

**FINANCE SUBCOMMITTEE
MINUTES
MAY 27, 2015**

A. CALL TO ORDER

Mayor Murray called the meeting to order at 4:35 pm in the Pinole Community Room, and led the Pledge of Allegiance.

COMMITTEE MEMBERS PRESENT:

Peter Murray, Mayor arrived at 6:22 PM
Debbie Long, Council Member (representing Mayor Pro Tem Swearingen)

COMMITTEE MEMBERS ABSENT/EXCUSED:

Judy Lee, Treasurer
The record reflects her absence.

STAFF PRESENT:

Belinda Espinosa, City Manager
Hector De La Rosa, Assistant City Manager
Sandra Sato, Interim Finance Director
Dean Allison, Development Services Director
Rob Pipe, Fire Chief
Patricia Athenour, City Clerk

B. PUBLIC COMMENT

There was no public comment. / The following speakers addressed the Finance Subcommittee.

C. CONSENT ITEMS

1. Approval of the Minutes of May 28, 2014

Approval of the May 28, 2014 Minutes was deferred to the next meeting for full board consideration.

D. BUSINESS ITEMS

1. Review the Preliminary FY 2015/16 Budget (Sato)

Hector De La Rosa opened the FY 2015/16 Preliminary Budget presentation, stating this was essentially a "status quo" budget with last year. The major change included reallocations of positions. He said that the Information Technology (IT) review was added in the FY 2015/16 budget during the Measure S 2014 discussions at the direction of Council, but there was no changes being proposed to be discussed this evening. Mr. De La Rosa also noted that there was a deficit in several funds. He turned the discussion over to Interim Finance Director Sato.

Sandra Sato, Interim Finance Director presented the Budget Exhibits into the record. She referenced the Preliminary Budget that was distributed on Friday, May 22nd to the members of Council and uploaded on the website on May 26th. She provided the following materials at the meeting:

- PowerPoint Exhibit
- Draft Budget Narrative
- Draft Transmittal Letter

Summary Highlights:

- The proposed budget is \$12,086,150
- Sales tax increased to 3.45 million (5.3%)
- Revenue might outperform projections as staff took a very conservative with revenue projections
- Measure S 2006 increased by 3%
- Funding shortage in Police due to the reduction in the Hercules contract for dispatch service. The \$100,000 loss is proposed to be funded from Measure S

Mayor Murray asked if the formula was based on call for service, population and another factor. City Manager Espinosa said that Hercules is stating that the County Sheriff's Department can offer dispatch services for less, and last year the fee was reduced in order to retain the contract.

Council Member Long said she believes that they will not renew and directed that staff investigate what needs to be done to keep our dispatch intact, and solicit others who may be interested in our services. She noted that the County's response time was nearly double that of the City. She asked staff to investigate with Hercules now, rather than waiting until the contract expires.

City Manager Espinosa said it would be very expensive to provide services without a contract with another agency. Council Member Long said a plan was needed.

Ms. Sato continued outlining the General Fund expenditures totaling \$11,520,245, and highlighted the employee health and retirement cost sharing, funding for 12 fire personnel and the 2.5 percent one-time pay adjustment for PPEA and IAFF.

Hector De La Rosa, Assistant City Manager, addressed the PERS employer increase, which is shared equally with the employees, based on the cost sharing formula approved with the retirement enhancement years back. He brought to their attention that the employee's share is an additional 2.7% and the one-time salary increase does not even cover the cost of living issues and/or the retirement sharing increase. It was raised for information only and not as a discussion item.

Ms. Sato continued with budget expenditures noting that the Fire Department was funding a staffing level of twelve fire fighters.

Council Member Long stated that the document was confusing, referring to page 99 that shows fourteen positions, plus a check and a battalion chief.

Belinda Espinosa, City Manager said there are fourteen positions but they are funding twelve.

Discussion followed; Council Member Long said the budget should not be showing fourteen then, but rather twelve, and asked what was being eliminated. Ms. Espinosa said no one would be eliminated; they just are not funding one firefighter and one engineer position. Ms. Espinosa said the budget document would be changed to reflect the twelve positions.

Sandra continued. There will be a fund balance at the close of 2014/15 of \$565,905. The General Fund reserves were another bright spot, projecting a balance of \$3.2 Million as of June 30, 2015.

Sato outlined the unfunded liabilities, not included in the budget, at approximately \$182,000. In addition, there are two additional unfunded liabilities, Verizon and the PERB compliant, for which the amount remains unknown at this time.

The following outstanding issues were also identified:

- PERS-Employer Rate
- Fire Department Staffing Model
- Subsidy for Swim Center
- Funding for the Chamber Business Expo

Measures S 2014 Projects had been discussed by the Council and a project list was approved on May 5th to be included in the budget. Measure S 2014 funding includes battalion chief training (beginning in October 2015), safety clothing and benefits, as well as recreation contributions which include Summer Sounds, Community Service Commission funding, Cinema in the Park, and the Annual Tree Lighting. Other projects were held over for further discussion by Council.

Hector De La Rosa, Assistant City Manager, said future years of Measure S would be balanced with the revenues received.

Council Member Long said she did not remember the \$2,000 expenditure to the Community Service Commission approved on May 5th and would check the video. Her position was that every group should manage and justify their expenses.

Mayor Murray questioned whether there were grants available for CERT programs. Chief Piper responded that occasionally there were. Since it is shown as unfunded, if a grant becomes available, it could be presented to Council at that time.

Staff presented the Wastewater Fund and first discussed the shared costs, split between the two cities. Capital equipment is split 50/50. "Pinole only" pays for the collection system which is unique to Pinole, debt service on bonds and depreciation (Pinole share - 1/2 of \$580,000). Operational Costs total \$4,215,950.

There was discussion that Hercules has capacity set aside, and they are not receiving capacity that Pinole ratepayers pay for. Ms. Espinosa said in the future, when Pinole is built out, the City could consider selling excess capacity to Hercules.

Mr. Allison said the "Pinole only" expenditures associated with the Water Pollution Control Plant total \$2,170,263, as noted on Slide on page 13.

WPCP Upgrade Project is estimated to cost \$45 million (\$22.5 M each) and construction will be over three fiscal years.

Dean Allison, DS Director, presented an overview of the CIP; a 5-year road map for the City. The presentation provided expenditures by category; 66% of the 5-year monies will be directed to streets and 21% into Parks & Facilities, Sewer Collection and Storm Drain 6% and 7%, respectively. He provided a brief overview of the funding sources in each project category.

The Subcommittee discussed the budget by fund and provided the following comments and questions:

Mayor Murray noted deterioration was occurring on some streets and suggested staff exploring further avenues for funding, asking whether WCCTAC was tasked with looking for other funding for member agencies.

Ms. Espinosa said it was CCTA, and read into the record the funding amounts identified in the next five years.

Council Member Long commented that more discussion was required regarding:

1. Questioned the need for an entire roof replacement at Senior Center. .
2. Soccer Field - Need field use policies in place before rehabilitating the field.
3. Shale Hill – Council Member Green raised this issue numerous times. Directed staff to budget some funds for engineering costs for future repair. .
4. Discussion whether there is merit for bonding to fund repair to collector streets, to use in concert with Measure C and J funds.

Mayor Murray commented that there are several areas where revenues are less than last year and asked if there was a reduction in programs.

Mr. De La Rosa said it is due to reallocation of some positions based on the job duties.

Discussion ensued regarding \$30,000 reduction in business license revenue as well as the Utility User Tax revenue decreasing due to legislation and migration from cable to Dish TV and dropping land line phone service.

Council Member Long noted a large increase in IT expenditures and to provide an explanation to the entire Council, as well as scheduling a discussion on IT resources going forward.

Mr. De La Rosa said much of the increase was due to purchasing new computers.

Gas Tax, Motor Vehicle in Lieu – Interim Finance Director Sato responded that it was taken away by the state ten years ago and swapped for property tax. Murray said to take a conservative approach with the estimate.

Legal Budget – Council Member Long requested that Council have an opportunity to prioritize what has been referred to as “unfunded priorities.”

Animal Control – Suggested holding up monthly payments until the County Animal Control addressed Council at a future meeting. Council Member Long said the City has never been provided a copy of their budget. There was discussion to discuss the matter with the supervisors.

Fire - asked the annualized salary of the new Fire Training Officer shown in Measure S 2014. Staff's response was \$132,000 plus benefits.

Salary Increases – The Subcommittee commented that it appeared in some departments there were six percent salary increases.

Mr. De La Rosa said employees received a five percent merit increase based on performance. Council Member Long said the amounts are arbitrary, and asked staff for further information on the Recreation Department, noting there was a twelve percent increase to one employee. Staff noted this and said they would report back.

Swim Center

Questions were raised on utility expenditure. Staff agreed to revisit that item, and said these were estimates until the CAFR is finalized and the final numbers are then inserted.

Recreation

Discussion ensued regarding the distribution of the revenues to subsidize programs that were less profitable. Council Member Long said there was a decrease in the Tiny Tots operations budget, Council Member Long requested an explanation of the \$33,000 difference, stating there are building improvements needed that those funds should be offsetting, and asked if they are placed in a reserve fund for that use?

Mr. De La Rosa addressed the Recreation Reorganization plan. He said revenues in one program are used to cover deficits in another.

Council Member Long requested a program evaluation to determine if there is value to subsidizing some of the deficit programs.

Discussion followed regarding the funding of the Recreation Manager salary being divided among the four programs. Council Member Long does not feel that is an equitable method to fund the salary as the Manager does not spend time equally in all program functions. She suggested this matter be addressed with the full Council, and she indicated she would not support this until the issue was fully vetted.

Mayor Murray said if some programs are not self-supporting, they cannot be supported by others.

City Manager Espinosa explained that the Recreation programs are not self supporting. Subsidies are provided to the swim center, the Senior Center, PCTV and recreation programs

Recreation page 177 – Youth Camp

Council Member Long requested a breakdown on the number of employees and how much of the administration salary is attributed to the Youth Camp.

Council Member Long asked what other Youth Programs are offered besides Youth Camp and After School Programs, and said she did not support a reorganization of the structure of Tiny Tots because it does not match staff's definition of a pre-school.

Staff responded to Council Member Long's inquiries about new activities for Youth programs.

Anthony Gutierrez, Pinole citizen, addressed the Subcommittee, and asked if the funds were allocated from the Youth Camp to the Swim Center to cover the entry fees of those attendees? –

Mr. De La Rosa said an internal transfer to the Swim Center was completed.

Staff briefly outlined the "big ticket" budgetary items facing the City:

1. PERS sharing formula (will hear concerns from employees)
2. PERB complaint
3. Verizon matter
4. OPEB and unfunded PERB liabilities

Anthony Gutierrez, Pinole citizen, provided a citizen perspective, said traffic issues were a big concern, and asked that Tara Hills and Pinole Valley Road require more traffic enforcement. He also suggested renaming Station 74 in honor of Rich Voisey, and reopening the station.

At 6:53 p.m., Mayor Murray adjourned the meeting.

Submitted by:

Patricia Athenour, MMC
Pinole City Clerk