



SAN FERNANDO

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CITY OF SAN FERNANDO

CITY COUNCIL AND SUCCESSOR AGENCY TO THE SAN FERNANDO REDEVELOPMENT AGENCY SPECIAL MEETING AGENDA SUMMARY MONDAY, MAY 23, 2022 - 6:00 PM

CITY HALL COUNCIL CHAMBER
117 MACNEIL STREET
SAN FERNANDO, CALIFORNIA 91340
TELECONFERENCE – PURSUANT TO PROVISIONS OF ASSEMBLY BILL 361

SPECIAL NOTICE REGARDING COVID-19

NOTICE OF TELECONFERENCE: Pursuant to Adopted Resolution No. 8098 by the City Council of the City of San Fernando, effective January 12, 2022, the City of San Fernando's Legislative Bodies may participate via teleconference and/or video in Accordance with Government Code Section 54953 as permitted under the provisions of Assembly Bill 361

PUBLIC PARTICIPATION OPTIONS

WATCH THE MEETING:

Live stream with audio and video, via YouTube Live, at:

<https://www.youtube.com/c/CityOfSanFernando>

Note: Comments submitted via YouTube will not be read into the record.

SUBMIT PUBLIC COMMENT IN PERSON:

Members of the public may provide comments in the City Council Chambers during the Public Comments section of the Agenda by submitting a comment card to the City Clerk.

SUBMIT PUBLIC COMMENT VIA EMAIL:

Members of the public may submit comments **by email** to cityclerk@sfcity.org no later than **5:00 p.m. the day of the meeting**, to ensure distribution to the City Council prior to consideration of the agenda. Comments received via email will be distributed to the City Council, read into the record, limited to three minutes, and made part of the official public record of the meeting.

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Special Meeting Notice and Agenda – May 23, 2022

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CALL-IN TO PROVIDE PUBLIC COMMENT LIVE AT THE MEETING:

Members of the public may **call-in between 6:00 p.m. and 6:15 p.m.** Comments will be heard in the order received, and limited to three minutes. If necessary, the call-in period may be extended by the Mayor. Note: This is audio only and no video.

Call-in Telephone Number: (669) 900-6833

Meeting ID: 833 6022 0211

Passcode: 924965

When connecting to the Zoom meeting to speak, you will be placed in a virtual “waiting area,” with your audio disabled, until it is your turn to speak and limited to three minutes.

CALL TO ORDER/ROLL CALL

PLEDGE OF ALLEGIANCE

Led by City Clerk Julia Fritz

APPROVAL OF AGENDA

Recommend that the City Council approve the agenda as presented and move that all ordinances presented tonight be read in title only as authorized under Government Code Section 36934.

DECORUM AND ORDER

The City Council, elected by the public, must be free to discuss issues confronting the City in an orderly environment. Public members attending City Council meetings shall observe the same rules of order and decorum applicable to the City Council (SF Procedural Manual). Any person making impertinent derogatory or slanderous remarks or who becomes boisterous while addressing the City Council or while attending the City Council meeting, may be removed from the room if the Presiding Officer so directs the sergeant-at-arms and such person may be barred from further audience before the City Council.

PUBLIC STATEMENTS

Members of the public may **provide comments in the City Council Chambers** during the Public Comments section of the Agenda by submitting a comment card to the City Clerk.

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Members of the public may provide a **live public comment by calling in between 6:00 p.m. and 6:15 p.m. CALL-IN INFORMATION: Telephone Number: (669) 900-6833; Meeting ID: 833 6022 0211; Passcode: 924965**

ADMINISTRATIVE REPORTS

1) FISCAL YEAR 2022-2023 BUDGET STUDY SESSION NO. 1

It is recommended that the City Council review and discuss the Fiscal Year 2022-2023 Proposed Budget.

STAFF COMMUNICATION INCLUDING COMMISSION UPDATES

GENERAL CITY COUNCIL/BOARD MEMBER COMMENTS AND LIAISON UPDATES

ADJOURNMENT The meeting will adjourn to its next regular meeting.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the City Hall bulletin board not less than 72 hours prior to the meeting.

Crystal Solis

Deputy City Clerk/Management Analyst

Signed and Posted: May 19, 2022 (3:00 p.m.)

The Regular Meetings of the City Council of the City of San Fernando also serves as concurrent Regular Meeting s of the Successor Agency to the San Fernando Redevelopment Agency, and, from time to time, such other bodies of the City composed exclusive of the Members of the City Council.

Agendas and complete Agenda Packets (including staff reports and exhibits related to each item) are posted on the City's `Internet website www.sfcity.org. These are also available for public reviewing prior to a meeting in the City Clerk Department. Any public writings distributed by the City Council to at least a majority of the Councilmembers regarding any item on this regular meeting agenda will also be made available at the City Clerk Department at City Hall located at 117 Macneil Street, San Fernando, CA, 91340 during normal business hours. In addition, the City may also post such documents on the City's website at www.sfcity.org. In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification/accommodation to attend or participate in this meeting, including auxiliary aids or services please call the City Clerk Department at (818) 898-1204 or cityclerk@sfcity.org at least 48 hours prior to the meeting.

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Special Meeting

San Fernando City Council

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AGENDA REPORT

To: Mayor Mary Mendoza and Councilmembers

From: Nick Kimball, City Manager
By: Sonia Gomez-Garcia, Interim Director of Finance/City Treasurer

Date: May 23, 2022

Subject: Fiscal Year 2022-2023 Budget Study Session No. 1

RECOMMENDATION:

It is recommended that the City Council review and discuss the Fiscal Year (FY) 2022-2023 Proposed Budget.

BACKGROUND:

1. On February 18, 2022, the City Council held a Special Study Session to review the 2022-2027 Strategic Goals and discuss FY 2022-2023 City Council Priorities.
2. On March 7, 2022, the City Council received a presentation of the Annual Comprehensive Financial Report for the fiscal year ending June 30, 2021, FY 2021-2022 Mid-year Budget update, and FY 2022-2023 Budget Outlook. This marked the kick-off of the FY 2022-2023 Budget season.
3. During April 2022, the City Manager and Interim Director of Finance met with each Department to develop the FY 2022-2023 Proposed Budget, which includes revenues and expenditures for the General Fund, Enterprise Funds, and all Special Revenue Funds.
4. On April 18, 2022, the City Council received a presentation from Management Partners summarizing the City Council Priority-setting Workshop held on February 18, 2022.
5. On May 2, 2022, the City Council received a copy of the City of San Fernando FY 2022-2023 Proposed Budget and it was made available on the City's website at <https://ci.san-fernando.ca.us/finance/#1644253170471-6d73f4d7-1072>.
6. Budget Study Sessions are scheduled for May 31, 2022 and June 6, 2022, to discuss the proposed budget for each department in detail.

ANALYSIS:

The theme of the FY 2022-2023 City Manager's Proposed Budget is to lay a solid foundation on which the next version of San Fernando will be built. The blueprint was drawn by the City Council through the Strategic Goals 2022-2027 that were adopted in March 2021. All FY 2021-2022 Accomplishments, FY 2022-2023 Objectives (i.e., Work Plan) and Enhancements have been carefully reviewed to align with the City Council Strategic Goals.

The Proposed Budget includes salary and benefit changes contained in the City's six (6) labor agreements as well as a five percent (5%) increase to operating budget to offset significant Consumer Price Index (CPI) increases in the current economic environment.

More than \$3.5 million in General Fund enhancement requests were submitted by City Departments. After initial review of the proposed budget, the City Manager is recommending \$740,818 in ongoing enhancements and \$415,620 in one-time enhancements in the General Fund. More detailed information on approved enhancements is included in the "Recommended Enhancements" section of proposed budget document.

Overall, the General Fund has a budget surplus (i.e., total revenues exceed total expenditures) of approximately \$261,082. More information regarding the FY 2022-2023 Proposed General Fund Budget will be provided during the scheduled Budget Study Sessions.

Measure A and Measure SF.

In June 2013, San Fernando voters approved a 0.50% local transaction use tax (Measure A) for a period of seven years. In November 2018, voters approved to extend the tax indefinitely, which will provide financial stability to the City in the near future. In November 2020, San Fernando voters approved an additional 0.25% local transaction use tax (Measure SF), for a total local transaction use tax of .75%. This effort was critical to keep sales tax local and avoid other taxing entities from passing a transaction tax that would otherwise be imposed on San Fernando customers, but spent regionally rather than locally.

The Local Transaction Use Tax is projected to raise approximately \$4.67 million in FY 2022-2023 and will continue to be used to pay off existing debt, strength rainy day fund reserves, enhance services to the community and provide the financial resources necessary to implement the City's Strategic Goals 2022-2027. More detail on City's Local Transaction Use Tax expenditures, can be found in the City Manager's Budget Message in the Proposed Budget document.

Capital Improvements.

The FY 2022-2023 includes funding for a number of critical capital improvements to address the backlog of deferred maintenance, particularly street and parking lot resurfacing, water improvements and transportation and traffic safety improvements.

Fiscal Year 2022-2023 Budget Study Session No. 1

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Funding for these capital improvements is provided primarily through Special Revenue Funds, Capital Funds and Enterprise Funds.

Category	Carry Over from Previous Years	FY 2022-2023 Proposed	Total Appropriation	Funding Sources
Street & Sidewalk Improvements	2,584,175	2,015,053	4,599,228	SB-1, Measure R & M and Prop C
Parking Lot Improvements	-	100,000	100,000	Parking & Maintenance Operations
Water System & Street Improvements	22,030,637	-	22,030,637	Measure W, Enterprise Funds, Prop C, and Grants
Transportation/Traffic Safety Improvements	9,012,666	-	9,012,666	Prop C, Measure R & M, SB-1 and Grants
Total	33,627,478	2,115,053	35,742,531	

More detailed information regarding the FY 2022-2023 Proposed Capital Improvement Program may be found in the “Capital Projects” section of proposed budget document.

BUDGET IMPACT:

The total Proposed Budget for all funds is approximately \$53.5 million. The Proposed General Fund budget is \$25.0 million (13% increase from FY 2021-2022). In accordance with the City’s Budget Policy, the FY 2022-2023 Proposed General Fund Budget represents a balance budget, with General Fund revenues of \$25.2 million and expenditures of \$25.0 million estimating a surplus of \$261,082.

CONCLUSION:

It is recommended that the City Council review the FY 2022-2023 Proposed Budget and allocate the resources required to move the 2022-2027 Strategic Goals and Council Priorities forward in the upcoming fiscal year.

ATTACHMENT:

- A. FY 2022-2023 City Manager’s Proposed Budget Message
- B. FY 2022-2023 Proposed Budget - provided under separate cover and is available on the City’s website at the following link: <https://ci.san-fernando.ca.us/finance/#financial-documents>



MEMORANDUM

To: Mayor Mary Mendoza and Councilmembers

From: Nick Kimball, City Manager

Date: May 2, 2022

Subject: Fiscal Year 2022-2023 Proposed Budget Message

I am pleased to present the City Manager's Proposed Budget for fiscal year (FY) 2022-2023. The theme of the FY 2022-2023 City Manager's Proposed Budget is to lay a solid foundation on which the next version of San Fernando will be built. The blueprint for the next version of San Fernando was drawn by City Council through the *Strategic Goals 2022-2027* that were adopted in March 2021.

Through last year's budget process, City Council directed staff to continue to seek community input and refine the Strategic Goals throughout the fiscal year. To that end, there have been a number of opportunities to receive community feedback over the last year, including, but not limited to:

- Two (2) virtual Measure A/SF Virtual Town Hall meetings.
- Community survey completed by approximately 650 residents and business survey completed by approximately 50 small businesses.
- Multiple opportunities for the community to provide feedback in local government decisions through in-person and virtual outreach meetings related to the following efforts:
 - a) Parking Management Master Plan.
 - b) Housing Element.
 - c) Safe and Active Streets Plan.
 - d) Recreation Park Infiltration Project.
 - e) Layne and Pioneer Park improvements.
 - f) Development options at Parking Lot No. 3.
 - g) Clean California Grant survey (approximately 150 responses).
 - h) Weekly Social Media postings.
- Special City Council Study Session on February 18, 2022 to discuss Council priorities.

Nick Kimball, City Manager

Fiscal Year 2022-2023 Proposed Budget Message

This increased level of outreach has provided staff with data driven insight into the needs and priorities of the community. The highest priorities identified by the community survey are related to supporting the economic recovery of businesses, providing programs to reduce the cost of home ownership, fixing roads and sidewalks, making San Fernando more walkable, and enhancing public safety.

The highest priorities identified by City Council at the Priority Setting session included safeguarding the City's water supply, building resilient and reliable infrastructure, addressing homelessness, increasing SFPD resources, and providing a high standard for service and quality of life.

To achieve these priorities and implement the related programs and service enhancements, the City will need to add new positions and recruit talented staff, which requires an ongoing investment of General Fund dollars, primarily through Measure SF. Services such as establishing and implementing a housing affordability program, homeless outreach, new economic development programs, project management for new capital projects, increased community outreach efforts, and offering new recreation programs and community events cannot be provided without an investment in more staff hours to deliver these programs to the community.

As the City transitions from responding to the COVID-19 pandemic to recovering from the COVID-19 pandemic, we are presented with an opportunity to modernize the City's organizational structure and reimagine how services are provided. Rather than "recovering" from the social and economic impacts of COVID-19, which implies returning to the way things used to be, staff has been asked to explore restructuring their department based on the services that the City will be providing over the next 10 years and creatively re-imagine services to set the City up for an equitable, sustainable, and resilient future.

The goal of this Proposed Budget is not to go back to where we were before the pandemic. The goal is to use today as the jumping off point to move the City forward.

Budget Development

The FY 2022-2023 City Manager's Proposed Budget includes resources to move the City organization forward and achieve the objectives set out through the *Strategic Goals 2022-2027*. In past years, the base operating budget has been referred to as a Maintenance of Effort, or MOE, budget to signal that the goal was to maintain the same level of service as the prior year. For the FY 2022-2023 budget, we are replacing Maintenance of Effort with Sustainable and Resilient Effort, or SRE, budget. Consequently, rather than focusing on "Recovery," Departments were asked to focus their work plans and enhancement requests on "Restructuring" and "Reimagining" the City organization.

Nick Kimball, City Manager

Fiscal Year 2022-2023 Proposed Budget Message

During internal budget meetings with the City Manager and Director of Finance, each Department reviewed their FY 2021-2022 Accomplishments, proposed FY 2022-2023 Objectives (i.e., Work Plan), and requested enhancements. Accomplishments, Objectives, and Enhancements are all expected to address at least one Strategic Goal and move City services forward.

More than \$4.0 million in enhancement requests were submitted by Departments, with a total of \$1.57 million included in the Proposed Budget (\$645,620 in one-time and \$920,818 in on-going enhancements). Most of these enhancements are from the General Fund, with more than \$3.5 million in enhancement requests being submitted with a total of \$1.16 million included in the Proposed Budget (\$415,620 in one-time and \$740,818 in on-going enhancements).

More detailed information on approved enhancements is included in the “Recommended Enhancements” section of this Budget Message.

Economic Outlook

To develop the Proposed Budget, it is important to understand the projected direction of the economy. Prior to the onset of the COVID-19 pandemic in March 2020, the national and state economies were in the midst of the longest recorded economic expansion. The economy had been on a long, slow recovery since the end of the Great Recession in 2009 with strong fundamentals, such as low unemployment, increasing household income and personal consumption, and most stock market indices were at record levels.

Then the unexpected shock of the global COVID-19 pandemic rapidly reversed the financial strength of the last decade and dramatically altered lives across the United States. As a result of the rising COVID-19 infection rate and the ensuing business restrictions, the first quarter of 2020 brought dramatic spikes in job losses, “non-essential” business closures, fractured supply chains (remember the toilet paper shortage) and widespread uncertainty hampered the flow of goods, services, and cash.

As vaccinations became widely available in the second quarter of 2021, economic restrictions were relaxed and many businesses were allowed to reopen under masking and social distancing requirements. However, by the end of the third quarter, a new, more contagious COVID-19 variant (i.e. the Omicron variant) drastically increased infection rates throughout the United States going into the holiday months. Fortunately, the widespread vaccination campaign provided some protection and healthcare systems were not over-stressed. Consequently, another round of economic restrictions and business closures was avoided.

Now that we are in second quarter of 2022, most mask mandates have been lifted and Health Order restrictions have transitioned to recommendations and best practices. That said, a number of international factors, such as Russia’s invasion of Ukraine and a surge of COVID cases re-

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emerging in China, have exacerbated supply chain interruptions and added to significant inflationary pressures.

The following analysis of the federal, state and local economic outlooks provide context for the City's revenue projections.

Federal Economic Outlook¹

The federal government enacted demand-stimulating fiscal and monetary policy throughout the COVID-19 pandemic in an attempt to support economic recovery. These expansionary policies have been principal causes of increased Gross Domestic Product (GDP) and recent significant price inflation. According to the Bureau of Economic Analysis, GDP, which is a measure of output for the US economy, increased by 5.7% in 2021. GDP is expected to grow by approximately 3.6% in 2022 and 2.4% in 2023. The overall size of the nation's economy in terms of GDP exceeded pre-pandemic levels in the second quarter of 2021, marking a substantial recovery from the 2020 pandemic-induced recession.

The national unemployment rate, which began 2021 at around 6.3 percent, improved significantly during the year falling to 3.9 percent in December and is close to the pre-pandemic 50-year low of 3.5 percent. However, job vacancies are still historically high due primarily to the reduced size of the labor force. Although the U.S. labor market has been experiencing a steady decline in the labor force participation rate since its peak in the late 1990s/early 2000s, the Great Resignation during COVID-19 saw a mass exodus of many of the most experienced employees from the labor force for good. Consequently, the labor force participation rate is near the lowest it has been since 1977. The labor force participation rate will be a key metric to watch going forward and will be an important determinant of overall economic performance and future changes in the economy.

U.S. consumer spending, encouraged by multiple rounds of U.S. government stimulus checks and supplemental unemployment benefits, remained strong in 2021, particularly during the first half of the year. According to the Bureau of Economic Analysis, personal consumption in the United States increased by 11.4 percent in the first quarter, 12.0 percent in the second quarter, and a 1.7 percent annualized rise in the third quarter.

The Federal Reserve has announced that it is planning to significantly reduce the rate of its monthly bond purchasing as well as to raise interest rates in 2022. This change in Fed policy is designed to apply downward pressure on inflation. However, care must be taken not to tighten monetary policy in a way that will disrupt the ongoing economic recovery.

¹ The information in this section has been taken from 2022 LAEDC Economic Forecast, Navigating Through Continued Disruption and Uncertainty; https://laedc.org/wp-content/uploads/2022/02/LAEDC_Economic_Forecast_2022.pdf visited 5/1/2022

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In summary, the national economy is in a delicate stage. While fundamental indicators such as GDP and the employment rate are strong, increasing CPI is eroding consumer spending and stock market volatility is impacting many American's personal wealth. However, it is expected that federal stimulus funding will keep the U.S. from sliding into a recession over the next fiscal year.

California Economic Outlook²

While California has significantly recovered from the pandemic-induced downturn, significant challenges remain. The pandemic is still negatively affecting the state's economy, particularly in industries that rely on high degrees of in-person interaction, and continuing to inject uncertainty into the recovery process. Throughout the pandemic, California has experienced its first recorded decline in population since recording began over 100 years ago. In addition, business headquarters have left the state at a record pace during the pandemic. Furthermore, the pandemic significantly impacted California's housing market.

Home prices increased dramatically throughout California during the pandemic. California's housing market remains significantly more expensive compared to housing markets throughout much of the United States. California's continued recovery in the years to come will depend on a variety of factors including national and state economic policy and new developments related to the pandemic. Additionally, the housing market, relocation of businesses to other states, and relatively high degree income inequality, pose continuing challenges for the state.

California has long faced a number of challenges that have been exacerbated by the pandemic. Ongoing challenges that have been amplified by the pandemic include a declining population, increasing housing costs, and business headquarter exits to other states. The pandemic has served to accelerate trends that may result in significant negative consequences for California. State policymakers will need to take timely and effective steps to address these challenges and reverse existing trends before these issues become prohibitively difficult to fix.

While California significantly recovered from the pandemic-induced downturn in 2021, substantial challenges remain. The pandemic is still negatively impacting the state's economy, particularly industries that rely on high degrees of in-person interaction. Additionally, the high cost of housing, relocation of businesses to other states, and relatively high degree income inequality, represent continuing challenges for California. Despite these challenges, similar to the national economy, it is expected that budget surplus and government spending will keep California from sliding into a recession over the next fiscal year.

² The information in this section has been taken from 2022 LAEDC Economic Forecast, Navigating Through Continued Disruption and Uncertainty; https://laedc.org/wp-content/uploads/2022/02/LAEDC_Economic_Forecast_2022.pdf visited 5/1/2022

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San Fernando Economic Outlook

The resiliency of San Fernando's local economy was made clear throughout the COVID-19 pandemic. Many of the City's large employers are essential manufacturing and service business such as LAUSD, Pharmavite, Pepsi, Home Depot, Puretek Corp, and Vallarta. American Fruits and Flavors, which manufactures Monster Energy Drinks, is constructing a 165,000 square foot manufacturing facility in San Fernando that will be home to more than 300 jobs when it is finished. The City does not have a significant leisure and tourism industry, which was hardest hit by pandemic related economic restrictions. However, the City does have a number of businesses that support the Entertainment Industry, which was hit hard by the pandemic.

Small businesses, which are the lifeblood of the City's unique character and charm, were hit hardest by the economic restrictions imposed by COVID-19. These small businesses provide in-person services, including restaurants, bars, hair salons, nail salons, laundry services, niche retail, etc., that rely on personal interaction and are often incompatible with remote operations. Now that economic restrictions and mask mandates have been lifted, most small businesses have returned to normal operations and events like the San Fernando Outdoor Market are enticing customers back to the City's commercial corridors. The City Council also approved \$400,000 in CDBG funds to provide \$10,000 grants to 40 small businesses in San Fernando. This program is being administered by the Los Angeles County Community Development Authority and funds are expected to be fully dispersed to businesses by the end of June.

Beginning in the fall of 2020, the City worked with the Mall Association to support a new monthly community event, the San Fernando Outdoor Market, to support local businesses and create a sense of pride and hope for the community. Since that first event, there have been more than 12 Outdoor Markets, which have grown to attract more than 70 vendors who often sell out of their products during the 3-hour event. Thousands of customers walk along San Fernando Road to patronize the vendor booths and shops at each event. Events like the San Fernando Outdoor Market serve as catalysts to revitalizing the downtown and a lasting legacy of a strong partnership between the City and the Downtown businesses.

As part of the FY 2021-2022 Adopted Budget, City Council demonstrated a commitment to invest in the local economy by approving funding for an Economic Development Manager position and funding to initiate an Economic Development Master Plan. These investments will work to attract business and make the local economy even more resilient in the long term.

San Fernando's local economy and customer base proved to be resilient throughout the pandemic. The City has a solid base of retail, manufacturing, personal service, and restaurant businesses that provide sales and business taxes that have consistently grown over the past 10 years. With affordable lease rates, easy access to major transit routes (i.e. Interstate 5, 210 Freeway, and the 118 Freeway) and access to regional transit from the Sylmar Metrolink Station, the local economy is expected to remain strong over the next fiscal year. Additionally,

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new businesses opening locations in San Fernando in the next few years, including Target and American Fruits and Flavors, will provide a boost to the local economy over the long-term.

General Fund Overview

The City is entering FY 2022-2023 in a strong financial position with the resources to continue implementing the *Strategic Goals 2022-2027*. In accordance with the City's Budget Policy, the Proposed General Fund Budget represents a balanced budget. In fact, with \$25,293,996 in projected revenues and \$25,032,914 in proposed expenditures, there is a budget surplus of approximately \$261,082. This represents a 13% increase in revenues and expenditures from the FY 2021-2022 Adopted Budget.

Recommended Enhancements

City Departments were asked to submit enhancement requests that address the adopted Strategic Goals. More than \$3.5 million in General Fund enhancement requests were submitted by City Departments. A total of \$1,156,438 in General Fund enhancement requests were approved and included in the Proposed Budget (One-time: \$415,620; Ongoing: \$740,818).³

The recommended enhancements include a number of new staff positions that will increase the City's ability to support economic development (Deputy City Manager-Economic Development), conduct analysis and formulate data driven policy (Management Analyst - SFPD), enhance the deployment of new technology (e.g. Information Technology Systems Administrator), provide a sense of community pride through recreation programs and community events (Recreation Program Specialist), and maintain infrastructure and City-owned parkways (Sewer Maintenance Workers; Senior Tree Trimmer). The Proposed Budget also includes resources in the Personnel Division to attract and retain talented staff needed to move the Strategic Goals forward.

The budget also includes one-time resources to implement new technology, expand staff safety by providing protective equipment, improve working conditions for field staff, provide consultant services to supplement staff and complete capital projects, provide technical expertise for architectural and environmental review to maintain high development standards, and develop existing staff's skill through additional training

The following enhancements are being recommended for FY 2022-2023 and have been included in the Proposed Budget:

- I. Focus on Community First – Focus on enhancing quality of life and community satisfaction in San Fernando.
 - a. Add one (1) Management Analyst in the Police Department. This position will focus on grants, budget analysis, procurement, and crime analysis to increase data informed

³ A detailed breakdown of enhancement requests is included in the Proposed Budget after the City Manager's Report.

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policing activities. It will also free up a sworn officer to focus on non-administrative responsibilities. (On-going: \$155,555)

- b. Add one (1) Information Technology Systems Administrator to manage the City's technology, network, and communications systems. The City contracts all IT services and needs a staff position with training and experience to act as a Chief Technology Officer and move the various technology related efforts forward. (ongoing: \$176,000)
- c. Add one (1) Recreation Program Specialist to support City Council approved programs and events, including, but not limited to, Mission City Baseball League, 4th of July event, San Fernando Birthday event, increased park cleanups, and other enhanced recreation program offerings. (On-going \$93,679)
- d. Add one (1) part-time RCS Office Clerk at Recreation Park to perform a variety of clerical work, assist at the public counter, provide information to customers by phone and email, prepare bulletins, brochures and reports as needed, accept and process requested forms and applications, and provide clerical assistance in all aspects of the department programs and activities. (On-going \$18,834)
- e. Add one (1) part-time Personnel Office Clerk and funding for advertising, and recruiting related activities. These resources will increase the City's ability to attract talented staff. (Ongoing: \$18,834; One-time: \$12,500)
- f. Establish a Bike Patrol to increase visibility and community based patrolling at special events, City park patrol, and other appropriate uses. Requires purchase of four (4) specially equipped bikes and additional accessories for two existing bike units. (One-time: \$18,420)
- g. Replace three (3) detective vehicles and one (1) CSO vehicle to increase fleet reliability. (One-time: \$160,000 from Equipment Replacement Fund)
- h. Replace expired protective safety equipment, including ballistic vests, to enhance public safety. (One-time: \$42,500)
- i. Additional POST certified training for Patrol Officers, Police Supervisors, and Detectives for the Supervisor Leadership Institute, Community Policing Training, jail personnel, tuition reimbursement and other professional development training. (One-time: \$56,700)
- j. Explore agenda processing and publishing software to increase community access to City Council agendas. (One-time: \$5,500)

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- k. Provide ongoing funding for the 4th of July Celebration event and annual City Birthday Party event. (Ongoing: \$40,000)
- II. Support Economic Recovery: Stronger Than Ever – Facilitate strong economic recovery by focusing on economic development, place making efforts, and supporting the business community.
 - a. Upgrade Economic Development Manager position to Deputy City Manager/Economic Development. This will enhance the role of Economic Development through an executive management level position with a higher level of experience, responsibility and authority to develop, implement, and manage economic development programs. (Ongoing: \$41,265)
 - b. Improve City support facilities by replacing aging/dilapidated personnel trailer at City Yard. (One-time: \$55,000 – Facility Maintenance Fund; \$20,000 – Water Fund; \$20,000 – Sewer Fund)
- III. Preserve Beautiful Homes and Neighborhoods – Preserve the beautiful architecture of homes and desirable characteristics of neighborhoods in San Fernando.
 - a. Add one (1) Administrative Assistant in Community Development to provide administrative support to the new Housing Coordinator position and free up Building and Planning staff from administrative responsibilities to focus on planning and permitting activity. (Ongoing: \$86,651)
 - b. Professional services to re-institute first time homebuyer loan, rehab loan, and homeless outreach programs. (One-time: \$50,000 – Low/Mod Housing Fund)
 - c. Engage professional planning and community development firm(s), including, but not limited to, architectural and design review, planning and development review, building inspection services, and environmental review services, to supplement staff resources, reduce service times, and provide additional expertise. (One-time: \$75,000)
- IV. Strengthen Climate Resilience and Environmental Justice – Responsible for being good environmental stewards and making a positive impact on community members' health and well-being through environmental responsibility.
 - a. Add one (1) Senior Tree Trimmer to care for the City's growing tree inventory and implement the Urban Forest Management Plan (Ongoing: \$110,000)

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- b. Explore lease financing programs to replace approximately ten (10) city vehicles with minimal initial capital outlay. Where available, vehicles will be replaced with electric and/or hybrid vehicles. (Program to be presented to City Council separately)

V. Enhance Public Transportation to Move San Fernando

- a. No new resources included in the Proposed Budget. The City is pursuing multiple grant funding opportunities for resources to enhance public transportation opportunities.

VI. Build Resilient and Reliable Infrastructure

- a. Hire one (1) Senior Sewer Worker and one (1) Sewer Worker to provide dedicated City resources to maintain the City's sewer system and free up other maintenance staff to focus on other areas of responsibility. (Ongoing: \$180,000 – Sewer Fund)
- b. Professional engineering and project management consultants to address the City's backlog of street, sidewalk, facility improvement, water system, and sewer system capital projects. (One-time: \$150,000)
- c. Funding has been included in the Capital Improvement Program using Special Revenue Funds to continue the slurry seal and sidewalk improvement Program. (One-time: \$2,000,000 – Various Special Funds)

VII. Forge Financial Strength and Stability

- a. The Proposed Budget includes a General Fund budget surplus of \$261,082, which will increase the General Fund reserve to \$7.5 million.

Measure A and Measure SF

In June 2013, San Fernando voters approved a 0.50% local transaction use tax (Measure A) for a period of seven years. In November 2018, voters approved to extend the tax indefinitely, which will provide financial stability to the City in the foreseeable future. In November 2020, San Fernando voters approved an additional 0.25% local transaction use tax (Measure SF), for a total local transaction use tax of 0.75%. This effort was critical to keep sales tax local and avoid other taxing entities from passing a transaction tax that would otherwise be imposed on San Fernando customers, but spent regionally rather than locally.

Funds raised through these transaction taxes (cumulatively 0.75%) are imperative to the City's long-term financial stability and will continue to be used to pay off existing debt, strengthen rainy day fund reserves, enhance services to the community and provide the financial resources necessary to implement the City's *Strategic Goals 2022-2027*.

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For FY 2022-2023, Measure A/SF funds are proposed to be used for the following:

Repayment of Debt

Repay Retirement Fund	226,333
	226,333

Establish Reserves

General Fund Reserve	261,082
Self Insurance Fund Reserve	750,000
Equipment Replace Fund Reserve	130,875
Pre-fund OPEB	500,000
Appropriated Reserve (for unexpected costs)	75,000
	1,716,957

Ongoing Enhancements/Investments

Reclassify Econ Dev Manager to Deputy City Manager	41,265
Personnel Office Clerk (PT)	18,834
Information Technology System Administrator	176,000
Administrative Assistant - Community Development	86,651
Management Analyst - Police Department	155,555
Senior Tree Trimmer	110,000
RCS Office Clerk (PT) - Recreation Park	18,834
RCS Program Specialist	93,679
City Birthday Celebration Event	5,000
Fourth of July Celebration Event	35,000
	740,818

One-Time Enhancements/Investments

Advertising for added recruitments	7,500
Additional Contractual Services	5,000
Agenda & Meeting Management Software Program	5,500
Lexipol Training for Jail & Law Enforcement	27,100
Building Inspection Services	25,000
On-Call Environmental/Architectural Review & Planning	50,000
Tuition Reimbursement	1,500
Additional Detective Training	14,600
Ballistic Vests	32,500
Officers Equipment and Uniforms	10,000
Four (4) New Bicycles & Equipment for six (6)	18,420
Additional Police Officers Training	13,500
Staff Augmentation for Public Work Engineering	150,000
Personnel Trailer Improvements and Furniture	55,000
	415,620

Prior-Year Approved Ongoing Enhancements **1,579,641**

Total Measure A/SF Uses **4,679,369**

Other Post-Employment Benefits

The City provides other post-employment benefits (OPEB), specifically, lifetime retiree health benefits, to employees that service retire or disability retire directly from the City of San Fernando. In 2015, the City negotiated a reduction in retiree health care benefits for all employees hired after July 1, 2015. Employees hired before July 1, 2015 that retire from the City will continue to receive fully paid retiree medical insurance. Employees hired after July 1, 2015 and retire from the City will receive the state statutory minimum to be paid toward retiree medical insurance, which is currently \$139 per month. Despite this reduction, the long-term liability for the retiree health benefit is significant.

The City currently funds retiree health on a “pay-as-you-go” basis, which means the City only pays the monthly premium for the 97 retired employees and surviving spouses. The City is not currently pre-funding the cost of retiree health benefits for the 108 current active employees that may qualify for retiree health benefits. According to the most recent actuarial valuation, the City should be setting aside approximately \$2.5 million per year to fully fund future retiree health benefits.

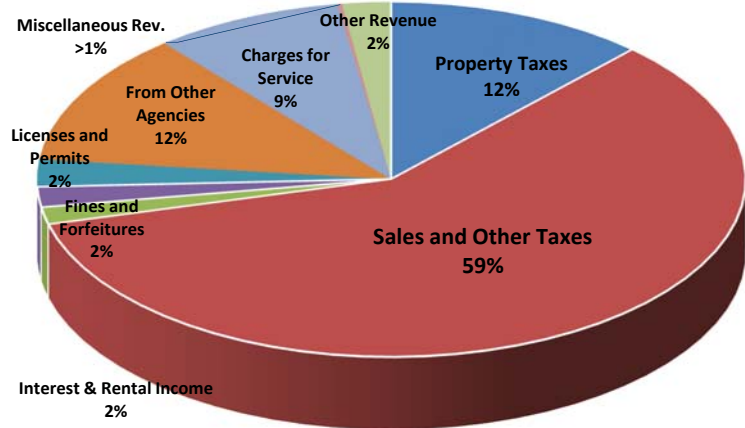
Staff is recommending beginning to set aside funds to pre-fund this benefit and reduce the City’s long-term liability. To this end, an additional \$500,000 has been included to fund a Section 115 Trust account to set aside funds dedicated to pay future retiree health benefit costs.



MEMORANDUM

General Fund Revenue

The FY 2022-2023 Proposed Budget projects \$25,293,996 in General Fund revenue. The City's largest revenue sources is Sales and Other Taxes, followed by Property Tax and Charges for Service. These three categories account for 80% of General Fund Revenue.



Based on the expected stable economic outlook over the next fiscal year, revenues are projected to increase by 8.3% from the FY 2021-2022 Adjusted Budget. General Fund revenue highlights are provided below.

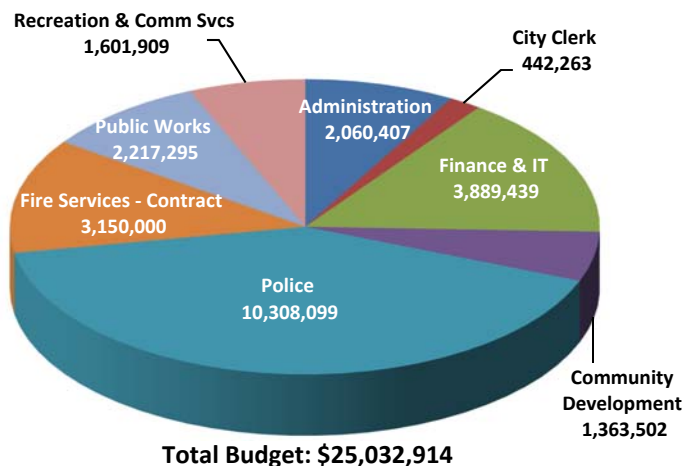
- Sales and Other Tax revenue are projected to increase by 9.1% due to continued strong economic activity and consumer spending.
- Property Tax related revenues are projected to increase by 11.9% to reflect the strong housing market and home remodels leading to increased assessed values.
- Charges for Services are projected to decrease by 2.0% primarily due to a decrease in projected revenue for Special Police Services. Due to the temporary staffing shortage in the Police Department, resources for non-essential police activities, including, but not limited to, non-City special events, patrol at the Swap Meet, and film productions, have been reduced.
- Revenue from Other Agencies are projected to increase by 7.6% due primarily to an increase in the project Property Tax In-lieu of Motor Vehicle License Fee revenue from the state, which follows Property Tax revenue trends.
- Admissions Taxes are projected to remain flat at \$700,000. Admissions Taxes are primarily generated from the admission fee to the Swap Meet. The Swap Meet is currently upgrading the facility, which will temporarily impact their ability to generate revenue. However, once upgrades are completed, it is expected that it will attract more customers.

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General Fund Expenditures

The FY 2022-2023 Proposed Budget includes \$25,032,914 in General Fund expenditures. The Proposed Budget includes an overall increase of 4.7% in expenditures from the FY 2021-2022 Adjusted Budget and includes almost \$700,800 in ongoing staffing resources and new positions as well as negotiated salary increases that average approximately 2%.



A total of \$1,156,438 in General Fund enhancement requests were approved and included in the Proposed Budget (One-time: \$415,620; Ongoing: \$740,818).

Additional information on the proposed enhancements is included in prior sections of this Budget Message.

Enterprise Funds: Projects and Enhancements

Enterprise funds are used to account for services provided to the public on a fee for service basis, similar to the operation of a private enterprise. San Fernando currently operates three enterprise funds: 1) Water Fund, 2) Sewer Fund, and 3) Compressed Natural Gas Fund.

A water and sewer rate study was completed in 2019 and new rates went into effect on January 1, 2020. The updated rate schedule ensure that fees charged to customers are sufficient to meet the cost to operate the water and sewer systems and replace aging water and sewer main lines.

The total budget for the Water Fund is \$6,536,852, which includes \$5,760,171 for operations and \$776,681 for capital projects.

Total projected Water Fund revenues are \$5,750,948, resulting in a planned budget deficit in the Water Fund of \$785,904. The budget deficit is primarily the result of planned capital improvements, which will reduce the Water Fund reserve balance to approximately \$682,829. Staff is reviewing a financial plan with City Council to ensure that there are sufficient reserve balances in the Water Fund while completing critical upgrades to the water system's treatment and storage facilities to significantly increase water resiliency.

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The total budget for the Sewer Fund is \$4,425,485, which includes \$3,265,485 for operations and \$1,160,000 for capital improvement payments to City of Los Angeles for the Hyperion Treatment system.

Total projected Sewer Fund revenues are \$4,187,061, resulting in a planned budget deficit in the Sewer Fund of approximately \$238,424. The Sewer Fund reserve balance is projected to decrease to approximately \$3.9 million, which will be necessary to fund future capital improvements to the Sewer System.

Special Revenue, Grant, and Capital Funds

Special Revenue, Grant, and Capital Funds are used to account for financial resources that are restricted by law or contractual agreement for specific purposes. San Fernando has a number of Special Revenue, Grant, and Capital Funds to account for a wide array of services provided to the community, including, but not limited to, dial-a-ride, traffic safety, street lighting, parking maintenance, supplemental law enforcement services, retirement, capital grants, capital projects, and park improvements. A number of these Funds also serve as a conduit for the receipt and transfer of funds.

The total new appropriations in the Special Revenue, Grant, and Capital Funds are \$12,676,900.

Capital Improvements

The FY 2022-2023 budget includes funding for a number of critical capital improvements to address the backlog of deferred maintenance, particularly street resurfacing and water system improvements. Funding for capital improvements is provided primarily through Special Revenue, Grant, Capital Funds, and Enterprise Funds.

Capital Improvement Projects will be presented and discussed in more detail during the Budget Study sessions.

Conclusion

The emphasis of the FY 2022-2023 Proposed Budget is to modernize the City's organizational structure and reimagine how services are provided. Rather than focusing on "recovering," the resources recommended in this Proposed Budget focus on "restructuring" and "re-imagining" services to set up the City for an equitable, sustainable, and resilient future. The flexibility to make these investments is only possible as a result of prudent financial leadership from the City Council and a clear vision laid out in the *Strategic Goals 2022-2025*.

Acknowledgments

I would like to acknowledge the guidance of the City Council, the dedication of Finance Department staff, the City's management team, and City staff that ensure the community receives the highest level of service each and every day. I would also like to provide special

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acknowledgement to Sonia Gomez-Garcia who has worked tirelessly to put together this Proposed Budget while continuing to lead the day-to-day operations of Finance Department as Interim Director of Finance. Without her long and tireless hours, this Proposed Budget would not have been possible.