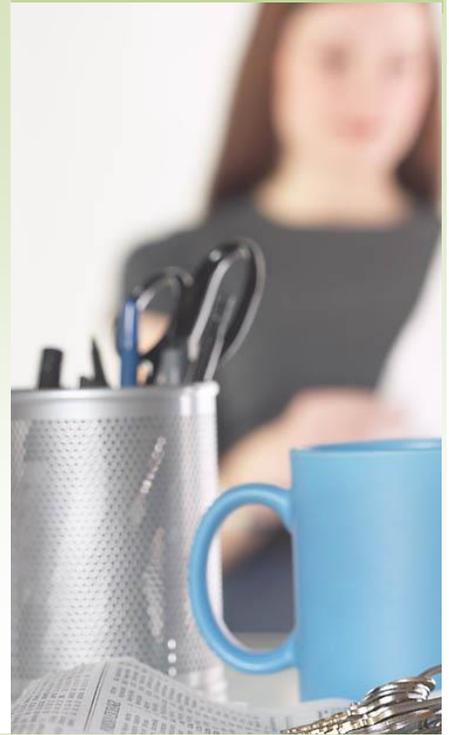


Salinas Financial Sustainability Plan Framework



Presented Mid-Year – FY 2016-17

“By failing to prepare, you are preparing to fail.”
— Benjamin Franklin

“Someone's sitting in the shade today because
someone planted a tree a long time ago.”
— Warren Buffett



Revenue Enhancements and Cost Saving Ideas

Staff have put together the framework of a sustainability plan that will serve as a tool to eliminate the structural deficit. The plan identifies both short-term and long-term strategies to raise revenues, reduce expenditures and realign spending to higher priorities. Departments were asked to innovate how to eliminate the structural deficit. Some of the ideas have not been valued since it is still too preliminary, however, where realistic estimates could be made, dollar values were assigned over a five-year horizon. Twenty-five revenue generating ideas were identified that ranged from \$1,535,300 to \$6,296,000 over the next five years between FY 2017-18 and FY 21-22. Departments also came up with 85 expenditure reduction or savings ideas that totaled \$2,767,850 and \$4,632,850 over the same five years. The ideas vary in their impact. Each will require more detailed analysis and plans.

The ideas are included below by department.

Administration

The Administration Department consists of the City Manager's Office as well as four divisions: City Clerk, Human Resources, Economic Development, and Community Safety. As a brief summary, there are 16 regular employees and additional temporary staff. The Department's \$3.7 million-dollar budget is comprised of approximately \$2.9 million in General Fund expenditures (~78.5%), \$261k (~7%) in Measure V and \$493k (~13.5%) in Measure G funding.



During the FY15-16 & 16-17 budget cycles, a total of five positions have been added to the Department. One of our current goals is to ensure that all current positions are maintained during future budget adjustments. Program sustainability is important. To this end, the following ideas and longer-term strategies are offered, some of which can be implemented immediately and some with the FY 17-18 budget:

1. Continued Temporary Staff

Continued use of temporary staff rather than adding new regular staff to any Division. Further, no additional position authority be added to the Department at this time. Place all temporary

staff allocations into Measure G budget, as they provide vital support to all of our division efforts.

2. Immediate Structural Deficit Action

Ongoing use of one-time, unrestricted grant resources derived from the State budget in order to fund existing Community Safety program. (For example, the recently received \$500,000 should be held in trust account and should pay for 2 street outreach specialists thru FY 18-19. City Administration would then have the immediate ability to shift positions back into Measure G, at the end of the grant funding. This would free up Measure G for other purposes such as temporarily paying a portion of the code enforcement funded through the General Fund.

3. Re-Organization

Consideration of aligning our Community Safety Division within the Library and Community Services Department (San Jose model). This will allow for possibly achieving budget efficiencies in terms of office support, grant management work, and the more seamless efforts between the community outreach programs within all Departments. (ie: Neighborhood coordination, work with schools, recreation centers, youth, PD and their neighborhood watch program, PAL, etc. – potentially, many of these community/neighborhood programs still operate in a partial silo)

4. Lobbyists

Beginning in FY 17-18, limit, consolidate or eliminate the current State and Federal advocacy consultants, with more emphasis on elected members and their staff.

5. Economic Development Consultants

Re-examine all advocacy efforts for Economic Development to see if they can also be re-scoped and/or re-priced. (DCI, John Hartnett, etc.)

6. PIO Position

Re-examine Public Information Officer (PIO) effort to see if it can be re-scoped and/or re-priced.

7. Voluntary Furlough Program

Establish (as soon as possible) a Voluntary Furlough Program approved by Council in order to begin saving money on employee costs.

8. Reassignment of Processing Senior and Low-Income Discount

Check with Republic Services (and Franchise Agreement) to see if we can turn over the processing of the senior, low-income service discount rate to them.

City Attorney's Office

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

1. Insurance

The City Attorney's Office has already secured some and has additional projected savings in insurance premiums in the amount of \$221,211. These are expected to be annual savings. This is the result of a change in carriers from AON/Hanover to Alliant/APIP for 2016/2017 for property (secured savings) and liability savings (projected).

2. Cost-Recovery

The City Attorney's Office is reviewing all of the outstanding cost-recovery files. Demand letters will be sent to those who are early in the process and complaints will be filed against those who have not paid (within the statute of limitations). If this effort continues, the City will realize recovery on outstanding losses which have previously been covered by the General Fund. For calendar year 2016, the City Attorney's Office has recovered \$96,927 for outstanding cost recovery matters. An additional \$12,000 has been recovered and is subject to payment over time. For boar-up costs, a total of \$5,469 has been recovered and \$1,237 in special assessment liens have been placed on properties where the debt has not been voluntarily paid. These cost recovery efforts will continue, with staff assigned specifically to this area.

3. Workplace Investigations Internally

Handle workplace investigations internally, when possible, rather than contracting out for such services. This would result in savings on outside attorney and investigator costs.

4. Reduce Reliance on Outside Counsel

This is already occurring with the additional attorney position funded through Risk/Liability. All new litigation matters are being handled in-house. This includes a reduction in reliance on Workers Compensation counsel with the more routine matters soon to be handled in-house.

5. Workplace Accommodation Analysis

Handle disability reasonable accommodation analyses internally, with some exception for the most specialized situations.

Finance Department

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

1. Information Systems (IS) – Help Desk Services

It is long over-due to bring the help desk function in-house. We expect the level of service and overall management of the help desk function to improve, while saving the City at least \$100,000 per year.

2. Purchasing –Less Laser Printers

The City has many copiers and printers. The toner for all of the printers is very expensive and the cost of printing off of a printer is more than the cost of printing off a copier. The departments should consider how to reduce the number of printers eliminating some of them and by networking copiers for scanning and printing. The purchasing and IS staff can assist with this change.

3. Revenue Division – Business License Discovery

The City currently contracts with MuniServices to find businesses who should have a business license but do not. The City pays a 35% commission to MuniServices for every dollar that is collected related to their discovery efforts. The goal is to reclass the current Sr. Accounting Clerk, as a Revenue Technician, and have her begin to do in-house discovery. As an example, MuniServices has sent letters to certain commercial real estate businesses who own and lease out commercial real estate but are only finding one out many leases in one shopping center. The Sr. Accounting Clerk has taken it upon herself to work with the new GIS Administrator to leverage the new GIS data to discover the other commercial real estate leases that are identified with separate addresses and initiates contact with commercial real estate business regarding those other leases to makes sure they have a business license. The revenue generated and the savings of 35% will be at least 3 or 4 times the cost of the reclassification.

4. Finance Accounting – Federally Approved Indirect Cost Allocation Rate

The City may claim indirect costs for certain federal grants only if they have an indirect cost allocation rate approved by the City's cognizant agency, which is the Department of Housing

and Urban Development (HUD) for the City of Salinas. An indirect cost allocation plan must be prepared and submitted to HUD for approval. In the past, the City claims indirect cost on all grants using the City's indirect cost rate, where allowed, that is calculated annually and approved by City Council as part of the annual budget process.

Community Development

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

1. Revenue

The Community Development Department can use more of our CDBG funds for Program Services. This year's General Fund budget anticipates covering approximately \$105K for code enforcement. We could shift this amount into next year's CDBG Action Plan (or into Measure G or V). Code enforcement in low/mod neighborhoods is an eligible CDBG expense. In addition, if we crafted a more formalized small business development program for the Alisal ANSRA, we could charge a certain percentage of the Assistant Redevelopment Project Manager's time to CDBG. Again, we would have to carefully develop the program to meet eligibility requirements and include it in the 2017/2018 Action Plan.

The Housing & Community Development Division staff have recently increased the amount of eligible administration funds by approximately \$113K through the use of a special category called Project Delivery. Staff is exploring ways to more aggressively charge to Project Delivery as a way to increase funding for staff. Next year, we think we could increase this amount by approximately \$35K.

Revenue is significantly up this year in Permit Services and Current Planning. Just four months into the year, these divisions have collected \$918,202 in revenue. This is more than \$200K above our projections. Similarly, Code Enforcement has collected \$36,705 in fines and special inspections since July 2016. Last year over a twelve-month period, Code Enforcement collected \$48,518. Thus, the division is on track to significantly outpace projections. Based upon what has been collected to date and last year's collected fees, we conservatively estimate a 15% increase in revenues over the projected budget, which would equate to over \$320,000.

In addition to our current performance, we believe that we can improve collections for building permitting. Unlike many of the surrounding jurisdictions, property owners face negligible fines for engaging in work without permit. Unfortunately, this has resulted in significant unpermitted work that oftentimes does not meet building code. Staff is proposing to pass an ordinance that would double permit fees for residents caught engaging in work without permit.

The purpose of the ordinance is to deter this work from taking place and encourage more people to obtain required permits. We anticipate this will result in additional revenue. Once Permit Services is fully staffed, we also could provide expedited services enabling us to broaden the range of services and achieve full cost recovery.

Because of limited staffing, CDD has not been able to apply for grants to support many of our programs. This is beginning to change. More recently, staff has had success in securing additional ESG funds for homeless services and multi-jurisdictional funding for the Farmworker Housing Study and Action Plan. We have also been able to more effectively combine resources with other departments to offset costs such as the Alisal Vibrancy Plan (a combination of Measure G and a Caltrans Grant). It is our plan to continue to pursue additional collaboration that will help us provide resources for important projects. CDD's recommendations for increasing revenue are outlined below.

- Utilize CDBG funding for eligible CDD Programs including small business development and code enforcement with a potential increase in funding of \$100,000 - \$150,000.
- Focus on Project Delivery to recover a higher percentage of Housing & Community Development staffing costs up to \$35,000.
- Re-evaluate revenue projections and recognize this revenue in budgetary decisions. (It is conservatively estimated that CDD will collect an additional \$320,000 over projections.)
- Double permitting fees for unpermitted work similar to other jurisdictions in order to discourage residents from working without required permits.
- Offer expedited permitting services with additional fees once Permit Services is fully staffed.
- Apply for grants to support key CDD programs, particularly related to Advanced Planning.
- Work collaboratively with other departments to effectively combine resources.

2. Cost Savings

Like other departments, CDD is just recovering from significant cuts in staffing and services. Today, we still have three vacancies and have two employees on medical leave. Any significant cuts to our budget would result in abandoning key projects such as the Economic Development Element, Downtown Vibrancy Plan, Alisal Vibrancy Plan, and Chinatown Revitalization Plan. To make sure that we continue to move these projects forward, division managers have shared resources, especially staff. By combining resources, we have been able to keep our costs down.

A few staff members have expressed interest in a reduced work week. Although this may place some strain on the department, we think it is a good idea to consider. The ultimate decision to allow a reduced work week resides with the director to determine if the reduction in hours would create an undue burden on the department, and therefore be denied. In the end, we think this measure will help reduce costs and will only result in a slight delay in the work program. Moreover, it will help employees with other family related responsibilities and improve morale.

Limited furloughs could also be explored. In some cities, they limit furloughs to 4-5 times per year that are coupled with existing holidays to give employees an extended break. For example, the City could have a mandatory furlough day on New Year's Eve. All non-essential City building would also be closed saving on operating costs. Another option would be to grant a set number of floating furlough days to each employee to be used throughout the year. While this would not have the same operating cost benefit a city-wide furlough, it should be explored as there would be less impact to the provision of city services. CDD's, proposed cost saving measures are listed below.

- Continue to combine resources across divisions to more effectively use limited staff.
- Provide employees with the option of working a reduced schedule as long as it does not hinder overall operations. (Many companies employ job sharing techniques to limit impacts of reduced schedules.)
- Offer limited mandatory furloughs that are tied to established holidays (i.e. New Year's Eve)
- Consider limited individual "floating" furloughs.

3. Other Proposals

Departments should explore ways to consolidate services and potentially save funds. Inspection services (Fire, Public Works, and Permit Services) could be consolidated. Currently, building inspectors also inspect for fire code requirements in residential structures. It is possible that this could be extended to commercial structures reducing the need for duplicate inspections and saving on staff resources. With additional resources, enforcement of abandoned vehicles could also be transferred to the Code Enforcement Division. Additional budget recommendations include the following.

- Consider other financing options for the new Community Safety Facility. (CDBG cannot fund government operations, but may be able to pay for community facilities.)
- Re-evaluate the use of Measure G for police fleet needs (\$650K per year).
- Explore consolidation of department services such as inspection and code enforcement.

Police Department

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

1. Staffing

It is anticipated that with the implementation of the new Tritech Records Management and Field Based Reporting System we may see efficiencies within the department. However, those efficiencies won't be realized for another 18-24 months from now as implementation is just beginning. Those system efficiencies may identify areas within the department where savings can be had.

Fire Department

The Fire Department is in a unique position this fiscal year as we are able to restore, to a state of good repair, many equipment and small infrastructure projects based on the current allocated funding with no proposed reductions for the remainder of the current budget year. Our proposals begin with next Fiscal year and move forward three (3) fiscal years and include both proposed budget reductions and revenue enhancements.

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit are as follows:

1. Fiscal Year 17/18

Hold all line items for general expenditures, supplies, utilities and equipment at the 16/17 level with the exception of the purchase of two (2) Utility Vehicles (100K).

Proposed Revenue Enhancements

Utilize all available AFG and SAFER Grant Funding sources to alleviate the impact on the General Fund. Implement additional Fire Prevention Division (FPD) Fee increases and Business Self Inspection Program: Estimate \$150-200K

2. Fiscal Year 18/19

Proposed Revenue Enhancements

Utilize all available AFG and SAFER Grant Funding sources to alleviate the impact on the General Fund. Additional growth in FPD Fees and Revenues, ALS/VAC Cost Recovery of \$100-150K.

3. Fiscal Year 19/20

Proposed Revenue Enhancements

Utilize all available AFG and SAFER Grant Funding sources to alleviate the impact on the General Fund. Additional growth in FPD Fees and Revenues, ALS/VAC Cost Recovery of \$125-200K.

4. Fiscal Year 20/21

Proposed Revenue Enhancements

Utilize all available AFG and SAFER Grant Funding sources to alleviate the impact on the General Fund. Additional growth in FPD Fees and Revenues, ALS/VAC Cost Recovery of \$150k - \$225k.

Implementation of ALS Emergency Ambulance Transport service to the greater Salinas area and/or Monterey County proper. Revenue estimates:

- Salinas alone: \$2 - \$3 million annually
- Greater Monterey County proper: \$5 - \$6 million annually

Public Works

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

1. Revenue

City Utility development should be carefully considered as a viable alternative. Pure Water Monterey will result in lease revenues being generated for NPDES. Fund NPDES with voter approved storm water fee including following and complying with proposition 218 process, where applicable. Staff anticipates hiring an outside consultant to do a fee study and voting on the fee around June or November 2018.

Well run Enterprise Funds that generate revenue for investment and unburden the GF with Salaries and O&M should be developed. Strong opportunities are available. Opportunities include the multimodal area, parking enforcement and management (Parking Garage). Creating these entities allow for more positive management of resources and create funding for capital investment.

2. Cost Savings

Cost Savings from the Optera Energy Efficiency Project. The current year budget includes the full cost of electricity during the transition year, while the public works engineering staff study the savings achieved from the deployment of \$22 million in energy efficiency technology. In almost all cases, the partial year savings are coming in stronger than expected and will result in savings beyond what was expected. For FY 2016-17, the full electric budget was included and will be adjusted once the year end estimates are calculated for each impacted account. The bond debt service is a little over \$800k and the savings, in all funds, are expected to be more than the annual debt services.

Library and Community Services

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

Community Services

1. *Increase in Youth Sports League Fees*
2. *Community Center Business Plan*
3. *Additional fee-based recreation programs for youth and adults*
4. *Shared recreation space with school districts*
5. *Review fees for use of City facilities, including recreation centers and other City-sponsored activities and events to ensure cost recovery*



Library Services

1. *Library Branch Security Service*
2. *Self-Service customer service model*
3. *Facility Service Hours*
4. *Shared catalog system and collections for both print and electronic materials*
5. *Service learning opportunities with Hartnell College and CSUMB*

City-Wide

Ideas for revenue enhancement or cost-cutting/savings in relation to the projected General Fund structural deficit:

1. Revenue

- Evaluate all City fees and complete a five-year plan for bringing all fees up to cost recovery
- Community Facility District (CFD) Fees for all new developments and infill projects.
- Increase in the Temporary Occupancy Tax (TOT)
- Property Tax Assessment
- Increase Property Transfer Tax
- Continue to apply and compete for grants

2. Cost-Cutting/Cost Savings/Cost Control

- Continue to re-evaluate all positions that become vacant before re-hiring to assess the ability to re-organize and/or realign workload and duties and eliminate the vacant positions where possible
- Hold firm during to reasonable cost of living adjustments during labor collective bargaining negotiations.
- Overtime Reduction – An expense that is somehow discretionary is the overtime especially in the Police and Fire Departments. Employees in those departments need to demonstrate their commitment to this City in making a real effort to reduce overtime. This single item could have a significant impact in reducing the General Fund structural deficit.
- Review all City leases where the City is either the Lessee or Lessor