



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

**Location: City Council Chambers
23 Russell Blvd.
Monday, July 13th, 2009
7:00 PM**

Commission Members: FBC- Chair – Johannes Troost, Steven Ingram, Daniel Hoang, Chikako Takagi-Galamba, Don Palm, Regular – *vacant*, Alternate – *vacant*

Planning Commission Liaison– Lucas Frerichs; Park & Recreation Liaison – Nathaniel Leachman; Open Space Commission Liaison - Helena Chung

Commission Members Absent: Vice Chair - Jerry Beavers

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

City Staff: Paul Navazio- Assistant City Manager

1. Open Meeting – The July 13th, 2009 Finance & Budget Commission meeting was called to order by Commissioner Troost at 7:00 pm.

2. Approval of Agenda

It was moved by Commissioner Palm and seconded by Commissioner Ingram to approve the Agenda.

AYES: Troost, Ingram, Hoang, Takagi-Galamba, Palm

NOES: None

3. Approval of the Minutes from the Regular Meeting of June 8th, 2009

It was moved by Commissioner Palm and seconded by Commissioner Ingram to approve the Minutes from the Regular Meeting of June 8th, 2009.

AYES: Troost, Ingram, Hoang, Takagi-Galamba, Palm

NOES: None

4. Public Comment

None

5. Commission and Staff Communications

BEDC Liaison – Commissioner Palm provided an update on recent Business and Economic Development Commission meeting where representatives of the Downtown Davis Business Association (DDBA) reported on commercial vacancy rates (+/-10%), adding that the current vacancy rate is consistent with historical levels; the BEDS also is involved in the development of a Business Park land strategy and discussed the City Council’s question of whether a future business park should be exempted from Measure J; the BEDC will be recommending not to exempt such land use from the Measure J process; the BEDC is also working on development of Economic Indicators to help guide and assess economic development policies and programs.

Commissioner Palm inquired about the interest in conducting a future joint meeting with BEDC, and Commission chair Troost agreed to discuss this idea with the chair of BEDC.

6. FY09/10 Budget Adoption

a. Discussion regarding final budget adoption

Staff provided a review of the City Council deliberations and actions, leading up to adoption of the FY2009/10 Budget on June 30, 2009. The commission was presented with copies of the reports/presentations provided to the Council, which included the following highlights:

- Staff's downgrading of FY2009/10 sales tax estimates based on fourth quarter receipts resulted in an increased General Fund shortfall, to \$3.4 million;
- Staff presented an updated budget-balancing-plan to address this growing deficit, including additional expenditure reductions (Parks maintenance) and use of "surplus" savings which were originally proposed to augment transportation program funding;
- Several City Council members proposed a number of budget amendments aimed at restoring some of the budget cuts proposed by the City Manager, as well as modifications to the anticipated savings to be expected from pending labor contracts.

In adopting the FY2009/10 budget, the City Council also approved a series of supplemental budget recommendations, including selected items that were specifically referred to the Finance and Budget Commission for consideration. (see Item #7, below)

Staff provided an overview of impacts on the City from the emerging State Budget, to included:

- Loss of \$1.3 million in property tax revenue through the State's invoking of the borrowing provisions of Proposition 1A
- Proposal to shift \$1.1 million in Highway Users' Tax Account (HUTA) funding from the City's Transportation program funding to the State, and
- State's proposal to shift \$3.1 million in Redevelopment Agency tax increment funding to the State.

Both the HUTA and RDA funding shifts appear to be unconstitutional, and staff expects that legal challenges will be filed to protect local agencies from these two funding raids.

b. Discussion of contingency measures

The overall budget package approved by the City Council also included a series of contingency items to guard against a) deteriorating revenue outlook, b) conditional cost-savings measures assumed in the budget, and c) State budget actions.

The Council did not to formally adopt any of the specific contingency measures at this time, but rather chose to keep contingency options open, and implement only on an as-needed basis, pending future budget updates. The Commission had previously recommended to the City Council that should the final budget included new revenues or cost-savings that could not be entirely relied upon, that the Council also adopt specific contingency measures in the event that such revenues or cost-savings did not materialize.

In relation to the discussion of contingency items, the City Council approved a staff recommendation to develop an additional list of budget contingencies, totaling \$1.5 million over and above the contingency plans already outlined in the City Manager's budget proposal.

7. Items referred by Council for Commission review

In its actions adopting the FY2009/10 budget the City Council also approved a number of supplemental budget recommendations, including selected items to be referred to the Finance and Budget Commission for consideration. The latter included:

- Development of a consolidated Budget and Fiscal Policies document
- Consideration of moving to a performance-based budgeting model
- Consideration of implementing a two-year budget

Staff provided a brief, introductory discussion of these items to gauge how the Commission might prioritize the agenda of these topics as part of its long-range agenda planning.

The Budget and Fiscal Policy Document would most likely need to be considered in the late summer / early fall if it is to be used to guide development of the FY2010/11 budget. The Commission expressed a strong interest (as it has in the past) in evaluating performance-based budgeting as a tool for decision-making and resource allocation. While staff provided some initial thinking on how this could be implemented with the upcoming budget, the Commission requested that staff provide examples from other cities and allow the commission to consider 3 or 4 different models, as opposed to simply considering the concept of performance-based budgeting, and deferring to staff how this might be implemented.

Finally, in introducing the concept of a multi-year budget, staff advised that such a transition would need to be deferred for a full year (to the FY2011/12 budget cycle), primarily to align a possible two-year budget process with the City Council election cycle.

Whereas staff advised that some cities move to a multi-year budget model, in part, to provide time during the off-budget cycle to develop and implement performance measures or other budget process improvements, given the current circumstances, the City would likely need to (re-)initiate some level of performance-based budgeting prior to consideration of a move to a two-year budget.

8. Agenda Planning and Long-Range Calendar Updates

In considering the upcoming workplan for the Commission, as well as time required for staff to develop agenda items for these items, the Commission agreed to not schedule an August meeting (normally reserved for summer recess), but rather consider scheduling a second (special) meeting in late September. In addition to the regularly scheduled commission meeting of September 14, the commissioners discussed holding open the date of September 28th for a possible special meeting. In agreeing to not schedule an August meeting, staff advised that an August meeting could possibly still be called should State budget developments require staff to expedite implementation of additional budget recommendations for City Council consideration upon their return from the summer recess (first CC meeting scheduled for September 1st).

9. Info Items

- a. Development Department list of Upcoming Projects
- b. State Budget Updates

10. Adjournment

The meeting was adjourned at 9:27 pm by Commissioner Troost.