



**Finance and Administration Committee of the Whole
Record of Proceeding
November 27, 2017**

The Finance and Administration Committee of the Whole met on November 27, 2017. Those in attendance included: Chairperson Tom DeCampi, Ward IV; Council Committee Member Barbara McGuinness, Ward I; Council Committee Member Ben Keathley, Ward II; Council Committee Member Randy Logan, Ward III; and City Administrator Mike Geisel. Those also in attendance included: Mayor Bob Nation; Councilmember Barry Flachsbart, Ward I; Councilmember Guy Tilman, Ward II; Councilmember Dan Hurt, Ward III; Councilmember Michelle Ohley, Ward IV; Director of Parks, Recreation and Arts Tom McCarthy; Planning and Development Services Director Justin Wyse; Public Works Director/City Engineer Jim Eckrich; Assistant City Administrator Libbey Tucker; Chief Ray Johnson; City Attorney Chris Graville; Deputy City Clerk Amanda Miller; and City Clerk Vickie Hass. Four community members and a member of the media were also in attendance.

Chairperson Tom DeCampi called the meeting to order at 5:32 p.m.

Budget Workshop – Updated Revenue Projections

Mr. Geisel updated City Council on current revenue projections. He reminded Council that the original 2018 budget proposal reflected sales tax revenues below the 2017 budgeted amount. For reference purposes, the assumption in preparing the 2018 budget proposal was to recognize lower sales tax revenues than were budgeted in 2017, and to reflect no growth in sales tax above the 2017 projected receipts, those projections were substantially below the original 2017 budget amounts.

After receipt of the September sales tax numbers, the sales tax revenues were even lower than the previously reduced projected numbers. Mr. Geisel advised at that time that he would wait until we were in receipt of the next month's sales tax deposits before taking action. Those numbers have come in significantly lower again. As the Mayor and Mr. Geisel have monitored these revenues closely and compared them to the proposed budget, it is clear that we will fall significantly short of the reduced projections.

The recent and continuing trend of falling sales tax revenues disproportionately impacts the Capital Fund and Parks Fund budgets. Other than grants and the internally generated

revenues within the Parks Fund, sales tax receipts are the dominant source of funding for Capital Projects and Parks Operations. The General Fund is not impacted as severely for several reasons: 1) sales tax revenues are generated by the metro sales tax pool and local effects are not as pronounced; 2) sales tax receipts are roughly one-third of the total general fund revenues; 3) the effect of SB 867 created a substantial initial increase in revenues early in 2017, although that increase has eroded somewhat in the last few months; and 4) the passage of Proposition P to fund public safety activities was not originally budgeted for 2017, but we anticipate three months of receipts for fiscal year 2017.

Budget Workshop – Staff Recommendations and 2018 Budget Proposal

Mr. Geisel explained that while the projected revenues in the General Fund have been reduced, revenues remain above budgeted expenses for 2018 and no significant changes are recommended from the preliminary General Fund budget; but the Capital Projects Fund and Parks Fund, are significantly impacted. Mr. Geisel presented Staff recommendations to further reduce the budgeted sales tax revenues and for \$789,575 in additional expense reductions proposed for the 2018 fiscal year, stated that these reductions would impact the community to the least degree. These reductions are derived primarily from the Parks Fund and Capital Projects Fund, due to the revenue impacts described above. The recommended reductions within the Parks Fund of \$263,275, coupled with the last reduction in projected revenues of \$185,796, results in a 2018 Parks Fund budget with net 2018 activity of -\$12,416, leaving a projected end of year 2018 Park Fund balance of \$1,906,859. This is actually an improved result as compared to the preliminary budget which came out of the multiple budget workshops.

The recommended reductions within the Capital Projects Fund of \$500,000, coupled with the last reduction in projected revenues of \$185,796, results in a 2018 Capital Fund Budget with net activity of \$202,915, leaving a projected end of year 2018 Capital Fund balance of \$45,717. This also, is actually an improved result as compared to the preliminary budget which came out of the multiple budget workshops.

The recommendations provide only minor revision to the proposed General Fund budget, a reduction of \$26,300. The proposed General Fund budget retains the \$1.5 million transfer to the debt service funds for future debt payments.

A great deal of discussion ensued regarding potential adjustments to the proposed budget. Councilmember McGuinness made a motion, seconded by Councilmember DeCampi, to eliminate Strategic Plan funding in the amount of \$10,000 from the 2018 Budget. A voice vote was taken with an affirmative result (Councilmembers Tilman, Logan and Flachsbart voted “No”) and the motion was declared passed.

Councilmember McGuinness made a motion, seconded by Councilmember Ohley, to eliminate the purchase of ten police vehicles in the amount of \$299,244 from the 2018 Budget, pending results of Proposition P revenues.

Councilmember Ohley made a motion, seconded by Councilmember McGuinness, to amend the motion by eliminating only five police vehicles from the 2018 Budget. A voice vote was taken with an affirmative result (Councilmembers Flachsbart, Tilman and Logan voted "No") and the motion to amend was declared passed.

A voice vote was taken on the main motion, as amended, to eliminate five police vehicles from the 2018 Budget, with a 4-4 result (Councilmembers Tilman, Logan, Flachsbart and Hurt voted "No") and the motion was declared failed. Therefore, the current budget request to replace the ten police vehicles will remain in the 2018 Budget.

Councilmember McGuinness made a motion, seconded by Councilmember DeCampi, to eliminate the Employee Appreciation BBQ in the amount of \$1,000 from the 2018 Budget. A voice vote was taken with a 4-4 result (Councilmembers Tilman, Logan, Flachsbart and Hurt voted "No") and the motion was declared failed.

Councilmember Ohley made a motion, seconded by Councilmember Keathley, to reduce the Civic Orchestra line item from \$15,000 to \$1,500 in the 2018 Budget.

Councilmember Keathley made a motion, seconded by Councilmember Hurt, to amend the motion by reducing the Civic Orchestra line item from \$15,000 to \$10,000 in the 2018 Budget. A voice vote was taken with a negative 3-5 result (Councilmembers McGuinness, Logan, DeCampi, Ohley and Tilman voted "No") and the motion to amend was declared failed.

A voice vote was taken on the main motion to reduce the Civic Orchestra line item from \$15,000 to \$1,500 in the 2018 Budget, with a 4-4 result (Councilmembers Logan, Flachsbart, Hurt and Tilman voted "No") and the motion was declared failed. Therefore, the \$15,000 line item for Civic Orchestra will remain in the 2018 Budget.

Councilmember Logan made a motion, seconded by Councilmember Ohley, to increase the proposed advertising reduction of \$1,000 for the Parks advertising budget to a total of \$6,000 (reducing the radio ad budget by \$2,000 and reducing the digital ad budget by \$3,000 in addition to the original proposed reduction of \$1,000 proposed by Staff). A voice vote was taken with a unanimous 8-0 affirmative result and the motion was declared passed.

Councilmember McGuinness made a motion, seconded by Councilmember Ohley, to eliminate Fruit My Cube from the 2018 Budget in the amount of \$2,000.

[Councilmember Flachsbart stepped out of the meeting at 7:42 p.m.] A voice vote was taken with an affirmative 4-3 result (Councilmembers Tilman, Logan and Hurt voted "No") and the motion was declared passed.

[Councilmember Flachsbart returned to the meeting at 7:44 p.m.]

Councilmember McGuinness made a motion, seconded by Councilmember Ohley, to eliminate the employee health fair from the 2018 Budget in the amount of \$1,000. A

voice vote was taken with a unanimous 0-8 negative result and the motion was declared failed.

Councilmember McGuinness made a motion, seconded by Councilmember Ohley, to eliminate the remaining advertising amount of \$17,500 from the 2018 Central Services budget. A voice vote was taken with a 2-6 negative result (Councilmembers McGuinness, Tilman, Keathley, Logan, Flachsbart and Hurt voted "No") and the motion was declared failed.

Councilmember McGuinness made a motion, seconded by Councilmember Keathley, to eliminate the replacement of two City fleet vehicles from the 2018 Budget in the amount of \$48,000. A voice vote was taken with a 5-3 affirmative result (Councilmembers Logan, Flachsbart and Hurt voted "No") and the motion was declared passed.

Councilmember McGuinness made a motion, seconded by Councilmember DeCampi, to move \$1.2 million from the Parks Fund to Parks debt retirement. A voice vote was taken with a 3-5 negative result (Councilmembers Ohley, Tilman, Logan, Flachsbart and Hurt voted "No") and the motion was declared failed.

Councilmember McGuinness made a motion to tie cash flow to spending as revenue comes in. The motion failed due to lack of a second.

Councilmember Flachsbart made a motion, seconded by Councilmember Keathley, to accept the staff recommended modifications to the 2018 Budget. A voice vote was taken with a unanimous 8-0 affirmative result and the motion was declared passed.

[Councilmember Flachsbart left the meeting at 8:31 p.m.]

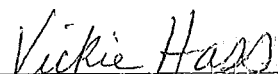
Adjournment

The meeting was adjourned at 8:32 p.m.

Respectfully submitted:



Mike Geisel
City Administrator



Vickie Hass
City Clerk

APPROVED: 12/4/2017