

JANUARY 2026

CITY OF SIERRA MADRE

Ad Hoc Revenue Committee Report

PREPARED BY

Ad Hoc Revenue Committee

Executive Summary

The Ad Hoc Revenue Committee has completed a comprehensive review of the City's financial position, revenue sources, and expenditure patterns. Our principal findings are:

The City of Sierra Madre is financially solvent and does not require a new tax to maintain current service levels. Based on forecasts prepared by the City and UFI Financial Solutions, and thoroughly reviewed by this Committee, the City's accumulated surplus is sufficient to cover projected deficits through the forecast period, barring any unforeseen catastrophe that requires significant expenditures.

However, current revenue projections cannot support accelerated capital improvements or expanded services. Citizens seeking faster infrastructure repairs, new programs, or enhanced services would need to approve new taxes or identify additional funding mechanisms.

Committee Overview

Former Sierra Madre City Manager Reynoso convened an Ad Hoc Revenue Committee (Committee) after an interview process that started in January of 2025. The Committee was formed of five applicants—Tom Denison (Chair), Mike Amerio, Mike Comer, Jim Kelly and Russell Mix—all residents of Sierra Madre, who possess a variety of relevant skills both in service to the City of Sierra Madre and expertise in finance, business management and operations, budgeting and accounting, and small, medium and large private and public enterprise. Sierra Madre City Council (City Council) members Mayor Parkhurst and Council Member Garcia acted as liaisons to the City Council. The initial objective of the Committee was to identify potential new or expanded sources of revenue to offset rising costs and to reduce projected future budget deficits. The Committee was refocused after current City Manager, Michael Bruckner (City Manager) joined the City on July 7, 2025. In the course of this work, the Committee recommended that it expand its scope to also look at City expenditures to identify possible ways to reduce the growth in costs.

The Committee has met 11 times in 2025, both in public settings and as the Committee only. The City provided a large amount of material concerning the City's sources of revenue and its expenses, grouped by the nature and scope of the underlying revenue and expense. Many requests for data have been prepared by the Committee and largely fulfilled by City Staff, although not all answers were available. In addition, citizen input has been received by the Committee, and several other interested citizens have been engaged to help with the work of various sub-committees to more deeply examine various topics.



Findings

The City, by most measures, is financially stronger than many neighboring cities and has, overall, managed its resources reasonably well over the past several years. This is particularly clear when comparing the relative size and population of the City against other Southern California cities, contrasted with services that are delivered wholly internally. The City Manager engaged a respected municipal financial consulting firm to review and integrate the City's past and present historical financial data to drive a model of the future financial situation. In simple terms, the model leveraged actual budget surpluses, which have accumulated for several years.

The City Council adopted a budget for Fiscal Year 2026 (July 1, 2025 - June 30, 2026)¹ with expenditures that exceed revenues. The amount of deficit forecast is projected to decline each year until FY2036, when the trend will reverse, and surpluses will again begin to accrue. The accumulated City surplus is sufficient to cover the projected deficits, so the City will not be "insolvent" at any point in the forecast. Another way to state this is that the City will have funds sufficient to provide current service levels at least throughout the term of the model, and probably after.



Two items of note:

- a) The model does not contemplate increasing service levels (e.g. the total count of potholes filled in a year), adding new services (e.g. a comprehensive tree management plan) or increasing the velocity of reducing unfunded Capital projects (e.g. upgrading or rebuilding City facilities such as bathrooms in parks); and
- b) The model does not contemplate any increase in City revenues from new programs such as the Sierra Madre Fire Department Basic Life Support Transportation Program (BLS Program, discussed herein), nor from new housing or business developments (such as The Meadows project).

Committee Financial Analysis

Under the leadership of the former City Manager, the Committee was initially presented with concerning data. The Committee was informed of the risk that the City was nearing the Gann Limit, a State rule that prohibits spending collected tax dollars above a certain calculated dollar value (established by Proposition 4 in 1979, and named after Paul Gann). This, in effect, prevents the City from spending its tax revenues above a limit and, after two years of surpassing the limit, requires the City to return 'excess' tax dollars that were assessed. At one point, the Committee was told the City was within about \$100,000 of this limit. The Gann Limit can, within guidelines, be changed by a vote of the citizens of an impacted city. This, combined with dire financial forecasts, suggested the City to be at real risk of becoming insolvent. A solution was suggested by City Staff to put both an increase of the Gann Limit and a corresponding parcel tax on the ballot. It was further suggested that the Committee consider whether the City could wait for the regular election cycle or would need to have a special election. At our next meeting, a pollster was presented to the Committee in case the Committee wanted to prepare for a tax right away.

As time progressed and the current City Manager took over the Committee, it was provided with a large array of documents, including budgeted versus actuals for both expense and revenue, fund balances, asset lists from depreciation schedules, and much more. The antiquated software used to manage financial reporting does not facilitate reporting numbers that were eventually reconciled into a separate document. The Committee received many documents that covered identical periods of time with different final numbers. For example, the Committee received Word documents that had images of pages of Budget Reports. The totals of the Budget Reports did not tie to the City's actual results and did not tie with what is considered the City's "single source of truth", the City Annual Financial Report (CAFR). This was explained to be a consequence of outdated software that did not have a report that included the final adjustments that happen annually in the ordinary course of City business. This illustrates how hard it is for the City Staff to accurately share numbers with the current software they are equipped with.

Committee Financial Analysis Continued

As part of its ordinary course, on June 10, 2025, the City Council adopted the City's annual budget. The budget for fiscal year 2026 (July 1, 2025 - June 30, 2026) was adopted with a deficit. This \$1.46 million deficit is primarily due to one-time expenditures that were required by the County of Los Angeles to update the Youth Activity Center elevator (\$750,000) and pool (\$150,000), accounting for a one-time capital expense of over \$900,000. This left an adjusted deficit projection of \$560,000.

In comparing the budgeted versus actuals finances of the last nine years (fiscal 2017 - fiscal 2025), the City has wisely taken a conservative approach. In all nine years, actual revenue was above budgeted (favorable result), by an average of \$1.2 million. In eight of nine years, actual expense was below budgeted expense (favorable result), by an average of \$402,000. The net result of actual revenue against expense has averaged a favorable \$754,000 per year, with the largest shortfall an unfavorable \$1.8 million, and maximum surplus of a favorable \$2.1 million. In short, the adjusted deficit in Fiscal 2026 of \$560,000 is well within the annual difference between projected expense and revenue averages for the last 9 years.

Budget vs. Actual: Revenue Performance (FY 2017–2025)²

Fiscal Year	Budgeted Revenue	Actual Revenue	Variance (Favorable)
FY 2017	\$10,821,600	\$11,223,764	\$402,164
FY 2018	\$11,032,700	\$12,053,691	\$1,020,991
FY 2019	\$11,681,300	\$12,669,798	\$988,498
FY 2020	\$12,041,500	\$13,917,037	\$1,875,537
FY 2021	\$12,733,947	\$14,224,737	\$1,490,790
FY 2022	\$14,206,400	\$15,657,995	\$1,451,595
FY 2023	\$15,419,000	\$17,591,574	\$2,172,574
FY 2024	\$17,278,100	\$18,133,101	\$855,001
FY 2025	\$17,439,100	\$18,314,243	\$875,143

9-Year Average Favorable Variance: +\$1,237,000

Committee Financial Analysis Continued

Budget vs. Actual: Expenditure Performance (FY 2017–2025)²

Fiscal Year	Budgeted Expenditure	Actual Expenditure	Variance
FY 2017	\$11,079,800	\$10,454,122	-\$625,678 (Favorable)
FY 2018	\$11,148,800	\$10,729,616	-\$419,184 (Favorable)
FY 2019	\$15,157,700	\$14,534,267	-\$623,433 (Favorable)
FY 2020	\$13,382,961	\$13,356,081	-\$26,880 (Favorable)
FY 2021	\$12,894,770	\$12,077,592	-\$817,178 (Favorable)
FY 2022	\$15,446,907	\$15,028,076	-\$418,831 (Favorable)
FY 2023	\$15,275,390	\$15,460,488	+\$185,098 (Unfavorable)
FY 2024	\$16,352,714	\$16,088,502	-\$264,212 (Favorable)
FY 2025	\$19,881,200	\$19,267,852	-\$613,348 (Favorable)

9-Year Average Favorable Variance: -\$402,000

Net Actual Result by Fiscal Year (FY 2017–2025)²

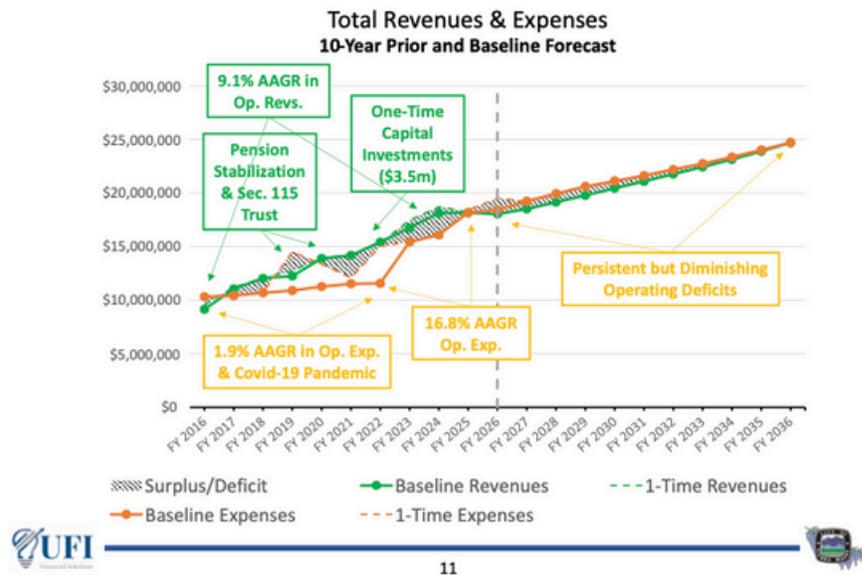
Fiscal Year	Actual Revenue	Actual Expenditure	Net Result
FY 2017	\$11,223,764	\$10,454,122	+\$769,642 (Favorable)
FY 2018	\$12,053,691	\$10,729,616	+\$1,324,075 (Favorable)
FY 2019	\$12,669,798	\$14,534,267	-\$1,864,469 (Unfavorable)
FY 2020	\$13,917,037	\$13,356,081	+\$560,956 (Favorable)
FY 2021	\$14,224,737	\$12,077,592	+\$2,147,145 (Favorable)
FY 2022	\$15,657,995	\$15,028,076	+\$629,919 (Favorable)
FY 2023	\$17,591,574	\$15,460,488	+\$2,131,086 (Favorable)
FY 2024	\$18,133,101	\$16,088,502	+\$2,044,599 (Favorable)
FY 2025	\$18,314,243	\$19,267,852	-\$953,609 (Unfavorable)

9-Year Average Net Result: +\$754,000 (Favorable)

Committee Financial Analysis Continued

One of the first things that the City Manager did to help understand the current state of the City was to engage a respected municipal financial consulting firm, UFI Financial Solutions, to model the City's past, present and future financial situation. The model assumptions **include** inflation, earnings on City funds, contractually required increases in compensation for represented (union) employees (Police, Fire and City staff), increases in revenue from property taxes due to increased basis on property transactions, etc.

Baseline Forecast - Revenue & Expense Trends:



In simple terms, the model results (attached below) show that Sierra Madre enjoyed a significant budgetary surplus for several years, which has accumulated. By contrast, the City has projected Fiscal Year 2026 expenditures that exceed revenues (in large part from a one-time capital expense recorded as a General Fund expense to repair and upgrade a rental facility), leaving a balance well within the annual difference between projected expense and revenue average for the last 9 years. The model forecasts a similar ordinary deficit for the next several years. The amount of annual deficit, however, is forecast to decline each year until about 2036, when the trend will reverse and surpluses will again begin to accrue. The accumulated surplus is sufficient to cover the projected deficits, so the City will not be "insolvent" at any point in the forecast. Another way to state this is that the City will have funds sufficient to provide current service levels for years to come, although not enough to accelerate issues of regularly-expressed interest to some citizens, such as expedited repair of water lines, roads, sidewalks, etc., and with the risk of continuing to maintain and operate some aging facilities and pieces of equipment that are beyond their planned lives. The forecast also does not indicate the financial capacity to add new services that some citizens believe should be provided, such as additional senior programs, enhanced parks & recreation programs, more fire prevention and risk mitigation programs, etc.

Committee Financial Analysis Continued

The Committee determined that much of the City's budget is composed of costs that can't be readily reduced. Staffing costs account for 70% of total expenditures. Further, there are large classes of staff compensation that cannot be changed because of union contracts, and their resultant pay and benefit obligations. For example, Police and Fire services represent about 55% of the City budget and are bound by collective bargaining agreements—and a shift to contracting with the County for such services would reduce response/service levels and increase total costs. Similarly, costs for City staff are at or below the per-capita cost levels of most of the cities around us and are also partially controlled by collective bargaining agreements.

City Budget Composition		
Category	% of Total Budget	Notes
Total Staffing Costs	70%	Salaries, benefits, pensions
– Police & Fire Services	55%	Bound by collective bargaining agreements
– Other City Staff	15%	Partially controlled by collective bargaining
Non-Personnel Costs	30%	Facilities, equipment, contracts, supplies

The Committee cautions against rigid adherence to comparisons against other cities as a basis for determining compensation for Sierra Madre employees, as Sierra Madre is a desirable place to work in many respects and does not exhibit the risks and complexities of many other Southern California cities. That said, such comparisons should be one part of any analysis of City compensation studies.

There are certainly opportunities for cost reductions in City expenses (or at least reductions in the rate of increase), but they are relatively small in the context of the overall City budget.

The Committee also determined that the opportunities to generate new revenues that do not involve new fees or taxes on residents are quite limited, but still significant. These will be discussed further in this Report. The possible sources of very large revenue increases that were suggested by interested citizens—such as "big box" stores, cannabis dispensaries, casinos, major new home developments, etc.—were deemed to be unlikely either because the demand doesn't exist (for example, prior City consultant studies found little interest from large-scale retailers in Sierra Madre because of the lack of traffic through the City) or incompatibility with perceived City values and traditions (e.g., the opposition to the relatively modest Meadows residential development).

Areas for Further Study

One of the Committee's goals has been to try to discuss this in a different way than most citizens are used to. The Committee worked on this project over the course of a year. It has studied reams of data. It met with City Staff and listened intently to what was said. There are many trends that were observed that warrant further work from the City, if not an outside oversight group such as this Committee. These include, but are definitely not limited to, the following:

1. Staffing Practices

The rate of staff turnover seems fairly high. Turnover is always expensive, both because of onboarding expenses (training, equipment, etc.) and because of the disruption in productivity that typically occurs with turnover. The principal reason the Committee was given was always, "The City does not pay enough, so people leave." We were not provided with any factual substantiation. It is common practice in the private sector to conduct exit interviews and get actual data. Further, people rarely leave because they are taking a job of lesser compensation, so one must determine if they were inevitably going to leave for a higher paid / higher responsibility position, or was this actually symptomatic of other workplace-related issues. For example: Are we investing in our Staff? Are we hiring the right people to begin with? Are they being well-managed? These are the questions that private enterprises have to ask themselves on a continuing basis; the City should do the same. The answer is not always, "more money".

2. Revenue Enhancement

It is worth noting that there have been multiple previous committees convened by the City that have presented revenue ideas to previous City Councils. A great deal of work by previous volunteers, and even by current Committee members, generated a wide variety of revenue-generating ideas. These ideas, to our knowledge, never went past the paper stage, and were instead followed quickly by proposed tax measures. In the past, the ideas presented were often not grounded in real world applicability, and then vetted by a group like this. We believe the best ideas often come from the people closest to the issues. For example, there is buy-in at the "boots on the ground" level for the BLS program. We need more of these, and those that arise should be thoroughly and timely investigated.

3. Looking Broadly for Opportunities

The Committee started, under the former City Manager, with a wide scope. With the current City Manager, the purview of the Committee was tightened to exclude anything outside of general fund dollars. Cost-saving or revenue-generating ideas, even if they are in the enterprise funds, which cover their own expenses through the fees they collect, lower the overall tax burden of the citizens. We, as citizens, understandably tend to look at the total tax burden—and lowering what we pay for one city service can free up what we can afford to spend on another, keeping the total tax burden consistent.

Revenue Enhancement Opportunities

The citizens of Sierra Madre are involved and creative, and proposed many revenue-generation ideas for consideration. Some would require significant additional study and have complex legal issues to explore, such as the notion of a medical cannabis dispensary in the City. Other cities report very mixed impacts from such establishments. Similarly, some obvious ways to generate new revenues, such as new housing developments or a luxury hotel complex on potentially-available land, have historically been very difficult to complete in Sierra Madre due to local opposition to new development. The challenge is finding new revenue sources that will be supported by the community.

Despite the foregoing, the Committee has studied one opportunity that appears to meet all criteria and, in our view, should proceed with haste—the Basic Life Support (BLS) Program.

The Basic Life Support (BLS) Program

The Sierra Madre Fire Department proposes the establishment of a part-time Ambulance Operator (AO) Program to enhance emergency medical services (EMS) delivery, improve system efficiency both internally and with neighboring agencies, and strengthen fiscal sustainability. This program will introduce Basic Life Support transport units staffed by part-time emergency medical technicians (EMTs) with Fire Academy training, enabling the department to expand service capacity and recapture lost revenue currently going to external providers through mutual aid.

Additionally, the EMTs will support fire prevention efforts through inspections and community risk reduction activities for the city. Preliminary metrics indicate that the BLS Program, if implemented quickly, efficiently and professionally, could significantly reduce projected deficits and increase future surpluses.

Committee Recommendations

The Committee recommends the following:

I. Continue Conservative Fiscal Management

Continue the current path of fiscally conservative management of the City.

II. Implement the BLS Program

Implement, as soon as feasible, the BLS Program in order to increase revenue.

III. Implement the City Manager's Budget Strategy

- A. Create or update City financial & budget policies to better align budgeting practices with strategic goals.
- B. Acquire modern budgeting software to automate manual tasks, data entry, report generation, and analysis.
- C. Adjust revenue and expenditure forecasts to actual experiences.
- D. Align one-time revenues with one-time expenditures.
- E. Update the City's budget book to be more user-friendly and transparent about funding sources, uses, and service delivery goals.

IV. Modernize City Technology

As soon as feasible, update the technology (software and hardware) used by City Staff to modern levels. A modern technology stack will create more efficient work product, allowing more throughput with the same staffing. Modernization of technology will allow for modern workplace upgrades such as enterprise artificial intelligence tools (AI). Further, modern pricing models remove the long-term liability with licensure that can be turned on and off as demand changes.

V. Develop Service Level Analysis

Complete analyses and recommendations related to providing various service levels for citizens, such as capital expenditure needs, including costs and timing, and showing easy-to-understand tradeoffs for those service levels. The City should present to its citizens the long-term costs associated with potential changes, as well as a comprehensive list of what is and what is not being prioritized.

Committee Recommendations Continued

VI. Report Progress to Citizens

Report back to citizens on the status of this work. We have heard varying timelines to complete the work described above, but generally they did not exceed eighteen months.

VII. Reconvene for Follow-Up Review

After the prior work scope is completed, this Committee (or a new one if the City so desires)—working from a sound foundation with less variability in the financials and complete review of future work proposed to be done—should revisit the situation and provide additional recommendations if and as needed.

VIII. Establish Standards for Future Tax Proposals

Finally, the idea of a new or increased tax in a small community with limited revenue-generating options has been and, the Committee expects, will continue to be a central theme for increasing City service levels. In the event that such a tax measure is placed on the ballot, we urge City citizens to be able to answer these three questions about the tax:

1. **What, in very specific terms, do we GET for the proposed new tax?** What are the projected costs, benefits, alternatives and schedules?
2. **What, in the same very specific terms, do we LOSE if we don't approve the proposed tax?**
3. **How can we be assured that new tax revenues, if approved, will get what we were promised?** What prevents our money from being spent on other projects or programs? How will the City report back to us with detailed progress?

In simplest terms: Rather than saying "the City needs more money to do important things", we urge the City Staff, where possible, to convert this to **specific costs for specific things** so that citizens can make informed choices. For example, what would it cost an average homeowner each month or year to build out the proposed new Police Station and maintain it? What benefits would doing so provide? What are the alternatives? In this manner, citizens of the City can decide what matters to them in the context of their individual preferences and budgets, and whether they are willing to vote to pay for those things.

Thank You

Respectfully Submitted,

Ad Hoc Revenue Committee

Tom Denison, Chair

Mike Amerio

Mike Comer

Jim Kelly

Russell Mix

Footnotes

¹ Sierra Madre City Council RESOLUTION 25-39
ADOPTING THE FISCAL YEAR 2025-2026 BUDGET

² Source: Budget_Actual and Fund Balance Report
'Budget_Actual'

Attachments: UFI Financial Solutions Forecast Model
(under separate cover)