

SUSANVILLE CITY COUNCIL
Special Meeting Minutes
May 16, 2018– 3:00 p.m.

Meeting was called to order at 3:00 p.m. by Mayor Garnier.

Roll call of Councilmembers present: Brian Wilson, Kevin Stafford, Mayor pro tem Franco, Mendy Schuster and Kathie Garnier.

Staff present: Dan Newton, Interim City Administrator; Jessica Ryan, Deborah Savage, Finance Manager, Kelley Merritt, Acting Police Chief, Dan Weaver, Battalion Chief, Anthony Hanner, Building Official, Quincy McCourt, Project Manager and Gwenna MacDonald, City Clerk.

1 APPROVAL OF THE AGENDA:

Motion by Mayor pro tem Franco, second by Councilmember Stafford, to approve the agenda as submitted; motion carried unanimously. Ayes: Stafford, Franco, Wilson, Schuster and Garnier.

2 PUBLIC COMMENT: No comments.

3 SCHEDULED MATTERS:

3A Budget Workshop Fiscal Year 2018-2019 Mr. Newton explained the purpose of the workshop, which includes a review of the funds, obtaining Council feedback, obtaining input regarding the proposed budget, and discussing the next steps in the budget adoption process. Mr. Newton turned the floor over to Ms. Savage.

Ms. Savage began a power point presentation by explaining the principles of Fund Accounting, reviewed the City's major funds, and discussed the differences between governmental, proprietary and fiduciary funds. Governmental funds include special revenue, capital projects, debt service and the general fund. Proprietary funds include the enterprise and internal service funds, and fiduciary funds are also referred to as agency funds and are utilized to account for resources held by other agencies in a custodial capacity. The City's fiduciary funds are HUSA, LAFCo, the Air Pollution Control District and the Regional Water Management Group. Ms. Savage reviewed accounting terms and provided examples of assets, liabilities and discussed the difference between cash and fund balance.

Ms. Savage reviewed the revenue and expense fiscal year 2017/2018, year to date expenditures, proposed fiscal year 2018/2019 budgets for the following funds: Public Works Administration, Streets, Water Enterprise, Natural Gas Enterprise, Airport Enterprise, and Golf Course Enterprise. Ms. Savage presented charts depicting the revenue and expense history of the General Fund, comparing fiscal year 2012/2013 through the present.

Councilmember Wilson referred to the SB1 Road Maintenance requirement that will allow the City to receive funding through the Road Repair and Accountability Act. He asked if any of the funding that the City has received through the Lassen County Transportation Commission (LCTC) is included in the City's Maintenance of Effort (MOE) requirement.

Mr. Newton responded that he did not believe that it would be. The MOE stipulates that the City utilize unrestricted funds for street and road repairs and maintenance. The funding received from LCTC is restricted to use for streets and does not come from the general fund.

There was a general discussion regarding the City's \$166,717 MOE requirement, and the calculations used by the State to arrive at the amount which is required annually in order for the City to receive approximately \$300,000 in funding. In addition, the Council discussed the LCTC Regional Surface Transportation apportionment that in the past has been retained by the City. The amount is approximately \$81,000 annually, and is not utilized in the calculation of the City's MOE figure.

Councilmember Wilson asked if any of the funding expended by the City at the Airport is included in the calculation. Mr. Newton responded that it was not.

Councilmember Wilson asked Ms. Savage to clarify the depreciation of \$377,000 in the Water Enterprise Fund, and asked if there had been any opportunity to research the possibility of separating the gas and water fund for bond purposes.

Ms. Savage responded that there is not an opportunity to separate those utilities, unless the City chooses to refinance the utility. The bond rating company has advised that the rate stabilization funds are tied together and the only opportunity to refinance is in June when the annual payment is made.

Mayor Garnier asked if that is something that the City could look into.

Councilmember Wilson commented that the refinance process is very lengthy and there is not time to facilitate for June 2018. He asked if an item could be brought back for a future meeting to identify the requirements for the operations fund, and whether or not the City needs to keep growing the fund or not.

Councilmember Wilson asked if the City is accounting for the negative balance at the airport each year, and zeroing it out each year.

Ms. Savage explained that over the past few years, the City has not made a contribution to the Golf Course or Airport to zero out the fund at the end of each fiscal year. For the most part, the Golf Course has been breaking even, even with some unexpected expenses.

Ms. Savage continued with her presentation, reviewing the cost allocation, increasing cost of Calpers pension obligations, staffing levels, and presented a slide illustrating the decline of staffing levels from 2000 to the present, noting that the current fiscal year staff level is 64 employees. She reviewed General Fund spending by department, reviewing revenue and expense from public safety and administrative services departments.

Ms. Savage reviewed the Civic Promotions account, contributions made in 2017-2018 as well as additional requests that have been received.

Mayor pro tem asked if the Council's discussion regarding adjusting the fund was going to take place separately, or if this was the appropriate time to have that discussion.

Councilmember Wilson stated that the Council talked about having the discussion to consider increasing the budget, but did not get into detail regarding what the numbers would look like.

Mr. Newton responded that staff could bring back more information for a future discussion, however based on the requests that the City received last year, the estimated budget was carried forward at \$8,000.

Ms. Savage talked about proposed budget changes, including net increases to salary, pension costs and slight increases in debt service payments. There are also increased costs associated with animal control and dispatch services. Increases to revenues include TOT and business license revenue, contract services for Lassen County Air Pollution to assign the Building Official to assist with inspections as well as the billing function to be transferred to the finance department. There is a proposed increase for fire department responses to natural gas emergencies.

Ms. Savage referred to a slide with a list of needs presented by the Department that are not included in the proposed budget. These include a server for the police department, a new roof for the Fire Department, a new heating system for the Fire Department, a repair or replacement for the roof at City Hall, a generator for City Hall, replacement of the Building Official vehicle, and replacement of Police patrol cars. Other items include the Maintenance of Effort for the Streets funding, remodel of the Community Center, and cash transfers to support the airport and golf course.

Mayor Garnier asked if there were cost estimates associated with these additional items.

Mr. Newton responded that there were some, but not all. The police department server is a high priority item, and they have looked at a few options including lease or purchase outright, and staff anticipates bringing the item back in the very near future. The old server is behaving very poorly, has crashed a few times and is increasingly difficult to bring back online.

Mayor Garnier commented that she did not notice a new phone system for the Public Works Department on the list, and that has been an issue too.

Mr. Newton responded that it is included in the budget.

Mayor pro tem Franco suggested that for these one-time expenses, the City should look at some of the real estate that the City owns, and consider selling for a few of these one-time purchases. He would prefer that to taking the money from reserves.

Mayor Garnier agreed, adding that a few years ago when the Council considered that option the market was not doing as well. Times are better now economically and it may be easier to find buyers.

The City Council was in consensus to research that option.

Ms. Savage explained that some of the information in this year's budget was positive. The City's objective of retaining a reserve of 20 percent of annual revenue has been exceeded. The City currently has \$1.3 million in reserve funding which exceeds the objective of \$1.25 million. There is also the possibility of a few one-time revenues, including back dating charges to the Natural Gas fund for the responses that the Fire Department has made on Natural Gas emergency calls. This represents an additional one-time revenue of \$100,000. Returning the OES engine has opened the option for increased engine rentals then we have had in previous years.

Ms. Savage continued with reviewing the pay-off dates for the City's long-term debt obligations. Regarding the Calpers pension discussion, she explained that Mr. Newton presented a comprehensive overview of the City's pension obligation a few months earlier. The only change since the Council was presented with that information, is that Calpers has changed their amortization schedule from 30 years to 20 years, which means that the payments will increase. For City's who are financially hurting, they have

allowed a request to keep the 30 year amortization schedule. It is still delaying the problem, however it may be something for the City to consider to keep the payments as low as possible and it may save having to make drastic cuts.

Mayor Garnier asked if they would be adding fees or any punitive charges for keeping the 30 year amortization.

Ms. Savage responded that she was unaware if there would be any additional fees or charges, but the loss on the rate of return would be compounded.

Councilmember Wilson asked if any of the numbers were available for the 20 year amortization scheduled.

Ms. Savage responded that there are some, but those are projections and City's would be transitioning to the 20 year amortization in 2021, which does not allow a lot of time. The City will have a better idea of numbers in August when the new valuation studies are released.

Mr. Newton noted that the City is currently paying a substantial amount in Calpers costs, so the amount of the increase is not \$900,000, but \$400,000 to \$500,000. In addition, the Side Fund loan will be paid off in 10 years, so the money going towards the debt service payment for that load will be available to offset some of the expense.

There was general discussion regarding market rates, Calpers investment strategy and rate of return, the impact on public agencies and the necessity of pushback from State agencies overall.

Ms. Savage reviewed a slide related to budget polices.

Mayor Garnier asked if there was an excess in the reserve if it would be prudent to spend some on the server at the Police Department. She supports having as much as possible in reserve, but some of the costs associated with roof repairs or the replacement of the server could increase dramatically if the problems are not addressed. A leaky roof can turn into problems that are much more expensive to address.

Mayor pro tem Franco agreed, stating that it is money well spent to prevent some very large problems in the future.

Councilmember Wilson commented that he would like to see costs associated with these items so that the Council can discuss priorities. He asked if the old software would run on the new police server.

Mr. Newton responded that the software would likely have to be upgraded. There was an extensive discussion regarding upgrading the Police Department's software in coordination with the County, the option of upgrading existing software versus replacing with a new system, options to back-up the existing evidence and the County's plans to also move forward with upgrading and replacing their system.

Councilmember Wilson stated that the City has been discussing the upgrade of the Police Department system and that there is money, however it's never been determined or put forward as an emergency.

Mr. Newton suggested that the City could address the replacement of the server in the fiscal year 2017/2018 budget, and then it would not be a consideration for the new budget. He is concerned with protecting the City's internal information, and not be dependent upon the County's timeline. The item could be brought back for consideration at the June 6, 2018 meeting.

Mayor Garnier requested that staff bring back an item that details the property the City owns and an estimate of value without having to obtain appraisals on all of the properties. A ballpark idea of what it is all worth would be a good starting point, and maybe be able to cover a number of items on the list.

Mr. Newton asked if the Council would like to have the Civic Contribution item brought back as a separate discussion or consider increasing the annual budget by \$2,000.

Mayor pro tem Franco commented that he would support increasing the amount to \$10,000 annually, and he would prefer to have an established guideline and parameters for spending.

Councilmember Wilson agreed, adding that the City could consider establishing a maximum contribution to any one organization, or adopt the discretionary fund model utilized by the County and leave it up to each Councilmember to determine which activities and organizations that they would like to support. He stated that he does not like seeing the budget increased when there is a deficit in the General Fund, but also considers that the TOT revenue is available for supporting community events. Councilmember Wilson asked David Teeter to speak about the County's program of discretionary funding.

David Teeter explained that he does like the opportunity for each Board member to bring forward the programs or organizations that they would like to support, however the entire Board still has to vote to support the contribution. He is mindful that when he supports an organization by recommending a contribution, that the entire Board is recognized as supporting the program or event, and not just himself as one Board member.

There was a general discussion regarding the process to determine support of various organizations and events, the benefit to the community for public good and to improve quality of life for the community, and the need to be fiscally responsible and protect the City's assets.

Mr. Teeter commented that in many cases, the organizations that have the most need are the smaller non-profit groups that are not able to secure other sources of funding, such as grants. The benefit to the community in terms of attracting visitors is not always the only measure of value that the contribution has.

Councilmember Wilson discussed the benefit of using a discretionary fund method as a means to filter the requests through a Councilmember. Ordinarily the requests come to staff, and the Council is presented with a request and nobody wants to vote no or deny contributing to good causes. There has to be some parameter or guideline because the Council would like to be able to give money to everyone, but it just is not possible.

Mr. Newton requested direction on bringing the item back for further discussion.

It was the consensus of the City Council to establish the budget at \$10,000 and bring the item back for discussion regarding the establishment of spending guidelines and parameters.

Mayor Garnier stated that regarding the Golf Course and Airport enterprise funds, they are in a deficit and those funds have to be balanced.

Councilmember Wilson remarked that the City funds airport improvement projects at 10 percent but is depreciating the asset as if the projects are one hundred percent funded. The City is probably never going to fund projects at one hundred percent, and asked if there is some way to adjust depreciation to a more realistic level. The depreciation for the Golf Course was lowered because a lot of the asset is just grass, and he would like staff to look into options for the airport.

Ms. Savage responded that staff could check with the Auditors to determine if there are other options for booking depreciation at the airport.

Councilmember Wilson commented that from the cash standpoint, the City is probably always going to run a deficit at the Airport and Golf Course, and be required to make an annual contribution from the General Fund to zero out those accounts at the end of every year. He would support reviewing that every year, rather than let it accumulate over time and increase to an unmanageable number, and that the Council could make an informed decision every year that they will fund the loss of those enterprises.

Ms. Savage suggested revising the City's budget policies to bring that to the Council every year and providing an opportunity to vote on transferring funds to those enterprises.

It was the consensus of the Council to bring the item back as part of the budget policy.

Mayor Garnier asked when staff would be able to provide updated Calpers figures to reflect the impact of changing from a 30 to 20 year amortization schedule.

Ms. Savage responded that the actuarial would be coming out in August, so staff could bring the item back for further discussion. She confirmed that staff would be bringing back the budget for additional consideration and potential adoption at the June 6, 2018 meeting.

The City Council thanked Ms. Savage and Mr. Newton for their presentation.

5 ADJOURNMENT:

Motion by Mayor pro tem Franco, second by Councilmember Stafford, to adjourn the meeting.

The meeting was adjourned at 4:52 p.m.

Kathie Garnier, Mayor

Respectfully submitted by

Gwenna MacDonald, City Clerk

Approved on: June 20, 2018