



FISCAL SUSTAINABILITY

City Council Workshop June 14, 2016

■ Fiscal Sustainability Plan

- *Reduction of Vital City Services*
- *Evaluation of Revenue Enhancement Options*
- *20 year - long range plan*

FISCAL SUSTAINABILITY PROCESS

Fiscal Sustainability

“The ability to sustain long term vital City services to all residents and business without threatening the City’s cash solvency or defaulting on any liabilities or promised expenditures while utilizing ongoing revenues.”

Fiscal Sustainability

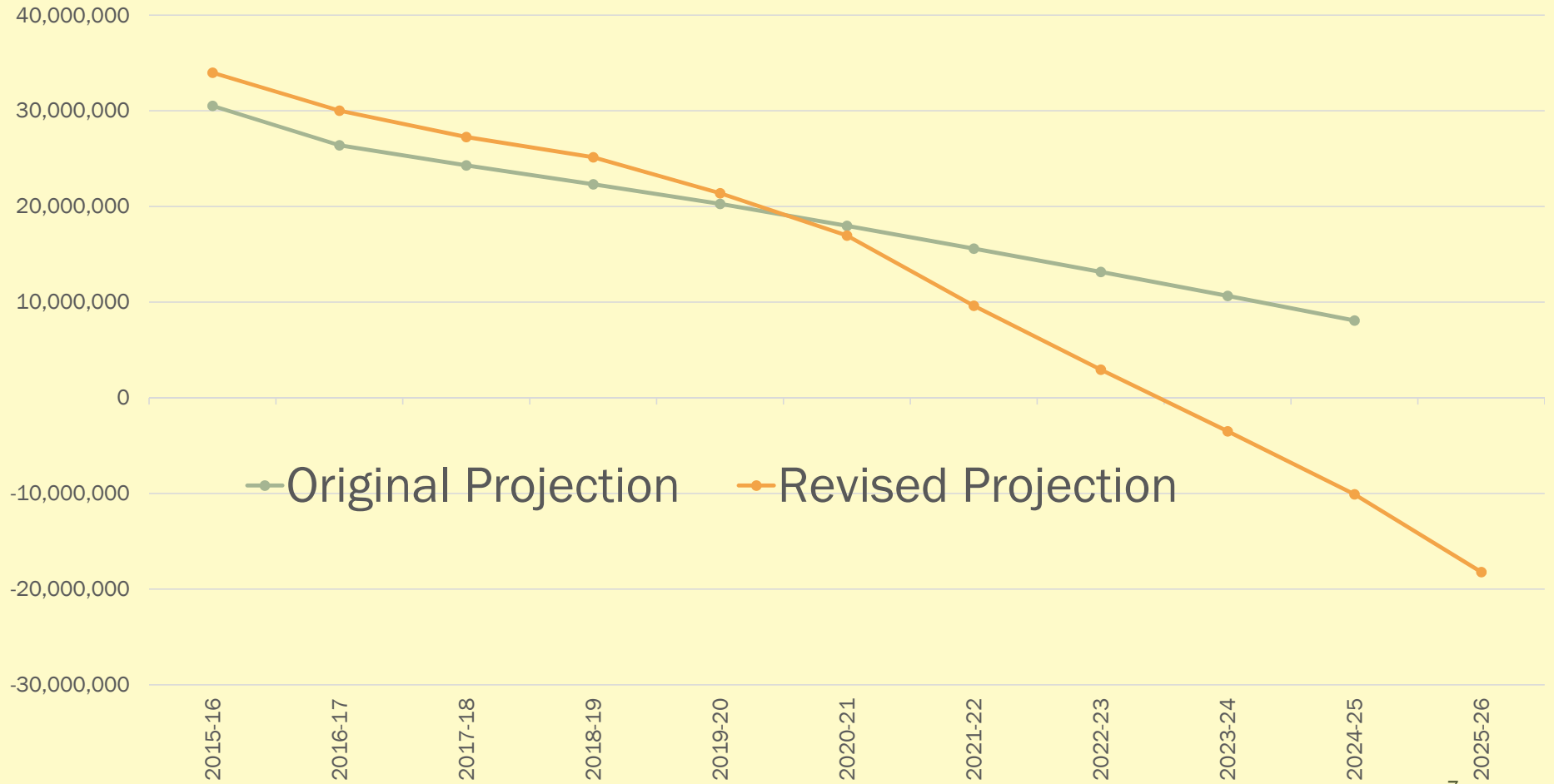
- Part of the City's Core Values:
 - *Fiscal Stability*
- One of five Strategic Plan Goals:
 - *Achieve Financial Stability*
- Specific Current Strategic Goal:
 - *Present to City Council a sustainability plan*

The Fiscal Sustainability Process

- Telling the community the City's financial story – Over 20 plus outreach meetings & budget workshops / utility bills / FV Magazine
- Getting Community Feedback on service priorities and solutions – Written Surveys
- Staff Analysis of possible options – Development of Long Range Plan out 20 years

General Fund Reserve Balance

(includes designated reserves)



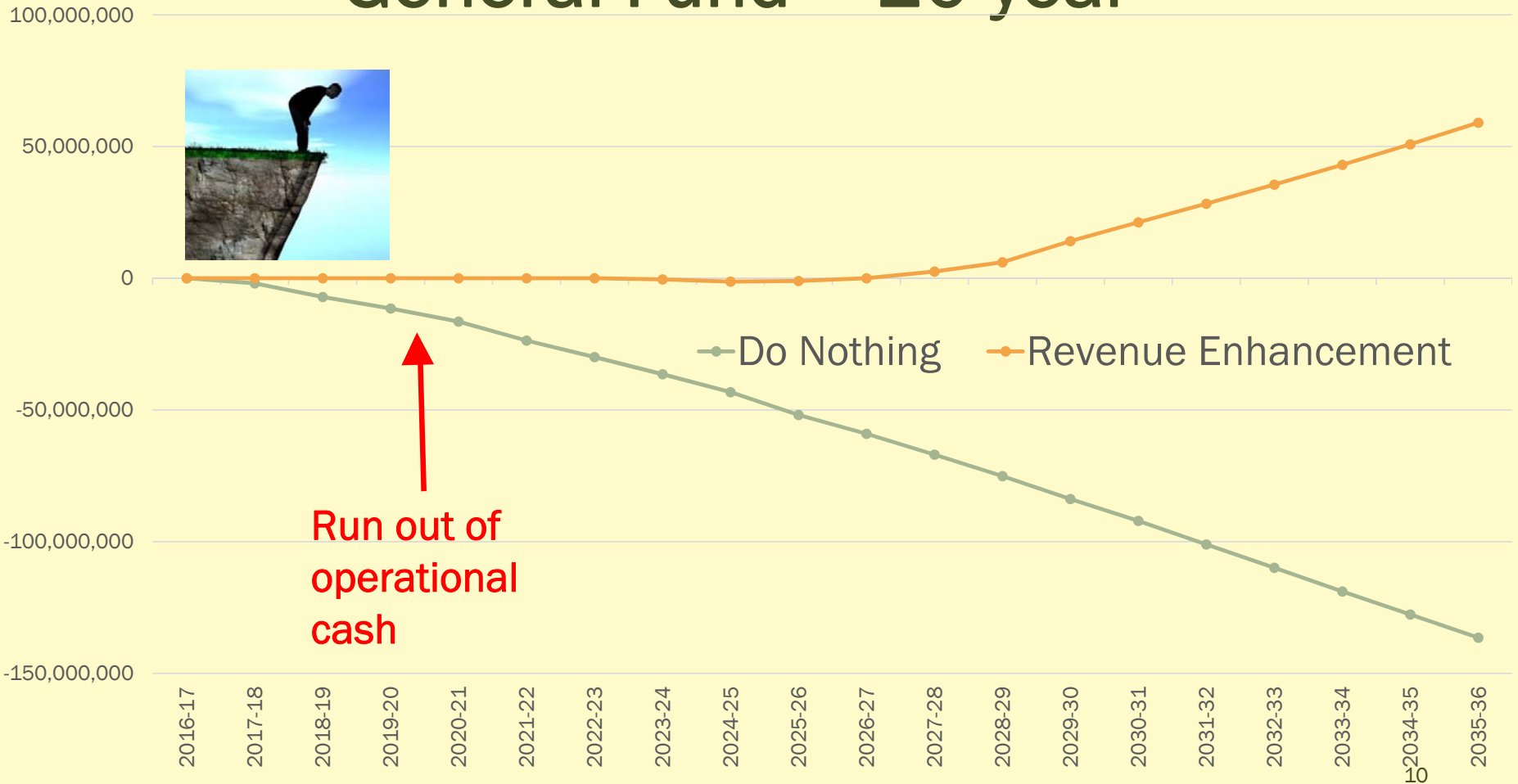
Reality Check

- If fiscal problems are not addressed now -- the structural deficit will continue to grow
- City will run out of cash if permanent solution is not implemented
- Waiting for “things to get better” is not an option – we are at the economic peak now
- City has already made significant cuts and contracting out for City services
- City doesn't have large undesignated reserves

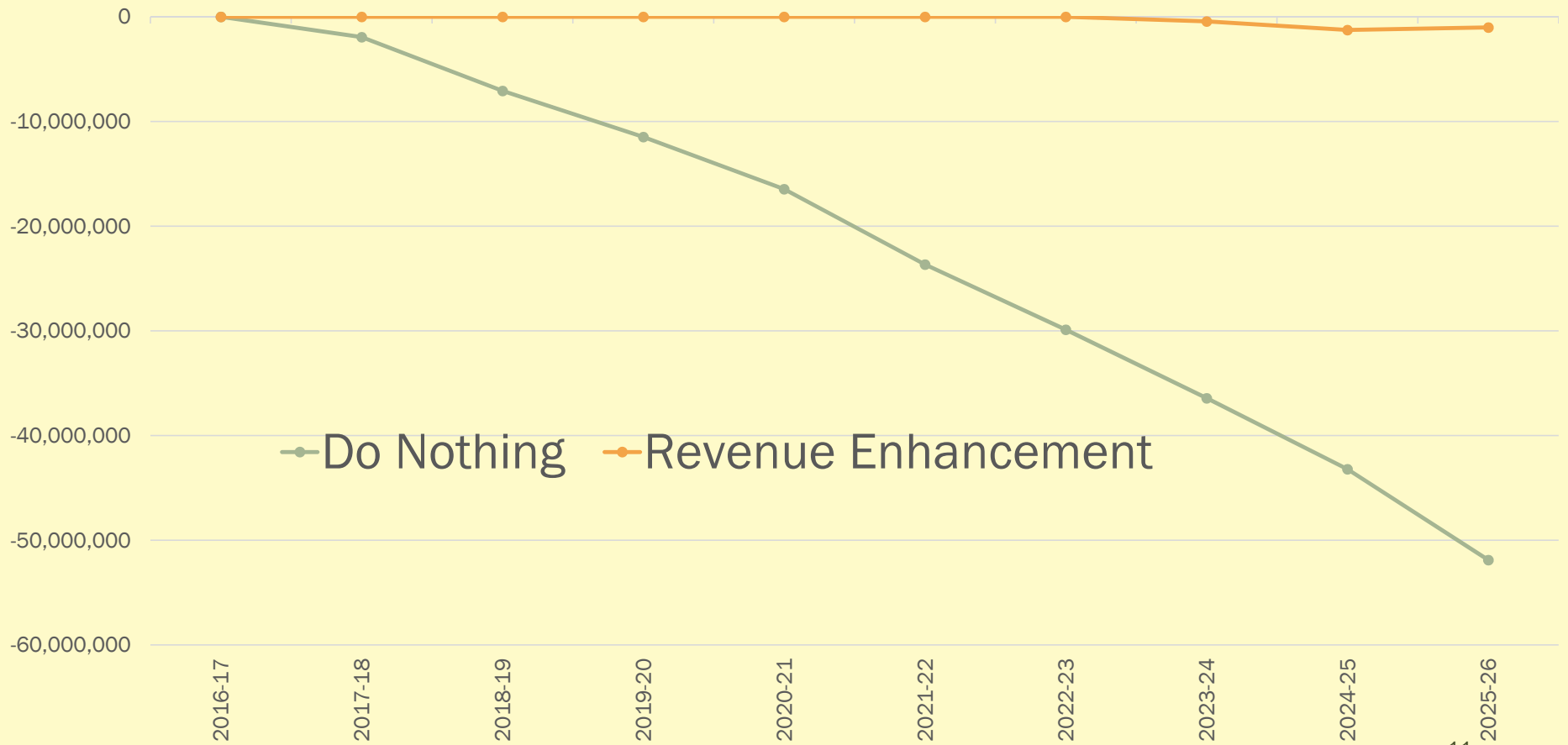
General Fund Estimated Cash Position

Reserve Type	Total Amount	Designation	Adopted Policy Amount	Not available for ongoing operations	Available for operations
Developer Fees & Designated Donations	\$2.5M	Restricted		\$2.5M	
Economic Dev. Fund	\$2.5M	Designated	\$2.5M	\$2.5M	
Rev. Bonds (CIP Only)	\$3.425M	Restricted		\$3.425M	
Capital Projects	\$9.2M	Designated		\$5.0M	\$4.2M
Disaster Reserve	\$1.0M	Designated	\$1.0M	\$1.0M	
Budget Stabilization (est.)	\$1.767M	Designated	\$4.5M		\$1.767M
Working Cash Flow - 22%	\$9.6M	Designated Required 90-120 day cash	22% of GF Exp.		\$9.6M
TOTAL (6/30/17)	\$30.0M			\$14.4M	\$15.5M

Undesignated Fund Balance General Fund – 20 year



Undesignated Fund Balance General Fund - 10 year



CITY SERVICES



What has the City done to tighten its own belt?

- Reduced the City Workforce – from 257 to 221
- Reduced healthcare subsidies for City employees
- Implemented a 3-tiered retirement system in 2012
- Required all City employees to contribute to their own retirement
- Contracted City services – Bldg. permitting & inspections – tree and landscaping services – janitorial – street sweeping

Reduce City Services

- Close Fire Station #2 – Savings \$1.5M
- Eliminate Police programs including anti-gang, cadet program, and community crossing guards – Savings \$200K
- Eliminate recreation & senior programs or increase fees to cover full cost recovery without General tax subsidies – Savings \$1.2M
- Eliminate all General Fund capital projects and contributions to road and park maintenance – Savings \$550K

REVENUE ENHANCEMENT



Revenue Solution must

- Have Local Control – State cannot touch a dime of any voter approved funds
- Be for local Fountain Valley community needs
- Maintain local service levels and vital city services while creating fiscal sustainability
- Be a measure funded by both residents and visitors to Fountain Valley
- Not be a tax on homes or property
- Have community accountability and transparency

Possible Revenue Enhancement Options

- Most viable Option:

- *Sales Tax (Transaction) – Paid by both residents and non-residents*

- Less viable or partial solutions:

- *Parcel Tax – Paid 100% by residents*
- *Utility Users Tax – Paid 100% by residents*
- *Hotel Bed Tax – partial solution*
- *Increase Recreation Fees to cover full cost*
- *Reader Board Sign – partial solution*

THE FISCAL SUSTAINABILITY PLAN

Maintain vital City services



Address structural deficit



Eliminate debt & unfunded liabilities



20 Year Financial Model - Services

- Maintain and/or restore vital City Services
 - *Add Police Officers to address increased crime*
 - *Maintain essential city services including public safety and community recreation programs*
 - *Restore street and park maintenance funding*
 - *Fund replacement of Fire apparatus*
 - *Maintain quality public city facilities (PD/Rec/Senior)*
 - *Economic development opportunities*

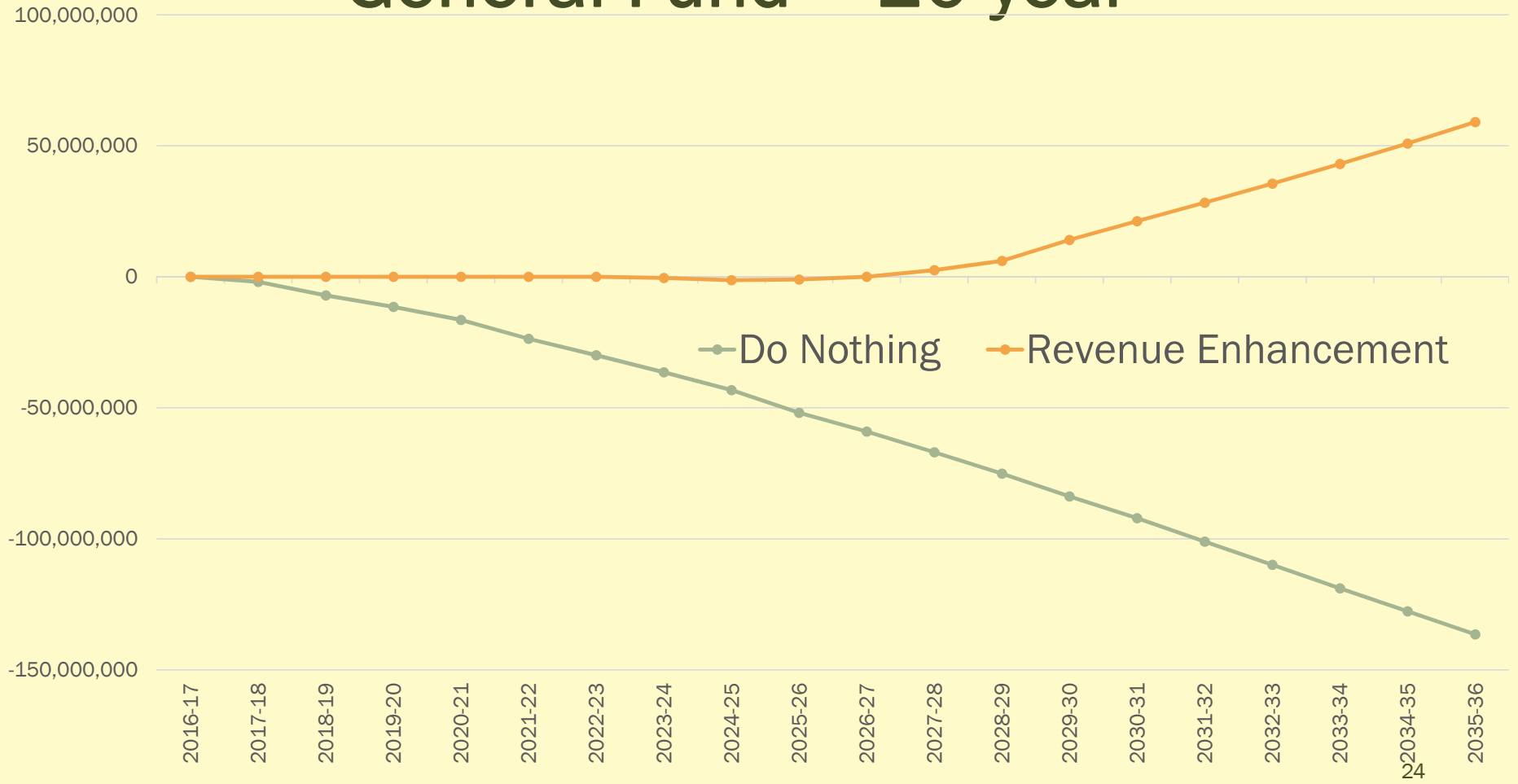
20 Year Financial Model - Costs

- Payoff off or eliminate debt (burn the mortgage):
 - *Early payoff of both Pension (\$16M) and Lease Revenue Bonds (\$13M)*
 - *Fully fund OPEB obligation (\$32M)*
 - *Pre-fund CalPERS unfunded liability (\$72M)*
 - *Pay off balance of CAJPIA liability claims (\$1.3M)*

20 Year Financial Model - Costs

- Payoff off or eliminate debt (burn the mortgage):
 - *Replenish ISF and General Fund Reserves (\$2M plus)*
 - *Fund 800 MHz required OC wide radio upgrade (\$2.1M)*
 - *Fund animal shelter construction costs (\$800k)*
 - *Fund essential Public Works City facility improvements (\$2.8M)*

Undesignated Fund Balance General Fund – 20 year



ACCOUNTABILITY & TRANSPARENCY



Commitment to accountability and transparency

■ Accountability

- *Semi-Annual Report to Accountability Committee*
- *Include specific information in mid-year financial update*
- *Information tracked during annual budget process*

■ Transparency

- *Annual report to City Council*
- *Annual Accountability Report posted to City Website*

CONTINUED COMMUNITY OUTREACH

What we have heard to date

Maintaining 911 emergency response times

Maintaining local fire station services

Maintaining neighborhood police patrols

Repairing streets and potholes

Repairing local storm drains systems

Protecting anti-gang and anti-drug programs

Increasing Vietnamese-language training for city police and firefighters

Creating more local jobs & maintaining business attraction programs

What we are now asking the community

Which solutions are the right one(s) for our City:

✓ *Vital Service Level Cuts*

✓ *Revenue Enhancement Options*



Next Update on Outreach Efforts & Plan

Staff will return to City Council on July 19th with a formal recommendation based on the feedback from the community.