



THE CITY OF  
**SAN FERNANDO**

# MEASURE “A” ANNUAL REPORT

SEPTEMBER 14, 2020

PRESENTED BY:

**J. DIEGO IBANEZ**

**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.***



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# BACKGROUND

HOW DID THE CITY GET IN THIS  
FINANCIAL SITUATION?

## PERFECT STORM

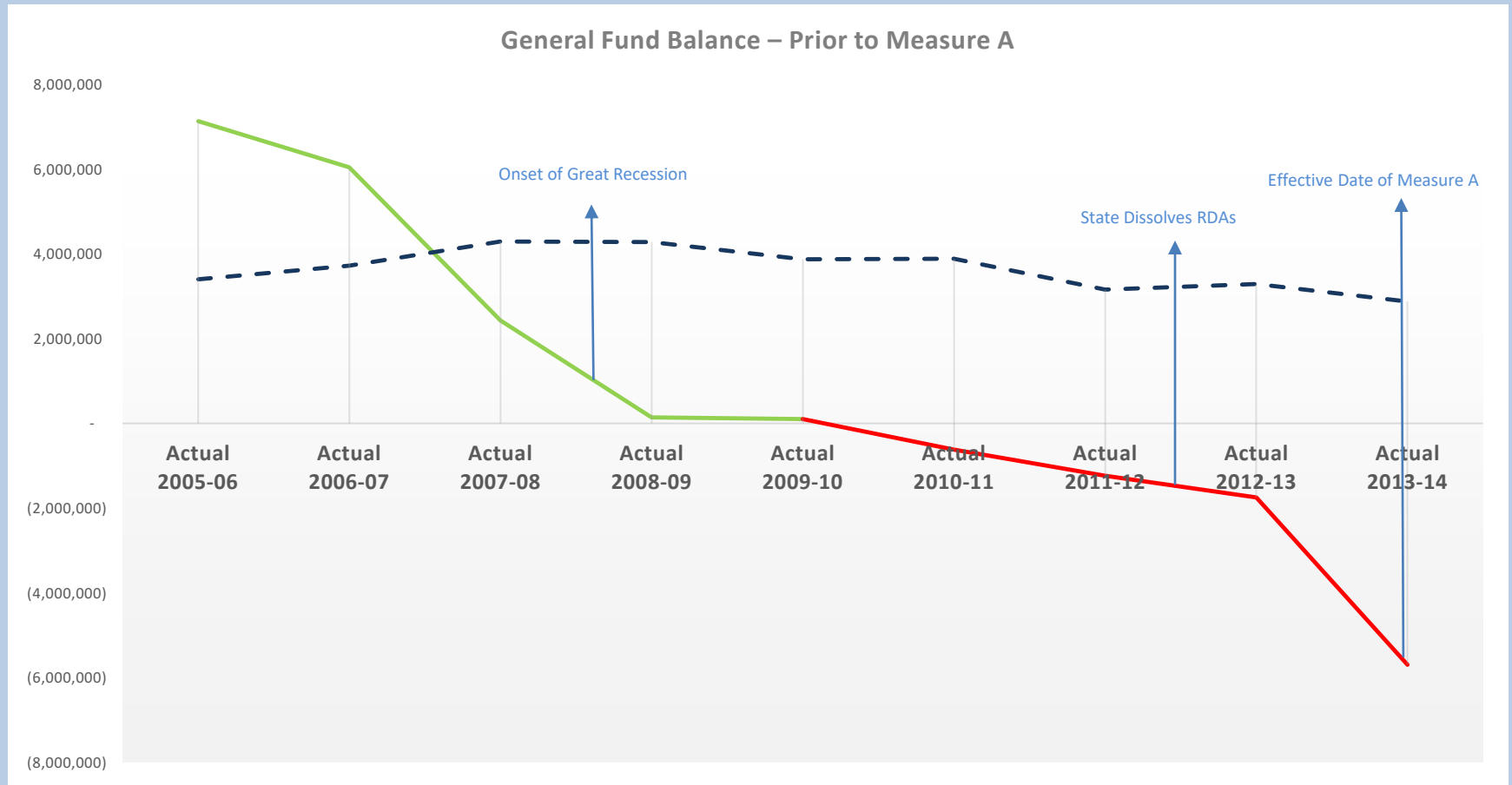
**Chain of events created a “Perfect Storm” and caused a dramatic reduction in General Fund between FY 2005-06 and FY 2013-2014:**

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

\*As determined by the National Bureau of Economic Research. June 2009 marked 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.



# 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%)

## Long-term:

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

## 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 24,717 in 2016 (+4.6%)



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# HOW HAVE THE TAX FUNDS BEEN MANAGED?

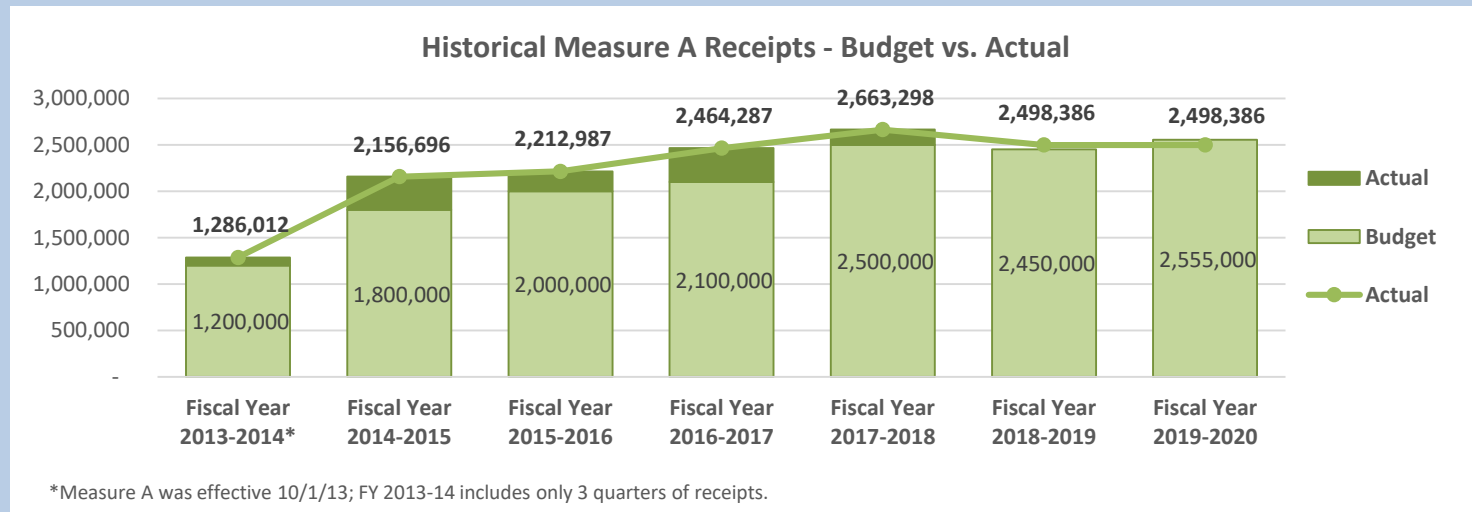


# RESPONSIBLE STEWARDS OF MEASURE A

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

# HOW MUCH HAS BEEN COLLECTED?

- Since October 1, 2013, Measure A has generated \$ 15.5 million in additional revenue
- Projected to raise almost \$2.5 million annually





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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 **\$3.4M** as of 6/30/2020.
- Fully repaid Section 108 Loan for Pool: \$613,000
- Fully repaid California Housing Finance Agency loan: \$692,000

# 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
- Replaced 11 police patrol vehicles and upgraded all in-car computers
- Purchased new utility trucks for Public Works

## ESTABLISH RESERVES

**Since passage of Measure A, the City has increased reserves**

### General Fund

- Increased liquidity from \$280,000 on 6/30/2013 to \$3.4 million on 6/30/20 (unaudited)

### Self-Insurance Fund

- Established \$1.6 million reserve

### Equipment Replacement Fund

- Accumulated \$924,000 to pre-fund future replacements

### Facility Maintenance Fund

- Accumulated \$293,261 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**
- **Operating deficit projected to be eliminated by FY 2019-2020**
- **However loss of revenue due to**





## EXPENDITURE

**In FY 2019-2020, Measure A funds were used for:**

<b>Repayment of Debt</b>	
To Retirement Fund	175,000
To Sewer Fund	75,000
To Water Fund	75,000
	325,000
<b>Establish Reserves</b>	
Facility Maintenance Fund	100,000
Equipment Replacement Fund	100,000
	200,000
<b>One-Time Projects</b>	
Replace one (1) Detective Vehicle	40,000
Replace one CSO vehicle	30,000
Replace heavy duty man lift vehicle	83,500
Add'l Street Maint. Mat's & Equip.	25,000
Economic Development activity	50,000
Special studies, as needed	50,000
(Continued in next column)	

<b>One-Time Projects (cont.)</b>	
City Council Meeting minutes	10,000
Special events & Rec Programs	16,500
Add'l training & education	9,570
	314,570
<b>On-going Staffing</b>	
Upgrade PT Dep. City Clerk to FT Dep. City Clerk/Mgmt Analyst	49,630
Add PT Records Specialist (.46)	22,250
Add PW Superintendent (50%)	63,500
Ongoing training & education	17,000
	152,380
Deficit fund balance reduction	510,000
Subsidize Street Lighting District	40,000
Amount allocated to City operations	1,008,050
	1,558,050
<b>Total Measure A funds:</b>	<b>\$2,550,000</b>

## 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 (CONT.)

- 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
- 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



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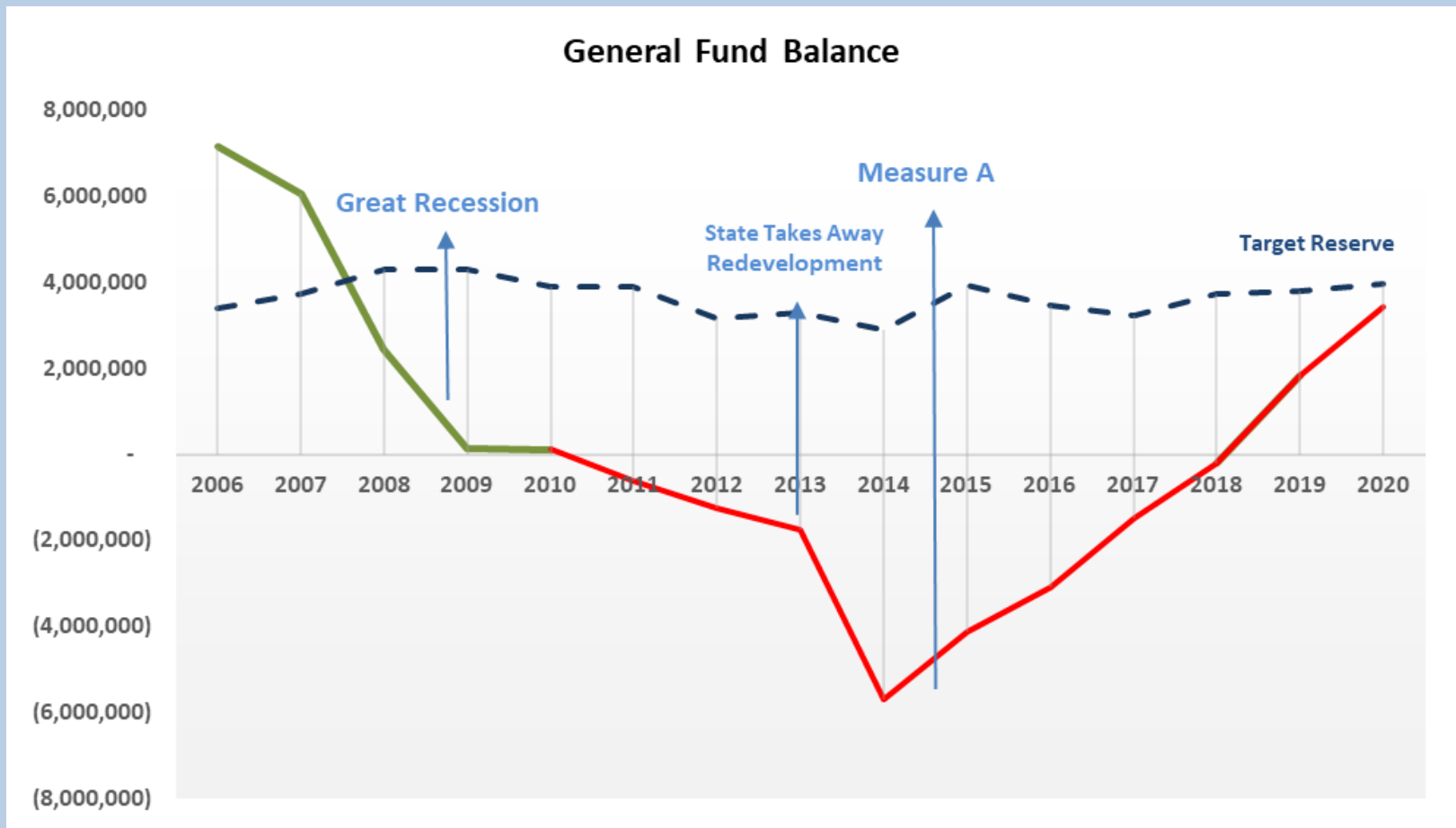
## DEFICIT REDUCTION PLAN

**FY 2020-2021 Budget includes funding for the following one-time deficit reduction items:**

- **Continue Emergency Response to COVID-19**
- **Replaced Outdated Emergency Radio System**



# 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 reserve of \$3.4M at the end FY 19-20**
- **Eliminate deficit fund balances in the Grant Fund (\$1.8 million) and Self Insurance Fund (\$1.7 million)**
- **Purchase 11 new police vehicles and outfit all police vehicles with new Mobile Data Terminals**
- **Brand Boulevard Median**
- **Replace outdated network hardware and security**
- **Park Facility Upgrades**

## 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**
- **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
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 to pre-recession staffing and deployment levels
6. Continue regular tree trimming and tree replacement program
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 4<sup>th</sup> of July Fireworks)

The seal of the City of San Fernando, California, is a circular emblem. It features a sun rising over a mountain range, with a bridge in the foreground. The text "CITY OF SAN FERNANDO" is arched across the top, and "CALIFORNIA" is arched across the bottom. In the center, it says "INCORPORATED AUG. 31 1911" with a small star to the left.

# QUESTIONS

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