

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF
YREKA HELD IN SAID CITY ON JUNE 6, 2013

On the 6TH day of June 2013, 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: Bryan Foster, John Mercier and David Simmen. Absent – Robert Bicego and Rory McNeil.

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 May 16, 2013.
- b. Approval of Warrants issued from May 17, 2013 through June 6, 2013.

Following Council discussion, Councilmember Mercier moved to approve the items on the consent calendar as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Review draft Water and Wastewater Utility Rate Study and Provide Direction to Staff.

Director of Public Works Steve Neill introduced Paul Reuter, Managing Engineer from PACE Engineering to give a short presentation on the study and noted that Council may be interested in some of the following issues from the Study:

1. The multi-year financial plan in the Study assumes future water setup fees will be decreased from \$100 to \$50, which will increase the typical single-family residential water bill by about \$0.13 per month.
2. The percentage of revenue generated by the fixed rate charges transitions from the current 57% of revenue to 54% in FY 17-18. The percentage of revenue generated from the consumption charges transitions from the current 43% to 46% in FY 17-18.
3. Growth related fees (Development Impact Fees) are insufficient to fund growth related capital improvement costs on a pay as you go basis. Therefore, current rates are covering the cost of improvements from impacts of growth, and future Development Impact Fees will be used to offset debt-servicing costs from those improvements.
4. The typical water and wastewater bills will increase by approximately 2.5 % per year.
5. Single Family water consumption rates are tiered to encourage water efficiency.

6. Depreciation remains unfunded.

Paul Reuter, Managing Engineer from PACE Engineering, presented the Council and audience with an overview of the Study and answered questions regarding the study.

Following Council discussion, Councilmember Foster moved to table the discussion on the Water and Wastewater Utility Rate Study to the next meeting scheduled for June 20, 2013.

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

Mayor Simmen thereupon declared the motion carried.

Adopt Resolution No. 3018 consenting to the inclusion within a County Service Area for the provision of medical services and equipment within the City of Yreka.

Bernie Paul, Siskiyou County Fire Warden, addressed the Council on behalf of the Siskiyou County Fire Chiefs' Association requesting that the Council adopt the Resolution supporting a ballot measure for a North County Service Area that would provide funding for emergency medical incidents, stating that the Cities of Etna and Montague have adopted the Resolution.

Following Council discussion, Councilmember Mercier moved to adopt Resolution No. 3018 as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Approve the appointment of Marsha Hammon to the Yreka Volunteer Fire Department.

Following Council discussion, Councilmember Mercier moved to approve the Appointment of Marsha Hammon to the Yreka Volunteer Fire Department.

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

Mayor Simmen thereupon declared the motion carried.

Discussion of 2013-2014 Annual Budget.

Finance Director Rhetta Hogan gave the Council an overview of the proposed 2013-2014 annual budget, stating that this year's budget is both reflective of the fiscal discipline from evaluating vacant positions and a cost benefit approach to needed capital outlay. Finance Director Hogan stated that the budget is balanced, the total estimated general operating fund revenues and transfers in are \$4,779,294 and expenses and transfers out are \$4,737,653, and requested that the

Council place the 2013-2014 Proposed Budget on the June 20, 2013 City Council agenda for adoption.

Following Council discussion, it was the consensus of the Council to place the budget on the June 20, 2013 meeting for adoption.

Adopt Resolution No. 3019 setting forth the Reserve Policies for the General Funds.

City Manager Baker reported that the City currently has reserves in a number of different categories. These include the general fund, special revenues funds (dif, fire tax), road and street funds and enterprise funds (water and sewer). The general fund covers general city services such as police, fire, parks, planning, building inspection, administration and similar activities and the general fund reserves are the focus of this report

The General Fund Reserves are classified in three categories, unassigned, assigned and restricted.

Unassigned Reserves

The unassigned or main General Fund reserve as of 6/30/12 was \$2,493,518 (and is expected to remain near \$2.5 million in fiscal year 2012-13 and 2013-14). This is the fund that is available for use when general fund revenues do not cover the City's on-going expenses (i.e. deficit spending). The size of this fund influences how rapidly the City must respond when either revenues decline significantly or expenses increase. For example some cities in dire financial straits had little in the way of reserves and had to drastically cut staff and services when revenues declined in the late 2000's. The City of Yreka's healthy reserves allowed for a well-planned approach.

Assigned Reserves

The assigned or second category of general fund reserves consists of a number of different assignments, including the contingencies, planning and development and capital outlay and improvements.

The contingencies include workers compensation reserve, liability reserve, cash flow reserve and grant compliance. The City is very reliant on grant funding from state and federal governments, as well as foundations. The government grants, in particular, are funded on a reimbursement basis and can result in the City expending hundreds of thousands of dollars (or more) and waiting for reimbursement, which is not always prompt (and in some cases very lengthy). Other contingencies include reserves for Liability claims and Workers Compensation. The city is self-insured for the first \$25,000 in claims and participates in a pool above that amount through the Small Cities Organized Risk Effort (SCORE). Certain types of lawsuits are not covered through SCORE.

CalPERS Deferred Liability assigned balance, is a negative reserve balance or internal receivable from future payroll allocations to fund the valuation of the unfunded liability assessed by CalPERS on the City's pension funds prior to pooling with other cities. The City chose to pay that estimated valuation deficit and internally finance over a period of years. The deferred liability is expected to be satisfied by fiscal year 2016-2017.

Planning and development assigned balance is governed by activities that gave rise to these deposits, or funds, such as planning deposits, Campbell tract improvements, parking lot fees, and rent for City properties to the greenway, sidewalk in lieu funds, parkland funds, and other smaller specified assignments.

Capital outlay and improvement assignment reserves are \$904,047 on 6/30/2012. It is important to note however, the estimated balance of capital outlay assignment is projected to be just under \$500,000 by the end of fiscal year 2013-2014.

Assigned Reserves – Three Year Projections

Assignment Description	Balance 6/30/12	Est. Bal 6/30/13	Est. Bal 6/30/14
Contingencies for Cash Flow, General Liability, Grants Compliance	1,453,038	1,168,839	1,112,765
CalPERS Deferred Liability	-546,859	-416,606	-299,555
Planning and development (sidewalk in lieu, parkland, planning deposits, Campbell tract, parking fees)	194,882	194,882	194,882
Capital Outlay and Improvements	904,047	999,047	494,047
Total Assigned	2,005,108	1,946,162	1,502,139

Restricted Reserves

Finally, the City has restricted reserves of \$2,081,946 as of 6/30/2012, where the proceeds are restricted by external parties, e.g. the donor or creditor. Currently the City has been fortunate to have significant bequests left to the City for specific purposes. Collectively the Crandall and Stewart bequest amounted to \$1,964,581. Most of this is from the Crandall Fund, left to the City by Mr. William Crandall for infrastructure improvements. This reserve also contains the Stewart Trust, which can be used for the beautification of Miner Street (and currently funds the Miner Street Grant Program). Other restricted donor reserves are \$32,371 for Police Community programs and \$84,994 for the Yreka Volunteer Fire department activities

The City does not have specific numerical targets for any of these funds, instead relying on fiscal prudence. The size of the Crandall/Stewart Funds, as well as the volunteer fire department and police community projects reserves are determined by their net income and expenses, and therefore do not need numerical targets.

Policies for Unassigned

The unassigned General Fund reserve is approximately 40% of the General Fund expenses. Staff believes that the target for this reserve, given the size of the City, its dependence on revenue sources that fluctuate up and down with the overall economy and relatively small staff, should be established between 40% to 50% of annual operating expenses.

Policies for Assigned Reserves

Budget Stabilization Assignment: Establish a reserve assignment for budget stabilization. Many cities successfully use Budget Stabilization Reserve to take into account the normal variation on an annual basis of revenues and expenses. Staff recommends that this reserve start with \$100,000, with the intent of increasing it to 5% of General Fund Expenses in future years as revenues and expenses permit.

Contingencies Grants, Insurance Claims and Cash Flow Assignment: The General Fund cash flow reserve should be established at a target level of 10% of the general operating fund expenses, but no less than \$500,000. This reserve would aid in bridge financing for grant receivables and grant contingencies, should any aspect of a grant expense not qualify for reimbursement. In addition, the reserve assignment would cover insurance claim events not covered by SCORE and any other cash flow needs not covered by the cities unassigned reserves.

Planning and development Assignments: These are generally activity or project specific assignments that would not be reserved other than for that activity that gave rise to the revenue.

Capital Improvements and Outlay Assignment: The City has currently used receipt of one time money to fund capital outlay. The policy would be to continue the use of one time revenues, net of one-time expenses should be assigned to this account. These funds may be used for Capital Projects such as facilities, major maintenance of facilities as well as vehicle and equipment. (A separate Vehicles and Equipment reserve could be set up at some point in the future, although a depreciation and funding schedule for equipment would normally provide the funding for this reserve. At present, the City is not currently in a position to adequately fund a depreciation and equipment replacement reserve.)

OPEB Liability Assignment: Upon repayment of the CalPERS deferred liability expected in 2015-2016; the following year the City should begin assessing through payroll, a new expense for the establishment of an OPEB reserve (preferably in trust) to fund the City's actuarial estimated annual value of the City's OPEB liability. The total unfunded present value liability was valued in 2012 as \$868,991 for the City. Based on a 30-year full funding model, annual contributions were valued at \$72,048 in 2010, \$77,252 in 2011 and \$82,626 in 2012 for a cumulative OPEB obligation of \$199,177.

Policies for Restricted Reserves

The policies for restricted reserves are generally set by the external party that has set forth the restrictions on the funds.

Following Council discussion, Mayor Simmen moved to adopt Resolution No. 3019 as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Adopt Ordinance No. 835 – An Ordinance of the City Council of the City of Yreka, California, amending Sections 2.56.010 and 2.56.020 of the Yreka Municipal Code and consolidating the City’s General Municipal Elections with the Statewide General Election and establishing the date of the City’s First General Municipal Election.

City Manager Baker reported that currently the City Council is elected at the primary election in June of even numbered years. Occasionally, this election has occurred at a different time when the primary election has been changed for political purposes.

We discussed informally at the goal setting session changing the election date to the November election cycle. All but three cities in the County are on this cycle (Yreka, Fort Jones and Montague). Traditionally, there is a higher turnout for the November General Election and the cost for holding the election would be less than the June election because more jurisdictions are included and the ballots are not printed by political party. In addition, the current election occurs at precisely the time that the budget process is concluding, sometimes resulting in newly elected councilmembers having to vote on the budget prior to having any experience on the Council (The new councilmember workshop sponsored by the League of California Cities is also scheduled in January shortly after the winners in the November elections are seated).

This ordinance would change the election to the November cycle, with the next election being moved from June 2014 to November 2014. If the ordinance is adopted, the City would send a notice to all registered voters of the change.

Cost savings for changing the election to November are estimated at approximately \$1,311 per election. There would be a one-time cost of approximately \$800 to cover publishing the Ordinance in the Newspaper and mailing the notice to notify Yreka voters of the change.

Following the reading of the title of the Ordinance and Council discussion, Councilmember Foster moved to waive the reading of the body of the Ordinance and to adopt Ordinance No. 835 as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Annexation of Industrial Land – Phillipe Lane.

City Manager Baker reported that the City currently owns a total of 130 acres on Phillipe Lane. The land is split between a 10-acre parcel and a 120-acre parcel. The 10 acre parcel has been previously urbanized (it was part of the High Ridge Lumber Mill). The 120 acres has been used for grazing.

During the Strategic Goal session, annexation of this property (or at least the 10-acre site) was identified as a possible short-term project. The project could also include making the project “development ready”. This report identifies the steps and costs associated with annexation.

The annexation process includes a General Plan amendment, sphere of influence amendment, pre-zoning, Local Agency Formation Commission (LAFCO) annexation application and environmental review.

One of the decisions that the Council will need to make is whether to look at annexing the 120-acre parcel to the south at the same time (or a portion of it). The annexation process is lengthy and has costs associated with it. There may not be a significant increase in costs to annex the other acreage as grazing land, although there may be some infrastructure considerations. The costs for annexation of the 10-acre site are estimated to be around \$20,000 - \$30,000, with a timeline of about a year. The final costs will be greater depending on the predevelopment work authorized.

Once the property is annexed, some level of site preparation would be appropriate. This action would require a determination about the seasonal drainage pond and possible sensitive biological species. In addition, the appropriate level of improvements should be discussed. These improvements could include leveling all or a portion of the site, providing an access road other than Phillippe (particularly if the site is subdivided), and extending utilities to the site. Staff will need time to develop these costs and options, which could be decided upon at a later date.

Because this site is currently outside the city limits, it is not available for development that would use water and sewer connections until it is annexed. Staff recommends moving forward with annexation and review of the drainage pond, with the intention of doing some site preparation at some point in the future.

Following Council discussion, Mayor Simmen moved to direct staff to move forward with the preliminary annexation process and review of the drainage pond, and to report back to Council with the findings.

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

Mayor Simmen thereupon declared the motion carried.

Approval of all Warrants payable to Siskiyou County Economic Development Council from May 17, 2013 through June 6, 2013.

City Manager Baker reported that due to the absence of Council Members Bicego & McNeil, the recusal of Council Member Mercier would leave the Council without a quorum; therefore, this item has been pulled from the agenda.

CLOSED SESSION:

1. Conference with Real Property Negotiator (Government Code Section 54956.8)

Property:	1400 Fairlane Road, Yreka, CA
Third Party Negotiator:	to be determined
City Negotiators:	City Manager and Chief of Police
Under Negotiation:	Possible acquisition including price, terms of payment, or both

2. Conference with Real Property Negotiator (Government Code Section 54956.8)
 Property: 320 W. Miner St., Yreka, CA
 Third Party Negotiator: to be determined
 City Negotiators: City Manager and City Attorney
 Under Negotiation: Possible sale including price, terms of payment, or both

3. Conference with Real Property Negotiator (Government Code Section 54956.8)
 Property: 307 North St., Yreka, CA
 Third Party Negotiator: to be determined
 City Negotiators: City Manager and City Attorney
 Under Negotiation: Possible sale including price, terms of payment, or both

4. Conference with Legal Counsel - Anticipated Litigation
 Initiation of litigation pursuant to Subdivision (c) of Section 54956.9 of the Government Code: (Number of cases to be discussed – 1 - The names of the parties are not disclosed as it is believed that that to do so would jeopardize the City's ability to serve process or to conclude existing settlement negotiations to the City's advantage).

5. Pending Litigation: Conference with Legal Counsel pursuant to Government Code § 54959.9 - On the Matter of City of Yreka v. Kimberlee Abbott., et al., Siskiyou County Superior Court Case No.11-1001.

RETURN TO OPEN SESSION: Upon return to open session, City Manager Baker reported out that Council gave instructions to its real property negotiators on items No. 2 & 3, and that no further action was taken in closed session.

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

Attest:

 David Simmen, Mayor
 Minutes approved by Council
 Motion June 20,2013

 Elizabeth E. Casson, City Clerk