



THE CITY OF
SAN FERNANDO

LOCAL TRANSACTION TAX ANNUAL REPORT

SEPTEMBER 25, 2023

PRESENTED BY:

ERICA D. MELTON

DIRECTOR OF FINANCE/CITY TREASURER



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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 INTO A DEFICIT
SITUATION?



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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)

+ “Great Recession” (Dec 2007–June 2009*)

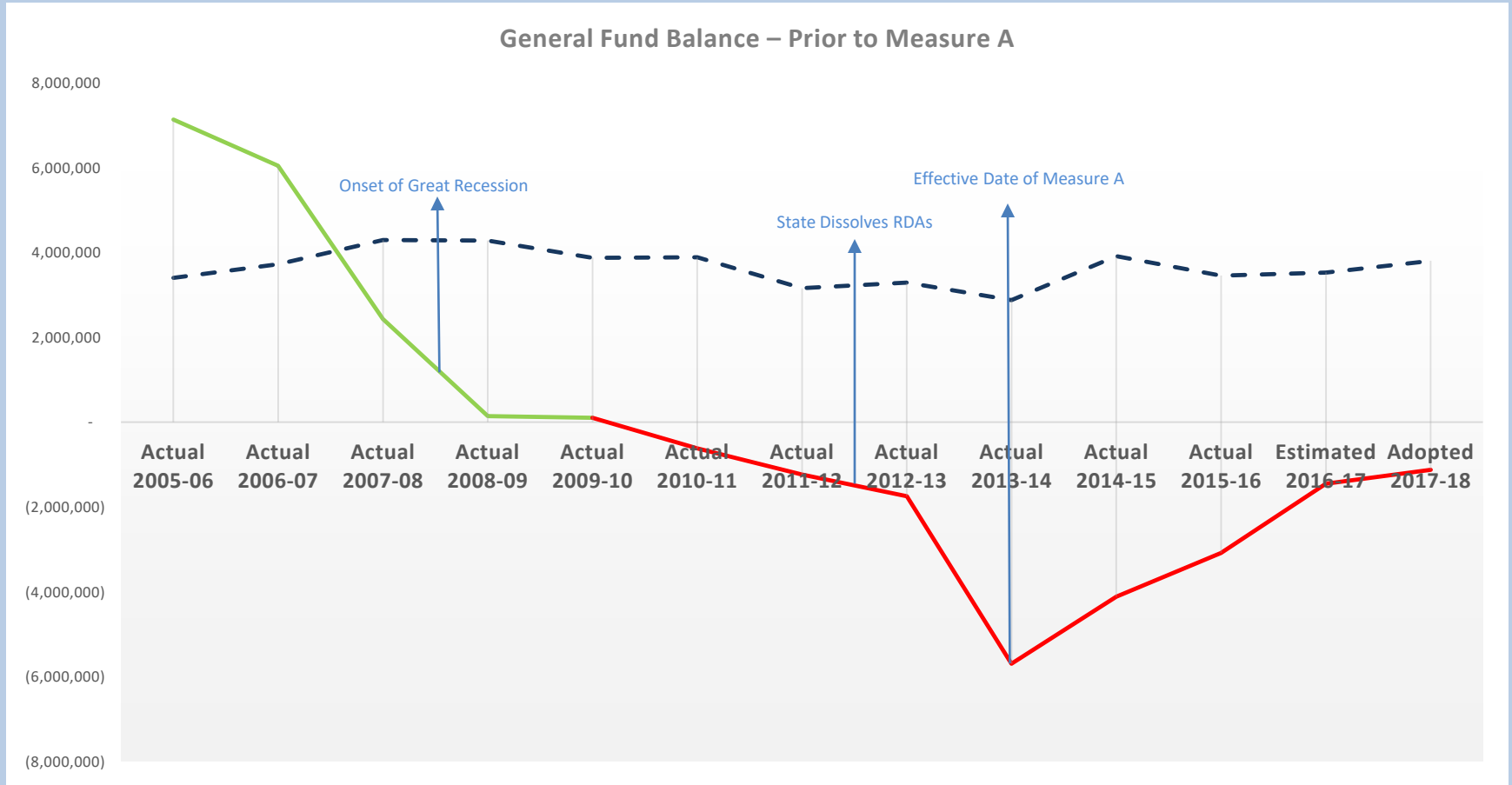
+ Elimination of RDA (January 2012)

= **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 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.



RESPONSE TO FINANCIAL CRISIS (CONT.)

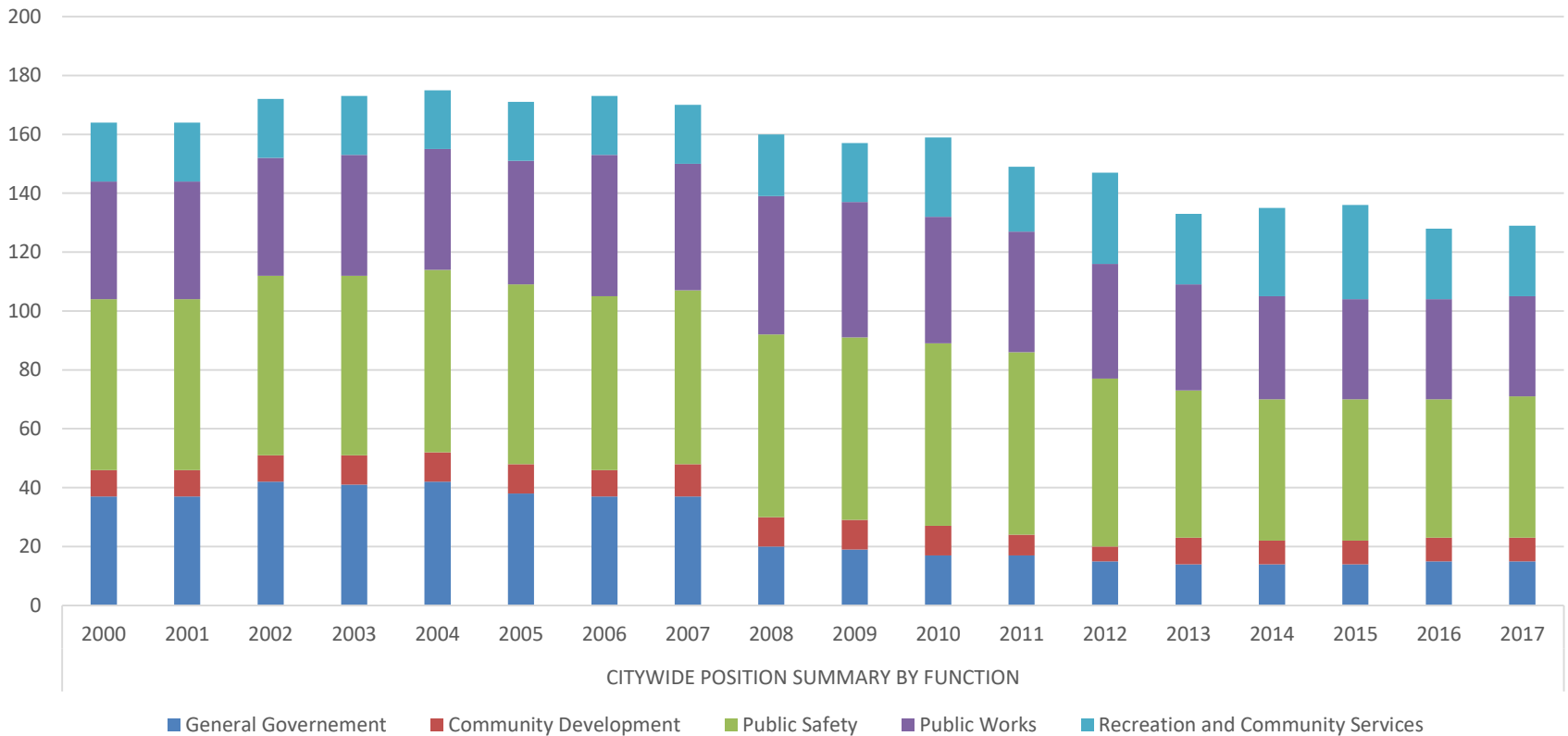
In the 10 years following the Great Recession:

- The number of total City employees was reduced from 160 in 2008 to 129 in 2017 (-20%)
- The number of sworn Police Officers was reduced from 62 in 2008 to 48 in 2017 (-23%)
- The number of Public Works employees was reduced from 47 in 2008 to 34 in 2017 (-28%)



RESPONSE TO FINANCIAL CRISIS (CONT.)

CITYWIDE POSITION SUMMARY BY FUNCTION

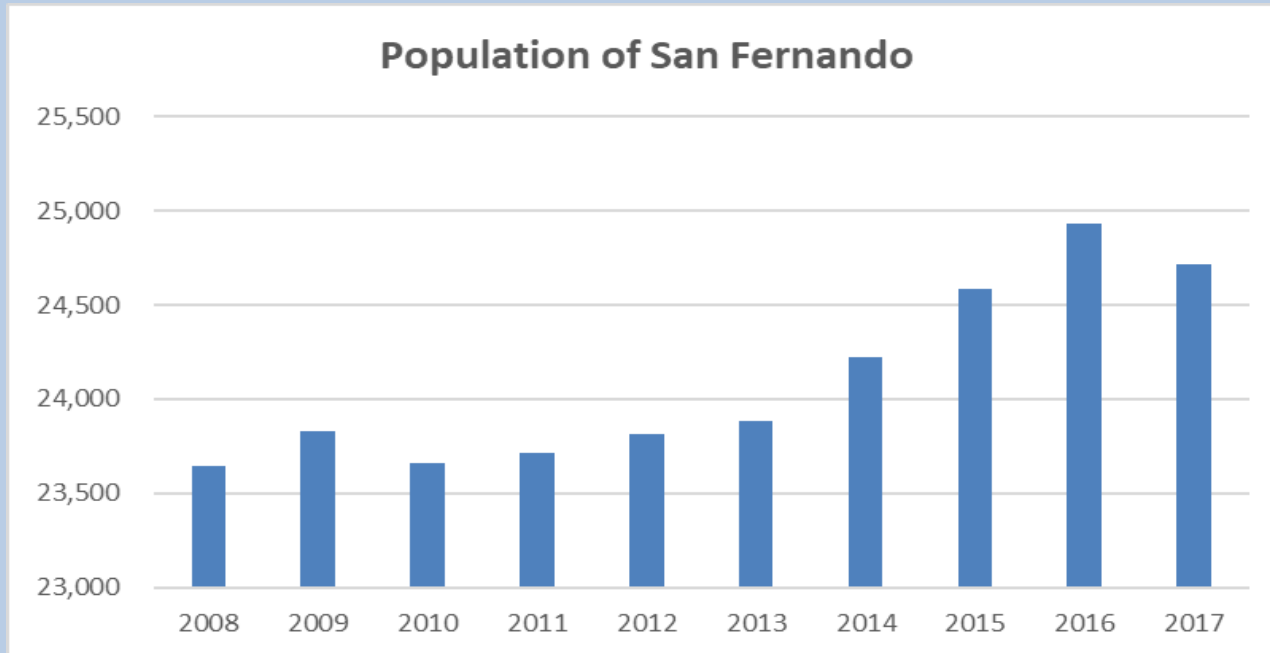




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RESPONSE TO FINANCIAL CRISIS (CONT.)

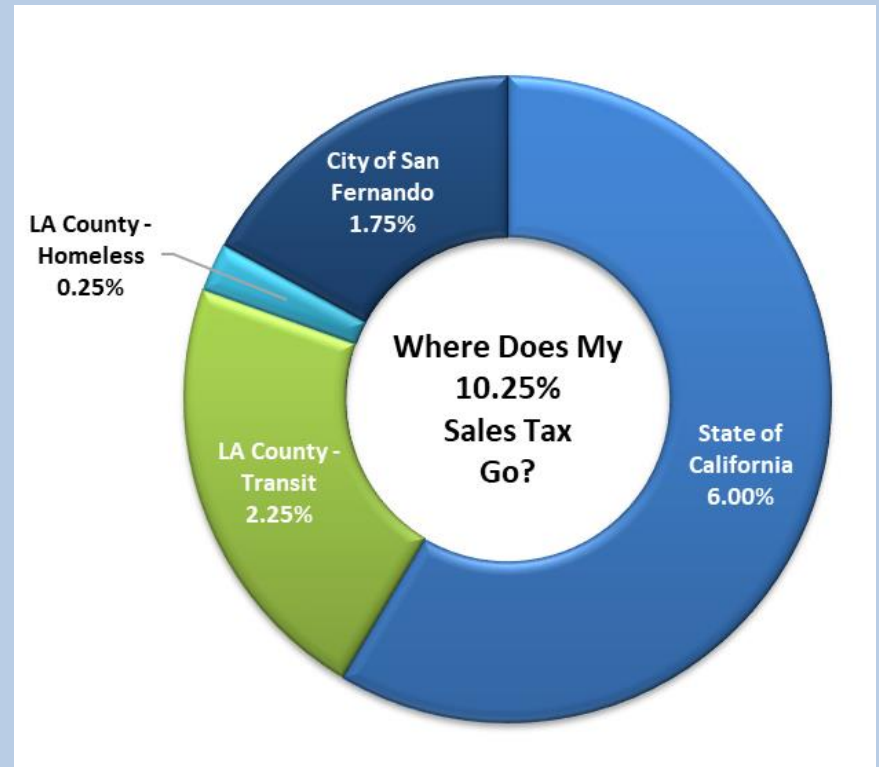
Population of San Fernando has increased from 23,645 in 2008 to 24,717 in 2017 (+4.5%)





RESPONSE TO FINANCIAL CRISIS (CONT.)

- In November 2018, Measure A was extended indefinitely by voters.
- In November 2020, Measure “SF” was passed which increased the City’s transaction tax from 0.50 percent to 0.75 percent. Measure “A” and Measure “SF” are now collectively referred to as Local Transaction Taxes.
- Without the revenues generated by Local Transaction Taxes, the City would have struggled to stay out of bankruptcy.





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HOW HAVE THE TAX FUNDS BEEN MANAGED?



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RESPONSIBLE STEWARDS OF MEASURE A/SF

- 1) A Local Transaction Tax Annual Report is presented to City Council for Public Review**
- 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)**
- 4) Local Transaction Tax (formerly Measure A) Annual Reports, Budget documents and Quarterly Sales Tax information available on City's website
(<http://sfcity.org/finance/#financial-documents>)**



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HOW MUCH HAS BEEN COLLECTED?

- Since October 1, 2013, Local Transaction Taxes have generated \$29.1 million in additional revenue.
- Projected to raise \$5.0 million annually.



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HOW HAVE LOCAL TRANSACTION TAX FUNDS BEEN USED?

COVER OPERATING DEFICIT

Since passage of Local Transaction Taxes, 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.
- While COVID-19 was initially projected to generate an operating deficit in FY 2020-2021, the local economy proved resilient and exceeded projections and instead ending in surplus.
- For FY 2022-2023, the City was able to continue restoring service levels and invest in the City's strategic goals. Year-end estimates are again projected to end in surplus.



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ESTABLISH/RESTORE NEEDED POSITIONS

- **Police Department:** Management Analyst
- **Public Works Positions:** Sewer Maintenance Workers and Senior Tree Trimmer
- **Recreation and Community Services:** Recreation Program Specialist
- **Community Development:** Administrative Assistant
- **Finance:** IT Services Administrator
- **Administration:** Reclassified Economic Development Manager position to Deputy City Manager



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CAPITAL PROJECTS AND CAPITAL EQUIPMENT

The City has used Local Transaction Taxes proceeds to fund the following projects:

- Resurface 5+ miles of streets including: Alexander Street, Huntington Street, Library Street, and San Fernando Road.
- 24+ miles of slurry seal to residential streets
- 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.
- Purchased (4) New E-Bikes for Police Department.
- Police Department Facility Improvements including HVAC System.



REPLACE OUTDATED TECHNOLOGY

Since passage of Local Transaction Taxes, 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).
- Transitioned City's phone system to VoIP (\$50,000).
- Digitization of Public Records (\$5,500).

PAY OFF DEBT & ELIMINATE DEFICIT

Since passage of Local Transactions Taxes, the City made progress on the following debt:

- Reduced General Fund Deficit from **(\$5,693,905)** on 6/30/2014 to a Fund Balance Reserve of approximately **\$10.2 million** as of 6/30/2023 (*unaudited*).
- Fully repaid Section 108 Loan for Pool: \$613,000
- Fully repaid California Housing Finance Agency Loan: \$692,000
- Fully repaid internal debt for Las Palmas Improvements: \$870,000
- Reduced internal debt to Retirement Fund by over \$1M



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YEAR-END BUDGET VS ACTUALS

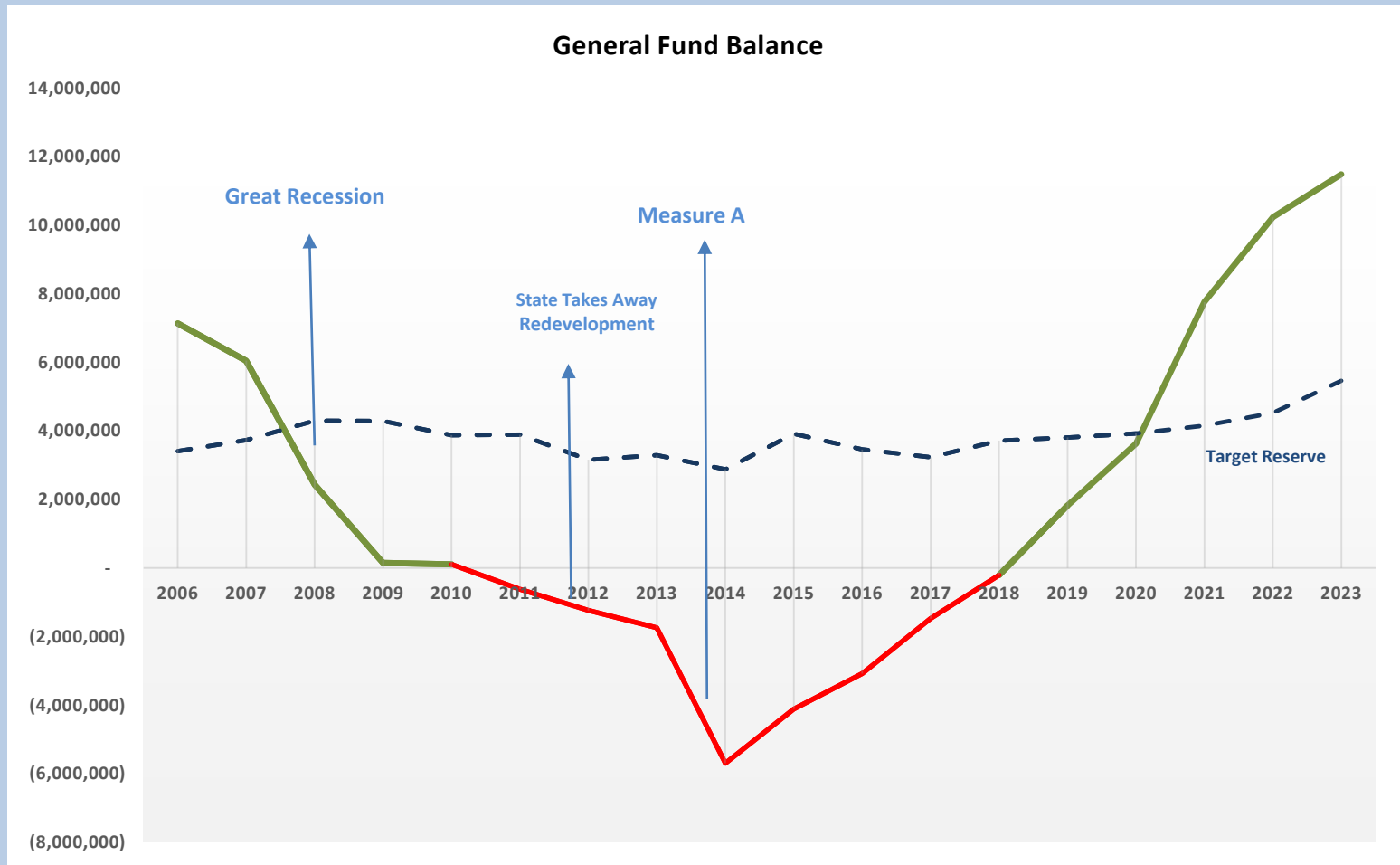
- In FY 2022-23, City Council adopted a “restructuring and reimaging” budget.
- Appropriations focused on investing in the City’s future services to setup the City for an equitable, sustainable and resilient future.
- Actual Local Transaction Tax Revenues are projected to exceed budget estimates by 8.1% or \$0.3 million.
- Revenue outperformed budget due to investments in the business sector and higher than expected restaurant receipts.

	Budget	Actual
SOURCES		
Local Transaction Taxes	\$4,679,369	\$5,114,173
USES		
Repayment of Debt		
To Retirement Fund	\$226,333	\$226,333
Establish Reserves		
General Fund	261,082	613
Self Insurance Fund	750,000	520,000
Equipment Replacement Fund	130,875	90,308
Pre-Fund OPEB	500,000	500,000
Appropriated Reserve	75,000	75,000
	\$1,716,957	\$1,716,957
Enhancements/Investments		
One-Time Enhancements	415,620	415,620
Ongoing Enhancements	740,818	740,818
Prior year Ongoing Enhancements	1,579,641	1,579,641
	\$2,736,079	\$2,736,079
Total Local Transaction Tax Uses:	\$4,679,369	\$4,679,369
ADDITIONAL GENERAL FUND RESERVE SURPLUS (DEFICIT):	\$0	\$434,804



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GENERAL FUND FUND BALANCE 2006 - PRESENT





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WHAT'S NEXT?



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INVESTING IN OUR STRATEGIC GOALS

Local Transaction Taxes are being used to continue implementation of the City Council Strategic Goals 2022-2026:

1. Focus on Community First
2. Cultivating a Stronger Local Economy
3. Preserve Beautiful Homes & 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. Emergency Preparedness: Supporting the Community



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FISCAL YEAR 2023-2024

The FY 2023-2024 Adopted Budget includes funding to continue implementation of City Council's Strategic Goals:

- 1) Focus on Community First:
 - a. Continued investments in ongoing community events and activities including including Dia de los Muertos 5k Run, San Fernando Open Streets Festival, City Birthday Celebration, 4th of July Laser Lightshow event and JAM sessions.
 - b. Implementation of Enhanced Language Translation Programs across City Meetings and Events
 - c. Child Care Services for Community Engagement Events
- 2) Forge Financial Strength and Stability:
 - a. Continuing to establish reserves for General Fund, Self Insurance Fund, Equipment Replacement Fund and Appropriated Reserve.
 - b. 2nd Year of Section 115 Trust to Pre-Fund OPEB

AND MUCH MORE!!!



CONCLUSION

Original goals of Local Transaction Tax funds have been met or exceeded:

- ✓ Eliminated the General Fund deficit.
- ✓ Paid down external/internal debt.
- ✓ Established financial reserves.
- ✓ Made one-time investments in infrastructure, equipment and technology.



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NEXT LOCAL TRANSACTION TAX TOWN HALL MEETING

**March 25,
2024**





QUESTIONS

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