



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: DECEMBER 4, 2018
DEPARTMENT: ADMINISTRATION
FROM: RAY E. CORPUZ, JR., CITY MANAGER
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TITLE: NATIONAL RESOURCE NETWORK FINAL REPORT

RECOMMENDED MOTION:

This item is informational only.

RECOMMENDATION:

Staff recommends Council receive and accept the report.

EXECUTIVE SUMMARY:

The attached Report represents the culmination of nearly a year of work by the National Resource Network to develop a plan to eliminate the City's long-term structural deficit while preserving its ability to continue to maintain its strategic priorities, including those relating to housing and homelessness, and core services. The Report includes 31 specific recommendations for concrete actions the City can take which, taken together, should allow the City to continue to provide high-quality services to the community while managing costs.

BACKGROUND:

In November 2017, the City was one of five Cities selected nationally by the National Resource Network to perform an analysis to develop and implement multi-year budgetary planning. In addition to the City's \$100,000 investment, the John and Laura Arnold Foundation provided \$300,000 in funding. The NRN has engaged the services of multiple parties, including PFM Group Consulting, Marquez Community Strategy, and Enterprise Community Partners, each of which has contributed to this Report. These organizations have conducted a thorough analysis of our financial records and data, have reviewed previous studies and analyses performed for the City, examined internal documents and policies, and have engaged in numerous interviews with City executive and managerial staff, staff and officials from other government institutions, bargaining unit representatives, and community representatives. The Attached Final Report is the result of this effort.

As has been previously well-documented, the City of Salinas has experienced on-and-off budgetary challenges for over a decade. In the past, the City has made several efforts to reduce

its expenses, with reductions in the amount of services being provided and employees making significant sacrifices in order to keep the budget balanced. The City has also pursued additional revenues, most notably the Measure V/E and Measure G transaction taxes, as well as an update to the Utility User's tax. These additional revenues have enabled the City to reinstate many valued services and start new initiatives such as the Downtown Vibrancy Plan, the Alisal Vibrancy Plan, the development of the AgTech Ecosystem, the Economic Development Element, the restoration of sidewalk repair services, maintaining and expanding the City's library system, park and facilities maintenance and upkeep, responsive public safety services, and development of City infrastructure, including the construction of a new Police Station.

Unfortunately, these efforts to date have proven insufficient in the face of recent developments. In December 2016, CalPERS announced that they would be lowering their pension's discount rate, significantly increasing the City's pension obligations. Coupled with increases in health care, worker's compensation, and other costs, the result is that expenses are increasing faster than revenues. The impacts of this are already being felt: the FY 18-19 budget relied upon freezing positions (eliminating services or shifting additional duties to remaining employees) and dipping into the City's reserve in order to balance. This situation will only get worse, and left unresolved threatens to result in layoffs, significant reductions in employee compensation, and the loss of the ability to execute critical City functions. Fortunately, while these deficits are likely unavoidable, the City still has time to take action before the situation becomes acute.

In order to create the infrastructure to properly analyze the City's the National Resource Network developed a ten-year budget model. While no ten-year forecast will be flawless, looking at the problem in this way enables the City to examine problems and find solutions that will be sustainable over the long term. Utilizing this tool, in concert with the other sources described above, the National Resource Network has presented a number of recommendations that, if implemented, should close the budget gap over the following ten-year period.

This Report should not be viewed as an attempt to cut services or employee benefits. Rather, this Report is an attempt to minimize these impacts to the extent practicable. However, even if this plan is followed, it will not be painless. Some of the recommendations are designed to increase revenues which would be borne by people visiting, doing business, or living in Salinas, and others result from the City reducing its expenditures, impacting services and employee compensation. While attempts have been made to minimize each of these impacts, they are ultimately impossible to avoid when facing budget reductions of this magnitude. It is important to remember that, regardless of whether these recommendations are implemented or not, the City's structural deficit is a challenge that will be resolved one way or the other, whether that be through action or inaction.

This Report is informational only. Following this presentation, staff will begin the process of moving forward on many of these recommendations, many of which will require action by Council. It will ultimately be the decision of this and future Councils whether these recommendations are implemented.

STRATEGIC PLAN INITIATIVE:

This Project furthers the goal of Effective, Sustainable Government as identified in the City Council's current Strategic Plan, and would likely support other goals as well through its impacts.

DEPARTMENTAL COORDINATION:

As noted above, all City Departments have been consulted as a part of this project, and have had the opportunity to provide significant feedback.

FISCAL AND SUSTAINABILITY IMPACT:

While no action is requested tonight, the recommendations in the Report, if fully implemented, should drastically reduce or eliminate the City's structural budget deficits, allowing for sustainable budget planning and increased confidence that funds will be available for future initiatives and employees.

ATTACHMENT:

National Resource Network Final Report