



Finance Committee Report

DATE: January 26, 2011

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD JANUARY 25, 2011**

Committee present: Chair Gruendl Councilmember Sorensen Councilmember Flynn - absent	Staff present: City Manager Burkland Assistant City Manager Rucker City Attorney Barker Finance Director Hennessy	Housing & Neighborhood Serv. Dir. Morgado Senior Planner Tillman Administrative Analyst Cameron
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

- A. **Consideration of Community Development Block Grant (CDBG) Allocation for Comprehensive Building Evaluation of 900 Esplanade.** The building located at 900 Esplanade, the former Veteran's Memorial Hall owned by the County of Butte, has sat unoccupied since 2006 and is not suitable for public use in its present condition. County, City and Chico Area Recreation District (CARD) staff have discussed potential options for re-using the building, and agree that it is necessary to determine the scale, scope and cost of needed renovations prior to evaluating re-use options. The Housing & Neighborhood Services Director recommended that the Finance Committee recommend to the City Council the allocation of \$9,000 in reprogrammed CDBG funds to pay for one-half the cost of the comprehensive building evaluation. The board of CARD has already authorized the use of CARD funds to pay one-half the cost. **(Report - Shawn Tillman, Senior Planner)**

Staff indicated that the 900 Esplanade property is not located within the boundaries of the Greater Chico Urban Area Redevelopment Project Area (RDA), and upon review, has determined that the RDA could not make the required findings for using redevelopment funds on this project. Staff added that CARD is the most likely future manager of a facility like this. The proposed comprehensive evaluation would: (1) determine exactly what needs to be done to renovate the building; (2) make it suitable as a public facility; and (3) estimate the cost of renovation. The evaluation would also require certain destructive and hazardous material testing which is estimated to cost \$10,000, which the County has indicated they could absorb.

Mike Trolinder addressed the Committee on not pre-selecting a primary user of the building such as CARD, but rather looking for ways to engage the broader community. The City Manager responded that the City has not committed to CARD, as it is a County building.

Councilmember Sorensen made the following motion which was seconded by Chair Gruendl. The motion carried 2-0-1 with Councilmember Flynn absent.

Recommendation: *The Committee recommended (2-0-1, Flynn absent) an allocation of \$9,000 in reprogrammed CDBG funds to pay for one-half the cost of the comprehensive building evaluation.*

- B. **Business From the Floor.** None.
- C. **Adjournment and Next Meeting.** The meeting adjourned at 8:17 a.m. The next meeting is scheduled for February 22, 2011, at 8:00 a.m. in Conference Room No. 1.

Lynda Cameron, Administrative Analyst

Distribution:
 City Council (7); Council Office copy; City Manager; Assistant City Manager; Building & Development Services Director; Housing & Neighborhood Services Director; Finance Director



City Clerk's Office
411 Main Street, Chico, CA 95928
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CITY OF CHICO FINANCE COMMITTEE

NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for June 28,
2011 has been cancelled.

The next meeting of the Finance Committee is scheduled
for Tuesday, July 26, at 8:00 a.m. in Conference Room 1,
unless otherwise noted.



Finance Committee Report

DATE: July 26, 2011
 TO: CITY COUNCIL
 FROM: FINANCE COMMITTEE

File : [Comm Binder](#)

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD July 26, 2011**

<u>Committee present:</u> Chair Sorensen Councilmember Walker (substituting for Flynn) Councilmember Evans (substituting for Gruendl)	<u>Staff present:</u> City Manager Burkland City Attorney Barker City Clerk Presson Housing & Neighborhood Serv. Dir. Morgado	Management Analyst Collins Housing Financial Specialist Demers Administrative Analyst Brinkley
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

- A. **Consideration of a Request from the Far West Heritage Association to Continue its Occupancy and Use of City-owned Property as the Chico Museum** - The City's agreement with the Far West Heritage Association (Association) for its occupancy and use of the City-owned property located at 141 Salem Street, Chico, California, and one no cost parking space in City's Municipal Parking Lot No. 2, terminates on October 31, 2011. The Association has requested to enter into a new agreement with the City in order to continue its use of the property as the Chico Museum. At today's meeting, the Finance Committee will consider the Association's request. **(Report - City Manager Dave Burkland)**

Recommendation – The City Manager is asking that the Finance Committee recommend authorization by the City Council for the City Manager to execute a new agreement with the Far West Heritage Association for its occupancy and use of City-owned property located at 141 Salem Street, Chico, California, for the Association's continued use as the Chico Museum, and one no cost parking space in City's Municipal Parking Lot No. 2, subject to the negotiation of terms and conditions related to the operation and maintenance of the property and building by the Association.

Management Analyst Collins reported the City's agreement with the Far West Heritage Association (Association) for its occupancy and use of the City-owned property located at 141 Salem Street, Chico, California, and one no cost parking space in City's Municipal Parking Lot No. 2, terminates on October 31, 2011. The Association has requested to enter into a new agreement with the City in order to continue its use of the property as the Chico Museum. Ms. Collins also reviewed the key terms of the proposed agreement, including an initial agreement term of 10 years, with the option for two additional five year extended terms, the Association shall maintain the use of the property as a public museum and to endeavor to display items of local interest, with the museum open to the general public a minimum of 20 hours per week, the Association will have the use of one no cost parking space in the Municipal Parking Lot No. 2, and finally the City agrees to meet annually with the Association to discuss maintenance projects that could potentially be included in the next annual budget and to meet on each five year anniversary to explore possibilities for funding major capital improvements to the building and grounds. The City has been paying the PG&E bills, which run approximately \$8,000 per year, however this has yet to be negotiated.

Representing the Far West Heritage Association were President Dax Kimmelshue, Vice President Paul Moore and Chico Museum Manager Melinda Rist.

Councilman Evans asked if the Association has made any arrangements for assuming payment of the utilities.

Mr. Kimmelshue stated the Association has not. They would like to delay this change for five years. He thanked the City for the use of the building and for paying the PG&E bills.

City Manager Burkland stated the museum is a significant benefit to the downtown and recommended the City continue to pay the PG&E bills and re-visit the matter in five years. He suggested arranging for a PG&E energy audit of the building to minimize utility costs.

Mr. Kimmelshue stated that would be great and would also like review of the efficiency of the heating and ventilation units.

Melinda Rist reported they are seeking to attract private sector vendors and are building good relationships with the business community. Chico State construction students were used for the recent remodel.

Councilman Walker inquired how long the museum has been at this site, with Ms. Rist responding they have had an agreement with the City since 1986.

Councilman Walker also inquired if this is the highest and best use of the property and if there is a better location or building for the museum.

City Manager Burkland stated he has had talks with the President of the university about trying to locate the Janet Turner Museum there. It appears they have decided not to follow through on it. The facility has local history, it's a great site for display of local history.

Councilman Walker stated that 10 years for an agreement is a long time and asked if there is an opportunity to get out of the agreement.

City Manager Burkland stated he wouldn't recommend going beyond a 10 year agreement. The Association has put a lot of work into the building. There is some flexibility. However a longer agreement encourages improvements and investment. If the Association doesn't perform according to the agreement, the City can get out of it.

City Attorney Barker stated the agreement can be written any way the Council wants it.

Ms. Rist reported that she has five years worth of exhibits planned for the museum and it's important to have the longer agreement. Mr. Moore agreed, stating it's hard to plan for exhibits and getting things done for the short term.

Councilman Walker stated the City is looking at every item in the City's budget. Eight thousand dollars for utilities isn't huge but its significant. He asked if the Association would be willing to pay for part of the expenses, suggesting 25%. If the Association is paying for a portion of the utilities, it may encourage them to conserve more.

Ms. Rist stated she likes the idea of the energy audit. The units are 25 years old, have been patched and repaired many times and are inefficient. Certain exhibits have to be maintained at specific temperatures with a certain humidity level.

Mr. Kimmelshue stated museums are not money makers. They are always looking for revenue sources and manage to break even, but they are struggling. He said they will work with the City the best they can.

Councilman Walker stated the museum adds to the quality of life of Chico and is glad their association wants to continue to do this. He would like to see the City's financial burden reduced as much as possible.

A motion was made by Councilman Walker and seconded by Councilmember Evans to recommend authorization by the City Council for the City Manager to execute a new agreement with Far West Heritage Association for it's occupancy and use of City-owned property at 141 Salem Street.

The motion carried 3-0.

COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION

- B. **Report on Mortgage Subsidy Short Sale** - Staff is directed per AP&P 27-10 to report on City Manager approved short sales when the Finance Committee is unable to meet in time to accommodate the superior lien holder's closing deadline. Housing and Neighborhood Services Director Sherry Morgado reported the City Manager approved one short sale in May 2011. The outstanding balance on the Agency loan at the time of the sale was \$30,000 plus accrued interest of \$7,523. The proceeds from the short sale were

\$3,000, meaning the Agency took a loss of \$34,523. The proceeds seem small from the short sale, however if it had gone into foreclosure, the Agency would have lost the full amount. With this action the balance of \$3,000 will be written off.

Councilman Sorensen asked what the intent is for the remaining balance.

Director Morgado stated the balance is written off. This was a last ditch effort to avoid foreclosure.

Councilman Evans inquired how many short sales and foreclosures have there been in the past three years.

Housing Financial Specialist Demers reported there have been three, which is low for the current market. She reported this particular family put \$16,000 down on the house and they were wiped out.

Councilman Sorensen requested staff prepare a loan portfolio for all outstanding loans within the next couple of months. He would like to see where the City is at and it's exposure.

C. **Reports and Communication** - The following report and communication items were provided for the Committee's information. No action was taken on these items.

1) **Quarterly Report for the Period 4/1/11 through 6/30/11 of Housing Rehabilitation Program Loan Activity** - At the Finance Committee meeting of 2/24/09, staff was requested to provide quarterly reports of the Housing Rehabilitation Program loan activity. For this reporting period, Director Morgado reported there were five grants executed and no loans processed.

2) Monthly report on Q&A from citizens regarding City finances - None

D. **Business From the Floor.** None.

E. **Adjournment and Next Meeting.** The meeting adjourned at 8:30 a.m. The next meeting is scheduled for August 23, 2011, at 8:00 a.m. in Conference Room No. 1.



Dani Brinkley, Administrative Analyst

Distribution:
City Council (7); Council Office copy; City Manager; Assistant City Manager; Housing & Neighborhood Services Director;
Finance Director; Management Analyst Collins



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411 Main Street, Chico, CA 95928
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CITY OF CHICO FINANCE COMMITTEE

NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for August 23, 2011 has been cancelled.

The next meeting of the Finance Committee is scheduled for Tuesday, September 27, 2011 at 8:00 a.m. in Conference Room 1, unless otherwise noted.



Finance Committee Report

DATE: SEPTEMBER 27, 2011

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD SEPTEMBER 27, 2011**

<u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Sorensen	<u>Staff present:</u> Assistant City Manager Rucker City Attorney Barker City Clerk Presson Housing & Neighborhood Serv. Dir. Morgado	Comm. Dev. Manager Carroll Housing Manager Coles Housing Financial Specialist Demers Administrative Analyst Brinkley
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

A. Consideration of a Request from the Chico Art Center to Continue its Occupancy and Use of a Portion of Chico Depot for Use as an Art Center -

By letter dated April 20, 2011, Jackie McClain, President, Chico Art Center Board of Directors, submitted a request for an additional 10-year extension to the Restated Lease Agreement for Occupancy and Use of a Portion of the Chico Depot for Use as an Art Center. However, the lease allowed only one 10-year extension which was granted for the period of May 14, 2002 through May 14, 2012. Upon expiration of the extended term, a new lease must be executed. Because the terms of Minute Order 04-01, adopted March 20, 2001 will also expire, a new lease agreement will require City Council approval. **(Report – Dave Burkland, City Manager)**

Recommendation - *The City Manager requests that the Finance Committee recommend authorization by the City Council for the City Manager to execute a new lease agreement with Chico Art Center for Occupancy and Use of a Portion of the Chico Depot for Use as an Art Center, with a initial term of ten years and the option for one additional ten-year extended term.*

Community Development Manager Cris Carroll reported the Chico Art Center's lease expires May 14, 2012. Jackie McClain, President, Chico Art Center Board of Directors, submitted a letter in April 2011 requesting an additional 10-year extension to the Restated Lease Agreement for Occupancy and Use of a Portion of the Chico Depot for Use as an Art Center. The prior lease allowed only one 10-year extension, which was granted for the period of May 14, 2002 through May 14, 2012. Upon expiration of the lease, a new lease must be executed. Management Analyst Carroll indicated that the Chico Art Center is responsible for maintaining the premises in a state of good repair and safe conditions, and they also pay the cost of all utilities and waste collection services. The City maintains the exterior of the Chico Depot building and the property, including all parking and landscaped areas. The new lease is for a 10-year term, beginning May 15, 2012 and ending May 15, 2022 with an option for one 10-year extension.

A motion was made by Councilmember Flynn and seconded by Councilmember Sorensen to recommend authorization by the City Council for the City Manager to execute a new lease agreement with Chico Art Center for Occupancy and Use of a Portion of the Chico Depot for use an Art Center, with an initial term of ten years and the option for one additional ten-year extended term.

The motion carried 3-0.

B. Report on Mortgage Subsidy Program Loan Foreclosures

At the Finance Committee meeting of 7/26/11, staff was requested to provide information regarding foreclosure activity during the past three years for the MSP Program. **(Report - Sherry Morgado, Housing and Neighborhood Services Director)**

Housing Financial Specialist, Marie Demers presented a Power Point on the Mortgage Subsidy Program, specifically on Foreclosures and Short Sales for 2009-2011. There have been three foreclosures, representing a loss of \$130,000 to the Agency. There have been three short sales, representing a loss of \$46,375 to the Agency. Staff anticipates some foreclosures within the next year, but hopes to minimize the number by allowing rental of some homes.

C. Revisions to AP&P 27-10 Regarding Requests from Mortgage Subsidy Program (MSP) Recipients to Rent Their Property as well as Revisions to Allowable/Required Reserves and Nomenclature Corrections -

The City continues to receive requests from MSP loan recipients to allow rental of their property because they no longer live in the home due to job loss or change in employment and cannot sell the home or refinance their existing primary mortgage to pay off all liens on the home due to the declining real estate market. City staff believes it is appropriate to modify the standardized policy and procedure to authorize the City Manager/Executive Director to approve such requests, which protects the City's investment and supports the program's goal of serving low-moderate income households. Additional revisions pertain to MSP guidelines on home purchase price limit, borrower assets at time of loan closing, retention of a cash reserve, clarification of City Manager/Executive Director authority regarding loans in default and revisions to City department titles throughout the document. *(Report - Sherry Morgado, Housing and Neighborhood Services Director)*

Recommendation - *The Housing and Neighborhood Services Director recommends that Administrative Procedure and Policy Number 27-10 be amended to: 1) authorize the City Manager/Executive Director to approve rental requests from MSP recipients who no longer occupy the property as their principal place of residence, 2) amend allowable/required borrower asset reserves at loan close, 3) amend language in determining maximum home sales price, and 4) clearly specify City Manager/Agency Executive's authority to initiate foreclosure proceedings and, 5) correct nomenclature throughout the document.*

Specialist Demers continued with the Power Point presentation, reporting on several revisions to the AP&Ps, including allowing rental of properties that may be facing foreclosure. The City continues to receive requests from loan recipients to allow rental of their property because they no longer live in the home for various reasons, including job loss, need to relocate for work or they cannot sell or refinance their home to pay off all liens due to the declining real estate market.

Other changes in the AP&Ps being requested are to increase the borrowers reserves from \$10,000 to \$20,000, adding borrower must have cash reserve of at least one month's housing expense, and authorize the City Manager to approve rental requests from MSP recipients who no longer occupy the property as their principal place of residence.

Councilmember Sorensen expressed concern over authorizing the City Manager to approve rental of properties, rather than coming before the Finance Committee for approval.

HNSD Morgado stated that sometimes property owners need an answer very quickly due to rapidly changing life situations. This would help them get the answers in a more timely manner.

Councilmember Flynn suggested putting the rental request information in an annual report to be presented to the Finance Committee.

Chair Gruendl added that he doesn't see any language in the AP&Ps that the information will be put in a report or that it will come back to the Finance Committee for review.

A motion by Councilmember Gruendl and seconded by Flynn to recommend that Administrative Procedure and Policy Number 27-10 be amended to: 1) authorize the City Manager/Executive Director to approve rental requests from MSP recipients who no longer occupy the property as their principal place of residence, 2) amend allowable/required borrower asset reserves at loan close, 3) amend language in determining maximum home sales price, and 4) clearly specify City Manager/Agency Executive's authority to initiate foreclosure proceedings and, 5) correct nomenclature throughout the document and additionally require that the HNSD submit a report to the Finance Committee following approval of any rental requests at the next regularly scheduled Finance Committee meeting.

The motion carried 3-0.

D. Revisions to AP & P 27-5 Procedures for Rehabilitation Loan Program Owner Occupied Properties

The City recently entered into a Programmatic Agreement with the California State Historic Preservation Officer as a means to comply with Federal and State regulations regarding procedures to address the review of potentially historic and cultural resources. Revisions will reflect this new procedure and update procedures regarding compliance with environmental regulations. Additional revisions are proposed to bring the Policy in line with funding and loan document provisions regarding rental of property and to make nomenclature and other minor revisions throughout the document. (*Report - Sherry Morgado, Housing and Neighborhood Services Director*)

Recommendation - *The Housing and Neighborhood Services Director recommends that Administrative Procedure and Policy Number 27-5 be amended to: 1) update the historic review and environmental compliance process, 2) to align the procedure for handling renting of property with funding and loan document provisions and, 3) to revise nomenclature of City departments and make other clean up revisions to text.*

Ms. Demers reported the City recently entered into a Programmatic Agreement with the California State Historic Preservation Officer as a means to comply with Federal and State regulations regarding procedures to address the review of potentially historic and cultural resources. Ms. Demers outlined the revisions that will reflect this new procedure and update procedures regarding compliance with environmental regulations. Additional revisions were proposed to bring the Policy in line with funding and loan document provisions regarding rental of property and to make nomenclature and other minor revisions throughout the document.

A motion was made by Councilmember Sorensen and seconded by Councilmember Flynn to recommend that Administrative Procedure and Policy Number 27-5 be amended to: 1) update the historic review and environmental compliance process, 2) to align the procedure for handling renting of property with funding and loan document provisions and, 3) to revise nomenclature of City departments and make other clean up revisions to text.

The motion carried 3-0.

E. Reports and Communication -

- 1) Monthly report on Q&A from citizens regarding City finances – None to report

F. Business from the Floor -

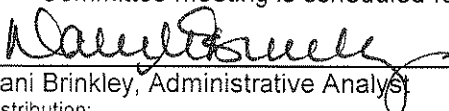
Councilmember Gruendl asked the Finance Director to provide an overview of the financial condition for fiscal year 10/11 and how the Finance Committee can improve on forecasting and strategizing on budget related matters.

Following the brief overview Councilmember Sorensen asked when the City would see the closing of the books for 10/11 fiscal year if there were going to be any significant issues.

Finance Director Hennessy reported there were some significant changes in the closing of the 10/11 books. There is a \$700,000 shortfall due to the loss of the VLF revenues and over expenditures on operating expenses. However, she has found that the City can do a one time transfer of Gas Tax funds, which would normally go to streets and roads, in an effort to preserve the emergency funds. She also reported there has been some sales tax growth, but the City is still lagging behind other cities. According to the Assessor's office, property tax revenue is also flat.

Chair Gruendl stated he will follow up with more detailed questions regarding the budget shortfalls at the October 18th Council meeting. He requested that a standing item be added to all future Finance Committee agendas for the Finance Director to provide an update on the budget status.

G. Adjournment and Next Meeting - The meeting adjourned at 8:57 a.m. to the next regular Finance Committee meeting is scheduled for Tuesday, October 25, 2011 at 8:00 a.m. in Conference Rm. No. 1.



Dani Brinkley, Administrative Analyst

Distribution:

City Council (7), Council office copy, CM; ACM; HNSD; FD; MA Collins



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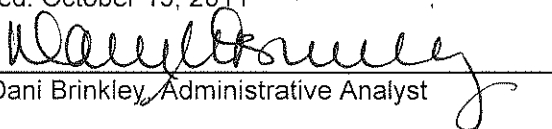
CITY OF CHICO FINANCE COMMITTEE

NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for
October 25, 2011 has been cancelled.

The next meeting of the Finance Committee is scheduled
for Tuesday, November 22, 2011 at 8:00 a.m. in
Conference Room 1, unless otherwise noted.

Posted: October 19, 2011

By: 
Dani Brinkley, Administrative Analyst



Finance Committee Report

DATE: NOVEMBER 29, 2011

File : Comm Binder

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON SPECIAL FINANCE COMMITTEE MEETING HELD NOVEMBER 29, 2011**

<p><u>Committee present:</u> Chair Gruendl Councilmember Walker (Substituting for Goloff) Councilmember Sorensen</p>	<p><u>Staff present:</u> City Manager Burkland Assistant City Manager Rucker Assistant City Attorney Wilson Finance Director Hennessy</p>	<p>Accounting Manager Fields Senior Planner Tillman Administrative Analyst Brinkley</p>
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

A. Direction to Staff Regarding Soliciting Interest in Leasing Excess Municipal Office Space. As a measure to make more efficient use of currently underutilized municipal office space and to generate General Fund revenue, staff began evaluating the potential for leasing excess space in both the Chico Municipal Center (CMC) and the Old Municipal Building (OMB). Various potential users have expressed interest in leasing space and staff was requesting that the Committee consider and provide direction on the near term use of excess City office space. Staff believed it made sense to gauge the interest and evaluate potential scenarios to determine if it would ultimately be in the City's interest to lease the excess space.

Recommendation: Staff recommended that the Committee direct staff to circulate a request for proposals to provide potential users an opportunity to formally express interest in leasing excess space in the Chico Municipal Center and the Old Municipal Building. *(Report –Shawn Tillman, Senior Planner)*

Senior Planner Tillman reported that in 2007, the CMC was fully utilized by City operations. The OMB was renovated and the Housing and Neighborhood Services Department (HNSD) and the Police Department Substation were relocated there in 2008. Under this proposal, the HNSD would relocate back to the third floor of CMC. There is currently space available on the third floor as staffing levels have been reduced due to the economic downturn. Staff anticipates needing the OMB and first floor CMC space in the future, however given the pace of the economic recovery, it will not be needed in the next five years. With HNSD relocating to the third floor of the CMC, the OMB space would be available for lease. There is also capacity available on the south side of the first floor of the CMC that has recently been used as a conference room. This use could also be relocated.

Staff contacted three commercial real estate brokers for insight on the market lease rates downtown. Staff believes the excess space available in the OMB and the first floor of the CMC, could be leased for around \$1.00/square foot per month, triple net. Senior Planner Tillman explained that triple net represents the costs for utilities and taxes, maintenance and insurance that would be pro rated for each tenant based on square footage leased. He anticipates the City would generate \$85,000 per year by leasing the excess space.

There was a consensus that the Police Substation provides a great presence in the Downtown and should remain in the OMB. In addition, there were many improvements made to the building to accommodate the Substation.

Chair Gruendl invited comments from the public.

Mike Trolinder suggested a tourism and visitor center be located in the OMB and leveraging the building with community groups such as the Chamber of Commerce and the DCBA to create the presence of something bigger. He believes having these groups located closer to the CMC could be a benefit to the City.

Chair Gruendl indicated that he felt the City needs to go through the RFP process so that all of these ideas can be entertained and the City can gauge the full interests of the community.

A motion was made by Councilmember Sorensen and seconded by Vice Mayor Walker to circulate a request for proposals to provide potential users an opportunity to formally express interest in leasing excess space in the Chico Municipal Center and the Old Municipal Building.

The motion carried 3-0.

Chair Gruendl asked if this matter will come back to the Finance Committee.

Senior Planner Tillman stated that it depends on the proposals that are received.

B. Finance Update – Budget Status

Finance Director Hennessy reported the Independent Auditor's report is complete for FY 10-11 and that Council will be receiving a binder containing the report in the 12/6/11 Council agenda packet. The binder contains a Report to Management, Comprehensive Annual Financial Report, reports on the Chico Redevelopment Agency and the Public Financing Authority. Council will be provided with a detailed accounting of the City's fiscal condition. She also reported that the City received a "clean" audit. There was one compliance issue in the report that will be explained by Accounting Manager Fields.

Accounting Manager Fields gave an overview of the audit process, which takes approximately six months. He explained the one compliance issue noted in the auditor's report related to subrecipient monitoring. The City had received a federal award of HOME funds. Some of the funds were passed through to a subrecipient, Butte County Housing Authority. The City is required to provide certain information to the subrecipient regarding the federal award. There were no issues regarding how the funds were used, but rather the City had not provided the Authority with the federal award identification information required to be included in the Authority's audit report. The City has developed a corrective action plan.

C. Reports and Communication - The following report and communication items were provided for the Committee's information. The Committee took action to forward Item 2 to City Council for further discussion at the December 20, 2011 Council meeting.

- 1) Monthly report on Q&A from citizens regarding City finances - None
- 2) Letter from Bob Evans

Chair Gruendl stated that Councilmember Evans is present in the audience, however he can not speak to his letter because of quorum issues. The letter was placed on the agenda and still needs to be addressed and discussed. Chair Gruendl agreed there is a concern regarding negotiations with employee bargaining units.

There was discussion as to when its appropriate to begin discussions regarding negotiations. Additional budget workshops are going to be scheduled earlier, possibly starting in February 2012, which could lay the foundation for the negotiation process.

A motion was made by Councilmember Sorensen and seconded by Vice Mayor Walker to forward Councilmember Evans' letter to the City Council for consideration at the December 20, 2011 City Council meeting.

The motion carried 3-0.

D. Business from the Floor

Stephanie Taber requested that power point presentations be made available to the public prior to the City Council meeting, stating there is often new or different information provided in the presentations not provided in the staff report thereby not allowing the public adequate time to review the information.

City Manager Burkland stated power point presentations are an aid to the staff report and are not generally completed until within a day or two of the meeting. Any information included in the power point is taken from the staff report; new information is not provided in the presentation.

Councilmember Sorensen disagreed and stated sometimes there is new information provided in the power point that wasn't included in the staff report. If there is a power point, he would like to see it come out when the agenda comes out.

City Manager Burkland stated he is committed to having the power point include only information that is included in the staff report.

- E. Adjournment and Next Meeting** - The meeting adjourned at 9:15 a.m. Due to the next Finance Committee meeting falling on December 27, 2011, which is a slow business week, it was decided to adjourn to December 21, 2011 at 8:00 a.m. in Conference Rm. No. 1.



Dani Brinkley, Administrative Analyst

Distribution:
City Council (7), Council office copy, CM, ACM, CA, HNSD, FD, Senior Planner Tillman



Finance Committee Report

DATE: DECEMBER 21, 2011

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD DECEMBER 21, 2011**

<u>Committee present:</u> Chair Gruendl Councilmember Goloff Councilmember Sorensen	<u>Staff present:</u> City Manager Burkland City Attorney Barker City Clerk Presson Accounting Manager Fields	Administrative Analyst Brinkley
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

A. Consideration of update to the Telephone Users Tax - (Report – Lori Barker, City Attorney)

City Attorney Barker reported that the City's Utility Users' Tax (UUT) imposes a 5% tax rate on utilities including certain telephone services. The current ordinance was drafted years ago and was consistent with many ordinances throughout the state. The City's telephone users tax includes a reference to the Federal Excise Tax (FET) on telephones and has been applied similarly to the FET which applies to local calls, long distance calls billed based on the length of the call and the distance between the two telephones involved.

In recent years there have been significant changes in both technology and billing practices. There are more wireless service users and voice over internet, with services often being bundled together. In 2006, the IRS issued a notice that it intended to stop applying the FET to most phone services other than local calls. There is pending litigation involving other cities that challenges the application of local UUT ordinances which reference the FET.

The City receives about \$1.4 million in telephone UUT each year, with about \$900,000 coming from wireless telecommunications providers. The City would be at risk of losing this revenue if challenges to the application of ordinances containing references to the FET are successful and the City has not updated its telephone UUT. Any amendments to the UUT must be submitted to the voters at a general municipal election for approval. The next election is November 2012.

Chair Gruendl asked what thought has been given to the 2012 ballot, upon which there is a proposed sales tax increase and the governor's proposal to realign revenues, and if the City would do a public opinion survey regarding a proposed measure.

City Attorney Barker stated she wanted the Council's opinion before proceeding. Similar measures are passing up and down the state, especially when the measure is only amending what is currently in place. If the Council chooses to move forward with a measure, the City Attorney's office will prepare a measure that strictly relates to the telephone users tax and the ballot summary will be clearly stated and defined.

City Clerk Presson reported that a resolution forwarding the title of the measure would need to be submitted to Council in May. If adopted, the resolution would be submitted to the County Clerk's office in July in order to be placed on the November ballot.

A motion was made by Councilmember Goloff and seconded by Councilmember Sorensen to recommend to the Council that it consider whether a measure to amend the City's telephone users tax to address changes in modern technology and billing practices should be submitted to the voters.

The motion carried 3-0.

B. Finance Update – Budget Status

City Manager Burkland reported that he will be preparing the requested timeline for the proposed budget study sessions for Council consideration at its January 17th meeting. The timeline will include review of the budget contingency plan, review of existing policies, RDA, revenues and expenditures, which help to create the framework for developing the budget. He anticipates having a budget study session at the first Council meeting in February.

Third quarter sales tax and TOT came in above what was projected in the budget. UUT and property taxes were slightly down.

Councilmember Goloff stated as the timeline is being developed, she wants to increase transparency so that the public can be reassured that Council is being a good steward of City money. She also asked that desired outcomes for the budget be developed and to narrow down and focus on budget matters.

Stephanie Taber spoke regarding having additional discussions at the Committee level rather than before the full Council.

Bob Best suggested that the timelines and budget schedules be posted on the City's website.

Councilmember Gruendl suggested possibly allowing the public more than 3 minutes at the podium during the budget meetings to ensure that everyone has a chance to make all of their comments and ask questions.

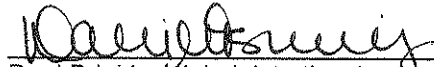
C. Reports and Communication - The following report and communication items were provided for the Committee's information.

- 1) Monthly report on Q&A from citizens regarding City finances - None

Chair Gruendl stated that Ms. Taber had provided several questions to the City Clerk at the December 20, 2011 Council meeting and answers will be provided at the next Finance Committee meeting.

D. Business from the Floor - None

E. Adjournment and Next Meeting - The meeting adjourned at 8:50 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, January 24, 2012 at 8:00 a.m. in Conference Rm. No. 1.



Dani Brinkley, Administrative Analyst

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