

City Manager's Office

23 Russell Boulevard – Davis, California 95616
530/757-5602 – FAX: 530/757-5603 – TDD: 530/575-5666



July 9, 2013

Honorable Mayor and Members of the City Council:

Introduction

Presented for your information is the City's adopted budget for Fiscal Year 2013/2014. Over the past couple of years, the City Council has been grappling with critical operational and funding issues in order to provide the services that residents expect and need. It has been a difficult, but necessary, task to align the City's finances in the face of escalating costs. Negotiations with the City's labor partners produced a sustainable retiree medical benefit with most units and employees sharing in the cost. To try and grow revenues and to assist with economic development, the City hired a Chief Innovation Officer in partnership with TechDAVIS. In the upcoming year, through the joint-powers agency, a new surface water treatment facility will take steps toward construction and the City will be working on a design-build wastewater facility. Most cities have one utility capital improvement project every twenty years: Davis has two underway simultaneously; the surface water and wastewater -treatment projects. In addition, the City will begin addressing the infrastructure backlog and water conservation measures. In short, there is a lot going on.

The Council has been proactive in trying to maximize its resources to provide the best level of service to residents. This budget builds upon the Council actions over the past few years and, in the upcoming year, some of the primary goals will be to analyze city operations; review existing accounts, funds, fee structures and policies; and, upgrade the information technology services provided to residents and staff.

The following is a summary of the important items facing the City:

- **Identification of a stable source of revenue for the General Fund.** Expenses are rising faster than revenues. Reductions and cost-avoidance measures continue to be used to control the City's climbing costs but is not the sole solution. Additional resources are going to be needed to provide services.
- **Fee Policies.** Over the next year, the City will be examining its fee structure and policies and returning to Council for guidance. Over the years, policies have been put into place which can provide considerable cost relief to users. These policies will be evaluated vis-à-vis industry standards. The City will engage its community partners in discussions throughout the process.
- **Infrastructure Budget.** Council directed staff to look at front-loading about \$25 million for roads and bike paths. Planning (\$500,000) and public outreach will occur in the upcoming year, with debt-service anticipated to start in FY 2014/2015.

- **Water Conservation in Parks and Greenbelt Facilities.** Due to the new rate structure, the City will see a large increase in its water bill. In FY 2012/2013, the bill will be approximately \$849,471 and offset by approximately \$800,000 in lease revenue. The appraisal of the City property is still underway for determining the revenue to the General Fund. Next year, water costs have been budgeted at \$1.47 million with offsetting estimated lease revenues of \$800,000, leaving an approximate net cost of \$670,000 to the General Fund. This is why the sum of \$500,000 has been budgeted in FY 2013/2014 for the capital costs for water conservation.
- **New Surface Water Treatment Facility.** The City will begin the process of selling bonds to finance its share of the plant. The recently approved water rates also prompted the Council to approve billing on a monthly basis.
- **Wastewater Treatment Facility.** This is design-build project that is scheduled to be moving ahead in the upcoming year.
- **Technology Improvements.** As the City continues to make budget adjustments, automation is an important tool to maintain services levels and to stretch staff resources. The smart-phone and web-based Citizen Response Manager (CRM) , a website redesign, evaluating e-bills/e-notification for utilities, and the exploration of new/updated functionality in the enterprise software will be part of the work effort.

Budget-balancing Plan

In the Mid-year fiscal review, we presented current year revenue and expenditure projections. These figures for FY 2012/2013 were updated as part of the budget process. The net change is an increase of approximately \$1.8 million as a result of additional overtime spending in Police and Fire and a decrease in development revenue. This will decrease the amount of carryover that will be available next year and the amount available for the reserve. I have asked departments to rein in spending for the remainder of FY 2012/2013 in order to conserve money. The forecast change has a minimal impact on the FY 2013/2014 budget because carryover was not anticipated to be used to balance the budget.

In building the FY 2013/2014 budget, departments were asked to develop General Fund reduction scenarios from 5 percent, for public safety departments, to 8 percent for all other departments and Internal Service Funds. This yielded slightly less than \$1.8 million in reductions across all funds of which \$1.3 million was from the General Fund.

As presented, the budget does not contain any staff layoffs. At net of nine (9) positions were reduced in the General Fund. Vacant positions were eliminated, some filled positions had hours reduced and there were position reclassifications and transfers across departments.

FY 2013/2014 Budget Assumptions and Highlights

Overall

- In FY 2012/2013, the budget was constructed with an assumption that there would be a savings of \$4,060,000 across all funds in labor costs. This money was removed from the budget. Therefore, the employee services appropriations in the FY 2012/2013 adopted budget are artificially low and the amount agreed to with the labor groups turned out to be less on an annualized basis. This needs to be kept in mind when comparing the salaries and benefits costs from last year to this year in the budget document.

- The FY 2012/2013 Adopted column was used to create the base budget which means that changes which happened during the course of the year are not reflected. Additions during the course of this year will show up in the FY 2013/2014 budget. For example, the addition of the Chief Innovation Officer will be reflected in the FY 2013/2014 budget, but not the FY 2012/2013. This means that the City Manager's budget will show an increase in the FY 2013/2014.
- Workers' Compensation increased by \$595,000. The General Fund portion is \$360,000.
- After the Midyear was completed, it was discovered that in FY 2012/2013 and FY 2013/2014, the initial amounts budgeted for Other Post-Employment Benefits (OPEB) were too low because they were being calculated as a percentage of payroll rather than using the actuarial dollar amount which needs to be paid. As a result, for both years, the rates had to be increased a total of \$957,000 across all funds of which \$574,000 will be applied to the General Fund. Therefore, although the actuarial amount decreased as a result of the negotiated labor agreements, it will not show up in the budget as a decrease because the amount of money being collected was insufficient and had to be increased.
- One-time costs, such as the Public Employment Relations Board (PERB) settlement with the Davis City Employees Association (DCEA) were removed from the budget. This cost approximately \$1.1 million across all funds. The General Fund portion would be roughly \$404,477.
- The Mid-year budget assumed that all units would be settled by July 1, 2013. This does not appear to be the case for DCEA and Fire and an additional \$456,124 across all funds has been included in the budget to offset the cost. The General Fund portion of this amount is approximately \$273,674.
- After the Mid-year, staff continued to work on refining the infrastructure budget and reduced the amount set-aside for planning purposes to \$500,000 instead of a General Fund contribution of \$1,842,000. The street paving budget was moved to a Capital Improvement Project (\$3,272,000).
- In summation, due to the foregoing, this budget will not reflect an overall decrease in appropriations from the prior year, even with reductions and labor savings.

City Council

- No proposed changes.

City Attorney

- Legal services budgeted at FY 2012/2013 levels.

City Manager's Office

- General Management
 - Economic Development program was shifted to the City Manager's Office (\$528,881) from Community Development.
 - An Office Assistant II-confidential position was eliminated and the incumbent transferred to Community Services. A Human Resources Assistant was transferred to the Manager's Office to provide administrative support.
 - Funding for Yolo Habitat Joint-Powers Arrangement (\$40,000) and \$20,000 for Foundation efforts.
 - Various transfers of time to different funding sources or reimbursements to the General Fund (\$71,215).

- Cable and Media Services.
 - Retitled a half-time Media Services Production Assistant to a half-time Program Aide and moved the position to Information Services. In the upcoming year, the City will examine various options for taping the City Council, Planning Commission and other meetings held in the Community Chambers.
- CDBG and Housing
 - Reclassified an Administrative Analyst II position to an Administrative Aide position and funded it at 75 percent. Additional administrative help will be available, if necessary, from Community Services staff. The incumbent will be transferred to a vacant Administrative Analyst position in Public Works.
- City Clerk
 - Implementation of the agenda-management software (Granicus).
 - Time spent by the Clerk's Office by providing support to the Planning Commission will be billed to appropriate developer accounts instead of the General Fund (\$24,000).
 - The staffing within the City Clerk's Office was reorganized and a vacant Deputy City Clerk and a vacant Senior Office Assistant position (75 percent) reclassified to an Administrative Analyst I and an Office Assistant (75 percent)

Administrative Services

- Administration
 - Share existing Administrative Aide position with Human Resources to support transfer of Human Resource Assistant position to City Manager's Office.
- Human Resources and Risk Management.
 - Transfer Human Resources Assistant position to City Manager's Office and reduce line-items (\$7,890).
 - Net increase of slightly less than \$1.1 million. Primarily this is due to the removal of the \$1.1 million Davis City Employees Association (DCEA) Public Employee Personnel Board (PERB) settlement and a retiree medical true-up with the actuarial report (increase of about \$1.8 million across all funds), various increases in self-insurance funds, addition of \$60,000 for culture alignment training, and \$25,000 for the review of Retiree Medical options.
- Social Services
 - Executive Management. Reduce various line-items (\$5,780)
 - Senior Services. Reduce Office Assistant II position from 100 percent to 75 percent (\$16,294). Most of the positions working at the Senior Center are budgeted at 75 percent, with the exception of the Community Services Supervisor.
 - Senior Services. Reduce various line-items (\$4,179)
- Child Care
 - The Child Care Division, which is funded by federal and state grants, received an increase of funding of \$381,000.
 - A vacant Childcare Program Coordinator position was eliminated.
- Community Services.
 - Eliminate vacant Program Coordinator position. This position handled the aquatic duties which will be shifted to another Coordinator (\$107,123).
 - Reduce Temporary Part-Time hours under Community events and Civic Arts and shift duties to full-time Program Coordinator.
 - Community Services. Transfer Arts Coordinator position to Community Development and Sustainability.

- The Community Services Director position was eliminated in this budget. It was removed as part of creating the FY 2013-14 budget and there are no savings.
- Pool. Funds (\$20,000) have been budgeted to continue the exploration of the feasibility of the 50-meter pool.
- Information Systems
 - The capital portion of the budget was decreased and funds were added for a consultant to assist in determining whether to upgrade or replace the enterprise software.
 - Funds have also been budgeted to revamp the public website and for webhosting (\$60,000).
 - Supplemental funding in support of priority technology projects (\$15,000)
 - Reduction in maintenance fees through a new vendor (\$22,879)
 - A filled System Analyst position will be reduced from 100 percent to 75 percent.
 - Reduce filled Support Services Technician from 75 percent to 50 percent. This position staffs the mailroom. The duties will be handled by this position and the transferred Program Aide position.
- Fiscal Services
 - This budget is increasing by about \$318,035, primarily as the result of changing to monthly billing. E-notification and e-billing will be pursued this year.
 - A vacant Financial Supervisor position was eliminated and the dollars converted to contract services. If the tasks cannot be done more effectively by contract, staff will look at adding temporary hours.
 - Funding for 25 percent of a Financial Assistant II position has been shifted from Accounts Payable to Utility Billing to assist with increased processing of monthly utility bills.
- Budget & Financial Planning
 - Salary costs decreased as a result of shifting staffing in support of Accounts Payable and Audit during peak workload times to offset the elimination of the Financial Supervisor position in the Fiscal Services Division.

Fire

- Eleven-firefighters (11) per shift. The budget reflects the new staffing structure and the overtime was increased by \$268,753, which was the amount approved at the April 30, 2013 meeting. It also assumes the current Memorandum of Understanding (MOU) costing for the part of the year and new MOU provisions for the remainder.
- Operating expenditures have been increased to include \$20,000 for replacing the Emergency Alert System; \$22,000 for the replacement of the Defibrillation equipment and \$14,710 for partial replacement of turnouts.
- Capital expenditures have been adjusted to include \$166,000 for Self Contained Breathing Apparatus (SCBA) and \$30,000 for thermal imagers. The department has requested for an unfunded addition \$219,000 for SCBA replacement equipment, pending the availability of grant funding.

Police

- One additional special duty Police Officer position was included to accommodate a long-term light-duty officer in Records. This will be paid for by the City's self-insurance fund.
- Salary savings for unfilled Police Officer positions have been factored into the budget through a staggered hiring process throughout the year as candidates become available.
- The \$32,000 increase in the Animal Services contract is reflected in the FY 2013-14 budget.

- An Evidence/Crime Scene Technician position was downgraded to a Police Service Specialist to provide greater staffing capability.
- The Police Intelligence and Resource Analyst will be reclassified to a Crime Analyst.
- The Secretary to the Police Chief was retitled to Executive Assistant-Confidential.

Community Development and Sustainability

- A vacant Building Inspector I position has been reclassified to an Office Assistant II to assist in the Building Division. There is a cost-savings of (\$32,813) associated with this change, of which \$2,133 is General Fund.
- Civic Arts and Arts in Public Places have been moved to Community Development from Administrative Services. A Community Services Supervisor was transferred in the move.
- Economic Development has been moved to the City Manager's Office.
- An Administrative Analyst position will be shared with Public Works.

Public Works

- Administration
 - Added an Administrative Analyst position which will be shared with Community Development and filled by a transfer from the City Manager's Office.
 - Replacement office equipment is budgeted at \$27,000.
- Transportation
 - Added an Assistant City Engineer position to oversee Traffic.
 - Moved street paving budget to a Capital Improvements Project (\$3,272,000)
 - Respread existing personnel hours to Street Maintenance and Repair. The vacant Public Works Supervisor position will be reclassified to a Public Works Maintenance Worker and filled by a Maintenance Worker employee in the Asset Management division.
 - Included funding for Wayfinding Signage project (\$30,000)
- Wastewater
 - Proposing to upgrade a Senior Civil Engineer position (Wastewater Treatment Plant Expansion) to Principal Civil Engineer
 - Position reclassification eliminated an Engineering Assistant and Environmental Coordinator and replaced those positions with two Environmental Program Specialists.
 - Capital expenditures are planned for the purchase of a forklift (\$50,000), miscellaneous equipment replacement (\$50,000) and the purchase of an auto analyzer (\$100,000)
 - Land-lease cost for utility on city property (\$80,000)
 - Reduced operating expenditures (\$35,000) and overhead support (\$202,972)
- Storm Sewer
 - Capital outlay for maintenance equipment (\$3,000) and H St pump station maintenance and rehabilitation (\$90,000)
 - Portion of new Public Works Maintenance Worker II has time allocated to this division.
- Water
 - Upgraded a vacant Senior Water Supervisor to a Water Division Manager
 - Principal Civil Engineer reclassified to a Project Manager.
 - Water Distribution Maintenance Worker changed to a Public Works Maintenance Worker I.
 - Toilet rebate program (\$40,000)
 - Manganese Treatment at Well 32 (\$121,748).
 - Utility costs projected to increase by \$101,748.

- Land-lease cost (\$720,000). The other portion of the lease cost is contained in Wastewater (\$80,000).
- Monthly meter reads cost (\$130,760)
- Engineering Services
 - Street Smarts—Safe Routes to School program (\$80,637) funded with grants.
 - One-half of a new Assistant City Engineer position will be charged to this division.
 - Vacant Public Works Inspector II position was eliminated.
 - Senior Civil Engineer was reclassified to a Principal Civil Engineer.
- Solid Waste
 - Increase cost with Davis Waste Removal (\$235,458)
- Fleet
 - Fleet maintenance expenditures and fuel costs reduced \$50,000
 - Reduced expenditure for Fleet replacement for fiscal year (\$800,000 across all funds)
 - Stock Clerk position reduced from 75 percent to 50 percent (\$21,419).
 - Administrative Aide position was reduced from 100 percent to 50 percent.
- Facilities
 - Added a Facilities Manager position.
 - Accommodated a voluntary reclassification of a Facilities Supervisor to Building Maintenance Crew Supervisor.
 - Facilities improvements have been budgeted at \$100,500.
- Parks
 - It is proposed to reclassify two Park Maintenance Worker II positions to Irrigation Specialists.
 - \$500,000 for water conservation measures in Parks and Greenbelts has been moved to the Capital Improvement Budget.
 - Added city water and sewer costs (\$1,479,992)
 - Changed the title of the Asset Manager to Parks/General Services Superintendent
 - Elimination of a vacant Park Maintenance Worker I position prior to the creation of the base budget.
 - Increased tree maintenance contract by a total of \$52,299 to reach Council goal of seven-year maintenance cycle and mistletoe removal.
 - Reduced budget of various Building Maintenance Services (\$28,000)
 - Reduced one filled Pool Maintenance Worker position (\$94,631). Current employee will be transferred to another position in Public Works.
 - Vacant Public Works Crew Supervisor reclassified to a Public Works Maintenance Worker II.
 - Reduce a Park maintenance Worker II position from 100 percent to 75 percent (\$24,350). This is a voluntary reduction in hours.
 - Reduction in temporary part-time staffing in Parks Maintenance (\$30,000)
 - Reduce two Park Maintenance Worker II positions and one Sports Field Maintenance Specialist (\$301,406). Most of these savings (\$246,000) will be applied to contract services and current employees transferred to other positions.
 - Use janitorial and park maintenance staff to clean restrooms at Playfields Park (\$5,000 savings).
 - Modify funding for Environmental Resources staffing an Integrated Pest Management to correctly reflect managed acreage.
 - Added funding for Sycamore Park restroom \$20,000.


Summary

The past few years have been challenging for many cities. Part of the new reality is that fewer financial resources are available and costs have been rising. Some of these changes are outside the City's control. We also have two major utility capital projects in the works. While dealing with all these issues will be a challenge, it is also an opportunity for creativity and to use technology. The skills we have learned in dealing with the new economy will be put to the test in the upcoming years with the announcement by the California Public Employees' Retirement System (CalPERS) that rates are likely to increase fifty (50) percent over the next five (5) years. Also, we will need to make inroads on the negative balance in the employee benefits fund which was established in FY 2009-10, but not funded. One bright spot appears to be the rates on the new health-care insurance exchange. This is a development we will be tracking in the upcoming year and it may inspire changes in plans provided by Public Employees' Medical and Hospital Care Act (PEMCHA) which is the separate health-care arm of CalPERS.

Financial uncertainty continues to be before us. The Council, labor partners and staff can make changes to the cost side and redirect funds to services residents expect and need, but not all of the increases are under the City's control. This is why I am recommending that we explore additional revenue sources in the upcoming year.

It is truly a team effort to build the budget. I'd like to thank the department heads and executive management team (Herb Niederberger, Landy Black, Rob White, Mike Webb, Bob Clarke, Melissa Chaney, Kelly Stachowicz, Steve Pierce, Darren Pytel, Zoe Mirabile, Jason Best); the City Attorney, Harriet Steiner; and the Finance staff. Department staff such as Jim Ivler and Stacy Winton worked after hours to quickly turn around sections of the budget. Special thanks to the Budget staff (Kelly Fletcher, Bob Blyth and Kathy McIntire), Yvonne Quiring, Dominique Sayer and Evelyne Hayden who worked tirelessly. Also, many thanks to the families of these dedicated staff members who had to shoulder more of the load or change plans while their spouse or partner was preparing the budget. It is appreciated.

Respectfully submitted,



Steven J. Pinkerton
City Manager

