



Staff Report

File #: 22-105, Item #: 3

Meeting Date: 3/14/2022

Westminster City Council

SUBJECT

Deferred from March 9, 2022 City Council Meeting:
Strategic Plan Goal #1: Achieve Financial Stability.
Strategic Plan Objective: Provide information to the City Council on the impacts to the city if the sales tax measure is not renewed.

From: Christine Cordon, Interim City Manager; Erin Backs, Finance Director
Prepared by: Erin Backs, Finance Director

RECOMMENDED ACTION

Staff recommends that the Mayor and City Council receive and file the presentation.

BACKGROUND

This item was deferred from the March 9, 2022 City Council meeting without discussion.

On January 17, 2022, the City Council held a strategic planning workshop to develop the city's first strategic plan and identify priorities for the city. The workshop resulted in a three-year strategic plan comprised of three goals; each goal consists of multiple strategic objectives intended to serve as benchmarks in the progress of each goal.

One of the strategic plan's goal is to "Achieve financial stability," and its first objective is to provide information to the City Council on the impacts to the city if the sales tax measure is not renewed.

In 2016, voters approved locally generated revenue through Measure SS, a one cent (percent) transactions and use sales tax that is set to expire December 31, 2022.

Locally controlled revenue funds stabilized Westminster's finances and allowed the city to continue providing the basic and necessary services essential to the safety and quality of life for the community including:

- Addressing homelessness through the hiring of two Homeless Liaison Officers
- Protecting drinking water supplies
- Maintaining fire protection
- Maintaining local jobs
- Preventing cuts to 9-1-1 emergency response
- Preventing the elimination of Police Narcotics, Domestic Violence, Sex Crimes, Gang, and Human Trafficking units
- Preventing cuts to the number of firefighters
- Recruiting and retaining Spanish/Vietnamese-speaking police officers
- Supporting residents and local businesses
- Preventing the loss of trained officers to other cities
- Recruiting lateral police officers
- Investing \$7.5 million in street improvement projects

As the locally generated revenue source is expiring, it has been harder to attract and retain employees. As of the end of January 2022, there were 24 vacant positions, including 10 police officers. Through exit interviews conducted by the Human Resources Department, 100% of the employees who resigned identified the uncertainty of the local funds surrounding the expiration of the local sales tax measure and low pay as the two major factors in their decision to leave. It is also harder to recruit qualified employees to fill vacant positions. For example, on two recent recruitments, data provided through the online hiring portal showed there was initial interest from prospective candidates to view the job listings. However, the percentage of those who actually applied for the position were extremely low at 1% for a part-time position and 4% for a full-time position.

Five-Year Projections of Revenue, Expenditures and Reserves

General Fund	2021-22 Estimate	2022-23 Adopted	2023-24 Projected	2024-25 Projected	2025-26 Projected
Revenue	70,655,125	61,084,233	56,097,957	57,104,892	57,914,378
Expenditures	66,282,221	71,631,997	73,559,740	75,564,032	77,450,228
Contribution/(Use) of Reserves	4,372,904	(10,547,764)	(17,461,783)	(18,459,140)	(19,535,850)
Reserve Balance	39,212,216	28,664,452	11,202,669	(7,256,471)	(26,792,320)

The loss of local funds will increase the City’s deficit by over \$16 million annually, and by fiscal year 2024-25, the city is completely out of reserves. Not only will this significantly impact Westminster’s budget, the loss of revenue through locally generated funding will result in deep cuts to basic city services, and affect additional services and programs related to economic recovery. The loss of local funds will reduce the City’s ability to support the residents and business community. Without a locally funded revenue source dedicated to the priorities of the Westminster community, services will be limited to strictly mandated essentials that do not provide for enhancing quality of life or development of the community.

Specific Reductions in Services and Staff

For over 30 years, Westminster's finances relied heavily on State of California redevelopment funds to maintain basic services and staffing levels, as well as provide assistance toward business development, low- and moderate-income housing, and community-based programs. When the state eliminated the redevelopment program and retained the funding that had been going to local cities, Westminster was left with a budget shortage that resulted in massive layoffs across the entire organization, reduction and elimination of services throughout the city, and depletion of the city's reserve funds. In 2016, through the will of the voters and the community, the city was saved from inevitable bankruptcy through the passage of Measure SS.

Significant cuts to services and staff were made prior to the passage of Measure SS in response to the loss of redevelopment funds. However, even with the passage of Measure SS, staffing levels have remained at minimum levels and many programs that were eliminated have not been reinstated to ensure basic services were maintained. With the upcoming expiration of the locally controlled revenue funds, the city will lose approximately 24% of its operating budget. To address the loss of revenue, the city must prioritize the mandatory services needed to operate, and eliminate all other functions and staff. Based on the city's current state, with the loss of locally controlled revenue funds, cuts would result in the following scenario:

- **Administration**

- **City Council**

- Eliminate all technology equipment and supplies
- Eliminate funding for conferences, training, and memberships
- Eliminate stipend for paid commissioners, and disband all commissions not required by law

- **City Manager**

- Maintain City Manager position and eliminate all other positions: Assistant City Manager, Economic Development Manager, Executive Assistant, Administrative Analyst (Communications), and Administrative Assistant II

- **City Clerk**

- Maintain City Clerk position as required by state law and eliminate all other positions: Assistant City Clerk and Administrative Assistant II
- Department will be unable to meet agenda preparation deadlines, response times for requests for public records will be delayed, and election filings and state-imposed deadlines will be impossible to meet

- **Human Resources/Risk Management**

- Maintain Human Resources/Risk Management Director position and eliminate all other staff: two human resources analysts, and one human resources specialist
- Response and review times of claims will be delayed with possibility of increased liability to city for payment of unresponsive claims
- Decrease in oversight will lead to increase in liability to the city

- **Finance**

- Maintain Finance Director/Treasurer position as required by law and eliminate four out of six employees who cover accounting, payroll, accounts payable, purchasing, and cash receipts

- Lack of staff will create inability to segregate duties and eliminate checks and balances in finance processes
- Delay in payment of refunds or services to outside vendors, consultants, residents, and businesses
- Reduced counter coverage and ability to respond to the public, including processing counter payments
- **Community Development**
 - Eliminate Community Preservation Unit (CPU) and the following services:
 - No homeless liaison outreach assistance - CPU assists WPD with clean-ups of transient encampments throughout the city on a daily basis. Some of these outreach programs are conducted into the evening hours and includes large clean ups at the freeway underpasses and freeway access areas. CPU also regularly responds to requests from police dispatch regarding pick-up of discarded items left behind by transients.
 - No shopping cart retrieval
 - No staff to address public property issues such as:
 - Inoperative vehicles
 - Discarded trash and debris
 - Graffiti
 - Overgrown weeds and vegetation
 - Trash bins in public view
 - Public right-of-way issue such as unpermitted work on the parkway and sign removal
 - Parking or storing vehicles on unpaved surface
 - Unkempt trash enclosures
 - Unpermitted signage such as flag banners and banners
 - Excessive window coverage at store fronts
 - Eliminate Management Analyst position
 - No support for real estate, business license, outdoor dining program, and other operations
 - No new grant applications or special projects could be initiated or administered
 - Maintain Planning Manager or Senior Planner position and eliminate all associate and assistant planners, which will result in:
 - Significant reduction in available counter hours, phone, and email services
 - Delays in processing development applications will negatively impact property owners and the development community
 - Inability to maintain state-mandated application processing times while meeting other required, legislative demands
 - Significant extended wait times for scheduling of inspections
 - Delays in Building Plan Check turn-around times
 - No special projects or programs could be undertaken
 - Necessary actions such as the zoning code update would be delayed

- **Community Services and Recreation**

- Eliminate Community Services Director, Senior Center Supervisor, and two Community Services Coordinators.
- Senior Center becomes a part-time facility
 - No activities, classes, events, transportation, outreach, or support services
 - Essentials left as nutrition/meals only
 - Eliminate Project SHUE program
- Youth-centered programs and services are eliminated
 - No youth sports, summer or afterschool programs
 - Reduced access to Splash Pad due to lack of staff for supervision
- Eliminate community promotions and programs
 - Eliminate printed brochure and other marketing materials
 - No city special events will be held
 - No oversight over private special events taking place on public or private property requiring permits
 - No management or oversight over crossing guards and reduction of city-funded crossing guards

- **Public Works**

- Eliminate 16 full-time positions and 14 part-time employees
- Impacts to parks
 - Close all parks
 - No graffiti clean-up or median maintenance
- Impacts to streets and street maintenance
 - Reduce or eliminate pothole filling, concrete repairs, drainage devices and sidewalk cleaning
- Impacts to building and facilities maintenance
 - No staff or budget for plumbing, electrical, HVAC repairs, and painting.
 - No cleaning of buildings or set-ups for facility rentals or events
- Impacts to fleet or vehicle maintenance
 - No staff for repairs and maintenance of city vehicles, including public safety vehicles
- Impacts to engineering
 - No staff for engineering design, construction management, and inspections
 - No longer able to pursue and obtain grant funds for new projects
- Reductions in existing maintenance contracts
 - Reduce park mowing from weekly to once a month and eliminate weed abatement in public right-of-way
 - Cut park watering in half
 - Reduce a quarter of tree trimming budget, impacting claims for fallen trees

- **Police**

- Reducing the police force by 1/3, equivalent to 24 sworn, 17 non-sworn and 25 part time positions
- Addressing homelessness:

- Eliminate both Homeless Liaison Officer positions
- No specialized units to complete homeless encampment clean-ups or address other homelessness issues and complaints
- No HLOs to provide direct impacts and services to homeless residents
- Homelessness-related issues will increase
- Emergency response:
 - Response times to emergencies would increase
 - Victims would be wait longer for police to arrive, even for emergency calls such as in-progress domestic violence, robbery, and assault
 - Police would not have resources to respond to most non-emergency crimes, such as thefts and non-violent disputes
- Traffic Bureau and enforcement:
 - With the elimination of the Traffic Bureau, traffic collisions, including fatalities, will increase
 - Parking issues will go unaddressed and associated revenue will be lost
- Crimes, reports, and investigations:
 - Elimination of jail services and staffing contract
 - Patrol staff will spend less time patrolling and responding to calls for service when tasked with booking and housing arrestees With only a few exceptions, most crimes would not be investigated
 - No crime prevention efforts
 - No investigation of cold cases
 - Delayed turnaround time for police reports, information, or other paperwork from the WPD
- Special programs and task force:
 - All community outreach programs would be eliminated
 - Revenues received from seizures would be eliminated with the elimination of the detective from the DEA Task Force, and any resources associated with this task force will be eliminated
 - Staff would not be available to provide public safety presence for special events and assignments such as council meetings, the annual Tet parade, school events, National Night Out, Public Safety Day, and public memorial services

FISCAL IMPACT

There is no fiscal action requested with this report. This is an example of approximately \$17 million in general fund budget reductions.

LEGAL REVIEW

The City Attorney's Office has reviewed and approved this report as to form.

CONCLUSION

If the sales tax measure is not renewed, the changes to the way services are provided and the quality of life for the residents and business community will be negatively impacted. The loss of this locally funded revenue source will place the city in the same, if not worse, position prior to the approval of Measure SS. This takes into account the increase in costs of doing business, as well as reductions in revenue imposed by the State of California. External factors such as inflation and recession may also contribute to additional budget shortages.

With over \$17 million in cuts, the structure of the organization and services will be drastically changed and the community will notice and be affected by these reductions.

As part of the approved City of Westminster Strategic Plan, the City Council has prioritized a goal of achieving financial stability. This report, as part of the plan, provides the City Council and the community with the most current overview of what Westminster could potentially become if the sales tax measure is not renewed.

ATTACHMENTS

None.

REVIEWED BY

Christian Bettenhausen, City Attorney
Erin Backs, Finance Director
Christine Cordon, Interim City Manager

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