



POST MID-YEAR BUDGET REVENUE DISCUSSION & DIRECTION

AGENDA ITEM 12.1
CITY COUNCIL MEETING
APRIL 6, 2016



CITY OF MENIFEE

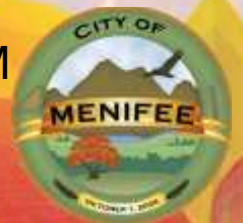
THOUGHTS ABOUT THIS REPORT ...

I LOVE EVERYTHING ABOUT WHAT WE ARE DOING IN THIS CITY, NEW POLICY (GP, EDC, ETC.), NEW DEVELOPMENT (CIP PROGRAM, CONSTRUCTION EVERYWHERE), NEW AMENITIES (NEW PARKS, NEW SHOPPING), OUR INCREDIBLE STAFF ALWAYS FINDING A WAY TO DO MORE WITH LESS, THE COUNCIL'S CLEAR DIRECTION AND SUPPORT, THE CREATION OF A MENIFEE WAY OF DOING BUSINESS - FRIENDLY ... SO DELIVERING THIS REPORT IS A BIT TROUBLING ... ITS LIKE WHEN YOU START TALKING ABOUT YOUR CHILDREN AND WHAT YOU WANT FOR THEM BUT YOURE JUST NOT SURE HOW THEY ARE GOING TO TURN OUT WITHOUT THE RIGHT TOOLS ... AND OPPORTUNITIES ...

THE CITY HAS SEEN THE FOLLOWING IN EVERY YEAR OF ITS EXISTENCE AND STILL PUSHED THROUGH TO BUILD A WONDERFUL COMMUNITY ...

- INCREASED COST OF DOING BUSINESS
- POLICE AND FIRE INCREASES
- ROAD MONEY REDUCED
- INFRASTRUCTURE FINANCING ASSISTANCE DIFFICULT TO GET

MENIFEE HAS MANY NEEDS AND OUR RESIDENTS DESERVE THE BEST FROM OUR GROWING, BEAUTIFUL CITY...



MENIFEE PROFILE

INCORPORATION: 2008/09

2015/16

◆ AREA:	46.8 SQ MILES	46.8 SQ MILES
◆ POPULATION:	64,328	85,385
◆ CITY EMPLOYEES:	15 (.5/ 14.5 CONTRACT)	56
◆ SWORN CONTRACT SUPPORT/OFFICERS:	.70	.56
◆ FIREFIGHTERS:	45	45
◆ PARKS:	5 (WESTSIDE-COUNTY) 16 (EASTSIDE-VW)	8 (WESTSIDE-CITY) 18 (EASTSIDE-VW)
◆ GENERAL FUND:	\$ 16,910,098	\$ 30,900,000
◆ RESERVES:	\$8,077,772	\$ 7,566,790



MENIFEE SNAPSHOT

Incorporation 2008/09

2015/16

◆ MEDIAN AGE:	56	37 YRS OLD
◆ NUMBER OF HOUSEHOLDS:	24,305	31,345
◆ AVERAGE HOUSEHOLD INCOME:	\$54,903	\$68,036
◆ MEDIAN HOME SALES PRICE:	\$288,000	\$372,250



CITY FUNDING/REVENUE STRUCTURE BY DEPARTMENT

GENERAL FUND

- ADMINISTRATION & GEN SUPPLIES & OVERHEAD
 - BUILDING & SAFETY
 - CITY CLERK
- CODE ENFORCEMENT
- COMMUNITY SERVICES
(ADMIN)
- ECONOMIC DEVELOPMENT
 - ENGINEERING
 - FINANCE
 - PLANNING

CFD*, CSA*, LLMD*, DIF*

COMMUNITY SERVICES

PROGRAMMING, CIP, STAFFING,
OPERATIONS & MAINTENANCE, LIGHTING &
LANDSCAPING

GAS TAX*, MEAS. A*, CFD*, LLMD*, DIF*

PUBLIC WORKS

STREET REPAIR & MAINTENANCE, ROW
IMPROVEMENTS, PROJECTS, CIP,
STAFFING, OPS. & MAINT., STREET
SWEEPING

DEVELOPMENT FEES

BUILDING & INSPECTION
ENGINEERING & INSPECTION
PLANNING & COMMISSION

***FUNDS CANNOT BE USED FOR POLICE OR FIRE PERSONNEL/CONTRACT COSTS**



REVENUE ASSUMPTIONS IN BUILDING THE FORECAST MODEL FOR THE GENERAL FUND

(5 YEAR PROJECTION)

ASSUMPTIONS ALL RELATING TO THE GENERAL FUND:

- SALE PRICE OF NEW HOME PRICES INCREASE 3% EACH YEAR (NOW \$372,000)
- ASSESSED VALUE INCREASES 1.5% EACH YEAR
- 500 NEW HOMES EACH YEAR
- 2.9 PERSONS PER SINGLE FAMILY HOME
- SALES TAX REVENUE WILL INCREASE 8% EACH YEAR
- FRANCHISE FEES INCREASE 4% PER YEAR
- BUILDING PERMITS: \$4,200/HOME; \$1.3M TOTAL FOR COMMERCIAL
- PLAN CHECK REVIEWS \$2.5 MILLION EACH YEAR
- ENGINEERING DEPARTMENT, PLAN CHECK REVIEW 1.5 MILLION EACH YEAR
- TOT INCREASE 8% PER YEAR
- ALL OTHER GENERAL FUND REVENUES INCREASE 5.0%/YR
- COUNTY AUGMENTATION: \$1.0 MILLION/YR (SUNSETS IN FY 2018).



EXPENDITURE ASSUMPTIONS IN BUILDING THE FORECAST MODEL FOR THE GENERAL FUND

(5 YEAR PROJECTION)

- POLICE SERVICES INCREASES @ 5 – 7 1/2% PER YEAR (\$11.4M)
19% INCREASE OVER THE PAST 3 YEARS ALONE ...
(NO ADDITIONAL OFFICERS)
- FIRE SERVICES INCREASES @ 5% PER YEAR (\$8.3M)
(NO ADDITIONAL FIREFIGHTERS)
- NO INCREASE IN STAFFING AND NO INCREASE IN CITY SERVICES IN GENERAL FUND THE PAST 3 YEARS (ALL NEW STAFFING MOVED FROM GF OR REDUCED/COMBINED POSITIONS TO SAVE \$)
- EMPLOYER'S PERS RATE INCREASES @ 1% PER YEAR.
CURRENT RATE OF 11.99%, AND FY 2016/17 @12.7%.
- ELIGIBLE EMPLOYEES RECEIVE NORMAL 5% STEP INCREASE UNTIL TOP STEP –
~*NO COST OF LIVING ADJUSTMENTS (COLA) TO EMPLOYEES IN CITY'S HISTORY*
~*WILL ATTEMPT TO INCREASE SALARY SCHEDULE VIA CLASS/COMP STUDY 2016*
- NO NEW CAPITAL EQUIPMENT FROM THE GENERAL FUND – *DIF FUNDED*
- TOTAL GENERAL FUND EXPENDITURES INCREASING 5.5% PER YEAR



SOURCES OF CURRENT GENERAL FUND REVENUE

GENERAL FUND PRIMARY REVENUES (90%):

- PROPERTY TAX (38%) (\$10.6M)
- SALES TAX (21%) (\$ 7.0M)
- FRANCHISE FEES (11%) (\$ 3.5M)
- DEVELOPMENT FEES (20%) (\$ 5.0M)
- OTHER: OVERHEAD TRANSFERS, TOT, COUNTY AUG. (10%)

- ◆ TRANSFER FROM OTHER FUNDS TO SUPPORT GENERAL FUND OVERHEAD COSTS, COUNTY AUGMENTATION REVENUE, MISCELLANEOUS REVENUES FROM PARKS & REC., TRAFFIC CITATIONS AND ANIMAL LICENSE FEES.
- ◆ OTHER GENERAL FUND REVENUES MAKE UP APPROXIMATELY **10% OF THE GENERAL FUND REVENUES**, WITH THE **COUNTY AUGMENTATION REVENUE REPRESENTING 3% OF THIS TOTAL.**



SOURCES OF REVENUE MENIFEE

DOES NOT RECEIVE ...

NO VEHICLE LICENSE FEE (VLF) REVENUE – NOW \$4,269,250* THIS YEAR & RISING. 482 MUNICIPALITIES IN CA & ONLY MENIFEE, WILDOMAR, EASTVALE & JURUPA VALLEY ARE EXCLUDED FROM THESE FUNDS

- FY2015/2016 (BASED ON \$50 PER/CAPITA ON POPULATION OF 85,385)

NO CFD PUBLIC SAFETY REVENUE – THE FOLLOWING CITIES HAVE CREATED CFD'S FOR PUBLIC SAFETY ON NEW HOUSING DEVELOPMENTS:

- ♦ PERRIS (2) (2001-3, \$317/\$63 P/DU);
- ♦ **LAKE ELSINORE (2) (2003-1, \$373/\$186 P/DU); (2007-1, \$477/\$238 P/DU);
- ♦ WILDOMAR (1) (2013-1, \$244/\$173 P/DU);
- ♦ SAN JACINTO (1) (2003-1, \$473/\$354 P/DU);
- ♦ PALM SPRINGS (1) (2005-1, \$357/\$300 P/DU);
- ♦ DESERT HOT SPRINGS (1) (PTAX-2, \$277/\$155 P/DU)

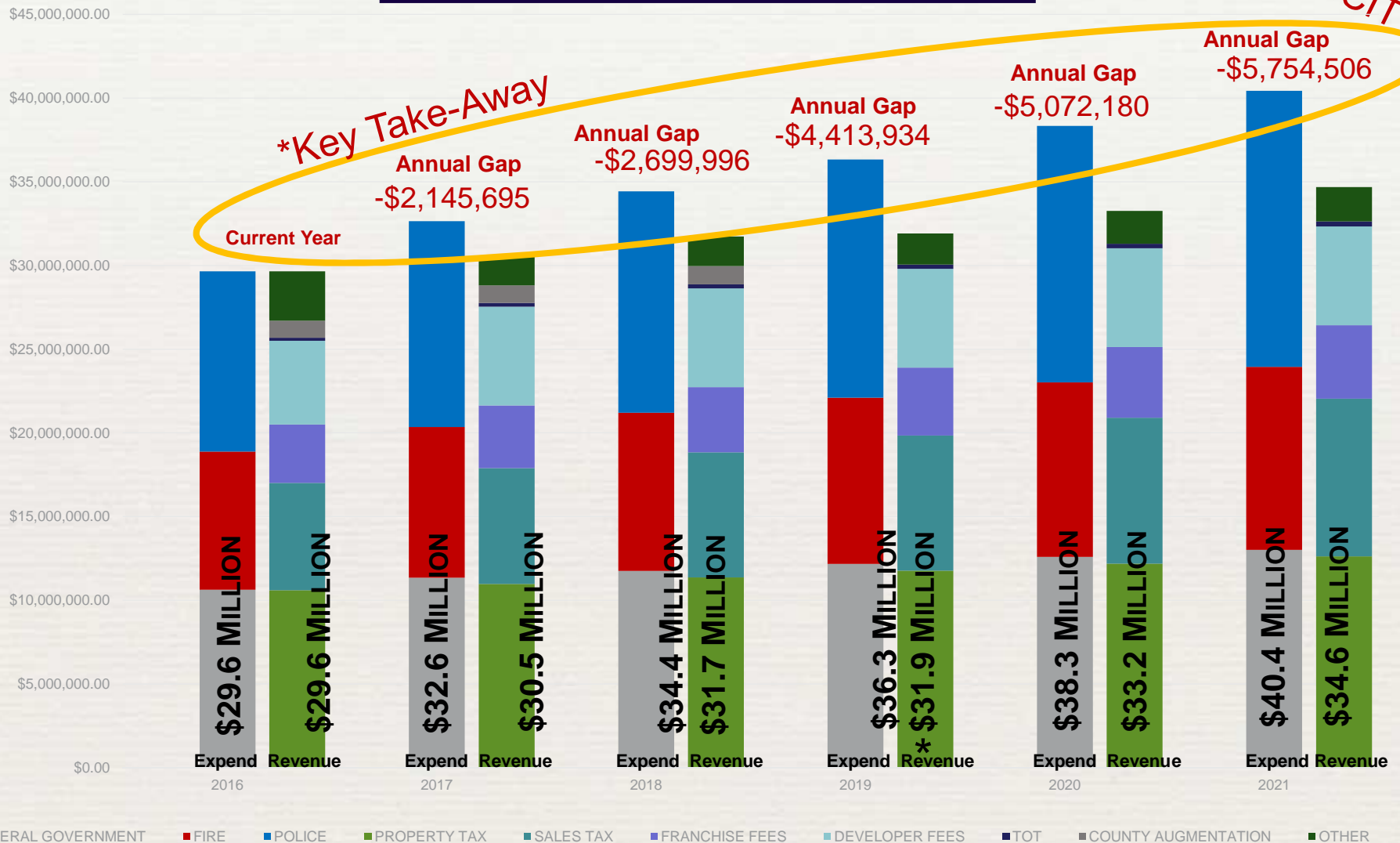
**FASTEST GROWING CITY IN RIVERSIDE COUNTY NOT STUNTED BY CFDs

NO WATER, SEWER OR ELECTRIC UTILITIES, KNOWN AS RATE PAYER SERVICES



FINANCIAL FORECAST 5 YEAR PROJECTIONS

AGGREGATE
\$20 MILLION
DEFICIT



*Key Take-Away

Current Year

* County Augmentation Sunsets

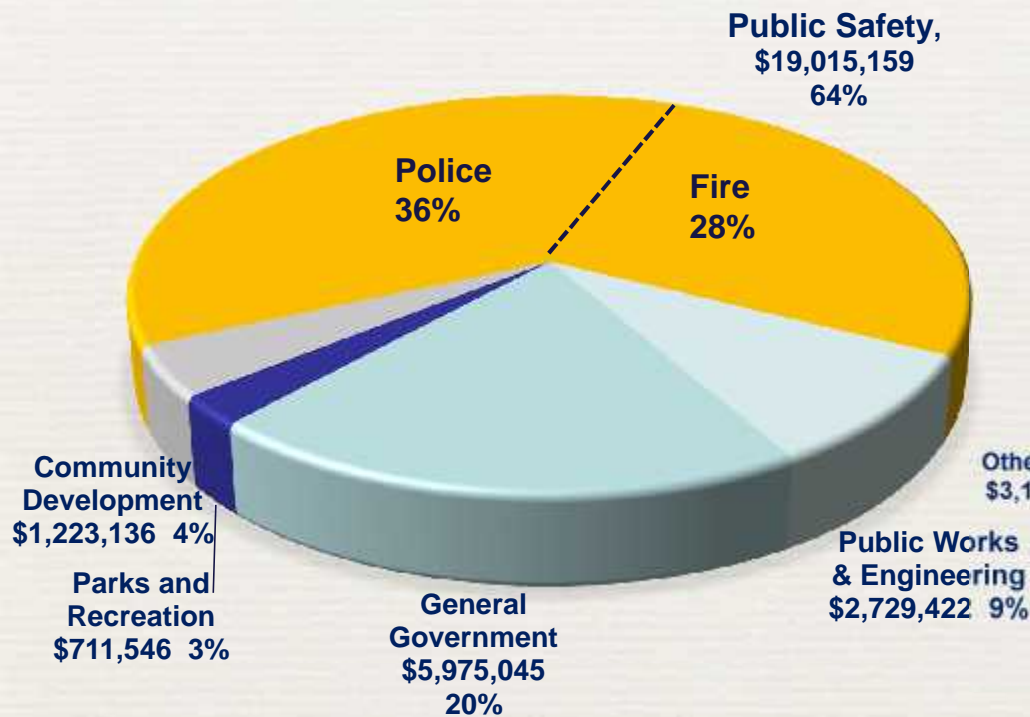
- STATUS QUO=NO INCREASE IN STAFF/PUBLIC SAFETY OR SERVICES
- SLOW GROWING REVENUES {PROPERTY TAXES (3%), SALES TAXES (8%), MISC REVENUE (5%)}
- NO NEW REVENUE GROWTH BASE



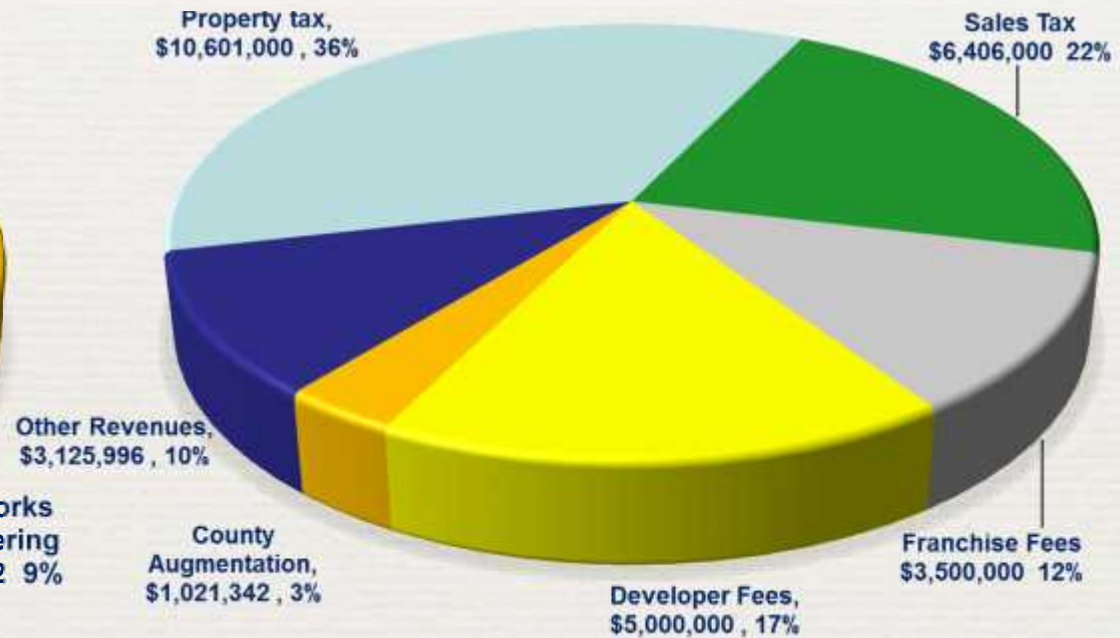
TWO-PRONGED APPROACH TO CHALLENGE

- 1) EXPENDITURE REDUCTIONS (REDUCED IN 2013/14, 2014/15 & 2015/16)
- 2) REVENUE GENERATING OPTIONS

2015/16 EXPENDITURES



2015/16 REVENUES



13% INCREASE IN 64% OF TOTAL BUDGET CANNOT BE OVERCOME BY 8% INCREASE IN SALES TAX & 2% INCREASE IN PROPERTY TAX ANNUALLY



ON-GOING ANNUAL SOLUTIONS

EXPENDITURE REDUCTION EFFORTS

- ✦ NO NEW GENERAL FUND POSITIONS W/O EITHER STAFF REDUCTIONS VIA REORGANIZATIONS OR CONVERTING CONSULTANTS TO FULL TIME STAFF OVER THE PAST 3 YEARS (DOES NOT INCLUDE CSD OR PW/ENG. – FUNDED OUTSIDE GF)
- ✦ REDUCED TRAINING & EDUCATION OPPORTUNITIES IN EVERY DEPARTMENT
- ✦ REDUCED EXPENSES IN ALL CATEGORIES IN ALL DEPARTMENTS
- ✦ SHIFTED AS MANY EXPENSES POSSIBLE OFF GENERAL FUND
- ✦ NEGOTIATED CONTRACT COST REDUCTIONS

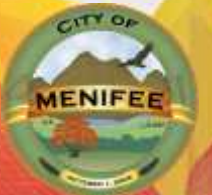


ON-GOING ANNUAL SOLUTIONS

EXPENDITURE REDUCTION EFFORTS

(Continued)

- ✦UPCOMING COST OF SERVICES STUDY UPDATE
- ✦PERFORMED UTILITY EFFICIENCY STUDY/UTILITY AUDIT IN CITY-OWNED FACILITIES
- ✦UPCOMING DEVELOPMENT IMPACT FEE UPDATE
- ✦STAFF/CONSULTANT CONSOLIDATIONS
- ✦REVIEWING ALL CONTRACTS TO IDENTIFY COST SAVING OPPORTUNITIES
- ✦COLLABORATING CITIES RFP FOR JPA SERVICES
- ✦SHERIFF'S DEPARTMENT OFFERED TO DISCUSS RATE ISSUES WITH EACH CITY SEPARATELY



POTENTIAL SOLUTIONS

EFFORTS TO STIMULATE LOCAL ECONOMY & GENERATE REVENUE

ECONOMIC RELATED STUDIES:

- ◆ HOTEL FEASIBILITY STUDY
- ◆ AUTO MALL FEASIBILITY STUDY
- ◆ INDUSTRIAL PARK OVERLAY/BUSINESS PARK PLAN
- ◆ BUSINESS INCENTIVE ORDINANCE
- ◆ MCCALL MEDICAL CORRIDOR OVERLAY
- ◆ HDL STUDIES
- ◆ DERRIGO STUDIES

OTHER EFFORTS:

- ◆ WEBSITE OVERHAUL
- ◆ UPDATED ED MATERIALS/ CITYWIDE BRANDING
- ◆ INFRASTRUCTURE IMPROVEMENTS
- ◆ COMMUNITY SERVICES DEPT IMPROVING QUALITY OF LIFE

- *ICSC RECON
- *ICSC SAN DIEGO
- *MENIFEE MATTERS
- *ENEWSLETTERS
- *ECONOMIC DEVELOPMENT NEWSLETTERS
- *BROKER MEETINGS
- *SPEAKING EVENTS
- *MAYOR ROUND TABLES
- *EDC MEMBERSHIP
- *CHAMBER RIBBON CUTTINGS
- *BRANDMAN UNIVERSITY COLLABORATION
- *MT. SAN JACINTO COLLABORATION



POTENTIAL SOLUTIONS

“NEW” REVENUE GENERATING OPTIONS

1. **PUBLIC SAFETY SALES TAX:** WOULD ENHANCE REVENUE SPECIFICALLY FOR PUBLIC SAFETY. REQUIRES 2/3 VOTER APPROVAL AND WOULD BE PAID BY RESIDENTS ONLY. SEEN AS AN ADDITIONAL PARCEL TAX. ONLY TO BE USED FOR PUBLIC SAFETY COSTS (POLICE & FIRE).

REVENUE GENERATING OPTIONS:
(2016-2021)

ANNUAL REV

5 YEAR

PUBLIC SAFETY TAX:

\$2-3M

\$10-15M

THE CALCULATION COULD BE BASED ON \$50 PER RESIDENTIAL DWELLING UNIT AT 40,000 DWELLING UNITS = \$2,000,000, OR ALL PROPERTIES WITHIN THE CITY LIMITS, WHICH MAY BE SOME 60,000 X \$50 = \$3,000,000.



POTENTIAL SOLUTIONS

“NEW” REVENUE GENERATING OPTIONS

2. SALES TAX MEASURE: WOULD INCREASE CURRENT LEVY ON RETAIL SALES OF TANGIBLE GOODS PAID BY PURCHASER OF GOODS AT POINT OF SALE INSIDE THE CITY LIMITS. ADDITIONAL 1% WOULD RAISE A MINIMUM OF \$7M ANNUALLY AND INCREASES AS SALES TAX INCREASES – SIMPLY DOUBLES CITIES CURRENT RATE OF SALES TAX COLLECTION. GENERAL BALLOT MEASURE WOULD REQUIRE 50% +1 VOTER APPROVAL AND COULD BE USED FOR ANY GENERAL FUND NEED: ROADS, INFRASTRUCTURE, POLICE, FIRE, CODE ENFORCEMENT, PERSONNEL, ETC.

THE CITY’S CURRENT ANNUAL SALES TAX REVENUE IS \$7,000,000. A SALES TAX MEASURE WOULD CAPTURE SPENDING FROM ANYONE INSIDE THE CITY LIMITS. TRAFFIC COUNTS ALONG THE I215 CORRIDOR (85,000 VEHICLE TRIPS PER DAY) AND THE NEWPORT CORRIDOR (~50,000 VEHICLE TRIPS PER DAY) SUGGEST LARGE GAINS IN THIS AREA FOR THE CITY.

REVENUE GENERATING OPTIONS: (2016-2021)	ANNUAL REV	5 YEAR
SALES TAX MEASURE: 1 %	\$ 7.0M	\$ 35.0M
1/2 %	\$ 3.5M	\$ 17.5M
1/4 %	\$ 1.75M	\$ 8.75M



POTENTIAL SOLUTIONS

“NEW” REVENUE GENERATING OPTIONS

3. **UTILITY USER TAX (UUT):** WOULD PLACE A LEVY ON USE OF VARIOUS UTILITIES (I.E. GAS, ELECTRIC, TELECOMMUNICATIONS, ETC.) PAID FOR BY THE UTILITY USER INSIDE THE CITY LIMITS. REQUIRES 2/3 VOTER APPROVAL, IF SPECIFIC TO AN ENTITY (POLICE OR FIRE) OR 50%+1 FOR GENERAL USE.

REVENUE GENERATING OPTIONS: (2016-2021)	ANNUAL REV	5 YEAR
UTILITY USERS TAX (UUT)	\$ 7.2M	\$36M

THE CALCULATION COULD BE BASED ON AN AVERAGE MONTHLY BILL FOR ALL UTILITIES WITH A DWELLING UNIT. FOR THE EXAMPLE, \$300 PER MONTH, 5% UUT = \$15 P/MO. PER DWELLING UNIT = \$180 P/YEAR X 40,000 DWELLING UNITS = \$7,200,000.



POTENTIAL SOLUTIONS

“NEW” REVENUE GENERATING OPTIONS

5. **COMMUNITY FACILITY DISTRICT FOR PUBLIC SAFETY:** WOULD ASSESS THE PURCHASERS OF NEW HOMES IN THE CITY AN ANNUAL FEE TO FUND PUBLIC SAFETY COSTS. THE CITY COUNCIL HAS THE AUTHORITY TO ENACT THIS NEW REVENUE OPTION AS A POLICY MATTER ON NEW DWELLING UNITS.

REVENUE GENERATING OPTIONS: ANNUAL REV 5 YEAR
(2016-2021)

CFD FOR PUBLIC SAFETY	\$200,000	\$3M
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DEPENDS ON # OF NEW HOMES OBTAINING CERTIFICATE OF OCCUPANCY

YEAR 1 = 400 x \$500 = \$200K

YEAR 2 = 400 x \$500 = \$200,000 NEW + \$200K EXISTING = \$400K

YEAR 3 = 400 x \$500 = \$200K NEW + \$400K EXISTING = \$600K

YEAR 4 = 400 x \$500 = \$200K NEW + \$600K EXISTING = \$800K

YEAR 5 = 400 x \$500 = \$200K NEW + \$800K EXISTING = \$1M

AND SO ON AND SO ON AND SO ON

PRECEDENT HAS BEEN SET IN THE REGION BY LAKE ELSINORE, PALM SPRINGS, PERRIS, SAN JACINTO, WILDOMAR AND DESERT HOT SPRINGS.



TAKE-AWAY SUMMARY

1. **VLF** – ATTEMPTED THREE TIMES (SO FAR) WITH MORE ATTEMPTS ON THE WAY. GOVERNOR HAS VETOED LAST TWO ATTEMPTS. MENIFEE SHOULD CONTINUE THIS FIGHT TO CONTINUE THE TRACK RECORD AND DOCUMENTATION OF NEEDED FUNDS AND EQUITY ISSUE... AB2277 (MELENDEZ) AND SB817 (ROTH) ...
2. **RESULTS FROM THE KPMG STUDY** ARE STARTING TO TRICKLE DOWN. UNSURE THAT THIS IS THE ANSWER TO REDUCING OUR EXPENDITURES FOR SHERIFF'S CONTRACT.
3. **COOPERATING CITIES RFP FOR POLICE STUDY** – THE STUDY WILL NOT BE COMPLETE FOR ANOTHER FIVE MONTHS. UNSURE OF WHAT INFORMATION IT WILL PROVIDE AND MAY NOT LEAD TO ANY COST REDUCTIONS.
4. UPCOMING REPORT **STANDARDS OF COVER STUDY FROM CALFIRE**. CITIES ARE ANTICIPATING ADDITIONAL COSTS FOR FIRE SERVICES.
5. MISSED OPPORTUNITY FOR **PUBLIC SAFETY CFD** ON 1,115 (MENIFEE HEIGHTS = 359; CIMARRON RIDGE = 756) NEWLY APPROVED HOUSING UNITS = \$570,880 ANNUALLY WHEN OCCUPIED.
6. **MENIFEE HAS ROUGHLY (14 NEW TRACT MAPS UNDER REVIEW IN PLANNING NOW) 3,525* NEW SFU AND 150 MFU COMING THROUGH APPROVAL PROCESS NOW TOTALING \$1,861,950 ANNUALLY WHEN OCCUPIED.**

*3525 x 2.9 PEOPLE = 10,222 NEW RESIDENTS/10 NEW OFFICERS?



TAKE-AWAY SUMMARY

(CONTINUED)

- ◆ CALIFORNIA SALES TAX BALLOT MEASURES HAVE BEEN VERY SUCCESSFUL OVER THE PAST TWO YEARS
- ◆ 2015: THE STATE HAD 11 LOCAL SALES TAX MEASURES WITH 9 BEING APPROVED = 81%
 - 4 @ ½%
 - 1 @ 1%
 - 1 @ ¾%
 - 3 @ ¼%
- ◆ 2014: THE STATE HAD 65 LOCAL SALES TAX MEASURES WITH 50 BEING APPROVED = 77%



COMMUNITY OUTREACH PLAN

- ◆ **EDUCATION:** TOWN HALL MEETINGS, MENIFEE MATTERS, BILLBOARDS, SPEAKER'S BUREAU, CHAMBER OF COMMERCE, ROTARY, PRESS RELEASES, ENEWSLETTER, COUNCIL UPDATES
- ◆ **PARTICIPATION:** ASK OUR COMMUNITY TO BECOME INVOLVED IN THE PROCESS, QUESTIONNAIRES, SURVEYS
- ◆ **SOLICITATION:** ASK OUR COMMUNITY WHAT THEY THINK, BE PUBLIC, ASK THE QUESTION "WHAT SHOULD WE DO?", WHAT WOULD YOU DO?
- ◆ **CONSIDERATION:** QUESTION, DISCUSS & REFLECT ON THE INFORMATION RECEIVED FROM ALL POINTS OF VIEW
- ◆ **IMPLEMENTATION:** PROPOSE SOME TYPE OF BALLOT MEASURE FOR NOVEMBER 2016 TO THE VOTERS DECIDE



RECOMMENDATION

1. RECEIVE PRESENTATION AND PROVIDE DIRECTION
2. AUTHORIZE THE CITY MANAGER TO ENGAGE CONSULTANTS AND/OR EXPERTS IN SUBJECT AREA TO DESIGN AND CONDUCT COMMUNITY OUTREACH EFFORTS, IN AN AMOUNT NOT TO EXCEED \$50,000
3. DESIGNATE THE PUBLIC SAFETY COMMITTEE TO PROVIDE FEEDBACK AND GENERAL PROJECT GUIDANCE TO STAFF

AS PER THE STAFF REPORT, THE CITY MANAGER WOULD RETURN TO CITY COUNCIL WITH REPORT DETAILING THE FINDINGS OF COMMUNITY SUPPORT FOR A SALES TAX BALLOT MEASURE FOR NOVEMBER 2016.

