

JOINT LEGISLATIVE AUDIT COMMITTEE
LINCOLN CITY COUNCIL TESTIMONY
May 16, 2018

PAUL JOINER:

Good morning Mister Chair, members of the Joint Legislative Audit Committee, Senator Gains and staff. My name is Paul Joiner, I am a Lincoln city council member. I've been on the city council for ten years, two of those years as mayor. Umm. I'm just going to jump to the meat of the matter since time is of the essence. Although we appreciate Senator Gains' concerns, his request is primarily based on the belief there's potential for the City of Lincoln to become identified as a high risk city and therefore be at risk as becoming a burden to the state.

According to the state auditor's website, high risk cities usually exhibit specific financial indicators such as the inability to pay back short term obligations, lack of capacity to respond to financial emergencies, poor revenue growth, a lack of an ability to pay retiree obligations and a poor fiscal outlook. Of these five indicators, the City of Lincoln does not exhibit a single one. The seventeen-eighteen annual budget included total expenditures of almost ninety-four million dollars and the city's cash and investment portfolio is over one hundred fifty-nine million dollars. This demonstrates that the city has ample ability to pay all short term obligations. The city has several reserves in place to allow it to respond to financial emergencies should they arise. Operating reserve equal to twenty-five percent of the General Fund outflows fully funded this fiscal year and will be fully funded in fiscal year eighteen-nineteen at over four point seven million dollars. Catastrophic reserves set at two million dollars and reserves fully funded. Economic downturn reserves fully funded this fiscal year and

will be fully funded in eighteen-nineteen at a little over two point three million dollars. Capital reserve replacement fully funded this current year and will also be fully funded in eighteen nineteen. Other post employee benefits OPEB held in reserve fully funded this fiscal year and will be fully funded as intended in eighteen nineteen at over two million dollars. Each of the city's three major enterprise funds, water, sewer and solid waste also has separate reserves for operations and capital replacement. These reserves demonstrate that the city is in a great position to withstand a financial emergency. Another one of the fiscal indicators is whether the city has a adequate projected revenue growth rate. The city currently projects the General Fund for eighteen-nineteen will increase by three point three percent. Now, as you're all aware, nearly all local agencies in the state are experiencing challenges related to future retiree obligations. The city currently fully funds the CalPers normal cost which is the annual cost of service pool for the upcoming fiscal year. The city pays its required annual payment for the unfunded accrued liability at the beginning of the fiscal year and the city also pays into the OPEB Trust to insure payment of the future retiree health care obligations. The OPEB Trust balance at the end of March was over three point seven million dollars. As such, this demonstrates the city is able to pay its retiree obligations. The final financial indicator is whether or not the city has sound financial outlook and I believe that's been demonstrated by the information that I've already provided and the city has the ability to meet our two point five million dollar monthly investment goal. Further, the city has a number of checks and balances in place to monitor the city's fiscal outlook. Not only is the annual budget process very transparent and provides for a number of opportunities for the public to participate, the city also has a fiscal investment and oversight committee. It's composed of two city council members, the elected city

treasurer, two staff members and two citizens at large. Ahh, based on this fact, based on the facts I've gone over, ahh, there's no indication the City of Lincoln is at risk of becoming an at-risk city. Now other issues that Senator Gaines, ahh, request points to are challenges the city has already taken corrective actions to resolve. Like a number of cities in California, the city did have a legal issue related to tiered water rate structure. To address this issue, the city council directed issuance of refunds to customers. Like many other cities in California, the city was historically not paying for municipal utilities. This issue was resolved at the beginning of this fiscal year. The city even went further and authorized a fact finding investigation which the other witnesses spoke to ahh on this issue resulting in a report that was released to the public. I also want to mention that the CAFR Report that was mentioned earlier supposedly had not come forward was approved at our last council meeting. Ahh so as I've demonstrated, the City of Lincoln has not only fiscally stable but has also taken appropriate corrective actions when an issue arises. Although an audit can be very beneficial to identify issues, the City of Lincoln simply does not have the staff resources to support an audit of the type that Senator Gaines is requesting. Doing so would prevent staff from working on much needed projects that would actually result in cost lowering for our taxpayers. As such, we respectfully request any member of this committee that are concerned about the city's financial stability, to view the facts provided in our response. Thank you Mister Chairman.

PETER GILBERT

Thank you Mister Chairman, members of the committee. I too have served as mayor twice in my thirties in the City of Foster

City and, ahh, recently in the City of Lincoln and I have ten years on city council's and thirty-five years as a public servant as a volunteer or appointed official. Not only do I endorse everything that my colleague indicated, but I, I possess a forty-five year financial background in Silicon Valley with start-up companies. And when you have an organization such as Lincoln with one-hundred-fifty-five million dollars in reserve with a state law that allows you to borrow from one to cover in another always giving the intent as to when and how you will pay it back, I'd love to see the close to five-hundred cities of California match us up in terms of financial stability. Thank you.