

MINUTES
CITY COUNCIL WORKSHOP
CITY OF ARCADIA
TUESDAY, DECEMBER 6, 2011
5:00 PM

CALL TO ORDER

The workshop session was called to order at approximately 5:00 PM.

Arcadia City Council

Deputy Mayor Alice Frierson
Councilmember Robert Allen
Mayor Keene - Absent

Councilmember Joseph E. Fink
Councilman Robert Heine - Absent

Arcadia City Staff

City Administrator Lawrence Miller
City Attorney Jason Henbest
Finance Director Jorge Santana

City Recorder Virginia Haas
Asst. City Administrator Judi Jankosky

CALL TO ORDER

1. City of Arcadia Budget Workshop
Jorge Santana, Finance Department
 - 2007-2011 Fund Analysis

Mr. Santana stated that the easiest way to explain the City's financial state was to review the last five years particularly the General Fund revenues which include special revenues and enterprise funds and the Waste Water fund revenues. He added that he took the 2007 audit and condensed it into a one page summary for ease of reading and understanding. He stated that the objective outcome will be to not have to move money around and maintain funding in each fund account as budgeted. He continued that the General Fund revenue had a loss of \$900,000 which was covered by transfers in and out, capital contributions and donations. He added that the WWTP also suffered a loss which was supplemented by loans and grants otherwise there would have been close to a \$1 million dollar loss.

Mr. Santana stated that if you look at the budget strictly operationally there are deficits in the general fund and WWTP. He continued that in 2008 there was a huge loss in the General Fund and a \$725,000 loss in the WWTP. He stated that this trend has continued through 2009 and 2010. This loss would be close to \$3 million which is a huge burden on reserves. He confirmed that the bottom line is that expenditures exceed revenues in the General Fund and WWTP fund, however the WWTP saw a profit in 2011 due to increase in rates as approved by City Council. The General Fund still incurs a \$600,000 loss even though the City's assets increase due to grants and loans.

- 2012 Fund Projections

Mr. Santana stated that for 2012 the projected cost is \$730,000 to balance the General Fund deficit. Should the City not take some action by either increasing revenues or decreasing expenditures the reserves would be depleted within five years. Mr. Santana responded to

Deputy Mayor Frierson that the only restricted funds were the \$1 million in CD's for Utilities. Deputy Mayor Frierson noted that on Page 7 of the audit it states that \$4 million is restricted. Mr. Santana explained that net assets are restricted however cash assets are not restricted. Councilman Fink noted that loss of property values has hindered the generating revenues. Deputy Mayor Frierson pointed out that insurance on retirees was increasing rapidly. Dr. Miller inputted that most revenues are received through residential and the City needs to encourage commercial businesses to come into the City possibly utilizing the CRA process. Mr. Santana pointed out that the 2012 expenditures are significantly lower than those in 2007. He stressed again that the City could cut expenditures or raise revenues. Councilman Allen pointed out that tax values have been fairly stable for the last four years. Mr. Santana agreed and stated they stabilized around \$2.6 million.

- Financial Condition of the City
- Questions

Deputy Mayor Frierson asked for the total debt of the City. Mr. Santana responded that the only debt is the \$300,000 bond annually with \$125,000 being interest for a total of \$3 million outstanding. Deputy Mayor Frierson inquired about the ongoing lawsuit, the new Water Treatment Plant and Fire Services and asked were those not considered debts as well. Mr. Santana responded that in 2017 the \$750,000 annually for fire services debt would be completed and the City may actually balance the General Fund at that time. Councilman Allen suggested that the Council meet in workshops more often to discuss the budget issues and asked if there may be an improved way to present the numbers. Council agreed to hold budget workshops prior to the second regular meetings of the month. Deputy Mayor Frierson inputted that the State wants to take the telecommunication taxes from the Cities and that most Cities at this point in time have freezes on all spending.

Dr. Miller confirmed to Council that staff would bring forward relative information for the General Fund as a workshop prior to each second regular meeting of the month. He also encouraged Council to meet with him and staff individually for rundown on financial issues. Councilman Fink suggested an "Arcadia 101" workshop or "Economics for the City" specifically requesting expenditures within the General Fund and where the monies are going. Deputy Mayor Frierson indicated that she felt the revenues were a bit ambitious. The Council agreed to review expenditures list first and foremost line item by line item.

ADJOURN

Having no further business, the workshop was adjourned at 5:50 PM.

APPROVED THIS 3rd DAY OF JANUARY 2012.

By:



Keith Keene, Mayor

ATTEST:



Virginia S. Haas, CMC
City Recorder