

**SUSANVILLE CITY COUNCIL
SPECIAL MEETING MINUTES
June 8, 2011 – 6:00 p.m.**

Meeting was called to order at 6:00 p.m. by Mayor Callegari.

Roll call of Councilmembers present: Joseph Franco, Rod De Boer, Douglas Sayers, Cheryl L. McDonald and Mayor Lino P. Callegari.

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

Other City employees present: Matt Claiborne, Tom Hernandez, Kalvn McFarland, Brad Medvin, Anthony Smith, Rusty Tracy, Dan Weaver and Arlene Zelano (Fire Department).

Mayor Callegari led those assembled in the flag salute.

1 APPROVAL OF THE AGENDA: Motion by Mayor pro tem Sayers, second by Councilmember McDonald to approve the agenda as submitted; motion carried unanimously.

2 PUBLIC COMMENT: There was no public comment.

3 SCHEDULED MATTERS:

3A Consider appointment of Brennan S. Tinsley and Stephen E. Bertotti to the part-time temporary positions of Golf Course Assistants (cart handlers, 901/A): Mr. Talia reported that as the weather continues to improve, there is more activity at the golf course. Staff is recommending the appointment of two cart handlers to coincide with additional revenue generation. He emphasized that the appointments will not be effective without sufficient budget.

There was no public comment.

Motion by Councilmember De Boer, second by Councilmember Franco to appoint Brennan Tinsley and Stephen Bertotti to the part-time, temporary positions of Golf Course Assistants (cart handlers, 901/A); motion carried unanimously.

3B Consider Resolution No. 11-4773, Adopting policy for classifying fund balance as defined by GASB Statement No. 54: Mr. Porfiri reported that the City's auditor had recommended that the City adopt a policy to accommodate GASB Statement No. 54. He added that the auditors are currently in City Hall working on the City's FY 2010/2011 audit, and he introduced Derek Rampone to the Council.

He explained that fund balance is essentially the difference between the assets and liabilities reported in a governmental fund.

Mr. Porfiri reported that the Governmental Accounting Standards Board (GASB) has issued Statement No. 54. The requirements of this Statement are intended to improve financial reporting by providing fund balance categories and classifications that will be more easily understood.

In the past, fund balances have been classified into three separated components: Reserved, Designated and Undesignated. The five new components of fund balance as outlined in GASB Statement No. 54 are as follows:

- Non-spendable Fund Balance: That portion of a fund balance that includes amounts that cannot be spent because they are either:
 - a) not in a spendable form, such as prepaid items, inventories of supplies or loans receivable; or
 - b) legally or contractually required to be maintained intact, such as the principal portion of an endowment.

This category was traditionally reported as a "reserved" fund balance under the old standard.

- Restricted Fund Balance: That portion of a fund balance that reflects constraints placed on the use or resources (other than nonspendable items) that are either
 - a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - b) imposed by law through constitutional provisions or enabling legislation.

This category was traditionally reported as a "reserved" fund balance under the old standard.

- Committed Fund Balance: That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remain binding unless removed in the same manner.

This category was traditionally reported as an "unreserved-designated" fund balance under the old standard.

- Assigned Fund Balance: That portion of a fund balance that are constrained by the City Council to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established by the City Council or by an official who has been delegated authority to assign amounts.

This category was traditionally reported as an "unreserved-designated" fund balance under the old standard.

- Unassigned Fund Balance: That portion of a fund balance that includes amounts which do not fall into one of the other four categories. The General Fund is the only fund that would report a positive amount in this category.

This category was traditionally reported as an "unreserved-undesignated" fund balance under the old standard.

Mr. Porfiri explained that the use of all five components is not required. The first two components described are not addressed in the proposed policy due to the nature of their restrictions. An example of non-spendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the remaining three components described.

Mr. Porfiri also reviewed a spreadsheet which reflected General Fund fund balance prior to Statement No. 54 and subsequent to the new provisions.

Mayor pro tem Sayers asked what type of vote, majority or super-majority, would be required to "unwind" the policy." Both Mr. Porfiri and Mr. Talia indicated that a 3/2 vote would be sufficient.

There was no public comment.

Motion by Mayor pro tem Sayers, second by Councilmember McDonald to approve **Resolution No. 11-4773**; motion carried unanimously.

3C Public Hearing: FY 2011/2012 budget: Solicit and consider public comments relative to proposed annual budget

Action:

- 1) **Consider Resolution No. 11-4764, Establishing appropriations limit for FY 2011/2012 pursuant to California Constitution Article XIII-B and Government Code §7910**
- 2) **Consider Resolution No. 11-4765, Adopting the FY 2011/2012 budget**

Mayor Callegari opened the public hearing at 6:14 p.m. and requested the staff report.

Mr. Porfiri reported that each fiscal year, the City Council approves and adopts a budget as required by law. On May 11, 2011 a workshop was conducted to address budget issues and provide for both public and City Council input. He stated that compared to other jurisdictions in California, the City of Susanville has done a good job in anticipating budgetary shortfalls and has taken proactive steps to avoid the large deficits that have wiped out reserves and devastated entire departments in other jurisdictions. As a result of this conservative approach, the City's potential shortfall is very small and through additional organization changes and further cuts, staff has been able to close the gap.

Mr. Porfiri reported that the proposed General Fund budget for FY 2011/2012 has been balanced. The original projected shortfall of \$96,972 has been eliminated for the most part by transferring a Finance employee back to Public Works to fill an unexpected vacancy and by a voluntary effort by all department heads to reduce operating expenditures wherever possible. It's important to note that the General Fund budget was balanced without compromising service levels of the preceding years. The total proposed General Fund expenditure budget is \$5,007,890, including \$39,191 in contingencies.

Both the Water and Natural Gas funds budgets meet or exceed the 1.25 debt service coverage ratio required by the bond covenants. The Streets fund budget is balanced and the Airport and Golf Course funds are operating with a negative cash balance.

The FY 2011/2012 budget represents total expenditures for all funds of \$14,480,588 as reflected in Exhibit A or **Resolution No. 11-4765**.

Mr. Porfiri explained that another part of the budget process is the appropriation limit. The State of California constitution Article XIII-B and *Government Code §7910* require cities to establish appropriations for each budget year. In November of 1979, the voters of California approved Proposition 4, "Spending Limitation." Proposition 4 provides for limits to annual appropriations that are funded by proceeds of taxes for each fiscal year beginning in FY 1980/1981. Proposition 4 established FY 1978/1979 as the base year for computing the limitation. The tax limit may be adjusted each year for the percentage change in population plus the percentage change in Per Capita Personal Income (PCPI) for California, or the percentage change in the local assessment roll due to the addition of local non-residential new construction. The city reserves the right to amend the limit if it is determined that the percentage change in the local assessment roll due to the addition of non-residential new construction is greater than the percentage change in PCPI.

The amount determined to be the appropriation limit for FY 2011/2012 has been computed by using the information provided by the State Controller's Office as follows:

Appropriation limit for FY 2010/2011	\$8,124,752
Change in population from 01/2011 and 01/2011 (o.yy percent)	<u>62,561</u>
Change in PCPI for 01/2010 to 01/2011 (2.51 percent)	<u>205,502</u>
Appropriation Limit for FY 2011/2012	\$8,392,815
Anticipated Appropriations for FY 2011/2012:	\$4,561,478

California cities are required to operate with both an adopted budget and an established appropriations limit. Even though the City may continue operating without a formally adopted budget, there are negative implications of not having a budget approved on time. For example, many grant applications require an approved and adopted budget. Investors may see it as a potential problem. Without an adopted budget, rating agencies interpret as cash flow difficulty and may even downgrade the City's current credit ratings. In addition, many people see it as one of the inefficiencies of governments.

Finally, Mr. Porfiri indicated that there is an error on the Resolution's Exhibit A. He distributed the Amended Exhibit A.

Mayor Callegari asked for any comments relative to the proposed budget.

Brad Medvin, local resident, commented that he lives on the Rancheria and is addressing the City Council as a Susanville citizen. He appealed to the Council to retain a full-time, temporary firefighter position.

Nick McBride, local resident, asked what impact rolling back the 8.25 percent State sales tax rate will have on the City. Mr. Porfiri responded that there will be no impact, as the additional percent went directly to the State.

Jim McCarthy, local businessperson, commented on what he characterized as the "\$80,000 golf course experiment." He is opposed to laying off firefighters in order to continue to fund the golf course.. He believes that the golf course should be limited to spending only what it brings in.

Mayor pro tem Sayers stated that he agreed with Mr. McCarthy that the golf course is a burden on the taxpayers. He is supportive of selling it.

Councilmember Franco remarked on the importance of having accurate records prior to listing the golf course for sale. He stated that while the budget isn't perfect, he can live with it for the coming year. He is concerned that the next step in remaining solvent will include lay-offs or decreases in salaries or benefits. At this point, the City Council is not contemplating the lay-off of any regular, full-time employees.

Mayor Callegari encouraged staff and the Council to look for the money necessary to maintain the current staffing level. He's confident that there is sufficient funding to keep everyone. In the meantime, he is supportive of the proposed budget.

There being no further comments, he closed the public hearing at 6:42 p.m.

Motion by Mayor pro tem Sayers, second by Councilmember De Boer to approve **Resolution No. 11-4764**; motion carried unanimously.

Motion by Mayor pro tem Sayers, second by Councilmember Franco to approve **Resolution No. 11-4765**; motion carried with Councilmember De Boer voting "no."

Mayor pro tem Sayers asked for monthly updates on the budget. He would like to find a way to keep the full-time, temporary firefighter.

4 **ADJOURNMENT**: Motion by Councilmember De Boer, second by Mayor pro tem Sayers to adjourn the meeting; motion carried unanimously.

Meeting adjourned at 6:45 p.m.

Lino P. Callegari, Mayor

Respectfully submitted by

Debra M. Magginietti, CMC/City Clerk

Approved on July 6, 2011.