



**CITY OF PACIFICA
COUNCIL AGENDA SUMMARY REPORT**

12/13/2021

SUBJECT:

A. Study Session on the Vision 2025 & Beyond Strategic Financial Sustainability Study

RECOMMENDED ACTION:

Receive an update on the Vision 2025 & Beyond Strategic Financial Sustainability Study

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INTRODUCTION:

The City Council initially affirmed the need to complete a financial sustainability study during goal setting in spring 2019 as part of the adopted Fiscal Year 2019-2020 priorities. The impact of COVID-19 and staff resource challenges delayed action on this priority until fall 2020 when the City Manager brought forward to the City Council a recommended Purpose Statement and Scope of Work for the study, now called Vision 2025 & Beyond. Since that time, and with the hiring of Chief Financial Sustainability Officer Yulia Carter in Spring 2021, the design of this study has been refined and focused on maximizing staff and consultant resources and efficiencies.

The purpose of tonight's study session is to:

1. Present to City Council the recommended workplan for completing the Vision 2025 & Beyond study and receive Council comments about the project design; and
2. Specifically receive input on the nine draft statement of work items (shown below) for the Economic Opportunities Study component of the workplan before staff releases the Request for Proposals in January and brings the consultant services agreement to the City Council for approval in March;
3. Receive a presentation on the recently completed Pacifica Marketing Study from Creative Digital Agency (CDA) and discuss the Staff proposal to retain CDA to start work on the Top 2 marketing opportunities - Workcations in Pacifica (driving more occupancy at Pacifica Hotels) and Shop Pacifica eGift Card (driving more residents and visitors to shop at Pacifica Businesses). This item is the second study session on tonight's agenda.

BACKGROUND:

On April 25, 2019, the City Council approved as a priority for the Fiscal Year 2019-2020 to "Begin a strategic planning process to articulate a long-term and financially sustainable vision for Pacifica," with the following description:

As the City plans for and begins to address deepening financial challenges ahead, a strategic planning process, preliminarily called Vision 2025, will help articulate important steps the City should consider now to achieve its future vision. Development of a Vision 2025 Report would entail community engagement, a baseline Community Survey, detailed financial forecasting, detailed economic development planning, and evaluation of potential revenue generation options.

On October 12, 2020, the City Council discussed the Vision 2025 Project Purpose Statement and Scope of Work. Based on Council input, the Purpose was refined to state:

The Purpose of the Pacifica Vision 2025 & Beyond project is to tell Pacifica's story of the many priority infrastructure projects, and enhanced programs and services envisioned for Pacifica's mid to long-term future that are equitable and inclusive and will help all Pacificans thrive, and to articulate the City's financial opportunities, challenges, and strategies to achieve this vision and resiliency.

The discussion by the City Council at this meeting focused on the following major components of the Vision 2025 & Beyond project:

- **Financial Forecasting:** Detailed revenue and expenditure forecasting, based on economic and tax revenue consultant expertise, with an emphasis on the first few years.;
- **Public Engagement and Surveys:** Robust table-top deliberative engagement processes such as has been done for most of Pacifica's major projects in recent years, combined with community-wide survey tools such as utilizing FlashVote and/or traditional polling processes;
- **Analysis of Revenue Enhancement Strategies:** What are potential major revenue enhancement options, such as voter-approved measures or other strategies, and how much revenue might they yield;
- **Analysis of Economic Development Strategies:** What focus and refinement may be necessary to the City's Economic Development Strategic Plan and specific action steps for the near future;
- **Synthesize Council Goals and Priorities:** Crafting a story out of the many major priority projects/initiatives currently underway, receiving input on that story, refining the vision with community and City Council input, and developing communications/branding to promote that story.

The next section of this report summarizes in more depth staff's recommended refinements and organization of the components of this study to achieve an efficient and effective scope of work that leverages the experience and expertise of the Chief Financial Sustainability Officer, the City's existing revenue consultant service provider, HdL, and consultant services to be selected through a competitive Request for Proposals process.

ANALYSIS:

The Vision 2025 & Beyond study will consist of the following components. Each section below describes the component, its status, and next steps:

I. Financial Forecasting and Revenue Enhancement Strategies

The City's Chief Fiscal Sustainability Officer, working with City Staff, HdL (the City's Revenue Consultant), and Financial Consultants has begun working on long-term Financial Planning,

which includes revenue and expenditure forecasting, followed by assessment of Revenue Enhancement Strategies (including voter-approved revenue measures) that might be feasible to help maintain, or enhance, the current level of City services, as well as fund Capital Projects and Infrastructure needs in Pacifica. As the Council is aware, Pacifica's 10-Year Financial Forecast shows a recurring structural deficit in which ongoing revenues are not projected to match ongoing expenditures. Although the City Manager has been able to recommend each year a prudently balanced budget, with American Rescue Plan Act funding essential to this year's balanced budget, continuing practice of reducing expenditures without enhancing revenues is not a sustainable trajectory for the organization.

In April 2021, the City Manager presented a 10-Year Financial Forecast that projected a structural financial deficit in the upcoming four years with general fund expenditures outpacing revenues. Staff will revisit the financial assumptions used for those projections to make any adjustments based on new information on statewide and local economic conditions and the overall outlook for recovery from the COVID-19 pandemic.

An updated preliminary 10-Year Financial Forecast will be presented to the Council in early 2022.

In accompaniment to the updated forecast, staff will also present a summary of the types of revenue measures the Council may wish to consider in the future. These may include measures such as:

- Increasing Transient Occupancy Tax (Hotel Tax) to be on par with the region;
- Adding a Local Sales Tax;
- Restructuring the Utility Users Tax to be equitable and on par with the region;
- Restructuring the Business License Tax to be equitable and on par with the region;
- Considering a General Obligation Bond or other revenue mechanisms to fund one or multiple major infrastructure projects;
- Other measures as identified by the Council.

The summary will include estimates of revenue-generating potential and basic information about the type of measure, for example, general tax requiring a majority vote, special tax requiring 2/3rds vote, and election timing requirements. The early 2022 discussion of revenue measures will help guide staff's next steps in further assessment of revenue measure feasibility for the November 2022 ballot.

II. Economic Opportunities Study

Staff will be developing and issuing a Request for Proposal (RFP) to conduct a Pacifica Economic Opportunities Study. This study will involve analyzing the current and future economic opportunities in each of the City's business zones, an exploration of key economic opportunity sites in Pacifica (including the Beach Boulevard Hotel Site, the Quarry Site, and the potential for a Pacifica Downtown in the Palmetto/ Sharp Park area), recommendations on potential updates to the City's Economic Development Strategic Plan and related opportunities. The study will also include a robust public engagement process.

In preparation for this study, staff has analyzed and consolidated the Commercial Area Business Geographic Zones (or "Geo Zones") in Pacifica from the 23 zones used in the past to 5 zones, as shown in Attachment 1:

- Pacific Manor includes Fairmont
- Sharp Park
- Rockaway Beach, includes Vallemar

- Linda Mar, includes Park Pacifica
- Pedro Point

The Pacifica Geo Zones were consolidated to 5 to make reporting on commercial area revenue easier to analyze and deliver. The 5 zones were designed to meet the State's requirements that Sales Tax data can only be reported publicly if there are 4 or more revenue generating businesses in a given Geo Zone or Business Category and that no one business in this grouping makes up 80% or more of the revenue reported to the public.

The statement of work for this component of Vision 2025 & Beyond includes:

1. Conduct an Economic Analysis, Market Study and Modeling of Alternative Planning and Development Opportunities in the business districts in Pacifica (Pacific Manor, Sharp Park, Rockaway Beach, Linda Mar, and Pedro Point).
2. Review and consider prior studies and reports that will be provided by the City in the development of the Economic Opportunities Study. This will include the Sharp Park Specific Plan, information developed during the General Plan Update process, other historical economic studies, and financial and commercial revenue data in the 5 Geo Zones in Pacifica.
3. Provide a public engagement component of the study. This could include a Community Workshop and robust table-top (potentially virtual, pending COVID-19 restrictions) deliberative engagement processes such as has been done for most of Pacifica's major projects in recent years, combined with community-wide survey tools such as FlashVote and/or traditional polling processes.
3. Provide a guide as to how much and what types of business opportunities are supported by market forces and are likely to be proposed in Pacifica over the next 20 years
5. Provide an overview and detailed discussion of each category of business and real estate development in the 5 business areas over the next 5 to 20 years. (Potential categories might include Retail, Tourism, Blended or Mixed Uses, Office, R&D, Housing and Hotel)
6. Provide economic development strategies and identify economic development opportunities for the City which are supported by market forces in the business areas - both today and in the future.
7. Recommend strategies and identify economic development opportunities for the future success of businesses in the 5 business areas in Pacifica. These strategies and opportunities would also enable the City to enhance its long-term finances, and therefore services to the community.
8. Recommend strategies and opportunities for the City in several key locations in Pacifica. This includes City-owned property on Beach Boulevard currently planned to be marketed as a Hotel Site, the potential of the Palmetto Avenue/Sharp Park area to become a Downtown Shopping Area and the potential of the Quarry site in Pacifica.
9. Review the City's Economic Development Strategic Plan developed in 2019. It is anticipated that the strategies and opportunities from the Pacifica Economic Opportunities Study would be incorporated in an updated Economic Development Strategic Plan in the future. The City would also be interested in other recommendations to consider in such a Strategic Plan Update including whether the City should pursue a Comprehensive Economic Development Strategy (CEDS) to be eligible for future Federal Grant funds.
10. Define a process for City Council review, consideration and acceptance of the Pacifica Economic Opportunities Study and the selected firm's final report.

At tonight's Study Session, the City Manager is seeking input from Council on the above statement of work. Once Council's input has been received, staff will incorporate it into a complete Request for Proposals that will be issued by the City in January, followed by a review and interview process of the most responsive proposals and a recommendation to

the City Council of a recommended firm to commence work by March 2022. The City Council may also want to consider appointing a two member ad hoc Council committee to work with staff, following selection of the consultant, to give input into the design of the public engagement process for the study. The Council could consider that appointment in March when staff returns to Council with the recommended firm.

There are several firms that perform this type of economic analysis and review. Examples of these firms include BAE Urban Economics, Chabin Concepts, Economics & Planning Systems (EPS), Kosmont Companies, RSG Economic Development and Housing Services, and Retail Coach. Staff plans to issue the Economic Opportunities Study through the City's Open Gov Procurement System (which will reach firms that have signed up to receive RFPs from the City of Pacifica) as well as publicize it through the California Association for Economic Development (CALED), the statewide association of Economic Development Professionals and Experts. This approach will bring awareness of the City's interest in a study of this type and the project opportunity to several relevant and well qualified firms.

III. Pacifica Marketing Study & Marketing Plan

A component of Vision 2025 & Beyond related to the Economic Opportunities Study above, but on a parallel track, is the *marketing* of short-term and longer-term opportunities. Tonight's second study session is a presentation to the City Council of the recently completed marketing analysis by Creative Digital Agency (CDA).

This report contains 14 Marketing Opportunities to improve the business economy in Pacifica. As discussed in the other study session staff report, two of these recommendations - Workcations (to promote overnight stay and improve occupancy rates of Pacifica Hotels) and Shop Pacifica (an eGift Card program) are short-term opportunities that can provide a short-term boost to our local businesses.

The purpose of the other study session is for Council to receive and discuss the Pacifica Business Marketing Study, Gap Assessment, and Opportunities Report prepared for the City by Creative Digital Agency (CDA) and provide direction on next steps for developing a two-year business marketing program. Staff also wants to receive Council comment on the proposal to make Workcations in Pacifica (to improve Hotel occupancy) and the Shop Pacific eGift Card (to encourage residents and visitors to shop at businesses in Pacifica) as top near term priorities. Staff intends to return to the Council in early 2022 with a two-year marketing plan with CDA that focuses on these two initial priorities if the Council agrees with these priorities.

The Pacifica Marketing Plan will also be included as a resource document for the Pacifica Economic Opportunities Study. This will enable that study to consider and include these findings and marketing opportunities in that process.

IV. Public Engagement and Surveys:

As provided in the statement of work for the Economic Opportunities Study, there will be a robust community engagement and surveying component to the Vision 2025 & Beyond study. The City Manager is recommending public engagement and surveying as part of the scope of the RFP for the Economic Opportunities Study (see bullet point 3 above).

V. Public Information Final Report:

The final component of Vision 2025 & Beyond is synthesizing together the outcomes of the various study components into a final summary report that communicates the Vision 2025 and Beyond and the financial options that are necessary to bring that vision to reality.

NEXT STEPS:

After receiving input from the Council this evening, the following next steps are envisioned for the Vision 2025 & Beyond project moving forward:

1. Finalizing the Economic Opportunities Study RFP to be released in January 2022.
2. Developing an Agreement with CDA for a 2-year marketing plan that will prioritize the Workcations in Pacifica and Shop Pacifica eGift Card programs. That agreement would be brought to the City Council in early 2022.
3. Finalizing the work on the Financial Analysis and Revenue Options so that it can be discussed with the City Council at a Study Session in early 2022
4. Reviewing RFP responses, interviewing most responsive firms and bringing an Agreement to the Council for the Economic Opportunities Study in March 2022.

RELATION TO CITY COUNCIL GOALS AND WORK PLAN:

These items advance the Vision 2025 & Beyond Council Priority and further the City Council's Strategic Goal of **Fiscal Sustainability**.

FISCAL IMPACT:

The FY2021-22 Budget includes \$100,000 for the Vision 2025 & Beyond Strategic Financial Sustainability study.

ORIGINATED BY:

City Manager's Office

ATTACHMENT LIST:

Attachment 1 - Pacifica 5 Commercial Geo Zones with Sales Tax Mapped(PDF)