

**YREKA CITY COUNCIL  
SPECIAL MEETING AGENDA  
Wednesday April 5, 2017 @ 6:30 p.m.  
Yreka City Council Chamber  
701 Fourth Street, Yreka, CA 96097**

**PUBLIC COMMENTS:** This is an opportunity for members of the public to address the Council on subjects within its jurisdiction, whether or not on the agenda for this meeting. Persons speaking during the public comment period will be limited to three (3) minutes. The Council may ask questions, but may take no action during the Public Comment portion of the meeting. For items, which are on this agenda, speakers are encouraged to wait to be heard instead at the time the item is to be acted upon by the Council.

**SPEAKERS:** Please step up to the microphone, state your name and mailing address so that City Staff can respond to you in regard to your comments, or provide you with information, if appropriate. You are not required to state your name and address if you do not desire to do so.

1. Discussion/Possible Action – Yreka Police Station Remodel Critical Path Decisions.

Adjournment.

All documents produced by the City which are related to an open session agenda item and distributed to the City Council are made available for public inspection in the City Clerk's Office during normal business hours.

In compliance with the requirements of the Brown Act, notice of this meeting has been posted in a public accessible place, 24 hours in advance of the meeting.



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**CITY OF YREKA**  
**CITY COUNCIL AGENDA MEMORANDUM**

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To: Yreka City Council  
From: Steve Baker, City Manager *SB*  
By: Jeannette Hook, Administrative Assistant  
Agenda title: DISCUSSION/POSSIBLE ACTION YREKA POLICE STATION REMODEL CRITICAL PATH DECISIONS  
Meeting date: April 5, 2017

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Discussion:

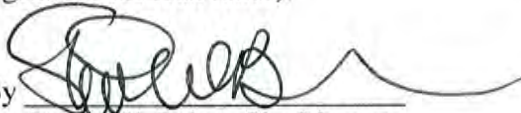
After the City Council workshop of March 8, 2017, direction was given to staff to move forward with the Police Station remodel. There are several additional decisions to be made as the project is prepared to go back out to bid.

A starting point for discussion is the project budget presented at the workshop. The City previously appropriated a budget of \$2.7M for this project, of which \$1.7M remains available. As identified in March, staff is preparing for total project costs of \$4.2 million.

At this time, the critical path items are:

1. Budget Appropriation – The City needs to identify a source of funds and appropriate a budget for the YPD Station remodel. The options to cover the current funding gap are:
  - a. Internal – meaning, the dedication of unassigned reserves to this project (see Finance memorandum). Use of reserves has substantial operational and policy implications that the City Council will want to consider carefully.
  - b. External borrowing – from bank or other conventional sources. Conventional loans for a public agency are quite challenging. USDA Rural Development provides a comparable loan program for public agencies at commercially competitive rates.
  - c. Scale back the planned remodel further by the estimated shortfall. Drawbacks of this approach may include the future need for additional remodeling for long-term building functionality.
2. Financing - The following steps for loan financing are similar, whether a conventional or USDA loan.
  - a. USDA anticipates finalizing their review of the City's loan pre-application shortly (March).
  - b. After review of the pre-application by the State USDA Office, the City would be invited to submit a full application (April). Authorizing resolutions would be likely be ready for a May meeting.
  - c. USDA issues a Letter of Conditions as their commitment to loan funds. Sample Letters of Conditions from prior projects are available if Council desires to review these details.
  - d. USDA reviews and approves the City's Plans and Bid Specifications. The main point is that USDA participates in administering construction projects from before Day One.
  - e. NEPA Environmental review must be completed for USDA. This should be a straight-forward process for an existing building.
  - f. Lender and Bond Counsel issue Certificates of Participation (the specific mechanism used to generate the loan funds).

Approved By

  
Steven W. Baker, City Manager

- g. With USDA, the City may, at its option, take advantage of early repayment opportunities to reduce the long-term cost of borrowing (no pre-payment penalties).
- h. If the USDA loan option is desired, the process will take several months. Best estimate is that by September, the City will be able to finalize the USDA loan and receive approval for bidding.

3. Review of Plans and Bidding Alternates

- a. Peer Review of Plans - Staff is preparing a professional peer review of the plans to ensure that all available alternatives and cost-saving measures have been identified and can be effectively incorporated into the plans.
- b. Architectural Redesign Services – Several alternatives require significant effort to redesign the project plans, especially as additives rather than deductive items. This may mean that the time, scope, and costs to develop the changes needs to be negotiated with the Architect.
- c. Bidding Alternatives – Staff is working with the Architect on a list of changes for the plans. The items to be modified in the rebid process fall into three general categories, detailed below. As noted above, staff is still working on additional options to ensure the City has maximum budgetary flexibility.

<u>Critical items to retain</u>	<u>Cuts made, before rebid</u>	<u>Alternates</u>
Emergency Generator		Covered parking (w/ solar)
Security System	Flooring type	Solar energy
		Filing System
		Exterior Access Hallway
		Perimeter Fencing type
		Building Siding
		Access type (options include: keyless fob, PIN pad, keys, card lock)

- 4. Project Manager – This project will benefit from a dedicated project manager who can liaison with City staff, the Architect and the Contractor, oversee and coordinate the many day-to-day details that arise during construction, and possibly to identify additional cost saving opportunities. This function cannot be effectively absorbed by existing staff without a serious impact to existing projects and on-going responsibilities. Staff is working to identify an experienced project manager who can provide technical advice, regular project oversight, and continuity throughout the construction process.

- 5. Concerns/constraints of site - closed session discussion.

Recommendation and Requested Action:

That the City Council discuss and establish a new and realistic budget appropriation and provide additional direction for the rebid of the Yreka Police Station remodel.

*Attachments:*

- *February 2, 2017 memorandum*
- *March 8, 2017 budget detail handout*
- *Finance Department memorandum*

## Total Project Cost Estimate, updated 3-8-2017

<b>Costs of Construction</b>		
<i>Data Source</i>	<i>Fairlane w/o ext. hall, Remodel</i>	<i>Fairlane w/ ext. hall, Remodel</i>
<b>For Estimating Purposes, USE</b>	<b>\$270/sf</b>	<b>\$270/sf</b>
Facility Size	8,900 SF	9,998 SF
<b>CONSTRUCTION</b>	<b>\$2,403,000</b>	<b>\$2,699,460</b>
	@ 15%	@ 15%
CONTINGENCY	\$ 360,450	\$ 404,919
<i>Subtotal Construction</i>	<i>\$2,763,450</i>	<i>\$3,104,379</i>

<b>Non-Construction Costs</b>		
Professional Services <sup>1</sup> (Design & Inspection)	@ 10-12% \$288,360	@ 10-12% \$323,935
City Administration & Coordination	\$30,000	\$30,000
Site Work & Public Improvements	<i>Included, no public improvements req'd.</i>	<i>Included, no public improvements req'd.</i>
<i>Subtotal Non-Construction</i>	<i>\$318,360</i>	<i>\$353,935</i>

<b>Relocation Expenses</b>		
Moving Expense	\$50,000	\$50,000
Furniture & Technology	\$300,000	\$300,000
<i>Subtotal Relocation Expense</i>	<i>\$350,000</i>	<i>\$350,000</i>

<b>Estimate of Anticipated Costs, YPD New Station</b>		
Summary of Costs	Remodel (8,900 SF)	Remodel (9,998 SF)
Construction	2,763,450	3,104,379
Non-Construction	318,360	353,935
Relocation	350,000	350,000
Land/Building Value	802,346	802,346
<b>TOTAL ESTIMATE</b>	<b>\$ 4,234,156</b>	<b>\$ 4,610,660</b>

### **Assumptions & Notes on Cost Estimate Update:**

- More contingency is necessary for remodel projects (more changes/unknowns are likely).
- Estimate high to avoid surprises. Typical estimates start with rough budget numbers, validate them through multiple, credible sources, account for inflation, and round up.
- Percentage calculations are typically based on the value of estimated construction.
- Costs of Site work and Public Improvements are a function of site, not building size.
- Contingencies are only used if needed.
- City Administration estimate: 10-15 hrs/wk, 10 mo @ \$50/hr

<sup>1</sup> This amount includes a Phase I Environmental Assessment completed for the Fairlane site prior to purchase. The current value of the Architectural contract is \$93,420. However, staff anticipates that the construction administration currently remaining in the contract (\$16,500) is insufficient and that the City will incur additional costs for construction inspection. Typical percentages are used as the estimate to ensure consistency across the options for comparison purposes.



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**CITY OF YREKA  
CITY COUNCIL AGENDA MEMORANDUM**

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To: Yreka City Council  
From: Steve Baker, City Manager  
By: Brenda Bains, Finance  
Agenda title: UNASSIGNED RESERVES AND CITY FINANCIAL POSITION  
Meeting date: April 5, 2017

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Discussion:

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, assigned, restricted and unassigned.

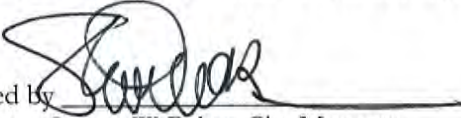
***Assigned Reserves***

The assigned 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.

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 \$2,518,811 on 6/30/2016. In August 2015 the City Council authorized the Police Station Project assigning \$2.7 million of which \$1,742,815 remains assigned to the Police Station Project.

Approved by   
Steven W. Baker, City Manager

### Assigned Reserves

Assignment Description	Balance 6/30/16
Contingencies for Cash Flow, General Liability, Grants Compliance	646,499
Post-Employment Benefits	380,123
Planning and development (sidewalk in lieu, parkland, planning deposits, Campbell tract, parking fees)	243,778
Capital Outlay and Improvements	2,518,811
<b>Total Assigned</b>	<b>3,789,211</b>

#### ***Restricted Reserves***

The City has restricted reserves of \$1,327,690 as of 6/30/2016, where the proceeds are restricted by external parties, e.g. the donor or creditor.

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.

#### ***Unassigned Reserves***

Finally, the unassigned or main General Fund reserve as of 6/30/16 was \$3,558,011. 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.

#### ***Policies for Unassigned***

The City Council set forth a reserve policy by Resolution 3019 on June 6, 2013 as follows: 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.

#### ***Conclusion***

The City of Yreka has a total of \$3,558,011 in unassigned reserves. Resolution 3019 established an unassigned reserve minimum to be established equal to 40% to 50% of annual operating expenses of the General Fund which is \$2,709,912. Therefore \$848,099 represents the remaining unassigned reserves.

General Fund Unassigned Reserves	Balance 6/30/16
Audited balance of unassigned reserves at year end	\$3,558,011
Targeted minimum General Fund Reserves (40% to 50% of annual General Fund expenses per Resolution 3019) based on 2017/2018 General Fund budgeted expenditures of \$5,419,823	\$2,709,912
<b>Balance of General Fund unassigned reserves</b>	<b>848,099</b>

The City has submitted a pre application to the USDA Rural Development for a 40 year loan, at 4% with no prepayment penalties. Prudent use of debt financing internally allows the City more opportunities to use its cash on hand and maintain its healthy financial position.