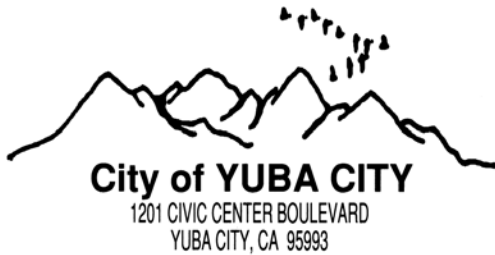


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# City Administrator's Message

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July 1, 2002

## Honorable Mayor and Members of the City Council,

On behalf of the City's management team, I am pleased to submit the City of Yuba City's *Budget and Capital Improvement Program* for the 2002-03 fiscal year. This document proposes an ambitious course of progress for the City during the next twelve months focusing on a foundation for the future. It maintains the solid footing of financial planning upon which Yuba City was built, while acknowledging that greatness will require investment in our future.

The future of Yuba City lays in our vision and our commitment to its fulfillment. Beyond the daily services that we provide to our citizens, our dedication to improving the quality of life in Yuba City will be realized through long-term investment in capital improvements. We must be diligent in our pursuit of excellence if we are to advance Yuba City into the future of being a premier community. This budget document exemplifies that dedication.

As a policy document of the City Council, the budget reflects the goals, programs and service priorities that the City is committed to providing to the citizens of Yuba City. The City's mission of *Quality Service, Innovation and Leadership* provides the framework upon which the budget is built. Toward that end, this document also serves as a communications device to reach our citizens and an operations guide for City staff.

Yuba City's Strategic Plan remains as the critical focus of staff efforts. As such, the budget is designed to further the City's nine strategic goals, a summary of which is included in this

document. In developing this document, every effort has been made to balance revenues that were estimated with reasonable conservatism against expenditures that are considered necessary and proper. The result is an overall budget that will enable the City to continue to provide programs and services that the citizens of Yuba City are accustomed to receiving, while making capital improvements a priority.

Listed below is a summary of the adopted appropriations for the 2002-03 fiscal year operating budget:

Adopted 02/03	Adopted 01/02	\$ Increase/ (Decrease)	% Increase/ (Decrease)	% Reserve 02/03
21,182,299	18,152,088	3,030,211	16.7%	7.6%

In addition to budgetary growth associated with new construction, significant growth in the City's General Fund budget is attributable to the provision of services previously provided by the Walton Fire Protection District. Also, increased staffing to accommodate the annexation of 7,000 residents in 2001 can now be made since associated revenues are now being received. The management team remains committed to building the General Fund reserve toward a goal of 10% by the 2004-05 fiscal year.

## Economic Conditions

The US economy is growing, albeit slowly. Gross domestic product increased at an annual rate of 5.8% in the first quarter of 2002, according to advance estimates released by the Bureau of Economic Analysis. While this significant increase is a marked improvement over a sluggish 2001, much of the early 2002 economic growth was merely attributable to businesses replenishing inventories after depleting them in the fourth quarter last year. Further, recent employment data showed an increase in the unemployment rate to a level over 6%, a near eight-year high. In short, uncertainty remains about the strength of the economic recovery.

The California economy has closely mirrored the US economy with one exception being that the State's technology industry has been especially hard hit by drastic cutbacks in that sector. Residential building and consumer spending are

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strong contributors to the growing economy. According to the State Department of Finance, the industries most dramatically affected by the events of September 11 – air travel, hospitality and amusement – appear to be on the road to recovery.

Our local economy has experienced a remarkable demand for housing that continues to drive up prices. Only one year ago one might expect to pay \$115,000 for a three bedroom, two bath house. Today, a similar home would be in the neighborhood of \$150,000. Fortunately, housing in Yuba City remains generally affordable, especially considering the statewide median single-family home price of \$289,550 (up 19.8% in the past year).

The wave of economic expansion that started in the Sacramento Region several years ago has reached Yuba City in full force – development has seen significant gains in the past year. Building permits for new homes in calendar year 2001 reached 358 (a level of more than two-and-one-half times the calendar year 2000 amount of 135, and seven times the 43 issued in 1999). The last time that Yuba City experienced new residential growth of this magnitude was in the early 1990s. Commercial development has seen commensurate gains. In total, new commercial valuation was up five fold for calendar year 2001 when compared with 2000.

The vast majority of growth in the Yuba-Sutter region continues to be in Yuba City, reinforcing our City as the region's commercial hub. Yuba City accrues the resulting positive fiscal benefits to a larger degree towards our efforts in improving municipal services, which helps to separate us from other local jurisdictions. The City will need to remain vigilant in maintaining its position in the region as other communities begin to develop. Yuba City can expect to receive even more pressure to develop in the years to come, as Highway 99 becomes a four-lane highway. Our commitment to balancing development between large box retailers and our existing downtown will be critical to long-term success. Ultimately, accommodating quality development while enhancing the quality of life of Yuba City residents remains a top priority.

## Financial Overview

In aggregate, General Fund revenues and transfers are projected to increase by 16.7% from the 2001-02 fiscal year. For the 2002-03 fiscal year, revenues and transfers are estimated at \$21,239,679. Besides normal growth in existing revenues, new revenues will be received from the City's agreement to provide fire services to County Service Area G (the former Walton Fire Protection District). Also, the City did not include PG&E franchise fees in the FY2001-02 budget due to their bankruptcy filing. Revenues were, in fact, received and therefore this revenue source has been included once again in projections.

The City's three largest revenue sources, sales tax, property tax, and motor vehicle in lieu fees are all projected to increase in the upcoming fiscal year. Both sales tax and property tax projections take into account historical growth trends as well as considering new commercial construction. Motor vehicle in lieu (MVIL) fees, distributed by the State based on population, have been the subject of question regarding the State's commitment to continuing to "backfill" MVIL fees with State General Fund revenues (i.e., due to a reduction in the rate charged to vehicle owners). While the budget does not anticipate such a loss, the City budget would need to be readdressed should the State withhold these funds. The budget does, however, remove \$50,000 in booking fee reimbursements since the State is expected to eliminate this revenue source (but the City will continue to incur associated costs).

With new development comes both new revenues and new costs of service. Year-end projections for building permits and related fees for FY2001-02 show an increase in anticipated revenues over budgeted amounts. For FY2002-03, the budget takes into consideration revenue from continued growth with reasonable conservatism.

General Fund expenditures have increased by 16.7%, to total \$21,182,299. Notably, part of this increase is associated with new costs from the expansion of fire services, which were not included in last year's budget document since

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# City Administrator's Message

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services to County Service Area G commenced mid-year. Also, the City experienced a remarkable 26% increase in employee health care costs as of January 1, 2001 – a 20% increase is anticipated for this next year.

Addressing the service demands of new growth and the West Yuba City annexation area (7,000 residents added in 2001), the budget funds new and previously “frozen” positions in various departments, a summary of which is included in the *Budget Summaries* chapter of this document. These positions are considered critical to the continued delivery of quality services to all of our residents. Also reflected in this year's staffing, which Council recently approved, is a renewed commitment to Parks and Recreation with the creation of a Parks and Recreation director and two mid-management positions for that department.

The City's commitment to investing in the future of our community is evident through increased contributions to the general capital improvement fund. Funding is provided for new facilities, facility upgrades, and toward the ongoing implementation of the Downtown Specific Plan. Acknowledging that Yuba City will more than double in population by the year 2020, the City has a unique opportunity to reaffirm our vision of being a premier community and set the stage for bringing this vision to a reality. We will grow. We must be committed to matching our capital investment to that growth in creating a special city.

The City currently has multi-year contracts with most of its labor groups. These contracts have brought stability to the budget process through the ability to forecast salary demands on the budget over multiple years. One contract is currently in negotiations. The City strives to compensate our employees at competitive levels so that we attract and retain the quality staff that is necessary to design and deliver quality services.

The following chart provides a summary of 2002-03 fiscal year projected revenues and adopted expenditures for the City's major operating funds:

	FY02-03 Revenues	FY02-03 Expenditures
General Fund	21,239,679	21,182,299
Water Operating	6,296,500	7,117,844
Wastewater Operating	6,803,000	7,195,040

## Legislative Impacts

In January of this year, the Governor's Proposed FY2002-03 Budget anticipated a \$12 billion budgetary shortfall. By May, that number had grown to \$23.6 Billion. While the Governor's May Revision proposed a variety of spending reductions, tax increases, fund transfers, and additional borrowing, agreement among the Legislature remains out of reach and adoption of the State budget has not been timely. Further, the Legislative Analyst's Office (LAO) analysis of the Governor's May Revision found that it “contains some risks and even with its adoption, the State would face additional shortfalls in the future.” Given the ever-worsening outlook, the State's eventual approach to balancing their budget remains questionable. However, given historical experience, local jurisdictions must be active in protecting local revenues.

Several sources of revenue received from the State have been removed from our City budget due to legislative changes. Similar to last year's budget, property tax shifts by the State are expected to continue without any relief – the State provided partial relief during the fiscal years 2000 and 2001, but never an amount of any significance compared to the millions of dollars that have been shifted since the early 1990s. The City has not budgeted for ERAF money in 2002-2003; the last time we received funds was in 2001 in an amount of approximately \$126,000. Finally, public safety funds (e.g., *Citizens Option for Public Safety* (COPS) money that is used by the City for capital needs in the Police Department) are not included in the City budget but appropriations will be requested later if they are received.

The League of California Cities (League) has formed an alliance with the California State Association of Counties (CSAC) and the California Special Districts Association (CSDA) in the fight to protect local revenues. After deciding to postpone a ballot measure for this election cycle, all three levels of local

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government have united to stage a multi-faceted effort to protect local government services. Under the acronym LOCAL (Leave Our Community Assets Local) the League and its counterparts will be actively engaged in seeking the support of legislators, third party coalition members and citizens at large in what is sizing up to be a protracted budget fight in Sacramento.

Key principles of the LOCAL alliance include:

- ❖ Essential local services should not be sacrificed to solve state budget problems.
- ❖ Local taxes paid by Californians should stay in the community to fund local services.
- ❖ Local governments are already doing their part to help solve the budget challenges.

Toward these ends, the LOCAL Coalition will also identify areas where State government can help close the budget shortfall without harming local governments.

Legislation with special significance to Yuba City is AB680. Assemblyman Darrell Steinberg introduced this legislation that initially proposed to change the way some sales tax revenues are distributed in the region of the Sacramento Area Council of Governments (SACOG), of which Yuba City is a member. As of this time, it appears that the sales tax sharing provisions will be removed from the bill. Focus has been placed on affordable housing and open space, and we expect that alternative approaches to achieving related goals will be proposed. City staff actively tracks this legislation and participates in the regional coalition that is proposing alternatives to Assemblyman Steinberg.

## Key Issues and Priorities

As stated throughout this message, the future of Yuba City lays in our vision and our commitment to its fulfillment. This commitment comes in the form of recognizing key issues and setting priorities accordingly. The strategic issues that follow are top priorities of the City. For a

complete list of departmental strategic issues (separated by which City-wide Strategic Plan goal they support), please refer to the *Strategic Plan & Fiscal Policies* chapter of this document. Further, the budget sections for each department provide additional detail with respect to implementation plans. Some of the strategic issues are proposed to be funded with bond proceeds. However, unless noted otherwise in each narrative, funding sources are from on-going revenues.

*Plumas Street & Town Center Improvements* – the Downtown Specific Plan sets forth a progressive development plan, which includes major capital improvements in the Town Center and on Plumas Street. The planning stage for these improvements has begun – options for facilities, design and financing are currently being evaluated. Three important components include the reconstruction of Plumas Street, a Recreation/Community Center in the Town Center, and an Aquatics Park at Gauche Park. Staff expects design criteria to be developed in the next fiscal year. Funding for implementation is expected to come from Redevelopment bonds and general fund certificates of participation. The greater downtown is the heart of the City, and our investment in this area will strengthen Yuba City's sense of community and further improve the economic vitality of this area.

*City Growth Westward* – the annexation of 7,000 residents in 2001 was the first test of the Master Tax Exchange Agreement (MTEA) between the City and County. Its short-term viability has been proven. In cooperation with the County, the City is currently evaluating options for additional annexations. One immediate benefit of an annexation in the southern portion of the City would be the expansion of City police services to this area (in accordance with the MTEA, the County continues to provide law enforcement services until 82% of the dwelling units in that area are annexed to the City). The City now provides both fire protection and water delivery services to the majority of homes outside the City limits and within our sphere of influence. Continued annexation will allow residents to receive urban services from one provider, without any increase in property taxes.

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General Plan Update – We are currently over six months into an eighteen-month General Plan update process. The General Plan Advisory Committee is evaluating sketch plans and land use alternatives. A key element of the proposed plan concepts is the idea of livability – creating major parks, pedestrian-oriented neighborhoods and commercial areas and a village concept, not “cookie-cutter” subdivisions. The preferred plan alternative, and ultimately the General Plan, will establish a vision for the City for the coming decades along with the General Plan, a Feather River Parkway Plan has also been developed to enhance and take advantage of the City’s river way. The City must actively control our destiny if we expect our vision of being a premier community to be fulfilled. Annexation westward and well-planned development through a well thought out General Plan are key to this fulfillment.

Leadership Academy – Organizational development will always be a top priority. Only through continuous learning will our staff be able to advance the City’s mission of *Quality Service, Innovation and Leadership*. Toward this end, the City developed a leadership academy to prepare personnel for leadership growth and promotional opportunities. This year’s academy was oriented toward the Fire Department; next year’s will be open to individuals nominated by their departments.

Water Quality – In May of 2001, the City acquired the Hillcrest Water Company and added roughly 4,500 new water utility customers to our existing base of approximately 9,000 customers. Since that time, significant improvements have been made to the Hillcrest system; however, arsenic and nitrate levels continue to exceed allowable levels (especially with the recent lowering of allowable arsenic levels to 10 ppb in 2006). The City is currently updating its Water Master Plan, a key element of which will be identification of alternatives to remedy these problems. One option might be for Hillcrest area customers to receive water from the City’s surface water system. While the City currently does not have a sufficient supply of surface water to service the Hillcrest service area, the City is willing and able to evaluate alternatives with our customers.

Highway Improvements – By the year 2007, it is anticipated that the entire stretch of Highway 99 from Sacramento to Yuba City (with the exception of the Feather River bridge) will be four-laned. In addition, Highway 99 improvements through and north of Yuba City and the Third Bridge are planned (but unfunded at this time). These improvements are greatly significant to the economic viability of Yuba City and our ability to participate in the growing commerce of the Sacramento region. On a more local basis, the City is developing plans for the beautification of both Highway 99 and Highway 20 within the City. These improvements, combined with the new entrance signs to the City, will help to improve the identity of Yuba City and increase the sense of pride in our community.

Economic Development – As previously mentioned, commercial growth in the City set new records in the past year. In fact, total permit valuation for all development reached \$95.8 million, surpassing the recent record level of \$89.3 million set in 1990. In the upcoming year, several new buildings will bring us one step closer to the eventual build out of the Town Center. We will continue to meet the goals of the Downtown Specific Plan, which include property acquisition and infrastructure improvements. The Plumas Boulevard extension to the south of Franklin and planned reconstruction of Plumas Street from Colusa to B Street (including the replacement of the old sidewalks and street and adding new lights, street trees, and entry gateway to Colusa and Plumas Street) will further improve the economic vitality of this area. Accompanying the new Home Depot store, development is anticipated within the Harter Specific Plan. The 180-acre plan includes large commercial box stores, a business park, housing and a park. A new Motel 6, Hampton Inn and other commercial eateries will also commence construction this year along with new building and commercial ventures in the Downtown. We continue to work with the Yuba-Sutter Economic Development Corporation to attract and expand our office and industrial base.

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Infrastructure Investment – In addition to improvement efforts in the greater downtown area, several other areas of the City will see improvements in the 2002-03 budget year. A new Fire Administration Complex will be built; bonds will be issued to support the continued implementation of the Wastewater Master Plan which includes micro-turbines, new headworks, electrical backup, digester equipment, and administration and lab facilities; and another mile of thirty-inch water line will be installed in accordance with the Water Master Plan, improving the delivery capacity of our water transmission system. The City will also be improving roadways, signals and resurfacing streets throughout town. In the coming years, the City will need to address new State and Federal regulations regarding storm water.

### **Conclusion and Acknowledgements**

The 2002-2003 Budget really does set the stage for the future of Yuba City. We will conclude with the General Plan Update, which sets the direction for the future growth of this City for the next 20 years. With this General Plan Update, comes the opportunity to build a unique city. Along these lines, the City's capital improvement budget sets out an ambitious course of work to bring the dreams to reality. This year's capital budget reflects the development of Plumas Street from Colusa to B Street with a grand gateway. A conceptual plan has been created for the Feather River Parkway to provide for future development along one of the City's greatest assets, the river, with future walkways, trails, picnic areas, fishing facilities and swimming holes. In addition, the proposed General Plan sketches call for an increase in park space recognizing that exceptional cities create great parks for their residents. Likewise, this year's budget reflects ongoing infrastructure improvements to our water reclamation plant and our Water Master Plan will look to the future in providing increased water quality to City residents as we move west. In an effort to continue to provide quality of life to our residents and work on developing a well-balanced community, funds have been set aside for this planning process. These funds will go towards the commencement of design for the City's community and recreation center which will be

located in the Town Center and will house a gymnasium, craft and recreational meeting rooms, performing arts theater, along with a potential aquatics park at Gauche Park, replacing our existing 40-year old pool in Sam Brannan Park. Not to be forgotten is our continued support for public safety, levee improvements and protecting local control. While all of these efforts are very ambitious, the staff is ready and capable of moving these projects and making Yuba City the unique, special place we know it can be in the region.

Many individuals on staff contributed their knowledge and expertise to the development of this budget. I wish to specifically express my appreciation and thanks to the Department Heads, Steve Kroeger, Administrative Services Director, Robin Bertagna, Finance Officer, Kathy Jones, Administrative Analyst, and Terrel Locke, Administrative Services Technician, for their many hours of dedication, long weekends and hard work in coordinating, developing and publishing this fiscal 2002-03 budget document.

Respectfully submitted,

Jeffrey Foltz  
City Administrator