



## **NEW BUSINESS**

### Review and Approve Budget Adjustments Recommendations in Response to the State Elimination of Redevelopment

#### **RECOMMENDATION**

Authorize the actions recommended herein to achieve necessary budget savings in response to the elimination of Redevelopment.

#### **BACKGROUND**

On December 29, 2011, the California Supreme Court upheld AB 1X 26 (the redevelopment "elimination" bill), but struck down AB 1X 27, the bill that would have allowed agencies to remain in operation as long as they made a payment to the State. The California Supreme Court also amended certain dates contained in AB 1X 26. Most notably, the October 1, 2011 date for dissolution of redevelopment agencies was changed to February 1, 2012. The Court ruling gave the City exactly one month to eliminate Redevelopment by February 1st. In so much as Redevelopment has been at the core of our existence for so long, and because so much of our City was in Redevelopment Project areas, the elimination of redevelopment will affect us in a disproportionately vis-à-vis surrounding communities.

The proof of the success of Redevelopment and the positive way it was used in Santa Fe Springs is evident in the attractive transportation corridors, thriving businesses and multitude of high paying jobs that have brought benefit to our community, the regional economy and the State coffers. The City of Santa Fe Springs has used redevelopment as a means to advance development activity and transform economically and environmentally depressed areas. And, now the State has taken that tool away.

Clearly, the City of Santa Fe Springs can no longer do business as usual. If we are to successfully transform ourselves from a small city with a large redevelopment agency (formerly the 20<sup>th</sup> largest in the State), to just a small city with no redevelopment agency, we will need to do more than make superficial cuts. We will need to retool City government for greater efficiency and a more streamlined organization to maintain as many services as possible and the jobs that support those services.

Over the past few weeks, the City Manager and Director of Finance and Administrative Services have been working with a City Council Ad hoc Sub-Committee on devising a plan to respond to what is clearly the greatest financial crisis the City has ever faced. The Sub-Committee has met for over eight hours over two sessions and the City Council has held two additional study sessions on the matter on January 23 and February 4.

As outlined and discussed at the meetings of January 23 and February 4, the elimination of redevelopment presents a budgetary challenge of \$13.4 million. The City's Community Development Commission received approximately \$30 million a year, \$10.4 million of which went to support (directly and indirectly) the City's \$55 million City Budget. In addition, Redevelopment funds were used to pay for infrastructure-related Capital Improvement Projects (CIPs). The elimination of redevelopment, therefore, deprives the City of its main source of funding for CIPs. Accordingly, we are recommending that the Post-Redevelopment Plan (the Plan) allot an additional \$3 million to fund future CIPs; thus the net impact of the elimination of Redevelopment to the City's operations is a \$13.4 million challenge.

Furthermore, it is my recommendation that the City Council identify \$3 million of ongoing funding sources to fund CIPs, so that our ability to repair and maintain infrastructure is not annually pitted against other operational needs as part of the annual budget. Accordingly, I recommend "earmarking" 1.5% of the UUT (note: it is recommended below that the current UUT of 3.5% be adjusted to its maximum authority of 5%) to fund CIPs, as well as new Property Tax that the City will receive in-lieu of our former Tax increment, which is estimated at \$1.3 million. In addition, I recommend shifting \$200,000 of Local Return Transportation funds to make up the balance of the \$3 million.

Staff has been working collaboratively with the Council Subcommittee to devise a plan consistent with identified City Council Budget Priorities, and that addresses the \$13.4 million challenge. This plan is being presented for the Council's consideration tonight. It will realize significant savings for the current fiscal year and, more importantly, lay the ground work for a balanced Fiscal Year 2012-13 budget. Staff will bring back more precise current year budget modifications in March. Some of the Plan's actions will be more easily implementable than others, and therefore the savings (or revenue enhancements) more easily realizable. Most actions will entail additional steps beyond the Council's approval, and therefore, are not as easy to predict when we can begin realizing the savings. All actions will be in place before the end of the fiscal year.

I am attaching the power point presentation given at the two recent budget study sessions, which outlines the strategy that guided us in devising the plan. To summarize, rather than merely cutting the areas formerly funded through redevelopment, we set about devising a plan that recognizes the Council/Community's priorities with the intent of minimizing loss of services. We felt it was important to develop a plan that allows the City to still meet the overall needs of the community from day one, and did not leave the organization so diminished and depleted that it could only perform minimal functions. I have used the metaphor (perhaps overly so) that it is important that we are still able to deliver a wide range of quality services and do not cut so deeply in one area such that we become a three-legged dog hopping down the street. I believe the proposed plan still enables us to do a wide variety of things, and do them well. However, it requires us to do many things differently. And, indeed, it will entail cuts to some programs and services –

and, therefore, the elimination of positions. As difficult as that is, the State's actions leave us no choice. We did, however, try to balance those cuts with a strategy that spreads the pain across all stakeholders (Residents, Businesses and Employees).

A key component of the plan is predicated on the elimination of between 20 - 30 positions. The Council took action on February 4, 2012 to initiate a 2-year retirement incentive. Eligible employees have been asked to provide a tentative (non-binding) indication of their interest by Monday, February 27<sup>th</sup>. I am hopeful that many employees will avail themselves of this program, which would greatly reduce the number of positions that will need to be eliminated through lay-offs.

As mentioned above, many of the proposed actions require "next steps," that make it difficult to identify the precise savings that will be achieved. Nonetheless, below is a general outline of the proposed budget actions, with what staff believes are "achievable" budget amounts:

<b>Revenues – New/Revisions</b>	<b>Amount</b>
<b>New:</b>	
Post AB 1X 26 - Additional Property Tax	\$1,300,000
Post AB 1X 26 - Admin. Fee from State	330,000
Raise UUT Rate from 3.5% to 5%	1,500,000
<b>Revisions:</b>	
Projected Higher UUT Revenues (with 3.5% Rate)	1,500,000
Projected Higher Sales Tax Revenues	<u>1,000,000</u>
Sub-Total	<b>\$5,630,000</b>
<b>General Expenditures</b>	
Seek greater Employee (Miscellaneous and Fire) contributions to Employee Benefits For savings up to or greater than \$1.5 million	<u>\$1,500,000</u>
Sub-Total	<b>\$1,500,000</b>
<b>Labor (General/Management)</b>	
Seek Salary and Benefit reductions from approximately 20-30 Full-Time positions through a combination of retirements and/or layoffs	<u>\$2,900,000</u>
Sub-Total	<b>\$2,900,000</b>
<b>Fire-Rescue</b>	
Seek agreement to reduce minimum staffing, while still maintaining the same number of personnel, so as to reduce overtime costs	<u>\$1,750,000</u>
Sub-Total	<b>\$1,750,000</b>
<b>Alternative Service Delivery</b>	
Seek reductions in existing vendor contracts (including Law Enforcement) Seek bids on all contracts that have terminated or are near termination Where feasible, seek proposals from outside vendors (public or private) for the provision of certain services currently provided in-house.	<u>\$ 550,000</u>
Sub-Total	<b>\$ 550,000</b>
<b>Planning/Housing</b>	
<i>*Unless the State restores the funding to Housing programs, the following cuts will be necessary</i>	
Eliminate Housing Rebates, Home Repair Program, Housing HARP Program	<u>\$ 1,205,000</u>
Sub-Total	<b>\$ 1,205,000</b>
<b>Grand Total</b>	<b>\$13,535,000</b>

As well as authority to implement the above budget actions, Staff is seeking the approval of the following proposed actions, some of which relate to items listed in the above budget outline:

1. Authorize the City Manager to declare a fiscal emergency and communicate as such to the various labor groups for the purpose of "opening up" the current year labor agreements for possible amendment.
2. Direct the City Manager and Director of Police Services to discuss potential changes to the Law Enforcement Contract with the City of Whittier.
3. Direct the City Manager and Director of Public Works to work with Complete Landscaping to seek reductions in cost/service to existing contract.
4. Direct the City Manager and Director of Public Works to work with Merchants Janitorial Services to seek reductions in cost/service to existing contract.
5. Direct the City Manager to pursue contracting out for various services currently provided by City personnel, including developing RFPs, which would be brought back to the Council for approval before going out to bid.
6. Reduce Full-Time and Part-Time Benefitted employee labor cost appropriations by authorizing the City Manager to take actions in the following categories. Such actions may include, but not be limited to, the elimination of budgeted positions, the initiation of lay-off and/or employee bumping procedures, the creation of employment classifications and pay ranges, down classifying of positions, reassignment of employees, re-organization of functions, and reduction of hours worked for part-time employees. Notices to impacted employees as to their respective options would be made starting in March.
7. Authorize City Manager to discuss potential for 2-year retirement incentive for Firefighter Association employees, concurrent with discussions on reduction of staffing.
8. Approve the following Severance Program for City Full-Time or Part-Time Benefitted employees, subject to consultation with the various labor groups, whose positions have been eliminated and who choose not to exercise "bumping rights, if appropriate to their circumstances, or who, as a consequence of the "bumping" process have been laid-off:
  - Minimum of 1 Month Pay with a Maximum of \$35,000
  - One week of pay for each year of service (for full credit of one year, the employee must have six months service, within that year)
  - For Part-Time employees, one-half year credit for each full year of Part-Time service
  - Cobra medical insurance would be paid for the "Term of Severance."
9. Again, subject to consultation with the various labor groups, as was the case when the City last implemented layoffs, in the case of ties in seniority as measured by hire date when applying City seniority bumping policies, the employee with the lower "employee number" would be considered the most senior.

10. Authorize the City Manager and Director of Finance and Administrative Services to bring back to the Council the necessary actions needed to approve raising the Utility User's Tax to 5% from the existing 3.5%.

If approved, implementation of these recommendations will occur over the next few weeks. Critical to success will be communication with all community stakeholders, including City employees, the various labor groups, residents and the business community. The City Manager and Director of Finance and Administrative Services intend to immediately commence communication with the abovementioned groups through a variety of formats and forums. It would be our intent to begin labor negotiations as soon as possible, in order to maximize the potential for savings in this current fiscal year. Accordingly, we expect to meet with leaders from the labor groups on February 17, with official "meet and confer" negotiations beginning as early as the following week. Through the months of February and March, presentations on the plan will be made to all City Council Advisory groups. As well, we have already made outreach to the Chamber of Commerce and Business Community. These efforts will be ongoing.



Thaddeus McCormack  
City Manager

Attachment(s)  
Powerpoint Slide Presentation