

Item:	B-1
Minutes for:	03/15/17
Adopted:	12/20/17

**MINUTES OF A REGULAR MEETING
OF THE MADERA CITY COUNCIL
CITY OF MADERA, CALIFORNIA**

**March 15, 2017
6:00 p.m.**

**Council Chambers
City Hall**

CALL TO ORDER

The regular meeting for 3/15/17 was called to order by Mayor Medellin at 6:00 p.m.

ROLL CALL: The Deputy City Clerk called roll.

Present: **Mayor Andrew J. Medellin**
Mayor Pro Tem Cece Foley Gallegos, District 1
Council Member Jose Rodriguez, District 2
Council Member Donald E. Holley, District 6
Council Member Derek O. Robinson Sr., District 4
Council Member William Oliver, District 3
Council Member Charles F. Rigby, District 5

Others present were City Administrator David Tooley, City Attorney Brent Richardson, City Clerk Sonia Alvarez, Deputy City Clerk Zelda Leon, Director of Community Development David Merchen, Director of Financial Services Tim Przybyla, City Engineer Keith Helmuth, Public Works Operations Director David Randall, Chief of Police Steve Frazier, Director of Parks and Community Services Mary Anne Seay, Grant Administrator Ivette Iraheta, Chief Building Official Steve Woodworth, Planning Manager Chris Boyle, Administrative Analyst for Human Resources Eugene Haynes, Streets and Storm Drainage Operations Manager Bob Mack, and Battalion Chief Jim Forga.

INVOCATION: Pastor Randy Brannon, Grace Community Church

PLEDGE OF ALLEGIANCE: Mayor Medellin led in the Pledge of Allegiance.

PUBLIC COMMENT:

The first fifteen minutes of the meeting are reserved for members of the public to address the Council on items which are within the subject matter jurisdiction of the Council. Speakers shall be limited to three minutes. Speakers will be asked to identify themselves and state the subject of their comment. If the subject is an item on the Agenda, the Mayor has the option of asking the speaker to hold the comment until that item is called. Comments on items listed as a Public Hearing on the Agenda should be held until the hearing is opened. The Council is prohibited by law from taking any action on matters discussed that are not on the Agenda, and no adverse conclusions should be drawn if the Council does not respond to public comment at this time.

No comments were offered.

A. WORKSHOP

A-1 Report on Planned Weed Abatement Enforcement

Neighborhood Preservation Specialist Fabela Rodriguez stated today's presentation is an update on her weed abatement season. She explained that the weed abatement ordinance was passed in January of 2015 and weed abatement season starts on March 13th. She advised that currently inspections are being conducted on more than 700 properties in the City. She stated that the 700 properties consist of about 300 properties that are already in compliance. She has already conducted inspections on the east side. She will be closing about 300 of those which are newly built homes. This includes the Benchmark properties off of Knox, the new subdivision on St. Montelena Court off of Monterey Avenue and the newly built homes on Tevin off of Barnett and Pecan.

Ms. Rodriguez stated that weed abatement is a year round program to inspect vacant lots for refuse, wild vegetation and brush. Their primary goal is to prevent fires and blight in their City and neighborhoods. She referred to a property on W. Park Drive which sits on three different parcels. She explained that weeds were over three feet tall and as they can see, it is a huge fire hazard to all the abutting properties. She added that it harbors rodents. She stated that after she went out there for her reinspection, she spoke to some of the property owners and they told her that by the time the property owner went out there to abate the property, they were actually able to see the mice run out of the property as it was being abated.

Ms. Rodriguez referred to a property located on the corner of West 3rd and North "M". She explained that the weeds were over three feet tall. As they can see, it covers the fire hydrant and the red curb. When she was out there for her inspection, she observed stagnant water due to weeds obstructing the flow of water which harbors mosquitos.

Ms. Rodriguez referred to a property located on South "D". She noted that the weeds were clearly over the six inches. There was trash accumulated and as they can see, there is a propane tank on the property. She noted that weeds were green at the time but by July of course, they are all high and dry. She commented that it is a very high traffic area so if any of the drivers were smoking and they throw a cigarette butt out, that could cause a huge fire on that property.

Ms. Rodriguez referred to a property located on Country Club Drive. She noted that weeds were overgrown and as they can see, it is clearly obstructing the public right of way as trash was accumulated causing blight.

Ms. Rodriguez referred to a property located at 1119 Columbia Street. She noted that weeds were over four feet tall and of course, it is a fire hazard. She added that it is in between two residential properties. When she went out there for her inspection, she actually spoke to the resident next door who was playing outside with his daughter. He told her that this was the first time that this property had ever been inspected. He had been living there for about five years and no one had ever looked at it or inspected the property, and the property owner never did anything to bring it into compliance. She advised that this was actually one of the properties they had to abate last year.

Ms. Rodriguez reviewed her weed abatement process noting that she starts off with an inspection. She looks for anything that is over six inches, any trash, any obstructions of right of way. She then issues a 45 day notice of violation. She advised that the notice of violation is just a warning but with that, it is good for a whole year so they have a whole year that they need to have it in compliance. If it is not in compliance then they would enforce other action on the property. She advised that all lots need to be clean and disked or mowed by May 13th. With that, ample time is given because they do have 45 days to bring it into compliance. She will go out there after the 45 days. If it is in compliance then the case is closed. If it is not in compliance then further enforcement action will be taken.

Ms. Rodriguez commented that with the abatement process, she then comes here. They see her again and she schedules the abatement for all the non-compliant properties. She advised that last year they had about 23 properties that were not in compliance that they had to abate. With that, they do go into cost recovery once they get abated so she comes back again and they actually place those properties on the tax rolls. Ms. Rodriguez showed them an example of her notice of violation. As they can see, it shows the APN (assessor's parcel number), the property information, the property owner's information. It also states

the violation, the corrective action, the deadline and it is also a notice of hearing specifying the date, time and location.

Ms. Rodriguez showed them what she looks for when she goes out on her reinspections. For any properties that are five acres or less, she looks for total mowing and/or removal of weeds, brush, trash, and/or hazardous debris. For anything that is over five acres she looks for a fire break of a 30 feet minimum in width that shall be maintained around the perimeter of the property; removal of weed clippings, brush, any debris and trash and/or other hazardous materials is required; and any firebreak of minimum 100 feet shall be created and maintained surrounding any structure which is constructed of any flammable material within the property. She advised that a good example of that one would be the property on South "D" because it does have the propane tank on it. She showed them examples of the perfect lots as she would call them. As they can see, there is the fire break of 100 feet. It is clearly over the five acres. For another one, it is clearly over five acres but the property owner decided to disk the whole property which is perfect. For the next one, she noted that it is under the five acres so they mowed the whole property. For the final one, she noted that it is also over the five acres and they got rid of all the weeds too.

Ms. Rodriguez discussed why weed abatement is important. It prevents fires, protects the health and safety of the public, keeps right of ways accessible, prevents damages to abutting properties, and discourages illegal dumping. She added that most importantly, it makes Madera a better City. Ms. Rodriguez offered to answer any questions.

Mayor Medellin stated he knows that they maybe had a little bit of a concern through their Parks Department with some of the landscaped medians and things of that nature because they had a good wet winter this year. He noted that as is with all of the code enforcement, for those that cannot come in compliance within that 45 days, we work with those folks and give them time as long as they are willing to.

Ms. Rodriguez replied that they do. She actually sends out a courtesy notice before the 45 days are up just reminding them of what needs to be done in order to be in compliance. Most of the time, a lot of the property owners do get in contact with and she works with them if they need more time.

Mayor Medellin stated he only says that because he doesn't want somebody to say...hey the City is not doing anything about it, why are you making me do something about it. He hopes by May things will hopefully be taken care of.

Ms. Rodriguez stated that the weeds are super tall right now so she is definitely getting on that.

Council Member Rodriguez asked if when she says cost recovery if that is in the form of a tax lien if these people don't comply.

Ms. Rodriguez replied yes.

Council Member Rodriguez added that she will send them a bill.

Ms. Rodriguez replied yes and added that most of the time they do pay so they have a certain amount of time to pay it. They either come to the office and pay it or send in their check. Or, if they don't receive any payment then it is placed on the tax rolls.

Council Member Rodriguez asked if after these rains does this happen just typically once a year right before spring.

Ms. Rodriguez replied that she does start her inspections right before the spring but it is a year round process so come August, she will go out there again, reinspect the properties. If she sees that anything is not in compliance then she does contact the property owner to get that done.

Mayor Medellin commented that Ms. Rodriguez brought up a good point that the neighborhood recognizes that they are being proactive. They are trying to make the entire neighborhood and the entire City look good; not just one particular area. He thanked Ms. Rodriguez for the workshop and commended her for her efforts.

B. CONSENT CALENDAR

- B-1 Minutes – 7/20/16
- B-2 Information Only – Warrant Disbursement Report
- B-3 Bi-Weekly Water Conservation Report for 2/20/17 – 3/05/17 (Report by Dave Randall)
- B-4 Consideration of a Resolution Approving a Letter of Commitment as a Participating Jurisdiction in the Madera County Multi-Jurisdictional Local Hazard Mitigation Plan Update and Authorizing the Mayor to Sign the Letter of Commitment (Report by Wendy Silva)
- B-5 Consideration of a Resolution Approving Agreement for Outside of City Water Service for Property Located at 27722 Avenue 16, Approving Covenant to Annex, Authorizing the Mayor to Execute the Agreement and Covenant on Behalf of the City and Directing Staff to Record the Agreement and Covenant (Report by Keith Helmuth)
- B-6 Consideration of a Resolution Approving the Submission of a Grant Application to the Housing Related Parks Program 2016 and Authorizing the City Administrator to Execute All Required Grant Documents (Report by Ivette Iraheta)

Mayor Medellin asked the members of the Council if they would like to pull any items from the consent calendar for further discussion. No requests were made and Mayor Medellin announced that he would accept a motion for action.

ON MOTION BY COUNCIL MEMBER HOLLEY, AND SECONDED BY COUNCIL MEMBER ROBINSON, THE CONSENT CALENDAR WAS ADOPTED UNANIMOUSLY BY A VOTE OF 7-0.

RES. NO. 17-41 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA APPROVING A LETTER OF COMMITMENT AS A PARTICIPATING JURISDICTION IN THE MADERA COUNTY MULTI-JURISDICTIONAL LOCAL HAZARD MITIGATION PLAN UPDATE AND AUTHORIZING THE MAYOR TO SIGN THE LETTER OF COMMITMENT

RES. NO. 17-42 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA, CALIFORNIA, APPROVING THE AGREEMENT WITH REGINALDO MEDINA AND AURORA MEDINA FOR OUTSIDE OF CITY WATER SERVICE FOR 27722 AVENUE 16, APPROVING THE COVENANT TO ANNEX, AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT AND COVENANT ON BEHALF OF THE CITY AND DIRECTING STAFF TO RECORD THE AGREEMENT AND COVENANT

RES. NO 17-43 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA, CALIFORNIA, AUTHORIZING APPLICATION FOR HOUSING RELATED PARKS GRANT

C. HEARINGS, PETITIONS, BIDS, RESOLUTIONS, ORDINANCES, AND AGREEMENTS

- C-1 Second Reading and Consideration of the Adoption of an Ordinance Amending the City Municipal Code Relating to Organic Waste Recycling**

Public Works Operations Director Dave Randall stated that they will remember from their last meeting that this is an ordinance that simply implements the program to start collecting organic waste at commercial businesses. He advised that this is obviously the second step and they are asking the Council to adopt at this point. Mr. Randall offered to answer any questions or they can go back to the PowerPoint.

Mayor Medellin commented that he doesn't think they need to do that.

Council Member Rigby stated he is curious if any of the local businesses have caught wind of this and if there is any conversation being had between maybe waste management, noting that he sees Ms. Kwock is here.

Mr. Randall replied that they have had some people that are already interested. He advised that JBT who previously had done some stuff is in the mix. The Vineyard is eager to make that happen. He advised that there are some people who are going to step up and endorse this already.

Council Member Rigby asked Ms. Kwock if she is encouraged that they are seeing a little bit more. He stated that to him, the best kind of peer pressure is not when government says you have to, but it is when others that are going to be participating in the program themselves are saying...hey, we think this is a great idea, why don't you join us.

Annette Kwock stated she is with Mid Valley Disposal and she resides in Madera, California. Ms. Kwock replied that it is one of those things. It is an Assembly Bill that got passed last year. It has taken this long to get everything in working order but they have done Chamber news blast. They are at every event letting everyone know that this is coming and like anything else, it does take time. She advised that all the customers, all the food preparation areas are all aware of the program.

Council Member Rigby stated he understands AB 1826 obviously and added that it is coming whether they like it or not. He added that it helps...a spoon full of sugar helps the medicine go down...is what he recalls as a kid.

Ms. Kwock commented that way back when she first started in the Solid Waste Department, Chris Mariscotti from the Vineyard wanted this program to get started 13 years ago and she said...hey, we're not gonna do that here...no it's not gonna happen. Low and behold, here they are collecting food waste.

Council Member Rigby stated his appreciates Ms. Kwock's diligence and asked that she pass his appreciation on to her organization. He thanked her for being here tonight.

Mayor Medellin asked if there are any other questions.

Council Member Holley stated he has noticed at the schools he goes to that they are starting to do their recycling. He asked if that will be happening at all the schools or are they just chosen schools.

Ms. Kwock replied that right now she has three schools participating in the pilot program. That is Cesar Chavez, Parkwood Elementary and Alpha Elementary. She commented that the State of California was here on Monday. They did do a site visit at the school. They are doing a very good job with the schools. She advised that it is a lot of training. They have been doing this for four months now and she thinks they finally got it down. She advised that every school will be online before the summer hits she hopes.

Council Member Holley stated that is good because he has been keeping an eye on that. He thinks it works. He sits and watches how they are learning which to put each item in so it is educational.

Ms. Kwock told Council Member Holley if he would like to join her one day to one of the school sites she would be happy to. She invited any of them to attend with her and see how great they are doing. She

added that even though it is a separate contract for Madera Unified, it still falls under the City of Madera and they get to use that tonnage for their annual report to the State of California.

Mayor Medellin asked if there are any other questions. No other questions were asked and Mayor Medellin thanked Ms. Kwock.

Mayor Medellin asked the Deputy City Clerk to read title.

The ordinance was read by title by the City Clerk.

ON MOTION BY COUNCIL MEMBER RIGBY AND SECONDED BY COUNCIL MEMBER HOLLEY, FURTHER READING WAS WAIVED, AND ITEM C-1, ORD. NO. 940 C.S. WAS ADOPTED UNANIMOUSLY BY A VOTE OF 7-0.

ORD. 940 C.S. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MADERA AMENDING CHAPTER 3 OF TITLE V OF THE MADERA MUNICIPAL CODE RELATING TO COLLECTION OF REFUSE & RECYCLING

D. WRITTEN COMMUNICATIONS

There are no items for this section.

E. ADMINISTRATIVE REPORTS

E-1 Acceptance of the Audited Financial Statements and Single Audit Report (Federal Grants) for the Fiscal Year ended June 30, 2016

Director of Financial Services Tim Przybyla stated he is happy to present to them this evening the audited financial statements for the year ending June 30, 2016. He advised that the audit is kind of what demonstrates how they have done their accounting work properly during the entire fiscal year and culminates in the written document before them this evening. One point in the staff report that he wants to mention is that for the current fiscal year they are hoping to complete a CAFR (Comprehensive Annual Financial Report) which is a Comprehensive Annual Financial Report rather than just a general basic audited financial statements. He explained that the difference is that there are more components, more introductory letters, more comparative information. That will enable them to apply for an award just as they did for the budget to see if they can get the CAFR award from the CSMFO (California Society of Municipal Officers) and/or GFOA (Government Finance Officers Association).

Mr. Przybyla stated that this evening they have Mr. Fausto Hinojosa, Managing Partner of Price Paige & Company, to present the audited financial statements.

Fausto Hinojosa with Price Paige & Company stated he appreciates the opportunity to come before the Council tonight to present the results of the audit. As Mr. Przybyla just mentioned about the CAFR for next time, if 110 pages isn't big enough yet so their CAFR will probably be about 140 pages. But, as he points out, that is going to provide additional information and give them the opportunity to be recognized by the California Society of Municipal Finance Officers or the Government Finance Officers Association. He thinks that is important for a City their size to be recognized by those organizations with respect to the quality of their financial reporting. He thinks that is a move in the right direction.

Mr. Hinojosa stated they completed the audit. Obviously he is not going to go through 110 pages. He is going to hit a couple of highlights but he thinks that the important thing for him to do as an auditor is not so much look at numbers because these numbers are June 30, 2016 but to really talk about process and the audit process that they go through to determine whether in fact their financial statements are fairly presented or not. As auditors they are hired by the City Council so they don't report to management as they know. It is their job to assess whether the financial statements are fairly presented in accordance with

the accounting rules. He explained that the accounting rules are promulgated by the Governmental Accounting Standards Board. They set the rules and they ask that the City comply with those accounting rules. Their job as auditors then is to come in, take a look at their accounts, their footnotes, their financial statements and determine whether the City has complied with those rules. The way that they do that is that they initially conduct a risk assessment. Their job is to look for two things. They are looking for errors. Have they made any material errors that may need to be adjusted in their numbers? And, number two, they are looking for fraud; errors and fraud. The concept of materiality is important because as auditors certainly they can't look at every transaction so they apply different techniques to try to reasonably judge and determine whether there are any material errors or fraud.

Mr. Hinojosa restated that the first thing that they do is a risk assessment. They do that by first obtaining an understanding of their internal control structure. Their first and best line of defense with respect to both errors and fraud is a proper sound internal control structure that includes not only the tone at the top which is what they are demonstrating here tonight by even just inviting him here and having a public session where the results of the audit are presented but all the way down to, for example, two signatures on a warrant or when somebody prepares a schedule somebody else reviews that. When the cash collections come in there is a reconciliation of those, somebody reconciles the bank statement. Those are internal controls. He stated that their job as auditors then is to obtain a thorough enough understanding of those controls. He advised that he and his team, which includes Dave Dybas, their Audit Manager on this engagement and who also happens to be a resident of their City, sit down, four or five of them, and they start to think...ok, this is how their controls function...if somebody wanted to do something improper, what would they do, what could they do, what weaknesses are there in the system. Once they assess those risks then they develop audit tests to determine whether any of those things have happened and that is really what the audit is. They start to take a look in their cash receipts area, in their disbursements area, in their capital assets, across the City in the most significant areas, and they perform tests to determine whether anything improper has happened. He stated again errors or fraud is what they are focused on.

Mr. Hinojosa stated, as he said, they have to sample transactions but they have guidance in the auditing standards that tell them...we have a population of 5,000 transactions then you need to pull a sample, this is how you pull that sample, this is how you test that group of transactions. The end result then is once they do all of that work, they issue an opinion that says...yes your financial statements are fairly presented.

Mr. Hinojosa referred to page 1 of the financial statements, on their letterhead, the very last paragraph in that report is their opinion. He advised that the City has received what they call an unmodified opinion which is a clean opinion. It is the highest level of opinion that you can receive, the best type of opinion. He advised that it basically means that their financial statements are fairly presented in accordance with Generally Accepted Accounting Principles for all of their funds and for their government wide financial statements.

Mr. Hinojosa again stated that he doesn't plan to go through the financial statements in any great detail but maybe just to point out a couple of items in them.

Mr. Hinojosa referred to page 24, Balance Sheet for Governmental Funds. He explained that a balance sheet is a listing of assets and liabilities and then equity. For example, if they look at their General Fund, they will notice, that very first column, that there are just over \$17 million in assets. They have liabilities of about \$1.5 million. Some deferred inflows and outflows which function like assets and liabilities. He referred to the third line from the bottom, the very first column which is the general fund column, they will see an unassigned fund balance of \$12.8 million. If they took a look at their general fund there, they can see that their general fund is in a healthy position. He knows that they are going to be looking at numbers later tonight with the budget so again he is not going to get into any great detail there.

Mr. Hinojosa referred to page 26, Income Statement or Profit and Loss Statement is what it is called in the private sector. They can see in their General Fund revenues of \$22.8 million and expenses of \$28.6 million; some transfers in and out. Bottom line is that they had a net change in fund balance, and in the private

sector they might call that a profit or loss, and the third line from the bottom is \$467,000 so they are basically breaking even there in their General Fund.

Mr. Hinojosa commented on a couple of numbers with respect to some debt that he notes council's usually are interested in noting that he will jump back to page 68. At page 68 they will be right in the middle of a very long footnote with respect to their pension liability. He advised that they have two pension plans. They have an agent plan and a cost sharing plan and those plans, as they know, are housed at PERS. Just a couple of years ago, noting that he thinks last year was the first year that they were required to report this liability in their financial statements. He referred to the table on page 68, far right net pension liability. The balance of that table shows about \$18 million. He advised that is an unfunded pension liability. He noted that PERS sends them invoices and they are paying those, the total liability \$70 million but they have been paying and accumulating assets of \$52 million so they have that net \$18 million which the way that PERS does this is that they calculate over the next 20 years how much they need to put in so the invoices that they are providing theoretically should make those numbers, the liability and assets, catch up to each other. He noted that this is for their agent plan.

Mayor Medellin referred to page 68 and what was noted in the report shows that the discounted rate is not what they are going to expect. He added that the discounted rate here has that 1%.

Mr. Hinojosa stated that is a great question to ask. He advised that the rate that PERS used to calculate these numbers was a 7.65% rate but PERS is going to decrease their discount rate which means that their liability is going to go up. He referred to the table on page 68 where they can see that at the current rate, 7.65%, that liability is \$17.9. At a 6.65%, that liability jumps up to almost \$27 million.

Mayor Medellin stated that is a huge, huge difference.

Mr. Hinojosa stated that if the stock market kept doing what it did for the last three months, maybe...nobody expects that. They can't look into the future but exactly what PERS does with their discount rate impacts the City significantly. However, from a budgeting perspective and from a cash flow perspective, it is like having a mortgage. They might have a \$300,000 mortgage but it doesn't come due next month. You are making payments on that and that is exactly how this PERS liability works. Unlike a mortgage where they know that fixed principle, here you don't know what that principle amount is. He referred to actuaries noting that his son is one and if they think accountants are boring, they've got to hear the discussion he and his son have at the dinner table. He noted that these numbers guys crunch all these numbers and they come up with that liability. He wanted to point that number out.

Mr. Hinojosa referred to page 75 and noted that this is one more liability that he would like to point out because these are kind of unique things. He referred to note 9 which says Other Post Employment Benefits (OPEB). He advised that these are retiree health benefits that have been promised. The City has currently reported a liability of \$2.4 million on their books. He advised that there is a new accounting standard that is going to be implemented not for the 17 year but for the 18 year, June 30, 2018. When that new standard comes into play, they will have to record the full amount of the liability. He noted that on the middle of this page where it says Funded Status and Funding Progress, Actuarial Accrued Liability, they see that the full amount of the liability is \$4.8 million. They currently have \$2.4 booked but with the new standard, they are going to be required to book the full amount so they will have that \$4.8 million booked. He added that is something also that they are doing on a pay as you go basis. He stated that they also have other debt, long term bonds, etc. but again those are amounts that are fixed and that they know so he is not going to get into any detail with respect to those.

Mr. Hinojosa advised he would go to a second report. They did an audit of the financial statements but they also did a federal compliance audit known as Single Audit which is 13 pages. They've issued two reports. A report on internal control and compliance in accordance with Government Auditing Standards. He advised that the standards that apply to the financial statements audit are standards issued by the American Institute of CPA's (Certified Public Accountant). He noted that the standards that apply to a government audit are issued by the Government Accountability Office. He added that there are separate

standards issued when you receive federal funding in excess of \$750,000 so they have issued two separate reports, one on the financial statements, this report in accordance with Government Auditing Standards, and a third report related to their federal grants.

Mr. Hinojosa advised that he will not go into great detail. He referred to page 3 which is a report on their federal grants and he commented that they had no compliance findings with respect to their federal grants.

Mr. Hinojosa referred to the report on page 1 and page 2 and stated that they have a finding related to the year end closing process. That finding is described on page 9. He explained that as they did the audit, they came in at the end of the year and they identified some accounting errors, no fraud but there were some accounting errors primarily that there was a deposit that had been recorded from developers on the City's books and it had been there for a number of years. As they investigated that further, it should not have been recorded as a deposit but really should have just been recorded as revenue and then restricted. He explained that it really was restricted revenue but when it came in, it was recorded as a deposit. He advised that a deposit is something that is recorded on a balance sheet as if you owe it back to them but in this case, they don't owe that money back to them; you simply have a requirement to use it for a restricted purpose. He noted that was the difference in the accounting. When they realized that, they recommended that an adjustment be made for that and management agreed with that adjustment.

Mr. Hinojosa stated that they had a couple of other adjustments related to some infrastructure costs. They can imagine that the capital assets and the infrastructure of the City is significant. As they go through the audit, if they identify any errors, they are pointing those out and recommending adjustments to make those. He advised that that year end closing process, as he understands it, management is working on creating maybe a better checklist for somebody to double check all of those things. He advised that some of that is just so time intensive that it might be difficult with respect to staffing, but in order to avoid some of these errors, really just management needs more time to be able to have a better closing process right at the end of the year.

Mr. Hinojosa stated that it is important to point out that these were not systemic issues. For example, if they found that their disbursement process was broken, they would be very concerned about that because that means that there are holes in that process. He commented that there is a difference between those systemic problems and then the final closing entries at the end of the year when they are trying to make the final adjustments to record certain things. That can be fairly complex. Mr. Hinojosa concluded his report and offered to answer any questions.

Council Member Rodriguez asked Mr. Hinojosa to elaborate on that last section of the error noting that he had mentioned something about a deposit and how it becomes restricted if you enter it a certain way. And if you don't, does that mean it is unrestricted and funds can be utilized a certain way.

Mr. Hinojosa replied that when the money came, the person that recorded it thought...gee this is from a developer, it is restricted for something so it must be a deposit. He explained that a deposit is a liability that is recorded on the balance sheet but then when they investigated that deeper in this year's audit, they looked at the agreements and as they read the agreements, it is not that you are going to owe that money back to the developer; and if you are not ever going to have to pay it back then it is not truly a liability. It is more like a restricted contribution which means when it first comes in, it should have been recorded as revenue and simply the fund balance should be restricted so that you never lose track of it, it is restricted for a specific purpose but it is not a liability in the sense that a bill from PG&E for example might be a liability. He asked if that makes...

Council Member Rodriguez replied that it does.

Mayor Medellin asked if there are any other questions. No other questions were asked and Mayor Medellin thanked Mr. Hinojosa for that report and stated his appreciation.

Mayor Medellin announced that he would accept a motion for action.

ON MOTION BY COUNCIL MEMBER RIGBY, AND SECONDED BY COUNCIL MEMBER FOLEY GALLEGOS, THE MOTION FOR ACCEPTANCE OF THE AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT (FEDERAL GRANTS) FOR THE FISCAL YEAR ENDED JUNE 30, 2016 WAS ADOPTED UNANIMOUSLY BY A VOTE OF 7-0.

E-2 Presentation of the Mid-Year Operational Budget Report and Consideration of a Resolution Authorizing and Approving Amendments to the City of Madera Fiscal Year 2016/2017 Budget

Director of Financial Services Tim Przybyla referred to the last item. He noticed that some Council Members eyes lit up when they said Dave Dybas lives in Madera. He just wanted to let them know that there is a position open as the Finance Manager. He has hit him up numerous times; he's not biting yet but they are trying.

Mr. Przybyla referred to the Council's packet and advised that there were some last minute changes. He should have taken out on the second page and another that shifts \$58,000 to the General Fund from Median Landscape Services that are not covered by gas tax. That was changed at the last minute. He apologized for not catching that in his last minute changes. He advised that that \$58,000 just disappeared so they don't need that budget amendment.

Mr. Przybyla stated the purpose of this is to see how they are doing at mid-year which is December 31st. He advised that obviously it takes them a while to compile that information and see where they are at. He commented that at mid-year the General Fund is performing very well overall. He added that the Enterprise Funds are performing well but they are behind on the capital project expenditures. He noted that the Internal Service Funds and the Special Revenue Funds also seem to be performing within budget but won't be the focus of this report. He advised that those are not typically operational in nature, the capital projects. They wouldn't expect those to be at 50% at mid-year just because it is whenever the projects happen rather than a steady flow of revenues and expenses.

Mr. Przybyla referred to the big picture year to date. He advised that revenues are exceeding expenses. They budgeted for deficits but they've generated a surplus as of mid-year anyway. They expect to come close to budget by fiscal year end and will establish accurate estimates for the current fiscal year how much they're really going to need or how much they're really going to make to finish out the year as they begin their FY 17/18 budget preparations.

Mr. Przybyla commented that they can see that the General Fund has \$471,000 more revenues than expenses as of December 31st and the Enterprise fund had \$2 million more revenues than expenses as of mid-year.

Mr. Przybyla stated that if they are focusing on the General Fund, the revised budget for the year calls for a \$1.6 million deficit. Year to date actual they were showing a \$471,000 surplus. He noted that revenues, as they will see, are slightly less than 50% at mid-year. Expenditures are well under the 50% mark at mid-year. He noted that revenues and expenditures can certainly be seasonal rather than evenly flowing month to month. For example, about 67% of property taxes come in with less expected in the second half of the fiscal year. They don't get monthly checks. They get two big lump sum checks from the County and the bigger portion typically comes in the first half of the fiscal year.

Mr. Przybyla stated that during this fiscal year 16/17, they had some revenues that came in too late to be recognized in 15/16; property tax and sales tax, roughly \$500,000 that came into this year that they couldn't record to last year. That impacted their budget but they hope to finish off the fiscal 16/17 with the balanced budget revenues equaling expenditures.

Mr. Przybyla stated the City Administrator didn't want him to say that he hoped that they will get this so he is providing a little back up to the description of hope. He commented that there is a lot of analysis that has

gone into this. He advised that property tax and sales tax make up \$11.1 million or 60% of the non-departmental revenues and 34% of all General Fund revenues. What they are looking at here is the non-departmental, basically taxes, not the charges for services that the departments have in their departmental budgets. He explained that these are taxes that are used to fund all of the General Fund activities.

Mr. Przybyla stated, as mentioned, about \$580,000 of property and sales tax from last year came in this year. Without that they would be right about at 50% at mid-year. They will see that there is also the cable utility franchise tax and the electric utility franchise tax. Combined they are \$685,000. They've received about \$80,000 so far so in the second half of the year they will get that \$600,000. If they are trying to compare where they are at mid-year, that is why he is trying to show these things that balance one way or the other. He added that they may only receive the other 33% of the current year property tax based on historical receipts from the County.

Mr. Przybyla commented that business license is a seasonal item. That one pretty much has come in for the year. It is done. They see a \$420,000 budget. They brought in \$432,000. They are not going to bring in another \$432,000 because they bill at the beginning of the fiscal year and they received most of those revenues already. He advised that there will be small amounts that come in but for the most part that is done.

Mr. Przybyla stated that interest income is low. They are \$68,000 out of \$400,000 budget. They hope to see that improve in the second half. He advised that they will have to look closer at what is being recorded to bring it closer. He noted that last year they came very close to budget on interest income for the General Fund. They also hope to see more departmental revenue. He restated that what they are looking at here is the non-departmental revenue primarily taxes but they also depend on the departments to bring in their revenues.

Mr. Przybyla stated they can calculate where they are going to end out fiscal year, where they think they're at. For example, if they say let's see if we receive 100% and we only expend 95.3% of the expenditure, that would be a balanced budget. If they come in exactly at 100% of revenues that would be pretty amazing but if they do that and hold the expenditures by 4.7% of budget, then they will have a balanced budget. If they come in at 97.4% of revenues, and he picked 97.4% because that is twice where they're at at mid-year for all of the General Fund, then at 97% of expenditures for the year, revenues will exceed expenditures by \$1.4 million which is kind of close to budget. They are giving their best estimates where they will end up at this time.

Mr. Przybyla stated they just received the report from the audit. He looked at page 90 from the audited financial statements with the auditor and mentioned how close they were to budget here. Their statement was that is phenomenal coming that close to budget and he is glad to quote him on that. Mr. Przybyla stated that they came within \$221,505 of budget on their revenues. That is 0.98% which is pretty darn close. On their expenditures, they came within \$207,000 of budget which is 0.7% and that is pretty darn close.

Mr. Przybyla stated the following is also on page 90. He broke it down into three pieces so they could see it. The auditor mentioned that they brought in \$467,000 more in revenues than expenditures and that they basically broke even. Out of a \$33/\$34 million budget that is pretty close to breaking even. One thing he wants to point out, you look there and you see that there is no original or final budget for this capital lease of \$1.54 million but the auditors count that as revenue to the General Fund. He noted that had an impact. If they didn't have that \$1.54 million which was funding provided for the fire truck and for the new ERP system, they would have had about a \$1.1 million deficit. He stated that these seemed like huge swings but really as a percentage of the budget, they're not that big. Absent the capital lease which was not a budget item, they had a \$1.1 million deficit in FY 15/16 however, if they had received the property tax, sales tax and some CDBG revenues in time, coincidentally its right about \$1.1 million so they would have had a balanced budget even without the \$1.5 million. He commented again that is pretty incredible how close they came and how between all these huge shifts and swings between different accounts, there are thousands of line items in the budget but, they came very close.

Council Member Rodriguez referred to the comment, mentioned twice, that they don't get the revenues in the second half. He asked if that is because when the property tax bills go out, not all property owners send in their amount, the County doesn't receive it in time. He asked why it is that they aren't getting that money in time on the second half of the property taxes or tax rolls.

Mr. Przybyla replied that typically the property tax, if you don't pay it through your mortgage, you can pay it at two different times of the year. Basically, that is when the City gets it when the money comes in to them.

Council Member Rodriguez stated that the first half they get in November and asked if that is when he is saying they get most of your revenue.

Mr. Przybyla agreed and explained that people probably decided to pay both installments in one payment rather than making two.

Council Member Rodriguez stated that the second installment then kind of goes outside their fiscal year. He asked if that is what he is saying typically and that is why they don't receive it in their budget.

Mr. Przybyla replied that there are a lot of pieces. It is not all just one description. There are different types of property tax that could come in and adjustments that come in during the year. By the time they finish doing their final reconciliations some of the property tax could be remitted to the City a little bit late. That was the case. That was a small portion of their total property tax.

City Administrator David Tooley commented that it has only been in the last couple of years that they have been receiving late payments from the County. He noted that is a change and it is something they recognize from a cash flow standpoint.

Council Member Rodriguez stated that had it not been for that, then they are saying that obviously they would have had a balanced budget. In this case they showed a deficit of one point some million dollars for 15/16 and asked if that is correct.

Mr. Przybyla stated for 15/16, with all included, they actually had the \$467,000 surplus. There are a lot of what ifs. When he was looking over the budget with the City Administrator, they could see that their budget for FY 15/16 on the one line item for property tax was low. It was like at 90% of budget instead of being right at 100%. This year they will recognize that money that carried over from last year in this year's budget. It will improve this year's picture but it is not really...some of it is just based on timing.

Mr. Tooley stated it is not unusual to receive a late payment from the state on sales tax. They've had that discussion before and it also affects them on Measure K. He added that there are those who are less charitable then he is who would say that the state is simply making interest on the float while they hold our money. He of course doesn't believe that.

Mr. Przybyla asked if there are any other questions.

Mr. Przybyla stated what they talked about just a second ago was the results. They talked about the non-departmental. Now they are getting down to the departmental just for informational purposes. He advised that he provided the breakdown of the different departments within that. They can see that a lot of these are going to be right at 50%. That is primarily because the income that those departments receive is from Administration and Overhead Allocations so they charge it off to the non-General Fund departments for the services that we all provide to those departments. That will come in regularly. Every month they book a journal entry that brings that in.

Mr. Przybyla commented that they will see that most of the budgets for the departments are under 50%. He noted that the City Council is well under noting that maybe he shouldn't bring that to their attention. One of the things that impacts the budget for the Council, if they are going to get new council members, they will

budget for full benefits. In other words they are assuming that they are going to have a family and that you are going to get health insurance coverage and all those benefits. They budget full employment with full benefits and sometimes they may not need the benefit so it saves the City money. He noted that a lot of that makes up that difference there.

Mr. Przybyla commented that they did note that the Police Department is a little bit low on their revenues. They hope to see more departmental revenue come in from them.

Mr. Przybyla noted that the Fire Department got a chunk of money for providing services for fighting forest fires he believes so they have brought in more than the year's budgeted revenues already. They are 52% of budget so they are going to hold back on expenditures.

Mr. Przybyla commented that they can see Streets are a little bit low on revenues. He noted that a lot of the street funding comes from grant funding and it could just be a matter of not drawing down the full amount for other expenditures yet.

Mr. Przybyla pointed out that Building seems to be ahead of the curve so far and could offset some of the revenue shortfall in other departments. They are doing a bang up job in Building. He commended the Chief Building Official.

Mr. Przybyla reported that Code Enforcement is also below budget on their revenues. He spoke with the Neighborhood Preservation Supervisor Viola Rodriguez who said that right now they are projecting that they may come in about \$100,000 below their original budget projections which is like 10% below that. She also said that they are expecting a savings on expenditures of about 27 so they are right on track. He corrected himself that they are not right on track but...the thing about Code Enforcement is that a lot of that they are doing on a cash basis. When they get money back from the liens that they file on properties, because they were reporting these huge amounts of revenues and then having to write them off in the past, they just decided to count it as the money comes in and they are not sure when the money is going to come in from the liens. He offered to answer any questions on that.

Mr. Przybyla referred to the CDBG noting that they will see how he has matched the 28.2% of revenues to expenditures. He did that for comparative purposes and he believes that he mentioned earlier that the CDBG money came in late also. They have actually received \$987,000 of revenue in CDBG this year but \$600,000 plus of that is from the prior year that recorded in this year. They are trying to compare this year's operations, revenues and expenditures. He advised that will help improve the picture overall for this General Fund for this fiscal year.

Mr. Przybyla referred to the total which shows the 48.7% where he doubled and said if we get this and only spend 95% of the budget then they will have a balanced budget. He corrected himself that he said they would have \$1.4 million deficit with 97% of budget expenditures. He asked if there are any questions on the General Fund. He noted that is really the one they are most concerned about and he wants to make sure he has covered that adequately and answer any questions they might have.

Mr. Przybyla referred to the Enterprise Funds. They are at 56.8% of budget on revenues and they are only at 34% on expenditures. He noted that revenues are higher than 50%. He advised that there is some seasonality of water usage that frontloads the revenues into the first half of the year. He had his administrative analyst look into that and he indicated that he believes in July, August, September, October, that's when a lot of the water use takes place so they bring in more revenues at that time. Mr. Przybyla noted that the expenses are only at 34% of budget. He commented that the primary reason for that is because there are some capital projects in the water fund that are delayed. He noted that only \$430,000 of the \$7.2 million budget for capital projects were completed by mid-year. He stated that it could be that there was more done by mid-year than that but the billing hadn't taken place at that point.

Mr. Przybyla stated that enterprise operating expenses in general are also less than 50% at mid-year. In other words, other than the capital projects, they are keeping their expenditures within budget as of mid-

year and they are keeping capital expenses way under budget. He noted they can see that is the big factor right there, the 21.9% of expenditures in the water fund. He added that they are mostly related to capital projects that will take place at a later time. He commented that even if the capital projects aren't completed during the fiscal year, those budgeted capital project dollars get rolled over into a new year so there will be a timing issue there also from original budgets to what gets added in.

Council Member Rodriguez referred to the capital projects that they are budgeting toward the \$7.2 million. He asked if that has a period of when that money should be used or is that ongoing. He asked if they will continue to roll it over if those capital projects are not completed.

Mr. Przybyla stated he believes the answer to that is that the money will continue to rollover until the project is completed. Depending on the size of the project, hopefully they will get it done within a couple of years.

City Administrator David Tooley commented that Mr. Przybyla has hit it exactly on the key component particularly in their Enterprise Funds. They have very, very large capital projects so instead of doing 10, 20, or 30 \$10,000 projects, and they certainly have some of those, there is a timing issue because their large projects \$1 million, \$2 million, \$3 million tend to take more lead time.

Mr. Przybyla continued with the presentation noting that they see the totals with all the enterprise included. He stated that the airport and the golf course are much smaller components of the Enterprise Funds but they are included in the totals there also.

Mr. Przybyla stated they will talk about escaping the MAIS. He advised that MAIS is their legacy software that they are still using because they are moving over from MAIS to Munis. He noted that is the catchphrase that they had for escaping the MAIS and moving forward with Munis. He stated that the conversion to the ERP (enterprise resource planning) system does present challenges. They went live with the first component of Munis August 1st of last year and they are still finding where there are bugs in the system and ironing them out. He advised that the mid-year budget report preparations helped to identify some of those needed corrections but there are no material impacts or corrections expected on their mid-year budget report. He commented that these findings are helpful as they begin their 17/18 budget preparations. He pointed out that this ERP conversion continues to burden staff. He noted that the Planning Manager Chris Boyle and his staff as well as the Community Development Director Dave Merchen have had the pleasure this week of sitting in those meetings. He added that Finance bears a large portion of that burden. He commented that they are still comfortable that they will perform well in the Fiscal Year 16/17 budget. They are looking forward to the challenge of preparing that budget for 17/18 and they expect more fine tuning related to the conversion to Munis as time goes on. As he mentioned earlier, accurate estimates of the 16/17 actual figures are coming from the departments very soon.

Mr. Przybyla moved on to budget amendments. He advised that Parks and Community Services has asked for slight increases for the PG&E budget. He believes it is \$20,000 for that. The reason they gave him is because they replaced ballpark lights and all of a sudden their PG&E bill went up. He noted that about one-third of their ball lights were replaced so that line item needs to be increased. He added that they also asked for a slight increase to contracted services. Then they added a school program they are working with and it will net about \$25,000 of revenue beyond expenses for the General Fund.

Mr. Przybyla stated in Engineering they have about \$5.7 million of capital project budget increases and \$1.1 million was shifting from one project to another.

Mr. Przybyla stated that Finance is asking for \$45,000 in total for Utility Billing because bank fees, contracted services, postage and interest expense have gone up higher than they anticipated. He thinks there is much higher use of credit cards since they added American Express. He stated that could be part of the reason why those fees have gone up but that is split between water, sewer and garbage. He noted that is a very small part of their budgets overall.

Mayor Medellin agreed that it is a small part but if he saw right, it is about \$35,000 in bank fees.

Mr. Przybyla agreed.

Mayor Medellin stated it is a lot.

Mr. Przybyla agreed. They are looking into that to see how they might be able to cut back on those bank fees. It includes such things as credit card fees, armored car services and in talking with the UB (Utility Billing) Supervisor who said that maybe they can cut back the number of pickups that they do with the armored car to cut back on those costs. He noted that another way of offsetting the interest expense is by leaving larger balances in the bank because they offset their bank fees with, last he heard was 0.3% earnings on the revenues that are in there. He stated that it is a matter of a lot of balancing, deciding...well can we get more in our investment portfolio or should we leave it in the bank to keep our bank fees down. He added that it is also likely that they have had a lower cash balance because they've decided they can make more money in investments.

Mayor Medellin stated that it just has a total here but it sounds like they are certainly aware of it and they are looking at different ways to change that.

Mr. Przybyla agreed.

Mr. Przybyla referred to the Fire Department. He stated that one of the things, when he met with the Battalion Chief Jim Forga, is that they realized that they had a \$78,000 lease payment that wasn't put in the budget this year for some reason. Chief Forga, fortunately told him that there is a savings in contracted services because they had anticipated a 5% increase in their contracts to their employees for the entire year. So, it is convenient that they are going to add back that offset for contracted service savings to compensate for that lease payment. He noted that thanks to Chief Forga saving money, they can get that in to the budget without any impact on the General Fund at all. He stated that the total impact on this is only \$2,000 on the General Fund. He added that a good part of that is thanks to Parks and Community Services for bringing the extra \$25,000 from the school contract.

Mr. Przybyla stated that staff's recommendation is for Council to accept the mid-year operational budget as reported and approve the resolution authorizing and approving amendments to the City of Madera Fiscal Year 2016/2017 budget. He offered to answer any questions.

Mayor Medellin thanked Mr. Przybyla for the presentation and asked if there are any questions regarding this presentation.

Council Member Oliver thanked Mr. Przybyla for the thorough and succinct presentation. He stated that obviously they got a recap on budget year 15/16 as well as some actual estimates and numbers for 16/17. He asked Mr. Przybyla if he can share a little bit as to what are the trend lines especially with respect to sales tax that they are looking at over the last two or three years. He asked if it is static, is it on the rise, 3%. He knows a lot of it is crystal ball.

Mr. Przybyla commented if they can tell him what the price of gas is going to be, he can give them a better idea.

Council Member Oliver clarified not by year 2020 but looking back at the actuals in previous years and following that trend line.

Mr. Przybyla commented that there has been a trend line of increasing. He believes for the 16/17 budget there was somewhat of a decrease in the original projection which will be offset by one, the late payment of sales tax that came in from last fiscal year. He noted there is something else that also offsets that but it skipped his mind.

Mr. Przybyla stated the trend is a slight decrease in their original projections. Next year, he can't remember the percentage increase but they are looking at, as projected by MuniServices, over a million dollar increase. He believes it was \$1.9 million of increase next year projected so that should be helpful to them for Fiscal Year 17/18.

Mayor Medellin referred to the allocations. He noted that Mr. Przybyla had talked about the energy costs for new park lights, about \$20,000 but also wastewater treatment is going to increase about \$30,000 if he read correctly. Mayor Medellin advised that Bobby Kahn gave them a report at their EDC (Economic Development Commission) meeting saying that energy costs kind of has a chokehold on the Central Valley. He noted that is a trend that they are going to continue to see he is assuming. He knows nobody here represents PG&E but it is something that they have to allocate more and more funds to energy and those costs are rising. Also, as he looks at their capital improvement budget, there are a lot of Avenue 17 and Sharon Boulevard improvements which is something that the Council had approved in the way of, whether it be incentives or having the Love's project come in soon so they have not seen the fruits of that yet. What he wants to do, if they can, is touch upon the five topics under Looking Forward including what overall impact will Measure K have on the General Fund...that those priorities have been defined for Police and Fire Services. He stated that basically that money is spoken for but he likes when they have those conversations and how do they project changes in the cost of pensions and health care. He stated that obviously, that is going to probably be one of the biggest issues that they are going to have in the months coming on what those costs are going to be. He gets it. He knows they don't want to use a word like hope when it comes to their financial status but there is a lot of crystal ball to what they are doing here as far as what those retail numbers are going to look like over the next six months, 12 months or even two years. He agreed that it is kind of crystal ballish. He does like where he sees them with the expenditures and revenues. So far they seem to be on track so there is some good positive light at the end of that tunnel. He guesses his point is that these five points in looking forward, they always have to have that in the forefront as to how they are going to spend their money, what they are going to spend it on and to be aware of some of these underlying things that if they are not financially sound, it could really get away from them.

Mr. Przybyla agreed.

Mayor Medellin asked Mr. Tooley if he had anything to add.

Mr. Tooley apologized noting that he thought the Mayor was asking a direct question.

Mayor Medellin stated he started out asking a question. He just kind of made a statement but if Mr. Tooley would like to chime in he would appreciate it.

Mr. Tooley commented that he would identify three things as a beginning point for their discussion about budget. The first is an admission, and all of his staff knows this, he starts out by seeing the glass as half empty as opposed to half full. He is just wired that way in terms of his financial thought process. He stated there are two things they should know about their General Fund balance position. The first is that they are obviously going to draw down those funds that were identified from the lease purchase. He advised those are restricted funds so they should anticipate that those are going to go away because they have to be spent on a specific purpose. Secondly, they have done a designation, and he thinks it is identified a little in excess of a million dollars, for their retrospective adjustments on prior year costs on health care. He stated those two alone are going to draw down their fund balance position by about \$2 million over the next couple of years. He added that one of the most important discussions they will have during the budget process is how they deal with their fund balance positions. They talked a little bit about PERS (Public Employees' Retirement System). He noted that becomes a collective bargaining issue. He asked will the City pick up the additional cost of PERS or will they seek to negotiate with their collective bargaining units for them to pick up some portion. They know that PERS is going to go up by approximately 20% over four years and asked how do they plan for that. One of the stories they tell is how do you get a number of rocks in a bottle. You start by putting the big rocks in first. They need to spend some time talking about the big rocks financially and that drives the rest of their budget discussion. With that, he will take his half empty glass and just sit quietly in his spot.

Mayor Medellin stated he is a little more optimistic than that but stated his appreciation for Mr. Tooley's position on that.

Council Member Rodriguez stated if they anticipate these revenues shrinking adding that obviously they have expenditures that continue to stay afloat. He asked what then does the City do as far as when it looks at cutting back. He asked what are the first things it starts cutting fat off of, what departments do they start looking at or what ways do they consider trying to increase more revenue. He noted that obviously they have this Measure K but again as their Mayor mentioned, that those funds are spoken for. He asked what plans the City has to account for that revenue whether it be health care or PERS for that matter.

Mr. Tooley replied that one of the things they are going to hear them saying as an organization all the time is that they make fact driven determinations. He doesn't have enough facts yet to give them a definitive answer on what the plan might look like but the other word that Council Member Rodriguez said is the word plan. They have to be very clear about the outcomes that they want to achieve. They have to be very clear about what impacts that has on their cash flow and their General Fund balance positions, their reserve positions on all of their funds. He stated that there is nothing wrong with drawing down a fund balance position as long as it is part of a plan that defines where you are going to go and how you are going to make use of those resources. As a City, they will recall not too long ago, they adopted a series of policies that define minimum fund balance in reserve positions. He noted that is a safety net. That's the floor and as soon as they start approaching those, ladies and gentlemen, they need to start paying attention. They are a little bit far out at this point because he hasn't looked at his first budget document. Mr. Przybyla hasn't given him his first estimate with regard to forward looking revenues but, they will define that plan and they'll provide choices for them. Mr. Tooley stated they make recommendations and the Council makes decisions.

Council Member Rodriguez thanked Mr. Tooley.

Council Member Oliver stated he definitely appreciates the conversation now and looking far out and trying to be prudent and responsive as possible. He advised that he has a quick question regarding the PERS discount rate. He asked what the phasing is from the 7 ½ to 7% change. He asked if it is over four years as Mr. Tooley mentioned on the anticipated 20% increase in PERS costs or is it a longer timeframe. He asked if they know or have they shared what that looks like.

Mr. Przybyla replied that he has seen those figures. He wants to say it is 25% each year but he could be mistaken on that. He will get back to them on that. He noted that they are definitely phasing it in a piece at a time instead of all at once. What they have done by changing the discount rate by 1%, their actuaries are saying instead of earning this much, to say what their unfunded balance liability is now, we are only going to earn this much which brings your...they saw what Fausto Hinojosa explained tonight.

Council Member Oliver commented that he was just curious as to the phasing of it and the amount of years.

Mr. Tooley stated the material he has read from PERS is that it is a four year phase. He stated they should remember that it is PERS; the answer may change.

Council Member Oliver agreed.

Mayor Medellin asked, even over the four years, if the difference was like an 8-9 million dollar swing.

Mr. Tooley replied the answer is it depends but again it is 20% of payroll and that's a fair chunk of change.

Council Member Rigby commended Mr. Przybyla for a great and thorough job presenting tonight. He wanted to take the opportunity to commend their department heads for doing such a great job of working within their budget as presented to them at the beginning of the year. He asked that they continue the good work.

Council Member Rigby referred to the increasing costs from PG&E and asked the Parks and Community Services Director Mary Anne Seay if this is something that she sees will kind of move towards their Little Leaguers. He knows it is for the babies noting this is a business transaction and asked is it not.

Parks and Community Services Director Mary Anne Seay commented she supposes that will be a question that the Council will answer when staff brings that back to them. It is a delicate balance. They as Parks and Community Services professionals feel strongly that they are here to provide a service. They aren't going to see it on a spreadsheet where they are net zero at the end of the day in this community. She acknowledged that still his point is a good one and with the addition of the Sunrise Rotary lights that will be going in pretty soon, that 40% increase is going to be even more in the coming fiscal year. She questioned what percentage of that utility bill should be borne by the soccer player or the baseball player or the softball player both youth and adults. They have some recommendations that kind of span the gamut and they think that underserved kids in this community, they are going to recommend that the subsidy from the City is higher than adults. She is not answering Council Member Rigby's specific question because she doesn't have a specific answer.

Council Member Rigby stated he didn't mean to put her on the spot but she kind of hit the nail on the head. Without going there, he is thinking about Sunrise Rotary Park because that is a project he would like to see completed soon and he knows she does too and it is going to be. But if this is what it costs to replace lights that they are already using, holy smokes, they are going to add a whole "nother" gamut of lights. He would like to set some type of precedence to where they are not only able to provide the services that they provide with excellence already but like she said, be able to ensure that children that need the opportunities and are enjoying the facilities, get that opportunity and maybe they can find a median where both parties are happy. He knows he buys a lot of Little League tickets. There is money there somewhere.

Ms. Seay commented that the moral of the story could be don't change the light bulbs. They haven't had any resources to do that in her nearly 10 year tenure here. This last year was the first year they were able to do that with General Fund resources and when they did, about 40% of the lights were not working and they saw a 40% increase. That doesn't account for the increases in PG&E that they are expecting.

Council Member Rodriguez referred to Sunrise Rotary. He knows there are some grants coming there. He asked if they have any revenues from either the County or the Unified District at all that participates since they do serve a lot of those kids. He asked if there are any talks with any of these entities.

Ms. Seay replied that they haven't had any discussion with the County. They don't anticipate doing that unless that is the Council's direction. They do have an agreement with the school district. As they know, they have Mount Vista School District on the City's actual property. They pay about \$23,000 in utilities per year. If they will recall, noting that the newer Council Members wouldn't know, but several years ago they went back to the table with Madera Unified to see how they might better collect revenues and it is a matter of what color of money it is so they weren't really able to pay the City rent fees. What they did is that they crafted a three year plan whereby the first year they resurfaced the gym floor and the second year they painted the interior of the gym and the third year they painted the exterior of the building. All that had a value of somewhere in the neighborhood of \$75,000-\$100,000 over the three year span. Annually they do collect utility rate from Madera Unified, about \$23,000-\$25,000 at that site.

Council Member Rigby thanked Ms. Seay for answering his question. He expressed kudos again to the way they are budgeting already but he was just kind of curious. He looks forward to some of those suggestions.

Mayor Medellin stated he thinks that means stay under budget. He thinks that is what Council Member Rigby is trying to say. He thanked Ms. Seay.

Mayor Medellin stated there are two things he would like to add. One is that this will be fact driven. With all due respect to recommendations, the Council has to make these decisions based on cold hard facts. Whether it is energy usage or what have you in each department, in order for them to really be fiscally

responsible, they need those facts. But of course, they are always going to listen to recommendations from each department.

Mayor Medellin stated that next he would like to commend his colleagues on the engagement. He stated that it is never too soon to start talking about budget talks. He knows this is just a mid-year and that they have plenty more discussions to come down the pike. He appreciates everybody's involvement and engagement in wanting to make this the best budget, stretch their dollar so to speak, the best way they can. He looks forward to those meetings. He looks forward to more engagement and questions and involvement from his colleagues so that they can represent the citizens and the taxpayer the best that they can.

Mayor Medellin stated if there is nothing else on this topic, he will move to council reports starting with Council Member Robinson.

City Attorney Brent Richardson advised that there is a resolution before them.

Mayor Medellin apologized.

ON MOTION BY COUNCIL MEMBER OLIVER AND SECONDED BY COUNCIL MEMBER RODRIGUEZ, ITEM E-2, RES. NO. 17-44 WAS ADOPTED UNANIMOUSLY BY A VOTE OF 7-0.

RES. NO. 17-44 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA, CALIFORNIA, AUTHORIZING AND APPROVING AMENDMENTS TO THE CITY OF MADERA FISCAL YEAR 2016/2017 BUDGET

Mayor Medellin thanked Mr. Richardson for that.

F. COUNCIL REPORTS

Council Member Robinson reported that he attended the Kick Butt Day at the Housing Authority's Kennedy Complex along with Councilman Holley. He even had his blood test and blood pressure test. He advised that it came out pretty good 116 over 69.

Mayor Pro Tem Foley Gallegos reminded Council and everybody out there that this Saturday is their Tire Amnesty to come out and just root their guys and gals out that are going to be collecting tires to make their City a little bit more cleaner.

Council Member Rigby stated he wanted to take this opportunity noting that he sent the Community and Development Director Dave Merchen an email earlier. He just wants to put it out there since they are talking Enterprise Fund and budgets coming up. He spent some time with MID (Madera Irrigation District) and he just kind of wants to begin...he doesn't know what the process is if it is a conversation, if it is a roundtable discussion, if it's the possibility of what it looks like to begin to maybe set aside funding for a joint recharge project either. He just kind of wants the GSP (Groundwater Sustainability) process to sort of begin. He knows when Mr. Merchen brought it before them last year the GSA's (Groundwater Sustainability Agency) and the formations of them, he thinks it was recommended that they were going to start one in this manner. They see somewhere in the future merging with other GSA's. He kind of wants to get that started. He just wanted to put that on staff's radar that that is something he is really interested in. He gets that it is a long way down the line but he just kind of wants to put it out there on their radar, joint recharge project, begin to work alongside MID. He doesn't know if Mr. Randall has any ideas. He would like to be a part of that process. He just kind of wants to put it in front of staff again. He would just be kind of curious as they look at the Enterprise Fund what sort of space they have to even begin to set aside funding for something like that sort of project, for infrastructures that could help them. He is not a weather man and he has no idea how much more type of rainy seasons they are going to have like this but he would be interested. They were talking about all the other big capital projects that they already have on the table; maybe if he could

reserve one for 10 years down the road to kind of begin to pump up some of this water that they see coming their way. It is just a conversation that he would like to have.

Mayor Medellin stated he thinks it is a great idea and he thinks they should start that conversation sooner rather than later. He thanked Council Member Rigby for bringing that up.

Council Member Rodriguez reported that he had an opportunity to be at the Central Regional Robotics at Madera South. He is not sure if any of them attended that. They had a booth there with the Greater Madera Kiwanis. One of the topics that came up of course is possibly losing the Central Regional there at Madera South because of the lack of funds to be able to sustain that. He knows that can impact some of the local vendors there because this is an event that takes place...it is a four day event, Thursday to Sunday. It is a multi-national event so they get a lot people from different parts of the country and/or world that come down to these types of events. If they don't know much about it, they tried to do something a couple years back with Madera Greater Kiwanis to try to get awareness that this is something that potentially could be lost here in Madera. He stated that it is a big event and if they haven't really set their eyes out on it, he would ask that they please consider that. He doesn't know that the City might be able to do anything here as far as talks to the...they wanted to have a conversation with the principal Alan Hollman which at one point was the director of Madera Robotics. It is a really good opportunity because it brings a lot of business here. He is not sure if there is a big impact. He doesn't know the numbers, the data. The City does collect a lot of that sales tax within that event and it would be something to look at. He thinks it could still affect a lot of the vendors especially with that four day event. He stated it is a good opportunity to have that here. He knows that Clovis is fighting for it as well and he is sure that they can bring the revenue. He thinks it is anywhere from \$60,000-\$100,000. It looks like Google provides the majority of that grant but that could potentially be lost here in the next couple of years and asked how do they supplement for that money. He would ask some of his colleagues to please join them in a roundtable; not form a quorum but at least one or two that might be able to have talks with Principal Hollman and see what they as a community...he noted that it is not a Madera Unified deal. This is a community type of deal and he hopes that the City might consider something. Maybe his colleagues might be able to have that conversation as well.

Mayor Medellin thanked the City Manager David Tooley noting that they have another City Leadership Academy that just started on Monday. He had the pleasure of welcoming their new class with Councilman Oliver. He looks forward to the weeks to come where each one of the departments are highlighted and they get to give this new group of folks a little eye opening experience as to what they get to do in their fun time.

Mayor Medellin reported that he also had a chance to speak with the Association of Realtors today which went very, very well.

G. CLOSED SESSION

There are no items for this section.

ADJOURNMENT

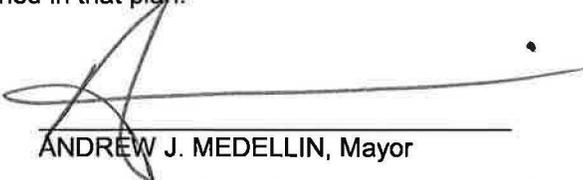
The meeting was adjourned by Mayor Medellin at 7:25 p.m.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN

Approval of the minutes is not addressed in the vision or action plans; the requested action is also not in conflict with any of the actions or goals contained in that plan.



SONIA ALVAREZ, City Clerk



ANDREW J. MEDELLIN, Mayor