Tell It to Me One More Time:

Sharing the Story of Your City's Financial Situation

Thursday, October 9, 2025 | 1:00 - 2:15 PM

CAL CITIES
League of California Cities Annual Conference

Our 75-Minute Journey

Opening
Setting the context

Part 1: Setting the Stage
What brought each city here?

Part 2: Addressing the Situation
Actions taken and lessons learned

Part 3: Finding Stability
What worked, what didn't?

Q&A + Key Takeaways
Your questions and discussion

Your Expert Panel

MODERATOR

Ken Nordhoff
Principal
HdL Companies

CITY MANAGERS

Lydia Romero
Lemon Grove

Peggy Flynn
Petaluma

Gerry Beaudin
Pleasanton

The Elephant in the Room

Nearly Universal Fiscal Realities:

- Rising costs outpacing revenue
- Programs and services grow, rarely shrink
- Infrastructure aging without adequate reserves/funding
- Pension, health care, compensation continue to rise
- Limited options: reduce expenses, increase revenue, and economic development

Every city is different, but there are themes

PART 1

Setting the Stage

What fiscal issues brought each city to this conversation?

Three Cities at a Glance

LEMON GROVE

Population: 27,000

FY 25: $21M
FY 26: $23M

Challenges:

- $178 Infrastructure need
- Lowest revenue per capita
- Low staffing levels

PETALUMA

Population: 60,000

FY19: $45M
FY25: $80M

Challenges:

- $6.5 deficit in FY21
- No COLAs for 8 years
- Staffing levels 16% below 2008
- $200M deferred maintenance
- Worst PCI in Bay Area

PLEASANTON

Population: 79,000

FY 25: $155M

Challenges:

- $13M deficit
- $900M infrast. needs
- No "runway" on fiscal challenges conversation

Lessons from Setting the Stage

What We Learned Across All Three Cities:

- Need a communication plan BEFORE sharing tough news
- Community and Council are not prepared for bad financial news
- A professional financial forecast is essential
- Think carefully: 'How did this happen?'
- Must address expenses AND revenue immediately
- Deferred maintenance is a complicated issue to address

PART 2

Addressing the Situation

What did you do about it, and what did you learn?

Universal Response Strategies

How Cities Respond to Fiscal Challenges:

- Transparency and constant communication
- Technical work must be solid (use experts)
- Consider all revenue options
- Strategic service reductions
- Infrastructure deferrals (which exacerbates the problem)
- Position eliminations
- Early action is critical
- Strong union relationships are essential
- Social media strategy required

Lemon Grove's Response

Actions Taken:

- Infrastructure Masterplans
- Continual Roadshow including elected officials
- Revenue strategies
  - Leases; Grants; private fundraising, investments
- Consistence messaging
- TUT as a Council Goal

Petaluma's Approach

Fiscal & Organizational Sustainability Process:

- Departmental budgets, operations, and service levels, including staffing gaps and needs
- Employee compensation and benefits
- Pension and OPEB liabilities
- Review of all capital investment categories:
  - Facilities and parks (including deferred maintenance calculations)
  - Streets (including pavement condition index forecasts)
  - All other categories - bridges, pathways, drainage, retaining walls, etc.
- Revenue Options

Pleasanton's Experience

Building Credibility & Taking Action:

- Transparent forecast assumption sharing
- Water System Management Plan & water rate increases implemented
- Strategic position freezes
- Revenue measure attempt:
    - Professional polling & strategy
    - Community roadshow
    - Non-unanimous Council challenge
    - An organized 'No' campaign emerged
- Pivot to service reductions: 13.5 FTE eliminated
- Third-party validation (should have done it sooner)

PART 3

Finding Stability

What does stability look like? What worked, what didn't?

Lemon Grove Today

Where We Are Now:

- Stable financial position
- Increasing services, stable workforce
- Bring a resident budget group earlier
- Community Need vs Want
- Continual engagement

Petaluma's Path Forward

Implementation of Measure U:

- Workforce stabilization
  - COLA's, equity adjustments to market, position additions
- Infrastructure—roads, robust CIP prioritization, public safety facility
- Fairgrounds
- Initiatives—Climate, Safe Streets & Mobility, Free Transit/Microtransit

Pleasanton's Planning Continues

Key Insights:

- Council must be in lock-step
- Budget cuts get community's attention
- Third-party validation builds trust
- Organizational Assessment, Asset Management, Updated Forecast
- Investing in our communication and developing engagement

Tough Questions to Consider

- Should cities attempt revenue measures without outside help?
- How much reserve is appropriate?
- Can you recover community trust after service cuts?
- Is fiscal sustainability possible without new revenue?
- How to talk about investing on things that your City has traditionally avoided (deferred maintenance)?
- True sustainability is more than just a math exercise

Universal Lessons Learned

Keys to Fiscal Success:

1. Start early - waiting makes everything harder
2. Invest in professional assistance: polling, comms, studies
3. Build credibility before delivering bad news
4. Council unity is essential
5. Opposition will organize - be prepared
6. Communicate early & often to labor
7. Social media can't be ignored
8. Always have a Plan B ready (as unpalatable as it may be) and communicate what that entails

Your Action Items

When you get home:

- Assess your forecast quality and assumptions
- Identify your communication gaps and needs
- Build your coalition NOW
- Consider third-party validation
- Start stakeholder relationship building
- Develop your social media strategy
- Create your Plan B

Remember: Time is your most valuable asset!

Continue the Conversation

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We're happy to continue the conversation

Your Questions & Discussion

Specific challenges you're facing?
Want more detail on any approach?
Success stories to share?

Thank You

Three Cities • One Story • Fiscal Stability

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