



Agenda

January 5, 2010

Placentia City Council

Placentia Redevelopment Agency

Mission Statement

The City Council is committed to keeping Placentia a pleasant place by providing a safe family atmosphere, superior public services and policies that promote the highest standards of community life.

Vision Statement

The City of Placentia will maintain an open, honest, responsive and innovative government that delivers quality services in a fair and equitable manner while optimizing available resources.

Joseph V. Aguirre
Mayor

Constance M. Underhill
Mayor Pro Tem

Scott W. Nelson
Council Member

Greg Sowards
Council Member

Jeremy B. Yamaguchi
Council Member

Patrick J. Melia
City Clerk

Chad P. Wanke
City Treasurer

Troy L. Butzlaff, ICMA-CM
City Administrator

Andrew V. Arczynski
City Attorney

Copies of all agenda materials are available for public review in the Office of the City Clerk, online at www.placentia.org, and at Placentia Library Reference Desk. Persons who have questions concerning any agenda item may call the City Clerk's Office, (714) 993-8231, to make inquiry concerning the nature of the item described on the agenda.

Procedures for Addressing the Council/Redevelopment Agency

Any person who wishes to speak regarding an item on the agenda or on a subject within the City's jurisdiction during the "Oral Communications" portion of the agenda should fill out a "Speaker Request Form" and give it to the City Clerk BEFORE that portion of the agenda is called. Testimony for Public Hearings will only be taken at the time of the hearing. Any person who wishes to speak on a Public Hearing item should fill out a "Speaker Request Form" and give it to the City Clerk BEFORE the item is called.

The Council and Agency Board encourage free expression of all points of view. To allow all persons the opportunity to speak, please keep your remarks brief. If others have already expressed your position, you may simply indicate that you agree with a previous speaker. If appropriate, a spokesperson may present the views of an entire group. To encourage all views, Council and Agency Board discourage clapping, booing or shouts of approval or disagreement from the audience.

PLEASE SILENCE ALL PAGERS, CELL PHONES, AND OTHER ELECTRONIC EQUIPMENT WHILE COUNCIL AND AGENCY BOARD ARE IN SESSION.

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 993-8231. Notification 48 hours prior to the meeting will generally enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

In compliance with Senate Bill 343, any writings or documents provided to a majority of the City Council regarding any item on this agenda that are not exempt from disclosure under the Public Records Act will be made available for public inspection at the City Clerk's Office at City Hall, 401 East Chapman Avenue, Placentia, during normal business hours.

Study Sessions are open to the public and held in the City Council Chambers or City Hall Community Room. Closed Sessions are held in the Council Caucus Room. While the public may be in attendance during oral announcements preceding Closed Sessions, Closed Sessions are not open to the public.

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EXECUTIVE SESSION AGENDA

January 5, 2010

5:30 p.m. – City Council Caucus Room
401 E. Chapman Avenue

EXECUTIVE SESSION CALLED TO ORDER

ROLL CALL: Councilmember Nelson
Councilmember Sowards
Councilmember Yamaguchi
Mayor Pro Tem Underhill
Mayor Aguirre

ORAL COMMUNICATIONS

At this time the public may address the City Council concerning any items on the Executive Session Agenda.

CITY COUNCIL

1. Pursuant to Government Code Section 54956.9(a) for Conference with Legal Counsel Regarding One (1) Item of Existing Litigation –
 - a. Republic Waste Services of Southern California LLC v. City of Placentia, Orange County Superior Court Case No. 30-2009-00322220
2. Pursuant to Government Code Section 54956.9(b) for Conference with Legal Counsel Regarding Anticipated Litigation - One (1) Item
3. Pursuant to Government Code Section 54957.6 for Conference with Labor Negotiators as follows:

City Representatives – Troy L. Butzlaff, City Administrator, and Stephen D. Pischel, Director of Administrative Services and Community Services
Regarding: Placentia City Employees Association (PCEA), Placentia Police Officers Association (PPOA), and Placentia Police Management Association (PPMA), and Unrepresented Employees

STUDY SESSION AGENDA

CITY COUNCIL AND REDEVELOPMENT AGENCY

January 5, 2010

6:30 p.m. – Community Room
401 E. Chapman Avenue

MEETING CALLED TO ORDER

ROLL CALL: Councilmember / Agency Member Nelson
Councilmember / Agency Member Sowards
Councilmember / Agency Member Yamaguchi
Mayor Pro Tem / Agency Vice Chairman Underhill
Mayor / Agency Chairman Aguirre

CLOSED SESSION REPORT

CITY ADMINISTRATOR REPORT

ORAL COMMUNICATIONS

At this time the public may address the City Council or the Board of Directors of the Redevelopment Agency concerning any agenda item, which is not a public hearing item or matters within the jurisdiction of the City Council or the Redevelopment Agency Board of Directors.

CITY COUNCIL COMMENTS AND REPORTS

The purpose of these reports is to provide information on projects and programs that are discussed at interagency board, committee, and commission meetings. No decisions are to be made on these issues. If a Council Member would like formal action on any of the discussed items it will be placed on a future Council Agenda.

STUDY SESSION AGENDA

SS 1. Mid-Year Budget Update (*materials to be provided under separate cover*)

- Revenue and Expenditure Forecast
- Proposed Amendments
- Budget Process for Fiscal Year 2010/2011

Recommended Action: Provide Direction to Staff

CITY COUNCIL REQUESTS

Councilmembers may make requests or ask questions of staff. If a Councilmember would like to have formal action taken on a requested matter, it will be placed on a future Council Agenda.

ADJOURN

The City Council and the Redevelopment Agency Board of Directors Adjourn to their next regular meeting.

CERTIFICATION OF POSTING

I, Angela Robles, Chief Deputy Clerk for the City of Placentia and Assistant Secretary of the Placentia Redevelopment Agency, hereby certify that the Agenda for the January 5, 2010, meetings of the City Council and Redevelopment Agency was posted on December 28, 2009.

Angela Robles, Chief Deputy City Clerk

MEMORANDUM

City of Placentia

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM: CITY ADMINISTRATOR 
DATE: JANUARY 5, 2010
SUBJECT: MID-YEAR BUDGET REVIEW AND BUDGET REDUCTION PLAN

INTRODUCTION:

The current severe recession continues to have an extreme negative impact on the City's budget. While the current fiscal year budget reflects an overall reduction in revenues over the prior fiscal year to account for this recession, it appears that even our most conservative revenue projections are not going to be realized and will necessitate a mid-year budget adjustment to bring the budget into balance. In addition to revising our revenue projections in the current fiscal year, the City finds itself dealing with an unexpected revenue loss of \$677,862 in the prior fiscal year which now has to be absorbed in the current year budget.

Having reviewed the current status of the City's financial conditions as of the end of November, 2009 and looking ahead over the balance of the fiscal year, we once again find ourselves in a need to rebalance our current and projected budgets in an amount that could reach \$3.5 million if our forecast model holds. While this amount seems daunting, the Executive Team and I have been aggressively working on a budget reduction plan. The purpose of this memorandum is to provide you my perspectives about the current budget situation, revenue opportunities that the City Council may wish to pursue and some actions which require your direction so that as an organization we may be proactive and forward looking regarding the City's financial health.

ANALYSIS:

The financial losses are stemming from continued deep reductions in tax revenues. Most notably is the decline in sales tax revenues. You may recall that the State backfills' ½ of our 1 cent in sales tax. This is related to some tax shifting (the triple-flip) needed for the State to issue bonds in 2004-05. Each year the State calculates using a prescribed formula how much back flip (from property taxes) goes to local agencies. The State was overly optimistic last year and has reduced the City's share of sales taxes in the current year by \$116,299. In addition to what the State has taken from the City to backfill last year's shortfall, sales tax revenues for the first two quarters of 2009 were down 14.2% (Quarter 1) and 25% (Quarter 2) respectively over the same two quarters in 2008. This translates into a loss of \$303,991. Although there was a slight improvement in the third quarter, we are generally projecting an overall decline in sales tax revenues of 15% or \$897,840 for the year. The balance of the budget problem stems from a free fall drop in property and other taxes such as the Utility Users Tax and Gas Tax. Property Taxes are estimated to be down by \$705,000 and the City's Utility Users Tax and Gas Tax revenues are likely to be off by 6.25% or \$264,275. The total projected decline for all revenue categories is estimated at \$2,499,735.

This projected revenue shortfall combined with the unanticipated carryover deficit of \$677,862 from fiscal year 2008-09 brings our total projected deficit at the end of fiscal year 2009-10 to \$3,177,597. As the City Council will recall the current year budget was projecting a fund surplus at the end of the fiscal year of \$545,648. This figure includes the \$500,000 that the City Council set aside as part of the Economic Uncertainty Fund. The projected surplus of over \$500,000 was critical to the repayment of the debt service on the Working Capital Deficit Bond

issued at the beginning of the current fiscal year to fund the City's negative fund balance. The amount of the debt service payment is \$302,727. If the City is unable to make this payment at the end of the fiscal year, the City could potentially default on the bond which will have extremely negative consequences.

DIRECTION:

The significance of the on-going budget deficit and the need to balance the budget over the next few months requires immediate action. In the recent past, we have focused on reducing the cost of government by eliminating non-essential expenses and cutting back on certain programs and/or services. Now, given the extent of the deficit, its on-going nature and continued reduced revenue projections, I am compelled to recommend that the City Council address both large and small scale saving opportunities. To this end, with the assistance of the Executive Team I have prepared the attached Budget Reduction Plan. The Budget Reduction Plan is broken down into two tiers each consisting of a series of budget reductions, potential negotiated cost savings with the City's employee units and a reduction in workforce. The plan is designed to be implemented incrementally starting with Tier One. If fully realized, Tier One would achieve a budget reduction of \$2,911,352. This would leave a remaining deficit of \$568,972. If any part of Tier One cannot be implemented or a greater amount of savings is required to balance the budget due to continued revenue decline, the plan includes a Tier Two. This tier would further reduce the deficit by \$370,790 leaving a remaining balance of \$198,192. The impact on operations from each budget reduction has been identified to the extent possible.

Finally, as a "fail safe" measure, I am proposing that the City Council consider approving a loan of up to \$1 million from the Sewer Fund to cover any remaining imbalance in the City's budget. The loan, which is authorized under Section 1209 of the City's Charter, would have to be paid back to the Sewer Fund with nominal interest over a five (5) year period. By approving this loan the City will not only be able to sufficiently cover the remaining deficit after all Tier One reductions have been taken, but will have some additional capacity should revenues fall short of our revised projections.

In addition to the Budget Reduction Plan, I plan to take the following measures at this time:

- Continue to seek grant and stimulus funding, seek multi-jurisdictional partnerships, and implement elements of the previously adopted Fiscal Recovery Plan;
- Continue to meet with the bargaining units and non-represented employees regularly to share information, seek solutions, and communicate outcomes from Council direction;
- Continue the "hiring freeze" on all vacant General Funded positions and place a hold on all positions that become vacant in the future unless approved in advance by the City Administrator;
- Continue to explore opportunities to restructure operations as positions become vacant. Currently, vacancies in Public Works and Police have produced short term savings, and will do so for the ensuing months ahead; and
- Freeze all non-essential purchases until further notice. Purchases or set-asides that can be deferred, such as vehicles, office equipment and other capital equipment, will be deferred. Non-essential training, supplies, equipment and travel will no longer be funded without advance approval by the City Administrator.

The above actions are, in essence, continuing the "crisis mode" that the City has been operating under for the past year and a half. As we look for ways to reduce costs, it is

important to note that 54% of the City's operating budget is tied to personnel. A number of non-employee expenses (utilities; contracts Orange County Fire Authority and Orange County Animal Control; fuel, etc.) represent another 28% of the budget. Less than 18% of our expenses are tied to discretionary expenses. Debt service constitutes about 4% of the budget. Unfortunately, with so much of our budget tied to personnel expenses a deficit of this magnitude will not be solved without staffing reductions and corresponding service impacts. While I am hopeful to keep any reduction in staffing to vacant positions, some layoffs will be unavoidable if we are to turn the City's budget around.

While I have discussed the budget reductions that are being proposed to balance the City's budget, I feel that I must at least raise two possible revenue generating opportunities that the City Council may wish to consider this year. The first opportunity is to expand the boundaries of the existing Landscape Maintenance District (LMD 92-1) to encompass the entire City. Currently this Landscape Maintenance District covers 13.2% of all residential parcels in the City. The current assessment rate is \$153.64 per year. If the entire City were to be incorporated into the boundaries of this district, not only would the current assessment for those within the existing district be decreased, but the City would be able to shift approximately \$1,600,000 in landscape maintenance related costs from the General Fund to the district. The expansion of the landscape maintenance district is governed by the requirements of Proposition 218 and can be achieved through a mail ballot. If a majority protest of property owners is not obtained the district boundaries can be expanded.

The other revenue opportunity that exists is to apply the City's 3.5% Utility Users Tax (UUT) on cellular phone services. Currently the municipal code provides for the assessment of the UUT on telecommunications services which by definition include cellular phone services. Unfortunately, the City Attorney has opined that the enactment date of this particular provision of the municipal code occurred after the approval of Proposition 218 which requires that taxes like the UUT be voter approved prior to the collection of the tax. It is estimated that the City is potentially losing between \$400,000 to \$600,000 annually in UUT revenue from not imposing the 3.5% charge on cellular phone services. In order to include cellular phone services it will be necessary for the City Council to place an initiative on the November 2010 ballot asking voters to approve the addition of cellular services as part of the City's UUT.

SUMMARY:

At the January 5th Study Session the Finance Director and I will provide a summary of our budget situation and next steps. Given the severity of this situation and the limited time remaining in the fiscal year, I suggest that we work as quickly as possible to embrace a plan that addresses our deficit. I am open to your collective ideas and direction on how best to approach this situation so that we can move the organization forward to solve this challenge on behalf of the entire community.

Troy L. Butzlaff, ICMA-CM
City Administrator

TLB/mp

Attachment – As Stated

CITY ADMINISTRATOR'S BUDGET REDUCTION PLAN

Fiscal Year 2009-10

THE CORE OF THE BUDGET PROBLEM



FY 08-09 Budget Carryover
 Projected Revenue Shortfall
 Debt Service Payment
REQUIRED REDUCTIONS

(\$677,862)
(\$2,499,735)
(\$302,727)
(\$3,480,324)

POTENTIAL IMPACTS FROM REDUCTIONS

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Financial Adjustments	Invoke RDA Reimbursement Agreement	\$600,000	N/A
	Eliminate Economic Uncertainty Fund	\$500,000	NO reserve to cover unanticipated expenses
	Increase Allocation of Salary Costs to RDA	\$100,000	Reduced funding for capital projects
	Allocate Personnel Cost to Asset Forfeiture (Police)	\$59,643	N/A
	Allocate Capital Expense for CATV from GF to PEG	\$11,200	Will reduce funding for capital equipment
	Reallocate Retirement Levelization Costs	\$60,000	N/A
	Medical Benefit Savings	\$100,000	N/A
	Reduce Electricity Budget	\$100,000	N/A
	Reduce Fuel Budget	\$281,040	N/A
	Reduce Natural Gas Budget	\$216,000	N/A
	SAVINGS SUBTOTAL	\$2,027,883	
Negotiated Reductions	Convert Bilingual Pay to Monthly Stipend	\$25,000	N/A
	SAVINGS SUBTOTAL	\$25,000	
Negotiated Reduction Unit Specific	Police		
	Impose 60 Hours of Unpaid Furlough (Sworn)	\$118,649	Possible coverage issues requiring use of overtime
	Impose 60 Hours of Unpaid Furlough (Non Sworn)	\$27,361	Possible coverage issues requiring use of overtime
	SAVINGS SUBTOTAL	\$146,010	
Budget Savings (By Department)	Building & Safety		
	Reallocate Funds - Building Inspections and Meetings and Conferences	\$6,500	No immediate impact
	Suspension of Exceptional Merit Pay	\$38,500	N/A
	Citywide		
	Execute New Agreement for Cell Phones	\$15,000	N/A
	Miscellaneous Departmental Reductions	\$8,100	N/A
	ComSvcs		
	Miscellaneous Program Reductions	\$25,300	No immediate impact.
	Commissions		
	Commission Stipends and Payroll Taxes	\$11,060	N/A
	Econ Dev		
	Reallocate Funds - Program Expenditures	\$5,650	No immediate impact.
	Health & Welfare		
	Reallocate Funds - Medical Opt Out, Medical Exams and AEDs	\$62,899	Additional AEDs will not be purchased.
	IT		
	Reallocate Funds -- Repair Maintenance Equipment	\$12,500	N/A
	Legal		
	Reduce Legal Services Budget	\$50,000	Reduced funding for unanticipated legal costs
	Reallocate Funds -- Other Professional Services	\$25,000	N/A
	Public Works		
	Eliminate Computer Software	\$25,000	No immediate impact.
	Eliminate Machinery & Equipment	\$78,540	No immediate impact.
	Police		
	Eliminate Outside IA Services	\$7,000	No immediate impact.
	Planning		
	Reallocate Funds - Meetings and Conferences	\$8,250	N/A
	SAVINGS SUBTOTAL	\$379,299	
Work Force Reduction (By Department)	Administration (1 FT Position -- Vacant)	\$65,158	Reduction in staff support (City Clerk's Office/Admin)
	Community Services (1 PT Position -- Vacant)	\$7,781	Reduction in support for Youth/Adult Sports programming
	Development Services (1 FT Position -- Vacant)	\$34,321	Elimination of clerical staff and record management
	Finance (2 FT Position)	\$41,479	Reduction in financial operations (Purchasing/RDA)
	Police (2 Police Officers -- Vacant)	\$94,273	Will necessitate overtime until trainees are in service
	Public Works (3 FT Positions)	\$77,371	Reduce project inspection, maintenance & clerical staff
	Neighborhood Svc (1 PT Cable - Reduce hours)	\$12,777	Reduction in hours of staff support for access channel
	SAVINGS SUBTOTAL	\$333,160	
	TOTAL ESTIMATED SAVINGS	\$2,911,352	

CITY ADMINISTRATOR'S BUDGET REDUCTION PLAN

Fiscal Year 2009-10

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		PROJECTED BUDGET SHORTFALL REMAINING	(\$568,972)	
		BUDGET SHORTFALL REMAINING	(\$568,972)	
Budget Reductions (By Department)	Citywide	Suspension of Monthly Mgmt/Mid Expense Stipend	\$8,400	Will require re-negotiation of certain employment contracts citywide 1,000 participant event Elimination of teen after-school program (Kraemer Park) Potentially higher risk of pedestrian involved accidents
	Community	Cancel GetFit 5K Run	\$4,996	
	Services	Closure of Teen Center	\$9,700	
	Police	Eliminate School Crossing Guard Program	\$50,000	
		SAVINGS SUBTOTAL	\$73,096	
Work Force Reduction (By Department)		Community Services (1 FT Position)	\$27,341	Reduction of recreation coordination and programming Reduction of services, delay Specific Plan/General Plan Move traffic/gang resources to patrol -- Service Impact Expected delays in street and parks maintenance efforts
		Development Services (1 FT Position)	\$46,322	
		Police (2 Police Officers and 1 Sgt Position)	\$136,773	
		Public Works (3 FT Positions)	\$87,258	
		SAVINGS SUBTOTAL	\$297,694	
		TOTAL ESTIMATED SAVINGS	\$370,790	
		PROJECTED BUDGET SHORTFALL REMAINING	(\$198,182)	