



## **CITY OF SALINAS FINANCE COMMITTEE**

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**DATE:** MARCH 4, 2019

**DEPARTMENT:** OFFICE OF THE CITY MANAGER

**FROM:** ANDREW MYRICK, ECONOMIC DEVELOPMENT MANGER

**TITLE:** IMPLEMENTATION OF THE SALINAS PLAN

**RECOMMENDED MOTION:**

Staff recommends that the Finance Committee receive this Report and provide direction to staff as appropriate.

**BACKGROUND:**

On December 4, 2018, the National Resource Network (NRN) presented the Salinas Plan to the City Council. The Salinas Plan is a comprehensive review of City finances and operations that utilizes a ten-year budget model to identify the fiscal challenges facing the City; specifically, the model found that, absent corrective action, the City would see increasing deficits eventually exceeding \$10 million per year by FY27 and \$60 million total over the next ten years. Under this projection, the City would exhaust its reserves by FY23. Further, this projection assumes no additional investment by the City to help address the housing affordability crisis the City is now facing. On its current path, the City faces the steady erosion of existing services, with no additional resources available to address the housing crisis.

To prevent this outcome, the Salinas Plan includes a list of 32 recommended initiatives (attached) that, taken together, would enable the City to maintain its fiscal solvency, maintain its core services and strategic priorities, and identify additional resources to address the housing crisis. These initiatives achieve this through a variety of methods, including savings by reducing or eliminating non-core services; identifying new revenues to fund key strategic priorities; and finding efficiencies in operations to enable the City to continue to deliver key services at a lower cost. The recommendations span nearly all City Departments and would entail sacrifices by employees, residents, and businesses – however, if completely implemented, the City should be able to maintain core services, increase efficiencies, implement new and expanded initiatives to address the housing crisis, and do so over the long-term by implementing fiscally sustainable practices.

## DISCUSSION:

### *Implementation Tracking*

The Salinas Plan was written with the intent that its recommendations be explored and, if appropriate, implemented. It was never the intention that this would be a Report that would “sit on the shelf.” Tracking the efforts described in this Report requires a robust tracking system to ensure that each recommendation is receiving the necessary attention. Further, this tracking system is necessary to keep the Council and other stakeholders “in the loop” with regards to developments, as well as to hold City staff accountable for completion of indicated tasks. With this in mind, staff proposes the following implementation tracking program:

- 1) ***Reports will be provided on a monthly basis to the Finance Committee*** - the Council’s Finance Committee will be tasked with receiving and providing feedback on the various initiatives in the Salinas Plan. Staff will also provide information on key items as necessary.
- 2) ***Reports will be provided on a quarterly basis to the full City Council*** – the Council will receive updates regarding the overall status of various initiatives within the Report. One of these will occur during the annual budget. In addition to these regular updates, staff may bring information regarding specific initiatives at other times for various reasons.
- 3) ***Council Items Related to the Salinas Plan Will be Identified*** – Staff will note within the Staff Reports for various items whether those items are related to implementation of a Salinas Plan recommendation.
- 4) ***Progress Will Be Tracked*** – Staff will develop and provide key metrics related to the Salinas Plan on a regular basis.

The current status of the various initiatives, as well as responsible Departments, can be found attached to this Report.

### *FY20 Priority Items*

Staff has begun work on many of these initiatives – however, the sheer number of them prevents staff from pursuing all of them at once. Therefore, staff has identified certain key initiatives that will be the immediate priority. In particular, the Salinas Plan model assumes that nine of these initiatives would have a specific financial impact during the upcoming fiscal year (FY20). It is therefore vital that these initiatives be explored in the very near future, so that more precise estimates of potential impacts on the City’s budget may be derived quickly. These nine initiatives are highlighted on the attached list, and are summarized in more detail below:

### **PS03 Improve Police Department Technology**

**Responsible Departments:** Human Resources; Legal; Police

**Lead Staff:** Adele Frese

**Summary:** This initiative calls for the introduction of a text-to-dictation software within the Police Department to facilitate the creation of Reports. With this new tool, the existing Word Processing Division would no longer be required and could be phased out; employees in this Division would be reassigned to other roles. The City has been working with a consultant to implement the text-to-dictation software, although a completion date has not yet been identified. However, City staff has also begun an analysis of the existing Division to determine whether additional efficiencies can be found. City staff has also begun exploring whether additional training would be necessary for the existing employees to transition to other roles within the City.

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### **SS01 Recover Full Cost of Service from Monterey County Regional Fire District**

**Responsible Departments:** Fire; Human Resources

**Lead Staff:** TBD

**Summary:** The City of Salinas currently has a contract with the Monterey County Regional Fire District to provide Fire Department responses to certain portions of the District's boundaries. The Salinas Plan recommends evaluating the number and type of service responses made by the Salinas Fire Department to ensure that the City is receiving the appropriate level of compensation from the District. This initiative will be explored in more detail once matters relating to senior management staff vacancies have been resolved.

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### **SS02 Consolidate Animal Services**

**Responsible Departments:** Administration; Police

**Lead Staff:** Jim Pia

**Summary:** The Salinas Plan calls for the County and City Animal Services programs to be merged to save money on administrative costs. A pilot program utilizing a single manager has been utilized since 2017. Based on indications that this merger may in fact yield positive benefits and cost savings, City and County staffs are now exploring further steps to complete the merger of these two organizations.

### **MC01 Eliminate Downtown Parking Fund Deficits**

**Responsible Departments:** Public Works

**Lead Staff:** David Jacobs

**Summary:** The Salinas Downtown Parking District has historically operated at a significant deficit, requiring the use of General Fund money to cover the difference between operating costs and revenues. The Salinas Plan recommends making adjustments the District operations and services to eliminate these operating deficits. The Council approved changes to the rate structure for parking in the District at its February 19, 2019 Council meeting – these changes are expected to eliminate the need for a General Fund subsidy of the District.

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### **MC03 Eliminate Sherwood Hall Deficits**

**Responsible Departments:** Administration; Library and Community Services

**Lead Staff:** Jim Pia

**Summary:** The Salinas Plan indicates that Sherwood Hall is operating at a small deficit, although this deficit is expected to continue to grow. The Plan recommends that the City explore options such as selling or leasing the entire facility to a third party, who would then be responsible for all ongoing maintenance costs. City staff is currently collecting more detailed information and working with existing tenants at the site to determine the most appropriate course of action.

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### **OE01 Move Facility and Park Maintenance to Library and Community Services**

**Responsible Departments:** Administration; Library and Community Services; Public Works

**Lead Staff:** Jim Pia

**Summary:** Maintenance of City facilities is currently the responsibility of either the Public Works or Library and Community Services Departments, depending on the type and location of the facility. The Salinas Plan recommends that existing staff assigned to the Public Works Facilities and Park Maintenance Divisions be transferred from the Public Works Department to the Library and Community Services Department in order to save administrative costs through consolidation. City staff has engaged the services of a consultant to examine the Public Works Department structure and will include further information regarding implementation of this provision upon release of their Report.

## **WF04 Continue to Address Workers' Compensation Costs, Moving Towards Sound Actuarial Funding**

**Responsible Departments:** City Attorney's Office; Human Resources

**Lead Staff:** Chris Callihan

**Summary:** The Salinas Plan recommends that the City of Salinas designate a Citywide Safety Manager to provide citywide safety programs, institute a Citywide Safety Training Program, incrementally fund worker's compensation liabilities on an actuarially sound basis. The purpose of these efforts is to reduce the number of claims. An Assistant City Attorney has assumed the functions for the Citywide Safety Manager, and, with the assistance of the Human Resources Department, is in the process of creating the equivalent of a Citywide Safety Training Program.

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## **IN02 Establish a Productivity Bank**

**Responsible Departments:** Finance

**Lead Staff:** Matt Pressey

**Summary:** The concept of a Productivity Bank (also known as an Innovation Fund) is to encourage innovation, accountability, and entrepreneurship among City staff by providing up-front funding outside of the normal budgetary process for innovative ideas that would produce long-term savings for the City. These savings are then used to pay back the Bank, creating a revolving fund for projects. Other Cities such as Philadelphia and Baltimore have seen significant savings from the prudent use of these types of Funds.

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## **NR05 Rental Registry and Inspection Fee**

**Responsible Departments:** Administration; Community Development

**Lead Staff:** Megan Hunter

**Summary:** The Salinas Plan has many recommendations to alleviate the City's housing affordability crisis. Included among these is a recommendation to develop a rental registry and inspection program, which would be funded through fees. The City of Salinas received a \$75,000 grant from the National Resource Network to fund the development of this initiative. City Staff is currently researching other programs, after which staff will engage with stakeholders to determine the appropriate structure and fees of a potential rental registry and inspection program.

#### FISCAL AND SUSTAINABILITY IMPACT:

As is noted in the Salinas Plan, the City faces ongoing and increasing deficits if action is not taken. These actions, taken together, would result in a projected \$756,084. The budget document which will be presented to Council this spring will have additional information regarding the actual estimated savings of these items.

#### ATTACHMENTS:

1. List and Status of Salinas Plan Recommendations with FY20 Priority Items Highlighted