CITY OF
CLOVERDALE

AGENDA
Finance Administration and Police Subcommittee Meeting
Meeting Date: Thursday, October 13, 2016
Meeting Time: 2:00 p.m.
Meeting Location: City Hall
124 N. Cloverdale Blvd., Cloverdale, CA

Subcommittee Members

Councilmember Mary Ann Brigham, Chair	City Manager, Paul Cayler
Councilmember Gus Wolter	Police Chief, Stephen Cramer
	Finance Manager, Joanne Cavallari

1. **Call to Order:**

2. **Communications:** Committee may discuss written communications sent to Committee Members since the last Subcommittee meeting.

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:** August 25, 2016

5. **Current Items for Discussion:**
   a) Discussion of Solid Waste rate adjustments
   b) Review UUT Administrative Rulings
   c) Finance Manager's draft FY 2015/16 Measure O Report
   d) Review Preliminary FY 15/16 General Fund Revenues and Expenses
   e) Discussion of Reserves policy and General Fund surplus policy
   f) Purchase of additional patrol car
   g) Status of Thyme Square development

6. **Information Only Memos:**

7. **Future Agenda Items (subject to change):**

8. **Pending Items:**

9. **Good of the Order:**

10. **Adjournment:**

CERTIFICATION – Pursuant to Government Code § 54954.2, the agenda for this meeting was properly posted on 10/06/16.

CITY OF
CLOVERDALE

DRAFT MINUTES
Finance Administration and Police Subcommittee Meeting
Meeting Date: Thursday, August 25, 2016
Meeting Time: 2:00 p.m.
Meeting Location: City Hall
124 N. Cloverdale Blvd., Cloverdale, CA

Subcommittee Members

Councilmember Mary Ann Brigham, Chair	City Manager, Paul Cayler
Councilmember Gus Wolter	Police Chief, Stephen Cramer
	Finance Manager, Joanne Cavallari

1. **Call to Order:** Chair, Mayor Brigham, called the meeting to order at 2:00 p.m.

2. **Communications:** None

3. **Public Comment:** None

4. **Approval of Minutes:** The minutes for April 28, 2016, June 23, 2016 were approved.

5. **Current Items for Discussion:**

   a) Reserve policy
   Finance Manager Cavallari distributed a Best Practices information sheet from the Government Finance Officers Association (attached). The Subcommittee discussed the current reserve policy. Restricted and unrestricted fund balances were discussed. The committee recommended revisions be made to the reserve policy, including changing the contingency reserve from 25% down to 18% and moving unforeseen catastrophic cost into a separate category.

   b) Discussion of disposal of old police cars
   Chief Cramer discussed the need to remove the old, inoperable police cars that are currently taking space at the corp yard. He distributed a handout, detailing his request (attached). The committee made the recommendation to bring this item to the City Council.

6. **Information Only Memos:** None

7. **Future Agenda Items (subject to change):** Discussion on the new police station and new patrol vehicles

8. **Pending Items:** None

9. **Good of the Order:** None

10. **Adjournment:** Chair, Mayor Brigham, adjourned the meeting at 3:13 p.m. to a special meeting on Thursday, October 13, 2016, at 2:00 p.m., or alternate date as requested. Meetings scheduled for September 22, 2016 and October 27, 216 were canceled.

R3 CONSULTING GROUP, INC.
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Roseville, CA 95661
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To: Mr. Paul Cayler, City Manager

From: Richard Tagore-Erwin, Mekdem Wright

Date: October 5, 2016

Subject: Redwood Empire Disposal Annual Rate Adjustment Request

Attachment: Attachment A – Current Rates and Proposed Rates Effective October 1, 2016

R3 Consulting Group (R3) was engaged by the City of Cloverdale (City) to review Redwood Empire Disposal, Inc. (Redwood) request rate adjustment for rates effective October 1, 2016, 2016.

This memorandum presents the findings of our review of Redwood's rate adjustment. Attachment A contains a comparison of:

- Current customer rates (which include the landfill fee of $127.95 per ton adopted by the Sonoma County Waste Management Agency effective April 1, 2016),
- Proposed customer rates effective October 1, 2016, and
- R3's corrections of Redwood's proposed customer rates.

Summary Findings

- Redwood's rate adjustment application was submitted in partial non-conformance with the terms and conditions of the franchise agreement. Specifically, R3 identified one error in Redwood's calculation of the RRI adjustment to the Collection Component, as follows:
    - **Collection Component:** Redwood's annual rate adjustment application included a 0.00% change in the collection component of the customer rates. However, R3 calculated a 4.30% decrease is required based on the five approved price indices published by the U.S. Bureau of Labor Statistics (BLS).
- We identified no other errors in Redwood's calculation methodology. Specifically, Redwood's requested annual rate increase includes the following adjustments to the individual customer rate components:
    - **Disposal Component:** No increase, due to no change in the current landfill tipping fee of $127.95 per ton); and
    - **Compostable Materials Processing Fee Component:** 1.22% decrease, due to a decrease in the green waste tipping fee from $77.10 to $76.16 per ton.
        - This decreased green waste tipping fee is applied as a pass-through to

customer rates.

- The corrected customer rate adjustments calculated by R3 effective October 1, 2016 result in the following percentage adjustments over current rates:
  - **Residential Carts** – Total decreases of between 0.07% and 0.25% (i.e., monthly decreases of between $0.03 and $0.04 depending on size);
  - **Commercial Carts** – Total decreases of between 0.04% and 0.10% (i.e., monthly decreases of $0.03);
  - **Commercial Bins** – Total decreases of between 0.00% and 0.02% (i.e., monthly decreases of between $0.03 and $0.04 depending on size and collection frequency);
  - **Commercial Debris Boxes** – No adjustments; and
  - **Bulky Items Handling** – No adjustments.

Refuse Rate Index Adjustments

The rate application has four separate components that comprise the total customer rates. The proposed adjustments to these components are summarized below.

R3 identified one error in Redwood's calculation of the RRI adjustment to the Collection Component, detailed below.

Disposal Component

- Redwood's current customer rates that are used as the basis for this 2016 annual rate adjustment have already included the previous landfill tipping fee increase from $126.45 to $127.95 per ton effective April 1, 2016. Therefore, no additional increase is necessary as part of this 2016 annual rate adjustment.

Compostable Materials Processing Fee Component

- Green waste tipping fees decreased from $77.10 to $76.16 per ton effective October 1, 2016. This represents a decrease of 1.22% over the current Compostable Materials Processing Fee Component.

Franchise Fee Component

- This component is adjusted so as to always equal 11.00% of the total customer rate.

Collection Component

- The franchise agreement specifies that the Collection Component of the total rate be calculated using changes in five price indices produced by the U.S. Bureau of Labor Statistics (BLS). Changes in these indices are applied to Redwood's collection cost categories as specified in the franchise agreement. This is shown in Table 1 below.

- Redwood's rate application used the incorrect methodology in its Collection Component calculations. Specifically, Redwood's requested annual rate increase included a 0.00% change in the collection component of the customer rates. However, R3 calculated a 4.30% decrease is required based on the five approved price indices published by the U.S. Bureau of Labor Statistics (BLS).

Table 1
Collection Component Calculations

Cost Category	Redwood Collection Cost	% Weight of Total Cost	% Change in BLS Index	Weighted % Change
Labor	$284,884	23.72%	2.03%	0.48%
Fuel	$157,901	13.15%	-39.45%	-5.19%
Vehicle Replacement[1]	$270,649	22.53%	0.78%	0.18%
Vehicle Maintenance	$82,697	6.89%	2.76%	0.19%
All Other	$404,920	33.71%	0.12%	0.04%
TOTAL	**$1,201,051**			**-4.30%**

Recommendations

The City should adopt the revised customer rates that results in a small decrease.

Customer Rate Sheets

Attachment A contains a comparison of:

- Current customer rates (which include the landfill fee of $127.95 per ton adopted by the Sonoma County Waste Management Agency effective April 1, 2016), and
- R3's corrections of Redwood's proposed customer rates to be used for customer rates effective October 1, 2016.

[1] The franchise agreement specifies an index for Vehicle Replacement (Series ID: PCU3362113362111) that is no longer being published. An updated index (Series ID: WPU141301) has been used as a replacement in the past for the 2013, 2014, and 2015 rate adjustments, and Redwood has also used this updated index for the 2016 rate adjustment.

Attachment A
City of Cloverdale
Current Rates and Proposed Rates Effective October 1, 2016

Rate Category	Current Customer Rate Effective April 1, 2015	Proposed Customer Rate Effective October 1, 2016							
		Redwood Proposed			R3 Calculated			Difference (R3 vs Redwood)	
		Total Customer Rate	Difference (vs Current)	Percent Increase	Total Customer Rate	Difference (vs Current)	Percent Increase	Total Customer Rate	Percent Increase
A. RESIDENTIAL SCHEDULE									
Cans (weekly collection)									
1-20 GAL	$16.16	$16.12	-$0.04	-0.25%	$15.72	-$0.44	-2.72%	-$0.40	-2.48%
1-32 GAL	$21.99	$21.96	-$0.03	-0.14%	$21.33	-$0.66	-3.00%	-$0.63	-2.86%
1-64 GAL	$34.37	$34.34	-$0.03	-0.09%	$33.26	-$1.11	-3.23%	-$1.08	-3.14%
1-96 GAL	$44.83	$44.80	-$0.03	-0.07%	$43.46	-$1.37	-3.06%	-$1.34	-2.99%
Road Charge (private road)	$6.56	$6.56	$0.00	0.00%	$6.28	-$0.28	-4.27%	-$0.28	-4.27%
Extra Pick-up	$10.28	$10.28	$0.00	0.00%	$9.90	-$0.38	-3.70%	-$0.38	-3.70%
Carry charge per cart (walk in service)	$1.82	$1.82	$0.00	0.00%	$1.74	-$0.08	-4.40%	-$0.08	-4.40%
Low Income Discount Cans/Carts (weekly collection)									
1-32 GAL	$20.00	$19.97	-$0.03	-0.15%	$19.43	-$0.57	-2.85%	-$0.54	-2.70%
1-64 GAL	$31.15	$31.11	-$0.04	-0.13%	$30.17	-$0.98	-3.15%	-$0.94	-3.02%
1-96 GAL	$40.63	$40.60	-$0.03	-0.07%	$39.45	-$1.18	-2.90%	-$1.15	-2.83%
Extra Pick-up	$5.90	$5.90	$0.00	0.00%	$5.64	-$0.26	-4.41%	-$0.26	-4.41%
Carry charge per cart (walk in service)	$1.64	$1.64	$0.00	0.00%	$1.57	-$0.07	-4.27%	-$0.07	-4.27%
B. COMMERCIAL SCHEDULE									
1.5 Cubic Yd Bin									
1 x week	$172.92	$172.89	-$0.03	-0.02%	$169.61	-$3.31	-1.91%	-$3.28	-1.90%
2 x week	$304.35	$304.32	-$0.03	-0.01%	$299.40	-$4.95	-1.63%	-$4.92	-1.62%
3 x week	$433.38	$433.35	-$0.03	-0.01%	$426.91	-$6.47	-1.49%	-$6.44	-1.49%
Extra Pick-up	$60.87	$60.83	-$0.04	-0.07%	$59.28	-$1.59	-2.61%	-$1.55	-2.55%
2 Cubic Yd Bin									
1 x week	$217.17	$217.14	-$0.03	-0.01%	$213.29	-$3.88	-1.79%	-$3.85	-1.77%
2 x week	$381.74	$381.71	-$0.03	-0.01%	$376.15	-$5.59	-1.46%	-$5.56	-1.46%
3 x week	$546.70	$546.67	-$0.03	-0.01%	$539.37	-$7.33	-1.34%	-$7.30	-1.34%
Extra Pick-up	$75.42	$75.38	-$0.04	-0.05%	$73.52	-$1.90	-2.52%	-$1.86	-2.47%
3 Cubic Yd Bin									
1 x week	$274.14	$274.10	-$0.04	-0.01%	$270.48	-$3.66	-1.34%	-$3.62	-1.32%
2 x week	$497.20	$497.17	-$0.03	-0.01%	$492.00	-$5.20	-1.05%	-$5.17	-1.04%
Extra Pick-up	$93.39	$93.36	-$0.03	-0.03%	$91.34	-$2.05	-2.20%	-$2.02	-2.16%
4 Cubic Yd Bin									
1 x week	$327.62	$327.59	-$0.03	-0.01%	$324.35	-$3.27	-1.00%	-$3.24	-0.99%
2 x week	$586.99	$586.96	-$0.03	-0.01%	$583.28	-$3.71	-0.63%	-$3.68	-0.63%
3 x week	$839.54	$839.51	-$0.03	0.00%	$835.69	-$3.85	-0.46%	-$3.82	-0.46%
Extra Pick-up	$109.02	$108.99	-$0.03	-0.03%	$106.91	-$2.11	-1.94%	-$2.08	-1.91%
6 Cubic Yd Bin									
1 x week	$476.06	$476.02	-$0.04	-0.01%	$471.76	-$4.30	-0.90%	-$4.26	-0.89%
2 x week	$789.07	$789.04	-$0.03	0.00%	$787.38	-$1.69	-0.21%	-$1.66	-0.21%
Extra Pick-up	$151.27	$151.24	-$0.03	-0.02%	$148.58	-$2.69	-1.78%	-$2.66	-1.76%
Carts									
1 - 35 Gal Cart 1xw	$29.30	$29.27	-$0.03	-0.10%	$28.52	-$0.78	-2.66%	-$0.75	-2.56%
1 - 64 Gal Cart 1xw	$57.09	$57.06	-$0.03	-0.05%	$55.54	-$1.55	-2.72%	-$1.52	-2.66%
1 - 96 Gal Cart 1xw	$84.74	$84.71	-$0.03	-0.04%	$82.38	-$2.36	-2.78%	-$2.33	-2.75%
Extra Pick-up	$13.54	$13.51	-$0.03	-0.22%	$13.06	-$0.48	-3.55%	-$0.45	-3.32%
Commercial Solid Waste Compactor Special Services									
Backyard Charge	$29.57	$29.57	$0.00	0.00%	$28.30	-$1.27	-4.29%	-$1.27	-4.29%
Sideyard for Fee Service	$29.57	$29.57	$0.00	0.00%	$28.30	-$1.27	-4.29%	-$1.27	-4.29%
Key Charges (1)	$11.84	$11.84	$0.00	0.00%	$11.34	-$0.50	-4.22%	-$0.50	-4.22%
Enclosure Charges (2)	$29.57	$29.57	$0.00	0.00%	$28.30	-$1.27	-4.29%	-$1.27	-4.29%
Gate Service Charges (3)	$11.84	$11.84	$0.00	0.00%	$11.34	-$0.50	-4.22%	-$0.50	-4.22%
Long Walk Charge (4)	$29.57	$29.57	$0.00	0.00%	$28.30	-$1.27	-4.29%	-$1.27	-4.29%
Commercial Overage per Cubic Yard	$52.61	$52.61	$0.00	0.00%	$50.97	-$1.64	-3.12%	-$1.64	-3.12%
4 yd Cleanup Bin (3 days)	$207.34	$207.34	$0.00	0.00%	$200.90	-$6.44	-3.11%	-$6.44	-3.11%
Contaminated Recycle, yard waste or food scrap:									
Cart	$21.16	$21.16	$0.00	0.00%	$20.25	-$0.91	-4.30%	-$0.91	-4.30%
Bin (plus $84.20 per yard)	$21.16	$21.16	$0.00	0.00%	$20.25	-$0.91	-4.30%	-$0.91	-4.30%
Cleaning Fee for food scrap Bin/Cart in excess of 1 per year	$52.87	$52.87	$0.00	0.00%	$50.60	-$2.27	-4.29%	-$2.27	-4.29%
Replacement Cart after 1/year	$82.47	$82.47	$0.00	0.00%	$78.92	-$3.55	-4.30%	-$3.55	-4.30%
Replacement Bin after 1/year	$139.56	$139.56	$0.00	0.00%	$133.56	-$6.00	-4.30%	-$6.00	-4.30%
Same day return trip for Bin/Cart blocked or not at curb	$17.45	$17.45	$0.00	0.00%	$16.70	-$0.75	-4.30%	-$0.75	-4.30%
Fee to reinstate account closed for nonpayment	$26.42	$26.42	$0.00	0.00%	$25.28	-$1.14	-4.31%	-$1.14	-4.31%
Add'l Recycle or Yard Waste Cart (after 2)	$17.45	$17.45	$0.00	0.00%	$16.70	-$0.75	-4.30%	-$0.75	-4.30%
Commercial Solid Waste Debris Box Service:									
20 yard or less	$429.79	$429.79	$0.00	0.00%	$423.67	-$6.12	-1.42%	-$6.12	-1.42%
30 yard & 40 yard	$459.37	$459.37	$0.00	0.00%	$451.98	-$7.39	-1.61%	-$7.39	-1.61%
Disposal per ton over 2 tons	$143.76	$143.76	$0.00	0.00%	$143.76	$0.00	0.00%	$0.00	0.00%
C&D Debris Box containing >10% recyclables (2 tons charged when delivered; excess billed)									
20 yard or less	$429.79	$429.79	$0.00	0.00%	$423.67	-$6.12	-1.42%	-$6.12	-1.42%
30 yard & 40 yard	$459.37	$459.37	$0.00	0.00%	$451.98	-$7.39	-1.61%	-$7.39	-1.61%
Wood (disposal billed separately @ $33.37 per ton based on tag)									
20 yard or less	$123.07	$123.07	$0.00	0.00%	$117.78	-$5.29	-4.30%	-$5.29	-4.30%
30 yard & 40 yard	$135.83	$135.83	$0.00	0.00%	$129.99	-$5.84	-4.30%	-$5.84	-4.30%
Brush (disposal billed separately @ $40.64 per ton based on tag)									
20 yard or less	$123.07	$123.07	$0.00	0.00%	$117.78	-$5.29	-4.30%	-$5.29	-4.30%
30 yard & 40 yard	$135.83	$135.83	$0.00	0.00%	$129.99	-$5.84	-4.30%	-$5.84	-4.30%
Recycling									
20 yard or less	$135.83	$135.83	$0.00	0.00%	$129.99	-$5.84	-4.30%	-$5.84	-4.30%
30 yard & 40 yard	$135.83	$135.83	$0.00	0.00%	$129.99	-$5.84	-4.30%	-$5.84	-4.30%
Concrete - half-full box allowed (disposal billed separately @ $5.62 per ton based on tag)									
20 yard or less	$135.83	$135.83	$0.00	0.00%	$129.99	-$5.84	-4.30%	-$5.84	-4.30%
Dirt - half-full box allowed (disposal billed separately @ $22.47 per ton based on tag)									
20 yard or less	$271.66	$271.66	$0.00	0.00%	$259.99	-$11.67	-4.30%	-$11.67	-4.30%

Attachment A
City of Cloverdale
Current Rates and Proposed Rates Effective October 1, 2016

Rate Category	Current Customer Rate Effective April 1, 2015	Proposed Customer Rate Effective October 1, 2016							
		Redwood Proposed			R3 Calculated			Difference (R3 vs Redwood)	
		Total Customer Rate	Difference (vs Current)	Percent Increase	Total Customer Rate	Difference (vs Current)	Percent Increase	Total Customer Rate	Percent Increase
Compactor Solid Waste Compactors									
3 yard once/week	$531.47	$530.73	-$0.74	-0.14%	$525.74	-$5.73	-1.08%	-$4.99	-0.94%
3 yard twice/week	$1,062.88	$1,061.40	-$1.48	-0.14%	$1,051.40	-$11.48	-1.08%	-$10.00	-0.94%
3 yard three times/week	$1,593.31	$1,591.10	-$2.21	-0.14%	$1,576.16	-$17.15	-1.08%	-$14.94	-0.94%
Other sized compactors (disposal billed separately @ $128.09 per tag)									
20 yard or less compactor	$236.61	$236.61	$0.00	0.00%	$226.44	-$10.17	-4.30%	-$10.17	-4.30%
25 yard compactor	$295.77	$295.77	$0.00	0.00%	$283.04	-$12.73	-4.30%	-$12.73	-4.30%
30 yard compactor	$354.91	$354.91	$0.00	0.00%	$339.65	-$15.26	-4.30%	-$15.26	-4.30%
C. BULKY ITEMS									
Furniture									
Twin Bed	$71.30	$71.30	$0.00	0.00%	$69.69	-$1.61	-2.26%	-$1.61	-2.26%
Double/ Full Bed	$71.30	$71.30	$0.00	0.00%	$69.69	-$1.61	-2.26%	-$1.61	-2.26%
Queen Bed	$71.30	$71.30	$0.00	0.00%	$69.69	-$1.61	-2.26%	-$1.61	-2.26%
King Bed	$71.30	$71.30	$0.00	0.00%	$69.69	-$1.61	-2.26%	-$1.61	-2.26%
Bed Frame	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Couch (under 6 feet)	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Upholstered Chairs	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Wooden Chairs	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Dinette Tables	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Household Items									
Rug (9' X 12')	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Vacuum	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Appliances									
Water Heater - up to 100 gallon	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Oven	$59.51	$59.51	$0.00	0.00%	$57.81	-$1.70	-2.86%	-$1.70	-2.86%
Oven (stove top)	$59.51	$59.51	$0.00	0.00%	$57.81	-$1.70	-2.86%	-$1.70	-2.86%
Oven (stove unit)	$59.51	$59.51	$0.00	0.00%	$57.81	-$1.70	-2.86%	-$1.70	-2.86%
Microwave	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Garbage Compactor	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Refrigerator	$69.27	$69.27	$0.00	0.00%	$66.87	-$2.40	-3.46%	-$2.40	-3.46%
Freezer	$71.30	$71.30	$0.00	0.00%	$69.69	-$1.61	-2.26%	-$1.61	-2.26%
Air Conditioner	$71.30	$71.30	$0.00	0.00%	$69.69	-$1.61	-2.26%	-$1.61	-2.26%
Washing Machine	$59.51	$59.51	$0.00	0.00%	$57.81	-$1.70	-2.86%	-$1.70	-2.86%
Dryer	$59.51	$59.51	$0.00	0.00%	$57.81	-$1.70	-2.86%	-$1.70	-2.86%
Building Materials									
Household Doors	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Sink	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Toilets	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Windows (less than 3' X 4')	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Windows (larger than 3' X 4')	$75.66	$75.66	$0.00	0.00%	$72.99	-$2.67	-3.53%	-$2.67	-3.53%
Yard & Garden									
Gas Mower (must be drained of gas and oil)	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
BBQ	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Ping Pong Table	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Exercise Bike	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Swing Sets	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Bike	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Electronics									
Computer Monitor or Computer Tower/CPU	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Television	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Large Screen Television	$64.01	$64.01	$0.00	0.00%	$61.83	-$2.18	-3.41%	-$2.18	-3.41%
Console Television	$64.01	$64.01	$0.00	0.00%	$61.83	-$2.18	-3.41%	-$2.18	-3.41%
Stereo Equipment	$53.57	$53.57	$0.00	0.00%	$51.83	-$1.74	-3.25%	-$1.74	-3.25%
VCR/Home Entertainment	$53.57	$53.57	$0.00	0.00%	$51.83	-$1.74	-3.25%	-$1.74	-3.25%
Printer/Fax	$53.57	$53.57	$0.00	0.00%	$51.83	-$1.74	-3.25%	-$1.74	-3.25%
Copier (table top)	$53.57	$53.57	$0.00	0.00%	$51.83	-$1.74	-3.25%	-$1.74	-3.25%
Copier (small stand alone)	$130.14	$130.14	$0.00	0.00%	$128.80	-$1.34	-1.03%	-$1.34	-1.03%
Oversize office equipment + disposal costs	$36.99	$36.99	$0.00	0.00%	$35.39	-$1.60	-4.33%	-$1.60	-4.33%
Car Parts									
Engine Block (must be completely drained of fluid)	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Car Seat	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Bumper/Grill, etc.	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Passenger Vehicle Tire	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Truck or Tractor Tire – special pricing applies	$0.00	$0.00	$0.00	#DIV/0!	$0.00	$0.00	#DIV/0!	$0.00	#DIV/0!
-Additional Items									
Items under 60 pounds	$53.61	$53.61	$0.00	0.00%	$51.88	-$1.73	-3.23%	-$1.73	-3.23%
Items over 60 pounds + disposal cost	$52.87	$52.87	$0.00	0.00%	$50.60	-$2.27	-4.29%	-$2.27	-4.29%
Items requiring special handling/disposal + disposal cost	$52.87	$52.87	$0.00	0.00%	$50.60	-$2.27	-4.29%	-$2.27	-4.29%

Government Finance Officers Association

BEST PRACTICE

Appropriate Level of Unrestricted Fund Balance in the General Fund

BACKGROUND:

In the context of financial reporting, the term *fund balance* is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net position of governmental funds calculated on a government's budgetary basis.[1] While in both cases *fund balance* is intended to serve as a measure of the financial resources available in a governmental fund; it is essential that differences between GAAP *fund balance* and budgetary *fund balance* be fully appreciated.

1. GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.[2] The total of the amounts in these last three categories (where the only constraint on spending, if any, is imposed by the government itself) is termed *unrestricted fund balance*. In contrast, budgetary fund balance, while it is subject to the same constraints on spending as GAAP fund balance, typically represents simply the total amount accumulated from prior years at a point in time.
2. The calculation of GAAP fund balance and budgetary fund balance sometimes is complicated by the use of sub-funds within the general fund. In such cases, GAAP fund balance includes amounts from all of the subfunds, whereas budgetary fund balance typically does not.
3. Often the timing of the recognition of revenues and expenditures is different for purposes of GAAP financial reporting and budgeting. For example, encumbrances arising from purchase orders often are recognized as expenditures for budgetary purposes, but never for the preparation of GAAP financial statements.

The effect of these and other differences on the amounts reported as *GAAP fund balance* and *budgetary fund balance* in the general fund should be clarified, understood, and documented.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the general fund.

RECOMMENDATION:

GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes.[3] Such a

guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.[4] In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.[5] The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.[6] Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Use and Replenishment.

The fund balance policy should define conditions warranting its use, and ifa fund balance falls below the government's policy level, a solid plan to replenish it. In that context, the fund balance policy should:

1. Define the time period within which and contingencies for which fund balances will be used;
2. Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
3. Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished.

Generally, governments should seek to replenish their fund balances within one to three years of use. Specifically, factors influencing the replenishment time horizon include:

1. The budgetary reasons behind the fund balance targets;
2. Recovering from an extreme event;
3. Political continuity;
4. Financial planning time horizons;
5. Long-term forecasts and economic conditions;
6. External financing expectations.

Revenue sources that would typically be looked to for replenishment of a fund balance include nonrecurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and there is a defensible rationale). Year-end surpluses are an appropriate source for replenishing fund balance.

Unrestricted Fund Balance Above Formal Policy Requirement. In some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the general fund over their formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed. Additionally, an education or communication strategy, or at a minimum, explanation of large changes in fund balance is encouraged. In all cases, use of those funds should be prohibited as a funding source for ongoing recurring expenditures.

Notes:

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.
4. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
5. In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.
6. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues and/or expenditures, that decision should be followed consistently from period to period.

Cloverdale Police Department Stephen Wayne Cramer, Chief of Police
112 Broad Street • Cloverdale, CA 95425 • Phone: (707) 894-2150 • Fax: (707) 894-5203

August 25, 2016

REQUEST TO DISPOSE OF OUT-OF-SERVICE SURPLUS VEHICLE
CITY OF CLOVERDALE FINANCE, ADMINISTRATION & POLICE SUB-COMMITTEE

MR. PAUL CAYLER – City Manager
MR. DAVID KELLEY – Assistant City Manager
MS. JOANNE CAVALLARI – Finance Director
MS. MARY ANN BRIGHAM – Mayor
MR. GUS WOLTER – Vice Mayor

Re: Disposal of Out-of-Service Police Vehicles

To the Honorable Committee Members:

On behalf of the City of Cloverdale and the Cloverdale Police Department, I respectfully request the City of Cloverdale Finance & Administration Sub-committee review and approve the following recommendation:

RECOMMENDATION:

The Cloverdale Police Department recommends that the Cloverdale City Council authorize the City of Cloverdale, and specifically the Cloverdale Police Department, to dispose of eight (8) surplus patrol vehicles that are no longer in service due to excessive mileage and maintenance costs. Due to the insignificant value of the city-owned assets, I recommend that a local auto-salvage business be allowed to remove the patrol vehicles from the City's Corporation yard at the business' cost.

INTRODUCTION:

The following eight (8) patrol vehicles are no longer in service, due to excessive mileage and maintenance costs:

1. 1994 Chevrolet Caprice (1G1BL52P2RR201231)
2. 1995 Chevrolet Caprice (1G1BL52P8SR168810)
3. 1995 Chevrolet Caprice (1G1BL52P7SR169124)
4. 1995 Chevrolet Caprice (1G1BL52P7SR169205)
5. 1999 Ford Crown Victoria (2FAPF71W0XX105611)
6. 2002 Ford Crown Victoria (2FAFP71W52X149743)
7. 2002 Ford Crown Victoria (2FAFP71W32X149742)
8. 2002 Ford Crown Victoria (2FAFP71W32X129832)

ANALYSIS:

The Cloverdale Police Department is requesting authority to dispose of eight (8) out-of-service, surplus patrol vehicles. The Cloverdale Municipal Code provides the authority for the City Manager, as purchasing agent, and/or his staff, to dispose of surplus city-owned assets. Specifically, Cloverdale Municipal Code section 3.08.130 allows for the disposal of surplus city-owned assets and states:

> *At such times as determined by the purchasing agent, reports shall be prepared showing all supplies and equipment which are no longer used or which have become obsolete or worn out. The purchasing agent shall have the authority to sell, trade or exchange all said supplies and equipment.*

In general, this process involves a competitive bidding process for equipment valued between one thousand dollars ($1,000.00) and twenty-five thousand dollars ($25,000.00). However, Cloverdale Municipal Code section 3.08.050(D) allows for the disposal of surplus city-owned assets without a competitive bidding process when the property is valued at less than one thousand dollars ($1,000.00).

The above-referenced vehicles have broken down beyond reasonable repair and no longer function as adequate patrol vehicles for your police department. Over the years, the prior administration chose to "cherry-pick" parts from these vehicles as replacement parts for our other line vehicles. To date, there are no more valuable or useable parts to salvage from these vehicles. We have removed all essential components of the vehicles, including but not limited to light bars, mobile data computer mounts, steering wheels, window and engine parts. As such, the cumulative value of the above-listed patrol vehicles is less than one thousand dollars ($1,000.00).

Refraining from the competitive bidding process for the above-listed vehicles will avoid the cost for noticing a bid opening and savings in staff cost and time involved with the bid process. Therefore, staff is requesting that the Honorable Sub-Committee members concur in the City Manager's and Police Chief's position concerning the surplus equipment and permit the Chief of Police to dispose of the equipment without competitive bidding as provided in Cloverdale Municipal Code section 3.08.050(D).

Further, and of equal importance, the "patrol vehicle graveyard" is taking up valuable space at the City's Corporation yard that can be better utilized by the Public Works Director and his staff.

We have contacted a local auto salvage business and the owner has agreed to remove the patrol vehicles at his own expense.

Staff has consulted with Jose Sanchez, City Attorney, and we agree that the proper course of action is to make this formal request through the Sub-Committee and a formal City Council Resolution.

FINANCIAL INFORMATION:

The police department requests permission to dispose of the above-referenced out-of-service patrol vehicles through a local auto salvage business, and not through the competitive bidding process. It is my professional opinion that we will not receive any financial compensation should we offer the vehicles in a bidding process, specifically because the value of the vehicles is minimal.

Respectfully Submitted,

Stephen Wayne Cramer
Chief of Police

CITY OF
CLOVERDALE

Date: September 21, 2016

To: Finance Admin Police Subcommittee Members

From: Joanne Cavallari, Finance Manager

RE: UUT Administrative Rulings

The City's voter-approved Utility Users Tax (UUT) applies to "video programming" regardless of the technology used to deliver such programming. Traditionally, "video services" only involved cable tv. However, during the last decade or so, "video programming" similar to those programs provided by cable have been provided by a variety of companies using new technologies, including over satellite and broadband. Under federal law, "satellite TV" is exempted from local taxes.

Two of the largest telecom providers, Verizon and AT&T began offering cable-like services over their broadband networks (FIOS TV and U-verse). These two companies were successful in getting state legislation that provided for state video franchises in lieu of a local franchise (**THE DIGITAL INFRASTRUCTURE AND VIDEO COMPETITION ACT OF 2006 – PUC Sec. 440 et seq).**

More recently, a variety of companies are now offering similar video services over the internet, called "over the top tv" or OTT.

When the City sought voter approval of a Utility User Tax ordinance in 2014, the ballot measure specifically indicated that new definitions of taxable services would be technology-neutral so that users of such utility services would be treated the same, regardless of technology. Also, the UUT ordinance allowed for the Tax Administrator (Finance Manager) to issue "administrative rulings" from time to time to provide guidance to the tax collecting utilities of their responsibility to collect the City's UUT on their "video services" from the end-users.

During the past several months, numerous UUT cities with similar UUT ordinances that apply to "video services, including video programming" have discussed the need to issue an administrative ruling to providers of OTT "video programming services" (e.g., Hulu, Netflix, Sling TV, Fullscreen Media), and on advice of MuniServices (the City's UUT consultant).

The purpose of this memo is to advise you that the Tax Administrator has, in fact, issued such a ruling to assure that all "video programming" is treated the same, regardless of technology or service supplier. See definition of "video programming" below. The ruling interprets the existing language of the City's UUT ordinance, and applies it to OTT effective January 1, 2017. The City's UUT administrative rulings are located at www.uutinfo.org .

"Video programming" means those programming services commonly provided to subscribers by a "video service supplier" including but not limited to basic services, premium services, audio services, video games, pay-per-view services, video on demand, origination programming, or any other similar services, regardless of the content of such video programming, or the technology used to deliver such services, and regardless of the manner or basis on which such services are calculated or billed."

On September 29, 2016 the City Manager and Finance Manager participated in a conference call with MuniServices' legal advisor, Don Maynor, and representatives from about 20 other cities. The topic of discussion was the application of Utility Users Tax to video streaming services. It is anticipated that there will be controversy about the application of the UUT to the video streaming services, and we will keep the Council informed as this issue progresses. Presently the tax is set to be collected and remitted to the City effective January 1, 2017. However, we are considering deferring that date to April 1, 2017 to assess how this application of the tax will be received by the public.

Please feel to let us know of any questions you might have or receive.

CITY OF CLOVERDALE UTLITY USERS' TAX
ADMINISTRATIVE RULING AND INTERPRETATION (1.0)

Authority. Pursuant to Section 3.40.170(b) of the City of Cloverdale Utility Users' Tax Ordinance, the Tax Administrator hereby adopts the following administrative ruling and interpretation of Sections 3.40.020 and 3.40.050:

A. Administrative Ruling (Private Communication Services). The sourcing of charges for the use of private communication services shall be as follows:

1. Service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which such customer channel termination point is located.
2. Service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located.
3. Service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced fifty percent in each level of jurisdiction in which the customer channel termination points are located.
4. Service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in such jurisdiction by the total number of customer channel termination points.

B. Administrative Interpretation. To facilitate the accurate application, collection and remittance of the City's "telecommunication users tax", this Interpretation is adopted with the intent of providing the following general guidance to the tax-collecting utilities and their agents:

1. "Prepaid telecommunication service" shall include "prepaid mobile telephony services" as defined in California Revenue and Tax Code Section 42004(k), and shall be collected and remitted as provided in California Revenue and Tax Code Section 42010 et seq.

Limitation. This Ruling and Interpretation is intended to give general guidance and should not be viewed as providing a definite answer to all factual situations, as the exact application of the tax will depend on the nature of the service, the manner in which it is billed (*e.g.*, bundled or unbundled), and other factors that could bear on whether the telecommunications tax is applied or not applied.

Effective and Expiration Dates. This Ruling and Interpretation shall automatically expire on January 1, 2020, so that the conditions then existing may be reviewed, and the Administrative Ruling and Interpretation may be thereafter revised, as appropriate, and then re-adopted. Nothing herein, however, shall preclude the Tax Administrator from revising or rescinding this Administrative Ruling and Interpretation at any time.

City of Cloverdale Finance Manager and UUT Tax Administrator

Joanne Cavallari

Joanne Cavallari
Date: September 21, 2016

CITY OF CLOVERDALE
ADMINISTRATIVE RULING AND INTERPRETATION (3.0)
(Bundling of Taxable and Non-taxable Telecommunication and Video Services)

Authority. Pursuant to Sections 3.40.170(b) of the City of Cloverdale Utility Users Tax Ordinance, the Tax Administrator hereby adopts the following administrative ruling and administrative interpretation of Sections 3.40.050, 3.40.090, and 3.40.100:

A. Administrative Ruling (Bundling of Taxable and Non-taxable Telecommunication and Video Services, including Internet Access).

1. **Internet Access Only**. If a service supplier offers broadband service that includes internet access (as defined by the federal Permanent Internet Tax Freedom Act or PITFA), and the internet access is not bundled under a single charge with <u>any</u> other taxable service (*e.g.,* VoIP or video programming), then the entire charge shall be deemed exempt pursuant to PITFA.

2. **Internet Access Bundled with Taxable Services.** If a service supplier offers broadband service that includes internet access (as defined by the federal Permanent Internet Tax Freedom Act or PITFA), and which is bundled under a single charge with <u>any</u> other taxable service (*e.g.,* VoIP or video programming), then the entire charge shall be subject to the UUT. *See* ***Section 1106 "Accounting Rule" of PITFA.*** *See also* ***Revenue and Taxation Code Section 42018(a)*** *establishing a similar rule for prepaid mobile telephony services that are sold in combination with mobile data services or any other services or products for a single price.*

3. **Internet Access with Taxable Services "Unbundled" by Service Supplier for Taxation Purposes.** If a service supplier offers broadband service with internet access (as defined by the federal Permanent Internet Tax Freedom Act or PITFA), along with <u>any</u> other taxable service (e.g., VoIP or video programming) under a single charge, and the service supplier wishes to "unbundle" the package of services for taxation purposes, the tax shall be applied based on the reasonable values of <u>each</u> of the various taxable and non-taxable services, regardless of the pricing of such services listed on the customer invoice. The service supplier has the burden of proving the reasonableness of such assigned values.

   a. **Per se Reasonable.** If the service supplier assigns a value to a taxable service that is not less than the price of such service on a stand-alone basis (including the network service), such assigned value shall be deemed per se reasonable.

b. **Other Factors of Reasonableness.** The following are other factors that may be considered by the Tax Administrator in determining reasonable valuations of unbundled services: i) the price of each service as offered by the service supplier on a stand-alone basis (including the network service); and, ii) current market price for a comparable service on a stand-alone basis (including the network service) offered by competitors. Note: relative usage of network bandwidth is not a reasonable basis for tax valuation purposes.

4. If a service supplier provides "private communication services" including T-1 or higher bandwidth, and such service is bundled with internet access, the value of the taxable T-1 service shall not be less than the value of such service if offered on a stand-alone basis (without internet access).

5. The service supplier will have the burden of proving the reasonableness of its values and allocation of values with respect to bundled and unbundled offerings. A service supplier may submit its proposed values and allocation of values to the Tax Administrator for prior review for "reasonableness".

Limitation. This Ruling and Interpretation is intended to give general guidance and should not be viewed as providing a definite answer to all factual situations, as the exact application of the tax will depend on the nature of the service, the manner in which it is billed (*e.g.,* bundled or unbundled), and other factors that could bear on whether the telecommunications tax is applied or not applied.

Effective and Expiration Dates. This Ruling and Interpretation shall automatically expire on January 1, 2020, so that the conditions then existing may be reviewed, and the Administrative Ruling and Interpretation may be thereafter revised, as appropriate, and then re-adopted. Nothing herein, however, shall preclude the Tax Administrator from revising or rescinding this Administrative Ruling and Interpretation at any time.

City of Cloverdale Finance Manager and UUT Tax Administrator

Joanne Cavallari

Joanne Cavallari, UUT Tax Administrator
Date: September 21, 2016

CITY OF CLOVERDALE
ADMINISTRATIVE RULING AND INTERPRETATION (4.0)
(Video Services)

Authority. Pursuant to Section 3.40.170(b) of the City of Cloverdale Utility Users Tax (UUT) Ordinance, the Tax Administrator hereby adopts the following administrative ruling and administrative interpretation of Sections 3.40.020 and 3.40.090:

A. Administrative Ruling (regarding video programming, video services and video service suppliers)

1. In response to the recent growth of "video services" using new technologies and marketing methods, the Tax Administrator interprets and applies the existing UUT ordinance definitions below in the following manner to such "video services":

   a. The utility users tax (UUT) shall apply to charges for "video services" that include, but are not limited to, "video programming" such as: i) **recurring subscription**; ii) **subscription on-demand** (allowing subscribers to select and watch television programs, movies, and/or other video content whenever they request to view the content without having to pay an additional fee beyond their recurring subscription fee); or, iii) **one-time or non-recurring on-demand** (with consumers charged on a per event, per-episode, per-season, or per-movie basis to rent the content for a specific period of time or to download the content for storage on a hard drive for viewing at any time one time and not recurring subscription fee basis).

   b. The utility users tax (UUT) shall apply to charges for "video services" described in a) above, regardless of the technology used to deliver such services, including but not limited to such technologies as cable, IP-TV, wireless, and others [including over the top TV (OTT) which is simply the delivery of video programming via a broadband or internet connection whether it is wired, wireless, microwave or any other technology used to access the internet].

   c. The utility users tax (UUT) on "video services" described above shall be collected and remitted to the City by all "video service suppliers" providing such "video services" to customers in the City, including service suppliers using cable, wireless, IP-TV, and other internet-based distributors (including OTT). *See Section 3.40.110 regarding "nexus".*

B. Implementation Date. "Video services" that are provided by a "video service provider" pursuant to a local cable franchise or state franchise (*PUC Section 5800 et seq.*) are due upon the effective date as provided by the UUT ordinance. For "video services" that are not provided by a video service provider pursuant to a local cable franchise or state franchise (*PUC Section 5800 et seq.*), this Ruling shall be implemented by no later than January 1, 2017.

Limitation. This Ruling and Interpretation is intended to give general guidance and should not be viewed as providing a definite answer to all factual situations, as the exact application of the tax will depend on the nature of the service, the manner in which it is billed (*e.g.*, bundled or unbundled), and other factors that could bear on whether the telecommunications tax is applied or not applied.

Effective and Expiration Dates. This Ruling and Interpretation shall automatically expire on January 1, 2020, so that the conditions then existing may be reviewed, and the Administrative Ruling and Interpretation may be thereafter revised, as appropriate, and then re-adopted. Nothing herein, however, shall preclude the Tax Administrator from revising or rescinding this Administrative Ruling and Interpretation at any time.

City of Cloverdale Finance Manager and CUT Tax Administrator

Joanne Cavallari

Joanne Cavallari
Date: September 21, 2016

CITY OF CLOVERDALE

Measure O Report
Fiscal Year 2015/2016

UTILITY USERS TAX ANNUAL REPORT

This report was prepared to inform the citizens of Cloverdale about the use of the Utility Users Tax during the 2015/2016 Fiscal Year.

Prepared by:

Paul Cayler, City Manager

Joanne Cavallari, Finance Manager

CITY OF
CLOVERDALE

MEMBERS OF THE CITY COUNCIL

Mary Ann Brigham, Mayor

Gus Wolter, Vice Mayor

Joe Palla

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CITY MANAGEMENT STAFF

Paul Cayler, City Manager

David Kelly, Assistant City Manager/Community Development Director

Jose Sanchez, City Attorney

Stephen Cramer, Chief of Police

Mark Rincon, Public Works Director

Joanne Cavallari, Finance Manager

CITY OF
CLOVERDALE

Measure O Summary Report

Thanks to the Cloverdale voters, Measure O passed in November 2014. Measure O now provides a steady General Fund revenue source through a Utility User Tax that enables continued funding of essential City services, such as supporting our local City police department, making improvements to City parks and facilities, maintaining streets, and building up depleted reserves. Please find attached a summary report on Measure O for the Fiscal Year 2015-2016, which is the first full year that revenue was collected under this ballot measure. The report show how Measure O is important in preserving and improving the City of Cloverdale's service delivery system for the benefit of our citizens.

In Fiscal Year 2014-2015, Measure O supported a number of important City initiatives, which were unfunded by Great Recession budget cuts. The Cloverdale City Council prioritized public safety by filling vacant police officer positions and replacing an aging police patrol car. Measure O assisted in beginning the process to build a General Fund reserve. Measure O funds were used to supplement the deficit in the State Gas Tax for street maintenance. In order to retain quality employees, Measure O was used to pay for a modest cost of living adjustment for city employees (2%), which was the first salary increase in many years. Measure O helped fund a Deputy City Clerk/Human Resource Technician position so that the City is able to provide more effective processing of City Council and Planning Commission agendas and minutes, and City employees now have a dedicated resource for employment benefit issues. Finally, Measure O funded improvements to City buildings, including the installation of a new American with Disabilities Act (ADA) compliant front door at City Hall.

Measure O made the above service and infrastructure improvements possible. Without Measure O, the City would have been forced to continue to cut services and postpone maintenance further than the recession budget cuts. Measure O is revenue for local services and cannot be taken by the state government in Sacramento. All Measure O funds collected are spent on local needs.

The City looks to future fiscal years that Measure O funds will be used for many general needs, such as continued public safety improvements, like additional police officers positions and new patrol cars. Also, Measure O will add resources into streets and parks maintenance, and strengthening the City's human capital, so that we may take advantage of building our economy by making Cloverdale a better place to live and work.

Sincerely,

Paul Cayler

Paul Cayler, Cloverdale City Manager

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Background:

In the fall of 2013, in response to the great recession, redevelopment dissolution, and a serious decline in revenues, the City of Cloverdale conducted a survey of its citizens to evaluate the support for a potential tax measure.

Public Safety was the primary concern raised by the voters who participated in the survey. Preventing cuts to 9-1-1 emergency response and maintaining police protection services were the top spending priorities for any new revenue, along with enhancing the fiscal stability of Cloverdale. Other issues of concern included the condition of local streets and roads, park maintenance, and the lack of emergency reserve funds.

In November of 2014 the voters of the City of Cloverdale approved a Utility Users Tax of 3% on electricity, natural gas, telephone/cell phone services and video service. The tax is not charged on Water or Sewer utility services provided by the City. There is an exemption for low-income seniors that qualify for the California Alternate Rates for Energy program (CARE) or the California Lifeline program. Many seniors in the community have taken advantage of this exemption.

Newly hired Police Officer Katie Vanoni

The Utility Users Tax is a local revenue, which means that all funds collected will be spent locally in Cloverdale.

Fiscal year 2015/2016 is the first full year that revenues generated from the tax have come into the City's General Fund.

As a result, many of the services and programs that were eliminated due to recessionary budget cuts have been restored, including service levels in the Police Department and City Hall.

Budget Process:

As a part of the 15/16 budget process, the City Council identified its top ten goals.

CLOVERDALE CITY COUNCIL TOP TEN GOALS FOR FISCAL YEAR 2015/2016
Begin redevelopment of Thyme Square and Cherry Creek properties through strategic visioning process and outlining path to construction, including use of remaining funds and action plan.
Working with the City Council and community, prepare a Five Year Strategic Plan to be a road map as the City moves forward.
Establish Building Maintenance Fund as a line item with an assessment of each building's condition so that a five year maintenance plan can be estimated.
Identify and set aside funds necessary to build Emergency Reserve Fund with policy on Council approval to use funds.
Identify and complete a City park project to upgrade or eliminate hazard and disability accessibility barrier, such as upgrade bathroom, redo basketball court, reconstruction of bathroom, add pickle ball court, replacing signage, paint building, repave parking lot, or add dog station.
Identify and complete street resurfacing project within 12 months by using gas tax money in order to halt or slow the decline of City street conditions.
Complete Clover Springs open space project.
Work with the School District to reopen Boys and Girls facility and resolve transportation issues, and focus on after school activities for children.
Fill a new police officer position related to Measure O campaign
Negotiate two year memorandum of understandings with employee bargaining units which recognize employee sacrifices through a limited salary and benefits adjustment.

These goals serve as a guideline to City staff when determining how to allocate the City's financial resources. Many of these goals could not be met without the additional revenues we receive from the Utility Users Tax.

Ensuring that the UUT revenue can't be taken by Sacramento is a top priority with the voters. All of the UUT collected will be spent on local needs. The State of California can't redirect this revenue to balance its own budget.

The City of Cloverdale uses the funds from Measure O to maintain essential services needed to run the City, including parks landscape and maintenance.

Parks and Landscape Maintenance

Street and storm drain maintenance is only partially funded by State Gas Tax. This revenue source is declining as motor vehicles become more fuel efficient. Measure O revenue helps to make up the funding difference that Gas Tax revenue can no longer cover.

Street Crew painting crosswalk lines

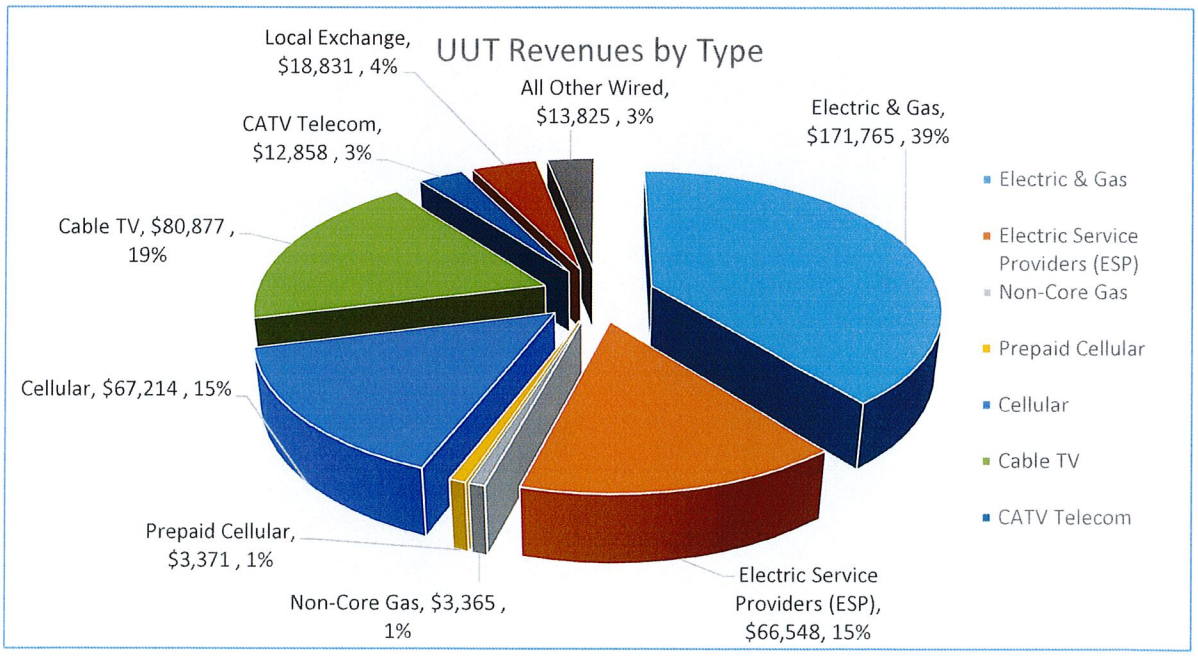
In Fiscal Year 15/16 City employees received their first cost of living pay adjustment in 5 years thanks to the additional revenues from Measure O.

These additional revenues have also allowed the City to establish an Emergency Reserve Fund to respond to unforeseen events that could jeopardize the health and safety of our citizens in the event of an earthquake, flood, fire or other emergency.

Financial Information for FY 2015/2016:

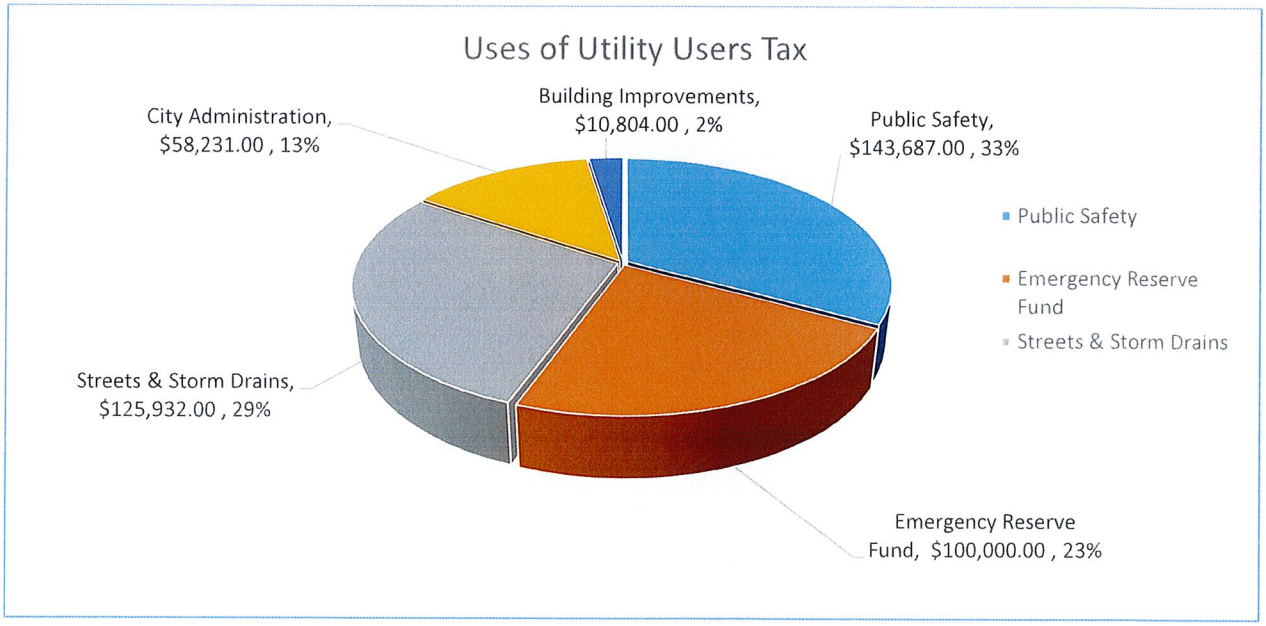
The revenues from the Utility Users Tax (UUT) come from various sources as shown below. The largest component of the tax revenue comes from electricity and natural gas.

UUT Revenues By Type	
Electric & Gas	$171,765
Electric Service Providers (ESP)	$66,548
Non-Core Gas	**$3,365**
Prepaid Cellular	$3,371
Cellular	$67,214
Cable TV	$80,877
CATV Telecom	$12,858
Local Exchange	$18,831
All Other Wired	**$13,825**
Total UUT Revenues	**$438,654**



The chart below shows the uses of Utility Users Tax in FY 2015/16

Programs and Services Funded by the Utility Users Tax	
Public Safety	
Filled vacant Police Officer position (9th Officer)	$ 90,575.00
Payments on New Police Car (3 monthly payments)	$ 2,970.00
Cost of Living Adjustment for Police Department personnel	$ 50,142.00
Total Public Safety	**$ 143,687.00**
Streets and Storm Drains	
Streets Maintenance costs	$ 283,792.00
Storm Drain Maintenance costs	$ 51,415.00
Cost of Living Adjustments for Public Works personnel	$ 3,869.00
Less costs funded by State Gas Tax	$ (213,144.00)
Net Streets and Storm Drain costs	**$ 125,932.00**
City Administration	
Deputy City Clerk/HR Technician hired	$ 54,233.00
Cost of Living Adjustment for Administration personnel	$ 3,998.00
Total City Administration	**$ 58,231.00**
Building Improvements	
ADA Compliant Door in City Hall	$ 10,804.00
Total Building Improvements	**$ 10,804.00**
Emergency Reserve Fund established	**$ 100,000.00**
Total Safety, Operations, Reserves and Maintenance	**$ 438,654.00**



CITY OF CLOVERDALE
PRELIMINARY GENERAL FUND REVENUES AND EXPENSES
FISCAL YEAR 2015/2016

GENERAL FUND REVENUES	**PROJECTED**	**ACTUAL**	**OVER (UNDER)**
General Taxes	$3,830,084	$3,956,250	$126,166
Licenses & Permits	159,189	160,388	1,199
Intergovernmental Revenues	150,867	151,669	802
Charges for Services	232,251	263,429	31,178
Fines & Special Assessments	32,119	39,401	7,282
Loan Proceeds	0	54,168	54,168
Miscellaneous Revenues	502,016	655,591	153,575
Operating Transfers In	1,504,429	1,613,366	108,937
	$6,410,955	$6,894,262	$483,307

GENERAL FUND EXPENDITURES BY DEPT	**PROJECTED**	**ACTUAL**	**OVER (UNDER)**
City Council	$54,419	$53,106	(1,313)
City Manager	402,099	364,646	(37,453)
City Clerk	89,500	93,083	3,583
Community Support	27,604	27,602	(2)
Human Resources	224,044	230,198	6,154
Risk Management	165,500	166,680	1,180
Finance	238,567	268,655	30,088
General Services	274,868	280,957	6,089
	1,476,601	1,484,927	8,326
Police Administration	598,782	617,780	18,998
Police Operations	1,516,759	1,585,604	68,845
Police Communications/Records	820,495	834,772	14,277
Police Auxiliary	117,792	122,103	4,311
	3,053,828	3,160,259	106,431
Facilities Maintenance	68,787	71,839	3,052
Streets	281,216	287,661	6,445
Storm Drains	67,065	51,415	(15,650)
Parks & Recreation	315,690	267,834	(47,856)
	732,758	678,749	(54,009)
Planning Commission	689	261	(428)
Current Planning	190,809	148,525	(42,284)
Long Range Planning	22,415	23,210	795
Engineering & Building Services	266,825	212,702	(54,123)
Plan Check & Inspection	351,430	277,005	(74,425)
	832,168	661,703	(170,465)
Capital Outlay	0	$54,168	54,168
Debt Service	61,701	61,701	-
Transfers Out	19,420	22,202	2,782
			-
Total Expenses and Transfers Out	$6,176,476	$6,123,709	(52,767)

GENERAL FUND EXPENSES BY TYPE	**PROJECTED**	**ACTUAL**	**OVER (UNDER)**
Salaries & Benefits	3,366,611	3,495,878	129,267
Services and Supplies	2,728,744	2,489,760	(238,984)
Capital Outlay	0	54,168	54,168
Debt Service	61,701	61,701	-
Transfers Out	19,420	22,202	2,782
General Fund Expenses	6,176,476	$6,123,709	(52,767)
Fund Balance Gain (Loss)	**$234,479**	**$770,553**	**$536,074**
Fund Balance Beginning		$879,676	
Fund Balance Ending 06/30/16		**$1,650,229**	

PROPOSED GENERAL FUND RESERVE POLICY

The purpose of this policy is to provide guidance on maintaining reasonable levels of reserves in the City's General Fund. The Fund Balance in the City's financial statements is comprised of five categories:

- Nonspendable Funds *(non-cash items such as prepaid expenses and inventories)*
- Restricted Funds *(externally enforceable legal restrictions)*
- Committed Funds *(limitations imposed by the City Council)*
- Assigned Funds *(intended to provide a source of funds for various needs)*
- Unassigned Funds *(net resources in excess of what is classified in one of the other categories)*

This policy incorporates all previous City Council policies regarding General Fund reserves and the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54. It will help guide current and future allocation levels to various reserve categories in the General Fund by setting out specific target amounts for the Committed and Assigned categories of the fund balance.

Committed Fund Balances

Emergency Reserve Fund: The City of Cloverdale shall maintain an Emergency Reserve Fund for any of the unforeseen and non-recurring events listed below that create significant financial difficulty for the City:

a. Sudden and unexpected significant facility or infrastructure failures that pose a safety risk to staff or the community;

b. Declaration of a State of Emergency by the Governor;

c. Unanticipated expenditures or reduction in revenues as a result of legislative changes from State/Federal governments in the current fiscal year;

d. Acts of Terrorism declared by the Governor or the President of the United States;

e. Acts of Nature which are infrequent in occurrence;

f. Other catastrophic events which are infrequent in occurrence.

The target maximum reserve amount to be carried in the Emergency Reserve account shall be equal 8% of annual General Fund expenditures. For purposes of this section, expenditures shall include transfers out but not anticipated litigation expenses, reimbursed developer expenses or routine capital outlays which are all discretionary. Emergency Reserve Funds shall only be used upon approval of the City Council by a simple majority vote.

Contingency Reserve Fund: The City of Cloverdale shall maintain a Contingency Reserve Fund equal to 17% of expenditures in the General Fund. For purposes of this section, expenditures shall include transfers out but not anticipated litigation expenses, reimbursed developer expenses or routine capital outlays which are all discretionary. Reserves of 17% are considered by to be a good level at which to maintain the City's credit worthiness, based on widely used and accepted best practices. The purposed of these reserves is to provide for:

a. Cash flow requirements

b. Legal requirements as part of debt financing

c. Economic uncertainties including downturns in the local or national economy

Assigned Fund Balances

Equipment Replacement Fund: The City of Cloverdale shall maintain a general fund equipment replacement reserve to provide for the replacement of vehicles, heavy equipment, computer equipment, and other capital equipment items costing greater than $10,000. This replacement reserve will also be established in the water and sewer funds.

Vehicle Replacement Reserves: The City of Cloverdale shall maintain a general fund vehicle replacement reserve to provide sufficient replacement funding for vehicle capital items costing greater than $10,000. This replacement reserve will also be established in the water and sewer funds.

Facility Replacement Reserves: The City of Cloverdale shall maintain a general fund facility replacement reserve to provide sufficient replacement funding for facility capital improvements costing greater than $10,000. This replacement reserve will also be established in the water and sewer funds.

PROPOSED GENERAL FUND SURPLUS POLICY

It is in the best interest of the citizens of the City of Cloverdale who rely upon the City for public access and services that the City should prioritize allocation of General Fund resources towards critical, core municipal services that are in alignment with the City Council's goals. Therefore, the City Council shall authorize the establishment of the General Fund Surplus Policy to broadly define how future surpluses should be dedicated.

This policy shall be defined by the General Fund's Fiscal Year audited, final results and shall begin with Fiscal Year ended June 30, 2016. Allocation of any annual General Fund surplus shall be made in the following priority order:

1) 30% of any surplus, up to $100,000 per year, shall be set aside into the Emergency Reserve Fund, up to the target level of 8% of annual General Fund expenditures.

2) Any remaining General Fund surpluses shall first be used to maintain the Contingency Reserve, up to the target level of 17% of annual General Fund expenditures.

3) Any remaining surplus in excess of the amounts stated above shall be allocated as follows:

a. Equipment Replacement Reserves. The annual contribution to these reserves will be equal to the annual depreciation expense plus 5% to provide sufficient replacement funding for equipment capital items costing greater than $10,000.

b. Vehicle Replacement Reserves. The annual contribution to these reserves will be equal to the annual depreciation expense plus 5% to provide sufficient replacement funding for vehicle capital items costing greater than $10,000.

c. Facility Replacement Reserves. The annual contribution to these reserves will be equal to the annual depreciation expense plus 5% to provide sufficient replacement funding for facility capital improvements costing greater than $10,000.

RESERVES CALCULATION
JUNE 30, 2016

FY 15/16 General Fund Expenses and Transfers Out		$ 6,123,709.37
Less Capital Outlay		(54,167.76)
Less Reimbursed Developer Expenses		(72,959.77)
Less Transfer in from Gas Tax		(213,061.20)
Net Expenses used for Reserve Calculation		$ 5,783,520.64
Target Contingency Reserve of 17%		$ 983,198.51
Equipment Replacement Reserves, as per Policy		
Annual Depreciation Expense, Machinery & Equipment	28,406.00	
Amount to be set aside for Capital =		
Annual Depreciation Expense plus 5%		$ 29,826.30
Annual Depreciation Expense, Vehicles	28,260.00	
Amount to be set aside for Capital =		
Annual Depreciation Expense plus 5%		$ 29,673.00
General Fund Compensated Absences Payable 06/30/16	371,037.19	
Amount to be set aside for Compensated Absences=		
10% of Compensated Absences Payable		$ 37,103.72

GENERAL FUND
FUND BALANCE ADJUSTMENTS
JUNE 30, 2016

	Non-Spendable		Committed		Assigned				Unassigned	
	Prepaid Expense & Inventories	Emergency Reserve	Contingency Reserve	Alexander Vly View Homes	Traffic Safety	Equipment Replacement	Furber Signalization	Compensated Absences	Fund Balance	Total
Preliminary Balance 06/30/16	$ 14,576.89	$ -	$ -	$ 64,435.16	$ 84,599.45	$ 28,049.45	$ 30,808.40	$ -	$ 1,427,758.68	$ 1,650,228.03
Set aside 30% up to $100k in Emergency Reserve		100,000.00							(100,000.00)	-
Set aside to bring Contingency up to 17%			983,198.51						(983,198.51)	(0.00)
Equipment Replacement - Machinery						29,826.30			(29,826.30)	-
Equipment Replacement - Vehicles						29,673.00			(29,673.00)	-
Compensated Absences								37,103.72	(37,103.72)	(0.00)
Adjusted Fund Balances 06/30/16	**$ 14,576.89**	**$ 100,000.00**	**$ 983,198.51**	**$ 64,435.16**	**$ 84,599.45**	**$ 87,548.75**	**$ 30,808.40**	**$ 37,103.72**	**$ 247,957.15**	**$ 1,650,228.03**