

CITY OF YUBA CITY
STAFF REPORT

Date: December 17, 2019

To: Honorable Mayor & Members of the City Council

From: Finance/IT Department

Presentation By: Robin Bertagna, C.P.A., Finance Director and
Russ Branson, Owner, Russ Branson Consulting

Summary

Subject: Review Yuba City Financial Condition Analysis and Unmet Fiscal Needs by Outside/Independent Fiscal Consultant, Russ Branson Consulting

Recommendation: Evaluate and Ask Questions of Consultant or City Staff and Provide Direction as Deemed Necessary

Fiscal Impact: Informational item only

Purpose:

To provide City Council with an Economic Condition Analysis evaluating the City's fiscal sustainability along with consideration and acknowledgement of currently unmet fiscal needs, related observations, and recommendations or options prepared by independent third party consultant, Russ Branson Consulting.

Background:

Finance hires financial consultants from time-to-time to provide an independent analysis of our fiscal condition. In this case, the consultant was also asked to evaluate our unmet fiscal needs. The resulting analysis is presented to your Council for informational purposes and in anticipation of the upcoming budget process early next year.

Analysis:

A financial condition analysis and unmet fiscal needs will be presented to City Council by Russ Branson Consulting. Staff has considered that the current economic expansion cycle has lasted 125 months, the longest cycle in history previously was 120 months. The next economic downturn is therefore something that can be anticipated. City staff wants to be sure that City Council and constituents have a clear understanding of the City's economic condition and our long-term fiscal sustainability from a budgetary perspective. There are many fiscal needs throughout the City that we have been unable to build into our operating or capital improvement program budgets. It is important for everyone to have a clear understanding that we have been unable to address many of these needs when we have had a growing economy and increasing revenues. A downturn in the economy will make this much more difficult. City Council and City staff have proactively prioritized the City's budget needs, but it is crucial that we publically acknowledge that there are

a great deal more in fiscal needs than what the City can accomplish with our existing revenue sources or through the use of reserves. Ultimately, there may eventually be a decline in the appearance and usability of City facilities and/or City services.

Russ Branson was formerly a Director at PFM Consulting Services and has prepared fiscal service overview reports for the City previously. He is familiar with the City's budget, our historical results of operations, reserve set aside procedures and financial practices. He was hired for this engagement due to his expertise and ability to look at our overall fiscal condition and provide us with observations and recommendations accordingly.

The City has many unmet fiscal needs; the largest of which is facility infrastructure renewal and replacement. This can be described as "deferred maintenance" issues. Two prime examples include:

- 1) Fire Station No. 2 renovation project—Cost \$2.4 million, funds available \$1.1 million; and
- 2) The need to demolish and build a new Fire Station No. 1—Cost \$15.9 million, funds available none.

For Fire Station No. 2, the project was put out to bid, but there are inadequate capital infrastructure funds available to award the project, so we are unable to move forward with it presently. For Fire Station No. 1, a Feasibility Study Report was completed in August 2019, the estimated cost is \$15.9 million.

The City doesn't have a facilities building infrastructure reserve fund for addressing deferred maintenance, replacing or renovating facilities. General Fund facilities where this should be evaluated include: The Police Department, the Senior Center, City Hall, the Corporation Yard, the Gauche Aquatic Park and all City Fire Stations, including the Fire Administration building.

In addition to the deferred maintenance/improvements for City facilities, another fiscal matter that needs to be re-acknowledged and addressed is the City's unfunded CalPERS obligations. The City has been holding monthly workshops to engage citizens and try to develop a plan to address this long-term. The interest on the City's pension debt is currently consuming 96.5 percent of our annual unfunded actuarial liability payments with very little paying down the actual obligation. This will be discussed briefly during Mr. Branson's presentation, but the plan to address this liability going forward is anticipated to come from the public CalPERS Workshop final meeting scheduled for December 19, 2019.

Fiscal Impact:

Informational item only

Alternatives:

Not applicable

Recommendation:

Staff recommends that City Council listen to the presentation, ask questions of consultant or City staff and provide direction as deemed necessary.

Prepared By:

/s/ Robin Bertagna

Robin Bertagna, C.P.A.
Finance Director

Reviewed By:

City Attorney

Submitted By:

/s/ Michael Rock

Michael Rock
City Manager

[SLC by email](#)