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First and Third Tuesday  
 Every Month

## CITY OF SUISUN CITY

701 Civic Center Blvd.  
 Suisun City, California 94585

Incorporated October 9, 1868

June 10, 2014

Honorable Mayor and Members of the City Council:

We are submitting to you the proposed Fiscal Year 2014-15 Annual Budget, which begins on July 1, 2014. Surprisingly, this has been one of the more challenging budgets to prepare over the past few years. Expectations of being positioned in FY2014-15 to begin restoring staffing and service levels has not materialized, even though we are finally seeing signs of an improving economy with steady increases in property and sales taxes, stronger increases in the transient occupancy tax, and a growing number of inquiries about development opportunities in the City.

Most significantly, Summerwood has completed building its last 28 homes; Walmart has paid \$2.4 million in permit and impact fees and is finally under construction with an opening date set for April 2015; Main Street West is working with the Successor Agency to modify its existing DDA in order to initiate the entitlement process for roughly 150 houses downtown; and Zephyr Estates, a mixed use project with 1 ½ acres of commercial and 59 housing units, is going through the entitlement process.

### The Challenges

The challenges in developing this budget include the following:

- Walmart was anticipated to open on July 1, 2014, not April 2015. This nine-month delay represents the loss of nearly \$800,000 in revenues anticipated for FY 2014-15.
- Workers' Comp rates are climbing 55% due in large part because a tremendous amount of work has been done to close out cases in the past year or so.
- Health insurance is estimated to increase by 8%
- PERS rates are going up due to decisions made by the PERS board to move toward full funding in a shorter period, in part due to PEPR. These costs are somewhat offset by dramatically lower PERS rates for PEPR employees as compared to Classic employees.

DEPARTMENTS: AREA CODE (707)

ADMINISTRATION 421-7300 ■ PLANNING 421-7335 ■ BUILDING 421-7310 ■ FINANCE 421-7320  
 FIRE 425-9133 ■ RECREATION & COMMUNITY SERVICES 421-7200 ■ POLICE 421-7373 ■ PUBLIC WORKS 421-7340  
 SUCCESSOR AGENCY 421-7309 FAX 421-7366

- Regarding PEPRA versus Classic PERS rates: The City's cost for a classic Police Officer is 49.443% versus a PEPRA employee at 11.5%. For miscellaneous employees, the City's cost varies from 20.9% to 6.25%.
- The City's lawsuit against the State Department of Finance (DOF) has still not been resolved with \$1.75 million at risk. The Pasadena case, which is on appeal, continues to be the one that will likely decide our situation. Oral arguments are scheduled for the later part of July, with a decision expected in the fall.

Recognizing that other cities are restoring furloughs and beginning to provide COLAs to their employees, it was requested by the City Council during the budget workshop that money be included in the budget to begin to restore concessions to employees while reducing furlough days in order to increase service levels to the public. A salary adjustment of 1% costs the General Fund roughly \$60,000.

### **The Recommended Budget Strategy**

Given these challenges, the proposed budget for FY 2014-15 assumes the following:

- Continue with all frozen positions as presented in the FY 2013-14 budget, recognizing that the organization is feeling significant strains that need to be monitored closely. This represents a reduction of 20% from 93 full-time permanent employees in FY 2008-09 to 76 in FY 2014-15.
- Continue with temporary salary reductions of 2.5%, and a corresponding reduction in furlough days, for all employees.
- Continue with the selective hiring freeze by requiring Council approval prior to filling any vacancy.
- Recognize that staffing levels are at the point where service levels are impacted, though no major service area has been cut completely. Further staffing reductions would exacerbate this situation and/or require consideration of eliminating services depending on the operation impacted.
- Allocation of nearly \$100,000 from the Gas Tax Fund to address a Workers' Comp claim for an employee who worked exclusively in the Streets Division. If these costs were not covered through the Gas Tax Fund, Workers' Comp rates would need to be increased by 158% versus the 55% included in the budget.
- Continue to analyze operational efficiencies when dealing with vacancies such as the recent departure of the Community Development Director and an upcoming retirement in the Finance Department. The vacancy of the Community Development Director alone is estimated to save roughly \$66,000 (see discussion below - "Budget Cushion.")
- The BayREN program, which Suisun City administers on behalf of the County, is anticipated to offset General Fund costs by roughly \$50,000.

- A reduction of reserves from a recent high of 25% down to 16.89% or roughly \$1.7 million. This provides a cushion of only \$193,000 over the net amount of \$1.5 million at risk through the lawsuit against the DOF.

The financial hit resulting from the delay in Walmart's opening, and the interest in beginning to restore employee concessions, have been funded through existing reserves. Reserves have historically remained high in the 23% to 25% range for the specific purpose of addressing the types of challenges facing the City at this time. However, looking out two to three years, without a new major revenue-generating project on the horizon, reserves will not be able to carry the City forward; especially if the City does not prevail in its lawsuit against the State.

To better position the City to address mid- to longer-term needs, the proposed budget includes money to undertake a detailed assessment of community expectations from a service demand and revenue generation perspective. For example,

- What services are important to you and not so important to you based on available resources?
- Are your service expectations being met?
- If not, what's not being met?
- Is there interest in generating more revenue to provide a higher level of service?
- If so, what services and what type of revenue adjustment? Etcetera.

Based on the results of this type of survey work, staff would be in a better position to make recommendations to Council on strategies to meet longer-term needs midway through the upcoming fiscal year. This timeframe would allow new development opportunities that are in the discussion stages to be assessed, while providing time to get answers to the many unknowns that we currently face.

### **State of City Operations: Staffing Levels**

Seventeen full-time permanent positions, across the City, have been frozen and left unfilled since the start of the economic downturn back in 2007 or so. Of our full-time staffing compliment, this represents a reduced workforce of roughly 20%. Cost savings from not filling these positions or under filling through part-time or contract, amount to over \$2 million. Many of these reductions hit in FY 2012-13 as a result of the loss of redevelopment.

As core positions/functions were lost, other staff stepped into the void resulting in many staff members wearing multiple hats. And while no service has been eliminated, service level lags are being experienced. Virtually all departments of the city have been impacted by these reductions. Below are only examples of the most recent impacts of reduced staffing, which primarily took place in the last fiscal year and are carried into the new fiscal year.

- Police: Two frozen Police Officer positions; by filling SRO position with a PT annuitant, the net impact is the equivalent of one less Officer in the field.
- Police: Grant funded traffic officer frozen; workload shifted to grant-funded overtime.

- Administrative Services: Financial Service Manager and Management Analyst frozen:
  - Staff supervision, utility billing issues shifted to Economic Development Director.
  - Budget monitoring, tracking and budget development detail shifted to Assistant City Manager/Administrative Services Director and Economic Development Director.
  - Risk and liability shifted to Marketing Manager.
  - Workers comp shifted to Assistant City Manager/Administrative Services Director.
  - Recruitment support shifted to Deputy City Clerk/Executive Assistant to the City Manager.
- Recreation and Community Services: Recreation Supervisor and Administrative Assistant frozen; shifted to part-time Administrative Assistant I.
- Public Works Maintenance: Two formally frozen positions with a third voluntarily unfilled in current fiscal year to realize one-time savings; equivalent of reducing maintenance crews from 12 positions to 9.
  - Impact: Reduced service levels, frequency of recurring maintenance activities and no added landscape projects.

Additionally, the Community Development Director is currently vacant, with the expectation that an individual within the Finance Department will be retiring soon. This provides an opportunity to assess reorganizational opportunities that better meet the unfolding needs of the organization. This is discussed further below under “Operational Recommendations.”

### **Budget “Cushion”**

Recognizing uncertainties when forecasting costs and revenues into the future, a level of conservativeness is ideally incorporated into any budget strategy. Given the challenging times we have faced, budget staff has worked hard to refine personnel costs to a precise figure including calculations of merit adjustments and trends for vacancies and placement of new hires. However, in other areas, opportunities for reducing expenditures or increasing revenues have not been incorporate into the budget assumptions. These areas are identified below.

- Walmart property tax revenues and CFD assessments have not been included in the FY 2014-15 revenues, but will likely be received in FY 15.
- Recognizing the interests Council and residents raised regarding local street maintenance during the community/budget workshop, it may be of value to open up discussions with Solano Garbage to see if there is any viable approach that would have Solano Garbage provide street sweeping services while still providing landfill drop-off chits for those residents that use them. This could save the Gas Tax Fund about \$75,000 or more per year, which could provide an ongoing revenue stream to augment in-house street repairs.

- Animal Control costs, established by the County, are increasing to \$174,700. Historically, these costs have increased significantly from year to year, though for this year, the costs are minimal (i.e., roughly \$4,000.) Recognizing that these costs are partially offset by animal license fees of \$42,000, an Animal License fee increase of 10% could raise about \$4,200. Staff cannot remember the last time this fee was raised. If there is Council interest to explore this option, staff would research to see what other cities charge.
- Fleet costs for SCPD vehicles are established by the County. The Police Chief has been working with the local Ford Dealer to determine if there is an opportunity to reduce our fleet costs. The order of magnitude of potential savings has not yet been computed.
- FY 15 Property Tax revenues are estimated to increase by 7.5% over FY 14. This estimate may be a tad conservative, and it could be bumped up another 2.5% resulting in an increase of an additional \$17,400.
- If the City loses its lawsuit against the DOF, it is hoped that the payment of the \$1,750,000 could be made in installments.
- There are about \$547,000 in water connection credits, and about \$1.62 million in sewer connection credits that could be “cashed” in to provide some one-time reserves. For example, the Walmart water connection fee of \$74,976 and the sewer connection fee of \$133,357 could be offset by these credits, and those fees could be paid to the General Fund instead of the water and sewer funds. That would add over \$208,300 in one-time resources to the General Fund.

Regarding connection credits, discussions have been initiated with the Fairfield-Suisun Sewer District regarding Walmart fees; outreach is likewise underway with SID. Further research is required to determine the appropriate mechanism to realize these credits.

### **Operational Recommendations in a Status Quo Budget**

With the current vacancy of the Community Development Director, an upcoming vacancy due to an anticipated retirement in finance, and a clear recognition by Council, staff and the community for more resources dedicated to economic development in order for us to take full advantage of the economic turn-around, discussions have been initiated with employees in planning, finance and support services to assess alternative staffing approaches. Basic elements of a plan include:

- Re-designate the position of Economic Development Director/Fiscal Services Manager to Development Services Director, with responsibility for economic development, oversight of planning and housing, while maintaining responsibility for unwinding redevelopment and budget.
- In Finance, upgrade Senior Accountant to Accounting Services Manager with a direct reporting relationship to the Assistant City Manager/Administrative Services Director.

- Designate the existing position of Senior Account Clerk with responsibility for payroll and accounts payable, while assessing additional accounting assistant level of support needed to backfill activities currently assumed by Senior Accountant and Account Clerk III, AP.
- In planning, assess higher level planning level support needed similarly to the contract City Engineer position in Public Works, with opportunity to explore covering with a PT annuitant.
- Supporting the BayREN program grant, use a portion of those available monies to fund a temporary, non-benefited position to handle paperwork, coordinate work efforts among existing staff and provide direct services.

Different components of these operational changes will be phased in based on key workload demands. For example, in planning, major advanced planning efforts in the works include the General Plan Update, initiation of the Specific Plan and completion of the Housing Element. In Finance, cross training is already taking place. Transition will depend on a retirement and an assessment of additional accounting support needed.

The cost savings in the budget reflect savings associated with the time “it would take” to fill the Community Development Director. Savings that will likely result from these operational changes would be in addition to these one-time savings.

### **General Fund Fiscal Analysis: FY 2014-15**

Section B provides an overview of the General Fund budget including revenues and expenditures, by major category, and a brief summary of how each category of revenue and expense has changed from the prior year. Key indicators reflective of fiscal health are highlighted below:

- **Operating Revenues/Expenditures** - Total operating expenditures for the GF budget (one-time and ongoing) amounts to roughly \$10.2 million against operating revenues of nearly \$9.3 million – not counting a beginning balance of \$2.8 million.
- **Structural Analysis** - The GF structural analysis for FY 2014-15 is negative by nearly \$760,000. This reflects primarily the delay in Walmart. With the expectation that Walmart will generate at least this much in sales and property taxes, as well as CFDs, if future revenue increases at least keep up with future cost increases, the status quo could be maintained – however, that assumes minimal reserves, understaffed operations which brings risk and liability, as well as an inability to keep up with ongoing maintenance and infrastructure needs.
- **Reserves** - The Emergency Reserve is budgeted at \$1.7 million or 16.89% of operating costs. This is only 1.89% or nearly \$200,000 above the net amount of money at risk in the lawsuit against the State DOF.

## **Capital Improvements**

Even though we are starting to see some improvement to our financial position in the coming fiscal year, our reliance on grants for capital improvements continues into the foreseeable future. Major city driven capital improvement projects on the horizon include:

- Train Depot Rehab \$700,000; construction start spring 2015
- Lawler Ranch Park Phase 2 \$900,000 est.; construction start spring 2015
- Walters Road Rehab \$550,000 est.; construction start late summer 2014
- Walters/Pintail signal \$450,000 est.; construction start fall 2014
- Peterson Road Sound Wall \$300,000 est.; construction start summer 2014
- Railroad Avenue extension predesign; environmental studies currently underway.

Non-City projects:

- Peterson Road repaving west of Walters by Walmart to be completed before opening
- Walters Road/Highway 12 intersection improvements.
- Peterson Road widening and repaving east of Walters Road by county; estimated start fall 2014.

## **Unfunded Needs**

As part of the budget workshop discussions, Council indicated an interest in identifying unfunded needs in both the short and mid-term. Significant items are highlighted below.

### **Annual Needs – Both Short- and Mid-Term**

- Restoring remaining employee hours/concessions (GF) \$ 150,000
- Annual street repair funding 500,000 to 1,000,000
- Deferred building maintenance 250,000
- Selective restoration of frozen positions 500,000 to 1,000,000

### **Short-Term Needs (One to Two Years)**

- Shortfall in the General Fund Emergency Reserve (if DOF lost) \$1,600,000
- Acquisition of replacement fire engines has been deferred 1,100,000
- Addressing succession planning for 3 or 4 department heads TBD

### **Mid-Term Needs (Three to Five Years)**

- Replacement of Police communications system \$ 300,000
- Replacement of Fire communications system. 300,000
- Replacement of the accounting/budget/payroll/HR/UBC system 350,000
- Potential dredging shortfall (which may need to be absorbed by the GF) 250,000

### **In Closing**

As we transition from the current fiscal year into the new fiscal year, there are a number of important themes that we continue to keep in mind:

- We are able to get through the upcoming fiscal year with the recommended strategies in place. The immediate fiscal situation becomes even more challenging if the City loses its lawsuit against the DOF, though options to pay the \$1.75 million back over time would soften the blow.
- The strain of the loss of 20% of staff can be seen throughout the organization. Our employees continue to work with us as we struggle to address the issues and challenges that are continually lobbed our way – and that includes:
  - Appreciation and respect for the policies that the Council has adopted to help guide us through these times.
  - Wearing of multiple hats (most of the time happily!) resulting from a significantly reduced workforce.
  - Continually identifying ways to meet the public’s demands with dwindling resources.
  - Continuing with some level of compensation concessions.
- Maintenance is stretched on all fronts.
- Our short- and long-term priority continues to be fiscal stability, which means we need to:
  - Continue to trim our operating budgets while utilizing alternative approaches when authorized to fill vacancies to trim our operating costs even further (i.e., cross-management, cross-training and contracting out).
  - Position ourselves for new development opportunities concurrent with the final stages of the General Plan Update.
  - Maintain a strong eye on reserves as we look into the future.
  - Continue to provide the business community and our residents with the highest level and quality of services possible given the challenges we face.

- Our service focus is on all segments of our community – services and programs that support long-term economic vitality, strong and safe neighborhoods, and a community that is a desirable place to visit, live, work and raise a family.

The bigger challenge is multi-faceted:

- How to keep up with ongoing cost increases that the City does not control until revenues from new development come on line?
- How to address short-term operational needs?
- How to address mid-term infrastructure and maintenance needs?

To better position the City to address mid- to longer-term needs, the proposed budget includes money to undertake a detailed assessment of community expectations from a service demand and revenue generation perspective. Based on the results of this type of survey work, staff will be in a better position to make recommendations to Council on strategies to meet longer-term needs midway through the upcoming fiscal year. This timeframe will allow staff to track trends of major existing revenue sources and future revenue generation opportunities tied to new development, as well as getting answers to the many unknowns we currently face

In spite of the challenging times we continue to face, the proposed FY 2014-15 Annual Budget continues us on a path consistent with the City Council’s commitments and goals. We continue to reap the benefits of grants (think the rehab completed at the Sr. Center and the new Grizzly Island trail and all the new projects that are in various stages of design and construction), and the construction phase of the long-awaited Walmart Center on Highway 12 & Walters Road.

For more detailed and expanded information on what is been presented in this budget message, key sections of the budget document to consider spending more time with include:

- **Section B – Budget Overview**, which provides an Executive Summary of the FY 2014-15 Annual Budget with an emphasis on the General Fund. A comprehensive summary of revenue and expenditure trends is presented, as well as a summary of major service refinements to the departmental operating budgets. This section ends with an outline of all ten sections of the budget document and what’s contained in each.
- **Section C - Department Operating Budgets**, which includes program and staffing organization charts; departmental accomplishments, goals, work programs and service refinements; and supporting expenditure, staffing and funding data.
- **Section D – Major Capital Improvement Program**, which includes a listing of major capital improvement projects for the City, the same listing of projects cross sorted by funding source and project category, and a more detailed description and timing schedule for each individual project.

In closing, special thanks to Ron Anderson, Assistant City Manager/Administrative Services Director, Jason Garben, Economic Development Director (who has also picked up the responsibilities of Financial Services Manager) for taking the lead on pulling this year’s budget together. Other staff members that warrant special thanks and appreciation include Elizabeth Luna, Senior Accountant, Scott Corey, Management Analyst and Amanda Dum, Management

Analyst. Donna Pock and April Conner have likewise stepped in to take on whatever tasks are needed to pull this document together.

I also want to thank our Management Team Members and their staff. I have said it for each of the last eight budgets that I have been involved with since I came to the City in 2005 and I will say it again: Given the financial constraints that we work under, we all understand that we still have a significant distance to travel before we are able to provide the highest level of service that we know we are capable of providing. But regardless, it is refreshing to work with a team that understands the big picture and is willing to be patient in addressing pent-up demands and needs until the City's financial position stabilizes and solidifies. Once again, "Staff gets it." I continue to be personally honored to be a part of this organization.

We look forward to your review and consideration of this budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Suzanne Bragdon', with a long horizontal line extending to the right.

Suzanne Bragdon  
City Manager