

**SUSANVILLE CITY COUNCIL**  
**Special Meeting Minutes**  
**April 14, 2010 – 3:00 p.m.**  
**City Council Chambers 66 North Lassen Street Susanville CA 96130**

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

Roll call of Councilmembers present: Joseph Franco, Vernon H. Templeton, Douglas Sayers, Lino P. Callegari and Mayor Kurt Bonham.

Staff present: Rob D. Hill, City Administrator; Peter M. Talia, City Attorney; Jeff Atkinson, Police Chief; Ted Friedline, Fire Chief; Debra M. Magginiti, CMC/City Clerk; Craig Platt, Public Works Director; Robert Porfiri, Finance Director; and Deborah Savage, Assistant to the Finance Director.

Also present: City Council candidates Nick McBride and Phil Bertanzoni.

Mayor Bonham led those assembled in the pledge of allegiance.

**1      APPROVAL OF AGENDA:** Motion by Mayor Templeton, second by Councilmember Franco to approve the agenda as submitted; motion carried unanimously.

**2      PUBLIC COMMENT:** There were no public comments.

**3      SCHEDULED MATTERS**

**3A     FY 2010/2011 Budget Workshop**

Mr. Hill reported that this is the first of two budget workshop meetings and will consist of a budget process overview, discussion of projected revenue and consideration of the enterprise funds. He turned the presentation over to Finance Director Porfiri.

Mr. Porfiri explained that staff is not presenting a balanced budget for approval at this time. He is presenting a base budget that incorporates the requests of the department heads and revenue projections. He reviewed the budget calendar and summarized the process:

- 1      Council priorities, policies and goals are reviewed.
- 2      Revenues are projected based on information on hand.
- 3      Department heads assess their needs and request expenditures budget.
- 4      Expenditure requests are reviewed and compared to available revenue.
- 5      Workshops: Council reviews revenue projections and expenditure requests. The public is involved and recommendations are made.
- 6      Council gives direction to staff to balance the budget.
- 7      Budget is proposed at a public hearing.
- 8      Budget is adopted.

Mr. Porfiri advised that once the budget is adopted, it can be amended at any regular meeting by the City Council.

Mr. Porfiri reviewed the FY 2010/2011 budget assumptions:

- 1 Revenues are based on the most recent information in hand.
- 2 The base budget represents essential expenses necessary to maintain current services. It does not include capital expenditures or temporary employees.
- 3 Increases from the base budget are shown as requests and will be detailed and justified by each department head.
- 4 No COLA has been included in the base budget for salary projections.

Mr. Porfiri reviewed the major economic indicators as follows:

- 1 Housing market
- 2 Unemployment
- 3 CIP index
- 4 Dollar value
- 5 Dow Jones Industrial Average
- 6 Foreclosures
- 7 U.S. manufacturing
- 8 Retail sales
- 9 Personal spending

Mr. Porfiri summarized the President's budget proposal and funding available to cities:

- 1 \$1.5 billion in aid to the State of California
- 2 \$1.5 billion for transportation and housing (Department of Transportation)
- 3 \$4.2 billion for medical response and communication (Homeland Security)
- 4 \$2.4 billion for energy efficiency and renewable energy programs (Department of Energy)
- 5 \$3.99 billion for CDBG programs; \$41.6 billion for affordable housing for low income individuals (Department of Housing)
- 6 \$3.3 billion for clean water, infrastructure and construction of water treatment plants (EPA)
- 7 \$58 billion designed to improve California's water supply (Department of Water Management)

He reviewed the California state budget:

- 1 Taxes \$2.3 billion above estimates as of March
- 2 Unemployment rate around 12 percent
- 3 John Chiang – prudent minimum cash balance, cash flow projection has been extended
- 4 Rating agencies take action to reduce state bonds rating
- 5 Governor will revise budget after all taxes are collected in April

Mr. Porfiri discussed the Governor's budget proposal:

- \$ 8.5 billion in cuts
- \$ 6.5 billion additional funding from the feds
- \$ 3.9 billion alternative funding (swaps, fees, etc.)
- \$18.9 billion, which includes replacing current sales tax of six percent on gasoline with an excise tax (17.3 cents per gallon)

Mr. Porfiri advised of the possible impacts on the City of Susanville:

- 1 State issuing IOUs:  
Water fund: \$ 4,000  
Natural gas fund: \$10,000
- 2 Possible loss of state-funded programs:  
General Fund – \$100,000 (COPS grant) in future years  
Proposition 42 for Streets – not eligible next year  
HUTA deferral

He discussed the effects on the local economy:

- Some businesses have moved or closed down during this recession (i.e., Susanville Ford, TCBY, Domino Pizza, Blockbuster, Bike Shop, Mugsy's, Cookies by Katy, etc.)
- Sales taxes, TOT, business licenses, VLF are all down for FY 2009/2010

Mr. Porfiri indicated that the City's enterprise funds would be discussed. He explained that enterprise funds are funds in which the full cost of providing the service is to be recovered through fees and charges. Enterprise funds use the Generally Accepted Accounting Principles (GAAP) as do similar businesses in the private sector. The City's six enterprise funds are Natural Gas, Water, Airport, Day Care, the Golf Course and the Geothermal utility. Each of these are being taken and reported on in terms of revenue, expenditures, net income/loss and cash increase/decrease.

Natural Gas (7491)

Revenue	4,654,887
Expenditures	4,733,609
Net loss	(78,803)
Cash increase	442,744

Projected debt service coverage is estimated at 1.26.

Mayor Bonham and Mr. Porfiri discussed the way in which external and internal amounts are shown as debt service.

Mr. Porfiri also compared the utility's cash balance on June 30 of several years:

06/30/2003	(2,111,636)	
06/30/2004	(1,179,819)	
06/30/2005	( 950,943)	
06/30/2006	( 909,310)	
06/30/2007	( 889,785)	
06/30/2008	( 537,315)	
06/30/2009	( 646,471)	
06/30/2010	( 240,000)	Projected
06/30/2011	150,000	Estimated

Water Fund (7110)

Revenue	\$2,451,287
Expenditures	2,661,419
Net loss	(210,132)
Cash increase	125,649

Projected debt service is forecast as 1.67.

Mr. Porfiri compared the utility's cash balance on June 30 of several years:

06/30/2003	138,609	
06/30/2004	353,846	
06/30/2005	1,946,661	
06/30/2006	2,263,078	
06/30/2007	2,214,402	
06/30/2008	2,532,482	
06/30/2009	3,052,593	
06/30/2010	3,565,873	Projected
06/30/2011	4,034,852	Estimated

Water Lines Replacement (7114)

Revenue	343,330
Expenditures	0
Net revenue	343,330

Mayor Bonham advised the candidates that this is a highly restricted fund. Staff must bring specific projects before the City Council for approval before any funds are expended.

Airport Fund (7201)

Revenue	84,634
Expenditures	169,164
Net loss	(84,530)
Cash increase	5,257

Councilmember Callegari asked about providing natural gas to the Airport. Mr. Platt indicated that was certainly a matter for discussion. Typically, one would look for a payback within three to five years.

Mr. Porfiri reported on Airport cash over several years:

06/30/2003	( 54,754)
06/30/2004	( 92,079)
06/30/2005	( 84,818)
06/30/2006	(111,835)
06/30/2007	(252,170)
06/30/2008	(252,170)
06/30/2009	(430,015)
06/30/2010	(508,184)
06/30/2011	(502,927)

Day Care Fund (7520)

Revenue	58,800
Expenditures	156,337
Net loss	(97,537)

Mr. Porfiri advised that there is a structural problem with this fund. Mr. Hill reported that the program makes money during the summer. He then discussed some of the challenges of the after-school child care dynamic. Councilmember Franco stated that the community's children are worth the City's investment in the program. Mayor Bonham agreed, stating that he supports the program as a social responsibility issue.

Mr. Porfiri reviewed the cash for the fund:

06/30/2004	(149,039)	
06/30/2005	(151,525)	
06/30/2006	(172,830)	
06/30/2007	(184,677)	
06/30/2008	(197,204)	
06/30/2009	(266,070)	
06/30/2010	(312,517)	Projected
06/30/2011	(410,054)	Estimated

Golf Course (7530)

Revenue	0
Expenditures	135,831
Net loss	(135,831)

Mr. Porfiri reviewed the cash for the fund:

06/30/2004	36,592	
06/30/2005	22,939	
06/30/2006	35,585	
06/30/2007	11,423	
06/30/2008	5,699	
06/30/2009	( 6,265)	
06/30/2010	( 82,804)	Projected
06/30/2011	(145,937)	Estimated

Geothermal (7301)

Revenue	70,000
Expenditures	71,349
Net loss	( 1,349)

Mr. Porfiri reviewed the fund cash for the past several years:

06/30/2004	8,406	
06/30/2005	67,821	
06/30/2006	38,490	
06/30/2007	77,771	
06/30/2008	80,943	
06/30/2009	104,939	
06/30/2010	107,703	Projected
06/30/2011	106,975	Estimated

Mr. Porfiri introduced the internal service funds, the purpose of which is primarily to provide services to other City funds. Since these funds don't have any revenues, all their expenses are charged out to the other funds. The accounting is the same as used by the enterprise funds. The internal service funds are made up of Public Works/Engineering, risk management and payroll.

Public Works/Engineering (7620)

Revenue	9,860
Charges out	658,139
Total:	667,999
Expenditures	667,999
Net	0

Mr. Platt explained that engineering services are charged out to specific projects.

Streets (2007)

Revenue	525,281
Expenditures	533,181
Net loss	(7,900)

Snow Removal (2006)

Revenue	108,000
Expenditures	108,000
Net	0

Following the presentation, there was general discussion on the enterprise funds.

Mayor Bonham commented that valid, stand-alone numbers must be available for the next certificates of participation.

Councilmember Franco added that the natural gas utility must be promoted. He believes that the viability of the utility has been proven, and that a strong marketing program must be in place. Councilmember Sayers remarked that the City missed the boat when the system was initially completed by not knocking on doors to promote the system.

Mr. Porfiri reported that the rates and fees that will be considered in a public hearing scheduled for May 5, 2010 have also been made available. These rates and fees do not include utility rates.

Motion by Councilmember Callegari, second by Councilmember Sayers to adjourn the meeting; motion carried unanimously.

Meeting adjourned at 4:45 p.m.

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Kurt Bonham, Mayor

Respectfully submitted by

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Debra M. Maggini, CMC/City Clerk

*Approved on May 5, 2010.*