

CITY OF RANCHO CORDOVA CALIFORNIA

DRAFT PROPOSED BUDGET

FISCAL YEAR 2009—2010



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CITY COUNCIL

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Ken Cooley, Vice Mayor

Robert J. McGarvey, Council Member

David M. Sander, Council Member

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CITY MANAGER

Ted A. Gaebler

MANAGEMENT TEAM

Joe Chinn, Assistant City Manager

Reuben Meeks, Chief of Police

Adam Lindgren, City Attorney

Nancy Pearl, Communications Director

Curt Haven, Economic Development Director

Donna Silva, Finance Director

Stacey Peterson, Human Resources Manager

Jay Hadley, Information Technology Manager

Mindy Cuppy, City Clerk

Kerry Simpson, Neighborhood Services Manager

Paul Junker, Planning Director

Cyrus Abhar, Public Works Director/Chief Building Official

Stephanie Snyder, Senior Management Analyst

Stacy Leitner, Executive Assistant

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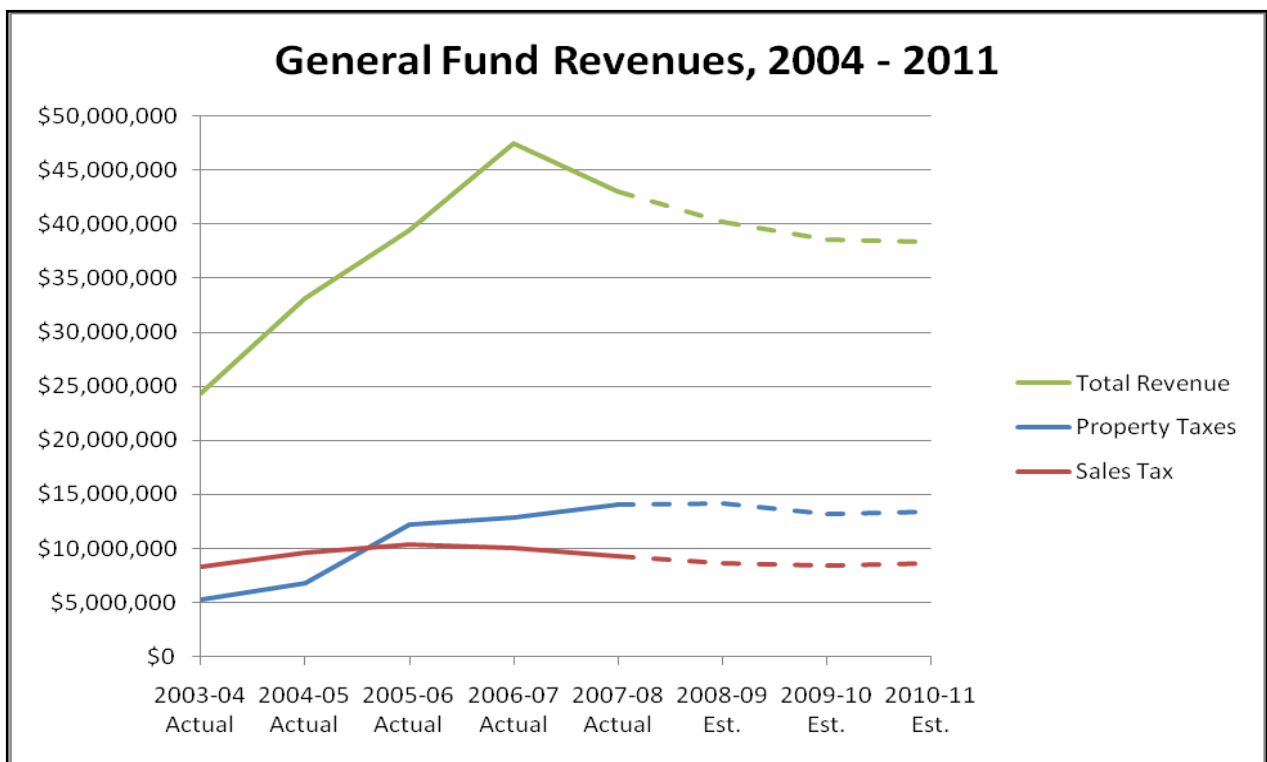
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City Manager's Budget Message

\$47.5 Million minus \$38.7 Million = \$8.8 Million or 19% Less

The economic downturn has affected the City of Rancho Cordova like most cities throughout California and the U.S. The impacts of falling revenues, particularly from sales taxes, building permits, and decreasing property values, has required the City of Rancho Cordova to make increasingly difficult choices about the priorities, projects, and services we are able to fund.

During Fiscal Year 2006-07, we received our highest amount of total revenues in the general fund, depicted by the “peaked” chart below. Decreased consumer spending, flat or decreasing assessed property values, and changes in some of the revenues we have received since incorporation have taken their toll on the City’s budget in the years after FY 2006-07, and will continue to affect the health of our revenue stream for the next several years.



Sales taxes have declined nearly 19% since our peak sales tax revenues in 2005-06; this translates into a decrease of \$2 million in annual sales tax income. Property taxes are another leading cause of decline in our revenues. Our property tax revenues are expected to decrease in FY 2009-10 by \$835,000 from the FY 2008-09 budget, reflecting a decline in assessed values in the city.

Projections for FY 2010-11 show very limited growth in various revenue sources. We expect revenues to “bottom out” in FY 2010-11, after which they will remain stable rather than increase.

May 19 Election

This year presents several external risks from the State, including the potential for several months of deferrals in Gas Tax revenue and Proposition 42 revenues for road maintenance, delayed mandated payments, borrowing of up to 8% of last year's property taxes, and other possible revenue shifts that could be imposed by the State. Due to the precariousness of the State budget and the possible results of the May 19 election, local governments could be seeing drastic changes to their revenues and abilities to control local matters as the State considers continued borrowing of local government property tax revenues or other potential shifts of local revenues.

VLF "Bump" Disappears

FY 2009-10 is the final year of the City's Vehicle License Fee (VLF) supplemental revenue, or what is commonly referred to as the revenue "bump." This revenue, according to Revenue and Taxation law in effect prior to July 2004, was allocated to newly incorporated cities in an amount equal to three times the number of registered voters in the City at the time of incorporation. Since FY 2003-04, we have received an average of \$784,000 per year in the VLF "bump" with \$520,000 estimated for FY 2009-10. In FY 2010-11, Rancho Cordova will only receive its "normally" allocated VLF revenue according to current State law. This amount is significantly less than what is currently received due to the loss of the "bump" and due to the "eating away" of VLF allocation by excess State administrative fees and overall declining VLF revenues.

Other City Funds Affected Too

Non-general fund revenues are also affected by the downturn in the economy, particularly those dependent upon consumer spending, such as Measure A sales tax and gas tax money for road maintenance. Trends show that gasoline consumption in California continues to fall, in step with high unemployment rates and decreased car sales, all of which affect the monies we receive through the State gas tax and Proposition 42 revenue for road construction and maintenance. We could see up to a 25% reduction in these types of revenues over the next several years, which greatly affects our ability to maintain streets, streetlights, traffic signals, and other infrastructure.

Additionally, the formula for allocation of funding from new Measure A funds is different from the old Measure A allocation method. The new Measure A allocation of construction dollars has been restructured to provide project specific funding for regional projects. As a result, the Measure A construction funds that have been traditionally used to fund transportation programs such as sidewalk and ADA improvements, traffic signals, and neighborhood traffic management have been reduced by approximately 20%.

Strategies to Manage the 19% Revenue Loss in the General Fund

All this means that we are faced with significant changes in our revenues, limiting the resources with which we serve our residents and businesses. For the past several years, our City staff has been closely monitoring our finances and carefully making projections for the future. We make it a practice to follow sound budgeting practices, and we've taken several specific actions over the last three years to accommodate this downward trend through a variety of revenue enhancement strategies, entrepreneurialism, reuse of existing resources, and expenditure reductions.

These strategies have included:

FY 2006-07

- Renegotiated the revenue neutrality payment stream with Sacramento County
- Brought several Public Works functions in-house and negotiated contracts with private engineering firms, reducing our dependency on, and therefore our contract costs to, the County
- Initiated a three-year grant of seed money to the Cordova Community Council to serve various community needs that the City did not have the capacity to provide
- Began leasing City Hall space to Pacific Municipal Consultants (PMC)

FY 2007-08

- Renegotiated the contract for police services
- Left several positions vacant in communications, animal services, economic development, and public works
- Began leasing City Hall space to McKesson

FY 2008-09

- Started the Money Matters group to “mine the minds” of our employees for ideas to enhance revenues and reduce costs
- Finalized a revenue sharing agreement with a cardroom applicant requiring a share of gross gaming revenues above certain dollar amounts, which will result in additional City revenues of approximately \$100,000 per year
- Placed Measure B on the May 19, 2009 ballot to modernize the Utility Users’ Tax (UUT) ordinance and provide some funding for police, code enforcement, and neighborhood services, preserving up to \$650,000 per year and potentially generating additional revenues of \$800,000 per year
- Renegotiated several contracts to lower our costs such as: street sweeping, animal services, and our annual audit
- Changed internal meeting practices to reduce expenses
- Conducted targeted business outreach to retain existing businesses
- Updated animal license fees and police fines for parking violations

Our staff has taken full ownership of managing the City’s measured response to the 19% cumulative revenue drop to ensure that our organization is operated in an efficient and resourceful way. We are constantly involving our employees in seeking innovative ways to enhance our financial position. While we have many good ideas and strategies that we are currently exploring, some have not been brought to fruition for the FY 2009-10 budget, but will be available for FY 2010-11.

Fiscal Year 2009-10 Budget Realities

During the 2009 Financial Issues Workshop on February 13, we informed the Council that, given current spending levels and revenue projections, we would have a \$2.48 million shortfall as we start FY 2009-10. After further review and analysis of the economic climate, incoming revenues, and projected expenses, staff found that the shortfall was actually \$2.98 million. **In keeping with the strong foundation of sound fiscal management that we have had in the past five years, this year’s proposed general fund budget of \$38,698,700 is in balance with no use of reserves or carry-over fund balance.**

This draft budget gets into the “meat” of the organization; our funding priorities will have visible effects on our internal, and in some cases external, operations. The following strategies have been utilized to reduce expenses by the \$4.8 million total revenue drop since last year’s budget was adopted.

Internal Adjustments

Rather than immediately reducing services to our citizens, we first looked inward to identify ways in which we can reorganize and realize savings with increased efficiencies. For example, we have recently combined the Public Works and Building & Safety departments to streamline our development services.

We have budgeted 11 fewer City staff positions. Many of these positions have been vacant due to the contraction of the economy, particularly in development services. Some positions that are gone were directly tied to the creation of several completed City foundation-building projects, such as the General Plan and Zoning Code update. We have also eliminated positions that have never been filled and are using funds other than the General Fund to pay for some positions where appropriate.

Changes that Affect Our Existing City Staff

Personnel changes, which we are handling humanely, gently, and sensitively, include eliminating annual salary range increases (outside of normal merit step increases) and reducing some benefits. We are also proposing seven specific furlough days for the next fiscal year during which City Hall would be closed.

We have made several adjustments to our internal operational expenses that have little visibility or effect on the public even though we have reduced our workforce by 13%. This year’s budget contains 10 fewer contract positions through Sacramento County, Pacific Municipal Consultants, other private contractors, and contract positions in the Police Department.

Public Safety

Public Safety continues to be the greatest single expenditure in our General Fund. This community’s investment in police services consumes 90% of 3 taxes (sales, net property, and police) combined. This year, the Police Department did an excellent job of involving staff in bringing forward and implementing innovative ways to reduce budget imbalances. Both the Police Department and the budget team have gone through this year’s police services budget with a fine-toothed comb and have decreased the Sheriff’s proposed \$16.9 million budget (initially to be \$1 million more than last year) by \$780,000 in additional revenue reimbursement, reorganization savings, and administrative costs and have reduced vacant budgeted positions for an additional \$537,000 to produce a final net expense of \$15.6 million. In order to fund flexible staffing needs and specialized equipment unique to our Police Department, we have included an additional \$46,000 of expenses in the General Fund Police Department, bringing their total expenses to \$15.65 million.

External Changes with Some Impact to the Public

In producing a balanced budget, our highest priority is to keep external impacts to a minimum. We have paid attention to the results of recent public opinion surveys, input from residents via our online Comcate service request and customer feedback tool, and thoughtful analysis of our service needs.

Being mindful of what touches a large segment of the population, we have not cut services in Code Enforcement, Animal Services, passport issuing or in capital maintenance and investment. However, citizens who use services at our front counters, Rancho Cordova Neighborhood Center, or call in to our offices will be affected by the closure of City offices during seven planned furlough days that employees must take in the coming fiscal year.

Projects Not Funded

Some of the things for which we have not budgeted are:

- Community Prosecutor (though we have included some funding in the City Attorney's budget and supported a grant application to continue this service)
- Cordova Recreation and Park District (CRPD) Master MOU (this may be funded in the current fiscal year)
- Consulting for Downtown/Convention Center planning
- Business License ordinance revision
- Supplemental public relations support
- Consulting for annual salary study
- Study trips and programs
- Printing and mailing for the residential Blight Busters program
- Diminished funding for landscaping services
- Studies related to the feasibility of creating a fairground

In addition, financial support to outside organizations and events has been reduced.

Revenue Enhancement and Entrepreneurial Strategies

There are several strategies that we will be looking at and pursuing over the course of the new fiscal year to generate revenues:

- Continuing to pursue annexation of the "finger area" bounded by Sunrise Boulevard on the west and Highway 50 to the north
- Grant funding and economic recovery funds
- Renegotiating our phone services contract
- Recommended increases including solid waste franchise to recover costs of commercial street sweeping
- Constructing burial plots at Kilgore
- Increasing community room rental rates to current market rate
- Renting of the Kilgore building
- Electronic billboard signage
- During the February 2009 Financial Issues Workshop, staff proposed to Council increasing user fees to accurately match the cost of providing such services, as required by State law. Staff will bring this item to Council in the future for discussion.

- Exploring with qualified consultants several substantive changes in police staffing and structure

While these projects are currently being explored, we have not budgeted any revenues since none are yet guaranteed.

We are positioning ourselves to take advantage of as many federal stimulus funding opportunities as possible. Our staff has been extremely proactive and responsive to regional meetings, deliberations, and project listings for federal stimulus money.

At this time, we have budgeted for certain federal stimulus dollars from the American Recovery & Reinvestment Act, including \$2.2 million for:

- Coloma Road rehabilitation
- International Drive extension & Folsom South Canal bridge

Another \$1.9 million is expected from stimulus funding and will be budgeted as received through the year, such as grants for a Neighborhood Stabilization Program, additional funds for Community Development Block Grant (CDBG), and a new Energy Efficiency & Conservation Block Grant (EECBG). In addition, we have applied for many other grant opportunities that could restore funding for some projects that were not included in this year's budget.

Economic Development remains a key focus this year, particularly on business creation and retention, with the goal of generating employment and revenue in Rancho Cordova. We look forward to several noteworthy projects opening during the fiscal year, including the reopening of a new, larger Target, the new opening of Kohl's in former Mervyn's spot, continued filling of retail space in Capital Village, and the opening of the new Zinfandel Place development with new restaurants and office tenants.

Realities and Priorities

Our budgeting approach this year was based on funding for specific projects and services, rather than using previous baseline budgets to make across-the-board cuts. We are focusing on maintaining and sustaining our core services to our citizens. In some cases, our reorganization will allow our staff to "do more with less," but in some cases, we're simply doing less.

All of this requires clear articulation of priorities and values. As mentioned, we have used valuable input from three public opinion surveys conducted over the past year, regular feedback online through our Comcate feedback program, focus groups, and other means of receiving customer feedback. **As elected officials with an ear to what your constituents desire, we look forward to receiving your guidance on the types of priorities that we should stay focused on in the next few, difficult years to ensure that we continue to provide responsive, and responsible services to the citizens of Rancho Cordova.**

Acknowledgements

Many thanks to our dedicated staff who have contributed to the thoughtful planning and preparation of the FY 2009-10 budget. The primary responsibility for preparing this year's budget belongs to Finance Director Donna Silva and our Senior Accountant Liisa Behrends. The Advisory Team, which consists of Finance Director Donna Silva, Assistant City Manager

Joe Chinn, Public Works Director Cyrus Abhar, and Planning Director Paul Junker, should also be thanked for their careful and intelligent work in crafting this proposed budget. My sincere thanks to Human Resources Manager Stacey Peterson, Senior Management Analyst Stephanie Snyder, Management Analyst Alexandra Miller, Administrative Assistant Stacy Delaney, Executive Assistant Stacy Leitner, Administrative Secretary Stephanie Nobriga and all of the department heads and staff who were flexible in their planning and firmly committed to building a culture of collaboration in a challenging time. Our staff is, and always will remain, our greatest asset.



Ted A. Gaebler
City Manager

