Placentia City Council

AGENDA REPORT

TO: CITY COUNCIL

FROM: ACTING CITY ADMINISTRATOR

DATE: MAY 19, 2015

SUBJECT: **CITIZENS FISCAL SUSTAINABILITY TASK FORCE CONCLUSIONS AND RECOMMENDATIONS**

FISCAL IMPACT: TO BE DETERMINED

SUMMARY:

On March 3, 2015, City Council appointed seven (7) members to a Citizens Fiscal Sustainability Task Force (Task Force) to assist the City in identifying long-term solutions toward fiscal stability, examine the City's revenue structure and structural budget deficit, and make recommendations for creating new revenues and/or reducing costs.

The Task Force was given two (2) months from the date of its first meeting to conduct research, make inquiries, review documents, discuss options and develop recommendations, after which it was to present its findings in a report to the City Council. To accomplish this task, the Task Force established a schedule of open meetings to ask questions of Staff, review documents and hold discussions.

Attached is a report prepared solely by the Citizens Fiscal Sustainability Task Force which displays their conclusions and recommendations concerning the City's expenditures, revenues, as well as identification of fiscal and non-fiscal recommendations.

Prepared by:

Rosanna Ramirez
Interim Chief Deputy City Clerk

Reviewed and approved:

Damien R. Arrula
Acting City Administrator

Attachments:

1. Conclusions and Recommendations of the Citizens Fiscal Sustainability Task Force
2. Task Force Deficit Solutions Worksheet

3.c.
May 19, 2015

Conclusions and Recommendations

Citizens Fiscal Sustainability Task Force

May 19, 2015

Placentia Citizens Fiscal Sustainability Task Force Members

- Chair Robert McKinnell
- Vice Chair Joshua Correa
- Task Force Member Phillip Batiste
- Task Force Member Jeff Buchanan
- Task Force Member Glenn Casterline
- Task Force Member Bruce Hunt
- Task Force Member Richard Lightfoot, Jr.

Task Force Methodology

- Received a detailed briefing on the state of the City's finances and accounting practices
  - Decision was made to look beyond the general fund
  - Looked at 18 year period – 8 years prior, 10 years forward
    - Reconciled source of refuse fund deficit, issue has now been dealt with by the City Council
- Established the definition of "sustainable"
  - Placentia would return to a "full services" City
    - Currently below full-service level due to reductions in general fund expenditures and the deferral of infrastructure maintenance
  - Staffing levels would be consistent with services provided
  - Expenditures would match revenues, both in magnitude and expected growth rate
  - Reserve level of 20% of yearly expenditures ($6.5M)
  - Borrowing levels consistent with return to "A" rating (2009-2010)

Task Force Methodology

(continued)

- Received special topic briefings from subject matter experts
  - Municipal bankruptcy (City of Stockton City Manager)
  - Local Transaction and Use Tax (HdL Companies)
- Gathered ideas from public as well as Task Force for expenditure savings and revenue enhancement
- Established a model to value and track each submitted idea to maintain traceability
- Generated recommendations moving forward

State of the City's Finances

- City's general fund has not been structurally in balance since before FY06-07, continuing to present
  - Budget pressures were sourced in the downturn in the economy, dependence upon property tax, and the slow reaction to cutting expenses
    - Pursuit of OnTrac and the issuing of bonds exacerbated the problem as it limited options for dealing with the financial downturn in 2008
  - There were 5 "one-time" revenue adjustments which were used to "balance" the general fund during this time
  - Going forward there originally was an "average" general fund deficit of $4M ($2M at current level of service, $4M at sustainable level of service)
    - Proposed changes to allocation of some employee costs away from general fund to restricted funds in the proposed FY15-16 budget has partially addressed this shortfall
  - Costs previously had been "shifted" to the city's refuse fund which were not consistent with accepted accounting practices
    - Has now been corrected by City Council action

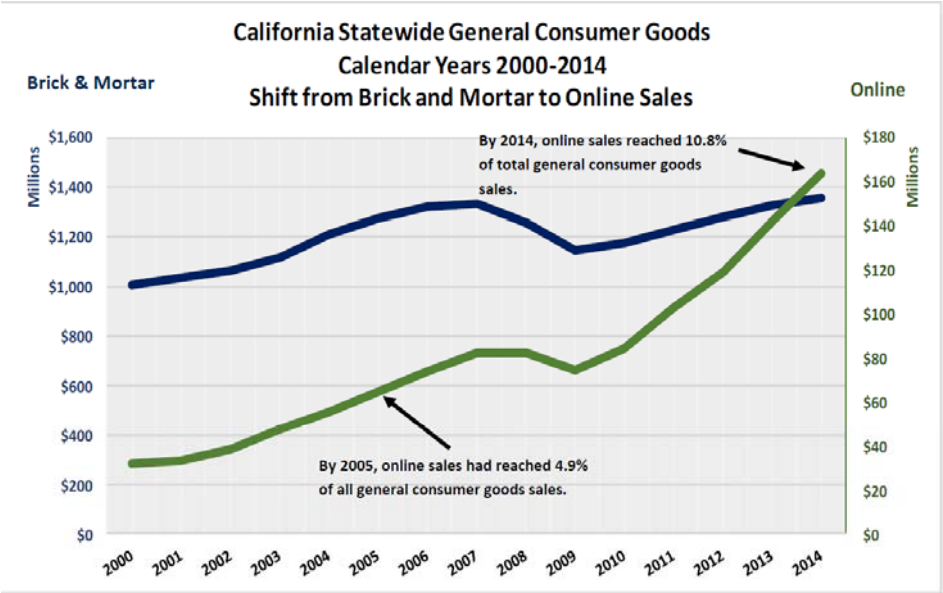
State of the City's Finances
(continued)

- City's <u>total</u> structural deficit was originally in excess of $8M, when considering the need to restore unfunded expenditures
  - Street maintenance funding ($3M, deferred for 7 years)
  - Facilities maintenance ($800K, deferred for 5 years)
  - COLA ($400K corresponds to 3% rate)
  - Vehicle/Equipment replacement ($200K, deferred for 5 years)
  - Rebuilding of reserves is essential to maintain sustainability and deal with future economy downturns
    - Current reserve level is $1million
    - City is one large lawsuit away from trouble

State of the City's Finances Conclusions

- Task Force needed to look at both expenditure cuts and increased revenue ideas given the size of the structural deficit
- City is overly dependent upon property tax revenues which will not keep up with inflation
- Point-of-sale tax revenues are declining at an increasing rate due to increased online purchasing
  - Will lessen the impact of "attracting" brick and mortar businesses to the City in the future
  - City receives $0.10 for every dollar of point of sale taxes, but only $0.003 of every dollar of online generated taxes (97% less)

Trend of Brick and Mortar vs Online Sales



Fourth Quarter Holiday Spending Change from 2013 to 2014 Statewide – Local 1% Sales Tax		
	Brick & Mortar	Online
Apparel Stores	2.6%	9.2%
Department Stores	0.9%	21.4%
Discount Department Stores	0.3%	39.2%
Home Furnishings	4.2%	16.6%
Sporting Goods	2.0%	23.1%
Retail Fulfillment Centers	-	20.8%
Total Statewide Consumer Goods	*1.9%*	*22.2%*

Source: HdL Report April 29, 2015

Special Topic Briefing

Bankruptcy

- City of Stockton – City Manager Kurt Wilson
- Takeaways
  - Declaring municipal bankruptcy requires state and court approval
    - Placentia would likely be denied approval
  - Bankruptcy, even if it were approved, would offer little relief
    - Placentia's structural deficit is not the result of excessive debt, or excessive or onerous contractual terms
    - Any protections that would be gained would come at a high cost (Stockton has not exited process started in June, 2012 and has already spent in excess of $15M on legal and administrative fees outside their normal operations)

Special Topic Briefing

Local Transactions and Use Tax

- HdL Companies – Howard Longballa
- Takeaways
  - Implementation of a local transactions and use tax offers the ability to retain more tax revenue at the local level as well as capture what is being lost due to online sales
    - Cities retain 100% of local transactions and use tax, unlike point of sales taxes and online sales taxes
  - 124 cities in California have implemented the tax which has a maximum value of 1%
    - Cities choosing this option possess demographics similar to Placentia (less than 100,000 residents, limited opportunity to attract "outside the city" sales tax revenue, highly dependent upon property tax revenue)
  - Application of tax is not identical to sales tax, offering some relief to specialized local businesses
    - Tax offers the advantage of allowing the collection of tax from out-of-the-city purchasers buying in Placentia
    - Tax does not affect Placentia manufacturers
  - Entire presentation from HdL is available online for further details/information
    - City website on the Citizens Fiscal Sustainability Task Force Page

Examples of Transactions and Use Tax Application

Scenario	Description	Total Transaction Amount	Amount City Currently Receives	Additional Amount City Would Receive	Total City Amount Received
1	Jane makes a taxable purchase at CVS Pharmacy	$10.00	$0.10	$0.10	**$0.20**
2	John makes a purchase at Craftsman Wood Fired Pizza	$15.00	$0.15	$0.15	**$0.30**
3	Jane makes a taxable online purchase at Amazon.com	$35.00	$0.0035	$0.35	**$0.35**
4	John (a Placentia resident) buys a car in a nearby City.	$30,000	$0	$300.00	**$300.00**

Source: HdL Briefing to Citizens Fiscal Sustainability Task Force , Dated May 7, 2015

Reduced Expenditure Suggestions /Status

- Retirement contributions paid by police employees (implemented)
- Cost sharing cost of health/dental benefits (implemented)
- Change special pay to flat rate compensation (partially implemented)
- Eliminate assistant city manager and deputy police chief positions (incorporated into overall City staffing recommendation)
- Bring back in-house anti-graffiti outsourcing contract (being recommended)
- Review all out-sourcing contracts (Task Force has list of contracts, not yet reviewed)
- Outsource police services (modeled by Task Force)
- Suspend all car allowances (modeled by Task Force)
- Further adjust City staffing levels (under review, Task Force awaiting City organization chart/compensation levels)
- Eliminate City Council pay and benefits

Increased Revenue Suggestions /Status

- Rental of City yard house (modeled, $50,000 cost, $14,400 yearly benefit)
- Attract more “mom and pop” businesses (modeled, $6,000 yearly benefit)
- Increase sales tax base through new development (moved to policy implementation)
- Increase sales tax base through best use of existing retail (moved to policy implementation)
- Allow medical marijuana dispensaries (under study, existing model $6,000 yearly benefit, recent proposal $780,00 yearly benefit for three (3) dispensaries)
- Restore utility tax to 5%, increase to 7% (modeled, $1.2M or $2.8M yearly benefit)
- Increase landscape maintenance assessment (modeled, $200K initial, escalating)
- Increase street lighting assessment including escalation to eliminate general fund subsidy (modeled, $260K initial , escalating)
- Public Safety Assessment District (modeled, $2.8M yearly benefit)
- Allow outdoor advertising displays in non-residential areas ($375,000 yearly benefit, significant delay to come online)
- Advertise on City vehicles (not feasible)
- Rezone key parcels and land use areas to commercial use (moved to policy implementation)
- Increase hotel occupancy tax to 15% (modeled, $400K yearly benefit)
- Implement transactions and use tax by ½%, 1% (modeled, $2.85M , $5.7M yearly benefit)
- Packing House redevelopment (modeled, $75K yearly benefit)\

Note: Items shown in red require either simple or super majority voter approval

Citizens Fiscal Sustainability Task Force Solutions Worksheet

- Please refer to separate spreadsheet handout

Potential Scenario #1 – Implementation of all identified and feasible non-ballot revenue enhancements and 1% Transactions and Use Tax (Note: This is an exemplar only and NOT a Task Force recommendation)

ID	Item	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
Current General Fund Forecast											
GFR	General Fund Revenue	31,419,885	31,457,803	31,774,960	32,367,398	32,958,685	33,554,439	34,163,762	34,786,985	35,424,447	36,076,496
GFE	General Fund Expenditures	31,395,163	33,619,729	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,057,025	35,516,734
GFB	**General Fund Forecasted Balance**	**24,722**	**(2,161,926)**	**(2,378,158)**	**(1,202,684)**	**(206,061)**	**(178,412)**	**(1,514)**	**176,968**	**367,422**	**559,762**
	Revenue Enhancement Scenario										
R2	Attract "Mom and Pop" Businesses (2 New/Year)	3,600	6,000	9,000	12,000	15,000	18,000	21,000	24,000	27,000	30,000
R3	Medical Marijuana Businesses	260,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
R12	Packing House Redevelopment (Property Tax)	71,500	72,930	74,389	75,876	77,394	78,942	80,521	82,131	83,774	85,449
R13	Outdoor Advertising Non-Residential (Yrs. 1-4 acquistion offset)	-	-	-	-	375,000	375,000	375,000	375,000	375,000	375,000
		335,100	858,930	863,389	867,876	872,394	876,942	881,521	886,131	890,774	895,449
	Partially Adjusted General Fund Forecasted Balance	**359,822**	**(1,302,996)**	**(1,514,769)**	**(334,808)**	**666,333**	**698,530**	**880,007**	**1,063,099**	**1,258,196**	**1,455,211**
R10	Increase Local Transaction Tax by 1 Cent (Assume June 2016)	-	2,760,000	5,700,080	5,891,322	6,074,634	6,256,874	6,444,580	6,637,917	6,837,055	7,042,166
	Adjusted General Fund Forecasted Balance	**359,822**	**1,457,004**	**4,185,310**	**5,556,514**	**6,740,967**	**6,955,403**	**7,324,586**	**7,701,016**	**8,095,250**	**8,497,377**
Restoration of Deferred Expenditures											
DE1	3% COLA	359,780	392,160	408,910	394,340	410,600	422,910	435,600	448,670	462,130	475,990
DE2	Street Maintenance	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
DE3	Facilities Maintenance	813,000	813,000	813,000	813,000	813,000	250,000	257,500	265,225	273,182	281,377
DE4	Vehicle /Equipment Replacement	216,000	216,000	216,000	216,000	216,000	222,480	229,154	236,029	243,110	250,403
DE5	City Staff Retention (Recommend Removal)	-	-	-	-	-	-	-	-	-	-
DE6	Rebuild City Liability Reserves (One Time Adjustment)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DE7	Rebuild City General Fund Reserves	-	-	-	-	-	-	-	-	-	-
DE8	Market Rate Compensation (One Time Adjustment)	720,000			-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
DEB	**Cost of Restoring Deferred Expenditures**	**5,108,780**	**4,421,160**	**4,437,910**	**4,423,340**	**4,439,600**	**3,895,390**	**3,922,254**	**3,949,924**	**3,978,422**	**4,007,770**
	General Fund Forecasted Balance after Restoration of Deferred Expenses	**(4,748,958)**	**(2,964,156)**	**(252,600)**	**1,133,174**	**2,301,367**	**3,060,013**	**3,402,332**	**3,751,092**	**4,116,829**	**4,489,607**

1) Implementation of Local Transaction tax requires simple majority voter approval
2) Medical marijuana revenue has not been independently verified
3) Positive balances in final financial position could be applied to building City reserves

Potential Scenario #2 – Implementation of all identified and feasible non-ballot revenue enhancements and Increased Utility Tax (7%) and Public Safety Assessment

(Note: This is an exemplar only and NOT a Task Force recommendation)

ID	Item	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
Current General Fund Forecast											
GFR	General Fund Revenue	31,419,885	31,457,803	31,774,960	32,367,398	32,958,685	33,554,439	34,163,762	34,786,985	35,424,447	36,076,496
GFE	General Fund Expenditures	31,395,163	33,619,729	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,057,025	35,516,734
GFB	**General Fund Forecasted Balance**	**24,722**	**(2,161,926)**	**(2,378,158)**	**(1,202,684)**	**(206,061)**	**(178,412)**	**(1,514)**	**176,968**	**367,422**	**559,762**
	Revenue Enhancement Scenario										
R2	Attract "Mom and Pop" Businesses (2 New/Year)	3,600	6,000	9,000	12,000	15,000	18,000	21,000	24,000	27,000	30,000
R3	Medical Marijuana Businesses	260,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
R12	Packing House Redevelopment (Property Tax)	71,500	72,930	74,389	75,876	77,394	78,942	80,521	82,131	83,774	85,449
R13	Outdoor Advertising Non-Residential (Yrs. 1-4 acquistion offset)	-	-	-	-	375,000	375,000	375,000	375,000	375,000	375,000
		335,100	858,930	863,389	867,876	872,394	876,942	881,521	886,131	890,774	895,449
	Partially Adjusted General Fund Forecasted Balance	**359,822**	**(1,302,996)**	**(1,514,769)**	**(334,808)**	**666,333**	**698,530**	**880,007**	**1,063,099**	**1,258,196**	**1,455,211**
R8	Apply Public Safety Assessment Citywide	2,877,000	3,020,850	3,171,893	3,330,487	3,497,011	3,671,862	3,855,455	4,048,228	4,250,639	4,463,171
R5	Increase Utility User Tax to 7%						2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
	Adjusted General Fund Forecasted Balance	**3,236,822**	**1,717,854**	**1,657,123**	**2,995,679**	**4,163,344**	**7,170,392**	**7,535,462**	**7,911,327**	**8,308,835**	**8,718,382**
Restoration of Deferred Expenditures											
DE1	3% COLA	359,780	392,160	408,910	394,340	410,600	422,910	435,600	448,670	462,130	475,990
DE2	Street Maintenance	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
DE3	Facilities Maintenance	813,000	813,000	813,000	813,000	813,000	250,000	257,500	265,225	273,182	281,377
DE4	Vehicle /Equipment Replacement	216,000	216,000	216,000	216,000	216,000	222,480	229,154	236,029	243,110	250,403
DE5	City Staff Retention (Recommend Removal)	-	-	-	-	-	-	-	-	-	-
DE6	Rebuild City Liability Reserves (One Time Adjustment)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DE7	Rebuild City General Fund Reserves	-	-	-	-	-	-	-	-	-	-
DE8	Market Rate Compensation (One Time Adjustment)	720,000			-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
DEB	**Cost of Restoring Deferred Expenditures**	**5,108,780**	**4,421,160**	**4,437,910**	**4,423,340**	**4,439,600**	**3,895,390**	**3,922,254**	**3,949,924**	**3,978,422**	**4,007,770**
	General Fund Forecasted Balance after Restoration of Deferred Expens	**(1,871,958)**	**(2,703,306)**	**(2,780,787)**	**(1,427,661)**	**(276,256)**	**3,275,002**	**3,613,207**	**3,961,403**	**4,330,413**	**4,710,612**

1) Public Safety Assessment requires super majority voter approval
2) Utility tax increase requires second voter simple majority approval
3) Positive balances in final financial position could be applied to building city reserves

Potential Scenario #3 – Implementation of all identified and feasible non-ballot revenue enhancements only
(Note: This is an exemplar only and NOT a Task Force recommendation)

ID	Item	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
Current General Fund Forecast											
GFR	General Fund Revenue	31,419,885	31,457,803	31,774,960	32,367,398	32,958,685	33,554,439	34,163,762	34,786,985	35,424,447	36,076,496
GFE	General Fund Expenditures	31,395,163	33,619,729	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,057,025	35,516,734
GFB	**General Fund Forecasted Balance**	**24,722**	**(2,161,926)**	**(2,378,158)**	**(1,202,684)**	**(206,061)**	**(178,412)**	**(1,514)**	**176,968**	**367,422**	**559,762**
	Revenue Enhancement Scenario										
R2	Attract "Mom and Pop" Businesses (2 New/Year)	3,600	6,000	9,000	12,000	15,000	18,000	21,000	24,000	27,000	30,000
R3	Medical Marijuana Businesses	260,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
R12	Packing House Redevelopment (Property Tax)	71,500	72,930	74,389	75,876	77,394	78,942	80,521	82,131	83,774	85,449
R13	Outdoor Advertising Non-Residential (Yrs. 1-4 acquisition offset)		-	-	-	375,000	375,000	375,000	375,000	375,000	375,000
		335,100	858,930	863,389	867,876	872,394	876,942	881,521	886,131	890,774	895,449
	Partially Adjusted General Fund Forecasted Balance	**359,822**	**(1,302,996)**	**(1,514,769)**	**(334,808)**	**666,333**	**698,530**	**880,007**	**1,063,099**	**1,258,196**	**1,455,211**
	No additional revenue										
	Adjusted General Fund Forecasted Balance	**359,822**	**(1,302,996)**	**(1,514,769)**	**(334,808)**	**666,333**	**698,530**	**880,007**	**1,063,099**	**1,258,196**	**1,455,211**
Restoration of Deferred Expenditures											
DE1	3% COLA	359,780	392,160	408,910	394,340	410,600	422,910	435,600	448,670	462,130	475,990
DE2	Street Maintenance	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
DE3	Facilities Maintenance	813,000	813,000	813,000	813,000	813,000	250,000	257,500	265,225	273,182	281,377
DE4	Vehicle /Equipment Replacement	216,000	216,000	216,000	216,000	216,000	222,480	229,154	236,029	243,110	250,403
DE5	City Staff Retention (Recommend Removal)	-	-	-	-	-	-	-	-	-	-
DE6	Rebuild City Liability Reserves (One Time Adjustment)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DE7	Rebuild City General Fund Reserves	-	-	-	-	-	-	-	-	-	-
DE8	Market Rate Compensation (One Time Adjustment)	720,000			-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
DEB	**Cost of Restoring Deferred Expenditures**	**5,108,780**	**4,421,160**	**4,437,910**	**4,423,340**	**4,439,600**	**3,895,390**	**3,922,254**	**3,949,924**	**3,978,422**	**4,007,770**
	General Fund Forecasted Balance after Restoration of Deferred Expens	**(4,748,958)**	**(5,724,156)**	**(5,952,679)**	**(4,758,148)**	**(3,773,267)**	**(3,196,860)**	**(3,042,248)**	**(2,886,825)**	**(2,720,226)**	**(2,552,559)**

1) Can not reach "full service" City sustainability without additional revenue
2) Can not address rebuilding of City financial reserves

Citizens Fiscal Sustainability Task Force

Conclusions /Recommendations

- Reduced expenditures
  - Almost all ideas have already been or will be recommended for implementation in FY15-16 budget to achieve balanced general fund budget
    - Including reductions in staffing levels that take City below sustainable position
  - Additional work needs to be done in reviewing City staff recommendations for staffing levels, establish plan to build to sustainable staffing levels
  - Independent modeling of maintain/outsource police services indicates there is no potential savings
    - CalPers departure cost of $2M-$6M would likely overcome any potential savings
    - Equivalent responsibility level pay structure of sheriff is higher than Placentia (open source data)
    - Key issue to resolve prior to making a fiscal recommendation is for City Council to set desired level of service (proactive vs. reactive)
    - Outsourcing would eliminate any ability of City to manage costs in the future

Citizens Fiscal Sustainability Task Force

Conclusions/Recommendations

- Increased revenues
  - Increasing the sales tax base is universally desirable, but its time to fruition is presently too long given pace of economic development
    - Budget needs to establish dedicated economic development funding
  - Outdoor advertising needs to be revisited in non-residential areas only, past history and possible obstacles move any revenue generation out 4-5 years
  - City needs to further investigate and establish policy regarding medical marijuana dispensaries
    - Reconcile revenue projections of recent proposal to actual City experiences to date
    - Implementation would involve changes to City code
  - Of the possible tax increase options, transactions and use tax is the most attractive
    - Revenues are in line with need
    - Positions the City to accommodate changing purchasing patterns
    - Offers possibility with economic development that sources outside of City will help fund City
    - Application of tax offers relief to selected businesses

Citizens Fiscal Sustainability Task Force

Fiscal Conclusions/Recommendations

- City Council
  - Declare a Fiscal Emergency
    - Recognizes the obvious, necessary to maintain flexibility going forward
  - Finalize approach to police services
    - Proactive versus reactive posture
  - Select transactions and use tax as source of increased revenues
    - 1% level is needed to close structural deficit
  - Establish reserve level policy of 20%, mandatory plan to fund reserves at an increasing level until reached
  - Resume / increase economic development efforts which have been deferred

Citizens Fiscal Sustainability Task Force

Non-Fiscal Conclusions /Recommendations

- City Council
  - Ongoing need for a citizens group to help the City reach fiscal sustainability
    - Identified issues remain open and can not be studied properly in two-month timeframe
  - Improve/increase outreach to citizens to improve knowledge of the City's state of affairs/options going forward
    - High level of citizen distrust given information that has been circulated in the past, need to improve level of citizen participation and awareness to build support for any plan going forward
  - Any proposed revenue increase will need to include "checks and balances" to respond to citizen's concerns
    - Possible approaches include yearly audits by independent source of funds use, yearly report of status to sustainability
  - Recognize the City's problems are not unique and solely the result of past decisions, but in fact they are structural and need to be fixed to deal with new realities
    - "Fix the problem, not the blame"

Cititzens Fiscal Sustainability Task Force
Solutions Worksheet

City of Placentia
Citizens Sustainability Task Force
Deficit Solutions Worksheet

ID	Item	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
Current General Fund Forecast											
GFR	General Fund Revenue	31,419,885	31,457,803	31,774,960	32,367,398	32,958,685	33,554,439	34,163,762	34,786,985	35,424,447	36,076,496
GFE	General Fund Expenditures	31,395,163	33,619,729	34,153,118	33,570,082	33,164,746	33,732,851	34,165,276	34,610,017	35,057,025	35,516,734
GFB	**General Fund Forecasted Balance**	**24,722**	**(2,161,926)**	**(2,378,158)**	**(1,202,684)**	**(206,061)**	**(178,412)**	**(1,514)**	**176,968**	**367,422**	**559,762**
A	**Increase Local Transaction Tax by 1 Cent (Assume June 2016**	**-**	**2,760,000**	**5,700,080**	**5,891,322**	**6,074,634**	**6,256,874**	**6,444,580**	**6,637,917**	**6,837,055**	**7,042,166**
B											
C											
Restoration of Deferred Expenditures											
DE1	3% COLA	359,780	392,160	408,910	394,340	410,600	422,910	435,600	448,670	462,130	475,990
DE2	Street Maintenance	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
DE3	Facilities Maintenance	813,000	813,000	813,000	813,000	813,000	250,000	257,500	265,225	273,182	281,377
DE4	Vehicle /Equipment Replacement	216,000	216,000	216,000	216,000	216,000	222,480	229,154	236,029	243,110	250,403
DE5	City Staff Retention (Recommend Removal)	-	-	-	-	-	-	-	-	-	-
DE6	Rebuild City Liability Reserves (One Time Adjustment)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DE7	Rebuild City General Fund Reserves	-	-	-	-	-	-	-	-	-	-
DE8	Market Rate Compensation (One Time Adjustment)	720,000	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
DEB	**Cost of Restoring Deferred Expenditures**	**5,108,780**	**4,421,160**	**4,437,910**	**4,423,340**	**4,439,600**	**3,895,390**	**3,922,254**	**3,949,924**	**3,978,422**	**4,007,770**
Increased City Revenues		1st Year	2nd Year	3rd Year	4th Year	5th Year					
R1	Rental of City Yard House	(50,000)	14,400	14,400	14,400	14,400	14,400	14,400	14,400	14,400	14,400
R2	Attract "Mom and Pop" Businesses (2 New/Year)	3,600	6,000	9,000	12,000	15,000	18,000	21,000	24,000	27,000	30,000
R3	Medical Marijuana Businesses	260,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	6,000	6,000
R4	Restore Utility User Tax to 5%	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
R5	Increase Utility User Tax to 7%	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
R6	Increase Landscape Maintenance Assessment	199,557	205,544	211,710	218,061	224,603	231,341	238,281	245,430	252,793	260,377
R7	Increase Street Lighting Assessment include Escalator	254,850	262,496	270,370	278,481	286,836	295,441	304,304	313,433	322,836	332,521
R8	Apply Public Safety Assessment Citywide	2,877,000	3,020,850	3,171,893	3,330,487	3,497,011	3,671,862	3,855,455	4,048,228	4,250,639	4,463,171
R9	Increase Local Transaction Tax by 1/2 Cent (Assume June 2016)	-	1,380,000	2,850,040	2,935,541	3,023,607	3,114,316	3,207,745	3,303,977	3,403,097	3,505,190
R10	Increase Local Transaction Tax by 1 Cent (Assume June 2016)	-	2,760,000	5,700,080	5,891,322	6,074,634	6,256,874	6,444,580	6,637,917	6,837,055	7,042,166
R11	Increase Hotel Occupancy Tax to 15%	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
R12	Packing House Redevelopment (Property Tax)	71,500	72,930	74,389	75,876	77,394	78,942	80,521	82,131	83,774	85,449
R13	Outdoor Advertising Non-Residential (Yrs. 1-4 acquistion offset)	0	0	0	0	375,000	375,000	375,000	375,000	375,000	375,000
R14	Advertise on City Vehicles	0	0	0	0	0	0	0	0	0	0
R15	Rezoning of Key Parcels & Land Use Areas to Commercial	Suggest to move into Policy Implementation/Recommendations				-	-	-	-	-	-
R16	Increase in sales tax base (New Development)	Suggest to move into Policy Implementation/Recommendations				-	-	-	-	-	-
R17	Increase in sales tax base (Highest & Best Use of Exisiting Retail (	Suggest to move into Policy Implementation/Recommendations				-	-	-	-	-	-
Decreased City Expenditures											
E1	Police employees pay retirement	Previously Implemented		-	-	-	-	-	-	-	-
E2	Cost sharing of health benefits	Previously Implemented		-	-	-	-	-	-	-	-

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Cititzens Fiscal Sustainability Task Force
Solutions Worksheet

City of Placentia
Citizens Sustainability Task Force
Deficit Solutions Worksheet

ID	Item	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
E3	Cost Sharing of dental benefits	Previously Implemented		-	-	-	-	-	-	-	-
E4	Change special pay to flat rate (Partially Implemented)	16,300	16,789	17,293	17,811	18,346	18,896	19,463	20,047	20,648	21,268
E5	Follow FLSA standard to calculate overtime	Required to be n	-	-	-	-	-	-	-	-	-
E6	Outsource police services to OC Sheriff's Department	No savings, likely increases in future years, CalPERS payout obligations, different service model.									
E7	Maintain Current FTEs at 114 per FY15-16 Budget Proposal	(969,581)	(979,053)	(996,964)	**(927,101)**	(934,629)	(953,979)	(963,294)	(972,703)	(982,206)	(991,804)
E8	Car Allowance (temporarily suspend)	28,800	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
EB	**Decreased City Expenditures**	**(924,481)**	**(962,264)**	**(979,671)**	**(909,290)**	**(916,283)**	**(935,083)**	**(943,831)**	**(952,656)**	**(961,558)**	**(970,536)**

E7 Note: in FY18-19 the PERS side fund debt repayment drops off and there is a retirement savings. This reduces the anticipated savings accordingly.

Potential Change in Financial Position	**#REF!**	**#REF!**	**#REF!**	**#REF!**	**#REF!**	**#REF!**	**#REF!**	**#REF!**	**#REF!**	**#REF!**

(General Fund Balance -
Restoration of Expenditures +
Increased City Revenues +
Decreased City Expenditures)

Note: Items in red require an election.