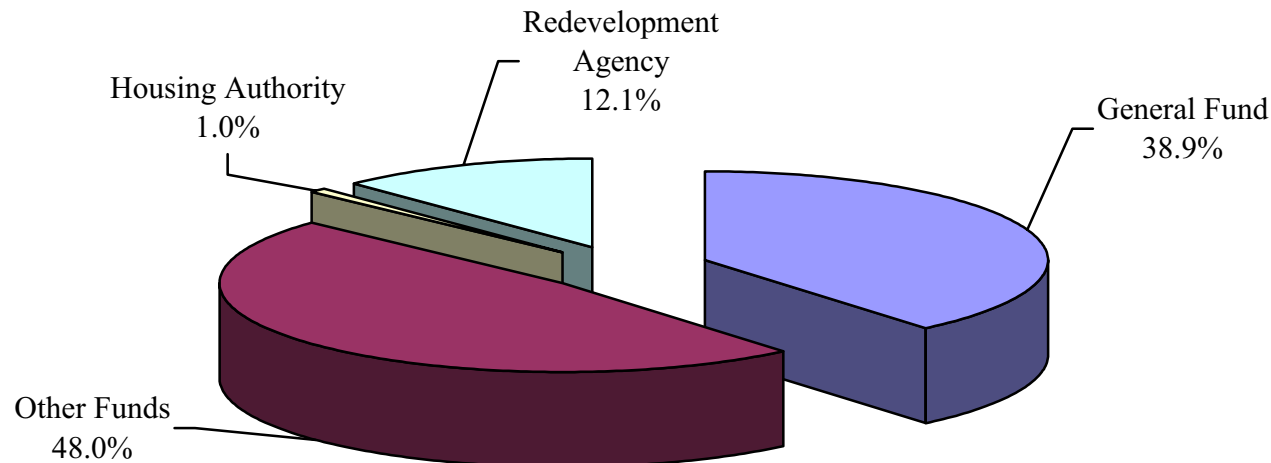


Budget Overview

City of Ontario Adopted 2008-09 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 Adopted Operating Budget for the City of Ontario, Ontario Redevelopment Agency and the Ontario Housing Authority is **\$398,492,829** for Fiscal Year 2008-09. This includes **\$346,207,003** for the City (**\$155,071,659** in the General Fund and **\$191,135,344** in Other Funds such as Enterprise Operations, Gas Tax, Community Development Block Grant and Capital Projects), **\$48,213,972** for the Ontario Redevelopment Agency, and **\$4,071,854** for the Ontario Housing Authority. The City's General Fund Budget of **\$155,071,659** is **38.9%** 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 2008-09 Capital Improvement expenditures of **\$51,560,818** have also been included in the Operating Budget.

Total Expenditures \$398,492,829



I. Key Budget Assumptions

Several budget assumptions are included in the Adopted Operating Budget for Fiscal Year 2008-09. They will be carefully monitored throughout the fiscal year while evaluating budgetary performance and 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. The national and state economies, and housing and financial market collapse, played a role in the formation of the FY 2008-09 Adopted Budget. If these circumstances worsen more than anticipated, the City will be required to revisit its spending plan and take any appropriate actions.
- C. Sales Tax revenue growth is declining due to the continued collapse of the housing market; slowing of the construction industry; and the dramatic rise in fuel and oil prices, which in turn has resulted in a reduction of consumer spending for the Inland Empire and Ontario. While the sales tax revenue adopted in the Fiscal Year 2008-09 of **\$56,390,000** represents a **1.4% increase** over the FY 2007-08 Adopted Budget, it reflects a **13.4% decrease** compared to the Fiscal Year 2007-08 projected amount of \$65 million.
- D. Transient Occupancy Tax revenue is projected to **decrease** by **\$100,000**, from the City's 2007-08 projection of \$10.9 million to the adopted FY 2008-09 Budget amount of \$10.8 million.
- E. Property Tax revenue projections of **36,300,000** for FY 2008-09, after excluding the approximate \$13.1 million in property tax revenues in lieu of motor vehicle license "back-fill", will increase **9.8%** or approximately **\$2.075 million** over the City's FY 2007-08 Adopted Budget amount of \$21.1 million.
- F. Ontario Redevelopment Agency will continue the annual reimbursement to the City for the Library, Soccer Complex, and 4th Street improvements of **\$2.475 million**.
- G. Development related revenues will significantly decrease by approximately **54%**, as compared to the 2007-08 Adopted Budget, resulting from the collapse of the housing and financial markets and the weakened construction industry.
- H. The City is unaware of any court decisions, propositions, initiatives, or other actions beyond the City's control, which could adversely affect its revenue and expenditures.

II. New and/or Significant impacts on General Fund Recurring Appropriations

<u>Costs</u>	<u>Description</u>	<u>Agency</u>
\$ (2,679,041)	Net staffing changes (full and part-time)	Various
5,295,284	Labor agreements, including retiree medical benefits	Various
350,000	Maintenance associated with the new Sports & Soccer Complex	Public Works

III. Other Key Service and Community Enhancements

\$6,803,600	Investment into street rehabilitation, sidewalk improvement and grade separation projects
3,034,840	Revenue Customer Service Office Relocation
2,140,058	Planning, design and construction of Ontario Town Square Community Park Plaza
2,000,000	Recycled Water Service Main Extensions
1,708,573	Improvements at Veterans Memorial Park
1,000,000	Planning, design and construction (Phase 1) of South Bon View Park
1,000,000	Water Pipeline Replacements
648,000	Renovation of Fire Station No. 4
210,000	Installation of Emergency Pre-Emption Devices and Battery Back-ups at City Signalized Intersections

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 2008-09 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/Records Mgmt	Office Assistant	1
Development/Engineering	Senior Associate Civil Engineer	1
Fire Department	Senior Deputy Fire Chief	1
Housing	Senior Management Analyst	1
Police Department	Assistant Communications Manager	2
Public Works/Utilities	Solid Waste Supervisor	1
Public Works/Utilities	Senior Utilities Technician	1
Public Works/Utilities	Utilities Service Representative	2
	Total Additions	<u>10</u>
<u>Deletions:</u>		
City Administration/City Manager	Administrative Assistant	1
City Administration/Human Resources	Human Resources Analyst	1
City Administration/Records Mgmt	Records Manager	1
Development/Building	Plan Check and Permit Services Manager	1
Development/Building	Senior Combination Building Inspector	2
Development/Engineering	Assistant Engineer	1
Development/Engineering	Associate Civil Engineer	3
Development/Engineering	Engineering Assistant	1
Development/Engineering	Engineering Aide	1
Development/Engineering	Traffic/Transportation Manager	1
Development/Planning	Associate Planner	2

Development/Planning	Planning Aide	1
Fire Department	Administrative Assistant	1
Fire Department	Deputy Fire Chief	1
Fire Department	Fire Protection Analyst	1
Housing	Account Technician	1
Housing	Office Assistant	1
Police Department	Communications Supervisor	2
Police Department	Crime Prevention Specialist	2
Police Department	Police Records Specialist	4
Police Department	Police Technician	1
Public Works/Recreation	Recreation/Community Services Supervisor	1
Public Works/Recreation	Recreation/Community Services Manager	1
Public Works/Recreation	Senior Recreation/Community Services Supervisor	1
Public Works/Utilities	Maintenance Worker/Meter Reader	<u>2</u>
	Total Deletions	<u>35</u>
	Net Change	<u>(25)</u>

Reclassifications/Title Changes:

Police Department

Operations Supervisor to Communications Manager

V. Key Financial Issues Ahead

While improvements have been made in the City's General Fund Balance as a result of the fiscally prudent actions taken by the City Council, several challenges still remain such as:

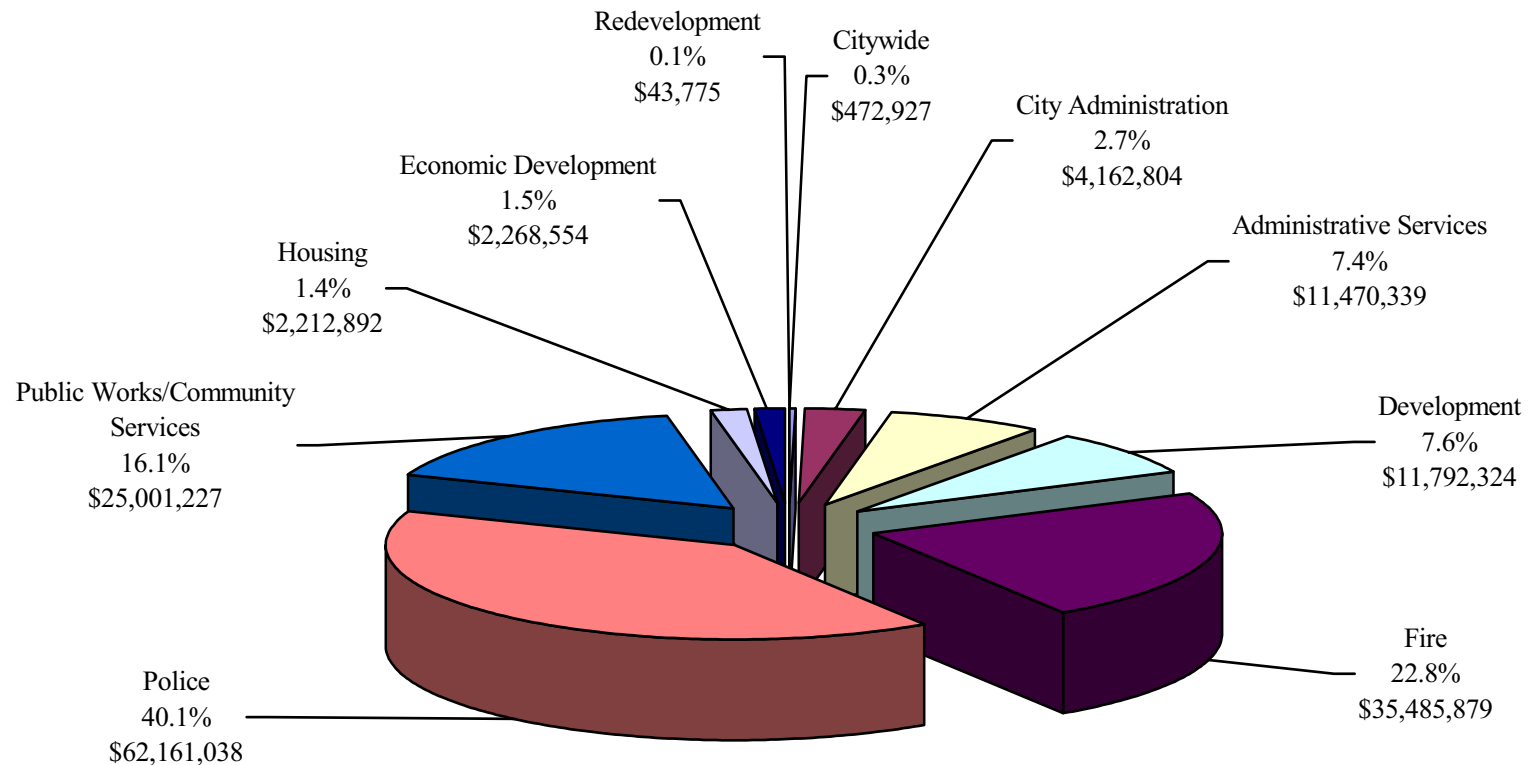
- Continued impacts from the failure of the sub-prime and Alt-A mortgage market and the resulting collapse in the housing and financial sectors impacting the City's economy;
- Inflationary impacts contributing to all-time highs in oil and fuel prices, as well as goods and services such as food costs;
- The current year and overall structural budget deficit at the State-level which has a real potential for direct impacts to local government on near-term budget years;
- State and national economic conditions resulting in weakening local revenue growth in key areas, such as Sales Tax revenues;
- Rising costs of retirement benefits including the provision of medical benefits as healthcare cost increases continue to out-pace inflation;
- Development of the New Model Colony and expanding City services to accommodate new development;
- Funding for the Retiree Health Benefit costs for current employees; and
- Increasing the City's inventory of park, recreational and social facilities which is aging and in need of repair/refurbishment. The City's inventory has not kept pace with the population growth; hence, there is a shortfall of facilities. A Park and Recreation Master Plan is being completed in which funding will be needed for the improvements and facilities recommended in the Master Plan.

These issues are not presented in any particular order and are **not** intended to be a comprehensive list of issues.

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 \$155,071,659



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 2008-09 reflects a projected ending general fund undesignated balance of **\$28,092,383** or **18.1%**.

General Fund – Operating Budget Summary

July 1, 2008 Projected Beginning Fund Balance		\$28,062,383
Source of Funds:		
Estimated Revenues	\$139,501,373	
Transfers In	<u>20,307,066</u>	
Total Sources of Funds		\$159,808,439
Use of Funds:		
Appropriations	\$155,071,659	
Transfers Out	<u>4,706,780</u>	
Total Uses of Funds		\$159,778,439
Net Increase (Decrease)		<u>\$0</u>
June 30, 2009 Projected Ending Fund Balance		<u><u>\$28,092,383</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 2008-09.

The budget document begins with the City Manager's Transmittal Letter which provides an overview of the Fiscal Year 2008-09 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
- Expenditures
- Revenue
- 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 **Expenditures Section** provides an explanation of major expenditure categories, expenditures for each fund, and detail on internal service allocations.

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

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

The **Citywide** section contains the City's organizational overview and summary of personnel adjustments.

The City Operating Budget by **Agency Sections** contain the Agency's 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, summaries 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
- 2008-09 Salary Ranges
- 2008-09 Authorized Positions
- List of Acronyms
- Glossary
- Index

City of Ontario Budget Policy Guidelines For Fiscal Year 2008-09

The Adopted General Fund Operating budget for FY 2008-09 includes a minimal, Citywide increase to Agency General Fund operating budgets to accommodate general cost increases for goods and services required to provide essential services throughout 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. Budget reports are presented to the City Council and the public on a quarterly basis; however the City Council may amend the budget at any time during the fiscal year. Budget reports 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 which 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 2008-09

Activity	Responsibility	2008						2009					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
		☐Start Date			◆Due Date			★Meeting Date					
First Quarter Adjustments Preparation	All Departments	☐09/8 ◆09/19											
First Quarter Report (Council Meeting)	Administrative Services	★10/21											
Kick-off Budget Meeting for Staff	All Departments	★01/27											
Budget Preparation Manual Distribution	Administrative Services	◆01/27											
Open Online Budget System	Administrative Services	◆01/29											
Budget Preparation All Funds	All Departments	☐01/27 ◆03/06											
Personnel Assumptions Due	Human Resources /City Manager	☐01/27 ◆02/10											
2008-09 Personnel Costs Available	Administrative Services	◆02/20											
Revenue Projections (All Funds)	All Departments	☐01/27 ◆03/06											
Mid-year Adjustments Preparation	All Departments	☐01/05 ◆01/16											
Mid-year Report (Council Meeting)	Administrative Services	★02/17											
Budget Development Guidelines	Administrative Services	★02/17											
Budget Meeting for Staff	All Departments	★02/23											
Internal Service Charges Preparation	Internal Service Depts/Admin. Svcs.	☐01/27 ◆02/27											
Major Goals and Accomplishments	All Departments	☐01/27 ◆03/13											
Performance Measures	All Departments	☐01/27 ◆03/13											
Recommended Budgets Due	All Departments	◆03/06											
Close On-line Budget System	Administrative Services	◆03/06											

City of Ontario
Operating Budget Calendar
Fiscal Year 2008-09

Activity	Responsibility	2008						2009					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
		□ Start Date			◆ Due Date			★ Meeting Date					
Compile Recommended Budget	Administrative Services									□03/09	◆4/17		
Third Quarter Report Preparation	All Departments										□04/06	◆04/17	
Budget Deliberations with City Manager	All Departments										□04/20	◆04/24	
Meeting with Staff on Deliberations	All Departments										★04/27		
Revise Recommended Budget	Administrative Services										□04/27	◆05/22	
Third Quarter Report (Council Meeting)	Administrative Services										★05/19		
Proposed Budget Documents to City Council	Administrative Services											◆06/16	
Budget Presentation/Adoption	All Departments											★06/23	
Publish the Adopted Budget	Administrative Services												

60 Days after Adoption