

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF
YREKA HELD IN SAID CITY ON JULY 18, 2013

On the 18th day of July 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: Rory McNeil, John Mercier and David Simmen. Absent – Robert Bicego and Bryan Foster.

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 20, 2013.
- b. Approval of Warrants issued from June 21, 2013 through July 18, 2013.
- c. Approval of Treasurer's Report to Council for the months of April and May 2013 and Budget of Revenue and Expenditures with Actuals through April 30, 2013 and May 31, 2013.

Following Council discussion, Council Member McNeil moved to approve the items on the consent calendar as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Adopt Resolution No. 3024 approving requests associated with Special Event known as the Yreka High School District 2013 Yreka Elks Cross Country Invitational.

Brady Svlich, Assistant Cross Country Coach, addressed the Council on behalf of the High School to answer any questions regarding the event.

Following Council discussion, Council Member Mercier moved to adopt Resolution No. 3024 as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Authorize the City Manager to contract with Aiello Goodrich and Teuscher for Financial Audit Services.

Finance Director Rhetta Hogan reported to the Council that creditors require that the City obtain independent financial audit services. The City periodically issues a Request for Proposals (RFP) from available firms for these services and that the City typically engages an audit firm for a

period of three years, with the possibility of two 1-year extensions. The last time an auditor was selected for the City pursuant to a competitive review was in 2008.

Finance Director Hogan further reported that the City received three well-qualified proposals this year. The proposals were received from firms located in Mt. Shasta, Redding and Oakland. Any of the three firms who provided a proposal would be able to perform the requested independent audit services. Aiello Goodrich and Teuscher in Mt. Shasta has been the City's auditors for the past five years and has established a good working knowledge of the City's management procedures and financial records. Staff has reviewed the proposals with the Audit Committee and the Committee decided to select Aiello Goodrich and Teuscher, and it is staff's recommendation that the Council authorize the City Manager to enter into an agreement with Aiello Goodrich and Teuscher for the financial audit services.

Following Council discussion, Council Member McNeil moved to authorize the City Manager to enter into an agreement with Aiello Goodrich and Teuscher and to execute all related documents for financial audit services.

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

Mayor Simmen thereupon declared the motion carried.

Reject all bids for the North Yreka Creek Trail Project and authorize staff to advertise for bids again.

Director of Public Works, Steve Neill reported to the Council that on June 10, 2013, bids were opened and the low bidder was Marrone Construction, Inc. of Mt. Shasta. Timberworks, of Mt. Shasta protested any award to Marrone as the low bidder contending that the bid was not responsive in several respects. Staff investigated the protest and determined that any award would require the City Council to waive a minor irregularity in Marrone's bid. Since this waiver potentially exposes the City to litigation staff recommends that the City Council instead reject all bids and re-solicit bids for the project. The contract documents allow the City to reject any and all bids. If the Council authorizes rejection of all bids and re-solicitation of bids for the project, the bid protest will be rendered moot. This action by the Council would be final and not subject to further appeal.

Director of Public Works Neill further reported that the River Parkways grant deadline for this project is in May 2016 and the regulatory permits are valid until 2015. Therefore, the delay of advertising for bids again will still allow the project to be completed by these deadlines.

Following Council discussion, Council Member McNeil moved to reject all bids for the North Yreka Creek Trail project and authorize staff to re-advertise for bids.

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

Mayor Simmen thereupon declared the motion carried.

Provide Direction on Financing of Council Priority Projects.

City Manager Baker reported that Council identified a number of priorities, which require a source of funding in order to accomplish. These include the replacement of the police station, streets, storm drains, Ringe Pool, and vehicle equipment replacement.

There are three major ways of financing projects. The first is to utilize accumulated reserves, to the extent that they are available. The second is to borrow the funds and repay them over time. The third is to raise revenues, typically through a ballot measure raising taxes.

The City's reserve funds are in various funds. In June 2013, the Council adopted reserve policies setting targets for various General Fund reserves. The City's Crandall Fund is from a bequest from Russell Karl Crandall for infrastructure. The City also has a smaller Stewart Trust fund from a bequest that is allocated to the beautification of Miner Street.

The City has a number of possible options for borrowing funds. These include borrowing from USDA-RD or banks. Lenders will require a firm commitment of a revenue stream for purposes of borrowing such as a general sales tax. Financing would need to be structured as certificates of participation or lease-buyback agreement; otherwise, the City cannot encumber funds in future years without voter approval.

The city could also fund borrowing inside similar to how the CalPERS unfunded liability was funded in 2002, which ties into the reserves discussion.

The City could place a tax measure on the ballot for a vote by the citizens. Except when a financial emergency is declared, this measure would to on the same ballot as the election of City Councilmembers; the next date is November 2014. The options for tax increases include sales tax, a parcel tax, utility users' tax, hotel tax or a general obligation bond, specifically for facility construction.

The Finance Director has provided you with a detailed description of the options and benefits/costs of various funding mechanisms, as well as the fund balances of the various General Fund balances as of the last audit, a comparison of different borrowing mechanisms, Chapter 9 from the California Municipal Revenue Sources Handbook that identified different ways of financing capital assets, and the voting requirements for ballot measures.

Following Council discussion, it was the consensus of the Council members present to direct staff to report back to council with a current estimate of available reserve funds.

Water and Wastewater Rate Study:

1. Provide direction on lowering set up fees, including the effective date
2. Direct staff to defer increasing the rate on water and wastewater for the 2013-2014 fiscal year.
3. Discuss options to lower costs associated with residential tenant accounts.

City Manager Steve Baker reported that at the June 6 and June 20, 2013 Council meetings, Staff presented the rate study for the water and wastewater for the next five years. At the June 20 meeting, Council indicated that they would prefer to defer any increases to the rates for one year. In addition, the Council wanted to review the reduction of the initial sign-up fee from \$100 to \$50.

Originally, the five year rate increases were proposed by staff (and incorporated into the rate study) to occur on January 1 of successive years beginning in January 2014. Although explicitly stated, the decrease in the set-up fee was also contemplated to begin at the same time.

The decrease in the set-up fee from \$100 to \$50 is approximately the equivalent of 13 cents per month on an average residential account. This was incorporated into the overall proposed increase. Without an increase, this cost will have to be absorbed by the existing rate structure. At the same time, the cost and staff time for a Proposition 218 rate setting process for a 13-cent increase for one year does not make fiscal sense. The fee generated approximately \$32,900 in 2012-2013. Half of this amount would be an impact of \$16,450. If Council wishes to lower this fee this year, staff recommends that it be absorbed in the current rates, effective either January 1, 2014 (the originally contemplated date), or another date selected by the council.

The main driver of water set up fees are new rental accounts for single-family homes. These are more staff intensive because the rental agreement needs to be reviewed and many of the renters are filling out a water application for the first time. These accounts also have our highest delinquency rate. Approximately 90% of accounts sent to collection are from tenant accounts. These accounts are a significant source of operations costs for such activities as high payment delinquency, turn-off, payment plan arrangements, forwarding to collections, set-up, and other related problems, e.g. tampering of meters, illegal taps.

Staff plans to present options at a future meeting (a redrafting of the water and wastewater ordinances are in process) to reduce these costs through limiting putting residential water accounts in tenant names either for all such accounts or perhaps by treating owners of multiple single family rentals (e.g. 4 homes or more) the same as multifamily rental accounts, meaning that the accounts stay in the property owner's name. Commercial tenant accounts are not being recommended for changes because the problems noted for residential tenant accounts are significantly lower with commercial accounts.

The series of actions that staff is requesting that the Council consider is to 1) defer any rate increase in the current fiscal year, 2) provide direction on whether to lower the set up fees from \$100 to \$50 this current year (with a suggested implementation date of January 1, 2014) and absorbing the costs of doing so in the existing rates; or defer that decision to next fiscal year and 3) provide direction on the options to consider to lower costs associated with tenant-paid water accounts during the future discussion on the water and wastewater ordinance updates.

The implementation of the reduction of the setup fee will result in a loss of revenue estimated at approximately \$16,000 per year. Changing the policies for residential rentals is expected to result in lower staff time and collections costs. The deferral of a rate increase may result in larger percentage increases in the future.

Following Council discussion, it was the consensus of the Council to defer increasing the rate on water and wastewater for the 2013-2014 fiscal year, and to direct staff to prepare a Resolution suspending half of the water set-up fee for new customers, effective January 2014, for consideration at a future meeting.

Adopt Resolution No. 3025 authorizing the sale of 320 W. Miner Street.

City Manager Baker reported that the City solicited proposals for the purchase and reuse of the Black's Building at 320 Miner Street. On June 20, the Council gave direction to the City Manager relating to the sales price and terms of payment for purchase agreement with Danny and Patti Daniels, including participation in the Miner Street Grant Program.

The County Recorder's office requires a formal resolution for the transfer of title. This resolution ratifies the execution of the Purchase and Sales Agreement by the City Manager as well as his authorization to execute all other documents necessary to consummate the sale.

Following Council discussion, Council Member McNeil moved to adopt Resolution No. 3025 as submitted.

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

Mayor Simmen thereupon declared the motion carried.

Approval of all Warrants payable to Siskiyou County Economic Development Council from June 21, 2013 through July 18, 2013.

City Manager Baker reported that due to the absence of Council Members Bicego & Foster, 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 Labor Negotiator Government Code Section 54957.6 (a)
 Agency negotiator: Steven Baker
 Employee Organizations: Yreka Management Team Association, Confidential Unit, Yreka City Employees Association, Yreka Police Administration Unit, Yreka Police Sergeants Association, and the Yreka Police Officer's Association.
2. Conference with Real Property Negotiator (Government Code Section 54956.8)
 Property: 307 North St., Yreka, CA
 Third Party Negotiator: Dieter D. Ruf Trust
 City Negotiators: City Manager and City Attorney
 Under Negotiation: Possible sale including price, terms of payment, or both
3. 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).

RETURN TO OPEN SESSION: Upon return to open session, City Manager Baker reported that as to items # 1 & 2, the Council gave direction to its negotiators, and no further reportable 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 August 1, 2013

Elizabeth E. Casson, City Clerk