



# City of Woodland

## REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR  
AND CITY COUNCIL

DATE June 10, 2008

SUBJECT: Fiscal Year 2008/2009 Preliminary Operating  
Budget

### **Report in Brief**

On May 13, 2008, staff presented a proposed preliminary operating budget consistent with Council's December 11, 2007 guidance. Council approved the proposed budget with relatively minor changes and gave the City Manager direction on the following issues: (1) determine a method for continuing to fund the DARE program, including possibly utilizing a Community Service Officer or restructuring the program; (2) determine a method for funding the program aspect of Yolano Recreation, but not the maintenance of the facility, including increasing bus routes and programming at the Community and Senior Center, and keeping the summer playground program intact; (3) Provide fee schedules for business licenses and building permits; (4) provide details on costs associated with administering the Community Development Block Grant (CDBG) program to explain the need for the proposed General Fund subsidy of \$63,277.

Staff recommends that the City Council adopt the attached Preliminary Fiscal Year 2008/2009 Operating Budget, which incorporates the above referenced changes.

### **Background**

On December 11, 2007, the City Council had a discussion about the economy and the fiscal challenges anticipated in FY 09. During this meeting, the City Council adopted guiding principles to be used in the planning and preparation of the operating budget. In accordance with these adopted guiding principles, the FY 08 Mid Year budget was used as the baseline for the FY 09 operating and capital budgets.

On May 13, 2008, the City Council was presented with the City Manager's proposed FY 09 operating budget, which addressed the significant reduction in property and sales tax revenue being anticipated, as well as larger than expected decreases in development fee income. As discussed, most operational costs were covered with respective revenues in all funds except the General fund. The major changes compared to FY 08 in the General Fund were discussed at length and are summarized below:

- \$428,141 in reduced discretionary costs (such as supplies and contract services).
- \$769,581 in reductions related to staff reorganization.
- \$852,574 in program reductions (such as animal control services, alarm tracking, storm drain services, and Yolano maintenance).
- \$1,140,881 in reallocation of costs through indirect charges and implementation of a vacancy factor for non-public safety programs.
- \$1,376,420 in recurring revenue enhancements.
- \$1,781,757 in one-time revenues.

Council approved the proposed budget in the majority, requesting more information and several changes related to some of the proposed reductions. These requests have been met and information is provided in the exhibits to this communication. A discussion regarding Council's requests is included in the following section.

### **Discussion**

Staff believes that the Preliminary Fiscal Year 2008/2009 Operating Budget, being presented for adoption and attached as Exhibit 1, is consistent with Council's adopted guiding principles, reflects prioritization of essential City services with minimal reductions, minimal employee impacts, responsible service levels, and a balance of other desired and demanded City services.

City-wide operating revenues are estimated at \$123.7 Million and operating expenditures are estimated at \$98.8 Million. The difference of \$24.9 Million is attributable to expenditures related to current and future capital projects. The three-year Capital Budget for FY 09-FY 11 will be submitted to Council under a separate communication.

The General Fund Operating Budget for FY 09 is balanced with revenues and expenditures of \$43.4 Million.

As directed during the May 13, 2008 Council meeting, staff will also analyze and prepare proposals for Council related to an increase in the Transient Occupancy Tax, and the reintroduction of a Storm Drain Initiative that would be limited to offsetting the existing operation costs.

The following is a summary of Council's directed changes to the operating budget as presented on May 13, 2008 and requests for information relating to the operating budget:

### **DARE Program**

Council stated that this program was important to the community and requested that changes be made to the budget to continue funding this program. Council directed staff to review the option of staffing the program with a Community Services Officer rather than a sworn Police Officer. The Preliminary Fiscal Year 2008/2009 Operating Budget being presented for adoption fully funds the DARE program with a sworn officer. This change has been facilitated by a combination of using additional savings from the Dubach Park demolition contract, reducing Police overtime, and reducing budgets for conferences and training city-wide.

Staff analyzed the cost savings that would be associated with utilizing a Community Services Officer in lieu of a sworn officer and this savings was minimal (approximately \$36,000). The Police Department has stated that operation of the DARE program by a sworn officer is essential to its success. A sworn officer provides a credible source of information when teaching children about the negative consequences of substance abuse because he or she has first hand knowledge. While a CSO may be able to teach the curriculum, the civilian position cannot claim to have the first hand knowledge of a sworn officer.

**Yolano Recreation**

Council directed staff to determine a method for funding the program aspect of Yolano Recreation, but not the maintenance of the facility, including increasing bus routes and programming at the Community and Senior Center, and keeping the summer playground program intact. This has been accomplished through additional savings related to the demolition of facilities at Dubach Park (originally estimated at \$100,000, but anticipated to cost only \$25,000). These savings, while one-time in nature, will facilitate the funding of the Yolano recreation program through part-time staff hours for Fiscal Year 2008/2009. Additional alternatives will need to be explored in subsequent years to continue funding the program beyond this next fiscal year. Staff will also present a complete evaluation of all playground sites to determine if there are options to marginally reduce program hours at each site in order to keep all sites, including Yolano, open.

**Building Permit and Business License Fee Schedules**

The Preliminary Fiscal Year 2008/2009 Operating Budget anticipates increases in both building permit and business license fees. Council requested additional information and a detailed schedule of these proposed fees; the information is attached as Exhibits 2 and 3.

Exhibit 2 is a summary of the Building Division User Fee Study. This Study was supported by a consulting firm and proposes to facilitate a more equitable assessment of fees based on the actual costs to provide plan review and inspection services. While the overall result projects a 30% increase in fees, it is important to note that commercial projects will bear most of the increase and some fees will actually decrease. As an example, if the proposed fees had been applied to Costco, the schedule would have provided the City with an additional \$23,000 or .2% of their project costs. Fees applied to homeowners and small businesses for items such as re-roofing and water heater replacement would decrease because these permits can be handled efficiently by counter staff. A detailed schedule with revised fee categories will be presented to the City Council on June 17.

Exhibit 3 summarizes the Business License Renewal Fees. The schedule shows new fees based on gross sales for retail businesses, number of employees for manufacturing and non-retail businesses and number of units for rental (apartment) businesses. While the proposed fees are doubled, the highest fee of \$762 is applied to a retail business that generates gross sales of \$4,000,000 or more. These fees also compare favorably with surrounding communities that use a graduated schedule wherein the fees are gradually increased for larger businesses.

**CDBG Budget Detail**

The proposal presented to Council on May 13, 2008 included a subsidy by the General Fund to the CDBG Fund of \$63,277 to address a deficit due to grant administration costs. Council requested

financial detail about the CDBG Fund and an explanation of the need for the subsidy. The Community Development Department, in conjunction with the Finance Department, has prepared this information and it is attached as Exhibit 4.

When considering the information within the Exhibit, it is important to note that the General Fund subsidy for CDBG interrelates with the other programs provided by the Redevelopment and Housing Division. The staff assigned to the Division is responsible for managing a group of programs that benefit low income residents, improve blighted properties and provide financial support for community service organizations. Elimination of the subsidy would require a loss of staff and erode the effectiveness of the Division.

Staff believes the subsidy needs to be evaluated from the standpoint of Return on Investment. On March 4, staff presented a report outlining changes to the CDBG program, including allocation of more time for program administration. The additional resources and time spent on program administration enabled staff to identify over \$400,000 in unspent entitlement funds and program income. Some of the unspent entitlement funds were originally allocated in 1998. Combining the unspent entitlement funds and program income will allow the CDBG program to allocate over \$1.2 million in Public Service and Capital Projects to the community in FY09. Therefore, the investment of approximately \$63,000 from the General Fund supports accurate program administration and the identification of additional resources that were not identified in the past.

### **Fiscal Impact**

The attached Preliminary Fiscal Year 2008/2009 Operating Budget, being presented for adoption, reflects the current economic conditions, the approved Guiding Principles, and balances services desired by Woodland's residents, business and the City Council. It includes details relating to each operating fund, by Department, Program, and Account.

City-wide operating revenues are estimated at \$123.7 Million and operating expenditures are estimated at \$98.8 Million. The difference of \$24.9 Million is attributable to expenditures related to current and future capital projects.

### **Public Contact**

Posting of the City Council Agenda. Staff presented the proposed FY 08/09 Operating Budget to Council and the public during the May 13, 2008 meeting. Staff previously met and reviewed the General Fund reductions, revenue enhancements and use of one-time revenues with representatives of all employee associations.

**Recommendation for Action**

Staff recommends that the City Council adopt the Preliminary Fiscal Year 2008/2009 Operating Budget, as presented, which incorporates the Council's changes identified during the May 13, 2007 Council meeting.

Prepared by:  
Amber D'Amato  
Assistant Finance Director

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Mark G. Deven  
City Manager

- Exhibit 1: Preliminary Fiscal Year 2008/2009 Operating Budget
- Exhibit 2: Proposed Building Permit Fee Schedule
- Exhibit 3: Proposed Business License Fee Schedule
- Exhibit 4: CDBG Fund Financial Detail

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**MEMORANDUM**

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**Date:** May 27, 2008  
**To:** Barry Munowitch, Assistant City Manager  
**From:** Paul Siegel, Building Official  
**RE:** **Building Division User Fee Study**

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The Building Division obtained the assistance of the MuniFinancial Group, a subsidiary of Willdan to complete the user fee study. Based on staff's and consultant's review, the study found the following limitations with the Division's current permit fee process:

- The Division cannot demonstrate that its fees are based on the actual cost of providing specific building-related services and;
- The Division is not properly accounting for all costs of development review by staff and in some instances is not collecting any fee for service.

To resolve these inequities MuniFinancial, the consultant, examined the Building Division's budget, staffing levels, productive hours for each employee, permit processes, and services provided. Staff calculated the total amount of time for each member to provide Building Division development related services.

From these two sets of data the Building Official designed a fee model that included direct, indirect, and overhead costs related to the provision of Building Division development related services. The fee model revealed that Building Division's current fee schedule was significantly lower (20% to 30% lower) than the costs incurred by the City to provide the services.

**Implementing the proposed fee schedule will provide three fundamental changes:**

- The City's building permit fees will be able to withstand public and political scrutiny.
- The building program will be more equitable and accountable to its customers.
- The updated fee schedule will allow the City to recover direct costs for the Building Division's fee supported activities.

*If the rates and fees for the Building Division remain at their current levels, General Funds that could be used for other City Council priorities must be used instead to support development-related services.*

The following is a *Highlights* section which details the major changes to the Building Division's Fee Schedule.

**Highlights:**

- **100% Cost Recovery:** The goal of a fee study is to provide for 100% cost recovery for all work performed.
- **Improved Customer Service**
  - Plans Examiner will increase customer service and response time for plan review.
  - Building Inspection Services Manager will improve customer service by coordinating all inspection and plan review processes.
  - Technical assistance at the permit counter.
- **20% increase in fee table—the fee table for new buildings (except production homes) is being increased by 20%**
  - This Table “A” fee adjustment, along with other fee changes, such as, electrical, plumbing and mechanical fees will result in most commercial building total building division fees being increased by approximately 25% to 30%.
  - For projects, such as a Costco, the fee would change from \$78,413 (actual fee paid) to \$101,467. This approximate \$23,000 difference (29.4%) is the actual cost the City is not collecting on this type of development. On an \$11.7 million dollar project, such as Costco, the \$23,000 amounts to a 0.20% increase in project costs.
- **0% increase on average for all general types of permits (such as, Cellular Phone equipment shelters, Commercial Kitchen Exhaust Hoods, Medical Gas Piping.)**
  - Time and material fees are increasing 0% on average. Though on average the fees are not increasing some are significantly changing up or down. This section of the fee table is fundamentally changing with over 30% new fee types.
- **New fee table for production homes**
  - The new production home fee table increases slightly in order to accurately account for the time and material to complete the work. As an example, the new total building division fees for a 2,200 square foot home with a 400 square foot garage under the proposed table will be \$2,410. This is an increase of \$65 over the current fee schedule.
- **New Over-the-counter permit issuance fee.**

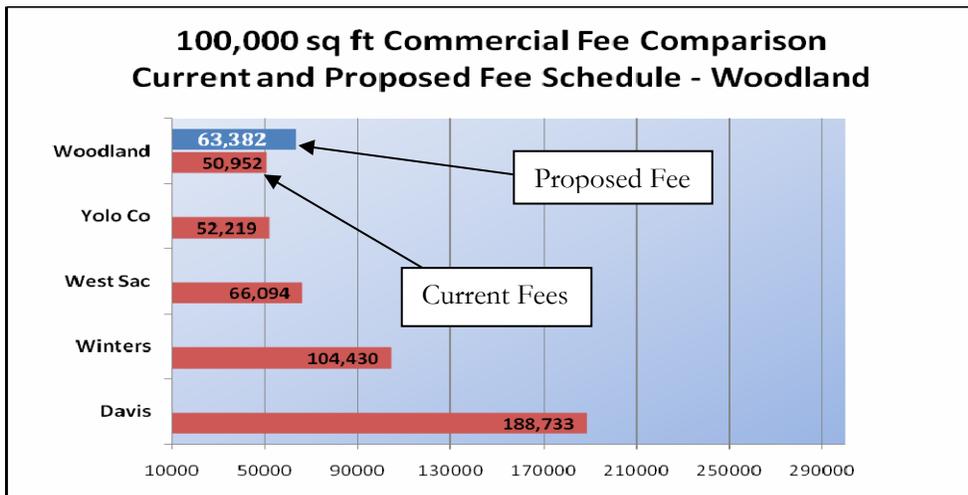
\$25.00 for over-the-counter permit issuance fee. This fee is 60% **less** than the normal issuance fee.

  - Over-the-counter permit fee is provided because of the reduced staff time involved with certain types of permits.
  - Over-the-counter permits can be performed by counter staff because applicants typically do not need technical assistance.
  - Over-the-counter permits are typically applied for by repeat customers who are familiar with the process and therefore do not need assistance in the permit process.
- **Other Flat-rate fees for residential permits.**

These fees can be reduced because of increased efficiency of counter staff and highly skilled inspection staff.

  - All residential re-roof permits will be a flat fee of \$150.00 and this includes the permit issuance fee.

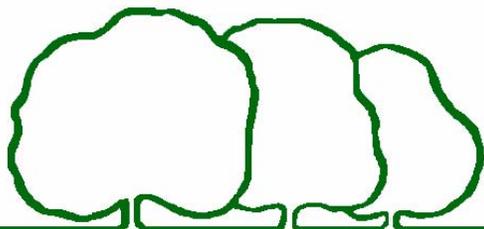
- Water Heater permits: \$34.00. This is a 25% **fee reduction**.
  - HVAC change outs: \$50.00. This is a 17% **fee reduction**. This includes replacement of heating and air conditioning units. This includes duct repairs as part of the change out.
- **Photovoltaic Electrical systems for residential permits.**  
 These reduced fees are to encourage the installation and use of electrical generation in residential homes.
- \$9.00 per Kw of output. Typical residential systems are 2 to 3 Kw of output.
  - Over-the-counter permit issuance fee of \$25.00 applies because full-time technical staffing is available to process and review photovoltaic systems at the counter.
  - A typical permit fee of \$52 for a residential Photovoltaic System puts Woodland as one of the lowest priced cities in the state.
- **Fees will not be updated each year by a COLA.**
- The rationale is to keep fees consistent, simple whole numbers, and maintain a clear nexus between the work performed and the fee attached to that work.
- **Table of current fees for Cities within Yolo County.**  
 The table below shows the building fees for all cities in Yolo County and for Yolo County for a 100,000 square foot retail building. The current fees and the proposed fee for Woodland are labeled. Some cities have very high fees but these are not applicable because these cities rarely develop this type of building. The most accurate city for comparison purposes is West Sacramento, and as can be seen Woodland is currently well below this comparison. With the proposed change Woodland will still be slightly below but more in-line with West Sacramento.



**Note:** Comparisons with other cities are inherently imprecise and should only be used to see the big picture in determining suitable action. For the big picture above, the appropriate action is to raise the building fees for Woodland and that the proposed fee increase is reasonable. But the chart above should **not** be used to determine what that increase should be. That type of determination is reached by analysis through a documented fee study—as was done here.

**BUSINESS LICENSE  
RENEWAL FEES**

	<b><u>Existing Fees</u></b>	<b><u>Proposed Fees</u></b>
<b>Home Business (Flat Rate) .....</b>	<b>\$26.00</b>	<b>\$52.00</b>
<b>Out of Town (Flat Rate) .....</b>	<b>\$26.00</b>	<b>\$52.00</b>
 <b>Retail</b>		
<b>(Based on Gross Receipts)</b>		
<b>\$100,000 or less .....</b>	<b>\$26.00</b>	<b>\$52.00</b>
<b>\$100,001 to \$500,000 .....</b>	<b>\$64.00</b>	<b>\$128.00</b>
<b>\$500,001 to \$4,000,000 .....</b>	<b>\$127.00</b>	<b>\$254.00</b>
<b>\$4,000,001 or more .....</b>	<b>\$381.00</b>	<b>\$762.00</b>
 <b>Manufacturing and Non-Retail</b>		
<b>(based on number of employees)</b>		
<b>3 or less .....</b>	<b>\$26.00</b>	<b>\$52.00</b>
<b>4 to 20 .....</b>	<b>\$64.00</b>	<b>\$128.00</b>
<b>21 to 99 .....</b>	<b>\$127.00</b>	<b>\$254.00</b>
<b>100 or more .....</b>	<b>\$381.00</b>	<b>\$762.00</b>
 <b>Rentals</b>		
<b>(based on number of attached units)</b>		
<b>2 to 4 .....</b>	<b>\$00.00</b>	<b>\$00.00</b>
<b>5 to 19 .....</b>	<b>\$64.00</b>	<b>\$128.00</b>
<b>20 to 49 .....</b>	<b>\$127.00</b>	<b>\$254.00</b>
<b>50 or more .....</b>	<b>\$381.00</b>	<b>\$762.00</b>
 <b>Bingo (Flat Rate) .....</b>	 <b>\$64.00</b>	 <b>\$128.00</b>



City of Woodland

Community Development Department

## MEMORANDUM

TO: BARRY MUNOWITCH, ASSISTANT CITY MANAGER  
 FROM: CYNTHIA SHALLIT, REDEVELOPMENT MANAGER  
 DATE: MAY 27, 2008  
 SUBJECT: **CDBG ADMINISTRATION COSTS**

In FY09, additional General Fund dollars are being requested to administer the CDBG program because this is a more accurate reflection of what it truly costs in staff time to manage the program. In previous years, though less CDBG funds were used for administration, it did not mean necessarily that less staff time was used. In fact, program staff time was being subsidized from other sources.

In FY09, the CDBG program incorporates the following costs:

- The chart below reflects the FY09 CDBG entitlement and allocation of funds between administration and program.

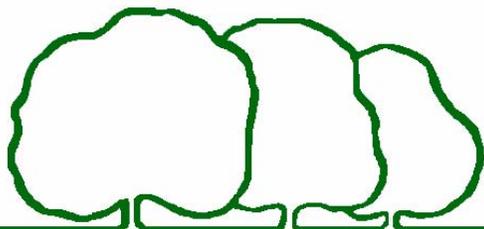
FY08-09 CDBG Entitlement	Amount	% of Total
Administration	\$114,089	20%
Program Costs	\$456,354	80%
<b>Total Program Funding for FY09</b>	<b>\$570,443</b>	

- The chart below reflects the proposed CDBG Administrative budget for FY09:

Administrative Costs	Amount	% of Total
Cost of Staff and Fringe	\$171,341	97%
Supplies and Services	\$5,375	3%
<b>Total</b>	<b>\$176,716</b>	<b>100%</b>

- The General Fund Obligation would reflect **35%** of the cost to administer the program:

Total Administrative Cost	\$176,716
Minus Administration Allocation	-\$114,089
<b>General Fund Obligation</b>	<b>\$62,627</b>



# City of Woodland

## Community Development Department

- This is a break-out of staff (by position title) who currently work on the program. In previous years, some of the staff was not charged to the program; however, staff did devote an amount of their time, equivalent to the FTE amount below, to the program. The FTE amounts reflected below approximates the level of effort required to manage the program.

Position Funded	Amount	FTE
Redevelopment Manager	\$27,691	0.20
Housing Analyst I	\$87,789	0.90
Associate Housing Analyst	\$8,351	0.08
CDD Office Manager	\$8,948	0.10
CDD Management Analyst I	\$10,084	0.10
Assistant Finance Director	\$5,908	0.05
Senior Accountant	\$22,569	0.20
<b>Total Salaries</b>	<b>\$171,341</b>	<b>1.63</b>

In addition, staff is projecting an additional \$8,000 in program income that can be used for administrative costs as reflected in the 2008 CDBG Action Plan. These funds would help offset of some of the General Fund obligation to the CDBG program.

### Background:

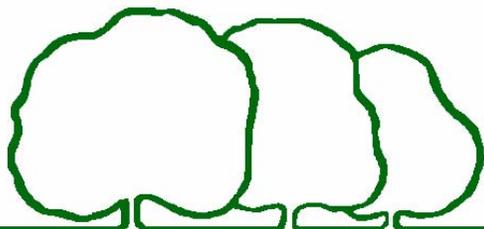
In previous years where there was not any full-time staff assigned to the CDBG program; the program was not fully run in compliance with federal regulations. This was made clear by the HUD audit that was conducted in spring 2007 for the year 04/05 and 05/06. As was demonstrated in the report to Council in February 19, 2008, CDBG administrative and financial processes were revised to avoid the errors pointed in the HUD audit.

There were several benefits to the restructuring of the program and financial accounting. A side benefit to this additional staff attention was that staff aggressively completed past projects and identified unexpended or underutilized funds from previous grants which resulted in identifying an additional \$372,985 available for new public facilities projects. Some of those funds had been sitting unused for years.

Another important benefit which took a considerable amount of the Finance staff's time in particular was investigating the receipt and allocation of program income over the past several years. This resulted in more funds being available for public services and administration without exceeding the allowable federal caps. Finance staff also is spending more time in getting budget information to program staff on a more frequent basis to allow them to make more accurate allocation decisions.

### Other Programs/Projects:

In addition to CDBG, the Redevelopment Division staff (currently 3 FTEs allocated to various programs) currently work on the following projects:



City of Woodland

Community Development Department

### **Redevelopment**

Staff continues to work on projects within the redevelopment area with the primary goals of (1) eliminating obsolete and aged building types and inadequate and deteriorated public improvements and facilities (2) the provision of an environment conducive to social and economic growth (3) and the provision of community facilities, including parking and improved infrastructure. Recent projects include:

- Casa del Sol
- Bush Street RFP
- City Center Lofts
- Matmor- possible sewer development for future site development
- Façade Program/2<sup>nd</sup> Floor
- Prop 1C application

### **Redevelopment/Spring Lake Housing**

Staff ensures that the City improves and preserves the stock of very low, low, and moderate income housing. This is accomplished by working with developers with infill projects within the redevelopment area and working with developers in the Spring Lake project area.

Staff also spends a considerable amount of time on its Housing Rehabilitation Program. This program uses CDBG and other grant funding and invests it into the rehabilitation of homes throughout the community. This effort involves drafting loan agreements with property owners, marketing the program, and monitoring of improvements and loan agreements. This fiscal year, staff continues to monitor 26 rehabilitation loans and has received four (4) loan payoffs from monitoring totaling approximately \$13,000.

In addition, staff is currently working on two (2) acquisition/rehabilitation apartment projects, one (1) new construction of a family apartment project, and one (1) new construction of a senior apartment complex.

### **Housing Monitoring**

Staff currently tracks affordable housing properties within the City as they are subject to the City's affordable housing requirements. Staff's responsibility includes ensuring that contracts/regulatory agreements are monitored, that all new housing developments comply with the established requirements for the provision of low and moderate-income households and elderly residents, and that all units continue to be affordable throughout the affordability period. Staff currently monitors approximately 1,000 rental units, 57 for-sale units, and every additional home sold through the Inclusionary Program as Spring Lake develops.

### **Fund Leveraging and Grant Administration**

Staff currently engages in grant writing, grant administration and management of projects. Activities include applying for grants, managing grant proceeds, submitting reports to state and federal funding agencies, and administering subrecipient agreements. Examples of recent grants within the past fiscal year include Workforce Housing, HOME (first-time homebuyer funding), CALHOME (first-time homebuyer funding), and BEGIN (first-time homebuyer funding), and the Supportive Housing Program.