

**SUSANVILLE CITY COUNCIL
Special Meeting Minutes
June 15, 2015 at 5:30 p.m.**

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

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

Staff present: Jared G. Hancock, City Administrator; Dan Newton, Public Works Director; Daniel Gibbs, City Engineer and Gwenna MacDonald, City Clerk.

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

2 PUBLIC COMMENT: None.

3 SCHEDULED MATTERS:

3A Budget workshop: Fiscal Year 2015/2016 Mr. Hancock explained that the City conducted a budget workshop on May 13, 2015 to discuss the City's financial position, obtain City Council and community input, review the individual funds and goals and the next steps in the budget adoption process. The City is on a good trajectory, and each year staff looks carefully at revenues and expenses and for the 2015/2016 budget year, there is a preliminary shortfall in the General Fund and Water Enterprise Fund. The shortfall in the water fund is due in part to the State mandated water reduction which is resulting in reduced revenue projections. The City annual General Fund budget is approximately \$5 million, and the original shortfall was estimated at \$569,000. It is the City's objective to present a balanced budget for consideration utilizing sustainable baseline revenue sources. The City routinely receives one-time revenues which are unanticipated, and there are increases in revenue due to retirements and unfilled positions, or projects that are not undertaken in the year in which they are budgeted which results in a reduction in anticipated expenses for the fiscal year.

Mr. Hancock referred to information circulated that includes preliminary projections and alternatives to balance the budget as follows:

Revenue Generating Opportunities

- A Increase Revenue projections based on historical average
 - i. 3 year average - \$42,168
 - ii. 5 year average - (\$115,751)
- B Sales Tax Measure
 - i. ½ cent - \$744,000
 - ii. ¼ cent - \$372,000
- C Providing contract services to outside agencies
 - i. Included in current - HLVRA, LCAPCD, LAFCO
 - ii. Future contract opportunities - IRWMG, HLVRCD, LCTC

Expense Reduction Opportunities

- A Prepay short term liabilities (RDA loans, retirement incentive) in 2014/2015

- i. General Fund – Fund Balance (\$418,522)
 - ii. Annual expense decrease of \$121,993
- B Allocating non-recurring expenses to fund balance (roof repair, GP update, etc)
 - i. General Fund – Fund Balance (\$30,000)
 - ii. Expense Decrease of \$30,000
- C Freeze unfilled positions
 - i. 3 positions - \$220,000
- D Work Force reduction

Cost Recovery Opportunities

- A Contract services to enterprise funds \$240,000
- B Cover remaining shortfall with General Fund Fund Balance
 - i. \$2.445 million (Currently \$802,000 in reserves and \$1.6 in prior savings)

Mr. Hancock continued that staff recommends implementation of increasing revenue projections based on a three year average of \$42,168, exploring future contract services with IRWVG, LCTC and a continuation of HLVRC, allocating non-recurring expenses to the General Fund fund balance for a decrease of \$30,000, and providing contract services to enterprise funds. The implementation of these recommendations would result in a budget shortfall of \$257,360, with consideration of a Sales Tax measure to implement future community enhancement projects. Other possibilities have been discussed, such as looking at Business License rates and the City's Fee Schedule however it is not recommended as an option at this time. He stated that it is a matter of City Council priorities, and that the Council may feel more strongly about some options as opposed to others.

Mayor pro tem McBride commented that providing contract services to outside agencies would probably not be profitable or even break even once the staffing levels were increased to cover the increased workload.

Mayor Wilson asked what the HLVRA budgeted for outside staffing.

Ms. Savage responded that the budget is \$65,000 revenue to the General Fund.

Mayor Wilson commented that that LCTC is not going in that direction and they are currently looking to go outside for administrative management services.

Mr. Hancock responded that it was a suggestion just to keep on the radar since they may put out an RFP. It would of course be the City Council's decision, and a dollar value had not been associated with those options.

Councilmember Callegari asked which positions would be frozen to make up \$220,000.

Mr. Hancock stated that the positions would be the Project Manager, Battalion Chief and one Police Officer. Staff is not recommending that option, due to the potential for securing project grants and funding, and the critical nature of the public safety positions.

Mayor Wilson noted that there were two items that were not included on the list; the contingency fund, and the current practice of budgeting for all positions. He believed that the County budgets for personnel at a slightly reduced amount to account for staffing vacancies that occur throughout the year. It would be

something for the City to consider as well.

Mr. Hancock responded that the City could look at utilizing a historic average, but to be on the safe side should not reduce by more than four to six percent.

Ms. Savage responded that the contingency budget is listed as a line item to cover emergencies that is carried forward, so if it is not used it goes back into fund balance.

Mayor pro tem McBride stated that he is not in favor of imposing a tax measure unless the City had specific projects in mind.

Mr. Hancock responded that in order to have the best rate of success for passing a ballot measure it would be best to offer a variety of projects for the community to get behind, and by not specifically dedicating the tax it would require only a fifty percent plus one vote to pass.

Mayor Wilson asked if it would be hard to sell a tax measure to the community unless it were tied to specific projects.

Mr. Hancock admitted that it would be a tough sell, which is why the wording would be very important to consider prior to moving forward with that option.

Councilmember Callegari observed that a sales tax measure had been proposed on a few occasions in the past and he did not believe there was much chance for success.

Mr. Hancock stated that the City is doing everything to cut costs and operate as efficiently as possible, however expenses will continue to increase and in the long term, the City must either cut expenses or increase revenues.

Councilmember Callegari discussed the excess property that the City owns in the form of unused right of way easements, or property at the Golf Course that was at one time marketed for sale. He stated that it was an opportunity to capitalize on an asset that was essentially worthless to the City.

Mr. Hancock responded that at one time the City had considered creating various lots for sale at the golf course and at various areas around town however with the real estate market being where it is, now is not the prime time to sell in order to increase revenues, noting that the revenue generated would be one-time only and not continuing.

Councilmember Callegari noted that there are airport hangars offered for sale and maybe the City should consider buying up available hangars when they are for sale, and then selling to the highest bidder.

There was a discussion regarding the collection of Transient Occupancy Tax and general accounts receivable collection efforts.

Mayor Wilson asked if staff was comfortable with the numbers provided for sales tax revenue. With the increase in new stores over the past few years, he is not convinced that the modest projection for property and sales tax revenue is realistic. The numbers should be moving up as the City captures some of the retail leakage that has previously gone to Reno.

Mr. Hancock agreed that the figures provided by the Board of Equalization have decreased slightly, which does not include the attraction of shoppers from neighboring communities that may be enticed to shop in Susanville at some of the new stores. At this point, the reduction in revenue estimates is approximately \$113,000.

Mayor Wilson confirmed that the reduction was based upon the State Board of Equalizations estimates and the trend appears to show a 7 – 8 percent reduction.

Ms. Savage responded that it was, and that the City is too small for the State to break down to show retail versus restaurants, and that it appears that numbers were over-estimated in prior years.

Kurt Bonham remarked that if you look at the consistent number of permits over the years, it would appear that the conservative projections are probably close to accurate. When reviewing projections, it is important to utilize what you've been getting to get where you are going, and you can always hope, but you don't count on the numbers increasing in order to fund operations. What you see on Main Street won't fix \$500,000, and looking at three or four budgets is not adequate to determine a trend. He noted that the Battalion Chief position is critical to the Fire Department and it would be a mistake to freeze that position. He stated that the City may end up with an unbalanced budget, but as long as it can be explained and identified as to the cause of the shortfall is what is important but balancing the budget by freezing a key officer position is not the solution.

Mayor Wilson requested further explanation of the expense reduction opportunity of allocating non-recurring expenses to fund balance.

Mr. Hancock explained that non-recurring expenses would be one-time expenses such as infrastructure, roof repairs, which would be covered by savings to remove the expense from the General Fund.

Mayor Wilson asked if there was any room to eliminate expense in the travel budget.

Mr. Hancock responded that there was \$6,000 allocated to the City Council travel expense line item.

Councilmember Callegari stated that repairs can be deferred during hard times, but if there is money in the contingency fund we should go ahead and complete them.

There was a general discussion regarding the age and condition of the roof at City Hall.

Mayor Wilson referred to the Cost Recovery Opportunity and noted that he is in favor of allocating the correct cost of providing services to the respective enterprise funds, but he is concerned about the natural gas fund carrying the load since the other funds are in the negative. It seems like kicking the problem from one fund to another.

Mr. Hancock responded that staff would have to come up with an official proposal for Council review and discussion prior to implementing.

Mayor Wilson asked how conservative the estimates are for revenues to the natural gas fund.

Ms. Savage responded that it is very conservative with the expectation of another warm winter.

There was a lengthy discussion regarding weather trends, projections, and being too conservative on estimates.

Councilmember Callegari discussed opportunities to expand the natural gas system outside the city boundaries as the best option to increase revenue, even during warm winter weather trends.

Mr. Newton responded that larger commercial customers are really the best opportunity to increase revenues. Residential customers add to the customer base but the usage is not high enough to make a significant increase.

It was the consensus of the City Council to move forward with the option of eliminating the cost allocation method for enterprise funds in favor of implementation of separate contracts with each enterprise, and staff would work on bringing back solid numbers.

Councilmember Garnier stated that the only choice appeared to be approving with the deficit and hoping that that revenues come in higher than projected.

Mayor Wilson remarked that he would prefer to utilize Fund Balance since the City has worked hard to bring the reserve level to the target of twenty percent of annual revenue.

Mr. Hancock stated that funding annual personnel costs with an assumed vacancy rate had been mentioned, and a proposal would be put together for Council's review to identify savings.

Councilmember Garnier observed that there used to be someone in town who did energy efficiency reviews in order to identify ways that homeowners could save on energy costs, and it would seem that perhaps the city has someone on staff who could be certified and provide that service to city residents at a nominal cost.

Mayor Wilson asked how the water rate would be calculated.

Mr. Newton explained that the City currently has seven base water rates, based upon meter size. It is a monthly fixed rate with a per cubic foot built in water volume rate. Staff has considered implementing a drought surcharge that would kick in when the City is in a mandatory conservation period, but that would have to go through the public hearing process if the Council chooses to implement. It makes sense to look at the rate structure as a whole at the same time.

Mayor Wilson asked if it was a problem to include it as a charge in the base rate and remove it when the drought is over.

Councilmember Callegari commented that the City would be penalizing customers for the drought.

Mr. Newton responded that the water is a valuable commodity and it is the responsibility of the City to be good stewards of the resource which means making sure that the costs to maintain the system correctly and provide good service to the customers is met through charging appropriately for its usage. In 2008 the increase approved by Council has generated funding to complete many system upgrades, including an improved metering system to accurately measure usage. From now until the end of summer, the crew will be dealing primarily with fixing leaks.

15 ADJOURNMENT:

Motion by Councilmember Garnier, second by Councilmember Callegari to adjourn; motion carried. Ayes: Garnier, McBride, Callegari and Wilson. Absent: De Boer.

Meeting adjourned at 7:51 p.m.

Respectfully submitted by

Gwenna MacDonald, City Clerk

Brian R. Wilson, Mayor

Approved on: August 5, 2015