

## **MEMORANDUM**

TO: Mayor and City Council

FROM: Ron Boatright, Chairman  
Paul Brown, Vice Chair  
Members of the Citizen Task Force on City Finances and Operations

DATE: June 4, 2012

### **SUBJECT: STATEMENT OF FINDINGS AND RECOMMENDATIONS OF THE CITIZEN TASK FORCE ON CITY FINANCES AND OPERATIONS**

On February 14, 2012 the City Council of La Mirada declared a fiscal emergency and through Resolution No. 12-12 reconvened the Citizen Task Force on City Finances and Operations. Over the course of five meetings, the Task Force focused on the budget and potential threats to the fiscal well-being of the City, necessary infrastructure repairs, and the costs of making those improvements. Finally, the Task Force examined financial options and opportunities to improve local control over the City's finances.

Over the last several months the Task Force studied the difficult financial burdens facing the City. We reviewed how the City has significantly cut its budget over the last 5 years in response to both the Great Recession and the resulting State budget crisis. City staff has assisted us and provided us with the information necessary for the Task Force to analyze and develop recommendations for the City Council. This memorandum provides the City Council suggestions for the Council's consideration.

#### **FISCAL ENVIRONMENT**

La Mirada has several revenue sources with the greatest source of General Fund revenue coming from Sales Tax.<sup>1</sup> La Mirada has never sought voter approval of a utility tax, property tax or special assessment district for revenue. Starting in 2007 the City entered a period of steeply declining revenues from the loss of sales tax, property tax, and hotel tax, which placed a significant financial burden on the General Fund and reduced the ability to fund infrastructure improvements. In 2011 the State compounded the fiscal challenges when legislation dissolved redevelopment agencies and the funding sources for redevelopment were returned to the State. The decision to end redevelopment resulted in millions of dollars in losses to the City.<sup>2</sup>

La Mirada responded aggressively to the fiscal crisis of the last five years. The City Council and City staff have made tough decisions on staffing and services. Those tough decisions allowed

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<sup>1</sup> See Attachment "A"

<sup>2</sup> See Attachment "B"

the City, despite a loss of over \$8.3 million in sales tax revenue, to maintain services to the community. Full time staff was reduced by 26 positions; contracting out services saved the City money; and further cuts were made across the board. There is not a single area of the City's General Fund Budget that was not scrutinized for savings and reduced in some fashion.

As we move forward toward the next fiscal year and beyond, the City is operating as lean as it can, and any further cuts in the City's Budget would result in significant impacts to services that the residents of our City have come to rely upon.<sup>3</sup>

Looking forward, the Task Force sees that City finances need to be stabilized and brought under local control to avoid the type of unpredictable fluctuations seen over the last several years.

### UNFUNDED INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS

Incorporated in 1960, much of La Mirada's infrastructure (streets, sewer, electrical, flood control, curbs, sidewalks and gutters) has far outlived its planned life span. Unfortunately, no funding mechanisms were put into place years ago to address the future infrastructure needs. The responsibility of making sure La Mirada has modern and safe infrastructure systems falls upon our shoulders today.

Two years ago, under the auspices of the first Citizen Task Force, the City examined the condition of the infrastructure and what improvements were needed. The Infrastructure Needs Assessment identified infrastructure needs totaling nearly \$200 million. These included undergrounding utilities, building uniform block walls along City streets, rebuilding and/or resurfacing City streets, maintaining and updating traffic control lighting and signage, updating and retrofitting bridges, updating the sidewalks and curb and gutter system to improve storm water runoff and ensure compliance with ADA requirements, and making repairs to the sewer system. Not all of these items are solely owned by the City, but the City will have to contribute funds toward many of these improvements.

The investment made to enhance infrastructure directly impacts every citizen and business in our community. This investment can increase property values, raise the commercial attractiveness of our business community, and improve the safety of those who live and work in La Mirada. These infrastructure improvements must be addressed if we are to advance our City. The estimated costs are as follows:

Improving Streets:	\$39,496,966
Undergrounding Utilities:	\$81,932,890
Modernizing City Walls:	\$35,000,000+
Traffic Control:	\$3,092,700
Maintaining Sewers:	\$100,000 annually
Rebuilding Storm Drains:	\$3,659,300

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<sup>3</sup> See Attachment "C"

Restoring sidewalks:	\$2,242,423
Americans for Disability Act Ramps:	\$4,737,150
Curbs and Gutters:	\$1,521,624
Playground Upgrades:	\$1,250,000
Bridges:	\$25,000 annually
Building and Park Replacement:	\$1,000,000 annually
Street Light Maintenance and Updates	\$1,000,000 annually

## CITY FINANCIAL OPTIONS AND LOCAL CONTROL

La Mirada has historically had very limited control over its revenue sources, and therefore the Task Force examined various funding mechanisms to provide local control and ensure that the money paid by the residents of La Mirada stays in the city to improve infrastructure and fund necessary services. The Task Force examined multiple options for funding the needed infrastructure improvements as summarized below.

### Sales Tax Increase

The Task Force discussed at great length increasing sales taxes by half a percent or a full percent. A one percent increase in the sales tax would raise \$1 for every \$100 spent in the City, and is anticipated to return about \$8 million in revenue per year. The half percent increase would not generate sufficient revenue to fund all the infrastructure needs. The consensus of the group was that a one percent increase would be the recommended best approach, but before it is placed on the ballot the City Council should continue to evaluate whether an increase in sales tax could result in La Mirada losing sales to other cities, which could mitigate the benefits of the increase. We further recommend the City Council consider a sunset provision on this sales tax.

### Utility Tax Increase

The Task Force recommends that the City Council analyze the benefits of proposing a utility tax. The average Utility Tax in the State of California is 5.5% and most localities that have a Utility Tax use that revenue for a specific purpose. Generally a five percent tax increase would raise \$5 million a year and over ten years raise nearly \$50 million, which would go a long way toward completing the infrastructure improvements needed by the City. Based on further studies, decisions would need to be made on the exact percentage of the utility tax, the specific items to which it would be applied, and the exemptions, if any, that would be adopted.

For example, a 5% tax on a monthly utility bill of \$100 would result in a \$5 increase to the bill, or \$60 a year that would be used for local improvements. The Task Force concluded that this tax should be studied to evaluate the potential benefits and detriments of such a tax.

## Parcel/Property Tax Increase

While requiring a two-thirds majority for passage, the Task Force determined that this is also a revenue source that needed to be evaluated. This is also a tax used by many other localities in California. This burden falls on both homeowners, and commercial and industrial land owners fairly. For example a \$365 yearly increase spread over the 14,256 parcels in La Mirada would generate just over \$5 million a year. The \$365 increase amounts to \$30 per month per parcel.

## Special Assessment District

The City could establish Special Assessment Districts to address various types of infrastructure improvements. For example, a Special District for Arterial Block Wall Improvements could be implemented throughout the City. A Special Assessment District would also require a two-thirds majority for passage. It is suggested that the City Council evaluate this option.

## Business License Tax Update

Although not a tax that generates significant revenues, the City's Business License Tax has not been updated for over twenty-five years for most business types. The Task Force determined that the City should seek to update this tax consistent with other localities.

## RECOMMENDATIONS

Based upon the foregoing, we, the Citizen Task Force on City Operations and Finances present the following recommendations to the La Mirada City Council. We believe the City should:

1. Seek voter approval of steps to increase local control of funds necessary to provide vital City services and meet unfunded infrastructure needs. The Task Force recommends the consideration of the following measures with continued community input and conversation. They are as follows:
  - Local 1-cent Sales Tax
  - Utility Users Tax
  - Business License Tax Update
  - Property Tax
  - Special Assessments
2. Continue to take actions to protect local control of local revenues by supporting legislation that prevents the State from taking local funds, "unfreezes" redevelopment bond proceeds, and restores some of the economic development tools lost with the elimination of redevelopment.
3. Explore the potential benefits of becoming a Charter City and implementing an Infrastructure Financing District.
4. Continue to actively pursue steps to contract for additional services, reduce costs, and increase revenues.

5. Continue to seek grants to meet infrastructure needs.
6. Implement stronger business development and code enforcement efforts in aging commercial centers to improve the commercial centers and attract new businesses.

Regardless of which direction the City Council chooses to go, the Citizen Task Force recommends that the Council form a Citizen Oversight Committee to provide input and comments on the expenditure of funds raised from any voter approved taxes.

## CONCLUSION

We conclude by recommending that the City closely examine which option provides the best approach to provide local control of funding necessary for making infrastructure improvements so that the City is never again in a position where these types of issues are unfunded.

Each member of the Task Force was an active participant and brought forth innovative ideas for the future of La Mirada. The energy and concern that the citizen and business volunteers brought to this endeavor was remarkable and speaks highly of their desire to improve our City.

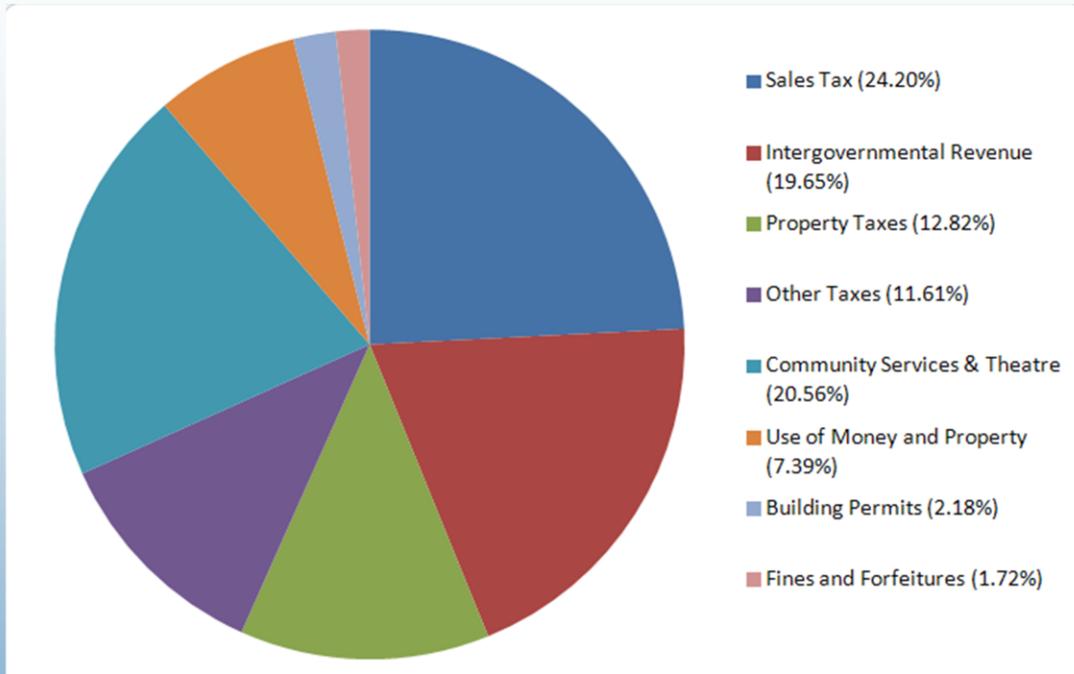
Lastly, we would like to express our appreciation to City staff for their cooperation in this effort. Their willingness to engage in open discussion about the issues facing our City was invaluable in the preparation of our conclusions.

Respectfully Submitted

*This Statement of Findings and Recommendations of the Citizen Task Force on City Finances and Operations was approved on June 4, 2012.*

ATTACHMENT "A"

# General Fund Revenues



# Redevelopment Loss Impact

## State Takes from La Mirada:

Infrastructure Funds Take 2010-11 and 2011-12	\$1,046,233
Services Reimbursement 2010-11 and 2011-12	\$1,258,800
City Loan Principal Payment 2010-11	\$2,750,000
City Loan Interest Payment 2010-11 and 2011-12	\$2,283,345
SERAF Take 2009-10 and 2010-11	\$5,831,098
Bond Funds Frozen	<u>\$11,797,227</u>

## Total Loss

**\$24,966,703**

# ATTACHMENT "C"

Updated: 5/24/2012

Contingency Option Savings

Contingency Option Savings

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Total Savings Per Line Item	Proposed FY 12-13*
<b>Administration</b>						
1 Early Retirement Incentive Plan (2 Retirees)			\$78,428	\$152,857	\$229,285	
2 Eliminate Election Expenses		\$6,740			\$6,740	
3 Reduce RDA Salaries			1,800		1,800	
<b>Department Savings Per FY</b>	<b>\$0</b>	<b>\$66,740</b>	<b>\$78,228</b>	<b>\$152,857</b>	<b>\$229,825</b>	<b>\$0</b>
<b>Administrative Services</b>						
1 Eliminate Hol. Business License Audit			\$30,000		\$30,000	Reduce "Other Service" Budget from \$29,500 to \$15,000
2 Eliminate One-Time Claims Expense			100,000		100,000	Reduce "Professional Services" Budget from \$18,500 to \$5,000
3 Reduce Employee Event Expenditures		10,000			10,000	Reduce Brea IT expenditures
4 Reduce Technology & PC Replacement Budget		15,000			15,000	Transfer Tuition Reimbursement from Personnel Budget to Employee Benefits Fund
5 Transfer in From Equip. Replacement for Tech. Replacement	100,000				100,000	
<b>Department Savings Per FY</b>	<b>\$100,000</b>	<b>\$25,000</b>	<b>\$130,000</b>	<b>\$0</b>	<b>\$255,000</b>	<b>\$57,441</b>
<b>Community Development</b>						
1 Cell Tower Collections			\$18,000		18,000	
2 Early Retirement Incentive Plan (1 Retiree)				\$8,417	\$8,417	
3 Eliminate Contract Planner Funding	130,000				130,000	
4 Planning and Building - Reduce Promos, Travel, Training			84,000		84,000	
5 RDA Loan Interest - Increase to 7%	809,160				809,160	
6 Reduce Animal Control Service Fees			48,000		48,000	
7 Reduce Building Inspection Contract Services		75,000			75,000	
8 Reduce Engineering Budget	31,500				31,500	
9 Sheriff Code Enforcement to CDBG		82,000			82,000	
10 Vacant Positions		18,162			18,162	
<b>Department Savings Per FY</b>	<b>\$970,660</b>	<b>\$173,162</b>	<b>\$184,209</b>	<b>\$88,417</b>	<b>\$1,396,448</b>	<b>\$0</b>
<b>Community Services</b>						
1 Close Computer Lab During School Hours & Reduce Basement Hours		\$40,061			40,061	Eliminate Basement Youth Center
2 Early Retirement Incentive Plan (1 Retiree)			35,548	71,095	106,643	Eliminate Community Calendar
3 Eliminate Community Gardens Lease			12,000		12,000	Eliminate FSC (move Homework Club/Computer Lab to Activity Center)
4 Adjust Aquatics Fees			50,000		50,000	Modify Activity Center hours to 7:30-8pm except Tuesday
5 Adjust Contract Classes			20,000		20,000	Reduce Hourly Staff by \$12,000
6 Adjust Gym Membership Fees			7,567		7,567	Reduce Store \$13,000
7 Adjust Youth League Fees			3,424		3,424	Reduce Uniforms by \$2,000
8 Reduce Activity Center Operating Hours		7,258			7,258	Vacant Admin. Intern and Elimination of PT Holiday Hour
9 Reduce Activity Center Part-Time Staffing			21,920		21,920	
10 Reduce Facility Hours During Holidays			3,400		3,400	
11 Reduce Gymnasium Operating Hours		44,377			44,377	
12 Reduce Gymnasium Part-Time Staffing			21,825		21,825	
13 Reduce Monthly Newsletter from 12 to 9			20,000		20,000	
14 Reduce PARK Program Part-Time Staffing			90,000		90,000	
15 Reduce Repair & Maintenance (Canopies)			75,000		75,000	
16 Reduce Resource Center Operating Hours		7,088			7,088	
17 Reduce Special Events			40,000		40,000	
18 Reduce Splash! Part-Time Staffing			80,500		80,500	
19 Remove Mowing at Splash			10,000		10,000	
20 Use Measure R for Transit employees		93,333			93,333	
21 Vacant Positions	230,471		127,119		357,590	
<b>Department Savings Per FY</b>	<b>\$230,471</b>	<b>\$192,117</b>	<b>\$618,303</b>	<b>\$71,095</b>	<b>\$1,111,986</b>	<b>\$141,600</b>

Notes:  
\*Proposed Contingency Options for FY 12-13 still need approval from the City Council.  
The Early Retirement Incentive Plan will be offered again in FY 12-13.

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Updated: 5/24/2012

Contingency Option Savings

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	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Total Savings Per Line Item	Proposed FY 12-13*
<b>Public Safety</b>						
1 Eliminate Patrol Sergeant	\$182,640				\$182,640	Assign the Safety Education Officer to Teach 7th Grade, reduce PT hours
2 Elimination of Sheriff's Annex Station Costs (Rent, Insurance)	53,500				53,500	Contract service level adjustment- 2.23% rate increase with 2 vacant motor position eliminated
3 Equipment Replacement Fund - Reduced Charge			1,451		1,451	
4 Reclassify Admin Analyst Position to Admin Aide	18,950				18,950	
5 Reduce Auto Allowance	1,200				1,200	
6 Reduce Bicycle Patrol Budget	20,000				20,000	
7 Reduce Positive Alternatives Program (2nd, 5th, & 7th Grade only)			17,080		17,080	
8 Reduce PSO Hours (Oct - Feb)			3,530		3,530	
9 Reduce Rate for School Resource Deputies			100,869		100,869	
10 Reduce Safety Contingency Accounts		290,000			290,000	
11 Reduce Sheriff's Station Hours (Sunday only - half days)			10,827		10,827	
12 Reduce Surplus Minutes in Sheriff's Contract		60,000			60,000	
13 Revise Adult Probation Services			64,806		64,806	
14 Revise Special Assignment Deployment			220,087		220,087	
15 Vacant Positions	214,871		84,364		299,235	
16 Volunteers on Patrol at Concerts Instead of Two PSOs			1,000		1,000	
<b>Department Savings Per FY</b>	<b>\$488,981</b>	<b>\$310,000</b>	<b>\$503,994</b>	<b>\$0</b>	<b>\$1,302,955</b>	<b>\$314,335</b>
<b>Public Works</b>						
1 Early Retirement Incentive Plan (4 Retirees)			\$182,914	\$365,828	\$548,742	Reduce Contract Services
2 Increase Industrial Waste Charges			15,000		15,000	Reduce Holiday Rentals
3 Maintenance Staff On Long-Term Disability (Including Benefits)			118,137		118,137	Reduce Overtime
4 Reduce Contract - HVAC			38,500		38,500	Reduce Rentals
5 Reduce Contract - Park Landscape Maintenance			90,000		90,000	Modify Street Sweeping Arrangement
6 Reduce Contract - Parking Lot Sweeping			24,000		24,000	Reduce Supplies
7 Reduce Contract - Pest Control			8,200		8,200	
8 Reduce Contract - Tree Maintenance			65,000		65,000	
9 Reduce Contract - Window Cleaning			17,000		17,000	
10 Reduce Environmental Management Budget (Prof Services)	30,000				30,000	
11 Reduce Equipment Replacement Fund Transfer		100,000	59,538		159,538	
12 Reduce Hourly Positions to 60 hours Per Pay Period			103,425		103,425	
13 Use Gas Tax Fund Balance for Street Maintenance Operations		550,000			550,000	
14 Use Measure R for Administration		68,734	41,870		110,604	
15 Vacant Positions	110,824		77,252		188,076	
<b>Department Savings Per FY</b>	<b>\$140,824</b>	<b>\$716,734</b>	<b>\$840,870</b>	<b>\$365,828</b>	<b>\$2,064,262</b>	<b>\$443,690</b>
<b>Theatre</b>						
1 Adjustment to Ticketing Surcharge			\$45,000		\$45,000	
2 Cooperative Productions		20,000			20,000	
3 Reduce Production Printing and Programs			20,000		20,000	
4 Reduce Production Supplies			5,000		5,000	
5 Reduction in Theatre Advertising and Marketing Over Two Year Period			200,000		200,000	
6 Revenues for Taste Productions			6,500		6,500	
7 Ticket Sales - Presentations	275,000				275,000	
8 Use Theatre Fund Balance for Operations Until Depleted		220,000			220,000	
9 Vacant Positions			10,696		10,696	
<b>Department Savings Per FY</b>	<b>\$275,000</b>	<b>\$250,696</b>	<b>\$279,500</b>	<b>\$0</b>	<b>\$805,196</b>	<b>\$0</b>
<b>Citywide</b>						
1					\$0	Various Line Item Reductions
<b>Totals Savings for each FY</b>	<b>\$2,205,916</b>	<b>\$1,734,449</b>	<b>\$2,835,110</b>	<b>\$658,197</b>	<b>\$7,233,672</b>	<b>\$1,773,612</b>

Notes:  
\*Proposed Contingency Options for FY 12-13 still need approval from the City Council.  
The Early Retirement Incentive Plan will be offered again in FY 12-13.

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