

## CITY MANAGER'S BUDGET MESSAGE

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The 2017-18 fiscal year has been a year of renewal to Lakeport downtown businesses. Many new restaurants and business have opened in this past fiscal year. We are very excited to see the renewed energy in downtown. Having been a small business owner myself, I know the investment and hard work it takes to open and operate a business. My hat goes off to all of our hardworking Lakeport entrepreneurs that are the life of our community, a big thank you to you!

This upcoming budget year 2018-19, we are getting ready again for more road projects. Last year road projects were not only completed, but also the City was able to purchase the equipment to complete the projects more efficiently. This year most of the road funds will be directly into the projects, which is why I would again like to thank the citizens of Lakeport for their support in the passage of Measure Z. As you will see later in my message, streets are being resurfaced, police staffing is at a higher level and police cars are being replaced. Due to the passing of Measure Z, we are not only being able to maintain the current services provided to the community but also enhancement in our police services, streets and other critical services.

### 2017-18 FISCAL YEAR IN REVIEW

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The biggest challenge for 2016-17 fiscal year were the winter storms of 2017. Fortunately, the California Office of Emergency Services (Cal OES) and the Federal Emergency Management Agency (FEMA), declared Lake County a disaster area, which provides reimbursement for over 90% of the storm expenses.

One of the city's biggest challenges for 2017-18 was paperwork for the recovery funds. Staff with a very special thanks to Doug Grider the city's public works director, for taking on this challenge. The flood event in January and February of 2017 resulted in damage throughout the City. Several projects in Library Park that became necessary after the winter floods of 2017 have been completed and more are underway. City staff are working on insurance claims and reimbursements allowed by FEMA. To date, the repair of street lights, replacement of bark in the play area, Third Street boat ramp, repair of lawn sprinklers and removal of debris have been completed. The fence will remain in place through the summer until the new seawall is built. The seawall project is ongoing as the City requested mitigation measures to change the design from cinderblocks to construction using sheet pile, a tongue-in-groove corrugated metal material that will last longer. The sheet pile will be two feet higher than the sidewalk with a cap to prevent waves from overtopping and rolling into the Park, which caused most of the destruction that occurred last year. The change has approved, environmental and other reviews will take place, with construction activity anticipated this fall. The total storm damage costs exceed \$2.5 million.

Fiscal year 2017-18, another busy year. These are just some of the accomplishments my staff realized in 2017-18:

- Road projects completed:
  - Giselman Street – and water line repair
  - 3<sup>rd</sup> Street from Forbes & Main and ADA parking
  - 4<sup>th</sup> Street from Forbes & Main
  - Overlay on Breach Street from Central Park to 6<sup>th</sup> Street
  - Overlay on 5<sup>th</sup> Street from N. Brush and Forbes

- Overlay on Armstrong from Main and Forbes
- Overlay on Brush Street from Clearlake Avenue to 11<sup>th</sup> Street
- Public Safety:
  - Business Officer, the 13th position for the sworn police staff, has now begun working with local businesses and neighborhoods. This position was partially funded by a Department of Justice COPS grant
  - Two new police cars
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  - SUV Command Center
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  - Upgraded body cameras and patrol car cameras software
  - Fencing for sally port at police department
- Upgrading Carnegie Library with lift for access to all users.
- Construction beginning on solar energy project
- Completed Hotel Feasibility Study
- Completed Lakefront plan
- Beginning of the remodel of City Hall for better customer service
- The City received \$400,000 for CDBG Grant funds for small business assistance loans.
- Repairs on 3rd Street crank-up Docks
- Replace the 5-12 year old Play Structure at Library Park
- Replaced 8" Well Pump at Scotts Creek
- Purchased Main Line Camera Van for I&I investigation
- Installed garage, security and camera system at Wastewater Plant
- Replaced 3 portable generators for lift station power outages
- Replaced 7 Aerators at the Wastewater Plant
- The City of Lakeport continues to support and lead the regional economic efforts through the Lake County Economic Development Corporation. Partnering with the City of Clearlake, and the County of Lake, the wine industry and other business partners, we have made significant progress in creating a business environment of collaboration, communication, and support

## THE BUDGET YEAR, 2017-18

Over the last several years - and despite significant challenges - we have invested millions of dollars in infrastructure to make our community a beautiful, safe place for our citizens

(and visitors) to live, work, and play. We are transforming from a place of economic recovery to one of hope and opportunity.

The coming fiscal year, 2018-19, we are enhancing our public safety and continuing street repairs and paving. Our focus is service delivery, economic vitality, and improving quality of life. The City Council has set its sights on these goals through its budget. It has established objectives to enhance our participation in regional economic development activities; improve the safety, health, and security of its citizenry; and bolster service delivery by enhancing the City's commitment to its people.

We look to move away from the traditional concept of City-customer to one of City-citizen. Collaboration between all stakeholders: residents, businesses, City staff, and everyone else who calls Lakeport home is vitally important in this effort.

During the Council-Management strategic planning and goals setting session in March 2018, new City objectives for 2018-19 budget were developed. They include the following and are presented in order of strongest support by council:

1. Public Safety – staffing/operations/surveillance cameras
2. Road improvement – paving/equipment/staffing
3. Complete flood recovery projects
4. Create opportunities to provide small businesses with training, such as; sales/marketing and growth.
5. Completion of the South Main Street/Soda Bay Road annexation
6. Complete Solar Array Project
7. Replace aging patrol vehicles
8. Economic development; such as Wi-Fi for downtown areas.

My job as the City Manager is to implement programs, activities, and directives to meet these goals. Department heads have tailored their individual departmental goals with these priorities in mind and structured their budgets accordingly. Additional priorities also were identified during the budget process, and we worked to finance those activities accordingly. Specifically, I have asked them to focus on activities that enhance public safety, streets, reduce costs (particularly in regards to long-term liabilities), and bolster civic engagement.

An important element of civic engagement includes increased participation in our neighborhoods. Efforts will continue to increase the number of Neighborhood Watch areas which has grown from a couple groups to now ten, which three are online groups. This is one of the primary areas where residents can help their neighborhoods be safe. No matter how many police officers any city employs the best defense for crime in a neighborhood is neighbors watching out for each other. The City will continue its National Night out event in hopes of bringing more awareness to safety and community policing.

One of our greatest cost challenges in the 2018-19 and future budgets is in the realm of pensions and retiree health insurance obligations. We took bold steps to ensure the City is positioned well to meet those challenges successfully. Pension costs will be increasing due to the lack of investment returns for the Public Employee Retirement System (PERS), which is the statewide pension fund for public employees. These additional costs bring no increased benefits for employees, in-fact the opposite, lower formulas are being imposed for new employees since 2012.

## OPERATIONAL HIGHLIGHTS

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Fiscal year 2016-17 was a year of capital projects. In 2017-18, project completion will continue to be a focus, but strong emphasis will be placed on our people, recruiting and retaining the best our community can afford. The following are the highlights of what's to come:

**Personnel.** We continue to strive to fully staff our City ranks to relieve the heavy load on existing staff while providing the highest quality service possible. Although we all continue to wear many different hats, the goal is to prevent burn-out from overwork while maintaining a challenging work environment for all staff members. Council did provide cost of living raises for over a three year period, the first in 8 years. As other local communities are offering hire pay, Lakeport needs to keep in line with local salaries in order keep trained staff to implement City Council goals and day to day operations.

In terms of total compensation, Lakeport has fallen behind its closest neighbors – including the County of Lake – and lost its competitive edge in recruitment and retention in certain positions, especially those that need a higher level of training and education. It is a common theme across the state but particularly challenging in our region where local revenues are extremely limited but competition in the labor marketplace is fierce. We are moving to address the issue aggressively.

Other notable personnel considerations in 2018-19 included:

- Appropriation for a 13<sup>th</sup> sworn school resource officer. This position is funded through a combination of money from the Lakeport Unified School District and Measure Z will now fund the City's portion moving forward. The city and school district have agreed on an additional two year contract.
- Hired a position in Community Development for a Planning/Building Technician.

**Citizen engagement.** We look to renew and strengthen enduring relationships with businesses and residents and interact our community not as customers but as citizens. We will better our communication with them as we enhance customer service. Partnerships are critical in this regard, and we are committed to bringing about a rejuvenation of civic engagement.

**Service delivery.** Finding efficiencies in the manner and method of the services we provide has been a tenet of ours since my tenure as City Manager began. This year will be no different as we look to reduce costs through the implementation of best practices, including harnessing opportunities presented through advancements in technology.

**Maintaining a strong push for economic development.** We must maintain our involvement in promoting not only our city, but the region. Collaboration has always been the key, and pushing forward will take strong will and determination from every stakeholder. The City will continue to lead in this endeavor. We intend to continue strong support for the Main Street Association and the Chamber of Commerce. Furthermore, the completion of the Downtown Main Street revitalization project and renovation of Carnegie Library will serve as an economic boon for the downtown corridor.

## FINANCIAL HIGHLIGHTS

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I present a balanced operating budget for fiscal year 2018-19. Increased revenue projections resulting from the passage of Measure Z have provided a little breathing room

in the general fund. However, increasing demands on public safety services and related personnel costs, increasing operating on construction costs and increasing pension costs will continue to make budgeting more complicated. Unfortunately, City resources are extremely limited, and costs had to be saved elsewhere to make this move possible. The following highlight the results of strategy as well as other items of note.

**Use of the general fund.** The use of general fund resources by department are proposed as the following:

Departmental Use	Recommended	% Share
Police	\$ 2,117,915	35.52%
Parks, Buildings, and Grounds	592,535	9.94%
Roads and Infrastructure	1,275,439	21.39%
Building	170,522	2.86%
Non-Departmental	474,722	7.96%
Planning	270,453	4.54%
Administration	325,171	5.45%
Finance and Information Technology	237,338	3.98%
PW Administration and Compliance	136,603	2.29%
Engineering	137,974	2.31%
Legislative	92,556	1.55%
Economic Development	71,000	1.19%
Westshore Pool	3,000	0.05%
City Attorney	58,000	0.97%
Total use	\$ 5,963,228	100.00%

**REVENUES:**

General revenues driven by sales tax continue to improve, albeit slowly. Sales tax in particular is our most important revenue source and the reason our focus on economic development is so critical. We have taken a careful approach at estimating where these revenues might lead and monitor them quarterly.

- Total city-wide revenues are expected to be relatively stable with budgeted decreases in USDA grants and loan proceeds offset by increased sales tax revenues from measure Z.
- Sales tax revenues – including those derived from Measure I – continue to trend positively. We estimate this source to increase slightly from the prior fiscal year, largely driven by automotive sales. Gas prices, however, dampen the gains we see, resulting in projecting relatively flat sales tax revenue growth. Measure Z is budgeted to be provide \$1.4 million dollars in revenue.
- Property tax revenue in fiscal year 2018-19 will remain steady with little effective growth. It is the second most influential general revenue source but a distant one compared to sales tax. Regardless, as the housing market continues to improve, so does the City’s fiscal well-being.
- State and federal public safety grants will be maintained in fiscal year 2018-19. This is a significant resource to support our Police Department, without which the

City would face significant difficulty maintaining public safety service levels. We expect to continue receiving revenue from this source for the foreseeable future.

- Franchise fees, permit fees, fees for service, and other charges are expected to remain flat over the course of the fiscal year with possible decrease. These revenues go to support general City operations, such as building, engineering, and planning services.
- All other general fund revenues are estimated to remain relatively unchanged from the prior fiscal year.
- SB1 Fund revenue is budgeted at \$79,000. This is a \$50,000 increase over 2017-18. These will be by the City for road improvement projects.
- HUTA monies for 2018/19 remain stable with moderate increases due to the Legislature's recent passage of the Road Recovery & Repair Act of 2017, the City expects to see moderate increases in HUTA monies in upcoming fiscal years.
- The City will continue to serve as the Successor Agency to the former RDA and will be entitled to administrative allowances to offset operating costs associated with the dissolution of the agency and the retirement of its obligations. This is an important financial resource to the City in ensuring a smooth transition away from redevelopment. The allowance continues to be reduced.
- Water and sewer enterprise activities will continue to experience increased costs; however, the restructured water and sewer rate schedules will continue to sustain these enterprise activities, with a focus on enhanced maintenance activities – including inflow and infiltration (I&I) identification/mitigation, infrastructure rehabilitation, and reserve building.
- We will continue to evaluate and recommend changes to the City's fee structure to ensure fiscal sustainability in those activities that have specific benefit to users. Also, we expect to reach finality on the issue of the South Main Street annexation and in other areas that promote responsible and effective community growth.

#### EXPENDITURES:

The management team has been diligent with expenditure control in making sure that the City's budget remains structurally balanced. Truly it is a team effort.

The following are changes of note in fiscal year 2017-18 budget from 2016-17 estimated actuals:

- Salaries and benefits City-wide will be 15 percent higher from the end of fiscal year 2017-18 from additional cost of living costs, the addition of 1.5 FTE, increased health care costs and most notably increasing CalPERS pension costs which are expected to increase \$50,000 or nearly 8% over 2017-18 . Please see the personnel schedule later in this document for additional detail on recommended staffing changes.
- Operating expenditures City-wide are expected to be relatively stable.
- Loans and grants are funds will be available with the new CDBG grant dollars available for small businesses this coming fiscal year.

- Debt service is anticipated to remain stable as obligations continue to be reduced and as a result of multiple refinancing opportunities capitalized on by the city to reduce interest payments and to recognize cash flow savings.

## CAPITAL HIGHLIGHTS

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Since adoption of the City's first formal capital improvement budget in 2013, an incredible amount of work has been done. Many of the over 80 projects identified in the plan have been completed or are nearing completion, and staff is preparing an updated five-year plan for mid-year 2018-19. Our goal has been, and continues to be, to focus on those projects which will yield the greatest return on investment or that are in the most urgent need of attention.

I am recommending specific projects and capital outlays for 2018-19 that represent the most critical of the City's needs and the best use of resources for capital purposes. The following are some of particular note. A full list can be found in the Budget in Brief Section.

### CAPITAL PROJECTS:

- Police car replacement two new vehicles will be added in this budget
- Public safety cameras at Library Park
- Road Stripping with \$500,000 HSIP grant
- First Street Paving
- Second Street sidewalk reconstruction (paving in 2019-20 budget)
- Hartley Street – Safe Routes to School- \$1.5 million grant (planned starting spring of 2019)
- South Main Street from south end City limits to Peckam Ct
- New Water truck
- Completion of City Hall remodel for better public service
- Waterfront promenade at Library Park
- Sea Wall and other flood damage projects
- New building permit software
- Electronic records management system
- Council Chambers technology upgrades
- Complete loop line from Parallel Drive to South Main Street
- Replace one aging pickup for public works
- Ongoing infrastructure to support our efforts to grow our local economy

## ECONOMIC DEVELOPMENT

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The Lakeport Economic Development Advisory Committee (LEDAC) has completed an economic development strategic plan for Council adoption. This Strategic Plan is an expansion of the objectives and policies outlined in the City of Lakeport's General Plan, *Economic Development Element*. The Strategic Plan identifies three core goals for the focus of the City's economic development efforts over the next five years:

- Promote and participate in regional economic development initiatives
- Expand and support business retention and attraction efforts
- Strive to enhance the historic downtown and lakefront area.

Through a thorough analysis of recently adopted plans and an identification of community resources this Strategic Plan outlines a course of actionable steps to be taken by the City of Lakeport and its economic development partners. The plan sets a course that seeks

to maximize the effectiveness of the City's limited resources that are available for economic development endeavors. The Strategic Plan outlines achievable short-term (1-2 years), medium-term (2-5 years) and long-term actions.

As part of the Strategic Plan recommendation the Lakeport Economic Development Advisory Committee, (LEADAC) members and City management staff visited over 100 businesses in Lakeport to assess the needs of local small business and collect data on various aspects of the Lakeport business environment to determine how best the City can be a partner to our local businesses.

The focus of our economic development efforts must remain on business retention. The City's commitment to economic development must be maintained through active advisement by LEDAC and in collaboration with the Main Street Association, the Chamber of Commerce, the Lake County Economic Development Corporation, and County's marketing program.

## FINANCIAL POSITION

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During the past eight years, my approach to the budget process has been conservative in estimating available resources and diligent in controlling spending. This has led to a current projected year-end surplus and fortification of the City's general fund reserve. We estimate the total reserves to begin the 2018-19 fiscal year at 62% of budgeted appropriations, general reserves being at the requisite 25%. The Management Team has been dedicated to cost savings whenever possible and watchful of their expenditures so that the need to use reserves is limited, if necessary at all.

The end result is an estimated budgetary surplus, after the consideration of project carryovers, in the general fund of \$7,000, which I recommend be retained as reserve for future use or to maintain budgetary appropriations should revenue estimates come up short. The current reserve is adequate to ensure financial stability. Beyond use of the past surplus, I am not recommending any additional use of the reserves.

As was forecast in the utility rate study, the water operating fund is expected to be adequate to fund operations. With the revenues from the rate restructuring, I expect water enterprise operations to continue recapitalizing its reserves with funding available for additional investments in infrastructure and other capital items.

The sewer operating fund is expected to be in a more favorable position, as current operational costs should be less than available revenues from customers. Like the water enterprise, the sewer operating fund will be devoted to building up the reserve and engaging in much needed maintenance, particularly infiltration and intrusion (I &I), which the purchase of a camera van in the 2017-18 budget, will greatly assist in identifying where the I&I problems lay within the sewer infrastructure. The sewer enterprise fund is anticipating continued capital improvements beyond those funded by the USDA.

## LOOKING AHEAD

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My recommended 2018-19 budget is a prudent and careful expenditure plan focusing on project completion, enhancing public safety, enhancing street improvements, and positioning the City to strengthen its human capital.

We know the greatest concerns and service demands for the citizens of Lakeport: public safety, roads and infrastructure, and a high quality of life. Not only do we serve this community as professionals, we live here as well and call Lakeport our hometown. This

spending plan was developed in this context, and resources are being maximized to provide the greatest benefit possible to the community. The new sales tax revenue and community support will not only ensure vital City services are maintained but it will also allow the City to enhance and add new services to the benefit of the entire community.

I want again to thank the entire staff of the City of Lakeport for the hard work and endurance they've demonstrated over the last few years. They continue to impress me by what they've achieved with such limited resources. To my Management Team, I owe a particular thanking in preparation of this budget, which would not have been possible without their planning efforts and willingness to work collaboratively with the City's best interest at heart.

And to the City Council, again I praise you for the leadership you have demonstrated and extend my sincerest gratitude for the trust you place in your professional management team. As always, your support makes our job more rewarding and compels us to perform at our best.

Respectfully,

A handwritten signature in blue ink that reads "Margaret Silveira". The signature is fluid and cursive, with the first name being more prominent than the last.

Margaret Silveira  
City Manager

