



THE CITY OF
SAN FERNANDO



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MEASURE A: ANNUAL REPORT

SEPTEMBER 18, 2017

PRESENTED BY:
NICK KIMBALL
FINANCE DIRECTOR



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LEGAL REQUIREMENT

Chapter 82, Article V, Section 82-132 of the San Fernando City Code states:

On or before each anniversary of the operative date, the city shall complete a study and produce a report reviewing the collection, management and expenditure of revenue from the proposed tax and shall present a report explain[ing] and providing an overview of the same at an open and public meeting of the City Council. This report shall be a public document.



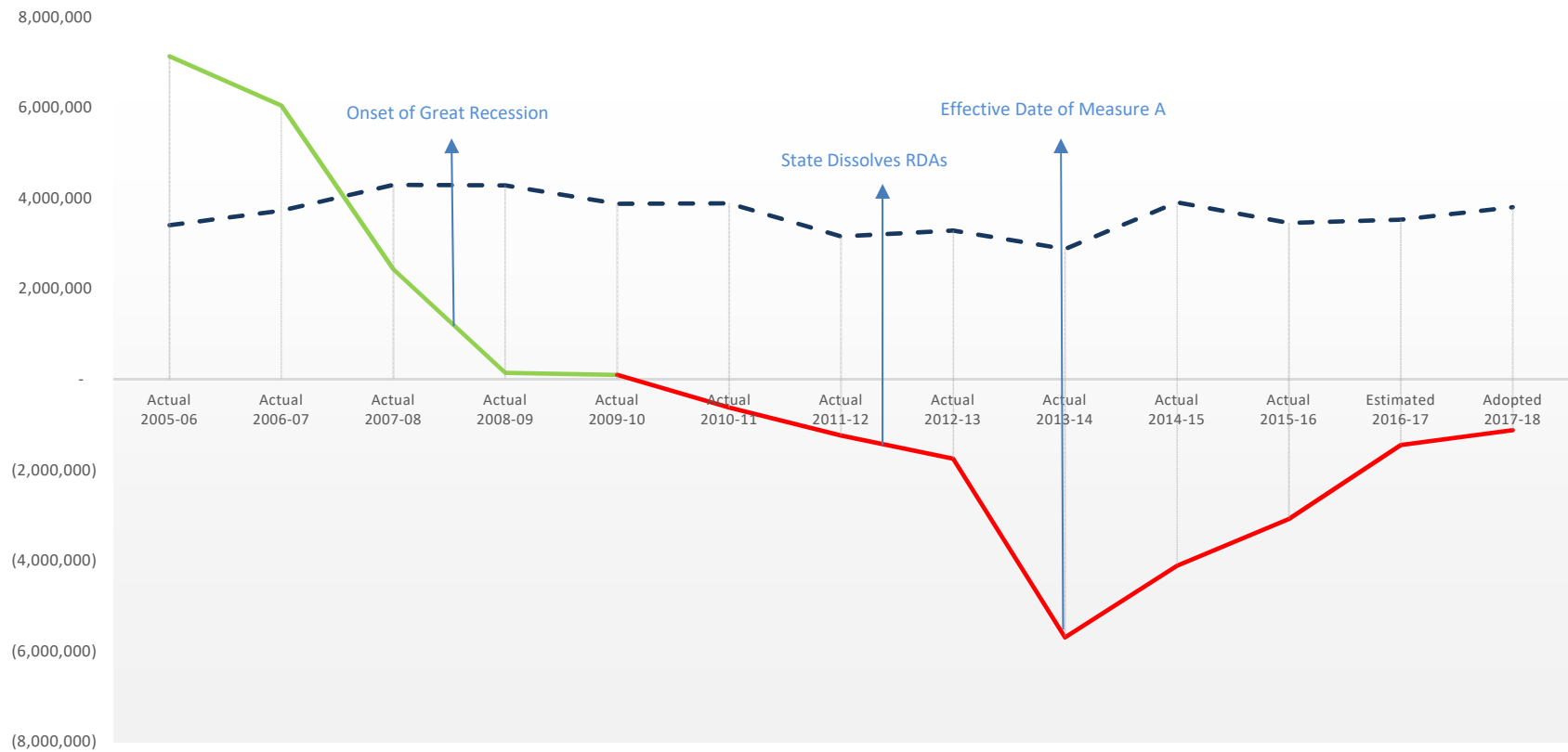
BACKGROUND

- **Dramatic reduction in Fund balance between FY 2005-06 and FY 2010-2011.**
 - City over-extended itself in expenditures.
 - Reduction in revenues due to “Great Recession.”
 - Further reduction in revenues due to elimination of RDA.
- **To reduce expenditures, reduced training and professional development, froze vacant positions, implemented layoffs and furloughs.**
- **Declared fiscal emergency in FY 2012-2013 and held a special election on June 4, 2013 to vote on ½ cent sales tax measure to raise revenue (approved by 60%).**
- **Tax is temporary and sunsets on October 1, 2020.**



BACKGROUND

General Fund Balance - 12-year History





COLLECTION

- **City began collecting ½ cent Transaction Tax on applicable transactions on October 1, 2013.**
- **FY 2016-2017 actual revenue was \$2,464,287.**
 - 11% increase from FY 2015-2016.
- **Sales tax to Transaction tax ratio was 57.8%.**
 - Key metric to measure compliance.
 - >50% indicates high compliance by local businesses.
- **Since October 1, 2013, Measure A has generated \$8,119,982 in additional revenue.**
- **Projected to raise more than \$7 million over the remaining 3 years.**



MANAGEMENT

- **Measure A revenues are tracked in a separate account on the General Ledger.**
- **Quarterly meetings with private firm (HdL) that specializes in monitoring tax receipts.**
 - Assist in identifying, correcting, and recovering allocation errors and submit case documents with BOE.
- **Quarterly Sales Tax information available on City's website (www.sfcity.org).**
 - Under Financial Documents section on Finance Department Page.



EXPENDITURE

- **Measure A is a temporary tax that will sunset on October 1, 2020.**
- **Prudent to treat Measure A funds as one-time funds used for non-recurring expenditures, including:**
 1. Establish General Fund, Self-insurance, Equipment Replacement, and Facility Maintenance reserves
 2. Pay off existing debt
 3. Eliminate negative Grant/Special Revenue fund balances
 4. Replace outdated technology/telecomm infrastructure
 5. Fund capital projects to address deferred maintenance to City streets and facilities



EXPENDITURE

In FY 2016-2017, Measure A funds were used for:

<i>Repayment of Debt</i>		<i>One-time Projects</i>	
Repay Retirement Fund	250,000	Replace Mobile Data Terminals	120,000
Repay Sewer Fund	50,000	Replace one Police Unit	40,000
Repay Water Fund	50,000	Implement City Council Priorities	31,250
	350,000		191,250
<i>Establish Reserves</i>			
Self Insurance Fund	581,356	Deficit reduction	1,022,385
Equipment Replacement	165,565	Subsidize Street Lighting District	50,000
Facility Capital Fund	103,731		1,072,385
	850,652		
		Total Measure A Uses	2,464,287



DEFICIT REDUCTION PLAN

Staff has worked with City Council to implement a multi-year plan to eliminate the General Fund deficit.

Over last 3 years, City has:

- Renegotiated the Fire Services contract with LAFD (saved more than \$500,000/year).
- Transferred pool operations to LA County (saved more than \$500,000/year)
- Retired CA Housing Financing Agency and Section 108 debt (saved \$125,000/year)
- Developed a five-year General Fund revenue/expenditure/fund balance projection to improve long term decision making
- Adopted a Development Agreement Ordinance to increase economic development tools
- Sold surplus land to reduce the City's deficit (\$1 million in proceeds)
- Restructured future retiree health benefits to decrease the City's liability (significant long-term savings)
- Updating user fees, development fees and cost allocation plan (more than \$500,000 per year in ongoing revenue projected)
- Re-established reserves for Self-insurance and Equipment replacement funds. Need to continue to accumulate reserves to meet reserve funding goal.



DEFICIT REDUCTION PLAN

FY 2017-2018 Budget includes funding for the following one-time deficit reduction items:

- **Continue to repay internal debt (\$300,000)**
- **Continue to accumulate Self Insurance, Equipment Maintenance, and Facility Maintenance reserves (\$486,000)**
- **Further reduce General Fund deficit (\$685,900)**
- **Additional Street Maintenance Resources (\$70,000)**
- **Additional Public Safety Resources (\$80,000)**



CONCLUSION

Since October 2013, Measure A funds have been used to:

- **Reduce General Fund deficit from \$5.7 million in FY 13-14 to a projected deficit of \$1.0 million at the end FY 17-18**
- **Eliminate deficit fund balances in the Grant Fund (\$1.8 million) and Self Insurance Fund (\$1.7 million)**
- **Purchase 4 new police vehicles and outfit all police vehicles with new Mobile Data Terminals (\$300,000)**
- **Brand Boulevard Median (\$100,000)**
- **Replace outdated network hardware and security (\$60,000)**
- **Park Facility Upgrade (\$25,000)**



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