



**CITY OF SOUTH PASADENA
FINANCE COMMISSION
SPECIAL MEETING AGENDA**

**1424 Mission Street, South Pasadena, CA, 91030
Commissioners to participate via ZOOM**

April 22, 2020, at 9:00 am.

CALL TO ORDER:	Commission Chair Wood
ROLL CALL:	Chair Wood, Vice Chair Findley, Commissioners Choi, Elsner, and Tao, and City Treasurer Pia
COUNCIL LIAISON:	Robert Joe
STAFF PRESENT:	Finance Director Karen Aceves

NOTICE OF PUBLIC PARTICIPATION AND ACCESSIBILITY

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the Special Meeting of the Finance Commission for April 22, 2020 will be conducted remotely and held by video conference, beginning at 9 a.m. The Meeting will be broadcast live on the City's local cable channel and the City's website at: (www.southpasadenaca.gov/financecommission).

Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Council Chambers will not be open for the meeting. Commissioners will be participating remotely and will not be physically present in the Council Chambers.

If you would like to comment on an agenda item, or make a general public comment, members of the public may submit their comments in writing for Commission consideration, by emailing them to: fcpubliccomment@southpasadenaca.gov.

Public Comments must be received by 5 p.m., April 21, 2020 to ensure adequate time to compile and post. Public Comment portion of the email is limited to 150 words. Please make sure to indicate: 1) your name; 2) what agenda item you are submitting public comment on, or if it is a general public comment; and 3) clearly state if you wish for your comment to be read.

PUBLIC COMMENT

Public Comments received by 5 p.m. April 21, 2020 will be read during this time, limited to 150 words. Public comments received will be posted to the website and entered into the record of the meeting.

ACTION/DISCUSSION

1. Selection of Officers
2. Receive and File General Fund Budget Updates in Response to COVID 19 and Discuss FY 2020-21 Budget Outreach Plan

ADJOURNMENT

FUTURE FINANCE COMMISSION MEETINGS

TBD

Virtual Meeting

PUBLIC ACCESS TO AGENDA DOCUMENTS

Prior to meetings, agenda related documents are available for public inspection at, City Hall, 1414 Mission Street, South Pasadena, CA 91030. The complete agenda packet may also be viewed on the City’s website at: www.southpasadenaca.gov/financecommission

ACCOMMODATIONS



The City of South Pasadena wishes to make all of its public meetings accessible to the public. Meeting facilities are accessible to persons with disabilities. If special assistance is needed to participate in this meeting, please contact the City Clerk's Division at (626) 403-7230. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities. Hearing assistive devices are available in the Council Chamber. Notification at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting (28 CFR 35.102-35.104 ADA Title II).

I declare under penalty of perjury that I posted this notice of agenda on the bulletin board in the courtyard of City Hall at 1414 Mission Street, South Pasadena, CA 91030, and on the City’s website as required by law.

04/20/2020

Date

Karen Aceves
Finance Director



Finance Commission Agenda Report

ITEM NO. _____

DATE: April 22, 2020

FROM: Karen Aceves, Finance Director

SUBJECT: **Receive and File General Fund Budget Updates in Response to COVID 19 and Discuss Budget Outreach Plan**

Recommendation

It is recommended that the Finance Commission

1. Receive and File Budget Updates in Response to COVID-19; and
2. Discuss Budget Outreach Plan.

Executive Summary

The COVID-19 pandemic is first and foremost a critical global health crisis. The City of South Pasadena (City) is responding accordingly in order to limit the spread, contain the virus, and safeguard as many lives as possible. That being said, the financial consequences of this public health emergency are significant in multiple respects. Social distancing and shelter-in-place orders have curtailed activities that would normally provide economic stimulus to the area. Here in South Pasadena most of the businesses on Mission Street have closed, and those that can remain open continue to struggle to provide services. The totality of it all has resulted in immediate and significant financial implications; \$1.6 million shortfall through June 30, 2020; and \$ 3.5 million through June 30, 2021. This report will analyze the short term (through Fiscal Year 2020) and long-term impacts and recovery efforts which will need to be considered for the financial sustainability of the City.

Discussion/Analysis

On March 19, 2020, Los Angeles Public Health officials announced a “Safer at Home” order prohibiting all indoor and outdoor public and private gatherings and events. The order specifically required that all businesses cease operations and close to the public continuing through April 19, 2020 (now extended through May 15, 2020.) To comply with this order, the City reduced the number of employees required to work in person in order to minimize exposure. The City made operational decisions to meet the objectives of the order including:

- Cancelling City activities involving public gatherings;
- Closing public facilities where possible;
- Assigning staff to work from home, where possible;
- Reducing operations and assigning crews to work on a rotational basis to minimize exposures; and
- Halting certain activities if required by the order.

Given the global decline in activity level outside the home, the pandemic is wreaking havoc with the world's economies. Many economists believed we were already on the verge of a downturn, which is now a downward spiral. Unemployment has hit records numbers with some economists predicting it will reach 30%, exceeding the 25% of the Great Depression. The City will be heavily impacted by this downturn. Unlike previous economic downturns, the impact of COVID-19 is sudden and widespread. It has hurt our local, national, and global economies all at once. And so much is unknown: we don't know how long this crisis will last, how hard-hit our revenues will be, or how long it will take to recover.

Despite not being able to adequately forecast revenues for the coming year, the City must still adopt an annual budget prior to June 30. Presented below are projections of FY19/20 and FY20/21 revenues based on current information. They are rough, at best, but constitute a basis for beginning to plan for future budget scenarios. A budget adopted by the City Council in June should be reviewed quarterly and modified to maintain alignment with new revenue data and economic projections. While the City is being hit hard by this economic downturn, it is being affected much less so, due its main revenue base, property tax, which is projected to maintain stability. Cities whose primary revenue sources are sales tax and hotel tax are considerably less stable in the current environment and will be for several years as the tourism industry recovers.

The City has four main sources of revenue including:

Property Tax

The City's property tax is the largest revenue source, representing half of the City's entire General Fund Revenue (\$15.4 million). At this time, the City's property tax receipts through the Fiscal Year (FY) (June 30, 2020) are not in jeopardy of coming in lower than projected. The reason for this is because this receipt represents revenue that has already been collected for the property taxes due last fall. When comparing property taxes in terms of the 2008 recession, there was no substantial change in 2008, but there were significant drops in the three years following. This was largely due to market valuation changes. While there may be some reduction in property tax receipts due to deferment of payments as a result of unemployment, property tax is still projected to remain relatively stable at this point. It remains to be seen how the overall economic climate will impact market valuation in the coming years.

Utilities Users' Tax (UUT)

The City's UUT is the second largest revenue source (\$3.4 million) or 12% of the General Fund. UUT once constituted 15% of the General Fund, and is projected to continue to decline in the future. This decline is not related to the pandemic but rather to a reduction in the amount of utilities that are being consumed. For example, many households no longer subscribe to cable television, have reduced their water usage through conservation, and use only cell phones instead of landlines. All of these lifestyle changes result in less tax revenue to the City. In FY 20/21 the UUT is projected to continue to decrease approximately 2-3% annually.

The UUT will sunset in 2022 unless renewed by voters on the ballot in 2020. The loss of these dollars would require a significant reduction in staffing and elimination of services on top of the

existing budget deficit. As the City explores ways to manage its resources in the midst of a pandemic, this revenue source continues to be critical to the provision of basic services.

Sales Tax

Sales tax brings in approximately \$2.4 million or 8% of the General Fund. Tax revenues have generally been flat in recent years with no new development or business expansion. In November, 2019, the City's residents approved a ¾ cent sales tax increase, known as a transaction use tax. This would effectively raise the City's tax rate from 9.5% to 10.25% consistent with neighboring cities. The entirety of the tax is retained by the City and, pre-pandemic, represented approximately \$1.5 million in anticipated new general fund revenue. This revenue began collecting in April 2020 and City receipts will begin in July 2020.

Since then, there have been several notable changes resulting from the pandemic, both on the legislative side and economically. All non-essential businesses were forced to close and food service establishments were limited to pick up and delivery only. The majority of the City's businesses closed and all local restaurants did not choose to maintain operations on such a small scale. Grocery stores, drug stores, and gas stations are the only significant remaining sales tax generators. Further, despite efforts by the State and Federal government to provide aid to small businesses, we must anticipate that many will not return after the closure or will not survive a long, slow recovery period.

On April 6, 2020, the Governor took steps to help small businesses announcing the State would allow deferred payments of up to \$50,000 of state and local sales and use taxes for up to 12 months. The 12-month, interest free, deferral will allow businesses with less than \$5 million in taxable annual sales to keep the sales taxes collected from consumers in what is essentially a loan from the state, counties, and cities. From a cashflow perspective, the City's possible exposure to the governor's deferred payment plan through the end of the fiscal year is \$313,000 (13% reduction through June 30). This revenue source was expected to become the City's second highest revenue source, surpassing UUT, however that is now in dependent on the economic recovery rate. Losses associated with permanent business closures could be up to \$600,000 in the upcoming year if half of all small businesses closed.

User Fees

User fees, set forth in the City's Annual Fee Schedule bring in just over \$3 million, making up 10% of the City's general fund revenues. Examples of these fees include plan check and building fees, public works fees, police fees, passport fees, community programming, and fire fees. Some of these revenues are seeing the sharpest decline of up to 63% or \$500,000 (community services classes). With mass gatherings expected to be prohibited for another 6-12 months, revenues from recreation programs are anticipated to remain at zero well into the new FY. Below is a breakdown of the types of fees that are collected and the effect the pandemic may have on the City's ability to collect:

Community Services (Excluding Rentals)

Community Service Fees are fees collected from recreation classes, youth programs, and the Camp Med program. These fees bring in approximately \$800,000 annually and are down 63% in

the current year (\$500,000). We anticipate that revenue will be frozen or very minimal as long as the “safer at home” order continues, and well into the recovery period as group gatherings such as camp are expected to remain prohibited.

Planning

The planning fees have already met 100% of their expected revenues in this fiscal year, and are projected to increase slightly in the coming months as ADU applications continue being submitted. However, this growth going into the new years will vary greatly on economic recovery. Typically, these fees see declines in years following recessions.

Public Works

Similar to planning fees, public works fees have already met their expected revenues for this fiscal year. Future years are uncertain as with any projects tied to construction.

Fire Fees

Fire fees include false alarm fees, annual inspection fees, and paramedic fees. Fire fees bring in approximately \$850,000 annually and are not expected to deviate significantly through the end of this year. Future years may be affected as business inspections reduce as a result of less building inspections tied to economic activity.

Other Fees

There are other fees that are collected and are separated into their own category because they are considered licenses, permits, fines, and forfeitures. This category is the one that will be most significantly impacted immediately by the closures simply because everything tied to this category is directly related to economic activity which has been halted. Overall “other fees” were projected to bring in just over \$ 2 million and are coming in 30% below projections. Below is a brief status on the major fees in this category:

Licenses and Permits

Licenses and permits include business licenses, parking permits, street permits, and filming permits are down about 40% or \$387,000 and are not expected to increase significantly.

Fines and Forfeitures

Fines and forfeitures due to vehicle code violations and parking citations are significantly down. They were expected to collect approximately \$382,000 and are down about 60%. The revenues under this category are expected to slow as people are driving less and economic activity continues to reduce in the City.

Facility Rentals

Facility rentals will be at severe risk as these types of gathering are currently prohibited and it will take a significant amount of time before people begin gathering in masses, as would be expected with a facility rental. Facility rentals bring in approximately \$650,000 and are currently down 35% (\$200,000) with no expected variation through the end of the FY.

Receive and File General Fund Budget Updates in Response to COVID 19

April 22, 2020

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The chart below reflects the adopted revenue budget, the actuals (through April 9, 2020) and the estimated revenues through June 30, 2020.

Below is a chart reflecting the breakdown by major category:

Revenues 19/20	Budgeted Amount	Projected	Variation
Property Tax	\$ 15,414,035	\$ 15,314,035	1%
UUT	\$ 3,485,000	\$ 3,485,000	0%
User Fees	\$ 3,021,750	\$ 2,500,000	17%
Sales Tax	\$ 2,430,802	\$ 2,117,802	13%
Other Fees i.e rentals, fines, permits	\$ 2,045,450	\$ 1,450,000	29%
Other Taxes i.e franchise fees, real property transfer	\$ 1,375,629	\$ 1,300,000	5%
Revenue from Other Agencies and funds	\$ 827,000	\$ 800,000	3%
Total	\$ 28,599,666	\$ 26,966,837	6%

Revenues 20/21	Budgeted Amount	Projected	Variation
Property Tax	\$ 15,722,316	\$ 15,407,870	2%
UUT	\$ 3,450,150	\$ 3,450,000	0%
User Fees	\$ 3,100,000	\$ 1,600,000	48%
Sales Tax	\$ 4,000,000	\$ 3,400,000	15%
Other Fees i.e rentals, fines, permits	\$ 2,300,000	\$ 1,500,000	35%
Other Taxes	\$ 1,400,000	\$ 1,200,000	14%
Revenue from Other Agencies	\$ 850,000	\$ 700,000	18%
Total	\$ 30,822,466	\$ 27,257,870	12%

Expenditures

Even under the most optimistic scenarios – which include the receipt of state/federal grants and emergency funding – the City will face significant fiscal challenges in the coming months. Our current projections suggest that, if the City makes no adjustments at all, the general fund budget will be short \$1.6 million (down 6%) this year and \$3.5 million next year (down 12%) requiring matching reductions be made on the expense side.

Fiscal Year 19/20

The short term expected revenue loss is projected at \$1.6 million. Our immediate focus is to develop and implement a plan which ensures that, at minimum, the City can deliver critical functions necessary for public health and safety. To confront these immediate revenue losses the City has already taken the following steps:

- Implemented a hiring freeze
- Implemented a freeze on training and travel
- Implemented freezes on some contracts and reviewing potential reductions in others
- Implemented a freeze on operational budget spending
- Reviewing the potential reduction of part time employees

Since there is only one quarter remaining in the fiscal year, these measures will not produce nearly enough savings to close the gap (\$600,000). The single most significant source of revenue to balance the current budget is the reallocation of General Fund dollars from capital projects to operating expenses. Staff is reviewing options to shift approximately \$1 million in non-General Fund dollars to current street construction projects, freeing up \$1 million in General Fund

monies. The streets projects slated to have used those General Fund dollars will be delayed to future years when General Fund dollars may be available again.

Only through the combined use of all of these measures will the City be able to reduce expenditures to match revenue in FY19/20.

Fiscal Year 20/21

While these immediate steps have been taken, the City's finances will be more significantly affected by the COVID-19 pandemic in the next FY. Additional measures will be necessary to achieve closure of a \$3.6 million gap. The City has a long-range financial sustainability plan focused on generating new revenue however, the strategies in that plan are no longer feasible. Priority items in the plan included potential enhancement of recreational and banquet facilities in the Arroyo, a local boutique hotel, and redevelopment of city parking lots. With the recovery expected to globally restrict and reduce demand for restaurants, hotels, sports, and entertainment, none of these will be reasonable considerations in the near future. If the City cannot generate additional revenue to close the budget gap, the only alternative is to reduce expenditures. We are thus exploring a variety of alternatives to reduce expenditures for discussion by the community.

Each alternative represents a trade-off between critical priorities for the community. South Pasadena is a small city and has always had a conservative budget, with very few, if any, non-essential services. More than half of the budget is allocated to public safety which the community has reaffirmed many times over the years should not be considered for reduction. Most recently, in 2018 when the UUT was challenged, the community requested among the budget cut scenarios a proposal that would not touch public safety at all.

A large portion of the remaining budget is allocated for mandated programs. The City must have a Zoning Code and must accept and process development applications in a timely manner. We must also have a General Plan and Housing Element that comply with State law before mandated deadlines. Similarly, the City must maintain roads, sidewalks, sewers and the water system. And must complete annual audits and adopt budgets in compliance with the law. When considering how much of the General Fund budget is not discretionary spending, there is a small portion from which cuts can reasonably be considered.

Below are potential options the City can explore to offset the loss in revenue:

Capital Projects

As discussed for the current Fiscal Year, General Fund dollars can again be redirected from capital projects to other service areas. Since 2012, the City has invested \$2 million or more each year in General Fund revenues to repair streets and roads. The uncharacteristically large General Fund infusion came after many years of deferred maintenance and strong demands from residents to better maintain the roads. This investment will require significant consideration moving forward. A temporary halt in the use of general fund money would slow down the progress of many projects, however there is potential to continue working on those projects that are funded through alternate revenue sources such as Prop C, Measure M, Measure W, and SB1 funds. While there is a Maintenance of Effort (MOE) of \$1.4 million, which means that the City

needs to spend \$1.4 million on streets to receive these funds, the City has formally submitted a request to the California Transportation Commission (CTC) to waive this requirement for the next two years.

Personnel

To address the shortfall through the end of June 30, 2020, the City has already taken several steps to reduce its liability including an immediate hiring freeze. While the hiring freeze will provide some short-term relief, additional steps may need to be taken to offset loss of revenue in the new Fiscal Year. Approximately 70% of the General Fund pays for personnel. While cuts to contracts and supplies will be taken first, it will likely be impossible to achieve the required level of budget cuts without exploring salary reductions and reductions in the FTE count. As such the City is exploring all options including across the board reductions to salaries, MOU reopeners regarding cost of living increases, and reductions in force. This decision will not be taken lightly as the City does not wish to impact the wellbeing of our dedicated employees or contribute to the overall economic decline. Further, reductions in FTEs will necessarily also constitute reductions in service levels, likely beyond that which the community will find acceptable. However, the dramatic global economic changes we are being forced to address may leave few, if any, alternatives to this course of action.

Reserves

The City has an emergency reserve balance which represents 25% of our general fund dollars, plus a number of reserve funds dedicated to specific purposes. The purpose of the emergency reserve is to assist the City with cash flow needs, economic downturns, and rising costs of pension liabilities; while also providing an immediate resource for emergencies. The designated reserve funds are designated by City Council for specific purposes and include:

- Arroyo Golf Course; \$600,000
- Legal Reserve; \$500,000
- Maint. Yard/ Community Center; \$317, 130
- Library Expansion; \$200,000
- Renewable Energy Source Reserve; \$700,000
- Retiree Pension Reserve; \$500,000
- Retiree Medical Reserve; \$500,000
- Community Garden/ Open Space Purchases; \$392,000
- Stormwater; \$600,000
- Financial Sustainability Reserve; \$900,000
- Slater Reimbursement Reserve; \$345,876

While this certainly seems to be the rainy day that emergency reserves plan for, the sheer number of unknowns in the coming year make the immediate use of emergency funds, to balance the current year's budget, questionable. When the economy does open up, we know it will be gradual, and there will be significant changes in human behavior. Restaurants will likely be required to reduce capacity to accommodate social distancing, sporting and entertainment events will likely not be permitted, retail stores may have to limit the number of customers at a time,

stores may have to reduce hours to allow for cleaning and sanitizing, and productivity may be reduced as a result of personnel having to work staggered shifts to protect against full group exposure. Studies also show that people are not eager to return to their prior patterns of shopping, dining and entertainment outside the home. Many will continue modified lifestyles for an unpredictable length of time. And finally, we are being told that we must be prepared for an unknown number of additional shutdowns of undetermined duration. All of these factors will create ongoing impacts to the economy and local revenue streams. The emergency reserves may be needed to maintain services in the coming year. It may be more prudent to first use reserves designated for specific projects which now seem infeasible, such as the community center.

Once the City has a clearer picture as to the magnitude and the recovery period of this pandemic, there can be a strategic use of the emergency funds to stabilize the City's finances.

Future Years

It is critical to make immediate and substantive changes to continue the long-term financial sustainability of the City. The shortfall laid out in the report does not include the potential \$11 million in additional liability expected as a result of CalPERS investment losses (amortized over 20 years beginning in FY 2022), and the potential loss of Utility Users' Tax (UUT) revenue at an additional \$3.5 million, which may stretch the City's capacity beyond the ability to continue to provide even minimal service levels and meet mandates.

Budget Outreach

Given these new and unprecedented circumstances it will be necessary to completely retool the budget. The engagement process will also be a completely new, and different process. Two years ago, to engage the community in the potential loss of UUT, the City gathered community feedback through an online survey that asked residents to list their priorities in terms of city programming and resources. These considerations will need to be presented to the community once again to reaffirm their priorities. However, the loss of this funding represents a different set of challenges than the UUT. This survey will serve to inform the commission and the city council of preferred methods to close the budget gap.

Staff is working on an online engagement program. We are creating a project webpage on the City's website, which will include a splash page with background information, FAQ, email address, infographics, presentations, and a link to online budget tool. There will be a variety of components related to the public outreach including:

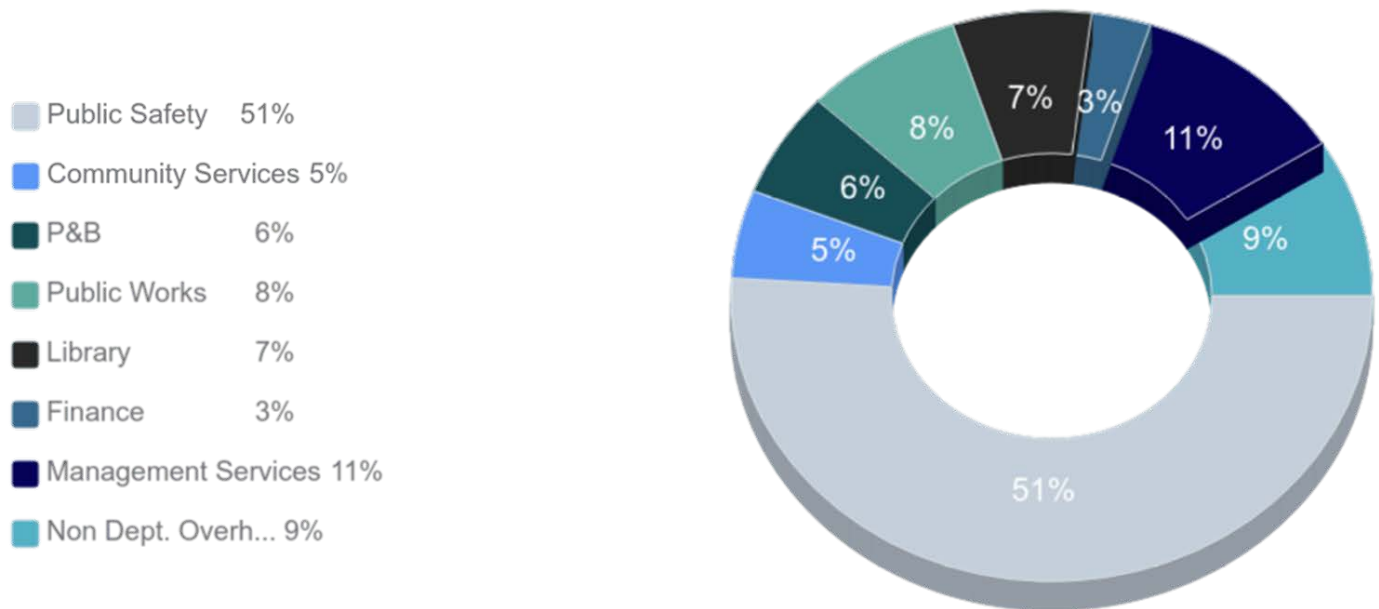
Budget Data and Trends

Staff is compiling data to provide a visualized presentation on a City webpage. The header will allow the viewer to click the photo and be taken to the budget outreach page.



Once on the outreach page the viewer will be introduced to the financial implications via a PowerPoint presentation and various infographics such as the breakdown of budgets by department as shown below:

**Breakdown by Department
General Fund Budget**



The information will be followed by department presentations related to their budgets. Typically, this includes accomplishments and general information to educate the public about the department's function. This may be presented in video format or in slides.

Following the presentation of this information, there will be an engagement tool used to survey the community regarding their budget priorities. To do this, we will use an "Open Town Hall" platform which provides residents with engagement opportunities. One such exercise will involve a slider that allows residents to adjust the budget for each listed department to indicate where they would cut to balance the budget if it were \$100 dollars.

Since we would like to gather the most feedback possible and reach as many people as possible, we will also use the City Council meetings as a reminder to the public to reach out via the dedicated e-mail address, budget@southpasadenaca.gov email which will be open to receive comments as they relate to the budget. The tentative dates for the budget outreach are April 27-May 10, but may need to be expanded in order to gather as much feedback as possible. This is the first time the City will use such a significant online platform to reach audiences during the budget outreach process and as such we will engage via social media, press releases, and e-neighbors to drive as many people to the budget site.

Next Steps

1. Staff will release the Budget Outreach platform for public input.

Fiscal Impact

The fiscal impact results in a short-term loss of approximately \$1.6 million through June 30, 2020; and \$ 3.5 million through June 30, 2021. The losses may continue to compound as businesses are forced to close and economic activity declines. Further, there will be future financial impacts, if the loss of UUT and the increased liability in state pensions materialize.

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website and/or notice in the *South Pasadena Review* and/or the *Pasadena Star-News*.

From: [Chris Bray](#)
To: [Finance Commission Public Comment](#)
Subject: finance commission comments
Date: Tuesday, April 21, 2020 12:39:30 AM

CAUTION: This email originated from outside of the City of South Pasadena. Do not click links or open attachments unless you recognize the sender and know the content is safe.

(Please read to the commission, w/r/t Agenda Item 2, "Receive and File General Fund Budget Updates in Response to COVID 19 and Discuss FY 2020-21 Budget Outreach Plan.")

Finance Commissioners,

While the city's budget for legal services this fiscal year is \$250,000, the latest month of invoices from the city attorney's law firm totaled \$68,000. Multiply 68 x 12 and see if you get 250. The city has lost control of its legal costs. I suspect everyone already knows this.

Second, when the city joined the Clean Power Alliance and the "100% Green" plan, the city council approved transfers from reserves to pay for higher power costs at city facilities. Before that vote was taken, Councilmember Cacciotti said that the city's commitment to community choice aggregation would probably cost an extra \$100,000 a year. In fact, it appears that participation in the CPA is costing the city closer to \$200,000 a year above SCE rates.

Fire Teresa Highsmith and withdraw from the Clean Power Alliance. There's \$5 million in cost savings in a decade.

On a positive note, we spent \$4,800 last year to feed Eric Garcetti some quiche. Party on, Garth.

Chris Bray
221 Grace Dr.

From: [D. Shane](#)
To: [Finance Commission Public Comment](#)
Cc: ["Bob Joe"](#); [Ellen Wood](#); [Michael Cacciotti - Personal](#); [Dr. Richard Schneider - Personal](#); [WISPPA](#); [Karen Aceves](#)
Subject: Finance Committee Meeting April 22, 2020: Public Comment: Agenda Item #2
Date: Tuesday, April 21, 2020 12:53:01 PM

CAUTION: This email originated from outside of the City of South Pasadena. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Finance Committee:

Gabriel Petek, California Legislative Analyst, told the state's Senate Budget Committee to prepare for a projected state deficit of up to \$35 billion this year and \$85 billion in future fiscal years. California Franchise Tax Board has received a "trickle" of April cash payments compared to last year.

You should expect property tax revenues not to be stable but to decrease substantially, the UUT may not be successfully renewed unless the City gets its finances in order starting with a thorough review of all contracts less than \$25,000. Sales tax revenue will plummet unless the City and its residents can support and find relief for local businesses now struggling. User and other fees have been regressive recently to those least likely to afford them.

What about coordination with the school's finance committee?

Recommend moving budget outreach to just after the state's revised budget in mid-May.

Thank you.

Mrs. Delaine Shane
2003 Meridian Avenue

From: [Jan Marshall](#)
To: [Finance Commission Public Comment](#)
Subject: Public Comment on Item #2
Date: Tuesday, April 21, 2020 2:26:39 PM

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Finance Commission,

When my husband and I had our first baby, we received a hilarious card with the message, "Life as you now know it is over!" And it was SO true.

The same message now applies to our local, state, and federal economy. If anyone thinks the economy is going to come roaring back, they are engaged in magical thinking.

The General Plan's proposal to make South Pasadena a "creative placemaking" community is now a distant memory." Same with, "Gee, maybe we need a boutique hotel?"

The city needs to plan for a worst case scenario and then subtract another 20 percent from the budget as there are still so many unknowns.

Finally, the City Manager's discretionary spending needs to be reduced to \$10k as she has already squandered too much of taxpayers' money on a myriad of outside consultants flying under the city council's radar.

Jan Marshall
1728 Oxley St.

From: [Joanne Nuckols](#)
To: [Finance Commission Public Comment](#)
Subject: Agenda Item #2 comment
Date: Tuesday, April 21, 2020 3:48:31 PM

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I would like my comment read aloud.

After a review of the staff report I have the following comments:

1. For several years I have made the statement that the city should maintain and improve the property tax since it is a majority of the revenues coming in to the city's general fund. I have witnessed city hall spending a disproportionate amount of time attempting to increase sales tax (less than 10%) and no time to maintain and improve neighborhoods and property tax base (over 50%). Now, given the current crisis, the most important priority of the city should be to maintain and improve the property tax by improving the neighborhoods.
2. There are about 100 Caltrans/state owned properties in South Pasadena that could be sold. Currently the city is not deriving any property tax from these properties, which they haven't for years. A priority of the city, despite the current proposal in to Caltrans, should be to work with the current Caltrans tenants, the South Pasadena Preservation Foundation and other citizens with an institutional knowledge, connections/relationships to elected officials and Caltrans to get these properties sold ASAP. A collaboration is necessary to facilitate these sales.

Joanne Nuckols
1531 Ramona Ave
South Pasadena, CA 91030
[REDACTED]

From: [William Kelly](#)
To: [Finance Commission Public Comment](#)
Subject: Public Comment on Item 2 of Finance Committee's April 22, 2020, Agenda
Date: Tuesday, April 21, 2020 4:13:23 PM

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Bill Kelly
1852 Oxley Street
South Pasadena, CA 91030



Public Comment on Item 2: Receive and File General Fund Budget Updates in Response to COVID 19 and Discuss FY 2020-21 Budget Outreach Plan

Please Read Aloud:

In dealing with the fiscal impact of the pandemic I suggest the city to do following:

1. Consider a temporary furlough of staff rather than layoffs.
2. Borrow for selected capital improvements, particularly those that support economic development, as interest has rarely been lower.
3. Actively back the ballot initiative to amend Proposition 13 to allow larger commercial properties to be reassessed for property tax.
4. Move to gain approval of a public safety parcel tax at a moderately higher rate than proposed in last year's fiscal sustainability plan.
5. Form a task force and hire an economist to develop a community economic development plan that is realistic and forward looking given the fundamental and likely long-term changes now taking place in the economy.
6. Call on the Legislature and Governor to issue reconstruction bonds to help the state and local governments in this time of crisis.

City of South Pasadena, Finance Commission Meeting 4/22/2020

PUBLIC COMMENT, Agenda Item # 2 (to be read aloud at the meeting)

This public comment is from Alan Ehrlich

I've read the Finance department's report and it paints a dire financial forecast for our city. What I feel the report is missing, and ask the commission to recommend, is inclusion of hard data to support all the assumptions presented.

Two examples, the chart on page 5 indicates a 13% drop in sales tax this year and 15% for next. Without more information, such as Top 10 sales tax generators in the city, how can a resident, this commission, or council determine if the analysis and projection are reasonable? Aren't the largest tax generators the grocers? Their sales are up this quarter and last, not down. All the small businesses combined make up a only small fraction of the total sales tax receipts..

Similarly, I'd like to see better detail for Other Fees rentals, fines and permits category to understand the projected 29% drop this year and 35% drop for next.

Please provide the facts, not just opinion.