



NOTICE AND CALL OF SPECIAL MEETINGS OF THE SANTA FE SPRINGS PUBLIC FINANCING AUTHORITY AND WATER UTILITY AUTHORITY

TO THE MEMBERS OF THE SANTA FE SPRINGS PUBLIC FINANCING
AUTHORITY AND WATER UTILITY AUTHORITY AND TO THE CITY CLERK:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Santa Fe Springs Public
Financing Authority and Water Utility Authority is hereby called to be held on
Thursday, June 19, 2014, commencing at 5:00 p.m. in the Council Chamber at City
Hall, 11710 E. Telegraph Road, Santa Fe Springs, California, 90670.

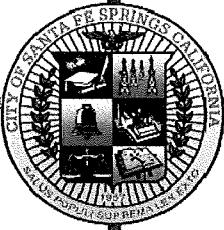
SEE ATTACHED AGENDA

Juanita Trujillo, Mayor
City of Santa Fe Springs, California

ATTEST:

Anita Jimenez, CMC
Deputy City Clerk

Dated: June 16, 2014



AGENDA

FOR THE SPECIAL MEETINGS OF THE SANTA FE SPRINGS
PUBLIC FINANCING AUTHORITY AND WATER UTILITY AUTHORITY
AND THE ADJOURNED MEETINGS OF THE
SANTA FE SPRINGS SUCCESSOR AGENCY
AND CITY COUNCIL

JUNE 19, 2014 – 5:00 P.M.

Council Chambers
11710 Telegraph Road
Santa Fe Springs, CA 90670

Juanita A. Trujillo, Mayor
Laurie M. Rios, Mayor Pro Tem
Richard J. Moore, Councilmember
William K. Rounds, Councilmember
Jay Sarno, Councilmember

Public Comment: The public is encouraged to address City Council on any matter listed on the agenda or on any other matter within its jurisdiction. If you wish to address the City Council, please complete the card that is provided at the rear entrance to the Council Chambers and hand the card to the City Clerk or a member of staff. City Council will hear public comment on items listed on the agenda during discussion of the matter and prior to a vote. City Council will hear public comment on matters not listed on the agenda during the Oral Communications period.

Pursuant to provisions of the Brown Act, no action may be taken on a matter unless it is listed on the agenda, or unless certain emergency or special circumstances exist. The City Council may direct staff to investigate and/or schedule certain matters for consideration at a future City Council meeting.

Americans with Disabilities Act: In compliance with the ADA, if you need special assistance to participate in a City meeting or other services offered by this City, please contact the City Clerk's Office. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Please Note: Staff reports, and supplemental attachments, are available for inspection at the office of the City Clerk, City Hall, 11710 E. Telegraph Road during regular business hours 7:30 a.m. – 5:30 p.m., Monday – Thursday and every other Friday. Telephone (562) 868-0511.

City of Santa Fe Springs

Adjourned and Special Meetings

June 19, 2014

1. **CALL TO ORDER**

2. **ROLL CALL**

Richard J. Moore, Councilmember
William K. Rounds, Councilmember
Jay Sarno, Councilmember
Laurie M. Rios, Mayor Pro Tem
Juanita Trujillo, Mayor

3. **INVOCATION**

4. **PLEDGE OF ALLEGIANCE**

UNFINISHED BUSINESS

5. Study Session - Proposed Fiscal Years 2014-15 and 2015-16 Budget and Related Items

Recommendation: That the City Council give staff direction regarding revenue and expenditure matters included in the Fiscal Years 2014-15 and 2015-16 Proposed Budget.

CLOSED SESSION

6. CONFERENCES WITH LABOR NEGOTIATORS

(Section 54957.6)

Agency Designated Representatives: City Manager, Assistant City Manager/Director of Finance, Human Resources Manager, City Attorney

Employee Organizations: Santa Fe Springs City Employees' Association and Santa Fe Springs Firefighters' Association

7. CONFERENCES WITH LABOR NEGOTIATORS

(Section 54957.6)

Agency Designated Representatives: City Manager, City Attorney, Labor Negotiator (Chris Birch)

Employee Organization: Santa Fe Springs Executive, Management and Confidential Employees' Association

8. **ORAL COMMUNICATIONS**

This is the time when comments may be made by interested persons on matters not on the agenda having to do with City business.

9. **ADJOURNMENT**

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted at the following locations; Santa Fe Springs City Hall, 11710 Telegraph Road; Santa Fe Springs City Library, 11700 Telegraph Road; and the Town Center Plaza (Kiosk), 11740 Telegraph Road, not less than 72 hours prior to the meeting.

Anita Jimenez

Deputy City Clerk

June 16, 2014

Date



City of Santa Fe Springs

City Council Meeting

June 19, 2014

UNFINISHED BUSINESS

Study Session - Proposed Fiscal Years 2014-15 and 2015-16 Budget and Related Items

RECOMMENDATION

That the City Council give staff direction regarding revenue and expenditure matters included in the Fiscal Years 2014-15 and 2015-16 Proposed Budget.

BACKGROUND

It is my pleasure to present the Fiscal Year (FY) 2014-15 and FY 2015-16 Two-Year Proposed Budget. This budget is the result of several months of work, including long and intense work with the various City Council Budget Sub-Committees. This budget cycle in some ways represents a return to normalcy, but in other ways is still tinged with echoes of the monumental fiscal challenges that the City has had to contend with over the last few years; namely, the loss of Redevelopment and the difficult challenge of rising employee benefit and retirement costs.

On the positive side, we continue to see slow but steady growth in most of our major revenue streams. That notwithstanding, the City, along with every city in the State, is and will continue to be challenged with increased Public Employee Retirement System (PERS) pension costs over the next three to five years, due largely to the more realistic and responsible approach that the PERS Board is now taking in terms of more thoroughly and accurately accounting for actual costs of employee benefit and pension costs. While the actions of the PERS Board are to be applauded for increasing the long-term viability and sustainability of the PERS system, it does not come without a cost. And, the cost for Santa Fe Springs for FY 2014-15 alone will exceed \$1 million. It should be said that the agreed-upon contributions that our employee groups have made over the last three years have better positioned the City to weather the storm that we expect to experience over the next three to five years. To be sure, had the City Council not adjusted to the downturn in the economy and the devastating loss of Redevelopment over the last three years so forthrightly, the next few years of expected PERS increases would undoubtedly wreak considerable havoc on the City's finances in a way that would call in to question our ability to maintain fiscal solvency.

With the above in mind, the City has proceeded through the budget preparation process with an outlook of "cautious apprehension." That is to say, the era of austerity that was needed to adjust to the loss of Redevelopment is behind us, but conversely, we are not in the position to make significant expansion to City operations, especially in a way that would aggravate our PERS liability. Where we find ourselves is in a position to continue the work of the last two years in rebuilding



City of Santa Fe Springs

City Council Meeting

June 19, 2014

our revenue base in a way that enhances our ability to sustain the level of service that we provide to the public on into the future. Key strategies in that regard are: 1) Building the City's reserves to a level that will help lessen the impact of the next downturn in the economy; 2) Continuing to reassess what the City's "Core Services" are, so as to ensure that the City's ability to provide those services that only the City can provide are not diminished as a result of "spreading ourselves too thin"; and, 3) Seeking ways to broaden and diversify our revenue streams, so as to lessen our dependency on sales tax revenue.

The Proposed Budget for Fiscal Years 2014-15 and 2015-16, I believe, moves us closer to the above objectives. As well, the proposed budget provides an unwavering commitment to making Santa Fe Springs a safe and great place to live, work, and play. It furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with our history, culture, and unique character. And, it maintains the long-term fiscal sustainability that was so painstakingly achieved over the last two years through the difficult but necessary budget modifications engendered by redevelopment's elimination.

Following is a more detailed review of the budget specifics:

Two-Year Proposed Budget: FY 2014-15 and FY 2015-16

We estimate that the FY 2014-15 and FY 2015-16 General Fund revenues will surpass expenditures by \$189,900 and \$211,500, respectively. For FY 2014-15, it is the anticipated result of approximately \$57.56 million in revenues and \$57.46 million in expenditures. During FY 2015-16, we estimate approximately \$57.64 million in revenues and \$57.45 million in expenditures. While revenues remain relatively strong, projected expenditures (largely fueled by PERS costs) grow at a faster pace. Budgeted City-wide expenditures are offset by utilizing FY 2013-14 one-time revenues to "pre-fund" future year equipment replacement and non-recurring needs.

The following page shows a summary of the Proposed Budget activity for each of the two fiscal years:



City of Santa Fe Springs

City Council Meeting

June 19, 2014

	Final Est. Fiscal Year 2013-14	Proposed Fiscal Year 2014-15	Proposed Fiscal Year 2015-16
Sources:			
General Revenues	\$ 43,397,000	\$ 43,144,000	\$ 44,009,000
<u>Applied Revenues</u>	<u>14,162,100</u>	<u>14,494,000</u>	<u>14,637,000</u>
Total Sources	57,559,100	57,638,000	58,646,000
Uses:			
Departmental Expenditures	\$ 51,561,300	\$ 54,156,400	\$ 56,034,500
Capital Improvement Projects	3,200,000	2,800,000	2,400,000
Non-Recurring *	145,200	341,700	---
PERS Stabilization - Labor	670,000	---	---
PERS Stabilization – Future Rates	100,000	100,000	---
Insurance Stabilization	150,000	50,000	---
Equipment Replacement	435,200	---	---
<u>Equipment Replacement - Prefunding</u>	<u>1,194,500</u>	<u>---</u>	<u>---</u>
Total Uses	57,456,200	57,448,100	58,434,500
Projected Surplus	\$ <u>102,900</u>	\$ <u>189,900</u>	\$ <u>211,500</u>

* FY 2013-14 Final Estimate amount reflects the current year budgetary impact. In December 2013, the City Council set aside \$9.3 million in FY 2012-13 General Fund Reserves toward a payment made under protest to the State Department of Finance (DOF) as part of the statewide dissolution of redevelopment.

Revenues

During FY 2014-15, we are expecting City revenues (not including the Water Utility Fund) to total \$57.6 million. This includes approximately \$43.1 million in "general" General Fund revenues and \$14.5 million in "applied" General Fund revenues that are derived from the operations of specific departments and allocated to offset those same departmental expenditures. While in FY 2014-15 General Fund revenues are projected to be about the same as the current year estimate, the following year is projected to generate about \$1 million in revenues. This is largely due to sales tax revenues increasing about \$600,000 from the prior year.

The following graph illustrates an overall view of the City's revenues for each of the next two fiscal years.

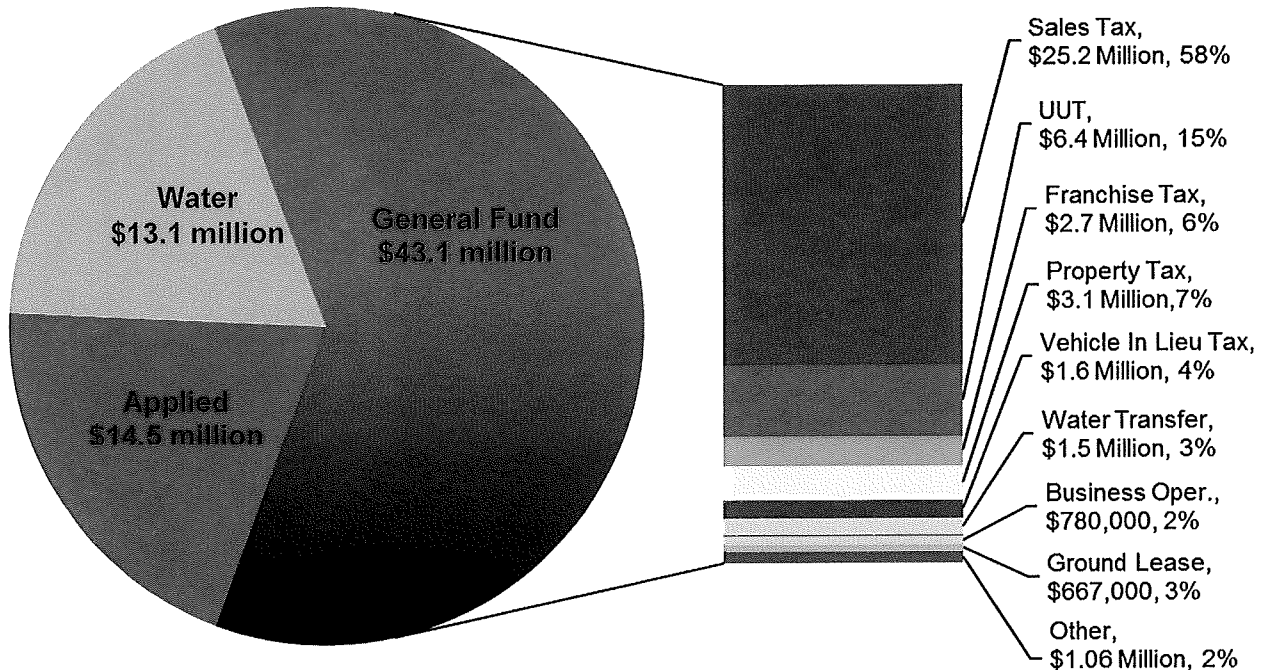


City of Santa Fe Springs

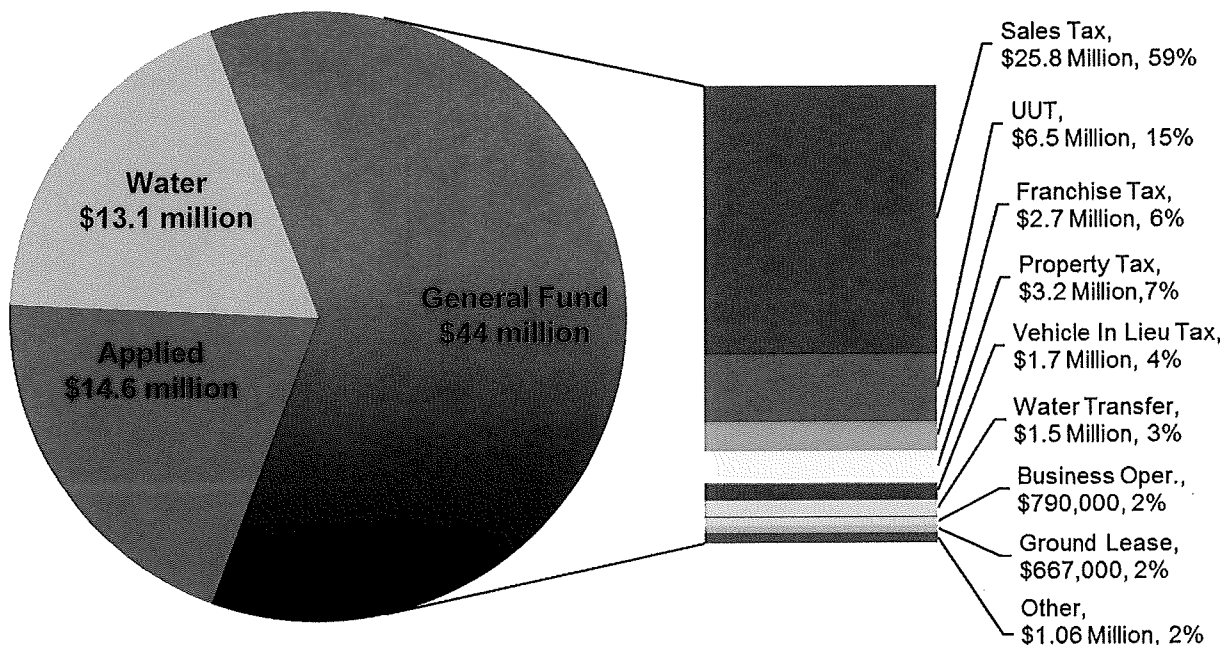
City Council Meeting

June 19, 2014

FY 2014-15 City Revenues - \$70.7 Million



FY 2015-16 City Revenues - \$71.7 Million





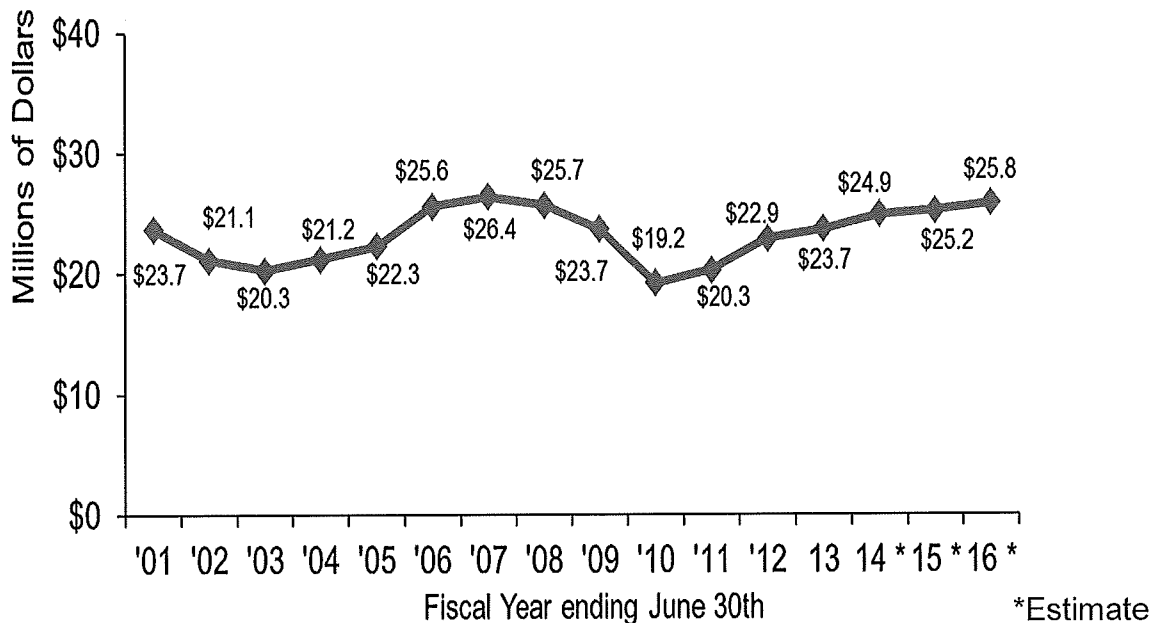
City of Santa Fe Springs

City Council Meeting

June 19, 2014

Sales Tax Revenue – Historically, the City has benefitted greatly from the large business community and the sales tax revenue generated. Conversely, during the “Great Recession” the City’s revenues were disproportionately impacted by the downturn in the economy. Since then, modest gains have provided for a slow but steady rise and overall a favorable trend upward.

Sales Tax Revenue History



Utility User's Tax - The addition of the Utility User's Tax in late 2010 has continued to provide much-needed revenue diversification that reduces the City's reliance on Sales Tax Revenue and the disproportionate impact an economic downturn has on the City of Santa Fe Springs compared to other communities. The City anticipates receiving \$6.4 million and \$6.5 million during FY 2014-15 and FY 2015-16, respectively.

Other Revenues – The passage of Measure S in November 2013 provided for an updated and equitable Oil Barrel Tax to be applied to those companies extracting oil from beneath Santa Fe Springs. A combination of the new rate and more oil being produced is estimated to result in an estimated 45.5% increase in revenue. In addition, the City will see a near 50% increase in interest earnings as a result of



City of Santa Fe Springs

City Council Meeting

June 19, 2014

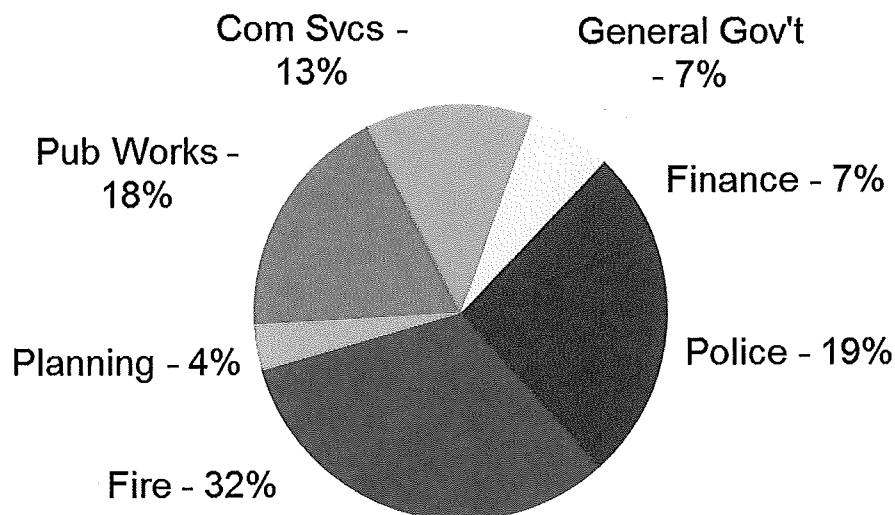
the realization of revenues from two Community Facility Districts. Unfortunately, the City's overall interest earnings are so low that the 50% increase only represents \$44,000 in new revenue.

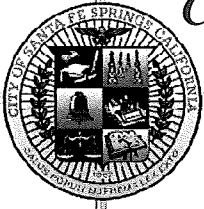
Expenditures

General Fund expenditures and fund transfers are expected to total approximately \$57.5 million in FY 2014-15, or about the same amount as the current year. In FY 2015-16, we can expect a total of \$58.4 million or about \$1 million more than currently expended. The growth is almost exclusively in the operating departments and attributed to higher pension costs.

Departmental expenditures are estimated at \$54.2 million in FY 2014-15 and \$56 million in FY 2015-16. As previously mentioned, applied revenues offset departmental expenditures. In FY 2014-15, applied revenues of \$14.5 million will offset the \$54.2 million in gross expenditures for a net department "cost" of approximately \$39.7 million. The three largest department expenditure components (based on gross expenditures) are Fire, Police, and Public Works. Combined, the amounts spent on public safety (Police and Fire-Rescue Departments) account for slightly more than half of the City's operating expenditures.

Departmental Expenditures - \$54.2 Million



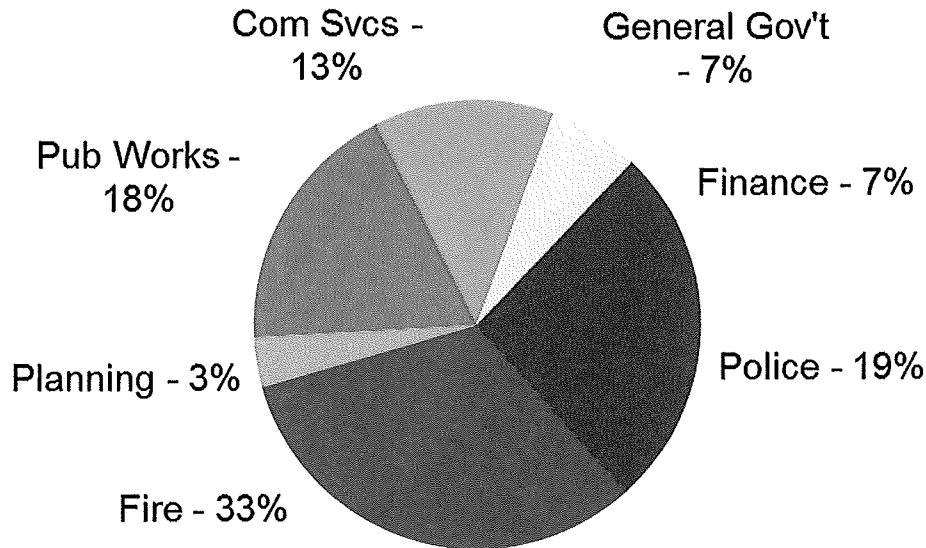


City of Santa Fe Springs

City Council Meeting

June 19, 2014

FY 2015-16 Departmental Expenditures - \$56 Million



The Final Estimate for FY 2013-14 and the Two-Year Proposed Budget include earmarked funds for Capital Improvement Projects, Non-recurring expenditures, City-wide equipment replacement, and set-aside funds to stabilize labor costs, PERS pension rates, and insurance contributions.

Conclusion

As has been made clear over the last few years, the City has been in transition due to the hard-learned lessons of the "Great Recession" and the devastating loss of redevelopment; the overall challenge of the last few years has been, how can the organization emulate the wonderful achievements and outcomes of the past in an environment where we have dramatically fewer fiscal resources and as a result, fewer human resources? The proposed Fiscal Years 2014-15 and 2015-16 budget succeeds in building back up the City's fiscal health, while moving the City closer to restoring our organizational capacity to the heights we achieved prior to the Great Recession and the elimination of redevelopment. Of course, achieving the same outcomes with fewer fiscal resources requires changing the way we do things in order to gain greater efficiencies.

In closing, although we are experiencing some signs of optimism in the economy, we must not lose sight of the difficulties we have overcome, nor lose sight of the challenges that are before us. We have succeeded because of the strong partnerships we have developed with residents, businesses, and employees, as



City of Santa Fe Springs

City Council Meeting

June 19, 2014

well as our collective commitment to shared responsibility and shared sacrifice. That commitment and strategy has gotten us through the eye of the storm. It is incumbent on us to remain vigilant and continue our prudent and "cautiously apprehensive" course.



Thaddeus McCormack
City Manager