



# Finance Committee Report

DATE: January 31, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD JANUARY 23, 2008**

<b>Committee present:</b> Chair Gruendl Councilmember Flynn Councilmember Wahl	<b>Staff present:</b> Interim City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Finance Director Hennessy Building & Dev. Serv. Dir. McKinley Division Chief Carter	Fire Chief Brown Housing & Neighborhood Serv. Dir. Morgado Administrative Services Director Pierce Police Captain Maloney Capital Project Services Director Varga Administrative Analyst Cameron
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## COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION

### A. **Housing Rehabilitation Program Loan Request - Nancy Hurst and Tracy Gaylord, 3549 Esplanade.**

This family purchased a mobile home in 1999 that was in such a state of disrepair that it could not be rehabilitated. At the Finance Committee meeting of 9/18/07 when the Committee approved a grant program for mobile homes with a maximum grant of \$7,500, it was determined that if a home required extensive repairs that could not be done within the grant program a replacement mobile home could be considered. This request was for the replacement of a dilapidated mobile home with a new home that is already installed within the same mobile home park. The Housing & Neighborhood Services Director recommended approval of a deferred payment loan of \$132,000 from the City's HOME Program Housing Rehabilitation Activity. **(Report - Sherry Morgado, Housing & Neighborhood Services Director)**

Stephanie Taber addressed the Committee on this item.

Councilmember Wahl's motion to approve an installment-payment loan of \$55,000 and a deferred-payment loan of \$72,000 from the City's HOME Program Housing Rehabilitation Activity was seconded by Councilmember Flynn.

**Action: The Committee approved (3-0) an installment-payment loan of \$55,000 and a deferred-payment loan of \$72,000 from the City's HOME Program Housing Rehabilitation Activity.**

### B. **Consideration of Deficit Reduction Strategy Implementation.** At its meeting held 12/18/07, the City Council adopted a comprehensive strategy to address the structural imbalance in the General Fund and provide for future needs as recommended by the Finance Committee. At today's meeting, the Finance Committee considered implementation of the Strategy to Balance the Ten Year Financial Plan, including a Proposed Finance Committee Meeting Schedule and a City-wide survey to assess the community's priorities for City services. **(Report - Dave Burkland, Interim City Manager)**

#### 1. Proposed Finance Committee Meeting Schedule

The proposed meeting schedule was amended by the Committee as follows:

Regular February Finance Committee Meeting - February 27, 2008 at 8:00 a.m.

Finance Committee Meeting - March 11, 2008 at 6:00 - 8:00 p.m.

Regular March Finance Committee Meeting - March 26, 2008 at 8:00 a.m.

Finance Committee Meeting - April 8, 2008 at 8:00 a.m.

Community Organization Funding Meeting - April 9, 2008 at 3:30 p.m.

Regular Finance Committee Meeting - April 22, 2008 at 8:00 a.m.

Community Organization Funding Meeting - April 24, 2008 at 3:30 p.m.

Councilmember Flynn's motion to approve the Finance Committee meeting schedule, as amended, was seconded by Councilmember Wahl. The motion passed 3-0.

**Action: The Committee approved (3-0) the amended Finance Committee Meeting schedule.**

2. City Wide Survey

Staff provided information on the survey, sample survey questions, and indicated the objective of the scientific survey is to ask the community about levels of service. The survey will be conducted by Fairbank, Maslin, Maullin and Associates who specialize in community assessment type surveys.

Comments from the public were received from Kevin Hunn, Mike Maloney, Juanita Sumner, Frank Zebley and Bob Best.

Suggestions included:

- Questions on crime prevention efforts, traffic enforcement, police protection in local neighborhoods and business districts, and interest in police addressing nuisance crimes.
- Room for verbatim comments.
- Survey geared towards the structural deficit of the budget and asking citizens what level of service they are willing to give up to save money.
- No leading statements on the survey.
- Possible evening interactive meeting to provide feedback on the survey results.

Suggestions from the Committee included:

- Possibly conducting two surveys, one scientific and one web-based.
- The addition of questions on parks, tourism, economic development and the library.

Councilmember Flynn made a motion to begin the city wide survey to assess community priorities, to post a custom tailored survey on the City's website and to mail the website survey with the City newsletter. Chair Gruendl seconded the motion. The motion passed 2-1, with Councilmember Wahl voting no.

***Action: The Committee approved (2-1, Wahl voting no) beginning the city wide survey to assess community priorities, posting a custom tailored survey on the City's website and mailing the website survey with the City newsletter.***

3. State Budget Update

Staff provided an update to the State budget noting the State has declared a fiscal emergency. The Governor unveiled his Budget Stabilization Act on January 8<sup>th</sup> and the Legislature has 45 days to respond. The proposal includes a plan to suspend payment on Highway Users Tax (gas tax) payments for a five-month period (April-August 2008) to be paid in full in September without interest. This would cause a deferral of City revenues of \$700,000 a month. Staff indicated that the main issue for the City is that the State won't adopt its budget until after adoption of the City's budget.

C. Business From the Floor.

Bob Best addressed the Committee on the "tracking system." Staff indicated that as information becomes available it will be reported on.

Stephanie Taber addressed the Committee regarding questions submitted on the current budget. She suggested that the next community newsletter include a list of City departments and a definition of each department. Finance Director Hennessy stated she would address the list of questions.

D. **Adjournment and Next Meeting.** The meeting adjourned at 9:40 a.m. The next meeting is scheduled for February 27, 2008, at 8:00 a.m. in Conference Room No. 1.

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Lynda Cameron, Administrative Analyst

Distribution:

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



# Finance Committee Report

DATE: March 5, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD FEBRUARY 26, 2008**

<p><u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl</p>	<p><u>Staff present:</u> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Finance Director Hennessy Building &amp; Dev. Serv. Dir. McKinley</p>	<p>Housing &amp; Neighborhood Serv. Dir. Morgado Administrative Services Director Pierce Capital Projects Director Varga Chief of Police Hagerty Administrative Analyst Cameron</p>
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## **COMMITTEE MATTERS REQUIRING COUNCIL ACTION**

- A. **Funding Request from Chico Community Shelter Partnership/Torres Shelter.** The City received a request from Chico Community Shelter Partnership (CCSP), who runs the Torres Shelter, for additional financial assistance from the City in the form of a one-time emergency allocation of \$10,000 from Community Development Block Grant (CDBG) funds. This would be in addition to their 2007-08 allocation of \$12,000 received through the annual Community Organization funding process. The Housing & Neighborhood Services Director recommended that the Finance Committee forward a recommendation to the City Council to approve an allocation of \$10,000 in CDBG funds for the Torres Shelter. ***(Report - Sherry Morgado, Housing & Neighborhood Services Director)***

Corla Bertrand and Tom Perdue addressed the Committee in support of this item.

Staff indicated this would be a one time emergency allocation of CDBG funds presently reserved for the Torres Shelter Expansion Project, which is currently on hold for two years. When the shelter is ready to move forward with the expansion, the City would reprogram the funds out of a future Annual Plan.

Chair Gruendl noted that in their most recent letter to the City, CCSP indicated they are hoping for an increase in their 2008-09 community organization funding. He cautioned them that the City is not in a position to increase funding.

Councilmember Flynn made a motion to approve an allocation of \$10,000 in CDBG funds for the Torres Shelter. Councilmember Wahl seconded the motion. The motion passed 3-0.

***Action: The Committee approved (3-0) an allocation of \$10,000 in CDBG funds for the Torres Shelter.***

- B. **2008-09 Draft Action Plan for the Use of Federal Community Development Block Grant (CDBG) and Housing Investment Partnerships Program (HOME) Funds.** The City receives an annual award of community development and housing funds from the federal department of Housing and Urban Development (HUD). Each year the City must submit an annual "Action Plan" to HUD describing the City's plans for using these funds in the upcoming year. The Housing & Neighborhood Services Director recommended that the Finance Committee review and accept the draft annual Action Plan summary and forward its recommendations to the City Council for consideration. ***(Report - Sherry Morgado, Housing & Neighborhood Services Director)***

Councilmember Flynn's motion to accept the draft annual Action Plan summary and forward it to Council for consideration was seconded by Councilmember Wahl.

***Action: The Committee accepted (3-0) the draft annual Action Plan summary and forwarded it to Council for consideration.***

## **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- C. **Consideration of Deficit Reduction Strategy Implementation.** At its meeting held 12/18/07, the City Council adopted a comprehensive strategy to address the structural imbalance in the General Fund and provide for future needs as recommended by the Finance Committee. At this meeting, the Finance Committee will continue discussion regarding implementation of the Strategy to Balance the Ten Year Financial Plan. *(Report - Dave Burkland, City Manager)*

### **Updated General/Park Funds Ten-Year Financial Plan**

Staff provided an update on the ten year plan, indicating that the \$51 million deficit had been reduced to \$48 million by extrapolating out one more year. The plan reflects the targeted reductions approved by Council in December, which accounts for a \$16 million dollar decrease on the ninth year. Budget cuts, revenue enhancements, salary and benefits assumptions have been updated. Lower cost of living adjustments and hiring freezes show a decrease of approximately \$6.1 million. The PERS rate came in higher than expected showing an increase of \$3.4 million. With zero growth in sales tax the recession was moved to 2007-08 and 2008-09, rather than the middle of the plan as previously indicated which equates to a \$7.2 million dollar increase overall. Final numbers show the deficit is still growing at \$1 million dollars a year. The model does not reflect State takes or deferrals. Staff noted that changes that come about from negotiations with bargaining groups will reflect in the 2008-09 budget.

Frank Zebley, Juanita Sumner and Bob Best addressed the Committee on this item.

### **Community Satisfaction Survey**

Staff indicated that the results of the survey will be discussed at the 3/11/08 Finance Committee meeting, adding that the survey is currently on the City's website, and will be published in Chico Today Newsletter that will be mailed to citizens mid-March.

### **Final Report of the Chico Chamber of Commerce Budget Review Task Force**

The Committee discussed retail development, job growth and ways to develop Chico economically so that it wouldn't have sales tax leakage to surrounding communities. Chair Gruendl requested Martha Wescoat-Andes attend a future meeting to update the Committee on the City's Economic Development efforts.

Jim Goodwin stated the Chamber of Commerce Task Force has been working on a "retail study" and will forward it's recommendations to the Finance Committee in May or June.

In response to the Chamber of Commerce' comment on a five-year financial plan, staff indicated that per budget policy the City is required to have a ten-year financial plan and that in year 2010-11, required to balance that ten-year plan, adding that in the past, annual budgets only helped balance the current years' budget. The benefit of a ten year plan is that it shows the magnitude of a future path.

Chair Gruendl inquired about putting into place budget policies that limit the City's response to short term deficits by eliminating the way the City transfers monies such as gas tax. Staff indicated that the transfers are approved on an annual or biennial budget basis, proposed during the budget process and approved by Council. At this time, the City does not have budget policies in place for these transfers, but the Committee could schedule a future meeting to discuss such policies.

Bob Best, Juanita Sumner and Mark Sorensen addressed the Committee on this item.

### **Budget Watch**

Staff reported that on 2/16/08 the Governor signed a budget relief package. The only item that is a direct impact to the City is the deferral of gas tax funds. The Legislative Analyst released an alternative state budget proposal which includes three elements that directly impact cities: (1) shifting of Proposition 172 funds (Public Safety Augmentation Funds) - City could lose \$162,000 per year; (2) terminating the Citizens Options for Public Safety Program - funds one full-time Police Officer; and (3) delaying state mandated reimbursements for one more year.

- E. **Business From the Floor.** None.
- F. **Adjournment and Next Meeting.** The meeting adjourned at 10:00 a.m. The next meeting is scheduled for March 11, 2008, at 6:00 p.m. in the Council Chambers.

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Lynda Cameron, Administrative Analyst

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



# Finance Committee Report

DATE: April 11, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD MARCH 11, 2008**

<b>Committee present:</b> Chair Gruendl Councilmember Flynn Councilmember Wahl	<b>Staff present:</b> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Finance Director Hennessy	Capital Project Services Director Varga Administrative Services Director Pierce Administrative Analyst Cameron
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## **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- A. **Consideration of Deficit Reduction Strategy Implementation.** At this meeting the Finance Committee continued discussion regarding implementation of the Strategy to Balance the Ten Year Financial Plan which was adopted by the City Council on 12/18/07. Staff reviewed the status of all non-General Fund funds and reported on the Community Satisfaction Survey results to date. (**Report - Dave Burkland, City Manager**)

### **Financial Status of All Funds**

Staff indicated that the City has over 230 separate funds and as of 6/30/07 a total of 12 funds were in a deficit position (excluding the General Fund). Staff noted there was a one-time payment of \$.5 million to Fund 862 and current annual General Fund transfers of \$250,000. The City Manager indicated that at the Finance Committee meeting of 4/08/08 there will be a broad set of data related to Fund 856 such as fees charged for gas and how Chico Airport compares to surrounding airports. Chair Gruendl asked staff to consider how it is charging the backfilling of the Airport Manager position. Staff confirmed that when deficit funds borrow from positive funds, accounts pay interest to others, allowing accounts in a positive fund balance to earn interest at a rate of approximately 4%.

### **Community Assessment Survey**

Staff presented the results of the community assessment survey as conducted by Fairbank, Maslin, Maullin and Associates, noting that graffiti removal and arts programs were a low priority.

Staff indicated they would provide the Council with additional data from the consultant in order to analyze the demographics, along with the results from the website survey, adding there were more extreme answers from the website survey. Chair Gruendl stated there is no doubt this survey will be very useful to help guide the Council in making budget cuts. He added the survey also contained data about drug use and meth labs which the City will share with the County about their level of service.

Stephanie Taber, Juanita Sumner, Mike Reilley, and Bob Best addressed the Committee on this item.

- B. **Business From the Floor.** None.
- C. **Adjournment and Next Meeting.** The meeting adjourned at 7:50 p.m. The next meeting is scheduled for March 26, 2008, at 8:00 a.m. in Conference Room No. 1.

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Lynda Cameron, Administrative Analyst

#### Distribution:

City Council (7); Council Office copy; City Manager; Building & Development Services Director; Finance Director; Admin Services Director



# Finance Committee Report

DATE: April 17, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD MARCH 26, 2008**

<p><u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl</p>	<p><u>Staff present:</u> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Finance Director Hennessy Police Captain Maloney</p>	<p>Housing Specialist Coles Interim Fire Chief Carter Administrative Services Director Pierce Administrative Analyst Cameron</p>
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## **COMMITTEE MATTERS REQUIRING COUNCIL ACTION**

- A. **Acceptance of the Community Organization Compliance Audit Report for FY 2006-07.** The Accounting Manager forwarded the Community Organization Compliance Audit report for Fiscal Year 2006-07 which presented the recommendations of staff based on review of audit findings of Nystrom & Company LLP, Certified Public Accountants, retained by the City to review the organizations' compliance with the provisions of the community organization funding agreements. Copies of the agenda report were provided to all of the Community Organizations along with a notice of this meeting. The Accounting Manager recommended acceptance of staff recommendations and acceptance of the FY 06-07 audits.

Councilmember Wahl's motion to accept staff recommendations and acceptance of the FY 06-07 audits was seconded by Councilmember Flynn.

**Recommendation** – *The Committee recommended (3-0) acceptance of staff recommendations and acceptance of the FY 06-07 audits.*

- B. **Consideration of 2007-08 Update of Development Impact Fees Analysis and Recommendations (Nexus Study).** The Project List (Appendix B in the Nexus Study) was recommended for revision, requiring Committee approval and Council action. The entire project list was updated based on Budget Policy G.3.d. as well as yearly fee adjustments according to published CCI/CPI rates as authorized in the Chico Municipal Code. Police Protection Building and Equipment projects were revised to include a new police facility. Basic Park fees were updated based on increases to Park Development and Parkland Acquisition costs. Sewer-WPCP Capacity projects were updated based on prior Council direction related to the WPCP 12 MGD Expansion project and repayment of its SRF Loan. The Capital Project Services Director recommended approval of the project list and recommended development impact fees. ***(Report - Tom Varga, Capital Project Services Director)***

Staff noted that when the current revision to the Project List is finalized the City will be considering a complete Nexus update. Staff indicated that percentage increases on development impact fees are based on the Chico Municipal Code and, in general, items that are construction related are based on Construction Cost Index (CCI) and other items are based on Consumer Price Index (CPI), adding that in 2006 the CCI was 8%.

Bob Best addressed the Committee in opposition to this item, adding he had a list of questions he would present to staff.

Councilmember Flynn's motion to approve the project list and recommended development impact fees was seconded by Chair Gruendl.

**Recommendation** – *The Committee approved (2-1, Wahl voting no) the project list and the recommended development impact fees (Nexus Study).*

- C. **Assignment of New Auditing Firm.** Pursuant to Section 1109 of the City's Charter, the City Council shall engage the services of an independent certified public accountant to act as auditor for the City. Finance staff has conducted a request for proposals, to which three accounting firms responded. Based on the firm's experience and positive references, Finance staff is recommending Richardson & Company. The Finance Director recommended the Finance Committee approve the selection of Richardson & Company to perform the audits of the City of Chico, the Chico Redevelopment Agency, the Chico Public Financing Authority and the Chico Urban Area Joint Powers Financing Authority for a term of three years, with an option to extend for an additional two years. ***(Report - Jennifer Hennessy, Finance Director)***

Staff indicated that 23 requests for proposals were sent out, three companies responded, adding that the audit costs would be reflected in the upcoming budget and would be a 14% increase over prior auditors.

Councilmember Wahl's motion to approve the selection of Richardson & Company to perform the audits of the City of Chico, the Chico Redevelopment Agency, the Chico Public Financing Authority and the Chico Urban Area Joint Powers Financing Authority for a term of three years, with an option to extend for an additional two years was seconded by Councilmember Flynn.

***Recommendation – The Committee approved (3-0) the selection of Richardson & Company to perform the audits of the City of Chico, the Chico Redevelopment Agency, the Chico Public Financing Authority and the Chico Urban Area Joint Powers Financing Authority for a term of three years, with an option to extend for an additional two years.***

#### **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- D. **Approval of Loan Application for Use of Home Funds Housing Rehab Program - Pearl Garroutte - 1519 B Street.** Requests for Housing Rehabilitation Program loans in excess of \$30,000 require Finance Committee review and approval. This request was from a homeowner at 1519 B Street for housing repairs consistent with the Administrative Procedure and Policy (AP&P) for Housing Rehabilitation Program loans. The Housing and Neighborhood Services Director recommended approval of a deferred payment loan of \$38,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity.

Councilmember Wahl's motion to approve a deferred payment loan of \$38,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity was seconded by Councilmember Flynn.

***Action – The Committee approved (3-0) a deferred payment loan of \$38,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity.***

- E. **Approval of Loan Application for Use of Home Funds Housing Rehab Program - Gary Jones - 387 East 1st Avenue.** Requests for Housing Rehabilitation Program loans in excess of \$30,000 require Finance Committee review and approval. This request was from a homeowner at 387 East 1st Avenue for housing repairs consistent with the AP&P for Housing Rehabilitation Program loans. The Housing and Neighborhood Services Director recommended approval of a deferred payment loan of \$58,400 at 3% simple interest and a grant for lead-safe practices in the amount of \$5,100 from the City's HOME Program Housing Rehabilitation Activity.

Councilmember Wahl's motion to approve a deferred payment loan of \$58,400 at 3% simple interest and a grant for lead-safe practices in the amount of \$5,100 from the City's HOME Program Housing Rehabilitation Activity was seconded by Councilmember Flynn.

***Action – The Committee approved (3-0) a deferred payment loan of \$58,400 at 3% simple interest and a grant for lead-safe practices in the amount of \$5,100 from the City's HOME Program Housing Rehabilitation Activity.***

- F. **Request from Mortgage Subsidy Program (MSP) Applicant to Retain Assets in Excess of \$10,000.** An applicant to the MSP requested an allowance to retain \$38,000 in assets after the close of escrow. The maximum asset retention under AP&P 27-10 is \$10,000. The Housing and Neighborhood Services Director recommended approval of request to retain money market investment account of \$38,000, less the required borrower downpayment of \$5,000.

Councilmember Flynn's motion to approve the request to allow the applicant to retain her money market investment account of \$38,000, less the required borrower downpayment of \$5,000 was seconded by Councilmember Wahl.

***Action – The Committee approved (3-0) the request to allow the applicant to retain her money market investment account of \$38,000, less the required borrower downpayment of \$5,000.***

- G. **Request from Mission Hills Mortgage to Exceed the Allowed Housing Expense Ratio Under the Guidelines of the Mortgage Subsidy Program.** A loan officer from Mission Hills Mortgage submitted a written request to allow a borrower to exceed the City's housing expense ratio guidelines for the City's Mortgage Subsidy Program. The request indicated that the home being purchased has a solar energy system which reduces the energy costs of this home substantially, which will allow more of the family's income to be directed towards the mortgage payment. The loan in question is an adjustable-rate loan (a 3-year buy-down of the interest rate), and the housing expense ratio would exceed 35%. The Housing and Neighborhood Services Director recommended approval of this particular request with the limitation that the total housing expense ratio (principal, interest, taxes and homeowner's insurance) not exceed 38%. In the near future, staff will bring back a recommendation to modify the City's AP&P to allow a higher housing expense ratio when the home has an alternative energy system. ***(Report - Sherry Morgado, Housing and Neighborhood Services Director)***

Staff noted that the energy savings is a projection based on experience and would be a consistent savings. The adjustable rate aspect of the loan is a three year buy down, then becomes a fixed rate loan, adding the lender considers these buy downs as fixed rate loans.

Doug Starr of Coastal View Construction addressed the Committee in support of this item.

Councilmember Flynn's motion to approve the request to exceed the allowed housing expense ratio was seconded by Councilmember Wahl.

***Recommendation – The Committee recommended (3-0) approval of the request to exceed the City's allowed housing expense ratio.***

- H. **Consideration of Deficit Reduction Strategy Implementation.** At this meeting the Finance Committee continued discussion regarding implementation of the Strategy to Balance the Ten Year Financial Plan which was adopted by the City Council on 12/18/07. Staff provided an overview of the City's cash position (cash flow), reported on initial meetings with all employee groups, and presented the first quarterly report on expenditure reduction and revenue enhancement measures. ***(Report - Dave Burkland, City Manager)***

#### Cash Flow

Staff explained that cash flow can be used as an indication of financial strength. The City's main focus has been on budget projections and deficit, but when the City's cash flow dipped in December 2006 it became apparent that this needs to be monitored closely. The City is not in a crisis mode as yet, but if the deficit and the imbalance are not corrected, it could lead to the City becoming insolvent.

Rich Drouillard addressed the Committee on this item. Bob Best stated that development impact fees are being used to reduce the debt. Finance Director Hennessy indicated she will research those fees and report back to Mr. Best.

#### Union Talks

The City Manager indicated that he held a series of meetings with all bargaining groups and is looking for solutions and ideas to the City's budget deficit and also trying to get to wage and benefit concessions. Groups have discussed reductions in cost of living adjustments and health insurance contributions. Bargaining groups were provided with a schedule of the budget meetings and the City Manager report showing how the City plans on implementing changes over time, reducing staff by attrition over a two-year period without indication of lay-offs. Chair Gruendl noted that if the reductions the City seeks are not achieved, the Council may have to reduce staffing in order to deal with the budget deficit.

On a parallel track, the City Manager has directed all Department Heads to provide a 12% cut to service impacts.

Bob Best addressed the Committee on this item.

#### Quarterly Deficit Reduction Tracking Report

Staff provided a status update on items to be ready for approval by Council at the June budget meeting (2008-09 budget). Chair Gruendl requested an additional column added to the report showing the items completed, pending, and in progress. He added that Items 9 (two-tiered retirement system) and 10 (pension obligation bonds) may be removed from the list due to legislation or financial infeasibility. Staff noted that future reports will include the cost savings.

Bob Best addressed the Committee on this item.

Budget Watch

Staff updated the Committee on the following two items which are currently being reviewed by Assembly Subcommittee No. 4: (1) targeted cuts to the Community Oriented Policing Services (COPS) which currently funds one police officer for the City and; (2) the shifting of all City Public Safety Augmentation Funds to a new special County fund to partially pay for a realignment of parole programs from the state to counties. Shifting these funds from the City would reduce General Fund revenues by approximately \$162,000. Staff added that heavy opposition to these proposals was voiced by local governments.

Rich Drouillard addressed the Committee on this item.

- I. **Business From the Floor.** None.
- J. **Adjournment and Next Meeting.** The meeting adjourned at 9:55 a.m. The next meeting is scheduled for April 8, 2008, at 8:00 a.m. in the Council Chamber.

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Lynda Cameron, Administrative Analyst

Distribution:

City Council (7)  
Council Office copy - with attachments  
City Manager  
Building & Development Services Director  
Capital Project Services Director  
Housing & Neighborhood Services Director  
Finance Director  
Admin Services Director



# Finance Committee Report

DATE: April 23, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 8, 2008**

<u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl	<u>Staff present:</u> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Finance Director Hennessy Building & Dev. Serv. Dir. McKinley Economic Dev/Red. Mgr. Wescoat-Andes	Chief of Police Hagerty Interim Fire Chief Carter Capital Project Services Director Varga Administrative Services Director Pierce Administrative Analyst Cameron
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## **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- A. **Consideration of Deficit Reduction Strategy Implementation.** At this meeting the Finance Committee continued discussion regarding implementation of the Strategy to Balance the Ten Year Financial Plan which was adopted by the City Council on 12/18/07. Staff provided a recap of Finance Committee discussions over the past year, introduced recommendations to balance all funds, provided an update on implementation of the City's Economic Development Strategy, and presented verbal reports on discussions with Butte County staff on tax sharing agreements and on State budget activities. **(Report - Dave Burkland, City Manager)**

City Manager Burkland gave the Committee a brief overview of the subjects that would be covered at this meeting: review of current budget problem; review of funds; service impacts as presented by department heads; discussion on tax sharing agreements with Butte County; Economic Development Strategy update; and State Budget Watch.

Staff presented a power point presentation of recommended solutions to the budget deficit. The following excerpts address specific areas of concern or interest to the Committee:

### Fund 352

The suggested correction to balance this fund is to: (1) shift \$17.6M of Capital to the 2005 Bonds Fund; (2) phase remaining projects over the 10-year plan; and (3) secure additional bonding capacity in FY09-10 to fund future projects. Staff indicated that three current capital projects will be delayed: (1) public infrastructure improvements; (2) CANA improvements; and (3) Fire Station No. 7. The list of projects that are shifting to Fund 357 will be part of the proposed budget meeting and reviewed at that time. By shifting these projects, the bond money is invested in a different bank and is saving the City's cash flow.

Bob Best addressed the Committee on this item.

### Fund 862

In addressing the cash flow, staff indicated the Development Impact Fee percentage split of 59% from new development and 41% from annexation was agreed upon by the Finance Committee and Council when the first Nexus Update was approved, adding this formula should be re-evaluated with the General Plan update.

### Fund 001

In response to the current number of 22 vacancies as compared to last month's 28 vacancies and a hiring freeze, staff indicated that the positions filled were: City Manager; Account Clerk; 2 Police Officers and a Senior Industrial Waste Technician. Chair Gruendl stated it would be helpful to have the vacancies by department and/or category, adding if the Committee could look at where the vacancies are today, it would be easier to see how the budget can be balanced by attrition. Councilmember Wahl asked to have the issue of hourly and annuitant employees addressed at the next meeting; how many of these types of employees is the City utilizing, how much do we spend annually, and is the need justified.

### Police Department

Police Chief Hagerty stated that there is no way to reduce his budget by \$1.6 million without reducing positions, adding he has identified 14.5 positions to cut. Understanding the demand for the service does not lessen, the Chief believes his department can still supply a reasonable degree of service.

The City Manager indicated he had summarized the departments full proposals in order to provide the Committee with a recap from each department. The Committee requested the full proposals from each department be brought back at the April 22<sup>nd</sup> meeting.

### Building and Development Services (BDSB), Capital Project Services (CPS)

Staff indicated that the \$170,000 reduction in their budget would be attained by reducing positions through attrition, adding engineering functions will be backfilled in CPS with engineers from BDSB. With the amount of bond projects in the near future staff anticipates hiring consultants to complete some of that work.

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The Committee recessed at 9:35 a.m. for a 15 minute break.  
The meeting reconvened and all members were present.

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Rich Drullard, Frank Zebley, Bob Best, Rory Rottschalk, Bill Hack, Stephanie Taber, and Mike Jensen addressed the Committee on this item.

### Discussion on Tax Sharing Agreements with Butte County

Staff indicated that the County is presently working on a fiscal analysis of incorporated and unincorporated properties in conjunction with their General Plan update and would like to have that completed before they continue discussion with the City on any of the tax sharing agreements. Staff noted that there is a budget request in 2008-09 for a full audit on the collection of utility tax for newly annexed property. Chair Gruendl asked that duplication of services be looked at in conjunction with annexation. Planning Services Director Peterson stated that fiscal considerations are a part of the General Plan and growth alternatives, and will come before the Council in August, with the fiscal analysis being completed in late December. He added that the County General Plan should cover the same areas.

### Economic Development Strategy Update

Staff confirmed a report on the sales tax leakage study is being conducted as part of the General Plan update and would be provided to the Committee as soon as it is completed. Chair Gruendl cautioned that some of the RDA projects that are scheduled to be delayed may be critical to the public infrastructure and therefore critical to the economic development strategy. Staff indicated that an entire list of projects which will still be funded in the bond increment of Fund 352 will be provided to the Committee.

Rory Rottschalk and Rich Drouillard addressed the Committee in support of this item.

### State Budget Watch

Staff indicated that the Governor's May revision of his January budget proposal for the coming year is scheduled to be released mid-May.

Staff clarified that the following items would be brought back to the Finance Committee at its meeting of April 22, 2008: (1) a current list of vacancies with detail by bargaining unit and department; (2) comments on the process which lead to the "Guiding Principles For Budget Development"; (3) further detail on the workout plans of each department; (4) relationship between a service reduction in the Fire Department and insurance costs (ISO rating); (5) a list of hourly annuitants by department and the cost of those annuitants; (6) further detail on the RDA workout plan; and (7) a list of all the projects in Fund 352 and the ones scheduled for delay or change.

- B. **Business From the Floor.** None.
- C. **Adjournment and Next Meeting.** The meeting adjourned at 11:35 a.m. The next meeting regarding community organization funding is set for Wednesday, 4/09/08, at 3:30 p.m. in the Council Chamber. The next regular Finance Committee meeting is set for Tuesday, 4/22/08, at 8:00 a.m. in Conf. Room No. 1.

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Lynda Cameron, Administrative Analyst

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City Council (7); Council Office copy; City Manager; Interim Asst. City Manager; Building & Development Services Director;



## Finance Committee Report

DATE: April 23, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 9, 2008**

<b>Committee present:</b> Councilmember Wahl Councilmember Flynn Councilmember Nickell	<b>Staff present:</b> City Manager Burkland Interim Assistant City Manager Beardsley	Management Analyst Carroll Administrative Analyst Cameron
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### **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- A. **Review of Applications for 2008-09 Community Organization Funding - General/CDBG and Economic Development & Tourism Applicants** The purpose of this meeting was to consider the applications for the Fiscal Year 2008-09 Community Organization Funding Program in the General/CDBG and Economic Development and Tourism categories. The Finance Committee determined the format of the meeting, which included brief presentations by the applicants. Applicants limited their comments to 2-3 minutes.

The Finance Committee was provided with an agenda report from the City Manager and Management Analyst Carroll which included the following:

- A. Summary of Funds Available
- B. Revised Applicant Request Worksheet which presented the requests of the organizations in both the General/CDBG category and the Economic Development and Tourism category.
- C. Additional Information from Applicants:
  - A. Chico Creek Nature Center
  - B. Butte County Economic Development Corporation
  - C. Chico Chamber of Commerce
  - D. Chico Economic Development Corporation
  - E. Hispanic Chamber of Commerce
  - F. Tri-County Economic Development Corporation
  - G. University Public Events
  - H. Upstate Community Enhancement Foundation

The Committee was provided with additional information from Marc Nemanic, Tri County Economic Development Corporation amending his organization's request from \$122,000 to \$22,000 and a revised worksheet reflecting the reduction.

City Manager Burkland informed the Committee that his recommendations will target his recommended expenditure levels for the categories to address the budget deficit.

*The following applicants in the General/CDBG Category addressed the Committee:*

ARC - Michael McGinnis  
Caminar - Nicole Bateman  
Catalyst - Anastacia Snyder  
Catholic Ladies Relief Society - Mary Jane Fabish  
Chico Cat Coalition - Frank Holtz  
Chico Community Childrens Center - Sue McGuire  
Chico Creek Nature Center - Tom Haithcock  
Chico Science Fair Foundation - Roger Lederer  
Community Collaborative for Youth - Karen Abel

Do It Leisure - Ken Steidley  
Independent Living Services - Evan LeVang  
Innovative Health Care Services - Diane Cooper-Puckett  
Innovative Preschool - Valerie Naslund  
Legal Services of Northern California - Barbara Segal  
Passages Adult Resources Center - Carol Childers  
Rape Crisis Intervention - Rocky Cruz  
Skyway House - April Bachus  
Stairways Recovery - Mike Little - Mr. Little informed the Committee that he will be sending a letter amending his request from \$9,395 to \$5,000.  
Sunshine Kids Club - Bob Jurine  
VECTORS - Cami Pope

*The following applicants in the Economic Development/Tourism Category addressed the Committee:*

CARD - Ann Willman  
Far West Heritage - Natalie Birk  
University Public Events - Dan DeWayne  
Upstate Community Enhancement Foundation - Debra Lucero  
Butte County Overall Economic Development Co. - Bob Linscheid  
Chico Chamber of Commerce - Alice Patterson and Jim Goodwin  
Chico Economic Planning Corporation - Bob Linscheid  
Downtown Chico Business Association - Katrina Davis-Woodcox

*The following applicants were not present to address the Committee:*

Chico Area Council on Aging  
Chico Community Shelter Partnership  
Community Action Agency  
Community Legal Information Center  
Natural History Museum  
Hispanic Chamber of Commerce  
Tri-County Economic Development Corporation

- B. **Business From the Floor.** None.
- C. **Adjournment and Next Meeting.** The meeting adjourned at 4:40 p.m. The Finance Committee will meet on Thursday April 24, 2008, at 3:30 p.m. in the Council Chamber to make their recommendations for community organization funding. The next regular Finance Committee meeting is scheduled for Tuesday, April 22, 2008 at 8:00 a.m. in the Council Chambers.

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Lynda Cameron, Administrative Analyst

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MA Carroll (D-27-3)



# Finance Committee Report

DATE: April 28, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 22, 2008**

<p><b>Committee present:</b>  Chair Gruendl  Councilmember Flynn  Councilmember Wahl</p>	<p><b>Staff present:</b>  City Manager Burkland  Interim Assistant City Manager Beardsley  City Attorney Barker  Finance Director Hennessy  Building &amp; Dev. Serv. Dir. McKinley</p>	<p>Chief of Police Hagerty  Interim Fire Chief Hagerty  Capital Project Services Director Varga  Administrative Services Director Pierce  Administrative Analyst Cameron</p>
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## **COMMITTEE MATTERS REQUIRING COUNCIL ACTION**

- A. **Consideration of Deficit Reduction Strategy Implementation.** At this meeting the Finance Committee continued discussion of the City Manager's recommended solutions to balance various non-General funds and to solve the General Fund structural deficit as introduced at the Committee's 04/08/08 meeting. **(Report - Dave Burkland, City Manager)**

### Police Department

Police Chief Hagerty informed the Committee that in order to reach the 7.5% requested budget reduction, he would need to cut \$1.6 million from his department budget, adding the only part of his budget that is discretionary is salary and benefits as training is mandated, fuel costs are uncontrollable, and safety equipment is necessary. The Chief's plan is to cut 14.5 positions over time, through attrition, which would still leave police officer presence on each of the specialty teams.

Police Captain Maloney indicated there are no clear standards for staffing ratios in the police field. The FBI annual uniform crime report in general, shows geographic region, so as comparison, Chico is equated to cities in the Western United States that serve the same population. Chair Gruendl stated it would be helpful if the Committee knew what the comparable cities were, what their budgets were for law enforcement and if the demographics were similar. Captain Maloney said he would get that information to the Committee. Captain Rucker noted that with the current 7.5% cuts over two years the department will be at .99 officers per 1,000 population, adding that a previous Council action adopted a 1.3 officers per 1,000 population ratio.

In response to a question asked about shifting police department duties to other departments, Captain Rucker indicated that he would research that issue. It was noted that approximately 40,000 calls come into the dispatch center annually and it may be possible to conduct an ad campaign to educate the public about what calls are suitable for dispatch in order to lessen the call volume.

Bob Best and Rich Drouillard addressed the Committee on this item.

### Fire Department

Interim Fire Chief Carter noted that a 7.5% reduction for the Fire Department equates to \$1 million. He explained that Chico Fire has six stations each with a three person engine company, with Station 1 and Station 5 also having a two person ladder (or truck) company, adding that all firefighters perform both truck and engine duties. He proposes to down-staff Truck 5 and use those two personnel to backfill for overtime incurred from sick and vacation. This would be a savings of \$800,000, the remaining \$200,000 would come from the reduction in department authorized vacation.

### Update on Insurance Services Office (ISO) Rating

Staff indicated that the City currently has an ISO 2 rating and dropping Truck 5 would definitely reduce the City's rating to a Class 3. ISO has informed the City that they rate cities every ten years then give their ratings to the insurance companies. It appears to be unclear what the insurance companies do with that information.

Chuck Fry and John Kelso addressed the Committee in opposition to this item.

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The Committee recessed at 9:40 a.m. for a 10 minute break.  
The meeting reconvened and all members were present.

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#### General Services Department

In response to a question about linking City garage services with other agencies, Operations and Maintenance Director Martinez indicated that he has had conversations with the Highway Patrol and the Sheriff's Office and the City is looking at offering our services to them.

Rich Drouillard addressed the Committee on this item.

#### Recommendations

##### **Capital Project and Development Funds**

City Manager Burkland stated that staff will review the project list with the Council at its meeting of 6/03/08.

Councilmember Flynn's motion to shift \$17.6 million in capital projects to the 2005 Tax Allocation Bond Fund and phase the remaining projects over the ten year plan was seconded by Chair Gruendl. The motion passed 2-1 with Councilmember Wahl voting no.

##### **Private Development Fund**

Chair Gruendl stated he would like to discuss changing the budget policy for reserve funds, at least on a temporary basis, and that it may be possible to use the reserves rather than the General Fund to reduce the Private Development Fund. Staff indicated this could be discussed by the Council at its meeting of 5/20/08.

Chair Gruendl's motion to increase transfers from the General Fund to \$500,000 per year from FY 08-09 thru FY 15-06 to absorb the existing deficit and reduce operating costs by 7.5% was seconded by Councilmember Flynn. The motion passed 3-0.

##### **Development Impact Fee Funds**

Chair Gruendl made a motion to recommend the Council review the assumptions for the Development Impact Fee Analysis (Nexus Study). Councilmember Flynn seconded the motion. The motion passed 3-0.

##### **General Fund**

Chair Gruendl asked staff to provide the following information: (1) what the options would be if the Police and Fire Departments did not reduce their budgets by 7.5% but by half of that (3.75%) for the Police Department and by a third of that (5%) for the Fire Department, how much would the other departments need to reduce to make up the difference and how much can be gained if other departments reduced by 10% or 12%; (2) in considering the COLA's, instead of 1% in 2009 and 2010, what would 0% in 2009 and 1% in 2010 or 1% for three years offer the City in reductions; and (3) look at the fund balances, both the emergency reserve and the regular fund balance to the extent that the City can lower those balances to reduce the amount of reduction that it is asking of the Police and Fire Departments. The Committee agreed to direct staff to provide the information at its next meeting.

**2.A. (1) Limit cost of living adjustments (COLA) for all employees to 1% for January 1, 2009 and January 1, 2010. This recommendation requires negotiations with all employee groups and would result in a savings of \$2.3 million per year.**

Councilmember Flynn made a motion to limit the COLA for all employees and enter into renewed negotiations regarding COLA's. Chair Gruendl seconded the motion. The motion passed 2-1 with Councilmember Wahl voting no. Councilmember Wahl asked that staff provide the Committee with information on how it got to a \$2.3 million annual saving by reducing the COLA's by 1%. He suggested a table showing all bargaining groups with their current agreements and the costs associated with the savings. The Committee agreed this would be useful information.

**2.A. (2) Apply a 7.5% "across the board" reduction to Departmental Operating budgets to achieve a \$4.6 million reduction of which \$3.8 million would be from the General Fund.**

Councilmember Wahl made a motion to move the 7.5% “across the board” cuts forward without a recommendation so that the full Council could consider it. Councilmember Flynn seconded the motion. The motion passed 3-0.

- 2.B. (1) Reduce transfers from Transportation Development Act for road maintenance; (2) maintain Gas Tax transfers to fund approximately 50% of road system maintenance; (3) negate existing Private Development Fund deficit through fund transfers over an eight-year period; (4) meet General Fund desired reserve by year five of the Ten-Year Plan; and (5) continue partial funding for replacement of Fleet, Facilities and Technology.**

Chair Gruendl stated he would like further discussion on the General Fund Desired Reserve at a future meeting.

Councilmember Wahl’s motion to move this item forward to the Council with no recommendation was seconded by Councilmember Flynn. The motion passed 3-0.

- 3. Recommended amendment to the Fiscal Control Policies of the Budget Policies.**

Chair Gruendl indicated that he will be specifically addressing Items B (a budget facing permanent revenue reductions must be sustainable into the future, not balanced with one-time fixes) and I (services and programs that serve a limited number of participants should be the focus of reductions, or taken over by a private vendor or non-profit organization) to the guiding principles when this item is discussed at the Council meeting of 6/03/08.

Rich Drouillard and Bob Best addressed the Committee on this item.

- B. **Business From the Floor.** None.
- C. **Adjournment and Next Meeting.** The meeting adjourned at 11:05 a.m. The next meeting is scheduled for May 7, 2008, at 8:00 a.m. in the Council Chambers.

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Lynda Cameron, Administrative Analyst

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# Finance Committee Report

DATE: May 6, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD APRIL 24, 2008**

<u>Committee present:</u> Acting Chair Wahl Councilmember Flynn Councilmember Nickell	<u>Staff present:</u> City Manager Burkland Management Analyst Carroll Economic Development Manager Wescoat-Andes	Administrative Analyst Cameron
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## **COMMITTEE MATTERS REQUIRING COUNCIL ACTION**

A. **Community Organization Funding Request Recommendations.** The Committee formulated recommendations to the City Council for funding community organizations in the General/CDBG and Economic Development/Tourism categories for the 2008-09 Fiscal Year. The Committee was provided with the following:

- A. Agenda report from the City Manager and Management Analyst which set forth the City Manager's recommendations.
- B. Exhibit "A" to the report - Finance Committee worksheet
- C. Exhibit "B" to the report - Specific funding recommendation detail for the Economic Development/Tourism requests.

The Committee was also provided with: (1) an email from Mike Little, Stairways Recovery, confirming his statement to the Committee at its 4/09/08 meeting that his request was being reduced from \$60,000 to \$5,000; and (2) an e-mail from Chico Science Fair indicating withdrawal of their application.

Staff indicated that the City Manager's recommended funding in the General/CDBG category was generally at the current levels, less 7.5%, with a few exceptions where staff recommended full funding because the organization provided essential services.

*The following applicants addressed the Committee at this meeting as they were not present at the 4/09/08 meeting:*

- Torres Shelter - Tom Perdue
- Community Legal Information Center - Michael Murray
- Community Action Agency - Gloria Rogers

Debra Lucero and Tom Haithcock addressed the Committee in opposition to the level of funding for their organization.

The Committee voted 3-0 to accept the City Manager's recommendation as listed on Exhibit "A" for all community organizations in the General/CDBG and Economic Development/Tourism categories for the 2008-09 Fiscal Year **except** for those noted below:

Councilmember Nickell's motion to fully fund the **Chico Creek Nature Center at \$61,293** was seconded by Councilmember Flynn. The motion passed 2-1 with Acting Chair Wahl voting no.

Dan DeWayne addressed the Committee regarding the University Public Events production - The World Music Festival, stating the estimated attendance is 3,000 people per day, adding that it takes \$40,000 to fund the event with Chico State being the largest sponsor. He stated that even though it is a free event, there are no hotel rooms available that weekend in Chico, indicating a large showing of out of town attendees.

Acting Chair Wahl made a motion to reduce the University Public Events funding by \$10,000 and increase funding to the Upstate Community Enhancement Foundation by that amount, leaving a balance of **\$10,000 to the University Public Events** for the field trip series and a total funding of **\$15,000 to the Upstate Community Enhancement Foundation**.

Councilmember Nickell made a motion to fund the Upstate Community Enhancement Foundation at \$25,000. The motion failed due to a lack of second.

Councilmember Flynn seconded Acting Chair Wahl's motion. The motion passed 2-1 with Nickell voting no.

Dan DeWayne addressed the Committee in opposition to this item.

Councilmember Nickell's motion to reduce the **Chamber of Commerce** funding from \$90,000 to **\$80,000** (eliminating the purchase of hardware for two visitor kiosks) and increase funding to the Upstate Community Enhancement Foundation by \$10,000 making the total funding to **Upstate Community Enhancement Foundation at \$25,000** was seconded by Councilmember Flynn. The motion passed 2-1 with Acting Chair Wahl voting no.

Alice Patterson addressed the Committee in opposition to this item.

Councilmember Flynn made a motion to fund the Downtown Chico Business Association at the City Manager recommended level.

Councilmember Nickell requested a friendly amendment to fully fund the **Downtown Chico Business Association at \$46,500**. The amendment was accepted and the motion passed 2-1 with Wahl voting no.

Management Analyst Carroll asked the Committee for staff authority to address the specific changes to the recommendations. The Committee agreed to give staff authority to the changes to the recommended amounts in funding.

Councilmember Flynn stated for the record that she sits on the board of the Tri County Economic Development Corporation and that she would be abstaining from that vote. Staff noted that there was no funding recommended for the Tri County Economic Development Corporation.

- B. **Business From the Floor.** None.
- C. **Adjournment and Next Meeting.** The meeting adjourned at 4:35 p.m. The next meeting is scheduled for May 7, 2008, at 8:00 a.m. in the Council Chambers.

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Lynda Cameron, Administrative Analyst

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# Finance Committee Report

DATE: May 23, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD MAY 7, 2008**

<u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl	<u>Staff present:</u> City Manager Burkland Interim Assistant City Manager Beardsley Finance Director Hennessy Chief of Police Hagerty	Police Captain Maloney Police Captain Rucker Administrative Services Director Pierce Administrative Analyst Cameron
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## COMMITTEE MATTERS REQUIRING COUNCIL ACTION

- A. **Consideration of Deficit Reduction Strategy Implementation.** At its meeting held 04/22/08, the Finance Committee continued its review of the City Manager's recommendations to balance various non-General funds and to solve the General Fund structural deficit and took action on the City Manager's recommendations. At this meeting, the Committee reviewed additional information requested at the 4/22/08 meeting. **(Report - Dave Burkland, City Manager)**

The following information was provided to the Committee as requested at its meeting of 4/22/08:

### General Fund Reserves

Finance Director Hennessy indicated that City Budget Policies establish the General Fund Reserves. The Desired Reserve is equal to 7.5% of the General and Park Operating expenditures and the Emergency Reserve is a separate fund that is considered fully funded when it reaches a total equal to 20% of the General and Park Fund Operating Expenditures. The funding of the Emergency Reserve comes from the excess Fund Balance in the General Fund, after meeting the 7.5% Desired Reserve amount. Staff added that the Emergency Reserve currently has a balance of \$5.5 million and at the end of FY 06-07 the General Fund had a reserve of \$5.1 million.

### Budget Reduction Alternatives

Staff indicated that alternatives 2, 3 and 4 (see below) would not be the best choice for the City if there were to be another economic downturn, adding that if the City does not address the Private Development Fund, the deficit would continue to grow.

**Alternative #1** - City Manager recommendation - reductions - 7.5% for all departments; COLA 1% in '09 & '10; Private Development Fund Transfer - \$500k/yr for 8 yrs.

**Alternative #2** - reductions - 2.5% Fire; 3.8% Police; 14.5% all other departments; COLA 1% in '09 & '10; Private Development Fund Transfer - \$500k/yr for 8 yrs.

**Alternative #3** - reductions - 2.5% Fire; 3.8% Police; 10.5% all other departments; COLA 0% in '09 1% in '10; Private Development Fund Transfer - eliminated.

**Alternative #4** - reductions - 2.5% Fire; 3.8% Police; 8.5% all other departments; COLA 1% in '09, '10, '11; Private Development Fund Transfer - eliminated.

Staff noted that in looking at all of the alternatives, the City Manager recommendation is the best fit for the City overall.

### COLA Reduction Cost Savings

Staff noted that each 1% of COLA reduction would generate approximately \$350,000 in savings with a total savings realized over the next two years of \$2.3 million. A cumulative savings over the next ten year period (FY 08-09 through FY 17-18) would be \$27.1 million.

### Police Department Operating Budgets from Comparable Cities

Captain Maloney indicated that comparison cities were within +/- 5% of the population of Chico. Chief Hagerty noted that the comparison tables don't capture the amount of calls for service from citizens who are non-residents, as all of the figures are based on service population. He added that Chico has many unique aspects, a University, a Community College and an urban population that make Chico different in comparison to other cities in the tables. Added into the mix are the California State University Police Department and the Butte College Police Department, who each have very specific responsibilities and focused missions on campus. Chico Police Department is the first responder to incidents that happen at either campus and there is no financial compensation from either agency.

### Police Department Duties

Staff indicated that after an informal survey at the Police Department it was determined that the department had already accomplished their goal of shifting work to volunteers and interns. The Department did identify one situation that could possibly qualify for a shift of duties; the Fire Department assisting with gathering citizen information at vehicle collisions. Chair Gruendl stated that the suggestion was a good idea.

Chair Gruendl indicated that he would like to preserve the swing shift on Thursday, Friday and Saturday. Traffic enforcement was a low priority on the public opinion survey whereas police protection in downtown and the neighborhoods was a high priority. Police Captain Maloney indicated that the monetary value of swing shift (9 personnel) is approximately \$900,000, adding that the difference between a 7.5% and a 3.75% budget reduction is \$800,000. The department proposal for the lesser budget reduction is to cut two CSO positions, four police officer positions and the half-time public information officer position.

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The Committee recessed at 9:00 a.m. for a 15 minute break.  
The meeting reconvened and all members were present.

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Bob Best, Stephanie Taber, Russ Weaver and Rory Rottschalk addressed the Committee on this item. Kirby White provided a letter to the Committee indicating the Management and Confidentials Bargaining Group support the City Managers' recommendation.

Chair Gruendl inquired about creating a back-up plan that may include lay-offs if the City does not reach agreement with the employee bargaining groups on the COLA's, advocating a plan be developed concurrently so that the City will be prepared to take action if needed. The City Manager indicated that he will be prepared to discuss a back-up plan on 5/20/08 when the Finance Committee recommendations go to Council.

Chair Gruendl made a motion that the Committee recommend that the City Manager find a way to reduce the impact on the Police and Fire Departments in the budget deficit reduction strategy. Councilmember Wahl requested a friendly amendment to bring additional deficit reduction alternatives for consideration to the Council meeting of 5/20/08. The amendment was accepted. The motion passed 3-0. Councilmember Flynn requested an additional matrix with different assumptions for consideration.

Chair Gruendl stated that the Committee is asking the City Manager and Department Heads to determine a comprehensive solution to the deficit reduction that is inclusive of some level of the Police and Fire Departments. Staff noted that due to the timing of this item going forward to the Council on 5/20/08, these budget reductions will not be able to be factored into the budget and will be a supplemental to the budget.

The following recommendations were made by the Committee at its meeting of 4/22/08:

1. ***Capital Project and Development Funds***

A. Merged Redevelopment Fund

Shift \$17.6 million in capital projects to the 2005 Tax Allocation Bond Fund and phase the remaining projects over the ten year plan. ***Recommended 2-1, with Councilmember Wahl voting no.***

**B. Private Development Fund**

Increase transfers from the General Fund to \$500,000 per year from FY 08-09 thru FY 15-06 to absorb the existing deficit and reduce operating costs by 7.5%. **Recommended 3-0.**

**C. Development Impact Fee Funds**

Update the Development Impact Fee Analysis (Nexus Study) to include all future projects to mitigate development-related impacts identified in the updated General Plan; re-evaluate the 59/41 percentage split applied to three of the development impact fee funds; and phase construction of projects to better align the construction schedule with available cash. **Recommended 3-0 that Council review the assumptions.**

**General Fund Expenditure Reduction Recommendations**

- 2.A. (1) Limit cost of living adjustments (COLA) for all employees to 1% for January 1, 2009 and January 1, 2010. **Recommended 2-1, with Councilmember Wahl voting no.**
- 2.A. (2) Apply a 7.5% "across the board" reduction to Departmental Operating budgets to achieve a \$4.6 million reduction of which \$3.8 million would be from the General Fund. **Voted 3-0 to forward to Council without a recommendation.**

**Additional Actions**

- 2.B. (1) Reduce transfers from Transportation Development Act for road maintenance; (2) maintain Gas Tax transfers to fund approximately 50% of road system maintenance; (3) negate existing Private Development Fund deficit through fund transfers over an eight-year period; (4) meet General Fund desired reserve by year five of the Ten-Year Plan; and (5) continue partial funding for replacement of Fleet, Facilities and Technology. **Voted 3-0 to forward to Council without a recommendation.**
3. Recommended amendment to the Fiscal Control Policies of the Budget Policies. **No action.**

**B. Business From the Floor. None.**

- C. **Adjournment and Next Meeting.** The meeting adjourned at 10:10 a.m. The next meeting is scheduled for May 27, 2008, at 8:00 a.m. in Conference Room No. 1.

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Lynda Cameron, Administrative Analyst

**Distribution:**

City Council (7); Council Office copy; City Manager; Building & Development Services Director; Finance Director; Admin Services Director; Chief of Police; Interim Fire Chief



# Finance Committee Report

DATE: June 9, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD MAY 27, 2008**

<u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl	<u>Staff present:</u> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Finance Director Hennessy	Housing & Neighborhood Serv. Dir. Morgado Administrative Services Director Pierce Housing Specialist Coles Administrative Analyst Cameron
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## **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- A. **Approval of Loan Application for Use of HOME Funds - Housing Rehabilitation Program - John and Patricia Cox - 3532 Calle Principal.** Requests for Housing Rehabilitation Program loans in excess of \$30,000 require Finance Committee review and approval. This request was from homeowners at 3532 Calle Principal (within the Meadows Mobile Home Park) for housing repairs consistent with the AP&P for Housing Rehabilitation Program loans. The Finance Committee revised its policy for improvements to mobile homes at its meeting held 10/23/07 to limit mobile home repairs to \$7,500; however, the application from this family was received prior to that date. This is the final request for improvements to a mobile home request that exceeds \$7,500. ***The Housing and Neighborhood Services Director recommended approval of a deferred payment loan of \$40,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity.***

Councilmember Flynn's motion to recommend approval of a deferred payment loan to John and Patricia Cox in the amount of \$40,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity was seconded by Councilmember Wahl.

***Action:*** *The Committee approved (3-0) a deferred payment loan to John and Patricia Cox in the amount of \$40,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity.*

## **COMMITTEE MATTERS REQUIRING COUNCIL ACTION**

- B. **Consideration of Funding Request from Victor Treatment Centers, Inc., for Chico AirFest 2008.** By letter dated 5/05/08, David Favor, CEO of Victor Treatment Centers, Inc., requested funding in the amount of \$10,000 to support Chico AirFest 2008. The aviation event/air show would take place at Chico Municipal Airport in September of 2008. It is expected that matching funds would come from private sources within the community. Due to the City's current fiscal situation, the City Manager did not recommend approval of the funding request. However, the City Manager did recommend that AirFest 2008 coordinators be granted use of the airport facilities and other available resources at no charge. The Finance Committee's recommendation will be considered by the City Council at the 6/03/08 budget work session. ***(Report - Dave Burkland, City Manager)***

Gayle Womack addressed the Committee in support of this item.

Councilmember Wahl made a motion to fully fund the AirFest at \$10,000. The motion died for lack of a second.

Councilmember Flynn's motion to fund the AirFest with a \$5,000 cash donation and \$5,000 in-kind donation was seconded by Chair Gruendl.

***Recommendation:*** *The Committee recommended (3-0) funding Chico AirFest 2008 with a \$5,000 cash donation and \$5,000 in-kind donation.*

- C. **Consideration of Funding Request from Affordable Housing Development Corporation for Meriam Park Apartments.** The City received a request from the Affordable Housing Development Corporation (AHDC) for financial assistance to build a 90-unit affordable housing development within the Meriam Park subdivision, called Meriam Park Apartments. The rents will be restricted to be affordable to households earning less than 60% of Area Median Income. Nine of the units will be targeted to persons with disabilities, with referral and services provided by Independent Living Services. The Housing and Neighborhood Services Director recommended that the Finance Committee forward a recommendation to the Agency to authorize an allocation of \$7 million in LMHIF to Meriam Park Apartments, and a recommendation to the City Council to authorize deferral of project impact fees payment at the time of permanent loan closing and an allocation of 90 units of existing Article 34 authority. ***(Report - James Coles, Housing Specialist)***

Lori Schmidt addressed the Committee in support of this item.

Staff indicated that the housing development had just recently been named "Parkside Terrace" and will include: a club house; fitness center; computer room; activity room; kitchen facilities; tot lot; covered parking; and a neighborhood park. AHDC will partner with a non-profit agency to provide on-site tutoring services and will work with Independent Living Services to identify residents for the disabled units.

Staff indicated that the property acquisition cost is \$2,675,000, with the appraisal due on June 6<sup>th</sup>, adding that if the appraisal comes in lower than the current asking price, the Agency will pay the lesser amount. Staff noted that this development will allocate 90 of the 365 Article 34 housing units available for Fiscal Year 2008-09, and also clarified that the project impact fees will only be deferred until the "Certificate of Occupancy" is issued.

Housing Specialist Coles verified that the 55 year deferred residual receipt loan is not repaid in principal and interest payments as is the case with a conventional loan, but rather paid out of residual receipts after the operating expenses of the program are paid. That percentage of cash flow of residual receipts is set up in an agreement with the developer and is typically 75%. Staff added that this information will be included in the resolution and the agenda report when this item goes forward to the Council on July 1<sup>st</sup>.

Councilmember Wahl made a motion that this item be moved forward with no recommendation until after the appraisal is received and after the Architectural Review Board and Planning Commission make their recommendations. Councilmember Flynn seconded the motion.

Mike Trolinder addressed the Committee on this item, asking staff if these affordable housing developments pull low-income residents from other communities. The Committee directed Housing and Neighborhood Services Department staff to provide the Committee with a statistical analysis on "applicants versus origin" information for Fiscal Year 2007-08 as soon as feasibly possible.

***Recommendation – The Committee recommended (3-0) forwarding this item to the Council with no recommendation until after the appraisal is received and after the Architectural Review Board and Planning Commission make their recommendations.***

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

- E. **Adjournment and Next Meeting.** The meeting adjourned at 9:00 a.m. The next meeting is scheduled for June 24, 2008, at 8:00 a.m. in Conference Room No. 1.

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Lynda Cameron, Administrative Analyst

Distribution:

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

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### NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for June 24 2008,  
has been canceled.

The next meeting of the Finance Committee is scheduled for  
July 22, 2008, at 8:00 a.m. in Conference Room 1, unless  
otherwise noted.



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## CITY OF CHICO FINANCE COMMITTEE

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### NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for July 22, 2008,  
has been cancelled.

The next meeting of the Finance Committee is scheduled for  
August 26, 2008, at 8:00 a.m. in Conference Room 1, unless  
otherwise noted.



# Finance Committee Report

DATE: September 5, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD AUGUST 26, 2008**

<u>Committee present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl	<u>Staff present:</u> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker Fire Chief Beery	Housing & Neighborhood Serv. Dir. Morgado Administrative Services Director Pierce Administrative Analyst Cameron
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## **COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION**

- A. **Approval of Loan Application for Use of Home Funds Housing Rehab Program - David Meraz - 253 East 12<sup>th</sup> Street.** Requests for Housing Rehabilitation Program loans in excess of \$30,000 require Finance Committee review and approval. This request was from a homeowner at 253 East 12<sup>th</sup> Street for housing repairs consistent with the AP&P for Housing Rehabilitation Program loans. ***The Housing and Neighborhood Services Director recommended approval of a deferred payment loan of \$50,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$4,500 from the City's HOME Program Housing Rehabilitation Activity for Mr. Meraz.***

Stephanie Taber submitted a list of questions to the Committee on this item to which staff responded.

Councilmember Wahl asked if Mr. Meraz had signed any sort of agreement with the City that designated his residence as a place of historic significance. Staff indicated that an agreement had been signed but they were uncertain as to what type of agreement it was.

Councilmember Wahl made a motion to table the item to the September Finance Committee meeting pending updated financial information and clarification of the historic designation. Councilmember Flynn seconded the motion adding that staff ask Mr. Meraz to attend the September meeting.

***Recommendation – The Committee recommended (3-0) to table the item to the September Finance Committee meeting pending updated financial information and clarification of the historic designation.***

- B. **Consideration of Loan Application for Use of Home Funds Housing Rehab Program - Rosendo and Cristina Gonzalez - 881 Glenn Street.** This request is from a homeowner at 881 Glenn Street for housing repairs consistent with the AP&P for Housing Rehabilitation Program loans. This request was brought to the Committee for consideration of: (1) a loan approval which will exceed the maximum allowed loan-to-value ratio of 105% and; (2) a loan amount in excess of \$30,000. ***The Housing and Neighborhood Services Director recommended approval of a deferred payment loan of \$35,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity for Mr. and Mrs. Gonzalez.***

Councilmember Flynn's motion to approve a deferred payment loan of \$35,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity for Mr. and Mrs. Gonzalez was seconded by Chair Gruendl.

***Action – The Committee approved (2-1, Wahl opposed) a deferred payment loan of \$35,000 at 3% simple interest from the City's HOME Program Housing Rehabilitation Activity for Mr. and Mrs. Gonzalez.***

- C. **Business From the Floor.** Stephanie Taber submitted a list of questions to the Committee for consideration. The Administrative Services Director will respond to Ms. Taber on the questions regarding the RDA Fund Summary and property acquisition. The City Manager answered the questions regarding COLA and labor negotiations.
- D. **Adjournment and Next Meeting.** The meeting adjourned at 8:40 a.m. The Committee agreed to change its meeting day to Wednesday. The next meeting is scheduled for September 24, 2008, at 8:00 a.m. in Conference Room No. 1.

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Lynda Cameron, Administrative Analyst

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Housing & Neighborhood Services Director  
Finance Director  
Admin Services Director



# Finance Committee Report

DATE: September 29, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD SEPTEMBER 24, 2008**

<p><u>Committee Present:</u> Chair Gruendl Councilmember Flynn Councilmember Wahl</p>	<p><u>Staff Present:</u> City Manager Burkland Interim Assistant City Manager Beardsley City Attorney Barker City Clerk Presson</p>	<p>Housing &amp; Neighborhood Serv. Dir. Morgado</p>
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## COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION

- A. **Approval of Loan Application for use of HOME Funds, Housing Rehabilitation Program - Maria Steffy, 1274 Normal Avenue.** Requests for Housing Rehabilitation Program loans in excess of \$30,000 require Finance Committee review and approval. This request was from a homeowner at 1274 Normal Avenue for housing repairs consistent with the AP&P for Housing Rehabilitation Program loans. ***The Housing & Neighborhood Services Director recommended approval of a deferred payment loan of \$75,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$6,000 from the City's HOME-funded Housing Rehabilitation Program for Ms.Steffy.***

Based on his concern over limited information contained in the staff report, Councilmember Wahl asked staff for clarification on: (1) length of child support payments; and (2) why the middle bid was selected instead of the lowest bid; and (3) asked that this information be included in future reports.

Staff indicated that they establish a range regarding the estimated work needing to be completed which is usually based on an appraisal. As part of this program, HUD requires the homeowner to select the contractor and bid that comes in as long as it is within the established range. The construction contract then is made between the homeowner and contractor.

Councilmember Wahl asked that in future staff reports that staff include all pertinent information including the range that staff sets for the estimated job.

A motion was made by Councilmember Flynn and seconded by Councilmember Wahl to approve a deferred payment loan of \$75,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$6,000 from the City's HOME-funded Housing Rehabilitation Program.

***Action – The Committee approved (3-0) a deferred payment loan of \$75,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$6,000 from the City's HOME-funded Housing Rehabilitation Program.***

- B. **Consideration of Loan Application for Use of HOME Funds, Housing Rehabilitation Program - David Meraz, 253 East 12th Street.** Requests for Housing Rehabilitation Program loans in excess of \$30,000 require Finance Committee review and approval. This request is from a homeowner at 253 East 12th Street for housing repairs consistent with the AP&P for Housing Rehabilitation Program loans.

This request was considered at the Finance Committee's 8/26/08 meeting and was tabled to the September meeting. ***The Housing and Neighborhood Services Director recommended approval of a deferred payment loan of \$50,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$4,500 from the City's HOME-funded Housing Rehabilitation Program for Mr. Meraz.***

Councilmember Wahl asked: (1) if the confirmation of the Historical Status was received; (2) if this project is approved, how much would be left remaining in the Home Loan Fund; (3) how will the payments be made if there is a negative cash flow as indicated in the application; and (4) what was the current value of the home.

Staff indicated that it is estimated that the home will value at \$300,000 after the renovation.

Councilmember Wahl asked as to how that value was determined.

Staff indicated that it was based on an appraisal which was not included in the staff report nor available at this meeting.

Councilmember Wahl asked that in the future staff include all information needed in order for the Committee to consider the request.

Stephanie Taber addressed the Committee on this item.

City Manager Burkland stated that these types of programs preserve the City's ability to provide affordable housing stock. The proceeds of the loan payments or repayments of the full loan amount if the homes are sold or refinanced are put back into the fund to be used again.

A motion was made by Councilmember Wahl to not approve the loan application. The motion died for a lack of a second.

A motion was made by Councilmember Flynn and seconded by Councilmember Gruendl to approve a deferred payment loan of \$50,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$4,500 from the City's HOME-funded Housing Rehabilitation Program for Mr. Meraz.

***Action – The Committee approved (2-1, with Wahl voting against) to approve a deferred payment loan of \$50,000 at 3% simple interest and a grant for lead-safe practices in the amount of \$4,500 from the City's HOME-funded Housing Rehabilitation Program for Mr. Meraz.***

C. **Business from the Floor** – None

D. **Adjournment and Next Meeting** – The meeting adjourned at 8:30 a.m. The next regular Finance Committee meeting is scheduled for Wednesday, October 29, 2008, at 8:00 a.m. in Conference Room No. 1.

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Deborah Presson, City Clerk

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# Finance Committee Report

DATE: November 5, 2008

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD OCTOBER 29, 2008**

<p><u>Committee present:</u>  Chair Gruendl  Councilmember Flynn, absent  Councilmember Wahl</p>	<p><u>Staff present:</u>  City Manager Burkland  City Attorney Barker  Housing &amp; Neighborhood Serv. Dir. Morgado</p>	<p>Admin. Services Dir. Pierce  Housing Manager Coles  Administrative Analyst Cameron</p>
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## COMMITTEE MATTERS REQUIRING COUNCIL ACTION

- A. **Authorization to Enter into a Community Development Block Grant (CDBG) Loan Agreement with Catalyst Domestic Violence Services.** Catalyst is moving forward with building a new transitional housing facility to serve victims of domestic violence on City-owned property at 1321 Ivy Street. The Council approved a loan of \$450,000 in CDBG funds for the new Catalyst facility on 11/10/05. On 11/07/06, the Council and Agency authorized the Agency to purchase a 55-year affordability covenant from the City on the current Catalyst property for \$660,000. On 8/28/06 the Finance Committee had recommended \$500,000 of the Agency allocation be used to develop the new Catalyst facility, with the remaining \$160,000 to be used to make improvements to the property that Catalyst currently occupies, but that recommendation was never formalized by the Council. The Housing and Neighborhood Services Director recommended that: (1) the Finance Committee recommend that Council authorize the City Manager to enter into a CDBG Loan Agreement with Catalyst for the development of the new Catalyst facility in the amount of \$450,000; and 2) the Finance Committee re-recommend to the City Council and Agency that the Agency use \$500,000 of its \$660,000 affordability covenant to develop the new Catalyst facility. **(Report - James Coles, Housing Manager)**

Anastacia Snyder addressed the Committee in support of this item.

Housing Manager Coles recommended the CDBG loan agreement be approved as a grant agreement because repayment of this type of loan is not feasible. He added that construction is set to begin in Spring 2009 with total development cost at \$3,395,000.

Councilmember Wahl made a motion to: (1) recommend that Council authorize the City Manager to enter into a Community Development Block Grant Agreement with Catalyst for the development of the new Catalyst facility in the amount of \$450,000; and 2) re-recommend to the City Council and Agency that the Agency use \$500,000 of its \$660,000 affordability covenant to develop the new Catalyst facility. Chair Gruendl seconded the motion.

***Recommendation:*** *The Committee recommended (2-0-1, Flynn absent) that the Council authorize the City Manager to enter into a Community Development Block Grant Agreement with Catalyst for the development of the new Catalyst facility in the amount of \$450,000 and that the Agency use \$500,000 of its \$660,000 affordability covenant to develop the new Catalyst facility.*

- B. **Authorization to Purchase Properties at 871, 879 and 899 East 19<sup>th</sup> Street.** The Redevelopment Agency currently owns adjacent vacant properties at 856 and 874 East 20<sup>th</sup> Street that total 0.67 acre in size. The Agency acquired the sites with Low and Moderate Income Housing Funds (LMIHF) for the purpose of developing new affordable housing. In order to present a viable project to a potential developer, Housing and Neighborhood Services staff has been investigating opportunities to assemble nearby parcels. Owners of adjacent properties at 871, 879 and 899 East 19<sup>th</sup> Street have offered to sell to the Agency for the total appraised price of \$480,000. The Housing and Neighborhood Services Director recommended that the Finance Committee approve the acquisition of properties at 871, 879 and 899 East 19<sup>th</sup> Street with LMIHF for \$480,000 and forward their recommendation to the Council. **(Report - James Coles, Housing Manager)**

Staff indicated that the City would hold neighborhood workshops after the property acquisition, adding that the plan is to build single family homes for first time home buyers with low to moderate incomes.

Stephanie Taber addressed the Committee on this item.

Councilmember Wahl made a motion to forward this item to the Council with no recommendation. Chair Gruendl seconded the motion.

***Recommendation: The Committee recommended (2-0-1, Flynn absent) that this item be forwarded to the Council with no formal recommendation.***

- C. **Business From the Floor.** Stephanie Taber addressed the Committee about the quarterly budget report. Staff indicated that the budget update will go to the Council on 11/04/08.
- D. **Adjournment and Next Meeting.** The meeting adjourned at 8:30 a.m. The next meeting is scheduled for November 26, 2008, at 8:00 a.m. in Conference Room No. 1.

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Lynda Cameron, Administrative Analyst

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## CITY OF CHICO FINANCE COMMITTEE

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### NOTICE OF CANCELLATION OF MEETING

The Finance Committee meeting scheduled for November 19, 2008, (rescheduled November 26<sup>th</sup> meeting) has been cancelled.

The next meeting of the Finance Committee is scheduled for December 10, 2008, at 8:00 a.m. in Conference Room 1, unless otherwise noted.



# Finance Committee Report

DATE: January 6, 2009

File : [Comm Binder](#)

TO: CITY COUNCIL

FROM: FINANCE COMMITTEE

RE: **REPORT ON FINANCE COMMITTEE MEETING HELD DECEMBER 10, 2008**

<b>Committee present:</b> Chair Gruendl Councilmember Flynn Councilmember Wahl	<b>Staff present:</b> City Manager Burkland Housing & Neighborhood Serv. Dir. Morgado Administrative Services Director Pierce	Administrative Analyst Gray Administrative Analyst Cameron
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## COMMITTEE MATTERS NOT REQUIRING COUNCIL ACTION

- A. **Mobile Home Rehabilitation Loan Request - Aloisi Family.** This request was for the replacement of a dilapidated mobile home with a new home. The home does not meet the family's needs (three generations living together long-term for personal and medical reasons), and it is in such a state of disrepair that it cannot be rehabilitated. It was requested that a Housing Rehabilitation Program loan be provided to replace the mobile home with a new mobile home to be installed at the same space as the current home, within the same mobile home park. The Housing and Neighborhood Services Director recommended that the Committee approve a loan of \$146,000 (an installment-payment loan of \$75,000 and a deferred-payment loan of \$71,000) from the City's HOME Program Housing Rehabilitation Activity for Ms. Aloisi. The installment-payment loan will require monthly payments of \$416.00 at 3% interest for a term of 20 years. **(Report - Sherry Morgado, Housing and Neighborhood Services Director)**

Councilmember Flynn's motion to approve a loan of \$146,000 (an installment-payment loan of \$75,000 and a deferred-payment loan of \$71,000) from the City's HOME Program Housing Rehabilitation Activity was seconded by Councilmember Wahl.

**Recommendation – The Committee approved (3-0) a loan of \$146,000 (an installment-payment loan of \$75,000 and a deferred-payment loan of \$71,000) from the City's HOME Program Housing Rehabilitation Activity.**

## COMMITTEE MATTERS REQUIRING COUNCIL ACTION

- B. **Recommended Changes to Administrative Procedure and Policy (AP&P) 27-4 - Housing Rehabilitation Grant Program.** On 10/23/07, the Finance Committee considered and recommended to the City Council the recommendation by the Housing and Neighborhood Services Director to provide grant funds to owners of single family or mobile homes that need repairs, with a maximum grant of \$7,500. The City Council approved this recommendation via an amendment to AP&P 27-4, effective 11/27/07. When the program was implemented, it was anticipated that \$7,500 could resolve most health and safety improvements; however, based on the actual bids through a competitive bidding process staff believes that a limit of \$10,000 is more appropriate so that the homes can be made water-tight and provide the most energy efficiency. The Housing and Neighborhood Services Director recommended that AP&P 27-4 be amended to increase the Housing Rehabilitation Program grant limit to \$10,000. **(Report - Sherry Morgado, Housing and Neighborhood Services Director)**

Councilmember Wahl made a motion to amend AP&P 27-4 to increase the Housing Rehabilitation Program grant limit to \$10,000. Councilmember Flynn seconded the motion.

**Recommendation – The Committee approved (3-0) amending AP&P 27-4 to increase the Housing Rehabilitation Program grant limit to \$10,000.**

- C. **Business From the Floor.** None.
- D. **Adjournment and Next Meeting.** The meeting adjourned at 8:17 a.m. The next meeting is scheduled for January 27, 2009, at 8:00 a.m. in Conference Room No. 1.

Lynda Cameron, Administrative Analyst