidence Technician	1
Police Department	Police Technician (<i>previously frozen</i>)	n/a
Public Works/Community Services	Librarian	1

Public Works/Community Services	Library Clerk (<i>previously frozen</i>)	n/a
Public Works/Community Services	Senior Library Clerk (<i>previously frozen</i>)	n/a
Public Works/Community Services	Senior Librarian (<i>previously frozen</i>)	n/a
Public Works/Community Services	Library Page, Part-time (six)	n/a
Public Works/Community Services	Senior Environmental Technician	1
Public Works/Community Services	Utilities Technician	1
Public Works/Community Services	Water Production Operator	1
Public Works/Community Services	Welder	1
Public Works/Community Services	Senior Equipment Mechanic	1
Public Works/Community Services	Senior Solid Waste Collector	1
Housing	Code Enforcement Officer	1
Housing	Senior Code Enforcement Officer	1
Economic Development	Economic Development Coordinator	1
	Total Additions	37
<u>Deletions:</u>		
Administrative Services	Revenue Services Supervisor	1
Administrative Services	Web Technician, Part-time	n/a
Police Department	Administrative Officer (<i>frozen</i>)	1
Police Department	Police Technician (<i>frozen</i>)	1
Public Works/Community Services	Library Technical & Customer Svcs Specialist (<i>frozen</i>)	1
	Total Deletions	-4
	Net Change	33

NOTE: * These positions are contingent on State award of grant funding.

N/A indicates additions/deletions of Part-time positions or the “freezing” or “unfreezing” of a full-time position. The “Freezing” of a position represents the temporary funding or appropriations hold on that position. The “Unfreezing” of a position indicates the re-establishment of funding for that position. Thus, “Freezing” or “Unfreezing” of positions does not result in a change to the FTE count.

Reclassifications:

Administrative Services	Reclass Information Technology Supervisor to Information Technology Operations Manager
Administrative Services	Reclass Telecommunications Analyst to Senior Telecommunications Analyst
Public Works/Community Services	Reclass Senior Management Analyst to Recreation / Community Services Manager
Housing	Reclass Senior Project Manager to Housing Manager

Title Changes:

<u>Current Title</u>	<u>New Title</u>
Customer Services Supervisor	Revenue Services Supervisor
IT Project Manager	IT Applications Manager
IT Security Manager	IT Systems Manager
Business/Training Analyst	Systems Analyst
Supervising Civil Engineer	Principal Engineer
Neighborhood Improvement Specialist II	Neighborhood Improvement Specialist
Neighborhood Improvement Specialist III	Senior Neighborhood Improvement Specialist
Administrative Intern I, Part-time	Administrative Intern, Part-time
Administrative Intern II, Part-time	Administrative Intern, Part-time
Museum Attendant I, Part-time	Museum Attendant, Part-time
Museum Attendant II, Part-time	Museum Assistant, Part-time
Welder I	Welder

Other:

Police Department

Police Captain (*position unfunded effective
10/01/05*)

V. Key Financial Issues Ahead

After a preliminary review, issues have been identified that may impact the City's ability to provide municipal services to the community. These issues are not presented in any particular order. **The following is not intended to be a comprehensive list of issues.**

Significant improvements have been made in the City's General Fund Balance during the past 12 months. Several challenges, however, still remain such as the following:

- Continued structural budget deficit at the State-level with potential impacts on future budget years
- State and national economic condition resulting in modest revenue growth in key areas
- Rising costs of retirement benefits as a result of past poor stock market performance and other economic factors impacting CalPERS' investment income
- Development of the New Model Colony and expansion of City services to accommodate new development
- Adequate fund balance reserves
- Unfunded liabilities
- Previously, funding for the retiree health benefit for current employees had been deferred until they retire. This practice resulted in understating the true cost of providing services and would rapidly increase as the number of eligible employees grows. The true cost of this and other benefits need to be recognized as part of a comprehensive review of personnel benefits. As of June 30, 2001, the City Council had set aside \$3,000,000 in the Unfunded Retiree Health Benefits reserve account. During the following four years, an additional \$10,608,730 was allocated to the reserve. Adopted for the 2005-06 Budget is an allocation of \$2,721,346, which will bring the total reserve amount to \$16,330,077. Recommendations for future actions will be brought forward as further actuarial analysis is performed.
- In past actions, the City Council had approved transfers to the Equipment Replacement Fund to address longstanding deficiencies in fleet replacement. As of the First Quarter Budget Report for Fiscal Year 2001-02, the shortfall (initially estimated to be \$8 million) was fully funded; and now a sufficient fund balance is available to adequately fund equipment replacement. This amount does not, however, include police helicopters. In Fiscal Year 2001-02, the City established a Public Safety Equipment Replacement Fund and planned for an annual allocation of \$1 million. To date, a total of \$3.5 million has

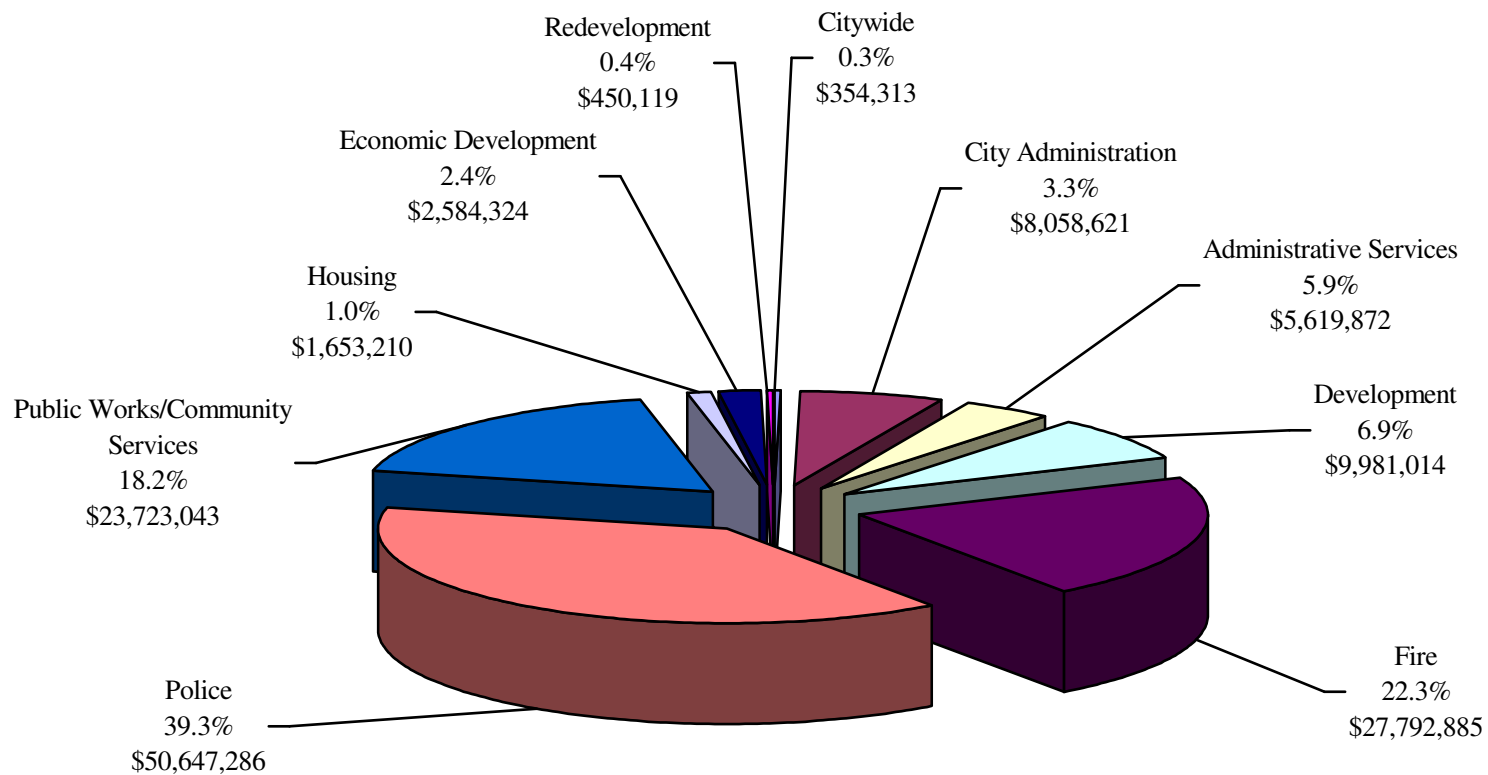
been transferred from the Public Safety Equipment Reserve to fund planned purchases of replacement equipment for Fire and Police. Included in the Adopted 2005-06 Budget is the continued \$1 million allocation, with \$262,830 to be transferred to fund the replacement of one Fire Pumper and related specialized equipment for the Fire Department. Community Development Block Grant funding is contributing an additional \$180,000 toward the cost of fire apparatus, equipment, and related tools. Taking into account prior transfers to fund replacement of public safety equipment, the Public Safety Equipment Replacement Reserve will be \$1,225,282 at year-end. Based upon preliminary estimates, the City should allocate approximately \$1.0 million each year to this fund.

- Long-term financial plans (between 3-5 years) need to be developed.
- The costs of water supply are projected to increase as a result of the Court ordered Optimum Basin Management Plan which is being prepared by the Chino Basin Watermaster. The City must purchase much of its water supply, and the cost of supplies will affect the rates and fees required to fully fund water operations.
- The City's inventory of park, recreational and social facilities is aging and in need of repair/refurbishment. The City's inventory did not grow in the past as fast as the population growth; hence, there is a shortfall of facilities. A Park and Recreation Master Plan is being completed. Funding will be needed for the improvements and facilities recommended in the Master Plan.
- The area referred to as the Sphere of Influence was annexed into the City of Ontario on November 30, 1999 as the New Model Colony. The General Plan for the New Model Colony intends to provide the long term vision to create a high quality environment where residents can live, work and play with a sense of individual neighborhoods. The 8,200 acre, 13-square mile area is planned as an upscale residential development where homes and pathways are in close proximity to parks, retail centers, health facilities and schools. The New Model Colony is expected to add about 100,000 residents to Ontario and will require community and developer-based investments to provide and sustain the infrastructure and levels of municipal services the residents will enjoy. Ultimately, the New Model Colony provides Ontario the opportunity to define its future with new, upscale neighborhoods possibly making Ontario the County's largest city.

VI. Agency Service Levels

In accordance with the City Council's directive to have all budget requests be reflective of the City's Mission Statement and exhibit priorities established by the City Council, each department has evaluated program objectives with the purpose of maximizing the use of available resources.

General Fund by Agency \$130,864,687



VII. General Fund Balance (exclusive of General Fund Trust)

In the City Council approved Budget Development Guidelines, an ultimate goal for a General Fund reserve of 18% of annual appropriations was established. The Adopted Budget for Fiscal Year 2005-06 reflects a projected general fund undesignated balance of **\$15,196,569**, or **12%**. This is an increase of **\$30,595** and is \$8,359,075 short of the \$23,555,644 goal:

General Fund – Operating Budget Summary

July 1, 2005 Projected Beginning Fund Balance		\$15,165,974
Source of Funds:		
Estimated Revenues	\$116,528,506	
Transfers In	22,110,339	
Total Sources of Funds		\$138,638,845
Use of Funds:		
Appropriations	\$130,864,687	
Designations	-	
Retiree Medical Plan	2,000,000	
Transfers Out	5,743,563	
Total Uses of Funds		\$138,608,250
Net Increase (Decrease)		<u>\$30,595</u>
June 30, 2006 Projected Ending Fund Balance		<u><u>\$15,196,569</u></u>

City of Ontario

Understanding the Budget Document

This budget document provides the public with concise and readable information about City government and displays the City's objectives and budget for Fiscal Year 2005-06.

The budget document begins with the City Manager's Transmittal Letter which provides an overview of the Fiscal Year 2005-06 Annual Operating Budget by highlighting major programs and the City's overall financial position and outlook. The budget document is then divided into the following sections:

- Budget Overview
- Expenditure Detail
- Revenue Detail
- Fund Balance & Interfund Transfers
- Citywide
- City Administration
- Administrative Services
- Development
- Fire
- Police
- Public Works/Community Services
- Housing
- Redevelopment
- Economic Development
- Ontario Redevelopment Agency
- Ontario Housing Authority
- Capital Improvement Program
- Ontario Convention Center
- Appendices

The **Budget Overview Section** contains the budget policy guidelines, budget process, and budget calendar.

The **Expenditure Detail Section** provides the explanation of major expenditure categories, expenditures for each fund, and detail on internal service allocations.

The **Revenue Detail Section** provides the information on the revenues for each fund. This section presents historical and categorical data for comparative purposes.

The **Fund Balance and Interfund Transfers Section** provides the projected ending fund balance for all funds and interfund transfers.

The **Citywide** section contains the Agency organizational overview and summary of personnel adjustments.

The City Operating Budget by **Agency Sections** contain the Agencies' organizational chart, summary of personnel by organization, key program descriptions, resource allocation plans, major accomplishments and goals, and performance measures.

The **Ontario Redevelopment Agency** and **Ontario Housing Authority Sections** contain the entities' organizational charts, summary of personnel by organization, key program descriptions, resource allocation plans, major accomplishments and goals, and performance measures.

The **Capital Improvement Program (CIP) Section** contains summary schedules identifying the projects and programs included in the Five-Year CIP Plan. Projects are included in the CIP based upon an assessment of needs and available funding. All projects are considered desirable for the effective implementation of the City's Mission Statement and the accomplishment of the City Council's Goals and Objectives.

The **Ontario Convention Center Section** contains the entity's organizational chart, revenue projection schedule, and resource allocation plan. The Convention Center is an SMG-managed property offering 70,000 square feet of column-free exhibit space, a 20,000 square foot ballroom, and 24 meeting rooms occupying 24,000 square feet of meeting space. The contemporary design and amenities of the 225,000 square foot structure make it renowned as one of the most technologically advanced facilities in the nation. The budgetary data provided is presented for informational purposes only and is not a part of the City budget.

Finally, the **Appendices Section** includes:

- Constitutional Spending Limits (GANN Limitation)
- Adopting Resolutions
- Financial Policies
- Long-term Debt
- Fringe Benefits by Bargaining Groups
- 2005-06 Salary Ranges
- 2005-06 Authorized Positions
- List of Acronyms
- Glossary
- Index

City of Ontario Budget Policy Guidelines For Fiscal Year 2005-06

Based upon the General Fund revenue forecast for Fiscal Year 2005-06, each department will be provided with a General Fund budget target number that represents a **3%** growth for the City. The General Fund budget will be prepared to achieve these target numbers. All other fund budgets will be prepared with a goal of having no City funds in a deficit fund balance position.

All appropriations lapse at fiscal year end. Outstanding encumbrance balances at fiscal year end require re-approval by the City Council as part of the First Quarter Budget Report. The City Council may amend the budget at any time during the fiscal year. Budget reports are presented to the City Council and the public on a quarterly basis. They include appropriations adjustments and revised revenue projections as needed.

The following list (in no priority order) will be used to evaluate all future funding alternatives generated from budget savings.

- **Fund Balance Reserve** - Establish a prudent General Fund balance reserve level of 18% of annual appropriations.
- **Equipment Replacement** - Establish adequate reserves to replace vehicles and equipment when they become obsolete.
- **Infrastructure** - Provide City Council with a minimum of 10% of annual General Fund appropriations to be applied to discretionary infrastructure projects as defined in the Five-Year Capital Improvement Program.
- **Investment in Productivity Enhancing Equipment (Software, Tools, etc.)** - Invest in new technology to promote maximum efficiency.
- **Enhance Neighborhood and Commercial Programs** - Invest in the general appearance of Ontario's neighborhood and commercial areas.
- **Community Based Recreational and Cultural Services** - Provide increased funding for recreational and cultural services.
- **Fully Fund Liabilities** - Ensure sound fiscal health. Liabilities, such as retiree medical and accrued leave balances, must be fully funded.

City of Ontario Budget Process

The Ontario Municipal Code, Title 2, Chapter 3, Section 107 requires that the City Manager present the Annual Operating Budget to the City Council for approval. The Administrative Services Agency, under the direction of the Administrative Services/Finance Director, is responsible for compiling the estimated revenues and appropriations for the City Manager. Prior to the beginning of the new fiscal year, the City Council adopts the Annual Operating Budget at a public budget workshop.

The City's budget policy is that all appropriations lapse at fiscal year end. Outstanding encumbrance balances at fiscal year end require re-approval by the City Council as part of the First Quarter Budget Report. The City Council may amend the budget at any time during the fiscal year. Budget reports are presented to the City Council and the public on a quarterly basis. They include appropriations adjustments and revised revenue projections as needed.

The City Manager may authorize budget transfers between line items, programs and agencies as long as the total budget has not exceeded the amount approved by City Council. Budgetary changes between funds require City Council approval. The level of budgetary controls is set at the Agency level by fund to ensure compliance with the budget as approved by the City Council.

The development of the Annual Operating Budget begins in January with the dissemination of the budget preparation guidelines. The guidelines include the policies and procedures to ensure that the preparation of the budget conforms to fiscal policies and guidelines established by the City Council. Following the distribution of the budget development guidelines, a budget "kick-off" meeting is held with Agency Heads and other key City staff members to review the budget development guidelines.

Additionally, justifications and explanations are required for the following:

- Any staffing level changes
- Contractual professional services
- Purchase of capital equipment
- Travel and conferences

Before the Agency budget requests are submitted to the City Manager, the Administrative Services Agency reviews and analyzes all Agency budget requests. This review includes comparative analysis of historical and current expenditure levels. The City Manager and the Administrative Services staff then hold meetings with each Agency Head to discuss the budget request and obtain additional information to assist in the assessment of the requests. Following the meetings, the Agency Head adjusts line item requests in accordance with the City Manager's direction. Finally, the Annual Operating Budget is presented to the City Council for consideration and approval at a public workshop.

City of Ontario
Operating Budget Calendar
Fiscal Year 2005-06

Activity	Responsibility	2005						2006					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
		□ Start Date			◆ Due Date			★ Meeting Date					
First Quarter Adjustments Preparation	All Departments	□ 09/19			◆ 09/26								
First Quarter Report (Council Meeting)	Administrative Services				★ 10/18								
Kick-off Budget Meeting for Staff	All Departments							★ 01/24					
Budget Preparation Manual Distribution	Administrative Services							◆ 01/24					
Open On-line Budget System	Administrative Services							◆ 01/24					
Budget Preparation All Funds	All Departments							□ 01/24		◆ 03/30			
Personnel Assumptions Due	Human Resources /City Manager							□ 01/24		◆ 03/23			
2004-05 Personnel Costs Available	Administrative Services									◆ 03/06			
Revenue Projections (All Funds)	All Departments							□ 01/24		◆ 03/17			
Mid-year Adjustments Preparation	All Departments							□ 01/09		◆ 01/19			
Mid-year Report (Council Meeting)	Administrative Services									★ 02/21			
Budget Development Guidelines	Administrative Services									★ 02/21			
Budget Meeting for Staff	All Departments									★ 02/23			
Internal Service Charges Preparation	Internal Service Depts/Admin. Svcs.									◆ 03/08			
Major Goals and Accomplishments	All Departments									□ 03/06 ◆ 03/31			
Performance Measures	All Departments									□ 03/06 ◆ 03/31			
Recommended Budgets Due	All Departments									◆ 03/31			
Close On-line Budget System	Administrative Services									◆ 03/31			

City of Ontario
Operating Budget Calendar
Fiscal Year 2005-06

Activity	Responsibility	2005						2006					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
		☐ Start Date			◆ Due Date			★ Meeting Date					
Compile Recommended Budget	Administrative Services											☐04/03◆4/14	
Budget Deliberations with City Manager	All Departments											☐04/17◆04/21	
Meeting with Staff on Deliberations	All Departments											★04/26	
Third Quarter Report Preparation	All Departments											☐04/10◆04/21	
Revise Recommended Budget	Administrative Services											☐04/25◆05/12	
Third Quarter Report (Council Meeting)	Administrative Services											★05/16	
Proposed Budget Documents to City Council	Administrative Services											◆06/6	
Fourth Quarter Report Preparation	All Departments											☐05/18◆05/31	
Budget Presentation/Adoption	All Departments											★06/14	
Fourth Quarter Report (Council Meeting)	Administrative Services											★06/20	
Publish the Adopted Budget	Administrative Services												60 Days after Adoption