



City of Placentia



City Council Meeting
July 24, 2018

Placentia's Mission & Vision Statement

- 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.



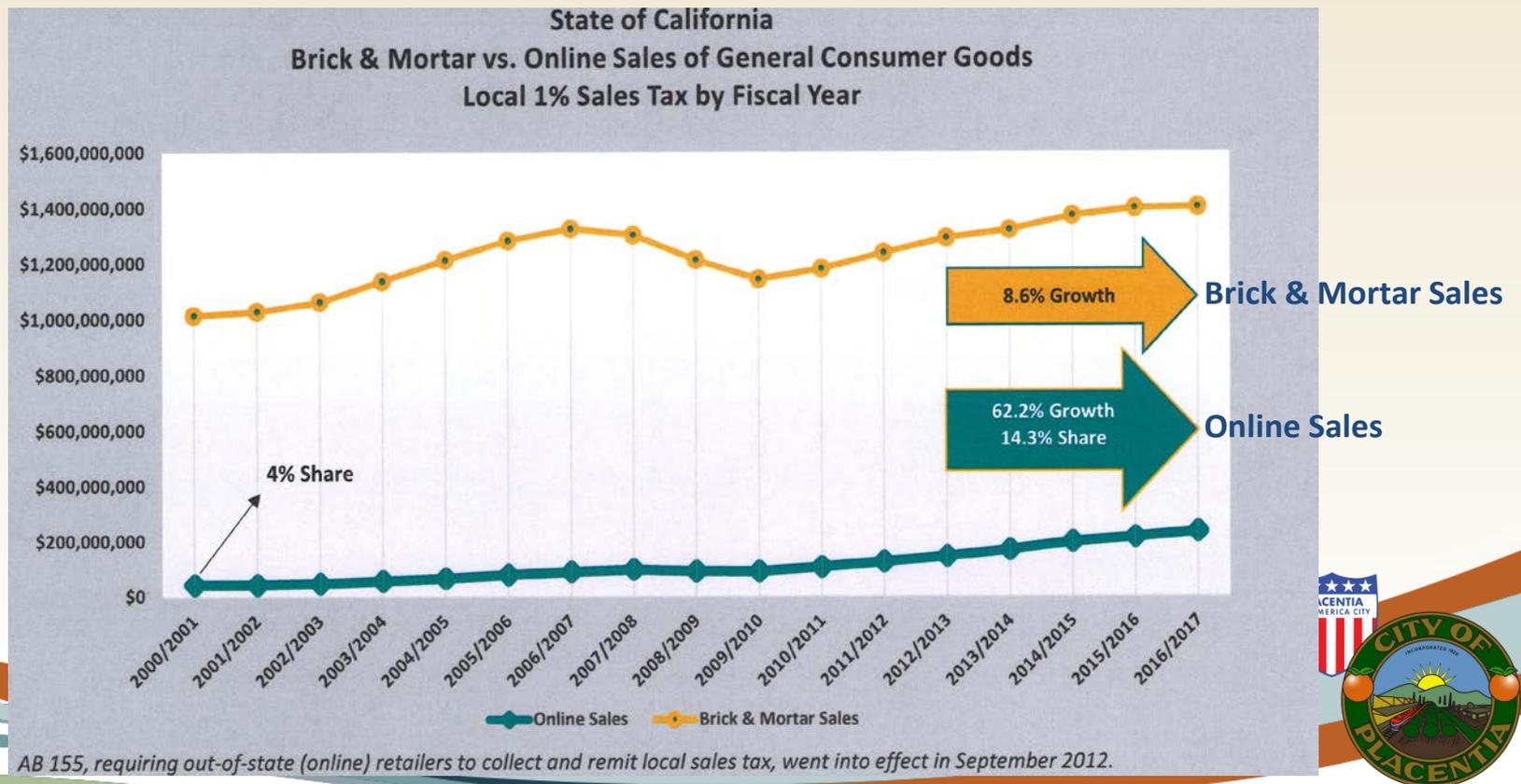
Placentia's Fiscal Crisis

- The State has taken over \$32.8 million in local tax dollars from Placentia since FY 1992-93.
- Placentia continues to lose an estimated \$2.1 million dollars every year.
- Since 2012 the City has been forced to adopt General Fund budgets with structural deficits.
- In FY 2017-18, the structural operating deficit grew to \$6.1 million.
- The newly developed 10-year long term financial plan indicates that the City will continue to incur growing structural deficits each year ranging from \$7.9 million to \$11.3 million by FY 2028-29.
- In FY 2018-19, the City cut \$2.7 million (15%) of its operating budget, with the largest reduction coming from the Police Department.



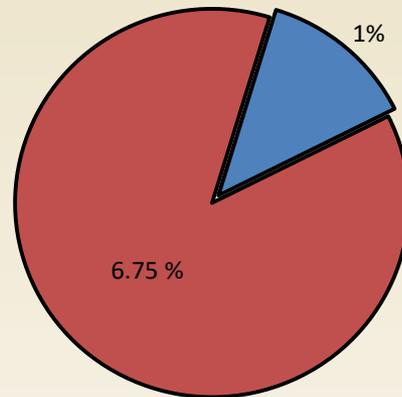
Sales and Use Tax

- Reduction of Sales Tax for the second time in 10 years
- Downward trend continues; internet sales continue to grow
- Revised estimate from Sales Tax Consultant
- Economic trends analysis.



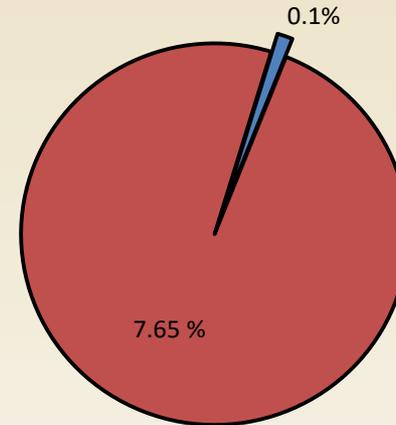
Two Types of Placentia Sales

Brick and Mortar
Sales Tax



■ City ■ All Other Agencies

Online Sales Tax



■ City ■ All Other Agencies

- Traditional retail outlets (“Brick and Mortar” stores) generate 1 cent of local sales tax revenue for every dollar of sales volume
- Internet sales generate approximately 1/10th of 1 cent of local sales tax revenue for every dollar of sales volume
- There is a significant trend towards online sales



Placentia's Current Budget

FY 2018-19 Budget does not maintain all of the prior service levels the City has provided in the past. A total of \$2.7 million dollars were cut including the following:

- A reduction of 8 full-time vacant positions
- A reduction of 6,444 part-time hours
- Elimination of all non-mandated training and conferences
- All department budgets reduced 15% except contracts or mandated costs
- All future vacant positions will be reviewed on a case-by-case basis before hiring a replacement
- Cuts to programs and expenditures including National Night Out and Concerts in the Park
- Deferred critical maintenance to public infrastructure, including critically needed street paving
- Non-replacement of outdated City vehicles and equipment



Deferred Infrastructure

- While the City has made great strides in economic development, obtaining grant funding and using restricted funding, the current General Fund budget does not address the following deferred infrastructure maintenance:
 - Streets & Roads: \$3.7M/yr to maintain status quo, \$4.6M/yr to increase PCI to 76 (Harris & Associates)
 - Facilities & Parks: \$700,000 to \$900,000 per year (Jorgenson Report on Facilities)
 - Vehicles & Equipment: \$300,000 per year (City of Anaheim Evaluation Report)
 - Unfunded Capital Improvement Projects: \$1.3 million to \$1.6 million per year (Approved CIP Cost Estimates)



Independent Review of City's Financial Health

- Despite efforts to cut costs to balance the annual budget, there has been additional review and determination by the following entities that the City needs additional revenue to maintain the quality of services and build adequate reserves.
 - Citizens Fiscal Sustainability Task Force
 - City's Auditors
 - State Auditor's Office
 - Bond Rating Agencies



Citizens Fiscal Sustainability Task Force

- On March 3, 2015 the City Council created a Citizens Fiscal Sustainability Task Force (“Task Force”) and appointed 7 members.
 - Conducted over 30 public meetings over a 2 ½ year period.
 - They received reports on the City’s financial situation.
 - Prepared and presented 2 interim reports and a final report to the Council
 - Their unanimous recommendations include:
 - Implementing cost-cutting and emergency reserve measures: the majority of which have now been implemented
 - Identifying options for revenue generation
 - Continue to engage citizens on our fiscal sustainability efforts

To read the Task Force Final Report, please visit:

www.placentia.org/taskforce



Community Conversations & Feedback

- City Staff provided numerous presentations to resident and service organizations about the City's fiscal condition and to obtain input on service priorities.
- Based on feedback received from hundreds of community members, the top priorities for Placentia include in priority order:
 - Repairing potholes and paving streets
 - Ensuring quick responses to 911 emergencies
 - Keeping public areas clean and graffiti-free
 - Providing fire protection and emergency medical services
 - Repairing broken sidewalks, curbs and gutters
 - Addressing gangs, drugs and crime prevention

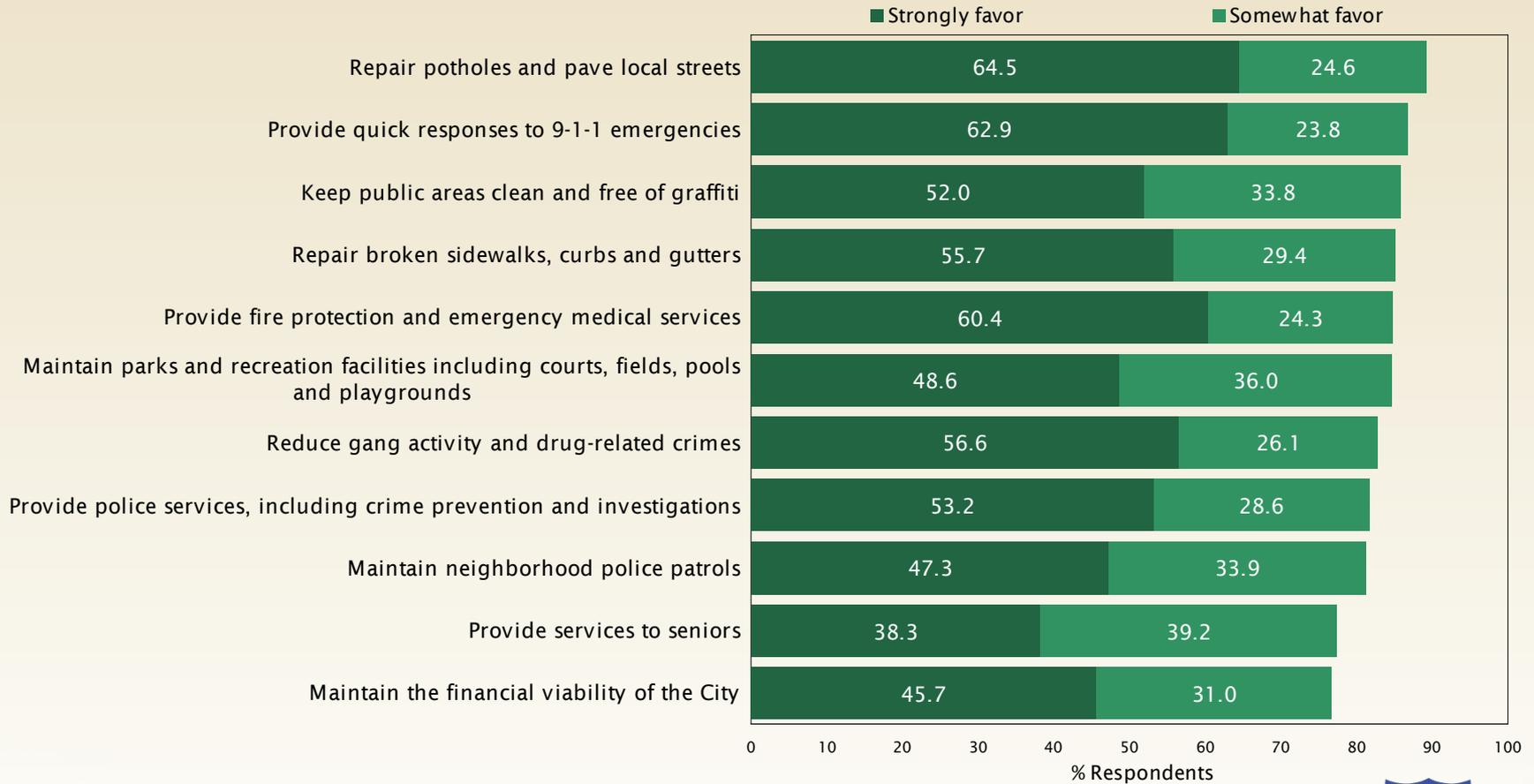


Quality of Life Survey

- True North Research conducted a scientifically valid quality of life survey of likely registered voters. The survey was conducted in May and a wide range of information was assessed.
- Based upon feedback received from the community meetings and online survey, the True North survey tested ballot language for a one-cent local sales tax.
- The results indicate that Placentia voters are willing to support a sales tax (61%-65% in support) in order to provide adequate funding for, among other things, core City services.



Residents Supported to Preserve Placentia's Quality of Life



Local Infrastructure Needs

- Placentia's streets and roads are significantly deteriorating due to lack of funds for consistent basic maintenance.
- Placentia streets and roads have been rated the 2nd worst in Orange County per OCTA.
- Major repairs and paving streets have been deferred over the past 7 years to make ends meet.
- Placentia's unfunded street and road repair liability has grown to \$28.9 million and is projected to grow to \$62.5 million if additional funding is not secured each year to address streets and roads.
- Additional funds are needed to help repair and maintain our streets.



Emergency Service Impacts/Needs

- Public safety continues to be a priority in Placentia and represents over 52% of the City's General Fund.
- Due primarily to statewide early jail release laws, crime related to residential and commercial burglary and vehicle break-ins has increased in Placentia over the last year.
- Without a continued local funding source, the City will be forced to cut public safety services, including gang and drug prevention and proactive neighborhood police patrols.
- The City needs additional funds to continue to provide citywide crime prevention, gang and youth violence prevention and intervention programs.



Emergency Service Impacts/Needs

- Placentia Public Safety personnel salaries are 15-21% below market compensation as compared to other OC agencies.
- On June 30, 2018, the City gave notice of termination to Orange County Fire Authority.
- Police Department's budget:
 - In 2009 was \$12.4 million
 - In 2019 is \$11.2 million
- Gang Unit/Special Enforcement Detail decreased from 6 FTE to 1 FTE.
- Eliminated a full-time Police Officer position in FY 18-19
- Eliminated 1 full-time Sgt Officer position in FY 17-18
- Police Detectives
- Police Dispatch is experiencing a 30% vacancy rate.
 - For a 24/7 operation, this vacancy rate is creating forced overtime
 - Increase in attrition rate
 - Potential impact to Public Safety



Summary of Placentia's Proposed Tax

- The City's financial situation requires action.
- Placement of this measure on the November 6, 2018 ballot will allow Placentia voters to decide the future of the City.
- It is important to note that neither the Mayor, nor the City Council can legally decide on this matter.
- Only the voters of Placentia have the power to make this decision.
- The City Council only has the authority to place the measure before the voters.



Benefits of the Measure

The measure that is being proposed has a number of benefits for the City's long term fiscal sustainability:

- Costs would be shared by visitors, businesses, and residents of Placentia who purchase certain goods and products. Sales tax is not levied on food or prescription medication.
- The measure would ensure that the funds would stay locally in Placentia and cannot be taken away by the State.
- The measure requires independent annual audits and citizen oversight.
- The measure includes tough fiscal accountability and transparency controls to ensure that all funds were being used properly.
- Not a specific parcel tax on individual homes/property.
- Addresses the online sales tax



Short and Long-Term Fiscal Challenges

As we continue to monitor Placentia's short and long-term fiscal challenges, it is important to note the following:

- If we do not address the identified fiscal problems, the structural deficit will continue to grow
- Waiting for “things to get better” is not an option since we are at the economic peak now, yet continue to have a reduction in sales tax revenue due to online sales growth
- The City has a significantly low amount of undesignated reserves, which continue to get smaller and put the City at risk in a disaster or other large financial challenge
- The City has already made significant cuts in service levels and further cuts will impact public safety and other vital City services



Statewide Transactions & Use Tax Measures

- Currently there are 176 cities and 32 counties with voter approved TUT rates
- Below are the Orange County Cities that are placing a TUT measure on the November 6th election:
 - Laguna Beach
 - Garden Grove
 - Santa Ana
 - Seal Beach



Conclusion

The City must identify and secure a reliable, long-term funding stream that is locally controlled where revenue is not subject to seizure or elimination by the State.

The intent of tonight's action is to allow the City of Placentia's residents to decide on November 6th, if they wish to approve a locally enacted revenue measure to ensure that the City is able to maintain vital services our community has identified, such as:

- Repairing and maintaining potholes, streets and sidewalks
- Providing quick 911 medical emergency response
- Providing fire protection and emergency medical services
- Maintaining our local Placentia Police Department
- Reduce gang activity and drug related crimes
- Keeping public areas clean and free of graffiti





PLACENTIA

Rich Heritage, Bright Future

