



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 FY09 through FY11 Proposed Capital Budget and
10 Year Capital Improvement Plan

Report in Brief

On May 13, 2008, staff presented a proposed preliminary three-year capital budget and ten-year Capital Improvement Plan (CIP), which included projects consistent with the revised Measure E (MSE) spending plan. Council approved the proposal with some minor comments and provided staff with direction to address the following: (1) presentation of internal loan amortization schedules; (2) incorporation of energy savings in capital projects; (3) analysis of cost difference resulting from the City's change in cell phone service provider; and (4) use of MSE revenues to fund facility maintenance on facilities constructed with local sales tax proceeds.

Staff recommends that the City Council authorize expenditures for the three year period beginning in FY 08/09 and ending FY10/11.

Background

The dramatic slowdown in the economy (and more specifically the real estate market) has resulted in significant reductions in the development fee revenues that support the majority of the City's capital program. This impact was discussed in detail during the December 11, 2007 City Council meeting. In addition, the Council adopted guiding principles on December 11 to be used in preparation of the FY09 budget and 10-year Financial Plan. In compliance with these principles, staff prepared a proposed budget that addressed maintenance of existing City facilities, affordability of future operating impacts, and progression toward individual fund integrity and improved fund balances.

On May 13, 2008, Council was presented with the proposed FY09 – FY18 CIP, including the FY09 – FY11 Capital Budget, which was created based on conservative development assumptions and reduced MSE revenues. The proposed 3-year appropriations included in the 10-year CIP represent continued funding on previously approved capital projects and programs, as well as new initiatives.

Due to the multi-year implementation period of most capital projects, staff is recommending appropriations for the three-year period beginning in FY09 and ending in FY11. The proposed appropriations are based on respective project phasing and anticipated annual cash requirements.

Discussion

Preparation of the CIP has been a time intensive and comprehensive effort involving all City departments. The CIP contains close to 200 projects, with total expenditures over the ten-year period topping \$193 million. Revenues were projected using currently approved fees and conservative development assumptions. Capital projects were submitted consistent with the various Council adopted Master Plans, MPFP and Measure E plans. Future anticipated operating impacts were evaluated as part of the capital budgeting process, and any projects the City cannot currently afford to operate are considered unfunded in the current CIP.

On May 13, 2008, Council approved the proposed CIP and Capital Budget with some minor comments and provided staff with direction to address the following:

Internal loan amortization schedules

Because the City implemented and expended money on various capital projects in advance of collecting the related development fees, several development fee funds reflect negative fund balances. These respective funds have internal loan repayment schedules; future development fees collected from each respective fund will be remitted back to the treasury. Amortization schedules for these loans are attached as Exhibit 1; the amortization schedules on these internal loans will be reviewed annually and updated based on revised revenue projections and capital project needs.

Incorporation of energy savings

Staff recently reviewed all City accounts with PG&E and switched to different rate schedules based on time of day and hours of use. This change is projected to save \$100,000 in FY09. While staff welcomes the projected savings, it would not be prudent to count on these savings until they actually happen and are documented. If such savings are achieved in FY09, the amount could be used for the operating or capital budgets for FY10 and the updated 10-year Financial Plan.

Cost changes resulting from cell phone change

In reviewing proposed technology projects, Council requested an analysis of savings resulting from the City's change of cell phone service provider from Nextel to AT&T. The current billings from AT&T are not necessarily comparable to Nextel monthly bills due to a number of changes in the services provided by AT&T that were not available under the City's Nextel plan. AT&T has provided expanded services to the City, including internet access, instantaneous messaging, better and less expensive replacement equipment, installation of \$60k system upgrade (paid for by AT&T) and marked improvement in functionality and service for the new phones. All of these services have resulted in a net difference of approximately \$400 more per month. However, staff analysis of comparable services between the two providers show costs savings of approximately \$9,675.

Use of MSE for facility maintenance

Staff proposed within the Capital Budget presented on May 13 the use of MSE funds for facility maintenance projects. The Council maintained that it is important to follow the voter approved use of local sales tax proceeds, and agreed that costs facility maintenance projects constructed with local sales tax revenues (i.e. Police Station, Community Senior Center) were allowable expenditures under the plan. The proposed CIP includes facility maintenance of approximately \$200k per year consistent with this direction. The proposal presented on May 13 to use MSE funds for a project at Fire Station No. 3 has been removed from the proposed budget and will be funded using other accounts.

Fiscal Impact

If approved, the Capital Budget would appropriate approximately \$38.2 million in FY09, \$23.2 million in FY10 and \$18.2 million in FY11 for capital expenditures on projects identified in the attached exhibits described below:

- Exhibit 2 - Summary of annual appropriations by fund; including a summary of unfunded projects (considered below the line)
- Exhibit 3 – Individual Fund Summary
- Exhibit 4 – CIP Summary by Project

Public Contact

Posting of the City Council agenda.

Commission Recommendation

On May 15, 2008, the Planning Commission found the proposed CIP and Capital budget to be in conformance with the City’s General Plan, per Government Code Section 65401.

Recommendation for Action

Staff recommends that the City Council authorize expenditures for the three year period beginning in FY 08/09 and ending FY10/11.

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Senior Accountant

Reviewed by: Joan Drayton
Finance Director

Mark G. Deven
City Manager

- Exhibit 1: Internal Loan Amortization Schedules
- Exhibit 2: Proposed Fund Allocations
- Exhibit 3: Individual Fund Summary
- Exhibit 4: CIP Summary by Project