
FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Mayor Coolidge, Councilmember Huber, and Chair Morgan
Meeting of Wednesday, January 27, 2021 – 8:30 a.m. to 10:30 a.m.
Meeting Held Virtually Via Zoom

Chair Morgan called the meeting to order at 8:30 a.m. All Committee members were present.

Chair Morgan provided a history of the Finance Committee over the past six years for the new Committee members. He praised current Finance Staff for the transparency that is now being provided.

REGULAR AGENDA

A. APPOINTMENT OF MEMBERS TO THE AD HOC CITIZEN’S COMMITTEE (CDBG-CAC) FOR THE PURPOSES OF REVIEWING AND RECOMMENDING COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PUBLIC SERVICES APPLICATIONS

City Council authorized the creation of the CDBG-CAC to consider funding applications beginning with the 2016-17 CDBG Public Services funding cycle and directed the Finance Committee to make appointments to the CDBG-CAC. Seven applicants were appointed in January 2016 and another two were appointed last year due to vacancies from the initial appointments. Two members notified the City this year, that they would be stepping down so additional appointments were needed. **(Report—MaryJo Alonzo, Housing Specialist)**

Housing Specialist Alonzo provided an overview of the Committee and its function. The Ad Hoc Committee is made up of community members that have experience or knowledge of the services provided by the agencies seeking funding.

Ms. Alonzo reported it is a competitive application process for the CDBG funding for agencies providing public services. The Ad Hoc Committee will review the applications for funding requests and make recommendations that will be submitted to City Council.

There are currently three vacancies on the Committee that need to be filled. A recruitment was held, and three applications were received. Staff recommended the Committee confirm the Ad Hoc Committee appointments.

Mayor Coolidge inquired about the funding application process itself, may be 15% of the allotted funding is too much or can it be more? Do other communities do the same?

Ms. Alonzo stated it can be less, but it can't be more than 15%. She is unsure of other communities.

Mayor Coolidge stated he is concerned about accountability of how the funds are being used, and asked if there is a review of the programs for compliance?

Ms. Alonzo stated yes that HUD requires a review, with an agreement drawn up and the agencies required to comply. The City receives three reports during the year detailing who and how many were served. Agencies are required to report twice a year on how funds are spent. City staff reviews the goals at end of the year and a report is then submitted to HUD.

Mayor Coolidge asked that the Finance Committee look at how these members are appointed in the future. He would like to see the recruitment a little more centric to City of Chico and that applicants are residents here in the City.

Ms. Alonzo stated that the recruitment starts in October, ends at the end of December. Service provider applications start coming in the first Monday after the new year. She reviewed the timelines. Staff brings the recommendations to Council in May for approval and then they are submitted to HUD.

Councilmember Morgan agreed with Mayor Coolidge on the make-up of the Committee, however, he wants to see it implemented this year.

Housing Manager Demers suggested that because of the timeline they are up against, this could be implemented next year. Funding applications are already being received.

A motion was made by Councilmember Morgan and seconded by Mayor Coolidge to hold another recruitment to get a bigger pool of applicants and to hold a Special Finance Committee to stay within the timeline for approving funding applications.

The motion carried by the following vote:

Ayes: Morgan, Coolidge

Noes: Huber

B. REVIEW OF ANNUAL AUDITED FINANCIAL REPORTS

The certified public accounting firm of CliftonLarsonAllen LLP (CLA) was engaged by the City Council to perform an audit of the financial statements and perform compliance testing of the City of Chico, Chico Passenger Facility Charges and Chico Urban Area Joint Powers Financing Authority for the fiscal year ending June 30, 2020. CLA issued unmodified (clean) audit opinions on all financial statements. CLA management presented the results of the audit to Finance Committee. Upon Finance Committee recommendation, these reports will be forwarded to City Council for acknowledgement and receipt.

Director Dowell reported that the City is in the healthiest position it has been in for many years.

Auditor Rich Gonzalez presented the findings of the audit.

- CAFR - Modified opinions with no findings.
- CAJPFA - No findings.
- Passenger Facilities – there were 2 repeat findings, which are issues within the FAA source system. They are not significant issues.
- Federal Programs Administered by the City – No findings.

Following review of the Audit, there was a consensus of the Finance Committee to forward to Council the 2020 Audit Financial Reports for final approval.

C. MONTHLY FINANCIAL REPORT

The Deputy Director - Finance presented the Monthly Financial Report and Budget Monitoring Reports through December 31, 2020. (**Report – Barbara Martin, Deputy Director – Finance**)

Deputy Director Martin provided an overview of the reports and the frequency of the reports for the newly appointed Committee members.

Highlights of the Reports – Summary by Fund Operating Categories.

- City Clerk – purchased services warming center contract with Jesus center. Showing over, which is commitment to pay but haven't paid yet. There is an encumbrance from last year, but not all of it has been spent.
- Abandoned Vehicles Abatement - problem since Camp Fire. Contractual service with towing companies. Keep an eye on it
- Fire – see overages on monthly FR, not a concern. There's a reimbursable response for mutual aide. It's unpredictable, depending on mutual aide fire responses. The fund balances out from state reimbursement.
- Human Resources – purchases for office expenses, minor but unexpected expenses with COVID and some in-service medical calls, computers for working from home, and COVID testing for employees. Staff will continue to monitor.

- Police – salaries and benefits – is showing over budget. It is not an issue. It's the way the Police Department records overtime efforts. The costs get rolled up in the budget. If it goes over these numbers, then there will be a concern. But generally, it's not a concern.
- Public Works – Engineering – Private Development Fund – funded through fees for permits, etc. This fund will have revenue offset and continue to monitor.
- Public Works - Operations & Maintenance – the portable toilet program, didn't have funding last year. There is an overage, but will cover through other funds, or do a supplemental.

Accounting Manager Kathryn Mathis provided an overview of the City Revenues.

- Unsecured property tax – tax on personal property or business property – boats, cars, planes, etc. came in very strong.
- Secured property tax – collections have been great.
- Sales tax – one third of year so far and revenues are staying strong. RVs, automobile, sporting good sales are staying strong.
- User Utility Tax – based on consumption – doing really well.
- Franchise Fees – received quarterly or annually – waste haulers pay annually.
- Transient Occupancy Tax – trending lower due to less vacation and cancellation of graduations.

Deputy Director Barbara Martin provided an overview of Investments. This detail is also on City website.

- Most funds in LAIF – with decent return.
- Held in Trust – Not readily available for use. Cash held in LAIF for JPFA for specific purposes.
- Reserve Funds are doing well.

Addressing the Committee on this item was BT Chapman.

Chair Morgan thanked staff for detailed reports.

D. ADMINISTRATIVE SERVICES DIRECTOR – Verbal Report

- Next month, staff will be coming to Council with a cash flow update. There will be two scenarios, with one being a regular 5 year projection with facts currently available, and the other with pension obligation projections, if Council chooses to move forward with the bonds.
- February Finance Committee meeting – a report on business licenses from HDL will be provided. The codes have not been updated in 35 years. The report will identify if there are any inefficiencies.
- March – staff will engage with Wells Fargo investment advisor for excess cash above LAIF investments.

E. BUSINESS FROM THE FLOOR - *Members of the public were invited to address the Committee on any matter not already listed on the agenda. There were no comments from the public.*

F. ADJOURNMENT

The meeting adjourned at 9:55 a.m. to a Special Finance Committee Meeting on February 17, 2021.

Prepared by:



Dani M. Rogers, CMC
Deputy City Clerk

FINANCE COMMITTEE REPORT – Special Meeting

A Committee of the Chico City Council: Mayor Coolidge, Councilmember Huber, and Chair Morgan
Meeting of Wednesday, February 17, 2021 – 8:30 a.m. to 10:30 a.m.
Meeting Held Virtually Via Zoom

Chair Morgan called the meeting to order at 8:30 a.m. and all members were present.

SPECIAL AGENDA

A. APPOINTMENT OF MEMBERS TO THE AD HOC CITIZEN'S COMMITTEE (CDBG-CAC) FOR THE PURPOSES OF REVIEWING AND RECOMMENDING COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PUBLIC SERVICES APPLICATIONS – CONTINUED FROM THE 1-27-2021 MEETING

City Council authorized the creation of the CDBG-CAC to consider funding applications beginning with the 2016-17 CDBG Public Services funding cycle and directed the Finance Committee to make appointments to the CDBG-CAC. Seven applicants were appointed in January 2016 and another two were appointed last year due to vacancies from the initial appointments. Two members notified the City this year, that they would be stepping down so additional appointments were needed. **(Report—MaryJo Alonzo, Housing Specialist)**

Chair Morgan stated that the Committee needs to come up with the number of people to serve on the committee, whether that be five or seven members.

Mayor Coolidge agreed and he wants to see a variety of citizens sitting on this committee.

Councilmember Huber stated he believes people already working in social services are best qualified. He is not opposed to idea, but let's see where we're all at.

Motion by Chair Morgan to nominate Juanita Anderson, Keesha Hills, Kim Dietz, Rashell Brobst, Tamra Young, Tom Van Over Beek, and Laurie Maloney.

Councilmember Huber asked City Clerk Presson to verify the number of applicants to nominate that was outlined in her email was four. But now are we replacing everyone and starting from scratch?

City Clerk Presson stated that she used the same nomination process for boards and commission. Her email stated to choose four nominees and one alternate. However, there was a conversation at the 1/27/21 Finance Committee about replacing all seven members. This was not captured in the motion, but that was where the discussion had led.

A substitute motion was made by Councilmember Huber and seconded by Chair Morgan to accept Keesha Hills, as she was nominated by all three Committee members.

The motion carried 3-0.

Mayor Coolidge then seconded Chair Morgan's original motion with a friendly amendment to now remove Keesha Hills from the original motion, and accept Chair Morgan's six remaining nominees.

The motion carried 2-1, by the following vote:

AYES: Coolidge, Morgan

NOES: Huber

Councilmember Huber stated for the record that he supported keeping the four current members in place and he nominated Addison Winslow, Don Taylor, and Meagan Meloy.

Housing Specialist Alonzo reported that she will do an orientation for the new members to get them up to speed in the process.

B. ADJOURNMENT

Chair Morgan inquired if the February 24, 2021 Finance Committee meeting could be moved to the regular March Finance Committee meeting.

Administrative Services Director Dowell stated that a consultant was hired to review the City's business license ordinances and they were set to present their recommendations. He will re-schedule for the March meeting.

The meeting adjourned at 8:45 a.m. to the next regular Finance Committee Meeting on March 24, 2021 at 8:30 a.m. held remotely via Zoom.

Prepared by:



Dani M. Rogers, CMC
Deputy City Clerk

FINANCE COMMITTEE AGENDA – REPORT

A Committee of the Chico City Council: Mayor Coolidge, Councilmember Huber, and Chair Morgan
Meeting of Wednesday, March 24, 2021 – 8:30 a.m. to 10:30 a.m.
Meeting Held Virtually Via Zoom

Chair Morgan called the meeting to order at 8:30 a.m. with all Committee members present.

REGULAR AGENDA

A. BUSINESS TAX ANALYSIS AND ORDINANCE REVIEW

HdL Companies has completed an analysis of the City's business license tax and applicable ordinances. Joshua Davis from HdL presented the report to the Finance Committee.

Administrative Services Director Dowell reported that this project was started a year and a half ago. The City's Business License ordinance was written in the 1970s and hasn't been reviewed since.

Mr. Davis provided an overview of the analysis and existing ordinances.

Business license tax is established through Chico Municipal Code and the California Constitution. The concept for the analysis was broken into 3 categories: comparisons, ordinance review, and regulatory compliance.

The current codes are out of date, not in line with best practices, allow for loopholes, revenue leaks, and little equity.

The analysis looked at several other models including number of employees, gross receipts, and tax expansion across the board.

Business license revenue has remained flat since 2014, while sales tax revenues have increased. These revenue streams should be in line with each other. Business license fees come from basic retail sectors and other smaller home-based business. Small businesses are paying a substantially larger portion than larger based businesses that have higher gross receipts.

Mr. Davis provided comparisons of other jurisdictions, indicating that Chico is much lower than neighboring cities, being at the bottom on per capita basis. The vast majority of businesses pay between \$25-50, while contractors average \$1159 and property rentals average \$380.

The analysis shows that gross receipts seem to best accomplish the goals the City is trying to accomplish, raising revenues and creating a balance across all categories.

The models presented were:

Uniform Employee Tax

- Model 1: Existing categories with simple rate increase
- Model 2: Unified Employee & Uni Tax Rate
- Model 3: Classification Based Rates

Gross Tax Receipts – Replace all Categories with Gross Receipts Tax

- Model 1: Single Gross Receipts Rate
- Model 2: Gross Receipts – Classification Based Rates

Councilmember Huber inquired if gross receipts equalize, does it discourage large business or cause them to move and if there is a desired target in mind.

Mr. Davis replied that he understands that concern, but there is no evidence that it happens. Director Dowell stated there is not a target goal in mind.

Councilmember Huber likes the equal revenue tax. The idea of going from \$300,000 to \$2 million in revenues is a huge increase. He would consider a more conservative increase.

Mayor Coolidge asked for options that are not based on gross receipts. He personally stopped doing business in cities that go off gross receipts. Gross receipts are not always based on profit.

Mr. Davis stated there are other methods. Business license tax based on the number of employees is another popular one. The problem is the state constitution prohibits taxing based on net income. Gross receipts is just most equitable way to do it.

Mayor Coolidge stated it can't be based on net income, but it can be based on payroll.

Mr. Davis stated it is not recommended and that's why it was not included as an option.

Councilmember Morgan stated he is all for simplifying and equity. He is happier with option 2B or Gross Receipts Tax – Model 2. He asked if we could start low and phase it in.

Mr. Davis said yes. He recommends a sunrise, come in with a lower rate, work with business community, and escalate up over 3–5-year period. The City is limited by a vote of people. The City can't just implement an increase. We recommend going with full rate amount in the code amendment, but you can start lower, then phase up to the level in the code.

Addressing the Committee on this item were: Dave Howell, Katy Thoma, Juanita Sumner, and BT Chapman.

Director Dowell stated that the City has an antiquated system, and we want to modernize it. The Committee seems most interested in learning more about Gross Receipts Tax: Model 2 – Gross Receipts – Classification Based Rates. This option appears best for our community, but he is not stating that he thinks the City should get to the \$3 million in revenues. The question is how we get there without slapping businesses in the face. Staff and the Consultant will continue to review and will bring back something to the Committee before returning to Council.

A motion was made by Councilmember Morgan and seconded by Mayor Coolidge to bring back more information on Gross Receipts Tax, Model 2: Gross Receipts – Classification Based Rate.

The motion carried 3-0, by the following vote:

AYES: Coolidge, Huber, Morgan

NOES: None

B. CITY COUNCIL REFERRALS TO FINANCE COMMITTEE

1. Sales Tax Measure
2. Road Bond
3. Cannabis Tax

City Manager Orme reported two years the Finance Committee provided a recommendation to Council regarding placing various sales tax options on the ballot for 2020. The City hired a consultant to analyze the best option and Staff brought forward for consideration a one-half cent sales tax ordinance. The Council did not approve the ordinance. Staff is prepared to continue further research into a sales tax measure, as well as other ways to generate revenue.

Mayor Coolidge stated that exploration does not mean settlement. This doesn't mean I'm in favor of it, but we need to explore it. He would like to see it as a special tax that is encompassing of police and fire, and a road bond.

Mayor Coolidge inquired of City Clerk Presson if such a measure be placed on a special election for the if there is a recall election for the Governor.

City Clerk Presson state the measure can't be placed on the ballot at a special election. The measure would have to be on the ballot at a general municipal election.

Councilmember Morgan invited the public the speak.

Addressing the Committee on this item was Dave Howell and Juanita Sumner.

Councilmember Morgan stated that we looked at pension obligation bonds just a short time ago. He asked Director Dowell how we move forward without more cost for another study.

Director Dowell stated that Staff can look at options and what it would take to enact. Staff will pull all the information together and bring back for discussion.

City Manager Orme stated that he would recommend this as well. We are not looking to add more burden on the public. We want pension reform, too. We have provided a lot of options that haven't occurred. We still need to serve the public and that's what we're seeking to do. Staff can bring back options from there.

Councilmember Huber stated the last Council made it clear they were in favor of general sales tax. The next best option is special sales tax. In looking at figures Director Dowell provided, there are a number of communities that fail to get the votes on a special tax. As far as marketing, the Council could do a better job of saying how hard Staff is working to address pension issues. We meet with groups all the time to try to make it better.

There was a consensus among the Committee to come back with the history from the previous study.

Councilmember Morgan addressed the Committee regarding a possible cannabis tax to provide history. When the cannabis ordinance was passed, it was promoted as a revenue generator. However, the ordinance had no revenue measures included. A cannabis tax can't be presented to the voters until the next election in 2022. If the City is going to move forward with cannabis, it needs to come back to Council with a tax to place on the ballot in 2022. We need to know what other cities are doing and if the tax is enough tax to counter negative activity. There also needs to be research on other potential ways to generate revenue on a fee basis, a development agreement, or a community benefit agreement as something the City can do in the interim. The Council needs to decide how to move forward immediately and then place a cannabis tax revenue measure on the ballot in 2022.

Councilmember Huber and Mayor Coolidge agreed.

City Clerk Presson stated that at the March 2nd meeting, Council directed the City Attorney to look at the various agreements for potential use and to also review a cannabis tax to be placed on the 2022 ballot. If tax is voted in and enacted, the agreements would sunset.

There was a consensus of the Committee to direct Staff to review what a potential cannabis tax would look like to be placed on the ballot, while the City Attorney works on the review of various agreements in the interim.

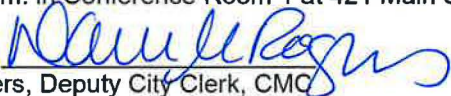
C. **MONTHLY FINANCIAL REPORT**

The Deputy Director - Finance presented the Monthly Financial Report and Budget Monitoring Reports through February 28, 2021. (**Report – Barbara Martin, Deputy Director – Finance**)

D. **BUSINESS FROM THE FLOOR –** Addressing the Committee on Business From the Floor was Dave Howell.

E. ADJOURNMENT

The meeting adjourned at 10:10 a.m. to the next regular Finance Committee Meeting on April 28, 2021 at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by: 
Dani M. Rogers, Deputy City Clerk, CMC

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Mayor Coolidge, Councilmember Huber, and Chair Morgan
Meeting of Wednesday, April 28, 2021 – 8:30 a.m. to 10:30 a.m.
Meeting Held Virtually Via Zoom

The meeting was called to order at 8:30 a.m. by Chair Morgan. All members were present.

REGULAR AGENDA

A. INVESTMENT POLICY UPDATE REVIEW

The City's existing Investment Policy was updated in 2020. A proposed revised Investment Policy has been created to comply with the California Municipal Treasurers Association (CMTA) Certification Program. **(Presentation by Scott Dowell, Administrative Services Director)**

Director Dowell reviewed the proposed changes to the Investment Policy.

Addressing the Committee on this item was BT Chapman.

A motion was made by Mayor Coolidge and seconded by Councilmember Morgan to forward the policy to City Council for formal approval during the budget process.

AYES: Coolidge, Huber, Morgan

NOES: None

The motion carried 3-0.

B. INVESTMENTS PERFORMANCE PRESENTATION

John Williams from Wells Fargo Securities made a presentation to the Finance Committee regarding the City's investment performance.

C. PROPOSED FEE SCHEDULE CHANGES

In accordance with Budget Policy E.5, changes in the City's Fee Schedule are to be brought to Council annually and incorporated into the budget approval process each year. The City Fee Schedule can be adjusted annually by one of three methods:

1. New fees requested by departments.
2. Fees subject to public hearing that are adjusted annually by applying specific municipal code automatic inflators.
3. Fees the City Manager is authorized to adjust annually under the municipal code by applying cost of living adjustment inflators. These fees are not presented here.

The Finance Committee was asked to consider fee increases and changes to the City's Fee Schedule as outlined in the staff report and reviewed by Finance Manager Mathes.

Councilmember Morgan asked if it's by policy that fees are only set to increase and not decrease.

Manager Mathes stated the automatic inflators are to keep pace with expenditures. The Chico Municipal Code states increases, not decreases, based on various indexes and personnel costs.

Councilmember Morgan asked how many fees are going to cause an indirect rise in housing costs.

Manager Mathes stated that the Development Impact Fees, permit fees, also Fire Department related fees may cause an indirect rise in housing costs. She noted that developers and builders were invited and reviewed the fees prior to release.

Chair Morgan invited public comment on this item.

Addressing the Committee on this item was Kate Leydon of Chico Builders Association.

Mayor Coolidge stated that some areas of the report were hard to review and stated that for the future, he'd like to see the old fees versus the new fees, so the changes are clearer. Chair Morgan requested that be included in the report to Council.

There was a consensus to approve the new fees requested by departments and the changes to existing fees requiring public hearing and forward its recommendation to the City Council for consideration.

D. **CANNABIS ANALYSIS**

This report provided an overview of several cities in the surrounding area related to operating cannabis dispensaries, their tax rates and whether they require development agreements and/or community benefit agreements as requested by the Finance Committee on March 24, 2020. The report also discussed the impact dispensaries may have on local enforcement efforts. (**Report – Mark Orme, City Manager**)

Management Analyst Angie Dilg presented the staff report and provided analysis of the approaches of various other jurisdictions. The analysis primarily focused on surrounding areas, taxes passed or any community benefits. A tax is required to be presented to the electorate. In 2018, 79 measures were presented to the voters, with a 91% passage rate. In November 2020, 27 measures were presented to the voters with an 89% passage rate, as long as legalization was not part of the question.

Analyst Dilg reported that Redding, the nearest comparable jurisdiction, can tax up to 10% of gross receipts but is currently only charging 5%. The rate can be increased by resolution. The retail application fee is \$6,392.40 and an annual business license fee is \$29,725.50. Redding employs two Code Enforcement Officers to assist in monitoring City and State cannabis laws and is hiring an additional officer. The officers are dedicated to overseeing the retail cannabis program and going after the black market.

Mayor Coolidge inquired as to the average tax rate.

Analyst Dilg stated the low end is 3% in Mt. Shasta and the high end is in Palo Alto at 15%, but there is wiggle room to start low and then increase.

Mayor Coolidge inquired if the tax measure fails, can the City keep agreements in place?

Analyst Dilg said yes.

Chair Morgan invited public comment on this item.

Addressing the Committee on this item was Max Del Real.

Chair Morgan stated he liked the idea of putting a higher cap then being able to adjust. When it comes to business licenses, he inquired if the City sets its own fee.

Administrative Services Director Scott Dowell stated that it's set up in the municipal code and it's a tax. When it's a tax, it must go before the voters.

Chair Morgan stated that he appreciates the work staff has put into this report and analysis.

The item was for information only and no action or direction was provided.

E. MONTHLY FINANCIAL REPORT AND BUDGET MONITORING REPORTS

The Deputy Director - Finance presented the Monthly Financial Report and Budget Monitoring Reports through March 31, 2021. (**Report – Barbara Martin, Deputy Director – Finance**)

Deputy Director Barbara Martin reviewed the financial reports. She reported that funds were trending as expected. Sales tax is an anomaly and is trending over projections.

Highlights from Department Monitoring Reports:

- City Clerk – expenses for elections costs came in higher than expected. The City is obligated to pay the costs and will bring a supplemental appropriation to Council. City Clerk Presson reported that the cost is based upon voter registration numbers, and there was an increase in voter registrations and are countywide. The County did provide a \$60,000 credit, otherwise the cost would have been higher. Clerk Presson will work with the County Clerk to identify any potential over charges or cost savings.
- City Clerk - outside printing expenses for the biennial recruitment. Clerk Presson reported that extra recruitments were needed to fill the Board and Commission vacancies.
- AVA Program – over on costs for towing abandoned vehicles.
- Fire Department – reimbursable responses for mutual aid. This fund is compensated from the State and other entities. There will be adjustments. Also in the Fire Department, there were extra costs for materials for safety COVID equipment. These costs will not be ongoing.
- Human Resources – Additional expenses for office equipment to shift to work from home during COVID stat at home orders.
- Unemployment Insurance Reserve Fund – additional claims.
- Police Department – donated officer position from NVCF has some OT expenses.

Highlights from the Cash Flow Report:

- Sales tax is trending over projections.
- Development Impact Fees are 3.5% higher than projected.

Councilmember Huber inquired if the change in costs for employees working from home is an ongoing change or will the City continue to allow some employees to work from home.

City Manager Mark Orme stated these are one-time costs already borne. He will evaluate whether some positions can still work from home. It may create a level of efficiency in some departments. Some employees have been called back to work in person.

Chair Morgan invited public comment on this item.

Addressing the Committee on this item was BT Chapman.

F. BUSINESS FROM THE FLOOR – None.

G. ADJOURNMENT

The meeting adjourned at 9:46 a.m. to the next regular Finance Committee Meeting on May 26, 2021.

Prepared by:


Dani M. Rogers, Deputy City Clerk, CMC

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Mayor Coolidge, Councilmember Huber, and Chair Morgan
Meeting of Wednesday, May 26, 2021 – 8:30 a.m. to 10:30 a.m.
Meeting Held Virtually Via Zoom

Due to COVID 19 restrictions - the public was invited to participate in this meeting remotely, by connecting with Zoom

Chair Morgan called the meeting to order at 8:30 a.m. Councilmember Huber was absent.

REGULAR AGENDA

A. BUSINESS TAX ANALYSIS UPDATE

HdL Companies prepared additional analysis of the City's business license tax per the Finance Committee's request. Joshua Davis from HdL presented the report to the Finance Committee.

Mr. Davis identified the Gross Receipts model classification-based rates, as the recommended model. This allows terms and different rates to different categories. Using this model has the potential to produce an estimated \$4.2 million in revenue based on this methodology. He provided various other scenarios that impact revenue which allows for flexibility and equitability, as well as the amount a business might pay in business license taxes.

Councilmember Morgan stated that he liked the flexibility. He inquired what is the best way to do this in the most fair and equitable manner?

Administrative Services Director Dowell stated this methodology was different from current practice. If the City wants to pick one of these areas, we will start a dialogue with Chico Chamber and other business groups. There is agreement that the current methodology needs to change; it's determining what is the priority of the City. The City will need to identify what this additional revenue would be used for. The City is not looking at what generates the most revenue, but what is the most equitable.

Chair Morgan opened the item for public comments. There were no members of the public wishing to speak.

Mr. Davis stated that the City will need to reach out to the Chamber and other agencies to allow dialogue and gain support. This is not done to garner approval but to get feedback from the businesses and the community.

Mayor Coolidge asked if it is always based on gross revenue.

Mr. Davis stated that when moving towards modernization, yes, gross receipts is the main model. This is the best way to capture activity across the board and the most equitable.

Mayor Coolidge stated that some businesses have high gross receipts but have a more moderate net.

Mr. Davis stated the purpose of the classification is getting the businesses in the correct classification.

There was a consensus to get feedback from the business community and return to the Finance Committee with the results before presenting to the Council.

B. COST ALLOCATION PLAN

The City engaged Wohlford Consulting to complete a "Full Cost" Allocation Plan (CAP). The purpose of the CAP is to accurately, fairly, and reasonable distribute the City's central administrative costs to the operating departments in the City.

Mr. Chad Wohlford presented the CAP and highlighted the process including a review of principles, methodology and techniques used in developing the CAP.

Chair Morgan opened the item for public comments.

Addressing the Committee on this item was Katy Thoma.

There was a consensus to accept the CAP and forward to the City Council as an informational report.

C. SEWER ENTERPRISE STUDY AND RATE ANALYSIS – POLICY RELATED CONSIDERATIONS AND DIRECTION

At its meeting of 1/16/18, the City Council approved Capital Improvement Program (CIP) project funding and sole source determination for Corollo Engineers to perform technical related analyses of the City of Chico Water Pollution Control Plant (WPCP) and related sewer facilities. Staff requested policy direction on four (4) items to be considered in the final Sewer Enterprise Rate Study Report. With this direction, staff will finalize the report and return at a future meeting for consideration of the complete sewer enterprise rate. (**Report – Brendan Ottoboni, Director of Public Works – Engineering**).

Public Works Director - Engineering Brendan Ottoboni presented the Sewer Enterprise Study.

Chair Morgan stated that he thought there was one proposal to increase the sewer rate from \$22 to \$78 per month. That is not doable. But a \$12 per month increase is not as bad.

Director Ottoboni stated that since they met, staff had additional numbers come in. Previously, they were using a round number for the sake of the conversation and staff is using a more refined number.

Mayor Coolidge asked if a road has been recently repaved or sealed, what would be the expectation for replacement; what if a sewer line failed or needed repair?

Director Ottoboni stated that we would apply it to every project and that is what is being asked here for the policy. We would coordinate the needs of all departments to decide.

Chair Morgan opened the item for public comments.

Addressing the Committee on this item was Katy Thoma.

Director Dowell clarified the residential rate is \$22.98. If the CCI adjustment is adopted, the rate would be \$29.50. But the City is also considering adjusting the \$22.98 sewer rate. With a rate increase and the CCI adjustment, it could be higher than that when combined.

Director Ottoboni stated that is correct. Staff will bring back to the Finance Committee and then the Council once the rate study is complete with the final numbers.

Chair Morgan asked if instead of all 4 alternatives at once, can the City spread this out over a period of years. No one is going to go for a big increase. He suggested alternatives 1, 3, and 4, and leave 2 in there as an option. He added that if the City continues to put this off and there is a big failure, it's going to cost more General Fund money to pay for it.

Mayor Coolidge asked for a percentage or map coverage of residents on sewer versus septic.

A motion was made by Councilmember Morgan and seconded by Mayor Andrew Coolidge to direct the following (direction in italics):

1. Inclusion of pavement treatments when performing pipeline replacement? *Phase in, in an Incremental manner, not a huge jump right out the gate.*

2. Consider modifying user rate methodology to a consumption-based application? *Modify to consumption-based rate and do more due diligence with Cal Water.*

3. Include Annual cost index increases in the newly adopted rate? Yes.

4. Include storm water related components that are tied to sewer functions? *Similar to No. 1 but incremental or phased in manner.*

The motion carried 2-0-1, with Council Huber absent.

D. OVERVIEW OF REVENUE ENHANCEMENTS

This report provided an overview of revenue enhancements and recent trends in the passage of these types of measures within California. ***(Report – Angie Dilg, Management Analyst)***

Management Analyst Dilg reviewed the staff report. Sales tax is second largest revenue generator for cities throughout California. It is the largest for City of Chico. The City receives .95%, while 7.25% is collected. Both Paradise and Oroville recently passed sales tax measures. Analyst Dilg reviewed the various taxes, including property tax, transient occupancy tax, and the Utility Users Tax. She noted that the City does not currently tax cell phone usage under the UUT, as the measure was defeated by the voters in recent years.

Chair Morgan stated the City was not in a good financial place, and staff felt there wasn't a level of trust from the public to pass any tax measures. How do we move forward with these things?

City Manager Mark Orme stated because of due diligence of staff and the policy makers, we now have more transparency and trust of the public. The City now has to look at what is reasonable for the community. The taxes are already so high in California, but a tax increase is the only way to increase revenues. The Committee has 12 taxing options that can be evaluated. The one that lands at the top is the sales tax option. If we want to enhance service delivery, the sales tax is the best option. It affects everyone equally, including those visiting the city that use services and infrastructure. We keep hearing this is going to pensions and that is a false argument to be had.

Chair Morgan stated it's time to present the Council the idea of a half or full cent sales tax, or look at general obligation bonds for intrastate.

City Manager Orme stated that he would only recommend a general obligation bond if it's attached to a general revenue stream.

Mayor Coolidge stated that his thought is to do a one cent sales tax and then a \$50 million road bond, leveraging these funds for 10 years, and then dropping off after 10 years. The City could do a huge amount of road improvements over the ten years, then the road piece decreases or ends and the remaining can be used for other areas like parks.

City Manager stated that is a logical approach, but what amount of resources would be available to do that amount of road work at one time is the question.

Mayor Coolidge stated if you do it in bulk we would get a better rate.

Director Ottoboni stated the best practices is the best utilization of the tax dollars. We try to coordinate those efforts. We need to take in other variables in doing this. It would be a balancing act working with agency partners, so we don't have to tear something up right after we completed a project.

Director Dowell stated we'll need more than \$50 million, the City would need more like \$100 million to pull that off. If we move forward on the pension obligation bonds, how will one affect the other? It shouldn't, but we have to look at it.

Chair Morgan opened the item for public comments. No one addressed the Committee on this item.

Chair Morgan asked if staff could bring a recommendation to Council that includes a potential sales tax, show the difference in revenue based upon a half or one cent tax, and he is not opposed to a TOT increase as long as it's not crazy. The POB was before mass inflation and the rates have changed. He suggested using a pie chart that shows how this would all flow together.

Mayor Coolidge stated we should include parks.

Chair Morgan stated that if we say parks, police, and fire, that's a special tax. But on the other hand, a different ideology could be elected and could start a new department and put the revenue to that.

City Manager Orme stated a report will be brought to Council in July or August.

Chair Morgan stated that to be clear this is only a discussion to put it on the ballot for the voters to decide. This is not the Council making the final decision.

E. SUSTAINABLE SOLUTIONS TURNKEY PHASE II PROGRESS – *Verbal update by Erik Gustafson, Public Works Director – Operations and Maintenance*

Director Gustafson presented the SST Phase II powerpoint.

F. MONTHLY FINANCIAL REPORT

The Deputy Director – Finance presented the Monthly Financial Report and Budget Monitoring Reports through April 30, 2021. **(Report – Barbara Martin, Deputy Director – Finance)**

G. BUSINESS FROM THE FLOOR – None.

H. ADJOURNMENT

The meeting adjourned at 10:27 a.m. to the next regular Finance Committee Meeting on June 23, 2021 at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by:


Dani M. Rogers, Deputy City Clerk, CMC



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 23, 2021 has been cancelled.

The next meeting of the Finance Committee is scheduled for
Wednesday, August 25, 2021 at 8:30 a.m. in **Conference
Room 1**, unless otherwise noted.

Posted: 6/22/21

By: _____/s/_____
Dani Rogers, Deputy City Clerk, CMC

FINANCE COMMITTEE REPORT

A Committee of the Chico City Council: One Vacancy, Mayor Coolidge, and Chair Morgan
Meeting of Wednesday, August 25, 2021 – 8:30 a.m. to 10:30 a.m.
Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Chair Morgan called the meeting to order.

REGULAR AGENDA

A. **BIDWELL PARK GOLF COURSE INSURANCE REQUEST**

The leadership of Bidwell Park Golf Course (BPGC) recently met with City Staff to request that the City of Chico schedule the BPCG under our existing Property Insurance Program. Further, the BPCG requested that the existing Property Insurance requirements be waived under the current lease agreement. **(Report – Jamie Cannon, Human Resources & Risk Management Director)**

Addressing the Committee on this item was Rod Metzler.

A motion was made by Mayor Coolidge and seconded by Councilmember Morgan to refer this matter to the City Attorney for legal review and analysis.

The motion carried 2-0.

B. **BROADBAND INTRODUCTION PRESENTATION - Zoom**

Bruce Patterson from Entry Point Networks provided a presentation to introduce the Finance Committee to some concepts being discussed regarding a City-wide Broadband Master Plan. **(Report – Scott Dowell, Administrative Services Director)**

No action was taken on this item.

C. **BUSINESS FROM THE FLOOR**

Councilmember Morgan stated that the Committee members received an email from PBID member, Tom Van Overbeek, requesting the Committee look at reducing the fee for the collection of PBID taxes. Councilmember Morgan asked that this request be brought forward to the full Council, with the Finance Department to provide a report to Council regarding the PBID and fees being collected.

D. **ADJOURNMENT** - The meeting adjourned at 9:19 a.m. to the next regular Finance Committee Meeting on September 22, 2021, at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by: 
Dani M. Rogers, Deputy City Clerk, CMC

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Councilmember Bennett, Mayor Coolidge, and Chair Morgan

Meeting of Wednesday, October 27, 2021 – 8:30 a.m. to 10:30 a.m.

Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

The meeting was called to order at 8:30 a.m. by Chair Morgan, with all members present.

REGULAR AGENDA

A. APPOINTMENT PROCESS OF MEMBERS TO THE AD HOC CITIZEN'S COMMITTEE (CDBG-CAC) FOR THE PURPOSES OF REVIEWING AND RECOMMENDING COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PUBLIC SERVICES APPLICATIONS

In December 2015, City Council authorized the creation of an Ad Hoc Citizen's Committee (CDBG-CAC) to consider Community Development Block Grant (CDBG) Public Service funding applications beginning with the 2016-17 funding cycle. City Council directed the Finance Committee to review candidate applications and make appointments to the CDBG-CAC. The CDBG-CAC is responsible for reviewing grant applications and making recommendations for the use of CDBG Public Service funding as part of the City's Annual Action Plan process. The Annual Plan is brought forward to the City Council annually for a public hearing and formal approval for the use of the CDBG entitlement grant from Housing and Urban Development (HUD). Per direction provided by the Finance Committee, this agenda item brought forward an Administrative Policy and Procedure which formalizes the appointment process and defines the roles and responsibilities of the CDBG-CAC. **(Report—MaryJo Alonzo, Housing Specialist)**

A motion was made by Chair Morgan and seconded by Councilmember Bennett to forward a recommendation to Council to approve the Administrative Policy and Procedure (AP&P) for the appointment of members to the CDBG-CAC.

Motion carried 3-0.

B. BUSINESS FROM THE FLOOR – None.

C. ADJOURNMENT - The meeting adjourned at 8:35 a.m. to the next regular Finance Committee Meeting on November 24, 2021 at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC, Deputy City Clerk



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
November 24, 2021 has been cancelled.

The next meeting of the Finance Committee is scheduled for
Wednesday, December 22, 2021 at 8:30 a.m. in **Conference
Room 1**, unless otherwise noted.

Posted: 11/17/21

By: _____/s/_____
Dani Rogers, Deputy City Clerk, CMC

FINANCE COMMITTEE REPORT

A Committee of the Chico City Council: Councilmember Bennett, Mayor Coolidge, and Chair Morgan

Meeting of Wednesday, December 22, 2021 – 8:30 a.m. to 10:30 a.m.

Meeting Location: **This meeting was held virtually via Zoom**

PUBLIC PARTICIPATION: Due to the recent universal masking indoors mandate issued by the California Department of Public Health and to protect the health of its citizens, the Finance Committee meeting was held virtually via Zoom. The public was invited to participate in the meeting using the information provided on the agenda.

The meeting was called to order at 8:30 a.m. by Chair Morgan. All members were present.

REGULAR AGENDA

A. REVIEW OF ANNUAL AUDITED FINANCIAL REPORTS

The certified public accounting firm of CliftonLarsonAllen LLP (CLA) was engaged by the City Council to perform an audit of the financial statements and perform compliance testing of the City of Chico, Chico Passenger Facility Charges and Chico Urban Area Joint Powers Financing Authority for the fiscal year ended June 30, 2021. CLA issued unmodified (clean) audit opinions on all financial statements. CLA management presented the results of the audit to Finance Committee. Upon Finance Committee recommendation, these reports will be forwarded to City Council for acknowledgement and receipt.

Accounting Manager Kathryn Mathes introduced the auditor, Rich Gonzalez.

Mr. Gonzalez reviewed the power point and the purpose of the annual audit.

The approach is done in several phases, including planning, systems evaluation, testing and analysis, and reporting. He explained that there were four deliverables, as noted below.

- Annual Comprehensive Financial Report (ACFR), which was unmodified, with no findings.
- Chico Urban Area JPFA (DPCU), which was unmodified, with no findings.
- Passenger Facility Charges Report, which was unmodified, with 2 significant deficiencies. These were related to SOAR (Federal Aviation Administration (FAA) reporting system) reporting to the FAA and staff is working with the FAA on their reporting module. The City has no activity so there is nothing to report.
- Single audit, which was unmodified, with no findings.

Director Dowell explained the FAA has been difficult to deal with on resolving this matter. The FAA wants to reconcile reports for 25 years. An amount is off and Staff have tried to meet with them to discuss and explain what has happened, but there is just not a clear understanding on their part as they are not accountants. The amounts have not changed, they state the City has more money than what it does. The audit is done every year and staff is trying to resolve the issue. However, the City may need our congressman to get involved to help mitigate the issue.

Mr. Gonzalez also reported on the GASB Statement No. 87: Leases. There is a new standard to report right to use assets that will have a huge impact on the City, depending on the number of leases covered. Next year's audit will look very different.

Chair Morgan praised Staff for the improved audits over the past 8 years.

B. BUDGET MODIFICATION APPROVAL/AUTHORITY REVIEW

The goal of the budget approval process is to establish the programs, projects, personnel, and funding levels for the coming fiscal year. Industry-wide, the common authority level of city councils/governing bodies is at the Fund level. **(Report – Barbara Martin, Deputy Director – Finance)**

Deputy Director Martin reported that Staff is looking at streamlining processes so that departmental operations can continue efficiently while maintaining transparency and still providing Council with the information it desires. In general, the department is seeing a lot of supplemental appropriations/budget modifications. Other agencies process these requests at the fund level, rather than the category level as the City does.

Administrative Services Director Scott looked at how things were done in the past. Previously, it was done at fund level, but it was not done in a timely fashion. Staff would like to simplify things and report out in a timely fashion to keep Council informed.

Deputy Director Martin stated that anything that affects Council policy, personnel changes, etc. will still come forward to the Council.

Chair Morgan stated that eight years ago, the answer would have been no. There are no concerns with the current Staff, but things could change in the future as Council changes. He requested that Staff put this request in spreadsheet form, look at the proposed changes compared to current policy, and then forward this to the full Council.

Mayor Coolidge and Councilmember Bennett concurred.

C. BUSINESS FROM THE FLOOR – None.

D. **ADJOURNMENT** - The meeting adjourned 8.56 a.m. to the next regular Finance Committee Meeting on January 26, 2022, at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC
Deputy City Clerk