

## City Manager's Office

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July, 1, 2006

Honorable Mayor and Members of the City Council:

Herein I transmit to you the Adopted Budget for fiscal year 2006/2007. This document presents a balanced budget, and advances the City Council's goal of "fiscal stability" by implementing a number of elements of the multi-year budget balancing framework developed over the past year through the series of Council budget workshops.

The adopted budget makes several adjustments to our baseline budget model, includes a "mix" of new revenues and cost-savings measures, begins to lessen the City's reliance on one-time funds for ongoing annual operations, begins to address long-term unfunded liabilities, and limits new funding to selected Council priority program areas.

While this budget does not address all of the City's priority funding needs, I believe that it represents a prudent spending plan - given our limited fiscal resources - and will assist the Council in evaluating additional funding needs as well as options available to address those needs in the near future.

The All Funds Budget for FY2006/07 totals \$115,897,113 representing an increase of \$4.02 million (3.6%) over the FY2005/06 Adopted Budget. The Adopted General Fund budget for FY2006/07 is \$37,691,080 reflecting an increase of \$1.4 million (4.0%) over the FY2005/06 Adopted Budget.

The Adopted Budget maintains the year-end General Fund reserve at a projected level of \$6.15 million, or 17.0% of General Fund revenues. While this reserve level exceeds the current 15% City Council reserve policy by \$721,000, an estimated \$700,000 in available excess fund balance is proposed to be set-aside to aid in balancing the FY2007/08 budget. Thereafter, it is anticipated that annual revenues will fully cover annual expenditures, allowing excess savings within the fund balance to be used exclusively for one-time and capital infrastructure needs.

The adopted budget maintains current service and staffing levels across all program areas, and provides only limited additional funding. The budget incorporates a budget-balancing plan to address a projected General Fund deficit of \$1.15 million as well as an additional \$550,000 shortfall in our transportation and traffic safety programs. The balancing plan - in addition to addressing these shortfalls - also provided a small increment of flexibility to address a number of selected needs, consistent with Council priorities in programs supported by our General Fund and utility enterprise funds.

The Proposed Budget, as presented to you last May, included a recommended contingency plan to be implemented in the event that voters failed to renew the Parks Maintenance Tax (Measure G). With

the successful passage of Measure G this past June, there may be opportunities for a further overall look at budget priorities and the potential for re-allocation of resources to better meet current or anticipated needs without compromising the overall budget balancing framework.

### **FY2006/07 Adopted Budget Highlights**

#### *Refinement of Baseline Budget Model*

- The FY2006/07 Adopted Budget reflects a number of refinements to the baseline budget model based on ongoing analysis of past budget results. These refinements are being made in an effort to more accurately reflect spending needs, available resources and provide added budget flexibility in meeting priority needs:
  - Baseline revenue forecasts have been refined in an effort to be less conservative than in past years; where appropriate revenue growth assumptions are being more closely tied to recent trends as well as ongoing efforts to enhance collection and compliance.
  - The revenue forecast also reflects initial efforts to increase the level of cost-recovery for fee-supported programs, specifically in the area of Recreation programs.
  - Baseline expenditures have been updated to reflect current internal service cost allocations, indirect cost recovery as well as corrections for changes in baseline service levels and debt service schedules.
  - Salary savings projections have been increased from \$650,000 to \$750,000, representing projected savings of 5% for most operating departments, and 2.5% savings for Police and Fire; these projections reflect estimates of savings from normal vacancy rates due to turn-over and attrition of personnel.
  - The General Fund budget reflects re-classification of two major revenue sources. First, revenues and expenditures within the Traffic Safety Fund are now rolled into the General Fund to reflect the discretionary nature of citation revenues that currently fund parking enforcement and transportation-related programs. In addition, revenues and expenditures related to Building Division activities are being re-classified into a new 'special revenue' fund to better reflect the dedicated funding status of self-supporting programs within the division.

#### *Implementation of Multi-Year Budget Framework*

- The FY2006/07 Adopted Budget is balanced through a series of recommendations consistent with the Multi-Year Budget Framework developed over the past several months. This budget reduces the structural deficit, decreases reliance on one-time funding and provides a small increment of added resources to address priority needs through a combination of new revenues and cost-savings measures.

- New recurring funding allocations have been approved totaling \$213,600, including \$78,000 in General Fund appropriations and \$135,600 in the Wastewater Enterprise Fund, as follows:
  - *Ombudsman/Auditor* - Funding is included in support of a new Ombudsman program to address citizen complaints related to police conduct (\$60,000)
  - *Animal Control* – Funds are provided in the amount of \$18,000 to cover increased costs of Animal Control Services provided through contract with Yolo County.
  - *Wastewater* – Funds are included in this budget in support of a new Senior Utility Program Specialist as well as additional temporary part-time staffing in support of efforts to bring the city's Wastewater Treatment Plant in compliance with new regulatory standards (\$135,600).
  
- Limited one-time funding totaling \$509,936, including \$132,000 from available General Fund resources, is included in support of non-recurring expenditures in the following areas:
  - *Police Overtime* – A one-time allocation of \$100,000 is provided to augment police overtime and provide short-term relief in staffing of patrol activities pending a review of staffing needs and possible hiring of new full-time officers.
  - *Police Staffing Study* – funds are allocated in support of an internal assessment of police staffing with the goal of developing a long-term staffing plan for the Police Department. (\$5,000)
  - *Citywide Inclusion/Diversity Training* – one-time funds are provided to support a focused training effort for all City staff (\$17,000).
  - *Actuarial Services* – funding is included in support of an actuarial study to support implementation of GASB 45 requirements related to reporting of non-retirement Post-Employment Benefits (\$10,000).
  - *Police Recruitment Incentive Program* – A one-time allocation of \$25,000 from the Public Safety Fund is included to establish a pilot program to provide incentives for recruitment of new police officers.
  - *Fire Equipment and Technology* – available funding from the Public Safety Fund (\$287,000) is appropriated to the Fire Department for specific equipment and technology investments in support of enhanced Emergency Response capabilities.
  - *New Vehicles* – funds are provided to purchase two new vehicles within the City's water (\$32,600) and wastewater (\$21,800) utilities.
  
- Baseline funding adjustments were identified that provide additional budget flexibility as well as to re-allocate existing funding to meet priority needs:

- *Integrated Pest Management* – funds have been identified within the existing resources of the Parks and Community Services Department to establish an Integrated Pest Management position to oversee and authorize appropriate use of pesticides in city parks, greenbelts and watershed areas.
- New General Fund revenues are provided in the following areas:
  - *Parking Fines* – the budget reflects an increase in the “base” parking fine from \$30 to \$35, consistent with the fines charged in neighboring jurisdictions. This increase is expected to result in an increase in citation revenues of approximately \$120,000 in support of traffic enforcement and transportation program activities.
  - *9-1-1 Fee* – The budget includes a proposal to evaluate imposing a 9-1-1 fee on existing land-based and wireless telephone lines with access to the City’s 9-1-1 Emergency Dispatch service. If approved by the Council, revenue that could be generated by mid-year, would free-up existing General Fund appropriations and provide added flexibility in addressing public safety staffing needs.
- General Fund Reserve Policy - The budget maintains a General Fund Reserve consistent with the Council’s 15.0% reserve policy. Moreover, the budget seeks to reduce reliance of reserve funds in support of annual operating expenditures and proposes to allocate \$2.25 million in available one-time funds to – over two years – to balance the budget and provide funding for limited one-time needs. This is consistent with the intent to a proposed General Fund reserve policy which seeks establishes appropriate uses for excess reserve funds, and limit use of reserve funds for ongoing operations.

*Unfunded Needs To Be Matched with Funding Strategy*

- Included in the Adopted Budget document is a partial listing of needs for which no funding has been identified. This listing, including both one-time as well as ongoing recurring needs totals in excess of \$6 million. As the City continues to develop strategies to fund programs and services within available resources, it is critical that consideration be given to the specific levels of service for which these funding strategies need to be developed.
- Among the needs not provided for in the current budget and which may require consideration in the long-term financial planning of the City include:
  - Construction and Staffing of a Fourth Fire Station
  - Appropriate or desired Police staffing levels
  - Adequate funding to maintain current (or alternative) street and roadway conditions
  - Replacement costs for City capital assets, including facilities, parks, and roadway infrastructure
  - Construction and operation of a fifth pool complex (South Davis)

**Ongoing Challenges and Opportunities**

City staff continues to work diligently to develop a multi-year budget framework in support of the Council's goal of long-term fiscal stability. This budget represents a significant first step in this effort; however, much work remains. As we work together to address our current budget challenges as well as emerging needs, it is important that the larger community be informed and involved – particularly with regards to evaluation of potential revenue enhancement proposals.

In the coming months, I am committed to undertaking a fresh review of city departments and programs with an eye towards identifying both needs as well as opportunities. I believe that, over time, as needs and priorities change, it is appropriate to assess historical levels of staffing and resource allocations and to make adjustments, as needed to respond to new and changing priorities. My goal is to identify areas where additional budget flexibility might be obtained through more effective use of current resources.

I look forward to working in the City Council, Commissions, City departments and the larger community to ensure that the City of Davis can continue to provide quality programs and services and address priority needs. The current environment provides both challenges and opportunities in this regard. In adopting this budget for the FY2006/07 fiscal year, I am confident that the City is being proactive in building toward a stable fiscal environment for this and future fiscal years.

Respectfully submitted,

Bill Emlen  
City Manager

**CITY MANAGER'S FY2006/07 PROPOSED BUDGET**  
**Multi-Year Budget Balancing Framework**

	FY2005/06	FY2006/07	FY2007/08	FY2008/09
<b>Combined Operating Deficit</b>				
General Fund	2.16	1.15	1.26	1.49
Baseline Unfunded Needs*		0.28	0.43	0.45
Traffic Safety Fund		0.13	0.11	0.06
Gas Tax / Transp.	0.40	0.65	0.40	0.40
Self-Insurance		<i>Included in Update Forecast</i>		
In-Lieu Property Taxes				
Parks Maintenance Tax		1.30	1.30	1.30
<b>Funding "Gap"</b>	<b>2.56</b>	<b>3.50</b>	<b>3.49</b>	<b>3.69</b>
<b>One-Time Sources</b>				
Undesignated Reserves	1.60	1.55	0.70	0.00
PERS Set-Aside/Reserve	1.00	--	--	--
One-Time Sources	2.60	1.55	0.70	0.00
<b>Revenue Enhancements</b>				
Revenue Audit		<i>Included in Updated Forecast</i>		
Economic Development Projects		Incl.	0.10	0.17
RDA Indirect Costs		0.16	0.17	0.18
Fees/Fines/Other				
Parking Fines (to \$35)		0.12	0.12	0.12
9-1-1 Fee*		0.25	0.50	0.50
Recreation Fees		Incl.	0.10	0.10
Other Fees		<i>Included in Updated Forecast</i>		
	0.0	0.53	0.99	1.07
<b>Tax Measures</b>				
Renew Parks Tax (w/ COLA)		1.30	1.30	repl. ?
Utility Users' Tax				2.00
Real Estate Transfer				
Public Safety Tax - Fourth Fire Station				
Clean Stormwater Fee(s)				
County 1/2 Cent Sales Tax - Transportation				
	0.00	1.30	1.30	2.00
<b>Sub-Total Revenues</b>	<b>0.00</b>	<b>1.83</b>	<b>2.29</b>	<b>3.07</b>
<b>Expenditure Reductions</b>				
Program Reductions				
Citywide Reductions			0.38	0.50
	0	0	0.38	0.50
Other Cost-Saving Measures				
Salary Savings Adjustment		<i>(\$750,000 Incl. in Revised Baseline \$\$)</i>		
Other Baseline Adjustments		<i>Incl. in Revised Estimates</i>		
Part-time Benefits Program (PARS)		0.12	0.12	0.12
	0.00	0.12	0.12	0.12
<b>Expenditure Reductions</b>	<b>0.00</b>	<b>0.12</b>	<b>0.50</b>	<b>0.62</b>
<b>Recurring Balancing Measures</b>	<b>0.00</b>	<b>1.95</b>	<b>2.79</b>	<b>3.69</b>
<b>Total All Balancing Measures</b>	<b>2.60</b>	<b>3.50</b>	<b>3.49</b>	<b>3.69</b>
<i>Balance Check</i>	<i>0.04</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>

<i>Recurring New General Fund Proposals</i>			
Tier 1 Funding Proposals	\$ 78,000	\$ 78,000	\$ 78,000
* Police Staffing - Contingent Upon 9-1-1 Fee	200,000	350,000	370,000
	\$ 278,000	\$ 428,000	\$ 448,000

**FY2006/07 ADOPTED BUDGET  
APPROVED REQUESTS**

**TIER 1**

Fund/Department/Request	FTE	Cost		Comments
		1-Time	Recurring	
<b>General Fund</b>				
City Manager				
Ombudsman			60,000	Implement through contract services
Police Staffing Study		5,000		
Citywide Inclusion/Diversity Training		17,000		
Finance				
Actuarial Contract - GASB 45		10,000		
Police				
Animal Control Services			18,000	
Police Overtime - Incremental/ Discretionary Patrol Hours		100,000		In-lieu of permanent staffing augmentation
<b>Sub-total General Fund</b>		<b>132,000</b>	<b>78,000</b>	
<b>Public Safety Fund</b>				
Fire				
Fire Communication/Technology/Equipment		298,536		CAD/AVL/Status Messaging
Police				
Police Recruitment Bonus		25,000		One-Time Pilot Program (multi-year)
<b>Sub-total Public Safety Fund</b>		<b>323,536</b>	<b>-</b>	
<b>Water Fund</b>				
Public Works				
New Pick-up - Water Distribution Crew		32,600		
<b>Sub-total Water Fund</b>		<b>32,600</b>	<b>-</b>	
<b>Wastewater Fund</b>				
Public Works				
New Vehicle - Environmental Compliance Officer		21,800		
Wastewater - Senior Utility Program Spec	1.00		90,000	
Wastewater - Engr. Tech II (TPT)			40,000	
Wastewater - Sr. Utility Tech (TPT)			5,600	
<b>Sub-total Wastewater Fund</b>	<b>1.00</b>	<b>21,800</b>	<b>135,600</b>	

**TIER 2**

*Proposals to be implemented CONTINGENT upon results of June Ballot Measure*  
 Funding source provided in FY2006/07 Proposed Budget  
 \* Contingent upon approval of FY2006/07 Budget Balancing Plan

Fund/Department/Request	FTE	Cost		Comments
		1-Time	Recurring	
<b>Park Impact Fees</b>				
Parks, Community Services				
New Pick-up Truck (parks Maint.)		21,500		
<b>Sub-total Tier 2 Proposals</b>		<b>21,500</b>	<b>-</b>	

TIER 3 PROPOSALS

Funding Proposals lacking identified funding source at present time  
 Establish PRIORITY UNFUNDED NEEDS list for ongoing consideration  
 Funding to be allocated contingent on availability of future funding  
 Includes selected proposal subject to further evaluation

Fund/Depart/Request	FTE	Cost		Comments
		1-Time	Recurring	
<b>General Fund</b>				
City Manager				
Yolo County Visitors' & Convention Bureau			70,000	
Citywide Safety Training Program		10,000		
Office Assistant - City Clerk's Office			35,000	
Finance				
Staffing Aumentation (CIP/Budget Monitoring/Planning)	1.00		85,000	
Police				
Additional Police Officers		<i>Pending Staffing Study</i>	TBD	FY06/07 cost = \$120,000 per officer
Reclass FTO w/ New Corporal Classification			93,960	
Two New Patrol Cars		106,000		
YONET Program			5,000	
Court Liaison Program			5,000	
Police Services Specialist / Calls for Service	1.00		68,000	
Fire				
Battalion Chiefs	3.00		450,000	
Full Staffing for Fourth Fire Station	16.00	850,000	2,200,000	
Civilian Fire Prevention Inspector	1.00		65,700	Partial revenue offset
Parks, Community Services				
City Facilities Capital Replacement Needs			300,000	
Parks Facilities Capital Replacement Needs			150,000	
South Davis Pool Complex - Operations (Est.)			200,000	Operating costs net of pool revenues
Community Forest Plan		672,000		
Neighborhood Services Coordinator (RPT)	0.50		40,000	
Staff relocation / Hunt-Boyer		30,000		
After-School Program for Jr. High Students			TBD	
Public Works				
Electrician / Streetlighting / WWTP	1.00		80,000	Primarily General Fund need (Traffic Signals)
Office Assistant II - Restore position converted to TPT	1.00		45,000	Partial offset with current TPT hours (\$)
Transportation Division / Street Maintenance			500,000	Maintain historical funding level
Street Maintenance			700,000	Avoid deterioration of street conditions
Concrete (Sidewalks/Bikepaths)			200,000	
<b>Sub-Total General Fund</b>	<b>24.50</b>	<b>1,668,000</b>	<b>5,292,660</b>	