

FINANCE COMMITTEE REPORT – Regular Meeting

A Committee of the Chico City Council: Councilmember Hawley, Vice Mayor Bennett, and Chair van Overbeek
Meeting of Wednesday, January 21, 2026 – 9:00 a.m. to 11:00 a.m.
Meeting Location: Council Chamber Building, Conference Room 1, 421 Main St. Chico, CA

Chair van Overbeck called the meeting to order at 9:00 a.m. Vice Mayor Bennett was present, and Councilmember Winslow substituted for Councilmember Hawley

Staff present:

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

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, 2025. 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, and Chico Urban Area Joint Powers Financing Authority Report. There were no audit findings and no deficiencies.

A motion was made by Vice Mayor Bennett and seconded by Councilmember Winslow to forward to City Council the 2025 Audited Financial Reports for final approval.

The motion carried: 3-0

B. MONTHLY FINANCIAL REPORT

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

Director Martin reported there was little to report because the reports are through September 2025, only 25% through the fiscal year. The reports that will be presented at the February meeting will be through December and provide a clearer indication of revenues and expenditures.

C. PUBLIC COMMENTS - None

D. ADJOURNMENT - The meeting adjourned at 9:29 a.m. a.m. to the next regular Finance Committee Meeting on February 18, 2026, at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:


Dani M. Rogers, CMC, Deputy City Clerk

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, February 18, 2026 – 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. All Committee members were present.

Staff present:

- *Mark Sorensen, City Manager*
- *Erik Gustafson, Assistant City Manager*
- *Barbara Martin, Administrative Services Director*
- *Brendan Ottoboni, Public Works Director – Engineering*
- *Skyler Lipski, Public Works Director – Operations and Maintenance*
- *David Kehn, Senior Civil Engineer*
- *James Carr, Wastewater Plant Manager*
- *Amanda McGarr, Budget & Treasury Manager*
- *Dani Rogers, Deputy City Clerk*

REGULAR AGENDA

A. SEWER ENTERPRISE STUDY

The City of Chico has completed a Sewer Enterprise Study proposing a five-year sewer rate adjustment to address financial, regulatory, and infrastructure needs of the City's sewer public utility. The rate strategy is intended to stabilize sewer funds, support required capital and regulatory compliance projects and rebuild reserves to ensure long-term utility sustainability. (**Report – Brendan Ottoboni, Public Works Engineering Director**)

Senior Civil Engineer, David Kehn, presented the Sewer Enterprise Study to the Finance Committee, highlighting the following:

- **Sewer Fund shortfall:** long-term under-financing produced deferred maintenance and regulatory noncompliance; reserves are at \$4.5 million, with the target reserves being \$11 million; outstanding \$40M (2007) loan with unrealized development impact fees requiring subsidy (\$10 million remaining balance on this loan).
- **Major CIP needs:** \$134.5 million Capital Improvement Plan over **5 years** to reach compliance and address condition-driven projects.
- **Two financing paths were presented:** two cash-funded rate paths were presented. Option 1: large up-front increase (example 160% for high-use restaurants) then ~3% annually; Option 2: smaller initial (60%) then steeper later increases with higher year-5 rates; seek Council approval to initiate Prop 218 in March, adopt rates in June.
- **Customer impacts & equity:** restaurants (<1% accounts) produce ~6% of revenue and disproportionately contribute ~14% of BOD load; volumetric (flow) rates help conservation but increase revenue volatility.
- **Collections & operational issues:** customer nonpayment is at ~5–10% (roughly \$1–2 million per year in lost revenue).

Councilmember Hawley questioned what methods are being used to collect payments.

Director Martin stated new collection processes (late notices, property tax liens) are being developed. It was also noted that sewer can't be shut off and on. With the City using UTIL 360, the current rate of non-payment is just under 6%. Staff is working with the City Attorney's office on developing letters and other processes.

Chair van Overbeek questioned if the Finance Department went through the numbers from Carolla Engineers and presented today.

Director Martin stated that staff have been engaged throughout the entire process

Chair van Overbeek expressed concern over tripling residential sewer rates to people, with Butte County having the second lowest median family income. A \$60 increase can have a big impact and he would like to consider ways to soften that impact.

Engineer Kehn stated that by softening it on the front end, it steepens on the back end because you don't have that time to collect. This is why staff are recommending a sharp increase here, get the rates up and then they will steady out.

Chair van Overbeek asked for a third option that uses some debt financing, and to ease into a rate increase.

The Committee requested staff to come back with a third option at a Special Finance Committee meeting in the next two weeks, in order to keep staff on the projected timeline for rate increases, and to finalize a recommendation to forward to Council for consideration

B. MONTHLY FINANCIAL REPORT

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

C. PUBLIC COMMENTS – None.

D. ADJOURNMENT - The meeting adjourned at 10:08 a.m. to a Special Finance Committee Meeting on a date and time to be determined, then to the next Finance Committee Meeting on March 18, 2026, at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, 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 Thursday, March 5, 2026 – 1:00 p.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. All Committee members were present.

Staff present:

- *Mark Sorensen, City Manager*
- *Erik Gustafson, Assistant City Manager*
- *Barbara Martin, Administrative Services Director*
- *Brendan Ottoboni, Public Works Director – Engineering*
- *Skyler Lipski, Public Works Director – Operations and Maintenance*
- *David Kehn, Senior Civil Engineer*
- *Heather Childs-Alexis, Accounting Manager*
- *Brandon Mortimer, Assistant Engineer*
- *Dani Rogers, Deputy City Clerk*

SPECIAL AGENDA - *The public had an opportunity to address the Committee on the item 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. SEWER ENTERPRISE STUDY

At its February 18, 2026 meeting, the Finance Committee received a presentation on the results of a Sewer Enterprise Study proposing a five-year sewer rate adjustment to address financial, regulatory, and infrastructure needs of the City's sewer public utility. Direction was given to staff to return to the Finance Committee with additional financing options, including a variety of debt financing options.

Senior Civil Engineer, David Kehn, provided a recap of the options presented to the Committee at its 2/17/26 meeting. Mr. Kehn reviewed the impacts of each of the following additional options outlined in the staff report and presentation:

- **3a** \$40M loan amount
- **3b** \$65M loan amount
- **3c** \$90M loan amount

Mr. Kehn stated in addition to the 20 year annual debt service commitment and the interest paid over the life of the loan, there are still necessary rates adjustments in the 1-5 year term, with additional rate increases necessary in years 6-10. Debt financing does reduce the short term impact on rate payers but will create a bigger impact down the road.

Director Ottoboni added that it takes several years to obtain debt financing, and the rates will still have to be raised to demonstrate the City has the ability to service the debt. The costs for chemicals, energy usage, and bio solid treatment are calculated into the proposed rate options.

City Manager Sorensen stated that State regulations are likely to be more restrictive in the coming years and delays could change the scope of the current proposed projects after five years. With debt financing, the State would require additional review of everything, a set aside reserve fund would be required, and additional conditions for approval may be required.

Councilmember Hawley stated the preference for Option 1, presented at the 2/17 meeting, and asked for consideration of there being a break for needs based ratepayers. She is not against debt financing, but it would have to be an emergency need.

Vice Mayor Bennett added that he can't vote in favor of putting the City into this amount of debt.

Councilmember van Overbeek stated that he would be comfortable with Options 3a or 3b, and it is not reasonable to triple rates with Options 1 or 2.

Members of the public addressing the Committee were Bill Webb and Greg Wietbrock.

A motion was made by Councilmember Hawley and seconded by Vice Mayor Bennett to forward a recommendation to Council for Option 1, large Year 1 increase, which will collect more revenue early, reducing the total five-year impact.

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

- B. **ADJOURNMENT** – The meeting adjourned at 1:48 p.m. to the next regular Finance Committee Meeting on April 15, 2026 , at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC Deputy City Clerk

CITY OF CHICO

Finance Committee Minutes

Regular Meeting

Wednesday, April 15, 2026

9:00 a.m. to 11:00 a.m.

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

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

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

Staff present:

- *Mark Sorensen, City Manager*
- *Barbara Martin, Administrative Services Director*
- *Brendan Ottoboni, Public Works Director – Engineering*
- *Skyler Lipski, Public Works Director – Operations and Maintenance*
- *Bill Hack, Interim Fire Chief*
- *David Kehn, Deputy Director – Public Works Engineering*
- *Josh Marquis, Deputy Director – Information Systems*
- *Dale Fletcher, Deputy Director – Community Development (Building Official)*
- *Amanda McGarr, Budget & Treasury Manager*
- *Heather Childs, Accounting Manager*
- *Paul Rickets, Fire Marshal*
- *Wyatt West, Project Manager*
- *Dani Rogers, Deputy City Clerk*

REGULAR AGENDA

A. FEE SCHEDULE UPDATE

In accordance with Budget Policy E.5, changes in the City's Fee Schedule will 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*; 3) *Fees the City Manager is authorized to adjust annually under the municipal code by applying cost of living adjustment inflators (those fees were not presented at this meeting)*. The Finance Committee was asked to consider fee increases and changes to the City's Fee Schedule for methods 1 and 2.

Accounting Manager Childs presented the proposed fee increases. In the FY 25-26 fee schedule update, staff proposed a 23.40% increase in fees based upon the 3-year average of the Highway Construction Cost Index, which is the requirement of the Chico Municipal Code. The Council voted to adopt a 3% percent increase, rather than the 23.40%. Due to the adoption of the 3% increase, this year's proposed average is 35.70%.

Accounting Manager Childs also presented new fees proposed by several departments and an 8% increase in Building Fees related to increased employee salary and benefit costs.

Chair van Overbeek stated he was taken aback by the 35% increase in Storm Drainage Facility Fees. His recollection of this meeting a year ago was that we were going to increase by the amount of the CPI until the Nexus Study was complete and these big jumps would not take place until the Nexus Study was completed. He asked what happened to that.

Director Martin stated she believed the reduction was the one time based upon the CPI but the index was not changed in the municipal code, and that is what staff has to go by.

Chair van Overbeek stated there have been a lot of conversations on this index that we use and whether it's gone out to look at what costs reflect reality and asked if we've gone out to see what costs really are.

Director Martin stated that Finance is charged with basing it on the municipal code.

Addressing the Finance Committee on this item were Bill Webb and Chris Giampaoli.

Vice Mayor Bennett inquired when the last Nexus Study was.

Director Ottoboni said it was 2018. State law requires it to be updated every 8 years.

Councilmember Hawley inquired if there are any other options that could factor in local costs.

Director Ottoboni stated he wasn't aware of any but 35% is a massive number. It would behoove the City to take a look at other options. This number is reflective of highway constructions costs and takes into account competitively bid projects across the state. Things like prevailing wage rates are predetermined and factored in.

Chair van Overbeek also expressed concern over the 8% increase in building fees due to housing affordability. Going back to the 35.7% increase, that can't be substantiated by something other than an index. He stated he would like to leave this particular item as is and for the Builders group to get back to us with some hard data, by emailing it to him and City Manager Sorensen first, and he'll distribute it to the Committee and then we'll figure out what to do next.

A motion was made by Councilmember Hawley to move forward with the increase based on the 2024 original average of 13.26%, the HCI minus last year's increase. The motion died for a lack of a second.

Chair van Overbeek then addressed the 8% increase in permitting fees when inflation is 3%. He understands that staff are trying to keep up with inflation, but the City has flat revenues. He wants Building to look at its processes and see if there is a way to do this without compromising the quality of inspections. He provided an example of contractors self-certifying the inspections. It's not okay to come back to us every year and ask for an 8% increase because employees want to get paid more.

Deputy Director Fletcher stated this is not anywhere near 100% cost recovery, we are at about 70-80%. Increases are also due to cost of fuel for inspectors to drive to inspections, and other costs that impact our budgets. The User Fee Study will help determine where we are at in cost recovery.

A motion was made by Chair van Overbeek and seconded by Vice Mayor Bennett to forward a recommendation to Council to increase the HCI fees by 3% until the Nexus Study comes out and look at it again when the Nexus Study is completed.

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

Ayes: Bennett, van Overbeek

Noes: Hawley

A motion was made by Chair van Overbeek to forward a recommendation to Council to direct the Building Department to go back and look at its processes to see if it can get the fees down to the range of inflation at 3% instead of 8%, with it clarified that those processes be more efficient.

Vice Mayor Bennett asked if this is the proper procedure.

City Manager Sorensen stated it's been established that the fund balances are in decline so what Chair van Overbeek is recommending is to continue that decline.

Chair van Overbeek stated he is recommending that they look at the work they are doing every day.

City Manager Sorensen stated that we do that every day, one option might be to look at plan check options. We brought the services in house to get the time down for plan checks and to improve quality.

Deputy City Clerk Rogers asked if there was a second to the motion, with Vice Mayor Bennett seconding the motion.

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

Ayes: Bennett, van Overbeek

Noes: Hawley

A motion was made by Chair van Overbeek and seconded by Vice Mayor Bennett to forward a recommendation to Council to approve all the other fees outlined in the fee schedule.

The motion carried 3-0.

B. MONTHLY FINANCIAL REPORTS AND 26-27 BUDGET PREVIEW

The Administrative Services Director presented the Monthly Financial Reports and Budget Monitoring Reports through February 28, 2026, including a 26-27 Budget Preview. (*Report – Barbara Martin, Administrative Services Director*)

C. PUBLIC COMMENTS - None

D. ADJOURNMENT - The meeting adjourned at 10:06 a.m. to the next regular Finance Committee Meeting on May 20, 2026, at 9:00 a.m. in Conference Room 1 at 421 Main St.

Prepared by:



Dani M. Rogers, CMC
Deputy City Clerk