

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF
YREKA HELD IN SAID CITY ON JUNE 19, 2014

On the 19TH day of June 2014, the City Council of the City of Yreka met in the City Council Chambers of said City in regular session, and upon roll call, the following were present: Robert Bicego, Bryan Foster, Rory McNeil, John Mercier and David Simmen. Absent – None.

Consent Calendar: Mayor Simmen announced that all matters listed under the consent calendar are considered routine and will be enacted by one motion unless any member of the Council wishes to remove an item for discussion or a member of the audience wishes to comment on an item:

- a. Approval of Minutes of the meeting held June 5, 2014.
- b. Approval/ratification of payments issued from June 6, 2014 through June 19, 2014.
- c. Adopt Resolution approving requests associated with Special Event known as the Taste of Siskiyou to be held July 19, 2014.
- d. Adopt Resolution approving requests associated with Special Event known as the Kids Block Party to be held August 2, 2014.
- e. Adopt Resolution amending Resolution No. 2366 Establishing Compensation Rates for Firefighters on OES Strike Teams.
- f. Adopt Resolution authorizing the expenditure of funds prior to the adoption of the Fiscal Year 2014-2015 Annual Budget.

Council Member Bicego requested Item e be pulled from the consent agenda due to his conflict of interest as a Member of the Fire Department.

Following Council discussion, Councilmember Mercier moved to approve items a, b, c, d, & f on the consent calendar as submitted.

Councilmember Foster seconded the motion, and upon roll call, the following voted YEA: Bicego, Foster, McNeil, Mercier and Simmen.

Mayor Simmen thereupon declared the motion carried.

Adopt Resolution amending Resolution No. 2366 Establishing Compensation Rates for Firefighters on OES Strike Teams.

Council Member Bicego announced his recusal, stating that he has a conflict by reason of his membership relationship with the Yreka Volunteer Fire Department and therefore recused himself and left the Council Chamber.

Following Council discussion, Councilmember Foster moved to adopt the Resolution amending Resolution No. 2366 Establishing Compensation Rates for Firefighters on OES Strike Teams.

Councilmember Mercier seconded the motion, and upon roll call, the following voted YEA: Foster, McNeil, Mercier and Simmen.

Mayor Simmen thereupon declared the motion carried. Councilmember Bicego returned to his seat at the Council table.

Proposed Adoption of a Resolution Calling for an Election on November 4, 2014 to Approve a One-Quarter of One Percent (0.25%) Transactions and Use (Sales) Tax to Improve the Quality of Life for Yreka Residents and a finding that the measure is not subject to CEQA.

Mayor David Simmen presented the following information regarding the proposed Resolution:

Background:

A group of citizens has been meeting in an effort to create a funding mechanism to support the organizations that improve and implement the quality of life in Yreka and to do this is such a way that it also stimulates Yreka’s business community to enrich and create vitality in the City of Yreka. Initially, we were planning to place this measure on the ballot as an initiative through a voter petition, however, the statute allowing for local sales tax measures requires a four-fifths vote of the City Council (as opposed to other initiatives requiring the Council to either adopt the initiative or place it on the ballot). Upon learning of this requirement, the citizens group voted to request that the City Council place the Quality of Life Stimulus Measure on the ballot for voter consideration.

Ballot Measure Language

The resolution proposes to place on the November ballot an ordinance that would implement a local sales tax (transactions and use tax), in the amount of (0.25) percent. This will be a special tax, legally restricting the funds generated from the tax to the purposes set forth in the measure. Passage requires a two-thirds vote of the electorate, and the City Council must determine by a two-thirds vote to place it on the ballot. The question to be placed before the voters is:

<p>Quality of Life Stimulus Measure</p> <p>To improve the Yreka’s Quality of Life shall a sales tax within the City of Yreka be added of one-quarter of one percent, net of City Reimbursement, be paid into a special Quality of Life Stimulus Fund or account designed for use by an independent nonprofit oversight board solely for 1) Advancing Culture, the Arts and Entertainment thereby stimulating business; and/or 2) Advancing Education and Youth Activities in the City of Yreka thereby stimulating business; and 3) Costs and expenses incurred to operate the independent nonprofit oversight board together with the payment of its debt service, capital outlays, operating expenses and personnel and benefit costs with annual reporting and expiring in six years?</p>	<p><input type="checkbox"/> YES</p> <p><input type="checkbox"/> NO</p>
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The ordinance attached to the resolution, at Section 350.030(A)(11), provides for mandatory audits, and community oversight and reporting, through the formation of a private nonprofit corporation with appointment of a governing board consisting of Yreka residents and

business representatives appointed by the City Council. Its budget is subject to the City Council's approval. The tax will automatically expire in six years.

Transactions and Use Tax:

In California there are approximately 100 cities and counties with local sales tax measures, and many more special districts and counties. In fact, 90% of the State's population resides in at least one district that has a local sales tax (transactions and use tax). This additional tax revenue stays in each city, and cannot be taken by the County or State.

As explained in more detail below, sales tax is paid by purchasers of retail taxable goods from businesses located in Yreka. Thus, the tax is imposed on purchasers of goods, whether Yreka residents or not. In this way the tax burden is not imposed exclusively on Yreka residents. Local sales tax measures have enjoyed recent popularity because the cost increment is low, it is not a property-based tax, out-of-town visitors share in the cost, and the sales tax is not applied to groceries or prescription medication.

Statutory authority to schedule an election for a special tax is set forth in the State Revenue and Taxation Code, section 7285.91, which provides:

As an alternative to the procedure set forth in Section 7285.9, the governing body of any city may levy, increase, or extend a transactions and use tax for specific purposes. The tax may be levied, increased, or extended at a rate of 0.125 percent, or a multiple thereof, for the purpose for which it is established, if all of the following requirements are met:

- (a) The ordinance proposing that tax is approved by a two-thirds vote of all members of the governing body and is subsequently approved by a two-thirds vote of the qualified voters of the city voting in an election on the issue.*
- (b) The transactions and use tax conforms to the Transactions and Use Tax Law Part 1.6 (commencing with Section 7251).*
- (c) The ordinance includes an expenditure plan describing the specific projects for which the revenues from the tax may be expended.*

Although referred to as a "local sales tax" throughout this report, this revenue source is formally known as a "transactions and use tax" in State law. A transaction and use tax is imposed on the same goods and merchandise as sales tax; however, a sales tax (formally known in State law as a Bradley Burns sales and use tax) is allocated to the jurisdiction where the sale is negotiated or the order for the sale is taken. A transactions and use tax, on the other hand, is allocated to the City where the goods are delivered or placed into use. Merchandise purchased in a "walk-in" retail store is assumed by the state to be used within the city in which the store is located, unless the retailer is asked to ship the merchandise outside the city as part of the sale or it is a motor vehicle that can be driven away. For sales contracts that require shipment of merchandise, the local sales tax (transactions and use tax) is levied for the city to where the merchandise is shipped. A similar situation exists with vehicles that require registration: the local sales tax (transactions and use tax) of the city in which the vehicle is registered applies, regardless of where it was purchased.

If this local revenue measure passes, Yreka will enter into two contracts with the State: the first to set up the tax and the second for ongoing administration. The tax will not be

operative until the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance at the election. This means that a tax passed in November, 2014, would not be imposed and collected until the beginning of the second quarter of the year on April 1, 2015.

Three potential types of tax measures could bring in the necessary revenue: a local sales tax, an increase in the utility user's tax, or a parcel tax. For the following reasons, a sales tax is considered to be the best approach:

Participant Diversity:

Sales tax is paid on a wide variety of goods, excluding (primarily) groceries and medicine. It is therefore a highly diversified source of revenue. A sales tax would be paid by a wide variety of individuals, including residents, local businesses, and workers in the City, and individuals from outside the City who purchase taxable goods in the City. Sales tax on motor vehicle purchases would be paid only by individuals registering the vehicle in Yreka, regardless of where the vehicle was purchased. The sales tax would be paid by the highest number of payers relative to other revenue options such as a parcel tax or increase in the utility user's tax, and therefore has the most participant diversity of the three options.

Impact on Low/Fixed Income:

A sales tax increase would be paid only by purchasers of taxable goods in Yreka. Because low income and fixed income individuals spend a large proportion of their incomes on non-taxable goods and services, a sales tax increase would not have as significant an impact on these individuals. Further, many purchases subject to sales tax are discretionary purchases, allowing low and fixed income individuals to minimize the impact of the new tax.

Impact on Business Community:

A sales tax increase would have a low impact on the business community, as the tax would be paid by purchasers of taxable goods rather than the business itself. Most office and service businesses would see little impact except for their own purchases of taxable goods in Yreka. Anecdotal data from other California counties where city sales tax measures have been adopted indicates these measures had virtually no impact on the retail sales volumes in those cities, when comparing periods prior to and after adoption of a sales tax.

Impact on Residential Community:

A sales tax would have a medium to low impact on residents. It would apply only to taxable purchases and not to mortgage, other debt payments, utilities, services, medicine and most grocery purchases, which make up the majority of resident spending. Individuals purchasing a vehicle that is registered in Yreka would pay the increased tax, regardless of whether the vehicle was purchased in Yreka or another city.

Submission of Ballot Arguments

Deadlines established by the Siskiyou County Clerk/Registrar of Voters require that arguments for or against *the* measure must be submitted by time fixed by that Election's Official. Arguments may not exceed three hundred (300) words, and cannot be signed by more than five (5) persons.

Council Preparation of Argument In Support of Measure

Under Elections Code section 9282, a ballot argument on this city council-submitted measure may be authored by the city council, or any members of the council authorized by that body, or any individual voter who is eligible to vote on the measure, or bona fide association of citizens, or any combination of voters and associations. The City Council is asked to designate, by motion, Mayor David Simmen and any other interested councilmember to author the ballot argument in support of the measure. The argument may not exceed three hundred (300) words. The councilmember(s) selected may solicit additional signatories, not to exceed five total signatories.

Impartial Analysis

The City Attorney will prepare an impartial analysis of the measure, not to exceed 500 words *in length*, showing the effect of the measure on the existing law and the operation of the measure, and transmit the impartial analysis to the Elections Division.

Roles and Limitations During Ballot Measure Campaign Period

The City can provide educational materials to the public, informing them about the Measure. But the City cannot expend any time, money or effort advocating a position supporting passage of the ballot measure. Council members and staff can work on the campaign on their own time and at their own expense, provided it is made clear that they are doing so on their own time and not with City resources.

Fiscal Impact:

The Siskiyou County Clerk/Registrar of Voters estimates the cost of adding this measure to the November 4, 2014 General Election to be approximately \$800. This expense will be reimbursed to the City when the measure passes. If the measure fails the city will bear this expense. The Finance Director currently estimates that a one-quarter cent sales tax would raise approximately \$400,000 to \$450,000 per year to improve the Quality of Life in Yreka.

The following proponents spoke in favor of the proposed Transactions and Use Tax:
Brian Meek, Don East, Claudia East, Ken Barnes, Jennifer Silveira, Leslie Howard, Don Hall, Elizabeth Martinez, Kim Pressley, Ed Harris, Tonya Dowse, Guy Scott, Gary Neilson, Connie Meek, Robyn Bailey, and Kris Taylor.

Following Council discussion, Mayor Simmen moved to adopt the Resolution calling for an Election on November 4, 2014 to approve a One-Quarter of One Percent (0.25%) Transactions and Use (Sales) Tax to improve the Quality of Life for Yreka Residents and a finding that the measure is not subject to CEQA.

Councilmember Bicego seconded the motion, and upon roll call, the following voted YEA: Bicego, Foster, McNeil, and Simmen. Nays – Mercier.

Mayor Simmen thereupon declared the motion carried, and stated that the full text of the Resolution and Ordinance are available at City Hall.

Approval of Appointment of Patricia Schaefer to the Yreka Volunteer Fire Department.

Yreka Volunteer Fire Department Chief, B. J. Laustalot introduced Patricia Schaefer to the Council recommending approval of her appointment to the Yreka Volunteer Fire Department.

Following Council discussion, Councilmember Bicego moved to approve the appointment of Patricia Schaefer to the Yreka Volunteer Fire Department.

Councilmember Mercier seconded the motion, and upon roll call, the following voted YEA: Bicego, Foster, McNeil, Mercier and Simmen.

Mayor Simmen thereupon declared the motion carried.

2014/2015 and 2015/2016 Budget Draft:

- Brief Presentation by Finance Director.
- Schedule Budget Study Workshop.

Finance Director Rhetta Hogan distributed the 2014-16 Draft Biannual Budget, stating that staff is recommending setting a time and date for a workshop to answer questions and discuss further details of the proposed budget.

Finance Director Hogan reported that general operating fund revenues from taxes and fees are expected to increase in both 2014-15, and in 2015-16 from the 2013-14 operating budget. Expenses however, are anticipated to increase at a slightly faster pace than those revenues in 2014-2015, but balance out in 2015-16 assuming sales and property tax growth projections hold firm. The general operating fund makes use of \$36,887 from the budget stabilization fund in 2014-15, however it is expected to repay back \$15,732 in 2015-2016.

General capital outlay funds contemplate the remodeling of the new police station in 2014-15, and using one time revenues from SCORE and other sources for capital outlay of equipment and vehicles.

Crandall and Stewart donated funds expenditures cover the community theatre siding project and assume continued allocations through the mini grant project for Miner Street improvements.

Road and street funds are expected to deplete projected street fund reserves by the end of 2014-15. It is unknown, and not projected, whether any additional funding from the local transportation fund will be made to local cities for streets funding in 2014-15 and 2015-16. The streets budget in 2015-16, has a shortfall of \$217,812 that will need to come from other available reserve funds. The City will be working with the City Council on infrastructure funding to address the street funding gap.

Special revenue funds are on track for landfill access and the fire tax special assessment for debt servicing and capital reserves. Development fees remain subsidized at the 50% discounted level.

The water and wastewater enterprise funds revenues are projected flat, as the water and wastewater rate study presented in June 20, 2013, was not accepted. At that time Council requested a suspension on any further rate increases for these utilities. No rate increases are incorporated into the budget, whereas expenses have been budgeted to meet the operating, debt servicing and capital outlay required. The contribution to reserves continues however the reserves are not growing at the targeted level of major infrastructure replacement project, e.g. tank replacement costs.

CLOSED SESSION: Mayor Simmen announced the Closed Session items have been pulled from the agenda.

ADJOURNMENT There being no further business before the Council the meeting was adjourned.

Attest:

David Simmen, Mayor
Minutes approved by Council
Motion July 17, 2014

Elizabeth E. Casson, City Clerk