City of El Segundo
City Council Strategic Planning Session

July 11, 2017
Jan Perkins | Management Partners
Welcome
Public Comment
Comments from the City Manager
<table>
<thead>
<tr>
<th>1.</th>
<th>Welcome by Mayor</th>
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<td>2.</td>
<td>Public Comment</td>
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<td>3.</td>
<td>Comments from the City Manager</td>
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<td>4.</td>
<td>Overview of Strategic Planning</td>
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<td>5.</td>
<td>Discussion of Accomplishments and Progress on Strategic Plan</td>
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<td>6.</td>
<td>Review of Regional and State Trends With Local Implications</td>
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<td>7.</td>
<td>Discussion of Financial Outlook</td>
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<td>8.</td>
<td>Affirm or Modify Key Goals</td>
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<td>9.</td>
<td>Discussion of Priorities Worksheet</td>
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<td>10.</td>
<td>Wrap Up and Review Next Steps</td>
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August 8, 2017 Agenda

1. Welcome by Mayor
2. Public Comment
3. Recap July 11 Discussion
5. Overview of the Preliminary FY 2017-18 Budget
7. Staying Focused on Our Priorities During the Year
8. Wrap-up and Next Steps
Today’s Objectives

- Orientation to strategic planning
- Understand trends and financial context for FY 2017-18
- Understand progress on existing strategic plan
- Orientation to list of potential priorities for FY 2017-18
Ground Rules

- Engage fully
- Listen to understand
- Seek consensus
- Stay focused
- Enjoy the afternoon!
Time management tool

Things to discuss at another time will be tracked on a flipchart
A Better El Segundo Results From....

Clear Long Range Goals + Achievable Priorities + Effective Day-to-Day Operations = A Better El Segundo
A **vision** sets the focus for the future. It is a statement of where the City is going.
“Where Big Ideas Take Off” – a hub for innovation.
A mission is a statement of the purpose of the organization. It fundamentally defines what the organization stands for and what it will do.
“Provide a great place to live, work and visit.”
Values provide the basis for how the organization and its members will work to achieve the mission and vision.
Values

- Provide the basis for how an organization and its members will work to achieve the mission and vision
- Drive the goals created and the process of implementation
- Describe what an organization stands for
Values

- Accountability
- Productivity
- Ethics
- Stewardship
- Service
- Challenging ourselves
- Continuous improvement and reflection
Goals are what you want to achieve through investing resources. They are multi-year in nature and provide direction based on vision.
El Segundo’s Key Goals

- Enhance Customer Service and Engagement
- Support Community Safety and Preparedness
- Develop as a Choice Employer and Workforce
- Develop Quality Infrastructure and Technology
- Champion Economic Development and Fiscal Sustainability
Strategies are the means to achieve the goals. They are the specific projects and initiatives that move the City toward achieving big, long range goals.
Strategic Planning Roles

Council and Staff Each Play Essential Roles

Council
- Vision, key goals, policy priorities

Staff
- Departmental strategies
- Implementation approaches
Discussion of Accomplishments

- Review handout
- Identify the key factors contributing to these successes
Review Progress on Strategic Plan
### Factors that Contributed to Achievement

- Clear Council direction
- Having a work plan
- Having clear assignments
- Dedicated staff
- New department head leadership

### Factors that Impeded Achievement

- Too many competing priorities based on staff resources
- Executive team and other staff vacancies
- Budget limitations
- Lack of technology
- High attrition rate
Trends, Risks and Challenges: Big Shifts Underway

A look at multiple factors and trends

Implications for El Segundo
Los Angeles County’s Population is Projected to Grow from 9,837,011 to 11,161,569

2010
- White: 2,745,108
- Hispanic or Latino: 4,703,928
- Asian: 1,338,049
- Multi-Race: 825,739
- Black: 181,678
- Other: 42,509

2040
- White: 2,525,722
- Hispanic or Latino: 6,032,420
- Asian: 1,320,853
- Multi-Race: 365,061
- Black: 879,561
- Other: 37,952
Los Angeles County is Getting Older

- **2010**: 75+ (5%), 60-74 (10%), 45-59 (20%), 30-44 (22%), 15-29 (23%), 0-14 (20%)
- **2020**: 75+ (6%), 60-74 (15%), 45-59 (20%), 30-44 (20%), 15-29 (21%), 0-14 (18%)
- **2030**: 75+ (10%), 60-74 (17%), 45-59 (19%), 30-44 (19%), 15-29 (20%), 0-14 (15%)
- **2040**: 75+ (15%), 60-74 (17%), 45-59 (18%), 30-44 (18%), 15-29 (18%), 0-14 (14%)
Unemployment Is Declining in the State and LA County

California’s unemployment rate in 2010 was 12.3% and has declined to 4.7% in May of 2017.

Similar to California, Los Angeles County’s unemployment rate continued to decline from 12.5% in 2010 to 4.0% in May of 2017.
Income Inequality is on the Rise

Share of Income Captured by the Top 1%, from 1917 to 2013

In the United States, the share of income captured by the top 1% has doubled nationally since 1979, increasing from 10% to 20.1%

California is 7th most unequal state in the country.

Los Angeles County is among the top 2% most unequal counties in the country.
Real Earnings for Workers Are Expected to Rise in California

Wages in Los Angeles County are predicted to drop slightly below the California average, while the wage growth rate is predicted to parallel California’s through 2050.
“By 2020, Millennials will be nearly half of all workers.”

– PEW Research Center, 2015
### Each Generation Offers a Different View

<table>
<thead>
<tr>
<th>Generation</th>
<th>Key Characteristics</th>
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<tbody>
<tr>
<td>Silent</td>
<td>Born before 1945</td>
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<tr>
<td></td>
<td>Loyal</td>
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<tr>
<td></td>
<td>Disciplined</td>
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<td></td>
<td>Respect authority and rules</td>
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<tr>
<td>Baby Boomers</td>
<td>(1946 to 1964)</td>
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<tr>
<td></td>
<td>Competitive</td>
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<tr>
<td></td>
<td>Think workers should pay their dues</td>
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<tr>
<td>Gen X</td>
<td>(1965 to 1980)</td>
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<td></td>
<td>Skeptical</td>
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<td></td>
<td>Independent-minded</td>
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<tr>
<td></td>
<td>Focused on high-quality results</td>
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<td></td>
<td>Appreciate work-life balance</td>
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<tr>
<td>Millennials</td>
<td>(1981 to 1997)</td>
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<tr>
<td></td>
<td>Like teamwork, feedback and technology</td>
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<tr>
<td></td>
<td>View work as an expression of themselves</td>
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<tr>
<td>Gen Z</td>
<td>(Born after 1998)</td>
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<tr>
<td></td>
<td>Career multi-taskers</td>
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<td></td>
<td>“Technoholics”</td>
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City of El Segundo’s Workforce is Mostly Generation X and Baby Boomer

- Millennials: 26.3%
- Generation X: 52.7%
- Baby Boomers: 21.0%
All Cities are Competing in a Smaller Talent Pool

Especially for...

- Experienced executives, managers and supervisors
- Police officers
- Engineers
- Planners
- Public finance professionals
- Human resources experts
- Water treatment and distribution specialists
The Sharing Economy Disrupts Traditional Markets

- **Airbnb** has exceeded **10 million** guest-stays since its launch and now has more than half a million properties listed.

- **Uber** claims to be doubling its revenue every six months.

How do local governments regulate these new players?

Are they...
- *Technology companies?*
- *Taxable “hotel” operations?*
- *Unlicensed “taxi” services?*

What impact do they have on...
- *Housing and rental prices?*
- *Livable wages and labor markets?*
Advanced Technology Will Have Major Impacts

• **3D printing** revenue is expected to grow from $3 billion worldwide for 2013 to over $21 billion by 2020
  - 3D printing allows for cost-competitive production with minimal staffing

• **Self-driving cars** may replace 3.4 million truck, taxi, bus and delivery drivers by 2050
  - Transportation jobs are some of the few remaining careers that do not require a college education

How will these technologies...

• *Impact the manufacturing and transportation of goods?*

• *Change job opportunities in communities?*
Artificial intelligence (AI):
“A computer’s ability to digest large amounts of information, learn from it and apply that knowledge in a variety of ways.”

Examples of AI Applications

• **Legal Services** – AI can review, extract and organize information from thousands of documents in minutes

• **Health Services** – AI can suggest cancer treatments using patient health data and a review of current scientific research

How can AI be used as a tool for local governments to process information?
California is Getting Warmer and Drier: Poses Big Challenges

- 2014 and 2015 are the two warmest years on record for California
- 2011 to 2015 are the state’s driest on record
- More than 100 million trees are dead in California
- 9 million acres of forest land are at risk for catastrophic fires
- Valley Fire in Lake, Napa and Sonoma Counties in 2015 destroyed 1,955 structures and burned 76,067 acres
Sea-level Rise Likely to Impact El Segundo

- El Segundo is likely to experience significant shoreline loss with 1 or more meters of sea-level rise
- Beach erosion and shoreline loss impact property, infrastructure and tourism
- **Power generation** and other utilities may be impacted by sea-level rise

Sources: Public Policy Institute of California; U.S.G.S. shoreline projections
Revenue Gap Persists in Many Cities

- Large gap between past revenue expectations and current reality in many cities
- State and local government revenue gap expected to continue
Since 1927, 13 recessions have occurred on average every 6.8 years; now 7 years since “official” end of Great Recession

Another recession is inevitable
Pension Costs Rising: El Segundo Safety Projections

- Pension costs are rising in the **short term** due to planned increases caused by CalPERS actuarial changes.
- Costs may rise in the **long term** due to lower investment returns.

![Graph showing pension costs and rates over fiscal years 2017-2023.](image-url)
Pension Costs Rising: El Segundo Non-safety Projections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Non-Safety</th>
<th>Non-Safety Rate</th>
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<tbody>
<tr>
<td>FY 2017-18</td>
<td>20.6%</td>
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<td>FY 2018-19</td>
<td>23.5%</td>
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<td>FY 2019-20</td>
<td>26.4%</td>
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<tr>
<td>FY 2020-21</td>
<td>29.6%</td>
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<tr>
<td>FY 2021-22</td>
<td>31.6%</td>
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<tr>
<td>FY 2022-23</td>
<td>33.4%</td>
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Health Care Costs Rising Throughout California

- All health plans face major **premium increases**
- PEMCHA Kaiser premiums soared 249% in 15 years (8.1% average annual growth rate)
- Labor MOUs dictate percent of premiums paid by agencies and employees
- Major uncertainty for federal health policy and future costs remains
Shifting Federal Policies Pose Uncertainties

- Shift in federal policies pose uncertainties for California local governments
  - Energy
  - Environment
  - Water
  - Immigration
  - Housing
  - Regulations
  - Other....
### Trends Recap

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<tr>
<td><strong>A.</strong></td>
<td>Population getting older; fewer working adults per senior</td>
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<td><strong>B.</strong></td>
<td>In 3 years, “millennials” will be 50% of national workforce</td>
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<td><strong>C.</strong></td>
<td>Climate change will create challenges for local government</td>
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<td><strong>D.</strong></td>
<td>“Sharing economy” will grow; rapid pace of technology</td>
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<td><strong>E.</strong></td>
<td>Income inequality on the rise</td>
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<td><strong>F.</strong></td>
<td>Revenue gaps continuing; pension and health care costs rising</td>
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<td><strong>G.</strong></td>
<td>Cities are competing in a smaller talent pool</td>
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<td><strong>H.</strong></td>
<td>Federal policy shifts likely to affect local governments</td>
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What Do These Trends Mean to Us?
Multi-Year Forecast for City of El Segundo

- **Total General Fund Expenditures and Increase in PERS Costs**:
  - FY 2016-17: $1.1M
  - FY 2017-18: $9K
  - FY 2018-19: $1.9M
  - FY 2019-20: $3.6M
  - FY 2020-21: $4.6M
  - FY 2021-22: $5.6M

- **Total General Fund Revenues**:
  - FY 2016-17: $65M
  - FY 2017-18: $67M
  - FY 2018-19: $69M
  - FY 2019-20: $71M
  - FY 2020-21: $73M
  - FY 2021-22: $75M
  - FY 2022-23: $77M
## We Have Pluses and Challenges

### On the Plus Side
- Strong reserve policies
- Transient occupancy tax increase to middle of neighboring cities helped
- Dedicated funding for street improvements from Measure M and SB1
- Constant policy and staff focus on economic development
- Cost allocation and fee study underway
- Department heads conscious of operating within budget

### Challenges We Face
- CalPERS costs trending up
- Infrastructure costs higher than current resources or expected future resource
- Maintenance costs rising
- Recession likely within next few years
- Impacts of pending labor negotiations
- Challenges with traditional revenue sources (i.e. UUT and sales tax)
- Implementation of new technology
Future Financial Decisions Over Next Two Years

A. Whether to seek new revenue sources
B. How to tackle the CalPERS unfunded liability
C. Prioritizing and funding implementation of new technology
D. Cost recovery policy discussion and implementation of fee study
E. Top Golf
F. Review of current business model for trash and water/sewer
G. Land use discussions
H. Infrastructure financing
I. Storm water costs
J. Future salary and compensation model
Council Comments About Financial Outlook
Remaining Discussion Today

1. Affirm or modify the five key goals

2. Discussion of priorities worksheet
Affirm or Modify Key Goals

- Enhance Customer Service and Engagement
- Support Community Safety and Preparedness
- Develop as a Choice Employer and Workforce
- Develop quality Infrastructure and Technology
- Champion Economic Development and Fiscal Sustainability
Affirm or Modify Key Goals

Do our goals capture our desired outcomes?
Orientation to FY 2017-18 Priorities Worksheet

- Priorities listed include:
  - Items indicated by Councilmembers to facilitator
  - Items from staff
- Priorities placed into the five key goal categories
## Priority Setting Process: *The End Result*

<table>
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<tr>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Other Opportunities for the Future</th>
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<tbody>
<tr>
<td>• These will be the Council’s top priorities.</td>
<td>• These will be the projects to be pursued as resources permit.</td>
<td>• Items that do not emerge as Tier 1 or 2 for FY 2017-18.</td>
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<tr>
<td>• Will receive primary attention.</td>
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Step 1: Go through the Priorities Worksheet

Step 2: City Council dot voting to determine Tier 1 and Tier 2 priorities

Step 3: Discuss the results and determine consensus

Step 4: Validate Tier 1 and Tier 2 based on staff and other resource capacity
Next Steps

- Management Partners prepares report from today
- Second strategic planning session August 8
- Management Partners prepares report from August 8
- Staff prepares FY 2017-18 budget and updates strategic plan
August 8 Session Objectives

- Develop Council consensus on priorities for FY 2017-18
- Obtain Council feedback on allocation of general fund reserves
- Determine how Council and staff will stay focused on the priorities
Final Comments and Evaluation
Thank you!

Jan Perkins
949.202.8870
jperkins@managementpartners.com