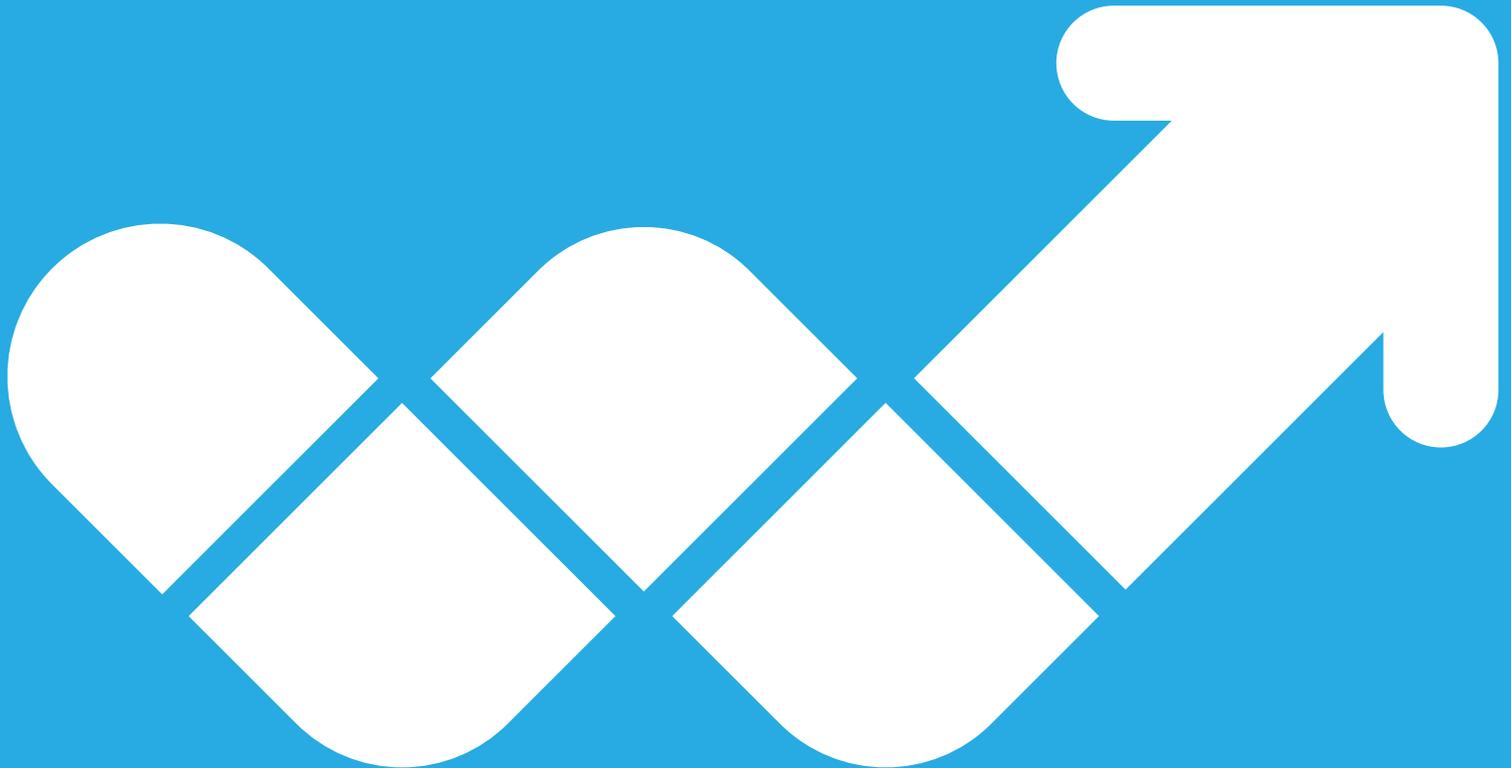




ChicoChamber
VOICE OF BUSINESS

SPECIAL REPORT

From the Task Force on City
Revenues & Expenditures



TAKING RESPONSIBILITY FOR CHICO'S FUTURE.

Our community vision is to make Chico the safest, most vibrant, premier city in the North State.

WHY 'QUALITY OF LIFE' MATTERS TO THE CHAMBER

The Community Vision measures how quality of life impacts business and identifies improvements we can make together.

2013 Due to rising concerns amongst businesses, the Chico Chamber declared "public safety" its #1 advocacy priority. Leveraging business concerns, the Chamber became heavily involved in supporting public safety ordinances such as burglar alarm policy, and other measures tied to community safety.

2014 To address the changing needs within the business community, the organization underwent a significant transition from event-based to mission-based, shifting revenue from sponsorship to partnership to open the door for a greater vision and purpose.

2015 To maintain the overall health and vitality of the community while staying focused on safety, the Chico Chamber Board of Directors adopted a 10-year Community Vision focusing on five key areas: thriving business community, healthy local government, safe community, premier arts and recreation facilities, and strong vibrant community. The goal of the Community Vision is to make Chico the safest, most vibrant, premier city in the North State.

2016 The Chamber Vision Committee researched the five key areas to establish metrics and

indicators in some of the categories like Safe Community, declaring our goal to raise our standing on the California Crime Index from the bottom quartile to the top quartile. This research was published in the 2016 Community Vision Report.

2017 Amidst discussions on potential solutions for funding Community Vision needs and expectations, including potentially endorsing a sales tax measure, the Chamber Board opted to do additional fact finding. To explore the costs of Vision expectations as well as the City's ability to fund them, the Board unanimously voted in favor of forming a Task Force on City Revenues & Expenditures. The Task Force focused on four priority areas within the Vision that dominate the business walk visits and anchor business listening sessions: Police and Fire under Safe Community, and Pensions and Roads under Healthy Local Government.

In exploring City Revenues and Expenditures, the Task Force studied the City's current and projected financial status, as well as the expenses associated with goals set either by the Chamber or by the City in each of the priority areas. The Task Force findings were reported to the Board verbally and in writing through a series of Task Force study sessions at the July, August, and September Board meetings, and many details were published in the 2017 Community Vision Report. At their annual Board Retreat in October of 2017, the Chamber Board of Directors voted to *convene the community effort to explore a revenue measure for added police, potentially to assist with fire needs, and to fund road construction to advance the Community Vision.*

The goal of the Community Vision is to make Chico the safest, most vibrant, premier city in the North State.



INTRODUCTION: The Task Force on City Revenues & Expenditures was created by unanimous vote of the Chico Chamber of Commerce Board of Directors in early 2017 to advance the Community Vision.

The intent of the Task Force was to explore current and projected revenues of the City of Chico, current and projected expenditures, potential new sources of revenue and cost savings, and costs of needed improvements to increase the quality of life. Task Force members included Directors, members and staff. Research included meetings with City Management, Public Works Department, Police Department, and Fire Department. The discussions underscored the complexities of both the issues and the potential solutions, and the fact that our quality of life is as dependent upon our community as it is on our local government. As evidenced by this Special Report, there are many options the City can explore to reduce crime, improve infrastructure, and address the impending pension crisis.

The Task Force presented the Board of Directors with a report in October 2017 summarized here.

KEY ISSUE:

The quality of life in Chico is decreasing as measured by:

1. DATA

Key indicators like Crime Statistics and the Pavement Condition Index.

2. ANECDOTES

Thousands of comments from businesses on business walks, and feedback from anchor businesses representing 17,000+ jobs in Chico.

EXECUTIVE SUMMARY: EXPENDITURES

The Task Force reviewed and analyzed current expenditures in the four priority areas below, noting the gap between existing funding and needed funding to meet stated goals.

<p>Goal: to move Chico to top quartile of cities on the CA Crime Index by increasing police staffing to 112. \$3M is needed.</p>	<p>Goal: to raise Chico's Pavement Condition Index (PCI) rating from 57 to an 80, \$90M is needed in total for collectors and arterials only.</p>	<p>Goal: to reduce unfunded pension liabilities currently sitting at \$130M.</p>	<p>Goal: to explore staffing levels and models, contracts, districts, and volunteer programs.</p>
<p>POLICE</p>	<p>ROADS</p>	<p>PENSIONS</p>	<p>FIRE</p>

REVENUE:

Existing revenue at the City, as verified by our City Manager and Administrative Services Director, is not expected to grow materially in the current or next fiscal year to meet the needs outlined above. In fact, the City is anticipating a **financial hit of the magnitude previously experienced in 2011-2012 in 2020-2021 due to unfunded pension liabilities** which will erode existing staffing resources. During the current fiscal year, the City Manager expects minor savings from efficiencies achieved within various departments. Additional

revenues of approximately \$800K are anticipated from the Waste Franchise agreement earmarked for road maintenance. Additionally, while there is an expectation that City revenues will grow at a rate of 2.5% per year, step increases are estimated at 2.5% per year per many staffing contracts. The City's current fiscal policy per the Chico City Council is to live within existing means. The City is already spending down its reserves according to their budget, from \$2M +/- last year to \$1.3M this year to zero projected in a few years.

POLICE

WHAT WILL IT TAKE TO LOWER CRIME & RAISE OUR INDEX STANDING MEASURABLY?



PROBLEM:

Chico is in the bottom quartile of approximately 466 cities on the California Crime Index. Property crime has risen 50% in the last several years and consequently businesses have incurred new expenses due to adding surveillance, private security, fencing, vandalism remediation, and other safety-related expenses. Because larger retail stores often have the means to invest in loss reduction, crime is pushed to smaller, more vulnerable businesses that are not supported by corporate crime-prevention strategies and systems.

That said, grocery stores and 'big box' retail stores individually report hundreds of thousands of dollars of loss annually due to theft. Because this theme has dominated nearly every conversation in thousands of business walk visits and in meetings with anchor businesses, the Chamber has declared crime reduction its **#1 advocacy priority**, hosting dozens of Community Safety Meetings in business districts throughout Chico to strategically assist the Police Department in implementing community-oriented policing and bringing awareness to crime prevention through environmental design.

POLICE CHIEF'S PERSPECTIVE:

The Chamber's stated goal in the Community Vision is to reach the top quartile on the CA Crime Index. One solution is growing our existing police force, which is still limited due to effects of the recession, building it from a reactive department of 95 officers to a proactive department of 112.

In meetings with Police Chief who supplied these figures based upon his staffing evaluation of the Chico Police

Department, his professional conclusion is that specialized units can greatly improve our standing through proactive policing, such as a crisis unit, special intelligence, street crimes, gang unit, traffic team, school resource officers, and others.

To achieve significant crime reduction through proactive policing, an additional \$3M is needed to increase staffing, and on top of that another \$3M is needed for a new dispatch radio system.

- **CHICO** is in the bottom 18% of cities on the CA Crime Index.
- **A PROACTIVE POLICE FORCE** of 112 officers is needed to reduce crime.
- **112 OFFICERS** will cost the City \$3M more than currently budgeted annually.



Major retailers in Chico report millions of dollars in shoplifting loss annually, with individual businesses reporting as much as \$250K/year. One business loses nearly 40,000 items to shoplifting per year. Common stolen items include bolt cutters, knives, and wire cutters.

ROADS

WHAT WILL IT TAKE TO IMPROVE OUR ROADS & CHICO'S PAVEMENT CONDITION INDEX MEASURABLY?



PROBLEM:

Chico's Pavement Condition Index (PCI) on a scale of 1-100 is 57 and dropping approximately 2-3 points every year due to insufficient funds for maintenance

and repair. The state average is 66. The City's goal, as stated in the Chamber's Community Vision, is to reach a PCI of 80. Major streets like Cohasset Road are falling into disrepair, causing costly auto damage.

PUBLIC WORKS – ENGINEERING DIRECTOR'S PERSPECTIVE:

Based upon information we've received from the Public Works Engineering Department, the financial need for collector and arterial roads is \$90M+ to achieve a PCI of 80. It will likely take 7-10 years to achieve this PCI even with appropriate funding. Current funding for roads is approximately \$1M/year. Projected funding is based upon current funding with the addition of SB1, gas tax

revenue, expected to add \$1.5M/year in fiscal year 2018-2019 and \$2.1M in fiscal year 2019-2020 and beyond, assuming it is not repealed. At best, the City has \$3.1M + \$800K from the Waste Franchise Agreement annually for 5 years for roads. This funding level will not accomplish basic maintenance much less upgrade the PCI of collectors and arterials. **Typically, it is roughly 14 times more expensive to do a full reconstruction than preventative maintenance practices (see chart below).**



If we continue at current levels of funding, the chart below shows the total cost of treatment to the roadway network 5 years from now, and 10 years from now. On average, every year we go without adequately funding the roadway maintenance program, we add about \$2 million/year to the total costs to maintain. This equates roughly to a 2% increase in costs every year, assuming there is no inflation.

SCENARIO	ARTERIAL	COLLECTOR	TOTAL
CURRENT	\$39,564,024	\$51,331,402	\$90,895,426
5 Years	\$45,132,251	\$55,587,846	\$100,720,097
10 Years	\$49,751,002	\$61,231,814	\$110,982,816

The City of Chico's PCI will continue to decline as shown in the 2017 Community Vision Report. The only way to reverse this trend is with a substantial infusion of additional funds.

PENSIONS

CAN THE CITY ADDRESS THIS IMPENDING FINANCIAL CRISIS WITHOUT SACRIFICING PUBLIC SERVICES?

WHAT IS AN UNFUNDED PENSION LIABILITY?

The estimated current market value of pension assets compared to all future pension obligations. If there is a shortfall, it is called an unfunded liability and will need to be made up by local taxpayers.



PROBLEM:

Like most cities in the state of California, the City of Chico is facing a pension crisis that is expected to continue to balloon, hitting crisis proportions during the 2020–2021 fiscal year. This unfunded pension liability, totaling approximately \$130M, covers the cost of pensions for current and past employees. Repayment is legally mandated. For the City of Chico, projected employer

pension contributions grow from \$11.2M in 2017–2018 to \$19.6M in 2022–2023. During this year’s budget process, it was observed by a City Council member that unfunded pension liabilities would result in a direct loss of staffing at the City should the City’s projected revenues remain status quo, once again carving up critical departments like Police and Public Works, resulting in layoffs and inadequate funding for basic public services.

TASK FORCE PERSPECTIVE:

The pension crisis should be shouldered by the City with ongoing communications with CalPERS. Possible actions the City can take include: reducing staff compensation by an amount equal to the anticipated future pension

burden, enforcing a fixed salary reduction and/or freezing step increases for the time period necessary to meet the pension increases, contracting for services to avoid future pension obligations, and participating in efforts to change future benefits for current employees.

FIRE

CAN STREAMLINING SERVICES MAKE THE FIRE DEPARTMENT AS EFFECTIVE AND MORE FINANCIALLY SUSTAINABLE?



PROBLEM:

The City was forced to reduce the number of firefighters and fire stations after the loss of SAFER grant funds which

increased staffing levels during the recession. Further, the County recently eliminated one fire station operating within the Chico urban area which was responding to calls within city limits through an automatic aid agreement.

TASK FORCE PERSPECTIVE:

The Task Force suggests the City look at cooperating with the County in exploring a county-wide fire district as one alternative and exploring the cost of contracting with CalFire as another. The acquisition of new dispatch equipment as outlined in the Police section will allow

for more effective and efficient medical responses and better use of resources. It is also suggested that the City explore the alternative engine staffing model and the possibility of training all community service officers to respond to structure fires. The City is encouraged to energize its volunteer firefighter program, perhaps working with the County’s robust volunteer program.

CONCLUSION

THE ECONOMIC CONSEQUENCES OF DOING NOTHING



As this Special Report shows using data collected by the Task Force on City Revenues & Expenditures, existing and projected City resources are considerably inadequate to fund basic public services at levels that will increase the quality of life in Chico. In fact, infrastructure problems – like failing roads and potholes – will continue to deteriorate at accelerated rates exponentially increasing the funding needed for repairs and reconstruction.

As reported by anchor businesses, the economic consequences of not addressing these issues include compromised executive recruitment, limited talent importation, and the relocation of headquarter status and operations. Furthermore, failing to reduce crime creates safety concerns for people and property, minimizes access to downtown and parks, and complicates the service delivery capabilities of major agencies the community relies upon.

If this trend continues, the Chamber anticipates a loss of businesses and associated jobs, loss of headquarters status for businesses that started here and have expanded out of the area, loss of talent either retained or recruited, decrease in sales tax from unsafe shopping environments and/or theft resulting in a reduction of public services, and an erosion of Chico's quality of life which major employers say is the #1 reason they live and work here.

IMMEDIATE NEEDS:

- ✓ **Reduce crime:** fund the police department to proactive levels including 112 sworn officers, a crisis unit, and increased dispatch staffing and radio technology.
- ✓ **Improve roads:** dramatically increase road funding with or without SB 1 to meet the PCI goal.
- ✓ **Address pensions:** minimize the City's risk and exposure, and advocate at the State level for systematic changes.
- ✓ **Research fire:** explore alternative approaches for fire protection.

Call To Action:

For the Chamber Board of Directors, the eroding qualities of our community are unacceptable and should be of top concern to our elected officials. As a first priority, the Chamber Board of Directors recommends the City seriously consider **a revenue measure to fund business and community priorities like increasing police staffing and improving roads**. Should the City not pursue this action immediately, the community should consider placing a revenue measure on the ballot to move Chico forward.

The Chico Chamber of Commerce Leverages the Voice of Business for Community Good.



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LEVERAGING THE VOICE OF BUSINESS FOR COMMUNITY GOOD

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