CITY OF ROSEVILLE CALIFORNIA

MINUTES
September 4, 2018

AND SPECIAL MEETING NOTICE
CITY COUNCIL GOALS WORKSHOP
6:30 p.m.
Maidu Community Center
1550 Maidu Drive
Roseville, California

1. CALL TO ORDER

Mayor Susan Rohan called the September 4, 2018 City Council Workshop to order at 6:30 p.m.

2. ROLL CALL

Present: Gore, Alvord, Herman, Allard, Rohan

3. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Susan Rohan.

4. PUBLIC COMMENTS

No public comment received.

5. PRESENTATIONS

Mayor Susan Rohan outlined the workshop procedures.

5.1. <u>Budget Presentation</u>

1. Building the Budget - City Manager Dominick Casey
   - Council Priorities and EngageRoseville

2. Budget Schedule (September - June) - City Manager Dominick Casey

3. Update of FY2018/19 Budget - Chief Financial Officer Jay Panzica

4. Review of Fiscal Trends, Forecast, and Fund Balances - Chief Financial Officer Jay Panzica

5. Budget Without Measure B - City Manager Dominick Casey
   - Potential Reductions

6. Budget With Measure B - City Manager Dominick Casey
   - Priority Exercise

7. City Council Direction

CONTACT: Dominick Casey 916-774-5362 dcasey@roseville.ca.us

- City Manager Dominick Casey summarized the agenda and spoke to the following:
- City Council Priorities
- Building the Budget for the upcoming fiscal year
- EngageRoseville Recommendations
- Budget Schedule for FY 2019-20
    - Budget Goals for FY 2019-20
        - Implement Council priorities
        - Live within our means
        - Provide core services

- FY 2019-20 General Fund Budget Challenges
    - Projected budget deficit for FY 2019-20
        - Will require $1-3 million in service level reductions
    - Expenses growing faster than revenue
        - Absent revenue growth, additional service level reductions will be required
    - Overall we are underfunding long-term obligations by $13 million - $14 million annually
        - Fiscally unstainable with current service levels
    - Shifting legislative and regulatory environment adds unfunded mandates, costs to City

- How the City has addressed the reductions (factors within City's control: 10 years of overall reductions include:
    - Workforce Reduction
        - Began in 2007 - From 778 FTE (FY07) to 698 FTE (FY19) in General Fund
        - Population increased 28% in that time
        - =30% reduction per capita in staffing
        - Contracted services where appropriate

    - Employee Compensation Reductions
        - Employees now fund 100% of the employee's share of pension costs
        - Eliminated defined benefit plan for retiree healthcare for new employees

        - Set salary-level targets at median in labor market, reducing salary costs by about 10% overall
        - Reduced the rate of increases within each salary range

    - Citywide Operational Efficiencies
        - Validated by independent audits

- Recent Budget Reductions:
    - Reduced staffing from 4 to 3 on two fire trucks
    - Closed libraries on Fridays
    - Reduced Maidu Museum and History site tours
    - Eliminated several vacant positions including police and fire
    - Decreased park and facility maintenance levels
    - Eliminated General Fund goat grazing
    - Suspended citywide park construction

- Early FY 2019-20 Forecasts:
    - Expenses increasing

PERS	$2,600.000
OPEB	$ 890,000
Salary and Benefits	$ 980,000
Total	$4,470,000

    - Sales tax growth rate leveling off
    - Significantly underfunding rehabilitation/maintenance funds
    - Likely budget deficit in FY 2019-20
        - Will require additional service level reductions without new revenue

- Underfunding Long-Term Obligations
    - Priority: Fiscal Responsibility
    - Overall city is underfunding long-term obligations by $14 million annually
        - Building maintenance
        - Equipment replacement
        - Parks, recreation, and libraries rehabilitation
        - Information technology replacement
        - Street maintenance
        - Retirement obligations (pension and OPEB)
    - Costs of obligations increase when deferred
    - Fiscally unsustainable with current service levels

- CIP Rehabilitation Actual verses Required funding FY 2018-19 General Fund levels were presented to Council and impact over time

Mayor Susan Rohan opened public comment.

No public comment received.

Mayor Susan Rohan temporarily closed public comment.

Chief Financial Officer Jay Panzica made the Fiscal Overview and Review of

Fiscal Trends, Forecast, and Fund Balances presentation to Council as follow:.

- Reiterated Budget Goals for FY 2019-0
  - Maintain Fiscal Responsibility
    - Implement Council priorities
    - Live within our means
    - Provide core services
  - Concerns
    - No room for growth without new sources of revenue
    - Limited capital available for new projects

Historical Sales Tax and historical sales tax growth amounts from FY 2004-05 through FY 2018-19 (projected) were presented.

Sales Tax Forecasts for FY 2017-18 to FY 2023-24 and sales tax by geographic area were presented.

Historical Property Tax Revenues for FY 2004-05 to FY 2018-19 as well as property tax trends were presented.

- Salaries/Wages/Benefits Forecasted (Assumption: 4 new positions/year to maintain current service levels from FY 2018-19 to FY 2023-24 as well as General Fund PERS forecast for FY 2017-18 to FY 2023-24

- 5-year Budget Forecast Summary
  - Assumes no new revenue from Measure B
  - Assumes gas tax stays in place
  - Assumes moderate growth of revenue
  - Assumes no loss from potential sales tax overhaul
  - Includes known operational expenses
    - 4 new staff per year and Council approved funding policies for OPEB and CIP Rehabilitation and required minimum payments to PERS
  - Revenue does not cover all expenses nor build capacity to absorb next recession
  - Without new revenue sources, service levels will continue to decrease

- General Fund operating Revenue and operating Expenditures forecast was summarized as well as a 5-year forecast denoting a structural deficit forecasted over 5 year period from FY 2019 to FY 2024 with a potential of up to a $13 million annual shortfall in Revenue verses Expenses

- Example Recession Forecast from FY 2019 to FY 2024 assumes that in FY 2024 revenue loss would be approximately $26 million

Council Discretionary Spending was discussed as follows:

Major Service Area (in millions)	Adopted FY 2018-19
Total City Wide Budget	$514.1
Less Enterprise Funds	(305.1)

Less Special Revenue Funds (LLD's, Golf, Gas Tax, etc.)	(16.2)
Less Capital Project Funds (Park Development Fees, PFF, TMF)	(9.2)
Less Special District Agency Funds (CFD's)	(24.4)
Less Trust Funds (OPEB, RDA Successor Agency)	(9.6)
Less Other	(8.2)
Equals General Fund Operating Budget	**$138.4**

Resource Category (in millions)	Adopted FY 2018-19
Total General Funds Operating Expenses	$138.4
Less Revenue Offsets	(33.0)
Less Non-Discretionary Expenses	(12.9)
Equals General Fund Discretionary Spending	$ 92.5
Police and Fire Net Expenditures	$ 59.8
All other Discretionary Net Expenditures	$ 32.7

Council Discretionary Spending (in millions)

- Examples of Revenue Offsets = $33
  - User Fees
  - Electric Franchise Fees
  - Reimbursement of Costs
  - Licenses and Permits
  - Grants
- Examples of Non-Discretionary Expenses = $12.9
  - Annexation Payments
  - OPEB
  - Storm Water Management

- Police and Fire
  - Police and Fire budgets comprise an increasing proportion of the General Fund discretionary funding
  - Percentage of public safety expenses funded by property and sales tax revenue
    - FY 2006-07: 64%
    - FY 2018-19: 67%
  - Even during the recession, Public Safety remained a priority

- General Fund Emergency Reserve
  - Current fund balance: $14.2 million
    - 10% of General Fund operating expenses
  - Policy adopted with long-term goal to have 3 months of 25% of operating expenses reserved (GFOA best practice)
    - No short term plans to increase without further reducing service levels
  - Provides financial security
  - Will help City achieve AAA bond rating

- Strategic Improvement Fund (SIF)
    - Purpose of the SIF
        - Improve property values
        - Generate sales tax and property tax
        - Provide a community benefit
    - Revenue Sources
        - Community Benefit Fee
            - Impact fee built into Development Agreements
            - Average receipts ~ $800K per year

Strategic Improvement Fund	
Fund Balance FY19 Estimated Beginning Balance	$9.5M
Plus	
FY19 Estimated Fees	$0.8M
Public Facilities Fee Loan Repayment (316 Vernon)	$0.4M
Interest	$0.2M
Less	
East Radio Site Relocation	($1.1M)
Town Square	($0.1M)
Village Center Park	($0.1M)
Other Operating Expenses	($0.2M)
Estimated FY19 Ending Balance	$9.4M

Summary:

- Maintain Fiscal Responsibility
    - Implement council priorities
    - Live within our means
    - Provide core services

Mayor Susan Rohan opened public comment.

Rick Duffy - Inquired if staff had prepared a charted growth of pensions.

City Manager Dominick Casey responded

Mayor Susan Rohan temporarily closed public comment.

City Manager Dominick Casey summarized Measure B and made the Budget Without Measure B presentation to Council.

- Measure B on November 2018 Ballot
    - Title: *Protecting Roseville's Public Safety, Road and Essential Services Measure*
    - 1/2 cent transactions and use (sales) tax increase
        - From 7.25% to 7.75%
    - General tax requiring majority approval of 50%+1
    - Would tax effect April 1, 2019
    - Remains in place until ended by voters
    - Independent citizen oversight

    - Financial audits
    - Every half-cent legally required to stay in Roseville
    - Funds cannot be taken by the State

- Potential Reductions Without Measure B
    - $3 million operational shortfall in first year
    - Continued postponement of $10 million in annual maintenance and replacement needs
    - This compounds 10 years of reductions
    - Cuts to align with Council priorities and EngageRoseville recommendations

- Types of Reductions City Will Look At:
    - Reduce specialized Police and Fire Services
    - Investigate taking a fire engine out of service
    - Further reduce Parks, Recreation & Libraries programs and facility hours, up to closing facilities
    - Continue delay of citywide parks construction
    - Reduce street maintenance
    - Decrease flood plain management
    - Eliminate adult literacy programs
    - Further reduce park maintenance levels
    - Eliminate special event support
    - Further reduce sponsorships, memberships, and accreditations

Mayor Susan Rohan opened public comment.

Bruce Houdesheldt - Requested explanation of cost cuts to Stormwater and spoke to regulatory fees that hurt utilities.

City Manager Dominick Casey responded

Mayor Susan Rohan temporarily closed public comment.

City Manager Dominick Casey made the Funding Priorities presentation to Council.

Topics of consideration for funding included:

- Public Safety
    - Restore Police Service Levels $875K
        - Establish Beat 7 on west side with 2 officers
        - Restore 1 police officer to traffic unit
        - Restore 1 dispatcher
        - Add 1 animal-control officer
    - Restore Fire Service Levels $300K
        - Restore 1 training and development position
        - Restore fire investigation personnel

- Public Works
    - Partially restore road funding $2.5M
        - $2.5M to fully fund, assuming SB1 is not repealed
        - $5.5M to fully fund if SB1 is repealed

    - Increase funding for sound wall repair and replacement $250K
    - Maintain FEMA Class 1 flood rating $72K
        - Affects flood insurance rates

- Parks, Recreation & Libraries
    - Phase in maintenance costs for new citywide parks $600K
    - Phase in more library hours and materials, and hours at Maidu Museum $200K
    - Stop erosion of park maintenance levels
        - Turf, trees, hardscape, custodial $700K
    - Bring back General Fund goats to open space $150K

- Economic Development
    - Expand job creation & start up initiatives $225K
    - Business recruitment and communications $500K

- Development Services
    - Increase Code Enforcement Service levels $150K

- Create a Recession Fund
    - Create a recession fund $3M/yr
        - Will minimize service-level reductions during next recession
        - $3M per year for 7 years to achieve 25% goal (in contrast to emergency reserves, a recession fund can be used to stabilize an operational shortfall

- Pay Down Obligations
    - Pay down pension obligations $3M/yr
    - Pay down OPEB obligations 1M/yr

$323M	CALPERS pension unfunded liability
$144M	OPEB unfunded liability
$467M	Total retirement obligations
$300+M	General Fund portion of pension/OPEB liabilities

- Citywide
    - Add internal auditor $180K
    - Add 1 staffer to address increase in Public Records Act requests for information
    - Maintain adequate industry training and development programs $200K
    - Customer response tracking and reporting software $600K
    - Fully fund costs of repair and replacement for buildings and equipment

Mayor Susan Rohan opened public comment.

No public comment received.

Mayor Susan Rohan temporarily closed public comment.

Kathryn Kitchell - Inquired if internal auditor at the cost of $180K would be just for the General Fund and inquired about use by the utilities.

City Manager Dominick Casey responded.

Stephanie Dement - Spoke on possibility of transferring Stormwater to utilities or to create a separate utility.

Priority Exercise:

City Manager Dominick Casey explained the priority exercise and requested no more than two dots be placed under each of the 21 priorities outlined in the chart.

After conducting the exercise the funding preferences were as follows:

Funding Preferences	Number of Dotes Voted
Establish Beat 7 on West side with 2 police officers	6
Restore 1 Police Officer to Traffic Unit	4
Restore fire training and investigations	2
Partially restore road funding	3
Increase funding for sound wall repair and replacement	0
Maintain FEMA Class 1 flood rating	0
Phase in maintenance costs for new citywide parks	4
Phase in more library hours and materials, and hours at Maidu Museum	4
Stop erosion of park maintenance levels	3
Bring back General Fund goats to open space	3
Expand job creation initiatives	3
Business recruitment and communications	2
Maintain or increase code enforcement service levels	1
Create a recession fund	4
Pay down pension obligations	3
Pay down OPEB/retiree health	2
Add internal auditor	0
Add 1 staffer to address increase in Public Records Act requests	0
Maintain adequate industry training and development programs	4
Customer response tracking and reporting software	0
Fully fund costs of repair/replacement for buildings & equipment	2

Council discussion following exercise and direction to staff was to go forward with the recommended funding preferences if Measure B passes.

6. COUNCIL / STAFF / REPORTS/ COMMENTS

No Council / Staff / Reports / Comments received.

7. ADJOURNMENT

Motion by Tim Herman, seconded by Bonnie Gore, to adjourn the Workshop at 8:20 p.m. The Motion Passed.

Roll call vote: Ayes: Allard, Alvord, Gore, Herman, Rohan