Organization of Report

I. Overview of the National Resource Network
II. Economic Context
III. Financial Planning
IV. Organizational Review
V. Recommendations
NRN Engagement

• The National Resource Network (NRN) was engaged by the City of Compton to:
  – Assess its current financial trajectory
  – Identify major financial concerns
  – Evaluate the City’s organizational capacity
  – Make recommendations to improve the City’s financial and organizational condition moving forward
Economic Context
Structural Fiscal Challenges Remain

• The U.S. Government Accountability Office (GAO) has developed a simulation model for the state and local sector as an entirety, projecting significant fiscal gaps absent corrective action, due largely to:
  – Flat revenues as % of GDP
  – Healthcare and retiree costs rising faster than the overall economy

• GAO calculated that closing the structural fiscal gap would require action equivalent to a **18% reduction** in state and local government recurring expenditures

The Start of the Next Downturn is Now Closer than the End of the Last One

• The current expansion phases of the business cycle began five years ago, after the recession bottomed out in June 2009
  – **79 months and counting** as of January 2016

• Last five expansion phases (trough to peak):

<table>
<thead>
<tr>
<th>Start/End</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2001 – December 2007</td>
<td>73 months</td>
</tr>
<tr>
<td>March 1991 – March 2001</td>
<td>120 months</td>
</tr>
<tr>
<td>November 1982 – July 1990</td>
<td>92 months</td>
</tr>
<tr>
<td>July 1980 – July 1981</td>
<td>12 months</td>
</tr>
<tr>
<td>March 1975 – January 1980</td>
<td>58 months</td>
</tr>
</tbody>
</table>

• Average 1945-2009 (11 cycles): **58.4 months**

• Range: 12 to 120 months
Comparative Demographics

Unemployment and Poverty Level

<table>
<thead>
<tr>
<th></th>
<th>Compton, CA</th>
<th>California</th>
<th>Nationwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Unemployed</td>
<td>11.1%</td>
<td>6.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>% People below Poverty Level</td>
<td>26.2%</td>
<td>16.4%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$43,230</td>
<td>$61,489</td>
<td>$53,482</td>
</tr>
<tr>
<td>Mean Earnings</td>
<td>$53,177</td>
<td>$87,087</td>
<td>$76,303</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$233,400</td>
<td>$371,400</td>
<td>$175,700</td>
</tr>
<tr>
<td>% Vacant Housing</td>
<td>7.3%</td>
<td>8.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>% Owner-Occupied</td>
<td>54.9%</td>
<td>54.8%</td>
<td>87.5%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics, Unemployment Rate, 2015 (Year to Date)
Source: 2014 American Community Survey, The US Census Bureau
Note: ACS Data is most recent Census data available as of December 3, 2015
Compton In The Region

- Seven comparator nearby cities were selected based on population, land area, and proximity to Compton in order to provide economic context to the City’s budget forecast model:
  - Carson, CA
  - Downey, CA
  - Hawthorne, CA
  - Inglewood, CA
  - Lakewood, CA
  - Lynwood, CA
  - Paramount, CA
Compton Population Trends

- Compton witnessed steady population growth over the last 50 years despite challenges with crime and economic conditions.

1960-2015 Census Population Trends

Source: Historical Census of Populations of California, Counties, and Incorporated Cities, 1850-2010, California State Data Center
Socioeconomic Challenges

• Compton is challenged with:
  – High poverty and unemployment rates
  – High violent and property crime rates

• This impacts the City’s attractiveness to retailers and job centers

Source: 2014 5-Year American Community Survey, U.S. Census Bureau

Note: ACS Data is most recent Census data available as of December 3, 2015
Compton’s General Fund Revenue Resources

- Compton has fewer resources than its regional comparators yet services a more challenged population

Source: FY16 Published Budgets
Major General Fund Revenues: Lagging Behind

- Compton’s population pay more in utility users tax but less in property or sales taxes than most of the comparator cities.

- There is limited ability for Compton to raise these revenues.

**FY16 Utility Users Tax per Capita ($ millions)**

**FY16 Sales Tax per Capita ($ millions)**

**FY16 Property Tax per Capita ($ millions)**

Source: FY16 Published Budgets
Financial Forecast
### Purpose of Financial Planning

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helps create a long-view for strategic decision making</td>
<td>Identifies structural budget issues</td>
</tr>
<tr>
<td>Informs policy decisions, such as the impact on General Fund reserves</td>
<td>Helps evaluate long-term impacts of current decisions</td>
</tr>
<tr>
<td>Projects impacts of policy changes in volatile economic environment</td>
<td>Helps understand major revenue and expense budget drivers</td>
</tr>
</tbody>
</table>
Revenues: Where the money comes from

• Compton’s government spending is primarily funded by three major sources: property tax, utility tax and sales tax

• Revenue enhancements, the 4th largest revenue source, is based upon new revenues—many that have not been implemented

Source: Compton’s FY16 Budget Data
Expenses: Where the money goes

- City spending is predominantly concentrated in its personnel, a policing contract with the LA County Sheriff’s Office, debt and loan repayment.

FY16 General Fund Expenses (Budgeted) with LA County Sheriff’s Contract

- Personnel Costs: 37.9%
- LA County Sheriff’s Contract: 33.3%
- Materials and Supplies: 7.3%
- Contract Services: 7.0%
- Debt/Loan Repayment: 10.9%
- Other Expenses: 3.6%

FY16 General Fund Expenses (Budgeted) without LA County Sheriff’s Contract

- Personnel Costs: 56.8%
- Debt/Loan Repayment: 16.4%
- Contract Services: 10.5%
- Materials and Supplies: 11.0%
- Other Expenses: 5.3%

Note: personnel costs do not include pension or health care related expenses.
Source: Compton’s Budget Data
Personnel Costs: Uneven But Rising

- Despite spending controls put in place during FY12, personnel costs grew thereafter - 12% from FY12 to FY15
- On July 1, 2014, the City agreed to 10% raises for Fire personnel and 6% raises for all other City employees

FY11-FY16 Personnel Spending

Note: Other Pay includes payroll taxes, workers compensation/unemployment, and all other non-salary personnel expenses
Source: Compton FY11-FY16 Budget Data
Baseline Projections Overview

- The baseline forecast is a projection of what the City’s financial results could be **without corrective action**
  - It reflects inflation, known or assumed growth in revenues and expenditures, and other known events
  - It factors out one-time spikes or plunges that are non-recurring
- It is based on recent actuals and projected figures based on the current budget year (FY16)
- The baseline forecast is a work-in-progress that will change based on the City’s actions and decisions
- It provides a platform for City officials and community stakeholders to discuss related challenges and opportunities
Key Cost Assumptions

- **Wages and Benefits**
  - Zero growth in wages and no change in headcount as of FY16
  - Health care, pension and OPEB expenses are not included in the budget projections but paid for through dedicated property tax monies (Retirement Fund)

- **Contracts**
  - Grow at an annual inflationary rate of 2%
  - Sheriff’s contract grows at 3.5% annually based upon historical cost growth from FY11 to FY16

- **Debt Service**
  - From the City-provided debt service payment schedule

- **Overtime**
  - Assumed the City’s estimate of $900,000 for Fire overtime, however, recent experience shows overtime runs closer to $2.3 million annually

- **Other Expenditures**
  - Generally grow at an inflationary rate of 2% annually
Key Revenue Assumptions

• **Property Taxes and Motor Vehicle In-Lieu**
  - 2% annual growth
  - Reduced property taxes due to changes in the Redevelopment Property Tax Trust Fund – a $900,000 loss in revenue in FY16 (the City receives approximately 12.9% of the property taxes paid)

• **Sales Taxes**
  - Based on MuniFinancial projections

• **Utilities Tax**
  - 2.03% annual growth based upon Bureau of Labor Statistic (BLS) Utility rate growth over last five years

• **Revenue Enhancements**
  - $4.2 million in FY16 and approx. $3.4 - $3.7 million in FY17 and beyond

• **Other Revenues**
  - No growth for EMS revenues, rental income, or other contributions is assumed
  - Most other revenues are assumed to grow at a 2% inflationary rate
Water Loan Repayment: Drag on Budget Recovery

- The total owed for previously borrowed funds (water and advances from other funds) are **NOT** shown in the fund balance in the Baseline Projection
  - City Council Resolution 23,970 adopted a repayment schedule for the $42.0 million owed
  - Annual payments range from $3.0 to $4.5 million per year until FY2027

**Loan Repayment Schedule**

Source: Note 13 of Compton’s FY13 CAFR
Bringing the pieces together ($ Millions)

- Without corrective action, Compton is projected to experience annual deficits starting in FY16 and over each of the next five years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenses</th>
<th>Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

General Fund Budget Projections, FY16 - FY21

Source: Compton’s FY16 Budget and Model Projections
Baseline Budget Forecast

- Compton is projected to end FY21 with a General Fund structural deficit of $2.9 million and a negative fund balance of $9.4 million.
- The deficit is largely driven by three factors:
  - Reduction of FY16 one-time revenue enhancements beginning in FY17 and reducing total revenues by $1.4 million per year.
  - Annual growth in the LA Sherriff contract – an 18.7% (or $3.6 million) increase from FY16 to FY21, or 3.5% per year.
  - Repayment of the Water Department loan totaling $3.5 to $4.0 million per year or $16.1 million over five years.

General Fund Budget Projections, FY16 – FY21
Revenue Enhancement Risks

- Compton’s balanced FY16 budget is dependent upon low overtime estimates and uncertain new revenues:
  - Fire Department overtime is under-budgeted by approximately **$1.4 million**
  - New revenue enhancements amounting to **$4.8 million** have yet to materialize and many do not recur beyond FY16. The shaded amounts are not General Fund revenues and reduce the FY16 funding by $600,000, bringing the total used in the model to **$4.2 million**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY16 Budget</th>
<th>Recurring FY17-FY21</th>
<th>Complete/Incomplete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trash Contract Renewal</td>
<td>$500,000</td>
<td>$0</td>
<td>Expected new contract</td>
</tr>
<tr>
<td>Bingo Revenue</td>
<td>$350,000</td>
<td>$357,000</td>
<td>Expected new bingo vendor</td>
</tr>
<tr>
<td>Rent - Senior Center</td>
<td>$25,000</td>
<td>$25,000</td>
<td>Additional rentals</td>
</tr>
<tr>
<td>Development Impact Fee</td>
<td>$350,000</td>
<td>$0</td>
<td>No GF cost to offset</td>
</tr>
<tr>
<td>Tow Trucks Fee</td>
<td>$250,000</td>
<td>$255,000</td>
<td>Expected new fees</td>
</tr>
<tr>
<td>City Wide Fee Enhancements</td>
<td>$615,000</td>
<td>$627,300</td>
<td>Study in process</td>
</tr>
<tr>
<td>Trash Transfer Station Fee</td>
<td>$163,800</td>
<td>$327,600</td>
<td>Expected new contract</td>
</tr>
<tr>
<td>Park Repayment</td>
<td>$266,400</td>
<td>$0</td>
<td>One-Time</td>
</tr>
<tr>
<td>Brick Yard (Careerlink)</td>
<td>$225,000</td>
<td>$0</td>
<td>One-Time</td>
</tr>
<tr>
<td>BrickYard (Central Ave)</td>
<td>$250,000</td>
<td>$0</td>
<td>Not GF offset</td>
</tr>
<tr>
<td>Cost Allocation</td>
<td>$1,850,000</td>
<td>$1,887,000</td>
<td>No documentation provided</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,845,200</strong></td>
<td><strong>$3,478,900</strong></td>
<td></td>
</tr>
</tbody>
</table>
Alternative Forecast: Higher OT/fewer revenue enhancements

• An adjusted Baseline budget forecast was analyzed to account for:
  – Historic under-budgeting of Fire overtime ($900,000 budgeted with $2.3 million expected annually - $7.0 million over five years)
  – Limited implementation of revenue enhancements ($18.0 million less over five years)

• This adds approximately **$5.6 million** to the **FY16 structural deficit**

• By FY21, the City is projected to face a **negative $40.1 million fund balance**

FY16–FY21 General Fund Adjusted Budget Projections
City Unable to Afford Wage Increases

- Compton cannot afford salary increases in the next collective bargaining round without changes to their budget structure.
- Example: a 2% increase in salaries will result in an estimated $5.4 million increase to the City’s shortfall over the five-year forecast from the Baseline forecast.

FY16 - FY21 General Fund Budget Projections: 2% Wage Increase
Tough Decisions Ahead

• Compton is at a pivotal moment where **tough decisions made now** will result in **long-term financial pay-offs**

• To afford wage increases, **$25 million** in cost reductions or additional revenue must be identified to eliminate deficits – this effort maintains a 10% fund balance but leaves no room for investment in City needs (e.g., road maintenance)

**FY16–FY21 General Fund Budget Projections:**
**Target Savings of $25 million**
Reducing the Budget Gap: New Revenues

<table>
<thead>
<tr>
<th>Revenue Opportunities</th>
<th>FY17 Revenue</th>
<th>Projected 5-Year Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Increase in: Fine, Permits, and Fees</td>
<td>$400,000</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>½ cent sales tax increase*</td>
<td>$4.0 million</td>
<td>$20.6 million</td>
</tr>
<tr>
<td>Parking Revenues back to FY11 levels</td>
<td>$500,000</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>Code Enforcement Revenues back to FY11 levels</td>
<td>$600,000</td>
<td>$2.4 million</td>
</tr>
<tr>
<td>Cumulative Revenue</td>
<td>$5.4 million</td>
<td>$27.0 million</td>
</tr>
<tr>
<td>Change in Net Revenue Needed</td>
<td>$5.0 million</td>
<td>$9.4 - $27.4 million</td>
</tr>
</tbody>
</table>

* Assumes 100% of sales tax override to GF. This will be reduced if portion dedicated to road maintenance
# Reducing the Budget Gap: New Savings

<table>
<thead>
<tr>
<th>Savings Opportunities</th>
<th>FY17 Savings</th>
<th>Projected 5-Year Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Overtime Reduction</td>
<td>$350,000</td>
<td>$1.7 million</td>
</tr>
<tr>
<td>Fund CareerLink from non-GF sources</td>
<td>$220,000</td>
<td>$1.1 million</td>
</tr>
<tr>
<td>15% Fire Cost Reduction Consolidation with LA Co.</td>
<td>$1.7 million</td>
<td>$8.5 million</td>
</tr>
<tr>
<td>10% Reduction of personnel expenses*</td>
<td>$2.0 million</td>
<td>$10.0 million</td>
</tr>
<tr>
<td><strong>Total Cumulative Savings</strong></td>
<td><strong>$4.3 million</strong></td>
<td><strong>$21.3 million</strong></td>
</tr>
<tr>
<td><strong>Change in Net Savings Needed</strong></td>
<td><strong>$5.0 million</strong></td>
<td><strong>$9.4 - $27.4 million</strong></td>
</tr>
</tbody>
</table>

*Assumes all personnel expenses excluding overtime
Budget Observations: Key Issues to Address

• City budgets are not tied to performance outcomes
• Compton budgeted revenues are projected to be less than expenses
• The City does not look beyond the current fiscal year to project the financial impact of annual budget decisions
• Financial management controls appear weak (e.g., grants and insurance payouts, growth in contract costs)
• The collective parties (Controller, Treasurer, City Manager) responsible for financial oversight do not facilitate a quarterly financial monitoring process that takes corrective action when revenues and expenditures deviate from the adopted budget
• Employees do not share in the financial responsibility of providing benefits - pension or health care costs*

* These costs are budgeted in the Retirement Fund, however should be controlled to minimize future tax pressures and to reduce unfunded liabilities
Financial Scenario A: Non-Personnel Initiatives

- Based upon adjusted budget projections, non-personnel related initiatives alone will not balance the City’s budget.
- If the City only implements the following non-personnel initiatives, the projected budget outlook continues to be negative with annual deficits beginning as soon as FY16:
  - Increase revenues by 10% from fines, permits, and fees (by raising costs for services and implementing stronger collection practices);
  - Reduce Citywide overtime spending by 10%; and
  - Remove $200,000 in Council Special Department Expenses

General Fund Budget Projections, FY16–FY21: Non-Personnel Initiatives
Financial Scenario B: Fire Department Consolidation

- To bring personnel expenses down considerably, Compton should explore a Fire Department consolidation with LA County - a 15% cost reduction should be the City’s goal to move forward.

- If Compton can successfully implement all non-personnel initiatives and realize a 15% reduction in fire service costs through consolidation efforts, the financial outlook improves, resulting in:
  - Estimated savings of $8.8 million over five years
  - Maintenance of a positive fund balance (but under 10% target)

General Fund Budget Projections, FY16–FY21: Fire Consolidation

<table>
<thead>
<tr>
<th>Year</th>
<th>FY Surplus / (Deficit)</th>
<th>FY Ending Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>(1.5)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>2017</td>
<td>(0.6)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>2018</td>
<td>(0.5)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>2019</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>2020</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>2021</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>
Financial Scenario C: Comprehensive Approach

- In order to eliminate annual structural deficits and build a strong fund balance, leaving room for investment, Compton will need to:
  - Implement non-personnel related initiatives
  - Contract out its fire operations and achieve a 15% cost reduction
  - AND reduce personnel expenses by 10% through position and/or salary reductions

- Combined, these efforts will eliminate structural deficits in FY17, maintain a positive fund balance over 10%, and save an estimated $1.3 million over five years

General Fund Budget Projections, FY16 – FY21: Fire and Personnel Initiatives
FY17 Actions Needed: Build Financial Capacity

- Implement current revenue enhancements scheduled to balance the budget this fiscal year

- Workforce Negotiations
  - Explore labor strategies that result in cost savings and may be used to invest in other City goals

- Review staffing levels and overall compensation strategies to identify potential savings. Based on percent of budget dedicated to staff, it will be difficult to balance the budget while preserving current personnel standards

- Return on Investment for City Contracts
  - EMS billing contract has not been updated to reflect City collection goals (spending approximately $750,000 for $1.2 million in revenue)

- Operational Cost Recovery
  - Increased productivity and fees for service should result in higher cost-recovery for services and personnel (e.g., code enforcement)
Retirement Fund
Retirement Fund

• The Retirement Fund receives a dedicated property tax override to pay for pension and healthcare costs for City employees
  – Budgeted $15.3 million in FY16
  – FY16 revenues are estimated to be over $20 million with Governor Brown returning $7 million in Redevelopment Property Tax Trust Fund (RPTTF) monies to the City

• Uses of Revenue
  – Pension payments
  – Health premiums
  – Retiree health premiums
Retirement Fund

- City’s Unfunded Liabilities Total Nearly $200 Million
  - PERs Misc. (FY13): $55,884,677 (67.7% Funded Ratio)
  - PERs Fire (FY13): $27,019,680 (72.1% Funded Ratio)
  - OPEB (FY11): $116,939,000 (0% Funded Ratio)

Source: FY13 PERS Fire Actuarial Valuation and FY13 PERs Misc. Actuarial Valuation
Retirement Fund Recommendations

• Establish long-term goals for managing unfunded liabilities

• Recently restored revenues should be strategically deployed to do the following:
  – Pay down unfunded liabilities in pension and retiree health
  – Establish a trust to protect this funding for future

• Require employees to pay their share of pensions to provide additional revenue to pay down unfunded liabilities
Organizational Review
Governance Structure

- City governance structure—as required by Charter—makes it difficult to delineate responsibilities among various leaders and therefore implement consistent management oversight.
- A goal of reorganizing the structure should be the alignment of the City’s resources around the City’s goals in order to leverage their impact and effectiveness.

Other Elected Positions

- City Attorney
  - Legal
  - Code Enforcement
- City Clerk
  - City records
  - Elections
- Treasurer
  - Custodian of Public Funds
Compton Departmental Service Areas

- In all departments and throughout the analysis, measures of productivity or performance against stated goals was uncommon.
- Consistent difficulties existed in obtaining City records and reports during interactions with various departments and service areas.

<table>
<thead>
<tr>
<th>Administration</th>
<th>Financial Services</th>
<th>Internal Services</th>
<th>Services to Public</th>
<th>Public Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Manager</td>
<td>City Treasurer</td>
<td>Building and Safety</td>
<td>Parks &amp; Recreation</td>
<td>Police (LACO Sheriff)</td>
</tr>
<tr>
<td>City Attorney</td>
<td>City Controller</td>
<td>General Services</td>
<td>Career Link</td>
<td>Fire</td>
</tr>
<tr>
<td>City Clerk</td>
<td>Non-Departmental</td>
<td></td>
<td>Parking Enforcement</td>
<td>City Security</td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td></td>
<td>Planning &amp; ED</td>
<td>Code Enforcement</td>
</tr>
</tbody>
</table>
City Employees by Department

- Total General Fund staff grew by 11% from FY13 to FY16
  - The City reorganized the MLES in FY14 and FY15 separating them and placing them under different departments. Shown below as independent divisions.

<table>
<thead>
<tr>
<th>Compton Personnel Summary</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and Safety</td>
<td>17</td>
<td>19</td>
<td>16</td>
<td>16</td>
<td>-6%</td>
</tr>
<tr>
<td>Careerlink</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>0%</td>
</tr>
<tr>
<td>City Attorney</td>
<td>15</td>
<td>13.5</td>
<td>13</td>
<td>13</td>
<td>-13%</td>
</tr>
<tr>
<td>City Clerk</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>50%</td>
</tr>
<tr>
<td>City Controller</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>0%</td>
</tr>
<tr>
<td>City Manager</td>
<td>19</td>
<td>11</td>
<td>14</td>
<td>15</td>
<td>-21%</td>
</tr>
<tr>
<td>City Treasurer</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>14%</td>
</tr>
<tr>
<td>Fire</td>
<td>77</td>
<td>78.5</td>
<td>86</td>
<td>86</td>
<td>12%</td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>0</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td>10%</td>
</tr>
<tr>
<td>Parking and Security</td>
<td>0</td>
<td>18</td>
<td>16</td>
<td>16</td>
<td>-11%</td>
</tr>
<tr>
<td>Municipal Law Enforcement Services</td>
<td>31</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-100%</td>
</tr>
<tr>
<td>General Services</td>
<td>20</td>
<td>28</td>
<td>30</td>
<td>30</td>
<td>50%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>6</td>
<td>11</td>
<td>11</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td>Local Housing Authority</td>
<td>8</td>
<td>9</td>
<td>11</td>
<td>11</td>
<td>38%</td>
</tr>
<tr>
<td>Mayor and City Council</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>0%</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>33</td>
<td>39</td>
<td>38</td>
<td>38</td>
<td>15%</td>
</tr>
<tr>
<td>Planning and Economic Development</td>
<td>6</td>
<td>6</td>
<td>11</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td>Total FTE</td>
<td>276</td>
<td>289</td>
<td>304</td>
<td>307</td>
<td>11%</td>
</tr>
</tbody>
</table>

Note: Building and Safety, City Controller, City Treasurer, Fire, General Services, and Parks and Recreation did not report a FY16 personnel count in the FY16 budget, FY15 personnel count was used.
Priority Spending on Services

- City General Fund spending in FY16 is concentrated in public safety, debt service, and general services and may not reflect current City goals.

**FY16 Departmental Budget**

Note: Debt service is found in Non-Departmental.
Governance Findings

• Council Goals need to provide specific direction to staff and require measurable outcomes

• City departments need to function under direction of the City Manager’s Office
  – City Manager should be point of contact for Council Members
  – City Manager should designate Assistant City Managers to oversee and support specific departments
  – Assistant City Managers should supervise and support department heads
  – Departmental heads need to develop performance metrics which measure progress toward meeting the City Council’s goals

Council Goals

• Public Safety/Enforcement
• Maintenance & Improvement of Public Infrastructure
• Neighborhood Improvement/Quality of Life
• Transparency in Government
• Updated Core Policies and Plans
• Economic Growth and Community Development
• Financial Stability
Suggested Department Goals: Improving Effectiveness

• Simplify
  – Define up to three major goals per department to focus on each year in line with major City goals
  – Create programs and strategies designed to meet these goals

• Prioritize
  – Budget funds where they will have the biggest impact to move department and City goals forward
  – Prioritize goals by direct services, infrastructure maintenance, and investing in the City’s future

• Measure
  – Create performance metrics, goals, and funding targets that meet City priorities
  – Discuss these in public on a regular basis
Law Enforcement
Law Enforcement & Prevention

- After the City disbanded its police services in 2000, LA County was contracted by the City to provide law enforcement and prevention services.

- The City has no control over growing law enforcement costs with the County nor can it afford to cut law enforcement services given the City’s crime rates.

Violent and Property Crimes, 2002 - 2014

Source: 2014 FBI Uniform Crime Report data
Law Enforcement Opportunities

• The City’s relationship with the Sheriff’s office seems strong and positive

• While the Sheriff meets it’s contractual requirements, stronger connections could be established with key City activities:
  – Code enforcement (assistance when entering property)
  – Security
  – Parking
  – Parks and Recreation (using programs to enhance connection between Sheriff and community)
Fire Department
Fire Department Structure

• Four fire stations
  – Four engine companies
  – One truck company
  – Three paramedic rescue units

• Staffing
  – 64 fire captains, engineers, firefighters, and firefighter/paramedics
  – 12 ambulance operators
  – Five supervisory staff (from Chief to Battalion Chief)
  – 4.5 prevention and administrative staff

• FY16 Budget:
  – $15.4 million (including Retirement Fund expenditures)
## Fire Department: Issues & Opportunities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>No performance goals</td>
<td>Unable to match funding and staffing with desired outcomes of department</td>
<td>Set specific desired outcomes for community and match to cost to meet that budget</td>
</tr>
<tr>
<td>No monthly reporting</td>
<td>Council/City Manager unable to track performance</td>
<td>Provide monthly reports that measures performance goals</td>
</tr>
<tr>
<td>Training</td>
<td>Firefighters have lagged on training and certifications required to carry out their duties</td>
<td>Provide training schedule and include progress in monthly reports</td>
</tr>
<tr>
<td>Ambulance billing</td>
<td>Cost of administering billing for ambulance services appears too high for revenue collected</td>
<td>Go out to bid for billing contract. Include performance measures that ensure revenue collection</td>
</tr>
</tbody>
</table>
Fire Department: Consider Contracting Out

- Contracting to LA County would be beneficial if it resulted in expenditure savings of 10-15% and improved the level of oversight and service for the City.

- LA County Fire currently provides services to most communities surrounding the City of Compton.

<table>
<thead>
<tr>
<th>City</th>
<th>City vs. County Fire Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carson</td>
<td>County</td>
</tr>
<tr>
<td>Hawthorne</td>
<td>County</td>
</tr>
<tr>
<td>Inglewood</td>
<td>County</td>
</tr>
<tr>
<td>Lakewood</td>
<td>County</td>
</tr>
<tr>
<td>Lynwood</td>
<td>County</td>
</tr>
<tr>
<td>Paramount</td>
<td>County</td>
</tr>
<tr>
<td>Compton</td>
<td>City</td>
</tr>
<tr>
<td>Downey</td>
<td>City</td>
</tr>
<tr>
<td>Rank</td>
<td>2 of 9</td>
</tr>
</tbody>
</table>
Fire Department: Goals of Contracting Out

- Reduce costs by leveraging response capability of surrounding fire stations run by LA County Fire
- Increase training opportunities
- Track certification requirements
- Increase cost recovery for EMS responses by significantly reducing transport responsibilities
- Enhance prevention activities within the community
- Provide regular incident and activity reporting
- Better track overall fire protection services and community benefit
Parking, Code Enforcement, and Security
Parking, Code Enforcement, Security

- Municipal Law Enforcement Services (MLES) was disbanded in FY14
  - Management and oversight of responsibilities have shifted over the last three years

- Inconsistent leadership led to limited oversight, low productivity, and variability in direction and purpose among all service areas

<table>
<thead>
<tr>
<th></th>
<th>FY14 - MLES</th>
<th>FY15 - Building and Safety</th>
<th>FY16 - City Attorney</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking, Code Enforcement, &amp; Security</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing (FTE)</td>
<td>16.0</td>
<td>11.0</td>
<td></td>
</tr>
<tr>
<td>Budget</td>
<td>$747,739</td>
<td>$2,253,969</td>
<td>$3,001,708</td>
</tr>
</tbody>
</table>

FY14 - MLES
- Parking, Code Enforcement, & Security

FY15 - City Manager
- Parking
- Security

FY16 - City Attorney
- Code Enforcement
Code Enforcement: Accomplishments

- **890**
  - Responded to approx. 890 complaints

- **729**
  - Opened approx. 729 cases – of which, 475 have been closed

- **72**
  - Conducted sweeps of 72 commercial business license violations resulting in the abatement of 180 violations

- **356**
  - Abated approx. 356 illegal vendor matters

Source: City Attorney’s Office presentation to City Council in 2015
## Parking, CE, Security: Issue and Opportunities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parking</strong> revenues down by 29% since FY11</td>
<td>Lower revenue equates to less flexibility to direct excess parking fees to road improvements or other City investment</td>
<td>Review current fine levels, and research why revenue is down. If parking citations down, should be reflected in staffing need</td>
</tr>
<tr>
<td>Neighborhood <strong>parking</strong> permits return no revenue</td>
<td>Two parking staff patrol neighborhood with parking control, without revenue return</td>
<td>Charge neighborhood annual fee for parking permits to offset cost of enforcement</td>
</tr>
<tr>
<td>No <strong>parking</strong> citation metrics are reported</td>
<td>Unable to track work productivity or parking issues by neighborhood</td>
<td>Develop and report parking metrics on monthly basis</td>
</tr>
<tr>
<td>No <strong>Code Enforcement</strong> Goals</td>
<td>Difficult to judge performance or impact on City from Code Enforcement activities</td>
<td>Establish specific, measurable goals for code enforcement that compliment economic development efforts</td>
</tr>
<tr>
<td>Issue</td>
<td>Impact</td>
<td>Opportunities</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Code Enforcement staffing seems high for work load (e.g. less than one complaint per staff per work day)</td>
<td>Low return on staff investment for funds. Questionable staffing levels given reported work load</td>
<td>Match staffing with expected work load and City goals for code enforcement impact</td>
</tr>
<tr>
<td>Security positions do not need to be career City jobs</td>
<td>Cost of City employees for security positions is too high</td>
<td>Look at contracting out security as well as total need for security officers</td>
</tr>
<tr>
<td>There is a relationship between these services that isn’t being realized</td>
<td>Inefficient deployment of field staff</td>
<td>Cross-training and use of staff in the field to expand reach of parking and code enforcement</td>
</tr>
</tbody>
</table>
Budget, Controller, and Treasurer
## Budget, Controller Treasurer: Responsibilities

<table>
<thead>
<tr>
<th>Department</th>
<th>Responsibilities</th>
<th>Reporting</th>
</tr>
</thead>
</table>
| Treasurer—Elected Position        | • Custodian of all Public Funds  
• Receive, deposit, disburse City monies                                               | • Prepare monthly reports                                      |
| Controller—Appointed by City Council | • Compile budget expense and capital estimates  
• Responsible for disbursement of all monies and control over expenditures  
• Accounting and payroll responsibilities  
• Annual Financial Audit                                                | • Monthly City financial position to City Council through City Manager |
| City Manager                      | • Appoint and remove all department heads and approve any other staff appointment or removal  
• Prepare and administer annual budget                                           | • Prepare annual budget  
• Report on City finances and administrative activity                          |
## City Finances: Issues and Opportunities

### Compton Finance Positions

<table>
<thead>
<tr>
<th>Issue</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overlapping responsibilities between City Manager, Controller, and Treasurer</td>
<td>Create service-level-agreements (SLAs) between departments to clarify responsibilities, duties, and timing and structure of deliverables</td>
</tr>
<tr>
<td>City Manager’s office not staffed appropriately for budget preparation or administration</td>
<td>Consolidate all finance staffing under City Manager appointed staff (e.g., Finance Director). Support Treasurer and Controller in their duties via SLAs</td>
</tr>
<tr>
<td>Lack of control by City Manager in day-to-day operations of City financial functioning</td>
<td>Hold City Manager responsible for functioning of City finances, and provide resources to carry this out</td>
</tr>
</tbody>
</table>

### Compton Finance Positions Table

<table>
<thead>
<tr>
<th></th>
<th>Controller</th>
<th>Treasurer</th>
<th>City Manager*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing (FTE)</td>
<td>18.0</td>
<td>7.0</td>
<td>1.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Budget</td>
<td>$2,451,827</td>
<td>$811,243</td>
<td>$90,504</td>
<td>$3,263,070</td>
</tr>
</tbody>
</table>

* City Manager’s FY16 budget includes a position for Budget Manager
Budget, Controller, Treasurer

• Benefits of Single Finance Department
  – Proper staffing for budget development and control
  – Reduces potential redundancies between departments
  – Unifies staff doing budget, accounting, cash management
  – Minimizes oversight while responding to needs of Controller and Treasurer
  – Monthly, quarterly, and annual reporting from a single source

• Potential Conflicts
  – Requires cooperation and coordination of elected and appointed positions with the City Manager’s office
  – Acclimation of staff to changes in supervision under a new department may take time
  – Division of staff time between different financial requirements will need to be clearly defined
  – Service-level agreements will be key to ensuring success
Planning and Economic Development
Planning and Economic Development

• Mission/Purpose:
  “To Ensure existing and future land use projects adhere to federal and state environmental Quality standards through the implementation of the General Plan, adopted codes to make this City healthy, safe, and a enjoyable place to live, work and conduct business.”

• Core activities
  – Implement the General Plan
  – Implement the Zoning Ordinance
  – Environmental review
## Planning and ED: Issues and Opportunities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review revenue recovery rate</td>
<td>The City recovers $420,000 in plan check fees, around 40 percent of total budget</td>
<td>Develop a target recovery rate for plan check fees based on historical base workload and contract for any workload spikes</td>
</tr>
<tr>
<td>City needs more jobs and retail development</td>
<td>City’s sales and property taxes are low for population</td>
<td>Develop an economic development strategy for the commercial corridor</td>
</tr>
<tr>
<td>Community development resides in City Manager’s office</td>
<td>Divides efforts with economic development</td>
<td>Combine Community Development with Planning and ED to help with commercial corridor strategy</td>
</tr>
</tbody>
</table>
Planning and Economic Development

• Understaffing and varying priorities created slower turnaround for the processing of projects and plan reviews
  – Conversations with the City indicated that a typical turnaround for planning takes 120-160 days vs. the targeted 90 days

• By eliminating backlogs and streamlining processes, the City could devote time to improving efficiency and facilitate new development in the City

• This department should take the lead toward developing a corridor plan which leverages all City Department resources to create a development zone.
Building and Safety
Building & Safety Department

• Core services:
  – Permit issuance for new construction and tenant improvements
  – Building inspection
  – Business licensing applications and inspections
  – Code enforcement for inside structures (rest of code enforcement moved to City Attorney in FY16)

• Work Effort and Revenue Generation
  – Processes approximately 300 permits per month (pre-sale, plumbing, mechanical, electrical, and building) — based on June 2013 “monthly” report to Council
  – Administers the City’s business license requirement (collects around $1.7 million per year in business license fees (excluding the Casino which is budgeted to pay $2.1 million in FY16)
  – Budgeted to collect $1,043,622 in building permits in FY16, approximately 50 percent of its total FY16 budget of $2.1 million
# Building and Safety: Issues and Opportunities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Consistent Leadership</td>
<td>Interim director is from Economic and Community Development</td>
<td>Hire director with strong building background and leadership skills</td>
</tr>
<tr>
<td>Recovery rate from building permit revenues</td>
<td>50% of department is paid for from General Fund</td>
<td>Develop a target recovery rate for permit fees based on historical base workload and contract for any workload spikes</td>
</tr>
<tr>
<td>Department mission is to “Assist developers to ensure....projects meet the minimum state building codes...”</td>
<td>This mission is too narrow for the core services conducted and limits how the department sees itself</td>
<td>Rework mission statement to be consistent with City goals and inclusive of range of activities (e.g. public safety and business licensing)</td>
</tr>
</tbody>
</table>
Administrative Service Departments
(Human Resources and General Services)
Administrative Services Departments

• The City’s primary administrative services (other than financial services) is provided by Human Resources and General Services

• General Services provides:
  – Facilities maintenance (maintain City investments)
  – Real Property management
  – Fleet Services (excludes Fire equipment)
  – Information Technology (support Citywide IT infrastructure)

• Human Resources provides:
  – Employee/Labor relations (Most employees represented)
  – Recruitment and selection
  – Benefits and compensation
  – Employee Training
Administrative Services: Staffing and Budget

<table>
<thead>
<tr>
<th></th>
<th>General Services</th>
<th>Human Resources</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing (FTE)</td>
<td>30*</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Budget</td>
<td>$4,970,521</td>
<td>$983,982</td>
<td>$5,954,503</td>
</tr>
</tbody>
</table>

- **General Services** provide resources that allow other departments to do their work
  - IT services touch every department in the City and is critical to modern operations for a City
  - Fleet management impacts the ability of departments to provide direct services into the community
  - Building maintenance is critical to maintaining the City’s significant investment in buildings and parks
- **Human Resources** are key to City’s overall operations and functioning
  - Labor relations and contracts impact City operations and finances far into the future
  - Efficient hiring is critical to proper staffing

*FY16 GF Budget did not include an FTE Personnel Summary for General Services, FY15 Personnel count for was used*
# General Services: Issues and Opportunities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet: Over 200 vehicles for staff of around 370 (all departments)</td>
<td>Ongoing annual cost plus investment in replacement vehicles</td>
<td>“Right size” fleet to match need for City vehicles to critical services</td>
</tr>
<tr>
<td>IT: four staff members provide all IT support</td>
<td>Increasing reliance on technology puts pressure on IT area</td>
<td>Determine service needs for City staff vs. contract staff</td>
</tr>
<tr>
<td>City IT data not fully backed up. Data center in City Hall basement</td>
<td>System failure will result in lost data. No off-site back up puts City at great risk</td>
<td>Invest in equipment to provide full backup of City systems. Keep backup data in off-site location</td>
</tr>
<tr>
<td>No long-term maintenance plan or cost estimate</td>
<td>Lack of ongoing investment will lead to deterioration of City assets</td>
<td>Create a reinvestment plan for City-owned assets and set monies aside each year to fund</td>
</tr>
</tbody>
</table>
## Human Resources: Issues and Opportunities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived issue of nepotism in hiring of “temporary” employees</td>
<td>Perception that unclassified employees being used to circumvent hiring process</td>
<td>Hold to rigorous hiring standards with limited use of temporary employees for regular positions</td>
</tr>
<tr>
<td>Delay in hiring process has led to failed recruitments and vacant positions</td>
<td>Positions are left unfilled as hiring process is often taking too long</td>
<td>Create service-level agreements (SLAs) to guide process on timing of recruitments</td>
</tr>
<tr>
<td>Historically, City Manager has led labor negotiations</td>
<td>No buffer between labor and City Council. Not proper role for City Manager</td>
<td>Hire outside labor negotiator for upcoming labor contract renewals</td>
</tr>
<tr>
<td>Departments do not seem to know what expectations to have of HR processes</td>
<td>Lack of confidence and uncertainty about HR processes</td>
<td>Create service-level agreements (SLAs) to rebuild trust</td>
</tr>
</tbody>
</table>
Recommendations
Charter Revisions

- Changes to the City’s Charter can provide long-term benefits to improve the organization and management of key City departments and services
Overall Organizational Recommendations

1. Develop a Citywide strategic plan covering:
   - Overall City goals and priorities
   - Detailed strategies designed to reach those goals
   - Performance measures to gauge progress
   - Specific financial allocations to match City goals and ensure overall success of plan (this could lead to changes in the FY17 budget)

2. Create an organizational structure that will:
   - Delineate Council/City Manager/Department Head priorities
   - The City Manager, through the authority of the City Council, needs to take control over and be accountable for City operations
   - Reinforce and clearly outline personnel management responsibilities
   - Create a more efficient and centralized service-delivery model—financial and operational responsibilities are disjointed within the current structure
   - Promote accountability and a culture of high performance through regular review and action, as needed, of performance measures
Overall Organizational Recommendations

3. **Institute a budget process that:**
   - Includes a 3-5 year budget model and financial plan
   - Ensures that budget decisions reflect City priorities
   - Looks beyond current fiscal year to project fiscal impact of annual budget decisions
   - Strengthen Financial Management controls
   - Provides accountability for spending results
   - Rewards budgetary innovation and performance within Departments

4. **Document, evaluate, and enforce current policies related to:**
   - Employee code of conduct and work expectations
   - Recruitment, hiring, and employee evaluation processes
   - Job descriptions in light of customer service needs and demands
   - Vehicle and equipment utilization, acquisition, and disposal
   - Provision of full City payment of pension and health costs
Questions?