

**SUSANVILLE CITY COUNCIL  
Special Meeting Minutes  
May 13, 2015 at 5:30 p.m.**

Meeting was called to order at 5:30 p.m. by Mayor Wilson.

Roll Call of City Councilmembers: Kathie Garnier, Rod E. De Boer, Lino P. Callegari, and Brian Wilson, Mayor. Absent: Nicholas McBride.

Staff present: Jared G. Hancock, City Administrator; Tom Downing; Police Chief; Dan Newton, Public Works Director; Deborah Savage, Finance Manager and Gwenna MacDonald, City Clerk.

**1 APPROVAL OF THE AGENDA:** Motion by Councilmember De Boer, second by Councilmember Garnier, to approve the agenda as submitted; motion carried. Ayes: Garnier, De Boer, Callegari and De Boer. Absent: McBride.

**2 PUBLIC COMMENT:** None.

**3 SCHEDULED MATTERS:**

**3A Budget workshop: Fiscal Year 2015/2016** Ms. Savage explained the workshop objectives, which included a review of where the City is at financially, obtaining City Council and community input, reviewing the individual funds and goals, and the next steps in the budget adoption process. The City takes a conservative approach to the budget, and while there are potential revenue sources each year including project reimbursements, SCORE reimbursements, out of area fire suppression reimbursements, the projected revenue is based upon consistent sources of income. The expenditures represent fully funded staffing levels, and any vacancies due to staff turnover will result in a savings of funds.

Slide One:

**Public Works Administration**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 YTD</u>	<u>15/16 Budget</u>
Revenues	\$ 587,746	\$ 361,328	\$ 618,758
Expenses	\$ 587,746	\$ 361,328	\$ 618,758

Public Works Administration is an Internal Service Fund that has no fund balance, and all expenses are charged out to Water, Natural Gas, Streets, Geothermal, Golf Course and General Fund.

Slide Two:

**STREETS FUND**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 YTD</u>	<u>15/16 Budget</u>
Revenues	\$ 881,984	\$ 424,980	\$ 756,456
Expenses	\$ 965,473	\$ 692,143	\$ 756,456

The fund balance on June 30, 2015 is estimated at \$391,534, with an approximate decrease in gas tax revenue for fiscal year 2015/2016 the 21% decrease in gas tax revenue for 2015/2016 is due to reduced

consumption caused by weather and provisions of the tax swap.

Slide Three:

**Requests included in Streets budget:**

- Vehicle - \$ 15,000
- Shop project and back-up generator - \$ 22,170
- New Street Light Numa Road - \$ 10,000
- Payroll-emergency response - \$ 11,000
- Vehicle Repair and Maintenance - \$ 3,440
- Transfer in from Street Mitigation Fund - \$ 72,931

Mr. Newton offered to answer any questions from the City Council.

Councilmember Callegari asked if the vehicle would be utilized for Air Pollution duties.

Mr. Newton responded that it would be utilized for Streets only.

Councilmember Garnier asked if the department has a policy for regular replacement of vehicles.

Mr. Newton responded that in the past staff has tried to take advantage of the Forest Service auction and have been able to get some good deals on vehicles for between six and seven thousand miles. However, the vehicles are normally subjected to very heavy use, and staff is looking for something with lower mileage that would not require as much work to make serviceable.

Slide Four

**WATER ENTERPRISE FUND**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 YTD</u>	<u>15/16 Budget</u>
Revenues	\$ 2,384,508	\$ 1,684,519	\$ 2,005,952
Expenses	\$ 2,511,562	\$ 2,217,005	<u>\$ 2,381,200</u>
			(\$375,248)

Depreciation	\$ 343,920
Cash in CIP Fund	\$ 1,221,592
Cash in Rate Stabilization Fund	\$ 3,000,000
Estimated Fund Balance @ 6/30/15	\$ 3,200,000

Ms. Savage explained that with the billing cycle, the year to date figure is one month in arrears, so there will be additional revenues and the actual year to date figures would be available after the close of the 2014/2015 fiscal year. Ms. Savage invited Mr. Newton to comment.

Mr. Newton explained that the State mandate of a 36 percent reduction in water production and the current drought will have a substantial impact on the water revenue. The current structure is a base rate plus usage charge, and staff will be looking at a proposed rate structure and continuing the discussions to address the repercussions of the conservation mandate.

Slide Five

**WATER ENTERPRISE FUND**

Requests included in budget:

Reduce transfer to CIP for drought revenue impacts (\$ 343,330)  
 Air Quality Compliance for dump truck \$ 14,097  
 Portion of pipe storage shed and generator project \$ 18,774

Ms. Savage reviewed the expenditure requests for the water enterprise fund in the 2015/2016 funding cycle, and invited Mr. Newton to explain the generator project request in more detail.

Mr. Newton explained that the generator project involved a replacement generator which was obtained as surplus several years ago from the Sierra Army Depot, and is used to run the fuel tanks during electrical emergencies. Staff is utilizing the generator from Well #3 in the interim, and the estimated cost of the project is split between the enterprise funds, for a total project cost of \$34,000. The City is bound by the requirement to meet certain air quality standards, which makes the project cost more expensive.

Slide Six

**NATURAL GAS ENTERPRISE FUND**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 YTD</u>	<u>15/16 Budget</u>
Revenues	\$ 4,578,577	\$ 3,531,941	\$ 4,578,577
Expenses	\$ 4,578,577	\$ 3,433,594	<u>\$ 4,469,540</u>
			\$ 109,037
Cash in Stabilization Fund		\$ 1,807,075	
Cash in Operations Fund		\$ 2,787,362	
Estimated Fund Balance @ 6/30/15		(\$42,544)	

Ms. Savage reviewed the revenues and expenses for the natural gas enterprise, noting that the warmer than normal weather resulted in a reduction in revenues due to decreased usage by the City's customers. The department has added quite a few new users, however the revenue and expense projects have been left the same in order to be as conservative as possible, in the event the warmer weather continues through the 2015/2016 winter season. The cost of natural gas has dropped, resulting in a decrease in expenses, and depreciation is funded at \$388,000.

Slide Seven

**NATURAL GAS ENTERPRISE FUND**

Requests included in budget:

Technical Services (testing and compliance) \$ 9,500  
 Travel/Training (Western Gas Conference, etc) \$ 9,114  
 Leak survey equip, sewer camera, SCADA \$ 43,500  
 Vehicle (Replace Unit 71-2002-1 ton service truck) \$ 55,000  
 Improvements: Construct pipe shed, Sierra Road & City Gate security fencing \$ 45,500

Mr. Newton reviewed the requests for the natural gas enterprise fund, explaining that the technical services testing and compliance were reflective of the new State regulations requiring more extensive surveys and testing on infrastructure, and the integrity of the mainline. The training and travel for current natural gas staff is necessary to continue maintaining the level of safety for operations and maintenance of the system. The current equipment is problematic, and staff will be looking into applying for grants through the office of pipeline safety which would offset some of the replacement costs.

Councilmember Garnier asked how many employees would be covered under the funding request for

additional training.

Mr. Newton responded that he had not quantified the number of employees, but the request is for safety-related training that in some cases has been neglected for a number of years.

Slide Eight

**AIRPORT ENTERPRISE FUND**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 YTD</u>	<u>15/16 Budget</u>
Revenues	\$ 145,263	\$ 136,924	\$ 95,000
Expenses	\$ 247,995	\$ 192,011	<u>\$ 227,050</u>
			(\$132,050)

Depreciation \$ 132,050

14/15 Budget is operational only. Does not include grant projects.

Estimated Fund Balance @ 6/30/15 - \$ 1,795,475

Cash @ 5/12/15 - \$ 31,060

Ms. Savage reviewed the airport enterprise fund, noting that the revenue decrease is a result of the commitment of funding for Airport Capital Improvement funding to be utilized as project match funds, and noted that depreciation is not being funded at the present time.

Slide Nine

**GOLF COURSE ENTERPRISE FUND**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 YTD</u>	<u>15/16 Budget</u>
Revenues	\$ 352,950	\$ 273,149	\$ 352,950
Expenses	\$ 352,950	\$ 279,845	\$ 352,950

Estimated Fund Balance @ 6/30/15 - \$ 2,392,324

Cash @ 5/12/15 - \$ 34,877

Ms. Savage reviewed the golf course revenue and expenses, explaining that the current golf season is split between two fiscal years, so the cost of operations for the 2015 season as a whole will not be available until later in the year after the course has closed for the winter. There are a few changes coming up which will result in a request to Council for a budget adjustment.

Slide Ten

**General Fund Revenue History**

Ms. Savage reviewed history of general fund revenue from fiscal year 1999/2000 through the estimated figures for 2014/2015, explaining that the one-time sources of revenue which the City receives for things such as risk management dividend payments or out of area fire payments, and noted that over the past fifteen years, the City's revenue has remained very steady, with a peak in fiscal year 2006/2007. She has been working with the County to determine any potential increase in tax revenue due to the increase of businesses on Main Street, and it is not anticipated that the growth will be substantial. There may be a potential increase of approximately \$20,000, however that amount is shared with the school districts and will not be received until the 2016/2017 fiscal year. The sales tax has been monitored and there was an approximate growth of two percent, however it stalled around the first of the year and has remained steady.

Mayor Wilson asked what the revenue figures were based on.

Ms. Savage responded that the revenues were based upon prior year actual, with the allocations being reviewed by the Department of Finance and adjusted every three months.

There was an extensive discussion regarding the potential tax exempt status of the company responsible for the commercial development on Main Street, which would mean that there would be no property tax revenue resulting from the new store.

#### Slide Eleven

##### **General Fund Expense History**

Ms. Savage reviewed a similar chart depicting expense history from fiscal year 2004/2005 through the present time, noting that one-time expenses had been eliminated.

#### Slide Twelve

##### **Long Term Debt**

City Hall (General Fund) \$ 1,370,195 – Final Payment 9/1/2027  
CalPERS Refunding Loan \$ 4,666,000 – Final Payment 6/30/2028  
General Fund - \$ 3,406,180  
Other Funds - \$ 1,259,820  
Utility Infrastructure \$ 33,796,000 – Final Payment 6/30/2045

Ms. Savage reviewed the City's long-term debt obligations and pay off dates.

#### Slide Thirteen

##### **Short Term Debt**

Housing Loans (General Fund) \$ 329,242– Final Payment 6/30/2019  
Early Retirement Incentive - \$ 89,280 – Final Payment 6/30/2017

Ms. Savage reviewed the City's short term debt obligations, explaining that the housing loans for the general fund represented the assumption of the loans owed by the redevelopment agency when the State eliminated the agencies state wide, and the early retirement incentive which was offered to certain employees in 2012.

#### Slide Fourteen

##### **PERS RISK POOL UNFUNDED LIABILITY**

Beginning 2015/2016 the City will be required to make payments to CalPERS in addition to the normal pension costs.

- Safety Risk Pool Amount \$ 2,102,415
- Miscellaneous Risk Pool Amount \$ 1,844,878

Amounts to be amortized over 21 years

Ms. Savage reviewed the increase in CalPERS pension costs which is categorized as an unfunded liability.

Mr. Callegari requested a short summary of the determination by CalPERS which has resulted in the additional liability.

Mr. Hancock explained that the City of Susanville, as an agency with fewer than 100 employees, is put in a risk pool for CalPERS, not unlike the shared risk pool that the City participates in for insurance coverage. Many agencies are sharing the risks and liabilities, and over time utilizing a number of factors, CalPERS

monitors the investments and determines if the risk pool is superfunded or underfunded, meaning the amount of available funding is sufficient to meet the retirement payment obligations of the agency. If a determination is made that the fund is underfunded, an assessment is made and each participating agency is obligated to pay its portion of the amount needed to bring the fund back to a stable balance. It was a surprise to the City that CalPERS decided to fully fund the amount, which is amortized over a period of 21 years.

Slide Fifteen

**PERS RISK POOL UNFUNDED LIABILITY**

	<u>Annual Risk Pool Payments</u>	
	Safety	Miscellaneous
2015-2016	\$179,770	\$ 155,599
2016-2017	\$218,094	\$ 185,507
2017-2018	\$258,557	\$ 217,071
2018-2019	\$301,251	\$ 250,362
2019-2020	\$346,273	\$ 285,455
2020-2021	\$358,831	\$ 298,681

Ms. Savage presented a summary of the increased pension payments which has been assessed based upon the actuarial study conducted by CalPERS.

Slide Sixteen

**PERS RISK POOL UNFUNDED LIABILITY**

Annual Risk Pool Payments Charged To City Funds

	General Fund	All Other Funds
2015-2016	\$249,839	\$ 85,530
2016-2017	\$301,697	\$101,904
2017-2018	\$356,385	\$119,243
2018-2019	\$414,083	\$137,530
2019-2020	\$474,920	\$156,808
2020-2021	\$493,439	\$164,073

Ms. Savage reviewed the annual payments as charged to the general fund versus the enterprise funds.

Slide Seventeen

**GENERAL FUND**

Revenues and Expenses

	<u>14/15 Budget</u>	<u>14/15 Estimated</u>	<u>15/16 Budget</u>
Revenues	\$ 5,310,089	\$ 5,054,546	\$ 5,196,972
Expenses	\$ 5,506,259	\$ 5,105,200	\$ 5,766,500
	(\$ 196,170)	(\$ 50,654)	(\$569,528)

General Fund Reserve \$ 802,907

General Fund Objective \$ 1,026,000 (20% of annual operating revenue)

Estimated Fund Balance @ 6/30/2015 (Includes Reserve) - \$ 2,445,370

Ms. Savage reviewed the 2014/2015 budget, the estimated actual budget, and the projected fiscal year

2015/2016 budget, noting an overall shortfall of \$569,528.

Slide Eighteen

**Departmental Requests Not Currently Included In Draft Budget:**

Police

- \$ 15,000 for Special Operations and Reserve Officers
- \$ 10,000 increase to overtime
- \$ 10,000 increase to dispatch contract
- \$ 3,000 increase to gasoline
- \$ 2,000 for volunteer program
- Evaluate options to create a fourth Sergeant position.

Fire

- \$ 1,500 increase to dispatch contract
- \$795 for Risk Reduction Assessment program

Administrative Services

- Replacement of aged vehicles
- Emergency power supply for City Hall

Ms. Savage reviewed the additional requests for items made by the Police, Fire, and Administrative Services department, noting that the costs were not included in the proposed 2015/2016 budget.

Mr. Hancock explained that the primary purpose of the meeting was to review the objectives of the budget and City Council priorities, and with the current deficit in the general fund budget, review which projects would make sense to put on hold. The objectives fall into two groups: Community Vitality and Services/Operations. He reviewed the list of projects which have been completed or are in progress on slide nineteen as follows:

COMMUNITY VITALITY

Planned:

- Create and Publish Economic Vitality Plan
- Create Economic Development Fund
- Public Facilities, Neighborhood Park (Cameron & Shadow Mountain) Skyline Park Expansion, Memorial Skate Park Completion
- River Parkway

In Progress:

- Roadway Repair & Maintenance
- Community Pool
- South East Gateway
- Sidewalk Completion Plan
- Beautification, Code Enforcement, Property Maintenance
- Johnstonville/Airport Water System Expansion

Completed:

- Airport Improvement Fund

SERVICES AND OPERATIONS

Planned:

- Mitigation Fund Objectives

In Progress:

- Debt Reduction Plan
- Water Rate Restructure
- Compensation, Attraction and Retention
- General Plan Update
- Technology/Remote Access
- City Hall Parking Lot
- Facility & Equipment Funding

Completed:

- Enterprises with Negative Cash
- Organization Structure
- Natural Gas Rates
- Depreciation Adjustments

Councilmember Garnier requested a focus on the weed growth along Main Street, and asked if Caltrans was moving forward with the bulbouts.

Mr. Hancock commented that staff has been working with Caltrans and the issue of maintenance came up, as it is common for Caltrans to turn that responsibility over to the jurisdiction. The agreement that the City has with Caltrans is fairly dated and would be worth updating if that is the Council's direction. Regarding the progress of the installation of bulbouts in uptown, Caltrans is still working to obtain traffic numbers and information.

Councilmember Callegari requested that staff continue to explore ways to expand the natural gas system.

Mr. Hancock responded that the City is active in exploring ways to expand the customer base, and also at improved system security measures as well as mutual agreements to assist the natural gas department staff in getting customers back online as quickly as possible after an emergency.

There being no further comments, he turned the floor back to Ms. Savage.

Slide Twenty

### **Budget Policies – Review**

Resolution No. 09-4543

- Adopt a balanced budget by June 30 of each year.
- Review all fees and charges annually.
- Fund balances in excess of the reserve requirements, may be used to fund one-time expenditures.
- Strive to reach and maintain a General Fund reserve equal to (20%) of annual operating revenues.
- 50% of prior fiscal year audited actual surplus (when available) to be set aside until 20% goal is attained.
- Cash reserve above the 20% set aside in reserve will become available for spending (one –time expenditure).
- Maintain fiscal solvency.
- A 4/5 vote is required to bypass or amend budget policies.

Ms. Savage reviewed the City's budget policies adopted by resolution number 09-4543, inviting feedback from the City Council.



Mayor Wilson observed that there was a lot of work to be done to reduce the deficit, and requested staff bring back options which will get the city closer to a break-even point.

There were no further comments or suggestions.

**15     ADJOURNMENT:**

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

Meeting adjourned at 6:30 p.m.

Respectfully submitted by

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Gwenna MacDonald, City Clerk

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Brian R. Wilson, Mayor

*Approved on June 17, 2015*