



**Finance Committee
Agenda Report**

Meeting Date: April 27, 2010

TO: Finance Committee
 FROM: Administrative Services Director (896-7204)
 RE: Monthly Report on Questions and Answers Regarding City Finances

At the February 24, 2009, Finance Committee meeting, members of the public inquired how the City could accommodate a request that all questions to and answers from staff related to City finances be made available to the general public. The City Manager indicated that all questions should be directed to him and that he would then forward to the appropriate staff for a response, with all questions and answers to be included in the Reports and Communications section of the next scheduled Committee meeting and posted to the City's website. At its meeting on March 24, 2009, the Committee established the deadline for communications that would be included in the report as the second Tuesday of each month. Questions answered after that day will be included in the following month's report.

Set forth below is the report of inquiries answered as of April 13, 2010. The questions and answers are set forth on the attached Exhibit "A."

Report Covering Inquiries for the Period 03/10/10 Through 04/13/10				
Name	Subject	Date of Initial Request	Date of Final Response	Response Preparation Time
Bob Kromer	Q2 09-10 Financial Update	03/03/10	03/15/10	3.5 hours
Stephanie Taber	Manzanita Avenue Bridge Railing	03/21/10	03/24/10	1.5 hours
Stephanie Taber	Chico Open Art Board Program	03/21/10	03/24/10	30 minutes
	Follow-up Question	03/24/10	03/25/10	5 minutes

Prepared by:

Cindy Pierce
 Cindy Pierce, Administrative Services Director

Approved by:

David Burkland
 David Burkland, City Manager

DISTRIBUTION:

City Clerk (16)
 Finance Director (w/electronic copy to post to website)

ATTACHMENTS:

Exhibit "A"

FILE: D-11-1-5

TF: Monthly - Second Tuesday

Exhibit "A"

Summary of Questions and Answers Regarding City Finances
Inquiries for the Period 03/10/10 Through 04/13/10

A. Inquiries from Bob Kromer on 03/17/10 and response from Finance Director Jennifer Hennessy:

Question: The 10 year plan indicates there are 439 allocated personnel. 21 were removed as part of the deficit reduction strategy and there are currently 28 vacancies. What is the assumption for the # of employees going into FY10/11 and for the years beyond that? Can finance please indicate the current number of city employees as part of their qtr'ly updates?

Answer: We are still in the early stages of developing the FY10-11 Annual Budget, so the headcount assumptions have not yet been finalized. Yes, we can add the number of City employees to the Quarterly Financial Report.

Question: The number of employees is down (49?) yet the salaries and benefits expenditures will rise ~\$1M 08/09 to 09/10 and continue to rise from ~80% of total general/parks expenditures to ~86% within 5 years. Will the Council be recommending an extended salary and benefits freeze?

Answer: FY08-09 Salaries & Benefits totaled \$38,680,439 and FY09-10 Salaries & Benefits are projected to be \$38,298,223, a reduction of \$382,216. The number of vacant positions is a dynamic number and changes all the time. The Budget figures are updated quarterly, and may or may not reflect the actual number of vacant positions due to a variety of circumstances.

Question: With CALPERS reporting dramatically worse investment performance and reducing expected future return on investment (7.75% to 6%), what is the City's current normal rate and the unfunded liability rate for 10/11 and beyond and how do these rates compare to the assumptions in the published 10 year budget plan.

Answer: The recent news about CalPERS possibly changing their investment assumptions is still being evaluated/debated at CalPERS. Their Chief Investment Officer was quoted as saying he's still comfortable with the 7.75% assumption, as the past 20 year average rate of return (including the losses from 2008) equals 7.9%.

In October 2009, CalPERS has provided us with the FY10-11 updated rates and their estimated FY11-12 rates (assuming no changes to our PERS plans). They only provide the breakout for the Normal and Unfunded rates for FY10-11, the FY11-12 rates provided are just the aggregate rates.

FY10-11 Actual Rates:

Safety Employees = 27.533% (18.26% Normal Rate + 9.273% Unfunded Rate)

Miscellaneous Employees = 21.241% (12.461% Normal Rate + 8.78% Unfunded Rate)

FY11-12 Projected Rate (per CalPERS):

Safety Employees = 29.1%

Miscellaneous Employees = 22.5%

The rates, when compared to our FY09-10 Final Budget, came in higher than anticipated in the budget:

	<u>FY10-11</u>	<u>FY11-12</u>
Safety Rate – per Budget	26.441%	26.520%
Safety Rate – per CalPERS (Oct'09)	27.533%	29.100%
Misc Rate – per Budget	20.847%	20.966%
Misc Rate – per CalPERS (Oct'09)	21.241%	22.500%

Question: Butte County reports that the medium household income is ~\$36,000 and an unemployment rate of +13% (some would say its north of 18% with under-employed and citizens who have given up looking). With this dire financial situation, can the City continue to justify an ~\$110,000 average salary and benefit package with planned increases going forward in each of the next 9 years?

Answer: In response to the City's current financial outlook, the City Council has authorized the City Manager to begin negotiations with all eight employee bargaining groups to discuss the salary and benefit levels for employees.

Question: The finance dept 10/11 outlook predicts a ~\$3.7M deficit and a ~\$7.0M variance from the "desired balance" per the budget contingency plan. This plan calls for action at such time that "adverse financial and economic conditions that could negatively impact the City of Chico's fiscal health" arise. As this plan calls for "systematic response to adverse financial conditions, as opposed to reactionary decision-making", wouldn't it be prudent to declare a Tier III event even though the financials do show that Chico currently has a balanced (barely squeezing by with +\$72,000) 09/10 budget estimate?

Answer: The purpose of the Budget Contingency Plan is to implement immediate budgetary changes to address an unforeseen decline in revenue or increase in expenditures that create a fiscal imbalance in the current fiscal year. The projected ~\$3.7M deficit refers to next fiscal year. The Budget Planning process is the appropriate course of action to use to correct the projected fiscal imbalance. The Budget Planning process, which begins in January, entails the City Manager working with City departments and, when necessary employee bargaining groups, to implement the necessary changes required to present the City Council with a balance budget in June.

Question: Infrastructure and maintenance (roads, sidewalks, curbs, and parks) need immediate attention. In the face of the ongoing budget issues, what are the Council's plan to increase funding for these necessary expenditures?

Answer: The City continues to provide the maximum amount maintenance and infrastructure improvements as funding levels allow. We have several systems in place to identify maintenance/ infrastructure needs, such as the Pavement Management System, Calls for Service, and ongoing staff inspection. These needs are indexed and managed by the General Services Department in conjunction with the Capital Project Services Department.

B. Inquiry from Stephanie Taber on 03/21/10 and response from Associate Civil Engineer Craig Murray:

Question: The Manzanita Bridge metal "fan". Where was the cost budgeted (19012) or Redev. Art (50054) and what was the cost? Was that included in the bid?

Answer: The project design team included an artist early on to identify cost efficient opportunities for incorporating context sensitive architectural elements into features already required for the overall project. One such opportunity was the bridge railings. Since bridges require railings, a concept was prepared to incorporate some architectural detail in lieu of the standard galvanized pipe rails.

The architectural bridge rails on the Manzanita Ave bridge at Big Chico Creek were budgeted as part of the Manzanita Corridor Reconstruction Project 19012. The architectural bridge rails were a specialty item fabricated by a local metal fabricator, purchased by the City and then furnished to, and installed by the bridge contractor. The cost to fabricate and install the two architectural bridge rails was approximately \$75,000.

C. Inquiries from Stephanie Taber on 03/21/10 and 03/24/10 and response from Administrative Services Director Cindy Pierce:

Question: Again - Redirect - "Exhibit A "- Dated 5/9/07 states in the Council's Corner ...new and consistent format INCLUDING the fiscal impact for each agenda item....based on that can you please advise the original cost of the 4 art projects that the RDA recently authorized the disposition of....their

cost was not included on the consent agenda and obviously should have been. Also could you please make certain that everything with some sort of fiscal impact either what occurred in the past, present or future is addressed...if it was or is taxpayer funded than the cost should be included no matter what the source..fed, state, or local.

Answer: Under the four agreements which were the subject of the Minute Order approved on February 16, 2010, authorizing the disposition of Chico Open Board Art Projects, there are a total of 14 art works. The amounts paid to each of the 14 artists who won the COBA competitions ranged from \$500 to \$850.

Follow-up Question: Thanks for the response - do you know what the final disposition of the art was? If I remember correctly it was being offered to to whomever had it on display or it was going to be "auctioned?"

Answer: The Agency authorized either option at such time as each of the four agreements expired. To date, only four pieces displayed on the south wall of the building located at 341 Broadway have been conveyed to the property owner. The property owners displaying art works at 201 Main Street (four) and 180 East 4th Street (four) have been contacted to determine whether they wish to continue to display the art works. Depending on their responses, the art works will be either conveyed to the property owners or sold at a City auction. The disposition of the remaining two pieces will be determined upon expiration of the current agreement in 2011.