



Proposition L Vital City Services Benchmarks

Fiscal Years 2017-2019

Vital City Services

Vital City services as defined by the Proposition L:

- Natural disaster response and preparedness programs
- Youth anti-gang and anti-drug prevention
- Retaining qualified firefighter/paramedics and police officers
- Increasing street paving and pothole repair
- Enhancing trolley security
- Maintaining the Adult Enrichment Center, after school tutoring, and recreation programs
- Other general services

These vital services are accomplished through the following departments:

- Police Department
- Fire Department
- Public Works
- Community Services
- Community Development
- Administrative Services (provides general government support)

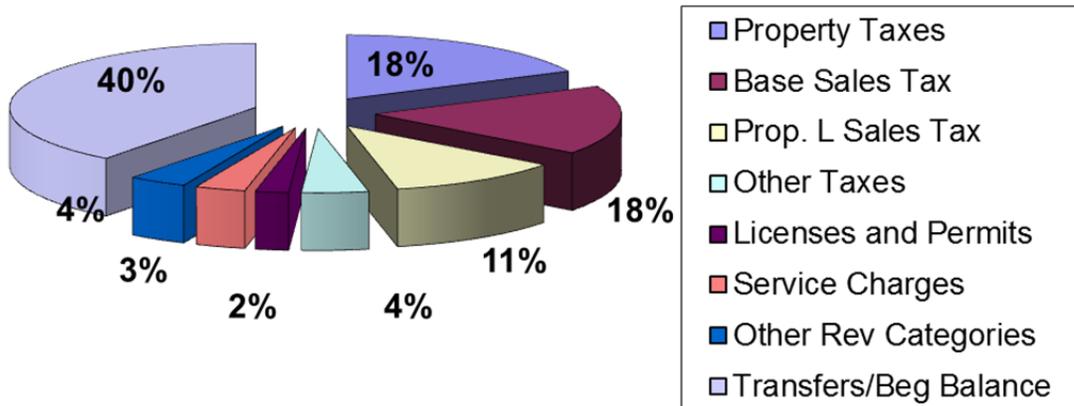
In the past, these services were paid with existing General Fund revenues (e.g., property tax, sales tax, service fees, and revenues from other agencies). Since the recession began in 2007, the major ongoing General Fund revenues steadily declined and the City Council faced a difficult choice: implement severe cost-cutting measures that would drastically reduce the City's ability to provide vital city services, or put an enhanced revenue option to the voters for approval. In November 2008, the City's citizens approved Proposition L Sales Tax measure. The Prop L Sales Tax revenues are filling the gap between ongoing revenues and vital city service expenditures.

The following benchmarks and summary of future financial challenges provide an additional tool for monitoring the City's vital services and the funding sources needed to maintain those vital services.

Sources and Uses – General Fund

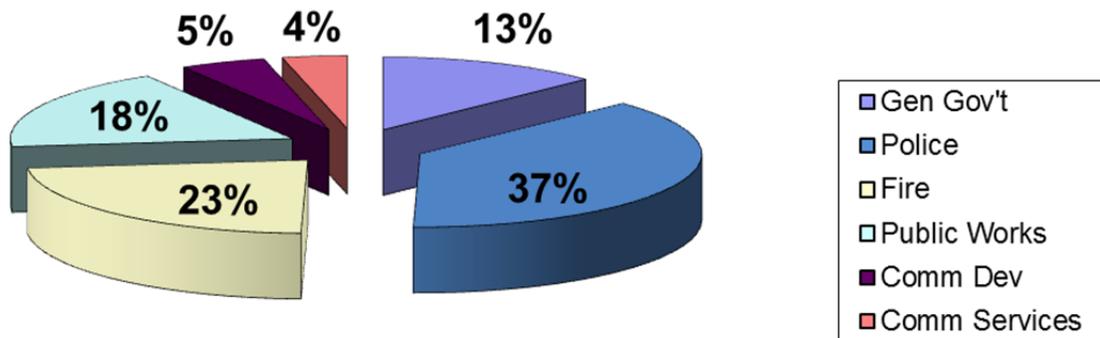
Final Budget Fiscal Year 2017-2018

General Fund Sources*
Fiscal Year 2017-2018
Total Final Budget- \$74,834,740



*Sources include estimated Beginning Reserves at June 30, 2017

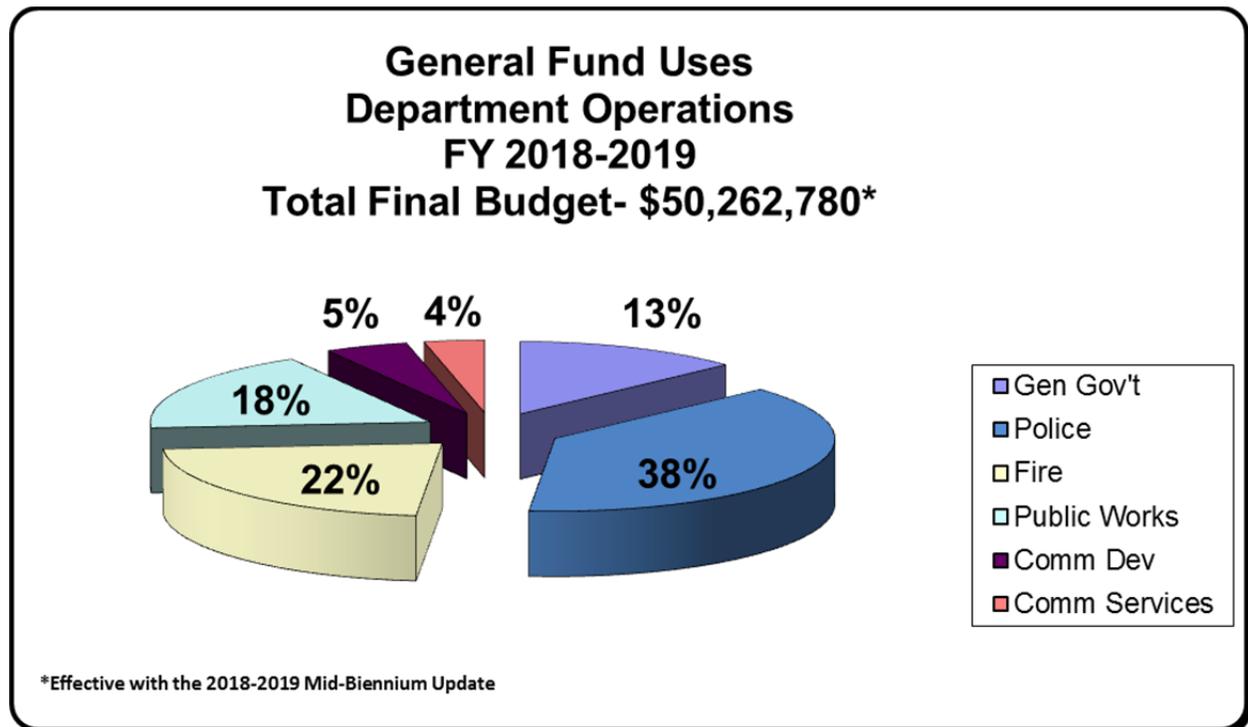
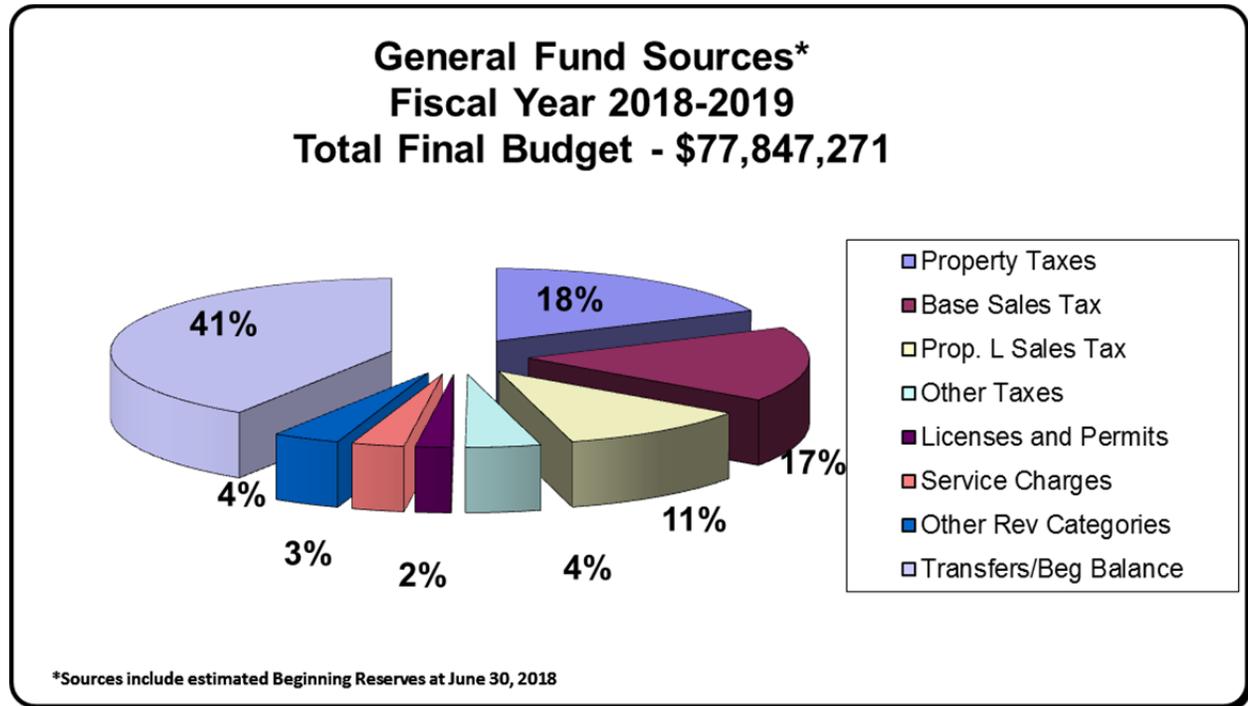
General Fund Uses
Department Operations
FY 2017-2018
Total Final Budget- \$48,094,770*



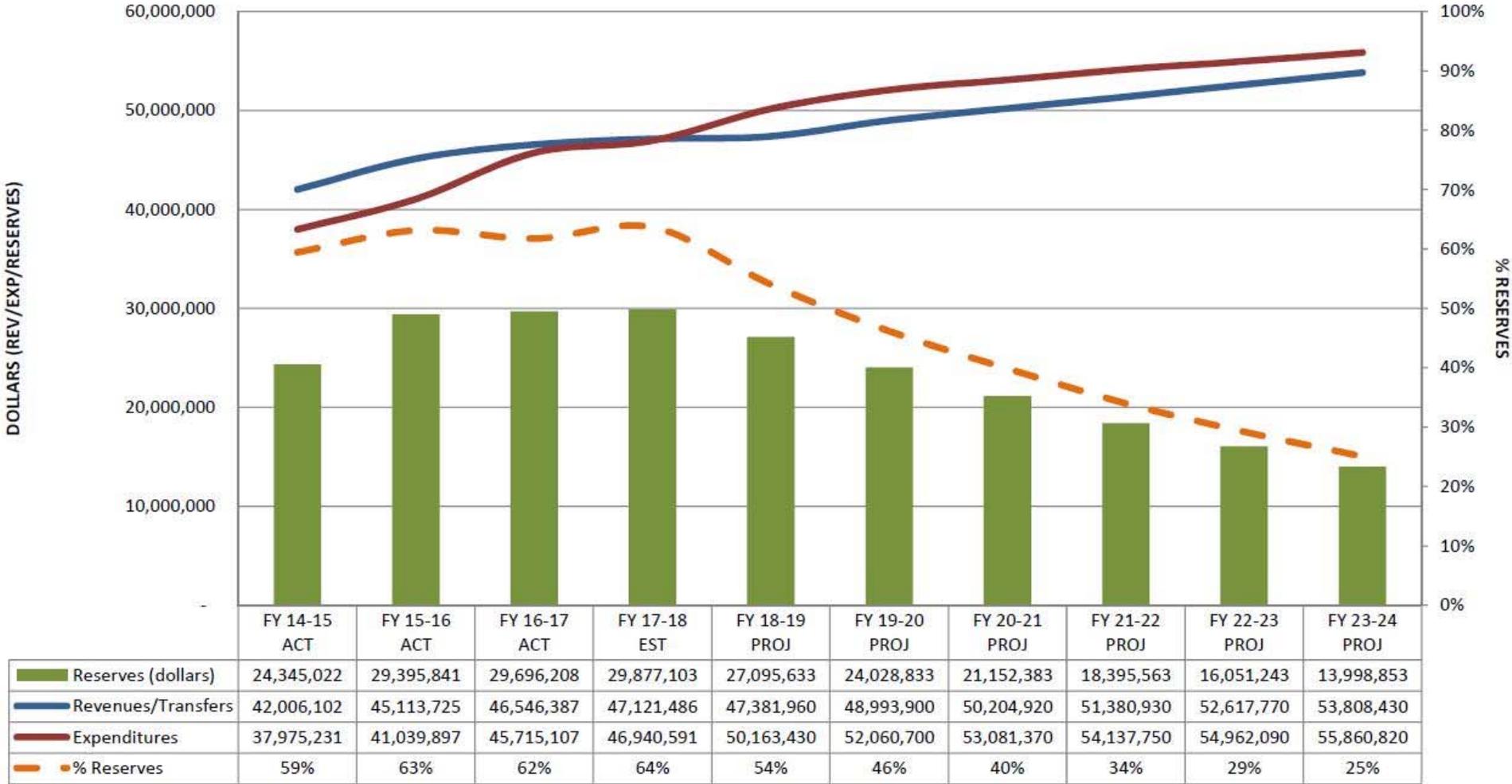
*Includes salary increases per 2016-2018 MOU approved by Council in July 2016

Sources and Uses – General Fund, continued.

Mid-Biennium Budget Update for Fiscal Year 2018-2019



2018-2024 GENERAL FUND FINANCIAL FORECAST BASE FORECAST



Future Financial Challenges

PERS Employer Contribution Rates/Unfunded Liability

The historic investment losses experienced in 2008-2009 resulted in increases in both employer contribution rates and unfunded liabilities. Compounding these losses are changes made by the CalPERS Board to help shore up the Public Employees Retirement Fund (PERF) but that negatively impact employer contribution rates and unfunded liability. These changes include:

- 2009 – Changes to the mortality assumptions to reflect a retiree population that is living longer (effective with the 2011-2012 contribution rates)
- 2011 – Changes to the inflation rate assumption and discount rate (assumed rate of investment return) to reflect the changing economic and investment environment and reducing the discount rate from 7.75% to 7.5 percent (effective with the 2013-2014 contribution rates).
- 2012 – Changes to the unfunded liability amortization time periods from a rolling 30-year period to a fixed 30-year period (effective with the 2014-2015 rates)
- 2015 – Changes to the contribution methodology of the Unfunded Liability portion of employer contributions from a variable percentage of payroll to a fixed dollar amount regardless of payroll (effective with the 2017-2018 contribution rates)
- 2016 – Additional change to the discount rate (assumed rate of investment return), reducing from 7.5% to 7.0% (effective with the 2018-2019 contribution rates)

Based on presentations given by CalPERS staff, it is likely that the Board will take further actions including changes to the investment strategies and additional decreases to the discount rate (assumed rate of investment return). To help counter these actions, the City established a Section 115 Retirement Trust Fund in 2015 and has authorized more than \$5 million in contributions beginning in 2016 through the current fiscal year.

Long-term City Facilities Repair and Replacement

The 2017-2019 Budget includes minimal General Fund contributions from Proposition L Sales Tax revenues to the Capital Improvement Program to help fund the repair and replacement of City facilities such as athletic fields, parks, and city buildings. The recent years of deferred maintenance, however, have created a need far exceeding this contribution. Until ongoing property tax and sales tax revenues improve significantly, CIP reserves will continue to be dependent on funding sources other than the General Fund.

Dissolution of Redevelopment

On December 29, 2011, the California Supreme Court upheld AB1X26, which effectively dissolved redevelopment, including the La Mesa Community Redevelopment Agency, throughout the State. As part of the dissolution process, the State Controller disallowed transfers made between the Agency and the City while the legislation was working its way through the courts. The State Controller issued their findings and ordered the return of approximately \$2.4 million in previously transferred funds. Funds for this one-time expenditure were included in the Fiscal Year 2016-2017 budget and are reserved in the 2018-2019 Budget pending possible administrative remedies.