

MINUTES OF THE REGULAR CITY COUNCIL MEETING
TUESDAY - - DECEMBER 6, 2005 - - 7:30 P.M.

Mayor Johnson convened the Regular Meeting at 7:45 p.m.

ROLL CALL - Present: Councilmembers Daysog, deHaan, Gilmore, Matarrese, and Mayor Johnson - 5.

Absent: None.

AGENDA CHANGES

(05-552) Mayor Johnson announced that the recommendation to appropriate \$142,000 in Urban Runoff Funds [paragraph no. 05-556] was withdrawn from the Consent Calendar.

PROCLAMATIONS, SPECIAL ORDERS OF THE DAY AND ANNOUNCEMENTS

(05-553) Library Project Update.

The Project Manager gave a brief update.

Mayor Johnson inquired whether there were any cherry cabinets in the internal staff areas, to which the Project Manager responded in the negative.

Mayor Johnson stated that cherry cabinets should be placed in areas that are visible to the public; utilizing formica countertops in other areas was a good way to save costs; inquired whether the costs for the minor redesign items need to be negotiated or whether the costs are in the contract.

The Project Manager responded the Architect is responsible for construction administration; any changes are covered under construction administration; the percentage of change orders attributed to the designer would be reviewed with the City Attorney at the end of the project.

Mayor Johnson inquired whether changes discussed tonight were construction administration changes and whether the changes have already been paid for, to which the Project Manager responded in the affirmative.

Councilmember deHaan inquired whether pushing off the masonry work would result in any impact to the schedule, to which the Project Manager responded in the negative.

Councilmember deHaan inquired whether the Architect offered to pay

for oversights.

The Project Manager responded that the Architect does not voluntarily offer to pay; recourse would be a claim on the insurance policy.

Councilmember deHaan inquired whether the first claim could be for the firewall, to which the Project Manager responded the firewall and staircase could be potential claims.

Mayor Johnson stated that the project is moving along well; the public is very impressed with the process.

CONSENT CALENDAR

Councilmember deHaan moved approval of the Consent Calendar with the caveat of withdrawing the recommendation to appropriate \$142,000 in Urban Runoff Funds [paragraph no. 05-556]; noted major inroads have been made on the ferry service.

Councilmember Matarrese seconded the motion, which carried by unanimous voice vote - 5.

[Items so enacted or adopted are indicated by an asterisk preceding the paragraph number.]

(*05-554) Minutes of the Special and Regular City Council Meetings held on November 15, 2005. Approved.

(*05-555) Ratified bills in the amount of \$4,504,278.52.

(*05-556) Recommendation to appropriate \$142,000 in Urban Runoff Funds to repair public storm drainage facilities within the Bridgeside Shopping Center and reimburse Regency Centers for expenditures incurred. **Withdrawn.**

(*05-557) Recommendation to adopt the Ferry Short Range Transit Plan. Accepted.

(*05-558) Recommendation to adopt Plans and Specifications and authorize Call for Bids for Five Police Communications Center Workstations. Accepted.

(*05-559) Recommendation to accept the Affordable Housing Ordinance Annual Review. Accepted.

(*05-560) Recommendation to accept the Public Art Ordinance Annual

Review. Accepted.

(*05-561) Recommendation to accept Impact Fee Report for Police and Fire services. Accepted.

(*05-562) Recommendation to accept the Annual Investment Report for the 2004-2005 Fiscal Year. Accepted.

(*05-563) Recommendation to award Restaurant Concessionaire Contract to Tom Genanekos, Owner of Jim's Coffee Shop, for exclusive right to sell food and beverage service at the Chuck Corica Golf Complex. Accepted.

(*05-564) Resolution No. 13910, "Authorizing Open Market Purchase from Sungard Pentamation, Bio-Key International and Omega Group Pursuant to Section 3-15 of the Alameda City Charter in the Amount of \$307,804 for Pentamation Finance Plus and Community Plus Software, Bio-Key Fire Records Management Software and Fireview Software." Adopted.

(*05-564A) Resolution No. 13911, "Authorizing the Purchase of Storage Area Network System Using the State of California Department of General Services, Procurement Division, Competitive Bid Award." Adopted.

(*05-564B) Resolution No. 13912, "Authorizing the Execution and Delivery of a Master Equipment Lease-Purchase Agreement, an Escrow Agreement and Separate Equipment Schedules with Respect to the Acquisition, Purchase, Financing and Leasing of Certain Equipment for the Public Benefit; Authorizing the Execution and Delivery of Documents Required in Connection therewith; and Authorizing the Taking of all Other Actions Necessary to the Consummation of the Transactions Contemplated by this Resolution." Adopted.

REGULAR AGENDA ITEMS

(05-565) Resolution No. 13913, "Appointing Morris H. Trevithick as a Member of the Economic Development Commission (Real Estate/Land Development Seat)." Adopted.

Councilmember Matarrese moved adoption of the Resolution.

Councilmember deHaan seconded the motion, which carried by unanimous voice vote - 5.

The City Clerk administered the Oath of Office and presented Mr. Trevithick with a certificate of appointment.

Mayor Johnson called a recess to hold the Special Joint City Council, Community Improvement Commission, and Alameda Reuse and Redevelopment Authority Meeting at 8:03 p.m. and reconvened the Regular Meeting at 9:10 p.m.

(05-566) Update on City's infrastructure investment and review of options to increase funding for preventative maintenance of infrastructure.

The Public Works Director gave a brief presentation.

Mayor Johnson requested that a comprehensive report be brought back to the Council at mid-year.

Councilmember Daysog inquired whether the real property transfer tax was adjusted every year for inflation, to which the Finance Director responded in the negative.

Councilmember Daysog stated \$5.40 per thousand would be \$5.69 per thousand if adjusted for inflation; the increase would equal approximately \$180,000.

Mayor Johnson stated that she received several calls on the matter; the Board of Realtors supports an increase in the tax but would like to be involved in deciding the amount; the increase in home prices plus an increased transfer tax above inflation rates.

Councilmember deHaan inquired whether \$27 million was needed for deferred maintenance, to which the Public Works Director responded in the affirmative.

Councilmember deHaan stated nothing in the presentation reduces the shortfall in a good orderly manner; making up the shortfall through the transfer tax and lighting district assessments would be hard; inquired whether the shortfall would continue to escalate and deteriorate over time.

The Public Works Director responded in the affirmative; stated the recommendation tonight was to get direction on crafting a long-term strategy which would be folded into the ten-year model.

Councilmember deHaan stated that he did not see any cure-all, only band-aids.

Mayor Johnson stated the shortfall needs to be handled in a more strategic manner and needs to be in context with the ten-year budget projection; the goal is to have a system in place where a certain amount of infrastructure is taken care of each year; tax increases should not be considered except for the transfer tax; the public has been very generous in supporting tax increases for the library, schools and hospital; cuts [in infrastructure funding] that have been made over the past five to seven years should not happen again.

Councilmember Matarrese stated spending \$27 million all at once would not be possible even if the money was available; the idea of increasing taxes is a long way off; the increase could be approached through a public process; sidewalks are the most critical assets that represent the biggest risk to health and safety; the value of repairing sidewalks versus the value and necessity of having the 25% reserve should be reviewed; 25% reserve is an arbitrary figure; drawing down on the 25% reserve should be considered; the budget should be reviewed; some items are under budget because of department head vacancies; there should be an analysis for using unspent budgeted money to fix critical items.

Councilmember deHaan inquired whether \$2.8 million of repair projects have been scheduled.

The Public Works Director responded the projects are not currently scheduled because the money has not been appropriated; resurfacing could be scheduled for the beginning of the next fiscal year; sidewalks could be scheduled the current fiscal year.

Councilmember Matarrese requested an analysis between the criticality of resurfacing a street versus fixing sidewalks.

Mayor Johnson stated that knowing how street and sidewalk priorities are set based on finances is important; a lot of sidewalks need to be repaired throughout the City; inquired whether there should be a focus on sidewalk repair and crack sealing [for streets] because of potential injuries and costs.

The Public Works Director responded that the total payment of settlement claims and judgments ranged from a high of \$37,000 to a low of \$10,000 during the last four years.

Mayor Johnson stated that attorney fees exceed the payouts.

Councilmember Matarrese inquired whether any claims were made because the streets were in bad condition, to which the Public Works Director responded that he was not aware of any.

Mayor Johnson stated that the new, flexible sidewalk material seems to be working well; inquired what type of feedback has been received.

The Public Works Director responded the feedback has been positive; Redwood City has tried a new rubberized concrete product; he was waiting for a report back from staff on the product.

Mayor Johnson stated replacing the sidewalks with the new product saves money because less on-going maintenance and repair is needed; consideration should be given to drawing down on some of the reserve to catch up on sidewalk repairs.

The City Manager stated that staff could project and identify whether there would be an additional percentage above the 25%.

Councilmember Matarrese suggested going below 25% of the reserve, using part of the \$2.8 million [identified in the staff report] for streets, and using the amount identified in the staff report for streets from the reserve for sidewalks instead.

Vice Mayor Gilmore inquired whether different species of trees are reviewed.

The Public Works Director responded a Tree Master Plan was developed to address trees planted years ago which were not the most desirable for long term.

Vice Mayor Gilmore stated that trees fall down through natural attrition.

Councilmember deHaan inquired whether there was a plan that identifies a tree's life expectancy, to which the Public Works Director responded in the negative.

Vice Mayor Gilmore inquired whether a list was available which identifies trees with non-invasive roots.

The Public Works Director responded in the affirmative; stated standards for expanded planting strips and deep watering are being reviewed.

Councilmember Matarrese stated that Gibbons Drive would always have Liquid Amber trees; sidewalk maintenance was greater in Alameda than in other cities because of the value of large trees.

Councilmember deHaan stated that parameters need to be set for

drawing down on the reserves; inquired whether deferred maintenance has grown experientially over the last four years.

The Public Works Director responded that unfunded estimates keep growing.

Councilmember deHaan inquired how the deferred maintenance growth could be lessened by utilizing available dollars and General Fund reserves.

Councilmember Daysog stated that first turning first to the reserves was critical; the reserves have been built up by not funding capital infrastructure maintenance; the build up was done for a good reason because of the Base conversion; drawing down on the reserves needs to be done prudently; half of the 25% reserve is already designated, leaving the actual amount of the reserve at 8% to 12%; suggested revisiting the Henry Gardner Plan; stated lease revenue bonds were issued at Alameda Point in 1999 and were shifted over to pay for infrastructure; there should be a way to issue redevelopment bonds and shift budgetary dollars so that the capital dollars could pay for improvements.

Mayor Johnson inquired whether shifting of the budgetary dollars could be done.

Councilmember Daysog responded that the matter could be explored with caution; he is not sure about raising taxes; he is willing to explore adjusting the property transfer tax for inflation; stated a report on sources and uses of funds has been presented; requested a detailed plan outlining the problems and timetables for paths, sidewalks and streets; stated he would continue to push for broader community involvement in the process; moving forward was important.

Michael John Torrey, Alameda, stated sidewalks are needed on the beltline side of Ralph Appezzato Parkway.

Mayor Johnson stated that the Board of Realtors would like to discuss the transfer tax with staff.

The City Manager stated that an election would need to be held because taxes are involved; stated that she would be happy to meet with the Board of Realtors.

Councilmember deHaan stated that there is a broad range in the amount of transfer tax in other cities; the City of Dublin's transfer tax is \$1.10 per thousand and the City of Oakland's transfer tax is \$16.10 per thousand.

The Public Works Director stated that the average transfer tax for Charter cities is \$9.47.

Councilmember Daysog stated that the last two or three years could be unique; anticipated numbers might not be realized.

Councilmember Matarrese stated reviewing the current budget is important; money found should be spent on [infrastructure] projects that would provide benefit.

Mayor Johnson inquired how the current budget could be reviewed to make adjustments.

The City Manager responded that the Council could approve the staff recommendation regarding current funds so that streets and sidewalks can be identified and the bid award process could be initiated; staff would review the impacts of drawing down on the reserves, continue to review the budget to identify any unallocated funds or savings, and identify per year costs for ten and twenty year scenarios in conjunction with the ten-year financial projection.

Mayor Johnson stated that departments should not be concerned that budget cuts would be made; contingency funds would be reviewed.

The City Manager stated that acknowledging and appropriating additional revenues should also be reviewed.

Councilmember Matarrese stated that a six-month run may not be reflective and was not a linear spending rate; the risk of taking the money needs to be balanced against the risk of allowing further deterioration.

Mayor Johnson stated that the money could always be reallocated if necessary.

Councilmember deHaan stated the matter would come back at the mid-year review and decisions would be made then; there should be an on-going viable program to ensure that maintenance would not be deferred in hard times; a certain percentage of funds could be established as a standing rate in the budget process; determining how projects will be completed with existing funds and what will be done if other funds become available is an important segment.

Councilmember Matarrese moved approval of the staff recommendation with direction to 1) receive an analysis on the scenarios of drawing down below the 25% level of reserves, 2) review the current budget with regard to under budgeted areas that could be

redirected, 3) review possible new sources of revenue, and 4) provide a report on the process of exploring an adjustment to the transfer tax.

Mayor Johnson stated there has been a lot of discussion on streets, sidewalks, trees, and sewers; there is significant deferred maintenance in the parks; the parks and recreation facilities are very valuable parts of the community; the parks are being addressed in the staff recommendation.

Councilmember deHaan requested that the motion be amended to include reviewing the other assessment districts and the establishment of landscaping and lighting districts.

Councilmember Daysog stated that he would like the motion to include an analysis of the Henry Gardner Plan.

Mayor Johnson stated that she did not want to go into more debt unless it was necessary.

Councilmember Matarrese stated that the Henry Gardner Plan was a separate issue.

Mayor Johnson stated that staff should not spend a lot of time exploring the matter; suggested discussing whether debt was something the Council would like to review as a solution to the deferred maintenance when the item was brought back.

Councilmember deHaan inquired whether reviewing the matter in an Off-Agenda Report would be satisfactory to Councilmember Daysog.

Councilmember Daysog responded an Off-Agenda Report seems to be the same as his request for analysis.

Councilmember deHaan concurred with Councilmember Daysog; stated that determining how much time would be spent on the matter should be determined; that he does not understand the Plan completely and would not be able to vote on the matter tonight.

Councilmember Daysog stated that he was requesting an analysis of the Plan.

Mayor Johnson requested a brief Off-Agenda Report describing the Henry Gardner Plan.

Councilmember Matarrese stated he would mend the motion to include an Off-Agenda Report on the Plan; piling debt on top of a deficit of deferred maintenance was not a priority for him.

Mayor Johnson stated that she did not want staff to spend a lot of time on the matter.

Councilmember Daysog stated that staff should spend as much time as necessary to do a thorough job.

Mayor Johnson stated that the starting threshold could be identifying the Henry Gardner Plan.

Councilmember Matarrese requested that the City Clerk repeat the motion.

The City Clerk stated that Councilmember Matarrese moved approval of the staff recommendation with direction to: 1) receive an analysis on the scenarios of drawing down below the 25% level of reserves, 2) review the current budget with regard to under budgeted areas that could be redirected, 3) review possible new sources of revenue, 4) provide a report on the process of exploring an adjustment to the transfer tax, and 5) provide an Off-Agenda Report on the Henry Gardner Plan.

Councilmember deHaan requested the motion be amended to include reviewing other assessment districts and the establishment of landscaping and lighting districts as other sources of revenue.

Councilmember Matarrese agreed to amend the motion.

Councilmember Daysog seconded the amended motion, which carried by unanimous voice vote - 5.

ORAL COMMUNICATIONS, NON-AGENDA

(05-567) Dorothy Reid, Alameda, stated a plan is before the Planning Board to expand South Shore; acknowledged the help and responsiveness of Doug Garrison, Dorene Soto and Bruce Knopf; stated everyone involved was very concerned about receiving a comprehensive, complete report; urged the Council to support the efforts to make informed decisions.

Councilmember Matarrese stated that he appreciates receiving the feedback; the Planning Department and Development Services Department staff is top notch.

COUNCIL COMMUNICATIONS

(05-568) Councilmember deHaan stated streaming video is available on-line; other cities have placed City Council meetings on the web

for delayed viewing; requested investigating how the process is done.

(05-569) Councilmember deHaan stated concerns over parking spaces arose recently; at a Planning Board meeting, Development Services indicated an in depth parking analysis would be completed for the Park Street and Webster Street business areas; that he would like the study to address buyout of parking space requirements; \$6500 is the current price; costs are closer to \$20,000 per parking space; potential owners should not be discouraged from establishing retail and being able to buy out, however the study should review costs, including ways to handle costs and defer costs; \$6500 is not a good price anymore; once a lot has been established, the area should not be used for infill at a later time; recently a parking area was bought out in order to allow construction; the policy should be reviewed in the parking study.

Mayor Johnson inquired whether Councilmember deHaan is suggesting the in lieu fee be raised.

Councilmember deHaan responded the fee may need to be higher and might need to be able to be deferred as well; further stated if an established parking lot has been used to meet requirements, the owners should not be able to buy themselves out to establish retail at the site and put the burden back on the City.

Mayor Johnson inquired where said case occurred, to which Councilmember deHaan responded the Knowles property.

Mayor Johnson stated the issue should be reviewed in the larger context of parking structures for the downtown areas; having half of every lot dedicated to parking is not the best downtown planning; parking in the downtown areas should be reviewed more strategically; money going towards parking structures could be emphasized, rather than requiring parking on every lot.

(05-570) Mayor Johnson stated that the weather was great for the tree lighting.

Councilmember Matarrese stated that the Dancing Trees were great.

Councilmember deHaan stated that the ice skating rink was well received.

Mayor Johnson inquired when the lower lights are lit; suggested that the lights go on at dark.

(05-571) Councilmember deHaan stated that the Master Plan was one

of the key issues at the Joint City Council and Recreation and Park Commission meeting; he was glad to see some of the major elements tackled.

(05-572) Councilmember Daysog stated that a resident asked him about the price of fire inspections for homes and the amount of revenue that has been generated over the last five years; requested background data on the matter.

ADJOURNMENT

There being no further business, Mayor Johnson adjourned the regular meeting at 10:26 p.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Brown Act.

MINUTES OF THE SPECIAL COMMUNITY IMPROVEMENT COMMISSION MEETING
TUESDAY - - - DECEMBER 6, 2005 - - - 6:01 P.M.

Chair Johnson convened the Special Meeting at 6:15 p.m.

Roll Call - Present: Commissioners Daysog, deHaan, Gilmore,
Matarrese, and Chair Johnson - 5.

Absent: None.

The Special Meeting was adjourned to Closed Session to consider:

(05-053) Conference with Real Property Negotiators; Property:
Fleet Industrial Supply Center; Negotiating party: Community
Improvement Commission and ProLogis, Inc.; Under negotiation: Price
and terms.

Following the Closed Session, the Special Meeting was reconvened
and Chair Johnson announced that the Commission directed staff to
prepare a timeline sheet and a summary of off-agenda issues.

Adjournment

There being no further business, Chair Johnson adjourned the
Special Meeting at 6:25 p.m.

Respectfully submitted,

Lara Weisiger
Secretary, Community Improvement
Commission

The agenda for this meeting was posted in accordance with the Brown
Act.

MINUTES OF THE SPECIAL CITY COUNCIL MEETING
TUESDAY- -DECEMBER 6, 2005- -6:00 p.m.

Mayor Johnson convened the Special Meeting at 6:25 p.m.

Roll Call - Present: Councilmembers Daysog, deHaan, Gilmore, Matarrese, and Mayor Johnson - 5.

Absent: None.

The Special Meeting was adjourned to Closed Session to consider:

(05-548) Conference with Labor Negotiators - Agency Negotiators: Marie Gilmore and Frank Matarrese; Employee: City Attorney.

(05-549) Conference with Legal Counsel - Existing Litigation; Name of case: Mohlen & Skrinde v. City of Alameda.

(05-550) Conference with Labor Negotiator - Agency Negotiator: Karen Willis; Employee Organization: Executive Management Employees.

Following the Closed Session, the Special Meeting was reconvened and Mayor Johnson announced that regarding City Attorney, the Council discussed the matter; regarding Conference with Legal Counsel, the Council obtained a briefing from Legal Counsel; regarding Executive Management Employees, the Council obtained a briefing and gave direction.

Adjournment

There being no further business, Mayor Johnson adjourned the Special Meeting at 7:35 p.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Brown Act.

MINUTES OF THE SPECIAL JOINT CITY COUNCIL,
COMMUNITY IMPROVEMENT COMMISSION AND
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY MEETING
TUESDAY- -DECEMBER 6, 2006- -7:25 P.M.

Mayor/Chair Johnson convened the Special Joint Meeting at 7:43 p.m. Vice Mayor/Commissioner/Authority Member Gilmore led the Pledge of Allegiance.

ROLL CALL - Present: Councilmembers/ Commissioners/ Authority Members Daysog, deHaan, Gilmore, Matarrese, and Mayor/Chair Johnson - 5.

Absent: None.

CONSENT CALENDAR

Mayor/Chair Johnson announced that the Transmittal of City of Alameda Comprehensive Annual Financial Report [paragraph no. 05-551CC/056CIC] was moved to the Regular Agenda.

Councilmember/Commissioner/Authority Member Matarrese moved approval of the remainder of the Consent Calendar.

Vice Mayor/Commissioner/Authority Member Gilmore seconded the motion, which carried by unanimous voice vote - 5.

[Items so enacted or adopted are indicated by an asterisk preceding the paragraph number.]

(*05-054CIC) Minutes of the Special Community Improvement Commission Meeting of November 15, 2005. Approved.

(*05-055CIC) Recommendation to approve the Amended Contract with Komorous-Towey Architects, Inc. by increasing the Contract amount by \$68,200 to provide additional architectural and construction administration services for the Civic Center parking garage. Accepted.

Mayor/Chair Johnson called a recess to hold the Regular City Council Meeting at 7:45 p.m. and reconvened the Special Joint Meeting at 8:03 p.m.

AGENDA ITEM

(05-551CC/05-056CIC) Transmittal of City of Alameda Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2005, Auditor's report on agreed upon procedures on compliance with Vehicle Code section 40200.3 Parking Citation Processing, agreed upon Procedures Report on compliance with the Proposition 111 2004-05 Appropriations Limit Increment, Police and Fire Retirement System Pension Plans 1079 and 1082 Audit Report for Fiscal Year ended June 30, 2005, Metropolitan Transportation Commission Grant Programs Financial Statements for year ending June 30, 2005, Community Improvement Commission basic component unit financial statements for the year ended June 30, 2005, and Alameda Reuse and Redevelopment Authority basic component unit financial statements for the year ended June 30, 2005.

The City Auditor introduced the City's External Auditor, Maria Giannell, Maze & Associates.

The External Auditor gave a presentation summarizing the financial statements and management recommendations.

Mayor/Chair Johnson requested an explanation of the Finds, Forfeits and Miscellaneous Revenues.

The External Auditor stated that the items were the aggregation of ten years of data on the statement of revenues, expenditures and changes in the fund balance.

Mayor/Chair Johnson stated that there was a small, steady increase from 1996 through 2004 and a large increase in 2005.

The External Auditor stated other revenue was received in the Fleet Industrial Supply Center (FISC) fund that was not Finds and Forfeitures.

Mayor/Chair Johnson stated that the Community Services and Capital Outlay have declined since 1996.

Councilmember/Commissioner/Authority Member deHaan inquired why general expenditures dropped for Development and Public Works since 2003, to which the External Auditor responded the drop occurred because of budget cuts.

Mayor/Chair Johnson stated that Public Safety expenditures

increased from over \$23 million in 1996 to over \$40 million in 2005.

Councilmember/Commissioner/Authority Member deHaan inquired whether the External Auditor observed similar trends in other cities, to which the External Auditor responded in the affirmative.

Mayor/Chair Johnson inquired whether the Public Safety expenditures included pension costs.

The External Auditor responded in the affirmative; stated total expenditures in 1996 were \$78 million versus \$118 million in 2005; the growth was not substantial.

Councilmember/Commissioner/Authority Member deHaan inquired why there was a major increase in the General Government and Payments to Other Agencies expenditure.

The External Auditor responded budget reorganization occurred several years back within the general government which resulted in expenditures almost doubling from 1996 to 1999.

Councilmember/Commissioner/Authority Member Daysog inquired whether a statistical section adjusting for inflation could be prepared.

The External Auditor responded that a separate report could be provided.

Mayor/Chair Johnson inquired whether more Sewer Fund revenue was collected than spent and where the total amount of the Sewer Fund was noted.

The External Auditor responded the Sewer Fund is considered an Enterprise Fund and was accounted for on a full-accrual basis; the Cash Flow Statements address revenues collected and expended.

Mayor/Chair Johnson inquired whether \$16 million was the total amount in the Sewer Fund, to which the External Auditor responded in the affirmative.

Mayor/Chair Johnson inquired why sewer maintenance has been deferred when spending has been less than revenues collected.

The External Auditor responded that sewer maintenance might have been deferred because of limited staff and not because of cash.

Mayor/Chair stated that the City's population is lower now than in 1996.

Vice Mayor/Commissioner/Authority Member Gilmore inquired whether the 2005 debt service was lower than in 1996, to which the External Auditor responded in the affirmative.

Vice Mayor/Commissioner/Authority Member Gilmore stated there have been discussions on how much bonds cost the City; everything that has been accomplished has been done without increasing the total debt service.

The External Auditor stated management has been good; the last ten years have not been easy; more is being done with less.

Mayor/Chair Johnson questioned the figures for the Alameda Reuse and Redevelopment Authority original staff salaries versus actual salaries.

The External Auditor stated Government Accounting Standards Board (GASB) requires the original, adopted budgeted amount be presented for major funds.

Mayor/Chair Johnson inquired whether the staff fringe benefits were included in the salaries, to which the External Auditor responded in the affirmative.

Mayor/Chair Johnson inquired why there was a large difference between the amount budgeted and the amount spent for office expenditures; stated the original budget for professional and administrative services was reduced significantly; expenditures were almost double the original budgeted amount; more accuracy is needed.

The External Auditor responded the increase in professional and administrative services was due to an unexpected EDA grant; stated budget controls and accuracy are far better in the 2004-05 year.

Councilmember/Commissioner/Authority Member deHaan inquired whether there were other improvements or further decay from the previous audit.

The External Auditor stated there has not been further decay; capital assets are very difficult to control and have improved.

Councilmember/Commissioner/Authority Member deHaan inquired whether the improvement could be attributed to the Finance Director, to which the External Auditor responded in the affirmative.

Mayor/Chair Johnson stated the Interim City Manager also contributed to the improvement.

The External Auditor stated staff tried very hard not to have adjustments.

Councilmember/Commissioner/Authority Member deHaan stated that the External Auditor's findings confirm the Council's beliefs.

Mayor/Chair Johnson inquired why there was such a fluctuation in administrative expenses in the Police and Fire Pension Plans; stated the benefits and refunds remain about the same.

The External Auditor responded the 1999-2000 increase was the cost of the GASB 25 and 27 implementation; the 2004-2005 increase was the cost of actuarial studies and implementing new accounting standards.

Mayor/Chair Johnson stated money cannot be transferred from fund to fund without Council approval but can be transferred within funds; inquired whether one department charging another department was considered an inter-fund transfer.

The External Auditor responded in the negative; stated one department charging another department is not considered moving budgeted resources.

Mayor Johnson requested money budgeted for one department and allocated to another department be highlighted in the next budget.

Vice Mayor/Commissioner/Authority Member Gilmore inquired whether the ten-year financial plan figures would be scarier for the Police and Fire unfunded pension benefit obligation.

The External Auditor responded in the affirmative; stated the obligation outpaces the funding.

Vice Mayor/Commissioner/Authority Member Gilmore stated the challenge would be funding the Plan without hitting other City services too much.

The External Auditor stated that the City contributed \$4.4 million from the General Fund to the Plans.

Councilmember/Commissioner/Authority Member Daysog noted the obligated amount is based upon the age and expected lifespan of participants remaining in the Plans.

The External Auditor stated there were only two recommendations in the Memorandum of Internal Control Structure; the Redevelopment Agency compliance item is difficult to explain and even more difficult to understand; Redevelopment Agency reporting was required by December 31; the finding cannot be retroactively corrected; the written determination of necessity for low and moderate housing projects was not done by the deadline.

Councilmember/Commissioner/Authority Member Daysog inquired who receives the report, to which the External Auditor responded the State Controller.

Councilmember/Commissioner/Authority Member Matarrese stated there was a similar finding last year; inquired what was being done to prevent the problem from reoccurring.

Mayor/Chair Johnson stated that the City Manager could review and report back to the Council/Commissioners/Authority Members on the matter.

The External Auditor stated the other recommendation was regarding the employees reporting directing to the City Council which are outside the normal reporting realm; suggested that the City's elected Auditor provide oversight to the City Clerk, City Attorney and City Manager departments to ensure checks and balances.

Mayor Johnson stated spending issues were raised last year; significant changes were made under the direction of the Interim City Manager in the last six months of the fiscal year; stated that she has confidence in the new City Manager; the new Finance Director worked very closely with the City Manager on addressing previous issues; the City Manager and Finance Director should work with the City Auditor on an oversight proposal; stated having a system in place was a good idea.

Councilmember/Commissioner/Authority Member deHaan stated the Council/Commissioners/Authority Members have a responsibility to

ensure that internal finances are controlled.

Councilmember/Commissioner/Authority Member Matarrese stated having the City Auditor involved would be beneficial; inquired whether there was a way to increase the City Auditor's role.

Mayor/Chair Johnson noted the External Auditor does not need to be involved.

The City Auditor stated that the City was in reasonably good shape and improvement was being made in controlling costs; the ten-year study would enlighten the Council on tough issues; the Finance Director was in the unenviable position of being at the same level as other department heads; suggested that he meet with the Finance Director periodically to address issues.

The City Manager stated that she would be happy to work with the City Auditor; she believes that the Finance Director was comfortable with identifying issues with other departments; discussions with the City Auditor could be more routine.

The City Auditor stated that there was no need for a formal policy.

Mayor Johnson stated that the discussion was not out of concern; there have been considerable changes since the City Manager joined the City; thanked everyone who worked on the audits; stated that she looks forward to the ten-year projection.

Councilmember/Commissioner/Authority Member deHaan moved approval of accepting the submitted reports.

Councilmember/Commissioner/Authority Member Daysog seconded the motion, which carried by unanimous voice vote - 5.

ADJOURNMENT

There being no further business, Mayor/Chair Johnson adjourned the Special Joint Meeting at 9:09 p.m.

Respectfully submitted,

Lara Weisiger, City Clerk
Secretary, Community Improvement
Commission

The agenda for this meeting was posted in accordance with the Brown Act.