

---

**Long Term Financial Plan**  
*Issue Papers*

---

**City of San Clemente**  
**January 1994**



---

# City of San Clemente

## City Council

- |                   |                |
|-------------------|----------------|
| • Scott Diehl     | Mayor          |
| • Candace Haggard | Mayor Pro Tem  |
| • Joe Anderson    | Council member |
| • Truman Benedict | Council member |
| • Tom Lorch       | Council member |

## City Manager

- |                |              |
|----------------|--------------|
| • Mike Parness | City Manager |
|----------------|--------------|

## Department Directors

- |                          |   |
|--------------------------|---|
| • Gene Begnell           | Interim Fire Chief                      |
| • William E. Cameron III | City Engineer                           |
| • Tom Davis              | Police Services Chief                   |
| • Myrna Erway            | City Clerk                              |
| • Paul Gudgeirsson       | Director, Office of Management & Budget |
| • James S. Holloway      | Director, Community Development         |
| • Michael L. Sorg        | Director, Public Works                  |
| • Bruce E. Wegner        | Director, Beaches, Parks, & Recreation  |

## Project Leaders

- |                    |   |
|--------------------|---|
| • Handan Cirit     | Principal Civil Engineer                |
| • Akram Hindiyeh   | Senior Civil Engineer                   |
| • Kay Jimno        | Interim Budget Officer                  |
| • Kumi Johnson     | Purchasing Agent/Fleet Manager          |
| • Dave Lund        | Economic Development Manager            |
| • Larry K. Moore   | Management Information Services Manager |
| • Marsha Payne     | Administrative Analyst                  |
| • Michael D. White | Controller                              |





---

# Project Teams

## **Project Director**

*Paul Gudgeirsson, Director, Office of Management & Budget*

## **Capital Improvement Program**

*Mike Sorg, Public Works, Project Lead*

*Handan Cirit, Engineering*

*Bill Cameron, Engineering*

## **Contracting/Privatization/Regionalization**

*Kumi Johnson, OMB, Project Lead*

*Mark Somerville, Public Works*

*Greg Morehead, Public Works*

*Bruce Wegner, Beaches, Parks, & Recreation*

*Jim Holloway, Community Development*

*Gene Begnell, Fire Department*

## **Economic Development Program**

*Dave Lund, Economic Development, Project Lead*

*Bonnie McKenna, Community Development*

## **Financial Forecast**

*Kay Jimno, OMB, Project Lead*

## **Financial Trend Analysis**

*Michael D. White, OMB, Project Lead*

## **Information Systems Plan**

*Larry K. Moore, OMB, Project Lead*

*Todd McKenzie, OMB*

## **Medical Insurance**

*Marsha Payne, OMB, Project Lead*

## **Overhead Analysis**

*Michael D. White, OMB, Project Lead*

## **Reserve Analysis**

*Kay Jimno, OMB, Project Lead*

## **Street Improvement Program**

*Mike Sorg, Public Works, Project Lead*

*Bill Cameron, Engineering*

*Akram Hindiyeh, Engineering*

*Mark Somerville, Public Works*



---

# Table of Contents

**Introduction**

**Capital Improvement Program**

**Contracting/Privatization/Regionalization**

**Economic Development Plan**

**Financial Forecast**

**Financial Trend Analysis**

**Information Systems Plan**

**Medical Insurance Program**

**Overhead Analysis**

**Reserve Analysis**

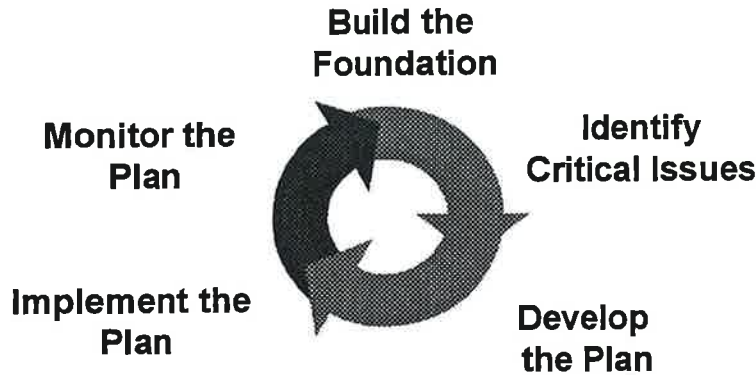
**Street Improvement Program**



---

# Introduction

## Long Term Financial Plan



### Long Term Financial Plan:

The City of San Clemente, at Council direction, annually prepares a Long Term Financial Plan (LTFP). The LTFP is intended to serve as a tool, providing Council and the public with the insight required to address issues impacting the City's financial condition. The Plan consists of two volumes: Volume I provides the complete financial plan, while Volume II provides support documents used in developing a strategic plan after a thorough analysis of all issues that impact the City's financial condition. Further explanation of each volume is provided below:

- Volume I: This volume includes the complete financial plan and consists of the following sections:
  - City Manager's Transmittal Letter
  - Process & Schedule
  - Fiscal Policy
  - Financial Milestones
  - Financial Conditions & Trends
  - Financial Forecast
  - Issue Analysis Summary
  - Recommendation Summary
  - Conclusion & Financial Summary
- Volume II: This volume of the Long Term Financial Plan includes the complete studies which were conducted by staff over the past several months in developing the City's financial strategic plan. It should be used as a companion volume to the City's actual Long Term Financial Plan which is published under separate cover as explained above. Critical issues selected for detailed analysis include:

---

## Introduction

---

### ***Capital Improvement Program***

*Goal:* To develop, implement, and update the City-wide comprehensive Capital Improvement Program, including funded projects, unfunded projects, FEMA/FHWA projects, developer dependent projects, and RDA projects.

### ***Contracting/Privatization/Regionalization***

*Goal:* To determine the economic and operational feasibility of providing existing public services through contracts with other public agencies or private organizations.

### ***Economic Development Plan***

*Goal:* Based upon the City Council approved Economic Development Action Plan, develop strategies to implement the objectives outlined in the plan.

### ***Financial Forecast***

*Goal:* To update the comprehensive five-year financial forecast for the General Fund incorporating specific recommendations from the studies conducted by city-wide project teams.

### ***Financial Trend Analysis***

*Goal:* Utilizing ICMA's Financial Trend Monitoring System, update the comprehensive Financial Trend Report, including providing specific recommendations to address those trends considered unfavorable or where a warning trend has been observed.

### ***Information Systems Plan***

*Goal:* To document the City's Computer 5-Year Action Plan, including progress made to date, and future plans for maintaining and enhancing the City's information systems.

### ***Medical Insurance Program***

*Goal:* To document the conclusions of the recent report prepared by the Medical Insurance Committee, as well as provide further recommendations to provide employees with more efficient and cost effective medical plans and to promote a wellness program which will continue to provide for their safety and well being.

### ***Overhead Analysis***

*Goal:* To examine the current structure of the City's overhead system and develop specific recommendations based on the conclusions and recommendations of the study conducted by the David M. Griffith Company.

---

## Introduction

---

### ***Reserve Analysis***

*Goal:* To analyze levels of reserves in appropriate funds to ensure that they are adequate to provide for the needs of each fund program, and to recommend appropriate reserve levels that will meet program needs without unnecessarily obligating scarce dollar resources.

### ***Street Improvement Program***

*Goal:* To develop an effective street improvement program by examining, in detail, street improvement/repair program alternatives and potential funding mechanisms.

The goals associated with the issues identified above, have been met as evidenced in the following sections of this report.

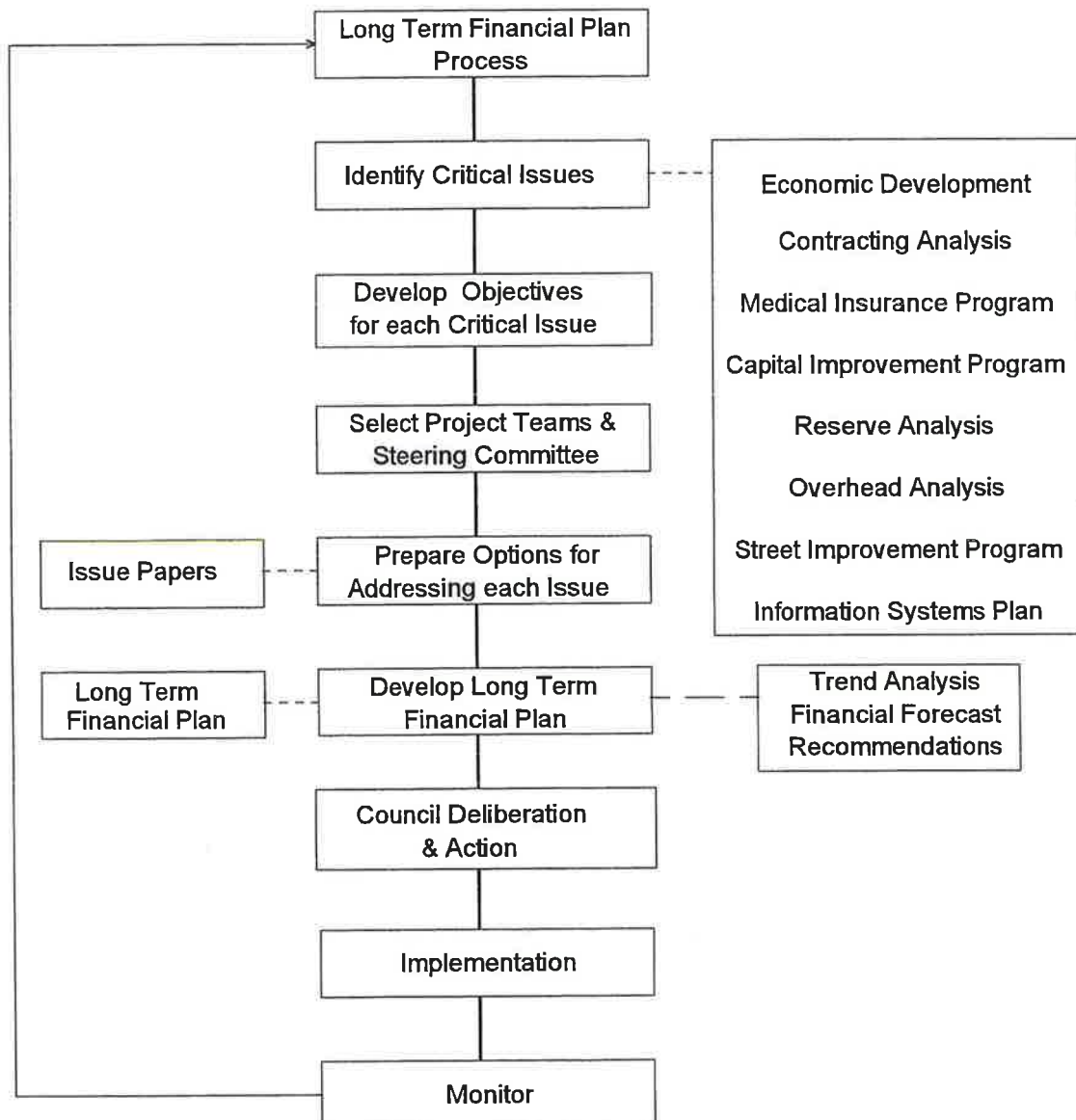
---

# Introduction

---

## Long Term Financial Plan - Process:

The flow chart below graphically describes the process that went into developing the City's comprehensive Long Term Financial Plan. This project was conducted entirely by City staff. In fact, a total of 25 City staff members contributed directly to the Plan, while countless other employees also assisted in the gathering of information, research, word processing, scheduling meetings, etc. Including the Project Director, there were 10 project leaders each assigned to team addressing a specific critical issue. Additionally, an outside advisory team consisting of four non-paid advisors, assisted in developing the Contracting/Privatization/Regionalization issue paper.





---

## Introduction

---

As indicated in the previous diagram, the process of developing the Long Term Financial Plan began by identifying eight critical areas which have, or are expected to have, an impact on the financial condition of the City over the next five years. Once the critical issues were identified, specific goals and objectives were developed for each project and were all designed to meet the overall goal of the project:

**To provide a clear and concise Long Term Financial Plan, identifying the City's current and projected financial condition, and proposing specific alternatives to address identified problems.**

Project teams and team leaders were then selected based on individual talents and expertise in given critical issue areas. A steering committee was formed in order to keep the project on track and on schedule. Each team was then asked to prepare option papers which met the goals and objectives already defined. The key message expressed to each team was that the report had to be clear and concise while providing very specific recommendations that addressed the issue at hand. After four months of significant effort and time by all staff involved, the option papers were completed and incorporated into this report

Once the option papers were completed, the actual Long Term Financial Plan, or Volume I, was developed by using the Trend Analysis and Financial Forecast as the foundation of the plan. Appropriate recommendations made in the option papers were incorporated into the Long Term Financial Plan, which basically evolved into a long-term strategic action plan.

The Financial Plan will be submitted to the City Council on January 5, 1994. Following is the schedule that will be followed by the Council as they develop an action plan that the City will implement as a part of the 1994-95 budget process:

December 23, 1993	Completed LTFP to printer
January 5, 1994	LTFP provided to Council for review
January 12, 1994	Council/Public presentations & deliberations
January 19, 1994	Council deliberations and decisions
Feb 1 - Mar 15	Staff incorporates Council decisions into proposed Budget



---

# Capital Improvement Program





---

# Capital Improvement Program

---

## Goals and Objectives

To develop, implement, and update the City-wide comprehensive Capital Improvement Program, including funded projects, unfunded projects, FEMA/FHWA projects, developer dependent projects, and RDA projects.

## Summary

This is to update and provide a progress report of the City's Capital Improvement Program (CIP) that was developed as part of the LTFP in early 1993. The winter storms of January and February, 1993 brought to the forefront the need to repair and replace deteriorated and undersized portions of the City's storm drain system. Finding a new source of funding for storm drain maintenance and replacement became a high priority of the City. As a result, the City Council implemented a Storm Drain Fee Program that would fund a higher level of maintenance and a \$0.5 million per year storm drain replacement program. The City is also receiving significant funds from aggressively pursuing FEMA and FHWA emergency funding sources. This will allow the City to fund several more drainage projects. A detailed discussion of the storm-related projects is in the Background Section.

Over the past year, there has been much work and discussion on how to rehabilitate the City's deteriorating street system. Through the ISTEA program that provided 88% Federal funding, the City was able to complete rehabilitation of significant portions of El Camino Real, Pico and several collector streets. Staff has prepared a CIP for collector and local streets that requires \$18 million over the next 5 to 10 years. In addition, there may need to be some water and sewer rehabilitation work done on some of these older streets that may exceed the amount budgeted for this purpose. The street rehabilitation program is the City's largest funding shortfall. It is discussed in a separate LTFP paper.

Staff has identified some projects whose priority should be raised. Their funding capabilities range from none identified to fully funded if Federal assistance is approved. Projects with no funding for construction include City Hall Site Stability, Grande Vista Slope, La Ventana Subdrain and Canyons. Other projects with partial to full funding are Animal Shelter Reconstruction, Guadalajara Storm Drain and Pacific Coast Highway/Colony Cove Stabilization.

There have been relatively few other changes in the other sections of the City's CIP projects or funding. Water and sewer rate studies are in progress that will be recommending rates and connection fees in conjunction with future estimated operating costs and capital needs.

---

# Capital Improvement Program

---

## Background

The CIP developed last year grouped the projects under the following categories by funding sources.

	Five Year Total
1. Funded Projects	\$29 million
2. Non-funded Projects	\$31 million
3. Developer Dependent Projects	\$34 million
4. Redevelopment Agency Projects (Pier Bowl Projects)	\$13 million

Non-Funded Projects consisted of:

	Five Year Total
Storm Drain Repair and Replacement	\$2.54 million *
Street Rehabilitation	\$10 million **
ADA Improvements for City Facilities	\$50,000
Reclaimed Water Distribution & Storage System	\$7.7 million
Emergency Storage	\$11 million
<b>TOTAL</b>	<b>\$31 million</b>

\* Funded through Storm Drain Fee Program

\*\* Latest estimate is \$18 million for collector & local street rehabilitation over next 10 years.

Adoption and implementation of a storm drain utility fund in July 1993 provided funding for the storm drain repair and replacement projects. All other areas in addition to storm damage projects detailed below remain non-funded at this time.

## Storm Damage to Public Facilities

The City applied for over 50 projects for Federal and State funds from Federal Emergency Management Agency (FEMA), Federal Highway Administration (FHWA) and the State Office of Emergency Services (State OES) due to damage as a result of the January-February 1993 storm. The City has commenced work on FEMA projects totaling \$5.2 million in cost. Most of these projects are eligible for FEMA funding and it is estimated that approximately \$2.7 million will be received as FEMA/State OES reimbursement for these projects. FEMA provides reimbursement for 75% of eligible costs and State OES provides reimbursement for 75% of the remaining 25% of eligible costs for the projects. The reasons for FEMA/State OES reimbursements not providing for most of the \$5.2 million cost are as follows:

---

## Capital Improvement Program

---

1. FEMA/State OES deemed only "damaged" portions of projects eligible for reimbursement until the City provides information as part of the final design of the projects that total replacement and upgrade of facilities are required by the current City adopted codes and standards. The final design of projects showed the need for total replacement and upgrade of facilities. This substantially increased the cost of the projects. Appeals/requests for supplemental funding will be made to FEMA/State OES to obtain additional funding.
2. FEMA/State OES utilized published costs that are substantially lower than the construction bids obtained. FEMA cost estimates did not compensate for access difficulties, site restrictions, potential liabilities due to private properties in the vicinity of pipe easements that are quite common to damaged public facilities in San Clemente. Construction bids were not available at the time FEMA reviewed our funding applications. FEMA did not accept the staff's estimates and utilized the published costs. Appeals/requests for supplemental funding will also be made for these projects.
3. Some projects did not qualify for FEMA reimbursement where flooding and damage occurred to private properties as a result of flow from public facilities (e.g., streets). FEMA did not consider these projects to be damaged public facilities.

The enclosed Table A, entitled "Expenditure/Revenue Summary as of 11/22/1993", provides a summary of projected \$5.2 million in expenditures by the funding source and the projected revenues for the projects the City commenced work at this time. The expenditures from City funds are eligible for the allocated project expenditures. The City set up a new fund, Disaster Relief Fund, to receive Federal and State reimbursements and provide funding for the projects without funding sources.

Table B, entitled "Work Commenced-FEMA Damage Survey Report (DSR) Approved as of 11/22/93", provides a listing of projects, project budget cost, funding source and approved FEMA costs for the projects the City commenced work at this time. These projects total \$2.9 million. The FEMA approved amount for these projects is \$1.78 million. This will provide \$1.658 million FEMA/State OES reimbursement to the City.

Table C, entitled "Work Commenced - FEMA DSR in Review", provides detailed information for the projects on which the City commenced work, where FEMA reimbursement in review and approval is not obtained at this time. These projects' budget costs total \$2.3 million. FEMA-DSR's totaling \$1.16 million for these projects is in review. If approved by FEMA, the City would receive \$1.09 million in reimbursement.

---

## Capital Improvement Program

---

Table D, entitled "Other FEMA Claims", lists the projects where the City performed no or very limited work due to:

1. Major projects and lack of funds to perform the projects.
2. Minor project, work may or may not be performed.

These projects total \$1.0 million in FEMA claims. Actual construction costs of the major projects would be in the range of several million dollars.

There are four projects eligible for FHWA funding due to the storm damage. These projects and their status are:

1. Calle de Los Mares/Vaquero Intersection Street Reconstruction - Construction complete.
2. El Camino Real/MO2 Storm Drain Facility - Construction in progress.
3. Trafalgar Lane/Canyon - Preliminary design and alternatives under review. Some FHWA funding committed for engineering.
4. Pacific Coast Highway, Colony Cove Slope Stabilization - Preliminary design and alternatives under review. Some FHWA funding committed for engineering.

FHWA approved \$551,086 for construction of projects 1 and 2 and for engineering design for projects 3 and 4. Staff is pursuing additional funding from FHWA in the range of \$3.5 million for construction for projects 3 and 4. Table E provides detailed information for the FHWA projects.

The remaining major storm damage projects are:

1. City Hall Site Stability - Slope failures at east and west slopes of the City Hall and damage to communication tower and parking area occurred during the storm. FEMA only funded geotechnical study at this time. Findings of the study may result in a major stabilization effort that may or may not be eligible for FEMA funding. There is no funding source, other than the General Fund for the stabilization.
2. Grande Vista - The City owns the slope along Grande Vista. There were surface failures of the slope during the storm. Slope stability is not known. The City's request for FEMA funding for geotechnical work is in review. If the geotechnical study is approved, a stabilization effort in the range of \$500,000 to \$1 million may be required. There is no funding source other than FEMA or General Fund for stabilization. FEMA Consultants did not recommend approval of the geotechnical study.



---

## Capital Improvement Program

---

3. La Ventana - The City's request for FEMA to fund a subdrain system construction at La Ventana at an estimated cost of \$783,214 is in review by FEMA. FEMA inspector recommended denial of the project. The State is appealing the project to FEMA for the City.
4. Guadalajara Storm Drain - The storm drain through the canyon is damaged due to instability in the area. Currently this is not a City-owned facility. The City needs to decide whether or not to pursue acquiring a right-of-way for ownership of the facility and to authorize the necessary engineering study to obtain alternatives. This project can be budgeted from the next fiscal year's storm drain utility fund.
5. Dije Court Beach Access - The beach access was damaged during the storm due to adjacent private slope failure onto the access. FEMA deemed only the repairs at a cost of \$8,200 eligible for reimbursement. This does not provide funding to construct a retaining wall and drainage system at the access to prevent future failures and eliminate slippage hazard at the access. Funding from lighting and landscaping operations or the Capital Improvement Fund will be recommended for this project for FY 94/95.
6. Canyons - The storm caused erosion and damage to private properties along natural canyons. Erosion and changing course are natural occurrences over time. Decisions were made long ago to leave most of the canyons natural. The City has ownership or easements in some canyons. Also, public storm drains discharge to some canyons. A reconnaissance survey to determine critical areas where canyon drainage may be affected due to failures was done by the Maintenance staff. There is no funding available to improve canyons to protect public and private properties. Some canyons are considered environmentally sensitive by regulatory agencies and any improvement work done in these canyons would require State and Federal regulatory agency approvals. Progress in this area has been very limited due to ownership, legal issues and funding limitations. Staff is pursuing funding from FHWA for limited improvements in Trafalgar Canyon adjacent to the roadway and City property. There is no other potential Federal/State funding available for the canyons.
7. Animal Shelter Reconstruction - The Animal Shelter was demolished due to storm damage and to allow for geotechnical site stabilization. Currently, the Shelter operates from a temporary location in the Rancho San Clemente Business Park. Staff is pursuing alternatives for construction of a permanent facility at the previous or a new location. A request for FEMA reimbursement to construct a permanent facility is under review. The extent of FEMA reimbursement to stabilize the Animal Shelter site is also under review. Purchase of land to build the site at another location is not eligible for FEMA funds. The Public Safety Fund is shown as a potential funding source to purchase land to construct the Animal Shelter and other public safety facility. Use of this fund is tentative and will require further review.

---

## Capital Improvement Program

---

8. Pacific Coast Highway, Colony Cove Slope Stabilization - The City applied for FHWA funds to stabilize the slopes along Colony Cove from Camino San Clemente to the Marblehead Coastal property. The City match for the project remains non-funded at this time. The amount needed as the City match may vary from \$250,000 to \$1 million depending on approved FHWA participation. Staff is pursuing County of Orange AHFP grant funds for the match.

### Financial

The City's storm damage related expenditures of FEMA projects total \$5.2 million. To date, about \$4.1 million and \$1.1 million are estimated to be funded from City funds and the Disaster Relief Fund, respectively. Determining the ultimate amount of City funds and FEMA/OES revenues available for the storm damage projects is not yet possible. It is not clear what projects and costs will be deemed eligible for assistance because: 1) there are disagreements over project cost estimates, with FEMA's often being much lower; and 2) appeals are being made by the City to make projects eligible and to increase eligible costs.

At this point, FEMA/OES has notified the City in writing that \$1.658 million is eligible for FEMA/OES funding. This is substantially less than the \$2.7 million in reimbursements projected in the Disaster Relief Fund. Some projects are still being considered for eligibility and others are being appealed. It is not known how much the \$1.658 million reimbursement amount will rise.

### Conclusions

There are still many uncertainties concerning the City's long term Capital Improvement Program. The winter storms of early 1993 had a major impact on the City. These storms have raised more concerns and the potential for more and different types of improvements than previously thought. The stability of canyons and need to make drainage improvements in them has become an issue. To properly determine what should be done in the canyons will require the expertise of hydrologists and geotechnical and hydraulics engineers. There is no funding available to hire experts much less construct improvements they might recommend. Canyon issues are exceedingly complex because of multiple ownership's, environmental concerns, responsibility of City versus property owners and lack of funding. City staff has started identifying some of the visually obvious problems in the canyons but the assistance of experts described above is necessary to develop solutions and cost estimates. With additional funding, the City Council could decide to concentrate on some of the canyon areas with the most serious problems. A major policy issue that will need to be decided is how involved the City wants to get where canyons are under private ownership. This may need to be done on a case-by-case basis.

---

## **Capital Improvement Program**

---

The City should continue pursuing completion of the \$5.2 million of storm damage projects listed in Tables B and C. The ultimate City and FEMA/OES shares are unknown but there is adequate funding available.

City Hall stability, Grande Vista, La Ventana, Canyons, Animal Shelter land purchase (if Public Safety Fund cannot be used and the existing site is not utilized), PCH/Colony Cove remain as non-funded or non-committed major projects. Staff will continue to pursue Federal, State and County funds for these projects. It is unknown whether further funding would be available. On some of these projects, no funding source has been identified for the City share if an outside match is approved or the entire cost if there is no match. If it is desired to proceed on these projects that have no or inadequate funding, sources of funds will have to be identified and committed.

A new water rate study will review funding alternatives for the reclaimed water distribution and storage system and potable water emergency storage that were identified as non-funded projects last year. This information will be available during the budget process for 1994-95.

The street rehabilitation program needs and funding alternatives are presented in another paper.

### **Recommendations**

It is recommended that the City Council direct staff to:

1. Continue pursuing completion of storm damage projects totaling \$5.2 million as listed in Tables B and C.
2. Continue pursuing Federal, State and County matching funds for other storm damage projects such as City Hall Stability, Grande Vista, La Ventana, Canyons, Animal Shelter and Pacific Coast Highway/Colony Cove.
3. Present sewer and water rate and connection fee impacts for capital replacement and improvements when those rate studies are completed.

### **Attachments**

Table A - Expenditure/Revenue Summary  
Table B - Work Commenced - FEMA DSR- Approved  
Table C - Work Commenced - FEMA DSR - In Review  
Table D - Other FEMA Claims  
Table E - FHWA Projects

# Capital Improvement Program

Table A

**Expenditure/Revenue Summary  
As of November 22, 1993**

<b>Expenditure</b>	<b>Work Commenced FEMA DSR Approval Obtained *</b>	<b>Work Commenced FEMA DSR Review Pending</b>	<b>Total</b>
Local Drainage	\$1,069,751	\$0	\$1,069,751
General Fund	\$188,489	\$74,900	\$253,389
General Fund (Staff)**	\$299,588	\$82,434	\$382,022
SD Utility	\$239,560	\$86,300	\$325,860
Assessment Dist. 85-1	\$62,000	\$800,000	\$862,000
RDA	\$4,797	\$0	\$4,797
Water Fund	\$64,000	\$0	\$64,000
Disaster Relief Fund	\$890,019	\$210,000	\$1,100,019
Other (Leasee)	\$21,953	\$0	\$21,953
County Mutual Aid	\$60,700	\$0	\$60,700
Sewer Fund	\$0	\$270,000	\$270,000
Golf Fund - CIP	\$0	\$313,904	\$313,904
Public Safety	\$0	\$465,000	\$465,000
<b>Total - Budget</b>	<b>\$2,900,857</b>	<b>\$2,302,538</b>	<b>\$5,203,395</b>
FEMA Eligible Cost	\$1,768,586	\$1,164,002	

\* Listed cost reflects the budget for the project . FEMA cost approval is less than the budget costs.

\*\* Includes staff time due to emergency response by Public Works, (Maintenance, Engineering, Water, Sewer) Police, Fire, Building Division, Parks & Recreation.

<b>Revenue</b>	<b>Approved</b>	<b>In Review</b>	<b>Total</b>
FEMA***	\$1,326,439	\$873,001	\$2,199,440
State OES***	\$331,609	\$218,250	\$549,859
Total FEMA/State	\$1,658,048	\$1,091,251	\$2,749,299
City Funds	\$1,928,185	\$2,092,538	\$4,020,723
<b>TOTAL</b>	<b>\$3,586,233</b>	<b>\$3,183,789</b>	<b>\$6,770,022</b>

\*\*\*FEMA pays 75%, State pays 75% of the remaining 25%. Dollars show actual shares.

# Capital Improvement Program

TABLE B

Work Commenced  
FEMA DSR Approved as of November 22, 1993

Project	Proj #	DSR#	Project cost	Funding source	FEMA DSR	FEMA Approved		Potential FEMA Add	Status
						Small	Large		
Mariposa/Escolones Beach Access SD	13340	45695	\$205,000	Local Drainage	\$172,583		\$172,583	\$32,417	Complete 99%
138 San Antonio	13337	97151	\$36,400	General Fund	\$35,011	\$35,011		\$0	Complete 100%
Cascadita Inlet	12330	97152	\$51,500	General Fund	\$51,062		\$51,062	\$438	Complete 100%
Casa Romantica	14353	45686	\$4,797	RDA	\$4,797	\$4,797		\$0	Complete 100%
Streets-Mutual aid Paid to County		65281	\$60,700	General Fund**	\$60,700		\$60,700	\$0	Complete 100%
Water Recl. Plant Geotech	13631	84080	\$62,000	Assess Dist 85-1**	\$80,000		\$62,000	\$0	Complete 100%
La Ventana Geotech	93902	97148	\$43,000 \$19,000	General Fund Disaster Relief**	\$51,908		\$51,908	\$10,092	Complete 100%
317 Cazador emerg	13338	97154	\$2,882	General Fund	\$2,882	\$2,882		\$0	Complete 100%
224 Trafalgar emerg	13343	97153	\$1,207	General Fund	\$1,207	\$1,207		\$0	Complete 100%
MO2 Replacement	13177	97179	\$864,751	Local Drainage	\$627,170		\$627,170	\$237,581	Complete 50%
225 Marquita	14348	46017	\$101,321	Disaster Relief	\$21,634	\$21,634		\$0	Complete 15%
427 Arlena	13339	97180	\$92,180 \$41,400	SD Utility Fund Disaster Relief	\$54,073		\$54,073	\$78,474	Complete 15%
1214 Buena Suerte	13342	97186	\$212,078	Disaster Relief	\$50,438		\$50,438	\$161,640	Complete 15%
222 Trafalgar	13334	97161	\$53,500 \$18,400	General Fund Disaster Relief	\$18,000	\$18,000		\$0	Complete 15%
405 Cazador	14351	N/A	\$144,700	Disaster Relief	\$0	\$0	\$0	\$0	Complete 15%
410 Arenosa	13336	97166	\$147,380 \$70,120	SD Utility Fund Disaster Relief	\$47,903		\$47,903	\$169,597	Complete 15%
Amapola	13344	97185	\$258,000	Disaster Relief**	\$152,885		\$152,885	\$105,115	Complete 5%
Steed Park slope	14075	97157	\$21,953	Other	\$21,953	\$21,957			Pay to leasee
Res Salvador slope	14583	46022	\$32,000	Water Fund**	\$23,375	\$23,375		\$0	Complete 15%
404 Vista Bahia	14073	46027	\$32,000	Water Fund**	\$9,413	\$9,413		\$0	Complete 15%
City wide-Building emerg resp *	93901	97162	\$24,145	General Fund	\$24,145	\$24,145		\$0	Complete 100%

# Capital Improvement Program

City wide-Police Fire emerg resp *	93901	97164	\$115,178	General Fund	\$115,178		\$115,178	\$0	Complete 100%
Parks, Beaches emerg response *	93901	46018	\$15,842	General Fund	\$15,842	\$15,842		\$0	Complete 100%
404 Vista Bahia debris removal*	93901	97183	\$2,850	General Fund	\$2,850	\$2,850		\$0	Complete 100%
Beaches debris removal *	93901	97188	\$11,616	General Fund	\$11,616	\$11,616		\$0	Complete 100%
Maint City wide emerg response *	93901	97175	\$106,568	General Fund	\$106,568		\$106,568	\$0	Complete 100%
Sewer/Wtr emerg response *	93901	97184	\$23,389	General Fund	\$23,389	\$23,389		\$0	Complete 100%
City hall erosion control	14066	requested	\$25,000	Disaster relief**		0		0	Complete 15%
<b>TOTAL</b>			<b>\$2,900,857</b>		<b>\$1,786,582</b>	<b>\$216,118</b>	<b>\$1,552,468</b>	<b>\$795,354</b>	

\*Staff time

\*\*Will be requested

TABLE C

Work Commenced  
FEMA DSR in Review as of November 22, 1993

Project	Proj #	DSR#	Project cost	Funding source	FEMA DSR	FEMA Approved		Potential FEMA Add	Status
						Small	Large		
De La Paz	12331	97150	\$59,900	General Fund	\$59,657	In review			Complete 100%
317 Cazador	13338	97160	\$86,300	SD Utility Fund	\$25,371				Complete 15%
Mariposa/Escolones	14067	96145	\$25,000	Disaster Relief	\$23,210	In review			Complete 15%
Water Recl Plant Animal shelter	13631 14065	96155	\$800,000 \$270,000	Assess Dist 85-1 Sewer Fund	\$747,208	In review			Complete 30%
Engineering staff	93901	65258	\$82,434	General Fund	\$82,434	In review			Complete 100%
Animal shelter recons	94802	97190	\$15,000 \$185,000 \$465,000	General Fund Disaster Relief ** Public Safety **	\$226,122	In review			Complete 5%
445 Crespi	14068	46024	\$313,904	Golf CIP Fund	\$0	In review			Complete 15%
<b>TOTAL</b>			<b>\$2,302,538</b>		<b>\$1,164,002</b>				

\*\* Will be requested



# Capital Improvement Program

TABLE D  
Other FEMA Claims

Project	Proj #	DSR#	Project cost	Funding source	FEMA DSR	FEMA Approved		Potential FEMA Add	Status
						Small	Large		
La Ventana subdrain	93902	65259	N/A		\$783,214	In review			Major project Lack of funds
Floritas water res	Delete	46025	n/a		\$15,000	In review			Minor project
Grande Vista slope	14346	97169	n/a		\$30,000	In review			Major project Lack of funds
Calle Dorado slope	14190	65252	n/a		\$5,000	In review			Minor project
Boca de la playa	Delete	65257	n/a		\$3,000	In review			Minor project
161 de los lobos Marinos	14354	65267	n/a		\$66,794	In review			Not eligible by FEMA
El Portal B access	14074	65268	n/a		\$3,415				Minor project
City Hall parking	14066	97165	n/a		\$19,600	In review			Major project Lack of funds
Boys & Girls Club	14077	97167	n/a		\$36,820	suspended			Insurance issue
City Hall geotech	14066	97168	n/a		\$30,000		\$30,000		Major project Lack of funds
La Pata Desilt basin		97174	n/a		\$2,119		\$2,119		Minor project
36" cmp storm drain		97178	n/a		\$3,970		\$3,970		Minor project
404 Vista Bahia repair		97187	n/a		\$4,280		\$4,280		Minor project
El Levante res		65269	n/a		\$5,775		\$5,775		Minor project
Dije Court B. access		97159	n/a		\$8,527		\$8,527		Major project Lack of funds
Verde Park		97170	n/a		\$6,443		\$6,443		Minor project
Total:					\$1,023,957				

# Capital Improvement Program

Table E

FHWA Projects

Project	Proj #	Fed #	Project Cost	Funding Source	FHWA		Status
					Approved	In review	
Los Mares street rehab	13176		\$72,000	Gas Tax 2106	\$72,000	\$0	Complete 100%
El Camino Real MO2	13177		\$228,000	Local Drainage	\$228,000	\$0	Complete 60%
Trafalgar Lane	13178		\$860,000	Local Drainage * Gas Tax 2106	\$60,000	\$800,000	Prelim Design
PCH- Colony Cove: Wall	13172		\$3,500,000	Gas Tax 2106/None *	\$125,000	\$2,700,000	Prelim Design
Fence			\$16,059	General fund	\$16,059	\$0	Complete
County mutual aid			\$50,027	County	\$50,027	\$0	Complete
<b>Totals:</b>			\$4,726,086		\$551,086	\$3,500,000	

\* Estimated. Funding not provided at this time

FHWA pays 100% for proj # 13176, 88.5% for approved funds for 13177, 13178 and 13172

FHWA pays 80 % for in review funding for 13178 and 13172. State pays 80% of remaining 20%.

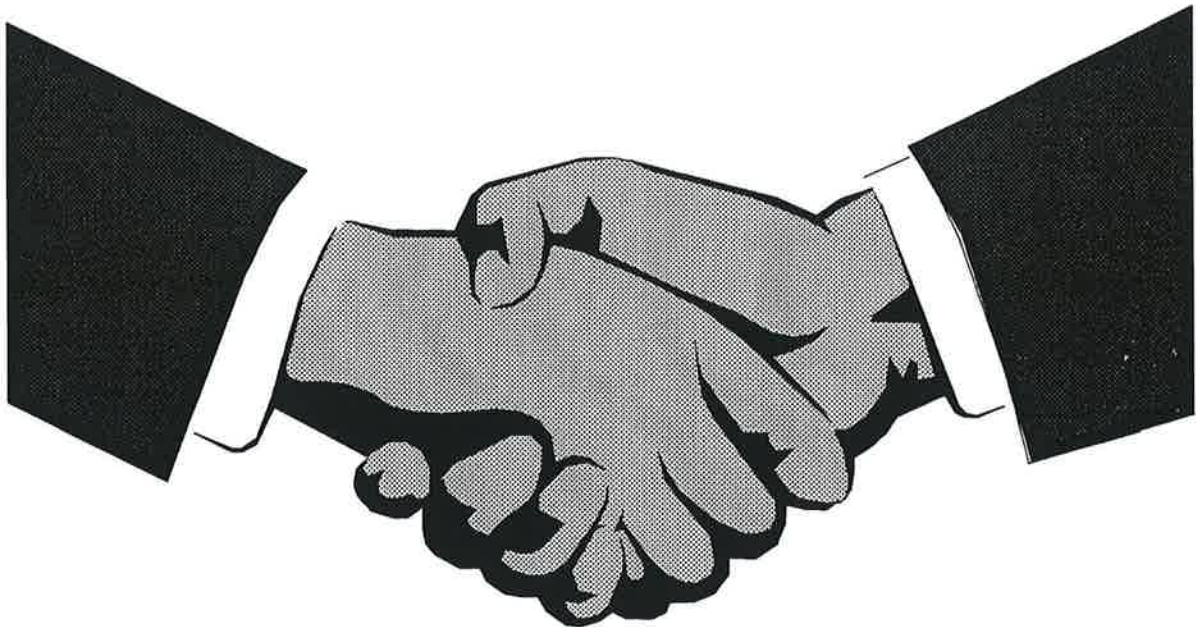
Approved FHWA reimbursement:	State OES reimbursement:	Total
Proj #13176- \$72,000	\$0	\$72,000
Proj #13177 \$201,780	\$20,976	\$222,756
Proj #13178 \$53,100	\$5,520	\$58,620
Proj #13172 \$166,086	\$20,000	\$186,086
<b>TOTAL \$492,966</b>	<b>\$46,496</b>	<b>\$539,462</b>

Potential FHWA reimbursement:	Potential State OES reimb:	Total
Proj #13178 \$640,000	\$128,000	\$768,000
Proj #13172 \$2,160,000	\$432,000	\$2,592,000
<b>TOTAL \$2,800,000</b>	<b>\$560,000</b>	<b>\$3,360,000</b>



---

# Contracting/Privatization





---

# Contracting / Privatization

---

## Goal:

To determine the economic and operational feasibility of providing existing public services through contracts with other public agencies or private for profit organizations.

## Objectives:

City staff initiated a comprehensive evaluation of all internal operations to determine if opportunities existed to maintain or improve the level and quality of services provided to the citizens of San Clemente at a lower cost through contracting, privatization or regionalization.

•Contracting involves entering into an agreement with either a private or public sector entity to perform a function. One example of contracting is the City's agreement with the Orange County Sheriff's Department for police services.

•Privatization is the transfer of a municipal function to the private sector for operation. This requires the municipality to completely relinquish the responsibility for the service and allow the private sector to independently assume the role as a service provider based on market demand. The City's municipal golf course pro shop, starter and concessionaire are examples of privatized functions.

•Regionalization is the concept of multiple agencies joining together to provide a shared service. This often requires agencies combining resources and efforts to accomplish a mutual need or goal. Examples of regionalized services within the City include regional gang prevention and emergency preparedness programs.

## Summary:

The study on privatization and contracting was initiated with the 1993 Long Term Financial Plan. A number of significant financial issues were identified which emphasized the need for the City to reduce operational expenditures. In the 1993 LTFP, only a few programs were evaluated for contracting opportunities. The current evaluation process examined all City programs and functions. The process included:

- Appoint a City Manager advisory committee
- Review departmental operations
- Determine contracting/privatization opportunities
- Solicit requests for proposals
- Evaluate proposals
- Identify employee impacts
- Recommendation to City Council

---

## **Contracting / Privatization**

---

### ***Advisory Committee***

In July 1993, the City Manager formed a five member advisory committee to solicit input and advise regarding the subject issue. The study team included the Office of Management & Budget Director, a local retired businessman, the President of the Chamber of Commerce and two private sector consultants specializing in contracting and privatization. Each of the committee members were chosen by the City Manager for their expertise and experience with contracting.

Bob Morris is a retired business executive and a citizen of San Clemente. He served on the City's Blue Ribbon Committee in 1992. One of the Blue Ribbon Committee recommendations was for the City to look at contracting City services. Mr. Morris provided the committee with his personal business experience, as well as the insight from his experience with the Blue Ribbon Committee.

Dick Whitton is the Regional Director for San Diego Gas & Electric and the President of the San Clemente Chamber of Commerce. Mr. Whitton was recently involved with the downsizing and reorganization of SDG&E.

Roy Stephenson is the Vice President of BSI Consultants, Inc. He is also a contract Public Works Director for the Cities of Laguna Hills and Yorba Linda. Mr. Stephenson brought his experience in contracting for public services to the committee.

John Donlevy, Jr. is a private sector consultant specializing in public administration. He was formerly the Assistant to the City Manager at Dana Point and one of his responsibilities was the administration of contractual services. Dana Point relies heavily on contracts for provision of most public services.

### ***Review Departmental Operations***

The committee met with the City's department heads and managers to review the programs and functions. The review included an examination of the frequency of the tasks, the cost of operation, the unit costs and measurements and the revenue received by the programs. Sixty five programs were evaluated by the committee. After the initial evaluation, a number of functions were dropped from further consideration because either:

- The potential savings were very limited or
- Contracting/privatization was not an option either for legal or practical reasons or
- The programs were already contracted or
- Parallel studies were being conducted concurrently with this study.

---

## Contracting / Privatization

---

Of the sixty-five programs, the committee decided that thirteen programs would produce little or no savings or contracting was not possible, nine programs were already contractual services and ten programs would be evaluated by parallel studies which would conclude at the same time as the LTFP. The recommendations resulting from the parallel studies are incorporated with the LTFP recommendations. The table below illustrates the programs evaluated and the committee's incremental decisions:

### ***All Programs Evaluated***

Legislative Program

City Management

Economic Development

Council Related Services

Elections

Financial Management

Accounting & Reporting

Utility Reading & Billing

Traffic Signals

Traffic Maintenance

Cash Management

City Attorney

Employee Training

OMB - Administration

Police Services

Fire Suppression

Fire Prevention

C A R E S

Emergency Planning

Communication Services

Purchasing

Facilities Maintenance

Public Works Admin.

Street Maintenance

Building Inspection

Traffic Maintenance

Design & Development

Community Dev. Admin.

Parking Maintenance

Financial Planning

Engineering Inspection

Planning Services

Development Review

Current Planning

Street Striping & Marking

Utility Administration

Water Production

Sewer Administration

Sewer Treatment

Sewer Collection

Storm Drain Maintenance

Parking Service Maint.

Building Maintenance

Street Lights

Street Cleaning

Risk Management

Recruitment

Labor Relations

Refuse Collection

Fleet Services

Recreation Programs

Pool Maintenance

Parks Maintenance

Code Compliance

Business Licensing

Street Medians & Trees

Park Development

Marine Safety

Beach & Pier Maint.

Golf Course Maintenance

Starter Operations

BPR Administration

Information Services

Pro Shop

Food Concessions

---

## **Contracting / Privatization**

---

### ***Potential Savings Limited or Contract Options Not Available*      *Parallel Studies***

Legislative Program  
City Management  
Economic Development  
Council Related Services  
Elections  
Financial Management  
Accounting & Reporting  
Cash Management  
OMB - Administration  
Purchasing  
Facilities Maintenance  
Public Works Admin.  
Financial Planning

Utility Reading &  
Billing  
Fire Suppression  
Fire Prevention  
C A R E S  
Emergency Planning  
Utility Administration  
Water Production  
Risk Management  
Recruitment  
Labor Relations

### ***Programs Already Contracted<sup>1</sup>***

City Attorney  
Police Services  
Design & Development  
Refuse Collection  
Recreation Programs  
Street Medians & Trees  
Starter Operations  
Pro Shop  
Food Concessions

---

<sup>1</sup> A functional list of current contractual agreements is included as Attachment "A" of this report.

---

## **Contracting / Privatization**

---

### ***Selection Criteria***

The remaining thirty-three programs were evaluated by the committee utilizing the following selection criteria:

- The level of service must be maintained or increased.
- The service quality level must be clearly defined and measurable.
- There is available private or public sector competition.
- The service is contracted by other cities which are similar to San Clemente in size, age and condition of the infrastructure.
- The public trust, safety or welfare would not be compromised.
- A potential savings could be identified.
- The savings were long term.

The criteria was adapted from a model developed by the Colorado Auditor's Office. The model identified the seven key factors that are critical to the decision to contract out. The definition of the key factors and a series of questions guided the committee's recommendations to the City Manager. The definitions and questions have been included as attachment "B" of this report.

### ***Determination Of Program/Functions To Contract***

Once the selection criteria was applied to the programs, it became apparent that some functions should remain in-house services. In some cases, City staff was performing the functions more cost effectively than an outside contractor. For example:

*Building Plan Check and Inspection Services* - Typically, plan check and inspection services are performed by calculating a fee based upon a percentage of the revenue received. An informal survey of contractors reflected an average of 75% of revenue as the fee. The 93/94 estimated revenue for the City's service is \$1.1 million. Using the 75% calculation, the contractor's fee to perform the service would be \$825,000. The City's budget for this program is \$717,000 and is \$108,000 less than the contractor's cost.

*Management Information Services* - The City's MIS division is considered among the most innovative and cost effective operation in the entire city. The program budget excluding lease payments is \$200,000 and operates with one manager and a half time computer technician. MIS provides daily support of the ADDS/PICK hardware system, 170 PC's, 35 laser printers and the wide area network. MIS also provides specialized programming for the City's word processing, electronic mail and spreadsheet software. Major projects, such as the recently completed complaint tracking, project tracking and storm drain utility billing programs required additional hours of programming. A conservative estimate of the costs for an outside contractor to perform these functions is \$400,000.



---

## Contracting / Privatization

---

In other cases, the lack of competition could potentially lower the quality of the service. This became apparent upon examination of the City's golf course and marine safety operations.

*Golf* - The City's municipal golf course is considered one of the finest municipal courses in California. An average of 118,000 rounds of golf is played a year. The pro shop and starter operations are contracted to a private company. The City provides the maintenance for the course. There are a number of private companies that will maintain the entire operation, but only a few who would provide the maintenance alone. The specialized requirements of golf course maintenance and the coordination of schedules with the starter operation limited the identified number of qualified contractors to one. A reference check of this contractor was made by the Purchasing Agent. The municipality gave the contractor mixed reviews due to the inconsistency of the service. The level of service depended upon the supervisor's ability to work quickly within small windows of time to perform the service before the starter operation sent out the first group of golfers. The municipality also commented upon the high cost of administration for a contract of this type.

*Marine Safety* - The City's lifeguard services were compared with neighboring marine safety operations. The State Parks Lifeguard service and one private agency were found to be the only two providers of this service. The County of Orange has had experience with contract lifeguard services in their unincorporated beach areas. The limited amount of competition in this area resulted in escalating fees and unanticipated administration and overhead costs. In addition, the City's lifeguards are able to issue citations and enforce City ordinances. In order to maintain the same level of law enforcement, the City would have to increase the Sheriff's coverage of the beach.

The programs evaluated by the Committee, but not recommended for further study at this time included:

Building Inspection	Pool Maintenance
Community Development Admin.	Code Compliance
Parking Maintenance	Business Licensing
Engineering Inspection	Park Development
Planning Services	Marine Safety
Development Review	Golf Course Maintenance
Current Planning	BPR Administration
Sewer Administration	Information Services
Sewer Treatment	Parking Service Maintenance



---

## Contracting / Privatization

---

The committee recommended that the following programs or functions required further review for contracting opportunities. Requests for Proposals were developed and sent in the following areas:

- *Park Landscape Maintenance*: Maintenance of park landscape and City owned building landscape.
- *Beach Maintenance*: Maintenance of beach access points, pier and beach facilities.
- *Street Sweeping*
- *Striping & Marking of City Streets*
- *Traffic Signal Maintenance*
- *Street Light Maintenance*
- *Street Maintenance*: Asphalt, curb and gutter repair.
- *Water*: Maintenance of water valves and pump stations.
- *Sewer*: Cleaning of sewer and storm drain collection systems.
- *Fleet Services*: Maintenance of City vehicles and equipment.

### **Request For Proposal**

An ambitious schedule for this phase of the process was developed. Request for Proposals (RFP) were developed and distributed in October. The Purchasing Agent sent out request for proposals to existing City contractors, contractors identified by other cities and contractors identified by Staff. The RFP was also advertised as required by City procedure. Requests for Proposals were also sent to the Chamber of Commerce for distribution.

The Requests for Proposals were adapted from similar RFP's that were sent out by the City in the past for services such as tree trimming and streetscape maintenance. A two page Request for Proposal letter was mailed or faxed to the contractors identified above. The letter informed the contractors of the RFP process, the schedule of events, the City's contact person and some of the legal requirements of the RFP such as licensing, permits and prevailing wage. RFP's were available for the contractor's to pick up at City Hall or were mailed to the contractor for a nominal \$5.00 handling charge.

The format for the RFP was standardized. The first section contained all of the City's general conditions such as:

Proposal process	Pricing approach
Evaluation criteria	Mandatory submittal information
Contract conditions	Insurance & bonding
Prevailing wage	Qualification requirements

---

## Contracting / Privatization

---

The second section of the RFP was the special conditions and scope of work for the function. Included in this section was:

Description of contract	Specific contract requirements
Work hours	Term of contract
Level of service	Supervision requirements
Technical specifications	Provisions for extra work
Traffic control	Disposal
Records and reports	Emergency response
Frequency schedules	Performance requirements

The third section of the RFP was the technical specifications and unit cost sheets. The contractor's were asked to submit a total amount for the entire scope of work. The contractor was also asked to submit prices for the specific tasks within the scope of work. If the contractor's unit cost was directly related to the total contract amount, then staff could determine the reasonableness of the fee. The unit prices would also be used for any additions or deletions to the scope of work. Depending on the service, the contractor was required to list the type and age of their equipment and detailed qualifications of their employees.

The technical specifications presented in the RFP's were based upon the City's existing level of service. The contractor's were asked to present proposals utilizing the same frequency of work and quality level currently achieved by in-house staff. The RFP's made it very clear that a reduced level of service would not be acceptable.

The technical specifications were written to achieve measurable results. Performance based specifications do not detail the contractor's staffing levels or methodology, but rather describe the desired results. For example, the RFP for landscape maintenance included:

- Maintenance Function - mowing, edging, pest control, restroom cleaning, etc.
- Frequency - monthly, weekly, annually, etc.
- Acceptable Materials & Supplies
- Approximate Acreage
- Amenities by Location
- Quality Standard

Contract administration to insure compliance to the specifications will be emphasized by staff to achieve the prescribed level of service.

A mandatory pre-bid conference was included as one of the RFP requirements. The pre-bid conferences were conducted by the Purchasing Agent, the Manager and the Supervisor of the program. Questions concerning the specifications were discussed. All of the discussion and

---

## Contracting / Privatization

---

identified changes to the specifications were documented and an addendum was distributed to all of the contractors who attended the meeting.

During the pre-bid conferences, a number of questions were asked pertaining to the prevailing wage requirement in the RFP. A City Attorney opinion was sought on the legal requirement for prevailing wage on maintenance contracts. It was the City Attorney's opinion that an amendment to section 1771 of the Labor Code required the payment of general prevailing wage rate in a particular geographic area be paid to public works maintenance workers. This act only applied to work performed under contract and not by force account labor.<sup>2</sup>

A public bid opening was conducted by the City Clerk's office for each of the RFP's. The following table illustrates the schedule of the bid openings and the number of bids received.

Program/Function	Bid Opening Date	Bids Received
Park Landscape Maintenance	11/12	6
Beach & Pier Maintenance	11/12	2
Street Sweeping	11/17	2
Street Striping & Marking	11/15	2
Street Maintenance - Concrete & Asphalt	11/18	0
Street Lights	11/18	2
Traffic Signal Maintenance	11/22	2
Fleet Services	11/22	1
Storm Drain & Sewer Collection Cleaning	11/23	2
Maintenance of Water Pumps & Valves	11/22	0

### ***Evaluation Of Proposals***

An in-house selection process was conducted to review the proposals and make a recommendation to the City Manager. There were two panels independently evaluating the proposals. Each proposal was rated on the following criteria:

- Qualifications
- Understanding of the Scope of Services
- Submittal Presentation
- Reasonableness of Fee
- Willingness to Hire City Employees
- Unique Qualifications
- Weaknesses in the Proposal

---

<sup>2</sup>

Legislative Counsel's Digest for SB 1581, the Senate Bill amending Section 1771 of the Labor Code.

---

## **Contracting / Privatization**

---

The first panel consisted of the Director of Public Works, the Director of Community Development and the Contracting Project Manager. To avoid a potential conflict of interest, the project manager was replaced on the panel evaluating Fleet Services by the Director of Beaches, Parks and Recreation. The contractor's proposals were rated for compliance to the selection criteria and a total of 110 points were possible. Each panelist rated the proposals and the ratings were averaged to give a final score.

The second panel consisted of the Manager and/or Supervisor of the contracted function. This panel rated the proposal on the same criteria, plus special attention was given to the reasonableness of the methodology described for the tasks and the reasonableness of the fee. The supervisor was asked to check references before meeting with the selection panels.

The two panels discussed each of the contractor's proposals to determine if the contractor was qualified to perform the service. The qualified contractor's prices were then compared against the City's in-house cost to provide the service. The City's in-house cost was calculated by deducting from the existing program budget the staff required for contract administration, staff and supplies for services that were not included in the proposed contract, fixed costs which will remain (i.e. water, electricity, gas, etc.) and interdepartmental or interfund charges. The validity of the in-house cost was verified by the Accounting division.

The project manager presented the selection panel's findings to the City Manager's Advisory Committee on December 6, 1993.

### ***Employee Impacts***

The impacts on the City's employees will be an issue for management and the employee's association. The major issues for negotiation could include:

- Severance Payout
- Bumping Process
- Early Retirement

The City has established a formal policy on employee layoffs and benefits. Within the policy, the bumping procedure establishes the order of employee layoffs utilizing a combination of seniority and competency as the criteria. A copy of the policy is included as Attachment "C" of this report.

The bumping process and the implications were presented in detail to the City Manager's Advisory Committee. Within each of the employee classifications which will be affected by the potential of contract services, the bumping process will result in unexpected changes within the organization. Each of the divisions will retain employees for the contract administration and the duties not included within the proposed contracts. Although the total impact of the bumping

---

## **Contracting / Privatization**

---

process is unknown at this time, it is staff's opinion that the ability to function at the City's current level of service could be impaired.

Another possible impact on the employees will be whether or not a selected contractor would be willing to hire potentially displaced City employees. The RFP's contained a request for the contractor to consider hiring City employees. Although all of the contractors except one indicated a willingness to hire, the salary and/or benefit packages may differ from the employee's current salary and benefit package.

The full impact of any displaced employees will not be discerned until contract negotiations provide more insight regarding the salary and benefit packages offered by the contractors.

---

## **Contracting / Privatization**

---

### ***Request For Proposals Of Specific City Services***

#### ***Park And Beach Maintenance***

##### *Process For Park And Beach Maintenance*

The Beaches, Parks and Recreation Department selected park and beach maintenance services as a potential for contracting based upon the number of companies that provide similar services and the current high level of competition for these services. In addition, contract park maintenance services are common with other municipalities and there is an acceptable track record of success in this area.

The following is a brief description of the existing services provided within the park and beach maintenance programs and what services would remain if additional contracting were to occur.

#### ***Park Maintenance Program***

##### *Existing Services*

Division Administration  
Assistance to other Depts.  
Contract Admin. of Existing Contracts:  
    Tree Maint.  
    Streetscape Maint.  
    Treatment Plant Landscape  
    Rodent Control  
    Del Mar Sidewalk Steam Cleaning  
    Restroom Custodial Maint.  
Capital Improvement Projects  
Installation of Irr./Landscapes  
Equip. Maint.  
Playground Equip. Maint./Repair  
Facility Carpentry/Painting  
Vandalism  
Facility/Amenity Repairs  
Services to Special Events/Groups  
Park Signage Installation/Maint./Repair  
Beach Access Maint.  
Drainage Facility Maint.  
Hardscape Maint.  
Mowing and Edging Turf

##### *Remaining Services Under Contract*

Division Administration  
Assistance to other Depts.  
Contract Admin. of Existing Contracts:  
    Tree Maint.  
    Streetscape Maint.  
    Treatment Plant Land. Maint.  
    Rodent Control  
    Del Mar Sidewalk Steam Cleaning  
    Restroom Custodial Maint.  
Capital Improvement Projects  
Installation of Irr./Landscapes  
Equip. Maint. (reduced)  
Playground Equip. Maint./Repair  
Facility Carpentry/Painting  
Vandalism  
Facility/Amenity Repairs  
Services to Special Events/Groups  
Park Signage Installation/Maint./Repair  
Contract  
Contract  
Contract  
Contract

# Contracting / Privatization

## Existing Services

Aerification/Verticutting  
 Shrub Trimming  
 Ground Cover Maint.  
 Fertilization/Pest Control  
 Repair of Irr/Landscapes  
 Refuse Collection  
 Sports Field/Courts Maint.

## Remaining Services under Contract

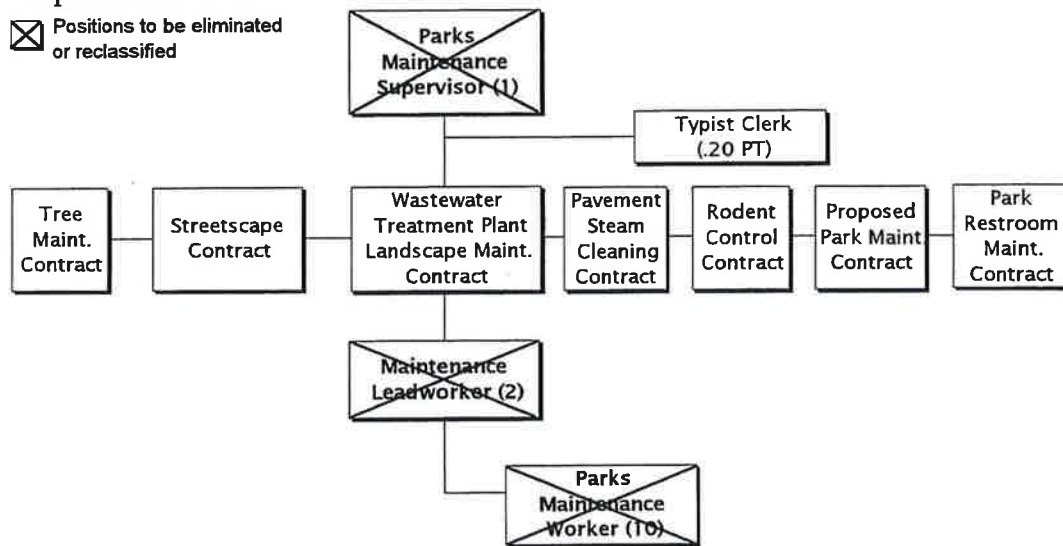
Contract  
 Contract  
 Contract  
 Contract  
 Contract  
 Contract  
 Contract

## Existing Structure

Existing FTE's 13.2

Proposed FTE's 4.3

Positions to be eliminated or reclassified





---

## **Contracting / Privatization**

---

### ***Beach Maintenance Program***

#### *Existing Services*

Division Administration  
Assistance to other Depts.  
Contract Admin. of Existing Contracts:  
    Fisherman's Restaurant  
    Base of Pier Restaurant  
    North Beach Concession  
    "T" Street Concession  
    Calafia Beach Park Concession  
    Pier Bait and Tackle Concession  
    Pier Telescope Concession  
Capital Improvement Projects  
Environmental Issues  
Railroad Lease Agreements  
Special Events\Filming Ordinance Admin.  
Installation of Irr/Landscapes  
Equip. Maint.  
Facility Carpentry/Painting  
Vandalism  
Facility/Amenity Repairs  
Services to Special Events/Groups  
Restroom Cleaning  
Pier Cleaning  
Hardscape Maint.  
Shrub Trimming  
Ground Cover Maint.  
Fertilization/Pest Control  
Repair of Irr./Landscapes  
Refuse Collection

#### *Remaining Services under Contract*

Division Administration  
Assistance to other Depts.  
Contract Admin. of Existing Contracts:  
    Fisherman's Restaurant  
    Base of Pier Restaurant  
    North Beach Concession  
    "T" Street Concession  
    Calafia Beach Park Concession  
    Pier Bait and Tackle Concession  
    Pier Telescope Concession  
Capital Improvement Projects  
Environmental Issues  
Railroad Lease Agreements  
Special Events\Filming Ordinance Admin.  
Installation of Irr/Landscape  
Equipment Maint. (Reduced)  
Facility Carpentry/Painting  
Vandalism  
Facility/Amenity Repairs  
Services to Special Events/Groups  
Contract  
Contract  
Contract  
Contract  
Contract  
Contract  
Contract  
Contract  
Contract

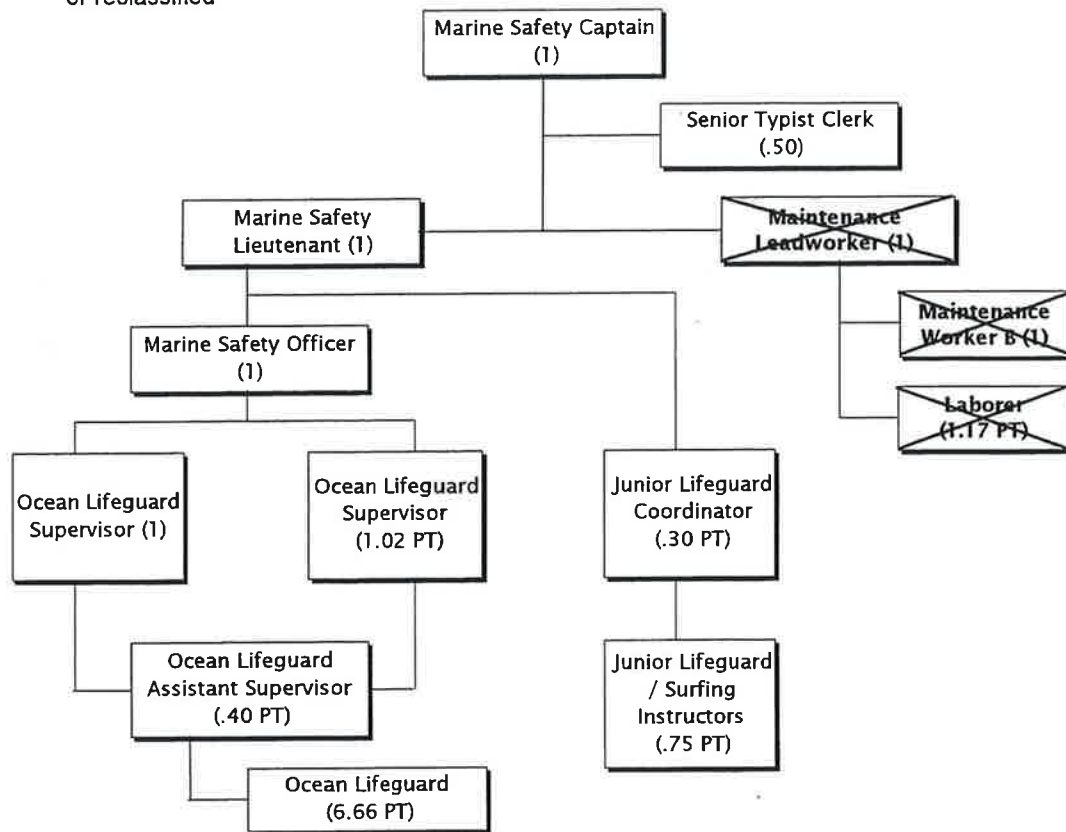


# Contracting / Privatization

## Existing Structure

Existing FTE's 17  
Proposed FTE's 13.83

Positions to be eliminated or reclassified



The department looked at a number of alternatives to contract maintenance services, from continuing with the management of the beach and park maintenance operations separately to combining the two under one division. The option selected to best manage the open space assets of the Department was combining the operations and creating a single management team.

Based upon this option, the Department has determined that the following organizational modification would be possible if further contracting occurred.

Relocate the beach maintenance operation from the Marine Safety Division to the Park Maintenance Division. Reduce the current in-house maintenance staff from both divisions from 16.17 full time equivalent employees to four (a manager and three contract inspector/maintenance workers) to manage the both the Park Maintenance Division and the beach maintenance operation. The Park Maintenance Manager would take on the responsibility for all

---

## Contracting / Privatization

---

contract administration within the Department, including the beach. The Marine Safety Captain would provide assistance in oversight of the beach maintenance services.

Request for Proposals were then developed for both beach and park maintenance services to separately review the potential savings derived from contract services.

### ***Park Maintenance Request For Proposal***

Proposals were received from six (6) landscape maintenance companies in response to the Request for Proposal for park maintenance services. The review committee carefully reviewed the submittals of all companies and checked their references. All six of the companies that submitted proposals were qualified as able to provide the services requested.

#### **Request For Proposals Park Maintenance**

<b>Company</b>	<b>Proposal Price</b>	<b>Selection Committee Ranking</b>	<b>Selection Comm. Recommendation</b>
Landscape West	\$192,000.00	1	YES
Artistic Landscape	\$240,551.40	2	YES
Yamamoto Landscape	\$220,540.00	3	YES
Creative Landscape	\$499,456.00	4	YES
Toyo Landscape	\$276,672.00	5	YES
California Landscape	\$238,800.00	6	YES

The Park Maintenance Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed park maintenance contract as well as all other existing contractual services within the division (i.e.: tree maintenance, streetscape maintenance, Wastewater Treatment Plant landscape maintenance, rodent control, park restroom cleaning, Del Mar sidewalk steam cleaning).
2. Services that are not a part of the proposed park maintenance contract such as department and division administrative functions, facility carpentry/painting, vandalism, building and park amenity repairs/replacements (i.e.: restrooms, sports courts/fields, picnic tables, children's playground equipment, etc.), services to special groups such as youth sports organizations and clubs, recreation program and special event support, general replacement/upgrading of landscaping, and irrigation systems.
3. Utilities (i.e.: water, electricity, telephone).
4. Charges from other departments such as Interdepartmental and Inter-Fund Charges.

# Contracting / Privatization

5. Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

**City Cost To Remain In-House  
Park Maintenance**

<b>Personnel</b>	
Salaries/Benefits (Refer to Organizational Chart for Specific Details)	\$201,000.00
<b>Supplies\Services</b>	
Tools\Equipment, Janitorial Supplies, Uniforms Horticultural\Maintenance Supplies, Other Contractual Services	\$144,500.00
<b>Utilities</b>	
Telephone, Electricity, Water	\$153,000.00
<b>Interdepartmental</b>	
Data Processing, Communications, Fleet Charges from other Departments	\$71,160.00
<b>Inter-Fund Transfers</b>	
General Fund Overhead, Transfers to Other Funds	\$83,180.00
<b>Total Cost To Remain In-House</b>	<b>\$652,840.00</b>
<b>Less Current Budget</b>	<b>\$1,105,630.00</b>
<b>Total Cost Of Services To Be Contracted</b>	<b>\$452,790.00</b>

A comparison of costs was then made between the two contractors that received the highest score from the selection committee. This comparison is provided below.

**Cost Comparison  
City Versus Top Two Contractors Park Maintenance**

Contractor	Contractor Cost	City Cost	Diff.	% To Budget
Landscape West	\$192,000.00	\$452,790.00	\$260,790.00	58%
Artistic Landscape	\$240,551.40	\$452,790.00	\$212,238.60	47%

---

## Contracting / Privatization

---

### ***Beach Maintenance Request For Proposal***

Proposals were received from two (2) landscape maintenance companies in response to the Request for Proposal for beach maintenance services. The review committee carefully reviewed the submittals of all companies and checked their references. Both of the companies that submitted proposals were qualified as able to provide the services requested.

#### **Request For Proposals Beach Maintenance**

Company	Proposal Price	Selection Committee Ranking	Selection Comm. Recommendation
Landscape West	\$55,800.00	1	YES
Creative Landscape	\$101,580.00	2	YES

The Marine Safety Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed beach maintenance contract as well as all other existing contractual services within the Beach Maintenance Program (i.e.: seven beach and pier concessionaires, beach sand movement/grading) and cooperative support from other agencies (i.e.: State of California Department of Parks and Recreation).
2. Services that are not a part of the proposed beach maintenance contract such as plumbing/carpentry/painting/graffiti removal, vandalism, pier/building/lifeguard tower maintenance and repairs, services to special groups, maintenance of utilities, repair of beach amenities (picnic tables/shelters, children's play areas, etc.). In addition, the division will continue to manage lifeguard services, educational programs, capital improvement projects, environmental issues (i.e.: off-shore oil drilling, coastal storm and tidal studies), railroad license agreements and oversee the City's Special Event and Filming Activities Ordinance and processes. Included in this area will be a reallocation of a portion of the Marine Safety Captain and Part-Time Clerk Typist time from the beach maintenance program to lifeguard services, with a corresponding savings of \$4,000 in part-time salaries.
3. Utilities (i.e.: water and electricity).
4. Charges from other departments such as Interdepartmental and Inter-fund Charges.
5. Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

## Contracting / Privatization

### City Cost To Remain In-House

#### Beach Maintenance

##### Personnel

Salaries/Benefits

(Refer to Organizational Chart for Specific Details)

\$75,910.00

##### Supplies\Services

Tools\Equipment, Janitorial, Horticultural\Maintenance

Uniforms, Other Contractual Services

\$36,820.00

##### Utilities

Electricity, Water

\$11,840.00

##### Interdepartmental

Fleet, Charges From Water Fund

\$24,810.00

##### Inter-Fund Transfers

#### Total Cost To Remain In-House

\$149,380.00

#### Less Current Budget

\$239,400.00

#### Total Cost Of Services To Be Contracted

\$90,020.00

A comparison of costs was then made between the two contractors. This comparison is provided below.

### Cost Comparison

#### City Versus Top Two Contractors

#### Beach Maintenance

Contractor	Contractor Cost	City Cost	Difference	% To Program Budget
Landscape West	\$55,800.00	\$90,020.00	\$34,220.00	38%
Creative Landscape	\$101,580.00	\$90,020.00	\$(11,560.00)	(13)%

---

## **Contracting / Privatization**

---

### ***Consolidation Of The Park And Beach Maintenance Operations Into The Lighting And Landscape District Fund***

Currently, the park maintenance operation is funded through the Lighting and Landscape District. The beach maintenance operation is eligible to be funded in the same manner. With the potential savings of \$260,790 in the Lighting and Landscape District through contract park maintenance, the beach maintenance operation could also be transferred to this fund without impacting current assessment rates in the Lighting and Landscape District. In total, this would relieve the General Fund of its current obligation to fund the beach maintenance operation, saving the General Fund \$38,220 on an annual basis.

The remaining savings of \$204,990 within the Lighting and Landscape District can be utilized to supplement existing funding for capital improvement projects within the park system, or to assist in supporting future maintenance operation cost increases, or to reduce annual assessments to the residents of San Clemente.

### **Conclusion And Recommendation**

The Beaches, Parks and Recreation Department manages a variety of contracted services that have been in existence for a number of years. Most of these contracts have been very successful. Department staff has the expertise to manage contract services.

Based upon the following items, it is recommended that (1) both park and beach maintenance services be contracted to Landscape West of Anaheim, California and (2) that the beach maintenance operation budget be transferred from the General Fund to the Lighting and Landscape District Fund beginning on July 1, 1994.

1. Definite competition in landscape maintenance services.
2. The high quality of the companies that submitted proposals.
3. The potential cost savings they provide totaling \$295,010 per year, equaling 55% of the current budget in the park maintenance and 38% in the beach maintenance budget.
4. The ability of the City to create an in-house team to manage both maintenance operations and the efficiencies gained by consolidating the two maintenance operations under one manager.
5. Option to consolidate both the park and beach maintenance operations under the Lighting and Landscape District without requiring a rate increase within the Lighting and Landscape District and reducing funding required from the General Fund.

---

## **Contracting / Privatization**

---

6. Ability of the Marine Safety Division to reduce Operations\Rescue Program part time salaries by \$4,000 due to the reallocation of a portion of the Marine Safety Captain and Part-Time Clerk Typist from beach maintenance to lifeguard services.

### **Budget Impact**

If staff recommendation is approved, there would be a budget savings of \$260,790 per year within the Lighting and Landscape District and \$38,220 within the General Fund. Over a five year period, this would equal a total savings of \$1,495,050.



---

## **Contracting / Privatization**

---

### ***Fleet Maintenance Services***

#### ***Fleet Maintenance Request For Proposal***

The Fleet Services staff currently maintains 170 City vehicles. The division provides:

- Preventative Maintenance
- Major Repairs
- Fabrication & Welding Repairs
- Administration of Contracted Services

With the reduction of fleet vehicles associated with the Police Contract, the Fleet Services staff has continued to downsize. The staff consists of a Master Mechanic and three Mechanics. The Typist/Clerk has been reassigned to the Purchasing function and only 10% of her time is devoted to Fleet Services. In the last three years, the Fleet staff has been reduced by two Mechanics and a part time Mechanic's Helper.

Proposals were received from one (1) vehicle maintenance company in response to the Request for Proposal for fleet maintenance services. The review committee carefully reviewed the submittal and checked references. The company that submitted a proposal was qualified as able to provide the services requested.

#### **Request For Proposals Fleet Maintenance**

<b>Company</b>	<b>Proposal Price</b>	<b>Selection Committee Ranking</b>	<b>Selection Comm. Recommendation</b>
Managed Logistics Systems	\$389,673.00	1	YES

The Fleet/Purchasing Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed fleet maintenance contract.
2. Services that are not a part of the proposed fleet maintenance contract such as all administrative functions of the division, all purchasing functions, operation of the fuel islands and special assignments.
3. Utilities (i.e.: water, electricity, telephone).
4. Charges from other departments such as Interdepartmental and Inter-fund Charges.



## Contracting / Privatization

5. Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

### City Cost To Remain In-House Fleet Maintenance

<b>Personnel</b>	
Contract Administration	7,417.00
<b>Supplies\Services</b>	
Gas, Oil, Diesel, Unanticipated Repair Parts	148,400.00
<b>Utilities</b>	
Natural Gas, Electricity, Water, Permits	11,130.00
<b>Interdepartmental</b>	
<b>Inter-Fund Transfers</b>	
800mhz Communication System	3,820.00
<b>Total Cost To Remain In-House</b>	<b>170,767.00</b>
<b>Less Current Budget</b>	<b>646,850.00</b>
<b>Total Cost Of Services To Be Contracted</b>	<b>476,083.00</b>

A comparison of costs was then made between the contractor and the City. This comparison is provided below.

### Cost Comparison City Versus Contractor Fleet Maintenance

	Contractor Cost	City Cost	Difference.	% To Budget
Contractor Managed Logistics Systems	389,673.00	476,083.00	86,410.00	18%

The Contractor is proposing to maintain this contract with an office manager, typist/clerk and three mechanics which would be hired from the four existing City employees. It is likely that the other mechanic would be hired by MLS and placed into another of their city contracts.

Staff is proposing to transfer the existing typist/clerk to the Purchasing program. The General Fund impact would only be approximately \$10,000 since the position is already funded through the General Fund and other funds by interdepartmental charges.

---

## **Contracting / Privatization**

---

### **Alternatives**

Although only one proposal was received for Fleet Services, a number of alternatives would be available if the Contractor was not able to perform to the prescribed level of service.

1. **Rehire City Staff** - Under the proposed contract, the City would retain the building and capital equipment. The City could act quickly to rehire a Fleet Services staff.
2. **Hire an Office Administrator** - Although some services are currently contracted to local businesses, a highly technical office administrator could be hired to contract out all of the maintenance and repair services. Scheduled maintenance could be coordinated with local businesses and specialty repairs could be bid out by the office administrator.

### **Conclusion And Recommendation**

Based upon the high quality of the company that submitted a proposal and the potential cost savings it provides, it is recommended that fleet maintenance services be contracted to Managed Logistics Systems of Westmont, New Jersey.

Staff is also recommending that the Typist/Clerk be permanently assigned to the Purchasing Division.

### **Budget Impact**

If staff recommendation is approved, there would be a budget savings of \$86,410 per year or 8% of the current budget. Over a five year period, this would equal a total savings of \$432,050.

# Contracting / Privatization

## Street Lighting Maintenance

### Street Lighting Maintenance Request For Proposal

The following is a brief description of the services provided within the street lighting maintenance program and what portions of this program will be affected by the contracting option.

### Street Lighting Maintenance Program

#### Existing Services

Division Administration  
 Contract Administration  
 Energy Management  
 Maint. of Underground Improvements  
 Investigation/Referral of S,D,G&E Lights  
 Underground U.S.A. Alert Requests  
 C.I.P.\Maint. Assistance to other Depts.  
 C.I.P. Design Review and Inspection  
 Maint.\Repair of all Park Electrical Systems  
 Maintenance/Repair of City Street Lights  
 Response to Traffic Accidents  
 Replacement of Street Lights

#### Remaining Services under Contract

Division Administration  
 Contract Administration  
 Energy Management  
 Maintenance of Underground Improvements  
 Investigation/Referral of S,D,G&E Lights  
 Underground U.S.A. Alert Requests  
 C.I.P.\Maint. Assistance to other Depts.  
 C.I.P. Design Review and Inspection  
 Maint.\Repair of all Park Electrical Systems  
 Contract  
 Contract  
 Contract

Proposals were received from two (2) electrical maintenance companies in response to the Request for Proposal for street lighting maintenance services. The review committee carefully reviewed the submittals and checked references. One company, Computer Service Company, was qualified as able to provide the services requested. The second company, C.B. Electric, was disqualified based upon the poor quality of the proposal submitted, methodology proposed to provide the services, age and quality of equipment and unwillingness to consider hiring displaced City employees.

### Request For Proposals Street Lighting Maintenance

Company	Proposal Price	Selection Committee Ranking	Selection Comm. Recommendation
Computer Service Company	77,430.00	1	YES
C.B. Electric	37,400.00	2	NO

---

## Contracting / Privatization

---

The Maintenance Services Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed street lighting maintenance contract.
2. Services that are not a part of the proposed street lighting maintenance contract such as administrative functions of the division, electrical support to the Beaches, Parks and Recreation Department and Public Works Department, U.S.A. underground alert services, energy management, and interaction with San Diego Gas and Electric.

Clerical staff for the division supports eight funded programs plus contracts. They operate a dispatch center for two (2) divisions, manage the processing of over 2000 service requests per year, respond to the needs of a public counter, and process all invoices for supplies and services. They are also responsible for managing the division files and correspondence. Staff consists of 1.2 FTE in this area, with the remaining .8 FTE shared between two (2) other divisions (Park Maintenance and Solid Waste). Although it is anticipated that there will be a reduction in administrative workload within the clerical area under a contracting option, additional offsetting workload is anticipated based upon an increase in written correspondence and invoicing of payments for work completed through the contract services.

Services to the different departments include facility maintenance for all park electrical facilities such as ball fields, sports courts, walkway and parking lot lighting, concession and restroom buildings. Services to Public Works include C.I.P. inspection of all street light installations as well as technical support in the field and during design and plan checking.

3. Utilities (i.e.: water, electricity, telephone).
4. Charges from other departments such as Interdepartmental and Inter-fund Charges.
5. Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

## Contracting / Privatization

### City Cost To Remain In-House Street Lighting Maintenance

<b>Personnel</b>	
Salaries/Benefits	56,219.00
<b>Supplies\Services</b>	
Equipment, Uniforms, Office Supplies	
Other Contractual Services	10,800.00
<b>Utilities</b>	
Electricity	170,000.00
<b>Interdepartmental</b>	
Communications, Fleet, Charges from Other Departments	18,550.00
<b>Inter-Fund Transfers</b>	
General Fund Overhead	18,420.00
<b>Total Cost To Remain In-House</b>	<b>273,989.00</b>
<b>Less Current Budget</b>	<b>329,300.00</b>
<b>Total Cost Of Services To Be Contracted</b>	<b>55,311.00</b>

A comparison of costs was then made between the contractor and the City. This comparison is provided below. In order to provide for an accurate cost comparison, a specific number of street light repairs was utilized. The Maintenance Services Division repaired 534 lights in the 1992-93 fiscal year. Therefore, this number was used to calculate the annual cost for street lighting maintenance from a private contractor based upon their per repair unit cost.

### Cost Comparison City Versus Contractor Street Lighting Maintenance

Contractor	Contractor Cost	City Cost	Difference	% To Budget
Computer Service Company	77,430.00	55,311.00	-22,119.00	-4%

---

## **Contracting / Privatization**

---

### **Alternatives Available**

San Diego Gas & Electric currently provides energy only for the City owned street lights at a monthly cost of \$6,582.51. SDG&E will also provide limited maintenance for an additional \$1,787.12 per month. The annual cost for SDG&E to provide this service would be \$21,445.44. Limited maintenance is defined to include all labor and lamps. Additional material costs such as photocells, ballasts and glassware would be included at cost. It is difficult to make a comparison of the Contractor & City costs against the limited maintenance offered by SDG&E.

Another alternative proposed by SDG&E is to purchase all of the City owned street lights. The utility company would then own and maintain all of the lights within the City. Although it is not known at this time exactly what the buyout of the street lights would cost, the advantages of SDG&E owned lights would be:

- **Transfer of Liability** - The City would not be responsible for any accidents which occurred as a result of poor lighting or burned out lamps.
- **Elimination of Redundancy** - The City and SDG&E investigate all calls on street lighting inquiries. This duplication of effort would be eliminated if one agency was responsible for the maintenance of all street lights. Any calls received by the City could be noted and faxed to SDG&E on a daily basis. City staff would no longer have to personally investigate to determine if the light is a City responsibility or a SDG&E responsibility.

SDG&E did not submit a proposal during the RFP process because the rate that would be applied for either option is a PUC published rate.

### **Conclusion And Recommendation**

Based upon the alternates available on street lighting maintenance services, it is recommended that City staff retain the service in-house while all of the costs and options proposed by SDG&E are explored.

### **Budget Impact**

If staff recommendation is approved, there would be no immediate budget impact. Budget allocations within this program would remain at their current levels through this fiscal year and a recommendation would be made to City Council on the SDG&E alternatives during the budget process.

---

## **Contracting / Privatization**

---

### ***Traffic Signal Maintenance***

#### ***Process For Traffic Signal Maintenance***

The following is a brief description of the services provided within the traffic signal maintenance program and what portions of this program will be affected by the contracting option.

#### ***Traffic Signal Maintenance Program***

##### ***Existing Services***

Contract Administration  
Energy Management  
Maint. of Underground Improvements  
Investigation\Referral of S,D,G&E Lights  
Underground U.S.A. Alert Requests  
C.I.P.\Maint. Assistance to other Depts.  
C.I.P. Design review and inspection  
Monitoring of State Owned Traffic Signals  
Maint.\Repair of Muni. Electrical Systems  
    Public Buildings  
    Emergency Generators  
    Municipal Golf Course  
    Beach and Pier  
Municipal Swimming Pools  
Water and Sewer Division Backup  
Special Event Assistance  
Maint. of Del Mar Musical Chimes  
Maint.\Repair of City owned Traffic Signals  
Monitoring\Repair of Signal Loops\ Detectors  
Response to Traffic Accidents

##### ***Remaining Services under Contract***

Contract Administration  
Energy Management  
Maintenance of Underground Improvements  
Investigation\Referral of S,D,G&E Lights  
Underground U.S.A. Alert Requests  
C.I.P.\Maint. Assistance to other Depts.  
C.I.P. Design Review and Inspection  
Monitoring of State Owned Traffic Signals  
Maint.\Repair of Muni. Electrical Systems  
    Public Buildings  
    Emergency Generators  
    Municipal Golf Course  
    Beach and Pier  
Municipal Swimming Pools  
Water and Sewer Division Backup  
Special Event Assistance  
Maint. of Del Mar Musical Chimes  
Contract  
Contract  
Contract

The Public Works Department selected traffic signal maintenance as a potential service for contracting based upon the number of private companies that provide the services requested. In addition, other cities contract out this service and there is an acceptable track record of success in this area.

Based upon this option, the Department has determined that the following organizational modification would be possible if the program were contracted to a private company.



---

## Contracting / Privatization

---

Elimination of 50% of the Electrician's Assistant assigned to this program from the Maintenance Services Division. Contract management would be assigned to the Electrical/Facilities Supervisor.

### ***Traffic Signal Maintenance Request For Proposal***

Proposals were received from two (2) electrical maintenance companies in response to the Request for Proposal for street traffic signal maintenance services. The review committee carefully reviewed the submittals and checked references. One company, Computer Service Corporation, was qualified as able to provide the services requested. The second company, Peek Traffic, withdrew their proposal based upon a mathematical error in their annual cost to provide the services.

#### **Request For Proposals Traffic Signal Maintenance**

Company	Proposal Price	Selection Committee Ranking	Selection Comm. Recommendation
Computer Service Company	24,433.84	1	YES

The Maintenance Services Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed traffic signal maintenance contract.
2. Services that are not a part of the proposed traffic signal maintenance contract such as administrative functions of the program, electrical support to the Beaches, Parks and Recreation Department and Public Works Department, U.S.A. underground alert services, energy management, and interaction with California Department of Transportation.

The electrical support provided to the Beaches, Parks and Recreation Department include the maintenance of electrical facilities at the Community Center, Beach Club and Senior Center as well facilities at City Hall and the Negocio building. Services to the Public Works Department include C.I.P. inspection of all traffic signal installations as well as technical support in the field and during design and plan checking.

Clerical staff for the division supports eight funded programs plus contracts. They operate a dispatch center for two (2) divisions, manage the processing of over 2000 service requests per year, respond to the needs of a public counter, and process all invoices for supplies and services. They are also responsible for managing the division files and correspondence. Staff consists of 1.2 FTE in this area, with the remaining .8 FTE shared between two (2) other divisions (Park Maintenance and Solid Waste). Although it is anticipated that there will be a



## Contracting / Privatization

reduction in administrative workload within the clerical area under a contracting option, additional offsetting workload is anticipated based upon an increase in written correspondence and invoicing of payments for work completed through the contract services.

3. Utilities (i.e.: electricity).
4. Charges from other departments such as Interdepartmental and Inter-Fund Charges.

Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

### City Cost To Remain In-House Traffic Signal Maintenance

<b>Personnel</b>	
Salaries, Benefits	43,747.00
<b>Supplies\Services</b>	
Equipment, Office Supplies, Training, Uniforms	
Other Contractual Services	3,860.00
<b>Utilities</b>	
Electricity	70,780.00
<b>Interdepartmental</b>	
Communications, Fleet	4,470.00
<b>Inter-Fund Transfers</b>	
<b>Total Cost To Remain In-House</b>	122,857.00
<b>Less Current Budget</b>	144,870.00
<b>Total Cost Of Services To Be Contracted</b>	22,013.00

A comparison of costs was then made between the contractor and the City. This comparison is provided below.

### Cost Comparison City Versus Contractor Traffic Signal Maintenance

Contractor	Contractor Cost	City Cost	Diff.	% To Budget
Computer Service Company	24,433.00	22,013.00	-2,420.00	-11%

---

## **Contracting / Privatization**

---

### **Conclusion And Recommendation**

Based upon the lower cost of current in-house traffic signal maintenance services being provided by the Maintenance Services Division, it is recommended that traffic signal maintenance be retained in-house.

### **Budget Impact**

If staff recommendation is approved, there would be no budget impact. Budget allocations within this program would remain at their current levels.

---

## **Contracting / Privatization**

---

### ***Street Sweeping Maintenance***

#### ***Process For Street Sweeping Maintenance***

Based upon this option, the Department has determined that the following organizational modification would be possible if the program were contracted to a private company.

The following is a brief description of the services provided within the traffic signal maintenance program and what portions of this program will be affected by the contracting option.

#### ***Street Sweeping Maintenance Program***

##### ***Existing Services***

Division Administration

Special Event Street Sweeping

Street Paving/Overlay Sweeping

Street Sweeping of all Public Streets

Street Sweeping of all Median Islands

Street Sweeping of all Public Parking Lots

Emergency Response Street Sweeping

##### ***Remaining Services under Contract***

Division Administration

Contract Administration

Special Event Street Sweeping

Street Paving/Overlay Sweeping

Contract

Contract

Contract

Contract

The Public Works Department selected street sweeping maintenance as a potential service for contracting based upon the number of private companies that provide the services requested. In addition, other cities contract out this service and there is an acceptable track record of success in this area.

Based upon this option, the Department has determined that the following organizational modification would be possible if the program were contracted to a private company.

Elimination of one (1) Maintenance Worker "A" position assigned to the program as a sweeper operator. Contract management would be assigned to the Maintenance Supervisor.

#### ***Street Sweeping Maintenance Request For Proposal***

Proposals were received from two (2) street maintenance companies in response to the Request for Proposal for street sweeping maintenance services. The review committee carefully reviewed the submittals and checked references. Both companies were qualified as able to provide the services requested.

---

## Contracting / Privatization

---

### Request For Proposals Street Sweeping Maintenance

Company	Proposal Price	Selection Committee Ranking	Selection Comm. Recommendation
California Street Maintenance	112,020.00	1	YES
Sunset Property Services	152,694.00	2	YES

The Maintenance Services Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed street sweeping maintenance contract.
2. Services that are not a part of the proposed street sweeping maintenance contract such as administrative functions of the program and standby support for use of an in-house street sweeper in emergency situations.

Clerical staff for the division supports eight funded programs plus contracts. They operate a dispatch center for two (2) divisions, manage the processing of over 2000 service requests per year, respond to the needs of a public counter, and process all invoices for supplies and services. They are also responsible for managing the division files and correspondence. Staff consists of 1.2 FTE in this area, with the remaining .8 FTE shared between two (2) other divisions (Park Maintenance and Solid Waste). Although it is anticipated that there will be a reduction in administrative workload within the clerical area under a contracting option, additional offsetting workload is anticipated based upon an increase in written correspondence and invoicing of payments for work completed through the contract services.

3. Charges from other departments such as Interdepartmental and Inter-fund Charges. Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

## Contracting / Privatization

### City Cost To Remain In-House Street Sweeping Maintenance

<b>Personnel</b>	
Salaries, Benefits	14,133.00
<b>Supplies\Services</b>	
Tools\Equipment, Office\Operating Supplies	
Uniforms	200.00
<b>Utilities</b>	
<b>Interdepartmental</b>	
Fleet	29,110.00
<b>Inter-Fund Transfers</b>	
<b>Total Cost To Remain In-House</b>	43,443.00
<b>Less Current Budget</b>	149,703.00
<b>Total Cost Of Services To Be Contracted</b>	106,260.00

A comparison of costs was then made between the contractor and the City. This comparison is provided below.

### Cost Comparison City Versus The Two Contractors Street Sweeping Maintenance

Contractor	Contractor Cost	City Cost	Diff.	% To Budget
Cal.Street Maint. Co.	112,020.00	106,260.00	-5,760.00	-5%
Sunset Prop. Services	152,694.00	106,260.00	-46,434.00	-44%

### Conclusion And Recommendation

Based upon the lower cost of current in-house street sweeping maintenance services being provided by the Maintenance Services Division, it is recommended that street sweeping maintenance be retained in-house at this time. However, the present level of service, including labor and equipment, will increase in the near future. This will require additional staff and increased use of standby equipment to a full time basis. This is based upon the following:

1. Anticipated increase in sweeping frequency (i.e.: from once per month to twice per month) in the Neighborhood Pride Area of the City along with expanded "No Parking for Street Sweeping" signage.

---

## **Contracting / Privatization**

---

2. Anticipated increase in the street miles based upon continued development in the City.
3. Maturity of vegetation in newer portions of the City resulting in an increase of debris and time required to remove it from the streets.

Therefore, it is also recommended that the potential for contract street sweeping be re-evaluated in one to two years to confirm efficiencies between in-house and contract services.

### **Budget Impact**

If staff recommendation is approved, there would be no budget impact. Budget allocations within this program would remain at their current levels.

---

## **Contracting / Privatization**

---

### ***Traffic Striping And Pavement Marking/Marker Maintenance***

#### ***Process For Traffic Striping And Pavement Marking/Marker Maintenance***

pavement marking/marker maintenance program and what portions of this program will be affected by the contracting option.

#### ***Traffic Striping And Pavement Marking/Marker Maintenance Program***

##### ***Existing Services***

Traffic Sign Installation/Maint./Repair  
Street Sign Installation/Maint./Repair  
Municipal Parking Lot Tire Bumper Maint.  
R.O.W. Visibility Plant Material Clearance  
Parking Meter Installation/Maint./Repair  
Graffiti Removal in R.O.W. and on Signs  
Emergency response for R.O.W. Problems  
Special Event Assistance  
Install/Maint. of Pavement Marking Legends  
Install./Maint. of Curb Painting  
Install./Maint. of Traffic Lane Painting  
Install./Maint. of Handicapped Marking  
Install./Maint. of Muni. Parking Lot Painting  
Install./Maint. of Reflective Pavement Markers

##### ***Remaining Services under Contract***

Traffic Sign Installation/Maint./Repair  
Street Sign Installation/Maint./Repair  
Municipal Parking Lot Tire Bumper Maint.  
R.O.W Visibility Plant Material Clearance  
Parking Meter Installation/Maint./Repair  
Graffiti Removal in R.O.W. and on Signs  
Emergency Response for R.O.W.Problems  
Special Event Assistance  
Contract  
Contract  
Contract  
Contract  
Contract  
Contract

# Contracting / Privatization

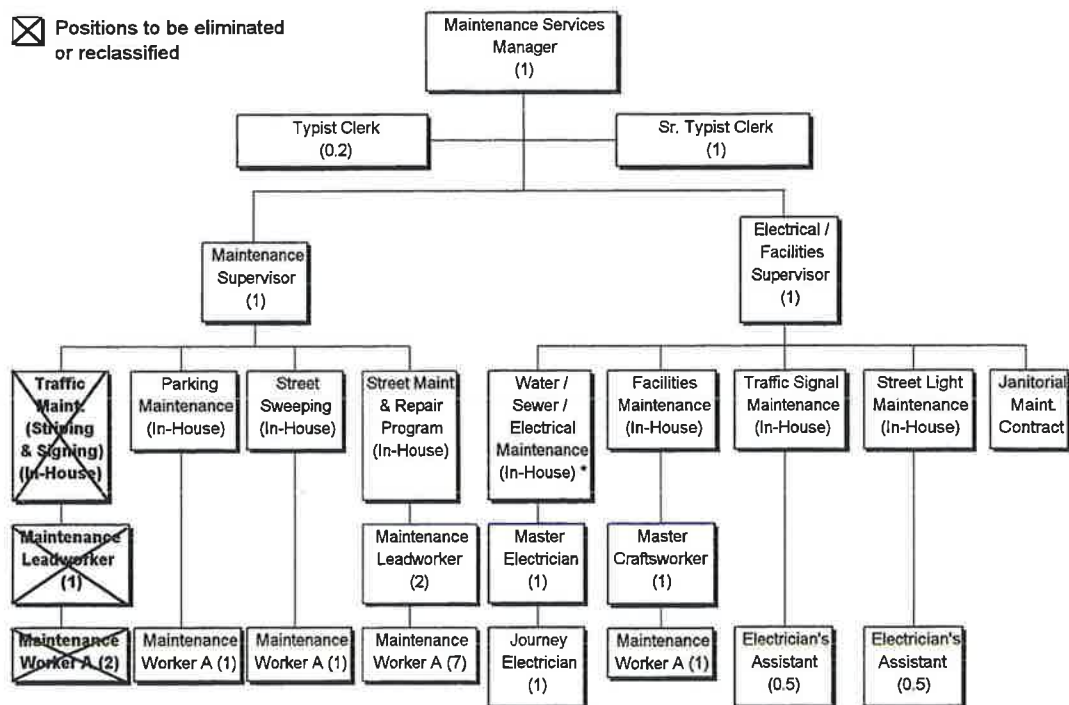
The chart below graphically illustrates the organizational structure of the Public Works Maintenance Services division if all of the Long Term Financial Plan recommendations are implemented:

## Existing Structure of Maintenance Services

Existing FTE's 23.2

Proposed FTE's 21.2

Positions to be eliminated or reclassified



The Public Works Department selected traffic striping and pavement marking/marker maintenance as a potential service for contracting based upon the number of private companies that provide the services requested. In addition, other cities contract out this service and there is an acceptable track record of success in this area.

Based upon this option, the Department has determined that the following organizational modification would be possible if the program were contracted to a private company.

Elimination of two (2) Maintenance Worker "A" positions assigned to the program. Contract management would be assigned to the Maintenance Supervisor.



---

## Contracting / Privatization

---

### **Traffic Striping And Pavement Marking/Marker Maintenance Request For Proposal**

Proposals were received from two (2) street maintenance companies in response to the Request for Proposal for traffic striping and pavement marking/marker maintenance. The review committee carefully reviewed the submittals and checked references. One company, J and S sign company, was qualified as able to provide the services requested. The second company, Cote Mark Incorporated, was disqualified based upon high move-in costs for each service provided and only a minimal commitment to consider hiring City staff displaced by the contract.

#### **Request For Proposals**

#### **Traffic Striping And Pavement Marking/Marker Maintenance**

Company	Proposal Price	Selection Committee Ranking	Selection Comm. Recommendation
J And S Sign Company	91,186.500	1	YES
Cote Mark Inc.	125,837.00	2	NO

The Maintenance Services Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed traffic striping and pavement marking/marker maintenance contract.
2. Services that are not a part of the proposed traffic striping and pavement marking/marker maintenance contract such as administrative functions of the program, operation of the sign maintenance function, services to the Public Works Department, graffiti removal, emergency response to traffic related problems and storms. Also included is funding to supplement Engineering Division design of street striping.

Clerical staff for the division supports eight funded programs plus contracts. They operate a dispatch center for two (2) divisions, manage the processing of over 2000 service requests per year, respond to the needs of a public counter, and process all invoices for supplies and services. They are also responsible for managing the division files and correspondence. Staff consists of 1.2 FTE in this area, with the remaining .8 FTE shared between two (2) other divisions (Park Maintenance and Solid Waste). Although it is anticipated that there will be a reduction in administrative workload within the clerical area under a contracting option, additional offsetting workload is anticipated based upon an increase in written correspondence and invoicing of payments for work completed through the contract services.

3. Charges from other departments such as Interdepartmental and Inter-fund Charges.

---

## Contracting / Privatization

---

Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

<b>City Cost To Remain In-House</b>	
<b>Traffic Striping And Pavement Marking/Marker Maintenance</b>	
<b>Personnel</b>	
Salaries/Benefits	113,196.00
<b>Supplies\Services</b>	
Tools\Equipment, Uniforms, Office Supplies	
Supplies for Sign Maintenance Program	
Other Contractual Services	33,290.00
<b>Utilities</b>	
<b>Interdepartmental</b>	
Fleet	1,820.00
<b>Inter-Fund Transfers</b>	
<b>Total Cost To Remain In-House</b>	148,306.00
<b>Less Current Budget</b>	260,330.00
<b>Total Cost Of Services To Be Contracted</b>	112,024.00

A comparison of costs was then made between the contractor and the City. This comparison is provided below.

<b>Cost Comparison</b>				
<b>City Versus Contractor</b>				
<b>Traffic Striping And Pavement Marking/Marker Maintenance</b>				
Contractor	Contractor Cost	City Cost	Diff.	% To Budget
J And S Sign Company	91,186.50	112,024.00	20,837.50	19%

### Conclusion And Recommendation

Although only one company passed the selection committee evaluation and qualified to provide services to the City, based upon the following, it is recommended that traffic striping and pavement marking/marker maintenance services be contracted to J and S Sign Company of Orange, California.

1. The high quality and reputation of the company that submitted a proposal.
2. The potential cost savings provided in the proposal of 19% below the City's current budget to provide the same level of service.

---

## **Contracting / Privatization**

---

3. The Environmental Protection Agency and Southern California Air Quality Management District have both ruled that certain solvents can no longer be manufactured or used for street striping and pavement marking after January 1995. New materials are currently available to replace those used in the past. However, the new materials require different equipment to apply them and they require reapplication on a more frequent basis. The result is that the City will be required to allocate approximately \$50,000 for new equipment (this cost is above and beyond current Fleet Replacement funding available for the equipment) in the near future and increase the general operating budget by approximately \$8,000 per year to meet the new standards.
4. There are other companies that provide the services requested by the City. Additional follow up will be necessary by staff in the future, if necessary, to assure that requests for proposals are received by the different service companies.

### **Budget Impact**

If staff recommendation is approved, there would be a budget savings of \$20,024.50 per year or 19% of the current budget. Over a five year period, this would equal a total savings of \$100,122.50.

---

## Contracting / Privatization

---

### **Storm Drain And Sewer Collection System Maintenance**

### **Storm Drain And Sewer Collection System Cleaning Program**

The storm drain and sewer collection programs are responsible for the following functions:

NPDES Investigation & Reports	Inspection of Open Channels
Maintenance to Collection Systems	Catch Basin Cleaning
Contract Administration	Lift Station Emergency Response
Manhole Lid Adjustments	Sewer Overflow Emergencies
Cleaning of Collection Systems	Required NPDES Stenciling

The routine scheduled cleaning, stenciling and video verification of the service was specified in the RFP. Proposals were received from two (2) companies in response to the Request for Proposal for storm drain and sewer collection system maintenance services. The review committee carefully reviewed the submittals and checked references. Both companies were qualified as able to provide the services requested.

#### **Request For Proposals**

#### **Storm Drain And Sewer Collection System Maintenance**

Company	Proposal Price	Selection Committee Ranking	Selection Comm. Recommendation
PSSI	627,000.00	1	YES
Paragon Pipeline Services	1,281,00.00	2	YES

Upon examination of the proposed costs, it was found that the cost per linear foot to video was comparable between the two bidders. The costs to perform high velocity cleaning and root sawing was the major difference between the two bidders. The difference in cost per foot was .22/ft vs. .75/ft. Staff is not sure why there was such a disparity, but did feel that the two companies were capable to perform the service.

The Utilities Division determined and calculated the costs that would remain in-house, based upon the following criteria.

1. Staff required to manage the proposed storm drain and sewer collection system maintenance contract.
2. Services that are not a part of the proposed storm drain and sewer collection system maintenance contract such as pipeline/manhole repairs, catch basin repairs, emergency spill response, NPDES requirements, mapping, visual inspections and administration of other contractual services.

## Contracting / Privatization

3. Utilities
4. Charges from other departments such as Interdepartmental and Inter-fund Charges.
5. Based upon the above assumptions, the following chart provides the budget that is proposed to remain in-house.

### City Cost To Remain In-House Storm Drain And Sewer Collection System Maintenance

<b>Personnel</b>	
Salary & Benefits	\$57,420
<b>Supplies\Services</b>	
Chemicals, Protective Equipment	
Tools for Pipe Maintenance	
Existing Contractual Services	\$161,660
<b>Utilities</b>	
Electricity	\$90,000
<b>Interdepartmental</b>	
Fleet, Dispatch, Communications & Maintenance	
Depreciation	\$747,250
<b>Inter-Fund Transfers</b>	
800mhz System	\$24,520
<b>Total Cost To Remain In-House</b>	<b>\$1,080,850</b>
<b>Less Current Budget</b>	<b>\$1,356,850</b>
<b>Total Cost Of Services To Be Contracted</b>	<b>276,000.00</b>

A comparison of total costs was then made between the contractor and the City. This comparison is provided below.

### Cost Comparison City Versus The Two Contractors Storm Drain And Sewer Collection System Maintenance

Contractor	Contractor Cost	City Cost	Diff.	% To Budget
PSSI	627,000.00	276,000.00	-351,000.00	-127%
Paragon Pipeline Services	1,281,000.00	276,000.00	-1,005,000.00	-364%

---

## Contracting / Privatization

---

The disparity between the two contractor bids made it necessary to separate the cost of the cleaning and video prices and compare those costs with the City's costs. This comparison is provided below.

**Cost Comparison  
City Versus The Two Contractors  
Storm Drain And Sewer Collection System Maintenance**

---

	Cleaning Cost	City Cost	Diff.	Video Cost	City Cost	Diff.
PSSI	353,590	276,000	77,590	273,410	23,707	249,703
Paragon Pipeline Services	952,750	276,000	676,750	326,550	23,707	302,843

---

### Conclusion And Recommendation

Based upon the lower cost of current in-house storm drain and sewer collection system maintenance provided by the Utilities Division, it is recommended that storm drain and sewer collection system maintenance remain in-house. The entire water and wastewater plant and field operation needs to be examined within the next year.

### Budget Impact

If staff recommendation is approved, there would be no budget impact. Budget allocations within this program would remain at their current levels.



---

## **Contracting / Privatization**

---

### **Parallel Study**

#### ***Wastewater Treatment Plant Reorganization***

#### **Goals & Objectives**

To determine the efficiency of the wastewater treatment plant operation and evaluate a change of the employee's work hours from a 4/10 schedule to a standard 9/80 schedule.

#### **Summary**

The wastewater treatment plant operates seven days a week. The facility is manned for twelve hours a day and maintained by automated controls and alarm systems between 6 p.m. and 6 a.m. There are two crews working a 4/10 Sunday through Wednesday shift and two crews working a 4/10 Wednesday through Saturday shift. Employees who work the 4/10 shift work four days a week for 10 hours per day. There are two shifts; one which runs from 6 AM to 4 PM, and another which runs 8 AM to 6 PM. Lunches are taken when time is available during the day. If an alarm sounds, employees are required to stop their lunch and tend to the matter.

#### **Background**

The Sewer Division consists of three programs; Wastewater Operations & Maintenance, Sewer & Storm Drain Collections and the Laboratory. The sewer & storm drain cleaning function was formally evaluated in the contracting study and the recommendation was made to retain the service in-house. Included in the recommendation was a commitment to explore alternatives to increase productivity as an alternative to privatization/contracting.

The Hughes Heiss report in 1991 recommended that the Wastewater Treatment Plant operator work schedules be changed from the current 4/10 to 9/80 work schedule. The report also recommended a number of staff adjustments that should be made once the work measurement system was implemented to capture crew workload data.

The Utilities Division has employed the use of a software system called Total Utilities Maintenance System (TUMMS). TUMMS is a system which is used to generate work orders to ensure that all wastewater equipment is properly maintained, track parts and labor costs, and determine overall costs to maintain equipment. The system will produce reports which help the Utilities Manager document the number of employees per shift, analyze the efficiency and effectiveness of operations, and the amount of time spent on routine start-up and shutdown functions.

---

## Contracting / Privatization

---

There are two vacancies in the Sewer division. Staff proposes that the unfilled positions can be eliminated if the following organizational adjustments were made:

- Change the wastewater operation work schedules to the 9/80 program. The introduction of this schedule would create the opportunity for more productive work hours. Staff would be available more days per week, work less hours per day, and would be less susceptible to fatigue at the end of the shift. Also, a day off for sick leave would represent a reduction of 10% less time off (9 hours vs 10 hours).
- Reduce the operational staff by one Plant Operator. This reduction would be made possible by the improved efficiency created by the proposed 9/80 shift schedule. Basically, remaining staff will be able to do as much or more than the current staff.
- Eliminate the Lab Tech position. The elimination of this position would be made possible by improving the operational controls, the availability of more operators and greater productivity during shifts. In addition, some lab tests will be reduced, and other tests will be performed by plant operators.



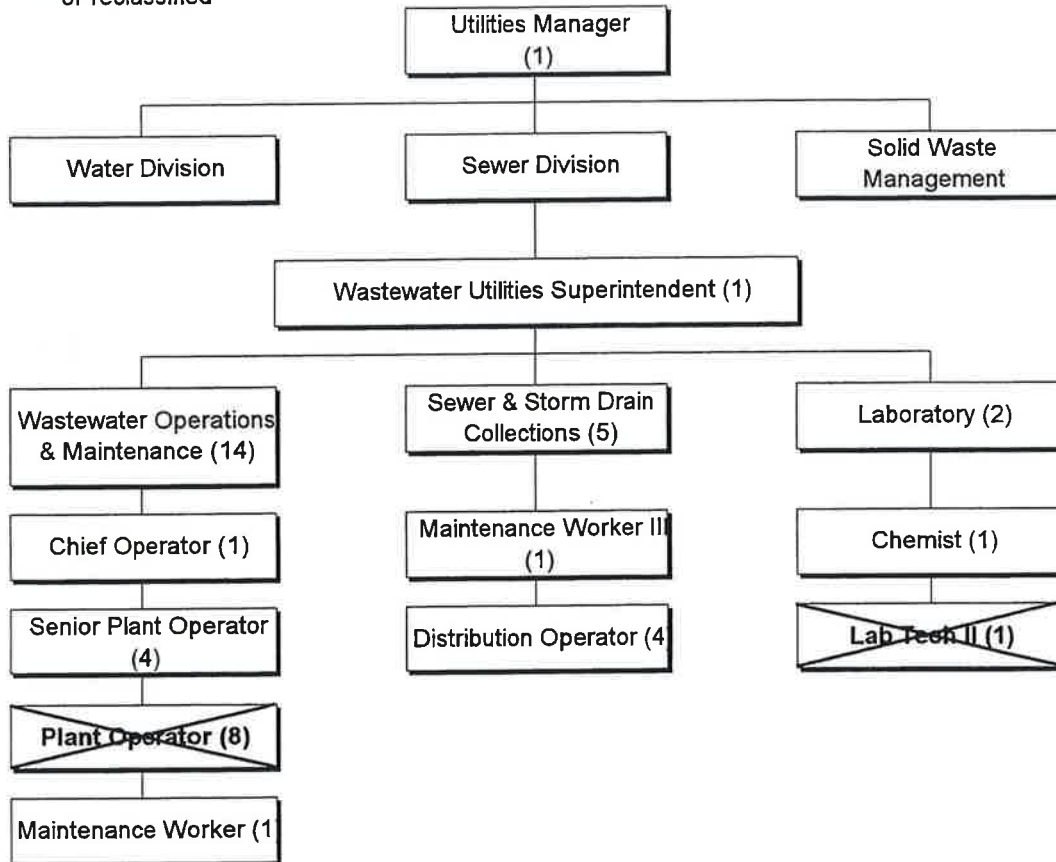
# Contracting / Privatization

## Existing Structure

Existing FTE's 22

Proposed FTE's 20

Positions to be eliminated or reclassified



## Alternatives

1. Direct staff to fill the vacant lab tech and distribution operator (from the collection crew) positions, and maintain the existing 4/10 schedule for plant operators.
2. Direct staff to pursue an agreement with the employees association to change plant operator schedules to 9/80, and transfer a plant operator to the vacant distribution operator position, as a "Y" rated employee.

---

## **Contracting / Privatization**

---

### **Recommendations**

Staff recommends that all plant operator schedules be adjusted to a 9/80 program, and a plant operator, and a laboratory tech II position be deleted from the Sewer Division staffing allocations.

### **Fiscal Impact**

The total impact of these proposed staff reductions is \$96,000 per year.

---

## **Contracting / Privatization**

---

### **Parallel Study**

#### ***Water Meter Reading & Billing***

#### **Goals & Objectives**

To determine if the City could save money and maintain or improve the efficiency of the water meter reading and utility billing service by contracting to another agency.

#### **Summary**

The City reads water meters on a bi-monthly basis. SDG&E reads electricity meters on a monthly basis. A study was conducted by members from both agencies to explore the opportunity to combine the meter reading services within one agency.

The study also included the feasibility of SDG&E performing the billing service as well as the meter reading service. If this portion of the study were adopted, the citizens of San Clemente would receive one invoice which would include water, sewer, storm drain and electricity charges. While the concept was appealing to the study group, SDG&E determined that their computer system would not have the capacity to support the additional data processing associated with the City's utility billing. Representatives from SDG&E indicated that they were in the process of upgrading their computer system and within the next two years would be able to revisit this issue.

#### **Background**

The City presently reads all water meters every two months (bimonthly). The process is performed on a daily basis and the entire cycle takes two months to complete. There are two full time meter readers performing this function. Bills are processed by three full time billing clerks. Bill processing and water customer relations consumes approximately 70% of their time.

The group evaluated the cost benefit of SDG&E performing the same bimonthly reading of the City's water meters. It was determined that the City would save \$40,000 per year if this program were implemented.

SDG&E, however, would prefer to read the meters monthly on the same schedule that they read their electrical meters. The City has been considering moving to a monthly billing cycle in any case. The advantages to the City for monthly reading and invoicing are:

- Increased cash flow. The collection of water and sewer bills monthly, instead of bimonthly, enables the City to place the money into interest bearing accounts a month earlier. This allows the City to experience additional earnings on that money.

---

## Contracting / Privatization

---

- Lock box collection. The volume and frequency of monthly billing would make a lock box collection system a cost efficient option. A lock box process is the collection of utility billing receipts through a banking service, as opposed to processing payments in-house by employees. Return envelopes from the bills will be delivered or mailed to a bank which processes the collected revenues periodically each day. Daily collections are processed and deposited into the City's interest bearing account on a daily basis by the bank. Individual account information would be electronically transmitted to the City daily.

The benefits include:

- ♦ City staff will not have to handle the large amounts of incoming mail and related tasks. This will serve to offset the increased labor created by billing on a monthly basis.
  - ♦ Remittances are collected more quickly, due to the bank's unique zip code and efficient check clearing schedules.
  - ♦ Collected balances are more readily available for investing, which results in a higher overall yield <sup>on</sup> of City funds.
  - ♦ The daily transmission from the bank will enable the City to update receivable records automatically, provide information about daily collections, and precise timely status of the City's extensive customer base.
- Reduction of delinquent or unpaid accounts.
  - Corresponding reduction of collection agency fees.
  - Increased customer service. Monthly billing would result in smaller invoiced amounts, current information on water consumption to detect leaks or malfunction irrigation systems and improved communication opportunities between the City and the customers.

If the City were to implement a monthly reading program independent of SDG&E, it is anticipated that the City's cost would be \$181,000. SDG&E is proposing monthly readings for approximately \$104,000. Thus, the anticipated savings to the City would be \$77,000 per year including the additional benefits listed above.

Staff also proposes an amendment to the Water & Sewer Billing Ordinance which would shift the customer responsibility to land owners and homeowner associations for water used in common areas rather than the individual user. The advantages are:

- If owners are responsible for including water & sewer rates into the rental rate, the City's delinquent and unpaid bills would be reduced and the City's ability to collect would increase.

---

## **Contracting / Privatization**

---

Typically, renters are more transient than homeowners and represent a large number of the City's unpaid or uncollectible accounts. The City loses over \$30,000 per year due to uncollected utility bills. The majority of these unpaid bills come from renters. If the responsibility were shifted to the owner, a lien could be placed upon the property to collect on unpaid amounts.

- The proposal to have SDG&E perform water meter reading anticipates the reduction of two meter readers. Labor directly attributable to water meter reading accounts for approximately one and a half staff. The remainder of their time is spent performing special duties such as: turning meters on or off for new or departing customers, checking reads generated by customer complaints, tagging residents for nonpayment prior to discontinuation of service, discontinuing service and reconnecting service once the bill has been paid.
- City employees would not have to turn the water on or off upon a change of tenants. Staff performs between 30 and 40 special reads, and/or turnoffs every week. This work included interface with the public and answering questions relating to water issues. It is anticipated that the combination of monthly meter reading and the placement of responsibility of utility payments on the owner will significantly reduce special reads and turnoffs due to nonpayment.

### **Alternatives**

1. Direct staff to pursue a contract with SDG&E to perform meter reading at the same bimonthly basis and continue efforts to transfer the billing responsibility to SDG&E in the future. This would reduce the City's cost to perform the service by \$40,000 per year.
2. Direct staff to pursue a contract with SDG&E to perform monthly meter reading services and continue efforts to transfer the billing responsibility to SDG&E in the future. This would only reduce the City's cost to perform the service by \$8,000 per year. The savings would increase to \$77,000 per year, however, if the City's cost to perform monthly reading was compared to SDG&E's monthly cost.
3. Retain existing in-house services as a bimonthly reading program at no additional cost.

### **Fiscal Impact**

The cost for SDG&E to perform monthly meter reading would be \$84,000 per year. A one time cost of \$20,000 would be needed for an additional printer, supplies and computer programming.

---

## **Contracting / Privatization**

---

### **Recommendation**

Staff recommends that the City Council direct staff to:

1. Write an amendment to the Water & Sewer Billing Ordinance for Council approval to authorize monthly billing and the shift of customer responsibility to land owners and homeowner associations, which would be responsible for water used in common areas, and;
2. Negotiate a contract with San Diego Gas & Electric to read the City's water meters on a monthly basis, and;
3. Institute of a lock box program to collect and process payments.

---

## **Contracting / Privatization**

---

### **Parallel Study**

#### ***Goals And Objectives***

The goal of this study was to determine if the City could save its customers money and maintain or improve service through the consolidation of Tri-Cities Municipal Water District.

#### **Summary**

Staff has investigated the feasibility of consolidation of the wholesale water district associated with San Clemente.

#### **Background**

There is an ongoing effort by LAFCO (the Local Agency Formation Commission) to analyze and recommend more efficient methods to supply water and sewer service to customers within Orange County. LAFCO is the State agency that is charged with reviewing special districts and local government boundary lines. The purpose of their review and recommendations is to promote jurisdictional boundaries that lead to efficient and understandable forms of government, including provision of services provided by special districts.

From an historical perspective, many water districts were formed when the County population was very rural. Few suburban cities of any size existed and agriculture was the predominate industry. As cities have grown and rural areas transformed into suburban cities, the many water districts remained. Now in some cities, such as Dana Point, as many as six different special districts exist to provide parks and recreation, sewer, and sanitation services. By contrast, in the City of San Clemente all utilities are consolidated into a Municipal Utilities Division which is part of the Public Works Department.

Some of the issues that have arisen regarding multiple districts within a single jurisdiction include confusion over who is providing what services, and who the elected representatives are, and who to call with questions or complaints. In addition, with multiple boards governing each of these special districts and in some cases duplicative management answering to each of those boards, the cost of providing services is an issue.

Recently, LAFCO representatives have suggested that districts and municipalities in south Orange County analyze and generate recommendations regarding consolidation and streamlining of the many districts that exist in this part of the County. Although the City of San Clemente is not involved with very many districts, the one district we do interface with is the Tri-Cities Municipal Water District (Tri-Cities).



---

## **Contracting / Privatization**

---

The City purchases wholesale water from Tri-Cities Municipal Water District. The organization includes an elected five board member, five Tri-City employees, and two contracted administrative personnel. Tri-Cities operates and maintains a line which runs from the I-5 El Toro "Y" to the southern tip of San Clemente. A portion of the line connects Santa Margarita to South Coast Water District. The South Coast Water District spans the boundary between Laguna Beach and Dana Point.

Tri-Cities purchases its water from Coastal (a paper agency that has no operational duties). Coastal is a water district which consists of five elected board members. The Board members represent various districts within the Coastal District boundary line. The Coastal Water District purchases water directly from the Metropolitan Water District (MWD).

The Metropolitan Water District is the umbrella agency which is responsible for bringing water to Southern California. Some of the MWD facilities includes the Owens River Aqueduct, aquatics from the Colorado River supplying Colorado River water to the L.A. basin, and the Central Valley Aqueduct, Central Valley Aqueduct supplying water from Northern California. MWD is currently in the process of streamlining their organization. In an effort to maintain relatively small manageable organizations, MWD has created bylaws which allow them to limit the number of agencies that are able to purchase water directly from MWD.

### **Alternatives**

LAFCO is charged with making recommendations which could lead to district boundaries and consolidated districts which would result in cost savings, and more efficient provision of services. LAFCO can not cause to happen any of these consolidations or district boundary line adjustments. The actual changing of boundary lines or consolidation can only occur as a result of either a vote of the people or the consent of the Board of Directors of all agencies involved in a consolidation, or boundary line changes.

The following are a couple of alternatives which LAFCO could possibly recommend:

1. LAFCO could recreate a southern Orange County water agency, responsible for coordinating all water issues within its boundaries. There are representatives from the Metropolitan Water District-Orange County (MWDOC), three MWD member cities, the Orange County Water District and one retail water district members currently analyzing this alternative. The likelihood of creating this all encompassing agency which could bring together all the water suppliers of southern Orange County is possible, but not probable, due to the great complexity of this proposal. There are many localized needs and special interests within the general geographic area that this proposed agency would encompass.
2. LAFCO could consolidate Tri-Cities with the Coastal Municipal Water District (Coastal). There are two possible approaches to this scenario:



---

## Contracting / Privatization

---

- A. Coastal could assume all existing roles including administration, regional water supply coordination and operational programs now performed by Tri-Cities, or;
- B. The consolidation of Coastal and Tri-Cities could include the creation of a new agency, which initially includes some board members from both agencies. The proposed organization would administer regional water supply coordination, and communicate directly with existing sub-agencies of Tri-Cities. The metamorphosis of this new organization would eventually include representatives from agencies/areas within its boundaries.
- C. Operational functions now performed by Tri-Cities could be performed by the City of San Clemente and/or shared with other existing retail agencies in the area.

### Recommendations

The status quo can not be defended. Some realignment of regional responsibilities is necessary. The recommended alternative is the consolidation of Coastal and Tri-Cities and the transfer of all operational function to the City of San Clemente. The advantages of this recommendation would be;

Synergy would be created by the combination of the Coastal and Tri-Cities organizations into a new agency. The efforts to improve regional water supply and develop independent water sources would be enhanced.

Communication with the City will improve by a reduction of a layer of government. This will allow for clearer communications associated with conjunctive use, new water sources, and MWD information.

Public understanding of who is responsible for maintaining and supporting water conveyance to the area will be made clearer, simply because there will be one less agency involved in the loop. This will allow for clearer, lines of communication with the entity making decisions on wholesale water issues.

Operational water purveyance, is made simpler because San Clemente would have unified control of the amount of water passed through the MWD trunk lines. Staff would be able to anticipate water demand based on first-hand operational experience, and make the appropriate adjustments.

Operational controls such as chlorination, reservoir levels, water quality, and water pressures will be simplified by the direct and immediate feedback from the public, and substantial testing performed by City staff.

---

## **Contracting / Privatization**

---

Although there are other possible alternatives, such as a Coastal Cities retail organization, or a contractor providing the operations and maintenance functions now performed by Tri-Cities staff, Staff does not recommend these options, due to the reduced effectiveness of multiple entities being in charge of operational control of reservoirs and water treatment. The impact of these alternatives would severely affect the service of San Clemente water customers.

### **Fiscal Impact**

Although the dollar estimates are not yet available, if the City were to assume all of the operations functions performed by Tri-Cities and Coastal the following would occur:

The City of San Clemente would assume all existing Tri-Cities operations and maintenance (O&M) programs. Existing Tri-Cities staff would be employees of San Clemente. The new combined organization would continue to provide engineering, O&M, and coordination for wholesale water delivery in the system.

Coastal is currently negotiating with Camp Pendleton to utilize their aquifer in return for operation and maintenance of the Pendleton water system. If an agreement is reached, San Clemente would assume those maintenance responsibilities. San Clemente staff has the expertise and equipment to perform like water services for the portion of Camp Pendleton in question.

The net result would create an opportunity for the City to reduce the administration cost of wholesale water purveyance and translate that into a savings to retail customers.

---

## **Contracting / Privatization**

---

### **Parallel Study**

#### ***Regionalization of Administrative Functions***

### **Goals and Objectives**

To determine if certain administrative functions could be addressed through regionalization, in cooperation with other cities and agencies.

### **Summary**

There are several administrative functions that serve the whole organization which could, perhaps be regionalized, in cooperation with other cities. They are employee recruitment and selection, employee training, risk management administration, health plan administration and other employee benefit services, and labor relations. Depending on the City Council's decisions with respect to contracting out non-administrative functions, it may make sense to explore regionalization.

### **Background**

The City's Human Resources division primarily handles the functions mentioned above, under the direction of the Director of the Office of Management and Budget.

Risk Management program administration is already regionalized in that most cities belong to the Orange County Risk Management Authority (OCCRMA) or some other joint powers authority for risk management.

The administration of the other functions mentioned above have not been regionalized. If the City of San Clemente further reduces its workforce through the use of contracts in operational areas, the need to have full time staff to perform the more traditional Human Resources Management functions will diminish. The possibility of several cities sharing the cost of a person or persons under contract to perform these activities for the group should be explored.

### **Alternatives**

Continue to address administrative needs in house, but with a reduction in full time staff.

### **Recommendation**

Once decisions have been made regarding the feasibility of contracting out certain operational functions, direct staff to pursue the concept of regionalizing and/or contracting certain administrative functions.

---

## **Contracting / Privatization**

---

### **Parallel Study**

#### ***Fire Master Plan Phase III Report and Approval***

#### **Goals & Objectives**

The goal of this study is to determine the best method of providing Fire Protection Services to the City of San Clemente.

#### **Summary**

Should the City Council approve the Fire Master Plan Phase III report and The Fire Master Plan Advisory Committee's recommendation?

#### **Background**

The Phase III report of the San Clemente Fire Department Master Plan ( Attachment 1 of this administrative report) provides an analysis of fire service delivery alternatives available to San Clemente. The analysis assumes that all delivery alternatives would provide services in accordance with the minimum standards detailed in the Phase II - Community Standards document that was recently "conceptually" approved by the City Council. The Phase III report looks at five alternatives (In House, Consolidated, Subregional, Regional and County Contract) in order to establish the most desirable and cost effective method of delivering fire service to San Clemente. The report is based on objective analyses and does not attempt to analyze subjective issues such as the political or social aspects of the options.

Of the five options, two (Sub regional and Regional) have a high degree of risk to some of the other agencies that would need to participate. And while theoretically achievable, the two options may be practically unfeasible. Consequently, these options are provided more as theoretical models to show the nature and cost relationships associated with "economy of scale" issues, rather than as practical alternatives.

The three remaining options (In-House, Consolidated and County Contract) are all viable options. The "In-House" option is the most costly. The County Contract (rough estimate) is slightly less than the Consolidated option. However, if the entity created as a result of the Consolidated option can be exempt from Social Security, this option becomes the lowest cost of the three. The City Attorney has indicated that it is possible to be exempt from the Social Security program when forming a new governmental entity. (See Attachment 2 of this administrative report.)

The County of Orange Fire Department has provided the City with a rough estimate of what it would cost to provide Fire and Emergency Medical Services. This estimate is very simple and does not provide any detail with respect to staffing, revenues, asset transfers, lines of

---

## **Contracting / Privatization**

---

communications or factors which will influence future costs. The policy of the County is to charge \$15,000 for a detailed study of these and other factors (the \$15,000 would be credited to the City's first year contract in the event that the contract is awarded). The City will not be provided with any more information on this issue without paying for the study.

As noted in the Phase III analysis, the "rough bid" County proposal is approximately \$31,000 less than the current Fire Protection costs, and approximately \$150,000 less than the comparable "In-House" option. It should be noted, however, that the County proposal includes 24-hour Battalion Chief coverage (although the nature of this coverage is not detailed) and the In-House option does not include this level of service. If this same service is added to the cost of the In-House proposal, the projected costs of the In-House proposal would increase by approximately \$337,824. More detail would be needed from the County to make precise comparisons.

### **Conclusions and Recommendations**

The Phase III report shows that the costs of the three viable options (In-House, County Contract and Consolidation) are similar. The most accurate of all of the estimates is the In-House option. More detailed study is necessary for both the Consolidated and the County Contract options. Given the present data, the Consolidated option appears to be the lowest cost option. The County Contract option is a close second. In view of the fact that the savings are from future expenditures, it would be wise to study the options more closely prior to making a final decision. With this in mind, the Fire Master Plan Advisory Committee recommends, with staff concurrence, a conservative approach to the matter.

THE FIRE MASTER PLAN ADVISORY COMMITTEE, with staff's concurrence, RECOMMENDS that the CITY COUNCIL:

- A. Approve the Phase III Report as submitted.
- B. Pursue the Consolidation option and approve the establishment of a JPA committee for the purpose of completing preliminary work for the formation of a consolidated fire department with Laguna Beach and SONGS.
- C. Direct the JPA committee to report back to the Council within 120 days with a detailed report and preliminary agreements.
- D. Direct the JPA committee to consider the merits of a phasing program that will provide each agency with safeguards in the event that the JPA fails to produce the desired results.
- E. Pursue the detailed Orange County Fire Department fire service contract bid concurrently with the JPA feasibility study

---

## **Contracting / Privatization**

---

- F. Authorize an appropriation transfer from account #001-203-44900 (council contingency reserve) to account #001-221-43890 (other contractual services) in the amount of \$15,000 and authorize the expenditure of the \$15,000 to the county of orange for the contract study.

### **Budget Impact**

The budget impacts would be an increase in attorney services expenditures, estimated at approximately \$5,000, and the expenditure of \$15,000 to the County of Orange for a more detailed analysis of their contract option. The Fire Department will use existing budgeted resources to cover the attorney services. The expenditure required for the County study would need to be appropriated from the contingency reserve.

### **Attachments**

1. Fire Master Plan Phase III Report.
2. Memorandum from City Attorney to Gene Begnell date 12/10/93.
3. FMPAC Draft Meeting Summary from 12/13/93.



**Proposed Phasing Plan**  
Consolidated Fire Department/JPA

**Phase I - Consolidation of Fire Administration and Fire Prevention Divisions.**

Phase I would bring the greatest benefit to the participating cities. Consolidating the Fire Administration and Fire Prevention Divisions of the separate cities would impact a limited number of personnel (15). The details of the JPA, leave buy out, Social Security and return rights can be worked out with this smaller group. The cities will retain their separate fire suppression personnel, capital assets and real estate at this point. If the JPA is found to be undesirable at any given point in this phase, a return to autonomous fire departments would carry minimal risks or potential losses.

**Phase II - Suppression Personnel transferred to JPA**

In Phase II, the balance of the employees would be moved over to the JPA. The issues detailed above should be resolved prior to Phase II occurring. The cities will retain control of the services and direct ownership of the assets. Staffing levels will be locked in for a set period unless service expansion is needed. Additional service is subject to predetermined cost agreements. A dissolution agreement would be completed and conditions of withdrawal would be established.

**Phase III - Mobile Assets transferred to JPA**

At this point, the JPA will have been functioning for a period of time. The mobile asset would be transferred to the JPA. This allows for a greater economy of scale and some additional savings.

**Phase IV - Real Assets are transferred to JPA**

This phase does not need to happen unless the respective agencies want to go on to the next phase.

**Phase V - JPA is converted into a Fire District.**

This action allows for new funding sources and allows the cities to transfer the remaining liability to the Fire Agency.

Service Delivery Options

Option A	"In house" Operation
Option B	Consolidation
Option C	Subregional
Option D	South County
Option E	County Contract

**Standards**

**Administration**

- 6B Staff, Support Services
- 6C Staff, Chief Officers
- 8C Support Facilities
- 9 Safety
- 17A Disaster Planning
- 17B EOC Training
- 17C EOC Facility

**Fire Suppression**

- 1A Response Standard
- 1B Trigger Mechanism
- 1C Response Model
- 3A Staffing, Engine Co.
- 3B Staffing, Truck Co.
- 3D Staffing, Rescue
- 4A Manpower, Medical Aid
- 4B Manpower, Structure Fire
- 4C Manpower, Wildland
- 4D Manpower, Rescue
- 4E Manpower, Command/Control
- 12 ISO Rating
- 16A Revenue, Suppression
- 19 Mutual Aid
- 20 Automatic Aid

**EMS**

- 2A EMS, BLS
- 2B EMS, ALS
- 3C Staffing, Medic Unit
- 16B Revenue, EMS

Current	Option A	Option B	Option C	Option D	Option E
152,880	341,886	132,364	240,217	160,421	Included
2,459,750	2,460,821	2,534,397	2,254,012	2,127,527	Included
250,050	255,160	178,465	209,557	82,523	Included







Service Delivery Options

**One Time Costs**

**Standards/Goals**

	Current	Option A	Option B	Option C	Option D	Option E
8C	N/A	8,000	8,000	8,000	8,000	?
10B	N/A	9,600	9,600	9,600	9,600	?
18	N/A	5,000	5,000	5,000	5,000	?
10A	N/A	100,000	100,000	100,000	100,000	?
18	N/A	100,000	100,000	100,000	100,000	?
2B	N/A	20,000	20,000	20,000	20,000	?
5B	N/A	550,000	275,000	110,000	110,000	?
Leave Payoff	N/A	N/A	?	340,096	340,096	340,096

**Additional Savings Possibilities**

\* San Clemente Share

SSAN withdrawal	N/A	N/A	102,640	96,391	88,847	?
San Diego County Taxes	N/A	N/A	36,176	21,792	8,278	?
Asset Transfer	N/A	N/A	?	?	?	?

Service Delivery Options

**Additional Cost Factors**

**Goals**

**Priority 1**

- 4E Manpower, Command
- 6C Staff, Chief Officers
- 10A Dispatch, Certified
- 13F (1) Community Outreach
- 18 Records Achival, 5 yr

**Priority 2**

- 3D Heavy Rescue Company
- 4A Manpower, EMS 5
- 10A Dispatch, EMD
- 16A Revenue, Suppression
- 16B Revenue, EMS
- 5D (1) Apparatus, Heavy Rescue
- 18 Single Data Entry

**Priority 3**

- 10A Dispatch, CAD/KDT
- 2B EMS, ALS
- 18 CAD/KDT
- O & M Subtotal (Goals)**

Current	Option A	Option B	Option C	Option D	Option E
N/A	109,000	0	0	0	0
N/A	0	0	0	0	0
N/A	1,000	0	0	0	0
N/A	2,000	2,000	0	0	?
N/A	0	0	0	0	?
N/A	0	0	0	0	0
N/A	194,560	194,560	194,560	194,560	371,470
N/A	1,000	0	0	0	?
N/A	-116,200	-116,200	-116,200	-116,200	?
N/A	0	0	0	0	?
N/A	0	0	0	0	?
N/A	0	0	0	0	?
N/A	10,000	10,000	0	0	?
N/A	15,000	15,000	15,000	15,000	?
N/A	10,000	0	0	0	?
	226,360	105,360	93,360	93,360	?



**OVERVIEW  
CURRENT FIRE DEPARTMENT OPERATION**

The current San Clemente Fire Department operation consists of **forty** personnel (30 sworn; 10 non sworn). These personnel staff three divisions: **Fire Administration, Fire Suppression and Fire Prevention.**

**Fire Administration** consists of **four positions.** **Two clerical staff and two chief officers.** This division provides the organization with direction and control, as well as, performing the tasks necessary to maintain the records management system, accounts receivable, personnel documentation and general office support for all three divisions.

**Fire Suppression** is staffed with **thirty three personnel.** Twenty seven of these are sworn and six are non sworn. These personnel staff three platoons and provide twenty four hour coverage (**9 firefighters per day**) the entire year. At all times, the division is staffed with three captains, three engineers, three firefighters and two emergency transport technicians. Four of these personnel must be paramedics. With this staffing configuration the departments staff three engine companies, two of which are paramedic units, and one emergency transport vehicle (ambulance). In addition, the personnel assigned to the non paramedic engine also staff an ambulance out of their assigned station to provide service for concurrent medical aid calls. Any additional units must be staffed with recalled, off duty personnel.

**Fire Prevention** is staffed by **three personnel.** **A Deputy Fire Marshal and two fire inspectors.** This division is responsible for the majority of the fire inspections, public education and fire prevention activities. The duties of this division include plan review, weed abatement, hazardous materials inspections, fire permit inspections and inspection of new construction, in addition to the inspection of assemblage, institutional, and educational occupancies. Fire Prevention also coordinates fire related public education activities in the schools and community.

The Current **Fire Department** also includes the **management of three non traditional divisions.** These are Animal Services, Communications and Emergency Planning. These divisions are managed without additional clerical or management support.

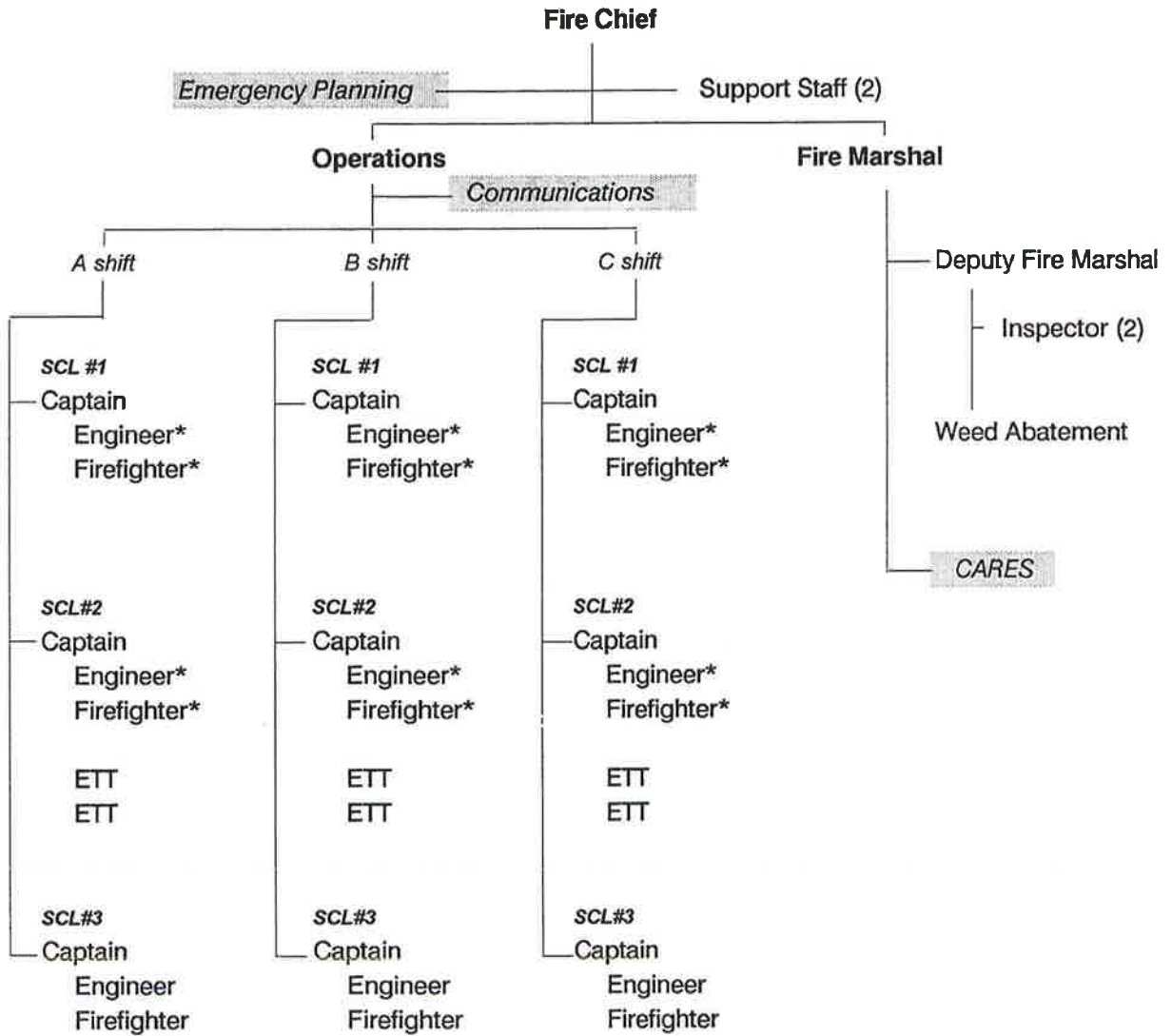
Additional Facts include:

Ratio of personnel to 1000 population* served:	.94
Ratio of sworn personnel to 1000 population* served:	.69
Ratio of management personnel to non management personnel:	.05

\*1992 Population Figures

i:\doc\master\current.ovr

Current Fire Department Organizational Chart



\* indicates Paramedics; not necessarily rank specific

These areas not included in Fire Protection Costs

# SAN CLEMENTE FIRE DEPARTMENT (current staffing)

## Cost of Fire Protection

Personnel	Adm	Supp	Prev	Dept
Salaries, Regular Full Time	31,850	155,320	76,980	264,150
Salaries, Regular Part Time	0	0	4,820	4,820
Salaries, Hourly Part Time	0	20,000	0	20,000
Salaries, Sworn	26,690	1,277,540	106,600	1,410,830
Work Furlough	-970	-1,930	-2,430	-5,330
Regular OT	0	163,330	2,000	165,330
Premium OT	1,000	1,600	4,000	6,600
FLSA OT	0	84,670	0	84,670
Holiday Pay	0	61,490	0	61,490
Disability Compensation	0	0	0	0
Other Incentive Pay	0	61,800	0	61,800
FICA	4,010	117,370	10,560	131,940
Medicare	1,070	28,000	2,780	31,850
SDI	280	1,400	570	2,250
Long Term Disability	390	14,250	1,280	15,920
State Unemployment Ins.	60	1,450	190	1,700
Work's Comp. Ins	2340	83,980	6,240	92,560
Life Ins.	170	680	270	1,120
Medical Ins.	7990	203,170	20,390	231,550
PERS Retirement Prem.	5950	289,100	23,910	318,960
SC Retirement Prem.	4,400	21,760	10,630	36,790
Deferred Comp. - PT	0	740	180	920
<i>Subtotal</i>	<u>85,230</u>	<u>2,585,720</u>	<u>268,970</u>	<u>2,939,920</u>

Other Factors	
Stations	3
Companies	3
Medic Units	2
Amb	1

## Supplies

Office Supplies	6,200	0	0	6,200
Postage	0	0	0	0
Data Processing	4,200	0	0	4,200
Maps/Blueprints	300	0	400	700
Medical Supplies	200	5,090	0	5,290
Janitorial Supplies	0	3,110	0	3,110
Photographic Supplies	0	0	1,000	1,000
Protective Supplies	0	20,000	0	20,000
Educational Materials	0	0	3,000	3,000
Books, Codes & Supp	0	350	2,810	3,160
Small Tools & Equip	0	4,000	0	4,000
Clothing and uniforms	0	8,630	2,000	10,630
Other Operating	1,000	10,400	1,700	13,100
Other Maint. Supplies	0	1,980	0	1,980
<i>Subtotal</i>	<u>11,900</u>	<u>53,560</u>	<u>10,910</u>	<u>76,370</u>

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	8,590	0	8,590
Printing/Binding	2,760	0	500	3,260
Travel/Training	1,700	10,940	2,630	15,270
Natural Gas	0	3,910	0	3,910
Electricity	0	11,280	0	11,280
Water	0	3,110	0	3,110
Maint of Bldgs	1,500	14,000	0	15,500
Maint of Office Equip	8,700	0	0	8,700
Maint of Operating Equip	0	12,490	250	12,740
Other Contractual Svcs	27,200	17,500	12,000	56,700
<i>Subtotal</i>	<u>41,860</u>	<u>81,820</u>	<u>15,380</u>	<u>139,060</u>

### Other Charges

Dues/Subscriptions	420	800	200	1,420
Other Operating Exp	2,220	0	0	2,220
<i>Subtotal</i>	<u>2,640</u>	<u>800</u>	<u>200</u>	<u>3,640</u>

### Interdepartmental

Postage	390	780	780	1,950
Duplicating	2,000	0	0	2,000
Data Processing	12,060	12,060	12,060	36,180
Communications	10,130	11,700	3,470	25,300
Dispatch	0	95,760	10,640	106,400
Fleet	6,930	161,390	17,530	185,850
<i>Subtotal</i>	<u>31,510</u>	<u>281,690</u>	<u>44,480</u>	<u>357,680</u>

Total Division Cost	<u>87,910</u>	<u>417,870</u>	<u>70,970</u>	Subtotal	<u>576,750</u>
---------------------	---------------	----------------	---------------	----------	----------------

Personnel Cost 2,939,920

Total Operational Cost 3,516,670

### Soft Costs

Liability Insurance	15,500
Legal Charges	5,600
Subtotal	<u>21,100</u>

### Revenues

Revenue Accounts	<u>427,397</u>
Subtotal	<u>427,397</u>

**Gross Cost** \$3,537,770

**Net Cost** \$3,110,373



## **OVERVIEW**

### **PROPOSED IN HOUSE FIRE DEPARTMENT OPERATION**

The **proposed in house** San Clemente Fire Department operation would consist of **fifty-six** personnel (30 sworn, 11 non sworn and 15 reserves). These personnel would staff three divisions: **Fire Administration, Fire Suppression and Fire Prevention.**

**Fire Administration** would consist of **six positions: three clerical staff and three chief officers.** This division would perform the following functions: provide direction and control, maintain the records management system, manage accounts receivable, personnel documentation and provide general office support for all three divisions.

**Fire Suppression** would be staffed with **forty-five personnel.** Twenty seven of these would be sworn, 6 non sworn and 15 reserve firefighters. These personnel would staff three platoons, providing twenty four hour coverage (**9 full-time firefighters per day, backed up with 15 reserves**). At all times, the division would be staffed with three captains, three engineers, three firefighters and two non-sworn emergency transport technicians. Four of these personnel would be paramedics. With the proposed staffing configuration, the department would staff three engine companies, including two paramedic units and one ambulance. In addition, the non paramedic engine company would staff an ambulance and an engine out of their station to service concurrent medical aid calls. Any additional units would be staffed with reserve firefighters.

**Fire Prevention** would be staffed by **two inspectors** and a Fire Marshal (included in one of the above chief officer positions). This division would be responsible for the majority of the fire inspections, public education and prevention activities. The duties would include: plan review, weed abatement, hazardous materials inspections, fire permit inspections and the inspection of new construction, in addition to the inspection of assemblage, institutional, educational occupancies. Fire Prevention would also coordinate the public education activities in the schools and community.

The **proposed in house Fire Department** would also **include the management of three non traditional divisions.** These are Animal Services, Communications and Emergency Planning. These divisions would fund one additional management/supervisor, not included in the cost of fire protection.

The proposed operation would require the following actions:

- Hire 15 reserve firefighters
- Hire one support staff person
- Promote one of the existing captains to Battalion Chief.

These actions would cost the City an additional \$127,067 per year and approximately \$20,000 in one time costs. The resulting organization would be functional for the next three to five years without the need for additional personnel. The proposed level of staffing would allow the City to meet or exceed all of the standards and priority one goals established in the

Community Standards conceptually approved by the City Council recently. Additional staffing would probably be needed when the Fire Station No. 4 comes on line. At this time, the City would need to hire the staff for the station, including three additional chief officers.

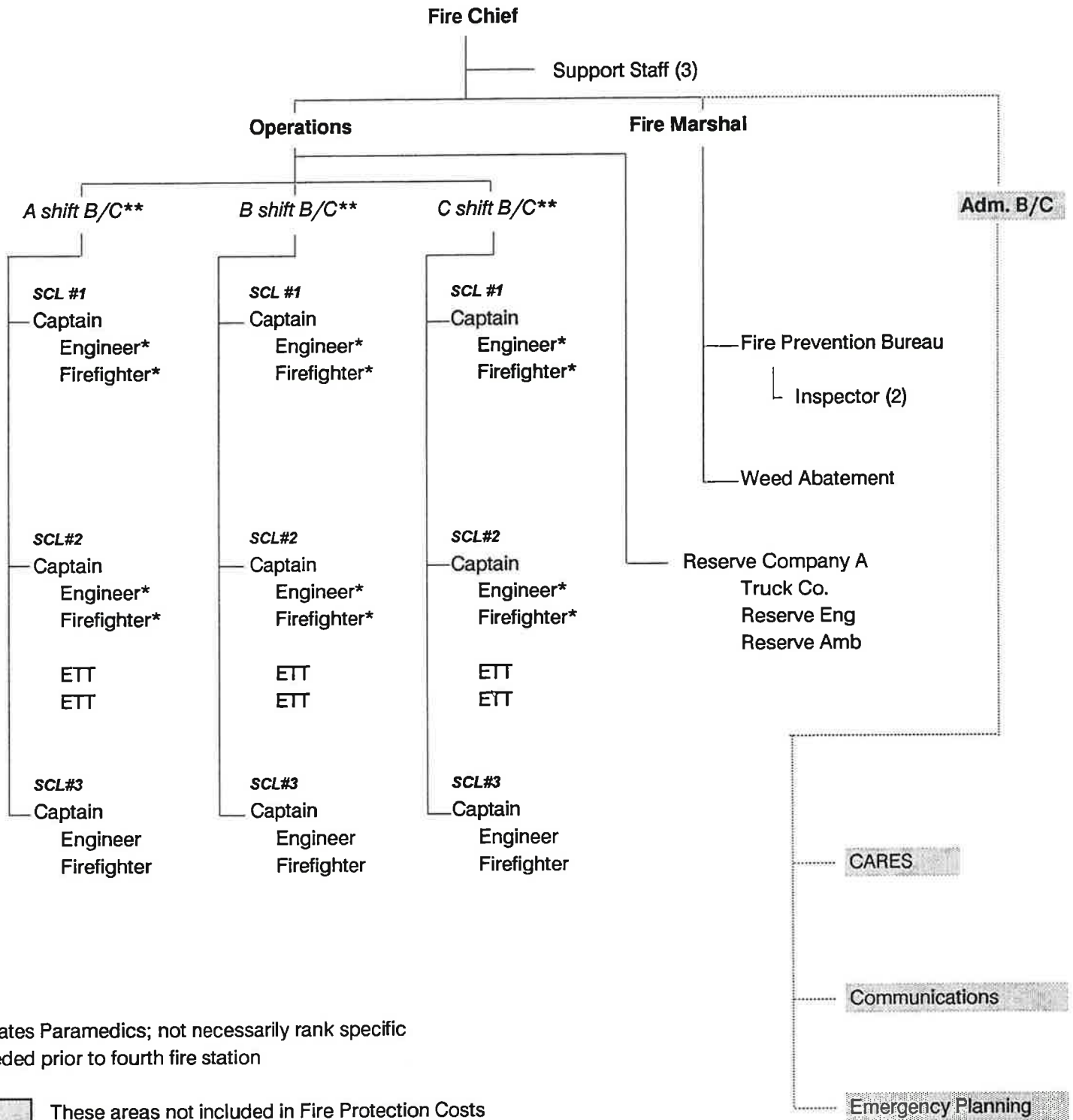
Additional Facts include:

Ratio of personnel to 1000 population* served:	1.04
Ratio of sworn personal to 1000 population* served:	.69
Ratio of management personnel to non management personnel:	.07

\*1992 Population Figures.

I:\Doc\Master\inhouse.ov

Municipal Fire Department Organizational Chart



# SAN CLEMENTE FIRE DEPARTMENT (proposed)

## Cost of Fire Protection

### Personnel

Salaries/Benefits		Salaries	Benefits*	%	Total
Fire Chief	1	88,968	44,484	50.00%	133,452
Battalion Chief	2	150,144	75,072	50.00%	225,216
Captain	9	461,970	230,985	50.00%	692,955
Engineer	9	398,358	199,179	50.00%	597,537
Firefighter	9	340,614	170,307	50.00%	510,921
Reserve Firefighters	15	49,500	5,000	10.10%	54,500
ETT	6	136,056	58,504	43.00%	194,560
Insp	2	79,476	31,790	40.00%	111,266
Sec	3	91,017	36,407	40.00%	127,424
	<u>56</u>	<u>1,796,103</u>	<u>851,728</u>		<u>2,647,831</u>

### Additional Personnel Costs

	Adm	Supp	Prev	Dept
Regular OT	0	160,440	2,000	162,440
Premium OT	1,500	1,604	4,000	7,104
FLSA OT	0	80,220	0	80,220
Holiday Pay	0	60,165	0	60,165
Part time salaries	0	20,000	5,000	25,000
Other benefits	180	36,291	1,250	37,721
Other Incentive Pay	0	66,000	0	66,000
<i>Subtotal</i>	<u>1,680</u>	<u>424,720</u>	<u>12,250</u>	<u>438,650</u>

\* Benefits include Social Security, Worker's Comp, Health Insurance, Retirement, Unemployment Insurance, etc.

Total Personnel Costs 3,086,482

### Supplies

Office Supplies	6,300	0	0	6,300
Postage	0	0	0	0
Data Processing	4,200	0	0	4,200
Maps/Blueprints	300	0	400	700
Medical Supplies	0	6,000	0	6,000
Janitorial Supplies	0	3,000	0	3,000
Photographic Supplies	0	0	1,000	1,000
Protective Supplies	0	21,000	0	21,000
Educational Materials	0	0	6,500	6,500
Books, Codes & Supp	0	300	2,800	3,100
Small Tools & Equip	0	6,350	0	6,350
Clothing and uniforms	0	6,000	2,000	8,000
Other Operating	1,000	10,200	1,700	12,900
Other Maint. Supplies	0	1,800	0	1,800
<i>Subtotal</i>	<u>11,800</u>	<u>54,650</u>	<u>14,400</u>	<u>80,850</u>

Other Factors	
Stations	3
Companies	3
Medic Units	2
Amb	1

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	9,000	0	9,000
Printing/Binding	3,000	0	500	3,500
Travel/Training	1,800	10,800	2,630	15,230
Natural Gas	0	3,900	0	3,900
Electricity	0	12,000	0	12,000
Water	0	3,000	0	3,000
Maint of Bldgs	900	13,500	0	14,400
Maint of Office Equip	12,900	0	0	12,900
Maint of Operating Equip	0	12,450	250	12,700
Other Contractual Svcs	27,000	18,000	10,000	55,000
<i>Subtotal</i>	45,600	82,650	13,380	141,630

<b>Other Charges</b>				
Dues/Subscriptions	300	900	200	1,400
Other Operating Exp	3,330	0	0	3,330
<i>Subtotal</i>	3,630	900	200	4,730

<b>Interdepartmental</b>				
Postage	560	780	780	2,120
Duplicating	2,800	0	0	2,800
Data Processing	17,640	13,500	12,830	43,970
Communications	22,400	6,330	5,500	34,230
Dispatch		60,000	15,000	75,000
Fleet	9,000	195,300	24,000	228,300
<i>Subtotal</i>	52,400	275,910	58,110	386,420

Total Division Cost	113,430	414,110	86,090	Subtotal	613,630
---------------------	---------	---------	--------	----------	---------

Personnel Cost 3,086,482

Total Operational Cost 3,700,112

**Soft Costs**

Liability Insurance	18,828	@ .61% personnel
Legal Charges	18,501	@ .5% of total cost
<b>Subtotal</b>	<b>37,328</b>	

**Revenues**

Revenues	500,000
<b>Subtotal</b>	<b>500,000</b>

**Gross Cost \$3,737,440**

**Net Cost \$3,237,440**

Existing Program Net Cost \$3,110,373

**Net Cost Increase/Decrease \$127,067**

## OVERVIEW

### PROPOSED CONSOLIDATED FIRE DEPARTMENT OPERATION

The **proposed consolidated** Fire Department operation would consist of the consolidation of three autonomous fire departments into one operation. The municipal departments from the cities of San Clemente and Laguna Beach would be consolidated and would provide fire protection at the San Onofre Nuclear Generating Station on a contractual basis. The department would consist of 134 personnel (85 sworn, 19 non sworn and 30 reserves). These personnel would staff three divisions: **Fire Administration, Fire Suppression and Fire Prevention.**

**Fire Administration** would consist of **five positions. Two clerical staff and three chief officers** (One fire chief and two division chiefs heading the other two divisions). The Administrative division would provide the organization with direction and control, as well as, performing the tasks necessary to maintain the records management system, accounts receivable, personnel documentation and general office support for all three divisions.

**Fire Suppression** would be staffed with **123 personnel.** Eighty one employees would be sworn, twelve would be non sworn and thirty would be reserve firefighters. These personnel would staff three platoons, providing twenty four hour coverage (**31 full-time personnel per day, backed up with 30 reserves**). At all times, the division would be staffed with one battalion chief, eight captains, eight engineers, ten firefighters and four non-sworn emergency transport technicians. Six of the sworn personnel would be paramedics. With the proposed staffing configuration, the division would staff eight engine companies, three paramedic units plus two emergency medical transportation vehicles (ambulances). In addition, the non paramedic engine company could staff ambulances and engines out of their assigned station to provide service for concurrent medical aid calls. Any additional units would be staffed with reserve firefighters.

**Fire Prevention** would be staffed by **four inspectors, one bureau captain, a secretary and a Fire Marshal** (included in one of the above chief officer positions). Each jurisdiction would have a dedicated fire inspector assigned to its area with overall control coming from a central fire prevention bureau. This division would be responsible for the majority of the fire inspections, public education and prevention activities. Duties would include plan review, hazardous materials inspections, fire permit inspections and inspection of new construction, in addition to the inspection of assemblage, institutional and educational occupancies. The division would also coordinate public education services in the community. A full time inspector would be dedicated to hazard abatement.

The proposed consolidated fire department could function either as a JPA or Fire District.

#### **Benefits to each organization:**

San Clemente - Shift battalion chiefs without additional cost (a savings of \$337,824/yr)

Laguna Beach - Shift battalion chiefs and dedicated fire prevention personnel without additional cost (a savings of over \$440,000/yr)

SONGS - While the number of personnel on duty is reduced from 7 to 5, the initial response of personnel is increased on all types of calls. On medical calls, the response will include paramedics and on all structure fires, the response will be three engines, a battalion chief and paramedic unit (truck if appropriate). They will also have shift battalion chief coverage which is not currently provided. Additionally, they will have a dedicated fire inspector to complete the technical work involving fire prevention issues. They will also have the back up of the Fire Marshal and Deputy Fire Marshal when needed. These functions include fire investigation, hazard abatement, public education, plan check and fire protection system inspection and analysis. In addition to the increased services, the cost of fire protection to the plant would be reduced by \$400,000/yr.

Additional Facts include:

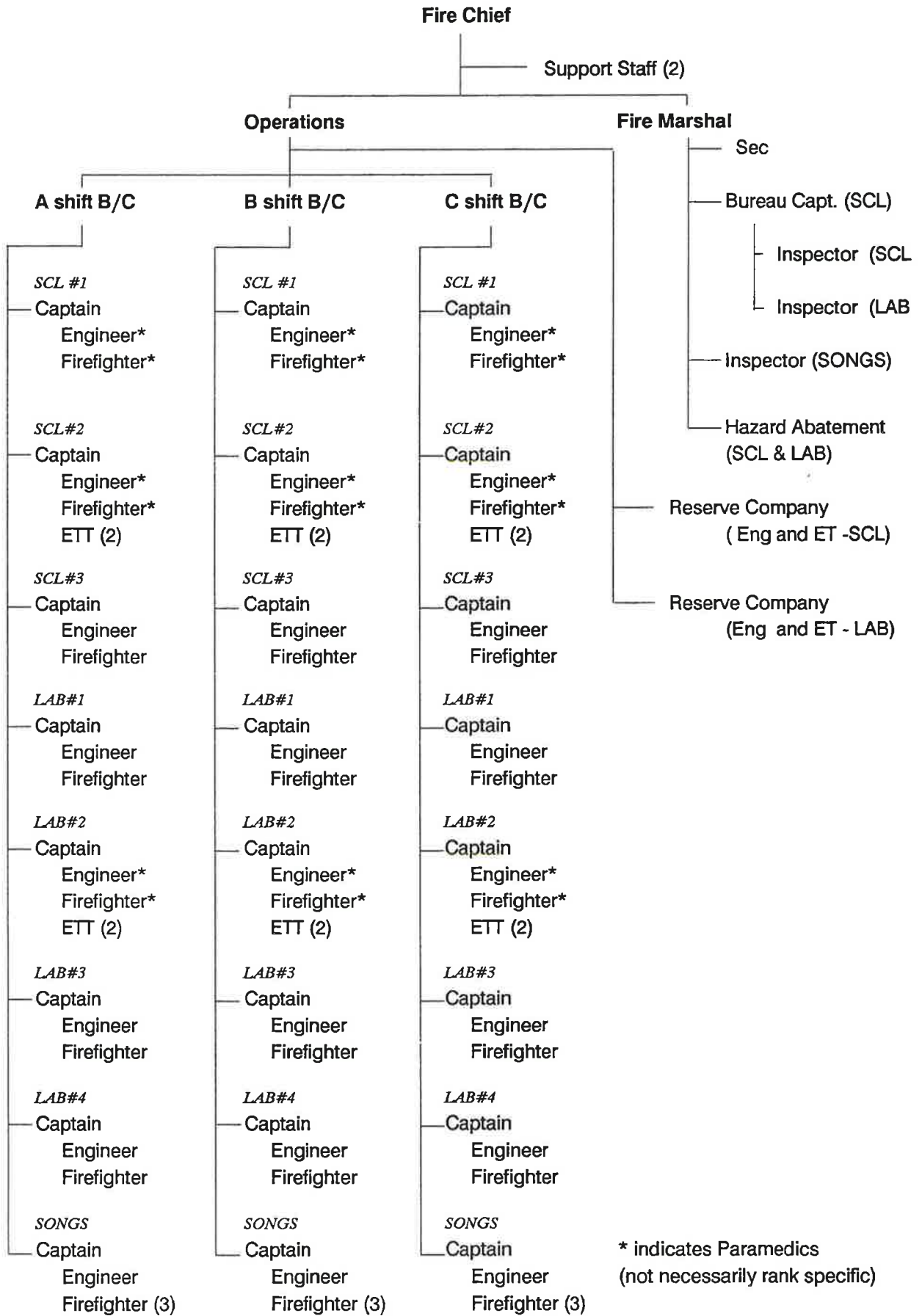
Ratio of full time employees to 1000 population* served:	1.68
Ratio of sworn employees to 1000 population* served:	1.28
Ratio of management employees to non-management employees:	.05

\*1992 Population Figures

I:\Doc\Master\consol.ort



Functional Consolidation Organizational Chart



# CONSOLIDATED FIRE DEPARTMENT (draft)

## Cost of Fire Protection

### Personnel

Salaries/Benefits		Salaries	Benefits	%	Total
Fire Chief	1	88,968	44,484	50.00%	133,452
Division Chief	2	160,000	80,000	50.00%	240,000
Battalion Chief	3	225,216	112,608	50.00%	337,824
Captain	25	1,283,250	641,625	50.00%	1,924,875
Engineer	24	1,062,288	531,144	50.00%	1,593,432
Firefighter	30	1,135,380	567,690	50.00%	1,703,070
Reserve Firefighters	30	99,000	10,000	10.10%	109,000
ETT	12	272,112	117,008	43.00%	389,120
Insp	4	158,952	63,581	40.00%	222,533
Sec	3	91,017	36,407	40.00%	127,424
	<u>134</u>	<u>4,576,183</u>	<u>2,204,547</u>		<u>6,780,730</u>

### Additional Personnel Costs

	Adm	Supp	Prev	Dept
Regular OT	0	450,364	4,000	454,364
Premium OT	1,500	4,504	8,000	14,004
FLSA OT	0	225,182	0	225,182
Holiday Pay	0	168,886	0	168,886
Part time salaries	0	20,000	10,000	30,000
Other benefits	180	101,872	3,940	105,992
Other Incentive Pay	0	88,200	0	88,200
<i>Subtotal</i>	<u>1,680</u>	<u>1,059,008</u>	<u>25,940</u>	<u>1,086,628</u>

\* Benefits include Social Security, Worker's Comp, Health Insurance, Retirement, Unemployment, etc.

### Supplies

Office Supplies	16,800	0	0	16,800
Postage	0	0	0	0
Data Processing	11,200	0	0	11,200
Maps/Blueprints	800	0	800	1,600
Medical Supplies	0	16,000	0	16,000
Janitorial Supplies	0	8,000	0	8,000
Photographic Supplies	0	0	2,000	2,000
Protective Supplies	0	56,000	0	56,000
Educational Materials	0	0	12,000	12,000
Books, Codes & Supp	0	800	5,600	6,400
Small Tools & Equip	0	14,800	0	14,800
Clothing and uniforms	0	16,000	4,000	20,000
Other Operating	2,500	27,200	3,400	33,100
Other Maint. Supplies	0	4,800	0	4,800
<i>Subtotal</i>	<u>31,300</u>	<u>143,600</u>	<u>27,800</u>	<u>202,700</u>

### Other Factors

Stations	8
Companies	8
Medic Units	3
Amb	3

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	24,000	0	24,000
Printing/Binding	3,000	0	1,000	4,000
Travel/Training	3,600	28,800	5,260	37,660
Natural Gas	0	10,400	0	10,400
Electricity	0	32,000	0	32,000
Water	0	8,000	0	8,000
Maint of Bldgs	1,800	36,000	0	37,800
Maint of Office Equip	12,900	0	0	12,900
Maint of Operating Equip	0	33,200	500	33,700
Other Contractual Svcs	44,000	48,000	40,000	132,000
<i>Subtotal</i>	65,300	220,400	46,760	332,460

<b>Other Charges</b>				
Dues/Subscriptions	600	2,400	400	3,400
Other Operating Exp	3,330	0	0	3,330
<i>Subtotal</i>	3,930	2,400	400	6,730

<b>Interdepartmental</b>				
Postage	1,340	2,080	1,560	4,980
Duplicating	6,700	0	0	6,700
Data Processing	42,210	36,000	25,660	103,870
Communications	53,600	16,880	11,000	81,480
Dispatch		136,000	24,000	160,000
Fleet	18,000	520,800	48,000	586,800
<i>Subtotal</i>	121,850	711,760	110,220	943,830

Total Division Cost	222,380	1,078,160	185,180	Subtotal 1,485,720
---------------------	---------	-----------	---------	--------------------

Personnel Cost	7,867,357
----------------	-----------

Total Operational Cost	9,353,077
------------------------	-----------

**Revenues**

Revenues	850,000
Subtotal	850,000

**Soft Costs**

Liability Insurance	47,991	@ .61% personnel
Legal Charges	46,765	@ .5% of total cost
Subtotal	94,756	

Net Cost	\$8,597,834
----------	-------------

SCFD Budget	3,110,373
LBFD Budget	3,787,461
Proposed SONGS FD Budget	1,700,000
Total Cost/Savings	0

<b>Gross Cost</b>	\$9,447,834
-------------------	-------------

Cost to City of San Clemente	3,110,373
------------------------------	-----------

<b>Net Cost Increase/Decrease</b>	0
-----------------------------------	---

# CONSOLIDATED FIRE DEPARTMENT (Alternative B-2) Laguna Beach and San Clemente

## Cost of Fire Protection

### Personnel

Salaries/Benefits		Salaries	Benefits	%	Total
Fire Chief	1	88,968	44,484	50.00%	133,452
Division Chief	0	0	0		0
Battalion Chief	5	375,360	187,680	50.00%	563,040
Captain	22	1,129,260	564,630	50.00%	1,693,890
Engineer	21	929,502	464,751	50.00%	1,394,253
Firefighter	21	794,766	397,383	50.00%	1,192,149
Reserve Firefighters	30	99,000	10,000	10.10%	109,000
ETT	12	272,112	117,008	43.00%	389,120
Insp	3	119,214	47,686	40.00%	166,900
Sec	3	91,017	36,407	40.00%	127,424
	<u>118</u>	<u>3,899,199</u>	<u>1,870,029</u>		<u>5,769,228</u>

### Additional Personnel Costs

	Adm	Supp	Prev	Dept
Regular OT	0	375,077	3,000	378,077
Premium OT	1,500	3,751	6,000	11,251
FLSA OT	0	187,538	0	187,538
Holiday Pay	0	140,654	0	140,654
Part time salaries	0	20,000	0	20,000
Other benefits	180	84,842	1,080	86,102
Other Incentive Pay	0	75,600	0	75,600
<i>Subtotal</i>	<u>1,680</u>	<u>887,462</u>	<u>10,080</u>	<u>899,222</u>

\* Benefits include Social Security, Worker's Comp, Health Insurance, Retirement, Unemployment Insurance, etc.

### Supplies

Office Supplies	14,700	0	0	14,700
Postage	0	0	0	0
Data Processing	9,800	0	0	9,800
Maps/Blueprints	700	0	600	1,300
Medical Supplies	0	14,000	0	14,000
Janitorial Supplies	0	7,000	0	7,000
Photographic Supplies	0	0	1,500	1,500
Protective Supplies	0	45,500	0	45,500
Educational Materials	0	0	9,000	9,000
Books, Codes & Supp	0	700	4,200	4,900
Small Tools & Equip	0	12,950	0	12,950
Clothing and uniforms	0	14,000	3,000	17,000
Other Operating	2,500	17,500	2,550	22,550
Other Maint. Supplies	0	4,200	0	4,200
<i>Subtotal</i>	<u>27,700</u>	<u>115,850</u>	<u>20,850</u>	<u>164,400</u>

### Other Factors

Stations	7
Companies	7
Medic Units	3
Amb	2

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	17,500	0	17,500
Printing/Binding	3,000	0	750	3,750
Travel/Training	3,600	21,000	3,945	28,545
Natural Gas	0	9,100	0	9,100
Electricity	0	28,000	0	28,000
Water	0	7,000	0	7,000
Maint of Bldgs	1,800	31,500	0	33,300
Maint of Office Equip	12,900	0	0	12,900
Maint of Operating Equip	0	28,000	375	28,375
Other Contractual Svcs	21,000	42,000	40,000	103,000
<i>Subtotal</i>	<u>42,300</u>	<u>184,100</u>	<u>45,070</u>	<u>271,470</u>

<b>Other Charges</b>				
Dues/Subscriptions	600	2,100	300	3,000
Other Operating Exp	3,330	0	0	3,330
<i>Subtotal</i>	<u>3,930</u>	<u>2,100</u>	<u>300</u>	<u>6,330</u>

<b>Interdepartmental</b>				
Postage	1,180	1,820	1,170	4,170
Duplicating	5,900	0	0	5,900
Data Processing	35,400	28,000	18,000	81,400
Communications	47,200	14,770	8,250	70,220
Dispatch		105,000	14,000	119,000
Fleet	18,000	385,000	36,000	439,000
<i>Subtotal</i>	<u>107,680</u>	<u>534,590</u>	<u>77,420</u>	<u>719,690</u>

Total Division Cost	<u>181,610</u>	<u>836,640</u>	<u>143,640</u>	Subtotal <u>1,161,890</u>
---------------------	----------------	----------------	----------------	---------------------------

Personnel Cost 6,668,450

Total Operational Cost 7,830,340

**Revenues**

Revenues	<u>850,000</u>
Subtotal	850,000

**Soft Costs**

Liability Insurance	40,678 @ .61% personnel
Legal Charges	<u>39,152 @ .5% of total cost</u>
Subtotal	79,829

Net Cost	\$7,060,169
----------	-------------

<b>Gross Cost</b>	\$7,910,169
-------------------	-------------

SCFD Budget	3,110,373
LBFD Budget	3,787,461
SONGS FD Budget	<u>0</u>
Total Cost/Savings	162,335

Cost to City of San Clemente 3,191,540

<b>Net Cost Increase/Decrease</b>	81,167
-----------------------------------	--------

**CONSOLIDATED FIRE DEPARTMENT (Alternative B-3) San Clemente and SONGS**

**Cost of Fire Protection**

**Personnel**

Salaries/Benefits		Salaries	Benefits	%	Total
Fire Chief	1	88,968	44,484	50.00%	133,452
Division Chief	0	0	0		0
Battalion Chief	5	375,360	187,680	50.00%	563,040
Captain	13	667,290	333,645	50.00%	1,000,935
Engineer	12	531,144	265,572	50.00%	796,716
Firefighter	18	681,228	340,614	50.00%	1,021,842
Reserve Firefighters	15	49,500	5,000	10.10%	54,500
ETT	6	136,056	58,504	43.00%	194,560
Insp	3	119,214	47,686	40.00%	166,900
Sec	3	91,017	36,407	40.00%	127,424
	<u>76</u>	<u>2,739,777</u>	<u>1,319,591</u>		<u>4,059,368</u>

**Additional Personnel Costs**

	Adm	Supp	Prev	Dept
Regular OT	0	241,886	3,000	244,886
Premium OT	1,500	2,419	6,000	9,919
FLSA OT	0	120,943	0	120,943
Holiday Pay	0	90,707	0	90,707
Part time salaries	0	20,000	7,500	27,500
Other benefits	180	54,715	2,955	57,850
Other Incentive Pay	0	50,400	0	50,400
<i>Subtotal</i>	<u>1,680</u>	<u>581,070</u>	<u>19,455</u>	<u>602,205</u>

\* Benefits include Social Security, Worker's Comp, Health Insurance, Retirement, Unemployment Insurance, etc.

**Supplies**

Office Supplies	8,400	0	0	8,400
Postage	0	0	0	0
Data Processing	5,600	0	0	5,600
Maps/Blueprints	400	0	600	1,000
Medical Supplies	0	8,000	0	8,000
Janitorial Supplies	0	4,000	0	4,000
Photographic Supplies	0	0	1,500	1,500
Protective Supplies	0	26,000	0	26,000
Educational Materials	0	0	9,000	9,000
Books, Codes & Supp	0	400	4,200	4,600
Small Tools & Equip	0	7,400	0	7,400
Clothing and uniforms	0	8,000	3,000	11,000
Other Operating	2,500	12,000	2,550	17,050
Other Maint. Supplies	0	2,400	0	2,400
<i>Subtotal</i>	<u>16,900</u>	<u>68,200</u>	<u>20,850</u>	<u>105,950</u>

<b>Other Factors</b>	
Stations	4
Companies	4
Medic Units	2
Amb	2

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	12,000	0	12,000
Printing/Binding	3,000	0	750	3,750
Travel/Training	3,600	14,400	3,600	21,600
Natural Gas	0	5,200	0	5,200
Electricity	0	16,000	0	16,000
Water	0	4,000	0	4,000
Maint of Bldgs	1,800	18,000	0	19,800
Maint of Office Equip	10,500	0	0	10,500
Maint of Operating Equip	0	16,600	375	16,975
Other Contractual Svcs	17,600	24,000	20,000	61,600
<i>Subtotal</i>	<u>36,500</u>	<u>110,200</u>	<u>24,725</u>	<u>171,425</u>

<b>Other Charges</b>				
Dues/Subscriptions	600	1,200	300	2,100
Other Operating Exp	3,330	0	0	3,330
<i>Subtotal</i>	<u>3,930</u>	<u>1,200</u>	<u>300</u>	<u>5,430</u>

<b>Interdepartmental</b>				
Postage	760	1,040	1,170	2,970
Duplicating	3,800	0	0	3,800
Data Processing	22,800	16,000	18,900	57,700
Communications	30,400	8,440	8,250	47,090
Dispatch		60,000	15,000	75,000
Fleet	18,000	220,400	36,000	274,400
<i>Subtotal</i>	<u>75,760</u>	<u>305,880</u>	<u>79,320</u>	<u>460,960</u>

Total Division Cost	<u>133,090</u>	<u>485,480</u>	<u>125,195</u>	Subtotal	<u>743,765</u>
---------------------	----------------	----------------	----------------	----------	----------------

Personnel Cost	4,661,574
----------------	-----------

Total Operational Cost	<u>5,405,339</u>
------------------------	------------------

**Revenues**

Revenues	<u>500,000</u>
Subtotal	500,000

**Soft Costs**

Liability Insurance	28,436 @ .61% personnel
Legal Charges	<u>27,027 @ .5% of total cost</u>
Subtotal	55,462

Net Cost	\$4,960,801
----------	-------------

SCFD Budget	3,110,373
LBFD Budget	0
SONGS FD Budget	<u>1,850,000</u>
Total Cost/Savings	428

<b>Gross Cost</b>	\$5,460,801
-------------------	-------------

Cost to City of San Clemente	3,110,801
------------------------------	-----------

<b>Net Cost Increase/Decrease</b>	428
-----------------------------------	-----



## OVERVIEW

### PROPOSED SUBREGIONAL FIRE DEPARTMENT OPERATION

The proposed subregional Fire Department operation would consolidate three locally run fire departments (San Clemente, Laguna Beach and the San Onofre Nuclear Generating Station) with two cities now served by the County Fire Department (Dana Point and San Juan Capistrano), into one operation. The cities of Dana Point and San Juan Capistrano would need to negotiate their withdrawal from the structural fire fund. The subregional department would consist of **226** personnel (127 sworn, 39 non sworn and 60 reserves). These personnel would staff four divisions: **Fire Administration, Fire Suppression, Fire Prevention and Support Services.**

**Fire Administration** would consist of **nine positions.** **Five clerical staff and four chief officers** (One fire chief and the division chiefs heading the other three divisions). The Administrative division would provide direction and control, maintain the records management system and provide general office support for all four divisions.

**Fire Suppression** would be staffed with **201 personnel.** Of these, 117 employees would be sworn, twenty-four would be non sworn and sixty would be reserve firefighters. These personnel would staff three platoons, providing twenty-four hour coverage (**47 full-time personnel per day, backed up with 60 reserves**). At all times, the division would be staffed with two battalion chiefs, eleven captains, eleven engineers, fifteen firefighters and eight non-sworn emergency transport technicians. Eight of these personnel would be paramedics. With the proposed staffing configuration, the department would staff eleven engine companies, three of which are paramedic units, and one medic van. Four emergency medical transport vehicles (ambulances) would also be provided. Further, the non paramedic engine company could staff ambulances and engines out of their assigned station to service concurrent medical aid calls. Any additional units would be staffed with reserve firefighters.

**Fire Prevention** would be staffed by **seven inspectors, two bureau captains, a secretary and a Fire Marshal** (included in the above administrative positions). Each jurisdiction would have a dedicated fire prevention employee with overall control coming from a central Fire Prevention Bureau. This division would be responsible for the majority of the fire inspections, public education and prevention activities. It would also coordinate the public education activities in the community. A full time inspector would be dedicated to hazard abatement.

**Support Services** would be staffed by **seven personnel.** Two personnel would be assigned to oversee the training of all personnel. The emergency medical services, safety and fleet divisions would each have program managers. Two technicians would staff the personnel office (human resources). This division would be responsible for all support functions not completed by the administrative division.

The proposed subregional fire department could function either as a JPA or Fire District.

Under this proposal, the four cities involved would share in the over \$500,000 in savings over the current costs. San Clemente's share would be approximately \$120,000. SONGS would save \$400,000 in fire protection costs as in the other scenarios.

**NOTE:** While the proposed organization works on paper, the risk to the two cities in the Structural Fire Fund (Dana Point and San Juan Capistrano) is very great. The savings may not be large enough for them to take the risk. They would need to negotiate a property tax transfer with the County of Orange without significant leverage to do so. Consequently, this option while theoretically achievable, may not be practically feasible.

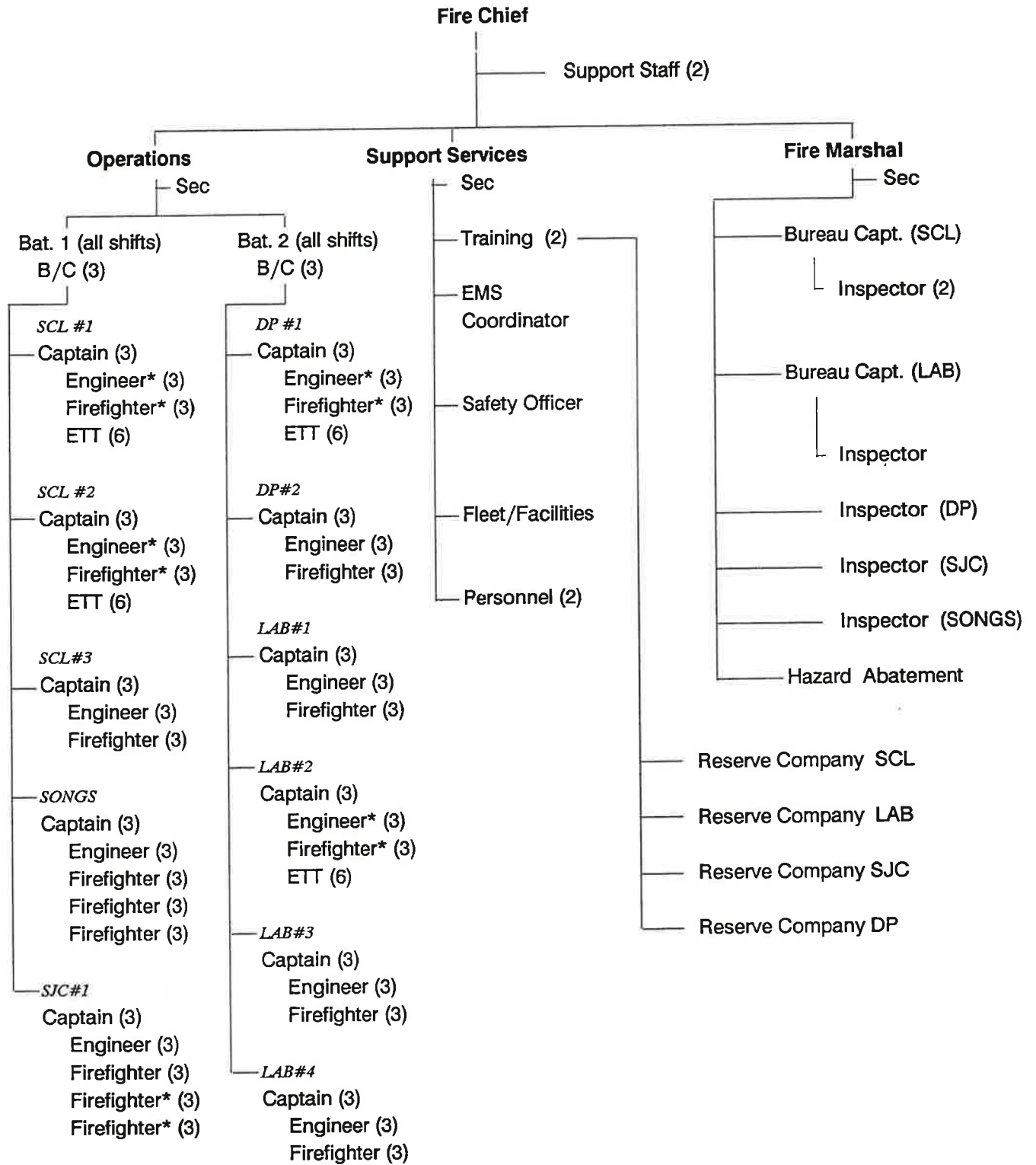
Additional Facts include:

Ratio of full time employees per 1000 population* served:	1.41
Ratio of sworn employees per 1000 population* served:	1.03
Ratio of management positions to non-management positions:	.06

\*1992 Population Figures.

I:\Doc\Master\region.orv

Regionalized Fire Protection Organizational Chart



\* indicates Paramedics  
(not necessarily rank specific)

# REGIONALIZED FIRE DEPARTMENT (draft)

## Cost of Fire Protection

### Personnel

Salaries/Benefits		Salaries	Benefits	%	Total
Fire Chief	1	92,000	46,000	50.00%	138,000
Division Chief	3	255,000	127,500	50.00%	382,500
Battalion Chief	6	450,432	225,216	50.00%	675,648
Captain	38	1,950,540	975,270	50.00%	2,925,810
Engineer	34	1,504,908	752,454	50.00%	2,257,362
Firefighter	45	1,703,070	851,535	50.00%	2,554,605
Reserve Firefighters	60	198,000	20,000	10.10%	218,000
ETT	24	544,224	234,016	43.00%	778,240
Insp	7	278,166	111,266	40.00%	389,432
Sec/ support staff	8	242,712	97,085	40.00%	339,797
	<u>226</u>	<u>7,219,052</u>	<u>3,440,343</u>		<u>10,659,395</u>

### Additional Personnel Costs

	Adm	Supp	Prev	Dept
Regular OT	0	721,905	7,000	728,905
Premium OT	4,000	7,219	14,000	25,219
FLSA OT	0	360,953	0	360,953
Holiday Pay	0	252,667	0	252,667
Part time salaries	0	50,000	17,500	67,500
Other benefits	480	161,129	4,375	165,984
Other Incentive Pay	0	161,400	0	161,400
<i>Subtotal</i>	<u>4,480</u>	<u>1,715,273</u>	<u>42,875</u>	<u>1,762,628</u>

\* Benefits include Social Security, Worker's Comp, Health Insurance, Retirement, Unemployment Insurance, etc.

### Supplies

Office Supplies	23,100	0	0	23,100
Postage	0	0	0	0
Data Processing	15,400	0	0	15,400
Maps/Blueprints	1,100	0	1,400	2,500
Medical Supplies	0	22,000	0	22,000
Janitorial Supplies	0	11,000	0	11,000
Photographic Supplies	0	0	3,500	3,500
Protective Supplies	0	77,000	0	77,000
Educational Materials	0	0	10,500	10,500
Books, Codes & Supp	0	1,100	9,800	10,900
Small Tools & Equip	0	14,850	0	14,850
Clothing and uniforms	0	22,000	7,000	29,000
Other Operating	4,500	37,400	5,950	47,850
Other Maint. Supplies	0	6,600	0	6,600
<i>Subtotal</i>	<u>44,100</u>	<u>191,950</u>	<u>38,150</u>	<u>274,200</u>

### Other Factors

Stations	11
Companies	11
Medic Units	5
Amb	4

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	33,000	0	33,000
Printing/Binding	8,000	0	1,750	9,750
Travel/Training	6,000	39,600	9,205	54,805
Natural Gas	0	14,300	0	14,300
Electricity	0	44,000	0	44,000
Water	0	11,000	0	11,000
Maint of Bldgs	3,000	49,500	0	52,500
Maint of Office Equip	34,400	0	0	34,400
Maint of Operating Equip	0	45,650	875	46,525
Other Contractual Svcs	99,000	66,000	55,000	220,000
<b>Subtotal</b>	<b>150,400</b>	<b>303,050</b>	<b>66,830</b>	<b>520,280</b>

<b>Other Charges</b>				
Dues/Subscriptions	1,000	3,300	700	5,000
Other Operating Exp	8,880	0	0	8,880
<b>Subtotal</b>	<b>9,880</b>	<b>3,300</b>	<b>700</b>	<b>13,880</b>

<b>Interdepartmental</b>				
Postage	2,260	2,860	2,730	7,850
Duplicating	11,300	0	0	11,300
Data Processing	71,190	49,500	44,905	165,595
Communications	90,400	23,210	19,250	132,860
Dispatch		187,000	33,000	220,000
Fleet	30,000	716,100	84,000	830,100
<b>Subtotal</b>	<b>205,150</b>	<b>978,670</b>	<b>183,885</b>	<b>1,367,705</b>

Total Division Cost      409,530    1,476,970    289,565      Subtotal    2,176,065

Personnel Cost      12,422,022

**Net Cost    \$13,646,852**

Total Operational Cost      14,598,087

**Soft Costs**

Liability Insurance	75,774	@ .61% personnel
Legal Charges	72,990	@ .5% of total cost
<b>Subtotal</b>	<b>148,765</b>	

SCFD Budget	3,110,373	21.91%
Lbfd Budget	3,787,461	26.68%
SONGS FD Budget	1,700,000	11.97%
San Juan Cap. Funding	2,500,000	17.61%
Dana Point Funding	3,100,000	21.83%
<b>Total Cost/Savings</b>	<b>(\$550,982)</b>	<b>100.00%</b>

**Gross Cost      \$14,746,852**

Cost to City of San Clemente      2,989,667

**Revenues**

Revenues	1,100,000
<b>Subtotal</b>	<b>1,100,000</b>

**Net Cost Increase/Decrease      (120,706)**

## **OVERVIEW**

### **PROPOSED SOUTH COUNTY FIRE DEPARTMENT OPERATION**

The **proposed South County** Fire Department operation would consolidate three locally run fire departments (San Clemente, Laguna Beach and the San Onofre Nuclear Generating Station) with seven cities now served by the County Fire Department (Dana Point, San Juan Capistrano, Laguna Niguel, Laguna Hills, Mission Viejo, Lake Forest and Irvine), into one operation. The cities, now served by the County Fire Department, would need to negotiate their withdrawal from the structural fire fund. The subregional department would consist of **514** personnel (322 sworn, 42 non sworn and 150 reserves). These personnel would staff four divisions: **Fire Administration, Fire Suppression, Fire Prevention and Support Services.**

**Fire Administration** would consist of **twelve positions.** **Seven clerical staff and five chief officers** (One fire chief, one deputy chief and the division chiefs heading the other three divisions). The Administrative division would provide direction and control, maintain the records management system and provide general office support for all four divisions.

**Fire Suppression** would be staffed with **477 personnel.** Of these, 309 employees would be sworn, eighteen would be non sworn and 150 would be reserve firefighters. These personnel would staff three platoons, providing twenty four hour coverage (**109 full-time personnel per day, backed up with 150 reserves**). At all times, the division would be staffed with three battalion chiefs, twenty eight captains, twenty eight engineers, forty four firefighters and six non-sworn emergency transport technicians. Twenty four of these personnel would be paramedics. With the proposed staffing configuration, the proposed department would staff 23 engine companies, five truck companies, and a total of twelve paramedic units. Three emergency medical transport vehicles (ambulances) would also be provided. Further, the non paramedic engine company could staff ambulances and engines out of their assigned station to service concurrent medical aid calls. Any additional units would be staffed with reserve firefighters.

**Fire Prevention** would be staffed by **nine inspectors and three bureau captains** along with two secretaries and a Fire Marshal (included in the above administrative positions). Each jurisdiction would have dedicated fire prevention employee with overall control coming from a central Fire Prevention Bureau. This division would be responsible for the majority of the fire inspections, public education and prevention activities. It would also coordinate the public education activities in the community. A full time inspector would be dedicated to hazard abatement.

**Support Services** would be staffed by **thirteen personnel.** A battalion chief and two captains would be assigned to oversee the training of all personnel. The emergency medical services, safety and fleet divisions would each have program managers. Four positions would staff the personnel office (human resources). This division would be responsible for all support functions not completed by the administrative division.

The proposed subregional fire department could function either as a JPA or Fire District.

The proposed organization would save the nine cities involved a total of approximately \$6,000,000. These figures are based on the cost of providing services within these communities and not the funds actually contributed to the Structural Fire Fund. The potential savings are even greater if the total amount of fund contributed could be recaptured. San Clemente would see a savings of approximately \$500,000 over it's current costs. SONGS would continue to see a \$400,000 reduction in it's cost for fire protection and the remaining cities would see a prorated share of the remaining \$4,500,000, with Irvine getting the largest amount and Laguna Hills the smallest.

**NOTE:** While the proposed organization works on paper, the risk to the EIGHT cities in the Structural Fire Fund (all but San Clemente) is significant and the actual savings may not be large enough for them to take that risk. They would need to negotiate a property tax transfer with the County of Orange. This leaves this option as theoretical achievable, but practically infeasible unless the cities wish to explore it as a group.

Additional Facts include:

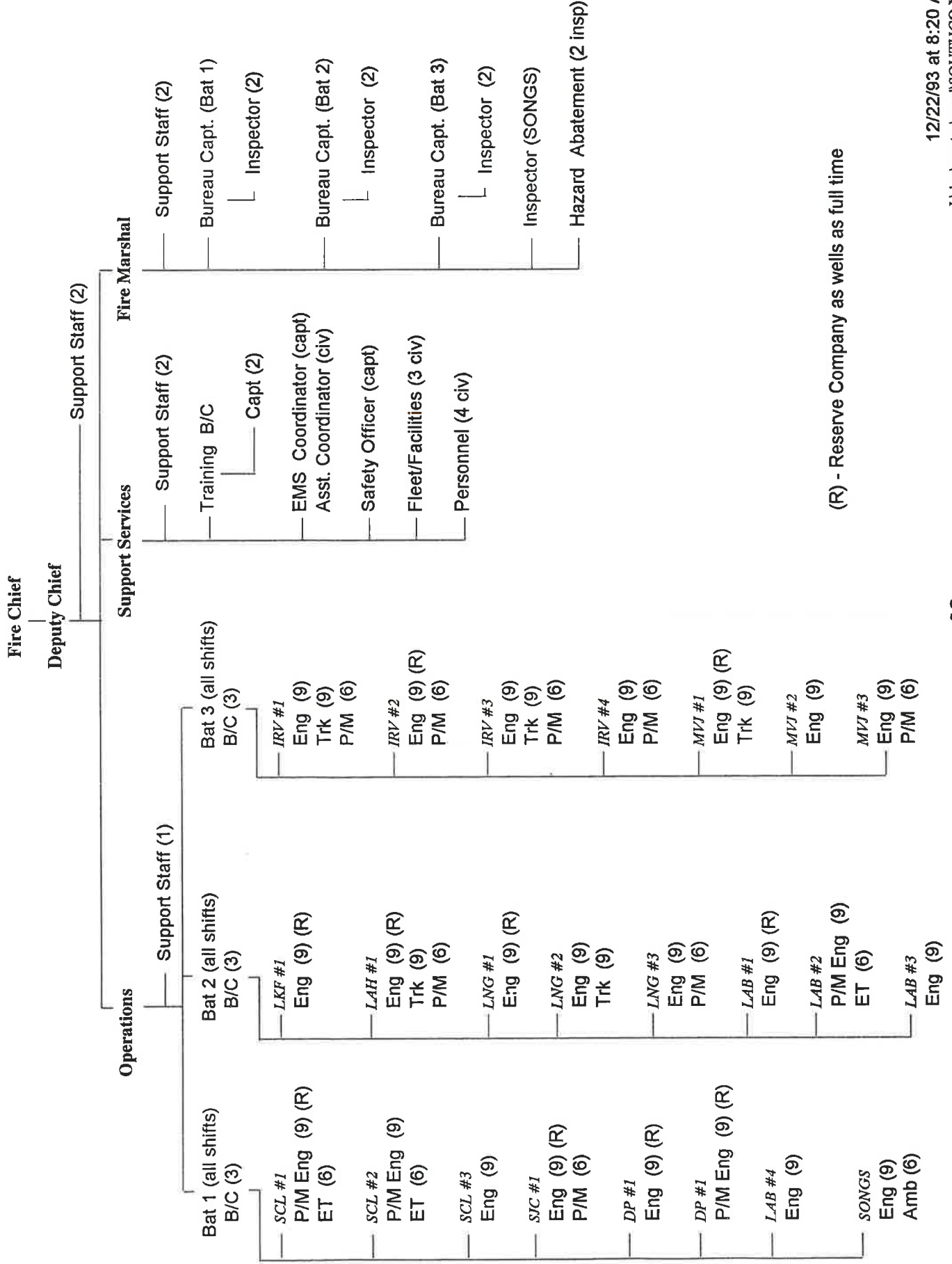
Ratio of full time employees per 1000 population* served:	.96
Ratio of sworn employees per 1000 population* served:	.77
Ratio of management positions to non-management positions:	.03

\*1992 Population Figures.

I:\Doc\Master\SoCo.orv



South County Fire Protection Organizational Chart



# SOUTH ORANGE COUNTY FIRE DEPARTMENT (draft)

## Cost of Fire Protection

### Personnel

Salaries/Benefits		Salaries	Benefits	%	Total
Fire Chief	1	100,000	50,000	50.00%	150,000
Deputy Chief	1	90,000	45,000	50.00%	135,000
Division Chief	3	255,000	127,500	50.00%	382,500
Battalion Chief	10	750,720	375,360	50.00%	1,126,080
Captain	91	4,671,030	2,335,515	50.00%	7,006,545
Engineer	84	3,718,008	1,859,004	50.00%	5,577,012
Firefighter	132	4,995,672	2,497,836	50.00%	7,493,508
Reserve Firefighters	150	495,000	50,000	10.10%	545,000
ETT	18	408,168	175,512	43.00%	583,680
Insp	9	357,642	143,057	40.00%	500,699
Sec/support staff	15	455,085	182,034	40.00%	637,119
	<u>514</u>	<u>16,296,325</u>	<u>7,840,818</u>		<u>24,137,143</u>

### Additional Personnel Costs

	Adm	Supp	Prev	Dept
Regular OT	0	1,629,633	9,000	1,638,633
Premium OT	7,500	16,296	18,000	41,796
FLSA OT	0	814,816	0	814,816
Holiday Pay	0	570,371	0	570,371
Part time salaries	0	120,000	22,500	142,500
Other benefits	900	363,734	5,625	370,259
Other Incentive Pay	0	367,200	0	367,200
<i>Subtotal</i>	<u>8,400</u>	<u>3,882,050</u>	<u>55,125</u>	<u>3,945,575</u>

\* Benefits include Social Security, Worker's Comp, Health Insurance, Retirement, Unemployment Insurance, etc.

### Supplies

Office Supplies	48,300	0	0	48,300
Postage	0	0	0	0
Data Processing	32,200	0	0	32,200
Maps/Blueprints	2,300	0	1,800	4,100
Medical Supplies	0	46,000	0	46,000
Janitorial Supplies	0	23,000	0	23,000
Photographic Supplies	0	0	4,500	4,500
Protective Supplies	0	161,000	0	161,000
Educational Materials	0	0	13,500	13,500
Books, Codes & Supp	0	2,300	12,600	14,900
Small Tools & Equip	0	31,050	0	31,050
Clothing and uniforms	0	46,000	9,000	55,000
Other Operating	6,500	78,200	7,650	92,350
Other Maint. Supplies	0	13,800	0	13,800
<i>Subtotal</i>	<u>89,300</u>	<u>401,350</u>	<u>49,050</u>	<u>539,700</u>

### Other Factors

Stations	23
Companies	28
Medic Units	12
Amb	4

	Adm	Supp	Prev	Dept
<b>Contractual Services</b>				
Laundry	0	69,000	0	69,000
Printing/Binding	15,000	0	2,250	17,250
Travel/Training	9,000	82,800	11,835	103,635
Natural Gas	0	29,900	0	29,900
Electricity	0	92,000	0	92,000
Water	0	23,000	0	23,000
Maint of Bldgs	4,500	103,500	0	108,000
Maint of Office Equip	64,500	0	0	64,500
Maint of Operating Equip	0	95,450	1,125	96,575
Other Contractual Svcs	207,000	138,000	45,000	390,000
<b>Subtotal</b>	<b>300,000</b>	<b>633,650</b>	<b>60,210</b>	<b>993,860</b>

<b>Other Charges</b>				
Dues/Subscriptions	1,500	6,900	900	9,300
Other Operating Exp	16,650	0	0	16,650
<b>Subtotal</b>	<b>18,150</b>	<b>6,900</b>	<b>900</b>	<b>25,950</b>

<b>Interdepartmental</b>				
Postage	5,140	5,980	3,510	14,630
Duplicating	25,700	0	0	25,700
Data Processing	161,910	103,500	57,735	323,145
Communications	205,600	48,530	24,750	278,880
Dispatch		391,000	69,000	460,000
Fleet	45,000	1,822,800	108,000	1,975,800
<b>Subtotal</b>	<b>443,350</b>	<b>2,371,810</b>	<b>262,995</b>	<b>3,078,155</b>

Total Division Cost	850,800	3,413,710	373,155	Subtotal	4,637,665
---------------------	---------	-----------	---------	----------	-----------

Personnel Cost 28,082,718

Total Operational Cost 32,720,383

**Soft Costs**

Liability Insurance	171,305	@ .61% personnel
Legal Charges	163,602	@ .5% of total cost
<b>Subtotal</b>	<b>334,906</b>	

SCFD Budget	3,110,373	8.29%
LBFD Budget	3,787,461	10.10%
SONGS FD Budget	1,700,000	4.53%
San Juan Cap. Funding	2,500,000	6.67%
Dana Point Funding	3,100,000	8.27%
Irvine Funding	10,900,000	29.07%
Laguna Hills Funding	1,500,000	4.00%
Laguna Niguel Funding	1,900,000	5.07%
Lake Forest Funding	3,000,000	8.00%
Mission Viejo Funding	6,000,000	16.00%
<b>Total Cost/Savings</b>	<b>(\$5,942,544)</b>	<b>100.00%</b>

**Gross Cost** \$33,055,290

**Revenues**

Revenues	1,500,000
<b>Subtotal</b>	<b>1,500,000</b>

Cost to the City of San Clemente 2,617,450

**Net Cost** \$31,555,290

**Net Cost Increase/Decrease** (492,923)

**OVERVIEW**  
**ORANGE COUNTY FIRE DEPARTMENT CONTRACT**

The County of Orange Fire Department has provided a **preliminary** estimate of what they would charge to provide fire protection and emergency response services to the City of San Clemente. The proposal includes the following:

- 24-hour Battalion Chief coverage
- Dispatch Services, including pre-arrival medical instructions
- Truck Company Services
- Fire Prevention Services
- Arson Investigation
- Training
- Public Information and Community Education Services
- Station and vehicle maintenance costs
- Administrative, financial, personnel and data services support

The proposal does not include:

- Animal Control or Emergency Management (also not included in any other option)
- Ambulance services (ambulance revenues are also not included; they offset one another)

**A comparison of the county's contractual service costs versus the City's in house proposal alternative costs is as follows:**

County Fire (3 man medic units, with fleet costs and Paid Call personnel)

\$3,079,045

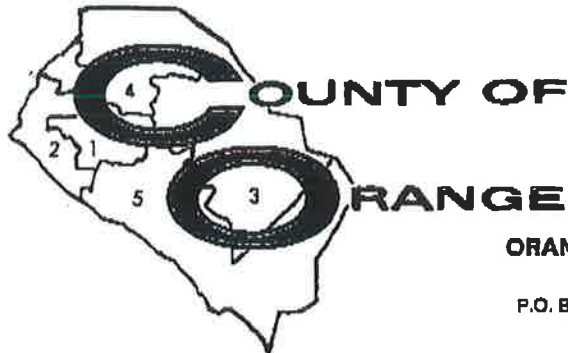
San Clemente Fire (3 man medic units, with fleet costs and Paid Call)

\$3,237,440

The difference is \$158,395. In addition, the "Inhouse" proposal does not include 24-hour Battalion Chief coverage. This would cost an additional \$337,824. At buildout, the difference per year is \$496,219 per year using 1993 dollars. It should be noted that the saving is in future expenditures. The actual savings over current expenditures is \$31,328.

**NOTE:** The cost figures provided by the County are "rough" and may change if the City determines that it wants to pay (\$15,000) for the County to complete a detailed proposal.

I:\Doc\Master\ORCO.orv



**ORANGE COUNTY FIRE DEPARTMENT**

180 SOUTH WATER STREET  
P.O. BOX 86, ORANGE, CALIFORNIA 92666-0086  
(714) 744-0400

**LARRY J. HOLMS**  
DIRECTOR OF FIRE SERVICES

SERVING THE UNINCORPORATED AREAS  
OF ORANGE COUNTY AND THE CITIES OF:

- CYPRESS
- DANA POINT
- IRVINE
- LAGUNA HILLS
- LAGUNA NIGUEL
- LAKE FOREST
- LA PALMA
- LOS ALAMITOS
- MISSION VIEJO
- PLACENTIA
- SAN JUAN CAPISTRANO
- SEAL BEACH
- STANTON
- TUSTIN
- VILLA PARK
- YORBA LINDA

November 30, 1993

Mr. Michael Parness  
City Manager  
City of San Clemente  
100 Avenida Presidio  
San Clemente, California 92672

Dear Michael:

**SUBJECT: Estimated Charges - Fire Services Contract with County of Orange**

As a follow-up to our recent meeting with Ernie Schneider, attached are our rough estimates of proposed charges for providing fire protection and emergency response services to the City of San Clemente.

In reviewing the Phase III cost information which Chief Begnell provided, we were unable to find a level of service comparable to the one you requested we cost out. This was an estimate for the costs of 2 four-person paramedic engine companies and 1 three-person engine company. Consequently, we are providing rough costs for two similar service alternatives with optional service enhancements.

If you have any questions, please contact me at 289-0410.

Respectfully,

Larry J. Holms  
Director of Fire Services

LJH/nlp

pc Ernie Schneider, CAO

Attachment

**ORANGE COUNTY FIRE DEPARTMENT**

**Estimated Charges - Fire Services Contract with County of Orange**

**OPTION ONE - BASIC LEVEL OF SERVICE**

**Apparatus and Staffing Levels:**

- 2 Three Person Paramedic/Engine Companies
- 1 Three Person Engine Company

**Level One - Estimated Base Charge: \$2,762,045**

**Level Two - Vehicle/Equipment Replacement: \$2,929,045**

- Additional Charge: \$167,000

**Level Three - Paid Call Firefighter Program: \$3,079,045**

- Additional Charge (25 PCFs): \$150,000

**OPTION TWO - INCREASED LEVEL OF SERVICE**

**Apparatus and Staffing Levels:**

- 2 Four Person Paramedic/Engine Companies
- 1 Three Person Engine Company

**Level One - Estimated Base Charge: \$3,286,081**

**Level Two - Vehicle/Equipment Replacement: \$3,453,081**

- Additional Charge: \$167,000

**Level Three - Paid Call Firefighter Program: \$3,603,081**

- Additional Charge (25 PCFs): \$150,000

**Services Included in Options One and Two Base Charges**

Estimated charges are for full service options which include the following support services:

- 24-hour Battalion Chief coverage
- Dispatch Services, including pre-arrival medical instructions
- Truck Company Services
- Fire Prevention Services
- Arson Investigation
- Training
- Public Information and Community Education Services
- Station and vehicle operations and maintenance costs
- Administrative, financial, personnel, and data services support

Excluded are the costs of animal control, emergency management, and ambulance services which would not be provided by the County.



**ADVANTAGES/DISADVANTAGES OF SERVICE DELIVERY ALTERNATIVES**

ALTERNATIVE A IN HOUSE OPTION		ALTERNATIVE B SAN CLEMENTE, LAGUNA BEACH & SONGS JPA		ALTERNATIVES C & D SUBREGIONAL & REGIONAL JPA		ALTERNATIVE E ORANGE COUNTY CONTRACT	
PROS	CONS	PROS	CONS	PROS	CONS	PROS	CONS
1. Maximized Revenues	1. Greatest Legal Liability/Exposure	1. Maximizes use of existing resources	1. Possible Cost of Benefit Payoff	1. Meet Standards With Less Cost.	1. Cost of Benefit Payoff	1. Greatest Economy of Scale	1. Cost of Benefit Payoff
2. Employee Loyalty	2. High Overhead and Limited Resources	2. Eliminates Duplication of effort	2. Geography & Distance	2. Greater Economy of Scale	2. Recapitalization Costs	2. Greatest Depth of Resources	2. Recapitalization Costs
3. Local Pride	3. Least Economy of Scale	3. Decreased Service Demands on other city departments	3. Conflicting Priorities with Respect Resources	3. Greater Depth of Resources	3. Conflicting Priorities (Subregional rather than local)	3. Greater Access to Subject Matter Specialists	3. Conflicting Priorities (Countywide rather than local)
4. Maximum Local Control of: ▶ Costs ▶ Priorities ▶ Method ▶ Accountability	4. Greatest Cost to Achieve Standards	4. Increased Economy of scale	4. Nuclear Regulations that Require Additional Costs.	4. Liability Spread Over More Parties	4. Reduced Local Knowledge	4. Least Liability / Exposure	4. Least Local Control of: ▶ Costs ▶ Priorities ▶ Method ▶ Accountability
5. Local Knowledge and Focus	5. Long Term Personnel Costs	5. Achieve Standards with little to no cost increases	5. No Ancillary Functions Provided	5. Greater Access to Specialists	5. No Ancillary Functions Provided	5. Possible Increase in ISO Rating Without Additional Cost	5. Least Local Knowledge
6. Ancillary Functions Provided	6. ISO Rating in Jeopardy or Costly to Protect	6. Possible Elimination of SSAN costs.	6. Some Reduction in Local Control	6. Higher ISO Rating Without Additional Cost	6. Reduced Local Control	6. No Ancillary Functions Provided	6. No Ancillary Functions Provided
		7. Some limited Sharing of Liability			7. Revenue Harder to Recover		7. Cost of Contract Negotiations
		8. Increased Revenue Options			8. Negotiations for Withdrawal from Structural Fire Fund		
		9. Maintained Local Knowledge					



**STEPS NECESSARY TO ACHIEVE  
EACH SERVICE DELIVERY ALTERNATIVE**

ALTERNATIVE A IN HOUSE OPTION	ALTERNATIVES B, C & D		ALTERNATIVE E ORANGE COUNTY CONTRACT
Joint Powers Authority	District		
<p><b>Step 1 - Hire Additional Personnel:</b></p> <p>One Battalion Chief One Secretary</p>	<p><b>Step 1 - Establish JPA Committee</b></p> <p>A. Define Boundaries and Agencies Who are Participating. B. Develop Preliminary Budget. C. Establish Shared Cost Formulas/Possible Asset Transfers. D. Define Structure of Organization and Board. E. Established Liability Shares.</p>	<p><b>Step 1 - Establish District Formulation Committee</b></p> <p>A. Define Boundaries and Agencies Who are Participating. B. Develop Preliminary Budget. C. Establish Shared Cost Formulas/Possible Asset Transfers. D. Define Structure of Organization and Board. E. Established Liability Shares.</p>	<p><b>Step 1 - Council Action proceed</b></p> <p>A. Council Action to Formally Request Additional Study of Contracting for Fire Services B. Appropriation and Authorization of \$15,000 for Study. C. City Staff Appointed to Work With County Personnel on Analysis and Transfer.</p>
<p><b>Step 2 - Establish Reserve Program</b></p> <p>A. Complete Program Objectives. B. Develop Position Descriptions C. Recruit Personnel and Test D. Hire 15 Reserve Personnel E. Provide Initial Training F. Establish Continuing Training Schedule</p>	<p><b>Step 2 - Negotiate Tentative Agreements:</b></p> <p>A. Employee MOU's. B. Service Contracts. C. Tax/Revenue Transfers. D. Dissolution Process. E. Service Increase/Changes Cost Shares and Pass Through Obligations.</p>	<p><b>Step 2 - Develop Petition for LAFCO.</b></p> <p>A. Negotiate Tax Transfer With County.</p>	<p><b>Step 2 - Orange County Fire Department Completed Detailed Analysis of Contract Issues.</b></p> <p>A. Contract Price Established. B. Asset Transfer Agreement. C. Service Levels Detailed. D. Specific Assessment of Employee Issues and Revenue Credits.</p>
	<p><b>Step 3 - Complete JPA Agreement</b></p> <p>A. Detailed Implementation Agreement and Timelines Established and Agreed to.</p>	<p><b>Step 3 - Approvals</b></p> <p>A. LAFCO B. Election to Approve New District.</p>	<p><b>Step 3 - Contract Adoption</b></p> <p>A. City Staff Completes Negotiation of Contract B. City Council Reviews and Approves/Amends Contract</p>
	<p><b>Step 4 - Implementation</b></p> <p>A. Hire/Appoint New Fire Chief and Board. B. Establish Management Team for Transition. C. Formalize Tentative Agreements. D. Complete Asset Transfers.</p>	<p><b>Step 4 - Negotiate Agreements with:</b></p> <p>A. Employee Organizations B. Service Contractors C. Other Fire Agencies</p>	<p><b>Step 4 - Implementation</b></p> <p>A. Transition Team Established. B. Timetable Established for Transfer of Organization.</p>
		<p><b>Step 5 - Implementation</b></p> <p>A. Hire/Appoint New Fire Chief and Board. B. Establish Management Team for Transition. C. Formalize Tentative Agreements. D. Complete Asset Transfers.</p>	<p><b>Step 5 - Assessment</b></p> <p>A. Contract Reviewed Annually for Compliance and Cost Effectiveness.</p>

MEMORANDUM

TO: Fire Chief Gene Begnell

FROM: City Attorney's Office  
Elizabeth Hanna Dixon  
Jennifer White-Sperling

DATE: December 10, 1993

RE: City of San Clemente - Social Security Exemption for a  
Separate Organization Formed to Provide Fire Services

---

This letter summarizes the oral advice we gave.

I. INTRODUCTION AND ISSUE

The City of San Clemente is considering forming a separate organization through a joint powers agreement to provide fire services. Can this separate agency avoid social security liability?

II. DISCUSSION

Whether social security taxes may be imposed on earnings depends on whether that individual is engaged in "employment" as defined by federal law. (26 U.S.C. § 3121 (b).) Services performed in the employ of any state or a subdivision of a state are excluded from the definition of employment. Employees of state or a subdivision of a state can be brought into the social security system by means of a voluntary agreement entered into by the state with the federal government. (42 U.S.C. § 418(a)(1); 20 C.F.R. § 404.1201(a) (1993).)

The Public Employees' Retirement Law (Gov. Code, §§ 20000-21500), as administered by the Board of Administration ("Board"), makes available retirement compensation and death benefits to

public service employees. The California Public Employment Retirement System (PERS) has a divided system of coverage where groups of employees of a public agency can opt into the social security system through their contract with PERS. (Gov. Code, § 22204.) The governing board of the agency makes a formal request to the Board for inclusion in the federal program (Gov. Code, § 22204), the public agency and the Board enter into an agreement (Gov. Code, § 22203), and the Board executes "on behalf of the state an agreement with the federal agency for the coverage of employees of such public agency under the federal system" (Gov. Code, § 22201.) The contract rate with PERS differs depending on whether the agency opts in or out of social security coverage.

Government Code, sections 6500 through 6514 authorize the joint exercise of powers by public agencies. For the purpose of joint powers legislation, an agency formed through a joint powers agreement "is a public entity separate from the parties to the agreement" (Gov. Code, § 6507) and has the status of a legal entity. (County of San Joaquin v. Stockton Swim Club (1974) 42 Cal.App.3d 968, 972.) As such, the Attorney General has opined that an agency formed under a joint powers agreement is to be treated as a totally separate entity for the purposes of contracting with PERS and the federal social security system. (66 Ops.Cal.Atty.Gen. 284, 286 (1983).)

Thus, if the City of San Clemente were to enter into a joint powers agreement, pursuant to Government Code sections 6500 et seq., with other public agencies for the provision of fire services, this separate entity could choose to opt out of the

social security system when contracting for coverage with PERS.

**FIRE MASTER PLAN ADVISORY COMMITTEE  
MEETING SUMMARY  
12/13/93**

All FMPAC members were present.

1. The meeting summary from 11/29/93 was approved with no changes.
2. Item No. 2 of the agenda, Discussion of 4 man, 2 piece engines was postponed until Dr. Marks' arrival.
3. The FMPAC reviewed and discussed the Phase III analysis. Suggested amendments and corrections from the last FMPAC review of this document have been added.
4. Item No. 2 was discussed by the FMPAC. A memo prepared by staff regarding the issue was received and filed. No action was taken on the issue.
5. The memorandum from the City Attorney's office regarding Social Security and whether a newly formed entity could opt out of participating in Social Security was received and filed by the FMPAC.
6. The potential makeup of the proposed JPA advisory committee and formal JPA or District Board was discussed.
7. The FMPAC voted unanimously to recommend the following to the City Council regarding the Phase III report:
  - A. Approve the Phase III report as submitted.
  - B. Recommend that the City Council pursue the Consolidation option and approve the establishment of a JPA committee for the purpose of completing preliminary work for the formation of a consolidated fire department with Laguna Beach and SONGS.

The Committee would make recommendations to resolve issues such as cost sharing, asset transfer, employee rights and payoff costs. (The Committee's work would take approximately 120 days. At the completion of this work, the data necessary for a definite decision would be available. If the preliminary agreements could not be worked out or the cost estimates for a JPA increase beyond reason, the Consolidation option could be abandoned and the other two options explored in more detail.)

- C. Direct the JPA committee to report back to the Council within 120 days with a detailed report and preliminary agreements.
  - D. Direct the JPA committee to develop a phasing program that will provide each agency with safeguards in the event that the JPA fails to produce the desired results.
  - E. Concurrently pursue the detailed Orange County Fire Department contract bid.
8. The FMPAC voted unanimously to recommend the following to the City Council regarding the composition of the JPA Advisory Committee:
- A minimum of 5 members.
  - Two representatives from San Clemente: One Council member and the Chairman of the Fire Master Plan Advisory Committee, Steve Apodaca.
  - Two representatives from Laguna Beach: One Council member and a second representative of the Council's choice.
  - One representative from SONGS: A senior staff member.
9. The FMPAC voted unanimously to submit the draft phasing plan contained in the staff report as a sample. The specific phasing plan should be left to the purview of the JPA Advisory Committee.
10. The FMPAC voted to adjourn at 8:00 pm. The next meeting date will be at the pleasure of the Chairman of the FMPAC. The FMPAC will be routinely apprised of the JPA Advisory Committee's status. The FMPAC will meet again to, at minimum, make a recommendation to the City Council on the yet to be prepared Draft Fire Master Plan.
11. The FMPAC meeting adjourned at 8:00 pm.

---

## **Contracting / Privatization**

---

### **Contracting/Privatization Final Recommendations:**

Staff recommends that the City Manager consider the following actions:

1. Pursue the contracting of City services in the areas of:
  - Park and Beach Landscape Maintenance
  - Fleet Services
  - Striping & Marking of City Streets
  - Meter Reading
  
2. Implement the organizational adjustments proposed for the Sewer Treatment Plant:
  - Elimination of one Plant Operator and one Lab Technician
  - Change of work schedule for the Wastewater Treatment Plant to a 9/80 schedule.
  - Permanently reassign one Plant Operator to the Collection crew.
  
3. Continue to explore the feasibility of regionalization of City services in the areas of:
  - Fire Services
  - Tri-Cities Water Consolidation
  - Risk Management and Human Resources

If staff recommendations are implemented, twenty two positions could potentially be eliminated. Throughout the process, steps were taken to minimize the impact upon the employees. Each of the RFP's contained an inquiry regarding the willingness of the contractor to employ existing City staff. The majority of the employees would probably be employed by the contractors, however the salary and benefits may not be comparable to the City's wage and benefit rate.

In a number of areas proposed for contracting or reorganization, there are vacant portions which would be eliminated. There are two vacant positions in the Wastewater Treatment plant operation and one vacant position in meter reading.

Another way the City could minimize the impact upon the employees is to offer early retirement incentives. The empty positions created by those opting for early retirement could then be offered to those employees that are effected by the potential contracting. Early retirement, however, is an issue that needs to be discussed with the employees association and City management.



## Contracting / Privatization

The net impact upon the employees is illustrated in the following table:

Program/Function	Number of Employees	Number of Vacant City Positions	Number to be Employed by Contractor
Park/Beach Maintenance	12	2	10
Fleet Services	4	0	4
Striping/Marking	2	0	0
Wastewater Plant	2	2	0
Meter Reading	2	1	1

The City has an existing Administrative Policy which details the layoff and severance agreements negotiated with the employee association. Any modifications to this policy is an issue for City management and the association. Staff has attempted to estimate the one time cost of the severance packages in order to project the anticipated five year savings if the programs were to be contracted.

Program/Function	1st Yr. Savings	Est. Severance	Projected Savings	5 Year
Park/Beach Maintenance	\$295,010	\$ 20,793	274,217	\$1,454,257
Fleet Services	\$ 86,410	\$ 13,453	72,957	\$ 418,587
Striping/Marking	\$ 20,837	\$ 7,500	13,337	\$ 96,685
Wastewater Treatment	\$ 96,000	0	96,000	\$ 480,000
Meter Reading	\$ 77,000	\$ 1,800	75,200	\$ 383,200

The anticipated five year savings if the recommendations were implemented would be \$2,832,729.

### Recommended Action:

Staff recommends that the City Council adopt the following actions:

1. Adopt the City Manager's recommendations as outlined within the Contracting/Privatization report, and;
2. Direct staff to meet and confer with the SCCEA (San Clemente City Employee's Association) as required by the current Memorandum of Understanding to pursue the contracting of City services.

**Attachment A**

**Privatization Summary**

<b>CONTRACTED SERVICE</b>	<b>CONTRACT AMOUNT</b>
<b><i>CITY CLERK</i></b>	
Microfilming	\$500
Cable TV Consultant	\$3,710
<b><i>BEACHES/PARKS/RECREATION</i></b>	
Pier Restaurant/Bar	Revenue
Tree Maintenance <i>Rods</i>	\$135,000
Pier Bait/Tackle Shop	Revenue
Pier Telescopes	Revenue
Specialty Construction	\$20,000
Specialty Maintenance	\$200
Lawn Bowling (Oper./Maint./Lessons)	\$200 Revenue
Trap/Skeet Range (Maint./Lessons)	\$2,000 Revenue
Adult Softball (Oper./Maint.)	\$24,000 Revenue
Recreation Classes	\$128,400
Excursions/Trips	\$20,000
Office Equipment Maintenance	\$2,109
Streetscape Maintenance <i>Artistic</i>	\$69,726
Landscape Rodent Control	\$9,600
Pressure Washing of Del Mar Pavers	\$9,600
Wastewater Landscape Maintenance	\$23,940
Park Restroom Maintenance	\$14,500
Design Services	\$162,800
Construction Services	\$902,800
Blueprint Services	\$1,800
Golf Course Fertilizing/Weed Control	\$18,000
Golf Pro Shop	\$95,000 Revenue
Golf Restaurant	\$60,000 Revenue
North Beach Fast Food Concession	Revenue
Base of Pier Fast Food Concession	Revenue
"T" Street Fast Food Concession	Revenue
Calafia Beach Park Fast Food Concession	Revenue
<b><i>CITY ATTORNEY</i></b>	
All Legal Services	

---

**ECONOMIC DEVELOPMENT**

---

Economic Development Services

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

---

**MAINTENANCE SERVICES**

---

Janitorial Services

\$46,000 per yr. all funds

Refuse Removal/Recycling Services

Now part of Utilities Division

Street Light Replacement

As needed up to \$7,650 per yr.

Traffic Signal Replacement

As needed up to \$3,000 per yr.

Sidewalk/Curb/Gutter Replacement

As needed \$25,000 Budgeted

Slurry Seal Application

\$78,000

Asphalt Street Grinding/Paving

As needed-see Sdwk, Curb & Gutter

Drainage Repair/Rehab. Paving

As needed-see Sdwk, Curb & Gutter

Tool Repair

As needed-\$300 in 92/93

Office Equipment Maintenance

\$1,534

Parking Meter (Coin Counting)

Refer to Accounting for cost

Elevator Maintenance

\$1,080

Insect Control City Bldgs

\$1,023 in 92/93

Uniform Provision/Carpet Mats/Shop Rags

\$25,100 per yr. all funds

Large HVAC Repairs-City Bldgs

As needed-\$1,626 in 92/93

Large Plumbing Repair-City Bldgs

As needed-\$1,250 in 92/93

Large Painting/Roofing/Bldg Repairs

As needed-\$11, 973 in 92/93

---

**ACCOUNTING**

---

Parking Ticket Collection

Annual Cost \$27,973 in 92/93

---

**MANAGEMENT INFORMATION SERVICES**

---

None

\_\_\_\_\_

---

**FIRE**

---

Weed Abatement

\$12,000

Animal Disposal

\$2,400

Ambulance Billing

10% of net

Laundry

\$8,590

Radio Repair

\$10,000

Medical Waste Disposal

420

Telephone Maintenance

\$7,500

Haz. Mat. JPA \$9,715

---

***ENGINEERING***

---

Traffic Model	<u>\$5,000</u>
Yearly Traffic Counts	<u>\$5,000</u>
Lighting/Landscape Assessment	<u>\$16,000</u>
Assessment District 85-1	<u>\$3,200</u>
Improvement Plan Check	<u>\$32,000</u>
Geologic & Soils Review/Inspection	<u>\$30,000</u>
Capital Project Design:	
Storm Drain	<u>\$350,000</u>
Street	<u>\$275,000</u>
Water	<u>\$250,000</u>
Other (WWTP & Animal Shelter)	<u>\$110,000</u>

---

***FLEET MAINTENANCE***

---

Radiator Repairs	<u>\$17,340 93/94 Budgeted</u>
Air Conditioning Repairs	<u>"</u>
Front End Alignments	<u>"</u>
Truck Tire Repairs	<u>"</u>
Body/Paint Repairs	<u>"</u>
Windshield Repairs	<u>"</u>
Recycling Services	<u>\$2,000</u>
Maint. of Office Equip.	<u>\$800</u>
Maint. of Operating Equip.	<u>\$6,000</u>
Maint. of Computer Software	<u>\$1,500</u>

---

***HUMAN RESOURCES***

---

Workers' Compensation Admin.	<u>\$48,000</u>
Insurance Adjustor (OCCRMA)	<u>\$30,000</u>
Attorney Services	<u>\$36,920 per budget</u>
Pension (Actuary)(City General)	<u>\$16,000</u>
Group Pension (Rainbow)	<u>\$2,000</u>
Family Services (EAP)	<u>\$4,620</u>

---

***PLANNING***

---

Landscape Plan Check	<u>\$26,000</u>
Preparation of Environmental Impact Reports	<u>\$72,000 (\$52,000 from RDA)</u>
Preparation of Major Planning Documents	<u>\$30,000 (Funded from RDA)</u>
Recording Secretary for PC/CDC	<u>\$14,800 (Budgeted)</u>

Housing Rehab Program (RDA)	<u>\$20,000 (Budgeted from RDA)</u>
Multi-Family Housing Needs Assessment (RDA)	<u>\$25,000 (Budgeted from RDA)</u>

---

***BUILDING***

Plan Check/Building Inspectors	<u>\$41,770</u>
--------------------------------	-----------------

---

***WATER***

Specialty Repairs Motor/Pumps	<u>\$7,000 yr.</u>
Generator Load Test (3) Bi-Annual	<u>250 ea.</u>
Landscape/Site Maint.	<u>\$10,000 yr.</u>
Service Contract:	
Meter Reading Syst.	<u>\$2,500 yr.</u>
DTS Control Syst.	<u>\$2,000 yr.</u>

---

***SEWER & STORM***

Major Electro/Mechanical Oper. Equip. & Repairs	<u>\$60,000</u>
Industrial Pretreatment Monitoring	<u>\$42,000</u>
Instrumentation	<u>\$25,000</u>
Facilities Landscape	<u>\$26,000</u>
Laboratory Analysis	<u>\$17,000</u>
Facilities Custodial	<u>\$7,200</u>
Legal Services	<u>\$5,000</u>
Other Profession Services for AQMD & NPDES	<u>\$5,000</u>
Regulatory Compliance	

---

i:\doc\atcmnta.sw





- |    |  |     |    |
|----|--|-----|----|
|    |  | yes | no |
| 4. | Is the service new (+) or existing (-)?                              | yes | no |
| 5. | Is the service currently having problems with in house delivery? (+) | yes | no |

**SERVICE QUALITY - The expected impact that contracting out will have on the effectiveness, timeliness, and other quality characteristics of the service or activity.**

- |    |   |     |    |
|----|---|-----|----|
| 1. | Will quality increase (+), decrease (-) or stay the same as a result of contracting?      | yes | no |
| 2. | Will contracting out compromise the public trust, safety or welfare? (-)                  | yes | no |
| 3. | Will accountability and responsiveness to government be decreased by contracting out? (-) | yes | no |
| 4. | Can quality objectives be defined well in a contract? (+)                                 | yes | no |

**IMPACT ON PUBLIC EMPLOYEES - The impact that contracting out will have on public employees.**

- |    |  |     |    |
|----|--|-----|----|
| 1. | Will contracting out negatively affect public employees? (-)     | yes | no |
| 2. | Will a large number of public employees be affected? (-)         | yes | no |
| 3. | Will the contractor be required to hire displaced employees? (+) | yes | no |
| 4. | Will any public employees be involuntarily terminated? (-)       | yes | no |

**RESOURCES - The efficient and effective use of government assets (e.g. personnel, funding), including in house or private sector advantages in terms of professional expertise, facilities or equipment, time constraints, and revenue or expenditure restrictions.**

- |    |   |     |    |
|----|---|-----|----|
| 1. | Does the private sector have access to needed expertise that the government does not? | yes | no |
|----|---|-----|----|



2. Does the private sector possess needed facilities or equipment that the government does not? (+) yes no
3. Are there other resource advantages that the private sector has that the government does not? (+) yes no
4. Do time constraints exist that preclude in house government delivery (+) or contract service delivery (-)? yes no
5. Will contracting out reduce (+) or extend (-) required completion times? yes no

**CONTROL - The government's ability to exercise ultimate control over the service or activity.**

1. Is direct control over the service or activity important? (-) yes no
2. Does the government have the ability to develop and manage contracts? (+) yes no
3. Are the quantity and quality of the service relatively easy to measure and control? (+) yes no

**COST EFFICIENCY - The expected cost of contracting out for a service assuming no change in quantity or quality.**

1. Will service costs increase (+) or decrease (-)? yes no
2. Will cost decreases result in lower government expenditures or reduced costs to patients, clients, or citizens? (+) yes no
3. Are some quality or quantity decreases acceptable for commensurate cost reductions? (+) yes no



## POLICY AND PROCEDURE

<b>Subject:</b> Employee Layoffs; Benefits	<b>Index:</b> Personnel <b>Number:</b> 300-13
<b>Effective Date:</b> 9/30/92	<b>Prepared By:</b> Linda M. Kulp
<b>Supersedes:</b>	<b>Approved By:</b>

- 1.0 **PURPOSE:** To provide an extension of selected benefits to employees which may be given in the event the City is forced to impose a general lay off due to economic conditions.
- 2.0 **ORGANIZATIONS AFFECTED:**  
  
City-wide
- 3.0 **REFERENCES:** Personnel Rule 11.0 LAYOFF; SCCEA MOU Article XIII - MEDICAL PLAN FOR LAYOFFS
- 4.0 **POLICY:** The City Manager may approve an extension of the following benefits in the event employees are laid off due to economic conditions.
- All full time employees may receive four weeks of separation (severance) pay based on their current salary.
  - All part time employees may receive up to two weeks of separation pay based on their average bi-weekly pay.
  - Full time employees who are laid off and are currently covered under the group health insurance plan will continue to be covered with their premiums paid by the City, for a period of twelve months (one year) as long as the affected employee is eligible for unemployment insurance. If re-employed before the twelve months, the health insurance will be discontinued.
  - Full time employees may be offered early retirement in lieu of lay off. Early retirement incentives may not exceed two years of service credit in addition to providing retirement annuities based on full formula computations.

5.0 ***DEFINITIONS:*** N/A

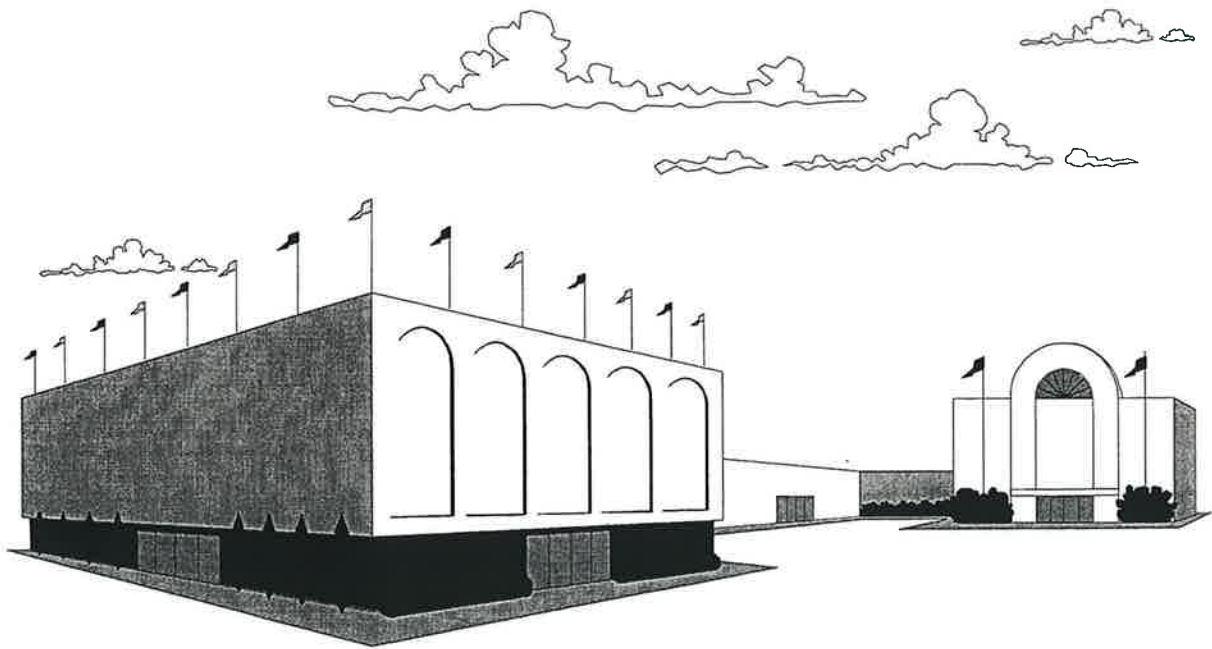
6.0 **PROCEDURE:** A list of employees who are subject to lay off will be recommended to the City Manager. Viable options as described in this policy will be discussed with the affected employees.

i:\policy\pers300.13



---

# Economic Development Plan





---

# Economic Development

---

## Goal:

Notwithstanding the effects of the current economic downturn, the City must expand its economic tax base to provide the fiscal resources necessary to meet the future municipal service needs of the citizens it serves. The City Council has responded to this challenge by adopting a comprehensive Economic Development Action Plan. Deliberate and thoughtful action is now required to develop the strategies necessary for implementation of this plan.

## Summary:

The Economic Development Action Plan has been specifically designed to address three primary program areas:

- A. **Business Retention** - The City recognizes its obligation and responsibility to support the economic interests who have invested their resources in the community. It is therefore incumbent upon the City to provide direct program assistance to strengthen and enhance the existing retail, service and industrial base. The development of public/private partnerships is the key element and critical focus of this program. Working closely with the Chamber of Commerce and other related associations, the City will coordinate its needs assessment and service delivery activities for local businesses.
- B. **Business Marketing and Promotion** - The attraction and acquisition of new business investment for the City is a critical program component. The City must strategically position itself to aggressively compete with other communities in the regional market place to capture prospective relocation and new development opportunities. Fundamental to these efforts, the City must have a thorough understanding of the strengths, benefits and resources it offers to new business investors. The community's positive attributes will be incorporated and accentuated in a specially designed informational brochure which will differentiate and underscore the reasons why San Clemente is the ideal place to locate and invest.
- C. **Reinvestment and Revitalization** - The City has identified specific commercial and industrial areas which represent important investment and employment generating resources to the community. Property owners and business operators in these areas are interested and willing to upgrade their properties through reinvestment; however, they will do so only with the assurance that the City is equally committed to assisting them by providing required infrastructure improvements and appropriate regulatory land use support. The City's projected financial condition will, over the next five years, make it difficult to respond to these infrastructure needs. Therefore, given the proper set of guidelines, the City working closely with affected businesses and property owners may



---

## Economic Development

---

choose to implement a redevelopment plan that will provide necessary tax-increment funding for these needed improvements. Successful implementation of such a program will be realized only if appropriate safeguards are provided by the City to protect the property ownership interest of project area participants.

### **Background:**

- A. Definition and analysis of the issue(s) - The Economic Development Action Plan and related land use development policies contained in the City's General Plan provide overall direction for program implementation. By way of existing policy direction, the following issues will be addressed:
1. Curtail the outflow of sales tax dollars to other communities in the south county area by strengthening and expanding the City's retail tax base.
  2. Identify and develop alternative program and financing incentives to assist business recruitment and relocation to the City.
  3. Through effective marketing and promotion, maximize the City's visibility and investment potential in terms of new retail, service, industrial and hospitality industry development.
  4. Maintain and improve municipal service delivery programs and support for existing businesses in the community.
  5. Expand visitor supported/generating commercial activities and events to capture a larger market share of available tax revenues.
- B. Current status - There are several programs and activities currently being administered which are directly related to the approved Economic Development Action Plan and recently adopted General Plan:
1. The employment of a professional staff member to serve the City as Economic Development Manager.
  2. The preparation of a Specific Plan for the North Beach, North El Camino Real, Los Molinos and San Clemente High School areas.
  3. The adoption of the Pier Bowl Specific Plan and subsequent issuance of a Request for Proposals for the restoration of the Casa Romantica and development of adjacent Redevelopment Agency owned property.

---

## Economic Development

---

4. The preparation and presentation of the Long Term Financial Plan for the City, which includes the Economic Development Action Plan.
5. Through the coordinated efforts of the Planning Department and a specially appointed citizens committee, the complete review and revision of the City's Sign Code.
6. Completion of a business calling program focused on gathering information and identifying issues and methods to improve service delivery to the business community.
7. The establishment of a senior management task force to thoroughly evaluate all aspects of the City's permitting processes and make recommendations for streamlining these programs.

### **Alternatives:**

- A. Specific Work Programs and Strategies - Pursuant to the policy guidelines established by the City Council and direction of the City Manager, the Economic Development Manager is responsible for administering the following programs:

1. Business Retention Program - The primary focus of this program is to maintain and strengthen the community's existing retail, service and industrial base. By working closely with the Chamber of Commerce and other local business associations, the City will develop a positive, proactive business climate that is supportive and mutually beneficial. Specific program strategies include:
  - a. Ongoing implementation of a community-wide outreach program which entails on site business visitations, service follow-ups and appropriate business assistance.
  - b. Coordination and administration of the City's on-going participation and support of the Chamber of Commerce's economic development programs. This includes providing direct staff support to the Economic Development Committee, the Small Business and Tourism Committee and the joint City-Chamber tourism marketing program.
  - c. Coordination with the Chamber of Commerce to assist with the maintenance and operation of a referral program to assist local business and industry in locating and contracting available centers for job training, financing assistance, environmental regulation and compliance counseling, and technology transfer.
  - d. Conduct studies and make recommendations concerning existing City programs and requirements for support of the business community. Specifically,

---

## Economic Development

---

work with the Planning Department to undertake a parking study to determine appropriate alternatives for in-lieu fee requirements. Similarly, conduct an evaluation of the City's tax structure, its relationship and impact on the business community and implications for future economic growth.

2. Business Marketing and Promotion Program - Acquiring new retail, service, industrial, and visitor-serving businesses for the City is the primary goal of this program. Marketing and promoting San Clemente as an ideal place to live, work, shop and vacation will be accomplished through careful analysis of regional and State-wide business developments and relocation trends, selected advertising and market networking and calling programs.
  - a. Establishment of networking relationships with the brokerage community, developers, retailers, manufacturers, builders, and the hotel/travel industry. Developing these types of relationships will enable the City to gather market intelligence and actively solicit new business development and investment in the City.
  - b. Identification of target business development opportunities that are compatible with City's General Plan and important environmental considerations such as traffic management, air quality and water quality. Special emphasis will be placed on new retail development which will facilitate the recapture of sales tax dollars currently being exported to other communities.
  - c. Active staff participation in the South Orange County Economic Development Council's regional marketing program. As an offshoot to the South Orange County Chamber of Commerce, this organization is working with a majority of the cities in the South County and has proven to be helpful to the regional marketing and promotion needs of the area.
  - d. Creation of a development "strike team" to assist the City in preparing and making presentations to firms interested in investing and locating in the community. The team will be comprised of representatives from the Chamber of Commerce, City staff members and selected business executives who are operating in the City.
  - e. Establishment of a business ombudsman and developer advocacy program. Based upon the initial results of the City's business outreach/calling program, the Economic Development Manager will serve as a primary interface with the business community and coordinate the resolution and response to complaints and requests for business related support services. Additionally, the Economic Development Manager will coordinate with the Community Development

---

## Economic Development

---

Director and Public Works Director in the tracking and expediting of development projects that are expected to have significant, positive fiscal impacts upon the City.

f. Working closely with the principals of the Lusk Company, or any prospective successors in interest, develop a comprehensive and financially viable mixed-use master plan for the development of the area known as Marblehead Coastal. Specific emphasis will be placed upon market feasibility and the criticality of timing for entitlements, construction and phase-line project completion.

3. Reinvestment and Revitalization Program - Achieving new development uses, revitalizing older commercial and industrial areas, and stimulating reinvestment by existing property owners is the focus of this program.

a. Marketing and attracting specialized development uses and businesses for various commercial and industrial areas in the community. Specific areas include the Pier Bowl Redevelopment Project Area, Del Mar Central Business District, El Camino Business District, the North Beach area, San Clemente Business Park and Los Molinos Industrial area.

b. Completion of Specific Plan for North Beach - Pier area, and determination by the City Council to go forward with the preparation of a redevelopment plan and environmental impact report.

c. Concurrent with redevelopment plan preparation, conduct negotiations with Capistrano Unified School District, a major landowner and prospective developer for acquisition and relocation of San Clemente High School and construction of a retail shopping center or other retail use on the former high school site.

d. In consideration of the Metrolink Station which is planned to be constructed in the North Beach area, expedite and facilitate the development transition of this area into a visitor-serving, pedestrian oriented, mixed-use commercial center.

e. Working with property owners and business operators, develop a comprehensive infrastructure improvement program for the Los Molinos Industrial area. Financing for these improvements will come from tax-increment revenues derived from the creation of the North Beach-Pico redevelopment project area.

---

## Economic Development

---

### Recommendations:

- A. Direct that the Economic Development Manager work closely with the City's Economic Development Committee to evaluate appropriate financing mechanisms and programs, and formulate policy strategies to implement such programs for retention of existing businesses and attraction of new commercial investment in the City.
- B. Direct that the Economic Development Manager place primary emphasis on the development of economically feasible and quality projects in the Pier Bowl and, working with the principals at the Lusk Company, develop a mixed-use master plan which will result in the commercial and residential development of the Marblehead Coastal area.
- C. Upon completion and implementation of the North Beach - Pico Corridor Specific Plan, direct that an advisory committee be established to assist the City in evaluating infrastructure requirements for the Los Molinos Industrial area, and prepare a capital improvement program and financing recommendations. Further, direct that the Economic Development Manager work closely with the advisory committee to evaluate the feasibility and suitability of establishing a redevelopment project area for the express purpose of financing required capital improvements.
- D. Direct that the Economic Development Manager work with designated representatives from the Saddleback Community College District to conduct a feasibility study and identify appropriate sites for the development of a satellite campus including facilities for the California State University.
- E. Direct that the Economic Development Manager work closely with the Chamber of Commerce, Downtown Business Association and other affected business groups to implement an effective business marketing and promotion program that results in the acquisition of new retail, service, industrial and visitor-serving businesses for the City.

---

# Financial Forecast







---

# Financial Forecast

---

## Goal:

To update the comprehensive five-year financial forecast for the General Fund incorporating adopted City fiscal policies, expenditure patterns, revenue trends, and other known financial impacts.

## Summary:

In January 1993, the City of San Clemente prepared the first Five Year Financial Forecast as part of the Long Term Financial Plan. The objective of the document was to provide a frame of reference for evaluating the City's financial condition as a basis for decision making.

This report will update the assumptions and data upon which the forecast is based and will provide a comparison of this year's forecast to the 1993 model and historic data.

## Development of the Forecast:

As was the case in 1993, this forecast was based on a baseline environment, that is, revenues and expenditures were projected based primarily on growth patterns or inflation factors and the present level of services provided by the City was presumed.

Inflation and historical growth rates were used to predict expenditure patterns while revenues were projected by trend or by specific circumstances as the case warranted. Revenue and expenditure projections are discussed in greater detail in subsequent sections of this report.

Information regarding economic indicators and the performance of the economy as a whole over the forecast period was taken from the Economic and Business Review prepared by the School of Business at Chapman University, December, 1993. In general, that report predicts a slower recovery than anticipated in the City's 1993 forecast which projected an upturn in mid-1994. The revised forecast is based on a fairly static situation in 1994, an upturn in economic activity in 1995, a slowdown in 1996, and a gradual upturn beginning in 1997 through 1999.

## Economic Assumptions:

	1994	1995	1996	1997	1998
Inflation	3.5	6.4	4.8	6.5	6.3
Population	3.4	2.1	2.0	2.0	2.0
Assessed Valuation	5.7	6.0	5.9	5.9	5.9
Personal Income	5.6	7.1	6.0	7.2	6.5

---

## Financial Forecast

---

- **Inflation:** Inflation is the measure of the cost of goods and services. One of the main tenets of the Chapman forecast is that inflation, which has been relatively flat over the last four years, will appear again in 1995 and continue through the forecast period. Inflation impacts many revenue and most expenditure categories throughout the 1994 forecast
- **Population:** Some revenue sources are based on population, such as Motor Vehicle In Lieu Tax. On the expenditure side, significant increases in population can drive up the cost of providing City services. In this forecast, population growth is not expected to be a significant factor.
- **Assessed Valuation:** This is the value placed on residential and commercial property by the County Tax Assessor. It is an indicator of the value of property which drives one of the City's major revenue sources, Property Tax.
- **Personal Income:** As a measure of consumer purchasing power, this indicator reflects on Sales Tax, concession revenues and Transient Occupancy Taxes.

### Financial Forecast Assumptions:

Beyond the economic and growth/trend factors, information specific to San Clemente was included in the forecast:

- The forecast presumes that cost of living increases will be granted at 90% of inflation and that the City will add back four employees per year during the forecast period.
- The forecast includes, as operating transfers out, expenditures to fund debt service and reserves as follows:

◆ To the General Liability Fund to augment reserves and reduce fund deficit:	\$305,000
◆ To the Workers' Compensation Fund to augment reserves and reduce fund deficit:	\$271,000
◆ To the Accrued Leave Reserve to provide for future payout of accrued employee leave:	\$ 75,000
◆ To the Negocio Debt Service Fund:	\$360,000
◆ To the General Fund Emergency Reserve:	\$353,000

---

## Financial Forecast

---

- City Council Fiscal Policy establishes a goal of 1.5% of operating expenditures to be set aside as the City Council Contingency Reserve. This forecast provides for that level of reserves.
- Beginning in 1994-95, projected revenues from leases at the 910 Calle Negocio building were included.

### *Factors Not Included in the Forecast:*

- No attempt was made to predict further actions by the State of California to divert revenues traditionally dedicated to local government, such as has occurred in recent years. However, it is important to note that the State of California has not resolved its projected budget deficits in the short or long term. At the time this forecast was prepared, the State was projecting a \$3.8 billion dollar deficit by June 30, 1995. Historically, these projections have been underestimated by about one-half. The Assembly, the Senate, the Governor's office and the Commission on State Finance will be developing separate proposals regarding a major restructuring of government financing in California. Their approaches differ, based on their political agendas, but it is generally thought that there will be no major revenue shifts until early in calendar year 1995, when the State will act to solve its projected June 30, 1995 deficit. This will roll over the 1993-94 deficit and postpone State actions until after the November, 1994 elections.

The consensus among Finance Officers in California is that the State will not try to divert any more property tax but will instead redistribute state sales tax on the basis of population rather than on point of sale. This will help cities with large populations and rural counties but will hurt those cities that have incurred the impacts of development in order to broaden their sales tax but have small to medium size populations. In San Clemente, about 90% of sales tax is locally generated and about 10% comes from State distributed sales tax. Another possibility is that the state may redistribute Motor Vehicle In Lieu Tax from cities to state programs. Either scenario means further revenue reductions to the City of San Clemente which are beyond local control.

- No expenditure decreases were forecast as the result of the contracting options discussed in the issue paper addressing that topic. Upon City Council direction, contracts may be negotiated. Impacts of contracting will be subject to the meet and confer process.
- No provision was made to establish a Capital Equipment Replacement Reserve, as recommended in the issue paper on Reserves.

---

## Financial Forecast

---

- This forecast is based on the General Fund only. The impact of operations of the Enterprise Funds on the overall City financial structure is not included in this forecast.
- The forecast does not include a General Fund revenue enhancement of increased overhead charges as recommended in the issue paper on this topic.

### Forecast Detail:

The following sections will discuss, in summary detail, the results of the forecast, assumptions used and comparisons to the 1993 forecast and historic data with respect to:

- **Operating Position:** This is the statement of the City's ability or inability to meet expenditure requirements with available revenues. It predicts operational shortfalls or additions to fund balance.
- **Revenues:** Major revenue sources will be discussed relative to current projections and comparisons to the 1993 forecast and historic projections.
- **Expenditures:** Major expenditure categories will be discussed relative to current projections and comparisons to the 1993 forecast and historic projections.

### Operating Position:

Although the forecast predicts a gradual recovery from the economic recession, the City of San Clemente will face operating deficits throughout the forecast period. Results of the forecast with respect to operating position are shown in the following graph that compares the 1993 forecast to the 1994 forecast. Note that the reserve requirements were not included in the 1993 forecast, but are shown here to provide a more accurate picture of the improvement in the operating position. Contributions to all Fiscal Policy mandated reserves are included in the 1994 forecast.

# Financial Forecast

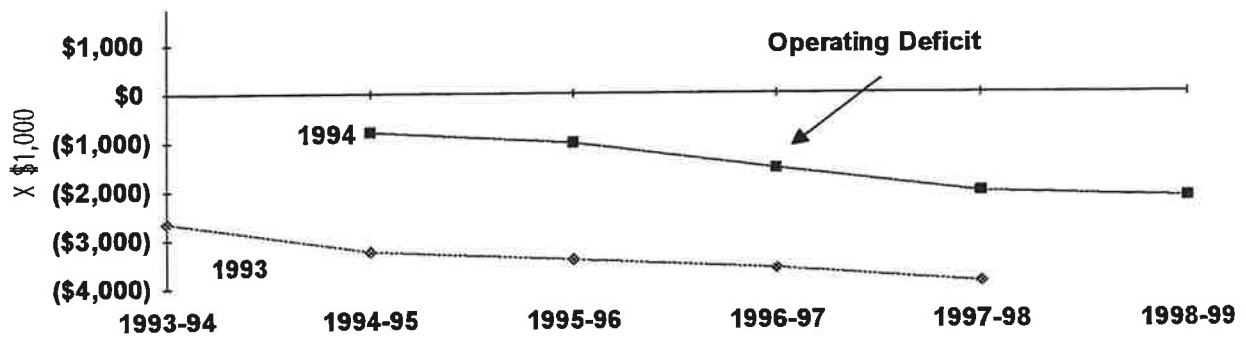
## 1993 Forecast Summary

(000s Omitted)

	1993-94	1994-95	1995-96	1996-97	1997-98
Revenues	\$19,145	\$20,227	\$21,158	\$22,914	\$24,023
Expenditures	20,945	22,638	24,167	25,690	27,075
Operating Result	-\$1,800	-\$2,411	-\$2,586	-\$2,776	-\$3,052
Reserves not included in 1993 Forecast	<u>\$844</u>	<u>\$819</u>	<u>\$819</u>	<u>\$819</u>	<u>\$819</u>
<b>Operating Result</b>	<b>-\$2,644</b>	<b>-\$3,230</b>	<b>-\$3,405</b>	<b>-\$3,595</b>	<b>-\$3,871</b>

1993 Forecast Compared to 1994 Forecast:

Five Year Financial Forecast



---

## Financial Forecast

---



---

### 1994 Forecast Summary

(000s Omitted)

	1994-95	1995-96	1996-97	1997-98	1998-99
Revenues	\$20,087	\$21,285	\$22,006	\$23,173	\$24,437
Expenditures	20,872	22,291	23,546	25,188	26,580
<b>Operating Result</b>	<b>-\$785</b>	<b>-\$1,007</b>	<b>-\$1,540</b>	<b>-\$2,015</b>	<b>-2,143</b>

---

The good news is that in comparison to the 1993 forecast, the City has made progress toward improving the results of operation and avoiding greater deficits. The revised outlook shows a substantially narrower gap between the break-even point and deficit operations.

It is very important to note that the City cannot adopt a deficit budget, that is, the operating shortfalls will not occur because the City will either have to *increase revenues, decrease expenditures, or apply a combination of both.*

### Revenues:

---

1989-93 Historic Growth Rate	5.7%
1989-94 Historic Growth Rate	2.7%
1994 Projected Growth Rate	5.4%
1993 Forecast Growth Rate	5.7%

---

This forecast is less optimistic of a recovery occurring in 1994-95 than was the 1993 forecast, although the average projected growth rate is about the same. It is anticipated that 1995-96 will see the beginnings of recovery that will be gradual throughout the forecast period. Several of the City's major revenue sources are discussed in more detail below.

Two separate historic revenue growth periods are shown to illustrate the impact of revenue reductions caused by the State diversion of Property Tax from the City of San Clemente.

### Property Tax:

---

Historic Growth Rate	4.0%
1994 Projected Growth Rate	3.6%
1993 Forecast Growth Rate	6.5%

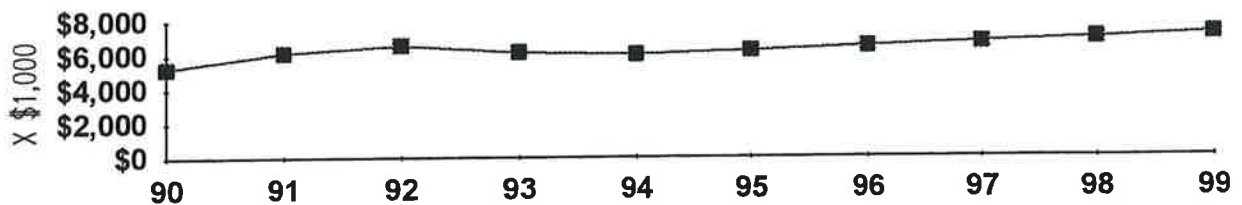
---

# Financial Forecast

Property Tax has been the most relied upon local government revenue for decades. For the last two years, the State of California has diverted a significant portion of this revenue away from cities to address their own budget problems. The historic growth rate reflects the impact of the State diversion of Property Tax revenue which occurred in the last two years.

In this forecast Property Tax was projected on a pure historic basis which resulted in a growth rate of 3.6%. This was done in an attempt to even out the effects of the last two years reductions.

**Property Tax Receipts**

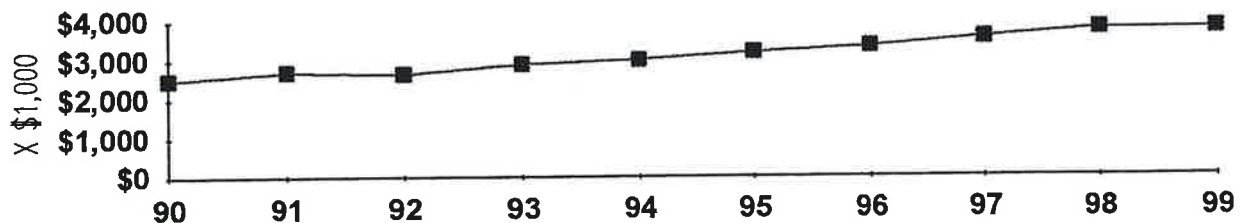


**Sales Tax:**

Historic Growth Rate	4.75%
1994 Projected Growth Rate	5.5%
1993 Forecast Growth Rate	5.5%

Sales tax is especially sensitive to the economic health of an area. For the purposes of this forecast, Sales Tax was projected on the same basis as the Chapman University prediction for percentage increases in Taxable Sales for the Orange County area. The projection parallels that of the 1993 forecast and the base year includes consideration of the November 1993 voter approved half cent sales tax ear-marked for public safety.

**Sales Tax Receipts**





---

## Financial Forecast

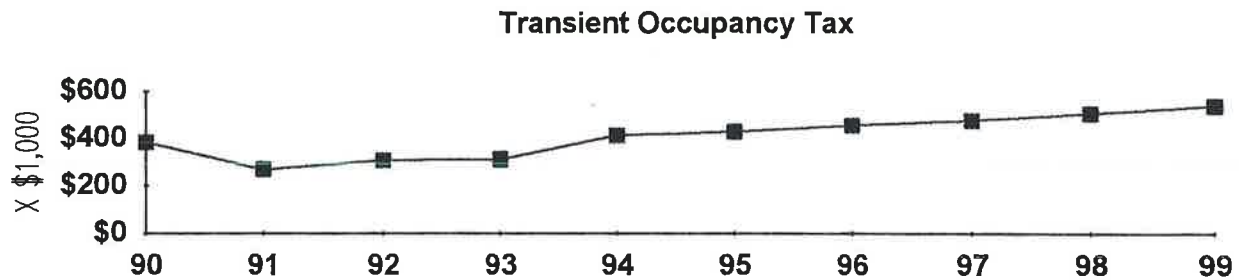
---

### *Transient Occupancy Tax:*

Historic Growth Rate	5.7%
1994 Projected Growth Rate	5.5%
1993 Forecast Growth Rate	12.3%

Transient Occupancy Tax is charged against room rates at local hotels. It is another elastic revenue source affected by swings in the economy.

The 1993 forecast was projected on the basis of inflation and personal income growth. Even though personal income is projected to grow, it is not expected that increases in consumer spending for recreational purposes will necessarily follow. Therefore, Transient Occupancy Tax was projected on the basis of inflation only.



### *Licenses and Permits:*

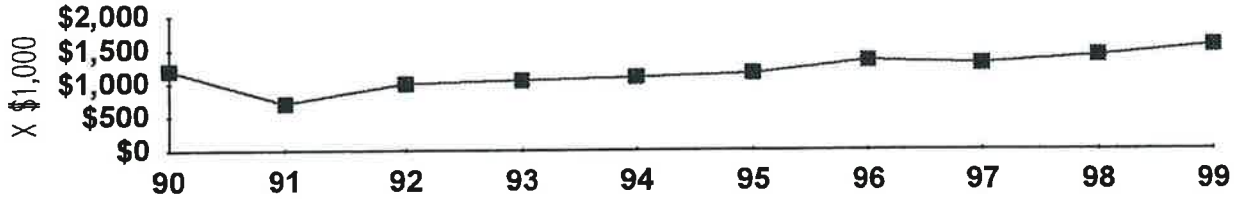
Historic Growth Rate	8%
1994 Projected Growth Rate	10.42%
1993 Forecast Growth Rate	8.1%

Licenses and Permits revenue include Business Licenses and Construction Permits. The 1993 forecast expected a rebound from the recession that would result in an average 8.1% annual increase in this revenue source.

In the 1994 forecast, Chapman University Data regarding the projected growth in residential permit valuation was used in addition to indicators of personal income growth and inflation.

# Financial Forecast

## Licenses & Permits

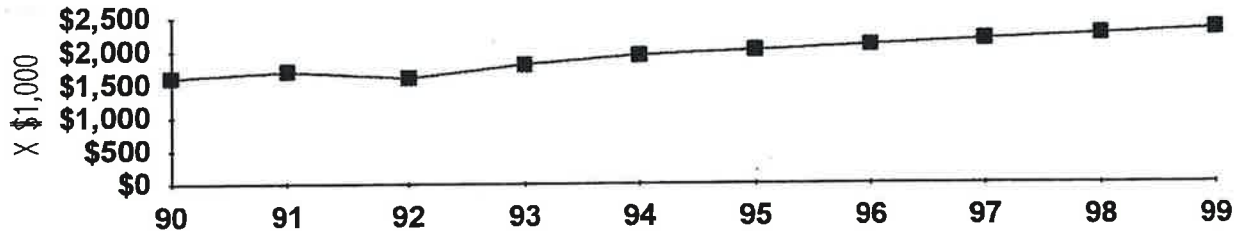


### Intergovernmental Revenues:

Historic Growth Rate	4.47%
1994 Projected Growth Rate	3.8%
1993 Forecast Growth Rate	3.65%

The predominant source of revenue in this category is Motor Vehicle In Lieu Tax. This revenue source was projected on the basis of the trend over the historical data base. No provision was made to predict any potential State diversion of this local government revenue.

## Intergovernmental



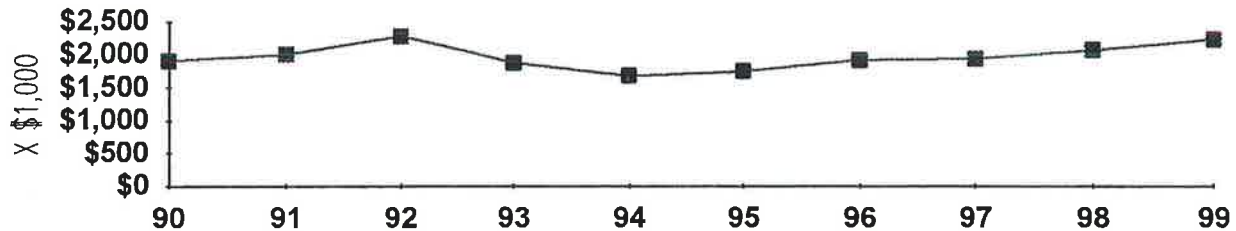
### Service Charges:

Historic Growth Rate	-2.3%
1994 Projected Growth Rate	5.5%
1993 Forecast Growth Rate	3.6%

This category includes a variety of fees charged for specific services provided by the City. They include, for example, development fees, recreation program fees and ambulance service fees. For the purpose of this forecast, a pure inflation factor was used to project revenues.

# Financial Forecast

## Service Charges



### Expenditures:

1989-1993 Historic Growth Rate	6.06%
1989-1994 Historic Growth Rate	2.9%
1994 Projected Growth Rate	6.5%
1993 Forecast Growth Rate	7.0%

Two versions of the historic growth rates are shown to illustrate the impact of the 1993-94 reductions in the number of staff, salary freezes and holiday furlough.

As mentioned, projected expenditures presume that service levels in effect in fiscal year 1993-94 will remain constant. The 1993-94 base year expenditure level reflects two years of operational cutbacks, including the elimination of 30 positions through organizational restructuring and 77 positions due to the transfer of Police Services to the Orange County Sheriff's Department. A general (including management) salary freeze, holiday furlough, benefit reductions, and other service and program cost reductions contributed to the reduction in expenditures.

The 1994 projection from the base year is based on inflation; personnel costs (employee salaries and benefits) are based on 90% of inflation for cost of living salary increases and the addition of four (4) employees per year over the forecast period.

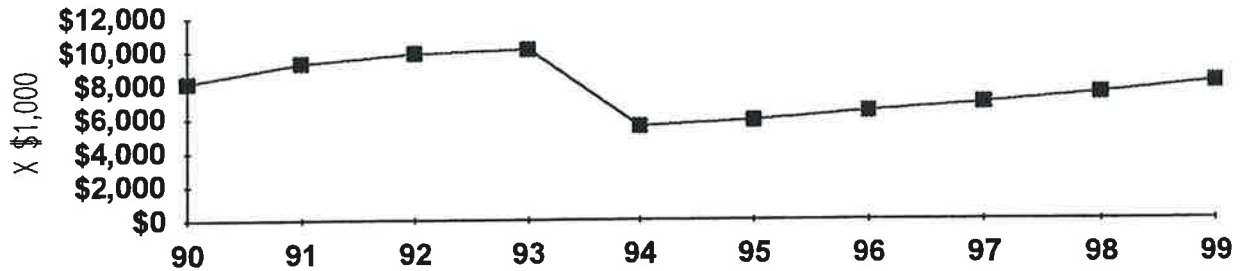
### Salaries and Wages:

1989-1993 Historic Growth Rate	7.68%
1989-1994 Historic Growth Rate	-5.50%
1994 Projected Growth Rate	7.98%
1993 Forecast Growth Rate	7.6%

# Financial Forecast

The 1993 forecast also presumed 90% of inflation cost of living increases and the addition of six employees per year, although this did not occur. In fact, the City reduced the work force by more than 5 positions in 1992-93 and transferred police services (77 positions) to the Orange County Sheriff's Department.

**Salaries and Wages**

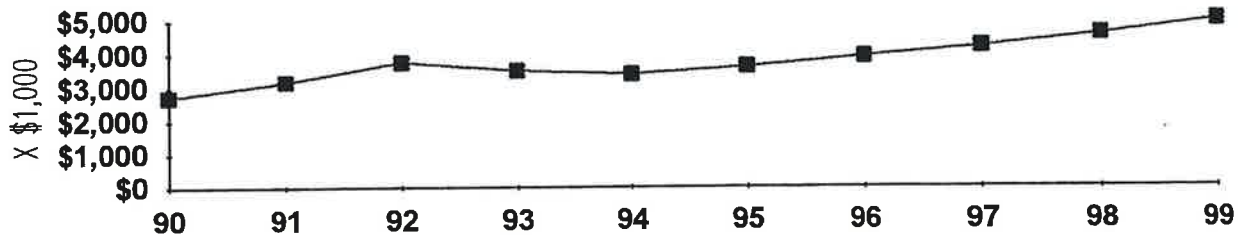


**Employee Benefits:**

1989-1993 Historic Growth Rate	9.4%
1989-1994 Historic Growth Rate	6.3%
1994 Projected Growth Rate	7.98%
1993 Forecast Growth Rate	12.9%

This projection was made on the same basis as that applied to salaries and wages. The higher 1993 forecast percentages can be attributed to escalating costs of health insurance before the City capped its contribution to employee premiums and the 2% at 50 retirement benefit for firefighters, which have already been factored into the base year, 1993-94.

**Employee Benefits**



---

# Financial Forecast

---

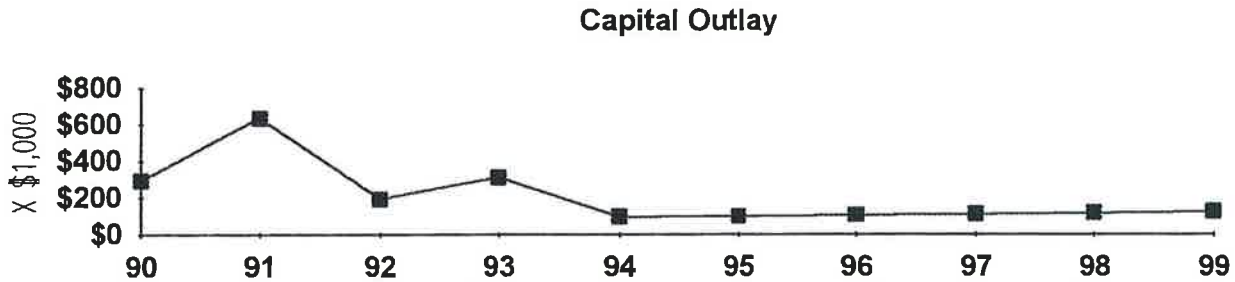
## Capital Outlay:

---

Historic Growth Rate	-19%
1994 Projected Growth Rate	5.4%
1993 Forecast Growth Rate	3.68%

---

The projection was made on the basis of 1993-94 expenditures increased by inflation for the remainder of the forecast period. This level of expenditures is considered low. Please refer to the Reserve Analysis and Trend Analysis issue papers for further discussion and recommendations.



## Services and Other Charges:

---

Historic Growth Rate	4.7%
1994 Projected Growth Rate	5.5%
1993 Forecast Growth Rate	3.2%

---

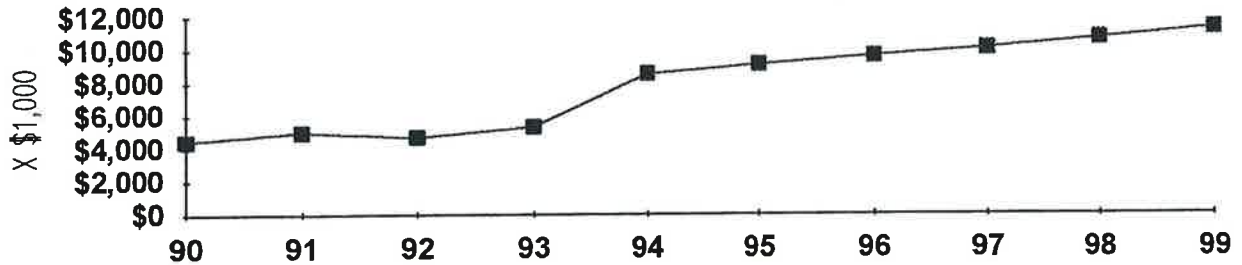
This category of expenditures includes contract services (such as Orange County Sheriff) and interdepartmental charges. The forecast was based on projected inflation. The historic growth rate was based on pre 1993-94 data due to the transfer in 1993-94, of Police Services from regular City operational expenditures to contractual expenditures. This increase in contractual services was more than offset by savings in employee salaries and benefits.

---

# Financial Forecast

---

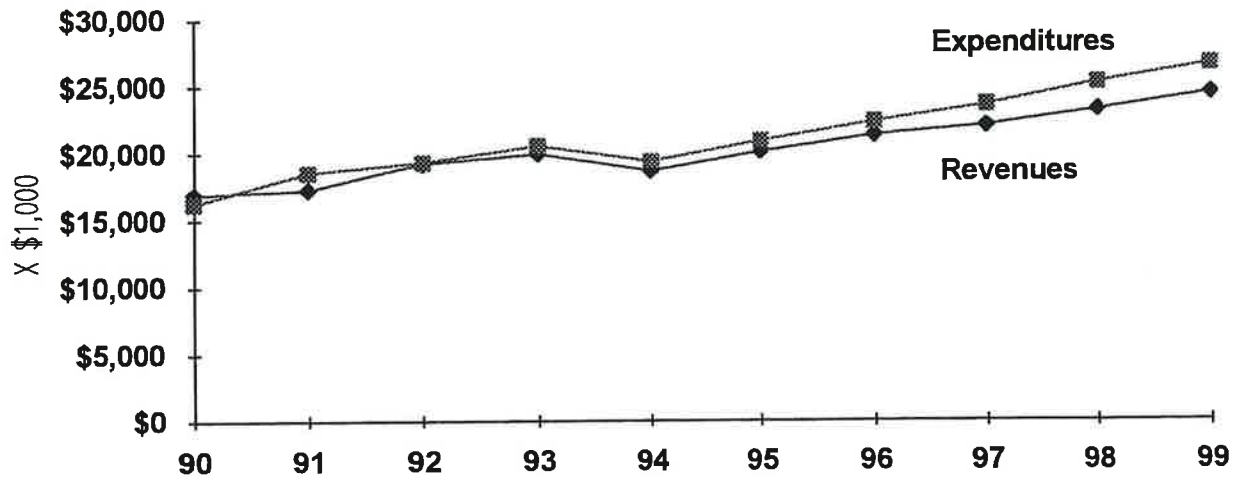
### Services & Other Charges



### Forecast Conclusion:

The forecast predicts a deficit of revenues over expenditures accumulating to \$2.1 million dollars by the year 1998-99. This will be the result of an average annual projected revenue growth of 5.4%, compared to a projected average annual expenditure growth of 6.5%.

### Revenues & Expenditures 1989-90 thru 1998-99



City Council fiscal policy provides that the City will operate within a balanced budget, therefore measures must be taken to avoid the projected deficits. The purpose of the Long Term Financial Plan, which includes this Financial Forecast, is to set up an action plan to achieve that objective.

---

# Financial Forecast

---

## Attachments:

- Parameters
- Historical Economic & Financial Data
- Revenues
- Expenses
- Cash Flow by Year
- Cash Flow Summaries



Year: 1994 Agency: City of San Clemente  
Forecast Description: General Fund

ar#	Description	1995	1996	1997	1998	1999
1	Inflation	3.5%	6.4%	4.8%	6.5%	6.3%
2	Population	3.4%	2.1%	2.0%	2.0%	2.0%
3	Assessed Valuation	5.7%	6.0%	5.9%	5.9%	5.9%
4	Personal Income	5.6%	7.1%	6.0%	7.2%	6.5%
5	Taxable Sales	3.7%	6.4%	4.7%	6.4%	6.3%
6	Property Taxes	3.6%	3.6%	3.6%	3.6%	3.6%
7	Trans. Occup. Tax	3.6%	6.3%	4.8%	6.5%	6.3%
8	In-Lieu Taxes	3.6%	6.4%	4.8%	6.4%	6.4%
9	Prop. Transfer Tax	-1.3%	4.7%	3.2%	5.0%	6.0%
10	Construction Permits	7.2%	28.3%	-11.6%	11.9%	16.1%
11	Motor Vehicle Tax	4.9%	3.8%	3.7%	3.5%	3.4%
12	Service Charges	3.6%	6.4%	4.8%	6.5%	6.3%
13	Interest Earnings	2.7%	7.1%	5.0%	6.3%	6.7%
14	Pier & Beach Concessions	2.6%	3.9%	3.7%	3.6%	3.5%
15	Interfund Charges	19.5%	6.4%	4.8%	6.5%	6.3%
16	Salaries & Wages	6.2%	8.8%	7.3%	8.7%	8.9%
17	Employee Benefits	6.2%	8.6%	7.5%	8.7%	8.9%
18	Supplies	3.5%	6.4%	4.9%	6.6%	6.3%
19	Services/Other Charges	3.6%	6.4%	4.8%	6.5%	6.3%
20	Capital Outlay	3.1%	7.0%	4.7%	6.3%	5.9%

PAR#	DATA USED	ACTUAL DATA					REGRESS	
		1990	1991	1992	1993	1994	X-VARBL'S (PAR #'S)	
1	Inflation	1086.0	1132.0	1178.0	1208.0	1251.0		
2	Population	40400	42150	43172	44150	44150		
3	Assessed Valuation	2848	3406	3694	3890	3735	1	2
4	Personal Income	55369	59306	62120	64540	66800		
5	Taxable Sales	274	278	265	262	271		
6	Property Taxes	5222	6140	6562	6155	6019	3	
7	Trans. Occup. Tax	383	267	306	446	413	4	
8	In-Lieu Taxes	297	264	378	440	470	1	2
9	Prop. Transfer Tax	262	176	152	140	150		
10	Construction Permits	864	306	408	426	484		
11	Motor Vehicle Tax	1373	1439	1310	1650	1585	1	2
12	Service Charges	1910	2001	2279	1882	1685	1	2
13	Interest Earnings	446	251	128	124	110	0	
14	Pier & Beach Concessi	265	282	273	303	318	4	
15	Interfund Charges	857	1152	1673	2182	1689	1	2
16	Salaries & Wages	8145	9313	9878	10141	5560	1	2
17	Employee Benefits	2722	3168	3752	3508	3392	1	2
18	Supplies	480	624	557	494	541	1	2
19	Services/Other Charge	4437	4996	4696	5333	8541	1	2
20	Capital Outlay	294	636	194	313	97	1	

## Fundtools

F U N D P L A N  
Revenues  
Realistic

by Microflex

Year:1994      Agency:      City of San Clemente  
Forecast Description:      General Fund1995  
1999

Revenue Account	Par #	1994	1995	1996	1997	1998	1999	TOTAL
<b>BEGINNING FUND BALANCES</b>		1131						
<b>SERVICE CHARGES</b>								
Building plan check fe	10	215	230	296	261	293	340	1420
Const. inspect.fees	10	80	86	110	97	109	126	528
Engr.& geotech reimb.	1	5	5	6	6	6	7	29
Other CDD service chgs	1	244	253	269	282	300	319	1422
Weed abate.assmts.	12	45	47	50	52	55	59	262
Ambulance serv.chgs.	12	210	218	231	243	258	275	1225
Ambulance subscr.fees	12	50	52	55	58	62	65	292
Talega Valley chgs.	0	0	0	0	0	0	0	0
Other pub.safety chgs.	12	254	263	280	293	312	332	1481
Recreation charges	12	292	303	322	337	359	382	1703
Parking meter rev.	7	260	269	286	300	320	340	1515
Treasurer serv.fees	13	30	31	33	35	37	39	175
Other gen.govt.chgs.	12	0	0	0	0	0	0	0
14	0	0	0	0	0	0	0	0
15	0	0	0	0	0	0	0	0
***Total		1685	1756	1937	1964	2111	2283	10051
<b>INTERFUND CHARGES</b>								
Water Fund	15	467	558	594	622	663	704	3141
Sewer Fund	15	234	280	298	312	332	353	1574
Golf Fund	15	90	108	114	120	128	136	605
Solid Waste Mgmt.Fund	15	8	10	10	11	11	12	54
Light.&Landscape Fd.	15	110	131	140	147	156	166	740
2107 Gas Tax Fund	11	400	420	436	452	467	483	2258
Fire & Medical Fund	0	0	0	0	0	0	0	0
Trans From Other Funds	15	380	454	483	506	539	573	2556
9	0	0	0	0	0	0	0	0
10	0	0	0	0	0	0	0	0
11	0	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0
***Total		1689	1960	2074	2169	2297	2428	10928
<b>INTERGOVERNMENTAL</b>								
POST reimbursements	0	0	0	0	0	0	0	0
SONGS grant	11	150	157	163	169	175	181	847
Motor vehicle tax	11	1585	1663	1726	1790	1852	1915	8946
Off-highway licenses	0	0	0	0	0	0	0	0
Homeowner exemptions	3	135	143	151	160	170	180	803
Lifeguard grant	0	24	24	24	24	24	24	120
Other state grants	0	20	0	0	0	0	0	0
Mandated Cost Reimb	0	20	20	20	20	20	20	100
9	0	0	0	0	0	0	0	0
10	0	0	0	0	0	0	0	0
***Total		1934	2007	2084	2163	2241	2320	10816

## Fundtools

F U N D P L A N  
Revenues  
Realistic

by Microflex

Year:1994 Agency: City of San Clemente  
Forecast Description: General Fund1995  
1999

Revenue Account	Par #	1994	1995	1996	1997	1998	1999	TOTAL
<b>LICENSES &amp; PERMITS</b>								
Business licenses	8	410	425	452	474	504	536	2390
Business permits	4	8	8	9	10	10	11	48
Construction permits	10	485	520	667	590	660	766	3203
Non-bus. lic.& perm.	8	185	192	204	214	227	242	1079
5	0	0	0	0	0	0	0	0
***Total		1088	1145	1332	1287	1401	1555	6720
<b>FINES &amp; FORFEITS</b>								
Parking violations	4	320	338	362	384	411	438	1933
Vehicle code fines	4	120	127	136	144	154	164	725
Court fines	2	20	21	21	22	22	22	108
Other fines & pen.	2	11	11	12	12	12	12	59
5	0	0	0	0	0	0	0	0
***Total		471	497	530	561	600	637	2824
<b>USE OF MONEY &amp; PROPERTY</b>								
Interest earnings	13	110	113	121	127	135	144	640
Comm. site leases	1	81	84	89	93	100	106	472
Casa Romantica lease	0	107	107	107	107	107	107	535
Pier & beach concess.	4	318	336	360	381	409	435	1921
Facility rentals	8	120	435	453	469	487	507	2351
***Total		736	1075	1130	1178	1237	1299	5919
<b>TAXES</b>								
Property taxes	6	6019	6236	6460	6693	6934	7183	33506
Sales tax	5	2893	3000	3192	3342	3556	3780	16870
Trans.Occup. tax	7	413	428	455	477	508	540	2407
In-lieu/franchise tax	8	1310	1357	1444	1513	1610	1713	7638
Property trans.tax	9	150	148	155	160	168	178	809
***Total		10785	11169	11706	12185	12775	13394	61229
<b>OTHER REVENUE</b>								
Other revenue	2	454	469	479	489	499	509	2445
Normal revenue overage	0	0	0	0	0	0	0	0
Int/Penalties on Taxes	6	10	10	11	11	12	12	56
4	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0
***Total		464	480	490	500	510	521	2501
<b>OPERATING TRANSFERS IN</b>								
	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0
6	0	0	0	0	0	0	0	0
***Total		0	0	0	0	0	0	0
<b>GRAND TOTAL ALL REVENUE</b>		<b>19983</b>	<b>20087</b>	<b>21285</b>	<b>22006</b>	<b>23173</b>	<b>24437</b>	<b>110988</b>

## Fundtools

F U N D P L A N  
Expenses  
Realistic

by Microflex

Year:1994      Agency:      City of San Clemente  
Forecast Description:      General Fund1995  
1999

Expense Account	Par #	1994	1995	1996	1997	1998	1999	TOTAL
<b>CITY COUNCIL</b>								
Salaries & wages	0	14	13	13	13	13	13	65
Employee benefits	0	0	0	0	0	1	1	2
Supplies	18	1	1	1	1	1	1	6
Services/other charges	19	8	8	9	9	10	10	47
Capital outlay	20	0	0	0	0	0	0	0
**Total		23	22	23	23	25	26	120
<b>CITY MANAGER</b>								
Salaries & wages	16	243	258	281	301	327	357	1524
Employee benefits	17	9	10	10	11	12	13	56
Supplies	18	2	2	2	2	2	3	12
Services/other charges	19	101	105	111	117	124	132	589
Capital outlay	20	3	3	3	3	4	4	17
**Total		358	377	408	435	470	508	2199
<b>CITY TREASURER</b>								
Salaries & wages	16	22	23	25	27	30	32	138
Employee benefits	17	0	0	0	0	0	0	0
Supplies	18	1	1	1	1	1	1	6
Services/other charges	19	7	7	8	8	9	9	41
Capital outlay	20	5	5	6	6	6	7	29
**Total		35	37	40	42	46	49	214
<b>CITY ATTORNEY</b>								
Salaries & wages	16	0	0	0	0	0	0	0
Employee benefits	17	0	0	0	0	0	0	0
Supplies	18	0	0	0	0	0	0	0
Services/other charges	19	72	75	79	83	89	94	420
Capital outlay	20	0	0	0	0	0	0	0
**Total		72	75	79	83	89	94	420
<b>OFFICE OF MANAGEMENT &amp; B-</b>								
Salaries & wages	16	457	485	528	567	616	671	2867
Employee benefits	17	341	362	393	423	460	500	2138
Supplies	18	16	17	18	18	20	21	93
Services/other charges	19	353	366	389	408	434	462	2059
Capital outlay	20	1	1	1	1	1	1	6
**Total		1168	1231	1329	1417	1531	1655	7162
<b>CITY GENERAL</b>								
Salaries & wages	16	0	0	0	0	0	0	0
Employee benefits	17	0	0	0	0	0	0	0
Supplies	18	6	6	7	7	7	8	35
Services/other charges	0	1107	1592	1648	1714	1784	1832	8570
Capital outlay	20	18	19	20	21	22	23	105
**Total		1131	1617	1674	1742	1813	1863	8710
<b>POLICE/SHERIFF CONTRACT</b>								
Salaries & wages	16	31	33	36	38	42	45	194
Employee benefits	17	0	0	0	0	0	0	0
Supplies	18	0	0	0	0	0	0	0
Services/other charges	19	5361	5554	5909	6193	6596	7011	31263
Capital outlay	20	0	0	0	0	0	0	0
**Total		5392	5587	5945	6232	6637	7057	31458

## Fundtools

F U N D P L A N  
Expenses  
Realistic

by Microflex

Year:1994      Agency:      City of San Clemente  
Forecast Description:      General Fund1995  
1999

Expense Account	Par #	1994	1995	1996	1997	1998	1999	TOTAL
<b>FIRE</b>								
Salaries & wages	16	1965	2087	2270	2436	2648	2884	12326
Employee benefits	17	1231	1307	1420	1526	1659	1807	7719
Supplies	18	92	95	101	106	113	120	537
Services/other charges	19	571	592	629	660	703	747	3330
Capital outlay	20	11	11	12	13	14	14	64
***Total		3870	4092	4433	4741	5136	5572	23975
<b>COMM DEV.- ADMIN.</b>								
Salaries & wages	16	98	104	113	122	132	144	615
Employee benefits	17	60	64	69	74	81	88	376
Supplies	18	15	16	17	17	18	20	87
Services/other charges	19	17	18	19	20	21	22	99
Capital outlay	20	3	3	3	3	4	4	17
***Total		193	204	221	236	256	278	1195
<b>ENGINEERING</b>								
Salaries & wages	16	764	811	883	947	1030	1121	4792
Employee benefits	17	494	525	570	612	666	725	3098
Supplies	18	15	16	17	17	18	20	87
Services/other charges	19	-277	-287	-305	-320	-341	-362	-1615
Capital outlay	20	0	0	0	0	0	0	0
***Total		996	1065	1164	1257	1373	1504	6362
<b>BUILDING</b>								
Salaries & wages	16	318	338	367	394	429	467	1995
Employee benefits	17	195	207	225	242	263	286	1223
Supplies	18	6	6	7	7	7	8	35
Services/other charges	19	198	205	218	229	244	259	1155
Capital outlay	20	0	0	0	0	0	0	0
***Total		717	756	817	872	942	1020	4407
<b>PLANNING</b>								
Salaries & wages	16	296	314	342	367	399	434	1857
Employee benefits	17	181	192	209	224	244	266	1135
Supplies	18	25	26	28	29	31	33	146
Services/other charges	19	155	161	171	179	191	203	904
Capital outlay	20	0	0	0	0	0	0	0
***Total		657	693	749	799	864	935	4041
<b>MAINTENANCE SERVICES</b>								
Salaries & wages	16	664	705	767	823	895	974	4165
Employee benefits	17	433	460	499	537	584	635	2715
Supplies	18	265	274	292	306	326	347	1545
Services/other charges	19	485	502	535	560	597	634	2828
Capital outlay	20	54	56	60	62	66	70	314
***Total		1901	1997	2153	2289	2468	2661	11568
<b>PARKS &amp; RECREATION</b>								
Salaries & wages	16	324	344	374	402	437	476	2032
Employee benefits	17	199	211	230	247	268	292	1248
Supplies	18	58	60	64	67	71	76	338
Services/other charges	19	258	267	284	298	317	337	1505
Capital outlay	20	1	1	1	1	1	1	6
***Total		840	884	953	1015	1095	1182	5129



## Fundtools

F U N D P L A N  
Expenses  
Realistic

by Microflex

Year:1994 Agency: City of San Clemente  
Forecast Description: General Fund1995  
1999

Expense Account	Par #	1994	1995	1996	1997	1998	1999	TOTAL
<b>MARINE SAFETY</b>								
Salaries & wages	16	364	387	421	451	491	534	2283
Employee benefits	17	249	264	287	309	336	365	1561
Supplies	18	38	39	42	44	47	50	222
Services/other charges	19	125	130	138	144	154	163	729
Capital outlay	20	1	1	1	1	1	1	6
**Total		777	821	889	949	1028	1114	4801
<b>RADIO SYSTEM</b>								
Salaries & wages	0	0	0	0	0	0	0	0
Employee benefits	0	0	0	0	0	0	0	0
Supplies	0	0	0	0	0	0	0	0
Services/other charges	0	0	0	0	0	0	0	0
Capital outlay	0	0	0	0	0	0	0	0
**Total		0	0	0	0	0	0	0
<b>NON-DEPARTMENTAL</b>								
Normal budget savings	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
** Enter Description	0	0	0	0	0	0	0	0
** Enter Description	0	0	0	0	0	0	0	0
** Enter Description	0	0	0	0	0	0	0	0
**Total		0	0	0	0	0	0	0
<b>DEBT SERVICE FUNDS</b>								
Lease/Purch Principal	0	15	0	0	0	0	0	0
Lease/Purch Interest	0	1	0	0	0	0	0	0
** Enter Bond Issue	0	0	0	0	0	0	0	0
** Enter Bond Issue	0	0	0	0	0	0	0	0
** Enter Bond Issue	0	0	0	0	0	0	0	0
**Total		16	0	0	0	0	0	0
<b>OPERATING TRANSFERS OUT</b>								
Emergency Reserve	0	200	353	353	353	353	0	1412
Interfund Transfers	0	1007	1061	1061	1061	1061	1061	5305
** Enter Description	0	0	0	0	0	0	0	0
** Enter Description	0	0	0	0	0	0	0	0
** Enter Description	0	0	0	0	0	0	0	0
**Total		1207	1414	1414	1414	1414	1061	6717
<b>GRAND TOTAL ALL EXPENSE</b>								
Salaries & wages		5560	5903	6421	6889	7487	8152	34852
Employee benefits		3392	3602	3912	4206	4572	4979	21272
Supplies		540	559	595	624	665	707	3149
Services/other charges		8541	9294	9843	10302	10930	11554	51922
Capital outlay		97	100	107	112	119	126	564
Non Department		0	0	0	0	0	0	0
Debt Service		16	0	0	0	0	0	0
Operating Transfers Out		1207	1414	1414	1414	1414	1061	6717



F U N D P L A N  
Cash Flow by Year  
Realistic

by Microflex

Year: 1994 Agency: City of San Clemente  
Forecast Description: General Fund

	1994	1995	1996	1997	1998	1999	1995 1999 TOTAL
BEGINNING FUND BALANCES	1131	630	-155	-1162	-2701	-4716	
<b>REVENUES</b>							
SERVICE CHARGES	1685	1756	1937	1964	2111	2283	10051
INTERFUND CHARGES	1689	1960	2074	2169	2297	2428	10928
INTERGOVERNMENTAL	1934	2007	2084	2163	2241	2320	10816
LICENSES & PERMITS	1088	1145	1332	1287	1401	1555	6720
FINES & FORFEITS	471	497	530	561	600	637	2824
USE OF MONEY & PROPERTY	736	1075	1130	1178	1237	1299	5919
TAXES	10785	11169	11706	12185	12775	13394	61229
OTHER REVENUE	464	480	490	500	510	521	2501
OPERATING TRANSFERS IN	0	0	0	0	0	0	0
***Total Revenues	18852	20087	21285	22006	23173	24437	110988
<b>EXPENDITURES</b>							
CITY COUNCIL	23	22	23	23	25	26	120
CITY MANAGER	358	377	408	435	470	508	2199
CITY TREASURER	35	37	40	42	46	49	214
CITY ATTORNEY	72	75	79	83	89	94	420
OFFICE OF MANAGEMENT & B	1168	1231	1329	1417	1531	1655	7162
CITY GENERAL	1131	1617	1674	1742	1813	1863	8710
POLICE/SHERIFF CONTRACT	5392	5587	5945	6232	6637	7057	31458
FIRE	3870	4092	4433	4741	5136	5572	23975
COMM DEV. - ADMIN.	193	204	221	236	256	278	1195
ENGINEERING	996	1065	1164	1257	1373	1504	6362
BUILDING	717	756	817	872	942	1020	4407
PLANNING	657	693	749	799	864	935	4041
MAINTENANCE SERVICES	1901	1997	2153	2289	2468	2661	11568
PARKS & RECREATION	840	884	953	1015	1095	1182	5129
MARINE SAFETY	777	821	889	949	1028	1114	4801
RADIO SYSTEM	0	0	0	0	0	0	0
NON-DEPARTMENTAL	0	0	0	0	0	0	0
DEBT SERVICE FUNDS	16	0	0	0	0	0	0
OPERATING TRANSFERS OUT	1207	1414	1414	1414	1414	1061	6717
***Total Expenditures	19353	20872	22291	23546	25188	26580	118477
ENDING FUND BALANCES	630	-155	-1162	-2701	-4716	-6859	
OPERATING POSITION	-501	-785	-1007	-1540	-2015	-2143	
<b>EXPENSE GROUP SUMMARY</b>							
Salaries & wages	5560	5903	6421	6889	7487	8152	34852
Employee benefits	3392	3602	3912	4206	4572	4979	21272
Supplies	540	559	595	624	665	707	3149
Services/other charges	8541	9294	9843	10302	10930	11554	51922
Capital outlay	97	100	107	112	119	126	564

Fundtools

F U N D P L A N  
Cash Flow Summaries  
Planning Period Totals  
1995-1999  
Agency: City of San Clemente  
Forecast Description: General Fund

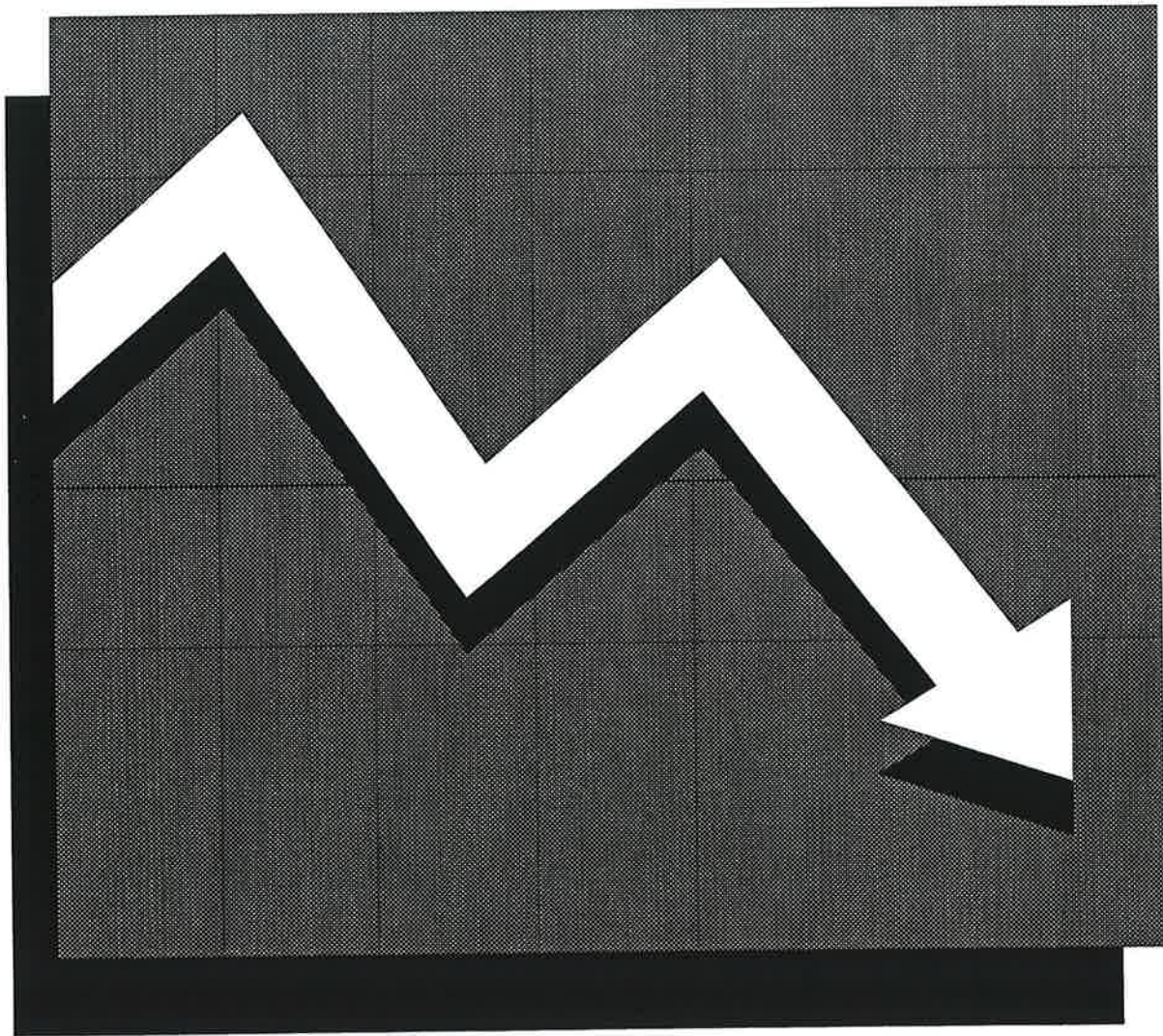
by Microflex

	Pessimistic	Realistic	Optimistic
-----			
BEGINNING FUND BALANCES	630	630	630
EVENUES			
-----			
SERVICE CHARGES	9347	10051	10513
INTERFUND CHARGES	11859	10928	13120
INTERGOVERNMENTAL	10407	10816	11078
LICENSES & PERMITS	6829	6720	7664
FINES & FORFEITS	2704	2824	2954
USE OF MONEY & PROPERTY	4198	5919	4574
TAXES	58583	61229	65927
OTHER REVENUE	1323	2501	1445
OPERATING TRANSFERS IN	0	0	0
**Total Revenues	105250	110988	117277
EXPENDITURES			
-----			
CITY COUNCIL	123	120	117
CITY MANAGER	2246	2199	1997
CITY TREASURER	274	214	246
CITY ATTORNEY	445	420	396
OFFICE OF MANAGEMENT & BUDGET	7855	7162	6981
CITY GENERAL	7706	8710	7676
POLICE/SHERIFF CONTRACT	33350	31458	29624
FIRE	23905	23975	21254
COMM DEV. - ADMIN.	1225	1195	1091
ENGINEERING	5894	6362	5238
BUILDING	4435	4407	3940
PLANNING	4062	4041	3612
MAINTENANCE SERVICES	12255	11568	10953
PARKS & RECREATION	4709	5129	4193
MARINE SAFETY	4655	4801	4142
RADIO SYSTEM	0	0	0
NON-DEPARTMENTAL	0	0	0
DEBT SERVICE FUNDS	5	0	5
OPERATING TRANSFERS OUT	1600	6717	1600
***Total Expenditures	114745	118477	103065
ENDING FUND BALANCES	-8966	-6859	14741
-----			
EXPENSE GROUP SUMMARY			
Salaries & wages	34461	34852	30617
Employee benefits	20380	21272	18103
Supplies	3286	3149	3007
Services/other charges	53219	51922	48097
Capital outlay	1795	564	1636
Non-Departmental	0	0	0
Debt Service	5	0	5
Tranf Out	1600	0	1600
=====			



---

# Financial Trend Analysis







---

# Financial Trend Analysis

---

Analyzing financial trends and deriving applicable conclusions and recommendations is a very complex process. It involves sorting through a number of factors to determine the health of the City. Some of the factors which must be analyzed include:

- The state of the economy;
- Revenue yields and whether they are sufficient to support a growing community;
- Expenditure levels and whether they are providing for the public well being and safety of the residents of the community;
- Whether fund balance reserve levels are sufficient to protect the City against an economic decline;
- Debt levels and their impacts upon current City financial resources.

This report examines these issues and more in determining both the current and future condition of the City of San Clemente.

This is the City's second annual trend analysis report which again focuses almost entirely on the City's financially strapped General Fund. Several areas for improvement were identified and recommended in the prior year's Long Term Financial Plan in order to strengthen the General Fund's financial condition. The recommendations that were implemented by Council included:

- Contracting of police services to the Orange County Sheriff that reduced General Fund Police Services budget by \$1.4 million and saved the City \$2.1 million across all funds.
- Establishment of a storm drain utility fund that reduced the General Fund budget for storm drain maintenance by \$250,000.
- Reorganization of City departments and streamlining of operations that resulted in the elimination of an additional 5.45 positions within the 1993-94 budget.
- Reduction in City paid medical insurance premiums by \$508,000.
- Additional contributions made towards the underfunded reserves of worker's compensation, general liability, and the general emergency reserve of \$225,000, \$270,000, and \$120,000, respectively.

---

## Financial Trend Analysis

---

This report analyzes the affects of these changes on the City's current financial condition and makes further recommendations on improving the General Fund's financial condition. It will again analyze the fiscal responsibility of the three major areas of the General Fund:

<b>General Fund Revenues</b>	The accumulation of financial resources that fund those services which have the greatest impact upon the citizens of San Clemente including police, fire, recreation, and street maintenance.
<b>General Fund Expenditures</b>	The application of financial resources towards the cost of providing the services of police, fire, recreation, street maintenance, and other services.
<b>General Fund Operating Position</b>	The ability of the City to balance current revenues with current expenditures, maintain adequate reserve levels, and to cover short-term liabilities.

Also included within this report is a section covering additional indicators that ultimately affect General Fund operations.

A thorough analysis of the financial trends applicable to the City's General Fund will provide the City administration and Council with a much clearer picture of the overall financial position of the City and help identify areas where policies need to be implemented. This report examines data from fiscal year 1988-89 through 1992-93 and combines information from Annual Budgets, Comprehensive Annual Financial Reports, Annual State Controller's Report, and the International City's Managers Association (ICMA) Trend Monitoring System in assessing operating results. Financial indicators have been analyzed in accordance with the City's adopted fiscal policies (see "City Fiscal Policy" following the "Summary of Trends") and national standards. One of the following ratings has been assigned to each indicator:

<b>Favorable:</b>	This trend is <b>positive</b> with respect to the City's goals, policies, and national criteria.
<b>Unfavorable:</b>	This trend is a <b>negative</b> one, and there is an immediate need for the City to take corrective action.
<b>Warning:</b>	This rating indicates that a trend has <b>changed</b> from a positive direction and is going in a direction that may have an <b>adverse</b> effect on the City's financial condition. The City also uses this rating to indicate that, although a trend may appear to be favorable, it is not yet in conformance with adopted fiscal policies.

The following sections provide detailed insights into the City of San Clemente's 1992-93 General Fund operating position. The narrative begins with a summary of operating results, then focuses on the detailed factors affecting financial condition.



---

## Financial Trend Analysis

---

### Overview of The Financial Condition of The City of San Clemente

The financial condition of the City, as measured by the City's adopted fiscal policies and national standards, is again extremely weak. Like most California cities, the City's financial condition continues to be greatly impacted by the lingering economic recession and loss of revenues through State mandates. This impact has been most strongly felt in the reduced level of community development fees and service charges experienced for the third consecutive year in 1992-93. Both residential and nonresidential construction activity is expected to remain at below normal levels for the next few years, although some moderate increase is projected for residential development. This below normal level of construction activity will also result in a reduced growth rate in property tax revenues in the coming years. The impact from the economic recession also caused the State to shift \$1.2 million of budgeted property tax revenues away from the City during the past and current fiscal year.

The continuing recession has been felt the most by the decline in General Fund revenues. Actual 1992-93 revenues came in less than budget by \$826,000 or 4%. This revenue dip has been managed by offsetting expenditure reductions. Personnel hiring restrictions and other spending limitations initiated during fiscal year 1992-93 resulted in General Fund expenditures totaling approximately \$1.6 million or 7% less than budgeted for the year.

In evaluating the financial health of the City, it is necessary to re-examine the underlying factors affecting financial condition. This analysis again reveals primarily the same problem areas, some of which have already been addressed by Council, and others that now need specific attention in order to move toward a more sound financial condition.

- The City's **revenue base** is still not sufficient to maintain existing service levels.
- The City's dependency on **elastic revenues** makes it extremely difficult to weather economic downturns. The growth in Property tax revenues is declining due to the drop in new construction and the growth in property values as well as in the loss of property tax revenues to the State. It appears that this revenue source may have reached its peak and may start to decline.
- The effect of **reducing expenditures** because of the economic downturn jeopardizes the operations of the City. The City is trying to maintain service levels with less staff, and by deferring capital outlay expenditures. The City eliminated a total of 24.4 positions in 1991-92 and additional 5.45 positions in 1992-93 (this does not include the 77 Police Department positions since the work performed by these employees was contracted out to Orange County). Trying to accomplish the same workload with less staff, may ultimately affect the quality, as well as the quantity, of work performed. The same is true with the deferral of capital outlay. By not replacing worn and obsolete equipment, the productivity level will surely drop and exposure to liability increases.

---

# Financial Trend Analysis

---

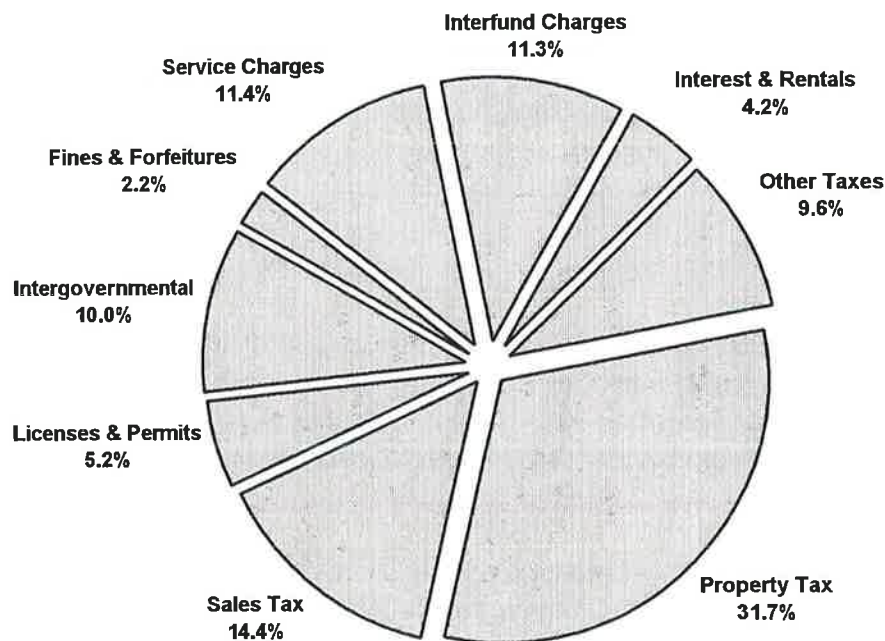
## Comparison of Trend Reports

The City has made progress in improving the financial condition of the City as demonstrated by comparing this trend analysis report with the one completed last year. Overall, two financial indicators improved while one dropped to a lower level. Fringe benefits and operating surplus moved from an unfavorable rating to a warning rating while property tax revenues moved down to a warning from a favorable rating.

## General Fund Operating Results

Overall, the General Fund continues to suffer through the economic recession. Revenues were only 1.2% higher in 1992-93 than in the previous year, less than the rate of inflation, and were 4.1% lower than budgeted. As demonstrated below, the predominant revenue source of the General Fund is taxes. These include property, sales and other taxes and comprise 55.7% of the total 1992-93 General Fund revenue.

**1992-93 Operating Revenues By Source**



Of the total amount of General Fund tax revenue, sales and property taxes are the largest source of revenue. As of June 30, 1993, the City received 1% of the total sales tax generated within the City limits, with 6.25% distributed to the State and 0.5% to the County under Measure M for street improvements. In 1992-93, the property tax of the typical resident of San Clemente, based

---

## Financial Trend Analysis

---

on 1% of assessed valuation, was divided up between local governments with school districts receiving 49%, special districts receiving 14%, the County 13%, the Redevelopment Agency 7%, and the City receiving 17%. As a result of the continuing State imposed property tax shift, the City's share drops to 15.5% in 1993-94.

Expenditures for the General Fund make up the largest portion of the total operating costs for the City. In 1992-93, General operating expenditures remained at relatively the same level as in the prior year with no significant percentage change. An analysis of expenditures reveals several major areas of concern for the City including the reduction in expenditures, the non-replacement of capital outlay, the non-funding of street improvements, and the under funded reserve levels in the General Fund, Worker's Compensation Fund, and General Liability Insurance Fund.

The City's initial response to the drop in General Fund revenues has been to cut total expenditures across departments, including the elimination of 30 positions, which may jeopardize the City's ability to maintain current service levels.

The concern over the non-replacement of equipment could be solved through the establishment of a Capital Equipment Replacement Fund (See Reserve Analysis Issue Paper). This fund would provide for the accumulation of funds for the replacement of worn and obsolete equipment similar to the one established for vehicle replacement in the Fleet Maintenance Fund.

In addressing the City's street improvement needs, decisions are going to have to be made as to whether it is to be accomplished through existing resources, debt financing, or by the creation of a special assessment district that assess property owners for their share of the improvement costs. If the City is forced to absorb the cost of this much needed infrastructure improvements, then corresponding cuts in other City services will have to be made (See Street Improvement Program Issue Paper).

In regards to the deficiency in fund balance reserves, the City is operating very precariously without sufficient reserves to see it through a prolonged economic slump or survive a natural disaster such as a severe storm, flood, or fire. What ever decisions are reached in regards to the levels of service the City is to provide, continued provisions need to be made to ensure the availability of funding should such an unfortunate event occur. Also, continued additional funding needs to be provided in the Worker's Compensation and General Liability Funds in order to eliminate the negative fund balances and establish proper reserve levels (See Reserve Analysis Issue Paper)

In summary, despite the aggressive and positive efforts taken by the City Council, the General Fund's 1992-93 financial position continues to be weak. The development and implementation of the Long Term Financial Plan is designed to address the financial problems identified in this report.

---

## **Financial Trend Analysis**

---

### **General Obligation Debt**

According to California State law, the City's legal debt capacity for general obligation indebtedness is equal to 3.75% of total assessed property values within the City, or \$145.8 million. The City's only current general obligation debt is the \$3,795,000 of certificates of participation issued on June 1, 1993. This debt was issued to finance the acquisition and improvements of the three story 56,988 square foot building located at 910 Calle Negocio, San Clemente. Debt service payments are intended to be subsidized through the leasing of office space within this facility to the private businesses.

---

# Financial Trend Analysis

---

## Summary of Trends

### General Fund Revenues

Indicator Number	Page Number	Description	Trend	Comments
1.	17	Revenues per Capita	U	Revenues per capita reflected decreases in both actual and constant dollars in 1992-93 and is still below the levels of 1988-89
2.	20	Property Tax Revenues	W	Property tax revenues evaluated over time reflect a steady increase up until 1992-93 which dropped significantly as a result of the 9% State mandated property tax shift
3.	22	Sales Tax Revenues	U	Although Sales tax revenue increased 11.2% in actual dollars, this revenue source is still below 1988-89 levels in constant dollars.
4.	24	Licenses & Permits	U	License and Permit Revenues reflect a 5.9% increase over the prior year in actual dollars. However, this revenue source is still significantly below the levels reached four years ago.
5.	26	Community Dev. Service Charges	U	Community Development Service Charges in actual dollars dropped 44%, or \$468,000 from the prior year and is significantly below the levels reached five years ago.
6.	38	Elastic Revenues	U	Although elastic revenues have shown a modest increase over the prior year, they have continually declined over the preceding four years. With economists continuing to predict a slow recovery from the recession, these revenues must continue to be monitored closely over the next year.
7.	30	One Time Revenues	W	One-time revenues increased 43% over the previous year and 223% in 1991-92 over 1990-91 and have become material in relation to total operating revenues for the second consecutive year. Continual dependence on one-time revenues is an indication that the revenue base is not strong enough to support current service levels. The City will continue to apply one-time revenues towards one-time expenditures.

---

## Financial Trend Analysis

---

8.	32	Intergovernmental	F	Intergovernmental revenues as a percentage of operating revenues have been relatively the same over the last five years. This is viewed as a positive trend since the City should avoid becoming over dependent upon revenue sources it cannot control. However, it could also be viewed negatively because of the continual shift of mandated programs onto cities.
9.	34	Revenue Overages/Shortages	U	Revenue overages/shortages as a percentage of operating revenues examines the differences between revenue estimates and revenues actually received. This indicator has continued to decline over the last five years with revenue shortages occurring over the past three years. These shortfalls are primarily due to the continuing economic downturn. The City will continue to conservatively project revenues in the current and future years.

F = Favorable  
W = Warning  
U = Unfavorable



---

# Financial Trend Analysis

---

## General Fund Expenditures

Indicator Number	Page Number	Description	Trend	Comments
10.	36	Expenditure Per Capita	W	Expenditures per capita in constant dollars decreased slightly in comparison with the prior year, and have been fluctuating over the last five years with 1992-93 ending up slightly lower in constant dollars than the levels of 1988-89. This indicates that the City is struggling to maintain its existing service programs as population continues to increase. The City will continue to maintain a level of expenditures that will provide for the public well-being and safety of its residents.
11.	39	Employees Per Capita	W	The number of employees per capita dropped to its lowest level in over 5 years as a result of the 24.4 positions cut in 1992-93. This action was necessitated due to the continuing economic recession, and the impact this downturn has had on State funding to local governments.
12.	41	Fringe Benefits	W	This trend is beginning to show signs of improvement as the percentage of fringe benefits to salaries for 1992-93 dropped to its lowest level in four years. This is attributable to the drop in City paid medical insurance due to the excess build up in medical reserves. This trend should continue to decline as the City has now focused on a lower costing HMO medical plan as being the dominant provider of medical insurance. The City should continue to focus on the total compensation package during compensation negotiations; direct salaries plus the City's share of fringe benefits.
13.	43	Capital Outlay	U	Capital Outlay as a percentage of operating expenditures has declined steadily over the last five years. The economic recession has required nonessential purchases to be deferred. However, the continued practice of non-replacement of inefficient and obsolete equipment will eventually lower productivity and expose the City to greater liability costs. Staff is recommending the establishment of a Capital Equipment Replacement Fund for the accumulation of funds for the replacement of worn and obsolete equipment.

F = Favorable  
W = Warning  
U = Unfavorable



---

## Financial Trend Analysis

---

### *General Fund Operating Position*

Indicator Number	Page Number	Description	Trend	Comments
14.	46	Operating Surplus	W	As a result of the economic downturn, General Fund operating expenditures have exceeded operating revenues in two of the past five fiscal years with 1992-93 barely showing a surplus at 0.57%. It is crucial that the City budget revenues conservatively and that current expenditures be supported entirely by current revenues
15.	4	Fund Balance	W	The City's unreserved fund balance as a percentage of operating revenues increased slightly over the prior year to 6.84%, as a result of the modest increase in operating revenues. However, unreserved fund balance dropped from 11.71% in 1989-90 to 3.52% in 1990-91 as a result of excess operating expenditures over operating revenues of \$1.5 million. At July 1, 1992, Council set aside \$509,640, or 2.6% of General Fund expenditures, as a "General Fund Emergency Reserve". This was increased by \$120,000 at July 1, 1993 to \$629,640. Over the next four years, the City plans to build this reserve to an amount equal to 8% of General Fund expenditures.
16.	50	Liquidity Ratio	F	The General Fund liquidity ratio (current assets to current liabilities) at June 30, 1993 was 1.6:1 which is above the 1:1 ratio viewed as favorable by credit rating firms.
17.	51	Debt Service	F	General Fund debt service represented only 0.17% of operating revenues which is well below the 20% maximum established by credit rating firms.

F = Favorable  
W = Warning,  
U = Unfavorable

---

# Financial Trend Analysis

---

## ***Additional Indicators***

Indicator Number	Page Number	Description	Trend	Comments
18.	54	Compensated Absences	F	Accumulated compensated Absences (unpaid vacation, sick leave, and compensatory time) has dropped for three consecutive years. The drop in this liability for 1992-93 amounted to 29%, or \$420,527, as a result of the leave payoff to 77 police department employees at June 30, 1993, the reduction of 24.4 positions in the 1992-93 budget, and the retirement of some long term employees.
19.	56	Property Values	W	Changes in the value of property is of primary importance to the City because property tax revenue is the City's single largest revenue source. The growth rate of property values declined to 3.48% in 1992-93 from the 1990-91 growth rate of 15.22%. The decline in the growth rate is a reflection of the drop in property values experienced in the housing, retail, and industrial markets due to the economic recession. A continued decrease in market values of property will ultimately lower the amount of property tax revenues to the City.
20.	58	Population	F	A sudden increase in population can create immediate pressures for new infrastructure and higher levels of service. Conversely, a rapid decline in population allows for a smaller tax base for spreading City costs that cannot be reduced in the short run, such as debt service, pensions, and governmental mandates. This trend receives a favorable rating because the population growth has been a steady, but not rapid, increase over the last five years and has been relatively planned and controlled.

F = Favorable  
W = Warning,  
U= Unfavorable

---

# Financial Trend Analysis

---

## City Fiscal Policy

### *General Financial Goals*

1. To maintain a financially viable City that can maintain an adequate level of municipal services.
2. To maintain financial flexibility in order to be able to continually adapt to local and regional economic changes.
3. To maintain and enhance the sound fiscal condition of the City.

### *Operating Budget Policies*

4. The City will adopt a balanced budget by June 30 of each year.
5. The City Manager will prepare a budget calendar no later than January of each year.
6. An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year.
7. During the annual budget development process, the existing base budget will be thoroughly examined to assure removal or reduction of any services or programs that could be eliminated or reduced in cost.
8. Current revenues will be sufficient to support current operating expenditures.
9. Annual operating budgets will provide for adequate design, construction, maintenance and replacement of the City's capital plant, and equipment.
10. The City will project its equipment replacement and maintenance needs for the next five years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.
11. The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets.
12. The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.

### *Revenue Policies*

13. The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.
14. Because revenues, especially those of the General Fund, are sensitive to both local and regional economic conditions, revenue estimates adopted by the City Council must be conservative.
15. The City will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate.
16. User fees will be adjusted annually to recover the full cost of services provided, except when the City Council determines that a subsidy from the General Fund is in the public interest.

---

## **Financial Trend Analysis**

---

17. One-time revenues will be used for one time expenditures only. (Including capital and reserves)

### ***Expenditure Policies***

18. The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.

### ***Utility Rates and Fees***

19. The City will set fees and user charges for each enterprise fund at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual depreciation of capital assets and overhead charges.
20. Utility rates will be established for each of the next five years and this rate projection will be updated annually.

### ***Capital Improvement Budget Policies***

21. The City will make all capital improvements in accordance with an adopted and funded capital improvement program.
22. The City will develop an annual five-year plan for capital improvements, including CIP design, development, implementation, and operating and maintenance costs.
23. The City will identify the estimated costs, potential funding sources and project schedule for each capital project proposal before it is submitted to Council for approval.
24. The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the Capital Improvement Plan and City priorities, and whose operating and maintenance costs have been included in the budget.
25. The City will coordinate development of the capital improvement budget with the development of the operating budget. All costs for internal professional services needed to implement the CIP will be included in the operating budget for the year the CIP is to be implemented.
26. Cost tracking for components of the capital improvement program will be implemented and updated quarterly to ensure project completion within budget and established timelines.

### ***Short-Term Debt Policies***

27. The City may use short-term debt to cover temporary or emergency cash flow shortages. All short-term borrowing will be subject to Council approval by ordinance of resolution.
28. The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's

---

## Financial Trend Analysis

---

current operations. The prevailing interest rate, as established by the City Treasurer, will be paid to the lending fund.

### ***Long-Term Debt Policies***

29. The City will confine long-term borrowing to capital improvements that cannot be financed from current revenues.
30. Where possible, the City will use special assessment, revenue, or other self supporting bonds instead of general obligation bonds.
31. Proceeds from long-term debt will not be used for current on-going operations.

### ***Reserve Policies***

32. The City will maintain General Fund reserves (Rainy Day Reserve) at a level at least equal to 8% of general fund expenditures. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting 2 or more years), or other unforeseen catastrophic costs not covered by the Contingency Reserve.
33. A Contingency Reserve will be established to provide for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The level of this reserve will be established as needed but will not be less than 1.5% of general fund expenditures.
34. Council approval is required before expending General Fund or Contingency Reserves.
35. The City will establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The level of this reserve will be established based on an annual projection of employee retirements.
36. Self-insurance reserves will be maintained at a level which, together with purchased insurance policies, adequately protect the City. The City will maintain a reserve of three times its self insurance retention.

### ***Investment Policies***

37. The City Treasurer will annually submit an investment policy to the City Council for review and adoption.

### ***Accounting, Auditing, and Financial Reporting***

38. The City's accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles and standards of the Government Accounting Standards Board.
39. A fixed asset system will be maintained to identify all City assets, their condition, historical cost, replacement value, and useful life.

---

## **Financial Trend Analysis**

---

40. Quarterly financial reports will be submitted to the City Council and will be made available to the public.
41. Full disclosure will be provided in the general financial statements and bond representations.
42. Maintain a good credit rating in the financial community.
43. An annual audit will be performed by an independent public accounting firm with the subsequent issue of an official Comprehensive Annual Financial Report, including an audit opinion.

---

# Financial Trend Analysis

---

## GENERAL FUND REVENUES

General Fund revenues finance the majority of the day to day operations of the City. Consequently, changes in revenue levels and composition will have a significant impact on the City's ability to provide services to the citizens of San Clemente. Not only is the dollar amount received important, but also the type of revenue. Revenues should be balanced between those that change as the economy shifts (elastic) and those that flow independently of economic activity (inelastic). General Fund revenues should also come from diverse sources within the community and be sufficiently flexible in order to allow for spending based on the changing needs of the City.

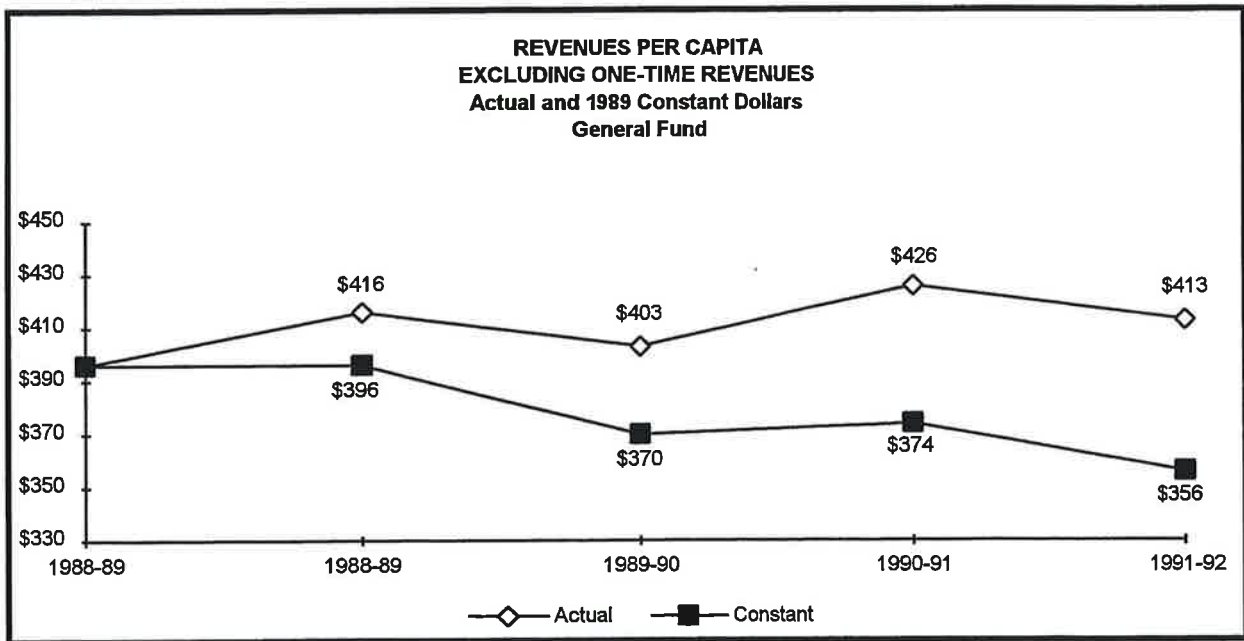
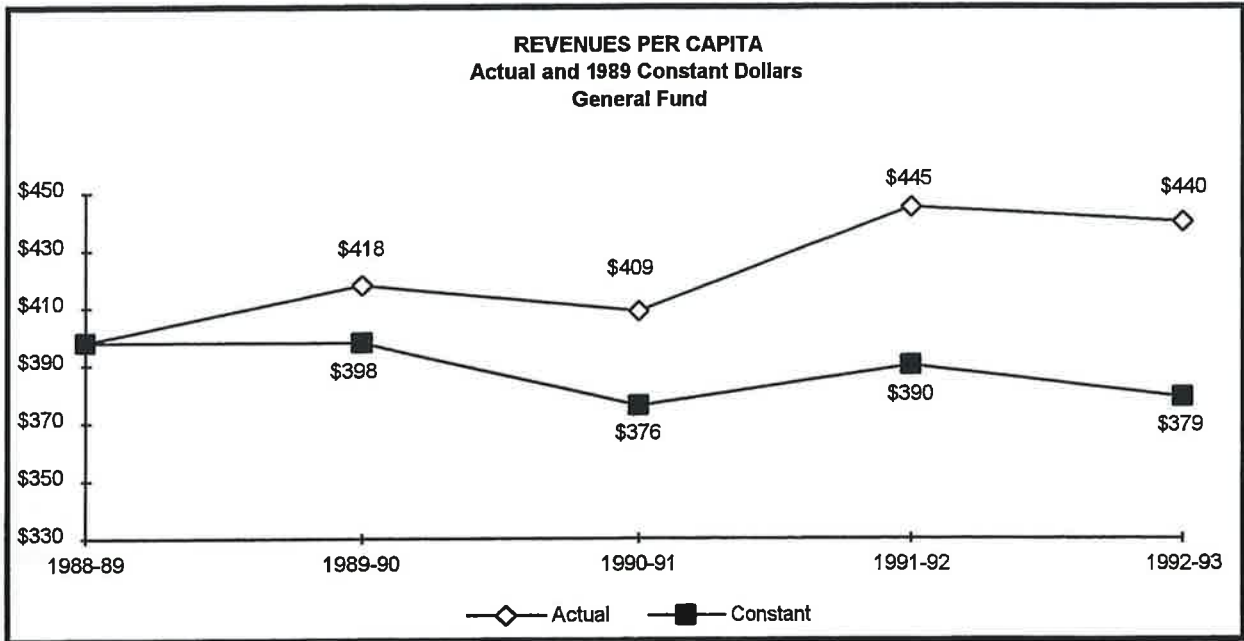
In the following section, a number of indicators have been evaluated to determine the financial condition of the City's revenue base. After in-depth analysis, it is relatively easy to conclude that the City of San Clemente has suffered from a deterioration of its revenue base because of the economic recession, loss of revenues through State mandates, and as a result of the City's dependency on elastic revenues. A full revenue analysis is provided by the following:

- Revenues Per Capita
- Property Tax Revenues
- Sales Tax Revenues
- License and Permit Revenues
- Community Development Service Charges
- Elastic Revenues
- One-Time Revenues
- Intergovernmental Revenues
- Revenues Over (Under) Budget



# Financial Trend Analysis

## Indicator 1



**Trend: Unfavorable**

---

## Financial Trend Analysis

---

### ***Description***

Revenues per capita in constant dollars is a measure of a city's ability to maintain current service levels. Constant dollars reflect the real changes in operating revenue after adjusting for inflation. An increase in constant dollars normally means a city will be able to respond positively to increasing service demands. Conversely, a decrease in constant dollars may indicate that revenue yields are not sufficient to maintain existing levels of service.

### ***Comments And Analysis***

The first chart above on revenues per capita reflects an overall increase in actual dollars over the last five years with dips occurring in 1990-91 and 1992-93. However, these revenues also reflect a steady decrease in constant dollars with 1992-93 ending up approximately five percent below the levels reached in 1988-89. Revenues generated in 1992-93 were again impacted by the continuing economic recession and the loss of revenues through State mandates. This impact was most notable in the decreases in community development service charges, down 44 percent, or \$468,000, and property tax revenues, down 5.8 percent, or \$377,500. However, sales tax revenue and Motor Vehicle Tax revenues both rebounded from 1991-92 revenue drops. Sales Tax revenues, which decreased by \$289,000 in 1991-92, increased by \$282,000 in 1992-93. Likewise, Motor Vehicle Tax reflected an increase in 1992-93 of \$340,000 after showing a \$240,000 drop in 1991-92. Other revenue upswings included a 45.8 percent, or \$140,000, increase in transient occupancy taxes due to the aggressive collection of outstanding delinquencies, and a 5.9 percent, or \$24,000 increase in business license revenues. In total, operating revenues in actual dollars increased only one percent from 1991-92 to 1992-93, while reflecting a one percent decrease in constant dollars.

The second chart above reflects revenues per capita in constant and actual dollars that excludes one-time revenues. This is a more realistic picture of the revenues that can be applied against operations since one-time revenues are not expected to continue in subsequent years. Again, the largest source of revenue increase for 1992-93 was in one-time revenues. These revenues mainly consisted of fire protection service charges to Talega Valley of \$300,000 and operating transfers from the Fleet Replacement Reserve and Drug Asset Forfeiture Fund of \$487,930 and \$261,980, respectively, to fund the Police Department employee severance payoffs as a result of contracting police services to the Orange County Sheriff. This second chart reveals revenues per capita in constant dollars with the same basic downward trend as the first, but with a much more pronounced decline.

### ***Related Fiscal Policy***

- #12 The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.
- #13 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

---

## Financial Trend Analysis

---

#17 One-time revenues will be used for one-time expenditures only (including capital and reserves).

***Recommendations***

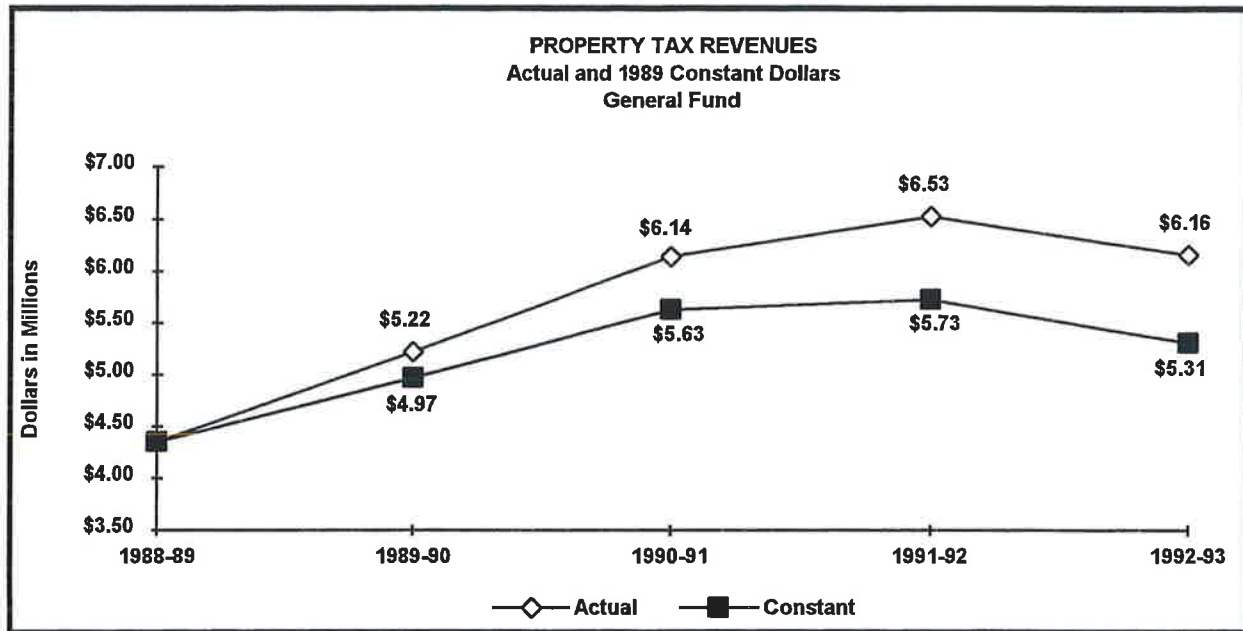
None.

---

## Financial Trend Analysis

---

### Indicator 2



### Trend: Warning

#### *Description*

Property tax revenues are evaluated over time to measure the City's economic health. Again, constant dollars are examined in order to evaluate that part of the change that is not due to inflation. Property taxes are the City's primary source of revenue and is relatively inelastic in that it should remain constant in real terms. By State law (Proposition 13), the County levies property taxes at one percent of full market value at the time of purchase. Assessed values can be increased by no more than two percent per year. The City also has the authority to impose an excess property tax levy to pay debt service on voter approved general obligation bonds. Through June 30, 1992, the City had been receiving a share of the basic levy proportionate to the amount received at the time Proposition 13 was passed, approximately 19 percent. Effective July 1, 1992, the City's share of the basic levy dropped to approximately 17 percent as the State, in an effort to solve their budgetary problems, imposed a 9% property tax shift. Effective July 1, 1993, the City's share dropped to 15.5 percent as the State again imposed an additional 9 percent property tax shift.

#### *Comments And Analysis*

In 1992-93, property tax revenues dropped \$377,500 or 5.8 percent in actual dollars, and \$424,200 or 7.4 percent in constant dollars. This is a drop from the 1991-92 and 1990-91 increases in actual dollars of 6.4 percent and 18.0 percent, respectively. The decrease in property tax revenue is a reflection of the State mandated property tax shift which is estimated to have cost the City \$591,000.

---

## Financial Trend Analysis

---

### ***Related Fiscal Policy***

#13 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

### ***Recommendations***

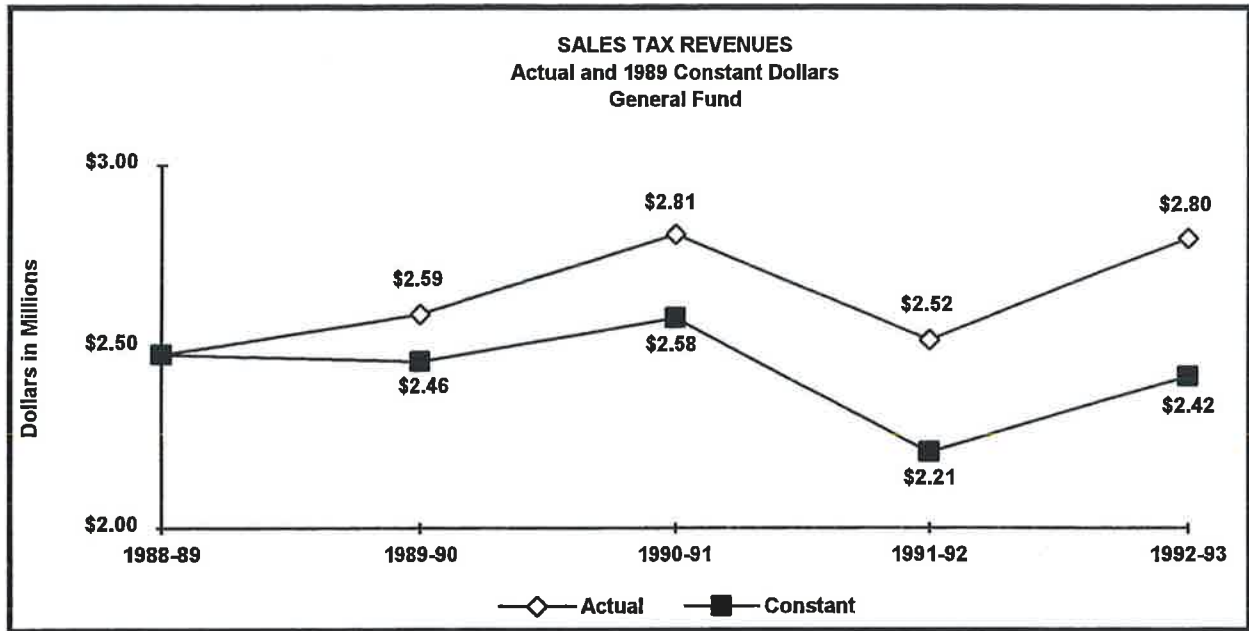
None.

---

# Financial Trend Analysis

---

## Indicator 3



### Trend: Unfavorable

#### *Description*

Sales tax revenue is another strong indicator as to the City's economic health. Although the overall sales tax trend is considered unfavorable, the positive upward shift, if it continues, will result in a favorable trend.

Again, constant dollars are examined in order to evaluate the part of the change that is not due to inflation. The State Board of Equalization levies the sales tax on most retail sales with principal exemptions applying to sales of food for home consumption and prescription drugs. As of June 30, 1993, the Board had been collecting and administering 1.0% of local sales tax for the City which is part of the overall County of Orange sales tax rate of 7.75%. Effective July 1, 1993, the City's allocation increased by an additional 0.5% and earmarked for public safety services as mandated by the State. In November 1993, voters in the statewide elections approved the continuation of this public safety sales tax indefinitely. Sales taxes are the City's second largest source of revenue and is relatively elastic in that it varies directly with changes in the economy.

#### *Comments And Analysis*

In 1992-93, sales tax revenue increased \$282,000, or 11.2 percent in actual dollars, and \$205,000, or 9.3 percent in constant dollars. However, this increase is basically an offset to the \$288,000 actual dollar decline in sales tax revenues experienced in 1991-92. Sales tax revenues are still below the levels reached in 1990-91 in actual dollars and below the levels reached in

---

## **Financial Trend Analysis**

---

1988-89 in constant dollars. The decrease in the rate of sales tax revenue growth is directly related to the downturn in the economy and the decrease in personal consumption.

### ***Related Fiscal Policy***

#13 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

### ***Recommendations***

None.

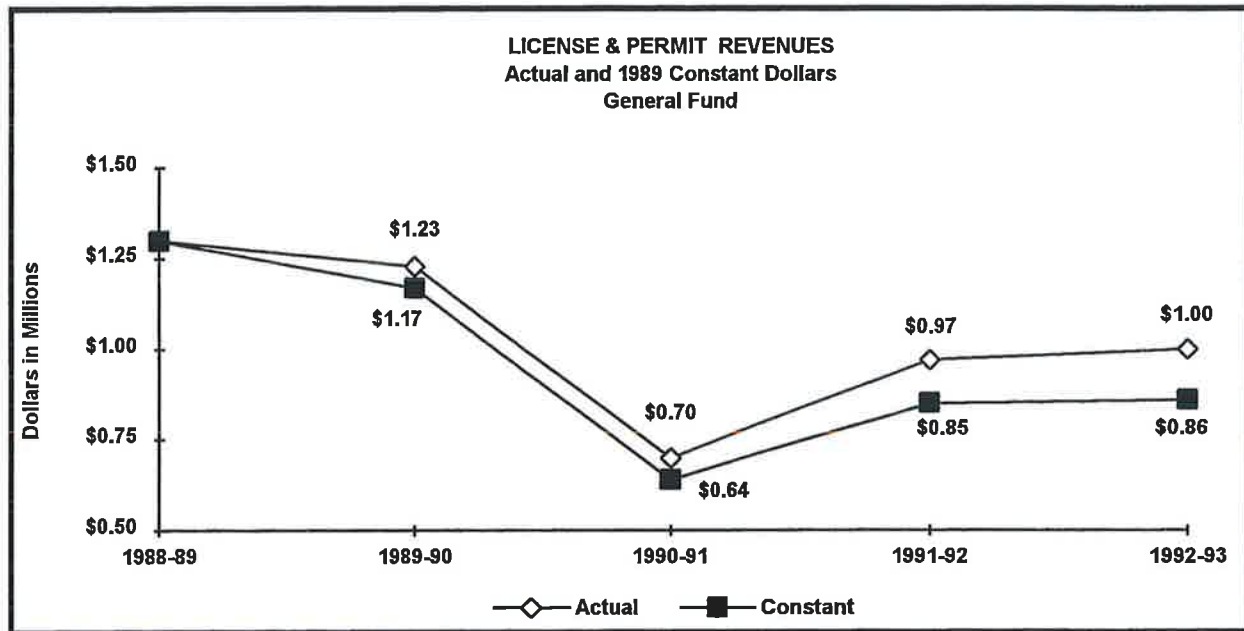


---

## Financial Trend Analysis

---

### Indicator 4



### Trend: Unfavorable

#### *Description*

Licenses and permits is another major revenue category that should be analyzed in determining the City's economic health. Again, constant dollars are examined in order to evaluate the part of the change that is not due to inflation. Included within this revenue category are business licenses, construction permits, alarm permits, and animal licenses. Licenses and permits are also relatively elastic in that they vary directly with changes in the economy.

#### *Comments And Analysis*

In 1992-93, business license revenues increased \$24,000, or 5.9% in actual dollars over the prior year. Construction permit revenues, consisting of building, electrical, mechanical, plumbing, and grading permits, increased \$18,400, or 4.5% in actual dollars. Overall, licenses and permits increased \$36,600, or 3.8% in actual dollars, and \$16,970, or 2.0% in constant dollars over the prior year. Although the City experienced increases in licenses and permits for two consecutive years, these revenues are still below the levels reached five years ago resulting in the assignment of an unfavorable trend. This long term decrease is primarily a result of the continuing economic downturn and its impact on construction activity.

---

## Financial Trend Analysis

---

### ***Related Fiscal Policy***

#13 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

### ***Recommendations***

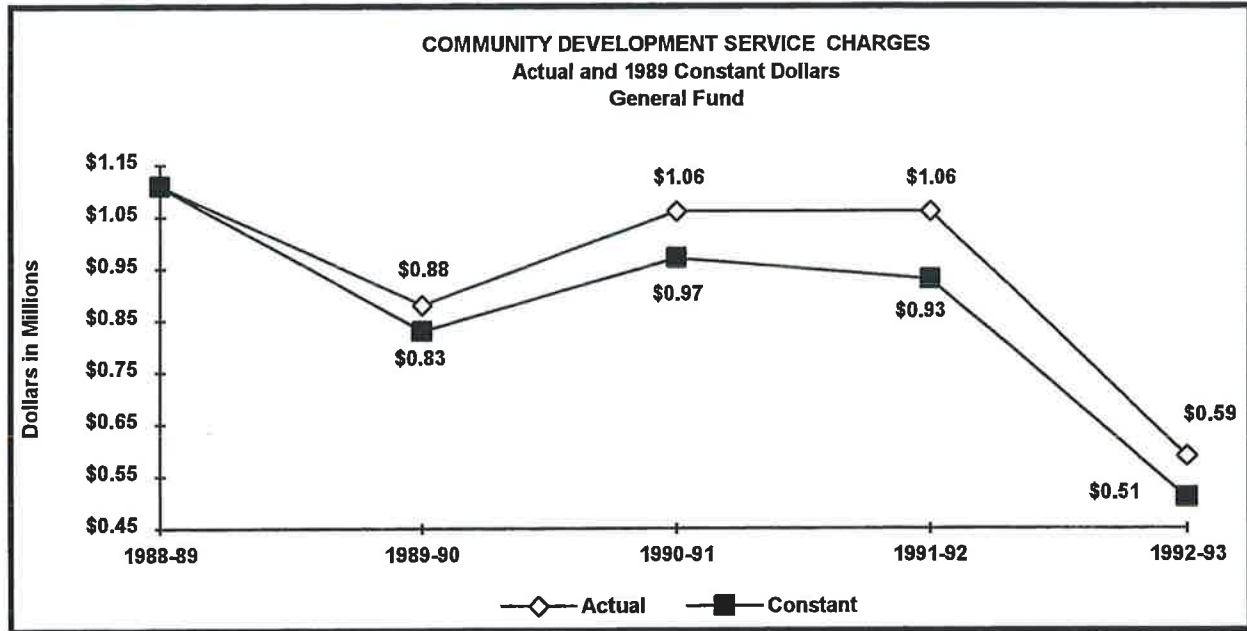
None.

---

## Financial Trend Analysis

---

### Indicator 5



### Trend: Unfavorable

#### *Description*

Analyzing community development service charges allows the City to evaluate the growth or decline in development. Again, constant dollars are examined in order to evaluate the part of the change that is not due to inflation. Included within this revenue category are building plan check fees, construction inspection fees, and engineering reimbursements. Community development service charges are also relatively elastic in that they vary directly with changes in the economy.

#### *Comments And Analysis*

In 1992-93, total community development service charges dropped 44 percent, or \$468,000 from the prior year. Specific revenue source decreases include engineering and geo-technical fees, construction inspection fees, and public works inspection fees dropping \$119,800, \$121,900, and \$56,620, respectively. Overall, the City experienced a severe drop in community development service charges in comparison to the prior year and are well below the levels reached five years ago in constant dollars and actual dollars. The drop off in this revenue source is the most prominent example of the affects from the lingering economic recession.

---

## Financial Trend Analysis

---

### ***Related Fiscal Policy***

#13 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

### ***Recommendations***

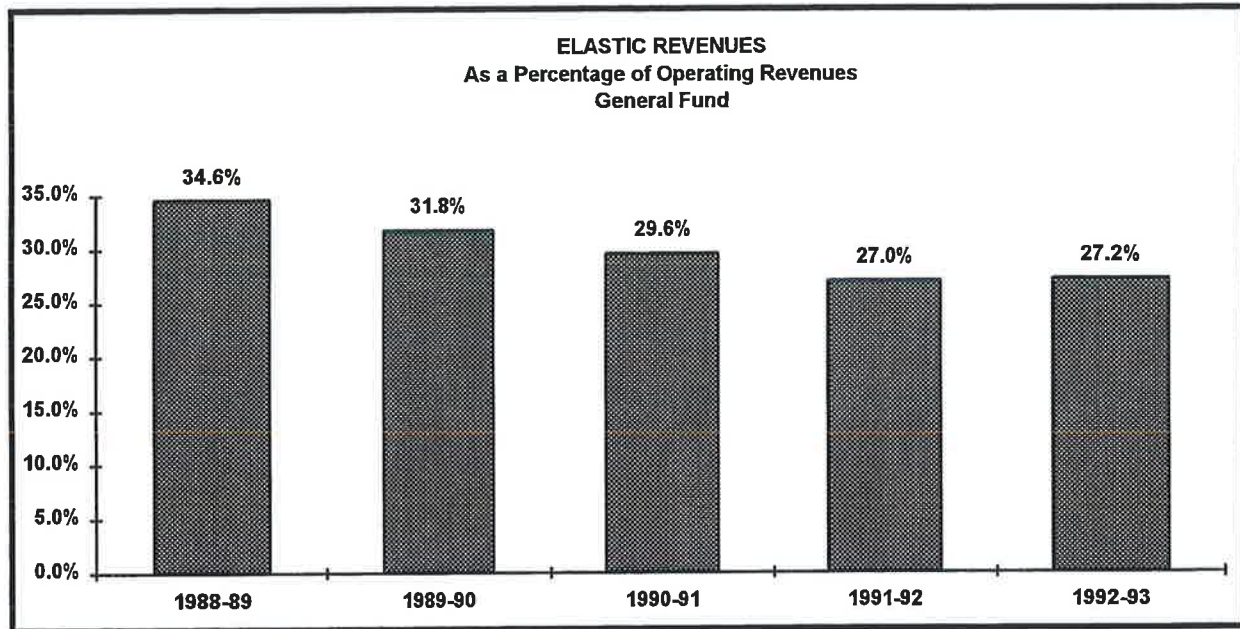
None.

---

## Financial Trend Analysis

---

### Indicator 6



#### Trend: Unfavorable

##### **Description**

Elastic revenues are those that vary directly with changes in the economy. Included in this category are sales tax, transient occupancy tax, in-lieu tax, licenses and permits, and community development service charges. During times of inflation, a high percentage of elastic revenues is desired in order to insulate the government from the higher prices found in the market. During a recession or periods of slow economic growth, elastic revenues tend to decline.

##### **Comments And Analysis**

Elastic revenues as a percentage of operating revenues have steadily declined from 1988-89 through 1991-92 with a modest increase in 1992-93 due to the economic slowdown and resulting recession. The total dollar amount of elastic revenues increased by 1.7 percent over 1991-92 while total net operating revenues increased by 1.1 percent thereby reflecting only a 0.2 percent increase in elastic revenues as a percentage of operating revenues. As noted previously, the City's largest elastic revenue source, sales tax revenue, was up 11.2 percent, or \$282,000, from the prior year. In addition, transient occupancy taxes increased 45.8 percent, or \$140,000. However, community development service charges dropped 44 percent, or \$468,000. With economists continuing to predict a slow recovery from the recession, these revenues must be monitored closely over the next year.

---

## Financial Trend Analysis

---

### ***Related Fiscal Policy***

#13 The City will strive to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

### ***Recommendations***

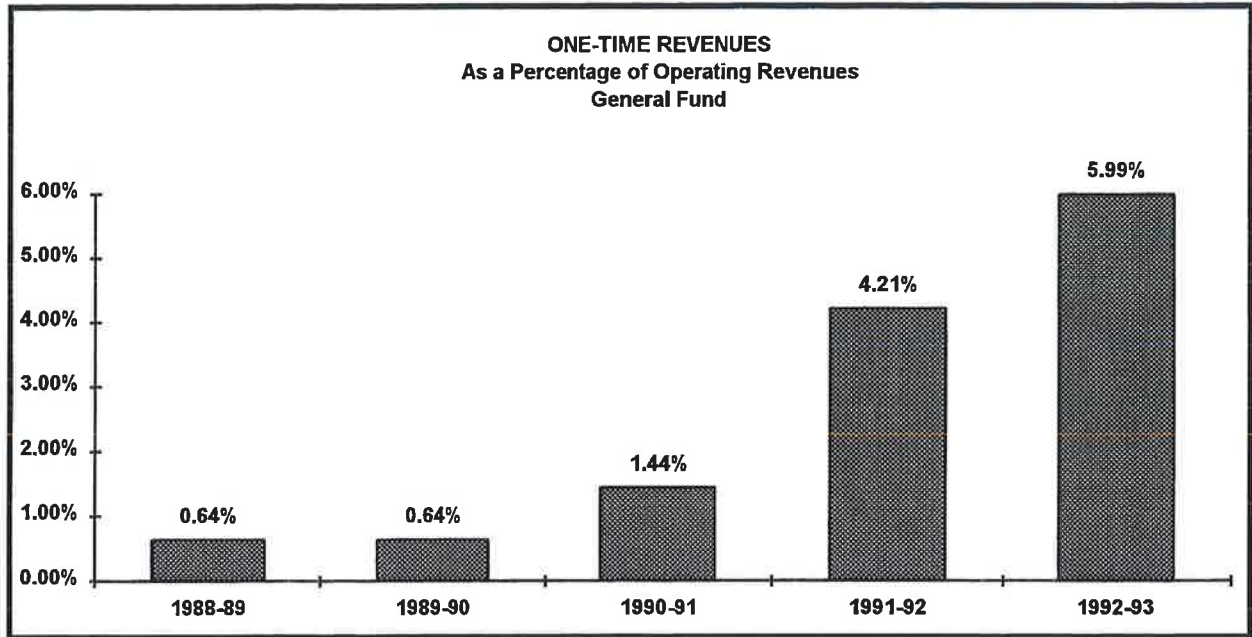
None.

---

## Financial Trend Analysis

---

### Indicator 7



### Trend: Warning

#### *Description*

A one-time revenue is one that is not expected to continue in future years. Examples of such revenues include one-time equity transfers from funds that are being discontinued, single purpose grant revenue, revenue from the sale of assets, and the appropriation of reserves. Continual use of one-time revenues to balance the annual budget is an indication that the revenue base is not strong enough to support the current service levels.

#### *Comments And Analysis*

In 1992-93, one-time revenues increased 43% over the previous year, and have become material in relation to total operating revenues for the second consecutive year. However, because one-time revenues are not anticipated to occur in future years, the City attempts to only apply one-time revenues against one-time expenditures. One time revenues totaling \$1,159,910 for 1992-93 include the Talega Valley fire protection service charge of \$300,000 and operating transfers from the Fleet Replacement Reserve, Drug Asset Forfeiture Fund, and Fire and Medical Fund of \$487,930, \$261,980, and \$110,000, respectively. Only the Fire and Medical operating transfer of \$110,000 and \$180,000 of the total \$300,000 contribution from Talega Valley were directly applied against General Fund operating expenditures. The remaining \$120,000 contribution from Talega Valley was used to increase the General Fund Emergency Reserve to \$629,640. The one-time transfers from the Fleet Replacement Reserve and Drug Asset Forfeiture Fund were used specifically to fund the Police Department employee severance payoffs as a result of contracting police services to the Orange County Sheriff.



---

## Financial Trend Analysis

---

Although a Warning trend has been assigned, the City is operating within the confines of Council adopted fiscal policies, that is, that one time revenues be used only for one time expenditures (e.g. capital, reserves, leave payouts).

### ***Related Fiscal Policy***

#17 One-time revenues will be used for one-time expenditures only (including capital and reserves).

### ***Recommendations***

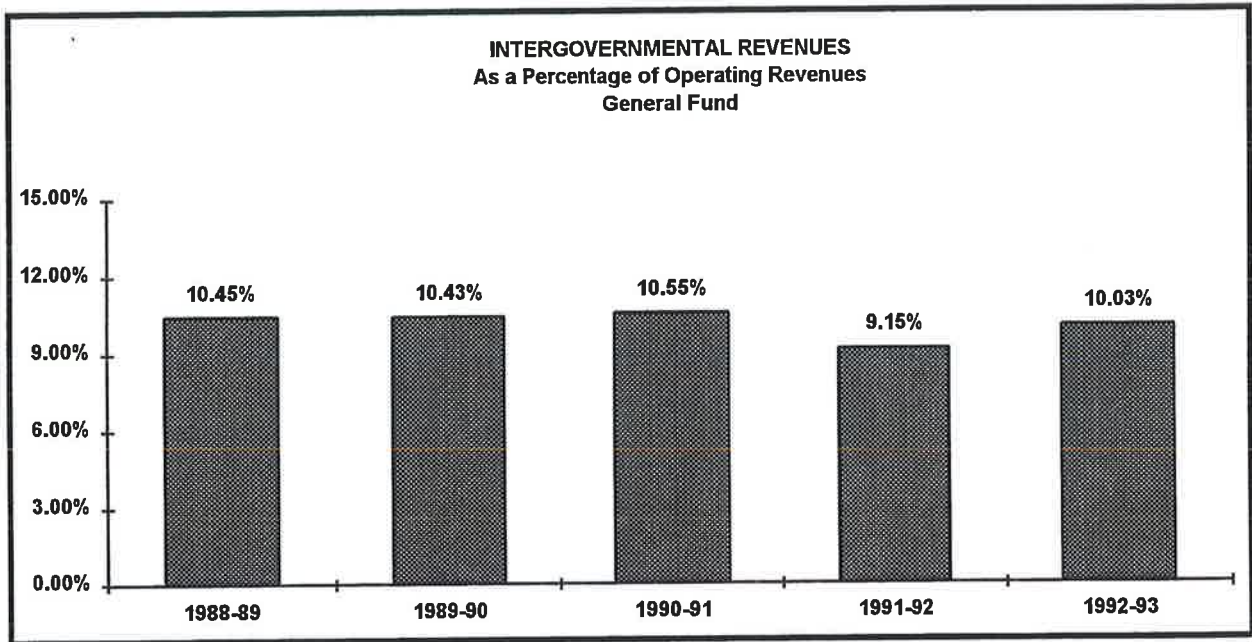
None.

---

## Financial Trend Analysis

---

### Indicator 8



#### Trend: Favorable

#### *Description*

Intergovernmental revenues include State, Federal, and County grants, State shared revenues, and State reimbursements. By analyzing these revenues as a percent of operating revenues, the City can determine the extent of its dependence upon resources from other governments. An excessive dependence on these revenues can be detrimental to the financial health of the City as the factors controlling their distribution are beyond the City's control.

#### *Comments And Analysis*

General Fund intergovernmental revenues as a percent of operating revenues have increased by almost one percent over the prior year. This is due to a 10.8% increase in intergovernmental revenues while operating revenues increased only 1.1%. The increase in intergovernmental revenues is primarily attributable to the \$340,000 increase received in Motor Vehicle Tax which more than offsets the prior years shortfall of \$240,000. This trend is viewed as favorable because the dependence on intergovernmental revenues has remained at approximately the same over the last five years at a relatively low level of 10%. However, this favorable rating should be tempered by the fact that the State and Federal governments are continuing to mandate programs, along with the cost burden, to local governments. Examples of these mandates include compliance with the Federal Americans with Disabilities Act, National Pollution Discharge Elimination System for storm drains, and regulations regarding underground storage tanks and toxic waste disposal. Because of these additional burdens, the City has continued an aggressive pursuit of State mandated cost reimbursements under SB 90. In 1992-93, the City

---

## Financial Trend Analysis

---

was reimbursed \$37,000 from the State for costs incurred on behalf of State mandated programs.

### ***Related Fiscal Policy***

#13 The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.

### ***Recommendations***

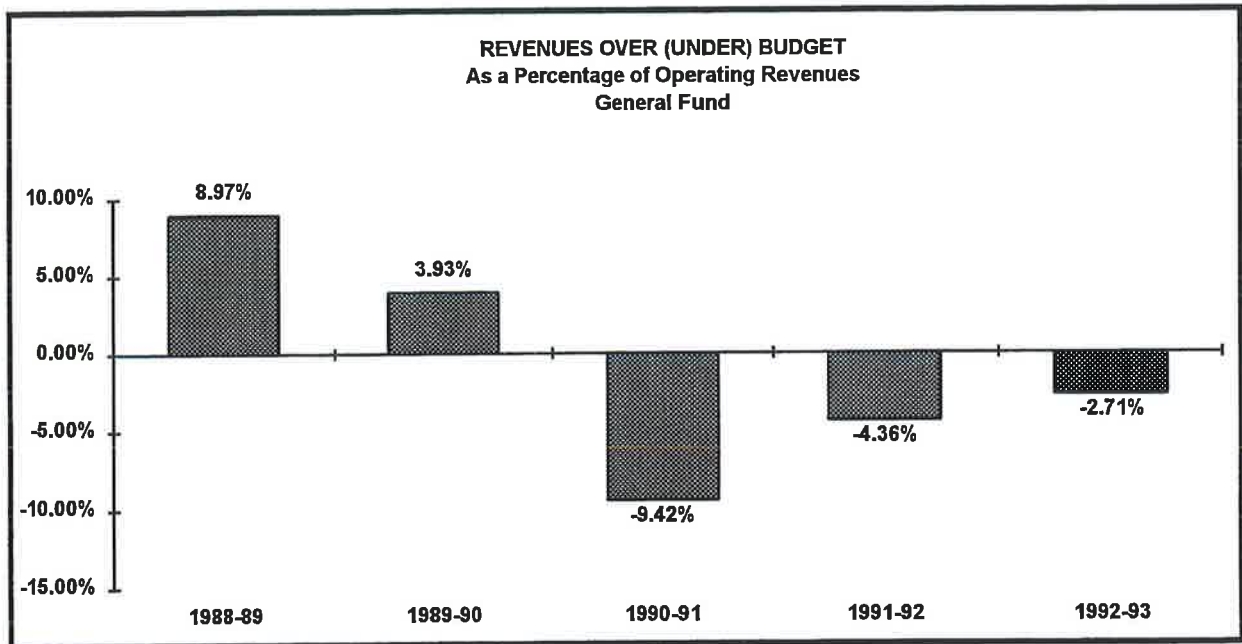
None.

---

## Financial Trend Analysis

---

### Indicator 9



#### Trend: Unfavorable

#### *Description*

Revenue overages/shortages as a percentage of operating revenues examines the differences between revenue estimates and revenues actually received during the fiscal year. Major discrepancies that continue year after year can indicate a declining economy, inefficient collection procedures, or inaccurate estimating techniques.

#### *Comments And Analysis*

Revenue overages/shortages as a percentage of operating revenues has continued to decline over the last five years with revenue shortfalls occurring over the past three years. This decline is primarily the result of the continuing economic recession. In 1992-93, actual revenues came in under budget by \$826,000. Contributing to this shortage were revenue shortfalls in public safety service charges of \$451,000, community development service charges of \$263,000, and property tax revenues of \$253,800.

#### *Related Fiscal Policy*

#6 An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year.

#### *Recommendations*

None.

---

# Financial Trend Analysis

---

## GENERAL FUND EXPENDITURES

General Fund expenditures are largely indicative of the level and types of services the City provides. Changes in the total dollar amount of expenditures can indicate a shift in the level of services delivered, either because demand has changed or because the cost of maintaining existing services has increased or decreased. Expenditures need to be analyzed for more than just a change in the total dollar figure. The types of expenditures the City is committed to also needs to be examined. There should not be a large proportion of fixed costs such as personnel, especially during these recessionary times which has shrunk the City's elastic revenue base.

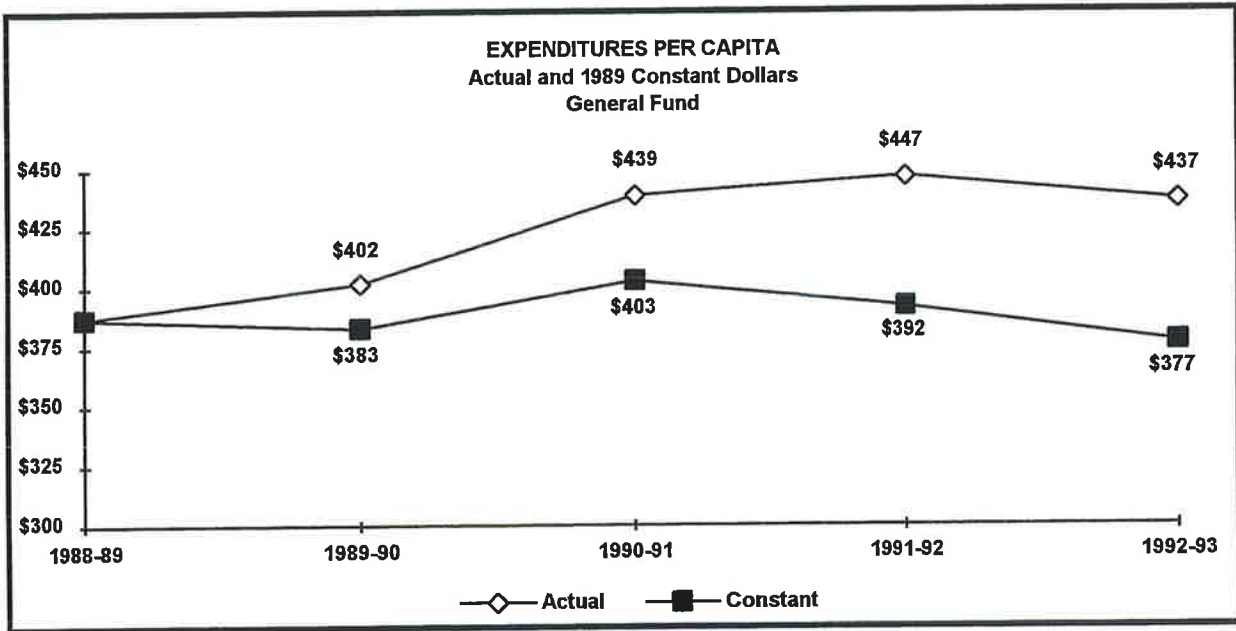
Expenditures in the General Fund continue to reach unacceptable levels in total dollars. Because of the continuing economic recession and the loss of revenues through State mandated action, the City had been forced to cut back on variable costs, such as the postponement of capital outlay replacements and capital improvement projects, the freezing of all employee training programs and the deferral of all supply expenditures that did not have an immediate impact on operations. Next, the City was forced to cut into fixed costs beginning with the elimination of 24.4 positions in 1992-93. This was followed up in 1993-94 with the elimination of 77 positions through the contracting of Police services to the Orange County Sheriff. In addition, the Storm Drain maintenance and improvement program of the General Fund was transferred into the newly adopted Storm Drain Utility Fund. The budget savings obtained in 1993-94 from these two actions amounted to \$1.4 million and \$250,000, respectively.

Even with the action taken to date, the City is still in jeopardy of not maintaining the service levels of the past, while there continues to be an expectation of increased service levels for the future. A full expenditure analysis is provided within the following:

- Expenditures Per Capita
- Employees Per Capita
- Fringe Benefits
- Capital Outlay

# Financial Trend Analysis

## Indicator 10



### Trend: Warning

#### Description

Expenditures per capita demonstrate the change in expenditures relative to the change in population. This indicator gives an overall perspective of the demand for city services as population increases. Increasing per capita expenditures may indicate the costs of maintaining existing service levels are rising or service levels are changing to reflect new demands. A decrease in expenditures per capita could signal the City's inability to maintain current service levels.

#### Comments And Analysis

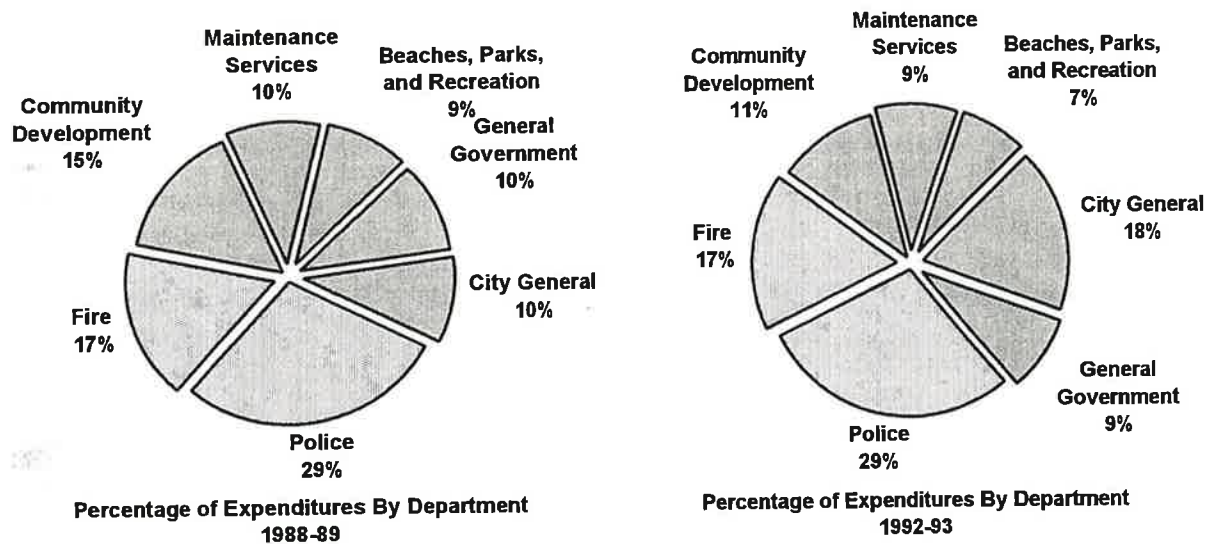
In 1992-93, expenditures per capita slightly decreased in both constant and actual dollars in comparison with the prior year, and have been fluctuating over the last five years with 1992-93 ending up slightly lower in constant dollars than the levels of 1988-89. Actual 1992-93 expenditures were under budget by \$1,637,000 or 7.8 percent. These savings were prompted by the continuing economic recession forcing City management to curtail expenditures. Because actual 1992-93 revenues were expected to come in short of budgeted estimates (in which they ultimately did by \$826,000, or 4.1 percent), all City departments combined in the effort to generate savings throughout the City which included the postponement of capital improvement projects and contractual services, leaving non-essential vacant positions unfilled and transferring of expenditures to other funds were appropriate.



## Financial Trend Analysis

The problems with revenue shortfalls continued into 1992-93 with estimated revenues decreasing by 6.43 percent from the prior year's estimate, requiring a corresponding reduction in appropriations by 6.70 percent. These reductions were accomplished through the contracting of police services to the Orange County Sheriff's department which decreased police service General Fund appropriations by \$1.4 million and by transferring the annual storm drain maintenance and improvement costs of approximately \$250,000 to the newly formed Storm Drain Utility Fund.

### Comparison of Expenditures By Department - 1988-89 vs. 1992-93



Although 1992-93 expenditures are slightly lower in constant dollars in comparison with 1987-88, the distribution of expenditures by function have remained relatively constant except for City General. As demonstrated by the two pie charts above on "Percentage of Expenditures by Department", City General is eight percent larger in 1992-93 as a result of the one-time capital outlay expenditure for the acquisition of the building located at 910 Negocio, San Clemente. This three story 56,988 square foot building was purchased at a cost of \$2.9 million dollars from the proceeds of the \$3,795,000 Certificates of Participation (C.O.P.) debt issuance. The C.O.P. issuance is the City's first general obligation bonded debt since the retirement of the 1964 Beach Acquisition Bonds in 1989 and is to be repaid over a period of thirty years from the sub-leasing of this facility. After backing out this one-time capital acquisition cost from City General, all departments within the City are operating with approximately the same proportion of resources as in 1988-89. Although the proportion maybe the same, the total available in constant dollars is still somewhat less in a time period where service demands continue to increase.

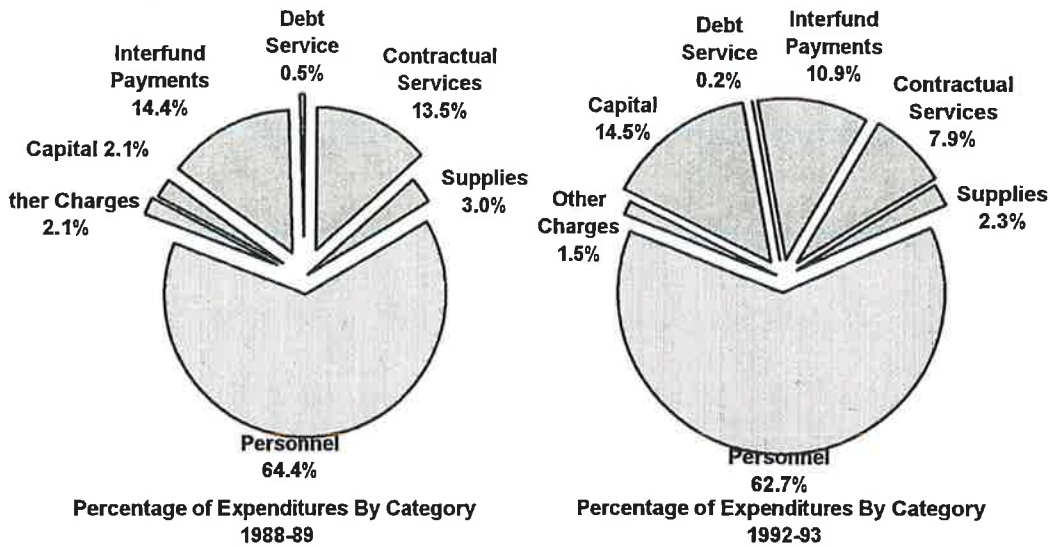


---

# Financial Trend Analysis

---

## Comparison of Expenditures by Category- 1988-89 vs. 1992-93



It should also be noted that the City is spending proportionately the same in all expenditure categories as depicted in the two pie charts on "Percentage of Expenditures by Categories". This is a correction from the 71.1% of personnel costs experienced in 1991-92. Last year, the City dealt with the revenue shortfalls by deferring capital project spending and postponing the purchases of equipment and supplies that did not have an immediate impact on current operations. The net effect of these actions was to increase the portion of expenditures related to personnel. With the elimination of 24.4 positions in the 1992-93 budget, the City has now brought all expenditure categories in proportion to levels of 1988-89 while lowering the total amount of the expenditure per capita in constant dollars.

### ***Related Fiscal Policy***

- #12 The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.
  
- #18 The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.

### ***Recommendations***

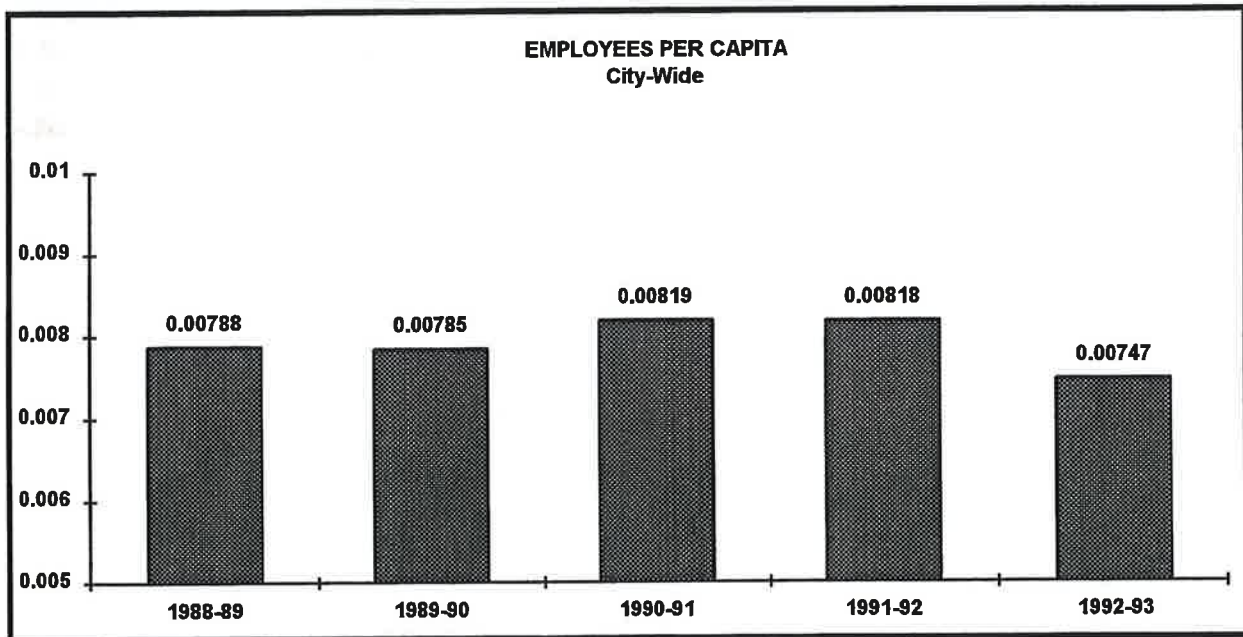
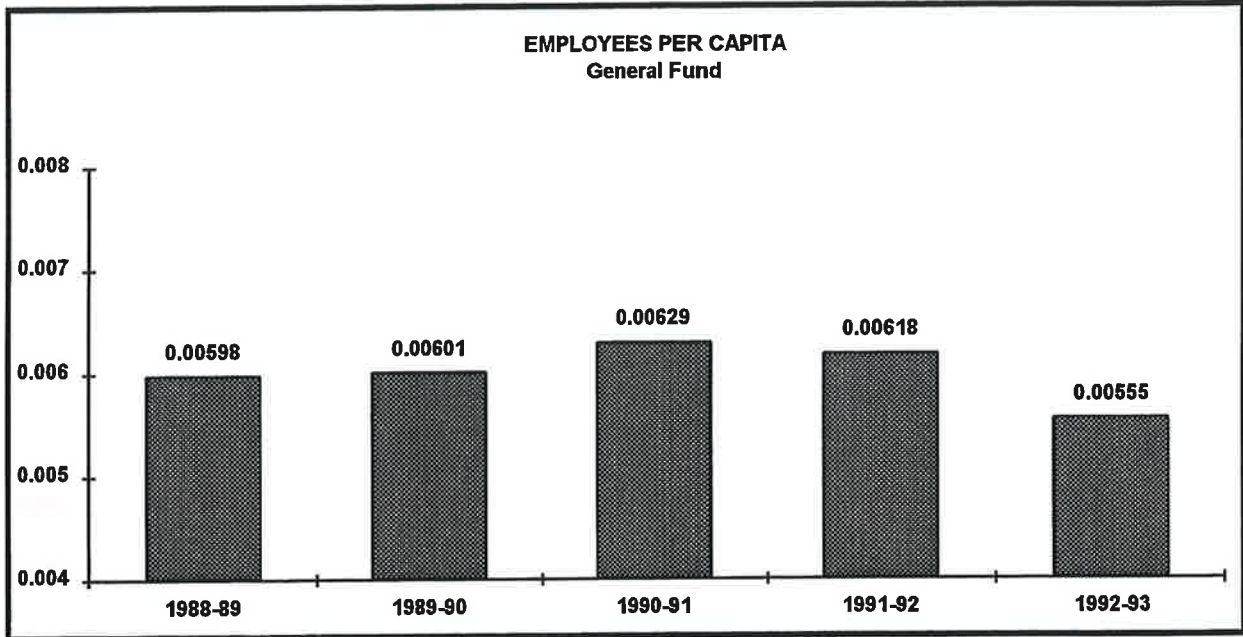
None.

---

# Financial Trend Analysis

---

## Indicator 11



**Trend: Warning**

---

## **Financial Trend Analysis**

---

### ***Description***

The largest portion of the City's budget is allocated to personnel costs. This indicator measures the number of employees per capita. If this figure is rising, it could indicate that the City is becoming more labor intensive or that employee productivity is declining. Conversely, if this figure is declining, it could indicate that employee productivity is increasing; a need for more employees to respond to additional service demands; or the City is becoming less labor intensive.

### ***Comments And Analysis***

The City had a relatively low number of employees in comparison to the number of citizens until 1988-89 when additional staff was added in public safety and community development. The expansion of public safety personnel was necessitated by the opening of Fire Station No. 3, the expansion from two man fire engine companies to three, and the expansion of the Police Departments Community Service and D.A.R.E. programs. The high building and construction activity beginning in the mid-80's required additional planners and engineers that were hired in Community Development.

As a result of the economic downturn, the City has eliminated a total of 24.4 positions within the 1992-93 adopted budget and subsequent Council action as a result of the State budget adjustment in September, 1992. These staff reductions took place throughout City departments in attempt to maintain adequate service levels within the current budget constraints.

As the result of contracting out police services to the Orange County Sheriff's Department, a total of 77 full time equivalent positions were eliminated in the 1993-94 budget. Another 5.45 full time equivalent positions were eliminated City-wide as the result of the continuing economic recession and the loss of revenues to the State.

### ***Related Fiscal Policy***

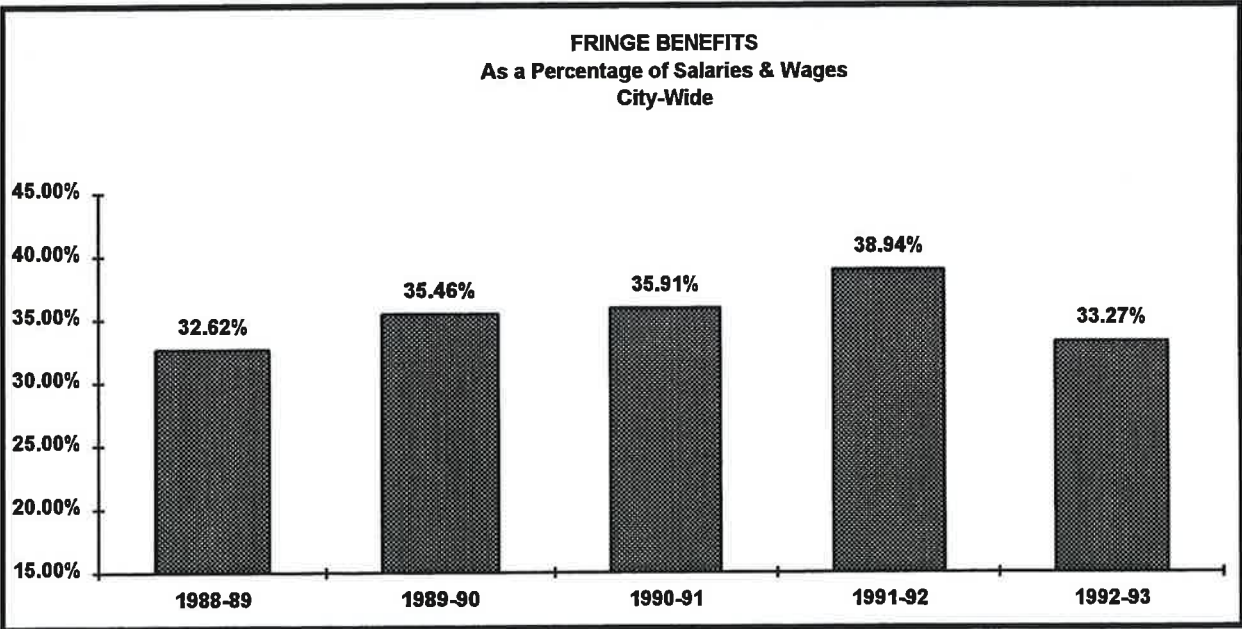
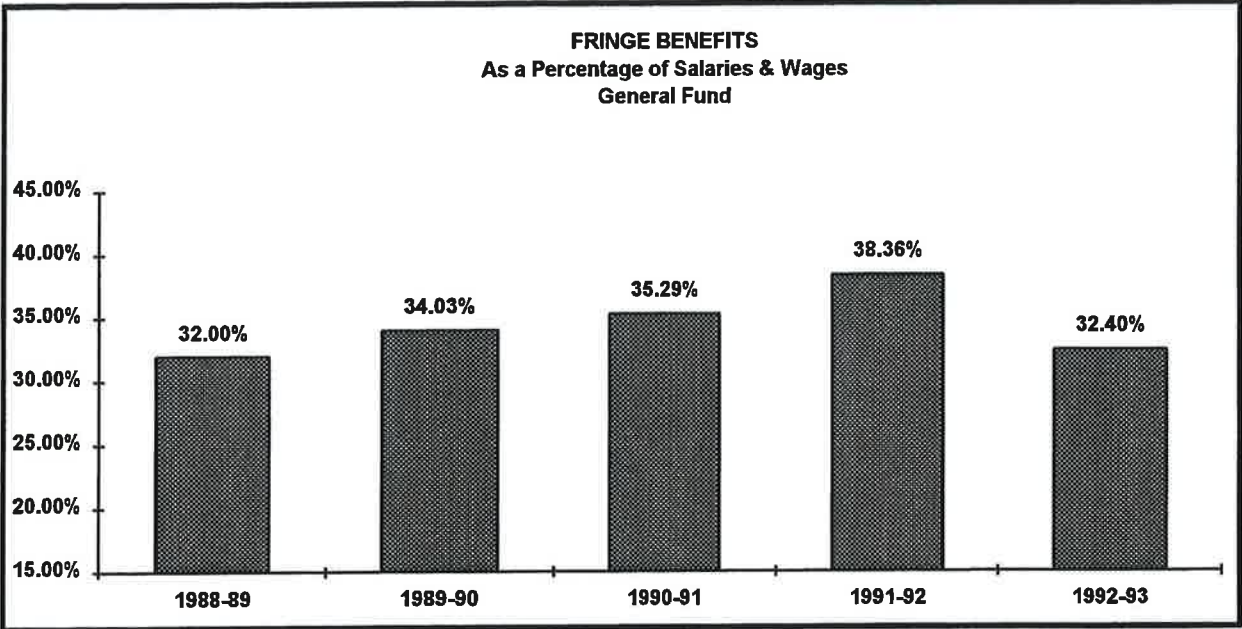
No related fiscal policy.

### ***Recommendation***

None.

# Financial Trend Analysis

## Indicator 12



Trend: Warning

---

## Financial Trend Analysis

---

### ***Description***

Fringe benefits refer to the City's share of payroll taxes, pension plan and deferred compensation contributions, medical, life and disability insurance, worker's compensation funding, educational reimbursements, and auto and uniform allowance. Fringe benefits should be directly related to salaries and wages so any change in the percentage rate would reflect a change in the benefits package or more reliance on temporary help.

### ***Comments And Analysis***

Medical insurance costs have risen from 1988-89 through 1991-92 which has driven up the cost of fringe benefits as a percentage of salaries and wages from 33 percent to 39 percent. City paid medical insurance premiums alone totaled \$1,617,000 and \$1,369,000 in 1991-92 and 1990-91, respectively. However, total City paid medical insurance dropped to \$1,109,000 in 1992-93 attributing to the overall drop in the cost of fringe benefits to 33 percent of salaries and wages. The drop in City paid medical contributions occurred as a result of the excess build up in medical reserves over the past five years. This trend should continue to decrease as the City and employee associations have recently agreed upon a new medical plan that focuses on an HMO as being the dominant provider of medical insurance. Another area of concern is the increasing cost of funding pension premiums. Because of the enhanced pension plan policies for fire and marine safety employees allowing them to retire at the age of 50 with full benefits, pension costs will rise by approximately 50% for these employees over the next two years. In 1992-93, public safety pension premiums, including police officers whose services have subsequently been contracted with the Sheriff, cost the City \$934,477. Total pension premiums for all employee groups cost the City \$1,988,683, \$1,955,606 and \$1,682,751 in 1992-93, 1991-92 and 1990-91, respectively.

Although a warning trend has been assigned, the significant shift downward is the result of a conscious effort to reduce employee fringe benefit costs. It is anticipated that this trend will continue as a result of the medical insurance change which was effected in January, 1994.

### ***Fiscal Policy***

None.

### ***Recommendations***

None.

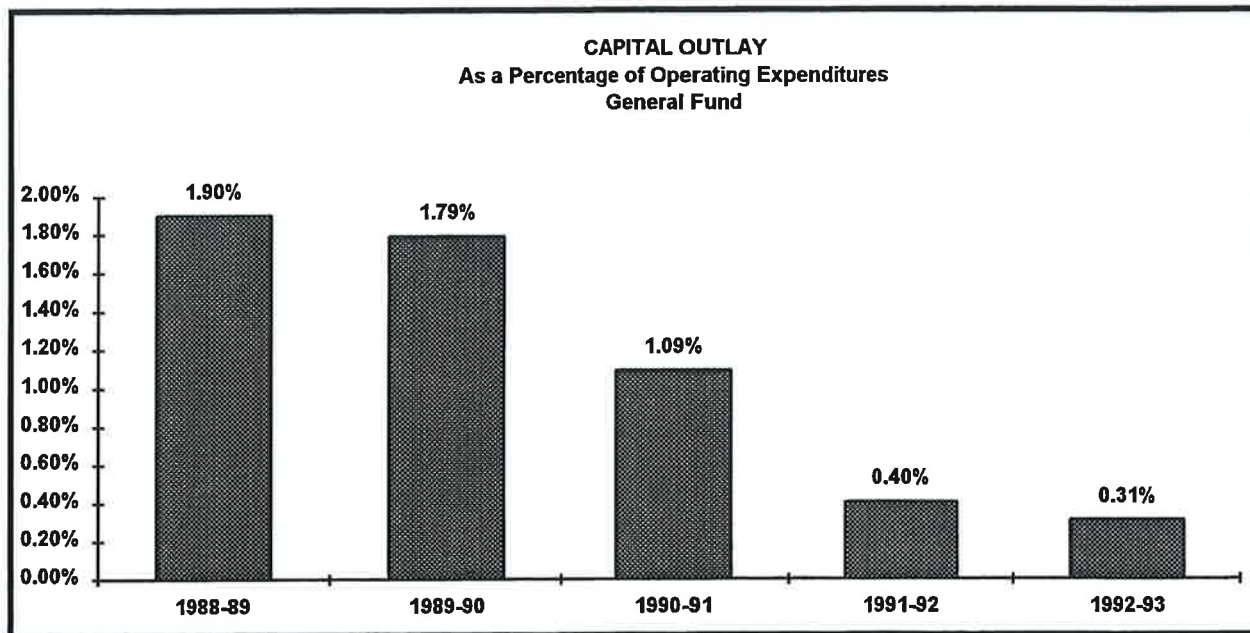


---

## Financial Trend Analysis

---

### Indicator 13



#### Trend: Unfavorable

##### **Description**

The City's capital outlay policy consists of the acquisition of equipment that will last longer than one year and has a minimum cost of \$500. Capital outlay does not include capital project expenditures for construction of improvements or buildings, or for infrastructure such as streets or storm drains. The purpose of capital outlay in the operating budget is to replace worn equipment or to add new equipment. The ratio of capital outlay to net operating expenditures is an indicator as to whether worn or obsolete equipment is being replaced. A decline in this ratio over a period of years can indicate that capital outlay needs are being deferred and that inefficient or obsolete equipment is being utilized. This would not only have the effect of lowering productivity, but would also expose the City to greater liability costs.

##### **Comments And Analysis**

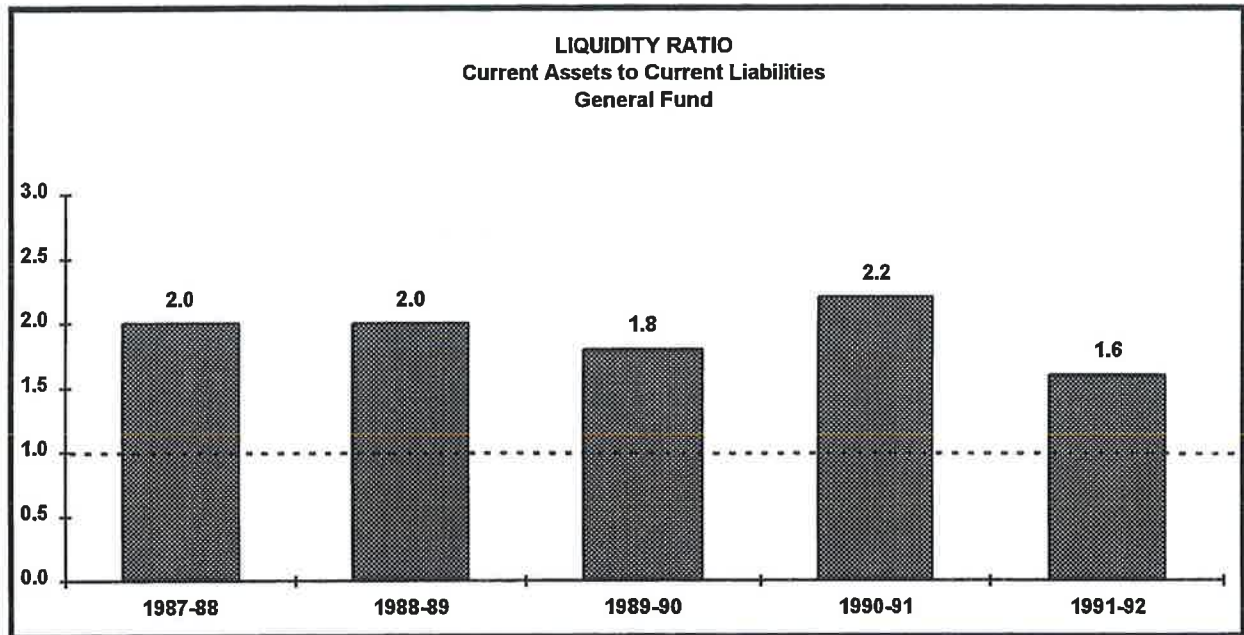
As shown over the last five years, the City is spending less on capital outlay as a percentage of operating expenditures. Total 1992-93 capital outlay expenditures of \$59,385 is down 80 percent from 1989-90. This reduction is not surprising considering the continuing economic recession has required that nonessential purchases to be deferred. However, this analysis also has to be tempered by the fleet replacement policy regarding the acquisition and replacement of City vehicles. This policy requires first time acquisitions of City vehicles to be purchased directly out of the operating budget with replacements being funded from the Fleet Maintenance Internal Service Fund.

---

## Financial Trend Analysis

---

### Indicator 16



#### Trend: Favorable

##### **Description**

Liquidity measures the City's ability to meet short term obligations. Liquidity is measured by comparing current assets to current liabilities. Current assets include cash, short-term investments, accounts receivable, and other assets that can be readily converted to cash. Current liabilities include accounts payable, accrued wages, accrued expenses, and deposits, all obligations that can be immediately demanded for payment. A liquidity percentage of less than 1:1 can indicate insolvency and is cause for alarm.

##### **Comments And Analysis**

In 1992-93, the City's liquidity ratio fell to a 1.6:1 ratio from the prior year's to 2.2:1. This drop is primarily the result of the police severance payoff liability at June 30, 1993 that was subsequently paid out in July.

Credit rating firms consider a ratio of 1:1 as favorable. A 1.6:1 current asset to current liability ratio is excellent.

##### **Related Fiscal Policy**

No related fiscal policy.

##### **Recommendations**

No proposed recommendations.

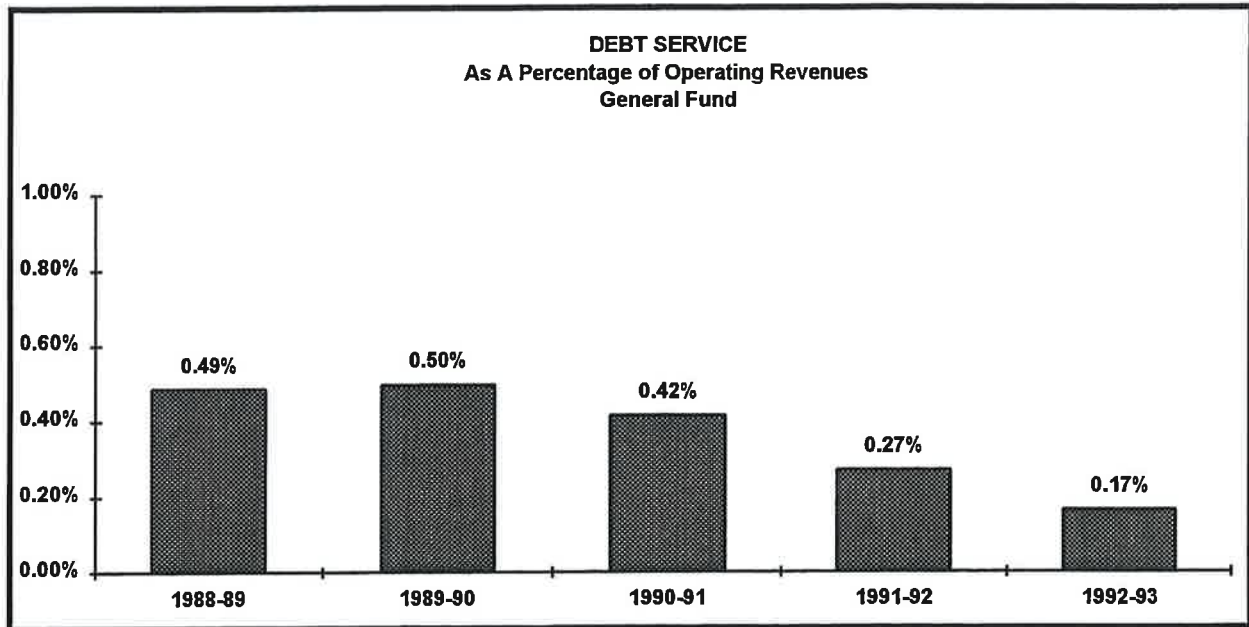


---

## Financial Trend Analysis

---

### Indicator 17



#### Trend: Favorable

#### *Description*

Debt service includes the principal and interest payments on capitalized lease obligations of the City, the only type of General Fund debt service payments incurred by the City over the past five years. It is analyzed as a percentage of operating revenues, the base against which the size of the debt service payment can be measured and compared.

#### *Comments And Analysis*

General Fund debt service receives a favorable trend as it has remained relatively immaterial (less than 1%) in comparison to operating revenues over the last five years. Credit rating firms generally view debt service unfavorable if debt service payments exceed 20% of net operating revenues.

#### *Related Fiscal Policy*

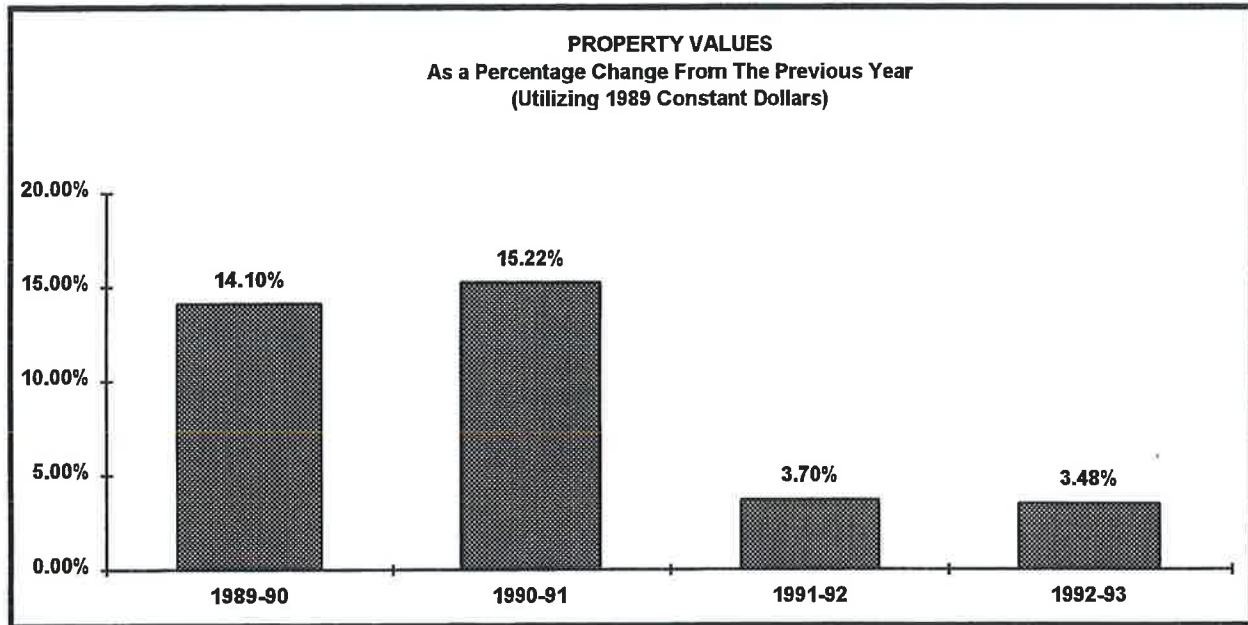
#29 The City will confine long-term borrowing to capital improvements that cannot be financed from current revenues.

---

## Financial Trend Analysis

---

### Indicator 19



#### Trend: Warning

##### **Description**

Property values as a percentage change from the previous year is of primary importance to the City because property tax revenue, comprising 32.2% of total General Fund operating revenue in 1992-93, is the City's single largest source of revenue. The effect of a declining property value on total General Fund revenues is a significant concern considering the City's reliance on property taxes.

##### **Comments And Analysis**

The growth rate in property values as a percentage rate from the previous year has declined over the past two years from a healthy increase of 15.22% in 1990-91 to a rather modest increase of 3.48% in 1992-93. This decline in the growth rate is a reflection of the drop experienced in the housing market over the past couple of years due to the economic recession. This reduced growth rate so far has only limited the increase in property tax revenues received by the City. A decrease in the market value of properties could ultimately lower the amount of property tax revenues the City receives from one year to the next.

---

## **Financial Trend Analysis**

---

### ***Related Fiscal Policy***

#13 The City will try to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

### ***Recommendations***

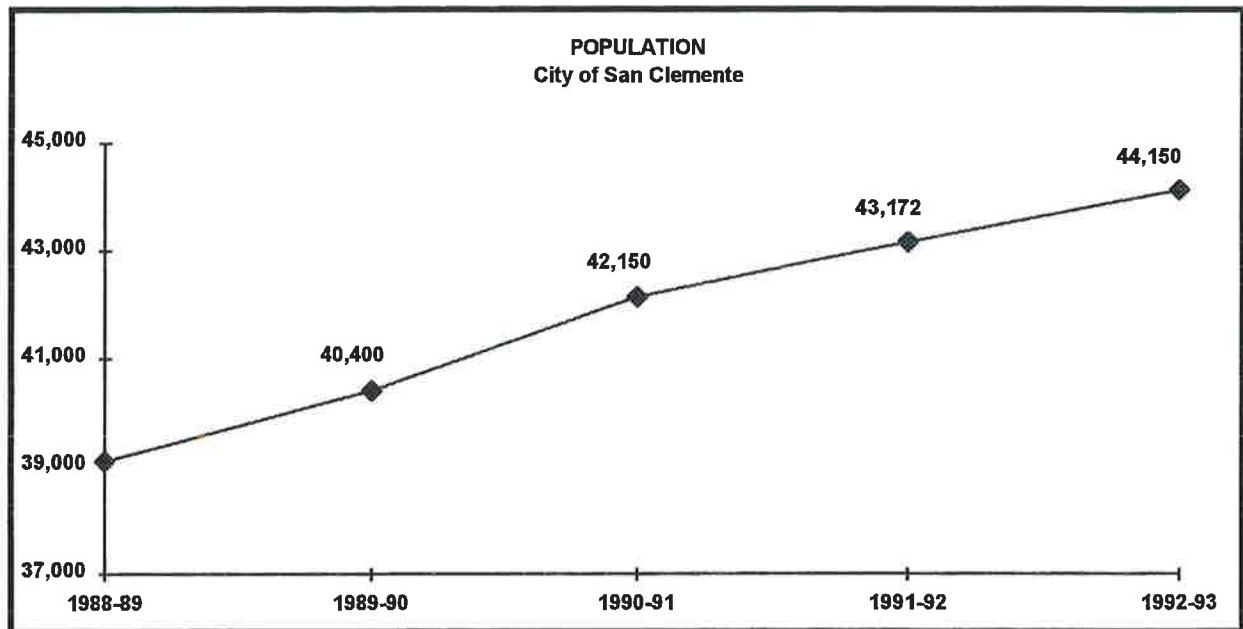
None.

---

## Financial Trend Analysis

---

### Indicator 20



### Trend: Favorable

#### ***Description***

The exact relationship between population change and other economic and demographic factors is uncertain. However, a sudden increase in population can create immediate pressures for new capital expenditures and higher levels of service. Conversely, a rapid decline in population allows for a smaller tax base for spreading City costs that cannot be reduced in the short run, such as debt service, pensions, and governmental mandates.

#### ***Comments And Analysis***

The change in the City's population is considered favorable because this growth has been relatively planned and controlled. This planned growth is allowing the City the opportunity to ensure that the cost of servicing new residents does not exceed the City's ability to generate new revenues, that the level of business activity grows along with the increase in residential development, and that the growth does not strain the sewer system capacity, traffic circulation, and off-street parking.

#### ***Related Fiscal Policy***

No related fiscal policy. Population and growth were factors considered within the recent update of the City's General Plan.

#### ***Recommendations***

No proposed recommendations.

---

# Information Systems Plan





---

# Information Systems Plan

---

**Goal:**

To document the City's Computer 5-Year Action Plan, including progress made to date, and future plans for maintaining and enhancing the City's information based system. Through the use of automation the City will strive to:

- Improve service levels
- Decrease costs
- Improve productivity

**Summary:**

In 1990, the City Council adopted an automation action plan designed to increase staff productivity in a cost effective manner. Although the needs identified by the plan have not been fully funded, through the efficient use of hardware and software the City has achieved nearly all of the goals established in the Computer Action Plan.

The Five Year Action Plan is updated annually by the City's Computer Administration Team. The CAT team has representatives from each department and makes recommendations on the direction of MIS to the City Manager.

Three factors contribute to the challenge of developing a Computer Action Plan:

1. There is a high demand for automation.
2. Funding is limited.
3. Rapid advancements in computer technology.

**Background:**

Since 1987, the City has aggressively pursued improvements through automation. Although funds have been limited, the City has achieved recognition as innovators in office automation and client/server computing. A number of articles in computer and governmental publications have been written describing the high level of automation the City has provided at an exceptionally low cost.

There are three reasons for MIS's low costs:

1. Highly trained MIS staff.
2. Limited use of outside support contracts.
3. In-house, custom written software.



---

# Information Systems Plan

---

## ***The City has accomplished the following major goals in the first two years of the Computer Action Plan:***

- Development of a state of the art Wide Area Network  
Office Automation, E-Mail, Presentation Graphics, Budget
- Development of a full service Financial central server.  
General Ledger, Payroll, Utility Billing, Accounts Payable, Accounts Receivable, Business Licenses, Central Cashiering, Budget Prep, Land Use Legislative History, Subject File Indexing (City Wide)
- Automated Permitting
- Decentralized Budget Prep (AUDIT)
- City Wide Project Tracking (QUEST)
- City Wide Complaint Tracking (STAT)
- Job Applicant Tracking (JOBS)
- Vehicle Maintenance Tracking
- Optical Geobase and Platt Maps (METROSCAN)
- Development of (bit mapped) City Map.
- Long Range Financial Forecasting Models. (FUNDTOOLS)
- Computerized Presentations for Council and cable viewers. (VGA-NTSC)
- Offsite connections for "home office" telecommuting (DIALIN)
- In-house hardware and software support  
(150 micro computers, 35 laser printers, 9 file servers, 1 mainframe)
- In-house staff training and software updates.

## ***MIS is now faced with the following major challenges:***

1. Maintaining the systems as demand increases and the computer infrastructure ages.
2. Providing support as staff needs become more sophisticated.
3. Planning and preparing for the new graphical systems (Windows / UNIX).
4. Providing public access to City data.

## ***The Plan for the next three years:***

Computer technology will change dramatically in the next three years. Staff will need easy access to all of the City Systems. The City's move to the Windows environment will provide that accessibility. Data from Federal, State and Local agencies, currently not available to staff, will be easily accessed through the new communication links ("Data Superhighway"). The Public will want direct access to the City's computer systems from work, home and City Hall. The following Action Plan for the next three years will provide the identified needs of the staff and community. It is important to note that by year three the computer industry will be using technology that *does not even exist today*. This makes it very difficult to accurately predict the future of our systems.

# Information Systems Plan

## Summary of the next three years of the Action Plan:

	1994	1995	1996
<b>Major Objectives</b>	<ul style="list-style-type: none"> <li>• Provide computers and access for all administrative staff.</li> <li>• Implement hardware maintenance/ upgrade program</li> <li>• Continue to implement Com Dev Geobase (75% completed by end of '94)</li> <li>• Develop Project Cost\Accounting</li> <li>• Refine Complaint Tracking system.</li> <li>• Link Project Tracking to Cost Accounting</li> <li>• Upgrade Part time Computer Tech to full time position.</li> <li>• Implement "Group Scheduling" program.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop City Wide Access to Geobase system.</li> <li>• Implement "Windows" based applications on the network.</li> <li>• Provide Electronic Forms for staff and citizen's use.</li> <li>• Provide in-house City wide training in new systems and applications.</li> <li>• Implement new UNIX Client /Server financial systems</li> <li>• Provide City Council access to new systems</li> </ul>	<ul style="list-style-type: none"> <li>• Develop new UNIX Client /Server Geobase systems.</li> <li>• Complete implementation of new UNIX windowed environment.</li> <li>• Provide public and staff access to graphical Geobase</li> <li>• Implement Offsite (home office) telecommunications link.</li> <li>• Add a full time position to the MIS staff for management of the new UNIX environment.</li> </ul>
<b>Results of Major Objectives</b>	<ul style="list-style-type: none"> <li>• Increased staff productivity through use of automation.</li> <li>• Improved staff accountability, efficiency and accuracy due to project tracking and cost accounting.</li> <li>• Increased productivity of MIS staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased management productivity through use of new Windows environment</li> <li>• Improved communication between staff and Council by providing "user friendly" access to systems.</li> <li>• Reduction in paper work due to increased use of electronic forms</li> </ul>	<ul style="list-style-type: none"> <li>• Increased management of new development within the City.</li> <li>• Improved permit processing and timely response to requests for service.</li> <li>• Increased accessibility to all City systems .</li> </ul>
<b>Costs</b>	<b>\$100,000</b>	<b>\$75,000</b>	<b>\$100,000</b>

### Recommendation:

Adopt the Computer Action Plan and direct staff to continue to address the goals of the plan within the resources available.

---

## Information Systems Plan

---

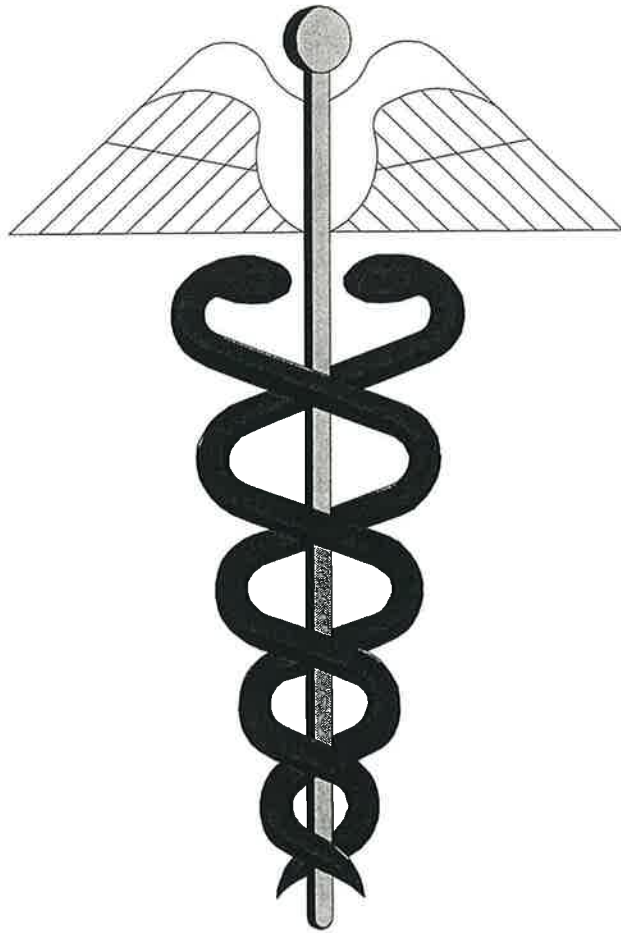
### Fiscal Impact:

To meet the objectives for 1994-95, an additional expenditure will be required:

<b>Item</b>	<b>Increase</b>
Part Time Position to Full Time	\$25,000
4 Data Lines (Com Center, Corp Yard, Water, 56KB)	5,000
Mandatory Support Contract Increase	1,200
Hardware Supplies (upgrade/repair of aging equipment)	25,000
Software Upgrades (Windows, WP 6.0, Groupware)	8,000
Capital Purchase of new computers/software	25,000
<b>Total</b>	<b>\$100,000</b>

---

# Medical Insurance Plan





# Medical Insurance

## Health Plan Comparison:

After accepting bids from interested providers, the Committee thoroughly examined each proposal and outlined the pros and cons of each. The key features of this analysis follows:

### Health Plan Comparison

<b>Plan</b>	<b>Comments</b>	<b>Pros</b>	<b>Cons</b>
TakeCare	Current Provider	Large Provider Network No Change in Doctors No Transition for Employees	Costs Not Competitive Some dissatisfaction with plan
PERS	11 HMO's/2 PPO's in Orange and San Diego County Admin. fee is ½ of 1%, but could go up to 4% & could require up to 4% reserve No change in rates if employee population decreases.	Numerous choices for employees Costs for Benefit Consultant eliminated (\$30,000) Plan designed for Fire (CPFA) available Retiree coverage available	Cost of HMO significantly higher than other plans The PERS Choice PPO plan has no limit for out-of-network costs City will have no individual claims experience Claims administration shifted to PERS. Loss of control by City
HealthNet	Rate increases will be capped for 1995 at 6.5% HMO and 12% POS Point-Of-Service (POS) plan will be offered in lieu of a PPO plan	Least expensive HMO Large HMO Network Employees can manage their own health care costs under POS plan Significant savings Provides credit incentive for employees enrolled in HMO	Limited POS Network Employees pay for choice of POS plan, even if POS is not used
CIGNA	Did not submit a bid because the City's employee population is too small	N/A	N/A
Blue Cross	Plan similar to TakeCare plan	N/A	Costs not competitive

---

## Medical Insurance

---

Each of the above plans was subjected to a comprehensive review by the Committee and a copy of the plans were made available to interested employees for their review and comment.

The Point-Of-Service (POS) plan offered by HealthNet is a relatively new concept in health care and deserves further explanation. In the POS plan, the employee selects a primary care physician which is similar to a HMO plan. If the employee visits his/her primary care physician, there is a \$10 copay with no deductibles and no out-of-pocket maximums and a hospital visit is paid at 100%. If the employee does not want services from their primary care physician, they can visit any specialist in the HealthNet network. There is, however, a \$25 copay, and if the employee requires hospitalization, the plan will pay 80% of the costs. Finally, if the employee chooses to go out of the HealthNet network, the insurance will pay 70% of the claims with a \$300 deductible. This concept offers the employee an option of choice with a managed care approach for health care.

In addition to the above information, two exhibits prepared by Towers Perrin are provided as supplemental information. These include:

Exhibit A: Describes the current plan design with TakeCare.

Exhibit B: Describes the plan design for TakeCare which would become effective January 1, 1994, and compares this plan to PERS Care, Blue Cross, HealthNet and PERS CPFA (Fire).

The committee also compared the annual health insurance premiums for TakeCare (excluding vision) for 1993 versus the annual premiums for each of the proposed health plans for 1994 as follows:

### **Annual Premiums**

	<b>PPO</b>	<b>HMO</b>	<b>Total</b>	<b>\$ Change</b>	<b>% Change</b>
Current	\$998,171	\$186,259	\$1,184,430	N/A	N/A
TakeCare	\$1,090,774	\$186,259	\$1,277,034	\$92,604	7.8%
PERS	\$915,696	\$202,088	\$1,117,784	(\$66,646)	-5.6%
Blue Cross	\$1,006,599	\$173,956	\$1,180,555	(\$3,875)	-0.3%
HealthNet	\$868,756	\$172,037	\$1,040,793	(\$143,637)	-12.1



---

# Medical Insurance

---

## **Goal:**

To document the conclusions of the recent report prepared by the Medical Insurance Task Force, as well as provide further recommendations to provide employees with more efficient and cost effective medical plans and to promote a wellness program which will continue to provide for their safety and well being.

The City has examined several alternatives to significantly reduce the operating costs of the City over the long term. One alternative is to reduce the premiums the City contributes to employees to pay for medical, dental and vision coverage. The purpose of this report is to review the recommendations, alternatives and conclusions of the Medical Insurance Committee and to explore the implementation of a comprehensive wellness program.

## **Summary:**

Labor negotiations with SCCEA (San Clemente City Employees Association), SCFA (San Clemente Firemen's Association), Mid-Management, Confidential, and Executive Management for the 1993-94 fiscal year revolved largely around pay and benefit issues. An agreement was reached with SCCEA in August, which included a provision that established an Insurance Committee to comprehensively evaluate the City's medical insurance program. This was in response to the City's position that all medical insurance premiums would be "capped" at the current managed care, or HMO, rate. These rates are discussed further below.

The objectives of the Committee were twofold:

1. **Cost Savings:** A reduction in rates which would reduce total medical insurance premiums by approximately \$200,000 annually. This would require that the City's contribution to employee medical insurance would be significantly reduced.
2. **Medical Plan:** In order to contain costs, examine all alternatives relating to managed care, plan design changes and changes in medical providers.

---

## Medical Insurance

---

At the request of SCCEA, and with concurrence from all other groups, a committee was formed as follows:

- 4 voting members from SCCEA
- 1 voting member from SCFA
- 1 voting member from Executive Management
- 1 voting member from Mid-Management \ Confidential
- Facilitator (Director, Office of Management and Budget)
- City's Benefit Consultant (Towers & Perrin)
- Staff member (Human Resources Administrative Analyst)

The Committee began their meetings on August 23 and the process was concluded on October 4. For reasons outlined below, the committee quickly focused on the possibility of changing medical providers. To that end, Towers & Perrin was asked to solicit bids from other major carriers that have extensive networks in the Orange County/San Diego County area.

---

## Medical Insurance

---

### *Vision & Dental Coverage:*

The Committee also examined current vision and dental coverage. The recommendation of the Committee was to make no change in the dental plan (Delta) since excellent coverage is provided and the plan is a self insured plan. The following vision program alternatives were examined:

### *Vision Plans*

	Type	Deductible	Exam	Frames	Lenses
TakeCare	Pays 80% to \$200	None	No more than 2 in 12 months	No Limit	No more than 2 pair per calendar year
VSP	Prepaid	\$25	12 months	24 months	12 months
Blue Cross	Prepaid	\$25	12 months	24 months	12 months
HealthNet	Prepaid	None	\$5 copay	24 months	24 months, unless prescription changes, then 12 months

---

## Medical Insurance

---

### **Health Plan Costs:**

After a comprehensive review of each health plan, the Committee focused its attention on the costs of each plan. The following cost comparisons for TakeCare, PERS Care, PERS CPFA (Fire), Blue Cross, and HealthNet include all costs (medical, dental and vision):

### **Premium Rate Comparison**

<b>Plan</b>	<b>PPO</b>	<b>HMO</b>
TakeCare		
Employee	\$299.39	\$163.26
Employee + 1	\$631.74	\$350.87
Employee + Family	\$894.94	\$500.89
PERS Care		
Employee	\$286.06	\$201.60
Employee + 1	\$539.77	\$374.18
Employee + Family	\$730.67	\$522.00
PERS CPFA (Fire)		
Employee	\$209.06	N/A
Employee + 1	\$386.77	
Employee + Family	\$503.67	
Blue Cross		
Employee	\$279.29	\$158.70
Employee + 1	\$581.14	\$327.90
Employee + Family	\$837.44	\$475.67
HealthNet		
Employee	\$248.89	\$158.32
Employee + 1	\$494.37	\$313.24
Employee + Family	\$718.61	\$455.98

As indicated in the preceding table, the total premium that would be paid to the current provider, TakeCare, amounts to \$895 for family coverage. This compares to \$719 for the comparable HealthNet Point-of-Service plan and \$504 for the PERS CPFA (Fire) plan. Of these amounts, the City, under the proposal outlined in the next section, would contribute a maximum of \$550 which is (under family coverage) \$106 less than the City currently contributes for family coverage.

### **Wellness Program:**

An important part of any managed care health program is the introduction of a wellness program. A wellness (health promotion) program is defined a broad range of employer sponsored facilities and activities designed to promote safety and good health among employees. The purpose of the wellness program is to increase worker morale and reduce the costs of accidents and ill health such as absenteeism, lower productivity and health care costs. The programs may include such programs as smoking cessation, health risk appraisals, diet

---

## Medical Insurance

---

information and weight loss, stress management and high blood pressure screening. This would be a voluntary program for employees.

Human Resources will be working with HealthNet who has a Wellness Consultant on staff to develop a successful wellness program. In addition, staff will join the Orange County Wellness Coalition to gain valuable information on the types of wellness programs in the community and network with other agencies that provide wellness programs.

### Recommendations And Conclusions:

After a thorough analysis of the information summarized in this report, the following is the Committee's majority recommendation:

- General, Management and Confidential employees will enroll in the HealthNet health insurance and vision plan. The City, for each employee, will cap payments as indicated in the table below. The table compares the rates the City would pay effective January 1, 1994 for the proposed TakeCare coverage versus the monthly cap for the HealthNet plan:

Rate Comparison-Monthly Cap Vs TakeCare Premium for General, Management and Confidential Employees

Coverage	Monthly City Cap	Monthly Costs- Takecare PPO Plan	Difference In Monthly Premiums
Employee Only	\$182.00	\$299.39	\$117.39
Employee+1	\$387.00	\$631.74	\$244.74
Employee + Family	\$550.00	\$894.94	\$344.94

In order to encourage participation in the managed care, or HMO plan, the City will provide an incentive whereby the employee may opt to use 50% of the savings (i.e. \$550 less \$455 for HMO plan) to purchase either deferred comp or life insurance. This incentive may also encourage more of the employees to enroll in the HMO plan. Thus, both the City and employee will benefit if the employee opts for the managed care HMO plan. The savings for each level of participation on a monthly basis is as follows:

### Incentive Credit

Employee Coverage	Monthly Credit To Employee
Employee Only	\$11.84
Employee + 1	\$36.88
Employee + Family	\$47.01

---

## Medical Insurance

---

Employees who opt for the HealthNet Point-of-Service plan will, however, pay considerably more for this enhanced coverage per month which is indicated below:

### **Costs to Employee-POS Plan**

Employee Coverage	Monthly Cost To Employee For POS Plan
Employee Only	\$66.87
Employee + 1	\$107.37
Employee + Family	\$168.61

Sworn fire employees will enroll in the PERS health plan and a vision plan that will be self-administered by the City and will receive 50% of the savings as a credit incentive. The City, for each sworn employee, will pay a cap on the health, dental and vision benefits with no negotiations of the cap until costs have exceeded the cap. The following table compares the rates the City would pay effective January 1, 1994 for the TakeCare coverage versus the monthly cap for the PERS health plan:

### Rate Comparison-Monthly Cap Vs TakeCare Premium for Fire Employees

Coverage	Monthly City Cap	Monthly Costs-Takecare \$200 PPO Plan	Difference In Monthly Premiums
Employee Only	\$209.06	\$299.39	\$90.33
Employee+1	\$387.00	\$631.74	\$244.74
Employee + Family	\$550.00	\$894.94	\$344.94

The City will pursue the implementation of a wellness program for city employees and their dependents. The costs of the program will be determined after the City has gained approval to implement the program and had an opportunity to evaluate the types of wellness programs that will be offered to employees and their dependents.

---

## Medical Insurance

---

### Fiscal Impact:

The City and employee bargaining units have agreed to cap the rates for health, dental and vision insurance. This results in significant savings for the City while providing adequate health care for City employees. The table below summarizes the total costs for health, dental and vision insurance on a monthly basis for 1994:

### *Costs for Management, Generals, and Confidential*

	Total Premium	City Pays	Incentive to Employee	Employee Pays	Annual Costs City	Annual Costs Employee
<b>HealthNet- HMO</b>						
Employee	\$158.32	\$158.32	\$11.84	0	\$87,803	0
Emp.+ 1	\$313.24	\$313.24	\$36.88	0	\$205,871	0
Emp.+ Family	\$455.98	\$455.98	\$47.01	0	<u>\$446,655</u>	0
					\$740,329	
<b>HealthNet- PPO/POS</b>						
Employee	\$248.89	\$182.00	0	\$66.89	\$2,184	\$803
Emp.+ 1	\$494.37	\$387.00	0	\$107.37	\$32,508	\$9,019
Emp.+ Family	\$718.61	\$550.00	0	\$168.61	<u>\$46,200</u>	<u>\$14,163</u>
					\$80,892	\$23,985

---



# Medical Insurance

## Costs for Fire (Sworn) Employees

	Total Premium	City Pays	Incentive to Employee	Employee Pays	Annual Costs City	Annual Costs Employee
PERS- CPFA						
Employee	\$209.06	\$209.06	0	0	\$20,070	0
Emp.+ 1	\$386.77	\$387.00	0	0	\$4,644	0
Emp.+ Family	\$503.67	\$550.00	\$23.17	0	<u>\$138,600</u>	0
					\$163,314	\$0

The costs to implement the Health Net and PERS health insurance plans and the credit incentive for employees enrolled in the HMO during 1994 amounts to \$984,535. Of the 181 General, Management, and Confidential employees, 15 enrolled in the Point-of-Service Plan in 1994, while 166 enrolled in the HMO plan. This compares to 139 enrolled in the previous TakeCare PPO plan and 42 in the previous TakeCare HMO plan. This shift to a managed care approach to health care results in significant savings and, obviously, benefits both the City of San Clemente and its employees.

Based on this information, the projected costs for health, dental and vision insurance for fiscal year 1993-94 will be:

### Current Budget Costs Vs Revised Budget Costs for FY 1993-94

	Costs
Budget For Medical, Dental & Vision Costs for FY 93-94	\$1,343,271
Revised Budget Costs for FY 93-94 by changing to HealthNet and PERS effective Jan. 1, 1994	\$1,163,903
<b>TOTAL:</b>	<b>\$179,368</b>

---

## Medical Insurance

---

The cost savings to the City to implement the Health Net and PERS health plan for Fire employees and the credit incentive for employees enrolled in the HMO for FY 1993-94 will be \$179,368. It is projected there may be more savings in 1994 if more employees enroll in the HMO as a result of the credit incentive.

Another impact of changing from TakeCare to Health Net and PERS for Fire is the City will no longer need to fund a health insurance reserve. Currently, there is a total of \$406,000 set aside in the health insurance reserve account. TakeCare has indicated that the City may be responsible for paying more than the current reserves to pay remaining claims. Towers Perrin, the City's benefit consultant, is negotiating with TakeCare to decrease the payment to TakeCare since the City now has less employees as a result of the Police Services contract which reduced city staff by 77 employees. If the claims are not paid, TakeCare will return the reserve funds to the City. However, it is estimated that the entire \$406,000 will be used to pay off claims.



---

# Overhead Analysis





---

# Overhead Analysis

---

## Goal:

In order to ensure that the City's General Fund is being reimbursed for all support costs provided to other funds and the public at large, the City Council directed staff to complete a comprehensive overhead analysis. Overhead costs for this purpose is defined as the indirect costs necessary to support the direct costs in providing a specific service. For example, the overhead costs to provide water services would include accounting, human resource, and data processing support.

There are five main objectives of the overhead analysis:

1. Develop and implement a full central services cost allocation plan for use in recovering the cost of services provided by the General Fund to:
  - Internal Service Funds, Enterprise Funds, Redevelopment Agency, and the Lighting and Landscaping Assessment Fund through General Fund overhead charges;
  - Special Revenue and Capital Projects Funds through the use of indirect overhead rates that will be applied to the General Fund personnel costs incurred.
2. Develop a central service cost allocation plan that conforms to the Federal grant reimbursement guidelines established in OMB Circular A-87. OMB Circular A-87 does not allow for the distribution of "general government" costs (i.e., City Council, City Treasurer, City Clerk, etc.) since these services would be provided whether or not the City had Federal programs. This plan will ensure that the City will recapture all costs allowable under Federal entitlement guidelines.
3. Preparation of indirect cost rates for billing on a time and materials basis. This will ensure that the City recaptures all costs incurred in providing services to those outside the organization including the State, for mandated cost reimbursements, and for those services provided to the general public.
4. Capture and illustrate the total cost of each program within future budget documents.
5. Adjust the 1993-94 budget to reflect additional General Fund overhead revenue that is owed to the General Fund as a result of this overhead analysis.

---

# Overhead Analysis

---

## Summary:

As a result of the Cost Allocation Plan recently completed for the City by David M. Griffith & Associates (DMG), we have now determined that the City's General Fund is entitled to additional General Fund Overhead charges of \$264,740 for fiscal year 1993-94. In addition, by updating the Cost Allocation Plan in March of 1994, we will have the capability of submitting a 1994-95 budget that will show the proposed salaries and employee benefits of all General Fund employees entirely within General Fund programs. The recapturing of the cost of employee services to other funds will be done entirely through General Fund overhead charges. This will provide for a more accurate way of determining the appropriate costs to charge other funds along with a more user friendly budget format.

As part of the cost allocation project performed by DMG, indirect cost rates by General Fund program were developed, as well as a central service cost allocation plan that is in conformance with Federal OMB Circular A-87. These two components of the work performed by DMG will ensure that the City will be receiving maximum reimbursement for all work performed under Federal grant guidelines, and for all services provided to other governmental agencies and the public at large.

## Background:

### *Definition and Analysis*

The purpose of a cost allocation plan is to identify the total program costs of providing municipal services to the citizens of San Clemente. As with most organizations, whether private or public, the costs of providing services can be classified into two categories: *direct or indirect*. Direct costs are those which can be specifically identified with a particular service, such as street maintenance, police protection, wastewater treatment or planning. Indirect costs are not readily identifiable with a particular operating program, but rather are incurred for a joint purpose which benefits more than one objective. Common examples include accounting, purchasing, human resources management, building maintenance, and utilities. Although these costs are not readily identifiable with direct operating programs, they are nevertheless incurred by that organization in providing a service or product. As such, it is essential that a method be developed to distribute indirect costs to operating programs if the total cost of a program is to be identified.

Indirect cost rates, which can be applied to the direct cost of providing a service in deriving the total cost for billing purposes, can be computed for the City as a whole once the direct and indirect cost base has been determined. In its most basic format, the indirect cost rate is developed by dividing total indirect costs by the total direct cost. By applying the overall indirect cost rate to any particular cost objective, the total cost of the program can be derived. For example, if the overall indirect cost rate were computed at 28.5%, the total cost for a direct cost program of \$100,000 would be \$128,500 ( $\$100,000 \times 1.285$ ).



---

# Overhead Analysis

---

## ***Definition of Current Situation***

The last time the City completed an in depth overhead analysis was in January, 1983 through the services of Management Services Institute (M.S.I.). Since that time, the City has done only simplistic modifications to the General Fund overhead rate charges to other funds. No other overhead rates have been analyzed and the City has gone through several major departmental reorganizations since 1983.

In May of 1993, the City contracted with David M. Griffith & Associates (DMG) to develop an Overhead Cost Allocation Plan. At that time, it was hoped that the Overhead Cost Allocation Plan developed could be incorporated into the final 1993-94 budget adopted in July. However, due to the relatively short time period allowed, it became apparent that this deadline would not be possible.

City staff has since decided to include the results of the overhead analysis as part of the Long Term Financial Plan update as of January, 1994 and to ask City Council to adjust the 1993-94 budget in accordance with the recommendations of staff and DMG.

## **Alternatives:**

1. Accept DMG's cost allocation plan and adjust the 1993-94 budget for the differences between the sum of the General Fund overhead charges and direct salaries and employee benefits of General Fund employees charged to other funds, as developed by the original budget, and the overhead costs of each fund as established by the cost plan. This would provide an additional net revenue to the General Fund of \$264,740. However, this action would cause the Storm Drain Fund, Fleet Maintenance Operation Fund, and Redevelopment Agency Capital Projects Fund to incur projected deficit fund balances at June 30, 1993 of \$34,650, \$33,830, and \$88,510, respectively, which would have to be made up in future years.
2. Accept DMG's cost allocation plan and adjust the 1993-94 budget for the difference between this plan and the original budget to the extent the affected funds could readily absorb the additional overhead charges. This would provide additional net General Fund revenue of \$107,760 without causing significant impacts to the fund balances of other the funds.

## **Recommendations:**

1. Staff recommends that the City Council accept the Cost Allocation Plan and adjust the 1993-94 budget for the difference between overhead charges to other funds and the charges established by the original budget to the extent that the affected funds can absorb the additional cost.

---

## Overhead Analysis

---

- Staff also recommends that Council approve the annual update of the City's cost allocation plan in order to maximize General Fund revenues.

### **Fiscal Impact:**

The City's General Fund will gain additional revenues of \$107,000 in General Fund overhead charges for 1993-94. This equates to an annualized increase of \$264,000 in overhead charges to the General Fund. The cost of the annual update to the City's Cost Allocation Plan will amount to approximately \$1,500.

### **Attachments and/or Exhibits:**

A copy of DMG's City of San Clemente's 1992-93 Cost Allocation Plan Summary Report will be provided under separate cover. Attached are the two main products resulting from this study, a listing of the General overhead charges to other funds and the listing of the indirect overhead rates for each General Fund program.

The listing of General Fund Overhead Charges indicates the total amount of General Fund support to other funds based on DMG's cost allocation plan as well as the difference between these support costs and the charges determined by City staff within the 1993-94 budget. The first and second columns of this page indicate the total amount budgeted by City staff for overhead charges and direct salary charges which is subtotaled in the third column. The fourth column is the total amount of General Fund support determined by DMG's cost allocation plan which pulls all General Fund employee salaries back into the respective General Fund programs and recaptures their cost as part of the overall allocation of General Fund support costs. The last column is the difference between DMG's allocation plan and the total City budgeted General Fund Charges that nets to a total outstanding General Fund overhead obligation of \$264,740.

The Schedule of General Fund Indirect Cost Rates for 1993-94 were developed for the purpose of recapturing the overhead costs incurred when billing for direct costs on a time and materials basis when providing services to those outside the organization. The Cost Plan Overhead column on this report indicates the total overhead support costs incurred by each program within the City. The Indirect Cost Rate Base column is the total direct personnel service costs incurred by each of these programs. And the Indirect Cost Rate column is equal to the Cost Plan Overhead divided by the Indirect Cost Rate Base.

**CITY OF SAN CLEMENTE**  
**General Fund Overhead Charges**  
**F.Y. 1993-94**

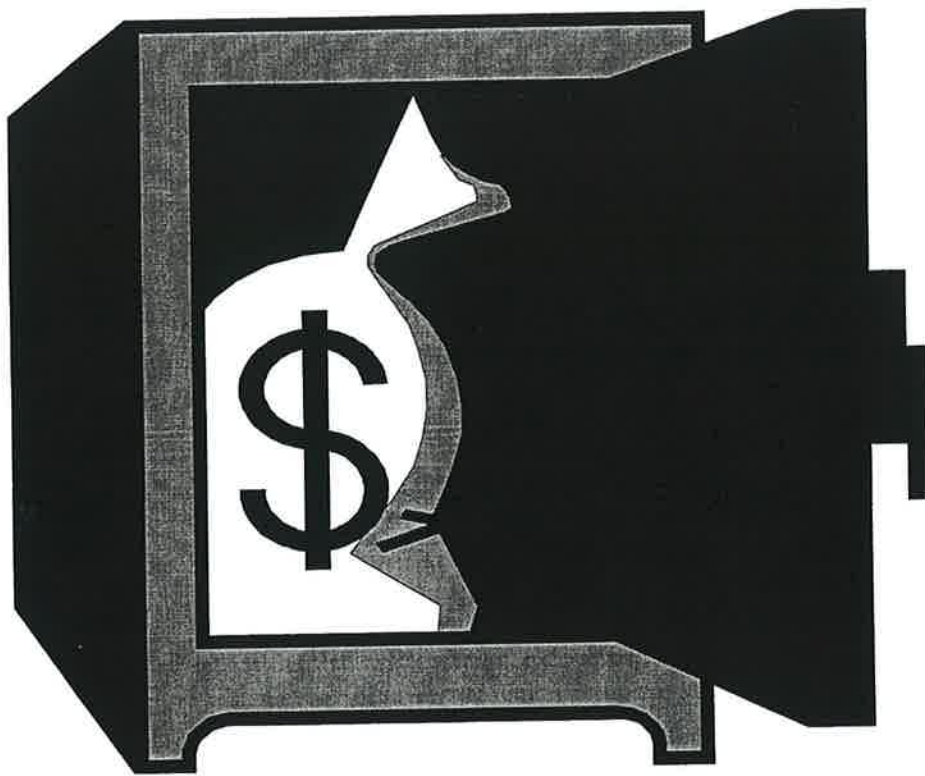
<u>Program</u>	<u>1993-94 O/H Charge</u>	<u>Direct Budgeting</u>	<u>Total 1993-94 Charge</u>	<u>1993-94 Cost Plan</u>	<u>Difference</u>
Communications					
<b>Total Fund #064-228</b>	<b>\$0</b>	<b>\$68,659</b>	<b>\$68,659</b>	<b>\$90,609</b>	<b>\$21,950</b>
R.C.F.P.P. - 020					
<b>Total Fund #020-419</b>	<b>0</b>	<b>14,379</b>	<b>14,379</b>	<b>23,196</b>	<b>8,817</b>
Water					
461	47,460	119,021	166,481	239,214	72,733
462	282,840		282,840	27,537	(255,303)
463	131,100		131,100	93,127	(37,973)
464	6,000		6,000	6,995	995
466	0		0	459	459
467	0		0	230	230
<b>Total Fund #052</b>	<b>467,400</b>	<b>119,021</b>	<b>586,421</b>	<b>367,562</b>	<b>(218,859)</b>
Sewer					
471	46,120	122,638	168,758	235,494	66,736
472	106,000		106,000	86,396	(19,604)
473	62,700		62,700	30,768	(31,932)
475	19,280		19,280	17,964	(1,316)
476	0		0	16	16
477	0		0	168	168
<b>Total Fund #054</b>	<b>234,100</b>	<b>122,638</b>	<b>356,738</b>	<b>370,806</b>	<b>14,068</b>
Refuse					
<b>Total Fund #058-518</b>	<b>8,200</b>	<b>23,154</b>	<b>31,354</b>	<b>39,788</b>	<b>8,434</b>
Storm					
551	0	20,070	20,070	38,748	18,678
552	0		0	15,100	15,100
553	0		0	24,512	24,512
<b>Total Fund #059</b>	<b>0</b>	<b>20,070</b>	<b>20,070</b>	<b>78,360</b>	<b>58,290</b>
Fleet					
<b>Total Fund #065-619</b>	<b>0</b>	<b>24,149</b>	<b>24,149</b>	<b>116,464</b>	<b>92,315</b>
Ltg. & Lndscp.					
631	70,790	114,241	185,031	259,594	74,563
633	20,790	15,382	36,172	33,306	(2,866)
664	18,420	96,058	114,478	153,062	38,584
<b>Total Fund #041</b>	<b>110,000</b>	<b>225,681</b>	<b>335,681</b>	<b>445,962</b>	<b>110,281</b>
Golf			0		0
661	81,520	29,076	110,596	132,503	21,907
662	8,380		8,380	43,686	35,306
<b>Total Fund #056</b>	<b>89,900</b>	<b>29,076</b>	<b>118,976</b>	<b>176,189</b>	<b>57,213</b>
RDA Housing					
<b>Total Fund #085-809</b>	<b>0</b>	<b>11,239</b>	<b>11,239</b>	<b>32,320</b>	<b>21,081</b>
RDA Capital Projects					
<b>Total Fund #086-865</b>	<b>0</b>	<b>110,138</b>	<b>110,138</b>	<b>201,290</b>	<b>91,152</b>
<b>Total - All Funds</b>	<b>\$909,600</b>	<b>\$768,204</b>	<b>\$1,677,804</b>	<b>\$1,942,546</b>	<b>\$264,742</b>

**City of San Clemente  
Schedule of General Fund  
Indirect Cost Rates  
Fiscal Year 1993-94**

<b>Program No.</b>	<b>Program Name</b>	<b>Cost Plan Overhead</b>	<b>Indirect Cost Rate Base</b>	<b>Indirect Cost Rate</b>
121	City Manager	\$34,840	\$195,354	17.83%
124	Economic Development	15,595	92,221	16.91%
131	City Clerk	76,870	236,011	32.57%
133	Elections	5,269	24,094	21.87%
141	Financial Management	27,245	103,000	26.45%
142	Accounting & Reporting	81,784	207,147	39.48%
143	Utility Billing	43,014	127,851	33.64%
151	Cash Management	37,623	23,620	159.28%
161	City Attorney	10,058	72,000	13.97%
171	Human Resources Admin.	47,353	117,888	40.17%
172	Labor Relations	6,113	20,808	29.38%
181	Financial Planning	16,656	70,304	23.69%
191	OMB Administration	14,202	108,109	13.14%
218	Police Contract Services	18,216	31,350	58.11%
221	Fire Administration	117,957	86,446	136.45%
222	Fire Suppression	709,604	2,639,688	26.88%
223	Fire Prevention	69,250	272,018	25.46%
224	C.A.R.E.S.	49,024	137,825	35.57%
225	Emergency Planning	21,692	95,694	22.67%
231	Purchasing	26,591	89,236	29.80%
411	Engineering Administration	98,721	209,338	47.16%
412	Engineering - Inspection	54,063	250,017	21.62%
413	Engineering - Traffic	20,705	136,606	15.16%
414	Engineering- Design	135,349	810,126	16.71%
421	Building Administration	41,035	124,834	32.87%
422	Building - Inspection	53,754	178,509	30.11%
423	Building - Code Compliance	42,351	136,756	30.97%
424	Building - Business License	37,768	80,287	47.04%
431	Planning - Comprehensive	66,274	154,282	42.96%
432	Planning - Major Dev. Rev.	27,672	48,533	57.02%
433	Planning - Current Planning	168,476	288,179	58.46%
435	Planning - Commissions	59,458	62,752	94.75%
441	Community Dev. Admin.	55,443	159,986	34.65%
481	Public Works Admin.	13,219	138,749	9.53%
611	Maintenance - Traffic Signals	36,676	136,224	26.92%
612	Maintenance - Traffic	74,197	196,027	37.85%
614	Maintenance - Streets	185,536	541,371	34.27%
616	Maintenance - Parking	32,315	91,079	35.48%
617	Maintenance - Facility	70,416	194,351	36.23%
621	Recreation - Beach Club	66,495	55,058	120.77%
622	Recreation - Comm. Center	106,895	63,498	168.34%
623	Recreation - Senior Citizen Ctr.	25,916	25,661	100.99%
624	Recreation - Programs	51,731	95,549	54.14%
625	Recreation - Swimming Pool	61,088	132,835	45.99%
639	Parks - Development	61,340	156,591	39.17%
641	Marine Safety - Operations	129,486	431,976	29.98%
642	Marine Safety - Prevention	13,205	27,908	47.32%
643	Marine Safety - Beach Maint.	69,179	169,504	40.81%
681	Bchs. Parks, & Rec. Admin.	24,138	148,961	16.20%
		<b>\$3,311,857</b>	<b>\$9,996,211</b>	<b>33.13%</b>

---

# Reserve Analysis





---

# Reserve Analysis

---

## **Goal:**

To analyze levels of reserves in appropriate funds to ensure that they are adequate to provide for the needs of each fund program.

To recommend reserve levels in each fund that will meet program needs without unnecessarily obligating scarce dollar resources.

## **Summary:**

The funds analyzed include:

- General Fund Emergency Reserve
- General Fund - City Council Contingency Reserve
- General Liability Insurance Fund
- Workers' Compensation Insurance Fund
- Accrued Leave Reserve Fund
- Employee Medical Insurance Fund
- Fleet Vehicle Replacement Fund
- Capital Equipment Replacement Fund (proposed)

Each fund is currently supported by charges to the operating budgets and other interdepartmental transfers. Each fund should maintain a positive fund balance and a reserve fed by these charges and transfers. The question becomes one of establishing adequate charges to operating budgets to keep the fund in balance and funding a prudent reserve while avoiding an over commitment of dollar resources.

A prudent set aside is one that provides financial security to the fund without placing an unrealistic burden on operating resources to support it. In good economic times, the City can afford to be more proactive in building up reserves. But, when money is tight, the City may not be able to afford the luxury of obligating the optimum amount of money to such purposes and incremental steps may be necessary.



---

## Reserve Analysis

---

### Background:

The Long Term Financial Plan completed in January, 1993 (LTFP 1993) made recommendations addressing negative fund balances and the critical need to build up devastated reserve levels. It prescribed annual amounts to be contributed to these funds over five years in order to accomplish those objectives.

Additionally, the City Council has adopted Fiscal Policies with respect to reserves as follows:

- The City will maintain General Fund Emergency Reserves at a level at least equal to 8% of General Fund expenditures for the purpose of providing protection of City services during economic downturns or unforeseen catastrophic losses.
- A City Council Contingency Reserve of no less than 1.5 % of General Fund operating revenues will be established to provide for non-recurring, unanticipated expenditures or to set aside monies to cover known contingencies with unknown costs.
- The City will establish an account to accumulate funds to be used for payment of accrued leave payable to employees upon termination or retirement.
- Self-insurance reserves will be maintained at a level which, together with purchased insurance policies, adequately protect the City. The City will maintain a reserve of three times the self-insured retention levels for the Workers' Compensation and General Liability Insurance Programs.
- The City will project equipment replacement and maintenance needs for the next five years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed.

Finally, the 1993-94 Annual Budget included budgeted monies to address the recommendations of the LTFP 1993 and City Council policies to the maximum feasible extent.

The balance of this report will review and update the LTFP 1993 recommendations, City Council policies, and 1993-94 budget actions with respect to each of the funds mentioned in the Summary above.

Recommendations will be made with respect to funding strategies in future years.

---

# Reserve Analysis

---

## Analysis of the Funds:

Each of the funds will be analyzed under the following headings:

- City Council Fiscal Policy
- LTFP 1993 Recommendations
- 1993-94 Annual Budget Actions
- Assessment of the Current Situation
- Recommendations
- Fiscal Impact of Recommendations

## **General Fund Emergency Reserve**

City Council Fiscal Policy: Maintain a reserve of no less than 8% of General Fund operating expenditures. The purpose of this reserve is to provide for a set aside for significant economic downturns, lasting two years or more, and for unforeseen catastrophic events. This reserve is to be accessed only upon the occurrence of serious conditions warranting emergency measures.

An 8% reserve level is based on the City's aging infrastructure, history of naturally caused damage (flooding, storms, etc.) and other such factors. Additionally, rating agencies generally acknowledge the need for a General Fund reserve of between 5-10% depending on the factors indicated above.

The LTFP 1993 noted an historic decline in unreserved fund balance due to operational losses incurred since fiscal year 1989-90. The effect of bad times has the same impact on the City's financial planning as it would on a family's financial planning:

- When money is tight, the family must cut back on expenses and will not have the same ability to reduce debt or set money aside for the future as it does when money is available.

In such a situation, the family could try to increase revenues (income), but oftentimes that option is hampered by conditions beyond the family's control. Cities are no different.

The LTFP 1993 recommended an annual boost of \$320,000 per year in order to achieve the 8% reserve level by fiscal year 1997-98.

The 1993-94 Annual Budget set aside \$120,000 to be added to the General Fund accumulated fund balance, bringing the reserve to 3.3% of General Fund operating expenditures, leaving \$1.4 million unfunded. Spread out over four years, this amounts to an annual infusion of \$353,000. When the actual effect of cost reduction measures implemented in fiscal year 1993-94 are known (i.e. mid-year budget review), the City will have a more accurate basis on which to assess the 8% reserve requirement and the corresponding annual dollar contribution. Conservatively

---

## **Reserve Analysis**

---

speaking, it is probably safe to assume that a contribution between \$300,000 and \$350,000 per year will be needed.

### **Recommendations:**

1. Affirm the Council Fiscal Policy to maintain a General Fund Emergency Reserve of at least 8% of General Fund operating expenditures. Achieve full funding by fiscal year 1997-98 (See General Fund - City Council Contingency Reserve section below for further analysis).

### **Fiscal Impact:**

1. Will require an annual General Fund contribution of \$353,000 over the next four years.

---

## Reserve Analysis

---

### **General Fund - City Council Contingency Reserve**

City Council Fiscal Policy: Maintain a reserve of no less than 1.5% of General Fund operating expenditures. The purpose of this reserve is to provide for non-recurring, unanticipated expenditures or for known projects/programs with unknown costs. It is fully anticipated that this reserve will be drawn upon annually to address operating needs of the City. In contrast, the *General Fund Emergency Reserve* is generally not expected to be used on an annual basis.

The LTFP 1993 did not specifically address this reserve other than to reaffirm the wisdom of making an appropriation annually.

The Contingency Reserve is shown in the 1993-94 Annual Budget as a line item expenditure in the City General Department budget. Therefore, it is a kind of "forced savings" in the amount of \$100,000. This is less than the currently required 1.5% by \$181,000. The Budget anticipated that by fiscal year-end the reserve could be increased to the required level, depending on what is determined at mid year budget review with respect to cost reductions and projected fund balances. Currently, the reserve is at \$45,000.

### **Recommendations:**

1. Reaffirm Council Fiscal Policy to maintain a Council Contingency Reserve at the level of 1.5% of General Fund operating expenditures.
2. If the mid year budget review affirms the premise that cost reductions will allow it, adjust the budget to increase the Council Contingency Reserve; if the premise is not affirmed, leave the budget as is for fiscal year 1993-94 and bring the reserve to the required level in fiscal year 1994-95.

### **Fiscal Impact:**

The fiscal impact of the recommended actions are:

To maintain the required \$281,000 reserve in fiscal year 1993-94, a mid year budget adjustment of an additional \$181,000 (the initial Council Contingency for 1993-94 was \$100,000) would be necessary.

---

## Reserve Analysis

---

### ***General Liability Insurance Fund***

City Council Fiscal Policy: Maintain a reserve equal to three times the Self Insured Retention

The LTFP 1993 projected a fund balance deficit of \$1,055,000 and a reserve requirement of \$1.2 million. The fund balance deficit means that the revenue stream into the fund has been insufficient to cover costs. The reserve requirement is set by the risk sharing pool, Orange County Cities Risk Management Authority (OCCRMA), to which the City belongs as a self-insured entity. The LTFP 1993 recommended an annual transfer from the General Fund to this fund of \$448,000 over the next five years in order to balance the fund and establish the reserve.

The 1993-94 Annual Budget provided for a transfer of \$270,000, noting that a significant element of risk, namely the City Police Department, would be contracted to the County, lowering the City's potential liability. This contribution came from a one time revenue source, the phase out of the Rancho San Clemente Fire & Medical Reserve. The fund deficit was reduced, but the City came no closer to establishing a reserve.

Several aspects of today's world affect this situation. First, the premiums for excess insurance have steadily declined over the past three years, as noted in correspondence from the City's insurance brokers, Robert Driver & Associates. Second, the claims against the City should see a decline in future years, once the "tail" of claims incurred against the Police Department are settled. Finally, there is a growing tendency to shift more risk to insurance pools today because cities cannot afford to assume that risk in the form of high self-insured retention's. The average SIR maintained by OCCRMA cities is between \$250,000 and \$300,000.

All of these aspects point to the advisability of reducing the City's self-insured retention (SIR). To use the family analogy once again, when money is tight, the family reduces the amount it is willing to pay in deductibles, if the resulting increase to premiums is not prohibitive.

In the City's case there is an even more compelling argument, that is, the relationship between the SIR and reserve requirements. At the current SIR of \$400,000, the reserve requirement is \$1.2 million. A reduced SIR will reduce the reserve requirement, and allow the City to reduce the fund deficit and establish a reserve with a less severe impact on dollar resources.

To lower the City's SIR to \$250,000, the City will be assessed an additional \$30,000 in annual premiums. This increase is minimal in comparison to the long term savings to the General Fund with respect to solving the General Liability Fund problems over the next five years.

---

## Reserve Analysis

---

To illustrate:

SIR Level	Required Reserve	Deficit	LTFP Recommended Transfer
\$400,000	\$1,200,000	\$1,055,000	\$488,000
\$250,000	*\$750,000	**\$775,000	<u>***\$305,000</u>
Annual General Fund Savings:			\$183,000
Increased Premium:			<u>(\$30,000)</u>
Annual General Fund Savings:			<u>\$153,000</u>

\*Based on lower SIR (3 X \$250,000)

\*\*Based on 1993-94 projected year end fund balance deficit.

\*\*\* $[(\$750,000 + \$775,000)/5 = \$305,000]$

The projected fund balance as of June 30, 1994 is \$775,000. In order to balance the fund and establish the new reserve level by fiscal year 1998-99, the annual General Fund contribution would need to be \$305,000. This amount is \$183,000 less than 1993 LTFP recommendations.

### Recommendations:

1. Reaffirm the City Fiscal Policy of maintaining three times the established SIR in reserve.
2. Reduce the Self Insured Retention from \$400,000 to \$250,000.
3. Contribute \$305,000 annually toward deficit reduction and the build up of the required reserve.

### Fiscal Impact :

Net annual General Fund savings of \$153,000 will allow the City to make annual General Fund contributions of \$305,000 annually. The 1993-94 actual contribution was \$270,000.

---

## Reserve Analysis

---

### ***Workers' Compensation Insurance Fund***

City Council Fiscal Policy: Maintain a reserve equal to three times the Self-Insured Retention

The LTFP 1993 projected a \$1.78 million shortfall consisting of a prescribed reserve set by the City Council at \$825,000 (3 X Self Insured Retention of \$275,000) and a deficit fund balance of \$958,000. An annual transfer from the General Fund was recommended in the amount of \$321,000 to balance the fund and establish the required reserve.

The 1993-94 Annual Budget provided for a General Fund transfer of \$225,000, less than the goal specified in LTFP 1993.

For this fund, there is no OCCRMA requirement of three times the SIR as there is with the General Liability Fund. All members of OCCRMA agreed upon a uniform SIR of \$275,000 to facilitate bidding on excess insurance. Therefore, the City may use any yardstick it chooses to establish the reserve. At issue in the current situation is the Council policy requiring three times the SIR in reserves.

Changing circumstances promote the advisability of changing Council policy with respect to reserve levels. First is the scarcity of available resources to maintain such a policy. Second is the dramatic lessening of claims liability over time due to the change from City Police to contract services. Third, is that the historic trend of claims paid over the last five years, with the Police Department included, is \$460,000 annually as reported by the City's Claims Administrator. In fact, over 40% of claims made were filed by Police Department employees.

It seems reasonable to use the City's historic claims history as a yardstick to establish reserve levels, acknowledging that the City will be paying Police related claims for the next two years due to the length of time it will take to settle incurred claims from prior years. Consequently, it appears that the \$460,000 reserve is justified at this time. Of course, this figure will be analyzed on an annual basis as a part of the Long Term Financial Plan.



---

## Reserve Analysis

---

The following table compares the LTFP 93 recommended transfer with the proposed transfer:

<b>SIR Level</b>	<b>Required Reserve</b>	<b>Deficit</b>	<b>LTFP Recommended Transfer</b>
\$275,000	\$825,000	\$958,000	\$321,000
\$275,000	*\$460,000	**\$896,210	<u>***\$271,200</u>
Annual General Fund Savings:			<u>\$ 49,800</u>

\*Based on claims history.

\*\*Projected 1993-94 year end fund balance deficit.

\*\*\* $[(\$460,000 + \$896,210)/5 = 271,242 - \text{rounded to } \$271,200]$

The projected deficit fund balance in June 1994 is \$896,210. That figure, when added to the \$460,000 SIR equals \$1,356,210. Over five years, the required annual contribution is \$271,200 as opposed to 1993 LTFP recommended contribution of \$321,000, a savings of \$49,800.

### Recommendations:

1. Modify the City Council Fiscal Policy to provide for a reserve level to be based on the historic trend of annual claims paid, reviewed and adjusted annually by the Claims Administrator and City Human Resources and Accounting staff.
2. Transfer \$271,200 annually toward deficit reduction and the build up of the required reserve.

### Fiscal Impact:

The recommended annual contribution under the recommendations is \$271,200. This contribution will erase the deficit and build up required reserves within five years. Additionally, this results in a savings of \$49,800 over previously recommended levels.

---

## **Reserve Analysis**

---

### ***Accrued Leave Reserve***

City Council Fiscal Policy: The City will establish an account to accumulate funds to be used for payment of accrued leave payable to employees upon termination or retirement.

The LTFP 1993 recommended an annual contribution of \$75,000 in fiscal year 1993-94 and \$50,000 for each year thereafter, based on average annual experience.

The 1993-94 Annual budget provided for the recommended funding.

As noted in the issue paper entitled Employee Leave Benefits, average costs continue to be about \$73,000 annually. This does not factor in the cost savings that will be evident in the future due to reductions in force, including 98 Police Department employees. Given this situation, it seems reasonable to retain the LTFP 1993 recommendation.

### **Recommendation:**

1. Continue to base reserve level on average annual payout experience.

### **Fiscal Impact:**

There is no deficit to deal with in this fund as the 1993-94 program was fully funded. Maintain a reserve of at least \$73,000, to be reviewed annually in light of payout history.

---

## **Reserve Analysis**

---

### ***Employee Medical Insurance Fund***

City Council Fiscal Policy: There is no applicable fiscal policy.

The LTFFP 1993 recommended that several alternative approaches to providing health coverage be negotiated with employee groups to achieve cost savings.

The 1993-93 Annual Budget projects an ending fund balance of \$386,550. This balance will be used to pay off the "tail" of claims incurred under the former providers of health coverage.

As noted in the issue paper entitled Employee Medical, Dental and Vision Benefits, an employee committee agreed by majority decision to change providers of health insurance coverage.

Since the new plan is fully insured, there will be no need to establish a reserve in future years.

---

## **Reserve Analysis**

---

### ***Capital Equipment Replacement Reserve***

City Council Fiscal Policy: Establish a Capital Equipment Replacement schedule and maintain adequate reserves to fund it.

To date, only fleet vehicles have been set up on a replacement schedule. The City has determined that a full capital assets inventory must be conducted in 1994 to identify the current inventory and establish a replacement schedule for a capital equipment replacement fund.

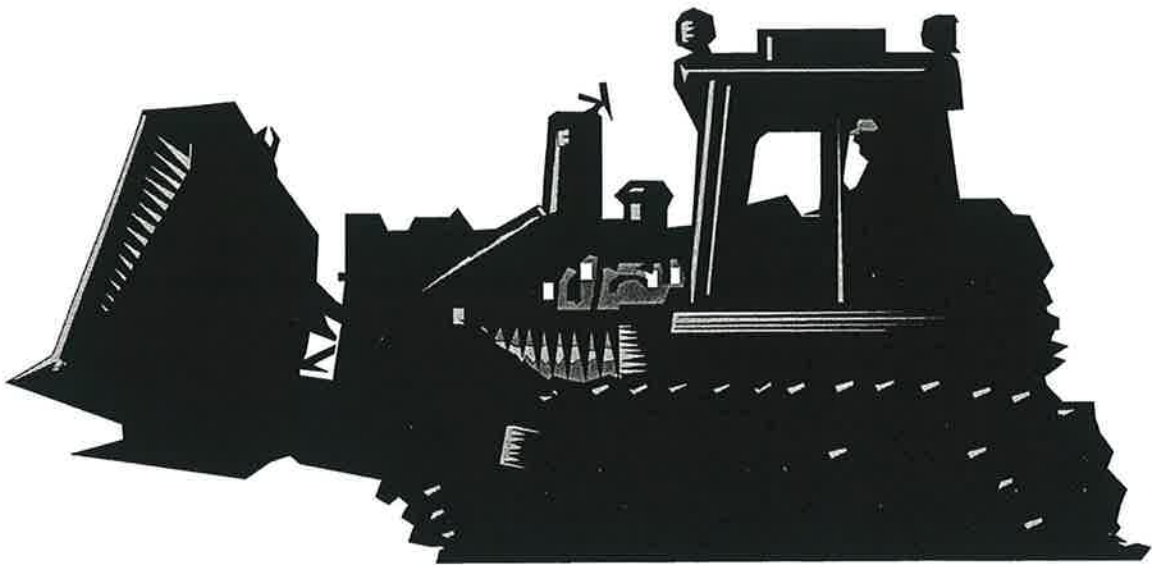
Until that study is completed, a precise determination can not be made regarding future needs, however it is recommended that an initial contribution be made to establish this reserve account.

### **Recommendations:**

1. Develop a Capital Equipment Replacement schedule to include all capital equipment of a value of over \$1,000 with a useful life of more than five years. Contribute \$100,000 in fiscal year 1994-5 to start up the fund.
2. Establish an Administrative policy that the City will not retain any item of capital equipment that has exceeded its useful life.
3. Establish a City Council Policy that a vote of the City Council shall be required to use accumulated replacement reserves for any purpose other than replacement capital equipment.

---

# Street Improvement Plan





---

# Street Improvement Program

---

## Goal:

To improve the City's deteriorating street system to a reasonable standard within ten years.

## Summary:

When the City Council decided not to proceed with the proposed Street Overlay and Replacement District in July, 1993, it directed staff to evaluate whether there were less expensive methods available to improve the City's deteriorating street system and review all potential funding sources for rehabilitating the City's streets. Historically, the City has not had enough funds available to properly maintain and rehabilitate its approximately 120 miles of streets. The funding of a street rehabilitation program is made much more difficult because the City has to play catch-up on rehabilitating its streets as well as the limited resources available for all City services. There is no magical way that the City is going to rehabilitate all the streets that need an overlay or reconstruction without additional funding sources. Staff has considered innovative street rehabilitation methods such as using rubberized asphalt overlays instead of total street reconstruction to reduce costs. An extensive amount of time was also spent reviewing innovative financing mechanisms to reduce the impacts of the street rehabilitation program costs on the City's citizens and property owners.

*A summary of the results of the study are as follows:*

1. Presently, the 14.5 miles of arterial streets are overall in good condition. There are plans for rehabilitation of PCH, Mira Costa and Los Mares over the next 10 years. Adequate funding for these rehabilitation's have been assumed through use of \$200,000 per year City Gas Tax funds and \$200,000 per year of AHFP and Measure M grants.
2. Of the 35.5 miles of collectors and 70 miles of local streets totaling 105.5 miles, approximately 37.29 miles or 35.3% of the City's collector and local streets will need rehabilitation now and over the next 10 years. The estimated cost of rehabilitating 23.09 miles of local streets and 14.2 miles of collector streets is approximately \$18 million. This is considerably less than the approximately \$24.5 million in collector and local street rehabilitation needs identified in the recently proposed Street Overlay and Replacement District. Reasons for the reductions are a more detailed analysis of the street system needs through visual surveys as well as the use of the Pavement Management System. Staff also tried to lower costs by reducing the amount of street reconstruction mileage and performing more overlay work.
3. With the reduction of costs also comes a reduction of estimated remaining pavement life. This is because an overlay is normally designed for a 10-year life versus a 20-30 year life



---

## Street Improvement Program

---

for the more expensive reconstruction alternative. This means that when the 10-year street rehabilitation cycle is completed, there will be more streets that need to be rehabilitated again during the next 10-year cycle.

4. The City could fund approximately \$7.76 million of the \$18 million collector and local street rehabilitation needs by selling about \$8.845 million in revenue bonds. Some of the proceeds would be used to pay for issuance costs and a reserve fund. The debt service would be approximately \$850,000 per year for a 15-year term. Potential debt retirement sources include:

\$400,000	Gas Tax Funds (2106 Gas Tax, Measure M, Prop. 111)
\$350,000	Reduced Street Maintenance Budget and Services
\$100,000	Contribution from General Fund
\$850,000	Total

This approach would allow about 13.56 miles of streets to be rehabilitated over the next three years as compared to the total of 37.29 miles of collector and local street rehabilitation needs. This would leave about 23.73 miles of streets needing rehabilitation with no funding sources identified.

5. The additional \$10 million needed to complete the rehabilitation of the remaining 23.73 miles of streets over the next 10 years would have to come from new funding sources such as a Street Overlay and Maintenance District. This could be funded at a cost of \$1 million per year in 1993 dollars. This amount is less than one-half the recommended funding of the Street Overlay and Replacement District considered in 1993. Assuming the same methods of assessment, the assessment rates of a new district could be slightly less than half those proposed in July, 1993. The reason for this reduction is the sale of bonds and retirement of debt from existing City funds described above and a reduced street rehabilitation program cost.
6. The sale of revenue bonds and retirement of debt using Gas Tax funds, funds made available with reductions in street maintenance services and other reductions in the General Fund will commit those funds for debt retirement for 15 years.
7. Reducing the Maintenance Services budget by \$300,000-\$350,000 per year will result in significant reductions of services provided by the Maintenance Services Division when their street maintenance budget is cut by almost 40%. It also means the street maintenance staffing level will be reduced from nine to three within one year. Instead of doing major patching and reconstructing streets through patching, street maintenance will be limited to only pothole and minor patching work. If the street rehabilitation program is not fully funded at \$18 million, this will mean that there will be significant drops in the level of service on streets that would not be funded through the \$8 million street rehabilitation

---

## Street Improvement Program

---

program. On a more positive side, the \$8 million spent on 13.56 miles of street rehabilitation will reduce the Street Maintenance Division's level of effort on those particular streets but their reduced staffing and spending levels would not allow for major patching work on those streets that are not rehabilitated.

8. If the City Council decides to proceed with the bond sale and \$8 million street rehabilitation program, there is concern that enough community support would never be gathered to provide an adequate funding source to allow the City to have the quality street system. Difficult choices would have to be made as to which of the 37 miles of street needing rehabilitation now and over the next 10 years would be performed.

As can be seen from the discussion above, the rehabilitation of the City's street system and its financing involve major policy decisions that will impact how the City finances its street maintenance and rehabilitation work and what levels of service are provided to its citizens. The City Council can decide to partially fund the street rehabilitation program with the \$8 million bond sale with about 13.56 miles of streets being rehabilitated. This would be a major accomplishment. But, there is still the question of how the other 23.73 miles of street costing \$10 million to rehabilitate would be funded. If a program is not developed now to fully fund the City's street rehabilitation needs over the next 10 years and a partial rehabilitation is implemented, it may become even more difficult to gain enough community support to pay for a City-wide street rehabilitation program.

### **Background:**

Since at least 1989 when the City developed a computerized Pavement Management System (PMS) the City Council, staff and citizens have been considering how the City might be able to bring its street system up to a more reasonable standard. In 1989, the situation appeared almost hopeless as far as the City's ability to fund the rehabilitation of its rapidly deteriorating street system. Our PMS projected that if no rehabilitation work was done that within 10 years over 90% of the City's street system would be below an acceptable standard. With the voters approval of Measure M and Proposition 111 that have increased the City's rehabilitation funding levels about \$500,000 per year and the City aggressively pursuing Federal, State and County grants for street rehabilitation, the City has made significant progress in upgrading its arterial street system and a few collector streets. Over the past year, the City has spent over \$2 million in Federal funds matched with City funds to rehabilitate El Camino Real, Pico and some collector streets. Our arterial streets are in acceptable condition. With additional rehabilitation grant funding availability over the next few years, the City should be able to maintain and improve its arterial streets. The City has done an excellent job of leveraging its limited funds to obtain these grant funds.

---

## Street Improvement Program

---

Unfortunately, grant funds are not available to assist in upgrading our badly deteriorating collector and local street system which comprise 105.5 miles out of our 120 mile street system. Below is a listing of our street system by classification and mileage:

<b>Arterials</b>	14.5 miles
<b>Collectors</b>	35.5 miles
<b>Local</b>	<u>70 miles</u>
<b>Total</b>	<u>120 miles</u>

Approximately 87.5% of our street centerline miles are collectors and local streets with limited funding availability. The cost of replacing the City's street pavements easily exceeds \$100 million. The funding we currently have available for overlay and replacement is about \$750,000 per year. That means we have funding to replace our streets on a 133-year cycle. This does not compare well with the normal 25-30 year pavement life before an overlay or reconstruction is needed. Because of funding shortfalls in the City over the years, the City has not been able to implement a comprehensive street overlay and replacement program. As a result, there is a huge backlog of street overlay and replacement projects in addition to other streets that are deteriorating and will need overlays over the next few years.

Over the years, the City has attempted to increase spending on its street repair program in an effort to perform major maintenance. Our Street Maintenance paving crew has made a valiant effort to try and hold an aging and deteriorating street system together by doing major patching as streets fall apart. Over time, streets are being almost totally reconstructed by patching. Even though the City's paving crew has proved to be very cost effective doing major removals and replacements, the end result is a patch work quilt. It is impossible to have a quality final product with a smooth driving surface unless an overlay is applied that can smooth out the surface and protect the work that has been performed. The City has not had enough funds to do the overlays after the Maintenance crews have done their removal and replacement work.

The situation got so bad that about a year and a half ago, staff made a presentation to the City Council recommending that the City consider prioritizing its limited street resources to concentrate on the more heavily traveled streets in the City. This meant that arterial streets would be the highest priority with collector streets receiving the bulk of the remaining funds. The maintenance work on local streets would be reduced to pothole patching until such time as funds were available to perform major maintenance and rehabilitation work. The City Council agreed with this concept and also directed staff to develop alternatives that would increase the City's street rehabilitation program.

---

## Street Improvement Program

---

As a result, the Long Term Financial Plan (LTFP) presented to the City Council and the community early in 1993 included a comprehensive analysis by the Engineering Division of the City's street rehabilitation needs over the next 10-20 years.

It was projected that the City would need an additional \$2.1 million per year to do a proper overlay program and to reconstruct collector streets over seven years and local streets over ten years. Staff also provided an alternative where the reconstruction of collector streets and local streets should be extended to 10 and 20 years, respectively.

The LTFP outlined several revenue generating alternatives that may be used to supplement the existing available funds of approximately \$750,000 per year. The plan identified the possibility of forming a Street Overlay and Replacement District to provide additional funds for street maintenance and rehabilitation to be generated through assessments.

The City Council directed the staff to proceed with the necessary steps for the preparation of the formation of a Street Overlay and Replacement District. After several public hearings, and substantial community input, the City Council on July 14, 1993, decided not to proceed with the Street Overlay and Replacement District. There was a general acknowledgment, however, that something needed to be done about the condition of the streets. The City Council directed the staff to examine different alternatives for pavement rehabilitation and funding to reduce costs. In order to minimize the rehabilitation costs, staff has reviewed several different pavement design alternatives. Some of the acceptable methods are:

1. Apply 2" of asphalt concrete with grinding at the curb line. It includes removal and replacement of severely deteriorated areas, and a thin leveling course. This method should extend the life of the street about 8 to 10 years. A typical cost per square foot is \$1.80.
2. The same method as above with the addition of applying fabric between the leveling course and the overlay. This fabric material will delay the reflection of the cracks into the surface. The fabric is used on streets that have significant cracking as compared to method #1 where minimal cracking remains. This method should extend the life of the street about 8 to 12 years. A typical cost per square foot is \$2.00.
3. Reconstruct the street with the proper pavement thickness. With the proper preventive maintenance, a low to medium volume street will probably not need an overlay for 25 to 30 years. A typical cost is \$4.40 per square foot
4. Apply 1.5" of rubberized asphalt with grinding at the curb line. It includes very minor removal and replacement of severely deteriorated areas, and a thin layer of leveling course. This method will extend the life of the street about 8 to 12 years. A typical cost is \$2.07 per square foot.



---

## Street Improvement Program

---

The rehabilitation and reconstruction methods presented above reflect typical rehabilitation strategies staff is recommending. Removal and replacement areas, pavements and base rock thicknesses, type of asphalt used, etc. were developed for each street. The strategies chosen reflected existing pavement condition, structural adequacy and traffic volumes.

Staff analyzed the street conditions to determine the minimum acceptable improvements on the City streets within the next few years. The estimated improvement costs were approximately \$18 million for local and collector streets. This compares to the \$24.5 million in identified street rehabilitation needs for collector and local streets identified in the Street Overlay and Replacement District. Reasons for the 25% reduction in rehabilitation costs are:

- a) Staff did a visual survey in addition to using the PMS ratings to develop a rehabilitation strategy for each street to minimize costs.
- b) The revised rehabilitation methods proposed more overlays and less miles of more expensive reconstruction.
- c) The average life expectancy of the street being rehabilitated dropped because of more inexpensive overlay work being done that has a 10-12 year life expectancy versus 25-30 years for totally reconstructed streets. Even with the reduction in reconstruction, the improvement costs are far in excess of the City's ability to pay out of the existing funding sources.

Staff has prepared Exhibits A and B which include summaries of the proposed \$18 million street rehabilitation program and a lesser \$7.74 million rehabilitation program that could be implemented. Exhibit A provides a summary of the overlay and replacement needs for the local and collector street systems over the next 10 years. Of the 37.29 miles needing rehabilitation, locals and collector comprise 23.09 and 14.2 miles, respectively. The 10 year cost of rehabilitating locals is \$10.147 million and collectors is \$7.81 million. A listing of each street to be rehabilitated, its length and type of rehabilitation is included in Exhibit B.

Staff has also prepared a 3-year street rehabilitation program that assumes the City would sell about \$8.845 million in revenue bonds whose debt service would be paid from Gas Tax funds, reduced maintenance effort and costs and some General Fund monies. Under this option, only 13.56 miles of street would be rehabilitated. The majority of the work would be done on the more heavily traveled collector streets totaling 10.35 miles and \$6.03 million. Only 3.22 miles of local streets would be rehabilitated at a \$1.7 million cost. If this option were approved, there would still be about 20 miles of local streets and 4 miles of collector streets that would require rehabilitation.

An extensive effort was also made by OMB and Engineering staff in trying to identify ways to pay for this much needed street rehabilitation program. Pay-as-you-go and bonding options

---

## Street Improvement Program

---

were considered. The advantage of selling bonds is that a large sum of cash immediately becomes available to infuse into the street rehabilitation program for immediate results. Disadvantages are that interest has to be paid and that the term of the bonds should not exceed the life of the improvements. For example, the City would not want to sell bonds of a 30-year term for improvements that only last 10 to 15 years. The City is also somewhat limited in funds that can be used to pay the debt retirement. As was determined in early 1993, the City could not sell bonds from the proposed Street Overlay and Replacement District budget. This meant that it would take 10 to 20 years to rehabilitate the streets on a pay-as-you-go basis. Another alternative has been identified that would allow the City to sell about \$8.5 million in bonds to be paid back from Gas Tax, Measure M and Proposition 111 funds as well as other funds being used for street maintenance and some funding from the General Fund. It is estimated that about \$7.75 million of bond proceeds would be available for the street rehabilitation program. This would be a good start, but would not come close to the \$18 million in identified needs.

To truly implement a LTFP for the street rehabilitation program, the City needs to develop a source of funding for the \$10 million shortfall. There do not appear to be any other sources of City funds available. The most logical source of new funds would be the formation of a Street Overlay and Assessment District. This district could be funded at \$1 million per year over 10 years to provide the additional funding. Over time, the assessment amount would need to be adjusted for inflation. Consideration should also be given to forming the district at a lesser amount now with the understanding that the funding levels would have to be increased in the future to make up for the earlier years shortfalls.

The City could also consider forming the assessment district for the entire \$18 million amount. The disadvantage is that the assessment rates would be about 86% of what they were in the 1993 proposed Street Overlay and Replacement District.

The next consideration is where the \$850,000 would come from to pay debt service on the bonds. The proposed \$8.845 million debt retirement funding consists of:

\$400,000	Gas Tax fund (2106 Gas Tax, Measure M, Prop. 111)
\$350,000	Reduction of Street Maintenance services and budget
\$100,000	Contribution from General Fund

The selling of \$8.845 million in revenue bonds will require the City to commit the above described funding sources for 15 years.

The reduction in the street maintenance budget of about \$300,000 in 1994-95 and \$350,000 for the following 14 years will have a significant impact on the Maintenance Services Division staffing level and work performed by the Street Maintenance staff on the City's street system. Mark Somerville, Maintenance Services Manager, has prepared an analysis of the impact of reducing his budget by \$300,000 next year and \$350,000 for the following 14 years. Exhibit C

---

## Street Improvement Program

---

shows the Maintenance Services Division existing and future organization charts, proposed budgets and a discussion of the street maintenance and repair program budget reduction impacts. With a 40% budget decrease, there will be major reductions in street maintenance work performed. The street maintenance section's staffing level will be reduced from 9 to 3 within one year. No more large repair and replacement projects will be performed. Maintenance effort will be restricted to repair of only "serious liability concerns", street deficiencies of a very small size, the filling of potholes and cold-pour crack sealing. Maintenance Services will also be reducing their assistance in storm drain grate cleaning, preparatory street repairs for slurry seal program and reduction and repair of Water Division utility cut repairs.

The City can probably get by with these reductions with a large infusion of funds to overlay and replace its streets. For this concept to work, the City Council strongly needs to consider implementing a plan to fund the remaining \$10 million street rehabilitation program. Otherwise, there are about 24 miles of streets that will continue to deteriorate to a point where the City will probably need to increase its street repair budget unless the rehabilitation work is performed. Cutting back Street Maintenance is a major policy change from what the City has been doing for many years. Citizens complain about the patch-work system but for those streets that would not be repaired under the \$8 million rehabilitation program, the level of service will substantially drop over time. The proposed staffing decrease would be in effect before all of the work to be done under the bond issue was completed. That means there will probably be a further decrease in the quality of all of the deteriorated streets until such time as the 13.56 miles are rehabilitated, assuming a bond issue is sold.

Citizens are continually expressing concerns about the low quality of streets in hillside areas of the City. In many of these areas where streets are 25-40 years old, they are badly in need of an overlay or reconstruction. Citizens are requesting the Maintenance Division overlay their street when pothole patching occurs because they want their streets sealed so that water cannot penetrate into the ground. The proposed \$18 million street rehabilitation program will help resolve those concerns since the City would be overlaying and reconstructing an additional 20 miles of local streets beyond those proposed in the \$8 million plan. This also holds true to a lesser degree for the collector streets, some of which are in the hills. The \$8 million plan will not adequately address these concerns since only a limited number of local residential streets would be rehabilitated.

### **Alternatives:**

This report has discussed the City's street rehabilitation needs over the next 10 years as well as some methods of financing them. Some of those financing mechanisms do affect the City's maintenance capabilities and will result in service reductions in the near term. The summary section attempted to identify the issues and impacts of decisions that might be made. Alternatives offered by staff at this time include:



---

## Street Improvement Program

---

1. Forming a Street Overlay and Replacement District at an \$18 million funding level over 10 years. This option would put the entire burden of the local and collector street system rehabilitation upon the property owners in the City. It would allow the Maintenance Division to continue performing at its current level of service and increase their preventative maintenance program over the years as more street become rehabilitated. It would also allow the City to maximize its opportunities in applying for grants since \$400,000 of Gas Tax funds would not be committed to retiring debt. This alternative has a major disadvantage in that the total amount to be assessed is close to the \$21 million amount over 10 years proposed in July, 1993. Some citizens objected to the costs and may object to a similar proposal this year.
2. Proceeding with a \$7.75 million local and collector street improvement program to be funded by an \$8.845 million revenue bond issue with a 15-year term. The advantage of this option is that the City can rehabilitate about 13.56 miles of local and collector streets over the next 3 years. One disadvantage is that an overall street rehabilitation funding program will not have been established. There is also the potential that there will be less support for an overall solution by those who are fortunate to have their streets improved under this program. If further funding does not occur for street rehabilitation, the long-term outlook might require more funds again be allocated for street maintenance. If this alternative is chosen, the City Council should consider making a commitment to form the Street Overlay and Replacement District no later than 1997-98 to fund the remaining \$10 million in street rehabilitation projects. This program may become more viable if the economy begins improving and there are increases in the number of jobs and wages.
3. Selling an \$8.845 million revenue bond issue and forming an Street Overlay and Replacement District in 1994-95 to fund the \$10 million street rehabilitation program shortfall. This alternative has several advantages. It shows the citizens there is a commitment of the City to take funds from other areas of the budget to assist in rehabilitating the City's deteriorating street system. It significantly reduces the total funds that need to be generated by the Street Overlay and Replacement District. Assessment rates could be reduced by about 50% from those presented in July, 1993. The combination bond sale and \$1 million per year annual assessment district revenue would work well to meet the City Council concern about getting the streets rehabilitated more rapidly. The City could rehabilitate almost \$11 million in streets in the first 3 years alone. Some streets may not need an overlay in that initial 3 years and could be delayed further out when the assessment district monies were available. This option also addresses the long-term concern about a steady funding source for street rehabilitation needs. The disadvantage of this alternative is that a Street Overlay and Replacement District would need to be formed that would assess property owners a portion of the City's street rehabilitation needs cost.

## Street Improvement Program

Below is a table comparing proposed assessment rates from the July 1993 public hearings with what the rates could be if an assessment district was formed in 1994-95 that would assess \$1 million Vs the July 1993 proposal of \$2.1 million. There may need to be internal adjustments made in the proposed rates due to changes made in street repair strategies and costs for local and collection streets.

### Street Overlay and Replacement District Comparison of Proposed Assessment Rates Monthly Rate

#s	Landuse	Unit	Proposed at July 1993 Public Hearing		1994-95 Estimated Rate
			Option I	Option II	
			\$2,100,000	\$1,500,000	\$1,000,000
1	SFR/Dup./Det. Condo (Public Street)	Unit	\$10.83	\$7.50	\$5.41
2	SFR/Dup./ Det. Condo (Private Street)	Unit	\$2.75	\$1.92	\$1.38
3	MFR Public	Unit	\$8.67	\$6.00	\$4.34
4	MFR Private	Unit	\$2.17	\$1.50	\$1.09
5	Timeshare	Unit	\$0.17	\$0.17	\$0.09
6	Office	Acre	\$30.67	\$27.25	\$15.34
7	Commercial / Institutional	Acre	\$23.58	\$23.58	\$11.79
8	Industrial	Acre	\$19.83	\$17.33	\$9.92

## Street Improvement Program

#s	Landuse	Unit	Proposed at July 1993 Public Hearing		1994-95 Estimated Rate
			Option I	Option II	
			\$2,100,000	\$1,500,000	\$1,000,000
1	SFR/Dup./ Det. Condo (Public Street)	Unit	\$130	\$90	\$65.00
2	SFR/Dup./ Det. Condo (Private Street)	Unit	\$33	\$23	\$16.50
3	MFR Public	Unit	\$104	\$72	\$52.00
4	MFR Private	Unit	\$26	\$18	\$13.00
5	Timeshare	Unit	\$2	\$2	\$1.00
6	Office	Acre	\$368	\$327	\$184.00
7	Commercial / Institutional	Acre	\$283	\$283	\$142.00
8	Industrial	Acre	\$238	\$208	\$119.00

\*\* : combined rate for SFR and MFR

### Recommendation:

The combined funding plan discussed in Alternative #3 will solve the City's street rehabilitation funding problem and lessen the impact of the assessments that were proposed in the \$2.1 million per year Street Overlay and Replacement District that did not proceed in July, 1993. The combined funding plan meets the City Council's goal of reaching a reasonable level of service within 10 years. It does not appear the City can provide the entire \$18 million funding of the street rehabilitation program without the assessment district. As a backup, the City Council may want to consider selling revenue bonds and consider formation of an assessment district at a later time. Deferring the overlay and replacement program will only cost the citizens more money over time. It is much more cost effective to overlay streets before they need the much more costly reconstruction.

---

# Street Improvement Program

---

**Fiscal Impact:**

Fiscal impact will be determined by the alternative chosen by the City Council. If it is decided that the bond debt service is \$850,000 per year, staff proposes that a 15-year funding commitment be from the following programs:

\$400,000	Gas Tax Fund (2106 Gas Tax), Measure M, Proposition 111)
\$350,000	Street Maintenance Repair Budget
<u>\$100,000</u>	General Fund
<u><b>\$850,000</b></u>	<b>Total</b>