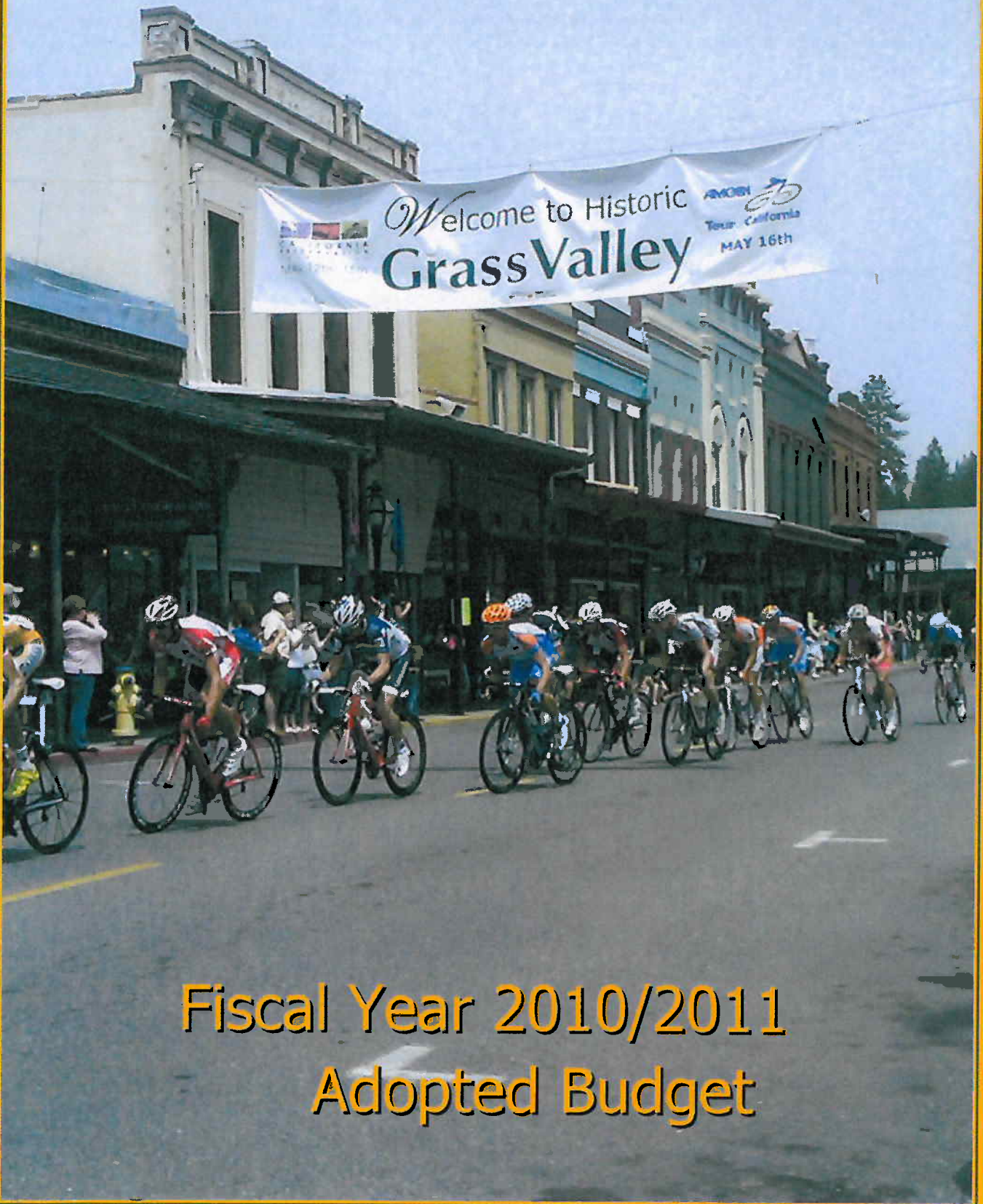


City of Grass Valley



Fiscal Year 2010/2011
Adopted Budget

**CITY OF GRASS VALLEY, CALIFORNIA
FISCAL YEAR 2010-2011
ADOPTED BUDGET**



EFFECTIVE
JULY 1, 2010

CITY COUNCIL

LISA SWARTHOUT, MAYOR
JAN ARBUCKLE, VICE MAYOR
DAN MILLER
CHAUNCEY POSTON
YOLANDA COOKSON

CITY STAFF

DAN HOLLER, CITY ADMINISTRATOR
KRISTI BASHOR, CITY CLERK
RUTHANN G. ZIEGLER, CITY ATTORNEY
TONY CLARABUT, FIRE CHIEF
JOHN FOSTER, CHIEF OF POLICE
JOE HECKEL, COMMUNITY DEVELOPMENT DIRECTOR
TIMOTHY KISER, DIRECTOR PUBLIC WORKS/CITY ENGINEER
MICHAEL LEWIS, HUMAN RESOURCES MANAGER
DEBORAH SULTAN, ASSISTANT FINANCE DIRECTOR
MARYANNE HOFFLER, ACCOUNTING SUPERVISOR

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GRASS VALLEY CITY COUNCIL
125 East Main St., Grass Valley, CA 95945

Daniel C. Holler, City Administrator

Council Members
Lisa Swarthout, Mayor
Jan Arbuckle, Vice Mayor
Chauncey Poston
Dan Miller
Yolanda Cookson

A CENTENNIAL CITY

City Administrator's FY10-11 Adopted Budget Message

To: Mayor Lisa Swarthout and Members of the City Council

Introduction

I am pleased to present the Fiscal Year 2010-11 Adopted Budget. The budget represents the City's financial and operational plan focused on accomplishing the goals and objectives of the Grass Valley City Council. The FY10-11 budget is the product of several weeks of work by the Council, Department Heads, management staff, and employees. The final budget reflects a collaborative process stemming from numerous employee meetings, department head work sessions, Council study sessions and budget hearings. The overriding theme for the budget was again focused on "belt tightening" as the sluggish economy continues to limit City revenues.

The Budget represents the Council's policy direction on specific issues and general direction provided as part of the budget process and throughout the year. As a financial and operational plan the budget reflects the Council's direction and priorities in setting service levels, meeting mandated and necessary requirements and citizen expectations for local government services. Local elected officials and appointed staff have the responsibility to develop a budget that responds to the needs of the citizens, but within the means available.

The choices and limits faced by City staff and the Council in working with a very limited budget were difficult. The budget reflects a drop in the level of service desired due to the financial capacity of the City. This includes the continued closure of City Hall one day a week, substantial employee reductions and curtailing of several services. The adopted budget includes significant changes in operations, in structure and in priorities for the fiscal year. Employee negotiations were also undertaken with each association giving up a variety of cost items that resulted in approximately \$122,000 in savings.

A final budget was adopted on June 22, 2010 incorporating additional budgetary reductions and adjustments. The final budget for the City and RDA has appropriations of \$28,330,916 and projected new revenues of \$22,142,185. The difference between appropriations and new revenues represents mostly planned use of reserves. The majority use of reserves are in the Redevelopment Agency and reflect the use of bond proceeds and reserves designated for planning and capital related projects. However, in the Water Fund, Wastewater (sewer) Fund and the General Fund minor levels of reserves are being used to balance the budget. Each of these areas will be discussed in more detail below. The continued economic decline has significantly impacted the budget and the overall

City budget has been reduced from FY09-10. This has impacted personnel levels, operating budgets, capital projects and service levels. Overall personnel has declined by 4 FTES from last year.

City operations include a number of funds with restricted revenue sources and associated restrictions on spending, (i.e. Fire Assessment, Development Services, Gas Tax, Water, Sewer and Redevelopment Funds). Following is a discussion on the major funds and related budget for FY10-11.

General Fund - FY10-11 Budget

The General Fund budget has revenues of \$9,769,933, plus transfers in of \$161,000 for total resources of \$9,930,933 and expenditures of \$9,905,933 plus transfers out of \$25,000 for total use of resources of \$9,930,933, achieving a balanced budget. The General Fund's opening fund balance is projected at \$2,011,060.

The City's General Fund is the most difficult to balance, both financially and by service level. It is the largest fund for the City and represents funding for the majority of our basic services. To start the budget process a 5 year projection model for the General Fund was developed that identified a continued budget gap between revenues and expenditures of approximately \$700,000 for FY10-11. Department Heads were requested to prepare a basic budget keeping in place a majority of the reductions that were imposed last year and to look for additional reductions to address the projected budget gap. A number of potential reductions were presented as part of a Council workshop, with several being recommended and incorporated into the budget. The personnel budget was reset with the removal of previous furloughs and a number of other concessions reflected in the employee labor contracts. Through negotiations a number of employee concessions including the use of furloughs are again being used for FY10-11.

The final department requested budget resulted in a \$324,386 deficit. Due primarily to revenue adjustments, the preliminary budget published on May 31st had a deficit of \$354,049. A number of actions were taken to reduce this to approximately \$45,000. Closing the General Fund budget gap included taking the following actions totaling \$309,000:

<u>Amount</u>	<u>Action</u>
50,000	PERS Obligation Financing
90,000	Employee savings from negotiations
29,000	Various departmental reductions
30,000	Part-time under fill of a vacant dispatcher
50,000	Employee reduction to part-time
60,000	Contingency funding from current year savings

A number of smaller budget reductions were implemented to reduce the reaming \$45,000 deficit. Budget actions to date has resulted in service level reductions, cost shifts, deferred purchases, a change in how we provide services, and a reduction in personnel levels. A similar mix of actions was taken to address the budget challenges this past year.

The City has continued to use attrition to cut personnel, with the most significant impact this year on the police department. The continued Friday closure of City Hall is incorporated into the budget due to furloughs and limited staffing.

Revenues

Total revenues for the General fund are budgeted at \$9,769,933. This does not include the projected beginning fund balance/reserves or transfers. This represents a decline in revenues from the adopted FY09-10 budget of \$69,061. The City has little control over the majority of the revenues in the General Fund. Property taxes are fixed by Prop 13 and this year assessed valuation declined, thereby dropping actual property tax revenues. Change in the sales tax rate requires voter approval. In lieu sales tax and motor vehicle license fees are set by state law (result of previous state budget problems). Fees and Charges are set to recover costs. The following discusses each major revenue source.

Sales Tax: The single largest revenue source for the General Fund is sales tax, representing 41% of the revenue base. Revenues are slightly less than last year. There are three components: 1) general sales tax; 2) Prop 172 sales tax; and 3) In Lieu Sales Tax. The third category was established through a shift in revenues at the state level and represents a replacement of sales tax revenue with property taxes. The budget for sales tax is projected at \$4,868,500. Sales tax revenues from annexed areas are also shared with Nevada County. The County share is currently estimated at \$861,000, leaving total net sales tax revenue for the City of \$4,007,500. Of the 8.375% sales tax levied in Grass Valley only 1% comes back to the City and Nevada County.

Property Tax: The second largest revenue source is property taxes at \$2,386,300. This represents approximately 24.2% of the revenue base. Initial property tax projections included a 2% decline in the Secured and Unsecured property related taxes. Supplemental taxes will see a significant drop.

Vehicle In-Lieu License Fee: The next single largest source of revenue comes from the Motor Vehicle In-Lieu License Fee (VLF). Revenues are estimated at \$1,177,000 and include both VLF In-Lieu Fee of \$1,117,000 and a fee/tax portion estimated at \$60,000. As the In-Lieu is a revenue source that represents the replacement of past VLF revenue with property tax it will decline along with property tax revenues. The loss of car dealers and sluggish car sales has resulted in a drop in the fee/tax portion as well.

Other Taxes: Tax revenues from (TOT) Transient Occupancy Tax (\$550,000); Business Licenses (188,000) and Franchise Fees (\$294,000) represent the next block of revenues. Overall this category is below the prior year revenues as well.

Fees and Charges and Cost Allocation: Revenues from permit fees and charges or other revenue total \$572,848. Fees are reviewed each year and updated as part of the City's fee schedule. Fees are generally increased by CPI and are up slightly over last year. Charges to other funds total \$546,260 and are also up slightly.

Other: Miscellaneous revenues total \$68,685. Interest income is the largest portion projected at \$35,000.

The total operating revenues are \$9,769,933, and with a transfer in of \$161,000 from other funds, General Fund resources total \$9,930,933.

The status of the General Fund revenue (excluding transfers) by category is as follows:

Sales Tax	\$4,007,500	41.03%
Property Tax	2,365,700	24.21%
VLF	1,177,000	12.05%
Misc. Taxes	1,032,000	10.56%
Fees and Charges	572,848	5.86%
Cost Allocation	546,260	5.59%
<u>Other</u>	<u>68,625</u>	0.70%
Total	\$9,769,993	

Expenditures

Total appropriations for the General Fund are \$9,905,933. This does not include transfers or ending fund balance/reserves. Personnel expense represents the majority of the expenses for the General Fund. The City has been operating with a soft hiring freeze in place and there are a number of vacant, unfunded positions.

Personnel: As a service providing organization the most significant cost is our employees, which accounts for approximately 76.77% of expenditures (\$7,603,724). The total number of employees has declined significantly over the past few years dropping from 133.28 in FY06-07 to a count of 104.7 FTEs for FY10-11.

Department	Adopted FY06-07	Adopted FY07-8	Adopted FY08-9	Adopted FY9-10	Adopted FY10-11
City Administration*	2.50	2.50	2.50	2.50	2.5
Community Development	10.50	10.00	7.94	8.00	8.00
Engineering	6.23	7.00	6.00	6.00	6.00
Public Works	26.95	26.95	20.67	16.30	16.30
Water and Wastewater	15.00	15.00	15.00	16.00	15.00
Finance**	7.00	7.00	6.45	5.80	5.80
Fire	16.20	16.20	14.80	15.50	15.50
Police	43.90	43.65	40.00	35.70	32.60
Animal Control	3.00	3.00	2.00	2.00	2.00
Human Resources	2.00	2.00	1.97	1.00	1.00
Total	133.28	132.30	117.34	108.80	104.70

*Includes City Administrator, City Clerk & City Attorney. Count does not include City Council.

**Finance will be reduced by one employee with the transfer of a position to fill a vacancy

Services and Supplies: The category accounts for 20.04% of the operating budget (\$1,985,585). This includes general support costs for departments and citywide costs such as utilities and insurance.

Debt Service: The City's debt service payment for facility bonds total \$241,624. The City has kept General Fund debt to a minimum.

Capital Project/Equipment: The category has been virtually eliminated with only \$75,000 allocated to capital investment. The lack of capital investment is a trend that can not be sustained in the coming years as equipment and facilities will need to be replaced and upgraded.

Council is aware of the financial challenge within the General fund and recognizes the impact that a reduction in staff will have on service levels. There will be additional impacts to service levels will result from the reduction in staff and the shifting of staff from one area of responsibility to another. However, to balance the General Fund budget these impacts can not be avoided. A substantial amount of work has been done, with great cooperation across all departments.

Fire Assessment Fund

The Fire Assessment Fund receives revenues from the Special Emergency medical and Fire Response Tax as levied per the 1997 voter approved assessment. The assessment was increased this year by CPI. The fund and special assessment was designed to fund 3 firefighter positions. Due to the timing of tax collections and payments, the fund receives a cash flow subsidy from the General Fund. The financial plan is for the Fund to build its own reserve to eliminate future cash flow subsidies.

The estimated revenue from the tax assessment for FY10-11 is estimated at \$236,000. The personnel cost for the three firefighter positions, plus tax collection assessment is projected to be \$235,584. The fund is balanced, with a slight surplus projected as part of the strategy to build the reserve to meet cash flow requirements.

Redevelopment Agency

The Redevelopment Agency (RDA) is separated into two major functional areas: 1) housing and 2) construction, with each handled in a separate fund. The Agency uses a third fund to account for bond proceeds. The housing fund receives 20% of the annual tax increment revenue generated in the Agency. The RDA housing efforts are leveraged with CDBG / HOME and other funding sources available to the City in providing assistance in creating low to moderate income housing opportunities. The current budget reflects the historical work effort in this area. The Housing set aside revenues for the RDA equal 380,549, with a projected ending fund balance of \$197,492. The housing budget totals \$661,575, with \$500,000 committed to the assisting affordable housing projects (i.e. Habitat for Humanity, senior housing, rehabilitation and others).

The RDA will continue to be used in a proactive approach in securing projects and new investment within the Agency. The RDA has great potential to help stimulate

reinvestment in a number of core areas within the Agency's boundaries. The Agency is also moving forward with a boundary expansion. Due to the anticipated increase in work some additional staff time and support costs have been allocated to the Agency for FY10-11. The current project/administrative fund revenue is \$2,162,198, which includes using \$600,000 in bond proceeds for projects. Total expenses are \$4,060,338. Debt service accounts for \$875,545 of the expense. The budget reflects a number of potential projects and related work.

Projects include the following:

- RDA area expansion
- Continued work with The Center for the Arts
- Downtown Streetscape program implementation
- Building removal and parking improvements on Neal Street
- Richardson/Main Street Park
- Sidewalk improvements
- Partial funding for the Upper Slide Ravine project
- Facility Improvements

There will be projects that are smaller pay as you go projects, some are completely funded by the RDA and managed within the RDA fund and funds are transferred to the City's Capital Project Fund for projects which have multiple funding sources. Projects funded by the Agency's capital bond proceeds are tracked separately. Projects include property purchases, parking improvements and park/open space improvements infrastructure, and a variety of facility enhancements. The majority of the bond proceeds are anticipated to be targeted for public-private projects that result in additional investment in the community. The number of potential opportunities will require a larger commitment of staff time and consultant support, which is reflected in the proposed budget.

Development Services Fund

The Development Services Fund is designed to track revenues and expenses related to development activities. Similar to the Fire Assessment Fund, this fund is in transition to be self funding. The fund no longer includes costs that have no associated fee which historically made balancing of the fund impossible. This year the activity in the fund is based on fee supported activity only. A charge of \$10,000 for engineering time spent on building plan review work has been included in the budget.

The Fund accounts for the operations of the Building Division and Fire Plan Review Division (revenues and expenditures) and for the processing of Planning and Engineering Departmental applications that are tied to a specific financial deposit (i.e. EIRs). The Fund has tentative revenues of \$384,500 and operating expenses of \$393,329, with a projected ending fund balance of \$256,770. The fund balance allows for cash flow needs and reflects the timing of funds used (i.e. some fees received in the current year will be charged against in the coming year) as projects cross fiscal years.

Enterprise Funds (Water and Sewer)

The City's Water and Wastewater budgets are accounted for in separate funds as enterprise (business type) operations. These two areas represent a significant portion of the City's overall budget. Both funds are seeing fiscal impacts from the slow down in the economy as connection fee revenues have dropped significantly. The initial focus on these two funds is operations and debt service. However, there is a growing need to secure funding for capital re-investment. Each operation has an operating, construction, and impact fee fund. Both operations had tight balances this past year due to state timing of loan/grant payments and the water fund ran a negative fund balance for a short period of time.

Water

Water Funds have total projected revenues of \$1,960,919. Expenditures are \$2,090,635, for a deficit of \$129,716. The deficit is related to capital projects and may be reduced based on actual work and final project costs. This past year a major project (Alta Hill Water Tanks) was completed and staff was successful in converting the majority of the costs (almost \$3 million) from a loan to a grant.

Operating revenues are projected to come in below projections developed as part of the rate study completed in 2007. This is reflective of the slow economy and lack of new customers. Revenues do include an increase in rates scheduled for January 2011 which were approved as part of the rate study. Operationally the fund continues to be very tight financially. For this next year staff is reviewing options for a third party program for radio read metering and water monitoring program that would also allow for the upgrade of all water meters. A position is being held vacant and personnel from other Public Work's divisions will be assigned to keep up with water system work requirements. This will reduce some services in other areas (i.e. Streets and Parks).

Wastewater (Sewer)

The Sewer funds have projected revenues of \$4,720,800. Expenditures total \$4,910,410. The fund has deficit spending of \$189,610, which is impacted by two factors, 1) capital expenditures and 2) drop in connection fees and reliance upon user fees to meet debt service payments. The fund is facing slow revenue growth due to a lack of new customers. As with the Water Fund, Sewer revenues include a planned rate increase scheduled for January 2011. Reimbursements for completed capital projects will help the fund this next year.

Capital Projects Fund

The Capital Projects Fund is used to account for a variety of capital projects throughout the City. Funding is mostly derived from operating transfers from other funds. Some direct grant funding or reimbursement funds are accounted for directly in the Capital Projects Fund. As with each year a number of projects extend across fiscal years which results in the budget showing the use of reserves based on when funds were received (i.e. gas tax). The City maintains an aggressive list of projects to ensure that we are fully engaged with the construction of funded projects. However, this also means some

projects will not be completed due to staff limitations, and additional funding needs. The major projects for the FY10-11 include the following:

- 1) Sidewalk improvement program;
- 2) Annual Street Rehabilitation and Slurry Seal projects;
- 3) Fire Station #1 Remodel;
- 4) Park Improvements;
- 5) Upper Slide Ravine project;
- 6) Water line replacement;
- 7) 2008 Flood Damage Repair project;
- 8) Drainage project in Morgan Ranch and
- 9) Storm Drain Master Plan.

A number of current projects will be completed, new projects started and planning and engineering work for future projects will be undertaken.

Special Revenue Funds

The City has a number of special revenue funds. This includes gas tax supported funds, traffic safety, Pop 1B street maintenance funds, smaller transportation funding and the Downtown Assessment District. The last fund is a pass through fund for the Downtown Association. Gas tax funds support the City's street sweeping program, street overlay/rehabilitation work, capital projects; and traffic safety. This includes slurry sealing streets and overlay work. The overlay projects are dependent on the type of maintenance work, the final bid prices and deterioration level of the streets. Ongoing prioritization is done to determine the best use of these funds in extending the pavement life of streets verses the reconstruction of streets.

Landscaping & Lighting Benefit Assessment and Maintenance Funds

The City operates seven funds within this category. The funds have adequate revenues to meet the operating requirements. Staff has shifted some of the maintenance work to City forces verses a contractor. While this will modify the crews' work schedule, it does allow for the shifting of some costs that may reduce larger service level impacts.

Internal Service Funds

The City has established two internal service funds; one for vehicles and "rolling stock" and one for technology. The funds are used to accumulate funding for larger capital equipment purchases over time. This reduces the impact on the annual operating budgets and allows for the establishment of a more systematic replacement program. Revenues for these funds come from a transfer from other funds that will need to replace capital items as defined in the Internal Service Funds. The majority of the City's vehicle purchases are tied to grants, which require limited matching funding. Savings from this past year will be used to purchase on police vehicle. Over the next few years the fund balance will need to be increased in order to establish a more consistent replacement program. Revenues this year will come from grants, the surplus sale of vehicles/equipment, fund transfers and interest.

The Technology Fund will allow for setting a side funds for larger purchases or group of purchases (i.e. office computers) related to the City's technology infrastructure. Last year's budget included the replacement of the City's phone system. This year costs for server replacements, website update and other technology systems and programs will be funded.

Summary

The budget was developed with a number of uncertainties. This included the status of the economy, the impact of the State budget (which is still unknown) and projecting revenues from a dropping base. The City has a budget plan that will guide it through the fiscal year. We will continue to develop and implement reductions/cost savings and look at ways to enhance revenues.

The Department Heads and a number of their key staff, especially those in the Finance Department have contributed heavily in the preparation of the budget and the presentation of the budget information. The City's employees have demonstrated a willingness to work with the City in various ways to assist in meeting the financial challenge faced by the City.

I have attempted to note those items that I felt were important changes or reflected policy direction by the Council. Your City staff continues to be dedicated to the welfare of Grass Valley and its residents, businesses and visitors, and is committed to the provision of quality services in the most professional and cost-effective manner possible.

Respectfully submitted,



Daniel C. Holler
City Administrator

RESOLUTION NO. 2010-35

A RESOLUTION ADOPTING THE GENERAL BUDGET OF THE
CITY OF GRASS VALLEY FOR FISCAL YEAR 2010-2011

WHEREAS, the City Administrator submitted to the City Council prior to the 1st of June, in accordance with Section 3, Article X of the City Charter, a proposed General Budget for the City of Grass Valley for the Fiscal Year 2010-2011; and

WHEREAS, copies of the proposed General Budget have been available for inspection by the public in the Office of the City Clerk in accordance with the City Charter; and

WHEREAS, public notice has been published and a public hearing was held on the proposed General Budget on June 22, 2010 at the Grass Valley City Council Chambers at which time interested persons desiring to be heard were given such opportunity in accordance with the City Charter; and

WHEREAS, after the conclusion of the public hearing, the City Council further considered the proposed General Budget and directed revisions it deemed advisable; and

WHEREAS, the City Charter provides that a General Budget of the City be adopted by the affirmative votes of at least four (4) members of the Council on or before the 30th of June, for the ensuing fiscal year.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRASS VALLEY, as follows:

1. That the foregoing statements are true and correct.
2. The document entitled "Administrative Proposed Budget For Fiscal Year 2010-2011", which document is incorporated herein by title reference only, is hereby adopted with the following revisions, modifications and policy limitations as the General Budget Fiscal Year 2010-2011 of the City of Grass Valley, effective July 1, 2010
 - a). All revisions and changes which are necessary and in accordance with the City Council's direction during consideration and review but prior to adoption of said budget.
 - b). Any adjustment of estimated year-end reserves to actual.
 - c). Any corrections of any mathematical errors.

Agenda Item # _____

