



**CITY COUNCIL
STAFF REPORT**

TO: Honorable Mayor and Councilmembers
DATE: January 19, 2010
FROM: John W. Donlevy, Jr., City Manager
SUBJECT: Fiscal Sustainability Strategy- Options and Deficiencies

RECOMMENDATION:

That the City Council provides direction to Staff on:

1. Desired options for proceeding with the development of a Fiscal Sustainability Strategy; and
2. Direction on dealing with service deficiencies in the area of Public Safety.

BACKGROUND:

Since February, 2005, the City of Winters has evaluated the subject of “fiscal sustainability” to determine overall strategies for ensuring the long term financial health of the City.

During the 2005 review, there was an increased focus on ensuring that the City not be reliant on residential development as a main focus of generating a tax base for the community. The result of the effort was policy guidance which emphasized economic development, redevelopment and building a tax base from a higher level “jobs/housing” balance. Residential “phasing” was implemented in residential sub-development agreements and direction was given to move aggressively toward the overall economic revitalization of Winters.

In 2007, the City embarked on an overall “Strategic Planning Process” to focus on the issues and priorities most important to the City. In Summary, the City’s Strategic Plan called for the following:

1. **Economic Development** which includes advancing the development projects in the key locations of the I-505/Grant Avenue Intersection, Grant Avenue Corridor and the Downtown Core.
2. **Community Development** improvements and projects which will include a streamlining of the development review process, update to the City’s General Plan, completion of the Flood Overlay Area Plan and exploration of an expansion to the City’s Sphere of Influence.
3. **Public Facilities and Infrastructure Projects** including extending infrastructure along Grant Avenue to I-505, Water and Sewer system repairs and improvements, construction of a new public safety facility and a new Winters Community Library.
4. **Public Safety** improvements including retention of personnel and expansion of services for both the Police and Fire Departments.
5. **Community Service** improvements such as after school programs, recreation and services for all age groups.
6. **Housing** programs to assist first time homebuyers, seniors and low and moderate income residents.
7. **Environment** improvements including the launch of the Winters **EARTH** Project to promote environmental programs that promote awareness and effectiveness in the areas of **E**nergy, **A**gricultural Preservation and Protection, **R**ecycling and Reuse, **T**ransportation alternatives and **H**abitat restoration.

The City has implemented many programs related to this Strategic Plan which has resulted in the most significant advancements in revitalization, rehabilitation and capital projects in the history of the City of Winters. Underlying all efforts, the fiscal health has remained the top priority in the City’s budgeting and strategic interests.

In August, 2009, the City again revisited the topic of fiscal sustainability due to the catastrophe which the California Economy has become. The combined impacts of the national recession, the complete financial mismanagement of the State of California and the collapse of the residential financial structure has created some very real fiscal issues for the City.

Since August, 2009, the City has received tax estimates for both Property and Sales tax revenues. Property taxes are expected to see a 4.9% reduction (\$85,000) and sales taxes an 18% reduction (\$66,700). The threat of continued fiscal deterioration can be accounted as follows:

Category/Revenue	Anticipated FY 2010-11 Reduction
Structural deficit- FY 2009-10	\$340,000
Property Tax Reduction (4.8%)	\$85,000
Sales Tax	\$67,000
HUTA Take	\$135,000
COPS Elimination	\$100,000

Property Tax Reduction (Same as 2009-10)	\$85,000
Permit Fee Reduction from current	\$70,000
<i>Total</i>	\$882,000

In October, 2009, the City Council approved certain re-organizations to the Departments of Financial Management, Recreation and Community Development to consolidate some positions and eliminate others. The City offered retirement incentives which were accepted by two employees. The total projected cost savings will amount to \$99,289 in FY 2009-10 and will amount to \$150,188 in FY 2010-11.

The difference between cuts and re-organization and revenues still leaves an almost \$732,000 deficit for the upcoming fiscal year which needs to be resolved.

The focus of the 2009 review of economic sustainability has been an evaluation of the Winters economy, including strengths, weaknesses and key areas for potential improvement to help improve the overall tax base.

In December, 2009, Staff brought a multi-faceted approach to begin developing an overall fiscal strategy. This included options for service/program reductions, taxes and economic development.

A primary concern expressed by Staff is the depletion of the City's General Fund Reserves. At the present time, the City is meeting its policy designated reserve amounts. Staff concerns are based in that depletion will encumber the City's ability to provide the needed "cash flow" to pay bills and sustain the City during the first half of any fiscal year.

At the December 9, 2009 workshop, the City Council took action to continue with two capital projects and has directed Staff to incrementally bring the individual components of the fiscal strategy for consideration.

DISCUSSION:

Staff is requesting direction from the City Council on their desires to address the overall structure of developing a fiscal sustainability evaluation. As mentioned at the December workshop, the approach can be singular (budget reductions only) or multi-faceted (balance reductions with revenue increases and generation).

Staff is requesting direction from the City Council on the most desirable options which can be brought back at a later meeting for discussion.

Staff presents the following options as fiscal sustainability strategies as a means of maintaining the status quo:

- Option 1: Budget and Service Reduction only.

This would focus on addressing shortfalls through cuts to services within the budget, exclusively. Addressing things only through the budget would likely become an annual exercise for the next 4-6 fiscal years when the economy is expected to improve. This option would be a “regressive” approach, whereby services would either sustain or recede based on minimal fluctuations in the City’s financial situation.

- Option 2: Economic Development. This is divided into 4 sub-options:
 - Option 2.A -Aggressively recruit and solicit job creating business
 - Option 2B-Encourage and promote freeway serving businesses
 - Option 2C- Review and Amend Impact Fee Program- AB 1600
 - Option 2D- Flood Overlay Area- Amended Program

Economic development affords the City with the ability to maintain and potentially increase service levels, without the need to increase taxes. The prospect is to build the overall tax base of the City as outlined within the City’ General Plan. Ultimately, economic development can be viewed as a means of increasing the overall economy through the creation of jobs and business with a higher exponential growth of the tax base outside the burden to the existing residents and businesses.

- Option 3: Increase Municipal Services Tax and City-wide Assessment District

This would include ballot measures to increase the tax burden on existing residents to maintain certain services.

The Municipal Services Tax is a \$120 per year assessment per residence which specifically goes toward public safety services. The City has approximately 1,900 units, so the amount to be raised would be a multiplier of (increase amount X 1,900). This would require a passage by more than 2/3 of the voters.

The City-wide Assessment District pays for lighting, park maintenance and landscape maintenance. The current assessment is \$82.50 per residential unit and \$41.50 per business.

In order to raise either of these taxes, the City Council will be required to adopt a resolution of necessity setting these for the June 8 Ballot by February 1, 2010.

Deficiencies in Services:

In addition to the reductions in revenues, the City is also dealing with critical deficiencies in some

services levels, specifically public safety.

The City's Police Services have reached a point where increases in staffing are required. Currently, more than 85% of all shifts are staffed by a single police officer. This poses significant risks to both the officers safety as well as the protection of the general public. The focus of the police services is strictly patrol with little to no investigative services and real voids in pro-active policing activities.

There is a need to increase the overall staffing of the police force by four (4) officers. This would allow for two officers per shift, 85% of the time. It would also provide enough staffing to reduce the current overtime load on existing personnel and reductions in work hours from 12 hour days to 8. The cost per police officer is approximately \$125,000 of fully allocated costs.

Fire Services has also reached a critical point. The "duty" system which combines staff personnel with volunteers is in need of a switch to a "shift" system with an option for volunteers to move to a "paid call" service.

Under the current arrangement, the Fire Department operates Monday thru Friday 8-4. After hours and on weekends, the Department is covered by a Duty Officer and volunteers.

The Department struggles at times with overall volunteer resources. Because few volunteers work within the community, the ability to staff during critical times can be difficult, causing delays in response and limited resources.

The desire is to move toward a "Shift" system whereby, the paid staff works 4-10 hour days with a duty officer. A combination of paid staff and volunteers (who receive a paid allowance of \$50 per shift) would then cover the overnight shifts, thus achieving a 24 hour/7 day coverage. Response times are improved and the training and capacity of the Department is significantly increased. The estimated cost of this program is approximately \$100,000 per year.

During the Fall of 2009, the volunteers ran a "sleeper" program where paid staff and volunteers slept at Station 26. Volunteer interest increased and response times and participation reached records. With the opening of the new Public Safety Center, this is viewed as a very desirable direction for the Department.

Summary:

Staff is requesting direction from the City Council in order to bring back information and recommendations to address these issues.

FISCAL IMPACT:

None by this action.

