FINANCE COMMITTEE REPORT
A Committee of the Chico City Council: Councilmembers Sorensen, Goloff, and Chair Gruendl
Meeting of January 24, 2012 – 8:00 a.m. to 10:00 a.m.
Council Chamber Building, 421 Main Street, Conference Room No. 1

REGULAR AGENDA

A. **Request for Housing Rehabilitation Loan from Lorna J. Casa.** Requests for Housing Rehabilitation Program loans from homeowners with assets above a certain level require Finance Committee review and approval. The homeowner requests assistance through the Housing and Neighborhood Services Department Housing Rehabilitation Loan Program to rehabilitate her home. *(Report - Sherry Morgado, Housing and Neighborhood Services Director)*

A motion was made by Councilmember Sorensen and seconded by Councilmember Goloff to approve the deferred loan. The motion carried 3-0.

B. **Commitment of City CDBG Funds to the Chico Community Shelter Partnership for the Torres Shelter Expansion and to Youth for Change for Transitional Age Youth Housing.** The City owns the property at 101 Silver Dollar Way, which is currently the site of the Torres Shelter. On May 17, 2011, the City Council authorized a CDBG grant for the Chico Community Shelter Partnership (CCSP) to expand the Torres Shelter, and a new lease agreement with Youth For Change (YFC) to build and operate 14 units for transitional age youth on a portion of the 101 Silver Dollar Way property. The Chico Redevelopment Agency (Agency) also authorized a $320,000 loan of Low and Moderate Income Housing Funds (LMIFH) for the YFC project, called Valley View Apartments. Last month, the California Supreme Court ruling on AB 26 blocked expenditure of LMIFH for Valley View Apartments. As a consequence, YFC has been unable to pay for design work for architectural review and use permit. They will also be unable to construct a new driveway on the property that was necessary for completion of the Torres Shelter expansion. City staff recommends that the City take actions that will allow Valley View Apartments to secure entitlements and the Torres Shelter to complete their expansion. *(Report - James Coles, Housing Manager)*

Staff confirmed that should legislation overturn the current ruling on AB 26, the CDBG funds could be returned thereby allowing the $320,000 originally allocated to be used.

Debbie Villasenor spoke in support of staff's recommendation. Stephanie Taber spoke in support of the funds going back to the CDBG if a reversal on the legislation happens. She also questioned whether Youth for Change was a non-profit or for-profit company and wondered what programs were in place to get the young adults in the program their GED’s other than providing them with janitorial training.

A motion was made by Councilmember Goloff and seconded by Councilmember Sorensen to forward a recommendation to the City Council for authorization of a $40,000 CDBG grant to YFC, and a $45,000 CDBG grant to CCSP. The motion carried 3-0.

C. **Authorization of a City HOME Loan, CDBG Grant and Conveyance of Agency-Owned Property to Habitat for Humanity to Build Self-Help Homes at 871, 879 and 899 East 19th Street.** In January 2009, the Chico Redevelopment Agency purchased five lots at 871, 879 and 899 East 19th Street. It is proposed that the Agency's Successor Housing Agency (Agency) conveys these lots to Habitat for Humanity of Butte County (Habitat) to build five self-help homes for low-income home buyers. A $180,000 City HOME loan and $20,000 City CDBG grant would fund construction of the first three homes in the next year. The homes will be built in a traditional neighborhood cottage style consistent with the recently completed Habitat Greens project across the street from the Agency-owned 19th Street properties. *(Report - James Coles, Housing Manager)*

Stephanie Taber spoke in support of the project and felt that this project would be a huge asset for this area. Ross Simmons spoke in support of the project and Dave Donnan had questions regarding the cost differences for the 3 bedroom versus 4 bedroom homes.
A motion was made by Councilmember Goloff and seconded by Sorensen to forward a recommendation to the City Council authorizing a $180,000 HOME loan, a $20,000 CDBG grant, and a $480,000 Agency loan concurrent with conveyance of property at 871, 879 and 899 East 19th Street to Habitat for Humanity for the purpose of constructing self-help homes for low-income households. The motion carried by 3-0.

D. **Finance Update - Budget Status**

The City Manager provided the Committee with a financial update. He stated that the revenue from the UUT and TOT taxes were up slightly. Property taxes were flat. Sales tax revenue was better than hoped for but the 4th Quarter sales tax information was not yet in. He did note that 3rd quarter sales tax reports indicated a 6.3% increase up from the prior year.

What was most concerning is due to the unpredictability of the State, it is hard to determine what it might take and any trigger cuts that might be implemented.

On the expenditure side, expenditures are tracking and on target. Staff continues to look very closely at operating costs and there is an expectation for Department Heads' budgets to come in on target.

The 2012-2013 Budget Kick Off meeting was held on January 23, 2012. A message was sent out during this meeting including the possible effects of the dissolution of the Redevelopment Agency. Staff would be looking at possible adjustments in March, which could include staff reductions.

It was further noted that the 2012-2013 budget would be using the baseline budget numbers from Fiscal Year 2011-2012 budget. The City Manager also provided the Committee with an overview of the proposed Budget Study sessions that was approved by Council at its meeting of January 17, 2012.

The dissolution of the Redevelopment Agency has caused concern on how the General Fund will be affected. There was a lot of RDA funding used throughout the departments for administrative costs. Staff will be looking at that to determine the impact. The Redevelopment Agency directly funded such services as Housing and Neighborhood Services as well as Code Enforcement. Another impact as to the Capital projects that are currently underway but not included as part of the enforceable obligations. These projects will need to be either cut or funded by other funds.

The City Manager provided an overview of some cleanup legislation currently underway such as AB 654, which would have a positive affect on the Housing issues associated with the dissolution of the RDA. This bill looks like it will be successful.

AB 659, if approved, would extend the February 1, 2012 deadline to April 15, 2012 for the dissolution of the Redevelopment Agencies and contains some clean up language that would aid in the winding down of agencies. However, this bill does not look like it will be successful.

The Budget Study Session that is scheduled to be held on February 21, 2012 will include the Quarterly Update and there will be a discussion on the impacts of the RDA and other efforts underway that might affect the dissolution of the agency.

Letters were sent out to the agencies that will be included in the Oversight Board requesting each agency to send a confirmation of who they would be appointing.

Finance Director Jennifer Hennessy and Senior Planner Shawn Tillman met with the County Auditor regarding the audits of the RDA and Successor Agency. The Finance Director indicated that there were lots of unanswered questions regarding the “Administrative Fee” for the enforceable obligations.
Stephanie Taber asked if there would be a report out on the budget meetings (as highlighted in "blue" on the Budget Study Timeline). The City Manager clarified that the events as depicted as "budget process" items were not actual meetings but deadlines for submission of information from staff to the Budget Team for incorporation into the 2012/2013 Preliminary Budget. Information, as it emerges, will be provided to both the Finance Committee and the members of Council, as needed and as part of the Preliminary Budget distribution. Committee Chair Gruendel indicated that where the numbers pertain to the discussion, then that information would be provided, with it noted by both the Chair and Councilmember Goloff that during the preparation of the budget, the numbers are constantly changing.

It was noted by the City Manager that the idea was to use the 2011/2012 budget as a baseline during the preparation of the 2012/2013 budget with no increases to be requested by staff. Councilmember Sorensen inquired as to the impacts of the $1.6 million hit due to the dissolution of the Redevelopment Agency. The City Manager indicated that those impacts are continuing to be analyzed which would provide more ideas on the true number determined by March or April which would be in time to incorporate into the 2012/2013 budget development.

E. Reports and Communications. The following report and communication items were provided for the Committee’s information. No action was taken.

1. Quarterly Report for the Period 10/1/11 through 12/31/11 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, there was one loan processed. (Report - Sherry Morgado, Housing and Neighborhood Services Director)

2. Monthly report on Q&A from citizens regarding City finances (period 12/20/11 - 1/10/12).

Questions from Stephanie Taber submitted at the 12/6/11 and 12/20/11 City Council meetings.

It was noted by Ms. Taber at the meeting that not all of her questions were included in the packet. So, further discussion was not continued except that Ms. Taber asked if there was a way to bring the union contracts more up to date in order for them to be easily read and understood. Teresa Campbell, Human Resources Director stated for the record, that it would be extremely difficult to being with a basic contract as many of the groups are reluctant to remove some of the language from the contract even if it is not applicable at the present time. It was felt that they would then be giving away some potential benefit in the future.

Councilmember Goloff asked if it would be possible, during the next round of negotiations to begin with a basic 2-page contract and building upon that foundation? The Human Resources Director said that it would be difficult to do so because there are no anticipated changes in the current contracts, and that again, the groups would be reluctant to change anything. It was also noted that during all negotiations, the negotiation team tries to incorporate some housekeeping items into the process but those changes have to be accepted by the group. Chair Gruendel then asked that a preliminary discussion be held with the groups as one of the bargaining topics, concerning not eliminating anything out but to perhaps clean up the format to ensure consistency with the contracts. He acknowledged that the City of Chico contracts were difficult to follow. Human Resources Director Campbell noted that she didn’t disagree on the need for clean up on the contracts and that she would discuss this in the ground rules discussion at the beginning of the negotiation process.

F. Business from the Floor. None

G. Adjournment and Next Meeting. The meeting adjourned at 9:07 a.m. The next regular Finance Committee meeting is scheduled for Tuesday, February 28, 2012, at 8:00 a.m. in Conference Room No. 1.

Deborah R. Presson, MMC - City Clerk
Finance Committee Report

DATE: February 28, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE

RE: REPORT ON FINANCE COMMITTEE MEETING HELD FEBRUARY 28, 2012

<table>
<thead>
<tr>
<th>Committee present:</th>
<th>Staff present:</th>
<th>Administrative Analyst Brinkley</th>
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<tbody>
<tr>
<td>Chair Gruski</td>
<td>City Manager Burkland</td>
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<td>Councilmember Goloff</td>
<td>City Attorney Barker</td>
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<td>Councilmember Sorensen</td>
<td>City Clerk Presson</td>
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<td>Finance Director Hennessy</td>
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

A. **User Fee Study Update** - The Finance Committee was provided with a status update on the progress made toward updating the City’s User Fee Study, which encompassed a review and calculation of user fees charged by the Building and Development and Planning Services Departments, as well as provided information regarding how the update will proceed until implementation. The report was for informational purposes only and no particular findings or actions were required.

Projects Manager Quene Hansen reported that the data necessary to complete the User Fee Study comes from a variety of sources including the current budget and Cost Allocation Plan (CAP). The dissolution of the RDA will impact the City's CAP which in turn will impact the results of the User Fee Study. Considering the current fluctuation in the budget as a result of the loss of the RDA funding, staff will be postponing the request to implement the User Fee Study Update until the indirect costs can be appropriately accounted for once again. This will ensure reasonable costs associated with providing all services by the Building and Development and the Planning Services Departments can be defended through an updated cost of services study.

Staff will continue to work with the Finance Department to update the allocations within the CAP which is anticipated to occur over the coming year. Once the indirect costs have been accounted for in an updated CAP, staff will revise the updated User Fee Study to reflect the new information and then proceed with bringing the study forward for implementation.

Councilmember Sorensen inquired if the letter from the attorney representing local builders would have an impact on the study.

Building and Development Services Director (BDSD), Fritz McKinley stated the letter contained general questions and with some related to the appendices of the proposed study. Staff has worked with the City Attorney’s office to respond to their questions and outlined where the department is at on the study and how the City intends to move forward.

Councilmember Sorensen asked how soon staff will be looking the Cost Allocation Plan.

BDSD Director McKinley stated that is separate from the User Fee Study and staff is looking at that as well.

Staff also noted that they are also looking at intersections and reviewing the traffic model which helps determine the Traffic Impact Fees. This should be done by the end of the calendar year.

B. **Finance Update - Budget Status** - Finance Director Hennessy reported that staff presented the Quarterly Financial Report to Council at the February 21, 2012 City Council meeting and there were no changes. It was noted that due to the number of foreclosures, the median price of homes continues to decline. Staff is still waiting for the sales tax numbers from the Christmas quarter.
C. **RDA Dissolution Status Update** - City Manager Burkland stated there have not been a lot of changes. There was discussion regarding the loss of funds for economic development and housing at the state level.

The Oversight Committee still has two vacancies yet to be appointed by the Butte County Board of Supervisors. The Board of Supervisors expects to make the appointments at their March 13th meeting. Once all members have been appointed, the first meeting will be scheduled.

D. **Reports and Communications.** The following report and communication item is provided for the Committee’s information. No action was taken on the item.

1. Monthly report on Q&A from citizens regarding City finances
   
   - Questions from Stephanie Taber dated 2/13/12 with Staff Responses

Ms. Taber stated for the record that she is attending the meeting as a private citizen and is not on anyone’s payroll while in attendance.

She continued that she did not feel her questions were answered appropriately or at all.

Staff present at the meeting answered Ms. Taber’s additional questions.

Ms. Taber asked why her questions were not answered at the Council meeting, for the public to see how the taxpayers money is being spent. She stated that her questions should not have been referred to the Finance Committee, which is not televised.

Councilmember Goloff answered that these types of questions are referred to the committee level all the time and this is the appropriate place for discussion and answers.

Chair Gruendl stated it’s the Mayor's call to have it placed on the Council agenda.

E. **Business from the Floor.** None

F. **Adjournment and Next Meeting.** The meeting adjourned at 8:28 a.m. The next regular Finance Committee meeting is scheduled for Tuesday, March 27, 2012, at 8:00 a.m. in Conference Room No. 1.

\[Signature\]

Dani Brinkley, Administrative Analyst

Distribution:
City Council (7), Council office copy, CM, ACM, CA, HNSD, FD, BDSD
Finance Committee Report

DATE: April 9, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE

RE: REPORT ON FINANCE COMMITTEE MEETING HELD MARCH 27, 2012

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<tr>
<th>Committee present:</th>
<th>Staff present:</th>
<th>Community Dev. Manager Carroll</th>
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<tr>
<td>Chair Gruendl</td>
<td>City Manager Burkland</td>
<td>Senior Planner Tillman</td>
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<tr>
<td>Councilmember Holcombe - substituting for Goloff</td>
<td>Asst. City Manager Rucker</td>
<td>Administrative Analyst Brinkley</td>
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<td>Councilmember Sorensen</td>
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<td>Finance Director Hennessy</td>
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

REGULAR AGENDA

A. **Acceptance of the Community Organization Program Compliance Reports on Fiscal Year 2010-11 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 2010-11 funding agreements, and the Community Development Manager presented an agenda summary report on those results. Copies of the agenda report were provided to all of the audited agencies involved along with a notice of this meeting. (Report - Cris Carroll, Community Development Manager)

A motion was made by Councilmember Sorensen and seconded by Councilmember Holcombe to accept the Fiscal Year 2010-11 compliance reports. The motion carried 3-0.

B. **2012-13 Draft Action Plan for the Use of Federal Community Development Block Grant (CDBG) and Housing Investment Partnerships Program (HOME) Funds** - The City receives an annual award of community development and housing funds from the federal department of Housing and Urban Development (HUD). Each year the City must submit an annual "Action Plan" to HUD describing the City's plans for using these funds in the upcoming year. (Report - Sherry Morgado, Housing & Neighborhood Services Director)

Juanita Sumner had questions regarding the eligibility requirements for small businesses to receive assistance and what the assistance consists of. She suggested having a staff member dedicated to providing accurate information for start up and existing small businesses.

Stephanie Taber questioned how the funds for small business assistance have been spent and if the advice and assistance offered actually helps to keep small businesses open and retain employees.

Carol Heald spoke regarding drainage concerns on E. 10th Street and asked for funds to be set aside to fix this problem.

A motion was made by Councilmember Holcombe and seconded by Councilmember Sorensen to accept the draft annual Action Plan summary and to forward a recommendation to the City Council for consideration. The motion carried 3-0.
C. **Consideration of Proposals to Lease Excess Municipal Office Space.** As directed by the Finance Committee at its meeting of November 29, 2011, staff circulated a request for proposals (RFP) soliciting response from organizations interested in leasing excess space in the Chico Municipal Center and the Old Municipal Building. Three entities submitted proposals to lease space in the Old Municipal Building: Chico Chamber of Commerce, Chico Heritage Association, and the Brain Injury Coalition. After evaluating the proposals and meeting with each of the organizations, staff believes the needs of all three organizations can be met, with satisfactory lease agreements executed. (*Report – Shawn Tillman, Senior Planner*)

Katie Simmons, Chamber President, stated that if an agreement can be met, the Chamber would like to reconfigure the downstairs office spaces.

Councilmember Holcombe wanted it clarified that reimbursement of utility costs is not revenue. He inquired if the City would be giving up parking spaces in the municipal parking lot and asked the value of eight parking spaces.

City Manager Burkland reported there are approximately 40 unused parking spaces available in the municipal parking lot.

Senior Planner Tillman added there wouldn’t be designated parking spaces for tenants and the City would most likely issue parking permits similar to City employees. One parking space on 5th Street currently reserved for Police may also be converted.

Chair Gruendl asked about the City accommodating signage.

Tillman stated they are still discussing whether it will be a monument sign or a wall sign. Estimates for signage are being obtained.

Becky Barnes Bores stated that the doors to the Old Municipal Building are not ADA compliant because they are too heavy. She also addressed concerns about the doors being propped open and without cones being placed by the steps. The condition of the sidewalks was an additional concern.

Ms. Simmons reported that the Chamber is incorporating some ADA improvements into their plan.

Debra Lucero spoke in favor of non-profits having the opportunity to lease the space.

A motion was made by Councilmember Sorensen and seconded by Councilmember Holcombe to recommend that the City Council authorize the City Manager to negotiate, and if negotiations are successful, enter into lease agreements with the three organizations that responded to the RFP. The motion carried 3-0.

D. **Finance Update - Budget Status**

Finance Director Hennessy stated there were no new financial updates and asked for any questions from her March 20, 2012 budget presentation.

Addressing the Committee with questions regarding the budget were Ken Campbell, representing the Chico Firefighters Association and Will Clark, representing Chico Police Officers Association.

E. **RDA Dissolution Status Update**

Senior Planner Tillman reported the Department of Finance reversed its earlier determination that two projects should be removed from the Successor Agency EOPS.

The Oversight Board of the Successor Agency met for the first time on March 21, 2012. At its next meeting, the Board will be asked to approve the administrative budget.

Ms. Taber questioned how staff salaries that aren't covered by the administrative budget are being absorbed with the dissolution of the RDA, and if other costs are being absorbed by the General Fund.

Hennessy answered that anything that is not covered by the Administrative Budget will be absorbed by the General Fund.
F. **Reports and Communications.** There were no reports and communication items provided for the Committee's information.

G. **Business from the Floor.**

Debra Lucero spoke in favor of public-private partnerships.

Ms. Taber stated she would like to have additional discussions regarding the handling of personnel allocations and changes.

H. **Adjournment and Next Meeting.** The meeting adjourned at 10:10 a.m. to the Finance Committee meetings for Community Organization Funding on April 5, 2012 at 3:00 p.m. and April 19, 2012 at 4:00 p.m. and to the next regular Finance Committee meeting scheduled for Tuesday, April 24, 2012, at 8:00 a.m. in Conference Room No. 1.

[Signature]

Dani Brinkley, Administrative Analyst

Distribution

City Council (7), Council Office Copy, CM, ACM, CDM, HNSD, FD
DATE: APRIL 6, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE
RE: REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 5, 2012

Committee present:
- Chair Gruendl
- Councilmember Evans
- substituting for Goloff
- Councilmember Sorensen

Staff present:
- City Manager Burkland
- Asst. City Manager Rucker
- Community Dev. Manager Carroll
- Housing Manager Coles
- Administrative Analyst Brinkley

**COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

A. REVIEW OF APPLICATIONS FOR 2012-13 COMMUNITY ORGANIZATION FUNDING - GENERAL FUND/CDBG APPLICANTS

The purpose of this meeting was to consider the applications for the Fiscal Year 2012-13 Community Organization Funding Program in the General Fund/CDBG category. The Finance Committee determined the format of the meeting, which included brief presentations by the applicants. Applicants were advised by copy of the agenda to limit any presentation requested by the Committee to 2-3 minutes. The Committee was provided with an agenda report from the City Manager and the Community Development Manager which included the applicant request worksheet.

City Manager Burkland indicated that the federal Community Development Block Grant funding for the City was again reduced for next year. He recommended the full 15% set-aside of $115,299 in CDBG funds and $105,274 from the General Fund as an appropriate level of funding for FY 2012-13 allocations. The recommended total of $220,573 is a 7% reduction from FY 2011-2012 funding levels in this category.

Community Development Manager Carroll reported the funding for community organizations represents a long term partnership between the City and local non-profit community. She reported advising the community organizations at the annual orientation that the loss of redevelopment funding and the slow economic recovery would have an impact on this year's City's budget. She further noted that the local funds allocated through this program allow non-profit agencies to have flexibility in applying to uses prohibited by federal or state grants, to leverage for other grants, and to bridge the gap when other funds are provided strictly on a reimbursement basis.

The following representatives addressed the Committee on the organization funding requests:

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Michael McGinnis</td>
<td>ARC of Butte County, Inc.</td>
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<tr>
<td>Timmarie Hammill</td>
<td>California Urban Streams Alliance</td>
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<tr>
<td>Michael Schocket</td>
<td>Caminer</td>
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<tr>
<td>Janean VeDova</td>
<td>Caring Choices (RAD)</td>
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<td>Anastacia Snyder</td>
<td>Catalyst Domestic Violence Services</td>
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<td>Joan Costa</td>
<td>Catholic Ladies Relief Society #3</td>
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<td>Bob Bracewell</td>
<td>Chico Area Council on Aging, Inc.</td>
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<td>Sue McGuire</td>
<td>Chico Community Children's Center</td>
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<td>Brad Montgomery</td>
<td>Chico Community Shelter Partnership</td>
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<td>Courtney Farrell</td>
<td>Chico Creek Nature Center</td>
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<td>Gloria Rodgers</td>
<td>Community Action Agency</td>
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<td>Zach Newman</td>
<td>Community Legal Information Center (CLIC)</td>
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<tr>
<td>Andrea Moriarty</td>
<td>Do-It Leisure (Work Training Center)</td>
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</tbody>
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The following applicant was not present to address the Committee:
Rape Crisis Intervention, Inc.

Following the presentations, the City Manager indicated that he would be providing specific recommendations for each funding request using the most current budget information at the meeting on April 19, 2012.

B. Business from the Floor.

Stephanie Taber asked about the percentage of City residents the organization serves, the phrase “residency requirements apply” which appears on the analysis sheets, and whether the funding supports non-City residents.

Community Development Manager Carroll explained that the applications provide estimated percentages of City residents served, and that staff reviews to insure that the percentage of City support requested for the agency’s budget is commensurate with the percentage of City residents served. The residency requirements are included in reporting obligations for funding agreements, and staff monitors the data on residents served as part of contract management responsibilities.

C. Adjournment and Next Meeting. The Finance Committee adjourned at 4:48 p.m. to Thursday, April 19, 2012 at 4:00 p.m. in Conference Room No. 1 at which time it will conclude its consideration of community organization funding.

[Signature]
Dani Brinkley, Administrative Analyst

Distribution:
City Council (7), Council office copy, CM, ACM, CDM (2)
A. COMMUNITY ORGANIZATION FUNDING REQUEST RECOMMENDATIONS

The Committee met to formulate recommendations for funding community organizations in the General/Community Development Block Grant (CDBG) category for the 2012-2013 Fiscal Year. All organizations were advised, by receipt of the April 19, 2012 agenda, that since every organization was given an opportunity to make a presentation at the Committee’s April 5, 2012 meeting, no further testimony from the applicants would be taken unless requested by the Committee.

For the Committee’s use in formulating its recommendations, an agenda report from the City Manager and Community Development Manager was provided which included a worksheet showing requested amounts from the community organizations as well as the City Manager’s recommended funding levels. Other agenda report attachments included a Business Plan from California Urban Streams Alliance and an email from the Assistant Executive Director of Rape Crisis Intervention providing information about their services. Recommendation: Staff recommended acceptance of the City Manager’s recommendations as detailed on Exhibit A to the staff report.

The City Manager, in consideration of the overall budgetary needs of the City for the upcoming fiscal year, recommended a total of $2,202,573 for the Community Organization Funding Program, with a General Fund contribution of $105,274 and $115,299 from the CDBG Set-Aside. This total represents a 7% reduction from the amount allocated in Fiscal Year 2011-2012.

The Committee considered and accepted requests to address the Committee from the following:

Timmarie Hammill of California Urban Streams Alliance and Katherine Deaton of Caring Choices spoke briefly regarding their respective organizations.

The Committee reviewed the City Manager’s recommended funding allocations. Committee Chair Gruendl requested the allocation for Youth for Change be increased from $2,000 to $2,400. On a vote of 3-0, the Committee agreed to increase the allocation to Youth for Change by $400 and to accept all other allocations as recommended by the City Manager. A summary of final allocations is provided below:

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<th>Organization</th>
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<td>ARC of Butte County, Inc.</td>
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<td>California Urban Streams Alliance</td>
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<td>Caminar</td>
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<td>Caring Choices (RAD)</td>
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<tr>
<td>Catalyst Domestic Violence Services</td>
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<td>Organization</td>
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<td>---------------------------------------------------</td>
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<td>Catholic Ladies Relief Society #3</td>
<td>12,925</td>
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<td>Chico Area Council on Aging, Inc.</td>
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<td>Chico Cat Coalition (Promotion of Animal Welfare)</td>
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<td>Chico Community Children’s Center</td>
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<td>Chico Community Shelter Partnership</td>
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<td>Chico Creek Nature Center</td>
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<td>Community Action Agency</td>
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<td>Community Legal Information Center (CLIC)</td>
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<td>Do-It Leisure (Work Training Center)</td>
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<td>GRID Alternatives</td>
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<td>Independent Living Services</td>
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<td>Innovative Health Care Services</td>
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<td>Innovative Preschool</td>
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<td>Legal Services of Northern California</td>
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<td>Passages Adult Resource Center</td>
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<tr>
<td>PAWS of Chico Spay &amp; Neuter Program</td>
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<tr>
<td>Rape Crisis Intervention, Inc.</td>
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<td>Stonewall Alliance</td>
<td>2,000</td>
</tr>
<tr>
<td>Sunshine Connection (formerly Sunshine Kids Club)</td>
<td>0</td>
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<tr>
<td>Youth for Change</td>
<td>2,400</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$220,103</strong></td>
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*Note: This total is corrected from the Exhibit A total of $220,104 presented at the meeting. The original total was $1 off, due to automatic rounding of numbers in the Excel spreadsheet program.*

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

C. **Adjournment and Next Meeting.** The Finance Committee adjourned at 4:26 p.m. to its regular meeting of Thursday, April 24, 2012 at 8:00 a.m. in Conference Room No. 1.

Karen Masterson, Administrative Assistant

Distribution:
City Council (7), Council office copy, CM, ACM, CDM (2)
DATE: May 1, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE
RE: REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 24, 2012

<table>
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<tr>
<th>Committee present:</th>
<th>Staff present:</th>
<th>Management Analyst Collins</th>
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<td>Chair Gruendl</td>
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<td>Senior Planner Tillman</td>
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<td>Councilmember Walker</td>
<td>Asst. City Manager Rucker</td>
<td>Administrative Analyst Brinkley</td>
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<td>- substituting for Goloff</td>
<td>City Attorney Barker</td>
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<td>Finance Director Hennessy</td>
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

REGULAR AGENDA

A. Consideration of a Request from Chico Creek Nature Center to Defer Quarterly Loan Payments for an Additional Three Years and Consideration of an Adjustment to the Loan Interest Rate. At this meeting, the Finance Committee considered a request by the Chico Creek Nature Center to defer an additional three years of quarterly loan payments for the "Restated Loan Agreement for the Construction of New Exhibit and Classroom Facility, Chico Creek Nature Center, Inc." In addition, the Committee reviewed the results of an analysis of the loan's interest rate and considered adjusting the interest rate to more accurately reflect the City's actual rate of return on investment. (Report - Dave Burkland, City Manager and Debbie Collins, Management Analyst)

Management Analyst Collins provided background information regarding the Chico Creek Nature Center loan and a prior deferral of loan payments through April 15, 2012. The Nature Center has undergone recent changes in its executive and board leadership. They have requested an additional deferral of loan payments for three years to allow them time to financially stabilize the organization.

Councilmember Sorensen asked what the current City funding level is to the Nature Center.

City Manager Burkland stated the Finance Committee Community Organization funding level is $44,271.

Councilmember Walker inquired about other funding sources to the Nature Center.

Courtney Farrell, the Executive Director the Chico Creek Nature Center, addressed the Committee. She stated the funding sources include funding provided by the City, memberships and education programs. She is pursuing grants and has increased marketing and the center also plans to expand education programs. They are looking to grow the memberships and build new partnerships in the Community. She is confident in three years, the Nature Center will be able to start marking the payments.

Chuck Nelson, President of the Chico Creek Nature Center, stated that the Board chose Ms. Farrell for a reason and with her leadership, the center will be able to begin making the payments in three years.

A motion was made by Councilmember Sorensen to approve the staff recommendation, with an amendment to defer the loan for one year instead of three years. The motion died for a lack of a second.

A motion was made by Councilmember Walker and seconded by Chair Gruendl to defer the loan for two years, with the final motion to recommend the City Council authorize the City Manager to execute a third amendment to the "Restated Loan Agreement for the Construction of New Exhibit and Classroom Facility, Chico Creek Nature Center, Inc.": (1) Deferring the quarterly loan payments due July 15, 2012, through April 15, 2014, without penalty; (2) Adjusting the interest rate to 1.80 percent per annum starting with the payment that was due July 15, 2009; and (3) Recalculating the amortization schedule set forth in
Amendment No. 2 to add the deferred payments to the end of the amortization schedule and adjust the interest rate, with the understanding that the interest rate will be recalculated again prior to resumption of the quarterly loan payment due July 15, 2014.

The motion carried 2-1, with Councilmember Sorensen opposed.

B. **Application of Police Fees for Service** - referred for discussion by Council at its meeting of 9/20/11 *(Report - Lori Barker, City Attorney)*

City Attorney Barker provided an overview of the instances when it’s appropriate to charge Police fees for services provided. Instances include 1) parades and public assemblies when there is a temporary street closure; 2) athletic events that require temporary street closure; 3) certain park permits issued by General Services Department or the Bidwell Park and Playground Commission; and 4) when an agreement between outside agencies and/or organizations includes a provision to provide supplemental police services authorized by Government Code 53069.8 at an event. No action was required.

C. **Quarterly Report for the Period 1/1/12 through 3/31/12 of Housing Rehabilitation Program Loan Activity**. At the Finance Committee meeting of 2/24/08, staff was requested to provide quarterly reports of the Housing Rehabilitation Program loan activity. *(Report - Sherry Morgado, Housing and Neighborhood Services Director)*

Housing and Neighborhood Services Director Morgado reported one new loan was executed. The Finance Committee approved the loan on January 24, 2012 for a new roof, gutters, HVAC unit replacement for a stick built home at 994 Jeneoke Lane.

Stephanie Taber stated it seems like it has been a long time since the public has seen a comprehensive report on the City’s loan portfolio, which includes how many people are still in the housing, how many are renting their homes out and any foreclosures.

HNSD Morgado stated the Finance Committee receives a comprehensive report every six months. The next report will be submitted at the July 2012 Finance Committee meeting.

**From Posted Addendum**

**Item Heard Between Item C and Item D on the Finance Committee Agenda**

**Consideration of Proposal to Lease Excess Space in Chico Municipal Center.** At the Finance Committee’s direction, staff circulated a request for proposals soliciting response from organizations interested in leasing excess space in the Chico Municipal Center (CMC) and the Old Municipal Building (OMB). There were no proposals received for the CMC space, but staff has since received an inquiry from CEPCO dba Innovate North State expressing its interest in submitting a proposal for the space. The proposal is to create an Innovation and Commercialization Center (ChicoStart) that would function as an all-inclusive office environment designed for new media companies and startup businesses focusing on web, software, and mobile applications. *(Report –Shawn Tillman, Senior Planner)*

Senior Planner Tillman reported this item was added to the April 24, 2012 Committee agenda as a posted addendum in order for the City Council to be able to consider the proposal in advance of a May 9, 2012 grant submittal deadline for a significant funding opportunity available to Innovate North State.

John Gregory stated he is the Co-Manager of Innovate North State, along with Bob Linscheid. He provided information on the proposed use of the space.

Staff indicated the proposal is for the City to lease the space to a master lessee for five years for a nominal rent, and for the Master lessee to pay all tenant improvement and operating costs of the space, including utility reimbursement to the City. The master lessee would then sublease the space to tenants at market rates. After the tenant improvement, operating and management costs are met, the City would receive the net revenue. The amount of net revenue the City might receive in the future is dependent on factors including the cost if the tenant improvements and the ultimate market demand for the space. At this time, staff anticipates net revenue could potentially be realized beginning sometime in the third year of the lease term. It is clear the City would have no cost liability associated with the improvement and operation of the center.
Councilmember Sorensen expressed concern that this project has not been fully flushed out and not enough details have been provided.

A motion was made by Councilmember Walker and seconded by Chair Gruendl to recommend that the City Council authorize the City Manager to negotiate and, if negotiations are successful, enter into a lease agreement with Chico Innovate North State for the development and operation of an Innovation and Commercialization Center in excess office space on the 1st floor of Chico Municipal Center.

The motion carried 2-1, with Councilmember Sorensen opposed.

D. **Finance Update - Budget Status** - Finance Director Hennessy provided a verbal update on the budget status. TOT revenue is slightly higher than the budget projections. UUT revenue is also slightly above budget projections. March expenditures were down about 15%. Staff is monitoring overtime trends per pay period. All departments have submitted their lists of reductions for current fiscal year and this will be presented to Council as a supplemental at next Quarterly update. Final sales tax revenue information will not be received until September, at which time staff will know the final closing numbers.

Councilmember Sorensen stated that on March 20th, Council was shown an operating expense overrun of $750,000. Council was told at that time, the primary cause for the overrun was for overtime in the Fire Department and Police Department. After speaking with both Chiefs, they believe they were on track to be at budget or slightly under budget on operating costs and their total salary and benefits costs. If overtime isn’t the source of the $750,000 cost overrun, what is then?

Finance Director Hennessy stated that the majority of departments have overrun their budgets to date. Fire is one exception, they have not. Fire is projected to come in on budget. Their overtime is exceeding their budget, however they have some offsetting savings with salaries. Police Department exceeded their annual overtime budget in February. The total payroll and benefits are tracking at budget and when overtime is added in, it creates an overrun.

Councilmember Sorensen asked if overtime is a part of total salary and benefits.

Finance Director stated that is correct. However, if overtime has already exceeded the annual budget midway through the year, they can’t just shut off overtime. Regular salaries and benefits, excluding overtime, and operating expenses in the Police Department were tracking at budget, but the overtime budget has been exceeded. In the Fire Department regular salaries and benefits, excluding overtime, are tracking way under budget, with the net of these combined coming in at budget. In the Police Department, the net of all of those combined is not, as well as several administrative departments.

Toby Schrindelbeck asked what percentage of the $700,000 overrun goes towards administration of the RDA Successor Agency.

Finance Director Hennessy stated zero. It was explained that the RDA component is completely separate from looking at the expenditure trends of the General Fund.

Mr. Schrindelbeck then inquired since the Fire Department is coming in under budget, why was the $95,000 reduction from their overtime budget required.

City Manager Burkland stated there is one General Fund and all departments were requested to reduce expenses. Fire Department is part of the General Fund, and in such a short amount of time, the City needed to reduce expenditures through reducing overtime. The same thing applies to all departments.

Stephanie Taber stated that in the slides provided by Staff at the February 21 Council meeting, page 20, it’s stated that if current trends continue, General Fund Tax revenues should meet budget targets of 11-12. On March 6th, there is a projected $900,000 budget shortfall. She asked how there could be such a huge difference in two weeks. Now, a month later, how much of that $900,000 has actually been cut.

Staff indicated that almost the full amount has been identified, however it will take the rest of the fiscal year to achieve the cuts. The General Fund tax revenues are still on target; it’s the non-tax revenues where there is a short fall, combined with over-expenditures in operating. This is what changed between the two reports.

Councilmember Sorensen stated it would be beneficial to receive the monthly report in writing so that everyone can see all the revenues and expenses and have a sense of where the City is at. This would alleviate some of the confusion.
The Finance Director indicated that due to a lack of resources it would not be possible to provide a written monthly report.

Chair Gruendl stated he is satisfied with the verbal update.

Ms. Taber also asked if the closure of Station 5 was discussed at the Council level or was it at the Chief’s discretion.

Chair Gruendl stated it was the Fire Chief’s decision. The Chief explained his strategy which was the most cost effective way to meet the reductions.

E. **RDA Dissolution Status Update.**

   Senior Planner Tillman reported that the Oversight Board approved the preliminary Recognized Obligation Payment Schedule and the administrative budget. The Department of Finance has changed some of the items on the ROPS and staff is working to make any necessary corrections. He also gave a brief legislative update.

F. **Reports and Communications.** There were no reports or communications.

G. **Business from the Floor.**

   Dave Donnan stated that the City Manager should be able to get Department Heads to provide monthly income and expense reports.

H. **Adjournment and Next Meeting.** The meeting adjourned at 9:45 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, May 22, 2012, at 8:00 a.m. in Conference Room No. 1.

   [Signature]

   Dani Brinkley, Administrative Analyst

**Distribution**

City Council (7), Council Office Copy, CM, ACM, HNSD, FD
DATE: May 22, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE
RE: REPORT ON FINANCE COMMITTEE MEETING HELD MAY 22, 2012

COMMITTEE MATTERS REQUIRING COUNCIL ACTION

REGULAR AGENDA
A. **Chico Certified Farmer's Market** - At its June 21, 2011 meeting, Council moved to approve a contract with the Chico Certified Farmer's Market (CCFM) for another year with the discussion of franchise fees referred back to the Finance Committee for June 2012 review. Staff provided for the Committee's discussion previously presented fee alternatives. CCFM provided a brief presentation. *(Report - Fritz McKinley, Building & Development Services Director)*

The Building & Development Services Director requested that the Committee's discussion provide direction if it would like staff to proceed with further franchise fee review.

BDSD Director McKinley stated that staff has provided the Committee with previous reports, discussion and actions regarding this matter. At its meeting of June 21, 2011, the Council approved the contract with CCFM for another year with the discussion of franchise fees referred to the Finance Committee for review in June 2012. Since that time, there have been changes to CCFM management and the board of directors.

Speaking on behalf of the Chico Certified Farmers Market were: Richard Coon, Kurt Albrect, Chris Copley, Liz Gardner, Rob Montegomery, Katy Seigfrid and Cheryl King.

Also addressing the Committee regarding this matter were: Heather Keag, Stephanie Taber, Juanita Sumner, Mike McGinnis, and Richard Roth.

Councilmember Walker asked members of the CCFM what type of improvements would help the market and justify a fee increase to the vendors.

Richard Coon stated permanent bathrooms, water, electricity and signage. Eventually, they would like to have the ability to have cooking demonstrations, picnic tables and a park area.

Councilmember Sorensen asked if they know how much these improvements might cost.

Rob Montegomery stated that currently CCFM is spending $6,000 per year on porta potties. A prefab bathroom can be dropped on site for $30,000.

There was discussion about the impact on parking downtown while the market is open.

Heather Keag, representing the Downtown Chico Business Association, stated that is a hot button issue for the DCBA membership and would like to keep discussions open about the impacts on parking. She also handed out information regarding how much the DCBA pays in fees to operate the Thursday Night Farmers Market.
Councilmember Walker noted that some cities do no charge fees and it was clear that Chico’s fees are minimal. The farmers market is mutually beneficial. If CCFM wants the improvements, he suggested going to the vendors with a fee increase and working with the City on development of a long term lease of the parking lot.

A motion was made by Councilmember Walker and seconded by Councilmember Sorensen 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 would 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. The motion carried 3-0.

B. 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 will be 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 new fee requests to be incorporated in the City’s Fee Schedule. (Report – Frank Fields, Accounting Manager)

Accounting Manager Fields reviewed new fees for Animal Services and new fees for processing mortgage subsidy program loans. Fee adjustments are also proposed for General Plan fees for copies of the General Plan and various other fees. All fees related to the Redevelopment Agency are being stricken.

Addressing the Committee were Stephanie Taber and Dave Donnan.

Chair Gruendl noted for the record that although the City Manager has the authority to adjust some fees automatically based on indexes, the fee changes still come back to the Council for approval at the budget study session.

A motion was made by Councilmember Walker and seconded by Councilmember Sorensen to forward a recommendation to City Council to approve the new fees and changes to existing fees as presented in the attached Fee Schedules. The motion carried 3-0.

C. Acceptance of Process Enhancement Task Force Recommendation to Amend Purchasing Procedures for Supplies/Equipment and Contractual Services

The Process Enhancement Task Force recommended approval of proposed changes to the City’s purchasing procedures to raise the formal bid requirement threshold from $10,000 to $25,000 for purchases of supplies/equipment and contractual services. (City Manager and Community Development Manager recommend approval)

Community Development Manager Carroll reported that by increasing the threshold to $25,000, it would help streamline procedures for staff and reduce advertising costs. If approved, this would require a code amendment.

Chair Gruendl inquired that absent the newspaper costs, does the city maintain bid opportunities on the City website so that anyone can view what the City needs.

Staff indicated that posting to the website is not being done at this time due to it being labor intensive.

It was also noted that the City maintains a bidders list and regularly receives calls regarding opportunities to bid.

Councilmember Sorensen felt that maintaining bid opportunities on the website was not too labor intensive and believes it’s a good idea.

Addressing the Committee were Stephanie Taber and Dave Donnan.

A motion was made by Councilmember Sorensen and seconded by Councilmember Walker to forward a recommendation to City Council to approve proposed changes to the City’s purchasing procedures to raise the formal bid requirement threshold from $10,000 to $25,000 for purchases of supplies/equipment and contractual services, and to notify Council of purchases exceeding $10,000 and to post bid opportunities on the City website. The motion carried 3-0.
D. **Request from MSP Borrowers to Forgive Remainder of Loan Balance—Staup, 1382 Lucy Way** - Staff received a letter from Aaron and Misty Staup (attached) requesting that the City forgive the remaining balance on their Mortgage Subsidy Program Loan which consists of accrued interest. The Staup's have paid $29,750 on their loan (principal), and now have an outstanding balance of $5,690.96 in interest. They are requesting that the interest balance be forgiven. *(Report—Sherry Morgado, Housing & Neighborhood Services Director)*

HNSD Morgado reported that although the Staup's have made significant efforts to pay off the loan, they are currently in default due to not currently living in the home. The home has been rented out, leaving a $200 per month short fall between the rent received and the mortgage payment. She recommended a two year payment plan for the outstanding balance, with a payment of $237 per month.

A motion was made by Councilmember Walker and seconded by Councilmember Sorensen to accept a three year payment plan for the balance in lieu of immediate payoff, with a payment of $163 per month. It was noted by Chair Gruendl that this request is occurring at an unprecedented time in the economy and housing market and he does not want to set a precedent. The motion carried 3-0.

E. **Finance Update - Budget Status**

Finance Director Hennessy reported that the UUT tax came in better than expected and TOT revenue increased over last year. She also reported that it’s still unknown what the Department of Finance will approve, if anything, for the former RDA’s administrative budget.

City Manager Burkland stated he anticipates the draft 2012-2013 Budget to be delivered to Council on June 1st.

F. **RDA Dissolution Status Update**

Finance Director Hennessy reported that the January-June ROPS was approved by the Oversight Board and Department of Finance (DOF) is in the process of reviewing it. Staff was informed that there would not be a payment for administrative budget obligations and the City must use cash on hand first, which will affect the General Fund.

G. **Reports and Communications** - None

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

I. **Adjournment and Next Meeting** - The meeting adjourned at 10:10 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, June 26, 2012, at 8:00 a.m. in Conference Room No. 1.

_________________________________________
Dani M. Brinkley, Administrative Analyst
DATE: August 28, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE
RE: REPORT ON FINANCE COMMITTEE MEETING HELD AUGUST 28, 2012

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<th>Committee present:</th>
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<th>HRRM Director Koll</th>
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<td>Chair Gruendl</td>
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

RE: REPORT ON FINANCE COMMITTEE MEETING HELD AUGUST 28, 2012

REGULAR AGENDA

A. Development of Monthly Financial Report - At its meeting on 8/7/12, the Council referred to the Finance Committee the discussion regarding the desired format and content of a monthly financial report that complies with Article IX, Section 908 of the City Charter. (Report - Jennifer Hennessy, Finance Director)

Finance Director Hennessy informed the committee that there has been a variety of different reports provided pursuant to this section over the years. However, monthly reports including revenue receipts or individual fund balances have not been reported since the inception of the Charter requirement.

Staff prepared and provided a sample report that would provide summary level information for each of the City’s 239 funds. This report contains the prior fiscal year ending balance, year to date actual revenues, expenditures and net transfers, available balance along with the fiscal year’s budgeted revenues, expenditures, net transfers and available balance. Additional detail or analysis could be provided upon request. The report that is being requested by members of the public would generate approximately 300 pages and would take considerable staff time to prepare.

Currently, staff provides a quarterly financial report to the Finance Committee and monthly report via the Council weekly update.

Councilmember Sorensen stated that the example summary report is fine for most funds, but doesn’t provide enough information on the General Fund. He would like to see a report that includes the monthly expenses and a quarterly report with the revenues. He doesn’t think that the RDA and the maintenance assessment districts need to be included in the report.

Councilmember Goloff agreed. Before directing staff, she would like to know how the information contained in the report will serve the Council. What will Council do with the information?

Councilmember Sorensen stated that when the City is 3/4 through the fiscal year, is the City 3/4 through its biggest expenses or will there be a short fall.

Councilmember Goloff asked if the Council would then be getting involved in operational decisions.

Councilmember Sorensen responded no.

Chair Gruendl also stated that the General Fund is a line item on the sample report. There are problems associated with just providing budget to actual because it may not give an accurate status of the fund.

Finance Director Hennessy stated she wants the report to be useful to Council and wants to provide a report that looks at the whole equation, not just a portion. She further indicated that she provides
department expense reports to the department heads on a quarterly basis for them to review and make any necessary adjustments. She could provide the report to them on a monthly basis.

Addressing the Committee on this issue were:

Toby Schindelbeck stated that the people want the fund balances in a detailed report that indicates the exact fiscal condition of the City as stated in the Charter. He does not want a report based on hypothetical information, but a detailed report on the funds in real time basis.

Juanita Sumner stated the reports are so complicated that no one can understand them and she doesn’t believe Council can possibly understand all of it.

Stephanie Taber stated the sample summary report is fine, however she would like to see a column for encumbrances. She also stated that if Finance Director Hennessy is concerned about the public not understanding why some funds appear so out of balance, then footnotes could be used to provide a brief explanation.

Chair Gruendl suggested a standard list of footnotes to be included explaining why some items are not routine in nature.

Finance Director Hennessy stated that for some funds that will work, but some funds have unique issues.

Ken Campbell stated that he would like to see more transparency so the fire department can know what direction they need to take. The department heads should know their budgets, as well as Council. However, getting the proposed budget three days before the final is due does not give enough time to adequately review it. Their budget changed dramatically from one week to the next.

Ms. Taber added that if a department head receives a monthly report and a change is needed, only the department head should be able to make the changes within their own budget. However, it seems that somewhere else, changes are being made to department budgets without the department head’s knowledge.

Mr. Campbell asked why in the course of a week, the Fire Chief had to make drastic cuts that included closing a fire station.

Chair Gruendl explained that the City Manager has the authority to make a change if there is an immediate shift in the budget.

City Manager Burkland explained the shift in the budget that required all departments to make cuts across the board. Finance Department was watching the trends and the City was overspending. Expected revenue didn’t come in.

There was a consensus among the Committee Members for the Finance Department to provide a summary report, with more detail on some funds. The monthly report would include footnotes for any abnormalities in fund balances.

City Manager Burkland stated staff will return to the Finance Committee with some ideas on different types of reports and what the impacts will be with the current staffing levels, if implemented.

Councilmember Sorensen suggested the report be available in a pdf. format and Councilmember Goloff suggested a paper copy also be available for public viewing.

City Clerk Presson suggested that the report be placed under Reports and Communications so that it is memorialized on the Council agenda and available to the public.

B. Discussion Of Pension Reform Update. Committee Chair Gruendl requested an update on the status of pension reform. The Human Resources & Risk Management Director has provided a report that includes a brief introduction into some of the pension reform concepts by the Governor and State Senate Republicans. Additionally, information was presented on what two-tiered pension formulas being utilized in other cities. (Report – David Koll, Human Resources & Risk Management Director)
HRRM Director Koll compared Governor Brown’s Twelve Point Pension Reform Plan with the California Senate Republican’s proposed 15 point reform plan. He also provided an initial study of various cities two tiered systems and an overview of pension formulas.

There were no comments from the public.

C. **Finance Update - Budget Status** - Staff provided a quarterly report on tax revenues.

D. **RDA Dissolution Status Update** - Senior Planner Tillman provided a verbal update on the $11.2 million payment demand made by the Department of Finance (DOF) and the City’s request for the return of the $961,000 payment that was made to avoid any penalties. DOF has completed a review of the City’s request for reconsideration and has determined DOF doesn’t have the authority to rescind the payment demand, however they will not pursue any penalties or delay payment of the City’s sales tax revenue. The result of the City not paying the payment will be that the DOF will not give a Notice of Completion.

E. **Reports and Communications** - The following report and communication item was provided for the Committee’s information. No action was taken.

1. Monthly report on Q&A from citizens regarding City finances

   A. Response to questions from Stephanie Taber submitted at the 8/7/12 City Council meeting.

F. **Business from the Floor** - Members of the public may address the Committee at this time on any matter not already listed on the agenda, with comments being limited to three minutes. The Committee did not take any action.

   Aaron Carter expressed concern that the fire department will not be able to operate within their budget since three firefighter positions were unfunded.

   City Manager Burkland advised that after speaking with the Fire Chief, funds have been added to the fire department budget.

   Finance Director Hennessy confirmed that $250,000 was added to the Fire Department overtime budget. The budget that is on the City’s website is the proposed budget. The final budget should be posted soon.

G. **Adjournment and Next Meeting** - The meeting adjourned at 9:55 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, September 25, 2012, at 8:00 a.m. in Conference Room No. 1.

---

Dani M. Brinkley, Administrative Analyst
Finance Committee Report

DATE: September 25, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE
RE: REPORT ON FINANCE COMMITTEE MEETING HELD SEPTEMBER 25, 2012

Committee present:
Chair Gruendl
Councilmember Goloff
Councilmember Sorensen

Staff present:
City Manager Burkland
Asst. City Manager Rucker
City Attorney Barker
City Clerk Presson
HNSD Morgado
Finance Director Hennessy
HRRM Director Koll
Senior Planner Tillman
Administrative Analyst Brinkley

COMMITTEE MATTERS REQUIRING COUNCIL ACTION

REGULAR AGENDA

A. Request from MSP Borrower to Accept Reduced Payoff of Loan—Molina, 1581 East Avenue

Staff received a request from Magdalena Molina for consideration of a reduced payoff on her Mortgage Subsidy (MSP) loan. The duet style home is in a negative equity position and due to family hardship, she requested that the City accept a reduced payoff. (Report—Sherry Morgado, Housing & Neighborhood Services Director)

Housing Financial Specialist Marie Demers, reported on the circumstances which led to Ms. Molina making the request of a reduced payoff. Ms. Molina's father became ill and passed away. She and her mother are experiencing medical problems and she was forced to move out of state. Ms. Molina rented the home, however the tenants have lost their jobs and are moving out of the area. If the Committee chooses not to accept the reduced payoff, the home will likely go into foreclosure and the City will not receive any proceeds.

Committee Member Goloff inquired as to the number of properties that are in this position and what the default rate is on City loans.

HNSD Morgado stated there will be a quarterly update provided at the October Finance Committee meeting.

Addressing the Committee on this matter were Stephanie Taber and Mike Trollander.

A motion was made by Committee Member Goloff and seconded by Committee Member Sorensen to approve the borrower’s request for a reduced MSP loan payoff on the condition that the City receives all proceeds of the sale less amounts due to superior lien holder, reasonable escrow costs and sales commission and that the borrower receives no proceeds from the sale. The motion carried 3-0.

B. Development of Monthly Financial Report - Continued from the 8/28/12 Finance Committee Meeting

At its meeting on 8/7/12, the Council referred to the Finance Committee the discussion regarding the desired format and content of a monthly financial report that complies with Article IX, Section 908 of the City Charter. (Report - Jennifer Hennessy, Finance Director)

Finance Director Hennessy made some revisions to the previous summary report and added a new report. The combined reports focus on the general fund, enterprise funds, gas tax and transportation tax. The summary report indicates the percentage of budget remaining.

Addressing the Committee on this matter were Toby Schindelbeck, Stephanie Taber and Mike Trollander.
There was a consensus among the Committee to recommend to Council to approve the monthly report package to be distributed each month to the City Council and posted to the City’s website. The Committee agreed to continue discussions regarding monthly department expenditure reports.

C. **Discussion Of Pension Reform Update - Continued from the 8/28/12 Finance Committee Meeting**

Committee Chair Gruendl requested an update on the status of pension reform. The Human Resources & Risk Management Director provided a report that included a brief introduction into some of the pension reform concepts by the Governor and State Senate Republicans. Additionally, information presented included what two-tiered pension formulas are being utilized in other cities. (*Report – David Koll, Human Resources & Risk Management Director*)

HRRM Director Koll reviewed several of the impacts of the Governor’s pension reform legislation.

Chair Gruendl inquired if the City will now provide a new package to offer to potential employees based on the new two-tier system.

HRRM Director Koll stated that he will continue to monitor the situation and report back with any new updates.

Chair Gruendl asked what the public will be shown after January 1, 2013 if a new package isn’t prepared.

HRRM Director Koll stated he will create a summary page.

D. **Finance Update - Budget Status**

Finance Director Hennessy reported Finance is nearing the closing of the year end. An audit of the housing fund, which is time critical for the Successor Agency, is being conducted. She has received a final raw number for 4th quarter sales tax revenue and there is a 9% increase.

E. **RDA Dissolution Status Update**

Senior Planner Tillman reported the Successor Agency was able to receive a loan from the City and include the re-payment of the loan on the ROPS III. The ROPS is still under review. Staff is meeting the Butte County Auditor Controller to request to rescind the $11.2 demand from DOF. He also reported there is a due diligence review required for the Housing Successor Agency, which requires a 5 day public review period.

There will be a larger, more detailed due diligence review at the end of the year.

Addressing the Committee on this item was Stephanie Taber.

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

G. **Adjournment and Next Meeting** - The meeting adjourned at 9:45 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, October 23, 2012, at 8:00 a.m. in Conference Room No. 1.

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Dani M. Brinkley, Administrative Analyst

**DISTRIBUTION:**
Council Binder, HNSD, FD, HR/RM Director
Finance Committee Report

DATE: October 23, 2012
TO: CITY COUNCIL
FROM: FINANCE COMMITTEE
RE: REPORT ON FINANCE COMMITTEE MEETING HELD OCTOBER 23, 2012

<table>
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<th>Committee present:</th>
<th>Staff present:</th>
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<tr>
<td>Chair Gruendl</td>
<td>City Manager Nakamura</td>
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<td>Councilmember Goloff</td>
<td>Asst. City Manager Rucker</td>
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<td>Councilmember Sorensen</td>
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<td>Housing Financial Specialist Demers</td>
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<td>Administrative Analyst Brinkley</td>
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COMMITTEE MATTERS REQUIRING COUNCIL ACTION

REGULAR AGENDA

A. Report on Mortgage Subsidy Program Portfolio Foreclosures and Approved Rental. An update was provided by Housing Financial Specialist, Marie Demers, regarding foreclosure activity related to the MSP loan portfolio and per AP & P 27-10, an update on an MSP borrower that was approved to rent her home was also provided. *(Report - Sherry Morgado, Housing and Neighborhood Services Director)*

Housing Financial Specialist Demers reported there are currently seven foreclosures within the current 336 single family loan portfolios which represents a rate of 2.1%. Of these seven foreclosures, four of the loans originated at the height of the housing market in 2005-2006, one in 2003 with the remaining two in 2008. These foreclosures were the result of job loss or reduction in hours, illness or divorce, creating a hardship for the borrowers. The foreclosure rate seems to be stabilizing.

Housing Financial Specialist Demers also reported that Nona Rossa was approved to rent her home by the City Manager per AP&P 27-10. Since buying her home in 2008, she lost her job and was forced to move out of the area for work. She is unable to refinance and is currently renting her home for fair market value. She remains current on her first mortgage.

B. Development of Monthly Department Expenditure Reports - Continued from the 9/25/12 Finance Committee Meeting where a draft Monthly Financial Report was considered by the Committee.

Finance Director Hennessy provided an example of a Monthly Department Expenditure Report, which is basically budget to actuals by department. She has been discussing with staff in the Information Systems Department the feasibility of allowing the public to run real time reports. At this time, the City’s technology and firewall will not allow it. The example of the monthly report is run straight out of the IFAS system and staff can print these reports and post them on the website. She requested that the committee determine the parameters of what reports and what departments should be included. The monthly report for General and Park Funds does not create a large report, however if all funds were included, the report would be sizable. She believes that this report goes beyond the Charter requirements. She added that it can be done and she wants to make sure that what is provided is useful to Council.

Chair Gruendl asked what departments are included in the example report provided and if this is a canned report.

Finance Director Hennessy replied that all the administrative departments are included, as well as police, fire and general services. The report is pre-written and can not be directly printed to pdf out of IFAS.

Chair Gruendl stated this report covers quite a bit and clarified this report has to be printed, then scanned. He suggested adding a cover sheet explaining that the report does not include all city funds.
Finance Director Hennessy stated the report could be tweaked a little but that it will not print clearly or print to pdf.

Committee Member Sorensen asked what the concerns are if the public is able to run the report.

Assistant City Manager Rucker stated that the City currently doesn’t have the software for the public to be able to run the report. There are also security issues associated with allowing the public to access this information. He feels it is best for staff to run the report and post it on the website.

Finance Director Hennessy added that another concern is that the books are not closed every month and the reports change throughout the year. Revenue that is anticipated will not be reflected in the balances and this may cause confusion.

Committee Member Goloff agreed with Chair Gruendl’s suggestion about having a cover sheet explaining what is contained in the report and any anomalies in the report.

Addressing the Finance Committee on this item was Stephanie Taber. She would like to have a chance to review the report before she comments.

There was a consensus among the Committee to forward the Monthly Department Expenditure Report to Council for approval.

C. **Discussion of Unfunded Obligations** - The City Manager asked the Committee to begin discussion of Unfunded Obligations. Discussion from this meeting will provide the framework for future discussions on this item. *(Verbal Report - Brian Nakamura, City Manager and Jennifer Hennessy, Finance Director)*

City Manager Nakamura has been working with Finance Director Hennessy on creating a draft table of unfunded obligations. She has been able to divide the unfunded obligations into three general categories: internal and external operational and capital. This is more commonly termed unfunded liabilities, which means these are items that the City may be responsible for in the future in terms of what could be paid for PERS or workers comp. Examples of internal operational obligations include workers compensation, sick leave and vacation accruals. External operational obligations include PERS and health care. Capital obligations include infrastructure improvements and maintenance, vehicle replacements and facilities expansions and development.

City Manager Nakamura noted in the table there is approximately $63 million for unfunded liabilities for CalPERS. This is difficult to get your hands around because it relates to employees who are either retired, are going to retire or who are currently with the City. However, that amount would only be incurred if all employees retired at once. With pension reform happening, we know that number will start to shrink. We can also be hopeful that CalPERS investments start to increase and we start to see a more positive adjustment.

Committee Member Sorensen stated he would like to have a better understanding of fleet and technology replacement and find out where we are versus where we ought to be, knowing that we shorted these funds in previous years. Chair Gruendl added to also find out if there is a budget policy that says where the funds ought to be.

Finance Director Hennessy replied that there is a fleet replacement schedule, however staff hasn’t prepared a full update since implementing a lot of the budget reduction strategies along with the new ways staff is managing the fleet. On technology replacement, in 09/10, staff put together a schedule related to hardware replacement. Staff has not quantified what it would be to replace all the software systems, such as financial accounting software and the police department system.

Chair Gruendl noted that the fleet replacement fund is down $500,000. He asked if this is a result of purchases that have already occurred and we have failed to put an adequate amount in to cover it, have we put nothing in there since 07/08 and are we not meeting a budget obligation for what should be going in there.

Finance Director Hennessy replied that the obligation of the budget policy is not being met. Prior to 07/08, we were putting around $600,000 in annually and the fund balance was around $4 million. After 07/08, we felt it would be okay to reduce that annual amount due to the fleet optimization implemented by GSD. There is currently $2.7 million in the fund.
General Services Director Martinez added that we are catching up to the fund balance more each year that we don’t add to it. There have been fleet reductions and delayed replacement of fleet vehicles.

Finance Director Hennessy added that we have looked at all the various options and these have been very well thought out and strategic decisions that had to be made.

Staff briefly reviewed several of the remaining listed unfunded obligations listed in the table.

Finance Director Hennessy stated that staff is in the process of updating the Cost Allocation Plan. As reductions in funds have occurred and more costs are being shifted to the General Fund from various departments, the plan will identify where those costs should be allocated. For instance, $700,000 in early retirements, legal settlements and vacation buyouts have come out of the emergency reserves.

Chair Gruendl stated employees should be encouraged by the affected department to use their vacation time rather than accrue it.

Committee Member Sorensen stated these costs should be borne out of the department, not the emergency reserves.

Finance Director Hennessy stated that a funding source still has not been identified for affordable housing.

City Manager Nakamura stated that the Finance Committee will continue this discussion to include reviewing the budget policies, the Cost Allocation Plan and actual obligations.

Chair Gruendl asked at the next meeting, that the Committee and staff begin culling through these items that beg for a policy review to determine if the existing policies are appropriate and should the work done on the Cost Allocation Plan be modified, such as affordable housing. He would like to look at the items that aren’t tied to items that are yet to be completed.

D. Finance Update - Budget Status

Finance Director Hennessy did not have any new information to report.

E. Business from the Floor - None

F. Adjournment and Next Meeting - The meeting adjourned at 9:02 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, November 27, 2012, at 8:00 a.m. in Conference Room No. 1.

DANI M. BRINKLEY, ADMINISTRATIVE ANALYST

DISTRIBUTION:
Council Binder, HNSD, FD
Finance Committee Report

DATE: November 27, 2012

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: AMENDED REPORT ON FINANCE COMMITTEE MEETING HELD NOVEMBER 27, 2012

Committee present:
Chair Gruendl
Councilmember Goloff (arrived at 8:05 a.m.)
Councilmember Sorensen

Staff present:
City Manager Nakamura
Asst. City Manager Rucker
City Attorney Barker
Finance Director Hennessy
HNSD Morgado
Housing Financial Specialist Demers
Administrative Analyst Brinkley

Chair Gruendl called the meeting to order at 8:00 a.m. and announced that Councilmember Goloff would be arriving in about five minutes.

REGULAR AGENDA

A. Request to Extend Mortgage Subsidy Program Loan Agreement—Chopra, 2928 Pennyroyal Drive.

Staff received a request from Anu Chopra to extend her current contract for repayment of her Mortgage Subsidy Program Loan which has a balloon payment due in December 2012. (Report—Sherry Morgado, Housing & Neighborhood Services Director)

Housing Financial Specialist Demers reported Ms. Chopra has requested that the $35,000 balloon loan payment due at the end of this month be delayed for two years. She will make a $5,000 balloon payment if approved and continue to make monthly payments. At the end of two years, she will have a balloon payment due of approximately $21,000.

A motion was made by Councilmember Sorensen and seconded by Chair Gruendl to approve extension of the repayment agreement for two years, with the stipulation that rent is not to increase above the current amount, increase the monthly payment to $400 with total balance due and payable at the end of the two year extension.

B. Update and Request for Extension of Rental Period for Mortgage Subsidy Program Borrowers, Frank and Jenny Cappuccio.

Staff provided an updated recommendation regarding the rental status of Frank and Jenny Cappuccio’s home located at 570 East Avenue. Due to the continued negative equity in the home and relocation of the borrower for employment, staff and borrowers requested an extension of the rental period. (Report - Sherry Morgado, Housing and Neighborhood Services Director)

Housing and Neighborhood Services Director Morgado explained that the Cappuccio’s have moved out of the area and have been unable to sell their home. They currently have a steady tenant and are requesting to continue renting the home for two years. They would like to sell the home as soon as the real estate market recovers.

A motion was made by Councilmember Sorensen and seconded by Chair Gruendl to approve the extension of the rental period for up to two years with the stipulation that conditions of AP & P 27-10, Section F, 1 a through e are met.

The motion carried 2-0-1 (with Councilmember Goloff absent)
C. **Finance Update - Budget Status** - Standing Item

Finance Director Hennessy reported that consultants HDL provided an updated report of the City’s sales and property tax figures. Receipts for April through June sales were 9.9% higher than a year ago. The next sales tax update should be available in January. The property tax summary report indicated that Chico experienced a net taxable value decrease of 2.1%. The decrease is due to properties that are still being reassessed based on decreased property values. The properties that have been reassessed do not have the annual 2% CPI adjustment. The decrease will result in an $80,000 impact to the general fund. Finance Director Hennessy also reported that UUT receipts are up 3% and TOT is up 6%.

Juanita Sumner asked staff how much the City pays for the HDL contract each year.

Finance Director Hennessy stated the sales tax report is $4,200 and she was not sure regarding the property tax report.

Dave Donnan asked if the City is looking at the 60-40% County/City split for property taxes.

City Manager Nakamura replied that talks have already begun.

D. **Discussion of Chico Measure J**

Chair Gruendl began the discussion regarding the failure of Measure J, the Utility Users Tax, by asking what this means for the City and when does the revenue loss hit the City’s budget.

City Attorney Barker stated that she will be bringing this matter forward to the full Council in December. The City will experience some revenue loss this fiscal year. Staff will need to look at the projections, at possible refund requests, whether to notify the carriers, and whether the tax should have been imposed in the first place.

Chair Gruendl asked if the City may have to pay back the tax prior to the failure of Measure J if its determined the tax shouldn’t have been imposed.

City Attorney Barker stated yes, but the City would only have to go back for one year.

Finance Director Hennessy stated the funds received from cell phone companies are being held in a fund for possible future refunds. The funds received from companies that provide both land and cell service aren’t segregated to show how much of the tax is from a land use or cell use.

Chair Gruendl stated that the revenue decrease is expected to be around $900,000 and the number is expected to increase over the years due to more people dropping land lines.

City Manager Nakamura said this discussion blends in with the unfunded liabilities discussion. The City’s budget reduction measures have included decreasing payments into certain funds, such as facilities maintenance. The question becomes how do we continue to do that with a potential $900,000 decrease in revenues. To put $900,000 in context, that could mean 7-8 police officers or two-thirds of operations for the fire stations. There are significant impacts. The matter of reducing payments to other funds, such as maintenance on facilities or Bidwell Park, has to be addressed. The City absorbed a significant amount of the costs with the loss of the redevelopment agency. Staff is looking at renegotiating the sales tax sharing agreement with the County and also the Cost Allocation Plan. There will be significant budget discussions in January to address all of these concerns.

Juanita Sumner asked what the current figure is for premiums for pensions and benefits that the City pays for employees and what is the employee share.

Finance Director Hennessy stated that the City pays close to $7 million to PERS for employee pensions. The percentage the employee pays for pensions and benefits depends on their bargaining unit. This information is on the City website in the City’s budget and is listed in the appendices.

Ms. Sumner also inquired about who handles the City’s health insurance, what the City pays for health insurance, does the employee contribution depend on the bargaining unit, how is that amount determined and is the share that employees pay the same as the 2% that Council members pay.
Staff responded that City uses CSAC. Staff did not know the amount the City pays for health insurance. Staff further stated that the amount the employee pays depends on the plan that they choose. The costs vary as there are nine plans to choose from. The amount the employee pays for the plan depends on the bargaining unit.

E. **Unfunded Liabilities** - Discussion to continue to the December Finance Committee meeting.

F. **December Finance Committee meeting falls on Christmas Day** - The Committee agreed to meet on December 26, 2012 at 8:00 a.m. Items on Agenda Planning Calendar for December are:

1. MSP Foreclosure Loan Write-offs
2. Unfunded liabilities - cont. discussion from 10/23/12 FC meeting
3. User Fee Study Update - postponed from 2/28/12 FC meeting

G. **Business from the Floor**

Dave Donnan suggested looking at the City’s assets to see what is no longer being used, such as old equipment and selling what is no longer needed. He also suggested the City look at selling the 5 million gallons of water that is currently being dumped into the Sacramento River.

H. **Adjournment and Next Meeting** - The meeting adjourned at 8:35 a.m. to the next regular Finance Committee meeting scheduled for Wednesday, December 26, 2012 at 8:00 a.m. in Conference Room No. 1.

Dani M. Brinkley, Administrative Analyst

**DISTRIBUTION:**
Council Binder, HNSD, FD
Chair Gruendl called the meeting to order at 8:00 a.m. Committee and staff were present as noted. Chair Gruendl noted that Item A. (Finance Update) and Item B. (Unfunded Liabilities) will be combined.

REGULAR AGENDA

A. **Finance Update - Budget Status**

B. **Unfunded Liabilities**

**Measure J - Utility Users' Tax - (Report - Jennifer Hennessy, Finance Director)**

In regards to the defeat of Measure J - Utility Users’ Tax and the subsequent need to issue refunds, Finance Director Hennessy stated that a procedure needs to be developed for refunds that is accessible and efficient for staff. Finance will be contacting all of the telecom companies. Councilmember Goloff asked if there are other cities who the City could look to for examples. Finance Director Hennessy stated there is a list and that Finance would segregate the remittances that staff knows are for cell phones. Chair Gruendl asked as far as the refunds, is it anything the City received in the fiscal year that is being held. Finance Director Hennessy stated it was anything after November 2012. She is using $500,000 as an estimate. Chair Gruendl thought the City was using $900,000, but that is for an entire year. Finance Director Hennessy again stated it is only for the companies that provide both cell and land lines. Councilmember Sorensen asked if there was only one company. Finance Director Hennessy said there are actually a few, including MCI and AT&T.

**Finance Update - Budget Status**

The Committee asked what the City’s strategies are for the existing fiscal year. Finance Director Hennessy stated there are certain trends that can be projected. Property tax increased over projections by about $108,000. There is a court case regarding the way the County has been incorrectly charging since 2007. The City is submitting a claim, although staff is unsure how far back the City can go. City Attorney Barker added that cities up and down the state are preparing claims although the statutes are not clear. Finance Director Hennessy stated the City’s claim is over $1 million.

Finance Director Hennessy continued the budget update, stating the City would see a zero gain in property tax. Reports came in with a 2% decline, or about $74,000. The County pool, of which Chico is a member, mistakenly forwarded to the City of Chico $150,000 that actually belonged to the City of Corning. This error will cause a reduction in the City’s third quarter report. Gas prices are also the big unknown projection. Utility Users’ Tax, outside of the cell issue, is growing; the City increased its budget by 2%. Transient Occupancy Tax is running about 4%, but continues to fluctuate and on average is about 3%, a little higher than budgeted. The City did receive Vehicle License Fees, one section of the code the State did not take away. The City continues to look at departmental reductions. Finance Director Hennessy is projecting an ending balance of $150,000, although some of the numbers are still being validated. She will keep the Committee updated throughout the year.
**Unfunded Liabilities**

Addressing the Committee on this item was Juanita Sumner, who asked for clarification regarding the refund of funds from the cell tax received after November. Ms. Sumner also wanted to verify a question from a previous Finance Committee meeting regarding the amount that the City was sharing for employee pensions. The minutes said “pension and benefits” and she wanted to be sure that it was indeed $10.1 million. Finance Director Hennessy confirmed that figure and yes, it included benefits. Ms. Sumner will email the Finance Director later regarding this issue. She is asking for the employee share of the pension costs. Chair Gruendl stated the employee percentage is different in the various contracts of the different bargaining groups and mentioned legislation pending to shift the payment over time to the employee as part of pension reform to be effective by 2017 or 2018. Councilmember Sorensen added it remains to be seen how the next tier will be structured. The methodology is actuarial.

Chair Gruendl raised the issue of the administrative costs that the City’s General Fund would need to absorb as a result of the dissolution of the Redevelopment Agency (RDA). Since several months have passed, staff should have an understanding of what the hit will be, if there is a hit.

Finance Director Hennessy was asked about the closing of the books for FY 11/12. She stated she will be bringing information to the second Council meeting in January. She is projecting the City will be in a positive position. Staff is still moving forward with reductions. Chair Gruendl stated staff needs to complete the unfunded liability list and wonders if those liabilities are associated with budget policies. For example, one of the reserves (general liability) that has been cut back didn’t need to be as high as it was. Councilmember Sorensen added that staff stated that the pool lowered the ceiling.

Chair Gruendl asked what budget policy changes need to be recommended to Council. Last year, Councilmember Evans had staff change the section related to bargaining. Council would probably need two meetings to get that part accomplished. Finance Director Hennessy recommended the Committee identify the policies that might require City Council review and possible modification.

Discussion turned to the fact that the make-up of the Committee will be changing. Chair Gruendl asked if someone from the Finance Committee will be on the Economic Development Committee. Councilmember Goloff indicated there will be more shared leadership. Within all three committees there are operational decisions being made that impact one another. Chair Gruendl asked that the Committee bring suggestions and references to the January 22, 2013 meeting for unfunded liabilities and then decide which would be handled by budget policy or in another way.

Finance Director Hennessy stated that Finance is overrunning its administrative budget, projecting out what the City will need for the next six months, citing the due diligence review required by Assembly Bill 1484 as an issue. City Attorney Barker stated the $11 million demand will not be solved without filing a lawsuit and added she has the authority to provide a writ. The full amount of the loan the City made to the Successor Agency will be a second issue. Councilmember Sorensen noted the State will not recognize this. City Attorney Barker stated that $961,000 was deducted from the full amount of the loan. In talking with the State Attorney General’s office, they seem amenable, but staff are still providing facts. Councilmember Gruendl asked if the City filed a writ and received a stipulated judgement, would the City incur significant costs, noting at the Oversight Board meeting, an amount was set aside as an administrative allocation for the Successor Agency. Finance Director Hennessy answered that was put on the second ROPS, which the Department of Finance denied, saying it needed to come out of the Oversight Board’s administrative allocation, which staff hopes will not be contested.

Juanita Sumner asked if the City settled the issue with someone at the airport. City Attorney Barker indicated two suits were filed. The City prevailed on one, and the other is on appeal. The second suit has been taken off the court calendar pending appellate court action.
In closing, Chair Gruendl stated it would help to pull the City’s budget policy section from the existing budget policies as well as bring any other ideas for the Council that are not necessarily tied to unfunded liabilities. Councilmember Sorensen added that as far as budget policies related to funds, fleet replacement and facilities maintenance, staff should be prepared to assist in determining where the City may be behind the curve.

C. Business from the Floor

Juanita Sumner mentioned that on the plaque of a sponsored planter, Mary Goloff’s name is spelled with only one “f.”

D. Adjournment and Next Meeting - The meeting adjourned at 8:53 a.m. to the next regular Finance Committee meeting scheduled for Tuesday, January 22, 2013, at 8:00 a.m. in Conference Room No. 1.

_________________________________________
Karen J. Masterson, Administrative Assistant

DISTRIBUTION:
Council Binder