



Council Agenda Report

Meeting Date: July 18, 2005

TO: HONORABLE MAYOR, MAYOR PRO TEM & COUNCILMEMBERS

FROM: Brad Bridenbecker, City Manager
By: James D. Sadro, Director of Finance & City Treasurer

SUBJECT: Presentation of the Ad Hoc Fiscal Review Committee
Final Report

SUMMARY RECOMMENDATION:

Receive and file the Ad Hoc Fiscal Review Committee's final report.

DISCUSSION:

On March 21st, 2005, the City Council appointed 15 members, and 5 alternates, to the Ad Hoc Fiscal Review Committee. This volunteer committee, representing a broad spectrum of concerned citizens, civic leaders, business owners and community representatives, was asked to review the City's past, current and future finances in order to determine what actions could be taken to help mitigate the loss of the City's Utility User Tax, which is scheduled to sunset, or expire, on December 31, 2007. This revenue source accounts for approximately 15 percent of the City's General Fund, or \$4.7 million, based on the adopted FY 05/06 budget.

The Committee was given 90 days from the date of its first meeting to conduct research, make inquiries, review documents, discuss options and develop recommendations, after which it was to present its findings in a report to the City Council. To accomplish this task, the Committee established a schedule of weekly public meetings to question staff, review documents and hold discussions.

The Committee developed a number of recommendations to deal with the pending loss of UUT, however, its two primary recommendations, as discussed in greater detail in the attached report, are to:

- 1) Reduce General Fund expenditures by 5.0 to 7.5 percent. This equates in a reduction of between \$1.6 to \$2.4 million of General Fund expenses based on the adopted FY 05/06 budget. The Committee's general direction was to have the City's executive management determine where cuts should be made with the understanding that, in the Committee's opinion, funding for public safety should be the highest priority. The Committee did, however, acknowledge that no City department should be exempt from

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potential cuts. To assist the Council with this difficult task, the Committee identified a number of potential expenditure reductions and revenue enhancements in its final report.

- 2) Renew the City's sunseting Utility User Tax (UUT) at a reduced rate. The City's current UUT rate is six percent for all affected utilities, except for electricity, which is set at 4.5 percent. The current UUT is set to expire on December 31, 2007. Although the Committee did not make a final recommendation as to what the reduced UUT rate should be, they did suggest that the rate could be reduced to 4.5 percent in order to retain some level of ongoing revenue to the General Fund.

It is anticipated that the UUT, at the current rate level, will generate approximately \$5 million per year in FY 07/08. If the City were to reduce General Fund expenditures by 5.0 percent, or \$1.6 million, it will be necessary to generate \$3.4 million of revenue to make up the difference. A UUT rate of 4.1 percent would generate approximately \$3.4 million of revenue in FY 07/08.

If the City were to reduce General Fund expenditures by 7.5 percent, or \$2.4 million, it will be necessary to generate \$2.6 million of revenue to make up the difference. A UUT rate of 3.1 percent would generate approximately \$2.6 million of revenue in FY 07/08.

While the Committee felt that final determination of cuts should be the responsibility of the City Council and the City's executive management team, they did outline a set of expense reduction and revenue enhancement ideas that the City Council could consider. These recommendations are included as Attachment A of the Committee's report.

The Committee has drafted a 24-page report that represents its findings and recommendations. Attachment A of the report lists the Committee's primary and secondary expense reduction and revenue enhancement ideas. Attachment B is a comprehensive list of the Committee's brainstorming ideas, questions, comments, and concepts that were collected over the past three months. It should be noted that Attachment B does not represent the Committee's final recommendations, but rather is meant as a reference document demonstrating the scope of effort that was undertaken.

FISCAL IMPACT / SOURCE OF FUNDING:

There is no fiscal impact to receive and file this report. There are, however, significant fiscal impacts associated with the various concepts outlined by the Committee in their report. Staff can provide a more detailed analysis of those impacts should the City Council decide to pursue any of the Committee's various recommendations.

RECOMMENDATION / REQUESTED ACTION:

Receive and file the Ad Hoc Fiscal Review Committee's final report.

ATTACHMENTS: Ad Hoc Fiscal Review Committee Final Report

CITY OF LA HABRA
2005 AD-HOC FISCAL REVIEW COMMITTEE

FINAL REPORT

INTRODUCTION

On January 1st, 2008, the City of La Habra will face an imminent fiscal challenge. By the end of 2007, the city's Utility User's Tax "sunsets." The loss of this tax revenue, comprising about 15% of the General Fund, or about five million dollars, will have a significant impact on the structure of the city's budget and the quality of city services provided to the citizens of La Habra.

Anticipating this, the City Council of La Habra, on April 4th, 2005, appointed fifteen members of the community, reflecting broad and multiple viewpoints, to address this looming issue. The Council charged the committee with the task of reviewing the city's finances in an effort to identify possible revenue enhancements and cost reductions that might mitigate the loss of this tax revenue. The 2005 Ad-Hoc Fiscal Review Committee was mandated to meet regularly, and with the assistance of city staff, provide a report to the La Habra City Council within 90 days.

The following recommendations and areas for exploration reflect the best efforts of a diverse committee committed to a better future for the City of La Habra. Each Committee Member was asked by their sponsoring Councilmember to bring a unique and fresh perspective to the budgeting difficulties anticipated as the Utility User's Tax sunsets. By reviewing the recommendations, it is clear that the Committee expressed sensitivity to the primacy of public safety, but also acknowledged that no aspect of city operations may ultimately be spared should significant cuts be required.

The Committee also understands that the defined term of this Committee's service precludes a comprehensive audit of city finances, or a complete review of each department. Such a detailed review might yield ideas on consolidation and re-organization that remain beyond the practical purview of this Committee. Rather, the Committee pursued an "out-of-the-box" approach. This led to "brain-storming" sessions where no idea was discouraged, and every philosophy was welcomed.

Some ideas were ultimately developed further and prioritized; others were left open-ended and may prove unfeasible. The value of this tiered formatting, and the ideas contained therein, can only be determined by the Council.

At the same time, the fundamental issue that guided the Committee in its deliberations was the final expiration of the UUT in 2007. In assessing the environment anticipated when the UUT sunsets, the Committee finds that a relatively implacable gulf will exist between revenue and expenses. With significant across-the-board reductions (in the range of 5% to 7.5%) in department spending, combined with revenue-generating mechanisms suggested by Committee members, there will remain a gap of several million dollars. This would clearly suggest that department spending reductions would necessarily exceed 7%, and perhaps approach 15%.

There should be no ambiguity in viewing cuts of this magnitude as severe—they would impact every element of city services, curtailing or eliminating programs that many citizens have come to depend upon, as well as resulting in the loss of FTE's in most departments. Additionally, capital improvement projects would face restructuring or indeterminate deferral, and a prudent examination of the La Bonita Park project may require a different architecture with regard to its future management.

In the view of this Committee, the City of La Habra has now achieved a prosperous and progressive trajectory that promises continued redevelopment, new business growth, improved urban design and appearance, and stands to reap the rewards these enhancements will likely bring to the City, in the form of a broadened sales and property tax base. As a result, the citizens of La Habra will experience improved safety and community services and will grow increasingly attractive to both new families and business well into the future.

The permanent loss of the UUT stands to derail this vision entirely. For this reason, the Committee places high value on the concept of renewing the UUT, in a modified form that families and business would find acceptable. A reduction of the UUT could comprise a "Quality of Life" ballot measure which would reduce the 6% tax base to perhaps 4.5%, promising lower utility taxes, yet maintaining the comprehensive quality of city services. This would clearly reduce GF revenues from 4.67 million (FY 04/05) by about 20%, resulting in a shortfall in the range of one million dollars. However, the absorption of this reduction poses a far less onerous challenge, and spares the city from retrograding the quality of services and personnel generally.

The Committee also understands the design of its mandate. The task was to examine revenue enhancements and strategic cuts in order to backfill this loss of the UUT. However, the Committee finds it cannot ignore the fundamental origin of the issue. There is consensus that a re-structured Utility User's Tax promises the best future for the city, and that attempting to backfill the complete and permanent loss of this tax with unproven revenue-generating concepts and regressive service cuts may prove risky.

Finally, it should be understood that this view reflects a general majority of Committee members. There are other views that do not embrace the significance of the UUT, and that would prefer the city manage the sunset of this tax without any further demands on city taxpayers.

However, one constant remains—every member of this Committee wishes to see the City of La Habra fulfill its obligation to every citizen of this community. In this era of rapidly shifting demographics and economic realities, every family that chooses to place roots in the soil of this historic valley deserves to feel secure in their homes and businesses, to enjoy beautiful parkland, safe streets, quality city services and the knowledge that the culture and character of La Habra is a protected and cherished asset.

In short, this Committee embraces the tradition of “A Caring Community,” and is hopeful that this report fulfills its mandate from the La Habra City Council, and contributes successfully to maintaining the community we call home.

Respectfully submitted,

John D’Angelo
Chairman

Daren Nigsarian
Vice-Chairman

Tim Shaw
Secretary

Katie Allsman

Dennis Barton

Dan Casey

Monte Cicino

Art Cueto

Gil Flores

Juan Garcia

Freddy Salazar

Dawn Stille

Mark Sturdevant

Scott Ward

Nancy Zinberg

Attachment A

Committee Recommendations

Expense Reductions: Primary

1. Consensus was reached on the idea of recommending across-the-board reductions of 5 to 7 ½ percent in every department.
2. Consideration for the Public Works department. All workers below the Supervisor and foreman to be cross-trained to move from departments as needed.
3. Have employees pick up more of the cost of their benefits/retirement.
4. Require Community Services programs to be “pay-as-you-go” with limited or no City subsidies. Charge enough to cover the full cost of the programs, including Senior Transportation (several thousands in savings).
5. Instruct department directors to cut a percentage of their budgets and allow them the flexibility to make the cuts where feasible.
6. Privatize parks, charge fee (similar to Brea’s Craig and Carbon Canyon parks where fees are collected upon entrance).
7. Bi-weekly maintenance of parks and city owned properties.
8. Consolidate department operations and offer early retirement to reduce staffing levels.

Revenue Enhancements: Primary

1. Renew UUT, but give something in return, such as a reduction in percentage.
2. Establish more sponsorships. Expand the Adopt-a-Park program to add other services, facilities, programs, etc. To the sponsorship opportunities – break out of the specific items and their costs that groups/individuals/businesses can sponsor. Create more “Adopt-a-?” programs to support certain functions such as K-9, animal shelters, etc.
3. Hire a grant writer. The sole purpose would be applying for grants.
4. Develop Vista Grande into miniature golf course; similar to driving range and golf course at Harbor and Brea Blvd. (this may meet the counties requirements).
5. Establish 20 minute parking and add parking meters.
6. Conduct a cost allocation study to review raising fees and charges for City services.
7. The cost of running the skate park is approximately \$48,000. This could be offered to privately held company such as, Van’s. (They could charge their own fees).
8. New Income- Several hundred thousand dollars- New Costco, Shea Homes, and old Kmart site.
9. Delivery fee (Business License Fee for deliveries within city).
10. Raise Business license fee (requires voter approval).
11. Change the fee structure for the Fire Med Program – consider basing it on % of expense to be covered, allowing businesses to participate through a tiered structure, and/or adding another value to the program (Do a better job marketing the Fire Med program).

12. Initiate additional annual festivals (similar to the Corn Festival) such as a vintage car show that would attract additional visitors to La Habra and generate increased spending within the City.
13. Large Water meter testing program (Two inch and larger) all meters two years old or older need to be re-tested for accuracy, these are the cities cash register and these probably are running at sixty percent accuracy, a 40% loss. Outsource or setup a testing department.
14. Offer and charge for sewer service connections to La Habra Heights and areas contiguous to the northern boundaries of the City, such as Harbor, Cypress, Hacienda and Walnut streets. This reoccurring revenue over the years could be very profitable.
15. Increase code enforcement and issuance of administrative citations, increase overnight parking citations, hire contract code enforcement officers.
16. Initiate a focused planning effort for the revitalization of La Habra Blvd. in order to make the Boulevard an attractive and pedestrian-oriented retail district similar to Downtown Brea or Fullerton by re-evaluating existing planning and development policies.
17. Consider a F.O.G. fee program to start covering sewer-cleaning costs.

Expense Reductions: Secondary

1. Establish a furlough program.
2. Eliminate the City's buyback program.
3. Review leave, vacation, and sick time accrual programs in the context of caps on accrued leave, limiting buybacks and reducing leave liabilities.
4. Have employees's pay their own PERS cost.
5. Share services or partner with other cities for certain programs or services (like senior transportation).
6. Community Services should be expected to take a larger proportion of the budget cuts, especially in recreation programs.
7. Contract out Police services.
8. Charge an appropriate fee for the Boxing Club or let someone else operate the program (savings of thousands of dollars).
9. Read water meters semi-annually, estimate billings between the actual reads.

Revenue Enhancements: Secondary

1. Install Red light cameras on all major intersections in The City.
2. Channel 3 could sell advertising time to local businesses.
3. Change residential water meters to electronic read type.
4. Children's Museum -develop land around to enhance family usage.

Attachment B

Committee Brainstorming: Master List

The following pages contain the complete list of ideas, concepts, questions, perspectives and opinions of the Committee.

This list is meant to be a reference document to the reader and does not represent any final conclusions or recommendations of the Committee.

This list reflects the scope and breadth of discussion that occurred over a three-month review period. While many ideas were discussed, only the final report reflects the Committee's recommendations and conclusions.

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Fiscal Review Committee Master List of Ideas and Questions

Revenue Generation Sub-Committee Concepts and Ideas:

- Renew UUT, but give something in return
- Explain some of the things the City would have lost if it hadn't had UUT
- Bi-weekly maintenance of parks
- Use youth employees for maintenance
- Establish more sponsorships
- Have volunteers do code enforcement
- Install Red light cameras
- Install parking meters
- Develop Vista Grande into miniature golf course/driving range
- Establish a 20 min. parking rule
- Hire a grant writer
- Fast food tax
- Utility tax percentage of a percentage we offer something back. Explain what they would not have had in last 4 years. Utility tax sold for public safety.
- Fee & charges. City council looking at cost allocation study.
- Codes
- Park & recreation
- Senior van
- Make classes self sufficient
- Consider new income-

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| Costco/Kmart | \$700,000 |
| Shea | \$150,000 |
- Teen programs
- Park & recreation maintenance
- Code enforcement – patrol it more
- Water fee, not general fund
- Red light fee
- Cameras about \$40 per ticket
- Delivery fee
- Ch.3 sell time
- Meters changed
- Sales tax revenue
- Eddie Evans: Landmark Development
- DBA-Knowledge of businesses doing business in city limit
- Property by contractors warehouse
- Make La Habra a destination place
- Children's Museum- develop land around to enhance family
- Shallow lots, parking- policy require study commission
- Change to get Downtown Fullerton
- La Habra- make it welcoming to park and walk

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- Surrounding city – re-evaluate planning/development
- Hotel
- Sell surplus City property
- Hire a Grant writer
- Specific person to overlook community services
- Franchise tax board
- Raise Business license fee
- Change the fee structure for the Fire Med Program – consider basing it on % of expense to be covered, allowing businesses to participate through a tiered structure, and/or adding another value to the program (such as curb number painting)
- Expand the Adopt-a-Park program to add other services, facilities, programs, etc. to the sponsorship opportunities – break out the specific items and their costs that groups/individuals/businesses can sponsor
- Have a monthly raffle at the Community Center – have local businesses donate prizes and sell raffle tickets
- Re-finance bonds
- Place the UUT on the ballot for a renewal at ½ of its current rate or some other schedule
- Foster the development of an annual or more than annual downtown custom car cruise night/show that will create interest in the downtown, and result in additional business
- Add the Lincoln line of cars to Burch Ford
- Large Water meter testing program (Two inch and larger) all meters two years old or older need to be re tested for accuracy, these is the cities cash register and these probably are running at sixty percent accuracy, a 40% loss. Hire out or set an in house program
- Do a better job marketing the Fire Med program

Expenditure Reduction Sub-Committee Concepts and Ideas:

- Public safety, as the foremost responsibility of the city, should remain a priority in every regard. At the same time, cost-cutting efforts in the future that exclude the police department entirely are unlikely to suffice in addressing overall budget shortfalls.
- In examining General Fund cost reductions, it's largely ineffective to focus on line-item reductions. Rather, the Committee should recommend budget-reduction goals, by percentage, and allow department managers to determine how to meet that goal.
- Consensus was reached on the idea of recommending across-the-board reductions of 5 to 7 ½ percent in every department. The Committee should also make general and specific recommendations on potential cuts and areas of savings. Such reductions might replace roughly half of the loss that will be incurred when the UUT sunsets. The balance might well be replaced by a renewed and reduced UUT.
- The Committee should ask for each city department to provide the Committee with a budget summary reflecting a 5% and a 7.5% overall reduction. This will highlight those areas each manager feels might reasonably be curtailed in the event such cuts are required. The priorities reflected in this "doomsday scenario" budget can assist the Committee in making recommendations to the Council.
- The Committee should provide a representative list of recommended General Fund programmatic cuts that the City Council and Departments can use as a guide. While these would not

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be line item cuts, they could provide a guide for Departments to use when deciding where and how deep cuts should be.

- Consideration for the Public Works department. All workers below the Supervisor and foreman to be cross-trained to move from department to department as needed. (this was addressed by telephone)
- Employees should take a pay reduction (either across the board or weighted more to senior management and less to lower level staff)
- Have employees pick up more of the cost of their benefits/retirement
- Determine the role that local government should play. Focus resources on the critical services that must be provided and cut back on services that are less critical.
- Use the pressure of reduced pay or benefits to encourage employees to suggest other expenditure reductions or revenue sources.
- Establish a furlough program.
- Enact across the board expenditure cuts, to include public safety reductions, and renew the UUT at a lower tax rate to help close the gap.
- Instruct Department Directors to cut a percentage of their budgets and allow them the flexibility to make the cuts where feasible.
- Spin off Parks and Recreation maintenance as a separate non-City business operation. Layoff the existing personnel, sell them the City's equipment at a discounted price and let them bid on the City's maintenance contract at a lower overall cost.
- Make targeted cuts where they make the most sense.
- Eliminate the City's buyback program.
- Review leave, vacation, and sick time accrual programs in the context of caps on accrued leave, limiting buybacks and reducing leave liabilities
- Have employees pay their own PERS cost
- Cut or reduce City Council benefits and stipends
- Create "Adopt-a-?" programs to support certain programs such as K-9, animal shelters, etc.
- Require Community Services programs to be "pay-as-you-go" with limited or no City subsidies. Charge enough to cover the full cost of the programs, including Senior Transportation.
- Continue funding for citywide beautification and public safety programs. Cut something else.
- Share services or partner with other cities for certain programs or services. (i.e. Senior Transportation)
- Community Services should be expected to take a larger proportion of the budget cuts, especially in recreation programs.
- Eliminate Fire Station #3 in lieu of the to-be-build Fire Station #4
- Contract out minor vehicle maintenance
- Look into the possibility of reestablishing a hydroelectric plant and increase the amount of ground water pumping
- Contract out Police services
- Out-source more City functions
- In-source more City functions

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Brainstorming ideas, questions, comments, etc.:

1. Is the FireMed program covering its costs?
 - The FireMed program generates approximately \$100,000 to \$120,000 of revenue per year. Further research will be necessary to determine how many times residents covered by the FireMed program were transported via ambulance but did not have sufficient medical insurance coverage to fully reimburse the cost of the transport. It should be noted that in FY 03/04, the City's Ambulance program had expenditures of \$391,693 and revenues of \$1,173,271, which included \$102,578 from FireMed subscriptions. The net revenue of the Ambulance division was \$781,578.
2. Can we charge a business license tax on companies that deliver goods within city limits?
 - This may be feasible. Further research is required.
3. Can we enforce and ticket for municipal code violations?
 - It is permissible to issue Administrative Citations (tickets) for code violations. The City Council has already adopted an ordinance that would allow the issuance of Administrative Citations. To effectively enact this ordinance, the Council will need to pass another ordinance that establishes the procedures, fines and penalties necessary to implement and enforce the citation process.
4. Can we sell the Vista Grande Park/landfill?
 - Not at this point. The property was deeded over to the City from the County of Orange. A stipulation in the agreement requires the City to maintain the property as a public park for the benefit and use of all residents of the County. Any breach of this provision would revert the land back to the County for their use and disposition.
5. Can we privatize La Bonita as a "Field of Dreams" and let someone else pay for it and run it?
6. Can we sell the naming rights to the park?
 - The City is in the process of drafting a sponsorship policy that could accommodate the selling or leasing of naming rights on certain City assets, including parks, subject to City Council approval.
7. Can police officers pay for their own training?
 - Much of the training police officers undergo is mandated by the Peace Officers Standards and Training (POST) commission which is a state agency chartered to establish and oversee statewide peace officer training standards and requirements. In most cases, the state provides funding to offset some or all of the mandated training requirements. In those instances where funding is either insufficient to cover the entire cost of training, or the state suspends funding for the mandates due to budget cuts, the City has maintained a practice of backfilling the necessary funding from the General Fund. The reason for this is that although the state funding is sometimes suspended, the mandate to maintain training standards is not.
 - In some instances, the Police Department conducts independent training at its option to ensure that the City's Police Department maintains current with the latest investigative

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techniques. This ensures that the City retains a high quality police department and helps mitigate potential liability in the event of an officer involved incident.

8. Can we lease out our Senior Transportation buses when they are not being used?
 - Yes, however, there would be a number of liability, coordination and planning issues to address prior to doing this. The buses are used by the City during the week, but could be made available for lease on the weekends.
9. Can we hire out our bus drivers?
 - The City does not employ staff drivers, but instead contracts out the work.
10. How many seniors use this transportation mode?
 - 14,348 in FY 03/04 over 260 days
11. Are there any other cities that are facing a sunset of their UUT?
 - Yes: Marina, Eureka, Arcata, South Pasadena and Fontana
12. If so, what are they doing to mitigate the loss of revenue?
 - Marina's tax renewal was rejected by the voters in August 2004. We have left messages to discuss the expected impact of revenue loss.
 - Eureka's tax will expire in June 2007 and they are planning to take a renewal measure to their voters in November 2006. They have established a Finance Advisory Committee to review the UUT ordinance and try to find ways to make it more acceptable to the general public.
 - Arcata has had their UUT sunset twice since inception and were successful in getting voter approval to extend the UUT. In advance of each sunset they formed a budget task force to review what cuts in services and programs would be necessary to accommodate the loss of revenue.
 - South Pasadena has had their UUT sunset in 1996 and in 2001. In each case, the voters extended the tax. Their next sunset is in 2007 and they plan to take a renewal measure to their voters in March 2007. A citizen committee is established in advance of each sunset to review options.
 - Fontana's UUT is scheduled to sunset; however, we have not yet been in contact with their staff to discuss their plans.
13. Will we lose other funds if we don't have UUT to leverage as local match for grants?
 - This is a distinct possibility. Many of the City's Capital Improvement Projects (CIP) Fund grants require some level of local match, ranging from 50 percent of the grant value to 20 percent. Over the past several fiscal years, the City has intentionally budgeted a lower amount of UUT revenue for General Fund operations than was actually received. This net difference in revenue was then transferred to the CIP Fund and was used to directly support various CIP projects or act as a revenue source for local match requirements on various grants.
14. What will the impact of the AERA development be on city resources/services?
 - While the AERA development plans have yet to be finalized, based on preliminary estimates, the impact on direct City resources should be minimal as most of the

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development will fall within Los Angeles County jurisdiction. The most likely impacts to La Habra may be road wear or mutual aid requests for public safety. No cost estimates have yet been calculated for these or other potential impacts.

15. Can we assess a fee on Wi-Fi?

- Further research is necessary, however, it is likely that any such fee would not be allowed due to the current moratorium on Internet taxation.

16. Can we borrow money from our sister cities?

- Research is being done regarding this question; however, it is likely that Federal law prohibits this type of cross-border borrowing. It should be noted that the City has the capacity to borrow funds at relatively low interest rates, however, any such borrowing for the purpose of funding operations is fiscally unwise and may result in rating downgrades due to the perceived health of the City's finances.

17. How would a sales tax vs. property tax swap impact revenues?

- In general, property tax revenues are more stable and predictable than sales tax. Although both can be affected by economic downturns, real estate tends to be less volatile than retail sales. There are several factors to consider regarding a potential swap of sales tax for property tax.
 - Diversity of revenue source. In FY 04/05, property taxes comprised 19 percent of all General Fund revenues, while sales tax made up 28 percent of revenues. If these two revenue sources were to be combined, property tax would then comprise 47 percent of General Fund revenues, thus the effects of real estate growth or decline would become much more magnified. It is not uncommon to experience a recessionary economy that results in lower sales tax revenues at the same time that property values remain constant or even grow slightly.
 - Equity. Another argument supporting continued sales tax is that, to varying degrees, sales tax applies to residents and non-residents, whereas property taxes are only collected from local property owners. An argument can be made that non-residents utilize City services, such as streets, police, fire, etc. when they shop in town and that sales taxes help spread the cost of local services to non-residents.
- Prop 1A, passed last year by the voters, and would restrict the state's ability to attempt to craft legislation that would replace local sales tax revenues with an equivalent amount of property tax revenues.

18. How much has the City's population increased over the past decade?

- From 1990 to 2005, the City's population grew by 10,505 people, or 20.5 percent.
- From 2000 to 2005, the City's population grew by 2,797 people, or 4.7 percent.

19. The utility tax funds collected are used specifically for what services?

- UUT is considered a General Fund revenue and, as such, is not specifically earmarked for any single use. Instead it is part of the total pool of General Fund revenues received by the City and spent on General Fund activity, such as Police, Fire, Planning, Administration, Community Services, Parks & Recreation, etc. Over the past several years, the City has budgeted a lower amount of UUT revenue than actually received and

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has elected to transfer the difference to the Capital Improvement Fund for streets and sidewalk projects, parks projects, infrastructure improvements, etc.

20. Elimination of many items discussed on Wednesday, 4/27, do not have an impact on these dollars (i.e. the Children's Museum and boxing club), is this correct?
- No. In FY 04/05 the City committed \$85,000 from the General Fund to the Museum and about \$35,000 net funding from the General Fund to the Boxing Club. These costs are likely to continue in FY 05/06.
21. What areas of the City will be directly impacted by the loss of the UUT?
- It's difficult, at this point, to determine the direct impact to General Fund departments, programs or projects as these potential reductions will be determined by the City Council in the future. They may, for instance, decide to try to maintain public safety funding intact. So if public safety makes up 60 percent of the General Fund expenditure budget and is not to be impacted by possible future cuts, that means that the remaining City Departments and programs that comprise 40 percent, or \$12.2 million, of the budget will have to absorb a \$4 million expense reduction, or approximately 30 percent of their budgets.
22. What is the total number of personnel at the P.D. (before and after UUT)?
- In calendar year 1990 the PD had 62 sworn positions and 41 non-sworn positions (103 total full time positions)
 - In calendar year 1999, the PD had 74 sworn positions and 34 non-sworn personnel (108 total full time positions)
 - In FY 04/05, the PD had 68 sworn positions and 36 non-sworn personnel (104 total full time positions)
23. What are all the services to be cut if the UUT goes away?
- This has not yet been determined.
24. What is the final date that the City needs the committee to report back?
- No later than Monday, July 18th. The committee had indicated a desire to finalize a report within 60 days of their first meeting, or about June 20th.
25. Didn't Congress pass a law saying that states could not require local governments to comply with unfunded mandates and how can we get this restriction to apply to the state so that they don't require us to comply with unfunded mandates?
- Further research is necessary to determine if such a federal law exists. It has been the practice of the state over the past several years to mandate certain local activities, promise funding to offset the costs of the mandate, and then cut the mandate reimbursement budget. Prop 1 A, passed by the California electorate last year, severely limits the state's ability to continue this practice. The state must now fund mandates in the budget or suspend the mandates until funding is made available. It is not uncommon for the state to indicate that funding will be cut for certain mandates, but "encourage" local jurisdictions to continue to comply with the mandate requirements.

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26. How much money is spent annually on street paving and maintenance?
 - The City will spend several million dollars per year on these types of costs, depending on the amount of available revenues.
27. How many miles need to be maintained?
 - 110.8 miles of streets
 - 221.6 miles of sidewalks
28. How much has been recently repaired/replaced?
29. How much more work is left to do?
30. What is the overall repair/replacement cycle (how many years before everything needs to be redone)?
 - Newly paved streets are expected to have an average lifespan of approximately 20 years.
 - Newly paved streets typically require slurry seal every 2 to 3 years and substantial maintenance after approximately 7 years.
31. Look into reducing costs by switching from hard copy newspapers and periodicals to on-line versions and reduce costs associated with dues and subscriptions
32. Discontinue the Senior Transportation program
 - This would save approximately \$200,000 in FY 05/06 which represents the total estimated cost of the program for the year.
33. Discontinue support for the Boxing Club
 - It is the intention of the City to work towards finding sufficient sponsorship or external funding to independently support this program. Until this goal is achieved, the program is expected to require approximately \$35,000 of General Fund subsidy each year.
34. Establish a FOG fee to recoup program costs
 - Unlike NPDES, it is feasible to develop an effective methodology to calculate a FOG fee that could be required by businesses to pay in an effort to offset the cost of the program. Such a fee would be subject to City Council approval.
35. Establish an NPDES fee to recoup program costs
 - Due to the nature of the NPDES program, no effective fee structure or fee methodology has been yet developed to fairly allocate the costs of the program to businesses or residents. The most effective method to recover program costs would be through an assessment against property owners, however such an assessment would require voter approval.
36. Contract in certain services such as sewer cleaning and expanded animal control
 - This may be possible and several departments are currently looking at contracting in opportunities

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37. Reduce the UUT rate to something below the current rate and extend the tax
 - The Council has the ability to independently lower the UUT rate, however, the tax cannot be extended without voter approval.
38. Pursue and encourage more sales tax generating business development
 - The City currently contracts with three business and economic development specialists with the goal to attract more business development activities.
39. Streamline the permitting process to encourage compliance, especially with homeowners on smaller home improvement projects.
40. Partner with local home improvement centers/retailers to offer a “permit kiosk” type of information outlet so that homeowners and contractors can file for permits remotely.
 - While this is certainly feasible, there is no existing technological infrastructure in place to support such a system. The cost to establish such a system could require a significant initial investment and would require ongoing maintenance and oversight. A kiosk providing pamphlets or permit documents could be accommodated at a much lower cost, but may result in nominal usage.
 - It is expected that this type of service would be more convenient to homeowners and contractors for smaller home improvement projects requiring permits, however, depending on actual usage, new permit revenue generation may be nominal.
41. Allow for Internet based permit processing
 - The City is in the process of reviewing various options related to Internet based payments.
42. Raise permit fees
 - The City is currently in the process of reviewing all fees and charges to determine if fees should be adjusted or re-indexed.
43. Establish a regional animal control facility and recoup costs via contracts with the County and local cities.
44. Hire a centralized grant writer
 - While this concept is feasible, due to the declining number of unrestricted competitive grants for operations or staffing, it is unlikely that this new position could generate sufficient new grant funding to justify the new staffing cost.
 - In addition, most of the department that currently receive grant revenues require specialized knowledge of the particular grant eligible programs within those departments and there is a concern that a generic grant writer may not have the expertise in these areas to be as effective as current staff resources.
45. Charge an appropriate fee for the Boxing Club or let someone else operate the program
 - See #33

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46. Scale back plans for La Bonita park

- This may be feasible, however, the City Council recently approved a \$5 million budget and authorized staff to advertise bid for construction of the new softball fields and associated structures and improvements. Bid have been received and opened and, according to Public Works schedule, construction could start as soon as early June.

47. Consolidate department operations and offer early retirement to reduce staffing levels

- Department consolidation is a viable tool to help reduce costs and will begin to be implemented in the next fiscal year.
- While the Finance and Management Services departments have analyzed various early retirement options, no recommendation will be made in the upcoming fiscal year.

48. Outsource certain city functions/programs

- Various City functions are routinely outsourced. These include plan check, project management, billing and collections, bus drivers, etc. The City will continue to review outsourcing opportunities and will take advantage of those services when they are deemed to be cost effective. In some cases; however, the City may find it necessary to contract out due to unanticipated staff vacancies or to staff short-term projects even if the outsourcing may result in higher net costs than using internal staff.

49. Establish more public/private partnerships

50. Do a better job of enforcing overnight parking regulations

- The Police Department is currently reviewing various proposals to contract out overnight parking enforcement to a third-party vendor.

51. Develop more “pay-as-you-go” programs to reduce general fund subsidize, especially for Senior programs

52. Partner with other cities to provide certain community services (pooling concept)

53. Develop a vision for the city and use that vision to justify keeping the UUT going

54. Allow more advertising on City owned assets

- See #6

55. Work with FEMA to reclassify flood zones to help residents save money on flood insurance so that they can reinvest the money in the City

56. Review Recreation class fees to make sure that programs play for themselves

- See #42

57. Increase fire alarm fees

- See #42

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58. Investigate the use of a "just-in-time" storage/delivery system for supplies, parts and goods
 - The Public Works department has already started implementing this type of materials and supply management system and intends on further expanding its use
59. Establish an outreach program to explain the impact the loss of UUT will have on city services
60. Pursue additional grant funding from state and federal sources
61. Bring the City's situation to the attention of the state
 - A meeting has been scheduled with a representative of the Governor's office to discuss this matter
62. Adjust fees and charges by C.P.I.
 - See #42
63. Hire contract code enforcement officers
 - This is a feasible recommendation, however, fewer consultants provide these services and the relative cost of outsourcing this type of work is higher than the cost of staffing internal positions. The Community Development Department is reviewing the possibility of contracting out certain aspects of code enforcement that may be cost effective.
64. Increase fees, licenses and permits by 10%
 - See #42
65. Recoup costs of providing social services
66. Move City Hall and redevelop the current site
67. Offer and charge for parking lot striping services to local businesses since the City already owns the equipment.
68. Install parking meters on City streets and City owned parking lots in the downtown redevelopment area.
 - While parking meters can be an effective parking control and revenue producer, these types of programs are usually effective once a critical mass of interest in a given area is attained. The currently policy regarding the downtown area is to encourage and foster foot traffic. Installing parking meters at this point could discourage further growth.
69. Parcelize and lease space at the Vista Grande park site.
70. Offer a program to some local businesses to purchase commercial fuel/diesel, using a card swiping system. Benefits would be a larger buying volume, would reduce rate to the City. Pass along discounts to businesses, in return collect a fee (This would be done on a pilot program to see if long term benefits are accomplished).
 - This is not feasible due to the limited capacity of the City's existing fuel station and holding tanks and due to the location of the City's fueling station, which is not convenient for public access.

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71. Explore other city governments by having each city member meet with another city member. Get ideas on what they are doing.

- This process is actively done through the various professional associations and organizations that virtually all City supervisory and management staff are affiliated with. It is through these professional forums that ideas are considered, problems discussed, strategies developed and information shared. The City Department Directors also maintain close contact with their peers in the surrounding communities to ensure open lines of communication and to collaborate on projects or legislation as needed.

72. Why can't employees pay more of their own medical coverage?

- It may be possible to negotiate lower City provided insurance coverage with employee bargaining units. The amount of insurance coverage currently provided to employees by the City has been negotiated in prior bargaining sessions and is close to the average of what many other cities in Southern California provide. To significantly reduce or eliminate insurance coverage for employees could potentially create an employee recruitment/retention problem.

73. Are retirement programs mandatory or can they be changed?

- State law currently prohibits the reduction of existing pension benefit levels offered to current employees. The law does, however, allow the City to offer a different pension benefit level for newly hired employees. Assuming the second tier pension benefit is less than the first tier, the savings from the reduced benefit level will be realized over time. It may also be feasible for the City to eliminate its defined benefit (pension) program for new employees and, instead, provide them with a defined contribution (401k) style program instead. It is unknown how much this change could save the City in the short-term or over time. If either of these concepts were introduced, the City would stand apart from the practice found in most other Orange and Los Angeles County cities, which could potentially create an employee recruitment problem.

74. How many pre-Prop 13 homeowners are left in the City?

- There are a total of 14,400 parcels in the City. 13,265 parcels are residential properties, 1,023 of which have not been sold since 1978. The balance of the parcels in the City (1,135) represent commercial, industrial, government and not-for-profit properties.

75. Have employees pay for their own memberships, dues, conferences and training

- The total FY 04/05 General Fund budget for these items was \$236,293

76. Reduce the number of publications and newsletters

- The total FY 04/05 General Fund budget for publications and newsletters was \$17,053

77. Cut back on the number of meetings that employees attend. Restrict attendance to mandatory meetings and review the per diem policy

- The total FY 04/05 General Fund budget for meetings was \$12,901

78. Cut back on postage cost

- The total FY 04/05 General Fund budget for postage was \$66,523

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79. Cut back on the cost for awards
80. Poll employees for ideas to cut costs or raise revenues
81. Look at an across the board pay cut to keep jobs and lower costs
82. Have Department Directors review their own operations and look for places to reduce costs or raise revenues
83. Contract out for more services
 - The City currently utilizes contracting out as a means to provide support for temporary projects, temporary staffing shortfalls, or for the provision of certain permanent services or functions. The City will continue to evaluate potential contracting out opportunities.
84. Establish a two tier benefit level for new hires
 - See #2
85. Allow advertising in City newsletters
 - This could potentially be done, however, further review is necessary.
86. Look into the feasibility of installing red light cameras to generate new revenues
87. Predict how much new sales tax the old K-Mart site will generate and add that to your cashflows
 - It is likely that a new mix of retailers/restaurants operating at the old K-Mart retail site will generate a lower volume of gross sales than the former K-Mart retail operation. If this is realized, net sales tax revenues to the City could range from \$250,000 to \$300,000 per year.
88. Estimate the amount of expected new property tax revenue
 - Based on preliminary estimates of the scope (113 homes) and potential average per unit cost (estimated at \$600,000) of the Shea housing development, the City could realize \$115,000 per year in new property tax revenues.
89. Encourage more volunteerism for certain City activities (i.e. park maintenance, community service programs, etc.)
90. Contract out Police Services
 - To date, there has been no analysis of the potential impact or cost savings that could occur as a result of contracting out police services.
91. Review Fleet Maintenance operations and extend vehicle lifecycles
 - a. Although vehicle replacement cycles were extended a few years ago, staff look into this issue to determine if further extensions are practical

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92. Are the Mobile home Parks utilities individually metered?

- Yes, for all utilities

93. Does the City provide any general fund support to child development programs?

- Not directly, although the City does incur some overhead costs related to supporting the Child Development division, these overhead costs are reimbursed by the State via an administrative reimbursement component of each grant that the City receives.
 - How much grant vs. non-grant funding is used on the programs?
 - 100% grant funded with no General Fund support
 - Grant funds also provide for some overhead reimbursement to the City General Fund for infrastructure and internal support of the Community Services Department
 - How many kids do the programs serve?
 - About 675 children per day
 - What kinds of programs are offered and who qualifies to participate?
 - General Child Care: Pre-school and school age children at four of the five different childcare centers and infant/toddler age children in licensed family childcare homes
 - Latchkey: After school program for qualified subsidized children and for those who pay a fee to participate
 - State pre-school: 3 ½ hour per day program for qualified participants (residents only)
 - Full Day Pre-School: Full day State funded pre-school program for qualified participants (residents only)
 - Federal Block Grant: Infants and toddlers in licensed family childcare homes
 - Head Start: 3 ½ hour per day program for qualified participants (residents only)
 - Two California Adult and Child Food Programs serving 225 licensed family childcare homes on a daily basis (including weekends)
 - Who qualifies to participate?
 - The State requirements are:
 - Income eligibility
 - “Needs” eligibility which requires that the parents either work or go to school, or if the Child Protective Services refers the case
 - State Pre-School program
 - Headstart does not require a “Needs” qualification and this program has a waiver for special needs children.

94. Do we provide any general fund support to Employment Training (JTPA)?

- No, all of the costs related to this program are grant funded with no local match.

95. How much grant vs. non-grant funding is used on the program?

- This program is 100 percent grant funded.

96. How many utilize the program?

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97. Do not allow deficit spending for any senior or child care program
- Childcare programs are 100 percent funded through grants (no local match required), although senior programs do receive General Fund support.
 - The City does not deficit spend or use one time reserves to balance the annual operating budget.
98. Reduce the frequency of water meter reading to cut costs and use estimates to maintain monthly revenue streams.
- While this concept may have merit, it would probably be more cost effective to bill on the same bi-monthly meter reading schedule in order to reduce potential issues with reconciling estimated payments on odd-payment months. It is possible that the number of payment delinquencies may increase due to the higher cost of each bill. In any event, any savings derived from this concept would benefit the Water Fund and not the General Fund.
99. Offer and charge for sewer service connections to La Habra Heights and areas contiguous to the northern boundaries of the City, such as Harbor, Cypress, Hacienda and Walnut streets.
- Further research is required to address this concept, however, any net revenues from such a project would be credited to the City's Sewer Fund and not the General Fund.
100. What is the cost of running the Skate Park?
- Approximately \$48,000 in FY 04/05
101. What streamlining can be done now and put surplus away for later years?
102. What is the cost of the City's quarterly report?
- Approximately \$45,000 in FY 04/05
103. Can we establish a fast food tax similar to El Monte
- Staff contacted El Monte City Hall to inquire about this tax and was informed that no such tax exists. Further information and research is required.
104. Can we partner with Brea and Fullerton to have the Brea Trolley swing through La Habra?
105. Can we qualify City Water Department staff to provide backflow testing services to businesses required to perform such tests?

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The following set of questions/comments relate to specific elements of the Adopted FY 04/05 City Budget book. All page references pertain to specific pages of the FY 04/05 budget document.

106. Page 1 under Special Revenue funds: Is it possible that the 6 line items that operate at a deficiency can be at least balanced? Obviously that would generate \$1.5MM to the bottom line.
- *Special Revenue funds are derived from various non-general fund sources, such as state and county grants and/or bond proceeds, and certain one-time revenue sources. The nature of these fluctuating revenue sources sometimes cause revenues to accumulate in one fiscal year and then get spent at a greater rate over the following fiscal years. This occasionally causes a cash flow imbalance that will reduce fund balance, yet keep the balances from going negative.*
107. Is the decline in sales tax revenue (even though we have more retail business in the city) a result of the state putting their hands in our pockets? Pg. 6
- *There is no decline in sales tax. FY 02/03 was budgeted at \$7,151,121, but due to a combination of greater than anticipated revenues from the Westridge retail complex and an accounting adjustment, actual revenues were higher than budget. FY 03/04 was budgeted at \$7,937,166 and FY 04/05 budgeted at \$8,125,000. In each year, budgeted amounts were higher than the prior year and, in fact, actual revenues were higher than budget.*
108. Why is the rental income down? Property sold? Pg.7
- *This revenue item is primarily income generated by renting out the community center and other city owned facilities. No property was sold to cause income to drop. Rents will fluctuate depending of the frequency and volume of use of the community center. The FY 04/05 budget was conservatively estimated to take into account an expected rate increase, as staff was unsure what affect the higher rates would have on expected rental activity. Actual revenues are expected to outperform budget.*
109. Can franchise fee income be increased by the city or is that contract driven? Pg. 6
- *In general, franchise fees are capped by regulatory agencies or legislative action. The City currently assesses franchise fees at the maximum allowable rate.*
110. What category is code enforcement income under? I could not find it. I found reimbursement for code enforcement.
- *The City's traffic code enforcement is under Fines & Forfeitures and other non-traffic municipal code enforcement is under Other Revenue.*
111. How are reimbursements decided? Pg. 7 & 8
- *Many are determined by contractual arrangements with outside agencies or entities. Other types of reimbursements are based on individual grants or outside agencies that the City interacts with.*

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112. Is the water fund revenue, the money each of us pays on our monthly bill? Pg. 8
- *Yes and no. This revenue is an administrative charge assessed by the general fund to the water fund for support and overhead expenses. The source of this money does come from water utility payments made by customers to the Water Fund. Water Fund information can be found on pg. 20.*
113. How is the Fire Department Expense going to change in the future as a result of LA County?
114. Under the various department graphs there is a heading for Professional Services? What comprises those large dollar amounts?
- *The graphs generally split department expenses by Operations & Maintenance, Capital Outlay and Personnel Services. Within O&M, there is a Professional Services line item that will vary from department to department and represents various consulting or contractual support that those departments utilize (i.e. contract planners, code enforcement, financial consultants, etc.)*
115. What is the Information Services Fund? Pg. 24
- *This fund assesses an overhead charge to each department in the City to provide funding for the City's telecommunications and computer systems, and to provide funding to pay for future replacement of computers, telephone switches, network hardware/software and to pay for the personnel costs of the two full time IS employees.*
116. Is it accurate that Dept. #153101 Building and Safety had a 88% increase in full time salaries in the past two years even though they only went from 4 to 5 employees? Pg. 50
- *No. The actual budgeted growth in personnel costs were relative to budgeted positions from FY 02/03 to FY 04/05. What causes the perceived 88% increases is the fact that actual FY 02/03 personnel costs were lower than budget due to several staff vacancies. The personnel budget for FY 02/03 was \$244,198. In addition, the addition of personnel and filling of vacancies shifted costs from contract labor to internal staff.*
117. Is it accurate that Dept. 159151 CDBG had a 149% increase in full time salaries in the past two years even though they only went from 2.03 to 3.84 employees? Pg. 51
- *The City began shifting more allowable personnel costs to the 20% CDBG administrative fee to CDBG starting in FY 03/04 and continued in FY 04/05.*
118. Do you provide benefits to part-time employees? I ask because the benefits for Dept. #134151 are 48% of the full time benefits, which is higher than the normal of a 30% benefit rate attached to other departments? Pg. 60
- *Yes and no. Part time employees are not provided with medical or life insurance and are not credited with PERS retirement benefits. The City does, however, pay for workers compensation, unemployment insurance and Medicare for all employees, resulting in the benefits costs that you see on that page.*

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119. Fire Dept. #127101, an increase in salaries of 217% over two years for only 3 employees? Why?
- *The FY 02/03 personnel budget was \$212,240 but only \$66,000 was spent due to personnel vacancies (Fire Chief and a clerk).*
120. Police Grants #126101, why would it be acceptable to pay a total of \$313,000 in personnel expenses for three people to raise only \$176,000 in grants? At a minimum they should raise their expense but some people think grant writers need to raise 10x's their expense. Pg. 92
- *The personnel listed on the Police Grants page are not grant writers. They are sworn police officers whose expenses are being charged to grant related funds rather than the General Fund. Typically, when grant revenues are lost, the costs of those officers are transferred back to the General Fund or some other source of funding.*
121. Property Management – What is the total acreage of the City Hall and the Community Center parcels?
- *The City Hall parcel, which includes the Police Department, the old Glad lot, the library and other buildings, is approximately 7.25 acres*
 - *The Community Center parcel is approximately 1.80 acres*
 - *Total acreage is approximately 9.05 acres*
122. How does CDBG work and what are the rules regarding the use of proceeds?
- *Refer to CDBG overview handout*
123. Is it accurate that Dept. 151131 had a 131% increase in full time salaries in the past two years even though they only went from 2 to 2.75 employees? Pg. 55
124. Comm. Services Child Develop. You have doubled the number of employees on a part time basis over the past two years from 25 to 47 but the salaries have declined. The full time went from 20 to 23 but the benefits increased from 24% to 45%. Why? Pg. 63
125. Fire Dept. #127411 the benefits are 51% of their salaries? And the same number of employees (even though salaries went down) I just don't get the inequities?
126. Children's Museum – part-time employees went from 4.17 to .96 but salaries went from \$87,071 to \$91,489?
127. Children's Grant writer: personnel expense versus revenue generation
128. Dept. 142111, in FYE 2003 that department operated with 4.5 full-time and 8.78 part-time for a total personnel expense of \$212,884. For the FYE 2005 that department operates with 3 full-time and 1.97 part-time for a total personnel expense of \$229,704? What is wrong with this picture?
129. Fire Dept. #127301 an increase in salaries of 31% over two years for the same number of employees 20? What? FY 02/03 budgeted personnel was \$1,893,085.