



CITY OF POMONA

IMPACT ANALYSIS REPORT ON THE POSSIBLE EFFECTS OF THE PROPOSED INITIATIVE PETITION TO AMEND THE CITY CHARTER TO REQUIRE 10% OF ANNUAL UNRESTRICTED GENERAL FUND REVENUES BE TRANSFERRED TO A NEW SPECIAL FUND RESTRICTED TO FUNDING NO COST SERVICES TO CHILDREN AND YOUTH, WITH A MINIMUM 65% OF SUCH MONIES GOING TO NON-PROFIT ORGANIZATIONS THROUGH A COMPETITIVE GRANT APPLICATION AND AWARD PROCESS OVERSEEN BY AN APPOINTED CITIZEN BOARD



Pomona Kids First Initiative Impact Analysis

May 15, 2023 the City received a Notice of Intent to Circulate a Petition and proposed initiative measure from a group of Pomona residents who are the proponents of the measure.

May 26, 2023 the City Attorney's office timely prepared and sent a ballot title and summary of the measure to the proponents who then had 6 months from receipt of the ballot title and summary to gather enough signatures to qualify the measure for the ballot.

November 20, 2023, the proponents timely submitted a signed petition to the City Clerk's Office; The City Clerk's Office forwarded the signed petition to the Los Angeles County Registrar of Voters to verify the validity of the petition signatures.



Pomona Kids First Initiative Impact Analysis

January 24, 2024, after County verification, the City Clerk's Office notified the proponents that the petition contains 12,948 valid signatures which represents more than 15% of that number. Therefore, this initiative charter amendment has qualified for the ballot.

February 5, 2024 meeting, the City Council received the City Clerk's Certificate of Sufficiency of Initiative Petition certifying that the PKF Initiative has obtained the required number of signatures. At that meeting, the City Council directed staff to prepare an impartial and informational report analyzing the impact of the PKF Initiative on the City's finances, ability to provide public services, land use and development regulations, and the like.



Pomona Kids First Initiative Impact Analysis

- Staff worked with the City's Financial advisor, Urban Futures, Inc. (UFI), to prepare a financial impact analysis Pursuant to Elections Code Section 9212, and specifically to prepare an Impact Analysis Report on the possible long-term financial impacts of the Pomona Kids First (PKF) Initiative
- There are 13 Sections in the PKF Initiative
- Of the 13 Sections the analysis focuses on 8 operative financial provisions of the PKF Initiative



Pomona Kids First Initiative Impact Analysis

The 8 Operative Financial Provision of the PFK Initiative

1. Sections 1, 7 and 9

- a. Creates a new special fund called the Children & Youth Fund.
- b. Creates within the City Manager's office a new Department of Children & Youth to administer the Fund.
- c. Creates an Accountability Board with designated powers, responsibilities, and oversight of the Fund and Department, including hiring the Department's Executive Director and recommends the award of all monies from the Fund

2. Sections 2 and 6

- a. Require an annual transfer of revenue from the General Fund to the Children & Youth Fund as follows:
 - a. Unrestricted Revenues. A specific percentage of total unrestricted General Fund revenue starting at 2% in fiscal year 2025 and rising to 10% by fiscal year 2031; and
 - b. Base Percentage. A "Base Percentage" of existing revenue, which is defined as the amount equivalent to the City's current youth-oriented expenditures that are "eligible expenses" under the initiative (see Section 4 below). The determination of the "Base Percentage" amount is made jointly by the City Manager and Accountability Board. This is in addition to the 10% transfer described above.



Pomona Kids First Initiative Impact Analysis

3. Section 4 Restricts the eligible expenditures from the Fund to “no cost services provided to children and youth from birth to 18 years old and their caregivers, and... disconnected transitional-aged youth from ages 18 to 24 and, when relevant, their caregivers.” Programs that predominantly serve these populations are also eligible for funding.
 - a. Defines categories of eligible programs and services with minimum annual allocations.
 - b. Restricts eligible recipients of monies from the Fund to public agencies and non-profit community-based organizations. Further restricts public agencies (including the City) from receiving more than 20% of annual monies expended from the Fund through the competitive grant application/award process (see Section 11 below).
 - c. Allows a maximum of 10% of annual revenue into the Fund to be used for administration, and 5% for evaluation.

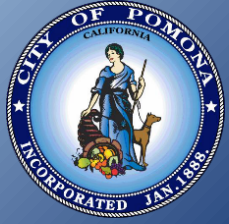
4. Section 11. Establishes a competitive grant application/award process as the exclusive means for expending monies from the Children and Youth Fund (except for administration and oversight, and evaluation). The Accountability Board reviews grant applications and recommends funding awards to the City Council. The City Council has no authority to independently award funding and can only approve or reject the Accountability Board’s grant funding recommendations in their entirety.



Pomona Kids First Initiative Impact Analysis

5. Section 12. Provides that annual revenue transfers from General Fund to Children and Youth Fund can be reduced in cases of “fiscal emergency.”

- a. Defines a “moderate fiscal emergency” as a decrease in General Fund revenues by 10% to 20% from the prior year. If this occurs, there can be a 10% reduction in revenues transferred to the Children and Youth Fund.
- b. Defines a “severe fiscal emergency” as a decrease in General Fund revenues by 20% or more from the prior year. If this occurs, there can be a 20% reduction in revenues transferred to the Children and Youth Fund.



Pomona Kids First Initiative Impact Analysis

Financial Impact Analysis Report (Prepared by UFI)



Pomona Kids First Initiative Impact Analysis

If approved by the voters, the PKF Initiative would result in the following significant financial changes to the City's General Fund:

1. A defined increasing percentage of annual total unrestricted General Fund revenues will be transferred to new Children & Youth Fund in accordance with the following schedule:

FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
2% of last six months	5%	6%	7%	8%	9%	10%

- After fiscal year 2031, the annual 10% transfer will continue permanently unless the charter provisions are repealed or amended by Pomona voters.
- Additionally, an undetermined amount of existing General Fund expenditures for youth-oriented programs and services may be classified as “base percentage” and must be annually transferred to the Children & Youth Fund under the PKF Initiative.
- The transfer of General Fund revenues to the Children and Youth Fund may ultimately exceed the 10% figure.



Pomona Kids First Initiative Impact Analysis

If approved by the voters, the PKF Initiative would result in the following significant financial changes to the City's General Fund:

2. From the funds transferred to the Children & Youth Fund,

- Up to 15% may be used to support the administration, oversight, and evaluation of the Fund by a new Department of Children and Youth.
- The remaining 85% are designated to be disbursed to non-profit community-based organizations and public agencies through a competitive grant application and award process, with public agencies receiving a maximum of 20% of grant awards.
- This effectively means that of the annual City revenues transferred to the Children and Youth Fund, the City could only potentially receive back through grant awards a maximum of 17% to support its current youth-oriented programs and services



Pomona Kids First Initiative Impact Analysis

Fiscal Impact Evaluation Tool - City's Long-Range Financial Forecast Model

In accordance with its adopted fiscal policies, the City utilizes a Long-Range Financial Forecast Model “to evaluate known internal and external issues impacting the City’s financial condition.” When evaluating the City’s future financial condition, the City employs the following two-step process utilizing the Financial Forecast Model:

1. **Baseline Forecast.** The first step is to create a “Baseline Forecast.” The Baseline Forecast establishes a neutral projection of the City’s 10-year financial outlook based on the City’s current organization, operations, and revenue/expense structure. The Baseline Forecast represents the City’s best prediction of the City’s future financial condition assuming no changes to the City’s organizational structure or operations, with all revenues and expenses projected using current econometric forecast data, the City’s historic financial data, and appropriate forecasting algorithms.
2. **Scenario Forecast.** The second step is to create a “Scenario Forecast.” The Scenario Forecast provides an alternative projection of the City’s 10-year financial outlook based on a set of identified changes to the assumptions in the Baseline Forecast. The Scenario Forecast can be compared to the Baseline Forecast to evaluate the near and long-term financial impact of the changed assumptions.

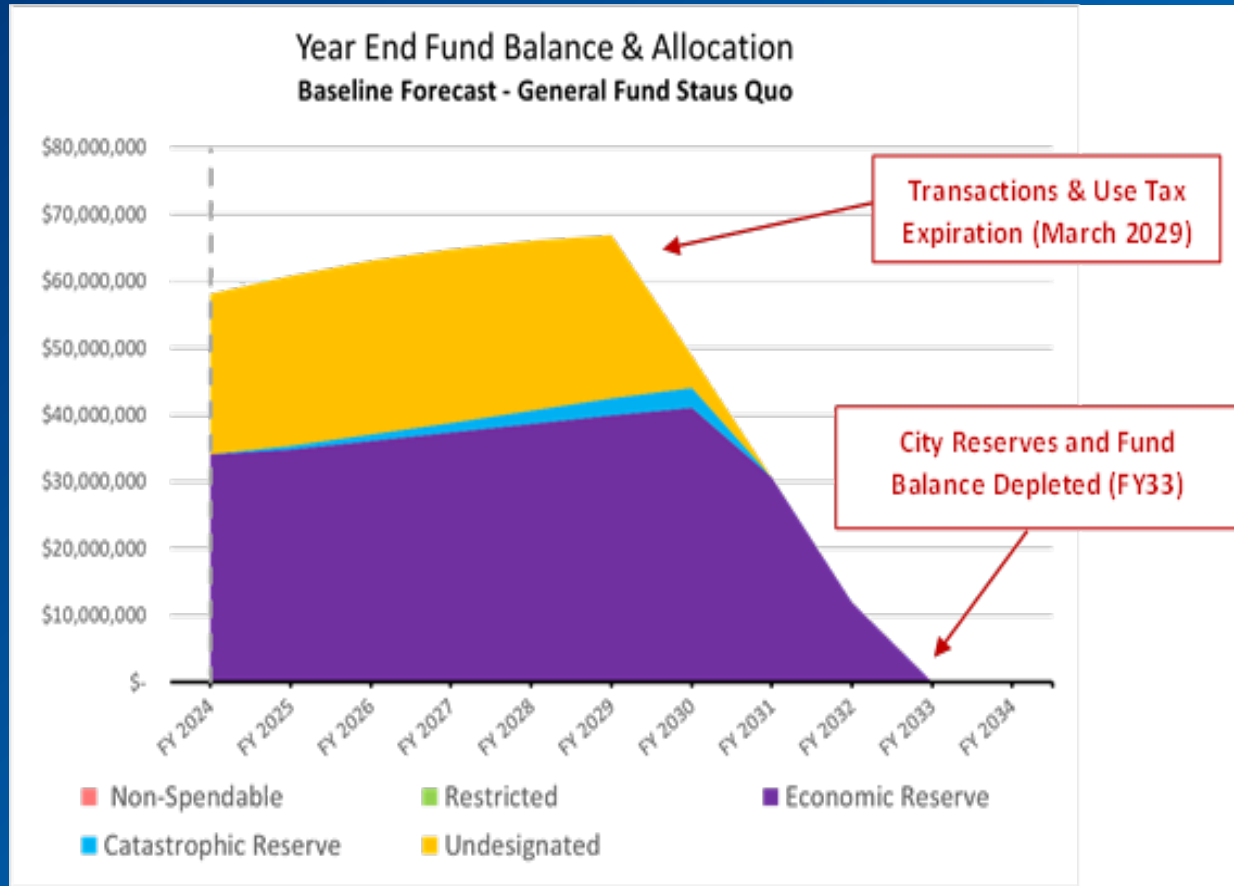
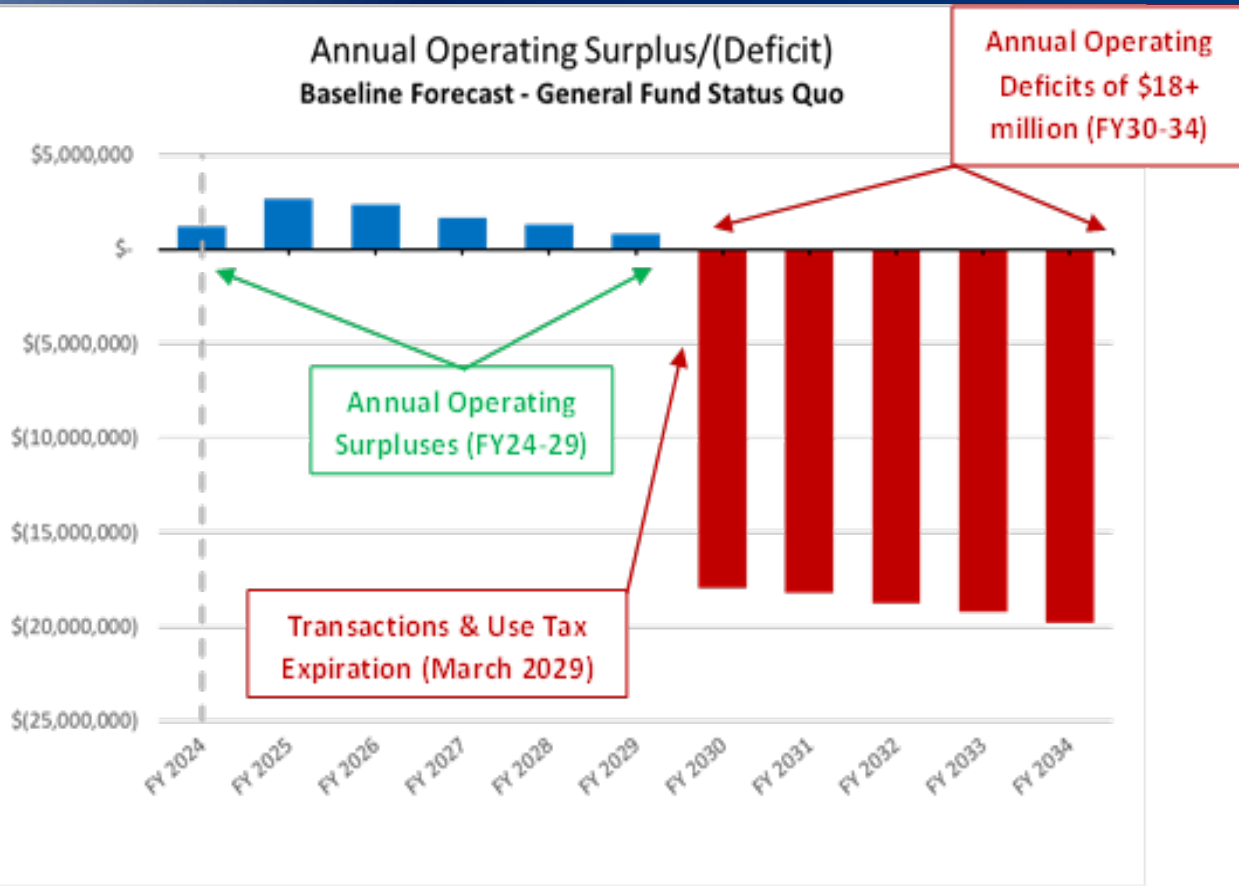
NOTE - For purposes of evaluating the impact of the citizen initiative, the City updated the Financial Forecast Model with the City’s FY 2023-24 Adopted Budget data, updated econometric data, and updated data and information from the City’s third-party tax consultants.



Pomona Kids First Initiative Impact Analysis

General Fund (Status Quo) – Baseline Forecast

Assumes the “status quo,” which includes the existing revenue and expense structure of the General Fund.





Pomona Kids First Initiative Impact Analysis

General Fund with PKF Initiative – Scenario Forecast

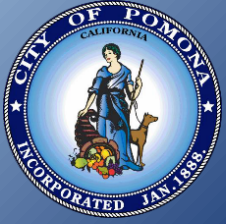
If the PKF Initiative is approved by the voters, the General Fund will experience the financial changes summarized at the beginning of this presentation

The Financial Forecast Model can be used to evaluate both the near-term and long-term impact of these financial changes to the General Fund by creating a Scenario Forecast in which all assumptions and inputs to the Baseline Forecast are held constant, except for the changes proposed by the PKF Initiative.

In developing the Scenario Forecast, however, the following potential fiscal impacts to the General Fund which could not be reasonably reduced to forecasted amounts due to their uncertainty were not included:

- Undetermined existing General Fund expenditures for youth-oriented programs and services that may be classified as “base percentage” and annually transferred to the Children & Youth Fund (Section 6 of the PKF Initiative).
- Any annual amounts the City may receive back from the Children and Youth Fund due to successful grant awards for children and youth programs and services, not to exceed 20% of all grant awards (Sections 4 and 11 of the PKF Initiative).

While the above fiscal impacts are currently unknown and unquantifiable, using the City’s Long-Term Financial Forecast Model, the table was prepared to show both the annual and cumulative General Fund revenues that would be transferred from the City’s General Fund to the new Children & Youth Fund, and the potential maximum annual and cumulative amount the City may receive back from the Children & Youth Fund



Pomona Kids First Initiative Impact Analysis

Table 2

PKF Initiative – Transfers Out of General Fund & Maximum Potential Grant Awards to City				
Forecast Year	General Fund Revenues Transferred to Children & Youth Fund		Maximum Amount of Grants City <u>may</u> be awarded from Children & Youth Fund ⁽¹⁾	
	Annual	Cumulative	Annual	Cumulative
FY 2025	1,585,915	1,585,915	269,605	269,605
FY 2026	8,201,787	9,787,702	1,394,304	1,663,909
FY 2027	10,146,647	19,934,348	1,724,930	3,388,839
FY 2028	12,213,917	32,148,265	2,076,366	5,465,205
FY 2029	14,399,705	46,547,970	2,447,950	7,913,155
FY 2030	14,981,181	61,529,151	2,546,801	10,459,956
FY 2031	17,159,964	78,689,115	2,917,194	13,377,149
FY 2032	17,688,558	96,377,673	3,007,055	16,384,204
FY 2033	18,224,953	114,602,626	3,098,242	19,482,446
FY 2034	18,772,087	133,374,712	3,191,255	22,673,701

⁽¹⁾ *Amounts assume annual competitive application and award process results in City receiving the maximum 20% of all grant awards available to public agencies.*



Pomona Kids First Initiative Impact Analysis

Table 3



PKF Initiative - Impact to Long-Term Financial Position of City's General Fund ⁽¹⁾				
	Baseline Forecast General Fund Status Quo		Scenario Forecast General Fund with PKF Initiative	
Forecast Year	Annual Operating (Deficit)/Surplus	Fund Balance	Annual Operating (Deficit)/Surplus	Fund Balance
FY 2025	2,656,360	60,793,660	1,070,445	59,207,745
FY 2026	2,344,842	63,138,502	(5,856,945)	53,350,800
FY 2027	1,679,511	64,818,013	(8,467,136)	44,883,664
FY 2028	1,292,120	66,110,133	(10,921,797)	33,961,868
FY 2029	787,803	66,897,936	(13,611,902)	20,349,966
FY 2030	(17,977,610)	48,920,326	(32,958,791)	(12,608,825)
FY 2031	(18,198,378)	30,721,947	(35,358,342)	(47,967,167)
FY 2032	(18,742,736)	11,979,211	(36,431,295)	(84,398,462)
FY 2033	(19,215,028)	(7,235,817)	(37,439,981)	(121,838,443)
FY 2034	(19,836,911)	(27,072,728)	(38,608,998)	(160,447,441)

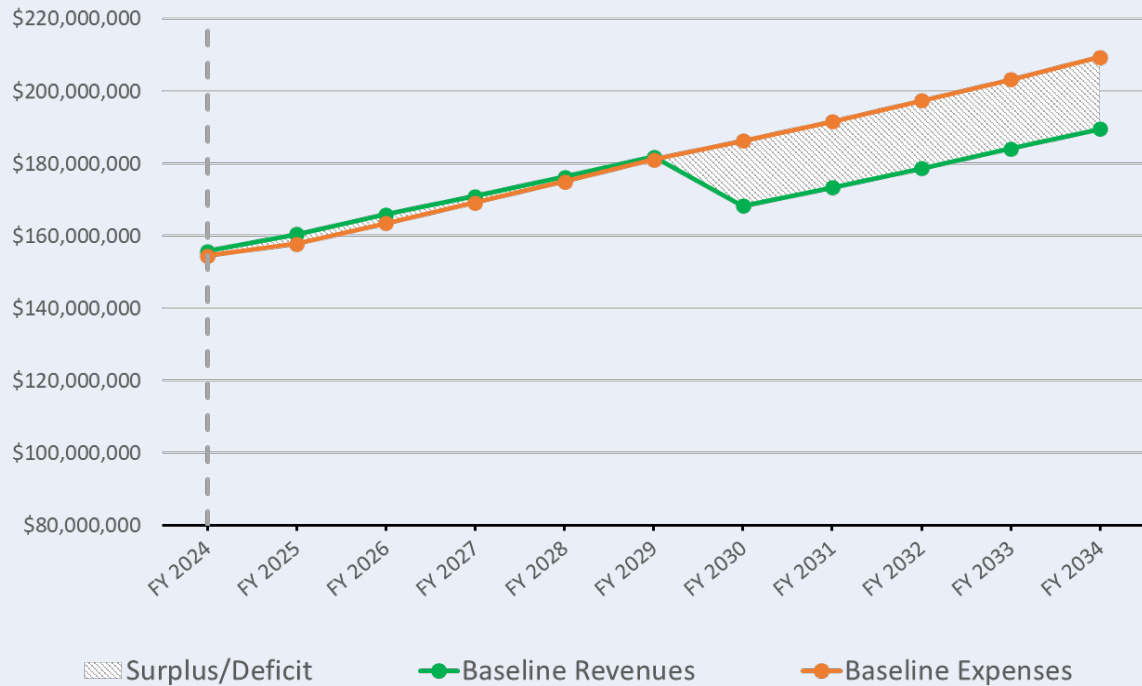
⁽¹⁾ Amounts do not include two potential fiscal impacts that are currently unknown and unquantifiable: any annual "base percentage" transferred to the Children & Youth Fund (Section 6 of PKF Initiative) and any potential grant awards received by City from the Children & Youth Fund, not exceeding 20% of all grant awards (Sections 4 and 11 of PKF Initiative).



Pomona Kids First Initiative Impact Analysis

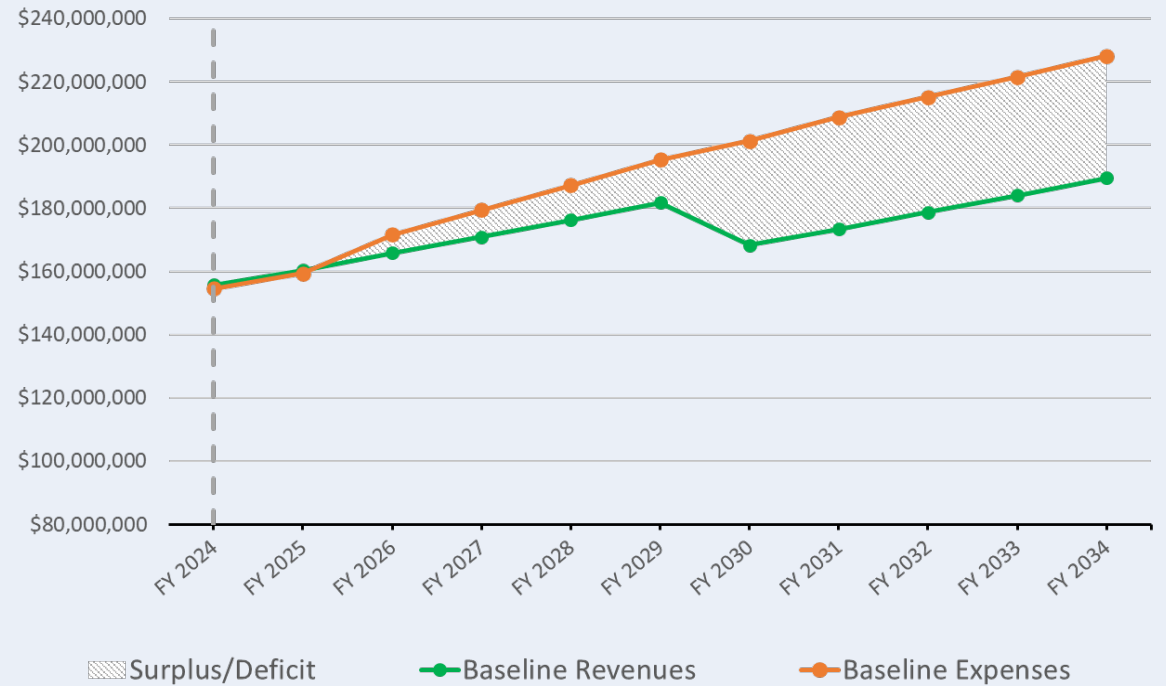
BASELINE FORECAST General Fund - Status Quo

Total Revenues & Expenses
Baseline Forecast - General Fund Status Quo



SCENARIO FORECAST General Fund - Amended by PKF Initiative

Total Revenues & Expenses
Scenario Forecast - General Fund with PKF Initiative

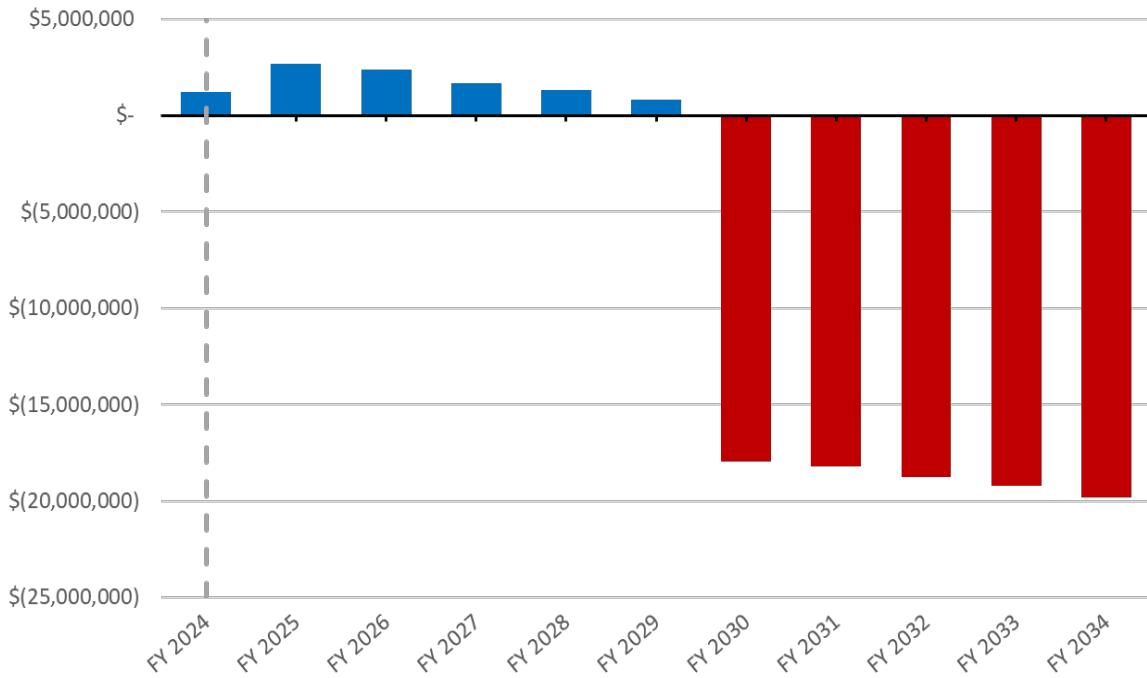




Pomona Kids First Initiative Impact Analysis

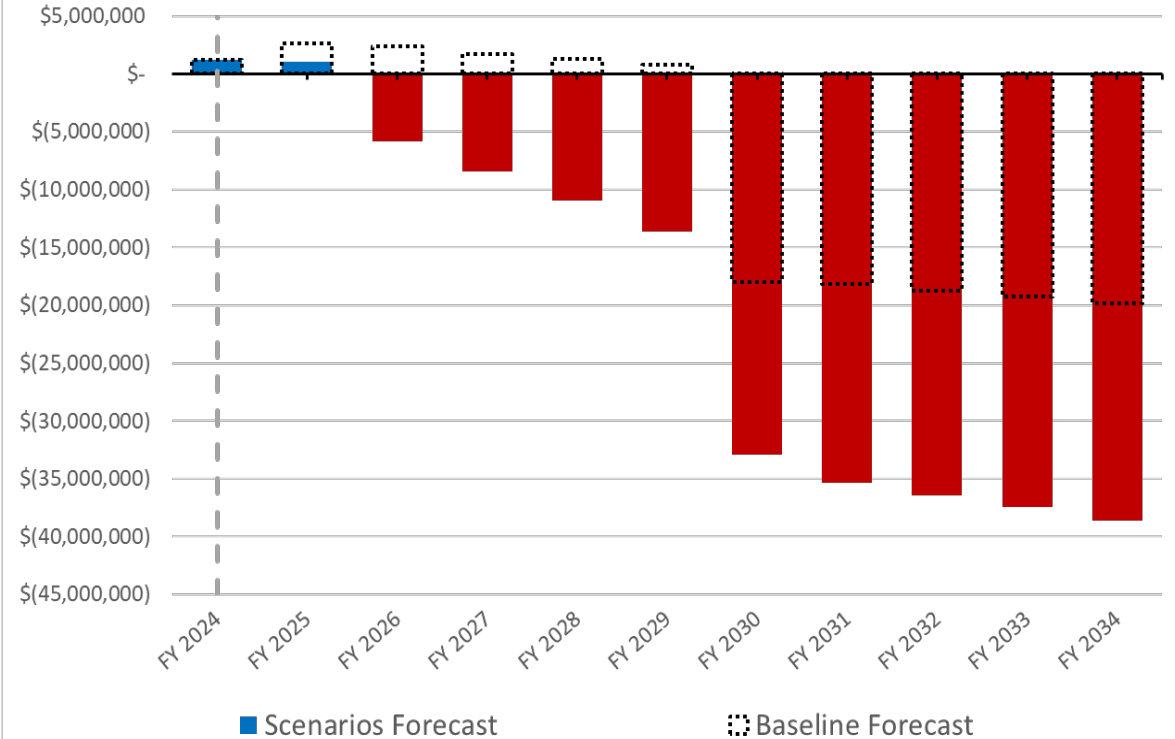
BASELINE FORECAST General Fund - Status Quo

Annual Operating Surplus/(Deficit)
Baseline Forecast - General Fund Status Quo



SCENARIO FORECAST General Fund - Amended by PKF Initiative

Annual Operating Surplus/(Deficit)
Scenario Forecast - General Fund with PKF Initiative





Pomona Kids First Initiative Impact Analysis

ANALYSIS OF ADDITIONAL OPERATIVE FINANCIAL PROVISIONS IN INITIATIVE:

Non-supplantation & Restriction on City Receipt of Funds

Sections 4, 6 and 11 of the PKF Initiative operate as a de facto non-supplantation clause. This means if the City wants to continue its existing \$15.3 million in annual General Fund expenditures for youth-oriented programs and services, these expenditures will be in addition to the maximum of 10% of unrestricted General Fund revenues that would be transferred to the Children & Youth Fund under the initiative.

Fiscal Emergency

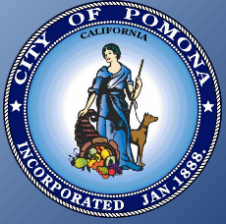
Section 12 of the PKF Initiative attempts to provide relief from the transfer of General Fund revenues to the Children & Youth Fund in case of a “fiscal emergency.” The initiative defines a “moderate fiscal emergency” as a decrease in General Fund revenues by 10% to 20% from the prior year, and a “severe fiscal emergency” as a decrease in General Fund revenues by 20% or more from the prior year.



Pomona Kids First Initiative Impact Analysis

CONCLUSION

- The impartial and informational report analyzing the impact of the proposed initiative measure on the City's finances, ability to provide public services, land use and development regulations, and the like displays a financial risk to the City's general fund in the immediate future by identifying how the PKF Initiative creates a significant and growing annual operating deficit in the General Fund for every year of the forecast except the first year (fiscal year 2025).
- By comparing the Baseline Forecast and Scenario Forecast it can be seen the PKF Initiative has approximately the same negative fiscal impact to the General Fund's annual operating deficit as the sunset of the TUT.
- Any type of major General Fund ongoing (not onetime) revenue source reduction or mandated annual appropriation will impact other City services funded annually the General Fund.
- Voter approval of the PKF Initiative ensures one of these two forecasts provided herein will be the fiscal outlook for the City's General Fund, unless the City undertakes significant fiscal restructuring of the General Fund and reduction in the current municipal services delivered to residents and businesses.



Pomona Kids First Initiative Impact Analysis

QUESTIONS ?