



City of Salinas, CA Assessment Report

November 15, 2017

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BACKGROUND

THE NATIONAL RESOURCE NETWORK

In the years immediately following the Great Recession, just under one-third of the 1,000 cities in the United States with a population of 40,000 or more struggled with serious economic challenges, as measured by poverty, unemployment, or population decline. In 2013, with the goal of rethinking how the Federal government could most effectively and efficiently support a turnaround in these struggling cities, the U.S. Department of Housing and Urban Development (HUD) selected a consortium of five organizations – each with a track record of working with city officials – to administer the National Resource Network and work side-by-side with city officials to deliver on-the-ground assistance.¹ This initial effort was supported by \$10 million in federal funding.

The Network concept recognized that economically challenged cities rarely face just a single obstacle to revitalization. Economic challenges are often directly related to housing, equity, downtown development, transportation, workforce development, education, and public safety issues. Frequently, the local government may lack the fiscal and operational capacity needed to tackle these issues. Legacy costs (e.g. pensions and other retiree benefits) and public safety costs – which can sometimes account for more than half of a city's budget – often crowd out opportunities to invest in the future.

Economically challenged cities need additional resources to pursue a turnaround agenda, but financial support alone is rarely sufficient. In the most struggling cities, government leaders lack basic staff capacity to address a depleted civic infrastructure. These cities are ill-positioned to partner effectively with community organizations, businesses, philanthropies, anchor institutions, and other governmental agencies. Moreover, struggling cities often need to simultaneously address downtown development, neighborhood quality of life, crime, health, public education, and other challenges. An effective turnaround plan offers a focused, phased approach, not a mythical, one-time “silver bullet” solution. By drawing on the collective expertise of the members of the consortium, the Network was designed to take a comprehensive approach to finding new solutions for cities.

The results have been impressive. To date, the Network has successfully partnered with 50 cities in 22 states. Mayors and City Managers across the nation have credited the Network with providing one-of-a-kind assistance in supporting different strategies for economic turnaround, which in turn has led to ongoing bipartisan support in Congress for this program.

THE NEED FOR MULTI-YEAR FINANCIAL PLANNING

Now, with the support of a grant from the Laura and John Arnold Foundation, the Network is embarking on a second phase of targeted support **focused on developing multi-year financial plans.**

In our work with economically challenged cities, the Network has recognized that many often face serious fiscal woes. A deteriorating tax base combined with increased demand for city services and increased costs have led to economic decline that has plunged these cities into an oppressive cycle of structural deficits, or worse.

The lack of fiscal capacity has also frequently left these cities struggling to set a course for economic competitiveness. A Federal Reserve Bank analysis of budgetary trends during the Great Recession

¹ Enterprise Community Partners, The PFM Group, HR&A Advisors, NYU Wagner School of Public Service, and the International City County Managers Association (ICMA).

found that local governments in one Federal Reserve district responded to reductions in state funding and tax revenue by cutting support for community and economic development, investments necessary for a long-term turnaround.² Instead, legacy costs (e.g. pensions and other retiree benefits) and public safety costs – which can account for half or more of a city’s budget – crowded out opportunities to invest in the future.

Multi-year financial plans are a path toward fiscal sustainability. But they are also a means of guiding cities toward policies that enhance quality of life and economic competitiveness. Without the fiscal house in order, it is difficult – if not impossible – for these cities to recover economically.

Multi-year plans are designed to ensure that cities are able to address four basic components of fiscal sustainability:

- Cash Position – the ability to generate sufficient cash to pay immediate liabilities;
- Budget Position – the ability to generate sufficient revenues over the budgetary period to meet all expenditures without incurring deficits;
- Structural Position – the ability to ensure that recurring revenues meet recurring expenses from year to year; and
- Community Goals – the ability to deliver desired services over time and respond to changing needs and preferences.

It is the last of the four components that may be the most important to the recovery of economically challenged cities. Balanced budgets are essential to the governance of cities, but few residents or businesses choose to locate in a city just because it has a balanced budget. Fiscal stability is a necessary but not sufficient aspiration for distressed cities. Multi-year plans are a means of ensuring that cities are positioned to make beneficial investments for quality of life and economic competitiveness.

Multi-year financial plans also allow city officials and stakeholders to evaluate these various components of fiscal sustainability in a quantified, analytical, and logical way. They are an important tool for communicating city priorities to different audiences to leverage community buy-in for a forward-thinking approach.

A multi-year financial plan takes a comprehensive look at a government’s operations and finances projected over several years to identify future gaps in resources, including operating deficits, and provide strategies to fill those gaps. In addition, a multi-year financial plan is also a means to test the ability of a City to organize around community goals and direct its resources to this end.

SALINAS ASSESSMENT METHODOLOGY

ELIGIBILITY

For the selection of cities for direct assistance in the development of multi-year financial plans, the Network developed a new set of criteria for eligibility based on many of the same factors as used in the initial phase of assistance. Cities were eligible for assistance if they met one of the following criteria:

² Keith Wardrip, Fiscal Stress in the Small Postindustrial City: Causes, Consequences and Implications for Community Development, Federal Reserve Bank of Philadelphia, May 2014.

- (1) a population decline of 2 percent or more between 2010 and 2015, as measured by the U.S. Census and the American Community Survey;
- (2) a poverty rate of 20 percent or more (excluding students enrolled in undergraduate, graduate or professional school), as measured by the 2015 American Community Survey;
- (3) an increase in the poverty rate (excluding students enrolled in undergraduate, graduate or professional school) by 4 percentage points or more, between 2010 and 2015;
- (4) a 2016 annual average unemployment rate of 6.5 percent or more, as measured by the Bureau of Labor Statistics;
- (5) an increase in the annual average unemployment rate by 4 percentage points or more, between 2010 and 2016;

In addition, the Network sought to target assistance to those cities where it believed that local leadership would be most ready and willing to support the work of a multi-year financial plan. Based on recommendations from members of the Network consortium, 58 cities were invited to submit applications for assistance in the development of a multi-year financial plan.

APPLICATION

On September 14, 2017, the City of Salinas, CA submitted an application to the National Resource Network. Salinas was invited to participate based on its 2015 poverty rate of 20.2 percent. Salinas' official poverty rate almost certainly understates the economic hardship experienced by its population, as the City has a high cost of living and very expensive housing market (the median housing price is nearly \$435,000).

The City's own financial projections show that Salinas faces steep structural deficits that will severely limit its ability to maintain services. As noted in Salinas' application, the City has been able to manage current deficits by not filling vacancies and renegotiating benefits in labor contracts. In addition, the City utilized its financial reserves and eliminated 20% of the workforce over a three-year period. Even with these measures, City budget projections show that **the current budget deficit of \$1.2 million will grow to nearly \$15 million per year by FY 2025-26**, driven by CalPERS retirement costs (which have been increased due to a recent change in the discount rate assumption), health insurance, and workers compensation costs.

The City has worked to control wage increases and workers compensation, and has negotiated concessions with union leadership for six years. However, even with two voter-approved sales tax measures, the City's revenues are simply not growing at the pace necessary to cover projected increases in expenditures.

On the revenue side, the City has secured increases in taxes to maintain services. Sales tax measures V (now referred to as Measure E) and G provides significant annual, ongoing revenue that is directed, in part, by community oversight committees. These measures were voted on by Salinas' residents and have helped stabilize the City's budget for several years. In fact, revenues generated through Measure E funds a significant portion of the Community and Library Services department budget.

Beyond its budget, Salinas faces significant challenges. The Salinas Valley is one of the largest producers of fresh foods in the nation, with an annual farm gate value of \$4.3 billion in the last year. Despite this wealth, the Salinas' median household income is at 80% of the State's median income. At the same time, median housing prices are 111% higher than the statewide average.

Salinas struggles with multi-generational gang membership and the violence often associated with gangs. While the City has been fighting gang violence for decades, there is very little current knowledge or understanding of how gangs are structured and operate within the City. In 2016, Salinas experienced over 1,000 violent crimes, and 35 murders. Nearby San Jose had 42 homicides, despite having seven times the population. The City is currently working with the Center for Public Safety Management to review the City's public safety departments.

The City has actively engaged in economic development efforts. These efforts seek to not only provide for a healthy business sector, but also a trained workforce, healthy population, and high-quality of life. To accomplish this, the City has invested in a number of business, community, and youth based programs with the goal of ensuring the long-term prosperity of the City through its long-term investments.

In response to these challenges, the City Council has adopted five overarching goals as part of a strategic planning effort:

- Economic Diversity and Prosperity
- Safe, Livable Community
- Effective, Sustainable Government
- Well Planned City and Excellent Infrastructure
- Quality of Life

Each year during the budgeting process, the City Manager, City Council, and staff attempt to align City spending priorities with targeted and specific objectives in order to accomplish the Council's strategic goals. Yet, given the City's budgetary challenges, the City has struggled to maintain existing services let alone make new investments.

PHONE INTERVIEW WITH CITY REPRESENTATIVES

Following a review of the City's application and supplemental materials, the Network scheduled a call with the City Manager, Finance Director, and Economic Development Director on September 29, 2017. The Network team for the initial assessment call included: David Eichenthal, Russ Branson, and Nina Bennett (PFM); and Mercedes Marquez (Marquez Strategy).

ON-SITE INTERVIEWS

Between October 31st and November 2nd, a Network assessment team conducted a site visit in the City of Salinas. The team included representatives from the following organizations: Russ Branson and Ryan McNeely (PFM); Mercedes Marquez (Marquez Community Strategy); and Anna Ravindranath (Enterprise Community Partners). Over the course of three days, the assessment team met with elected leaders, City executive team, and key department representatives to better understand the key challenges facing Salinas and determine how to best integrate a multi-year financial plan into ongoing strategic planning efforts. The assessment team met with the following individuals:

- Joe Gunter (Mayor)
- Ray Corpuz, Jr. (City Manager)
- Jim Pia (Assistant City Manager)
- Matt Pressey (Finance Director)
- Jose Arreola (Chair of the Community Alliance for Safety and Peace)
- Andrew Myrick (Economic Development Manager)
- Don Reynolds (Interim Public Works Director)
- Brett Loomis (Interim Fire Chief)

- Cary Ann Seigfried (Libraries and Community Services Director)
- Adele Frese (Police Chief) and Cynthia Burnham (Police Services Administrator)
- Marina Gallegos (Human Resources Officer)
- Megan Hunter (Community Development Director)

Based on the City's application, the telephone interview and the on-site visit, the Network determined that it would proceed to this assessment report.

SUMMARY OF ASSESSMENT FINDINGS

Based on the assessment team's review of City documents and our meetings with the Mayor and staff, we have developed the following overall findings:

STRUCTURAL BUDGET DEFICIT

The City of Salinas is a full-service "Charter City" providing police, fire, public works, community development, library, recreation, and general administrative services. The City employs 613 full time employees and several hundred part-time employees. In FY18, the City's total budget is \$185.1 million. Operating funds of the city total budget of \$150.2 million— \$114.0 million is in the General Fund, \$36.2 million in other operating funds—plus a CIP budget of \$34.9 million. Several City budgets show revenues exceeding expenses:

- **General Fund:** reducing \$2.3 million of beginning fund balances by the end of FY18
- **Golf Courses:** require a \$450,000 infusion from the General Fund
- **Storm Sewer:** has a negative fund balance of (\$1,067,043)
- **Downtown Parking District:** has a negative fund balance of (\$920,863)
- **Sanitary Sewer:** has a negative fund balance of (\$101,381)

Salinas spends 63 percent of its operating budget on public safety (Fire and Police) and has granted raises to the Police unions in the last year. The Fire union is currently in labor negotiations with the City, and any pay increases or other changes in compensation resulting from those negotiations will impact future budgets. Additionally, increasing health care and workers compensation costs are also impacting the overall City budget.

In addition to normal program costs, a December 2016 decision by CalPERS to decrease their earnings discount rate has led to a projected annual increase in pension payments. For its unfunded pension liabilities alone, the City will see consistent annual cost increases that will total \$34 million in cumulative increases over next seven years. This cost increase is at the heart of the City's current expected growing fiscal deficit. Additionally, it is possible that CalPERS will further reduce the discount rate, leading to even higher pension costs.

The City has actively addressed its budget deficits through two voter-approved sales taxes. These taxes support both City operations and capital needs. Additional voter-approved taxes may be politically difficult to achieve in the short-term. Nevertheless, the City has significant unfunded capital costs and deferred maintenance costs are not fully known.

Lastly, the current workforce strategy, reflected in labor agreements, is increasing the long-term budget deficit as well. This is occurring at the same time that pension costs are rising. The City needs to have a compensation plan that is fair and attractive, but it also needs to have an overall budget strategy that is in line with both financial resources and community needs.

NEED TO STRATEGICALLY REORGANIZE AND RESTRUCTURE CITY GOVERNMENT

The City's organizational structure is a legacy from the budget cuts made in the aftermath of the Great Recession, eliminating 135 positions over three years as opportunities presented themselves (i.e., vacant positions). While the City has recently started a priority-budgeting process, there is a need to reorganize around clear goals for the community, especially in light of expected budget deficits in the coming years.

City departments often operate in silos resulting in duplications of work and limited coordination of services. An example in Salinas is a current strategy to centralize its fleet maintenance—most departments provide this with in-house staff and service contracts. City staff is open to, and looking for ways to reorganize around increased efficiency and effective services. Additionally, as the Police Department continues its drive towards community policing, there is an openness to partnering with other City Departments in providing public safety services more broadly than traditional policing.

These efforts could lead to opportunities to provide better service at a lower overall cost. With expected budget reductions looming, reductions in cost need to be approached strategically with an eye on meeting overall City and community goals. Development of a cost-reduction strategy must be tied to how the City organizes its workforce.

LACK OF ADEQUATE AFFORDABLE HOUSING AND INCREASING HOMELESSNESS

A looming, if not active, crisis in the City is the significant overcrowding reported in many City neighborhoods, with a dozen or more residents in single family homes. Currently, the City cannot gauge the scope of the housing crisis and has little ability to effectuate change if it did. The overcrowding creates unsafe conditions and needs to be addressed. This is due in part to a scarcity of affordable housing overall, as shown in the high median housing cost in the City. Additionally, the City's code enforcement efforts are hindered by legal limitations on inspecting the inside of private homes as well as a lack of funding for a code enforcement division large enough to tackle the difficult issues in Salinas.

In addition to a lack of affordable housing, the high median home cost has led to a lack of housing for middle income residents as well. As just one example, the City has found it difficult to recruit new staff at times due to the high cost of housing.

Additionally, there is a growing homelessness population—up 57% in the last year, with biggest increase in women and children. The City is taking the lead on homeless issues, even though most resources flow through County government.

The homelessness and affordable housing challenges are driven by high home values and a limited supply of new, affordable housing. New housing has been proposed in the northeast part of town, and there should be an opportunity to leverage this green-field development as a resource to pay for needed community services. There is significant value conferred to landowners with the granting of development entitlements. This discretionary approval provides the City with an opportunity to look more broadly to the community to share in the creation of this value. The City indicates that it plans to enter into development agreements with the landowners, and this will offer the City the opportunity to obtain value for broader community needs.

Despite the issues facing Salinas, the City also has tremendous strengths. Rising housing values in the Bay Area and coastal regions have led to a demand to develop vacant land in the northern area of the City that was recently annexed. The City can potentially leverage the value created by the annexation, zoning, and land use entitlements for the benefit of current residents.

CITY MANAGEMENT

Throughout the assessment, it was evident that the City's executive staff is committed to change. The Network is confident that the City's leadership is ready and willing to take on the hard work involved in developing a multi-year financial plan and reorganizing around the broader City needs. In its application, the City noted that both elected officials and executive management agree that the status quo is unacceptable. They argue that "the need is great and timing is perfect." The Network's expectation that the City will be able to successfully implement its recommendations is reinforced by Salinas's performance during a prior Network project in 2015 to 2016, involving workforce development initiatives through a successful partnership with the local community college and neighboring cities of Gonzales, Greenfield, Soledad, and King City.

THE NEED FOR A MULTI-YEAR FINANCIAL PLAN IN SALINAS

Salinas needs a multi-year financial plan to ensure that it maintains fiscal stability while beginning to make the investments identified by City leadership as critical to long-term quality of life and economic competitiveness. With a record of acting to increase efficiency and its recent decisions to increase revenue, City leadership has demonstrated its willingness to make tough choices. The development of a multi-year financial plan will assist in evaluating options for further reforms and new investments.

DEVELOPING A PLAN

The National Resource Network proposes to assist the City of Salinas in developing a ten-year financial plan and organizational review. Additionally, the Network will work with the City in clarifying the City's role in affordable housing. **The objective of the Plan will be to stabilize Salinas's finances, address rising pension costs, and build stakeholder consensus and momentum around the difficult choices required to achieve the desired, collective aspirations for the City's future** – focusing intently on key expenditure drivers, how the City organizes its services, and identifying opportunities to reinvest savings from key areas of focus to align with targeted community goals such as:

- implementing existing and in-process plans for infrastructure investment and road maintenance,
- development of parks and implementation of the in-process parks master plan,
- replacement of dilapidated community services buildings, and
- addressing the City's increasing homelessness and affordable housing problems.

In addition, the financial plan will provide a platform for the City to look to how its services drive toward the community's larger need to address the issues of poverty, crime, and overall public safety.

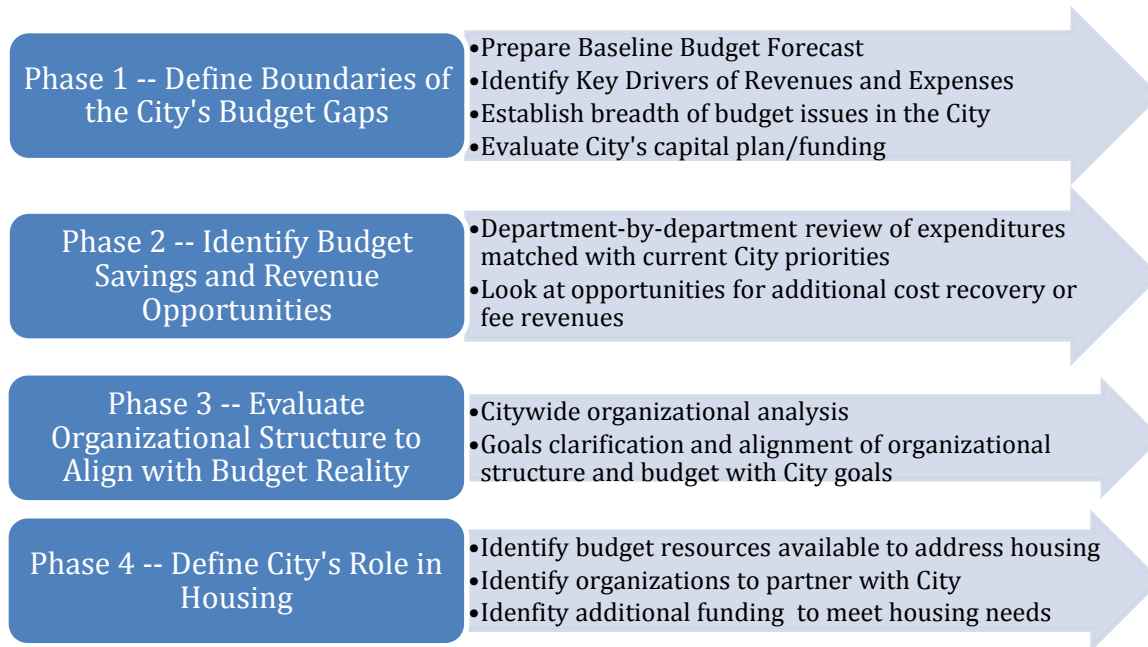
The Network will work with the City and stakeholders to build consensus in support of a forward looking financial framework. A ten-year financial plan and organizational analysis – with significant input and engagement from stakeholders – will provide the context to consider a series of policy choices and alternatives that shape the ability of the City to achieve its goals while being mindful of City legacy costs impacting its fiscal health and sustainability in the short- and long-term.

The Network proposes to engage elected officials, business leaders, civic leadership, and labor leaders and other stakeholders to participate in informing of the plan. To do so, the Network recommends that the City create an advisory committee that would meet on a periodic basis throughout the plan development process. The Network would use advisory committee meetings to test its initial findings and recommendations. The advisory committee would allow the City to build support for the plan as

it is in development. The goal is for the plan to be owned by the community rather than just the City government.

The Network will deploy a team to support the City by developing a multi-year forecast of the City's finances, reviewing current operations, and providing specific, targeted recommendations to support the City's development and adoption of a ten-year plan. While the plan will focus on the City's General Fund, it will also incorporate other funds in the City's budget and will help track inter-fund transfers.

Development of the plan would be undertaken through a phased approach, as shown below:



TASK I: KICK-OFF AND PRELIMINARY DEPARTMENTAL MEETINGS

The Network project team will schedule an initial multi-day visit to Salinas to meet with City leadership and select City departments. In advance of the project team's initial visit to Salinas, the Network will coordinate with the City's designated point of contact to schedule on-site meetings with key City officials (generally, City Council, executive staff and department and/or division heads), and other key stakeholders. We would also like to talk to labor leaders and line-staff in key City departments. Based on these meetings and data collected as part of the assessment team visit, the Network project team will develop a request for additional data and information.

TASK GOALS

Discuss the City's current fiscal position and service provision levels with City leadership prior to engaging with specific departments and stakeholders. A broad understanding of the more detailed nuances of the City's budget and operations will provide a foundation for the budget review and operational analysis central to this project. The team will also gain a deeper understanding of current efforts to improve economic competitiveness.

TASK II: DEVELOP TEN-YEAR FINANCIAL FORECAST MODEL

During Task II, the project team will develop a baseline ten-year budget forecast. This baseline forecast will detail the known and projected outcomes absent any policy changes for the General Fund, Enterprise Funds, the Capital Fund, and other funds. The Network team will use historical data, the

current budget, short-term and long-term expectations for revenue and expenditure changes based on detailed conversations with City staff and our independent analysis to develop assumptions to build the baseline forecast.

The financial forecast model will be provided to the City upon completion of the project, along with training on how to use the model. This is meant to increase the ongoing capacity of staff to address future budget needs, and test evolving service models and costs long after the work of the Network is complete. There are two options for creating the forecast model (an Excel-based model and a proprietary hosted forecast model) that will be discussed with City staff at the start of the project to identify which option provides the best fit for the City.

During Task II, the project team will work with the City to review the baseline ten-year financial analysis that projects the City's fiscal future absent any modifications or actions.

TASK GOALS AND DELIVERABLES

Forecast likely changes in revenue and expenditures in developing assumptions for the baseline forecast to create a multi-year model. The forecast model may utilize PFM's proprietary municipal forecasting platform (Whitebirch³) or an Excel-based model that provides the City ongoing ability to update and use the forecast model in the future. At the completion of the budget forecast model, the City will be trained on its use and have access to the model for ongoing forecasting purposes.

TASK III: ORGANIZATIONAL AND OPERATIONAL REVIEW

The organizational and operational review will focus on: 1) opportunities to create budget capacity within the current organizational structure, 2) clarify City goals in the allocation of financial and staff resources—the City should be able to answer the question “to what purpose” for every resource the City allocates, and 3) realign the existing organization to better fit City goals and financial realities.

The City has recently engaged in a priority-based budgeting process. This process is meant to create a direct link between departmental spending and specific City priorities. The project team will review the City's priority-based process and evaluate if this process appears to have led to different funding decisions between departments, and if it has had an impact on creating budget capacity for unfunded/under-funded City priorities. To accomplish this, the project team will do a thorough review of each City Department. The departmental review will include:

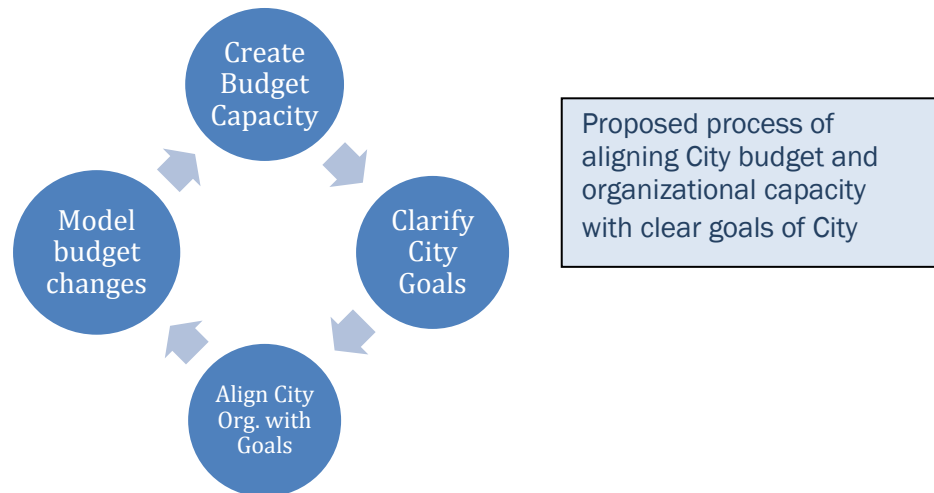
- Detailed budget analysis (historical expense and revenue)
- Review of department output (work tasks) and outcomes (City priorities)—how are these defined and measured?
- Analyze if departmental outcomes justify expenditures—use of user charges, duplication of services, lack of connection to City priorities, over or under staffing, and evaluation of alternative service options
- Explore if there are other options to accomplish the same work output/outcomes—contracting out, inter-departmental coordination, centralization/decentralization

Based on the analysis derived from the individual departmental review, the project team will engage in a process of identifying areas where better alignment of the City's goals with the City's budget can

³ The Whitebirch modeling platform is a hosted cloud-based software. This approach would include regular updates of the model with current City budget data, model training, and unlimited phone support for two years. The City would then have the option to continue the subscription (currently valued at \$15,000 per year) or let the subscription lapse.

be pursued. This process will address both what is currently in the budget (and how to align this with the coming budget reality) as well as identify opportunities to create room for City priorities that are not reflected in the current budget (e.g., community investment in infrastructure, housing, parks, etc.). This work will result in recommendations that are specific to Salinas' unique needs and ability to implement.

This analysis will be accomplished in four iterative steps, as illustrated and described below.



Create Budget Capacity. The project team will evaluate options to increase revenues, lower expenses, or both in order to begin bridging forecasted budget gaps during the ten-year forecast period. The budget projection model and departmental meetings will help the project team evaluate the ability of the City to reconfigure operations as well as evaluate options to enhance its investment in crime reduction, improvements to City services in the community and investments in community and economic development.

In the departmental review, we will seek to determine:

- **Where expenses can be reduced without impacting critical services.** This will include a review of the City's priority-based budgeting ranking of expenses in the bottom quartile in the FY18 budget (approximately \$7 million)
- **If there are new/expanded revenue options the City can pursue.** This may include existing or possible added services if revenue can be generated
- **Areas where the City can consolidate staff across departments.** This would allow positions doing similar work to expand services for the purpose of saving jobs and creating efficiencies
- **Activities where contracting out may be an alternative to current staff allocations.** Contracting out does not have to displace current staff, but could be implemented on a phased-in basis. Contracting could also include partnering with other governmental or non-profit agencies doing similar work
- **General Fund subsidies of other programs/funds** that are not meeting City goals

The goal of creating budget capacity is first to help the City identify efficient ways to balance its long-term budget, and second to identify funding capacity for currently-unfunded City needs.

Clarify City Goals. Based on the work above, the project team will partner with the City Council, executive staff, and key stakeholders in the City to clarify City goals to meet long-term City needs. The City has significant needs but limited resources. The purpose of this task will be to refine City goals so that the City organizational and financial resources can be allocated effectively. This will include identifying gaps in City resources to meet current goals, identifying additional needs not recognized in the City's goals, and working with staff to establish measurable benchmarks for departments to track their progress and effectiveness.

Salinas cannot address all of its community goals and challenges alone. The City needs to identify and work with partners in each of its priority areas. The County, school districts serving the city's students, the State and community non-profits all work actively on many overlapping issues with the City. The City needs to align its efforts with these other stakeholders. This is precisely what the City did so well in its first Network project focused on workforce development. As part of the development of the multi-year financial plan, the project team will engage with these external stakeholders as well.

Realign City Organization to City Goals. As the City addresses its coming fiscal challenges, it cannot afford to reduce costs or staff on an ad hoc basis. Changes in staff assignments, organizational roles, compensation/benefits, use of contracts, or partnering with other agencies needs to be done in a way that is consistent with the City's and community's goals and values. The City will need to make difficult choices, and it should do this with clear intent and well before increasing costs force action. Under this task, the project team will recommend changes in the budget or organizational structure to align financial resources with City goals. This will include a plan to reduce costs over the next several years if revenues are not sufficient to meet projected City expenses. This plan may also include recommendations to add costs that better align City resources with desired outcomes.

The methodology used in evaluating each task will vary based on the type of services provided, but is likely to include additional interviews with department heads and key staff members (including line staff); review of key documents, reports, and performance metrics; meetings with outside agencies and non-profits; and potential community and staff surveys. Project team members will meet with City leaders (Council members, department leadership and other pertinent staff) at the beginning and end of the evaluation process and share insights, get clarifications, and review potential recommendations and findings.

Model Budget Changes. In each pass through the process outlined above, the project team will model the results in the 10-year financial model created as a part of this engagement. This will ensure that any proposed organizational changes result in the budget impact desired by the City. This iterative budget model process can be saved as a scenario and compared to alternative scenarios if several organizational options are being considered.

TASK GOALS AND DELIVERABLES

*Conduct operational review of each department to facilitate the development of **Task V** recommendations. These tasks will provide a road map for City reorganization in line with expected financial realities, opportunities, and desired outcomes for the community. Provide budget model results for each alternative considered.*

TASK IV: CITY'S ROLE IN HOUSING

During the assessment visits, the team heard from many different departments that a key issue in the City is a severe lack of housing for low-income residents and farm workers, in addition to a lack of housing for middle-income home buyers. There is little documentation of the scope of this problem, but it is believed that this lack of housing has led to higher housing costs, dangerous overcrowding (to

an extent unknown by the City), and increased homelessness. In addition, the suspected housing overcrowding is located primarily in the City's highest crime-rate area.

There is no simple solution to the city's housing challenge. Responsibility for addressing housing issues rests with the City, the County, and the business community. While some new housing is in process, there is no plan to deal with this crisis in a systematic way. In addition, addressing this issue may take decades of concerted effort and clear goals.

Under this task, the Project Team will work with the City and community groups to identify a list of clear objectives and goals that the City and other housing partners can embrace to start toward a goal of adequate housing for all Salinas residents. In addition, funding sources for these activities will also be identified, along with requirements for obtaining such funding. Sources may include:

- Recent State affordable housing funding created by new laws
- Obtaining value from new development in the City via development agreements
- Affordable housing developers providing equity in City housing
- Identified City funds from the organizational review/budget modeling

As the project team works to balance the City's budget in **Task III**, we will also work to create room in the budget for investment to address critical City issues. To the extent that the housing issue is placed as a high City funding priority, the project team will help identify potential funding options from future City budgets.

In addition, the project team will work with the City to identify specific projects that should be examined for funding from new development in the north portion of the City via future development agreements. Other communities have used development agreements to obtain value created by zoning of vacant land for the benefit of the larger community. That should be considered by Salinas as it moves to approve new zoning in green-field development areas.

TASK V: FINAL REPORTS

The Network will document its work in a series of reports addressing each major issue in this work plan: budget-balancing strategies, organizational realignment, and housing strategies. Each report will take a form that can best communicate and document the issues and recommended strategies – either a detailed PowerPoint presentation or a standard written report. The Network will also provide an updated version of the model developed as part of **Task II** that incorporates the fiscal impact of proposed initiatives. The Network team will also provide presentations on the final report to the City Council.

PROJECT DURATION AND ESTIMATED COST

The project team will begin work on the project in December 2017 and anticipates project completion by October 2018. The proposed timeline and key milestones to complete the project are:

- **December 2017**
 - Commence Task I
 - Commence Task II
- **January 2017:**
 - Completion of Task I
 - Commence Task III
- **February 2018**
 - Ongoing work on Task II and III

- **March 2018**
 - Completion of Task II
- **May 2018**
 - Ongoing work on Task III
 - Commence Task IV
- **June 2018**
 - Ongoing work on Task III
 - Ongoing work on Task IV
- **July 2018**
 - Completion of Task III
 - Completion of Task IV
 - Commence Task V
- **August 2018**
 - Ongoing work on Task V
- **September 2018**
 - Completion of Task V (Final Report)
- **October 2018**
 - Presentation to City Staff and Council

Project Team and Target Budget

The Network recognizes that the breadth of work and issues to address in the proposed work plan require a wide range of expertise. To complete the tasks above in the expected time frame, the Network plans to utilize the following firms:

- **PFM Group Consulting** will provide the overall project management, budget forecast model development, organizational analysis
- **Enterprise Community Partners**, will lead the effort to define the City's role in affordable housing and homelessness. **Marquez Community Strategy** will provide support the tasks on the City's role in housing and organizational review

The **projected cost of the engagement is estimated to be approximately \$400,000**. The Network will fund 75 percent of the engagement (\$300,000) with funding from the Laura and John Arnold Foundation. The City of Salinas will be responsible for 25 percent of the cost (\$100,000).

PROJECT TEAM

The project team will be led by seasoned professionals across different practice areas and firms. The brief bios below provide an overview of staff roles. The resumes following provide the broader experience of key staff members.

Russ Branson, a Director in the firm's MBC practice in San Francisco. Russ will serve as and the day-to-day project manager and primary contact for the project. In the last few years, Mr. Branson has led budget plan engagements in the City of Richmond, Daly City, Compton, Upland, San Carlos, and Los Altos. He also recently led a consolidation study for the Metropolitan Transportation Commission and ABAG. Prior to joining PFM in 2013, Mr. Branson was the CFO and Assistant City Manager for the City of Roseville, CA. He also spent more than a decade as a partner in Economic & Planning Systems, an urban economic consulting firm in California.

Michael Nadol will provide oversight of the PFM team's review and analysis of workforce issues, including compensation, pensions and other benefits. Mr. Nadol is a Managing Director with PFM, a former Deputy Mayor of Philadelphia and led PFM's work with the City of Baltimore on its Ten Year Financial Plan. He is a member of the adjunct faculty of the University of Pennsylvania Fels Institute of Government and serves as an adviser to the Government Finance Officers Association (GFOA) Committee on Governmental Budgeting and Fiscal Policy. Mr. Nadol has led engagements in California in the City of Vallejo, Sacramento, and Stockton.

David Eichenthal will also provide input into the development of budget and organizational strategies based on his extensive experience in overseeing recovery from fiscal distress in large and small cities throughout the country. Mr. Eichenthal has led multi-year plan engagements in Houston, Memphis, Providence and Youngstown, Ohio and co-leads PFM's engagement with the City of New Orleans. Since 2013, his largest client has been the National Resource Network – where he has served as its Executive Director, leading a \$10 million White House initiative to provide technical assistance to 50 of the nation's most economically challenged cities and expanded in 2017 with a grant from the Laura and John Arnold Foundation. Prior to joining PFM, Mr. Eichenthal was the CFO and Director of Performance Review for the City of Chattanooga under then-Mayor Bob Corker.

Mercedes Márquez is the president and founder of Márquez Community Strategy. Ms. Márquez will work with Enterprise Community Partners to lead the City housing strategy aspect of this project as well as assist in the organizational assessment tasks. Ms. Márquez is currently consulting on several projects, including: facilitating the development of a city-wide progressive housing policy and designing an implementation strategy for a Promise Zone. Her clients include the cities of Los Angeles, Long Beach, CA, Pittsburgh, Houston, the Mission Economic Development Agency in San Francisco, the National Association of Latino Community Asset Builders and Enterprise Community Partners. In the last two years she has worked with San Antonio, the Commonwealth of Puerto Rico, San Juan, Miami, Dallas, Waco, TX and others.

Anna Ravindranath is a community social worker with an emphasis in cultural and social needs of communities in local planning. At Enterprise Advisors, the consulting division at Enterprise Community Partners, Anna delivers capacity building technical assistance to local governments and housing authorities delivering federal affordable housing programs. Assisting communities throughout the planning process in preparation for the Assessment of Fair Housing, the Housing and Urban Development's (HUD's) first direct effort to desegregate communities. Prior to joining Enterprise in 2016, Anna delivered federal housing and community programs locally in St. Louis County and the City of Ferguson. While in Ferguson and in partnership with the Ferguson Youth Initiative, Anna developed a community based arts initiative with Ferguson area youth using art as a catalytic for collaborative practice in civic engagement.

The team will also be supported by professionals in PFM's and Enterprise Community Partners' offices and locations in San Francisco, Washington DC, and Philadelphia. **Vieen Leung**, from PFM, will provide direct support on this project and will oversee the development of the budget model and budget initiatives. Ms. Leung is a Senior Managing Consultant with PFM who has developed budget models for distressed cities nationally. PFM and Enterprise will use other professional support as the project with Salinas requires.

Expanded resumes for key staff are provided on the following pages.



Russ Branson

Director
PFM Group Consulting LLC

Russ Branson is a Director in PFM's Management and Budget consulting Group in its San Francisco office. He is responsible for managing the range of services PFM offers to clients in the development of long-range financial plans, governmental organizational review, workforce analysis—including retention and recruitment—and optimizing performance. Russ also works with distressed governments, assisting them in moving toward fiscal recovery and stability. Russ has worked with a variety of governmental organizations since joining PFM, including State and local governments, regional transportation agencies, and regional water providers.

Prior to joining PFM, Russ spent 13 ½ years with the City of Roseville, California in financial leadership positions, most recently as Assistant City Manager and Treasurer overseeing Finance and Administrative Services. Before joining the City of Roseville, Russ was a partner with an urban economics consultancy, where he spent more than a decade providing clients with services including impact fee studies, infrastructure financing plans, and the establishment of special taxing districts. He spent the early years of his career with the Sacramento Area Council of Governments, preparing regional transportation plans and funding analysis.

In addition, Russ has been active on a statewide basis on several boards related to public finance, and teaches at UC Davis Extension on the financial aspects of planning. In 2012, the Sacramento Business Journal honored him as public agency CFO of the Year, and in 2013 he received the award of excellence in public finance by the California Public Securities Association.

Mr. Branson holds an MBA from California State University.



Office Location

50 California Street, Suite 2300
San Francisco, CA 94111

Education

Bachelors, Psychology
California State University,
Sacramento

MBA
California State University,
Sacramento

Years with PFM

Four Years

Years of Experience

30 Years



David Eichenthal

Managing Director
PFM Group Consulting LLC

David Eichenthal leads PFM's Chattanooga office. He led operational reviews and related projects with New Orleans and Memphis, as well as with Shelby and Mobile counties (Tennessee) and the development of multi-year financial plans. He assisted local governments in implementing budgeting for outcomes initiatives. He is leading the National Resource Network, a federally funded consortium of organizations providing cross-cutting technical assistance to economically challenged cities.

Prior to joining PFM, David was Finance Officer and Director of Performance Review for the City of Chattanooga where he oversaw the development of the City's \$150 million budget, implementation of one of the nation's first 311 systems, creation of a citywide performance management initiative and managed 175 employees. David also served as President and CEO for the Ochs Center for Metropolitan Studies, a non-profit policy research institute in Chattanooga. He served as Chief of Staff to the New York City Public Advocate and as Chief of Policy, Assistant Advocate for Research and Investigation. He held the positions of Assistant Inspector General for Policy in the New York City School Construction Authority and Assistant Deputy Comptroller for Policy/Counsel for Special Projects.

He also presented at the White House Convening on Strong Cities Strong Communities; the convening of the Sustainable Communities Initiative grantees; and the Government Finance Officers Association and the Association of Government Accountants annual conferences. David taught college courses in American government, public policy, public administration and criminal justice at New York University, Georgia State University, Baruch College and the University of Tennessee at Chattanooga.

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Office Location

850 Market Street, Suite 202
Chattanooga, TN 37402

Education

Juris Doctor Degree
New York University School of Law

Bachelor of Arts In Public Policy
University of Chicago

Publications

*The Art of the Watchdog:
Fighting Fraud, Waste, Abuse and
Corruption in Government.* SUNY
Excelsior Press, 2014.

Blackstone, Erwin, Bognanno,
Michael, Hakim Simon,
*Innovations in E-Government: The
Thoughts of Governors and Mayors.*
Rowman & Littlefield, 2005.

Years with PFM

6 Years

Years of Experience

28 Years



Michael Nadol

Managing Director
PFM Group Consulting LLC

Mike Nadol is a managing director heading the PFM Group's management and budget consulting practice, the national leader in the development of multi-year financial plans in the public sector. He has advised many of the nation's largest public sector organizations on management, budget, and policy issues, and has managed more than 100 public sector engagements, while also building a national team of government advisers.

One of his areas of focus is the intersection of labor and fiscal concerns. He has extensive experience analyzing public employee wages and benefits, and has testified as an expert on compensation and/or financial issues in numerous states, as well as in U. S. District Court and before a Presidential Emergency Board. Mike also has been active with long-range fiscal planning in the public sector, including fiscal recovery plans for multiple distressed local governments.

Prior to joining PFM, Mike served the City of Philadelphia as director of labor negotiations and director of finance as well as deputy commissioner for the Philadelphia Water Department.

Mike has been an invited speaker on finance and workforce issues at the national conference of the Government Finance Officers Association (GFOA), the Council of the Great City Schools, the National Association of Securities Professionals, and the Bond Buyer Conference on Distressed Municipalities, as well as numerous state and regional industry groups.



Office Location

1735 Market St., 43rd Fl.
Philadelphia, PA 19103

Education

Master of Governmental
Administration
The University of Pennsylvania

Bachelor of Arts in Political
Science, summa cum laude
Yale University

Years with PFM

17 Years

Years of Experience

29 Years

Mercedes Márquez
Founder and President
Márquez Community Strategy

Jan 2014 – Present
Greater Los Angeles Area

Mercedes Márquez is the founder and president of Marquez Community Strategy, a consultancy where she advises cities, states, and non-profit organizations on how to revitalize neighborhoods, promote economic growth, support low-income residents, and build sustainable, resilient cities. In this capacity, she supports local leaders to assess conditions, leverage funding and relationships, and design pragmatic place-based strategies for measurable success on the ground. Key to her approach is the application of equity-based data analysis and goals, including strong experience with fair housing issues.

She is currently consulting on several projects, including: facilitating the development of a city-wide progressive housing policy, designing an implementation strategy for a Promise Zone, and designing an RFQ for a citywide economic development strategy that embraces equity principles. Her clients include the cities of Los Angeles, Long Beach, CA, Pittsburgh, Houston, the Mission Economic Development Agency in San Francisco, the National Association of Latino Community Asset Builders and Enterprise Community Partners. In the last two years she has worked with San Antonio, the Commonwealth of Puerto Rico, San Juan, Miami, Dallas, Waco, TX and others