
FINANCE COMMITTEE MINUTES – Special Meeting

A Committee of the Chico City Council: Councilmember Hawley, Mayor Reynolds, and Chair van Overbeek

Meeting of Wednesday, January 29, 2025 – 8:30 a.m. to 10:30 a.m.

Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Chair van Overbeek called the meeting to order at 8:30 a.m. Vice Mayor Bennett substituted for Mayor Reynolds at this meeting. All members were present.

Staff present:

- *Mark Sorensen, City Manager*
- *Barbara Martin, Administrative Services Director*
- *Jennifer Macarthy, Deputy City Manager*
- *Heather Childs-Alexis, Accounting Manager*
- *Amanda McGarr, Budget & Treasury Manager*
- *Dani Rogers, Deputy City Clerk*

SPECIAL MEETING - *The public had an opportunity to address the Committee on the items described in the agenda before or during consideration of that item. (Government Code § 54954.3(a).) The Committee was prohibited by law from considering any other business at this meeting.*

REGULAR AGENDA

A. REVIEW OF ANNUAL AUDITED FINANCIAL REPORTS

The certified public accounting firm of CliftonLarsonAllen LLP (CLA) was engaged by the City Council to perform an audit of the financial statements and perform compliance testing of the City of Chico, Chico Passenger Facility Charges and Chico Urban Area Joint Powers Financing Authority for the fiscal year ended June 30, 2024. CLA issued unmodified (clean) audit opinions on all financial statements. CLA management presented the results of the audit to Finance Committee. Upon Finance Committee recommendation, these reports will be forwarded to City Council for acknowledgement and receipt.

Rich Gonzalez of CliftonLarsonAllen, LLP presented the Independent Auditor's Report to the Finance Committee and reviewed the development of the audit process for the City. Several auditors performed testing, then proceeded to the final audit stages.

CLA issued unmodified (clean) audit opinions on the Annual Comprehensive Financial Report, Single Audit Report, Passenger Facility Charges Report, Chico Urban Area Joint Powers Financing Authority Report, and Appropriations Limit Report.

Chair van Overbeek inquired if the City has controls and processes, if the City follows them, and if that's something the auditor looks at.

Director Martin confirmed that the City has controls and processes. Mr. Gonzalez also confirmed the City has controls and processes that are followed, and the auditor reviews them depending on the risk, the staff that are doing the review and that it can be demonstrated that it's being done.

Addressing the Committee on this item was Katy Thoma.

There was a consensus of the Finance Committee to forward to Council the 2024 Audited Financial Reports for final approval.

B. MONTHLY FINANCIAL REPORTS – DECEMBER 2024

The Administrative Services Director presented the Monthly Financial Report and Budget Monitoring Reports through December 31, 2024. **(Report – Barbara Martin, Administrative Services Director)**

Director Martin provided an overview of the timing of the presentation of the financial reports, various funds, funds that are discretionary or restricted, and enterprise funds. The monthly financial reports are also posted monthly to the City's website. The reports presented to the Finance Committee are reviewed with more detailed explanations, while the reports provided to the full Council are received and filed.

Director Martin also stated that revenues that are being presented to the Committee are through December 2024, but that some revenues aren't received from the State or the County until later in the fiscal year.

Budget and Treasury Manager McGarr reviewed the Department Monthly Monitoring Reports. Any overages at the category level are being watched by Department Directors and adjustments will be made as necessary.

Accounting Manager Childs-Alexis reported that revenue reporting is about timing. The revenue report is through December 2024. The property taxes were received in January and are not reflected in this report. The City is on track with the projections being 3% higher than last year. Sales tax is meeting projections, with TOT and cannabis tax projected to be higher than last year. The sewer fund revenue is up 24% due to the increase in sewer rates, which will balance out moving forward. Overall, the General Fund is tracking where it should be.

Addressing the Committee on this item was Katy Thoma.

- C. **ADJOURNMENT** – There was a consensus among the Committee to change the meetings to the 3rd Wednesday of the month, 8:30 a.m. to 10:30 a.m. The Committee canceled the February meeting and adjourned at 10:10 a.m. to the regular Finance Committee Meeting on March 19, 2025, at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC, Deputy City Clerk

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Councilmember Hawley, Vice Mayor Bennett, and Chair van Overbeek
Meeting of Wednesday, March 19, 2025 – 8:30 a.m.

Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Vice Mayor Bennett called the meeting to order at 8:30 a.m. with Councilmember Hawley present, and Chair van Overbeek arriving post roll call at 8:49 a.m.

Staff present:

- *Mark Sorensen, City Manager*
- *Barbara Martin, Administrative Services Director*
- *Jennifer Macarthy, Deputy City Manager*
- *Heather Childs-Alexis, Accounting Manager*
- *Amanda McGarr, Budget & Treasury Manager*
- *Dani Rogers, Deputy City Clerk*

REGULAR AGENDA

A. MONTHLY FINANCIAL REPORT

The Administrative Services Director presented the Monthly Financial Report and Budget Monitoring Reports through February 28, 2025. (**Report – Barbara Martin, Administrative Services Director**)

Director Martin reported that transactions are still being recorded, and a better picture would be available next month. A summary of the Financial Reports is provided on a monthly basis, with the full Financial Reports provided on a quarterly basis, which provides a more accurate reflection of the City's position in the fiscal year.

Vice Mayor Bennett inquired if Director Martin is concerned about the City's revenues. Director Martin stated that staff are watching closely. In April, the Butte County one percent sales tax increase will become effective, and this may be a driver for out of area big purchases. The City will not receive the sales tax data until mid-April for the first two quarters of the fiscal year.

Accounting Manager Childs-Alexis reported on revenues, with most funds trending to be on track with the projections. She noted the parking fund is down \$25,000 due to the December parking meter holiday.

Budget & Treasury Manager McGarr reviewed the Department Budget Monitoring Reports, noting a couple of changes from last month's reports. Fire Department was over budget in the Private Development Fund Purchased Services due to an outside plan review, however the budget will balance out by the end of the year. Public Works Operations & Maintenance is trending over budget in several funds, including Administration, Parks and Open Spaces, Streets and Roads. These trends are expected to balance out by the end of the fiscal year.

Director Martin provided an update on the cash reports and investments. She also noted for the Committee the report that outlines the budget transfers that were authorized by the City Manager based upon the current Budget Policies.

Chair van Overbeek inquired if the Trump budget cuts are affecting any City projects.

Director Martin stated that funds are already encumbered and obligated for City projects that are underway. Future grant funds may be limited.

B. PUBLIC COMMENTS – None.

C. **ADJOURNMENT** - The meeting adjourned at 9:09 a.m. to the next regular Finance Committee Meeting on April 16, 2025, at 8:30 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC, Deputy City Clerk

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Councilmember Hawley, Vice Mayor Bennett, and Chair van Overbeek

Meeting of Wednesday, April 16, 2025 – 8:30 a.m.

Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Chair van Overbeek called the meeting to order at 8:30 a.m. with all members present.

Staff present:

- *Mark Sorensen, City Manager*
- *Barbara Martin, Administrative Services Director*
- *Jennifer Macarthy, Deputy City Manager*
- *Heather Childs-Alexis, Accounting Manager*
- *Amanda McGarr, Budget & Treasury Manager*
- *Dani Rogers, Deputy City Clerk*

REGULAR AGENDA

A. ASSIGNMENT OF NEW AUDITING FIRM

The City of Chico has concluded the Request for Proposal process to contract with a new auditing firm to audit the financial statements for the City of Chico, the Chico Urban Area Joint Powers Financing Authority, provide a report on the City's compliance with the Gann appropriations limit, and to perform the audit of the City's federal expenditures (Single Audit). The contract could also include optional services for the Passenger Facilities Charge (PFC) audit, compilation and filing of the Annual Financial Transactions Report, the compilation and filing of the Annual Street Report, and the preparation of the Annual Comprehensive Financial Report for the City of Chico. **(Report – Barbara Martin, Administrative Services Director)**

A motion was made by Vice Mayor Bennett, and seconded by Councilmember Hawley to forward a recommendation to Council to approve the selection of CliftonLarsonAllen LLP to perform the audits of the financial statements for the City of Chico, the Chico Urban Area Joint Powers Financing Authority, the City's Single Audit, and to provide a report on the City's Gann appropriations limit compliance for a term of three years, with the option to extend for an additional two years, dependent upon satisfactory levels of services and cost, and the authority to approve the selection of CliftonLarsonAllen LLP to perform the Passenger Facilities Charge (PFC) audit, compilation and filing of the Annual Financial Transactions Report, the compilation and filing of the Annual Street Report, and the preparation of the Annual Comprehensive Financial Report for the City of Chico if deemed necessary by staff.

The motion carried 3-0.

B. FEE SCHEDULE UPDATE FY2025/2026

In accordance with Budget Policy E.5, changes in the City's Fee Schedule are to be brought to Council annually and incorporated into the budget approval process each year. The City Fee Schedule is adjusted annually by one of three methods: 1) new fees requested by departments; 2) fees subject to public hearing that are adjusted annually by applying specific municipal code automatic inflators; and 3) Fees the City Manager is authorized to adjust annually under the municipal code by applying cost of living adjustment inflators. Those fees are not presented here.

Accounting Manager Childs-Alexis reviewed the department requests for new fees. She also reviewed fees that require a public hearing and how those fees are adjusted.

A motion was made by Chair van Overbeek, and seconded by Vice Mayor Bennett to approve the new fees requested by departments and the changes to existing fees requiring public hearing and forward a recommendation to the City Council for approval.

The motion carried 3-0.

C. MONTHLY FINANCIAL REPORT

The Administrative Services Director presented the Monthly Financial Report and Budget Monitoring Reports through March 31, 2025. **(Report – Barbara Martin, Administrative Services Director)**

Budget & Treasury Manager McGarr reviewed internal transfers, and the department monitoring reports. Administrative Services Department is trending slightly over budget in Purchased Services due to a new cybersecurity contract. Community Development Department is trending over due to liability insurance allocations. Adjustments will be made, if needed, if the trends continue.

Director Martin reported on the sales tax trends as the City heads into budget season. Sales tax is trending lower than projected. Factors for this include less construction and building, businesses that have closed, reduced operations, or relocated, and less vehicle sales.

Councilmember Hawley inquired if this is a regional trend. Director Martin stated that it is regional and statewide.

Director Martin further reported that property tax revenues have remained consistent, as well as the User Utility Tax. Other revenue streams are remaining flat. She reported there are some concerns with Enterprise Funds, specifically the Parking Fund and Airport Fund.

Regarding the Parking Fund, starting with COVID in the 19/20 FY, parking revenues were down significantly. In 20/21 FY, the Fund received some relief from the federal government with the American Rescue Plan funds. Revenues increased slightly in 21/22 FY, however revenues have remained flat over the past two years. The City has not transferred to the reserve fund for future maintenance and repairs for parking areas in the last two years.

Regarding the Airport Fund, there has been a decrease in revenues. Following the Camp Fire in November 2018, there was a significant increase in revenue attributed to state agencies using airport property. Staff have been working to bring lease hangar agreements more in line with market rates. However, expenditures are still outpacing revenues.

Chair van Overbeek inquired based upon the expenditures and revenues for the past three quarters, is the City running a balanced budget or is the City behind.

Director Martin stated that revenue streams come in intermittently and it's often difficult to determine, but the reason for reviewing these reports is to stay on top of the trends. The City has the ability to weather financial storms.

D. PUBLIC COMMENTS – None.

E. ADJOURNMENT - The meeting adjourned at 9:10 a.m. to the next regular Finance Committee Meeting on May 21, 2025, at 8:30 a.m.

Prepared by:



Dani M. Rogers, CMC, Deputy City Clerk

FINANCE COMMITTEE REPORT – Special Meeting

A Committee of the Chico City Council: Councilmember Hawley, Vice Mayor Bennett, and Chair van Overbeek
Meeting of Wednesday, May 28, 2025 – 9:00 a.m. to 11:00 a.m.
Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Chair van Overbeek called the meeting to order at 9:00 a.m. with all members present.

Staff present:

- *Mark Sorensen, City Manager*
- *Barbara Martin, Administrative Services Director*
- *Brendan Ottoboni, Public Works Director - Engineering*
- *Jennifer Macarthy, Deputy City Manager*
- *Heather Childs-Alexis, Accounting Manager*
- *Miranda Bowersox, Management Analyst*
- *Dani Rogers, Deputy City Clerk*

SPECIAL AGENDA - *The public had an opportunity to address the Committee on the items described in the agenda before or during consideration of that item. (Government Code § 54954.3(a).) The Committee was prohibited by law from considering any other business at this meeting.*

A. CONSIDERATION OF FEE SCHEDULE CHANGES SUBJECT TO HIGHWAY CONSTRUCTION COST INDEX INCREASE

At its meeting of 05/06/2025, the Council held a Public Hearing regarding amendments to the City's Fee Schedule. The Council referred the fee schedule changes subject to the Highway Construction Cost Index increase to the Finance Committee for further discussion and public input. **(Report – Heather Childs, Accounting Manager)**

Accounting Manager Childs-Alexis reviewed the sections of the Chico Municipal Code pertaining to the calculation of Transportation Facility Fees and Storm Drainage Facility Fees, using the California Department of Transportation Highway Construction Cost Index (HCI). The City uses a three year rolling average, when calculated results in a 23.4 increase per the requirements of the Chico Municipal Code.

Vice Mayor Bennett stated that there is nothing wrong with the numbers, but it's a big increase when the City is trying to promote affordability of housing. This disincentivizes that.

Chair van Overbeek stated that since 2020, what's being proposed would be a 44.5 percent increase. Asphalt, trucking, pipes, nothing has gone up 23.4 percent. Costs have gone up around 3-4 percent. Staff is asking for a 23.4 percent increase.

Director Ottoboni stated that staff is not asking for this increase, it is following the City's established policies and the Chico Municipal Code. The City also has to pay prevailing wages, and 3-4 percent does not count labor costs.

Chair van Overbeek stated the HCI is very volatile.

Director Ottoboni stated the index is comparing apples to apples and reflects real world costs.

Chair van Overbeek opened the meeting to public comments.

Addressing the Committee on this item were Bill Webb, Chris Giampaoli, Katy Thoma, and an unidentified speaker.

Vice Mayor Bennett asked about the unintended consequences for postponing until the Nexus Study is complete.

Councilmember Hawley stated these are the City's costs to build the infrastructure.

Director Ottoboni stated the impact will hit in a year or two, the fees won't be there to build out projects. An example is a year ago, the North Esplanade Reconstruction Project, the estimate was \$9 million, and it is now estimated at \$14 million. Staff understand the economics, but has look at actual costs to build the projects.

A motion was made by Chair van Overbeek and seconded by Vice Mayor Bennett to forward a recommendation to Council to increase the fees by 3 percent, for a single family home instead of the fee being \$14,176, the fee would be \$12,068.

It was noted by Director Ottoboni and Director Martin that this would take it into a negative and will result in an even bigger percentage increase in the future.

A substitute motion was made by Councilmember Hawley to cut the increase by one third, which will result in less of a huge bump next year. She noted that only a 3 percent increase would put the City in a position to have to try to rely on grant funding when the State is in a budget crisis and the federal government is slashing grants.

The substitute motion died for a lack of a second.

The original motion carried 2-1 by the following vote:

Ayes: Bennett, van Overbeek

Nays: Hawley

B. FINANCE COMMITTEE MEETING START TIME

Chair van Overbeek requested to change the official start time of the Finance Committee meetings to 9:00 a.m. There was a consensus of the Committee to change the start time to 9:00 a.m.

C. ADJOURNMENT - The meeting adjourned at 9:43 a.m. to the next regular Finance Committee Meeting on June 18, 2025, at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC, Deputy City Clerk

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Councilmember Hawley, Vice Mayor Bennett, and Chair van Overbeek
Meeting of Wednesday, June 18, 2025 – 9:00 a.m. to 11:00 a.m.

Chair van Overbeek called the meeting to order at 9:00 a.m. All members were present.

REGULAR AGENDA

A. BUTTE COUNTY TAX SHARING AGREEMENT

At its meeting of 3/18/25, the Council referred a discussion on the Butte County Tax Sharing Agreement to the Finance Committee for further discussion. **(Verbal Report – Mark Sorensen, City Manager)**

This item was tabled to the next Finance Committee meeting for the members to review the materials that were provided by the City Manager.

City Manager Sorensen noted, as a Councilmember, he reviewed this matter extensively and approached the County in 2013. The conclusion drawn was that the City has a good deal.

B. MONTHLY FINANCIAL REPORT

The Administrative Services Director presented the Monthly Financial Report and Budget Monitoring Reports through April 30, 2025 and May 31, 2025. **(Report – Barbara Martin, Administrative Services Director)**

Chair van Overbeek requested that future review of reports does not need to include variances unless it's over \$10,000. Staff does a great job of tracking the budgets, it's very complicated, and he appreciates the rigor given to the reports. However, the Committee is looking for the big pieces, what's abnormal, and the items that staff didn't predict.

Director Martin stated due to the Finance Committee meetings being moved to a week earlier, the reports may not include all the data and may be lagging over a month behind. For instance, June's report would be for the April data, rather than May data.

Chair van Overbeek requested that the Committee be presented with anything that may be going sideways in a timely manner so it can be addressed.

Director Martin reported that sales tax revenue and cash reserves are trending on track, with a 2 percent margin either way for the City's projections.

C. PUBLIC COMMENTS - None.

D. ADJOURNMENT - The meeting adjourned at 9:30 a.m. to the next regular Finance Committee Meeting on September 17, 2025, at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC
Deputy City Clerk

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Councilmember Hawley, Vice Mayor Bennett, and Chair van Overbeek
Meeting of Wednesday, September 17, 2025 – 9:00 a.m. to 11:00 a.m.
Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Councilmember van Overbeek called the meeting to order at 9:00 a.m. All members were present.

REGULAR AGENDA

A. BUTTE COUNTY TAX SHARING AGREEMENT - *Continued from 6/18/25 meeting*

At its meeting of 3/18/25, the Council referred a discussion on the Butte County Tax Sharing Agreement to the Finance Committee for further discussion. (*Verbal Report – Mark Sorensen, City Manager*)

City Manager Sorensen reported the City has a good agreement and that other agencies would love to have one similar to Chico's. In many other jurisdictions, as many agreements take a larger share of sales tax and take a share of Transient Occupancy Tax.

Councilmember van Overbeek stated the City's population is greater than 50% of the County's population, but the City only gets 45% of the sales tax revenue.

City Manager Sorensen responded that population is not a consideration in these agreements, and the County can argue that it provides more than 50% of the share of services, such as the Coroner, Sheriff, Jail, Public Health, Mental Health, etc.

A motion was made by Vice Mayor Bennett and seconded by Councilmember van Overbeek, after hearing about and understanding the agreement, to take no action and to not approach the County about adjusting the agreement.

The motion carried 3-0.

B. CALPERS PRESENTATION - *Barbara Martin, Administrative Services Director*

Director Martin provided an update regarding the City's pension costs and unfunded liability.

Following the presentation, Councilmember van Overbeek stated he is concerned that the unfunded liability number keeps growing and inquired if all employees are part of CalPERS.

Director Martin stated yes, all permanent employees, approximately 440 employees.

Councilmember van Overbeek asked if the City has looked at things that can be outsourced, such as tree crews in the park, people that do the maintenance on the vehicles. If the City can outsource that, then we don't have as many CalPERS employees.

City Manager Sorensen responded yes, and the reality is that if the City farms the work out, it loses control of the quality, the timeliness, and you pay more. The employee compensation will be similar to what the City is paying, and the business would need to make a profit. The City has gone through this exercise, and when the work is brought in-house, the City can do it so much more efficiently and cost effectively.

Councilmember van Overbeek stated the UAL increase from \$117 million to \$180 million is a startling increase.

Director Martin stated that it is partially due to the CalPERS 21% loss in that year (2021). The formula is based on a certain number of employees and certain number of anticipated salaries and financial aid. If

the City significantly reduces its staff, this number will change in the upward motion because the City would not be giving as much money as was expected.

Councilmember van Overbeek asked for the next Finance Committee meeting, staff to provide a breakdown of employees by department. He wants to understand the opportunities to outsource.

City Manager Sorensen noted this breakdown is available in the B-3 Appendix of the City's budget.

Councilmember van Overbeek stated he wants to discuss this further because he is not convinced that the City can't do better by outsourcing.

A motion was made by Councilmember van Overbeek, and seconded by Vice Mayor Bennett, to agendaize a discussion on how the City can reduce the unfunded liability, and what actions the City can take to reduce the unfunded liability over time.

The motion carried 2-1, with Councilmember Hawley opposed.

C. DISCUSSION OF DEVELOPMENT IMPACT FEE FORMULA

At its meeting of 7/8/25, the City Council referred a discussion on the Development Impact Fee formula to the Finance Committee for further discussion. **(Report - Barbara Martin, Administrative Services Director)**

Director Martin reviewed the report and the recent history on the rolling averages of increases and no decreases to fees.

City Manager Sorensen stated this subject has been coming up for years, and for the sake of simplicity, recommended changing the formula to consider fees going down when there is a decrease in the index. However, when the index moves upward, the fees must be allowed to move accordingly.

Public Works Engineering Director Brendan Ottoboni reported the fees are reflective of highway construction costs. In the real world, the City is experiencing these types of increases, with no decreases. The Eaton/99 Southbound onramp went from an estimated \$8 million project to a \$13 million project. If we are not keeping up with the index and costs, where does that money come from. As a result, the project may be delayed and may not be built.

Addressing the Committee on this item was Chris Giampaoli.

A motion was made by Councilmember Hawley, and seconded by Vice Mayor Bennett, to forward a recommendation to Council to adopt the change formalizing that development impact fees decrease with when the index decreases.

The motion carried 2-1, with Councilmember van Overbeek opposed.

D. PUBLIC COMMENTS – Addressing the Committee was Chris Giampaoli.

E. ADJOURNMENT - The meeting adjourned at 10:05 a.m. to the next regular Finance Committee Meeting on October 15, 2025, at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani Rogers, CMC
Deputy City Clerk