

To: Honorable Mayor and Members of the City Council:
From: City Manager Michael Warren

Introduction and Overview

It is my pleasure to transmit to you, along with this narrative, the Biennial 2001-03 Budget for the City of Redding. This recommended budget is the culmination of approximately six months of effort beginning with the staff and ending with the work of our Citizens Budget Committee. Despite a relatively strong economy in the North State, this was a difficult budget to develop and balance. As always, the justifiable needs of the operating departments and the financial commitments to a number of exciting projects outstripped the resources available. Even so, the budget is a sound one and is strongly recommended based on the following: 1) It is balanced; 2) It provides adequate funding to continue providing quality service; 3) It increases service levels in several important areas; 4) It provides adequate funding to complete capital projects to which we are already committed; and 5) It provides adequate contingency for weathering the unknown.

This is the third time the City has undertaken the task of building a budget that covers two fiscal years. The City first embarked on the road to biennial budgeting in 1997, when the City Council determined the time and effort saved by moving to a two-year budget would lead to better efficiency and use of public resources. This decision has proven to be a good one and literally hundreds of staff hours both in the operating departments and the Finance Division are saved by producing a biennial budget. Of course, two years is a long time and there are inevitably changes in revenues or expenditures that must be made during the term of the budget. As such, at least three opportunities will be made for the City Council to review the status of the budget and make changes, if necessary. At the mid-point of each fiscal year, a Mid-Year Budget Update will come to the City Council. A third opportunity will be prior to the beginning of the second fiscal year.

Developing this biennial budget proved more difficult than first anticipated. On the positive side, all of the City's major General Fund revenue sources continue to perform well. Revenue from economically sensitive areas such as sales tax, transient occupancy tax, motor vehicle in-lieu fees and construction-related fees have been particularly strong over the past couple of years and appear to be continuing in that vein. For instance sales tax increased nearly 16 percent from fiscal year 1998-1999 (\$13.3 million) to fiscal year 1999-2000 (\$15.3 million) and is projected to be up another 6.5 percent (\$16.3 million) at the end of the current fiscal year. As another example, construction-related fees have increased concurrently with the amount of new construction in the community. Valuation of new construction increased 4.7% from 1998 (\$90.0 million) to 1999 (\$93.2 million) and another 28.5 percent (\$119.7 million) in 2000.

On the other hand, expenditure demands on the City have reduced the amount of discretionary revenue available for departmental requests. For instance, the City is projecting to spend nearly \$2 million more on its employee health insurance in fiscal year 2001-02 than was spent just two years earlier in the 1999-00 fiscal year. Likewise the rising cost of natural gas and vehicle fuels have made it necessary to spend additional funds on energy. The City has also had to brace itself for potential major cost increases in public safety due to changes in state law that make it more difficult to control labor costs. Lastly, the City has set aside funds to complete major capital projects such as the Sports Complex and renovation of the Redding Plunge.

Overall the City of Redding Biennial Budget totals \$212,107,890 for fiscal year 2001-02 and \$195,473,870

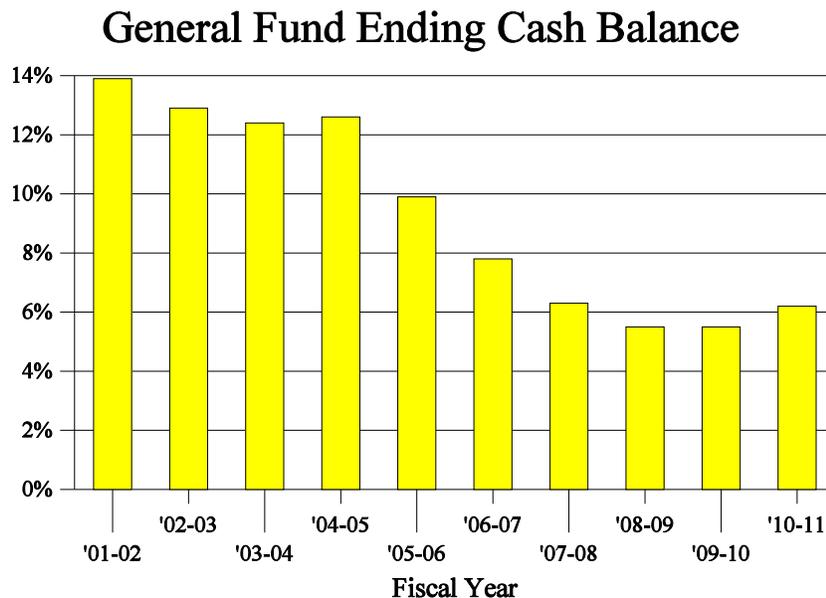
for fiscal year 2002-03. This can be compared to the amended budget for fiscal year 2000-01 of \$269,634,152. The timing of large capital projects are the reason for the large swings between fiscal years, as the cost of operations is fairly constant. The General Fund budget totals \$43,621,410 for fiscal year 2001-02 and \$46,446,520 for fiscal year 2002-03. This compares to an amended budget for fiscal year 2000-01 of \$46,478,923.

Long-Term Financial Planning

In putting together this budget, close attention was paid to the various long-term financial plans maintained for each of the City’s major funds. These plans, which are updated regularly to reflect the most recent changes in the economy or fiscal condition of a particular fund, project both revenue and expenditure growth for a five- to 10-year period. For the General Fund, for instance, the City maintains the General Fund 10-Year Financial Plan. This document uses historical performance, recent trends and current conditions to project revenues and expenditures for the next decade. By City Council policy, the unrestricted General Fund reserve must be at least 5 percent throughout the life of the plan. This is a prudent, although, rare case for government. While many governmental agencies have minimum reserve levels, the City of Redding is rare – if not unique – in setting minimum reserve levels for a 10-year planning horizon. This responsible planning ensures, however, that financial decisions are always made with a long view toward their effect on the City in future.

The General Fund 10-Year Financial Plan illustrates how this recommended biennial budget fits into the City’s long-term financial picture. If adopted as presented, the plan will show reserve levels for the next 10 years that exceed the minimum 5 percent target. In fact, as can be seen from the chart below, the plan shows a projected reserve ranging from a high of 13.9 percent in fiscal year 2001-02 to a low of 5.5 percent in fiscal years 2008-09 and 2009-10. Of course the plan uses the best projections available at this time, but it is

updated regularly as economic and budgetary conditions change.



Although we tend to place a lot of emphasis on the General Fund 10-Year Financial Plan due to the fluctuations that can occur in its revenue, all other major funds of the City maintain similar plans and, with the exception of the Airport Fund, Convention and Tourism Fund, and Parking Fund are balanced. The Airport Fund is still requiring short-term advances from the General Fund, but is balanced by the end of the five-year planning horizon and has now begun a long-term plan to begin repayment of prior advances from the General Fund. The Convention and Tourism Fund and Parking Fund both show a continued General Fund subsidy, but staff is working to bring the funds to self-sufficiency.

It should also be noted that in the case of the Water Utility and Wastewater Utility, new master plans are nearing completion that will outline the capital needs for the next 20 years. It is probable that funding the needs identified in the plans will have major impacts on their existing financial plans. If so, the City Council will be faced with the need to make revenue adjustments or adjustments to the plans in order to keep the long-term financial health of the funds intact.

Major Budget Issues

Due to the aforementioned expenditure pressures (i.e. health insurance increases, rising energy costs, labor costs) there are not a great number of additions or substantive changes to the budget. There are a couple of areas where additions are being recommended and some issues that are not included in the budget, but are worthy of note due to their importance.

Revenue Changes

Development Impact Fees – The recently adopted increases and changes in development impact fees have been included in the budget. It is important to note that the master plan updates of the Water Utility, Wastewater Utility and Storm Drain Utility all are forthcoming and could create the need to review the impact fees. These pending master plan updates were noted during the impact fee review process and each fee will be reviewed when the plans come to the City Council for adoption. The City currently has no impact fee for Police capital improvements and, as is discussed in the Police Department budget, a new Police facility is on the unmet needs list as there is currently no funding. It may be desirable for the City Council to consider an impact fee for Police capital improvements in the future as a possible funding source for a new Police Facility.

Land Development Review – Staff is proposing, and this budget is predicated on a change in the way land development fees are accessed. Currently, the fee charged for land development review is based on the value of the land development project and is capped at 2 percent of the project's value. When multiple plan checks are required due to incomplete or less-than-satisfactory plans, the 2 percent cap is insufficient to cover the staff costs of review. This budget contemplates changing the process to bill on a "time and materials" basis for any plan checks beyond the first two. This will keep the fees stable for plan checks of good plans, but will help cover staff costs for plans that require additional time and effort. This change is anticipated to generate between \$30,000 and \$50,000 in additional cost recovery annually.

Honorable Mayor and Members of the City Council –
Budget Message

In-Lieu Tax – The City has long charged an in-lieu tax to all of its business enterprises (i.e. utilities). This tax is “in-lieu” of the 1 percent property tax paid by private utilities and is an important source of General Fund revenue. Staff is in the process of reviewing the in-lieu amounts charged to the various utilities to bring them in line with property tax methodologies including the maximum 2 percent annual growth in assessed valuation. For this budget, the in-lieu charge to the Electric Utility has been increased by assessed valuation growth, as well as to account for the construction of Unit 5 at the Redding Power Plant site. The combination of these increases will generate approximately \$750,000 to the General Fund. The in-lieu tax charged to the other major utilities have been adjusted for new capital projects, but the review of historic assessed valuation changes has not been completed. These changes will be made at the time the long-term financial plans are updated with the adoption of new master plans.

Airport Passenger Facility Fees – The Airport budget is predicated upon an increase in the Passenger Facility Fee (PFC) from \$3 per passenger to \$4.50 per passenger. Staff is working through the Federal Aviation Administration process to bring this fee increase to the City Council in the near future. This change, which will increase annual PFC revenue by approximately \$100,000 makes it possible for the Airports Division to meet its capital improvement plan while still remaining financially solvent and able to begin repayment of its long-term loans and advances.

Recreation Fees – The budget is built upon a change in the way fees for recreation programs are calculated. On average, the current cost recovery for the direct cost of recreation programs is 75 percent. This does not include any funding of Recreation Division overhead. The budget is predicated upon an average recovery of direct costs of 85 percent which will help pay for a number of long-deferred projects, such as automation of the division’s class sign-up procedure and paying increased utility costs. If the recommended budget is approved, staff will bring a policy to the City Council that sets the 85 percent direct cost recovery target which will generate approximately \$30,000 more than previously.

Increased Personnel

There are 17 new full-time positions recommended in this budget for fiscal year 2001-02 and one additional position recommended in fiscal year 2002-03. This brings the total number of full-time employees to 797 for fiscal year 2001-02 and 798 for fiscal year 2002-03. This represents an increase of 2.2 percent over the 780 positions in the amended 2000-01 budget. Of the 18 new positions included in the biennial budget, five are in the General Fund, two are in internal service funds and 11 are in utility funds.

The Electric Utility alone account for 10 of the new positions, eight of which are part of the utility’s wholesale power sales program (four at the Redding Power Plant and four in the wholesale power sales unit). Of the five General Fund positions, three are part of programs that will generate revenue to offset the cost of the position – one Recreation Supervisor to operate the new Aquatic Center and two Public Works Engineering Technicians who will bill their time to the tremendous number of capital projects that are currently creating a backlog in the Engineering Division. If the additional engineering positions are not able to generate sufficient revenues to offset their costs, the positions will be eliminated from the budget.

Even with the new positions, the City’s employee to resident ratio remains near historic levels of 9.5 employees per 1,000 residents. This ratio has remained basically unchanged since the late 1980s.

Increased Personnel Costs

While the City works diligently to keep its personnel cost growth consistent with the 3% assumption used in the 10-Year Plan, there are two areas in which this biennial budget has costs significantly exceeding that amount.

As mentioned previously, the budget for self-funded employee health insurance has increased nearly \$2 million from what was spent in the 1999-2000 fiscal year. This has made it necessary to increase the premiums charged to all departmental personnel budgets by 30 percent in the 2001-02 fiscal year and another 10 percent in the 2002-03 fiscal year. These are the first premium increases in the past three years for the Employee Group Health Fund. They are made necessary due to the continuing rising cost of health care nationwide and are similar to the increases in premiums being levied by other health insurance carriers. Staff is working with our employee groups and our health insurance consultant to contain these costs.

Enhanced Community Clean-Up, Vegetation Management

Included in the budget is an additional \$40,000 from the Redding Redevelopment Agency to augment community clean-up and litter abatement efforts coordinated through the Code Enforcement Division of Development Services. This will augment efforts to clean up the community through existing staff and through the efforts of the Police Department's highly successful community clean-up program using low-risk offenders who are assigned to a work program.

The budget also provides \$40,000 for vegetation management efforts through the Fire Department. Staff has completed, in-house, a vegetation management program and the \$40,000 annual budget will be used to implement the program on a prioritized basis.

Electric Utility Undergrounding

Related to cleaning up the community, the Electric Utility budget contains \$500,000 annually to pay the costs associated with undergrounding utility lines in previously developed areas of the City. In recent years all newly developed areas include underground utilities, which are more attractive and less maintenance intensive. It is costly, however, to put utilities underground in areas that are already developed. This budget line item will be used to underground utilities in areas of the community where it makes sense from an aesthetic and maintenance viewpoint. For instance, when the new Cypress Avenue improvements are made adjacent to the Civic Center, existing utilities will be placed underground.

Recreation Enhancements

Funding for the Sports Complex, including General Fund debt service for a \$5 million internal loan to augment Redevelopment and State grant money already earmarked for the project, has been included in the budget. Design of the \$11 million project, which is a public-private partnership between the City and Big League Dreams, is moving forward and construction should begin in the fall of 2001. Completion of the project that will be located near the City Corporation Yard in northeast Redding, is planned for the late 2002.

Honorable Mayor and Members of the City Council –
Budget Message

As previously authorized by the City Council, the budget includes debt service, operations and staffing costs for the new aquatic center being planned to replace the Redding Plunge. The additional revenue associated with the new pool is also included in the budget. Staff is currently working with a consultant design firm to develop the capital improvement and the budget contemplates the new facility opening for the summer of 2002.

The budget includes both revenue and expenditures associated with the opening of a new summer day camp facility at Enterprise Community Park. The facility will be housed in one of the surplus modular units made available with the construction of the new Civic Center. The modular unit has been moved to Enterprise Community Park and the budget provides for additional improvements to the unit as well as part-time staffing costs associated with the day camp. The City already runs a day camp at Caldwell Park that has been highly successful and is able to generate sufficient revenue to cover the cost of ongoing operations.

Open Space/Land Acquisition

This biennial budget recommendation includes \$100,000 each fiscal year to be set aside for the acquisition of property to be used for open space purposes. Occasionally desirable property for this purpose becomes available on the market at a good price. When this happens these funds can be used to purchase the property without the need for amending the budget. Often if the City does not have funds set aside, opportunities to purchase open space are missed.

Banner Program

The budget includes funding to continue the City's program of hanging banners across Pine Street only until the end of the 2001 calendar year. Historically, the Electric Utility has used its crews to hang the banners which are used by various organizations to advertise special events. The utility's workload has grown to a point where it is no longer efficient to use Electric crews for this purpose. A private contractor will charge approximately \$250 each time the banner is changed. This budget is predicated on paying the contractor for the remaining six months of 2001 out of the General Fund. If the program is to continue beyond December 2001, either the budget will need to be amended to appropriate approximately \$13,000 annually for this purpose or, as an alternative, the City could pass the \$250 cost along to those who request the banners.

Increased Costs from Other Governmental Agencies

Often, increases must be made in the City's budget due to costs that are passed through from other governmental agencies and over which the City has no control. This biennial budget includes several such cost increases. For instance, due to a new State law the Shasta County-operated Local Agency Formation Commission (LAFCO) is assessing the City approximately \$50,000 annually for the City's "share" of LAFCO costs. This new cost has been added to the budget. Also, the County has notified that the City's cost of booking fees will increase approximately \$28,000 annually. Similarly, the City's cost for SHASCOM dispatching services will increase \$30,000 in fiscal year 2001-02 and another \$30,000 in fiscal year 2002-03.

Rolling Stock Replacement Fund

The City maintains a Rolling Stock Replacement Fund to pay for vehicles and related items that must be

Honorable Mayor and Members of the City Council –
Budget Message

replaced as they age. The General Fund makes an appropriation annually to the Rolling Stock Replacement Fund to pay for the vehicular needs of those departments that are accounted for in the General Fund. This biennial budget increases the General Fund contribution for rolling stock by \$100,000 annually to help cover previously unfunded needs. These additional funds have been earmarked for investigator vehicles in the Police Department, additional equipment in the Streets Division and other yet-unidentified needs that will be funded as they are needed and justified.

Equipment Replacement Fund

Recommended to the City Council along with this budget is a new City Council Policy establishing an Equipment Replacement Fund. This fund will work like the Rolling Stock Replacement Fund in that departments can set money aside each fiscal year for eventual equipment replacement needs. Along with the annual appropriation, proceeds from the sale of any used equipment can be credited to a department's fund balance to help accumulate funds for equipment needs. Any funds on deposit will earn interest at the City's pooled cash rate until they are expended. In this biennial budget, there is an appropriation of \$37,000 per fiscal year for the Fire Department that will be used to fund radio and safety equipment replacement. In the Police Department budget there is \$20,000 each year for radio replacement. This revolving fund allows and encourages departments to managed their equipment needs carefully and eliminates the need for each replacement issue to be budgeted for independently.

Street Maintenance

The Street Division of Public Works has identified a large unfunded liability in street maintenance needs of approximately \$30 million. There are, of course, not sufficient General Fund dollars to meet this liability. The budget, through a combination of Transit Development Act funds and other State and Federal sources, does include approximately \$1.9 million over the two-year period for street maintenance, including overlays, slurry seals and sidewalk repairs. This only scratches the surface, however, and staff is continuing to explore potential sources to augment its street maintenance efforts.

Library Funding

It should be noted that the budget does not include any additional capital or operating funds for the Shasta County Library beyond the \$218,333 that was paid during the current budget cycle. That amount includes the \$160,000 the City has historically contributed, as well as an additional \$58,333 that is the City's share of the joint effort between the City, County, and Friends of the Library to increase the library's hours of operation. Currently the New Library Now group of citizens is working to raise the 35 percent local match for the construction of a new library should Shasta County be successful in obtaining a competitive grant from the State for construction of a new library. The City is contributing a great deal of staff time in working with the County to obtain a grant. It is important to note that even if the capital for new library is raised, it is estimated that the City would need to contribute another \$250,000 annually for operational costs of a larger and more modern facility. This funding is not specifically earmarked in the General Fund 10-Year Financial Plan and would, therefore, have to come out of existing programs or reserves.

Redding Gun Club Request

The recommended budget does not include any funding for a new effort, being led by the Redding Gun Club, to develop a new shooting range on land in the county. Redding Gun Club sent two letters to the City requesting funds in the fiscal year 2001-02 budget. The first request was for \$100,000 and the second raised the request to \$400,000. Staff believes, despite claims of the club, that the City does not have a commitment to assist in the development of a new shooting range. Unless the new project is placed by the City Council on the list of priority projects, which is already quite ambitious, there will be no major effort on this project during the coming biennial budget.

Budget Committee Suggestions

Once again, City staff invited two citizens to work on developing the budget recommendation during the meetings between departments and myself. This year's citizens were John Mathena and Debra Atlas, both of whom devoted numerous hours to helping with this budget. In addition to helping make difficult decisions in order to balance the budget, the Citizens Budget Committee had a couple of excellent ideas to pass along to staff and the City Council. For instance, the Committee felt the City should review its parking fees in the downtown area to help balance the Parking Fund and eliminate General Fund subsidy. Specifically, the Committee is recommending that the City establish higher fees for all-day parking permits at the Downtown Mall parking structure. If the City Council is interested in pursuing this idea, staff will develop a fee proposal to be considered by the Council at a later time. The Committee also strongly encouraged the aforementioned charging of land developers on a "time and materials" basis for plan checks beyond the first two. This recommendation has been included in the budget.

Other observations and suggestions may be made by the Committee members during the budget hearings with the City Council. I personally want to express my gratitude to both Mr. Mathena and Ms. Atlas for their efforts on behalf of all the citizens of Redding.

Overall 2001-03 Biennial Budget

Expenditures

As can be seen from the charts below, the total net budget for fiscal year 2001-02 is \$212,107,890 when adjusted for charges between funds. For fiscal year 2002-03 the net budget is \$195,473,870. As previously mentioned, the large decrease the second fiscal year is due to the timing of capital projects which are more heavily budgeted in the 2001-02 fiscal year. The City's utilities make up approximately 75 percent of the overall expenditure budget, while the General Fund is about 20 percent. The remainder is primarily Special Revenue Funds.

SUMMARY OF EXPENDITURES
(millions)

| Fund Type | Adopted Budget 2000-01 | Adopted Budget 2001-02 | Percent Change | Adopted Budget 2002-03 | Percent Change |
|---------------------------|---------------------------|---------------------------|-------------------|---------------------------|-------------------|
| General Fund | \$39.1 | \$43.6 | 11.5% | \$46.4 | 1.8% |
| Special Revenue Funds* | 3.9 | 12.6 | 223.1% | 4.4 | -65.1% |
| Enterprise Funds** | 109.8 | 163.6 | 49.0% | 153.1 | -6.4% |
| Internal Service Funds*** | 21.8 | 23.0 | 5.5% | 23.9 | 3.9% |
| Charges between Funds | -26.4 | -30.8 | 16.7% | -32.4 | 5.2% |
| Total | \$148.3 | \$212.1 | 43.0% | \$195.5 | -20.5% |

Totals may not agree due to rounding.

* Includes CDBG, development fees, Gas Tax, Rolling Stock Replacement, and miscellaneous funds.

** Includes Airport, Convention, Electric, Solid Waste, Storm Drainage, Wastewater, and Water funds.

*** Includes Fleet Maintenance, Information System, Risk Management, and other miscellaneous internal service funds.

Revenues

As can be seen from the chart below, projected revenues for the 2001-02 fiscal year are \$231,198,332. For the 2002-03 fiscal year, revenues are projected to be \$211,397,087. The large difference between fiscal years is related to large capital projects that are more heavily budgeted in the 2001-02 fiscal year (i.e. Sports Complex, Aquatic Center, Unit No. 5 at Redding Power Plant).

SUMMARY OF REVENUES
(millions)

| Fund Type | Adopted Budget 2000-01 | Adopted Budget 2001-02 | Percent Change | Adopted Budget 2002-03 | Percent Change |
|---------------------------|---------------------------|---------------------------|-------------------|---------------------------|-------------------|
| General Fund | \$40.6 | \$42.7 | 5.2% | \$44.6 | 4.5% |
| Special Revenue Funds* | 7.7 | 16.7 | 116.9% | 9.1 | -45.5% |
| Enterprise Funds** | 131.9 | 179.4 | 36.0% | 165.6 | -7.7% |
| Internal Service Funds*** | 19.9 | 23.2 | 16.6% | 24.5 | 5.6% |
| Charges between Funds | -25.5 | -30.8 | 20.8% | -32.4 | 5.2% |
| Total | \$174.6 | \$231.2 | 32.4% | \$211.4 | -8.6% |

Totals may not agree due to rounding.

* Includes CDBG, development fees, Gas Tax, Local Transportation, and Rolling Stock Replacement.

** Includes Airport, Convention, Electric, Solid Waste, Storm Drainage, Wastewater, and Water funds.

*** Includes Fleet Maintenance, Information System, Risk Management, and other miscellaneous internal service funds.

No new revenues have been included in the budget other than those previously adopted by the City Council or identified in the significant issues above (in-lieu tax, passenger facility charges, land development charges, etc.) other than the annual update of the City's Master Fee Schedule that will be coming before the City Council in July. The Master Fee Schedule update is expected to be routine with inflationary adjustments, with one exception. The Fire Department will be requesting that the City Council increase fees related to Fire plan checking services in order to fund additional staff to reduce the backlog of plan checking and ensure that plans are returned to the developer in a timely fashion. This fee increase and related staffing is not included in this budget, however, as the City Council will be considering that proposal in July.

General Fund 2001-03 Biennial Budget

Expenditures

As can be seen from the chart below, the General Fund budget totals \$43,621,410 for fiscal year 2001-02. This represents a decrease of 6.1 percent from the amended 2000-01 General Fund budget. This decrease is due to the timing of capital projects and the budgeting of grant funds during the current fiscal year. The Adopted 2002-03 General Fund budget totals \$46,446,520, an increase of 6.5 percent from the Adopted 2001-02 budget. A combination of inflationary increases, increased personnel costs and the timing of capital expenditures makes up most of the increase.

SUMMARY OF GENERAL FUND EXPENDITURES
(millions)

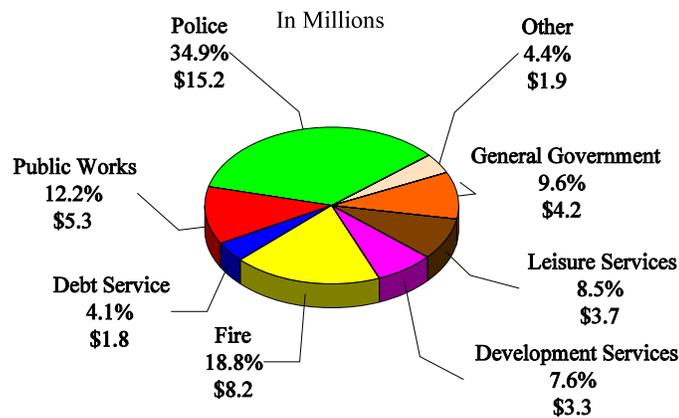
| Department | Adopted Budget 2000-01 | Adopted Budget 2001-02 | Percent Change | Adopted Budget 2002-03 | Percent Change |
|----------------------|-----------------------------------|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| Police | 13.8 | 15.2 | 10.1% | 16.0 | 5.3% |
| Fire | 7.8 | 8.2 | 5.1% | 8.8 | 7.3% |
| Public Works | 4.4 | 5.3 | 20.5% | 5.9 | 11.3% |
| General Government | 3.8 | 4.2 | 10.5% | 4.4 | 4.8% |
| Leisure Services | 2.9 | 3.7 | 27.6% | 3.9 | 5.4% |
| Development Services | 3.0 | 3.3 | 10.0% | 3.4 | 3.0% |
| Other | 1.6 | 1.9 | 18.8% | 1.9 | 0.0% |
| Debt Service | 1.8 | 1.8 | 0.0% | 2.1 | 16.7% |
| Total | 39.1 | 43.6 | 11.5% | 46.4 | 6.4% |

Totals may not agree due to rounding.

As can be seen from the graphs below, public safety (Police and Fire Departments) make up more than 50 percent of all General Fund expenditures in both fiscal years. The General Fund portion of the Public Works Department (i.e. street maintenance and engineering services) makes up the next largest portion at about 12 percent of the budget.

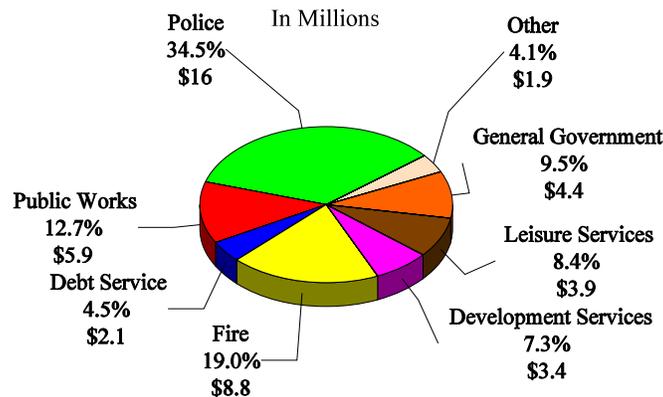
General Fund Dollars - FYE 2002

Where it Goes



General Fund Dollars - FYE 2003

Where it Goes



Revenues

General Fund revenues, as depicted on the chart below, for fiscal year 2001-02 are projected to be \$42,697,685. For fiscal year 2002-03 revenues are projected to be \$44,590,910. This represents an increase over the revised 2000-01 estimate of just 0.5 percent. For fiscal year 2002-03 revenues are projected to increase about 4.4 percent from fiscal year 2001-02. It should be noted that General Fund expenditures are projected to exceed revenues for both fiscal years, but this out-of-balance condition is planned and is included in the General Fund 10-Year Financial Plan.

As illustrated on following chart, sales tax continues to be far and away the City’s largest General Fund revenue source at \$16.3 million for fiscal year 2001-02 and \$17.0 million for fiscal year 2002-03. This dwarfs the second largest revenue source, property tax, at \$5.4 million and \$5.6 million, respectively. It should be noted that the projected revenues are estimated conservatively and that the major revenues such as sales tax are based on inflated three year averages to help smooth out large fluctuations caused by economic conditions.

SUMMARY OF GENERAL FUND REVENUES AND TRANSFERS
(millions)

| Revenue | Adopted Budget 2000-01 | Adopted Budget 2001-02 | Change | Adopted Budget 2002-03 | Change |
|---------------------------|---------------------------|---------------------------|--------------|---------------------------|-------------|
| Sales Tax | \$14.6 | \$16.3 | 11.6% | \$17.0 | 4.3% |
| Property Tax | 5.4 | 5.4 | 0.0% | 5.6 | 3.7% |
| Other City Funds | 5.8 | 7.1 | 22.4% | 7.6 | 7.0% |
| Motor Vehicle In-Lieu Tax | 3.8 | 4.2 | 10.5% | 4.4 | 4.8% |
| Transient Occupancy Tax | 2.5 | 2.8 | 12.0% | 2.9 | 3.6% |
| Net Transfers | .7 | .6 | -14.3% | .9 | 50.0% |
| All other Revenue | 6.0 | 6.9 | 15.0% | 7.1 | 2.9% |
| Total | \$38.8 | \$43.3 | 11.6% | \$45.5 | 5.1% |

Gann Limit

The City is required by State law to calculate and publish and “appropriations limit” each fiscal year, which is commonly known as the “Gann Limit.” Because of revenue limitations, this limit has little practical meaning as the City of Redding does not even come close to being constrained by the Gann Limit. For the 2001-02 fiscal year, the limit would be \$125.3 million, while the applicable budget figure for comparison is \$43.9 million. This shows the City is spending less than half of what would legally be allowed, if resources permitted.

Summary

The budget pages that follow contain a great deal of information regarding the City of Redding spending plan for the next two years that is difficult to summarize in the budget message. I have attempted to give an

Honorable Mayor and Members of the City Council –
Budget Message

overview of revenues and expenditures as well as point out the various highlights and significant issues contained in the budget. Overall, I believe this is a sound and achievable spending plan for the next two years. It represents the best efforts of staff, the Citizens Budget Committee and myself to present a budget that balances the significant needs of our \$200 million municipal corporation with the resources that are available.

With this budget we are moving ahead with many exciting capital projects and are continuing to provide the high quality municipal services our citizens have come to expect. Some examples of the major projects and programs that will be accomplished with this budget include the following: the Big League Dreams Sports Complex partnership, the new aquatic center at the Redding Plunge, \$1.9 million for street maintenance, completion of the Clover Creek project and extension of Shasta View Drive, enhanced community clean-up and vegetation management, the first steps toward developing a new library in Redding, undergrounding electric utilities along some major street corridors, the acquisition of more open space, and enhancement of our recreation programming.

Even with the significant list of projects and programs above, due to resource limitations, the budget does not include everything we would like. It does accomplish much, however, and is an exciting plan for moving ahead during the next two years. In summary the 2001-2003 budget recommendation that follows is a sound one and I recommend it for your approval.

Sincerely,

Michael Warren
City Manager

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

Notes