CITY OF CHICO MEMORANDUM

TO: CITY COUNCIL (Mtg. of 2/6/01)                      DATE: January 17, 2001
FROM: FINANCE COMMITTEE                           FILE: Committee Binder
RE: REPORT ON FINANCE COMMITTEE MEETING HELD JANUARY 8, 2001

Committee present: Councilmember Keene, Chair
Councilmember Nguyen-Tan
Councilmember Wahl

Staff present: City Manager Lando
Assistant City Manager Dunlap
Assistant City Attorney Barker
Director of Public Works Ross
Chief of Police Efford
Housing Officer McLaughlin
Management Analyst Herman
Accountant Thorpe
Administrative Analyst Young

Consent Agenda

A. Approval of Amendment to the City’s Fee Schedule to Establish a Fine for Parking in Police Parking Zones. The Committee was provided with a memorandum dated 12/27/00 from the Finance Director forwarding this proposed amendment to Section 15.094 of City’s Fee Schedule to establish a $30.00 fine for parking in Police Parking Zones. The Finance Director and Chief of Police recommended approval of the fee schedule amendment, and that the implementing resolution be forwarded to the City Council for adoption.

Recommendation:
The Committee recommended (3-0) that the resolution implementing an amendment to the City’s Fee Schedule to establish a $30.00 fine for parking in Police Parking Zones be forwarded to the Council for adoption.

Regular Agenda

B. Consideration of the Recommendations from the Countywide Consolidated Transit Services Advisory Committee regarding Consolidating the Transit Systems within Butte County. For the past year, representatives from the various Butte County jurisdictions and transit agencies had been convening to discuss opportunities for consolidating the transit systems within the county. By memorandum dated 12/22/00, the City Manager provided a summary of the recommendations from the Countywide Consolidated Transit Services Advisory Committee (CCTS) regarding this issue for the Committee’s consideration.

Assistant City Manager Dunlap distributed copies of the “Transit Consolidation Study Summary Report” prepared by Nelson\Nygaard Consulting Associates, which had just been received. She then reviewed the City Manager’s memorandum, summarizing the recommendations of the CCTS for formation of a Joint Powers Authority for a consolidated transit system, with the Butte County Association of Governments (BCAG) as the policy oversight body and administrator of the system. It was recommended that a super majority vote of the BCAG Board be required for policy decisions on the consolidated transit system.

Chair Keene noted that the cost savings that the City would realize if the transit system were consolidated was estimated at only $26,000, and he was concerned that the loss of local control to a regional agency such as BCAG would not be worth the savings.

City Manager Lando responded that approval of new routes would be locked to the funding, i.e., Chico would be able to establish any route it wanted as long as it provided the funding for that route. If the consolidation proposal went forward, agreement provisions would be carefully crafted to ensure that Chico’s routing concerns were met.

Scott Cromer-Colburn, representing ATC, the City’s (and the County’s) transit operator, responded to Councilmember Nguyen-Tan’s question as to how consolidation would change ATC’s operation. He said consolidation made sense because ATC would be working with one group (BCAG) rather than several
different entities. He felt it would benefit the transit users because there would be uniform fares and the whole system would be more user friendly if it were consolidated.

City Manager Lando recommended that City representatives meet with Board of Supervisors representatives before the City Council makes any final recommendations on going forward with transit consolidation.

Chair Keene recommended that review of the proposal go slowly to ensure that Chico does not lose any local control of its transit system, and that a subcommittee of the Council, perhaps the Finance Committee, meet with the Chico representatives from the County Board of Supervisors. Regardless of whether the consolidation proposal went forward, he felt the policy makers should meet to discuss transit issues instead of relying on staff resolve them.

Staff responded to Committee questions regarding funding sources and ridership and how these factors would affect control of a consolidated transit system. City Manager Lando suggested that staff provide more information on transit funding sources, the current transit agreement with the County and use of TDA funds when this proposal was presented to Council at its 1/23/01 work session. Further, he recommended that the Transit Consolidation Study Summary Report and additional background information to be prepared by staff be presented to Council as an information only item at this point, since it was anticipated that a formal presentation on the proposal would be made to BCAG in the near future.

The Committee took no action on this matter, directing staff to submit the Transit Consolidation Study Report, along with additional background information on transit funding and the current agreement with the County, to the City Council for information only at its 1/23/01 work session meeting.

C. Consideration of Report on Cost Analysis of Using Trolleys instead of Regular Buses on the Chico Area Transit System. Committee Chair Keene had requested staff to provide an analysis of using trolleys versus regular buses on the Chico Area Transit System, but was unable to attend the 12/4/00 Committee meeting when this report was submitted to the Committee. The Committee was provided again with the memorandum dated 11/16/00 from Management Analyst Herman submitting costs and other information provided by the City’s transit contractor, ATC, regarding comparing the trolleys with the buses.

Assistant City Manager Dunlap noted although the trolleys were attractive and popular with the public, the City’s transit consultant and transit operator had concluded that it would not be practical or cost effective to purchase trolleys instead of buses.

City Manager Lando distributed an excerpt from the 1993 Chico Area Transit System Transit Operations Plan regarding the use of smaller buses.

Chair Keene advised that studies have shown that shorter “headways” (waiting time between buses) and use of more attractive buses increased ridership, which might make up for the higher cost of trolleys. As he had mentioned during a previous meeting, he felt the City should consider establishing a route with short headways that would use trolleys traveling a “loop” between the Chico Mall and the downtown area.

City Manager Lando suggested staff investigate the cost of retaining the firm of Nelson\Nygaard to analyze the City’s routes and types of vehicles used. He also indicated staff would provide more information and a comparison of the expected life of trolleys and buses.

The Committee took no action on this matter, directing staff to report back with more information on the expected life of trolleys and buses, and on the cost of retaining the consultant firm of Nelson\Nygaard to analyze the City’s transit routes and types of vehicles.
D. Consideration of Policy for Subordination of Mortgage Subsidy Program Loans. The Committee was provided with a memorandum dated 12/28/00 from the Housing Officer providing background information on requests for resubordination of Mortgage Subsidy Program (MSP) loans and requesting Committee consideration of a policy regarding the subordination of MSP loan interest in cases where the loan principal was being paid off.

Housing Officer McLaughlin reviewed his memorandum, summarizing that several MSP borrowers have been refinancing their loans due to lower interest rates, and in so doing have been allowed to resubordinate their MSP loans to the first lender, if the requirements of the Administrative Procedures and Policies for the MSP were met. In some instances the refinancing has enabled borrowers to pay off the principal on their MSP loans entirely. In these cases some of the borrowers have requested that the MSP interest balance remain outstanding, since they were planning to stay in the home past the point when the interest would be forgiven as part of the program (the interest balance is forgiven in five annual increments starting in year 11 of the MSP loan term if the family remains in compliance with the terms and conditions of the loan agreement).

The Committee agreed that the proposed policy of allowing the interest balance to remain outstanding when resubordination of MSP loans is approved and the principal is paid off would be beneficial to both the borrowers and the City, since the MSP loan fund would increase as more loans were refinanced.

Councilmember Nguyen-Tan suggested that if the policy were approved, it would be appropriate to inform the current borrowers of this option.

Housing Officer McLaughlin advised that he felt his office would be able to handle the work load of such notification to all of the borrowers in the program.

Recommendation:
The Committee recommended (3-0):
1. approval of a Mortgage Subsidy Program (MSP) Policy which would allow resubordination of MSP loans if certain conditions were met, and which would provide that if the principal of an MSP loan were paid off in full as part of the refinancing, the interest balance would remain outstanding; and
2. that staff be directed to notify all of the MSP borrowers regarding this new policy.

E. Rescheduling of the Committee’s Regular Meeting Date.

Councilmember Nguyen-Tan advised that Monday meetings would conflict with his schedule, and requested the Committee to consider meeting on Wednesdays instead.

Action:
The Committee (3-0) agreed to change its regular meeting date from the first Monday to the first Wednesday of the month at 4:00 p.m. (It was later discovered that Conference Room No. One was being used by the Architectural Review Board for its meetings on that day and time, so the Finance Committee will be meeting in Conference Room No. Two instead.)
CITY COUNCIL (Mtgs. of 2/20/01)

DATE: February 9, 2001

FROM: FINANCE COMMITTEE

FILE: Committee Binder

TO: REPORT ON FINANCE COMMITTEE MEETING HELD FEBRUARY 7, 2001

Committee present: Councilmember Keene, Chair
Councilmember Nguyen-Tan
Councilmember Wahl

Staff present: City Manager Lando
Assistant City Manager Dunlap
City Attorney Frank
Director of Public Works Ross

Comm. Dev. Director Baptiste
Finance Director Martin
Housing Officer McLaughlin
Accountant Thorpe
Administrative Analyst Young

Consent Agenda

A. **Recommendation for Approval of 1999-00 Fiscal Year Audit Reports for the City of Chico and the Chico Redevelopment Agency.** At its meeting of 1/23/01, the City Council acknowledged receipt of the following financial reports for the Fiscal Year 1999-00, and referred them to the Finance Committee for review: Annual Financial Report of the City of Chico, Chico Redevelopment Agency Component Unit Financial Report, Chico Public Financing Authority Component Unit Financial Report, Single Audit Reports, Management Letter, and the Transportation Development Act Funds Financial Report. The Finance Director recommended that the Audit Reports be forwarded to the City Council for approval.

**Recommendation:**
The Committee recommended (3-0) that the 1999-00 Fiscal Year Audit Reports for the City of Chico and the Chico Redevelopment Agency be forwarded to the Agency/City Council for approval.

B. **Acknowledge Receipt of Schedule for the Annual Planning Process for the Community Development Block Grant (CDBG) and HOME Programs.** The Committee was provided with a memorandum dated 1/26/01 from the Housing Officer providing a schedule of meetings/hearings for the CDBG/HOME Annual Plan process. A public participation meeting will be conducted on 2/13/01, and the draft Annual Plan will be presented to the Finance Committee for initial review at its March meeting.

*The Committee took no action on this report which was informational only at this point.*

C. **Approval of Supplemental Appropriation/Budget Modification to Provide Additional Funding for Bicycle Path, Springfield Drive to Little Chico Creek, (Capital Project No. 10165).** The City Council previously allocated funds in the amount of $55,000 for the completion of a bicycle path between Springfield Drive and Little Chico Creek to serve school children and others from the neighborhoods south of East 20th Street. Additional funds are needed for this project due to actual design costs exceeding the original estimate as a result of unforeseen complications with PG&E facilities, modification of the plans to address concerns related to impacts to adjacent wetlands discovered during environmental review, the addition of a sidewalk on the north side of East 20th Street to provide a safe route for children, additional design time required to coordinate acquisition of easements from Enloe Hospital and the Chico Unified School District, an increase in the unit price for asphalt concrete resulting from higher oil prices; and other minor increases as set forth in the supplemental. This Supplemental Appropriation/Budget Modification would allocate $30,775 from the Transportation Fund (212) to cover the difference between available funds and current estimated expenditures, and transfer rebudgeted expenditures in the amount of $44,205, and revenue in the amount of $74,980 from the Transit Operations Fund (859) to the Transportation Fund (212). The Committee has been provided with a copy of the Transportation Fund Summary which reflects the estimated 06/30/01 fund balance. The Director of Public Works recommended approval of the Supplemental Appropriation.
Recommendation:

The Committee recommended (3-0) approval of this Supplemental Appropriation / Budget Modification.

Regular Agenda

D. Consideration of City Funding Assistance for the Butte County Library, Chico Branch.

Councilmember Wahl had requested consideration of City funding for the Chico Branch of the Butte County Library to allow it to increase its hours of service from 35 to 64 hours.

City Manager Lando indicated that he supported the concept of increasing the hours of service for the Library; however, he felt the funding was a County responsibility, and that if the City Council wished to provide financial assistance to the Library, he would recommend that it come from the City’s Community Organization / Transient Occupancy Tax funds and be part of that process.

The following individuals spoke in support of City funding assistance for the Library, many of them supporting the proposal developed by Friends of the Library (distributed at today’s meeting) that the City provide $120,000 per year annually to enable the Library to increase its hours from 35 to 60: Ramona Flynn (who also submitted a history of Library funding assistance from the City); Philip Lydon; Nancy Brower; Barbara Seawall; Caleb House; Jan Plimpton, Heather Tubbe; Laurie Josevic; David Wilkinson; Nancy Leek; Peter Judaidis; Ellen Walker; and Carol Cherel.

Nancy Brower, Director of the Butte County Library, also provided the following information regarding the County Library system: There are six libraries in the County with an annual budget of $1.5 million, of which $1.14 million comes from County property taxes; $338,000 is from state funding subject to a maintenance of effort requirement; and approximately $31,000 is revenue from fines and fees. There are not separate budgets for each of the six libraries. She noted that it would cost the City substantially more to fund its own library than it would for the City to provide some funding assistance to the Chico branch of the County library.

No one spoke against the proposal for City funding assistance for the Library and the public hearing was closed.

Councilmember Keene spoke in support of locating a consistent funding source for the Library, as opposed to funding it through the Community Organization funding process, which was a very competitive annual process.

Councilmember Wahl spoke strongly in support of City financial assistance for the Library, recommending that $120,000 be allocated and established as an ongoing annual line item in the City’s budget, beginning with Fiscal Year 2001-02, in order to keep the Library open 60 hours per week. He felt the City could afford to assist with such a needed and valuable service, especially since the City was in good financial shape with a large surplus, as compared to Butte County which was a relatively poor county. He did not feel the Library should have to compete with other Community Organizations for funding each year.

Councilmembers Nguyen-Tan and Keene agreed with Councilmember Wahl’s recommendation; however, they recommended that an agreement be developed with the County to ensure that the Library would retain its fair share of County support, and that the City’s financial assistance would not affect the Chico Library’s proportionate share. Councilmember Nguyen-Tan also expressed concern that if the City experiences an economic downturn, it may be difficult to continue funding assistance for the Library at the same level each year.
**Recommendation:**
The Committee recommended (3-0):
1. that $120,000 be allocated to the Chico branch of the Butte County Library in order to enable it to increase its hours to 60 per week;
2. that this funding be established in the City’s Annual Budget beginning FY 2001-02;
3. that this funding assistance be conditioned upon execution of an agreement with the County to guarantee that the City’s financial assistance would not affect the Chico Library’s share of County funding; and
4. that staff provide a report on the financial impact of such annual funding assistance for the Library on the City’s budget.

The Committee was in recess from 5:15 to 5:25 p.m.

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**E. Consideration of Gas and Electric Costs Increases on the City’s Utility Users Tax.** At its meeting of 1/23/01, the City Council referred the issue of impacts of the utility rate increases on the City’s Utility Users Tax to the Finance Committee for review. The Committee was provided with a memorandum dated 2/1/01 from the City Manager providing a number of alternative approaches for the Committee’s consideration to offset the impact of the gas and electric rate increases.

City Manager Lando reviewed the alternatives set forth in his memorandum to provide relief to taxpayers to offset increased utility users taxes as a result of increased energy costs. He reviewed the City’s estimated gross and net “windfall,” and recommended that the collection rate for utility users taxes be temporarily reduced from 5% to 3.9% if the Council wished to rebate the City’s gross windfall to the taxpayers, or to 4.4% if the net windfall was rebated. He noted that at this point the windfall was a result of increased gas rather than electric costs. Because the reduced tax collection rate would take PG&E 30-60 days to implement on the utility bills, it probably would not go into effect until March or April when energy use would be decreasing due to spring weather. For this reason, he was recommending that the Council authorize the Finance Committee to review the situation on a monthly basis in order to monitor the City’s windfall and determine when the utility user tax collection rate should be adjusted.

Referring to Exhibit “C” of the City Manager’s memorandum, Councilmember Nguyen-Tan suggested that the Committee also recommend that the City increase the eligibility income levels for utility user tax refunds and exemptions to the Low Income Limits used by the Department of Housing and Urban Development (HUD), which would provide greater relief for the poor and elderly.

Staff was requested to provide further information on the various utility bill relief programs offered by PG&E, such as CARE and Reach, to Councilmembers.

**Recommendation:**
The Committee recommended (3-0):
1. That an emergency ordinance amending the Chico Municipal Code to allow the City to temporarily reduce the utility user tax collection rate for three months from 5% to 3.9% be prepared for Council adoption at its meeting of 2/20/01;
2. that the Finance Committee be provided with a monthly report on the energy cost situation and the amount of the City’s windfall due to increased utility users taxes, and authorized to adjust the utility user tax collection rate accordingly; and
3. that the City’s Fee Schedule be amended to increase the income eligibility level for utility user tax refunds and exemptions to the low income level used by the Department of Housing and Urban Development (HUD)

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**F. Consideration of Mortgage Subsidy Program (MSP) Borrower Request -- Staples, 2758 Ceres Avenue.** The Committee was provided with a memorandum dated 1/29/01 from the Housing Officer
forwarding this request from Ed and Kathy Staples for forgiveness of the interest balance on their MSP loan if the principal on the loan was paid off in full. Staff did not recommend approval of the request.

Housing Officer McLaughlin reviewed Mr. Staples’ request, which was that the interest forgiveness on his MSP loan be accelerated from 15 to 10 years if he paid off the principal in full. Staff did not recommend approval because it would be inconsistent with MSP guidelines.

Mr. Staples was present and indicated he was pursuing a refinance of his home at a lower, fixed interest rate, and having the interest forgiven on his MSP loan would facilitate his goal.

Chair Keene explained the reason for the MSP rule regarding interest forgiveness at 15 years.

Assistant City Manager Dunlap advised Mr. Staples that the City Council had recently revised the MSP procedures and polices to allow resubordination of MSP loans if certain conditions were met and the principal of the MSP loan were paid off in full; and that this should allow him to refinance his home if certain conditions were met.

The Committee took no action on this matter, thereby denying the Staples’ request to accelerate the interest forgiveness on their MSP loan.

G. Preliminary Presentation regarding Housing Proposal by Simpson Housing Solutions. The Committee was provided with a memorandum dated 1/29/01 from the Housing Officer reporting that Simpson Housing Solutions was interested in developing an affordable rental housing project in Chico for low and very low income families, with no specific site proposed at this time. Included with the memorandum was a table listing new construction housing projects assisted by the City and Agency since 1990, as well as a packet of information provided by Simpson Housing Solutions. The Developer was looking for Committee direction regarding the range of assistance which might be available from the City and/or the Redevelopment Agency, after which a development budget would be finalized for a specific site, and brought back to the Committee for further review.

Rick Kerr and Craig Farmer were present representing Simpson Housing Solutions, and Chair Keene advised them that it would be premature for the Committee to discuss City funding assistance levels without a firm proposal before them. He indicated the Committee was not in a position to make any funding commitment at this time.

City Manager Lando suggested if Committee members had questions regarding the Simpson Housing Solutions proposal, that they be directed to staff who would contact company representatives. If the company pursued and developed a proposal, it would be brought back to the Committee for further review.

The Committee took no action on this matter, which would be brought back for further review when Simpson Housing Solutions developed a specific proposal.

H. Report on Recommendation for Supplemental Appropriation for Graffiti Removal Program. City Manager Lando advised the Committee that he would be recommending a supplemental appropriation in the amount of $6,000 to provide supervision of court workers to allow for crews to operate on Saturdays to remove graffiti within the Community, and that he would be submitting this recommendation directly to the City Council on 2/20/01.

The Committee acknowledged receipt of this recommendation, which would be submitted to the full Council on 2/20/01.
I. **Consideration of Request from Little Chico Creek Educational Consortium for the City Acquire Property near Teichert Ponds.**

   *Due to time constraints, the Committee was unable to consider this item on today's agenda, and it would be rescheduled for a future Committee meeting.*

J. **Adjournment and Next Meeting.** The next meeting was scheduled for Wednesday, March 7, 2001, at 4:00 p.m. in Conference Room No. Two.

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Bebe Young, Administrative Analyst

**Distribution:**
- City Council (22)
- Housing Officer
- Comm. Dev. Director
- Risk Manager
- Public Works Director
- Finance Director
CITY OF CHICO MEMORANDUM

TO: CITY COUNCIL (Mtg. of 4/3/01)  DATE: March 20, 2001
FROM: FINANCE COMMITTEE  FILE: Committee Binder
RE: REPORT ON FINANCE COMMITTEE MEETING HELD MARCH 7, 2001

Committee present:  Staff Present:
Councilmember Keene, Chair  Assistant City Manager Dunlap  Community Dev. Director Baptiste
Councilmember Wahl  Assistant City Attorney Barker  Housing Officer McLaughlin
Councilmember Nguyen-Tan  City Clerk Presson  Housing Specialist Burkland
  Finance Director Martin  Management Analyst Carroll
  Accountant Hennessy

CONSENT AGENDA


REGULAR AGENDA

B. Approval of Loan Application for Use of Home Funds Housing Rehabilitation Program - Gowan - 681 E. 15th Street. This item was removed from the Consent Agenda due to Committee member Nguyen-Tan needing to abstain. The Gowans requested a loan of $18,500 for basic repairs to their home. The request was consistent with the Housing Rehabilitation Program AP&P 27-4.

Action:
The Committee approved (2-0-1, Councilmember Nguyen-Tan abstaining) the Loan Application for use of the Home Funds Housing Rehabilitation Program for the Gowans - 681 E. 15th Street.

C. Review of Community Organization Compliance Audits for FY 1999-00. By memorandum dated 2/27/01, the Finance Director forwarded the Community Organization Compliance Audits for Fiscal Year 1999-00 as prepared by R. J. Ricciardi, Certified Public Accountant. Copies of the memorandum were provided to all Community Organizations along with the notice of this meeting. Audits were conducted of all recipient organizations to verify compliance with the Community Organization Funding Program’s policies and procedures. Additional Information concerning several of the Audits was provided at today’s meeting. The Finance Committee reviewed the audits in order to make recommendations to the City Council.

Recommendation:
The Committee recommended (2-0-1, Councilmember Nguyen-Tan abstaining):
1. Acceptance of the Audits and staff recommendations as set forth in the Finance Director’s memorandum; and
2. Based upon information provided at today’s meeting, that staff:
   a. Request repayment from the Chico Certified Farmer’s Market (#1), who agreed to reimburse the City for the FY 99-00 allocation of $2,940;
   b. Request Northern California Aids Foundation (#6) to reimburse the FY 1999-00 allocation of $2,940 or provide evidence of insolvency; and
   c. Meet with the CSU Research Foundation regarding the World Music Festival and provide additional information at the next Committee meeting.
D. Consideration of Request from Little Chico Creek Educational Consortium that the City Acquire Property near Teichert Ponds. By letter dated 1/23/01, Dick Cory, Co-Chairman of the Little Chico Creek Educational Consortium, requested that the City secure lots number 94 and 83 of the Heather Glen subdivision in order to provide off-street parking at strategic access points to the Teichert Ponds. By memorandum dated 2/28/01, the Community Development Director provided information regarding Mr. Cory’s concerns. A map delineating the subject property was displayed at the meeting. Mr. Cory addressed the Committee about his concerns that access to this area was not being addressed. His concern was that if the development proceeded as planned, it would preclude any access to the ponds on the west side.

Recommendation:
The Committee recommended (3-0) that the Council agendize a discussion regarding use of the Ponds for a future meeting, at which time the following information should be provided:
1. The City Attorney’s opinion regarding City liability if trails/access are provided;
2. The Park Commission’s priority for developing the Ponds as a park;
3. A recommendation from the Chico Area Recreation & Park District (CARD) regarding use of the Ponds, since they are designated as a park in its Master Plan; and
4. Staff’s recommendations on use of the Ponds.
In addition, the Committee requested that the Community Development Director contact the developer of heather Glen regarding his interest in allowing development of a trail and/or selling the two lots.

E. Review of 2001-2002 Annual Plan for Community Development Block Grant (CDBG) Program and the Home Investment Partnership Program (HOME). The Committee reviewed the Housing Officer’s memo dated 2/23/01, which provided background on the programs, staff recommendations for the Annual Plan, and citizen input received to date. The Committee was requested to make recommendations to the City Council regarding a draft annual plan for the CDBG and HOME Programs, which Council will consider at its meeting of April 3. By memorandum dated 3/01/01, the Housing Officer also submitted the request from Habitat for Humanity for $35,000 of HOME funds for site acquisition and the request from Holly Vinson for $20,000 of CDBG funds for the Horseshoe Lake Accessible Fishing Pier project, both of which were received after staff finalized its report on the Annual Plan Process.

Recommendation:
The Committee recommended (2-0-1, Nguyen-Tan abstaining) that the draft annual plan be adopted with the following changes and/or requests for additional information:
1. Add the Habitat for Humanity request for $35,000 and the Horseshoe Lake Accessible Fishing Pier for $20,000. Reduce the Housing Rehabilitation (#1), Rental Housing Project (#6) and Program Administration (#11) to fund these additions.
2. Provide additional information on the costs of operating the CDBG Revolving Loan Fund (#4a), including a breakdown of number of hours involved with loan administration vs. new loan processing and information from other jurisdictions that currently have revolving loan funds.
3. Provide additional information regarding the Business Retention Program (#4b).
4. Provide additional information regarding the Small Business Development Center (SBDC) (#4c).
5. Provide additional information regarding the Fair Housing Seminars (#5) including the content of the seminars and number of attendees.
6. Explain what will be accomplished with the increased level of funding for the Code Enforcement program (#6).
7. Provide an analysis of the need for $50,000 additional funding for the Homeless Shelter acquisition (#7) based on the area of the property required for the shelter vs. other uses proposed for the site.
8. Consider the request from the Butte County Office of Education for a childcare site at the homeless shelter/BMX site after other uses of the property are determined.
9. Explain the need for an increase in the level of CDBG funding for the Geographical Information Systems (GIS) project (#12).

F. Consideration of proposal from Sierra Gardens, LLC for $2,456,000 of financial assistance from the Chico Redevelopment Agency for the development of an 124 unit senior housing apartment complex in the Village at Sierra Sunrise. By memorandum dated 2/27/01, the Housing Officer transmitted the housing proposal and provided a summary evaluation of the project. Sierra Gardens LLC is also planning
to apply for an allocation of Private Activity Tax Exempt Bond financing and is requesting the Agency to
consider issuing the bonds. Alan Warren, and Ron Bieber were in attendance representing the project.

The Finance Director advised the Committee that the assessments on the property were delinquent and
subject to a payment agreement; that the property owner failed to make the December 10, 2000 payment
and has not returned calls from staff or the City’s assessment administrator; and that it was staff’s intention
to proceed with foreclosure on the delinquent assessments.

**Action:**

*The Committee (3-0) requested:*

1. *that the project be scheduled for additional discussion at its next meeting and that staff provide
   information on the need for very low income senior housing vs. multifamily rental housing; other
   sources of funding available for other types of housing; the status of the property taxes
   on the property; and the cost/unit adjusted for the increased construction cost since the last
   project funded by the Agency (1996); and*
2. *that staff determine whether the assessment bond documents would allow staff to delay
   initiation of foreclosure until after the next meeting of the Committee.*

**G. Discussion of Mortgage Subsidy Program (MSP) Policy Regarding Household Income Determination.**

By memorandum dated 3/02/01, the Housing Officer explained the policy question and requested
Committee direction on processing future applications. *This item was not heard and will be brought back
at the next meeting for discussion by the Committee.*

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

**I. Reports and Communications.** None

**J. Adjournment and Next Meeting.** The meeting was adjourned at 7:00 p.m. The next meeting was
scheduled for Wednesday, April 4, 2001 at 4:00 p.m. in Conference Room No. One.

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Deborah R. Presson
City Clerk

**Distribution:**
City Council (22)       Housing Officer       Comm. Dev. Director
Risk Manager            Public Works Director   Finance Director
CITY OF CHICO MEMORANDUM

TO: CITY COUNCIL (Mtg. of 5/1/01)  
FROM: FINANCE COMMITTEE  
DATE: April 9, 2001  
FILE: Committee Binder  
RE: REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 4, 2001

Committee present: Councilmember Keene, Chair Councilmember Nguyen-Tan Councilmember Wahl

Staff present: City Manager Lando Assistant City Manager Dunlap City Attorney Frank Finance Director Martin Chief of Police Efford

Fire Chief Brown Housing Officer McLaughlin Housing Specialist Burkland Accountant Hennessy Management Analyst Carroll Administrative Analyst Young

Regular Agenda

A. Rescheduling of Standing Meeting Date for Finance Committee. The City Manager requested this item be addressed first on today’s agenda. Staff had requested that the Committee consider rescheduling its standing meeting date to any day of the week except Tuesdays or Wednesdays, due to staff scheduling conflicts. It was also requested that the Committee meet during the fourth week of the month, rather than the first, in order to expedite transmittal of its reports and recommendations to the City Council.

Action: The Committee (3-0) agreed to change its standing meeting date to the fourth Monday of the month at 4:00 p.m. on a trial basis, directing staff to confirm meeting dates with Committee members; and due to the fourth Monday in May being a holiday, agreed to schedule its next meeting at 4:00 p.m. on Monday, 4/30/01.

Consent Agenda

B. Supplemental Appropriation Allocating Revenue and Expenditures in the Amount of $119,151 from the California Law Enforcement Equipment Program (CLEEP) Grant from the State of California. The State of California had allocated $75 million in one-time technology funds for local law enforcement through the California Law Enforcement Equipment Program (CLEEP). Each recipient agency was guaranteed at least $100,000 with the remaining funds being apportioned on the basis of population. These funds were being distributed as “entitlements” by the State Controller’s Office and were to be used for “technology related purposes that enhance law enforcement.” The City received $119,151 in funding for 2000-01 and the Chief of Police was proposing that the funds be used to purchase various capital items. This Supplemental Appropriation would allocate revenue and expenditures in the amount of $119,151 from the Capital/Grants Reimbursement Fund (300). The Chief of Police recommended approval of the Supplemental Appropriation.

Recommendation: The Committee recommended (3-0) approval of the Supplemental Appropriation allocating revenue and expenditures in amount of $119,151 from the CLEEP Grant.
C. **Conceptual Approval of Supplemental Appropriation to Allocate Funding in Current Fiscal Year to Replace Two Fire Department Command Vehicles.** The Committee was provided with a memorandum dated 3/27/01 from the Fire Chief requesting conceptual approval of a Supplemental Appropriation in the amount of $74,000 to replace two Fire Department sedans with two 4X4 four-door utility vehicles. The Fire Department proposed to purchase these vehicles through the State Department of General Services contract and the factory cutoff date for ordering was May 1, 2001. If the Finance Committee concurred, a Supplemental Appropriation allocating $54,000 from the Equipment Replacement Fund (932) and $20,000 from the General Fund (001) would be prepared for Council consideration at its 4/24/01 meeting. The Fire Chief recommended approval of this request.

**Action:**
The Committee recommended (3-0) approval of a Supplemental Appropriation to allocate funding in the current Fiscal Year for replacement of two Fire Department Command Vehicles, to be prepared for consideration by the City Council on 4/24/01.

**Regular Agenda**

D. **Consideration of Procedure for Mid-Budget Cycle Funding Requests.** The Committee was provided with a memorandum dated 3/7/01 from the City Manager recommending that the City Council establish a procedure to deal with mid-budget-cycle funding requests.

Councilmember Nguyen-Tan removed this item from the Consent Agenda, suggesting that a funding level, or amount, be established which would trigger the recommended procedure. The City Manager agreed and requested the Committee to continue this matter in order for staff to determine a suitable funding level.

**Action:**
The Committee (3-0) conceptually agreed with the proposed procedure for mid-budget cycle funding requests, but continued the matter to its meeting of 4/30/01 in order for staff to recommend specific levels of requested funding which would trigger the procedure.

E. **Request from Chico Certified Farmer’s Market for Payment Installment Plan to Reimburse the City.** Finance Director Martin mentioned that in connection with the Community Organization Compliance Audit review from the previous Finance Committee meeting, a letter had been received this afternoon from the Chico Certified Farmers’ Market requesting that the City accept a payment installment plan for its reimbursement. Councilmember Nguyen-Tan abstained from participating in this discussion due to his conflict of interest in connection with Community Organization funding. The Committee agreed (2-0-1, Nguyen-Tan abstaining) with Assistant City Manager Dunlap’s recommendation that this request be submitted to the City Council on a consent agenda for approval, since it was not included on today’s Committee agenda.

F. **Community Organization Compliance Audit for FY 1999-00 for the Chico Research Foundation (World Music Festival).** The Committee was provided with a memorandum dated 3/28/01 from the Finance Director providing the information requested at the previous meeting regarding the documentation of the postage expense for the Chico Research Foundation (Chico World Music Festival). Staff recommended requesting reimbursement of the undocumented portion of the funding, $1,531.25.

Councilmember Nguyen-Tan abstained from participating in consideration of this matter, due to his conflict of interest in connection with Community Organization funding.

Dan DeWayne and Virginia Sturr were present and explained that the reason the postage could not be documented was that the World Music Festival was promoted as part of the “Kaleidoscope” magazine, which reached a much larger population than if separate pieces were mailed for the World Music Festival only.
Assistant City Manager Dunlap noted that the issue was how to track the money that was spent for postage on the World Music Festival to determine compliance with the organization’s funding Agreement with the City.

Chair Keene felt that the problem might be resolved if the organization could determine the pro-rata share of postage that could be attributed for the World Music Festival’s share of advertising in the “Kaleidoscope” magazine.

Finance Director Martin suggested that City staff meet with the Chico Research Foundation staff to attempt to identify the cost of each of the mailings for the World Music Festival in a quantifiable amount and bring the results back to the Committee for further consideration.

**Action:**
The Committee (2-0-1, Nguyen-Tan abstaining) continued this matter in order for City staff to meet with the Chico Research Foundation staff to identify the cost of the mailings for the World Music Festival in a quantifiable amount, and directed that if staff was satisfied with the results, the matter be brought back to the Committee on the consent agenda with a recommendation for approval.

**G. Mortgage Subsidy Program (MSP) Policy Question re Household Income Determination.** This item was continued from the Committee’s March meeting. The Committee was provided with a memorandum from the Housing Officer dated 3/2/01 providing background on the policy question regarding the determination of household income for applicants whose income had changed significantly within the recent past or would change in the near future.

Assistant City Manager Dunlap explained that a recent situation had triggered staff’s dilemma over whether to allow a change in a family’s future income which would cause it to decrease, to be counted as a factor in determining eligibility for an MSP loan. The concern was that some applicants might claim that the family’s income would be lower in future years (due to a family member leaving their job, for example) in order to qualify for an MSP loan, after which the person would go back to work.

Councilmembers Keene and Wahl supported Alternative number two in the memorandum (with the calculation of future income for determination of eligibility for the Program to be based on a two-year history of income in conjunction with current income), as opposed to basing eligibility on what applicants report will be future income.

Councilmember Nguyen-Tan asked if the loans were monitored in any way that could determine whether a borrower’s income had increased after qualification for an MSP loan, and Housing Officer McLaughlin responded that the Program loans were monitored annually for compliance with loan conditions, but not for the borrowers’ income level.

David Ferrier suggested that an alternative would be to review the borrowers’ income after a year, but noted this could be cumbersome.

Councilmember Nguyen-Tan suggested that since the situations where applicants were claiming a future decrease in income were unique, perhaps it might not be too cumbersome to allow future income as an eligibility factor, and review those particular loans annually.

Chair Keene was opposed to granting such exceptions, feeling they would be precedent-setting and open the door for appeals of staff decisions to the Committee. He pointed out that applicants in this situation could still apply for MSP loans after a period of time.

**Recommendation:**
The Committee (3-0) recommended that staff be directed to follow a policy of considering an applicant’s two-year income history (as opposed to future projected income) for determination of eligibility for MSP loans.

The below two items (G & H) had been scheduled for times certain on today’s agenda. The Committee was provided with an additional memorandum dated 3/29/01 from the Housing Officer addressing local housing needs and available funding.
H. **Timed for 4:30 - 5:00 p.m.: Housing Proposal Request For Financial Assistance From Chico Redevelopment Agency- Simpson Housing Corporation.** The Committee was provided with a memorandum dated 3/29/01 from the Housing Officer, transmitting the Housing Proposal and providing an analysis of the information. The proposed project was a 128-unit low and very low income family apartment complex. The proposed site was a six-acre parcel located on the east side of Mariposa Avenue just north of the Safeway Center on East Avenue. The request was for an Agency loan in the amount of $2.4 million dollars. Staff recommended the proposal be approved with the condition that staff continue to work with the Developer to reduce the Agency's contribution.

Chair Keene pointed out that the Agency would have approximately $2.7 million available for local funding for affordable housing through 2003, so if this loan were approved, it would effectively exhaust available funds.

Craig Farmer and Rick Kerr of Simpson Housing Corporation were present, gave a brief presentation and then responded to Committee questions.

Councilmember Nguyen-Tan was concerned that if the Committee and then Council approved this loan, it might be construed as a dictate for approval of the re-zone and General Plan amendment entitlements that would have to be secured by the developers in order to proceed with the project.

Assistant City Manager Dunlap explained that any approval would be conceptual subject to the developer obtaining the necessary entitlements.

Chair Keene noted that there had been considerable opposition from neighbors to a recent re-zone and General Plan amendment in that area for an apartment complex, and added that if the Committee and Council recommended approval of a loan for this project, they would have to make it clear that this was not a dictate of approval of the entitlements and that securing same would be the developer’s hurdle.

Chair Keene outlined his major concerns with this housing proposal, requesting the developers to address them: (1) he supported subsidized housing for low income families, but questioned whether the amenities to be provided as proposed, including two bathrooms, swimming pool, spa, and clubhouse, might discourage tenants from seeking higher income jobs; (2) he requested more information on how the developer fee of $1.2 million would be paid out; and (3) he felt there was a greater need for government subsidy of low-income senior housing because seniors were in a permanent setting of poverty as opposed to younger families who had the opportunity to increase their incomes.

Councilmember Wahl was excused from the meeting (4:50 to 4:55 p.m.)

When he returned to the meeting, Councilmember Wahl disqualified himself from participating in this matter due to a conflict of interest involving the location of his business.

Mr. Farmer responded to Chair Keene’s concerns as follows: (1) the State allocating agency (California Tax Credit Allocation Committee) required a minimum level of amenities and he would provide the Committee with a list of the State’s requirements; (2) payment of the developer fee would be addressed when the loan closed, however it could only be collected if it were brought into the final budget, and if there were cost overruns, it could not be collected and would be deferred over time; and (3) under the State program, affordable senior housing was restricted to one-bedroom units, which then limited additional funding sources for projects.
Responding to Councilmember Nguyen-Tan’s questions, Mr. Farmer stated that Simpson Housing liked to use local subcontractors for construction; that the ongoing operation would be managed by employees that were local to the community; and also that the Agency would receive 75% of the cash flow from the project after payment of the loan in first position.

Further responding to Committee and staff questions, Mr. Farmer said the investors in the project would typically be banks and insurance companies, who would buy the tax credits; and that Simpson Housing would partner with a non-profit organization that had not yet been identified in order for the project to qualify for the property tax exemption.

Dave Ferrier of the Community Housing Improvement Program (CHIP) commented that the demand for low income family housing far outweighed the demand for low income senior housing, but that he felt this proposed project was too large and too dense for Chico and that if it was scaled down to 60 - 100 units it would be more compatible with the community. He also felt the project development costs seemed high, and the operating cost projections appeared low.

Chair Keene asked Mr. Ferrier to submit his comments and concerns in writing to staff.

Councilmember Nguyen-Tan advised the proponents that he would like to consider alternative proposals for a smaller project, if scaling down the project size was an option for them.

Councilmember Nguyen-Tan said his main concern if approval of this project were recommended, was that the Committee and/or Agency not be sending a signal of approval for the required re-zone or General Plan amendment, and Chair Keene directed that the record reflect that the Committee and Agency were not considering approval of anything except the housing project, and that approval of the entitlements was uncertain pending public input during Planning Commission and Council consideration.

**Action:**

The Committee (3-0) continued consideration of the Simpson Housing proposal for the following information:

1. **Information from Simpson Housing Corporation regarding the amenities required by the State for low income housing projects in order to be eligible for funding, and options for a smaller-scale project if possible;**
2. **Comments/concerns from the Community Housing Improvement Program (CHIP) regarding size and cost of the proposed project;**
3. **Staff analysis of CHIP’s concerns with the project, including an analysis from the Planning Division regarding size/density of the proposal and compatibility with the community.**

**H. Timed for 5:00 - 5:30 p.m.: Housing Proposal Request For Financial Assistance From Chico Redevelopment Agency- Sierra Gardens LLC.** At its meeting of 3/7/01, the Committee initially considered the proposal from Sierra Gardens LLC and requested additional information. The Committee was provided with a memorandum from the Housing Officer dated 3/29/01 transmitting additional information from Sierra Gardens LLC and providing further analysis of project issues as requested by the Committee. The proposed project was a 124-unit rental housing project for seniors, with 62 units rented at market rate rents and 62 units rented at rents affordable to very low income seniors. The Agency was being requested to provide $2,456,000 directly to the project and cure the $310,000 of currently delinquent sewer assessments, for a total loan of $2,756,000. Staff did not recommend approval of the request because of the existence of delinquent sewer assessments owed by Sierra Gardens.

Housing Officer McLaughlin reviewed his concerns with the project as outlined in his memorandum: (1) the delinquent sewer assessments owed by the property owners; (2) the owner/developer’s equity position not being adequate for a project of this scope; and (3) unknown liability issues if the Agency provided financial assistance as an equity partner in contrast to a lender.
Serene Sandige and Allen Warren, representing Sierra Gardens, were present, gave a brief presentation, and responded to questions from the Committee. Chair Keene asked them to address the issues of concern outlined by the Housing Officer.

Ms. Sandige advised that the developers had expertise and experience with equity partnerships; however, if the Agency was uncomfortable in this position, it was not crucial to the proposal, and the Agency’s role as lender could be revisited. Regarding equity in the project, she said it totaled about $240,000, including the land, and engineering plans and drawings. Mr. Allen added that equity contributions to the project would be forthcoming from other funding sources. Ms. Sandige indicated that the developer/owner might also consider increasing the bond allocation to $10 million.

Housing Officer McLaughlin advised that the Agency’s assistance would be most needed early in the project implementation, probably for the construction loan.

Councilmember Nguyen-Tan indicated he was not very supportive of this housing proposal in view of all the problems which would have to be overcome, and especially in comparison with the other housing project considered by the Committee earlier today.

Chair Keene said he was not comfortable with denying the request at this point and would like to give the owner/developer one more chance if the insufficient equity and delinquent assessments issues could be resolved. He reiterated his position of support for low income housing for seniors, feeling the need was greater for low income seniors than for low income families.

Councilmember Wahl indicated that he probably could not support this project; however, he agreed to give the owner/developer one more chance to try to resolve the issues of concern.

Councilmember Nguyen-Tan questioned whether it was prudent to have staff and the owner/developer of the project devote more time and effort to the proposal in order to bring it back to the Committee when it appeared doubtful that the issues of concern could be resolved.

Assistant City Manager Dunlap advised that staff was obligated to proceed on the delinquent assessments. Finance Director Martin confirmed that the City had a responsibility to the bondholders to initiate foreclosure within 150 days of delinquency, and therefore, the City would initiate such proceedings by April 30, 2001. The amount owed on delinquent and current assessments was approximately $310 - $320,000.

**Action:**

*The Committee (2-1, Nguyen-Tan opposing) continued consideration of the Sierra Gardens LLC housing proposal to its meeting of 4/30/01 in order to provide the owners/developers an opportunity to resolve the issues of insufficient equity and delinquent assessments.*

**I. Request From Mortgage Subsidy Program Borrower For Special Consideration - Staples 2758 Ceres Ave.** Housing Officer McLaughlin advised that the Staples were unable to attend today’s meeting due to a family emergency, and the request would be brought back to the Committee on a future agenda if they wished to proceed.

**J. Business from the Floor.**

**Expression of Appreciation from the North Campus Neighborhood Association for Improvements in the Area.** Rick Laffins was present on behalf of the North Campus Neighborhood Association to express its appreciation to the City for all the improvements that have been made in the area. He said the improvements have greatly enhanced the neighborhood, the crime rate has been reduced, and the formerly vacant rental units are in demand by students again. The Association wanted the City to know how much the funding of neighborhood improvements had helped and to express its thanks.

**K. Reports and Communications.** The following report was provided for the Committee’s information and consideration, and no action was requested unless the Committee wished to give direction to staff.
**Status Report on Utility Users Tax.** By memorandum dated 3/28/01, Accountant Hennessy provided a status report on the Utility User Tax. PG&E notified the City that the temporary collection rate of 3.9% would be in effect beginning in May, 2001, and would be restored to the original 5% in August, 2001.

Councilmembers Wahl and Keene felt that the Committee’s intent was to review the temporary collection rate decrease after three months, rather than automatically restoring it.

John Gillander commented that the 47% rate increase recently authorized for PG&E would cause even greater financial hardship.

**Action:**
Chair Keene requested staff to schedule the City’s collection rate for utility users tax for further review by the Committee in June.

L. **Adjournment and Next Meeting.** The Committee adjourned at 6:10 p.m. The Committee would meet again this month to consider Community Organization Funding requests as follows: on Thursday, April 5, 2001, at 3:00 p.m. in the Council Chamber, and on Thursday, April 19, 2001 at 4:00 p.m. in the Council Chamber. The next regular meeting of the Committee was scheduled for April 30, 2001, at 4:00 p.m. in Conference Room No. One.

Bebe Young, Administrative Analyst

**Distribution:**
- City Council (22)
- Housing Officer
- Comm. Dev. Director
- Risk Manager
- Public Works Director
- Finance Director
CITY OF CHICO MEMORANDUM

TO: CITY COUNCIL (6/5/01 meeting) DATE: April 12, 2001
FROM: FINANCE COMMITTEE FILE: Committee Binder
RE: REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 5, 2001

Committee present:
Councilmember Keene, Chair
Councilmember Kirk (substituting for Councilmember Nguyen-Tan)
Councilmember Wahl

Staff present:
City Manager Lando
Assistant City Manager Dunlap
Management Analyst Carroll
Housing Specialist Burkland
Accountant Hennessy
Administrative Secretary Hansel

REVIEW OF APPLICATIONS FOR 2001-02 COMMUNITY ORGANIZATION FUNDING

The Committee and other members of the Council were previously provided with binders containing funding requests from community organizations, a summary of funds available, a breakdown of requests by funding category, a 10-year historical funding summary, criteria for evaluating funding requests, copies of letters transmitting application forms to those organizations requesting General/CDBG Funds, TOT Funds for economic development and tourism, and TOT Funds for arts and the organization funding calendar.

At the meeting, Committee members were provided with an addendum transmitting Page 2a (Attachment A) providing updated information on the number of cats removed from Bidwell Park, and a memorandum dated 3/27/01 from the Park Director providing the Bidwell Park and Playground Commission’s recommendations on the funding applications of the Chico Cat Coalition and the Chico Creek Nature Center.

Chair Keene began the meeting by asking representatives of the various organizations to provide only new information pertinent to the application, and informed them that the Committee may choose to ask questions of the representatives when they finished speaking.

Following is a list of the individuals who requested General/Community Development Block Grant funding and the organizations they represented: Michael McGinnis, Association for Retarded Citizens of Butte County; JoAna Brooks, Big Brothers Big Sisters of Butte County; Anastasia Slater, Catalyst Women’s Advocates; Kathy Dunn, Catholic Ladies Relief Society; Kathy Lynch, Chico Area Council on Aging; Katherine Halloran, Chico Cat Coalition; Sue McGuire, Chico Community Children’s Center; Judy White, Chico Creek Nature Center; Jan Plimpton, Chico Friends of the Library; Rachel Murattore and Patti Nelson, Chico Nursery School; Tom Tenorio, Community Action Agency of Butte County; Nan Timmons, Community Action Volunteers in Education; Scott Jacobs, Community Legal Information Center; Nicole Jenkins-Bateman, Community Living Centers; Nancy Ranick, Compassion Unlimited; Jessica Lloyd, Discovery World; Ken Steidley, Do-It Leisure (Work Training Center); Sor Lo, Hmong Cultural Center; Sharon Monck, Innovative Health Care Services; Peggy Drobny, Innovative Preschool; Barbara Segal, Legal Services of Northern California; Margaret Gunnell, Mediation Center of the North Valley; Bob Michaels, Northern Valley Catholic Social Service; Dana Campbell, Parent Education Network; Carol Childers, Passages Adult Resource Center; Carol Hellman, Right Road, and Mike Helm, Veterans Executive Corporation to Organize Rehabilitative Services (VECTORS).

Representatives of organizations requesting Transient Occupancy Tax Funds (Economic Development and Tourism) and their organizations were: Melissa Pasquale, Chico Area Recreation District; Jim Goodwin, Chico Chamber of Commerce; Bob Linscheid, Chico Economic Planning Corporation; Cathy Lynch, Chico Museum Association; Katrina Davis, Downtown Chico Business Association; Dave Grimes, International Association of Firefighters Local 2734; Darcy Auer, Rancho Chico Days, and Dan DeWayne, University Public Events.
As indicated in the addendum dated April 5 both the Executive Director and Financial Director of the Rape Crisis Intervention, Inc. were unable to attend due to illness. No representative was present from the Chico Area Swim Association.

A. Committee members requested Chico Nursery School representatives to revise and resubmit budget pages to reflect a Children and Family Commission County grant income of $19,700 for next fiscal year. The grant can be used to benefit all children residing in Butte County which includes City residents.

B. Margaret Gunnell, Executive Director, Mediation Center of the North Valley provided the Committee with two pamphlets the center distributes, and additional information listing funds received from the City of Chico as a percentage of total income and the total of City of Chico clients as a percentage of total clients for the previous three fiscal years, and six months of the current fiscal year.

The next Finance Committee meeting was scheduled for Thursday, 4/19/00 at 4:00 p.m. in the Council Chamber, at which time the Committee would make final recommendations to the City Council for Fiscal Year 2001-02 Committee Organization Funding allocations.

Distribution:
City Council (22)
Risk Manager
Arts Project Coordinator
Housing Officer
Finance Director
MA-ACM
A. CONSIDERATION OF COMMUNITY ORGANIZATION FUNDING REQUEST RECOMMENDATIONS:

The purpose of this meeting was for the Committee to formulate recommendations to the City Council for funding community organizations in the 2001-02 Fiscal Year. By copy of this agenda, the organizations were provided with notice of the meeting. Additionally, the organizations were advised that since every organization was given an opportunity to make a presentation at the Committee’s 4/5/01 meeting, this meeting would be limited to Committee discussion unless Committee members wished to request additional information from an organization. For the Committee’s use in formulating its recommendations, the Committee was provided with the following:

1. Memorandum from the City Manager dated 4/10/01 which set forth his recommendations to the Committee for funding levels and two-year funding.
2. Revised Finance Committee worksheet, which had been updated to include the City Manager’s recommendations.
3. Chart requested by the Committee showing allocations to organizations funded last year from more than one category, and those organizations’ consolidated requests for FY 01-02.
4. Summary of Funds Available.

The Committee was also provided with revised budget pages from Chico Nursery School showing the Children and Family Commission County grant income of $19,700 for next fiscal year. As indicated during testimony before the Finance Committee on 4/5/01, this grant could be used to benefit all children residing in Butte County, which would include City residents.

Also distributed at today’s meeting was a report submitted by Linda Leahy, President, Chico Friends of the Library, responding to Councilmember Kirk’s request that Chico Unified School District be contacted regarding its willingness to share in the transportation cost for the Library’s orientation program for third graders.

The Committee reviewed each organization’s funding request in the order listed on the worksheet, which also set forth the City Manager’s recommendations for funding levels and two-year funding of designated organizations.

Assistant City Dunlap clarified the new procedure regarding organizations recommended for two-year funding, advising that the funding agreements would continue to be for a one-year period, with second year funding to be established according to a CPI index increase with any increase above the Council’s $20,000 cap subject to individual review. Those organizations designated for two-year funding would not be required to submit an application in the second year. The second year funding levels for these organizations would be presented after calculations by staff; all second year funding would be further subject to funding availability and City Council allocation through the budget process.
Recommendation:
Except as noted for those Organizations discussed below, the Committee unanimously recommended funding levels and two-year funding commitments as recommended by the City Manager. The Committee’s final recommendations, as well as the City Manager’s recommendations, are set forth in the Worksheet/Table attached to this report, including those discussed below.

**Big Brothers Big Sisters of Butte County** – Councilmember Kirk recommended that this organization be funded in the amount of $9,000, rather than $7,000 as recommended by the City Manager, because this group provided valuable outreach and had expanded its services each year. The Committee agreed to consider providing more funding for this group if there were funds remaining after it had completed the remainder of its funding recommendations. That process was followed resulting in the following recommendation: The Committee recommended (3-0) that Big Brothers Big Sisters of Butte County be funded in the amount of $7,898 and designated for two year funding.

**Chico Creek Nature Center** – Councilmember Wahl felt since the Nature Center was becoming a high-visibility attraction, and reliance on fund-raising was difficult for the organization, that it deserved to be funded in the amount requested. Councilmember Keene suggested the Council consider taking over the Nature Center if it was going to continue funding the organization in large amounts. The Committee recommended (3-0) an allocation of $60,000 and designation for two year funding. The Committee also recommended that the issues related to funding for the Nature Center be scheduled for consideration on a future City Council agenda (including whether it would be more cost-effective for the City to assume control of the operation, or, if it remained private, how more fund-raising could be promoted).

**Chico Friends of the Library** – The City Manager had recommended -0- funding since the City Council had previously agreed to one year’s funding for the Library in the amount of $120,000 for increased hours of operations at the Chico branch. Councilmember Kirk recommended funding in the amount of $5,000 for books. Councilmember Wahl felt the Library should be funded in the requested amount of $15,000 for books. The Committee recommended (2-1, Wahl voting no) that Chico Friends of the Library be funded for one year in the amount of $5,000 for books.

**Chico Nursery School** – Assistant City Manager Dunlap explained that the City Manager had recommended -0- funding for this organization because it had been determined that the grant income of $19,700 received by the organization for the next fiscal year could be used to benefit all children residing in Butte County, which would include City residents. The Committee concurred (3-0) with the City Manager’s recommendation of no funding for Chico Nursery School.

**Mediation Center of the North Valley** – The Committee recommended (3-0) funding in the amount of $4,000 for one year as recommended by the City Manager, but requested that more information on volunteer hours be provided when this recommendation was considered by the City Council.

**Parent Education Network** – Councilmember Kirk recommended that this group be funded in the amount of $15,000, rather than $12,500 as recommended by the City Manager. The Committee agreed to consider providing more funding for this group if there were funds remaining after it had completed the remainder of its funding recommendations. That process was followed resulting in the following recommendation: The Committee recommended (3-0) that Parent Education Network be funded in the amount of $13,500 and designated for two year funding.
**Passages Adult Resource Center** – Councilmember Keene felt this organization deserved a larger allocation than what was recommended by the City Manager, noting that all of the work with the elderly in their homes was done by volunteers from six churches. The Committee agreed to consider providing more funding for this group if there were funds remaining after it had completed the remainder of its funding recommendations. That process was followed resulting in the following recommendation: **The Committee recommended (3-0) that Passages Adult Resource Center be funded in the amount of $10,000 for one year, with the requirement that the funds be released upon demonstration that remaining funds needed for the program as indicated by the program budget have been secured (as recommended by the City Manager).**

**Chico Museum Association** – The Committee concurred (3-0) with the City Manager’s funding recommendation in the amount of $20,000 and designation for two year funding; however, Councilmembers Kirk and Wahl felt the City Council might wish to further consider the level of funding support to the Museum, which is located in a City-owned building.

After completing its recommendations, the Committee concluded that the $10,000 in General/CDBG Funds that had not been allocated from the available funds might be put aside in a reserve fund to be earmarked for emergency assistance to organizations if the need arose due to the continuing increases in utility costs. Assistant City Manager Dunlap advised that a line item could be created for this purpose. The unallocated TOT funds would remain the City’s reserve fund which could be used for whatever needs arose; and therefore, it would not be necessary to create a separate fund to reserve those funds.

**Reserve Balance of Unallocated General/CDBG Funds for Utility Cost Assistance**
- The Committee recommended (3-0) that the $10,000 balance in General/CDBG Funds which was left unallocated be reserved for utility cost assistance as may be needed.

**Reversal of Alphabetical Order Listing of Organizations on Worksheet for next Funding Cycle**
- The Committee recommended (3-0) that staff be directed to reverse the alphabetical order listing of the Community Organizations on the worksheets for next year’s funding process.

**B. Adjournment and Next Meeting.** The next meeting was scheduled for Monday, April 30, 2001 at 4:00 p.m. in Conference Room No. One.

Bebe Young, Administrative Analyst

Distribution:
City Council (24) Housing Officer City Manager
Finance Director Mgmt. Analyst Carroll Park Director
Asst. City Manager
A. **Acceptance of Chico Research Foundation (World Music Festival) FY 99-00 Community Organization Funding Reimbursement Request.** The Committee was provided with a memorandum dated 4/23/01 from the Finance Director recommending requesting reimbursement from the Chico World Music Festival, which was able to document only an additional $165.22 of postage expense and acknowledged that the unexpended funding of $1,366.03 should be reimbursed to the City. Staff recommended requesting reimbursement.

Councilmember Nguyen-Tan disqualified himself from participating in this matter because it involved Community Organization funding.

**Recommendation:**

*The Committee (2-0-1, Nguyen-Tan disqualified) recommended acceptance of a reimbursement in the amount of $1,366.03 from the Chico Research Foundation (World Music Festival) in connection with its FY 99-00 Community Organization funding.*

B. **Approval of One-Year Extension of Northern Valley Catholic Social Services (NVCSS) Loan Agreement with the Redevelopment Agency.** Northern Valley Catholic Social Services (NVCSS) had requested an amendment to its existing loan agreement with the Agency to provide an additional year to obtain the permanent financing for the proposed Forest Manor rental housing project for senior and/or disabled households. The Committee was provided with a memorandum dated 3/11/01 from the Housing Officer transmitting the request and providing background on the project. The Housing Officer recommended approval of the request.

**Recommendation:**

*The Committee recommended (3-0) approval of a one-year extension of Northern Valley Catholic Social Services’ (NVCSS) Loan Agreement with the Redevelopment Agency.*

C. **Approval of Annual Funding Grant for Community Housing and Credit Counseling Center for its Home-Buyer and Credit Counseling Program.** Community Housing and Credit Counseling Center (CHCC) was requesting an annual operational funding grant of $26,780 for its home-buyer and credit counseling program. The Committee was provided with a memorandum dated 3/24/01 from the Housing Officer transmitting CHCC’s request and providing background on the program. The Housing Officer recommended approval of the request.

**Recommendation:**

*The Committee recommended (3-0) approval of the annual operational funding grant in the amount of $26,780 for the Community Housing and Credit Counseling Center for its Home Buyer and Credit Counseling Program.*
D. **Denial of Proposed Acquisition of Creekside Greenway Property – 1285/1299 Humboldt Avenue (AP Nos. 004-364-002/-006/-009 – Sherrill).** The City Council has an adopted Budget Policy which allows consideration of acquisition of properties along waterways when the properties are vacant or contain structures which are unoccupied or have minimal or no value. The Committee was provided with a memorandum dated 4/23/01 from the City Manager providing information on properties for sale by the owner, Bernice Sherrill, which were in proximity to other City-owned parcels along Little Chico Creek. Because the properties are improved and occupied, they do not fit the Council’s criteria for acquisition and the City Manager was not recommending consideration of the properties at this time. If, however, the Committee wished to consider the proposed acquisition, it could remove this item from the Consent Agenda and provide further direction to the City Manager.

**Recommendation:**

The Committee (3-0) recommended denial of the proposed acquisition, as recommended by staff, because the properties did not fit the Council’s criteria for acquisition.

E. **Approval of Procedure for Non-Budget Cycle Funding Requests.** The Committee was provided with a memorandum dated 4/23/01 from the City Manager recommending that the City Council establish a procedure to deal with mid-budget-cycle funding requests. The City Manager recommended formal adoption of the Procedure.

Councilmember Nguyen-Tan removed this item from the Consent Agenda for clarification regarding (1) examples of grants and entitlements that would be exceptions to the proposed procedure, and (2) how the recent action by Council to acquire property for a homeless shelter and a BMX park might have fit into the proposed procedure.

City Manager Lando responded (1) that the grants and entitlements that would be exceptions under the procedure would typically be safety grants for the Fire and Police Departments, and (2) that under the proposed procedure, rather than a Councilmember being the advocate for a funding request, staff would prepare background information and present a report and analysis of the funds being requested and other potential uses for those funds.

Chair Keene felt the BMX park was a good example of why such a procedure was needed, since there were needs for other neighborhood and community parks, and a report and analysis by staff would have been helpful.

Jim Mann, representing the Building Industry Association, commented that the Association was of the opinion that the proposed BMX park was a special-interest park, rather than a community park.

**Recommendation:**

The Committee recommended (3-0) formal adoption of the Procedure for Non-Budget Cycle Funding Requests as recommended by the City Manager in his memorandum dated 4/23/01.

F. **Consideration of Housing Proposal Request for Financial Assistance from Chico Redevelopment Agency – Simpson Housing Corporation.** As requested at the 4/4/01 Finance Committee meeting, Simpson Housing Solutions had provided additional information regarding its housing proposal, including options for a smaller family project and a senior project. The Committee was provided with a memorandum from the Housing Officer dated 3/25/01 transmitting the additional information, including options for a smaller family project and a senior project.

Councilmember Wahl disqualified himself from participating in this matter due to the proximity of his business to the proposed site (Mariposa Avenue).
Housing Officer McLaughlin summarized the two alternative project pro-forma scenarios submitted by Simpson Housing:

A. The family project scenario would be 81 units consisting of two story units in contrast to the 128 units and three story buildings in the initial proposal. The financial request from the Agency was also reduced to $1,321,876 from the $2.4 million in the first proposal. The density was reduced to 14 units per acre.

B. The senior housing scenario would consist of 150 units (118 one-bedroom and 32 two-bedroom units). The contribution requested from the Agency would be $1,590,190. The density would be 24 units per acre.

Rick Kerr, representing Simpson Housing, indicated the proponents were attempting to be responsive to the Committee’s direction from its previous meeting both in terms of size and scale of the project, and the amount of funding requested.

Councilmember Nguyen-Tan inquired whether there were any characteristics about the proposed site on Mariposa Avenue that would be more amenable to senior units versus family units.

Housing Officer McLaughlin advised the area was predominantly residential with family housing and nearby schools, and Mr. Kerr noted that a senior project would not receive as high a score in the competition for funding as would a family project because the State would like to see more medical facilities nearby for a senior project.

Housing Officer McLaughlin added that a higher density for a family project, such as 16 - 19 units per acre would be more desirable for property zoned R-3, since there was a shortage of such property in the community.

John Gillander said there were several medical offices near the proposed site and felt that a senior project would receive less opposition from the neighborhood than a family project. He advised that another hurdle to the Mariposa Avenue site was that meadowfoam grew there.

Councilmember Nguyen-Tan was concerned that approval of funding for a project at the proposed site would send a message to the neighborhood that the Council was approving the required rezoning of the property.

Chair Keene responded that the Committee and Agency would have to make it clear to the neighborhood that approval would be conditional only, and that it would not imply approval of a rezone.

David Ferrier of the Community Housing Improvement Program (CHIP) spoke in support of the scaled down multi-family unit project (and had advised at the previous Committee meeting that there was a greater need for family housing than for senior housing).

Housing Office McLaughlin added that senior projects could be developed on smaller parcels which were more available throughout the community.

Chair Keene reiterated his position in support of a senior project, feeling there was a greater need, and noting that there would likely be less neighborhood opposition to a senior project which would generate less traffic in the area.

Councilmember Nguyen-Tan suggested forwarding this matter to the full Agency to make the choice on the type of project that should be funded.

Chair Keene agreed because it appeared that he favored a senior project and Councilmember Nguyen-Tan supported a multi-family project.
Councilmember Nguyen-Tan indicated his preference was for a family project at this time, but he would like the full Agency to make the determination.

Recommendation:
The Committee recommended (2-0-1, Wahl disqualified):
1. That the full Agency determine which of the two types of low income housing projects (multi-family units or senior units) most recently proposed by Simpson Housing Solutions should be funded; and
2. That the Agency conceptually approve such low-income housing project, but not for a specific site, by making a conditional commitment of funds to Simpson Housing Solutions, subject to the parameters set forth on Page Two of the Housing Officer's memorandum of 4/25/01.

(Note: This recommendation was submitted to the Agency the following night, at its meeting of 5/1/01, at which time it was continued to the Agency's meeting of 5/15/01)

G. Consideration of Request from the Community Action Agency of Butte County (CAA) for Community Housing Development Organization (CHDO) Funding from the City's HOME Program. The Committee was provided with a memorandum dated 4/17/01 from the Housing Officer transmitting a letter from Tom Tenorio, Executive Director of CAA, requesting additional CHDO funds in the amount of $250,250 for acquisition of a site to be used for the development of housing units to expand its transitional housing program. The allocation request was in addition to $145,000 of CHDO funds previously set aside for CAA, bringing the total allocation to $395,250. The Housing Officer recommended approval of this request.

Councilmember Nguyen-Tan disqualified himself from participating in this matter because it involved HOME funds.

Housing Officer McLaughlin reviewed the staff report, advising that no other organization had requested the remaining CHDO funds available for this year and for next year, and these funds would be lost if not allocated within a certain time frame.

Tom Tenorio and Greg Webb were present and responded to questions regarding use of the funds and the terms of the acquisition. The project had two phases: the transitional apartments for housing those that had completed the Esplanade House program, and the units that would replace the existing Esplanade House with an expanded facility.

Councilmember Keene asked how these facilities would relate to the homeless shelter proposed for the site near Costco. Mr. Webb and Mr. Tenorio responded that the Esplanade House transitional program offered a completely different type of service than a homeless shelter, in that participants must be interviewed and commit to completing a program, and it was better to separate transitional programs from temporary, homeless shelter services.

Recommendation:
The Committee recommended (2-0-1, Nguyen-Tan disqualified) approval of additional allocations of CHDO funds in the amount of $250,250 to the Community Action Agency of Butte County for the acquisition of a site to be used for the development of housing units to expand its transitional housing program.

H. Consideration of Developer Reimbursement for Hancock Park Improvements – Drake Homes. The Committee was provided with a memorandum dated 4/23/01 from the Community Development Director advising that based on revised cost estimates to construct onsite and offsite improvements for Hancock Park, Drake Homes was requesting that the amount of reimbursement be revised from the previously approved amount of $344,465.75 to $488,706. The Community Development Director recommended that the City enter into an agreement to reimburse Dan Drake for actual costs for the construction of Hancock Park onsite and offsite improvements in an amount not to exceed $488,706.
Community Development Director Baptiste reviewed his memorandum, noting that the estimated neighborhood park revenues generated in this park zone at buildout will total $356,926, so the Committee should consider the funding source for the remaining $121,780. In August 2000 the Council approved the Finance Committee’s recommendations that the Chico Municipal Code be amended to allow for reimbursement from existing park funds to developers who constructed neighborhood parks at the time of development of a project. The amount of maximum park fee credits available for this project per the City fee schedule was $573,521, and the developer’s request of $488,706 was approximately $85,000 less.

Responding to Councilmember Nguyen-Tan’s questions regarding how the maximum park fee credits were calculated, City Manager Lando advised that the City’s Fee Schedule and Municipal Code provide for reimbursement to developers for park fee credits based on the amount of land that is dedicated for the park by the developer, and the cost of park and adjacent right-of-way improvements. In some neighborhood park zones, development fees would not be sufficient to fully fund a park, since existing residents who were not subject to these fees would also be responsible for some of the park funding. This portion of funding could be realized through formation of an assessment district, or drawn from the General Fund.

City Manager Lando advised that there would be other requests and needs to fund that portion of neighborhood parks that would not be funded by development fees. An alternative to reimbursing developers for building parks at the time a subdivision was built would be to have the developer dedicate the land for the park, for which park credit fees would be received, and then the City would determine how to build and fund it.

Councilmember Keene pointed out the benefits of having the neighborhood parks built by the developers at the same time a subdivision was built, and he supported the idea of setting up a fund for the overages (in this case $121,780) when this occurred. He did not feel it was equitable to require neighborhoods to form assessment districts to fund neighborhood parks, when the Council recently agreed to fund a BMX park. He recommended the Committee consider establishing a fund for building neighborhood parks, perhaps from the City’s reserve fund, which could then be paid back over time. He requested that at the next meeting the Committee consider a policy to have surplus revenues set aside as seed money for neighborhood parks in order to fund the shortfall representing the existing residents’ share of the cost of such parks.

City Manager Lando advised that it may be premature to consider earmarking funds for neighborhood parks from the City’s reserve fund, that there were other sources, and that this would have to be analyzed carefully. He noted that the park need figures could also be used by Council as a tool, and could be revised to include larger areas.

Recommendation:
The Committee recommended (3-0) that the City enter into an agreement to reimburse Drake Homes for actual costs for the construction of Hancock Park onsite and offsite improvements in an amount not to exceed $488,706; and that the Committee consider at its next meeting funding mechanisms to cover the shortfall representing the existing residents’ share of park costs when developers were reimbursed for developing neighborhood parks in conjunction with new subdivisions.

I. Request from Greg Steel for Committee Consideration of Various Council/Agency Budget Issues.
The Committee was provided with copies of a letter dated 4/4/01 from Greg Steel requesting Committee consideration of budget issues relating to (1) compensated absences; (2) potential additional Redevelopment Agency debt; and (3) the "$3,500,000 Reserve". This matter was scheduled for Committee consideration at the request of Chair Keene.

Greg Steel reviewed the concerns and recommendations outlined in his letter. Regarding compensated absences (the long-term debt was shown as $1,055,549 in the most recent financial audit of the City), he was recommending that perhaps $800,000 should be set aside from the City’s reserve fund and identified in the budget (as was done for the City’s equipment replacement fund for example). The reserve fund would then be $2,700,000 and a separate fund would show $800,000 for compensated absences.
City Manager Lando said he did not disagree with this recommendation; however, he pointed out that the City had several funds which could be drawn upon for compensated absences. He suggested this issue be addressed by the Committee at its next meeting when use of the City's reserve fund was scheduled for consideration.

Regarding his concern with potential additional Redevelopment Agency debt, Mr. Steel advised that this had been addressed by the Agency's recent action on 4/24/01 to proceed with refunding of the Chico Public Financing Authority 1991 Revenue Bonds, Series A, and issuance of additional bonds, so was no longer an issue.

Regarding his concern with the City's $3,500,000 reserve fund, Mr. Steel reviewed the recommendations outlined in his letter such as funding compensated leave; funding the Planning Division with general funds, with revenues received during the year applied to reserves for the next fiscal year; establishing an "operating reserve; and establishing a "contingency fund."

City Manager Lando recommended that these issues be addressed at the Committee's next meeting when it would consider the City's reserve fund and how it should be used.

**Action:**
The Committee (3-0) directed staff to schedule consideration of use of the City's reserve fund, including issues raised by Mr. Steel, for its May meeting.

**J. Approval of Housing Rehabilitation Loan Request - Enrique Orozco - 895 Alpine Street.** The Committee was provided with a memorandum dated 4/17/01 from the Housing Officer providing a summary of the loan request from Enrique Orozco - 895 Alpine Street. The loan request for $30,500 was consistent with the Housing Rehabilitation Loan Program. Pursuant to program guidelines, loan requests over $15,000 required Committee approval. Due to the applicant's income and housing expense ratio, staff was recommending a deferred loan. The Housing Officer's memorandum included a confidential loan analysis section which was only provided to the Committee and relevant staff. Staff recommended approval of this request.

Councilmember Nguyen-Tan disqualified himself from participating in this matter because it involved CDBG funds.

**Action:**
The Committee (2-0-1, Nguyen-Tan disqualified) approved of the Rehabilitation Loan Request for Enrique Orozco, as recommended by staff.

**K. Consideration of Request From Mortgage Subsidy Program Borrower For Special Consideration - Staples 2758 Ceres Ave.** The Committee was provided with a memorandum dated 3/29/01 from the Housing Officer transmitting Mr. Staples request and providing background on the request. (This matter was continued from the Committee's 4/4/01 meeting at Mr. Staples' request.)

Housing Officer McLaughlin reviewed Mr. Staples' proposal to refinance his first mortgage by obtaining a new loan of between $90,000 - $95,000, pay off the existing first and use the funds remaining to pay the debt incurred to replace his air conditioning system and re-roof the house. Mr. Staples first mortgage was $76,708, and Committee review of his request was required because the Mortgage Subsidy Program (MSP) Administrative Procedures & Policy (AP&P) provided that in the event the borrower refinanced the first mortgage, the amount of the new loan should not exceed the initial balance of the first mortgage at the time the MSP loan was approved. Mr. Staples felt his request should be approved because the Committee previously approved subordination of an Agency MSP loan to a larger first mortgage in connection with a refinancing requested by a couple that needed to add a bedroom to their home (MSP borrower Christophersen).
Assistant City Manager Dunlap advised that staff was not recommending approval of Mr. Staples’ request because the refinancing was for maintenance, as opposed to expansion of the property, and staff was concerned that approval of the request would set a precedent.

Mr. Staples was present and indicated he felt he should receive the same consideration as was given the Christophersens. Further, replacement of the air conditioning system in his home was a health issue since the molds in the old system posed a serious threat to his wife’s asthma condition.

Councilmember Nguyen-Tan was concerned that approval of the Staples request would set a policy precedent for all MSP borrowers.

Councilmember Wahl did not feel setting a precedent should be of concern since the Committee would review such requests on a case-by-case basis. Chair Keene felt precedence-setting was an issue, and that some policy or criteria should be established in order to approve such exceptions. He felt that in this instance the health hazard factor leading to the need to replace the air conditioning system might justify the exception to MSP policy. He suggested the new loan be allowed in an amount larger than the original loan that would equal the cost of replacing the air conditioning system, which was required due to a hazardous health situation.

**Action:**

The Committee (3-0) authorized an exception to MSP policy for the Staples by allowing them to refinance their home for an amount $8,700 larger (the cost of the new air-conditioning system) than the original first mortgage; with the finding that such exception was approved due to a hazardous health condition requiring replacement of the air conditioning system for which the Staples could not pay; and subject to the condition that the Staples provide staff with documentation regarding the hazardous health situation and their inability to pay.

L. **Schedule May Finance Committee Meeting Date.** The Committee scheduled its May meeting date for Monday, 5/14/01 at 4:00 p.m. in Conference Room No. One (due to the regular meeting date, the fourth Monday of the month, being the Memorial Day holiday).

M. **Consideration of Chico Municipal Code Campaign Financing Provisions.** At its meeting of 4/3/01, the City Council referred Councilmember Wahl’s request for discussion of the City’s campaign financing laws to the Committee for review and recommendation. The Committee was provided with the same information received by Council: (1) copies of Chapter 1.30 of the Chico Municipal Code, entitled “City Elections,” and (2) copies of a memorandum dated 3/30/01 from Councilmember Nguyen-Tan regarding local campaign financing reform options.

Due to time constraints, the Committee continued consideration of this matter to its May meeting.

N. **Business from the Floor:**

**Concerns with Issues relating to Fee Waivers for Parades.** John Gillander inquired whether City waiver of fees for parades included waiver of fees and licenses for the vendors associated with the parade.

City Manager Lando responded that the City Attorney had been requested to prepare an opinion on various issues related to waiver of fees and insurance for parades.
O. **Adjournment and Next Meeting.** Earlier in the meeting the Committee scheduled its May meeting date for Tuesday, May 14, 2001, at 4:00 p.m. in Conference Room No. One.

[Signature]
Bebe Young, Administrative Analyst

**Distribution:**
- City Council (22)
- Housing Officer
- Risk Manager
- Public Works Director
- Comm. Dev. Director
- Finance Director
A. **Consideration of Establishment of Monthly Sanitary Sewer Lift Station Fee Pursuant to Chico Municipal Code Section 15.36.062.** The Committee was provided with a memorandum dated 4/09/01 from the Public Works Administrative Manager reporting on the establishment of a monthly lift station fee pursuant to Chico Municipal Code (CMC) Section 15.36.062. The CMC provides that where a premise is served by a sewer lift station connected to the City sewer system via a sewer main or trunkline tributary to the lift station, the City will levy a monthly sewer service fee which is sufficient to operate and maintain the lift station. The fee schedule attached to the memorandum depicts the proposed monthly fee for the Lassen Avenue sewer lift station tributary area. The Public Works Administrative Manager recommended the establishment of a monthly lift station fee of $1.10 per residential unit and $0.12/CCF for non-residential uses for Lassen Avenue.

Public Works Administrative Manager Halldorson reviewed the staff report, summarizing that the actual costs of the lift station are passed on to the users and the fees were calculated based on an estimate of anticipated sewer connections this year. If any new users connect that were not included in the calculations, the fees would be adjusted accordingly.

Gene Damschen, owner of the Case de Flores Mobile Home Park, objected to the $1.10 charge per residential unit, advising that the majority of the residents in the park are low-income, single, retired women on fixed incomes. He felt such residents probably used minimum amounts of water and that any additional monthly bills were a hardship. He also objected that he had spent about $390,000 for sewer connection over the last three years and still had not been connected to the City sewer system. He felt the City was attempting to make a profit on everything it did.

City Manager Lando and Director of Public Works Ross responded to Mr. Damschen's concerns regarding the delay in sewer connection, advising that the delay was due to work on connections to an automatic dialing system being performed by Pacific Bell, after which the contractor could connect the alarm system.

Chair Keene recommended this matter be continued in order for Mr. Damschen to meet with City staff to review the proposed fee calculations and address his concerns.

City Manager Lando recommended that the Committee forward the fee schedule amendment on to the City Council with no recommendation, rather than delaying it, and that Mr. Damschen could meet with staff to resolve his issues in the meantime.

**Action:**

*The Committee (3-0) forwarded the establishment of Monthly Sanitary Sewer Lift Station Fees for the Lassen Avenue sewer lift station tributary area (in the amount of $1.10 per residential unit and $0.12/CCF for non-residential uses) to the full City Council for consideration, allowing staff to meet with Gene Damschen to address his concerns in the interim.*
B. **Consideration of Establishment of Emergency Reserve Fund Policies and Establishment of Other Reserve Funds.** The Committee was provided with a memorandum dated 5/7/01 from the City Manager recommending that the Finance Committee formalize the approved emergency reserve fund and recommend policies for its use. In addition, the City Manager was recommending the establishment of a capital reserve fund to pay for the City’s share of the “Nexus” projects.

City Manager Lando reviewed his recommendation that the level of the Emergency Reserve Fund be established at 5% of the City’s General Fund expenditures, or approximately $1.25 million, based on the size of the current budget, and that the use of this fund be at the discretion of the City Council for specific findings which might include economic downturns, and compensated employee absences. The fund would be established based upon setting aside 20% of the amount which is above the City’s desired operating reserve, which had been established at 7 1/2% of the annual operating budget a number of years ago. Once the desired Emergency Reserve Fund level had been reached, he was recommending that the Council continue the policy of transferring funds to a separate reserve fund as a capital reserve fund which could be used to fund the City’s General Fund commitment to various projects identified in the Nexus Study but not fully funded by development impact fees, including, but not limited to Police and Fire, and Park facilities.

Referring to the CSMFO (California Society of Municipal Finance Officers) Survey Results from other cities regarding budgeting of general fund reserves (which was attached to the City Manager’s memorandum), Chair Keene noted that Chico’s reserve was comparatively low, and that perhaps the City should consider setting aside more in its reserve funds.

City Manager Lando advised that this survey was not a scientific survey, also noting that there were several other established funds that could be drawn upon to meet the City’s needs, such as the equipment replacement fund. He had recommended the Emergency Reserve Fund level be established at 5% because it resulted in an amount adequate to cover the City’s liability for compensated employee absences, which was one of the budget issues Greg Steel had raised.

Councilmember Wahl cautioned against establishing too many reserve funds which might restrict use of the taxpayers’ money for provision of services.

Greg Steel distributed copies of a handwritten chart demonstrating how 5% of the City’s budget ($1,250,000) could be broken down into budget line items for compensated absences, capital projects reserve, and emergency reserve (subsequent to the meeting he provided copies via facsimile dated 5/15/01).

**Recommendation:**

The Committee recommended (3-0) approval of the City Manager’s recommendations as outlined in his memorandum of 5/7/01 and summarized as follows:

1. That following close of the books each year monies in an amount not to exceed 20 percent in excess of the General Fund Operating Reserve be transferred to an Emergency Reserve Fund until it reaches an amount equal to five percent of the City’s General Fund expenditures, and that the purposes for which funds could be allocated from this Fund include, but not be limited to, payment for compensated employee absences and other emergency needs as determined by the City Council; and

2. That after the Emergency Reserve Fund is fully funded at five percent, 20 percent of the funds in excess of the General Fund Operating Reserve continue to be transferred into a Capital Projects Reserve Fund which could be used to fund the City’s General Fund commitment to the various projects identified in the Nexus Study but not fully funded by development impact fees, including, but not limited to Police and Fire and Park facilities; and

3. That the $125,000 shortfall needed for reimbursement to the developer for construction of Hancock Park be drawn from the Emergency Reserve Fund.
C. **Consideration of Chico Municipal Code Campaign Financing Provisions.** At its meeting of 4/3/01, the City Council referred Councilmember Wahl’s request for discussion of the City’s campaign financing laws to the Committee for review and recommendation. The Committee was provided with the same information received by Council: (1) copies of Chapter 1.30 of the Chico Municipal Code, entitled “City Elections,” and (2) copies of a memorandum dated 3/30/01 from Councilmember Nguyen-Tan regarding local campaign financing reform options.

Councilmember Wahl indicated he had scheduled this matter for Council consideration because it had been referred to Committee at a City Council meeting in October, 2000.

Councilmember Nguyen-Tan reviewed his recommendations as outlined in his memorandum of 3/30/01. He had researched efforts for local campaign financing reform in other communities and recommended two local campaign finance reform options as a focus for discussion: (1) A conflict of interest throughout a term of office for a Councilmember to vote on any issue that involved a financial interest to a contributor who had made $500 or more in direct campaign contributions, at any period of time; and (2) Disclosure reporting requirements of contributors of $50 or more two days prior to the first day absentee ballots were mailed and two days prior to the election date, in addition to the specified State reporting requirements.

Dolly Brown urged the Committee to consider establishing campaign contribution limits of $100, which she felt would allow candidates to run for office without having to raise $20,000. She felt this would go a long way toward rebuilding the public trust.

Chair Keene responded that in communities where local campaign contribution limits had been established, the experience had been that independent expenditures on behalf of or against candidates had increased, and the independent expenditure groups were less accountable than candidates.

Councilmember Wahl felt that limiting contributions to $100 would encourage candidates to spend their own money on their campaigns.

Councilmember Nguyen-Tan agreed with Councilmembers Keene and Wahl that limiting campaign contributions would not solve the problem as he perceived it. He felt the problem was not the amount of money being raised, but, rather, the perception by the public that the money was tied to decisions made by elected officials, i.e. that votes were bought. Therefore, he was recommending the conflict of interest solution to get back the public’s trust.

John Gillander spoke in opposition to contribution limits, and said that Political Action Committees did not exist before limits were established. He objected that the current contribution limits were not being enforced, and that he had reported several violations to the Fair Political Practices Commission (FPPC) with no results. He recommended amending the local ordinance to require total campaign contribution disclosure which he felt would eliminate most of the loopholes, since contributions of $49 or less could not be tracked under the current ordinance.

Councilmember Nguyen-Tan asked if Mr. Gillander had any thoughts on the timing of campaign disclosure reporting and he responded that the reports should be required once a week.

City Manager Lando advised that next day (once a week) campaign disclosure might be too onerous for candidates, and the Committee discussed the possibility of requiring the reports to be submitted in a format that could easily be posted to the internet.

Responding to Chair Keene’s question as to whether the City had any powers of enforcement for campaign disclosure violations, City Attorney Frank advised that only the FPPC or the District Attorney could enforce state law, but if it was a violation of the City’s Code, it would come to his office. The City could enforce provisions of a local ordinance only if they did not duplicate State law or the Constitution.
Chair Keene indicated that he was concerned with the conflict of interest provision proposed by Councilmember Nguyen-Tan because he felt it targeted only one side in that it was based on a direct financial benefit. He pointed out that the amount of funds being raised by both sides were fairly equal, and that receiving a philosophical or visionary benefit as a result of campaign contributions was just as significant as receiving a financial benefit.

Councilmember Nguyen-Tan disagreed, feeling there was a great difference between the significance of a financial benefit compared to a philosophical or visionary benefit.

Kelly Meagher felt the amount of money being raised by candidates in a City Council election was obscene and unfair. He urged the Committee to change the system and find a solution, feeling that legally enforceable contribution limits would be a win-win situation for all sides.

Dolly Brown stressed that something must be done to change the voters’ perception that votes were being bought.

Mary Watters, League of Women Voters, said the organization had been studying the problem at all levels, including State and National, and that some solution had to be found that would change the public’s perception that votes were being bought.

Ramona Flynn asked the City Attorney about the definition of conflict of interest, and he replied that under current law, campaign contributions were not considered a source of income reportable under the conflict of interest laws.

Tim Bosquet disagreed with Chair Keene’s belief that philosophical benefit should be equal to economic benefit in relation to conflict of interest. He felt that public financing of campaigns was a possible solution that should not be overlooked, pointing out that the City sometimes spent as much as $100,000 on environmental impact reports, so why not consider that amount of public funding for campaigns?

Responding to Dolly Brown’s question as to whether Councilmember Nguyen-Tan’s proposal for a conflict of interest provision would be legally enforceable by the City, the City Attorney indicated it would have to be researched.

John Gillander did not support the conflict of interest provision because it would preclude Councilmembers from voting on certain issues for four years.

Councilmember Nguyen-Tan felt more information was needed, especially on the legal issues surrounding a conflict of interest provision.

Chair Keene asked if the Committee supported the concept of full disclosure, and Councilmember Nguyen-Tan said he could support it if it was tied in to more timely reporting requirements.

Chair Keene felt the issue of putting a limit on the amount of cash contributions should be addressed under the topic of full disclosure.

Councilmember Nguyen-Tan stressed that while he understood the comments from Ms. Brown, Mr. Meagher and Mr. Bosquet concerning contribution limits or public financing of campaigns in order to "level the playing field and make it fair," these options could result in other problems, and therefore, his focus was on what could be done to strengthen the public’s trust and eliminate the perception that votes were being bought.

The Committee agreed that both the conflict of interest option and the full disclosure option, including timeliness of reporting and limitations on the amount of cash contributions, should be continued for more information and a legal analysis from the City Attorney.
**Action:**
The Committee (3-0) continued this matter to its next meeting for more information, directing the City Attorney to provide an analysis regarding:

1. The legality of establishing a local conflict of interest provision that would preclude a Councilmember from voting on any issue that involved a financial interest to a contributor who had made $500 or more in direct campaign contributions, at any period of time.
2. Alternatives regarding establishment of a requirement for full disclosure of all campaign contributions, including the timeliness of reporting and possible limits on the amount of cash contributions.

**D. Consideration of Mortgage Subsidy Program (MSP) Loan Request – O’Callaghan.** The Committee was provided with a memorandum dated 5/4/01 from the Housing Officer providing background information on the MSP policy which required Committee consideration, and transmitting Ms. O’Callaghan’s loan request. Confidential financial information pertinent to the request was provided with the memorandum to the Committee and relevant staff only.

Housing Officer McLaughlin reviewed the staff report, advising that the request had been referred to the Committee because Ms. O’Callaghan’s housing expense ratio would be 37% of her monthly gross income, and the MSP guidelines provided that the housing expense ratio should not exceed 35%. However, the guidelines also allowed for the housing expense ratio to be as high as 37% if there were relevant compensating factors. Ms. O’Callaghan did not qualify for the typical compensating factors staff would consider in approving a higher housing expense ratio; however there were other compensating factors which the Committee might consider.

Ms. O’Callaghan was present and spoke in support of her request and responded to questions.

Chair Keene recommended approval of the request, noting that the Committee had approved a 37% housing expense ratio in the past if the compensating factors existed, as they did in this case.

Councilmembers Nguyen-Tan and Wahl felt approval was appropriate in this case and it was also provided for in the MSP guidelines.

**Action:**
The Committee (3-0) approved the Mortgage Subsidy Program Loan for Erin O’Callaghan for the property at 1522 Salem Street based on compensating factors allowing for a higher housing expense ratio as provided for in the program guidelines.

**E. Consideration of Mortgage Subsidy Program (MSP) Borrower Request – Judge.** The Committee was provided with a memorandum dated 5/8/01 from the Housing Officer transmitting this request from Alan Judge and provides background on the MSP guideline being questioned. Confidential financial information pertinent to the request was provided with the memorandum to the Committee and relevant staff only.

Mr. Judge was not present to support his request.

Assistant City Manager Dunlap advised that staff recommended denial of his request.

**Action:**
The Committee (3-0) denied the request from MSP Borrower Alan Judge for an exception to the MSP guidelines regarding his household income calculation.
F. **Adjournment and Next Meeting.** The meeting was adjourned at 6:05 p.m. The next meeting was scheduled for Monday, June 25, 2001 at 4:00 p.m. in Conference Room No. One.

Bebe Young, Administrative Analyst

**Distribution:**
- City Council (22)
- Housing Officer
- Comm. Dev. Director
- Risk Manager
- Public Works Director
- Finance Director
A. **Consideration of Request from Aspire Homes (Tony Symmes) to Increase the Mortgage Subsidy Program (MSP) Sale Price Limit and Consider Different Sale Price Limits for New and Existing Homes.** The Committee was provided with a memorandum dated 6/18/01 from the Housing Officer forwarding the request from Tony Symmes to increase the MSP sales price limit, and providing background on the request. Staff recommended increasing the Mortgage Subsidy Program sale price limit to $135,000 for both new and existing homes.

Housing Officer McLaughlin reviewed his memorandum, noting that only one MSP loan had been approved in the last six months since the Council increased the MSP sales price limit from $115,000 to $125,000. Staff recommended the sales price limit be increased again to $135,000, which would still be within the MSP guidelines and might encourage more activity in the program for borrowers in the moderate to median income level. Due to the current housing market, raising the sales price limit would not help low income families (80% of the median income), as there were few or no homes available in price ranges they could afford. He added that after ten years, the MSP program was beginning to reach the Agency’s goal wherein the loan payments now being received would soon be able to entirely fund the program. Staff had considered increasing the amount of the MSP loans, but did not recommend it, feeling that would result in an unfavorable loan to value ratio for the borrowers due to the high prices in the current housing market.

Tony Symmes commented that land availability was the major factor affecting the majority of the housing price increases. He said he agreed with the staff recommendation, and that Aspire Homes could offer a variety of floor plans to home buyers at $135,000, rather than just one floor plan at $125,000.

Councilmember Wahl supported the staff recommendation to increase the MSP sales price limit to $135,000.

Councilmember Nguyen-Tan observed that the MSP sales price limit, if increased to $135,000, would constitute an increase of $20,000 in just the last six months. He suggested that staff monitor the housing market and report back in six months.

Councilmember Keene supported the sales price increase, but agreed that staff should monitor the housing market closely to ensure that MSP borrowers were not put in a position of exceeding a prudent loan to value situation ("upside down" market), as had occurred a few years ago. He commented that the increased sales price would also help relieve the rental market, which was also high, by opening up more homes for buyers qualifying for MSP loans.

**Recommendation:**

The Committee recommended (3-0) that the MSP sales price limit be increased from $125,000 to $135,000, and that staff be directed to monitor the housing market closely and report back to the Committee in six months or sooner, if there were significant changes, in order that the sales price limit could be re-evaluated to ensure that borrowers would not be put in a position of exceeding a prudent loan-to-value ratio.

B. **Consideration of Amendments to the City of Chico Fee Schedule (Mortgage Credit Certificate**
Program Application Processing Fee, Utility Users’ Tax Refund Criteria and Levels/Exemption, Police Department Fees, Public Right-of-Way Café License Fees, and Airport Fees. The Committee was provided with a memorandum dated 6/7/01 from Management Analyst Herman reporting that an annual review of the City’s Fee Schedule had been conducted by various City Departments resulting in the recommendations listed in her memorandum. The City Manager recommended approval of the Fee Schedule amendments.

Chair Keene requested the fee schedule amendments to be reviewed one at a time.

Mortgage Credit Certificate Program Application Processing Fee – repealed and removed from the Fee Schedule because program no longer offered.

Utility Users’ Tax (UUT) Refund Criteria and Levels/Exemption – Assistant City Manager Dunlap explained that Council authorized staff to adjust these figures annually according to the Housing and Urban Development (HUD) figures, so this did not really require Council action, but had been included in the amended Fee Schedule for clarification. Chair Keene felt the income level figures were high for what was considered “poverty level.” Assistant City Manager Dunlap responded that last year the Council had authorized staff to use HUD’s low income levels (80% of median) instead of the very low income levels (50% of median). He requested that this issue be brought back to the Committee for re-evaluation in August or September, along with the other UUT issues discussed at today’s meeting.

Police Department Fees – Lieutenant Voris responded to Committee questions regarding the $2.00/card increase in fingerprinting fees, which he said was mostly attributable to maintenance of the live scan fingerprinting machines.

Public Right-of-Way Café License Fees – Public Works Administrative Projects Manager Halldorson responded to Committee questions regarding the $5.00 and $2.00 increases in these fees, which was an adjustment for the staff positions that were involved. Chair Keene confirmed with her that the fee increases were based on a real time adjustment rather than on any salary increases.

Airport Fees – Airport Manager Grierson advised that deletion of the $400 minimum fee for automobile rental business lease agreements for use of space at the Terminal was recommended because all current and anticipated leases would exceed this amount. Regarding the recommended increase from $100 to $200 for the minimum fee for all lease agreements at the Airport, he recommended that the fee be deleted completely since all leases would exceed the minimum and it was unnecessary.

Recommendation:
The Committee:
1. Recommended (3-0) that the Fee Schedule Amendments as proposed by staff be forwarded to the City Council for adoption, with the exception that the minimum fee for preparation of Airport lease agreements be deleted entirely; and
2. Directed staff to bring back for Committee consideration in August or September (along with the other Utility User Tax issues) consideration of whether the Utility User Tax Exemption levels should continue to be based on the Department of Housing and Urban Development’s low income levels (as opposed to the very low income levels).

C. Consideration of Amendment to the Mortgage Subsidy Program (MSP) Policy that would Authorize Staff to Allow MSP Borrowers to Use Equity in the Property for Home Repairs under Certain Conditions. The Committee was provided with a memorandum dated 6/18/01 from the Housing Officer providing background on a proposed amendment to MSP policy that would authorize staff to allow borrowers to access the property’s equity for specific home repairs under certain conditions.
Housing Officer McLaughlin reviewed his memorandum, noting that staff was proposing this policy in order to avoid individual borrowers’ requests being brought before the Finance Committee.

Chair Keene noted that borrowers would not be increasing the equity in their homes if they continued to refinance for home repairs, which might lead to default on MSP loans.

Councilmember Nguyen-Tan determined from staff that there had been only one such request this last year, and the Committee had allowed the exception because the specific home repairs were critical for health reasons. He did not support amending the current policy, feeling it might put the MSP loans at risk. He suggested that the Committee continue to consider individual requests, but only if there were health issues involved.

Assistant City Manager Dunlap added that borrowers in income levels below the 80% median would be eligible for CDBG rehabilitation loans for home repairs.

**Recommendation:**
The Committee recommended (3-0) that the Mortgage Subsidy Program (MSP) guidelines not be amended to authorize staff to allow borrowers to use equity in the property for home repairs, but that individual requests for exceptions based on health issues be submitted to the Finance Committee for consideration instead.

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**D. Consideration of (1) a Methodology for the Calculation of the Utility Users’ Tax (UUT) Differential Brought About by the Increased Gas and Electric Rates and (2) Potential Uses for that UUT Differential including a Methodology for the Adjustment of the Rate of Collection for the UUT and Potential Energy Related Programs for Conservation, Retrofit and Generation.** At its meeting of 6/5/01, the City Council referred this matter to the Finance Committee. The Committee was provided with a memorandum dated 6/18/01 from the Finance Director providing a methodology for the calculation of the UUT differential and a methodology for the potential adjustment of the UUT collection rate. The Committee was also provided with a memorandum dated 6/18/01 from the Risk Manager providing information on the existing Pacific Gas & Electric (PG&E) rebate programs for conservation and retrofit and additional programs for conservation, retrofit and generation for Committee consideration.

Finance Director Martin reviewed her memorandum, outlining a proposed methodology for calculating the UUT “differential revenue”, which was defined as the difference between the UUT revenue based on the increased energy rates and the amount which would normally have been budgeted and received. She explained that the differential revenue would be calculated after the close of the City’s book each year, typically in October, and adjusted for any increased energy cost burdens assumed by the General Fund due to utility rate increases. After the differential revenue was determined, it would become the basis for any reduction in the imposed collection rate for the current year. The Council could then determine if any or all of the differential revenue should be returned to the UUT rate payer in the current year via a reduced collection rate, or whether it should be used for assistance with energy conservation programs. Because of the lead time required by the energy providers to implement new tax rates and the resulting difficulty in matching the rate reduction to the gas and/or electricity season, staff was recommending that any reduction in the collection rate be set annually in October after the books for the previous year had been closed; that it be imposed for a period not to exceed one year; and that any reduced collection rate be imposed at the same rate for both gas and electricity.

Councilmember Nguyen-Tan commented that if the Council made such decisions in October, there would still be a two-month lag before any collection rate reduction could be implemented by PG&E on the utility bills.

Chair Keene was concerned that setting the collection rate annually might not work in view of the constantly fluctuating utility price increases. He asked if it would be possible for staff to prepare a matrix showing what the differential revenue would be in comparison to energy prices in 90-day periods. He did not feel the Council should lock in a collection rate for a whole year until the numbers could be further analyzed, and suggested that this matter be continued to October in order to get the staff analysis and final figures on the differential revenue.

Councilmember Wahl requested that staff also provide a comparison of monthly averages in utility rates and/or UUT revenues, whichever was more appropriate, between this year and last year.
Janet Walther, representing PG&E, commented that future projections would be difficult because of PG&E’s tiered rate structure, as well as the conservation incentives which many consumers had taken advantage of, resulting in a 20% decrease in energy bills. She distributed a handout to the Committee including information on PG&E’s incentive and rebate programs, and rate structures.

Finance Director Martin indicated that staff could probably provide the requested analysis, as well as figures for the differential revenue, for the Committee’s August or September meeting, so that the matter could be considered by Council in October.

Councilmember Nguyen-Tan did not want to wait until October to address alternate uses of the differential revenue for energy programs, feeling the Committee could give staff some direction at this point to begin investigating alternatives.

Risk Manager Koch reviewed his memorandum regarding potential energy related programs for conservation, retrofit and generation.

Councilmember Nguyen-Tan was particularly interested in the State’s rebate program for solar energy generation. He pointed out that most of the energy assistance programs were targeted toward low income consumers, whereas it was probably middle to upper income level people who would be able to take advantage of the State’s solar energy generation program. The up-front costs to install solar energy generation systems were significant, and he felt the City might consider a revolving loan program to provide loans for these costs, which could be paid back by the borrowers when the State’s rebate was received. The revolving loans could be at low interest rates, not costing the City anything, and the State rebate would be the City’s guarantee on the loan. He suggested staff be directed to study the feasibility of his proposal, find out if other communities were offering assistance or incentives for installation of solar energy generating systems, and report back to the Committee in August along with the other information requested regarding the UUT differential revenue.

Chair Keene said he was not inclined to support a solar energy loan program at this time because it would assist only a few middle and upper income level families. However, he agreed with directing staff to investigate the proposal. He added that when the issues came back to the Committee, there may be a whole different discussion if it turns out there is not a large amount of UUT differential revenue due to the City’s own utility bills.

**Action:**

The Committee continued this matter to August or September, directing staff to provide the following additional information at that time:

1. a matrix showing what the UUT differential revenue would be in comparison to energy prices in 90-day periods, and also a comparison of monthly averages in utility rates and UUT revenue between this year and last year; and
2. Information on the feasibility of leveraging a City revolving loan program with the State rebate program for the installation of solar energy generating systems on homes, as well as information on what other communities are doing to assist with solar energy generating systems.

E. **Business from the Floor.** None
F. **Adjournment and Next Meeting.** The meeting was adjourned at 2:20 p.m. The next meeting was scheduled for Monday, July 23, 2001, at 4:00 p.m. in Conference Room No. One.

Bebe Young, Administrative Analyst

**Distribution:**

- City Council (22)  
- Housing Officer  
- Comm. Dev. Director  
- Risk Manager  
- Public Works Director  
- Finance Director
A. Approval of Budget Modification to Change Use of Funds Allocated from the Supplemental Law Enforcement Services (State C.O.P.S.) Grant Funds. State law requires that the City Council conduct a public hearing each September related to the use of Supplemental Law Enforcement Services (State C.O.P.S.) grant funds and further provides that the City Council may not alter any previous appropriations during the same fiscal year in which the appropriation was approved. The 2001-02 public hearing was scheduled for 09/18/01 and it would be appropriate to consider a change in the use of formerly allocated funds at that time. The Committee was provided with a memorandum dated 08/13/01 from the Chief of Police reporting that funding for two police officers and several minor capital projects was included in the 2001-02 budget. The requests were approved by the City Council pending the public hearing. Grant funds in the amount of $10,179 previously were budgeted to acquire a digital document imaging system. However, due to concerns about whether the system would be compatible with the system being considered for City-wide document imaging, the Chief of Police was recommending that the funds be used to purchase digital photography equipment, including cameras, specialized printers and storage media. If the Finance Committee approved the change in the use of State C.O.P.S. grant funds, a formal budget modification would be forwarded to the City Council with the 09/18/01 agenda to be considered at the public hearing. The Chief of Police recommended approval of the budget modification.

Recommendation:
The Committee (3-0) recommended approval of a Budget Modification to change the use of funds previously allocated from the State C.O.P.S. grant for a digital document imaging system ($10,179) to purchase digital photography equipment, including cameras, specialized printers and storage media instead.

B. Approval of Supplemental Appropriation for Installation of Poles to Attach Banners to be Hung Across Main Street to Announce Upcoming Events. Section 9.44.050 of the Chico Municipal Code authorizes banners to be hung across Main Street to announce upcoming events. Historically, banners had been hung from buildings at 2rd and Main Streets. The owner of one of the buildings had requested that the City no longer hang banners from his building. Staff wished to install poles within the public right-of-way on the westside of Main Street at Ringel Park and adjacent to 35 Main Street on the eastside. The Finance Committee had been provided with a copy of the General Fund fund summary page which reflected the estimated 6/30/02 fund balance. The Director of Public Works recommended approval of the Supplemental Appropriation in the amount of $12,000.

Recommendation:
The Committee (3-0) recommended approval of a Supplemental Appropriation in the amount of $12,000 for installation of poles to attach banners to be hung downtown across Main Street to announce upcoming events.
C. Approval of Housing Rehabilitation Loan Request - Geraldine Parks - 1504 Laburnum Avenue. The Committee was provided with a memorandum dated 8/17/01 from the Housing Specialist providing a summary of the Housing Rehabilitation Assistance request from Geraldine Parks - 1504 Laburnum Avenue. The Assistance request for $19,000 included a deferred loan for rehabilitation work of $16,280 from the HOME program and a grant of $2,720 for lead-based paint work from the HOME program. Pursuant to program guidelines, requests over $15,000 required Committee approval. The loan request for $16,280 was consistent with the Housing Rehabilitation Loan Program. Staff was recommending that the cost of the lead-based paint work be provided as a grant to the applicant. Due to the applicant’s income and housing expense ratio, staff was recommending a deferred loan. The Housing Officer’s memorandum included a confidential loan analysis section which was provided only to the Committee and relevant staff. Staff recommended that the Committee take the following actions: 1) Approve the Housing Rehabilitation Assistance request (Parks - 1504 Laburnum Ave.) for $19,000 which includes a deferred loan for rehabilitation work of $16,280 from the HOME Program and a grant of $2,720 for lead-based paint work from the HOME program. 2) Recommend to the City Council that Administrative Procedure and Policy Nos. 27-4 and 27-5 for the Housing Rehabilitation Program be revised to incorporate the changes required by the new lead-based paint requirements.

Responding to Councilmember Wahl’s inquiries, Housing Specialist Burkland advised that the loan amount of $16,280 provided for a contingency of $3,038 in addition to the contractor’s bid of $13,242 for the work; and that compliance with the new lead-based paint regulation was anticipated to be part of future rehabilitation loan requests, but only in association with the work being requested.

Councilmember Nguyen-Tan asked if there were other funding sources that could be used for compliance with the lead-based paint regulation besides CDBG funds, and staff responded that possible funding assistance from the Department of Housing and Urban Development (HUD) was being investigated.

Action:
The Committee (3-0) approved the Rehabilitation Loan request of Geraldine Parks, 1504 Laburnum as recommended by staff in the amount of $19,000, which includes a deferred loan for rehabilitation work of $16,280 from the HOME Program and a grant of $2,720 for lead-based paint work from the HOME program.

Recommendation:
The Committee (3-0) recommended that the City Council approve revisions to Administrative Procedure & Policy Nos. 27-4 and 27-5 as recommended by staff to incorporate the changes required by the new lead-based paint requirements and provide for grant funding for the additional construction costs necessary for compliance.

D. Consideration of Funding for Interim Solution to Gravel Bar Buildup in the Sacramento River and Its Effect on the Water Pollution Control Plant Outfall Diffusers. At its meeting of 8/7/01, the City Council received a report on the effect of the gravel bar buildup in the Sacramento River and possible solutions, and referred the matter to the Finance Committee. The Committee was provided with a memorandum dated 8/15/01 from the Director of Public Works providing information on the effect of gravel build-up in the Sacramento River at the Water Pollution Control Plant Outfall Diffusers and the M&T Chico Ranch pump, proposed permanent solutions, and an interim solution of dredging the gravel bar. Further, the Director was requesting funding in the amount of $200,000 which was 50% of the amount needed to dredge the gravel bar (interim solution). M&T Chico Ranch would also provide 50% of the funding. The Director of Public Works recommended approval of funding for the interim solution in the amount of $200,000. If the Committee concurred, a supplemental appropriation would be prepared and forwarded to the City Council for approval.

Director of Public Works Ross described the situation, pointing out the location of the diffusers and the gravel bar to be dredged on a display map. Responding to questions from the Committee and City Manager, he advised that there was no way to estimate how long the interim solution of dredging the gravel bar back to its 1995 configuration would last, since no one could predict what the weather or intensity of storms would be from year to year. As soon as an interim solution was implemented, staff would begin work on a long term solution to the problem, since it could take three to five years to address environmental concerns and funding for a long term solution. State and Federal agencies had not been willing to contribute funding for the interim solution, but it was anticipated that financial assistance might be available for a long term solution.
Les Herringer, Manager of the M&T Chico Ranch said they were still working on getting funding for the interim solution, and were writing a grant to CalFed for financial assistance with a long term solution. He reviewed the projects that the Ranch and City had worked on together, noting that the Ranch was in the same position as the City and needed to move one-half of the gravel bar this fall.

Councilmember Nguyen-Tan requested staff to provide more information for the basis of the cost for the interim solution being divided equally between the City and the Ranch.

**Recommendation:**
*The Committee (3-0) recommended approval of a Supplemental Appropriation in the amount of $200,000 to fund the interim solution (gravel removal from the Sacramento River) as recommended by staff to remediate the problem of gravel buildup in the Water Pollution Control Plant diffusers, with staff requested to provide more information for the basis of the cost being divided equally between the City and the M&T Chico Ranch.*

E. **Consideration of Reimbursement to Developer for Nob Hill Park Improvements.** On 11/17/98, at the request of the developer, the City Council approved park fee credits for the development of a park/storm drainage facility in the Nob Hill (formerly Benedict Ranch) subdivision. The Committee was provided with a memorandum dated 8/17/01 from the Community Development Director reporting that the facility had been constructed and recommending that $68,279.90 be budgeted to reimburse the developer for one acre of park land and the adjacent offsite improvements. It was recommended that funding for the park land ($33,872.40) come from the neighborhood park zone which included the Nob Hill Subdivision (Zone I); and that funding for the public improvements adjacent to the park ($34,407.50) come from the General Fund. The Community Development Director recommended that the developer be reimbursed in the amount of $68,279.90 and that a supplemental appropriation allocating the funds be prepared for City Council approval.

Responding to Councilmember Wahl’s inquiry, Community Development Director Baptiste advised that he had recommended part of the funding for the reimbursement be allocated from the General Fund because there was a public benefit from these improvements; however, another option would be to use other neighborhood or community park funds.

Chair Keene indicated he would prefer to use Neighborhood Park funds for the entire reimbursement, even though the General Fund might ultimately be used to pay back the Neighborhood Park fund.

Responding to Councilmember Nguyen-Tan’s inquiry, Community Development Director Baptiste said this situation would not set a precedent since it was not allowed under current Code provisions.

Chair Keene commented that Neighborhood Parks were not being built as provided for in the General Plan, and this problem would be addressed by the Committee in an upcoming work session.

City Manager Lando cautioned that staff and Councilmembers would need advice from the City Attorney regarding conflicts of interest when considering issues related to Neighborhood Parks if their residences were within 500 feet of a park.

**Recommendation:**
*The Committee (3-0) recommended that the developer be reimbursed in the amount of $68,280 for Nob Hill Park improvements, and that a Supplemental Appropriation allocating the funds from Neighborhood Park Zone I be submitted to the City Council for approval.*
F. **Consideration of Use of Housing Site Located On Notre Dame Extension South of Humboldt Avenue.**

The Committee was provided with a memorandum dated 8/20/01 from the Housing Officer providing background on the Redevelopment Agency's purchase of this site and the California Redevelopment Law requirements for the use of the site. To remain in compliance with the legal requirements for the use of the site, staff was recommending that the Agency either solicit proposals for the site's development from residential developers or approve the written request from the Community Housing Improvement Program (CHIP) for an option on the property.

Housing Officer McLaughlin explained that the 5.4-acre housing site had been reduced to 4.7 acres because of the need for storm drain detention. In addition, the site and the adjacent park site were reconfigured under a pending General Plan amendment and rezone to make the site more usable for both park and housing purposes.

Councilmembers Wahl and Keene noted that when this was considered as an alternate site for the Esplanade House, Council was told that there would be significant road costs associated with it.

Housing Officer McLaughlin advised that the deadline for initiating activities related to development of affordable housing on the site was October 2002. CHIP had submitted a request for an option on the property. The Agency's other options would be to solicit development proposals for the site (RFP's), providing the developers with some basic parameters; or the Agency could formulate the development itself and sent out Requests for Qualifications (RFQ's).

The Committee discussed whether the Agency should formulate the type of project that should be developed on the site, e.g., senior rental units, family rental units, etc. Councilmember Nguyen-Tan recommended keeping it as open as possible to see what the developers would submit rather than restricting the proposals with too many parameters.

Dave Ferrier of CHIP encouraged the Committee to keep the RFQ process as broad as possible so the developers would have an opportunity to talk with residents of the surrounding neighborhood and receive their input on what would be acceptable and appropriate for the area.

John Gillander stressed the importance of seeking public input on any proposals before the funds were committed and urged the Committee to involve the public at this initial stage.

Chair Keene supported soliciting public input at the same time the development proposals would be considered, and recommended that a large display ad be published when the Committee was scheduled to consider the proposals.

Councilmember Wahl recommended that the location of the 4.7 acre site on the parcel be left open in the RFQ's.

**Recommendation:**
*The Committee (3-0) recommended that staff be directed to send out Requests for Qualifications (RFQ's) for development of an affordable housing project on the Agency-owned site, schedule consideration of the proposals for the Committee's meeting of 10/22/01, and publish display ads for that meeting in order to solicit public input during the initial stages of the project.*

G. **Consideration of the City of Chico 2001 Update of Development Impact Fees Analysis and Recommendations (Nexus Study) Assumptions.**
The Committee was provided with a memorandum dated 7/31/01 from the Public Works Administrative Manager presenting the assumptions used in preparing the Development Impact Fees Analysis and Recommendations (Nexus Study). Staff had not completed its analysis of the assumptions used for Park Fees and Storm Drainage fees, and it was anticipated this information would be ready for the Committee’s September meeting. If the Committee concurred with those assumptions presented, the Nexus Study would be updated and the proposed fees would be brought back to the Committee at its September meeting.
City Manager Lando summarized that the basic assumptions on which the proposed fees were based had not changed much. Regarding Highway 99 projects, the Butte County Association of Governments had advised they could not estimate the exact costs, but felt the cost during the 20-year period would not be more than what the STIP funds would cover.

Management Analyst Halldorson reported that the only adjustments made from last year were for General Plan amendments and CPI increases.

City Manager Lando said the City may want to take back the street sweeping program, which could affect street maintenance equipment fees. Chair Keene commented that he did not feel the current contractors were doing an acceptable job.

City Manager Lando noted that the Police facility fees had gone down because the property for the police facility expansion had been acquired, and Fire facility fees had gone down because the costs for Fire Station Six now reflected acquisition and improvement of the current County-leased facility rather than construction of a new facility.

He pointed out that staff was still working on the Basic Park Facility Fees and Storm Drain Fees. Regarding Park fees, the benefit zones for Neighborhood Parks did not produce enough revenue to match the current cost of those facilities, and a solution to this problem might be to reclassify Neighborhood Parks as Community Parks. Another issue which needed to be resolved was how the existing residents’ park fees would be paid. In addition, Creekside Greenways proposed for acquisition in the General Plan needed to be reviewed, and this issue had been on the Committee’s pending list for some time.

Jim Mann indicated the Building Industry Association was particularly interested in being involved in discussions regarding the Park fee issues, and City Manager Lando recommended he contact Assistant Community Development Director Sellers, who was currently analyzing these issues, in order to provide the Association’s input before the staff recommendations came back to the Committee for consideration. Mr. Mann said the Building Industry Association supported the staff recommendations regarding all other fees as presented to the Committee today.

John Gillander inquired whether the Otterson Drive extension costs were still in the project assumptions list, and Public Works Administrative Manager Halldorson responded that costs for the “No Project Alternatives” had been included, but that costs for the “Industrial Park Connection SW Chico,” had been left blank for further direction.

City Manager Lando directed staff to remove the categories for “No Project Alternatives” from the list and include those costs under the category of “Industrial Park Connection SW Chico” instead.

John Gillander did not feel the cost for purchasing the Creekside Greenway for the SW Chico Industrial Connection should be included in the Nexus for Development Impact fees because there was no opportunity for acquisition and development of the greenway in that area. Chair Keene responded that this could be addressed when the Creekside Greenways came back to the Committee for review. City Manager Lando added that these were General Plan issues that Council would be considering.

Dave Murray commented that the many citizens who were employed in the Industrial Park used the Creekside Greenway during breaks and lunch hours, and therefore, that Creekside Greenway was of benefit to the industrial property.

Responding to Councilmember Nguyen-Tan’s inquiries, Public Works Administrative Manager Halldorson advised that the following corrections should be made to Table 1.5B, Summary of Development Impact Fees (Commercial/Industrial Land Uses): the amount in Line 17, Office & Medical, should be changed to $5,750; and the amount in Line 19, Office & Medical, should be changed to $3,243.

Chair Keene summarized that the proposed Development Impact Fees as recommended by staff were lower than last year’s on a per-unit basis.

Recommendation:
The Committee (3-0) recommended approval of the proposed 2001 Development Impact Fees Analysis (Nexus Study) and assumptions as presented and revised at today’s meeting, with the...
exception of the Basic Park Facility Fees and the Storm Drain Fees, which would be brought back for consideration by the Committee after further staff analysis. (The Committee's recommendations would be considered by the City Council at a future meeting when the public hearing on the 2001 Development Impact Fee Analysis and Recommendations was scheduled.)

H. **Consideration of Proposal to Establish a Short-Term City Loan Program as an Incentive for Solar Equipment Installation.** At the 6/25/01 meeting, the Committee requested information on the feasibility of leveraging a City revolving loan program with the State rebate program for the installation of solar energy generating systems on residential properties. The Committee was provided with a memorandum dated 8/20/01, from Councilmember Nguyen-Tan forwarding a proposal which addressed this issue and provided information on the cost of installing solar generating equipment.

Councilmember Nguyen-Tan summarized his proposal that the City consider providing short-term loans (six to seven weeks) to cover the up-front cost of solar equipment installation, which loans would be guaranteed and paid back when the borrowers received their rebate from the State’s program.

Risk Manager Koch added that staff recently discovered that the State’s solar equipment rebate program was not limited to residential buildings and could also be used for commercial buildings for up to a 10 kilowatt system. In addition, the State would pay the proceeds from the rebate directly to the City to pay back the loan.

City Manager Lando said that the loans would have to come from the General Fund, and if the Council did not want to subsidize the program, interest should be charged.

Councilmember Nguyen-Tan responded that he was open to suggestions and perhaps a small processing fee could be charged instead of interest on such a short-term loan.

Greg Webb said it was likely that any installer would be willing to wait the few weeks for the State rebate, and suggested the up-front money could be loaned by the installer instead of the City.

Scott Jackson, Evergreen Development, said it would be impractical for the installers to assume the up-front costs for installation because they were already putting up the money for purchase of the equipment.

Tom Barrett indicated he supported the loan program for commercial as well as residential buildings.

City Manager Lando said he could support a program similar to the sewer loan program, but that there were unresolved issues such as whether a lien of some sort would have to be levied on the borrower’s property in case the project was not finished and the rebate money had to be returned to the State.

Councilmember Wahl was reluctant to recommend City participation in the program because he felt it would benefit just a few individuals and put the City at risk.

City Manager Lando felt the program would be beneficial and made sense if the City charged interest at its current rate or greater.

Councilmember Nguyen-Tan suggested he work further with staff on the proposal to ensure it would be a loan program with minimal or no risk to the City.

Chair Keene said he would be willing to further consider the proposal as long as the City would not be subsidizing it and could recover its costs.
Action:
The Committee (3-0) directed staff to develop more detailed information on how the loan program could be structured in order for the City to recover its interest on the loans and staff time spent on the program, and bring it back to the Committee for further consideration.

I. Future Meetings. Chair Keene had requested the Committee to consider scheduling an extra meeting to consider matters on the Committee’s pending list which may be lengthy, including, but not limited to: (1) Campaign Financing Provisions; (2) Solid Waste Deregulation; (3) Use of Redevelopment Agency Funds / Airport Hangar Financing; and (4) Development of a Technology Master Plan for the City.

Action:
The Committee (3-0) scheduled a work session for 9/24/01, Noon to 5:00 p.m. (with lunch to be provided) to consider several lengthy items on its pending list including, but not limited to: (1) Campaign Financing Provisions; (2) Solid Waste Deregulation; (3) Use of Redevelopment Agency Funds / Airport Hangar Financing; (4) Development of a Technology Master Plan for the City; (5) Basic Park Facility Fees; and (6) Creekside Greenways Proposed for Acquisition in the General Plan.

J. Adjournment and Next Meeting. The meeting was adjourned at 6:10 p.m. The next meeting was scheduled for Monday, September 24, 2001, at 12:00 p.m. in Conference Room No. One.

Bebe Young, Administrative Analyst

Distribution:
City Council (22) | Housing Officer | Comm. Dev. Director
Risk Manager | Public Works Director | Finance Director
CITY OF CHICO MEMORANDUM

TO: CITY COUNCIL (Mtg. of 10/16/01)  DATE: October 2, 2001
FROM: FINANCE COMMITTEE  FILE: Committee Binder
RE: REPORT ON FINANCE COMMITTEE MEETING HELD SEPTEMBER 24, 2001

MATTERS REQUIRING COUNCIL OR REDEVELOPMENT AGENCY ACTION:

A. Approval of Supplemental Appropriation Allocating Funding to Install Permanent Speed Bumps along Yosemite Drive. This Supplemental Appropriation would allocate $20,000 from Fund 307, Gas Tax, for the installation of permanent speed bumps along the southerly portion of Yosemite Drive. Staff and the Internal Affairs Committee have been working for some time with the residents of the Yosemite Drive area regarding traffic calming measures which could be taken to reduce the speed of drivers along that roadway. As a result of the residents’ input, temporary speed bumps were placed along the southerly portion of Yosemite Drive. Subsequent speed surveys confirmed that speeds have been lowered as a result of the temporary speed bumps. At its 8/7/01 meeting, the City Council concurred with the Internal Affairs Committee recommendation that the temporary speed bumps be replaced with permanent ones, and referred the Supplemental Appropriation to the Finance Committee. The Director of Public Works and Internal Affairs Committee recommended approval of this supplemental appropriation which will allocate funding to replace the temporary speed bumps with permanent speed bumps.

Recommendation:
The Committee recommended (3-0) approval of the supplemental appropriation for funding to install permanent speed bumps on Yosemite Drive.

B. Approval of Budget Modification for Airport Improvement Project (AIP) No. 18 (Airfield Re-striping). Due to recent Federal Aviation Administration (FAA) changes in airfield striping standards, the FAA has requested the City to give priority to funding an airfield re-striping project. Therefore, staff is requesting that funds previously budgeted for AIP No. 18 (Capital Project No. 10150, design of emergency access and service roads to the west side of the Chico Municipal Airport) be rebudgeted to fund an airfield re-striping project instead, and that the revised project description be approved. The Airport Manager and Executive Director recommend approval of the Budget Modification.

Recommendation:
The Committee recommended (3-0) approval of this Budget Modification which would rebudget funds previously allocated for design of emergency access and service roads to the west of the Airport for an airfield re-striping project required by the Federal Aviation Administration instead.

C. Approval of Proposed Changes to Arts Funding Application. At the City Council’s 5/22/01 joint meeting with the Arts Commission, the arts funding application process was discussed. The Commission recommended making some changes to the application process and the Council referred the matter to the Finance Committee. The Committee was provided with a memorandum dated 9/17/01 from Art Projects Coordinator Gardner which outlined the Commission's recommendations from its 9/12/01 meeting. The Arts Commission recommended approval of the proposed revisions. Councilmember Wahl pulled this item from the Consent agenda because he felt the "Evaluation Criteria and Scoring Worksheet" should include a category for points to be awarded to organizations that had solicited...
funding / sponsorship from local businesses.

City Manager Lando agreed with his recommendation for scoring extra points for procuring private funding would be consistent with other Community Organization funding procedures whereby organizations which solicited outside support received extra points in the ranking system.

The Committee agreed with Councilmember Wahl’s recommendation and Chair Keene requested staff to explain how the additional criterion would be weighted in the ranking system when this matter was considered for approval by the City Council.

**Recommendation:**

The Committee recommended (3-0) approval of the revisions to the Arts Funding Application and Process as recommended by the Arts Commission, with the addition of a criterion on the Evaluation Worksheet which would allow points to be awarded to an organization for receiving funds / sponsorship from private businesses.

D. **Consideration of Airport Hangar Financing and Redevelopment Agency Procedures.** The City Council referred to the Finance Committee the issues raised by Councilmember Nguyen-Tan in his memorandum dated 7/12/01 regarding the use of revenue generated by the investment of Redevelopment Agency (RDA) funds. The Committee was provided with a memorandum dated 9/17/01 from the City Manager outlining his reasons for recommending use of the lease revenues to support the Airport Fund.

City Manager Lando advised that staff concurred that the additional information requested by Councilmember Nguyen-Tan for inclusion in RDA project staff reports would be valuable. Regarding the issue of where RDA project revenue should be placed, he said he believed it should be returned to the blighted area. In this case the Agency had approved RDA funding for construction of a hangar at the airport, and since the Airport operated in a deficit position, he felt the lease revenue from the hangar should be returned to the Airport Fund.

Councilmember Nguyen-Tan summarized his concerns with the appropriate use of revenue generated from RDA projects, pointing out that RDA provided that the revenue from projects should refinance the Agency’s debt. He felt the Agency should consider whether the revenue from the Airport hangar should come back to the RDA fund to repay its debt, rather than going to the Airport Fund. He was concerned with the long term fiscal health of the RDA fund if revenue from projects was not returned to it.

Regarding the RDA debt, City Manager Lando responded that the Agency neither sold bonds nor expended RDA tax increment unless the revenue was available to support it; so this project would in no way adversely affect the debt or the Agency’s ability to repay it. The Airport hangar was not to be financed through bonds, but rather through tax increment. Placing the revenue from the hangar lease into the Airport Fund would remove $100,000 - $160,000 from the Agency’s ability to fund other projects, but it would not affect the RDA debt.

Greg Steel said he shared Councilmember Nguyen-Tan’s concern with the long term health of the RDA debt, especially if the lessee of the hangar did not follow through with payments.

Bob Best indicated he supported Councilmember Nguyen-Tan’s recommendations regarding the additional information that should be included in all RDA project reports in a standardized form.

Councilmember Nguyen-Tan pointed out that the Airport was not self-sufficient and the City needed to address what could be done to remedy this. He questioned whether RDA project funding decisions should be driven by the need to make the Airport self-sufficient.

City Manager Lando responded that one of the main reasons for forming this RDA project area was to make the Airport successful. If revenues from the hangar lease were not used for the Airport, $100,000 - $150,000 would have to be taken from the General Fund to support it.

Chair Keene pointed out that using the General Fund to support operation of the Airport would take those funds away from other services such as Police and Fire. He did not feel using the Airport hangar revenue for support of the Airport Fund would set an undesirable precedent, and that it made sense.
Councilmember Wahl felt that once the Airport Fund became whole again and self-sustaining that the revenue from the hangar lease could be directed back to the RDA fund.

Committee members and staff agreed that the issues of long term plans for the Airport and how to make the Airport Fund solvent should be considered by the City Council, and the City Manager recommended that it be scheduled for Council’s November work session.

Councilmember Nguyen-Tan requested that consideration of where the revenue from the Airport hangar should be directed be delayed until after Council considered the broader issues regarding long term Airport funding.

Recommendation:
The Committee recommended (3-0):
1. That consideration of long term plans for the Airport, including funding and the solvency of the Airport Fund, be scheduled for the Agency’s November work session.
2. That consideration of where the revenue from the lease of the hangar at the Airport (construction proposed to be financed with RDA tax increment) is to be placed be tabled until after the long term solvency of the Airport Fund has been addressed.
3. That staff be directed to include in all Redevelopment Agency project staff reports, a standardized format that would include the information requested by Councilmember Nguyen-Tan as follows:
   a. what physical or economic blight is being removed by the project
   b. whether the project is in a recognized RDA project area, and if not, what qualitative benefits the project area achieves with the project
   c. how the project is consistent with the RDA plan
   d. the expected annual tax increment from the project and other expected financial, quantitative benefits from the project, such as increased employment or sales tax generated, relative to the costs, and which public funds will benefit from the project
   e. how the debt service will be paid and under what timeline (i.e., financial feasibility)
   f. how or why private enterprise is incapable of doing the project without RDA assistance
   g. what other RDA projects listed in the City’s Capital Improvement Program are currently lower in priority (the opportunity costs)
   h. what other funding sources are available for this project besides RDA funds
   i. If the project is not successful, what liabilities or contingencies the City/RDA would face

The Committee was provided with a memorandum dated 9/13/01 from Accountant Hennessy reporting on the 2000-01 Utility Users’ Tax Refund and Exemption Program. At its 2/20/01 meeting, the City Council approved an amendment to the City’s Fee Schedule to increase the income eligibility levels for utility user tax refunds and exemptions to the Low Income levels from the Very Low Income levels as published annually by the Department of Housing and Urban Development (HUD), and an analysis of the impact of that amendment was provided. After review of the report, the Finance Committee was asked to determine whether to recommend any further modifications to the program.

The City Manager recommended that the low-income (versus very low-income) levels as published by HUD continued to be used, and that staff continue to monitor the impact.

Recommendation:
The Committee recommended (3-0) that no revisions be made to the low-income (as opposed to very low-income) level currently used to establish eligibility for the Utility Users’ Tax Refund and Exemption Program, and that staff continue to monitor it.
F. Consideration of Proposed Storm Drain Impact Fee Analysis and Recommendations and Proposed Addition of Chapter 6, Storm Drain Fees, to the City of Chico 2001 Update of Development Impact Fees Analysis and Recommendations (Nexus Study). The Committee was provided with a memorandum dated 9/11/01 from Associate Civil Engineer Burgi presenting updated proposed storm drain fees. The proposed fees had been developed in a way similar to the current fees, except that the storm drain fee zones now consisted of areas tributary to each watercourse within the City instead of to an individual outfall. This change was needed to be consistent with the Storm Drain Master Plan which developed costs associated with peak attenuation facilities, water quality facilities, and design and data collection programs which were all based on the watercourse into which the facilities drain. The proposed fees were based on storm drain facilities categorized as “collector and outfall” facilities, and storm drain pipes greater than 18 inches in diameter. Staff had met with interested parties on two occasions. The memorandum addressed questions presented at those meetings. Attached to the memo were copies of the storm drain nexus plats, summaries of calculations, and Draft Chapter 6, Storm Drain Fees, to the Development Impact Fees Analysis and Recommendations (Nexus Study). The Director of Public Works recommended that these fees be adopted and that Chapter 6, Storm Drain Fees, be added to the Nexus Study.

City Manager Lando noted there had been several public meetings regarding the new storm drain fee proposal and there appeared to be consensus with the staff recommendations.

Greg Webb said he had no problem with the proposed fees, but recommended that the City consider larger, single storm detention ponds as opposed to several smaller ones.

Recommendation:
The Committee recommended (3-0) adoption of the proposed Storm Drain Nexus and that it be incorporated into the “2001 Development Impact Fee Analysis and Recommendations” (Nexus Study) by adding Chapter 6, “Storm Drain Fees;” and that the storm drain development impact fees be approved as recommended by staff.

MATTERS REQUIRING NO COUNCIL OR REDEVELOPMENT AGENCY ACTION AT THIS TIME:

G. Consideration of Chico Municipal Code Campaign Financing Provisions. At its meeting of 5/14/01 the Committee, after discussing current Code provisions and proposed revisions, requested the City Attorney to provide an analysis regarding: (1) the legality of establishing a local conflict of interest provision that would preclude a Councilmember from voting on any issue that involved a financial interest to a contributor who had made $500 or more in direct campaign contributions at any period of time; and (2) alternatives regarding establishment of a requirement for full disclosure of all campaign contributions, including the timeliness of reporting and possible limits on the amount of cash contributions. The Committee was provided again with copies of Chapter 1.30 of Chico Municipal Code, and Councilmember Nguyen-Tan’s memorandum of 3/30/01 regarding local campaign financing reform options.

The Committee was provided with copies of a memorandum dated 9/20/01 from the City Attorney addressing the legality of establishing a local conflict of interest provision that would preclude a Councilmember from participating in decisions involving a source of campaign contributions. City Attorney Frank reviewed his memorandum, summarizing his conclusion that such an ordinance would not survive scrutiny under the First Amendment to the U. S. Constitution and would impinge upon the representational integrity of the Council by decreasing its functional membership whenever such a disqualification would occur.

John Gillander spoke against such a provision, feeling the four-year disqualification of a Councilmember from participating in decisions affecting campaign contributors would limit the ability of the Council to function, and would also prevent citizens who owned small businesses from running for office.

Councilmember Nguyen-Tan withdrew his request for a local conflict of interest provision tied to campaign contributions based on the City Attorney’s analysis, but said he would continue to do personal research on the subject.

The Committee then discussed whether it wished to recommend stricter disclosure and more frequent reporting requirements.
Mike Smith felt the broad issue of the citizens’ perception of the fairness of elections in relation to larger contributors should be addressed.

Michael Jones spoke in support of full, instantaneous disclosure.

Councilmember Nguyen-Tan agreed with the need to strengthen the public’s trust in the election process and he supported full disclosure and timeliness of reporting.

Chair Keene also supported full disclosure.

Ramona Flynn, League of Women Voters, advised that many citizens had the perception that candidates were bought, and if full disclosure were required, the onus would be on the public to educate themselves.

Mike Smith stressed the timeliness of the reporting periods, noting that under current provisions, many of the contributions were reported after an election.

John Gillander advised that computer software for campaign reporting was available, and Chair Keene said candidates for State office were required to do online reporting.

The Committee suggested that the City Clerk’s office be responsible for providing the appropriate software for campaign reporting to candidates, as well as a public computer terminal for their use. The City Clerk’s office could then post the campaign disclosure reports on the City’s website.

The Committee discussed whether reporting should be required every 48 hours. Chair Keene felt that might be too burdensome and that weekly reporting on Fridays should be sufficient.

Councilmember Nguyen-Tan suggested that the City Clerk’s office might also procure copies of reports from County political action committees (PACs), which were filed with the County Clerk, and make them available for inspection by the public in Chico, either by going to Oroville to get copies, or by requesting the County PACs to provide courtesy copies to the City Clerk. The City Clerk could then include the information from the County PACs on the City’s website.

In response to Ramon Flynn’s question regarding whether the City could set a time limit of the Friday before the election for receipt of campaign contributions, the City Attorney replied no.

John Gillander said the City’s sign ordinance required that written permission from the property owner be given for placement of political signs on private property and he felt that this written permission should be disclosed as part of the campaign reporting requirement. Chair Keene responded that the Committee would address this when campaign reporting issues came back to the Committee.

Action: The Committee (3-0) requested that the City Clerk research campaign disclosure reporting software and what the cost would be to the City to provide the software and a computer terminal for use by candidates, and for City Clerk staff to post the reports weekly to the City’s website, including information from independent expenditure committees and County political action committees, and report back to the Committee.

H. Approval of Supplemental Appropriation to Provide Additional Funding for the Midway Bicycle Path Project (45036). (This matter was considered by the City Council at its meeting of 10/2/01.)

The Committee was provided with a memorandum dated 09/17/01 from the Director of Public Works reporting that upon receipt of construction bids for the Midway Bicycle Path Project (45036), it was determined that additional funds were required to complete the project. This supplemental appropriation would allocate funds in the amount of $94,200 from the Transportation Fund (212). The City recently received notice that the portion of 2001-02 Transportation Development Act (TDA) revenues which were allocated to the Transportation Fund were higher than was budgeted and are sufficient to fund this request. A formal Supplemental Appropriation containing the Committee’s recommendation will be forwarded to the City Council for consideration at its 10/2/01 meeting. The Director of Public Works recommended approval of the Supplemental Appropriation.

Councilmember Wahl pulled this item from the Consent Agenda for clarification from staff. Senior
Development Engineer Alexander responded to his questions regarding the location of the sound wall and chain link fence, and advised that the project had gone out to bid twice, with only two bids being received each time, and both times from different companies.

City Manager Lando added that staff felt it was reasonable to proceed at this time since the price might go even higher if put out to bid again. Since the TDA revenues were $200,000 higher than anticipated, there would still be $100,000 in the fund after the supplemental appropriation for this project was approved.

**Recommendation:**

*The Committee recommended (3-0) approval of the supplemental appropriation for additional funding for the Midway Bicycle Path Project.*

I. **Report of Utility Users' Tax (UUT) Net Differential Revenue for the Fiscal Year Ended 6/30/01, and Projections for Fiscal Year 2001-02; and Consideration of Whether UUT Tax Collection Rate Should be Adjusted.** *(This matter was considered by the City Council at its meeting of 10/2/01.)*

The Committee was provided with a memorandum dated 9/13/01 from the Finance Director providing the additional information requested by the Finance Committee at its 6/25/01 meeting related to the increases in Utility Users' Tax (UUT) revenue resulting from increased gas and electric rates, termed UUT Differential Revenue. Provided was Fiscal Year 2000-01 final UUT revenues, historical revenues and revised estimates for Fiscal Year 2001-02. In addition for Fiscal Years 2000-01 and 2001-02, calculations of UUT differential revenue, net of increases in General Fund utility expenditures, using two methodologies were provided. The current UUT collection rate of 3.9% for gas and electricity would expire on December 1, 2001, and the collection rate would return to 5% unless further action was taken by the City Council. After review of the information provided, the Finance Committee was requested to recommend whether any further adjustments to the UUT collection rate should be made.

Finance Director Martin distributed a memorandum dated 9/24/01 at today's meeting which summarized her recommendation that the UUT collection rate for gas and electricity be returned to the statutory 5% rate on 12/1/01 when the current resolution which implemented the reduced rate of 3.9% expired.

City Manager Lando added that most of the differential revenue from UUT was due to a significant increase in gas prices, but as of December 1st, most of that will have been returned to the users as a result of the reduced collection rate.

Councilmember Wahl was reluctant to allow the collection rate to return to 5% because even though gas prices had gone down, there continued to be a gradual increase in the price of electricity, and with the winter months coming, utility bills would be higher.

The Finance Director and City Manager recommended that any adjustment to the collection rate be established for one year, since the Committee could continue to monitor it and recommend revisions as appropriate.

**Recommendation:**

*The Committee recommended (3-0) that a resolution authorizing continuance of the reduced Utility Users Tax collection rate of 3.9% through 11/30/02 be forwarded to the City Council for adoption at its 10/2/01 meeting, and that the Committee continue to monitor the situation on a quarterly basis.*
J.  **Approval of Request for Additional Housing Rehabilitation Loan Funds - Cynthia Gowan - 691 E. 15th Street.** The Committee was provided with a memorandum dated 9/19/01 from the Housing Officer providing a summary of the loan request from Cynthia Gowan - 691 E. 15th Street. The loan request for $14,000 is to pay for additional foundation work discovered during construction of the previously approved rehabilitation project. The loan request for $14,000 is consistent with the Housing Rehabilitation Loan Program. The total assistance for this family, which includes the previously approved loan of $18,500 and this request for $14,000 requires Committee approval. Due to the applicant’s income and housing expense ratio, staff was recommending that the current loan payment of $50 per month not be increased and that the additional assistance be a deferred loan. The Housing Officer’s memorandum included the previous loan approval summary and a confidential loan analysis section which was provided only to the Committee and relevant staff. Staff recommended approval of this request.

**Action:**

The Committee approved (3-0) the request for additional Rehabilitation Loan Funds for Cynthia Gowan as recommended by staff.

K.  **Consideration of Amendment to Administrative Procedure and Policy No. 10-31, Entitled “Establishment of the Redevelopment Committee,” to Remove the Chico Merged Redevelopment Project Area from Oversight of the Redevelopment Committee.** At its meeting held 07/17/01, the Chico Redevelopment Agency referred this matter to the Finance Committee. The Finance Committee was provided with a memorandum from the Executive Director dated 06/29/01 reporting that the City/County Redevelopment Committee was established in accordance with the Redevelopment Plan for the Greater Chico Urban Area Redevelopment Project Area (GCUARPA) for the purpose of monitoring and making recommendations to the Chico Redevelopment Agency on projects contained in the GCUARPA Plan. This amendment to Administrative Procedure and Policy No. 10-31 would remove the Chico Merged Redevelopment Project Area (CMRPA) from the oversight of the Redevelopment Committee. The Finance Committee was also provided with a letter from Greg Steel dated 07/17/01 requesting that the item be referred to the Finance Committee. The Executive Director recommended approval of the amendment.

Executive Director Lando reviewed that the Butte County Administrative Officer had submitted a letter indicating the County’s disagreement with the proposed change in light of the County’s proposal to merge the redevelopment project areas. He noted however, that the merger proposal would probably not be ready for consideration until next Spring.

Chair Keene supported the Executive Director’s recommendation for removal of the CMRPA from oversight of the Redevelopment Committee because it was not a County project area.

Councilmember Nguyen-Tan asked what body would make recommendations on CMRPA projects if it were removed from the oversight of the Redevelopment Committee, and City Manager Lando responded that those projects were included in the Five Year Capital Improvement Program (CIP), but if a new project was under consideration, he would propose to bring it to the Finance Committee for review prior to Council consideration.

Chair Keene felt that when new projects arose, they should be reviewed and weighed against the projects established for priority in the CIP. He recommended that the Finance Committee review the Five-Year CIP prior to Council consideration. The City Manager agreed and advised staff would submit the CIP to the Finance Committee for review this year.

Greg Steel urged the Committee not to remove the CMRPA from the oversight of the Redevelopment Committee because County participation was essential in maintaining good City/County relations. He suggested the Committee honor the County’s request and continue the proposal since the Redevelopment Committee was not scheduled to meet until March 2002. He also urged the Committee to consider expanding the Redevelopment Committee to allow for more public input. He requested the Committee to delay its decision on this proposal at least a month so he could confer further with County officials on their position.
Chair Keene pointed out that there was opportunity for public input during the public meetings that were held on the CIP each year. He did not believe County representatives should be making recommendations on the CMRPA, which was specifically a City project area.

Bob Best inquired whether it would be possible for staff to provide evaluation criteria for each of the CIP projects. Chair Keene agreed this would be a good idea and Executive Director Lando said staff would work on it and might be able to provide a status report by next January.

Councilmember Nguyen-Tan said he was willing to support removing the CMRPA from oversight by the Redevelopment Committee, but suggested continuing it another month to comply with Mr. Steel’s request.

Action:
The Committee (3-0) indicated its support for the Executive Director’s recommendation to remove the Chico Merged Redevelopment Project Area from the oversight of the Redevelopment Committee, but continued the matter for one month at the request of Greg Steel, and directed staff to bring it back on the Committee’s consent agenda for a recommendation of approval.

L. Consideration of Development of a City of Chico Technology Master Plan.

At its meeting of 6/19/01, the City Council referred this matter to the Finance Committee at the request of Councilmember Wahl. The Committee was provided with copies of a memorandum dated 9/13/01 from Jim Goodwin, Chamber of Commerce, proposing that the City Council develop and adopt a Telecommunications and Technology Element in the General Plan. Attached to his memorandum was an outline dated 9/10/01 from City of Chico Information Systems Director McEnespy, which included an assessment of current technology, needs and alternatives.

Jim Goodwin, President of the Chico Chamber of Commerce, advised that there was no longer a sense of urgency regarding the proposal because the October 1st deadline for one of the grants was no longer a factor. He introduced Alan Chamberlain who represented a group of citizens who had been working on developing a proposal for a Technology Master Plan. The group was recommending that the City pursue inclusion of a voluntary element in the General Plan which would be an articulation of policy in connection with a technology plan. Financial Assistance in the form of grants would be available through the Tri-Counties Economic Development Committee until the funds ran out, so it would behoove the City to begin planning within the next few months. He recommended that the City look at models of technology plans from other cities in order to get an idea of how to proceed.

Alan Chamberlain added that including a voluntary Technology Element in the General Plan could provide long term policy objectives for evaluating proposals.

Chair Keene indicated that it would be helpful if staff could provide model technology plans, along with summaries of each.

Information Systems Director McEnespy advised that the model plan from the City of Fontana had been helpful and copies had been distributed to Council. She added that there were two separate issues regarding technology master plans: (1) the City’s technology plan for handling its own business, and (2) what services or planning the City should provide to assist the community with its business.

Councilmember Nguyen-Tan felt the two issues should be separated, and that the City should acknowledge that technology and infrastructure were an important part of overall planning for the community and should be addressed in the General Plan.

The Committee agreed that staff should get model plans from other communities, summarize them, and bring the information back to the Committee. The City Manager said he would ask the Planning Director to research how other cities had incorporated technology plans into their General Plans. It was agreed that the City’s own technology plan would be a separate issue, and the City Manager asked the Information Systems Director to provide a status report on the City’s online technology at the Council’s November work session.

Action:
The Committee (3-0):
1. Continued development of a community-wide technology master plan in order for staff to get
model plans and provide summaries of same, including information on how other communities had incorporated such technology plans into their General Plans, and to contact Tri-Counties Economic Development Corporation regarding planning grants that might be available to assist with financing the development of such a plan.

2. Requested the Information Systems Director to provide a status report on current City online technology (which will be considered separately from a community-wide technology plan) for the City Council work session in November.

M. Consideration of Park Funding Issues and Basic Park Facility Development Impact Fees. The Committee was provided with a memorandum dated 9/18/01 from the Assistant Community Development Director identifying various issues involving park development funding and Park Facility Impact Fees, including the level of funding for different types of park facilities, estimates for current actual costs of park acquisition and development, amendment of the Park Facility Impact Fees, facilities to be funded and costs of Park facilities not funded by impact fees. Following Committee review and discussion, staff was requesting additional direction on how the Committee wished to proceed with addressing the identified issues.

Chair Keene advised that due to the complexity of the issues involved, he had received calls from interested parties requesting more time for review, and he was recommending that this matter be continued to allow for more public input at the staff level.

Committee members and staff briefly discussed some of the complex issues that needed to be addressed, including but not limited to: (1) allocation of funds to the three types of parks; (2) how specialized recreational facilities such as BMX parks or aquatic centers not covered by development impact fees should be funded; (3) whether all creekside greenways designated in the General Plan are appropriate for acquisition; (4) to what extent impact fees should be updated to reflect current costs for creekside greenways; (5) whether the “benefit zones” system for neighborhood parks should continue or whether these parks should be considered as having a Citywide benefit; (6) how parks should be funded since revenue from development impact fees covers only 50-80% of the costs; and (7) what other funds the City could use to make up the portion of park costs attributable to existing residents.

The City Manager noted that at its November work session the Council would be considering establishment of a separate fund for parks, since Council had made a policy determination that funds in excess of the emergency reserve would be used to pay the City’s share of the Nexus (existing residents’ share).

Councilmember Nguyen-Tan noted that according to the staff report, it appeared park facility development impact fees would have to be nearly doubled in order to cover the current costs of building parks.

Michael Jones suggested that some of these issues, such as whether the community still wanted turf-type parks, might require an election.

Greg Webb suggested that the City review whether Mud Creek should be acquired as a creekside greenway since it was a levee.

The Committee commended Assistant Community Development Director Sellers for the excellent and thorough staff report he had prepared.

Action:

The Committee (3-0) continued consideration of park facility development impact fees in order to allow more time for public review and input at the staff level, and Chair Keene requested that when it came back to the Committee, the issues to be addressed be set forth separately on the agenda.
N. **Consideration of Deregulation of the Solid Waste Collection System and Rates.** At its 8/21/01 meeting, the City Council approved a motion of intent to deregulate the solid waste collection permit and rate system. The Council also recommended that the issues regarding deregulation and the discussion of stricter permit provisions be considered by the Finance Committee. The Committee was provided with a memorandum dated 9/14/01 Management Analyst Herman providing copies of the existing Chico Municipal Code sections regarding solid waste collectors and information on the issues concerning deregulation.

Management Analyst Herman summarized the major issues to be addressed as follows: (1) whether the haulers should be required to service both residential and commercial customers; (2) how the haulers could be required to maintain a diversion percentage that met State law; and (3) whether a mandatory minimum recycling fee should be established that would be adequate to compensate the haulers for their costs to provide the required recycling programs.

The Committee and staff discussed the difficulty of enforcement of diversion requirements, and the use of fines and/or incentives for compliance. Chair Keene suggested that diversion auditors could randomly check the haulers’ diversion rates for compliance.

Chair Keene and Councilmember Wahl asked what cities were meeting the AB 939 required diversion rate and Management Analyst Herman said she would provide the Committee with a report on that.

Mark Stemen commented that the staff report did not address yardwaste or the wear and tear of multiple haulers on City streets. City Manager Lando responded that when the Council approved deregulation, it had made a determination that road impacts were not an issue. Chair Keene added that if road impacts became a problem, they could be addressed at that time.

John Gillander said that Sacramento required the garbage companies to meet diversion requirements and if the City sets the levels, the haulers should be required to meet it.

Stan Murdock of NorCal Waste said he did not understand why the City was deregulating since excellent service had been provided at low rates. He did not feel the City should establish a minimum recycling fee.

Bill Mannel of Waste Management felt that the City should require the haulers to provide both residential and commercial services, because some residential areas might not be serviced at all due to cost efficiency if it was left up to the haulers.

Management Analyst Herman said one way to address this issue would be to require the haulers to service a certain percentage of residential customers.

Chair Keene requested staff to research whether other cities had a residential diversion requirement and how they determined the level, including whether commercial diversion rates were required to offset the residential requirements.

Dave Murray felt the City should address the cost of maintaining the roads due to the impacts of extra garbage trucks.

Assistant City Manager Dunlap advised that staff had not been able to find other cities in the open market with diversion requirements, as most had a franchise system.

Bill Mannel added that commercial services always subsidized residential services in franchise situations.

Chair Keene asked the haulers to recommend a realistic residential diversion rate, and Mr. Mannel said Waste Management’s average diversion rate was 18%, including commercial recycling.

John Gillander inquired whether the haulers could be required to provide larger containers for recycling and Management Analyst Herman replied that standard containers should be addressed in the ordinance.
The Committee and staff discussed the additional staff time that will be required to administer the open market system with multiple haulers and increased permit requirements. Chair Keene felt the additional staff costs would have to be factored into the permit fees. Management Analyst Herman indicated that currently the business license fees for haulers were based on gross sales and it was a complex calculation. She said that with multiple haulers the Committee may want to consider establishing a straight, flat fee instead.

Chair Keene recommended that this matter be continued for more information from staff as summarized below.

**Action:**
The Committee continued this matter for more information from staff including: (1) research on what other communities, including those out of State, have established as a reasonable minimum residential diversion rate, and whether a percentage of it is attributed to commercial waste; (2) the advantages and disadvantages of requiring the permittees to service both residential and commercial; (3) a report back on how many California communities have met the 50% State diversion requirement; (4) suggestions for disposal reporting; and (5) information regarding establishment of a straight, flat permit or business license fee.

O. **Adjournment and Next Meeting.** The meeting adjourned at 6:00 p.m. The next meeting was scheduled for Monday, October 22, 2001, at 4:00 p.m. in Conference Room No. Two.

Bebe Young, Administrative Analyst

Distribution:
City Council (22) Housing Officer Comm. Dev. Director
Risk Manager Public Works Director Finance Director
COMMITTEE MATTERS REQUIRING CITY COUNCIL ACTION

A. Approval of Authorization to Sell City Owned Property - 629 W. 6th Street. (This recommendation was approved by the City Council at its meeting of 12/4/01.) The Committee was provided with a memorandum dated 11/8/01 from the Housing Specialist providing background on the City-owned property at 629 W. 6th Street. The property was acquired with Community Development Block Grant (CDBG) funds in 1976 and had been rented to a low income family from 1976 until July of this year. Staff recommended that the City Manager be authorized to sell the City-owned property located at 629 W. 6th Street at fair market value. The proceeds of sale will be deposited into the CDBG Program to fund programs or projects that benefit low income households or neighborhoods. Staff recommended approval of this request.

Recommendation:
The Committee recommended (3-0) that the City Manager be authorized to sell the City-owned property located at 629 West 6th Street at fair market value.

B. Approval of Removal of Chico Merged Redevelopment Project Area from Oversight of Redevelopment Committee. At its meeting of 9/24/01 the Committee considered this matter and at the request of Greg Steel delayed approval of it so that he could confer further with County officials on their position. The Committee directed that it be brought back for approval on the consent agenda. Copies of the memorandum dated 6/29/01 from the City Manager were provided again to the Committee.

Copies of the following correspondence were distributed at the meeting: (1) letter from Greg Steel dated 11/24/01 opposing the proposal, and (2) letter from Lawrence Odle, Interim Chief Administrative Officer, agreeing with a previous letter from County Administration requesting that this proposal be delayed until after the County’s current proposal for a merger of the Greater Chico Urban Area Redevelopment Area (GCUARPA) and the Chico Merged Redevelopment Project Area (CMRPA) had been implemented.

City Manager Lando and Chair Keene reiterated the City’s position that since the CMRPA includes only property within the City’s jurisdiction, it made no sense for County representatives on the Redevelopment Committee to be involved in reviewing its projects.

Responding to concerns from Greg Steel and Bob Best as to the process for public input on CMRPA projects if it was removed from the oversight of the Redevelopment Committee, Chair Keene advised that the Finance Committee and then the City Council would be the venue for review and receipt of public input for CMRPA projects. City Manager Lando added that the list of CMRPA projects was largely dictated by the Capital Improvement Program (CIP) for which there would be ample opportunity for public review.

Responding to Councilmember Nguyen-Tan’s inquiry, City Manager Lando advised that the Redevelopment Committee would probably be the venue for review of the County’s upcoming proposal for merger of
GCUARPA and CMRPA.

Councilmember Nguyen-Tan felt that removal of CMRPA from the oversight of the Redevelopment Committee should be tabled, since there seemed to be no compelling reason to do it at this time, and since the County Administrative Officer had requested such action be delayed until after the merger of the two areas was considered.

Chair Keene indicated that he had not received any negative input on the proposal from the County’s elected officials.

**Recommendation:**
The Committee recommended (2-1, Nguyen-Tan opposed) that Administrative Procedure and Policy No. 10-31, entitled “Establishment of the Redevelopment Committee,” be amended to remove the Chico Merged Redevelopment Project Area from the oversight of the Committee.

C. **Approval of Implementation of Sewer Lift Station Capacity Fees and Approval of Establishment of Monthly Sanitary Sewer Lift Station Fee Pursuant to CMC 15.36.062 - Nob Hill Sewer Lift Station.**

1. **Lift Station Capacity Fees.** The Committee was provided with a memorandum dated 10/01/01 from the Director of Public Works reporting on the need to establish a lift station capacity fee for the Nob Hill lift station. Establishment of a lift station capacity fee will allow the City to recover a share of the cost of installing the lift station. The proposed fee rate is $401.47 per EDU. Establishing a lift station capacity fee will: (a) designate the areas to be served by the Nob Hill Sewer Lift Station; and (b) provide for lift station capacity fees to be assessed upon connection to the City sewer system by properties within the areas served by the Nob Hill Sewer Lift Station. Since the fees are Development Impact Fees, they must be established pursuant to a nexus report, which was attached to the memorandum.

2. **Monthly Lift Station Fee.** The Committee was provided with a memorandum dated 10/08/01 the Public Works Administrative Manager reporting on the establishment of a monthly lift station fee pursuant to Chico Municipal Code (CMC) Section 15.36.062. If Item 1 above was approved, the CMC provides that where a premise is served by a sewer lift station connected to the City sewer system via a sewer main or trunkline tributary to the lift station, the City will levy a monthly sewer service fee which is sufficient to operate and maintain the lift station. The proposed monthly fee for the Nob Hill sewer lift station tributary area is $2.24 per residential unit (a total of 130 residential units) and $0.22 per 100 cubic feet for non-residential.

The Director of Public Works and the Public Works Administrative Manager recommended establishing the lift station capacity fee of $401.47 per EDU and the monthly lift station fee of $2.24 per residential unit and $0.22 per 100 cubic feet for non-residential.

**Recommendation:**
The Committee recommended (3-0) approval of implementation of Sewer Lift Station Capacity Fees and approval of Establishment of Monthly Sanitary Sewer Lift Station Fee Pursuant to CMC 15.36.062 - Nob Hill Sewer Lift Station, and that the Resolution amending the City’s Fee Schedule be forwarded to the City Council for adoption.

D. **Approval of One-Year Extension of Professional Services Agreement with Nystrom & Company.**
The Committee was provided with a memorandum dated 11/09/01 from the Finance Director recommending a one-year extension of the Professional Services Agreement with Nystrom & Company to conduct the annual City Audit for the Fiscal Year ending 6/30/02. A change in reporting requirements is effective for the Fiscal Year ending 6/30/03, and the City will solicit bids for these services effective on that date. The Finance Director recommended approval of the extension of the Agreement.
Recommendation:
The Committee recommended (3-0) approval of a one-year extension of the Professional Services Agreement with Nystrom & Company to conduct the annual City Audit for the Fiscal Year ending 6/30/02.

E. Approval of Supplemental Appropriation No. 01-02_20 allocating California Department of Finance 2001 High Technology Grant funds to purchase an Instant Recall System and Call Logger/Recorder.
The Committee was provided with a memorandum dated 11/15/01 from the Chief of Police, requesting a recommendation for approval of Supplemental Appropriation No. 01-02_20. The Chico Police Department will receive $49,909 from the California Department of Finance 2001 High Technology Grant program. The Department plans to purchase the following equipment with this grant money:
1. An Instant Recall System for each of the five Dispatch consoles. This system allows a Dispatcher to immediately replay a radio transmission from the field. $10,000 was initially budgeted for this purchase but because the vendor, Dictaphone, has been experiencing financial difficulties, the equipment will be purchased from Motorola. It is estimated that $9,000 more will be needed to purchase this equipment from Motorola.
2. Call Logger/Recorder at the cost of $40,909. This system records all business and 911 telephone lines as well as all of the police and fire radio traffic.

Recommendation:
The Committee recommended (3-0) that Supplemental Appropriation No. 01-02_20 be forwarded to the City Council for approval.

F. Consideration of Acquisition of Property at 1285 & 1299 Humboldt Road (Sherrill) for Creekside Greenway. (This recommendation was approved by the City Council at its meeting of 12/4/01.) At its 10/16/01 meeting the City Council referred the acquisition of 1285 and 1299 Humboldt Avenue (Sherrill) to the Finance Committee in connection with its discussion on park funding sources, and requested that a final recommendation on the acquisition be returned to the Council within 60 days. The Committee was provided with a memorandum dated 11/6/01 from the Assistant City Manager summarizing the history of the project, presenting updated information on the estimated costs of the proposed acquisition, and transmitting a copy of the minute order and park fund summary for the Committee's use in considering a final recommendation. If the Committee recommended acquisition of the property, a revised minute order would be prepared for the City Council reflecting the revised estimates.

City Manager Lando recommended that the Council go forward with this acquisition (even though the Committee would be addressing acquisition of creekside greenways as part of the park funding issues), particularly because of the location of this property on Little Chico Creek, as well as the good faith effort that had been made by staff and the sellers based on a unanimous Council action to purchase the property.

John Merz urged the Committee to recommend going forward with the acquisition which was consistent with the City’s current policy for opportunity purchases of creekside greenways.

Greg Webb was opposed to this acquisition because he felt there was a greater need for neighborhood and community parks, which competed for the same funds. He pointed out that there was already a park in that area.

Jim Mann, representing the Building Industry Association, said the Association was opposed to “opportunity purchases” that came from park fees, since the Committee would be reviewing park funding issues which were unresolved at this point. He felt the community as a whole should pursue acquisition of creekside greenways from a funding source other than park funds, such as bonds or a quarter-cent sales tax.

Bob Best did not feel the park fund, which came from development impact fees, should be used for opportunity purchases of creekside greenway, stressing that the existing residents should be responsible for many of these acquisitions and that the funding should come from some other source.

Jon Luvaas and Roger Cole urged the City to go forward with this acquisition, citing the importance and advantages of preserving Little Chico Creek greenway.
City Manager Lando suggested a compromise funding source which would allow the acquisition to go forward without depleting park funds. Since the Committee had recommended sale of City owned property earlier in today’s meeting, the proceeds of which would go into the Community Development Block Grant (CDBG) fund, he recommended that these funds be used for this acquisition. Assistant City Manager Dunlap added that CDBG funds could be used for improvements in low and moderate income neighborhoods, and purchase of this property for creekside greenway would be an appropriate use of the funds.

Councilmember Wahl was opposed to the acquisition of this creekside greenway at this time, since park funding issues were unresolved and were soon to be addressed by the Committee.

Chair Keene felt the Council should keep its commitment to the sellers and said he could support this acquisition with CDBG funds, but not with park funds.

**Recommendation:**
The Committee (2-1, Wahl opposed) recommended acquisition of the property at 1285 and 1299 Humboldt Road (Sherrill) for creekside greenway, using unprogrammed Community Development Block Grant funds for this one-time purchase only, and that such use of CDBG funds would not become a precedent or policy.

**COMMITTEE MATTERS REQUIRING NO CITY COUNCIL ACTION**

**Approval of Housing Rehabilitation Loan Request - Rita Kegg - 1122 Sunset Avenue.** The Committee was provided with a memorandum dated 11/8/01 from the Housing Officer providing a summary of the Housing Rehabilitation Assistance request from Rita Kegg - 1122 Sunset Avenue. The Assistance request for $29,170 includes a deferred loan for rehabilitation work of $24,000 from the HOME program and a grant of $5,170 for lead-based paint work from the CDBG program. Pursuant to the program guidelines, requests over $15,000 require Committee approval. The loan and grant requests are consistent with the Housing Rehabilitation Loan Program. Due to the applicant’s income and housing expense ratio, staff was recommending a deferred loan for the rehabilitation work. The Housing Officer’s memorandum included a confidential loan analysis section which was only provided to the Committee and relevant staff. Staff recommended approval of this request.

Housing Specialist Burkland responded to Councilmember Wahl's questions regarding what the balance in the CDBG fund would be if both rehabilitation loans on today’s agenda were approved.

**Action:**
The Committee approved (3-0) the Housing Rehabilitation Loan for Rita Kegg, 1122 Sunset Avenue, as recommended by staff.

**Approval of Housing Rehabilitation Loan Request - Thelma Mackabee - 2245 Notre Dame Blvd.** The Committee was provided with a memorandum dated 10/12/01 from the Housing Officer providing a summary of the loan request from Thelma Mackabee - 2245 Notre Dame Blvd. The loan request for $21,120 is consistent with the Housing Rehabilitation Loan Program. Pursuant to program guidelines, loan requests over $15,000 require Committee approval. Due to the applicant’s income and housing expense ratio, staff was recommending a deferred loan. The Housing Officer’s memorandum included a confidential loan analysis section which was only provided to the Committee and relevant staff. Staff recommended approval of this request.

Councilmember Nguyen-Tan expressed concern with the credit history of the applicant and questioned whether the loan would be secure. Housing Office McLaughlin and Assistant City Manager Dunlap advised that the applicant had entered into a repayment plan with her creditors and had been successful in complying with that plan for the last year.

**Action:**
The Committee approved (3-0) the Housing Rehabilitation Loan for Thelma Mackabee, 2245 Notre Dame Boulevard, as recommended by staff.

**Future Meetings.** Due to the complexity of two matters on today’s agenda, (1) Park Funding Issues and Basic Park Facility Development Impact Fees, and (2) the Five-Year Capital Improvement Program, Chair
Keene proposed that the Committee schedule two separate work sessions within the next month to consider these items.

The Committee discussed possible dates and other matters on its pending list that might be addressed at these two work sessions. Chair Keene indicated that he would like the Committee to review and analyze each project in the Capital Improvement Program to determine whether it should be included, and that this would be a lengthy process. He proposed that the Committee begin its discussion of Park issues today and formulate questions or request further information to be addressed at a separate work session.

**Action:**
1. The Committee scheduled a work session for Monday, December 17, 2001 beginning at 12:00 Noon in Conference Room One (to be videotaped) to consider the following matters, as well as other items which are pending or may arise:
   a. The Five-Year Capital Improvement Program
   b. Campaign Financing Reform
   c. Proposals received regarding use of the Redevelopment Agency-owned housing site on Humboldt Road
2. The Committee scheduled a work session for Wednesday, December 19, 2001 beginning at 12:00 Noon in Conference Room One (to be videotaped) to continue its review of Park Funding Issues and Basic Park Facility Development Impact Fees.

**J. Review of Park Funding Issues and the Basic Park Facility Development Impact Fees.** The Committee initially discussed Park Facility Impact Fees and park development funding at its meeting of 9/24/01. Consideration of the matter was continued to provide an opportunity for the Committee and community members to review the staff report and analysis. The Committee was provided with memoranda dated 9/18/01 (revised 11/8/01) and 11/13/01 from the Assistant Community Development Director identifying the issues to be considered by the Committee, including:
1. Impact Fee Allocation to Neighborhood Parks, Community Parks and Creekside Greenways.
2. Community Park Facilities to be Funded from Development Impact Fees.
3. Determination of Greenways to be Acquired.
4. Fee Schedule Update to Reflect Current estimated Costs.
5. Park Facility Classification: Benefit Zones Versus Community Wide Park, Recreation Facilities and Open Space System.
6. Projected Park Costs, Distribution to New Development and Existing Residences, and Funding Sources

Copies of a document received today from Bob Best, entitled “Chico Parks & Future Requirements,” were distributed at the meeting.

Chair Keene suggested that since a separate Committee work session had been scheduled for this matter on December 19th, the Committee members and citizens use this time to formulate any questions or to request additional information to be provided for that meeting.

Assistant Community Development Director Sellers reviewed the staff report, outlining the issues the Committee identified at its meeting of 9/24/01.

The Committee began discussing the issue of what portion of development impact fees should be allocated for the three types of parks: neighborhood, community, and creekside greenway.
Due to time constraints, Chair Keene asked the Committee members and audience to inform staff of any questions or additional information they wished to have addressed at the December 19th Committee work session on park issues. The following requests were made:

1. Bob Best requested that the status of the community park fund and neighborhood park fund be updated, including the impact of expenditures and proposed expenditures on the fund, versus revenue and anticipated revenue. Finance Director Martin indicated she could provide that information.

2. Jim Mann and Greg Webb requested the Committee to address the building industry’s concerns with whether all of the creekside greenways proposed for acquisition, for example Dead Horse Slough and some of the levees, should be included as part of the nexus for park development impact fees. Mr. Webb felt the community would rather have neighborhood parks than creekside greenways. City Manager Lando indicated staff would provide an analysis of each of the creekside greenways.

3. John Merz requested clarification of the recent Council action regarding formation of an ad hoc committee to discuss parks with other agencies. Chair Keene responded that the ad hoc committee would work with the School District and the Chico Area Recreation and Park District to establish priorities for park improvements. Mr. Merz did not agree with Mr. Webb’s contention that there was more demand from the community for neighborhood parks than creekside greenways. He requested the following:
   a. A breakdown of combination storm detention / parks and what has been done relating to park fees for these facilities
   b. Discussion of what the community really believes and how park fees should be spent
   c. Grant funds available for creekside greenway acquisitions

4. Bob Best requested that the Committee determine the fiscal responsibility of the City’s existing residents for park acquisition. Assistant Community Development Director Sellers advised that figure was included in Table 9 of his memorandum. He noted, however, that it was difficult to make accurate projections until new fees are established.

**Action:**
*The Committee continued this matter to a separate Committee work session scheduled for Wednesday, December 19, 2001 at 12:00 Noon in Conference Room One.*

K. **Consideration of the City of Chico 2002/03-2006/07 Five-year Capital Improvement Program.** The Committee was provided with a memorandum dated 10/30/01 from Public Works Administrative Manager Halldorson presenting the City of Chico 2002/03-2006/07 Five-Year Capital Improvement Program (CIP). The CIP, which is a fiscally constrained planning document, contains projects considered necessary within the next five years, beginning with fiscal year 2002/03, and provides an overview of the projects, expenditures, and revenues in a clearly defined manner. The CIP project detail pages contain information regarding the project and project description, category, funding source, prior expenditures, the year in which funding is anticipated to be available, whether the project is contained within the Nexus Study, and when appropriate, a map depicting the location of the project. Capital projects funded in the current budget are not included in the CIP unless future funding is projected. Future projects have been deleted from the CIP. Public Works Administrative Manager Halldorson recommended adoption of the City of Chico 2002/03-2006/07 Five-Year Capital Improvement Program.

**Action:**
*The Committee continued this matter to a separate Committee work session scheduled for Monday, December 17, 2001 at 12:00 Noon in Conference Room One, and requested that copies of the Nexus Study be provided for that discussion.*
L. **Adjournment.** The meeting was adjourned at 6:10 p.m. Two separate Committee work sessions were scheduled for December 17 and December 19, 2001 beginning at 12:00 Noon in Conference Room One.

Bebe Young, Administrative Analyst

**Distribution:**
City Council (22) Housing Officer Comm. Dev. Director
Risk Manager Public Works Director Finance Director
TO: CITY COUNCIL (Mtg. of 2/5/02) 
DATE: January 11, 2002
FROM: FINANCE COMMITTEE
FILE: Committee Binder
RE: REPORT ON FINANCE COMMITTEE MEETING HELD DECEMBER 17, 2001

Committee present:
Councilmember Keene, Chair
Councilmember Nguyen-Tan
Councilmember Wahl

Staff Present:
City Manager Lando
Assistant City Manager Dunlap
City Attorney Frank
Finance Director Martin
Community Dev. Director Baptiste
Director of Public Works Ross
Park Director Beardsley
Information Systems Dir. McEnespy
Fire Chief Brown
Risk Manager Koch
Chief of Police Efford
Housing Officer McLaughlin
Housing Specialist Burkland
Asst. Dir. of Public Works McKinley
Administrative Analyst Young

COMMITTEE ITEM REQUIRING AGENCY ACTION ON 2/5/01:

A. Consideration of Request From Simpson Housing Solutions For Extension of Redevelopment Agency's Conditional Commitment. The Committee was provided with a memorandum dated 11/30/01, from the Housing Officer transmitting the request from Simpson Housing Solutions for a one year extension to the Agency's conditional commitment of up to $1,500,000 from the Agency's Low and Moderate Income Housing Fund (LMIHF). The memorandum also provided background on the Agency's commitment and included the current LMIHF Funding Summary.

Richard Kerr, representing Simpson Housing Solutions, explained the difficulties encountered in locating an appropriate site. The company has identified about 12 sites which need to be studied and for this reason, was requesting a one-year extension of the Agency’s funding commitment.

John Gillander spoke against granting the one-year extension of the funding commitment to Simpson Housing Solutions, feeling that neighborhood buy-in through the holding of neighborhood meetings should be secured before extending any funding commitments. He felt Simpson Housing Solutions should be required to join in the same process of submitting proposals for neighborhood review as will be required for the Agency-owned, low-income housing site on Humboldt Road, also on today's agenda.

Housing Officer McLaughlin explained that Simpson Housing Solutions decided not to submit a proposal for the Humboldt Road site because it would not be eligible for the tax credit program, which will be its major funding source.

Responding to Councilmember Nguyen-Tan's inquiry, Housing Officer McLaughlin advised that the conditional funding commitment to Simpson Housing Solutions would not put any constraints on funding for the Humboldt Road housing project, and that currently there were no other proposals competing for the Low & Moderate Income Housing funds.

Councilmember Nguyen-Tan supported extending the conditional funding commitment for Simpson Housing Solutions, especially since there were no other projects competing for those funds. He stressed that the difference between this project and the process being followed for proposals for the Humboldt site was that the Agency already owned that site, whereas Simpson Housing Solutions had to procure an appropriate site.

Councilmember Wahl felt that Simpson Housing Solutions should go through the public input process before being granted an extension on the funding commitment.

Councilmember Keene noted that when the one-year time period on the funding commitment lapses in May, Simpson Housing Solution could still go through the process and request the funds again.
Mr. Kerr said that if the funding commitment is allowed to lapse, the corporate headquarters of Simpson Housing Solutions would not continue to commit funds to the project. He urged the Committee to recommend extension of the funding commitment, stressing that the company had every intention of going through the community and neighborhood acceptance process when an appropriate site was located.

John Gillander said that when the Housing Element to the City’s General Plan was updated, appropriate sites for low-income housing projects would be identified through a community input process. He felt that the process for affordable housing projects should be changed so that the community can identify the appropriate sites, after which the Agency could purchase them. He suggested this would avoid contentious situations such as the recent Esplanade House approval process.

Councilmembers Wahl and Keene were not comfortable granting the extension, feeling that the Agency would be giving priority to one developer over another. They advised Mr. Kerr that the company should continue seeking appropriate sites in the next five months and come back to the Committee requesting another extension when it was closer to the deadline.

Recommendation:
The Committee recommended (2-1, Nguyen-Tan opposed) that Simpson Housing Solution’s request for a one-year extension of the Agency’s conditional funding commitment of $1,500,000 from the Low & Moderate Income Housing Fund be denied.

COMMITTEE ITEMS REQUIRING NO COUNCIL OR AGENCY ACTION ON 2/5/02:

B. Approval of an Amendment to the City of Chico Fee Schedule 15.045 - Business License Tax Information. The Committee was provided with a memorandum dated 12/4/01 from Accountant Hennessy submitting a request for an amendment to the City of Chico Fee Schedule 15.045 - Business License Tax Information to reduce the fees for obtaining a current list and monthly updates of business license payees to reflect the actual staff costs to prepare the information and the issuance of refunds to persons who had paid to obtain this report since the last annual update to the Fee Schedule, dated 7/17/01. The Finance Director recommended approval of the Fee Schedule amendment and the issuance of refunds to those who purchased reports since 7/17/01.

Recommendation:
The Committee recommended (3-0) approval of the fee schedule amendment and issuance of refunds as recommended by staff, and that the resolution amending the fee schedule be forwarded to the City Council for adoption at its meeting of 1/8/02.

C. Acceptance of Report Regarding the Mortgage Subsidy Program Sale Price Limit. At its 6/25/01 meeting the Committee requested that the Housing Officer provide a report on the status of the housing market and an update on the Mortgage Subsidy Program (MSP) sale price limit in December, 2001. The Committee was provided with a memorandum dated 12/6/01 from the Housing Officer providing an update on the housing market and a recommendation for future revisions to the MSP program. In addition, the Housing Officer provided background on the major changes in the Mortgage Subsidy Program since 1989. Because of the volatility of the housing market, the Housing Officer recommended that the Committee consider specific modifications to the MSP at its March, 2002 meeting.

Action:
The Committee (3-0) accepted the report and recommendation of the Housing Officer that due to the volatility of the housing market, consideration of revisions to the sale price limit of the Mortgage Subsidy Program would be considered by the Committee at its March 2002 meeting.
D. **Consideration of the City of Chico 2002/03-2006/07 Five-year Capital Improvement Program.** At its meeting of 11/26/01, the Committee scheduled this matter for today's work session. The Committee was provided again with the memorandum dated 10/30/01 from Public Works Administrative Manager Halldorson presenting the City of Chico 2002/03-2006/07 Five-Year Capital Improvement Program (CIP). The Committee was also provided with copies of the Nexus Study, which included projects beyond the five-year period. The CIP, which is a fiscally constrained planning document, contains projects considered necessary within the next five years, beginning with fiscal year 2002/03, and provides an overview of the projects, expenditures, and revenues in a clearly defined manner. The CIP project detail pages contain information regarding the project and project description, category, funding source, prior expenditures, the year in which funding is anticipated to be available, whether the project is contained within the Nexus Study, and when appropriate, a map depicting the location of the project. Capital projects funded in the current budget are not included in the CIP unless future funding is projected. Public Works Administrative Manager Halldorson recommended adoption of the City of Chico 2002/03-2006/07 Five-Year Capital Improvement Program.

The following correspondence was distributed at today's meeting:

1. Letter received 12/14/01 from Jon Luvaas requesting that completion of the remaining curbs, gutters, sidewalks and bike paths on the last 800 feet of Forest Avenue approaching East 8th Street be funded.
2. Memorandum from the Risk Manager recommending (1) that funding for the Document Imaging Start-up System be moved up to the 2002-03 fiscal year, and that a recommendation to implement it will be submitted to Council at its January work session; and (2) that funding for architectural services and construction of a new Animal Shelter be moved up to the current or next fiscal year, which recommendation will also be considered by Council at its 1/15/02 work session.

City Manager Lando advised that the Five-Year CIP is fiscally constrained and the projects come from previous CIP’s, the Nexus, and staff requests. It should be used as the framework by which Council judges off-budget cycle requests for funding projects which may arise. He made the following comments regarding changes to the CIP:

1. Some projects may be confusing because Council’s policy has been to allocate each of the major departments $50,000 for projects and these can be difficult to track. Staff is recommending that projects to be funded from this $50,000 per year allocation for departments be removed from the CIP.
2. Building maintenance projects will also be removed from the CIP because Council has established a building maintenance sinking fund.

Chair Keene requested staff and the Committee to review each project in the CIP, beginning on Page 20, with comments and questions to be addressed item by item, and the Committee proceeded in that fashion. Listed below are the projects (by page number in the CIP) for which revisions or further consideration were recommended by the Committee.

20 - **Replace Airport Terminal Building Roof** - City Manager Lando suggested this could be removed from the CIP and included in the building facility maintenance fund.

21 - **Airport Fencing** – description should be changed to “add three strands of barbed wire to existing fences.”

23 - **Boeing Avenue Reconstruction** – City Manager Lando said this was requested in the budget and not funded. Further discussion requested by the Committee on this project.

26 - **Annual Maintenance for Municipal Buildings** – Remove from the CIP because Council has established a building maintenance fund in which approximately $250,000 per year is set aside for this.

33 - **Annual Sanitary Sewer Repair Program** – City Manager Lando indicated that the sewer plant expansion should be added to the CIP for 2003-04 at an estimated cost of $500,000.
34 - **Annual Sidewalk Program** – Responding to Committee questions, the City Manager and Director of Public Works explained that there is no sidewalk maintenance program for the entire City, and this funding is for construction or reconstruction of sidewalks within the Chico Merged RDA project area, because RDA funds cannot be used for maintenance. Sidewalk repair is actually the responsibility of the property owner but Chico City Council policy has been that it is a public responsibility. Further discussion requested by the Committee on sidewalk repair.

35 - **Annual Street Maintenance Program** – Greg Steel recalled there had been discussion of assuming an annual expense of $600,000 for street maintenance, and he urged the Committee to give ongoing street maintenance a high priority. City Manager Lando said he recalled the $600,000 discussion, that there were other projects under Tea 21 funds, and he would investigate this further.

36 - **AS 400 Software to Interface with Document System** – City Manager Lando felt it didn't make sense to leave this in for 2006-07 because it would be outdated by then. Information Systems Director McEnespy said she requested it to be left in as a placeholder, that it should be considered as part of the whole document imaging system, and that it was requested by the Police Department. City Manager Lando said document imaging would have to be addressed sooner and would probably be more expensive. It was agreed that this should be changed to Fund 935, Information Systems.

41 - **Color Copier/Printer** – The Committee discussed whether it would be more cost effective to lease this equipment, and requested the Information Systems Director to investigate and report back on color copying options and approximate current cost of sending out for colored copies. The City Manager recommended this be removed from the CIP, with a report to be brought back on other color copying options.

48 - **Internet Streaming Video System** - Councilmember Wahl felt this should be moved up for consideration of funding this year. Councilmembers Nguyen-Tan and Keene did not feel the demand to view City Council and Board and Commission meetings on the internet was that high, and that “E-Commerce” for government services should have a higher priority. Further discussion requested by the Committee on this.

49 - **Laptop Computers** – Councilmember Wahl felt the laptop computers for first-line engines should be moved up a few years. The Committee requested further discussion of this.

50 - **Physical Fitness Equipment** – The Committee concurred with the Fire Chief’s recommendation that this be moved back to year 2004-05, and that the Thermal Imaging System (page 54) be moved up to year 2002-03.

53 - **Skid Steer Loader** – The Committee concurred with the City Manager’s recommendation to move this project up sooner if adequate TDA funds are available.

54 - **Thermal Imaging Camera** – This will be moved up to year 2002-03, and the Physical Fitness Equipment (page 50) will be moved back to year 2004-05.

55 - **Traffic Signals Battery Backup** – The Committee concurred with the City Manager and Director of Public Works recommendation that this be removed from the CIP.

56 - **Rewire of Police Department** – The Information Systems Director advised that this has been completed and should be removed from the CIP.

59 - **Animal Shelter Expansion** – The Risk Manager indicated staff will be recommending to Council at its 1/15/02 work session that this be moved up to the current fiscal year so planning on construction can begin. The Committee concurred with the City Manager recommendation that this project be removed from the CIP with a note that it will be considered by the Council in January, and that design and construction of a Shelter needs to begin much sooner than 2006-07.
60 - Fire Station No. 1 Improvements – The City Manager advised this should be removed from the CIP because it is part of building maintenance.

61 - Fire Station No. 3 Expansion – The Committee concurred with the City Manager recommendation to change the funding source for this project to AIP (351 matching funds) instead of the General Fund.

62 - Police Facility Maintenance – The City Manager advised this should be removed from the CIP because it is part of building maintenance.

64 - CMA Bicycle Path Tree Planting – Councilmember Keene questioned whether this should be a priority and requested further Committee discussion. The Park Director indicated it is on the active list to look for grant funding. Greg Steel said he had seen it on the list for potential RDA funding, and asked whether projects were considered on the basis of the funding source. Councilmember Keene responded that is one reason he wanted to review each project in the CIP to determine if there is a different funding source, given the competing needs and priority. This project will be discussed further by the Committee.

65 - Downtown Plaza Park Sidewalks – Park Director Beardsley said this item is tied to Page 76, Plaza Park Improvements, and the department will be looking at a master plan for Plaza Park. The Committee discussed the possibility of combining this with with Plaza Park Improvements on Page 76.

66 - Esplanade Street Trees – The Committee concurred with the City Manager recommendation that this be removed from the CIP since it is grant funded.

67 - Emergency Shelter / BMX Park – The City Manager recommended this be removed from the CIP because the site acquisition is complete and the BMX bicycle park construction will be on the RDA Bond revenue project list to be discussed by the Committee in January. He also indicated that the Community Park Fund (330) is not an appropriate funding source for this project. Jim Mann said the Building Industry Association is concerned with the use of Community Park Funds for this project and he also questioned whether RDA funds could be used for projects that do not generate tax increment. The City Manager responded that RDA funds could be used for this because of the indirect benefits of public improvements. The Committee concurred with the City Manager’s recommendation that this be removed from the CIP and that the $742,500 go back into the Community Park Fund (330).

69 - Mangrove Avenue Street Trees – Councilmember Wahl felt the contingency seemed high, and Councilmember Keene suggested that the Park Director pursue grant funds or Prop 40 bond funds for this. Director of Public Works Ross said there is about a 15% contingency added into this cost and the City Manager indicated staff would take a closer look at the cost figures.

70 - Humboldt Skateboard Park Restroom – The Park Director advised this is a high priority and is also on the list of bond projects (requested by Councilmember Kirk). The City Manager recommended it be left in the CIP until the January consideration of bond projects to be funded. He added that for the January consideration of bond projects, staff will show which projects are listed in the CIP.

71 - Humboldt Community Park – The Committee concurred with the City Manager recommendation that this be removed from the CIP because a private community group is planning to raise funds to construct an aquatic center at this site, which will be discussed in January. In addition, Chair Keene felt that construction of DeGarmo Park would be a higher priority. Councilmember Nguyen-Tan pointed out that plans for the aquatic center will also be discussed when the Council considers this site for an affordable housing project and Chair Keene requested that the group planning the aquatic center be notified for that discussion.

73 - One Mile Area Lighting – This is proposed for Prop 12 grant funding and Councilmember Nguyen-Tan suggested staff prepare a separate list of projects that are proposed for grant funding. City Manager Lando agreed that a separate list of projects proposed for Prop 12 grant funds should be prepared, but that the projects should stay in the CIP.

74 - One Mile Recreation Area Irrigation System – The funding source should be corrected to Prop 12 grant funds. City Manager Lando reiterated that all Prop 12 projects will stay in the CIP but will be grouped together and listed separately.
76 - Plaza Park Improvements – The City Manager indicated this should be removed from the RDA Bond “wish list,” since it will be funded from Prop 12 funds.

77 - Plaza Park Tree Trimming – The funding source should be changed from 300 (Grants) to 002 (Park Fund)

78 - Park Bridges – Funding in the amount of $95,000 should be added from the Park Fund (002) for the Forest Avenue bridge, and the SHR 99 bridge should be removed from the CIP because it will be funded with Prop 12 funds.

79 - Upper Park Road – It was noted that this should be part of the $50,000 department allocation, and therefore, removed from the CIP.

80 - Sewer Main Installation / Nitrate Area – This should be removed because it has been funded, which will free up the $1.56 million in Chico Merged RPA funds (351) for some other project.

81 - 22nd and Elm Streets Storm Drain – Chair Keene said he would like to avoid joint projects with the County and City Manager Lando said the City could request the property owners to annex as part of these improvements.

82 - Citrus/Vecino Storm Drainage Project – The City Manager advised this will be coming back to the Committee in January for further consideration.

83 - Salem / Normal Streets Storm Drain – Chair Keene questioned whether this should have priority over all the other areas in the City that flood. Director of Public Works Ross responded that though other areas had worse flooding problems, this one is within the Merged RPA, so there is a funding source. Councilmember Nguyen-Tan questioned why this was not being funded out of the Storm Drainage Facility fund like the following project (Stilson Canyon / Humboldt Road Storm Drain), and City Manager Lando replied that this project was the perfect example of use of RDA funds in a blight area.

85 - Bike Path - Potter Road, Warfield to Honey Run – Chair Keene felt that this was more of a regional project since a large part of it was in the County, and therefore, it would be more appropriate to use TDA 212 funds. City Manager Lando said staff would provide a map for this project in the CIP and also check into changing the funding source to TDA 212. The Committee requested further discussion of this.

87 - Cohasset Road Left Turn Lane at Airpark Blvd.
88 - Cohasset Road Widening & Left Turn at Compost Facility.
Councilmember Nguyen-Tan questioned why these projects were listed separately since they are scheduled for the same year. City Manager Lando responded that they are two separate projects and he added that the map in the CIP is not correct. He said the title of the project on Page 88 should be corrected to “Cohasset Road Widening and Left Turn Lane.” Councilmember Nguyen-Tan felt the left turn lane to the airport should be a priority. Councilmember Wahl and City Manager Lando noted that the FAA has recommended that the compost facility be moved.

89 - Downtown Bulbing 4th at Main / Broadway
90 - Downtown Bulbing 5th at Main / Broadway
The Committee and staff concurred with Councilmember Nguyen-Tan’s recommendation that this be listed as one project in the CIP. Chair Keene indicated that since these were more cosmetic-type improvements, he wanted to compare priorities for this project with the Cohasset Road and East Avenue Improvements. Public Works Administrative Manager Halldorson pointed out that RDA funds could not be used on the East Avenue project. The Committee requested further discussion of this project.
91 - East 8th Street Reconstruction – Greg Steel recommended that the Council consider fully funding this project at $2.5 million, rather than funding only a portion of it. He suggested this project be evaluated for use of some of the 308 funds that are projected to be available. Chair Keene advised that the traffic calming devices proposed for this project may decrease the anticipated volume of traffic that will use it. He suggested staff re-analyze the anticipated traffic volume.

Mike Smith recommended that completion of the curb, gutter, sidewalk, bicycle and pedestrian improvements on the last portion of Forest Avenue out to East 8th Street be included in the CIP for a cost of $275,000, especially since the Planning Commission recently approved a 54-unit development on Forest Avenue that will further impact the area. He felt the development should be required to put in these improvements and then apply for reimbursement from the City.

Jim Mann said the Building Industry Association felt it would be prudent for the City to ask developers to install needed improvements at the time of construction, for which they would be reimbursed by the City. He suggested a fund could be set up for this purpose.

City Manager Lando agreed that if unallocated road funds were available to put in incomplete improvements at the time of construction of new development, the developers could then get reimbursed.

92 - East Avenue Cussick to the Esplanade – Chair Keene said he would like to move this up as a priority over the Cohasset Road project. The Committee concurred with his suggestion. The City Manager recommended that this project be moved up to year 2002-03, by switching priorities with the Cohasset Road Project.

93 - East Avenue / Alamo Avenue Traffic Signal – The Committee directed that this project be moved up to the year 2002-03.

94 - East Avenue / Guynn Avenue Traffic Signal – The Committee directed staff to check with the County on the status of this project.

95 - Manzanita Avenue / Chico Canyon / Bruce Road – City Manager Lando advised that the EIR for this project will be considered by Council in March or April. Greg Steel felt the project should be moved up from year 2004-05 to year 2003-04 as it was originally listed, and staff and the Committee agreed.

97 - Estates Drive Traffic Signal – Jim Mann indicated the Building Industry Association felt that the signalization of Eaton Road and SHR 99 was a much higher priority than this project and should be included in the CIP, since the area of Eaton Road and Esplanade was a high priority growth area. Director of Public Works Ross said the County is considering funding the Estates Drive signal, so it could possibly be removed. Councilmember Wahl suggested that the Eaton Road project replace the Estates Drive project. Director of Public Works Ross noted that Eaton Road would cost more, probably $500,000. The Committee concurred to remove the Estates Drive Signal from the CIP and add Eaton Road (see below).

Add to CIP: Eaton Road and SHR 99 Traffic Signals – The Committee concurred to add this project to the CIP and allocate the necessary funds to the amount that was previously allocated for Estates Drive (see above). The City Manager recommended that some of the funds be allocated for the year 2002-03 to get the Project Study Report (PSR) started, with the remaining funds to be allocated in 2005-06.

Action:
The Committee (3-0) directed staff to revise the Capital Improvement Program (CIP) document as discussed at today’s meeting, and call the Committee members when the revisions are ready in order to schedule a meeting (January or February) to finalize its recommendations to Council regarding the CIP.

E. Review and Consideration of Housing Developer Concepts for Redevelopment Agency Owned Parcel at Humboldt Road and El Monte Avenue. At its meeting of 9/18/01 the City Council directed staff
to solicit development concepts for the Agency owned housing site at Humboldt Road and El Monte Avenue from qualified housing developers. The Committee was provided with a memorandum dated 12/05/01 from the Housing Officer transmitting the responses from developers who returned the “Request For Project Concepts and Developer’s Statement of Interest,” and providing a summary of the developer comments.

Housing Officer McLaughlin and City Manager Lando explained that staff was seeking direction on (1) whether the whole site 14.4 acres site (which includes a 3.2 acre storm water detention facility) should be used for housing, in which case a General Plan Amendment would have to be processed since 6.5 acres had been previously designated as park land, or whether the housing site should be limited to 4.7 acres and the park land retained; and (2) whether the concept proposals should be taken to the neighborhood for public input at this point, or whether the Committee or Agency wished to narrow the scope by identifying the type of housing project it wanted and requesting specific proposals before asking for public input.

Mary Cahill, General Manager of the Chico Area Recreation and Park District, urged the Committee to retain the park land on the site, stressing that there will be an even greater need for park land when the housing project is developed on the site.

Tom DiGiovanni, representing Heritage Partners; Gary Sanner, representing Butte County Housing Authority; Tony Symmes of Aspire Homes; and Rob Brown, representing Paul Leete Homes; were present and briefly described their proposals, noting that the proposals had been very general and could be modified to fit the parameters, such as size of the site, which the Agency had yet to determine.

John Gillander felt that since this project was to be financed with public funds, the public should have the opportunity to give input on all the proposals at the earliest possible stage of the process.

Councilmember Nguyen-Tan felt that the Agency should define the scope of the housing project, i.e., whether it should be a 4.7 acre project or the entire 11.1 acres, before public input was sought.

Committee members agreed that in order to determine the scope of the project, the Agency would need to hear from the group that was proposing an aquatic center for the 6.5 acre portion of the land that had been designated as park land.

Chair Keene recommended that the matter be referred to the full Agency, with public participation from the neighborhood invited, to determine: (1) the type of housing project to be developed; (2) how much of the land should be used for housing; and (3) whether the aquatic center being planned by a private group will go forward. Based on those decisions, he recommended that specific projects then be solicited.

Councilmember Nguyen-Tan agreed that the full Agency should make the determination as to the amount of acreage to be used for the housing project, but felt the public would have nothing to respond to at this point regarding the type of project. He suggested the full Agency determine the acreage, after which the project proponents could be requested to make presentations with visual aids regarding their proposals.

Recommendation:
The Committee recommended (3-0) that this matter be referred to the full Redevelopment Agency at its work session of 1/15/02 to:
1. make a determination regarding the amount of acreage at the site that will be made available for housing, with staff to request that information from the private parties who have proposed an aquatic center for the site be made available at the 1/15/02 meeting; and
2. schedule an Agency meeting to be held at either Hank Marsh Jr. High School or Little Chico Creek School, if available, to allow developers to make a presentation of their proposals and to obtain community input on the proposal concepts, with full public participation from the neighborhood and schools; at the conclusion of which meeting the Agency would determine the type of affordable housing to be constructed on the site and direct staff to request specific proposals which would be limited to those developers who submitted an initial concept proposal.

F. Consideration of Request from Butte Humane Society for Advance Payment of 2002 and 2003 City Installments relating to Purchase of Shelter Addition. The Committee was provided with a letter dated 12/3/01 from the Butte Humane Society (BHS) requesting financial assistance from the City in order to ensure that it has sufficient funding to operate the Animal Shelter for the next three months and to prevent any short term closures. The funding being requested is the advance payment of the 2002 and 2003 (ninth
and final) annual payments which the City is making to BHS for the purchase of the Animal Shelter addition previously constructed by BHS adjacent to the City animal shelter building. The payment amount is $21,400 per year, for a total advance amount of $42,800. BHS expects that this funding, along with December revenues and donations, will be sufficient to carry it through to its next major fund raising event in February.

The Committee was also provided with a memorandum dated 12/10/01 from the Risk Manager reporting that the City has for a long time contracted with BHS to operate the Animal Shelter, located on Fair Street, and to provide various animal shelter services. BHS is currently operating the Shelter at an approximate cost of $32,000 per month. If BHS were to cease operations, the City would be required to assume the responsibility for the operation of the Shelter in order to continue to provide animal control services to City residents.

Due to the seriousness of BHS’ financial condition, the Committee’s recommendation regarding this matter had been scheduled for consideration by the City Council at its 12/18/01 meeting. A verbal report from the Committee had been scheduled on that agenda for this purpose. Should the payment advance be approved by the Council, a confirming Supplemental Appropriation allocating $42,800 from the General Fund into Minor Capital Project No. 00383 would be processed. Staff recommended approval of the request for the advance payments.

Rich Parmeter, Executive Director of the Butte Humane Society, was present and spoke in support of the request for advance payments.

Staff and Committee members discussed the necessity of considering the long range, future plans for the animal shelter, which would be addressed at the Council’s work session on 1/15/02.

Committee members concurred to recommend approval of the request for advance payment, since the City owed the money for the animal shelter addition.

**Recommendation:**

*The Committee recommended (3-0) approval of the Butte Humane Society request for advance payments in the total amount of $42,800 (the final two payments for the City’s purchase of the Animal Shelter addition); that this recommendation be presented to the City Council at its meeting of 12/18/02; and that future operation of the animal shelter facility be considered by Council at its 1/15/02 work session.*

G. **Adjournment and Next Meeting.** The meeting adjourned at 4:55 p.m. The next meeting was scheduled for Wednesday, December 19, 2001 at 12:00 Noon. in Conference Room No. One.

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Bebe Young, Administrative Analyst

**Distribution:**
City Council (22) Housing Officer Comm. Dev. Director
Risk Manager Public Works Director Finance Director
A. Continued Review of Park Funding Issues and the Basic Park Facility Development Impact Fees.

The Committee initially discussed Park Facility Impact Fees and park development funding at its meetings of 9/24/01 and 11/26/01. Staff was prepared to address the issues and questions raised at those meetings. The Committee was provided again with copies of the memorandum dated 11/13/01 from the Assistant Community Development Director which provided information on the issues to be addressed by the Committee as follows:

1. Impact Fee Allocation to Neighborhood Parks, Community Parks and Creekside Greenways.
2. Community Park Facilities to be Funded from Development Impact Fees.
3. Determination of Greenways to be Acquired.
4. Fee Schedule Update to Reflect Current estimated Costs.
5. Park Facility Classification: Benefit Zones Versus Community Wide Park, Recreation Facilities and Open Space System.
6. Projected Park Costs, Distribution to New Development and Existing Residents, and Funding Sources.

The Committee was also provided with copies of:
1. Documents submitted by Bob Best at the 11/26/01 Committee meeting, entitled “Chico Parks & Future Requirements.”
2. Letter dated 12/11/01 from the Hignell Development Group regarding park issues associated with the Husa Ranch development.

City Manager Lando summarized some of the issues to be addressed as follows:

1. There are currently three separate types of park facilities: Community Parks, Neighborhood Parks, and Creekside Greenways. From previous discussions, there had been consensus that: 1) separate funds should be established for each type of facility; and 2) Neighborhood Parks should be reclassified as “Community Parks” (because all citizens use Neighborhood Parks, not just the residents in the area) and Community Parks should be reclassified as “Recreational Parks.”
2. Establishment of the appropriate development impact fee level for each type of park facility, including land acquisition costs and improvement costs.
3. The City’s General Plan area and the overlapping role of the Chico Area Recreation and Park District (CARD). The City works closely with CARD and has given the agency most of its parks to operate and manage; however, the City’s focus should be the General Plan and its provisions for parks.
4. The existing City residents’ share of park costs, regardless of development impact fees, which is estimated at about $30 million.
5. How smaller parks, such as the detention facility in Nob Hill, should be treated and paid for in the fee process. Other developers had expressed interest in the same consideration for parks developed in conjunction with their subdivisions.
Copies of the following additional correspondence were distributed at today’s meeting:
1. Letters dated 11/15/01 and 12/16/01 from Bob Best regarding park funding issues
2. Letter dated 12/11/01 from the Hignell Development Group regarding a detention facility/park in conjunction with the Husa Ranch development
3. Letter dated 12/12/01 from Heritage Partners regarding Baroni Park
4. Letter from Bill Smith regarding Baroni Park

Chair Keene advised that the Hignell and Heritage Park requests were not agendized for consideration today, and should be scheduled on a future agenda for consideration; however the issues involved could be addressed as they related to general park funding issues and the park fee structure.

City Manager Lando noted that any revisions to the current park system as provided for in the General Plan would require a General Plan amendment.

PARK FACILITY CLASSIFICATIONS AND SEPARATE FUNDS

Councilmember Nguyen-Tan suggested the Committee address this first.

Recommendations:
1. The Committee recommended (3-0) that the park facility classifications in the General Plan be revised as follows:
   a. Community Parks – change to “Recreational Parks”
   b. Neighborhood Parks – change to “Community Parks”
   (Creekside Greenways – no change)
2. The Committee recommended (3-0) that separate funds be established in the budget for each of the three park facility classifications.

RECREATIONAL PARKS (FORMERLY COMMUNITY PARKS)

The Committee and staff discussed that park costs had risen and, therefore, revised, more accurate figures needed to be established before fees could be determined. Assistant Community Development Director Sellers advised that construction of Hancock Park was in process, so exact cost figures would be forthcoming.

Regarding the rising land values (acquisition costs), Chair Keene noted that some of the park land had already been purchased, that the actual purchase price should be used for that land, and that the proposed fees should not reflect the inflation factor except for the lands not yet acquired.

City Manager Lando advised that staff would compile a list of existing and future Recreational Parks and Community Parks, using the actual costs for parks already purchased, and the revised cost for future land acquisitions (after it is determined). He noted that this would result in the need to amend the land cost acquisition assumption in the Nexus Study.

Chair Keene suggested that the Committee address the philosophical issue of how to divide the cost for new parks between new development and existing residents after the land value factor had been recalculated.

Staff responded to questions from Howard Carnahan and Jim Mann regarding land costs calculated as park fee credits when developers donate land for parks.

Councilmember Nguyen-Tan was comfortable with the estimated park infrastructure costs set forth in the staff report on Table 2, but requested staff to bring back more detailed information on what was included in park facility improvement costs, and Assistant Community Development Director Sellers said he would request a detailed list of park facilities costs from CARD.
Bob Best said he had a detailed list of costs for all Recreational Parks dated 8/21/02 from CARD.

Chair Keene requested Mary Cahill, General Manager of CARD to provide detailed back-up information on how the cost estimates for DeGarmo Park were determined.

Mary Cahill was concerned with the revised terminology the Committee had recommended in terms of consistency between the City’s General Plan and CARD’s Master Plan, since the latter uses “Neighborhood Parks” and “Community Parks.”

Bob Best noted that Disc Golf in Bidwell Park was included in the Recreational Park fund for $120,000, and questioned whether that was appropriate. City Manager Lando responded that the determination of which parks should be included in the analysis as Recreational Parks needed to be addressed, and noted that the community’s share of funding for parks may be able to be met by those.

Responding to Councilmember Nguyen-Tan’s inquiry regarding the source of funding for ongoing maintenance of Recreational Parks, City Manager Lando said this was a separate issue from what was on the table today, and that CARD had originally indicated its charge would be to maintain Recreational Parks and form maintenance districts for maintenance of Community Parks. However, there have been changes at CARD and this maintenance issue was one that needed to be addressed through a joint meeting of the City Council and the CARD Board of Directors. It may eventually be necessary to ask the community how maintenance should be addressed, since development impact fees cannot be used for maintenance.

John Merz was concerned that the entire City-owned parcel adjacent to Humboldt Road and Hank Marsh Junior High School not be used for housing since it was purchased with park fees.

The Committee was in recess from 1:30 p.m. - 1:40 p.m.

COMMUNITY PARKS (FORMERLY NEIGHBORHOOD PARKS)

City Manager Lando said staff would develop a matrix for Community Parks showing each park and the cost for improvements.

Regarding how the smaller, detention-pond parks established by developers in conjunction with subdivisions should be treated, the City Manager recommended they be classified as Community Parks. However, if other developers build smaller parks for their developments, and they appear to be for the use of those residents only, those types of parks should be paid for by the developer, unless they were designed to be accessible to the entire community.

Jim Mann said that the minimum size for Community Parks had been established at five acres, and he felt this minimum size was appropriate.

City Manager Lando responded that the three-acre minimum was for parks by schools, otherwise it was a five-acre minimum.

John Merz suggested an analysis should be done regarding the detention-pond parks that had been established by developers, and whether it was appropriate to give park fee credits for these types of facilities if they were not really usable for recreational play areas.

Chair Keene agreed that the Committee should address and make a determination as to which sites were legitimate parks.

Staff responded to Ellen Brown’s questions regarding how the type of facilities to be included in a park are determined, indicating that the design takes place in a public forum and the community is asked what facilities it would like and whether it would be willing to form a maintenance district.

Doug Hignell addressed his concerns as outlined in his letter of 12/11/01 regarding park fee credits and reimbursement in connection with the Husa Ranch development. City Manager Lando said that the City
Council will have to make a determination whether the park land required to be developed will qualify as a Community Park and be eligible for park fee credits. He suggested to Mr. Hignell that if he was not satisfied with the Planning Commission requirements regarding this, he could file an appeal with the City Council and that the Council could then table the appeal until a determination was made regarding which of these types of parks can be considered Community Parks and receive park fee credits.

Chair Keene requested staff to develop the same refined cost estimates for Community Parks as was requested for Recreational Parks earlier in the meeting.

The Committee discussed and was in agreement that the Community Park (formerly Neighborhood Park) Benefit Zones probably should be discontinued due to a consensus that Community Parks benefitted the entire community and not just the neighborhood residents where the parks were located.

Chair Keene suggested the Committee address the issue of the appropriate minimum size for Community Parks.

Louis Brown, who had submitted a letter to the Committee regarding Baroni Park, urged the Committee to retain the size of seven acres for Baroni Park since that amount of land had already been purchased.

John Merz was concerned that without the benefit zones for Community Parks, there would be no mechanism for addressing the maintenance costs.

Chair Keene suggested one approach might be to ask which neighborhoods were willing to form maintenance districts for Community Parks and those neighborhoods that agreed to do so would have the parks built first. He noted, however, that the issue before the Committee at this time was development impact fees which could be used only for acquisition and construction, not maintenance.

In further discussions regarding Baroni Park, staff confirmed that the park fees for Baroni Park were charged based on a size of five acres, not seven.

Tom DiGiovanni of Heritage Partners addressed his request to purchase two acres of City property adjacent to the Doe Mill Neighborhood Project that was part of the seven acres purchased for Baroni Park by the City, as outlined in his letter dated 2/12/02.

Chair Keene advised that this matter was not on today’s agenda and would have to be submitted as a formal request to the City Council.

City Manager Lando added that a 5/7 vote of the City Council would be required to sell City property.

Bill Smith advised that the neighbors in the vicinity of Baroni Park were interested in recapturing the extra two acres to retain the seven acres for the park, and he requested to be notified when the Heritage Partners request was considered by the City Council.

Jim Mann felt that the Benefit Zones hampered development of parks.

Councilmember Nguyen-Tan felt that when the determination was made as to the sharing of park costs between new development and existing residents, and if the Benefit Zones for Community Parks were removed, community wide funding mechanisms for park costs, such as bonds, would need to be developed.

Chair Keene suggested the Benefit Zones might be retained for park maintenance purposes, but disbanded for park acquisition and construction purposes. He also felt General Fund surplus could be used as the existing residents’ share of building Community Parks without raising taxes.

Councilmember Nguyen-Tan felt that using General Fund reserves for park costs would be a piecemeal solution and that other funding mechanisms such as bonds, sales tax, and property tax revenue should be considered.

John Merz urged the Committee to determine what the new developments’ share of park fees should be, after which the overall community could be requested to make a decision on how to fund its share of park
Bob Best questioned how the $632,000 in arrears for two Community Parks shown in the Development Impact Fee Summaries from the Budget had been factored into the fees, and he urged the City to return the information on park costs to the level of detail that was formerly shown in the Nexus Study.

City Manager Lando responded that the matrix the Committee had requested staff to develop for all of the parks would provide more accurate, detailed information.

Mr. Best urged the City to ask the community to vote on how it wished to fund the existing residents’ share of park costs, and whether it wanted to fund the parks that were designated in the current General Plan.

Councilmember Nguyen-Tan felt that the community should be informed that if it wanted the parks, it would have to pay for them.

Chair Keene agreed that community input should be solicited as to whether the General Fund should be used for park costs.

Councilmember Nguyen-Tan said the citizens would need to know what the trade-offs were for different mechanisms for park funding, and he requested staff to develop a list of park funding options for the community, including the advantages and disadvantages.

Councilmember Wahl felt the community should also be asked what type of recreational facilities it wanted in connection with the parks to be developed.

Chair Keene felt the funding mechanisms were obvious: bonds, sales tax, or the General Fund. He suggested another option to consider would be to alter the assumptions in the Nexus Study which would then entail amending the General Plan after soliciting public input.

**Action:**

_The Committee concurred (3-0) that staff be directed, as time permits, to prepare an informational memorandum for the City Council regarding park funding options and mechanisms, including the pros and cons for each._

The Committee was in recess from 3:15 p.m. to 3:30 p.m.

**CREEKSID...**
Chair Keene felt the community’s input should be solicited as to what its priorities would be in terms of the amount of acreage to be acquired for each of the three types of parks.

Councilmember Nguyen-Tan said he would like to view the Creekside Greenways proposed for acquisition before making any further determinations and he suggested the Committee conduct an on-site tour.

Chair Keene agreed that a tour would be valuable, adding that he was skeptical as to whether it would be worthwhile for the City to acquire some of the Creekside Greenways identified, such as Sycamore Creek, which were in the County, since the City would have no control over their land use.

Councilmember Wahl agreed, feeling acquisitions of linear parks that were not within the City should not be pursued.

Councilmember Nguyen-Tan suggested this meeting be continued in order to tour and view each of the proposed Creekside Greenways, for staff to bring back the refined cost figures for all three types of parks, to get more community input, and to address the policy issues.

Action:
The Committee (3-0) continued consideration of Park Funding Issues and Development Impact Fees in order to schedule a tour of the Creekside Greenways designated in the General Plan; and directed staff to develop refined cost figures in a matrix format as discussed today for all three types of parks, and to inform the community that the Committee is seeking input on priorities for types of parks to be acquired and developed, as well as funding mechanisms.

B. Adjournment and Next Meeting. The meeting was adjourned at 4:10 p.m. The Committee would be requested at the 1/8/02 Council meeting to schedule the Creekside Greenway tour at the end of January, as well as an extra afternoon work session in February. The next regular meeting of the Committee was scheduled for Monday, January 28, 2002, at 4:00 p.m. in Conference Room No. One.

Bebe Young, Administrative Analyst

Distribution:
City Council (22) Housing Officer Comm. Dev. Director
Risk Manager Public Works Director Finance Director