



# CITY COUNCIL AGENDA REPORT

**MEETING DATE:** February 6, 2023

**TO:** City Council Members

**FROM:** Melissa Eads, City Administrator

**SUBJECT:** Approval of Contract Award to Citygate Associates, LLC. for an Organizational Review and Strategic Financial Plan

---

## RECOMMENDATION

Staff recommends approval of a Contract Award to Citygate Associates LLC in the amount of \$73,317 for the completion of the Organization Review and Strategic Financial Plan.

## BACKGROUND

### The Path to Measure Y

Over the past few decades, the City has been in “maintenance” mode. With COVID, a structural deficit, and the threat of a looming recession, the City reached a tipping point. Historically, revenue growth remained relatively flat at 2% per year. And in response, to offset higher expenses, the City stalled wage increases, service expansions, and facilities or infrastructure investments. These costs are now outpacing our ability to provide for growth. And instead, service cuts, lack of maintenance or investment, and the un-funding of vacant positions became the norm. The cost of infrastructure replacement versus maintenance continues to mount as many facilities exceed a standard of useful life. Unfortunately, numbers to quantify this need are not even available as the City does not have a Capital Expenditure Plan identifying scope and cost. This occurred because year-over-year capital investments were so low, or most likely cut, to afford fixed operational costs.

In support of change, the City Council unanimously agreed to place an initiative before the voters on November 8, 2022. Measure Y, a 1% General Sales Tax Measure, was a success. Importantly, the Measure was predicated on the maintenance of existing service levels while planning the City’s future and a next-generation growth strategy. The added revenue, approximately \$4 million, comes with the need to balance a budgetary deficit, the tackling of rising pension costs, and the need for analysis of wages to ensure competitive placement within the region. These things sit amongst a backdrop of lagging infrastructure, deferred maintenance, and the social pressures of the homelessness crisis and economic uncertainty. The most important demand challenging the City is the need to perform for the taxpayer who has entrusted this investment. The City must work quickly and efficiently to identify its service expectations, maintenance needs, and vision for growth.

With the 20-year sunset of Measure Y, the time to get it right in FY 2042, is now. And to ensure we do; Staff needs the support of consultant resources to gather the data necessary to drive the decisions that become the investments needed to support the growth of our community. If everything is a priority, then nothing is a priority. Many of the items on this list, won’t wait. Therefore, our goal is to develop a shared mission and vision, to align the data with strategic investments, and to adopt a community

supported Five (5) Year Strategic Financial Plan with measurables for accountability and performance monitoring.

### The Process to Solicit Qualifications

On October 17, 2022, Staff prepared and issued a Request for Qualifications (RFQ). The RFQ outlined a brief scope of services to be provided seeking the most qualified team to develop the process and design necessary to accomplish the City's goals. Please reference the RFQ, Attachment No. 1.

The City received a total of five (5) proposals by the stated deadline of November 30, 2022. Department Heads were assembled as the Review Panel, and upon initial review, three (3) firms were recommended further for Interview: Citygate, Kosmont, and Baker Tilly. The Proposals received were highly competitive. All three (3) firms adequately addressed City goals and objectives and offered qualified teams with decades of experience capable of shaping the scope of services needed. Upon completion of the Interviews, Citygate was supported as the recommended firm.

## DISCUSSION

Citygate has provided a diverse team of consultants available to influence the Scope of Services as negotiated. The Team consists of subject matter experts from Law Enforcement, Public Works, Fire, and Supportive Services for the Unhoused. Citygate also has Team Members experienced in successful Tribal partnerships.

### What is the Goal of the Strategic Financial Plan?

The Plan will assess the City and its operations, examine both revenues and expenditures, and report to the City where it is now, both operationally and financially, and what options it has for future revenue growth and expenditure controls and/or reductions. The report and accompanying fiscal models will be used in strategic planning with the Council, staff, and community members. The plan will provide a disciplined spending approach over the next five years that increases operational efficiency, prioritizes critical needs, and pursues long-term growth strategies to grow the tax base.

### Highlights of the Project Scope

Each scope element is clearly covered within Citygate's Work Plan, as described in italics. Please see Attachment No. 2., the proposed scope of services.

◆Work with a project Steering Committee to determine areas of focus for the planning process. Covered in Task 2.1 (also see Task 5.3).

◆Facilitate an Organizational Review including a review and analysis of the organizational structure; department operations; identification of short- and long-term challenges; basic service delivery; staffing and capital/facility infrastructure needs; and evaluation of best practices for small rural cities. Covered in Tasks 3.1 and 3.2.

◆Complete a Budget Stabilization Study with a presentation of sustainable budget scenarios including findings from the Organizational Review; a five-year financial forecast related to the General Fund and other applicable major funds; identification and analysis of expenditure reduction strategies; recommendations for alternative service delivery models which may include contracting opportunities, private partnerships, or consolidation; identification and analysis of revenue enhancements including but not limited to consideration of local funding alternatives, planning considerations, annexation strategies, and other financial recommendations necessary to maintain City service delivery and infrastructure needs. Covered in Tasks 3.3, 3.5, and 3.6 (also see Tasks 5.2 and 5.4).

- ◆Facilitate strategic goal-setting workshops with Council Members and the Community necessary to guide strategic investments with limited resources and prepare for the upcoming annual budget. Covered in Tasks 2.3 and 4.2.
- ◆Develop an implementation plan including recommendations for financial policies; growth strategies; exploration of local funding alternatives; and methods, timelines, and prioritization of short- and long-term implementation measures. Covered in Tasks 4 and 5.
- ◆Review and provide recommendations related to annexation strategies and LAFCO processes, city and county finances, tax share negotiations, economic development, and public safety. Tribal relations and homelessness can be addressed in a second project phase at an additional cost. Covered in Tasks 3.3, 3.4, 3.5, and 5.1.

## **FISCAL IMPACT**

The City allocated \$100,000 for the completion of the Classification and Compensation Study and the Organizational Review and Strategic Financial Plan with the adoption of the FY 2022/23 Annual Budget In June of 2022. The Council awarded the Classification and Compensation Study contract in the amount of \$31,500. The balance approved in the existing budget towards the Citygate award is \$68,500.

Citygate has provided a Scope of Services within the Budget, please refer to page 21 of the proposal. The base scope of services totals \$64,967.

Staff requests the Councils' consideration of additional funding for a Community Survey and Employee Survey, Subtasks 2.4 and 2.5. The total under this option is \$73,317. The additional funding needed to complete the project as requested is \$4,817.

Staff also seeks Councils' input on the remaining options for the Review of Homelessness Options and Strategies, and the Review of Tribal Partnerships and Service Delivery, Section B 3.1 and B3.2. These added options would increase costs by \$7,686.