

**MINUTES
CITY OF SAND CITY
BUDGET & PERSONNEL COMMITTEE**

**Sand City Council Chambers
November 7, 2014
2:00 P.M.**

The meeting was called to order at 2:00 p.m.

Members Present: Jerry Blackwelder, Council Member (Chair)
Mary Ann Carbone, Vice Mayor
Linda Scholink, Admin. Services Director
Todd Bodem, City Administrator
Kelly Morgan, City Consultant

Guest Present: Therese Courtney, Hayashi & Wayland
Mike Nolan, Hayashi & Wayland

AGENDA ITEM 2, Public Comments

2:02 P.M. Floor opened for Public Comment.

There were no comments from the Public.

2:02 P.M. Floor closed to Public Comment.

AGENDA ITEM 3, Fiscal Year 2013-2014 Audit Review

A. Review and Discussion of the Draft Audit prepared by Hayashi & Wayland for Sand City for FY 2013-2014

Therese Courtney of Hayashi & Wayland asked if there were any questions regarding the audit. Council Member Blackwelder commented that his review of the audit indicated that the City is doing everything correct and maintaining its obligations. Ms. Courtney reported that page 20 of the packet represents an unmodified and clean opinion of the audit. Following the letter, a report includes the discussion and analysis of the city's financial performance, an overview of the financial statements, capital assets and debt administration, government-wide financial analysis of governmental funds, fund budgetary highlights, and economic factors and next year's budget. Page 11 of the Audit depicts the City's assets, total liabilities and net position. A majority of the City's funds (approximately \$12.5 million) are tied up in capital assets and are unavailable for

future expansion of a proposed major construction project such as a new City Hall. The term life of City streets are factored into the audit as they will eventually need to be replaced. The balance sheet on page 13 (**page 32 of agenda packet**) does not include fixed assets or long term liabilities. It contains current resources, such as cash, investments and accounts payables. Based on this report, fund balances are \$15.3 million; however, out of the fund balances \$10.4 million is due from the Successor Agency and may not be counted on as a receivable. This would leave the City with only \$3.8 million for operating expenses. Dependent upon monies owed to the City and if they will be received, a deficit could occur sometime in the future. As of June 30, 2014, there are presently no funds available for City Hall expansion.

There was discussion regarding the sales tax ballot measure and whether the ½ cent increase would make a difference in revenue sources. Ms. Courtney explained that even though there are unrestricted funds, it cannot be counted on as available funds. On page 36, the statement of fiduciary net position reflects that \$17.8 million is still due for future bond payments, and page 37 reflects that that the City's pays a little over \$480,000 in interest expenses alone. The amount the Successor Agency receives is allocated for repayment toward the balance of bond obligations and to the remainder of pass-through payments owed to the Local Educational Agencies. Funds owed to the Successor Agency may not be disbursed until other debt obligations are met. The Oversight Board and Department of Finance would have final ruling whether the Successor Agency will receive funds as requested for the amount owed to the City.

Ms. Courtney further explained the Statement of Revenues, Expenditures, and Changes in Fund Balances. The net change in fund balances minus the current year depreciation, revenues that do not provide current financial resources and Other Post-Employment Benefit (OPEB) costs leaves the net position of fund balances at \$97,268. It was suggested that the City consider paying down its OPEB obligation and begin to fund it, as the outstanding balance accrues every year. Next year, the Public Employees Retirement System (PERS) liability will also need to be accounted for.

There was discussion regarding the amounts reflected on the fund balances of the Successor Agency. Negative amounts are due to the Successor Agency's debt obligations and the lack of money to fund those debts. Should the proposed McDonald development not move forward, and the DDA is terminated by either party, a portion of the fees in the amount of \$1.455 million would need to be refunded by the City to the developer. There is also the question of whether the former RDA will receive funds from the State for the money loaned by the City. Ms. Courtney concluded with a summary explaining the requirements of the new GASB No. 68, Accounting and Financial Reporting for Pensions, and other liabilities that would need to be reported on the audit for the next fiscal year.

Motion to recommend the Draft Audit for Fiscal Year 2013-14 for Council approval was made by Committee Member Carbone, seconded by Committee Member Blackwelder. There was consensus of the Committee Members to approve the motion as recommended.

AGENDA ITEM 4, Discussion and Consideration of Participation in a Regional Crime Analyst Position

The Committee discussed the amount that the City would expense to participate in the Peninsula Regional Violence and Narcotics Task Force (P.R.V.N.T) crime analyst position. For FY 2015-16, the cost would be \$10,000 and for the remainder of FY 2014-15, it would be \$1,612.00. Committee Member Scholink reported that at their November 5th, Public Safety Committee meeting, the Committee discussed the crime analyst position and recommended that the City would benefit by participating in the program.

Committee Members Backwelder and Carbone motioned to recommend Sand City's participation in the P.R.V.N.T Regional Crime Analyst Position. There was consensus of the Committee in favor of the motion.

AGENDA ITEM 5, Adjournment

Motion to adjourn the Budget and Personnel Committee meeting was made by Committee Member Carbone, seconded by Committee Member Blackwelder. There was consensus of the Committee to adjourn the meeting at 3:25 p.m.

Linda K. Scholink, Committee Secretary