



THE CITY OF
SAN FERNANDO



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MEASURE “A” ANNUAL REPORT

SEPTEMBER 17, 2018

PRESENTED BY:

NICK KIMBALL

DEPUTY CITY MANAGER/DIRECTOR OF FINANCE



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.



THE CITY OF
SAN FERNANDO

BACKGROUND

HOW DID THE CITY GET IN THIS
FINANCIAL SITUATION?



PERFECT STORM

Chain of events created a “Perfect Storm” and caused a dramatic reduction in General Fund between FY 2005-06 and FY 2013-2014:

1. City over-extended itself in expenditures (regional pool, LAFD contract and other projects added significant M&O costs).
2. Reduction in revenues due to “Great Recession” (December 2007 – June 2009*)

***As determined by the National Bureau of Economic Research. June 2009 market the bottom of the recession, at which time the economy stagnated and stopped contracting. However, the economy did not start to rebound until after 2012.**



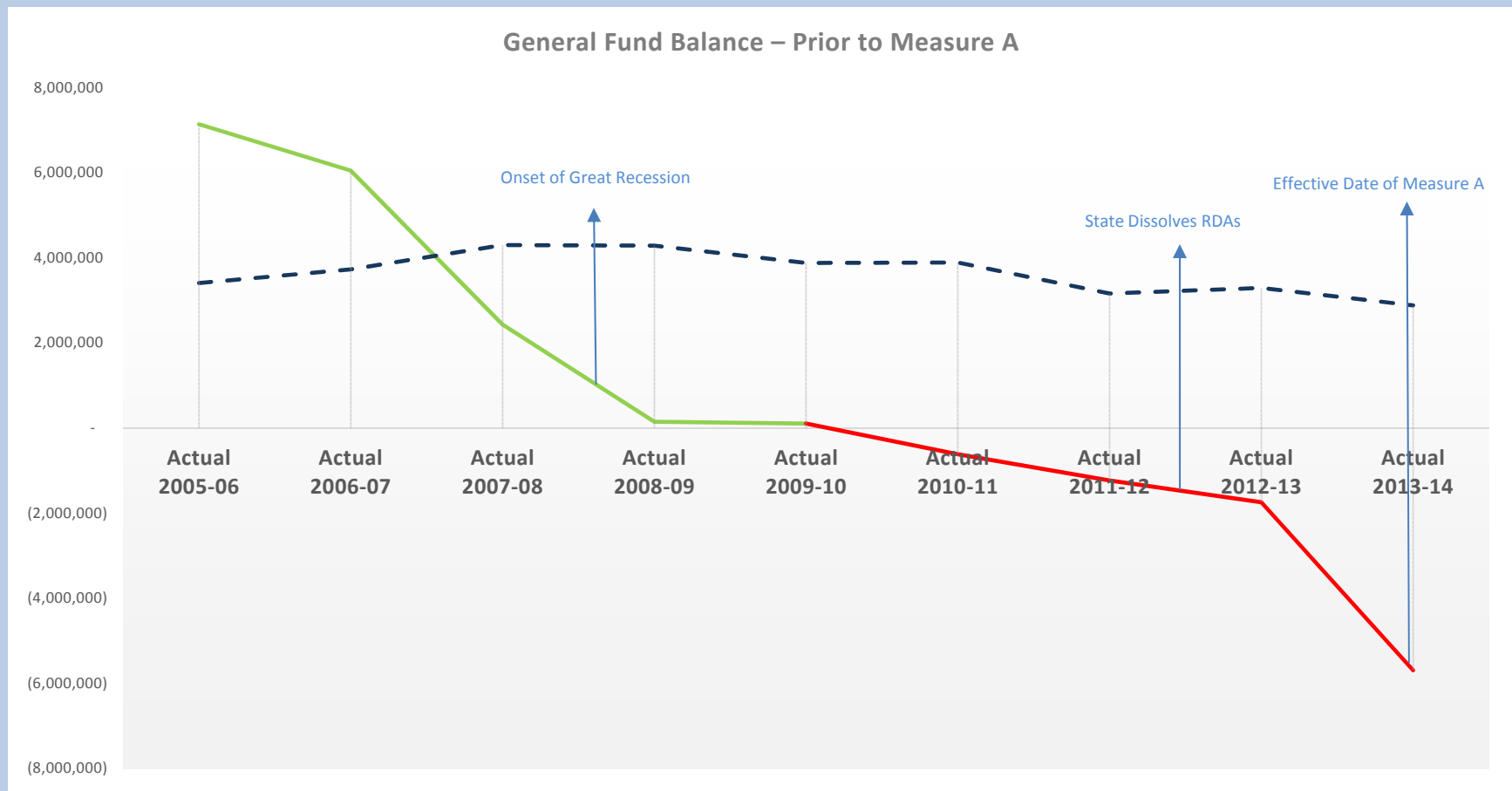
PERFECT STORM

Chain of events created a “Perfect Storm” and caused a dramatic reduction in General Fund between FY 2005-06 and FY 2013-2014:

3. Further reduction in revenues due to elimination of redevelopment agencies (January 2012).



FINANCIAL DECLINE





CITY'S RESPONSE TO FINANCIAL CRISIS

Short-term:

- Eliminated vacant positions, reduced employee benefits, implemented layoffs and furloughs, reduced training and professional development budgets.
- Renegotiated LAFD contract and lease Regional Pool operations to LA County.
- Sold surplus property to pay off debt
- Declared fiscal emergency and held a special election on June 4, 2013 to vote on a temporary ½ cent sales tax measure to raise revenue (approved by 60%)



CITY'S RESPONSE TO FINANCIAL CRISIS

Long-term:

- Developed and implemented a Deficit Elimination Plan to pay off debt, reduce ongoing expenditures and increase ongoing revenue



CITY'S RESPONSE TO FINANCIAL CRISIS

- The number of total **City employees** has been reduced from 160 in 2008 to 128 in 2018 (-20%)
- The number of sworn **Police Officers** has been reduced from 37 in 2008 to 31 in 2018 (-16%)
- The number of **Public Works employees** has been reduced from 47 in 2008 to 34 in 2018 (-28%)
- **Population** of San Fernando has increased from 23,627 in 2008 to 24,714 in 2017 (+4.6%)*

*(US Census Bureau; https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml?src=bkmk)



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HOW HAVE THE TAX FUNDS BEEN MANAGED?



RESPONSIBLE STEWARDS OF MEASURE A

- **A Measure A Annual Report is presented to City Council for Public Review**
 - The Annual Report identifies how Measure A funds were spent in the prior year
- **The City Manager's Budget Message in the Adopted Budgets clearly identifies the plan for spending Measure A revenues each year**



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RESPONSIBLE STEWARDS OF MEASURE A

- **Quarterly review of receipts by firm that specializes in monitoring auditing tax receipts (HdL Company)**
- Assist in identifying, correcting, and recovering allocation errors and submit case documents with BOE



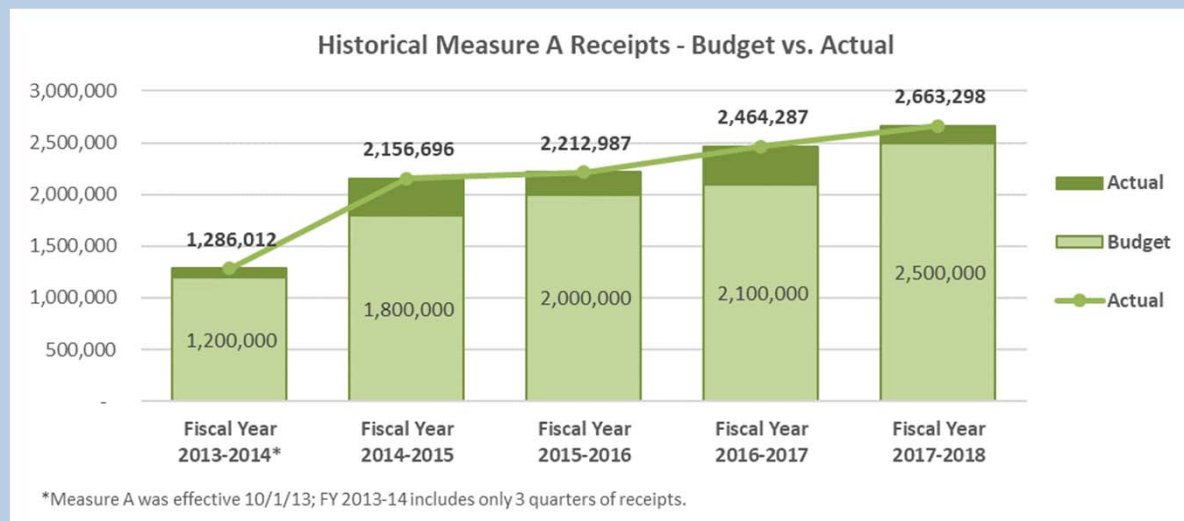
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RESPONSIBLE STEWARDS OF MEASURE A

- **Measure A Annual Reports, Budget documents and Quarterly Sales Tax information available on City's website (www.sfcity.org)**
- Under Financial Documents section on Finance Department Page

HOW MUCH HAS BEEN COLLECTED?

- Since October 1, 2013, Measure A has generated \$10.6 million in additional revenue
- Projected to raise almost \$5 million over the remaining 2 years





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HOW HAVE THE TAX FUNDS BEEN USED?



PAY OFF DEBT & ELIMINATE DEFICIT

Since passage of Measure A, the City made progress on the following debt:

- Reduced General Fund Deficit from **(\$5,693,905)** on 6/30/2014 and is estimated to be less than **(\$500,000)** as of 6/30/2018.
- Fully repaid Section 108 Loan for Pool: \$613,000
- Fully repaid California Housing Finance Agency loan: \$692,000



PAY OFF DEBT & ELIMINATE DEFICIT

Since passage of Measure A, the City made progress on the following debt:

- Reduced loan from Water/Sewer for Las Palmas Improvements by \$433,444
- Reduced advance from Retirement Fund by \$880,690



CAPITAL PROJECTS AND CAPITAL EQUIPMENT

The City has used Measure A funds to partially fund the following projects:

- Resurface 5+ miles of streets including: Alexander Street, Huntington Street, Library Street, and San Fernando Road
- Brand Boulevard Median Project to create notable entrance to City
- Upcoming Glenoaks Boulevard Resurfacing Project
- San Fernando Park Facility and Tot Lot Improvements



CAPITAL PROJECTS AND CAPITAL EQUIPMENT

The City has used Measure A funds to partially fund the following projects:

- Replaced 10 police patrol vehicles and upgraded all in-car computers
- Purchase a new utility truck for Street Maintenance



ESTABLISH RESERVES

Since passage of Measure A, the City has increased reserves

General Fund

- Increased liquidity from \$280,000 on 6/30/2013 to \$3.2 million on 6/30/2018 (unaudited)

Self-Insurance Fund

- Established \$1.1 million reserve



ESTABLISH RESERVES

Since passage of Measure A, the City has increased reserves

Equipment Replacement Fund

- Accumulated \$580,000 to pre-fund future replacements

Facility Maintenance Fund

- Accumulated \$160,000 to fund facility maintenance



REPLACE OUTDATED TECHNOLOGY

Since passage of Measure A, the City has increased efficiency and safety:

- Updated the City's technology backbone, including servers, routers, switches and computers to retire equipment vulnerable to security breaches (\$100,000)
- Replaced the mobile data terminals in police vehicles (\$120,000)



COVER OPERATING DEFICIT

Since passage of Measure A, the City has decreased the General Fund's budgeted operating deficit:

- Ongoing expenditures exceeded ongoing revenues by \$1.5 million in FY 2013-2014
- Ongoing expenditures exceed ongoing revenues by \$320,000 in FY 2017-2018



EXPENDITURE

In FY 2017-2018, Measure A funds were used for:

<i>Repayment of Debt</i>		<i>One-time Enhancements (cont.)</i>	
Repay Retirement Fund	200,000	Upgrade Permitting Software	30,000
Repay Sewer Fund	50,000	Additional street maint materials	20,000
Repay Water Fund	50,000	Additional staff training	23,000
	300,000	Implement City Council Priorities	35,375
<i>Establish Reserves</i>			238,375
Self Insurance Fund	320,000		
Equipment Replacement	91,000	Deficit reduction	1,269,567
Facility Capital Fund	75,000	Subsidize Street Lighting District	50,000
	486,000	Cover operating deficit	319,356
<i>One-time Enhancements</i>			1,638,923
Replace 2 Police Patrol Units	80,000		
Replace 1 Street Maint. Truck	50,000	Total Measure A Uses	2,663,298



DEFICIT REDUCTION PLAN

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

Since passage of Measure A, the 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)
- Restructured future retiree health benefits to statutory minimum to decrease the City's liability (significant long-term savings)



DEFICIT REDUCTION PLAN

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

Since passage of Measure A, the City has:

- Sold surplus land to reduce the City's deficit (\$1 million in proceeds)
- Developed a five-year General Fund projection to improve long term decision making
- Adopted a Development Agreement Ordinance to increase economic development tools and diversify the tax base



DEFICIT REDUCTION PLAN

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

Since passage of Measure A, the City has:

- Updating user fees, development fees and cost allocation plan (more than \$500,000 per year in projected ongoing revenue)
- Continue to explore opportunities to partner with private sector firms to provide efficient, quality services



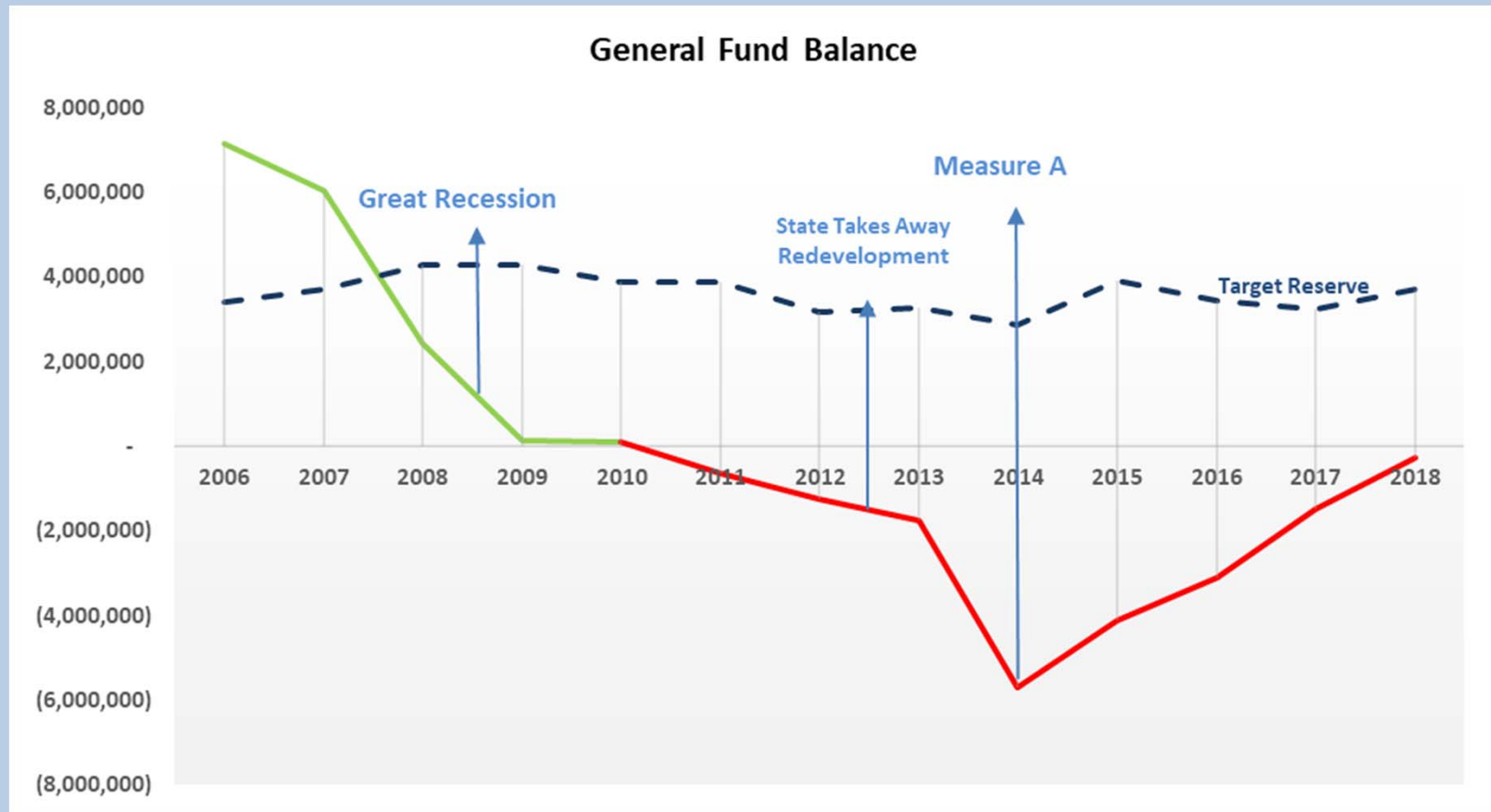
DEFICIT REDUCTION PLAN

FY 2018-2019 Budget includes funding for the following one-time deficit reduction items:

- Continue to repay internal debt (\$300,000)
- Continue to accumulate Self Insurance and Equipment Replacement reserves (\$427,225)
- Further reduce General Fund deficit (\$400,000)
- Additional Street Maintenance Resources (\$55,000)
- Additional Public Safety Resources (\$112,000)
- Upgrade network backbone and software (\$45,000)



DEFICIT FORECAST





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WHAT'S NEXT?



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 less than \$500,000 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 10 new police vehicles and outfit all police vehicles with new Mobile Data Terminals
- Brand Boulevard Median



CONCLUSION

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

- Replace outdated network hardware and security
- Park Facility Upgrades



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MORAL OF THE STORY

- **The expiration of Measure A in 2020 will leave a significant gap in revenues just as the City starts to build a solid financial base**



MORAL OF THE STORY

- **Unless a comparable new revenue source is identified, the City will be living “paycheck-to-paycheck”**
 - The City will be left financially vulnerable to slight economic downturns, adverse lawsuit and long term pension liabilities
 - The City will be unable to pave streets, repair recreation facilities, or replace police equipment with any regularity



FINANCIAL SUSTAINABILITY

In order to continue on the path toward true financial stability, the City must:

1. Establish General Fund reserve to weather financial downturns (at least 20% of annual expenditures)
2. Set-aside funds to continue the annual residential street paving program to pave or resurface every street on a 10-year cycle
3. Set-aside funds to repair, replace and maintain the City's recreation facilities, playground and exercise equipment, and sports fields



FINANCIAL SUSTAINABILITY

In order to continue on the path toward true financial stability, the City must:

4. Continue to set-aside funds to replace public safety and Public Works vehicles when they have reached their useful life
5. Increase Police Department to pre-recession staffing and deployment levels
6. Continue regular tree trimming and tree replacement program



FINANCIAL SUSTAINABILITY

In order to continue on the path toward true financial stability, the City must:

7. Maintain a Self Insurance Fund reserve to protect the General Fund from the impact of a large lawsuit
8. Enhance cultural programming and special events (e.g. reinstate 4th of July Fireworks)

The seal of the City of San Fernando, California, is centered in the background. It features a circular design with a sun rising over a building, surrounded by the text "CITY OF SAN FERNANDO" at the top and "CALIFORNIA" at the bottom. Below the building, it says "INCORPORATED AUG. 31 1911".

QUESTIONS

THE CITY OF
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