

Financing City Services Task Force Background December 2011

On July 13, 2009 objectives for the Financing City Services Task Force were established by the City Council in Resolution No. 51 – 2009. Those objectives were to:

1. 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.

During that same timeframe the Council also created an Economic Development Committee (EDC) with Objectives that focused on strengthening the economy of the City. Those objectives are:

1. To work with the City Manager to review and develop plans to improve customer service in departments that work with existing and new businesses;
2. Help businesses in existing districts to organize and implement plans for improvement;
3. Devise and implement a plan for outreach and marketing of Pacifica to potential new businesses.

This Committee is seen as a complement to the work of the Financing City Services Task Force since the EDC will be working to increase the long term financial stability of the city and community.

The Task Force met twice a month, from August 2009 to March 2010. During that time, the Task Force reviewed the City's budget and devoted time to 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 then reviewed each departmental budget.

At the conclusion of this process the Task Force issued a report, dated March 19, 2010, which outlined a Five Year Plan to stabilize the City's finances. The report identified the Task Force's top priorities: maintaining services and minimizing layoffs as much as possible. The report recommended all sectors of the community coming together to share in the solution. The Plan recommended \$8.5 million in savings by lowering employee costs through negotiated adjustments to salaries, benefits, pension expense and other associated employee costs.

Coupled with the employee cost savings the Task Force recommended that three revenue-generating measures be submitted to the voters. Those measures and the amount they would raise were: 1) Increase the TOT (hotel tax) from 10 to 12% - \$160,000 per year; 2) Public Safety Assessment (later changed to Fire Suppression Assessment to comply with California law) - \$1,000,000 per year; and 3) Revised Utility Users Tax (UUT) - \$800,000 per year. Together these revenue measures would generate \$6,000,000 over the five year timeframe.

The report of the Task Force was accepted by the City Council on April 12, 2010 and staff was directed to begin implementation of the plan. The 2010/2011 Budget was based on the plan and work was commenced to place the increase in the TOT on the November 2010 ballot. Negotiations were started with the City's Public Safety bargaining units to begin to phase in the changes in employee costs as recommended in the plan.

On November 9, 2010 the voters approved the 2% increase in the TOT adding new revenue to the City resources to support City services. By December of 2010 the City had concluded negotiations with the Public Safety bargaining units and had accomplished, through two year agreements, reductions in costs equaling \$1.2 million over the five year timeframe.

At the first annual review of the Five Year Plan held on February 3, 2011 the Task Force was confident enough in the progress on the plan to recommend that the Council continue to follow its recommendations for the following fiscal year budget (2011/2012). The City also had started to move forward the next revenue item, the Fire Suppression Assessment.

In April of 2011 the Fire Suppression Assessment was abandoned after responses received by the City were sufficient to defeat it. The loss of this revenue measure left an annual \$1,000,000 deficit beginning in 2011/2012 in the Five Year Financial Plan and required a meeting of the Task Force to assess what action should be recommended to the Council. At a meeting of the Task Force on April 14, 2011 the group recommended that cuts of \$1,500,000 be taken in the 2011/2012 Budget. It recommended that these cuts be implemented through Option "B" of the Five Year Plan. Option "B" contained a formula for reductions based on the size a department budget was in relation to the overall General Fund.

In June of 2011 the City Council adopted a 2011/2012 Budget with cuts of approximately \$1.5 million. Those cuts included contracting out Police Dispatch to the City of South San Francisco, contracting out City Attorney services, contracting out Tree Maintenance, Streetlight Maintenance and Street Sweeping. These cuts resulted in the lay-off or reassignment of 19 employees.

The Council also called the Financing City Services Task Force back into action and directed the Task Force to develop a new Five Year Financial Plan based on the failure of the revenue measure and the changes encompassed in the 2011/2012 Budget. The Task Force began meeting in August and has been meeting for twice a month since then to develop a new Five Year Plan.

At this point in time the City has successfully concluded negotiations with all of its bargaining units contained in the General Fund and has achieved savings, in addition to those from Public Safety units, of \$3.5 million over the timeframe of the plan.