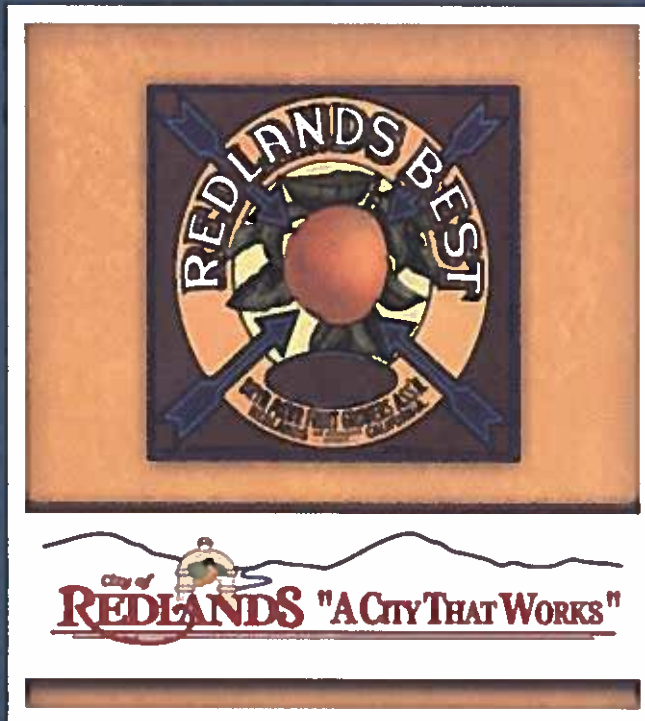


CITY OF REDLANDS

FISCAL YEAR 2015-2016

ADOPTED BUDGET



CITY OF REDLANDS CALIFORNIA

2015-2016 ADOPTED BUDGET

Redlands City Council Members

Paul Foster, Mayor
Jon P. Harrison, Mayor Pro Tempore
Paul T. Barich
Patricia L. Gilbreath
John E. James

N. Enrique Martinez, City Manager
Tina T. Kundig, Finance Director

*Special thanks
to the
Budget Committee
and
Budget Preparation Team*

City of Redlands
2015-2016
Adopted Budget

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June 2, 2015

BUDGET MESSAGE FOR CITY MANAGER'S FISCAL YEAR 2015-2016 ADOPTED BUDGET

The Adopted Budget for Fiscal Year 2015-2016 again presents a budget balanced on recurring revenue with a projected ending unreserved fund balance of \$7.7 million. In addition, the City begins Fiscal Year 2015-2016 with reserves of \$9.8 million, including \$7.9 million reserved for contingency and the remainder reserved for various capital items. The Adopted Budget reflects decisions made to address the service needs of Redlands residents and the business community, with continued focus on sizing the organization to meet those needs with maximum quality and efficiency. Resident satisfaction with the services provided has been, and remains, a top priority.

The City's financial discipline throughout the economic downturn that began in 2007, and the more recent benefits of a recovering economy resulted in an estimated surplus at the end of Fiscal Year 2014-2015, and a continued course toward adding to reserves when either a surplus or one-time revenues becomes available. The reserves include recommended increases of \$600,000 to close Fiscal Year 2014-2015, with \$100,000 added to the contingency reserve; as well as \$100,000, each to the reserves for Fire Vehicles; General Fund Vehicles; Maintenance: Building & Improvements; Maintenance: Park Playgrounds, Equipment, Facilities; and Capital replacement: HVAC, IT Equipment.

Although revenue projections indicate improvement in Fiscal Year 2015-2016, the effects of a sustained national economic recession continue to require fiscal discipline to maintain services and allow for incremental service enhancements. The Fiscal Year 2015-2016 Adopted Budget recommends enhanced service levels intended to meet the increased needs expected as a result of the recovering economy. Positions recommended for six months of funding during Fiscal Year 2015-2016 are tied to the recovering economy, and include such positions as a Planning Manager and a Fire Safety Specialist-Plan Checker to support anticipated new development projects; two police officers and a dispatcher to support continued new development in the 'donut hole,' estimated to add nearly 800 calls for service that will greatly impact dispatch and require more than 1,000 responses by Police officers; and a new four-man street crew (three full-time and two

part-time) to address the current deficiency in staff hours available to meet the outstanding workload. Currently, the hours spent by City crews on sidewalk repair, storm drain maintenance (NPDES), street striping, tree removal and palm frond pick-up, have not been sufficient to meet the needs expressed by the residents. One of the greatest concerns expressed by residents is the time it takes crews to pick-up palm fronds, not only following a storm but routinely. The addition of this new crew is expected to allow pick-up time of 24 hours following a storm rather than the week it may take currently, and to improve the time to complete routine palm frond pick-up, in addition to work orders relating to storm drains, streets and trees.

For the Library, \$50,000 is recommended for part-time staffing to restore some hours of operation lost during the economic downturn, and provide greater services to the public, both in circulation and at the children's desk.

The Fiscal Year 2015-2016 Adopted Budget includes some significant revenue increases. Property tax revenues are estimated to improve overall by \$1.3 million, or 5.5%. Sales tax revenues are expected at \$1.6 million or 11% higher than prior year. Part of that increase is attributed to anticipated revenues from the new Mountain Grove retail center. Additional sales tax revenues will result from the one-time impact associated with the end of the State's Triple Flip 0.25% deduction, accounting for approximately 5%, or \$762,000, of the overall increase. Increased development revenues of more than \$500,000, or 25%, are also forecast as a result of greater development activity anticipated as the economy continues to improve. While these revenue projections are up, some sources have declined. In particular, gas tax revenues are down by approximately \$522,000 and franchise fees by \$252,000. Franchise fees received from the Gas Company in Fiscal Year 2014-2015 were almost \$2.3 million, driven largely by gas usage at the Mountain View Power Plant, and higher than those in prior years. Revenues at that level may be an anomaly given the inherent volatility of these fees due to the uncertainty of gas prices and usage. As a result, the gas franchise fees estimated for Fiscal Year 2015-2016 have been conservatively rolled back to an amount just above their five-year average. Engineering revenues have declined by more than \$500,000, with the majority of that decline, more than \$300,000, the result of the City's reduction of NPDES fees, and rebates of \$125,000 budgeted in Fiscal Year 2014-2015, but not expected in Fiscal Year 2015-2016. While Quality of Life revenues are declining by more than \$800,000 in Fiscal Year 2015-2016, primarily due to the reduction in miscellaneous receipts, this did not adversely affect the bottom line because revenues in prior year from the Nevada Palmetto Grove proceeds were offset by expenditures that same year. Accordingly, as Quality of Life revenues have declined in Fiscal Year 2015-2016, so too have the department's expenditures.

Fiscal Year 2015-2016 revenues discussed above and all other estimated sources, along with positive Fiscal Year 2014-2015 estimates that allow for a large transfer to fund the Liability Fund in the current year, and a significantly reduced one in Fiscal Year 2015-2016, provide sufficient resources for six months funding of recommended new positions, and to pay for anticipated increases of up to 10% in retiree health care costs, as well as increases in PERS. The anticipated cost increases in PERS are primarily the result

of a change in actuarial assumptions and methodology for the Safety units. For these units, the employer's PERS rate, normally strictly a percentage of salaries, has been reduced, but beginning with Fiscal Year 2015-2016 will be supplemented by required lump sum payments to PERS, which when estimated by PERS as a percentage of payroll, reflect rate increases over prior year of approximately 3.2% for Police and 5.6% for Fire. An additional 1.50% for Police and 1.65% for Fire are added to the employer rate to fund debt service on their share of the City's Pension Obligation Bonds. In addition, the budget includes funding for negotiated salary increases for all bargaining units, but these have been offset by prior or concurrent pick-up by the employees of their employee share of PERS. Other appropriations in the Fiscal Year 2015-2016 budget include funding of \$100,000 in the City Council's budget to fund special projects recommended throughout the year; \$25,000 to upgrade the City Council chambers; and \$150,000 in Quality of Life – Electrical for traffic signal cabinet replacement. The latter amount is sufficient to replace one of the more than 30 traffic signals throughout the City that are on average over 20 years old. The cabinet to be replaced will be determined based on the most critical need, just like the one recently approved for replacement at Brookside and San Mateo. Additionally, the budget includes \$522,232 in IT for computer components, a portion of which is paid for through costs allocated to the General Fund; and \$965,000 for the General Plan update which will be funded with monies reserved for that purpose. Significant funding for capital has been included at the end of Fiscal Year 2014-2015, including \$190,000 recently approved for five Police patrol units and equipment, as well as another \$113,858 that includes three vehicles in support of other Police functions and one vehicle for Animal Control; \$100,000 recently approved for equipment to support additional striping, storm drain maintenance and tree removal, as well as an additional \$450,000 recommended in Municipal Utilities - Engineering for sidewalk repairs. This capital funding is recommended in the current year so that funding in Fiscal Year 2015-2016 could be minimized and a balanced budget maintained. At June 30, 2016, the General Fund is expected to achieve a surplus of \$14,527 and to retain its \$7.7 million unreserved fund balance.

The needs of the residents and business community will be addressed not only by General Fund staff, but also through enterprise fund staffing. Various positions have been added to improve production and maintenance services in Water and Wastewater, and a Water Conservation Assistant has been added to address the on-going requirements resulting from California's severe drought conditions. Two Associate Engineers are recommended to address an increased workload from a long list of grant-funded and other improvement projects that include the Orange Blossom Trail, a Pipeline Replacement program, and the "PARIS" Pavement Management program. Given the priorities of the City Council's 2014-2017 Strategic Plan and the importance of infrastructure to the residents of Redlands, it is anticipated that as the existing projects are completed, new ones will be undertaken.

The City operates 400 miles of water pipeline, of which approximately 33 miles has been replaced since 2007. Despite this replacement schedule, much more is needed to keep the system in proper operating condition. Given the average age of pipelines in the City, five miles of pipelines should be replaced each year to keep pace with the rate of degradation.

Add to this the nearly 30 miles of pipeline that has reached or exceeded its 65-year life expectancy, and it is clear there is much more work to do. Included in this year's budget is \$3 million in funds to replace another 3.5 miles of pipeline that will be replaced in coordination with the City's "PARIS" program. Still, this funding level is insufficient to meet the stated needs, and staff is developing a plan to address the City's current and future needs.

Over the past three years as a result of the "PARIS" program, the City has resurfaced 110 lane miles of the most used streets in the City. Under construction now is the resurfacing of another nearly 100 lane miles, bringing the total to nearly 210 lane miles. Next year's \$10 million resurfacing project which is slated to resurface another 200 lane miles of streets is currently under design. Once finished, staff will have completed more than 95 percent of the promised resurfacing of two-thirds of all City streets; with the remaining resurfacing to be completed in the following year. This is a significant achievement and one that staff is proud to have completed.

To pay for the significant street impacts caused by its heavy trucks, Solid Waste continues to support the "PARIS" program, contributing \$3.6 million in Fiscal Year 2015-2016, with approximately \$1.9 million in debt service on bonds issued for the program, along with \$1.7 million to the Local Transportation Fund to fund the resurfacing of additional lane miles.

Besides providing funding for the "PARIS" program, the Solid Waste budget for Fiscal Year 2015-2016 recommends funding to address operating and capital needs that include \$350,000 for landfill consulting and repairs, \$308,041 for an automated side loader, \$50,000 for two small truck chassis, and \$150,000 for the removal of a temporary stockpile of concrete construction and demolition debris, as per regulatory requirements. Currently, three pieces of landfill heavy equipment, a D-8 dozer, a landfill water pull, and a compactor are non-operational and must be rented. Funding of \$385,000 has been included in the budget to lease purchase this equipment, a more cost-effective option than continuing to rent, and more appropriate from a cash flow perspective.

Funding has been included in the Cemetery budget to implement the Business Plan developed for the City's Hillside Memorial Park. It includes the remaining funding for the current contracted manager, as well as six months of salary and benefits to hire a full-time manager. Additionally, \$924,600 has been included in capital, with \$564,000 of that for street construction throughout the cemetery and \$330,600 for various improvements recommended per the Plan, such as cremation gardens, bench estates and niches.

Just as addressing the Cemetery's underperformance and deterioration is a priority, so too, is addressing other underperforming assets of the City. To that end, \$85,000 in funding has been recommended in the Airport's budget to hire a consultant to develop a business plan similar to the one developed for the Cemetery. Like the Cemetery, the intent is to ultimately hire a full-time Airport Manager who would follow through with the business plan to ensure the Airport remains a sustainable enterprise.

We take pride in the numerous achievements accomplished by the City, even during the most difficult of economic times, and look forward to the continuation of many of these, including economic development initiatives, comprehensive street rehabilitation projects under the "PARIS" Pavement Management program, and growth in our nationally recognized volunteer program, and in the future, to new achievements that will live up to the City Council's vision statement for the City: "Redlands is a balanced, innovative and healthy community meeting tomorrow's need while protecting the quality and heritage we value."

Finally, I wish to express my sincere thanks to the the professional Executive and support staff who, once again, have been instrumental in the development of a balanced budget for Fiscal Year 2015-2016, especially staff in the Finance Department.



N. Enrique Martínez
City Manager





Redlands City Values

Redlands City Council, Clerk, and Treasurer, plus all other City employees and volunteers, commit to these values:

WE STRIVE FOR EXCELLENCE AND ARE INNOVATIVE:

We aim to deliver the best service possible and measure quality outcomes and results. We strive to exceed expectations and to bring out the best in each other. We are flexible and adapt to the ever-changing needs of our community. We seek traditional as well as non-traditional solutions and embrace creativity.

WE ARE FISCALLY RESPONSIBLE:

We take seriously financial stability and our stewardship in carefully managing and constantly ensuring the best use of all public funds and other resources.

WE SEEK SUSTAINABILITY:

We pursue sustainability as the key to optimal use of all resources. We measure progress through improvement to the health and well-being of our residents, environment, and local economy.

WE ARE RESPONSIVE:

As public servants we exist to serve Redlands citizens and to exceed expectations. That is and should always be our constant focus. We listen, are empathetic and take appropriate action. We pursue good and timely solutions, and are alert to modifying strategies in response to unintended consequences.

WE ARE FAIR, HONEST, AND ACT WITH INTEGRITY:

We align our values, words and actions. We are honorable, trustworthy and sincere. We consistently go not just beyond the legal minimum to do what is right, but strive for the highest moral and ethical behavior.

WE ARE ACCOUNTABLE AND MAKE SOUND DECISIONS BASED ON CLEAR RATIONALE:

We take responsibility for our decisions and actions. We are accountable to our community and to each other so that future generations will have as many opportunities available to them as we do today. We encourage and practice servant leadership.

WE TREAT EVERYONE WITH RESPECT:

We acknowledge the dignity of every employee, citizen, resident, and visitor in our City. We work actively to eliminate barriers to full participation in community life. We conduct City business with courtesy, civility, and respect.

WE EMBRACE DIVERSITY AND INCLUSIVENESS:

We value the strengths that result from varied experiences, ideas and perspectives. Our collective histories, both employee and citizen, and natural setting create the fabric that makes Redlands a special place to live, work, and play.

WE COMMUNICATE OPENLY, CLEARLY AND FREQUENTLY:

We seek shared understanding with our community and across City organizations. We are engaged and our interactions are meaningful! We engage in participatory governance and transparent processes. We strive to create a culture of collaboration that encourages innovation, sharing of resources, and jointly shared accountability for results.

WE TAKE PLEASURE IN THE WORK WE DO:

While maintaining a professional environment, we recognize the importance of building and maintaining an enjoyable workplace that will attract and retain quality employees. We value a sense of humor and remember not to take ourselves too seriously.



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City of Redlands 2015-2016 Adopted Budget

Budget and Finance Policies

The following policies focus on City of Redlands budget and finance activities. They are intended to serve as a foundation for successful management of the City's financial resources. The City is already in compliance with many of these policies, while others may take more time to implement.

I. GENERAL POLICIES

1. The City organization will implement the City Council's goals, objectives, and policies through a service delivery system financed by the Operating and Capital Budgets.
2. The relationship between the Operating and Capital Budgets will be explicitly recognized and incorporated into the budget process. Based on available resources, the City Council will make available sufficient funds to provide municipal operating services and maintenance or enhancement of fixed assets needed to support public demand for City services.
3. The City will work to improve customer service and the productivity and performance of its programs and employees, and will seek ways to eliminate duplicative functions within the city government and between the City of Redlands and other public agencies in the community. A reporting mechanism based on clear performance measures, return on investment, and highlighting the service efforts and accomplishments of the City's major services will be developed.
4. Whenever feasible, the cost to the government of providing services will be fully recovered by user fees. As mandated by Generally Accepted Accounting Principles (GAAP), Enterprise funds will be used when legal requirements or management policy requires the full cost of providing services to customers outside the organization, including capital, be recovered through fees and charges. Fiscal accountability for Enterprise Funds will be in accordance with the City's Enterprise Fund Policy, Resolution No. 7318. Internal Service Funds are designed to function as cost-reimbursement funds for services provided to other funds or departments of the primary government. Enterprise and Internal Service funds shall be self-supporting.
5. All current operating expenditures will be paid for with current revenues.
6. Adequate reserves will be maintained and all known liabilities will be identified and reported consistent with Generally Accepted Accounting Principles. In addition to maintaining a "Reserve for Contingency" (Committed Fund Balance), the City may establish "reserves" (Assigned Fund Balance) for special purposes, including but not limited to, unanticipated staff retirements, certain types of overtime, and equipment purchases.
7. Efforts will be coordinated with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the state and federal level.
8. City expenditure and revenue analyses shall include, at minimum, a three year projection.
9. The City will seek out, apply for, and effectively administer federal, state, local, and other grants or assistance that address the City's current priorities and policy objectives.

10. The public shall be afforded appropriate opportunities for comment on all City financial activities consistent with current ordinances and other laws and regulations.

II. REVENUE POLICIES

1. The City will build and maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one source.

2. The City will follow an aggressive policy of collecting all revenues, and will report periodically on progress achieved.

3. The City will establish all user fees and charges at a level related to the full costs (operating, direct, indirect and capital) of providing the service, or provide justification for any level less than this amount. The City will review fees/charges periodically.

4. The City will review market rates and charges levied by other municipalities of similar size for like services when establishing rates, fees and charges.

5. Revenues will be conservatively estimated.

III. EXPENDITURE POLICIES

1. The City shall operate on a balanced budget in accordance with the Fund Balance Policy, Resolution No. 7346.

2. The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or other options. Inappropriate expenditure deferrals into the following fiscal year, short-term inter-fund loans, or use of one-time revenue sources for other than one-time expenditures shall be avoided.

3. The City Manager shall undertake periodic staff and third-party reviews of City programs for both efficiency and effectiveness. Privatization and contracting with other governmental or other agencies will be evaluated as alternatives to service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.

4. The City shall make every effort to maximize any discounts offered by creditors/vendors.

5. Staff shall use competitive bidding, in accordance with the City's Purchasing Ordinance and state law, to attain the best possible price on goods and services.

IV. FUND BALANCE POLICIES

General Fund:

1. In accordance with the City's Fund Balance Policy, Resolution No. 7346, fund balance will be categorized for annual financial statement reporting purposes as required by Government Accounting Standards Board (GASB) 54 into the following five categories: Nonspendable, Restricted, Committed, Assigned and Unassigned (terminology used in the Budget does not specify the categories used in reporting purposes, but uses the familiar "reserved" and "unreserved" fund balance).

2. As recommended by the Government Finance Officer's Association, the City will establish a General Fund Ending "Unreserved" (Unassigned) Fund Balance of no less than a) 5% - 15% of regular general fund operating revenues, or b) no less than 1 - 2 months of regular general fund operating expenditures.

3. The General Fund "Unreserved" (Unassigned) Fund Balance, including the Fund Balance "Reserved for Contingency" (Committed Fund Balance), and other reserves (Assigned Fund Balance) will be approximately twenty-five (25%) of general fund operating expenditures. "Reserves" (Committed and Assigned Fund Balance) for the General Fund will be funded at the minimum percentages established by the Fund Balance Policy. Additional funding of "reserves" may be made by the City Council in accordance with the Policy.

4. "Reserves" for encumbrances will be established at the end of every fiscal year to designate fund balance in the amount equal to the City's unpaid obligations and unfinished projects at year-end.

5. Funding levels of General Fund "reserves" will be reviewed during periods of economic stagnation to avoid reductions in operating service levels.

6. Appropriations or use of funds from any "reserves" will require City Council action in accordance with the Fund Balance Policy.

V. CAPITAL IMPROVEMENT PLAN (CIP) POLICIES

1. The City will develop a multi-year plan for capital improvements, update it annually and make capital improvements in accordance with the plan. If mid-year revisions to the plan are necessary, these will be brought to the City Council for review and approval.

2. The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.

3. Capital projects will conform to the following criteria:

- A. will be part of an approved City plan;
- B. will be part of an adopted maintenance/replacement schedule;
- C. will minimize operating costs; and
- D. will be selected according to the established Capital Improvement Plan.

4. The capital budget process will work in conjunction with the regular operating budget process. CIP projects will be flagged as funded or unfunded depending on whether or not the forecasted operating budget can support or fund the project. All funded CIP projects will be included in the operating budget for the current budget year.

VI. ANNUAL AUDIT

1. The City will require an annual audit by a qualified independent accountant of the books of account, financial records, inventories and reports of all City officers and employees involved in the handling of financial matters.

2. Selection of an independent auditing firm will be made by the City Council following a competitive proposal process. It is the policy of the City that the most qualified firm is selected and therefore the lowest cost approach is not the defining method of selecting an auditing firm. Among equally qualified firms, cost may be considered a determining factor in selection and award of contract.

3. The City shall issue a Request for Proposal for audit services at least every five years, and at that time, will consider rotation of audit firms, or at minimum, rotation of audit partners from the same firm.

City of Redlands 2015-2016 Adopted Budget

Summary of the Budget Process

BUDGET ADOPTION

The City of Redlands prepares and adopts a revised current fiscal year estimate and a new fiscal year projection in June of each year. The revised 12 month estimate for the current fiscal year becomes the final budget estimate as the year closes and the projection for the new fiscal year becomes the initial budget estimate of activity. This initial estimate is typically reviewed closely at mid-year in order to determine significant changes which are then presented to the City Council. However, due to the uncertainty in the economy over the last couple of years, close monitoring and review of the budget, with updates to the City Council, has become an on-going process.

BUDGET FORMAT

The budget document is organized by the major departments of the City of Redlands. Each section is further subdivided into organizational units referred to as divisions, programs or funds. Each unit represents a service or activity and emphasizes program planning, evaluation, resource allocation and financial management. At the beginning of each major unit presented, a narrative is provided. It includes a description of the unit, sustainability efforts, goals and objectives, listing of prior year accomplishments and significant program changes, if applicable.

BASIS OF ACCOUNTING

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

Governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts are collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so are recognized as revenues in the fiscal period to the extent they are normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Proprietary and Fiduciary Funds

The City’s enterprise and internal service funds are proprietary funds. Proprietary and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. Proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses

BUDGET AMMENDMENTS

During the fiscal year, the City Council may, at their discretion, authorize amendments to the budgeted revenues and expenditures and the amendments are input into the automated budget system. In addition, the City Manager is authorized to transfer budgeted amounts between departments within

any fund. However, revisions that alter the total expenditures of any fund must be approved by the City Council.

In addition to the above amendments, staff presents mid-year and year-end reviews of the budget to the City Council in February and June. This provides the opportunity for adjustments, if needed, to budgeted revenues and expenditures based on actual results during the first and second half of the fiscal year.

BUDGET CALENDAR

The budget process commences in January with the preparation for distribution of various budget materials and instructions by the Finance Department. Requested budgets are then submitted by the Departments to the Finance Department in March or April.

In April, the City Manager, Department heads, and other key staff attend a workshop to review their budget submissions including both revenue assumptions and expenditures requests. Upon completion of these workshops, the proposed budget is prepared, presented to the budget subcommittee for review and recommendations, then distributed to the City Council and made available to the public.

Subsequent to distribution of the proposed budget, it is discussed with the City Council at one or more public meetings.

Below is the actual calendar used for the current Adopted Budget.

- Distribute budget packets & spreadsheets 3/06/15
- Requested completed budget packets due to Finance 3/30/15
- Finance review of department submissions 3/31 - 4/17/15
- Projected difference between sources and uses 4/17/15
- Finance presentation of projections to City Manager 4/20/15
- Department meetings with City Manager 4/21/15
- Presentation to Budget Subcommittee for review 5/15/15
- Budget Subcommittee meeting for recommendations 5/20/15
- Proposed Budget distribution to City Council for review 5/22/15
- Proposed Budget presentation to City Council 5/27/15
- Adoption by City Council 6/02/15

City of Redlands
2015-2016
Adopted Budget

Fund Descriptions

The resources of the City of Redlands are allocated to and accounted for in various funds based upon the purposes for which the funds are to be spent and the means by which spending activities are controlled. Below are brief descriptions of the various funds used.

GOVERNMENTAL FUNDS are used to account for the financing of most of the City's governmental functions. The City uses four types of governmental funds: General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

- General Fund (101) – The operating fund of the City used to account for all activities, except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources that are restricted to expenditures of specified purposes.

- Emergency Service Fund (205) – To account for the collection of a special property tax to be spent on paramedic services.
- Household Hazardous Waste Fund (206) – To account for revenue collected and expenditures made to properly dispose of household hazardous waste.
- Gas Tax Fund (207) – To account for the receipt and subsequent expenditure of the City's share of the State levied tax on gasoline and other vehicle fuels.
- Measure I Fund (208) – To account for revenues resulting from a voter-approved half-cent retail transaction and use tax, to be used for transportation improvements and traffic management programs.
- Local Transportation Fund (209) – To account for the receipt and expenditure of street improvement and road construction funds from various sources including projects financed by State grant activity.
- Measure I Fund (2010) (210) – To account for "new" revenues resulting from a voter-approved renewal of a half-cent retail transaction and use tax, to be used for transportation improvements and traffic management programs.
- Air Quality Improvement Fund (221) – To account for the collection and subsequent expenditure of AB2766 (District Fees to Implement the California Clean Air Act) monies to be used for pollution reduction.
- Traffic Safety Fund (223) – To account for the receipt of traffic fines for moving violations within the City limits.
- Designated Receipts Fund (225) – To account for deposits and donations designated for specific purposes.

- Open Space Fund (227) – To account for receipt and subsequent expenditure of developer fees collected to acquire open space land in and around the City.
- Downtown Redlands Business Area Fund (236) – To account for various activities and special events with the intent of attracting business to the downtown area.
- Parking Authority Fund (237) – To account for receipt and subsequent expenditure of fees collected as a result of a city-wide authority formed to control parking.
- General Capital Improvement Fund (240) – To account for the receipt and expenditure of grant revenue received by the City, other than Community Development Block Grant revenues.
- Community Development Block Grant Fund (243) – To account for expenditures and related reimbursements of various grants from the U.S. Department of Housing and Urban Development.
- Neighborhood Initiative Program Fund (245) – To account for expenditures and related reimbursements of grant monies received from the County of San Bernardino to preserve and revitalize neighborhoods.
- Asset Forfeiture Fund (246) – To account for receipt and subsequent expenditure of various asset seizure monies.
- Police Grants Fund (247) – To account for receipt and expenditure of grant monies received from various agencies for public safety programs.
- Supplemental Law Enforcement Fund (249) – To account for receipt and subsequent expenditure of AB1913 monies, which, pursuant to the Citizens' Option for Public Safety (COPS) Program, must be spent for supplemental law enforcement services.
- Park & Open Space Development Fund (250) – To account for the collection and subsequent expenditure of developer fees levied for the purpose of acquiring and developing land for parks and open space.
- Public Facilities Development Fund (251) – To account for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities.
- Arterial Street Construction Fund (252) – To account for the collection and related expenditure of development impact fees designated for arterial street construction projects.
- Traffic Signals Fund (253) – To account for the collection and related expenditure of development impact fees designated for traffic signal construction projects.
- Freeway Interchanges Fund (254) – To account for the collection and related expenditure of development impact fees designated for freeway interchange construction projects.
- Street Lighting District #1 Fund (260) – To account for the maintenance, operation, and service of street lighting facilities financed by assessments collected from landowners within the district.
- CFD 2004-1 Assessments Fund (261) – To account for the maintenance of landscaping in public right-of-way and easements surrounding tracts within the district.
- Landscape Maintenance District Fund (263) – To account for assessments collected from landowners to maintain landscaping in parkways and common areas within the district.
- Community Facilities District Fund (265) – To account for developer deposits and bond proceeds related to Community Facilities Districts established for the purpose of constructing infrastructure.

- Disaster Recovery Fund (270) – To account for all expenditures and revenues relating to natural disasters, for the purpose of consolidating such information for federal and state reimbursements and enhancing Single Audit reporting requirements.
- Obligation Payment Administration Fund (288) – To account for monies received from the County to pay the recognized obligations of the Successor Agency to the former Redevelopment Agency.

DEBT SERVICE FUNDS are used to account for the accumulation of resources and the payment of principal, interest and related costs of general long term debt.

- General Debt Service Fund (305) – To account for the receipt of property taxes to be used for the retirement of the 1988 General Obligation Measure “O” Open Space Bonds, the 1994 Refunding General Obligation Bonds, the 2003 General Obligation Refunding Bonds This fund also records the payment activity of the 2007 Pension Obligation Bonds.
- Redlands Public Improvement Corporation Fund (311) – To account for the retirement of the 1993 Refunding of the 1986 and 1987 Projects Certificates of Participation, the 1994 Taxable Certificates of Participation (City of Redlands/Wal-Mart Parking Facility), and the 2003 Refunding Lease Revenue Certificates of Participation.
- Successor Redevelopment Debt Service Fund (380) – To account for the retirement of the 1998 Tax Allocation Refunding Bonds, the 2003A Series Tax Allocation Bonds, and the 2007A Series Tax Allocation Bonds.

CAPITAL PROJECTS FUNDS are used to account for resources used for the acquisition or construction of major capital facilities.

- Storm Drain Construction Fund (405) – To account for receipt and subsequent expenditure of developer fees assessed to provide additional storm drains, as required.
- Measure ‘O’ Bond Fund (417) – To account for proceeds of a general obligation bond, approved by the voters, for the purchase of park lands and “open space” areas.
- Successor Redevelopment Funds (480-488) – To account for Successor Agency activities as it completes the affairs and obligations of the dissolved redevelopment agency.

PROPRIETARY FUNDS are used to account for a government’s business-type activities. These funds recover the cost of providing services through fees and charges on those who use their services. There are two types of proprietary funds: Enterprise Funds and Internal Service Funds.

ENTERPRISE FUNDS are used to account for services provided primarily to external customers and legal requirements or management policy require these services, including capital, be fully recovered through fees and charges.

- Water Funds (501-509) – To account for water utility operations, projects, debt service costs, and impact fees of the City.
- Solid Waste Funds (511-519) – To account for refuse disposal collection operations, projects, debt service costs, and impact fees of the City.
- Sewer Funds (521-529) – To account for sewer utility operations, projects, debt service costs, and impact fees of the City.
- Groves Fund (538) – To account for the farming operations of citrus groves owned by the City.

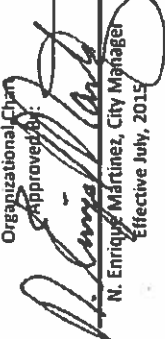
- Non Potable Water Funds (541-549) – To account for non potable water utility operations, projects, debt service costs, and impact fees of the City.
- Cemetery Funds (562-563) – To account for the operations of Hillside Memorial Park Cemetery.
- Airport Fund (564) – To account for the operations of the Redlands Municipal Airport.

INTERNAL SERVICE FUNDS are used to account for services provided to other funds, departments, or agencies of the government. Costs are allocated to the benefitting funds in the form of fees and charges in order to recover the full cost of providing the services.

- Liability Self-Insurance Fund (602) – To account for the City's self-insured general and automobile liability programs, which are provided to all City departments and funds.
- Information Technology Fund (604) – To account for the general maintenance and service of all City computers and phone equipment provided to all City departments.
- Worker's Compensation Fund (606) – To account for the City's self-insured Workers' Compensation and General Safety Programs, which are provided to all City departments and funds.
- Equipment Maintenance Fund (607) – To provide ongoing maintenance of all City vehicles and major equipment and to account for vehicle rental services to all City departments.
- Utility Billing Fund (608) – To account for billing services costs provided for water, sewer, and solid waste.

FIDUCIARY FUNDS account for assets held in a trustee or agency capacity for outside parties, including individuals, private organizations and other government.

- Trust & Agency Funds (701-720) – To account for the collection and disposition of deposits retained for specific purposes or subsequent refunding.

City of Redlands, CA
 Organizational Chart
 Approved by:

 N. Enrique Martínez, City Manager
 Effective July, 2015

