Minutes
SPECIAL
CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE AUTHORITY MEETING AGENDA
June 25, 2014

1. CALL TO ORDER

Mayor Garcia called the meeting to order at 6:00 PM.
Council Members Present: Oxborrow, Lander, Ramsey, Keough, Garcia)
Others Present: City Manager Rene Ramirez, City Attorney Laurie Avedisian-Favini, Assistant to the City Manager/Deputy City Clerk Shannon Jensen, Finance Director Mari Jimenez, Police Chief Cal Minor, Fire Chief Steve Henry, Assistant Community Development Director Sean Brewer, Senior Administrative Analyst Mercedes Garcia, Police Lieutenant Scott Ingram, Police Detective Manny Boles, City Treasurer Olga Keough, City Clerk Wanda Earls

2. AWARDS, PRESENTATIONS, APPOINTMENTS AND PROCLAMATIONS (NONE)

None

3. CITIZEN COMMENTS

Mr. Larkin said since 2005 he has added a garage, an add-on addition. He is asking the Council to let the people build more.

4. PUBLIC HEARINGS

1. Adoption of Resolution No. 3645 Setting New Water Rates to Address Drought Impacts to the Water Fund

   Rene A. Ramirez, City Manager

City Manager Rene Ramirez:
Staff is recommending the Council adopt Resolution No. 3645, which establishes new water rates effective July 1, 2014 in order to address the ongoing drought impacts to the financial stability of the Water Fund.
Earlier this year and due to the drought, the City's water supplier, the USBR, announced it would be supplying 50% of historical water deliveries to its municipal contractors. For the City, it meant its water supply was being reduced to $3,258 acre feet. The announcement will have an impact to Water Fund revenue, as it would for any water purveyor, as water rates and revenue are predicated on certain volumes of water being delivered to customers. The City's current water rate model, adopted in January 2012, could not have anticipated such a substantial reduction in water supply. If it had, water rates would have been much higher.
With the reduced water supply, staff informed the Council that in order to meet the Water Fund's financial obligations, i.e. operations and debt coverage ratios, a new rate study would be necessary to account for a reduction in water sold to customers due to the drought and the City's conservation efforts in effect.
Mr. Dan Bergmann with IGServices, who has prepared other City rate studies, was hired to prepare a new water rate model. Mr. Bergmann and staff, and the Council directed the City Manager to initiate a Prop. 218 process which provides each property owner receiving water with a notice of the proposed water rates and a future public hearing. The 218 Process provides for a 45-day waiting period before an elected body can take action on a proposed rate adjustment. At the public hearing the Council must accept only those written protests up and through the public hearing. Once the public hearing is closed, the Council can only take action to approve rates if the number of written protest votes from property owners is less than a simple majority.
The recommended rate adjustment envisions a one-time nine-percent (9) rate adjustment to all customer classes effective July 1, 2014. This rate adjustment would replace the current water rates. Exhibit "A" on the last page of Resolution No. 3645 shows the proposed water rate change to the volumetric component of water rates for all

customer classes. The fixed monthly charge based on water meter size remain unchanged for existing charges. Currently, there has been one protest vote from property owners received at City Hall.
With the adoption of this Resolution, new water rates will go into effect on July 1, 2014 and customers will not see the financial affects until they receive their City utility bill in early September. It is anticipated the rate adjustment will generate sufficient revenue based on water supply availability to financially support Water Fund operations and debt coverage requirements.
City Manager Ramirez introduced Mr. Dan Bergmann, IGService, Walnut Creek.
Mr. Dan Bergmann gave a PowerPoint presentation depicting the following topics:

1. Projected Water Volume Reductions
2. City of Coalinga Water Rates and Charges (Existing Approved Rate Table)
3. City of Coalinga Bureau of Reclamation Water Purchases
4. Coalinga Water Enterprise Fund (Historical and Projected Revenue and Expenditures)
5. Balance of Fixed vs. Volumetric Revenue (We need to decrease volume)
6. Strategy for Setting Drought Rates:
    - Do not increase fixed monthly rates
    - Increase volumetric rate component to achieve $4031,000 rate-based revenue
    - Allocate increase evenly across customer classes
    - If rains come, return to original rate structure
        - Result is a 9% volumetric increase
7. Calculation Changing Volumetric Only (Such That Debt Service Coverage is Achieved)
8 Water Volume in Each Residential Tier (with Pricing)
9. Effect on a Typical Residential Customer ($3.53 per month)
10. City of Coaligna Water Rates and Charges Effective Date of New Rates

Next Steps:
- City Council Comments
- Consideration of Prop 218 protests, if any (See Customer Comments)
- Rates Effective July 1
- Conserve Water and Hope for Rain!
- Revisit Revenue, Water Volumes and Rates in Spring 2015

Mayor Garcia Open the Public Hearing for those wishing to speak against setting new water rates:
Speaker in Spanish asking for consideration to segment of community who have loss jobs, etc., and their inability to pay increase in water rate.
Speaker in Spanish:
We would like to demonstrate also that we are here in this country to help out.
Speaker in Spanish:
Some of us have been laid-off. My husband was working here for 35 years and his job loss is contributed to the loss of water.
Speaker in Spanish:
It is not just one family, it is several families and we are all concerned because of our employment.
Speaker in Spanish:
We are asking that the increase not be made so high because it does impact us financially.
Speaker in Spanish:
We don't have the means to have more income to meet those requirements. So please keep that in mind.
Speaker in Spanish:
Thank you very much!
Mayor Garcia closed Public Hearings seeing no one additional wishing to speak.
Motion to Adopt Resolution No. 3645 a Resolution of the City Council of the City of Coalinga Approving New Water Rates Effective July 1, 2014 to Address Drought Impacts to the Water Fund Made by Council Member Lander, Second by Council Member Oxborrow. Motion ***Approved*** *by a Roll-call (5/0) Vote: Lander, Oxborrow, Ramsey, Keough, Garcia.*

5. CONSENT CALENDAR

Council Member Oxborrow asked for a recess of this Regular Council meeting to proceed with the Budget Workshop prior to voting on items 1, 2, and 3 of the Consent Calendar.
Mayor Garcia recessed the Council Meeting at 6:31PM to call to order the Budget Workshop Meeting. This meeting adjourned at 6:59 PM.

Motion to Approve Consent Calendar Items 1, 2, 3 and 4 Made by Council Member Oxborrow, Second by Council Member Ramsey. Motion Approved by a Roll-call (4/1) Vote: Oxborrow, Ramsey Lander, Garcia (Keough Voted No).

1. FY14/15 Continuing Budget Resolution No. 3646

2. FY14/15 Continuing Budget Resolution No. SA-315

3. FY14/15 Continuing Public Finance Authority Budget Resolution No. PFA 14-01

4. Rejection of Claim for Damages Presented by Rick Pyzer

6. ORDINANCE PRESENTATION, DISCUSSION AND POTENTIAL ACTION ITEMS

1. Council Action to Approve a Proposed Agreement by and between the City of Coalinga and NNG, a California Corporation, Concerning a Potential Oil and Gas Lease on City Property Identified as APN 073-06-06, and Approval of Related Oil, Gas and Mineral Lease

   Rene A. Ramirez, City Manager

City Manager Rene Ramirez:
This matter was considered by the Council at their June 12 Meeting. During the discussion, the Council was informed that NNG had asked the City pay for one-half of the legal fees necessary to obtain mineral rights, which was anticipated to cost the City $15K. The Council directed staff to negotiate further with NNG and offset any upfront cost from the City.
Staff spoke with NNG following the Council meeting and both sides agreed to the following which meets the Council's direction:
1. NNG agrees to pay for all of the attorney fees and costs of an action to be brought on behalf of the City for the dormant mineral rights in the property (quiet title).
2. The City's share of the one-half of legal fees necessary to obtain the title on the property, excluding costs for title work performed by NNG, will be credited toward the rent and/or royalties to be paid under the Lease.
The revised agreement provides for the City's shares of legal fees to be credited against the rent and then against royalties until the entire fee is paid, which meets the Council's desire to have no out of pocket expense. The Lease provides both the definition and calculation for the Rent. Rental of the property is paid annually in advance as soon as the Lease is signed, which is anticipated following a positive court action regarding the quiet title for mineral rights. Rent is to be paid until drilling operations begin and rent stops when drilling operations commence and royalty payments begin. Rent is determined by the following calculation:
Rent = 170 acres X $75 per acre X 45.6 share = $5,824.00 per year
Under the proposed modification, there is no immediate fiscal impact but in the future NNG would receive credits on their rent payment and potentially on royalties in an amount equivalent to the $15,000 in legal fees.
Staff recommends the Council approve an Oil, Gas and Mineral Lease and related "Agreement by and Between the City of Coalinga and NNG, a California Corporation, concerning Section 28, Township 20 South, Range 16 East (APR 073-06-06).
Motion to Approve Proposed Agreement between the City of Coalinga and NNG Concerning a Potential Oil and Gas Lease on City Property Identified as APN 073-06-06 and Approval of Related Oil, Gas and Mineral Rights Made by Council Member Ramsey, Second by Council Member Oxborrow. Motion ***Approved*** *by a Roll-call (5/0) Vote: Ramsey, Oxborrow, Lander, Keough, Garcia.*

2. Consideration of a General Utility User Tax to Support Public Safety Programs and Direct the City Manager and City Attorney to Proceed with Work Efforts for a November 2014 Ballot Initiative

   Rene A. Ramirez, City Manager

City Manager Rene Ramirez:
The economic recession, dissolution of the Redevelopment Agency and closure of the Claremont Custody Center (CCF) has left the General Fund with a revenue shortfall in excess of $1M. The City's public safety departments comprise more than 75% of the General Fund Expenditure of $7.7M. For many years now, the City's General Fund budget has been cut to a point where there are little to no operational cost reductions to be made without affecting community servicing. Many City employees have not seen a cost of living adjustment in years, beginning on January

2014 and through this calendar year the non-represented group of employees have had their pay reduced five-percent (5%) via a monthly furlough day and the Coalinga Police Officer Association waived many of their labor contract terms as a way to relieve some of the expense pressure on the General Fund, but their giveaways end on June 30, 2014. Our local economy has picked up somewhat, but not enough to make up the revenue shortfall the City now faces In the future. The CCF may re-open but on the State's timetable.

At the Council's meeting on June 12, Council member Ramsey asked for a future agenda item to consider different forms of taxes that could provide General Fund revenues to support Public Safety. Because of the time frame and in order for a ballot initiative to be placed on the November ballot, it was felt that this future agenda items needed to come to the Council now for consideration. The City Attorney's office prepared a Memorandum discussing the different forms of taxes available to the Council to consider and also a timeline of events should the Council decide it wants to pursue such a ballot measure.

Under California law, there are several tax measures available to local government. The City Attorney has concisely laid out the different types of tax measures available and how they can be used, such as a Parcel Tax, Utility User Tax, Sales Tax or Business License Tax. In addition, the City Attorney described how taxes fall into a classification of "General" or Special" under Proposition 218. Under law, a General Tax requires a simple majority vote whereas a Special Tax requires a two-thirds voter approval.

Should the Council decide to move forward with a tax measure for the November ballot, there is a short time frame left in which actions by the Council must take place so that a tax measure can be placed on the November ballot. August 8 is the deadline.

Of the tax measures available to the City to consider, staff feels that a General five percent UUT could generate the $1.0M in revenue shortfall to the General Fund. Some 150 cities and counties throughout California have a UUT in place, many for a number of years to support General Fund activities. Under a Special Tax, which requires a two-thirds voter approval, such a Utility User Tax could be assessed specifically for Public Safety. On the flip side,r a General Tax, requires a simple majority voter approval. A Utility User Tax could not be specifically assessed for Public Safety and the sitting Council and City Manager would decide how best to use this tax revenue for General Fund purposes.

A five percent UUT to a typical resident on their water, sewer, natural gas, sanitation, telephone/cell phone, electricity and cable television bills could generate approximate $23 per month. (The actual revenue would be a function on the cost of an individual's utility bills.) Multiply $23 by some 4,000 customers and 23 months and you arrive at slightly more than $1.0M.

Consensus of the Council is to continue this meeting to the July 10th Meeting.

7. ANNOUNCEMENTS

City Manager Ramirez indicated next follow up meeting on the Budget and Enterprise Funds is July 10th.
Mayor Pro-tem Keough asked when the annual Financial Statement would be done.
Finance Director Mari Jimenez indicated the draft is almost done.
Mayor Pro-tem Keough asked if numbers are going to change.
City Manager Ramirez said the numbers will be close.
Mayor Garcia said the next meeting is July 10 on Budget and July 27 on Public Safety.
(Don't have name) someone asked for policy for Reserves for General Fund.

8. FUTURE AGENDA ITEMS

Council Member Oxborrow said within 90 days we need to have a resolution on the CCF building.

9. CLOSED SESSION (NONE)

10. ADJOURNMENT

Mayor Garcia adjourned the Council meeting at 8:30 PM.

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Tony Garcia, Mayor

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City Clerk/Deputy Clerk

Date