



CITY OF POMONA COUNCIL REPORT

August 7, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

By: Onyx Jones, Finance Director

Subject: Adopt a Resolution Amending the FY 17-18 Adopted Operating Budget by Appropriating \$85,000 from General Fund Reserves and Approval of Professional Services with Urban Futures Inc. (UFI), in an Amount Not to Exceed \$75,000 to Develop a 10-Year Fiscal Sustainability Plan and to Approve a Professional Services Agreement with Colantuono Highsmith Whatley, PC Attorney in the Amount not to Exceed \$10,000 for Attorney Services to review the City's General Sanitation Fee (GSF) and Franchise In-Lieu Fees

OVERVIEW

Recommendation – That City Council Authorize:

1. The attached resolution amending the FY 17-18 Adopted Operating Budget by appropriating \$85,000 from General Fund Reserves.
2. The City Manager, or designee, to execute a professional services agreement with Urban Futures, Inc. (UFI) for an amount not to exceed \$75,000 for a 10-Year Fiscal Sustainability Plan, subject to review and approval by the City Attorney.
3. The City Manager, or designee, to execute a professional service agreement with Colantuono Highsmith Whatley, PC Attorney for an amount not to exceed \$10,000 for the review of the City of Pomona's General Sanitation Fee (GSF) and Franchise In-Lieu Fees, subject to review and approval by the City Attorney.

Fiscal Impact – This action will appropriate \$85,000 in account #101-1101-52285 for the professional services provided by UFI and legal services provided by Colantuono Highsmith Whatley, PC. The funding will come from General Fund Reserves. The work product from both firms is not only expected to secure approximately \$3.5M in General Fund GSF and Franchise In-Lieu revenues but it will also create a plan to address the General Fund's current structural deficit of approximately \$2M.

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Public Notice Requirement – On January 28, 2016, the City released a Request for Qualifications and Proposal for Financial Advisory Services. The requests for Financial Advisor Services closed on February 9th and four proposals were received. After reviewing the proposals received, it was recommended that the City Council approve the hiring of UFI for Financial Advisory Services. Section 2-977(e) (3) allows for the selection of Colantuono Highsmith Whatley, PC for specialized legal services as recommended by the City Attorney.

Previous Related Action – On June 19, 2017, City Council gave direction for the Finance Director to have a 10-Year Financial Sustainability Plan developed to address the General Funds' structural budget deficit that was being subsidized with one-time General Fund revenues. On February 22nd 2016, Council approved the hiring of Urban Futures as the City's Financial Advisor for the possible refinancing of current bonds Series AF(Sewer), AG(City), AN(City), AY/AZ(Water) and BA(Sewer).

EXECUTIVE SUMMARY

A 10-Year Fiscal Sustainability Plan was requested by City Council during the City-wide FY 2017-18 proposed budget presentation. Over the past several fiscal years, the City has relied on one-time revenues, service cuts, unspent cash reserves, and extended position vacancies to cash flow its obligations and to finish the fiscal year with a balanced budget despite the structural operating deficit. In developing this 10-Year Financial Plan the Finance Department is also seeking to review the sustainability of the GSF and the Franchise In-Lieu Fees collected in the General Fund.

DISCUSSION

The FY 2017-18 budget message and study sessions highlighted the City's structural operating deficit and its unfunded future financial obligations. It was noted in the City Manager's FY 2017-18 budget message that, "In the coming year, City Council, City Manager, and City Staff will all need to use forward-thinking leadership, innovation, various cost-saving budget strategies, and revenue generating ideas to meet the growing demands of Pomona. The development of a Five Year or Ten Year Financial Plan is essential to being proactive in addressing the financial needs of the City and future economic factors." This plan will give staff and Council insight on key economic indicators and measures for the national, state, and local economy.

There is evidence of slow progress towards economic recovery through gradual increases in population, employment, retail sales, building permits, and home prices and the City must be forward thinking to address future challenges such as:

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1. Maintaining the City's facilities & infrastructure
2. Addressing increasing pension cost & increasing retiree healthcare benefit costs
3. Meeting debt service requirements
4. Addressing the continued shift of General Fund services to under-funded Special Revenue Funds
5. Remaining a competitive employer to retain and attract a talented workforce

UFI was hired to serve as Pomona's financial advisor and has successfully assisted the City with the bond refundings for the General Fund Bond Series, BC, Sewer Series AF and Water Series AZ which saved the City over \$50 million dollars over the next thirty years. In this capacity, UFI has developed a deep understanding of the City's current financial situation and debt profile. UFI is also fully aware of the other economic factors (I.e. State takeaways, PERS increases) that must be addressed by all Cities in the State of California.

The work being proposed by UFI (See Attachment #2) can be broken in to four major tasks:

- Develop a Baseline 10-Year Financial Forecast Model in Microsoft Office Excel® that can be expanded, refined and updated to address the City's changing needs, objectives and goals.
 - Provide the City the analytic capacity and understanding of the City's present and future financial condition
 - Allow for the adjusting of assumptions, inputs and variables
 - Enable the City to conduct rigorous fiscal analysis and provide immediate feedback on the short-and long-term financial impact of strategic choices and operational decisions.
- Analyze and model the City's various General Fund revenue streams, including assessing revenue restructurings or new revenue streams that enhance sustainability or reduce risk.
- Analyze and model General Fund expenditure categories, cost drivers and program service delivery structures to identify opportunities for sustained cost reduction, containment and recovery.
- Deliver a final report to the Mayor and Common Council with recommendations on the following: (a) restructuring at-risk or under-optimized revenue streams, (b) changes to financial structures or procedures that will enhance current revenue streams, (c) opportunities for new revenue streams to improve the City's fiscal stability, (d) actions to mitigate the impact of key cost drivers and achieve sustained savings, (e) restructuring program service delivery models, and (f) practices to realize efficiencies, improve cost recovery and lessen long-term expenses.

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Part of the 10-Year Fiscal Sustainability plan will include an in-depth look at the City's revenue sources. The City Attorney's office has recommended that the City hire Colantuono Highsmith Whatley, PC as they are widely known as California's leading expert on the law of local government revenues. Urban Futures has also partnered with Colantuono Highsmith Whatley, PC to do similar revenue studies for other Cities. Both firms have agreed to work together to review the current structure of the GSF Fee and the Franchise In-Lieu fees and other revenue opportunities for the City's General Fund.

In conclusion, it is staff's recommendation that the City Council approve the appointment of UFI to assist with the development of a 10-Year Fiscal Sustainability Plan and Colantuono Highsmith Whatley, PC for attorney services in the review of the City of Pomona's General Sanitation Fee and Franchise In-Lieu Fees.

Attachments:

1. Resolution
2. Proposal from Urban Futures, Inc.