



**FINANCE AND BUDGET COMMISSION  
REGULAR MEETING  
M I N U T E S**

**Location: City Council Chambers  
23 Russell Blvd.  
Monday, February 9<sup>th</sup>, 2009  
\*\*7:00 PM\*\***

**Commission Members:** FBC- Chair – Johannes Troost, Vice Chair - Jerry Beavers, Steven Ingram, Daniel Hoang, Alternate – Don Palm

**Commission Members Absent:** Chikako Takagi-Galamba, *Open Space Commission Liaison - Helena Chung; Planning Commission Liaison– Greg Clumpner; Park & Recreation Liaison – Nathaniel Leachman*

**City Council Liaisons:** Sue Greenwald; Ruth Asmundson-(Alternate)

**City Staff:** Paul Navazio- Assistant City Manager, Gail Buller – Financial Services Manager

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**1. Open Meeting** – The February 9<sup>th</sup>, 2009 Finance & Budget Commission meeting was called to order by Commissioner Troost at 7:03 pm.

**2. Approval of Agenda**

It was moved by Commissioner Beavers and seconded by Commissioner Palm to approve the Agenda, as amended to reflect corrected date for the next quarterly sales tax receipts, covering the winter holiday period.

AYES: Troost, Beavers, Ingram, Hoang, Palm

NOES: None

**3. Approval of Minutes from the regular meeting of January 12<sup>th</sup>, 2009.**

It was moved by Commissioner Palm and seconded by Commissioner Ingram to approve the Minutes of January 12<sup>th</sup>, 2009.

AYES: Troost, Beavers, Ingram, Hoang, Palm

NOES: None

**4. Public Comment**

None

**5. Commission and Staff Communications**

Commissioner Hoang commented on the timing of distribution of the agenda, requesting that staff make every effort to provide for earlier distribution. Staff acknowledged that distribution of the the February packet was delayed as a result of the mid-year budget report.

Staff reported on the outcome of the Council’s continuing discussion of the Long-Range Financial Plan, specific to future ballot measures.

Commissioner Troost requested that staff work with the City Clerk to expedite appointment of vacant commission positions, and asked other commissioners to solicit/recommend persons that may wish to serve.

## **6. Sub Committee Tasks/Involvement**

In response to earlier commission discussions, staff presented suggested topics for which formation of possible sub-committees should be considered. Consideration of forming sub-committees would potentially allow the full commission to focus the majority of its meeting time (including the possibility of additional Special meetings) on the City budget, to include the budget model and framework for FY2009/10 as well as the Long-Range Financial plan.

Commissioners were interested in the timetable for relevant topical discussions. Commissioner Ingram suggested that the FBC consider these topic areas, but refrain from formally establishing any sub-committees until meetings would need to occur, commenting on the distinction between “standing” and “ad hoc” sub-committees, relative to Brown Act requirements.

There was also an interest in deferring formation of sub-committees until commission vacancies could be filled, as the commission currently has 4 commissioners and one alternate regularly in attendance.

Staff advised that the first sub-committee that would likely be formed would be a Capital Improvement Program sub-committee (March/April).

## **7. Nomination for BEDC Liaison**

The commission considered appointment of a liaison to the Business and Economic Development Commission, to replace Mathew Kemmerle. However, formal action was postponed pending appointment to the current vacancies.

As an interim measure, Commissioner Troost suggested that the individual commissioners could attend BEDC meetings on a case-by-case basis, in order to explore interest as well as keep the FBC informed of BEDC activities. Staff also suggested that – pending formal appointment of a liaison – that information re BEDC agendas and minutes could be included as informational items on future FBC agendas.

Commissioner (alternate) Palm volunteered to attend the February BEDC meeting on behalf of the FBC.

## **8. FY2008/09 Mid Year Budget Update**

Staff presented an informational report previewing the FY2008/09 Mid-Year Budget Update, to be presented to the City Council at their February 10<sup>th</sup> meeting. Highlights included the need to further down-grade current-year and forecasted revenues. General Fund revenues are now anticipated to fall \$2.4 million under our original budget estimate. On the other hand, cost-containment measures implement earlier this year are expected to contribute to General Fund expenditures ending this year about \$1.9 million under budget and result in a year-end fund balance consistent with our 15% reserve requirement.

**9. Budget Model Assumption**

The commission continued its review of the City's budget model and five-year forecast assumptions. The forecast has been revised to reflect the down-graded revenue projections as well as adjustments relative to personnel cost assumptions. While prior forecasts reflected assumptions about future employee salary increases (primarily inflation-based adjustments), the revised forecast specifically includes only those compensation adjustments reflected in existing labor contracts. The adjustments presented in the Mid-Year budget report result in a projected General Fund Budget shortfall of \$3.0 million for FY2009/10.

The commission discussed the reasonableness of the major forecast assumptions, with specific focus on the potential impact of future increases in CalPERS retirement contribution rates. CalPERS has informally advised that, due to significant investment losses for the first half of this fiscal year, that employer contribution rates for public agencies could see increases ranging from 2%-5%, beginning in FY2011/12. This delay is due to the 2-year lag in building "current" actuarial gains and losses into the contribution rates. CalPERS also advises that actual rate impacts will be determined based in investment returns through June 30, 2009, and the performance of CalPERS investments could change significantly by then.

Staff has yet to reflect projected increases in CalPERS rates into the forecast for two reasons. The first is, again, the uncertainty over the extent of any contribution rate increases, and the second is the fact that while costs are anticipated to increase, how these costs impact the City budget will also be influenced by discussions expected to take place as part of the current labor negotiations. Specifically, all contracts for non-safety employees currently include language that provides for a "sharing" of CalPERS rate risk between the City and employees, and specifically references the City's intent that not all future rate increases be borne solely by the City. As such, how future CalPERS increases impact the budget forecast will be determined based on actual CalPERS performance through the remainder of this fiscal year as well as outcome of current negotiations with the City's employee bargaining groups.

Staff concurs, however, that this is a potentially significant issue, and that while it may be premature to reflect specific increases in retirement contribution rates into the forecast, staff would be including information as to the sensitivity of the budget forecast to changes in CalPERS rates.

**10. Long Range Calendar**

Provided updated Calendar.

**11. Info Items**

- a) Commission Roster
- b) 2<sup>nd</sup> Quarter Treasurer's Report

**12. Adjournment**

The meeting was adjourned at 9:35pm by Commissioner Troost.

*Any writing related to an agenda item for the open session of this meeting distributed to the Commission less than 72 hours before this meeting is available for inspection at City Hall, 23 Russell Blvd., Davis in the Finance Office. These writings will also be available for review at the Finance and Budget Commission meeting in the public access binder at the left rear side of the Community Chambers.*