LA MESA CITY COUNCIL

AGENDA

A Special Meeting

Thursday, March 24, 2016

8:00 a.m. – 4:00 p.m.

Emergency Operations Center
Fire Administration Building
8054 Allison Avenue
La Mesa, California

The purpose of a Council meeting is to accomplish the public's business as productively, efficiently and professionally as possible.

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Mark Arapostathis
Mayor

Bill Baber
Vice Mayor

Ruth Sterling
Councilmember

Kristine Alessio
Councilmember

Guy McWhirter
Councilmember

David Witt
City Manager

Glenn Sabine
City Attorney

Mary Kennedy
City Clerk

Eldon Vogt
City Treasurer

City of La Mesa
8130 Allison Avenue
La Mesa, California 91942
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Fax: 619.667.1131
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Welcome to the La Mesa City Council meeting.

The City of La Mesa is a community working together toward a common goal which includes a safe and healthy environment, state-of-the-art resources and technology, unsurpassed quality of life and an efficient and effectively run government organization.

- ✓ Agenda reports for items on this agenda are available for public review at the City Clerk's Office, 8130 Allison Avenue, and at the La Mesa library reference desk, 8074 Allison Avenue, during normal business hours.

- ✓ Materials related to an item on this agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 8130 Allison Avenue, during normal business hours.

- ✓ As a courtesy to others, **PLEASE TURN OFF, OR PLACE IN SILENT MODE**, all cell phones, pagers and other communication devices while in the Council Chambers.

- ✓ If you wish to speak concerning any item on the agenda, please complete a "Request to Speak" card and submit it to the Council Hostess. When the Mayor calls your name, step to the podium and state your name for the record. In order that all who wish to speak may be heard, it is requested that you limit your presentation to three minutes.

- ✓ Should you wish to speak concerning an item that is not listed on the agenda, you may be heard during that part of the agenda listed as "Public Comments." Please complete a "Request to Speak" card and submit it to the Council Hostess. When the Mayor calls your name, step to the podium and state your name for the record. NOTE: If appropriate, the item may be referred to staff or placed on a future agenda.

- ✓ Citizens who wish to make an audio/visual presentation pertaining to an item on the agenda, or during Public Comments, should contact the City Clerk's office at 619.667.1120, no later than 12:00 noon, one business day prior to the start of the meeting. Advance notification will ensure compatibility with City equipment and allow Council meeting presentations to progress smoothly and in a consistent and equitable manner. Please note that all presentations/digital materials are considered part of the maximum time limit provided to speakers.

- ✓ For more specific information about the City Council meetings, please take a *Welcome to Your City of La Mesa City Council Meeting* brochure located at the back of the Council Chambers, or call the City Clerk's office at 619.667.1120.

- ✓ The City of La Mesa encourages the participation of disabled individuals in the services, activities and programs provided by the City. Individuals with disabilities, who require reasonable accommodation in order to participate in the City Council meetings, should contact the City's Americans with Disabilities Act (ADA) Coordinator, Rida Freeman, Human Resources Manager, 48 hours prior to the meeting at 619.667.1175, fax 619.667.1163, or rfreeman@ci.la-mesa.ca.us.

- ✓ Hearing assisted devices are available for the hearing impaired. A City staff member is available to provide these devices upon entry to City Council meetings, commission meetings or public hearings held in the City Council Chambers. A photo i.d. or signature will be required to secure a device for the meeting.

- ✓ Regular meetings can be viewed live on Cox Cable Channel 24 (within La Mesa City limits) and on AT&T U-Verse Channel 99 (in the San Diego Region).

- ✓ Information about the services and programs offered by the City of La Mesa can be found on our website at www.cityoflamesa.com.

AGENDA

MARCH 24, 2016 **8:00 A.M. – 4:00 P.M.**

ROLL CALL

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

NOTE: In accordance with state law, an item not scheduled on the agenda may be brought forward by the general public for comment; however, the City Council will not be able to discuss or take any action on the item at this meeting. If appropriate, the item will be referred to Staff or placed on a future agenda.

ANNUAL STRATEGIC PLANNING WORKSHOP

THE CITY COUNCIL WILL MEET WITH STAFF AND ENGAGE IN DISCUSSIONS REGARDING ACCOMPLISHMENTS, GOALS, POLICIES, AND BUDGET DIRECTIONS

ADJOURNMENT

CITY OF LA MESA
JEWEL of the HILLS

2016 CITY COUNCIL

STRATEGIC PLANNING WORKSHOP

March 24, 2016

CITY OF
LA MESA
JEWEL of the HILLS

INTEROFFICE MEMO

DATE: March 24, 2016

TO: Mayor and Members of the City Council

FROM: David E. Witt, City Manager

SUBJECT: Annual Strategic Planning Workshop

The City Council will meet for its Annual Strategic Planning Workshop on Thursday, March 24, from 8:00 a.m. – 4:00 p.m., in the Emergency Operations Center at Fire Station 11. Continental breakfast will be served at 7:30 a.m.

The attached notebook provides the Council's strategic direction, the Vital Services Targets for Action which is the staff's work plan based on your direction and background information on the issues of discussion and policy questions.

In addition to the items that will be discussed at the Workshop, the notebook includes Annual Performance Measures Reporting for your review and information.

The contents of the notebook are available to the public on the City's website, with hard copies at the Library and City Clerk's Office.

I look forward to a productive session with the Council.

City Council Strategic Planning Workshop
Agenda - March 24, 2016

CONTINENTAL BREAKFAST - *7:30 a.m.*

I. WELCOME – 8:00 a.m.

II. Public Comments

III. REVIEW CITY STRATEGIC VISION AND DIRECTIONS

A. City's Strategic Planning Process and Targets for Action Review

IV. COMMUNITY OUTREACH

A. Future Role of Boards and Commissions?

B. City Identity (marketing efforts, website)

C. City's Role in the Downtown Village

Break 10:30 – 10:45 a.m.

V. MAINTAINING VITAL CITY SERVICES

A. Civic Center Master Plan and Old Police Department Site

Lunch 12 noon- 12:45 p.m.

VI. REVIEW OF THE FINANCIAL ENVIRONMENT

A. Six Year Financial Forecast

B. Major Fiscal Issues Facing the City

C. Revolving Loan Program Update

VII. WHAT'S IN THE FUTURE

A. Future Initiatives

a. Park Master Plan Update

VIII. CLOSING DISCUSSION AND COMMENTS

ADDITIONAL ITEMS – Performance Measures

ADJOURN

NOTES

Additions/Changes to our Strategic Plan (areas where continued emphasis is needed, new focus areas)

Budget Direction / Suggested Ideas

CITY'S STRATEGIC PLANNING PROCESS

AND

TARGETS FOR ACTION REVIEW

"Finest Small Town in San Diego County"

Vision Statement

"The City of La Mesa is a community working together toward a common goal which includes a safe and healthy environment, state-of-the-art resources and technology, unsurpassed quality of life and an efficient and effectively run government organization!"

Strategic Directions

Partnerships

Economic Development

Infrastructure

Citizen Participation

Organizational Development

Communications

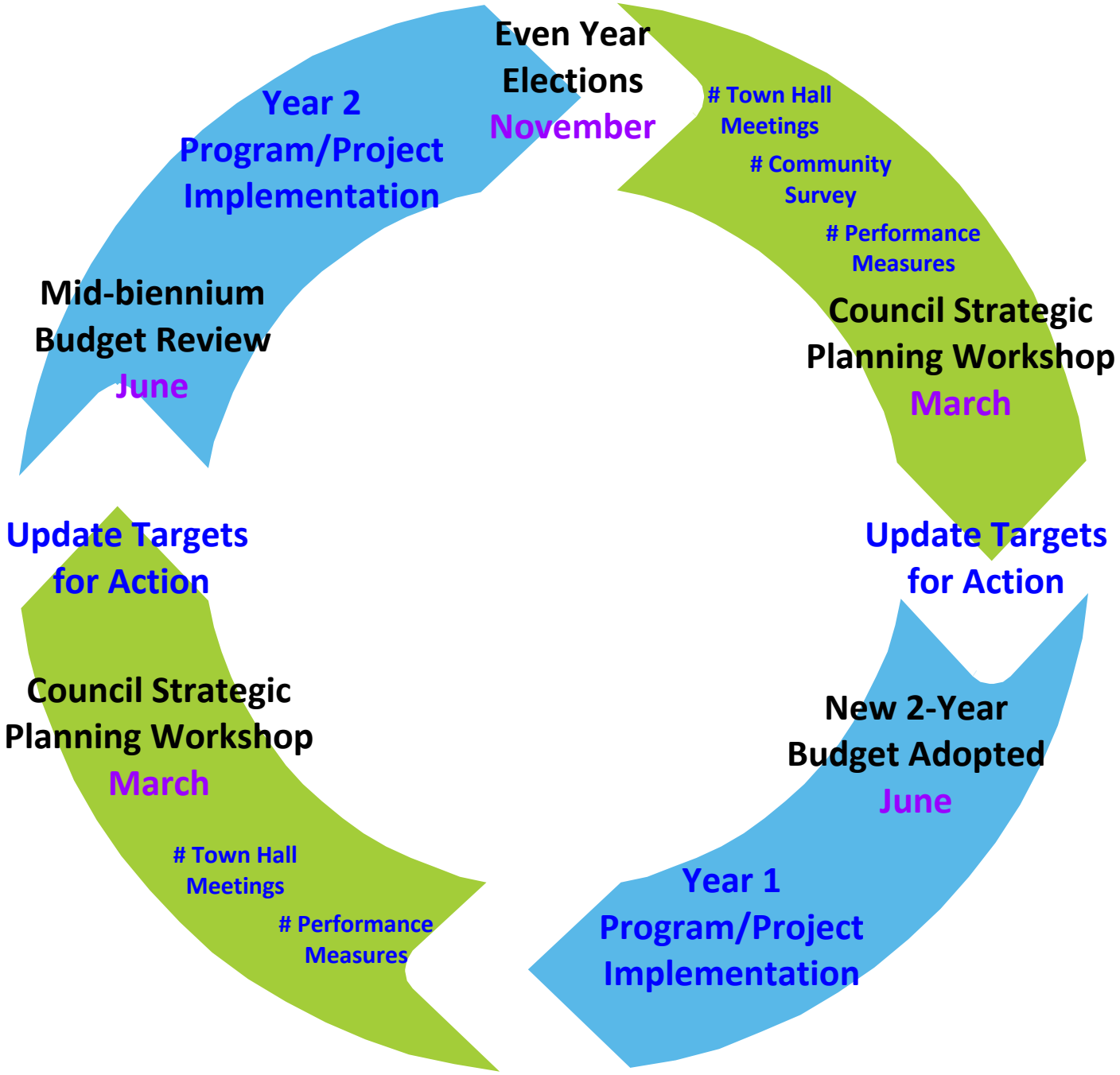
Financial Stability

Five Year Goals

- *Safe community*
- *Maintain a financially sound and affordable city government*
- *Continue to improve high quality municipal services*
- *Revitalize neighborhoods and corridors*
- *Enhanced recreation and quality of life opportunities*
- *Effective and efficient traffic circulation and transportation*

CITY OF LA MESA
JEWEL of the HILLS

2-Year Strategic Planning Process



CITY OF
LA MESA
JEWEL of the HILLS

INTEROFFICE MEMO

DATE: March 24, 2016

TO: Mayor and Members of the City Council

VIA: David E. Witt, City Manager

FROM: Yvonne Garrett, Assistant City Manager/Director of Community Services

SUBJECT: Targets for Action

Attached please find Fiscal Year 2015-2016 Targets for Action. The Targets for Action are reflective of the City Council's strategic vision which is derived from community input through the Town Hall Meetings, community surveys and other public sensing. The Targets for Action provides the framework for the City's biennial budget.

This packet includes:

1) The list of the Targets for Action that tie to the 5 year goals.
2) A summary of the targets, responsible departments, and suggested changes.
3) The detailed work plan which reflects projects that were completed during the year.

Based on your discussions at the March 24th Workshop, as well as recent Council directions, staff will provide you with updated Targets for Action for Fiscal Year 2016-2017 as part of the June Biennial Budget.

We look forward to your input.

E:\EVENTS\WORKSHOP 2016-2020\WORKSHOP 16\Cover memo Targets for Action.doc

TARGETS FOR ACTION

Targets for Action Summary

With updates for March 2016 Council Workshop

Ref. No.	5-Year Goal Action Items	Dept.
	A. Safe Community	
A 1	Continue focused traffic enforcement programs to address specific safety issues and locations.	**PD**
2	Improve maintenance of property through targeted code enforcement programs.	**CD**
3	Analyze crime issues in order to provide appropriate public safety response including emerging issues related to AB - 109 Public Safety Realignment Act and Prop 47 Reduced Penalties for Some Crimes Initiative.	**PD**
4	Improve outreach and communications regarding crime information.	**PD**
5	Facilitate training and education for City staff on emergency operations and provide citizen training and education on the importance of emergency preparedness for their families.	**FD/PD** **REVISE**
6	Improve public fire safety and increase compliance through public education.	**FD**
	B. Maintain a Financially Sound and Affordable City Government	
B 1	1. Actively track regional, state and federal initiatives that impact La Mesa's ability to maintain vital services and develop strategies to mitigate their impact on the City's resources.	**CM/FIN/ FD/PD/ PW** **REVISE**
2	Inventory City (indoor and outdoor) facilities and create a Capital Asset Management Plan (CAMP) fund to ensure the ability to replace public facilities when needed.	**FIN/CM/ CS**
3	Explore options for potential consolidation opportunities in public safety.	**FD/PD/ CM**
	C. Continue to improve high quality municipal services.	
C 1	Continue to provide ongoing opportunities for community input into the City's strategic planning process at City Council meetings, Town Hall meetings and community surveys.	**CM**
2	Improve effectiveness of City's communication tools to provide City information to existing and potential residents	**CM** **REVISE**

	and businesses.	
3	Evaluate City owned property for potential development opportunities and partnerships.	**CM/CD**
4	Explore feasibility of completion of the next phase of the Civic Center Master Plan project.	**CM** **REVISE**
5	Continue to update the City's technology systems and operations to more effectively deliver services to residents and businesses.	**CM**
6	Develop methods within existing City projects and programs to implement the City's Sustainable Building and Program Policies.	**CD/PW** **REVISE**
7	Maintain compliance with the Federal Clean Water Act and the California Porter-Cologne Water Quality Control Act.	**PW**
	D. Revitalize neighborhoods and corridors	
D 1	Complete public improvements on University Avenue.	**PW**
2	Continue to investigate opportunities for economic development.	**CM/CD** **REVISE**
3	Complete the Downtown Streetscape Project, implement the maintenance plan and Update the Downtown Village Specific Plan.	**CD/ PW /CM** **REVISE**
	E. Enhanced recreation and quality of life opportunities	
E 1	Develop strategies as outlined in the Park Master Plan to increase open space and recreation needs within the community and seek funding for park projects based on priorities outlined in the Park Master Plan.	**CM/CD /CS**
3	Implement and track the City's Community Wellness Programs.	**CS** **REVISE**
4	Develop and implement strategies to increase participation in recreational opportunities.	**CS** **REVISE**
	F. Effective and efficient traffic circulation and transportation	
F 1	As part of citywide walkability and wellness initiatives, implement sidewalk/pedestrian improvements along with associated programming to encourage walking/biking.	**PW/CS**
2	Develop a plan for use of Transnet Extension funds.	**PW**
3	Continue to work with the appropriate Federal and local agencies to complete the design and construction of the High Street under-crossing.	**PW/CD CM**

Targets for Action Detailed

A-1

Goal: *Safe Community*

Target for Action: Continue focused traffic enforcement programs that address specific safety issues from web complaints, citizen complaints, and collision data.

Department: Police Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. DUI Awareness and Enforcement activities will continue with saturation patrol operations and other details outlined in the OTS Step Grant.	Ongoing	Traffic officers are receiving specialized training in the area of DUI and drug recognition to help with the new legal challenges with DUI enforcement. The traffic unit has conducted one of two scheduled DUI checkpoints.	
2. A grant application was submitted to OTS. These funds will be used to conduct traffic enforcement activities targeting DUI, speeding, distracted driving, seatbelts, and pedestrian safety.	Annually as awarded	The police department has been awarded $92,038 of OTS Step Grant funds towards enforcement.	
3. The traffic unit keeps a log of all citizen traffic complaints and conducts periodic follow up with the citizens to keep them apprised of enforcement issues. In some areas where traffic calming measures are implemented, the traffic unit will track enforcement activity in the area as directed.	Ongoing	The Traffic Unit has monitored the traffic enforcement activities throughout the city during modifications of traffic calming measures. As an example- Harbinson Ave. calming measure.	

A-2

Goal: *Safe Community*

Target for Action: Improve property maintenance through targeted code enforcement.

Department: Community Development

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Focused code enforcement located in identified neighborhoods a. Communicate with property owners, residents, and neighborhood watch groups. b. Implement focused code enforcement in concert with other departments.	Ongoing Ongoing	Focus code compliance efforts on Code 1 cases typ. involving hoarding and abandoned properties. 2. Continue to work with property owners, Police & Fire Departments on the Eastridge Open Space Habitat Area/High Street parcels.	Open Space/High Street underwent major weed/trash/overgrowth abatement in 2015.
2. Biennial Mobile home Park Maintenance Inspection a. Complete notification, disseminate information to tenants and park owners. b. Complete inspections, issue violation notices and inspection reports c. Conduct follow-up inspections, issue 2nd notices d. Complete follow-up inspections, forward non-compliance cases to City Attorney	03.16 06.16 10.16 02.17	Complete	

Goal: *Safe Community*

Target for Action: Analyze crime issues in order to provide appropriate public safety response including emerging issues related to the Public Safety Realignment Act (AB 109) and Prop 47 Reduced Penalties for Some Crimes Initiative.

Department: Police Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Work with Probation, Parole and allied agencies to conduct special law enforcement details using the county funds	Ongoing	These efforts will continue. The County continues to reimburse the City for probation sweeps.	
2. Work with ARJIS and SDLECC to identify, track and hold in compliance AB109 offenders.	Ongoing and reported quarterly		
3. Police Department staff will continue to assess criminal incidents and trends, and conduct bi-monthly operations as indicated using approximately $100,000 in allocated StoneGarden Grant funding.	Ongoing	The PD will continue to work in collaboration with allied local, state, and federal agencies to help reduce regional border related crimes.	
4. Monitor crime statistics related to Prop 47 (Law effective Nov. 2014) changes and work with allied agencies to address any emerging impacts.	Ongoing	Ongoing	

Goal: *Safe Community*

Target for Action: Improve outreach and communications regarding crime information.

Department: Police Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Host one Citizens' Academy session annually for residents to learn about the PD	1 per year	Completed	
2. Host a KidzWatch Academy – 4 week session for youth to learn about safety	3 per year	Complete	
3. Host periodic community forums that address public concerns or current crime issues.	Ongoing	Two "Coffee with a Cop" events held as a community engagement tool.	
4. Host a Youth Leadership Camp for La Mesa youths (ages 15-17) annually to provide life-enhancing skills with an emphasis on responsibility and leadership.	1 per year	Complete	
5. Explore the possibility of working with the community to develop a social network neighborhood safety program to complement and enhance the crime prevention services to the community.	12-14	Nextdoor.com was implemented in 2014. Facebook added in 2015.	Complete

Goal: *Safe Community*

Target for Action: Facilitate training and education for City staff on emergency operations and provide citizen training and education on the importance of emergency preparedness for their families. **REVISE**

Department: Fire Dept. /Police Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Provide Emergency Operations Center training for city staff	Annual	Fire conducted preparedness training for City personnel on "Ready El Nino" in 12. 15.	
2. FD and PD to identify opportunities to connect CERT with Neighborhood Watch for community preparedness. In addition, explore new alternatives to deliver information to the public, including the use of social media.	Annual	PD added a Facebook page, Fire added a Instagram and PulsePoint to increase community engagement.	
3. Fire and PD to conduct school training and conduct periodic emergency drills at the school sites.	Annual	School fire drills observed in 2015	Observation of drills done throughout the year. Continuing to work with school district personnel on next steps recommendations from School Safety project.
4. Conduct an annual "Emergency Preparedness Fair" featuring literature, appropriate vendor booths, and handouts, with an emphasis on fire, earthquake, and mass evacuation.	08.15	Complete	
5. Work collaboratively as a participant in a Regional Hazard Mitigation Committee to update the previously adopted Multi-Jurisdictional Hazard Mitigation Plan for the City of La Mesa.	06.16	Submitted to FEMA 1st quarter 2015, following FEMA approval, goes to City Council for approval.	

Goal: *Safe Community*

Target for Action: Improve public fire safety and increase compliance through public education.

Department: Fire Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Utilize weed abatement inspections as an opportunity to provide residential safety education to enhance fire and life safety in the City and to reduce forced abatement and fines for compliance.	Begin inspections following annual winter/rain season.	Complete and ongoing	
2. At the time of inspection of State mandated residential rental properties, staff will provide emergency preparedness information to apartment managers to help their residents be self-sufficient in the event of a disaster.	Information is provided during annual inspection process.	Complete and ongoing	
3. Apply for re-evaluation of Fire Department by the Insurance Service Organization (ISO). This organization rates fire departments on many items including staffing, training, records management, communications and water supply. La Mesa's current rating is 2.	12.15	Complete. Achieved rating of 1, the highest rating offered by ISO.	
4. Increase efficiencies in records management of fire prevention inspections.	12.16	In progress	Purchase and implement use of tablet devices for fire inspectors. Items are currently budgeted.

Goal: *Maintain a financially sound and affordable city government.*

Target for Action: Actively track regional, state, and federal initiatives that impact La Mesa's ability to maintain vital services and develop strategies to mitigate their impact on the City's resources. **REVISE**

Department: City Manager's Office/ Finance/Fire/Police Department/Public Works

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Continue to monitor clean up legislation and emerging options for redevelopment.	Ongoing	Ongoing	
2. Complete a long range property management plan.	01.16	DOF approval granted in 12.15	
3. Track CalPERS changes to attempt to decrease the unfunded pension liability of members.			
a. Secure an actuarial study to assist in estimating impact and the increased costs to the City.	06.14	a. Complete with continued review of PERS valuations and comparison to cost estimates	Continued analysis of PERS valuation reports and contribution rates to compare to actuarial projections.
b. Analyze impact of contributing a one-time payment with one time funds to decrease contribution rate or unfunded liability.	06.16	b. Direction from Council to pursue pre-funding a portion of the City's unfunded liability.	Section 115 Trust Account established and initial contribution of $1.5 million made. Ongoing funding to be included in financial projection (amounts to be determined)
4. Continue to track and plan for the increased cost of Regional Communications System upgrade.	12.16	City approved the RCS Next Gen Final Agreement.	Financing options are expected from County in FY 16-17
5. Monitor the increased costs of healthcare and changes based on the Affordable Care Act.	01.16	Tracking and tax reporting requirements currently in progress and due March 31, 2016 for CY 2015.	Programming changes to Financial system currently in progress. Processes for tracking and reporting established and implemented.
6. Monitor costs of providing paid sick leave to all affected employees in accordance with California AB 1522 (Paid Sick Leave law)	08.15	Complete and monitoring underway	
7. Monitor and make modifications as required as part of Governor's Emergency Drought Order.	08.15	Complete	Staff will continue to monitor
8. Monitor regional and local efforts to add revenue measures to the ballot for potential implications for La Mesa.	06.17	Staff monitoring	

Goal: *Maintain a financially sound and affordable city government.*

Target for Action: Inventory City (indoor and outdoor) facilities and create a Capital Asset Management Plan (CAMP) fund to ensure the ability to replace public facilities when needed.

Department: Finance Dept. / Public Works/City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Update the City's ADA Compliance Report.	12.16	Consultant hired to review existing compliance, conduct inspections of high priority areas and make recommendations on prioritizing compliance improvements	
2. Identify all public facilities that will eventually need to be replaced, including facility name, date of construction, estimated replacement date, estimated replacement cost	Complete		
3. Establish a Capital Asset Management Plan (CAMP) fund within the City's current accounting structure in order to properly account for public facility replacement	06.13	Complete. Initial funding was identified and transferred in 2013-2014	Continued funding from General Fund included in 6-year forecast and upcoming Biennial Budget
4. Identify potential funding sources and revenue streams that may be used for public facility replacement	Ongoing		
5. Create a facility maintenance/replacement master plan to identify facilities, maintenance/replacement needs, and funding mechanisms.	06.15	Review and revise the current public building listings in the City's fixed asset system to be used as a Facility Master Plan	Work is ongoing. Currently reviewing City's existing fixed asset listing and determining options for creating a facility database

Goal: *Maintain a financially sound and affordable city government.*

Target for Action: Explore options for potential consolidation opportunities in public safety.

Department: City Manager's Office/Fire Department/ Police Department/

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
FIRE CONSOLIDATION			
1. Develop a shared management team identity – Heartland Fire Rescue	02.10	Complete	
2. Conduct a joint Fire Captains and Firefighter/Paramedic test (El Cajon/La Mesa/Lemon Grove)	06.15	Complete and ongoing	.
3. Implement personnel exchange program		Complete and ongoing	
4. Hire shared Emergency Management Coordinator position through Homeland Security Grant Funds	09.13	Complete	
5. Coordinate and adopt the updated California Fire Code with common amendments	11.16	Complete	
6. Consolidate fire prevention function and staff from the three cities	07.14	Complete	
7. Expand Reserve Firefighter Program for use by all three cities	06.15	Complete.	
8. Explore the feasibility for consolidating emergency dispatching centers	1.16	Regionally, assist with a working group to conduct a Regional Fire Emergency Communications Center Study.	In process.
POLICE DEPARTMENT			
1. Host Field Mobile MCT's which will allow patrol officers to access local law enforcement databases to provided more efficient and better service to the public	07.14	Complete	
2. CJIS Security Approval and Dual Authentication per DOJ standards	09.14	Complete	
3. Install a new CAD system and NetRMS for more efficient service delivery to the	09.14	Complete	

community.			
CITY MANAGER'S OFFICE and POLICE DEPARTMENT			
1. Staff to work with City of El Cajon and other East County city staff to consider joint operations or consolidation options for animal control including analysis of fiscal impacts	06.16	Staff has met with four east county cities regarding animal control options. Dialog is continuing.	El Cajon is currently evaluating options for management of the shelter.

C-1

Goal: *Continue to improve high quality municipal services.*

Target for Action: Continue to provide ongoing opportunities for community input into the City's strategic planning process at City Council meetings, Town Hall meetings, and through the use of community surveys.

Department: City Manager's Office.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Plan and conduct two Town Hall meetings each year in two areas of the City. Utilize school messaging system if possible for additional outreach.	01.16	Complete	
2. Compile results of Town Hall meetings, contact participants for follow-ups as needed, and prepare recommendations for Council Workshop	03.16	Complete	
3. Present results to Council at annual Strategic Planning Workshop	03.16	Complete	
4. Conduct a community survey.	01.17		
5. Incorporate the City's strategic goals into appropriate staff reports and staff presentations.	07.13	Complete	

C-2

Goal: *Continue to improve high quality municipal services.*

Target for Action: Improve effectiveness of City's communication tools to provide City information to existing and potential residents and businesses. **REVISE**

Department: City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Explore additional methods including additional social media to communicate with residents regarding topics of interests.	12.15	"Meetup" implemented 3.15 (830 members) Interactive shopping map provided as part of downtown streetscape grand opening. City adding a Facebook page to new City website.	
2. Continue to provide transparent financial information on the website by adding a visualization tool for reviewing the City's budget.	09.14	Complete	
3. Utilize new Community Center marquee to promote city activities and events.	10.14	Complete	
4. Continue to brand the City image though its wayfinding and entry sign system. a. Add a gateway entry sign to University Ave. b. 2 new signs at Collier and Highwood Park. c. New marquee at Comm. Ctr.	06.15 06.16 06.15 01.15	 b. Highwood sign complete c. Complete	
5. Utilize a marketing professional to improve communication with residents and businesses on City initiatives and programs.	12.15	Hired and work in process	
6. Redo the City's website to be more interactive.	06.16		
7. Develop a mechanism to measure marketing outcomes.	08.15	In process	

C-3

Goal: *Continue to improve high quality municipal services.*

Target for Action: Evaluate City owned property for potential development opportunities and partnerships.

Department: Comm. Dev. Dept./City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Prepare an inventory of all City owned properties	Complete		
2. Prepare inventory of all City controlled leases: a. Complete database b. Complete an assessment of lease term compliance c. Prepare recommendations for lease amendments as needed d. Update procedures and policies for lease monitoring practices and responsibilities	 11.07 01.08 04.08 09.16	 Complete Ongoing Ongoing Research and data entry underway	
3. Prepare feasibility analysis for redevelopment of old Police Department site and develop a re-use strategy.	12.14	06.16 Underway	
4. Secure a lease agreement and development for the Briercrest project site. a. Council direction to initiate the site development process. b. Publish Developer Request for Interest (RFI) c. Developer selection and Council authorization to proceed with ENA and begin negotiations d. Negotiation with developer for Agreement to Lease for Council approval	TBD 03.14 10.14 3.15 08.15	Court ruled in favor of City 12.13. Complete Complete Complete 05.16	
5. Begin negotiations with County of San Diego on the old Library site.	02.17		

C-4

Goal: *Continue to improve high quality municipal services.*

Target for Action: Explore feasibility of completion of the next phase of the Civic Center Master Plan project. **REVISE**

Department: Comm. Dev. Dept./City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Conduct a feasibility analysis on a new City Hall, parking structure and town square.	06.16	Underway	
2. Get Council direction	08.16		

Goal: *Continue to improve high quality municipal services.*

Target for Action: Update the City's technology systems and operations to more effectively deliver services to residents and businesses.

Department: City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Review and Update the IT Network. a. Add a Mobile Data Management system to improve computer security	12.16		
2. Update Microsoft Office (after Exchange Server) for users. a. Determine MS Office Implementation Schedule b. Provide training/ orientation options for users in transition to updated MS Office. c. Implement MS Office Upgrades	12.13 06.14	Complete Complete Complete	
3. Install public WIFI at Pool facility.	07.16	In process	
4. Conducts review of City technologies to create a new Technology Master Plan/ Guidelines. a. Create a BYOD policy. b. Review current and future role of City Intranet for employee use. c. Evaluate and revise City's social media policy	12.15 06.16 05.16	On hold pending legal decision related to use of personal devices. Complete	
5. Expand the City's Electronic Document Management System (EDMS) LaserFiche to include the Public Works / Eng. & Comm. Dev. Dept. a. Determine Laserfiche	Ongoing 04.13	Comm. Dev. In progress a. Complete	

implementation schedule. b. Laserfiche product installed and scanning station created in Public Works. c. Development of metadata standards for departments. d. Create access to legal maps and as-builts through the existing GIS database utilizing Laserfiche.	08.16 01.14 07.14	b. PW Ops not ready to scan c. Complete d. Complete	
6. Provide access to the Laserfiche repository City-wide. a. Determine most cost-effective method for City-wide access to Laserfiche. b. Configure City's intranet portal for access to Lasefiche. c. Determine implementation schedule. d. Implement training and networking (i.e. user groups).	Ongoing 01.14 Ongoing 11.15 01.16	a. Working with IT and other Depts.on the implementation of Web Access b. In process	04.16
7. Installation of new WORM (write once ready many) drive a. Work with IT to install and develop an implementation plan b. Install and test	In progress 07.16	a. IT working with Microsoft vendor	
8. Review and Update the Records Management Program City-wide. a. Utilize records management consultant to update retention schedule. b. Provide training to records personnel on implementing electronic records management best practices. c. Create electronic document management policy. d. Update the email policy to include archiving	Ongoing 02.13 04.14 04.14 06.16	a. Complete b. Complete c. Complete d. The email policy in the Records Management Manual	

e. Train staff on new off-site storage and review of records retention program f. Train staff on new records file system	07. 16	needs to be expanded to include archiving emails e. Working with consultant & IT staff - training scheduled on 3/16. f. Training scheduled in March/April	
9. Update City's email domain name	06.16	In process	
10. Upgrade City's Cartegraph for improved tracking of City infrastructure requests/repairs	09.15	Complete	YourGOV citizen mobile request application to be launched with the new web site
11. Migrate to the HdL Prime Business License system that will include web access for online functionality to include online renewals, online applications for some business types, and online payments.	07.16 (after main City website launch)	Agreement approved and funds appropriated. Migration to begin 04.16.	

Goal: *Continue to improve high quality municipal services.*

Target for Action: Develop methods within existing City projects and programs to implement the City's Sustainable Building and Program Policies. **REVISE**

Department: Community Development Dept./Public Works Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Work with the Environmental Sustainable Commission (ESC) to prepare recommendations for ways the City can improve sustainable development policies and implementation of practices that will help to reduce the impacts from global warming on the environment.	Ongoing	Ongoing	
a. ESC will provide input during the General Plan update process on polices related to sustainability	02.11	02.11	Complete
b. ESC provide input on the Conservation & Open Space Element of the General Plan	09.11	09.11	Complete
2. Prepare recommendations for review by the City Council for City practices that will reduce factors that could contribute to global warming.	12.09	Complete	
3. Develop a formal set of goals and strategies that will reflect the City's policies related to reducing factors that lead to global warming for incorporation into the City's General Plan.	03.10	The City will prepare and adopt a plan to reduce GHG emissions, i.e. a Climate Action Plan (CAP).	In process
a. Seek funding to update the CAP.	04.14	$61,500 SDG&E Emerging Cities Grant awarded. Complete	Additional funding under consideration
b. Update GHG Emissions Inventory.		Additional citizen input at block party held 11.15	
c. Citizen Input on CAP.	07.14	06.16	
d. Complete Draft CAP.	Ongoing	09.16	

e. Environmental Sustainability Commission review of CAP. f. Council adoption of CAP.	05.15 09.15		
4. Participate with SANDAG in activities required by SB 375 a. Review the 2005 Greenhouse Gas Emissions inventory for way to reduce emission from operations. b. Review and participate in the SANDAG's San Diego Forward Regional Plan.	 Ongoing 06.16	 Adopted	
5. New and renovated city buildings will seek to comply with the Sustainable Building Policy	Ongoing		
6. All City owned street lights are changed out to energy efficient and long lasting induction light bulbs.	10.11	Complete	

Goal: *Continue to improve high quality municipal services.*

Target for Action: Maintain compliance with the Federal Clean Water Act and the California Porter-Cologne Water Quality Control Act.

Department: Public Works

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Monitor implementation of 2013 municipal separate storm sewer system (MS4) permit for a regional offsite alternative compliance program.	05.13: NPDES Permit Approved 05.15: JURMP Completed 12.15: WQIP Completed 02.16: BMP Development Manuals take effect	Working with permit stakeholders to develop a collaborative, watershed, regional based approach through APWA	
2. Monitor implementation of San Diego Bacteria Total Maximum Daily Load Order (TMDL)	Re-open Permit: 2015 Interim Compliance: 2017 Final Compliance: 2030	Ongoing	
3. Monitor City of San Diego permit renewal process for Point Loma Wastewater Treatment Plant. Establish an administrative or legal change that will allow Point Loma to remain at the secondary treatment level (secondary equivalency)	Permit Renewal Due: 02.15 Permit Expires: 07.15 Secondary Equivalency: 2019	Permit submitted: 01.15 Regional Board expected to hold hearings on permit 09.16 or 11.16	It is not possible to pass legislation at the Federal level at this time due to the political climate. Exploring options at the State level.
4. Work with San Diego on Implementation of Pure Water San Diego Program.	Cost Allocation due: 2017 The 1998 Regional Disposal Agreement will need to be amended -	Metro/JPA to hold 3 informational meetings: 04.16: Pt Loma Permit history 05.16: Metro/JPA Agreement history 06.16: Revenue sharing and rate	

	2019	setting	
5. Complete the Alvarado Creek Environmental Project a. Grub and clear creek bed. b. Sewer construction c. Landscaping	 12.15 12.16 12.16	 Complete Bid award 03.16	

D-1

Goal: *Revitalize neighborhoods and corridors.*

Target for Action: Complete public improvements on University Avenue. (Public Works Dept.)

Department: Public Works Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Prepare conceptual design		Complete	
2. Secure funds for design	07.04	Completed	$190,000 CDBG funds approved by Council 4/27/04
3. Retain consultant to prepare the design plans and specifications	10.04	Completed	
4. Attempt to secure funds for the construction (est., $4,000,000)	Ongoing	Awarded $2.3M stormwater grant 10.14.	Cycle 2 ATP Funds awarded 1.16 for bike lanes, bulbouts, and high visibility crosswalks.
5. Community outreach to refine design plan and traffic improvements - Workshop 1 background and objectives	07.05	Completed	
6. Environmental review and final recommendations to Council for approval of concept plans	07.06	Completed	
7. Complete the design plans and specifications and completion of env. doc.	09.15	In progress	
8. Intersection modifications at University and Yale	07.08	Complete	
9. Intersection modifications at University and Allison and University and Baltimore	10.10	Complete	
10. Intersection modifications at University and Lee	07.09	Complete	
11. Intersection modifications at University and Massachusetts	12.13	Complete	
12. Intersection modifications at University and Harbinson	07.14	Construction contract awarded	Complete
13. Begin construction	04.16	Bid award 3.16	
14. Complete construction	04.17		

D-2

Goal: *Revitalize neighborhoods and corridors.*

Target for Action: Continue to investigate opportunities for economic development. **REVISE**

Department: Comm. Dev. Dept. /City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Continue to work with the Grossmont Center owners to define long-term goals and infrastructure needs to support redevelopment potential. a. Identify public/private partnership opportunities; b. Identify potential funding sources; and c. Determine need for an update to the Grossmont Specific Plan.	12.14	Ongoing	
2. Communicate regularly with commercial brokers regarding opportunities in La Mesa. a. Update the City's commercial vacancy inventory twice annually. b. Post updates on website and email blast to brokers. c. Continue outreach to national credit tenants with interest to expanding to the region. d. Promote the Mixed Use Urban Overlay Zone (MUUOZ) to appropriate brokers, developers and interested parties.	a. 09.15 and 04.16 b. Same c. Ongoing d. Ongoing	Completed & ongoing	
3. Continue to maintain communications with economic development organizations.	Ongoing	03.14 Council authorization to join membership with ECEDC.	
4. Work with marketing consultant to provide appropriate economic development information to the public.	06.16	In process	

Goal: *Revitalize neighborhoods and corridors.*

Target for Action: Develop plans for downtown streetscape improvements and strategies for funding both construction and ongoing maintenance and update the Downtown Village Specific Plan. **REVISE**

Department: City Manager's Office/ Comm. Dev. Dept. / Public Works Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Downtown Streetscape Improvement Project: a. Authorize funding plan b. Design team selected c. Community workshops d. Council review e. Concept plans f. 30% engineering design g. Meet with business owners h. 80% engineering design i. Final engineering design j. Start Phase 1 construction k. Complete Phase 1 construction l. Grand opening celebration held	 j. 07.14 k. 10.15 l. 12. 15	 a. Completed b. Completed c. Completed d. Completed e. Completed f. Completed g. Completed h. Complete i. Complete j. Complete k. Complete l. Complete	 i. City Council approved the revised scope of work 12.13 to bring project within budget.
2. Development of funding plan for maintenance of downtown improvements (e.g. BID)		Complete	In 2013 the City Council approved using $50,000 per year of downtown parking funds for maintenance of additional improvements in the downtown village. FY16 proposed budget includes maintenance of Downtown Village.
3. Downtown Village Specific Plan Update a. Approval of FY12-13 budget includes professional services to update the Downtown Village Specific Plan. b. Procure and secure professional services to update the Downtown Village Specific Plan.	 07.12 10.12	 Complete Complete	

c. Complete the planning process and approve updates to the Downtown Village Specific Plan	12.15	Draft review in process	
4. Complete the parking in lieu study for Council consideration.	03.15	Complete	
5. Complete the funding, design and installation of the Centennial Legacy "Lookout" Project in the downtown village. a. Complete design work b. Secure $165,000 in funding. c. Issue building permits for construction of Lookout project.	10.15 5.15 08.15	a. Design work complete b. Funding secured as of 02.15. Complete	Work underway

Goal: *Enhanced recreation and quality of life opportunities.*

Target for Action: Develop strategies as outlined in the Park Master Plan to increase open space and recreation needs within the community and seek funding for park projects based on priorities outlined in the Plan. **REVISE**

Department: City Manager's Office/ Comm. Development /Comm. Services Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Work with School District through the Joint Use Steering Committee to consider future joint use opportunities.	06.14	Current work focusing on La Mesa Middle School/Highwood Park.	
2. Work with the La Mesa-Spring Valley School District and the Boys and Girls Club to create a master plan for Highwood Park/La Mesa Middle School. a. Complete a design, garner community input, and seek funding for the extension of Junior High Drive. b. Complete the Environmental review and public sensing for Junior High Drive and Boys and Girls Club. c. Once funding secured complete IOD for road and utility dedication. d. Work with BGC on tenant improvements for Teen Center.	12.14 06.14 08.14 TBD 07.14	LOU approved by partners. a. Design and community input complete. Funding search underway. b. Complete c. IOD dedication complete, final signatures upon project funding d. Complete	Cycle 2 ATP Funds awarded. 1.16
3. Focus future grant and infrastructure upgrades in the same parks as the La Mesa Park and Recreation Foundation has designated for playground upgrades. a. Complete Northmont Park b. Complete a new playground and entry at Vista La Mesa Park. c. Apply for KaBoom!	12.13 06.16	a. Complete b. Design underway. Grant unsuccessful	

Community Build Program for playground as funding and volunteer capacity becomes available. Playground location TBD. d. Secure additional funding to complete upgrades at La Mesita Park.	06.16 06.17		
4. Develop final design plans for Collier Park project a. Preparation of EIR and NEPA documents b. Review by Boards and Commissions c. Recirculate Draft EIR with updated project description. (45-day public review period) d. Council adoption of final Collier Park Master Plan and EIR certification. e. Resurface and stripe Collier Park Tennis Court for shared use with Pickleball. f. Complete the construction of phase 1 Collier Park entry way g. Seek funding for remaining phases of Collier Park	10.12 12.12 06.13 07.14 02.15 06.15 09.15 Ongoing	Complete Complete Complete Complete Complete Complete Work slated to begin in 2016	
5. Continue the payments for the purchase of the Waite Dr. property and on an annual basis determine whether funds should come from park in- lieu and impact fees or from another source.	03.16	The park debt paid off early 07.16	
6. Develop an implementation plan for the expansion of the urban trail system (refer to F-1 for details)	06.15	Funding secured, grant began 03.14. See F1.	Complete
7. Create an inventory of City buildings and structures in parks to assist with prioritization of infrastructure upgrades.	12.15	Complete	

Goal: *Enhanced recreation and quality of life opportunities.*

Target for Action: Implement and track the City's Community Wellness Programs.
REVISE

Department: Comm. Services Dept. /City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Develop and gain approval of the "ready …set … Live Well" community wellness strategy.	09.09	Complete	
2. Implementation of Safe Routes to School non-infrastructure grant.			
a. Determine order of school analysis, conduct walk audits and creating a National Walk to School event at targeted schools.	09.10	Complete	
b. Conduct community sensing, development of preferred walk routes, walking school bus programs and secure traffic enforcement at selected schools.	06.11	Complete Safety Patrol at 6 of 8 schools	
c. Create a priority list of Safe Routes to Schools infrastructure upgrades.	06.12	Complete	
d. Develop a curriculum to train volunteer crossing guards and walking school bus leaders to support Safe Routes to School.	07.12	Complete	
e. Develop ways to sustain walking programs beyond the grant period.	12.13	Complete Refer to F1	
3. Wellness Program for City employees			
a. Establish Wellness Committee	09.13	Complete	
b. Develop quarterly Wellness Presentations	12.14	Complete	
c. Create Workplace Wellness Program	06.14	Complete	

Goal: *Enhanced recreation and quality of life opportunities.*

Target for Action: Develop and implement strategies to increase participation in recreational opportunities. **REVISE**

Department: Comm. Services Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Program activities that bridge the gap of services that are no longer provided by the schools. a. Continue to Identify partnerships with Charter Schools that may not have the resources to provide recreation classes. b. Develop partnerships with local businesses to offer classes at their locations. c. Offer multimedia classes for older adults, adults and children.	06.15 06.15 06.15	Swim lessons provided to Charter Schools. Complete Complete	
2. Schedule activities to allow adults and children to be able to attend overlapping courses in the same complex to better serve residents.	06.15	Complete	
3. Employ technology to better serve the La Mesa community and department operations. a. Launch enhanced online registration system.	06.14	Complete	
4. Develop a marketing plan for the department to better serve residents. a. Create brand standards for marketing materials.	12.13 03.15	Complete Complete	
5. Expand reservable picnic areas in parks.	01.16	In progress	La Mesita and Aztec Park are being added based on community demand

F-1

Goal: *Effective and efficient traffic circulation and transportation.*

Target for Action: As part of the citywide walkability and wellness initiatives implement sidewalk/pedestrian improvements along with associated programming to encourage walking/biking.

Department: Public Works Dept./Community Services

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Develop an Urban Trails Mobility Action Plan.	Caltrans funding secured, grant began 03.14.	Complete	
a. Engage older adults, disabled persons, and families with strollers, along with residents in high-priority neighborhoods to capture input on their unique walkability needs.	10.15	Complete	Neighborhood walking group formed to gather community input on walkability needs
b. Educate and train high-priority neighborhoods on mobility assessment, transit use, and advocacy.	06.15	Complete	Mobility assessment presentations and transit trainings complete. Results in Mobility Action Plan
c. Identify urban trail routes that will connect residents in high-priority neighborhoods to transit, commerce, parks and recreation, and other key community destinations.	12.15	Complete	Proposed routes to be analyzed, recommendations made and documented in Mobility Action Plan
d. Compile all community input to develop an Urban Trails Mobility Action Plan for the City to increase active transportation throughout the community.	01.16	Complete	Council Approved (2.16)
e. Encourage residents to increase walking, biking, and transit use through one citywide community event and localized neighborhood walking groups.	11.15	Complete	Block Party held 11.15. Community walks held weekly.
2. Sustain La Mesa Safe Routes Program	Ongoing		
a. Establish SRTS PTA Committees at local public schools	03.14	Complete	Two-year agreement with 6 elem and 1 middle school
b. Identify funding to sustain Safe Routes Intergenerational Program	03.14	Complete	Funding secured 03.14 – 06.17

c. Identify funding for SRTS programming at Helix High, LMAAC and VLMA	05.14	Cycle 2 ATP - $65,000 for education. 1.16	
3. Preparation of implementation procedures and funding options to address outstanding liens for sidewalks	09.10		Draft documents being reviewed by staff.
4. Perform environmental review on revised street design standards	07.10	Complete	
5. Development of plans and grant applications for priority pedestrian improvements Received Safe Routes to School grant to complete 2 missing sidewalks on Maryland Avenue and 71st. Received grant for North Spring Street I-8 bike and pedestrian crossing 11.13 Received grant for King Street Phase 2 pedestrian and bicycle improvements Identify funding for phase 2 of North Spring Street project Identify funding for Jr High Street extension / West La Mesa Pedestrian & Bicycle Connectivity Project	 12.15 06.16 12.16 03.15 06.15	 Maryland Ave is complete Begin construction 07.16 Begin construction 01.17 SGIP grant awarded 7.15 $992,000 Complete. Funding awarded $1.9 million	

Goal: *Effective and efficient traffic circulation and transportation.*

Target for Action: Develop plans for use of TransNet Extension funds.

Department: Public Works Dept.

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Present the 2016 RTIP to the City Council	5.16		
2. Replace concrete streets in Zone 5 a. Out to bid b. Council award c. Begin construction d. Complete construction	a. Complete b. Complete c. Complete d. Complete		
3. Conduct 2nd round of collector street resurfacing a. Out to bid b. Council award c. Begin construction d. Complete construction	a. 09.16 b. 11.16 c. 01.17 d. 07.17	Project will be put out to bid following Downtown Village Streetscape and Zone 5 concrete streets bids are awarded by Council.	
4. Perform annual street slurry seal resurfacing project in Zone 7 a. Street skin patch and dig outs b. Trim trees c. Concrete sidewalk, curb, ramp and driveway maintenance d. Street slurry seal resurfacing	a. Ongoing b. Complete c. Ongoing d. Bid award pending		
5. Update pavement management data	09.15	Complete	
6. Present 2018 RTIP to the City Council	05.18		

Goal: *Effective and efficient traffic circulation and transportation.*

Target for Action: Continue to work with the appropriate Federal and local agencies to complete the design and construction of the High Street under-crossing.

Department: Public Works Dept./Comm. Dev. Dept./City Manager's Office

KEY ACTION OBJECTIVES	DUE DATE	TRACKING MILESTONES	CORRECTIVE ACTION
1. Monitor FHWA review of preliminary plans	Ongoing	Completed. To date the FHWA representatives indicate that the project is not "earmarked" for funding	
2. Contact legislative delegates as needed to support Federal funding of the project	Ongoing	Met with Navy representatives 01.12. No funding available.	Submitted the project to SANDAG for inclusion in the federal economic stimulus package. Contacted NAVFAC Commanding Officer 02.15 requested assistance. CO indicated that because the project is over $1M that it needs congressional authorization which is unlikely at this time due to higher priority projects in the region.
3. Value engineer the design for a more cost effective project. a. Contract with SANDAG Service Bureau b. Select consultant c. Prepare scope of work d. Complete value engineering	a. Complete b. Complete c. 05.13 d. 05.14		Consultant has prepared a more cost effective alternate. Researching right of way issues.
4. Provide coordination with MTS and other local agencies affected by the project	Ongoing		
5. Review plans when submitted	TBD		
6. Provide inspection services for public improvements that will be transferred to the City for maintenance	TBD		
7. Coordinate preparation of any related inter-agency agreements required for maintenance of the under-crossing and related improvements	TBD		L:\CityMgr\TargetsForAction\2016\2015-2016 with updates.docm

DEPARTMENT ACCOMPLISHMENTS

2014-2015

ACCOMPLISHMENTS
2015 MAYOR'S AUDIT REPORT

CITY MANAGER'S OFFICE

- Established with the Finance Department the PARS Pension Obligation Trust Fund to help address the City's unfunded pension liability
- Began work on a feasibility study of the Civic Center Master Plan
- Created new City website with updated branding. Developed new Hidden Gems logo and tag line in support of increased economic development
- Coordinated the Downtown Streetscape Grand Opening and created a Shop Dine Explore La Mesa promotion
- Human Resources and the Finance Department to implement a mechanism to track all employee hours to determine eligibility for healthcare under the Affordable Care Act (ACA)
- Implemented and administered the part-time sick leave policy which allows all part-time staff to receive 24 hours of sick leave annually once they meet eligibility requirements, including the development and coordination of part-time hours tracking
- Completed and published Employee Handbook to be given to all new hires at orientation in June
- Received $193,782 general liability refund from insurance pool as a result of positive claims history
- Worked with a consultant to update the City's ADA Transition Plan in April
- Created a process for Risk Management to review all agreements/contracts from every City department, as well as all certificates of insurance between the City and others, to ensure appropriate indemnification language and that insurance limits match executed agreements/contracts to reduce the City's liability risk
- Updated old City computers from XP desktops to Windows 7
- Enhanced the City's wellness program for employees with new health and fitness challenges to motivate employees to exercise and eat healthier food
- Paid the final debt service for the Waite Drive park property
- Secured a $1.9 million dollar grant to open Junior High Drive in support of the new Boys and Girls Club project in West La Mesa

COMMUNITY DEVELOPMENT

- Completed developer selection process and obtained Council approval of an Exclusive Negotiating Agreement between the City of La Mesa and Westmont Development, LP to develop a Residential Care Facility for the Elderly.

- Successfully negotiated the economic deal points and the framework for an Agreement to Lease and Ground Lease (pending Council review and approval).

- Moved forward with plans to upgrade parking technology and parking citation processing services to improve both customer service and internal operational efficiency. Implementation will follow in early 2016.

- A Zoning Ordinance Amendment updating animal regulations approved by the City Council in 2016.

- Obtained a grant from the SDG&E Emerging Cities Program grant ($61,500) for the preparation of a Climate Action Plan.

- Participation commenced in five Property Assessed Clean Energy (PACE) programs: HERO, Figtree, CaliforniaFIRST, Ygrene and the California Municipal Finance Authority. PACE Programs provide property owners and businesses with financing options for energy efficiency, renewable energy, and water conservation upgrades.

- The City acting as the Successor Agency, obtained Department of Finance approval of the Successor Agency's Long Range Property Management Plan, which will allow the La Mesa Boulevard Municipal Parking Lot to be transferred to the City of La Mesa and retained for use as a public parking lot.

- Adopted zoning ordinance amendments to revise parking requirements and establish an optional parking in-lieu fee program in the Downtown Commercial zone. These initiatives are intended to promote economic development and business growth in the downtown village.

- Completed a five-Year Consolidated Plan for Community Development establishing 2015-2019 funding priorities for CDBG and HOME programs.

- Compliance of code violations achieved for the Eastridge Open Space area.

Recent Entitlements

- Chick-Fil-A restaurant and 5,825 square foot retail pad building at 8200 Parkway Drive

- 110,346 square-foot StorQuest self-storage facility at 8265 Commercial Street

- Restaurant and brewery, Depot Springs, at 9160 Fletcher Parkway

- 30-unit apartment development at 7140 Saranac Street

- 66-unit apartment development at 5120 Baltimore Drive

Construction Activity of Note

- Underway: 198-unit apartment development at 7380 Parkway Drive
- Underway: 11-unit single-family development at the intersection of Keeney and Mohawk Streets
- Recently completed: 36-unit single-family PRD, La Mesa Meadows, on Highfield Avenue
- Recently completed on a 15-unit single-family PRD on Stanford Avenue
- Recently completed on a 6-unit single-family PRD on Lowell Street
- Recently completed on an 60-unit mixed use development, Palm Terrace, on Palm Avenue

Building (12/31/2015)

- Total number of building and fire permits issued is 1,721, an increase of 39% from 2014.
- Total construction valuation of permits is $24,209,000, compared with $50,999,000 from 2014.
- Total permit fees collected is $772,574, compared with $943,100 in 2014, a decrease of 22%.
- Total number of photovoltaic solar permits issued is 555 compared with 272 of 2014, an increase of 104%.

COMMUNITY SERVICES DEPARTMENT

- The La Mesa Municipal Pool offered free community activities including a Dive-In Movie as well as April Pool's Day and the World's Largest Swimming Lesson which promoted water safety education and drowning prevention.

- This year almost 200 volunteers came out to help tidy up the parks in La Mesa. Altogether, volunteers removed about 3.8 tons of green waste plus a quarter ton of trash from our City parks.

- A series of six Community Wellness Workshops funded through Kaiser Permanente were held throughout 2015. Workshop topics included: Yoga, Boot Camp, Brain Games and Nutrition. There was an attendance of over 138.

- Provided oversight for 20,265.60 volunteer hours throughout all City departments providing service enhancements to the community without additional cost for those enhanced services.

- Rides 4 Neighbors program completed 9,998 one-way trips and 11,605 volunteer hours with 114, 889 estimated miles. Raised $276.40 at a fundraiser held at The Hills in La Mesa. Awarded $800 from the East County Senior Service Providers.

- Various special events provided both youth and adults a positive and fun experience to include: Fun with Physics - 275 in attendance, La Mesa Flag Day Parade – 1,700 in attendance, Movie in the Park and Dive In Movie had a combined attendance of over 650 and Sunday's At Six – 2,100 in attendance with an extra concert scheduled for International Relations.

- Provided three transit training sessions to the community empowering residents to use the bus and trolley.

- Organized and led 22 Walking Wednesdays with residents to walk audit proposed urban trails, engage residents and support local businesses.

- Sustained the Safe Routes Walk & Roll Intergenerational Program to recruit older adult volunteers to act as the "Eyes on the Street" as students walk and bicycle to and from school. Safe Routes volunteers contributed over 1,000 volunteer hours in 2015. This program received the 2015 Helen Putnam Award.

- Educated students on bicycle handling and safety through bicycle rodeos held at local elementary schools and a community bicycle rodeo.

- Successfully held the first Connect La Mesa Block Party providing community engagement, education and resident feedback opportunities on the existing and proposed urban trails and climate action plan.

- Awarded $992,500 in Smart Growth Incentive Program (SGIP) funding through SANDAG to enhance public infrastructure for pedestrians and bicyclists on North Spring Street.

- Hosted the ground breaking for the Lookout At Legacy Park.

FINANCE

- Successful completion of the 2015 annual audit and issuance of Financial Statements for the City and Successor Agency, receiving a "clean" audit opinion on both.
- Implementation of GASB 68, Accounting and Financial Reporting for Pensions.
- Successful completion of the 2015 Single Audit of our federally funded grants. Received a "clean" audit opinion.
- In conjunction with the City Manager's office and with the assistance of the City departments, produced the 2015-2017 Biennial budget that reflected improved revenues and maintained essential City services at current levels.
- Continued implementation of AB 1X 26 (Dissolution of Redevelopment), AB1484 (Clean-up Bill), and SB107 (Revisions Bill) to include:
    - Preparation of the Recognized Obligation Payment Schedules (ROPS) for the upcoming 2015-2016 fiscal year.
- Completed the 2015-2016 fee schedule update.
- Public bids were held for mobile command vehicle outfitting, marketing and communications services, Microsoft enterprise agreement renewal, and parking citation and permit processing/payment collection.
- The purchase order process was streamlined to reduce processing time and paper use.

FIRE DEPARTMENT

Administration and EMS

- Processed $59,042 in La Mesa grant reimbursements
- Maintained fiscal accountability for the EMS division which continued to operate the Advanced Life Support First Responder program with no impact to the City's General Fund.
- In conjunction with Regional Cooperative Care Program, provided "Hands Only CPR" training to over 1,564 citizens in La Mesa in 2015

Operations, Training & Support Services

- Continued to the participation in the development and delivery of the annual County Wildland Preparedness drill that provides training for over 850 firefighters from throughout the region
- Through our participation in the Heartland Training Facility, firefighters received the following specialized training in 2015:
    - Annual Hazardous Materials refresher training
    - Annual Wildland Firefighting

Fire Prevention

- Completed all motel/hotel inspections and noted 237 violations.
- Completed extensive inspection of Grossmont Hospital.
- Completed all school inspections

Emergency Preparedness

- Conducted 42 presentations utilizing existing public events to promote preparedness with 867 participants
- Assembled a collaborative team to include Public Works, Police Department, Dispatch Centers, and SDG&E to:
    - Develop an El Niño preparedness, response, and recovery plan
    - Conduct El Niño Community Forums
    - Develop El Niño materials
    - Develop an El Niño Public Service Announcement

- Develop and conduct a public information campaign (featured on KNBC & KUSI news 4 times, the Union Tribune 2 times, KOGO radio 5 times, the La Mesa Courier, and the East County Californian)

- Internal Preparedness training was provided to better prepare City workers as emergency responders. An EOC exercise was conducted in May simulating a major power outage.

- Trained and utilized CERT volunteers for public presentations (i.e. Oktoberfest, National Night Out, etc.).

- Initial development of City staff family shelter in the event of an evacuation.

Fire Services Joint Powers Agreement

- Developed Vision Statement for Heartland Fire & Rescue JPA.

- Heartland Fire & Rescue obtained an ISO Class 1 rating. ISO is an independent company that rates fire suppression services across the United States. Insurance companies use the ISO rating to determine insurance rates for their customers. ISO scores Fire Departments from a 1 to 10 scale, with 1 being the best. Of 48,855 Fire Departments in the United States, there are only 97 departments recognized at the time of this report who share this honor of being rated the best of the best as a Class 1 department.

POLICE DEPARTMENT

- New Mobile Command Vehicle (MCV) was deployed. The new MCV is compact, yet large enough to house equipment which is needed for police events; such as probation sweeps (AB109), SRT missions, Homeland Security events, DUI Checkpoints, disaster response and critical incidents. This vehicle has an attached camera, which can be elevated 20' in height, and has the capability of 360 degree panoramic view of the local area. One of the key features of the new MCV is the ability to utilize the Downlink system, which allows "real-time" video footage from the county EOC, neighboring Police and Sheriff's EOC's, and law enforcement helicopter footage. This is imperative during all critical incidents, natural and man-made disasters (fires, acts of terrorism) and pre-planned events (probation sweeps).

- A Police Department pilot program to abate abandoned vehicles from City roadways and private property began in the fall. It concentrated on four specific areas within the City that had multiple previous abandoned vehicle concerns and also continued to address current City-wide citizen complaints. This pilot program, which used the AVA funds to staff additional personnel on overtime, was successful in minimizing on-going issues in those designed areas and efficiently addressed incoming citizen concerns regarding abandoned vehicles. The AVA Program began officially in November and has the potential to make a significant positive change in this quality of life issue over the next decade that the funds are available.

- The Police Department received UASI grant funding to purchase and install a VirTra Firearms Simulator in the upstairs build-out area of the Police Station. The simulator was installed in March 2015 and is open to east county law enforcement agencies to be used for training purposes.

- Three Kidz Watch Academies were offered that empowers children to be more observant of their surroundings, enabling them to become safer.

- The Police Department held their annual "Citizen's Academy." This three-day introduction into the how the Police Department operates received many accolades from the 25 participants which included City of La Mesa business and community leaders.

- "Coffee with a Cop" was introduced to La Mesa this year. Officers were on hand to meet with citizens in an informal setting to develop stronger community/police relationships over a cup of coffee.

- The Police Department launched its Facebook page during this fiscal year.

- 2015 brought on many changes in personnel to the Police Department. The Police Department hired a new Chief of Police, four police officers, two dispatchers, one Community Service Officer, one Police Service Technician, one Police Services Specialist, and two Parking Control Officers. One Captain, one Lieutenant, and one Sergeant were promoted and one Captain retired in 2015.

PUBLIC WORKS

- The Public Works Department completed six public infrastructure projects with a total combined value of $8.3 million dollars in 2015. This includes sewer and storm drain improvements in and around Collier Park, on Palm Avenue, Fourth Street and Upland Street; reconstruction of 117,180 square feet of concrete streets on Cinthia Street, Corolyn Drive, Rosarita Drive and Wetherly Street in maintenance zone 5; street and drainage improvements on King Street; street improvements at the intersection of Glenira Avenue and Glen Street; and, the Downtown Village Streetscape Improvement Project.

- A street lighting ceremony was held in December to commemorate the completion of the long awaited Downtown Village Streetscape Improvement Project. Project construction spanned a 16-month period and included curb, gutter and sidewalk replacement; new storm drain facilities and water quality devices; street trees, tree grates and irrigation installation; lighting enhancements; new street furniture; and, street improvements such as asphalt overlay, crosswalks and striping.

- The Department was awarded $1,897,400 in grant funding for infrastructure improvements in 2015. The City received $992,500 from the SANDAG Smart Growth Incentive Grant Program for pedestrian and bicyclist safety enhancements along North Spring Street between University Avenue and the I-8 interchange and an additional $904,900 in grant funds from the Highway Safety Improvement Program to replace the traffic signal fiber optic cable throughout the city.

- Public Works maintenance crews installed new drought-resistant landscaping at City Hall and the Community Center entry way and upgraded the Calsense irrigation equipment at several parks and median areas to help meet California's 25 percent water conservation and reduction requirement. Maintenance staff cleaned 2,700 feet and removed 20 yards of brush and overgrown vegetation in two open drainage channels in preparation for El Nino.

- The Department continues its efforts to maintain effective and efficient traffic circulation and transportation throughout the city. As part of the annual street maintenance program, more than 1,314,840 square feet of slurry seal in maintenance zone 6 and 823,450 linear feet of roadway striping were completed in 2015. Speed tables were installed on Harbinson Avenue to help reduce speeds and calm traffic in the neighborhood. Construction is nearly complete on several street improvement projects including, a federally funded Safe Routes to School grant project to install two sidewalk segments on Maryland Avenue between Lake Murray Boulevard and Parkway Drive and intersection improvements at signalized intersections near five La Mesa schools, and to install traffic signal upgrades and intersection improvements on University Avenue at Harbinson Avenue.

ROLE OF BOARDS AND COMMISSIONS

Boards and Commissions

BOARD / COMMISSION	MEMBER REQUIREMENTS	Year Created / Muni Code Reference	Required by Ordinance to Implement Regulations	PAY	RESPONSIBILITIES
Aging and Veterans Commission **9 Members - 4 yr terms**	**7 members aged 55+ appointed to represent seniors* **2 veterans (active duty or honorably discharged) appointed to represent veterans*	**1991** **2.72**	**No**	**None**	Advisory body on policy matters pertaining to programs, projects, and issues that address the concerns and needs of seniors adults and veterans.
Building Codes Review Board **5 Members - (unspecified terms)**	**1 member structural background* **1 member arch/construc/fire/life safety* **1 member electrical background* **1 member plumbing background* **1 member general contractor/mech/energy conservation background*	**1980** **Council** **Action**	**No**	**None**	Makes determinations and recommendations regarding the amendment of, addition to, or the adoption of the Uniform Building Code, Uniform Housing Code, Uniform Plumbing Code, Uniform Mechanical Code or the National Electrical Code and other related codes, ordinances or legislation which may affect the City in the application and enforcement of the various codes.
Community Services Commission **7 Members - 4 yr terms**	**Members must be residents - all members subject to the Conflict of Interest Code* **2 members from LMSVSD / GUHSD*	**1981** **2.32**	**No**	**$50** **per meeting**	Advisory body on parkland acquisition and policies relating to recreation and park purposes.
Design Review Board **5 Members - 3 yr terms**	**3 members must be design professionals* *(arch/landscape arch/bldg design/urban design or urban planner) - all members subject to the Conflict of Interest Code* **1 member designated Comm. Dev. Director* **1 member designated Planning Department staff*	**1987** **2.66**	**Yes**	**$50** **per meeting**	The board reviews and approves development plans for compliance with the Urban Design Program, and makes recommendations on development proposals and other design-related issues as directed by Council.
Environmental Sustainability Commission **12 Members - 4 yr terms**	**7 members residents of LM as follows:* *2 members general populous* *3 members professional experience related to mission* *1 member aged 55+ years represents senior adults* *1 member aged less than 21 yrs represents youth population* **5 members business community* *(reps from water, waste, recycling, electricity and gas, high school, elementary/middle school districts - all members subject to the Conflict of Interest Code)*	**2009** **2.85**	**No**	**None**	Advises on how actions and policies of the City may preserve and enhance the quality of La Mesa's environment and addresses the effects of climate change and assists in the identification of measures that will improve environmental sustainability.
Historic Preservation Commission **7 Members - 4 yr terms**	**2 members registered voters AND design professionals* **2 members current resident electors of La Mesa* **3 members registered voters AND recommended by Historical Society* ***1 ex-officio rep from Planning Commission - all members subject to the Conflict of Interest Code*	**1985** **25.01.060**	**Yes**	**None**	Advisory body to the City Council on matters of historic preservation, including review of development plans and the La Mesa Historic Resources Inventory.
Human Relations Advisory Commission **7 Members - 4 yr terms**	**Members must be resident electors of La Mesa* **2 members will represent the disabled*	**1991** **2.7**	**No**	**None**	Advises on matters pertaining to programs, projects, and issues that address the resident's needs and promote goodwill in the community. It is the responsibility of the commission to explore issues and develop activities that will promote positive human relations in the City of La Mesa.
La Mesa Community Parking Commission **5 Members - 4 yr terms**	**1 member retail merchant* **1 member commercial business member* *(one of the above must be a member of the LMV Merchants Assn - preferred rep from east/west Spring Street)* **1 member resident* **2 members at large* *(no more than 2 members in any given category) - all members subject to the Conflict of Interest Code*	**2004** **2.8**	**Yes**	**None**	Advises on parking-related issues within the Parking District. Committed to ensuring cost-effective public parking that meets needs of the city's businesses, residents, and patrons by involving the community in parking management decisions.
Personnel Appeals Board **5 Members - 3 yr terms**	**Members must be residents and are subject to the Conflict of Interest code*	**1975** **3.08**	**Yes**	**None**	The board ensures an impartial and independent review of personnel matters. Employees in the classified service may appeal certain grievances and disciplinary actions to the Personnel Appeals Board.
Planning Commission **7 Members - 4 yr terms**	**Members must be residents and are subject to the Conflict of Interest Code*	**1978** **2.6**	**Yes**	**$50** **per meeting**	Advises on land use matters, including review of development plans for consistency with the General Plan, Zoning Ordinance, Subdivision Ordinance, and Sign Ordinance. Review of Special Permits, Conditional Use Permits and Variances; reviews appeals from staff and Development Advisory Board determinations.
Traffic Commission **5 Members - 4 yr terms**	**Members must be resident electors of La Mesa and are subject to the Conflict of Interest Code*	**2002** **12.08.120**	**Yes**	**$50** **per meeting**	The commission serves as an advisory body to the City Council on matters relating to traffic issues that require City Council approval as provided in the traffic ordinances of the City.
Youth Advisory Commission **9 members - 2 yr terms**	**Members must be residents of LM and aged 13-20 years*	**1991** **2.71**	**No**	**None**	The commission serves as an advisory body to the City Council on matters pertaining to programs, projects, and issues that address the concerns of youth in the community. It is the responsibility of the commission to explore and develop activities and issues that will promote positive youth relations in the City of La Mesa.

CITY IDENTITY

(Information to be provided at Workshop)

CITY'S ROLE IN THE DOWNTOWN VILLAGE

La Mesa Downtown Village

A Discussion about:

"The City's Role in the Downtown Village"

Where we have been and where do we go from here?

La Mesa Downtown Village

Mainstreet Through the Years

Milestones in the Downtown Village Area

1955 - Created Parking District #1, sold bonds, acquired land, constructed parking lots, installed parking meters and began managing and operating downtown parking operations to present

1964 - Created the La Mesa Community Redevelopment Agency with focus on the planned Central Redevelopment Area in the Downtown Village

1973 - Adopted the Central Project Area Redevelopment Plan

1975 - First Oktoberfest in the Downtown Village

1977 - Planned and constructed the previous comprehensive streetscape improvement project, including decorative sidewalk paving, alley improvements, decorative streetlights and street trees

1979 - 1990 Implemented several major commercial and residential redevelopment projects in the Central Redevelopment Area

1990 - Downtown Specific Plan adopted

1993 - Farmers market started and managed to present

1997 - Flag Day Parade re-established as an annual event in the Downtown Village

2004 - La Mesa Community Parking Commission created to represent the interests of Downtown Village stakeholders in making recommendation regarding parking management and use of parking district funds

2007 - Parking Ordinance Amended to expand the potential uses of Parking District revenue to include enhancements and promotion of the Downtown Village

2010 - Redevelopment is dissolved by action of the State of California

2015 - Phase 1 of the Downtown Streetscape Improvement Project is completed using a combination of Parking District and grant funds

8 Amazing Facts About Downtowns

Exert from article by Roger Brooks, tourism consultant, 2011:

I was speaking at a conference and afterwards a woman approached me and asked this very question. I couldn't pass up an opening like that and instantly started spouting facts and statistics about downtowns. Before I knew it, about fifteen people had gathered around and were jotting down notes as fast as possible.

One gentleman noted that the tourism and downtown folks in his city never really talk to each other; everyone does their own thing. Half a dozen other people echoed the same sentiment. Sound familiar?

After I rattled off a few more facts and figures, a member of the impromptu meeting said, "That's amazing stuff. Can you come and tell this to our community?"

It is amazing stuff and it made me realize that, although I certainly understand the power of a great downtown, many professionals don't.

I'm well-known for sound bites, so here are a few facts about downtowns you can share:

1. The heart and soul of every community, besides its people, is its downtown. The health of a community can instantly be portrayed by the vitality of its downtown. It is the litmus test for all your economic development efforts – both tourism and non-tourism. Downtown provides that all-important first impression of the community that answers the questions: "Is this a place I'd want to live? A place my employees would want to live? A place I'd want to hang out? Show off to friends and relatives?" If you want people to visit your community, to open or relocate a business there, or move to your town, downtown needs to be a place they'd enjoy spending time in.

2. The number one activity of visitors throughout the world is shopping, dining and entertainment in a pedestrian friendly setting. It's typically not the reason we go to a destination, but it is the top diversionary activity of visitors once they're there.

3. Consider this: The average visitor is active 14 hours a day, yet they only spend four to six hours with the primary activity that brought them there. Then they spend eight to ten hours with diversionary, or secondary activities. Diversionary activities are things they could do closer to home but will do while in town. As an example, Branson, Missouri hosts 7.5 million visitors a year, and the average visitor will see one or two shows a day, totaling approximately four hours. The 49 theaters are what brings them to town (the primary lure), but once there, they spend the rest of their time shopping, dining, at theme parks and attractions, or on recreational pursuits: hiking, biking, boating, fishing, golf, etc.

4. Here's the amazing statistic: Secondary activities are where 80% of all visitor spending takes place. It's ok to be a "diversionary" activity. When we're out fishing or hiking or biking, we are not spending money. When we are competing in a sports game, we are not spending money. But when we're done, guess what? We're off looking for the nearest watering hole, great shops, restaurants, and entertainment. Why did Disney build Downtown Disney outside of Disney World? To capture that other 80% of visitor spending. Smart move.

5. Curb appeal can account for 70% of visitor sales at restaurants, golf courses, wineries, retail shops, and lodging facilities. Amazing isn't it? You could spend millions of marketing dollars to pull people into your community, but none of that will make a visitor walk into a restaurant or retail shop and say, "Here's my credit card." The merchant must do that. It's that old adage of "you can lead a horse to water, but you can't make him drink." Many merchants have no idea how to pull customers in the door by presenting a beautiful, welcoming entry with planters, benches, attractive signage and window displays.

We all travel. Have you ever uttered these words: "That looks like a nice place to eat." Other than asking a local, or finding where the most local pickup trucks are parked, this is our only other clue to help make a decision.

6. If local residents do not hang out in your downtown, neither will visitors. Visitors are not looking for "best kept secrets" or "solitude" when downtown. They are looking for places where other people go. They want to be in a lively, thriving environment. If downtown has the activities and attractions to draw residents, visitors will want to go there too. The number one reason people travel is to visit friends and relatives. When they visit you, where do you take them? That's what I thought.

7. Then there's the 10+10+10 rule or the "Rule of Critical Mass." After researching 400 towns and downtown districts in the U.S. and Canada, we found the minimum critical mass it takes to make downtown a destination. In just three lineal blocks (not square blocks) you must have a minimum of ten places that serve food: soda fountain, bistro, café, bakery, confectionary, sit-down restaurant, coffee shop, to name a few. The second ten are destination retail shops. These are NOT big box and chain stores, but ten specialty shops. These might include galleries, clothing, outfitters, artisans in ac- tion, wine shops, books, antiques (not second hand stores), home accents, gardening and gourmet cooking stores. And the third ten: Places open after 6:00, preferably entertainment.

8. And that brings us to today's most important and amazing statistic. **A full 70% of all consumer spending (locals and visitors alike) takes place after 6:00 pm. Are you open?** And you wonder why downtowns are dying while lifestyle retail centers are thriving.

La Mesa Downtown Village

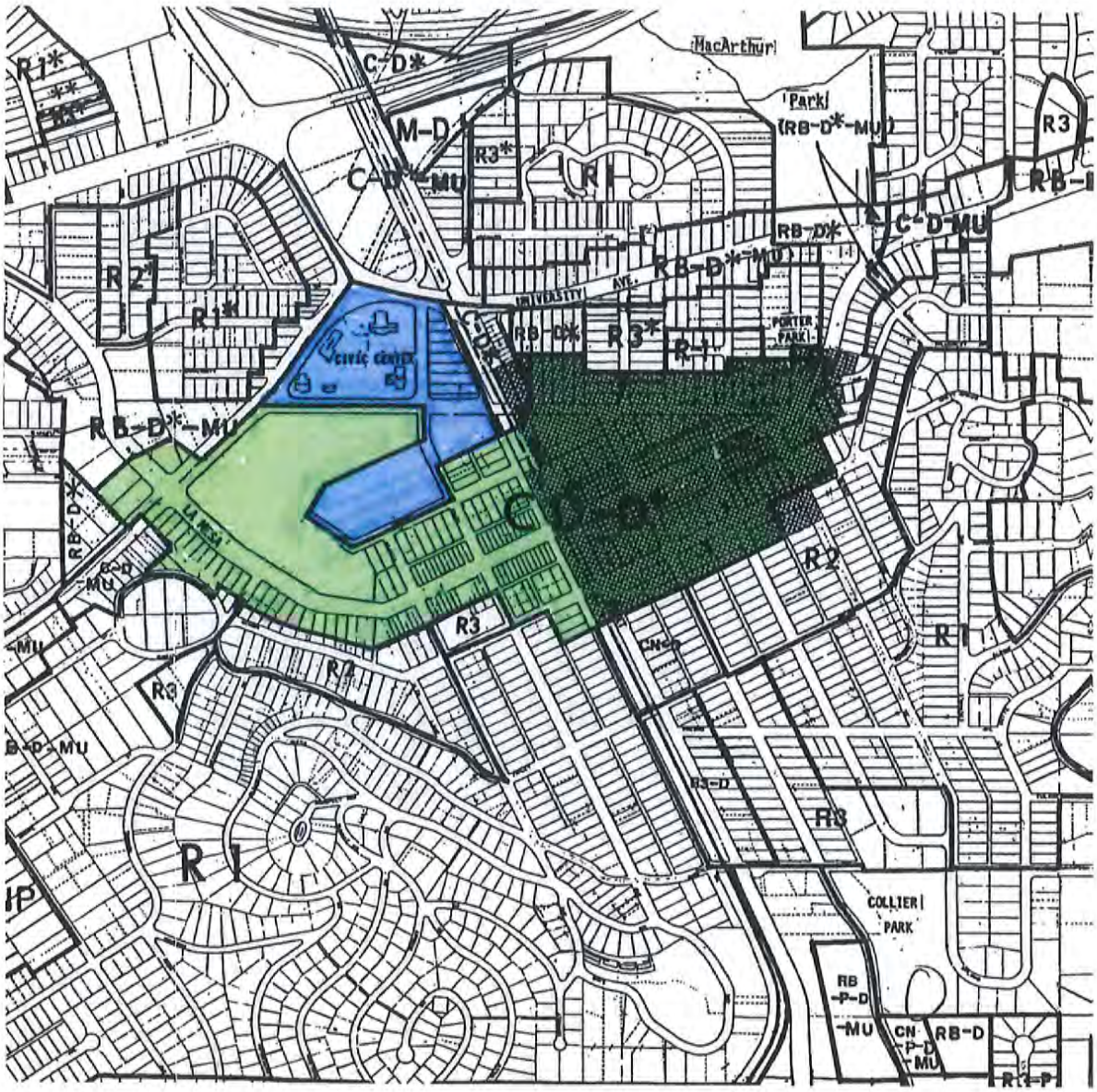
2014 View From Above

La Mesa Downtown Village Area

Downtown Commercial Zone (CD-D)

Civic Center

Parking District Zone



TOWN HALL UPDATE

FEBRUARY 16, 2016

PARKWAY MIDDLE SCHOOL

TOWN HALL MEETING
Parkway Middle School
FEBRUARY 16, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
She lives in a neighborhood across from Costco/Fletcher Parkway and has a complaint re: 5540 Duggan Lane. It is a trash house commonly referred to as the "Halloween House" - the garage burned down and has not been cleaned up although the garage was rebuilt. She has contacted the bank and the insurance companies, as well as the City and has had no response. She is interested in getting a petition submitted, as she has gathered signatures from surrounding neighbors to get the area cleaned up.	Mayor A and Dave Witt responded that detailed information would be taken down and that a Code Compliance Officer would come out to the home and check and that the City will move up the priority of the file. Mr. Witt stated that he had heard of the issue but did not realized that it had not yet been completely resolved. He will follow up immediately and welcomed the citizen to turn in the pettion at the dais. She approached and handed it over.	CD	A meeting has been set with Yvonne Garrett, Glenn Sabine, Carol Dick, Allen Edwards, Chris Jacobs and mulitple residents to discuss each of the issues. Meeting is set for March 8th at 10:30.
She also lives near the Duggan Lane property and stated that she had been cited for code violations in the past and readily complied. She cannot understand why there are code compliance issues since the home burned down 4 years ago and nothing has been done.	Mayor A and Dave Witt responsed that a Code Compliance Officer would come out to the home and check and that the City will move up the priority of the file. Mr. Witt stated that he had heard of the issue and will follow up and welcomed the neighbors to gather signatures and turn in the pettion.	CD	A meeting has been set with Yvonne Garrett, Glenn Sabine, Carol Dick, Allen Edwards, Chris Jacobs and mulitple residents to discuss each of the issues. Meeting is set for March 8th at 10:30.
Issue with brewery (DEPOT SPRINGS) coming in next to Souplantation. He understands it is an outdoor music venue that overlooks backyards. He does not believe it is an appropriate project for a neighborhood. He is concerned that there will be no sound or visual barrier to the neighbors' backyards and is concerned about the noise. Is concerned about quality of life.	Applications and permits for this location went through the Planning Commission. The permit was issued as a CUP. If the business owners do not comply with conditions setforth therein, the issue will come before the City Council and the CUP can be amended or revoked, as has been done before. Dave Witt debriefed on issue and on the process followed to grant the CUP. Councilmember McWhirter stated that the area is semi-enclosed and that we will need to wait and see if there are noise issues and the severity of those issues.	CD	

TOWN HALL MEETING
Parkway Middle School
FEBRUARY 16, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
La Mesa needs to beef up its code compliance efforts and system; Papa's Donuts is displaying signs in the median - no sign ordinance enforcement; Code compliance and enforcement issues with dogs and chickens. Dismayed that with the current process it requires multiple complaints for City to address issue. Upset that there are sign/banner waiver employees on corners and that no compliance is enforced. Has issues with the municipal pool. It is old and no real maintenance or fixes have been applied. The Civic Center parking is an issue currently with construction going on. Wants to know when the new Civic Center master plan will be made available and when it will be built, and wants to know if he can provide handouts for children from the Library for the 1000 Books before Kindergarten project.	Dave Witt: As to code enforcement issues raised – the City makes effort to respond, but there is no direct correlation between barking dogs and safety/health and welfare – which are issues that get ranked and moved up according to severity. Important to hear from community as eyes and ears for these types of complaints. As to the pool – yes, it is old. Maybe it is time to begin discussions about a new pool and/or a new complex. Put pool on maintenance program after a couple of failed efforts, but at some point facility will be beyond repair. As to the Civic Center – we have developed a feasibility study to complete a new facility at the old PO location and a few other sites, including the old PD site, the results of the study will be introduced at the March workshop. Mayor A explained the workshop process. Councilmember Alessio explained that code enforcement is complaint driven. There are not officers out roaming the area. Made plea for citizens to be more involved and report what they see.	CM	
She takes ssue with DEPOT SPRINGS. She lives in Fletcher Hills. Stated that CUP only notified residents within a 300 foot radius. Repeatedly called attention to size/capacity of facility, wanted actual numbers, raised parking issues, traffic flow issues, appeals process issues – and said that it is an out of scale inappropriate project. Thought the ability to voice opinion prior to facility being built was important.	Glenn Sabine: Appeals period had run, rights exhaust once permitting and appeals process expires – then there is no recourse, however with CUP that is granted if a condition arises that is in violation thereof, citizens can bring item on agenda and the CUP can be revoked because of disturbance. The 300 foot radius notice is not to disseminate packets of information, but merely to bring inquiry to the process by the citizens.	CD	

TOWN HALL MEETING
Parkway Middle School
FEBRUARY 16, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
He lives behind Souplantation. Noise of the project and activity is already an issue. Centralized kitchen activity is still going on there. Asked to have noise measured scientifically.	Glenn Sabine: Explained that there was an off-site sales an centralized kitchen running without the City's knowledge for roughly 20 years. City opened an investigation and found that in fact it was not permitted. Souplantation is seeking a CUP and a zone change to allow the kitchen to remain. CUP has a non-disturbance clause. Suggested that citizen contact Planning Department to receive special notice and explained that there would be an opportunity for a hearing. As to noise measurement, Glenn Sabine suggested contacting planning and a hearing would be scheduled. Councilmember Baber asked/citizen answered - the noise is not predictable in schedule – it is sporadic and 24 hours per day. Baber asked if we could limit the hours of noise in CUP. Dave Witt: thanked the gentleman for calling City and speaking with Dave Witt about this issue, if not for him City would not have done investigation. Directed him to see Carol Dick in the back of the room for more info.	CD	
Lives at Fletcher Parkway / Jackson near Mellmanor – and is requesting that City clean up the medians and side of the streets in vegetation where trash collects. Also – handrail issue w/yellow tape put up by City – wanted to know if that was going to be repaired.	Mayor A stated that Public Works and volunteer organizations handle trash issues – called on Greg Humora to address and investigate broken handrail issue.	PW	Handrail was repaired on 2/24/16.
Is concerened about amount and shoddy quality of road work – lives on Glen Street and the streets are cracked. Water is percolating through the cracks. He called the City, he says we pushed it off to Helix Water. City applied slurry seal and alleges that was a waste of money. Grates are coming up and unstable – as well as slick.	Greg Humora: On Palm the City is experiencing less than ideal drainage. The crack and slurry seal is a preventative maintenance attempt and in no way meant to fix but more to extend the life of the pavement. On Palm there have been several projects so timing the repairs with new construction or issues that have arisen has proven to be challenging. Waiting on projects to finish and will do a mill down and finish in that area. Councilmember Baber asked How long will the temporary grates be there? Greg Humora: SDGE is doing repairs on gas line as well as replacement so trench plates will be there until the work is done – timeframe uncertain – but possibly a few weeks. They are temporary and the street will be repaved post SDGE work. Dave Witt: PSA regarding SDGE regarding gasline blowoff – there will be whistling and work related noise around 4:00am near Guava / Alvarado – Fletcher /Jackson area.	PW	SDG&E has done temporary road trench final repairs. They will do final repairs after pipe installation is complete

TOWN HALL MEETING
Parkway Middle School
FEBRUARY 16, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
DEPOT SPRINGS, antiquated noticing system about projects. 300 feet is not big enough of an area, and sending via US mail in the day of social media – perhaps method/policy needs to be revisited. The project needs a large and tall wall behind Souplantation to protect citizens privacy.	Dave Witt referred Ms. Knotts to Carol Dick, who was in attendance, for further discussion.	CD	
LIBRARY - Concerns about Library's future	Mayor A: County signed off on the design of the building. Dave Witt: City honoring its obligation to sign purchase / sale real estate agreement, transferred to applications for State library bonds –risk they may expire and run out of funds due to economic situation in CA. Councilmember Sterling: difficult to get grants and there is no funding. Councilmember Baber: library enhancements – working with County to pursue deal	CM	
PARKS / PLAYGROUNDS – UT article regarding La Mesita – skatepark looks good but the playground is deteriorating. How are parks funded?	Yvonne Garrett: Private 501c3 La Mesa Parks & Recreation Foundation supported the fundraising for the Boys and Girls Teen Ctr, Highwood, 5 playgrounds & Junior Seau were supported projects – Jackson playground, Northmont playgrounds got funded and updated, Vista La Mesa is slated for the next upgrade. La Mesita and Collier are the final two but are expensive due to ADA issues.	CS	
POLICE DEPARTMENT – what is the PD doing to monitor subversive groups? Is there an intelligence agency in the PD. Alleged there was no such thing at SDPD or County level.	Chief Walt Vasquez: La Mesa PD practices regional policing with the aid of federal intelligence; recent legislation reduced some felony crimes to misdemeanors so that affects crime rate and monitoring, LM practices directed patrols and the work of its criminal analyst to map those; agencies do communicate across cities and jurisdictions; Chief attends monthly meetings with the Sheriff regarding local, regional, state, national and even world issues; daily communications are routine and ongoing.	PD	
He is aware of and participated in walkability study and requested update on research and feasibility	Yvonne Garrett: This issue and the results of the study conducted are slated to be presented at the 2/23 Council meeting.	CS	

TOWN HALL MEETING
Parkway Middle School
FEBRUARY 16, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
He is a new resident. Reviewed the traffic study and found area in his neighborhood is #5 on the list – there is a 30% grade on that street, the speed limit is not adhered to (El Paso / Amarillo) – asking for speed bumps or measures to slow traffic through. Also inquired about LED solar powered streetlights as street is dark	Greg Humora: Typically City repairs one street per year but will do best to do more. Status or ability to get solar lights is unknown as the technology did not lend itself to street lighting at the time the City looked into it – may have changed by now – but if there is a need for a new or replaced streetlight a request can be made and will be granted	PW	
Commended PD on its FB page. Dismayed about drug deals and pot smokers at Mt. Helix. Concerned about the older women that have to try to break up drug deals or get rid of the vagrancy because they are unincorporated the PD dispatchers pass the buck to the County instead of communicating the issue and getting someone out there. Also – why not let dogs in park if owners are willing to pick up after them? Poses no issue, why does LM have signs say NO but in reality people still do it – County allows it	Chief Walt Vasquez: police are able to go radio to radio and hand off calls, but calls are ranked and rated and answered in the order of severity or emergency and not merely in the order they are received – anything not priority will not be passed	PD	
Neighborhood and school traffic near DEPOT SPRINGS project is already an issue – project will bring more issues. Please communicate with residents further out than just 300 feet. And why 5 dogs?	Councilmember Baber asked if parking issue was handled in the CUP. Councilmember Sterling thinks appeals process was bypassed because not enough people were notified, so the project did not come before city council – more people need to be notified Councilmember Alessio five dogs is the new limit because it encourages adoption. we need to be clear about what the appeals process was Glenn Sabine Yes, the radius for notification to citizens around a project can be widened.	CD	
Lives on Park Plaza street and it is in disrepair.	Was referred to Greg Humora, who took note.	PW	Park Plaza Drive is in Maintenance Zone 2 and will be addressed in FY18
Lives in Hillcrest Village – would like to see town hall meetings in the fall as well. FB page for City? Downtown streetscape looks good. Agrees with Glidden & Schmitz about the library and civic center issues.	None	CM	

TOWN HALL UPDATE

FEBRUARY 18, 2016

MARYLAND AVENUE ELEMENTARY SCHOOL

TOWN HALL MEETING
Maryland Avenue Elementary
FEBRUARY 18, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
Praised the FD, paramedics, and PD for their response to her family's 911 call on Monday, Feb. 15th. There is a bump in the road near the corner of Samuel and Pat created issue with Firetruck coming in and out. There is a crater at the bottom of Pat/Bob that is washing out also causing issues. Code enforcement needs to be strengthened at Lake Murray/El Paso/Cowles Mtn area - 1 block span near Dallas has many sign violation issues. Notice needs to improve to the community (dog ordinance, brewery project, etc.) Encouraged the use of FB, Social Media, Email Thinks Planning Commission and City Council notes should go out ahead of time via nixle or City page. Only gets some things but not all - more use of Nixle Stated that the library is not big enough Says the dog ordinance affects her neighborhood and said that there should be a 2nd reading when there are issues Dog barking and noise is magnified w/5 dogs - please take a second look at dog ordinance and listen to single complaints - don't require 3 Says there is no vision for the City and we need to look at the old PD site	Dave Witt stated that we are in the later stages of evaluating a real estate deal for the PD site. Gave history of dissolution of redevelopment agencies and elimination of redevelopment in the state by Governor. Updated as to status of current deal and said that affordable housing / mixed-use facilities are being considered. Councilmember Sterling drew attention to our core values and partnerships with junior highs, La Mesa Arts Academy and the school district. Dave Witt named additional partnerships that the City is developing, including the Boys and Girls club fundraising and improvements to the pedestrian and traffic in the area around La Mesa Middle. Councilmember Alessio stated that there was a second reading on the dog ordinance, and that the website is being updated. Yvonne Garrett highlighted the launching of a new website the ideas and need for which came from the Citizen Survey. Expecting a launch date in March and will include video council meetings, agenda center, GIS, Community Calendar, mobile access. We are working on branding and imaging as well as a FB page. Economic/Business development continue with the *Shop, Dine, Explore La Mesa* branding. Dave Witt highlighted the upcoming ability to streamline infrastruture reporting and system online with the new website.	CM/PW	PW to inspect streets and make repairs as necessary

TOWN HALL MEETING
Maryland Avenue Elementary
FEBRUARY 18, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
Neighbors are having to deal with people in these homes that are having psychotic episodes, and the problems are escalating. She does not want to sign a complaint but alleges that the property owners assigns residents (non-conforming use). States that it is a business, not a home, and some are unsupervised. She wants a phone call from the City and a meeting. States there are 11 transitional homes and only 2 are licensed by the state. Three of them are located on one block in an area of 37 homes.	Mayor A stated that PD will step up patrols. Councilmember Baber stated that when they are in the public sphere when these acts occur that is when they are arrestable Glenn Sabine stated that the City cannot discriminate against a business or person based on a condition, can only enforce when laws are broken Mayor A stated City would meet with them to address issues Glenn Sabine stated that Newport was sued over finding and using loopholes and lost millions of dollars, as well as Costa Mesa Dave Witt stated that the best course is to let the litigation play out in the other cities at their expense and that the best solution is legislative, and encouraged the residents to go to Sacramento with their complaints Councilmember Baber queried Chief of PD on PD response Chief Vasquez addressed by saying they key in on criminal behavior and violations of the law.	CD	City Staff met with residents and recorded specific complaints and concerns. Staff will continue to receive and record neighborhood complaints. Staff will also continue to monitor legislation and court cases that may offer solutions.
Group homes companies have been buying up homes at lower cost, making $7,000 per client. He takes issue with the dog ordinance There are traffic flow problems on Fletcher Parkway and Jackson - the light is not timed right in conjunction with the Parkway Drivelights and the traffic backs up.	Councilmember Alessio asked Greg Humora to address the traffic light issue.	PW	PW will inspect the traffic signal timing and correct as necessary.

TOWN HALL MEETING
Maryland Avenue Elementary
FEBRUARY 18, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
She asked about the status of Little Flower Haven, and asked if the historic façade could or would stay if changed hands. She also inquired about a new Civic Center and City Hall. She also asked if the public could have input into the master plan, that a greenbelt along the trolley tracks through downtown would be useful and look good.	Dave Witt gave update on recent issues with Little Flower Haven, noting that it had recently gone back on the market and that the City heard that an offer had been made. Additionally he noted that it was zoned for mixed use urban (office and residential space). He also noted that there is historic value to the property and that all of that would be deliberated. Mayor A and Dave Witt both commented on the feasibility study that will be presented at March's Council Workshop, and noted that the workshop is merely a first blush at a preliminary study only to explore options and to get Council direction.	CM/CD	
He lives near the canyon on Maryland Avenue. There is no storm channel behind his property and he is losing ground (as are other property owners) and experiencing flash flood conditions. The water district has released potable water and worsened the condition.	Greg Humora addressed the issue by stating that heavy rains recently had challenged the storm water systems - which are all surface systems. He stated that his department had already put a design together and would be starting work on the whirlpooling issue shortly.	PW	PW has prepared a design to improve conditions. Contractor has been hired and work expected to be complete by April.

TOWN HALL MEETING
Maryland Avenue Elementary
FEBRUARY 18, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
Gentleman is retrofitting and updating an older home. The City is requiring him to retrofit the home with fire sprinklers for a 1,000sf addition to the home. The way the code reads, and the experience a friend of his had with the same exact issue seem to be contrary to forcing this compliance.	Councilmember McWhirter clarified the story and explained that the friends were not required to install the sprinklers, with similar to same size and scope project. Glenn Sabine referred the matter to Chris Jensen	CD/FIRE	Fire Department and Building Department staff reviewed the subject property and code provisions allow the applicant to provide a fire flow availability and closest fire hydrant diagram provided by Helix Water District. If the fire hydrant is within the allowable distance (400 feet) and the fire flow is capable of meeting the fire flow requirements (1,000 GPM at 20 PSI for 2-hours) of the California Fire Code for the project then the automatic fire sprinkler system would not be required. If the fire hydrant or fire flow are deficient then the applicant has the option to mitigate the issue by installing an automatic fire sprinkler system or upgrading the deficiencies of fire
There is no meeting room/space in the current library - discussed the square footage formula for meeting space for a new library		CM	

TOWN HALL MEETING
Maryland Avenue Elementary
FEBRUARY 18, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
Area west of the 8 near Lake Murray an Alvarado Parkway backs up Homeless issue - is there a non-emergency number we can call for these issus?	Mayor A and Glenn Sabine pointed to the First Amendment rights of the homeless population, that we cannot have officers respond without a safety issue being presented. Chief Vasquez stated that officers must come out and see the violation in order to cite or arrest.	PD	
Stated that there is an aging housing stock and it is a problem for many reasons. Cited his friend who wanted to put a prefab home on a vacant lot and was assessed over $65,000 in fees. He stated that the City should encourage private investment for area improvements and development by keeping fees low.	Glenn Sabine stated that we have experts, fee study consultants that do comprehensive analysis of the fee structure and that they are not arbitrarily assessed.	CD	
Presented and handed over a study to Council on the predatory lending institution that he alleges is setting up shop in the old Dante's cleaners facility near where there is a Chic Fil A coming in at 8160 Parkway Drive.		CM	
Lives near neighbor who requested parking delineators to be put in near his pedestrian gates, but takes up parking space in the public road way creating dangerous parking conditions and traffic conditions. Alleges that not enough due diligence was used in the City's decision to put them in. lamesasafety.com	Councilmember Sterling: Named the neighbor as the Wildfong's. Stated she had been to their home before and had seen that they were experiencing a water/drainage issue. Glenn Sabine stated that he would be willing to facilitate a meeting between the parties and the City departments to come to an agreement or address issues.	PW	Sabine, Witt, Humora made site visit & met about the issue & reviewed materials Bania submitted. Sabine, Humora, Garrett met with Bania on 3/1 and made site visit on 3/3. Working with Bania to resolive.

TOWN HALL MEETING
Maryland Avenue Elementary
FEBRUARY 18, 2016

Open Forum Question/Comment	Open Forum Response from City Council and Staff	Dept.	Action Taken/Outcome
Is concerned with land use issues such as Affordable housing / high rents for seniors. Is pleased that the PD site might have affordable housing on it. Roadway Inn	Dave Witt addressed the Roadway Inn issue - City is working with the owner but there are insurance issues and a decision to rebuild undetermined.	CM/CD	
Invited everyone to the March 12th Food For Thought at the Library Also said the Octoberfest and continuing the Connect La Mesa Block Party would good for La Mesa		CS	

CIVIC CENTER MASTER PLAN AND OLD POLICE DEPARTMENT SITE

(Information to be provided at Workshop)

6-YEAR FORECAST

CITY OF LA MESA

JEWEL of the HILLS

2016 COUNCIL WORKSHOP

GENERAL FUND FINANCIAL FORECAST

2016-2022

INTRODUCTION

Despite recent mixed economic indicators, the economic recovery that began in 2011 continued through 2015 with most economic forecasts predicting additional growth in the economy and nominal inflation. Property assessed valuations have stabilized from the housing market collapse experienced in 2008 and begun to rise as development continues to progress and homes are selling at consistently moderate values. Sales tax revenues have shown consistently positive growth, with moderate increases in revenues each fiscal year since the low point experienced in 2009-2010. Most economic forecasts (both national and local) predict a continued economic growth through the end of 2016.

La Mesa is also benefiting from the economic recovery, thanks in large part to the Proposition L sales tax revenues. In 2008, the citizens of La Mesa approved the Proposition L Sales Tax Measure, a general ¾ cent sales tax, in order to maintain "vital city services" while helping to rebuild depleted General Fund reserves. Since that time, the Proposition L Sales Tax has provided much needed revenues that have helped offset the significant financial impacts of the 2008-2009 economic collapse and resulting actions by the State of California that have threatened the General Fund and allowed the City to maintain operations without declines in service levels.

The General Fund Financial Forecast reflects moderately increasing revenues for the fiscal years 2016 through 2022. Rising pension obligation costs continue to be the fastest increasing expenditure for the General Fund and these anticipated increases are also included in the forecast. Several one-time expenditures are also included in the forecast for 2016-2017. Finally, the General Fund reserve balances reflecting the net effects of anticipated revenues and expenditures are projected through 2022.

As in previous years, revenue sensitivity analyses are presented at the end of the forecast to show the potential effects of stronger growth in property tax revenue and weaker growth in property and sales (both base and Proposition L) tax revenues, and the resulting impact of both scenarios on the General Fund's reserves.

ECONOMY

The U.S. Leading Economic Indicator (LEI) decreased 0.2 percent in January following a 0.3 percent decrease in December and a 0.5 percent increase in November. Overall, the LEI index has increased 0.3 percent over the previous six months. Economists at the Conference Board point to large declines in stock prices and further weakness in initial claims for unemployment insurance as the major factors in the decline, but caution that "despite back-to-back monthly declines, the index doesn't signal a significant increase in the risk of recession, and its six-month growth rate remains consistent with a modest economic expansion through early 2016."

The national unemployment rate declined slightly from November's and December's rates of 5.0 percent in each month to 4.9 percent in January. The state unemployment rate declined slightly from 5.8 percent in December to 5.7 percent in January, while local unemployment rates remained unchanged. The Consumer Price Index for All Urban Consumers (CPI-U) remained unchanged in January, following four months of mixed activity. Decreases in the energy index continue to offset increases in the all items less food and energy index. Specifically, the energy index fell 2.8 percent while the index for all other items increased 0.3 percent. The all items index rose 1.4 percent over the last 12 months, and the index for all items less food and energy increased 2.2 percent over the same time period.

ACTIONS BY THE STATE OF CALIFORNIA

The State of California has a long history of enacting legislation that protects or enhances their budget at the expense of local government. In the past several years, this practice of severely impacting local governments reached new heights as the State faced their own budget crisis and looked to local governments as an ongoing part of the State's solutions. In the last year the State's revenues have begun to recover and the upcoming state budget places an emphasis on building reserves. The financial costs to local governments, however, have been done. State actions with the most significant direct fiscal impact on La Mesa to date are related to the dissolution of redevelopment. In addition, the passage of the Public Employees' Pension Reform Act in 2013 and subsequent actions by the CalPERS Board to address unfunded liability and asset valuation issues are having a continuing significant fiscal impact, but should also result in a fiscal benefit in the long run by reducing and stabilizing future pension costs.

DISSOLUTION OF REDEVELOPMENT

In 2012 when AB26X was upheld and went into effect, the State Department Of Finance has systematically disallowed obligations held by the former Redevelopment Agency which then fall back on to the City's General Fund. The first and most immediate impact was the elimination of ongoing debt service payments of approximately $1 million per year on pre-existing loans between the Agency and the General Fund. Since that time, the State has disallowed the ongoing debt service payments on the former Police Station land site, adding an additional $750,000 ongoing loss in revenue to the General Fund. In 2013-2014, the State disallowed payment of the portion of the Certificates of Participation issued for the construction of the library and previously paid by Redevelopment Agency.

More recently, as part of the requirements of the Dissolution Act, the State Controller's Office (SCO) completed their Asset Transfer Review and issued their final report. In their report, the SCO found that $2.4 million transferred from the former redevelopment

agency to the City was unallowable and has ordered the return of those funds. In September 2015, the Governor signed SB107, additional “cleanup” dissolution language that included language that required agencies to return funds as part of Asset Transfer Reviews. Repayment of these Asset Transfer Review funds is included in the forecast as a one-time expenditure in 2016-2017, but is not yet included in any upcoming budget. On a more positive note, the Department of Finance recently approved the Long Range Property Management Plan that assures the City’s continued ownership and use of the La Mesa Boulevard Municipal Parking Lot.

CALPERS RETIREMENT SYSTEM ISSUES

Previous forecasts detailed the changes made in the CalPERS Retirement System and the effects on the employer contribution rates and unfunded liability. These changes included the passage of the Public Employees’ Pension Reform Act of 2013 (PEPRA), CalPERS Board changes to the amortization and smoothing policy, and the implementation of new mortality assumptions. While in the long term, these changes will help reduce the City’s unfunded liability and stabilize the employer contribution rates, in the immediate future both the rates and liability continues to increase. The forecast includes the most recent projections provided by CalPERS.

Increase in Unfunded Retirement Liability

The rapid rise of the unfunded liability amounts in the City’s retirement plans is not unique to La Mesa and can be traced to several events that occurred in the past 15 years. The single most significant event was the collapse of the financial markets in 2008-2009 and subsequent loss of more than 30 percent of the total CalPERS plan asset value. Between the 2008 and 2009 actuarial valuations, the funded status for the Miscellaneous plan dropped from 86.3 percent to 59.3 percent and the Safety plan dropped from 89.8 percent to 61.8 percent. Contributing factors to the unfunded liability are the former smoothing methods employed by the CalPERS actuaries (rolling vs. fixed amortization) and the enhanced retirement formulas enacted for City employees in 2001 for Safety and 2005 for Miscellaneous that were applied retroactively.

Several actions mentioned earlier, namely the passage of PEPRA and the implementation of the new amortization and smoothing policy, were enacted at the State level to address the increase in unfunded liability. In addition, the City of La Mesa implemented reduced retirement benefit plans (called Tier 2 plans) beginning in 2011 as a way to address both the City’s unfunded liability and employer costs. Finally, in 2015, the Council approved the establishment of a Section 115 Trust Fund to set aside funds that will be dedicated to offset the increases in unfunded liability. This fund was established and funded in Fiscal Year 2015-2016 using funds of $1.5 million previously set aside for the unfunded liability. Included in the forecast for 2016-2017 is another one-time contribution of $600,000 to the Section 115 Trust Fund. The City’s current funding for the plans are 75.6 percent for Miscellaneous and 75.3 percent for Safety.

FINANCIAL FORECAST BACKGROUND

The General Fund Financial Forecast is a tool that focuses attention on the longer-term impacts of policy decisions on the City's primary operating fund. The General Fund is the City's largest fund and provides funding for the majority of the day-to-day services of the City to its citizens. The "forecast" is not a prediction of a particular outcome. It is used as a model to test reasonable scenarios to expect in the coming years. These scenarios are intended to assist in setting realistic expectations in matching revenues with programs and projects that will meet Council objectives.

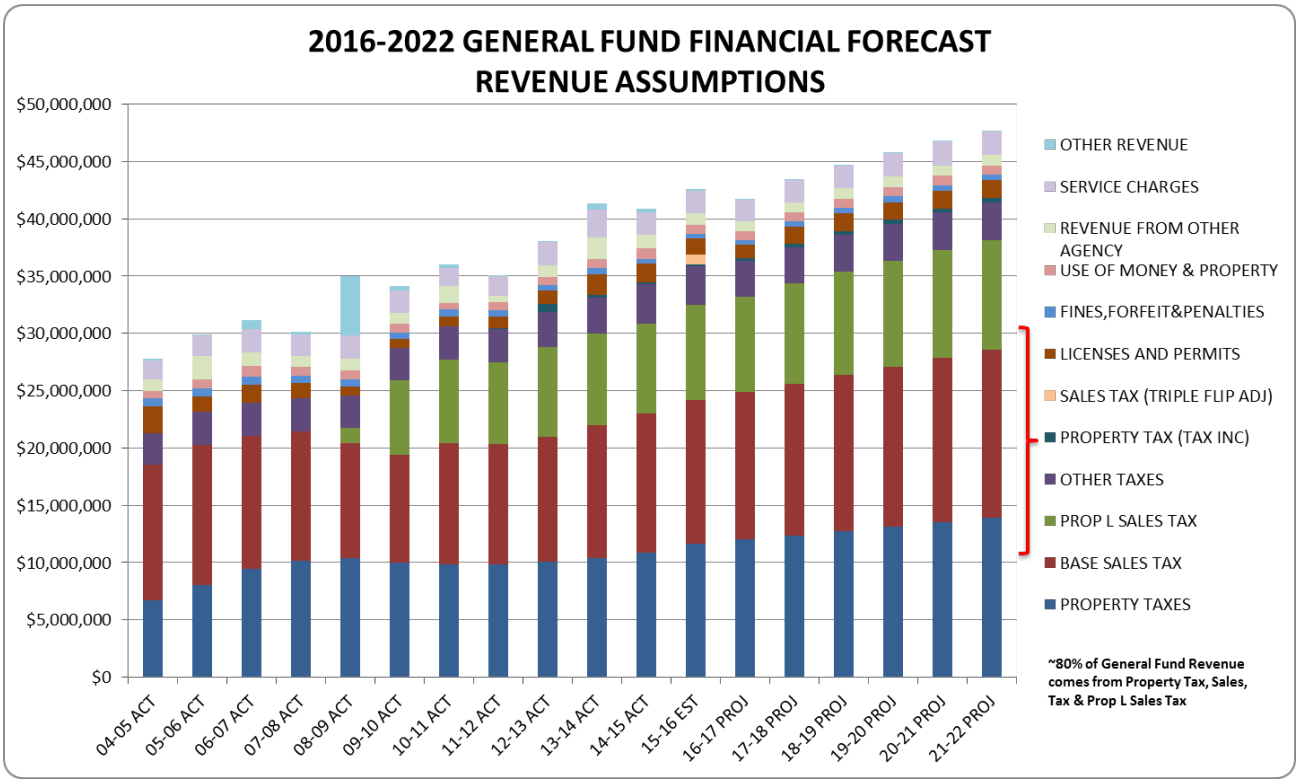
The Forecast Model is a spreadsheet-based model that projects the City's current mix of revenues and expenditures through six years into the future. The forecasting model uses a variety of information and techniques, including historical trend analysis, projections from local and regional sources, and various economic data. The Financial Forecast builds off the actual prior fiscal years' revenues, expenditures, and ending reserves, projects the estimated 2015-2016 revenues, expenditures, and ending reserves, and incorporates known factors (such as the increase in retirement costs) into the 2016-2022 projections. Revenues and expenditures are then projected using the base assumptions as detailed below.

GENERAL FORECASTING ASSUMPTIONS

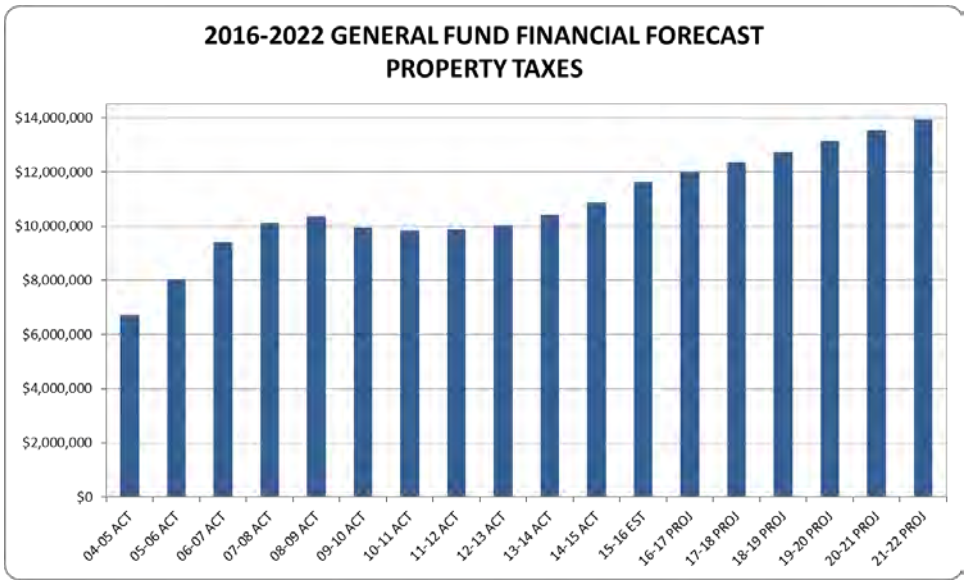
The Financial Forecast assumptions are based on the most current information available. Revenue assumptions are generally moderate with particular attention given to the top three revenues representing almost 80 percent of total revenues. Expenditure assumptions are based on maintaining current service levels with no new programs added during the forecast period. The Forecast assumes the continuation of Council adopted fee cost recovery policies.

BASE REVENUE ASSUMPTIONS

When developing revenue assumptions, historical data, projections from outside sources, and economic trends are all considered. As a general rule, General Fund revenues are assumed to increase at moderate, but consistent rates. Because roughly 80 percent of the total General Fund revenues are made up of Property Tax, Base Sales Tax, and Proposition L Sales Tax revenues, particular attention is paid to these three revenue sources.



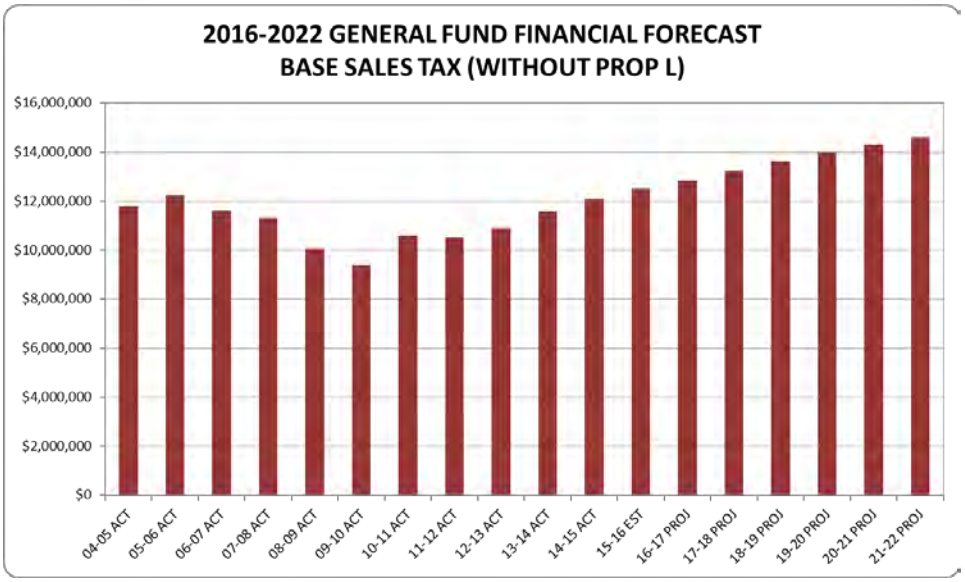
PROPERTY TAX



Property tax has traditionally been the General Fund's most stable and consistent revenue and accounts for roughly 28 percent of the total General Fund revenues. The unprecedented growth experienced between 2004 and 2008, and the subsequent housing collapse experienced between 2008 and 2010 appear to be over as increases in assessed valuation stabilize. The forecast assumes a projected growth of approximately 3 percent annually over the next six years. New private-development construction projects currently underway supports this moderate growth rate through the forecast

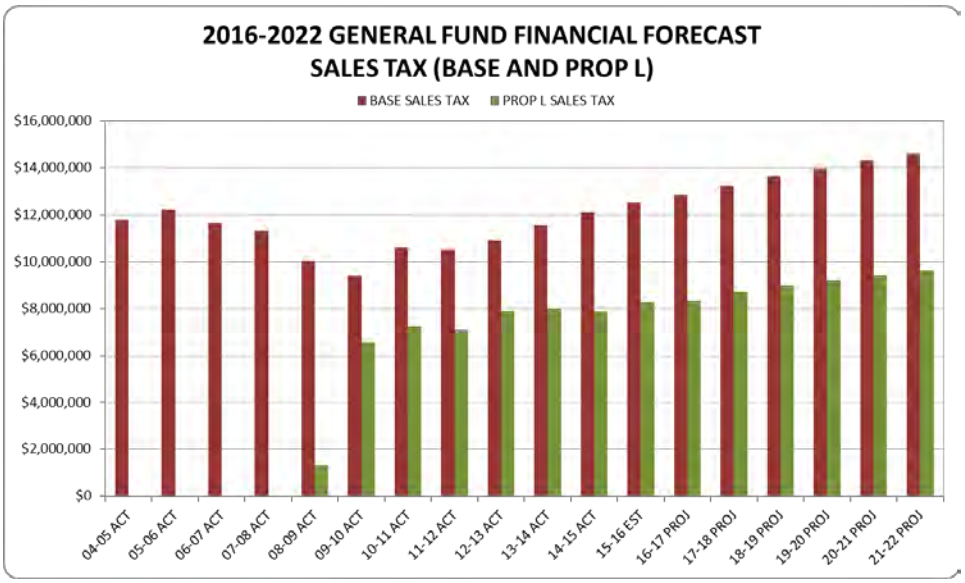
period. In addition, temporary reductions in the assessed valuation as a result of Proposition 8 are still in effect and will eventually be eliminated.

BASE SALES TAX



At 30 percent of total General Fund revenues, the 1% Base Sales Tax is the single biggest General Fund revenue source. It is also the most volatile and economically sensitive revenue source. The drastic reductions of sales tax revenues experienced during 2008 through mid-2010 have subsided, with revenues increasing 4.4 percent in 2015 and an estimated 3.6 percent in 2016. Sales tax trends for the upcoming year predict a statewide increase of approximately 4.5 percent in fiscal year 2016-2017, with La Mesa's increase remaining at approximately 3 percent through 2017-2018 then gradually decreasing to 2 percent through the remaining forecast period.

PROPOSITION L SALES TAX

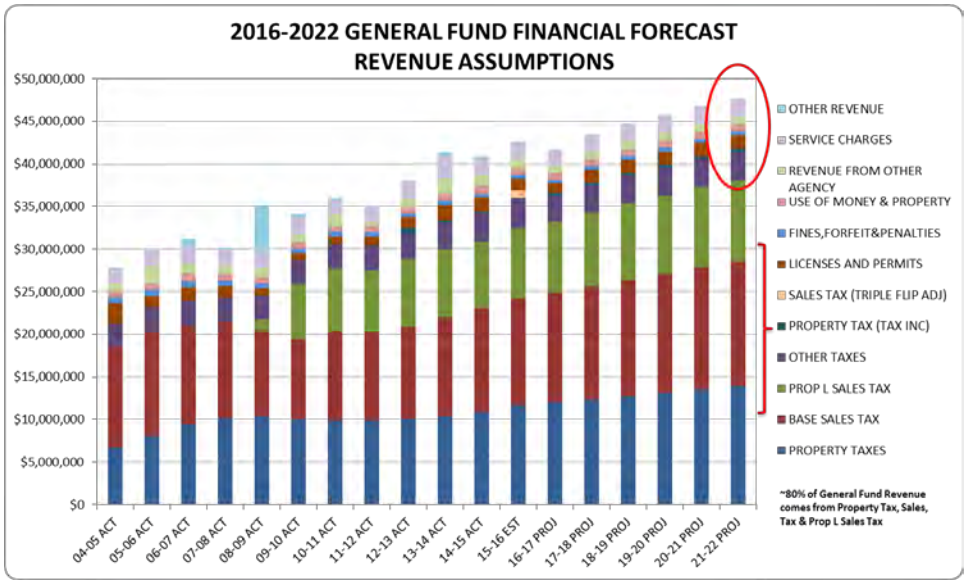


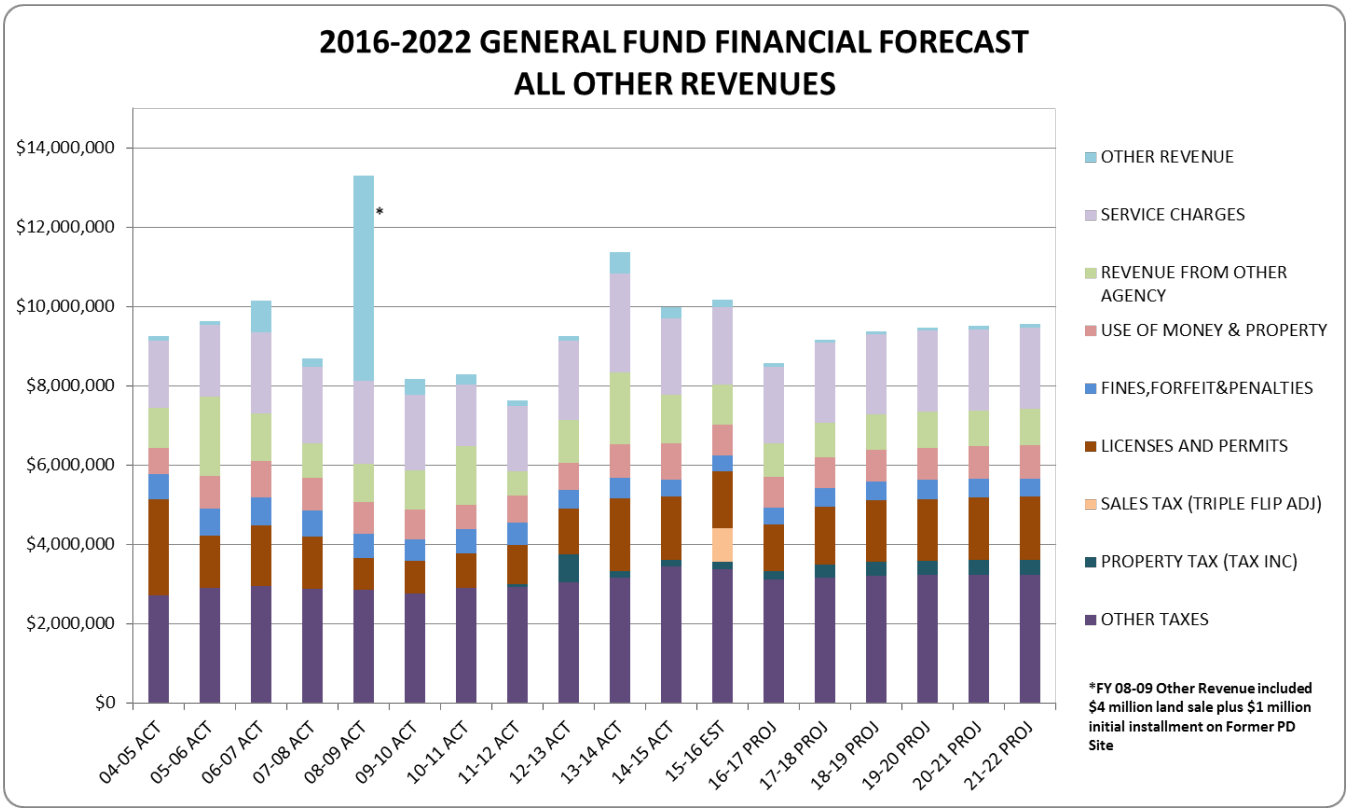
In November 2008, the voters of La Mesa approved the temporary ¾ cent (0.75%) Proposition L transactions and use tax (commonly referred to as a sales tax) which became effective on April 1, 2009. The City began receiving payments from the State Board of Equalization in June 2009. Since then, Prop L Sales Tax revenue growth has consistently followed the Base Sales Tax growth trends and now accounts for roughly 19 percent of the total General Fund revenues. Furthermore, actual Proposition L

receipts have consistently been received at 68 percent of Base Sales Tax receipts, making forecasting Proposition L revenues relatively predictable. The forecast for the Prop L Sales Tax revenues uses the Base Sales Tax revenues as the basis for the revenue projections.

ALL OTHER REVENUES

All other revenues combined constitute approximately 20 percent of total General Fund Revenues. The largest components of all other revenues include Other Taxes, Licenses and Permits, and Service Charges. Other sources include Property Tax (Tax Increment), Revenue from Other Governmental Agencies, Fines and Forfeitures, Use of Money and Property, and Other Revenue.





Other Taxes, including Franchise, Property Transfer, and Transient Occupancy Tax, comprise the largest source all Other General Fund Revenues and represent roughly 8 percent of total General Fund revenues. These Other Taxes historically tend to be a stable source of revenue with most revenues showing only 1 percent overall growth over the past five years. Transient Occupancy Tax (TOT) has grown significantly since the end of the recession, while Gas & Electric and Refuse franchise taxes remain fairly stable. Cable Television franchise taxes have increased slightly, although this increase is due more to rate increases than an increase in subscribers. For forecasting purposes, other taxes are assumed to increase roughly 1 percent from current revenues over the next six years.

Beginning 2013, the General Fund began receiving property tax revenues in lieu of Redevelopment Tax Increment. This General Fund revenue is the City's share of tax increment previously received by the Redevelopment Agency. The General Fund received almost $690,000 in fiscal year 2012-2013, considerably higher than anticipated at that time. In the subsequent years, however, the revenue was considerably less and will remain through 2017. Beginning 2018, the Successor Agency's enforceable obligations will be minimal, resulting in an increase to the city's share of tax increment. For the forecast period, the City anticipates receiving between $220,000 and $365,000 each year throughout the forecast period.

Licenses and Permits represent roughly 3 percent of total General Fund revenues and were significantly affected by the recession, dropping by more than 50 percent from 2004-2005 to 2008-2009. As the economic recovery picked up steam through 2013-2014, License and Permit activity increased dramatically. Since then, activity has returned to more normal levels as the economy remains strong. Revenues from Licenses and Permits are assumed to remain fairly consistent through 2022.

Revenue from other agencies comprises less than 1 percent of total General Fund revenues. During 2013-2014, the General Fund received several "one time" revenues that contributed to the Reserve balances. These revenues include a Vehicle License Fee refund from the State of California, repayment of an advance of funds to the former Redevelopment Agency to cover the AB1484 true up payment, reimbursements for costs related to the Heartland Fire JPA consolidation, and a small amount of funding to cover expenses incurred as a result of public safety realignment. The AB109 funds and reimbursement for costs related to the Heartland JPA are now ongoing revenues and included in the future years forecast.

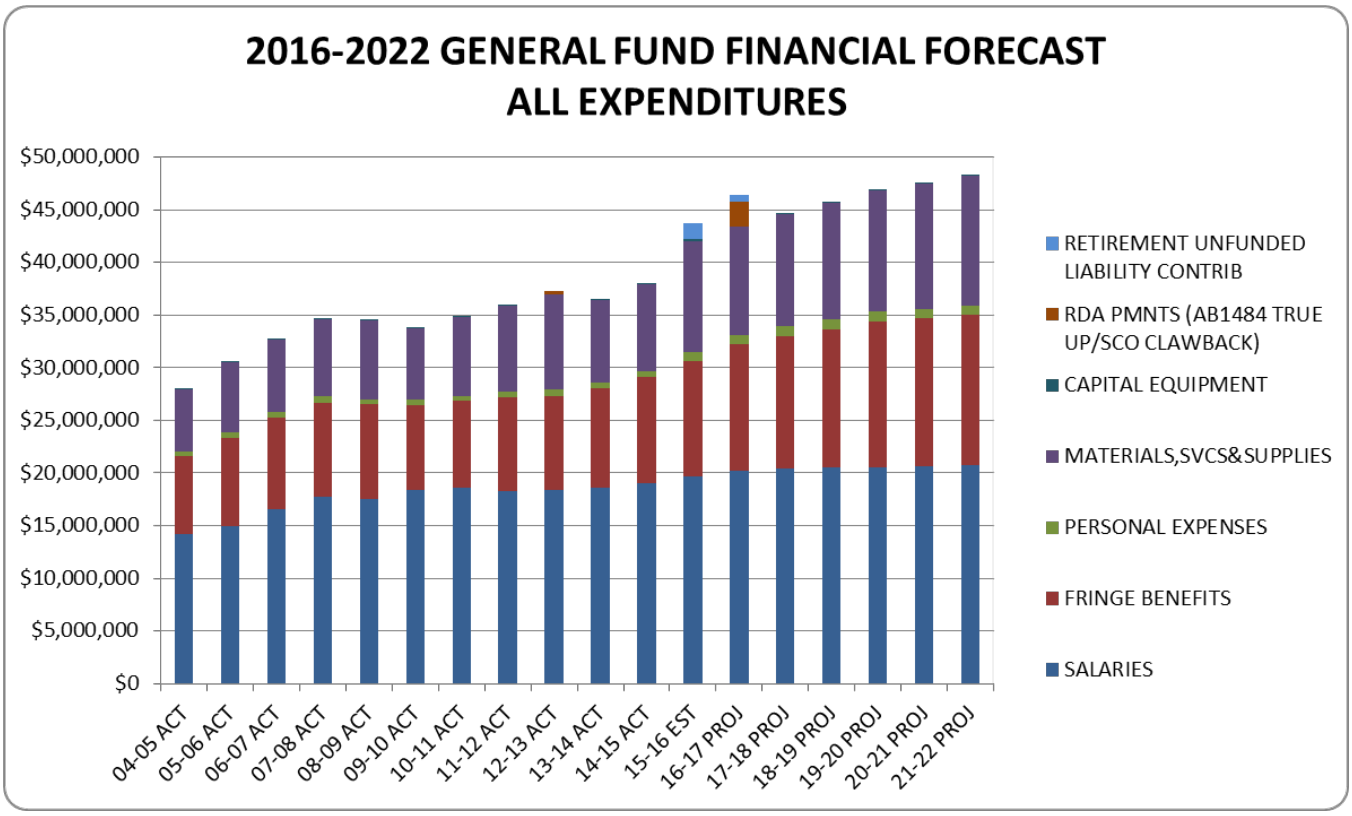
Service Charges represent roughly 4 percent of total General Fund revenues. Like Licenses & Permits, Service Charges, including Community Service fees for recreation classes and swimming pool admission, and Engineering and Zoning fees were negatively impacted by the recession but began to recover in 2012. Development related fees increased significantly between 2012 and 2014 but began to stabilize to subside somewhat in 2015-2016. Recreation service fees are expected to recover to

pre-2008 levels. For forecasting purposes, service charges are assumed to remain fairly consistent over the next six years.

"One-time" revenue sources reported in the forecast are catch-up monies anticipated to be received during 2015-2016 from the State of California as a result of the end of the "triple flip" sales tax swap. All other sources of revenues (Fines and Forfeitures and Use of Money & Property) are not expected to increase significantly during the forecast period.

BASE EXPENDITURE ASSUMPTIONS

When developing the expenditure assumptions, as with the revenue assumptions, historical data, projections from outside sources, and economic trends are all considered. Salaries and fringe benefits comprise the majority of General Fund expenditures at roughly 75 percent. Salaries are assumed to remain at the 2015-2016 levels and only merit increases are considered in the financial forecast. Fringe benefits include retirement contributions, health insurance contributions, workers' compensation, social security, and other types of benefits. Materials, Services & Supplies and Personal Expenses are anticipated to increase with inflation.

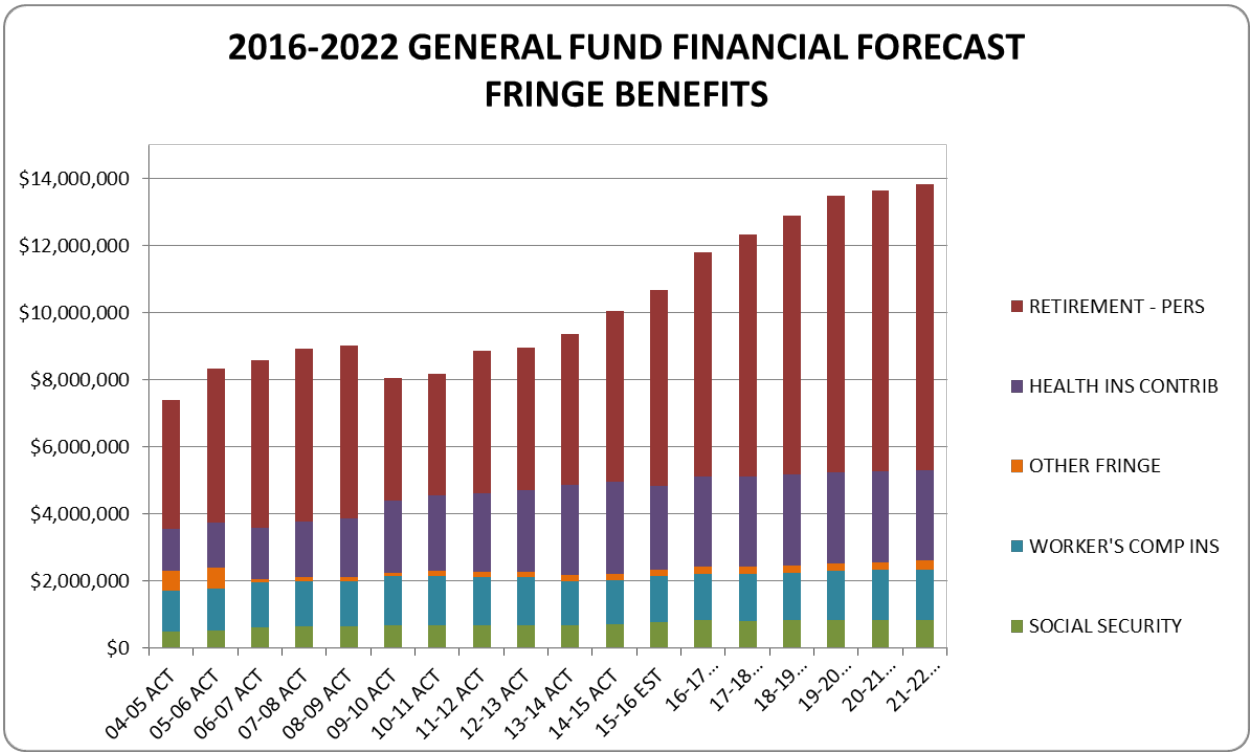


Included in the 2016-2017 estimates are one-time expenditures for the repayment of the State Controller's Office Asset Transfer Review findings in the amount of $2.4 million and an estimated $600,000 contribution to the City's Section 115 Trust Fund for

offsetting future pension unfunded liability. These are both one-time estimates and are not included in subsequent years.

CALPERS RETIREMENT COSTS

The fastest growing category of the General Fund's expenditures is fringe benefits, specifically retirement costs. Based on CalPERS projections, retirement costs are projected to increase approximately 4 percent for safety members and 2.5 percent for miscellaneous members beginning 2016-2017 through 2020 before dropping to roughly 1 percent for each group in 2021 and 2022. These increases reflect the changes enacted by the CalPERS Board in recent years to incorporate pension reform, change the smoothing method for the unfunded liability, and adopt revised actuarial assumptions. These rates also include the five-year "ramp up" period approved by the CalPERS Board in implementing the smoothing method change and revised actuarial assumptions. Between 2016 and 2022, contribution rates for safety are likely to increase from 43.84% to 56.7% and for miscellaneous from 30.76% to 38.5%.



City contributions to health insurance are the second largest segment of Fringe Benefits. Historically, these costs would have been increasing due to the increase in employee premium costs. Beginning in 2016, these costs reverted to a fixed cost as part of the 2014-2016 MOU's negotiated with each of the bargaining groups. Consequently, there are no increases assumed beginning with the 2016-2017 forecast year. Worker's Compensation insurance rates are assumed to increase 3 percent each

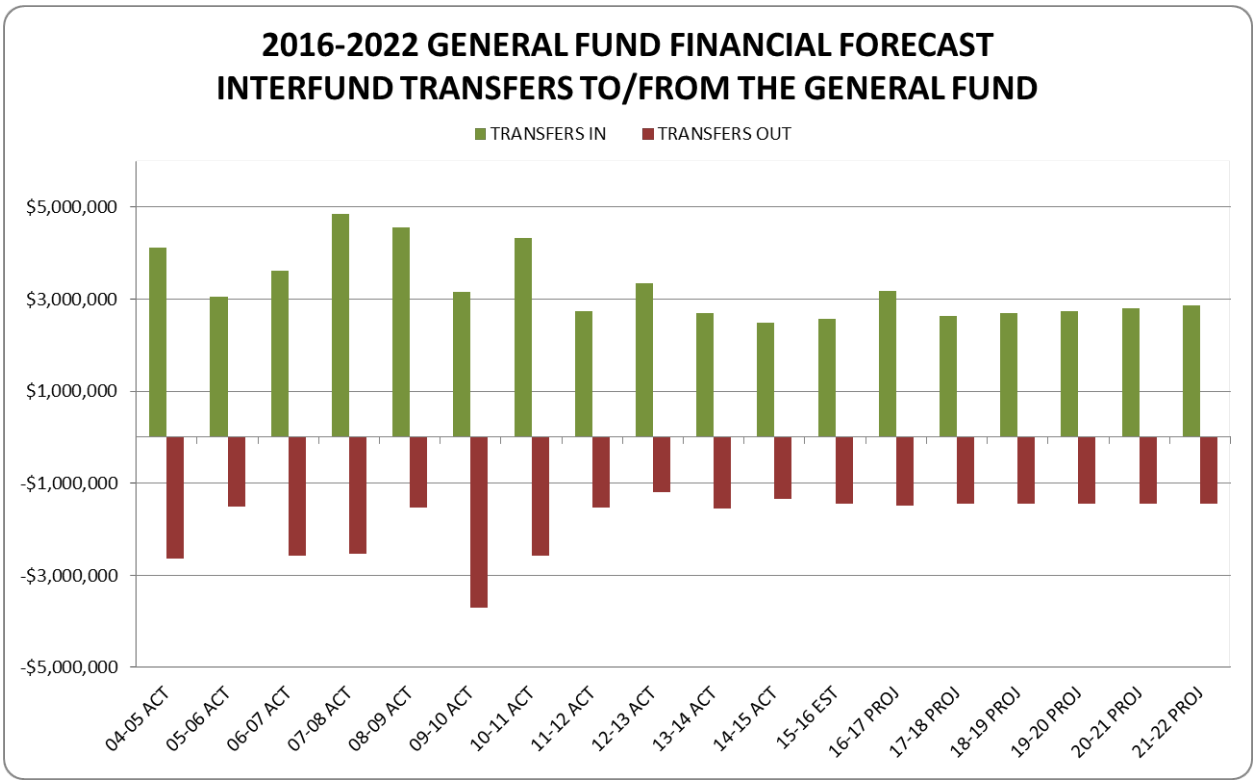
year through 2019-2020 before slowing to approximately 1 percent through 2022. All other fringe benefits are assumed to remain constant through 2022.

MATERIALS, SERVICES & SUPPLIES

Most materials, services & supplies are assumed to remain constant or increase slightly due to inflation. The exceptions to these assumptions are in Communications, Vehicle Maintenance and Operating Supplies, Professional & Specialized Services, Equipment Replacement Expense, and all Utilities, including gas, electric and water. Increases in vehicle maintenance and operating supplies are estimated to increase 3 percent throughout the forecast period as the City gradually replaces its aging vehicle inventory and adds new vehicles to the fleet. Communications and Professional Services are anticipated to increase 5 percent in 2016-2017 and then 2 to 3 percent in the subsequent years in anticipation of continuing to implement new technologies requiring project management, implementation, maintenance, and increased communication capabilities. Increases in Utilities, specifically electric and water usage are assumed to increase 10 percent through 2020 and then 5 percent through 2022.

INTER-FUND TRANSFERS TO/FROM THE GENERAL FUND

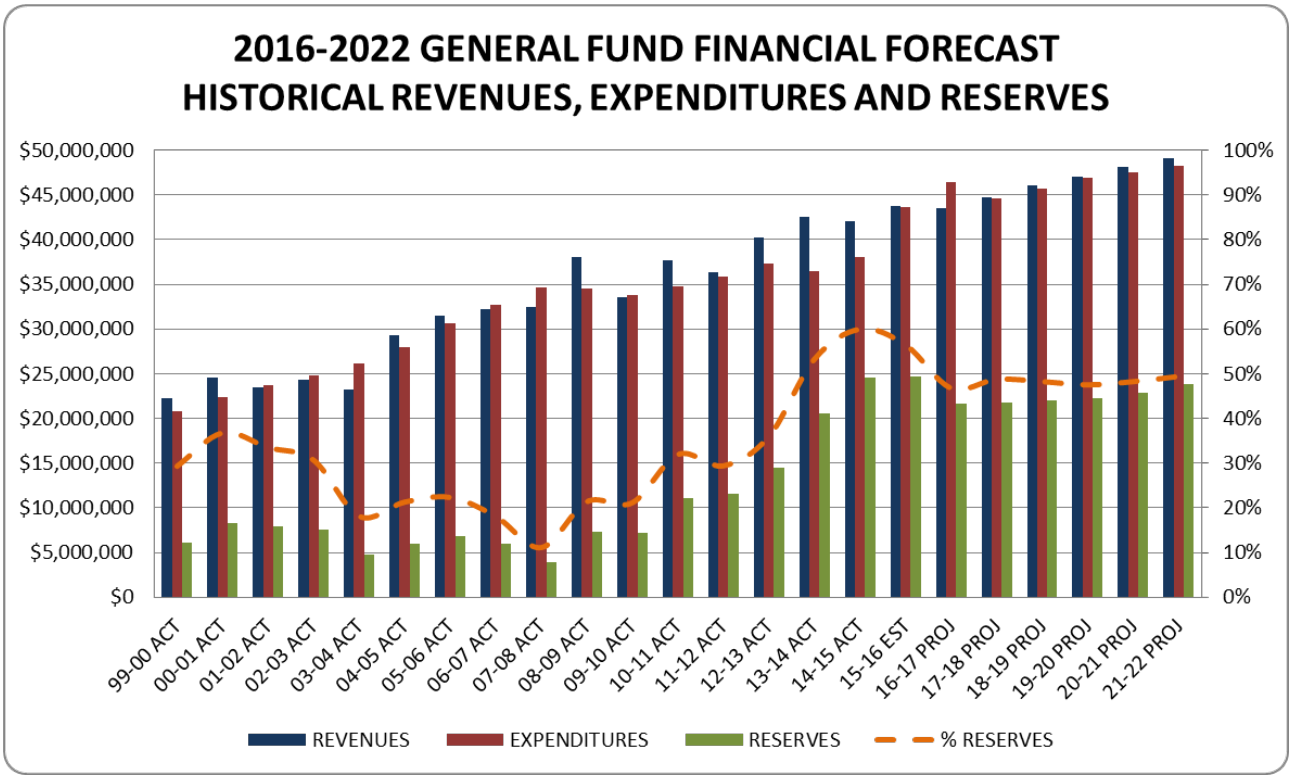
Inter-fund transfers are transactions between the General Fund and other City funds for items such as support services provided by the General Fund, debt service payments, and contributions to the Capital Improvement Fund.



The single biggest change to inter-fund transfers is the elimination of the payments for principal and interest on notes that were transferred in to the General Fund from the former Redevelopment Agency prior to 2012. The net impact of the elimination of these transfers was a loss of $1 million to the General Fund. The remaining non-redevelopment related inter-fund transfers to and from the General Fund are based on support services and debt schedules and are expected to remain stable throughout the forecast period. A nominal transfer of $62,500 per year to the City's Capital Improvement Parks Fund is included in the projections for fiscal years 2015 through 2021.

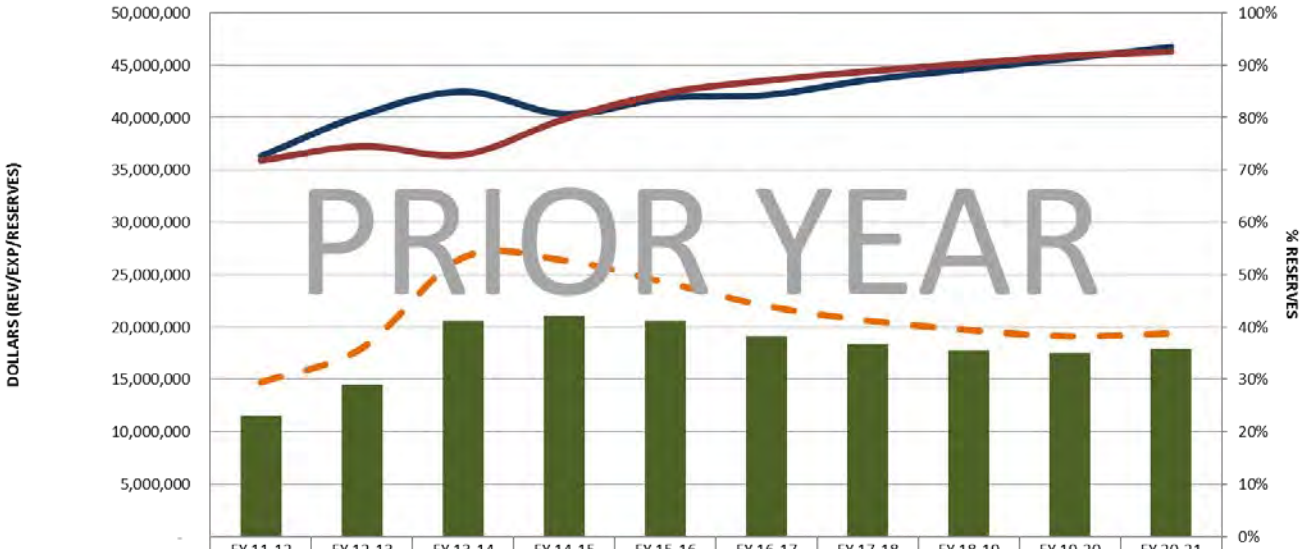
GENERAL FUND RESERVES

General Fund reserve levels have improved considerably since the low point in 2007-2008 when reserves fell to $3.8 million or 11% of expenditures. Since then, the City has received proceeds from the sale of two City-owned properties, "one-time" revenues from the Briercrest litigation, repayment of funds advanced to the Successor Agency for enforceable obligations, repayment of Prop L Sales Tax revenues that were diverted to the City of Filmore, and significant increases in development-related permits and fees. These increased revenues, combined with expenditure budget savings, have resulted in ending reserves of 57 percent in 2014-2015 and estimated ending reserves of 56 percent in 2015-2016 and entering into the forecast period of 2016-2022.



To put the current General Fund Financial Forecast into perspective, it is useful to review the prior year's forecast. Based on the most current information available at the time, last year's forecast projected ending reserves of 53 percent in 2015, 49 percent in 2016, and declining reserves for the remainder of the forecast period.

2015-2021 GENERAL FUND FINANCIAL FORECAST
BASE FORECAST (NO ADDITIONAL RETIREMENT CONTRIBUTIONS)

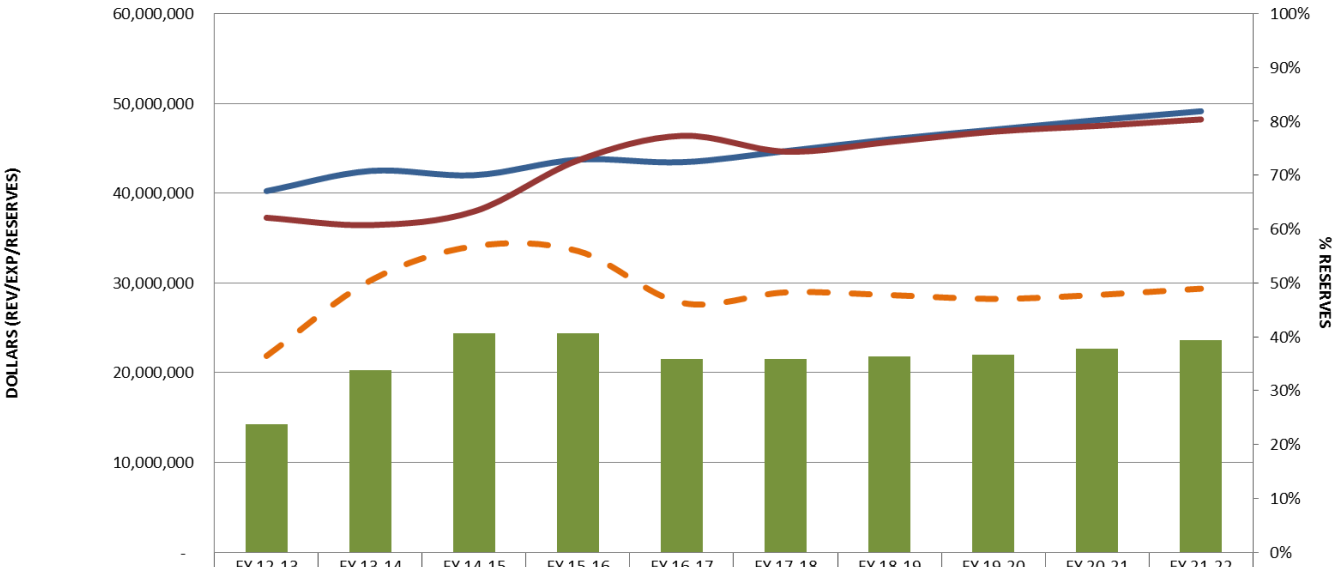


	FY 11-12 ACT	FY 12-13 ACT	FY 13-14 ACT	FY 14-15 EST	FY 15-16 PROJ	FY 16-17 PROJ	FY 17-18 PROJ	FY 18-19 PROJ	FY 19-20 PROJ	FY 20-21 PROJ
Reserves	11,519,459	14,495,701	20,531,305	21,012,480	20,538,781	19,158,261	18,314,521	17,805,431	17,536,961	17,968,591
Revenues/Transfers	36,307,108	40,242,067	42,481,916	40,335,476	41,864,490	42,148,620	43,584,080	44,639,080	45,636,080	46,729,780
Expenditures	35,899,338	37,265,825	36,446,311	39,854,301	42,338,189	43,529,140	44,427,820	45,148,170	45,904,550	46,298,150
% Reserves	29%	36%	53%	53%	49%	44%	41%	39%	38%	39%

2016-2022 GENERAL FUND FORECAST

Based on the current revenue and expenditure projections, including the repayment of the SCO's Asset Transfer Review audit findings and a contribution to the Section 115 Trust Plan, expenditures will exceed ongoing revenues in 2016-2017, requiring the use of Reserves. However, starting in 2017, revenues will exceed expenditures throughout the forecast period. The use of reserves in 2016-2017 for the one-time expenditures will drop projected reserves to approximately 48 percent in 2017-2018, where they will remain throughout the forecast period. The Council's current reserve policies are to establish a "Rainy Day Reserve" of 15 percent of budgeted expenditures and a "Cash Flow Reserve" of 25 percent of budgeted expenditures. Ending reserves of around 48 percent through 2021-2022 meets both the Rainy Day Reserve objective of 15 percent of budgeted expenditures and the Cash Flow Reserve objective of 25 percent of budgeted expenditures.

2016-2022 GENERAL FUND FINANCIAL FORECAST
BASE FORECAST (INCLUDING SCO ORDER AND RETIREMENT CONTRIBUTION)



	FY 12-13 ACT	FY 13-14 ACT	FY 14-15 ACT	FY 15-16 EST	FY 16-17 PROJ	FY 17-18 PROJ	FY 18-19 PROJ	FY 19-20 PROJ	FY 20-21 PROJ	FY 21-22 PROJ
Reserves	14,278,547	20,314,151	24,345,022	24,423,220	21,485,090	21,542,700	21,831,900	22,048,300	22,697,300	23,606,600
Revenues/Transfers	40,242,067	42,481,916	42,006,102	43,741,222	43,455,600	44,688,000	45,993,300	47,074,600	48,146,700	49,129,800
Expenditures	37,265,825	36,446,312	37,975,232	43,663,023	46,393,730	44,630,390	45,704,100	46,858,200	47,497,700	48,220,500
% Reserves	36%	50%	57%	56%	46%	48%	48%	47%	48%	49%

CHART A: BASE FORECAST

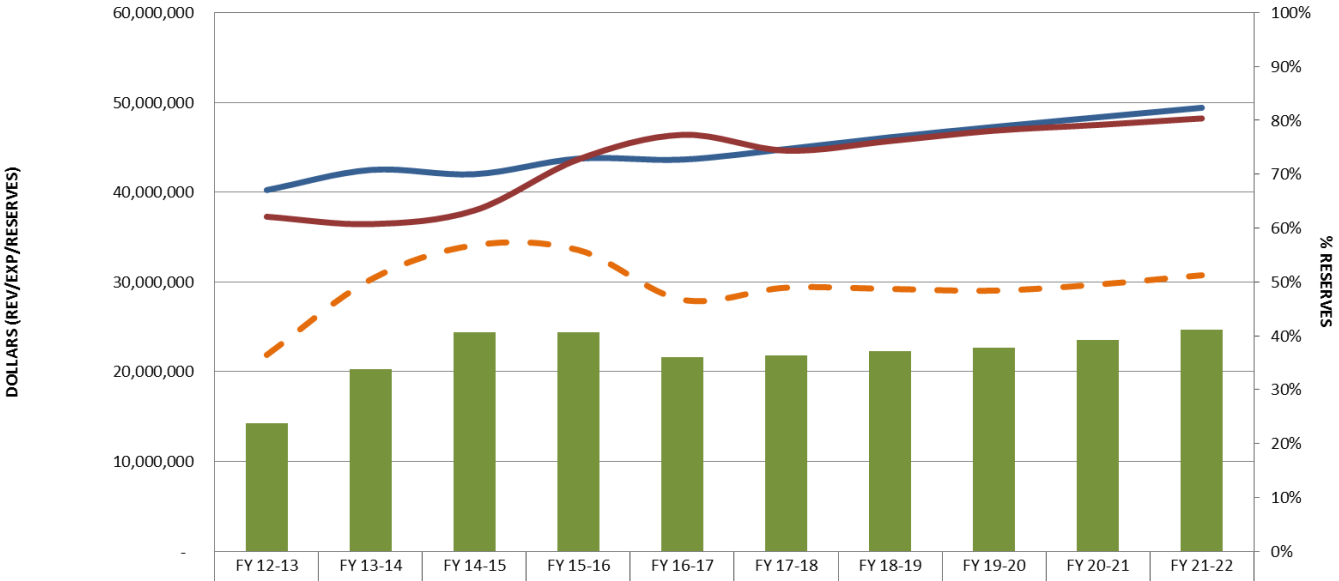
REVENUE SENSITIVITY ANALYSIS

STRONGER PROPERTY TAX GROWTH

The General Fund Financial Forecast presents a moderate view of projected revenues and expenditures which has been historically very close to actual outcomes. While this is fiscally prudent, it is worth examining the impact that stronger and, conversely, weaker growth in the General Fund's major revenues (property tax, sales tax, and a combination of both) would have on the General Fund reserves.

The following graph illustrates the impact of slightly stronger growth in property tax revenues that might come as a result of increased development, increased valuations due to slightly stronger home prices and home improvements, and gradual eliminations in Proposition 8 assessed valuation reductions. In this scenario, property tax revenues are assumed to increase 4 percent through 2019 and then increasing to 4.5 percent through 2021 and 5.0 percent in 2022. Throughout the forecast period, expenditure assumptions, including the additional retirement contributions, are held constant. Based on these assumptions, total revenues outpace expenditures at a faster rate, and reserves increase to 51 percent by 2022.

2016-2022 GENERAL FUND FINANCIAL FORECAST
REVENUE SENSITIVITY ANALYSIS - STRONGER PROPERTY TAX GROWTH



	FY 12-13 ACT	FY 13-14 ACT	FY 14-15 ACT	FY 15-16 EST	FY 16-17 PROJ	FY 17-18 PROJ	FY 18-19 PROJ	FY 19-20 PROJ	FY 20-21 PROJ	FY 21-22 PROJ
Reserves	14,278,547	20,314,151	24,345,022	24,423,220	21,665,290	21,846,700	22,263,400	22,676,700	23,528,500	24,716,400
Revenues/Transfers	40,242,067	42,481,916	42,006,102	43,741,222	43,635,800	44,811,800	46,120,800	47,271,500	48,349,500	49,408,400
Expenditures	37,265,825	36,446,312	37,975,232	43,663,023	46,393,730	44,630,390	45,704,100	46,858,200	47,497,700	48,220,500
% Reserves	36%	50%	57%	56%	47%	49%	49%	48%	50%	51%

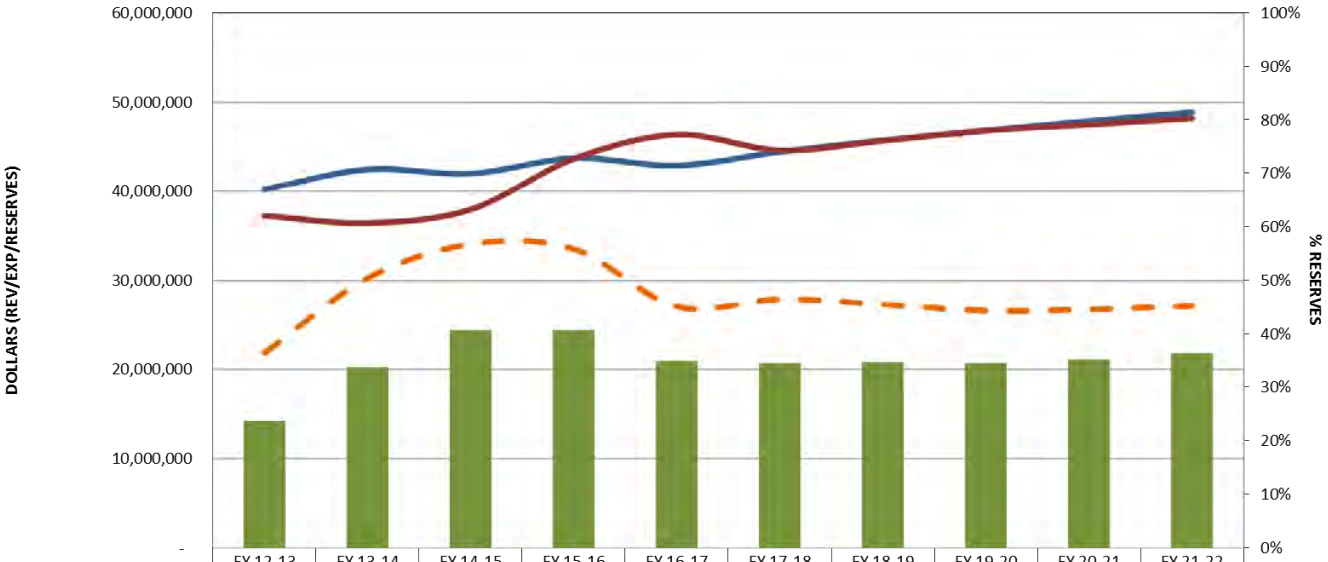
CHART B: REVENUE SENSITIVITY (STRONGER PROPERTY TAX)

REVENUE SENSITIVITY ANALYSIS

WEAKER PROPERTY/SALES TAX (BASE & PROP L) GROWTH

Despite the moderate view of projected revenues, recent history has shown that it is possible for the major General Fund revenues to grow at a slower pace than projected in the base forecast. The following graph uses weaker revenue growth projections for property tax (2 percent increase per year rather than 3 percent included in the Base Forecast) and sales tax for both the base tax and the Proposition L sales tax (ranging from 2.5 percent to 1.5 percent increase per year rather than 3 percent to 2 percent per year included in the Base Forecast). Again, all other revenue and expenditure assumptions remain constant. Based on these assumptions, revenues fall short of expenditures, and the use of General Fund Reserves would be required to fill the revenue shortfall. Under this scenario, General Fund Reserves would fall to approximately 45 percent.

2016-2022 GENERAL FUND FINANCIAL FORECAST
REVENUE SENSITIVITY ANALYSIS - WEAKER PROPERTY/SALES TAX GROWTH



	FY 12-13 ACT	FY 13-14 ACT	FY 14-15 ACT	FY 15-16 EST	FY 16-17 PROJ	FY 17-18 PROJ	FY 18-19 PROJ	FY 19-20 PROJ	FY 20-21 PROJ	FY 21-22 PROJ
Reserves	14,278,547	20,314,151	24,345,022	24,423,220	20,941,090	20,765,100	20,813,700	20,782,900	21,177,900	21,826,700
Revenues/Transfers	40,242,067	42,481,916	42,006,102	43,741,222	42,911,600	44,454,400	45,752,700	46,827,400	47,892,700	48,869,300
Expenditures	37,265,825	36,446,312	37,975,232	43,663,023	46,393,730	44,630,390	45,704,100	46,858,200	47,497,700	48,220,500
% Reserves	36%	50%	57%	56%	45%	47%	46%	44%	45%	45%

CHART C: REVENUE SENSITIVITY (WEAKER PROPERTY/SALES TAX GROWTH)

MAJOR FISCAL ISSUES FACING THE CITY

The 2016-17 Budget:

California's Fiscal Outlook

MAC TAYLOR • LEGISLATIVE ANALYST • NOVEMBER 2015

LAO

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Executive Summary

In this report, we describe our office's current projections for the state budget through 2016-17 and discuss the budget's condition through 2019-20 under a few different scenarios.

Outlook Assumes Current Policies. To produce this report, we must make numerous assumptions about the future. One key assumption is that the state's current revenue and spending policies stay in place. In making this assumption, we are not *predicting* that current policies will stay in place. The Legislature will—and should—change state policies in the future, consistent with its priorities. The projections in this report are intended to help the Legislature understand its fiscal flexibility in considering such changes.

The Budget Situation Through 2016-17: Decidedly Positive. The state budget is better prepared for an economic downturn than it has been at any point in decades. In 2015-16, we project that the state's "Big Three" General Fund revenues—principally the personal income tax—will exceed June 2015 budget assumptions by $3.6 billion, with most of that gain to be deposited into the Proposition 2 rainy day fund. In 2016-17, we project that revenues will exceed spending under current policies, resulting in even further improvement in the state's fiscal situation. Assuming no new budget commitments are made, we estimate 2016-17 would end with reserves of $11.5 billion. Of this total, the Legislature would have control over $4.3 billion in the Special Fund for Economic Uncertainties, the state's traditional budget reserve, with the rest of the reserves held for future budget emergencies by Proposition 2.

After 2016-17: Risks to Consider. The above estimates are based on our main economic scenario, which assumes the economy continues to grow through 2019-20. This scenario generates significant annual operating surpluses and budget reserves in future years. As such, the state has the capacity under this scenario to make some new budget commitments—whether spending increases or tax reductions. An economic or stock market downturn, however, is possible during our outlook period. To illustrate this economic uncertainty, we provide projections under alternative economic scenarios. Projected reserves provide a major cushion against such economic risks. The more new budget commitments are made in 2016-17, however, the more likely it is that the state would face difficult choices—such as spending cuts and tax increases—later. As such, the Legislature faces the fundamental trade-off between the benefits of new commitments now versus fewer difficult budget decisions later. A sizable reserve is the key to making it through the next economic downturn with minimal disruption to public programs.

Chapter 1: The General Fund Through 2016-17

This report summarizes our office's assessment of California's economy and budget condition. Our main economic scenario assumes the economy will continue to grow moderately, although many other scenarios—both stronger and weaker—are possible. In this chapter, we present our estimates of the near-term budget condition. In Chapter 2, we discuss key revenue trends and our assessment of the economy. Chapter 3 presents our main scenario outlook for state spending over the next few years. Finally, we discuss the longer-term outlook for the budget condition in Chapter 4. Because the current economic expansion will not last forever, in Chapter 4 we compare our main scenario to alternate sets of assumptions—including an economic slowdown and a recession. The box on page 4 discusses some key information needed to understand this report.

OUTLOOK FOR THE 2016-17 BUDGET

Figure 1 displays our main scenario estimate of the General Fund condition through 2016-17. Based primarily on higher revenue estimates than were assumed in the *2015-16 Budget Act*, our projections of reserve levels are much higher. We now estimate that 2015-16 will end with $7.9 billion in reserves, a $3.3 billion increase over the budget act's assumptions. Assuming no new commitments are made in the 2016-17 budget, we estimate that reserves will increase to $11.5 billion at the end of 2016-17, up by $3.7 billion over 2015-16 levels. The $11.5 billion reserve would consist of $4.3 billion in the Special Fund for Economic Uncertainties (SFEU)—the state's traditional budget reserve—and $7.2 billion in the Budget Stabilization Account (BSA). Below, we explain the basis for these estimates.

2015-16: $3.3 Billion Increase in Reserves

The improvement in the 2015-16 year-end reserves—$3.3 billion—is the result of the factors described below.

Figure 1

LAO General Fund Condition Under Main Scenario[a]

(In Millions)

	2014-15	2015-16	2016-17
Prior-year fund balance	$5,253	$2,157	$3,210
Revenues and transfers	112,244	116,315	123,183
Expenditures	115,340	115,262	121,119
Ending fund balance	**$2,157**	**$3,210**	**$5,274**
Encumbrances	-$971	-$971	-$971
SFEU balance	**$1,186**	**$2,239**	**$4,304**
Reserves			
SFEU balance	$1,186	$2,239	$4,304
BSA balance	1,606	5,641	7,234
Total Reserves	**$2,793**	**$7,880**	**$11,537**

[a] Includes Education Protection Account created by Proposition 30 (2012).
SFEU = Special Fund for Economic Uncertainties (the General Fund's traditional budget reserve) and BSA = Budget Stabilization Account.

2014-15: $266 Million Net Erosion. Under the state's complex accrual policies, revenue estimates for 2013-14 and 2014-15 continue to change. These revisions and others affect the current budget situation. The 2015-16 budget plan assumed that 2014-15 would end with an SFEU balance of $1.5 billion. We now estimate the SFEU balance at the end of 2014-15 was $1.2 billion, representing a $266 million erosion. This erosion is the combination of (1) $937 million higher revenues and transfers, (2) $889 million higher required General Fund spending on the Proposition 98 minimum guarantee for schools and community colleges, (3) $22 million lower net spending on other programs, and (4) a $337 million downward adjustment to the entering fund balance for 2014-15.

Keys to Understanding This Report

This Outlook Relies on Many Assumptions. In producing this report, we make assumptions about the future. Many of our decisions about which assumptions to include or exclude inherently involve judgment. As a result, different assumptions are also reasonable. Understanding our assumptions and their implications is crucial to understanding the limitations of this report.

Outlook Based on Current State Policies. Our outlook assumes the state's current revenue and spending policies will remain in place. For example, we assume the temporary taxes passed by voters in Proposition 30 expire, consistent with current law. We also assume the continuation of recent budget practices, such as funding increases for universities and state employee pay increases. This does not mean we believe these policies *will* or *should* stay the same. On the contrary, the essence of budgeting is making year-to-year adjustments to spending to accommodate changing legislative priorities. As a result, our outlook is geared toward helping the Legislature think about its options for crafting a 2016-17 budget. Can it continue to afford its current policies? Can it afford additional commitments—whether they be one-time or ongoing spending increases or tax reductions?

Our Main Scenario Is One of Many Possible Scenarios. We develop economic scenarios in order to produce our budget outlook. Consistent with standard conventions in economic projections, our main scenario assumes that the economy continues to grow moderately through 2019-20. This, however, is only one of many possible scenarios. Because the current expansion will not last forever, we discuss alternative scenarios in Chapter 4, including: (1) a slowdown scenario in which the economy grows more slowly, and (2) a recession scenario. Future economic conditions, however, could be stronger than our main scenario or weaker than our recession scenario, resulting in very different budgetary outcomes.

Different Economic Outcomes Will Affect Future State Budgets. Spending in two programs, which accounts for over half of the General Fund's budget, is calculated using formulas that rely on unpredictable economic variables. Specifically, Proposition 98 and Proposition 2 depend on fluctuations in state tax revenues and patterns in the stock market. Both of these variables are inherently volatile and unpredictable. As a result, these constitutional requirements—and therefore nearly half of the General Fund budget—cannot be predicted with any precision in the later years of our outlook.

2015-16: $3.5 Billion Higher Revenues. The 2015-16 budget package assumed that receipts from the state's "Big Three" revenues—the personal income tax (PIT), sales and use tax (SUT), and corporation tax (CT)—would total $113.3 billion in 2015-16. We now estimate that these revenues will total $116.8 billion, an increase of $3.6 billion. The difference is due to $4 billion higher PIT revenues, $269 million lower SUT revenues, and $144 million lower CT revenues. In addition, we estimate that other revenues and transfers—excluding the Proposition 2 BSA deposit—will be $100 million lower than 2015-16 budget assumptions.

Proposition 98 Less Sensitive to Changes in Revenues. The 2015-16 budget package assumed that the minimum guarantee would be $68.4 billion in 2015-16. We now estimate the guarantee to be $69.1 billion, an increase of $739 million. In recent years—most notably 2012-13 and 2014-15—incremental increases in state General Fund revenues have been almost entirely offset by higher required General Fund spending on Proposition 98. This was because maintenance factor was owed in these "Test 1" years, which can result in nearly a dollar-for-dollar increase in Proposition 98 spending relative to revenues. In 2015-16, Proposition 98 offsets comparably little of our higher revenue estimates because we estimate that the remaining maintenance factor is repaid and Proposition 98 spending is driven by changes in per capita personal income rather than state tax revenues. In addition, most of this increase is covered by our higher estimates of local property taxes. As a result, state General Fund costs increase only $27 million above budget assumptions.

Lower Net Spending Across Rest of the Budget ($134 Million). We estimate that spending on non-Proposition 98 programs would be net $134 million lower than June 2015 budget assumptions. Most notably, we estimate lower spending in Medi-Cal ($47 million) and California Work Opportunity and Responsibility to Kids (CalWORKs) ($90 million). We discuss these spending estimates in greater detail in Chapter 3.

Two-Thirds of Higher Revenues Deposited in BSA. Proposition 2—approved by the voters in 2014—changed state rules for budget reserves and requires the state to pay a minimum amount of debt each year through 2029-30. The June 2015 budget plan—which incorporated the Governor's May 2015 revenue estimates—required $3.7 billion in total Proposition 2 payments (split evenly between BSA deposits and debt payments). Under Proposition 2's "true up" provisions, the Legislature will revisit the 2015-16 estimates twice—in the 2016-17 and 2017-18 budgets. We now estimate total Proposition 2 requirements for 2015-16 to be $5.9 billion, requiring a $2.2 billion true up deposit to the BSA. This true up deposit brings the BSA balance to $5.6 billion at the end of 2015-16. (Our reading of Proposition 2's true up provisions is based on our understanding of legislative intent. An alternate reading of the measure would result in a roughly $900 million smaller true up deposit.)

Main Scenario Outlook: 2016-17 Ends With $11.5 Billion Reserve

We estimate that growth in total General Fund revenues and transfers (5.9 percent) outpaces growth in General Fund spending (5.1 percent) in 2016-17. The difference between revenues and spending increases the SFEU balance by $2.1 billion in 2016-17. Accordingly, we estimate that the SFEU would end 2016-17 with $4.3 billion. In addition, based on our assumption of a somewhat weaker stock market, we estimate the Proposition 2 BSA deposit would be $1.6 billion in 2016-17. This would grow reserves in that fund to $7.2 billion. All told, we estimate that 2016-17 would end with $11.5 billion in total reserves, assuming no new fiscal commitments are made in or before next year's budget.

Revenues and Transfers Grow 6 Percent. We estimate that revenues and transfers increase $6.9 billion, or 5.9 percent, in 2016-17. Revenues from the state's three largest taxes collectively grow 3 percent in 2016-17 under our main scenario. This is mainly driven by our assumption of a somewhat weaker stock market, which results in just 3 percent growth in the PIT. In addition, we estimate that CT revenues grow nearly 5 percent, while SUT revenues grow modestly at under 2 percent due to the expiration of Proposition 30's SUT rate increase. While we estimate that the state's Big Three revenues grow only moderately, the year-over-year decrease in the size of the Proposition 2 BSA deposit increases total revenues and transfers, as shown in Chapter 2.

General Fund Spending Grows 5 Percent. Under our main scenario, General Fund spending grows by $5.9 billion, or 5.1 percent, in 2016-17. Nearly half of this is the result of significant growth in Medi-Cal costs. Specifically, we estimate that Medi-Cal expenditures will grow $2.5 billion, or 14 percent, in 2016-17. Of this increase, over $1 billion is explained by our assumption that the tax on managed care organizations expires after 2015-16. We also estimate that General Fund spending on Proposition 98 will increase by $770 million. In addition, legislation in 2014 changed state contributions to the California State Teachers' Retirement System (CalSTRS), causing another $533 million increase in estimated General Fund spending.

LAO COMMENTS

Bright 2016-17 Budget Outlook. It will be several months before the Legislature adopts a revenue estimate for the 2016-17 state budget. The interim period includes three key collection months for PIT revenues—December, January, and April. While the revenue picture will become clearer by June 2016, revenues could be a few billion dollars above or below our main scenario estimates. To provide a sense of the range of outcomes possible, we estimated total reserves assuming revenues were over $4 billion higher or lower than our main scenario estimates for 2014-15 through 2016-17 combined. Under these alternative assumptions, total reserves could lie between $8 billion and $15 billion at the end of 2016-17 assuming no new budget commitments were made. Our main scenario outlook for the 2016-17 budget is, therefore, decidedly positive.

The $11.5 billion in total reserves projected under our main scenario for the end of 2016-17 reflects the steady, significant progress that the state has made in improving its budget situation. Proposition 2's rules require that nearly two-thirds of these reserves be held in the BSA solely for future budget emergencies. The Legislature, however, has complete control over the remaining $4.3 billion that we show as the SFEU balance.

Future Risks to Consider. As we describe in Chapter 4, if the economy continues to grow and no additional budget commitments are made, our main scenario suggests that the state budget would be in surplus through 2019-20. Various factors, however, could reduce or eliminate these surpluses. If the economy were weak, revenues could be billions of dollars below our main scenario estimates. If the state's two key pension boards lower their assumptions concerning future investment returns, state contributions to the California Public Employees' Retirement System and CalSTRS could be billions of dollars higher than our main scenario estimates by 2019-20. Prefunding retiree health care benefits for state

employees could increase state General Fund costs by hundreds of millions of dollars. (We note, however, that Proposition 2 could help to absorb some of these retirement-related costs.) We describe these and other risks for the budget in greater detail in Chapter 4.

Key Considerations for 2016-17. The state is better prepared for an economic downturn than it has been at any point in decades. Given our estimates of state revenues, expenditures, and reserves, the state can generally maintain its current policies over the outlook period even under some more pessimistic economic scenarios. On the other hand, if the Legislature were to make new commitments in the 2016-17 budget, it would be more likely to face difficult choices—such as spending cuts and tax increases—later. As such, the Legislature is confronted with the fundamental trade-off between the benefits of new commitments now versus fewer difficult budget decisions later.

Chapter 2: The Economy and Revenues

THE ECONOMY

A budget outlook for California must make assumptions about the future of the economy. As discussed below, however, there are many uncertainties about the economy now (and, for that matter, at any given point in time). As such, our ability to make accurate "predictions" about the economy—difficult even in the near term—declines with each subsequent year in our fiscal outlook period. Especially for years shown after 2016, one should regard any multiyear economic projection in this publication, including our main scenario, merely as one of many possible scenarios. The key economic measures assumed in our main scenario through 2020 are summarized in Figure 1. Figure 2 (see next page) compares the key variables in this main scenario with those from our office's May 2015 main scenario and the administration's May 2015 economic projections.

Figure 1

LAO Economic Assumptions: November 2015 Main Scenario

Percent Change Unless Otherwise Noted

United States	2014	2015	2016	2017	2018	2019	2020
Real gross domestic product	2.4%	2.5%	3.2%	3.2%	2.6%	2.0%	1.7%
Personal income	4.4	4.3	5.2	6.0	6.0	4.7	3.9
Wage and salary employment	1.9	2.1	1.9	2.2	1.9	1.1	0.5
Unemployment rate (percent)	6.2	5.3	5.0	4.7	4.5	4.6	4.8
Consumer price index	1.6	0.2	2.1	2.8	3.1	2.8	2.4
Core PCE price index	1.5	1.3	1.6	2.5	2.9	2.7	2.2
Federal funds rate	0.1	0.2	0.9	2.3	3.8	3.7	3.7
Housing starts (thousands)	1,052	1,183	1,466	1,697	1,626	1,535	1,602
S&P 500 (annual average)	1,931	2,046	2,031	2,105	2,191	2,280	2,372
California	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Personal income	4.9%	5.8%	5.8%	6.2%	6.2%	5.3%	4.8%
Wage and salary employment	3.1	3.0	2.5	2.3	2.0	1.7	1.5
Unemployment rate (percent)	7.5	6.3	5.5	5.0	4.6	4.5	4.5
Consumer price index	1.8	1.7	2.1	2.8	3.1	2.8	2.4
Housing permits (thousands)	85.1	98.3	98.3	100.8	103.8	106.9	110.1
Single-unit permits	36.4	46.5	51.1	53.9	56.6	58.8	60.9
Multifamily permits	48.6	51.7	47.2	46.9	47.2	48.2	49.2
Population growth	0.9	0.9	0.8	0.7	0.7	0.7	0.7

Note: Based generally on Moody's Analytics October 2015 U.S. macroeconomic outlook ("baseline" scenario). This November 2015 main scenario reflects a California state macroeconomic scenario developed by the LAO and lowers Moody's Analytics' (a) U.S. personal income growth outlook for 2015 through 2018 and (b) S&P 500 assumptions throughout the period beginning in late 2015.

Core PCE = Personal consumption expenditures excluding food and energy.

Figure 2

Comparing Recent Economic Outlooks

	2015			2016			2017		
	DOF May 2015	LAO May 2015	LAO Nov. 2015	DOF May 2015	LAO May 2015	LAO Nov. 2015	DOF May 2015	LAO May 2015	LAO Nov. 2015
United States									
Percent change in:									
Real gross domestic product	2.8%	2.8%	2.5%	2.7%	2.7%	3.2%	2.7%	2.7%	3.2%
Personal income	3.9	3.9	4.3	4.5	4.5	5.2	5.3	5.3	6.0
Wage and salary employment	2.1	2.1	2.1	1.5	1.5	1.9	1.2	1.2	2.2
Consumer price index	0.0	-0.4	0.2	2.2	2.1	2.1	2.1	2.4	2.8
Unemployment rate	5.5	5.5	5.3	5.2	5.2	5.0	5.2	5.2	4.7
Federal funds rate	0.3	0.3	0.2	1.2	1.2	0.9	2.9	3.0	2.3
S&P 500 (annual average)	2,106	2,101	2,046	2,196	2,166	2,031	2,264	2,233	2,105
California									
Percent change in:									
Personal income	4.8%	4.7%	5.8%	5.2%	5.3%	5.8%	5.1%	6.0%	6.2%
Wage and salary employment	2.6	2.9	3.0	2.4	2.2	2.5	2.3	1.8	2.3
Unemployment rate	6.5	6.4	6.3	6.0	5.7	5.5	5.8	5.4	5.0
Housing permits (thousands)	99	92	98	111	86	98	127	87	101

How Long Will Growth Continue?

All Budget Outlooks Based on Economic Assumptions. All projections of state revenues and expenditures rely—implicitly or explicitly—on many assumptions about the economy and demographics. Figure 1 displays the key economic assumptions in our main scenario. That scenario—consistent with standard convention—assumes economic growth through our multiyear outlook period ending in 2020. There is a good chance, however, that growth will stall before 2020. Even if growth continued throughout this period, its year-by-year pattern will vary significantly from today's assumptions. As we discuss elsewhere in this publication, state budgetary conditions will differ—either positively or negatively—as a result of economic conditions that differ from our main scenario.

How Long Will Expansion Continue? As shown in Figure 3, the current economic expansion is the fifth longest on record in this country. Since World War II, U.S. expansions have tended to be longer than before. Still, history suggests we may now be past (or well past) the midpoint of the current economic expansion. There is no reliable tool to predict the timing or the severity of a recession far in advance. State leaders are advised to consider the possibility of a recession in the near future when finalizing any state budget plan.

Figure 3

Current Economic Expansion Already Among Longest in U.S. History

Data Since 1854

Economic Expansion	Number of Months
April 1991 to March 2001	120
March 1961 to December 1969	106
December 1982 to July 1990	92
July 1938 to February 1945	80
July 2009 to present	**77 (so far)**
December 2001 to December 2007	73
April 1975 to January 1980	58
April 1933 to May 1937	50
Average Economic Expansion, 1945 to 2009	**58**

Source: National Bureau of Economic Research.

Other Challenges and Uncertainties

As discussed above, a major uncertainty is how long the current economic expansion will last. The California and U.S. economies also face a variety of major challenges and uncertainties that raise questions concerning future economic growth. These issues include:

- ***Aging.*** The population is aging rapidly. This has contributed to declining participation levels in the labor force. In future decades those declines may become more noticeable and dampen growth in economic output. What unanticipated economic changes will these major demographic shifts bring?

- ***Energy.*** With much of the world, California is changing how it consumes energy to reduce greenhouse gas emissions, with both costs and benefits for the state. How will these changes play out here and elsewhere?

- ***China and the Global Economy.*** The economic health of China—a growth powerhouse in recent years—is in question, with possible effects (both positive and negative) for other parts of the global economy. What will happen to growth in China? As growth there wanes, will it cause limited or more significant economic effects here in California?

- ***Federal Policies.*** In 2016, voters will elect a new President and a new Congress. Will the 2016 elections pave the way for major changes in corporate tax, defense, immigration, or trade policies? Will there be major changes to federal health care policies? Will the campaign introduce other major new proposals that could affect the economy?

- ***Wages and Incomes.*** Significant increases in minimum wages are under consideration at the federal, state, and local levels here in California and elsewhere. At the same time, many are concerned about limited wage growth for middle-income families. How will public policy changes to address these issues affect the economy?

- ***Monetary Policy and Growth.*** In 2008, responding to the collapse of the world economy, the Federal Reserve lowered its federal funds rate—one of its key monetary policy instruments—to essentially zero. It has remained at that level ever since. This has been an unprecedented period for monetary policy, so it is difficult to know what will happen as the federal funds rate is raised (beginning in December, in our assumptions). Our main scenario assumes inflation levels that are somewhat higher than the Federal Reserve's targets for a few years as monetary policy aims to stimulate employment and wage growth. Some think that the anticipated tightening of monetary policy will dull future growth in what they view as an already fragile economy.

- ***The Bay Area and Housing.*** As discussed in more detail below, California's economy currently is quite reliant on growth in the San Francisco-Oakland and San Jose metropolitan regions, where home prices and rents have risen markedly recently. What will happen when recent strong growth in the Bay Area subsides? There and elsewhere, what will happen to demand and supply in California's housing sector?

All economic projections, including our own, rely on past data and experience to estimate what will unfold in the future. Therefore, new trends and unprecedented changes, such as some of those listed above, may limit the reliability of economic projections.

The Bay Area

California's economy and the state budget now are quite reliant on the San Francisco Bay Area, as discussed below.

Now Among Nation's Leading Regions for Job Growth. As summarized in Figure 4, parts of the Bay Area have led the state in job growth over the past year. Unemployment rates there are below the rest of the state. As we have discussed recently on our office's California Economy and Taxes blog (accessible from the LAO home page), the San Jose metropolitan area's job growth rate has ranked first among all large metro areas in the nation over the past year. California's job growth has been fairly strong recently, and that is largely because of the robust growth in the Bay Area's technology sector.

Residents Pay Significant Share of State Taxes. As shown in Figure 5, the per capita (per person) personal income taxes (PIT) assessed on Bay Area residents far exceed those of any other large region in the state. Currently, on a per capita basis, Bay Area tax filers pay more than double the statewide average. Put another way, the Bay Area's population totals 17 percent of the statewide total, but its residents paid 36 percent of the state's PIT in 2013. The key reason for this is that Bay Area residents' average incomes and effective tax rates are well above statewide averages. Under California's income tax structure, higher-income people pay higher marginal tax rates on their income.

When Will Growth Subside? Given California's economic and fiscal reliance on the Bay Area, a key question now arises: when will the Bay Area's current, technology-fueled growth subside? Moreover, when growth subsides, will it merely slow down or will it undergo a more severe downturn akin to what happened after the dot.com bubble burst nearly 15 years ago? Finally, as growth subsides, will other large regions, especially Los Angeles, be poised for stronger growth that helps

Figure 4

Recent Job Data for Largest Metropolitan Areas

Not Seasonally Adjusted Data, as of September 2015

Region	Counties in Region	Job Growth Over Past Year	Unemployment Rate
San Jose MSA	Santa Clara/San Benito	4.8%	3.7%
San Francisco MD[a]	San Francisco/San Mateo	4.7	3.1
San Rafael MD[a]	Marin	4.5	3.1
San Diego MSA	San Diego	3.5	4.6
Anaheim MD[b]	Orange	3.0	4.0
California	**Statewide**	**2.9**	**5.5**
Inland Empire MSA	Riverside/San Bernardino	2.8	6.1
Sacramento MSA	Sacramento/El Dorado/Placer/Yolo	2.6	5.2
Fresno MSA	Fresno	2.5	8.1
Oakland MD[a]	Alameda/Contra Costa	2.1	4.3
Los Angeles MD[b]	Los Angeles	2.0	6.2
United States	**Nationwide**	**1.9**	**4.9**
Oxnard-Thousand Oaks-Ventura MSA	Ventura	1.5	5.3
Bakersfield MSA	Kern	-0.2	8.4

[a] This metropolitan division (MD) is a part of the San Francisco-Oakland Metropolitan Statistical Area (MSA).
[b] This MD is a part of the Los Angeles-Long Beach-Anaheim MSA.
Source: U.S. Bureau of Labor Statistics.

pick up the Bay Area's slack? Our main scenario is consistent with a slowdown in Bay Area economic growth, but a more severe downturn could put more strains on the economy than we now assume.

Housing

Trends in housing costs affect every Californian and many aspects of state and local budgets. Trends in home buying and rents, therefore, may affect the pace and length of California's current economic expansion. As we discuss below, there are some key uncertainties about the future of California's housing market.

Continued Growth in House Prices and Rents. California's house prices have risen rapidly in recent years, as demand for housing has far outpaced its supply. Since bottoming out in late 2011, California's median house price has increased by 45 percent—or about 10 percent per year—reaching around $450,000 as of September 2015. House price growth, however, appears to have moderated during the past year. House prices increased by 5 percent over the past 12 months, compared to 13 percent in 2014 and 17 percent in 2013. Despite this slowdown, California's house prices are still growing slightly faster than the rest of the country.

Rents also have been on the rise in California, albeit at a somewhat slower pace than house prices. California's median rent rose from around $1,200 in 2011 to around $1,350 in 2014, an increase of 13 percent. Rents have risen somewhat slower than prices in recent years in part because rents did not decline as much as prices did during the Great Recession. Rents, therefore, have experienced less of a rebound than house prices.

Bay Area Has Experienced Exceptional Growth in Prices and Rents. House prices and

Figure 5

California Personal Income Tax (PIT) Base Varies Regionally

2013 Data, Residents' Tax Returns

Region	Per Capita PIT Assessed	Total Tax Assessed (Billions)	Total Adjusted Gross Income (Billions)	Average Effective Tax Rate	Population (Millions)
San Francisco/Oakland/San Jose MSAs	$3,119	$19.9	$314.3	6.3%	6.38
Orange County	1,724	5.3	102.0	5.2	3.10
Statewide	**1,460**	**55.7**	**1,109.5**	**5.0**	**38.16**
Ventura County	1,360	1.1	25.2	4.5	0.84
San Diego County	1,355	4.3	91.0	4.7	3.18
Los Angeles County	1,345	13.5	267.3	5.0	10.01
Central Coast[a]	1,208	1.7	36.6	4.6	1.40
Napa, Solano, and Sonoma Counties	1,187	1.3	29.4	4.3	1.05
Sacramento MSA	964	2.1	54.9	3.9	2.20
North State[b]	542	0.7	20.9	3.2	1.22
San Joaquin Valley[c]	541	2.2	67.0	3.3	4.07
Riverside and San Bernardino Counties	530	2.3	77.5	3.0	4.34
Other residents[d]	—	1.3	23.6	5.6	—

[a] Includes Monterey, San Luis Obispo, Santa Barbara, and Santa Cruz Counties.
[b] Includes all counties north of San Francisco, Napa, Sonoma, Vallejo-Fairfield, and Sacramento MSAs.
[c] Includes Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties.
[d] Includes California resident tax returns with (1) an address in another California county or (2) an out-of-state address. Returns with out-of-state addresses collectively had $1.1 billion of tax assessed, with an average effective tax rate of 6.5 percent. Excludes nonresident tax returns, which collectively had $2.3 billion of tax assessed.
MSA = metropolitan statistical area.

rents have increased significantly faster in the Bay Area than in the rest of the state. Figure 6 shows the 15-year trend of median home prices in San Francisco and in Santa Clara County, which includes San Jose. Median house prices in San Francisco ($1.1 million) and Santa Clara County ($926,000) grew by 15 percent and 13 percent, respectively, over the past year. Since 2011, house prices in these counties have grown by over 60 percent. Rents in San Francisco and Santa Clara similarly rose by over 30 percent between 2011 and 2014.

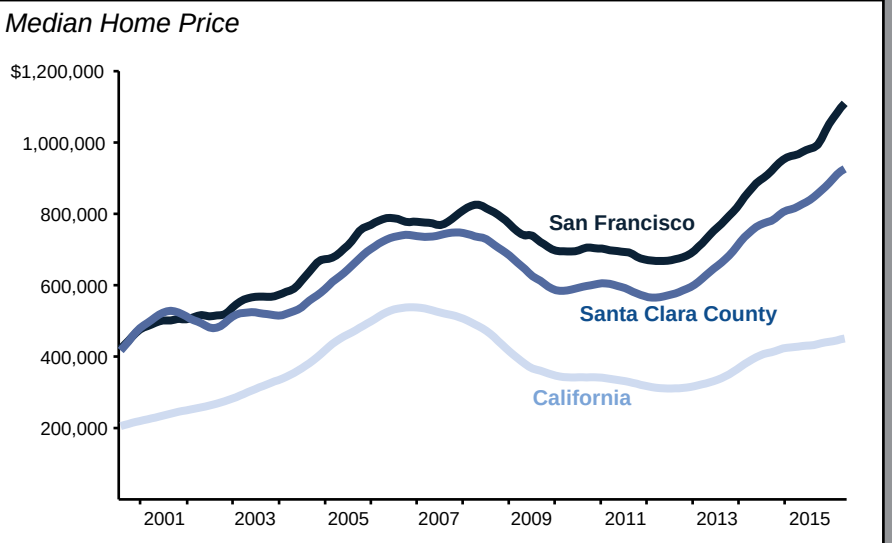
Building Remains Below Historical Levels Despite Price and Rent Growth. Residential building permits appear to be on pace to total roughly 98,000 in 2015, a notable increase over building levels in the prior two years (around 85,000 per year). Despite this increase, residential building remains below historical levels, as well as below what recent population growth would suggest. During the 2000s, building permits averaged 146,000 units per year. Our main scenario assumes permits will continue to climb over the next few years, but remain below historical levels. It is not entirely clear why building has not returned to historical levels. Several factors, however, likely play some role. Data suggests that household formations—for example, when younger people move out of parents' homes—have fallen in recent years. As discussed in our March 2015 report, *California's High Housing Costs: Causes and Consequences*, it is also possible that local government resistance to building is preventing developers from increasing production of new housing. Some reports also suggest that builders are experiencing labor shortages in certain markets.

Pluses and Minuses for Government Budgets and Economy. Recent growth in house prices and rents has contributed to robust growth in state and local revenues—particularly property taxes. Statewide assessed property values increased by 6 percent in both 2014-15 and 2015-16, compared to an average annual rate of less than 0.5 percent over the preceding five years. We anticipate this robust growth to continue in the near term, with assessed values projected to grow by just over 6 percent in 2016-17.

Nonetheless, high house prices and rents present some risks to the state's economy. Rising housing costs force Californians to spend more of their income on housing, leaving less available for other purchases. High

Figure 6

Bay Area Home Prices Have Outpaced the Rest of the State



housing costs also can deter workers from moving to the state's most productive regions—where housing costs tend to be the highest—constraining business recruitment and expansion. In the long term, future growth in the economy and state and local revenues could be dampened if new housing production continues to fall short of demand.

REVENUES

Figure 7 summarizes our main scenario revenue outlook for California's General Fund through 2019-20. Figure 8 (see next page) shows how our key revenue numbers differ from June 2015 state budget assumptions (which were based on the Governor's May 2015 revenue estimates). Below, we discuss some key issues concerning (1) the personal income tax (PIT), which generates about two-thirds of General Fund revenues, and (2) the state's other key taxes.

Personal Income Tax

Our main scenario PIT estimates continue to be higher than the administration's projections from earlier this year, as summarized in Figure 8.

Historical Growth Patterns. The PIT generally is the key revenue source to consider when thinking about the prospects for state revenue growth. We estimate that the PIT grew by an extraordinary 14 percent in 2014-15, with an additional 7 percent increase now expected for 2015-16. Since 2000-01, the annual growth of PIT has, on average, been about 5 percent. (This calculation includes some tax policy changes that have occurred, as well as two recessions.) PIT growth has exceeded 5 percent in eight fiscal years since 2000-01 and fallen short of that threshold in seven years. Those seven years include ones affected by (1) the bust of the dot.com stock bubble in the early 2000s, (2) the bust of the housing bubble in the mid-2000s and the

Figure 7

LAO Revenue Summary: November 2015 Main Scenario

General Fund and Education Protection Account Combined (Dollars in Millions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Personal income tax	$76,400	$81,676	$84,274	$88,946	$90,057	$91,122
Sales and use tax	23,709	24,971	25,351	25,980	26,808	28,091
Corporation tax	9,714	10,198	10,685	10,842	11,089	11,557
Subtotal, "Big Three" Revenues	($109,823)	($116,844)	($120,311)	($125,768)	($127,953)	($130,770)
Percent growth from prior year	11.8%	6.4%	3.0%	4.5%	1.7%	2.2%
Insurance tax	$2,444	$2,493	$2,582	$2,682	$2,796	$2,903
Other revenues	1,993	2,094	1,727	1,889	1,990	2,090
Transfers to Budget Stabilization Account	-1,606	-4,035	-1,593	-1,550	-1,368	-1,016
Other net transfers in (out)[a]	-409	-1,082	156	0	-34	-257
Total Revenues and Transfers	**$112,244**	**$116,315**	**$123,183**	**$128,789**	**$131,337**	**$134,490**
Proposition 2 Inputs						
Taxes on capital gains	N/A	$13,940	$12,488	$12,604	$11,990	$10,557
As percent of General Fund taxes	N/A	11.6%	10.1%	9.7%	9.1%	7.8%

[a] For 2016-17 through 2019-20 (unlike prior fiscal years), no special fund loan repayments are included in this line as transfers out. To the extent those repayments are to be made in future years, they are assumed to occur as Proposition 2 debt payment expenditures.

Figure 8

Comparing Key LAO and Administration Revenue Numbers

General Fund and Education Protection Account Combined (In Millions)

	2014-15			2015-16			2016-17		
	LAO Nov. 2015	Admin. June 2015	Change	LAO Nov. 2015	Admin. June 2015	Change	LAO Nov. 2015	Admin. June 2015	Change
Personal income tax	$76,400	$75,384	$1,016	$81,676	$77,700	$3,976	$84,274	$81,652	$2,623
Sales and use tax	23,709	23,684	25	24,971	25,240	-269	25,351	25,761	-410
Corporation tax	9,714	9,809	-94	10,198	10,342	-144	10,685	11,073	-388
"Big Three" Revenues	**$109,823**	**$108,877**	**$946**	**$116,844**	**$113,281**	**$3,564**	**$120,311**	**$118,485**	**$1,825**

subsequent recession, and (3) the decline in taxable income in 2013 (associated with the federal "fiscal cliff") when high-income taxpayers accelerated financial transactions to 2012 in order to avoid later federal tax increases. Accordingly, in a year unaffected by an income tax cut, an economic slowdown, or a stock market drop, the state's elected leaders reasonably can expect something like 5 percent (or more) PIT growth.

Slow Growth Assumed for 2016-17. Our main scenario anticipates slower PIT growth in 2016-17—only 3.2 percent. The key underlying reason for the slow growth rate in our 2016-17 PIT estimate is our assumption about stock prices. Specifically, we assume that the average closing price of the S&P 500 stock index during the current quarter will be 1,993—below the 2,100 level posted for much of early 2015. This level was consistent with the S&P 500 index as of October 14, when we were finalizing our main scenario assumptions. With the price-to-earnings ratio of the S&P 500 now above 20—somewhat high historically, but below some prior "bubble" periods—we assume very slow future growth of stock prices, consistent with our practices in recent years. Under our main scenario, therefore, the S&P 500 does not return to the 2,100 level until the middle of 2017. This causes our estimate of net capital gains income on California resident tax returns to fall from around $150 billion in 2015 to around $130 billion in each of the next three years. That drop in capital gains—resulting from our S&P 500 stock price assumption—causes our slow estimated PIT growth rate for 2016-17.

The assumed trend for wage income offsets somewhat the impact of our capital gains assumptions. Wages make up the large majority of taxable income, and our main scenario assumes robust growth in wages and salaries reported on California PIT returns of about 7 percent per year in 2016 and 2017.

It is impossible to predict future stock and capital gains growth and difficult to precisely project wage growth. Therefore, actual PIT results in 2016-17 (and even 2015-16) could result in revenues being billions of dollars above or below our main scenario estimates. Yet, in fulfilling its constitutional responsibility to determine a state revenue estimate annually for the budget, the Legislature must make assumptions about wages and uncertain stock prices and capital gains taxes.

Scheduled Expiration of Proposition 30. Proposition 30's temporary PIT rate increases on the highest-income Californians expire at the end of 2018. As a result, 2018-19 essentially reflects a half year of those revenues in our main scenario, and 2019-20 includes no Proposition 30

PIT revenues. (The scheduled expiration of Proposition 30's sales tax rate increase slows anticipated revenue growth in 2016-17 and 2017-18, as discussed below.) In this main scenario, with continuing economic growth, there continues to be no "cliff effect" as Proposition 30 revenues end. The expiration of Proposition 30 slows, but does not stop, PIT growth in our main scenario. If, however, an economic slowdown were to occur around 2019, the fall off of Proposition 30 revenues would exacerbate any slowdown or decline in PIT revenues.

As this publication was being drafted, initiative proposals to extend Proposition 30's PIT increases were being introduced. This publication's scenarios, however, all assume that Proposition 30 expires because that is the tax policy in current state law.

Other Key Taxes

While legislative discussions about revenue estimates recently have focused on the PIT, the two other key state taxes—the sales and use tax (SUT) and the corporation tax (CT)—together make up around one-third of General Fund revenues. As such, the SUT and CT also play important roles in determining the state's annual revenue estimate.

Sales and Use Taxes. Estimated General Fund SUT revenue totaled $23.7 billion in 2014-15, $25 million higher than the amount assumed in the state's 2015-16 budget plan. In our main scenario, SUT revenues grow to $25.0 billion in 2015-16, about $270 million lower than the assumption in the 2015-16 budget. Under this scenario, SUT revenues then grow more slowly as the one-quarter cent Proposition 30 SUT increase ends in December 2016. This results in slower General Fund SUT growth—around 2 percent per year—over the next two fiscal years, with this revenue source totaling an estimated $25.4 billion in 2016-17 and $26.0 billion in 2017-18.

Starting in 2014-15, certain sales of manufacturing or research and development equipment became exempt from the General Fund portion of the SUT. The administration initially projected that the new exemption would reduce General Fund revenue by $486 million in 2014-15 and by more than $500 million in subsequent years. The administration's current estimate for 2014-15 is $128 million—about one-quarter of the amount initially projected. Our main scenario assumes that this amount grows to slightly less than $200 million per year in 2015-16 and 2016-17.

Corporation Taxes. While CT revenues have steadily grown since the 2011-12 fiscal year, the 2015-16 budget plan appears to have overestimated CT revenues in 2014-15 and, we expect, in 2015-16 as well. CT revenues totaled an estimated $9.7 billion in 2014-15, about $100 million less than the budget assumption. This was due largely to several hundred million dollars in refund settlements over the past several months. (Under the state's complicated process for accruing, or assigning, revenues to specific fiscal years, these refunds generally are accrued to prior fiscal years.) While the refunds were not entirely unexpected, it is very difficult to predict their timing. In our main scenario, CT revenues are projected to total $10.2 billion in 2015-16, about $150 million below the 2015-16 budget assumption. That discrepancy, however, is relatively small, and estimated year-to-year growth in CT revenues currently reflects a fairly healthy and growing economy.

Corporate profits and CT revenue have both grown rapidly since the last recession. Our main scenario assumes that the rate of growth in corporate profits will slow considerably for several years beginning in 2017. This causes estimated CT revenue to grow relatively slowly after 2016-17, but these growth trends may differ substantially from actual results for a variety of reasons. In particular,

there are many factors that determine the total amount of CT revenue in any year, including the use of tax deductions and tax credits. Two tax provisions in particular can have an enormous effect on final tax collections: net operating loss deductions and research tax credits. Each of these reduces aggregate tax liabilities by more than $1 billion per year. Corporations' use of these provisions in any given year is highly uncertain and highly variable, and each can increase or reduce CT revenue from one year to another by hundreds of millions of dollars.

Litigation. There are always major revenue-related lawsuits and tax agency proceedings that affect state revenues. At the time this report was prepared, the state was awaiting an upcoming state Supreme Court decision concerning the apportionment of income between states by multi-state corporations. If the state loses that lawsuit, its potential liability could be hundreds of millions of dollars or more. (A recent state disclosure to bond investors said the potential exposure to refund claims in this case could exceed $750 million.) On the other hand, a recent appellate opinion could require health plans (such as Blue Shield and Anthem Blue Cross) to start paying the state's insurance tax, with some net revenue gain possible for the General Fund. In cases like these, it is difficult to know how soon revenue gains or losses will materialize for the state. Large tax cases tend to result in long appeals and multiple proceedings spread out over many years. Our main scenario assumes no changes to state revenue due to these or other ongoing lawsuits and tax agency proceedings.

Chapter 3: Spending Outlook

Main Scenario Estimates Reflect Economic Assumptions. Figure 1 (see next page) displays our main scenario spending estimates through 2019-20. Our main scenario assumes that current spending laws and policies are not changed and that the economy grows steadily throughout the period. Should the economy fall into recession in the next few years, or if the economic growth pattern differs from our assumptions, spending in many programs could be very different. For example, state spending on Proposition 98 education programs depends on changes in personal income (a broad measure of the economy), local property taxes, and state General Fund revenues. Because we cannot precisely "predict" how these factors will change, Proposition 98 spending in the future could be quite different from that shown in the figure.

Moderate Spending Growth Under This Scenario. Under our main scenario, General Fund spending increases over the period at an average annual rate of 3.2 percent. Two key programs—Proposition 98 and Medi-Cal—experience very different growth patterns. General Fund spending on Proposition 98 programs grows slowly over the period at an average annual rate of 1.7 percent, largely due to two factors. First, the gradual expiration of Proposition 30's temporary taxes slows General Fund revenue growth over four fiscal years. Second, healthy growth in local property taxes offset state spending on Proposition 98. On the other hand, our main scenario reflects 7.6 percent average annual growth on Medi-Cal, the second largest General Fund program. The growth patterns in these two key programs explain the moderate General Fund spending growth reflected in our main scenario.

EDUCATION

Education Spending. In this section, we focus on Proposition 98, the universities, student financial aid programs, and child care programs. The Proposition 98 section estimates combined spending for a large portion of the state's subsidized preschool program, elementary and secondary education (commonly referred to as K-12 education), and the California Community Colleges. The next section estimates spending for the University of California and the California State University. The financial aid section estimates spending for the Cal Grant program, Middle Class Scholarships, and a few small specialized programs. The last section estimates spending for the rest of the state's preschool program as well as child care programs.

Proposition 98

Proposition 98 Minimum Guarantee for Schools and Community Colleges. State budgeting for schools and community colleges is governed largely by Proposition 98, passed by voters in 1988. The measure, modified by Proposition 111 in 1990, establishes a minimum funding requirement,

commonly referred to as the minimum guarantee. Both state General Fund and local property tax revenue apply toward meeting the minimum guarantee. In addition to Proposition 98 funding, schools and community colleges receive funding from the federal government, other state sources (such as the lottery), and various local sources (such as parcel taxes).

Calculating the Minimum Funding Guarantee. The Proposition 98 minimum guarantee is determined by one of three tests set forth in the State Constitution (see Figure 2). These tests depend upon several inputs, including changes in K-12 average daily attendance (ADA), per capita personal income, and per capita General Fund revenue. Though the calculation of the minimum

Figure 1

General Fund Spending Under LAO Main Scenario

Includes Education Protection Account (Dollars in Millions)

	Estimates		Outlook				Average Annual Growth[a]
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Education Programs							
Proposition 98[b]	$50,497	$49,444	$50,213	$52,110	$52,376	$52,992	1.7%
UC	2,991	3,136	3,261	3,391	3,527	3,668	4.0
CSU	2,763	2,988	3,121	3,257	3,393	3,534	4.3
Student Aid Commission	1,527	1,614	1,786	1,935	2,045	2,160	7.6
Child care[c]	822	942	950	965	984	1,005	1.7
Health and Human Services							
Medi-Cal	17,521	17,993	20,504	20,915	22,567	24,133	7.6
CalWORKs	619	588	266	178	135	127	-31.9
SSI/SSP	2,790	2,811	2,846	2,883	2,920	2,958	1.3
IHSS	2,193	2,802	2,788	2,883	3,008	3,140	2.9
DDS	3,130	3,496	3,550	3,651	3,760	3,920	2.9
DSH	1,498	1,537	1,542	1,546	1,551	1,551	0.2
Other major programs[d]	1,997	2,173	2,159	2,168	2,184	2,199	0.3
CDCR	9,499	9,530	9,500	9,523	9,549	9,568	0.1
Judiciary	1,409	1,511	1,515	1,548	1,580	1,613	1.7
CalSTRS	1,486	1,935	2,468	1,728	1,674	1,679	-3.5
Infrastructure Debt Service[e]	5,250	5,353	5,602	5,524	6,083	6,041	3.1
Proposition 2 Debt Payments[f]	—	227	1,593	1,550	1,368	1,016	—
Other Programs	9,347	7,183	7,454	8,048	8,642	9,272	6.6
Totals	**$115,340**	**$115,262**	**$121,119**	**$123,804**	**$127,345**	**$130,575**	**3.2%**
Percent change	—	-0.1%	5.1%	2.2%	2.9%	2.5%	—

[a] From 2015-16 to 2019-20.

[b] Reflects the General Fund component of the Proposition 98 minimum guarantee. Average annual growth in the minimum guarantee—the General Fund and local property tax revenue combined—is 2.9 percent over the period.

[c] Stage 1 child care costs included in CalWORKs. A portion of State Preschool costs is reflected in Proposition 98.

[d] Includes DHCS family health and state operations, DPH, DCSS, and DSS programs not itemized above. Smaller health and human services programs are included in "other programs."

[e] Debt service on general obligation and lease-revenue bonds generally used for infrastructure. Does not include: (1) lease-revenue debt service for community colleges, which is included under Proposition 98, or (2) UC's and CSU's debt service, which is included in their respective line items.

[f] For 2015-16, includes $96 million UC pension payment, $84 million loan repayment to the Transportation Investment Fund, and $47 million in interest on special fund loans. Other Proposition 2 debt payments in 2015-16 are reflected in revenues and transfers. Beginning in 2016-17, reflects our estimate of debt payments required under Proposition 2. The Legislature could choose to spend these amounts on additional special fund loan repayments, Proposition 98 "settle-up," or paying down unfunded liabilities for pension and retiree health benefits.

IHSS = In-Home Supportive Services; DDS = Department of Developmental Services; DSH = Department of State Hospitals; DHCS = Department of Health Care Services; DPH = Department of Public Health; DCSS = Department of Child Support Services; and DSS = Department of Social Services.

guarantee is formula-driven, a supermajority of the Legislature can vote to suspend the formulas and provide less funding than they require. This happened in 2004-05 and 2010-11. In some cases, including as a result of a suspension, the state creates an out-year obligation referred to as a "maintenance factor." The state is required to make maintenance factor payments when year-to-year growth in state General Fund revenue is relatively strong. Though in most years the state has provided an amount at or close to the minimum guarantee, the state has discretion to provide any amount above the minimum guarantee.

Figure 2

Constitution Sets Forth Three Tests for Calculating Proposition 98 Minimum Guarantee

Test 1—Share of General Fund. Ensures Proposition 98 programs receive at least 40 percent of state General Fund revenue. This test applies only when it results in a higher funding level than Test 2 or Test 3. Test 1 has been operative 4 of the last 27 years.

Test 2—Growth in Personal Income. Adjusts prior-year Proposition 98 funding for changes in K-12 attendance and per capita personal income. This test applies when higher than Test 1 but lower than Test 3. Test 2 has been operative 14 of the last 27 years.

Test 3—Growth in General Fund Revenue. Adjusts prior-year Proposition 98 funding for changes in K-12 attendance and per capita General Fund revenue. This test applies when higher than Test 1 but lower than Test 2. Test 3 has been operative 7 of the last 27 years.

Note: In 2 of the last 27 years, the state suspended Proposition 98.

2014-15 and 2015-16 Updates

2014-15 Minimum Guarantee Up $1.3 Billion From Budget Act Estimate. Of this amount, $889 million is covered by state General Fund and $409 million by higher local property tax revenue. Test 1 remains the operative test in 2014-15. Test 1, when coupled with maintenance factor application, results in the minimum guarantee going up virtually dollar for dollar with increases in General Fund revenue. As shown in Figure 3, the $904 million increase in applicable state General Fund revenue increases the minimum guarantee by $889 million. Part of this increase results from a higher required maintenance factor payment ($541 million). The remainder of the increase in the guarantee is due to an upward revision in local

Figure 3

Updating Estimates of 2014-15 and 2015-16 Minimum Guarantees

(Dollars in Millions)

	2014-15			2015-16		
	2015-16 Budget Plan	November LAO Estimate	Change	2015-16 Budget Plan	November LAO Forecast	Change
Minimum Guarantee						
General Fund	$49,608	$50,497	$889	$49,416	$49,444	$27
Local property tax	16,695	17,104	409	18,993	19,704	711
Totals	**$66,303**	**$67,601**	**$1,298**	**$68,409**	**$69,148**	**$739**
Key Information						
General Fund tax revenue[a]	$112,068	$112,972	$904	$116,619	$120,119	$3,500
K-12 average daily attendance	5,994,522	5,981,073	-13,449	5,995,889	5,974,494	-21,395
Operative test	1	1	—	3	2	—
Maintenance factor paid	$5,402	$5,942	$541	—	$195	$195

[a] Reflects General Fund revenue that counts toward the Proposition 98 calculation.

property tax estimates. A portion of the property tax revision ($243 million) is due to an increase in the amount of ongoing revenue shifted to schools and community colleges from the dissolution of redevelopment agencies. (The state dissolved these agencies in 2011 and provided for a gradual shift of their revenue to schools and other local governments as their debts are retired.) Higher-than-expected collections from several smaller components of property tax revenue account for the remainder of the increase. Although local property tax revenue normally offsets the General Fund share of Proposition 98 funding, Test 1 years are exceptions, with Proposition 98 funding increasing with increases in local revenue.

Spike Protection Results in Smaller Increase to Ongoing Funding Level. In most years, Proposition 98 funding builds upon the level provided in the prior year. This dynamic means that increases in the guarantee in one year usually carry forward and result in a comparable increase the next year. In 2014-15, however, only the increase associated with the maintenance factor payment carries forward into 2015-16. The remaining increase is excluded due to a provision in the State Constitution known as spike protection. This is intended to prevent very large one-time spikes in revenue from increasing the guarantee to an unsustainably high level moving forward. Since its adoption in 1990, spike protection has been applied to the guarantee twice (in 2012-13 and 2014-15).

2015-16 Minimum Guarantee Up $739 Million From Budget Act Estimate. Two main factors account for this increase. First, the $541 million maintenance factor payment from 2014-15 carries forward, increasing the 2015-16 guarantee by a similar amount. Second, we estimate that General Fund revenue is up $3.5 billion compared with the budget plan estimate. With Test 2 projected to be operative, the guarantee is determined largely by growth in per capita personal income and is not directly affected by changes in General Fund revenue. The additional revenue does, however, require the state to make a $195 million maintenance factor payment. Upon making this payment, the state will have eliminated its entire maintenance factor obligation, ending the year with no maintenance factor outstanding for the first time since 2005-06.

Further Changes in Revenue Would Have Little Effect on 2015-16 Guarantee. In 2015-16, the guarantee is relatively insensitive to changes in revenue. Under our main scenario, with Test 2 the operative test and no further maintenance factor payments required, the 2015-16 guarantee no longer depends directly on growth in state revenue. We estimate that General Fund revenue could increase by as much as $8 billion above our projections with no corresponding increase in the guarantee. Conversely, General Fund revenue could fall below our projections by as much as $4 billion with the only Proposition 98 effect being that the state no longer would be required to make the remaining $195 million maintenance factor payment in 2015-16. This dynamic contrasts notably with the situation in 2014-15, under which the guarantee changes nearly dollar for dollar with any change in state General Fund revenue.

Virtually All $739 Million Increase Covered With Higher Property Tax Revenue. Though the 2015-16 guarantee is up $739 million, the General Fund share of the guarantee is up only $27 million. Increases in local property tax revenue cover the remaining $711 million increase. About half of this amount ($334 million) is due to higher-than-expected ongoing revenue from the dissolution of redevelopment agencies. The remainder is due primarily to higher assessed property values. Whereas the budget plan assumed assessed values would grow statewide by 5.5 percent, the latest available data from county assessors indicates that the increase will be about 6 percent.

Drop in K-12 ADA Frees Up Some Funding Within Guarantee. Compared to budget act assumptions, we estimate K-12 ADA has fallen by about 13,000 in 2014-15 and by about 21,000 in 2015-16. Due to a two-year hold harmless provision in the State Constitution, these ADA declines do not affect the guarantees in 2014-15 and 2015-16. The ADA drops, however, reduce the cost of many educational programs, including the Local Control Funding Formula (LCFF), thereby freeing up roughly $300 million across the two years for other Proposition 98 priorities.

About $2.3 Billion Available for One-Time Purposes. For 2014-15 and 2015-16 combined, the minimum guarantee has increased a total of $2 billion (see Figure 3). Given the 2014-15 fiscal year is already over and districts are well into their 2015-16 fiscal year, this additional funding in practical terms is available for one-time purposes. Combined with the $300 million in ADA-related savings from 2014-15 and 2015-16, the state has about $2.3 billion to allocate for its one-time priorities. Over the past few years, the state has used one-time funding to support a range of activities including (1) implementation of the Common Core State Standards, (2) career technical education, (3) teacher training and support, and (4) paying down several outstanding K-14 obligations. As of the 2015-16 budget plan, the state had retired some of these latter outstanding obligations but had not entirely paid down the K-14 mandates backlog. In recent years, the state has reduced the K-14 mandates backlog considerably (by more than $4 billion), but we estimate the state still has an unaudited backlog of about $2 billion ($1.7 billion for schools and $300 million for community colleges).

2016-17 Budget Planning

2016-17 Guarantee $2.3 Billion Higher Than Revised 2015-16 Guarantee. We project the minimum guarantee will grow from $69.1 billion in 2015-16 to $71.4 billion in 2016-17, an increase of $2.3 billion (3.3 percent). Test 3 is operative, with the change in the guarantee driven primarily by projected growth in per capita General Fund revenue. Other factors affecting the guarantee include a slight decline in K-12 attendance (0.3 percent) and the requirement for the state to make a $618 million supplemental payment. (A state law requires a supplemental payment whenever Test 3 is operative and Proposition 98 funding would otherwise grow less quickly than the rest of the state budget.) Given the guarantee is still growing more slowly than our projected 5.3 percent growth in per capita personal income, the state creates a $1.1 billion maintenance factor obligation.

Two-Thirds of Increase Covered With Higher Local Property Tax Revenue. Of the $2.3 billion increase in the 2016-17 guarantee, the General Fund share is $770 million. A $1.5 billion increase in local property tax revenue covers the remainder of the increase in the guarantee, with local property tax revenue up 7.8 percent over the 2015-16 level. Two main factors account for this increase:

- ***Assessed Property Values Projected to Grow at Relatively Strong Rate.*** We project assessed values will increase by 6.3 percent in 2016-17, largely reflecting the strong recovery in the housing market that has occurred over the past several years. This growth rate equates to a $1.1 billion increase in local property tax revenue for schools and community colleges.

- ***Final Shift of Revenue From End of "Triple Flip."*** The triple flip is phasing out during the 2015-16 fiscal year, with the associated local property tax revenue beginning to flow back to schools and community colleges. The total revenue involved is about

$1.6 billion on an ongoing basis. Schools and community colleges will receive $1.2 billion of this amount in 2015-16 and the remainder (about $400 million) in 2016-17. (The triple flip was a complex financing mechanism under which the state diverted local sales tax revenue to pay off certain state bonds, backfilled cities and counties with property tax revenue, and backfilled schools and community colleges with state General Fund.)

$3.6 Billion Available for Proposition 98 Priorities in 2016-17 Under Main Scenario. As shown in Figure 4, the *2015-16 Budget Act* included $68.4 billion in spending to meet the minimum guarantee (as estimated at that time). Of this amount, $67.9 billion was ongoing spending and $551 million was one-time spending. Given projected growth in the 2016-17 guarantee to $71.4 billion, the state has $3.6 billion available for its 2016-17 Proposition 98 priorities.

2016-17 Guarantee Is Somewhat Sensitive to Changes in State General Fund Revenue. Whereas the 2014-15 guarantee was highly sensitive to changes in state General Fund revenue and the 2015-16 guarantee is highly insensitive to changes, the 2016-17 guarantee is moderately sensitive. Relative to our main scenario, a $1 increase or decrease in General Fund revenue in 2016-17 would cause a corresponding increase or decrease in the guarantee of about 50 cents. If General Fund revenue were to increase by $2 billion above our main scenario, the guarantee would increase by about $1 billion. (If revenue were to increase beyond this level, however, the guarantee would be unlikely to increase further. This is because Test 2 would become operative, with the guarantee then linked to per capita personal income rather than state revenue.) If General Fund revenue were to decline by $5 billion from our main scenario, the guarantee would decline by about $2.5 billion, dropping below the prior-year funding level.

In Past Several Years, State Has Minimized Risk by Designating Some Funding for One-Time Activities. Given the difficulty of predicting recessions, stock market slowdowns, and other events that can reduce General Fund revenue, the state over the past few years has dedicated some available Proposition 98 funding to one-time activities. If the guarantee falls below projections, the expiration of prior-year, one-time funding provides a buffer, reducing the likelihood of potential cuts to ongoing K-14 programs. Allocating a portion of available funding for one-time priorities would mitigate the effect of a decline

Figure 4

$3.6 Billion Increase in Proposition 98 Funding Projected for 2016-17

LAO Main Scenario (In Millions)

***2015-16 Budget Act* Spending Level**	**$68,409**
Back out one-time actions:	
Secondary school career technical education grants[a]	-$250
CCC mandate backlog	-117
CCC maintenance and instructional equipment	-100
K-12 Internet infrastructure grants	-50
K-12 mandate backlog	-31
CCC Cal Grant B administration	-3
Total One-Time Actions	**-$551**
2015-16 Ongoing Spending	**$67,858**
Annualize preschool slots[b]	$31
New Funds Available in 2016-17[c]	**$3,558**
2016-17 Minimum Guarantee	**$71,447**

[a] In 2015-16, this program received an additional $150 million from one-time funds.
[b] Funded beginning January 1, 2016.
[c] The state has committed to spend $300 million in 2016-17 for the second year of the secondary school career technical education grants. The state could cover this cost using any available Proposition 98 funding from any fiscal year.

in the guarantee from 2016-17 to 2017-18. For example, under the recession scenario we discuss in Chapter 4, General Fund revenue declines by nearly $8.5 billion (7 percent) from 2016-17 to 2017-18. (By comparison, during the last two recessions, the state experienced much larger year-over-year declines.) Under the recession scenario, the 2017-18 guarantee would experience a year-over-year decline of $4.6 billion. If the state were to designate some available 2016-17 funding for one-time activities, it would reduce the magnitude of potential reductions to ongoing programs in 2017-18.

Outlook for Later Years

Although both the Legislature and schools likely view near-term Proposition 98 issues as the most pressing, a number of significant issues unfold over the forecast period. Most notably, these issues include the phase out of the Proposition 30 taxes, the phase in of LCFF funding increases, and the cost pressures associated with increased contributions to the California State Teachers' Retirement System (CalSTRS). Members of the Legislature also have asked whether a deposit in the state school reserve might occur in the coming years, thereby triggering the associated caps on school district reserve levels. Below, we describe the Proposition 98 outlook through 2019-20 under our main scenario and examine the above issues in more detail.

Under Main Scenario, Guarantee in 2019-20 More Than $8 Billion Higher Than 2015-16. Figure 5 (see next page) shows our Proposition 98 projections under our main scenario from 2015-16 through 2019-20. As shown in the figure, Proposition 98 funding grows from $69.1 billion in 2015-16 to $77.5 billion in 2019-20, an annual average growth rate of 2.9 percent. General Fund costs grow more slowly, from $49.4 billion in 2015-16 to $53 billion in 2019-20. This slower growth in the General Fund share of Proposition 98 results from the relatively fast growth in local property tax revenue, which increases from $19.7 billion in 2015-16 to $24.5 billion in 2019-20. The average annual growth over the period is 1.7 percent for the General Fund and 5.6 percent for local property tax revenue.

Growth in Local Property Tax Revenue Covers Majority of Proposition 98 Increase. As shown in Figure 5, property tax revenue grows throughout the period. As described earlier, the large increases unfolding in 2015-16 and 2016-17 are due primarily to the end of the triple flip. From 2017-18 through 2019-20, increases are due primarily to our projection that assessed property values—the main driver of growth in local property tax revenue—will grow by about 5 percent per year. Though this rate is somewhat below our projections for 2015-16 and 2016-17, it is comparable to historical averages. This growth equates to additional revenue of about $900 million per year. In addition, we project that revenue shifted from the former redevelopment agencies will increase by about $340 million in 2017-18 and by about $170 million per year in 2018-19 and 2019-20. (A portion of these increases, however, are offset by increases in excess taxes, the share of local revenue that does not count toward the minimum guarantee.)

Slower Growth in Guarantee as Proposition 30 Revenue Phases Out. As shown in Figure 5, the growth in the guarantee is relatively strong in the near term, with the guarantee projected to grow by 3.3 percent in 2016-17 and by 4.4 percent in 2017-18. These increases outpace the projected K-14 cost-of-living adjustment (COLA) in both of these years (projected at 2 percent and 2.4 percent, respectively). Growth in the guarantee slows toward the end of the period, with the guarantee projected to grow by 1.6 percent in 2018-19 and 2.2 percent in 2019-20. These increases are less than the projected K-14 COLA in both years (projected at 2.5 percent

and 2.4 percent, respectively), meaning the state would have difficulty funding program expansions. The relatively low rate of growth in the guarantee in these years is due to the phase out of the income tax revenues associated with Proposition 30. Assuming the economy continues to expand, General Fund revenue and the minimum guarantee will continue to increase in those years, albeit at a relatively slow rate. (The sales tax portion of Proposition 30 phases out over the 2016-17 and 2017-18 fiscal years. The amount of revenue generated by the sales tax is relatively small compared with the income tax and has a smaller effect on the minimum guarantee.)

State Accumulates Increasingly Large Maintenance Factor Obligation Over Period. In our main scenario, strong growth in per capita personal income occurs over the period, with the annual increase exceeding 5 percent in three out of the four final years. When growth in per capita personal income exceeds growth in per capita General Fund revenue, Test 3 becomes the operative test for determining the minimum guarantee. Under our main scenario, Test 3 is operative from 2016-17 through 2019-20 and the state creates new maintenance factor each of these years. By 2019-20, the total amount of projected maintenance factor outstanding reaches $6.3 billion.

State Projected to Move Closer to Full LCFF Implementation by End of Period. In 2013-14, the

Figure 5

Proposition 98 Outlook

LAO Main Scenario (Dollars in Billions)

	2015-16	2016-17	2017-18	2018-19	2019-20
Minimum Guarantee					
General Fund	$49.4	$50.2	$52.1	$52.4	$53.0
Local property tax	19.7	21.2	22.5	23.4	24.5
Totals	**$69.1**	**$71.4**	**$74.6**	**$75.8**	**$77.5**
Change From Prior Year					
Total guarantee	$1.5	$2.3	$3.2	$1.2	$1.6
Percent change	2.3%	3.3%	4.4%	1.6%	2.2%
General Fund	-$1.1	$0.8	$1.9	$0.3	$0.6
Percent change	-2.1%	1.6%	3.8%	0.5%	1.2%
Local property tax	$2.6	$1.5	$1.3	$1.0	$1.0
Percent change	15.2%	7.8%	5.9%	4.3%	4.4%
Maintenance Factor					
Amount created (+)/paid (-)	-$0.2	$1.1	$0.1	$2.6	$2.1
Total outstanding[a]	—	$1.1	$1.3	$4.0	$6.3
Operative Test	2	3	3	3	3
Growth Rates					
K-12 average daily attendance	-0.1%	-0.3%	-0.3%	-0.5%	-0.3%
Per capita personal income (Test 2)	3.8	5.3	4.9	5.6	5.3
Per capita General Fund (Test 3)[b]	5.9	2.7	4.4	1.6	2.1
K-14 cost-of-living adjustment	1.0	2.0	2.4	2.5	2.4
Assessed property values	6.0	6.3	5.1	4.9	4.8
Public School System Stabilization Account Deposit?	No	No	No	No	No

[a] Outstanding maintenance factor grows each year with changes in K-12 attendance and per capita personal income.
[b] As set forth in the State Constitution, reflects change in per capita General Fund plus 0.5 percent.

state replaced most of its former school funding formulas with LCFF. In creating this new formula, the state set funding targets considerably higher than the 2012-13 funding levels and specified that the targets were to grow annually with the K-12 statutory COLA. Given the higher funding targets, the state phased in LCFF implementation, with full implementation expected in 2020-21. In 2013-14, LCFF was 72 percent funded. For 2015-16, we estimate LCFF is 90 percent funded. Under our main scenario, we estimate LCFF would be 96 percent funded by 2019-20 if the state dedicated increases in the minimum guarantee largely to LCFF. (Our estimate assumes the state creates no new categorical programs throughout the period but provides growth and COLA to most existing K-12 programs. We also assume community colleges receive 10.8 percent of the available Proposition 98 funding, consistent with their share of the guarantee under the 2015-16 budget plan.) Given the relatively high growth in the guarantee through 2017-18 and the relatively slow growth thereafter, virtually all of the progress toward LCFF implementation would occur by 2017-18.

CalSTRS Rate Increases Phasing In Over Period. State law ramps up school and community college districts' CalSTRS contributions over the period. As scheduled in state law, district contribution rates increase from 10.7 percent of payroll in 2015-16 to 18.1 percent by 2019-20. Based on CalSTRS' estimates, district costs will be nearly $3 billion higher in 2019-20 than 2015-16. Under our main scenario, the minimum guarantee grows more than $8 billion over the same period. Under the recession scenario we develop in Chapter 4 of this report, however, growth in the minimum guarantee would be less than the estimated increase in CalSTRS costs. (The final year of the CalSTRS increase is 2020-21—one year beyond the end of our forecast period—when district contributions will reach 19.1 percent of payroll.)

No Deposit Into Public School System Stabilization Account (PSSSA) Projected. Proposition 2, approved by voters in November 2014, created a new state reserve known as PSSSA. A related state law imposes a cap on school district reserves in the year after the state makes a deposit into the state reserve. Deposits are predicated on several conditions, including a requirement for the state to have paid off all maintenance factor created before 2014-15. Though we project this condition will be satisfied in 2015-16, we do not anticipate the state will meet the other conditions during the period. For example, a deposit requires the minimum guarantee to be growing more quickly than per capita personal income, but under our main scenario the guarantee would grow at a slower rate throughout the period. To meet all of the conditions in any year of the forecast period, the state very likely would need to experience a year-over-year revenue surge of at least several billion dollars relative to our projections. Absent such a surge, a deposit into the PSSSA would not occur and the local reserve cap would not take effect.

Universities

State Has Two Public University Systems. The University of California (UC) educates about 248,000 full-time equivalent undergraduate and graduate students at ten campuses. The California State University (CSU) educates about 378,000 full-time equivalent undergraduate and graduate students at 23 campuses. (These counts include resident and nonresident students.) Both university systems receive support for their core programs from a combination of state General Fund and student tuition revenue. In 2014-15, UC received $3 billion in state General Fund and $2.8 billion in student tuition revenue. That same year CSU received $2.8 billion in state General Fund and $2.1 billion in student tuition revenue.

Certain Components Excluded From Our University Forecast. We use UC's and CSU's main General Fund appropriation as a starting point for our forecast but back out the one-time $96 million payment provided in 2015-16 for UC's outstanding pension liabilities. Our university forecast also does not include cost increases for CSU retiree health and pension contributions, as we forecast these as part of overall state employee costs. (The state only provides specific augmentations to cover pension rate adjustments relative to CSU's 2013-14 payroll level, with CSU expected to cover any other pension cost increases from its base budget.) We also exclude one-time deferred maintenance funding for UC and CSU. (We display that funding in 2015-16 under "other programs" in Figure 1.) Lastly, we exclude Hastings College of the Law from our university forecast, as the state provides less than $15 million General Fund annually for the college. We combine Hastings College of the Law with other relatively small state programs and run one consolidated forecast for these programs.

Challenges in Running Current Law Forecast for UC and CSU. Whereas the State Constitution, state law, and federal law notably constrain some areas of the state budget (for example, K-14 education and health care), they do not notably constrain budgeting for UC and CSU. In any given year, the Legislature and the two university systems have significant discretion in deciding both what cost increases to fund and how to fund those increases (whether through the General Fund or tuition revenue).

Assumptions Underlying UC and CSU Forecast Based Largely on Current State Practice. Given these challenges, our university forecast relies primarily on current practice rather than current law. In some university budget areas, including general purpose base increases and certain lease-revenue payments, the state has acted somewhat consistently in recent years, such that past practice appears to be a reasonable indicator of future action. Though most of our assumptions are based on recent past practice, in a few areas—notably enrollment growth—we have had to use our judgment because the state's recent actions have been somewhat inconsistent. For example, over the last ten years, the state has sometimes set enrollment expectations and funded associated growth, sometimes set enrollment expectations but required UC and CSU to fund the associated growth from base increases, and sometimes not set enrollment expectations but UC and CSU nonetheless increased enrollment. Below, we lay out our key forecast assumptions, and, when applicable, note any heightened degree of uncertainty surrounding an assumption.

Assume Base Increases for UC and CSU Through 2019-20. The state has provided general purpose base increases to UC and CSU in each of the last three years. In 2013-14 and 2014-15, UC and CSU received about the same size general purpose increases, whereas in 2015-16 they received notably different ongoing base increases. Because the Legislature has provided base increases the past few years, we assume that UC and CSU will continue to receive base increases from 2016-17 through 2019-20. Though state action regarding the size of these increases has not been entirely consistent the past three years, we assume UC and CSU receive the same dollar increases. Specifically, we calculate base augmentations for both university systems by increasing UC's General Fund appropriation by 4 percent annually. We assume UC and CSU would cover increases in operational costs and most facility debt-service costs using these augmentations.

Assume Future Enrollment Growth Funded From Base Increases. As with other operational cost increases, we assume any enrollment growth beyond *2015-16 Budget Act* expectations would be funded from base increases. This is consistent

with state practice over the past three years. (For 2015-16, we assume both segments meet their enrollment growth expectations and UC receives the corresponding $25 million set forth in the budget act.) An upcoming freshman eligibility study, due to the Legislature in December 2016, may influence future budgetary decisions regarding enrollment. Until that study is released, estimating enrollment changes required to meet UC's and CSU's traditional eligibility pools is guesswork.

Assume Lease-Revenue Debt Payments to CSU. For 2016-17 and 2017-18, we assume CSU receives additional funding to cover projected increases in its lease-revenue debt service. This assumption is based on a previously agreed upon four-year schedule of increases, for which the Legislature has implemented the first two years of increases. For the last two years of the forecast period, we assume CSU covers all debt-service increases from within its base increases, consistent with our general debt-service assumption for both segments.

Assume No Tuition Increases. Over the last three years, the state General Fund has covered virtually all authorized UC and CSU cost increases. Moving forward, we assume the General Fund continues to bear the full cost, with no increase in student tuition levels. Under such a forecast, student tuition levels, already flat since 2011-12, would remain so through 2019-20 (nine consecutive years). This would be the longest period of flat tuition in many decades. Though it would be a particularly long period, extended tuition freezes are not entirely unprecedented. For example, the universities did not raise tuition from 1995-96 to 2001-02. Though we assume no increase in tuition under our main scenario, future decisions regarding tuition are uncertain. In some years past, the Legislature has raised tuition levels and General Fund support simultaneously whereas in other years it has raised tuition levels and reduced state funding. Such future decisions could impact university spending significantly.

Under LAO Outlook, University Spending Grows by $258 Million in 2016-17. Under our main forecast, UC General Fund spending grows to almost $3.3 billion from 2015-16 to 2016-17, an increase of $124 million (4 percent). Spending for CSU grows to $3.1 billion, an increase of $133 million (4.5 percent). Over the forecast period, UC and CSU spending continues to increase steadily, reaching $3.7 billion at UC and $3.5 billion at CSU in 2019-20. Given the various factors highlighted above, actual university spending in any given year could differ significantly from the amounts shown under our projections.

Financial Aid

The California Student Aid Commission (CSAC) is responsible for administering most state financial aid programs. The largest aid program CSAC administers is the Cal Grant program, which serves about 360,000 undergraduate students. This program primarily is funded with a combination of state General Fund and federal Temporary Assistance for Needy Families (TANF) monies. Other notable CSAC programs supported by the General Fund include Middle Class Scholarships and student loan assumption programs.

Key Assumptions for Forecast Period. For Cal Grants, we assume (1) annual participation growth of 5 percent; (2) the continued phase-in of awards for Dream Act students, with the program reaching full implementation in 2016-17; (3) the renewal of additional competitive awards (the state issued 3,250 additional new competitive awards in 2015-16); and (4) reductions in awards for students attending nonprofit colleges, with statutorily authorized reductions scheduled to take effect in 2017-18 and 2018-19. We also assume the state continues to use the same amount of federal TANF funds to offset a portion of General Fund Cal

Grant costs. Additionally, we assume the continued phase-in of Middle Class Scholarship awards and the continued phase-out of all loan assumption programs. We assume no tuition increases at the universities. If tuition were raised during the forecast period, Cal Grants costs would be higher than reflected in Figure 1. For each 1 percent increase in tuition at UC and CSU, annual Cal Grant Costs would be $16 million higher.

Under Forecast, General Fund Financial Aid Costs Increase by $172 Million in 2016-17. Under our outlook, financial aid costs grow from $1.6 billion in 2015-16 to $1.8 billion in 2016-17—growth of $172 million (11 percent). Of this amount, $142 million reflects higher General Fund Cal Grant costs. Of the Cal Grant cost increases, $102 million reflects participation growth, $25 million is continued phase-in of Dream Act awards, and $14 million is higher renewal costs for competitive awards. In addition, we estimate cost increases of $34 million for Middle Class Scholarships and savings of $3.8 million for loan assumption programs.

Costs Over Period Very Sensitive to Assumption About Cal Grant Participation. Of the cost increases estimated for 2016-17, about 60 percent is attributable to assumed growth in Cal Grant participation. Over the rest of the period, our financial aid forecast remains very sensitive to assumptions about Cal Grant participation. Though we assume 5 percent annual growth based on a historical ten-year average, Cal Grant participation has risen even more quickly over the last three years, with an average annual growth rate of 10 percent. The recent rise in participation is due in part to efforts to increase the number of high schools electronically submitting grade point averages (GPAs) for all students. (Submitting a GPA is a requirement to apply for the Cal Grant high school entitlement award.) Additional factors likely are contributing to the increase, including continued improvements in outreach and administrative procedures at both the state and campus levels. If Cal Grant participation were to grow by 10 percent rather than 5 percent each year of the forecast period, annual financial aid costs in 2019-20 would be $2.7 billion rather than $2.2 billion.

Child Care

The state provides subsidized child care for families participating in California Work Opportunity and Responsibility to Kids (CalWORKs) and some other low-income, working families. Generally, CalWORKs families progress through three consecutive "stages" over the course of several years, with Stage 1 intended for families seeking employment, Stage 2 for families that have gained stable employment and are transferring off of cash assistance, and Stage 3 for families who have been off of cash assistance for at least two years. Our child care forecast includes expenditures for CalWORKs Stage 2 and Stage 3 care as well as non-CalWORKs care. We include Stage 1 costs in our CalWORKs forecast and a large portion of the State Preschool program in our Proposition 98 forecast.

Under Forecast, Child Care Costs Increase by Net of $8 Million in 2016-17. We project child care spending to increase from $942 million in 2015-16 to $950 million in 2016-17, an increase of less than 1 percent. The small increase in 2016-17 costs is the net result of several factors, including higher costs for annualizing rate and slot increases begun during 2015-16 and applying a 2 percent statutory COLA to non-CalWORKs programs. These higher costs are offset by the removal of prior-year, one-time funding as well as a small reduction reflecting a 0.5 percent decrease in the birth-to-four population in California. (State law specifies that non-CalWORKs child care programs be adjusted annually based on the change in this group.)

Child Care Costs Grow Steadily Throughout Remainder of Forecast Period. We project that annual child care costs will increase to about $1 billion by 2019-20. The bulk of this increase is due to our assumption that the state provides non-CalWORKs child care programs an annual statutory COLA. Over the period, the projected COLA rates range from a low of 2 percent in 2016-17 to a high of 2.5 percent in 2018-19. The average annual cost of the COLA is $17 million. (The birth-to-four population is projected to continue declining over the period, with the group 1 percent smaller in 2019-20 compared to 2016-17.)

California in Midst of Responding to New Federal Requirements. In addition to state General Fund, subsidized child care programs receive funding through the federal Child Care and Development Block Grant (CCDBG). In 2015-16, California received $573 million in CCDBG funding. The federal government reauthorized the CCDBG act in 2014—creating a new set of requirements for states. Most notably, the act changed how states are to set provider reimbursement rates, how frequently states are to inspect providers, and how much states must spend on activities designed to improve the quality of child care. The U.S. Department of Health and Human Services and states still are working out how to interpret and implement some of these new requirements. Decisions that (1) the federal government makes in developing associated regulations, (2) California makes in developing its required CCDBG state plan, and (3) the Legislature makes in implementing the new state plan all could have significant impact, affecting state costs and/or children served.

HEALTH AND HUMAN SERVICES

Overview of Health Services Provided. California's major health programs provide health coverage and additional services for various groups of eligible persons—primarily poor families and children as well as seniors and persons with disabilities. The federal Medicaid program, known as Medi-Cal in California, is the largest state health program both in terms of funding and number of persons served. The Medi-Cal population has grown substantially since January 2014, reflecting an expansion of those eligible for Medi-Cal and a streamlining of eligibility requirements under the Patient Protection and Affordable Care Act (ACA), also known as federal health care reform. In addition, the state supports various public health programs. Although state departments oversee the management of these programs, the actual delivery of many services is carried out by counties and other local entities. Health programs are largely federally and state funded.

Overview of Human Services Provided. The state provides a variety of human services and benefits to its citizens. These include income maintenance for the aged, blind, and disabled; cash assistance and welfare-to-work services for low-income families with children; protection of children from abuse and neglect; the provision of home-care workers who assist the aged and disabled in remaining in their own homes; and community services and state-operated facilities for the mentally ill and developmentally disabled. Although state departments oversee the management of these programs, the actual delivery of many services is carried out by county welfare and child support offices, and other local entities. Most human services programs have a mixture of federal, state, and county funding.

Overall Spending Trends. The 2015-16 budget provides $31.7 billion in General Fund spending for health and human services (HHS) programs.

We now estimate that these General Fund costs will be slightly lower—by a net of $150 million—in part reflecting lower caseloads than assumed by the budget for the CalWORKs population. Based on current law requirements, we project that General Fund spending for HHS programs will increase to $33.8 billion in 2016-17 and $34.4 billion in 2017-18. The significant growth in 2016-17 primarily reflects higher General Fund Medi-Cal spending, due mainly to the assumed repeal of the managed care organization tax as of 2016-17 and the inception of a state share of costs for the optional Medi-Cal expansion population under federal health care reform beginning in 2016-17. We assume that spending for HHS programs will eventually reach $38.2 billion in 2019-20 in our main economic scenario. Again, the bulk of the spending growth in the later years of the outlook reflect growth in Medi-Cal spending, due primarily to medical cost inflation and the increasing state share of costs for the optional Medi-Cal expansion population.

Although the average projected annual increase in HHS spending from 2015-16 through 2019-20 is about 5 percent, there is substantial variation in spending growth rates by program. For example, over these years, General Fund spending growth for Medi-Cal averages 7.6 percent per year, while the Supplemental Security Income/State Supplementary Program (SSI/SSP) is projected to grow modestly, with average annual growth of 1.3 percent. General Fund spending for the CalWORKs program is projected to substantially decline at an average annual rate of 32 percent, reflecting both projected caseload declines as well as the infusion of non-General Fund funding sources to support the program, as discussed further below.

Relatively Lower Caseload Growth in Some Programs Reduces Cost Pressures. The recession in the latter part of the 2000s raised unemployment and reduced income, resulting in historically high numbers of Californians enrolling in certain state HHS programs. As a result, caseload growth for several HHS programs from 2007-08 (the beginning of the recession) to 2011-12 (post-recession) was well above historical trends. Our main economic scenario assumes employment growth over the next four years, although at a slowing annual rate. Accordingly, our caseload projections for several HHS programs reflect substantially lower growth rates compared to the experience of the recent recessionary years, and in some cases—such as CalWORKs—we are anticipating caseload *declines* under our main economic scenario over some or all of the forecast period. This in turn reduces costs pressures.

Below, we discuss spending trends in the major HHS programs.

Medi-Cal

Overall Spending Trends. We estimate 2015-16 General Fund spending for Medi-Cal local assistance will be about $18 billion—0.3 percent (or $47 million) lower than what was assumed in the *2015-16 Budget Act*. This mainly reflects lower spending on the Applied Behavioral Analysis benefit as a result of updated caseload and rate information. Our 2015-16 estimate also assumes that the President's executive actions on immigration (discussed in more detail later in this report) will not be implemented. General Fund support increases 14 percent to $20.5 billion in 2016-17, largely as a result of underlying program growth and the loss of savings associated with the managed care organization (MCO) tax, which is assumed to expire without replacement at the end of 2015-16. Over the period of our outlook, other significant spending drivers include underlying program growth in caseload and per-enrollee costs, higher costs associated with the newly eligible population under the ACA (the so-called "optional expansion" population), and a decrease in federal funding for the Children's Health Insurance Program (CHIP).

Caseload Has Continued to Climb Steeply. In June 2015—the most recent month for which enrollment counts may be considered nearly complete—total Medi-Cal caseload was over 12.6 million. This includes over 3 million individuals who became newly eligible for Medi-Cal under the optional ACA expansion. Total enrollment in June 2015 represents a net increase of roughly 1.3 million (or 11 percent) from total enrollment in June 2014. This is significant year-over-year growth, and may in part reflect a sustained boost in Medi-Cal uptake and retention under the ACA (such as enrollment simplification and outreach).

Delayed Redeterminations Likely Explains Some of Growth . . . We believe a major factor behind the persistent rise in caseload are ongoing delays and restrictions in the ability of counties to process and, when appropriate, terminate eligibility for many Medi-Cal enrollees during their annual redetermination. As an example, from January 2014 through June 2015, certain segments of the families and children population grew between 3 percent and 4 percent *monthly*. These same segments grew at similar rates *annually* between 2010-11 and 2012-13 (the period of sluggish economic recovery leading up to ACA implementation). We suspect the present high growth rates are partly the result of many enrollees failing to *exit* the program—even as their incomes rise above maximum eligibility thresholds—while new individuals continue to *enter* the rolls each month. Our communications with counties suggest their caseworkers continue to face significant barriers to completing redeterminations on a timely basis. These include technical challenges with the state's new automation system for Medi-Cal eligibility and current litigation that blocks the state from terminating coverage for many individuals who fail to respond to the annual redetermination. In most cases, counties experiencing delays in redeterminations are required to grant continued eligibility for enrollees during the interim.

. . . Which Outlook Assumes Will Be Resolved in 2016-17. Our outlook assumes a large portion of 2015 redeterminations have *not* yet occurred for the optional expansion population, nor for those subgroups of families caseload that continue to exhibit uncharacteristic rapid growth. We further assume counties, beginning January 2016, will be able to process all pending redeterminations on their proper monthly schedule, as well as discontinue coverage for all individuals who have lost eligibility or failed to respond. Because we assume redetermination delays have led to a progressive buildup of ineligible enrollees remaining on the program, the net effect of our adjustments for catching up with redeterminations—combined with the underlying economic and historical trends modeled in our outlook—is a temporary, accelerated *decline* in families enrollment. Specifically, we project families enrollment will drop by 260,000 (or 3.5 percent) in 2016-17, and further decline by 50,000 (or less than 1 percent) in 2017-18. We adopt a similar approach in projecting the optional expansion caseload. While there is likely to be some additional growth among the optional expansion during the near term, particularly as counties address their redetermination backlog, we expect this growth to slow somewhat in the out-years. We estimate optional expansion enrollment will be roughly 3 million in 2016-17.

We caution that there is considerable uncertainty in estimating how redetermination delays have impacted caseload to date, as well as projecting when the major issues—such as technical challenges and litigation—will be resolved in the future. If we have overestimated the extent of the redeterminations backlog, and/or if the backlog lasts beyond 2016, then actual enrollment among the optional expansion and families population will likely exceed our projections.

Senior and Disabled Caseload Projected to Rise. We assume enrollment among seniors and disabled persons will grow at their historical annual rates of 3 percent and 2 percent respectively, translating to about 25,000 enrollees per year in each category.

Projected Growth in Managed Care and Fee-for-Service (FFS) Expenditures. The fundamental sources of growth in Medi-Cal spending are changes in caseload and per-enrollee costs. The latter is dependent on growth in health care prices paid by the program. For example, each year the state's actuaries certify *capitated* rates (fixed monthly, per-enrollee payments regardless of the number of services enrollees actually use) paid to Medi-Cal managed care plans. Generally, the actuaries use plan-specific historical data on utilization and costs to develop capitated rates, and incorporate assumptions about medical inflation and other cost trends. This rate-setting process generally results in capitated rates that increase by several percentage points annually.

We estimate *overall* expenditures in managed care will grow by about 1.5 percent in 2016-17 and nearly 4 percent in 2017-18, then resume their historical course of roughly 5 percent annual growth in the out-years. The estimated initial slowdown in managed care spending for 2016-17 mainly reflects the projected drop in families enrollment discussed above. Our outlook assumes *per-enrollee* costs in managed care will grow around 4 percent in both 2016-17 and 2017-18. These projections are subject to considerable uncertainty, particularly if future movements in capitated rates differ substantially from recent historical trends. Our outlook also assumes overall FFS expenditures will grow by about 4 percent in both 2016-17 and 2017-18.

Growth in Medicare Premiums. Medi-Cal pays for Medicare premiums for those Medi-Cal enrollees who are dually eligible for both programs (known as "dual eligibles"). The *2015-16 Budget Act* included over $3 billion in General Fund spending for dual eligibles' Medicare premiums. The Board of Trustees for Medicare has projected relatively high rates of growth in Medicare premiums over the next several years. In line with these projections, our outlook assumes the cost of paying for Medicare premiums will grow by roughly 7 percent to 9 percent annually from 2015-16 through 2019-20. This results in General Fund spending on dual eligibles' Medicare premiums of over $4 billion by 2019-20.

State Share of Cost for Optional Expansion Begins in 2017. From 2014 through 2016, the federal government pays 100 percent of the costs for the optional expansion. The federal share will decline from 2017 through 2020, with the state eventually paying 10 percent of costs. Accordingly, our outlook assumes General Fund costs associated with this population of roughly $500 million in 2016-17, growing to over $1.5 billion in 2019-20. There is a significant uncertainty in these estimates, which ultimately depend on the number of new enrollees and the associated per-enrollee cost. As discussed above, the size of this population is partly dependent on the resolution of the redetermination backlog. Additionally, the majority of newly eligible enrollees are enrolled in Medi-Cal managed care plans that receive capitated rates for covering these individuals. The rates paid to managed care plans for the optional expansion have decreased since the start of the expansion, mainly because actual utilization and costs among this population has turned out lower than initially assumed. We assume further but smaller decreases in rates for the optional expansion in 2016-17 and 2017-18, and increases in subsequent years in line with general growth in capitated rates.

CHIP Federal Funding. CHIP is a joint federal-state program that provides health coverage to children in low-income families, but

with incomes too high to qualify for Medicaid. In California, both CHIP and Medicaid coverage are provided through Medi-Cal. The ACA authorizes an increase in the federal share of cost for CHIP from 65 percent to 88 percent from October 1, 2015 through September 30, 2017. On a full-year basis, this results in General Fund savings of over $600 million. There is also the potential for the enhanced share to continue through September 30, 2019, if Congress appropriates additional funding. However, as funding for the enhanced share has only been appropriated through September 30, 2017, our outlook assumes the higher amount of federal funding ends on September 30, 2017.

Outlook—Based on Current Policy—Assumes Loss of Offset From MCO Tax . . . The MCO tax leverages federal Medicaid funds that offset General Fund spending for Medi-Cal local assistance by over $1.1 billion in 2015-16. Under existing law, the tax expires on July 1, 2016. The federal government recently issued guidance that California's current MCO tax is likely incompatible with federal Medicaid requirements. Therefore, in order to continue having an MCO tax that leverages federal funds to offset General Fund costs beyond 2015-16, the state would have to enact a new, restructured tax that complies with federal requirements. While the Legislature has considered different approaches to structuring a permissible MCO tax that generates $1.1 billion in General Fund offset, to date it has not enacted legislation to authorize such a replacement. Our outlook assumes the current tax expires at the statutory deadline without replacement. In 2016-17 and future years, this assumption leads to a $1.1 billion increase in Medi-Cal General Fund spending compared to 2015-16.

. . . But Continuation of Coordinated Care Initiative (CCI). The CCI is a seven-county demonstration project consisting of three main components: (1) optional enrollment of dual eligibles into managed care plans that integrate their Medi-Cal and Medicare benefits (known as "Cal MediConnect"); (2) mandatory enrollment of dual eligibles into managed care for their Medi-Cal benefits; and (3) making Medi-Cal-funded long-term services and supports, including In-Home Supportive Services (IHSS), available exclusively through managed care. As part of CCI, the state made several other major changes to IHSS, including the creation of a county maintenance-of-effort (MOE) requirement. (We discuss this further in the write-up for our IHSS outlook.) Enrollment for CCI began in April 2014 and will continue through July 2016. Over 117,000 dual eligibles are currently enrolled in Cal MediConnect, and the state continues to implement the demonstration and plans to conduct an evaluation at the end of the pilot. Current law requires CCI to demonstrate net General Fund savings—as estimated by the Department of Finance (DOF)—to remain operative each fiscal year. Based on how DOF has performed the calculation in prior fiscal years, it appears CCI is at risk of failing to meet this current-law requirement in 2016-17 due to the assumed loss of associated MCO tax revenue and the remaining upfront costs of implementation. Notwithstanding these near-term factors that make achieving net savings challenging in 2016-17, we estimate that after the upfront costs are fully phased out by 2017-18, CCI has the potential to generate ongoing General Fund savings in Medi-Cal over the longer term up to the low hundreds of millions of dollars annually—even without the MCO tax. Given the current implementation status of CCI and the potential for savings in future years, we assume CCI continues to be implemented throughout the outlook period.

In-Home Supportive Services

General Fund expenditures for IHSS are estimated to be $2.8 billion in 2015-16, and remain at about the same level in 2016-17. Beginning in 2017-18, we project that IHSS expenditures will increase by about $100 million annually—reaching over $3.1 billion by 2019-20. The primary drivers of increasing costs in IHSS over the outlook period are caseload growth (which we project to be 4 percent per year) and two primary factors exerting upward pressure on IHSS providers' compensation. These factors are: (1) compliance with new federal labor regulations that require the state to pay overtime compensation and for other newly compensable work activities, and (2) anticipated wage and benefit increases for IHSS providers negotiated through the collective bargaining process and through a statutory minimum wage increase. The level spending estimated between 2015-16 and 2016-17 is the result of these increasing costs being offset by two main factors: (1) the assumed elimination of General Fund spending authorized on a one-time basis in the 2015-16 budget to restore the service hours associated with the previously enacted 7 percent reduction in IHSS hours, and (2) estimated annual increases in the county contribution to the IHSS program that reduce the state share of cost in IHSS.

Compliance With New Federal Labor Regulations Increases Costs. The 2015-16 budget included partial-year funding to implement new federal labor regulations that require states to (1) pay overtime compensation to IHSS providers for all hours worked that exceed 40 in a week, and (2) compensate IHSS providers for time spent waiting during medical appointments and traveling between the homes of IHSS recipients. These regulations were challenged in federal court, but were ultimately validated and are expected to begin implementation on February 1, 2016. Current state law limits the number of hours a provider may work per week and grants the Department of Social Services the authority to terminate the provider for continued violation of the hour limits. For the three months following the expected February 1, 2016 implementation date, however, state law authorizes a "non-enforcement period," during which these statutory requirements will not be enforced. That is, during the non-enforcement period, providers who work beyond the statutory limits will be compensated for the overtime worked and the department will not consider this to be a violation of the hour limits. Although the funding included in the 2015-16 budget assumed an October 2015 implementation start date, at the time of this publication, it is unclear whether delayed implementation to February 2016 would result in one-time General Fund savings in 2015-16. This is because there is uncertainty surrounding whether the state would ultimately be responsible for retroactively compensating providers for overtime worked prior to February 2016. Additionally, if the state is required to retroactively compensate providers *and* the non-enforcement period lasts longer than anticipated, IHSS program costs could be higher than we project in 2015-16. Due to the uncertainty surrounding implementation, our projections do not include one-time savings from delayed implementation. We estimate that complying with new federal regulations affecting IHSS providers will be about $360 million annually, once fully implemented in 2016-17.

Future Wage and Benefit Increases. The state's minimum wage is set to increase from $9 to $10 beginning January 1, 2016, at an estimated annual General Fund cost of about $72 million. In addition, we project that provider wages and benefits will grow through the collective bargaining process. Currently, most counties negotiate wages and benefits at the county level. By the end of 2016-17, however, the seven counties participating in the CCI will have transitioned to statewide

collective bargaining. If statewide collective bargaining in CCI counties leads to faster wage and benefit growth in these counties, then IHSS program costs could be higher than our outlook projects.

Ongoing Funding Source to Restore Hours From Prior-Year 7 Percent Reduction of Hours Uncertain. Because the General Fund monies included in the 2015-16 budget to restore IHSS service hours that had been reduced by 7 percent in prior-year budget reductions were one-time in nature, our projections assume the elimination of this one-time General Fund spending in 2016-17—resulting in annual General Fund savings of approximately $230 million. Both the Legislature and the Governor have stated their intent to continue this restoration of service hours beyond 2015-16 with the use of an alternative funding source. If an alternative funding source is not found in 2016-17, and the Legislature chooses to again support the 7 percent restoration with General Fund, the cost would be about $230 million per year (growing with caseload increases in the out-years).

Current County Costs of IHSS Tied to CCI. As discussed in the Medi-Cal section of this report, we assume CCI continues to be implemented throughout the outlook period. We noted, however, that CCI is at risk of failing to meet a current-law requirement to annually demonstrate net General Fund savings in 2016-17. Should CCI be unwound because of this, there are implications for IHSS. Specifically, the end of CCI would also eliminate the IHSS county MOE requirement. The county MOE generally sets counties' contributions to IHSS at their 2011-12 levels, and increases the contributions annually by 3.5 percent plus a share of any wages and benefits subsequently negotiated at the county level. If CCI and the county MOE become inoperative, counties' contributions to IHSS would return to the contribution levels in place prior to CCI—about 35 percent of the nonfederal share of IHSS program costs. This increase in county contributions to IHSS costs could decrease our projected state share of cost for the IHSS program by hundreds of millions of dollars annually in the out-years.

Developmental Services

We estimate that General Fund spending for the Department of Developmental Services (DDS) will total about $3.5 billion in 2015-16. We project that expenditures will increase by about $50 million in 2016-17 and reach a total of about $3.7 billion by 2017-18. These projected expenditure increases are mostly due to cost increases for community services resulting from (1) a growing caseload (we project 3.5 percent annual growth) and (2) increased costs per consumer. The increased costs per consumer in the community are higher due in part to changes in service utilization, the full-year impacts of the state's minimum wage increase (effective January 2016), as well as compliance with new federal labor regulations regarding overtime pay for home care workers. These estimated expenditure increases are partially offset by three main factors. First, we assume reduced costs in DDS for the purchase of Behavioral Health Treatment (BHT) services. Medi-Cal managed care plans began providing these services to beneficiaries in September 2014. For existing consumers receiving BHT services covered by DDS, we assume these benefits will instead be provided by Medi-Cal managed care plans and expenditures will transition to the Department of Health Care Services budget starting in the spring of 2016. Second, we assume reductions in spending for developmental centers (DCs) as a result of individuals transitioning from the DCs to the community, including all consumers at Sonoma DC by the end of 2018 due to the facility's anticipated closure. The *2015-16 Budget*

Act reflects the state's intent to develop and initiate closure plans for the remaining DCs (with the exception of the secure treatment area of Porterville DC), with the last closure planned for 2021. Finally, we assume less spending in 2016-17 and ongoing due to the one-time impact of about $62 million in General Fund costs assumed in the *2015-16 Budget Act* associated with prior-year shortfalls.

Uncertain Federal Medicaid Funding for DCs. We assume that DDS will maintain federal Medicaid funding for most (22 of 26) of the Intermediate Care Facility (ICF) living units at Sonoma, Porterville, and Fairview DCs that have been found by the Department of Public Health to be out of compliance with federal certification requirements. This assumption, however, is subject to some uncertainty. The *2015-16 Budget Act* included General Fund spending to backfill lost federal funding associated with four decertified ICF units at Sonoma DC, and our outlook assumes the continuation of the General Fund backfill in subsequent years. However, the state entered into a settlement agreement with the federal government, effective June 30, 2015, to continue federal funding for up to two years related to the remaining seven ICF units at Sonoma DC contingent on DDS meeting several conditions. The state is in similar discussions with the federal government to continue federal funding related to 15 decertified ICF units at Fairview and Porterville DCs. If DDS is unable to meet the requirements of the settlement agreement or is unable to negotiate continued federal funding at the three DCs, then the state could lose additional federal Medicaid funding associated with the decertified ICF units over the outlook period. In such circumstances, the General Fund could be called upon to backfill the additional lost federal funding.

Other Looming Fiscal Pressures. In addition to the potential loss of federal funds related to decertified ICFs at the DCs, there are other potential fiscal pressures that could drive further spending not assumed in our outlook that could be significant. In particular, compliance by March 2019 with new federal requirements related to Medicaid-funded community-based services could drive additional state spending. We have not accounted for these potential costs due to the high level of uncertainty surrounding the implementation of these new requirements and the related fiscal impacts.

SSI/SSP

State expenditures for SSI/SSP are estimated to be $2.8 billion in 2015-16, increasing by about $40 million annually to reach an estimated total of nearly $3 billion by 2019-20. The projected spending increases are primarily due to average annual caseload growth of about 1 percent. In prior-year budget development processes, the Legislature expressed interest in reinstating a state-funded cost-of-living adjustment (COLA) for SSI/SSP grant recipients. While we do not assume the provision of SSI/SSP grant increases over the outlook period, we estimate that applying a state COLA to the total SSI/SSP grant—as has been done in the past—would cost over $200 million in 2016-17, increasing to the high hundreds of millions of dollars by 2019-20 if applied annually. Alternately, if the Legislature chose to apply a state COLA exclusively to the state portion of the grant, we estimate the COLA would cost about $60 million in 2016-17, increasing to approximately $300 million in 2019-20 if provided annually. The actual cost of providing a state SSI/SSP COLA is uncertain and largely depends on the methodology used to provide the adjustment.

CalWORKs

General Fund Spending in CalWORKs Depends Both on Total Program Spending and Funding Shifts. The CalWORKs program

is funded from a combination of federal TANF block grant funds, county funds (almost entirely consisting of revenues provided to counties through realignment), and the state General Fund. In general, the amount of General Fund budgeted in CalWORKs equals the difference between total estimated program spending requirements and other available funds. Because of this, year-over-year changes in General Fund support for the program reflect both changes in total program costs as well as changes in the availability of other funding sources. Accordingly, in this section, we first focus on the year-over-year changes in *total* CalWORKs expenditures from all fund sources, as a focus solely on the General Fund would mask changes in the availability of other fund sources that support program costs and growth.

Trends in Total Spending From All Funds. As shown in Figure 6, we estimate that total spending from all funds in the CalWORKs program will be $5.6 billion in 2015-16—roughly $90 million (1.6 percent) less than assumed in the *2015-16 Budget Act.* This lower estimate primarily reflects a faster-than-expected decline in caseload. From this 2015-16 level, we project that total spending from all funds will further decrease by $270 million to a total of about $5.3 billion in 2016-17, followed by gradual increases in total funding in the following years. These projected changes in total spending from all funds reflect the combination of several factors that are described in greater detail below.

Net Savings From Generally Declining Caseloads. The 2015-16 budget assumes that, relative to 2014-15, the total number of families receiving CalWORKs assistance in 2015-16 will decrease, while the number of adults eligible for employment services and the number of children enrolled in Stage 1 child care will increase. Based on recent caseload counts, we estimate that the decline in total families receiving assistance will be faster than estimated (we estimate an almost 6 percent decline, while the budget act assumed a roughly 2 percent decline) and that the number of adults eligible for employment services will also decline—rather than increase as assumed in the 2015-16 budget. We also estimate that the number of children enrolled in Stage 1 child care will increase in 2015-16 relative to the prior year, but by a lesser amount than assumed in the 2015-16 budget. Taken together, we estimate that these caseload projections result in lower cash assistance, program administration, and services costs of roughly $240 million (all funds) in 2015-16 relative to what was appropriated in the budget act. Rather than reflect the full $240 million in savings in 2015-16, our outlook reflects only savings of

Figure 6

Projected Total CalWORKs Program Funding

(In Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20
TANF	$2,779	$2,779	$2,779	$2,779	$2,779
Realignment funds dedicated to grant increases	287	341	450	514	603
Other realignment/county funds	1,937	1,934	1,932	1,931	1,931
General Fund	588	266	178	135	127
Totals	**$5,591**	**$5,320**	**$5,339**	**$5,359**	**$5,440**

[a] Excludes Kin-GAP and TANF funds transferred to the California Student Aid Commission.
[b] Dedicated funds provided from the 1991 realignment Child Poverty and Family Supplemental Support subaccount.
[c] Includes funding from the 1991 realignment Family Support subaccount, the 1991 realignment CalWORKs MOE subaccount, and a 2.5 percent county share of cash assistance costs.
TANF = Temporary Assistance for Needy Families and MOE = maintenance of effort.

about $90 million from a reduced cash assistance caseload. This is because we assume, consistent with state practice, that the remaining $150 million in savings—part of funds already allocated to counties for program administration and services in 2015-16—will remain with counties in 2015-16, but not be spent and ultimately revert to the state in the later years of our outlook. On an ongoing basis, our outlook incorporates the full $240 million in savings beginning in 2016-17.

Under our main scenario of continued moderate economic growth and declining unemployment, we estimate that the total number of families receiving CalWORKs assistance and the number of adults eligible for employment services will continue to decline—by roughly 3 percent in 2016-17 and progressively smaller amounts in later years. Based on recent data that suggest Stage 1 child care utilization may be increasing among families with adults eligible for employment services, we estimate that the number of children enrolled in Stage 1 child care will continue to gradually increase through 2019-20, resulting in slowly growing child care costs that will slightly offset cash assistance and employment services savings. On net, we project additional caseload savings beyond those identified in 2015-16 of about $120 million (all funds) in 2016-17, with progressively smaller amounts of caseload savings in following years through the end of 2019-20.

New Grant Increases From Dedicated Funds. Beginning in 2013-14, a portion of growth revenues provided to counties under 1991 realignment have been redirected to provide a dedicated funding source for future CalWORKs grant increases. Under current law, grants are increased each October by an amount that it is determined can be supported on an ongoing basis by dedicated funds. Since 2013-14, two grant increases have been provided (each in the amount of 5 percent), the combined cost of which has exceeded the amount of available dedicated funds. These unmet costs have been paid for from the General Fund. As the amount of dedicated funds has grown each year, the General Fund share of the cost of the prior grant increases has diminished. We estimate that dedicated realignment funds will fully support the prior grant increases beginning in 2016-17, fully offsetting the remaining General Fund contribution, with a limited amount of dedicated funds remaining to potentially provide an additional (likely small) grant increase in October 2016. As shown in Figure 6, we estimate that dedicated realignment funds will continue to grow in the following years, increasing total program spending over time and allowing for annual grant increases in the range of around 2 percent or 3 percent annually.

We note that the amount of dedicated revenues available in future years for CalWORKs grant increases depends on many factors and is uncertain. As discussed in the Medi-Cal and IHSS write-ups in this report, our projections assume that the CCI and the related county MOE in IHSS will continue throughout the outlook period. We noted, however, that CCI is at risk of failing to meet a current-law requirement to annually demonstrate net General Fund savings in 2016-17. Should CCI be unwound because of this, the IHSS county MOE would also be eliminated. If the IHSS MOE were ended, changes in county costs would result in complex interactions among 1991 realignment funding formulas that could reduce or eliminate further growth in funds dedicated to CalWORKs grant increases in the later years of our outlook.

Net Savings From Full-Year Effect of Previously Enacted Policy Changes. Total program spending from all funds will be affected in the near term by previously enacted policy changes that have not yet been fully implemented. We describe some of these major changes below.

- ***Savings From 24-Month Time Clock.*** The 2015-16 budget assumes $1 million in savings (all funds) from individuals who have their cash assistance reduced for failing to meet the program's work requirement after exhausting the 24-month time clock. Our outlook assumes that these savings will grow to an annual amount of $20 million by the end of 2019-20.

- ***Savings From Increased Minimum Wage.*** The state's minimum wage increased from $8 per hour to $9 per hour in July 2014 and is scheduled to further increase to $10 per hour in January 2016. The *2015-16 Budget Act* assumes savings in CalWORKs of roughly $30 million (all funds) in 2015-16 from these minimum wage increases (increased wages can either result in lower monthly cash grants or families leaving assistance). We estimate that savings from the minimum wage will increase by roughly $15 million (all funds) in 2016-17 to reflect a full year of implementation of the $10 per hour minimum wage.

- ***Costs From Increased Child Care Reimbursement Rates.*** As part of the 2015-16 budget package, reimbursement rates for Stage 1 child care providers were increased, effective October 2015. The 2015-16 budget assumes partial-year costs from the rate increases of $22 million (all funds) in 2015-16. We estimate that the costs of the higher reimbursement rates will increase by roughly $7 million in 2016-17 to reflect a full year of implementation.

Under Outlook Assumptions, Significant Savings Accrue to General Fund. As shown in Figure 6, throughout the outlook, we assume that (1) federal TANF funds dedicated to CalWORKs will be flat, (2) realignment funds dedicated to grant increases will gradually increase each year as described previously, and (3) other realignment and county funds will be virtually flat. Although total funding for the program remains relatively stable throughout the period of our outlook, significant savings accrue to the General Fund under these assumptions.

Funding Constraints May Require Additional Fund Shifts to Realize General Fund Savings. Our outlook assumes that General Fund spending in CalWORKs will be reduced as displayed in Figure 6. However, we note that in practice, certain expenditures in CalWORKs (totaling roughly $500 million) have historically been paid for from the General Fund for various reasons. In light of this historical practice, it may be difficult to reduce General Fund support for CalWORKs to less than around $500 million in any given year. Should the need to maintain a minimum level of General Fund spending in CalWORKs arise, the state could still achieve the savings assumed in our outlook by adjusting an existing funding arrangement between CalWORKs and the California Student Aid Commission as follows: (1) General Fund spending would be maintained in CalWORKs as needed above the amounts assumed in our outlook; (2) increased General Fund spending in CalWORKs would increase total program funding levels above projected current law needs, freeing up TANF funds for other purposes; and (3) freed-up TANF funds would be transferred to offset General Fund spending in Cal Grants. This approach is consistent with recent state practice and would have no net impact on total funding in either program or on total General Fund spending as reflected in our outlook.

President's Executive Actions on Immigration

Outlook Assumes Executive Actions Not Implemented. The President's executive actions on immigration allow certain undocumented immigrants to request deferred action status, which provides temporary relief from deportation and employment authorization. The *2015-16 Budget Act* included $26.7 million General Fund to account for potential caseload increases in HHS programs, including Medi-Cal, IHSS, the Cash Assistance Program for Immigrants, CalWORKs, and CalFresh. The executive actions have not yet been implemented as a result of legal action. (As of the publication date of this report, a federal appeals court had upheld the lower court's injunction blocking the implementation of the executive action. If the U.S. Supreme Court decides to hear the case, there is the possibility that a decision could be rendered before the term of the current federal administration ends, although this is uncertain.) Given the legal challenge, it appears unlikely the executive actions will be implemented in 2015-16. Therefore, our outlook assumes $23.2 million in General Fund savings in 2015-16 (some of the funding will be spent as a result of the Legislature's action to expand Medi-Cal coverage to undocumented children) and does not assume any spending associated with the executive actions for the remainder of the outlook period.

CORRECTIONS AND REHABILITATION

General Fund spending for support of the California Department of Corrections and Rehabilitation (CDCR) operations in 2015-16 is estimated to be $9.5 billion, which is a net increase of $31 million, or less than 1 percent, above the 2014-15 level of spending. This estimated increase primarily reflects additional costs related to (1) employee compensation, (2) increased staffing for the California Health Care Facility in Stockton, and (3) the activation of new infill bed facilities at Mule Creek prison in Ione and R.J. Donovan prison in San Diego. These increases are largely offset by savings primarily related to a projected decline in the prison population and the use of out-of-state contract beds for inmates. We estimate that spending on CDCR will remain relatively flat in 2016-17.

Impact of Proposition 47. Proposition 47, approved by voters in November 2014, reduced penalties for certain offenders convicted of nonserious and nonviolent property and drug crimes, and allowed certain offenders who were in prison for such crimes to apply for reduced sentences. These changes have reduced the state prison population and associated costs by (1) making fewer offenders eligible for prison and (2) releasing certain resentenced offenders from prison. Our estimates above assume that Proposition 47 will result in savings to CDCR likely in the high tens of millions of dollars in 2015-16 and potentially exceeding $100 million annually beginning in 2016-17. Under the measure, the state savings resulting from its implementation (primarily related to impacts on the courts and prisons) will be used to provide additional funding for various programs including mental health and substance abuse treatment, truancy prevention, and victim services beginning in 2016-17.

EMPLOYEE COMPENSATION AND RETIREMENT COSTS

In recent years, the state's resumption of annual negotiated pay increases for many state employees, the Public Employees' Pension Reform Act of 2013 (known as PEPRA), and the state's 2014 law to improve funding of the California State Teachers' Retirement System (CalSTRS) all have affected state finances. As discussed below, our main scenario assumes continuation of recent employee compensation practices, pension funding policies, and current pension system investment return assumptions through 2020. The state's pension boards, however, are considering significant changes to these investment assumptions, and the Governor has proposed a plan to prefund retiree health liabilities. Together, these possible changes to the state's retirement funding policies, along with other factors, may increase state spending significantly above our main scenario assumptions, as described below.

State Employee Pay and Benefits

New Labor Contracts Expected in 2016. Much of the state's employee compensation costs are determined by what is included in labor agreements—referred to as memoranda of understanding (MOUs)—between the state and its rank-and-file state employee bargaining units. The Legislature must ratify MOUs before they go into effect, and the administration typically extends similar pay increases to managers and supervisors. The Legislature may be asked to ratify 18 MOUs in 2016, including with 3 bargaining units with MOUs that expired in 2015 and MOUs with 15 other units scheduled to expire in July 2016. The rank-and-file and other employees associated with these 18 bargaining units represent more than 95 percent of the state's General Fund employee compensation costs (such that each 1 percent increase in their pay increases General Fund costs by more than $100 million per year). Our main scenario assumes that these employees, consistent with recent practice, receive annual pay increases equal to the rate of inflation and increased state subsidies for health benefits so that the state's current share of employee health premium costs is maintained. Taking into account pay and benefit increases that have already been agreed to and the assumed future pay and benefit payment increases described above, the added General Fund costs in 2016-17 would be about $320 million. By 2019-20, the cumulative increase in General Fund state employee costs under this scenario would be about $1.4 billion above 2015-16 spending levels. The bulk of these increased costs result from the assumed inflation-based pay increases. To the extent that ratified MOUs provide smaller or larger compensation increases, these amounts would vary.

Rising Health Benefit Costs. In 2014-15, the state paid about $4 billion for employee and retiree health benefits: about $2 billion for active employees (about half from the General Fund) and about $2 billion for retirees (nearly all paid initially from the General Fund, with roughly half of the costs recovered from other funds). By 2019-20, we estimate that these costs will exceed $5 billion. These growing costs result from increased payments for health services, a growing retiree base, and the state's past failure to fund retiree health benefits during employees' working lives.

Proposed Retiree Health Prefunding Plan. In his 2015-16 budget plan, the Governor proposed using the collective bargaining process to implement a plan to prefund liabilities for retiree

health benefits. The plan would increase costs in the near term in order to generate investment earnings and reduce state costs in future decades. The Governor proposed that the state and employees each contribute about half of the "normal cost" to prefund these benefits. This policy, if implemented, could directly increase state General Fund costs by a few hundred million dollars per year above the estimates reflected in this fiscal outlook. In addition to these direct costs, employee groups could seek increases in pay or other benefits to offset any portion of prefunding costs borne by employees. (We have recommended that the Legislature review the administration's proposal with actuaries, health experts, employee groups, and others in detailed hearings prior to approving any future prefunding proposals.)

CalPERS Pension Costs Rising . . . In recent years, the state's contribution rates to the California Public Employees' Retirement System (CalPERS) pension plans have increased due to investment losses during the recession and CalPERS' decisions to change certain actuarial assumptions. Our main scenario assumes the state's contributions to CalPERS will increase each year, with General Fund payments climbing above current levels by more than $200 million in 2016-17 and more than $700 million by 2019-20. That scenario assumes that CalPERS' investment return and asset allocation policies are unchanged from what they are currently.

. . . But Could Rise Above Our Assumptions. Concerned with the system's volatility and its changing demographics, the CalPERS board is considering a plan to gradually lower its investment return assumptions and lower the risk of its investment allocations slowly over the next few decades. The policy proposed by CalPERS staff seeks to reduce the assumed return on investments very gradually over two or more decades while preventing large year-over-year increases in employer contributions. (To do this, the CalPERS staff plan proposes lowering the assumed rate of return only after years with strong investment returns.) Such a plan would not necessarily increase costs above our assumptions between now and 2019-20. An alternative proposal by representatives of the Governor's administration suggests that CalPERS lower the assumed investment return assumption to 6.5 percent over about five years. If CalPERS phased in a reduction in assumed investment returns over the next five years, the state's General Fund contributions could increase by more than $1 billion above our main scenario assumptions by the early 2020s, with additional payments by other state funds. Lowered investment return assumptions could increase state costs during some time periods, while the lowered risk of CalPERS' investment portfolio could prevent some sharp investment declines and contribution spikes in future decades.

CalSTRS

State Contributions Ramp Up Through 2016-17. The 2014 CalSTRS funding plan increased contributions from the state, school and community college districts, and teachers beginning in 2014-15. The funding plan aims to fully fund CalSTRS' key pension program by the mid-2040s. Our main scenario reflects the state's contribution to CalSTRS ramping up through 2016-17 pursuant to its statutory schedule—from $1.9 billion in 2015-16 to $2.5 billion in 2016-17, an increase of $533 million.

State Contribution Decreases $740 Million in 2017-18 Under Main Scenario. The implementation of the funding plan—while a reasonable interpretation of the law—differs from our earlier understanding. Specifically, beginning in 2017-18, CalSTRS will adjust the state contribution rate based on the outcome of a complex calculation that estimates what CalSTRS' unfunded liabilities

would have been if the state made no changes to the pension program since 1990. The calculation makes the state's share of CalSTRS' unfunded liabilities very sensitive to changes in assets and liabilities. Mostly due to the large investment return in 2013-14, the state's share of CalSTRS' unfunded liability has decreased from $20 billion to $15 billion since the state embarked on the funding plan. Accordingly, the state's contribution declines from $2.5 billion in 2016-17 to $1.7 billion in 2017-18 under our main scenario, a $740 million year-over-year decrease. Consistent with our past practice, this estimate assumes annual investment returns will equal CalSTRS' long-term target of 7.5 percent beginning in 2015-16.

State Contribution Declines in 2017-18 Under Many Other Scenarios. Based on recent stock market trends, the 7.5 percent investment return assumed in our main scenario might be difficult to achieve in 2015-16. Figure 7 compares our main scenario estimate for CalSTRS contributions to two alternate investment return scenarios for 2015-16—3.75 percent and 0 percent. (Because of the timing of actuarial valuations, the 2016-17 return will not factor into the initial adjustment of the state contribution rate in 2017-18.) As shown in the figure, the lower investment returns would reduce state savings beginning in 2017-18.

February 2016 Board Decision Might Eliminate State Savings. On November 4, 2015, the CalSTRS board voted to gradually move 9 percent of its portfolio to less risky investments. It is unclear whether this investment strategy or other factors will result in the CalSTRS board lowering its assumption concerning future investment returns. If, however, the board votes to lower this assumption when it evaluates its actuarial practices in February 2016, the estimate of CalSTRS' unfunded liabilities would increase substantially. Because the complex calculation used to determine the state's share of CalSTRS' unfunded liabilities is very sensitive to changes in assets and liabilities, the bulk of this increase would fall on the state. Should this scenario come to pass, state contributions to CalSTRS could be up to $1 billion higher than reflected in our main scenario beginning in 2017-18. (District contribution rates would remain unchanged in the near term because they are fixed in state statute through 2020-21.)

State's Share of Future Costs Seems Highly Uncertain. As described above, state contributions to CalSTRS under our main scenario would be $1.7 billion in 2017-18. If CalSTRS records a significant investment loss in the current fiscal year or they lower their investment return assumption, state contributions could be up to $1 billion higher in 2017-18. While CalSTRS has a right to change its investment return assumptions and seems to be interpreting the 2014 funding law reasonably, it is unclear that the range of possible state funding outcomes discussed above reflect the intent of the Legislature when it passed the law.

Figure 7

State Contributions to CalSTRS Under Three Investment Scenarios for 2015-16[a]

(In Billions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
7.5 percent (main scenario)	$1.5	$1.9	$2.5	$1.7	$1.7	$1.7
3.75 percent	1.5	1.9	2.5	1.9	1.9	2.0
0 percent	1.5	1.9	2.5	2.0	2.2	2.3

[a] Scenarios reflect different assumptions for the 2015-16 investment return. All scenarios assume investment returns equal 7.5 percent each year thereafter.

UNEMPLOYMENT INSURANCE

Interest Payments on Federal Loan. California's Unemployment Insurance (UI) Trust Fund has been insolvent since 2009, requiring the state to borrow from the federal government to continue payment of UI benefits. California's outstanding loan balance is estimated to be $6.7 billion at the end of 2015. The state is required to make annual interest payments on this loan. These General Fund interest costs total $171 million in 2015-16. Based on our main scenario assumptions about the unemployment rate and the Employment Development Department's projections of benefit payments and UI Trust Fund revenues, the annual General Fund interest payments would decline in the following two years—from $122 million in 2016-17 to $65 million in 2017-18 (the year in which we estimate the loan will be completely paid off).

Our projections do not incorporate any potential actions, such as an increase in UI taxes or a decrease in benefits, that could be taken during the outlook period to address the underlying structural mismatch between UI Trust Fund revenues and expenditures and reduce the state's interest payment obligation to the federal government. We note that, pursuant to federal law, beginning in tax year 2011, the federal UI tax credit for which employers are eligible (up to 5.4 percentage points of the total 6 percent tax on the first $7,000 in annual wages of each employee) began to be reduced incrementally for each year the state continues to have an outstanding federal loan to the UI Trust Fund. The increase in federal UI taxes paid by California employers due to the tax credit reduction—estimated at $1.3 billion in 2015 and increasing to as much as $2.4 billion in 2018—is used to make principal payments that reduce the federal loan balance. (The state, however, remains responsible to pay the interest payments on any outstanding loan balance.)

DEBT SERVICE ON INFRASTRUCTURE BONDS

Debt-Service Ratio (DSR) Has Fluctuated Over Time. The DSR—the ratio of annual General Fund spending on debt-service costs to annual General Fund revenues and transfers—is often used as one indicator of the state's debt burden. As shown in Figure 8, the DSR has varied considerably in past decades between about 3 percent and 6 percent. In the late 2000s, the DSR grew to about 6 percent as large bond measures were approved and state revenues dropped due to a recession. More recently, however, the DSR has declined to about 5 percent. The modest decline in the DSR occurred for a variety of reasons, including rebounding General Fund revenues, refinancing of existing debt, and state policies shifting some state debt costs from the General Fund to special funds—such as in transportation.

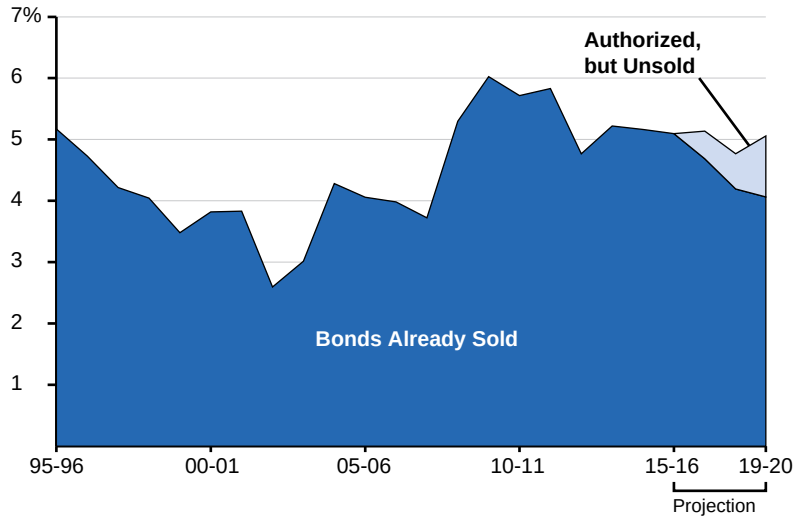
DSR Expected to Remain About 5 Percent. We estimate that the DSR will remain about 5 percent over the next several years. This is because we project that General Fund revenues and debt-service costs will increase at roughly the same rate over the projection period. We assume that the state gradually sells bonds that have been approved by voters or the Legislature. These bonds include some of the remaining unsold infrastructure bonds that voters approved in 2006 and 2008, as well as a portion of the water bond approved in November 2014 (Proposition 1). We note that water bond sales are expected to occur over a number

of years, so the water bond's full annual debt-service costs will not occur until after the forecast period. Our projections do not include any additional debt-service costs for new bonds that may be authorized by the voters or the Legislature during the forecast period.

Figure 8

Debt-Service Ratio Expected to Remain Around 5 Percent

Percent of General Fund Revenues and Transfers Spent on Debt Service



Chapter 4: The General Fund After 2016-17

In this chapter, we present the results of our multiyear budget outlook. First, we describe the future condition of the General Fund budget under our main scenario, which assumes the economy grows through 2019-20. Because the economy will not grow indefinitely, we then present alternative scenarios sketching the potential effects of an economic slowdown and a recession. We stress that these illustrative scenarios are meant to provide legislators a rough sense of future budget conditions under various economic scenarios. Finally, we describe various non-economic risks that apply to all scenarios. The Appendix at the end of this chapter lists the key results of our multiyear budget outlook, including the alternative scenarios we discuss below.

Key Definition: Operating Surpluses and Deficits. In this chapter, we define operating surpluses or deficits as increases or decreases in the state's total reserves each fiscal year in its two main reserve funds—the Budget Stabilization Account (BSA) and the Special Fund for Economic Uncertainties (SFEU). The SFEU is the state's traditional General Fund budget reserve, the funds in which the Legislature may use for any purpose. The BSA is the rainy-day fund created by Proposition 58 (2004) and modified by Proposition 2 (2014).

MAIN SCENARIO

Operating Surpluses Assuming Continued Economic Growth. Figure 1 (see next page) displays operating surpluses under our main scenario. If current laws and policies remain in place, the General Fund would be in surplus through 2019-20. BSA deposits would be available only for future budget emergencies, as defined by Proposition 2. The remaining SFEU surplus would be available for new budget commitments—including spending increases or tax reductions—or building larger reserves. The "remaining operating surplus" bars in Figure 1 suggest the General Fund could afford more than $2 billion in additional annual budget commitments, but only if the economy continues to grow as our main scenario assumes. Figure 2 (see next page) also summarizes the condition of the General Fund in our main scenario outlook.

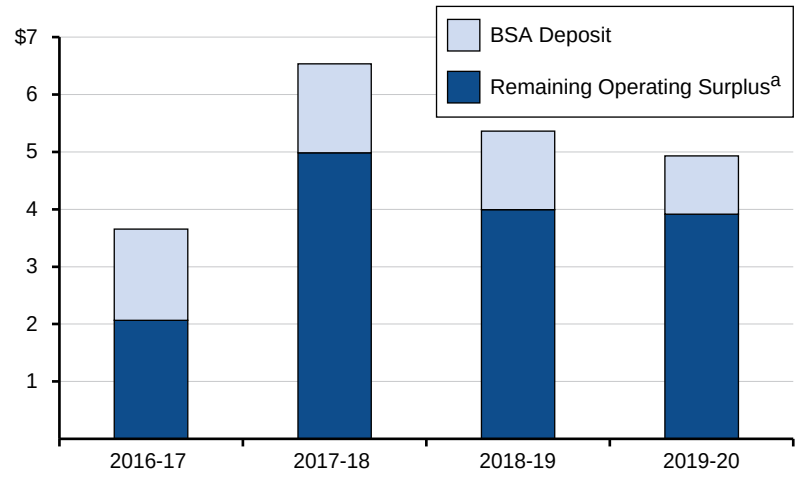
ALTERNATE SCENARIOS

Illustration of Outcomes if Economy Does Not Grow Through 2019-20. As we discussed earlier, our main scenario assumes continued economic growth and modest stock market gains through 2019-20. If this occurred, it would represent the longest expansion in U.S. history. Given that some type of economic or stock market downturn is possible during the outlook period, we assess the

Figure 1

Main Scenario: Operating Surpluses

(In Billions)



[a] Amount that can be allocated in budget or used to build addditional reserves.
Note: Operating surplus defined as amount by which total reserves increase.
BSA = Budget Stabilization Account.

budget's ability to weather economic conditions that are worse than portrayed in our main scenario. Specifically, we consider a hypothetical scenario in which economic growth slows down beginning in 2017 and another hypothetical scenario in which a recession occurs. The nearby box outlines the assumptions in these alternative scenarios.

Slowdown Scenario

State Still Has Operating Surpluses, Though Much Smaller. Figure 3 displays the result of our economic slowdown scenario. Relative to our main scenario, we assume revenues are almost $30 billion lower over the four fiscal years combined. Specifically, revenues are several billion dollars lower for the first two fiscal years, $10 billion lower than the main scenario in the third fiscal year, and begin to recover in the final fiscal year of the scenario. More than half of the revenue loss is offset by lower spending and reserve requirements under Propositions 98 and 2. In this way, these budget formulas serve as "automatic stabilizers" that mitigate revenue losses. This would, however, also mean that school and community college spending would be notably lower than under

Figure 2

LAO General Fund Condition Under Main Scenario[a]

(In Billions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Prior-year fund balance	$5.3	$2.2	$3.2	$5.3	$10.3	$14.3
Revenues and transfers	112.2	116.3	123.2	128.8	131.3	134.5
Expenditures	115.3	115.3	121.1	123.8	127.3	130.6
Ending fund balance	**$2.2**	**$3.2**	**$5.3**	**$10.3**	**$14.3**	**$18.2**
Encumbrances	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
SFEU balance	**$1.2**	**$2.2**	**$4.3**	**$9.3**	**$13.3**	**$17.2**
Reserves						
SFEU balance	$1.2	$2.2	$4.3	$9.3	$13.3	$17.2
BSA balance	1.6	5.6	7.2	8.8	10.2	11.2
Total Reserves	**$2.8**	**$7.9**	**$11.5**	**$18.1**	**$23.4**	**$28.4**

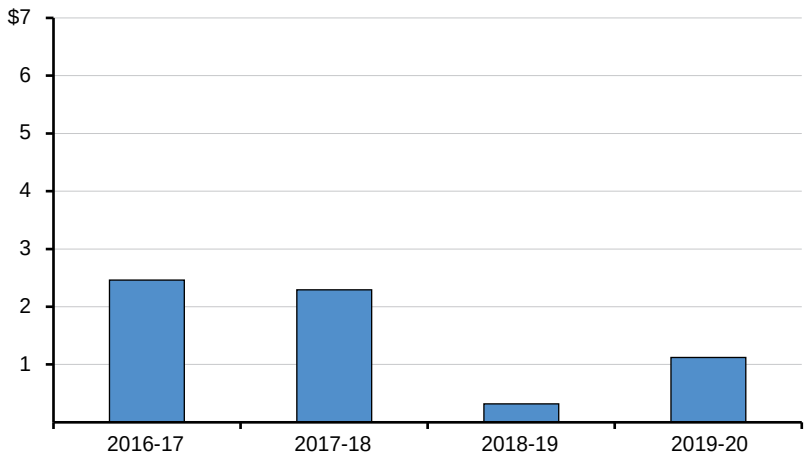
[a] Includes Education Protection Account created by Proposition 30 (2012).
SFEU = Special Fund for Economic Uncertainties (the General Fund's traditional budget reserve) and BSA = Budget Stabilization Account.

our main scenario. While operating surpluses are much smaller than under our main scenario, total reserves remain above $10 billion in each year over the period. The budget is much better prepared to withstand an economic slowdown than it was even one year ago, when we discussed a similar slowdown scenario in this publication.

Figure 3

Slowdown Scenario: Smaller Operating Surpluses

(In Billions)



Note: Operating surplus defined as amount by which total reserves increase.

In the slowdown scenario described above, we assume that no new additional commitments are made in the 2016-17 budget. We also considered what would happen in this slowdown if we assume an additional $2 billion in ongoing budget commitments are made beginning in 2016-17. This would eliminate the small operating surpluses in 2018-19 and 2019-20 shown in Figure 3. While the state would have to use its reserves to cover deficits in those years, the total reserve balance would still be over $6 billion at the end of 2019-20. The budget, therefore, appears to be in a position to withstand an economic slowdown even if some additional budget commitments are made next year.

Recession Scenario

We next explored the potential effects of a recession approaching the severity of the dot.com bust of the early 2000s. Under this scenario, a hypothetical recession begins in 2017, and revenues are nearly $60 billion lower over the four fiscal years combined. Specifically, revenues are a few billion dollars lower than in the main scenario in

Key Assumptions in Our Alternative Scenarios

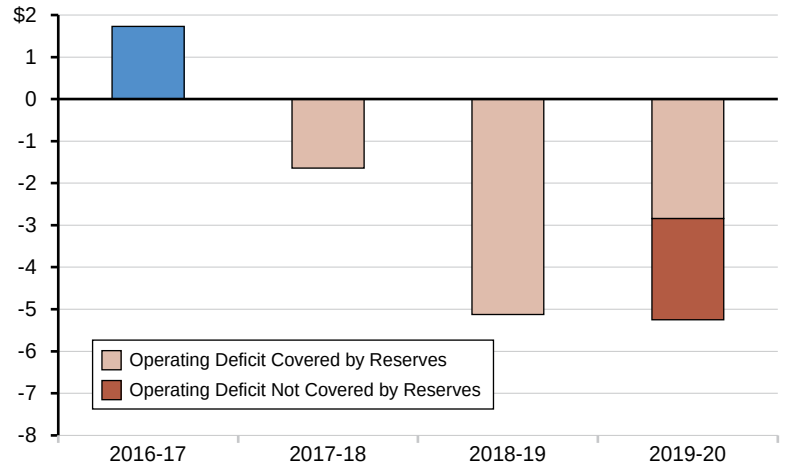
There are four inputs to these scenarios: revenues, Proposition 98, Proposition 2, and other spending. Relative to our main scenario, each alternative assumes lower personal income tax revenues, including lower revenues from capital gains. For the purposes of calculating the Proposition 98 minimum guarantee, we assume local property tax revenues are unchanged but assume slower growth in per capita personal income. These assumptions result in lower Proposition 98 spending. Similarly, lower capital gains taxes reduce Proposition 2 requirements. Lastly, because health and human services caseloads generally increase when the economy worsens, we assume higher net spending in these programs.

2016-17, $18 billion lower in 2017-18, $20 billion lower in 2018-19, and $16 billion lower in 2019-20. As shown in Figure 4, deficits return in 2017-18, but reserves are sufficient to cover them until 2019-20. In that year, reserves cover roughly half of the 2019-20 shortfall, with actions necessary to address a $2.4 billion remaining budget problem. The budget fares well in this scenario because we assume no new commitments in 2016-17, allowing the state to build over $9 billion in total reserves before the major revenue losses occur in 2017-18. In addition, lower spending and reserve requirements under Propositions 98 and 2 offset over half of this revenue loss.

Figure 4

Recession Scenario: Reserves Cover Operating Deficits Until 2019-20

(In Billions)



Note: Operating surplus (deficit) defined as amount by which total reserves increase (decrease).

The budget outlook under the recession scenario would be worse if the state makes new ongoing budget commitments in 2016-17. For example, we considered what would happen in the hypothetical recession if $2 billion in new, ongoing budget commitments were made in 2016-17. In that case, the state would face operating deficits one fiscal year earlier than shown in Figure 4. By 2019-20, the state would face a roughly $7 billion budget problem with no reserves.

RISKS

Economic uncertainty is only one of many risks to consider in budgetary planning. We detail some of these other risks below.

Pension Costs Could Be Billions Higher. In recent months, the state's two key pension boards—California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)—have been considering proposals to reduce risk in their investment portfolios. CalPERS has yet to adopt a proposal. CalSTRS, on the other hand, recently adopted a plan to gradually move a small part of their portfolio to less risky investments. If the boards determine that these investment strategies or other factors should be accompanied by lower investment return assumptions, combined state contributions to CalPERS and CalSTRS could be billions of dollars higher by 2019-20 than our estimates. The precise effect would depend on (1) the magnitude of the change in assumptions, and (2) how quickly these changes were implemented. While these changes could hurt the

state budget over the next few years, they could lower costs in future decades.

Employee Compensation and Retiree Health Costs Could Be Higher. Next year, the Legislature may be asked to ratify memoranda of understanding with up to 18 bargaining units representing more than 95 percent of the state's General Fund employee compensation costs. Our main scenario assumes that these employees receive pay increases based on increases in the cost of living. Our estimates do not reflect, however, the Governor's proposal to prefund retiree health benefits through the bargaining process. This policy could increase General Fund costs by a few hundred million dollars per year above the estimates reflected in this report. (Some or all of these retirement costs could be paid using Proposition 2 debt payment funds.) To the extent that salary increases offset employees' costs of prefunding, state costs could be even higher.

Assumes Revenue Provisions Not Triggered. California has three budgetary rules—a constitutional spending limit passed in 1979 and two sales tax statutes—that require rebates to taxpayers or tax rate reductions in certain circumstances. None of our scenarios assume rebates or tax reductions occur. Yet, there is a chance that either or both could occur before 2020. The state's headroom under its complex spending limit has fallen significantly in recent years. Further, larger balances in the SFEU could trigger sales tax reductions. The longer the economic expansion and the larger the reserve balance grows in the SFEU, the greater the chance that tax rebates or reductions will occur before 2020.

Assumes State Prevails in Lawsuits. The state is involved in various lawsuits that pose risks to our multiyear outlook. One case concerns the rules governing how corporations apportion income to California for tax purposes. Another case concerns the state's use of proceeds related to the 2012 national mortgage settlement. Consistent with our past practice, we generally assume that the state prevails in these and other lawsuits. If the state is unsuccessful in these cases, the potential budgetary exposure could be in the hundreds of millions of dollars in each case.

CONCLUSION

Consider Trade-Offs When Weighing New Budget Commitments. As history cautions, the current economic expansion will not last forever. If making it through the next economic downturn with minimal disruption to public programs is a priority, a sizable reserve is the key. Less additional ongoing spending on public programs now probably would mean fewer difficult choices about those programs later. While our main scenario indicates that the Legislature would have the capacity for some new one-time or ongoing commitments in the 2016-17 budget, we advise the Legislature to weigh the merits of those new commitments against the potential for larger budget shortfalls when the next economic downturn occurs.

APPENDIX

Comparing LAO Budget Outlook Scenarios

General Fund and Education Protection Account Combined (In Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenues					
Total Revenues and Transfers (Before BSA Deposit)					
Main	$120,350	$124,776	$130,339	$132,704	$135,506
Slowdown	120,350	122,276	121,339	122,704	128,006
Recession	120,350	120,776	112,339	112,704	119,506
Spending					
General Fund Spending					
Main	$115,262	$121,119	$123,804	$127,345	$130,575
Slowdown	115,262	119,815	119,045	122,385	126,882
Recession	115,262	119,043	113,981	117,831	124,755
Proposition 98 Minimum Guarantee (General Fund and Local Property Taxes)					
Main	$69,148	$71,447	$74,599	$75,825	$77,468
Slowdown	69,148	70,215	70,180	70,937	73,382
Recession	69,148	69,475	64,884	66,083	70,969
Proposition 98 General Fund					
Main	$49,444	$50,213	$52,110	$52,376	$52,992
Slowdown	49,444	48,981	47,691	47,487	48,905
Recession	49,444	48,242	42,395	42,634	46,492
Total Reserves					
Main	$7,880	$11,537	$18,072	$23,432	$28,363
Slowdown[a]	7,880	10,341	12,635	12,955	14,078
Recession[a]	7,880	9,613	7,971	2,844	-2,405

[a] These scenarios implicity assume Proposition 2 budget emergency suspensions or withdrawals in some fiscal years.
BSA = Budget Stabilization Account.

LAO Publications

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REVOLVING LOAN PROGRAM UPDATE

State Revolving Fund Sewer Program

CITY OF
LA MESA
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CITY OF LA MESA
JEWEL of the HILLS

Sewer Capital Improvement Program

- 150 miles of sewer pipe
- Old clay pipe has many joints
- Some pipes have capacity issues
- CCTV condition assessment
- 2008 Sewer Master Plan
- $153,000,000 valuation

CITY OF LA MESA
JEWEL of the HILLS

Why do we use State Revolving Fund (SRF) Loans?

- We are only able to program $750K annually in CIP with $43M in identified infrastructure needs
- Not enough $ to construct larger projects with pay-as-you-go financing
- Waiting to spend CIP $ inflates reserves making user rates needed to maintain infrastructure misrepresented as “excess”
- SRF provides cost effective, long-term investment as sound fiscal approach

CITY OF LA MESA
JEWEL of the HILLS

Benefits of using State Revolving Fund (SRF) Loans

- Construction economies of scale for large projects
- Build now at lower costs
- Low interest rate for 20 years
- Program loan debt service into future sewer rates
- Avoid system failures which risk large Regional Water Board fines

CITY OF LA MESA
JEWEL of the HILLS

SRF Projects

- 2006: Inflow & Infiltration Mitigation Phase 1 $4.8M

Street	From	To
La Mesa Blvd.	Grant Ave.	Glen St.
Glen St.	La Mesa Blvd.	Hayes St.
Hayes St.	Glen St.	Randlett Dr.
Randlett Dr.	Hayes St.	Dead End
Washington Ave.	Glen St.	Dead End
Lemon Ave.	Crowder Ln.	Hillcrest Ave.
Grant Ave.	Lemon Ave.	La Mesa Blvd.
Allison Ave./La Mesa Blvd.	Grant Ave.	Date Ave.
3rd St.	Alley N. of Lemon Ave.	Easement S. of Fresno Ave.
Date Ave.	Lemon Ave.	Vista Dr.
Finley Ave.	Date Ave.	Nebo Dr.
Orange Ave.	Shopping Center	Date Ave.
Normal Ave.	La Mesa Blvd.	Lemon Circle
Avon Dr.	Normal Ave.	4343 Avon Dr.
Easement	Windsor Ave.	Normal Ave.
Windsor Dr.	Canterbury Dr.	7920 Windsor Dr.
Canterbury Dr.	8033 Windsor Dr.	4336 Canterbury Dr.
Sewer Easement off of 8033 Windsor Dr.		
Sewer easement between Sheldon Dr. and Canterbury Dr.		
Sewer easement between Canterbury Dr. and Avon Dr.		
Sewer Easement Off Glen St. N. of Chevy Chase Dr.		

The total length of pipe to be replaced and/or rehabilitated for phase 1 is approximately 20,000 linear feet. 116 new manholes are also going to be replaced with this project. 132 backwater vales to prevent sewer backup in private homes will also be installed. Some of the work on and around the intersection of Allison Ave. with Spring St. is scheduled to take place at night to minimize traffic impact.

CITY OF LA MESA
JEWEL of the HILLS

SRF Projects

- 2007: Inflow & Infiltration Mitigation Phase 2 $3.0M

Street	From	To
Lee Avenue	University Avenue	Grape Street
Grape Street	Lee Avenue	Normal Avenue
Normal Avenue	Lemon Circle	7931 Normal Avenue
Spring Street	Allison Avenue	Alley by Union Bank
Palm Avenue	Allison Avenue	University Avenue
Alley off of Mills Street	Mills Street	Colina Drive
Colina Drive	Alley	5000 Colina Drive
Maiden Lane	Colina Drive	Dead end
Crowder Lane	Lemon Avenue	Hillcrest Avenue
Hillcrest Avenue	8415 Hillcrest Avenue	8525 Hillcrest Avenue
Chevy Chase Drive	Hillcrest Avenue	8560 Chevy Chase Drive
Boulder Place	Chevy Chase Drive	Boulder Drive
Boulder Drive	Boulder Place	Boulder Place
Summit Drive	4279 Summit Drive	4258 Summit Drive
Sewer line in the easement between Valle Drive and Beverly Drive		
Sewer line in the easement between Valle Drive and Summit Drive		
Sewer line in the easement between Summit Drive and Summit Drive Dead end		

The total length of pipe to be replaced and/or rehabilitated for phase 2 is approximately 10,000 linear feet. Sixty-seven manholes are also going to be replaced with this project and 154 backwater vales to prevent sewer backup in private homes will also be installed. Some of the work in and around the intersection of Allison Ave., including Spring St., is scheduled to take place at night to minimize impact to traffic.

CITY OF LA MESA
JEWEL of the HILLS

SRF Projects

- 2008: Inflow & Infiltration Mitigation Phase 3 $2.8M

Phase 3 of the project includes the following locations:

Street	From	To
Lee Avenue	University Ave.	Carter Place
Orchard Avenue	Mills St.	Palm Ave.
Pasadena Avenue	8018 Pasadena Ave.	7984 Pasadena Ave.
Pasadena Avenue	7964 Pasadena Ave.	Summit Drive
Windsor Drive	8021 Windsor Dr.	Pasadena Ave.
Sheldon Drive	4320 Sheldon Dr.	Deadend
Canterbury Drive	4318 Canterbury Dr.	Deadend
Summit Drive	Pasadena Ave.	Sheldon Dr.
4th Street	4654 4th St.	Fresno Ave.
4th Street	Alley south of La Mesa Blvd.	4667 4th St.
Sunrise Avenue	4th St.	Hillcrest Ave.
Hillcrest Avenue	4722 Hillcrest Ave.	Lemon Ave.
Lemon Avenue	Hillcrest Ave.	4th Ave.
Lemon Avenue	Palm Ave.	Alley west of Palm Ave.
Oliver Lane	Lemon Ave.	4627 4th St.
Alley between La Mesa Blvd. and Lemon Ave.	4th St.	8428 Lemon Ave.
Alley west of Palm Avenue	Lemon Ave.	50' south of Lemon Ave.
Westview Drive	4540 Westview	Deadend
Sewer line in the easement crossing 4531 Palm Ave. to the Alley east of Palm Ave.		
Sewer lines in the easement between Westview Dr. and Pasadena Ave.		
Sewer lines in the easement between Normal Ave. and Pasadena Ave.		
Sewer lines in the easement between Chevy Chase Dr. and 4704 Boulder Place		
Sewer lines in the easement between Avon Dr. and 4303 Sheldon Dr.		

The total length of pipe to be replaced and/or rehabilitated for phase 3 is approximately 11,000 linear feet. Sixty-nine manholes and 179 backwater valves preventing sewer backups will also be installed as part of this project.

CITY OF LA MESA
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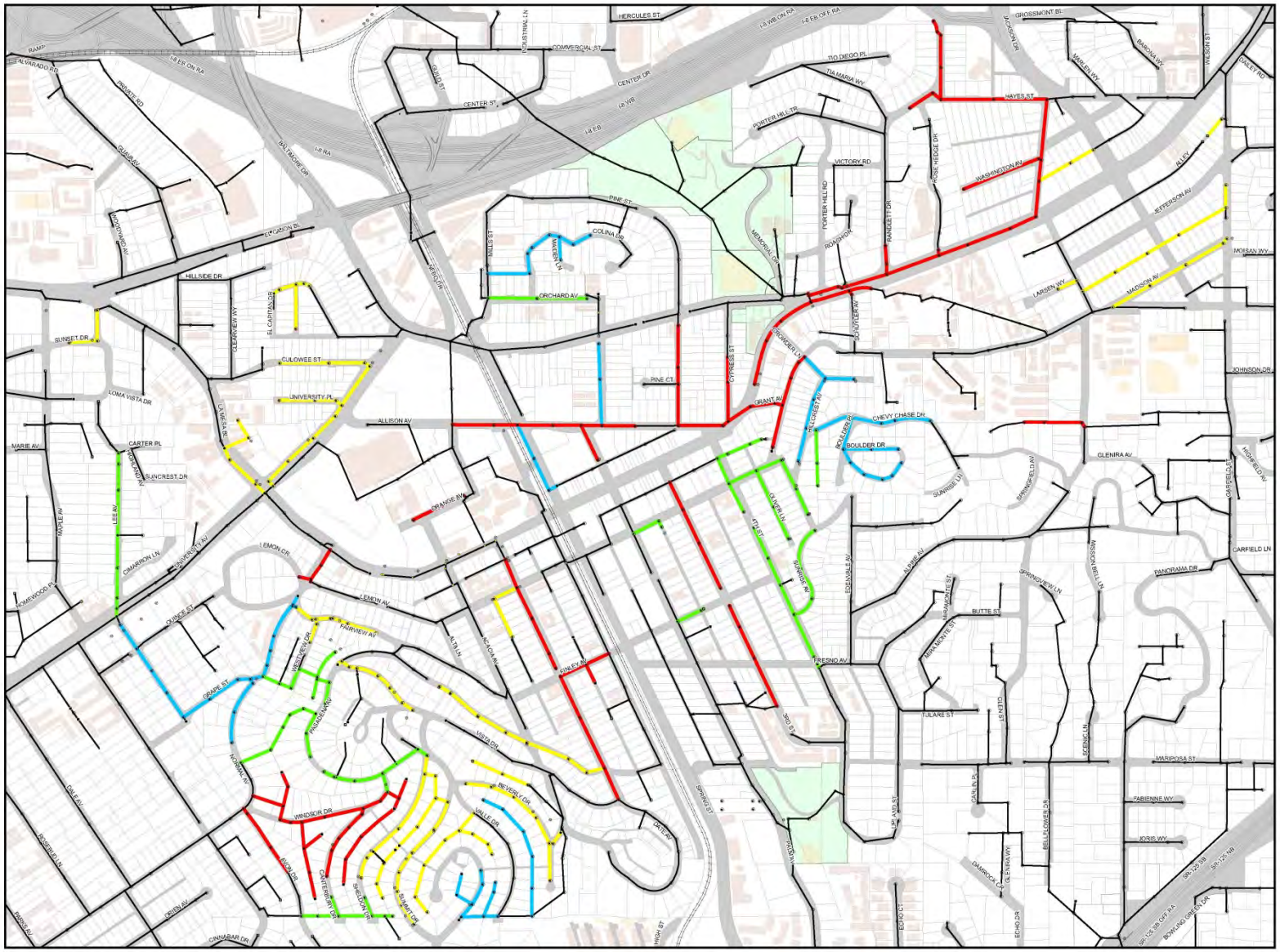
SRF Projects

- 2009: Inflow & Infiltration Mitigation Phase 4 $3.3M

Phase 4 of the project includes the following locations:

Street	From	To
Lee Avenue	La Mesa Blvd.	Sunset Dr.
Sunset Dr.	Lee Ave.	Maple Ave.
La Mesa Blvd.	7930 La Mesa Blvd.	University Ave.
University Ave.	La Mesa Blvd.	Culowee St.
University Pl.	University Ave.	Dead-end
Culowee St.	University Ave.	8005 Culowee St.
Fairview Ave.	Lemon Cir.	8086 Fairview Ave.
Westview Dr.	Fairview Ave.	4571 Westview Dr.
Lemon Ave.	Date Ave.	Alley east of Acacia Ave.
Alley east of Acacia Ave.	Lemon Ave.	4567 Acacia Ave.
Vista Dr.	Pasadena Ave.	Summit Dr.
Pasadena Ave.	Date Ave.	8133 Pasadena Ave.
Sheldon Dr.	Pasadena Ave.	Dead-end
Summit Dr.	Valle Dr.	Eastridge Dr.
Beverly Dr.	Valle Dr.	Dead-end
Alley	Glen St.	Jackson Dr.
Alley	Glen St.	Garfield St.
Larsen Way	Glen St.	Dead-end
Madison Ave.	Lemon Ave.	Garfield St.
Easement line 7930 to7914 La Mesa Blvd.		
Easement line between Sheldon Dr. and Summit Dr.		
Easement line between upper Summit Dr. and lower Summit Dr. and Valle Dr.		
Easement line between Beverly Dr. and Vista Dr.		
Point Repair in the Alley off of Garfield St.		

The total length of pipe to be replaced and/or rehabilitated for phase 4 is approximately 16,200 linear feet. One hundred-seven manholes and 74 backwater valves preventing sewer backups will also be installed as part of this project.



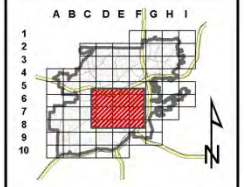
CITY OF LA MESA
JEWEL of the HILLS

State Revolving Funds (SRF) Projects

Inflow & Infiltration Mitigation Projects

- Phase 1 2006
- Phase 2 2007
- Phase 3 2008
- Phase 4 2009

1" = 200'
250 125 0 250 500
FEET



09 March 2016

CITY OF LA MESA
JEWEL of the HILLS

SRF Loan Existing Debt Service Balances

Project	Interest/ Svc Chrg Rate	Repayment Term	Loan Amount	Interest Charges	Total Repayment	Current Balance	Annual Debt Service Payment	End Date
Phase 1	2.40%	20 years	$4,749,258	$1,253,531	$6,002,789	$3,143,199	$304,569	2028
Phase 2	2.40%	20 years	$2,989,661	$799,812	$3,789,473	$2,094,594	$189,473	2029
Phase 3	2.60%	20 years	$2,774,089	$787,435	$3,561,524	$2,188,696	$178,076	2029
Phase 4	1.00%	20 years	$3,285,453	$342,725	$3,628,178	$2,405,571	$184,991	2030
			$13,798,461	$3,183,503	$16,981,964	$9,832,060	$857,110	

CITY OF LA MESA
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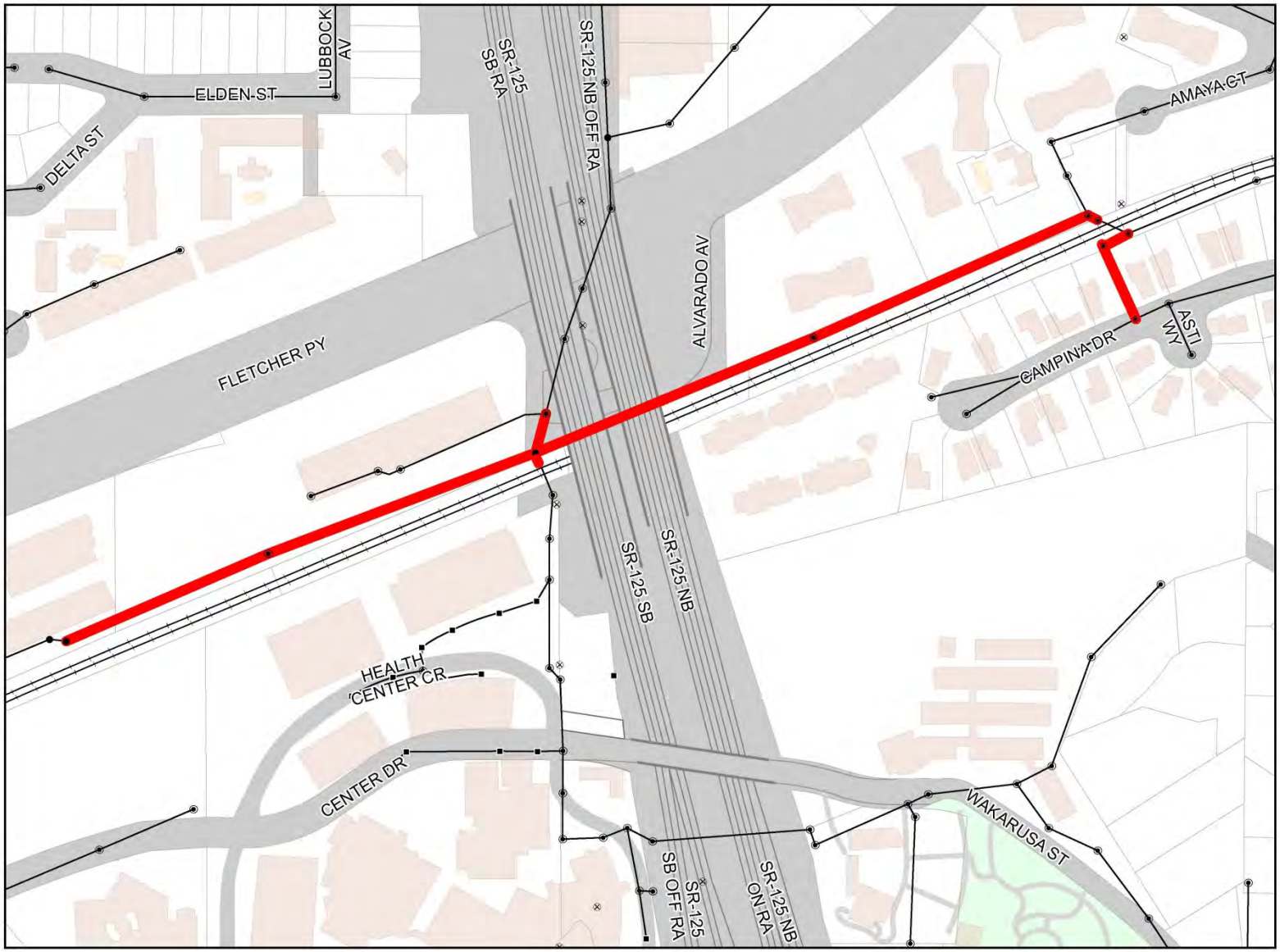
SRF Just Approved Project

- Alvarado Trunk Sewer Phase 2
- $5.0M budget
- Estimated debt service payment beginning in 2018 of $299,000



CITY OF LA MESA
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State Revolving Funds (SRF) Projects Alvarado Trunk Sewer Upgrade

Proposed Projects

Phase 2

1" = 200'

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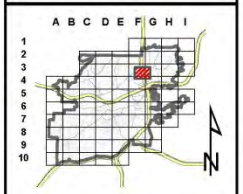

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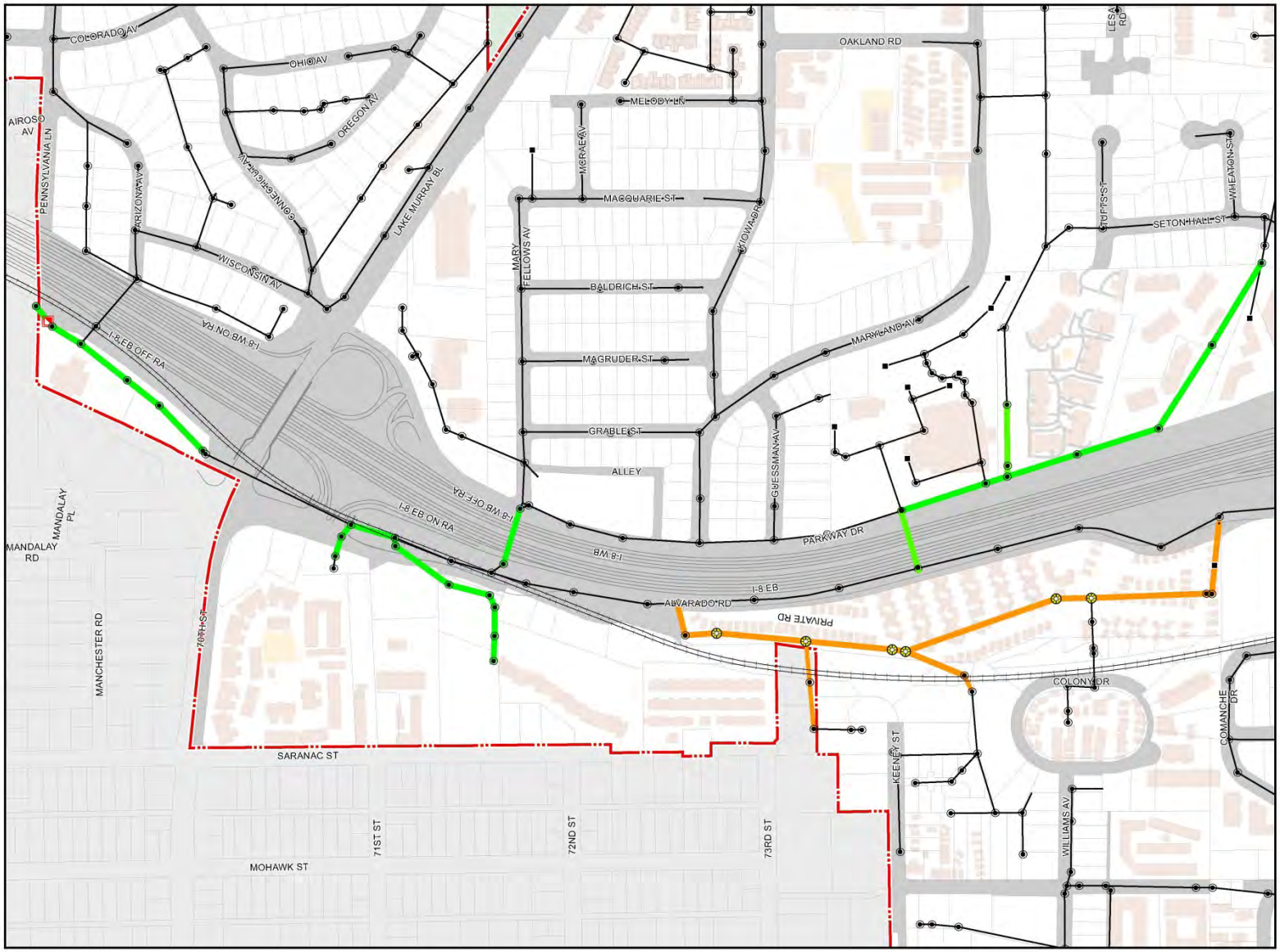
SRF Future Projects

- Alvarado Trunk Sewer Phase 3
- Alvarado Trunk Sewer Phase 4



CITY OF LA MESA
JEWEL of the HILLS

State Revolving Funds (SRF) Projects Alvarado Trunk Sewer Upgrade

Proposed Projects

- Phase 3
- Phase 4

Legend

- Manhole with Inflow Dish
- Sewer Manhole

1" = 200'

100 50 0 100 200

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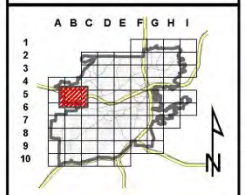

09 March 2016

CITY OF LA MESA
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Future SRF DEBT

APPROVED PROJECTS - PENDING SRF DEBT

Project	Interest/ Svc Chrg Rate	Repayment Term	Loan Amount	Annual Debt Service Payment	Anticipated Repayment Start Year	Anticipated Repayment End Year
Alvarado Trunk Phase 2	1.80%	20 years	$5,000,000	$299,006	2018	2037

PROPOSED PROJECTS - FUTURE DEBT

Project	Estimated Interest Rate	Repayment Term	Estimated Loan Amount	Estimated Debt Service Payment	Estimated Repayment Start Year	Estimated Repayment End Year
Alvarado Phase 3	2.00%	20 years	$4,500,000	$275,205	2020	2039
Alvarado Phase 4	2.00%	20 years	$5,500,000	$336,362	2022	2041
TOTALS			$15,000,000	$910,573		

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Future Sewer Obligations

- Pure Water San Diego
- 15 MGD of potable reuse water by 2023
- 30 MGD of potable reuse water by 2027
- 83 MGD of potable reuse water by 2035

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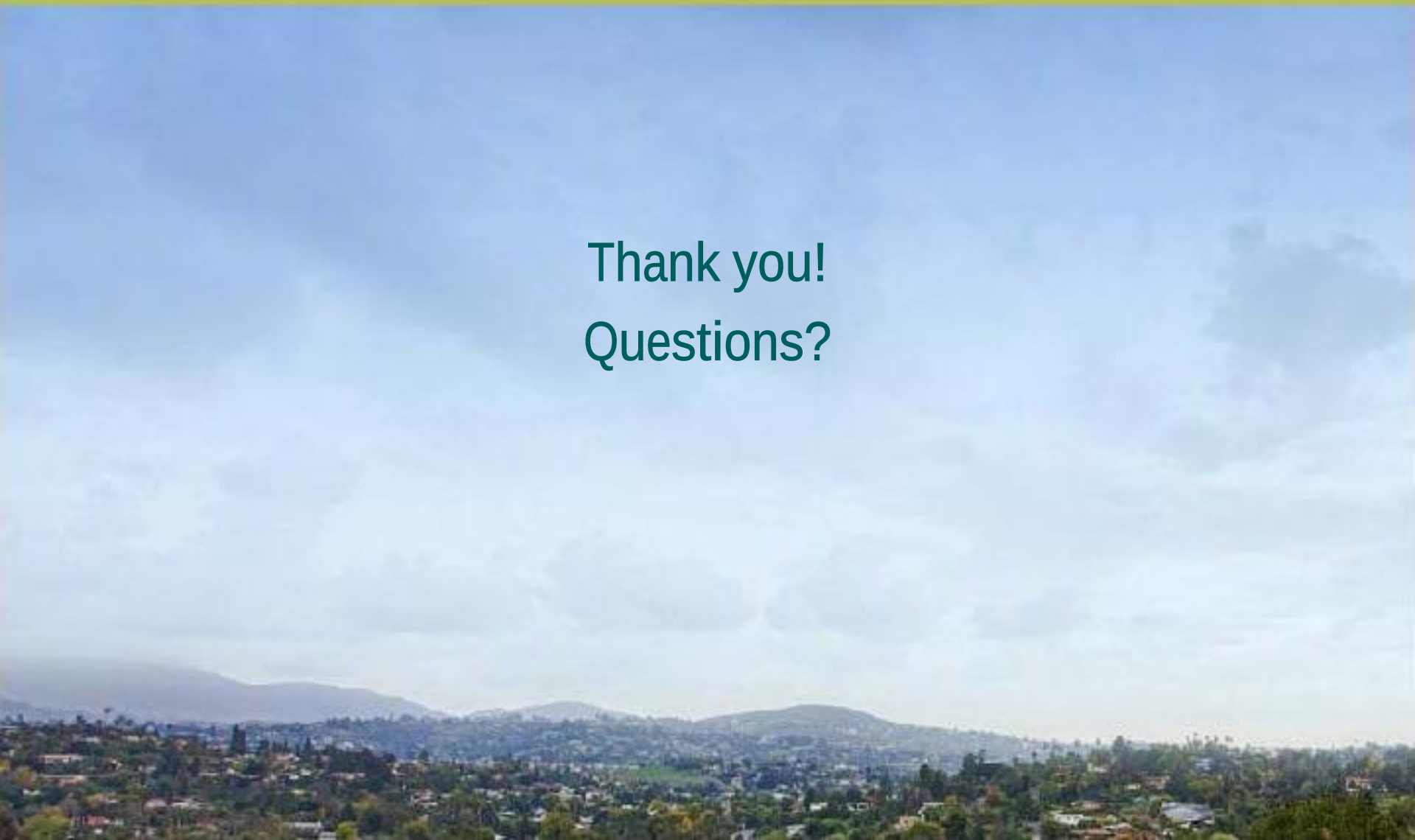

Thank you!

Questions?

PARK MASTER PLAN UPDATE

03

CITY PARKS FORUM
BRIEFING PAPERS

How cities use parks for...

Economic Development

Executive Summary

Parks provide intrinsic environmental, aesthetic, and recreation benefits to our cities. They are also a source of positive economic benefits. They enhance property values, increase municipal revenue, bring in homebuyers and workers, and attract retirees.

At the bottom line, parks are a good financial investment for a community. Understanding the economic impacts of parks can help decision makers better evaluate the creation and maintenance of urban parks.

Key Point #1
Real property values are positively affected.

Key Point #2
Municipal revenues are increased.

Key Point #3
Affluent retirees are attracted and retained.

Key Point #4
Knowledge workers and talent are attracted to live and work.

Key Point #5
Homebuyers are attracted to purchase homes.

The City Parks Forum is a program of the American Planning Association funded by the Wallace-Reader's Digest Funds and the Doris Duke Charitable Foundation

APA American Planning Association

Making Great Communities Happen

Economic Development

KEY POINT #1:

Real property values are positively affected.

More than 100 years ago, Frederick Law Olmsted conducted a study of how parks help property values. From 1856 to 1873 he tracked the value of property immediately adjacent to Central Park, in order to justify the $13 million spent on its creation. He found that over the 17-year period there was a $209 million increase in the value of the property impacted by the park.

As early as the 19th century the positive connection between parks and property values was being made. Olmsted's analysis shows the real dollar amount impact of parks. His study was not a unique situation, however. Several studies conducted over the last 20 years reaffirm his findings, in cities across the country. Below are more examples of how proximity to a park setting is connected to property values.

Chattanooga, Tennessee: In the early 1980s this city was facing rising unemployment and crime, polluted air, and a deteriorating quality of life. To lure middle-class residents back, local government, businesses, and community groups decided to improve the quality of life by cleaning the air, acquiring open space, and creating parks and trails. As a result, property values rose more than $11 million, an increase of 127.5 percent.

Atlanta: After Centennial Olympic Park was built, adjacent condominium prices rose from $115 to $250 a square foot. As noted on the Centennial Olympic Park website, "Thousands of people who have made the move to downtown Atlanta have chosen Centennial Olympic Park as their front yard." www.centennialpark.com.

Amherst, Massachusetts: Cluster housing with dedicated open space was found to appreciate at an annual rate of 22 percent, compared to a comparable conventional subdivision's rate of 19.5 percent. This translated in 1989 dollars to a difference of $17,100.

KEY POINT #2:

Municipal revenues are increased.

Another component of the Central Park study was an assessment of increased tax revenue as a result of the park. The annual excess of increase in tax from the $209 million in property value was $4 million more than the increase in annual debt payments for the land and improvement. As a result of building Central Park, New York City made a profit.

Increased property values and increased municipal revenues go hand in hand. Property tax is one of the most important revenue streams for cities. By creating a positive climate for increased property values, the tax rolls will benefit in turn. As shown with Central Park, parks can both pay for themselves and generate extra revenue. In addition, tax revenues from increased retail activity and tourism-related expenditures further increase municipal monies.

Property Tax Benefits

Chattanooga: Improvements in Chattanooga resulted in an increase in annual combined city and county property tax revenues of $592,000 from 1988 to 1996, an increase of 99 percent. (Lerner and Poole, 1999).

Boulder: The presence of a greenbelt in a Boulder neighborhood was found to add approximately $500,000 in property tax revenue annually.

Sales Tax Benefits

Oakland, California: The presence of the East Bay Regional Park District is estimated to stimulate about $254 million annually in park-related purchases, of which $74 million is spent in the local East Bay economy.

Shopping Districts: Surveys indicate that prices for products in districts with trees were on average about 11 percent greater than in no-tree districts; the quality of products were rated 30 percent higher than in areas with no sidewalk landscaping.

Tourism-Related Benefits

Atlanta: Centennial Olympic Park has an estimated 1.5 million visitors each year, attending 175 public events.

San Antonio, Texas: Riverwalk Park, created for $425,000, is lined with outdoor cafes, shops, bars, art galleries, and hotels, and has overtaken the Alamo as the most popular attraction for the city's $3.5-billion tourism industry.

KEY POINT #3:

Affluent retirees are attracted and retained.

"There is a new, clean growth industry in America today—The industry is retirement migration" (Foreward in Longino, 1995, 7).

By the year 2050, according to the U.S. Census Bureau, approximately 1 in every 4 Americans will be 65 years of age or older, creating an affluent group of retirees with financial benefits, including Social Security, military benefits, and pension plans. With an average life expectancy of between 75 and 83 years, this is a significant population group, both in size and affluence.

They are also mobile, moving to various locations across the country—places as diverse as northern Wisconsin and Michigan, the mountains of Colorado and Montana, and New England. Members of this mobile retiree cohort have been termed "GRAMPIES": (Growing [number of] Retired Active Monied People In Excellent Shape).

GRAMPIES want communities that provide leisure and recreation amenities. In a study by Miller et al. (1994), a retiree sample was asked to review 14 features and indicate their importance in the decision to move. The first three in rank order were scenic beauty, recreational opportunities, and mild climate.

Retirees bring expendable income into their communities. If 100 retired households come to a community in a year, each with a retirement income of $40,000, their impact is similar to that of a new business spending $4 million annually in the community. (Crompton, p. 65).

They increase the tax base and are "positive" taxpayers, using fewer services than they pay for through taxes. For example, they pay taxes to school districts but do not send children there.

Retirees transfer significant assets into local investment and banking institutions, expanding the local deposit base that can be used for commercial and industrial financing.

KEY POINT #4:

Knowledge workers and talent are attracted to live and work.

"...cities are characterized by a sense of place, beauty in the natural environment, a mixed-use transportation system and a 24-hour lifestyle. These are the characteristics that will attract the creativity and brainpower that undergird the new economy." Steven Roulac, futurist, The Roulac Group.

A significant change has occurred in the American economy. Industry today is composed of smokeless industries, high technology, and service-sector businesses, collectively referred to as the "New Economy." The workers in the New Economy are selling their knowledge, as opposed to physical labor, as the main source of wealth creation and economic growth. These employees, referred to in studies as "knowledge workers" or "talent," work in a "footloose" sector—companies are not tied to a certain location in order to achieve a competitive advantage.

What the companies are attached to is retaining their talent and attracting more talent. As a result, several studies have been conducted to determine what factors are important to talent when they are making employment decisions.

A survey of 1,200 high technology workers in 1998 by KPMG found that quality of life in a community increases the attractiveness of a job by 33 percent.

Knowledge workers prefer places with a diverse range of outdoor recreational activities, from walking trails to rock climbing. Portland, Seattle, Austin, Denver, and San Francisco are among the top cycling cities; they also are among the leaders in knowledge workers.

Workers attracted to an area are then positioned to put money back into the local economy through jobs, housing, and taxes, which then contribute to parks.

KEY POINT #5:

Homebuyers are attracted to purchase homes.

"Parks, ponds, bike paths." "Nearly five acres of woodland protected as a nature sanctuary" "My lake...my park...my home."

All around the U.S. real estate brokers and homebuilders are advocating parks as one of the top residential selling points. The desire to live near parks also translates into real dollars.

A 2001 survey by the National Association of Realtors (NAR) revealed that 57 percent of voters would choose a home close to parks and open space over one that was not.

In addition, the NAR survey found that 50 percent of voters would be willing to pay 10 percent more for a house located near a park or protected open space.

The National Association of Home Builders found that 65 percent of home shoppers surveyed felt that parks would seriously influence them to move to a community.

According to Economics Research Associates (ERA), a 1991 survey in Denver found that 48 percent of residents would pay more to live in a neighborhood near a park or greenway.

One of the most popular planned community models today is golf-course residential development. However, surveys have shown that the majority of people who live in golf course communities don't play golf regularly—as many as two-thirds, according to ERA. They are attracted to the dedicated open space, the expansive views, and the guarantee that both elements will stay the same. By promoting, supporting, and revitalizing urban parks, cities can help attract a significant portion of the homebuying community.

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Cover photo: San Antonio Riverwalk, courtesy of Alexander Garvin

THE CITY PARKS FORUM

A Toolbox for Mayors, their Park Advisors, and Community Leaders

City Parks Forum Briefing Papers

This is one in a continuing series of briefing papers on how cities can use parks to address urban challenges. We hope the information here helps you to create great urban parks in your city.

Please visit our website at www.planning.org/cpf to learn more about The City Parks Forum.

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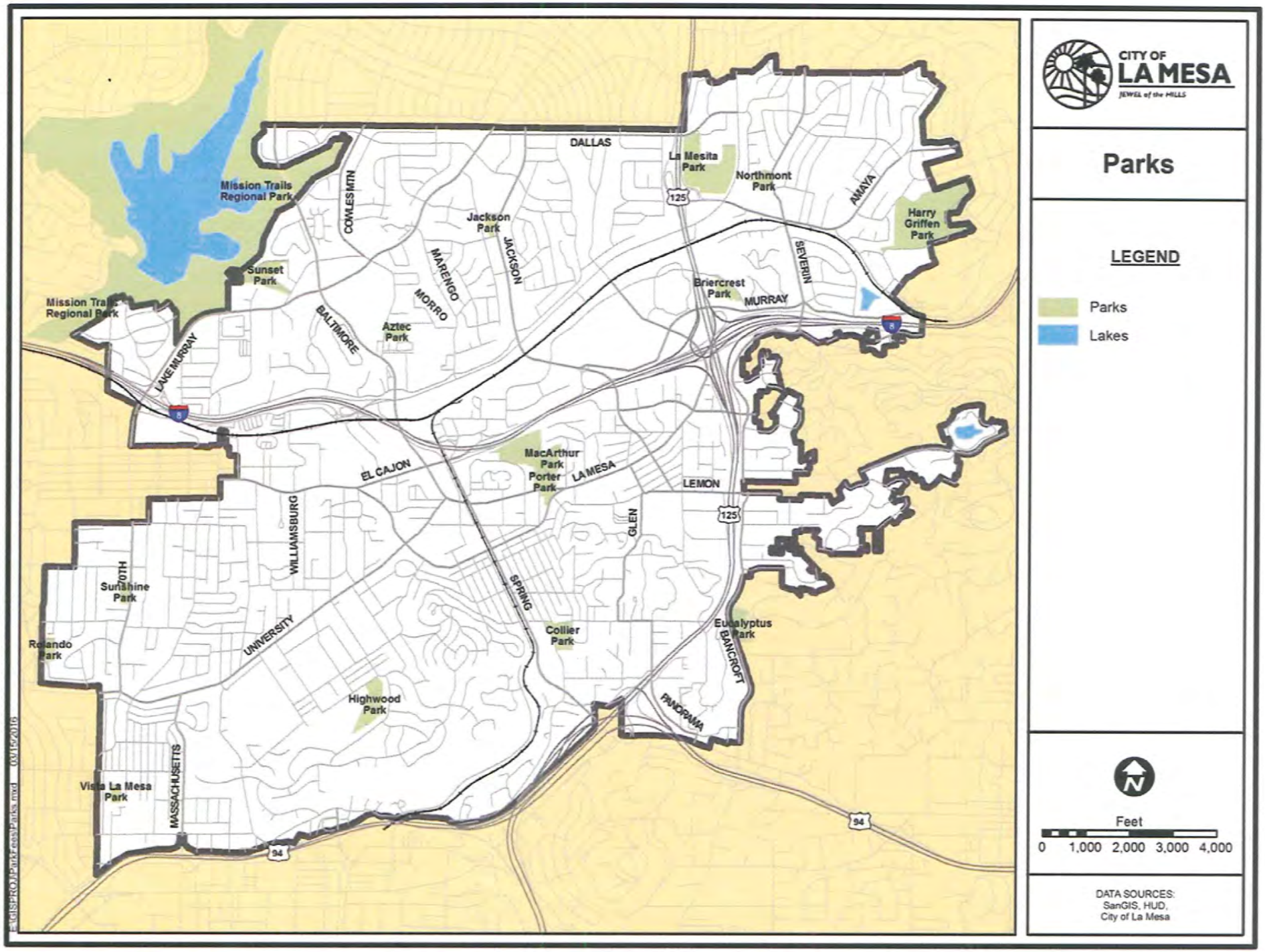

CITY OF
LA MESA
JEWEL of the HILLS
Parks
LEGEND
Parks
Lakes
Feet
0 1,000 2,000 3,000 4,000
DATA SOURCES:
SanGIS, HUD,
City of La Mesa
Mission Trails Regional Park
Mission Trails Regional Park
Sunset Park
Jackson Park
La Mesita Park
Northmont Park
Harry Griffen Park
Briercrest Park
Aztec Park
MacArthur Park
Porter Park
Sunshine Park
Rolando Park
Collier Park
Eucalyptus Park
Highwood Park
Vista La Mesa Park
DALLAS
COWLES MTN
MARENGO
MORRO
JACKSON
AMAYA
SEVERIN
MURRAY
BALTIMORE
LAKE MURRAY
EL CAJON
LA MESA
LEMON
GLEN
WILLIAMSBURG
100TH
UNIVERSITY
SPRING
BANCROFT
PANORAMA
MASSACHUSETTS
125
8
94

Park Master Plan

- Purpose

  Identify and increase access to a wide range of park and open space improvements

- Vision

  A City that encourages active and healthy lifestyles by offering a diverse range of recreational activities and facilities in La Mesa.

Park Master Plan - Goals

- Create a roadmap
- Network of safe public parks and public spaces that are accessible via varied transportation
- Parks that are well maintained
- Consider joint use and partnerships
- Promote provision of open space and recreation areas as part of private developments

CITY OF
LA MESA
Parks

CITY OF
LA MESA
Short Term Opportunities

La Mesa Middle School Campus/
Highwood Park Improvement Project
CITY OF
LA MESA
• Improve traffic circulation and pedestrian access by opening Junior High Drive – grant funding
• Complete Boys and Girls Club – private funding

Collier Park Phase 1

Vista La Mesa Playground

Implement Funded Urban Trail System

- Multi-use path designed for both active transportation and recreation
- Walkers, bicyclists, wheelchairs, and other non-motorized users
- Connects neighborhoods, parks, jobs, schools and other community destinations
- 19 sections, top 5 funded ($1.07m)

Longer Term Opportunities

Park Projects

- Civic Center Town Square (if directed)
- Complete Collier Park
- Highwood Park
- MacArthur Park
- Sunset Park
- Waite Drive

Challenges

- Aging parks and facilities
- Little CIP funding for parks
- Park Impact and In Lieu fees are not sufficient
- Limited grant funds available/City eligibility
- State Park Bond did not advance

PERFORMANCE MEASURES

CITY MANAGER'S OFFICE

CITY OF
LA MESA
JEWEL of the HILLS

CITY MANAGER
2015
PERFORMANCE MEASURES

- City Clerk – Timely Customer Service
- Human Resources – Sufficient Staffing
- Risk Management – Liability Claims
- Risk Management – Workers' Compensation Claims
- Information Technology – Work Order Turnaround
- Information Technology – Work Order Tracking

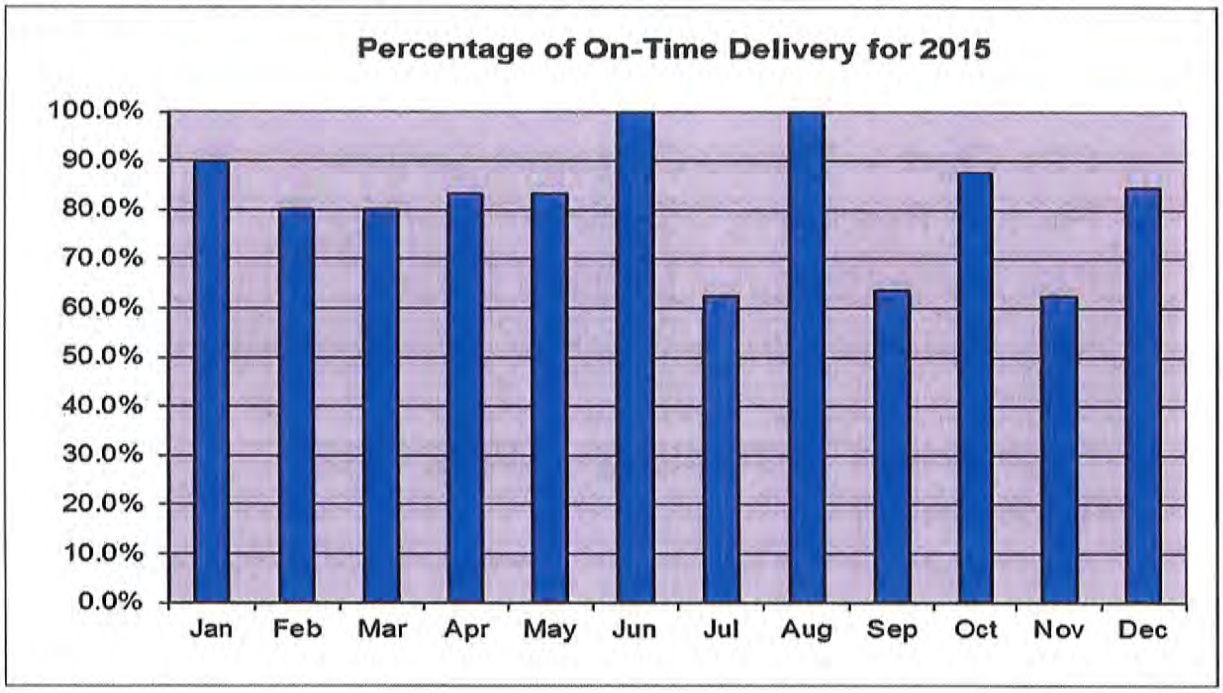
City of La Mesa
2015 Performance Measures Review Sheet
Administrative Services Department

Division: City Clerk

Performance Measure: Percentage of public records requests completed in 15 minutes or less.

Purpose of the Measure: To ensure quality customer service in a timely manner.

Graphed Data: 2015



Data Analysis:

It is the policy of the City to facilitate an efficient and timely response to public record requests. These requests are monitored by the City Clerk's office to ensure adherence to the policy. Although the Public Records Act states public records are open to inspection at all times during normal business hours, the City must respond to requests for records within 10 days.

The majority of requests are for copies of documents and are generally processed within 15 minutes or less. Others require a significant amount of staff time to research, identify and copy the records. The requests for documents and information do not take into consideration phone calls and drop-in visits that require short, verbal responses to requests for general information.

The above chart reflects the percentage of on-time delivery of records within 15 minutes or less for calendar year 2015. During this 12-month period, the average percentage of requests completed in 15 minutes or less was 79.6 percent, which clearly exceeds the goal of 65 percent. These requests came from internal customers (city staff, Council, board and commission members, etc.) and external customers (general public and other agencies). For this reporting period 38 percent of the requests were internal and 62 percent came from external sources. There were a number of requests that required significant staff time not only in the Clerk's office, but in other departments as well.

The availability of electronic documents throughout the City and the Laserfiche document imaging system shortens time for retrieval and delivery of documents. With the increased use of the internet, almost all requests for information and documents are being submitted electronically. These requests for public records are also asking for the documents to be provided in an electronic format. While this has not increased the total number of requests received, it is indicative that more and more people are using the internet as a communication tool.

From the data that has been collected and evaluated, the majority of internal requests are for research, information and copies of staff reports, and the external requests are generally for copies of election related material, code enforcement documents and copies of various contracts. There still continues to be requests for information from various watchdog groups. The requests from these groups are very detailed and require a significant amount of staff time to complete.

Providing information in an easily accessible way to employees and the public through the Laserfiche document imaging system is an on-going project in the Clerk's office. Property related documents such as deeds, liens and easement records are being scanned into the system as an on-going project.

Due to the success of the pilot program in the Clerk's office, the imaging system was expanded to the Community Development and Engineering Departments last year. Use of the imaging system allows staff to conduct research and quickly identify and access archived documents.

Next Review Date: January 2017

Action To Be Taken: Continue monitoring the delivery of service to ensure the goal of 65 percent is maintained.

City of La Mesa
Performance Measures Review Sheet
City Manager's Office

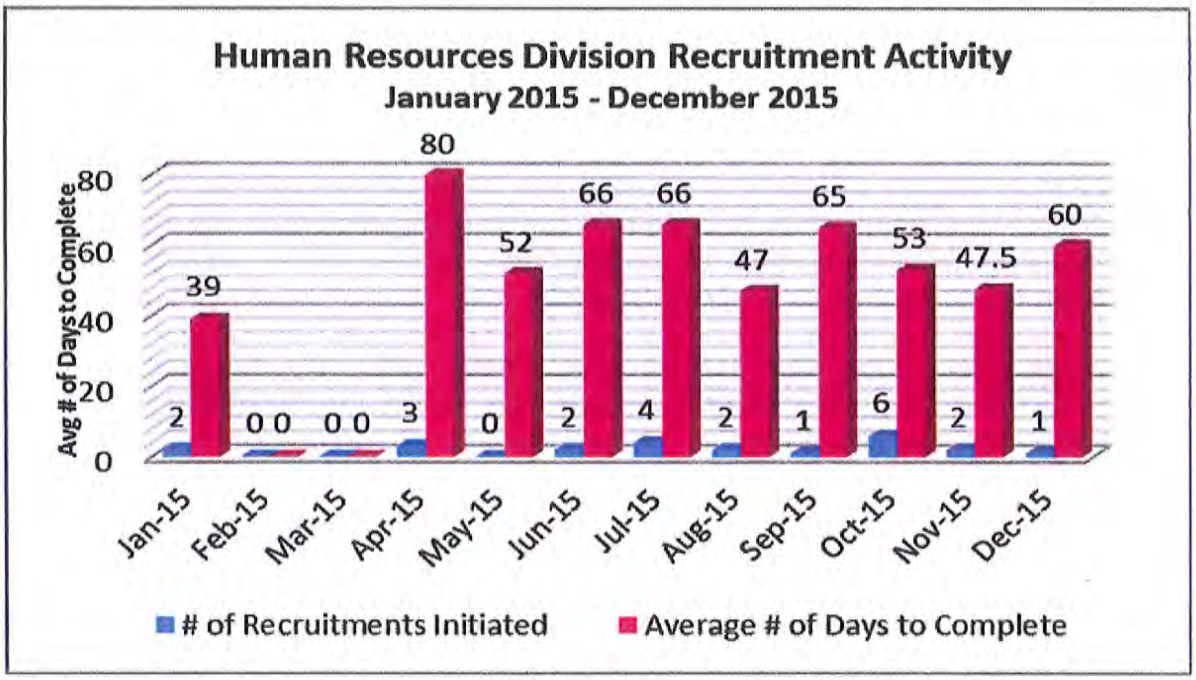
Division: Human Resources

Performance Measure: Recruitment Activity

Purpose of the Measure: To ensure staffing is provided to departments in an efficient and timely manner.

Graphed Data: Number of calendar days to complete recruitment and selection procedures and number of recruitments initiated, graphed by month.

Goal: Not to exceed 60 days from date recruitment process opened to date Eligibility List sent to requesting department.



Data Analysis: New recruitments were initiated in 9 of the 12 month reporting period (24 recruitments total). In the previous cycle (12 month reporting period), 29 recruitments were initiated. In the current 12 month reporting period, the goal of recruitment processes not to exceed 60 days was met 66.66% of the time (compared to 58.33% in the previous cycle).

The reporting totals above include continuous recruitments that do not have specific filing deadlines, but does not include recruitments for temporary positions.

There were nine (9) recruitments that exceeded the target goal of 60 days from the date the recruitment opened to establishment of the eligibility list: Downtown Operations Assistant (79 days); Lead Mechanic (115 days); Irrigation Technician (69 days); Public Works Crew Leader (63 days); Management Analyst/Risk (79 days); Director of Community Development (77 days); Senior Management Analyst (65 days); Police Officer Trainee (81 days); and IT Specialist (65 days).

- The Lead Mechanic, Irrigation Technician and Director of Community Development recruitment periods were extended due to the lack of qualified candidates.

- The Police Officer Trainee and Downtown Operations Assistant recruitments were lengthy due to the administration of several testing exercises such as written exams, performance tests and interview panels.

- The IT Specialist I/II recruitment was open for an extended time due to the lack of qualified candidates. In addition, a candidate was offered the position and later turned down the job offer. Consequently, we had to refer back to the eligibility list to conduct selection interviews again. As of the time of this report, selection interviews have not yet been conducted.

- The Senior Management Analyst and Management Analyst/Risk recruitments were lengthy due to the lack of qualified candidates. In addition, the administration of several testing components such as written exams, performance tests and interview panels were coordinated and conducted.

- The Public Works Crew Leader recruitment was open for an extended amount of time due to the lack of qualified candidates. No viable candidates were obtained from this recruitment. Consequently, we had to reopen the recruitment. As of the time of this

report, interviews are being conducted for the reopened recruitment.

Other recruitments completed during the last twelve months that met the "60 day goal" include Public Works Maintenance Worker I/II, Administrative Coordinator/Finance, Park Maintenance Worker III, Irrigation Technician, Police Dispatcher (2 recruitments), Associate Engineer, Police Captain, Police Lieutenant, Administrative Office Assistant/Finance, Firefighter/Paramedic, Police Sergeant, Fire Engineer, Secretary to the City Manager, and Police Services Technician.

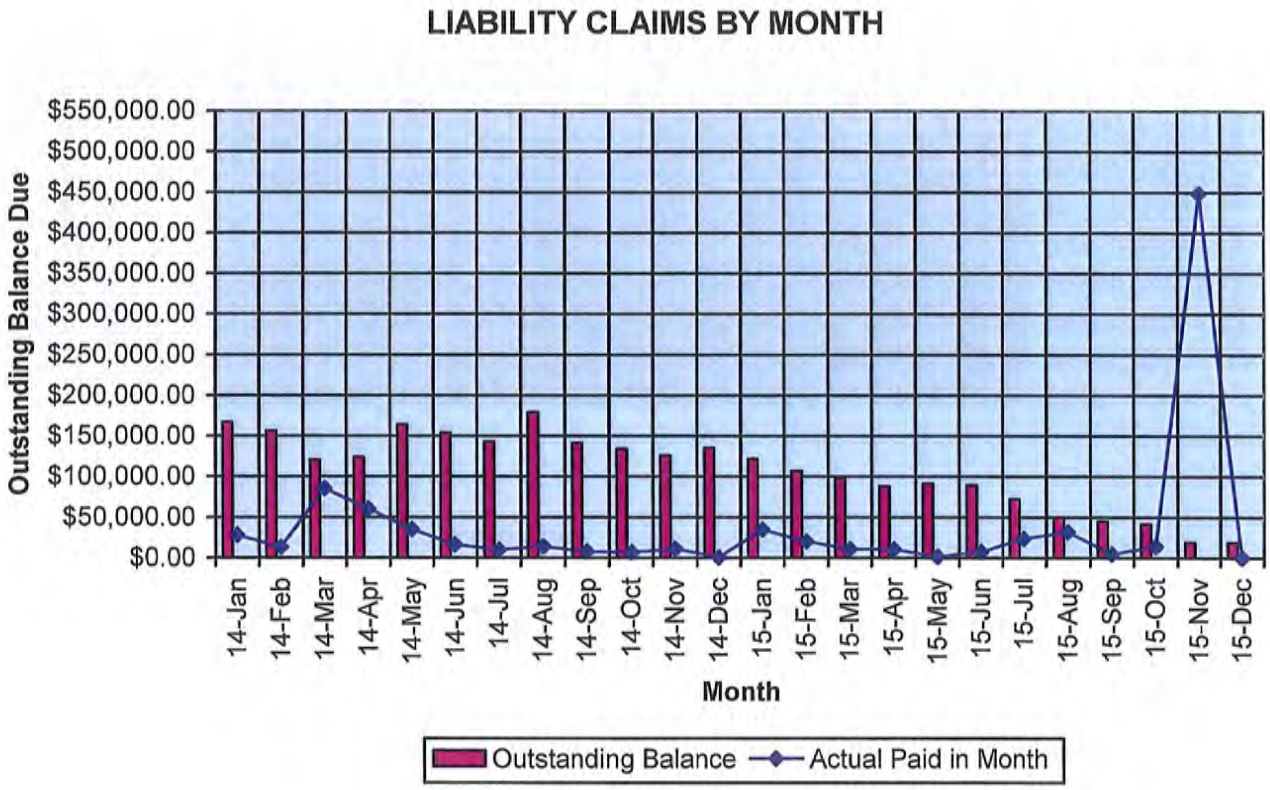
During the reporting period 6 employees promoted to new positions and 24 new employees were hired.

Next Review Date: January 2017

Actions To Be Taken: Continue to monitor and stay within established goal for recruitment activity.

City of La Mesa
Performance Measures Review Sheet
City Manager's Office

Division: **Risk Management**
Performance Measure: **Liability Payments by Month**
Purpose of the Measure: **To Fund and Settle Claims Cost-effectively**



Data Analysis: The liability claims cash flow has seen significant decrease for several years due to an overall decrease in claims frequency and severity attributable to aggressive defense of claims by the City. Future trending is expected to increase in claim frequency with tree claims.

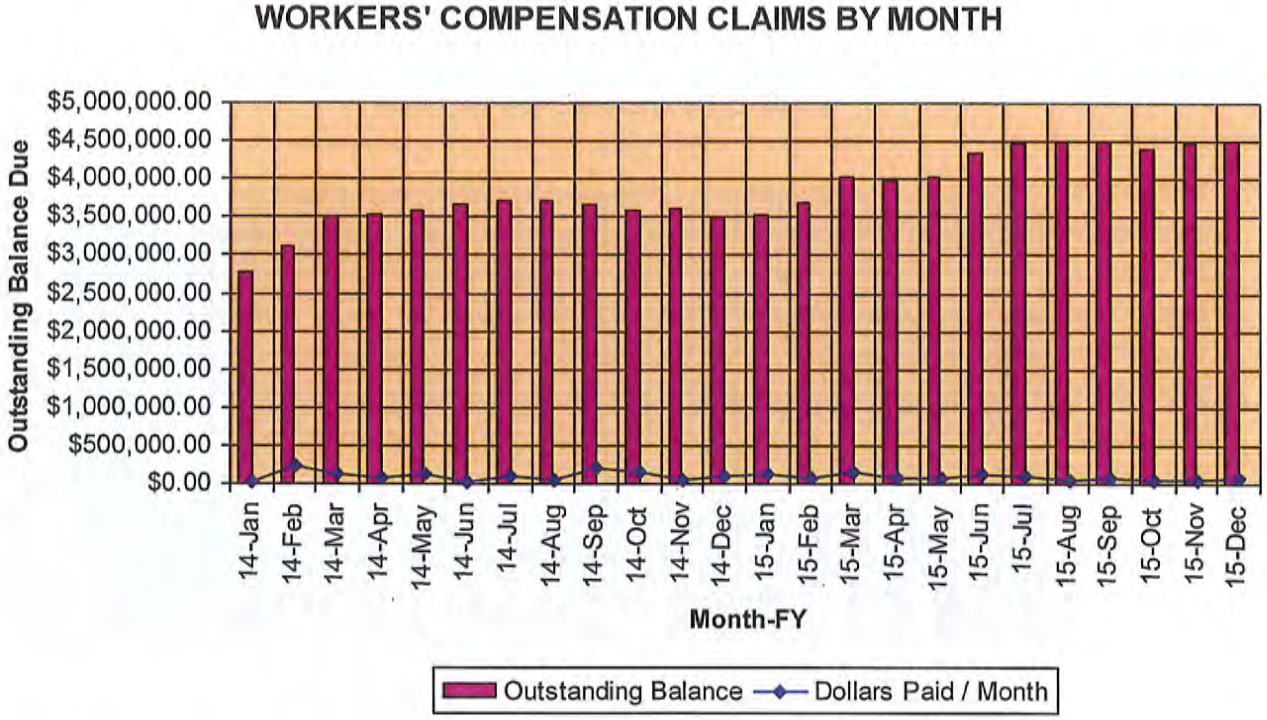
Significant amount paid on expense and indemnity during November 2015 attributable to three separate claims, of which one was settled.

Action To Be Taken: Continue to aggressively defend claims against the City.

Next Review Date: January 2017

City of La Mesa
Performance Measures Review Sheet
City Manager's Office

Division: **Risk Management**
Performance Measure: **Workers' Compensation Claims by Month**
Purpose of the Measure: **To Fund and Settle Claims Cost-effectively**



Data Analysis: Cash outflow continues on a fairly predictable mildly upward trend, generated mostly by increasing medical costs.

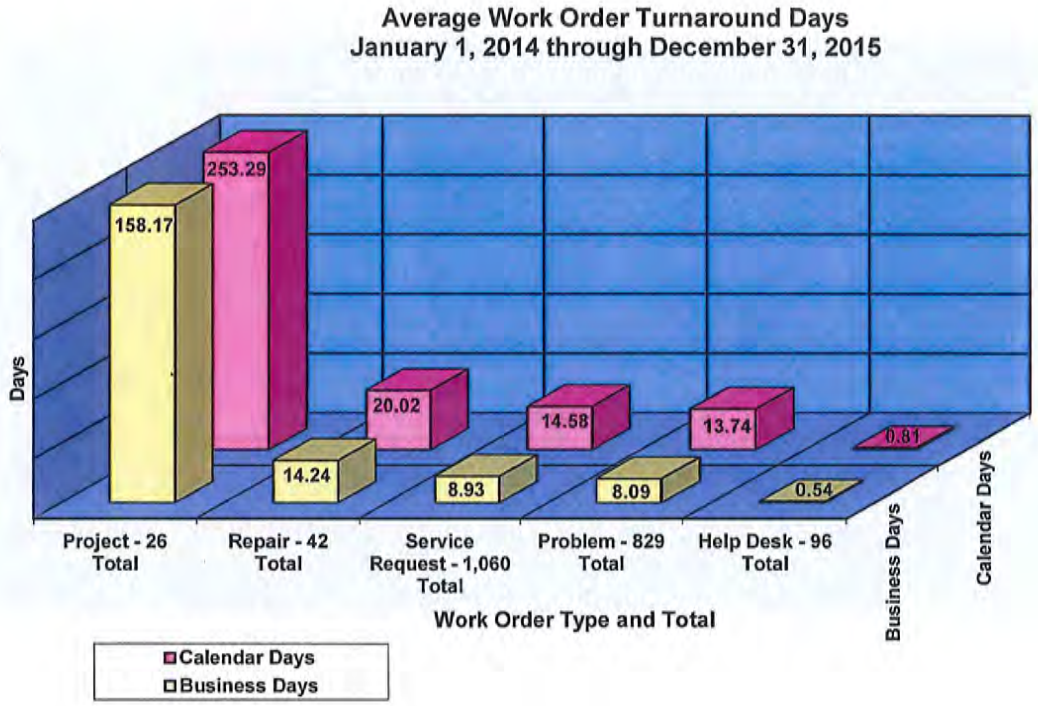
Action To Be Taken: Continue to provide frequent and effective safety training and continue with regularly scheduled safety committee meetings for all departments.

Next Review Date: January 2017

City of La Mesa
2015 Performance Measure Report
City Manager's Office

Division: Information Technology
Performance Measure: Work Order Turnaround Time by Work Order Type
Purpose of Measure: To track how long it takes to complete work orders to identify areas for technical and/or procedural improvements.

Graphed Data:



Data Analysis: Data shows work order turnaround times by work order type by both calendar days and business days. Business days do not include weekends, holidays and dark Fridays. Work order turnaround times for this period decreased by an average of 16.7% percent since the last two year reporting period. Project turnaround time increased by .5%. Projects completed during this period include Police CAD and NetRMS systems, equipment replacements, and network system upgrades.

Action To Be Taken: The division is working to better define the scope of each project, to improve focus on individual projects, and to complete them in a more timely manner.

Next Review Date: January 2017

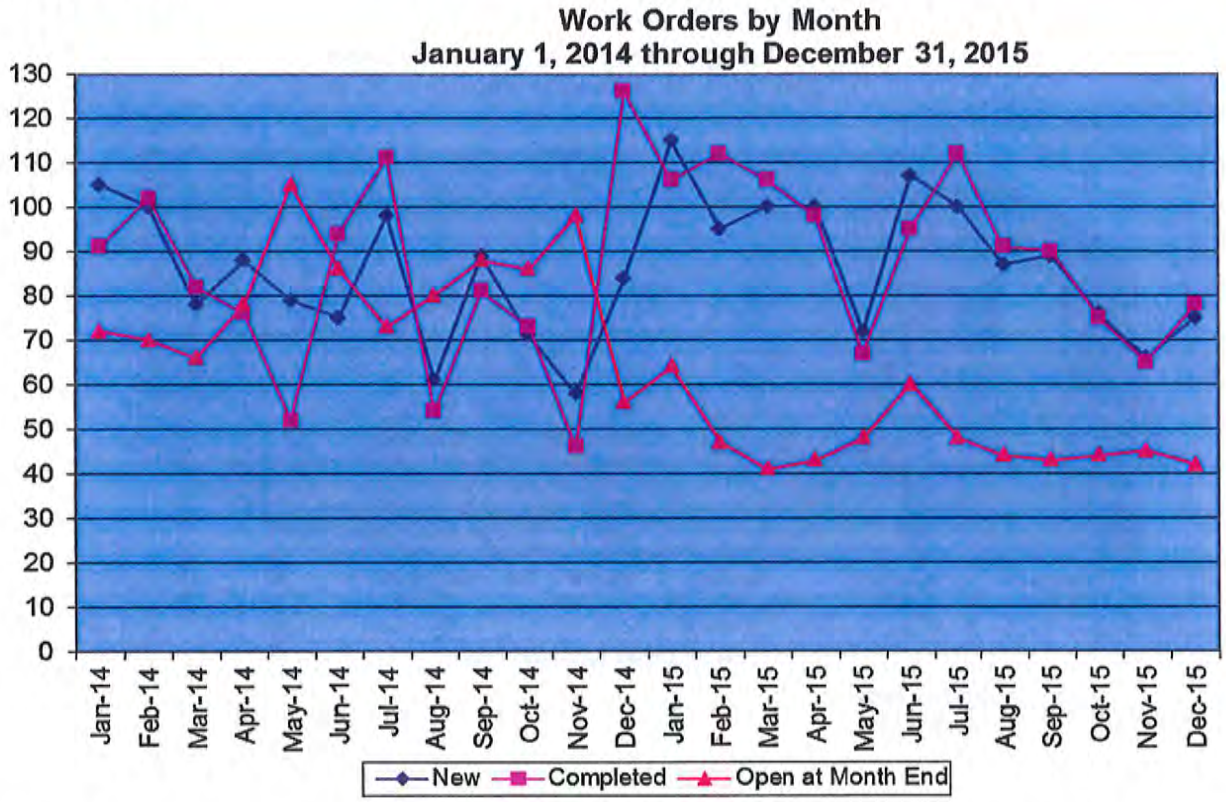
City of La Mesa
2015 Performance Measure Report
City Manager's Office

Division: Information Technology

Performance Measure: New and Completed Work Orders by Month and Work Orders in Open Status at the End of Each Month

Purpose of Measure: To track work order flow into and out of the Information Technology division.

Graphed Data:



Data Analysis: The City averaged 86 new and 87 completed work orders for the 24 month period. The division averaged 63.6 open work orders at month end which is 2% lower than the previous 24 month period. The average of open work orders for the last 12 month period is 47.4 showing a downward trend. The division continues to review open work orders with key departments and to use department assistance to complete some work orders.

Action To Be Taken: Information Technology staff to focus work on department priorities, major projects, and utilization of department assistance.

Next Review Date: January 2017

PERFORMANCE MEASURES

COMMUNITY DEVELOPMENT

CITY OF
LA MESA
JEWEL of the HILLS

COMMUNITY DEVELOPMENT
2016
PERFORMANCE MEASURES

- Planning Permit Applications
- Planning Permit Applications Received
- Tentative Maps Processed
- Planning Application Receipts
- Photovoltaic Permit Applications
- Number of Code Compliance Cases
- Code Compliance Categories
- Code Compliance Closure Rate
- Geographical Code Compliance Cases
- Administrative Citations
- Building Plan Checks Tracking By Project Type
- Building Inspection Complaints Tracking
- Parking Permit Sales & Parking Fund Revenue
- Farmer's Market Revenue/Expense Analysis

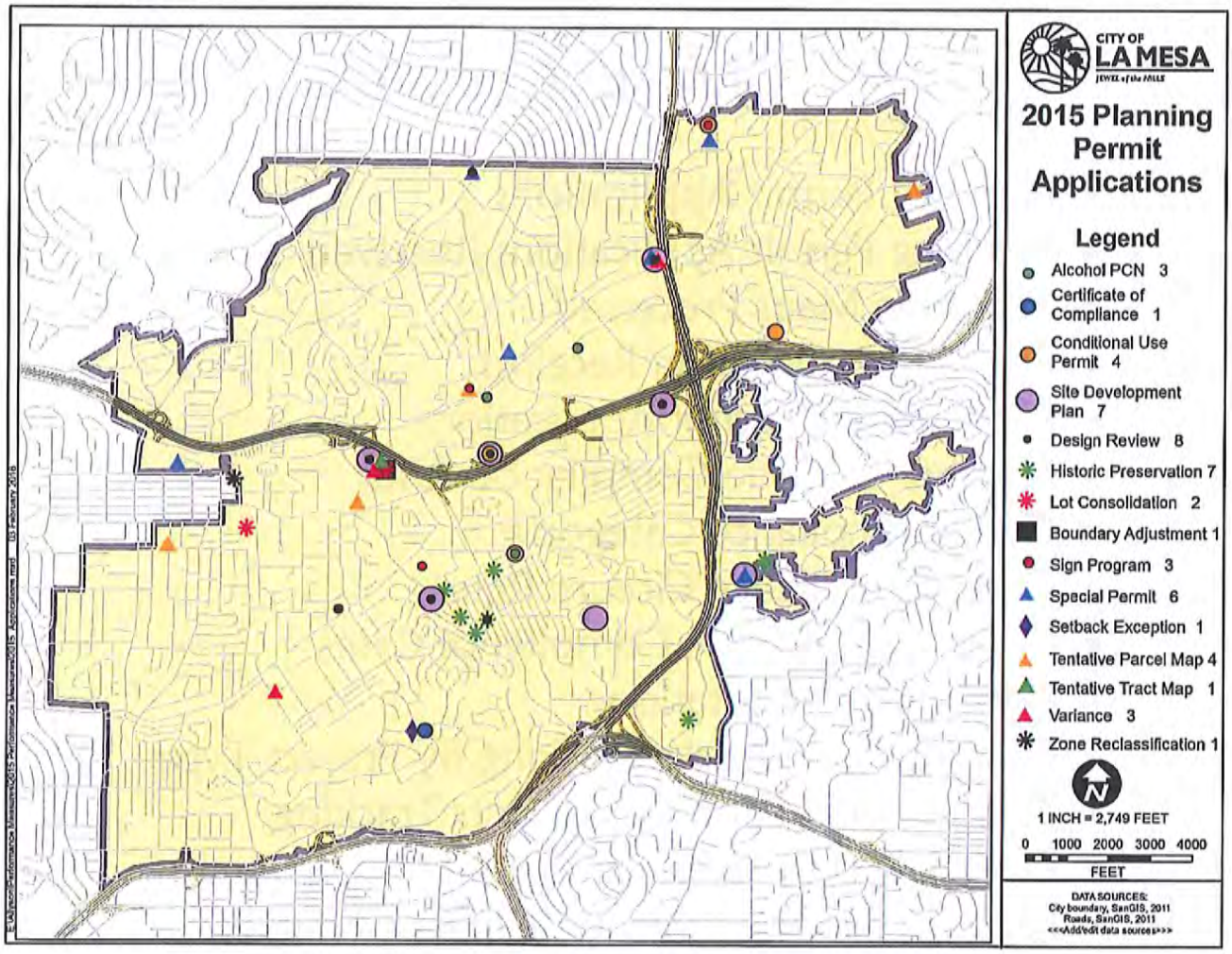
City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: Planning Division

Performance Measure: 2015 Planning Permit Applications

Purpose of the Measure: To understand the current planning case load and type.

Graphed Data:



Data Analysis: The map shows discretionary applications submitted in 2015 by type and location. The City received 54 individual applications for projects that included a new 110,346 square-foot self-storage facility, 95,000 square feet of new sales and service buildings at Penske Ford, and 93 new residential units (88 multi-family and 5 single-family). Applications for use-related activities and improvements to existing development included modifications to a wireless communications facility, two commercial entertainment uses, three comprehensive sign programs, and three outdoor seating areas at bars and restaurants. In terms of location, development interest has been highest along the I-8 corridor, on Fletcher Parkway, and in the downtown village.

Next Review Date: January 2017

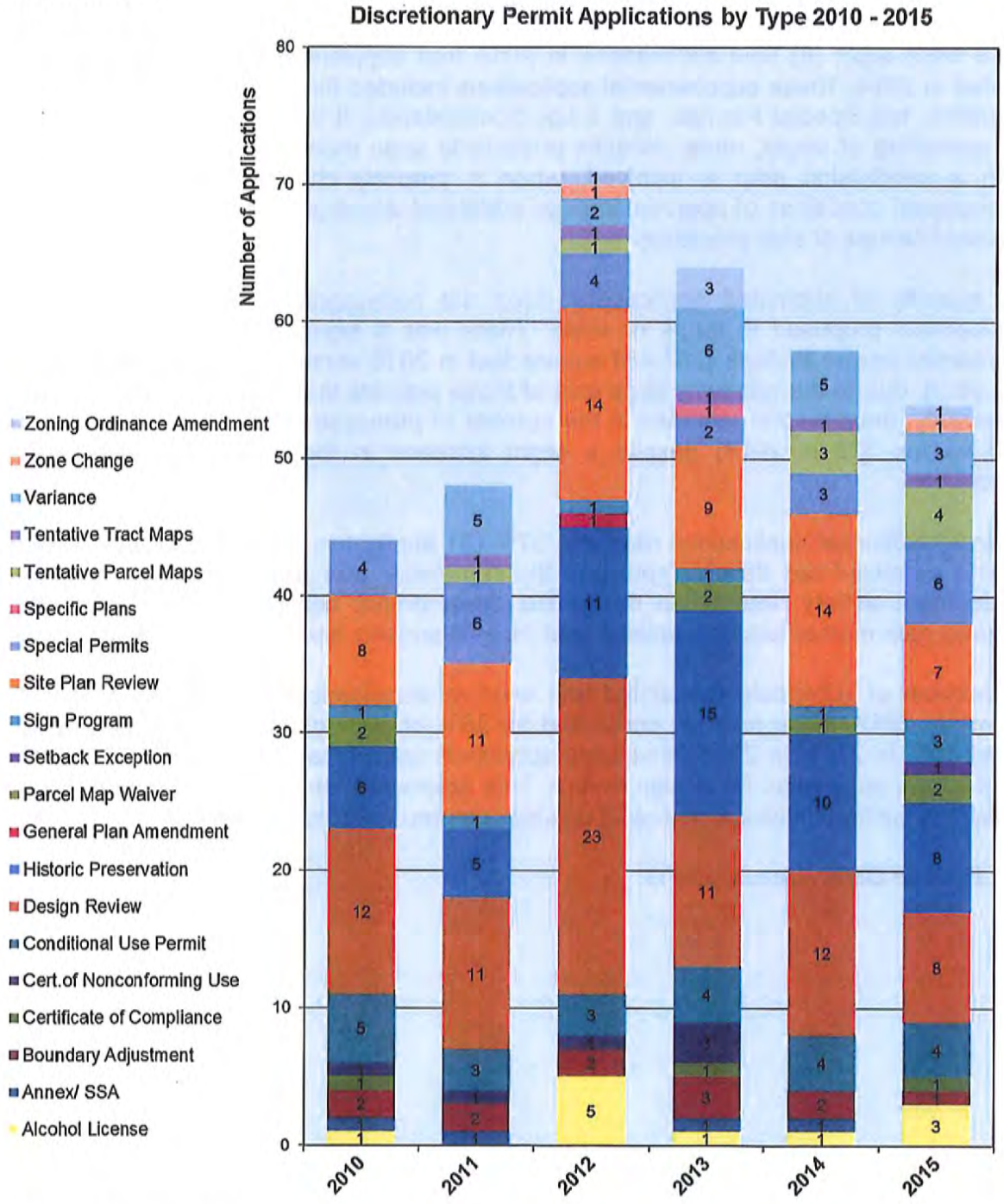
City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: Planning Division

Performance Measure: 2015 Planning Permit Applications Received

Purpose of the Measure: To understand the current planning case load in relation to recent history.

Graphed Data:



Data Analysis: Of the 54 discretionary permit applications submitted in 2015, just over half were associated with ten (10) multi-application development proposals. Those projects included a new self-storage facility, improvements to Penske Ford, two single-family residences and three multiple-unit residential developments.

The number of applications submitted in 2015 was slightly lower than last year's total of 58. Site Development Plan review applications dropped by half in 2015. Tentative Map applications, which serve as an indicator of future residential development activity, increased from four (4) to five (5) over the prior year. Design Review applications for substantial exterior improvements to a variety of new and existing sites, were lower by a third from 2014. Exception requests, including Variance and Special Permit applications, increased by one (8 in 2014 versus 9 in 2015).

There were eight (8) new applications in 2015 that supplemented development projects initiated in 2014. These supplemental applications included three Tentative Maps, two Sign Programs, two Special Permits, and a Lot Consolidation. It is not unusual for entitlement and permitting of larger, more complex projects to span more than one year, particularly when a subdivision map is involved, when a property changes ownership, or when development conditions of approval impose additional development review actions such as lot consolidations or sign programs.

The quantity of submitted applications does not necessarily reflect the magnitude of development proposed in terms of scale. There was a significant increase in proposed commercial square footage (207,488 square feet in 2015 versus 46,192 square feet in the prior year), due to the relatively large size of those projects that were submitted for review. Conversely, there was a decrease in the number of proposed residential units (93 units in 2015 versus 326 in 2014) despite a slight increase in the number of tentative map applications.

Of the 54 individual applications received, 57% (31 applications) were associated with new housing or mixed-use development and the remainder was associated with commercial development activity. Interest in mixed-use development continues and is expected to gradually gain momentum as available land for infill projects becomes increasingly scarce.

The number of submittals associated with wireless communications facilities continues to decline. In 2012, these projects accounted for 26% of applications, which was down from almost 50% in 2011. In 2014 three such submittals were received and in 2015 there was only a single application for design review. This downward trend reflects Federal laws and regulations limiting municipal review of wireless communications facilities.

Next Review Date: January 2017

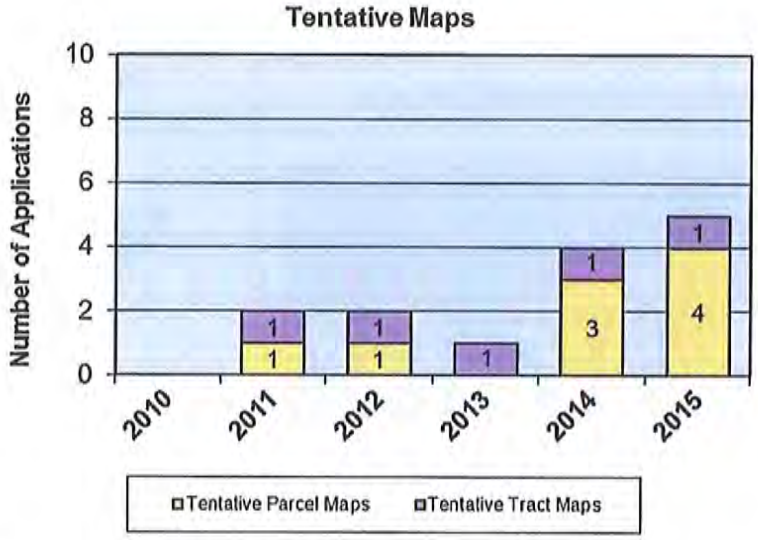
City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: Planning Division

Performance Measure: 2015 Tentative Maps Processed

Purpose of the Measure: To understand trends in tentative map submittals.

Graphed Data:



Data Analysis: Tentative Map applications generally must be submitted long before actual new construction begins and therefore, serve as an indicator of developer confidence in the business climate and of future development. A Tentative Tract Map application is used to request a subdivision of land into 5 or more lots while a Tentative Parcel Map application is used request a subdivision creating four or fewer lots. Condominium projects, where fewer than five lots are created, are also handled through a Tentative Parcel Map application process.

There were no tentative map applications received in both 2009 and 2010, at which time the economy was in recession and overall development activity was low. As the economy recovered, there was a shift toward apartments over owner-occupied development, driven largely by constraints of the lending markets. To illustrate this point, in 2013 the City received discretionary applications for 138 new dwelling units but only one tentative map application. 2014 saw revived interest in owner-occupied housing with the submittal of three new tentative parcel map applications for a total of 275 residential condominium units and one tentative tract map for a 10-lot single-family subdivision. In 2015, tentative map applications were submitted for 122 residential condominium units and four single-family lots. One of the tentative maps was associated with a 56-unit mixed-use development that was entitled in the prior year. Overall, these statistics represent a trend toward multi-family housing development over single-family housing development.

Other mapping actions such as boundary adjustments and lot consolidations, of which three applications were received in 2015, are an additional indicator of anticipated development.
Next Review Date: January 2017

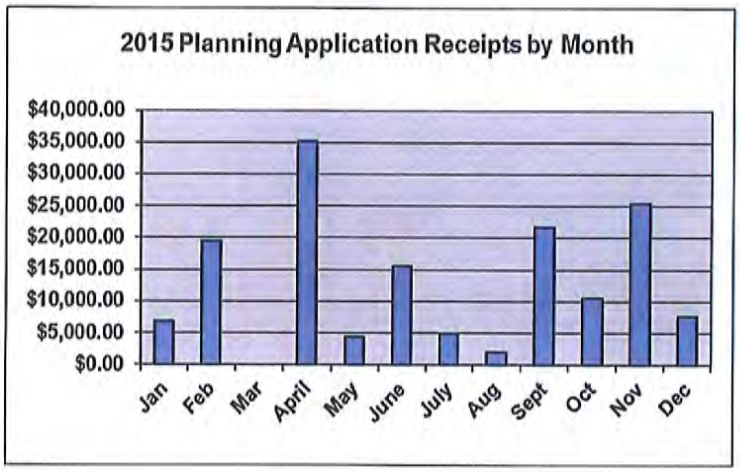
City of La Mesa
2015 Performance Measure Report
Community Development Department

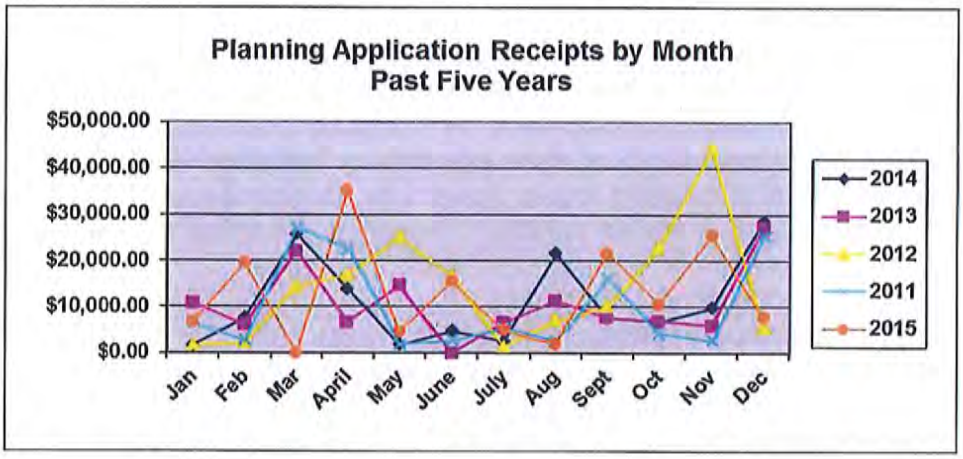
Division: Planning Division

Performance Measure: Planning application receipts by month and quarter.

Purpose of the Measure: To determine the revenue generated by planning applications over the year.

Graphed Data:





Data Analysis: In calendar year 2015, the Community Development Department received $153,703 in revenue from planning applications. This is higher than last year's total of $132,228. The months of April, September, and November accounted for 54% of the year's receipts and approximately 43% percent of the application activity (23 of 54 submittals were made during these three months alone). From a quarterly perspective, revenue was highest in the second quarter, followed by the fourth quarter. In reviewing monthly receipts over the past five years, seasonal trends become apparent. Application activity during the months of January and July is consistently lower than at other times.

Next Review Date: January 2017

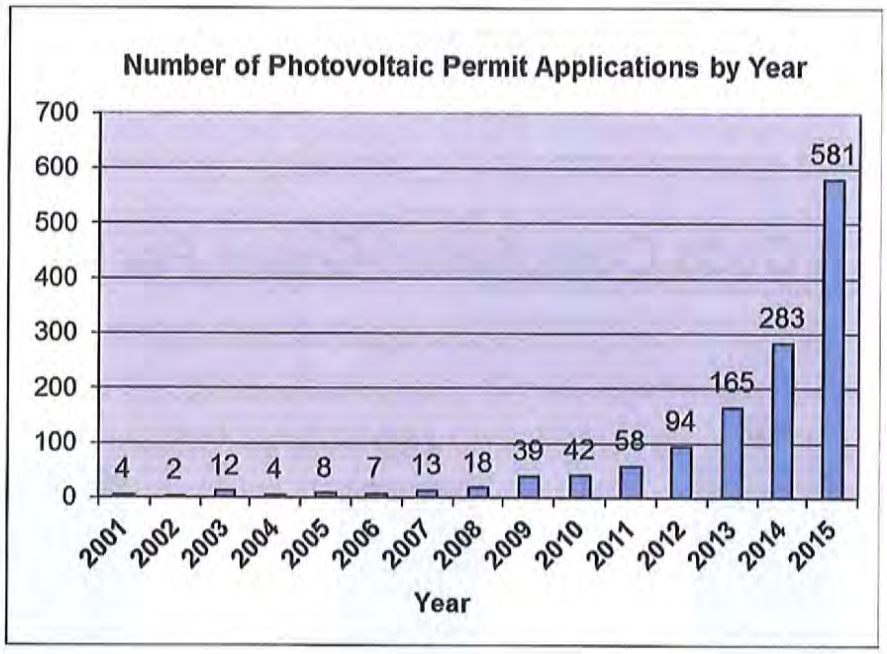
City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: Building Division

Performance Measure: 2015 Photovoltaic Permit Applications

Purpose of the Measure: To understand trends in solar panel installations.

Graphed Data:



Data Analysis: Prior to 2001 the City did not collect data on the permitting of photovoltaic systems. Up until about 2008, the number of permit applications remained relatively small. Since 2011, the number of annual photovoltaic applications has increased steadily each year, with a ten-fold increase from 2011 to 2015. Popular rebate programs and falling installation costs have fueled the exponential increase in the number of properties, especially single-family residences, converting to solar power.

In 2015, photovoltaic permitting accounted for one third of all building permit applications, with 581 photovoltaic permit applications received resulting is the issuance of 555 permits. Standardized plan check and inspection services for the industry and for Building Departments was implemented pursuant to State regulations adopted in 2014 and provides for these higher volumes without diminishing customer service.

Next Review Date: January 2017

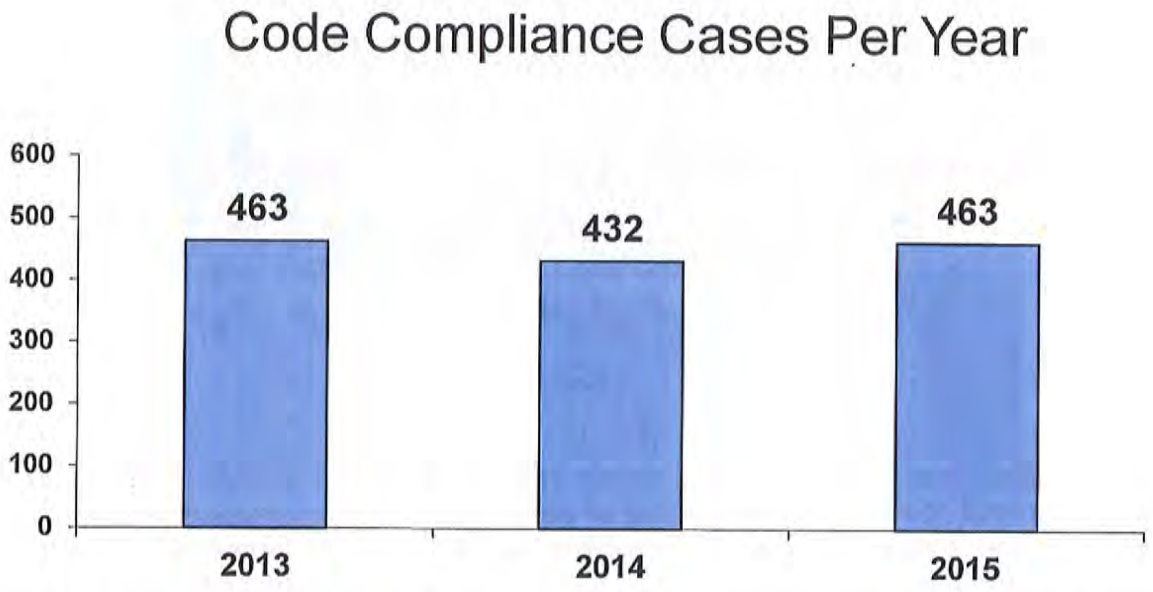
City of La Mesa
Community Development Department
2015 Performance Measures

Division: Planning Division

Performance Measure: Code Compliance Cases (excluding shopping carts)

Purpose of the Measure: To track the number of code compliance cases processed each year.

Graphed Data:



Data Analysis: The number of code compliance cases increased 7% from 2014 to 2015 (432 to 463 cases). The increase can be attributed in part to focused code enforcement on property maintenance in residential neighborhoods such as the Severin-Grossmont Hills (February 2015), Jackson Park (March 2015) and the Date Avenue Historic District (May 2015).

Next Review Date: January 2017

Action To Be Taken: This data will continue to be tracked during the next year to monitor work load.

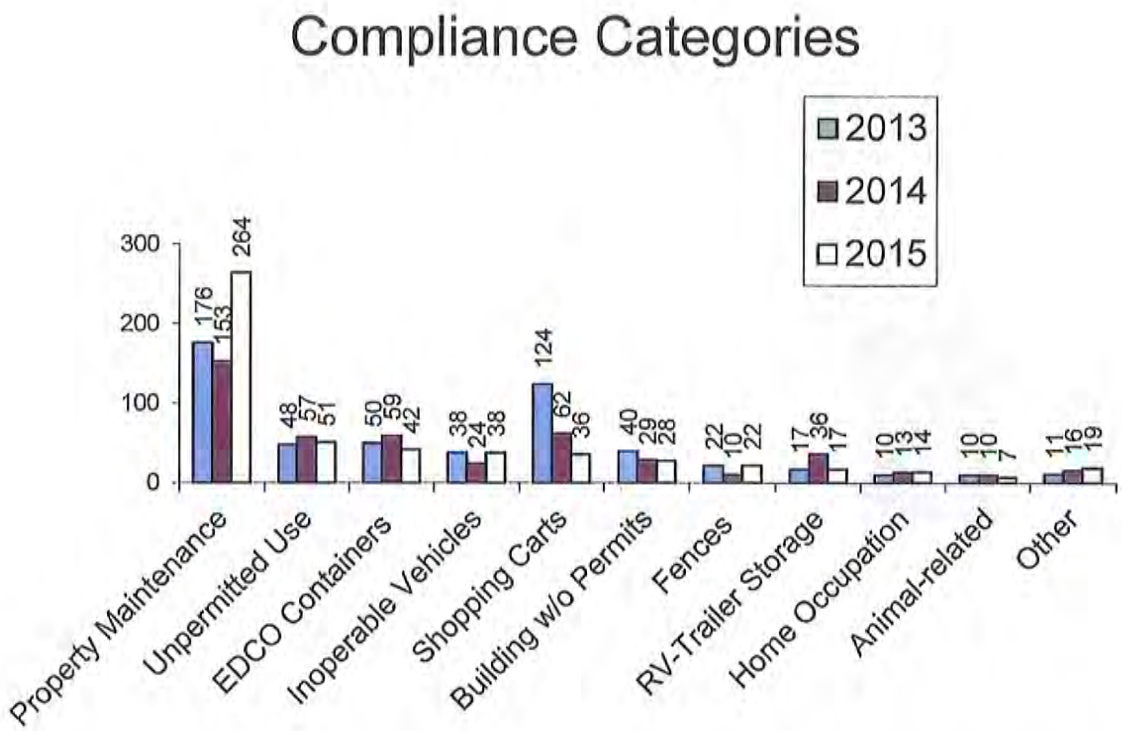
City of La Mesa
Community Development Department
Performance Measures

Division: Planning Division

Performance Measure: Code compliance categories.

Purpose of the Measure: To understand which categories generate code compliance complaints and activity.

Graphed Data:



Data Analysis: The *Property Maintenance* category had the greatest increase in volume from 153 cases in 2014 to 264 cases in 2015 (+72% year-over-year). Two other specific categories with increases in 2015 were *Fences* (+112%) and *Inoperable Vehicles* (+58%). Please note that many code cases involve more than one code compliance category.

Next Review Date: January 2017

Action To Be Taken: The Planning Division will continue to track code complaints by category to monitor specific trends.

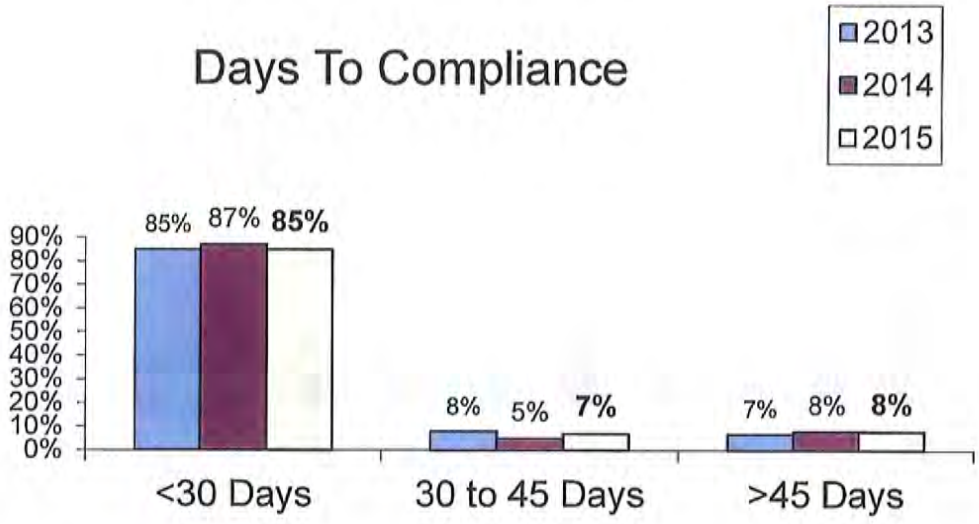
City of La Mesa
Community Development Department
Performance Measures

Division: Planning Division

Performance Measure: Length of time between receipt of a complaint and closure of a case.

Purpose of the Measure: To determine the amount of time it takes to process a complaint through to voluntary compliance.

Graphed Data:



Data Analysis: In 2015, 85% of the cases took less than 30 days to resolve. Overall, 92% of cases were brought into compliance within 45 days.

Next Review Date: January 2017

Action To Be Taken: This data will continue to be tracked during the next year to monitor and evaluate voluntary compliance.

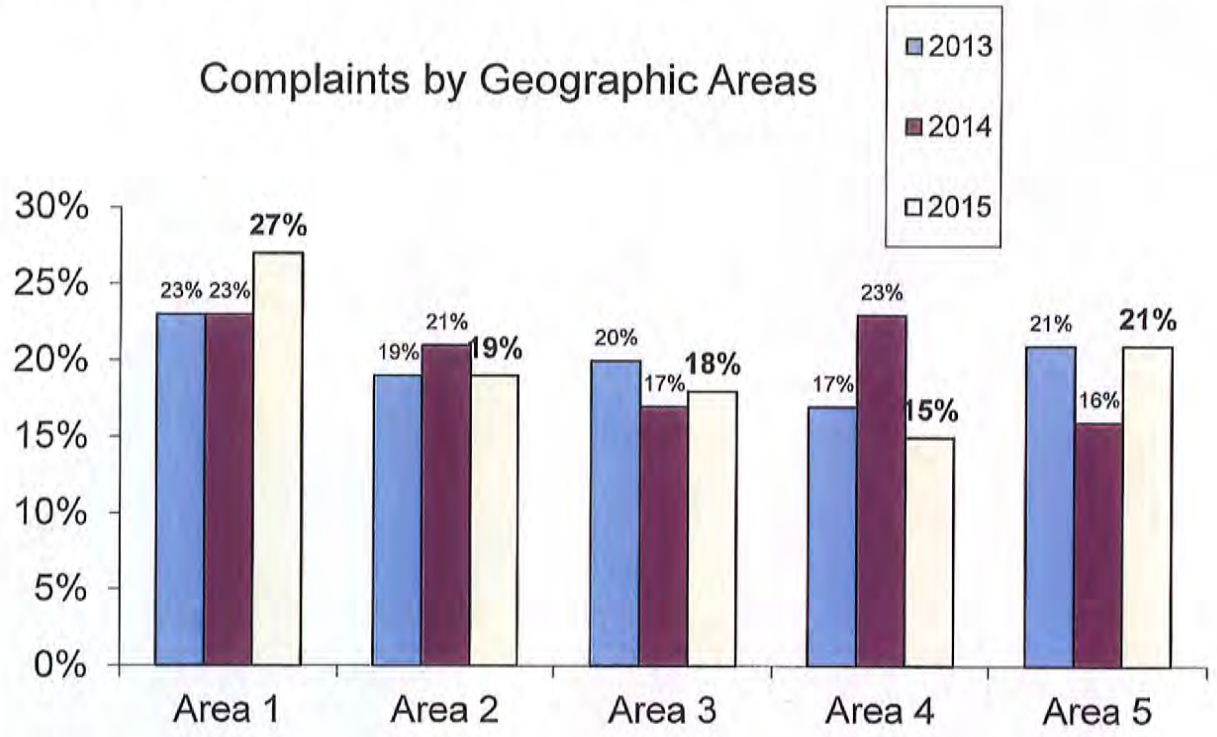
City of La Mesa
Community Development Department
Performance Measures

Division: Planning Division

Performance Measure: Code compliance cases by geographic area.

Purpose of the Measure: To understand which geographic areas of the City generate code compliance complaints and activity.

Graphed Data:

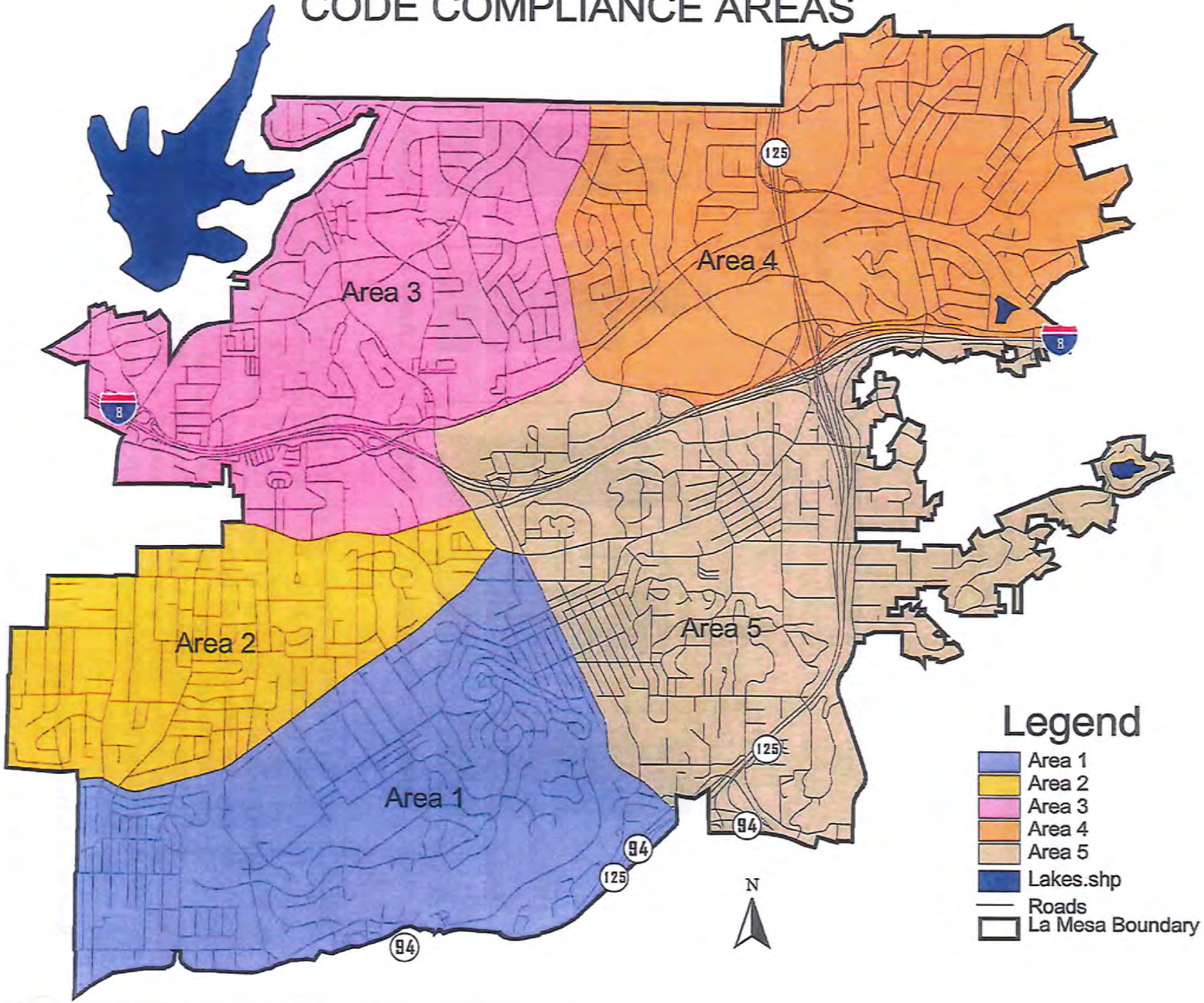


Data Analysis: The percentage of code compliance cases in each of the five geographic areas in La Mesa range from 15-27%. The reasons for increases or decreases in code cases year-over-year in specific geographic areas of La Mesa are due to focused code enforcement at the direction of City Council or initiated by resident complaints. For example, the year-over-year increase in Area 1 in 2015 from 2014 can be directly attributed to focused property maintenance enforcement in the Date Avenue Historic District (21 individual cases). Likewise, Area 4 saw a dramatic increase in code cases in 2014 due to the code enforcement "sweep" on Horton Drive in the Northmont neighborhood (42 individual cases). In 2015, Area 4 returned to a "normal" level of code compliance cases.

Next Review Date: January 2017

Action To Be Taken: The Planning Division will continue to track code complaints by area to monitor specific trends.

CODE COMPLIANCE AREAS



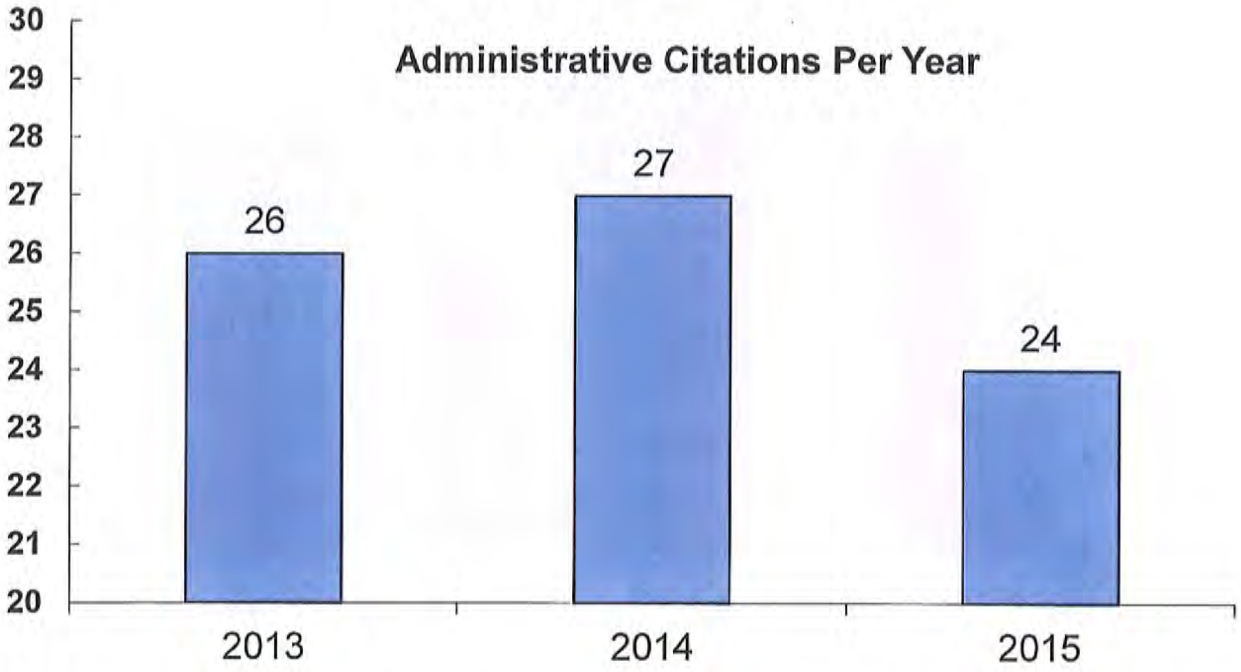
City of La Mesa
Community Development Department
Performance Measures

Division: Planning Division

Performance Measure: In 2008, the La Mesa City Council approved the use of Administrative Citations as an additional tool against chronic violators of the La Mesa Municipal Code. Once issued a citation, the violator has ten days to comply with city ordinances or is subject to a fine.

Purpose of the Measure: To track the number of Administrative Citations issued for repeat violators each year.

Graphed Data:



Data Analysis: Administrative Citations are an effective tool in gaining compliance of the La Mesa Municipal Code. The Community Development Department continued the targeted use of Administrative Citations in 2015 to discourage property owners and residents from becoming chronic violators.

Next Review Date: January 2017

Action To Be Taken: This data will continue to be tracked during the next year to monitor trends pertaining to Administrative Citations.

City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: **Building Inspection**

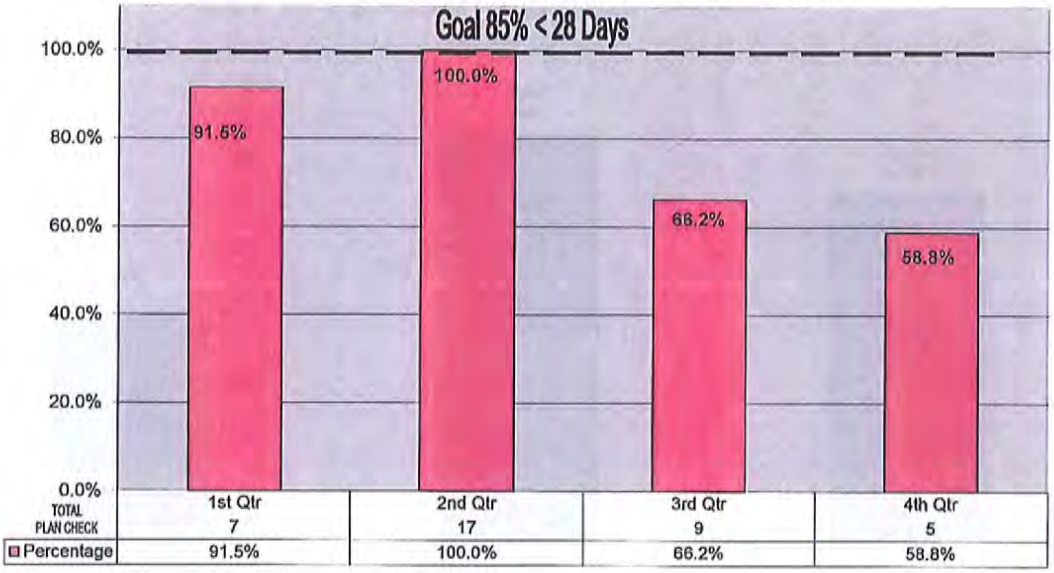
Performance Measures: **Building plan checks are completed within 28 days for the following types of projects at least 85 percent of the time:**

a. **All detached single-family new construction.**
b. **All attached single-family and multi-family new construction.**
c. **All non-residential new construction, additions and major alterations.**

Purpose of the Measure: To monitor and measure the responsiveness of city's plan checking services. In 2014, the target of this measure was raised from 75% to 85% completion in 28 days, to enhance the plan review service.

Graphed data:

85% of Building Plans Checked in less than 28 Days
(New Construction and Major Alterations 2015)



Data Analysis: **During the first half of the year, the division was generally meeting the target of this measure. However, the service level dropped noticeably in the second half of 2015. The permit data indicates several large scale projects were submitted during this period, which required longer review time and the coordination with the design teams.**

Next Review Date: **April 1, 2016**

Action to be Taken: Look for ways to improve review time, including rearranging and reprioritizing staff assignments.

City of La Mesa
2015 Performance Measure Report
Community Development Department

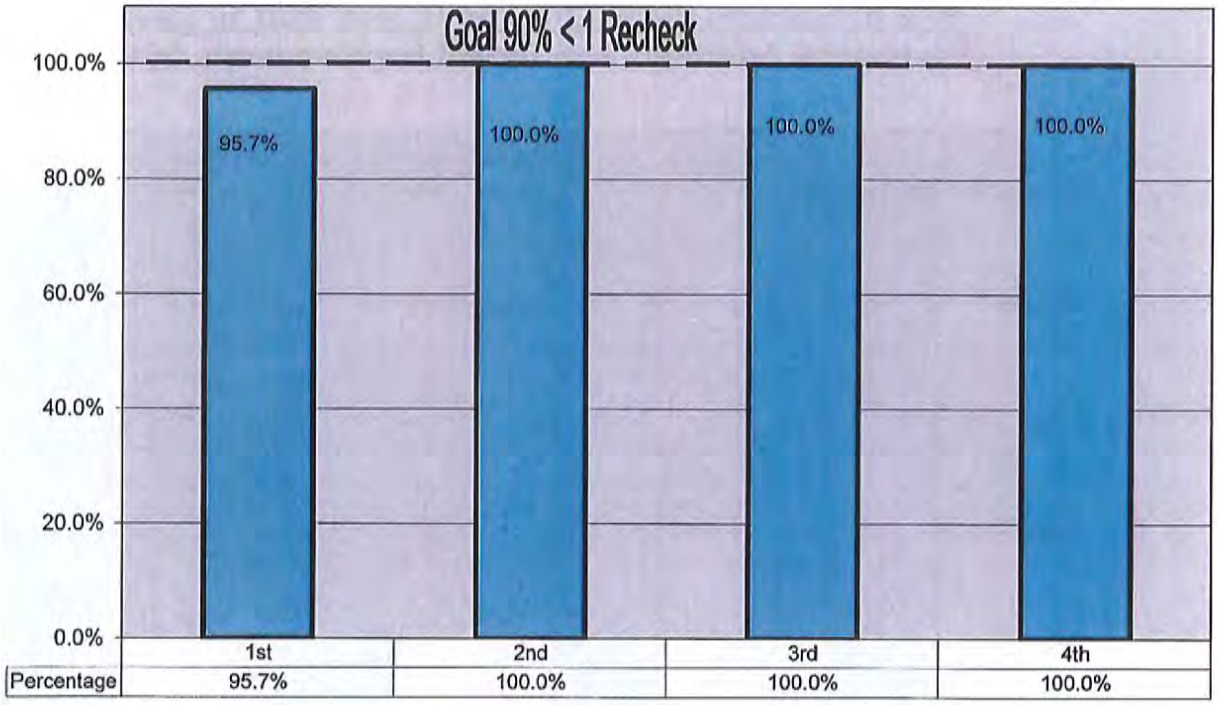
Division: **Building Inspection**

Performance Measures: **Building plans are to be approved with one recheck at least 90 percent of the time.**

Purpose of the Measure: To monitor and measure the responsiveness of city's plan checking services. In 2014, the target of this measure was raised from 85% to 90% approval with one recheck, to enhance the plan review service.

Graphed data:

90%of Building Plans Approved with 1 Re- Check or Less



Data Analysis: **The data reflects generally consistent plan checking service to ensure minimum rechecks throughout 2015, under the enhanced goal.**

Next Review Date: **April 1, 2016**

Action to be Taken: Continue to maintain the service level under this measure. .

February 22, 2016

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City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: **Building Inspection**

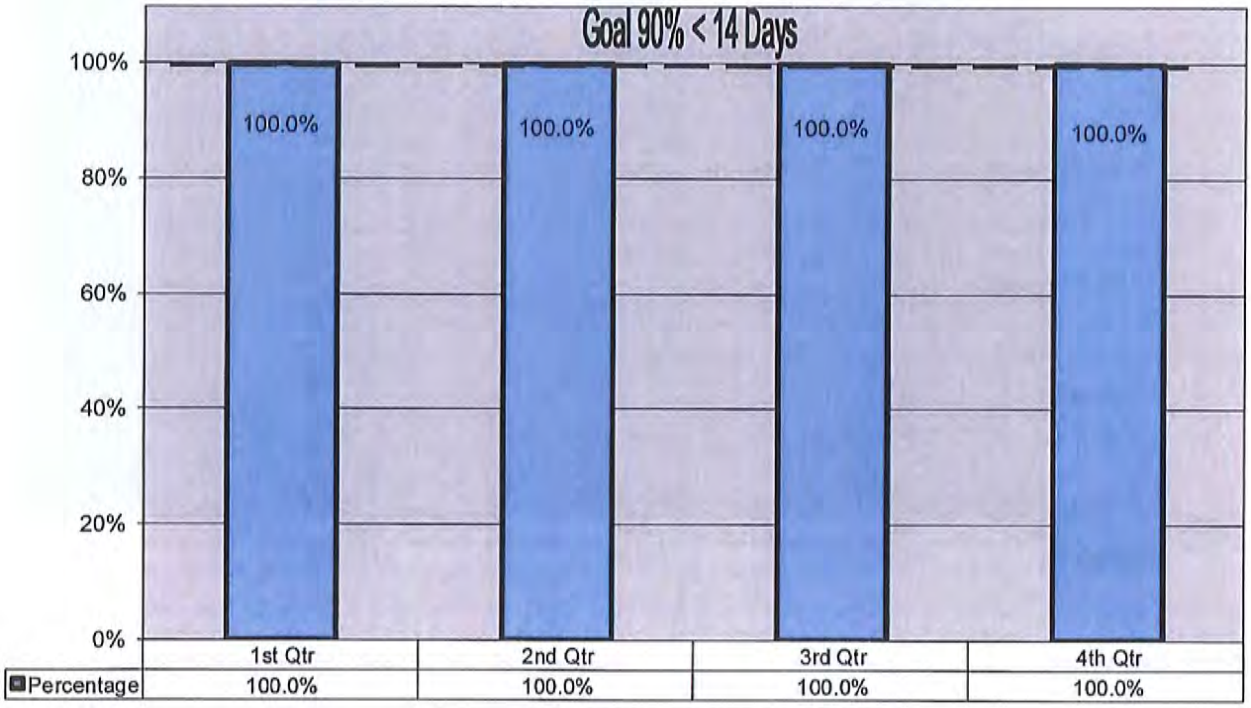
Performance Measures: **Building plan checks are completed within 14 days for the following types of projects at least 90 percent of the time:**

a. **All residential additions or alterations.**
b. **All minor non-residential alterations.**

Purpose of the Measure: To monitor and measure the responsiveness of city's plan checking services. In 2014, the target of this measure was raised from 75% to 90% completion in 14 days, to enhance the plan review service.

Graphed data:

<u>90% of Building Plans Checked in less than 14 Days</u>
(Residential Additions and Tenant Improvements 2015)



Data Analysis: **The data reflects consistently responsive plan check services throughout 2015, under the enhanced goal.**

Next Review Date: **April 1, 2016**

Action to be Taken: Continue to maintain the service level under this measure. .

February 22, 2016

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City of La Mesa
2015 Performance Measure Report
Community Development Department

Division: **Building Inspection**

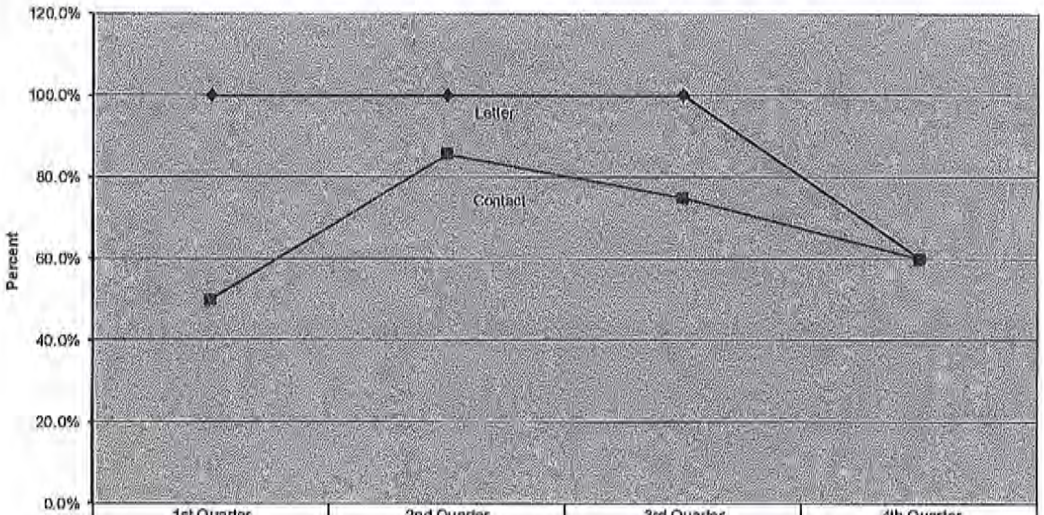
Performance Measures:
1. **Contact property owners to arrange an inspection within 7 days from the date the complaint is filed.**
2. **Issue a compliance letter or correction notice within 14 days from the date the complaint is filed.**

Purpose of the Measure: **To monitor and measure the responsiveness to citizen's complaints regarding building and housing code violations.**

Graphed data:

Performance Measures 2015

Series1: Contact within 7 Days Series 2: Letter sent within 14 Days



	1st Quarter 0	2nd Quarter 3rd Q Begin Here	3rd Quarter 4th Q Begin Here	4th Quarter 0
Contact	100.0%	100.0%	100.0%	60.0%
Letter	50.0%	85.7%	75.0%	60.0%

Data Analysis: **The data reflects complaint responses slightly below targets due to higher workloads.**

Next Review Date: **April 1, 2016**

Action to be Taken: **With the addition of the contract inspector in 2016, the building division will be able to respond to complaints in a timely manner to improve the performance results in both measures.**

February 22, 2016

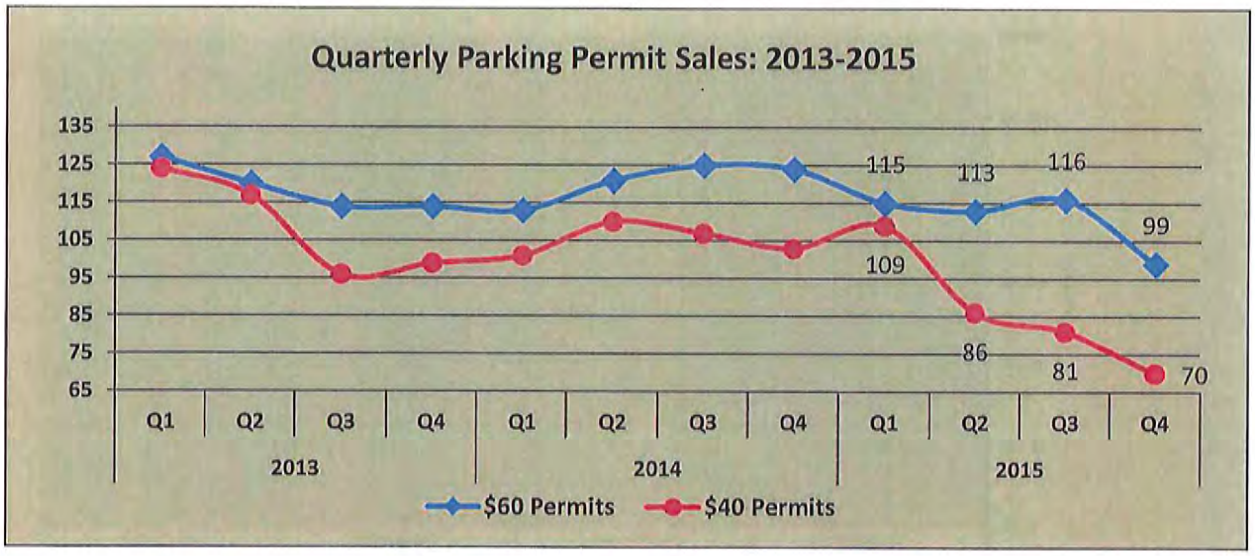
City of La Mesa
2015 Performance Measure Report
Community Development Department

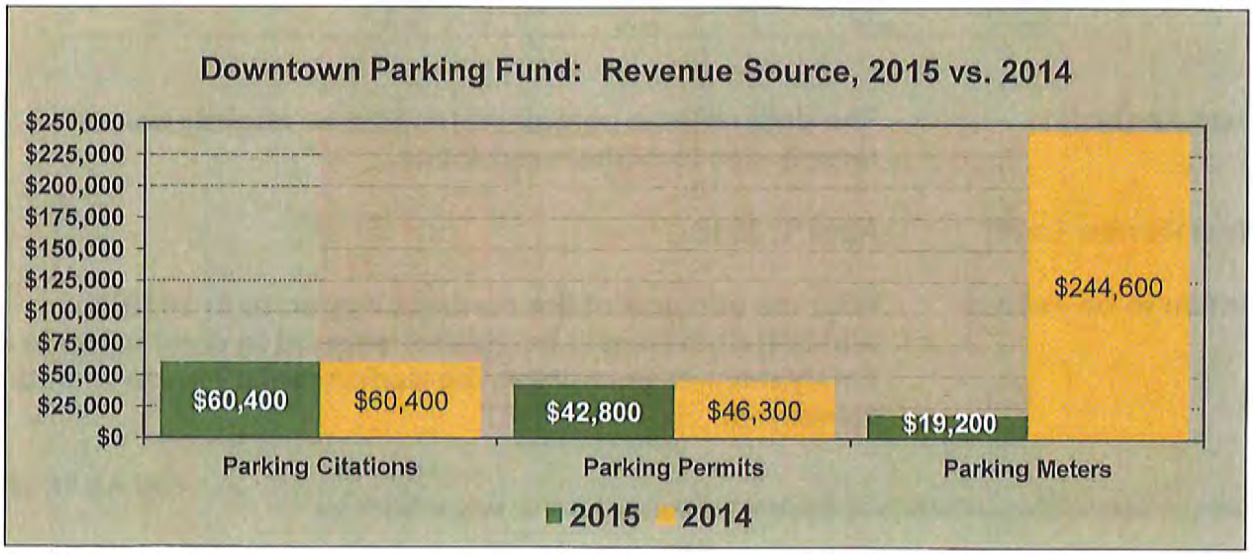
Division: Parking Commission/Parking District

Performance Measure: Parking Permit Sales and Downtown Parking Fund (DPF) Revenue Sources

Purpose of Measure: To provide status on the utilization of the Parking Permit Program and DPF revenue sources.

Graphed Data:





Data Analysis:

The Parking Permit Program is a business-friendly program established by the City to provide business owners and their employees with discounted parking opportunities in municipal parking lots and selected streets to free up parking on La Mesa Boulevard and side streets for customers and visitors. In total, the Parking Permit Program provides 262 spaces within the Parking District (229 spaces east of Spring Street and 33 spaces west of Spring Street at the La Mesa Blvd. Municipal Parking Lot).

Calendar 2015 was an unusual year for parking dynamics within the Parking District. The multi-million-dollar Downtown Streetscape Improvement Project (DSIP) was in full swing and numerous sequential segments of parking supply were temporarily unavailable to make way for construction activities, altering typical supply and demand patterns. Moreover, the City Council generously provided the public with free parking until the DSIP was completed, resulting in further alteration of typical parking utilization patterns and a 92% decline in parking meter revenue. Despite the unusual circumstances and an influx of long-term, sedentary vehicles in permit parking areas, parking supply was adequate to accommodate demand from both the public and parking permit holders throughout the DSIP period (May 2015 parking study conducted by staff).

With regard to 2015 parking permit sales, the graph illustrates a decline in permit sales during the DSIP/free parking period, especially in the $40 permit areas, which are four-hour parking areas. By the end of 2015, sales of both $40 and $60 parking permits were at three-year lows, as many users elected to forego purchasing a parking permit and utilize free parking. As directed by Council, time limits were enforced to stimulate parking turnover and citation revenues remained static in 2015.

Staff anticipates parking revenues to return to near-normal levels in 2016, following the completion of the DSIP in December 2015 and the cessation of free parking in January 2016.

Action To Be Taken:

Continue to track permit sales and sources of parking revenue.

Next Review Date:

January 2017

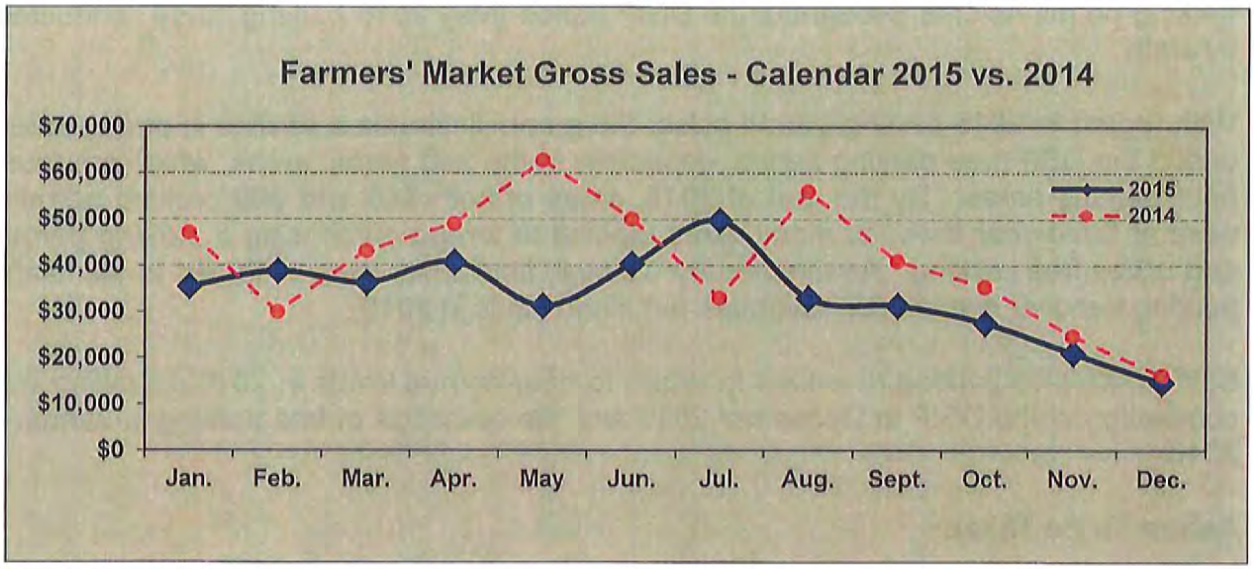
City of La Mesa
2015 Performance Measure Report
Community Development Department

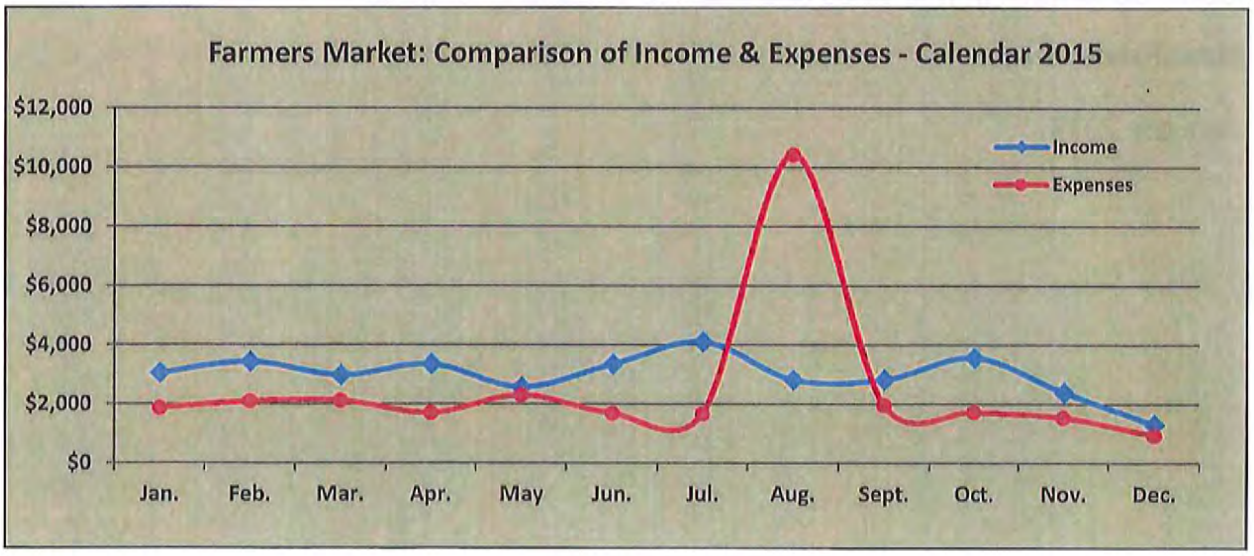
Division: Farmers' Market

Performance Measure: 2015 Gross Sales and Income/Expense Comparison

Purpose of Measure: To show gross sales and the relationship between income and expenditures.

Graphed Data:





Data Analysis:

In calendar 2015, the La Mesa Village Farmers' Market generated gross sales of $401,000, a decline of 18% from 2014. Despite the decline in gross sales, the market remained financially self-sufficient and generated a net profit of approximately $5,000. The City's share of income from the market was about $36,000 and total expenses for items such as compensation for the on-site manager, local regulatory fees/licenses, marketing efforts and liability insurance premiums totaled $30,000. Despite the decline in sales, the market remains financially self-sufficient because the largest expense items, manager compensation and liability insurance premiums, are tied to the magnitude of gross sales and these expense items decline when gross sales decline.

Calendar 2015 marks the third consecutive year that gross sales have declined. This is likely attributable to several factors, not least among them the opening of a number of new farmers' markets east and west of La Mesa during this time period. This has created a more competitive environment and the La Mesa market has not significantly adapted its operation in response to changing conditions. City staff will be proactively working in 2016 to implement strategies to maximize the potential of the La Mesa Farmers' Market and to refresh the visitor experience to attract more shoppers.

Action To Be Taken: Implement new management practices and marketing strategy; add new features and entertainments; continue tracking gross sales, income, and expense figures.

Next Review Date: January 2017

PERFORMANCE MEASURES

COMMUNITY SERVICES

CITY OF
LA MESA
JEWEL of the HILLS

COMMUNITY SERVICES
2015
PERFORMANCE MEASURES

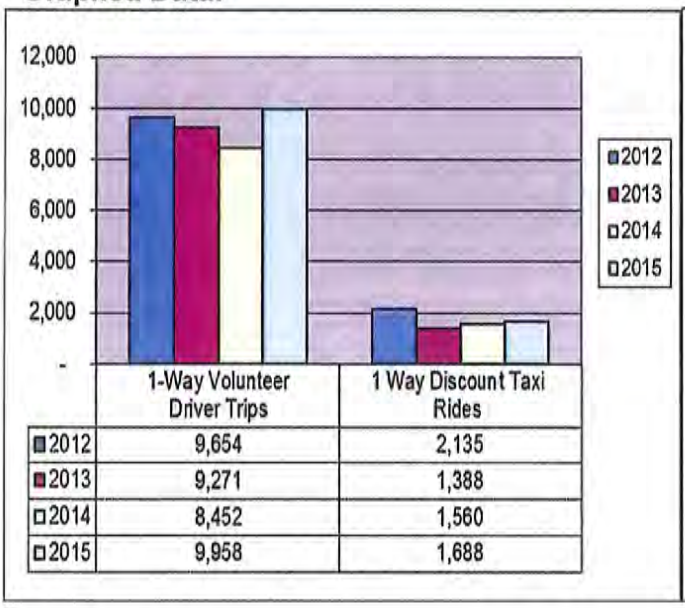
- Comparison of *Rides4Neighbors & Discount Taxi* Program Performance Criteria
- Cumulative Dollar Value of Volunteer Hours
- Comparison of Revenue Generated from Field and Light Use with Expenses
- Measure Value of Classes and Camps
- Sales and Marketing of Facility Rentals

City of La Mesa
2015 Performance Measure Review Sheet
Community Services Department

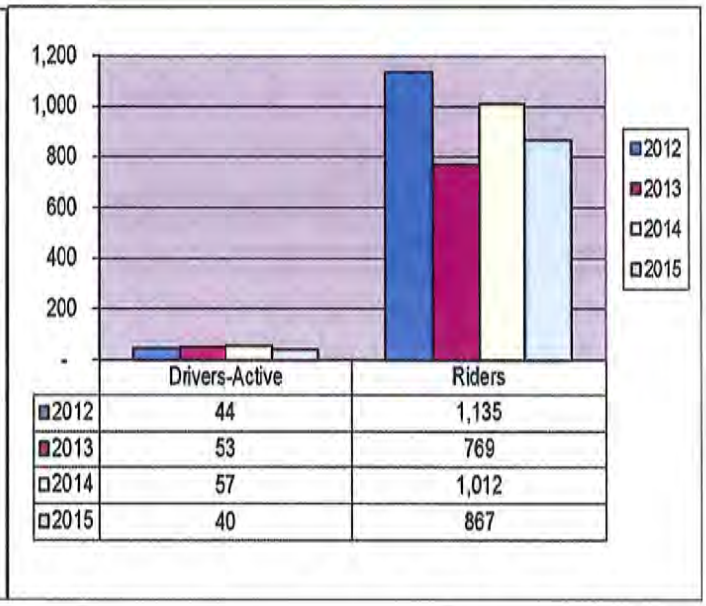
Performance Measure: Annual Comparison of ***Rides4Neighbors & Discount Taxi*** Program Performance Criteria

Purpose of the Measure: To track and analyze selected performance measures pertinent to the ***Rides4Neighbors*** & ***Discount Taxi*** programs

Graphed Data:



	1-Way Volunteer Driver Trips	1 Way Discount Taxi Rides
2012	9,654	2,135
2013	9,271	1,388
2014	8,452	1,560
2015	9,958	1,688



	Drivers-Active	Riders
2012	44	1,135
2013	53	769
2014	57	1,012
2015	40	867

Data Analysis:

The SANDAG funded ***Rides4Neighbors*** program began in 2006 and operates under multiple year awards utilizing New Freedom (federal) and Senior Mini (regional) grants. The first ride took place in November, 2006. To be eligible for service, riders must be 60+ and unable to drive or safely use public transportation; disabled adults under 60 may also be accommodated. Geographic eligibility includes La Mesa, El Cajon, Santee, Lakeside, Alpine, Lemon Grove, or Spring Valley.

In 2009 the City added the Discount Taxi Program to ***Rides4Neighbors***. Enrolled clients can purchase Yellow Cab taxi coupon booklets for $10 each. Each booklet has a face value of $20, allowing a 50% discount on taxi rides. Based on a formula of 1.5 trips per booklet, the Discount Taxi Program provided approximately 1,688 one-way taxi trips in 2015.

However, in an effort to reduce the cost per ride to maximize the number of rides provided we placed a limit on the number of trips per week and required the distance of those trips to be within a 20 mile radius. In 2015 there were 9,958 one-way trips provided by ***Rides4Neighbors*** volunteer drivers which is an increase from the previous year as shown above.

The total 2015 trip output, including volunteer driver trips, shopping shuttle, wheelchair transport, taxi voucher medical trips, and Discount Taxi Program rides was 11,646, exceeding the grant projection of 8,500 annual one-way trips by 27%. In 2015 the program had a total of 40 enrolled volunteer drivers, with approximately 30 drivers active at any given time. During 2015 the rider and driver database was extensively reviewed and updated. Riders were sent a survey and form to update their personal information. As of December 2015, we have a total of 867 active riders.

Next Review Date: January, 2017
Action To Be Taken: Continual review of data to analyze operational progress.

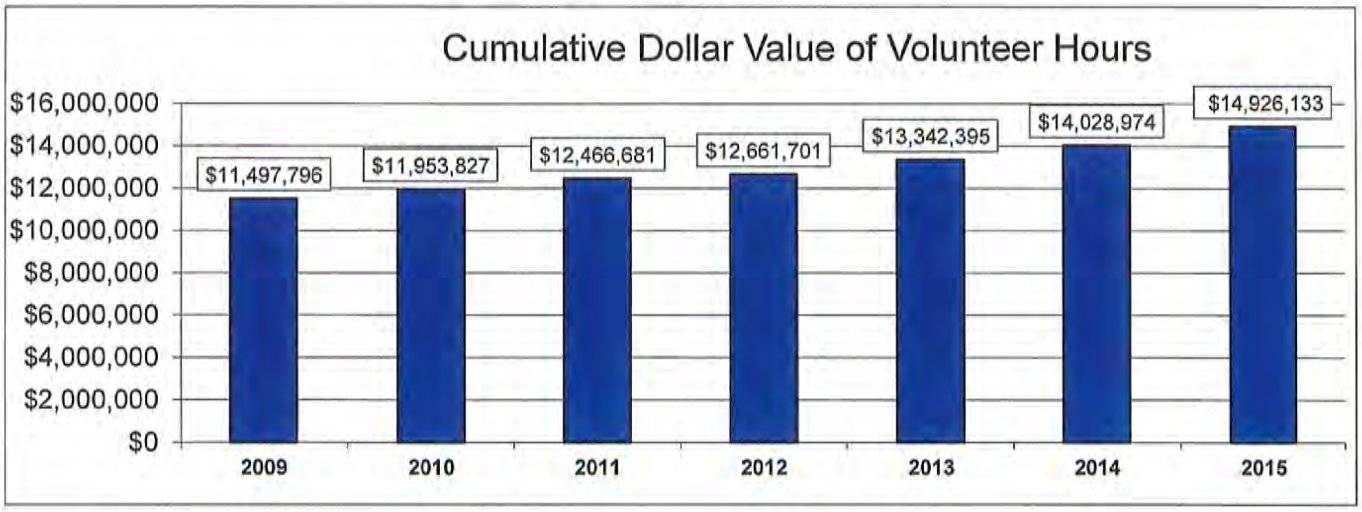
City of La Mesa
2015 Performance Measure Review Sheet
Community Services

Division: Human Services

Performance Measure: Cumulative Dollar Value of Volunteer Hours

Purpose of the Measure: To gain a better understanding of the financial value added over time through the Citywide Volunteer Program.

Graphed Data:



Data Analysis:

The graph reflects the increase in the value of volunteer contributions as of December, 2015 to $14,926,133 up $897,159 from December 2014. The baseline December 2000 valuation was $4.5 million. The number of volunteer hours contributed in 2015 was 38,889. This was more than the 2014 contribution due an increase in volunteer driver activity within R4N. The national hourly average volunteer valuation calculated by the Independent Research Sector is $23.07, up from $22.55 in 2014. Volunteering as a trend is expected to increase as more Baby Boomers reach retirement age.

Next Review Date: January, 2017

Action To Be Taken: Continue analysis of reported data to reflect the increasing value added to as well as the cost savings for the City of La Mesa due to volunteer services.

Data Analysis:

This measure compares physically active heart ♥ healthy classes and camps for La Mesa Community Services Divisions: Adult Enrichment Center (AEC), Aquatics (AQ), and Instructional classes (ID). The Aquatics Division figures include monthly classes. The Instructional Division heart healthy summer camps information is listed separately below.

Enrollments comparing 2014 to 2015 are: Adult Enrichment Center saw an increase of 36 enrollments, Aquatics Division saw a decline of 206 enrollments and the Instructional Division saw a decline of 208 enrollments.

The decline in the Instructional Division is due to: contractor's not offering programs during the summer and a few dance classes accidently were not imputed into Active for fall session. Each summer the Aquatics Division enrollments are high and the Instructional Division enrollments are low. This is due to families signing their children up for swim lessons, summer camps and families taking vacations. See Performance Measure "To Measure the Value of Classes and Camps" for total enrollment figures.

New to 2015 is tracking enrollments for heart healthy summer camps. These enrollments are not captured with classes and will now be charted separately.

The Heart Healthy chart below includes: Adult Enrichment Center Adult Education Classes, Aquatics Division Starfish Swimming and Monthly Classes and Instructional Division Classes.

Breakdown Comparison:

AEC	2011	2012	2013	2014	2015
# Classes	32	28	28	28	31
# Enrolled	1,081	1,103	1,018	899	935
AQ					
# Classes	356	333	338	290	658
# Enrolled	3,409	3,389	2,913	2,311	2105
ID					
# Classes	345	367	356	341	283
# Enrolled	2,048	1,962	2,005	1,706	1498

Action to Be Taken: Continue to track enrollments in physically active heart healthy classes and camps. Inform contractors and supervisors of any increases or decreases in enrollment. Make sure the contractors look over their classes to be sure nothing is missing. The contractor with the missing classes is now working to rebuild the Tuesday classes. **Next Review Date: January 2017**

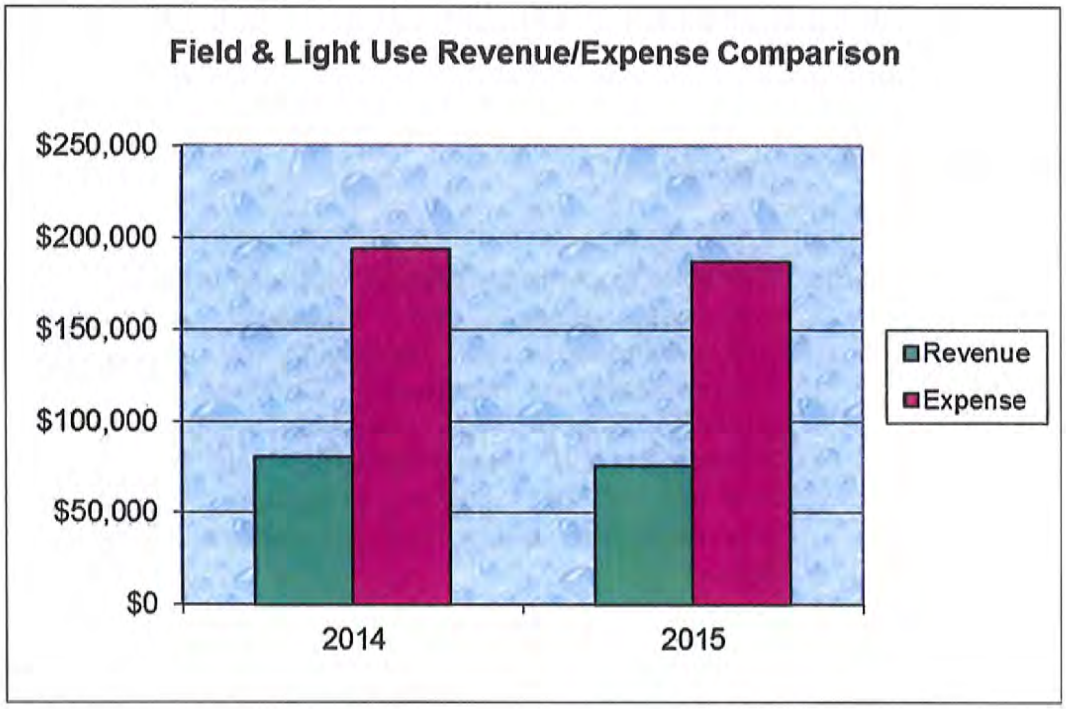
City of La Mesa
2015 Performance Measure Review Sheet
Community Services

DIVISION: Sports

PERFORMANCE MEASURE: Comparison of Revenue Generated from Field and Light Use with Expenses

PURPOSE OF MEASURE: Monitor cost recovery and determine if fee increases are necessary.

GRAPHED DATA:



DATA ANALYSIS:

In 2015 field use revenue was $75,361 and expenses for field maintenance, including supplies and staff time, totaled $186,763. In comparison, the total revenue in 2014 was $80,680 and the total of expenses was $194,246. There was a decrease in revenue ($5,319) and a decrease in overall expenses ($7,483) so the cost recovery decreased from 41% in 2014 to 40% in 2015.

For the third year in a row, the 2015 revenue from field and light use again decreased another $4,372 from 2014 due to fewer participants in youth leagues and adult leagues requesting fewer hours. However, there was $1,028 in revenue generated from private rentals which, as in 2014, is an 83 % increase from previous years.

The expenses for 2015 showed changes in the following areas: The amount paid to SDG&E was up another $1,346 from 2014. Water costs showed a decrease of $6,589 from calendar year 2014 (approximately 2.8 million gallons). With continued water use restrictions and rate changes, future costs will be difficult to predict.

NEXT REVIEW DATE: January 2017

ACTION TO BE TAKEN: Continue to compare current fees with other Cities as well as review cost recovery, and make recommendations for increasing or adding fees (tournaments) as necessary. Continue charging all users for School fields maintained by the City, and monitor the CIP User Fee, which was implemented with the Fall 2011 season, to ensure the goals and objectives are being met for renovating/replacing fields.

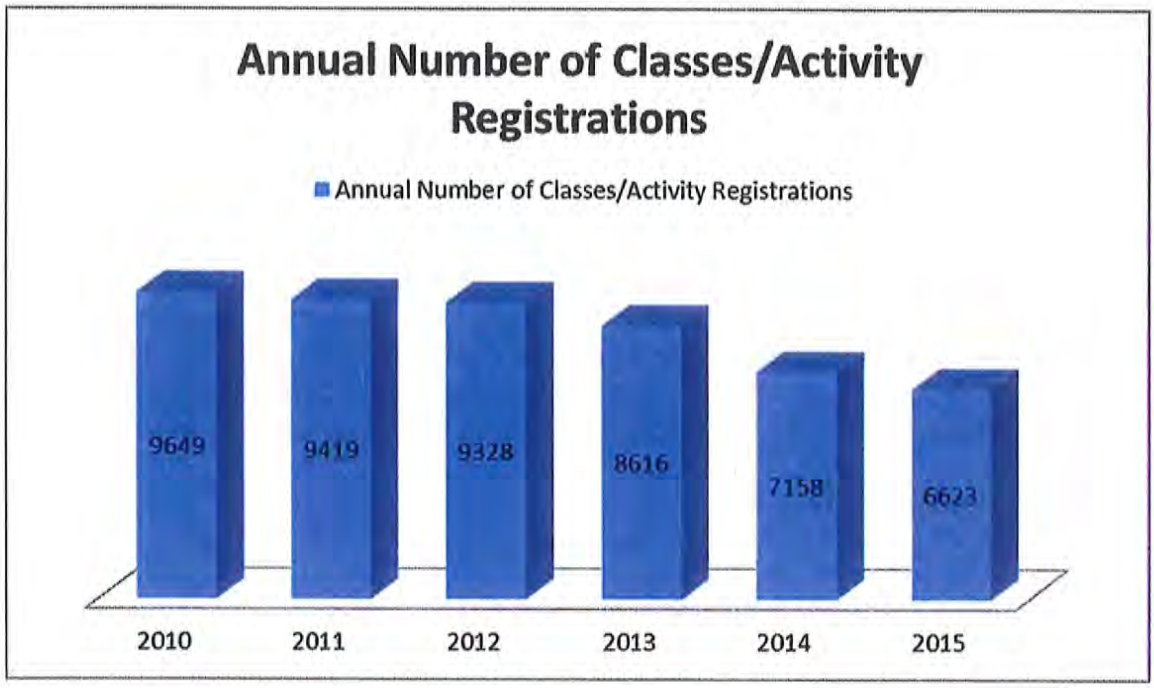
City of La Mesa
Performance Measure Report
Community Services Department

Divisions: Aquatics,
Classes and Special Events,
Human Services

Performance Measure: To Measure Value of Classes and Camps

Purpose of Measure: To evaluate customer participation in the classes and camps that Community Services provides for youth and adults. This analysis compares the number of registrations from 2010 to 2015.

Graphed Data:



Data Analysis:

The Community Services Department has three divisions that provide classes: Aquatics, Classes/Events, and Human Services. In 2015 our total number of registrations decreased by 535 enrollments, which is an overall decrease of 7.47%.

Between 2014 and 2015, we saw a decrease in Aquatics registrations, down by 8.9%. Human Services decreased by 12.38% and the Classes/Events Division had a drop of 3.16%.

In 2015, Aquatics provided 16 sessions of youth swim lessons, plus monthly classes February through November for youth and adults. Registration for monthly aquatics classes decreased from 237 in 2014 to 210 in 2015.

Human Services (Adult Enrichment Center) again provided four sessions of classes through Adult Education and offered contracted classes. Registrations for Adult Ed classes dropped by 236, from 1,907 in 2014 to 1,671 in 2015. Although Human Services only offered seven contracted classes this year, registrations for those were up from 91 to 99.

Classes/Events Division offered 351 classes and camps during five nine-week class sessions, several monthly sessions, and weekly camps throughout the summer. Total enrollment for 2015 was 2,847.

Not included in this analysis are the number of registrations through clients that rent our facilities to hold classes. Some clients do not participate in any of our scheduled class sessions; instead these clients rent the facilities on a monthly or quarterly basis and maintain their own class registrations. The City is compensated through additional rental revenue.

Action To Be Taken:

UPDATE TEXT: Next year we will track the number of registrations in 2016 to compare with those received from 2011 through 2015. We are analyzing feedback from participants and will continue seeking new contractors to offer fresh, popular activities to fulfill the needs of the community. Our new online system ActiveNet also provides several useful marketing tools and templates to promote activities and services.

Next Review Date: January 2017

E:\Gaby\PerfMeasure\2015\Performance Measures Enrollment 12-31-15.doc

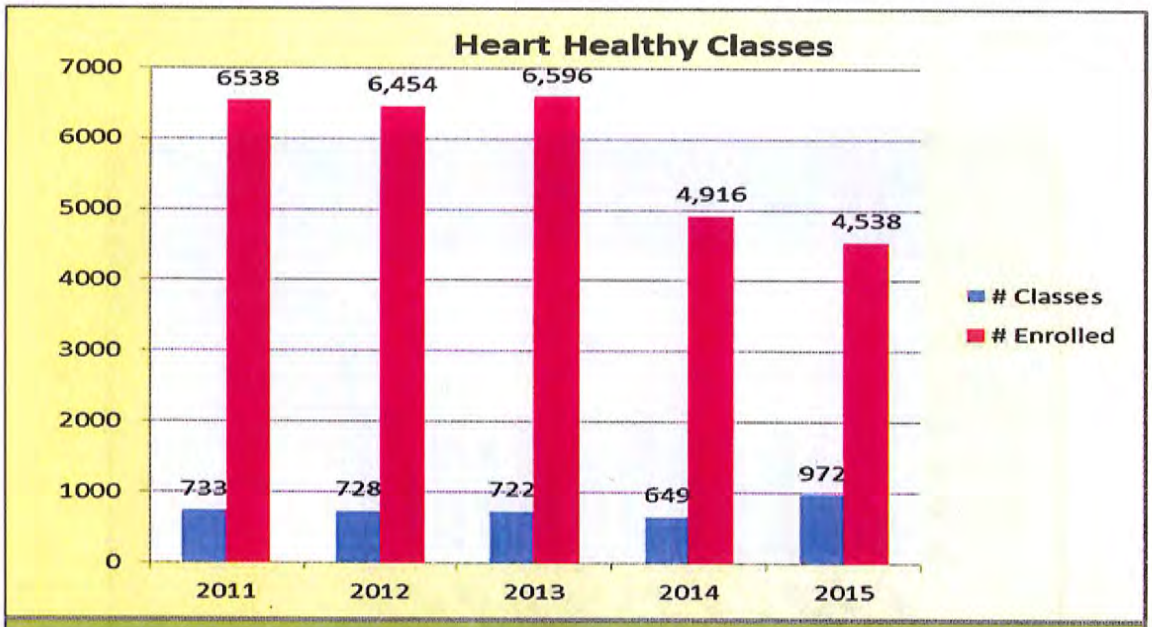
City of La Mesa
2015 Performance Measure Report
Community Services Department

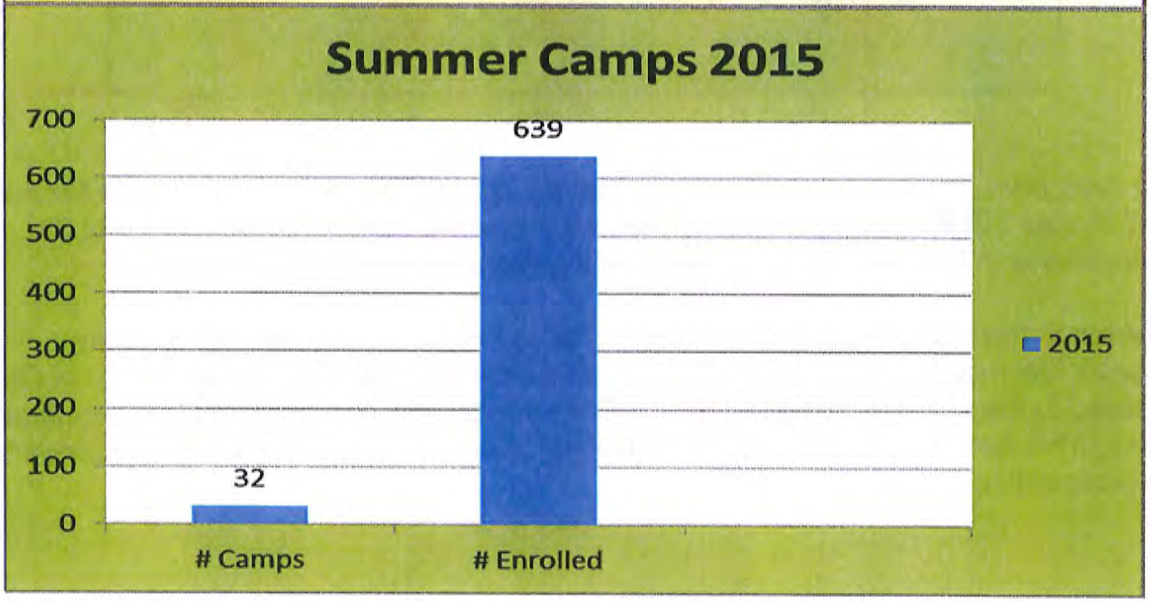
Division: Adult Enrichment Center, Aquatics, and Instructional Classes.

Performance Measure: To measure enrollment in physically active heart healthy classes and camps.

Purpose of the Measure: To track enrollment in *only* active classes and camps in support of the Live Well Initiative.

Graphed Data:





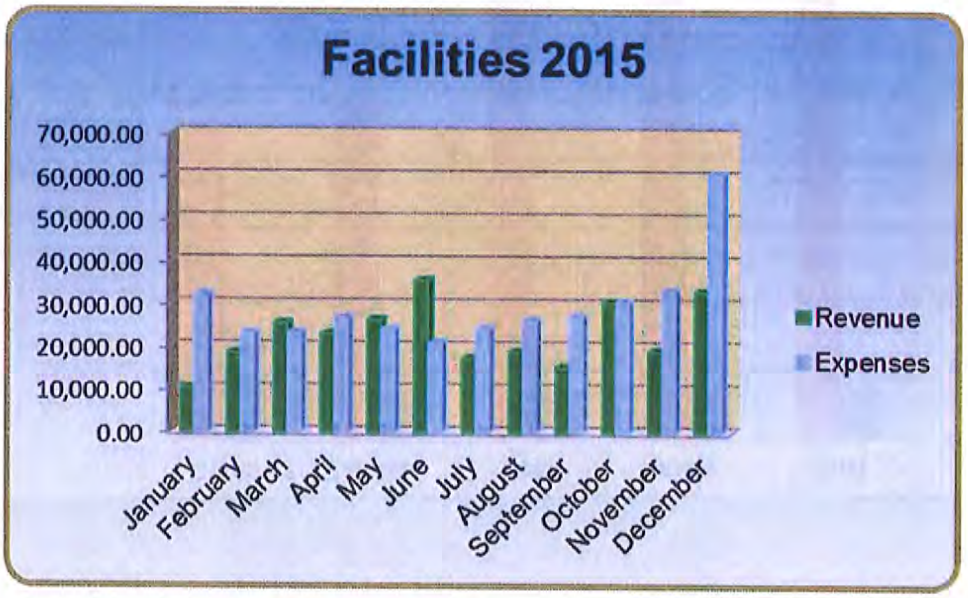
City of La Mesa
2015 Performance Measure Report
Community Services Department

Division: Facilities

Performance Measure: Sales and Marketing

Purpose of Measure: Sales Revenue and Expenses compiled for the period January 2015 through December 2015.

Graphed Data:



Data Analysis: The total revenue for private rentals of Community Service facilities for 2015 was **$275,136.76.** The expenses for the same period totaled **$354,562.86.** Shown above in the chart is the revenue and expense per month.

Revenue is from private functions only, for the use of all facilities including Parks. Revenue has increased 4.3% from the 2014 Performance by **$11,276.45**. This can be attributed to the use of Active.net. This is Community Service's new online reservation system. This new software allows the Facilities Specialist more time for correspondence with prospective clients.

Expenses have increased 18.4% from 2014 by **$55,321.35**. Increases in expenses can be attributed to two full time employee retirement payouts and one management leave package in December. Facility usage volume also means higher utility costs. In 2015 several facility updates were done. These one-time expenses included floor repair of the Community Center's storage closets and dance floor, and installation of the large ceiling fans in the Recreation Center.

The Facilities Department is responsible for:

- 25% of Department's Administrative Costs and Management's Salaries
- One full-time Facilities Specialist
- Three part-time evening and weekend staff

Action To Be Taken: Revenue has increased the last two years, as well as expenses. While continuing to explore opportunities to attract new customers to fill unused hours, it is also important to minimize expenses where possible. Introduce a Department wide policy for conserving water and utilities, using proven methods for saving costs. Track revenue of Reservable Park Permit Sites for possible expansion of this highly desirable program.

Next Review Date: January 2017

PERFORMANCE MEASURES

FIRE DEPARTMENT

CITY OF
LA MESA
JEWEL of the HILLS

FIRE DEPARTMENT
2015
PERFORMANCE MEASURES

- Types of Emergency Responses
- Response Time Averages
- Five Year Calls for Service Trend

City of La Mesa
Performance Measures Overview
Fire Department

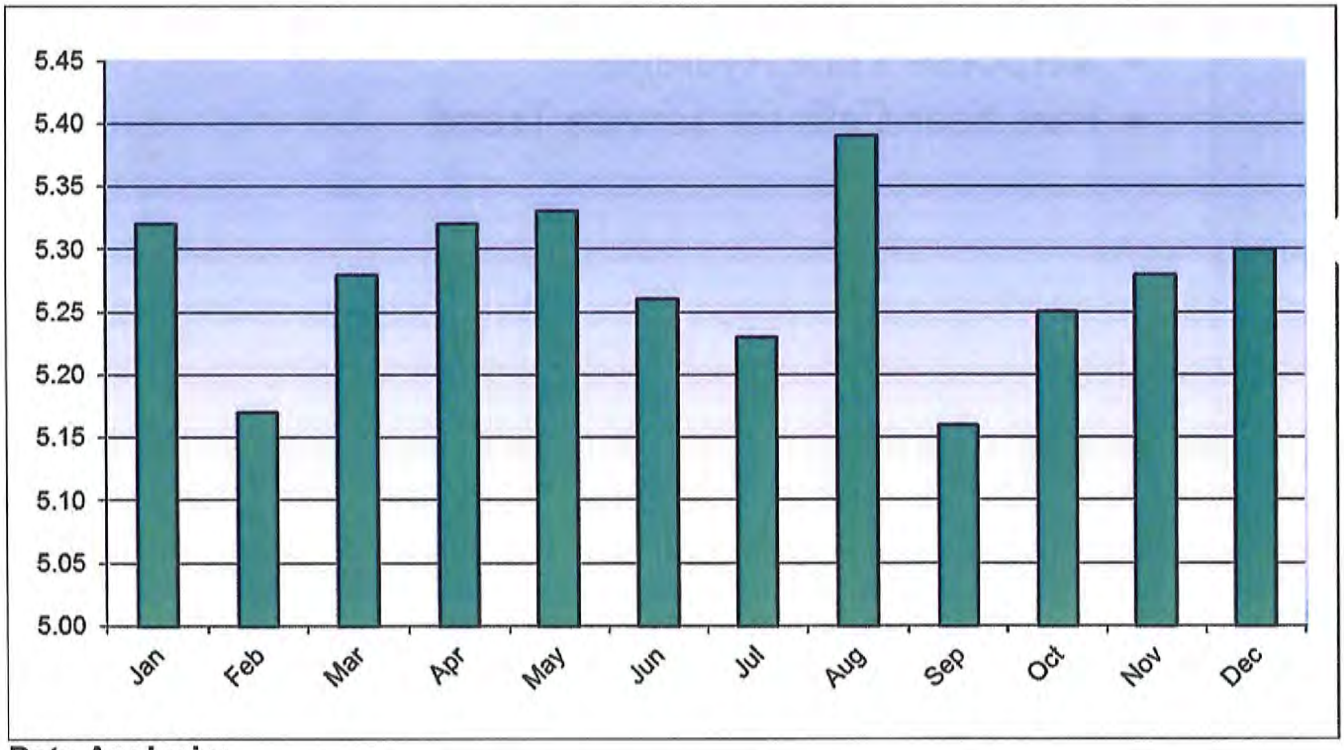
Division: Suppression

Performance Measure: Emergency Response Times

Purpose of Measure: To ensure responses to calls for emergency service meet Department goal (average 6 minutes or less 90% of the time)

Graphed Data:

Average Emergency Response Times for 2015



Data Analysis:

Utilized Omega reporting system to evaluate average response times. This average is calculated with the minimum response time of .01 seconds, the maximum time of 15 minutes, and at the 90th percentile.

Next Review Date: January 2017

Action To Be Taken:

- Track Department compliance.
- Evaluate data monthly to ensure responses meet department guidelines.

City of La Mesa
Performance Measures Overview
Fire Department

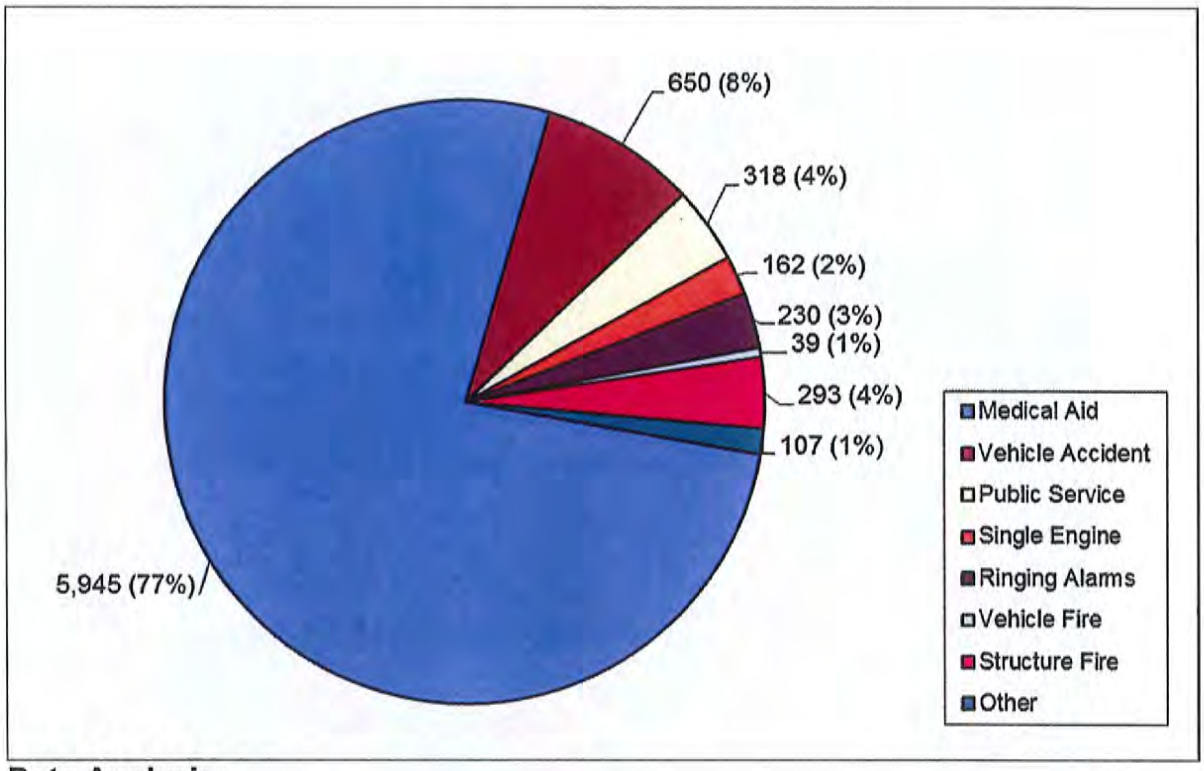
Division: Operations/EMS

Performance Measure: Emergency Response Activity

Purpose of Measure: To track emergency response activity

Graphed Data:

Emergency Response Activity by Type for 2015



Data Analysis:

Utilized data from Omega reporting system to evaluate number of fires, medical aids, and other responses.

Next Review Date: January 2017

Action To Be Taken:

- Evaluate data on a quarterly basis to look for trends.
- Consider need for training or public education based on trends.

City of La Mesa
Performance Measures Overview
Fire Department

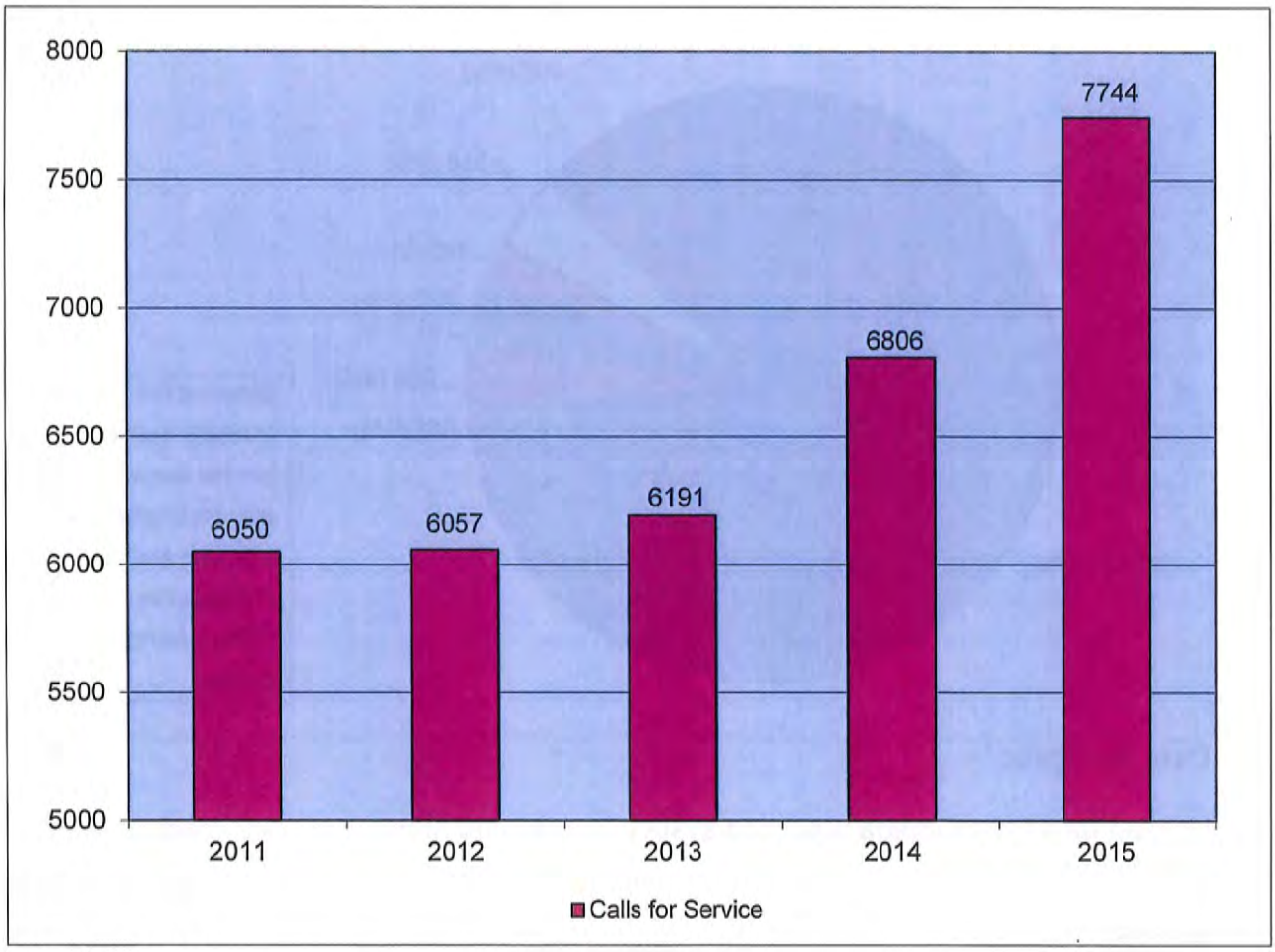
Division: Operations/EMS

Performance Measure: Five Year Calls for Service Trend

Purpose of Measure: To identify trends in annual calls for service

Graphed Data:

Five Year Calls for Service Trend 2015



Data Analysis:

Utilized Omega reporting system to determine number of annual calls for service

Next Review Date: January 2017

Action To Be Taken: Monitor on an annual basis.

PERFORMANCE MEASURES

POLICE DEPARTMENT

CITY OF
LA MESA
JEWEL of the HILLS

POLICE DEPARTMENT
2015
PERFORMANCE MEASURES

- Response Times by Priority
- Crime Statistics and Clearance Rates
- Traffic Enforcement Index
- Graffiti Tracking
- Crime Prevention Services

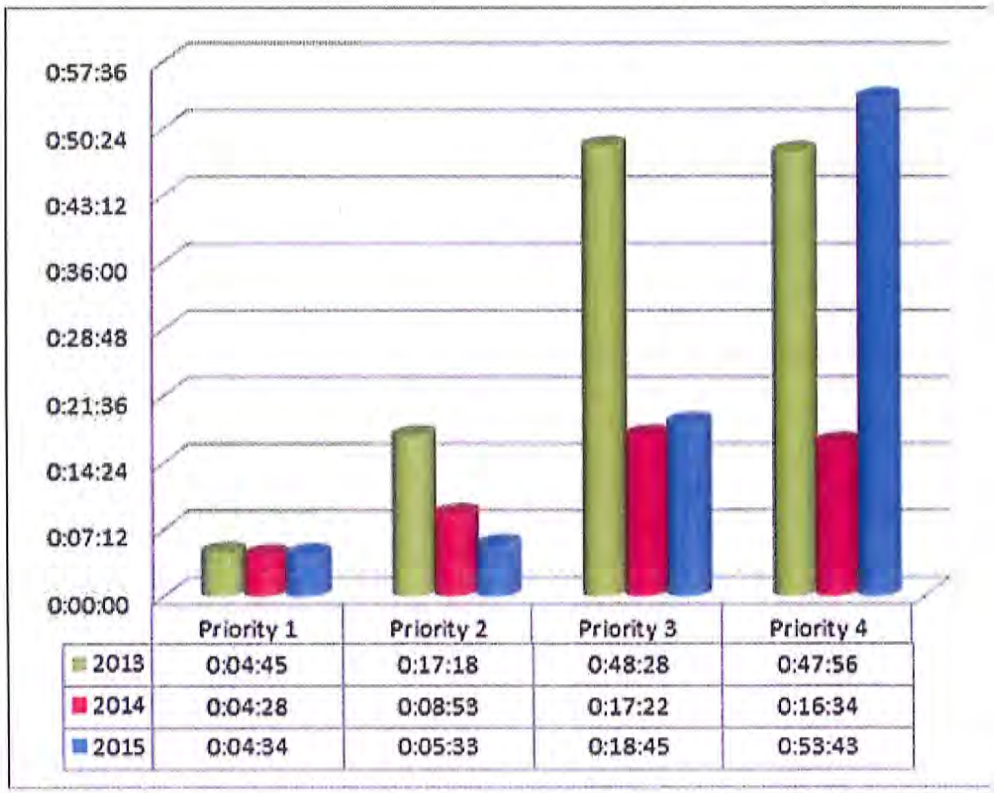
City of La Mesa
2015 Performance Measure Report
Police Department

Division: Services

Performance Measure: "Response Times by Priority"

Purpose of the Measure: To measure the average amount of time between when a call is received to the time an officer arrives on the scene.

Graphed Data:



	Priority 1	Priority 2	Priority 3	Priority 4
2013	0:04:45	0:17:18	0:48:28	0:47:56
2014	0:04:28	0:08:53	0:17:22	0:16:34
2015	0:04:34	0:05:33	0:18:45	0:53:43

Data Analysis:

Total average response times for 2015 were comparable from the same period in 2014 with a decrease in Priority 2 responses and an increase in the Priority 4 response times. Priority 1 calls remained consistent at under 5 minutes. The increase in Priority 4 response times puts the number back in line with the 2013 numbers. The significant decrease in 2014 may be attributed to the implementation of the New World CAD system in June 2014. With the implementation the call for service types were reevaluated and a fair amount of their priorities were changed to more accurately reflect their priority status and 2015 more accurately reflects the Priority 4 response times.

The volume of calls handled by Communications in 2015 increased by 722 calls compared to 2014. There were 57,455 calls for service in 2015 compared to 56,733 calls for service in 2014.

City of La Mesa
2015 Performance Measure Report
Police Department

Division: Services

Performance Measure: "Vital Crime Statistics and Clearance Rates"

Purpose of Measure: Show yearly crime trends and the effectiveness of criminal investigations and crime prevention measures as reported by the crime rate of specified crimes and the clearance rates of high profile crimes.

Data Analysis:

Crimes against persons

	2015	2014
Number of Incidents	196	208
Crimes per Thousand (rate)	3.3	3.6
Clearance Rate	53%	50%

Crimes against property

	2015	2014
Number of Incidents	1740	1584
Crimes per Thousand (rate)	29.6	27.2
Clearance Rate	18%	22%

Specific Clearance Rates

	2015	2014
Robbery	49%	41%
Residential Burglary	10%	11%
Commercial Burglary*	22%	10%
Vehicle Burglary	5%	16%

*For the purposes of this report, Commercial Burglary is defined by the UCR standards. Shoplifting and Fraud are not included in this figure.

City of La Mesa
2015 Performance Measure Report
Police Department

Division: Patrol - Traffic

Performance Measure: "Traffic Enforcement Index" – The relationship between how many Department citations are issued to motorists for "hazardous" violations and how many reported injury traffic collisions in the City of La Mesa over the same time frame.

Purpose of Measure: The purpose of traffic law enforcement is to prevent traffic accidents and to provide for the orderly movement of traffic. The ultimate objective of enforcement efforts is to secure voluntary compliance from the public.

It is the goal of the Department to try to effectively minimize the loss of life, personal injury and property damage resulting from traffic collisions through enforcement, education and traffic engineering. The Department will adopt the National Highway Traffic Safety Administration's (NHTSA) "Traffic Enforcement Index" which documents the relationship between the number of citations issued for hazardous violations and the reported injury and/or fatal traffic collisions. Using this index will allow the Department to more accurately measure the effectiveness of its enforcement strategies.

Northwestern University teaches that a minimum traffic enforcement index of **25** is required to reach the citation threshold of effectiveness in reducing traffic collisions. If a city has a large number of out-of-town drivers, a traffic enforcement index in the 25-35 range may be more desirable. Out-of-town drivers are generally not reached through education and voluntary compliance programs.

Graphed Data: Data collection for this period began in January 2015. See attached.

Data Analysis: The gathered data is representative of the number of citations issued by the Department as a whole. However, a significant majority of the citations were issued by officers within the Traffic Unit. During this reporting period, the Traffic Unit and the Department were operating under a Selective Traffic Enforcement (STEP) grant. Throughout the year, primarily due to the enforcement efforts under the grant, the Department's enforcement index average was kept above the desired rating of 25+.

In 2013 we had 82 injury collisions and 1 fatality and an enforcement index of 60.3. In 2014 we had 170 injury collisions and 1 fatality with an average

enforcement index of 19.3. In 2015 we had 183 injury collision and 3 fatalities. While our fatality rate increased 300%, our injury collision rate only increased 8%. Our enforcement index has increased from last year to 25.4 to combat the rising trend of accidents.

A contributing factor to this continuous yearly increase may have been a staffing gap within the Traffic Unit. An officer, who was on extended injury leave, left one of the night shifts vacant. The traffic coverage at night was limited, leaving enforcement lighter during the hours of 1600-0200, which is when approximately 64% of the collisions occurred.

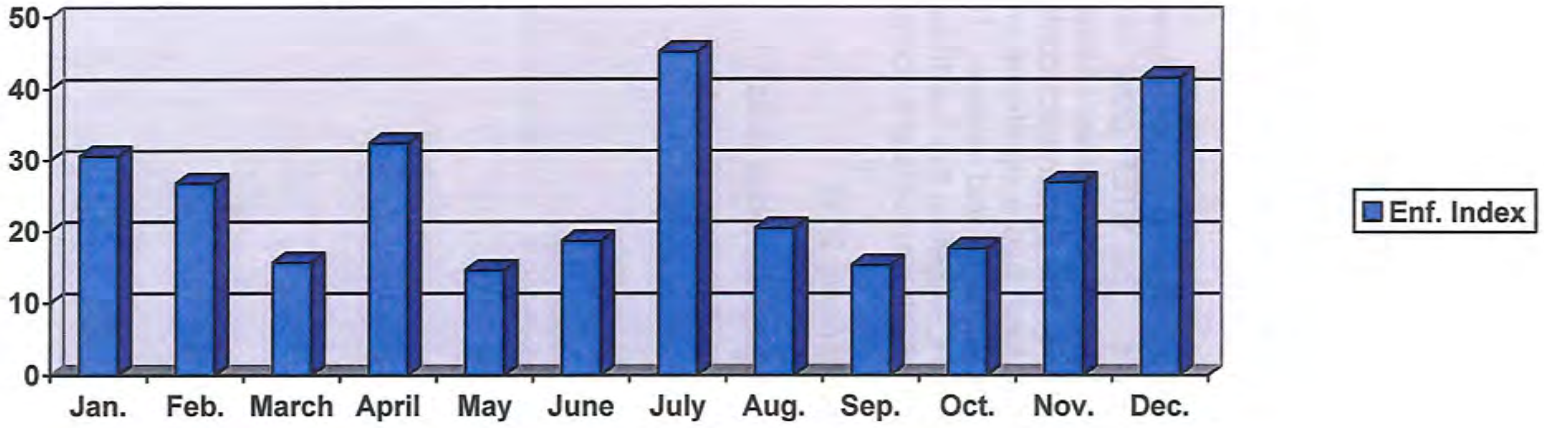
Action To Be Taken: Maintaining a fully staffed Traffic Unit will continue to impact these numbers. The STEP grant has also increased from $55,000 in 2015 to $96,000 in 2016. This increase of available funds will allow for additional enforcement operations. The Department continues to proactively address traffic-related issues, which have had a significant impact on our community, by posing safety issues for our residents and visitors. The Traffic Unit's main focus will be to provide enforcement, targeting the top three (3) primary collision factor (PCF) violations. The Unit will also provide enforcement at the top accident locations.

Next Review Date: January 2017

Attachments: Enforcement Index Graph

Graphed Data For 2015

	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Hazardous citations	459	422	392	454	277	243	271	327	260	371	431	208
Injury Collision	15	16	25	14	19	13	6	16	17	21	16	5
Enforcement Index	**30.6**	**26.37**	**15.65**	**32.4**	**14.57**	**18.69**	**45.16**	**20.43**	**15.29**	**17.66**	**26.9**	**41.6**
(2014 #'s for comparison)	19	32.5	21.0	23.1	13.6	22.4	15.7	36.2	21.0	11.3	9.9	5.4



2015's Enforcement Index Average: 25.44 (2014's average: 19.3)

City of La Mesa
2015 Performance Measure Report
Police Department

Division: Services

Performance Measure: "Tracking of Graffiti Incidents and Response"

Purpose of Measure: The presence of graffiti in the community can have a significant effect on resident and visitor perceptions about the level of crime in the community and the relative safety of different areas within the community. The frequency of graffiti incidents and the timeliness of the Police Department's response to those incidents were identified as key measures for the Department's Community Resource Unit to coordinate and report on.

Top Five Locations (January - June)

Locations	Number of Incidents
El Cajon Blvd, 73rd St. to Baltimore & California Countertops	53
Spring St., Palm Ave., Echo, & Collier Park	42
University, 6900 to Baltimore	37
Vista La Mesa Pk, Waite to Murray Hill RD	39
Highwood Park	22

Top Five Locations (July – December)

Locations	Number of Incidents
El Cajon Blvd., 73rd St. to Baltimore	53
Spring St., Palm Ave., Echo, & Collier Park	29
Vista La Mesa Pk, Waite to Murray Hill RD	19
Highwood Park	18
Alvarado Rd	18

Total Number of Incidents (Jan – Dec)

2015	Tagger	Gang	Hate	Other	Month Total
January	68	0	0	0	68
February	102	0	0	0	102
March	98	0	0	0	98
April	101	0	0	0	101
May	53	0	0	0	53
June	112	0	0	0	112
July	52	0	0	0	52
August	26	3	0	0	29
September	61	0	0	0	61
October	53	0	0	0	53
November	46	0	0	0	46
December	38	6	0	0	44
Totals	851	9	0	0	849
% of Total	99.0%	1.0%	0%	0	

Hits of Graffiti have shown a steady decline since 2012. The annual numbers are;

2015 849
2014 1,288
2013 1,726
2012 2,754

Data Analysis: Graffiti reports are obtained through the police department's CAD system, the graffiti hotline, RSVP sightings, proactive patrols, and the Paint-Out-Posse. Many of the hotline calls come from certain citizens who are especially vigilant in their areas.

Action to Be Taken: This information is shared with patrol, school resource officers, and SED officers, as well as RSVPs, for consideration in their preventive patrol activities. Data collection will continue for the January-December 2015 time period.

Graffiti Tracker: We have obtained 2 new devices which are expected to do a much more efficient job and will allow for all tagging to be recorded. On average we are able to photograph graffiti within 48 hours of it being reported and in most cases it is painted out within 48 hours after it is photographed. The exception is, when graffiti is on private property and we do not have the owner's permission to paint out the graffiti.

Next Review Date: January, 2017

City of La Mesa
2015 Performance Measure Report
Police Department

Division: Services

Performance Measure: "Delivery of Crime Prevention Services"

Purpose of Measure: The Mission Statement of the La Mesa Police Department includes "the prevention of crime" as one of its objectives. The prevention of criminal acts can be accomplished through a variety of means, including the providing of timely information to the public on how they can minimize their risk of being a crime victim.

The La Mesa Police Department first organized a Crime Prevention Unit in the late 1970's, with a primary emphasis on preventing residential burglaries. Since that time the responsibilities of the unit have increased significantly but the underlying theme of the entire unit's programs is that of crime prevention. Given this essential function, the Services Division's staff sought to develop a performance measure that would reflect the source and number of crime prevention presentations made on a monthly basis. From this data, staff will be able to provide analysis indicating the relative demand for these services; sources within the department or community that can be used to enhance the delivery of these services; and provide policy makers with information demonstrating how changing workloads and staffing levels impact the delivery of services.

Graphed Data: Data collection began in July 2002. See attached.

Data Analysis: 2015 remained consistent with years past in the number of Neighborhood Watch Meetings and Security Inspections.

Neighborhood Watch Meetings

There were 21 Neighborhood Watch meetings in 2015 compared to 24 in 2014. Two of the meetings were for Neighborhood Watch Captains and they shared statistics, strategies, ideas, and trends.

Residential Security Inspections

27 Residential Security Inspections (RSI) were conducted in 2015 compared to 23 in 2014.

Commercial Security Inspections

2 Commercial Security Inspections (CSI) were conducted in 2015 compared to 4 in 2014.

Presentations

The Department's long standing practice has been to take every opportunity that comes along to try to facilitate as many Special Presentations as possible. There were 68 presentations in 2015 compared to 58 in 2014.

Community Outreach

In 2015 the La Mesa Police Department launched their Department Facebook page. The purpose of the La Mesa Police Department's Facebook page is for the La Mesa Police Department to share news and information regarding the activities, policies, and programs of the department and its employees.

We encourage discussion and comments on posts. Our plan is to use social media in a way that we adapt to the traditions and goals of community policing; where the La Mesa Police can work together, in collaboration with the citizens we serve, to address personal safety and crime issues. We currently have just over 450 Likes.

In 2014 the La Mesa Police Department launched a partnership with Nextdoor.com. Nextdoor is a private social media network for neighborhoods that helps build stronger, safer communities by connecting neighbors together. This integration with Nextdoor has enabled the La Mesa Police Department to utilize another source to communicate with La Mesa neighborhoods. In 2015, the La Mesa Police Department made 73 posts to Nextdoor.com. At the end of 2014, we had about 1,300 subscribers. In 2015, there were about 2,950 La Mesa residents subscribed. We continue to use this platform to send out announcements and crime prevention tips to residents.

Complexes in Crime Free Multi/Mobile Housing Program

The Department is in a transitional mode as it relates to Crime Free Multi-Housing. For the last several years we have maintained a steady number of 30 complexes that are part of the Crime Free Multi-Housing Program; however these complexes may not have received updated training, information and/or forms for the program. The goal for 2015 was to recertify and update as many of these properties as possible. During 2015, one (1) property was certified as was the case in 2014. The ability for properties to become certified has been impacted by their budget constraints. For example, completing required security improvements on the property are delayed when money is limited, thus postponing certification. Additionally, a high turnover rate with apartment managers in 2014 and 2015 required many properties to start over with the certification process. Many managers did complete other requirements, including hosting Neighborhood Watch meetings and implementing the Crime Free Lease Addendum. The goal of recertifying these properties will continue in 2016. We currently have 11 properties Crime Free certified.

The expansion of the Rosebud Managers meeting to the La Mesa Apartment Managers Meeting in early 2012 has allowed the Department to maintain regular contact with both certified and in progress properties. The monthly meeting has also allowed the Department to update managers with important information and training, including graffiti abatement, legal updates, substance abuse and drug activity, recycling programs, and police operations. Throughout 2016, the Crime Prevention Unit will provide additional training opportunities for apartment managers and expand the number of La Mesa Apartment Managers Meeting attendees.

Action To Be Taken: The Committee will continue to monitor the above listed performance areas. We will begin to track only Crime Free certified properties and no longer count properties that are in the program's in process phase.

Next Review Date: January 2017

Attachments:

Detailed List of Special Presentations for 2015
Crime Prev. Performance Measures Matrix 2015
Crime Prev. Performance Measures Summary Chart 2015

2015 January - March Special Presentations

January		
La Mesa Apartment Managers Meeting	LMPD	CPS Ortega
Personal Safety Presentation	Maryland Ave. Elementary	CPS Ortega
Making Good Choices X2	Maryland Avenue	SRO Hinton
Bullying	Rolando Elementary	SRO Hinton
Safety	Vista La Mesa Elementary School	SRO Hinton
Juvenile Law Class	LMPD	SRO Hinton
February		
La Mesa Apartment Managers Meeting:	LMPD	CPS Ortega
Nextdoor.com/Neighborhood Leads	LMPD	CPS Ortega
Juvenile Law Class	LMPD	SRO Hinton
Safety	Vista La Mesa Academy	SRO Hinton
Good Citizen	Northmont Elementary School	SRO Hinton
March		
La Mesa Apartment Managers Meeting	LMPD	CPS Ortega
Stranger Danger	Christ Luthern Church	SRO Hinton
Good Citizen	Northmont Elementary	SRO Hinton
Bullying	La Mesa Dale Elementary	SRO Hinton

2015 April - June Special Presentations

April		
Station Tour	LMPD	CPS Ortega
Juvenile Law Class	LMPD	SRO Hinton
Bicycle Safety	LMPD	SRO Hinton
May		
La Mesa Apartment Manager's Meeting	LMPD	CPS Ortega
Bike Rodeo	LMPD	CPS Ortega
Station Tour- Cub Scouts	LMPD	CPS Ortega
Station Tour- La Mesa Dale	LMPD	CPS Ortega

Senior Scam Workshop	Adult Enrichment Center	CPS Ortega
Good Citizens	Mt. Helix Academy	SRO Hinton
Bicycle Safety (Bike Rodeo)	LMPD	SRO Hinton
Elderly Abuse -Women's Club	LMPD	LYNCH
June		
CFMH Manager's Training	LMPD	CPS Ortega
Juvenile Law Class	LMPD	SRO Hinton

2015 July - September Special Presentations

July		
Station Tour x2	LMPD	CPS Ortega
CFMH – Schoolridge	LMPD	CPS Ortega
Station Tour- La Mesa Day Camp x2	LMPD	CPS Ortega
Station Tour- Girl Scouts x2	LMPD	CPS Ortega
Facebook/Social Media	LMPD	CPS Ortega
Summer Camp	Ray/Joan Kroc Center (5 Days)	SRO Hinton
Juvenile Law Class	LMPD	SRO Hinton
August		
National Night Out and Emergency Preparedness Fair	Grossmont Center and Neighborhoods Citywide	CPS Ortega
La Mesa Apartment Manager's Meeting: Schoolridge Managers and Owners	LMPD	CPS Ortega
Juvenile Law Class	LMPD	SRO Hinton
September		
La Mesa Apartment Manager's Meeting	LMPD	CPS Ortega
Crime Stats for Community Service Commission	La Mesa Community Center	CPS Ortega
Juvenile Law Class	LMPD	SRO Hinton
Bullying x3	Rolando Elementary	SRO Hinton
Question/Answer Interviews	Parkway Middle School	SRO Hinton

2015 October - December Special Presentations

October		
Oktoberfest	Oktoberfest	CPS Ortega
Fire Station Open House	Fire Station 11	Intern- Ornelas
Senior Expo	La Mesa Community Center	CPS Ortega
International Walk to School	Vista La Mesa Academy	SRO Hinton
No to Drugs: Red Ribbon Assembly	Murray Manor Elementary School	SRO Hinton
Juvenile Law Class	LMPD	SRO Hinton
November		
Grossmont Employee Holiday Safety Meeting x2	Grossmont Center	CPS Ortega
Station Tour- Cub Scouts	LMPD	CPS Ortega
Citizen's Academy	LMPD	Ortega/Hinton/Lynch
City Block Party/ Urban Trails	LMPD Parking Lot	CPS Ortega
Station Tour	LMPD	CPS Ortega
Personal Safety	Grossmont Center	CPS Ortega
Station Tour	LMPD	CPS Ortega
Safety	Center for Young Imaginations	SRO Hinton
Good Citizens	Maryland Avenue Elementary	SRO Hinton
Bullying	Maryland Avenue Elementary	SRO Hinton
Good Citizen	Reflections School	SRO Hinton
December		
Juvenile Law Class	LMPD	SRO Hinton

CRIME PREVENTION PERFORMANCE MEASURES 2015

	Q-1/Spring	Q-2/Summer	Q-3/Fall	Q-4/Winter	Total
Neighborhood Watch Meetings	4	6	6	5	21
Residential Security Inspections	12	7	4	4	27
Commercial Security Inspections	0	1	0	1	2
Special Miscellaneous Presentations*	16	13	20	19	68
Complexes in Crime Free Multi/Mobile Housing Program	10	10	11	11	11**

** Due to the reorganization of tracking the participants in the Multi-Housing Crime Free program, these numbers only reflect those who are Crime Free certified.

PERFORMANCE MEASURES

DEPARTMENT OF PUBLIC WORKS

CITY OF LA MESA
JEWEL of the HILLS

DEPARTMENT OF PUBLIC WORKS
2015
PERFORMANCE MEASURES

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Departmental	
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• Percentage of service requests that are completed in 24 hours	5
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• Service repairs performed per month	13
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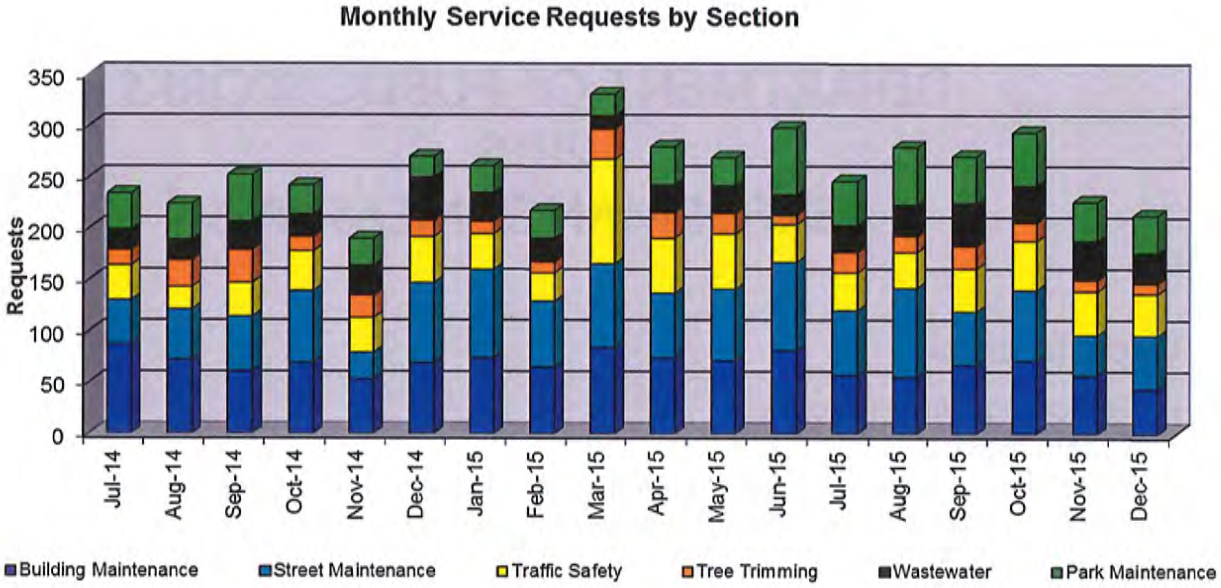
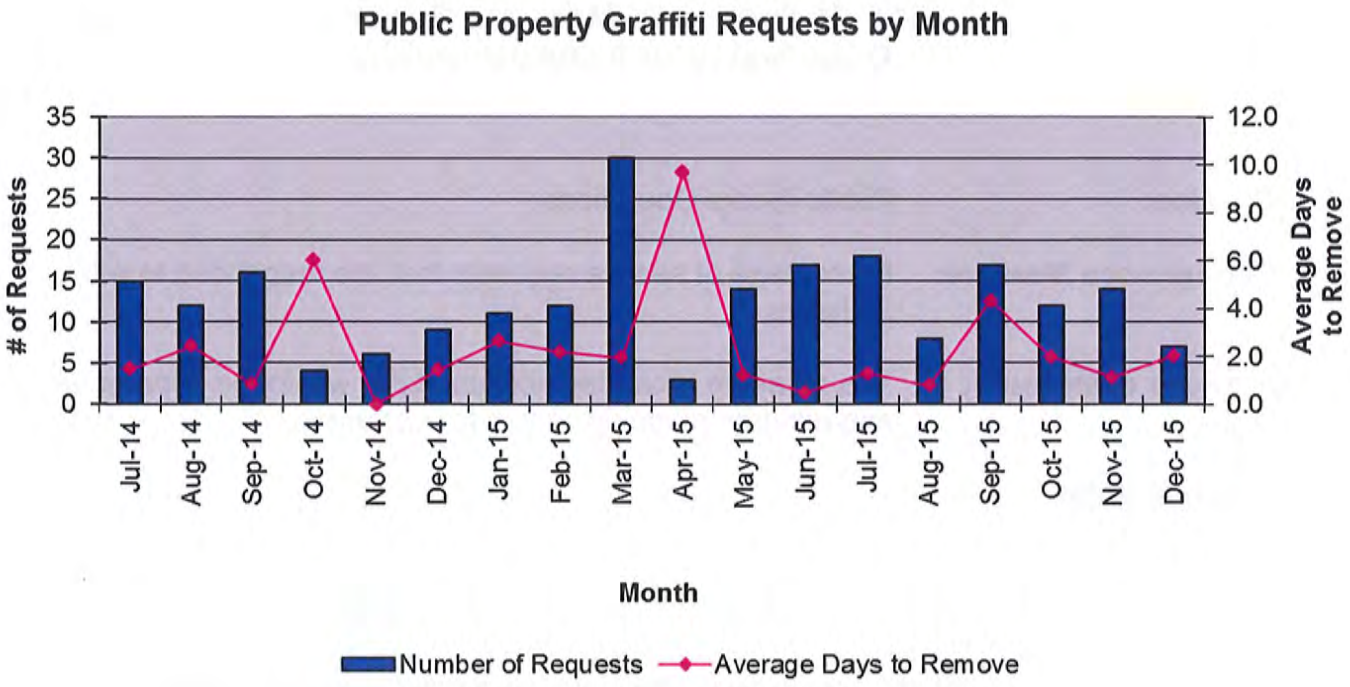
Park Maintenance	17
• Acceptability rating for maintenance of City parks and building landscaping	18
• Number of trees maintained per year	20
Street Maintenance	22
• Square footage of surface treatment per month	23
Traffic Safety	25
• Square footage of legends painted per year	26
• Lineal feet of line striping and curb painting per year	28
Wastewater	30
• Number of lineal feet rodded per month	31
• Number of lineal feet jet-rodded per month	33
• Number of lineal feet of storm drain lines cleaned per month	35
• Labor hours spent on requests for lateral service	37
• Number of SSOs per 100 miles of sewer pipe per year	39
• Number of sewer billing contacts/complaints	41

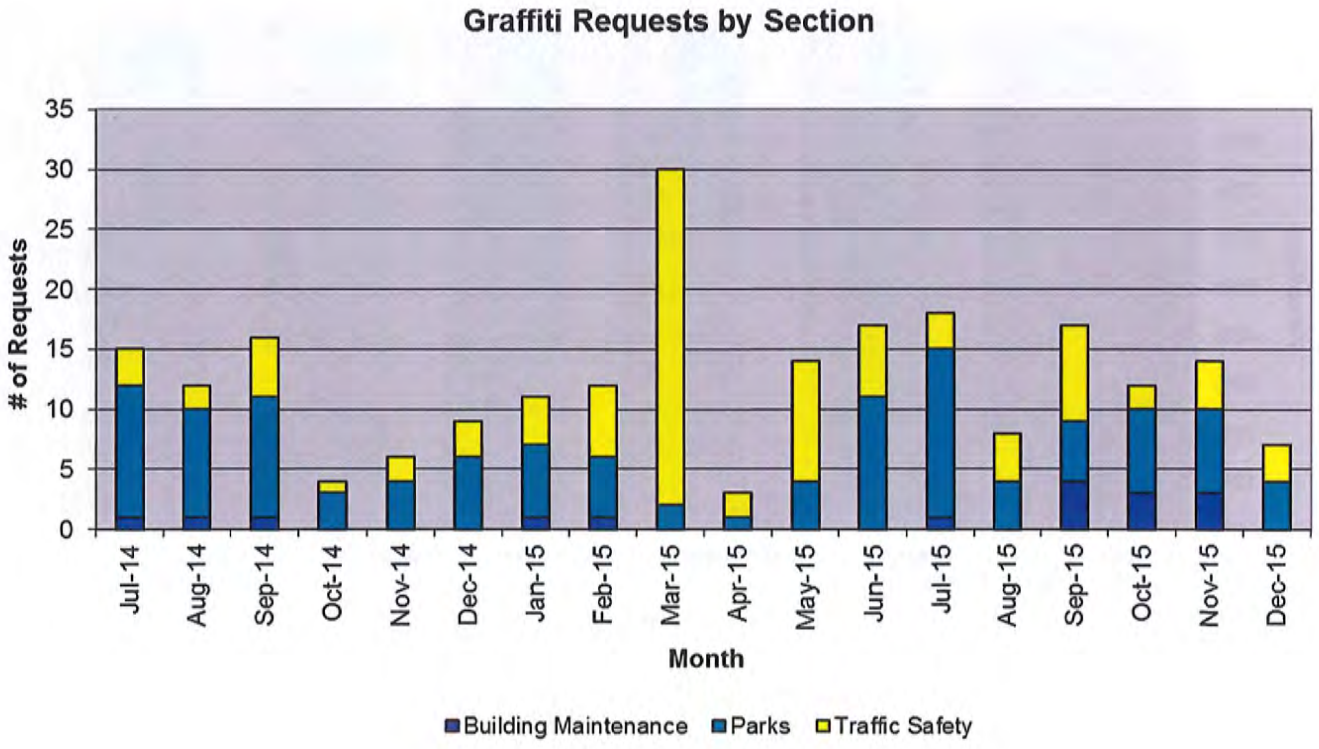


Monthly Service Requests by Section

Fiscal Year 2015

Month	Building Maintenance	Street Maintenance	Traffic Safety	Tree Trimming	Storm / Wastewater	Park Maintenance	Total Requests
14-Jul	87	43	34	15	20	35	234
14-Aug	72	49	22	26	20	35	224
14-Sep	61	53	33	32	28	45	252
14-Oct	69	70	39	14	22	28	242
14-Nov	53	26	34	22	29	26	190
14-Dec	69	78	45	16	42	20	270
15-Jan	74	86	35	12	28	26	261
15-Feb	65	64	28	11	23	27	218
15-Mar	84	82	102	29	13	21	331
15-Apr	74	63	54	25	27	37	280
15-May	71	70	54	20	27	27	269
15-Jun	81	86	37	9	20	65	298
FY 15 Total	860	770	517	231	299	392	3,069
FY 14 Total	817	717	367	211	321	405	2,838
FY 13 Total	891	517	317	168	305	321	2,519
3-Yr Average	856	668	400	203	308	373	2,809


Public Property Graffiti Requests by Month
# of Requests
Average Days to Remove
35
30
25
20
15
10
5
0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Jul-14
Aug-14
Sep-14
Oct-14
Nov-14
Dec-14
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Month
Number of Requests
Average Days to Remove


Graffiti Requests by Section
# of Requests
35
30
25
20
15
10
5
0
Jul-14
Aug-14
Sep-14
Oct-14
Nov-14
Dec-14
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Month
Building Maintenance
Parks
Traffic Safety

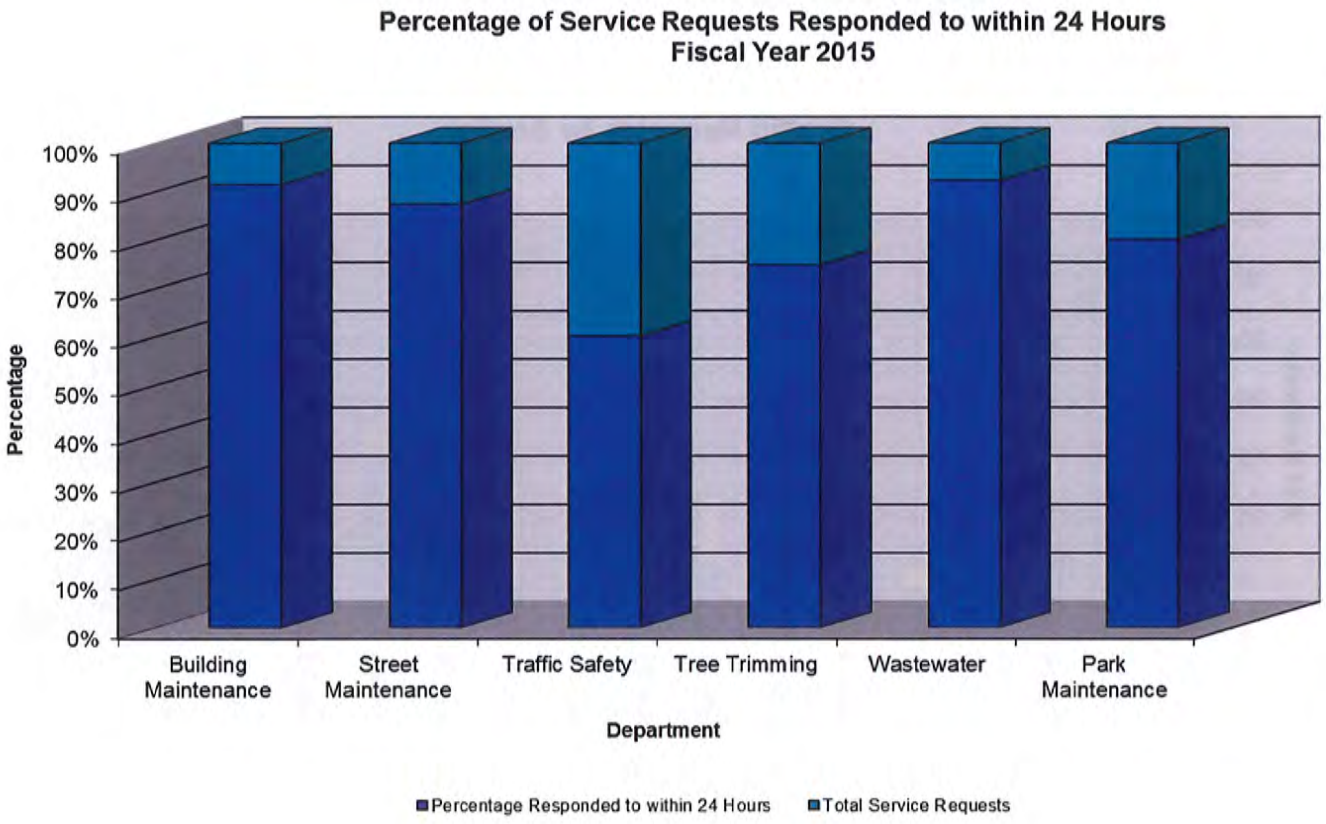
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Public Works Operations

Performance Measure: Percentage of service requests that are responded to within 24 hours

Purpose of Measure: The measure promotes accountability within the department and ensures responsiveness to customers.

Graphed Data:



Data Analysis: In an effort to provide exceptional customer service, department staff strives to respond to all requests for service within 24 hours of receiving the request. The goal is to call customers back within 24 hours of receiving a request for service to inform them that their request has been received and to provide a timeframe in which work may be completed.

Overall, calls for service were returned by all divisions within 24 hours of being received about 83 percent of the time in FY 15. This figure decreased from 88 percent reported in FY 14.

The department implemented an upgraded work order system in August 2015. The upgrade to Cartegraph OMS (operational management system) will not only allow the department to efficiently manage the 2,809 requests for service received on average each year, it also enables the department to better manage its infrastructure assets and identify needed maintenance.

Action To Be Taken: The department will continue to collect and report on this data.

Next Review Date: January 2017

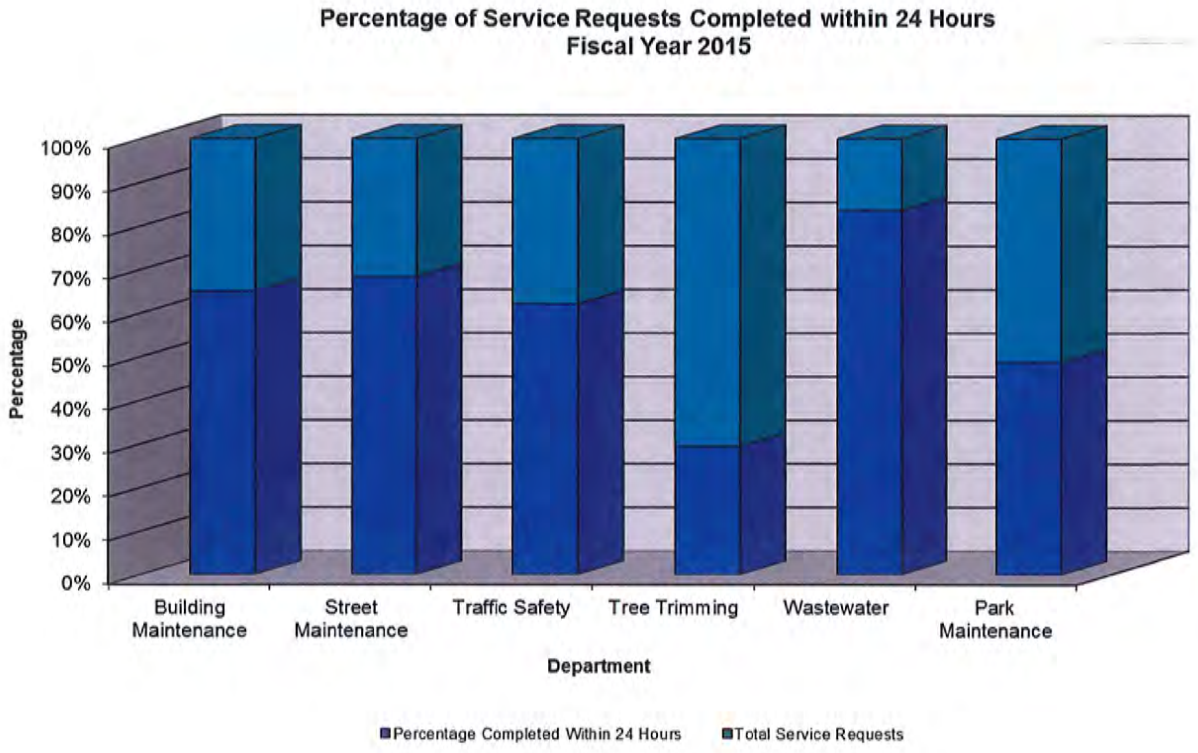
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Public Works Operations

Performance Measure: Percentage of service requests that are completed within 24 hours

Purpose of Measure: To measure the level of service that the department is providing by tracking the completion date of customer service requests.

Graphed Data:



Data Analysis: In fiscal year 2015, the Department of Public Works received and responded to 3,069 service requests. The graph indicates the percentage of service requests completed by each section within 24 hours of receiving the request. The wastewater division completed 84 percent of the services requested within one day of receiving the call. About 62 percent of all service requests received during the year were completed within 24 hours.

This information is tracked by the department's upgraded work order system which was implemented in August 2015. The upgrade to Cartegraph OMS (operational management system) will not only allow the department to efficiently manage the increasing number of requests for service received each year, it also enables the department to better manage its infrastructure assets and identify needed maintenance.

Action To Be Taken: The department will continue to collect and report on this data.

Next Review Date: January 2017

Building Maintenance

Mission:

To maintain the condition of City buildings while complying with all applicable codes and safety regulations.

Performance Measurements:

1. Timeliness of response to requests

Building Maintenance	FY 2013	FY 2014	FY 2015
Total square footage of city facilities maintained	245,171	245,171	245,171
Cost per square foot maintained [1]	$3.25	$3.64	$3.64
Service requests	891	817	860

[1] Equal to actual year end expenditures divided by square feet maintained.

Requests by Activity for Fiscal Year 2015

Graffiti Removal	Moving Furniture	Electrical Repairs	Exterior Repairs	HVAC Repairs	Interior Repairs	Painting	Plumbing Repairs	Roof Repairs	Deliver Supplies	Special Projects
5	26	173	90	79	151	23	202	5	16	90

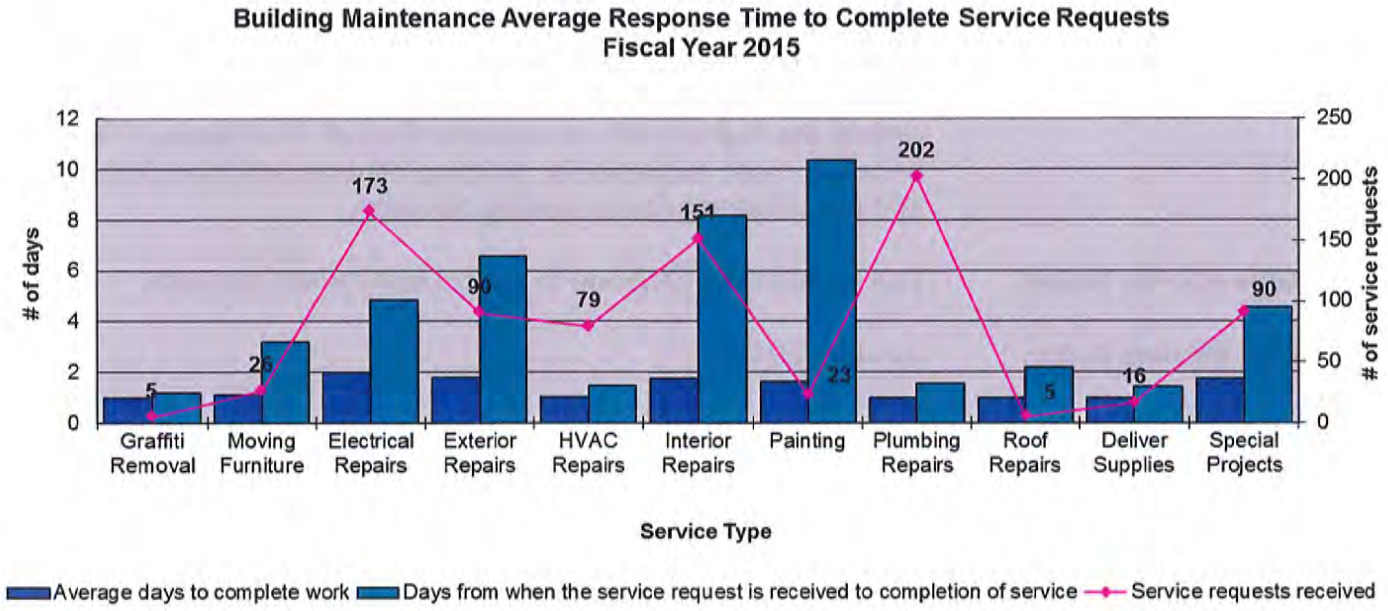
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Building Maintenance

Performance Measure: Timeliness of response to requests

Purpose of Measure: To measure the level of service the division is providing to internal customers by tracking the number of days to complete requests.

Graphed Data:



Data Analysis: The graph shows the average number of days required to complete each type of service request. To ensure a more thorough analysis, the chart compares the average number of days from the time the service request is received to completion of the service request (shown in green), with the average number of days from the time the work is actually started to the stop date (shown in blue). The timeframes are different because scheduling may be required and materials may need to be ordered prior to starting the work. The green bar represents the time line from the customer's perspective while the blue bar depicts the time necessary for staff to complete the work.

The most common type of request received by the building maintenance division is for plumbing repairs (202 requests in FY 2015) followed by electrical repairs (173 requests). Electrical repairs require more labor-hours per unit from start to stop than any other type of request. On average, electrical repairs are completed in 2 days. When looking at the time it takes to complete a service request from the time the work is called in to the time the work order is closed, painting requests ranked the highest with an average time of 10.35 days. This is because most requests for painting require advance planning and preparation prior to starting the work.

Action to be Taken: The division will continue to collect and review the data.

Next Review Data: January 2017

Fleet Maintenance

Mission:

To maintain all vehicles and equipment in a safe and operational condition.

Performance Measurements:

1. Preventive maintenance services performed per month
2. Service repairs performed per month
3. Vehicle fuel efficiency

Fleet Maintenance	FY 2013	FY 2014	FY 2015
Number of vehicles/equipment	216	209	210
Maintenance cost per vehicle/equipment [1]	$2,768	$3,040	$3,316
Number of vehicles/equipment per full time employee	43.2	41.8	42.0
Preventive maintenance services	601	504	401
Service repairs	2,345	1,708	1,770

[1] Equal to actual year end expenditures for Fleet Maintenance plus citywide vehicle maintenance expenditures divided by number of fleet vehicles/equipment.

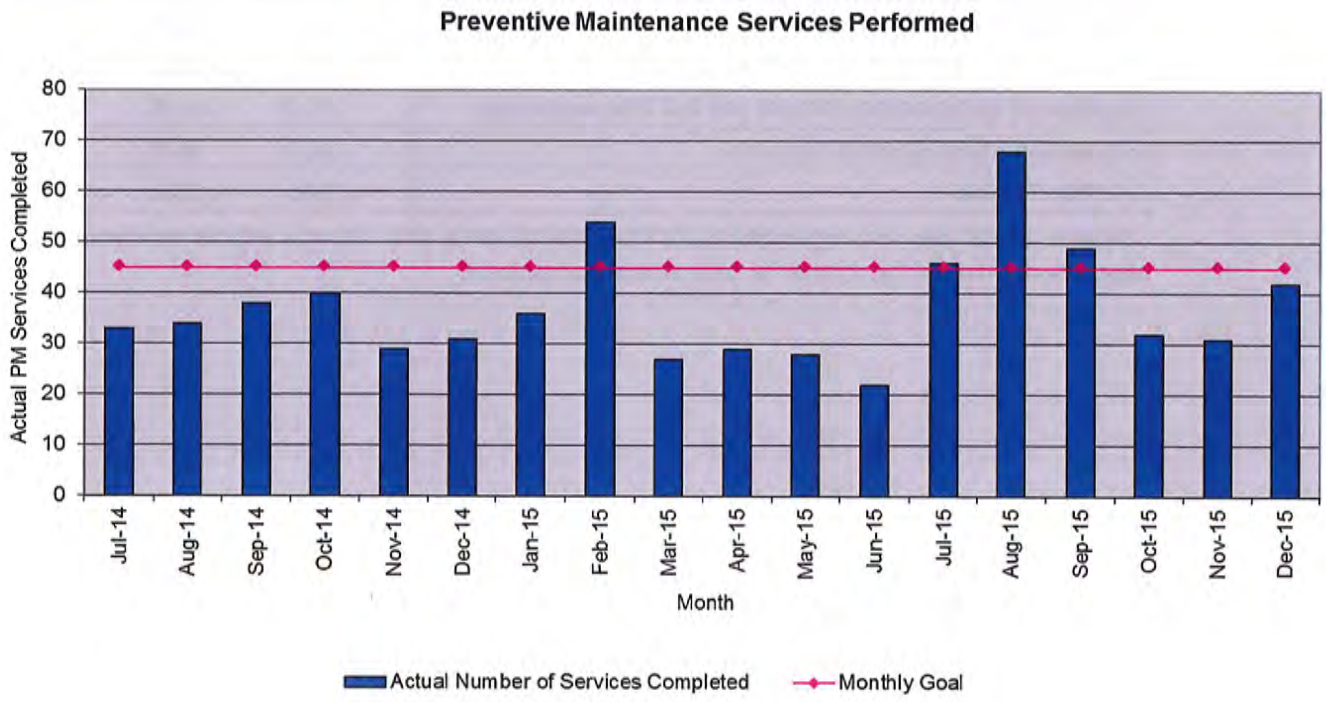
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Fleet Maintenance

Performance Measure: Preventive maintenance services performed per month

Purpose of Measure: To evaluate the preventive maintenance program to determine how well the City's fleet of vehicles is being maintained.

Graphed Data: Goal of 45 Vehicle Preventive Maintenance Services Per Month



Data Analysis: Prior to 2008, each vehicle in the City's fleet was brought in to the shop for preventive maintenance once a year. In 2008 the preventive maintenance schedule was changed to meet state requirements and to bring the shop up to industry standards. Commercial vehicles are checked every 90 days as required by the state and the remaining vehicles and equipment are brought in to the shop every 120 days.

Beginning in 2011, the service goal for this measure was increased from 25 to 45 preventive maintenance services per month in order to bring the goal more in line with the division's capabilities.

The division was able to meet the monthly goal of 45 preventive maintenance checks only one time in FY 15. On average, the division completed 33 checks each month, down from 42 per month in FY 14. The decline in productivity is due to changes in staffing levels. The lead mechanic position was vacant for 6 months in 2015 and an additional staff member was out due to injury during this timeframe. The lead mechanic position was filled in October 2015. Output levels will continue to be monitored to help determine if an adjustment to the monthly goal is warranted.

Action To Be Taken: Review the monthly goal and determine whether the goal should be adjusted to better meet the division's capabilities.

Next Review Date: January 2017

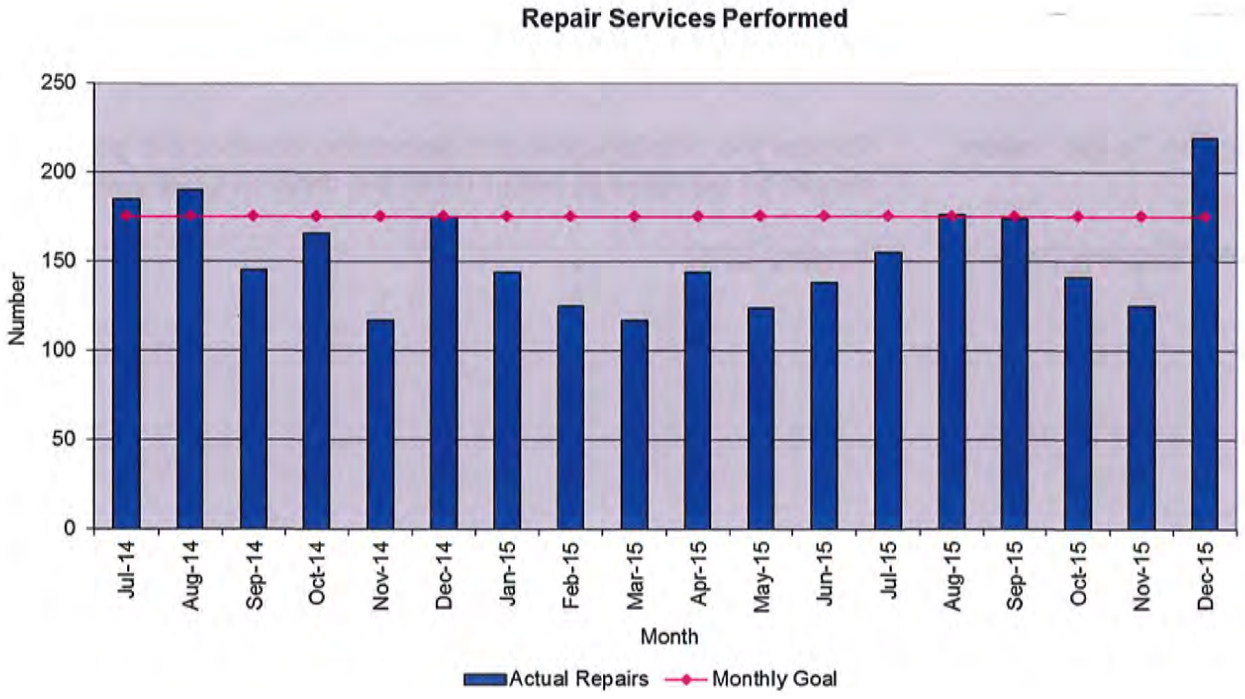
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Fleet Maintenance

Performance Measure: Service repairs performed per month

Purpose of Measure: To evaluate the repair services the division is providing. The measure ensures that repairs are kept up and that the service life of the City's fleet is maximized.

Graphed Data: Goal of 175 Repair Services Per Month



Data Analysis: The monthly goal was changed from 95 to 175 in January 2011 based on the 18-month average output. The previous repair goal of 95 had been exceeded in every month since July 2009.

When the full-time fleet maintenance supervisor came on board in 2007, the division implemented new procedures for scheduling repairs and the fleet maintenance software was fine-tuned to be used more efficiently. In January 2009, the division took over maintenance of 7 light duty vehicles for the Fire Department and began servicing the City's fire apparatus in April 2009. Major repair services for fire apparatus continue to be contracted out as needed.

The graph shows that the goal of 175 service repairs per month was met three times during FY 15. The division spent 1,683 man-hours completing 1,770 repairs for an average of 60 minutes per repair. The division completed an average of 147.5 service repairs each month in 2015, up from 142 per month in the previous fiscal year.

The division's productivity continues to be impacted by changes in staffing levels. The lead mechanic position was vacant for 6 months in 2015 and an additional staff member was out due to injury during this timeframe. The lead mechanic position was filled in October 2015. Output levels will continue to be monitored to help determine if an adjustment to the monthly goal is warranted.

Action To Be Taken: Review the monthly goal and determine whether the goal should be adjusted to better meet the division's capabilities.

Next Review Date: January 2017

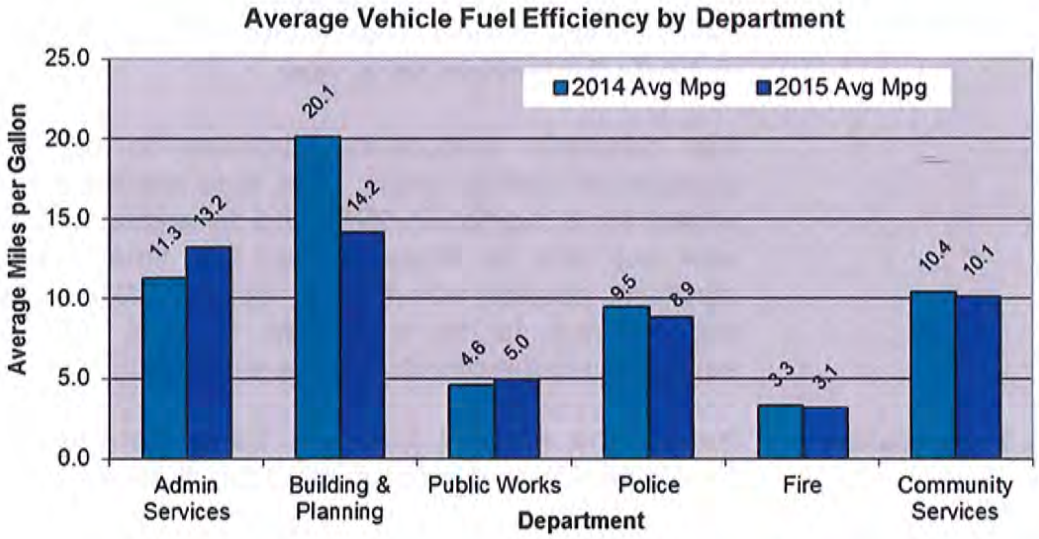
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Fleet Maintenance

Performance Measure: Fuel Efficiency

Purpose of Measure: To establish and maintain fuel efficiency standards for the City's fleet.

Graphed Data: Average Vehicle Fuel Efficiency by Department



2015 Fuel Efficiency

	Admin Services	Building & Planning	Public Works	Police	Fire	Community Services
Total Miles	628	11,029	140,927	395,716	58,643	1,055
Total Fuel Gal	48	779	28,260	44,640	18,651	104
2015 Avg MPG	13.2	14.2	5.0	8.9	3.1	10.1

Note: Fuel is used for other pieces of small equipment in addition to vehicles. Therefore, actual fuel efficiency may be slightly higher than shown.

Data Analysis: The division has taken steps to measure fuel use and efficiency citywide. The division utilizes the "Fuel Master" fuel management system with AIM2 units to measure fuel efficiency of the City's fleet. The AIM2 unit is connected to the vehicle's on-board computer to provide real-time information to the fueling station such as vehicle number and mileage. The sensor on the neck of the fuel dispenser detects when the nozzle is inserted into the vehicle and authorizes the pump to dispense fuel. The pump shuts off automatically when the sensor is out of range, eliminating unauthorized use of the fuel system to fill non-city vehicles and containers.

The graph shows the average annual fuel efficiency for each City department for fiscal year 2014 and 2015. Fuel efficiency and usage varies widely by each department based on the number and type of vehicles and equipment used and the type of work performed. Fuel efficiency for the fire and public works departments tend to be lower because both departments operate large apparatus and heavy equipment to perform their work. Factors such as idling time, vehicle size and use, and travel distance should also be considered when analyzing fuel efficiency. The police department, for example, has a lower number of miles per gallon mostly due to prolonged idling times and shorter travel distances typically at higher than average rates of speed.

Action To Be Taken: The division will continue to collect and report fuel efficiency data.

Next Review Date: January 2017

Park Maintenance

Mission:

To maintain City parks, streetscapes and other landscaped areas in a clean, safe and aesthetically pleasing condition.

Performance Measurements:

1. Maintenance rating for City parks and building landscaping
2. Number of trees maintained per month

Landscape Maintenance	FY 2013	FY 2014	FY 2015
Acres maintained	181	181	181
Maintenance cost per acre [1]	$9,889	$10,578	$10,848
Number of full time employees	15.7	15.7	15.7
Acres maintained per full time employee	11.53	11.53	11.53
Service requests	321	405	392

[1] Equal to actual year end expenditures divided by number of acres maintained.

Tree Maintenance	FY 2013	FY 2014	FY 2015
Number of trees	10,164	10,164	10,096
Cost per tree [2]	$18.48	$20.99	$23.60
Service requests	168	211	231

[2] Equal to actual year end expenditures divided by number of trees maintained.

City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Park Maintenance

Performance Measure: Maintenance rating of city parks and building landscaping

Purpose of Measure: To ensure the safety, usability and upkeep of city parks and buildings.

Graphed Data: Goal to maintain park ratings between 80-89%

Quarterly Maintenance Ratings for All City Parks and Buildings

PARKS	DEC-14	MAR-15	JUN-15	SEP-15	DEC-15
AZTEC PARK	75%	76%	76%	76%	74%
BRIERCREST PARK	88%	86%	86%	86%	86%
COLLIER PARK	72%	70%	70%	70%	70%
HARRY GRIFFEN PARK	78%	76%	76%	76%	76%
HIGHWOOD PARK	75%	76%	76%	74%	72%
JACKSON PARK	80%	82%	82%	80%	78%
LA MESITA PARK	77%	79%	79%	78%	78%
NORTHMONT PARK	80%	80%	80%	78%	78%
ROLANDO PARK	75%	75%	75%	72%	70%
SUNSET PARK	77%	77%	77%	77%	77%
SUNSHINE PARK	80%	78%	78%	76%	72%
VISTA LA MESA PARK	73%	72%	72%	70%	70%
FACILITIES					
ADULT CENTER	86%	86%	86%	86%	86%
CIVIC CENTER	88%	88%	88%	88%	88%
COMMUNITY CENTER	82%	84%	84%	84%	84%
FIRE STATION 12	78%	78%	78%	78%	78%
JR SEAU SPORT COMPLEX	75%	74%	74%	72%	72%
AVERAGE (ALL PARKS AND FACILITIES)	79%	79%	79%	78%	77%

Data Analysis: A needs assessment was conducted for the parks division and presented to the City Council in October 2005. The analysis identified the need for five additional staff positions to maintain the city's parks at the 90 percent maintenance level on a regular basis. Two additional staff members were added in fiscal year 2007 after the division took over the maintenance of

Fletcher Parkway, El Cajon Boulevard and Fire Station 12 which were previously done by contract. Also, to supplement maintenance efforts, the division contracted with Saint Madeline's Sophie Center to clean park restroom facilities and empty trash receptacles. The contract with St. Madeline's has made it possible for park maintenance staff to focus more of their efforts on actual landscape maintenance activities.

Inspections are performed at each park and City facility on a quarterly basis by City crews. Each facility is rated according to an established set of maintenance criteria. The criteria used to evaluate the level of park acceptability includes litter control; an overall safety check; and maintenance of the park restrooms, parking lots, sidewalks, picnic areas, tot lots, irrigation, trees, turf and planted areas. The individual category ratings are combined to determine the overall park rating.

The previous 90 percent maintenance goal for City parks was reviewed in 2011 and revised to a range between 80 and 89 percent. The last time the 90 percent goal was met was in 2002. The new goal of 80 to 89 percent is more in line with current staffing levels, resources and maintenance frequencies.

The overall average park inspection rating for all parks and facilities for FY 15 was 78 percent. The last time the annual average rating exceeded the minimum goal of 80 percent was in 2009 with an average rating of 83 percent. Since this figure is an annual average of all facilities, it should be noted that some specific locations did receive higher individual ratings during the reporting period. The Civic Center was consistently rated at 88 percent in 2015 while the Adult Enrichment Center and Briercrest Park each received an 86 percent maintenance rating overall. Ratings for all parks and municipal facilities ranged between 70 and 88 percent for the year.

Action To Be Taken: No action will be taken at this time.

Next Review Date: January 2017

City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Park Maintenance

Performance Measure: Number of street trees and park trees maintained per year

Purpose of Measure: This measure ensures accountability for the overall maintenance and protection of the City's parks and street landscaping. Regular tree trimming alleviates some safety concerns such as falling branches and site distance.

Data: Goal to trim 1,053 street trees and 2,725 palm trees each fiscal year

Fiscal Year 2015 Total Tree Trimming

Annual Palm Tree Goal	Actual Palm Trees Trimmed
2,725	2,499

Annual Street Tree Goal	Total Street Trees Trimmed	Actual Trees Trimmed In-House	Actual Trees Trimmed by Contract
1,053	1,781	1,333	448

Number of Trees Planted
21

Data Results: The City has earned the designation of "Tree City USA" since 1980. In order to nurture and maintain the City's urban forest as efficiently as possible, productivity goals were established for tree trimming. The department has set an annual goal to trim 1/7th of the City's street and park tree inventory (approximately 1,050 trees) and 100 percent of the City's palm tree inventory each year. The City has been divided into seven maintenance zones and the goal is to trim all the trees in one zone each year, as well as all palm trees throughout the City each year.

Following the retirement of one of the City's two tree trimmers in December 2009, the City began contracting out for preventive tree maintenance services. The contract includes regular tree maintenance of 7,370 street and park trees throughout the City. The City's remaining tree trimming staff member responds to service requests and other tree trimming duties on an as-needed basis. Palm tree trimming of 2,725

trees is also performed by contract. All palm trees are trimmed on an annual schedule.

The table shows all tree maintenance services done by contract and in-house staff. The total number of trees trimmed in FY 15 was 4,280 (2,947 done by contract and 1,333 by in-house staff). On average, staff trimmed 111 trees per month in FY 15, up from 63 in 2014 and 88 the prior year.

The annual palm tree trimming goal is based on the total number of palm trees in the City's most current tree inventory. About 92 percent of the City's palm tree inventory was trimmed by West Coast Arborists, the City's tree trimming contractor, in FY 15. The remaining palm trees, which account for 8 percent of the City's inventory or 226 palms, were either too small to trim or were located in an area which is inaccessible to tree trimming crews and equipment.

Action To Be Taken: No action will be taken at this time.

Next Review Date: January 2017

Street Maintenance

Mission:

To maximize the useful life of the street pavement, with an emphasis on timely maintenance and keeping the City's streets clean of debris and other objectionable and unsafe material.

Performance Measurement:

1. Square footage of surface treatment per month

Street Maintenance	FY 2013	FY 2014	FY 2015
Miles maintained	152	152	152
Maintenance cost per mile [1]	$9,166	$8,667	$9,110
Number of full time employees [2]	5.75	6.25	6.25
Number of miles maintained per FTE	26.43	24.37	24.37
Cost per capita [3]	$24.42	$23.13	$24.27
Square footage of pavement rehabilitation	159,429	162,775	153,913
Service requests	517	717	770

[1] Equal to division's actual year end expenditures divided by number of miles maintained.

[2] The crew leader position was added in FY 14. The position is split 50/50 with street maintenance and traffic safety

[3] Used population figure from the 2010 census to compute cost per capita.

Street Sweeping	FY 2013	FY 2014	FY 2015
Cost per lane mile [4]	$378	$408	$380

[4] The increase in the cost per lane mile in FY 14 is due to increases in the street sweeping contract and extra work.

Future Measurements:

1. Response time for inspection and repair of deteriorated sidewalks

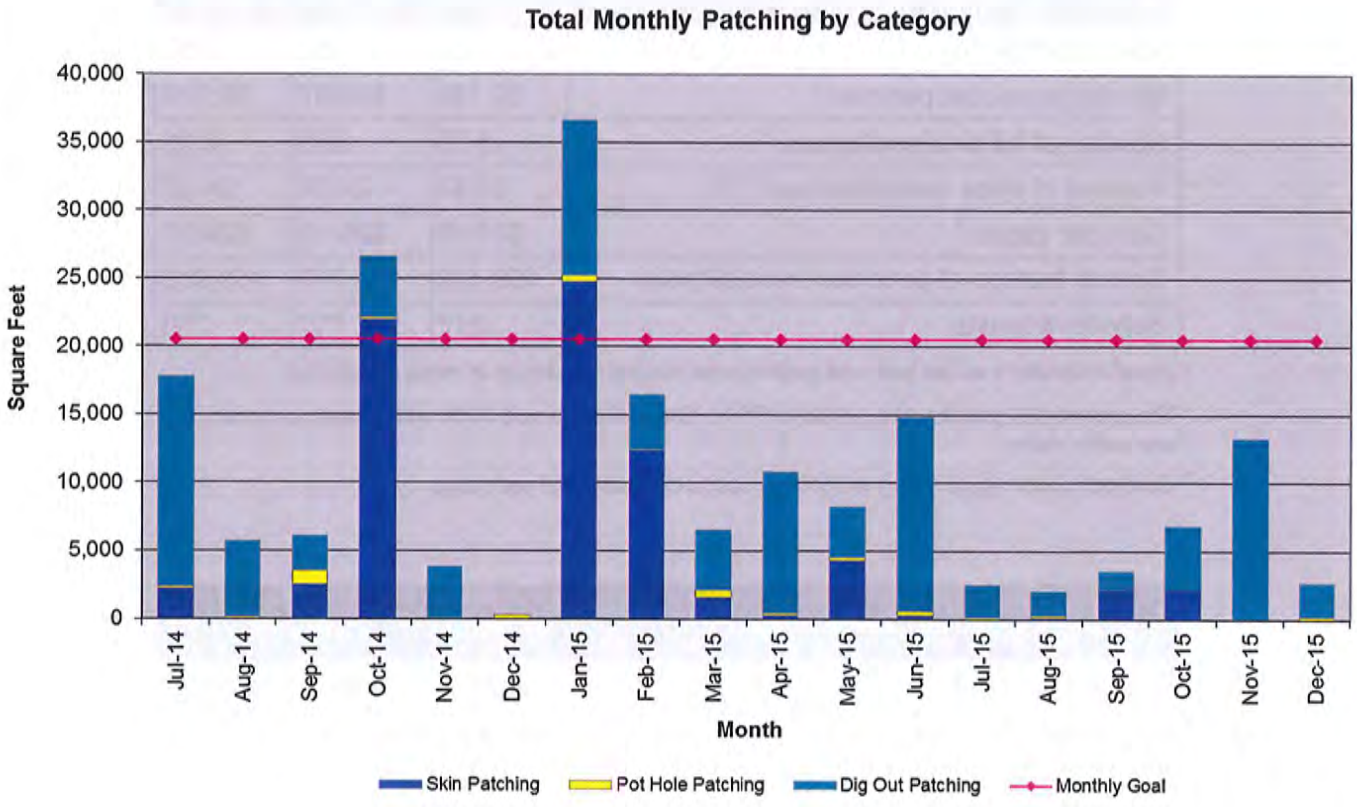
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Street Maintenance

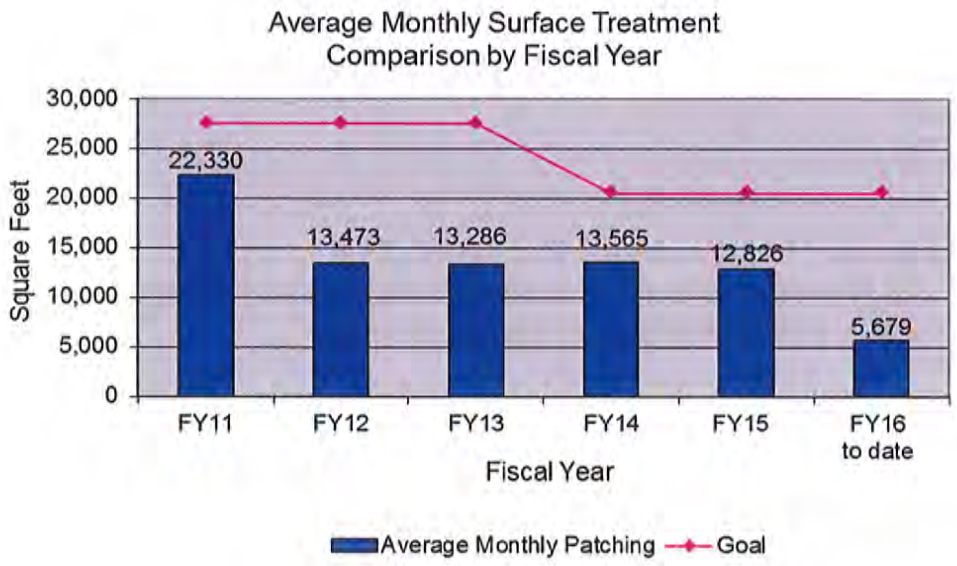
Performance Measure: Square footage of patching per month

Purpose of Measure: To allocate resources, develop standards of accountability and improve procedures as needed.

Graphed Data: Goal of 20,500 square feet of surface treatment per month



Data Results: The goal was modified in FY 13 from 27,500 square feet per month to 20,500 to better reflect the division's output capabilities.



The division was able to achieve the 20,500 square feet per month goal two times during the FY 15 reporting period. On average, the division patched 12,826 square feet per month in FY 15, down from 13,565 square feet in the previous fiscal year.

Staffing levels, weather conditions and special projects can result in inconsistent output as shown on the Monthly Patching graph. Staffing issues have impacted the division's ability to operate efficiently at times and have made it difficult to reach performance goals. Division staff are often pulled away from routine street maintenance duties in order to handle service requests and special projects. The division spent an average of 134 hours each month (1,610 hours total) on service requests and special projects during the fiscal year. Productivity was further impacted by vacant staff positions and employee turnover. The division lost two long-term staff members in December 2014 due to retirement. The division is once again fully staffed and the crew leader has implemented several changes which are expected to positively impact productivity. Changes in operating procedures and scheduling will enable the division to take better advantage of available equipment, technology and staffing resources to ensure goals are met.

Action To Be Taken: Revisions to the monthly goal will be considered based on the current maintenance program to more appropriately reflect new operating procedures and methods.

Next Review Date: January 2017

Traffic Safety

Mission:

To provide safe traffic flow through effective and efficient maintenance of street signs, striping and traffic control devices.

Performance Measurements:

1. Square footage of legends painted
2. Lineal footage of striping and curb painting

Traffic Safety	FY 2013	FY 2014	FY 2015
Number of street miles	152	152	152
Cost per street mile [1]	$2,314	$2,351	$2,159
Number of full time employees [2]	3.25	2.75	2.75
Street miles maintained per full-time employee	46.77	55.38	55.38
Number of service requests	317	367	517
Number of signs maintained, installed and fabricated	720	920	1,091

[1] Equals actual year end expenditures divided by the number of street miles.

[2] The lead worker position was eliminated and 50% of the crew leader position was added in FY 14.

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Legends (SF)	478	170	80	155	60	915	1,710	2,750	1,323	3,324	45	1,572
Line Striping (LF)	1,260	220,160	152,731	236,355	178,724	63,310	1,160	535	0	875	0	0
Curb Painting (LF)	0	145	98	0	90	40	487	35	40	20	115	20
Service Requests	34	22	33	39	34	45	35	28	102	54	54	37

City of La Mesa
2015 Performance Measure Report
Department of Public Works

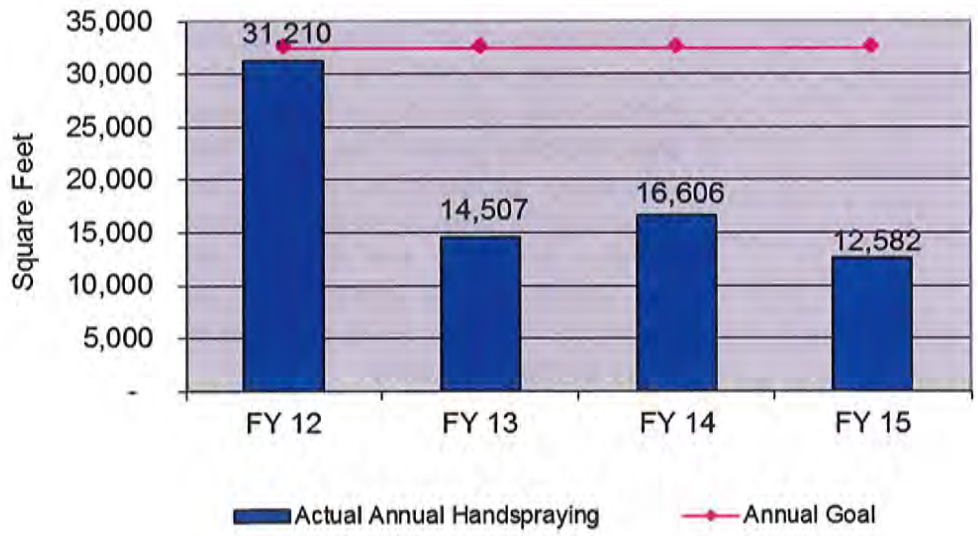
Division: Traffic Safety Operations

Performance Measures: Square footage of legends hand sprayed

Purpose of Measure: To allocate resources, develop standards of accountability and improve procedures as needed.

Graphed Data: Goal of 32,440 square feet of legends hand sprayed per year

Legends Hand-Sprayed by Fiscal Year



Data Results: Traffic safety activities are cyclical in nature and are typically performed on an annual basis rather than monthly. The goal was revised to an annual goal in 2013 (32,440 square feet per year) based on the three year average output.

Traffic safety activities have been scheduled to maximize the division's equipment resources and available staffing. As legend painting ends, line striping or some other traffic safety activity begins. The division usually schedules long-line striping of streets and bike lanes, for example, for the months

of May through August each year. School zones and crosswalks are painted in June and July and all other legends and pavement markings are scheduled from September to January.

The schedule for striping and legend painting was adjusted in FY 15 to accommodate the delayed start date for the slurry seal program. Crew members from the traffic safety division are often called on to assist the street maintenance division with routine maintenance work, such as preparing the roadway for slurry seal, and other special projects.

Much of the work done by this division requires at least a two-man crew to complete. Because of this, availability of staffing can have a significant impact on productivity. Output can also be severely impacted by the number of service requests handled by the division as well as other unanticipated special projects.

The division hand sprayed 12,582 square feet during FY 15 down from 16,606 the year before. The downward trend in productivity over the past few years has prompted a review of the division's goals. The crew leader has implemented new operating procedures and scheduling changes which are expected to have a positive impact on future productivity. The division is finding new ways of doing business and managing its workload by combining staff resources with street maintenance and utilizing available technology and equipment to try to meet its goals.

Action To Be Taken: Division goals and output will be evaluated and new performance goals which more appropriately reflect current business practices, will be considered.

Next Review Date: January 2017

City of La Mesa
2015 Performance Measure Report
Department of Public Works

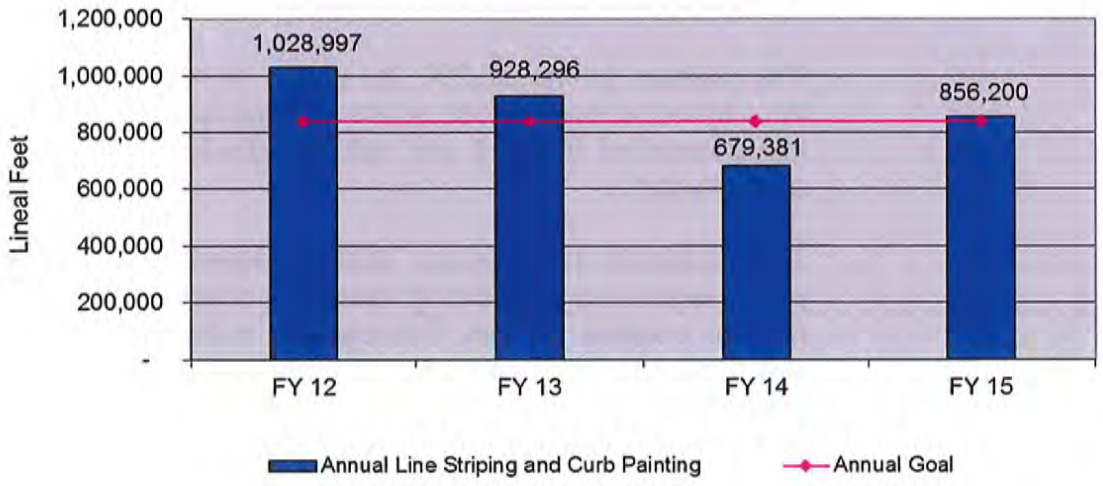
Division: Traffic Safety Operations

Performance Measures: Lineal feet of line striping and curb painting per year

Purpose of Measure: To allocate resources, develop standards of accountability and improve procedures as needed.

Graphed Data: Goal of 836,820 lineal feet of line striping and curb painting per year

Annual Line Striping and Curb Painting



Data Results: The goal was revised to an annual goal in 2013 and set at 836,820 lineal feet per year based on the three year average output.

Traffic safety activities are scheduled to maximize the division's equipment resources and available staffing. As legend painting ends, line striping or some other traffic safety activity begins. The division usually schedules long-line striping of streets and bike lanes, for example, for the months of May through August of each year. School zones and crosswalks are painted in June and July and all other legends and pavement markings are scheduled from September to January.

The schedule for striping and legend painting was adjusted in FY 15 to accommodate the start date for the slurry seal program. Crew members from the traffic safety division are often called on to assist the street maintenance division with routine maintenance work, such as preparing the roadway for slurry seal, and other special projects.

The division paints 85,000 lineal feet of red curb throughout the city once every three years. Citywide curb painting was last completed in 2014 and will be scheduled for completion again in 2017.

The division's crew leader has implemented new operating procedures and scheduling changes which are expected to have a positive impact. The division is finding new ways of doing business and managing its workload by combining staff resources with street maintenance and utilizing available technology and equipment to meet its goals.

The division strives to complete 836,820 lineal feet of pavement markings per year. During fiscal year 2015, the division striped 855,110 lineal feet of roadway and painted 1,090 lineal feet of curb line for a combined total of 856,200 lineal feet. The division's annual line striping goal was met in three of the last four years.

Action to Be Taken: Output will be monitored along with the goal.

Next Review Date: January 2017

Wastewater Operations

Mission:

To protect the public health and safety by maintaining the wastewater collection system; keeping it clean, flowing and in good repair, and thereby maximizing the life of the system and preventing sanitary sewer overflows.

Performance Measurements:

1. Lineal feet of rodding by month
2. Lineal feet of jet-rodding by month
3. Lineal feet of storm drain cleaning by month
4. Labor hours spent on requests for sewer lateral service
5. Number of SSOs per 100 miles of sewer pipe per year
6. Number of sewer billing contacts/complaints

Sewer/Storm Drain Maintenance	FY 2013	FY 2014	FY 2015
Total system miles (including storm drain) [1]	212	203	203
Maintenance cost per mile [2]	$4,757	$4,872	$5,041
Number of sewer miles cleaned	182	185	194
Number of full time employees	8	8	8
System miles per full-time employee	26.5	25.35	25.35
Sewer miles cleaned per full-time employee	22.78	23.19	24.25
Lineal feet of sewer main lines televised	3,494	24,193	21,335
Number of service requests	305	321	299
USA mark out requests	1,930	1,930	2,502

[1] Total system miles was updated in FY 14 to reflect better data collection methods using GIS.

[2] Equal to actual year end expenditures divided by total system miles.

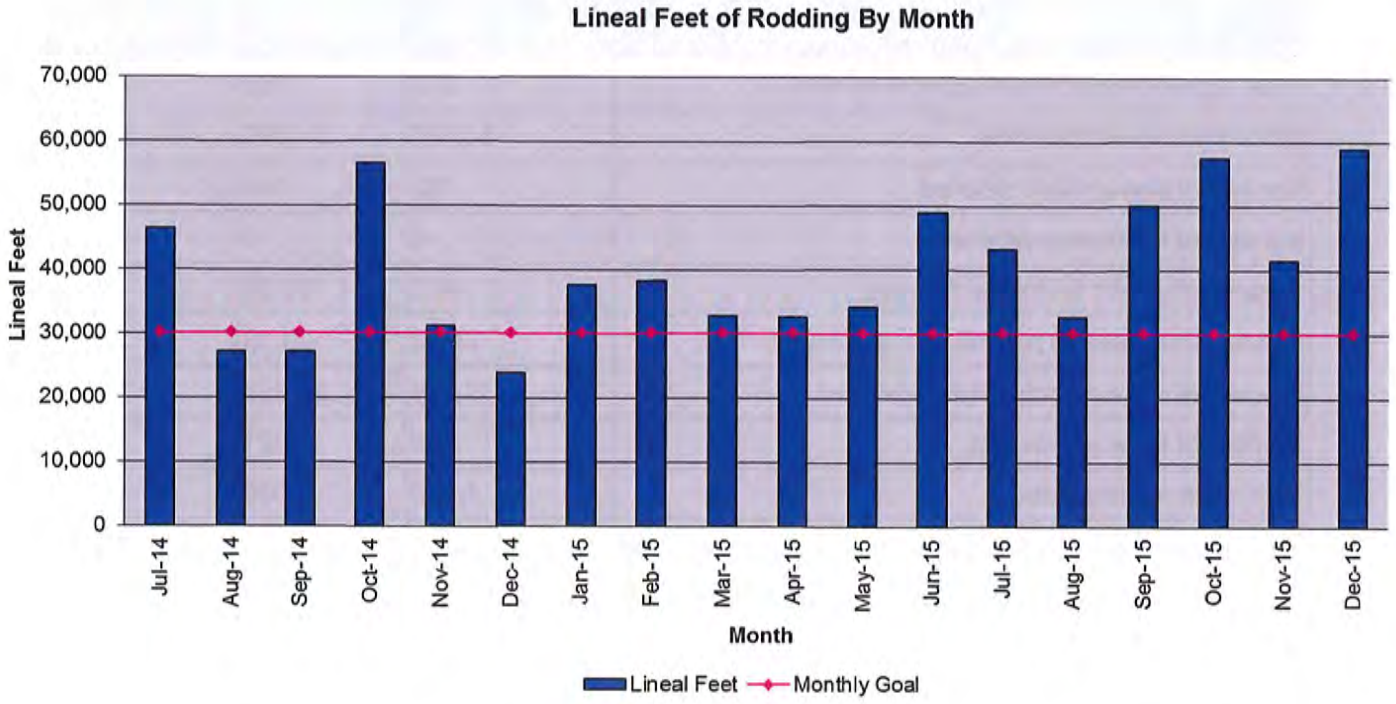
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Wastewater Operations

Performance Measure: Number of lineal feet rodded by month

Purpose of Measure: Collection of this information enables the department to budget for, schedule and track the total number of feet cleaned each month in the City's sewer system. The division's goal is to clean the entire sewer system over a 12-to 14-month period.

Graphed Data: Goal to rod 30,000 lineal feet of sewer line per month



Data Results: In December 2003, the monthly goal was increased from 20,000 lineal feet to 30,000 to more closely match the division's output capabilities.

The division rodded an average of 36,401 lineal feet per month during fiscal year 2015, up from 33,817 lineal feet per month the previous fiscal year. The monthly goal was met or exceeded in nine out of twelve months or 75 percent of the time in FY 15. The actual annual output (436,914 lineal feet) exceeded the annual goal of 360,000 lineal feet by 76,914 lineal feet. The division rodded 83 miles of sewer pipe during the year.

Action To Be Taken: No action is recommended at this time.

Next Review Date: January 2017

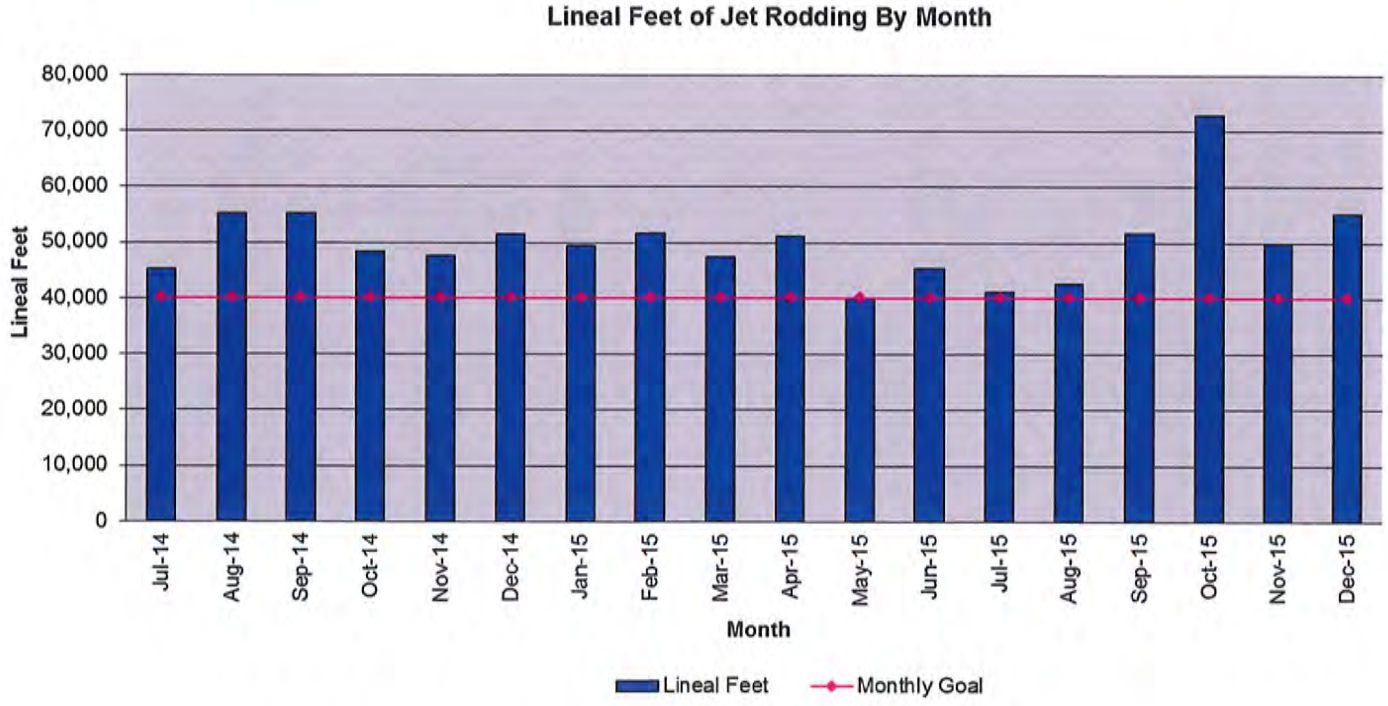
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Wastewater Operations

Performance Measure: Number of lineal feet jet-rodded per month

Purpose of Measure: Collection of this information enables the department to schedule and track the total number of feet cleaned each month in the City's sewer system.

Graphed Data: Goal to jet rod 40,000 lineal feet of sewer line per month



Data Results: The division reported an average monthly output of 49,006 lineal feet during the FY 15 reporting period, exceeding the monthly goal 100 percent of the time. The annual goal to jet rod 480,000 lineal feet was exceeded by over 108,070 feet with a total output of 588,072 lineal feet during the year. The division jet rodded 111 miles of sewer line during the year, up from 109 miles the year before.

Action To Be Taken: No action is recommended at this time.

Next Review Date: January 2017

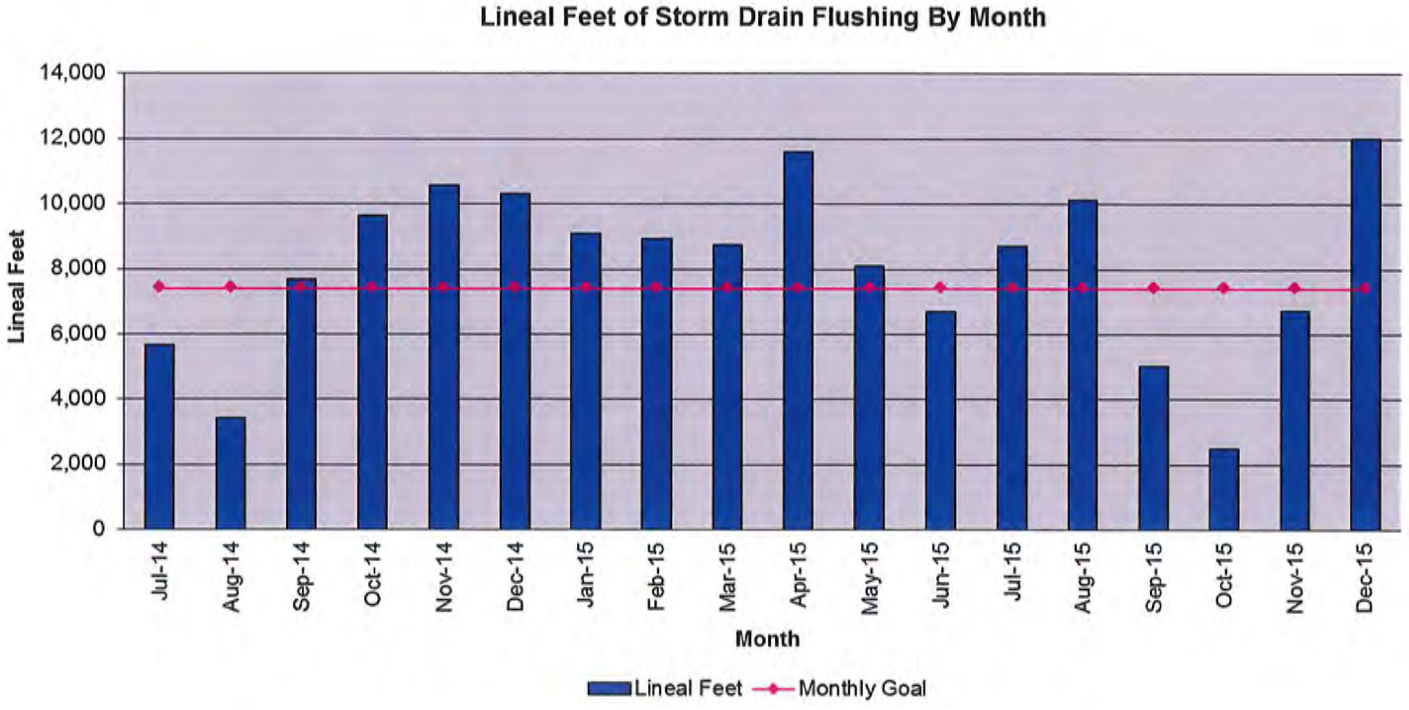
City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Wastewater Operations

Performance Measure: Lineal feet of storm drain cleaning per month

Purpose of Measure: Collection of this data is needed to show that the City has taken steps to prevent storm water pollution and is in compliance with NPDES Permit requirements as required by the State.

Graphed Data: The goal is to clean 7,400 lineal feet of storm drain line per month



Data Results: The previous monthly goal of 3,500 lineal feet was established and first reported in 2005. A new goal was set in 2011 based on an 18-month average output. The new goal was set at 7,400 lineal feet to better represent the capabilities of the division.

The monthly goal to clean 7,400 feet of storm drain was met 9 times in the 12-month reporting period (75 percent). On average, division staff cleaned 8,367 feet per month in FY 15, up from 4,298 the year before. Nearly doubling the total output, division staff cleaned a total of 100,400 feet, up from 51,571 feet in FY 14. Over 19 miles of storm drain pipe was cleaned during the year.

The division has dedicated two full-time employees to maintain storm drains.

Action To Be Taken: No action is recommended at this time.

Next Review Date: January 2017

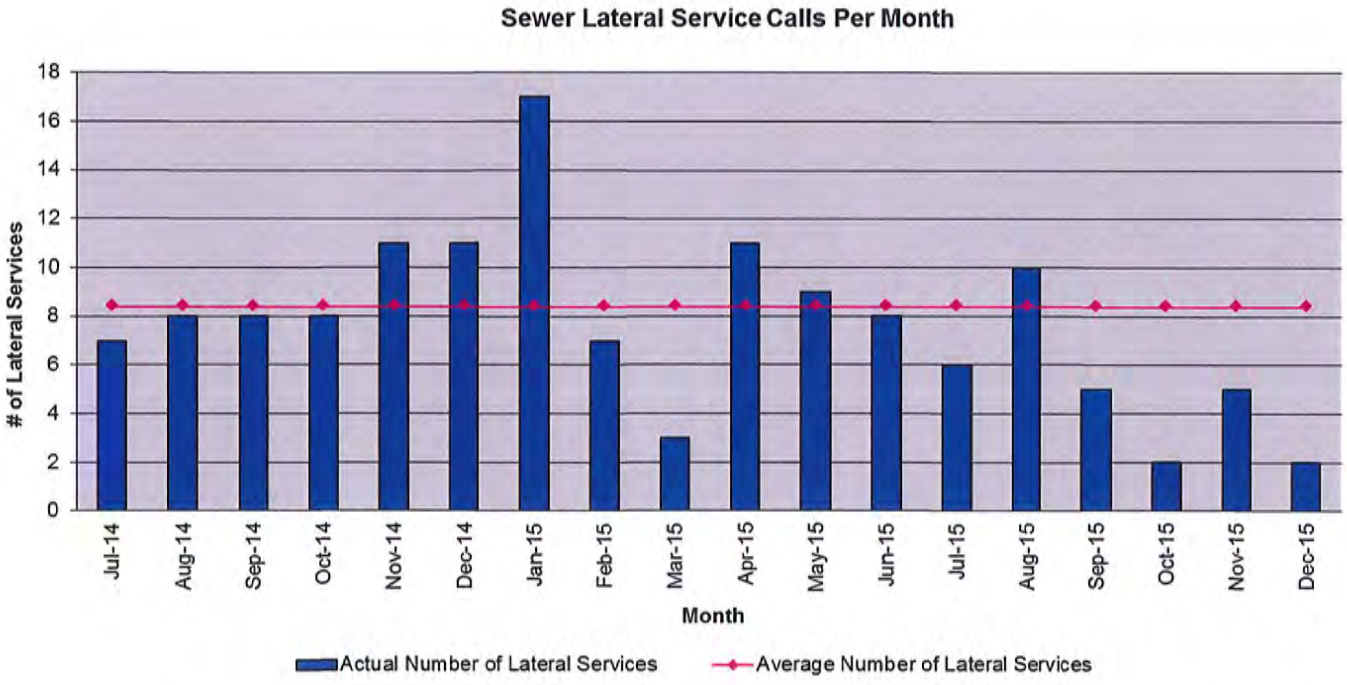
City of La Mesa
2015 Performance Measure Report
Department of Public Works

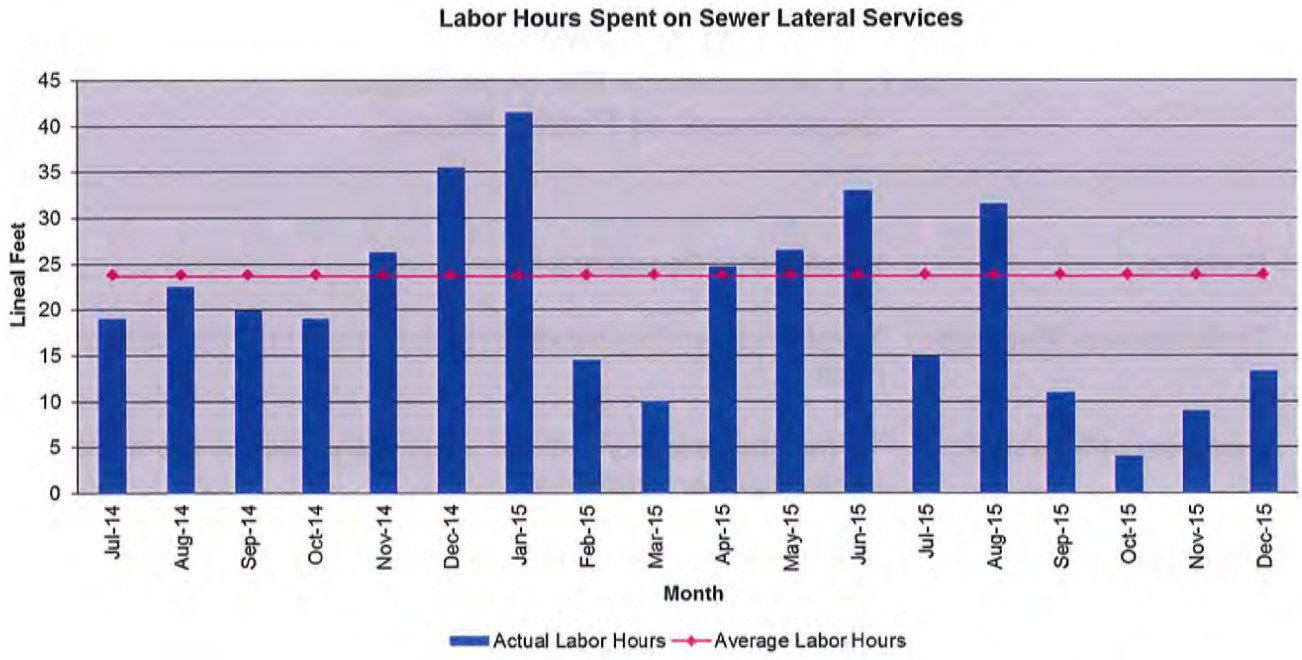
Division: Wastewater Operations

Performance Measure: Labor hours spent on requests for sewer lateral service

Purpose of Measure: This data measures the resource and manpower requirements needed to respond to private sewer lateral problems each month.

Graphed Data:





Data Results: Division staff spent 292.5 hours performing sewer lateral checks and repairs on private sewers in 2015. The most common lateral services provided are sewer lateral checks and CCTV inspections. On average, division staff spent two hours and 46 minutes per lateral service performed during the year.

This information can be helpful to allocate resources in such a way that the division can respond to sewer lateral requests and continue to perform scheduled maintenance of the City's sewer system. Although the service is provided as a courtesy to residents, the department looks at it as an opportunity to provide excellent customer service, and at the same time, inspect City mains, reduce sanitary sewer overflows and protect the environment.

Action To Be Taken: No action taken at this time.

Next Review Date: January 2017

City of La Mesa
2015 Performance Measure Report
Department of Public Works

Division: Wastewater Operations

Performance Measure: Number of sanitary sewer overflows per 100 miles of sewer main

Purpose of Measure: To maintain the city's sewer system and reduce the number of sanitary sewer overflows.

Graphed Data: Goal to reduce the number of sanitary sewer overflows per 100 miles of sewer pipe per year

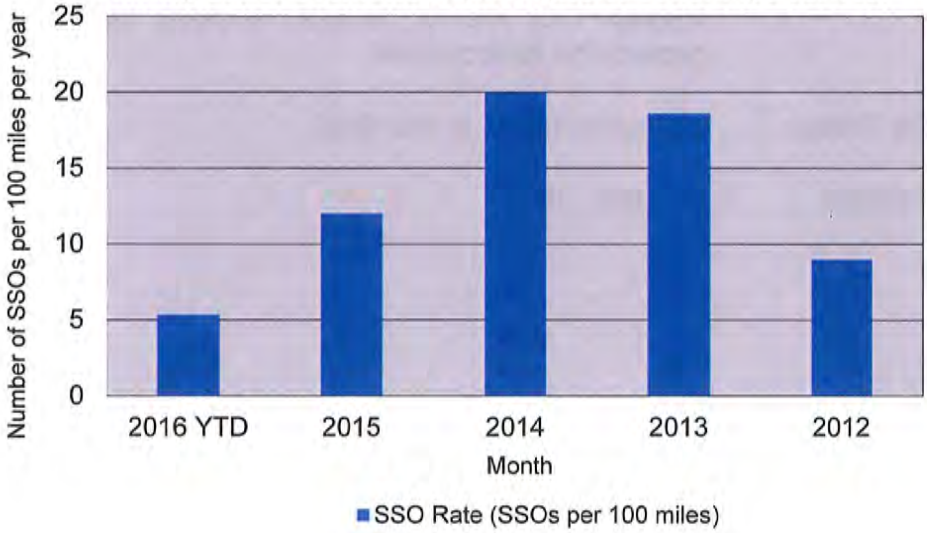
La Mesa SSOs Reported by Fiscal Year

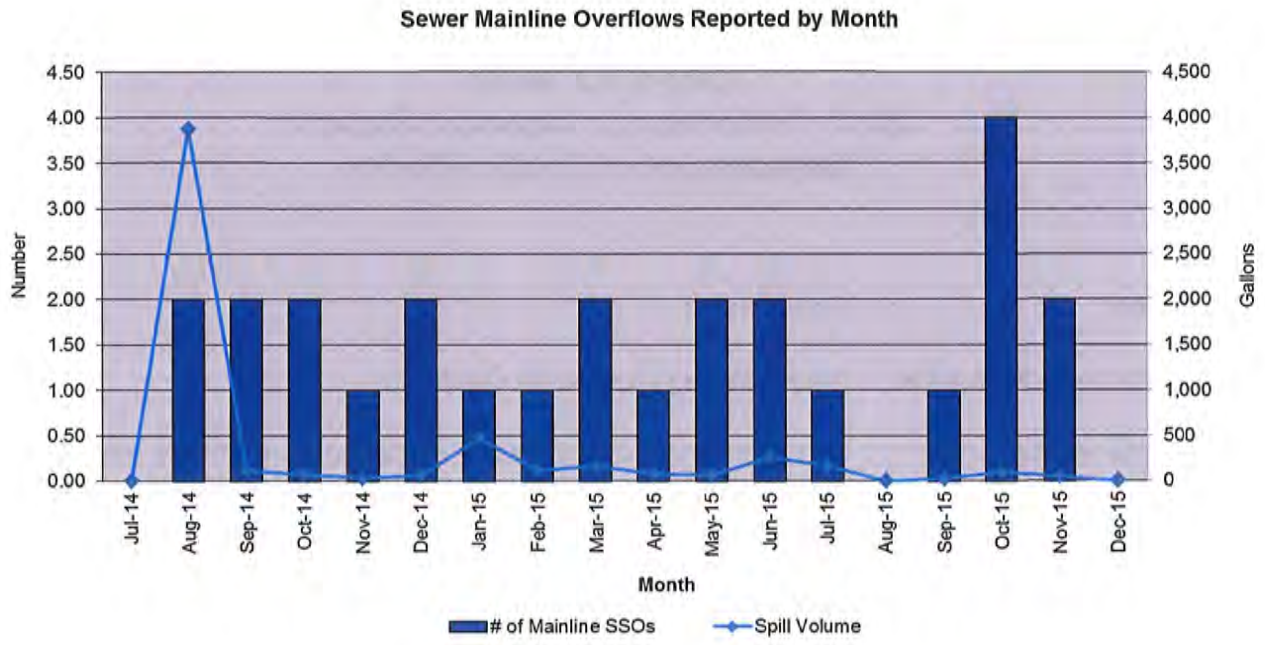
Fiscal Year	Population Served[1]	Miles of Sewer Pipe Owned	Number of SSOs	Total SSO Volume Spilled (Gallons)	SSO Rate (SSOs per 100 Miles per Year)	Volume Rate (Volume Spilled per 1000 Capita per Year)
2016 YTD	57,065	150	8	340	5	5.96
2015	57,065	150	18	5,312	12	93.09
2014	57,065	150	30	3,801	20	66.61
2013	57,065	156	29	5,429	19	95.14
2012	57,065	156	14	3,555	9	62.30

[1]Population from 2010 Census data

A sanitary sewer overflow (SSO) is defined as any backup of wastewater from a public owned sewer system regardless of spill volume or percentage contained and recovered. Overflow numbers do not reflect sewer backups from private sewer systems.

Sanitary Sewer Overflows per 100 Miles of Sewer Pipe per Year





Data Results: The division maintains high standards when it comes to maintenance of the City's sewer infrastructure. The system is cleaned on a routine schedule and "hot spots" with grease buildup or root intrusion are addressed more frequently to ensure that the sewer system continues to function. Even a well maintained system can experience overflows, however. Water infiltration from heavy rain events and debris buildup can cause the sewer system to overflow into the street and possibly into the storm drain system. Sewer backup service calls are responded to and addressed immediately to maintain public health and safety standards and minimize claims for sewer damage.

City maintenance crews responded to 18 sewer main line overflows in FY 15 with a total volume of 5,312 gallons. On average, 1.5 sewer overflows were reported per month during the fiscal year.

Action To Be Taken: Continue to collect and report sewer overflow data.

Next Review Date: January 2017

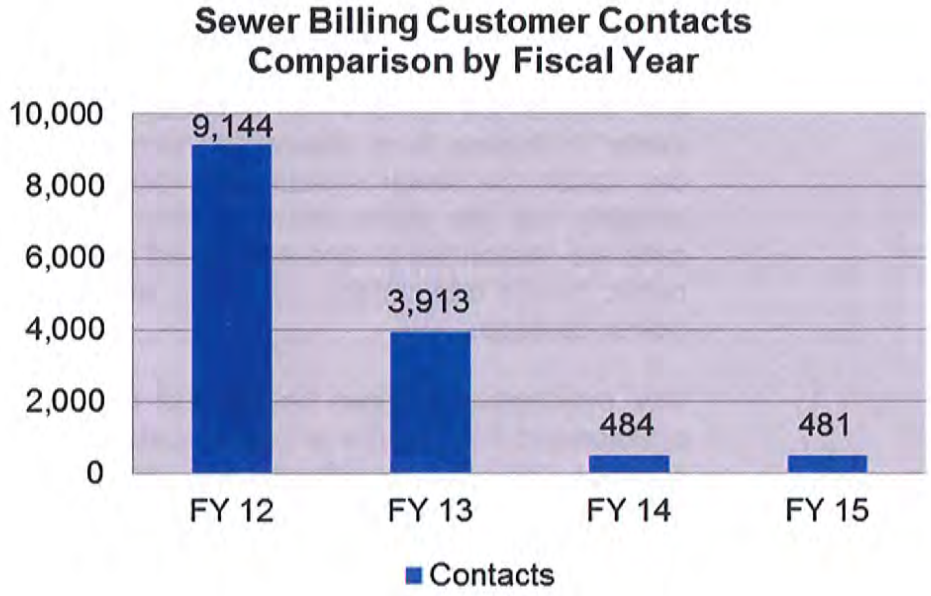
City of La Mesa
2015 Performance Measure Report
Department of Public Works

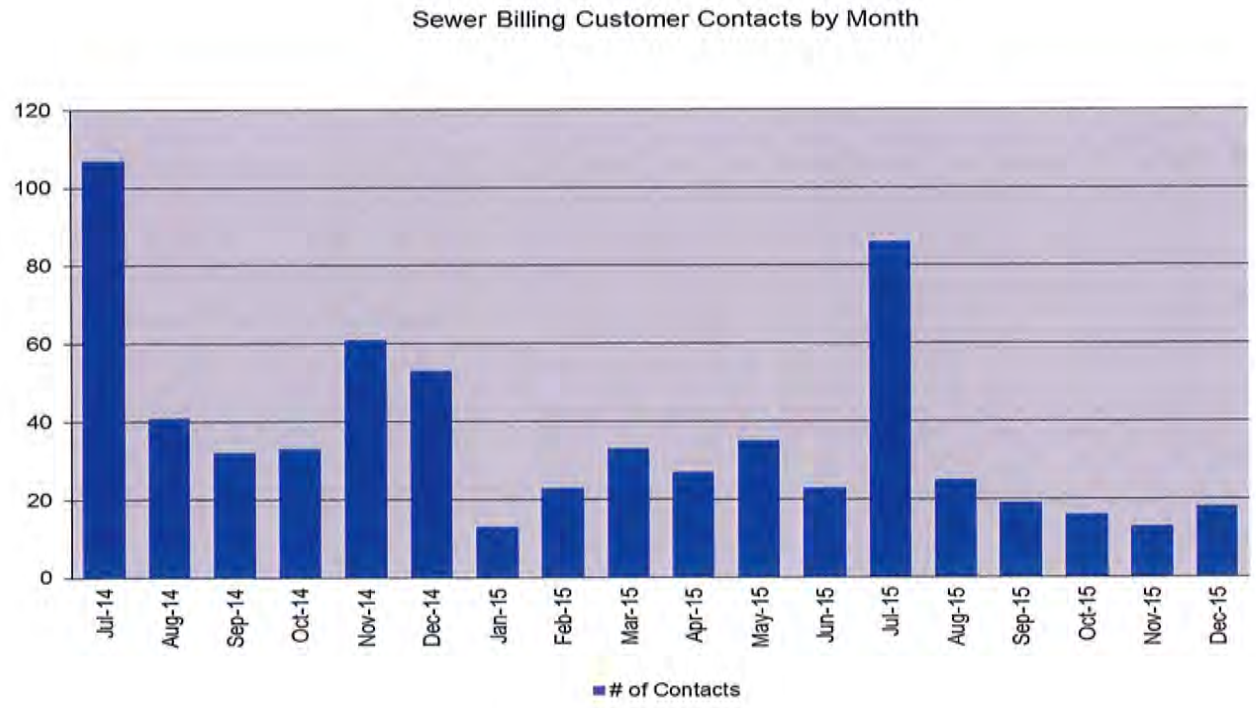
Division: Wastewater

Performance Measure: Sewer Billing Customer Contacts

Purpose of Measure: To determine the number of customer complaints relative to the number of customer contacts and the reasons for the complaints.

Graphed Data: Comparison of customer contacts by fiscal year





Data Results:

The City of La Mesa used to bill nearly 14,000 sewer customer accounts on a bimonthly cycle. As of July 1, 2012, all sewer charges were put on the property tax bill for collection. The City has one Customer Service Specialist II position to provide support for the sewer billing process and handle customer contacts. This position moved from the Finance Department to Public Works in January 2013.

The number of customer contacts has declined 95% since tax roll billing was implemented in July 2012. The total number of customer calls in FY 15 was 481 down slightly from 484 in FY 14. The number of calls from sewer customers has decreased substantially from 3,913 in FY 13 and 9,144 in FY 12 when the City began billing for sewer on the property tax bill. The average number of contacts per month went from 762 in 2012 to 40 in 2015. The increase in calls in July of each year coincides with the annual sewer billing letters which are typically mailed to all customers during the first week in July. Many customers call with questions regarding the annual sewer charge amount or to request a billing adjustment. There were no customer complaints reported during FY 15.

Action To Be Taken: Continue to collect data and monitor performance. No action taken at this time.

Next Review Date: January 2017