



THE CITY OF
SAN FERNANDO

LOCAL TRANSACTION TAX ANNUAL REPORT

SEPTEMBER 20, 2021

PRESENTED BY:

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INTERIM DIRECTOR OF FINANCE



THE CITY OF SAN FERNANDO

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.

With the passage of Measure SF in November 2020, Measure “A” and Measure “SF” receipts will be combined and reported on jointly through this *Local Transaction Tax Annual Report*.



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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:

Increase in operating expenditures (e.g. regional pool, LAFD contract)

+ Reduction in revenues due to “Great Recession” (Dec 2007–June 2009*)

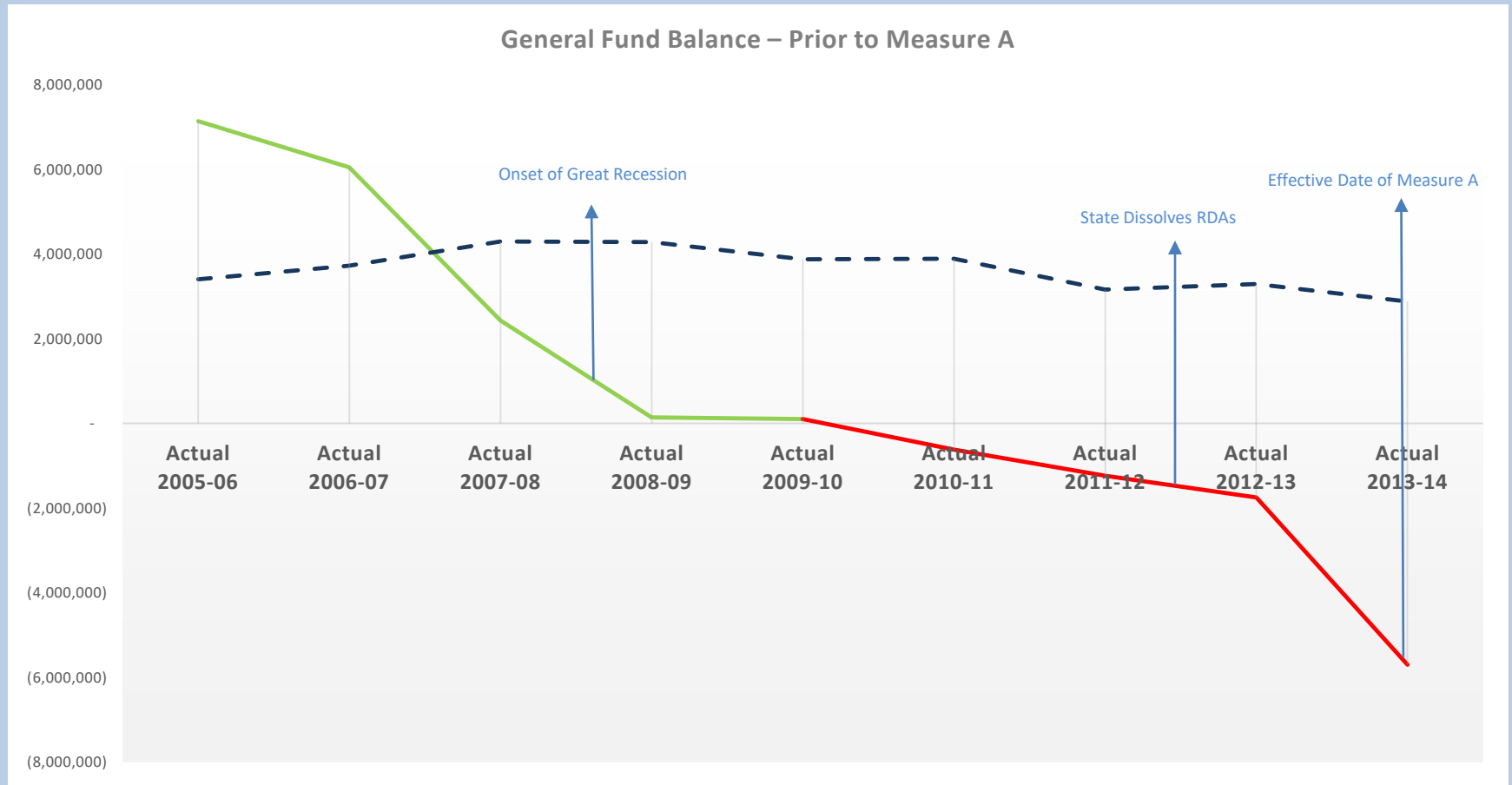
+ Reduction in revenues due to elimination of RDA (January 2012)

= General Fund Deficit

*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.)

In the 10 years following the Great Recession:

- The number of total City employees was reduced from 160 in 2008 to 128 in 2017 (-20%)
- The number of sworn Police Officers was reduced from 37 in 2008 to 31 in 2017 (-16%)
- The number of Public Works employees was 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 2017 (+4.6%)



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HOW HAVE THE TAX FUNDS BEEN MANAGED?



RESPONSIBLE STEWARDS OF MEASURE A

- 1) A Local Transaction Tax Annual Report is presented to City Council for Public Review**

The Annual Report identifies how local Transaction Tax funds were spent in the prior year.

- 2) The City Manager's Budget Message in the Adopted Budgets clearly identifies the plan for spending Local Transaction Tax 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 CDTFA.

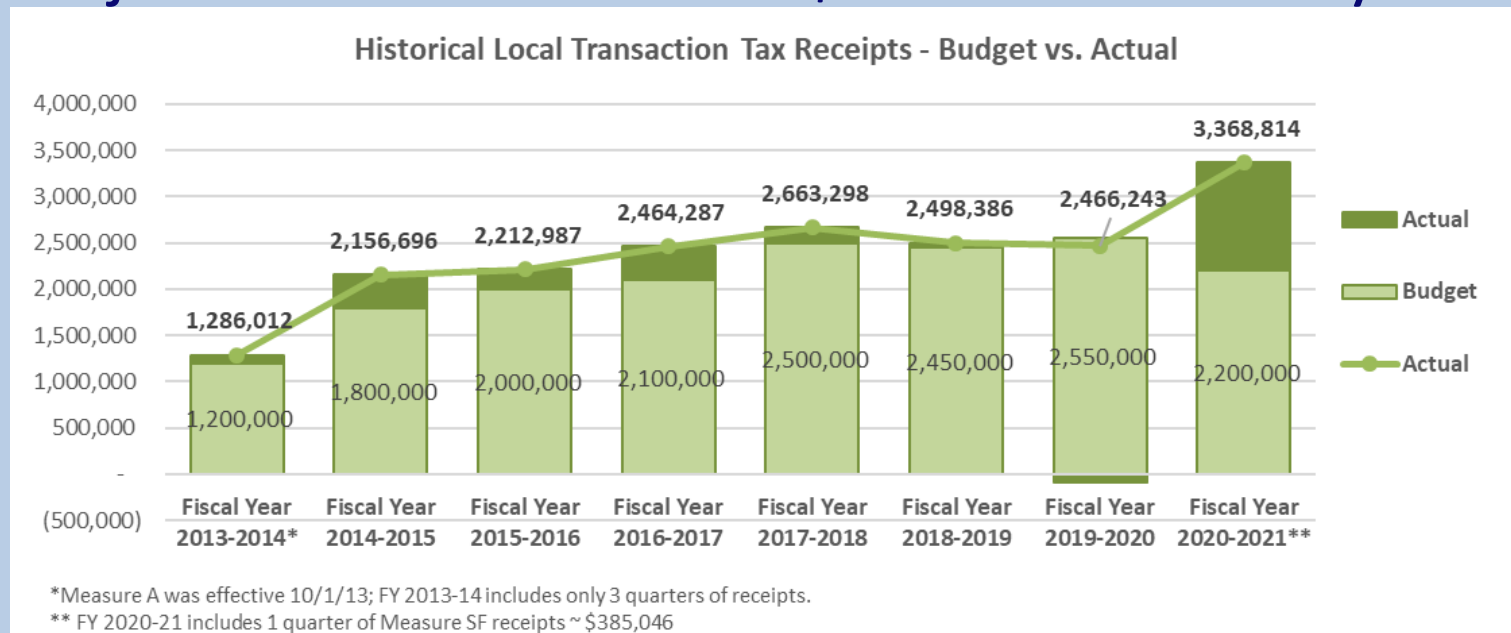
- 4) Local Transaction Tax (formerly Measure A) Annual Reports, Budget documents and Quarterly Sales Tax information available on City's website (www.sfcity.org/financial-documents/)**

Financial Documents section on Finance Department Page.



HOW MUCH HAS BEEN COLLECTED?

- Since October 1, 2013, Local Transaction Taxes have generated \$19.1 million in additional revenue.
- Projected to raise close to \$4 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 approximately **\$6 million** as of 6/30/2021.
- Fully repaid Section 108 Loan for Pool: \$613,000
- Fully repaid California Housing Finance Agency loan: \$692,000
- Reduced internal debt to Retirement Fund by \$957,480
- Reduced internal debt for Las Palmas Improvements by \$715,589



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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.
- Glenoaks Boulevard Reconstruction.
- San Fernando Park Facility and Tot Lot Improvements.
- Replaced 13 police patrol vehicles and upgraded all in-car computers.
- Purchased new utility trucks and maintenance equipment for DPW.

ESTABLISH RESERVES

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

General Fund: Increased liquidity from \$280,000 on 6/30/2013 to \$10.1 million on 6/30/21 (unaudited).

Self-Insurance Fund: Established \$1.5 million reserves to protect the City from the financial impact of large lawsuits.

Equipment Replacement Fund: Accumulated \$1,160,000 to pre-fund future vehicle replacements.

Facility Maintenance Fund: Accumulated \$75,000 to fund facility maintenance.



REPLACE OUTDATED TECHNOLOGY

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

- Modernized the City's technology backbone, including servers, routers, switches and computers to retire equipment vulnerable to security breaches (\$100,000).
- Replaced the mobile computers in police vehicles (\$120,000).
- Upgraded City-wide Radio Communications System (\$1 million).

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 was eliminated by FY 2019-2020.
- Due to COVID-19, an operating deficit was projected in FY 2020-2021. Measure A funds were shifted to cover the operating deficit rather than pay debt and build reserves.
- However, resilient local economy exceeded projections with very minimal actual operating deficit.



EXPENDITURE

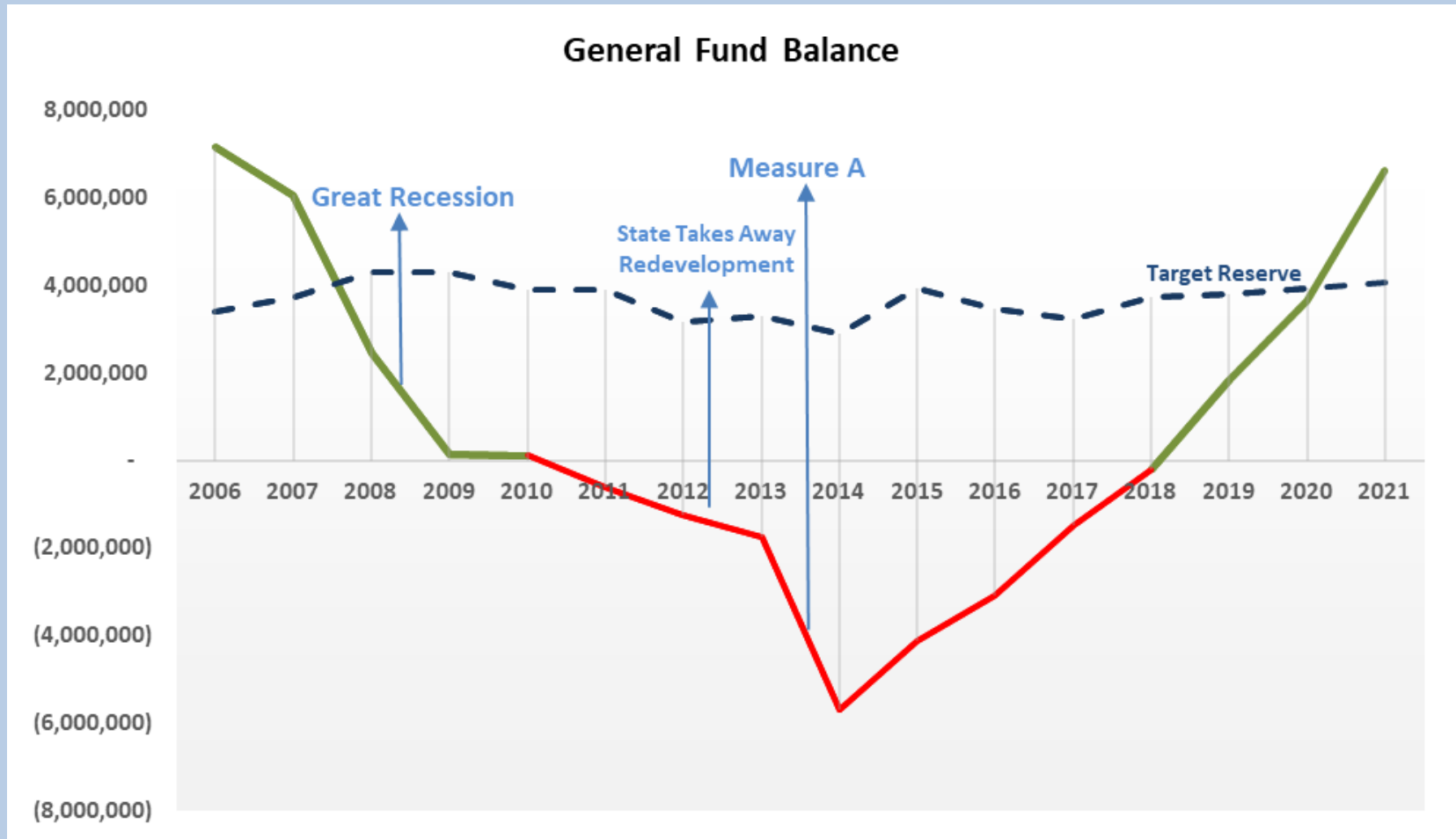
- City Council adopted a “bare bones” budget for FY 20-21 due to significant uncertainty.
- Focused appropriations on maintaining existing services through COVID-19 response.
- Revenues projected to decrease by 13.7% to \$2.2 million due to Pandemic.
- Significantly outperformed budget due to strength of Building and Construction, Vehicle Sales, and Online Sales.
- Therefore, very little needed for operations; most applied to General Fund reserve.

Repayment of Debt	Budget	Actual
To Retirement Fund	Deferred	-
To Sewer Fund	Deferred	-
To Water Fund	Deferred	-
Establish Reserves		
General Fund	Deferred	3,073,335
Self Insurance Fund	Deferred	-
Equipment Replacement Fund	Deferred	-
Facility Maintenance Fund	Deferred	-
		3,073,335
One-Time Enhancements/Investments	None	-
Ongoing Enhancements/Investments	None	-
Prior year On-going Staffing Enhancements	160,000	160,000
Operating Costs: COVID-19 Response	2,040,000	135,479
	2,200,000	295,479
Total Local Transaction Tax Uses:	\$2,200,000	\$3,368,814
		(385,046)
		\$2,983,768
Total Measure “A”		



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GENERAL FUND FUND BALANCE 2006 - PRESENT





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WHAT'S NEXT?



CONCLUSION

Since October 2013, Local Transaction Tax funds have been used to:

- 1) Eliminate the General Fund deficit.
- 2) Pay down external/internal debt.
- 3) Establish financial reserves.
- 4) Make one-time investments in infrastructure, equipment and technology.

As of June 30, 2021, most of these goals have been met or exceeded.



CONCLUSION

With many of the original goals met, Local Transaction Taxes can be used to implement the City Council Strategic Goals 2022-2027:

1. Focus on Community First
2. Support Economic Recovery: Stronger Than Ever
3. Preserve Beautiful Homes and Neighborhoods
4. Strengthen Climate Resilience and Environmental Justice
5. Enhance Public Transportation to Move San Fernando
6. Build Resilient and Reliable Infrastructure
7. Forge Financial Strength and Stability
8. COVID-19: Responding to a Pandemic



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FISCAL YEAR 2021-2022 SNEAK PEAK

The FY 2021-2022 Adopted Budget includes funding to begin implementing City Council's Strategic Goals:

- 1) Four (4) new SFPD Officer positions and safety equipment.
- 2) Establish new City-run Baseball Program.
- 3) Funding for a 4th of July Fireworks celebration in 2022.
- 4) New Maintenance Worker positions to enhance clean streets.
- 5) New management positions and funding to support Economic Development in San Fernando.
- 6) Resources to strengthen the City's water system.
- 7) Funding to slurry seal approximately 18 miles of residential streets.

And much more!!!



QUESTIONS

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APPENDIX A: DEFICIT REDUCTION PLAN

Staff 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
- Updated 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