



THE CITY OF
SAN FERNANDO



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MEASURE A: ANNUAL REPORT

SEPTEMBER 21, 2015

PRESENTED BY:
NICK KIMBALL
FINANCE DIRECTOR



THE CITY OF
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LEGAL REQUIREMENT

Chapter 82, Article V, Section 82-132 of the San Fernando City Code states:

On or before each anniversary of the operative date, the city shall complete a study and produce a report reviewing the collection, management and expenditure of revenue from the proposed tax and shall present a report explain[ing] and providing an overview of the same at an open and public meeting of the City Council. This report shall be a public document.

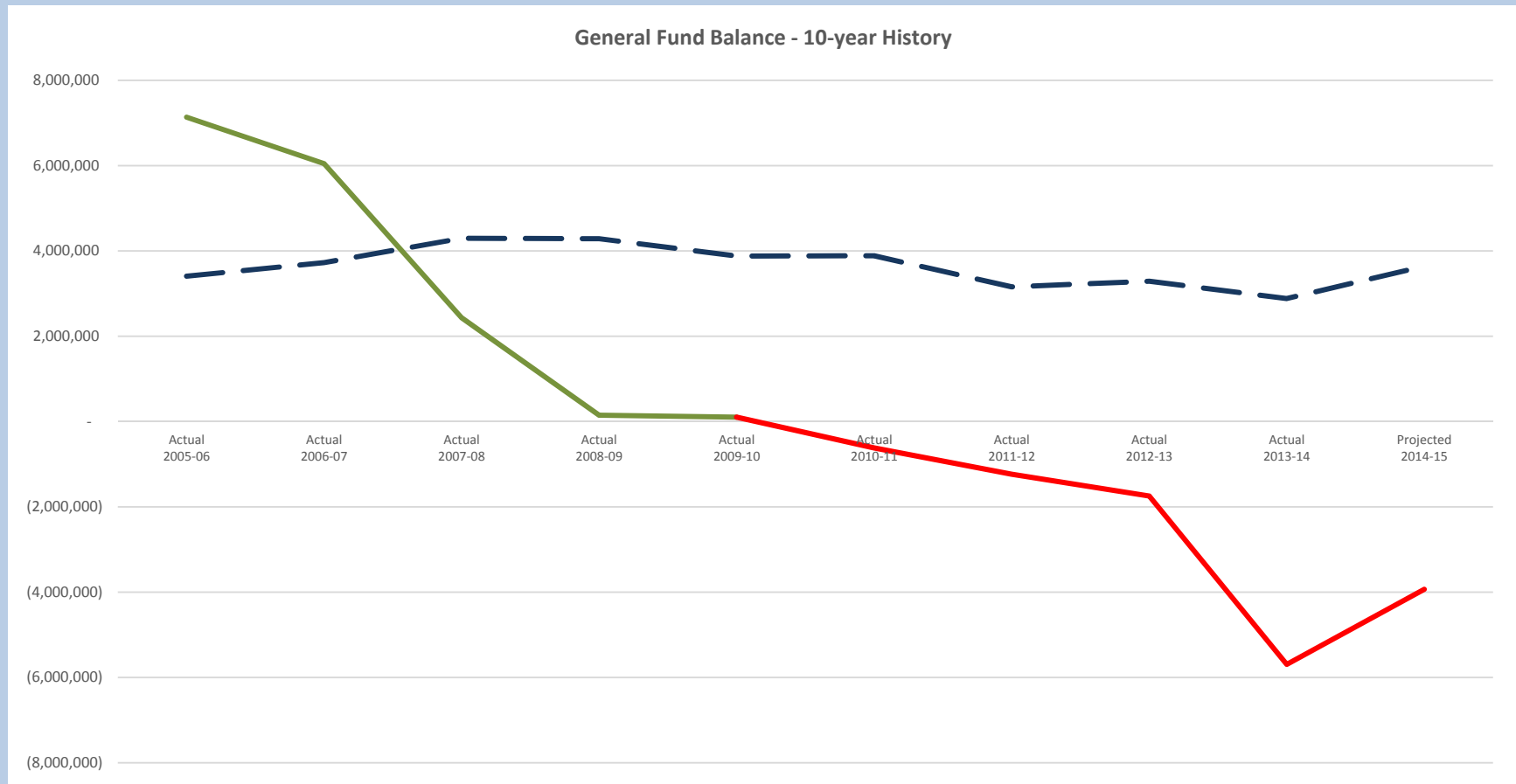


BACKGROUND

- **Dramatic reduction in Fund balance between FY 2005-06 and FY 2010-2011.**
 - City over-extended itself in expenditures.
 - Reduction in revenues due to “Great Recession.”
- **To reduce expenditures, City re-negotiated labor contracts, froze vacant positions, implemented layoffs and furloughs.**
- **Declared fiscal emergency in FY 2012-2013 and held a special election on June 4, 2013 to vote on ½ cent sales tax measure to raise revenue (approved by 60%).**
- **Tax is temporary and sunsets on October 1, 2020.**



BACKGROUND





COLLECTION

- **City began collecting ½ cent Use Tax on applicable transactions on October 1, 2013.**
- **FY 2014-2015 estimated revenue was \$1,800,000.**
- **FY 2014-2015 actual revenue was \$2,156,696.**
- **Sales tax to Transaction tax ration was 51%; indicates high compliance by local businesses.**
- **Since October 1, 2013, Measure A has generated \$3,442,708 in additional revenue.**



MANAGEMENT

- **Measure A revenues are tracked in a separate account on the General Ledger.**
- **Quarterly meetings with private firm (HdL) that specializes in monitoring tax receipts.**
- Assist in identifying, correcting, and recovering allocation errors and submit case documents with BOE.



EXPENDITURE

- **Measure A is a temporary tax that will sunset on October 1, 2020.**
- **Prudent to treat Measure A funds as one-time funds used for non-recurring expenditures, including:**
 1. Establish General Fund and SIF reserve
 2. Pay off existing debt
 3. Eliminate deficit balances in Grant and Special Funds
 4. Re-establish Equipment Replacement Fund
 5. Replace outdated computer and telecomm systems
 6. Fund capital projects to address deferred maintenance
 7. Establish a Trust to pre-fund retiree health costs



EXPENDITURE

In FY 2014-2015, Measure A funds were used for:

Repayment of Debt

Repay CHFA Loan	692,269
Repay Section 108 Loan	116,820
Repay Retirement Fund	249,444
Eliminate Self Insurance Fund Deficit	985,410
Repay Sewer Fund	97,753
	<u>2,141,696</u>

One-time Projects

Telephone System Improvements	15,000
	<u>15,000</u>

Total Measure A Uses **2,156,696**



DEFICIT REDUCTION PLAN

Staff has worked with City Council to implement a multi-year plan to eliminate the General Fund deficit.

Over last 18 months, City has:

- Renegotiated the Fire Services contract with LAFD to reduce the annual cost without reducing service (saved more than \$500,000/year).
- Transferred operational and financial responsibility of the Pool to the County of Los Angeles (saved more than \$500,000/year).
- Retired debt from the outstanding California Housing Financing Agency (CHFA) and Section 108 Loans (saved more than \$125,000/year).
- Developed a five-year General Fund projection of revenues and expenditures (improve long term decision making).
- Adopted a Development Agreement Ordinance to increase economic development efforts.
- Sold surplus land and used the land sale proceeds to reduce the City's deficit (\$1 million in proceeds).
- Restructured future retiree health benefits to decrease the City's OPEB liability (significant long-term savings).



DEFICIT REDUCTION PLAN

FY 2015-2016 Budget includes funding for the following one-time items:

- **Continue to repay internal debt (\$250,000).**
- **User fee and cost allocation plan to ensure City is recovering costs for certain services (\$50,000).**
- **Replace network server infrastructure (\$50,000).**
- **Re-establish Self Insurance Fund reserve (\$250,000).**
- **Re-establish Equipment Replacement Fund (\$100,000).**
- **Establish Facility Capital Replacement Funds (\$50,000).**
- **Further reduce General Fund deficit (\$200,000).**



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