

# Bond Measure Advisory Committee 2015/2016

## What have we learned?

January 2016

# Visalia faces significant financial challenges

- Aftermath of financial meltdown of 2008
- Sales tax revenues less than projected
- Recession forced significant personnel reductions
- City needs to rebuild cash reserves depleted by recession and remodel of baseball park (\$12mm)
- City needs to rebuild pension reserves after CalPERS overpromised and underdelivered

# Why are sales taxes below expectations?

Statewide, in 1980 53% of personal income was spent on taxable sales.

Today, just 33% spent on taxable items.

Legislature enacted multiple exemptions

Shift of buying from stores to internet.

"Old" local sales tax sources	Replaced by
Gas guzzling SUV	Gas sipping Prius
B. Dalton, Waldens, Borders Books	Amazon Kindle
FYI Music at Visalia Mall	I Tunes
Block Buster	Net Flix
Circuit City	Internet?

# The Pension Problem

CalPERS overpromised and underdelivered

Visalia percent funded for future pension obligations

Fiscal year ending	Miscellaneous Employees	Public Safety Employees
6/30/08	88.2%	82.3%
6/30/09	60.0%	57.5%
6/30/12	67.4%	68.1%
6/30/13	71.7%	73.6%
6/30/14	75.3%	77.7%
6/30/15	?	?

# The cost of fixing Visalia's CalPERS pension underfunding

FY 03/04 Visalia Budget	FY 14/15 Visalia Budget	FY 19/20 Budget Projected
\$2.0mm	\$6.7mm	\$9.7mm
<b>Visalia City's share of employee's base salary Paid to CalPers</b>		
Misc Employees	16.0%	29.2%
Public Safety Employees	29.5%	44.7%

# “Quality of Life” Issue: Visalia’s Public Safety Challenges

2014 Measure T 0.25% Sales Tax receipts \$1.1mm less than projection 10 years ago

Police planned on adding 28 officers – could only afford 23

Prison realignment sends convicted criminals back to local jails and potential for forced early release

Prop 47 changes thefts under \$950 and most drug possession crimes from felonies to misdemeanors – criminal receives paper citation and stays “on the street” to continue criminal activities.

Calls for Service	2005	2014
Police	105,000	134,000
Fire	9,500	14,000
911	34,000	83,000
Homeless/Vagrants Calls	100	2,200

## **“Quality of Life” Issue: Visalia’s Parks and Recreation Maintenance Challenges**

- Construction of parks in new neighborhoods is funded by collecting developer fees
- Recreation programs are 59% funded by collecting fees from participants – “scholarships” available for kids who need funding.
- Sports Park needs about \$3.6mm capital investment to build-out planned facilities.
- Challenge is maintaining 42 parks (269 acres) plus 5 recreation centers plus miscellaneous 159 acres (trails, etc.)
- Maintenance will deteriorate without additional personnel.
- Requesting budget increase of \$500K annually to keep up with maintenance (about 0.8% of city annual budget)

# **“Quality of Life” Issue: Public Works Department – Street Maintenance**

- Department responsible for 472 miles of roadway.
- Simply maintaining good quality of roads will require \$8.25mm annual budget (currently \$2.6mm)
- At current budget, in 20 years pavement will deteriorate to the point that it will require \$23mm annually for the next 20 years to recover.
  - *“A stitch in time will save nine.”*



# Measuring Visalia's management/efficiency versus surrounding cities:

## Total employees per 1,000 population

City	2005	2014
<b>Visalia</b>	<b>5.7</b>	<b>4.8</b>
Clovis	5.4	4.8
Tulare	6.2	5.4
Porterville	5.3	4.9
Bakersfield	4.8	4.1

# Measuring Visalia's management/efficiency versus surrounding cities:

## Public Safety employees per 1,000 population

During the recession, city reduced total personnel per 1,000 population from 5.7 to 4.8 but maintained Public Safety level

City	2005	2014
<b>Visalia</b>	<b>2.17</b>	<b>2.21</b>
Clovis	2.45	2.18
Tulare	2.43	2.53
Porterville	2.16	2.27
Bakersfield	2.36	2.01

# Measuring Visalia's management/efficiency

Visalia self funds their health care plan

Cost per employee has risen about 4% annually since 01/02

Since 2007, employees have paid 50% of the cost of any increase in premiums

Retirees are being moved into Medicare and city supplements are being phased out

	Visalia Plan Premium	CalPers Plan Premium
Family Plan	\$1,392	\$1,980
Family Deductible	\$600	\$1,000
Maximum out of pocket	\$700	\$6,000

# Measuring Visalia's management/efficiency

## Fixing Visalia's Pension Underfunding

New employees ,since 2008, contribute more to their retirement, will have a lower payout rate and their eligible retirement age has been raised.

"Old" Visalia pension system	"New" Visalia pension system for new employees	"New" Visalia pension system for employees coming from another PERS system member
Public Safety 3% at age 50	Public Safety <b>2.7%</b> at age <b>57</b>	Public Safety <b>3.0% at age 55</b>
Miscellaneous employees 3% at age 60	Miscellaneous employees <b>2%</b> at age <b>62</b>	Miscellaneous employees <b>2% at age 60</b>
<b>"Classic" Employee Contribution</b>	<b>Newly Hired Employee Contribution</b>	
Public Safety 9.0%	Public Safety 12.25%	
Miscellaneous 7.0%	Miscellaneous 6.75%	

# Visalia has a much lower tax rate than nearby cities

All but Visalia have a utility tax

Tulare generates \$1,030 annually from a family of 3;  
Visalia receives \$616.

City	Share of 1% property tax rate	Sales Tax override	Utility Tax rate	“Hotel” tax
Visalia	11.57%	.25%	<b>0</b>	10%
Tulare	14.09%	.50%	<b>6.0%</b>	10%
Porterville	11.80%	.50%	<b>6.0%</b>	8%
Dinuba	18.79%	.75%	<b>7.0%</b>	10%
Lindsay	14.79%	.50%	<b>6.0%</b>	15%

# Recap of major fiscal challenges for Visalia

Historic 1% to 3% annual growth in sales tax receipts keeps pace with inflation but is inadequate to deal with additional demand from 3% annual population growth

- **Public Safety:** Soaring demand for services but Measure T annual sales tax receipts are \$1.1mm less than projections 10 years ago. Currently unable to meet adequate staffing and facilities demand to maintain expected “quality of life” targets.
- **Public Works/Road Conditions:** At current recession level of funding, in 20 years street surfaces will have deteriorated to the point that it would require \$23mm annually to recover over the next 2 decades.
- **Parks and Recreation Services:** Current staffing budget is insufficient to maintain parks at the same quality that has been traditionally expected in Visalia.
- **CalPers State-Managed Retirement Fund:** System has overpromised and underdelivered on investment results. Visalia, like every other public agency in the state, is being required to increase funding for future pension obligations.
- **Overall Staffing:** Pre-recession, Visalia had 5.7 employees per 1,000 population. Today, there are 4.8 employees per 1,000 population.
- **Comparing Revenue Sources:** Visalia does not have a utility tax but does have a local .25% Public Safety (Measure T) sales tax.
- **Nearby cities** of Tulare, Dinuba, Porterville and Lindsay all have local 6% or 7% utility taxes plus local sales tax overrides of .5% or .75% .

Having performed our “due diligence” in reviewing Visalia’s financial challenges between August 2015 and January 2016, the BMAC recommends the following to the City Council in order to maintain our city’s “quality of life.”

We propose a 0.5% local sales tax for the 2016 ballot (equivalent to 50 cents per \$100 in taxable purchases).

We propose this be a general tax requiring a 50% public approval.

We also propose an “advisory” ballot item recommending specific but non-binding allocation of the tax receipts.