CITY OF PACIFICA

FINANCING CITY SERVICES TASK FORCE AGENDA

March 4, 2010 6:30 PM Pacifica Police Station 2075 Coast Highway

- 1. Call to Order
- 2. Approval of 2-25-10 Meeting Minutes
- 3. Questions from last Meeting
- 4. Discussion on Task Force Report
- 5. Oral Communications/Questions from the Public
- 6. Next meeting

City of Pacifica Financing City Services Taskforce Minutes – February 24, 2010

1. Call to Order: 7:05 by Chair Pete Shoemaker Attending: Mary Ellen Carroll, Bill Bent, Suzan Getchell-Wallace, Bruce Banco, Sue Vaterlaus, Karen Ervin and Mary Ann Nihart.

Staff: Steve Rhodes, Ann Ritzma

Excused: Julie Lancelle, Omar Saleh, Greg Cochran

- 2. Approval of Minutes of 2-11-10 Correction "Bruce Banco was excused". Corrected minutes moved and approved.
- 3. Questions from Last Meeting None. Mary Ann Nihart clarified that a handout at the last meeting (notes from the flip chart pads) was simply a list of notes from several meetings that were now on a single typed sheet. There was some confusion and she wanted to clarify that it was simply notes.

4. Discussion:

Steve summarized the next steps for the group:

- 1) Drafting a report: Steve handed out a draft outline for the Task Force to review.
- 2) Reviewing options: Steve handed out an 11"x17" spread sheet with three possible options for the group to consider. The first option (A) was what the group reviewed at the prior meeting and represented a combination of "freezing" salaries, sharing pension costs, and incorporating three revenue generating strategies (TOT, Public Safety Assessment and UUT). The second option (B) was a service reduction of 18 positions. The final option (C) was an annual \$2.8 million reduction option that "charged" each department with a percentage reduction based on the department's percent of General Fund expenditures less any revenue it generated.
- 3) The group discussed the options and how it might be prioritized. Generally the group favored Option A (Expenditures & Revenues), followed by B (Layoffs/Service Reductions) and C (% cut by General Fund). Option A preserved services and jobs. The group also discussed that milestones or a timeline should be incorporated into the final report to show that should a milestone (such as TOT passing) not materialize, that the plan would then shift to looking at a some part of Option B. The group was not ready nor did they feel that prioritizing services or positions was appropriate at this juncture.
- 4) The group asked that labor negotiated items, which had been discussed in prior meetings, be compiled for the final report. The group could then prioritize the labor items as part of their recommendations to City Council.

- 5) Given the five-year timeline and the numerous milestones, the group determined that after Council approval, it should continue to meet annually to reassess progress and make adjustments.
- 6) Staff was asked to bring a draft report back to the group by the next meeting on March 4th.

5. Public comment:

Aren Clark noted that an assessment would be hard to sell and wondered if the City and School District could merge assessments.

Jim Lange commented that the service reduction list was not widely distributed or understood.

Van Ocampo (Public Works Director) commented that is was not his position to "outsource" public works functions. He emphasized that functions that were discussed by the group in a previous meetings were not easily "outsourced" as many members of his staff were "cross trained" and performed multiple roles.

Mary (member of the public) asked that the City not "outsource" jobs.

Aren Clark noted that not all labor contracts run concurrently so it will be difficult to get concessions from all units. He was concerned that asking for concessions be fair.

Adjourned at 8:30 p.m.

Financing City Services Task Force Final Report DRAFT

Introduction

In September 2008 the City Council established the Financing City Services Task Force. The Task Force's initial charge was to develop a plan to supplement the loss of the one million dollars collected by a Fire Assessment. The five-year, property owner approved assessment was due to expire on July 1, 2009. The Task Force met from October 2008 until February 2009 to review a variety of revenue generating options and data from a community survey. Based on the survey data and revenue projections, the Taskforce recommended that the Council send a Sales Tax Measure to the voters in a Special Election in May 2009. The sales tax measure was not approved by the voters at the election.

On July 13, 2009, the mission of the Financing City Service Task Force was revised by the City Council with the adoption of Resolution No. 51-2009. That resolution set out the objectives for the Task Force as:

- Work with staff to review service levels and expenditures;
- 2. Explore ways to reduce costs and achieve efficiencies in City operations;
- 3. Examine revenues and explore the need for additional or revised methods to finance City services;
- 4. Develop and recommend to the City Council a Five Year Financial Plan that will incorporate the results of the Task Force's review of expenditures and revenues and establish a method for resolving the structural deficit.

The Council also continued the membership of all those who were currently on the Task Force and assigned Councilmember Lancelle and Mayor ProTem Nihart as Council representatives on the Task Force. Members of the original Task Force who remained on the Task Force include: Bruce Banco, Bill Bent, Mary Ellen Carroll, Greg Cochran, Suzan Getchell-Wallace, Karen Ervin, Omar Saleh, Pete Shoemaker and Sue Vaterlaus. Pete Shoemaker serves as Chair and Mary Ellen Carroll serves as Vice Chair.

Background

After the May 2009 defeat of the Sale Tax measure, the City finalized the Fiscal Year 2009-2010 Budget without the \$1,000,000 that would have been generated by the measure. In order to balance the 09-10 Budget the Council made cuts of \$2,604,840 and used approximately \$2.9 million of reserves. The City also met with each of the City's ten labor groups to explain the budget deficit and ask for assistance in bridging the shortfall. Both the firefighters unit and the fire battalion chief unit, which were each negotiating new contracts, agreed to salary and/or benefit "freezes". The eight other units of the City were asked to forgo scheduled salary increases, eliminate the use of vacation sellback and look at furlough schedules. Since all eight units had existing

contracts and were not interested in concessions, the City Council honored the contracts and the 2010 salary increases.

At the completion of the 09/10 Budget process, it was clear that a long-range plan was needed to resolve a structural deficit that was approximately \$2,800,000 per year for a total five year deficit of \$14,000,000. This was the result of annual revenues being less than expenditures, the loss of the fire assessment and costs associated with negotiated labor contracts. As was done in the 09/10 Budget, and in prior years, the structural deficit has been covered by the use of reserves.

This continuing practice is what led the Council to start this process to develop a Five Year Financial Plan that sought solutions to the issue. Projections show that the gap between revenues will continue and that reserves will be exhausted in Fiscal Year 2011-12. The City's current reserve is far below the recommended 20% of General Fund revenues (\$23.7 million revenues = \$6 million reserves) and leaves the City with no funds for an emergency. See chart XX Reserve Balances

Process

The Task Force has met twice a month, with the exception of October and November, since August 2009 and expects to issue its report in March 2010. The Task Force began by reviewing the City's budget. The Task Force spent time discussing each of the different funds in the budget especially the sources of revenue for each and in some cases the restrictions on expenditures. With an overview of all funds in the budget, the Task Force moved in to a review of each departmental budget. The department budgets were presented by each Department Director and included information on services provided by each department, staffing levels, reductions taken to date and ideas for future savings. All the materials from each Department presentation are on the City's website at www.cityofpacifica.org

In addition to the presentations, individual Task Force members asked for additional information on stimulus funding, staffing levels, benefits, compensation, purchasing, contracting legal services and other functions, property tax shifts over the past 10 years, labor agreements and examples of what other city's are doing to balance their budgets. The handouts are part of the materials on the website. The Task Force also welcomed public comment and City employees, union members and community members have been in the audience at of each of the meetings, adding insight and comments to the Task Force process.

After review of all the material presented by the Departments, the Task Force began a general discussion on expenditures and revenues and discussed options to use that might resolve the structural deficit over the five year timeframe. The Task Force focused on three expenditure categories:

- 1) Costs associated with supplies and services
- 2) Personnel costs including salaries, benefits and retirement (pension)

3) Levels of service and ways to reduce (layoffs or formula reductions by department - % in general fund less revenue generated)

In the revenue review, the Task Force explored several of the options from the original 2008 revenue ideas:

- 1) Increasing the Transient Occupation Tax (TOT) from 10% to 12%
- 2) Utilizing a Public Safety property assessment
- 3) Restructuring the Utility Users Tax to lower the 6.5% (electric and gas) and add telecommunications to the tax.

Recommendation

The Task Force is unanimous in our appreciation and respect for all the city departments and the excellent job they do on a very limited budget. The assigned task was to find "fat" in the budget and to put it simply, there was none to be found. The very good news is that we have city workers who are dedicated and very creative in doing a lot with what they have, but of course the challenge is to find ways to reduce costs given that there are no easy solutions.

Our top priorities were to maintain services and minimize layoffs as much as possible. We feel that the best way to achieve this is through teamwork. By all sectors of the community coming together to share in the solution, all giving as appropriate, we can minimize the impact to all of us and keep the bulk of our city services intact. In order to avoid an expected \$14 million shortfall over the next five years and and put our city on a sustainable financial path, we recommend implementing the following:

Plan A: Salary freezes and ballot measures

We recommend that the City ask all employee labor groups, in their appropriate negotiations, to freeze all wages for five years. In addition we recommend a freeze in the City's contribution to retirement benefits for five years. We estimate that this will save about \$8.5 million over the five-year span.

We also recommend that the City put the following revenue-generating measures before the voters, at the specified time:

- 1) Increase the TOT (hotel tax) from 10 to 12% Election of November 2010, estimated 5-year revenue of \$72,000
- 2) Public Safety Assessment Property owners vote in Spring 2011, estimated 4-year revenue of \$4,000,000
- 3) Revised Utility User's Tax (UUT)

 Election of November 2012, estimated 3-year revenue of \$2,000,000

The total savings + revenue would equal approximately \$14,000,000 in five years, solving our budget deficit, giving us a reserve of over \$600,000 and putting us on a surplus-building path.

Contingencies

We realize that each of the steps above requires the consensus of many people and labor groups, and that it is very likely that not all of them will come to pass as envisioned. To the extent that the City needs to make additional budget cuts, we recommend that it be done in the following way:

Plan B: Proportional Reductions

The city manager has put together a formula that considers each department's percentage of the General Fund **adjusted for revenue credit**. We feel that this is the best assessment of each department's proportional share. The amount of budget reduction needed should be allocated to each department according to this formula, with each department determining how to meet its target.

We feel that having the individual departments determine where to make cuts is preferable to having it done by someone or some group outside the department.

Next Steps

After completion of the report by the Task Force, it will be presented to the City Council in a joint Study Session with the Task Force. Following that presentation the report will be considered by the Council at a regular Council meeting. Once the City Council has accepted the report, the final document will be shared with the community, unions and employees.

The Task Force will meet annually over the next five years to analyze the progress that has been made and assess whether additional recommendations to the Council are needed to continue progress on resolving the structural deficit.

Attachments

For website documents: www.cityofpacifica.org (City Government – Committees – Financing City Services Task Force) or (www.cityofpacifica.org/government/committees/financing city services task force).

Service Reduction Option Financing City Service Task Force 3/4/2010

<u>Department</u>	<u>Position</u>	# of Positions	Total Comp	<u>Total</u>	
City Admin	Clerk II	0.5	\$39,000	\$39,000	
HR	Clerk II	0.5	\$39,000	\$39,000	
PB&R	Rec Supervisor	1	\$140,235	\$140,235	
PB&R	Food Services	1	\$81,000	\$81,000	
Delies	Dalias Cantain	1	\$260,000	¢260,000	
Police	Police Captain			\$260,000	
Police	Evidence Supervisor	1	\$130,000	\$130,000	
Police	Police Records Sup	1	\$115,000	\$115,000	
Fire	Firefighter	3	\$160,000	\$480,000	
Planning	Mgmt Analyst	1	\$130,780	\$130,780	
Planning	Asst Planner	1	\$108,000	\$108,000	
PW	Tree Trimmer	2	\$82,000	\$164,000	
PW	Asst Tree Trimmer	2	\$91,000	\$182,000	
PW	Sr. Tree Trimmer	1	, . ,	,,	
PW	Equipment Operator	1	\$95,000	\$95,000	
	-				
	Total	17	subtotal	\$1,964,015	
	Less Contracts:				
	Street Sweeping			\$300,000	
	Tree Trimming			\$390,000	
			Total	\$1,274,015	

Option A			
5 year Deficit		\$	13,885,432
Expenditures Salary freeze for 5 years Retirement freeze in City contribution	Total	\$ \$ \$	6,405,371 2,048,245 8,453,616
	Difference	\$	(5,431,816)
Revenue Increase TOT On ballot in Nov 2010 Collection begins in July 2011 2% increase from 10% to 12% Amount per year - \$18,000		\$	72,000
Public Safety Assessment Property Owners Vote - Spring 2011 Collected with Property Taxes in 2011 - 12 Approximately \$85 per parcel for residential Amount per year - approximately \$1,000,000		\$	4,000,000
Revised Utility Users Tax (UUT) On ballot in Nov 2012 Amount per year - approximately \$800,000 Lower gas & electric and include telecommunications Collection begins January 2013		\$	2,000,000
0000	Total	\$	6,072,000
	Difference	\$	640,184

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Option B

Service Reduction Option
Eliminate 17 positions across departments
See detail sheet for identified positions
Saves \$1,274,015 per year

\$ 6,370,075

Option C

Mandated % reductions in departments

\$ 14,000,000

\$2,800,000 per year - total cut made in first year

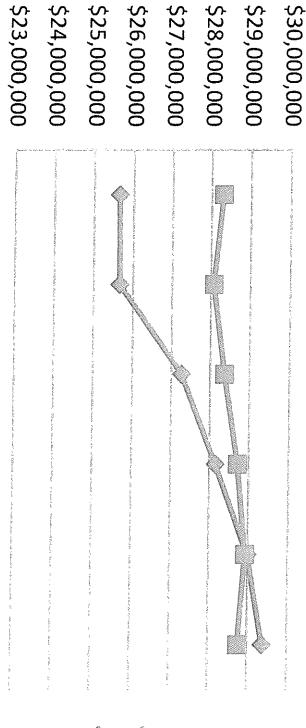
Cut amount could also be based on supplementary amount to other options

Based on % of the General Fund after credit for revenue

Credit given for revenue directly attributed to dept

	% Gen Fund	<u>Amount</u>	09	9/10 Budget	% of budget
CITY COUNCIL	0.68%	\$ 19,017	\$	157,500	12.07%
CITY ADMINISTRATION	2.45%	\$ 68,471	\$	512,650	13.36%
HUMAN RESOURCES	2.16%	\$ 60,607	\$	463,840	13.07%
CITY ATTORNEY	4.72%	\$ 132,177	\$	599,940	22.03%
FINANCE	5.81%	\$ 162,617	\$	1,284,700	12.66%
POLICE	42.22%	\$ 1,182,079	\$	9,466,930	12.49%
FIRE	27.70%	\$ 775,668	\$	6,020,330	12.88%
PLANNING	2.51%	\$ 70,292	\$	1,222,311	5.75%
PUBLIC WORKS	8.13%	\$ 227,741	\$	2,367,433	9.62%
PB&R	3.62%	\$ 101,331	\$	3, 7 92,432	2.67%
NON-DEPARTMENTAL	0.00%	\$ -			
OTHER	0.00%	\$ -			

Financing City Services Task Force Five Year Financial Plan Recommended Option



09/10 10/11 11/12

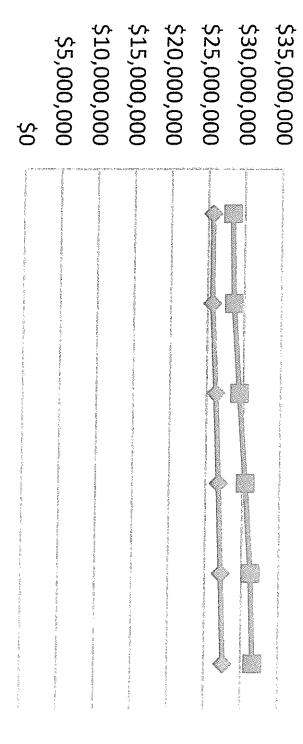
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--- Revenue

Expenditures

Financing City Services Task Force Five Year Financial Plan Status Quo



09/10 10/11

11/12

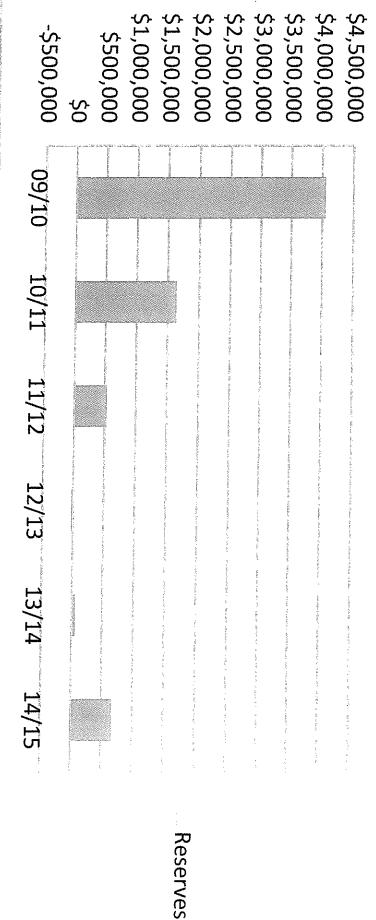
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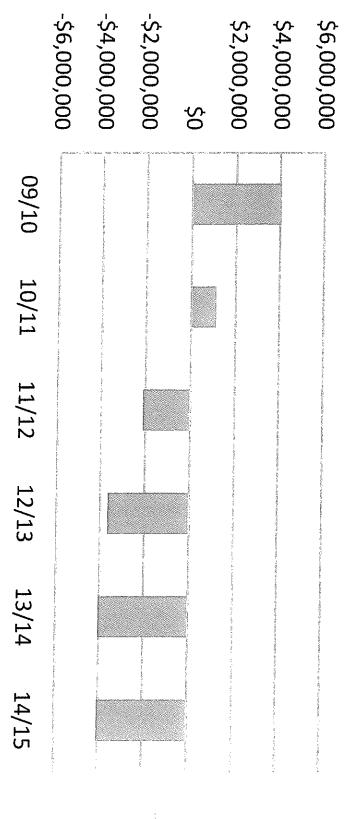
Revenue

Expenditures

Financing City Services Task Force Five Year Financial Plan Recommended Option



Financing City Services Task Force Five Year Financial Plan Status Quo



Reserves

Negotiated Labor Items

Reduce Staffing and Levels of Service:

Hiring Freeze

Defer Personal Actions (e.g. promotions, reclassifications)

Close facilities or reduce hours of operations

Merge operations with other public agencies

Contract out services

Merge agency functions (example: Admin. Services)

Encourage reductions to Part-time service

Early retirement/Voluntary Separation

Additional service credit/Cash/Insurance Benefits

Furloughs

Voluntary/Mandatory

Layoffs

Reduction in Hours

Reduce Payroll Costs:

Defer Wage Increases (including merit increases)

Reduce salaries (reduce entry level range/step)

Reduce/Freeze, Modify Benefits/Insurance contributions or coverage

Cafeteria Plan cash provisions

Impose waiting periods for participation

Cap contributions for medical, dental

and other benefits (employee pays difference)

Reduce/Freeze or Modify

Premium pay/Bi lingual pay/Longevity pay

Standby/callback

Overtime beyond FLSA statutory mandates

Accrual or accrual Rates of Paid Leaves

Holiday and Holiday in lieu pay

Administrative Leave

Uniform Allowance

Vehicle Use (city provided vehicle)

Eliminate survey based salary increases

Retirement cost sharing – freeze city's contribution

Retirement - establish second tier of benefits

Retirement - eliminate supplemental or enhanced options

Flexible schedule-paid time for fitness, 9/80 or 4/10 work week