



# **THE PATH FOR FINANCIAL SOLVENCY**

Atwater City Council Study Session

Wednesday, March 28, 2018

# **PURPOSE OF THIS WORKSHOP**

## **AVOIDING THE FISCAL CLIFF**

- Identify significant expenses for the future.
- Identify viable means to deliver services in a more cost effective manner.
- Identify potential revenue generating activities.
- Ensure the long term fiscal health of the City.

# **FISCAL STATUS**

“WEAK GOVERNANCE  
INHIBITS RECOVERY  
FROM PRECARIOUS  
FINANCIAL AND  
OPERATIONAL  
CONDITIONS.”

California State Auditor, re: Maywood, CA

## Potential High Risk Local Government Entities

CITY	KEY FINANCIAL INDICATORS				
	CAPACITY TO RESPOND TO FINANCIAL EMERGENCIES	ABILITY TO PAY SHORT-TERM OBLIGATIONS	REVENUE GROWTH RATE	ABILITY TO PAY RETIREE OBLIGATIONS	PROJECTED FISCAL OUTLOOK
Chico	●	●	✓	●	●
Hemet	●	✓	●	●	●
Maywood	●	●	●	●	●
Monrovia	●	✓	●	●	●
Richmond	●	●	●	●	●
Ridgecrest	●	✓	●	✓	●

● Poor  
✓ Adequate

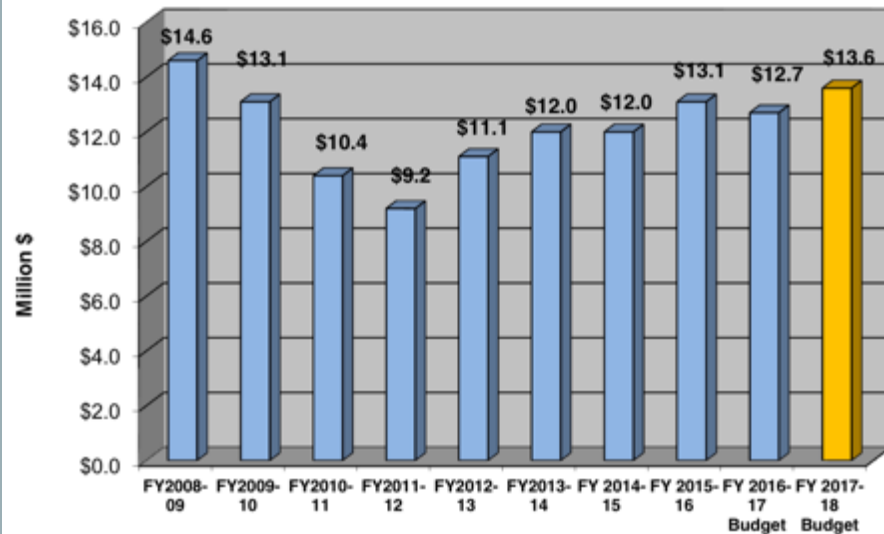




## GENERAL FUND STATUS

### GENERAL FUND REVENUE HISTORY

Fiscal Years 2008-09 thru 2017-18



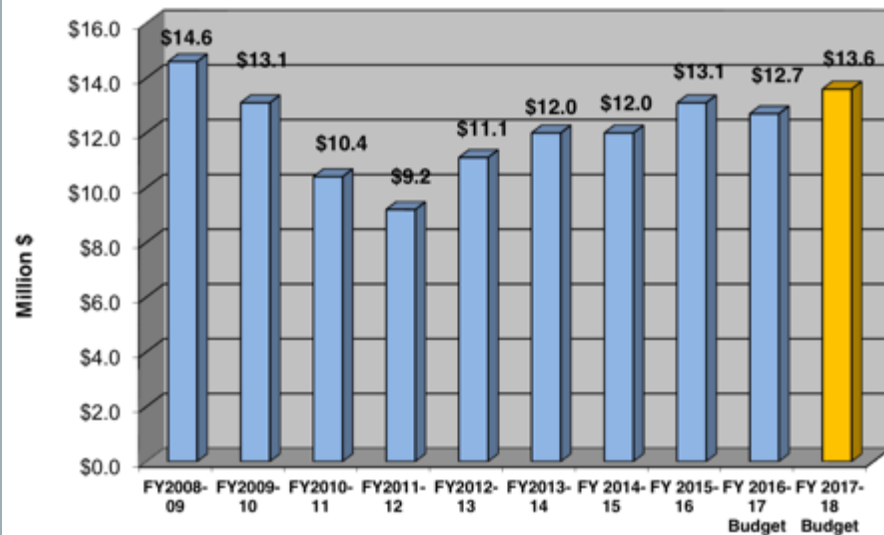
- General Fund deficit is \$2.5 million.
- General Fund owes Sewer Fund \$2.3 million.
- Approx. \$2.4 million in increased CalPERS pmts next five years.
- Unfunded OPEB Liability \$7.75 million.



## 2018-2019 MINIMUM ACTIONS

### GENERAL FUND REVENUE HISTORY

Fiscal Years 2008-09 thru 2017-18



- The City **must** identify a minimum of \$1,007,957 in cost reductions.
- The City **must** set aside/save \$844,550.
- The City **must** increase revenue by a minimum of \$225,000.





## **BANKRUPTCY**



- Bankruptcy is not an option and the City has no dischargeable debt.

# **FUTURE EXPENSE CONSIDERATIONS**



**CAL PERS / CAL FIRE**



- Cal PERS liabilities continue to increase:
  - +\$342K in 2019
  - +\$500K in 2020
  - +\$658K in 2021
  - +\$834K in 2022
- Cal Fire Contract includes COLA increases at 5% each year.



## EMPLOYEE SALARIES



- Eight years since employees received a cost-of-living adjustment.
- For every one-percent pay increase, the General Fund is impacted \$100,200 and Enterprise Funds are impacted at \$47,500.



## FURLOUGH ELIMINATION PLAN



- Could be eliminated at a cost of \$153,751 per year.



## **OTHER COSTS**

- Implementation Costs  
\$75K
- Measure H Consultant  
\$50K

# **COST SAVING/REVENUE OPTIONS**

For City Council Consideration



**CAL FIRE**



- Council to consider elimination of the Battalion Chief position cost of \$210,916.
- Remove half-time Battalion Chief position cost of \$105,000.
- Total savings: \$316,375.





## CITY ATTORNEY

Churchwell White LLP

- The City's new Attorney provides services at a lower rate than previous team however, overall legal fees are expected to rise given complexities of our current status.



## CITY MANAGER

CITY MANAGER'S  
OFFICE

- Consider PT Interim City Manager Position (24-32 hr work week)
- Potential savings of up to \$100,000 per year.



## COMMUNITY SERVICES: RECREATION



- Recreation services cost \$424,000 per year while generating only \$246,610 in revenue.
- Operating at a loss of \$172,000 each year.



## COMMUNITY SERVICES: RECREATION



- Options to Consider:
  - Merging programs with County, school districts and/or other agencies.
  - Privatization of services results in \$172,000 in General Fund savings.



## MARIJUANA ORDINANCE



- Should the Council consider moving forward with Manufacturing License Fees with potential revenue of \$480,000 per year for four licenses.
- Consider point-of-sale license(s)?



## SALES/UTILITY TAX



- Council may consider asking the voters to approve a  $\frac{1}{4}$  or  $\frac{1}{2}$  cent sales tax generating approximately \$900K - \$1.8 Million annually.
- Council may consider asking voters to approve a  $\frac{1}{4}$  cent utility tax.



## HUMAN RESOURCES



- Staff will explore options for these services if directed by Council.



## POLICE DEPARTMENT RESTRUCTURING



- Staff recommends freezing one or more positions with savings potential ranging from \$192,000 to \$314,000.





## PRIVATIZING PLANNING AND ENGINEERING



- Council to consider shifting to contract services with cost recovery model built in to deliver services to applicants.
- Estimated cost savings \$200,000 per year.



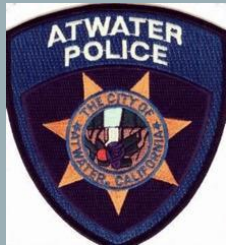
## LIGHTING AND LANDSCAPING DISTRICTS

Landscape Maintenance Districts	
Cottage Gardens	Juniper Meadows
Price Annexation	Stone Creek
Sandlewood Square	American West Business Park
Pajaro Dunes	Bell Crossing
Redwood Estates	Atwater South
Silva Ranch	Meadow View Estates
Camellia Meadows	Aspenwood
Mello Ranch 1	Applegate Ranch
Mello Ranch 2	The Reserve
Simon	

- 11 of the City's 54 districts are in a negative balance.
- The total is \$152,068 which will affect the General Fund.
- Staff recommends that Council bring districts back into balance by collecting retroactive fees and approving proposed fees suggested as part of consultant study.



## MEASURE H FUND AND STATUS



- Measure H will expire in 2023.
- Current revenues are \$1,807,326 per year.
- Expenditures are \$2,039,818.
- Council to consider earmarking \$50,000 for ballot measure research.



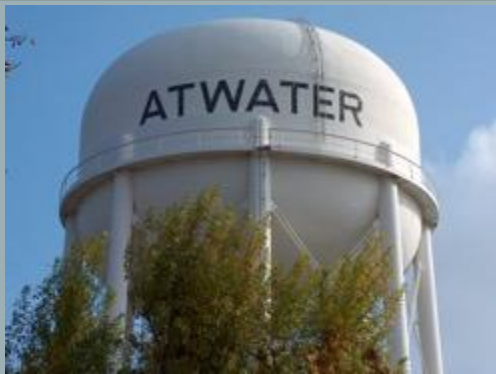
## **PAYROLL OUTSOURCING**



- The City's payroll function could be reviewed for possible privatization.



## POTENTIAL SAVINGS/REVENUE



Department	Savings/Revenue
CalFIRE	\$317,000
City Manager	\$100,000
Recreation	\$172,000
Marijuana License	\$480,000
Police	\$191,000
Community Development	\$200,000
<b>TOTAL</b>	<b>\$1,460,000</b>

# **COST SAVING/REVENUE OPTIONS**

Staff Implementation



## MASTER FEE SCHEDULE



- All municipal codes and fee schedules need to be re-evaluated to ensure appropriate cost recovery.



## ATWATER EMERGENCY COMMUNICATIONS CENTER



- Staff to review potential savings by contracting emergency dispatch services to the County.





## FLEET FUEL PURCHASE



- Staff researching options for fleet fuel purchase to reduce overall cost.



## GARBAGE COLLECTION CONTRACT



- The City will have paid off a negative balance of \$1M at the end this fiscal year.
- A new rate study will be required.
- Council may seek a review of the contract and an increase in franchise fees.



## PHONE SYSTEM & IT SERVICES



- Staff reviewing current and future needs.



## STREET CLEANING



- Street cleaning services are self supporting. No action required.



## ANIMAL CONTROL SERVICES



- Staff is negotiating a new contract with Merced County.
- Cost recovery.
- License fees.
- Animal population management.
- Volunteer management.
- Stanislaus County model.



## BUSINESS LICENSE FEES



- Staff is reviewing the business license fee process.



## FIRE MARSHALL SERVICE FEES



- Effective immediately, the City will collect fees for fire plan reviews and inspections.
- Projected income is \$5,585.



## PARKING VIOLATION COLLECTION

**PARKING VIOLATION**

This vehicle is illegally parked. Reason for Violation:

<input type="checkbox"/> Vehicle has no valid Parking Permit	<input type="checkbox"/> Blocking Driveway or Access
<input type="checkbox"/> Parked in No Parking Area / Space	<input type="checkbox"/> Blocking other Vehicle
<input type="checkbox"/> Parked in Fire Lane	<input type="checkbox"/> Parked in 2 spaces
<input type="checkbox"/> Parked in Handicapped Space	<input type="checkbox"/> Other: _____
<input type="checkbox"/> Parked in Reserved or Assigned Space	_____

Your license number has been recorded. Additional violations may result in towing of the vehicle at owner's expense.

DATE: _____	LICENSE PLATE NO. _____	STATE _____	PERMIT NO. _____
TIME: _____	DRIVER'S NAME (if known) _____		
LOCATION: _____	VEHICLE MAKE & MODEL _____ COLOR _____		
ISSUED BY: _____			

- Staff is exploring options to capture unpaid parking and other violations.





## POLICE TOW YARD



- Staff is working on the closure of the tow yard and a transition to private tow companies and the collection of franchise fees.



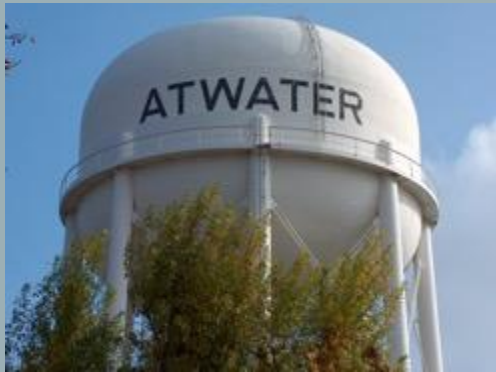
## SOLAR CONTRACT

con | energy

- Consider review of Conenergy contract to determine if there are any adverse financial impacts that can be mitigated.



## **SELL CITY OWNED PROPERTY**



- Staff intends to identify all real properties that are eligible for sale and present a list for Council consideration.
- Funds would be used to retire General Fund debt to Sewer Fund.

# IMPLEMENTATION

Next Steps Towards Solvency

## RECOMMENDED STEPS

- Finalize austerity measures as directed by Council.
- Utilize outside consultant team to assist transition to new service delivery model(s).
- Provide Council updates/reports at every meeting.
- Develop and implement education/outreach program for residents and businesses in the community with assistance from consultant team.

# QUESTIONS