



FISCAL SUSTAINABILITY STUDY

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FISCAL SUSTAINABILITY STUDY

- Overall, the City is in **“GOOD” FISCAL HEALTH**
- Balanced General Fund Budget FY 2015/16 & FY 2016/17
- Sound Financial Policies
- Financial strategic planning important role in maintaining fiscal sustainability
 - Forecast long-term challenges
 - Proactively strategize for these challenges
 - Minimize impacts to services



FISCAL SUSTAINABILITY STUDY

Agenda

- Purpose of Study
- Historical Timeline
- Background
- Areas of Focus
- Potential Strategies
- Summary

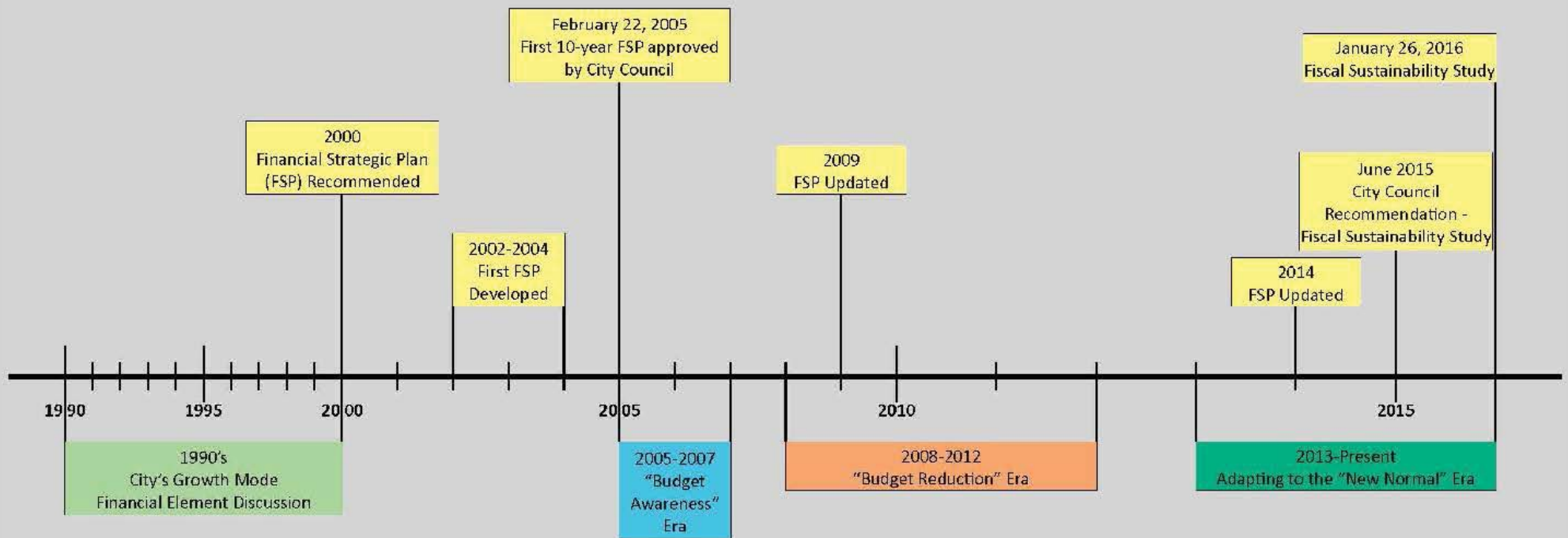


PURPOSE OF FSP/FSS

- Strive to be a government that is:
 - Fiscally responsible
 - Proactive
 - Strategic
 - Long-term vision and focus
 - Transparent
 - Effective and efficient in service delivery



HISTORICAL TIMELINE



RECENT HISTORY

Highlight of “Budget Reduction” Era Strategies 2008-2013:

- General Fund/Library Fund Expenditure Reduction
 - \$5.8M Between FY 2008-09 & FY 2012-13
- Salaries and Benefits
 - Position Reductions (108)
 - Salary Freezes
 - Employees paying full 7% PERS
- Police Reverse Contract
- User Fees review & Full Cost Allocation
- Brainstorming Action Group

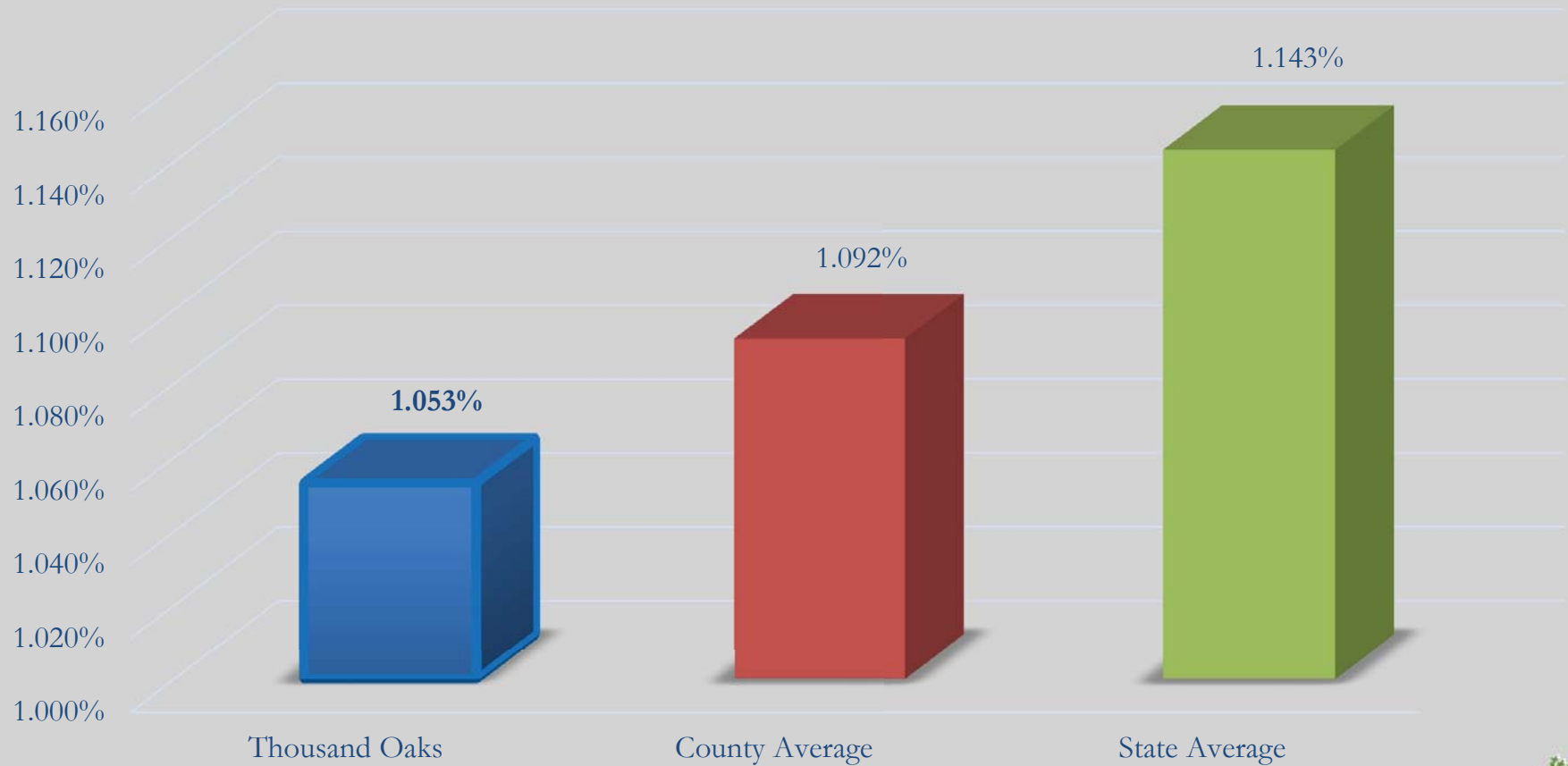


FSP UPDATE

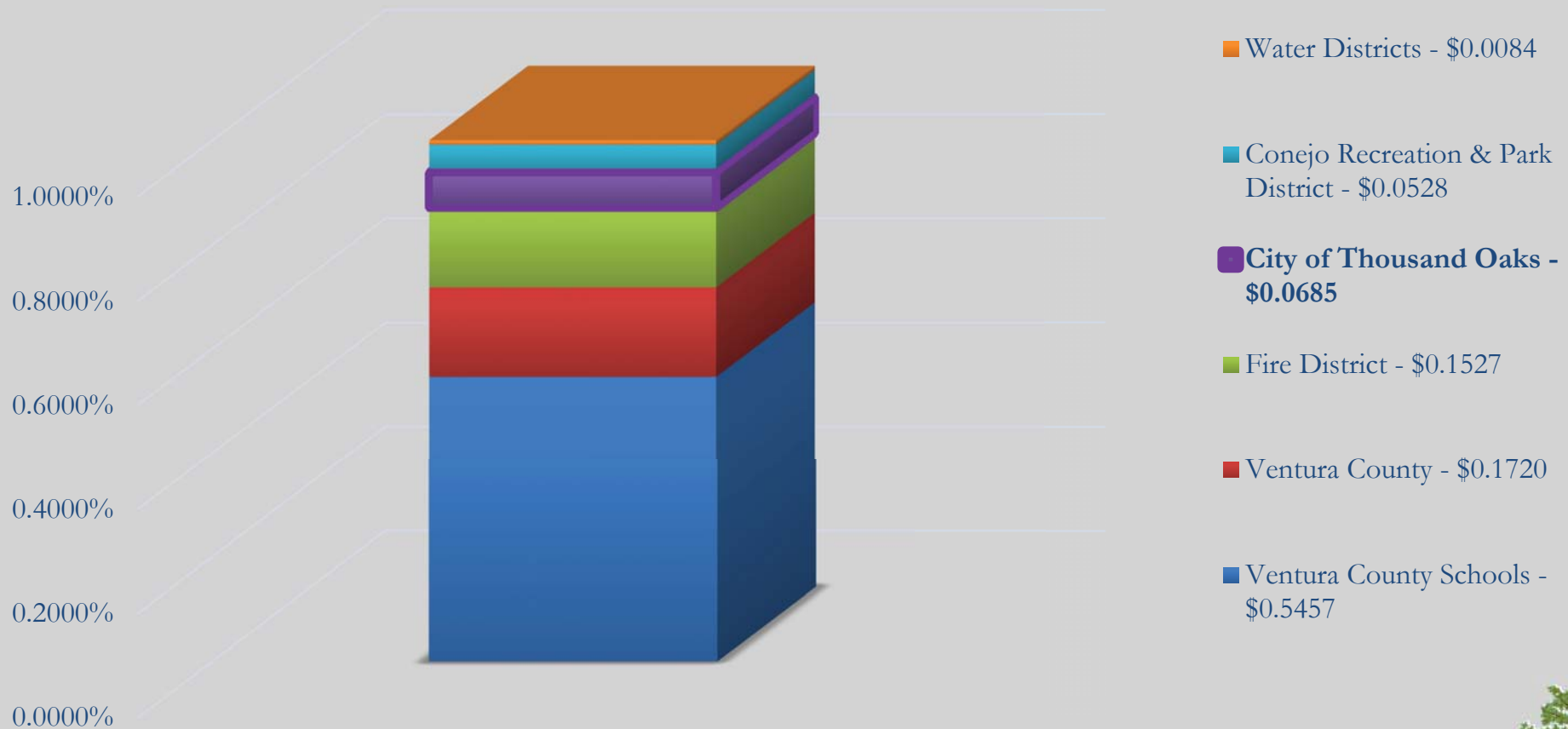
- 2014 FSP identified several focus areas
 - Immediate
 - Long-term
- City Council Recommendation with FY 2015-2017 Budget
- City Council FY 2015-16 “Top Ten Priority”
 - Fiscal Sustainability Study



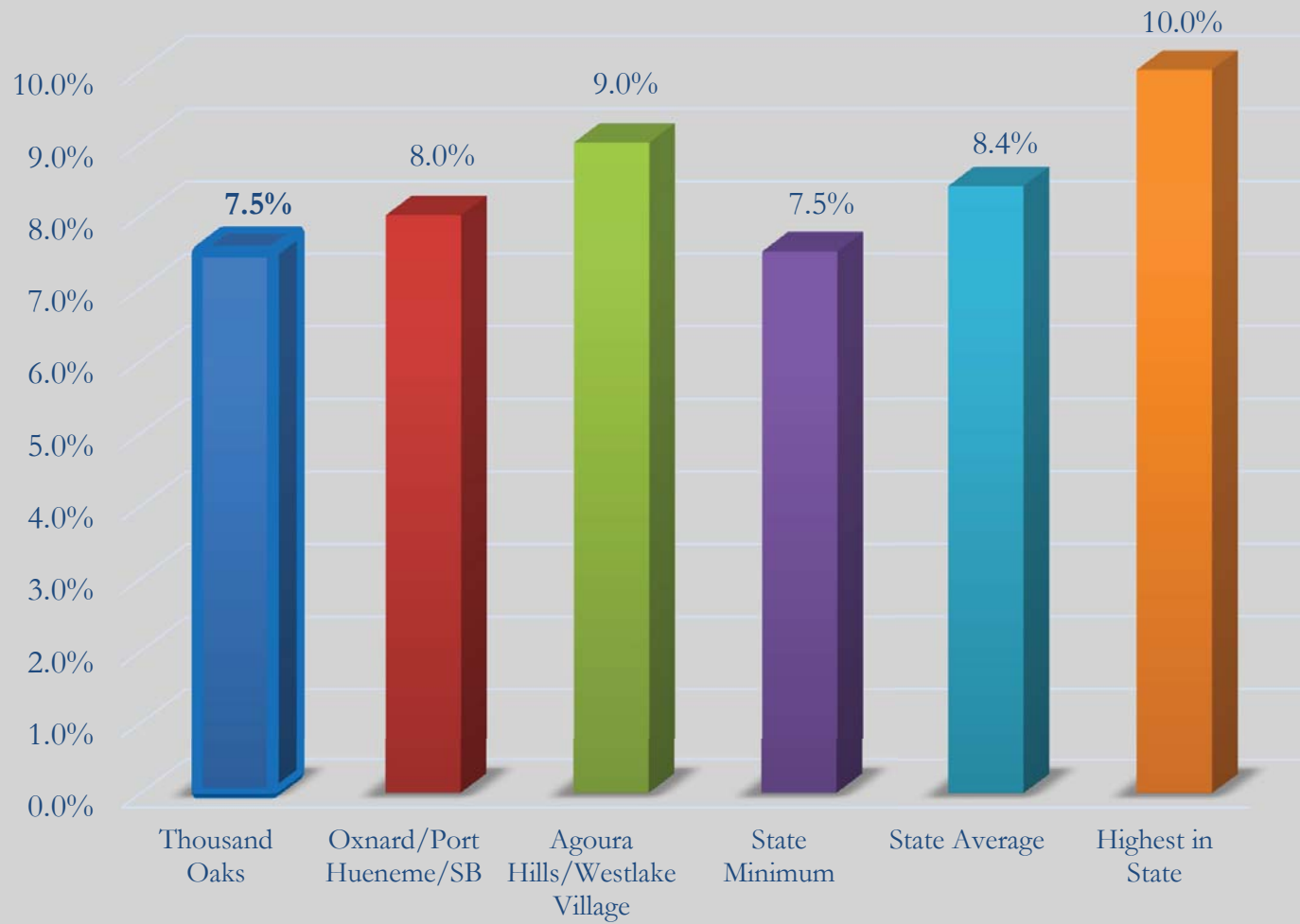
LOW TAX CITY – PROPERTY TAX RATES



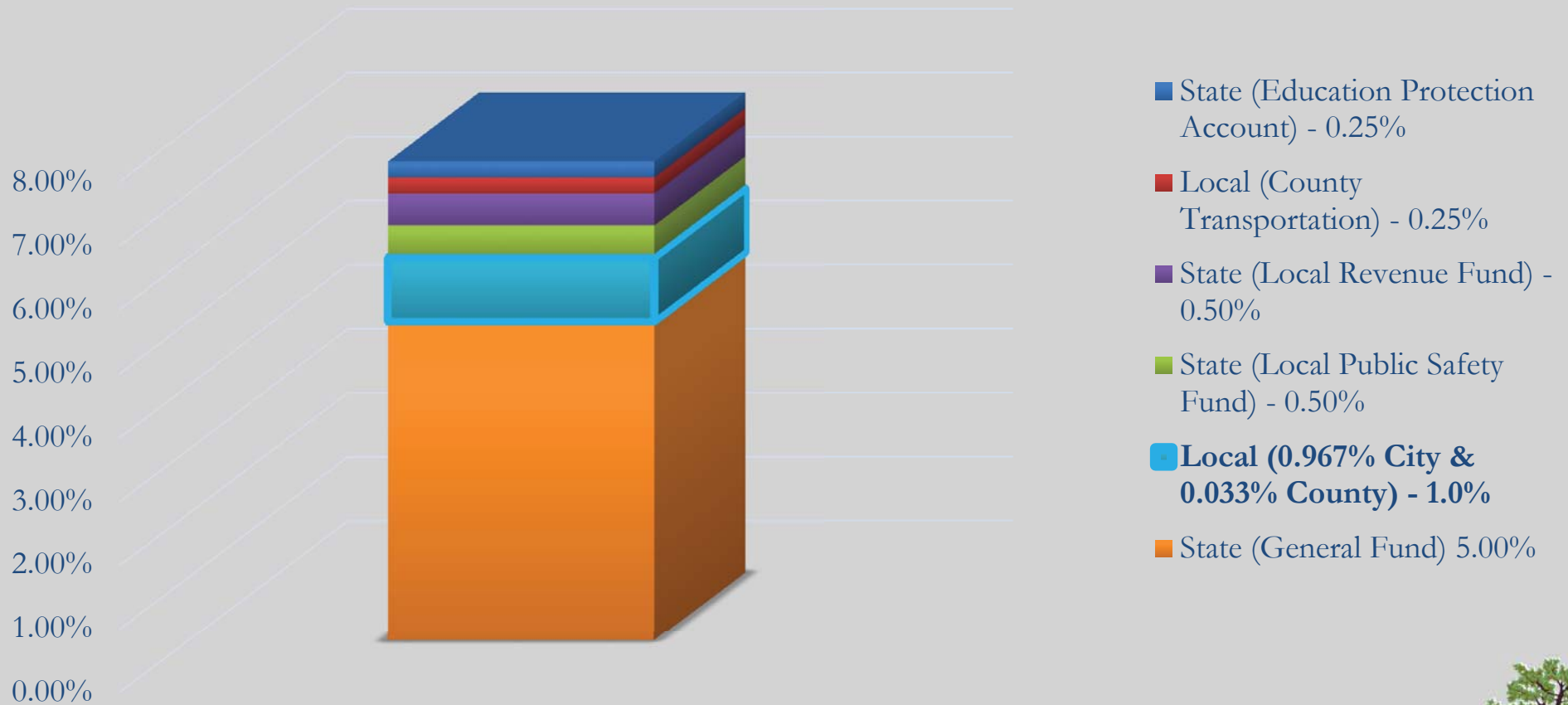
1% PROPERTY TAX ALLOCATION



LOW TAX CITY - SALES TAX RATES



7.5% SALES TAX ALLOCATION – 7/1/15



FSS FORMAT

Report format:

- Review of the process
- Identification of Immediate Challenges and Options
 - Streets Funding
 - Street Lighting and Traffic Signal Lighting Funding
 - Stormwater Funding
- Immediate Challenges Summary



REPORT FORMAT

Report format cont'd:

- Identification of Long-term Challenges and Options
 - General Fund Fund Balance
 - Landscaping Funding
 - Solid Waste Funding
- Long-term Challenges Summary
- Overall Summary & Direction



REVIEW OF THE PROCESS

- July & August 2015 Staff Analysis
 - Significant staff time across the organization
 - Mini “Brainstorming Action Group”
- September 10, 2015 Finance/Audit Committee Meeting
 - Initial findings presented
 - Direction on options presented
- January 11, 2015 Finance/Audit Committee Meeting

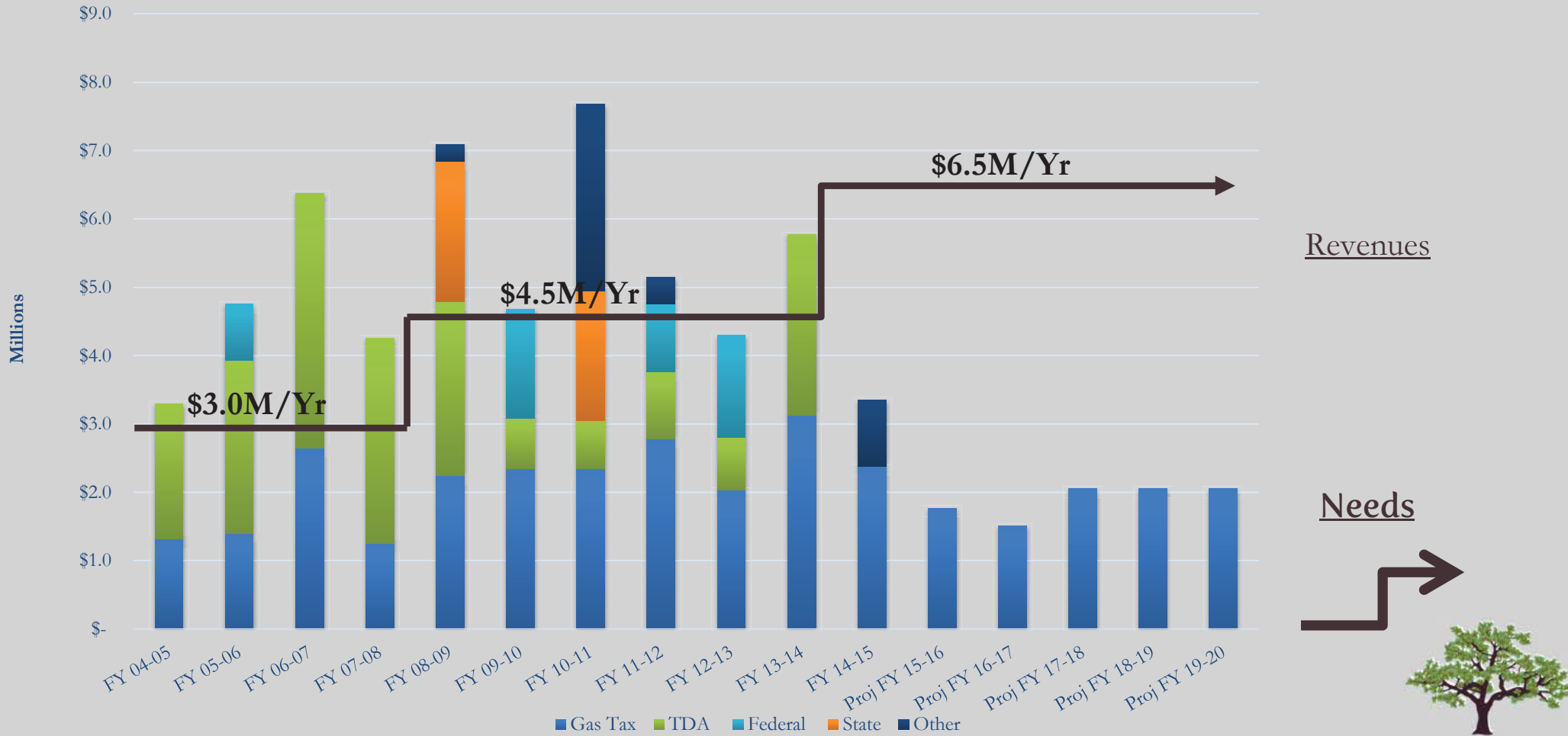


IMMEDIATE CHALLENGES - STREETS

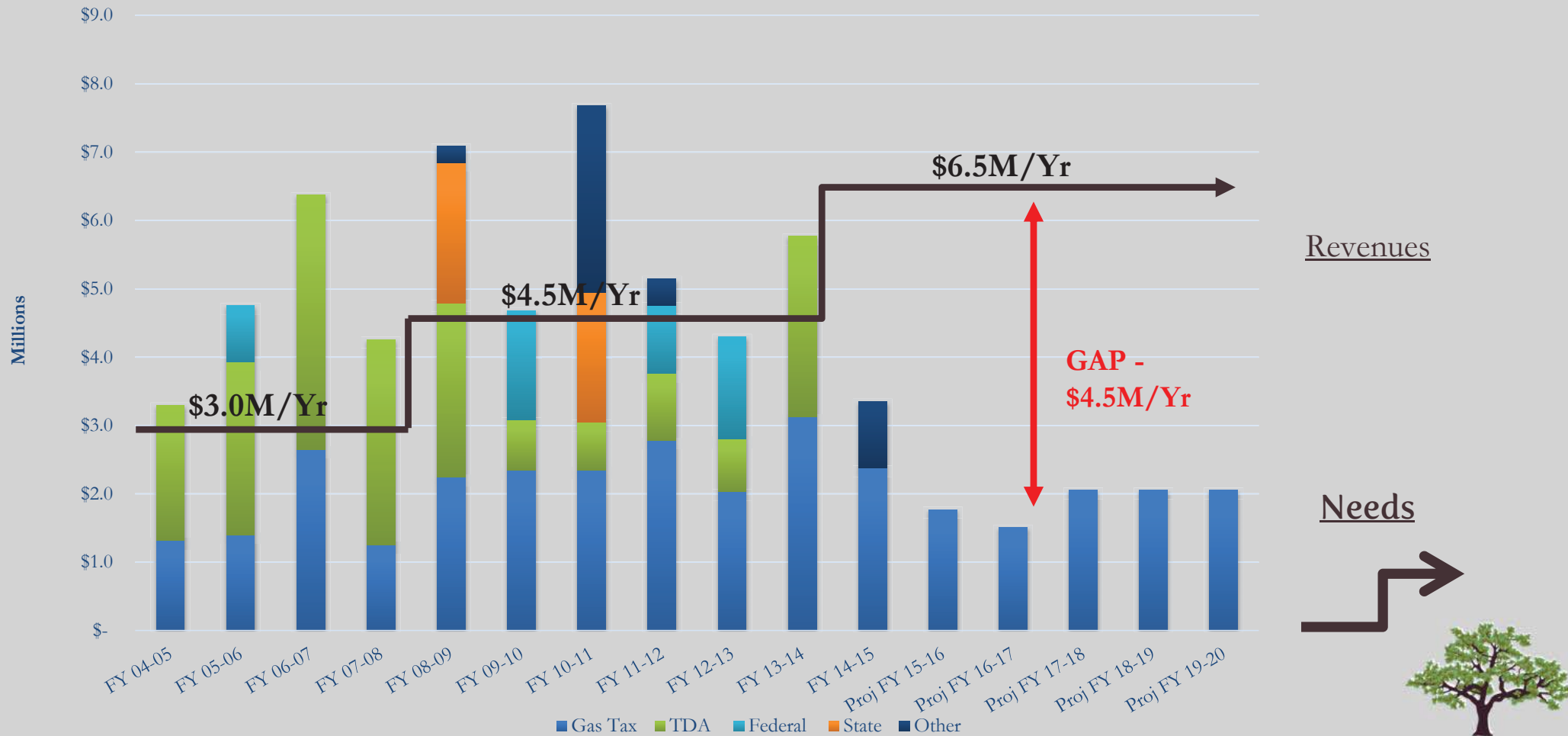
- **Improvement and Maintenance of Street and Road Infrastructure - \$10M+ FY 15-16 and FY 16-17**
 - TDA funding for streets eliminated
 - RDA funding eliminated
 - Grant opportunities diminished
- Gas Tax revenue significantly declining
 - Most recent revenue estimates are 25% under FY 16-17 budget



PAVEMENT MAINTENANCE NEEDS



PAVEMENT MAINTENANCE NEEDS



STREETS FUNDING - STRATEGIES

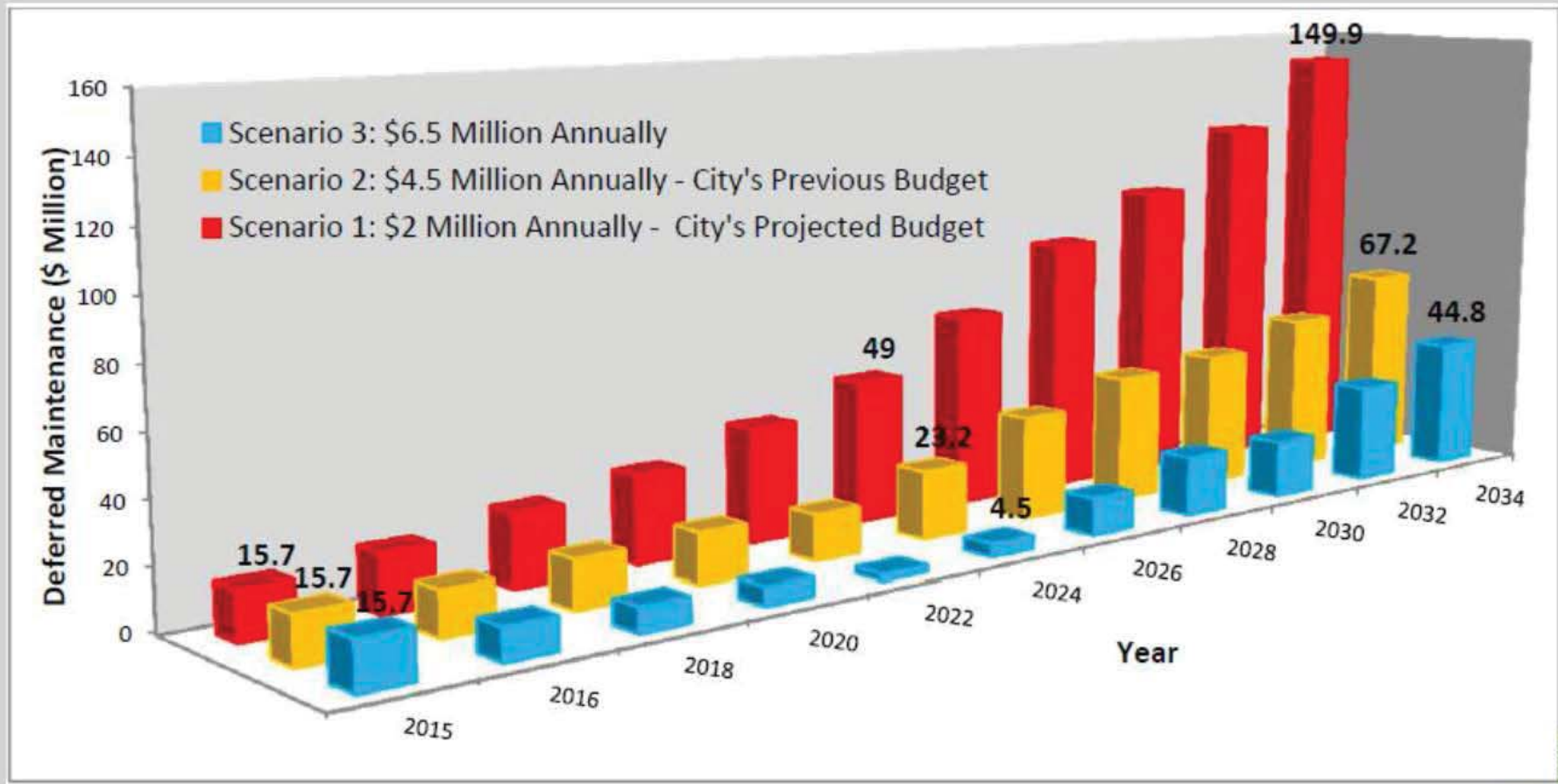
- Defer Maintenance - \$6.5M
- Pavement Preservation Treatments – savings varies
- In-lieu Fees from Refuse Haulers/Transit - \$1.0M
- Street Assessment District - \$4.5M (avg \$104/parcel)
- General Sales Tax Measure - \$14M (1/2 cent)

Not under City's control:

- State Fix Our Roads Coalition - \$6.0M for City
- Governor's Proposed Transportation Legislation - \$2.1M for City
- County Transportation Sales Tax - \$4.0M for City



COST OF DEFERRING MAINTENANCE

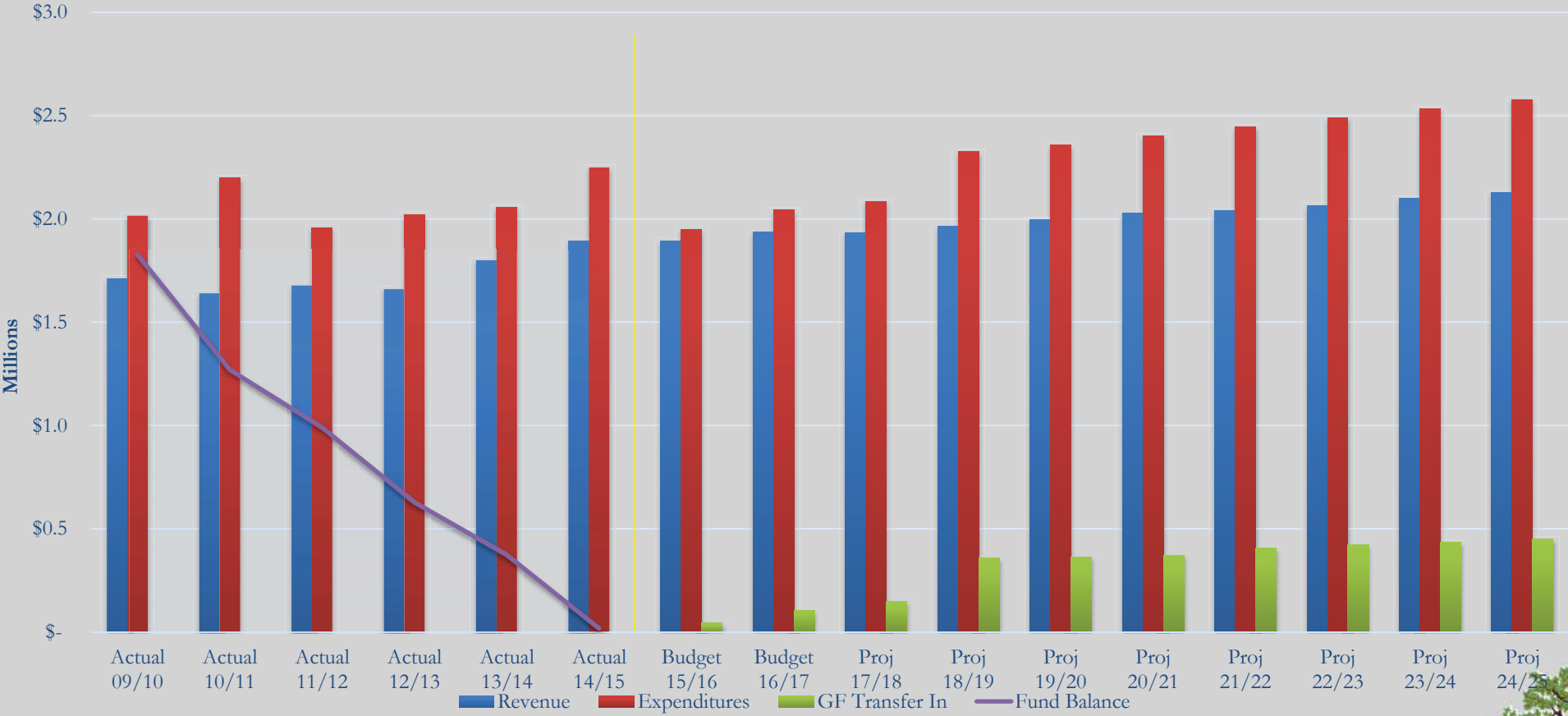


IMMEDIATE CHALLENGES - LIGHTING

- **Operations and maintenance of street lights and traffic signals - \$0.4M annually**
 - FY 14/15 ending fund balance of \$18K
 - Expenditures exceed revenues
 - Lighting assessment capped at 3% increase per year
 - General Fund support required for first time in FY 15/16



LIGHTING FUND PROJECTIONS



LIGHTING FUND - STRATEGIES

- Eliminate Battery Back-up for Signals - \$11K
- Turn Off Half of Residential Street Lights - \$165K
- Perform Maintenance In-house - \$80K
- Re-ballot Lighting District - \$0.5M
 - Currently ~\$14/parcel
 - Increase to \$31/parcel to eliminate GF & Dev Fee support
 - Requires vote with 50.1% approval



IMMEDIATE CHALLENGES - STORMWATER

- **Stormwater Permit Compliance Costs - \$0.5M**
 - Renewal of permit expected to increase permit compliance costs
 - Development of new enhanced watershed management plan
 - Expanded water quality monitoring
 - Capital costs for capture and infiltration of storm runoff
 - Already receives General Fund support



STORMWATER FUND PROJECTIONS



STORMWATER FUND - STRATEGIES

- Minimum Permit Compliance - \$0.1M

Options Not Under City's Control:

- Increase in Reclaimed Water Revenue - \$100K (not ongoing)
- Re-ballot Stormwater District
 - Double rate ~ \$173K
 - Requires County approval



IMMEDIATE CHALLENGES GAP

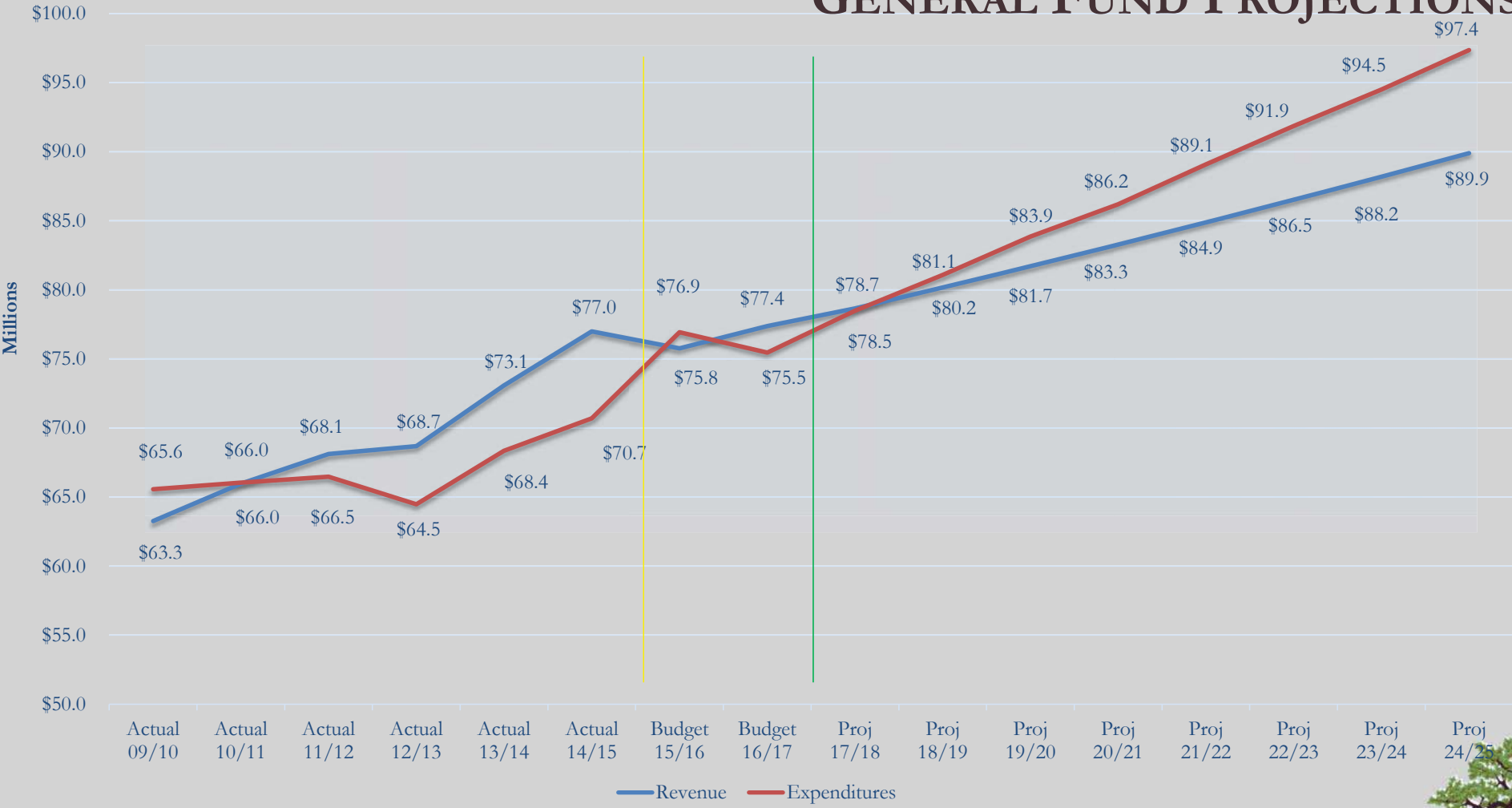


LONG-TERM CHALLENGES – GENERAL FUND

- Projected Declining General Fund Fund Balance in FY 18/19
 - Increasing to \$7.5M in FY 24/25
 - Impacts services and operations
 - Impacts ability to support other funds
 - Impacts ability to fund capital projects



GENERAL FUND PROJECTIONS



GENERAL FUND - STRATEGIES

Potential Revenue Enhancements

- New Economic Development – up to \$1M dependent upon developments
- Sale of Existing Property - varies
- User Fees – 100% Full Cost Recovery \$3.7M
- TOT - \$360K per 1%
 - Currently set at 10%
 - Median state rate is 10%
 - Maximum rate is 15%



GENERAL FUND - STRATEGIES

Potential Revenue Enhancements – cont'd

- Business License - \$36K for 2% CPI increase
- Library Parcel Tax - \$20/parcel = \$900K
 - Based on 45,000 parcels
- Utility User Tax - \$3.0M for 5%
 - Average rate 5.4%
 - Calculated based on Edison and So. Cal. Gas only
- Sales Tax - \$14M per ½ cent



LONG-TERM CHALLENGES - STRATEGIES

Potential Expenditure Reductions

- People Strategy/Organizational Restructuring
- Process Improvements/Efficiencies
- Technology/Automation
- Service Level Reductions
- Private/Public Partnership Opportunities



BACKGROUND

Strategies Implemented cont'd

- Process Improvements/Efficiencies/Technology
- Service Level Reductions
- Privatization of Services (Street Sweeping)
- Deferred Maintenance of Facilities/Infrastructure
- Deferred/Canceled Future Capital Improvement Projects
- Suspension of Open Space Contribution/Sports Facilities & Social Services Grants



LONG-TERM CHALLENGES - LANDSCAPING

- **Operations and capital improvements of landscaping within the LLAD - \$0.8M**
 - Expenditures exceed revenues
 - Fund balance expected to cover deficit for next few years
 - Major expenditures for contract maintenance, water, and payroll



LANDSCAPING FUND PROJECTIONS



LANDSCAPING FUND - STRATEGIES

- Drought Tolerant Landscaping - \$320K
 - 25% water conservation
- Defer Tree Trimming - \$50K
 - Long-term costs could increase
- Staffing Reduction - \$89K
- Re-ballot Landscape District
 - \$200K increase = 6%
- Defer Capital Improvements - \$200K

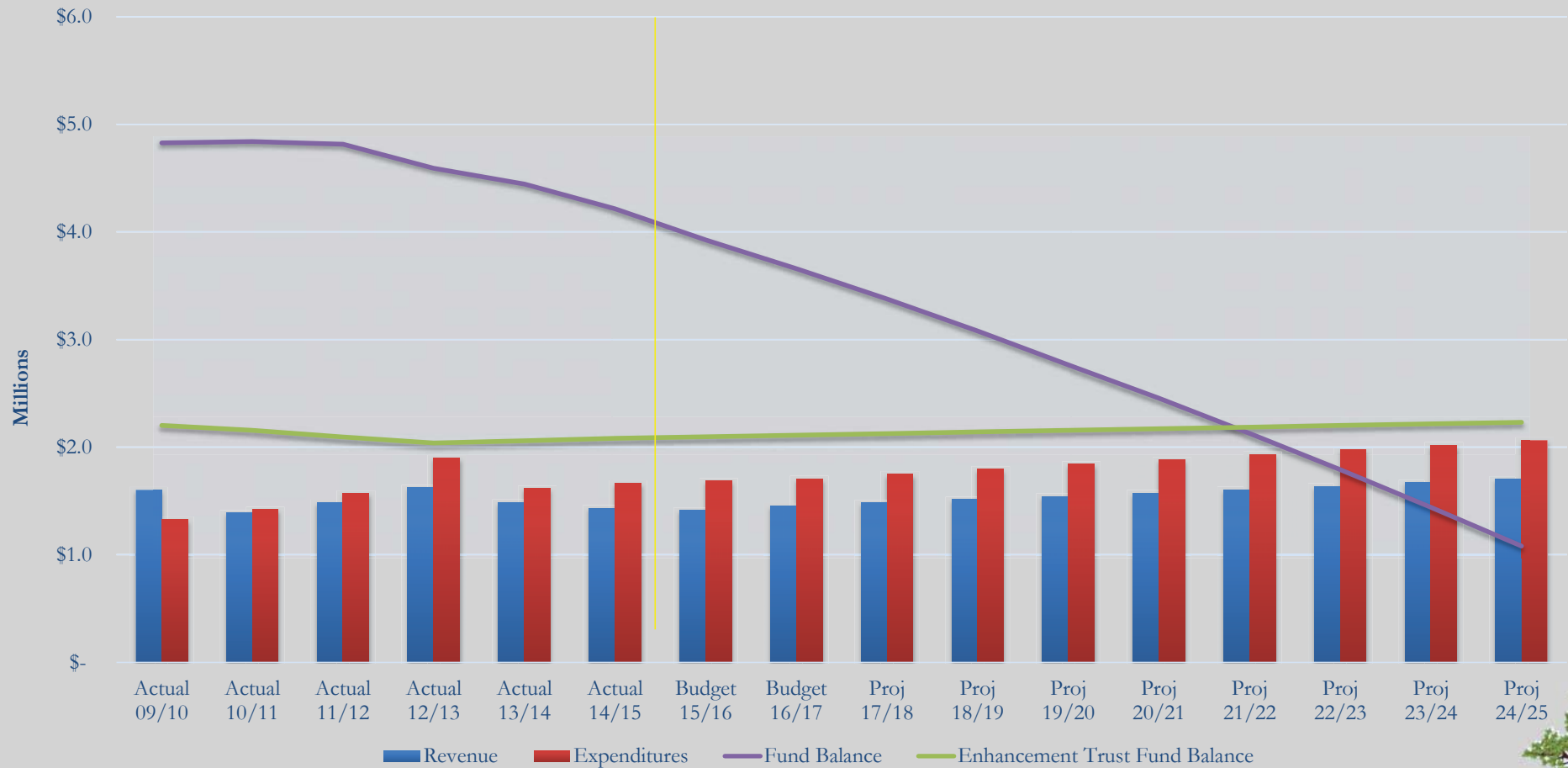


LONG-TERM CHALLENGES – SOLID WASTE

- **Operations of Solid Waste Program - \$0.3M**
 - Expenses exceed revenues
 - Adequate fund balance projected to cover deficit
 - Solid Waste Enhancement Trust Fund \$2.0M



SOLID WASTE FUND PROJECTIONS

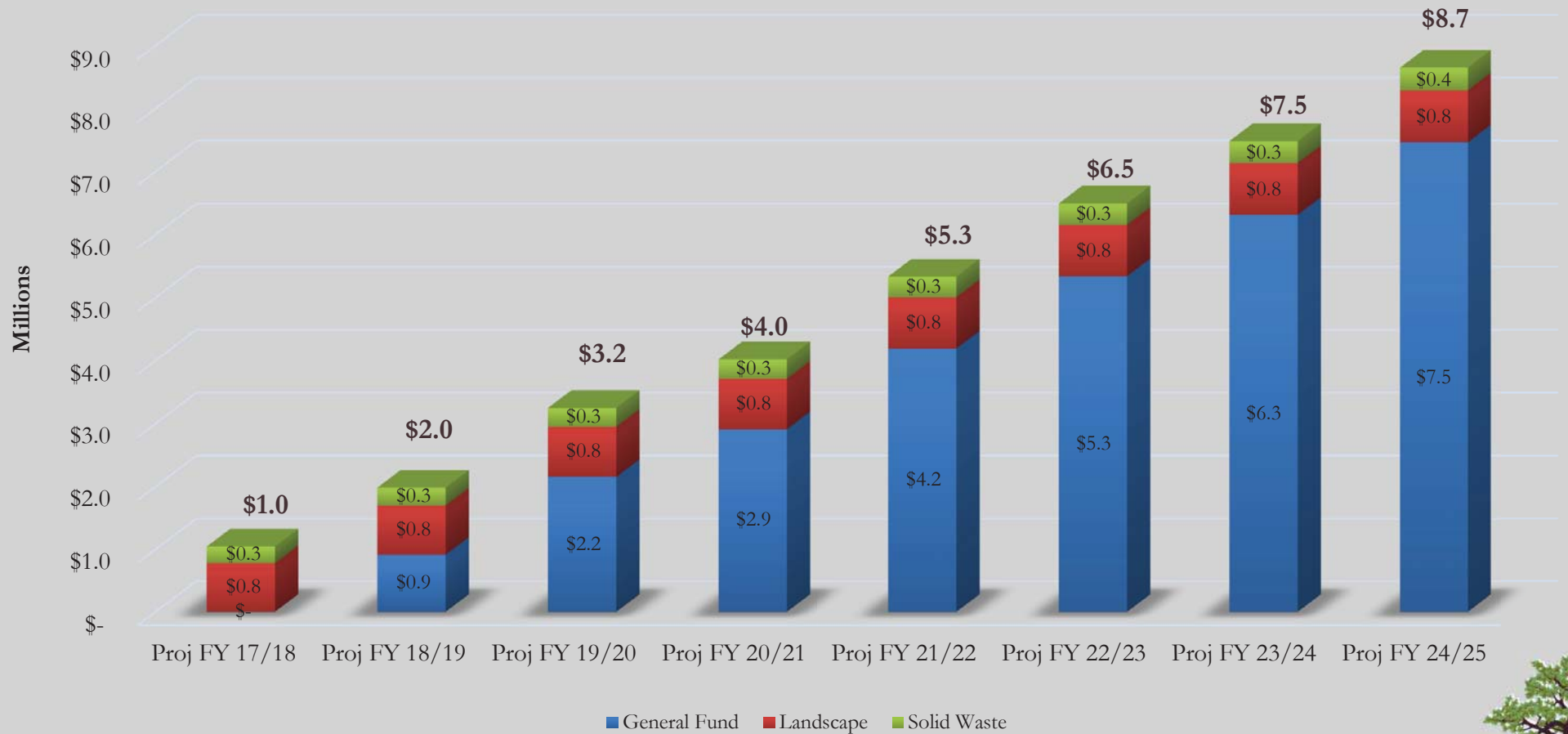


SOLID WASTE FUND - STRATEGIES

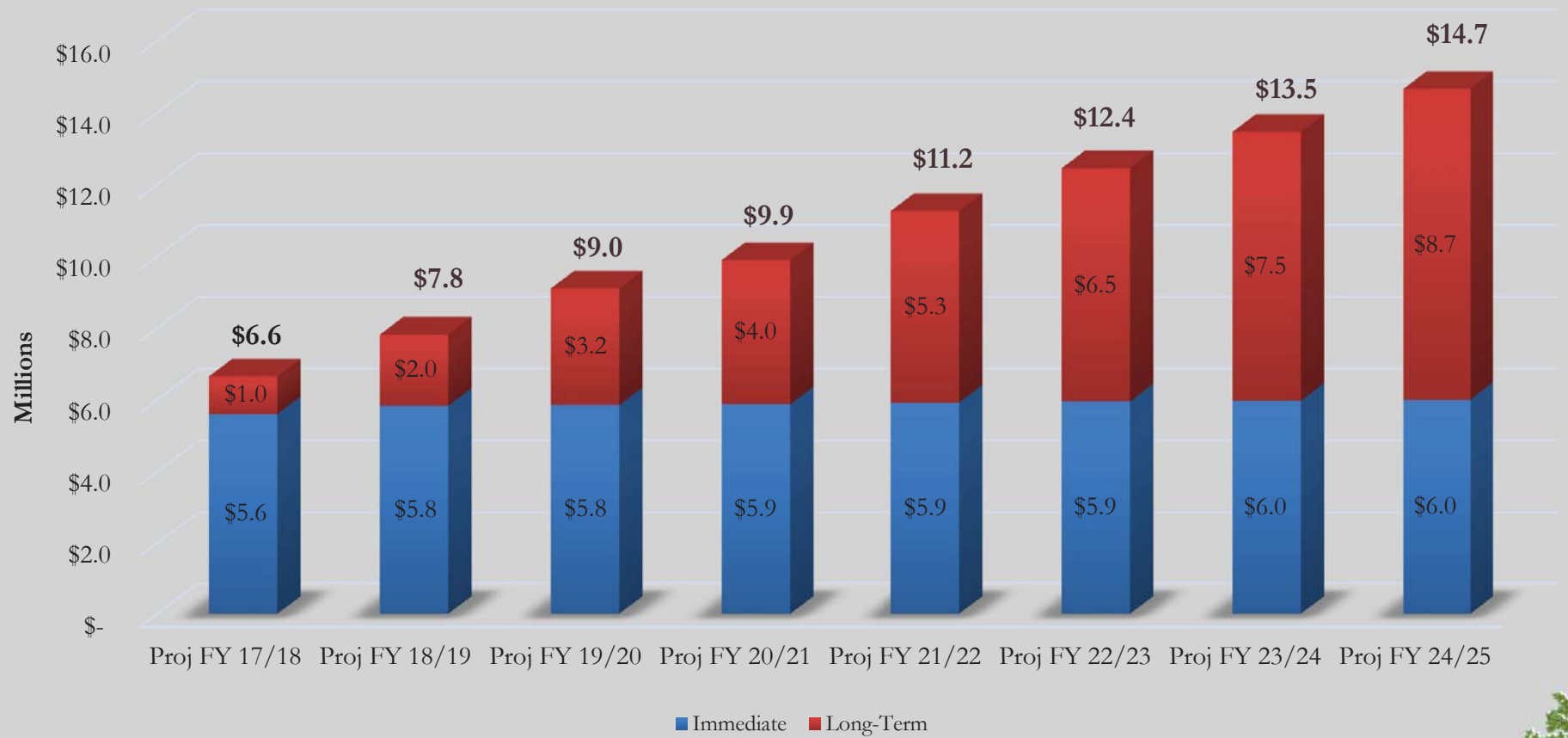
- Fee Adjustments - \$320K
 - Solid Waste Management Fee
 - HHW Fee for Non-City Participants
 - Business Disposal Fee
- Evaluate Contract Staffing - \$46K
- Staff HHW In-house - \$28K **Increase**
- Reduce HHW Operating Hours - \$45K
- Reduce City Special Events - \$49K
- One-time Transfer of Enhancement Funds - \$2.0M



LONG-TERM CHALLENGES GAP



TOTAL CITYWIDE FUNDING GAP



FISCAL SUSTAINABILITY STUDY SUMMARY

- **City is in Good Fiscal Health**
- Important Exercise in Long-term Financial Management
- Staff has researched many options, both revenue enhancements and expenditure reductions
- Key to Success
 - Proactive and Long-term Planning
 - Understanding decisions today impact us well into the future



RECOMMENDATION

- Provide direction to develop a process to establish recommendations/options necessary to ensure long-term fiscal sustainability of the City

