



Proposition L Vital City Services Benchmarks

Fiscal Years 2015-2017

Vital City Services

Vital City services as defined by the Proposition L:

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

These vital services are accomplished through the following departments:

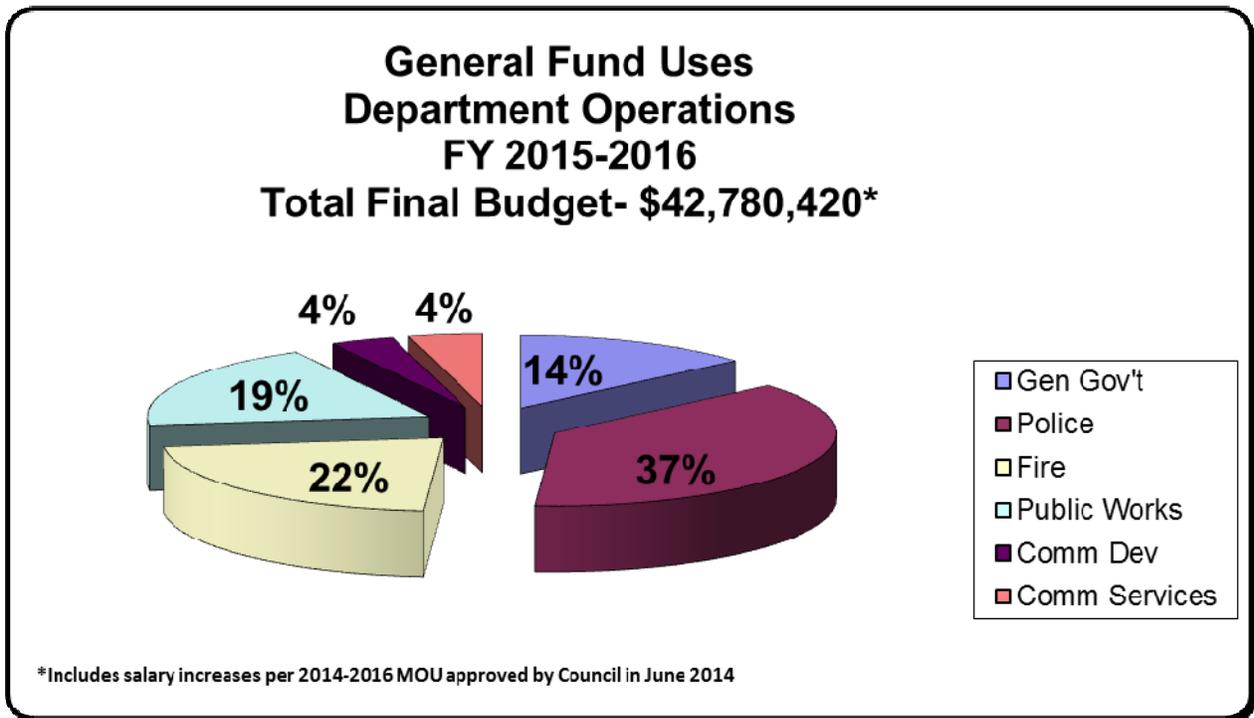
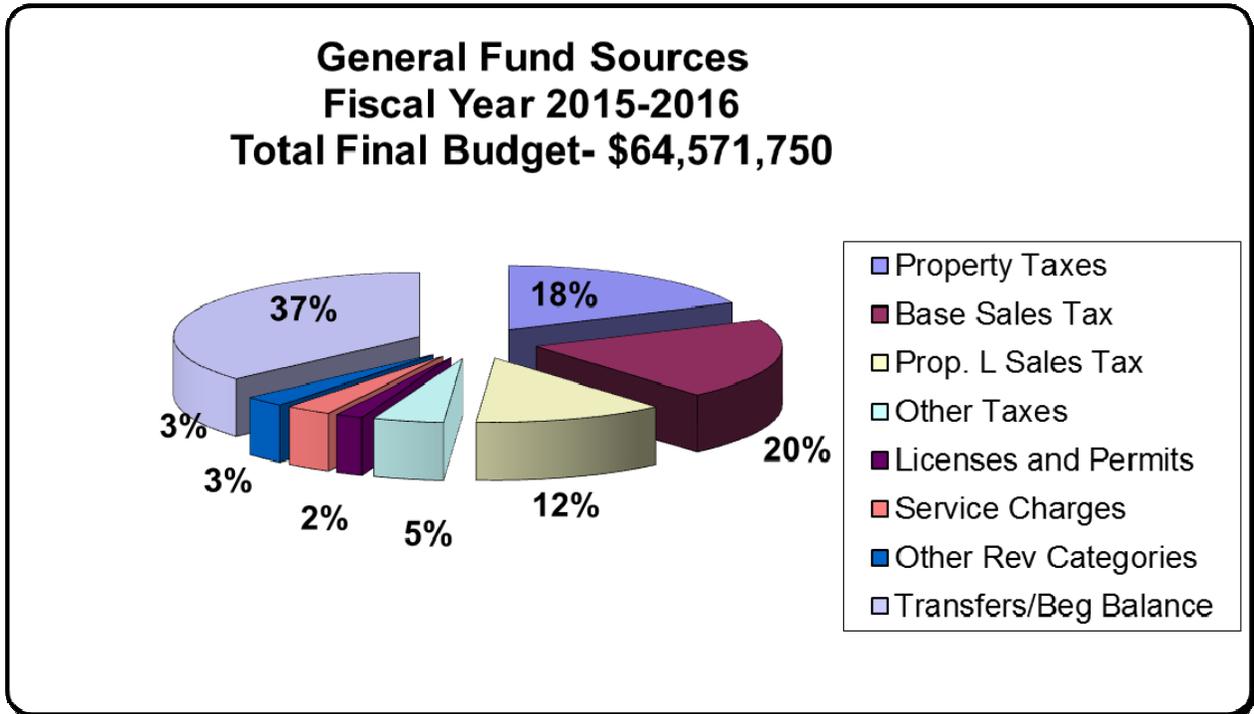
- Police Department
- Fire Department
- Public Works
- Community Services
- Community Development
- Administrative Services (provides general government support)

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

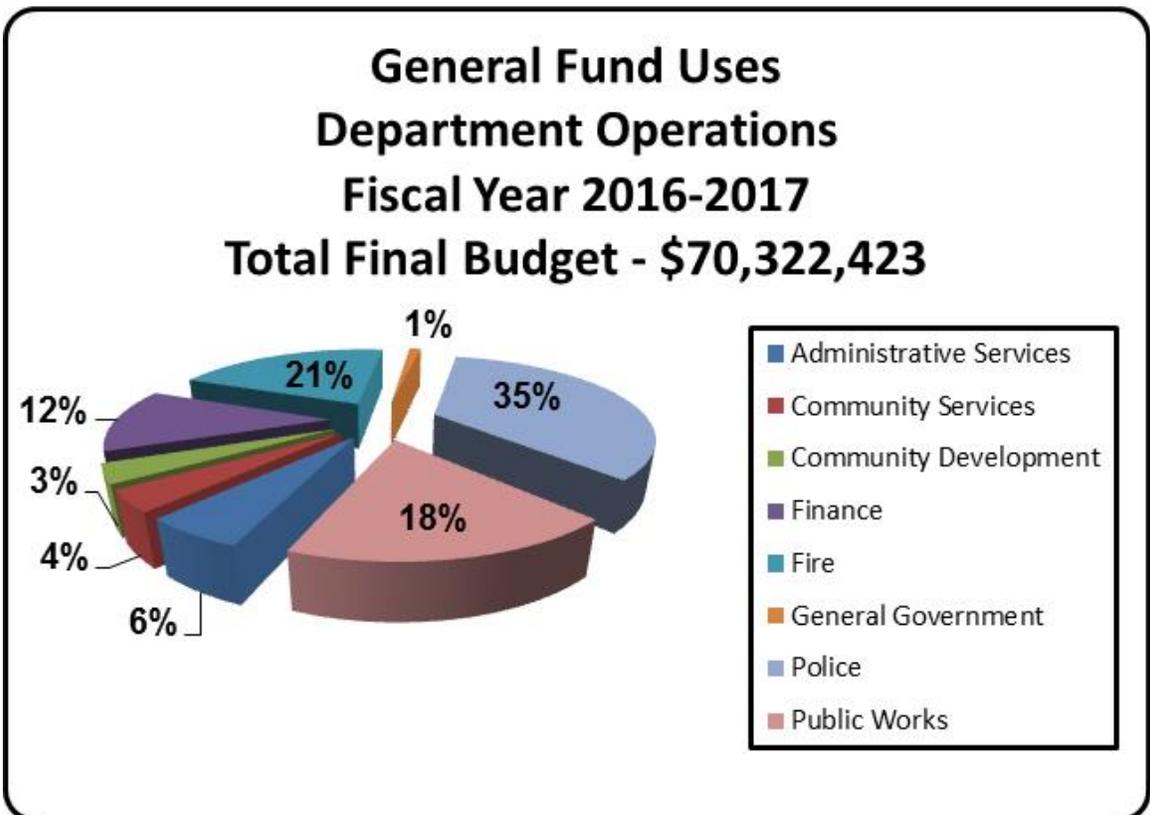
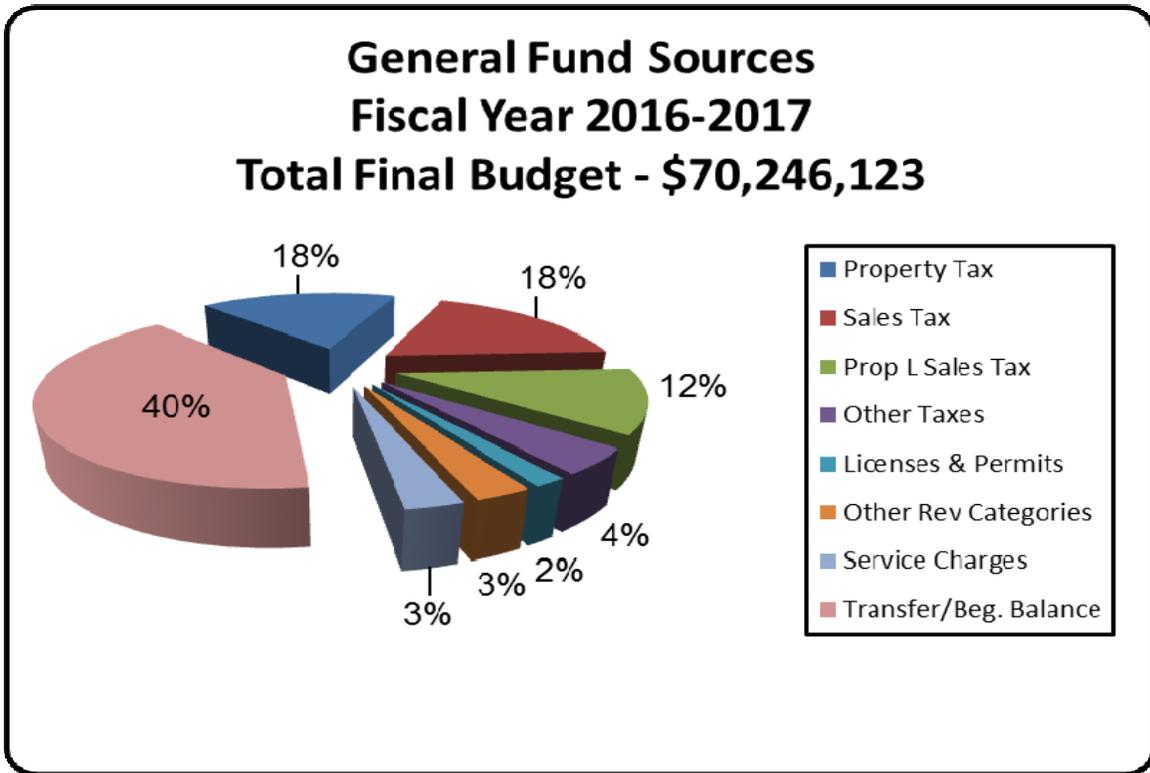
The following benchmarks and summary of future financial challenges provide an additional tool for monitoring the City's vital services and the funding sources needed to maintain those vital services.

Sources and Uses – General Fund

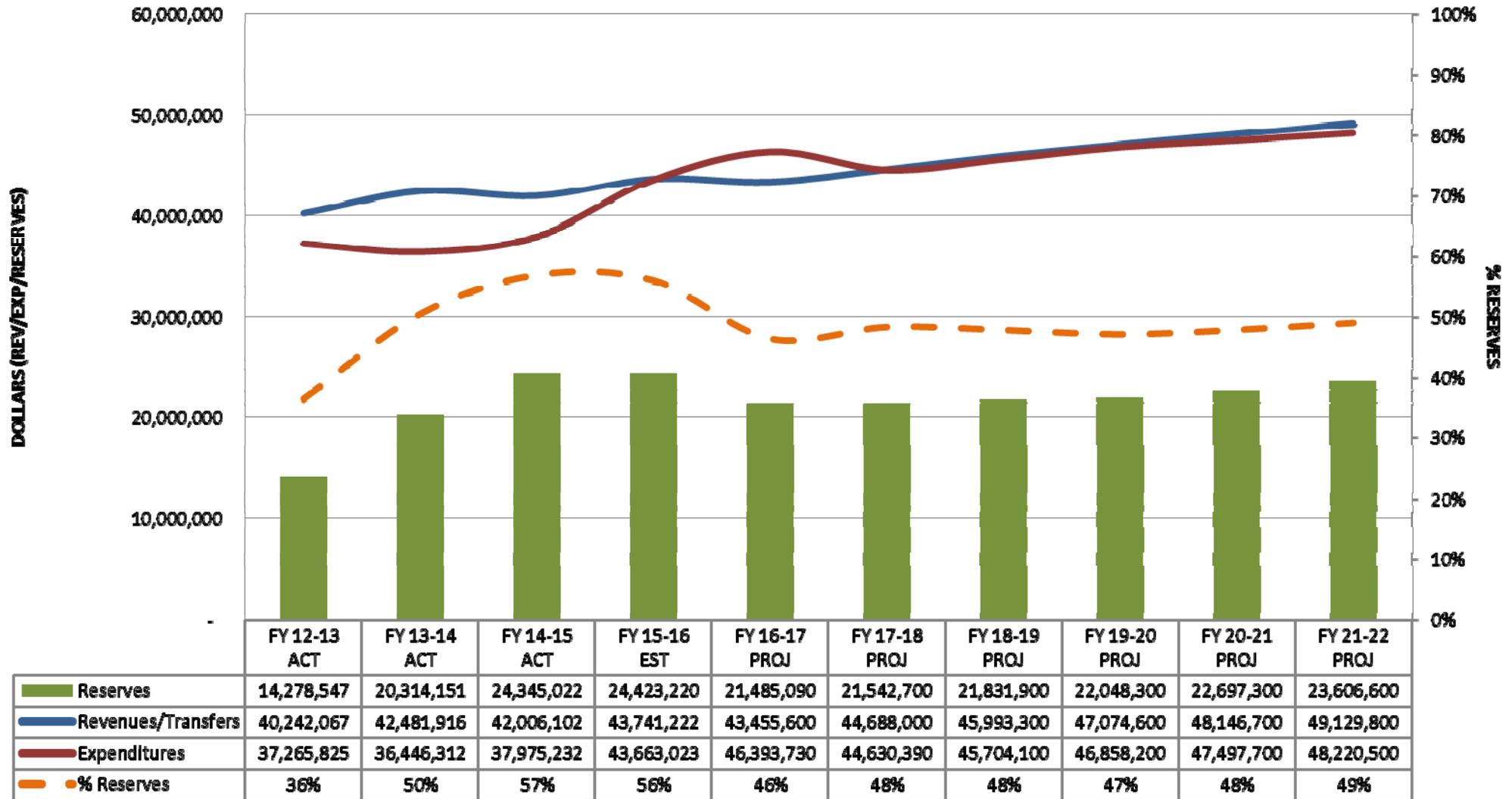
Final Budget Fiscal Year 2015-2016



Sources and Uses – General Fund, continued.
 Final Budget for Fiscal Year 2016-2017



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



Future Financial Challenges

Dissolution of Redevelopment

On December 29, 2011, the California Supreme Court upheld AB1X26, which effectively dissolved redevelopment, including the La Mesa Community Redevelopment Agency, throughout the State. As a result of the dissolution, the General Fund no longer receives payments for loans between the Agency and the General Fund, an estimated ongoing \$1 million loss to the General Fund. In addition, the State Controller has disallowed transfers made between the Agency and the City while the legislation was working its way through the courts. The State Controller issued their findings and ordered the return of approximately \$2.4 million in previously transferred funds. Funds for this one-time expenditure are included in the Fiscal Year 2016-2017 budget. The City continues to work through the dissolution process and minimize the impact on the General Fund by reducing salary and operating expenditures wherever possible.

PERS Employer Contribution Rates/Unfunded Liability

The historic investment losses experienced in 2008-2009 resulted in increases in both employer contribution rates and unfunded liabilities. Compounding these losses are the implementation of basic assumption changes and amortization policies. Offsetting these pressures is the passage of the Public Employee Pension Reform Act of 2012 (PEPRA) which enacted significant changes to new employee retirement benefits. Adding to the Unfunded Liability issue will be the eventual implementation of GASB 68 and the elimination of the Actuarial Valuation of the Unfunded Liability. To help counter these actions, the City established a Section 115 Retirement Trust Fund that will be used to offset the costs of future retirement increases and unfunded liabilities. A \$600,000 contribution is included in the Fiscal Year 2016-2017 budget.

Long-term City Facilities Repair and Replacement

The 2015-2017 Budget includes minimal General Fund contributions from Proposition L Sales Tax revenues to the Capital Improvement Program to help fund the repair and replacement of City facilities such as athletic fields, parks, and city buildings. The recent years of deferred maintenance, however, have created a need far exceeding this contribution. Until ongoing property tax and sales tax revenues improve significantly, CIP reserves will continue to be dependent on funding sources other than the General Fund. At the recent Council Workshop, the Council directed staff to proceed with a feasibility study.