



**SPECIAL MEETING AGENDA
OF THE
ARVIN CITY COUNCIL / SUCCESSOR AGENCY TO THE
ARVIN COMMUNITY REDEVELOPMENT AGENCY / ARVIN HOUSING
AUTHORITY / ARVIN PUBLIC FINANCING AUTHORITY**

**TUESDAY AUGUST 08, 2017 6:00p.m.
CITY HALL COUNCIL CHAMBERS
200 CAMPUS DRIVE, ARVIN**

CALL TO ORDER Mayor Jose Gurrola

PLEDGE OF ALLEGIANCE

INVOCATION

ROLL CALL	Jose Gurrola	Mayor
	Jazmin Robles	Mayor Pro Tem
	Erika Madrigal	Councilmember
	Jess Ortiz	Councilmember
	Gabriela Martinez	Councilmember

STAFF	Alfonso Noyola	City Manager
	Shannon L. Chaffin	City Attorney – Aleshire & Wynder
	Don Dorman	Interim Finance Director
	Marti Brown	Community Development Director
	Richard G. Breckinridge	Chief of Police
	Nathan D. Meeks	Interim City Engineer – QK, Inc.
	Cecilia Vela	City Clerk

PUBLIC COMMENTS:

The meetings of the City Council and all municipal entities, commissions, and boards (“the City”) are open to the public. At regularly scheduled meetings, members of the public may address the City on any item listed on the agenda, or on any non-listed matter over which the City has jurisdiction. At special or emergency meetings, members of the public may only address the City on items listed on the agenda. The City may request speakers to designate a spokesperson to provide public input on behalf of a group, based on the number of people requesting to speak and the business of the City.

In accordance with the Brown Act, all matters to be acted on by the City must be posted at least 72 hours prior to the City meeting. In cases of an emergency, or when a subject matter needs immediate action or comes to the attention of the City subsequent to the agenda being posted, upon making certain findings, the City may act on an item that was not on the posted agenda.

AGENDA STAFF REPORTS AND HANDOUTS:

Staff reports and other disclosable public records related to open session agenda items are available at City Hall, 200 Campus Drive, Arvin, CA 93203 during regular business hours.

CONDUCT IN THE CITY COUNCIL CHAMBERS:

Rules of Decorum for the Public

Members of the audience shall not engage in disorderly or boisterous conduct, including the utterance of loud, threatening or abusive language, clapping, whistling, stamping of feet or other acts which disturb, disrupt, impede or otherwise render the orderly conduct of the City meeting infeasible. A member of the audience engaging in any such conduct shall, at the discretion of the presiding officer or a majority of the City, be subject to ejection from the meeting per Gov. Code Sect. 54954.3(c).

Removal from the Council Chambers

Any person who commits the following acts in respect to a meeting of the City shall be removed from the Council Chambers per Gov. Code Sect. 54954.3(c).

- (a) Disorderly, contemptuous or insolent behavior toward the City or any member thereof, tending to interrupt the due and orderly course of said meeting;
- (b) A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting;
- (c) Disobedience of any lawful order of the Mayor, which shall include an order to be seated or to refrain from addressing the City; and
- (d) Any other unlawful interference with the due and orderly course of said meeting.

AMERICANS with DISABILITIES ACT:

In compliance with the ADA, if you need special assistance to participate in a City meeting or other services offered by the City, please contact the City Clerk’s office, (661) 854-3134. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

1. Approval of Agenda as To Form.

Motion _____ Second _____ Vote _____
Roll Call: CM Ortiz _____ CM Madrigal _____ CM Martinez _____ MPT Robles _____ Mayor Gurrola _____

2. PUBLIC COMMENTS

3. ACTION ITEM(S)

- A. Consideration and Approval of a Resolution of the City Council of the City of Arvin Ratifying Increased Budget Appropriations for Fiscal Year 2015-2016 and Directing Their Allocation Among Expenditure Categories. (Interim Finance Director)

Staff recommends approval of the Resolution.

Motion _____ Second _____ Vote _____
Roll Call: CM Ortiz _____ CM Madrigal _____ CM Martinez _____ MPT Robles _____ Mayor Gurrola _____

4. DISCUSSION ITEM(S)

- A. Status Update on the Issuance of the City’s Fiscal Year 2015/16 Audited Financial Statements. (Interim Finance Director)

5. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the Arvin City Council Chambers Bulletin Board not less than 24 hours prior to the meeting. Dated August 3, 2017.


Cecilia Vela, City Clerk



CITY OF ARVIN Staff Report

Meeting Date: August 8th, 2017

TO: Arvin City Council

FROM: Don Dorman, Interim Finance Director
Alfonso Noyola, City Manager

SUBJECT: Consideration of Ratification to Increase Budget Appropriations for Fiscal Year 2015/16.

BACKGROUND:

The City's outside independent auditors require evidence that the City increased its appropriations in several City funds related to expenditures incurred during fiscal year 2015/16. The City Council is asked to consider formally ratifying these increased budget appropriations. An appropriation is the Council's delegation of authority to incur expenditures and is typically accomplished during the formal budget process or mid-year adjustments; this is a "ratification" because it is being requested after the fact.

These increases and affected funds are shown below. A review of the minutes during fiscal year 2015/16 reveals that Council seemingly approved the activities that generated the expenditures, but that appropriation increases were not always expressly stated (though they seem to be implied by the approvals themselves). Most of the increases relate to: capital projects that were approved (some in previous fiscal years (appropriations were not carried forward to next fiscal year), professional services (legal, engineering, inspection, and outside services), recruitment costs, information technology (IT) service upgrades, and newly created positions. Minutes reflect that Council was involved in all of these activities.

Staff recommends that the following fund budgeted appropriations be increased on account of the explanations given.

<u>Fund Name</u>	<u>Additional Appropriation</u>	<u>Explanation</u>
General Fund	\$1,114,500	Professional services, street projects, recruitments, IT
Federal Police Grant	1,250	Additional grant revenues earned
Prop 84 – GIT Park	105,000	Capital project – preliminary project appropriations
Safe Routes to Schools	391,400	Capital project – appropriations not carried forward
State Gas Tax Fund	\$ 2,600	Additional street maintenance activities

Staff further requests that the City Council direct that increased appropriations be allocated in each fund in a manner to eliminate expenditures exceeding current appropriations.

FINANCIAL IMPACT:

Each appropriation will reduce each respective accounting fund's fund balance by the amount indicated. The original budgets will be adjusted as follows:

<u>Fund Name</u>	<u>Original Appropriation</u>	<u>Additional Appropriations</u>	<u>Adjusted Appropriations</u>
General Fund	\$5,255,664	\$1,114,500	\$6,370,164
	Original	Additional	Adjusted

<u>Fund Name</u>	<u>Appropriation</u>	<u>Appropriations</u>	<u>Appropriations</u>
Federal Police Grant	\$ 20,592	\$ 1,250	\$ 21,842
Prop 84 – GIT Park	8,832	105,000	113,832
Safe Routes to Schools	148,250	391,400	539,650
State Gas Tax Fund	\$ 577,595	\$ 2,600	\$ 580,195

STAFF RECOMMENDATION:

Staff recommends the City Council ratify appropriations of additional fund balance in each fund and the amounts shown above for fiscal year 2015/16, and that such increased appropriations be allocated among expenditure categories to eliminate expenditures exceeding current appropriations.

RESOLUTION NO. 2017-

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARVIN
RATIFYING INCREASED BUDGET APPROPRIATIONS FOR FISCAL
YEAR 2015-2016 AND DIRECTING THEIR ALLOCATION AMONG
EXPENDITURE CATEGORIES**

WHEREAS, California pursuant to Arvin Municipal Code, section 23.06.150, the City Manager has the duty to prepare and submit a proposed annual budget and the proposed annual salary plan to the city council for its approval; and

WHEREAS, City Council policy directs that there be mid-year budget reviews and that actual expenditures not exceed appropriations and that the FY 2015/16 did sufficiently increase appropriations to cover expenditures that were approved in concept by the City Council; and

WHEREAS, during many City Council meetings in FY 2015/16 there were activities approved the Council in reliance on existing appropriations, but the actual related expenditures caused budget appropriations to be exceeded; and

WHEREAS, the City's outside independent auditors require evidence of the City Council's action increasing appropriations to adjust the budget presented in the financial statements for FY 2015/16; and

WHEREAS, within each fund there is a need to allocate the total fund appropriations among the categories presented in the financial statements.

NOW, THEREFORE, BE IT RESOLVED BY THE ARVIN CITY COUNCIL as follows:

1. Budget appropriations are hereby increased for FY 2015/16 thereby ratifying the incurrence of the related expenditures, in the following funds and amounts:

<u>Fund Name</u>	<u>Additional Appropriation</u>	<u>Explanation</u>
General Fund	\$1,114,500	Professional services, street projects, recruitments, IT
Federal Police Grant	1,250	Additional grant revenues earned
Prop 84 – GIT Park	105,000	Capital project – preliminary project appropriations
Safe Routes to Schools	391,400	Capital project – appropriations not carried forward
State Gas Tax Fund	\$ 2,600	Additional street maintenance activities

2. Staff is directed to allocate the increased appropriations among the expenditure categories to be shown on the FY 2015/16 City financial statements in such a manner to eliminate expenditures exceeding current appropriations.

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I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the City Council of the City of Arvin at a special meeting thereof held on the held on the 08th day of August, 2017 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST

CECILIA VELA, City Clerk

CITY OF ARVIN

By: _____
JOSE GURROLA, Mayor

APPROVED AS TO FORM:

By: _____
SHANNON L. CHAFFIN, City Attorney
Aleshire & Wynder, LLP

I, _____, City Clerk of the City of Arvin, California, DO
HEREBY CERTIFY that the foregoing is a true and accurate copy of the Resolution passed and
adopted by the City Council of the City of Arvin on the date and by the vote indicated herein.

Note 16 – Financial Condition

The Government-Wide Financial Statements describe the City’s financial condition as though it were a single entity instead of a group of separate funds (the Fund Financial Statements describe the various funds’ individual and separate financial conditions). These two financial statement viewpoints are described more fully in footnote 1.B.

Government-Wide Financial Condition

One measure of financial condition is an entity’s net working capital (defined as the excess of current assets over liabilities). The City’s net working capital for fiscal year 2015/16 is compared with fiscal year 2016/17 below:

	Fiscal Year 2015/16		Fiscal Year 2016/17	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Current Assets	\$ 9,414,048	\$ 3,396,111	\$ 6,374,584	\$ 2,580,114
Current Liabilities	(2,204,701)	(845,582)	(3,639,529)	(171,553)
Working Capital	<u>\$ 7,209,347</u>	<u>\$ 2,550,529</u>	<u>\$ 2,735,055</u>	<u>\$ 2,408,561</u>

The City received a \$4.9 million loan relating to the Jewett Square project towards the end of the fiscal year so that most of the loan proceeds were unspent in cash at June 30, 2016. The loan is a long-term obligation so this significantly increased governmental activities working capital. Most of these proceeds are expected to be spent on the capital project during fiscal year 2016/17.

Net assets for the Governmental and Business-Type Activities increased during the fiscal year by \$1,314,281 and \$451,067, respectively. Governmental Activities expenditures increased to \$7.2 million from \$6.2 million during fiscal year 2014/15. Much of the increase occurred due to the addition of staff and increased professional service expenditures. Business-Wide operating expenses decreased primarily due to reduced costs in operating the waste water treatment plant and the sewer collection system.

Select Individual Funds’ Financial Condition

The City Council has discretion to set service levels which then drives the expenditure levels needed to achieve those service levels. Employee salary and benefits constitute the largest operating cost related to providing traditional government services such as public safety, infrastructure maintenance and operation, community development, and general government administration. The City Council has significant discretion over these costs, but their discretion is limited during periods covered by consummated labor agreements. Typically, the City periodically renegotiates its labor agreements which is when changes can be made to the terms and conditions (including salary and benefit packages). To the extent necessary, the City Council can adjust future budgets to deal with any temporary or structural financial issues.

The most significant perpetual operating funds are the General Fund, Gas Tax Fund, Transportation Development Act (TDA) funds (both transit related and for streets and roads maintenance), various impact fee funds, and the Sanitation (sewer) fund. The financial condition as of June 30, 2016 for each of these will be discussed in turn below.

General Fund: The fund ended the year with its expenditures and net transfers exceeding revenues by about \$850,000. Revenues were slightly less (\$91,000) than budget. Expenditures increased from \$5.5 million in fiscal year 2014/15 to \$6.3 million in fiscal year 2016/17. These increases primarily relate to additional staffing, increased professional services, and department head recruitment expenditures.

The General Fund borrowed about \$500,000 from other funds to achieve a zero-cash balance. Much of the General Fund's cash was used to cover other fund's expenditures while awaiting grant reimbursements. For example, although the City expects to recover about \$500,000 in TDA streets and road funds related to street repairs, the amounts are not expected to be received for an extended time so were not available. So, for the time being this cash must be temporarily loaned from other funds (such as the General Fund) to eliminate cash deficits in the TDA fund.

A majority of the City's Council financial attention is directed towards the General Fund. The City Council and City Manager will implement improved financial projecting methods and will be adjusting the General Fund Budget to bring the spending back into a slight surplus (to accumulate cash). The City Council's goal is for the General Fund to maintain an available reserve of about 25% of operating expenditures and cash. The City Manager has been tasked with restoring reserves to these levels.

The General Fund has also advanced funds to the Successor Agency (post-RDA dissolution entity) for debt service. The General Fund has requested reimbursement of these resources (about \$650,000) through the State of California's Recognized Obligations Payments Schedule (ROPS) program and expects to be repaid when tax increments are available to the County of Kern.

Gas Tax Fund: Despite spending \$580,000, compared to fiscal year gas tax revenues of \$381,000, the gas tax fund ended the year with a positive cash balance of about \$257,000 and a \$195,000 positive fund balance.

Transportation Development Act (both transit and streets and roads) Funds: These funds needed to temporarily borrow cash from other funds because reimbursements for fiscal year 2015/16 were not filed until after the end of the fiscal year. The total expected reimbursements are about \$560,000 (transit claim) and \$480,000 (streets and roads claim). City management recognizes the need to more proactively make claims to accelerate the cash receipts.

Impact Fee Funds: The major impact fee funds (traffic, parks, and sewer connections) were all relatively quiet during the fiscal year with none of them making major expenditures. Due to the settlement of litigation (See Note 14 for details) these funds are expected to incur costs in the next few years, but those costs are not yet quantified. The Traffic Impact Fee (TIF) fund made a temporary overnight loan at June 30, 2016 of about \$1.0 million to other funds experiencing temporary cash deficits. These temporary interfund loans are reflected in "due from other funds" (see TIF) and "due to other funds" (various). The General Fund both made advanced and borrowed from other funds with a net effect to that fund of about \$100,000 owed it.

City management is reviewing its cash projecting techniques regarding capital grant funded projects to reduce periods of cash deficiency. Implementing such improved project management techniques should greatly reduce or eliminate the need for interfund borrowing in the future.

Sanitation Fund: This fund ended the fiscal year with over \$2.8 million in cash (about \$952,000 restricted to the contract with Veolia, who operates the waste water treatment plant). The fund generated a net increase in cash of about \$362,000 on net income before transfers of \$495,000. Operating income was a positive \$733,500. City Management and the City Council expect to continue the successful operations of this fund by continuing to monitor the adequacy of fee revenues and to seek and take advantage of opportunities for cost reduction.