



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

**Location: City Council Chambers  
23 Russell Blvd.  
Monday, March 8<sup>th</sup>, 2010  
\*\*7:00 PM\*\***

**Commission Members:** Vice Chair – Jerry Beavers, Steven Ingram, Chikako Takagi-Galamba, Don Palm, Talyon Sortor, *Vacancy*, Alternate – Jeff Miller

**Commission Members Absent:** FBC- Chair – Johannes Troost

*Open Space Commission Liaison - Helena Chung; Planning Commission Liaison– Lucas Frerichs; Park & Recreation Liaison – Charlie Russell*

**City Council Liaisons:** Lamar Heystek, Ruth Asmundson (ALT)

**City Staff:** Paul Navazio – Assistant City Manager, Kelly Fletcher – Budget Manager

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**1. Open Meeting** – The March 8<sup>th</sup>, 2010, Finance & Budget Commission meeting was called to order by Commissioner Beavers at 7:05 PM.

**2. Approval of Agenda**

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

AYES: Beavers, Ingram, Takagi-Galamba, Palm, Sortor, Miller

NOES: None

**3. Approval of the Minutes from February 8<sup>th</sup>, 2010.**

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

AYES: Beavers, Ingram, Takagi-Galamba, Palm, Sortor, Miller

NOES: None

**4. Public Comment**

Daniel Hoang expressed his thanks to the Commission for the time he spent with the Finance and Budget Commission. He is moving out of state.

March 15<sup>th</sup> – Speaker at the Sacramento – USC Campus at 11:30 am.

**5. Commission and Staff Communications**

None

## 6. FY2010/11 Budget Workshop

Paul Navazio previewed the workshop material and information for the Commission. This workshop is scheduled for Council on Tuesday, March 16<sup>th</sup>, 2010.

The presentation included supplemental information regarding the following:

- Baseline Budget Model and Forecast – *Issues to be addressed in FY2010/11 Budget*
- City’s Long-Range Forecast – *Issues to plan for re Long-Term Fiscal Stability*
- General Fund Revenues – Trends & Forecast Assumptions
- City Expenditures – Trends & Forecast Assumptions
- FY2010/11 Budget-Balancing Proposal – Re-structuring City Operations
- CalPERS Retirement Contribution Rate Analysis
- OPEB – Retiree Medical Benefit Costs

The commission received the information provided by staff and then discussed several aspects of the workshop background materials as well as the framework development of the FY2010/11 budget;

The commission, having previously discussed underlying revenue and expenditure budget assumptions, reiterated several themes.

- There remains concern over the assumptions related to property and sales tax revenues – while property tax revenues are projected to be “flat” from FY09/10 to FY10/11, the statewide (Prop 13) cost-of-living adjustment to be used by County assessor’s for 2009 is <0.25%>. This marks the first time since the passage of Prop 13 that the Board of Equalization has calculated a negative adjustment for baseline property re-assessments. Staff responded that the slight decrease in base valuations is likely offset by re-assessments resulting from property sales – albeit at very low volumes. Whether or not overall property assessments (and therefore property tax revenues) fall below FY2009/10 levels will likely depend on the extent of re-assessments being performed by the County Assessor’s Office. While, historically, very little information is available from the County Assessor until the tax rolls are completed, staff will inquire as to the extent of possible re-assessments.
- The Commission also expressed ongoing concern related to sales tax projections, in light of decreasing receipts for the past few quarters. Staff’s assumptions used for the FY2010/11 budget assumes 0% growth, however, even a “flat” revenue projection would imply that staff anticipates the start of an economic recovery within the next fiscal year. While the City is still awaiting initial sales tax receipts from the Target store (opened October 2009), overall sales tax results remain highly dependent on auto-related sales activity. Staff will likely provide the commission with a sales tax update upon receipt of the next quarterly report from the Board of Equalization. The commission also expressed an interest in understanding – once Target sales tax receipts are reported – the extent to which these represent “net new” sales tax dollars, or merely re-distribution of sales tax from pre-existing retailers in the City.
- The commission’s discussion regarding baseline budget expenditures remained focused primarily on assumptions related to personnel costs. Staff explained how these are driven by recently concluded labor agreements with selected employee bargaining groups and assumptions related to pending contract negotiations with Dept Heads, Police Officers, and Lieutenants.

- The commission also expressed an interest in possible options for addressing personnel costs through either modifications to benefits – specifically retirement and retiree medical benefits – and/or through employees increasing contributions toward these benefit costs. Staff reviewed current and projected costs – factored into the five-year forecast – for retirement and retiree medical costs, including the impact of potential changes that CalPERS may institute related to key actuarial assumptions (i.e. investment returns). Several commissioners shared their perspective on the concept of instituting a “two-tiered” system – where new employees receive a reduced level benefits – and there was general agreement that asking employees to increase contributions to benefit costs (ie. greater cost-sharing) would be preferable to a two-tiered approach. However, comments were also offered suggesting that, ideally, the city could negotiate lower benefit levels for all employees, including existing employees.
- Staff also provided a brief overview of selected pension reform efforts underway, primarily driven by local agencies seeking a uniform approach to pension reform at a regional level. The City Manager is participating in similar discussions with counterparts in Yolo County and throughout the Sacramento region. The commission expressed a strong interest in having the City pursue pension reform for City employees, however the commission expressed concern over whether such efforts would be directly tied to the outcome of regional discussions. While consensus on pension reform among local government agencies would be beneficial, the commission would not want the City’s efforts to be completely reliant on how other agencies approach this issue.

## **7. City Utility Rates**

This agenda item was intended to provide the Finance and Budget Commission with a brief introduction to the City’s water and wastewater utilities and the status of each major project, with an emphasis on the capital cost and financing requirements, and potential utility rate implications. The discussion included the Prop 218 Notice regarding the proposed utility rate increases, the Woodland-Davis Water Project report and the Executive Summary of the Wastewater Master Plan.

As this represented the commission’s introduction to the issues driving current and projected utility rates, they expressed an interest in gaining a greater understanding of the operations and capital requirements of the City’s water and wastewater utilities, and that the commissions focus would be better placed on long-term revenue and rate requirements rather than commenting on the pending rate increases, subject to the present Proposition 218 approval process for FY2010/11.

There was a general recognition that the projects being undertaken by the City’s water and wastewater utilities - and the rate impacts of funding these projects - represent significant burden on customers, and will directly impact the “affordability” of the community, and City’s ability to continue to support full array of municipal services supported through other taxes and assessments. Given these costs, and rate requirements, the commission expressed a strong interest in becoming more involved in the review of utility capital project costs and related rate impacts.

Commissioner Beavers asked for clarification as to whether one of the proposed sewer rate schedules (Commercial – C6 Restaurants) was actually reflecting a decrease in rates for FY2010/11. Staff indicated that it would need to seek clarification from the Public Works department on this question.

**8. Info Items**

*a) FY10/11 Field Rental Fee Schedule*

The Commission inquired as to the total anticipated revenues of field rates and costs for FY2010/11.

**9. Adjournment**

The meeting was adjourned at 9:22 PM by Commissioner Beavers.