CITY OF WOODLAND
300 FIRST STREET
WOODLAND, CALIFORNIA

CITY COUNCIL
SPECIAL MEETING/STUDY SESSION

MAY 24, 2011

6:00 P.M.

A. CALL TO ORDER (6:00)

B. ROLL CALL

C. PLEDGE OF ALLEGIANCE

D. COMMUNICATIONS - PUBLIC COMMENT (6:05)

E. COMMUNICATIONS – COUNCIL/STAFF COMMENTS (6:10)

F. REPORTS OF THE CITY MANAGER (6:15)

  1. Updated Information for the FY 2012 Budget

G. ADJOURN (8:00)

I declare under penalty of perjury that the foregoing Agenda for the special meeting of the City Council of the City of Woodland scheduled for May 24, 2011 was posted on May 20, 2011 in the outside display case at City Hall, 300 First Street, Woodland, CA, and was available to the public during normal business hours.

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Ana B. Gonzalez
City Clerk

Upon request, agendas and documents in the agenda packet will be made available in appropriate alternative formats to persons with a disability, as required by law. Any such request must be made in writing to the Office of the City Clerk of the City of Woodland. Requests will be valid for the calendar year in which the request is received, and must be renewed prior to January 1st. Persons needing disability-related modifications or accommodations in order to participate in public meetings, including persons requiring auxiliary aids or services, may request such modifications or accommodations by calling the Office of the City Clerk (530-661-5806) at least 48 hours prior to the meeting.

City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: May 24, 2011

SUBJECT: Updated Information for the FY 2012 Budget

Report in Brief

Following the March 29 Budget Workshop, staff reviewed Council comments in order to determine the additional information that needed to be developed for future discussion as part of the FY 2012 budget consideration. The information presented herein was identified as consistent themes for additional discussion. Staff would appreciate Council review and comment regarding this information during the May 24 Budget Workshop as it is critical that decisions are made in order to prepare the FY 2012 Budget for Council consideration on June 21.

Staff recommends that the City Council receive the updated information on the FY 2012 operating budget and approve the following specific actions in order to support final development of the FY 2012 budget as described herein: a) Public Safety Management Consolidation; b) Modifications to Fire Prevention; c) Community Development Restructuring; d) Meet and Confer Process to pursue Pension Reform; and e) City Manager recommended expenditure reductions.

Background

The City's Budget Review Team and other key staff members reviewed Council comments on March 29 and compiled a list of additional information for the Council's consideration. This list was provided to the City Council within a memo that included a request to notify staff if there was any additional information required for further consideration of the issues discussed on March 29. There were no additional requests for information from members of the City Council. Therefore, staff developed the following information for discussion on May 24:

Public Safety Consolidation

- Additional general information is needed;
- Review case studies on where it has been implemented;
- If consolidation has worked, determine why and applicability to Woodland;
- If consolidation has not worked, determine why and applicability to Woodland;

- Impact of public safety consolidation on regional fire consolidation study;
- Potential for liability issues associated with a consolidation;
- Specific organizational issues that impact the proposed consolidation;
- Refine cost savings/fiscal impact.

Building/Fire Prevention Consolidation

- Additional general information is needed;
- More specific information that outlines accommodation of Fire Marshall duties in Building;
- Review case studies where Building/Fire Prevention consolidation has been implemented;
- If consolidation has worked, determine why and applicability to Woodland;
- If consolidation has not worked, determine why and applicability to Woodland;
- Review appropriate public comments such as the Safe Side Security letter;
- Review legal issues and interpretation of State Fire Code.

Community Development Restructuring

- Additional general information needed;
- Additional discussion regarding the consolidation of CDD staff within City Hall;
- Reorganization of Economic Development and Redevelopment as part of CDD restructuring;
- Advisability of implementing a restructuring plan before hiring a Director.

Meet and Confer Issues

- Provide timeline and additional information.

Alternative Expenditure Reductions

- Develop alternative reductions focusing on the Police Department;
- Alternatives should assume no savings due to proposed consolidations;
- Alternatives should assume no savings due to Pension Reform.

In addition to developing the information described above, the City's Budget Review Team continued to refine assumptions, review revenue and expenditure estimates and discussed specific issues with certain departments in order to make sure all of the information accurately reflects City Council and City Manager direction. These efforts helped to reduce the $1.157 million General Fund fiscal imbalance presented on March 29 to $855,344.

The revised deficit includes funds for the vacant Children's Librarian position and vacant police officer positions. It does not include funds for three additional firefighter positions. These positions are specifically mentioned because of the high priorities associated with the 2010 advisory measures that were approved with the supplemental sales tax measure known as Measure V. In addition, the imbalance does not address the need to recover the reserves lost due to the FY 2010 revenue shortfall. Finally, the revised deficit does not assume the successful implementation of pension reform efforts associated with terminating the Employer Paid Member Contribution (EPMC). The estimated savings from terminating EPMC is $957,000 in General Fund and $1.6 million for all City funds.

In order to secure the savings necessary to correct the fiscal imbalance and place the City on a path to long term fiscal stability while preparing the General Fund for the loss of the supplemental sales tax measure upon its termination in 2014, staff believes that all of the strategies presented on March 29 still require consideration. In some cases, the additional work provided by staff has generated some modification of the strategies although the objective of reducing costs while minimizing service level impacts remains the primary desired outcome.

The following section of the report will present the additional information generated following the March 29 Budget Workshop. At the conclusion of the section staff will summarize the recommended changes that will be generated through the restructuring initiatives and request Council direction in order to prepare the FY 2012 budget and updated 10-year Plan for adoption on June 21.

Discussion

Public Safety Consolidation

Background and General Description

Within the field of local government administration, the term **Public Safety Consolidation** is generally defined as either an **Operational Consolidation** or a **Management Consolidation**. **Operational Consolidations** involve a well defined program of cross training police officers and firefighters to become **Public Safety Officers. Management Consolidations** do not include a cross training of police officers and firefighters and limit the consolidation activity to the appointment of a **Public Safety Chief** with leadership and management responsibility of police and fire operations.

As stated in the March 29 staff report, the proposed public safety consolidation is limited to a **Management Consolidation**. This proposed action would appoint Chief of Police Dan Bellini as the Public Safety Chief and utilize Captain George Bierwirth to oversee the daily operation of the current Police Department. In addition, the proposed action would appoint Interim Fire Chief Rick Sander as Deputy Fire Chief with responsibility for the daily operation of the current Fire Department. The day to day operation for Police and Fire should not change significantly since most of the operating policies and procedures have been in place for some time.

Council comments during the March 29 Workshop focused on the need for additional information and justification as to why the Management Consolidation should be considered. Given the opposition to this strategy expressed by members of the Fire Department and community members active in civic affairs or currently serving as fire service professionals, Council comments suggested that it may be better to maintain the status quo until the regional consolidation study is completed.

Staff believes that the current personnel within the Fire Department lack the depth and experience in management and leadership to fill the requirements of the executive level position of a department head. This is not intended to be unfairly critical of the current Interim Chief who has stepped in under challenging circumstances to lead the organization following the mid-November 2010 retirement of the former Chief. In fact, Interim Chief Rick Sander has demonstrated excellent initiative and a willingness to learn the requirements of the Fire Chief position. Interim Chief Sander is a fully capable fire service professional who was elevated to the Battalion Chief position in November 2008. With his limited experience in a command position, the Management Consolidation provides Interim Chief Sander with an opportunity to learn advanced leadership and management skills from a more experienced public safety professional in Chief of Police Dan Bellini.

The Public Safety Management Consolidation with Chief Bellini as Public Safety Chief would provide police and fire with an excellent leader and manager who is capable of making command decisions. While Chief Bellini has served less than a year as the Chief of Police, he has extensive management experience in the command positions of lieutenant and captain, having served a total of eleven years in these positions prior to his October 2010 appointment as Chief. Since his appointment as Chief, Dan Bellini has already demonstrated initiative and leadership that has favorably impacted the Police Department and the City organization. These initiatives include:

- Supported Management Analyst Elle Murphy’s oversight of the Recreation Division, including attending meetings with user organizations and guiding staff in the development of solutions to issues such as scheduling conflicts;

- Expanded Problem Oriented Policing activities as demonstrated with initiatives implemented in the Armfield and Ferns Park areas;

- Worked with Recreation staff in the identification of core recreation services that would support the reallocation of resources to a youth violence prevention program;

- Provided reasonable and professionally stated expenditure reduction alternatives as requested by the City Council and City Manager and as stated later in this report.

As issues such as pension reform and updated personnel policies are pushed throughout the entire organization in order to address the City’s fiscal challenges, all departments will need strong leadership. The Fire organization would be well served by a management team of Public Safety Chief Dan Bellini and Deputy Fire Chief Rick Sander as proposed on March 29. The strength of that combination was as much at the foundation of the proposed strategy as the potential cost savings that will be described later in this report.

Consolidation Case Studies

In response to Council comments, staff contacted city management, police and fire professionals in several cities that operate Public Safety Departments to find out whether or not, in their view, the consolidated operation is working and why or why not. This exercise was intended to look at the matter from the three different perspectives.

Extensive information was generated from the following cities that currently or formerly operated Public Safety Departments:

Fairfield	Ukiah	Mountain View	Marina	Lincoln
Sausalito	Palo Alto	Ceres	Turlock	

Of the nine cities listed, three (Fairfield, Lincoln and Marina) implemented consolidated Public Safety Departments and since returned to separate police and fire departments. The reasons for returning to the former operation vary based on the conditions in each city.

In **Fairfield**, a consolidated Public Safety Department was successfully operated for fifteen years until a Chief with a law enforcement background was appointed who was openly and unfairly critical of firefighters. This Chief created so much animosity that the departments were separated after the individual left Fairfield in the early 1990's.

Lincoln consolidated its police department with a volunteer fire department during a period of slow growth prior to the real estate boom that hit South Placer County in the 2002-2005 timeframe. As the community began to grow, the City realized it needed a professional force of firefighters and attempted to meet this demand by cross training public safety officers. This strategy was not successful and the departments were separated upon the 2005 retirement of the Public Safety Chief.

The **Marina** case involved a full operational consolidation that failed miserably due to inadequate training and a poorly executed plan. Most of the service deficiencies were experienced in the Fire operation. A consultant study ultimately led Marina's leaders to form separate departments in 2007.

Ukiah, Palo Alto, Ceres, Mountain View and **Turlock** have recently implemented public safety management consolidations in response to fiscal conditions and as a fire chief retired. All of these cities are reporting favorable results from a fiscal and operational standpoint with the former chief of police acting as the Public Safety Chief. In Mountain View, the city recently reestablished the fire chief position; however, the fire chief reports to the police chief who also serves as an assistant city manager for public safety.

While there are a few differences in each city, the common denominator is the high level of leadership provided by the Public Safety Chief. These chiefs are described by their respective city managers as fair minded leaders who treat the fire and police staff with equity, dignity and respect. In addition, the chiefs have merged administrative operations such as training, fiscal oversight and office space in a manner that has saved resources and improved operations.

The final case study, **Sausalito,** involves a city that has gone back and forth with consolidation. Sausalito consolidated management operations twice over the last 15 years. The first consolidation failed because the Public Safety Chief who was the former police chief was perceived as unfair by the police officers and sergeants while being highly regarded by the firefighters. This situation was enflamed by the political environment within the community that tended to express sympathy to the police officers and sergeants. Following the Chief's retirement, separate departments were formed until 2004 when fiscal conditions led to short term management consolidation while Sausalito officials negotiated a service contract with the South Marin Fire Protection District. This approach to fire service has been the most successful as Sausalito is currently conducting an annexation election that would formally place the community into the District.

In summary, the case studies show that a Public Safety management consolidation can work if the chief who leads the organization has the ability to be fair and treat the police officers and firefighters with equal dignity and respect. Management consolidations, including the examples in Fairfield and Sausalito, fail when this has not occurred. Political influences will often have an impact on the success or failure of a public safety consolidation. It is important for the elected officials to support the city manager and public safety chief and require bargaining units to work within the personnel system to address any perceived or actual issues. If this support is not present, the management consolidation should not be implemented.

The case studies also show that a public safety management consolidation is a strategy that local governments are considering and implementing with greater frequency in response to their significant fiscal challenges. While there are clearly more local governments operating separate police and fire departments, the fiscal challenges all cities face require restructuring alternatives to be considered that depart from the norm. Staff believes that this refutes the claim expressed by citizens and firefighters that a public safety management consolidation should not be considered because "it is not normal" or is not the usual and customary way of doing business. If the City continues to rely on traditional or "normal" ways of operating, Woodland will be left with options such as reducing services or reducing reserves.

Finally, the case studies show that cities have reestablished separate police and fire departments after implementing a management consolidation if the consolidation did not achieve the desired results. This demonstrates that a city organization does not need to be static; it can evolve and change as necessary based on community needs and how the leadership evaluates performance.

If the City Council expresses that it cannot support the proposed consolidation, then the most feasible alternative would be to seek a management contract with a retired Fire Chief who would oversee the Fire Department through the completion of the Regional Fire Study. This is an acceptable alternative to continuing the interim chief assignment and one that has been implemented by neighboring jurisdictions. There are several retired Fire Chief's who would accept interim assignments. Davis is currently contracting with Bill Weisgerber for its Interim Fire Chief. Chief Weisgerber retired several years ago from Milpitas and served as West Sacramento's Fire Chief during the recruitment of its permanent Chief two years ago. It should be noted that this alternative would generate an additional annual cost to the City's General Fund estimated at approximately $125,000 for a part time Chief.

Impact of Public Safety Consolidation of the Regional Fire Consolidation Study

The impact of the proposed public safety consolidation was discussed with Stuart Gary, the Citygate consultant who is the project manager for the Regional Consolidation Study. Mr. Gary is the retired Fire Chief of the Livermore-Pleasanton Fire Protection District where his leadership received national recognition and he has an excellent reputation as a consultant since his retirement.

Mr. Gary indicated that the proposed consolidation will not have an impact on the Study. He further expressed that he understood the underlying reasons why the proposed consolidation would be considered.

Potential Liability Issues Associated with the Public Safety Consolidation

The March 29 Council report addressed the issue of the City's legal authority to form a consolidated Public Safety Department. As the Council will recall, an opinion memo from the City Attorney provided the following conclusions:

- The City has the discretion to reorganize its Fire Department as the Fire Division of the Public Safety Department.

- The City may transfer the Fire Chief's "duties" by ordinance to the Public Safety Director and Deputy Fire Chief.

- The Public Safety Director must be a peace officer and have the same qualifications, rights and responsibilities as a police chief.

If the City implements the above steps, there are no liability issues associated with the proposed management consolidation.

Fiscal Impact of the Proposed Management Consolidation

As stated previously in this report, implementing the Public Safety Management Consolidation will allow the City to avoid an estimated annual cost of $125,000 for a part time Fire Chief. In addition, maintaining separate Police and Fire Departments will undermine the merging of administration services such as training and fiscal management that will save an estimated $106,000. This estimate is based on maintaining the utilization of the Fire Administrative Clerk in the current training support position at a cost of $68,000 and maintaining separate administrative offices. As discussed on March 29, the consolidation would facilitate the relocation of Fire administration staff into the Police building which would allow Community Development staff to vacate the City Hall Annex and use the Fire Administrative area as the Permit Center. Vacating the City Hall Annex would save $38,000 in building maintenance and utilities cost. The total fiscal impact on the General Fund associated with not implementing the Management Consolidation could be as high as $231,000.

Modifications to Fire Prevention

Staff has continued to refine the proposed Building/Fire Prevention consolidation since the March 29 budget workshop. This consolidation proposed on March 29 would eliminate the Fire Marshall position which is compensated as a Battalion Chief. The responsibilities for fire code enforcement, inspection and plan review would be reassigned to the Chief Building Official. The remaining fire prevention staff consisting of two inspectors would report to the Chief Building Official.

The March 29 staff report proposed that plans review, inspection and enforcement could be combined for the fire and building codes under the Chief Building Official. This proposal was based on a similar although slightly different consolidation in Fairfield. The Fairfield consolidation eliminated two fire prevention inspector positions and transferred all inspection activities for the building and fire codes to the Chief Building Official. Fairfield retained the Fire Marshall who would support and monitor this transition.

The March 29 proposal is focused on eliminating duplicative services. Staff believes that the Building and Fire codes are similar enough that the professionals responsible for plans review and inspection could be trained to handle the enforcement of both codes for most development applications. Merging the operations together could streamline development services in addition to saving resources.

In April 2009, the State Fire Marshall issued a letter which stated, in part, that the relevant sections of the State Fire Code must be enforced by a designated representative of the local fire chief and that the designated representative must be a full time member of the fire department. To illustrate the opinion further, a Chief Building Official could be used to enforce the Fire Code as long as the position was assigned to the Fire Department and reported to the Fire Chief.

Management staff and the City Attorney have reviewed the letter and believe that the State Fire Marshall's interpretation is not accurate. However, a legal opinion has not been offered by a court or the State Attorney General that would counter the State Fire Marshall's opinion.

City Council members expressed concerns during the March 29 workshop regarding the liability associated with the proposed Building/Fire Prevention consolidation. At this time there is no way to express with full confidence that the proposed consolidation would increase the City's liability. Staff could seek an opinion of the State Fire Marshall's position from the State Attorney General; however, it is likely that receiving an opinion could take months.

In recognition of the issues described above, staff had additional internal discussion with Interim Chief Sander and Paul Siegel, Deputy Director of Community Development who would oversee a consolidated Building/Fire Prevention division. The focus of the discussion was to avoid the current duplication of enforcement, plans review and inspection, achieve financial savings and account for the interpretation of the State Fire Marshall. The result of that discussion is the following concept that capitalizes on the availability of resources to hire three additional firefighters which will be discussed later in this report.

- Reduce one Fire Prevention Specialist;
- The vacancy for the Fire Prevention Specialist would be generated by an incumbent staff member who has met requirements necessary to qualify as an entry professional firefighter;
- Hire that staff member as an entry level firefighter;
- Reassign the current Fire Marshall to a newly created position of Deputy Fire Marshall that is similar in classification and compensation to a Fire Captain position;
- Designate the Deputy Fire Marshall as the authorized representative to enforce the State Fire Code who would report to the Deputy Fire Chief and Public Safety Chief;
- The Deputy Fire Marshall will be responsible for field inspections and not primarily focused on management as is currently the case with the Fire Marshall;
- Coordinate all plans review activity within the Building Division in order to streamline the development process.

The above actions would retain a Deputy Fire Marshall, maintain Fire officials as primarily responsible for enforcing the Fire Code, address duplication issues and streamline plans review. The savings are not as significant yet still considerable. Staff believes this makes a reasonable effort to address both the State Fire Marshall's position as expressed in the April 2009 letter and the current fiscal challenges faced by Woodland and all local governments.

In previous years Woodland implemented fire prevention services through a Deputy Fire Marshall position. Staff believes this model will still work without a full Building/Fire Prevention consolidation although the two programs will need to work very closely. By maintaining separate programs, staff believes the criticism that a consolidated Building/Fire Prevention program will not work is adequately addressed.

Finally, staff reviewed the Safe Side Security letter that was provided to the City Council prior to the March 29 workshop. The primary purpose of the letter is to cite the Fire Marshall's ability to work with the company and project proponents in order to address issues associated with implementing the Fire Code. Staff agrees with the need to have a staff member that can address these issues as long as the City has the resources to afford it. Implementing the actions described above allows the City to have these resources, retain the position of Deputy Fire Marshall and remain in compliance with the State Fire Marshall's interpretation of the Fire Code.

Community Development Restructuring

The March 29 Council report proposed a restructuring of the Community Development Department to include the following elements:

- Consolidating all engineering programs, including capital projects and utility engineering, under one Engineering Division within the Community Development Department;

- Delete the Deputy Director position and reestablish the Chief Building Official position;

- Eliminate the Building Services Manager position which will result in the layoff of the incumbent;

- Commence the process to hire a proven manager and leader with experience in development, planning, building and engineering to lead the organization and play a key role in the Surface Water Project.

As stated in the report, this proposal addressed the need for high quality, executive level leadership within a department that is primarily responsible for the economic activity that creates jobs, expands business opportunities, supports a well rounded local and regional economy and serves homeowners, small businesses and large developers. Community Development has been without focused leadership for over 18 months and the organization needs a strong, entrepreneurial and creative manager in order to become more efficient and effective.

Council comments during the March 29 workshop suggested that the restructuring of Community Development should be delayed until the proposed Department Director is hired. If the process is delayed, the new Director would have the opportunity to modify the proposal.

In fact, staff has been in discussions since late last year with Nick Ponticello regarding his interest in coming to the City as the Director of Community Development. As members of the Council may know, Nick is a planning/engineering professional who is very loyal to Woodland and has been successful as a public sector employee and an engineering consultant. Nick has successfully operated his own business for thirteen years which primarily serves local governments following several years of service to the City of Woodland and Federal agencies. The Community Development restructuring has been discussed with Nick and he is in agreement on the approach. Nick would improve the Community Development Department and make a positive contribution to the entire City organization. The funding for the position can be provided through the utility enterprise funds and development funds in addition to the General Fund in a manner that the City can afford.

In addition to providing leadership in an area that is critical to the entire community, Nick would provide critical support to the City Manager and the City Council. The lack of focused executive leadership in Community Development often requires the City Manager or even members of the Council to represent the City in meetings with developers or regional leaders. Nick is a high quality leader who has the ability to get things done and support the development initiatives that are important to the City.

Finally, Nick would provide high quality engineering experience for the Surface Water Project. Nick would represent the City's interest as part of the Joint Powers Agency and provide leadership within the City organization by making critical decisions in association with the Project.

Nick is currently in the process of transitioning his business to key members of the company. This process requires the valuation of the business and negotiation with the employees. Nick has agreed on a tentative date for his employment with the City beginning on July 1, 2011 pending the Council's support for the restructuring described herein and completion of the business transition.

Meet and Confer Issues

Within a week following the March 29 workshop, letters were sent to all bargaining units asking for a meet and confer process to discuss the pension reform initiative. All of the units responded to the request by stating that they understood the need. Most of the units stated that they would rather wait to see whether or not the City is successful in extending the furloughs in place for all employees with the exception of the police units before committing to any further discussions.

As the Council may recall, the police officer and supervisor units are scheduled per their current agreements to have furloughs end and receive a 4% cost of living adjustment. The leadership of these units understands that implementing their current agreements would have an adverse fiscal impact on the City. Prior to the March 29 workshop, these units had expressed their willingness to renegotiate this condition similar to the firefighters last year.

The police units are currently meeting with the City's negotiating team. The discussions have been cordial and staff remains optimistic regarding the outcome.

The City Council expressed unanimous support for the pension reform measures presented on March 29. Staff will work diligently to achieve the elimination of the Employer Paid Member Contribution which would result in savings of $957,000 in the General Fund and over $1.6 million for all City funds in FY 2012. However, it is important for the Council to remember that police and fire contracts expire on June 30, 2012 and most of the remaining units expire in October/November 2011. Eliminating the Employer Paid Member Contribution will require a continuous effort that will likely extend into the negotiation period for the next contract.

Alternative Expenditure Reductions

The City Council requested expenditure reduction alternatives with at least some focus on the Police Department. The Budget Review Team met with Chief of Police Dan Bellini and Management Analyst Elle Murphy to discuss alternatives. Chief Bellini offered several options in a recommended order of priority that could, if all were implemented, provide nearly $563,000 in reductions. These options would result in the lay off of three sworn positions and reduce Woodland's commitment to regional law enforcement initiatives. If added to the currently vacant five sworn positions, the Police Department would be reduced by a total of eight positions since the sales tax measure was approved last June.

The following expenditure reductions were offered by Chief Bellini in response to Council direction on March 29:

Graffiti - $53,777

This line item covers costs incurred by Graffiti Removal Services to respond to and clean-up graffiti locations twice a week. In 2010, the vendor cleaned up 246 occurrences of graffiti: 95 were generally labeled as “Parks”, 44 sound walls, 27 sidewalks, 16 control boxes, and the rest are multiple areas, playground equipment, trees, trash cans, benches, etc. If this program was eliminated, staff has no alternative to implement that would mitigate the impacts of continued graffiti incidents.

Wellness Program - $10,000

The Wellness Program is designed to reduce sick leave, on-duty injuries, disability retirements, and generally improve the health of represented employees. Officers tend to accumulate health risk factors due to their varied schedules, irregular eating habits, physical inactivity and stress. Participation in the Woodland Police Department Wellness Program is mandatory for employees represented by the Woodland Police Professional Association and Woodland Police Supervisors Association.

The labor agreements require the Police Department will conduct an “Annual Health and Fitness Risk Appraisal to provide information to each participant on the status of their health and any risk factors identified during the health assessment”. In the past, the Department has chosen to provide employees with a blood panel and health risk questionnaire to identify medical risk factors as well as educational seminars. Additionally in 2006 part of negotiations put in place a gym reimbursement component to the Wellness Program where represented employees can be reimbursed up to $360 per year for documented gym membership. Elimination of this program would require changes to current labor agreements.

Records Specialist - $32,208 (Partial Savings)

The Police Department recently restructured the staffing model for front office staff due to staff reductions in the FY 2011 budget (staff was reduced by two Record Specialists assigned to the front office). Previously the front office of the Police Department was staffed 24 hours per day, 7 days per week. Currently, the front office is staffed from 6:00 AM to 10:00 PM each day. The front office is currently carrying a vacancy in addition to the positions lost during FY 2011 due to an employee resignation. Filling this vacancy would provide flexibility and coverage to the front office during employee absences due to sick leave, training, vacations, etc. thus avoiding the use of overtime.

Strategic Operations - $114,536

Strategic Operations provides equipment, supplies, and training for many of the Police Department’s specialty units such as Special Weapons and Tactics (SWAT), Crisis Negotiations (CNT), Police K-9 program, Honor Guard, and Bike Team. Elimination of this account will remove all funds required for supplies, equipment, and vehicles necessary to maintain these specialty units. The City of Woodland would have to rely on SWAT and CNT teams from allied Police Departments to respond to critical incidents. Since these funds are required to re-certify and train the two police K-9s, without the funds the K-9s would be removed from service.

Currently, the Woodland Police Department SWAT team and the Yolo County Sheriff's Office (YCSO) SWAT team train together and the West Sacramento and Davis SWAT teams train together. If the Woodland Police Department SWAT team ceases to exist, it is unknown if YCSO will be able to staff a full SWAT team. Presently, only the YCSO and Davis Police Departments staff CNT teams. Only the West Sacramento Police Department has an active K-9 program.

YONET - $105,903 Sworn Officer
$32,364 Agency Contribution

The mission of the Yolo Narcotics Enforcement Team (YONET) is to significantly diminish the availability and use of illegal drugs in Yolo County. Woodland has participated in YONET since its inception in 1981. In 2010, YONET seized 744 grams of bulk marijuana and 488 grams of methamphetamine in Woodland. YONET made 37 arrests in Woodland and seized assets worth $245,245 county-wide. Currently the Police Department has one sworn officer assigned to YONET. Removal of this position would result in the layoff of a sworn position and conclude Woodland's participation in this county-wide collaborative effort. On average, the Police Department receives approximately $8,000 to $12,000 in asset seizure monies each year.

Gang Violence Suppression Unity (GVSU) Sergeant - $105,903 Sworn Officer

Recently, the Woodland Police Department combined the Gang Violence Suppression Unit with the County Gang Team consisting of the YCSO, District Attorney's Office, California Highway Patrol, and Yolo County Probation as participating agencies. The team investigates crimes involving gang activity, prepares gang evidence for trial, gathers gang intelligence in an attempt to prevent gang crimes and provides gang education training to the Woodland community. The team had been supervised day to day by an YCSO Sergeant; however this Sergeant was recently returned to patrol duties due to reduced staffing at YCSO. The Woodland Sergeant currently supervises the County Team. If this position is eliminated, one sergeant would be face a layoff and another agency would have to provide supervisor oversight to the gang team. If no other agency is able to provide supervisor oversight, the Police Department would have to cease Woodland's participation in the County gang team, remove their two gang officers, and place the supervision of the gang officers under the Woodland Detective Sergeant. Due to the volatility of the type of work the gang team performs, this would not be ideal.

Traffic Motor Officer - $107,727 Sworn Officer

Currently, the Woodland Police Department has three officers assigned to the Traffic Division as Motor Officers. In 2010, officers issued approximately 6141 traffic citations. The majority of these citations were issued by the Motor Officers.

These officers are also responsible for investigating all fatal and major traffic collisions and utilize technology to diagram major crime scenes. The officers provide traffic education, write a traffic education article for the Daily Democrat each month, teach "Start Smart" classes to new teenage drivers twice per month, and maintain the traffic Blog on the City webpage. Traffic Officers also conduct Tow Hearings for citizens appealing the impoundment of their vehicles and provide driver safety training and radar training to the Department's sworn officers. Reduction of a Traffic Officer would cause a sworn position to face a layoff and result in fewer citations being issued. Since the rate of traffic collisions is directly influenced by the level of traffic enforcement for hazardous moving violations, a reduction in citations would impact our community's rate of traffic collisions. Additionally, a reduction of a Traffic Officer would limit the Department's ability to continue to meet the educational services provided to the community.

Other Police Related Impacts

As the Council may recall, the City received a Federal COPS grant in October 2009 funding three sworn officer positions for three years. The grant requires that at the conclusion of the grant, grantees must retain all sworn officer positions awarded under the COPS grant for a minimum of one year (12 months). The retained COPS-funded positions must be over and above the number of locally-funded positions that existed at the time of the grant application. When applying for the grant, the Police Department maintained 67 sworn officers. The grant provided three additional positions taking the Department to 70 sworn positions. The grant ends September 30, 2012 at which time the grant requires the Police Department to maintain 67 sworn officers plus the three additional officers (70) for one year. Currently the Police Department has 64 sworn officers, 6 officers short of the grant requirement. Staff is not sure what will occur if the City does not meet the requirement of the grant; however, it is possible this inability may be viewed as supplanting and the City may be required to pay back all or part of the grant funds ($836,000).

Staff believes that it would be essential to avoid the loss of additional sworn positions in the Police Department. Therefore, the recommended reductions offered by the Police Department would focus on alternatives that would achieve significant savings without reducing sworn officers.

There are other reductions that could be considered by the City Council. These include:

Cemetery Maintenance - $185,000

This reduction would return the Cemetery to the same level of General Fund support it has this year by not adding seasonal workers. The addition of the seasonal workers was presented by Public Works after reviewing Cemetery operations and concluding that the additional workers were necessary in order to keep the facility safely open to the public. Staff would be reduced to .5 FTE, maintain a 960 hour on-call temp for burials and quarterly mowing and remove almost all discretionary and non-discretionary funds. Given the level of maintenance, Public Works would have to consider <u>closing and locking the gates</u> due to safety issues. If the gates were locked, <u>visitors to the Cemetery would be severely restricted</u>, burials would only be allowed by appointment from pre-existing sales and access to the burial site would be restricted to a cleared path from the nearest road.

Youth Services Initiative - $130,000

An additional expenditure reduction option would be to eliminate all youth recreation programs slated for reallocation to the Youth Services Initiative. This strategy would eliminate the following programs proposed on March 29 for reallocation:

- All recreation classes offered through contract instructors with the exception of the "Stepping Out" program that serves special needs youth;
- Certain special events;
- Maxwell afterschool program;
- Summer Day Camp;
- Summer Time Fun Clubs;
- Winter Youth Basketball.

Revised Sales Tax Projection

On April 22, staff met with the City's Sales Tax Consultant who provided updated trends on sales tax performance for Woodland businesses. The results of this meeting were encouraging; for the third straight quarter, the City's sales tax improved to the point that staff has revised the FY 2012 projection by an additional $165,000. This is not considered a significant increase although it does show that trends are heading in the right direction for a slow recovery.

Other Operational Changes

The City's Budget Review Team and operating departments have identified savings of $439,900. These savings include revised emergency dispatch costs, revised outside agency contract costs and savings generated by the implementation of the City's new phone system. The revised outside agency contractual costs were generated, in part, by department managers working closely with their contracting resources to adjust anticipated increases.

High Priority Positions

Identifying the resources to add three additional firefighters in order to maintain the current emergency response service levels of four fire engine companies was expressed as a high priority during the March 29 workshop. Adding the firefighters will allow the City to meet the existing service level, reduce overtime expenses and allow firefighters to utilize their scheduled days off. It is important to note that increased overtime can be a contributory factor in work related injuries for public safety staff.

The cost to hire three additional firefighters is $405,000. Staff believes this cost should be factored into the expenditure estimates and the strategy to correct the fiscal imbalance and generate a contribution the General Fund reserves necessary to offset the revenue shortfall in FY 2010.

In addition, the resources for the Children's Librarian and two currently vacant police officer positions are included in the General Fund expenditure estimates.

Summary of Proposed Changes to the General Fund

Please note the following summary of the General Fund that includes the additional sales tax projection, operational changes and inclusion of high priority positions as described herein. The revenue/expenditure totals do not include Measure E estimates since these fund are allocated to the capital program:

General Fund Operating Revenue	*$33,331,392*
General Fund Operating Expenditures	*$33,995,836*
Deficit	*($664,444)*

The following expenditure reductions necessary to correct the fiscal imbalance and recover part of the reserves used last year to offset the FY 2010 revenue shortfall are summarized below. These reductions would be achieved if the organizational restructuring strategies described herein are implemented. Please consider the following list as the **City Manager recommended reductions:**

Reduce Vacant Fire Training Battalion Chief	*$144,193*
*Reduce Fire Administrative Clerk**	*68,166*
*Fire Prevention Modifications***	*122,932*
*Community Development Restructure****	*128,675*
Close City Hall Annex/Consolidate City Hall	*38,000*
Reduce Vacant Park Maintenance Worker	*47,632*
Reduce Vacant Records Specialist	*32,208*
Reduce Police Wellness Program	*10,000*
Reduce Cemetery Transfer	*185,000*
Maintain Two Police Officer Vacancies	*200,000*
Total City Manager Recommended Expenditure Reductions	*$976,806*
Current General Fund Deficit	*664,444*
Contribution to General Fund Reserves	*$312,362*

*Incumbent employee would transfer to a vacant position in Finance
**Modifies incumbent Fire Marshall to Deputy Fire Marshall; eliminates Fire Prevention Specialist with incumbent filling one of three new firefighter positions
***Reduces Building Services Manager position which results in a layoff

The City's Budget and Fiscal Policy currently states that the City should maintain a minimum committed reserve of 10% and discretionary reserves of 3% for a total minimum reserve amount of 13%. Based on current trends, staff expects the General Fund reserves to be at approximately $4.1

million at the conclusion of FY 2011. If the recommendations described herein are implemented, the reserves should increase in FY 2012 to $4.4 million against expenditures of $33,331,392 which would provide a reserve amount equal to 13.2%. The City would be in compliance with the Budget and Fiscal Policy.

The City Council may wish to consider additional expenditure reductions in order to increase the General Fund reserves. These reductions would include reduced services in the Police Department and result in the layoff of at least one staff member in the Recreation Division. Please consider the following list as the **additional alternative recommended reductions:**

Eliminate Graffiti Program	*$53,000*
Eliminate Strategic Operations Program	*114,536*
Eliminate Youth Services/Recreation	*130,000*
Total Alternative Reductions	*$297,536*

The expenditure reductions described above would add nearly $300,000 to the General Fund reserves which would be a total of $4.7 million. With $4.7 million in reserve the General Fund should increase reserves equal to 14.1% and remain in compliance with the current Budget and Fiscal Policy. The additional reductions should essentially recover the reserves lost due to the FY 2010 General Fund shortfall.

The final alternative presented to the City Council includes the balance of the Police Department reductions described herein. Each of these reductions would result in the layoff of one sworn position. Please consider the following list as the **not recommended alternative reductions:**

Reduce YONET	*$138,267*
Reduce Gang Violence Suppression Unit	*105,903*
Reduce Traffic Motor Officer	*107,727*
Total Not Recommended Reductions	*$351,897*

The additional reductions should add to the General Fund balance with reserves of $5.05 million. The City would be in compliance with the Budget and Fiscal Policy with reserves at 15.15%.

Summary of Other Funds

Utility Enterprise Funds: The utility enterprise funds are balanced with healthy reserves for FY 2012. However, the long term stability of these funds will remain challenged due to the infrastructure needs projected in the capital program. Implementation of pension reform as discussed on March 29 will be the primary tool to facilitate stability in the utility enterprise funds.

Combined Transportation Funds: The combined transportation funds are balanced for FY 2012 primarily because the significant loss of TDA funds originally forecasted for next year has not occurred. However, staff continues to believe that TDA funds will eventually be reallocated to expanded transit services and the City Council's most recent decisions for the allocation of Measure E funds will eventually require the reduction of street maintenance programs, signals and street light services unless alternative revenue sources are identified. This issue was fully explained in the March 29 report.

Redevelopment Funds: Detailed discussion of redevelopment is impacted by the State budget and the Governor's proposed elimination of redevelopment agencies. The April 5, May 3 and May 17 Redevelopment Board meetings included discussion of the RDA bond funds.

The Governor's May Revise budget included his proposal to eliminate redevelopment. If the proposal to eliminate redevelopment agencies is implemented, up to six staff could face layoffs since the funding to support the positions would not be available and the General Fund cannot be a source for the backfill at the present time. Developing a contingency plan in association with the elimination of redevelopment is difficult, if not impossible, since the details regarding implementation of this initiative have not been defined in any legislation.

Concluding Comments

The information provided herein is intended to provide the City Council with a status report on the FY 2012 budget. It is important for staff to receive the City Council's approval regarding the following issues as presented herein:

- Public Safety Management Consolidation;
- Modified Building/Fire Consolidation;
- Community Development Restructuring;
- Continue focus on Pension Reform initiative;
- Alternative Expenditure Reductions

Specific direction as summarized above will provide staff with the information necessary to present the entire FY 2012 City Budget for adoption on June 21. The action on June 21 would include updated 10-year Plans for all funds and the 10-year Capital Program.

Fiscal Impact

The information presented herein provides the City Council with options to correct a $664,444 fiscal imbalance within the General Fund and contribute to the General Fund reserves in order to comply with the Budget and Fiscal policy and recover part of the fund balance lost in FY 2010 due to a revenue shortfall. The staff recommended alternative will allow compliance with the Budget and Fiscal Policy and recover part of the reserves lost in FY 2010.

Public Contact

Posting of the City Council agenda.

Alternative Recommendations

1. Receive the updated information on the FY 2012 operating budget and approve the following specific actions in order to support final development of the FY 2012 budget as described herein: a) Public Safety Management Consolidation; b) Modifications to Fire Prevention; c) Community Development Restructuring; d) Meet and Confer Process to pursue Pension Reform; and e) City Manager recommended expenditure reductions.

2. Receive the updated information and approve the City Manager and additional alternate expenditure recommendations.

3. Receive the updated information and approve the City Manager, additional alternate and not recommended expenditure reductions.

4. Provide alternate direction to staff.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

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Mark G. Deven
City Manager

Attachment: March 29, 2011 report

City of Woodland

ATTACHMENT #1

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: March 29, 2011

SUBJECT: Status of the FY 2012 Budget

Report in Brief

Staff has completed the initial development of the FY 2012 budget for all funds. While the City continues to face fiscal challenges, the slight improvement in the economy, downsizing of the organization and implementation of strategies to improve efficiency appears to be helping the City to avoid consideration of significant expenditure and service level reductions as has been necessary since 2008. Nonetheless, the FY 2012 budget will require difficult decisions and organizational restructuring in order to place the City on a path to long term fiscal stability. The FY 2012 budget includes $700,000 in unanticipated costs, including increases to pension contributions, health insurance, emergency communications and cemetery maintenance. The pension increase requires the City Manager and City Council to articulate the need for changes to the compensation of City employees which will focus on addressing the cost increases for pensions and benefits. These steps are necessary in all funds in order for the City to generate healthy reserves, provide basic services and generate the capital necessary to repair/replace public infrastructure.

The information presented in this report will review revenue and expenditure assumptions in all funds. Strategies to facilitate long term fiscal stability in each fund will be summarized. The General Fund discussion will include a summary of a restructuring plan intended to take advantage of the 25% reduction of the City's workforce by consolidating departments and divisions.

Staff recommends that the City Council receive the status report on the FY 2012 operating budget and provide comments, suggestions and direction in response to the information as described herein.

Background

On June 22, 2010, the City Council adopted the FY 2011 General Fund budget that included strategies to close a $5.8 million budgetary shortfall. In summary, the shortfall was addressed through revenue enhancements made possible by the passage of the quarter-cent sales tax measure (Measure V) on June 8, 2010 and significant expenditure savings through service level reductions, an early retirement program and layoff of 5.5 employees. These reductions came after two consecutive years of significant cutbacks, salary reduction programs and use of one time revenues.

On March 15, 2011, the City Council approved Mid-Year Budget Adjustments for all City funds. These adjustments primarily consisted of changes to operating accounts and did not include major revisions to expenditure and revenue estimates that required consideration of service level reductions. The Council's consideration of the Mid-Year Adjustments did include the acknowledgement that FY 2010 General Fund revenues were well below estimates which generated the need to utilize approximately $963,000 of the reserve fund balance. This situation requires the City to consider strategies to recover the reserves in order to remain in compliance with the City's Budget and Fiscal Policy.

Long term financial plans are the cornerstone of the City's Budget and Fiscal Policy. Long term financial planning has been implemented through the projection of revenues and expenditures for each of the City's major funds, including the General Fund, utility enterprise funds and redevelopment. The planning period forecasts revenues and expenditures based on financial assumptions that factor trends and other relevant data.

Since the onset of the current recessionary economy, developing financial assumptions has been challenging if not impossible. General Fund revenues have declined so far, so fast that staff has been unable to accurately forecast income. Sources of revenues that are driven by economic conditions such as sales tax and development fees have been extremely volatile and have declined as much as 20% over a single year period. Even property taxes, usually a stable source of income, are expected to decline nearly 5% in FY 2011 compared to FY 2010 based on projections from the County Assessor.

Enterprise funds and other fund revenues are also challenged although in slightly different ways. Water and Sewer enterprise fund revenues must account for the increasingly complex and highly regulatory operations of these critical public utilities. In addition, these revenues must account for financing requirements so that the City can issue bonds to replace/repair critical infrastructure and implement costly projects such as Surface Water and Meter Installation. The complexity of these projects requires a certain degree of flexibility that can cause assumptions to be revised.

On the expenditure side, staff has had to account for meeting labor agreement conditions, increases in benefits costs and inflationary adjustment in other normal operating expenses. Woodland has implemented nearly all of the usual and customary strategies to reduce expenses, including a hiring freeze, elimination of vacant positions, reduction or elimination of training/conferences, Golden Handshake retirement incentives, program/service consolidation, furloughs and sharing of benefit cost increases with employees. Some of these strategies were initially considered as short-term with the assumption that the economic downturn would either not get any worse or end quickly.

Finance staff and the City Manager's Office have concluded that the current economic downturn **is not short term, will not end quickly and will continue for the next 5-8 years, at a minimum.** While it is possible that conditions should not deteriorate further, most economists believe that the recovery will be slow and steady to the point that it will be barely noticeable. These conditions need to be factored into the FY 2012 budget process and revised 10-year Financial Plans for all funds.

The passage of Measure V also generates conditions and challenges for the General Fund that must be addressed. This quarter-cent sales tax should generate nearly $8.3 million from its actual implementation on October 1, 2010 through its sunset exactly four years later on September 30, 2014. The revenue will enable certain programs and services originally slated for elimination during FY 2010 to continue; however community and Council expectations have expressed to the City Manager that the same services need to continue at the levels funded by the sales tax measure after the measure sunsets.

The Council also believes that the passage of Measure V strongly suggests that Woodland residents do not want any more service level reductions. Woodland residents voted to assess themselves an additional quarter-cent in the midst of a recession in order to preserve the level of certain critical services such as the Library, public safety, Senior Center and parks. The concept associated with the sales tax measure is that the additional revenue would be a temporary adjustment that will allow the City to revise its fiscal priorities as the economy recovers.

In order for this to occur, it is imperative that the City organization commit to a series of actions that will change how the organization conducts business. Some of these actions were presented in the FY 2011 summary of organizational initiatives, such as restructuring the organization and developing alternate methods of service delivery. Other actions include changes to how employees are compensated and the level of cost of living adjustments that can be expected throughout the course of the slow economic recovery.

On many occasions, the City Manager and City Council have acknowledged that Woodland's employees are its Number One asset. This acknowledgement remains true at the present time.

During the last three years, the City and its employees, through their bargaining units, have implemented retirement incentives, furloughs and shared benefit cost increases. City staff has accepted new work assignments on short notice in order to blunt the impact of the current economic downturn. Despite the loss of over 100 positions over the last three years, only 5 full-time employees and one part-time employee have been involuntarily discharged through layoffs. While the last three years have been very stressful and challenging to all employees, Woodland has avoided the dozens of layoffs and double-digit percentage compensation reductions that the employees of other government agencies, including Yolo County and the State, have had to endure.

It is absolutely critical for all City funds to reflect the current status of the economy and other fiscal conditions as described herein in the preparation of the 2012 budget. Therefore, the City Manager's Office in collaboration with the Finance Division has developed revenue and expenditure assumptions for all funds and issued express instructions to all Departments in association with the preparation of the FY 2012 budget. These assumptions are explained in the following section of the report.

REVENUE ASSUMPTIONS

General Fund Revenue Assumptions

- **Property Taxes:** 2% increase in FY 2012. This assumption reflects the fact that the FY 2011 assumption of a 7.5% decrease from FY 2010 actually ended up at 4.7%. In addition, the residential development in process with Standard Pacific within the Spring Lake Specific Plan Area and Pulte at Gibson/Ogden should help this revenue source to stabilize.

- **Sales Taxes (excluding Measure V):** 2% growth in FY 2012. This assumption reflects very slow growth although it is important to note that **any** growth is a positive development given the recent history.

- **Transient Occupancy Tax (TOT):** 4% increase in FY 2012. This assumption reflects the modest recovery and some work between staff and youth and adult sports organizations to market Woodland hotels to visitors/participants who attend events at the Community Sports Park.

- **Document Stamp Tax:** Assumes no increase for FY 2012.

- **Sales Tax – Measure V:** 2% increase for FY 2012. This assumption is consistent with the sales tax assumption above.

- **Fee Revenues:** There is an overall 2% increase that reflects some fees remaining flat while others have slight increases.

- **Fines, Service Charges, Revenue from Other Sources, Sales & Donations:** 2% increase.

- **Other Miscellaneous (including indirect charges):** 5.6% annual increase.

Water Fund Revenue Assumptions

- **Water Fees:** Assumes the 20% fee increase approved by the City Council through the Proposition 218 process in November 2009 and necessary to support the financing of critical capital projects.

Sewer Fund Revenue Assumptions

- **Sewer Fees:** Assumes the currently adopted rates adjusted for the CPI factor.

Combined Transportation Funds

- **Net Transportation Development Act (TDA) Revenue:** Assumes no increase from FY 2011. However, this source of revenue is expected to decrease by $350,000 to $400,000 as soon as FY 2013 when TDA funds are reallocated by the by the Yolo County Transportation District for the first priority which is transit.

- **Gas Tax:** Assumes a 2% increase.

- **Gas Tax Swap (Previously Prop 42):** Assumes a 3% increase.

<u>Redevelopment Agency</u>

- **Tax Increment:** Assumes a 2% increase **if the Governor's proposed elimination of redevelopment is avoided. Otherwise, the Agency will cease to exist as it is today.**

EXPENDITURE ASSUMPTIONS

<u>General Expenditure Assumptions – All Funds</u>

- **Personnel Costs**
  Salaries: Increase of 1% in FY 2012 (reduced by assumed FY 2011 retirements).
  Pension Benefits: **18% increase** for public safety and **12% increase** for miscellaneous employees based on actual updated costs received from Cal PERS.
  Medical Benefits: **18% increase** beginning on January 1, 2012 based on actual costs received from providers and medical plan changes previously negotiated.

  Other Benefits: 8% increase in FY 2012.
  Overtime: Unchanged from 2011.

- **Discretionary expenditures –** Reflects the following historical trends:

  Professional/Contract services: Generally remain flat.
  Meetings/Education: no increases.

- **Non-Discretionary expenditures –** The following assumptions reflect current agreements and historical trends:

  YECA contract: 3% annual increase and additional $150,000 annual charge for Animal Service calls.
  Utilities: 5% annual increase.
  Technology charges: 5.6% annual increase.
  Vehicle maintenance: 3% annual increase.

<u>Water Fund Expenditure Assumptions</u>

- **Debt Financing:** Assumes expenditure of previously issued bond funds and new financing to support scheduled capital projects.

- **Unfunded Capital Projects:** The current 10-year Financial Plan shows that there is a total of **$112,563,383** in unfunded projects with **$103,058,383** estimated for Surface Water and **$9,505,000** for various other projects; **this situation needs to be factored into the FY 2012 budget.**

<u>Sewer Fund Assumptions</u>

- **Bond Funds:** Assumes some expenditure of Bond funds that may be unexpended from FY 2011.

- **Unfunded Capital Projects:** The current 10-year Financial Plan shows that there is a total of **$13,475,000** in unfunded projects; **beginning to address this situation needs to be factored into the FY 2012 budget.**

- **Sludge Management:** Staff has identified the development of a plan to address sludge management based on conditions imposed by regulatory agencies.

<u>Combined Transportation Funds</u>

- **Review of Expenditure Reduction Options:** The following areas will need to be reviewed for expenditure reduction opportunities in order to offset the future loss of TDA funds and Council priorities for the use of Measure E funds as described herein.

  - Sign Maintenance **– Reduce or eliminate**
  - Local Street Lights **Reduce or eliminate**
  - Signal Maintenance - **Reduce**
  - Arterial Road Street Lights - **Reduce**
  - Traffic Engineering Support for Enforcement **– Reduce or eliminate**

<u>Redevelopment Agency Assumptions</u>

- **Redevelopment Bond Funds:** RDA Bond funds will be used to fund certain reimbursable costs for the Yolo Superior Courts project. In addition, bond funds will be used to support other potential projects based on the potential loss of redevelopment as proposed in the State budget. Additional discussion of this issue will be conducted on April 5.

- **Redevelopment Operating Funds:** Assumptions associated with these funds are being reevaluated based on the elimination of redevelopment as proposed in the State budget and potential alternative being developed by the League of California Cities and the California Redevelopment Association.

- **Housing Set Aside Funds:** There is a potential for expenditure of Housing Set Aside funds if certain initiatives are approved for implementation by the RDA Board. In FY 2011, the Board allocated a significant portion of the fund balance of this fund to home loans, so available amounts will be carefully reviewed prior to approval.

SUMMARY

General Fund: Revenue estimates for the General Fund based on the assumptions described herein are **$36,866,392.** Expenditure estimates based on the assumptions and departmental requests are **$38,024,251** which would result in an imbalance of **$1,157,859** without implementing additional cost reduction measures. The primary reason for the imbalance is the inclusion of $700,000 in unanticipated cost increases for pensions, health insurance, emergency communications and cemetery maintenance.

Budget review meetings conducted by the City Manager's budget review team and each department has identified reduction strategies primarily associated with vacant positions and organizational restructuring that will reduce expenditures to the point of achieving a balanced budget. However, additional measures must be considered in order to fill vacant positions in public safety and the Library and recover all or part of the General Fund reserves lost in FY 2010. Staff believes these measures can be implemented without impacting service levels; however, the measures will impact employee compensation by addressing pension costs and are subject to the meet and confer process.

Utility Enterprise Funds: The utility enterprise funds are balanced with healthy reserves for FY 2012. However, the long term stability of these funds will remain challenged due to the infrastructure needs projected in the capital program. The strategies that will be discussed to address pension costs will be the primary tool to facilitate stability in the utility enterprise funds.

Combined Transportation Funds: The combined transportation funds are balanced for FY 2012 primarily because the significant loss of TDA funds originally forecasted for next year has not occurred. However, staff continues to believe that TDA funds will eventually be reallocated to expanded transit services and the City Council's most recent decisions for the allocation of Measure E funds will eventually require the reduction of street maintenance programs, signals and street light services unless alternative revenue sources are identified. Additional discussion of this issue is provided later in this report.

Redevelopment Funds: As expressed previously herein, detailed discussion of redevelopment is impacted by the State budget and the Governor's proposed elimination of redevelopment agencies. The April 5 Council/Redevelopment Board agenda will include discussion of the RDA bond. Further discussion of RDA operating funds should be delayed until alternatives proposed by the League and

California Redevelopment Association are considered. However, if the State proposal to eliminate redevelopment agencies is implemented, up to six staff could face layoffs since the funding to support the positions would not be available and the General Fund cannot be a source for the backfill at the present time.

Discussion

The following section will present actions that should be considered for the City funds described herein. These actions will support the City's need to achieve long term fiscal stability.

Organizational Restructuring

It has been expressed several times over the last three years that the City organization must be restructured in order to become fiscally sustainable over the long term. Staff had previously hesitated in proposing major long term changes because of the unpredictable economic conditions. Until conditions stabilized, staff felt it was better to implement interim measures and wait for more permanent solutions until the economy ended its near "free fall" and righted itself to the point that it might stabilize.

Staff believes that the economy has become more stable and the near "free fall" has settled. Based on this assumption, it is reasonable and necessary to implement an organizational restructuring plan that will facilitate long term fiscal stability. Discussion of the organizational restructuring plan will be presented to help explain the actions that need to be considered to balance the FY 2012 General Fund budget; these actions will also improve fiscal stability in all City funds.

Community Development Department Restructuring

The Community Development Department has been without leadership at the executive level since the retirement of Barry Munowitch in August 2009. Since that time, the day to day operation of CDD has been under the direction of Deputy Director Paul Siegel and the City Manager has been responsible for providing policy direction based on priorities and as time would allow. While this has certainly not been the most effective arrangement, staff felt it was adequate given the level of development activity and concern for additional reductions that may be required in response to declining revenues. In fact, CDD has implemented over $1.2 million in expenditure reductions and lost several positions since 2008.

Staff now believes that the current arrangement is no longer feasible. The lack of focused leadership at the executive level for CDD has had an adverse impact on the Department's operations, development activity and capital projects. CDD is in the process of adapting its work processes in order to account for the loss of positions and the use of new technology. While there is an honest effort to accomplish this, effective implementation of new processes takes time. In addition, the new demands on the engineering side of the operation generated by the increased infrastructure projects and the Surface Water Project requires a high level of leadership and management abilities. At this time staff has concluded that CDD needs an executive level professional with a solid background in engineering and development who can integrate planning, engineering and building into a cohesive and results oriented organization.

Therefore, the FY 2012 budget proposes a restructuring of Community Development that includes the following elements:

- Consolidating all engineering programs, including capital projects and utility engineering, under one Engineering Division within the Community Development Department;

- Delete the Deputy Director position and reestablish the Chief Building Official position;

- Eliminate the Building Services Manager position which will result in the layoff of the incumbent;

- Commence the process to hire a proven manager and leader with experience in development, planning, building and engineering to lead the organization and play a key role in the Surface Water Project.

The beginning steps of this process have been discussed. Director of Public Works Greg Meyer has been engaged in discussion regarding the engineering consolidation and is supportive of this move. Greg has already made several outstanding contributions to the Surface Water Project and will remain engaged in that effort although at a lesser capacity. Paul Siegel has been informed of the plan to re-establish the Chief Building Official. If the Council is supportive of this action, efforts will be implemented to attract a proven leader/manager with experience in engineering, planning and building to lead the Community Development Department. Staff believes that existing resources within the General Fund and Utility Enterprise Funds can be reallocated to support this action.

<u>Public Safety Consolidation</u>

Following the retirement of Fire Chief Tod Reddish, proposals were received from West Sacramento and Davis/UC Davis for an interim consolidation of Fire management programs. Interim Fire Chief Rick Sander was asked to form a committee of Woodland Fire Department staff to review the proposals and provide comments and a recommendation. In addition, staff received and reviewed proposals from qualified consultants for a Regional Fire Consolidation Study based on a collaborative Request For Proposal developed by UC Davis. The Fire Consolidation Study will also provide an organizational assessment of the participating Fire departments in order to fully evaluate the impact of regional consolidation.

The review of the interim consolidation proposals and the Fire Consolidation Study proposals caused the Fire Department committee to conclude that there was little advantage to either the West Sacramento or Davis/UC Davis proposals. Both proposals would add costs to the operation of the Fire Department while providing some level of organizational assessment. The conclusion of the Fire Department staff committee was that the best alternative was to continue the management of the Fire Department under Interim Chief Sander and await the results of the Fire Consolidation Study.

While in agreement with the conclusion that the interim proposals offer little advantage and added costs, a fourth option has been developed. This option involves the consolidation of the Police and Fire Departments under a single Public Safety Department with Chief of Police Dan Bellini as the leader. This action places a long tenured, public safety professional as the leader of a consolidated department for at least an interim period while the Fire Consolidation Study is completed. If the Study demonstrates that the consolidation of the regional fire departments is feasible with significant advantages in savings and efficiency, then Chief Bellini and the Fire staff will lead that transition if such a move is approved by the City Council. If the Study fails to demonstrate the feasibility of a regional Fire consolidation, than the City will have the option of continuing with a single Public Safety Department or returning to separate Police and Fire departments.

The concept of a consolidated Public Safety Department was discussed with the Fire staff members who reviewed the interim proposals. While it is safe to say that the option has generated lots of questions, some concerns as to the effectiveness of the Chief of Police's ability to contribute to the mission of the Fire Department and Chief Bellini's comparatively short time as a department head, the concerns regarding community/organizational loyalty are eliminated. In addition, the consolidated Public Safety organization would re-establish the Deputy Fire Chief position that would operate the Fire "Division" of the consolidated Public Safety Department similar to the role played by Captain Bierwirth in the Police Department.

The City Council, community members and City employees may have questions regarding the legal issues associated with combining public safety functions under a single executive. In anticipation of such concerns, the City Attorney prepared a memo analyzing this strategy. The memo included as Attachment No. 1. The conclusion of the City Attorney's analysis is that the City has the discretion to reorganize its Fire Department to become a division of a Public Safety Department, the duties of the Fire Chief may be transferred to a Public Safety Director and Deputy Fire Chief and the Public Safety Director must be a peace officer with the same qualifications as a Chief of Police.

It is important to note that consolidated public safety departments have been implemented in California and throughout the United States. One example of a California agency is the City of Sunnyvale. There are many cities in the Midwestern region, including Kalamazoo, Michigan and Woodbury, Minnesota.

This option would not have been considered without the strong support and confidence in Chief Bellini. In addition to his excellent performance as a law enforcement professional, Chief Bellini has also shown himself as an excellent team player. He is very conscious of his role as a member of the City's executive team to look at the welfare of the entire organization **<u>in addition to</u>** the Police Department and not solely focused on the Police Department. Chief Bellini enjoys a high level of support within the Police Department and the entire City organization because of this broad focus.

<u>Identification of Core Recreation Services</u>

Assigning Chief Bellini the responsibility to manage a consolidated Public Safety Department necessitates relieving him and his management staff of the responsibility to manage the Recreation

Division. As part of this effort, executive and management staff has engaged Recreation staff in a review of all recreation programs in order to evaluate the feasibility of delivering these services through alternate means. This is a first step in determining where the Recreation Division should be assigned within the organization and if resources can be redirected to address other youth and family services priorities.

This process is ongoing. A final decision as to where within the City organization the Recreation Division should be assigned has not been completed. However, the consolidation of public safety programs does require the Recreation Division to be reassigned to another functional area. Therefore, the Chief of Police and Police Department Management Analyst will not be responsible for the oversight of the Recreation Division assuming the consolidation of public safety is implemented.

As the Council is aware, there have been efforts implemented over the last two years to develop programs and services that specifically focus on youth and family services that will prevent youth violence. The need for and interest in such services has been identified by Council members and civic leaders who have attended dozens of community meetings held in church halls, neighborhood locations, the Community and Senior Center and schools. With the fiscal challenges faced by the City, identifying new resources to address this need has been impossible. As an alternative, staff has utilized the process of identifying core recreation services as a means of determining the feasibility of redirecting resources to develop collaborative youth and family resources. This process has resulted in the identification of certain recreation programs and services the City is currently offering that could be offered by other community resources. These services include:

- All recreation classes offered through contract instructors with the exception of the “Stepping Out” program that serves special needs youth;
- Certain special events;
- Maxwell afterschool program;
- Summer Day Camp;
- Summer Time Fun Clubs;
- Winter Youth Basketball.

It is important to note that the action described herein does not propose to immediately cease offering the above activities or eliminate these activities from the community. The proposed action is to actively facilitate the transition of these activities from the City to another community provider over time. Transitioning from directly providing these programs and services to facilitating and supporting the activities being offered by another community provider would allow the reallocation of approximately $130,000 to a collaborative youth and family services program. Given the fiscal challenges faced by the City at the present time, staff believes there is no other alternative. If the

Council is supportive of the concept, staff will develop a structured program for further review and a transition plan.

Development of a structured program and the transition of the recreation programs to alternative services delivery should be discussed with the Parks and Recreation Commission prior to any additional actions. The Commission may have concerns regarding the transition of certain programs and services as well as the timing to implement such a transition. Seeking the Commission's comments as part of this process is critical to its implementation.

Implementation of the restructuring plan described herein will allow the City to take maximum advantage of vacant position and revised alignments to achieve up to $940,000 in savings. The following specific actions to generate expenditure savings are briefly summarized:

Building and Fire Prevention Consolidation: Reestablishment of the Chief Building Official position and the Public Safety consolidation will enable the Chief Building Official to assume leadership of a consolidated Building and Fire Safety Division. This consolidation would place the responsibility of enforcing building and fire safety codes under the Chief Building Official. If implemented, this consolidation would allow the Fire Marshall position (Battalion Chief) to be eliminated and reassign the fire inspection staff to the consolidated Building and Fire Division. The elimination of the Fire Marshall position would result in the layoff of the incumbent. Total savings associated with this action, if combined with the previously mentioned elimination of the Building Services Manager, is approximately $297,000.

Public Safety Administration: The Public Safety consolidation provides an opportunity to more efficiently manage administrative functions such as budget management and training. Staff believes that more efficient management will allow the vacant Fire Training Officer (Battalion Chief) position to be eliminated and the Administrative Clerk assigned to support this function to be transferred to a vacant position in Finance. Budget administration and training will be shared between the two management analysts assigned to the currently separate Police and Fire Departments. The total savings associated with this action is approximately $237,000.

In addition, the reestablishment of the Deputy Chief position in lieu of a Fire Chief will provide a net savings of $30,000.

Finally, the consolidation of Public Safety and restructuring of Community Development presents an opportunity to co-locate similar functions and eliminate the need for a City building. The reductions in Fire administration will allow the remaining staff to move into available offices within the Police building on Lincoln Avenue. Merging all engineering divisions and, if necessary, co-locating engineering positions at the Municipal Service Center will enable the remaining CDD staff to move into the City Hall building. The current Fire Administration area would be modified to become the Permit Center as it has a counter area that could be utilized for that purpose. This would effectively relieve the need for the City Hall Annex building at 520 Court Street and reduce an annual General Fund expenditure of $38,000. In addition, this move would eliminate future costs to replace building components such as the heating/air conditioning system and the roof.

The total General Fund expenditure savings associated with consolidating public safety administration is $305,000.

Remaining Vacant Positions: There are currently 3.5 General Fund positions vacant which would generate approximately $338,000 in savings. These positions include:

- Two Police Officers
- Children's Librarian
- 50% FTE of a Parks Maintenance Worker

Other Potential Savings: Staff believes that additional savings of $290,000 can be generated by additional review of operating accounts within the fleet services and technology areas. Additional work will be required to verify this assumption. If this is correct, the total General Fund savings identified as described herein is approximately $1.23 million. This amount slightly offsets the deficit described for the General Fund within the Background section of this report.

Balancing the FY 2012 General Fund budget as described herein is a good start. However, it is not enough given the FY 2010 deficit and the impacts associated with program/service areas that were specifically identified as priorities by the advisory measures approved last year in association with the sales tax measure. Staff believes that additional savings need to be identified and reallocated to address the following areas:

- Hire the three additional firefighters to necessary maintain four engine companies;
- Fill the Police Officer vacancies;
- Fill the Children's Librarian vacancy
- Identify General Fund resources to recover the lost fund balance from FY 2010.

The resources necessary to hire the firefighters, police officers and Children's Librarian is estimated at $635,000. These vacant positions have been identified because of the relationship to the sales tax advisory measures; therefore, staff believes the positions are a very high priority.

Hiring the firefighter positions is necessary to maintain the present level of four fire engine companies without over-expending overtime. These positions will be combined with a focused training program that will allow firefighters to "act" in higher classifications in order to minimize the need for overtime and keep this expenditure at the budgeted level of $400,000.

Filling the police officer vacancies are necessary to maintain staffing levels for patrol without reducing in other areas such as investigations or special units. Reductions in investigations and special units such as traffic and gang violence suppression will reduce the ability for the Police Department to implement proactive crime reduction actions.

The Children's Librarian position provides a core service that sustains the Library's focus on education. This position also supports the general operation of the Library which is important because of the staff reductions that has impacted this service since 2005.

Pension Reform: As presented herein, there are no additional resources available to fill these high priority positions. At this time the only strategy staff believes is feasible to implement this action is to seek an agreement with the City's bargaining units to eliminate the Employer Paid Member Contribution for the pension program and have each employee cover that obligation. If this was implemented effective with the FY 2012 budget, the General Fund could achieve an estimated savings of $957,000. These savings could be reallocated to fund the above positions and allocate nearly $400,000 to the General Fund reserves which would, combined with the anticipated contribution for the current fiscal year, make up approximately two-thirds of the FY 2010 deficit.

Eliminating the Employer Paid Member Contribution was discussed during the October 12 Study Session on fiscal issues. At that time, staff indicated that this action could be implemented over a two-year period beginning in FY 2013. However, the PERS increases for FY 2012 were significantly more than anticipated and all indications are that these costs will continue to rise. In addition, the growing public concern associated with public employee compensation in general and pension reform in particular cannot be ignored.

The City Council and City Manager are well aware of the national and statewide interest in this issue and concrete actions should be taken as soon as possible that demonstrates State and local government's acknowledgement of public concerns. Staff believes that ending the current Employer Paid Member Contribution is a logical first step in implementing pension reform at the local level and relieving taxpayers of a significant expense that can be reallocated to services that benefit the entire community.

In addition to ending Employer Paid Member Contribution, gaining the agreement from bargaining units to establish a "second tier" pension program is critical to containing future costs. The second tier would modify the pension program as follows:

- Public Safety would be changed from 3% at 50 to 2% at 50;
- Miscellaneous employees would be changed from 2.7% at 55 to 2% at 60

If the City Council is supportive of such action, the City Manager will formally request all bargaining units to meet and confer on this matter as soon as possible. Every effort will be made to work with the bargaining units in a manner that achieves the necessary reductions.

Utility Enterprise Funds

The restructuring described herein will also favorably impact the utility enterprise funds. However, the most favorable impact on the fiscal stability of the Utility Enterprise Funds would be the elimination of the Employer Paid Member Contribution. In addition to the $957,000 savings in the General Fund, approximately $600,000 would be saved in the Utility Enterprise Funds. These savings would significantly improve the general financial health of the water and sewer programs by allowing resources to be reallocated for capital projects and bonding capacity and, in the long run, lowering potential rate increases.

Combined Transportation Funds

Restructuring and eliminating the Employer Paid Member Contribution will also support fiscal stability in the Combined Transportation Funds. However, staff believes and has previously expressed to the City Council that the looming threat associated with the reallocation of TDA funds from local street maintenance programs to mass transit services provided by the Yolo County Transportation District will require the consideration of very unpleasant alternatives.

Previous trends showing the accelerated loss of transportation funds have been discussed with the City Council in association with the 10-year financial plan for transportation programs. To address this trend, staff has discussed the use of Measure E funds to "backfill" the loss of TDA funds when that occurs. However, the most recent Council approved allocation of Measure E funds which reduced the share allocated to roads combined with the $19 million reduction due to updated estimates requires a close examination of potential impacts. The following reductions were presented on May 25 and are listed in priority order to give the Council and the community a sense of the potential impacts if TDA funding was reduced and there was no backfill available to offset the loss. The impacts are listed in the order which reductions could be made based upon their regulatory requirements and the potential liability to the City. The costs shown are estimates.

1. ***General Budget* –** Reduce training budgets to minimum required to maintain certifications, reduce contract services where possible, reduce small tools budgets and reduce traffic engineering support/response to public requests during the summer months. (Savings – $45,000)

2. ***Sign Maintenance* –** Eliminate all maintenance and repair of green street name signs, brown and blue guide signs, no parking signs, red curb, bike lane lines, bike legends and fog lines. This includes graffiti cleaning and replacement of signs that are in disrepair or are missing. Knockdowns of signs in these categories will be removed and will not be repaired or replaced. All public requests for curb painting, sign installation and other non-regulatory requests will be denied. (Savings - $175,000)

   Potential Consequences – Faded, missing and damaged signage will not be repaired or replaced. There may be an increase in potential liability due to faded street name signs and Fire and Police responses. Additionally there are implications regarding parking enforcement revenues if parking restriction signs are not maintained.

3. ***Local Road Street Lights –*** Approximately 2,000 non L&L funded street lights located on collector and local streets (83% of the lights) will be turned off. Only emergency response to knockdowns or critical situations will be supported on these roadways. This reduction is proposed because street lighting is considered a convenience and not a requirement. (Savings – $300,000)

   Potential Consequences – Crime, vandalism, nighttime vehicle accidents and pedestrian injuries may increase.

4. ***Signal Maintenance –*** Reduced maintenance at traffic signals. Eliminate all non-essential maintenance, system upgrades, training and supplies, postpone the planned traffic signal maintenance management program (QuicNet) upgrade, denial of all special requests from the public that are not deemed life/safety issues, eliminate crucial training, reduced stocking of essential supplies and eliminate the loop replacement program. (Savings – $110,000)

   Potential Consequences – Basic required maintenance will be performed; however, special projects/requests, upgrades and unplanned work would be unfunded. Some maintenance projects may be delayed due to the lack of staff and supplies. As essential supplies will no longer be stocked, signals may be placed in, and left on, all red flash for extended periods while materials are acquired. Engineering response to and support of public requests will be reduced.

   It should be noted that this means all operational/non-safety requests would be unfunded. An example of this would be when a traffic detection loop is broken and the signal timing is set to fixed timing, staff would not be able to address the issue.

5. ***Arterial Road Street Lights –*** Approximately 400 non L&L funded street lights located on arterial streets (17% of the lights) will be turned off (except for street lights at signalized intersections). Only emergency response to knockdowns or critical situations will be supported on these roadways. This reduction is proposed because street lighting is considered a convenience and not a requirement. (Savings – $64,000)

   Potential Consequences – Crime and vandalism may increase. Residents may feel less comfortable out at night which may affect revenue to businesses. There is a potential increase in nighttime vehicle accidents and pedestrian injuries.

6. ***Traffic Engineering Support for Enforcement–*** Reduced support for Police Department traffic and enforcement. Eliminate speed zone surveying, engineering support for challenged tickets and special information requests. (Savings - $5,000)

   Potential Consequences – Streets with invalid/outdated speed zone surveys would be classified as speed traps and would become unenforceable. Engineering regularly supplies code information and completes research in support of officers defending tickets that are challenged; this service would be reduced or eliminated.

If Measure E funds are unavailable, staff will need to find an alternative funding source in order to maintain local streets and roads at the current level. Increasing Measure E to the allocation required to avoid all or some of the reductions described herein will have impacts to the capital program.

As a short term strategy, staff has developed a Measure E reserve fund generated from previous Measure E allocations that were not fully expended. There is approximately $900,000 in the reserve fund. The reserve fund would provide approximately two years of additional time to develop an alternative if additional Measure E funds are not available.

Concluding Comments

The information provided herein is intended to provide the City Council with a status report on the FY 2012 budget. It is important for staff to receive comments from the Council regarding the following issues as presented herein:

- Organizational Restructuring;
- Maintaining the currently vacant positions in public safety and the Library;
- Seeking a Meet and Confer process with bargaining units to discuss elimination of the Employer Paid Member Contribution as the first step in implementing pension reform;
- Acknowledgement of the potential impacts to the Transportation Program

Staff believes that the City organization is resilient and determined to work through the City's fiscal challenges while still providing the best possible services to the community. This has not or will be easy. Despite the challenges, staff will continue to find ways of conducting the City's business in the most efficient and effective manner possible.

<u>Fiscal Impact</u>

The information described herein is intended to address a current General Fund deficit of $1,157,859 through a combination of restructuring and other cost saving measures. Implementing the first action for a pension reform program will generate General Fund savings of $957,000 and total savings for all City funds of $1,672,800 by eliminating the Employer Paid Member Contribution. This action would fund certain high priority positions and contribute funds to recover the previous loss of City reserves.

Public Contact

Posting of the City Council agenda. The City Manager also conducted City wide employee meetings on March 23.

Recommendation for Action

Staff recommends that the City Council receive the status report on the FY 2012 operating budget and provide comments, suggestions and direction in response to the information as described herein.

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Mark G. Deven
City Manager

Attachments

BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

MEMORANDUM

ATTORNEY WORK PRODUCT
ATTORNEY-CLIENT PRIVILEGE

TO: Mark Deven, City Manager

FROM: Best Best & Krieger LLP

DATE: December 31, 2010

RE: Forming a Public Safety Department

BACKGROUND INFORMATION

The City is currently evaluating a number of potential internal reorganization plans. One plan would combine the Police and Fire Departments into the Public Safety Department. As the City's Fire Chief recently retired, the City's current Police Chief would become the Director of Public Safety. The City would then appoint a Deputy Fire Chief who would be responsible for the day-to-day operations of the Fire Division of the Public Safety Department. The current Police Chief would be responsible for the day-to-day operations of the Police Division of the Public Safety Department, in addition to whatever additional administrative responsibilities he holds as Public Safety Director.

The City is aware that a number of California Government Code provisions require cities to maintain a fire departments and appoint fire chiefs to run those departments. You asked us to prepare a memorandum discussing what limitations these provisions placed on the City's reorganization plan.

ISSUES

1. Do Government Code sections 36501, 38611 and/or 38630[1] prevent the City from forming a Public Safety Department or require the City to appoint a Fire Chief?

2. If not, do these sections restrict or limit the City's ability to form or operate a Public Safety Department?

[1] Unless otherwise noted, all statutory references are to the Government Code.

BRIEF ANSWERS

1. No, the law does not seem to preclude the City from reorganizing public safety functions under the leadership of the Police Chief. There is implicit authority for cities to structure their fire departments as part of a "consolidated public safety agency" (i.e., the Public Safety Department), with a"chief, director or chief executive officer" running the consolidated public safety agency.

2. No, the City just needs to make sure that the head of the Public Safety Department, is a peace officer. He or she must also have the same qualifications, rights, responsibilities and privileges as a police chief. In this case, appointing the current Police Chief as Public Safety Director would satisfy this requirement.

ANALYSIS

A. CITY MAY FORM A DEPARTMENT OF PUBLIC SAFETY

General law cities must establish a fire department. (§ 38611.) This fire department "shall be under the charge of a chief who shall have had previous training and experience as a fireman." (§ 38611.) In addition, the "government" of a general law city is vested in part in a fire chief. (§ 36501(e).) A city within the boundaries of a fire protection district is not subject to these requirements. (§ 38611.)

No court has considered whether a municipal fire department must be a separate city department or whether the fire chief must be a separate position. However, courts have at least recognized that "[w]hile Government Code section 38611 requires general law cities to establish fire departments, … decisions regarding its management and operations are left to the legislative discretion of the city." (*New Hampshire Insur. Co. v. City of Madera* (1983) 144 Cal.App.3d 298, 307.) The *Madera* case involved a claim that the city had provided inadequate fire protection. The court refused to hold the city liable due to statutory immunities that shield cities from liability for failing to provide sufficient fire protection. (§§ 850.2, 850.4.) In addition, the court noted that section 38611 did not remove these immunities because while section 38611 required the city to establish a fire department, management and operational decisions regarding the department are left to the city's discretion.

In addition, section 38630 implicitly recognizes that cities may combine their fire and police departments into a public safety department. Section 38630 provides that in "municipalities which provide for police and other emergency services through a consolidated public safety agency which includes traditional law enforcement, fire protection, and other emergency services, the chief, director, or chief executive officer of such an agency shall control the agency." This clause was added to section 38630 in 1998 by SB 1452. As discussed below, this bill was adopted to ensure that directors of consolidated public safety agencies had the same qualifications as police chiefs.

The legislative history of SB 1452 recognizes the prevalence of consolidated public safety agencies. "Over the years, in an effort to save money, smaller municipalities have begun consolidating their police and fire departments into a single 'Public Safety' agency. The public safety agency is responsible for providing both traditional police services and fire prevention services for the city." (Assem. Com. on Public Safety, Analysis of Sen. Bill No. 1452 (1997-1998 Reg. Sess.) Jun. 29, 1998.) While section 38630 does not explicitly authorize the City to create a Public Safety Department, it recognizes that it may do so by implication. If "consolidated public safety agencies" were impermissible, this portion of section 38630 would be meaningless.

In this case, while there is no direct authority explicitly permitting the City to combine its Police and Fire Departments into a Public Safety Department, the City appears to have the ability to do so. As noted above, courts have recognized in other contexts that while section 38611 requires the City to have a fire department, its management and operation are within the City's discretion. In addition, section 38630 implicitly recognizes that cities may create public safety departments.

B. <u>THE CITY IS NOT REQUIRED TO APPOINT A FIRE CHIEF</u>

The potentially more difficult question is whether the City most have a separate, independent Fire Chief. As noted above, section 36501 partially vests the "government" of a general law city in a fire chief. In addition, section 38611 provides that the fire department is managed by the chief who must have previous experience and training as a firefighter.

Similar to whether the City can create a Public Safety Department, there is no direct authority allowing or prohibiting the City from transferring all of the Fire Chief's duties to the Public Safety Director. However, under section 38630, it is clear that the Public Safety Director controls the Public Safety Department. As discussed more fully below, it is also clear that the Public Safety Director must have a police officer background. Therefore, the City is not required to have an independent Fire Chief with independent authority over the Fire Division. By statute, the Public Safety Director controls the Public Safety Department.

While section 38630 clarifies that the Public Safety Director controls the Public Safety Department, it does not indicate whether the City may transfer all of the Fire Chief's duties to the Public Safety Director. However, as a general rule, the City may delegate any duty or a portion of any duty imposed on a City officer by state law to any officer charged with the "performance of duties of the same character in that city." (§ 34004.) In this case, two City officers will exercise the traditional duties of the Fire Chief: (1) the Public Safety Director and (2) the Deputy Fire Chief. Under section 34004, the City may most likely delegate the Fire Chief's administrative duties to the Public Safety Director while delegating the Chief's operational duties to the Deputy Fire Chief.[2] This approach is consistent with the approach taken in other general law cities that use a public safety department. (See Ceres Municipal Code, § 2.20.050 [creating officer of Public Safety Commander/Fire with responsibility for "management, administration and provision of fire protective and prevention services" subject to the Director of Public Safety's supervision].)

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[2] This arrangement is consistent with section 38611's requirement that the fire chief have firefighter experience. Here, the Deputy Fire Chief would have the necessary experience to oversee the Fire Division's operational duties.

C. PUBLIC SAFETY DIRECTOR MUST BE THE POLICE CHIEF

If the City decides to create a Public Safety Department, it should be aware that the Director of Public Safety must have a police officer background. (§ 38630.) In addition to clarifying what a "consolidated public safety agency" is, SB 1452 amended section 38630 to require that the directors of these agencies have the same qualifications as police chiefs. Section 38630 actually requires that the director of a consolidated public safety agency be "a peace officer, and shall meet all of the same requirements imposed by law, regulation, or POST guidelines and recommendations as a chief of police, and he or she shall have all of the same rights, responsibilities, and privileges as does a chief of police."

This requirement was added because some public safety directors were not peace officers. Under various statutory provisions, the "chief of police" has important discretionary duties. For example, he or she issues concealed weapons permits. The author of SB 1452 was concerned that public safety directors who were not qualified to be police officers would become de facto police chiefs.[3] (Assem. Com. on Public Safety, Analysis of Sen. Bill No. 1452 (1997-1998 Reg. Sess.) Jun. 29, 1998.) In this case, if the City appoints the current Police Chief as the Public Safety Director, this requirement is not an issue.

CONCLUSION

We hope this memorandum has been helpful in explaining the issues associated with the reorganizing the City's Police and Fire Departments into a Public Safety Department. As discussed above, the City can create a Public Safety Department and may delegate the overall management of the Fire Division to the Public Safety Director. It may also delegate responsibility for the day-to-day operations of the Fire Division to the Deputy Fire Chief. Lastly, it is actually required to appoint the current Police Chief or someone with similar qualifications as the Public Safety Director.

Below is a bullet-point summary of these requirements and our recommendations:

- The City has the discretion to reorganize its Fire Department as the Fire Division of the Public Safety Department.
- The City may transfer the Fire Chief's "duties" by ordinance to the Public Safety Director and Deputy Fire Chief.
- The Public Safety Director must be a peace officer and have the same qualifications, rights and responsibilities as a police chief.

Please do not hesitate to contact us for more information.

ANDY MORRIS
JOSH NELSON

[3] The author did not express a similar concern with public safety directors becoming de facto fire chiefs.