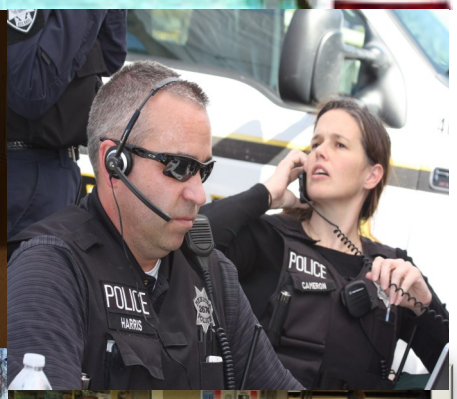
City of Benicia

Chapter 1-

Executive Summary

FY 2015-2017



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CITY MANAGER TRANSMITTAL LETTER

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THE CITY OF BENICIA CALIFORNIA

Office of the
City Manager

June 30, 2015
TO: Mayor & City Council and the Citizens of Benicia:

We are pleased to present the FY 2015-2017 Adopted Operating Budget of the City of Benicia. The budget is presented in several chapters to provide both a summary and detail view of City finances. The first chapter introduces the budget and economic factors that support the City. The second chapter presents the budget by fund, allowing the reader to see incoming revenues, outgoing expenditures, and the changes to fund reserves. The third chapter provides the department narratives. The reader will find that this section provides prior budget accomplishments, expected goals, and performance measures by department. The revenues and expenditures represent the incoming and outgoing resources that directly support these departments. The final chapters are further in depth chapters covering: approved staffing and their related costs; debt service costs and the timing of payments; and City Council priority projects for the next two years. Ultimately, our goal is to clearly demonstrate the City's objectives for managing public assets and implementing Council's priorities to meet citizens and businesses' needs.

I want to take this opportunity to thank the City Council and the community for your overwhelming support of Measure C in the November 2014 election. The need for Measure C grew out of the impacts of the great recession, a major shift in the City's traditional revenue streams and the continued desire of our residents to maintain our quality of life. Since 2008, the City of Benicia has been weathering the effects of the Great Recession, taking the necessary measures to preserve, as best as possible, both the quality and quantity of desired City services. The City has been working diligently to structurally reset the City's General Fund and Enterprise Fund operating budgets in order to provide a sustainable future for City operations and ensure continued service delivery to the community.

The passage of Measure C was hugely important in taking the needed steps to retain the current level of City services that our residents enjoy and will help to address many pressing infrastructure needs. This clearly shows how important maintaining Benicia's quality of life is to our citizens. The General Fund FY 2015-2017 biennial budget will allow the City to continue providing existing services and is the first budget since the recession that departments were not recommending reductions in order to maintain the City's General Fund reserve policy of 20% over the course of the two-year budget cycle.

Going forward into the FY 2015-2017 two-year budget cycle, we will also continue our efforts to stabilize our budget and create a sustainable organization. The goal is to provide the level of services desired by our community in the most cost effective and efficient manner. This includes having an extensive discussion with our citizens and business owners on what services they desire and what the cost is to provide those services. The passage of Measure C was a big step in that process, but as I have said, the purpose of the measure was to maintain our current service levels and address some badly needed infrastructure improvements; it is not the solution to all our fiscal challenges. There is much more work that needs to be done if we are going to achieve the proper balance between the types of services we provide and the cost of those services. This includes the City focusing on enhancing our fiscal management

capabilities through investment in technology and proactively pursuing economic development initiatives that help grow our local economy, which contributes to increased revenues to pay for services.

To that end, the City will make a concerted effort to invest resources to revitalize the Benicia Industrial Park, the largest single industrial park in Solano County and the source of over 65% of the City's sales tax revenue. In the coming year, the City will develop a marketing plan for the industrial park, highlighting vacant parcels and targeting key businesses and related clusters to relocate in Benicia. In addition, the City continues to work to build a broadband fiber network throughout the industrial park to make the park more competitive. With these efforts along with a recent renewed energy from developers, the City is optimistic that the industrial park can once again see economic growth, securing the necessary revenue to support City Services.

Financial Highlights of FY 2015-17 Budget

- Citywide revenues total $63.4 million and $60.8 million for FY 2015-2015 and FY 2016-17, respectively. The decrease between the two years is related to the Internal Service Funds reduction in pension obligation bond allocations to all funds. (This same decrease is evident in expenditures in FY 2016-2017)
    - General Fund Revenues are increased by $3.7 million, primarily from Measure C Sales Tax increase
    - Special Revenue Funds decrease due to decreased drawdowns from the Valero GNSC account and a one-time grant from Solano County for the Streets and Transportation fund for the bus hub
    - Wastewater Fund revenues increase $400,000 due to rate increase to be in effect July 1, 2015
    - Water Fund revenues decreased $600,000, primarily impacted by customer water conservation efforts

- Citywide expenditures total $66.78 million and $62.6 for FY 2015-2016 and FY 2016-17, respectively. The decreases year-over-year are related to the pension obligation bonds decrease mentioned above, and the grant funding from Valero and Solano County that occur only in FY 2015-2016.
    - General Fund expenditures are increased by $2 million, primarily from Measure C Sales Tax approved capital projects
    - Special Revenue Funds decrease due to decreased drawdowns in reserves and completion on one-time capital projects
    - Water Fund expenditures decreased $400,000, delaying deferred maintenance projects until revenues are increased to sustain fund reserves

- Citywide net balances decrease $3.3 during FY 2015-2016 and decrease $1.8 million during FY2016-2017. The primary use of reserves is to fund deferred maintenance such as street resurfacing and traffic improvements. However, the Water and Wastewater funds revenues are still not sufficient to fund any capital or deferred maintenance; in fact, the Water fund has been so severely impacted by the drought costs and conservation efforts, it must utilize reserves to pay for operations and debt out of reserves during the next two-year budget.

Summary of All Funds

(in thousands)

Revenues	Estimated FYE 2015	Proposed FY 15-16	Proposed FY 16-17
GENERAL FUND	32,080	35,754	35,715
GENERAL FD ASSIGNED	66	54	54
SPECIAL REVENUE	4,763	3,780	1,885
SPECIAL REVENUE-ASSESSMENT DISTRICT	429	442	443
DEBT	680	680	680
INTERNAL SERVICES	5,826	5,868	4,818
MARINA	375	377	377
WASTEWATER	8,289	8,603	8,944
WASTEWATER CAPACITY	113	70	70
WATER	8,335	7,738	7,753
WATER CAPACITY	49	34	34
Revenue Total	61,005	63,400	60,773

Expenses	Estimated FYE 2015	Proposed FY 15-16	Proposed FY 16-17
GENERAL FUND	33,510	35,168	33,975
GENERAL FD ASSIGNED	338	918	327
SPECIAL REVENUE	6,027	4,454	3,120
SPECIAL REVENUE-ASSESSMENT DISTRICT	626	608	600
DEBT	674	676	673
INTERNAL SERVICES	5,586	5,666	5,269
MARINA	588	619	619
WASTEWATER	8,440	8,448	8,571
WASTEWATER CAPACITY	1,364	428	360
WATER	9,833	8,431	8,362
WATER CAPACITY	1,794	1,307	692
Expenses Total	68,780	66,723	62,568

Net Income	(7,775)	(3,323)	(1,795)

Maintaining Benicia's financial viability as a full-service city and protecting our small town quality of life is the primary goal of City Council and City staff. What sums it up best for me as to just how special we are as a community, and as an organization, is the feedback we received from the community survey conducted last summer. The survey evaluated our citizens' perceptions on quality of life issues in Benicia, attitudes towards city services, and customer satisfaction levels. The survey found that Benicia residents are overwhelmingly satisfied (95%) with the quality of life in Benicia and with the performance of City of Benicia staff. The firm conducting the survey said that these were the highest satisfaction levels they had ever seen for a City. Of course, this came as no surprise to me. I have observed firsthand the hard work and dedication of City staff in the performance of their duties. The Mission Statement of the City of Benicia's Strategic Plan is EXCELLENT SERVICE and our staff embodies that mission.

In reviewing the departments' list of accomplishments over the prior budget cycle, you can see the variety of programs and activities provided by our Library and Parks & Community Services staff, the excellent service provided by our Police and Fire Departments, and the hard work of our parks and streets crews, along with our sewer and water staff. The staff continues year-over-year to make sure that our community is receiving the core services it needs. In addition, in spite of our fiscal challenges and staff shortages, we were also able to adopt a new Housing Element and a Master Plan for the Waterfront Park, construct the Western Intermodal Facility, successfully pass a revenue measure, conduct a 218 process to enact a drought surcharge, and keep our two State parks open, among many other noteworthy accomplishments. The City's response to the drought and our fiscal challenges are examples of how our community continues to rise difficulties we face. When we put our collective minds and resources together, it seems as if there is nothing we cannot achieve.

Long term, the City is committed to creating sustainable service levels. The City is currently in the midst of working on a Sustainable Community Services Strategy (SCSS), which is a significant effort to review the operations and financial outlook of the organization and identify strategies for creating a more fiscally sustainable entity. That process will involve community engagement and a comprehensive strategic planning process. In June 2014, as part of the SCSS process, the City commissioned a customer satisfaction survey that asked residents to express their priorities related to City serives. A community survey of 400 gave the City a very high job and customer satisfaction ratings for the quality of life services it provides, including the small town quality of life services the community expects. More than two-thirds of respondents indicated their strong feelings about protecting Benicia's status as a full-service city; such as, improving public safety and city streets, maintaining parks, trimming trees, supporting the historic downtown and community events, attracting new businesses, and creating jobs.

Over the next year, in preparation for the next Strategic Planning process, the City will be holding a series of community engagements to allow citizens, businesses, and staff an opportunity to discuss the City's long-term fiscal outlook, the findings of the organizational scan, as well as the delivery of core services and how to maintain a desireable quality of life.

To our City staff, I say, keep up the great work. We have much to do in the next two years and the citizens and businesses of Benicia are counting on us.

Sincerely,

Brad Kilger
City Manager

CITY OVERVIEW

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Benicia, a San Francisco Bay waterfront city of approximately 28,000 is known for its small town charm and quality of life. The City of Benicia is nestled on the east bay shoreline in southeast Solano County. The City encompasses 13 square miles and is located 35 miles northeast of San Francisco, and 57 southwest of Sacramento. The City of Benicia is a community with a high level of pride and interest in preserving their quality of life. Benicia's three economic areas reflect the balance of family life, tourism, and industry in this small town set in a large metropolitan region.

Benicia has a rich history in California. Founded in 1847, it was the third California city to incorporate and served as the third State Capitol in 1853 and 1854. The City has more than 200 fully restored historic sites, including the Benicia Capitol State Historic Park, Benicia Arsenal, the original site of Mills College, and the first Protestant Church and Masonic Temple in California.

The City of Benicia offers a full range of services to its residents and businesses. This includes police, fire, street and facilities maintenance, library, parks and community services, as well as, general administration. The City of Benicia is also unique in that it owns and operates two utilities, Water and Wastewater. The utilities service a customer base of approximately 9000 residential, multi-residential, and commercial that has remained relatively unchanged in more than a decade.

Residential and Visitor Information

Citizens and visitors enjoy low crime, good schools, affordable housing, culture, and a wide range of recreational opportunities. Benicia was among Money Magazine's "Best Places to Live 2005" and Solano Magazine called Water's End and Downtown two of its "Best Neighborhoods" (2008). Homes here are competitive with Bay Area housing prices. More recently, Benicia was named one of the 50 Safest Cities in California by SafeWise based on Federal Bureau of Investigation Crime Report Data in 2015; and Nerdwallet.com listed Benicia in their top 20 "Best Cities for Young Families in Northern California" in 2014.

Benicia was one of the earliest communities in California to establish a public education system and the first public school was opened in 1849. Today, the Benicia Unified School District includes four elementary schools, one middle school, one comprehensive senior high school, one continuation high school, and a pre-school program. Student population for grades K-12 is approximately 5,000 for the 2013-14 school year. (source: BUSD website)

Recreation is a big part of the Benicia lifestyle. The area features uninterrupted miles of public shoreline, a marina and boat launches for fishing and sailing, and the Benicia State Recreation Area. The City has a beautiful 50-acre multi-use community park and oversees an additional 156 acres of city parks. Benicia is the home to many internationally known artists and acclaimed glass and art studios; events and activities are held in Benicia throughout the year, which are enjoyed by residents and visitors, individuals and families. Benicia also has Northern California's largest port-oriented industrial park, an expanding business park, and serves as a primary Bay Area center for auto imports.

The Benicia Marina, located on the waterfront between East Second and East Fifth streets, is a full-service marina offering a fuel dock, pump-out station, launch ramp, general store, restrooms and showers, laundry facilities and secured gates. The City Marina is a great stop for boaters who want to visit for the day or stay overnight with its easy walk to the shopping, dining, spas, nightlife and visitor centers on First Street.

Commercial Information

Benicia's three distinct economic areas — Industrial Park and Port, Commercial Area, and Downtown Commercial — each appeal to a different type of business.

Located near the junction of I-680 and I-780, Benicia Industrial Park (BIP) provides easy access to most of the San Francisco Bay Area. It is directly across the bridge from Contra Costa and East Bay markets. The deep-water port, on the Carquinez Strait, is 24 miles from the Golden Gate Bridge, providing worldwide access. Benicia Industrial Park is home to over 450 businesses and 6,500 employees. Its diverse anchors include Valero Refinery, Dunlop Manufacturing, and Schoenstein & Co. Pipe Organs, the oldest and most successful pipe organ manufacturer in the Western United States. The Port of Benicia, operated by AMPORTS, encompasses 640 acres and 140,000 square feet of buildings. The Port's 2,400 foot deep-water pier can berth three vessels, with a dockside water depth of 38 feet. Rail service is provided by Union Pacific. The Port specializes in handling bulk products such as agricultural goods and motor vehicles.

Downtown is the heart of the community and closely linked to Benicia's identity. The downtown commercial district runs along First Street from Military East, south to the pier on the peninsula. It is a special place, full of historic buildings, waterfront views, and bustling shops and restaurants. The Arsenal, at the eastern edge of town, is a historic military facility converted to an artist colony with a growing retail element, including clothing, furniture, and consignment stores.

Benicia's four largest shopping centers are Southampton, Solano Square, Rose Center, and Parkway Plaza. They range in size from 30,000 sq. ft. to 160,000 sq. ft.