

DRAFT MINUTES
SALINAS CITY COUNCIL FINANCE COMMITTEE
Tuesday, February 13, 2018
5:00 P.M.

COMMITTEE MEMBERS PRESENT: Mayor Joe Gunter, Councilmember Tony Barrera, and Councilmember Scott Davis.

STAFF PRESENT: City Manager Ray Corpuz Jr., Finance Director Matt Pressey, City Attorney Chris Callihan, Senior Deputy City Attorney Katie Hogan, and Senior Accountant Abe Pedroza.

Mayor Gunter called the meeting to order at 5:00 p.m.

1. PUBLIC ATTENDANCE / COMMENT

Members of the public Ken Allen Jr., Ken Allen Sr., Al Espindola, Gloria Moore, and Joe Vierra were present.

Mr. Espindola inquired if he could record future meetings as the minutes do not reflect public comment in the discussion items section.

Mr. Vierra requested that former President Abraham Lincoln be remembered and honored for his contributions to society.

2. MINUTES

The minutes of the January 8, 2018 meeting were unanimously approved by motion of Committee Member Davis, second by Committee Member Barrera.

3. DISCUSSION ITEMS

A. FY 2017-18 Mid-Year Budget Review

City Manager Ray Corpuz Jr. opened the discussion by reminding the committee members of the projected General Fund deficit over the next three years. Specifically, the shortfall totals \$2.2M, \$7.4M, and \$9.0M in FY 17-18, 18-19, and 19-20, respectively.

Finance Director Matt Pressey delivered a PowerPoint presentation, covering General Fund revenue, General Fund expenditures, Capital Improvement Projects (total and Measure G), General Fund Forecast, Measure E Forecast, the City's Fiscal Sustainability Plan, and potential action items to help remedy the financial condition of the City. Mr. Pressey indicated that while revenues are on target City-wide, the Fire Department is again projected to exceed its budget for the year, due to overtime expenditures. Mr. Pressey summarized the proposed mid-year budget adjustment items, both operating and CIP, which are detailed in the exhibits to the Council staff report. With the CalPers discount rate and the SPOA contract as the main drivers, the General Fund structural deficit grows exponentially over the next 10 years, reaching upwards of \$28M by FY 27-28. Under the direction of the executive leadership team, the City has begun to implement a fiscal sustainability plan, however these new revenue streams and expenditure savings are insufficient in covering the entire deficit. Staff has also started to implement recommendations from the League of Cities Retirement System Sustainability Study, including paying down the

Unfunded Actuarial Liability, exploring options to change the service levels of certain programs, and bargaining to increase employee pension contributions.

Prompted by Councilmember Tony Barrera, City Attorney Chris Callihan stipulated the SPOA contract expires in December 2018, affording the City an opportunity to negotiate a new labor agreement. Councilmember Barrera also questioned the structure of the Police Department's leadership team, specifically the need for a Chief of Police, two Assistant Chief of Police, and a Deputy Chief of Police.

Councilmember Scott Davis inquired about the negative cash balances of two funds as shown in exhibit C. Mr. Pressey indicated that one was due to the timing of HUD reimbursements and the other was due to a structural deficit of the downtown parking garage, which is currently being addressed through a comprehensive downtown parking study. Mr. Davis also questioned the validity of specific traffic calming measures in District 3, advocating the funds could be utilized more prudently.

Community member Gloria Moore suggested the City solicit public input when bargaining labor agreements and in revenue generating ideas. Community member Al Espindola asked for clarification regarding the difference between departments identifying new revenue sources and the cost recovery of departmental expenditures. Community member Ken Allen Jr. inquired about staffing levels of the Library department, as well as the estimated cost of the El Gabilan Library. Community member Joe Vierra suggested the Finance Committee meetings be televised.

B. Committee Member Reports

Mayor Joe Gunter stated that budget cuts to the Fire Department, notably paramedic care, is necessary to combat the current financial situation. Mr. Gunter also indicated shopping centers throughout the City should hire private security, alleviating the burden on the Police Department and the associated costs. Lastly, Mayor Gunter mentioned the possibility of taking legal action against parties that violate the law within City limits as a means of improving City finances.

Councilmember Tony Barrera deemed the situation a financial crisis, and therefore questioned if the City could afford the construction of the El Gabilan Library.

Councilmember Scott Davis requested that staff provide a breakdown of the Fire Department's overtime expenses. Mr. Davis also recommended exploring options to reduce Fire Department staffing levels, while maintaining compliance with labor contracts and outside grants.

4. NEXT MEETING

Next meeting is scheduled for Monday, March 5, 2018.

5. ADJOURNMENT

The meeting adjourned at 6:07 p.m.

SUBMITTED BY:



Abe Pedroza, Senior Accountant