



City of Lemon Grove
City Council Special Meeting Agenda
Tuesday, October 23, 2018, 6:00 p.m.

Lemon Grove Community Center
3146 School Lane, Lemon Grove, CA

Call to Order

Pledge of Allegiance

1. Discussion of FY 2018-19 General Fund Operating Budget

Presenters: Lydia Romero, City Manager
Molly Brennan, Finance Director

Public Comment: *(Note: Public Comment will be restricted to the agenda item only. Three minutes will be provided to each speaker)*

Adjournment

In compliance with the Americans with Disabilities Act (ADA), the City of Lemon Grove will provide special accommodations for persons who require assistance to access, attend and/or participate in meetings of the City Council. If you require such assistance, please contact the City Clerk at (619) 825-3800 or email sgarcia@lemongrove.ca.gov. A full agenda packet is available for public review at City Hall.

AFFIDAVIT OF NOTIFICATION AND POSTING

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) SS
CITY OF LEMON GROVE)

I, Shelley Chapel, MMC, City Clerk of the City of Lemon Grove, hereby declare under penalty of perjury that a copy of the above Agenda of the Regular Meeting of the City Council of the City of Lemon Grove, California, was delivered and/or notice by email not less than 72 hours before the hour of 5:30 p.m. on October 18, 2018, to the members of the governing agency, and caused the agenda to be posted on the City's website at www.lemongrove.ca.gov and at Lemon Grove City Hall, 3232 Main Street Lemon Grove, CA 91945.

/s/ Shelley Chapel

Shelley Chapel, MMC, City Clerk

LEMON GROVE BUDGET WORKSHOP

OCT. 23, 2018



AGENDA

1. Purpose
2. Financial Overview
3. Departmental Review
 - Administration
 - Public Safety
 - Fire
 - Development Services
 - Public Works
4. Summary
5. Public Comment
6. City Council Discussion and Direction

PURPOSE OF THIS WORKSHOP

What brought us here tonight?

- Transparency about the City's financial position
- Desire for in-depth review of the City's spending
- Inclusive decision making for next steps

What are the goals we hope to accomplish this evening?

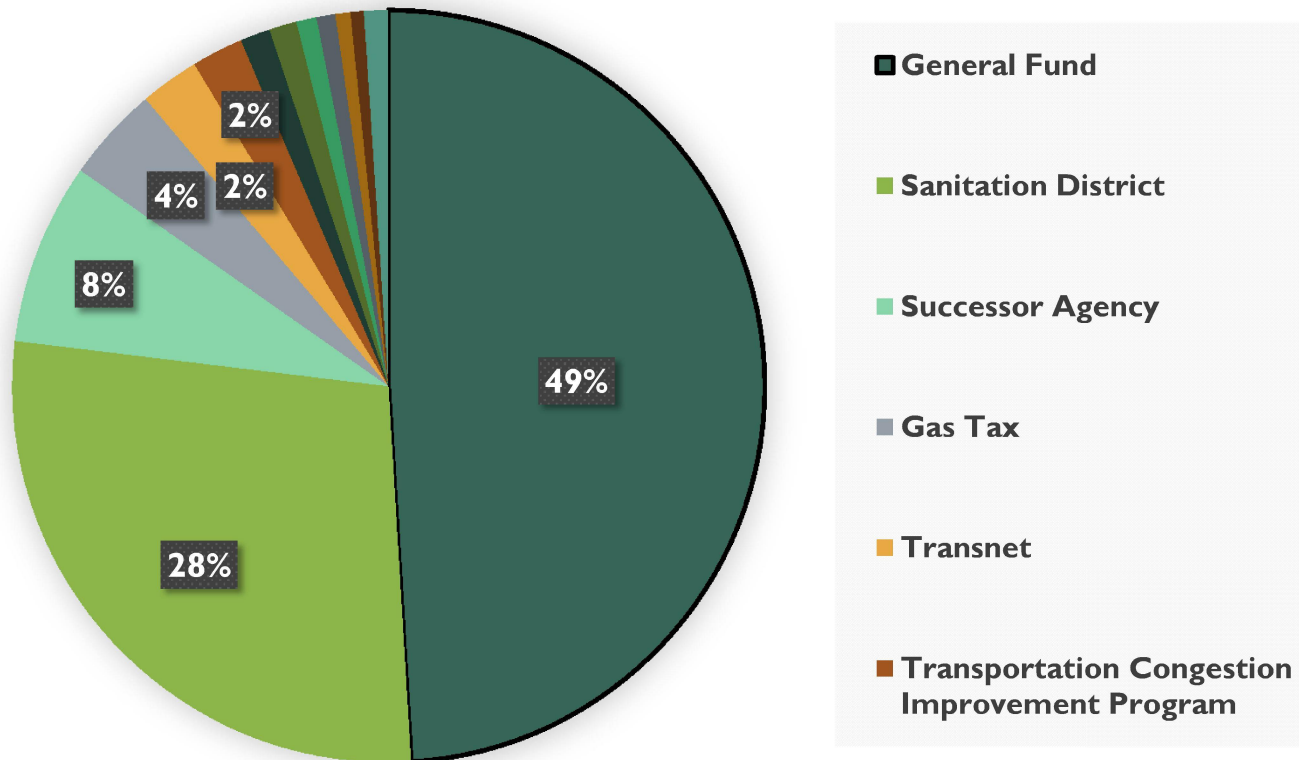
- Understand the drivers of the City's General Fund revenue and expenditures
- Review the options for closing the FY18/19 General Fund budget deficit
- Weigh the short-term gains against the long-term implications



FINANCIAL OVERVIEW

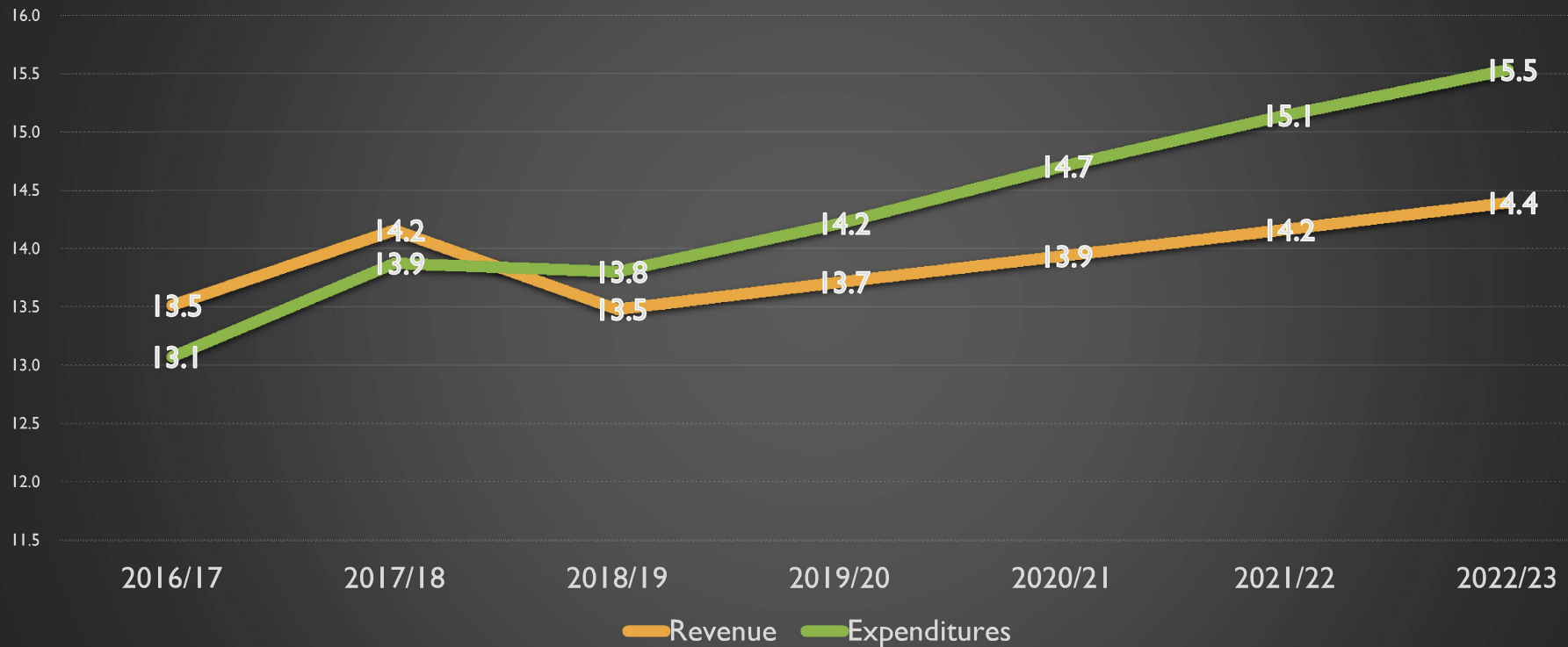
FINANCIAL OVERVIEW

Consolidated Budget FY 2018-19



FINANCIAL OVERVIEW

General Fund Revenue vs. Expenditure Projection in Millions



FINANCIAL OVERVIEW

Why the growing disparity between General Fund revenue & expenditures?

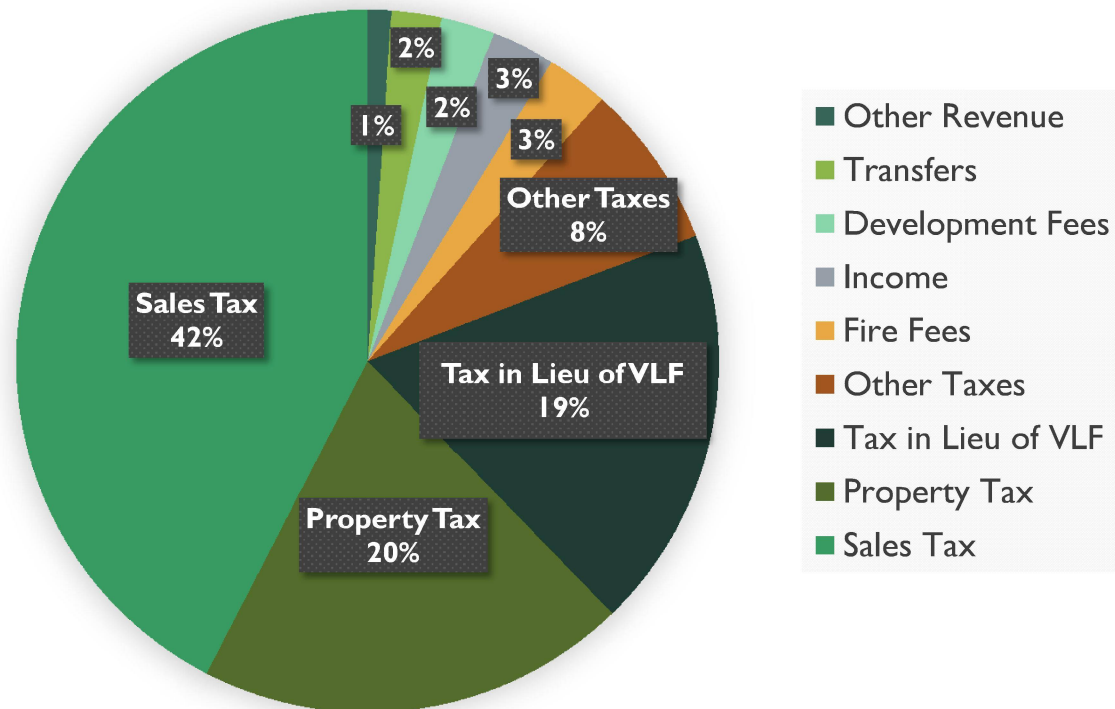
- Main revenue sources growing about 1.5% per year
- Expenditures growing 3.6% per year

Structural deficit

- FY 2018/19 General Fund adopted budget has deficit of \$322,000
- When expenditures are greater than revenues over a period of time regardless of the economy
- Projection on graph assumes a strong economy for the next five years
- Deficit will be much larger if there is a recession

FINANCIAL OVERVIEW - REVENUE

FY 18/19 General Fund Revenue Sources



FINANCIAL OVERVIEW - REVENUE

Why is revenue growth limited?

Sales Tax – 42% of revenue

- Subject to volatility of market conditions
- 87% based on point-of-sale activity within City businesses
 - Local businesses do not have never-ending growth capacity
- 5% growth between FY16/17 and FY17/18 contributed to balanced budget last year
- Professional Sales Tax consultants (HdL) provide in-depth projections
 - Estimate growth between FY17/18 to FY18/19 will only be 1.7%

FINANCIAL OVERVIEW - REVENUE

Why is revenue growth limited?

Property Tax – 20% of revenue

- Prop 13 – caps assessed taxable value at 2% growth per year and caps tax bill at 1% of assessed value
- Of the 1% of property value paid in taxes, the City receives about 12%

HOW YOUR PROPERTY TAX DOLLAR IS DIVIDED



FINANCIAL OVERVIEW - REVENUE

Why is revenue growth limited?

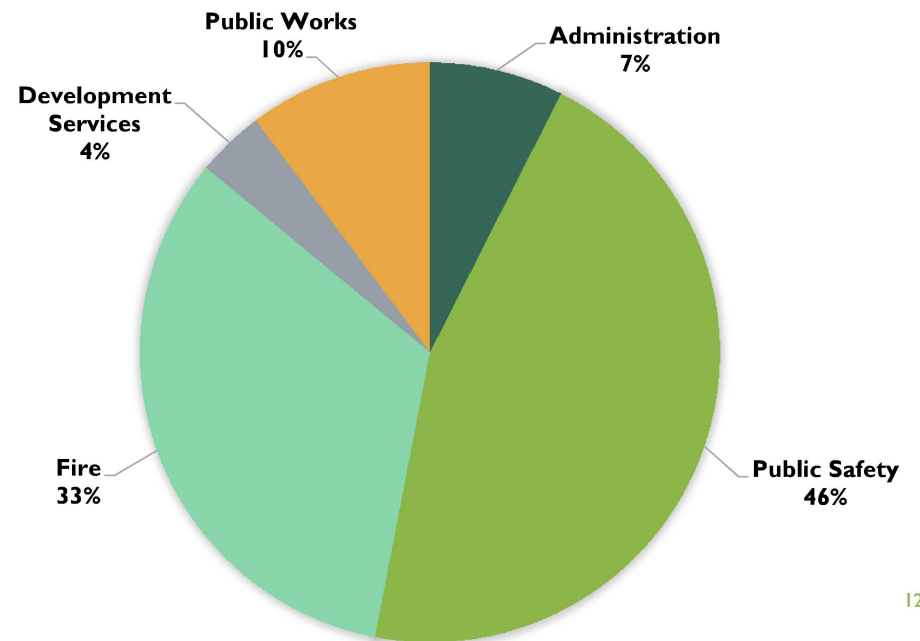
Property Tax – 20% of revenue

- 1978 Prop 8 – triggers automatic reduction in taxable property values when the real estate market declines
- In 2009, about 20% of LG parcels were adjusted, with 8% of parcels still remaining at taxable values lower than pre-recession values
- Going in the right direction, but growth is slow. In FY18/19, median sale price has slightly surpassed the peak price before the recession

FINANCIAL OVERVIEW - EXPENDITURES

Department	FY 18/19 Budget	% of Total
Administration	\$1,030,699.00	7%
Public Safety	\$6,289,487.00	46%
Fire	\$4,544,551.16	33%
Development Services	\$521,125.75	4%
Public Works	\$1,415,676.58	10%
Total Expenditures	\$13,801,539.48	100.0%

GENERAL FUND BY DEPARTMENT



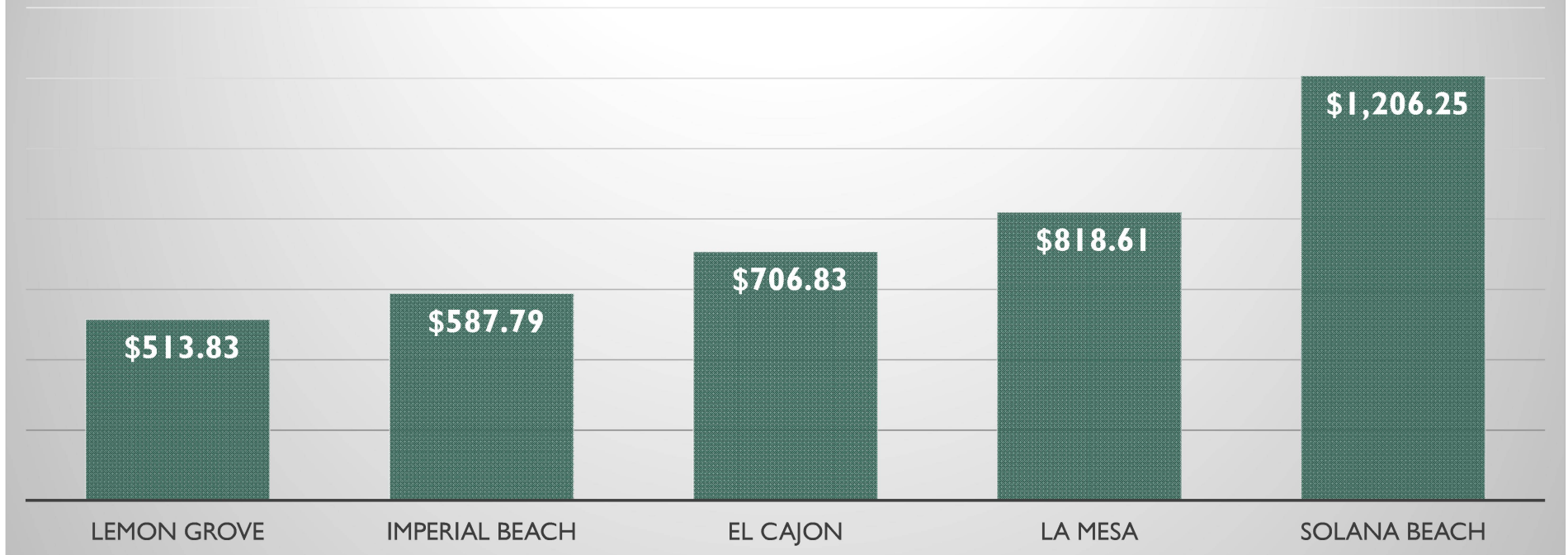
FINANCIAL OVERVIEW - EXPENDITURES

What are the main drivers of the 3.6% average expenditure growth?

- San Diego Sheriff Contract Annual Increases
- CalPERS Required Employer Contributions
 - Percent of payroll
 - Lump-sum unfunded accrued liability (UAL) payments
- Inflation
 - 2017 CPI was 2.8% for San Diego region according to the Bureau of Labor Statistics (BLS)
 - Impacts cost of supplies and contractor agreements

FINANCIAL OVERVIEW - BENCHMARKING

FY18/19 General Fund Expenditures per Capita



FINANCIAL OVERVIEW

GENERAL FUND EXPENDITURES BY DEPARTMENT

Department	2016-2017 Actual	2017-2018 Budget	2017-2018 Actual	2018-2019 Budget	% Change
City Council	82,671	92,860	82,221	80,764	-2%
City Manager	352,674	375,280	387,412	339,868	-12%
City Attorney	213,753	156,500	359,317	160,000	-55%
City Clerk	66,391	88,200	75,504	71,654	-5%
Finance	261,523	276,590	330,701	303,213	-8%
Law Enforcement	5,538,528	5,863,060	5,854,864	6,289,487	7%
Fire	4,250,470	4,307,780	4,763,452	4,544,551	-5%
Development Services	566,562	582,200	584,253	521,126	-11%
Public Works	1,481,929	1,433,450	1,404,950	1,415,677	1%
Non-Departmental	257,370	237,530	306,892	75,200	-75%
Total Expenditures	\$ 13,071,871	\$ 13,413,450	\$ 14,149,565	\$ 13,801,540	-2%

FINANCIAL OVERVIEW

General Fund FY18/19 Budget Unfunded Needs:

- Fire Engine - \$450-750k
- Fire Station Generator - \$35k
- Fire Command Vehicle - \$75k
- SCBA Compressor - \$50k
- Extractor/Commercial Washer - \$15k
- Community Center Roof - \$44k
- Tree Maintenance - \$275k
- Public Works Truck Replacement - \$30k
- Code Enforcement Vehicle - \$25k
- COLA Raise for Misc. Staff - \$142k
- Total Unfunded Needs: \$1,441,000

- Deferring investment in capital replacement is not a long-term solution

FINANCIAL OVERVIEW

General Fund Reserves

- Reserve policy: 25% or more of General Fund adopted operating budget
- Have balance to pay for \$322,000 FY18/19 deficit
- Not long-term solution to the General Fund structural deficit

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Annual Bottom Line	\$440,969	\$166,641	\$(322,004)	\$(503,777)	\$(770,946)	\$(980,302)	\$(1,139,995)
Reserves Used			\$ (844,355)				
Ending Fund Balance	\$5,297,118	\$5,463,759	\$4,297,400	\$3,793,623	\$3,022,677	\$ 2,042,375	\$ 902,380
Reserves as % of GF Exp	41%	39%	31%	27%	21%	13%	6%

FINANCIAL OVERVIEW - SUMMARY

- Lemon Grove provides basic local government services for the lowest cost per capita in the area
- Structural deficit will grow over time due to imbalance between revenue & expenditure growth rates
- Deferring investment in capital replacement is not a long-term solution
- Using reserves is only an option for one more fiscal year
- Next up, departmental review of potential cuts and revenue generating activities



DEPARTMENT REVIEW

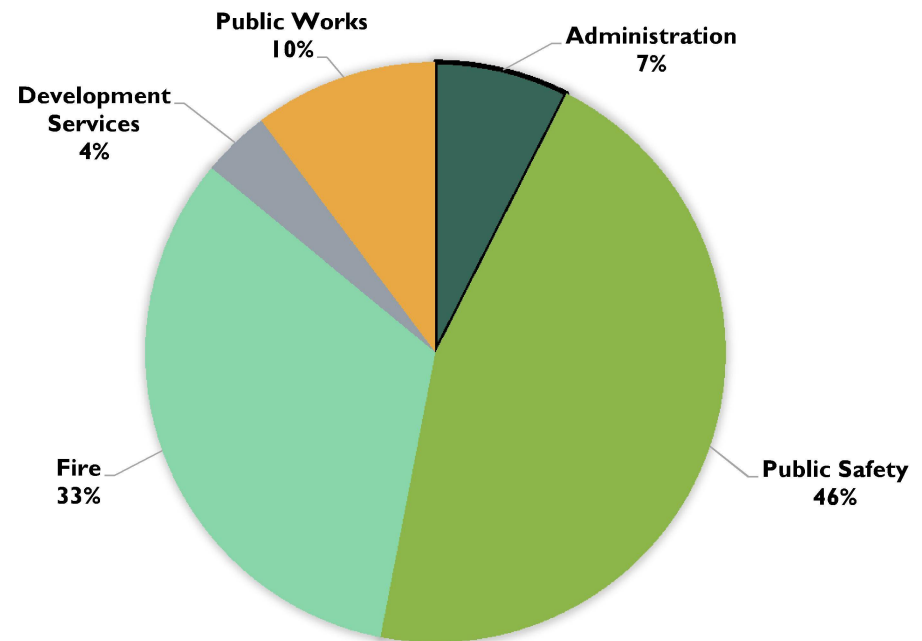


ADMINISTRATION

■ Administration includes:

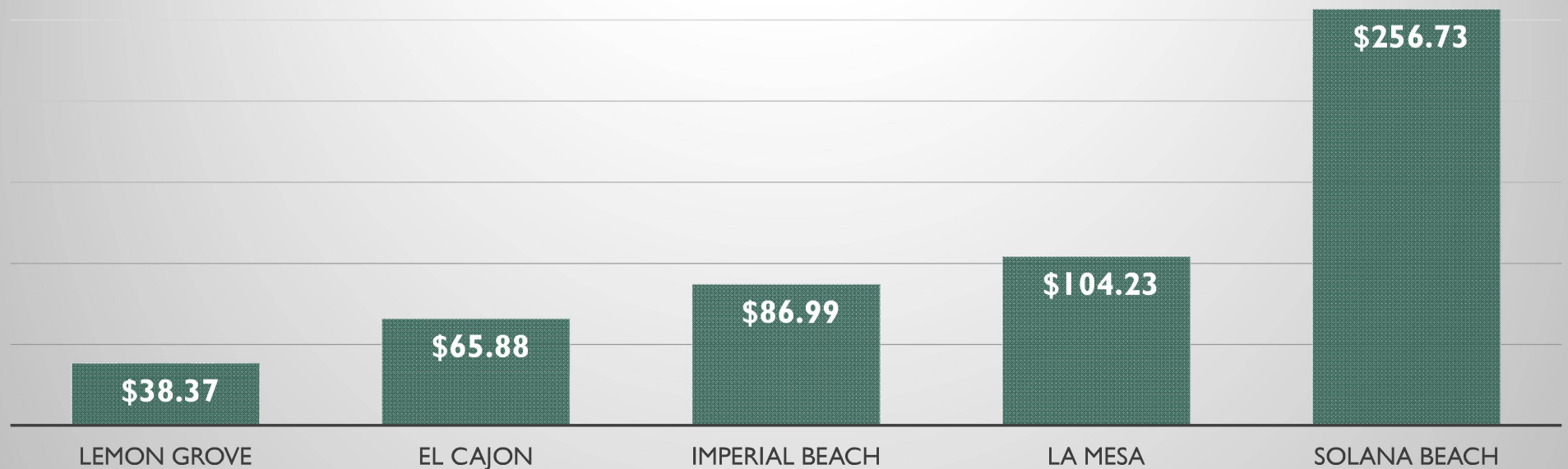
- City Council
- City Manager
- City Clerk
- Human Resources
- Finance
- City Attorney
- Non-departmental
- 8 FT and 7 PT Employees

GENERAL FUND BY DEPARTMENT



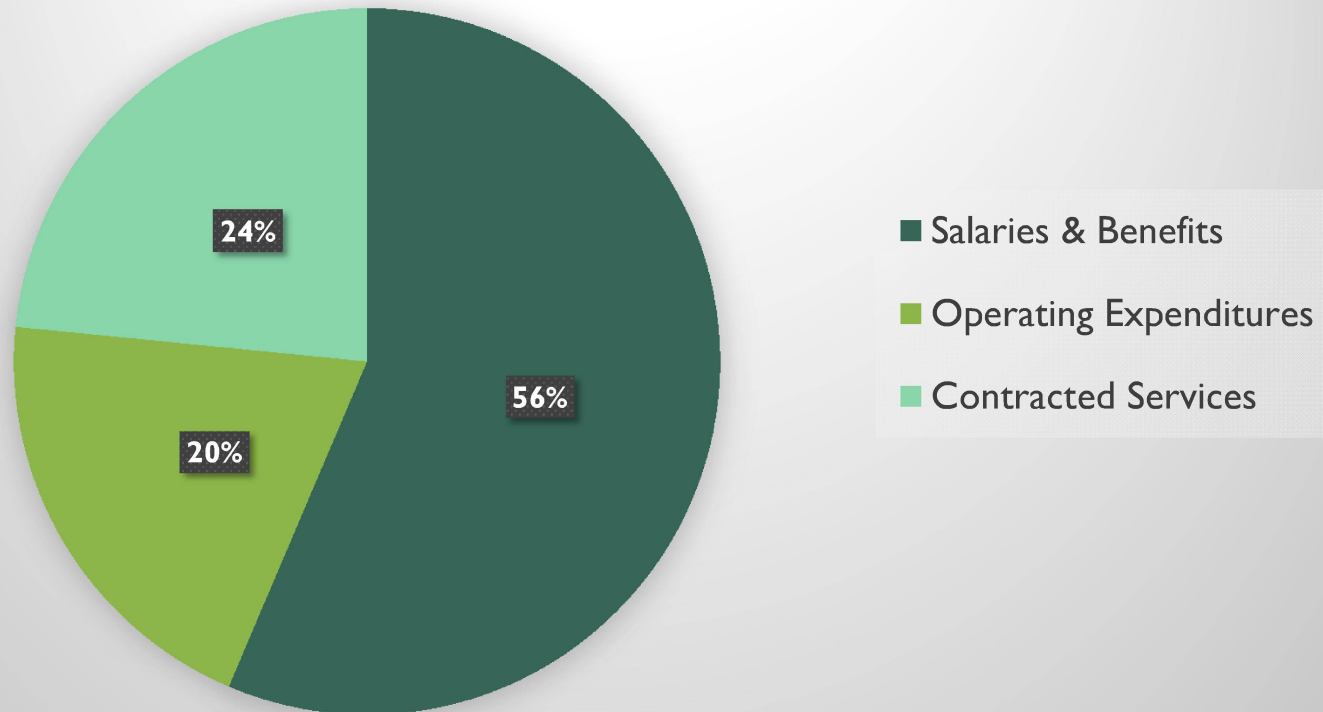
ADMINISTRATION - BENCHMARKING

FY18/19 General Fund Admin Expenditures per Capita



ADMINISTRATION

FY 18/19 Administrative Budget



ADMINISTRATION - POTENTIAL CUTS

- **Electronic Agenda Packet Distribution** -\$4,000
 - First year there would be no cost savings due to purchase of electronic devices
- **Reduce Finance Professional Services Line Item** - \$8,000
- **Cancel General Plan Update** -\$50,000
 - Match for grant, so would forfeit \$300,000 SANDAG grant
- **Reduce City Hall Office Supply Line Item** -\$1,000

ADMINISTRATION - POTENTIAL CUTS

- **Eliminate City Council Stipend & Car Allowance** -\$25,928
 - Or eliminate Council stipend increase for 2019
- **Eliminate Management Analyst Position** -\$60,000
- **Soft Hiring Freeze of Misc. Staff**

ADMINISTRATION – REVENUE IDEAS

- **Become Passport Processing Facility**

- + \$35/application minus mailing & staff time costs

- **Sell Lemon Grove Merchandise**

- Hats, blankets, t-shirt, coffee cups, dog leash, etc.
- Up front investment, promote LG positive image, resident support

- **Close City Hall to Public at 4pm**

- Reassign front desk staff to code enforcement & business license enforcement from 4pm-6pm
- Impact: additional license/fine revenue, lack of access for public in evenings

ADMINISTRATION

Questions



PUBLIC SAFETY

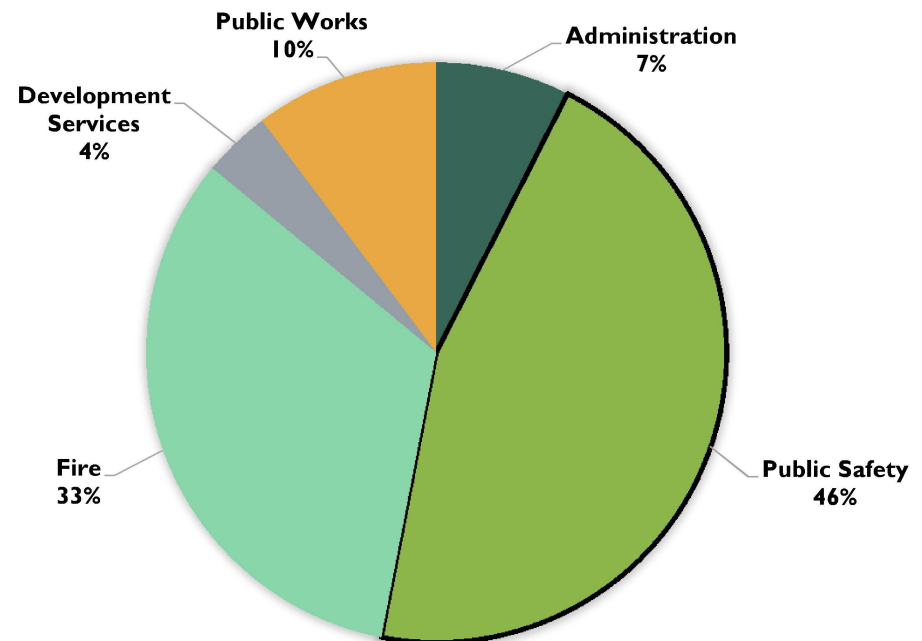


PUBLIC SAFETY

- Includes:

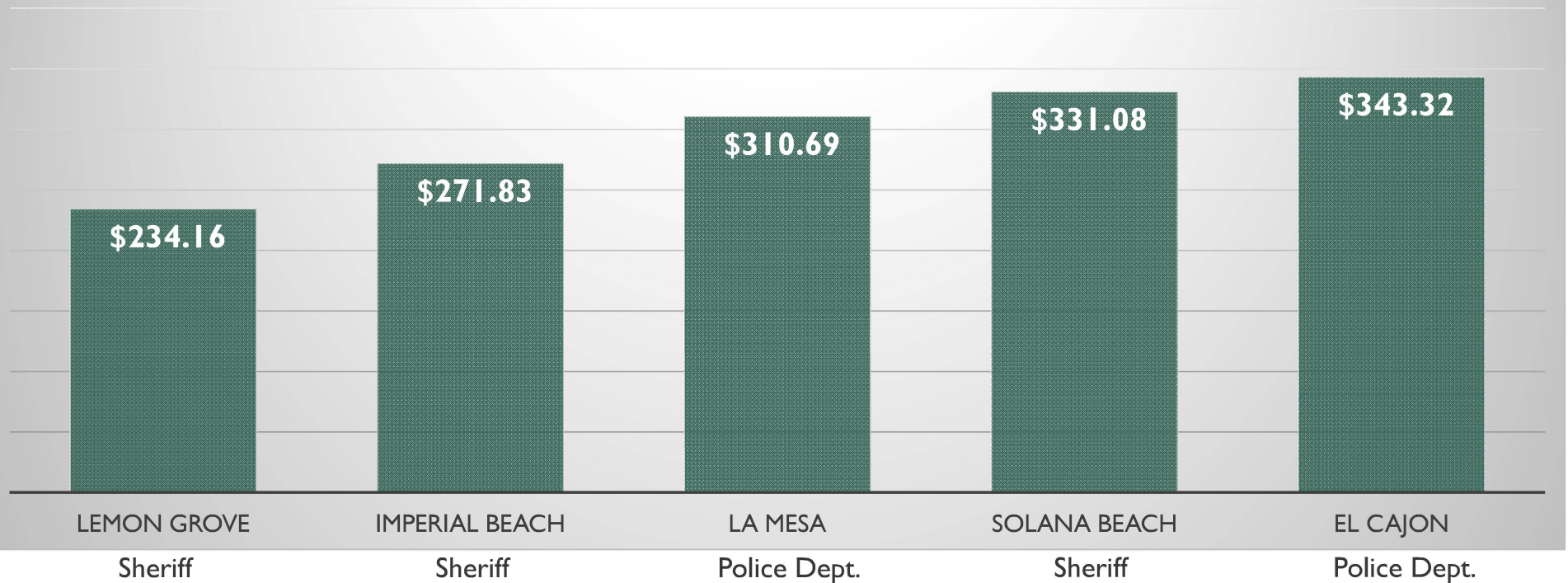
- Animal Control with Chula Vista
- Law Enforcement with SD Sheriffs
- LG Sheriff Substation

GENERAL FUND BY DEPARTMENT



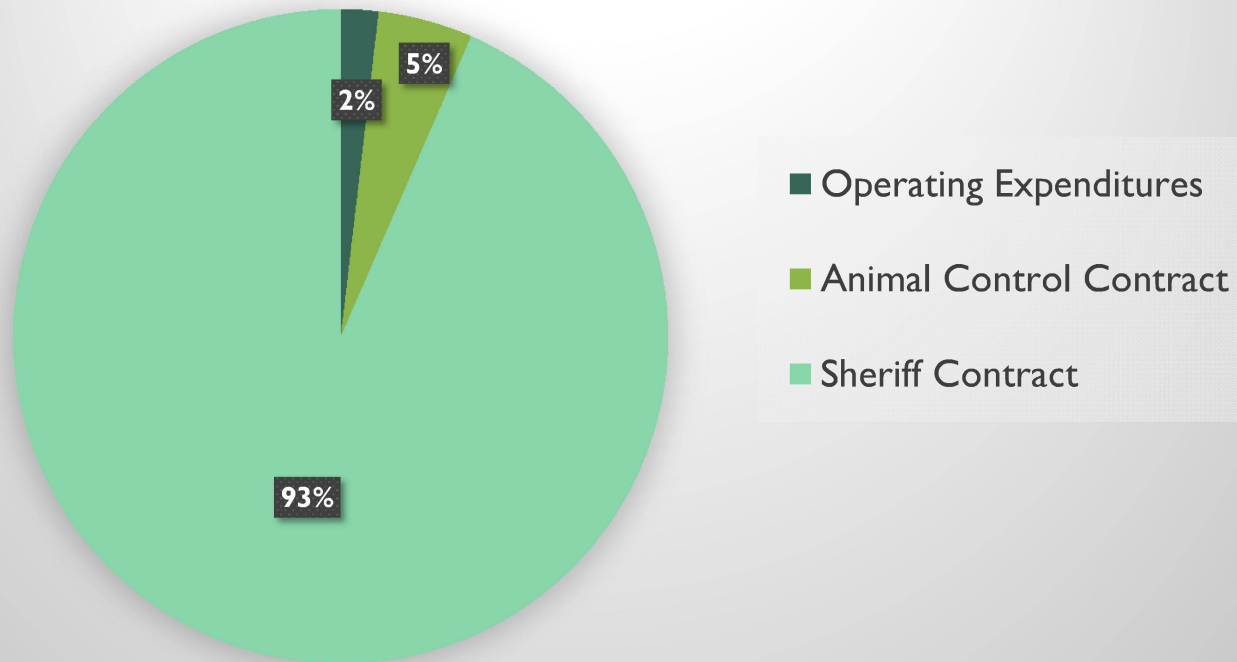
PUBLIC SAFETY - BENCHMARKING

FY18/19 General Fund Public Safety Expenditures per Capita



PUBLIC SAFETY

FY 18/19 Public Safety Budget



PUBLIC SAFETY – ANIMAL CONTROL

Current Contract Structure

- Four days in contract (Mon-Thurs), but patrol Fridays as well
- If no animal control officer on duty, the Sheriff is called
- For additional detail refer to staff report by Miranda Evans from the Feb 6, 2018 City Council meeting

Moving Forward

- Already signed contract for FY18/19 services with the City of Chula Vista
- Staff is exploring our options for FY19/20 and will update Council in early 2019

PUBLIC SAFETY – SHERIFF CONTRACT

Key Contract Provisions

- Term: July 1, 2017- June 30, 2022
- By May 1 each year, have to notify level of law enforcement services for next FY
- Min staffing:
 - 24-hour patrol unit
 - 8.5 hour, 7 days/week traffic unit
- Indemnity from claims for City

Price

- FY17/18 = \$5,546,604 (6%)
- FY18/19 = \$5,879,400 (6%)
- FY19/20 = \$6,202,767 (5.5%)
- FY20/21 = \$6,512,905 (5%)
- FY21/22 = \$6,805,986 (4.5%)

PUBLIC SAFETY – SHERIFF CONTRACT

Current Authorized Contracted Positions

- 1 Lieutenant
- 2 Sergeants (1 patrol, 1 traffic)
- 13 Patrol Deputies
- 3 Traffic Deputies
- 2 Detectives
- 1 Community Service Officer (CSO)
- 1 Senior Office Assistant
- 2 Office Assistants
- 1 Property & Evidence Specialist

Position	Average Activity Level
Patrol Deputy	75 calls/month
Traffic Deputy	36 calls/month
Detective	63 cases/month

PUBLIC SAFETY – POTENTIAL CUTS

Reduce General Office Staffing

- Reduce Property & Evidence Specialist to 50%
 - Job Share with Rancho San Diego
 - Impact

- Eliminate One Office Assistant
 - Impact

PUBLIC SAFETY – POTENTIAL CUTS

Reduce Officer Staffing

- **Eliminate Community Services Officer (CSO)**
 - Impact: no more parking tickets or towing
- **Eliminate One Detective**
 - Impact: slow criminal investigations, burn-out for remaining detective, will miss DA timeframe for criminal prosecution
- **Reduce Traffic Patrol**
 - Impact: increase in traffic violations, slower response time for traffic incidents, overall impact on traffic may increase car insurance rates for residents, discontinue response to non-injury collisions

PUBLIC SAFETY

Questions



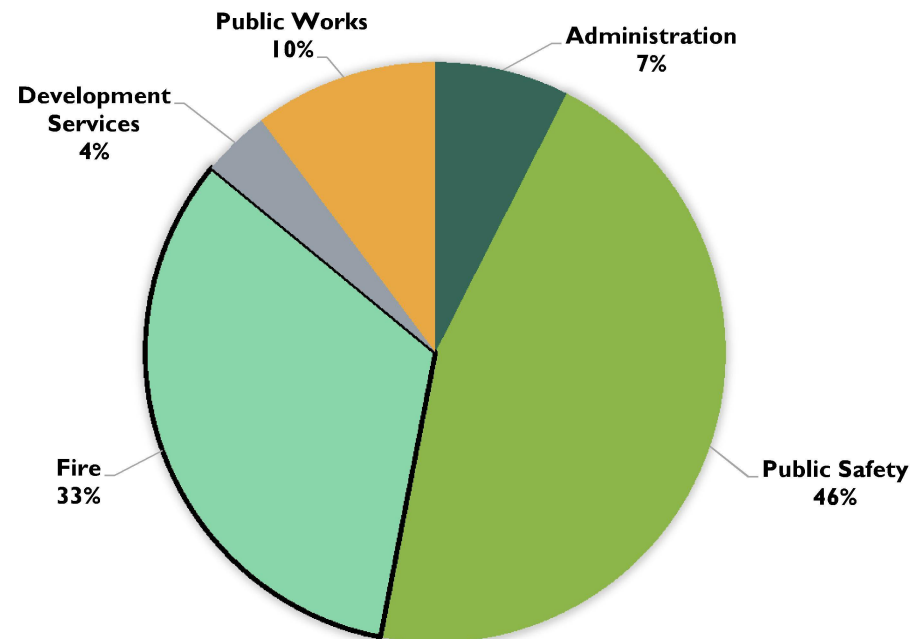
FIRE



FIRE

- Includes:
 - 20 FT and One PT Staff
 - One LG fire station
 - Heartland JPA Participation

GENERAL FUND BY DEPARTMENT



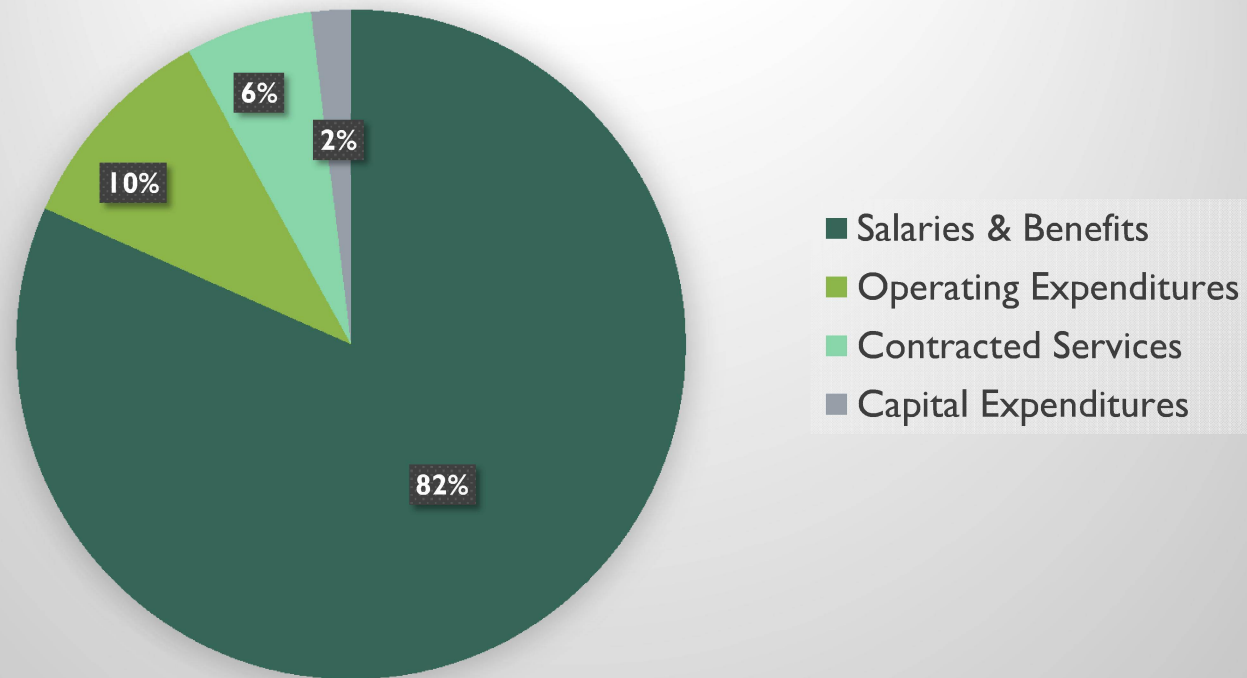
FIRE - BENCHMARKING

FY18/19 General Fund Fire Expenditures per Capita



FIRE

FY 18/19 Fire Department Budget



FIRE

- 82% of Fire expenditures are personnel related, which is dependent on the contractual obligations the City has agreed to in the MOU with the fire union
- The 6% of contracted services represents the contract with El Cajon for dispatch services
- The 2% of capital spending is the equipment lease for a fire engine, last payment in 2021
- Only the 10% of operating expenditures are not under current contractual obligations

FIRE - BACKGROUND

Heartland Fire & Rescue JPA Structure

- In 2010, the JPA was formed to serve the communities of Lemon Grove, La Mesa, & El Cajon
- To share in cost savings, the three Cities agreed on a formula to split the personnel expenses of the organization's management level and administrative employees
- Lemon Grove currently pays 15.38% of those overhead personnel expenditures
- Our 15.38% includes direct employment of the LG Division Chief, LG Battalion Chief, & one PT admin
- In addition, we pay about \$118,220 (2.6% of the Fire budget) to La Mesa or El Cajon to bring our portion of the overhead up to the 15.38%
 - This portion pays for the Heartland Fire Chief and additional administrative support

FIRE – DEFERRED CAPITAL REPLACEMENTS

The FY 18/19 budget does not include saving for capital items that will no longer be usable in the near future. When these items break, the sizable replacement costs will have to come from fund balance.

Fire Apparatus & Vehicles

- Current reserve fire engine is 21 years old. Replacement = \$450,000-\$750,000
- Current Chief staff vehicle was purchased in 2004 and has 220,000 miles. Replacement = \$75,000
- Fire Prevention vehicle is a 2004 with 96,000 miles. Replacement = \$15,000

FIRE – DEFERRED CAPITAL REPLACEMENTS

The FY 18/19 budget does not include saving for capital items that will no longer be usable in the near future. When these items break, the sizable replacement costs will have to come from fund balance.

Gear & Equipment

- Twelve self-contained breathing apparatus (SCBAs) are at least 13 years old. When they become 15 years old, Federal law mandates replacement. Replacement = \$65,000.
- Air compressor used to fill air bottles is original to station (1988). Due for rebuild at \$15,000. Replacement = \$50,000
- Station/EOC generator original to building (1988). Replacement = \$35,000
- Commercial extractor used to remove carcinogens from turnout gear is from 1995. Repair parts are getting harder to find. Replacement = \$15,000

FIRE – POTENTIAL CUTS

Unscheduled Overtime

- Since at minimum staffing, when fire employees use paid time off (PTO) the shift coverage creates OT
- At current rate this line item will be about \$300,000 over budget for FY18/19
- Fire MOU term ends 6/30/19 and negotiations on new contract will begin in early Spring 2019
- May be able to reduce OT in future years and achieve cost savings by considering shift schedule changes or an additional employee in floater position

FIRE – POTENTIAL CUTS

General Cuts to Operations:

■ Community Risk Reduction	-\$1,500
■ Membership & Dues	-\$500
■ Subscription & Books	-\$500
■ Office Supplies	-\$100

FIRE – POTENTIAL CUTS

City Emergency Preparedness

- Emergency Operating Center (EOC) upkeep & maintenance
- Cut back-up internet - \$45/month
- Cancel satellite phones -\$82.50/month
- Impact: If hard line internet or cellular phones go down during an emergency, the EOC communications will also go down.

FIRE – POTENTIAL CUTS

Personal Protective Clothing

- Replace, repair, & clean firefighter protective clothing
- Each firefighter has two sets of turnout gear, of which one is cleaned & inspected/year
- Standard replacement schedule is after 10 years
- Defer replacement of gear beyond 10 years - \$2,500/year
- Impact: using turnout gear longer than recommended increases health and safety risk to employee and potential liability for the City

FIRE – POTENTIAL CUTS

Departmental Expense

- Funds unanticipated costs throughout year, such as station/equipment repairs, annual ladder testing, station generator testing/permit, firefighting foam, water during emergency incidents
- Three year average spending is \$9,300, FY18/19 budget is \$9,000
- Reduce an additional \$1,000 - \$1,000/year
- Impact: if unanticipated repairs arise beyond \$8,000, will need to use fund balance

FIRE – POTENTIAL CUTS

Tools & Supplies

- Replaces old/worn fire suppression equipment
- Mainly covers fire hose replacement program at \$5,600/year
- Reduce an additional \$1,000 - \$1,000/year
- Impact: will increase future budget when deferred maintenance cannot be deferred any longer

FIRE – POTENTIAL CUTS

Weed Abatement

- Goats to clear weeds on LG properties and known problem properties
- Cut program - \$7,000/year
- Impact: By reducing fire prevention activities, the risk of a fire in those areas increases



FIRE

Questions



DEVELOPMENT SERVICES

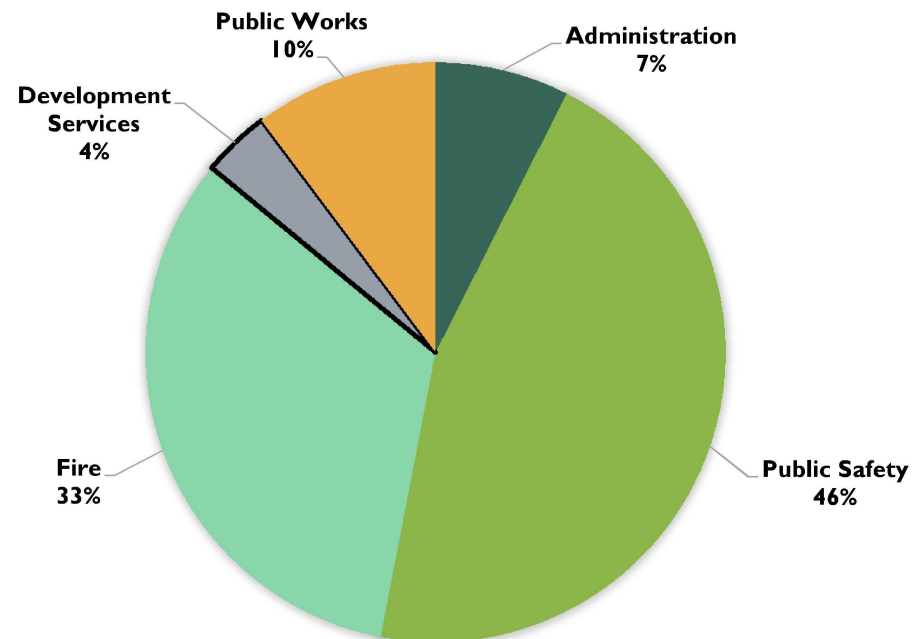


DEVELOPMENT SERVICES

- Includes:

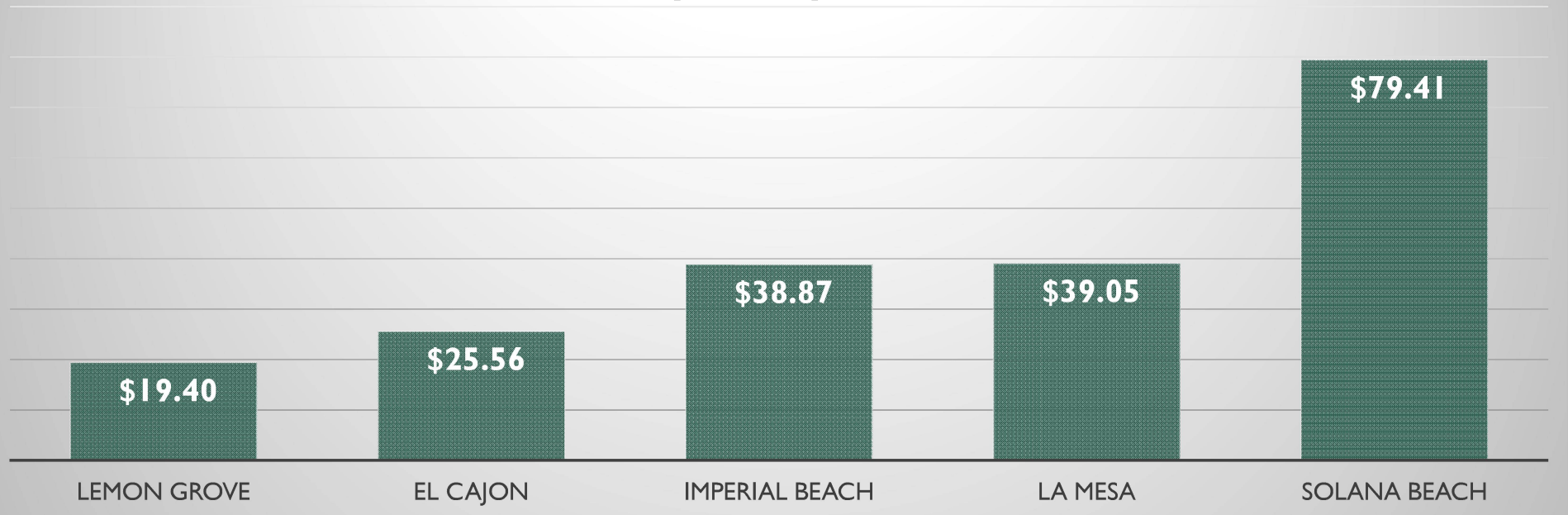
- Building
- Planning
- Code Enforcement
- 50% of 5 FT Employees

GENERAL FUND BY DEPARTMENT



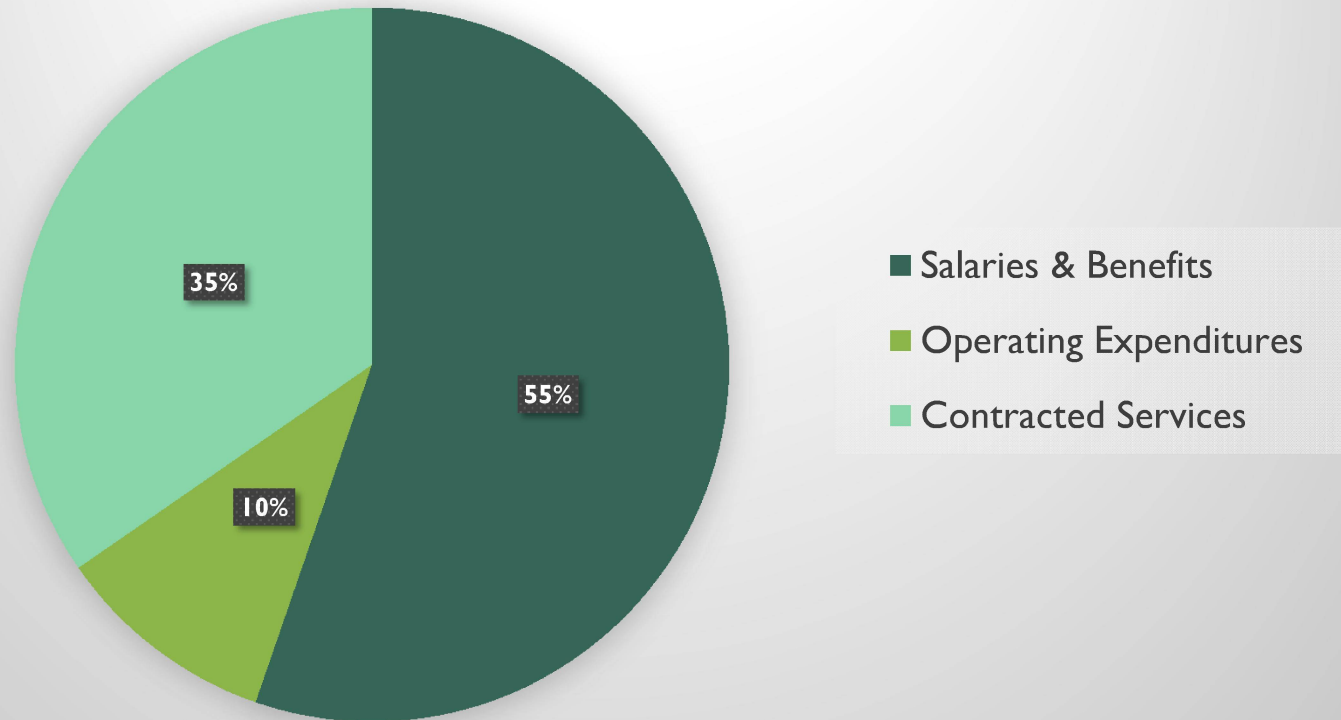
DEVELOPMENT SERVICES - BENCHMARKING

FY18/19 General Fund Development Services Expenditures per Capita



DEVELOPMENT SERVICES

FY 18/19 Development Service Budget



DEVELOPMENT SERVICES – POTENTIAL CUTS

Contract Out California Environmental Quality Act (CEQA) Reviews

- Would ensure 100% cost recovery
- Would reduce the City's potential liability
- Reducing job tasks for the Planners will reduce their OT usage and save additional money

DEVELOPMENT SERVICES – REVENUE IDEAS

Amend Municipal Code to allow for short term rentals, such as AirBnB and VRBO

- Would also require amending the Home Occupation regulations (Chapter 18.20)
- Once authorized to operate within the City, we could enforce collection of TOT and registration/payment of annual business licenses at \$45/per home occupation permit
- An online search shows at least 50 homes already operating on these platforms in Lemon Grove
- Once short-term rentals are expressly allowed, more homes may participate
- Impact: $\$45 \times 50 \text{ homes} = \$2,250$ plus 6% TOT on the rental fees paid

DEVELOPMENT SERVICES – REVENUE IDEAS

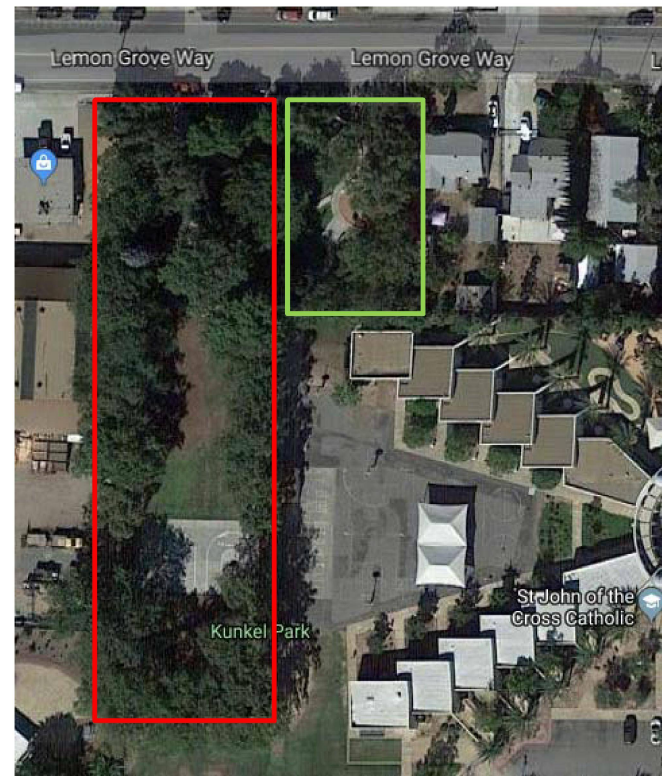
Aggressive collection of code enforcement fines & business license fees

- Due to lack of staff resources, businesses that ignore their business license renewal are only contacted by mail to request payment
- In past, staff would go in person to businesses to enforce & had higher rates of compliance
- Currently, code enforcement violators that fail to pay their fines are allowed to negotiate partial payment to avoid collections or liens
- Could move to a hard line approach with no wiggle room
- May increase revenue in the long-term, but would reduce in-flow in the short-term

DEVELOPMENT SERVICES – REVENUE IDEAS

Kunkel Park

- Sell or develop portion of the park as mixed used development (in red)
- Currently under-utilized park facility with public safety issues due to depth of space
- Selling to developer would be one-time revenue, then small on-going bump in property tax revenue
- Developing and serving as landlord would provide larger on-going revenue, but requires staff time and initial capital investment
- Would reduce park watering and landscaping costs
- Estimate \$250,000 of one-time revenue from selling





DEVELOPMENT SERVICES

Questions



PUBLIC WORKS

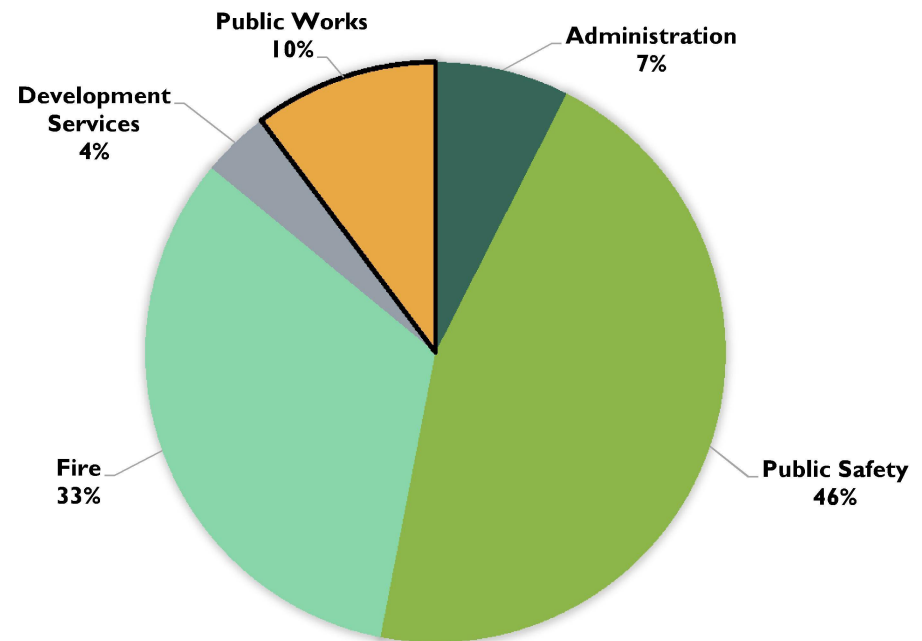


PUBLIC WORKS

■ Includes:

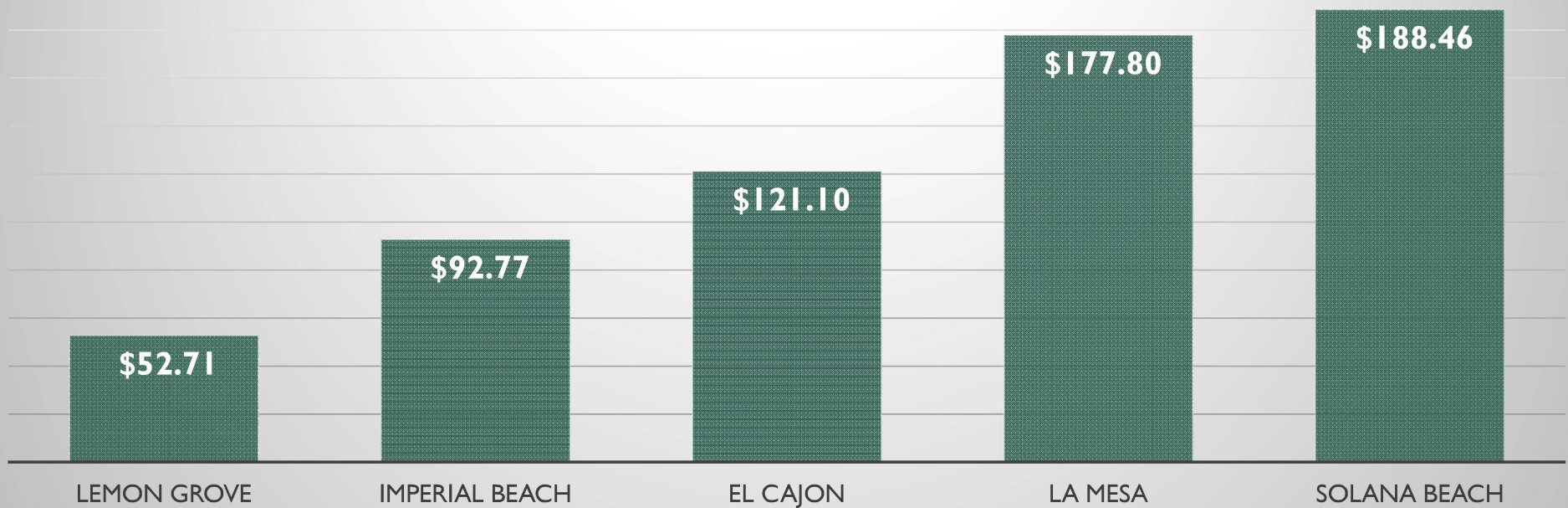
- Administration
- Engineering
- Community Services
- Facilities
- Streets
- Grounds
- Two FT & Portion of 12 FT Employees

GENERAL FUND BY DEPARTMENT



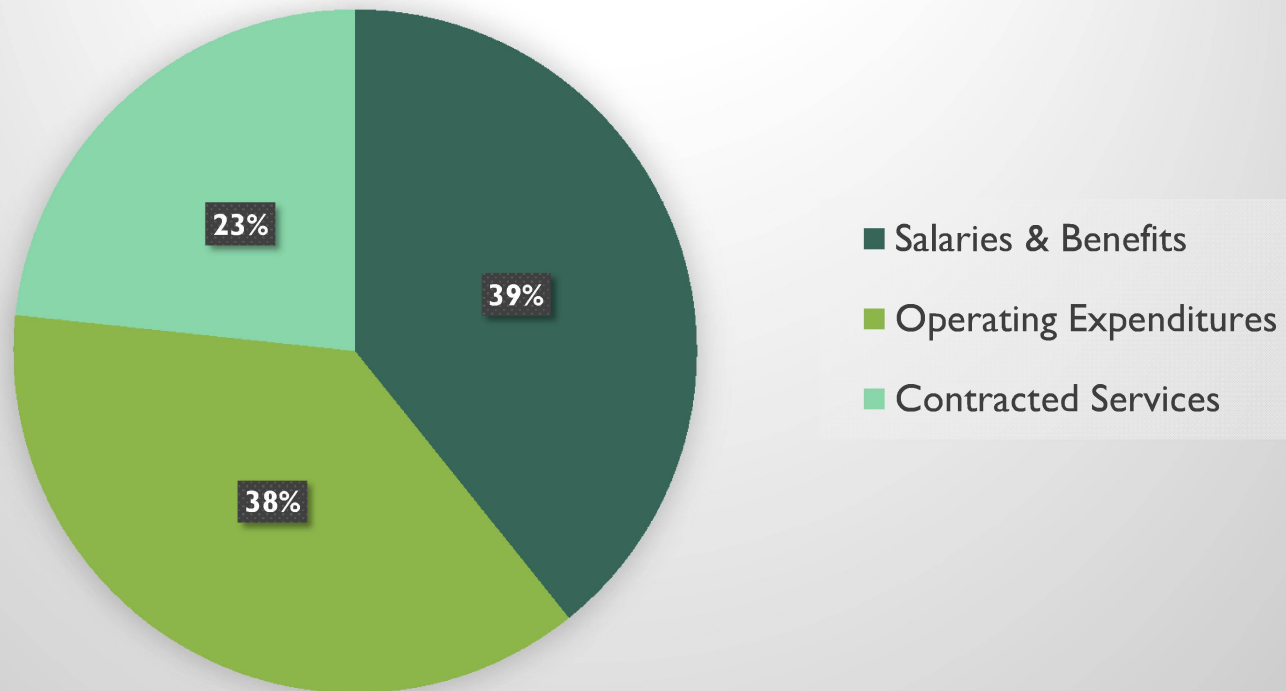
PUBLIC WORKS - BENCHMARKING

FY18/19 General Fund Public Works Expenditures per Capita



PUBLIC WORKS

FY 18/19 Public Works Budget



PUBLIC WORKS – POTENTIAL CUTS

Eliminate Park Ranger Position

- Currently works approx. 17.5/hrs per week
- Impact: \$17,092 annual savings, loss of service, and tied to park bathroom accessibility below

Park Bathroom Closure

- Open and close park bathrooms on M-F workday schedule
- Restrooms would be closed evenings and weekends
- Impact: save staff OT and park ranger pay, loss of service will likely result in increased public defecation and resulting clean-up

PUBLIC WORKS – POTENTIAL CUTS

Eliminate Recreation/Softball Field Maintenance

- Currently maintaining approx. two acres of field beyond recreation center on property that is owned by LGSD
- Would fall on LGSD to maintain and revenue from adult softball would end
- Impact: \$17,000 in net savings, would need modification to MOU with LGSD

Reduce Park Watering

- FY17/18 park water usage about \$90,000
- Already reduced turf watering by 10% for FY18/19, but could reduce an additional 10% to 'golden' parks
- May impact the long-term health of the turf

PUBLIC WORKS – POTENTIAL CUTS

Eliminate Semi-Annual Bulk Item Drop-Off Events

- Events scheduled on Saturday each July and October in coordination with EDCO
- Residents can dispose of bulk item trash for free
- Events require all public works employees to work OT
- Impact: cost savings of \$8,270 in reduced OT, expect illegal dumping to increase

PUBLIC WORKS – REVENUE IDEAS

Construct Additional Gazebo at Berry St & Lemon Grove Parks

- During the recession staff built two gazebos at Lemon Grove Park
- Potential space for 2-5 additional gazebos at Berry St and Lemon Grove Park
- Costs about \$1,000 per gazebo to build
- At \$80 per rental, staff expects to pay off cost of building in one year of operation
- Impact: initial capital investment, on-going revenue stream after one year

PUBLIC WORKS – REVENUE IDEAS

Sell Massachusetts Avenue Cell Tower Lease

- Current lease generates \$1,384.23/month in revenue
- General rule-of-thumb estimate says the sale would generate a one-time revenue source equal to 180 times the monthly rent, or \$249,161
- Impact: staff would need to review contract terms of current lease for timing restrictions of sale, would lose monthly revenue stream in exchange for one-time lump sum payment

PUBLIC WORKS – REVENUE IDEAS

Electronic Billboard(s) on City Property

- Request for Proposal (RFP) was presented to City Council at the Sept 18, 2018 meeting
- RFP has been issued and proposals are due in early Nov.
- After staff reviews the proposals, they will bring a recommendation to City Council at an upcoming meeting for next steps
- Impact: anticipate at least \$100,000 of new annual revenue once the electronic billboard has been constructed

PUBLIC WORKS

Questions

ADDITIONAL IDEAS SUBMITTED BY THE PUBLIC

- Sell LG merchandise
- Sell donated lemons or lemon tree sprouts
- Develop water park, indoor concert event space, and tasting rooms for wine/beer
- Charge resident vs. non-resident rates for facility rentals
- Cut City Council mileage
- Sell parcel at corner of Central & Olive for boutique hotel development (currently community garden)
- Open up LG for marijuana cultivation
- Website advertising
- Market LG with booth at next year's Pride festivities
- Sell naming rights to City facilities

SUMMARY

- Cost savings and revenue generation estimates in this presentation are based on a full fiscal year. Therefore, any cuts or revenue we pursue will impact the bottom line for the remainder of the fiscal year
- There will be a dramatic impact on service levels if all of the proposed cuts are implemented
- Balance the short-term savings from cuts with their long-term implications

SUMMARY

Least Impactful Cuts

	Annual Savings
■ Eliminate Council Stipend Raise	
■ Electronic Agenda Packet Distribution	-\$4,000
■ Reduce Finance Professional Services Line Item	- \$8,000
■ Reduce Property & Evidence Specialist to 50%	
■ General Fire Operations Budget Reductions	-\$2,600
■ Eliminate Weed Abatement (Goats)	-\$7,000
■ Contract Out for CEQA Reviews	-\$5,000
■ Eliminate Recreation/Softball Field Maintenance	-\$17,000
■ Reduce Park Watering	
Impact on bottom line	min: - \$50,000

SUMMARY

Most Promising Revenue Ideas

■ Passport Processing Facility	\$35/application minus staff time
■ Sell Lemon Grove Merchandise	unknown
■ Allow Short-Term Residential Rentals	\$2,250 + 6% TOT
■ Sell or Develop Kunkel Park	\$250,000 (one-time)
■ Build Additional Gazebos	\$80/rental
■ Electronic Billboard	\$100,000

Impact on bottom line min: + \$250,000 one-time, + \$122,250 on-going



PUBLIC COMMENT



CITY COUNCIL DIRECTION

Discussion and Next Steps

Received 3:12PM on 10/23/2018

October 23, 2018

MEMO TO: Mayor and City Council Members -City of Lemon Grove

FROM: Mary England – Council Member 2000-2012 – Retired
Retired Leader of the Lemon Grove Chamber of Commerce from 1994 to 2004

Currently represent Lemon Grove businesses from 2008 –present
through their membership in the La Mesa Chamber of Commerce

Re: Request for Budget Ideas – Cut Costs & Generate Income

Mayor and City Council Members:

The need for funds to operate the City of Lemon Grove continues to be in a tragic state of affairs. This has been addressed by past leadership that took dramatic steps to fundamentally alter and change how Lemon Grove spent the funds needed to attempt to survive. These steps while not popular, were necessary to maintain a balanced budget. The recreation department was disbanded in July of 2011 to save more than \$260k annually to help offset the \$311k shortfall. Also, on February 22, 2011 of that year a Goal Setting Workshop was held to identify priorities for the City. Economic Development was on that agenda, addressing the Downtown Corridor and focus on the cleanliness and appearance of the downtown area. Today 7 years later, the Downtown area is a disgrace. I get out of my vehicle to get my mail at the Post Office daily and the smell of urine is strong, as well as that side of Broadway (which the City is to maintain and owns) is filthy. Power washing is a necessity for that area. How can anyone expect a business to want to invest their hard-earned money to relocate to Lemon Grove with that type of physical presence or filth? How can anyone expect a consumer to want to travel or visit Lemon Grove to purchase a product with that type of appearance? Parking is already a challenge within the corridor. Adding the physical appearance of the downtown area only diminishes the marketability of the area. The opportunity for the city to generate sales tax, to fill vacant storefronts, increase property taxes is lost. It is proven that if a consumer visits a store, for whatever reason within an area, they are tempted while there to visit other stores or restaurants within that area, generating more potential sales for neighboring shops.

SUGGESTION: Hold a Business Stakeholders Meeting. Outreach to the businesses who have their "hand on the pulse" of the downtown and surrounding areas on a daily basis. Address their current challenges. Only when you hear from them with their collective voice, can the city truly address their many issues: vacant storefronts, why they want to leave, cleanliness, what challenges they face to stay in business in Lemon Grove or what ordinances or procedures can the city tackle to work with them on various issues? You may be surprised at what proactive and collaborative steps can be taken for the betterment of all.

On May 5, 2009 the City Council received a long-range budget analysis that anticipated a General Fund budget shortfall of approximately \$2.8 million by 2019. With the rising cost of salaries and pensions, the City of Lemon Grove needs to look at ways to make significant cuts. The taxpayer and business owners expect nothing less. When they see the City of Lemon Grove make the hard decisions that these people do in their daily lives, only then will they have a clear understanding of the financial dilemma facing the city.

SUGGESTION: Per 2017 statistics the City Manager receives a salary package of \$205,781 per year. This includes benefits and other perks. There is currently an Assistant City Manager/Public Works Director receiving a salary with a total package of \$158,933 per year. In the past the city council, due to revenue shortfalls removed the position of Assistant City Manager and had to let that employee go, which was difficult but a necessary decision. The City Manager absorbed those tasks willingly as a good leader. He led by example. At this time, the additional fees and pension paid to the Public Works Director for the additional title and tasks of the Assistant City Manager are not prudent. Also, in June of 2007 one of two new positions that were created was the Human Resource/Payroll Tech. person. As of 2017 the Human Resources employee earns a total salary package of \$103,856 per year. While in 2007 that salary may have been deemed necessary, with the current financial situation this position is a luxury. Many cities within the State of California have been outsourcing the position of Human Resources for years. They find it a better way to reduce salaries and pension liabilities, while taking care of the needs of that task. Functional consolidation – teaming with other cities to provide services and outsourcing to the private sector are done by many cities within our region. Some in our region even outsource public works.

Another looming financial crisis is the current Realignment Project, which needed an additional \$1.4 million to complete. \$844k was taken from the General Reserve fund this month, which already was tapped by a budget shortfall of \$322k this year. To take this additional \$844k from the reserves, makes it more fiscally responsible to look at ways to cut expenses and salaries. Unfortunately, salaries and pensions are the lion's share of the budget and desperate times call for desperate measures.

The city currently has land that is not being used and not developed.

SUGGESTION: Take the inventory of land owned by the City of Lemon Grove and have them appraised. These parcels may be sold to offset the funding deficit. This is only a one-time revenue source, but possibly will assist in the current financial situation.

The subject of disincorporation constantly comes up in the press and in conversations. Until the facts are totally known, it continues to be an “unknown.” Information is power, why not find out what it really entails?

SUGGESTION: Direct staff to research disincorporation. Gather all of the facts for a healthy discussion by the council. Although the subject of disincorporation can be initiated by citizens, it is in the best interests of the residents, as well as yourselves to have a healthy discussion about this subject.

10/23/2018 CHRIS WILLIAMS
Received during
Public Comment

Recreational Cannabis Businesses Regulation and Tax

For the record, this is not something the citizens will be asking approval for from the city council and staff. Together the citizens and city could sponsor and establish a measure for the ballot. There should be a Cannabis Business Tax (CBT) on non-medical cannabis businesses in the City of Lemon Grove to raise tax revenue to fund street and public improvements, education, health, safety and social service governmental purposes of the City. The proposed measure would amend the Municipal Code Chapter 17.32 to allow nonmedical cannabis businesses to operate. Amending Measure V with a plan that works for the businesses and the taxpayers could establish a gross receipts tax on non-medical cannabis businesses that operate or provide services within the City, including dispensaries, delivery services, cultivators, manufacturers, distributors, research and testing facilities.

I encourage city council and staff to welcome these cannabis businesses. The CBT rate should be set at 3% of gross receipts. The tax rate would increase to 5% after a period for the business to establish its foundation. The City Council could have the authority to either decrease or increase the CBT by ordinance at any time, after a five year period, and subject to a maximum rate of 10%. This will set up a transparent path of what cannabis businesses can expect for bringing their business to Lemon Grove. The aforementioned tax percentages would generate substantial tax revenue but also competing with rates from neighboring cities with similar regulations and taxes.

The proposed measure's impact would be limited to the effects of a City-imposed gross receipts tax on nonmedical cannabis. It would not affect other State-imposed taxes, nor would it affect land use regulations related to medical or non-medical cannabis businesses.

ECONOMIC BENEFITS

New Money (tax revenue)
Job Creation
Increased Retail Opportunities
Redevelopment

NON-ECONOMIC BENEFITS

If done tactfully, city council can control where and how many cannabis businesses are allowed to operate in Lemon Grove

For cities like Pueblo, Colorado, which has a population of around 100,000 people, cannabis has been a solution to financial woes. Pueblo had deep issues with destitution, oppression and a remarkable ineptitude of city officials. A study conducted by Colorado State University-Pueblo alongside the Department of Agriculture, Department of Public Health and Environment, and Industrial Hemp Research Foundation showed that legal cannabis had an economic impact of 58 Million in 2016, just two years after approved cannabis regulations.

Repurpose the Lemon Grove Recreational Facilities to a Youth Sportsplex

- Land acquisition costs will be minimal
- Carrying costs will be minimal to the public
- Opportunity costs will be minimal as the proposed property has been underutilized for almost seven years

Sports facilities have become a staple of the economic development toolkit in North American cities (Robertson, 1995; Chapin, 2000). Proponents argue that new sports facilities represent a sign of progress, illustrating that despite recent tough times city centers are still vital and active places for commerce and culture. Proponents of sport projects have also outlined a number of economic and noneconomic benefits that flow from these facilities, including, but not limited to increased tax revenues, job creation, and community image-building.

A youth sports facility can be a great investment. It will make Lemon Grove a destination for many, and they will spend money on various products and services while visiting. The sports facility can also create a need for overnight stays. Therefore attracting and creating a market need for a hotel. As far as financial investments go, a youth sports facility ownership can be way more fun and rewarding than just a rental property as the location is being used as currently. I encourage Lemon Grove council and city staff to research the benefit-cost ratio.

ECONOMIC BENEFITS

- Tax Revenues (Sales, Property, Personal, Sin, Others)
- Facility Revenues (that flow to the public sector)
- Total Economic Activity (Dollars and Jobs)
- Spin-Off Businesses
- District (Re)Development
- Impact of Other Events
- Economic Activity (New Money, New Jobs)
- Reuse Opportunities for Old Facility Site

NON-ECONOMIC BENEFITS

- Community Identity
- Civic Pride
- Community Visibility
- Consumption Benefits
- Political Capital Gained
- Support of Development Logic

Lemon Grove Public Banking

Los Angeles voters will decide next month whether to nudge along the budding movement to create a public bank owned by the city. The question is why not Lemon Grove?

A public bank can:

- Create new jobs and spur economic growth;
- Generate new revenues for the city;
- Lower debt costs for local governments;
- Strengthen local banks and even out credit cycles; and,
- Build up small businesses.

Private Banks are pressed by the owners to focus on the short-term generation of profit, which often leads to more or less hazardous gambling with money that could have promoted the economic growth of the city and state.

A public bank, on the other hand, is required by its owners - we, the people - to act in such a way so that the economy of the state or municipality is provided with affordable credit for growth and prosperity. North Dakota is an excellent example,

Economic justice groups and other advocacy organizations have backed the idea of financial institutions owned by cities or states as an alternative that could save money on banking fees, avoid risky financial schemes and predatory lending, refinance public debt at lower rates and generate profit that could be invested to help the community.

The experience from North Dakota indicates the following advantages:

• **Create new jobs and spur economic growth.** Public banks are participating lenders, meaning they partner—never compete—with local banks to drive lending through local banks to small businesses. If Washington State had a fully-operational Public Bank capitalized at \$100 million during the Great Recession, it would have supported \$2.6 billion in new lending and helped to create 8,212 new small business jobs. A proposed Oregon bank could help community banks expand lending by \$1.3 billion and help small business create 5,391 new Oregon jobs in its first three to five years. All of this would be accomplished at a profit, which Public Banks should share with the state.

• **Generate new revenues for states directly,** through annual bank dividend payments, and indirectly by creating jobs and spurring local economic growth.

• **Lower debt costs for local governments.** Like the Bank of North Dakota, Partnership Banks can get access to low-cost funds from the regional Federal Home Loan Banks. The banks can pass savings on to local governments when they buy debt for infrastructure investments. The banks can also provide Letters of Credit for tax-exempt bonds at lower interest rates, or help a

city or the state itself issue a new bond at an interest rate lower than it could otherwise get in the open market, or buy bonds already issued and traded on the bond market, with interest payments simply diverted to the state.

- **Strengthen local banks and even out credit cycles, and preserve real competition in local credit markets.** There have been no bank failures in North Dakota during the financial crisis. BND's charter is clear that its goal is to "be helpful to and to assist in the development of [North Dakota banks]... and not, in any manner, to destroy or to be harmful to existing financial institutions." By purchasing local bank stock, partnering with them on large loans and providing other support, Partnership Banks would strengthen small banks in an era when federal policy encourages bank consolidation.

- **Build up small businesses.** Surveys by the Main Street Alliance in Oregon and Washington show at least 75 percent support among small business owners. In markets increasingly dominated by large corporations and the banks that fund them, Partnership Banks would increase lending capabilities at the smaller banks that provide the majority of small business loans in America.

Experiences from the successful public Bank of North Dakota (BND):

State-owned banks could be a win-win for virtually everyone. Objections are usually based on misconceptions or a lack of information. Proponents stress that:

1. **A state-owned bank on the BND model would not compete with community banks.** Instead, it would partner with them and support them in making loans. The BND serves the role of a mini-Fed for the state. It provides correspondent banking services to virtually every financial institution in North Dakota and offers a Federal Funds program with a daily volume of \$330 million. It also provides check clearing, cash management services, and automated clearing house services. It leverages state funds into credit for local purposes, funds that would otherwise leave the state and be leveraged for investing abroad, drawing away jobs that could go to locals.

2. **The BND not only does not compete for loans but does not compete for commercial deposits.** Less than 2% of its deposits come from consumers, and municipal government deposits are also reserved for local community banks, which can use these funds for loans specifically because the BND provides letters of credit guaranteeing them. Virtually all of the BND's deposits come from the state itself. All state revenues are deposited in the BND by law.

3. **Although the BND is a member of the Federal Reserve System, it is insured by the state rather than by the FDIC.** This does not, however, put depositors at risk. Instead, it helps avoid risk and unnecessary expense, since the BND's chief depositor is the state, and the state has far more to deposit than \$250,000, the maximum covered by FDIC insurance. FDIC insurance is not only very expensive but subjects members to FDIC regulation, making the state

subservient to a semi-private national banking association. (The FDIC calls itself an independent agency of the federal government, but it receives no Congressional appropriations. Instead, it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities.) North Dakota prefers to maintain its financial independence.

4. BND officials stress that the bank is run by bankers, not politicians bent on funding their favorite development projects or bestowing political favors. The bank is run very conservatively, doing only creditworthy deals and avoiding speculation in derivatives and risky subprime loans. By partnering with local banks, the BND shields itself from risk, since the local bank takes the initial loss if the borrower fails to pay.

5. The BND does not imperil state funds or tax money but is self-funding and self-sustaining. It keeps federally-guaranteed funds in the state that would otherwise go elsewhere, including VA and FHA loans and low-income subsidies. Profits on these federally-guaranteed loans can then be used to build a capital surplus from which riskier loans can be made to local businesses. The BND has a return on equity of 25-26% and has contributed over \$300 million to the state (its only shareholder) in the past decade -- a notable achievement for a state with a population less than one-tenth the size of Los Angeles County. Compare California's public pension funds, which entrust their money to Wall Street and are down more than \$100 billion, or close to half the funds' holdings, following the banking debacle of 2008.

6. Partnering with the BND allows community banks to fund local projects in which Wall Street is not interested, leveraging municipal government funds that would otherwise not be available for loans. Further, infrastructure projects can be funded through the state bank at substantially less cost, since the state owns the bank and gets the interest back. Studies have shown that interest composes 30-50% of public projects.

7. The North Dakota Bankers' Association does not oppose the BND but rather endorses it. North Dakota has the most local banks per capita and the lowest default rate of any state.

North Dakota advantages provided by friends of public banking <http://www.publicbanking.org/advantages>

Cassandra Mendenhall

From: Jack / Helen Ofield <ofieldjackhelen@gmail.com>
Sent: Tuesday, October 23, 2018 4:29 PM
To: Lydia Romero; Cassandra Mendenhall
Subject: Tonight's Budget Discussion

Dear Lydia, Mayor Vasquez and Council Members,

We send a few thoughts on our city's budget crisis (and wish we could be there in person to participate):

The \$10,700 annual allocation to wildflowers should be moved to street repair. The Home Depot Garden Club or similar could handle wildflowers. (We hope this category is not a State requirement.)

People may not realize the debt service on three bonds is \$1,012,091.

Digital billboards are a bad idea. We have all worked so hard on multiple projects to beautify Lemon Grove and give it character (the Main Street project is an example), the last thing we need is a return to the bad old days of the 1970s and 1980s when the town was cluttered with signage of all kinds. The City went to great lengths to remove those signs (also, roof-mounted signs) from the business district and huge billboards from the freeway perimeter. What if a pot shop got permission to install a digital billboard? Reputation down the drain. The City suggests potential income of \$250,000 from digital billboards. Is that figure based on fact? A study? Empirical evidence? We suspect it may be wishful thinking.

Ilse Hanning and Helen trudged around town in 2012 for signatures to get a half-cent sales tax on the November ballot. We failed by eight signatures. Our sales tax is the lowest of the 18 cities. That half-cent would have put us in a better place now. Folks forget that shopping at Costco (La Mesa sales tax), College Grove (San Diego sales tax) and Parkway Plaza (El Cajon sales tax) yields nary a penny for Lemon Grove. But mention "tax" and local people reach for their pitchforks. The distrust, however misguided, is rooted in "don't give City Hall money as they'll spend it on themselves." But we are for a half-cent or, better, a full cent sales tax increase.

42% of civic income comes from sales tax. We know you are competing for new businesses all the time. Keep it up. Getting Home Depot in 1993, the 99¢ Store, and related cash cows is important. A second industrial company like EDCO would be super.

We wish the realignment project were covered by grants. It is starting to resemble The Big Dig in Boston, which went on forever and cost fortunes. \$1.1 mil for the project in FY 2019 alone is a budget buster.

Utility costs across all departments are through the roof. Are solar panels on City Hall and Public Works an option with grants?

Why is there a 43% increase in Animal Control from \$186K to \$290K? Time for a new contractor? If they are on a kind of lease, is there an escape clause? There is a separate line item for dead animals because Animal Control only deals with living critters?

Under Fire there is \$18K for protective clothing. This is not a big sum, but in this budget it is. Can the firefighters absorb this cost? It would be a tax deduction for them.

The Sanitation District is immense. \$1 mil going to pure water alone. Many line items need to be analyzed in this section. Are we sending \$1 mil to the California fund for pure water grants? If so, that should stop. Or we simply don't understand what benefit there is to Lemon Grove.

The Champs Program should be cut. The City should not be paying into a program that is the purview of the Lemon Grove School District.

\$50K to RTCHP. Is that police or a children's health initiative? Either way, that \$50K should be moved to streets/public works.

104% increase in memberships and dues for Human Resources. This should be looked at and cut to the bone.

We hope more residents are stepping up to help keep parks tidy the way the LG Historical Society does in Civic Center Park. If people sign a disclaimer form that would eliminate any liability for the City, then we could help prune, rake, etc.

Warm best wishes,

Jack and Helen

Jack and Helen Ofield

<https://www.newpacificproductions.com>