



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

**Location: City Council Chambers
23 Russell Blvd.
Monday, September 14th, 2009
7:00 PM**

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

Park & Recreation Liaison – Nathaniel Leachman

Commission Members Absent: Don Palm, *Open Space Commission Liaison - Helena Chung; Planning Commission Liaison– Lucas Frerichs*

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

City Staff: Paul Navazio- Assistant City Manager, Kelly Fletcher – Budget Manager, Bob Blyth – Financial Planning Specialist

1. Open Meeting – The September 14th, 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 Hoang and seconded by Commissioner Ingram to approve the Agenda, with the notation to move Item 7 before Item 6 for discussion.

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

NOES: None

3. Approval of the Minutes from the Regular Meeting of July 13th, 2009

It was moved by Commissioner Hoang and seconded by Commissioner Ingram to approve the Minutes from the Regular Meeting of July 13th, 2009.

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

NOES: None

4. Public Comment

None

5. Commission and Staff Communications

Commissioner Palm unable to attend meeting due to a conflict.

This will be the last meeting for Nathaniel Leachman as Parks & Recreation Liaison.

The Joint Meeting of the FBC/PC/CC is tentatively scheduled for 2/9/10 on the Council Calendar.

6. **FY09/10 Budget Update** - *per Commission request, this item was moved in order after Item 7 on the agenda & was subsequently deferred until a future meeting for further discussion.*

7. Wildhorse Horse Ranch Fiscal Summary

Introductions were made around the table for the Public benefit.

Presentation by staff were followed by a presentation by a representative of the Wildhorse Horse Ranch Development project, and a public comment period. Council liaison, Sue Greenwald, advised that she wished to speak as a member of the public and not Council.

Paul Navazio provided background related to the purpose of the fiscal model in relation to the City Council's stated objective (under their goal of Fiscal Stability) that any new development project covers its cost of municipal services and does not pose a financial burden on existing residents. The model used by the City to evaluate development projects was first developed in conjunction with the Covell Village Project and subsequently refined and updated through its application to other projects.

Robert Blyth of the City of Davis discussed the fiscal analysis of the project. The model had been updated to reflect the proposed \$300/unit annual assessment via a community services district. According to the model, inclusion of the proposed CFD yields a General Fund shortfall of approximately (\$233,660) over 15 years, which equates to an average of (\$15,500) per year. The proposed development agreement would address this shortfall through a one-time \$1,550/unit General Fund Mitigation Fee that would provide funding to offset the projected shortfalls over the 15-year periods of the forecast. The project would also yield approximately \$5.5 million in one-time development impact fees as well as \$790,000 in construction taxes.

The underlying General Fund shortfall for this project is due to a number of factors, including a lower property tax rate for the subject parcel, and the overall housing mix of units being proposed, including construction of tax-exempt affordable housing units as part of the base project.

Mr. John Tallman, project manager for Parlan Development, presented a summary of the overall project, including design features, affordability component and open space and environmental sustainability elements. In addition, Mr. Tallman pointed out that there are a number of fiscal benefits that would accrue to the City beyond those identified in the City's fiscal model. For example, the developer cites the savings (ie. opportunity costs (sic)) derived from the City not having to provide subsidies for the affordable housing units proposed to be constructed as part of this project.

Public Comment Speakers:

Matt Williams - Independent Accounting Analyst
Mark Siegler – Former Finance & Budget Commissioner
Sue Greenwald – Speaking as a member of the public
David Greenwald – Citizen
Bill Ritter – Campaign Consultant for Parlan Development

Following public comment, the commission discussed the general Council objective of "fiscal neutrality." Staff pointed out that there is no current operational definition for this policy objective, but the fiscal model has been used to assess the relationship between tax revenues and municipal service costs for new development projects.

The question was raised on how to determine whether or not the Wildhorse project is or is not fiscally neutral, or if there is sufficient evidence to support that there will be \$4 million dollar fiscal net benefit.

Moreover, fiscal impacts change over time and on larger projects with longer buildout periods, and therefore a long-term fiscal analysis model is important to determine the potential revenue growth and other fiscal implications. However, in many cases, projects are evaluated for fiscal viability at "build-out" given that revenue and expenditure growth patterns after build-out are significantly determined by underlying tax structures relative to municipal service costs.

This project has been placed on the November 3rd, 2009 ballot, by previous City Council action. The final project application, including the Development Agreement, has not been finalized by Council and will be brought forth during the September 15th Council Meeting.

Commissioners questioned what role the Finance and Budget Commission would have relative to this project given that the City Council had already voted to place the project on the November 2009 ballot. Comments from the Finance and Budget Commission could inform Council's consideration of the development agreement, however, ample time was not being provided for the commission to consider the fiscal analysis for this purpose.

Commissioner Ingram offered a motion that the Commission request that the City Council defer action on the Wildhorse Horse Ranch project, pending a more deliberate review of the fiscal analysis by the Finance and Budget Commission. This motion died due to lack of a second.

Additional discussion followed related to the role the Commission could have in evaluating fiscal impacts of new development projects, and that clarification on the City policy relative to fiscal neutrality would be an important component of how the commission would approach any review. Comments from both commissioners and the public also focused on the appropriateness of the use of one-time funding sources to mitigate fiscal impacts as well as how development of affordable housing units - consistent with the City's affordability requirements - should be considered in the overall fiscal assessment of development projects. Some members of the public expressed concern that the finance and budget commission was not previously presented the City's fiscal model and that they had now only limited opportunity to review this project, even though it was being forward to the electorate in the context of a Measure J election.

Following this additional discussion, Commissioner Ingram moved (seconded by Commissioner Troost) to recommend Council postpone action on the Wildhorse development until the Finance and Budget Commission meets on September 28th, or sooner, to review the details of the fiscal analysis. Motion passed.

AYES: Troost, Ingram, Hoang, Takagi-Galamba

NOES: Beavers

8. Long-Range Financial Planning – Public Outreach

This item was postponed and re-agendized to a future meeting.

9. Info Items

- a. FBC Long-Range Calendar

10. Adjournment

The meeting was adjourned at 10:12 pm by Commissioner Troost.