



THE CITY OF  
**SAN FERNANDO**



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# MEASURE A: ANNUAL REPORT

SEPTEMBER 6, 2016

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.***



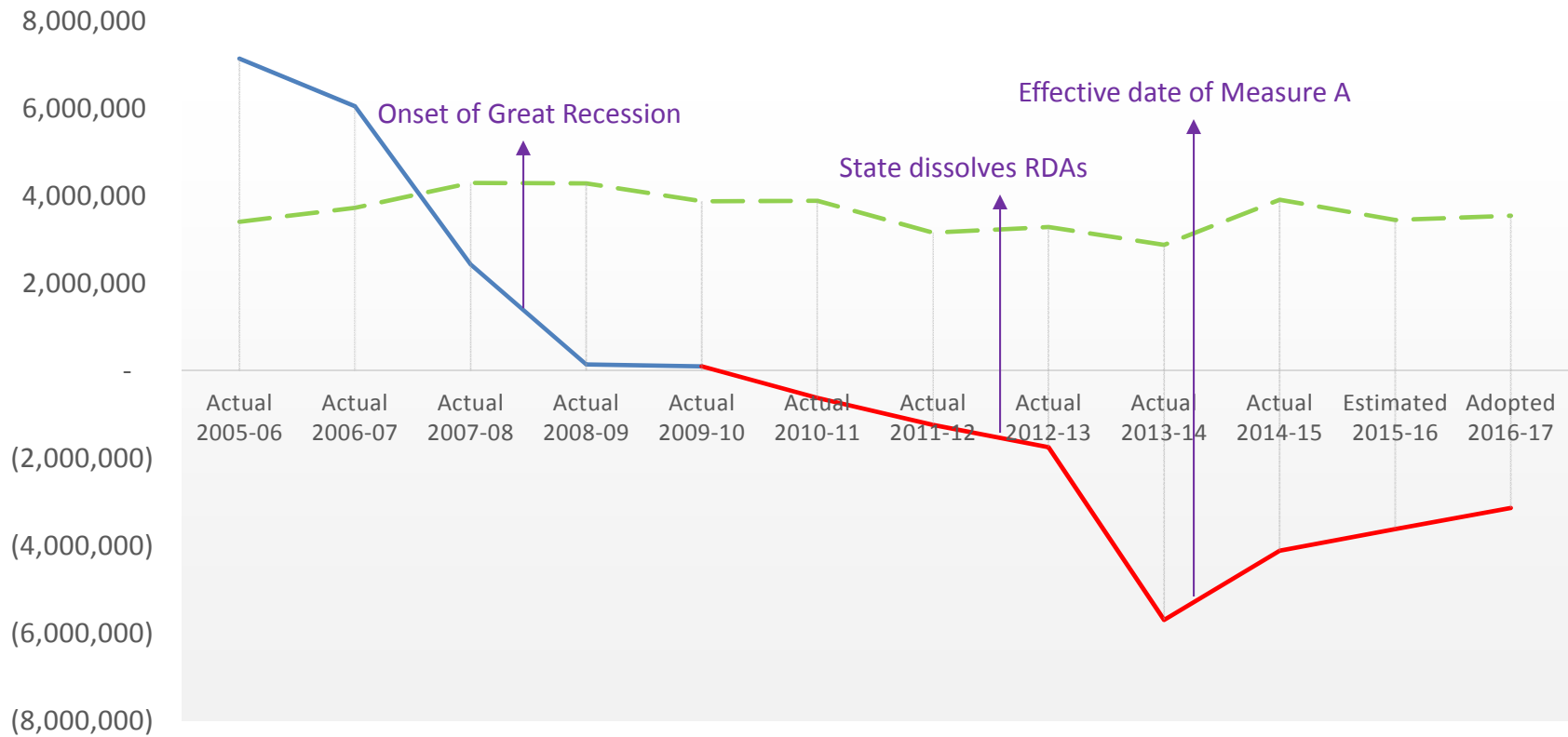
## BACKGROUND

- **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, City re-negotiated labor contracts, 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 - 10-year History





## COLLECTION

- **City began collecting ½ cent Transaction Tax on applicable transactions on October 1, 2013.**
- **FY 2015-2016 actual revenue was \$2,212,987.**
  - 3% increase from FY 2014-2015.
- **Sales tax to Transaction tax ratio was 54%.**
  - Key metric to measure compliance.
  - >50% indicates high compliance by local businesses.
- **Since October 1, 2013, Measure A has generated \$5,655,695 in additional revenue.**
- **In FY 2015-2016, approx. \$1,600 was recovered through HdL's audit recovery services.**



## 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](http://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 recurring Grant/Special Revenue fund balances
  4. Replace outdated technology/telecomm infrastructure
  5. Fund capital projects to address deferred maintenance
  6. Establish a Trust to pre-fund retiree health costs





## EXPENDITURE

**In FY 2015-2016, Measure A funds were used for:**

<i>Repayment of Debt</i>		<i>One-time Projects (cont.)</i>	
Repay Retirement Fund	275,000	High Speed Rail Outreach	6,000
Repay Sewer Fund	50,000	Website redesign and Econ Dev	28,012
	<b>325,000</b>	Parks Master Plan	50,000
<i>Establish Reserves</i>		Brand Boulevard Project	100,000
Self Insurance Fund	227,300	Stormwater Screen Installation	95,000
Equipment Replacement	125,000	Replace two Detective vehicles	70,000
	<b>352,300</b>		<b>521,716</b>
<i>One-time Projects</i>			
User fee, development impact fee & cost allocation plan studies	43,000	Deficit reduction	355,921
Classification & Compensation study	56,700	Amount to cover operational deficit	658,050
Network server Replacement	73,004		<b>1,013,971</b>
		<b>Total Measure A Uses</b>	<b>2,212,987</b>



## 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 2016-2017 Budget includes funding for the following one-time deficit reduction items:**

- **Continue to repay internal debt (\$300,000)**
- **Replace Mobile Data Terminals in police vehicles to continue to replace outdated technology infrastructure (\$120,000)**
- **Additional economic development activity (\$46,000)**
- **Continue to accumulate SIF and ERF reserves (\$450,000)**
- **Further reduce General Fund deficit (\$378,000)**



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