

Frequently Asked Questions Regarding the City's Budget Reduction Options and Potential Sales Tax Increase Proposal

BACKGROUND

In an effort to provide the community with feedback on some of the more frequently asked questions that have been raised at recent City Council meetings regarding potential budget reduction options and the potential for a sales tax increase, the following summary of responses to some of the more frequently asked questions and comments has been prepared. The major themes/questions are summarized in bold with a corresponding staff response to the question or comment following.

Summary of Public Comments

1. What are the true costs for operating the Cerritos Center for the Performing Arts?

The audited change in net position for the Cerritos Center for the Performing Arts, as reflected in the most recent FY 2014-15 Comprehensive Annual Financial Report (CAFR), reflected expenditures of \$6.9 million and revenues of \$3.7 million, for a net operating loss \$3.2 million.

2. What are the options for reducing costs at the CCPA through the sale or lease of the facility?

There are a number of options available to the City should it wish to reduce operating costs at the Cerritos Center for the Performing Arts. The most significant cost saving measure is the potential lease of the venue to a private operator and the conclusion of the City's direct involvement in the daily operation of the Center. The lease of the CCPA to a private operator carries with it significant potential impacts that include the immediate elimination of the City's \$7.2 million operating expense for the theater and the corresponding \$5.3 million in ticket sale and rental revenue.

The revenue potential that could be derived from the lease of the facility is yet to be determined and would be contingent upon multiple variables, including the ability to identify a suitable operator, the completion of a market rate analysis to derive a potential annual lease rate and ultimately the terms of the lease contract. Through the lease to a private operator, the City's ability to control the type and quality of the performances that are offered, as well as ticket prices, would be greatly limited, if not entirely eliminated.

3. What are the City Council's salary and benefits?

The City Council's salary and benefits are currently stipulated within Chapter 2.32 of the Cerritos Municipal Code and are set forth as follows:

2.32.010 Compensation of City Councilmembers.

City councilmembers shall be paid a salary in the amount of five hundred dollars per month and shall, in addition, receive the same medical, dental, life, health insurance and retirement benefits, including payment of the councilmember's required share of the retirement contribution, and wage adjustments as are provided to department heads of the city. In lieu of receiving such health insurance benefits, a councilmember may elect to

receive an insurance allowance equivalent to the contribution which the city would otherwise make for such benefits. A councilmember may also elect to receive a retirement allowance equivalent to the councilmember's required share which the city would otherwise make.

4. Why does the City maintain an employee to resident ratio of 1 to 79?

The City currently maintains a staff of 187 full-time and 395 part-time employees, for a total employee workforce of 582. The City's part-time staff includes employees that are hired to staff the City's various summer/seasonal recreation programs. Staffing levels are established based on resident demand for programs and services and are intended to provide a level of service that is coincident with the quality of the facilities the City provides and the level of service that our residents have come to expect.

While the City is committed to providing staffing levels that are in line with resident demand and expectation, we have also been carefully working to determine areas in which greater efficiencies can be achieved and potential reductions in staffing can be realized. Through those efforts, the City has not filled a total of 58 full-time positions (a workforce reduction of 24%) that have been vacated through attrition, resulting in an estimated annual savings of \$6.4 million. Staff has addressed the reduction in staffing through reallocations of workflow and by individual employees assuming additional tasks as necessary.

5. Why does Cerritos pay double per resident for Sheriff's contracts as opposed to cities that have their own police force?

On a per-capita basis, the City's expenditures for policing services are the seventh lowest of 14 cities in the surrounding area. With a per capita expenditure of \$281, the City's policing expenses are substantially lower than those of cities that provide their own police department – including Buena Park, La Palma, Cypress, Santa Ana, Anaheim and Brea. The table on the following page provides a detail comparison of the policing budgets of comparable jurisdictions in the local area:

<u>City</u>	<u>Population</u>	<u>Policing Budget</u>	<u>Budget Per Capita</u>
Norwalk	107,096	\$13,946,000	\$130
Bellflower	78,106	\$12,317,000	\$158
Artesia	16,522	\$2,775,000	\$168
La Mirada	49,527	\$8,444,000	\$171
Lakewood	81,601	\$14,656,000	\$180
Downey	113,363	\$29,300,000	\$258
Cerritos	50,004	\$14,100,000	\$281
Buena Park	81,460	\$25,600,000	\$314
La Palma	15,568	\$4,961,000	\$319
Cypress	47,802	\$15,900,000	\$332
Santa Ana	335,855	\$118,519,000	\$353
Anaheim	351,433	\$133,470,000	\$380
Brea	43,328	\$20,843,000	\$481
Santa Fe Springs	16,223	\$9,859,000	\$608

6. Where is crime information on the City's website?

Residents can find a comprehensive history of the City's crime statistics at: <http://www.safercerritos.com/>. In addition, a link to the Safer Cerritos website is provided on the main page of the City's website.

7. Where can residents view information on the City's revenues and expenditures?

Residents can obtain comprehensive budget, audit and real-time expenditure and revenue information on the City Budget and Finance page on the City's website. The webpage, which is accessed through the City's main web page at www.cerritos.us, provides direct links to current and recent budgets and annual audits. In addition, the City recently completed work on a website that provides residents with access to customizable data, reports and information on the City's real-time financial position. The website, which was implemented at the request of the City Council, is intended to provide residents with access to the City's financial information in an effort to facilitate transparency and provide residents with a convenient method to review the City's finance and budget information. A link to the Cerritos OpenGov website is included on the Budget and Finance page on the City's website. Residents can also directly access the OpenGov page at <https://cerritosca.opengov.com/>.

8. How many people attend the Library and during what hours?

The Library had 1,955,332 patrons visit the facility in the 2015-16 fiscal year. The mechanism that tracks attendance at the Library does not have the capacity to provide reporting on an hourly attendance, but rather, simply tracks the number of people that enter the building on a daily basis. Anecdotally, Sunday tends to be the busiest day of the week at the Library, while Friday evenings tend to be the least busy.

9. Can Cerritos and Artesia be served by the Cerritos Sheriff's Station?

The Sheriff's contract for the cities of Artesia and Cerritos could be merged so that both communities would be served by the Cerritos station. Prior to a merger, the cities would have to establish a mutual interest in merging policing services – to date, there has been no interest indicated by Artesia in moving forward with such a plan. Further, there would likely be little savings to the City of Cerritos, as the City would continue to receive the same level of service it is currently receiving, while the merged contract would simply add additional personnel and services to provide for the policing of Artesia – with those costs being passed along to, and paid for by Artesia.

10. Can the City use bonds to address short term financial obligations?

From staff's perspective, the City does not have a short-term financial need; rather, the ongoing budget deficit is a systemic problem that cannot be sufficiently addressed by incurring additional debt. While it would be possible for the City to issue bonds to provide an immediate infusion of funds, the practice of issuing debt to address debt is almost universally discouraged within the professional financial community. While the immediate infusion of funds could provide a short-term solution to the budget issues the City is currently facing, the cost of issuance and the interest payments that the bond incurs, over time, will lead to larger deficits in future years.

Staff strongly recommends seeking a solution that fundamentally addresses the core issues associated with the ongoing deficit and that provides for a long-term resolution that will

place the City on secure financial footing. The issuance of bond debt is not a recommended method of achieving that objective and has the potential to further exacerbate the budget issues the City is faced with.

11. Can the City merge Commissions/Committees to save on expenditures?

With the exception of the Planning Commission, which is legally mandated by State law, the City Council has the authority, as established within Article VII of the City Charter, to establish, appoint, maintain, combine or dissolve any Commission or Committee as the City Council deems appropriate. With that, the City Council could take action, if it so desired, to dissolve or combine any of the existing Commissions or Committees in order to reduce expenditures.

12. Can the City discontinue subsidies to various community organizations?

The City currently provides subsidies to a variety of non-profit organizations for the direct support of 19 community/social service programs that include, among others, the Cerritos Regional Chamber of Commerce, Community Family Guidance, Pathways Volunteer Hospice, and Su Casa Crisis, Transitional Housing and Outreach. The City Council, in its sole discretion, does have the authority to reduce or wholly eliminate funding to these agencies. However, it is important to note that a reduction in the City’s funding commitment would likely adversely impact the level of service that all of these organizations are able to provide to the many Cerritos residents that are annually referred to these programs for assistance that, in many cases, is critical to their health and welfare.

13. Why does the City have so many Sheriff’s personnel working at the Cerritos Sheriff Station?

Currently there are a total of 65 sworn officers and 14 civilian employees assigned to the Cerritos Station. The assignment breakdown for the Cerritos Station is as follows:

1 Captain	4 Lieutenants	11 Sergeants
28 Field Deputies (Patrol)	7 Directed Patrol Officers	3 Motorcycle Patrol Officers
1 Special Assignment Officer	1 School Resource Deputy	4 Watch Deputies
5 Detectives	1 Crime Analyst (Civilian)	2 Custody Assistants (Civilian)
6 Law Enforcement Technician (Civilian)	5 Secretarial Support Assistants (Civilian)	

The Cerritos Sheriff Station is a full service facility that provides round the clock policing services to the community 365 days per year. The staffing levels of the Sheriff’s station are directly commensurate to the levels of service that the City has requested through its contract with the Los Angeles County Sheriff’s Department. The requested staffing levels have been established based on City Council direction and resident demand for a high level of police service in the community.

As a result of these levels of staffing, residents and businesses in the City enjoy a response to emergency calls within 3.5 minutes, priority non-emergency calls have a response time of 7.2 minutes and response times for non-emergency service calls average 16.4 minutes. Crime rates in Cerritos remain among the lowest of any jurisdiction within the region – a remarkable fact given the tremendous volume of patrons that visit the City’s regional shopping attractions on a daily basis.

14. Who owns the Sky Knight helicopter and where does it patrol?

The Sky Knight Helicopter program has been serving the cities of Cerritos and Lakewood since 1966. The Sky Knight helicopter, which is jointly owned by both Cerritos and Lakewood, is based out of the Long Beach Airport and performs general patrol duties over the cities of Lakewood and Cerritos five nights a week (weather permitting) from 4:00 p.m. until midnight. During the course of the shift, which includes refueling, employee breaks and time to secure the helicopter before and after flight, Sky Knight directly overflies the City of Cerritos for approximately 2 hours. Sky Knight is dedicated to serving Cerritos and Lakewood and does not patrol or serve any other jurisdictions.

15. Why does the City Council receive lifetime health benefits?

Current City Council members are only eligible for lifetime health benefits if the Member serves a minimum of 20 years on the City Council. Councilmembers with less than 20 years of service are provided a pro-rated scale of benefits based on their years of service; however, a Member must serve at least 5 years in order to be eligible for any portion of a life time benefit.

Over the past several years, the City Council has taken steps to reduce their salary and benefits in an effort to reduce expenditures. As part of these efforts, the City Council, at the September 22, meeting, directed that lifetime health benefits for future City Councilmembers be eliminated. The City Council has discretion over the future adjustment or modification of their salary and benefits package.

16. Is it possible to dissolve/close the electric utility?

The City Council can consider exiting the electric utility business. However, dismantling the City's electric utility will require a thorough analysis involving several issues. This would entail addressing the termination of existing customer contracts and addressing any resource purchase contracts that are already in place. Also, there may be Federal and State regulatory, environmental and other obligations that may need to be addressed. Further, the City must consider its existing obligations as it relates to the bonds that were issued to construct the Magnolia Power Plant. As the City Council is aware, the State has recently made a determination that the bond payment obligations of the former redevelopment agency are not considered enforceable obligations that can be reimbursed through the ROPS process and are instead an obligation of the City. In light of this determination, the City has had to absorb the over \$800,000 annual bond payment into the existing budget. Finally, the City would have to consider the impact of losing a business attraction and retention resource – as one of the founding premises of the utility is that it would serve as an inducement to businesses to locate and remain in Cerritos to take advantage of lower electric utility rates.

The issues and impacts associated with the consideration to dissolve the Cerritos Electric Utility are significant and will require substantial analysis to fully understand. Staff estimates that a thorough analysis of all these factors can be completed by a team of financial and utility experts for less than \$50,000 within a 3-month period. Staff anticipates that the resulting effort will provide the City Council with information on cost impacts to exit this business as well the total time and efforts that may be necessary to unwind the Cerritos Electric Utility.

17. What is the cost to the City of selling the permanent museum facility?

There are a number of potentially significant negative impacts that the City would incur should it elect to sell the property designated for the Cerritos-Astor Museum project.

As the City Council is aware, the subject property is currently owned by the City of Cerritos, which took ownership of the property from the former Cerritos Redevelopment Agency in 2011. As a former property of the Cerritos Redevelopment Agency, the City was required to designate the property as a governmental use in order to retain ownership of the building. A deviation or change from the designated use could result in the City being required to return the property to the Successor Agency for disposal. If the building is not in fact used for the approved governmental purpose, the Successor Agency could be charged with selling the property and providing the proceeds of the sale to the State of California for distribution to eligible taxing entities. The current market rate for commercial property in the City of Cerritos is approximately \$3 million per acre; accordingly, the two-acre subject property has an approximate value of \$6 million. Should the City fail to develop the property for a government use as a public museum, the City may be at risk for the potential loss of the property. Said loss would come with no potential opportunity to recoup the value of the building. Further, the loss of the property would deprive the community from the benefit of retaining said asset as a public facility.

As mentioned, the development of the museum has been approved as an enforceable obligation on the Successor Agency's Recognized Obligation Payment Schedule (ROPS). As such, the State of California Department of Finance has approved an allocation of \$640,000 for the development of the museum. In the event that the City does not move forward with the project, the Successor Agency would be obligated to return any unspent funds associated with the ROPS museum project allocation.

Given all of the above, there are numerous benefits to the City in moving forward with the development of the museum and in retaining the property. Doing so not only preserves existing physical and financial public assets, but also capitalizes on an unprecedented gift to the community at large – a gift that has the potential to become a regional community asset that is enjoyed for generations to come.

18. Can the City eliminate paying for dinners for Commissioners prior to meetings?

The City's current practice is to provide Commissioners with a meal from a local restaurant prior to the regularly scheduled meetings of the respective Commission. The meals are provided as a courtesy and are strictly a discretionary expenditure. As such, pre-meeting meals could be eliminated at the City Council's discretion.

19. How does the City determine which community organizations will receive funding?

On an annual basis, agencies that wish to receive support and funding from the City complete a "Request for Funding Application". The application is evaluated by staff to insure that the organization provides services to Cerritos residents, is not providing duplicate services and that the organization provides a service that the City itself is not otherwise able to provide. Upon completion of this review, staff provides recommendations for which organizations should receive funding and the corresponding level of support. These recommendations are made through their inclusion in the annual budget request for the Community Programs line item within the Community Participation budget. Staff then

provides the City Council with a line item detail of each organization and the corresponding level of support that is recommended by staff as part of the annual budget study session presentation. Ultimately, the approval of support for community organizations and any associated funding levels is the discretion of the City Council, with the Council having the authority to modify the Community Programs budget as it sees fit.

20. Why is the City not taking steps to reduce payroll expenses?

As previously noted, the City has reduced its payroll expenditures by approximately \$6.4 million annually as the result of not filling a total of 58 positions that have been vacated through attrition. This represents a 24% reduction in staffing levels since the 2008-2009 fiscal year. Despite these reductions in staffing and payroll expenditures, the City has not made any substantive reductions in programming or service levels – meaning City employees have been required to do more with less human resources in order to continue to provide the level of service and programming that our residents have come to expect.

21. Why is the City continuing to purchase properties and building a museum if we have a significant operating deficit?

While the City is very obviously struggling with an ongoing operations deficit, the City Council must maintain a vision for the City's future by remaining open to the consideration of development opportunities that have the potential to provide the City with a long-term benefit that can be enjoyed for generations to come. The development of the Cerritos-Astor Museum and the acquisition of the residential property immediately adjacent to Heritage Park are two such opportunities in which a short-sighted vision would potentially deprive the City of a substantial asset and benefit in the future.

As has been mentioned, the Museum development is a once-in-a-lifetime opportunity that the City is fortunate to have been presented with. The Astor Family Foundation is providing the City with a gift valued in excess of \$3 million that includes over 30 museum quality classic automobiles along with antique, fully restored radio broadcast equipment, telephones, record players, televisions, toys, model trains, Art Deco period furniture and other pieces of Americana memorabilia and history. The receipt of this gift is contingent upon the City providing a museum-grade facility in which to house the collection. A fortunate circumstance of this agreement is that the City already owns an existing building that is suitable to house the museum – a building that is required to be utilized for a government use as part of the long-term property management agreement that the City reached with the State as part of the dissolution of redevelopment. In addition to owning the building, the City will not require the use of any general fund money to complete the approximately \$6 million in improvements that are needed to develop the building for a museum use. The funds that will be utilized are all derived from outside sources, including ROPS funds, insurance settlement proceeds and private donations – funds that cannot be utilized for any other purpose or use.

In terms of the development of the museum, the proposal presents the opportunity to secure a gift that is unprecedented in the City's history, both in terms of its generosity and the tremendous positive impact it will have on the community and the surrounding region. The gift itself provides the City with the impetus to move forward with the development of a municipal museum with regional appeal – an idea that the City has fostered for over a decade. The proposed sources and structure of the construction financing of the facility provide the City with an opportunity to develop and operate a regional-class museum that should not require subsidy from general fund sources. Further, the proposal allows the City to utilize the property and to retain funds that have been received for its development, both

of which might otherwise be lost to the process of the dissolution of redevelopment. The proposed museum has the potential to become a Cerritos landmark and would be a fitting addition to the Cerritos Civic Center campus – which is already home to the Cerritos Sculpture Garden, the Cerritos Library and the Cerritos Center for the Performing Arts.

As it relates to the acquisition of the residential property adjacent to Heritage Park, this was an opportunity that the City has been seeking since the initial development of the Park over 30 years ago. The acquisition of the property provides the City with the opportunity to move forward with the future expansion and development of Heritage Park – and to continue to expand on the outstanding offering of park facilities that the City is proud to provide our residents. The City's robust reserve funds have been developed and maintained to allow the City to take advantage of unique opportunities that can be expanded upon for the benefit of the community. Had the City failed to act on this acquisition opportunity there is no way to know when the opportunity would again present itself. Further, the acquisition of the property provides the City with the option to expand one of the City's most popular park facilities at a future date.

The City of Cerritos has a long history of measured stewardship and management of the community's financial resources - combined with a visionary, proactive approach to the long-term economic and physical development of the City. The development of the Cerritos-Astor Museum and the acquisition of the property adjacent to Heritage Park are both projects that follow the City's economic and physical development policy and are both projects that will serve to provide the community with significant benefits over the long-term future.

22. Why don't we have enough funding to maintain the City's trees?

Over the past several years, the City has increased its commitment to maintaining the over 25,000 trees that are found throughout Cerritos and has allocated significant funding to address outstanding tree maintenance. While the current allocation is helping to address the need, several years of deferred maintenance have created a backlog that will take an equal number of years to resolve. Staff estimates that approximately \$2.5 million is necessary to provide sufficient funding to facilitate the trimming of all City trees and to catch up on the existing backlog of tree maintenance needs. While the City would like to allocate funds for this expense, the ongoing budget deficit has limited the City's ability to address these needs and has placed the City in a position of having to prioritize and identify those areas of need that are most critical.

23. Why was the community not provided with an opportunity for input on budget reductions?

The City Council completed a total of three (3) public hearings as part of its consideration of the 2016-2017 fiscal year budget. Those public hearings included study sessions that took place on May 2 and May 26, and a final budget adoption hearing on June 2. The City provided residents with public notice of all meetings through publication of notices in the local newspaper, posting on the City's website and on the local public notice bulletin boards.

In addition to the referenced hearings, the City Council has completed study sessions on August 25 and September 22, and will be conducting a third hearing on October 27th in which it will consider testimony regarding any potential budget reductions. All of the referenced meetings have been advertised in the local community newspaper, on the City's TV3 television station, on the City's website and on the public notice posting boards. In all cases, the City Council has gone to great lengths to solicit public input and to provide the

community with the opportunity to express their thoughts on the budget deficit. Finally, the City Council will make a determination if additional public forums are required at the October 27 meeting and will direct staff accordingly.

24. Can we cut pension or medical benefits to retirees?

No, the City does not have the authority to reduce pension or medical benefits to vested retirees.

25. Can the City reduce life-time medical benefits for part-time employees?

A very small percentage of the City's part-time employees receive life-time medical benefits – as a vast majority of the City's part-time staff do not accrue the required service time to be eligible for such benefits. The medical benefits package that part-time employees receive is established by CalPERS and the City does not have the authority to modify or eliminate benefits included within that package. Any modifications to the existing policy would have to be initiated by CalPERS and would be applicable to all cities throughout California.

26. Why hasn't the City remained current with ongoing sidewalk, street and tree maintenance and repairs?

As the City Council is aware, the City currently maintains 136 miles of streets, 242 miles of sidewalks, 255 miles of curb and gutter, over 28,000 trees and over 2 million square feet of landscape, parkway and center median areas. In addition, the City maintains a tremendous variety of community facilities – facilities which include, among others, the Cerritos Center for the Performing Arts, the Cerritos Library, the Senior Center at Pat Nixon Park, Cerritos City Hall and over 20 parks and community facilities. The age of the City's infrastructure and facilities, combined with the tremendous use and wear the referenced infrastructure and facilities incur on a daily basis, place a tremendous demand on the City for ongoing maintenance and the expense associated therein. While City staff has continued to work tirelessly to address the maintenance of these items, the City has simply not had sufficient financial resources over the past several years to provide the labor and materials that are necessary to adequately maintain the City's infrastructure and facilities in the manner that our residents have come to expect. Staff estimates that, in order to address and resolve the existing backlog of deferred maintenance, the City would require approximately \$20.6 million in funding.

Included within the above-referenced \$20.6 million is a deferred backlog of streets, sidewalks and curb and gutter maintenance, that would require approximately \$5.3 million to sufficiently address existing identified needs. These needs include approximately \$1.8 million in pending work order requests for sidewalk, curb and gutter and driveway repairs and over \$3 million to address major arterial street repair needs. In addition, the City's street and monument signage require maintenance, repair or replacement. Staff estimates that a complete review and/or replacement of street signs, including illuminated signs and median monument signs, will cost approximately \$500,000.

In addition to the referenced street and sidewalk repair needs, staff estimates a need for approximately \$12.8 million to resolve existing tree trimming and median and parkway landscape and irrigation related maintenance issues. Within this amount, it is estimated that \$2.5 million would be required to address the City's existing tree maintenance needs in a timely manner. Further, staff estimates requiring \$10.3 million in order to resolve the maintenance and aesthetic issues associated with restoring the City's parkway and median

landscaping and associated irrigation systems. In most cases, both the existing landscape material and irrigation systems found throughout the City are more than 30 years old. Prior to restoring any landscape material, staff recommends a complete renovation of the irrigation system, as a new system is necessary to support a comprehensive landscape material overhaul. In addition, a significant majority of the existing landscape material requires a comprehensive renovation in order to restore the aesthetic quality of the arterial streets that the community has come to expect.

Again, while the City would like to allocate funds for these expenses, the ongoing budget deficit has limited the City's ability to address these needs and has placed the City in a position of having to prioritize and identify those areas of need that are most critical.

27. Is there an opportunity for the City to reduce policing expenses by maintaining its own police department?

Should the City elect to operate its own police department, the City would not be able to provide the same level of services that it is currently receiving without a significant increase in expenses. Staff has found that the overhead and capital equipment expenses that a private standalone department incurs are significantly higher than the expenditures incurred through contract policing. Studies indicate that contract cities typically pay three fifths (3/5) of what residents in cities with their own police departments pay for police services. Accordingly, should the City elect to provide its own police services, the community could expect a two fifths (2/5) reduction in service levels for the same level of expenditure that is currently allocated for the 2016-2017 fiscal year.

This data is supported anecdotally by a review of the per capita policing budgets of neighboring cities that currently maintain their own police departments, as contrasted against the per capita budget of Cerritos for the provision of contract police services. As indicated, Cerritos currently has a per capita budget of \$281 annually for police services. The cities of Buena Park, La Palma, Cypress, Santa Ana, Anaheim and Brea all maintain their own police departments at a per capita price that is significantly higher than that of the Cerritos.

<u>City</u>	<u>Population</u>	<u>Policing Budget</u>	<u>Budget Per Capita</u>
Cerritos	50,004	\$14,100,000	\$281
Buena Park	81,460	\$25,600,000	\$314
La Palma	15,568	\$4,961,000	\$319
Cypress	47,802	\$15,900,000	\$332
Santa Ana	335,855	\$118,519,000	\$353
Anaheim	351,433	\$133,470,000	\$380
Brea	43,328	\$20,843,000	\$481

Based on this information, it is clear that the City would be hard pressed to provide the same level of police services on its own, as opposed to continuing to maintain a contract with the Los Angeles County Sheriff for policing services.

28. Will the City provide a list of proposed budget cuts to residents for their review?

Staff has prepared a report, at the direction of the City Council, which includes a list of potential budget reduction measures that could be taken in order to address the ongoing budget deficit. The report was prepared and published on August 19 in advance of the City Council's discussion regarding this matter at the August 25 meeting. The report was again published on September 16 in advance of the September 22 meeting. Copies of the reports were made available to the public on the City's website and at the City Council meeting. Residents can also obtain physical copies of the report at the City Clerk's office located at Cerritos City Hall.

29. What are the financial benefits from the Aria and Sage residential developments?

Provisions were included in the development agreements for both projects that provide stipulations for the annual payment of development impact fees. The impact fees are intended to offset the respective project's impact and use of the City's existing infrastructure, facilities and services. The Aria project will be providing a flat payment of \$45,000 annually, while the Sage development will be providing \$40,000 annually, with an annual increase based on the increase in the CPI.

In addition to the approximately \$85,000 in development impact fees that the City will be receiving, staff completed a market analysis to identify the impact the influx of new residents would have on the local economy in terms of additional sales tax revenue generated. The resulting study indicated that, on an annual basis, residents of the Aria project would contribute an estimated \$42,000 in additional sales tax revenue, while residents of the Sage project would contribute an estimated \$28,000 in additional sales tax.

Combined the development impact fees and anticipated sales tax revenue of these two projects is expected to provide the City with approximately \$155,000 in additional revenue annually.

30. Why do we have 60% reserve when most cities have 17%-20%?

The City has been fortunate to develop a robust level of reserve funds over the course of its history. The City's reserves have been developed through years of measured stewardship and management of the City's financial resources. That management philosophy has, in turn, helped to cultivate a commercial retail engine that provides the City with a tremendous volume of sales tax revenue on an annual basis. Finally, through the shrewd management and utilization of the tools provided by redevelopment, the City was able to develop long-term sources of revenue through re-investment in the community and the ownership and development of a portfolio of commercial and office holdings.

The maintenance of substantial reserves provides the City with a means to weather the cyclical fluctuations of a local economy that is largely based on the generation of sales tax. Without the significant reserve funds that the City has been able to secure, the ongoing budget difficulties that the City has faced would have had a far greater impact than has already been experienced. Were the City to have maintained only a 20% reserve level at the beginning of the Great Recession in FY 2008-2009, it would have already exhausted all of its reserve funds and would likely be on the brink of insolvency. By maintaining its reserve levels, the City has been able to absorb the impacts of the budget deficit and the

dissolution of redevelopment with minimal impact to service, while continuing to maintain a reserve level of approximately 60%.

Had the City's past and present City Council leaders not had the foresight to set aside and develop a robust level of reserve funding, the City would be in a far more dire situation than what it is currently facing. Fortunately, that is not the case – and that foresight has afforded the City the opportunity to consider potential solutions to the issues it is faced with in a measured and considered manner, without having to implement wholesale systematic changes to the fundamental services and programs that it provides.

31. Will the public have the opportunity to vote on a sales tax proposal?

The sales tax item currently before the City Council is a question of whether to place a sales tax initiative on the ballot for the consideration of Cerritos residents. To be clear, the City Council does not have the authority to unilaterally impose a sales tax on Cerritos residents; rather, this is a measure that is legally required to obtain voter approval prior to implementation.

At this time the City Council is considering the merits and drawbacks of a sales tax and is seeking an abundance of public input in helping to guide their decision as to whether the matter will be placed on the ballot. The City Council can take no further action on the sales tax measure other than to decide whether to place it on the ballot for consideration by Cerritos voters in the upcoming March General Municipal Election. In the event the matter is placed on the ballot, the decision to adopt a sales tax increase will lie wholly with the electorate of the City of Cerritos.

32. Can the City grow its reserves through investments in municipal bonds?

As stewards of the City's fiscal resources, the City has historically taken a conservative approach to the investment of government funds. In addition, local municipalities are subject to significant regulations with the regard to the type of investment vehicles that it chooses to invest in.

Given the City's conservative investment policy, the City currently invests a majority of its portfolio in United States Government and United States Agency securities with an average maturity of 3-5 years and current yields of slightly under 1%. While the City does have the capacity to invest in Municipal Bonds that typically have higher yields, those bonds come with an inherently higher level of risk and the City historically has remained risk averse as it relates to these investments. Finally, Government Code Section 53601(e) allows cities to invest in bonds of the State or of other local agencies. However, any increase in income would likely not provide a significant influx of cash (for example, 2% of additional interest on a \$50M investment would yield approximately \$1M per year), but the City's portfolio would be exposed to a higher level of risk.