CITY OF WOODLAND
300 FIRST STREET
WOODLAND, CALIFORNIA

CITY COUNCIL
CLOSED SESSION AGENDA

FEBRUARY 7, 2012

1:00 P.M.

A. CALL TO ORDER

B. CLOSED SESSION

B.1 Public Employee Discipline/Dismissal/Release, Pursuant to Section 54957

B.2 Conference with Labor Negotiators, Pursuant to Section 54957.6
Agency Designated Representatives: Kevin O'Rourke, Amy Buck and Christine Engel
Employee Organization(s): Woodland City Employees' Association, Professional Firefighters' Association

JOINT REGULAR CITY COUNCIL/
WOODLAND FINANCE AUTHORITY
SPECIAL MEETING/STUDY SESSION

2:00 P.M.

A. CALL TO ORDER

B. ROLL CALL

C. PLEDGE OF ALLEGIANCE

D. COMMUNICATIONS-PUBLIC COMMENT

This an opportunity for the public to speak to the Council on any item other than those listed for public hearing on this agenda. Speakers are requested to use the microphone in front of the Council and to begin by stating their name, whether they reside in

Woodland and the name of the organization they represent if any. The Mayor may impose a time limit on any speaker depending on the number of people wanting to speak and time available for the rest of the agenda. In the event comments are related to an item scheduled on the agenda, speakers may be required to wait to make their comments until that item is considered.

E. COMMUNICATIONS–COUNCIL/STAFF STATEMENTS AND REQUESTS

This is an opportunity for the Council Members and Staff to make comments and announcements, to express concerns, or to request Council's consideration of any items a Council Member would like to have discussed at a future Council meeting.

F. REPORTS OF THE CITY MANAGER

1. Receive Report and Provide Direction on Fiscal 2013 Budget

G. ADJOURN

I declare under penalty of perjury that the foregoing Agenda for the Special Meeting/Study Session of the City Council of the City of Woodland scheduled for February 7, 2012 was posted on February 3, 2012, in the outside display case at City Hall, 300 First Street, Woodland, CA, and was available to the public during normal business hours.

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: February 7, 2012

SUBJECT: Financial Issues Discussion and FY13 Budget Direction

Report in Brief

On January 10, 2012, the City Council received a presentation regarding the City's fiscal situation and projected budgetary situation for a ten year period. This presentation highlighted several areas with the City's finances that require attention and direction.

Staff is seeking direction from the Council on various topics including the General Fund budget, allocation of redevelopment resources, initiation of a General Plan update and development impact fee Nexus Study, and presentation of a budget document.

Background

On January 10, 2012, the City Council received a presentation providing ten year financial projections for all City funds. This presentation highlighted several areas that will require special attention and development of strategies to alleviate large and chronic deficits and provide operating reserves consistent with the City's Budget and Fiscal Policies.

Discussion

The topics highlighted during the January 10 presentation that staff would like to receive further direction from Council include the following:

General Fund

The January 10 presentation indicated that, based on current projections, a reduction of $1.4 million in the General Fund would be required by fiscal year 2014. Fiscal year 2014 represents an especially difficult year for the General Fund because the expiration of Measure V coincides with the expiration of grant funds to pay for three police officer and six firefighter positions. The estimated $1.4 million reduction did not take into consideration any General Fund impacts resulting from dissolution of redevelopment, probable reduction in projections for future development activity, or funding for the youth violence prevention program (referred to as YGRIP).

In preparation of the FY13 budget, staff is seeking direction regarding Council's preference about whether or not to address the projected FY14 deficit, at least in part, during the FY13 budget process.

Redevelopment Agency Dissolution

Due to the dissolution of redevelopment effective February 1, 2012, the City will be limited to a $250,000 cap on administration of the successor agency activities. The budget for FY12 included 4.12 positions with a total cost (salary and benefits) of about $600k. Two of those positions are currently vacant, which results in budgetary savings of approximately $265k on an annual basis. The costs in excess of the $250,000 cap will need to be allocated elsewhere, unless additional staff reductions are made. In the event of reallocation, additional costs will likely need to be absorbed in the General Fund.

Staff is seeking direction regarding the approach to reductions in the former redevelopment budget.

Development Related Issues and General Plan Update

The fiscal projections provided during the January 10 meeting were based upon development projections that appear to be overly optimistic given the status of the housing market as well as the inventory of available, feasible development activity. Staff will be working to update these development projections to be consistent with those used in the upcoming water rate study. The likely result of this update will be a reduction in projected future development revenues, which may also necessitate removal of additional capital projects and/or additional interfund loans.

During the January 10 presentation, the City Manager discussed the importance of commencing an update to the City's General Plan and Zoning Code, both of which are very out of date. This update will be very lengthy and time intensive, but is crucial. If Council is supportive of the update, staff will request appropriations with the mid-year budget adjustments expected to be presented to Council this month.

In addition to updating the General Plan, staff is seeking approval to move forward with a minor update of the Nexus Study for the City's development impact fee program. This update will be focused on correcting overly optimistic development assumptions to be consistent with the information discussed above. Following the update of the General Plan and related Master Plans, a more in depth update to the Nexus Study would occur.

Capital Program and Measure E

The City's capital program has been struggling financially for several years due primarily to the downturn in the economy and the steep decline in the housing market. The City relies upon revenues generated by continued development activity to make annual payments on debt issued between 2002 and 2007. Based upon current projections of development activity, the City will not generate enough development fee revenues to cover these debt service costs and will need to rely upon other funding sources to meet these needs.

The Measure E spending plan that is adopted by Council each year allocates projected Measure E resources among the projects included in the advisory measures. The City's ten year Capital Improvement Program (CIP) develops a plan of project expenditures, including expected Measure E projects. Due to limited pooled cash resources available for capital expenditures, the CIP adopted for the last several years did not include funding for several projects identified and approved in the Measure E spending plan. Based on the future revenue projections within the capital program, it appears unlikely that these projects can be moved to a funded status over the next ten years.

The presentation to Council on January 10 suggested that Measure E is one of the only funding sources that could be available to assist in rehabilitating the capital program. In order to do this, Council would need to approve a revision to the Measure E spending plan to would redirect revenues in the near term away from capital projects and instead create loans to other capital funds for payment of debt service.

Staff is seeking direction from Council on potential reallocation of Measure E resources, including delaying projects, deleting projects, or authorizing loans to other City funds to cover capital related deficits and ongoing debt service.

Budget Documents

Due to changes in the City's financial software and limited staff resources, a traditional budget document was not prepared and provided to Council for the FY12 operating budget. An extensive 10 year CIP document has been prepared for the last five years.

The City will be in possession of a financial model that has the capability to provide detailed and summary reports for presentation to Council. Staff intends to prepare a budget document that meets the best practice guidelines of various government financial organizations. This will include discussion of policy, economic and legislative issues facing the City, as well as assumptions used in arriving at the budget numbers. The budget document is not intended to be a detail listing of every general ledger account in the City, but rather an informative and user friendly document that illustrates resources available to the City and how they are allocated.

Staff is seeking direction regarding whether Council would prefer to continue to receive two separate budget documents each year, or if the CIP should be incorporated in a summarized fashion with the operating budget document.

Fiscal Impact

No fiscal impact directly related to this report.

Public Contact

Posting of the City Council agenda.

Recommendation for Action

Staff is seeking direction from the Council on various topics including the General Fund budget, allocation of redevelopment resources, initiation of a General Plan update and development impact fee Nexus Study, and presentation of a budget document.

Prepared by: Kimberly McKinney
Finance Officer

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Kevin O'Rourke
Interim City Manager