

**SUSANVILLE CITY COUNCIL**  
**Special Meeting Minutes**  
**May 10, 2016 at 3:00 p.m**

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

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

Staff present: Jared G. Hancock, City Administrator; James Moore, Fire Chief; Jim Uptegrove, Interim 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, McBride, De Boer, Callegari and De Boer.

**2      PUBLIC COMMENT:**

**Kurt Bonham** asked if the item regarding rates and fees scheduled for consideration on May 18, 2016 included the water rate increase.

Mr. Hancock responded that it does not include water rates, and that every year the City Council reviews the rates and fees charged for City services, and makes adjustments as necessary to cover costs. Any increase of water rates is subject to Prop 218 requirements, which includes mailing notices and those outreach efforts will be well publicized in advance of the public hearing to consider any water rate increase.

Mr. Bonham continued by complimenting Public Works Director Newton for the water rate analysis document that was provided. He cautioned that the capital improvement fund was specific to expenditures related to system improvements and as established in 2008, required a four-fifths vote of the City Council to approve spending. Mr. Bonham stated that the City should be making all draft memorandums of understanding with bargaining units available for public review by posting on the City website prior to adoption.

**3      SCHEDULED MATTERS:**

**3A      Budget workshop: Fiscal Year 2016/2017** Mr. Hancock thanked the City Council, members of the public and staff for their involvement in the process to review and consider the proposed budget for the upcoming fiscal year. The primary goal is to adopt a balance budget by June 30<sup>th</sup>. The process begins by reviewing the prior year budget, contacting revenue agencies, predicting and analyzing anticipated revenue trends, and then considering the expenses and needs from the prior year. The Department Heads meet early and frequently in the process, and consider department needs as opposed to wants, and that results in the information that is drafted for review and discussion in a workshop with the City Council. It is meant to be an interactive process in order to receive feedback from members of the public and the City Council. The resulting information will be used to make adjustments and revisions to the budget, the draft document will be circulated and a public hearing scheduled for final consideration and adoption. Mr. Hancock turned the floor over to Finance Manager Deborah Savage.

Ms. Savage explained the workshop objectives as indicated in the first slide of the power point

presentation. These objectives include a review of the City's current financial status, 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, insurance reimbursements, out of area fire suppression reimbursements, the projected revenue is based upon consistent sources of income. The funds under review include Public Works Administration, Streets, Water Utility, Natural Gas Utility, Airport, Golf Course and the General Fund.

Ms. Savage reviewed slide three which illustrated the type and number of City funds as follows:

- 1 General Fund
- 14 Restricted Special Revenue Funds
- 1 Capital Improvement Fund: City Hall Parking Lot Project
- 4 Debt Service Funds: City Hall, CalPERS Side Fund, Community Pool and Miller Fletcher
- 5 Enterprise Funds: Water, Natural Gas, Airport, Golf Course, and Geothermal
- 3 Internal Service Funds: Public Works Admin, Risk Management and OPEB
- 3 Agency Funds: LAFCO, Lassen County Air Pollution Control District, HUSA and RWM Group

Total Pooled Cash as of May 10, 2016 - \$14,878,760

- Reserve Balances:
  - General Fund - \$853,000
  - Water Fund - \$3,000,000
  - Natural Gas Fund - \$1,807,075

Ms. Savage explained that the City meets all debt service requirements while building reserves.

Councilmember Garnier clarified that even if the City is restricted on use of the special revenue funds, that it is still able to earn interest on the balances.

Mr. Hancock responded that the City allocates the interest earned on pooled cash back to the respective funds proportionately, citing the example of mitigation funds that are restricted for use but are part of the pooled cash and earning interest.

Ms. Savage reviewed slide four as follows:

|                               |                     |                  |                     |
|-------------------------------|---------------------|------------------|---------------------|
| ▪ PUBLIC WORKS ADMINISTRATION |                     |                  |                     |
| Revenues and Expenses         |                     |                  |                     |
|                               | <u>15/16 Budget</u> | <u>15/16 YTD</u> | <u>16/17 Budget</u> |
| Revenues                      | \$ 783,811          | \$ 727,860       | \$ 783,811          |
| Expenses                      | \$ 782,473          | \$ 596,705       | \$ 807,054          |

Infrastructure Need:

Card Lock Fueling System \$ 25,000

Ms. Savage stated that it is recommended to fund the request for a card lock system through Fund Balance, which is currently estimated at \$80,000. She invited Mr. Newton to comment.

Mr. Newton explained that the existing fuel system used at public works for fueling all city vehicles is an

entirely mechanical system that staff is proposing to upgrade to a digital system to improve accounting for fuel usage, and the existing system has essentially outlived its useful life.

Mr. Hancock added that staff had been looking at our fueling system for some time, and the system allows for the City to purchase fuel in bulk to take advantage of price discounts and then bill out to the other departments based on usage. Due to issues related to temperature changes, tank seals, metering and calculating usage, the current system does not allow for good auditing due to the mechanical nature of the system. Upgrading to a digital system has been the best solution identified by staff.

Mayor pro tem McBride asked if it was necessary for the City to have its own fuel system.

Mr. Newton responded that in emergency situations the autonomy of having the fuel available was important for safety preparedness, and the ability to purchase in bulk provides a consistency in savings as the prices tend to fluctuate.

Mr. Hancock added that there are some taxes that the City is not required to pay if it purchases the fuel in bulk as opposed to purchasing through a third party vendor.

Ms. Savage reviewed slide five regarding the Streets Fund. There has been an approximate eight percent decrease in gas tax revenue for fiscal year 2016-2017 which is the major source of funding for street fund revenue. This represents the second year of a significant downturn in revenue as a result of falling gasoline prices and consumption. The Governor's proposed Transportation Package, if approved, could provide additional funding to cities and counties for local road maintenance.

Ms. Savage reviewed slide six as follows:

|          |                       |            |              |  |
|----------|-----------------------|------------|--------------|--|
| ▪        | STREETS FUND          |            |              |  |
|          | Revenues and Expenses |            |              |  |
|          | 15/16 Budget          | 15/16 YTD  | 16/17 Budget |  |
| Revenues | \$ 3,366,398          | \$ 424,980 | \$ 729,155   |  |
| Expenses | \$ 3,370,304          | \$ 692,143 | \$ 729,155   |  |

Ms. Savage noted that the large balance in the 2015-2016 budget included \$2.1 million in STIP project funding. The equipment needs identified by the department include a street sweeper, and it is recommended to fund the purchase through Street Mitigation and Gas Tax funds. The estimated fund balance as of June 30, 2016 is \$100,000. Ms. Savage invited Mr. Newton to comment regarding the item.

Mr. Newton explained that the Public Works Department has two sweepers, a 3-wheel 1971 Elgin, and another that is vortex based Pelican model. The department proposes to replace the Pelican with a newer model at an approximate cost of \$60,000 for a used machine. The cost to purchase the sweeper new would be between \$180,000 and \$195,000. The age of the machine has made it difficult to obtain parts to repair the existing machine, and the sweeper water system is no longer functional, which requires the water truck to drive ahead and spray the street. A functional sweeper is an important part of the street maintenance program, and staff has identified a quality used machine for a good price. The existing older machine will be kept and used as backup, if necessary.

Councilmember Callegari asked how long the used sweeper would be available, and noted that since loose cinders are a hazard to motorists, perhaps the snow removal fund could pay for part of the machine.

Mr. Newton responded that there was no way to predict how long the sweeper would be available.

Ms. Savage noted that the Street Mitigation fund has an adequate balance for purchasing the sweeper.

It was the consensus of the City Council to add an item to the May 18<sup>th</sup> agenda to authorizing purchase of the street sweeper.

Ms. Savage reviewed slide seven as follows:

- WATER ENTERPRISE FUND  
Revenues and Expenses – Operations

|          | <u>15/16 Budget</u> | <u>15/16 YTD</u> | <u>16/17 Budget</u>            |
|----------|---------------------|------------------|--------------------------------|
| Revenues | \$ 2,005,952        | \$ 1,525,380     | \$ 2,005,952                   |
| Expenses | \$ 2,819,754        | \$ 2,114,738     | <u>\$ 2,815,506</u>            |
|          |                     |                  | (\$ 809,554) Deficit 2016-2017 |
|          |                     | Depreciation     | \$ 374,379                     |
|          |                     | CIP Fund         | \$ 343,330                     |

Revenues and Expenses – CIP Fund

|          |              |            |            |
|----------|--------------|------------|------------|
| Revenues | \$ 347,141   | \$ 269,321 | \$ 347,141 |
| Expenses | \$ 1,426,094 | \$ 862,958 | \$ - 0 -   |

Ms. Savage explained that the expenses for the Capital Improvement fund include two water main replacement projects, and the revenue balances do not include any anticipated water rate increases.

Ms. Savage reviewed slide eight as follows, with balances that are estimated as of June 30, 2016:

- WATER ENTERPRISE FUND
  - Cash in CIP Fund \$ 200,000
  - Cash in Water Operations: \$ (450,000)
  - Cash in Rate Stabilization Fund \$ 3,000,000
  - Estimated Cash Balance: \$ 2,750,000
  - Estimated Fund Balance: \$ 2,202,032

Ms. Savage explained that the recommended water rate increase, if approved by City Council, would result in \$1,238,904 additional revenues, and the budget would be revised accordingly. The negative balance in the Water Operations fund is due to an upcoming debt service payment.

Mayor Wilson observed that if the rate changes do not go into effect, the City would have to be drawing from cash to finance operations.

Ms. Savage stated that it would be necessary to draw from the rate stabilization fund, and the City would have 120 days to replace it.

Mr. Newton commented that the conservation requirement made the situation worse, as it affected the

revenue amounts that the City needs to fund the operation, as most of the revenue for the water fund is received during the summer months.

Ms. Savage reviewed slide nine as follows:

- NATURAL GAS ENTERPRISE FUND  
Revenues and Expenses

|          | 15/16 Budget | 15/16 YTD    | 16/17 Budget |
|----------|--------------|--------------|--------------|
| Revenues | \$ 4,628,577 | \$ 3,581,858 | \$ 4,628,577 |
| Expenses | \$ 4,583,711 | \$ 3,702,455 | \$ 4,531,990 |
|          |              |              | \$ 96,587    |

Estimated balances at June 30, 2016:

|                            |               |
|----------------------------|---------------|
| Cash in Stabilization Fund | \$ 1,807,075  |
| Cash in Operations Fund    | \$ 4,028,697  |
| Combined Cash Balance:     | \$ 5,835,772  |
| Fund Balance:              | ( \$115,419 ) |

There were no questions or comments.

Ms. Savage reviewed slide ten as follows:

- NATURAL GAS ENTERPRISE FUND  
Additional Operational and Infrastructure needs included:

|                          |  |
|--------------------------|--|
| Machinery & Equipment:   | Purchase of replacement meters \$ 50,000 |
| Transfer out to Streets: | Repaving of streets \$ 69,744            |

Ms. Savage invited Mr. Newton to comment.

Mr. Newton discussed the water meter replacement project. The industry standard for meter use is between 10 and 12 years, and some of the City's meters are older than that. The use of digital meters improves accuracy and efficiency of the meter reading process and usage billing. The City continues to add customers, and the transfer to the streets budget is related to repaving necessary where natural gas line installations have occurred.

Mayor Wilson requested that Ms. Savage discuss the difference between cash in the operation fund and the cash in the fun balance.

Ms. Savage stated that cash is included in the fund balance, and the value of the asset is offset by the liability. The negative fund balance is created by the large debt that was issued to build the system and put in the infrastructure, but at the same time the cash value is very high and soon the fund balance will be in the positive range.

Mayor Wilson stated that the difference between the two figures represents an obligation of some sort that the City has to pay.

Ms. Savage responded that it is all debt service.

Mr. Hancock added that in private business it would be shown on the balance sheet with assets that

represent the value of the system infrastructure, buildings and equipment versus liabilities which includes the cost of the system infrastructure. When all of the value is calculated versus what is owed, including pension costs, the result is the fund balance. In addition, the value of the infrastructure decreases each year through depreciation. With the natural gas enterprise, depreciation is fully funded which also results in a steady increase in the cash balance.

Ms. Savage reviewed slide eleven as follows:

- AIRPORT ENTERPRISE FUND  
Revenues and Expenses

|  | 15/16 Budget | 15/16 YTD  | 16/17 Budget |
|--|--------------|------------|--------------|
| Revenues   | \$ 95,000    | \$ 64,330  | \$ 110,000   |
| Expenses   | \$ 240,875   | \$ 229,501 | \$ 267,343   |
|  |              |            | (\$157,343)  |
| Depreciation \$ 159,666                                  |              |            |              |
| Estimated Cash Balance as of June 30, 2016 - \$ 2,500    |              |            |              |
| Estimated Fund Balance as of June 30, 2016 - \$2,178,159 |              |            |              |

Ms. Savage explained that the 2015-2016 budget reflects operations only and does not include grant projects. The fund balance is a reflection of the fact that the assets and value of the facility is very high, but the cash balance is very low.

Mr. Hancock discussed recent FAA grant funded improvement projects at the airport, noting that the FAA provides ninety cents for every dollar spend on eligible capital improvement. The City has budgeted an amount each year in order to set aside matching fund contributions that are required for projects. The depreciation represents the amount estimated to be set aside to replace aging infrastructure. The amount shown is not fully funded, and instead the city utilizes funding through the FAA to complete those projects. One large project could represent the value of ten years of depreciation expense.

There was a general discussion regarding utilizing FAA funding and accounting for it through the depreciation account in order to reflect that the larger projects which are completed are shown to be reducing the depreciation expense which continues to grow, but is not funded through the City's set aside each year that is used for project match contributions.

Ms. Savage reviewed slide twelve as follows:

- GOLF COURSE ENTERPRISE FUND  
Revenues and Expenses

|  | 15/16 Budget | 15/16 YTD  | 16/17 Budget |
|--|--------------|------------|--------------|
| Revenues   | \$ 369,364   | \$ 273,149 | \$ 369,364   |
| Expenses   | \$ 364,950   | \$ 273,876 | \$ 369,364   |
| Estimated Cash Balance as of June 30, 2016 - \$ 12,100   |              |            |              |
| Estimated Fund Balance as of June 30, 2016 - \$2,443,686 |              |            |              |

Ms. Savage explained that the cash balance is approximately \$50,000, and explained expenses related to operations that are anticipated before June 30, 2016.

Mayor Wilson asked how much depreciation was being funded.

Ms. Savage responded that the depreciation expense for the golf course is \$24,000.

Ms. Savage reviewed slides related to the General Fund revenue and expense history. The General Fund revenue chart depicted a ten year revenue history, with \$5,499,121 received in fiscal year 2005-2006 being comparable to \$5,285,229 which was anticipated to be the 2015-2016 actual figure. She reviewed the sources of revenue for the general fund, including sales tax, property tax, business license fees, TOT, and vehicle license fees. Ms. Savage explained that property tax, sales tax and vehicle license fees represented the majority of the revenue, with this being the final year of the 'triple flip.'

Councilmember Callegari asked if the TOT was eight percent or ten percent.

Ms. Savage responded that the TOT is collected at ten percent and it makes up eight percent of the total revenue.

Mayor Wilson asked how much the SCORE reimbursement was this year. Ms. Savage responded that the City received \$92,000, and it was allocated to the risk management fund.

Mayor Wilson asked if the money would be allocated out to other funds. Ms. Savage confirmed that it would in the future.

Councilmember Garnier asked if the fees collected for services is reduced from 2005 due to the decrease in new building and development in the community. Ms. Savage responded that it was, and included all fees and charges related to all building and development services.

Ms. Savage reviewed a chart depicting a General Fund expense history beginning in 2006-2007 and included expenses for salaries, benefits, pension costs, operations, cost allocation and transfers. The charges for one-time expenses included items such as grants, vehicle purchases, or transfers out to other accounts to remove negative balances. The expenses were \$5,957,854 in 2006-2007, and estimated to be \$5,245,653 in actual expenses for the current fiscal year.

There were no questions or comments.

Ms. Savage reviewed slide fifteen which illustrated a general fund overview graph of cash balances on June 30<sup>th</sup> of each year from 2004 through 2015. The chart represented a steady increase from less than \$500,000 in 2004 to just over \$2.5 million in 2015. She explained that the dramatic dip in 2013 was a result of transferring cash out to remove negative cash balances from other funds. This steady increase in reserve funds is reflective of the conservative and prudent approach to budgeting that the City Council has demonstrated for over ten years.

Mr. Hancock added that the number includes the \$853,000 in reserves which brings the City close to \$1.5 million in fund balance. The expenses are fairly steady throughout the year, and we will see a few drops every now and again with large debt service payments, but revenues are not routine or broken out evenly over the twelve month period. The time of year when we get the lowest in cash is in mid to late December, and the cash flow can get very close to zero before the checks come in in January.

Councilmember Garnier asked if the 2016-2017 budget included the raises that the employees just received.

Ms. Savage answered that the figures reflected the updated numbers for approved bargaining unit contracts.

Ms. Savage reviewed the next two slides, explaining the sources of General Fund revenue charges for services. These include Contract Services for administering IRWMP grant, Contract Services for LCAPCD, Zoning and Subdivision Fees, City Engineer Services, Plan check Fees, and Protective Inspection Fees. Other revenues included permit fees, out of area fires, transfers in, reimbursements, fines, park user fees, rents and miscellaneous. General fund expenses represent charges for payroll, operations to include repair and maintenance, utility costs, professional and technical services, travel, supplies, machinery and equipment, civic promotions, and transfer out which are project subsidies or debt service payments.

Ms. Savage reviewed slide eighteen which provided a summary of the general fund revenue and expense figures for the 2015-2016 budget, 2015-2016 estimated actual and 2016-2017 budgeted amounts as follows:

DRAFT BUDGET OVERVIEW

|                                  |                  |                     |                  |
|----------------------------------|------------------|---------------------|------------------|
| ▪ GENERAL FUND                   |                  |                     |                  |
| Revenues and Expenses            |                  |                     |                  |
|                                  | 2015-2016 Budget | 2015-2016 Estimated | 2016-2017 Budget |
| Revenues                         | \$ 5,680,816     | \$ 5,529,509        | \$ 5,381,696     |
| Expenses                         | \$ 5,725,229     | \$ 5,598,376        | \$ 5,398,392     |
|                                  | (\$44,413)       | (\$68,867)          | (\$16,696)       |
| General Fund Reserve: \$ 853,684 |                  |                     |                  |

Ms. Savage reported that the general fund objective for a reserve is twenty percent of the annual operating revenue, or \$1,026,000. The estimated fund balance for June 30, 2016, including reserve, is \$2,427,417.

- Departmental Equipment, Infrastructure and Operational needs included in proposed budget:
  - Police
    - \$ 4,000 in professional services for sexual assault evidentiary exams
    - \$ 2,500 for police volunteer program
  - Fire
    - \$5,400 increase to overtime for Fire MOU changes

Ms. Savage invited Chief Uptegrove to comment.

Chief Uptegrove explained that in past year the charges for assault evidentiary exams were being paid for by the provider but they are no longer doing that so the City will start receiving a charge for that service. The Department receives approximately 20 calls per year for sexual assault, and not all of the calls require exams, but there will be an increase in charges. The department has also discovered a program through OES that may offset some of those costs so staff will continue to research those options. In addition, the Department is working towards getting the volunteer program up and running, as volunteers are a very good resource for many aspects of community outreach.

Councilmember De Boer asked if the exam costs were paid by the hospital before.

Chief Uptegrove confirmed that they were, and part of the issue is that the hospital can no longer conduct the examinations for 12 and under, so they have to be transported to Reno which results in an increased cost.

Councilmember De Boer asked why the hospital was no longer providing that service for age 12 and under.

Chief Uptegrove responded that it's a different qualification to perform those exams, and the person who was certified and providing that service is no longer at the hospital, so they do not have anyone on staff who is qualified.

Councilmember De Boer asked if there were funds available through the Victim Witness program.

Chief Uptegrove stated that the Department has explored that option, and there are no funds available, however OES does have a program and it is possible that some of that cost could be recovered.

Councilmember De Boer commented that it is unfortunate that you would have to transport a child to Reno for the exam, and that it will just add to the trauma of the whole situation. It would be preferable to have the person travel from Reno to Susanville to perform the exams.

Councilmember Garnier agreed, asking if there was something that could be done by the City and County to contact the hospital and urge them to have someone certified to perform the exams locally.

Chief Uptegrove responded that the Department is looking into all possible alternatives.

There was a general discussion regarding local resources and agencies that could assist in the process to make those services available locally.

Ms. Savage reviewed the details of the General Fund Budget as follows:

|                                     |             |
|-------------------------------------|-------------|
| GENERAL FUND DRAFT BUDGET OVERVIEW  |             |
| Beginning Budget                    | (\$251,007) |
| Revenue Projections                 |             |
| Increases (Sales Tax, VLF, etc)     | \$23,208    |
| Estimated Final Triple Flip True-Up | \$73,000 ** |
| Decreases (Reimbursements, etc)     | (\$48,045)  |
| Expense Projections                 |             |
| Increases (Department Requests)     | (\$11,900)  |
| Net Payroll Reductions (4% vacancy) | \$158,988   |
| Final Early Retirement Incentive    |             |
| Amount from Fund Balance            | \$39,060    |
| ENDING BUDGET                       | (\$16,696)  |

Ms. Savage explained that the City will receive revenue from the final estimated triple flip payment sometime in August, and the payment will be accrued back to the 2015-2016 fiscal year. The correction will show as a transfer in from fund balance for the 2016-2017 budget. The \$39,060 amount is a transfer in to pay off the early retirement incentive balance which will be eliminated and not included in the budget for

2016-2017.

Ms. Savage reviewed slide twenty-one, explaining the payroll estimates based upon funding at a 4 percent vacancy calculation.

- GENERAL FUND BUDGET  
Estimation of 4% Vacancy Rate from 2015-2016 Budget

|   |              |
|---|--------------|
| Beginning Payroll (w/vacancy reduction) | \$ 4,239,588 |
| Payroll charges thru April 29, 2016     | ( 3,515,983) |
| Estimated payroll thru June 30, 2016    | ( 701,409)   |
| Ending                                  | \$ 22,196    |

Mr. Hancock explained that in last year's budget discussion it was recommended to fund for an anticipated vacancy rate that results throughout the course of the year as employees leave and positions remain vacant for a period of time. Typically the City has budgeted for personnel based on being fully staffed, and for the fiscal year 2015-2016 budget, a four percent vacancy rate was budgeted. Based upon the ending figure of \$22,196, four percent was a very good estimate, but increasing over four percent was not recommended.

Ms. Savage reviewed slides pertaining to long and short term debt:

- LONG TERM DEBT
  - City Hall (General Fund) \$ 1,280,707 –(Annual Payment \$135,028) Final Payment 9/1/2027
  - CalPERS Refunding Loan \$ 4,448,000 – (Annual Payment \$435,596) Final Payment 6/30/2028
    - General Fund - \$ 3,247,040
    - Other Funds - \$ 1,200,960
  - Utility Infrastructure \$ 33,271,000 – (Annual Payment \$686,253 Water, \$1,664,575 Gas) Final Payment 6/30/2045
  - Community Pool - \$1,200,000 – (Annual Payment \$102,010) Final Payment 9/1/2030
- SHORT TERM DEBT
  - Housing Loans (General Fund) \$ 230,126– (Annual Payment \$83,301) Final Payment 6/30/2019
  - Early Retirement Incentive - \$ 39,060 – Final Payment recommended to fund from fund balance in FY 15-16.

Councilmember Callegari asked if the loan against the police department was for the pool.

Mr. Hancock responded that the facility was used as collateral in order to obtain a better interest rate.

Mr. Hancock explained that when the City is discussing the General Fund, it is important not to oversimplify the principles, given the numerous government standards that the City is required to follow. However, the City has adopted a very straightforward budget philosophy that is important for the community to understand. Essentially, the City bases revenue projections on what we are confident that we can expect to receive within the fiscal year. For the expenses, the City budgets fully for all expenses, with the exception of the four percent vacancy rate, and that allows us to confidently move through the year knowing that revenue will be received for all of the incurred expenses. The City departments operate very frugally so that throughout the year, there are some savings realized from expenses that were a little

less, or projects that were not completed within that year, and some additional revenue that may be received which has traditionally resulted in savings at the end of each budget year. At the end of the year, once it is balanced, if there is additional money it is placed into the reserve account. The goal is to have a reserve account just over \$1 million, and it is currently at about \$850,000. That is a significant amount of money that is created as a buffer against financially difficult times. This is essentially a savings account and once the reserve is fully funded, the additional money that is realized at the end of the year can be put towards paying down short term debt and ultimately long term debt. In addition to putting prior year savings into the reserve, thirty percent of General Fund department savings (excluding payroll) are put into department facility and equipment funds. The City budgets short and long term debt payments each year, and by paying off those debts cash flow is freed up within the year which results in more flexibility in the budget. The expenses that are budgeted each year for short and long term debt are no longer in the budget which improves cash flow for operations, providing new services, making repairs to infrastructure and equipment, and implementing the goals that the City Council has and that the Community has.

Councilmember Garnier commented that the fully funded reserve account adds to the City's capital which should, in the event the City had to borrow money for a project, provide an opportunity to secure a better interest rate.

Mr. Hancock agreed, stating that maintaining a healthy reserve allows the City to secure a much lower interest rate when obtaining any type of funding.

There were no further questions or comments.

Ms. Savage reviewed and discussed long term debt obligations to the General Fund as depicted in slide twenty-four and twenty-five as follows:

- 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 calculated as part of payroll. The risk pool unfunded liability was previously included in the employers contributions as a percentage of payroll (i.e. Miscellaneous Employer rate for 2015-16 was 11.718% and for 2016-17 is 12.657%). It was in the 4 to 5 percent range. These payments to CalPERS are now an annually adjusted dollar amount.
  
- PERS RISK POOL UNFUNDED LIABILITY
  - Legacy members
  - Unfunded Liability balances at 6/30/2015
    - Safety Risk Pool Amount \$ 3,638,755
    - Miscellaneous Risk Pool Amount \$ 2,747,082

Mr. Hancock explained that the City of Susanville, as an agency with fewer than 100 employees, is put in a risk pool for CalPERS. 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. This represents an additional obligation to the City which is amortized over a period of 21 years.

Ms. Savage reviewed slide twenty six as follows:

- PERS RISK POOL UNFUNDED LIABILITY  
Annual Risk Pool Payments

|         | <u>Safety</u> | <u>Miscellaneous</u> |
|---------|---------------|----------------------|
| 2015/16 | \$179,770     | \$ 155,599 Actual    |
| 2016/17 | \$213,396     | \$ 177,729 Actual    |
| 2017/18 | \$258,557     | \$ 217,071 Estimated |
| 2018/19 | \$301,251     | \$ 250,362 Estimated |
| 2019/20 | \$346,273     | \$ 285,455 Estimated |
| 2020/21 | \$358,831     | \$ 298,681 Estimated |

Ms. Savage reviewed slide twenty-seven:

- PERS RISK POOL UNFUNDED LIABILITY  
Annual Risk Pool Payments Charged To City Funds

|         | General Fund | All Other Funds      |
|---------|--------------|----------------------|
| 2015/16 | \$249,839    | \$ 85,530            |
| 2016/17 | \$289,432    | \$ 101,693           |
| 2017/18 | \$356,385    | \$ 119,243 Estimated |
| 2018/19 | \$414,083    | \$ 137,530 Estimated |
| 2019/20 | \$474,920    | \$ 156,808 Estimated |
| 2020/21 | \$493,439    | \$ 164,073 Estimated |

Councilmember Garnier asked what happens after fiscal year 2020-2021.

Ms. Savage responded that it is amortized for 21 years and it has not been projected any further at this time.

Mr. Hancock added that it depends on interest rates, and we are seeing historic low interest rates and that means very little return on the money being invested by Calpers. Doing these projects when the interest rates are low result in such high projected payments. There is a lot of debate going on with the board regarding the types of investments that are being made.

Mr. Hancock discussed items related to Community Vitality and Services and Operations. He thanked the City Council for being proactive and forward thinking by identifying issues then prioritizing to address and prioritize in an effective way. There are a number of projects in progress or in the planning phase, and it is the goal of the discussion to generate thoughts or ideas of additional items that the Council may want to include on the list, to prioritize some of the pending items or to remove items that may not be as large of a priority. He reviewed the following list:

#### COMMUNITY VITALITY

Planned:

- Create Economic Development Fund to provide funding for business start-up money
- Public Facilities, Skyline Park Expansion – Pump Track, Memorial Skate Park Completion, Historical

Plaza

- River Parkway Revitalization of Corridor

In Progress:

- Roadway Repair & Maintenance
- Create and Publish Economic Vitality Plan
- Community Pool
- Neighborhood Park (Cameron),
- South East Gateway
- Sidewalk Completion Plan
- Beautification, Code Enforcement, Property Maintenance
- Johnstonville/Airport Water System Expansion

Completed:

- Airport Improvement Fund
- Roadway Repaving

Mr. Hancock invited questions or suggestions from the City Council or if there were items that they wanted to include on the list.

Councilmember Garnier commented that the Golf Course is a priority, and that the greens and fairways should be kept in really good condition.

Councilmember De Boer agreed, adding that it is a major asset and should be kept in a condition that attracts people from out of the area to visit Susanville. He added that effort should be dedicated towards developing a restaurant as it is a huge asset that is underutilized.

Mayor pro tem McBride suggested reaching out to an agricultural specialist to get ahead of the weeds. There are resources in the community that could be utilized and involved to improve the condition of the greens.

Mr. Hancock reviewed the services and operations items as follows:

#### SERVICES AND OPERATIONS

Planned:

- Development of Mitigation Fund Objectives

In Progress:

- Debt Reduction Plan
- Public Safety: Community Watch Program, Volunteers in Police Service
- City Provided Management Services: IRWMP, LAFCO, LCAPCD, HLVRA
- Water Rate Restructure
- Water Infrastructure: Mainline & Cady Springs
- Compensation, Attraction and Retention
- General Plan Update
- Technology/Security Plan
- City Hall Parking Lot-finalizing tank removal and landscaping
- Facility & Equipment Funding by accrual of prior year savings

Completed:

- Address Enterprises with Negative Cash
- Organization Structure

- Natural Gas Rate Reduction
- Depreciation Adjustments

Mayor Wilson asked regarding the status of completing the landscaping at the City Hall parking lot.

Mr. Hancock responded that it is on the list of projects for the Parks and Facilities Maintenance Superintendent and he has been working on it, but his primary focus has been on getting caught up on the parks cleaned up, but this project is high on his list as well.

Mayor pro tem McBride requested that the City consider acknowledging the County's Regional Economic Development Plans and model developed through the America's Best Communities grant application into the City's implementation, as parts of them are already being included in the City's work plan.

Ms. Savage reviewed the City Council's budget policies that were adopted in 2009, and include:

- 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 for reserve 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 added that staff was working to prepare an update budget policy document with current objectives that would be included for consideration with the final budget document.

Mr. Hancock added that an update was necessary to prioritize the objectives of the City Council. For example, the current policy included building a reserve, but what happens once the 20 percent objective is met should be considered and discussed.

The City Council discussed June meeting dates, and when the budget should be brought back at a public hearing for final adoption. With consideration to the upcoming election and providing the newly seated City Council the opportunity to vote on the budget, it was the consensus of the Council to go dark on June 15<sup>th</sup> for the regular meeting, and schedule a special meeting on June 22<sup>nd</sup>. The meeting would begin with seating and reorganization of the Council at 5:30 p.m.

## **15     ADJOURNMENT:**

Motion by Councilmember Garnier, second by Councilmember Callegari to adjourn the meeting; motion carried unanimously. Ayes: Garnier, McBride, De Boer, Callegari.

Meeting adjourned at 5:15 p.m.

Respectfully submitted by

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Gwenna MacDonald, City Clerk

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Brian R. Wilson, Mayor

*Approved on June 22, 2016*