



## AGENDA

### Finance Administration and Police Subcommittee Meeting

Meeting Date: May 23, 2019

Special Meeting Time: 11:00 a.m.

Meeting Location: City Hall

124 N. Cloverdale Blvd., Cloverdale, CA

#### Subcommittee Members

Mayor Melanie Bagby, Chair  
Councilmember Wolter

City Manager, David Kelley  
Acting Police Chief, Robert Stewart  
Finance Manager, Susie Holmes

1. **Call to Order:**
2. **Communications:**
  - a) None
3. **Public Comment:** Members of the public may comment on any item not on this agenda. Please limit comments to three minutes. Members of the public may comment on items on the agenda when the subcommittee considers that item.
4. **Approval of Minutes:** April 23, 2018 meeting minutes
5. **Current Items for Discussion**
  - a) Presentation by Management Partners on Long Range Financial Forecast (David Kelley and Management Partners Staff Rick Rivera and Robert Leland)
  - b) Discuss and consider Police Department staffing plan (Chief Stewart and David Kelley)
  - c) Discuss and Consider Reclassification of Accounting Supervisor Position
  - d) Discuss and Consider Reclassification of City Clerk
6. **Standing Items / Items Continued**
  - a) Draft Homelessness Strategic Plan – Updates on appointments to Community Advisory Group - Kevin Thompson
  - b) Update on Measure P and Cannabis Permits – David Kelley
7. **Information Only Memos:**
8. **Future Agenda Items (subject to change):**

Request by Vice Mayor Wolter to revisit Ordinance 1008.100 (tags non-operating vehicles parked on the street)
9. **Pending Items:**
  - a) None
10. **Good of the Order:**
11. **Adjournment:** Adjourn to the next meeting on Thursday June 27, 2019 at 4:00 pm. or alternate date as requested at Cloverdale City Hall, 124 N. Cloverdale Blvd., Cloverdale CA 95425



**DRAFT MINUTES**

**Finance Administration and Police Subcommittee Meeting**

**Special Meeting Date: Tuesday, April 23, 2019**

**Special Meeting Time: 4:00 p.m.**

**Meeting Location: City Hall**

**124 N. Cloverdale Blvd., Cloverdale, CA**

**Subcommittee Members**

Mayor Melanie Bagby, Chair

City Manager, David Kelley

Councilmember Wolter

Acting Police Chief, Robert Stewart

Finance Manager, Susie Holmes

1. **Call to Order:** Present: Mayor Bagby, Councilmember Wolter, City Manager Kelley, Acting Policy Chief Stewart, Assistant City Manager/CDC Thompson and Finance Manager Susie Holmes.
2. **Communications:**
  - a) Request from Clif Eldridge for a four-way stop at 2<sup>nd</sup> and Commercial Streets
  - b) Request from Joe Ashworth for a dog park in town
3. **Public Comment:** No comment
4. **Approval of Minutes:** February 28, 2019 meeting minutes were approved.
5. **Current Items for Discussion**
  - a) Discuss and consider staffing reorganization of the Police Department to reclassify one Police Sergeant position to a Police Lieutenant. City Manager Kelley commented that Chief Stewart recommended establishment of the lieutenant position to assist with supervision in the department. The reclassification of will provide structure within the department for supervisory control and is consistent with the staffing plan adopted by Council. Acting Police Chief Stewart noted that it is important to have a permanent staff person assigned for purposes of supervision, training, and internal affairs. The present practice of rotating officers does not provide adequate training for the role and leaves the City open to liability issues. There is a clear need in the community and other jurisdictions have the position in their departments. Mr. Stewart added that he would like to see a second sergeant position approved in a future budget, and this would benefit the City. It was noted that Officer Parker has done an excellent job of acting in this capacity. Discussion ensued about salary, the possibility of promoting Officer Parker to the sergeant position, and problems with vacancies and overtime due to medical issues. Bob Cox commented that Cloverdale has an excellent police department and acknowledged the work done by Officer Parker. The subcommittee concurred. The subcommittee supported the proposal and a recommendation was made to do more financial analysis and discuss it at the budget meeting. Acting Chief Stewart stated that supervision of our police force is critical.

- b) Discuss and consider plan to replace the Engineering Annex at City Hall with another portable building-

City Manager Kelley stated that the existing trailer used by engineering staff and the building department is old and does not comply with access standards. It leaks, which is creating hazardous conditions. The building has met its useful life. Local office space is not available, so staff has researched replacement with a new structure. Funding will come from Corporation Yard impact fees and an ADA accessibility grant. The project will involve demolition and removal of the existing building, relocation of staff and records, rewiring and infrastructure changes, and installation of the new building. IT and genset power resiliency measures will be improved, which will better assist City staff in a disaster. Director Rincon summarized the financial aspect and noted that there will still be enough money left over to complete proposed improvements at the Corporation Yard.

Public comment: Bob Cox said he had toured the existing module which is unhealthy and full of mold.

The subcommittee recommended looking at purchasing a new unit, with windows. Director Rincon stated that a new unit can be built to specific requirements. If City Hall is rebuilt in the future, the unit can be relocated to the Corporation Yard. The cost of improvements to IT and genset power measures will also be included. Mayor Bagby recommended finding options other than diesel generators.

- c) Discuss Measure P Revenue – Susie Holmes indicated that the City has reached the \$100,000 mark for annual cannabis permits as of the meeting date. All three permits have paid up. Councilmember Wolter opened discussion on how the revenue would be spent. He commented that the City is responsible to the public to be consistent with the measure ballot language, and that the revenue should be used for education or go to the police. He indicated that Officer Camara wants to purchase an ATV for the police department’s use. The need to establish a budget worksheet was discussed. City Manager Kelley stated that he would contact the City attorney to discuss how the funds should be used. He agreed it was wise to be transparent as to what is collected, what the funds are being spent on, while remaining consistent with the ballot language. He noted support for the ATV.

## **6. Standing Items / Items Continued**

- a) Draft Homelessness Strategic Plan – Updates on appointments to Community Advisory Group Assistant City Manager/CDC Thompson prepared list of all interested parties and the subcommittee reviewed it. Rick Caffaretta was added to the list, and Mr. Thompson still needs to find someone from the Sheriff’s office. Bob Cox asked to be on the list. When the list is complete, Assistant City Manager/CDC Thompson will verify that all want to be on the group.
- b) Update on Measure P and Cannabis Permits. No additional discussion

## **7. Information Only Memos:**

## **8. Future Agenda Items (subject to change):**

Request by Vice Mayor Wolter requested that Ordinance 1008.100 (tags non-operating vehicles parked on the street) be revised. Acting Chief Stewart commented that attempts to enforce codes are being challenged by court decisions. Vice Mayor Wolter stated he had received complaints that people are violating the rules by only moving the vehicles a foot, and Mayor Bagby noted

that when you see spider webs growing it is a sure clue. Acting Chief Stewart added that if the tags are out of date, the vehicles can be towed. Vice Mayor Wolter stated that the ordinance needs more teeth. Mayor Bagby supported more traffic calming and enforcement on the wide streets in town. City Manager Kelley added that a “complete street” approach would include a variety of specific improvements, not just stop signs, as the streets vary in the city.

Recommendation: Keep this as a discussion item on the agenda.

**9. Pending Items:**

- a) List of Finance, Administration, Police subcommittee items from FY 2018-19 Top Ten Goals – Holmes

No additional discussion.

**10. Good of the Order:**

- 11. Adjournment:** Mayor Bagby adjourned the meeting to the next meeting date of May 23<sup>rd</sup>, 2019 at 4:00 p.m.

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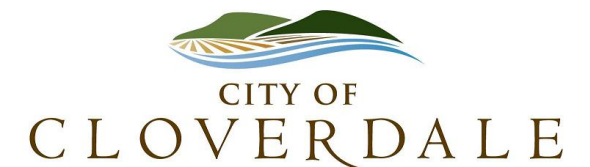
Rank Order	Department	Goal Description	Subcommittee Assignment
2	Admin	Continue to streamline the City's procedures and upgrade our technology across all departments to keep improving customer service as well as recordkeeping, staff productivity, and other aspects of our organizational structure. Include an on-line platform for applying and paying for permits	Finance Administration & Police
3	Finance	Continue efforts to build long-term fiscal stability in both the general fund and all enterprise funds and continue efforts to build an adequate emergency reserve in each fund. Conduct a full review of current Impact Fee Nexus Studies, and update each Nexus Study, with full City Council input, so future funds can be better used to address current and future needs within the City. Develop / revise the 5-year Capital Improvement Plan that includes contingencies for possible reauthorization of Measure O and capital finance plan for police station project.	Finance Administration & Police
4	Admin	Develop a technology plan to modernize and streamline City Hall operations. Include in the plan: Customer Service, Website, Document Management, meeting and presentation management, workflow for staff and city council including electronic agendas, upgrade procedures and technology, create an on-line platform to apply and pay for permits, improve the wi-fi at City Hall and Performing Arts Center and Improve public address system at Performing Arts Center	Finance Administration & Police
6	Admin	Improve customer service survey results by putting paper copies in with the monthly water bill mailings, and have paper surveys available at the City Hall front desk. Improve outreach to working families and Latinos. Activate a customer service outreach program. Council members to actively participate in a joint calling program with a Board Member of the Chamber of Commerce. The calling program should focus on businesses within the 95425 ZIP Code, to assess their likes and dislikes and current needs. Supplement the Community-Wide City of Cloverdale Community Education and Engagement Program and expand upon the success of the current "City Manager's Weekly Report", "City Survey" and Facebook page. Supplement the work of the City and the Chamber in developing a Marketing/P.R. and Outreach Plan that will engage, inform, and encourage a steady flow of information and inquiry to and from the full spectrum of our residents, community organizations, business owners/employers and their employees, as well as traditional and social media outlets. The City website needs to be more visually inviting, easy-to-use and "modernized", while City communications and videos should strive to include translations and closed captioning where needed. Continue efforts underway with the Sonoma County Latino Leaders, Cloverdale School District, Cloverdale Chamber of Commerce, and Alexander Valley Healthcare, to improve communications throughout the non-English speaking Latino community. Latino Outreach Program—Continue efforts to bring Latino Leaders into the Chamber and other community activities.	Finance Administration & Police
10	Public Safety	Create and implement a Police Department staffing plan to include: a) fill a sergeant position, b) create a lieutenant position, c) create a detective position, d) bolster reserve officer program, and e) conduct a citizen's police academy.	Finance Administration & Police

# City of Cloverdale Long-Range Forecast and Budget Model

**Presentation to City Council Finance Committee**

May 23, 2019

Robert Leland, Special Advisor  
Rick Rivera, Management Analyst



# Management Partners Serves Only Local Government Clients Nationwide, Including California's Largest Cities

25  
years

of service exclusively to local governments

Over  
1,500  
projects

successfully completed in 42 states

100+  
associates

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in Costa Mesa and San Jose, CA  
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Served  
80%

of California cities with more than 100,000 people

## Services

- Operations Improvement
- Strategic Planning
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- Financial Planning/Budgeting
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- Performance Management
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Experienced helping many California cities facing fiscal challenges including: Concord, Fremont, Hayward, Long Beach, Oxnard, Sacramento, San Jose, Stockton, San Bernardino, Santa Ana, Tracy and Vallejo

# Forecast Model Project

## 1. Identify Factors Driving Forecast

- Identify external and internal factors driving revenues and spending levels over the next 20 years for the General Fund and Retirement Tax

## 2. Create Baseline Forecast

- Long-term projections with current service levels and known increases, before any corrective actions

## 3. Test Alternative Outcomes

- Recessions, revenue growth rates, cost of living adjustments (COLAs), staffing levels
- Can show impact of adding/cutting positions or dollar amounts, or changes in tax rates

## 4. Develop Budget Strategies (*optional*)

- Impact of spending cuts or revenue increases needed to balance forecast



# Forecasting Approach

## 1. Assumptions are the key

- Different assumptions = different forecast
- Transparency of assumptions improves forecast credibility

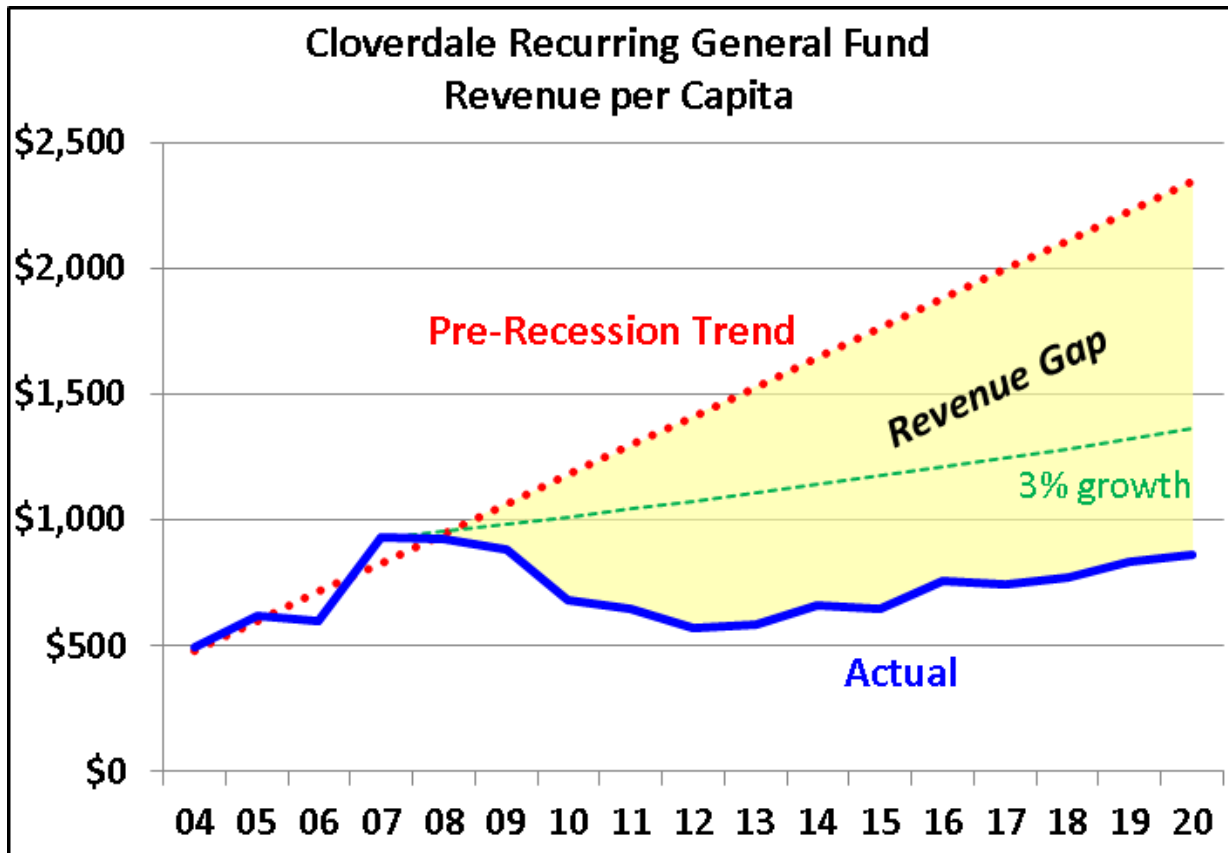
## 2. Model based on expert input

- CalPERS Actuarial Office Reports
- Avenu Insights' Sales Tax Projections
- Caltrans Economic Outlook and Inflation Projections

## 3. Goal is a realistic forecast

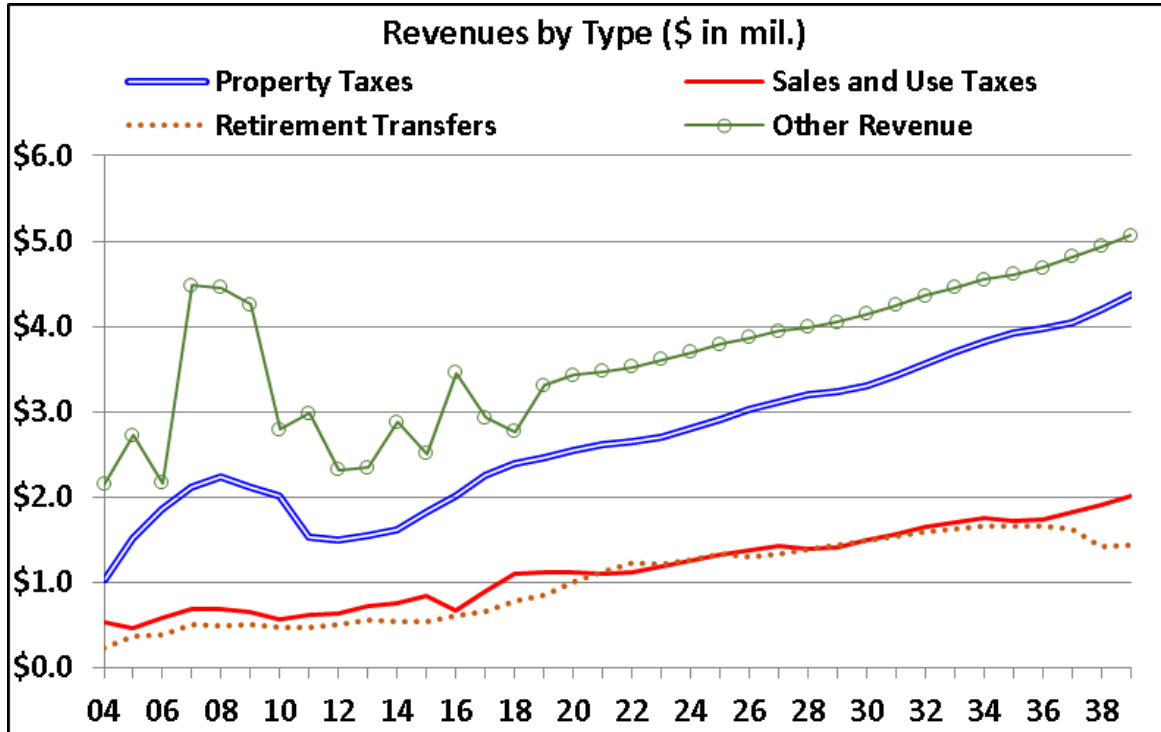
- Built from the ground up using detailed line items, with history back to FY2004
- Including recessions provides “stress test” for City finances
- Includes labor cost growth and net impact from merits and employee turnover savings
- Detailed pension calculations reflect shift to PEPPRA, lower discount rate over time

# Large Revenue Gap Since Great Recession



- Cities have not recovered from Great Recession revenue losses
- Large gap between past expectations and current reality
- After 12 years Cloverdale is still below pre-recession peak of revenue per capita
- 3% growth needed to meet minimal expenditure growth rate, and City is well below that level as well

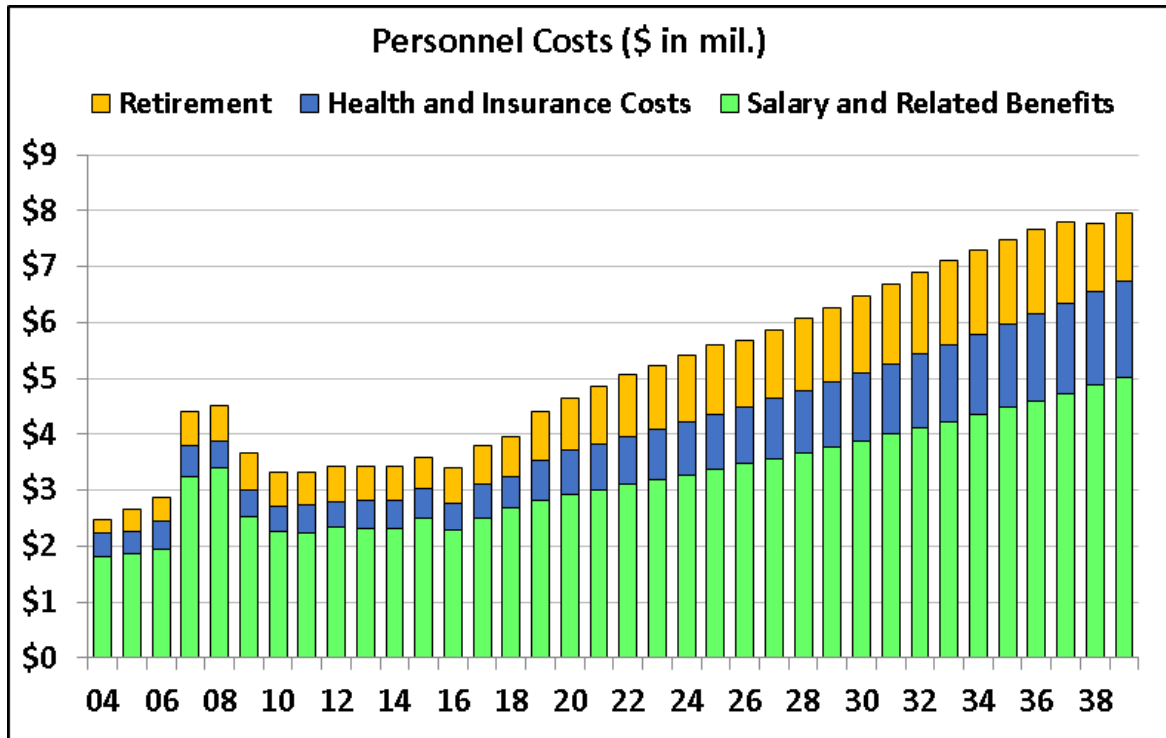
# Revenue Assumptions



Moderate recessions start in FY2021, FY2028 and FY2036, affecting property tax, sales tax, TOT, transfer tax and building permits; revenue losses occur over 18 months with 90% of loss recovered over following 3 years

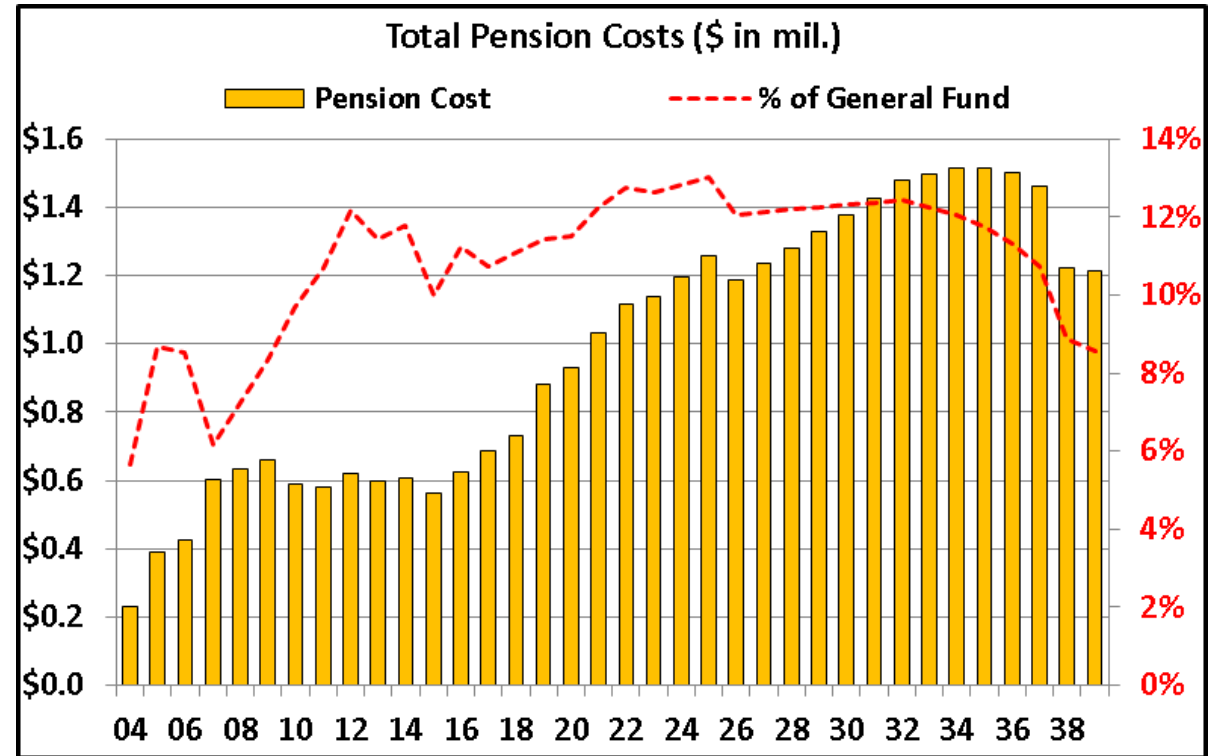
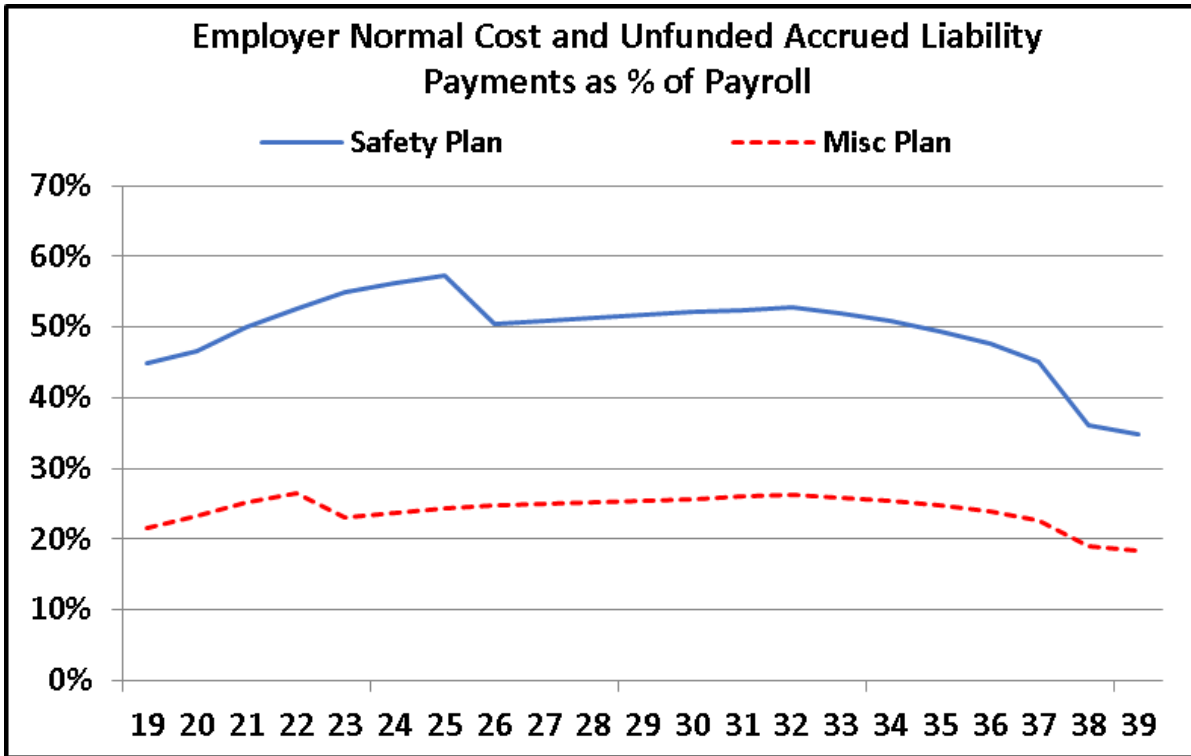
- Pre-recession growth rates:
  - Property Tax: 3%
  - Sales Tax: Avenu Insights' forecast (average 3.15% over 20 years)
  - UUT: 2%
  - Franchise Fees: 3%
  - Transfer Tax: 3%
  - TOT: 2.5%
  - Other Revenue: 2%
- Pension Tax Transfer: tied to pension cost increase, continues current pension property tax rate
  - Discussion of pension tax issues to follow

# Personnel Cost Assumptions



- No change in staffing levels
- 2.5% annual wage adjustment
- 0.375% net impact of annual merit increases offset by savings from employee turnover
- Health increase of 6% initially, ramping down to 4% over 20 years
- Pension assumes decline in discount rate to 6% over 20 years
- 3% vacancy rate

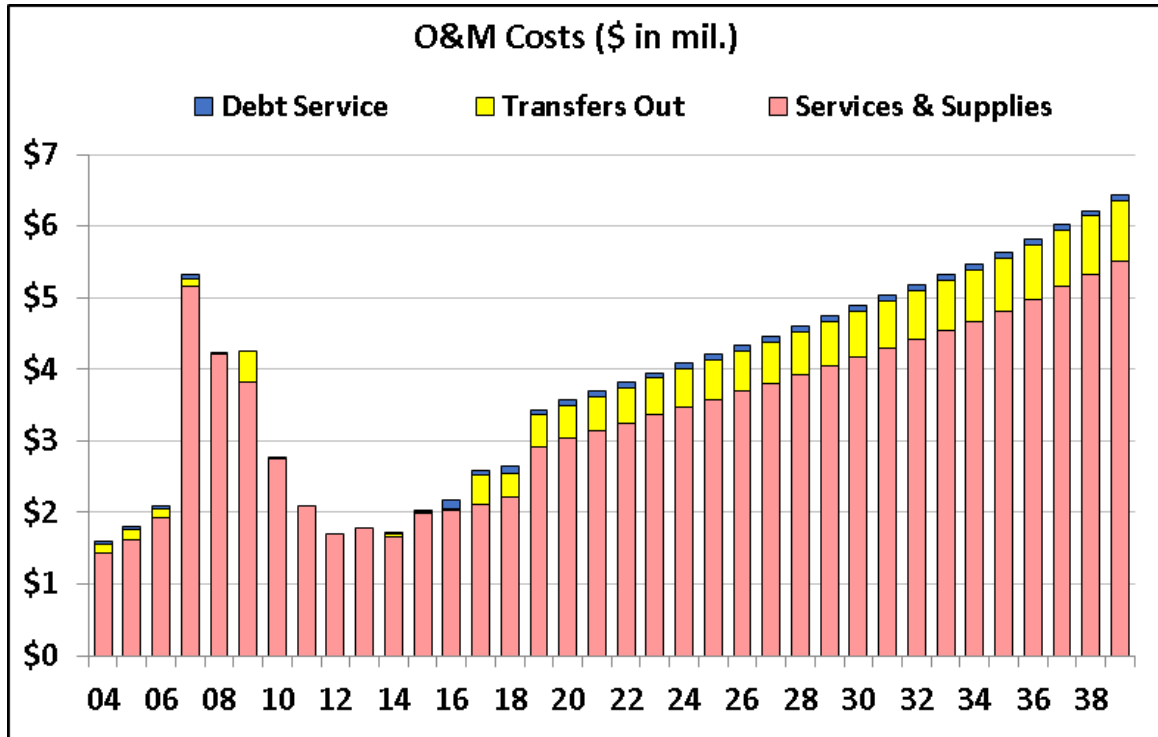
# Pension Costs



- Reflects impact of lower PEPPRA benefits and pay-down of UAL amortization bases

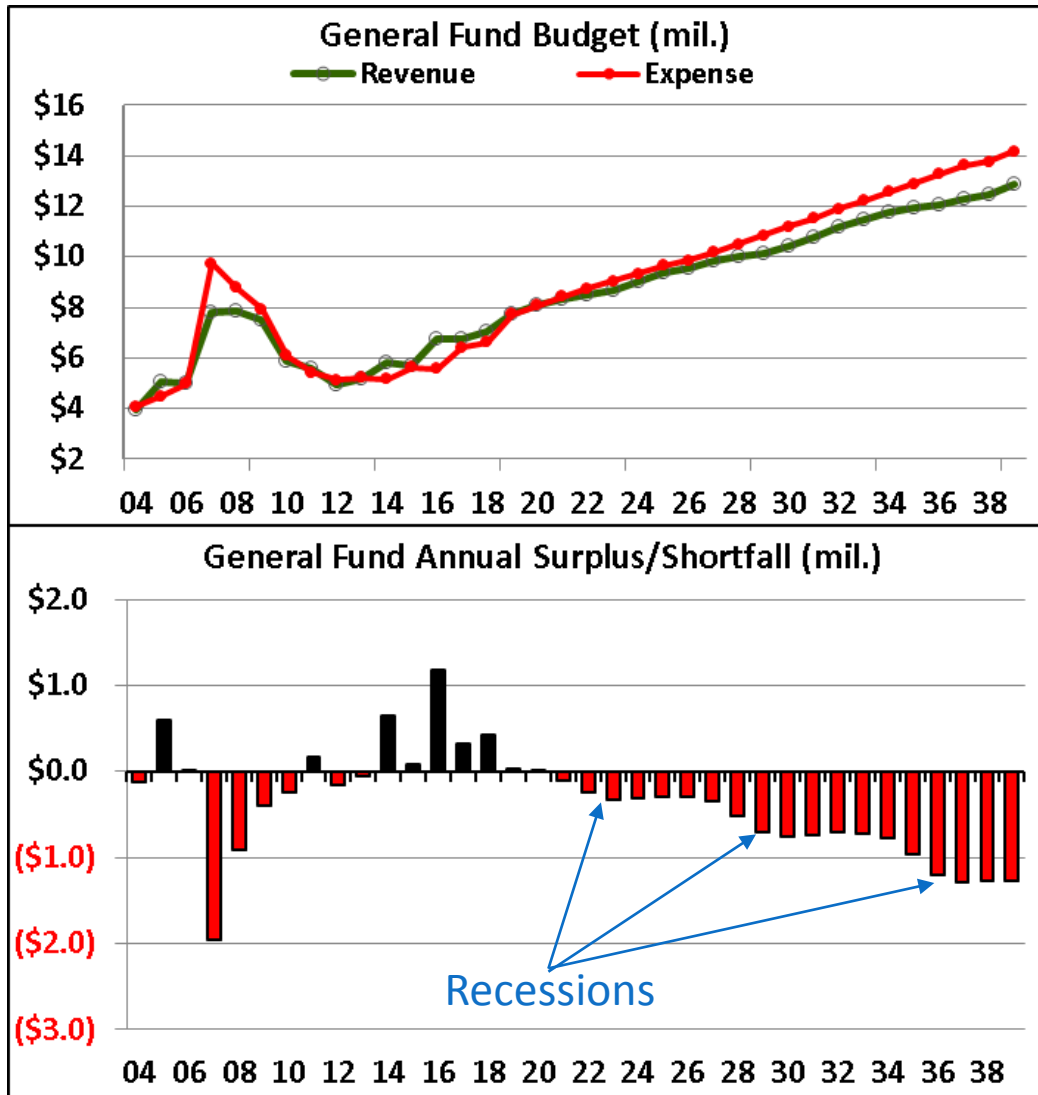
- FY2019 levels will nearly double in 14 years given rate and salary increases

# O&M Cost Assumptions

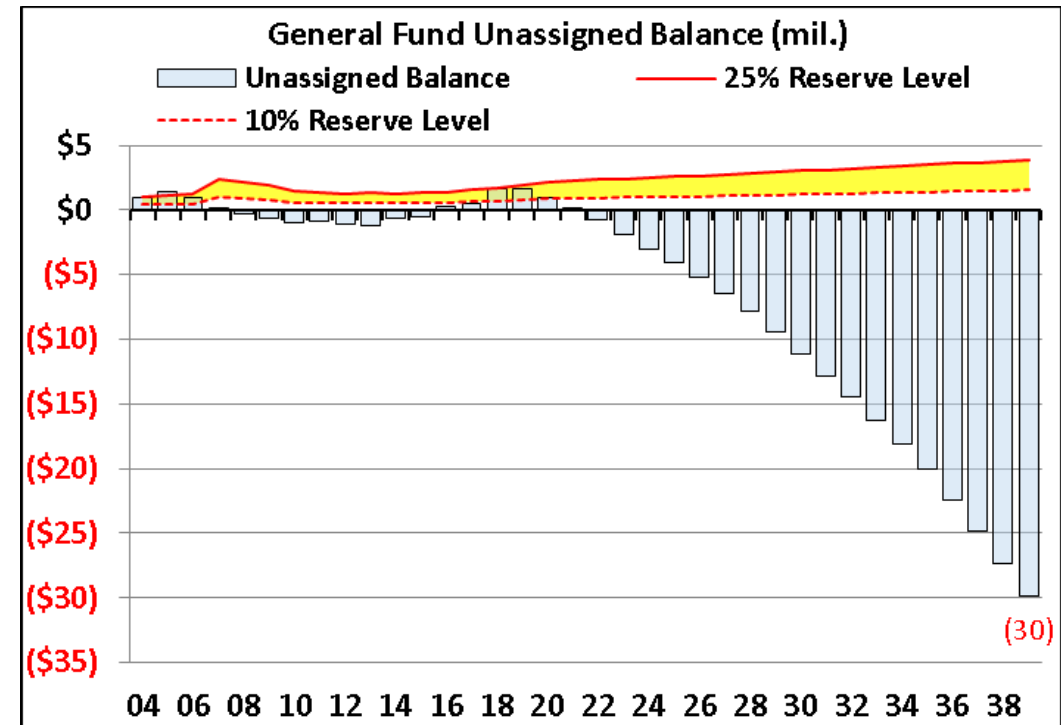


- CalTrans inflation index for Sonoma County used for services and supplies (ranges between 4.1% and 3.0% over 20 years)
- Debt service remains constant at \$77,600
- 2% growth in transfers out

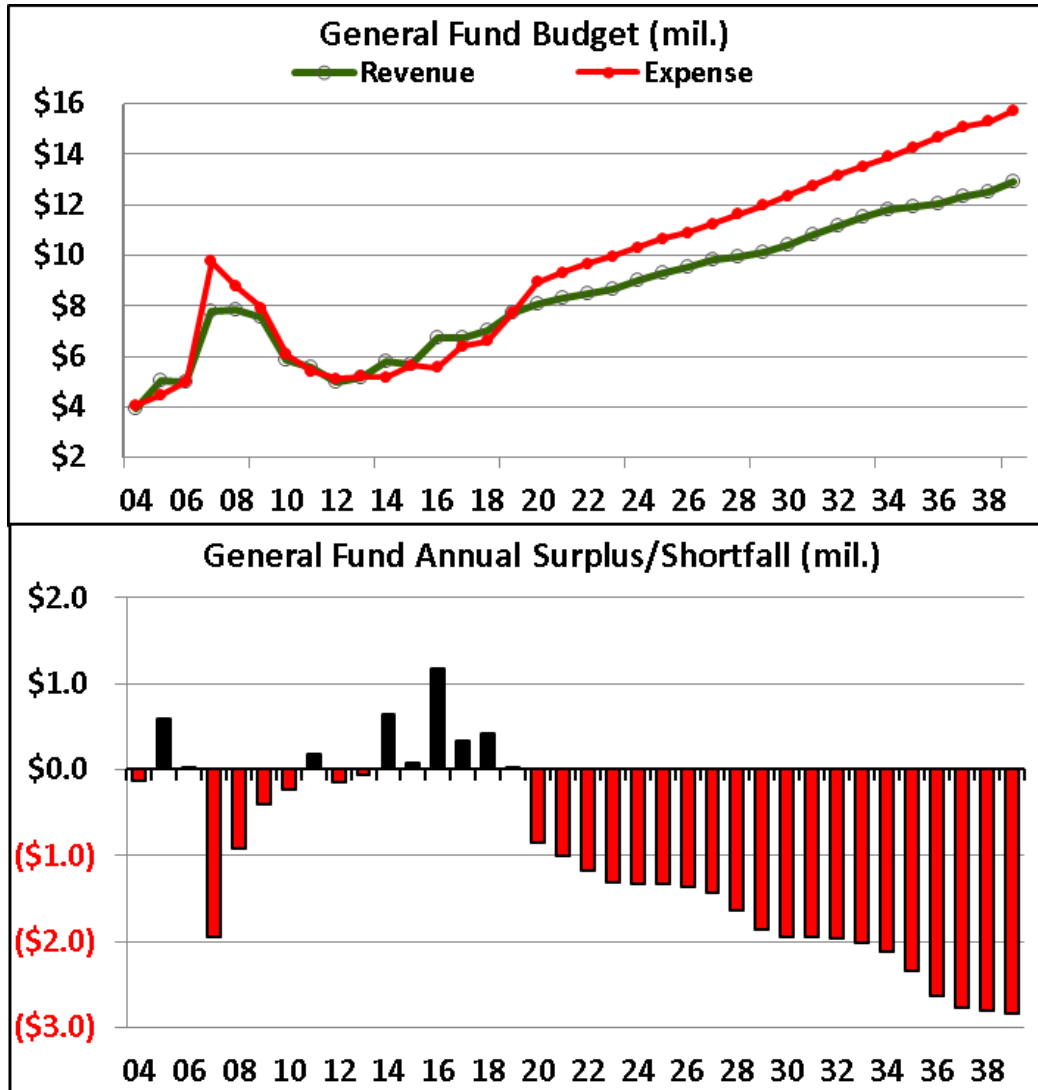
# Shortfall With Current Staffing Level



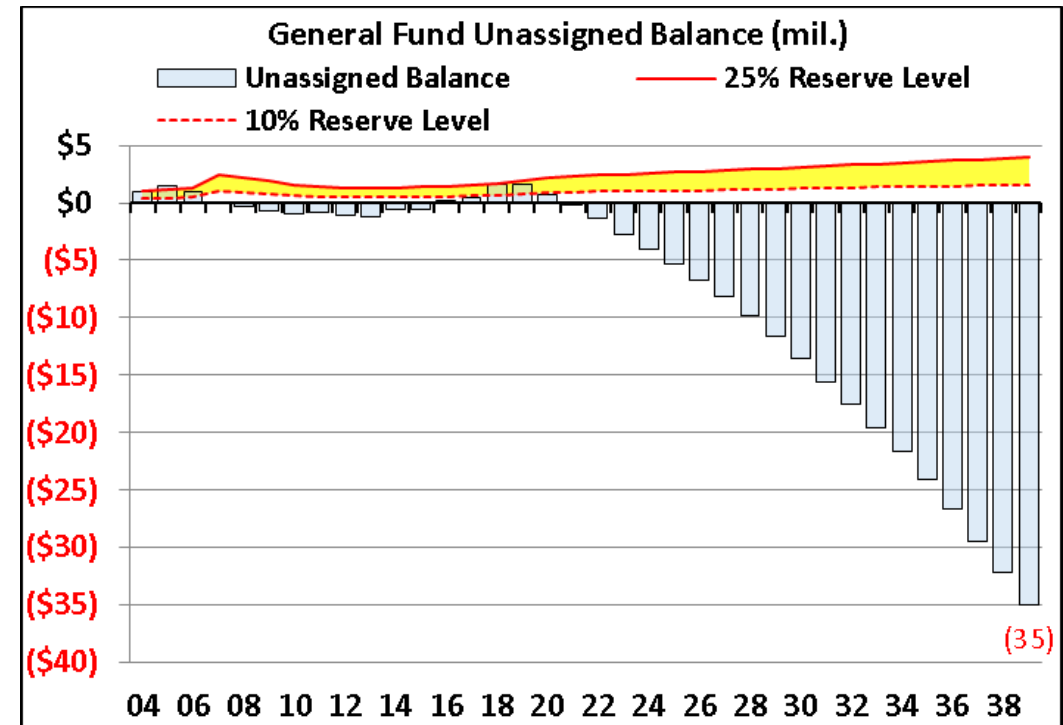
- Widening gap, most pronounced during recessions
- Deficit reached by end of **FY2022**, in absence of budget balancing actions



# Shortfall With Staffing Increase



- Adds 4 FTE to current staffing levels
- Deficit reached by end of **FY2021**, in absence of budget balancing actions





# Pension Tax Issues

- Legal constraints date back many years
  - Must be consistent with 1974 voter authorization
  - Tax rate limited to rate levied in FY1983 or FY1984
  - Eligible amounts tied to pension benefit levels in effect in June 1978 (per 2003 Appellate Court decision, 2004 Attorney General opinion of “reasonable accounting method” standard)
    - City deducts “after-added benefit” calculation, but includes 100% of unfunded accrued liability (UAL) and full City pick-up of employee contribution for “Classic” benefit employees
- Calculation needs to be audited by pension actuary (John Bartel has done this work)
- Baseline forecast assumptions:
  - Uses current rate of 10.7% per \$100 assessed value ongoing
  - Reduces pick-up portion of costs in line with changing share of payroll that has “Classic” benefits (PEPRA does not receive pick-up)
  - Continues other City calculations, including 100% of UAL as eligible for tax
- Based on review of rate levy and amounts eligible to be charged to the tax, retirement transfers to General Fund and other funds might have to be reduced in future years

# Revenue Options: Local Sales and Use Tax

## Local Transactions Use Taxes (TUT) in Sonoma County

Agency	Local TUT Rate	Effective Date
Cotati	1.00%	10/1/2014
Healdsburg	0.50%	4/1/2013
Rohnert Park	0.50%	10/1/2010
Santa Rosa 2010 TUT	0.25%	4/1/2011
Santa Rosa 2018 TUT	0.25%	4/1/2019
Santa Rosa Public Safety TUT	0.25%	4/1/2005
Sebastopol Community TUT	0.25%	4/1/2005
Sebastopol Increase in the Community TUT	0.50%	4/1/2013
Sonoma (City) TUT	0.50%	10/1/2012

### Background

- State law limits local TUT measures at 1%, with a combined TUT limit of 2%
- Cloverdale does not currently have a local TUT tax

### Considerations

- Requires majority vote in general election
- Next General Election is in 2020; revenues will not be available in time to prevent shortfall
- Laying groundwork with community is imperative

### Impact

- Increase to 0.5%: \$550,000 in 2021, average of \$725,000 annually over 20 years
- Increase to 1.0%: \$1.1 million in FY 2021, average of \$1.45 million annually over 20 years

# Revenue Options: Utility Users' Tax

**Utility User Tax (UUT) Revenue of County Agencies (FY2019)**

Jurisdiction	Cloverdale	Santa Rosa	Sebastopol
Utilities Subject to Tax	Cable TV, Electricity, Gas, Telephone	Cable TV, Electricity, Gas, Cellphones	Cable TV, Electricity, Gas, Telephone, Solid Waste
UUT Rate	3.00%	5.00%	3.75%
UUT Revenues	\$461,000	\$ 10,689,000	\$ 1,282,000
UUT Revenues per Capita	\$52.37	\$60.99	\$167.23

## Background

- UUT may be enacted on electricity, gas, telephone (wired/ wireless), and video services
- Cloverdale imposes a 3% UUT as of 2014, set to expire in 2022. Model assumes UUT will continue indefinitely.
- Average UUT statewide is 5.2%

## Considerations

- Requires majority vote at general election
- Next General Election is in 2020; revenues will not be available in time to stave off shortfall

## Impact

- Increasing the UUT rate to 6% would increase revenues by \$449,000 beginning in 2020, averaging \$589,000 per year over 20 years

# Revenue Options: Increase in Transient Occupancy Tax

**Transient Occupancy Tax (TOT) Rates  
in Sonoma County (FY2018)**

Agency	Agency's TOT Rate	FY2018 TOT Revenue	FY2018 TOT Revenue per Capita
Cloverdale	10%	\$266,636	\$30
Healdsburg	14%	\$2,901,574	\$245
Petaluma	10%	\$2,754,585	\$45
Rohnert Park	12%	\$3,300,000	\$77
Santa Rosa	9%	\$5,975,632	\$34
Sebastopol	10%	\$510,000	\$67
Sonoma	10%	\$3,900,000	\$351
Windsor	12%	\$2,412,282	\$88
Unincorporated County	12%	\$3,764,000	\$27
County Average	11%	\$107 per Capita	

## Background

- Cloverdale has a TOT rate of 10%, along with Petaluma, Sebastopol and Sonoma
- All other county agencies range from 9% to 14%, with an average of 11%

## Considerations

- Requires majority vote in a general election
- TOT measures typically fare better than other tax measures
- Cloverdale may not have the hospitality infrastructure to take full advantage of a TOT increase

## Impact

- Increase of 1% (to 11%) in the TOT rate would generate \$22,486 per year beginning in 2021, with an annual average of \$27,051 over 20 years
- Increase of 2% (to 12%) in the TOT rate would generate \$44,792 per year beginning in 2021, with an annual average of \$54,102 over 20 years

# Major Takeaways

## Fiscal Considerations

- The City's financial situation should be a substantial concern
- Current spending trends cannot continue without significant cost reductions or revenue increases
- Cost reductions should be a priority, as any new taxes passed will not go into effect before 2020 or 2021
- Any increases in tax revenue are subject to a vote in a general election; work needs to begin immediately to add any revenue measure to a 2020 ballot, and to communicate the need to the community

## Pension Tax Considerations

- Determine the correct ongoing pension property tax calculations under current statute and case law



**Thank You**

**Questions?**

**Contact  
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