

Susan Slayton called the meeting to order at 3:30 p.m.

MEMBERS PRESENT: Barbara Spagnola Member
 Greg Head Member
 Marlys McPherson Member
 Susan Schneider Member

MEMBERS ABSENT: Betty Forsythe Member

STAFF PRESENT: David Buckingham City Manager
 Susan Slayton Administrative Services Director

PUBLIC COMMENT

Ms. Slayton opened the meeting for public comment. Homer Alexander spoke, expressing concerns with using uncommitted Measure Q funds to pay debt for street repairs: 1) future flexibility would be limited by issuing debt on the uncommitted Measure Q funds; and 2) the impact the debt would have on the City's balance sheet.

A. CONSENT CALENDAR

This is the first meeting of this Committee; as such, there are no consent items.

B. NEW BUSINESS

B-1 ORIENTATION – REVIEW OF COMMITTEE'S PURPOSE AND DUTIES

City Manager Dave Buckingham discussed the Committee's responsibilities and frequency to meet. Mr. Buckingham proposed a schedule as follows:

1. October 15 – meet and review the 1st quarter financial status reports
2. December 15 – meet and review the District Transaction Tax (Measure Q) financials
3. January 15 – meet and review the 2nd quarter financial status reports and 2014/15 audit
4. Late February – meet and review the 10 year budget forecast
5. Late April/Early May – meet and review the 2016/17 preliminary budget

Mr. Buckingham mentioned there would be special projects, such as the streets financing concept, using Measure Q funds for financing.

Mr. Buckingham announced the September 29th joint meeting with the City Council, and suggested the committee meet beforehand to put together a work plan. Mr. Buckingham also invited the committee to select one or two members to sit in the City staff meeting, during which the quarterly budget performances are presented to the City Manager.

B-2 SELECTION OF COMMITTEE CHAIRPERSON

Committee Member McPherson recommended Member Spagnola as Committee Chair. Member Schneider agreed, and felt the Chair should be someone who is continuing with the Committee, as some members have terms expiring in January 2016 (Schneider, Head and Forsythe). Member Spagnola believed she had a longer term (Spagnola's and McPherson's terms expire in January 2019).

Ms. Slayton called for a vote to select Member Spagnola as Committee Chair, which carried unanimously (4/0).

B-3 DISCUSSION AND RECOMMENDATION ON FINANCING STREET REPAIRS USING DISTRICT TRANSACTION TAX (MEASURE Q) FUNDS FOR DEBT SERVICE PAYMENTS

Mr. Buckingham presented the concept to the Committee, with additional information provided by Public Works Director Rob Livick.

Mr. Buckingham stated staff had recommended, and the City Council agreed, not to pursue a 2016 ballot measure for a ½¢ sales tax to improve streets, but instead to consider using the unallocated portion of Measure Q (~\$500,000) to pay debt service on a loan. This loan would fix 10 – 40% of the City's streets over a two to three year period, and would commit Measure Q for either 20 or 30 years, depending on the loan amount and term secured. The City could pursue a ballot measure in the future to complete the streets. City Council asked staff to collect opinions from the Finance Committee and Public Works Advisory Board (PWAB) to determine if it is wise to use the Measure Q funds for this purpose.

Member Schneider asked if the selection process, used when choosing the streets to be repaired, be more transparent. She did not feel that the public understood how this selection process occurred.

Member Head felt staff believed the expense of deferring street repairs was greater than the cost of securing a loan. Mr. Buckingham agreed, and also added that the loan proceeds would purchase a greater amount of street work today, than it would in the future, due to increased costs of construction.

Mr. Livick spoke to the street selection process; it is a mathematical model produces a list of the most cost effective areas in which to spend money. Staff "ground truths" the model by actually visiting and inspecting the recommended sites.

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Mr. Buckingham stated while the model might make recommendations, staff needs to respond to community needs. He also stated if we chose the lower loan and term amount, it would leave approximately \$150,000 each year to be used for repairs that were not recommended by the model.

Member McPherson asked about the debt load current carried by the City. Ms. Slayton listed the \$1,449,000 Certificate of Participation (COP) for the Fire Station, which is paid for out of Measure Q, the State Water participation obligation of about \$2,000,000 annually, and the Harbor's North T Pier loan of \$793,000 that will be retired in 2021. Future planned debt is the \$100,000,000 for the Water Reclamation Facility. Mr. Buckingham added that the only Measure Q commitment was the COP debt service of \$90,000 per year.

Member McPherson asked about the current amount received from Measure Q, which Ms. Slayton states was \$930,000. She additionally asked if there was a set breakdown of the amount of Measure Q to be spent on public safety and streets; Ms. Slayton mentioned the commitments in the fund, which are the Firefighter, the School Resource Officer and the Fire Station debt service.

Additionally, Member McPherson mentioned the smart meter debt, which is about \$3,200,000. She also commented on her concern that the General Fund did not have funds dedicated to streets. Mr. Livick mentioned that the General Fund does provide funding for streets, more of a maintenance nature, striping, signs, etc., but does not pay for major projects. The City, like other cities, has relied on State or other grant opportunities to accomplish major projects. After State funding dried up, our major street repairs stopped. Member McPherson asked if staff has searched for every funding source available, and Mr. Buckingham stated legislation at the State level may provide some additional money.

Member Head was concerned financing companies would be worried about loaning money for long terms for maintenance-type projects. Mr. Livick said the projects would be extending the life of the streets to coincide with the term of the longer loan, which is 30 years. He uses a design model that estimated the life of streets at 20 years, but would revisit that to set the design model to 30 years.

Member Spagnola asked if there was a sunset date on the Measure Q money; Ms. Slayton verified there was no sunset date.

The next meeting is the joint meeting with City Council on September 29th at 5pm, at the Veterans Memorial Building.

The meeting adjourned at 4:51 pm.