

Section 5.2 **Cost Avoidance Opportunities**

5.2 COST AVOIDANCE OPPORTUNITIES

Cost Avoidance Opportunities identify practices and opportunities that may help eliminate unnecessary or excessive costs to provide services. Such costs can be derived from a variety of factors including:

- duplication of service efforts and facilities,
- higher than necessary administration and operating cost ratios,
- inefficient use of outsourcing opportunities,
- inefficient services boundaries, and
- inefficient budgeting practices.

5.2.1 Practices and Performance

The City of Chico provides a broad range of services including wastewater, law enforcement, fire protection, parks and recreational activities, arts programs, construction and maintenance of streets and infrastructure, transit, municipal airport, community development, and other general administrative services within its boundaries. The City is responsible for the operation and administration of these services, which include budgeting and exploring opportunities to avoid unnecessary or excess costs. California Water Service Company (Cal Water) Chico District provides domestic water service and is the sole water service agency for the City of Chico.³¹ Solid waste generated in City of Chico is disposed of at the Neal Road Landfill, operated and owned by Butte County.³² Electric utility is provided by Pacific Gas and Electric (PG&E).³³ Storm drainage management within the City of Chico is provided by several collection systems which are operated and maintained by both the City of Chico and Butte County. The City has no designated storm drainage service area, although facilities are required of proposed development when necessary. Portions of the Sphere of Influence (SOI) have been divided into several County Service Areas to facilitate the provisions and funding of necessary regional drainage facilities.³⁴ Specific services are discussed in Chapter 4, Infrastructure Needs and Deficiencies, of this MSR.

■ Annual Budgetary Process

The budget process begins in November each year with a City Council work session that reviews the proposed budget calendar and the City's fiscal position as of the fiscal year end and projections for subsequent years. The City's Comprehensive Annual Financial Report (CAFR) is released for review in November for the previous FY year. The Finance Office publishes the report to provide information about the financial well-being of the City. In February, departments submit preliminary budget requests, personnel requests, operational performance budgets, and capital improvement projects to the Finance Department. The City Council holds an initial budget workshop in March providing an opportunity for departments to report on current year accomplishments and fiscal year goals. Department heads and managers then review this information. Budget staff prepares a Proposed Budget. The City Council holds a proposed Budget workshop in mid-May. Individual meetings are held with departments to fine tune the budget. Public hearings are then conducted and public requests and concerns addressed. Revisions may be made and the Proposed Budget is submitted to the City Council on June 1. The City

31 City of Chico *General Plan Master Environmental Assessment*, January 1994, Revised 1999, p. 13-1.

32 City of Chico *General Plan Master Environmental Assessment*, January 1994, Revised 1999, p. 16-2.

33 City of Chico *General Plan Master Environmental Assessment*, January 1994, Revised 1999, p. 20-2.

34 City of Chico *General Plan Master Environmental Assessment*, January 1994, Revised 1999, p. 15-2.

Council holds a workshop on the Final Budget in mid-June. The Council's recommendations are incorporated into the Final Budget, which is adopted the first City Council meeting in July. The City Council revisits the Final Budget quarterly in a consolidated session and makes budget amendments, as necessary.³⁵

The City's annual budget process includes a review of the previous year's accomplishments, upcoming year goals and programs, and specific funding to carry out those programs. This process provides the City with an on-going mechanism to evaluate efficiencies and explore cost avoidance opportunities. An example of the type of cost avoidance that may occur during budgeting pertains to bridging the projected gap between revenues and expenditures. The City of Chico has implemented a number of cost containment measures, including a selective hiring freeze, and has dramatically reduced the budget for capital purchases.³⁶ Fund balance is also utilized to cover shortfalls.

Determination 5.2-1

The City's annual budget process provides the City with an on-going mechanism to evaluate efficiencies and explore cost avoidance opportunities to bridge the projected gap between revenues and expenditures.

■ **Fiscal Impact Analysis**

As provided for in its General Plan, the City requires new development to pay a fair share portion for impacts on infrastructure and services; however, the City's General Plan does not require a fiscal impact analysis be prepared prior to, and for, major development proposals.

■ **Capital Improvement Program**

The City's General Plan requires the coordination of "...capital improvements planning for all municipal service infrastructure with the direction, extent, and timing of growth." And to "establish equitable methods for distributing costs associated with serving new development, including impact fees, where warranted."³⁷

■ **Restructuring/Cost Savings History**

Between 1992 and 1994, a major City government restructure occurred. This restructure was conducted due to the State beginning to use local revenue for statewide purposes. In November 1992, the City Council approved budget reductions of nearly \$3 million for the 1992-93 and 1993-94 fiscal years to offset the impact of the unprecedented State takes. Approximately one-third of those reductions were accomplished by eliminating capital projects. In addition, in 1991-92 three management positions were eliminated and 22 vacant positions were not filled. Fifteen of those positions remained unfilled in

35 Clif Sellers, City of Chico, Assistant Community Development Director, personal communication, October 25, 2005.

36 City of Chico *Comprehensive Annual Financial Report (CAFR), Year Ending June 30, 2004, Management's Discussion and Analysis*, p. 11.

37 City of Chico *General Plan, Summary*, (1994, revised 1999), p. 5.

1993-94.³⁸ Although the City has continued to adjust to State takes, in order to balance the budget, the City has made sacrifices. From 1990-91 through 2004-05, that sacrifice eliminated over \$13.6 million from the City's General Fund; the same fund that provides basic public services such as police, fire, park, and public works. In this same time period, the population of the City increased 76 percent while the number of employees available to provide public safety and other essential services increased by approximately 28 percent.³⁹

Minor adjustments are now made in a continual attempt to maximize efficiency; many of these changes are instigated due to rapid technological advances. In addition, the City has made efforts to take advantage of opportunities for sharing facilities and services with Butte County to reduce capital and operating costs. For more information refer to Section 5.4, Opportunities for Shared Facilities, of this MSR.

Determination 5.2-2

The City has made efforts to take advantage of opportunities for sharing facilities and services with Butte County to reduce capital and operating costs. The City and County should explore establishing a mechanism to regularly explore opportunities for increasing the efficiency in delivering local government services.

Determination 5.2-3

The City requires new development to pay a fair share portion for impacts on infrastructure and services; however, the City's General Plan does not require a fiscal impact analysis be prepared prior to, and for, major development proposals.

Determination 5.2-4

Support of and use of "island" annexation law by the City will create more efficient boundaries for the delivery of services by both the City of Chico and Butte County.

5.2.2 Plans and Regulatory Requirements

■ City of Chico General Plan

The City of Chico General Plan includes numerous policies that address growth and the provision of services and infrastructure. While none directly address cost avoidance opportunities, a number of

³⁸ City of Chico, *Proposed Annual Budget 2005-2006, Exhibit B*, p. 3.

³⁹ City of Chico, *Proposed Annual Budget 2005-2006, Exhibit B*, p. 3.

policies discuss infrastructure fees and service financing. Emphasis is placed on the need for new development to pay a fair share portion of development impacts.

A sample of infrastructure financing policies include:

ED-I-20: Review current development standards and project mitigation fees and modify them, as appropriate, to encourage reinvestment and intensification of use of land and structures within the existing urban area.

ED-I-21: Explore financing plans for existing businesses seeking to expand in Chico for whom payment of fees “up-front” may represent a major financial burden. Six or twelve-month financing programs could be considered.

PP-I-24: Support CUSD’s efforts to mitigate significant impacts of new projects on school facilities, consistent with State law. State law limits the fee that can be imposed on residential development to mitigate school impacts and prohibits denial of a project on the basis of the inadequacy of school facilities or school impact fees.

PP-I-7: Minimize substitution of private recreation facilities for developer park fee payment or parkland dedication to ensure that parks will be accessible to all residents and will be permanently available to the entire community.

PP-I-8: Continue to levy a park and recreation fee on non-residential development projects commensurate with expected use of such facilities by employees in such projects.

To provide specific direction for development in certain geographic areas, the General Plan calls for preparation of specific plans. The legal requirements for such plans are established in the Government Code. The City Council may establish, and from time to time modify, a schedule of fees imposed for the adoption and amendment of specific plans. The City Council, after adopting a specific plan, may impose special fees upon persons seeking governmental approvals which are required to be consistent with the specific plan. Consistent with state law, these fees would cover the cost of preparation, adoption, and administering the plans.⁴⁰ To protect sensitive biological resources, the General Plan requires preparation of resource management plans before any subdivision or development may be approved that would affect certain sensitive biological resources. If these plans are prepared as part of specific plans, the City Council may establish fees to recoup plan preparation costs.⁴¹

Determination 5.2-5

The City of Chico General Plan includes numerous policies that address growth and the provision of services and infrastructure. Emphasis is placed on the need for new development to pay a fair share portion of development impacts.

5.2.3 Summary of Written Determinations

5.2-1 The City’s annual budget process provides the City with an on-going mechanism to evaluate efficiencies and explore cost avoidance opportunities to bridge the projected gap between revenues and expenditures.

40 City of Chico *General Plan, Introduction*, (1994, revised 1999), p. 12.

41 City of Chico *General Plan, Introduction*, (1994, revised 1999), p. 12.

- 5.2-2 *The City has made efforts to take advantage of opportunities for sharing facilities and services with Butte County to reduce capital and operating costs. The City and County should explore establishing a mechanism to regularly explore opportunities for increasing the efficiency in delivering local government services.*
- 5.2-3 *The City requires new development to pay a fair share portion for impacts on infrastructure and services; however, the City's General Plan does not require a fiscal impact analysis be prepared prior to, and for, major development proposals.*
- 5.2-4 *Support of and use of "island" annexation law by the City will create more efficient boundaries for the delivery of services by both the City of Chico and Butte County.*
- 5.2-5 *The City of Chico General Plan includes numerous policies that address growth and the provision of services and infrastructure. Emphasis is placed on the need for new development to pay a fair share portion of development impacts.*

