

BUDGET MESSAGE

September 27, 2024

The Honorable Mayor and Members of the City Council
City of Whittier, California

This budget details the City's 2024-25 total revenues and expenditures, including those related to the Whittier Utility Authority and Whittier Housing Authority. The City developed a budget that is both responsive to the community needs and continues to fund and enhance services most important to our residents. Whittier has historically maintained a healthy General Fund balance, in addition to its restricted reserves, which is a testament to the financial stewardship of the organization and exemplified by the City Council's strategic goal to ensure Long-Term Fiscal Sustainability. The adopted budget for FY 2024-25 continues to reflect our commitment to providing high-quality services to residents while maintaining financial stability. The City Council established these five strategic goals and a five year strategic plan to guide budget and policy decisions that implement those goals:

- GOAL 1: Provide for Public Safety
- GOAL 2: Ensure Long-Term Financial Stability
- GOAL 3: Maintain and Enhance the Quality of Life
- GOAL 4: Transparent and Open Government
- GOAL 5: Promote a Strong Local Economic Base

Whittier places a strong emphasis on balancing operating expenditures with operating revenues. The budget for 2024-25 is balanced and meets current fiscal and policy goals and provides both summary and line item budget detail for all funds.

National Economic Conditions

The economic growth in the U.S. is expected to moderate in the upcoming years, with projections suggesting a slowdown to around 1% to 2% in 2024. This deceleration reflects a normalization of the economy following the rapid recovery from the pandemic and the diminishing effects of stimulus measures particularly through weaker consumer and fiscal spending. The Federal Reserve is likely to maintain the Fed Funds rate at 5.25%-5.5% until mid-2024, with anticipated rate cuts bringing it down to 4%-4.25% by year-end. Consumer spending growth is expected to decrease, impacted by reduced savings and resumption of student loan payments, although robust employment levels might provide some support. The federal fiscal deficit is projected to narrow, suggesting a tightening of government spending. Labor market conditions are showing signs of normalization with potential slight increases in unemployment. Inflation, while cooling, is still expected to remain above the 2% target. The housing market may see some recovery, but challenges like high mortgage rates and low affordability persist. Supply chain adjustments are set to continue at a conservative pace, supported by legislative incentives for onshoring in strategic industries. Commercial real estate faces increasing pressures from tighter lending standards and significant debt maturities. Geopolitical risks and the upcoming U.S.

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presidential election could also further contribute to economic uncertainties and market disruptions in the upcoming year. Overall, while the U.S. economy is poised to grow, it faces a period of adjustment and slower growth compared to the immediate post-pandemic rebound. Thus, the FY 2024-25 proposed budget remains conservative taking the economic outlook into consideration.

State Economic Outlook

Housing and Economic Development

California's housing market is grappling with affordability issues and supply shortages, both of which are compounded by rising construction costs and high demand. Statewide, California faces a shortage of affordable housing units, and efforts to address these challenges include increasing density in urban areas and relaxing zoning laws to encourage more housing development. Projects like accessory dwelling units (ADUs) and state programs aimed at affordable housing development play a key role in this strategy. Despite state-level interventions, affordability remains a critical issue due to high home prices and surging rents. The State continues to invest in mixed-use developments, affordable housing, and sustainable infrastructure as part of its economic recovery plan.

The housing market in City of Whittier has seen significant growth, with home prices increasing steadily over the past year. The median home price in Whittier as of August 2024 was approximately \$890,000, up 14.1% compared to the previous year. Homes are selling quickly, with most properties staying on the market for an average of 23 days. This competitive market reflects high demand but limited inventory. The City is also focusing on its 2021-2040 General Plan Update and 2021-2029 Housing Element, which outlines strategies for addressing future housing needs, increasing density to meet the state's mandated Regional Housing Needs Allocation (RHNA) of 3,134 units in the next housing cycle, and promoting sustainable growth through rezoning and infrastructure improvements.

In summary, both State and the City are actively working on addressing housing and promoting economic development through innovative housing projects, policy shifts, and revitalization of underdeveloped areas. However, affordability continues to be a major challenge, especially for lower- and middle-income residents.

Unemployment and Consumer Confidence

In August 2024, California's unemployment rate increased 0.7% from last August at 4.6%, to 5.3%. Meanwhile the Los Angeles County rate was 6.7%, an increase of 0.9% from last year. The largest California job gains compared to last year are within the areas of Private Education and Health Services, State and Local Government, and Leisure and Hospitality. The unemployment rate in Whittier is 6.3%, an 1.2% increase from a year ago. Two of the largest employers in the City of Whittier continue to be PIH Health – Whittier and Whittier Union High School District; both are stable employers within the community.

The current U.S. consumer is navigating an environment shaped by a mix of inflationary pressures, resilient employment markets, and evolving spending habits. As of mid-2024, inflation, although moderating from the highs of 2022, continues to impact essential categories like food and energy, affecting disposable income. However, strong labor market conditions, with unemployment rates hovering near historical lows, have provided a counterbalance by supporting wage growth and consumer confidence. Consumers are increasingly prioritizing experiences over goods, a trend accelerated by post-pandemic shifts. Sectors like travel, dining out, and entertainment have seen robust demand. Conversely, retail sales, especially for discretionary goods such as

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electronics and apparel, have softened. Many consumers are also seeking value through discounts and promotions, influenced by inflation. Despite economic challenges, sentiment remains cautiously optimistic, driven by sustained job security and wage growth. However, higher interest rates, aimed at taming inflation, have made borrowing more expensive, particularly affecting housing and auto purchases. In summary, the current U.S. consumer is balancing optimism with caution, adapting spending behaviors in response to inflation and borrowing costs, while benefiting from a strong labor market.

Citywide Priorities and Goals

The City Manager solicits and follows the direction of the City Council to implement City policies and programs outlined in the budget, annual work plan, and other City Council actions. Priority efforts for this fiscal year included continued efforts to further Metro-led environmental clearance and design for the Gold Line Eastside Extension along Washington Blvd. and serving as Chair of the Washington Boulevard Coalition. Other initiatives included completion of the renovated Uptown Senior Center, as well as continued discussions regarding the rebuilding of Fire Station 17. Further initiatives included continued discussions for branding the City, completion of the Parks Master Plan and design oversight for Parnell Park renovations and Sierra Sports Fields, in partnership with WUHSD. The long-awaited Murphy Ranch Ballfield lighting project was completed, and in partnership with the Whittier Community Foundation, pickleball courts were established at Leffingwell Ranch Park. In addition to expanding public outreach and interaction on social media, the City Manager's Office celebrated multiple CPRS awards and accolades for engagement. A renewed Town and Gown effort was initiated with Whittier College, supported by Administration staff, and a new program was created to support local students attending the college. Staff continues oversight on the Navigation Center at The Salvation Army building on Pickering; solicited regional, State and Federal funding for local and regional projects; and represented the City's positions on State and Federal legislation. Administration also provides oversight and public information regarding the City's use of local Measure W funds to address homelessness, public safety, infrastructure improvements and senior services.

The Finance department will continue to focus on the management of City's accounting and budget functions, banking and investment responsibilities and debt management. The department's goal is to provide accurate and transparent budgeting and financial reporting and provide strategic advice to other departments on the implementation of City Council priorities in a fiscally efficient manner. The City is in the process of updating its Purchasing Policy to modernize purchasing practices and conformance with best practices. The City has continued to receive the California Society of Municipal Finance Officers' (CSMFO) outstanding budget award, and the Government Finance Officers Association's (GFOA) Excellence in Financial Reporting for the past 30 years. The City also received its first GFOA Distinguished Budget Presentation Award for Fiscal Year 2024-24 Adopted Budget and continues to work with departments on setting and measuring appropriate performance measures for the programs and activities funded by the budget. The Revenue Management division of Finance department continues to oversee the investment of available monies consistent with the City's investment policy in an effort to generate additional operating funds and is expecting to process over 8,000 business licenses.

The Human Resources & Risk Management Department continues to work on streamlining processes within its payroll division, employee onboarding, open enrollment, Personnel Action Forms, evaluation forms and personnel files. Employee hiring continues to rise and the department is expected to complete a variety of full-time and part-time recruitments during the new fiscal year, supporting the City's continuous labor needs. The Department will continue to focus on employee retention and morale through various incentive programs that include wellness and employee events. The Emergency and Wildlife Management division will continue to provide training to its Disaster Service Workers and deploy its disaster response volunteers.

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City Clerk's Office will continue to oversee agenda preparation, record keeping, coordinate election needs and updates of the Whittier Municipal Code. The City is currently developing a Public Records Request Software solution to increase response times and allow for faster document recover. The Information Technology division will focus on updating network polices and increasing internet service connection and speed. The Information Technology division is continuing its work on the City's IT Master Plan and Fiber Master Plan. Work has already begun on updating network security policies to conform with emerging cyber threats as well as strategically utilizing Whittier's hills to allow for the point-to-point redundant internet connection between the Branch Library and City Hall. IT is continuing to work on ensuring business continuity for different sectors of the City's IT infrastructure. For the 2024 Presidential Election, the City will offer a drive-thru Vote-By-Mail drop off event to allow residents to quickly and securely drop off ballots without having to exit their vehicle, the City of Whittier is the only jurisdiction to offer this service. The City Clerk Department is also improving the way residents will connect with the City's website. In 2025 residents will be able to ask questions in the search field and get customized responses with references to increase access and service. The City Clerk Department is also initiating a City Council Chamber remodel to address changes in technology and upgrade security measures.

The Parks, Recreation, and Community Services Department is thrilled to continue advancing key Capital Improvement Projects across the community. Upcoming highlights include a complete renovation of the Dog Park, extensive fencing repairs, and fresh paint at several parks. Parnell Park will undergo interior and exterior upgrades, including painting and window restoration, while the historic Bailey House will receive a much-needed new roof. Roofing updates will also be completed at the Guirado Park facility and the Palm Park Tennis Center. Major projects also on the horizon include the full-scale Parnell Park Renovation, enhancements at Kennedy and Guirado Parks, and exciting developments at the newly purchased First Avenue property. The Transit division will continue its regular services with an additional Dial-A-Ride Plus program that addresses special passenger needs related to medical appointments in surrounding cities. The department will continue to work with Public Works, Metro, and regional bus systems on various transit needs throughout the City.

The Central and Whittwood Branch libraries will continue to provide a wide variety of services to the community. Both libraries have increased their programing post pandemic in many different areas. The Central Library's new makerspace is now offering a range of programs for all ages. The Makerspace at Whittier Public Library is a hub for creativity, innovation, and community engagement. It provides residents of all ages and backgrounds with access to cutting-edge technology, hands-on learning opportunities, and collaborative projects. Library continues to provide outreach to local schools through the usage of new bookmobile, and the Homework Center at Central Library is now equipped with 16 computers equipped with access to live homework help and other resources to assist students with their educational need. The new Veterans Resource Center continues to provide vital services to the veteran of our community. The Central Library's expanded community room has enhanced the programs offered by the library to the community. Library partnerships include collaboration with the Whittier Museum, the Parks & Recreation Department for Rec & Read, and the California State Library's grant programs for "Lunch at the Library" as well as "Stay and Play".

The Police department remains committed to its community policing strategies and continues its partnerships with schools, community groups, and with the Los Angeles County Department of Mental Health to address calls for service involving individuals experiencing mental health crisis. The department is working on increasing and retaining its workforce, with one new Police Officer to assists with administrative duties focusing on recruitment and one new Property and Evidence Technician positions added for the upcoming year. In the upcoming year, the department will be contracting for enhanced parking enforcement as parking enforcement requests remain a priority. The contract parking enforcement will provide the department with five full-time parking enforcement

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officers, increasing weekly resources by two hundred dedicated service hours. Working in conjunction with current parking enforcement officers, the contract will provide for a broad range of daily service hours spanning the seven-day workweek. This will result in increased visibility, improved efficiency, greater effectiveness, and a robust customer service platform. Additionally, the department will explore the expanded use of drones for a "Drone as First Responder – DFR" program and will begin to establish a framework for a real-time crime center (RTCC), to enhance proactive identification and response to crimes in the City. Also in the upcoming future, the department will replace all existing less-lethal Taser devices with the newest generation version.

The Community Development department continues to maintain effective working relationships with both the design and development communities. A primary element of this effort for the Building & Safety division includes a proactive community education and awareness campaign related to safe building practices, as well as fire and life safety, while fostering integration with planning requirements. The division conducts an estimated 15,000 inspections annually. The Planning division annually processes approximately 1,250 new planning applications ranging from conditional use permits and development review applications to variances and temporary use permits. The Planning division also continues to actively process a variety of development applications including retail stores, churches, dining establishments, and the new multi-units housing projects. The Business Development and Housing division continues to handle the remaining dissolution of the Whittier Redevelopment Agency through the Whittier Redevelopment Successor Agency (WRSA) as well as managing the housing assets of the former Redevelopment Agency and the special funding streams associated with COVID-19 recovery funds. This division also continues to implement programs funded by Federal CDBG, HOME grants, including additional Coronavirus (CDBG-CV) funds. These include assisting low-income families with rehabilitation of homes through grant/loan programs, graffiti abatement, code enforcement, social services, affordable housing projects and a variety of infrastructure improvements. This fiscal year, the department will finalize new design standards for the City following the City Council's adoption of its 20-year General Plan last year. In furtherance of City priorities, the department will also present fully developed, pre-approved design plans for Accessory Dwelling Units.

Whittier continues to recognize the need to creatively assist its local business community. Staff will continue to partner with the Los Angeles County Small Business Contracting Connections seminars and will also continue to promote the "Shop Whittier" campaign to encourage local consumer spending. Business outreach also continues to be a regular strategy of the City's Business Economic Development program and staff will continue to meet with both existing and prospective businesses.

The Public Works Department's Engineering Division continues to utilize the Pavement Management System to program and guide future street improvement projects. The neighborhood paving projects currently in design include Janine Drive and vicinity as well as neighborhoods south of Whittier Boulevard adjacent to Painter Avenue and Washington Avenue. The street segments of La Serna Drive, Mills Avenue, Scott Avenue, and Calmada Avenue are planned to begin construction in Fall 2024. Metro Hot Spots Intersection Improvement Projects on Whittier Boulevard are anticipated to begin construction in Fall 2024. During the year, the Engineering Division oversaw and completed the construction of multiple projects including Senior Center Renovation, Sidewalk Repair Program Phase 1, Michigan Speed Humps, Citywide Striping and Crack Sealing, Murphy Ranch Little League Field Lighting, and Penn Park Playground Improvement.

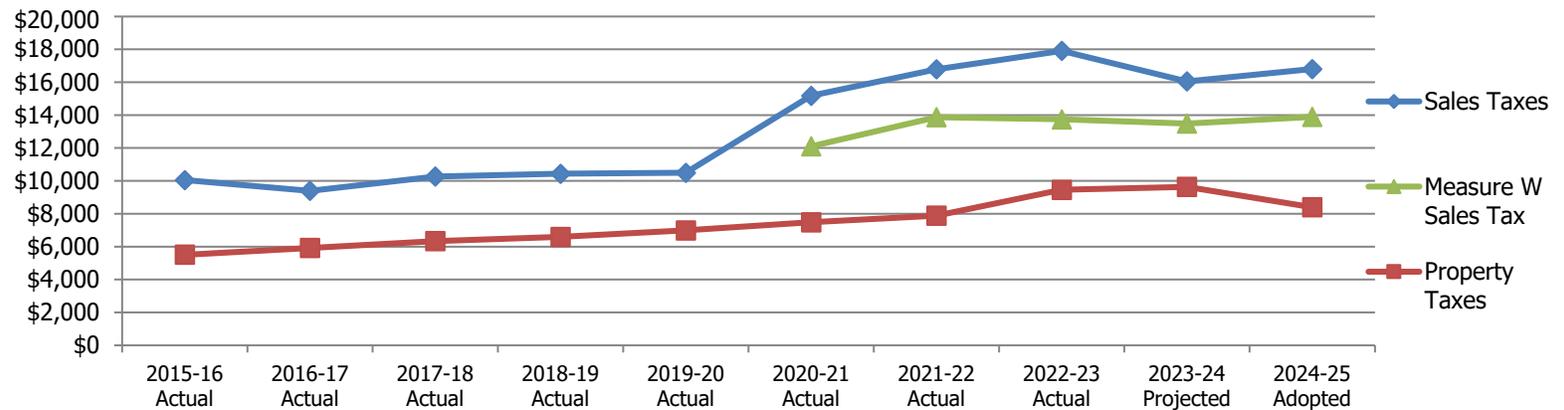
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The Public Works Department’s Water division will continue to design and construct main replacement projects. These projects have been divided into multi phases that include 577 one 4-inch Water Main Replacement, Transmission Main Large Valve Replacement – Group III, Palm Avenue Infrastructure Improvements, Greenleaf Avenue Water Main Replacement, Whittier Boulevard at Painter Water Main Replacement, Whittier Groundwater Treatment System (WGTS) Expansion, Well No. 8 Rehab, Murphy Reservoir and Rideout Reservoir replacement project. The division will continue implementing the water meter replacement program, with a goal to upgrade all meters in the City over the next fifteen years. Whittier’s most important priority continues to be ensuring safe, quality drinking water for the customers we serve. The Sewer division will continue to implement the Sewer Master Plan, which identified many capacity and rehabilitation projects to increase the efficiency of the sewer system. The City’s contractor will continue with Sewer Main Spot Repairs. The Solid Waste division will begin design of Savage Canyon Landfill Phase 3B expansion to expand the area of the waste placement location and update the Landfill’s condensate system. These projects ensure that the City’s infrastructure can continue to support the residential, commercial, and business communities that support quality of life in Whittier.

Financial Trend Indicators

As demonstrated in the graph below, the City’s property tax revenues have remained fairly stable throughout the past decade. While sales tax revenues have seen significant improvement in recent years, we are anticipating a steadier growth in the upcoming year. The Measure “W” local sales tax revenues began in 2020-21 and have outperformed the City’s initial projections in the past years.

Ten Year Trend Lines
(in thousands)



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Employee Service Costs

The primary source of service to the public is provided through employees, and as such, Employee Service Costs (ESC), consisting of salaries, wages, and employee benefits, makes up the largest component of General Fund expenditures. There are three represented employee groups in the City: the Whittier Police Officers’ Association (sworn), the Whittier Police Management Association (sworn management), and the Whittier City Employees’ Association (maintenance, clerical, technical, and other non-management employees). Management employees remain unrepresented.

Categories of ESC consist of the following:

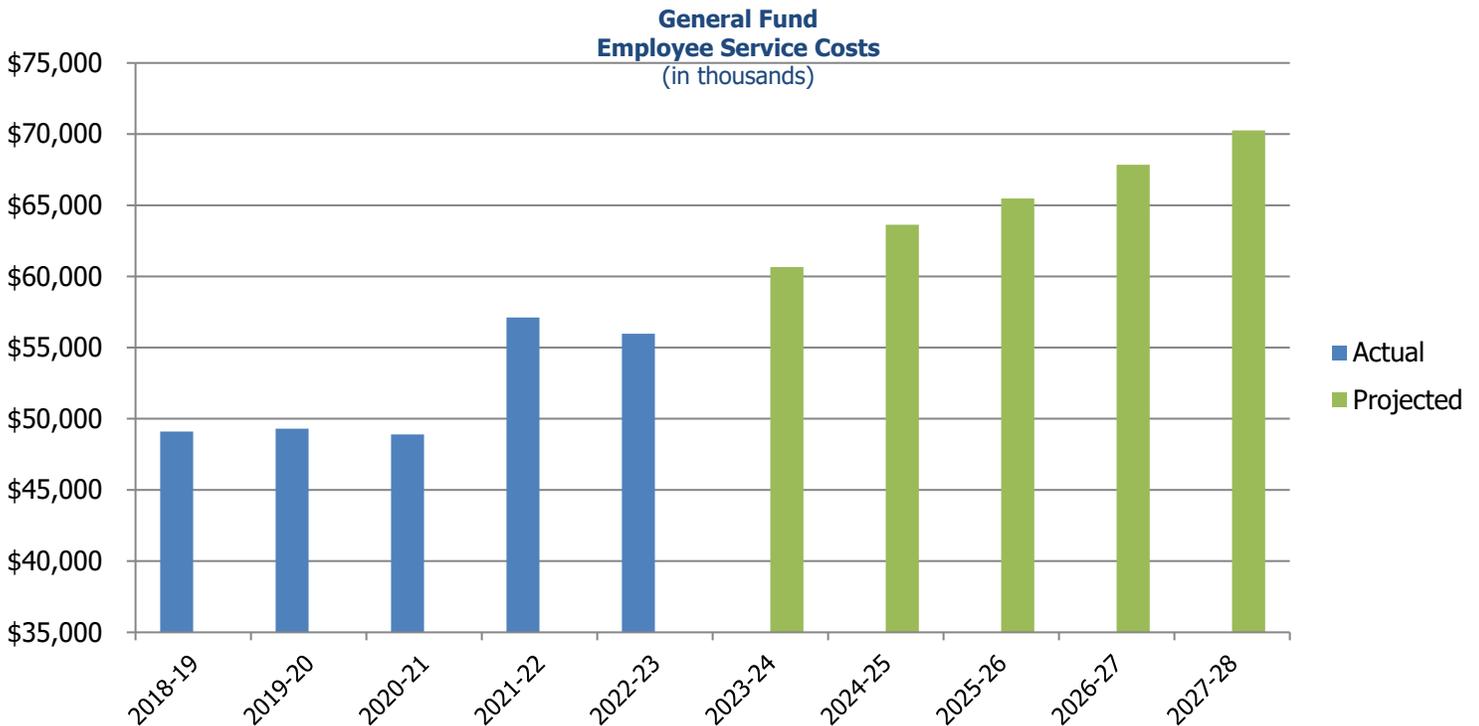
- Salaries, Wages & Overtime
- Paid leave (vacation, sick, leave payoff, etc.)
- Public Employees’ Retirement System (PERS)
- Other benefits (insurance, 457 plans, disability insurance, unemployment, Medicare, disability pay, etc.)

The City strives to provide a consistent level of service to the community through efficiency, innovation, and partnerships, with a focus on improving organizational fiscal health, and improving service levels.

The total number of full-time City employees currently authorized is 420. In addition, the City continues to utilize a large number of part-time personnel, with combined total hours equivalent to approximately 103.64 full-time employees.

Changes in Total Budgeted Positions (Full-Time Equivalent FTEs):

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Fund	416.14	416.14	417.24	412.24	418.24	432.24	438.24
Total Positions	495.54	495.54	497.64	492.64	499.64	515.64	523.64



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Pension Obligations Bonds

Cities, including Whittier, provide various benefits to employees which generally include pensions for retirement. The City of Whittier has contracted with CalPERS for pension benefits for over seventy-five years. Despite increasing employee-paid retirement contributions and significant State law changes to the CalPERS benefit system, the City had accrued significant long-term liabilities stemming from past contractual obligations and CalPERS investment policy decisions. Issuing Pension Obligation Bonds (POBs) stabilized the long-term pension obligation accruals, called unfunded accrued liability, thereby providing additional cash flow to stabilize the budget in future years for anticipated CalPERS rate increases.

Each year, CalPERS adjusts the unfunded accrued liability (UAL) by adding new amortization bases. These bases reflect changes resulting from changes in actuarial methodology or assumptions, investment earnings or losses, change in benefit levels, or experience study (i.e., longevity/mortality). Therefore, the City's UAL should be considered a dynamic and ever-changing amount.

In August 2021, under City Council's direction to address rising pension liabilities, the City issued \$133.9 million in Pension Obligation Bonds (POBs), which virtually eliminated unfunded liability by replacing it with bonded debt. By issuing the POBs, the City was able to finance 100% of current pension liabilities at an all-in (inclusive of all issuance costs) interest rate at 2.59%, significantly lower than the CalPERS rate of 6.8%. Fluctuations in CalPERS returns may cause the City's funded status to fluctuate over time, from being over-funded to under-funded.



ADDRESSING PENSION COSTS

Unfunded Accrued Liability (UAL) by Year

(Misc & Safety Plans Total)



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Pension Obligations Bonds (Cont.)

In the past few years, the projected budgetary savings derived from the difference between what would have been paid CalPERS compared to the current POB debt service payments of \$7.89 million have been set aside into the PERS reserve. Refer to the "Summary and Total of Reserved Monies". This reserve will allow the City to accumulate funds to address future potential pension liability increases as well as pay down POB debt early.



ADDRESSING PENSION COSTS

Old UAL Payments vs Current POB & UAL Payments by Year

