

City Manager's Budget Message



EXECUTIVE OVERVIEW

Fiscal Summary

Roseville's fiscal position has improved since the recession. However, the City is not immune from slowing revenue growth and increasing expenses faced by cities throughout California. Deferred maintenance, along with increasing operational and retirement costs, have added pressure on our ability to maintain current service levels with projected revenue streams.

The City was able to maintain service levels during the recession by deferring millions of dollars' worth of capital improvements and maintenance, borrowing from reserves, and lowering payments to key funds such as workers' compensation and retiree health. As the economy recovered, the Council adopted policies to ensure that future revenues are allocated to move towards fully funding these obligations.

As was the case with the fiscal year (FY) 2017-18 General Fund budget and in accordance with Council policy adopted in FY2016-17, the FY2018-19 General Fund budget matches budgeted expenses with projected revenues without the use of reserve funds.

The City is balancing the impact of slowing revenue growth while still paying a fair wage for our labor market and making

sure we have a workforce we can afford. Being a service-based operation, the City's largest General Fund expense is labor. We've conducted performance audits to ensure our staffing levels are appropriate. The studies confirmed we're staffed below requirements for the service levels at which we operate. We've been able to temporarily overcome the staffing shortage due to efficiencies gained by having long-term, seasoned staff in place, but many of those employees are retiring.

It's important to note that over the past 10 years, the population of Roseville increased 28 percent from 109,154 in FY2007-08 to a projected 139,200 in FY2018-19, necessitating an expansion of services. Yet at the same time, General Fund staffing decreased from 778 full-time equivalent (FTE) employees to 698, a 30 percent reduction per capita in staffing over the same period. The City has been doing more with less over time, which is why departmental performance audits specify that in order to maintain or expand current service levels, additional staff is needed. At the same time, the City and its labor groups have partnered to slow payroll growth, reduce retirement benefits, and reduce salaries.

All the while, a constantly changing statewide legislative and regulatory environment continues to add unfunded mandates and significant costs to the City's operations, such as public-safety realignment, open space management, and the State

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moving responsibility for stormwater management from the State to local government, all adding millions in expenses to the City's General Fund.

Because expenses are growing at an increasing rate, reductions in some service levels were required to achieve a balanced General Fund budget. These reductions included significantly limiting public hours and programs at the Maidu Indian Museum and Historic Site; cutting vacant positions for recreation, streets, and fire education; and further reducing open space maintenance including goat grazing for thatch-control management.

Although the City's General Fund budget is balanced for FY2018-19, it does not address all of our long-term liabilities such as facility maintenance, pensions, and retiree health costs. Deferred maintenance of the City's parks, playgrounds, libraries, recreation centers, pools, and other facilities has been significantly underfunded since the Great Recession. If the City were to fully fund its long-term liabilities including its deferred maintenance, the General Fund budget would be upside down by almost \$14 million per year. As a result of slowing revenue growth, we're continuing to look for ways to close this gap, including reducing expenses, bringing in additional revenues, and changing service levels.

In anticipation of additional service cuts, at its February 2017 annual goals workshop, Council directed staff to initiate a process to get community input on service priorities. The goal was to find ways to balance the City's obligations to maintain fiscal stability while continuing to provide high-quality essential services and address its long-term liabilities. To this end, the Council approved the nine-month EngageRoseville effort at its meeting on April 19, 2017, as described below.

- **EngageRoseville: A Community Conversation about Priorities** - Extensive community participation will help ensure the City has a clear understanding of community priorities, the community has a clear understanding of fiscal constraints and opportunities, and recommendations can be developed to align resources accordingly.

The City raised awareness of EngageRoseville in a variety of ways: through a flyer mailed to every residence in Roseville, e-newsletters, specially-produced podcasts and videos, digital billboard, postcards and flyers at public counters and community events, and live-streaming of Community Priorities Advisory Committee (CPAC) meetings on YouTube with re-broadcast on COR-TV.

Educational tools also included a series of specially-produced podcasts and videos focusing on each department and the City's overall budget situation, including context about consumer trends and rising costs.

To gather community input, the City offered opportunities for online and in-person participation to everyone in Roseville:

- o Council approved formation of the CPAC to ensure direct and meaningful community participation in reviewing levels of City-provided services. The 20-member committee met twice monthly for nine months to develop its recommendations and value statements.
- o Six online FlashVote polls, sent to more than 1,400 registered users with about 500-600 people responding, gave participants a quick and easy way to rank their service priorities, provide comments, and see the results immediately when the poll closed.
- o Balancing Act offered an online gamification of budget choices. More than 1,000 people got an in-depth look at services, consequences of reduced funding, and an opportunity to rank priorities throughout the city, instead of just within departments. More than 320 users closed a hypothetical \$2 million General Fund budget gap and submitted their ideas to the City.
- o An in-person Community Conversation open to residents 18 and older on February 26, 2018, welcomed 120 participants. It featured presentations from the heads of the three largest General Fund departments; small-group, roundtable discussions facilitated by staff; and smartphone polling with real-time results. Participants asked questions, ranked priorities, and provided comments.
- o A phone number and a dedicated email address were created to receive additional input.

Staff from FlashVote, Balancing Act, and the Sacramento-based Institute for Local Government, all commended Roseville for its high rates of community participation in person and online.

Community input resulted in the following common themes that were considered in building this year's budget:

- o Seek to reduce rather than eliminate services.
- o Prioritize efficient public safety as the cornerstone of City services.
- o Maintain Roseville's competitive edge in the region with desirable neighborhoods (schools, parks, open spaces) and a business-friendly environment.

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- o Maximize flexibility in staffing levels.
- o Generally, avoid subsidizing services the private sector can provide.
- o Seek opportunities for increased cost recovery for all City services, where applicable and appropriate.
- o Utilize technology and automation where possible to increase efficiencies and reduce costs.
- o Recruit, train, and deploy volunteers where appropriate.
- o Pursue fund stabilization/revenue enhancement strategies to preserve Roseville's quality of life.

online purchases results in an annual loss of \$3-4 million (and growing) to Roseville. And because California does not tax services, the City receives no revenue when people purchase services (such as a lawn service), instead of goods (such as a lawn mower).

City of Roseville - General Fund Three-Year Operating Revenue (in millions)			
	Actual FY2016-17	Amended FY2017-18	Proposed FY2018-19
Sales Tax	\$ 52.7	\$ 54.7	\$ 56.9
Property Tax	\$ 40.4	\$ 43.1	\$ 44.7
Subtotal	\$ 93.1	\$ 97.8	\$101.6
Other Operating Revenue	\$ 51.9	\$ 37.0	\$ 37.4
Total	\$145.0	\$134.8	\$139.0

Key Operational Focus Areas

The FY2018-19 budget addresses a range of operational needs with a specific focus on the following:

- **Maintaining emergency response**—Maintaining adequately staffed and trained emergency response services, including neighborhood patrols, crime-prevention programs, and emergency personnel, are vital to protecting Roseville's quality of life and maintaining rapid emergency and medical response times.
- **Evaluate fire staffing response model**—As recommended by the EngageRoseville process in an effort to reduce overtime costs.
- **Maintaining streets, roads, and public facilities**—Well-maintained streets, roads, parks and recreation centers help protect property values and maintain Roseville's quality of life. It is fiscally responsible to maintain our streets, roads, and public facilities now, so they don't deteriorate and become more costly to fix in the future.
- **Strengthening the economy and increasing jobs**—Programs that retain, attract, and help expand businesses in Roseville are important to creating jobs—essential to a vibrant economy.

City of Roseville - General Fund Three-Year Operating Expenses (in millions)			
	Actual FY2016-17	Forecast FY2017-18	Proposed FY2018-19
Operating Expenditures	\$139.4	\$133.0	\$138.4

The decrease in Other Operating Revenue and in Operating Expenditures from FY2016-17 to FY2017-18 in the above tables is due to a change in accounting for reimbursements from other funds for services such as finance, human resources and legal services. These indirect cost reimbursements, from the enterprise and other City funds to the General Fund, were previously reflected as revenue and now are reflected as expenditure reductions pursuant to generally accepted accounting principles.

Utility franchise fees from electric, natural gas, and cable companies comprise six percent of General Fund revenues. The remaining 22 percent of revenues comes from development-related fees, permits, recreation programs, business license fees, hotel/motel tax, grants, etc.

After forecasting the City's revenue, the City must account for continued pressures on the expense side which include the increasing costs of salaries, benefits, CalPERS retirement costs, retiree health costs, and state minimum wage increases affecting the City's contracts with suppliers.

Fiscal Trends

Projected FY2018-19 sales tax revenues of \$56.9 million and projected total property tax revenues of \$44.7 million account for 73 percent of the City's FY2018-19 General Fund revenue. Sales tax in FY2018-19 is expected to increase by 4.2 percent (or approximately \$2.3 million) compared to the FY2017-18 projections. Sales tax revenue is projected to grow at a reduced rate as compared to the past several years. This is partly due to increased internet commerce combined with the transition to a service economy. Sales tax distribution from

The FY2018-19 budget includes recommendations for a net decrease of 1.5 FTE General Fund positions. Three General Fund positions were eliminated to partially address the City's structural imbalance: the Central Services Department director, an executive assistant in the City Manager's Office, and an interpretive services supervisor. New General Fund positions recommended to address service level demands, totaling 1.5 FTE, include a parks maintenance worker and a half-time dispatcher.

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The budget also recommends two new positions in the Electric Fund and one new position shared by the Electric and Environmental Utilities departments. In the Facility Services Internal Service Fund (ISF), a building maintenance supervisor position was added and a senior custodian and building maintenance aide positions were eliminated. Citywide, there are a net 2.0 FTE positions recommended to be eliminated when all new positions, reclassifications, and transfers are taken into account. The table below summarizes the position changes.

Economic Indicators

While economic development helps maintain Roseville's competitiveness in the marketplace, it won't solve the City's budget issues. Nonetheless, looking at key economic indicators, including the labor market and residential, retail, and commercial sectors, Roseville's economy is strong. At the close of FY2017-18, residential permits for single-family homes are expected to keep pace with the prior year. In FY2018-19, the volume of permits for single-family homes is expected to remain similar to this past fiscal year. Using a conservative estimate, the budget has been structured on the future issuance of 900 single family residential building permits being issued.

A total of \$110 million in commercial investment (\$60 million in new commercial building construction valuation and \$50 million in commercial tenant improvements) will close out FY2017-18. And the City conservatively estimates roughly the same—\$100 million—in total commercial construction and tenant improvements for FY2018-19, indicating a continuation of investment in Roseville's commercial sector.

This past year, work was started on many new, large, long-term projects. These include a five-story, 275,000-square-foot corporate-office complex for Adventist Health; 220,000

square feet of new medical-office buildings and a two-level parking structure for Kaiser Permanente's Riverside campus; a new medical-supply distribution facility for McKesson's new Roseville location; 232 apartment units under construction for Campus Oaks Apartments; an additional 100,000 square feet for Sutter Hospital; two new hotels under construction adjacent to Top Golf; a new athletic-club facility by Villa Sport; and the start of grading at the Sierra Vista Specific Plan site. In Roseville's downtown, construction was completed in spring 2018 on a new parking garage at Washington and Oak streets and a new Fire Station 1 facility; and a 58-unit, mixed-use project by Mercy Housing on Vernon Street is underway.

Space is at a premium across all sectors of Roseville's commercial property, according to the City's Economic Development Department. The office sector is at 95 percent occupancy. Industrial space is 97 percent filled and remains a premium in the city. Given the size of individual leases, the industrial occupancy rate can swing significantly with the lease of a single tenant.

As a regional shopping destination, Roseville draws shoppers from far beyond the city limits while also offering ideal consumer demographics in close proximity for a variety of retailers. Retail space showed a strong 95 percent occupancy, confirming Roseville as the region's retail powerhouse.

Roseville's job growth remains strong, with an unemployment rate at 3.5 percent.

Council Priorities

The Roseville City Council established multi-year priorities in 2012 and has added to them at annual goal-setting workshops in the years since.

Fund	Added FTEs	Eliminated FTEs	Net Change
General Fund	+1.0 Parks Maintenance Worker +0.5 Dispatcher	-1.0 Executive Assistant -1.0 Central Services Dept. Director -1.0 Interpretive Services Supervisor	-1.5 FTEs
Electric Fund	+1.0 Electrical Engineering Technician +1.0 Government Relations Administrator	No changes	+2.0 FTEs
Electric/EU Funds	+1.0 Business Systems Analyst	-1.5 Meter Readers -1.0 Meter Service Worker	-1.5 FTEs
Facilities ISF	+1.0 Building Maintenance Supervisor	-1.0 Senior Custodian -1.0 Building Maintenance Aide	-1.0 FTEs
Overall Change	+5.5 FTEs	-7.5 FTEs	-2.0 FTEs

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Following are the City Council's priorities for FY2018-19, which are supported in the budget:

- Public safety
- Fiscal responsibility
- Economic development
- Sound and stable utilities
- A great downtown
- Infrastructure
- Legislative advocacy
- Civic engagement
- Core neighborhoods
- Regional Engagement
- Culturally rich community

COUNCIL GOAL NO. 1: PUBLIC SAFETY

Maintaining adequately staffed and trained police and fire departments, including neighborhood patrols, crime-prevention programs, and emergency personnel, is vital to protecting Roseville's quality of life and maintaining rapid emergency and medical response times. This priority is reflected in the budget, where public safety expenditures represent 72.2 percent of total General Fund revenues from sales and property taxes—the primary source of funding for public safety.

Low Crime Rates and Community Policing

Roseville's 2017 total crime rate rose by just under one percent from 2016 levels, but is still far lower on a per-capita basis than it was 20 years ago. The City's violent crime rate remains one of the lowest in the Sacramento region. The City's rate of property crime runs higher than the state average due to active and thorough reporting by the community, our large retail sector, and our position as a more affluent community.

The Police Department is committed to the principles of community-oriented policing and actively uses partnerships and problem-solving techniques to proactively address the immediate conditions that give rise to public safety issues such as crime, social disorder, and fear of crime. Rather than simply responding to crimes once they have been committed, community policing concentrates on preventing crime and eliminating the atmosphere of fear it creates. Earning the trust of the community and asking residents and businesses to be stakeholders in their own safety enables law enforcement to better understand and address both the needs of the community and the factors that contribute to crime.

In addition to patrol, the department's services include: answering all 911 calls; dispatching for police, fire, and emergency medical calls; criminal investigations; crime suppression; traffic enforcement; animal control; police records; and social services. The Social Services unit consists of a Police Sergeant, three School Resource Officers in the schools, and two Problem Oriented Policing (POP) Officers. The unit is led by a professional staff manager who is a licensed clinician and works to insure our residents' access to social services through collaborations with the County such as mobile mental-health crisis teams and other community service providers. It also has an embedded Placer County Probation Officer who works exclusively with a caseload comprising homeless individuals currently on probation. To provide for our large youth population the department participates in a variety of efforts to support, strengthen and, when necessary, intervene with our youth: the Roseville Police Activities League, a young driver program with the California Highway Patrol, on-site substance-abuse meetings for teens and their parents, and an accredited series of parenting classes led by department staff.

Policing in a Changing Environment

The Police Department is working to maintain its authorized staffing levels through targeted recruiting and efficient hiring programs. It's striving to hire the best entry-level and experienced new employees, in both the sworn officer and professional staff ranks. The department strives to maintain high standards and quality service by actively recruiting diversity and carefully selecting qualified candidates. Once selected, the agency trains and equips them well and provides the best possible continuing professional development for all employees.

The state's criminal justice system continues to work to reduce incarceration rates in favor of community-based supervision of offenders. The Police Department has met these changes by modifying our strategies as well. Our crime suppression team has a full-time Placer County Probation Officer working in the unit, assisting in the monitoring of career criminals and gang members, at no city expense.

In addition the Police Department has become the host office for three additional Placer County Probation Officers and their supervisor who monitor all Placer probationers residing in Roseville. These local probationers also come to our police department for their required supervision meetings and substance-abuse testing. This partnership assists in better community supervision of offenders and real time communication of probation violators or those likely to re-offend.

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This past year saw an increase in expenses related to public protests and jail fees as well. The Roseville Police Department intends to adapt to the changing criminal justice environment and the needs of our community. To do that effectively, it will continue to build on its strong partnerships with other City departments, law enforcement agencies, social service agencies, community organizations, and the business community.

Building Trust in Our Community

The Police Department hosts community events throughout the year, and representatives regularly attend neighborhood association meetings and other community events. Another way the department strives to build trust is through accountability and transparency. The department maintains a Professional Standards Unit that regularly updates policies, conducts internal audits of critical procedures, oversees professional standards, training standards, and investigates citizen complaints and other matters of concern. The department responds to inquiries from the public in a timely manner, and endeavors to provide as much information as circumstances and the law allow. The department strives to maintain an organizational culture that values public trust, inclusion, professional competence, and service. While the Police Department enjoys a high level of community support, it will never take that trust for granted. To increase community safety and increase trust, the department plans to offer additional training to police officers in crisis intervention and de-escalation methods, procedural justice, and recognizing implicit bias.

Fire Response Times and Service Levels

Fire stations are located throughout the community in order to strategically place resources within an acceptable response time. While response time is one of the most important measurements of fire department performance, currently, our per capita cost for fire services is the highest in the region. To improve efficiency and reduce costs, this budget includes funding to evaluate service delivery models as recommended by the Community Priorities Advisory Committee in the EngageRoseville process.

The population and geography of Roseville continue to grow, which have affected response times within our districts. To maintain acceptable response times, we must eventually build capacity within our budget to fund construction of a new fire station and the estimated \$3 million annual cost if it is staffed according to the current model. However, due to a change in community demand for service from fire calls to medical calls, it may negate the need for a full-service fire station.

Additionally, with continued development, the number of required annual inspections has increased and additional staff members will be needed in the future.

The City of Roseville maintains a strong working relationship with the Union Pacific Railroad. Both organizations work closely and communicate regularly on issues such as emergency management, hazardous materials response and training.

Fire Staffing

While vacancies from retirements were an issue last fiscal year, the Fire Department is now fully staffed. The department continues to look to the future and succession planning for key leadership roles within the organization, ensuring that experienced and capable employees are prepared to assume these roles. This budget includes operational changes to reduce overtime that the City wasn't able to implement last fiscal year.

Relocation of Fire Station 1

Crews moved into the newly-constructed and modern Fire Station 1 in May of 2018. The station now provides a dedicated HazMat storage area and ongoing maintenance costs are projected to be lower in this new facility.

Evolving Fire Service Model

The frequency and scope of emergency response from the Roseville Fire Department has expanded over time. The department responds as an all-hazards response agency to meet the routine and catastrophic needs of our community including medical calls, fires, technical rescue, hazardous materials, major causality incidents, and other types of emergency calls. With the majority of these incidents being medical emergencies, the City will begin working to identify new service-delivery models to maximize efficiencies and live within budgetary constraints. The department will be studying the effectiveness of the number and type of units sent on responses to provide a comprehensive analysis of its service-delivery models. The goal of this effort is to continue to provide the Fire Department's current high level of safety and customer service while reducing costs with minimal efficiency impacts.

Additional Fire Revenue Sources

The department continues to explore new revenue streams, including maximizing use of the Fire Training Center. In addition, American Medical Response (AMR) provides ambulance services under a county contract that expires in two years, at which time the City will work with Placer County to ensure we recover our costs.

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COUNCIL GOAL NO. 2: FISCAL RESPONSIBILITY

The adoption of the FY2018-19 budget marks the fourth year since the City implemented a strategy to balance General Fund operational expenses with operational revenues without the use of one-time funds. This strategy has now become institutionalized into the budget philosophy and has helped contribute to the financial stability of the City. As in previous years, this balancing of resources involves compromises when funding competing priorities. The FY2018-19 proposed General Fund budget addresses many of these priorities; and although it is balanced, it does not fully fund all of the City's obligations. This is a goal towards which the City has made progress the past three years, however, long-term obligations are still not completely funded.

With cost pressures continuing to rise and revenue increases continuing to slow, the priority in this year's budget was once again to pay our mandatory obligations first, such as existing contracts, PERS costs, debt, and salaries, and then to prioritize services with remaining resources.

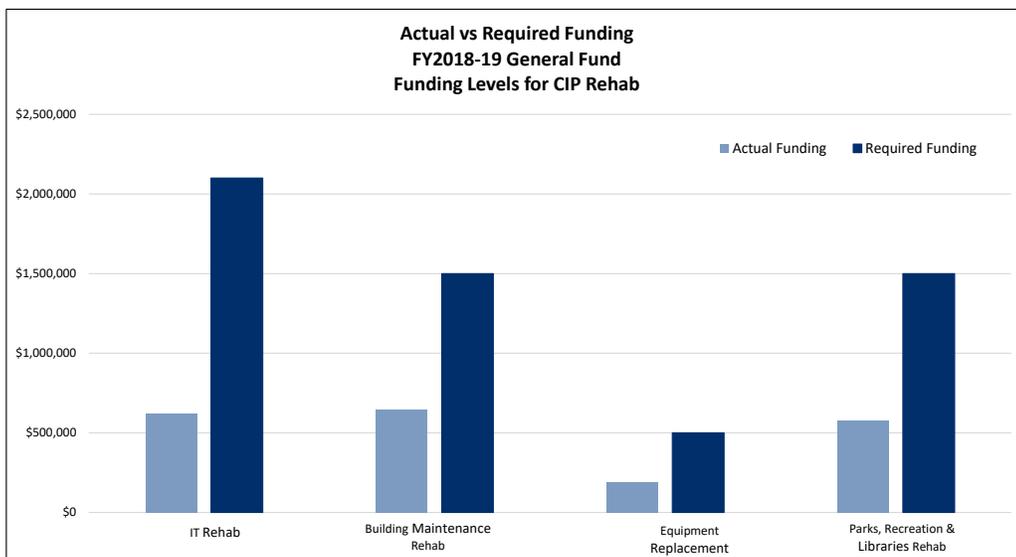
In an effort to balance the budget during the recession, several categories of operating expenses were underfunded. As the economy has improved, City Council has made significant progress towards reversing this trend and attaining long-term fiscal soundness. As a result, the City has successfully implemented several long-term solutions. Among these solutions is the policy to fully fund the Workers' Compensation Internal Service Fund (ISF), the Vehicle Replacement ISF, the General Liability ISF, and the Litigation Reserve Fund. The City Council has also implemented policies to annually increase funding for Other Post-Employment Benefits (OPEB) and the General Fund Capital Improvement Plan Rehabilitation program until they are fully funded.

In addition to these three internal service funds, the City created three new ISFs in FY2017-18 to more accurately report the true costs of our operating functions. These new ISFs are for information technology (IT) services, building maintenance services, and general equipment replacement. As with the other ISFs, these services are now included as a line item expense for each department instead of being treated as separate IT and Central Services departments. The total budgeted costs for Police; Fire; Parks, Recreation & Libraries; and all other departments now include their share of these service costs and, as a result, their budgeted spending levels appear to be higher. In reality, the overall General Fund spending level has not changed as a result of these new ISFs.

Budget Challenges Facing the City

The following information outlines some of the challenges we are still facing and is followed with a discussion identifying what the City is doing to address them.

- **Capital Improvement Plan and Rehabilitation of Assets**—Costs for infrastructure maintenance and replacement is increasing in all areas— from building maintenance to technology to capital improvements and rehabilitation. The 10-year capital improvement plan has identified approximately \$56 million of underfunded needs or about \$5.6 million per year. For several years the General Fund had been funding about \$1 million per year when the actual funding level should have been closer to \$5 million. This has resulted in deferred maintenance throughout the City. The adopted FY2017-18 budget funded \$1.5 million of deferred maintenance, plus an additional \$4 million of FY2016-17 year-end budget savings was later invested into high-priority deferred maintenance and equipment replacement, such as two new Jaws of Life for the Fire Department. The proposed FY2018-19 budget will fund \$2 million of General Fund revenue towards this program, and



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defer \$3.6 million to future years. The chart below shows the required versus actual funding level of the various CIP accounts being proposed for the FY2018-19 budget.

- **Streets and Roadways**—Funding challenges for roadway infrastructure have caused the City to fall behind on its maintenance schedule for streets. The passing of SB1 by the State Legislature in April 2017 is enhancing our ability to maintain our roadways but doesn't completely close the gap. Prior to SB1, roadway maintenance was \$50 million underfunded. SB1 closed about half of the funding gap bringing the maintenance funding deficit down to about \$25 million. The gas tax is the primary funding source for streets and roadways. Gas tax rates, accrued on a per-gallon basis, were developed without an adjustment for inflation, minimizing their purchasing power with every year that passes. Gas tax revenues have also fallen due to more fuel-efficient and electric vehicles being on the road. The City has identified an average annual ongoing need of \$9-10 million per year. The City annually funds \$6.5 to \$7.5 million per year from Gas Tax, Local Transportation, Utility Impact Reimbursement, SB1, and Federal Regional Surface Transportation program funds, leaving a shortfall of \$2.5 million per year, or \$25 million over the next 10 years.

The FY2017-18 budget included \$11.3 million for roadway maintenance which addresses the reconstruction of two miles of roadway, resurfacing 1.5 miles of arterial roadway, and upgrading 100 pedestrian access ramps around the city. For FY2018-19, the City is budgeting \$10.7 million for 13 miles of roadway resurfacing and the replacement of one mile of old storm drain pipe. It should be noted that the funding levels for both FY2017-18 and FY2018-19 are an anomaly and have unusually high dollar amounts due to several one-time funding sources, as well as a consolidation of multiple years of gas tax revenue. These anomalies are described below:

- o FY2018-19 storm-drain work has been planned for several years and will be funded by gas tax revenue prudently accumulated by the City in the storm-drain account for storm-drain repair/upgrades.
- o The City obtained a Federal Congestion Mitigation and Air Quality (CMAQ) grant to help fund handicap-ramp improvements.
- o Several projects, including the Roller-Compacted Concrete Pilot Project, are being funded from a one-time contribution from the Local Transportation Fund.
- o Due to the inability of some California jurisdictions to deliver their projects on time, the State offered the

City Federal Regional Surface Transportation program funds if we could quickly spend it on resurfacing this coming year.

Funding for FY2019-20 and beyond is expected to return to the normal \$6.5-7.5 million level.

- **Citywide Parks**—Roseville has an extensive and beautiful park system, and the community is highly motivated to maintain the high standards to which it has become accustomed. However, funding these standards has a cost that is no longer affordable.

Park funding can be grouped into two categories: building a park and maintaining a park. In many instances, parks are built by developers and maintained by community fees. However, citywide parks do not fall in this category, resulting in all maintenance costs being borne by the General Fund.

We are taking a pause on construction of citywide parks, including additional phases of existing parks, due to concerns regarding additional maintenance costs to an already-stressed General Fund. As potential viable maintenance funding alternatives are identified, it could allow us to proceed with construction projects for Crabb and Central parks; however, each park will likely require additional phases to complete the projects due to escalating construction costs in the area. While delays are not ideal, it provides time to engage the community in dialogue about balancing desired service levels and project priorities with corresponding revenues.

- **Labor Costs**—Since municipal government is primarily a service provider, as opposed to a manufacturer, a significant portion of the City's budget is related to salary and benefit costs. As a result, any cost increases for labor have a significant impact on budgeted expenses. The City Council's policy direction is intended to provide long-term fiscal stability related to labor costs by ensuring consistency among labor groups within our workforce and developing strategies to contain costs. In partnership with our labor groups, we have taken proactive steps over the past few years, which included:
 - o **Controlling pension costs by transferring the responsibility to employees to fund 100 percent of the employees' share of pension costs:** This has significantly reduced pressure on the City's budget.
 - o **Capping liability for retiree-health benefits:** A defined-contribution plan is offered to new employees instead of the defined-benefit plan for

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existing employees. The City begins contributing to the defined-contribution plan after a new employee reaches five years of employment. This means that employees, along with the City, contribute to saving for their retiree-medical benefits and that the City's cost associated with the defined-benefit plan will eventually be significantly reduced.

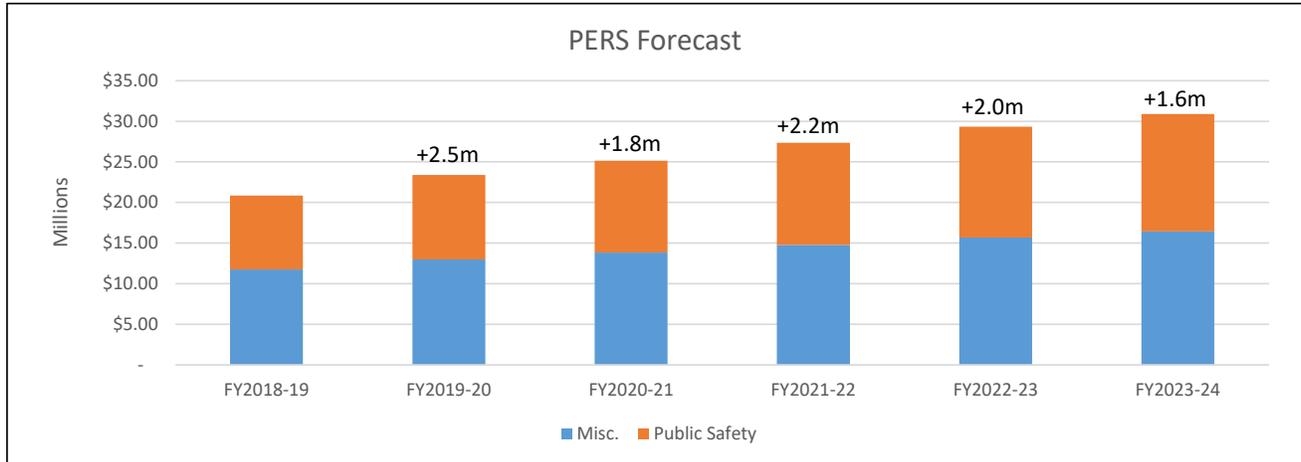
- o **Setting salary-level targets at median levels in labor-market comparison:** Salary schedules for new employees have been reduced up to 21 percent to reflect the new goal of paying median salaries in the labor market.
- o **Reducing the rate of annual merit-based increases within each salary range:** The previous pay scales allowed for 5 percent increases between each step in a salary range. Now, new employees are eligible for increases no greater than 2.5 percent between each step in the range. This extends the time it takes to reach the highest level in the pay range, which can now be up to 15 years, slowing the growth rate of this expense.
- **Retiree Health or "Other Post-Employment Benefits (OPEB)"**—Costs for those employees who will receive retiree health benefits are continuing to grow as healthcare premiums and Medicare costs increase. As discussed later, the City eliminated this benefit for employees hired after 2013. However the latest available actuarial report as of June 30, 2017, for those employees who receive this benefit, shows a total Actuarial Accrued Liability (AAL) of \$215 million. Taking into account the OPEB trust fund balance of \$71 million invested to fund this liability, the City has a citywide total unfunded liability of \$144 million. The General Fund portion of the unfunded liability is approximately \$95 million. The proposed FY2018-19 budget will fund \$13.8 million toward this liability. The City has taken a two-fold approach to ensuring long-term fiscal stability related to these retiree health costs by creating policies to appropriately fund current obligations and limit future liabilities.
 - o **Funding current obligations**—To provide long-term sustainability for retiree medical expenses, the City created an OPEB trust in February 2011 with an initial contribution of \$34 million. Since that time, the City has been committed to funding this obligation by directing a certain percentage of annual salary costs to the fund. That percentage had been about three percent of total salary for the General Fund for several years. Since the current required payment to meet a fully funded status is approximately 8 percent of

salary, a new policy has been put in place to increase the funding of this obligation each year. It should be noted that the utilities have been funding 100 percent of their obligation. Beginning in FY2016-17, the Council-adopted policy directs the annual General Fund payment to the trust to increase by one percent of salary each year until the annual funding level is equal to the actuarially determined contribution. The trust has performed well in the equity markets, and when combined with the increased contributions, had a fund balance of \$71 million as of June 30, 2017.

- o **Limiting future liabilities**—As mentioned earlier, over the past year, the City has negotiated new contracts with its bargaining units, with the goal of capping unfunded liabilities and slowing payroll growth. As a result, the retiree health benefit was practically eliminated in 2012 for new "Tier 3" employees. These new employees are required to contribute into a Retirement Health Savings account, with a City contribution after five years of employment, which can be used for future medical, dental, and vision expenses after retirement. These health care expenses will now be funded by the retiree as opposed to the City.
- **Pension or "PERS" Costs**—Costs for the employee pension plan are related to the:
 - o Particular retirement plans the City participates in
 - o Annual contribution made by the City and the employees
 - o Returns experienced in the stock market

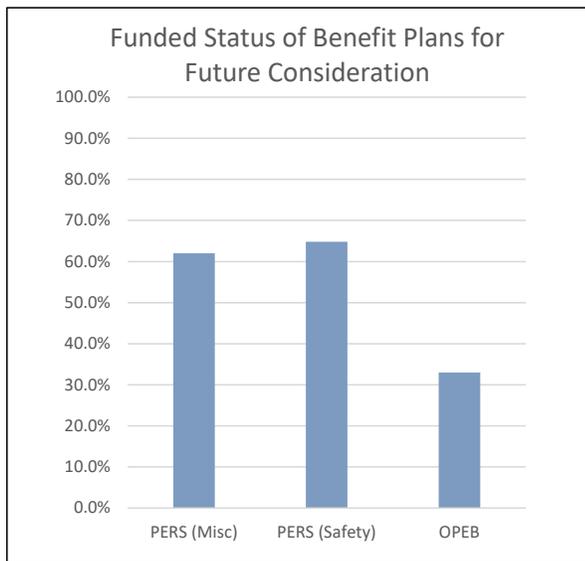
The latest actuarial report identifies a \$221 million unfunded liability for "miscellaneous" (non-public safety) employees and a \$102 million unfunded liability for public safety employees for a total of \$323 million. The annual payment to PERS for pension costs is calculated by PERS and sent to its member agencies. As has been the case in previous years, the FY2018-19 proposed budget will fully fund the payment due to PERS for the fiscal year. Looking forward, in order to reduce, and ultimately eliminate, the unfunded liabilities that cities currently have, PERS has developed an accelerated payment plan that is expected to eliminate the unfunded liability in approximately 25 years. The actions taken by PERS to correct the unfunded liability will result in cities being required to fund higher annual costs as PERS recalculates the requirements each year. As an example, the increased cost for the City of Roseville for FY2018-19 totals \$1.9 million, which includes

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\$1.1 million for the General Fund. The following chart shows the City's expected future payments increasing based on CalPERS projections.

The following chart shows the actuarial funded status of the City's retirement benefit plans.



- **Other Outside Influences on Labor Costs**—Proactive management of expenses continues to play a key role, especially for labor costs. Although the City has some control over salary costs, several components are outside its control, including the following:
 - o Increases in the mandated minimum wage that will add salary and benefit expenses to our compensation costs, as well as those of our vendors (which will be passed on to the City), and
 - o The future of the Affordable Care Act, which affects healthcare expenses for temporary employees.

While difficult to forecast at this time, the FY2018-19 proposed budget will fund the expected impact of these cost increases for the fiscal year. These forecasts will be refined as the full impact is realized.

Actions Taken Toward Fiscal Responsibility During FY2017-18

- **Capital Improvement Plan and Rehabilitation of Assets**—During FY2016-17, City staff completed a project to overhaul the process by which it identifies and funds the ongoing replacement of assets. This project was implemented in FY2017-18.
 - o This effort created an accounting system that fully accounts for all assets that the City is required to replace in future years, including when and how much they will cost. These costs are now incorporated into the operating budgets for all appropriate departments. This effort has resulted in a number of important improvements to the current system:
 - o Creation of a centralized database of all assets including life span and cost,
 - o Development of a replacement-funding mechanism for all assets,
 - o An accurate picture of the full cost of running each department,
 - o Reduction or elimination of the need for one-time exaggerated bumps in the budget, making future budgets smoother, and
 - o Reduction or elimination of last-minute scrambling for funds.

The City Council adopted a policy during the 2017-18 fiscal year to increase the General Fund investment in the rehabilitation and replacement of assets by \$500,000 per year until the program is fully funded.

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- Internal Service Funds**—The City has successfully used the concept of an ISF for certain citywide expenses. The calculation and tracking of these expenses is performed in a centralized manner, in which the identification and funding of the costs are clearly presented. These costs are funded, via the operating budget, by the department that actually incurs the expense. The City created three new ISFs in FY2017-18 to more accurately report the true costs of our operating functions. These new ISFs are in the areas of information technology, building maintenance and general equipment replacement. As with the other ISFs, these services are now included as a line item expense, and paid directly by our operating departments instead of being treated as separate IT and Central Services departments. The total budgeted costs for Police; Fire; Parks, Recreation & Libraries; and all other departments now include their share of these service costs.

This ISF model provides opportunities to improve efficiency and to expand funding sources. In effect, it requires the departments to manage these costs and require them to thoughtfully decide if the impact of an expense increase can be absorbed in their budget. These new, more accurate budget models generate a comprehensive picture of what it costs to operate each department. For example, instead of funding all IT needs from a centralized fund that is not owned or funded by any operating department, an IT expense line will exist in each department’s budget.

- Cost-Recovery Fee Strategy**—The collection of fees reimburses the City for expenses requested by a single party, as compared to the public at large. Fairly allocating service costs creates value and predictability for our customers. Fees are created to ensure equity: Those who benefit from the service should pay for the service. During FY2017-18, staff updated, and City Council approved on May 16, 2018, the City’s comprehensive book of all fees charged for services. This comprehensive inventory of the City’s fees includes the total cost of providing each service as well as the current cost-recovery level.

Based on current projections, these user fees are expected to generate an additional \$175,000 in FY2018-19 to help recover the costs to provide services that are currently being subsidized by the General Fund.

- Increased Level of Emergency Reserves**—In accordance with current City Council policy, the City maintains a reserve level of 10 percent of the General Fund’s total estimated operating costs. Potentially increasing the emergency reserve level to three months’ worth, or 25

percent, of total expenditure would strengthen the City’s ability to weather economic downturns and also allow the City to achieve the lowest cost of borrowing. Finance staff has identified this as a long term goal. Although it is not feasible to accomplish this in the near term, redistributing excess funds each year from the prior year’s budget will help build these reserves. Currently, the City’s General Obligation Bond rating stands at AA+ from Standard & Poor’s; and increasing the reserves can help the City achieve the next (and highest) rating possible of AAA, thereby lowering the City’s borrowing costs.

COUNCIL GOAL NO. 3: ECONOMIC DEVELOPMENT

Programs that retain, attract, and help expand businesses in Roseville are important to creating jobs and a vibrant local economy. Roseville is a community of regional significance and it is important for sustainability to understand how our economy interacts geographically. Roseville is part of a County and collectively part of a region (the Sacramento Roseville Arden Arcade Metropolitan Statistical Area (MSA) and mega region (greater Sacramento/placer area)). Roseville’s corporate boundaries are often unrecognizable by our residents and businesses. Economic Development regularly monitors key economic indicators to gauge how the City of Roseville is performing. The following discussion provides a comparison of a few of the economic indicators that we monitor between the City of Roseville with the City of Sacramento and the State of California.

- Population and Educational Attainment**—The population in the City of Roseville is outpacing that of the City of Sacramento and the State of California. Roseville has grown by 6.55 percent between the years of 2012-2016. Between 2015-2016 Roseville’s population grew by 1.84 percent, as compared to the City of Sacramento’s growth of 0.91 percent and California’s of 0.27 percent.

Total Population by Geography and Year			
	City of Roseville	City of Sacramento	State of California
2012	124,525	475,524	38,041,430
2013	127,039	479,671	38,332,521
2014	128,593	485,193	38,802,500
2015	130,282	490,715	39,144,818
2016	132,683	495,200	39,250,017

SOURCE: American Community Survey 2016, 1-year estimates

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In 2016, a larger percentage of the 25 years or older population in the City of Roseville has Bachelor's degrees than the City of Sacramento and the State of California. Specifically, Roseville's educational attainment for Bachelors is approximately 27 percent as compared to the City of Sacramento and State at approximately 20 percent.

Education Attainment - Higher Education (2016)			
	City of Roseville	City of Sacramento	State of California
Some College (no Degree)	26.28%	22.01%	21.30%
Bachelor's Degree	26.92%	19.97%	20.63%
Graduate or Professional Degree	12.77%	11.06%	12.30%

SOURCE: American Community Survey 2016, 1-year estimates

- Household Income and Home Ownership** —Roseville's household income is approximately 30 percent higher than in the City of Sacramento and within the State of California. Roseville's household income is nearly \$25,000 more than the City of Sacramento and \$15,000 more than the State of California. With the cost of living being approximately 5 percent less than the state average, this means that Roseville households have more disposable income.

Household Income by Geography (2016)			
	City of Roseville	City of Sacramento	State of California
Median	\$78,446	\$52,071	\$63,783
Mean	\$96,057	\$70,598	\$91,149

SOURCE: American Community Survey 2016, 5-year estimates

Home ownership in Roseville remains higher than Sacramento and the State average at approximately 64 percent, as compared to the City of Sacramento and the State at approximately 54 percent. The ability to have a wide range of homes available to entry level to executive homebuyers helps Roseville retain qualified workforce who are vested in the community in which they live, work and play. A high ownership rate speak to the stability and equity in the workforce. In 2015, Roseville was ranked in the top five cities nationally for millennials buying homes.

Home Ownership (2018)			
	City of Roseville	City of Sacramento	State of California
Ownership	64.3%	54.2%	53.6%

SOURCE: Civicdashboards by open gov (4/11/2018)

- Jobs and Unemployment** —The City of Roseville has, and will continue, experiencing job growth that is higher than both the City of Sacramento and State of California. Between 2012 and 2017 there was a 14.94 percent increase in jobs within Roseville where 10,819 jobs were added during this five year period. The workforce in Roseville is projected to grow another 11.4 percent between 2017 and 2022. This is more than twice the City of Sacramento's past and projected job growth rate and the State of California's projected job growth rate. Clearly this is very compelling evidence that Roseville's economy does not stop at our corporate boundaries.

Jobs by Geography (2012-2022)			
	2012	2017	2022
City of Roseville	72,402	83,221	92,770
City of Sacramento	389,407	415,953	440,561
State of California	17,425,917	19,206,322	20,570,302

SOURCE: Emsi, 2018.1 Economic Overview

Job Growth by Geography (2012-2022)		
	2012-17	2017-2022
City of Roseville	14.94%	11.47%
City of Sacramento	6.82%	5.92%
State of California	10.22%	7.10%

SOURCE: Emsi, 2018.1 Economic Overview

Over the past five years the City of Roseville, City of Sacramento and State of California have seen a consistent reduction in the unemployment rate. Roseville is well below both City of Sacramento and State averages. It should be noted that according to the Federal Reserve Bank an unemployment rate of 4.7 percent is an ideal rate, and an unemployment rate below this rate could suggest stresses on the employment pool. Given the City is a net importer of jobs, meaning that the majority of employees come from outside the City limits, the low unemployment rate is not seen as a negative.

Unemployment by Geography (2018)						
	City of Roseville		City of Sacramento		State of California	
	2012	2018*	2012	2018*	2012	2018*
Percent of Civilian Population Unemployed	9.4%	3.0%	14.9%	3.8%	11.4%	4.0%

SOURCE: American Community Survey, 1-year estimates (2012)
Comparative Economic Characteristics

*Cividdashboards by open gov (4/11/2018)

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- **Vacancy Rates**—Roseville's vacancy rates remain in single digits. Non-residential markets in Roseville are similar to the City of Sacramento.

Vacancy Rates by Commercial Real Estate Type and Market (2013-2022)						
	Roseville/Rocklin Submarket			Sacramento Market		
	2013 Q1	2018 Q1	2022 Q1	2013 Q1	2018 Q1	2022 Q1
Office	20.2%	8.6%	11.7%	15.4%	9.9%	11.4%
Industrial	14.8%	4.7%	6.9%	13.3%	5.0%	6.9%
Retail	10.2%	5.2%	6.4%	10.0%	6.4%	7.2%
Apartment	5.4%	6.4%	7.7%	6.8%	4.5%	5.6%

SOURCE: CoStar Market Analytics, 2018; Note: Roseville/Rocklin is a Submarket of the Sacramento Market

Several new expansions are under construction associated with medical providers within the community (Adventist Health, Kaiser Permanente and Sutter hospitals). These expansions will bring additional future job growth to the area. In addition to these new jobs, McKesson a medical supply distribution operation, is developing a new warehouse facility in the North Industrial area of the City. New construction downtown includes a new 429-space parking garage located off of Oak Street behind the Roseville Theatre and a new Fire Station 1 at the intersection of Lincoln and Oak streets. Having completed an assessment of City-owned properties this past fiscal year, the City also will be formalizing its property-management, lease, and sale strategies.

In FY2018-19 we anticipate progress toward construction of the following:

- o Adventist Health corporate headquarters,
- o The construction of the new medical office building for Kaiser Permanente at Riverside Avenue and Cirby Way (to replace the current facility),
- o Additional office space on Eureka Road as part of the Pappas Medical Office Building project,
- o On-going construction of the Campus Oaks Apartments, a two-phased project totaling 395 units, including 87 affordable units,
- o Continued construction of the Avia Apartments, a 300-unit market-rate project,
- o Mercy Housing a mixed use project with 58 affordable apartment units,
- o West Roseville Village Center will break ground with the construction of an Oakmont senior living facility and neighborhood park,

- o Construction of the Broadstone senior apartments complex with 201 units on Parcel 44 of the North Central Roseville Specific Plan that will start construction in the fall of this year,
- o An expansion of the Sutter Hospital emergency room and critical care areas, and
- o West Roseville is expected to continue production of single-family homes by multiple builders.

We continue to partner with housing agencies to provide additional affordable-housing options in our community in excess of the General Plan policy of 10 percent of new units being affordable. Pending funding from the State, the City may see the start of construction on Meta Housing's 59-unit affordable housing project on Main Street. The City continues discussions with the St. Anton Partners to explore the opportunity to develop an 80-unit affordable housing project on Pacific Street in the Historic District. The St. Anton Partners project will come before the City Council for consideration in 2018, and if approved, could start construction in the fall of 2018. In addition, the City continues to work with Placer Valley Tourism (PVT) to redevelop the Placer County Fairgrounds with a 190,000 square foot multi-purpose building and events center.

On the residential side, staff is continuing to process the annexation agreement for the Amoruso Ranch Specific Plan in the northwest area of the city with 2,906 residential units, and is overseeing the installation of the major infrastructure for the Campus Oaks project that is adjacent to Hewlett-Packard, with 948 residential units. Major grading and infrastructure installation for the Sierra Vista Specific Plan is also anticipated to be initiated in the 2018 construction season. In addition to these plans, it is anticipated that there will be an additional 900 single-family residential building permits issued for this next fiscal year, the majority of which will be on the west side of town in the West Roseville Specific Plan. This absorption will enhance opportunities for additional private-sector retail growth.

Public-Private Partnerships

- **Advantage Roseville**—In 2012, the Roseville Community Development Corporation recruited 21 local partner companies to form Advantage Roseville, a three-year public-private partnership. The goal of Advantage Roseville is to grow Roseville's economy by attracting new businesses and by retaining and expanding existing businesses. In 2016, Advantage Roseville continued the program with three levels of private financial participation

and a \$100,000 contribution from the City. Since inception, the Advantage Roseville campaign has raised Roseville's brand awareness throughout the state and has participated in the attraction of over 6,000 new jobs with an estimated annual payroll in excess of \$328 million and capital investment associated with new capital investment of more than \$600 million.

For FY2018-19 Advantage Roseville is budgeted for a 50 percent reduction in funding. The program has been focused on those activities that have proven to be high value and provide a return and these programs can be accomplished at the reduced funding level and continued business partnerships.

- **Higher Education**—Higher education remains a priority for Roseville. Sierra College has occupied a floor-and-a-half of 316 Vernon Street, providing a downtown location for higher education that will bring a different demographic and steady stream of students to Roseville's downtown. The University Development Foundation, has executed a purchase and sale agreement with the City to acquire the 401 Oak Street site or old Fire Station 1 for the purpose of renovating the site for a future university for higher education. Escrow is scheduled to close fall of this year.
- **Placer Society for the Prevention of Cruelty to Animals (SPCA) Animal Care Facility**—The City has contracted with the SPCA for animal shelter services since 1994. With the City's growth in population, the SPCA has experienced a significant increase in the number of Roseville animals accepted, predicating the need to expand SPCA's capacity. Currently, 88 percent of the animals processed at the Corporation Yard facility are attributable to Roseville. Completion of the new SPCA facility is anticipated by the middle of 2018.

Investing in Our Community

- **Increased Code Enforcement**—At its goals workshop for FY2016-17, the Council discussed the importance of expanding code enforcement efforts throughout the community to address citizen concerns and improve community vitality. To address this priority, the FY2016-17 budget added an additional full-time code enforcement officer. At a ratio of one officer per 38,000 residents, this position aligns code enforcement staffing on a per capita basis with staffing levels in other similar jurisdictions. Code Enforcement (CE) is responsible for coordinating a response to all complaints received on the complaint line. This involves initiating the response by the responsible City department (e.g., a tree trimming complaint is Parks'

responsibility) and monitoring the response through the City's CE tracking system. It also allows the City to provide a timely response to complaints as the population continues to grow.

- **Funding Housing Needs**—The Roseville Housing Authority, operated by the City of Roseville, administers the U.S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher rental-assistance program. Participants can also take advantage of the Roseville Housing Authority's Family Self-Sufficiency program, which provides incentives to maintain employment by offering an interest-bearing savings account with the goal of becoming financially self-sufficient. Roseville's Housing Authority was named a high-performing agency by HUD for the 11 consecutive years—the highest rating available to local housing agencies. This rating gives the Authority a competitive advantage in its efforts to bring more federal funds to the Roseville community.

Currently, the Roseville Housing Authority provides safe and clean housing for 663 families through rental assistance from the Housing Choice Voucher Program, the City's single strongest tool to prevent homelessness in our city. The program brings about \$5 million a year to the Roseville economy that gets recycled through jobs and further investment and includes focused vouchers for non-elderly disabled individuals and veterans who are homeless or at-risk of homelessness.

- **Addressing Homelessness**—The City administers or contributes more than \$6 million in resources annually to provide affordable housing, assist in the prevention of homelessness, and fund services to those in need. The City's support of the affordable housing project being built this year by Mercy Housing brings this year's annual City contribution to more than \$11 million, as detailed below.

The City supports and collaborates with federal agencies, county staff, and housing and service providers through the infusion of \$6 million annually that assists in providing affordable housing and social services in order to reduce and prevent homelessness locally. City awards of federal Community Development Block Grant (CDBG) funds allow the City to provide financial support for homeless programs, food programs, mental-health programs, children and youth programs, home-buying and property-rehabilitation programs, and community-benefit organizations. In fall 2018, the City-assisted Lohse Apartments, being

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developed by Mercy Housing at 623 Vernon Street, will add 58 affordable apartments to the downtown housing inventory, providing extremely-low and very-low income units that can assist households who are homeless or at-risk of homelessness. In the upcoming fiscal year, staff also anticipates construction start for both the Junction Crossing and Main Street Plaza Affordable Housing developments in Historic Old Town. Combined, these sites will add almost 150 additional apartments to Historic Old Town and approximately 3,000 square feet of new retail space.

During FY2017-18, the City has been participating regularly in countywide and regional meetings on how to address homelessness, including the local continuum of care and county-hosted meetings, as well as Sutter Health's regional collaborative on this issue. The City coordinated the South Placer portion of the 2018 Point-in-Time Count to measure local homeless individuals' characteristics and needs. The 2018 Point in Time Count reported a countywide decrease in homelessness of 12 percent. This decrease is attributed to countywide program efforts, including those of the Roseville Homeless Response Team, as follows:

- o Monthly internal city communication and coordination meetings on homelessness;
- o The use of a Roseville Homeless Response Team that includes Police Department Social Services Unit staff, Housing staff, County probation, County housing coordinators, and local service and housing providers, who meet monthly in order to further collaboration and communication among providers and local referring agencies; and
- o Infusion of the City's Homeless Prevention and Rapid Rehousing funds into the local community for activities that prevent and reduce homelessness, thereby reducing more costly demands in the community on emergency shelter, emergency rooms, and public safety response.

The City's ongoing and expanded efforts in response to homelessness are actively being measured and continually assessed as part of funding awards. The City is engaged and acknowledged as an integral partner responding to this need and was recently presented an award by the Placer Collaborative Network for the coordination of the Roseville Homeless Response Team.

COUNCIL GOAL NO. 4: SOUND AND STABLE UTILITIES

Having well-run, reliable, and low-cost City-owned utilities has proven to be a significant economic advantage to the city and its businesses over the years. As a full-service city, Roseville owns and operates its own electric, water, wastewater, and solid waste utilities through Roseville Electric Utility and Environmental Utilities (EU). Key utility decisions are under the control of a single entity, which makes the planning, development and operation of utility services more efficient, synergistic, and reliable. This benefits customers with rates among the lowest in the region, the highest levels of reliability and quality with a relentless focus on planned expansion, and proactive renewal or replacement of utility assets.

To ensure fiscal soundness—one of the City Council's priorities—all utilities have implemented strategies to increase their economic reserves to stabilize rates, address long-term infrastructure needs, and limit exposure to costs and regulations outside our control. In addition, as changes in technology and regulations impact the business model used to determine rates, utilities will remain vigilant about ensuring that rates accurately reflect usage by avoiding situations in which certain customer groups inadvertently subsidize other groups of customers.

Legislation and Regulation

While the City owns and operates a number of diverse utility services, the one aspect all City utilities have in common is external regulation. Each of our utility services are highly regulated by state and federal agencies and routinely subject to legislative and judicial orders which are expensive and sometimes interfere with local control. The City deals with this reality strategically on two fronts:

1. The City develops and drives a comprehensive legislative and regulatory platform, which promotes balanced and pragmatic approaches. We work hard to understand the issues, develop relationships, and advance or protect our customer's interests accordingly. The City is a leader of several legislative advocacy alliances on the regional, state, and federal level that combine the strength of their unified voice to advocate for utility customers. In the coming years, the utilities are planning to ramp up efforts and resources to not only defend the City's interests, but to also *initiate* policies, regulations and legislation that promote sound public policy in a very turbulent state and federal legislative and regulatory environment.

2. While new regulations can be challenging and costly to implement, the City actively looks for opportunities that derive increased value from regulations to further benefit our customers. Because our utilities operate as integrated businesses, we can sometimes turn what might look like a daunting regulatory mandate into a synergistic business opportunity. An example of this is our organic food waste to biogas energy program. This program is currently under development and will leverage our need to divert organic solid waste from landfills with our ability to convert wastes to energy at our wastewater treatment plants.

Highlights of each utility's focus areas for FY2017-18 are listed below.

Roseville Electric Utility

- **Advanced Metering Infrastructure (AMI) or "Smart Meters"**—Most of California's homes and businesses have advanced meters to measure multiple aspects of electricity and natural gas usage at any time of the day or night. Advanced meters can measure the time of day that energy is used, send messages to customers with information about their usage, and allow customers to check usage during the month, instead of after the fact when they receive their bill. In 2018, the Utility will continue its multi-year installation plan to modernize customers' meters by 2020.
 - **Sierra Vista Specific Plan Substation**—As the Roseville community grows, so must the Utility's electric distribution system. Following approval of the Sierra Vista Specific Plan, plans were put in place to expand the distribution system to accommodate new construction in this area. The Utility anticipates that construction will be completed in 2019. Developer fees will be used to fund construction. This will be the first new substation built since 2007.
 - **LED Streetlights** - Roseville Electric Utility owns and operates more than 13,000 streetlights with various fixture styles and lighting technologies. The LED Streetlight Project will retrofit the City's aging street lighting system with more efficient LEDs over the next four years. This project will enhance the quality of street lighting, reduce energy consumption, and decrease maintenance costs.
 - **Hydro-Electric Surcharge**—Because of below-average precipitation levels near the City's hydroelectric power plants this year, the utility expects to implement the hydroelectric surcharge in FY2018-19. The ordinance allowing an electric hydroelectric surcharge was adopted in 2009 as a way to partially fund the purchase of replacement electricity that was not provided from hydroelectric resources due to lower-than-average precipitation.
- **Community-Solar Pilot Project**— Roseville residents will have an opportunity to participate in Roseville's community-solar pilot project. The project will be constructed in 2018 and customers will be able to participate on a voluntary basis. The project will also help meet renewable-energy requirements for the utility.

Environmental Utilities: Water, Wastewater, Solid Waste

Rate Plans —Consistent with the City Council's priority for sound and stable utilities, Environmental Utilities (EU) prepares financial, supply, and demand forecasts annually and reviews the need for rate changes every two years. In 2017, EU proposed and the City Council approved utility rate increases for water, wastewater and solid waste services for the 2018 and 2019 fiscal years. These rate increases will help maintain financial resiliency, offset infrastructure maintenance and rehabilitation costs, and comply with current and future unfunded mandates—all of which ensure continued high levels of customer service and reliable utility services. Proposed rate adjustments would generate a total monthly utility bill increase of about \$5.09 per household effective July 1, 2017 and \$5.42 beginning July 1, 2018. This is an average 5.4 percent increase for all three utilities in the first 12 months, and an additional 5.5 percent the following year.

Water Utility

Long Term Goals

- » Lead long term water supply contract renewal efforts with the US Bureau of Reclamation and other regional partners within the American River watershed. This includes continuing interim contract renewals every two years and evaluating the potential benefits of new contracting methods recently authorized under federal authority.
- » Effectively manage statewide water use regulations and develop water-use measures appropriate for Roseville water customers in light of local water-supply availability.
- » Continue long term water-reliability planning efforts including the Ophir Water Treatment Plant and other regional efforts with Placer County Water Agency and others.
- » Study and evaluate the City's Aquifer Storage and Recovery program to better understand future program expansion needs, while better integrating this program into normal water supply operations.

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- » Stay in front of external movements, including California Water Fix, long-term water-use efficiency policy, and the State Water Resources Control Board's tributary flow proceedings, to protect the interests of the City and the region while forging new partnerships and alliances to advance Northern California's water reliability.
- o **Water Reliability**—As California emerged from prolonged drought in 2017, policy attention is needed to address California's ongoing water-supply challenges. Staff is developing a long-term, integrated resource plan to ensure Roseville's continued water-supply reliability, focusing on regulatory change and needed water-infrastructure partnerships and investments. These partnerships include collaboration with other water agency partners and the Regional Water Authority on a regional water-supply reliability plan and a communications and advocacy strategy that will chart the course for water-supply development over the next 30 years. Special emphasis will be on development of an infrastructure plan to increase access to water from Placer County Water Agency.

A high level of certainty in future water supplies is a key factor to continued investment in our region. This will increase economic vitality, attract more high-paying and diverse jobs, and raise the region's standard of living. Roseville continues to proactively address water-supply issues, and protect the interests of rate payers and the community. Although an adequate supply of surface water for the coming year is expected, some conservation measures are expected to continue.

 - » **Capacity-Fee Program**—Roseville has a long standing policy that growth pays its own way and brings new water supplies to benefit the entire City, not just the proposed development. In addressing the issue of paying for regional water reliability, the City continues to use a combination of developer-paid fees (through capacity fees and/or community facility districts) and water-user rates. EU has completed the planning process to review the next generation of capacity fees and recycled water and will be seeking approvals in 2018/2019.
 - » **Groundwater**—The Sustainable Groundwater Management Act (SGMA), passed in 2014, requires the formation of a Groundwater Sustainability Agency (GSA) to define and better protect California's groundwater aquifers. This includes

the development of a Groundwater Sustainability Plan (GSP) by 2022. Several steps are required under SGMA, the first of which was forming a GSA to manage the local groundwater basin. The City and partners in western Placer County completed formation of the GSA and is advancing the preparation of a comprehensive GSP with its partners overlying the North American groundwater subbasin in the coming years.

- » **Site Reservoir Joint Powers Authority (JPA)**—The City of Roseville and the Placer County Water Agency joined the Sites Reservoir JPA in January 2017. When the proposed 1.8 million acre-feet Sites Reservoir project is completed in 2029, the JPA efforts will help ensure operations are well coordinated and will allow Folsom Reservoir to retain higher levels of water storage. These efforts will benefit the Bay-Delta environment and the citizens of Placer County.

• Wastewater Utility

- o **Treatment Plant Improvements** — The Pleasant Grove Wastewater Treatment Plant (WWTP) is completing the design phase for planned expansion to serve the growing needs of South Placer County and will be moving to construction by mid-2018. Delayed by the recent economic downturn, this expansion includes improvements that expand treatment capacity and reduce odors. The Dry Creek WWTP is similarly under construction with plant-process changes to better meet National Pollutant Discharge Elimination System (NPDES) discharge-permit requirements. Lastly, both treatment plants are being equipped with biogas systems to capture produced methane and in turn use that energy for Compressed Natural Gas (CNG) offsetting fleet fuel costs and electric power demands. The City is also in the initial stages of investigating advanced recycled water treatment technologies and exploring ways to better use and store recycled water that is treated to even higher standards in the future.
- o **Recycled Water**—In the upcoming fiscal year, EU will continue its efforts to transition recycled water from the wastewater utility to the water utility. Since its inception in the 1990s, we have learned that incentivized recycled water rates are no longer required because demand for recycled water exceeds supply, and recycled-water service is now dependent upon and planned like other utilities. The effort will

support recycled-water service plans that include rehabilitation funding and the development of a construction fund for building major transmission, storage, and pumping infrastructure—much like how the other utilities operate.

- **Solid Waste Utility**

- **Diversion of Organic Materials from Landfills**—In 2014, the California State Legislature passed AB 1826, which required the diversion of organic materials from landfills. In FY2016-17, EU's solid waste division initiated a program to handle this waste stream to comply with these regulations, with the goal to increase program participation over time. In the next fiscal year, EU will continue to expand the program based on regulatory requirements. Because of the program, EU recycles approximately 30 tons of food waste weekly, and that number is expected to increase exponentially as the program includes more food waste generators in the City this year and beyond.
- **Route Expansion and Long Term Space Needs**—As the City continues to grow westward, the need for additional solid waste services and assets to support them continue to grow. EU monitors and forecasts this need and need for people and assets to provide continued high levels of services. Similarly, EU is completing long term space planning efforts for serving the community at buildout and will be moving forward with efforts to secure adequate space to 2050.

- **Roseville Utility Exploration Center**

Located in the same building as the Martha Riley Library—the City's first LEED Gold Certified green building, the Roseville Utility Exploration Center is a one-of-a-kind environmental learning center funded by Roseville Electric Utility and Environmental Utilities. It provides information on protecting natural resources in a fun and engaging way through hands-on exhibits, activities, school tours, presentations, and workshops. In FY2017-18, the Utility Exploration Center updated its five-year strategic plan to maximize existing space and shape and influence the renewal of interior exhibits and development of the outdoor, interpretive garden to benefit public engagement with the Utilities.

COUNCIL GOAL NO. 5: A GREAT DOWNTOWN

For the better part of Roseville's first hundred years, the downtown cityscape remained constant. But for the past 15 years, changes have been profound, and they continue. Guiding development is the Downtown Specific Plan, the result of a five-year community visioning process, adopted in 2009. In 2010, Roseville City Council formally prioritized a great downtown as one of its goals. Based on the specific plan, the City has completed significant projects this past year and more are underway. The next phase of transformation includes construction of three bridges over Dry Creek and the extension of the bike trail. Recently completed were the office building at 316 Vernon Street, the popular Vernon Street Town Square, the roundabout at Washington Boulevard and Oak Street, the Oak Street parking garage with 429 parking spaces, and the new Fire Station 1. Before that, Riverside Avenue and Historic Old Town debuted streetscapes, façade improvements, public art, and upgraded electric, water, and wastewater infrastructure.

At its FY2018-19 Council Goals Workshop, the City Council noted that with the completion of these projects, the City's primary role in downtown transformation—to improve infrastructure in a way that sets the table for private investment—will be accomplished. It is anticipated at that point that the private sector, instead of the City, will take over as the primary driver of additional transformation that occurs downtown. The City will remain engaged, continuing to support and assist private investment in downtown through services and programs.

- **316 Vernon Street Office Building**—Leasing for the 6,000 square feet of ground floor retail is currently under way. Adding a student mix to downtown's visitors will help support businesses and promote a vibrant atmosphere. Owning the building instead of leasing it reduces the burden on the General Fund, as the construction cost is being repaid through tenant lease payments and low-interest debt repaid by development fees.
- **Oak Street Parking Garage**—As interest in Downtown Roseville continues to grow, so does the need for additional, convenient parking. The Oak Street Parking Facility, a seven-level, 429 stall parking garage, was constructed between Vernon and Oak streets, behind the Roseville Theater. The project design included an architectural style consistent with the Civic Center and a variety of exterior pedestrian improvements designed to enhance the visual and physical connections between

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the structure and Downtown Roseville. Funding for the garage was provided by redevelopment bond proceeds, public facilities fee, and a low-interest loan that will be repaid by future proceeds from the downtown development-impact fee.

- **Fire Station No. 1**—Construction of a new fire station at Oak and Lincoln streets broke ground in April 2017 and was completed in May of 2018, with funding coming from development-impact fees. The University Development Foundation, has executed a purchase and sale agreement with the City to acquire the former Fire Station properties totaling 2.2 acres for the purpose of renovating the site for a future university for higher education. Escrow is scheduled to close fall of this year.
- **Pedestrian Bridges and Bike Trails**—As envisioned by the Specific Plan, a future development would activate the creek with a mix of office, retail, restaurant, and residential uses, taking advantage of a natural creek and the adjacent citywide park. Three pedestrian bridges are planned to cross Dry Creek to more easily connect downtown with Royer Park and connect the bike trail network through the downtown. Funding for these projects comes from federal, state, and local transportation grants and development-impact fees.
 - The existing Rube Nelson or “Ice House” Bridge will be lifted from its current location and placed in the Oak Street parking lot to be cleaned and painted. New planking, lighting and fencing will be added, then it will be replaced over Dry Creek at a new angle, landing on the other side of the Veterans Hall. The bike trail ending in Royer Park will be extended across the Ice House bridge and connect to the Harding to Royer bike trail which connects to the Miner’s Ravine bike trail system. Construction is planned for the summers of 2018 and 2019. However, removal of some storage sheds and stream bank grading was completed in the summer of 2017.
 - The Library Replacement Bridge will be constructed near the downtown Library, also connecting to Royer Park. Similar to the Rube Nelson Bridge, this work will be completed over the summers of 2018 and 2019.
 - Extension of the bike trail from downtown to Miner’s Ravine is scheduled for 2018, resulting in a continuous six-mile, off-street trail from Sierra College Boulevard to Downtown Roseville, that will continue through Royer Park and Saugstad Park to Darling Way with the completion of the Rube Nelson Bridge project in 2019.
- A third, larger pedestrian bridge crossing Dry Creek is planned in the middle of the other two bridges. This bridge promotes two significant concepts of the Specific Plan: creating connectivity between activities on Vernon Street and events in Royer Park, and providing additional event space for an active downtown scene. The width of the bridge will allow for vendors along the sides during festivals and events. Like the other bridges, this bridge will be constructed over the summers of 2018 and 2019.
- **Downtown Programming**—The City has expanded programming in the Vernon Street Town Square to include events in the shoulder seasons, such as sing-a-long movie nights and cultural food events; and the City continues to bring new, local bands to the downtown. With about 250 events planned for the year, the City is intent on partnering more with local businesses and organizations to transition operation and programming responsibilities in the future.

In March 2017, in partnership with Blue Line Arts and the Downtown Roseville Partnership, the City applied for designation as a California Cultural District through the California Arts Commission. The purpose of the program is to cultivate authentic and sustainable cultural districts that reflect the breadth and diversity of California extensive cultural assets.
- **Downtown and Historic District Housing**—Long a goal of the City, several key projects are underway. With City assistance, construction has begun on Mercy Housing’s 58-unit affordable housing project on Vernon Street. On Pacific Street, St. Anton Partners’ 80-unit affordable housing project in the Historic District continues to be processed. And the 85-unit Main Street Plaza Project has been approved by the City and is working on construction financing. The City has pledged \$5.3 million to the Mercy project, \$4.7 million to the St. Anton Project, and \$2.1 million to the Meta Housing Main Street Plaza Project. All of the pledged funds are derived from housing funds that are restricted solely for the development of affordable housing and similar qualifying activities.
- **Downtown Roseville Partnership**—In 2014, a Property and Business Improvement District (PBID) was voted on and approved by downtown property owners. This district substantially increases the funds available to market, promote, and improve Downtown Roseville. The PBID, known as the Downtown Roseville Partnership, plays a critical role in growing downtown businesses, attracting new businesses, and encouraging additional business development. The City contributes each year in the form of parcel assessments for City-owned property in Downtown

Roseville, with FY2017-2018 assessments totaling \$72,334, subject to an annual increase of up to 3 percent. The Downtown Roseville Partnership has provided year-round illumination of main corridor trees along Vernon Street, installed new street banners and solar-powered BigGulp trash compactors, pressure-washed sidewalks through the district, became the premier sponsor for the return of Downtown Tuesday Night, forged a partnership with Gathering Inn to create a guide/day porter program, contracted for leaf removal from parking bays, partnered with the Roseville Community Development Corporation (RCDC) and Advantage Roseville to install window clings on vacant storefronts, created an events calendar and business directory which is available on the recently launched Godowntownroseville.com.

- **Enhancing Rail Service between Roseville and Sacramento** —The City continues to work with Capitol Corridor Joint Powers Authority to bring additional rail service to Roseville through a project known as “Third Track.” Over the next year, the City will be evaluating parking and circulation needs within the Historic Old Town and will be bringing forward a memorandum of understanding to support the future addition of two more roundtrips from Roseville to Sacramento—bringing the total to three roundtrips daily. This will be the first phase of this project with the ultimate goal to establish 10 daily roundtrips. It is anticipated that the first phase will be instituted within the next three to five years.

COUNCIL GOAL NO. 6: INFRASTRUCTURE

Well-maintained city streets, roads, parks, and recreation centers help protect property values and maintain Roseville's quality of life. It is fiscally responsible to maintain our streets and roads, so they don't deteriorate and become more costly to repair in the future. In addition to roads and facilities, the focus on infrastructure also includes utilities infrastructure, workforce infrastructure, and technology infrastructure.

Facility and Equipment Infrastructure

After several years of deferring maintenance on City-owned buildings and recreation facilities, the needs are becoming more critical and will be a priority when new expenses are considered. The City's CIP Rehab Fund that funds these types of expenses should be funded annually at \$3.5 million to meet the demand, but the City can only afford to fund it at \$1.4 million a year. The City is evaluating strategies to increase revenues to fund this shortfall, and future budgets will need to be mindful of this obligation.

Technology Infrastructure

Roseville, along with all other governmental agencies, relies heavily on IT systems to manage its business and to deliver essential programs and services to our customers and citizens. It's of no surprise that many of these systems are aging, which refers not just to the age of systems in years but also to the fact that these systems are becoming increasingly costly to operate and they may pose certain risks, such as being more vulnerable to cyber security threats. The renewal and modernization of aging IT systems is extremely important and requires significant planning and funding.

Roseville has taken a proactive approach to upgrade and replace key infrastructure technologies throughout the City through the development of the Strategic Technology Replacement Plan. The City's CIP Rehab funds existing technology needs in the City and should be funded annually at \$2.1 million to meet the demand; however, the City can only afford to fund it at approximately \$600,000 a year. If adequately funded and implemented, this 10-year strategic replacement plan and the corresponding replacement fund will allow the IT Department to ensure the continued reliable operation of City and community infrastructure.

The following major technology projects will be an important focus this next fiscal year as we continue to strengthen our technology infrastructure.

- **Citywide business system projects:**
 - o Creation of Vision 2020 strategic technology roadmap
 - o Completion of the Citywide handheld and mobile radio replacement
 - o Completion of the financial and human resources information-system replacement
 - o Installation of east site radio tower for mobile radio operability
- **Departmental business system projects:**
 - o Utilities Advanced Metering Infrastructure (AMI) – Phase 1 Testing
 - o Public Safety Dispatch improvements – Text 911
 - o Police license plate recognition system
 - o Implementation of key security initiatives: Single Sign-On/Multi-factor Authentication, firewall improvements, device encryption/rogue device detection

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Utility Infrastructure

Aging infrastructure is a chronic issue plaguing the United States and most of the developed world. The funding to pay for replacing the infrastructure our country and economy depend upon simply is not there at a national or statewide level. Roseville's utility infrastructure—power plants, treatment plants, power lines, pipelines, pump stations, substations and the like—are valued well into the multi-billions of dollars.

While new growth pays for additional utility capacity and service extensions, the ongoing cost of proactive infrastructure maintenance, renewal, and replacement factors heavily into our bi-annual utility-rate analyses. The City sets high standards and invests in high-quality materials then uses asset-management practices to ensure our infrastructure is efficiently cared for and maintained. Roseville's utilities are among the few that have fully funded their infrastructure-rehabilitation program now and into the future. This means Roseville utility customers will be able to count on our utility infrastructure for many generations to come.

Roadway Infrastructure

- **Funding Challenges**—Funding challenges for roadway infrastructure have caused the City to fall behind on its maintenance schedule for streets. Gas-tax rates, accrued on a per-gallon basis, were developed without an adjustment for inflation, minimizing their purchasing power with every year that passes. Gas-tax revenues have fallen also due to more fuel-efficient vehicles being on the road, reducing the demand for gasoline. The passing of SB1 by the State Legislature in April 2017 is enhancing our ability to maintain our roadways but doesn't completely close the gap. Prior to SB1, roadway maintenance was \$50 million underfunded. SB1 closed about half of the funding gap bringing the maintenance funding deficit down to about \$25 million.

In an attempt to shore up roadway infrastructure funding, the Placer County Transportation Planning Agency (PCTPA), along with its member jurisdictions, worked to place Measure M, a transportation sales-tax initiative, on the 2016 November ballot. While the measure was successful in Roseville (69 percent in favor), Rocklin (69 percent in favor), Lincoln (72 percent in favor), and the western unincorporated areas of the County, it did not receive the 66 percent countywide majority necessary to pass a local transportation sales tax. Because of the urgent need for additional infrastructure funding, PCTPA is evaluating the ability to create a transportation sales tax district that will include only those cities and areas of the county that supported Measure M. Creating the tax

district will require approval of the State legislature and an affirmative vote by the district's residents in support of the measure once placed on the November 2020 ballot.

- **Funding Outlook**—The City budgeted \$11.3 million in FY2017-18 for roadway maintenance, which addresses the reconstruction of 2 miles of roadway, 1.5 miles of roadway resurfacing, and upgrading 100 pedestrian access ramps around the City. For FY2018-19, the City is budgeting another \$10.7 million for 13 miles of roadway resurfacing and the replacement of a mile of old storm-drain pipe. Funding for FY2019-20 and beyond are expected to return to the normal \$6.5 million to \$7.5 million per year level.

FY2017-18 and FY2018-19 are an anomaly and have unusually high dollar amounts due to a number of factors described below:

- o FY2018-19 storm-drain work has been planned for several years. Over that time, the City has accumulated over \$2.7 million dollars in the storm-drain account for storm-drain repair/upgrades.
- o The City obtained a Federal Congestion Mitigation and Air Quality (CMAQ) grant to help fund handicap-ramp improvements.
- o Several projects, including the Roller-Compacted Concrete Pilot Project, are being funded from a one-time \$5.9 million dollar contribution from the Local Transportation Fund.
- o Due to the inability of some California jurisdictions to deliver their projects on time, the State offered the City \$5 million in Federal Regional Surface Transportation program funds if we could quickly spend it on resurfacing this coming year.
- o Two non-Gas Tax funded capital improvement projects are paying for some of the street reconstruction work.

Examples of FY2018-19 non-maintenance roadway infrastructure projects include:

- o Caltrans deemed the aging Oakridge Bridge over Linda Creek as insufficient and in need of replacement. Funding for reconstruction is being provided by the federal government.
- o Refurbishing the existing bridge and constructing two additional bridges between Downtown and Royer Park. Funding is from federal, state, and local grants and development impact fees.

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- o The Sierra Gardens Transfer Point Project will completely reconstruct Sierra Gardens from Sunrise Avenue to Santa Clara Drive using Local Transportation Funds.
- o Identified in the City's General Plan and Capital Improvement Project plan, the Woodcreek Oaks Widening Project will add a second northbound and southbound lane to the median of Woodcreek Oaks Boulevard between Crimson Ridge Way and Pleasant Grove Boulevard using \$6.7 million in developer-paid Traffic Mitigation Fees.
- **Roller-Compacted Concrete** — The City is also piloting the use of roller-compacted concrete, which will be tested at several locations in FY2018-19 where existing asphalt roadways are failing. It offers many benefits, including maintenance every 20-25 years, versus every 7-10 years for asphalt; lower construction cost, which helps the City close the current gas tax funding gap while allowing the City to repair more Roseville streets; and cooler roads during the day with brighter roads at night due to its lighter color.

Workforce Infrastructure

- **Staff Expansion**—Growth in Roseville's economy, development, and population means an expansion of services. Over the past 10 years, the City has expanded services at the same time it has reduced staff. In 2008, the population of Roseville was 109,154 and is projected to be 139,200 in FY2018-19, a 28 percent increase that necessitates an expansion of services. Yet at the same time, on a per capita basis, this equates to a 30 percent reduction in staffing over the past 10 years since General Fund staffing decreased from 778 full-time equivalent employees to 698. As the demand for core services expands, we will be working with the community to determine service levels that reflect the reality that the City needs to live within its means.

As a service provider, the City's highest General Fund cost is labor. With one of Council's goals being fiscal soundness, the City and its labor groups, including management, have worked hard over the past several years to manage labor costs. The changes we've made together still allow the City of Roseville to attract and retain competent, dedicated people to serve our community.

- **Controlling Labor Costs** — The City started working several years ago on ways to ensure our organization lives within its means. It's an important undertaking given that labor-related costs account for almost 75 percent of the

City's \$139 million General Fund, which pays for a variety of services including fire, police, parks, recreation, library, and public works.

Ensuring consistency among labor groups within our workforce and developing strategies to contain costs have been key focus areas. In partnership with our labor groups, we took proactive steps, which included:

- o *Controlling pension costs by transferring the responsibility to employees to fund 100 percent of the employees' share of pension costs:* This has significantly reduced pressure on the City's budget.
- o *Capping liability for retiree health benefits:* A defined-contribution plan is offered to new employees instead of the defined-benefit plan that previously existed. This means that employees, along with the City, contribute to saving for their retiree-medical benefits; and that the City's cost associated with the defined-benefit plan will eventually be zero.
- o *Setting salary-level targets at median levels in labor-market comparison:* Salary schedules for new employees have been reduced up to 21 percent in some cases to reflect median salaries in the labor market, instead of upper-end levels.
- o *Reducing the rate of increases within each salary range:* The previous pay scales allowed for 5 percent increases between each step in a salary range. Now, new employees are eligible for increases no greater than 2.5 percent between each step in the range. This extends the time it takes to reach the highest level in the pay range, which can now be up to 15 years; slowing the growth rate of this expense.
- **Succession Planning**—Over the next three years approximately 34 percent of the workforce is eligible to retire. The City continues to see its workforce retire with 44 employees retiring in 2016, approximately 50 in 2017, and another 40 or more retirements possible in 2018. In response, the City continues to focus on succession planning to ensure continuity of service delivery and streamlining its recruitment process to be more flexible and responsive. The recruitment process has been evolving to leverage new channels of recruiting through outreach and social media in order to reach a multi-generational workforce. Departments are increasing efforts to cross train and transfer knowledge related to City processes and programs to prepare for the ongoing retirements of the baby boomer generation.

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- **Supervisory Academy**—After a three-year hiatus, the City—in support of succession planning—launched its Effective Supervisory Practices program in March 2017. This nine-week “academy” is led by department heads and offers insight and recommendations about the day-to-day duties of supervisors. Addressing the more complex challenges all managers are faced with, City leaders seek to share their perspective in effective communication, motivation, and the importance of making ethical decisions as Roseville builds its organization of tomorrow. Participants include representatives from various departments, allowing cross-departmental information to be shared. Thirty colleagues, that would not likely have an opportunity to work together, are engaged in topics that build relationships to strengthen city operations. The academy is planned to continue to be offered twice annually.
- **Employee-Recognition Program** — The Employee Recognition Committee continues to provide venues for acknowledging those within our workforce who exceed performance expectations and set the standard for customer-service excellence. Individuals or teams can be nominated for outstanding work performance, innovation, emergency response, outstanding leadership, customer service, and community service. Each spring, the mayor and City Council present awards to the winners, in recognition of providing top-quality service to the Roseville’s residents, businesses, and visitors. Additionally, the committee coordinates an employee-appreciation luncheon that allows employees the opportunity to gather, eat, and celebrate the work we do, a small way of saying thank you for being a part of the Roseville family.
- **Supporting Employee Education** – The City continues to provide employees who wish to further their education with financial support through the City’s education reimbursement program. Employees may be reimbursed for tuition and book expenses upon successful completion of classes pursuant to their labor agreements.

Continuing to Develop a Welcoming, Engaged Culture

In 2014, the City created an Organizational Culture & Leadership (OC&L) Committee with representatives from all departments to lead an assessment of the City’s organizational culture. Three focus areas emerged from surveys of employees: internal communications, valuing employees, and developing meaningful processes and policies. The committee has played a key role in creating the City’s new onboarding program, developing customer-service training, and updating core competencies.

- **Identification of Core Competencies** — In May 2016, each employee was invited to take a survey and rank 38 competencies. The results provided six core competencies that will be the foundation of identifying what characteristics make employees successful within our organization. Collectively, we will begin to infuse these into our recruitment and assessment processes, make them part of our new evaluation system and incorporate into customer service training and onboarding programs.
- **Diversity Training** — The City’s Inclusion Committee was instrumental in establishing a diversity training for all supervisors and managers in FY2015-16. In FY2016-17, 28 staff went through a three-day certification to become internal facilitators of an Appreciating Differences Program. Appreciating differences in colleagues and the residents we serve fosters an inclusive and productive work environment. Having internal staff conduct the program allows the City to continue to engage our workforce in creating the Roseville of tomorrow. In 2017, 35 additional classes trained an additional 688 employees. The goal of providing this valuable training for the entire workforce should be met in 2018.

COUNCIL GOAL NO. 7: LEGISLATIVE ADVOCACY

Increasing costs from federal and state regulation and new legislation affect the fiscal health of the City and reduce the level of funds available for other community priorities. The City has taken a strong, proactive role to increase its visibility and influence within the region and at the state and federal levels, opening the door to greater engagement and dialogue with federal and state decision-makers on issues affecting the City’s fiscal health.

The City Council has set a legislative platform that focuses on preserving local control, providing financial flexibility, preventing unfunded mandates, protecting residents and businesses from costly state and federal regulations. It also prioritizes protecting the General Fund, enterprise funds and local sales-tax and property-tax revenues.

Key issues in FY2018-19 include the reliability of Roseville’s water supply, including regulatory change and water-infrastructure investment; electric utility issues, including cap-and-trade program changes, renewable-energy portfolio standards, and net metering; funding for transportation and infrastructure projects; cybersecurity; ensuring the tax-exempt status of municipal bonds remains in effect; understanding how modifications to government-operated mortgage programs affect the housing market; and ensuring permitting processes at the state and federal levels will not unnecessarily hinder the ability of development projects to gain approval.

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To increase effectiveness of the City's efforts in these areas and others, the City works extensively with regional coalitions, forums, alliances, and established organizations such as Sacramento Area Council of Governments, the SacMetro Chamber of Commerce, the League of California Cities, the California Municipal Utilities Association, the Northern California Power Agency, and the Water Forum, along with ad hoc groups developed to address concerns with specific legislation. The City Council's only standing committee, the Law and Regulation Committee, offers another way people can be informed about and comment on issues affecting the Roseville community from a state and federal level.

Key issues the City is working on this year include the following:

- **Cal Water Fix (Formerly Known as the Bay Delta Conservation Plan)**—Uncertainty in the City's water supply and reliability would negatively affect the region's economic vitality.
 - **Federal and State Funding for Infrastructure and Transportation Projects**—Preserving or increasing funding for these types of projects and improvements is critical for the City's ability to upgrade and maintain roadways and meet future infrastructure and transportation demands.
 - **Water Public Goods Charge**—The City is increasingly concerned with the Legislature's interest in imposing a Water Public Goods Charge (SB 20) that would collect revenue from local ratepayers and allocate the money for statewide projects that provide no direct benefit to Roseville's ratepayers.
 - **Possible Extension of the State's Emergency Drought Regulations**—The City is concerned that the state will extend conservation targets that do not consider variations in climate, land-use, and other region-specific attributes; that fail to recognize previous water-supply reliability and conservation investments by the region and local community; and that do not account for potential relief from positive weather outcomes. This could negatively affect the City's ability to attract and retain businesses, impacting our economic vitality.
 - **Cost-Effective Utilities**—Having well-run, reliable, and low-cost City-owned utilities has proven to be a significant economic advantage to the City and its businesses over the years. As a full-service city, Roseville owns and operates its own electric, water, wastewater, and solid waste utilities through Roseville Electric Utility and Environmental Utilities (EU). Key utility decisions are under the City's control, which makes the planning, development and operation of utility services more efficient and reliable. This benefits customers with rates among the lowest in the region, the highest levels of reliability and quality with a relentless focus on planned expansion, and proactive renewal or replacement of utility assets.
- The ability to provide reliable and cost-effective utilities to the residents and businesses of Roseville continues to be a central concern for the City as new state and federal mandates are proposed that would increase the cost of operating the utilities.
- **Cybersecurity**—Future attacks on the City's technology infrastructure along with state and federal laws regarding cybersecurity will continue to affect the City and the community. Implementing new cybersecurity requirements will add significant costs to the operation of the City's information technology systems.
 - **Changes to Tax-Exempt Status of Municipal Tax Bonds**—Any proposals that would cap or eliminate the tax exemption on municipal bonds would significantly reduce the City's ability to finance major projects that provide a public benefit. This would negatively and severely impact the City's budget, increase rates for utility customers, and hinder the City's ability to finance and construct public projects that benefit the community.
 - **Modifications to Government-Operated Mortgage Programs**—The City will remain active in understanding the changes being considered at the federal level to modify government-operated mortgage programs, tax-deductions and to write new banking regulations regarding mortgage-related lending programs. These all have the potential to impact the fragile housing recovery throughout the region and the state.
 - **Challenges with State and Federal Permitting Processes**—The City has concerns with various permitting processes at both the state and federal level that impact the ability of development projects to gain approval within a reasonable amount of time.
 - **Preserving Sales Tax Revenue**—As the public's buying habits change, the City's sales tax growth has slowed. This reduction has affected the City's ability to fund core services. The City is interested in discussions regarding local tax systems, revenue losses due to decreases in sales tax revenue as a result of online purchasing, and the fundamental shift from purchasing taxable commodities, such as music CDs and video DVDs, to purchasing non-taxable services, such as music and video streaming services.

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- **Homelessness**—The City will remain active in addressing the needs of the City's homeless population with a primary focus of reducing the population of chronically homeless by providing solutions that address the fundamental causes of homelessness and by supporting solutions that provide permanent housing options and needed supportive services.
- **Municipal-Based District Elections** — The City has concerns regarding the possibility of legislation that would require all cities to change to a district-based election system and would remove the ability to determine the election system that works best for a specific city from the local community and their elected officials.
- **CalPERS Investment Policy**—The City has concerns with actions taken or proposed by the CalPERS Board and the State Legislature to divest from certain companies or industries to be “socially responsible.” These policy decisions come at the price of reduced market rates of return on pension plan investments. The pension funding requirement not covered by investment returns will be borne by the state and local governments, and ultimately California taxpayers.
- **Federal and State Funding for Parks and Library Projects**—The City is interested in efforts to maintain or increase funding for these types of projects and improvements. The funding is critical for the City's ability to upgrade and ensure access to parks, recreation, and library facilities.
- **Substance- and Opioid-Abuse Funding**—The City is concerned that the lack of funding for substance- and opioid-abuse treatment will prevent those who are addicted or abusing substances from overcoming their addictions. The addiction/abuse cycle has negative implications for our community and use of public safety resources.

COUNCIL GOAL NO. 8: CIVIC ENGAGEMENT

The City is passionate about helping our communities engage in making informed, balanced decisions about the place we live.

To build a strong community, it's important to encourage dialogue from an array of interests, particularly as government activities have recently moved from afterthought to top-of-mind. The evolution of communication created a level of awareness that hasn't existed before. More people are engaged in policy decisions, but not necessarily with accurate information. Ensuring that facts and context are available in the realms where people get their information is a strategic priority of the City's civic-engagement efforts.

In anticipation of additional cuts to services and service levels, the Council directed staff at its February 2017 annual goals workshop to initiate a process to get community input on priorities. The goal was to find a way to balance the City's obligation to maintain fiscal stability while continuing to provide high-quality essential services and addressing long-term liabilities. To this end, the Council approved the nine-month EngageRoseville effort at its meeting on April 19, 2017, as described below. EngageRoseville outreach occurred from July 2017-March 2018.

- **EngageRoseville: A Community Conversation about Priorities**—Extensive community participation will help ensure the City has a clear understanding of community priorities, the community has a clear understanding of fiscal constraints and opportunities, and recommendations can be developed to align resources accordingly.

The City raised awareness of EngageRoseville in a variety of ways: through a flyer mailed to every residence in Roseville, e-newsletters, specially produced podcasts and videos, digital billboard, postcards and flyers at public counters and community events, and live-streaming of CPAC meetings on YouTube with re-broadcast on COR-TV.

Educational tools also included a series of specially produced podcasts and videos focusing on each department and the City's overall budget situation, including context about consumer trends and rising costs.

To gather community input, the City offered opportunities for online and in-person participation to everyone in Roseville:

- o Council approved formation of a Community Priorities Advisory Committee (CPAC) to ensure direct and meaningful community participation in reviewing levels of City-provided services. The 20-member committee met twice monthly for nine months to develop its recommendations and value statements.
- o Six FlashVote polls, sent to more than 1,400 registered users with about 500-600 people responding, gave participants a quick and easy way online to rank their service priorities, provide comments, and see the results of all participants immediately when the poll closed.
- o Balancing Act offered an online gamification of budget choices. More than 1,000 people got an in-depth look at services, consequences of reduced funding, and an opportunity to rank priorities throughout the city, instead of just within departments. More than 320 users closed the \$2 million budget gap and submitted their ideas to the City.

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- o An in-person Community Conversation February 26, 2018 welcomed all 120 residents who expressed an interest in attending. It featured presentations from the heads of the three largest General Fund departments; small-group, roundtable discussions facilitated by staff; and smartphone polling with real-time results. Participants asked questions, ranked priorities, and provided comments.
- o A phone number and a dedicated email address were designated to receive input from people who wanted to provide it in those ways.

Staff from FlashVote, Balancing Act, and the Sacramento-based Institute for Local Government, all commended Roseville for its high rates of community participation in person and online.

Community input resulted in the following common themes that were considered in building this year's budget:

- o Seek to reduce rather than eliminate services.
- o Prioritize efficient public safety as the cornerstone of City services.
- o Maintain Roseville's competitive edge in the region with desirable neighborhoods (schools, parks, open spaces) and a business-friendly environment.
- o Maximize flexibility in staffing levels.
- o Generally, avoid subsidizing services the private sector can provide.
- o Seek opportunities for increased cost recovery for all City services, where applicable and appropriate.
- o Utilize technology and automation where possible to increase efficiencies and reduce costs.
- o Recruit, train and deploy volunteers where appropriate.
- o Pursue fund stabilization/revenue enhancement strategies to preserve Roseville's quality of life.
- **Neighborhood Outreach**—For many years, the City has worked with its neighborhood associations to encourage an open dialogue that has fueled innovation and engagement. The Public Affairs and Communications Department attends monthly meetings of both the

Roseville Coalition of Neighborhood Associations and the Sun City Government Affairs Committee; the Police Department has an officer at each of the two dozen or so monthly neighborhood association meetings; and the Development Services Department provides notification, overview, and presentations on new development projects as they are proposed. Development Services also provides information on ordinance updates and code-enforcement processes and procedures on a regular basis.

City representatives work with the Roseville Chamber of Commerce and various civic groups, industry associations, and public-interest forums to raise awareness of community issues and broaden the discussion on solutions. At the same time, City Council members host town hall-style meetings called "Council Coffees," where they engage in informal discussion with community members on topics of interest, ensuring another opportunity for the community to join the conversation.

- **Online Outreach**—The effort continues from there into the digital realm. The City launched a new website in 2017 featuring a robust search tool, user-friendly navigation and a simplified content-management system. The City is exploring opportunities to use newer technologies such as Facebook Live and online town halls to enhance opportunities for information sharing between government and the people it serves. The City's online e-notify service offers free e-mail subscriptions on a range of topics from traffic alerts and public safety to policy items. The City is actively engaged in a variety of social media channels: Facebook, NextDoor, Twitter, Instagram, YouTube, and Pinterest, which also offer the opportunity for two-way interaction.

Launched in FY2014-15, the Open Data Portal offers a single website location where City data can be accessed. Initial data sets include often-requested items such as permits and crime statistics. As we expand this base to include more data, this will provide round-the-clock access to City data and reduce the amount of time spent filling regular requests for public records.

COUNCIL GOAL 9: CORE NEIGHBORHOODS

At its Council Goals Workshop for the FY2017-18 budget, the City Council added Core Neighborhoods to its list of council goals and confirmed that the enhancement of core neighborhoods would require the identification of a revenue source outside of the General Fund.

City Manager's Budget Message

- **Funding**—To this end, staff will explore if Core Neighborhoods are willing to assess themselves for new improvements and ongoing maintenance costs consistent with those required of newer neighborhoods. The newer neighborhoods have assessments for either landscape and lighting districts or community facility districts on their property tax bills, which pay for a significant amount of common-area landscaping throughout the city. Property owners can determine and tailor the level of service and aesthetics they desire for their neighborhoods and vote to assess themselves accordingly. Neighborhood standards vary throughout the city, and all areas have the opportunity to vote to adjust assessments. When the Core Neighborhoods were built, these costs came from the General Fund, which continues at some level to this day. With the challenges that exist in maintaining the City's core services (police, fire, public works, parks, recreation, libraries, and development services), continued funding has become unsustainable with current revenue streams.
- **Community-Based Grants**—Roseville's Invest Health initiative, a partnership with the non-profit Health Educations Council, neighborhoods, healthcare systems, and the City, was made possible by an 18-month grant from the Robert Wood Johnson Foundation and Reinvestment Fund with the aim to improve health in low-income neighborhoods. Roseville was one of 50 communities nationwide selected to receive this 18-month grant in May 2016. Recognizing that the majority of health outcomes are driven by where people live, work, play, shop and learn, the Invest Health Roseville initiative developed a plan to improve health through cross-sector community collaborations that foster and develop more healthful environments. The team performed assessments within core neighborhoods, met with businesses and residents, and formed an advisory council by identifying potential partners in the healthcare industry and Roseville Electric. Its early successes have included working with Roseville Electric to improve street lighting in certain areas to enhance the safety of the environment and helping to identify the need for funding of upgrades to Johnson Pool. In addition, staff is exploring options to improve safety and access to Weber Park.
- **Neighborhood Investment**—City Housing and Economic Development Department staff have been concentrating federal Community Development Block Grant funds into the following programs and projects that benefit core neighborhoods:
 - o Improved lighting at Weber Park,
 - o Demolition of the Roseville Hotel on Main Street,

- o Predevelopment work on Main Street Plaza Apartments and Junction Crossing Apartments in Historic Old Town,
- o Low-income homeowner paint program providing \$700 per household to repaint home exteriors,
- o Owner-occupied rehabilitation program to address health and safety items and needed rehabilitation in homes,
- o Rehabilitation work for the Johnson Pool Including additional outside state grant funding.

Recent outreach efforts have focused on core area neighborhoods and housing staff has assisted the Parks and Recreation staff in grant applications for low-income recreational program. The City also utilizes additional funding for local first-time homebuyer loans to low-income buyers, which have assisted buyers in the purchase of a core neighborhood home. And for renters, the City's Housing Choice Voucher Program, administered through the Roseville Housing Authority, also reinvests into the core of the city through the infusion of rental housing payments.

COUNCIL GOAL 10: REGIONAL ENGAGEMENT

Roseville has long served in a proven leadership role in the region, and with it comes responsibility for shaping the value system, ethics, and culture of the region. Issues such as public safety, transportation, and economic development that we prioritize as a city are shared regionally and must be understood in the context of a larger system.

- **Regional Economic Prosperity Plan**—Roseville considers the region as partners, not competition, and strives to collaborate as we transcend jurisdictional boundaries. In FY2018-19, Roseville will participate in focusing on regional economic prosperity, with an understanding that the region must better leverage its multiple strengths and emerging assets to compete and stand out in today's global economy. Building on multiple initiatives underway across the region, the Sacramento Area Council of Governments, Greater Sacramento Economic Council, and Valley Vision engaged the globally recognized Brookings Institution to conduct a market assessment in the six-county Capital Region. The findings were released at the Regional Futures Forum of elected officials on April 30, 2018. The lessons from the market assessment will help the region implement a collective framework for broader economic

opportunity and development objectives in the region. Roseville's involvement will ensure our perspective and support will inform regional policy and investments.

- **Bid for Amazon HQ2**—Roseville played an important role in the Capital Region's bid for the second Amazon headquarters, an effort called Amazon HQ2. Council designated sites in Roseville for office and distribution space that would complement other sites throughout the region. Roseville's mayor was the only regional mayor besides Sacramento's mayor to play a key role in the news conference unveiling the regional bid at Golden1 Center. While the regional bid did not advance, the effort served to highlight workforce, technology, and transportation infrastructure benefits while also showcasing regional cooperation.
- **Regional Development Initiatives**—Development projects being considered adjacent to Roseville's borders have the potential to be game changers for the region. North of Roseville city limits, Placer Ranch, future home of a satellite Sac State campus, and Sunset Area Industrial Plan, are key components for workforce and business expansion, as well as transportation infrastructure with plans for Placer Parkway. West of city limits is the site of a proposed regional university which will further the same goals. All projects will have an effect on Roseville's roads, public safety demands, and use of civic amenities such as recreation, parks, libraries, and trails. Close collaboration to ensure Roseville's needs are addressed in development of these areas will ensure that the benefits are shared with equity in the region.
- **Transportation Initiatives**—One of the prime areas needing a regional approach is transportation. Roseville is working with the Placer County Transportation Planning Authority (PCTPA) and jurisdictions within the county to fund a regional approach to improvements that will reduce congestion and improve safety. Roseville's leadership in this area showed when Roseville voters approved Measure M, a transportation sales tax, which ultimately did not pass since it didn't garner enough support in other areas of the county. PCTPA is working with its members to determine how to approach funding in the future.
 - **"Third Track"** is another regional initiative Roseville has taken a key role in to increase Capitol Corridor train service to and from Roseville. It will increase mobility within the region, expand environmental benefits and job access, and provide an economic boost. In 2012, the Capitol Corridor Joint Powers Authority, which manages passenger rail service and provides a critical link between the Sacramento mega

region and the San Francisco Bay Area, partnered with Union Pacific Railroad, the cities of Roseville and Sacramento, and the PCTPA to begin working collaboratively to design and environmentally clear a third main track. The additional third track will allow Capitol Corridor to offer riders 10 round trips per day versus the one round trip currently offered. It will also preserve current Union Pacific Railroad freight operations and reliability for the benefit of goods movement through the region.

COUNCIL GOAL 11: CULTURALLY RICH COMMUNITY

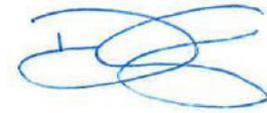
A culturally rich community is ultimately a celebration of the human spirit. Promoting visual and performing arts, facilitating events that bring people together, and providing the environment for these to flourish enhance our community's culture.

- **Designation as a California Cultural District**—In March 2017, in partnership with Blue Line Arts and the Downtown Roseville Partnership, the City applied for designation as a California Cultural District through the California Arts Commission. The purpose of the program is to cultivate authentic and sustainable cultural districts that reflect the breadth and diversity of California extensive cultural assets. Despite not being selected in the initial round of this inaugural program, Roseville remains well positioned for this welcome distinction.
- **Tower Theater**—In FY2018-19, the City will be issuing a new RFP for the operation of this city-owned cultural asset on Vernon Street. It has been a site for live theater, musical performances, film festivals, and community gatherings. The City's intent is to continue to actively engage and expand this treasured historical cultural and entertainment venue.
- **Revitalized Placer County Fairgrounds**—In partnership with Placer Valley Tourism, the City of Roseville worked hard to bring the vision of a refurbished, revitalized Placer County Fairgrounds to reality. From financing and development services, to public safety, utilities, and roads, the City of Roseville played a key role in its success. Updated and expanded venues, parking, and enhanced landscaping and roadway access are the start. Plans include construction of a facility that can host youth sports tournaments such as volleyball and basketball, adding to the economic and cultural strength of our city. Partnerships like this enhance civic amenities for our community and attract visitors from throughout the region and state.

City Manager's Budget Message

- **Downtown Programming**—The City has expanded programming in the Vernon Street Town Square to include events in the shoulder seasons, such as sing-a-long movie nights and cultural food events; and the City continues to bring new, local bands to the downtown. With about 250 events planned for the year, the City is intent on partnering more with local businesses and organizations to transition operation and programming responsibilities in the future.
- **Downtown Infrastructure Enhancement**—The City continues to implement the vision outlined and adopted in the Downtown Specific Plan, which calls for activation of the town square and infrastructure that will help draw people downtown. Funding has been secured for the construction of two new pedestrian bridges over Dry Creek, linking downtown and Royer Park. One to replace a bridge that was no longer safe, and one in a new location connecting Vernon Street Town Square to Royer Park with wider pathways and utility access that will allow vendors and activities to extend the town square venue over the bridge. The third downtown bridge, the historic Icehouse Bridge, will be rotated to better align with the bike and pedestrian trail connecting our city.

management has served us well through the tough times of the recession and the cost pressures that followed. This coming fiscal year will be a turning point as we focus on strategies to keep us on sound financial footing, including cutting services and finding new revenues. *EngageRoseville* was a comprehensive civic engagement effort that provided valuable input on priorities. We will continue to work in partnership with our community to support these priorities, and deliver desired service levels, through efficient and effective business models. This budget funds what we must fund as an organization, but it does not fund things that we should be funding or those items we would like to fund in order to meet community expectations and a changing business landscape. This is a dynamic time bringing both challenges and opportunities to our City. However, I am confident by working together with our community, council, and committed staff we will capitalize on opportunities and mitigate challenges positioning Roseville to weather the changes that come in the years ahead and remain a great city to live, work, and play in.



Dominick Casey
Acting City Manager

Looking Ahead

Knowing where our challenges lie is a critical first step in being able to address them. Roseville's tradition of sound fiscal

