



THE CITY OF
SAN FERNANDO

MEASURE A TOWN HALL

FEBRUARY 18, 2020

PRESENTED BY:
NICK KIMBALL
CITY MANAGER



THE CITY OF
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TOWN HALL MEETING AGENDA

- A. Measure A Background**
- B. How Measure A Funds Are Managed**
- C. How Measure A Funds Have Been Used**
- D. Fiscal Year 2020-2021 Measure A Projections**
- E. Path To Continued Fiscal Sustainability**
- F. Community Feedback**



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MEASURE A: A BRIEF HISTORY

June 4, 2013 – San Fernando voters approved Measure A: ½ cent sales tax to address the City’s fiscal emergency.

- Effective October 1, 2013; sunset on October 1, 2020.
- Included annual report requirement reviewing the collection, management and expenditure of revenue.

November 6, 2018 – San Fernando voters approved extending Measure A until revoked.

October 21, 2019 – City Council adopted final Measure A Transparency Forum Guidelines requiring multiple Town Hall style meetings.



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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:

- a) City experienced significant increase in expenditures (regional pool, LAFD contract, labor costs, and other projects added significant M&O costs).
- b) Reduction in revenues due to “Great Recession” (December 2007 – June 2009*).
- c) Further reduction in revenues due to the State eliminating redevelopment agencies (January 2012).

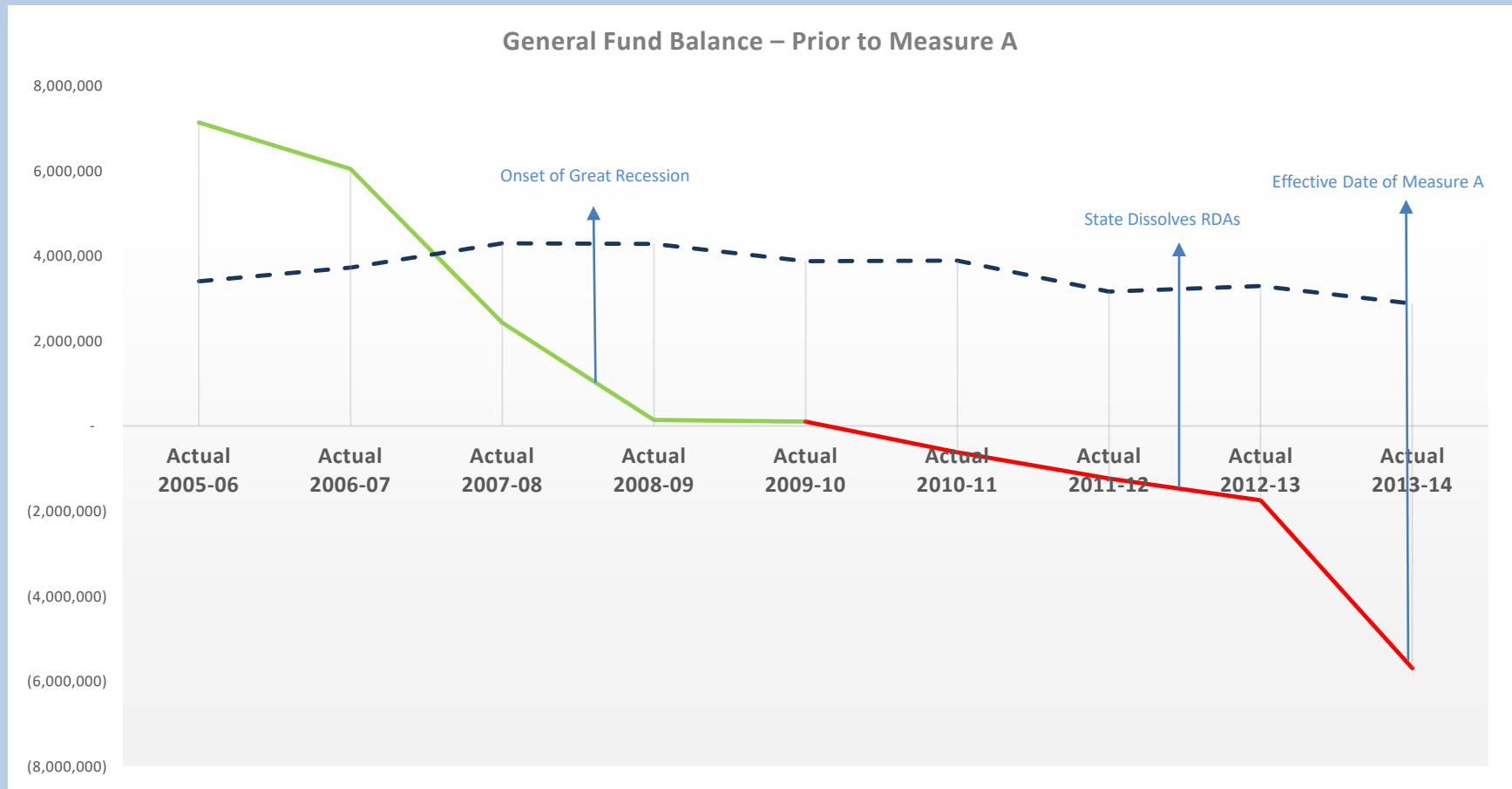
*As determined by the National Bureau of Economic Research. June 2009 market the bottom of the recession, at which time the economy stagnated and stopped contracting. However, the economy did not start to rebound until after 2012.

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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 leased 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%).

Long-term:

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



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RESPONSE TO FINANCIAL CRISIS (CONT.)

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



DEFICIT REDUCTION PLAN

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

- 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).
- Sold surplus land to reduce the City's deficit (\$1 million in proceeds).

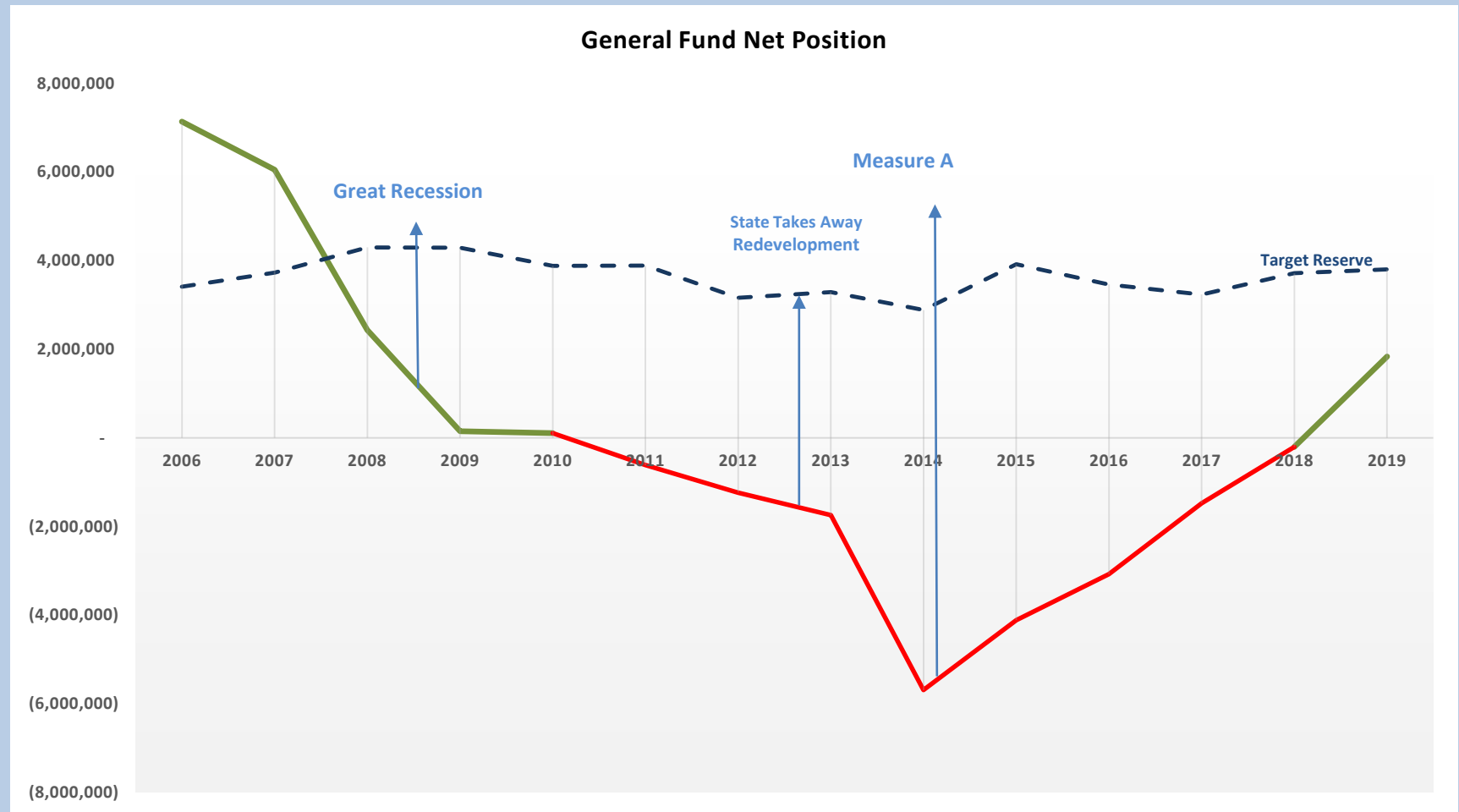
DEFICIT REDUCTION PLAN (CONT.)

- 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.
- Updating user fees, development fees and cost allocation plan (more than \$500,000 per year in projected ongoing revenue).
- Partnered with private firm to outsource Business License processing and enforcement (approx. \$400,000 annual increase in revenue).
- Continue to explore opportunities to partner with private sector firms to provide efficient, quality services.



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GENERAL FUND NET POSITION

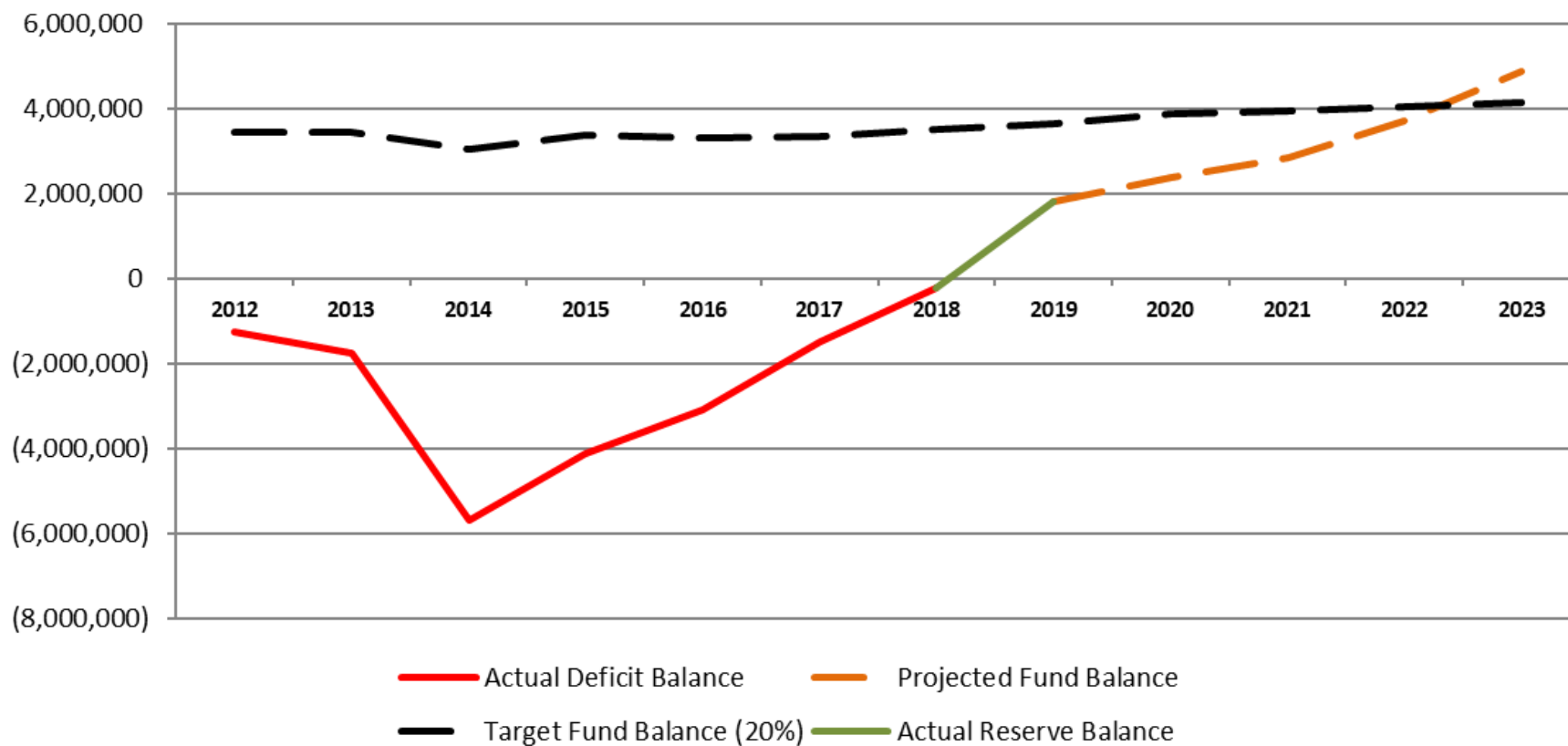




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GENERAL FUND – FUND BALANCE FORECAST

General Fund: Projected Fund Balance





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HOW HAVE THE TAX FUNDS BEEN MANAGED?



RESPONSIBLE STEWARDS OF MEASURE A

1. **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
2. **The City Manager's Budget Message in the Adopted Budgets clearly identifies the plan for spending Measure A revenues each year**
3. **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
4. **Measure A Annual Reports available on City's website (www.sfcity.org/measure-a)**
5. **Measure A Transparency Forums: Town Hall Meetings**

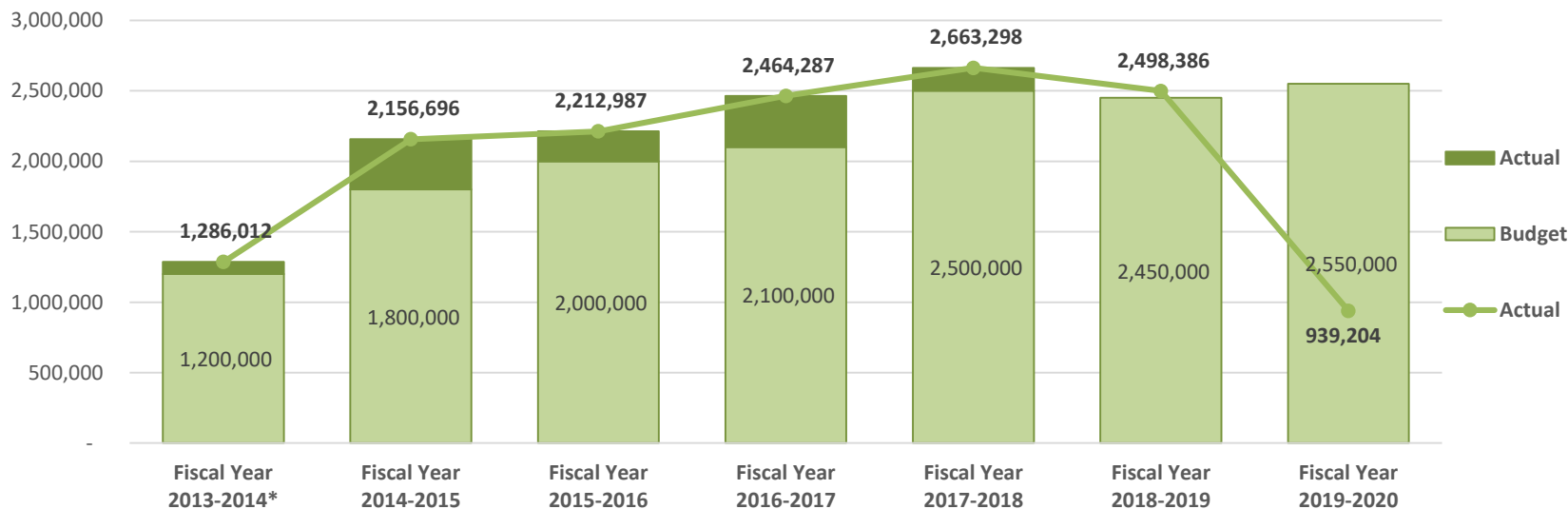


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HOW MUCH HAS BEEN COLLECTED?

Since October 1, 2013, Measure A has generated more than \$14.2 million in additional revenue

Historical Measure A Receipts - Budget vs. Actual



* Measure A was effective 10/1/13; FY 2013-14 includes only 3 quarters of receipts.

** FY 2019-20 data through 12/31/2019



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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 to a positive reserve of \$1,821,164 as of 6/30/2019.
- Fully repaid Section 108 Loan for Pool: \$613,000.
- Fully repaid California Housing Finance Agency loan: \$692,000.
- Reduced loan from Water/Sewer for Las Palmas Improvements by more than \$500,000.
- Reduced advance from Retirement Fund by more than \$900,000.



CAPITAL PROJECTS AND CAPITAL EQUIPMENT

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

- Resurface 6+ 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.
- Replaced 10 police patrol vehicles and upgraded all in-car computers and modems.
- 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 in cash on 6/30/2013 to \$4.4 million in cash on 6/30/19, including \$1.8 million reserve.

Self-Insurance Fund

- Established \$1.76 million reserve.

Equipment Replacement Fund

- Accumulated \$750,000 to pre-fund future vehicle replacements.

Facility Maintenance Fund

- Accumulated \$175,000 to fund facility maintenance.



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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).



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MEASURE A EXPENDITURE PLAN FISCAL YEAR 2019-2020

<u>Repayment of Debt</u>		<u>Equip, Materials, Service Enhancements (Cont.)</u>	
To Retirement Fund	175,000	City Council meeting minutes	10,000
To Sewer Fund	75,000	Special Events & Rec Programs	16,500
To Water Fund	75,000	Add'l training & education	9,570
Subtotal	325,000	Subtotal	314,570
<u>Establish Reserves</u>		<u>Ongoing Staffing</u>	
Facility Maintenance Fund	100,000	Upgrade PT Dep. City Clerk to FT Dep. City Clerk/Mgmt Analyst	49,630
Equipment Replacement Fund	100,000	Add PT Records Specialist (.46)	22,250
Subtotal	200,000	Add PW Ops Manager (.50)	63,500
<u>Equip, Materials, Service Enhancements</u>		Ongoing training & education	17,000
Replace one (1) Detective vehicle	40,000	Subtotal	152,380
Replace one (1) CSO Vehicle	30,000		
Replace Heavy Duty Man Lift	83,500	Deficit fund balance reduction	510,000
Add'l Street maint. Materials & Equip	25,000	Subsidize Street Lighting District	40,000
Economic Development Activity	50,000	Amount allocated to City operations	1,008,050
Special Studies, as needed	50,000	Subtotal	1,558,050

Total Measure A funds:

\$2,550,000



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FISCAL YEAR 2020-2021 MEASURE A PROJECTIONS



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MEASURE A EXPENDITURE PLAN FISCAL YEAR 2020-2021

Projected Measure A Revenue	\$2,550,000
Repay Internal Debt	\$350,000
Facility Maintenance Fund & Equipment Replacement Fund Reserves	\$200,000
General Fund Reserves (Rainy Day Fund)	\$500,000
Ongoing Staffing Enhancements Approved in FY 19-20	\$350,000
1) Public Works Operations Manager	
2) Deputy City Clerk/Mgmt Analyst	
3) Police Department Records Specialist	
4) Public Works Maintenance Workers (Pothole Buster Unit)	
5) Police Officer (Expiring COPS Grant)	
New Radio Communications System (Lease Payment 1 of 3)	\$600,000
Subsidize Street Lighting District (LLAD Shortfall)	\$50,000
Subtotal	2,050,000

Measure A Revenue Available for Budget Allocation (FY20/21)	\$500,000
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POSSIBLE MEASURE A BUDGET ALLOCATIONS FISCAL YEAR 2020-2021

1. Street resurfacing and sidewalk repair (in addition to available Special Revenue Funds)
2. Economic Development (façade rehab programs, additional investment in business districts, developer land subsidy, etc.)
3. Additional staffing (Police Officers, Maintenance Workers, etc.)
4. Enhance recreation & cultural programs
5. Pre-fund retiree health benefits
6. Increase Tree Trimming (in addition to available Special Revenue Funds)



PATH TO FISCAL SUSTAINABILITY

- A) INCREASE RESERVES
- B) DECREASE DEFERRED MAINTENANCE
- C) DECREASE UNFUNDED LIABILITY

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.
4. Continue to set-aside funds to replace public safety and Public Works vehicles when they have reached their useful life.

FINANCIAL SUSTAINABILITY (CONT.)

5. Increase Police Department and maintenance staff to pre-recession staffing and deployment levels.
6. Increase tree trimming cycle and tree replacement program.
7. Maintain a Self Insurance Fund reserve to protect the General Fund from the impact of a large lawsuit.
8. Increase funding for employee pension benefits (\$40+ million unfunded liability) and retiree health benefits (\$42+ million unfunded liability).

The seal of the City of San Fernando, California, is a circular emblem. It features a central illustration of a mission-style building with a tiled roof, set against a background of a rising sun with rays. The words "CITY OF SAN FERNANDO" are arched across the top, and "CALIFORNIA" is arched across the bottom. Two stars flank the central image, and the text "INCORPORATED AUG. 31 1911" is written below the building.

Questions?

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The seal of the City of San Fernando, California, is a circular emblem. It features a central illustration of a mission-style building with a gabled roof, set against a background of a rising sun with rays. The words "CITY OF SAN FERNANDO" are arched across the top, and "CALIFORNIA" is arched across the bottom. Below the building, the text "INCORPORATED AUG. 31 1911" is written, flanked by two small stars.

Appendices

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MEASURE A: ACTUAL EXPENDITURES

	Actual	Actual	Actual	Actual	Actual	Projected
Measure A Uses	2013-14	2014-15	2015-16	2016-17	2017-18	2018-2019
Repay Debt	1,286,012	2,141,696	325,000	350,000	300,000	300,000
Add'l General Fund Deficit Reduction	-	-	355,921	1,022,385	1,269,567	867,570
Establish SIF/Vehicle/Facility Reserves	-	-	352,300	850,652	486,000	427,225
One-time Enhancements	-	15,000	521,716	191,250	238,375	386,675
Subsidize Lighting Fund	-	-	-	50,000	50,000	40,000
Cover Operating Deficit	-	-	658,050	-	319,356	428,530
	1,286,012	2,156,696	2,212,987	2,464,287	2,663,298	2,450,000
Operating Deficit Detail						
Salary & Benefits	-	-	402,666	-	194,433	142,235
Other Operating	-	-	255,384	-	124,923	286,295
Total	-	-	658,050	-	319,356	428,530



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MEASURE A FUNDED ENHANCEMENTS

Measure A Funded Enhancements:	Amount	FY	Measure A Funded Enhancements:	Amount	FY
Telephone system improvements	15,000	2015	Replace 1 Street Maintenance Truck	50,000	2018
User Fee/Cost Allocation study	43,000	2016	Add'l Street Maintenance materials	20,000	2018
Class & Comp study	56,700	2016	City Council Priorities	35,375	2018
Network Server replacement	73,004	2016	Upgrade Permitting software	30,000	2018
HSR Outreach	6,000	2016	Add'l staff training/professional dev	23,000	2018
Website redesign/Econ Dev	28,012	2016	Replace 1 Detective unit	40,000	2019
Parks Master Plan	50,000	2016	Purchase voice recorders for Patrol	52,000	2019
Brand Boulevard Project	100,000	2016	Add'l Street Maintenance materials	38,000	2019
Stormwater Screen Installation	95,000	2016	Upgrade 50 streetlights to LED	17,000	2019
Replace 2 Detective Vehicles	70,000	2016	Economic Development Activity	50,000	2019
City Council Priorities	31,250	2017	Special Event Fee waivers	12,500	2019
Replace PD Mobile Data Terminals	120,000	2017	Add'l Code Enforcement services	20,000	2019
Replace 1 Police Patrol Unit	40,000	2017	Network and software upgrades	45,000	2019
Replace 2 Police Patrol Units	80,000	2018	Add'l staff training/professional dev	<u>18,500</u>	2019
				1,259,341	

FEBRUARY 19, 2019



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FISCAL YEAR 2015-2016 MEASURE A EXPENDITURE PLAN

<u>Repayment of Debt</u>		<u>One-Time Projects (cont.)</u>	
To Retirement Fund	200,000	Fee Study & Cost Allocation Plan	50,000
To Sewer Fund	50,000	Salary & Compensation Study	50,000
Subtotal	250,000	Network Server Replacement	50,000
<u>Establish Reserves</u>		HSR Outreach	50,000
Self-Insurance Fund	250,000	Parks Master Plan	35,000
Equipment Replacement Fund	100,000	Replace 2 detective vehicles	70,000
Facility Capital (Roof replacement)	50,000	Subtotal	305,000
Subtotal	400,000	Deficit fund balance reduction	200,000
		Amount to cover operational deficit	745,000
		Subtotal	945,000

Total Measure A funds:

\$1,900,000



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FISCAL YEAR 2016-2017 MEASURE A EXPENDITURE PLAN

<u>Repayment of Debt</u>		<u>One-Time Projects (cont.)</u>	
To Retirement Fund	200,000	Chair Replacement @ Rec Park	10,000
To Sewer Fund	50,000	Funding for Special Events	13,500
To Water Fund	50,000	Econ Dev/High Speed Rail	2,500
Subtotal	300,000	Add'l staff training	28,750
<u>Establish Reserves</u>		Subtotal	234,750
Self-Insurance Fund	320,000	Deficit fund balance reduction	580,250
Equipment Replacement Fund	80,000	Subsidize Street Lighting District	50,000
Facility Capital (Roof replacement)	50,000	Amount to cover operational deficit	485,000
Subtotal	450,000	Subtotal	1,115,250
<u>One-Time Projects</u>			
Replace Mobile Data Terminals (MDTs)	120,000		
One (1) Patrol Vehicle	40,000		
Update Emergency Operations Plan	20,000		

Total Measure A funds:

\$2,100,000



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FISCAL YEAR 2017-2018 MEASURE A EXPENDITURE PLAN

<u>Repayment of Debt</u>		<u>One-Time Projects (cont.)</u>	
To Retirement Fund	200,000	Strategic Planning & Comm. Vision	50,000
To Sewer Fund	50,000	Parking Study for Permit Program	40,000
To Water Fund	50,000	Funding for Special Events	5,600
Subtotal	300,000	Replace Council Chamber chairs	2,000
<u>Establish Reserves</u>		NPDES compliance costs	115,000
Self-Insurance Fund	320,000	Add'l staff training	30,500
Equipment Replacement Fund	91,000	Subtotal	393,100
Facility Capital (Roof replacement)	75,000	Deficit fund balance reduction	685,900
Subtotal	486,000	Subsidize Street Lighting District	50,000
<u>One-Time Projects</u>		Amount to cover operational deficit	585,000
Replace two (2) Patrol Units	80,000	Subtotal	1,320,900
Add'l Street Maint. Mat's & Equip.	20,000		
Replace Street Maint. Utility Truck	50,000		
Total Measure A funds:			\$2,500,000



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FISCAL YEAR 2018-2019 MEASURE A EXPENDITURE PLAN

<u>Repayment of Debt</u>		<u>One-Time Projects (cont.)</u>	
To Retirement Fund	200,000	Upgrade 50 streetlights to LED	17,000
To Sewer Fund	50,000	Economic Development activities	50,000
To Water Fund	50,000	Special event fee waivers	12,500
Subtotal	300,000	Add'l Code Enforcement services	20,000
<u>Establish Reserves</u>		Upgrade network & technology	45,000
Self-Insurance Fund	320,000	Add'l staff training	18,500
Equipment Replacement Fund	107,225		
Subtotal	427,225	Subtotal	386,675
<u>One-Time Projects</u>		Deficit fund balance reduction	397,570
Replace one (1) Detective vehicle	40,000	Subsidize Street Lighting District	40,000
Purchase voice recorders for Patrol	52,000	Amount to cover operational deficit	898,530
Upgrade 2 part-time PEOs to full-time	93,675		
Add'l Street Maint. Mat's & Equip.	38,000	Subtotal	1,336,100

Total Measure A funds:

\$2,450,000




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10/21/2019

CC Meeting Agenda

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SAN FERNANDO

TRANSPARENCY FORUM

Date: October 21, 2019

Subject: Measure "A" Transparency Forum Guidelines

PURPOSE:

To review the Annual Report of collection, management and expenditure of the local half-cent Transaction and Use Tax (Measure "A") revenue as required by Chapter 82, Article V, Section 82-132 of the City Code and make non-binding recommendations to the City Council general priorities for the use of Measure "A" funds during the annual budget process.

ARTICLE 1 - ORGANIZATION:

1. The Measure "A" Transparency Forum (hereinafter Transparency Forum or Forum) shall be open to any and all interested members of the community. Community members that participate in the bi-annual Town Hall style Transparency Forums (see Article 3 – Meetings) may provide feedback to City Council and staff that will form the basis of any recommendation to City Council as it relates to the Forum's objectives as described in Article 2 of these Guidelines.

ARTICLE 2 - OBJECTIVES:

1. In accordance with Chapter 82, Article V, Section 82-132 of the City Code, the Annual Report of collection, management, and expenditure of local Transaction and Use Tax revenues shall be presented and considered at a Transparency Forum.
2. A Transparency Forum may be held to discuss general recommended budget priorities for use of Measure "A" funds as part of the annual budget process. General recommended budget priorities include, but are not limited to, paying down debt, establishing reserves, investing in capital improvements, replacing equipment, adding staff, etc.

ARTICLE 3 - MEETINGS:

1. Bi-annual Meetings: The City may hold Town Hall style Transparency Forums twice each year: (1) in the month of September to review the Annual Measure "A" Report as described in Article 2.1, and (2) in February to discuss recommended budget priorities for Measure "A" revenues as described in Article 2.2.

FINANCE DEPARTMENT

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OCTOBER 21, 2019