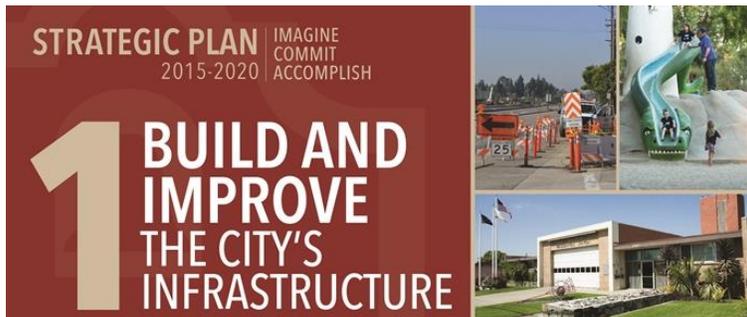


June 6, 2017

Subject: FY 2017-2018 ANNUAL BUDGET AND CAPITAL IMPROVEMENT PROGRAM

Honorable Mayor and Council Members:

We are pleased to submit for your consideration San Gabriel's proposed FY 2017-18 *Preliminary Budget* and the accompanying *Capital Improvement Program*.



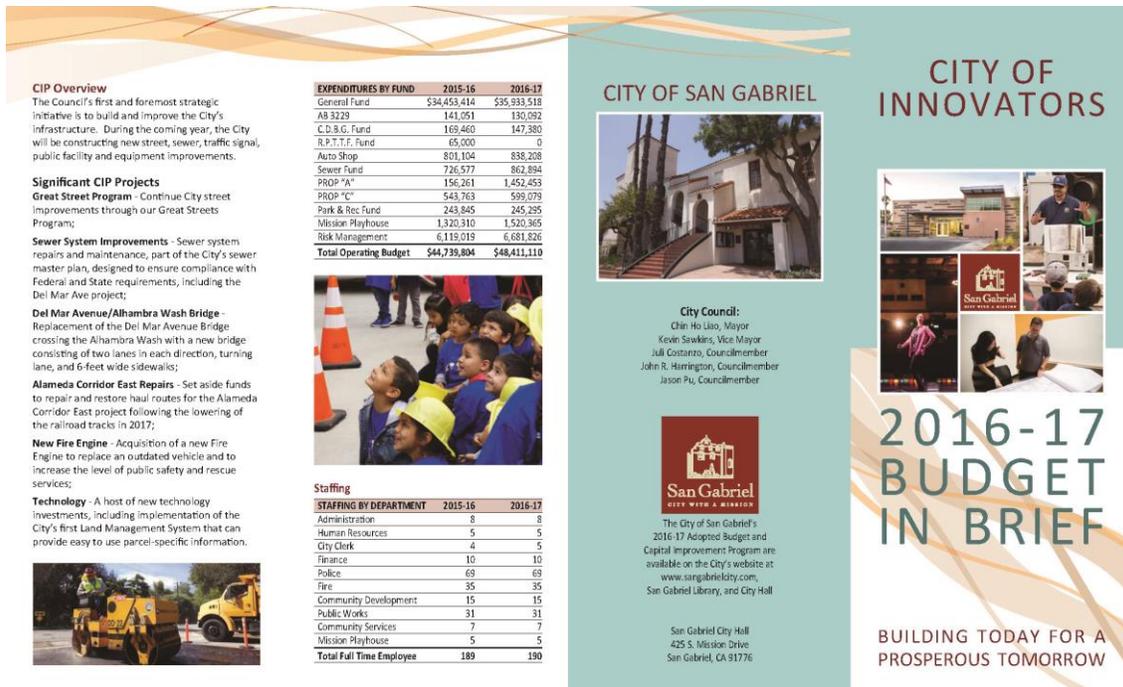
About This Budget and the City's Strategic Plan

As the Council's working blueprint for the year, the budget is the most critical component to implementation of the City's new, five-year strategic plan, adopted in 2014.

Since reinventing our budget process, the City has continued to increase its outreach and online access to data through the Finance Department's "Budget Central" and a professional budget input and outreach survey.

Performance objectives from the strategic plan document will continue to appear in the annual budget, which will increasingly include measurement data that the City is developing to show the community how its dollars are being spent. This year's City budget document will continue the process of making the data in the budget more accessible and understandable to our residents, businesses and visitors.

Thank you to Finance Director Tom Marston and his staff for their efforts. We invite your input so we can plan future improvements.



Above: The City's FY16-17 budget summarized in a colorful tri-fold brochure, from which this image was taken.

Overview of the Budget

Your budget, captured in a diagram on page 1, includes total proposed revenues of \$55,355,395 and expenditures of \$54,760,323. Of those expenditures, \$47,948,520 is the City's operating budget, and the remaining \$6,811,803 is this year's capital improvement and special projects (streets, sewers, and other critical infrastructure that the Council has assigned as its top priority).

Both revenues and expenditures have decreased slightly from the previous fiscal year budget. Revenues have decreased by \$3,801,367 (6% decrease) and expenditures by \$1,705,703 (3% decrease).

The budget funds 194 full-time employees (up from last year's 190). As presented here, the general fund is balanced and has an estimated available reserve of \$3,427,510, roughly between 9%-10% of the general fund's operating budget. The dissolution of the tri-city fire shared command consequently affected the available reserve for FY17-18.

While the budget maintains operations at their current level, it does not completely address forces outside our direct control such as the increasing costs of liability insurance, health care and other benefits, for which the Council must continue to monitor developments at the State and local levels, as these continue to affect our ability to fund and provide critical services.



Above: The City's strategic plan is summarized in a colorful tri-fold brochure, from which this image was taken.

Strategic Plan Initiatives

We will continue to fund the same level of services provided this past year, with a few notable additions. These include implementation of the following key strategic plan initiatives:

Build and Improve the City's Infrastructure

- **Street and sidewalk infrastructure**, including multiple street paving and improvement projects.
- **Sewer division improvements**, including an additional sewer maintenance leadperson to help complete the City's funded infrastructure projects.
- **Enhanced stormwater management**, including a new stormwater management division to closely monitor and manage the City's stormwater infrastructure.

Generate Economic Development by fostering a business-friendly environment

- **Improved business action plan**, including a new kiosk at City Hall to allow residents, businesses and developers the opportunity to "self serve", improving their overall experience.
- **Increased building inspections services**, including new expedited inspection services to meet increased inspection demands.

Make Service Excellence a Cornerstone of the San Gabriel Experience

- **Increased Code Enforcement (NIS)**, including a new senior NIS officer and combining the NIS division with the Building and Safety Division to better manage its services.
- **Implementation of the fourth phase of the City's technology master plan**, including moderate technology upgrades needed to the City's underlying technological infrastructure.
- **Enhanced passport services**, including modifications of personnel and equipment to increase the ability to process passports five days per week.

Engage the Community to Foster Civic Pride and Ownership

- **Increased personnel for arts and community engagement**, including a new development/special projects coordinator to generate more revenue for the City's arts programs and accommodations for new programs such as Cinco de Mayo.
- **Historic preservation**, including funding for a new Historic Context Report to identify the architectural and cultural themes occurring within the community.

Overview of the Capital Improvement Program

The Council's first and foremost strategic initiative is to *Build and improve the City's infrastructure*. As you review this budget, you will simultaneously consider this year's update of the five-year capital improvement program. The portion of that five-year program allocated in this year's budget is \$6,811,803.

During the coming year, the City will be constructing:

- Approximately \$3.5 million in **new street improvements**;
- Approximately \$1.3 million in **sewer improvements**, and
- Approximately \$640, 000 in **traffic signal, facility and equipment improvements**.

This ambitious and challenging program includes:

- **Del Mar Avenue/Alhambra Wash Bridge - \$200,000**
Replacement of the Del Mar Avenue Bridge crossing the Alhambra Wash with a new bridge consisting of two travel lanes in each direction, turning lane, and 6-foot wide sidewalks;
- **Sewer System Improvements - \$1,380,000**
Sewer system repairs and maintenance, part of the City's sewer master plan, designed to ensure compliance with Federal and State requirements (and including the Del Mar Avenue project noted above);

- **Great Streets Program - \$1,566,000**
Continue City street improvements through our Great Streets Program;
- **Intersection Safety Improvements - \$526,700**
Install crosswalk enhancements and protected left turn phasing at existing signalized intersections.
- **New Rescue Ambulance - \$200,000**
Acquisition of a new rescue ambulance vehicle to replace an outdated vehicle and to increase the level of public safety and rescue services;
- **Technology - \$267,791**
A host of new technology investments, including implementation of the City's first Land Management System that can provide easy to use parcel-specific information.

This year's budget process continues to include public participation opportunities surrounding the Capital Improvement Program. The companion Capital Improvement Program book provides more detailed information about each specific capital project that the City plans to accomplish within the next five years.

The Planning Commission will review the Capital Improvement Program at its meeting on June 5, 2017.

Key Legislative Issues

The key issue affecting the City, and addressed by the League of California Cities:

- **Transportation Program and Infrastructure Funding**
We have been concerned about the funding for the City's streets and roads, as well as local transit programs. A substantial amount of additional funding is needed to make a significant improvement in transportation programs and infrastructure. In FY17-18, the City is expected to receive funds from SB1 and Measure M to address this issue. The pending implementation of SB1, which funds road improvements statewide, may help San Gabriel significantly, but will not by itself be sufficient to meet all our needs. The Council will continue to make this subject a priority, and progressively use other funds to address this issue.



Special Funds

The majority of the Special Revenue funds are substantively unchanged from the prior year,

with a few exceptions.

- The **Measure R Fund** has received proceeds from a loan in the amount of \$3.8 million. The proceeds of this debt will be used to improve the City's street infrastructure, Del Mar Avenue from Mission Road to the I-10 Freeway.
- The City's **Successor Agency Fund** and **Internal Service Funds** largely continue this year on a status quo basis. As the successor to the former redevelopment agency, the City is responsible for winding down its existing obligations and liquidating its assets. An Oversight Board is guiding the Agency's dissolution and will oversee the repayments and implementation of projects already underway. We anticipate that the final obligation that the Successor Agency will eliminate is the remaining amount due to the City for advances that it had made to the Redevelopment Agency. This last enforceable obligation may take up to two more years to be liquidated.

Strategic Planning and Accountability

In 2014, the Council adopted City's first true strategic plan, which has played a vital role by integrating and spearheading this budget. This budget moves the City toward greater accountability by including improvements on its units of measure, key performance indicators, and outcomes where applicable.

This year I will conclude eight years as San Gabriel's City Manager, but none of our accomplishments would be possible without the support and guidance of an extraordinary City Council, a dedicated executive team, and talented employees who make it a pleasure to work in this organization. I thank all of you for your contributions, and look forward to a tremendous year ahead.

Respectfully submitted,

Steven A. Preston
City Manager