Finance Committee Report

DATE: January 22, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD JANUARY 22, 2013**

Committee present:	Staff present:	
Chair Sorensen Councilmember Gruendl Councilmember Stone	City Manager Nakamura City Attorney Barker Finance Director Hennessy Building & Dev. Serv. Dir. McKinley	General Service Director Martinez Planning Services Director Wolfe Administrative Analyst Brinkley

REGULAR AGENDA

A. Chico Certified Farmers Market Update

At its meeting of 5/22/12, the Finance Committee voted 3-0 to forward a recommendation to City Council to leave the current franchise and fee structure in place with no change, with the caveat that the new Board of Directors and Market Manager report back to the Committee in December 2012 with a plan that identifies infrastructure improvements needed to the municipal parking lot and also provide possible financing options available to the CCFM for those improvements. At its meeting of 7/3/12, the City Council voted 5-0-2 (Evans and Schwab disqualified) to accept the Finance Committee's recommendation. CCFM representatives will provide a verbal update. Previous reports were provided for background. ***(Verbal report - Fritz McKinley, Building and Development Services Director)***

Building and Development Services Director (BDSD)McKinley reported that at the time of the last meeting, CCFM was not ready to provide a full plan to the Committee. They have prepared some ideas, however staff has not had the chance to vet any of those ideas.

CCFM Board Chair Richard Coon introduced several members of the Board.

Nancy Schleiger, CCFM Publicity Director, referred to a map of the parking lot and indicated an area that is currently used for parking will be blocked off during construction of the couplet project. The Farmers Market would like to use this area for trial period during the time it is blocked off. They would like to hold some cooking demonstrations or possibly have more vendors to see how it will work.

BDSD McKinley stated the driveway approach near this area will be closed during the construction of the 1st and 2nd St. couplet project. If the Finance Committee agrees to move forward with this proposal, staff will provide more information regarding the costs for improvements.

CCFM Treasurer Kurt Albrecht stated they will need financing for the bathroom and the cost of supplying water. It could run in the tens of thousands of dollars or even higher. If the cost is in the hundreds of thousands, they would have to ask for a longer contract, 5 to 10 years at least. If they spend $100,000 on bathrooms, they would need to allocate the costs over time. They are proposing a temporary bathroom facility, which is semi-permanent and would be a bathroom/office combination. If the Farmers Market is re-located, they could take the facility with them. They would need two parking spaces to place the facility and the needed infrastructure. They could work with the City to determine the cost for the parking spaces. They could also make the facility available to the City during special events.

Councilmember Stone ask if the City helped out, could an amortization schedule be shortened to 3 years.

Mr. Albrecht said that it could.

Chair Sorensen asked Director McKinley the estimate for running sewer and water infrastructure to the location.

BDSD McKinley said that sewer and water are in the general vicinity. The cost would depend on how much and how deep. He can get estimates.

James Brock addressed the economics of the Farmers Market and how it benefits the City to bring people to Chico and to the downtown. The market draws folks from all over the area. Many restaurants now advertise that they serve local food.

Mr. Coon believes the time is right to move forward for the CCFM and the City to work together. They have a great management team and board and they are all willing to contribute.

Juanita Sumner inquired about sales and sales tax figures for the Farmers Market.

Mr. Brock stated a study has been prepared and he will provide Ms. Sumner with the information.

Councilmember Gruendl stated the position is the same as before and he was hoping to have some cost estimates for infrastructure and for a temporary building. The City could consider a long term lease, but the Council will need to know the costs, what the Market can pay for and how long it would take for the Market to pay off. He stated that the Committee should be further along in this process and the Committee should have something by now. The matter still needs to be brought before Council.

Councilmember Stone stated the Board is just changing hands and Mr. Coon has expressed his concerns as well. The market brings value to the Downtown.

Chair Sorensen asked how quickly the requested information be brought back to the Committee.

Both Mr. Coon and Director McKinley indicated they could have the cost estimates for the bathroom and infrastructure improvements at the February Finance Committee meeting.

City Manager Nakamura stated, if Council approves this request, a time line should be developed for certain things to happen. This matter will still have to go through the planning process, as this would be allowing a private use on public facilities.

Planning Services Director Wolfe indicated that a design review would also be required.

B. **User Fee Study Update**

At its meeting of 2/28/12, the Finance Committee received a report from staff regarding status of the User Fee Study Update. Staff indicated the dissolution of the RDA will impact the City's Cost Allocation Plan which in turn will impact the results of the User Fee Study. Considering the fluctuation in the budget as a result of the loss of the RDA funding, staff postponed to the end of the calendar year 2012 the request to implement the User Fee Study Update until the indirect costs can be appropriately accounted for once again. Previous reports were provided for background. ***(Verbal report - Fritz McKinley)***

BDSD McKinley stated that staff is scheduled to provide a full report on the Private Development Fund at the January 29th Council goal setting meeting and will also provide a full report at the February Finance Committee meeting. The Cost Allocation Plan has been evaluated for his department over the past three years, but it needs to also be evaluated citywide.

Finance Director Hennessy stated the costs are being calculated based on this year's budget and last year's actuals. Any structural changes that are made to the budget would impact the plan. She stated the plan could be delayed to see if there are structural changes.

Chair Sorensen stated that it has already been delayed.

Councilmember Gruendl stated that it was originally delayed due because of the absorption of RDA staff. But enough time has passed, that the Committee should have a handle on the costs. The Committee may need to put time lines on this, even if staff loads need to be shifted. The City is losing money. If staff or the Committee put it off another six months, it will have a significant impact on the City's finances. The Committee needs to know how much the City is losing by not having it done.

Finance Director Hennessy stated the consultants could have the plan done by March to incorporate it into this year's budget, but that's fast-tracking it.

City Manager Nakamura stated staff will be presenting information at the January 29th Council goal setting meeting that will give an idea of the status of these funds. Council will be asked to develop goals based on the information and decide whether to make adjustments to the budget, structural or otherwise.

Councilmember Gruendl stated that the City has a lot of funds with deficits.

Chair Sorensen asked when the last User Fee Study update was done.

BDSD McKinley stated that it was either 2005 or 2006.

Chair Sorensen asked when the Indirect Cost Allocation Plan will be done.

Finance Director Hennessy replied that the administrative functions are currently be updated and any changes to those may have an impact on the plan. Staff and consultants are also looking at a plan that will allow the City to allocate costs for administrative overhead on federal programs. She hopes the plan will be completed by March or April.

City Manager Nakamura stated this is a "go forward" plan and how user fees will apply moving forward. The City can not go back and collect fees.

Councilmember Gruendl that's what he's worried about; the numbers are growing in the wrong direction.

C. **Finance Update - Budget Status** - Standing Item

- Fiscal Year 2011-2012 Closure and RDA costs to the General Fund

Finance Director Hennessy stated the FY 11-12 books are now closed. Staff will be providing a presentation at the January 24th Council goal setting meeting. Staff is still working on determining the RDA costs to the General Fund. Staff is also working with the County, to determine the changes in the administrative costs which are being pushed from the RDA to the General Fund.

Chair Sorensen asked if the administrative costs tap out at around $250,000.

Finance Director Hennessy stated that the administrative cost allowance is 3% of the ROPS and that the minimum is $250,000. What is occurring is that it doesn't appear there is enough trust fund money to cover the obligations and the City is shorted on administrative costs. The City is getting $1million less than what was expected. The amount of revenue the County paid out was $1 million less than what was projected.

D. **Review of Fund Balance Reserve Budget Policies**

At its meeting on December 26, 2012, the Finance Committee requested a review of the Budget Policies that outline the level of desired reserves for specific funds as well as any background information, if available, explaining why these levels were established when the policies were adopted. ***(Report - Jennifer Hennessy, Finance Director)***

Finance Director Hennessy provided an overview of the history of the budget policies that outline the reserve levels of certain City funds. The City has two General Fund reserves; Operating Reserve and Emergency Reserve. Staff has determined that from 1976-1985, the desired reserve balance was around 10%. In the 1985-1986 budget, the desired reserve was reduced to 7.5% of operating expenditures. In 2001, the desired reserve balance became a budget policy.

Chair Sorensen inquired about the reduction of the General Liability Insurance Reserve Fund (900) from $900,000 to $500,000. He believes it should be around $1.5 million.

Finance Director Hennessy stated the desired reserve should be three times the SIR, which is $1.5 million. Policy language added another $500,000 and the fund had reserve balance of $2 million. It was determined this was a recommendation, not a requirement by the Joint Powers Authority. In working with the City Manager and City Council, the reserve was reduced by $1.5 million to assist the General Fund. It is currently at $1 million.

Councilmember Gruendl stated that Fund 901 is another one that has been reduced.

Finance Director Hennessy explained the actuarial study performed every two years to determine the reserve balance, and then adjusted if needed.

Chair Sorensen asked how well funded are Facilities and Technology Replacement Funds and is there a shopping list for what the City needs to do.

City Manager Nakamura stated that staff has identified concerns. We have needs that will have to be added this year. Staff has had to use some of the Emergency Reserves to cover part of the costs of the Highway 32 Widening Project. There are no assurances of recovering those costs either through grants or TRIP.

General Services Director (GSD) Martinez stated that there are replacement schedules. Staff continues to ask for funds for maintenance and have been operating on an "as needed" basis. However, it needs to be averaged out as far as maintenance versus replacement and have funds available for replacement. Emergency Reserves have been used because of lack of funding.

Finance Director Hennessy stated that Emergency Reserves have not been used.

GSD Martinez stated that Facility Reserves have been used.

Councilmember Gruendl asked what the $600,000 is intended for in Fund 301.

Finance Director Hennessy stated this fund is a set aside fund or savings account for the General Fund. City Manager Jones felt that a $1 million reserve was adequate. Some of the reserve has been used for repairs. The balance is projected to go down to $200,000.

Chair Sorensen said this fund is intended for a new police station, buildings and construction, and asked if now the City is using it for maintenance and repairs.

Finance Director Hennessy stated that development impact fees do not contribute to this fund.

Councilmember Gruendl asked in looking at the unfunded liabilities, is there any way to manipulate the numbers or inflate them. The numbers need to be real numbers.

Finance Director Hennessy stated they are all tied to the replacement schedules.

GSD Martinez stated there is an estimated life cycle for all fleet. Schedules are forecasted for 20 years and they are looked at every year. Everything needs to be replaced at some point, postponing doesn't save money, it will still need to be replaced. For 2013-2014, replacement needs are $1.2 million.

Councilmember Gruendl stated the longer replacement is delayed, then maintenance really hits the GSD budget.

GSD Martinez responded that it hits all department budgets, as equipment supports all departments.

Finance Director Hennessy that Technology Replacement Fund is budgeted $67,000 per year. This is to replace the legacy software, such as CAD and IFAS. Replacements need to be added to the schedule and documented for upcoming years.

Councilmember Gruendl asked if the schedules are part of the budget.

Finance Director Hennessy stated they are not, but they are used to develop the budget.

City Manager Nakamura indicated that at the upcoming goal setting meetings, he has asked each department to identify the three most important needs of the department. For example, the police department has identified the replacement of the CAD system as one of the three.

Police Officer Porter explained that over the years, as the department has grown, pieces have been added to the CAD system and upgrades piecemealed. There are so many pieces that the system is no longer compatible and the vendor has said the whole system needs to be replaced. He stated the top three priorities in order are replacement of the radio system and adding another channel due to the high radio traffic, replacement of the CAD system, and staffing levels.

City Manager Nakamura stated that in his recent experience, it will be about $1 million to replace the radio system and the CAD system.

Finance Director Hennessy said there is $1 million in the fund that was going toward the new police station, but could be used for this purpose.

Stephanie Taber asked which fund is that?

Finance Director Hennessy stated Fund 338.

Ms. Taber stated that she doesn't understand the use of the word catastrophic, in the language in the Emergency Reserve Fund. She asked if ten employees leave and cash out their vacation, is that really catastrophic.

Finance Director Hennessy stated that catastrophic is related to things such as natural occurring events, such as the bad storms we had. The sudden draw down for vacation payouts has always been a controversial use of the funds, however the payouts can be significant for early retirements, when the home department didn't budget for it. The Emergency Reserve Funds would have to cover what the home department couldn't.

Councilmember Gruendl read the last sentence of the Emergency Reserve Fund language and stated that he wants language added that says "any" draw from the fund needs to be approved by Council.

Finance Director Hennessy asked if he means separately from the quarterly supplemental appropriation, that it comes to Council right away.

Chair Sorensen and Councilmember Gruendl both responded yes.

Chair Sorensen asked GSD Martinez to provide an update on the replacement schedules at the next Finance Committee meeting, and Finance Director Hennessy to provide an update on technology replacement.

City Manager Nakamura stated that at the goal setting meetings all departments will be presenting their top three priorities, discuss how we got here and set goals.

E. **Unfunded Liabilities** - *Continued discussion from 10/23/12, 11/27/12, 12/26/12 Finance Committee meetings.*

Finance Director Hennessy reported that the Private Development Fund can be paid down through discretionary spending and the City needs a pay down schedule. She has asked if it's possible to set aside the fund deficit, to separate it from the new funds that are coming in since the new funds can't be used to pay down old debt. She also indicated there is consideration of consolidating the 200 maintenance assessment districts funds. It is a huge administrative burden to maintain 200 separate funds, which has about a $25,000 impact on the budget.

City Attorney Barker stated in order to consolidate, significant analysis would have to be done to determine what the special benefits are for each district. A property can not be charged for benefit it doesn't receive.

Finance Director Hennessy said next is the Indirect Cost Allocation Plan. The plan will look at the impacts to the General Fund from the loss of the RDA.

Councilmember Gruendl stated there is potential overhead shifts to public safety because it impacts the General Fund.

Finance Director Hennessy further reported on the Private Development and Subdivision Funds, that the City can't charge future development for past charges. In relation to health care costs, a 5% increase was budgeted, and costs are only going up 1.9%. She suggested increasing that to 10% next year due to all the changes coming up in the health care system.

Councilmember Gruendl stated that the Committee needs to look at revenue sources and what can be done to generate revenue in the future. Things to be considered are TOT, franchise fees, fees related to the Climate Action Plan, and solid waste fees. He asked what the final number is for the General Fund 11-12 closing of the books.

Finance Director Hennessy stated it is $252,738.

Ms. Taber asked if PERS, MOUs and costs for early retirements will be discussed at the meeting on the 29th.

City Manager Nakamura clarified there are two meetings, one on the 24th and one on the 29th. Staff will be providing the framework to establish a baseline, and establish goals and priorities. Background will be provided. There are only two ways to move forward in this recession; that is to cut expenditures or increase revenues.

F. **Business from the Floor** - None.

G. **Adjournment and Next Meeting** - The meeting adjourned at 9:43 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, February 26, 2013 at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Administrative Analyst

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Finance Committee Report

DATE: February 26, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD FEBRUARY 26, 2013**

Committee present:	Staff present:	
Chair Sorensen Councilmember Gruendl Councilmember Stone	City Manager Nakamura City Attorney Barker Finance Director Hennessy General Service Director Martinez Planning Services Director Wolfe Capital Projects Svcs. Director Varga	Administrative Analyst Brinkley

REGULAR AGENDA

A. **Consideration of conversion of Housing Rehabilitation Mobile Home Loan to Grant—Thompson, 3156 Esplanade #284** - In 2008, a Housing Rehabilitation Loan utilizing Community Development Block Grant (CDBG) funds was awarded to mobile homeowners who are now deceased. The heir desires to assume title and live in the home and is income eligible to assume the loan. Due to the size of the loan and value of the home, consideration of converting the loan to a grant was requested. ***(Report—Marie Demers, Housing Financial Specialist)***

Housing and Neighborhood Services Director Morgado reported that the homeowners are now deceased and their daughter, the heir, has moved into the mobile home. Based upon her income eligibility, she is qualified to assume the loan. The City is the lien holder and legal owner of the mobile home, and is responsible for the disposition of the home in the event the heir abandons the home. Current policy through the Housing Rehabilitation Program allows grants up to $10,000. The heir is income eligible for the grant award. If the grant is awarded, the City can release the lien and will no longer be responsible for any costs associated with the disposition of the unit in the future. If disposition of the mobile home was necessary, the costs incurred by the City would exceed the value of the mobile home.

Chair Sorensen clarified that if this were to come before the Committee today as a new request, it would be considered as a grant, not as a loan. Committee Member Stone also wanted to confirm that the value of the home is not worth going through the foreclosure process, if necessary.

Director Morgado indicated that Chair Sorensen and Committee Member Stone are correct.

Chair Sorensen open the item for public comments.

Stephanie Taber stated the report is an opinion piece, not a report. The daughter has been living somewhere else for a long time. The loan is the taxpayers money and it should not be forgiven. This is a bad business decision.

Dave Donnan asked if a value assessment has been done on the mobile home and the value of other mobile homes in this park.

Director Morgado stated this is a much older mobile home and it is in very poor condition.

A motion was made by Committee Member Stone and seconded by Committee Member Gruendl that the Housing Rehabilitation loan be converted to a grant, the lien be released and legal ownership of the mobile home be transferred to the Thompson's heir.

The motion carried 3-0.

B. **Chico Certified Farmer's Market** - At its meeting of January 22, 2013, the Committee directed staff to report back on the availability and cost of providing sewer, water, and electricity to the location of a proposed restroom and storage facility. For the location recommended by the Chico Certified Farmer's Market (CCFM), staff estimates the cost to be $10,000-$15,000. This is due to the availability of metered water and electricity at the west end of the parking lot, approximately three hundred feet away, and the fact that a sewer connection can be made approximately sixty feet away. As directed by the Committee, CCFM presented its proposal, including the type of structure, aesthetics, size, use, location, and cost. CCFM was prepared to discuss funding for the proposal. ***(Report: Fritz McKinley, Building & Development Services Director)***

Planning Services Director Wolfe updated the Committee regarding the potential costs for the infrastructure. Staff also indicated there would be additional costs for design review, and planning and building permits. Without actual plans to review, an estimate for the additional costs was not provided.

Nancy Schleiger, the CCFM Publicity Director, indicated on a map that the Market would like to utilize the northern isle of the parking lot during the construction of the 2nd Street Couplet Project to temporarily expand the market to see how well it would work. She also suggested the market might want to utilize this space on a seasonal basis.

Kurt Albrect went over the financing options provided in the market's presentation. If the market obtains a three year lease, with a loan amount of $50,000 at 5% interest, the monthly payment would be $1,498. If the market obtains a 10 year lease, with a loan amount of $50,000 at 5% interest, the monthly payment would be $944. A $100,000 loan at 5% interest, the monthly payment would be $1,060. The Market can cover the $10,000 to $15,000 in costs for the infrastructure improvements, however, a commitment needs to be made by the City. The Market can afford a $50,000 structure if it's spread over time.

James Brock stated the Chico Certified Farmers Market is one of the top markets in the Country. The Market pulls more people into the downtown and that's good for downtown businesses. The Market increases revenue for the City, provides employment, increases employee disposable income and it's the number one event in the City. It's a year round market and a destination place.

Mr. Coon stated the time is right to move forward; they have the money to pay for the utilities. They can pay for cost effective bathrooms. If a temporary structure is installed, the Market would own it. If a permanent structure is built, the City would own the structure and the Market would lease it.

Mr. Albrecht stated they reviewed the numbers for the 10 year lease on a $100,000 structure. If the Market commits to the $100,000 structure, they would need the 10 year lease.

Mr. Brock stated the Market could write a check for $10,000 to $15,000 for the utilities if the City would agree to a 2 year lease now.

Committee Member Stone inquired if the City agrees to the 2 year lease, can the discussion continue on the matter of the 10 year lease.

Mr. Brock said they are agreeable to that.

City Attorney Barker advised that while a lease is being discussed, the Farmer's Market operates under a franchise agreement with the City. If there are any amendments to this agreement, it will take some additional time to negotiate the amendment.

Mr. Albrecht asked if the franchise agreement can be separate from the lease agreement.

City Attorney Barker stated they are different and Council would have a way to get this done.

Juanita Sumner asked if the bathrooms would be available to the public the rest of the week or only during the Farmer's Market?

Mr. Coon stated if the Market owns the building, it would be locked when not in use by the Market. If the City owns the bathrooms and the Market leases it, something could be worked out for the rest of the week.

Steve Cantrell asked how is it that the Market wants to spend $100,000 to $200,000 for a bathroom. As a businessman, he suggested using the $10-$15,000 to buy portable bathrooms instead of renting them. The City has laid off workers and there is no mechanism for this. Where does the City come up with the

funds to finance the bathrooms. The bathrooms also become a City problem. He suggested the market find another location.

Tom Hall stated a temporary structure during the construction project will be a mess. The parking area doesn't become useless during construction. The Market takes up parking needed for downtown businesses. Business decreases during the Market hours and picks up in the afternoon when the Market closes. A permanent structure doesn't make sense.

Becky Barnes Boers stated the Internal Affairs Committee just considered taking out the downtown parking lots. This is a wonderful market. There are non-ADA compliant parking and bathrooms without Title 24 requirements. The City does not inspect for ADA compliance. The Thursday night market is the model for ADA non-compliance.

Mike Trolinder stated this is his official protest. He wants the protest of the franchise agreement to be agendized. All parties need to come together to help the Market figure out how they can grow. He stated there is never a discussion about where the Market is going. He asked how many parking spaces the bathrooms would take up. He suggested the Market use 2 of their own spaces to place the bathrooms.

Chair Sorensen replied it would take up 2 parking spaces.

Cheryl King stated that the Market brings thousands of the people to the downtown and these businesses are suggesting that people shopping in their stores is somehow the fault of the market. She stated the market is an asset to the community and tourism is huge.

Ms. Sumner asked if the bathrooms in City Plaza are ADA compliant, with Mr. Cantrell asking if the bathrooms in the lobby (of the Chamber Building) are ADA compliant.

Capital Project Services Director Varga stated that the City Plaza bathrooms are not 100% ADA complaint and the City is working to make them 100% compliant. He believes the bathrooms in the lobby are ADA compliant.

Mr. Montag, a downtown merchant, stated his business was there before the Farmer's Market opened and was all for it when it first started. He liked the idea of having fresh produce available near his business. But now the farmer's market has become a competitor because they are selling a lot more than produce, items such as drinks and food.

Chair Sorensen closed the public commenting period.

Chair Sorensen stated there is no question the market is an asset and parking is a problem. The question is should the bathrooms be a City asset or a private asset.

Committee Member Gruendl stated the issue is the timing of the utilities in conjunction with the 2nd Street Couplet Project. He wants to know from staff what it's going to take to get this going. The City Attorney has pointed out there is a franchise agreement in place. If the City collects money and install the utilities, what is the mechanism or instrument to have this basic stuff occur. If the farmer's market stays in this location, this starts the process for keeping it in place. A lot of issues have been raised, but there is nothing in front of him that indicates the market is a problem. He is disappointed so many downtown retailers aren't open earlier because then he has to shop later in the day. What other locations can the Market go? The Market could relocate to the City Hall public parking lot, however the City stores vehicles in the parking lot on weekends.

Committee Member Stone agreed with Committee Member Gruendl's comments. It's an opportunistic time with the couplet project. He's gone over other possible locations and thinks this is the best location. This is a decent first step, and it's a little risky, but the intentions of the Market have been on-going. It will take tremendous help from Staff to expedite this and get the first step done.

Chair Sorensen agreed getting the utilities installed is the most pressing issue. Bathrooms were a major concern in extending the agreement last year. The larger question is whether to have temporary or permanent bathrooms.

Committee Member Stone suggested the City Attorney work with the Farmer's Market on a 2 year lease and see what that looks like. Then the City can look at a longer term arrangement.

A motion was made by Committee Member Gruendl and seconded by Committee Member Stone to direct Staff to return to the Committee with a proposal that has an instrument or mechanism to finance the 2 year agreement to install utilities.

The motion carried 3-0.

City Manager Nakamura stated that during the discussion of Item A., there was a problem with the front doors to the Council Chamber Building and some people were not able to get in the building. He provided a recap of this item and Chair Sorensen asked if there were any additional public comments regarding this item.

There were none.

C. **Fleet Replacement Schedule update** - At its meeting of January 22, 2013, the Committee requested an update on the Fleet Replacement Schedule and Reserve Fund 932. ***(Report - Ruben Martinez, General Services Director)***

General Services Director Martinez reported the fleet replacement schedule is a living document, in that it is updated when there are changes to assets, equipment needs, and valuations or when time tables are altered due to wear and tear on equipment. He also indicated that by using lease options on the fire trucks, it prevented a $700,000 deficit in the fund. Director Martinez stated there are $1.2 million in purchases planned for this fiscal year.

Chair Sorensen asked if in ten years, this fund would be short $18 million?

Director Martinez stated that is correct. Over the past ten years, the fleet replacement fund hasn't been fully funded. The allocations have been reduced. For FY 14-15, staff is asking for $1.8 million, which will leave the fund with a $1.9 million deficit.

Fleet Manager Erik Gustafson reported on the cost saving measures the department has taken to reduce costs. Some measures included a change in the take home policy for city vehicles, reducing the fleet by 50 vehicles, optimizing what the City already has rather then replacement. The City has also saved by purchasing direct from the manufacturer, which reduces flooring costs charged by dealers, reduced the fleet at City Hall using rental vehicles, and the leasing strategy.

Chair Sorensen asked how leasing fire trucks rather than purchasing becomes a money saver.

Director Martinez stated that it doesn't; it becomes a cash flow saver.

Committee Member Gruendl asked if members of the public were looking at this, that FY 14-15 from there on is negative, what statement is the City making. Is it negative because the funding isn't known yet?

Director Martinez stated that staff doesn't know yet. Staff doesn't know what the needs will be or what the funding will be.

Chair Sorensen stated that at one point, this fund balance was over $4 million.

Chair Sorensen opened the meeting for public comments.

Dave Donnan suggested sub-contracting out some work, such as street sweeping, to save on maintenance costs.

Stephanie Taber stated that she was surprised to see 10 vehicles in the Private Development Fund. She asked if these vehicles were purchased using 100% Private Development funds.

Director Martinez stated yes, the vehicles are for use by the building inspectors and engineers.

There were no additional comments and no action was required.

D. **General Fund Cost Impact of RDA Dissolution** - At its meeting on January 22, 2013, the Finance Committee requested staff provide an update on the cost impact to the City's General Fund resulting from the dissolution of the Redevelopment Agency (RDA). Staff reviewed the projected cost impacts with the actual impacts to date. ***(Report - Jennifer Hennessy, Finance Director)***

Director Hennessy reported that with the dissolution of the RDA, effective February 2012, the source of the partial funding for 36 employees and seven Council Members changed as the funding was no longer available. At the time, the impact to the General Fund was estimated at $911,000 and an additional $306,000 would shift to the newly created Affordable Housing Fund. Through the FY12-13 Budget process, staffing reductions were triggered to decrease the costs shifted towards these funds. As of February 2013, staff re-evaluated timecard distributions. Operating costs reduced by 59% from Budget projection due to additional staffing reductions combined with time distributions being charged to funds other than the General Fund. The revenue estimate also declined due to less property tax revenue originally projected by the County. The General Fund Indirect allocation of $588,777 was based upon a prior Cost Allocation Plan. The plan is currently being updated and will reflect the loss of the RDA, staffing and program changes. Once this plan is complete, a more accurate General Fund impact will be available.

Chair Sorensen asked what was the total shift of funds across all funds and what were the costs based upon the old CAP?

Director Hennessy responded that she didn't know; staff prepared the report based on the General Fund. She also stated the $588,000 identified in the report was based on the old CAP.

Committee Member Gruendl asked how the time allocations are done.

Director Hennessy stated that every other week, when time cards are submitted, staff studies how much time is allocated to funds. Staff always does an annual time card study to see if trends will continue.

Dave Donnan asked when there are vacant positions that the City doesn't fill, why are those positions kept on the books; why not remove them from the budget.

Director Hennessy stated that if the positions are budgeted, the City doesn't drop them.

The Committee directed the Finance Director to provide a report at the March meeting that identifies the impacts across all funds.

E. **Overview of the Private Development Fund** - During the ongoing discussions regarding the City's fiscal condition, the Private Development Fund has become the focus of some inquiries, both from the public and Council, particularly about the negative fund balance. Staff provided a written overview with the goal of creating clarity about the past, present, and future issues and challenges related to this fund. ***(Report - Fritz McKinley, Building & Development Services Director)***

City Manager Nakamura stated that staff will be bringing this item back for further discussion at the March meeting. Director Wolfe added that the Planning Department has been looking at the needed changes, reviewing the decisions that have been made in the past and staff intends to make sure that those decisions are not made again.

F. **User Fee Study Update** - The Building & Development Services Director forwarded for the Committee's review the Final Report on the Full Cost of Services Study (User Fee Study) dated March 18, 2012. The Study incorporated projections for permit volumes and staffing levels that were made before the full extent of the economic downturn was known, and the figures for Citywide indirect costs were based on the results of a study that was completed but not adopted. Staff will continue to move forward with an update to the Study, incorporating the results of the new Citywide Indirect Cost Allocation Plan as well as revised staffing levels and volume projections. ***(Report - Fritz McKinley, Building & Development Services Director)***

Director Wolfe stated staff will also be bringing this item back for further discussion at the March meeting. Staff will be providing a timeline for when the User Fee Study will be completed.

Director Varga added that while this is the Final Report from the consultant, it is still a working document.

Chair Sorensen asked where this report has been since March 2012.

Director Varga stated that the report was put an hiatus. There are serious consequences that need to be considered before the committee makes a decision based on the contents of it. Director Wolfe added that the reorganization will also have an effect on the report. He also stated that the Planning Department does not charge for review of sign permits, while other cities charge between $100 to $600. Minor design reviews are done at zero cost, while the staff costs for doing the review is around $1,000.

City Manager Nakamura stated that staff will provide the Committee with as much information as possible on how to approach these issues and have meaningful impacts and create a timeline to achieve results.

Stephanie Taber stated the County has recently gone through something similar, where a dollar value was determined for staff members.

G. **Business from the Floor**

Becky Barnes Boers stated for the record that the front doors on the Chamber Building were not opened at the start of the meeting and this is violation of the Brown Act and the Americans with Disabilities Act.

H. **Adjournment and Next Meeting** - The meeting adjourned at 9:55 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, March 26, 2013 at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Administrative Analyst

DISTRIBUTION:
Council Binder, HNSD, PSD, CPSD, FD

Finance Committee Report

DATE: March 26, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD MARCH 26, 2013**

Committee present:	Staff present:	
Chair Sorensen Councilmember Stone Absent: Councilmember Gruendl	City Manager Nakamura City Attorney Barker Finance Director Hennessy Housing & Neighborhood Svcs. Director Morgado Planning Services Director Wolfe	Administrative Analyst Brinkley

REGULAR AGENDA

A. **2013-14 Draft Annual Plan Summary for the Use of Federal Community Development Block Grant (CDBG) and Home Investment Partnerships Grant (HOME) Funds.** The City receives an annual award of community development and housing funds from the federal Department of Housing & Urban Development (HUD). Each year, the City must submit an Annual Plan to HUD describing the City's plan for using these funds in the upcoming year. ***(Report—Sherry Morgado, Housing & Neighborhood Services Director)***

Housing and Neighborhood Services Director (HNSD) Morgado provided an overview of the use of CDBG and HOME funds for projects identified in the report. Staff had anticipated to have an estimate of funding from HUD, however it has not yet been received and staff has been notified that the funds will be subject to the 5% sequestration. Director Morgado reported staff does a lot of community outreach regarding the funding, and also receives input at Finance Committee and two City Council meetings.

Director Morgado reported the draft budget includes CDBG funding for projects for sewer laterals, Chapman Gateway alley, the Small Business Development Center, and GRID Alternatives for solar installations at Martha's Vineyard subdivision. There are three projects identified for funding, including a Salvation Army transitional housing project, 3Core micro-enterprise funds for seed money, and Valley View transitional age youth housing. In terms of HOME funding, it includes funding for housing rehabilitation program loans, 19th Street Habitat for Humanity and Valley View transitional age youth housing project. The housing rehabilitation program is very staff intensive. Staff is looking at identifying a project for the Community Housing Development Organization (CHDO) set aside.

Chair Sorensen opened the meeting to public comments.

Stephanie Taber asked what the $65,000 for Housing Counseling pays for and also objected to the funding for GRID Alternatives Solar Installation, stating the money could be better used elsewhere.

Director Morgado stated the housing counseling is for low income individuals to receive credit counseling, how to avoid foreclosure, restructuring debt and administrative costs.

Karl Ory stated he is interested in the City making improvements to the Regal Inn, possibly being used for apartments. He stated that if something isn't done, the City will start seeing more fires and vandalism and it will be an eyesore. Somewhere down the line, the City needs to address the property, improve the area and turn it back into what it used to be.

Steve Gibson spoke on behalf of the Salvation Army project, stating the University is on board and the construction management department will be assisting with the project.

A motion was made by Committee Member Stone and seconded by Chair Sorensen to accept the draft Annual Plan summary and forward its recommendations to the City Council for consideration.

The motion carried 2-0-1 (Gruendl absent).

B. **Overview of the Private Development Fund - Continued from February 26, 2013** - Staff provided an overview of past, present, and future issues relating to Fund 862. ***(Report - Mark Wolfe, AICP, Planning Services Director)***

Planning Services Director Wolfe reported that the City is looking at a $9.7 million deficit in Fund 862 and staff is looking at ways to turn it around. He identified some of the reasons for the deficit, including there has not been a full cost of recovery for things such as sign review and minor design review, allocations for staffing and the costs for the Northwest Chico Specific Plan.

Director Wolfe explained that the average fee other agencies charge for sign review is around $250 and some charge up to $600. Staff does sign reviews over the counter, with no cost recovery, and performs around 100 reviews per year. If the City implemented a $250 fee that would be $25,000 in cost recovery. Staff looks at approximately 50-100 minor design review applications per year. If the City implemented a $1,000 fee, which is reasonable, that would be $50,000 to $100,000 in cost recovery. He indicated that when the Council makes the decisions, staff will need to look at how to cover that gap that isn't recovered. The gap varies from year to year and the City needs a ready source of funds to cover the gap in going forward.

Allocations out of the fund included the Planning Department, which at one time had 15 staff members which lead to increases in allocations and revenues into the fund did not increase. Now there are six staff members in the Planning Department. The changes will be reflected in the User Fee Study and the Cost Allocation Plan. By understanding where the City has been and making some adjustments to fees, the City is going to recover. There has also been an increase in building and planning permits.

Chair Sorensen stated the 2005 User Fee Study increased the allocation for administrative costs by $350,000. When the department shrank, did staff make a similar decrease?

Director Wolfe stated that staff is continuing to look at how many people are needed.

Chair Sorensen asked what the process is for pulling this information together; for example this report is in Excel. How intensive is it to convert it and why not take it from IFAS?

Finance Director Hennessy stated the Administrative Analyst that put the report together uses Excel to IFAS. She reviews and maintains the report every two weeks by tracking costs, which are broken out by department, rather than by the fund.

Chair Sorensen opened the meeting to public comments.

Stephanie Taber stated this is very convoluted and it's unbelievable this has gone on for so many years. She asked for an explanation regarding the $530,000 in plan check fees that were returned to developers because the fees were higher than legally permissible in 2002.

City Attorney Barker explained that the City is only allowed to charge up to the cost of providing the service. There was a dispute about whether the fees were in line with the cost for providing the service.

Committee Member Stone recommended acceptance of the report and Chair Sorensen concurred. There was no formal action required.

C. **User Fee Study Update - Continued from February 26, 2013** - Staff reported on the status and schedule for completion of the Final Report on the Full Cost of Services Study (User Fee Study) dated March 18, 2012. ***(Report - Mark Wolfe, AICP, Planning Services Director)***

Director Wolfe reported that he made contact with the consultant to amend the report. The costs have changed significantly and the work necessary to change the report will require more information. Staff hopes to have a contract by the end of this week. Staff indicated the consultant can do the study in conjunction with the Cost Allocation Plan. The consultant can meld the two together and hopefully have

the study updated in about four months. If it looks like it will be delayed, staff will keep the Finance Committee and Council updated on the timeline.

Chair Sorensen clarified that Wolford is not ready to go and asked if funding was set aside for the new study.

Director Wolfe stated that the consultant is ready but didn't have a contract. It will be $34,000 for the new contract to do the updated study.

Committee Member Stone stated in the final proposals there were a lot of changes in the numbers.

Director Wolfe stated that staff will see what the new changes are; he doesn't know if they'll be higher or lower. The City needs to make sure there are no sudden increases in fees that will shock the business community and to roll it out over a year to three year period for full cost recovery.

Chair Sorensen stated in terms of rightsizing, staff will need to see how that affects the numbers.

City Manager Nakamura stated staff is looking at best case scenarios. The fee study captures current fee structure; if it takes 12 hours to process a use permit, it's still going to take 12 hours to process.

Committee Member Stone recommended acceptance of the report and Chair Sorensen concurred. There was no formal action required.

D. **Redistribution of Salaries and Benefits funded by the former Chico Redevelopment Agency** - At its meeting on February 26, 2013, the Finance Committee requested that staff provide a report on the redistribution of salary and benefit costs to other City funds as a result of the dissolution of the Chico Redevelopment Agency. ***(Report - Finance Director, Jennifer Hennessy)***

Director Hennessy reported that at the last Finance Committee meeting, staff provided an update regarding redistribution of RDA salary and benefits to the General Fund. Staff reported that this report is now looking at other funds. The original report prepared in February 2012 indicated $1.2 million would be redistributed across all funds. The actual redistribution to date has been $986,569. The total variance of $255,544 is due to vacant positions. Staff noted there were increases to charges to the Successor Agency for the Finance Director and City Attorney time in dealing with a high number of audits, the ongoing issues with the Department of Finance and providing legal support.

Chair Sorensen opened the meeting for public comment.

Stephanie Taber asked how the parking revenue has increased by over $9,000.

Chair Sorensen stated that staff that previously charged to the RDA, now charges their time to parking.

E. **Business from the Floor**

Stephanie Taber stated that she was astounded by the Private Development Fund.

F. **Adjournment and Next Meeting**. The meeting adjourned at 8:45 a.m. to the Finance Committee meetings for Community Organization Funding on April 4, 2013 at 3:00 p.m. and April 18, 2013 at 4:00 p.m. The next regular Finance Committee meeting is scheduled for Tuesday, April 23, 2013, at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Administrative Analyst

DISTRIBUTION:
Council Binder, HNSD, PSD, FD

Finance Committee Report

DATE: April 23, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 23, 2013**

Committee present:	Staff present:	
Chair Sorensen Councilmember Gruendl Councilmember Stone	City Manager Nakamura City Attorney Barker Finance Director Constantin Accounting Manager Fields Housing & Neighborhood Services Director Morgado Capital Projects Services Director Varga	Administrative Analyst Brinkley

REGULAR AGENDA

A. **Assignment of New Auditing Firm** - Pursuant to Section 1109 of the City's Charter, and as required for federal awards, the City Council shall engage the services of an independent certified public accountant to act as auditor for the City. Finance staff conducted a local and regional request for proposals, to which 14 accounting firms responded. ***(Report - Frank Fields, Accounting Manager)***

Accounting Manager Fields reported that pursuant to City Charter requirements and to receive federal awards, the City finances must be audited annually. Staff sent the Request for Proposals (RFP) to 60 firms, published an ad in the local paper and posted the RFP on the City's website. The City received 14 proposals from this process, as opposed to three proposals from the prior RFP.

The proposals were evaluated based upon sixty percent technical expertise and forty percent cost. Staff narrowed the proposals down to five and conducted phone interviews with these firms. Based upon the proposals and interviews, Accounting Manager Fields and Assistant City Manager Orme independently graded the firms, narrowing them down to three. Upon the arrival of newly hired Finance Director Chris Constantin, he reviewed the three proposals, identifying Vavrinek, Trine, Day and Co, as the top candidate.

Finance Director Constantin stated that he was very familiar with the firm and this is a great opportunity to assign a new auditor.

Accounting Manager Fields and Finance Director Constantin both indicated that if Vavrinek is approved by Council as the new auditing firm, staff can request that the firm reevaluate the costs outlined in the proposal.

Chair Sorensen opened the meeting for public comment.

Stephanie Taber asked Finance Director Constantin if he has experience working with this firm. He replied that he has experience with this firm in the past, but not with the specific partner or staff identified in the proposal.

A motion was made by Committee Member Gruendl and seconded by Committee Member Stone to approve the selection of Vavrinek, Trine, Day and Co. (Vavrinek) to perform the audits of the financial statements for the City of Chico, the Chico Public Financing Authority, the Chico Urban Area Joint Powers Financing Authority, and to perform the audit of the City's federal expenditures for a term of three years, with the option to extend for an additional two years, dependent upon satisfactory levels of services and cost. In addition, Staff was given authority from the Finance Committee to request a best and final offer on the costs for performing the audits of the Chico Public Finance Authority and Chico Urban Area Joint Powers Financing Authority.

The motion carried 3-0.

B. **Acceptance of the Community Organization Program Compliance Reports on Fiscal Year 2011-12 Agreements** - As part of its streamlining approvals for the Community Organization Funding Program, Council authorized biennial compliance reviews of agencies receiving $5,000 or more per fiscal year, and of agencies receiving funding for the first time. Finance Department staff reviewed compliance with the provisions of the Fiscal Year 2011-12 funding agreements, and the Housing & Neighborhood Services Director has presented an agenda summary report on those results, indicating that there were no findings this year for any of the agencies. Copies of the agenda report were provided to all of the audited agencies involved along with a notice of this meeting. ***(Report - Sherry Morgado, Housing & Neighborhood Services Director)***

Housing and Neighborhood Services Director Morgado reported that staff performed the compliance audits on nine agencies that have received Community Organization Funding. All agencies were fully compliant.

A motion was made by Committee Member Stone and seconded by Committee Member Gruendl to accept the Fiscal Year 2011-12 compliance reports.

The motion carried 3-0.

C. **Chico Certified Farmer's Market 2 Year Agreement to Finance the Installation of Utilities** - At the 2/26/13 Finance Committee meeting, the Committee voted 3-0 to direct staff to return with a proposal for a mechanism to extend the franchise agreement for two years and provide for the financing of the extension of utility services to Parking Lot 1 by the CCFM. ***(Report - Lori Barker, City Attorney)***

City Attorney Barker reported that the proposal that was accepted by the Committee at the previous meeting was that the City would extend the utilities if the Farmer's Market franchise agreement was extended for two years. She clarified that utilities would be just sewer and electrical. Water has already been extended to the site. The estimate for the installation of utilities is $16,000. Reimbursement to the City would take place after approval by Council and upon completion of the extension of utilities.

City Attorney Barker also reported that the Farmer's Market is requesting to extended the sales area during the construction of the couplet project. The sales area is delineated in the franchise agreement and would also have to be amended if Council chooses.

Capital Project Services Director Varga stated the connection for the utilities would be an RV style connection.

Committee Member Gruendl asked with a temporary RV style hook up, would there be a hook up only on Saturdays or will parking spaces be lost beyond the Saturday of the Market.

Capital Project Services Director Varga stated that the City can accommodate either pretty easily.

Chair Sorensen asked where the fee structure came from and how was this done.

City Attorney Barker indicated the fee structure has been in place a long time and it was based upon the criteria at the time it was developed.

Chair Sorensen stated the City needs to look at what a reasonable fee structure should look like. This lot was created with parking funds for parking spaces, and now the City is allowing those spaces to be removed for profit.

Finance Director Constantin stated that franchise agreements are negotiated. He asked to what extent does the General Fund continue to subsidize events in the City for the reason of having the event. Staff will be bringing forward the discussion to determine where the fees for cost recovery should be. There needs to be a finding for charging less than full cost recovery.

City Attorney Barker stated that the amendment to the franchise agreement would be done by ordinance, requiring an introduction and final reading of the ordinance by Council.

Committee Member Gruendl stated that if the City is going to consider extending the agreement for two

years, there are also some other things in the agreement that need to be addressed, but aren't agendized. He reported that during a recent trip downtown, he was surprised at how congested it was. He suggested the City may need to consider Saturday enforcement of parking.

Committee Member Stone suggested the Farmer's Market look into using bike valet to alleviate some of the parking issues.

Farmer's Market Board Chair, Richard Moon stated that last week was the first time the Market didn't have use of the north isle and vendors weren't allowed to park in those isles. Vendors will have to park farther away and the Market is also looking at the use of pedicabs to get people around and help with their purchases. As far as the amendment to the agreement, they want to work with the City in good faith and want to pay for the sewer extension. The Market wants to contribute.

Committee Member Gruendl asked if the bathrooms will stay every week.

Mr. Coon stated they are flexible and willing to work with City. He suggested maybe placing a cover on the sewer connection when not in use.

There was additional discussion regarding the Market considering moving to Sunday.

Chair Sorensen opened the meeting for public comments.

Mike Trolinder spoke regarding the impact the Farmer's Market has on Downtown merchants. He liked the idea of moving the market to Sunday.

Chair Sorensen noted the vendor application for the Farmer's Market does not include a requirement to obtain a City business license. He also stated non-food vendors that are located outside of Chico should be reporting sales tax under Chico when selling items in Chico.

The Committee requested that the City Manager look into Saturday parking enforcement.

A motion was made by Committee Member Gruendl and seconded by Committee Member Stone to forward a recommendation to Council to amend the franchise agreement to 1) provide that the current term of the franchise will extend to the end of 2015, and that the Market will reimburse the City for costs of extending sewer and electrical utilities to the site; 2) allow the Market to hook portable facilities to the sewer connection, if possible, once that service has been extended to the site; 3) allow market sales area to expand into the parking lane nearest 2nd Street during the summer of 2013; and 4) within this term, the Market and the City and other interested parties, continue discussion on a comprehensive review of the day of the market, parking issues and possible fee restructuring.

The motion carried 3-0.

D. **Business from the Floor**

Committee Member Gruendl expressed concern that it is the end of April and the Committee has not seen a draft budget.

Finance Director Constantin stated that the development of the budget is on schedule. The Committee will see a draft budget soon with both revenues and expenditures. The revenue side is looking good with increases in both sales tax and property tax revenue. There are some concerns about the expenditure side.

Committee Member Gruendl stated that Council has struggled with budget policies. Council has tinkered with them, but maybe Council should start with zero policies and work up rather than keeping all 28 policies and getting nothing done.

Chair Sorensen stated that Council approved one change last year; however it wasn't placed in the budget policies.

Finance Director Constantin stated staff was hoping to keep it standard this year, with a couple of changes and then really delving into all the policies next year. Money has flowed too freely between funds in the past and he wants to look at changing the policies that allowed it.

City Manager Nakamura stated there are some transparency issues and policy decisions that also need

to be addressed.

Stephanie Taber stated that she is amazed by what the Finance Director just said; that money has transferred too freely between fund accounts and that Staff wants to provide a policy that changes this.

E. **Adjournment and Next Meeting.** The meeting adjourned at 9:13 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, May 28, 2013, at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Administrative Analyst

DISTRIBUTION:
Council Binder, FD, HNSD, CA

Finance Committee Report

DATE: May 28, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD MAY 28, 2013**

Committee present:	Staff present:	
Councilmember Morgan substituted for Chair Sorensen Councilmember Gruendl Councilmember Stone	City Manager Nakamura City Attorney Barker Admin. Services Director Constantin Comm. Dev. Director Wolfe Accounting Manager Fields	Administrative Analyst Brinkley

REGULAR AGENDA

A. **Consideration of New Fees for Inclusion in City's Fee Schedule** – In accordance with Budget Policy D.2.e, changes in the City's Fee Schedule are brought to Council once a year and incorporated into the budget approval process in June of each year. The Finance Committee was asked to consider changes to existing fees to be incorporated in the City's Fee Schedule. ***(Report – Frank Fields, Accounting Manager)***

Members of the public that addressed the Committee were: Juanita Sumner, Dave Donna, Stephanie Taber, Dale Bennett and Mike Trolinder.

A motion was made by Committee Member Gruendl and seconded by Committee Member Stone to approve changes to existing fees as presented in the attached Fee Schedules, and forward its recommendation to the City Council for consideration, with the exception of the three parking meter fees which were removed for further review.

The motion carried 3-0.

B. **Receive Staff Report on the Facilities Replacement Schedule** - At its 2/26/13 meeting the Committee requested an update on additional Replacement Schedule programs and related Fund status. ***(Report - Ruben Martinez, Public Works Director)***

Public Works Director Martinez provided an update on the Facilities Replacement Schedule, including how the schedule is developed and the impact of the reduced set aside funding in recent years.

Members of the public that addressed the Committee were: Dave Donnan.

C. **Finance Update - Budget Status** - ***(Verbal Report - Chris Constantin, Administrative Services Director)***

Director Constantin reported that Finance is working with all departments to achieve the $4.7 million in budget reductions. Staff is also going to be requesting several budget policy changes, as the current policies are "loosey goosey".

Councilmember Morgan asked staff to define "loosey goosey".

Director Constantin answered that he could drive a Mack truck through the budget with the City Manager's approval without Council ever knowing. It is prudent to change the policy. Staff also stated that one time revenues should go towards paying down deficits or building reserves and should not be used to see how fast it can be spent on something not budgeted. Staff is also recommending the City stop deferring development impact fees or discounting fees. It is unknown how much the City is owed by developers.

For example, a developer may think he owes $30,000 in fees, when he really owes $120,000. There has been no accountability.

Members of the public that addressed the Committee were: Juanita Sumner, Mike Trolinder.

D. **Business from the Floor -**

Juanita Sumner asked about the totals on the cell phone tax refunds and the UUT.

Accounting Manager Fields reported there have been 183 eligible citizens, at about $50 each for a total of about $9,100.

Richard Coon, representing the Chico Certified Farmers Market (CCFM), asked for an update as to where things stand.

Committee Member Gruendl suggested that the City and CCFM start working together, along with the Downtown Chico Business Association (DCBA), which have been meeting on a regular basis.

Mike Trolinder inquired about his formal protest that was filed on the CCFM.

City Attorney Barker responded that if Council received the protest and didn't do anything, then that is their action.

Stephanie Taber asked if Director Constantin would be attending the Finance 101 presentation by the Chamber of Commerce.

Director Constantin stated he would not, however Accounting Manager Fields will be attending.

E. **Adjournment and Next Meeting -** The meeting adjourned at 10:00 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, June 25, 2013, at 8:00 a.m. in Conference Room No. 1.

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Dani M. Brinkley, Administrative Analyst

DISTRIBUTION:
Council Binder, FD

City Clerk's Office
411 Main Street, Chico, CA 95928
(530) 896-7250

CITY OF CHICO
FINANCE COMMITTEE

NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for June 25, 2013 has been cancelled.

The next meeting of the Finance Committee is scheduled for Tuesday, July 23, 2013 at 8:00 a.m. in Conference Room 1, unless otherwise noted.

Posted: June 20, 2013

By: _____
Dani Brinkley, Administrative Analyst

Finance Committee Report

DATE: July 23, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD JULY 23, 2013**

Committee present:	Staff present:	
Chair Sorensen Councilmember Gruendl Councilmember Stone	City Manager Nakamura Assistant City Manager Orme City Attorney Barker Admin. Services Dir. Constantin Comm. Dev. Dir. Wolfe	Accounting Manager Fields Deputy City Clerk Brinkley

REGULAR AGENDA

A. **Revisions to 2013-2014 Budget Policies** - The City Council develops budget policy to guide City decision -making. The attached policy revisions codify recommendations made by the City Council during the June 18, 2013 budget study session and offer the opportunity to define policy needs for future revisions. ***(Report - Chris Constantin, Administrative Services Director)***

The following members of the public addressed the Committee: Mike Trolinder and Dale Bennett.

A motion was made by Committee Member Gruendl and seconded by Committee Member Stone to approve the recommended changes to the 2013-2014 Budget Policies and forward to City Council.

The motion carried 3-0.

B. **Consideration of a Modification to Chico Municipal Code 10.25.060 (Use of Parking Meter Revenue)** Presently, parking meter revenue can be used only for the limited purposes specified in Chico Municipal Code Section 10.25.060. The Downtown Access Plan and the A Walkable Downtown Report both recommend that parking meter revenue be permitted to be invested in improvements and programs in the districts in which the revenue is generated. In addition to the purposes currently permitted, the proposed modifications to the Municipal Code would allow parking meter revenue to also be used to support maintenance, safety, cleaning, pedestrian facilities improvement, and business improvement programs, when such uses are authorized by the City Council. ***(Report - Mark Orme, Assistant City Manager)***

Assistant City Manager Orme referred this report to Administrative Services Director Constantin. Director Constantin indicated that Senior Planner, Shawn Tillman, who was unavailable, brought this item forward as the liaison to the Chamber of Commerce and Downtown Business Improvement District (DCBA). Senior Planner Tillman's report recommends that the Finance Committee consider forwarding a recommendation to Council to amend CMC 10.25.060 to allow more uses of parking meter revenue.

The following members of the public addressed the Committee: Mike Trolinder, Melanie Bassett, and Dale Bennett.

A motion was made by Committee Member Stone and seconded by Committee Member Gruendl to continue discussion on this item at the August 27, 2013 Finance Committee meeting and to provide a recommendation to Council at the September 17, 2013 Council meeting.

The motion carried 3-0.

C. **User Fee Study Update** - At its 3/26/13 meeting, the Committee received a status update on the User Fee Study. At that time, Staff anticipated the study being released on July 26, 2013. Staff provided an update regarding the progress of the User Fee Study. ***(Report - Mark Wolfe, Community Development Director)***

Director Wolfe provided an update on the status of the User Fee Study. No action was required.

D. **Finance Update - Budget Status** - ***(Verbal Report - Chris Constantin, Administrative Services Director)***

Director Constantin stated that staff had provided most of the update during the Item A. discussion. He added that the City will most likely not hit the budget targets. Staff and Council need to be prepared for what is coming up in September in regards to the City's financial condition. All departments are also dealing with secondary effects of lay offs, which include impacts to service.

E. **Business from the Floor -**

Stephanie Taber asked if the City is still trying to obtain a short-term loan to cover the bills at the end of the year.

Director Constantin answered that the City is looking at several options.

F. **Adjournment and Next Meeting -** The meeting adjourned at 10:00 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, August 27, 2013, at 8:00 a.m. in Conference Room No. 1.

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Dani M. Brinkley, Deputy City Clerk

DISTRIBUTION:
Council Binder, FD, CDD

Finance Committee Report

DATE: August 27, 2013

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD AUGUST 27, 2013**

Committee present:	Staff present:	
Chair Sorensen Councilmember Gruendl Councilmember Stone	City Manager Nakamura Assistant City Manager Orme City Attorney Barker Comm. Dev. Dir. Wolfe Public Works Director Martinez	Senior Planner Tillman Accounting Manager Fields Budget & Treasury Manager Martin Deputy City Clerk Brinkley

REGULAR AGENDA

A. **Consideration of Modifications to Chico Municipal Code 10.25.060 (Use of Parking Meter Revenue)-** *Continued from July 23, 2013* - Presently, parking meter revenue can be used only for the limited purposes specified in Chico Municipal Code Section 10.25.060. At its July 23, 2013 meeting, the Finance Committee considered proposed modifications to the Municipal Code that would allow parking meter revenue to be used for broader purposes than are currently permitted. The Committee requested that additional information be provided on parking fund revenue and expenses and that current program and use of funds be discussed in the context of the Downtown Access Plan. In addition, the Committee desired that stakeholders such as the Downtown Chico Business Association have adequate time to review and comment on the proposed modifications. ***(Report – Shawn Tillman, Senior Planner)***

Senior Planner Tillman reported the revisions being requested are a little more extensive than originally requested. Staff is proposing the set up of a capital improvement project fund and to expand the allowable uses of the parking revenue funds to provide for maintenance, safety, cleaning, pedestrian facilities improvements and business improvement programs. Planner Tillman indicated that the Downtown Chico Business Association (DCBA) is supportive of the changes, however the language may still be too broad as the City can use the funds without seeking input from DCBA. Additional control of the fund could possibly be to make it a budget policy for there to be a super majority (two-thirds) vote of the Council to use the funds or amend the municipal code to include the required vote.

Members of the public that addressed the Committee were: Juanita Sumner, Dale Bennett , Mike Trolinder and Carl Ory.

Chair Sorensen suggested staff organize the uses by bullet point and provide a more detailed explanation for the uses, including projects, at the September 24th Finance Committee meeting.

Committee Member Gruendl stated that, as Mayor, he is considering scheduling a Council Study Session on October 22nd and this item could be included at the session.

A motion was made by Committee Member Gruendl and seconded by Committee Member Stone to direct staff to return to the September 24th Finance Committee meeting with specificity of what the scope of use would be and for the Administrative Services Director to provide proposed language to restrict the release of capital improvement reserves and that it would be tied to the scope of uses. Chair Sorensen asked for there to be some consideration of what administrative costs will be charged to the fund.

The motion carried 3-0.

B. **User Fee Study Update** - Accounting Manager Fields provided an update regarding the progress of the Cost Allocation Plan and User Fee Study, both of which are anticipated to be completed the first week of October. ***(Report - Frank Fields, Accounting Manager)***

C. **Monthly Financial Reports -** Staff provided an overview of the modifications to the Monthly Financial Reports, as required by the Charter. ***(Report - Chris Constantin, Administrative Services Director)***

Accounting Manager Fields provided an overview of the newly modified Monthly Financial Reports, indicating that the Department Directors will be intimately involved with their budgets, identifying trends before becoming a problem and identifying steps to take corrective action. Staff stated the timing of the reports is still be worked on, with a detailed report being provided at the Finance Committee level and an overview at the Council level.

Committee Member Gruendl stated this is fantastic and he didn't think it could be done.

Members of the public that addressed the Committee were: Stephanie Taber and Mike Trolinder.

No action was required.

D. **Finance Update - Budget Status** - ***(Verbal Report - Chris Constantin, Administrative Services Director)***

There was nothing to report.

E. **Business from the Floor -**

Juanita Sumner stated she attended the Parks meeting and said there is a fund set up to receive donations and asked what for the fund number.

Accounting Manager Fields stated it is 050.

F. **Adjournment and Next Meeting -** The meeting adjourned at 9:05 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, September 24, 2013, at 8:00 a.m. in Conference Room No. 1.

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Dani M. Brinkley, Deputy City Clerk

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Finance Committee Report

DATE: OCTOBER 22, 2013

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD OCTOBER 22, 2013**

Committee present:	Staff present:	
Chair Sorensen	City Manager Nakamura	Accounting Manager Fields
Councilmember Gruendl	City Attorney Barker	Deputy City Clerk Brinkley
Councilmember Stone	Admin. Services Director Constantin	

REGULAR AGENDA

A. **Monthly Financial Report** – The Administrative Services Director presented the September Monthly Financial Report and Budget Monitoring Reports. ***(Report - Chris Constantin, Administrative Services Director)***

B. **Future Meetings** – The Administrative Services Director requested the November Finance Committee meeting be held on November 12, 2013, rather than November 26, 2013. ***(Verbal report – Chris Constantin, Administrative Services Director)***

There was a consensus among the Finance Committee to hold the November Finance Committee meeting on the regularly scheduled date of November 26, 2013.

C. **Business from the Floor**

Ken Campbell addressed the Committee regarding the possible closure of Fire Station 5 due to possible mold issues. He has been provided with information from the contractors preparing to begin the remediation, that it is safe for the fire personnel to continue to remained housed at the station. He understands the City's stance and stance of Risk Management, but the personnel want to stay in the station. If they are not allowed to be housed in the station, the Fire Department will be requesting that Council authorize the use of Emergency Reserve Funds to house personnel on site. He is concerned that once the building is opened up further, and if it's determined that damage is a lot worse than anticipated, what the City will choose to do with the station. He stated that Fire personnel and the City have known about the water leaks and possible mold since 1998, but nothing was ever done.

Chair Sorensen stated that the first concern is the health and safety of fire personnel. The concern after that is that the City doesn't want worker's compensation claims or industrial retirements.

City Manager Nakamura stated this building was built in 1997, occupied in 1998 and the leaks started immediately. The City brought in someone to inspect the building and it was determined the cost for repairs would be $600,000. He was unsure why the corrections were not made. However, his number one priority is to protect the health and safety of City staff. He added that Emergency Reserve Funds are on paper and if the City uses it, something is getting cut from somewhere else. If the damage is worse than expected, there is the possibility that the station will have to be dismantled and rebuilt. He appreciates Fire personnel wanting to maintain service in the area, but the station is still a health hazard regardless of what the contractors say.

Director Constantin stated he is still working with the insurance company as to what may be covered and the extent to which the 2012 hail storm may have caused additional damage. An insurance adjustor will need to inspect the building and will determine what may be covered.

D. **Adjournment and Next Meeting** - The meeting adjourned at 8:35 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, November 26, 2013, at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Deputy City Clerk

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FINANCE COMMITTEE REPORT

A Committee of the Chico City Council: Councilmembers Gruendl, Stone and Chair Sorensen

Meeting of November 26, 2013 – 8:00 a.m. to 10:00 a.m.

Council Chamber Building, 421 Main Street, Conference Room No. 1

REGULAR AGENDA

All Committee Members were present.

A. **Monthly Financial Report** – The Administrative Services Director presented the October Monthly Financial Report and Budget Monitoring Reports. ***(Report - Chris Constantin, Administrative Services Director)***

Chair Sorensen opened the meeting to public comments.

Addressing the Committee with questions on this item was Stephanie Taber.

B. **Fund 400 (Capital Projects Fund) Update** - Staff provided a report on the results of the capital projects re-budgeting process, overhead calculations and recommended adjustments to the Fund 400 budget.

Accounting Manager Frank Fields provided an overview of Fund 400 and how it fell into a deficit balance.

The Committee addressed several issues, including:

- How much staff time is being charged to this fund before a project begins and before anything has been produced
- It appears the updated Cost Allocation Plan was not brought forward in 2009 in order for the outdated Cost Allocation Plan to continue to charge indirect costs to this fund
- Enough projects and revenue to balance out
- Why an A86 Plan was not in place so that overhead could be charged against federally funded grant projects
- How quickly an A87 Plan can be put in place
- Administrative activities being charged as direct rather than indirect costs

Staff addressed these issues and explained the steps that the Finance Department is taking to ensure that the negative trends do not continue.

Chair Sorensen opened the meeting to public comments.

Addressing the Committee on this item were Mike Trolinder and Stephanie Taber.

There was a consensus among the Finance Committee to accept the Fund 400 report and forward its recommendation to the City Council for approval.

C. **Retiree Healthcare Plan Actuarial Valuation** - Staff provided the final report for the actuarial valuation on the City's Retiree Healthcare Plan in compliance with GASB 45 (Other Post-Employment Benefits – OPEB) as prepared by Bartel Associates, LLC.

Accounting Manager Fields explained that the City has its own type of retiree health plan, which allows retirees to pay for the plan that current employees have. Due to the age of retirees, it causes the health plan rates to increase for the current employees and the City because the two groups are pooled together. The difference between what current employees pay for the pooled groups versus what they would pay if the two groups were separated becomes a general liability, which is about $700,000 annually and is currently a $3.7 million general liability. GASB 45 requires that the City have these funds set aside. Staff also explained this is an unwritten, but long term policy. It is not in contract form, however that may not mean it can just end. City Attorney Lori Barker stated there may be an implied contract and a legal opinion would be necessary before making any changes.

Chair Sorensen opened the meeting to public comments.

Addressing the Committee on this item was Mike Trolinder.

Administrative Services Director Chris Constantin added that to date, no current employees have asked for a change even though it would mean less money out of their pockets. They may be unaware that they are paying higher costs with the groups being pooled together.

Committee Members expressed the following concerns:

- It increases the annual health care costs for both the City and current employees
- The City is putting funds into medical trusts for certain groups, with no accounting of how the trust money is being spent

A motion was made by Gruendl and seconded by Stone to accept the report and forward its recommendation to the City Council to accept the OPEB valuation and consider funding options.

The motion carried 3-0.

D. **Future Meetings** – the December Finance Committee meeting falls on a City holiday, December 24th.

There was a consensus among the Committee to hold the December meeting on December 10, 2013 at 8:00 a.m.

E. **Business from the Floor**

Mike Trolinder stated City staffing is as thin as it can get. In the world of best practices, would it be better to add software or employees? The City doesn't have to pay benefits and retirement for software.

F. **Adjournment and Next Meeting** - The meeting adjourned at 9:33 a.m. to the next regular Finance Committee meeting on December 10, 2014, at 8:00 a.m. in Conference Room No. 1.

Dani Brinkley, Deputy City Clerk

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FINANCE COMMITTEE REPORT

A Committee of the Chico City Council: Councilmembers Gruendl, Stone and Chair Sorensen

Meeting of December 10, 2013 – 8:00 a.m. to 10:00 a.m.

Council Chamber Building, 421 Main Street, Conference Room No. 1

REGULAR AGENDA

Chair Sorensen and Committee Member Stone were present. Committee Member Gruendl was absent.

A. **Cost Allocation Plan** - Chad Wohlford of Wohlford Consulting provided a brief presentation on the preparation and results of the City's Cost Allocation Plan. ***(Chris Constantin, Administrative Services Director)***

Mr. Wohlford explained that there had been a lot of budget turmoil and significant changes to the organization since the previous CAP was approved in 2001. Staff decided and he concurred, that if the draft CAP had been presented in 2009, it would have been obsolete as soon as it hit the shelves. He explained that the police department had a lot of positions added, the project manager had changed a couple of times and the new one had to be brought up to speed, and finally the redevelopment agency was dissolved. The costs of the RDA didn't go away; the funds did and it had to backfilled by the General Fund. These things affect the outcome of the plan.

The Committee Members addressed the following concerns:

- If the draft CAP would have been brought forward in 2009, it would have been more current than the 2001 CAP
- The newly discovered "mini" cost allocation plan created by former staff members
- By not having an A87 Plan in place, the City missed out on overhead cost recovery

Administrative Services Director stated it is normal for staff to make adjustments to the plan, especially with as old of a plan as the City had. It is unusual for the CAP to come before a committee. Mr. Wohlford agreed, stating that it is very uncommon for the plan to come before a sub-committee and presentations are very rare.

Chair Sorensen opened the meeting to public comments.

Addressing the Committee on this item were Juanita Sumner, BT Chapman and Stephanie Taber.

A motion was made by Stone and seconded by Sorensen to forward a recommendation to Council to approve the new Cost Allocation Plan.

The motion carried 2-0-1 (Gruendl absent).

B. **Business from the Floor** - None

C. **Adjournment and Next Meeting** - The meeting adjourned at 8:55 a.m. to the next regular Finance Committee meeting on January 28, at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Deputy City Clerk

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