

COUNCIL MEMBERS PRESENT: Reynosa, Smith, Morales, Harness, Thusu

STAFF MEMBERS PRESENT: Anderson, Barkley, Beltran, Carrillo, Cook, James, McCloskey, Meinert, Popovich, Thompson, Uota

CALL TO ORDER

The meeting was called to order at 6:30 pm.

INVOCATION

The invocation was led by Vice Mayor Harness.

FLAG SALUTE

The flag salute was led by Roy Ramirez.

PRESENTATIONS

4.1. Cindy Sanders, Community Based Instruction Program (CBI)

Cindy Sanders, CBI instructor, was present to give the Council information about what her students do during instruction. She explained that the class is a TCOE program for 18-22 year old students and she explained the curriculum.

The City Council thanked the class members for their help around the community such as washing police vehicles.

Chief Popovich again thanked Sanders and the class members for the work they do for the police department. He said he gives

4.2. 2015 LNTC Class – Cinco de Mayo Report

Cinco de Mayo report was given by Jose Gonzalez, member of the 2015 LNTC class.

Vice Mayor Harness asked what are the key items the money is used for and Gonzalez said it goes to scholarships for students and it also goes toward next year's class expenses.

PUBLIC COMMENT

5.1. Unscheduled Items

Gilbert Martinez was present to speak to the LNTC class report. He asked if there is an audit report available for the event.

Interim City Manager Meinert said the LNTC class and the Cinco de Mayo event falls under the auspices of the Chamber of Commerce.

Maria McElroy was present and reported there will soon be a new City Council reporter. She said reporters are very important and she said it in order to honor Mike Miyamoto, Dinuba Sentinel Reporter. McElroy said she read on social media that Miyamoto will soon take a new job in southern California.

Mike Miyamoto thanked the Council and said he's enjoyed working with the City Council and the City. He said "the Council runs the city the way he thinks the city ought to be run." He stated that he is moving down south to be closer to family and he's already secured a job there.

The City Council wished Miyamoto the best and offered their congratulations.

Sonja Bennett, Wellspring Christian Church, spoke to a street closure event that the church will be having on June 14.

Interim City Manager Meinert informed Bennett the request has already been administratively approved.

CONSENT CALENDAR

- 6.1. City Council Meeting Minutes – May 11; 12, 2015
- 6.2. Set Hearing Date - Request Authorization to Levy Assessments on Landscape and Lighting Districts, June 23, 2015
- 6.3 Historic Preservation Commission Meeting Minutes, April 13, 2015
- 6.4. City of Dinuba Homebuyer Program – Finding of No Conflict of Interest

Interim City Manager Meinert said item 6.4. should be pulled from the agenda prior to considering the consent calendar and, the item will not be offered for consideration.

It was motioned by Vice Mayor Harness, second by Council Member Smith to approve the consent calendar, less item 6.4.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

WARRANT REGISTER

- 7.1. Warrant Register – May 1, 8, 2015

It was motioned by Council Member Smith, second by Vice Mayor Harness, to approve the warrant register as presented.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

MAYOR'S MINUTE

8.1. Information Sharing

None

COUNCIL COMMENTS

9.1. Request for Excused Absence – Council Member Kuldip Thusu, May 12, 2015

It was motioned by Council Member Smith, second by Vice Mayor Harness, to approve the request for excused absence for Kuldip Thusu.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

9.2. Update - Appointment of City Manager

Interim City Manager Meinert gave an update on the appointment of the new city manager. He said the City Manager will be hired at step 228B with a one-year contract. He reported that the contract was sent to candidate and feedback was received by consultant Gary Phillips. The candidate indicated he wanted to talk to Meinert and Anderson to discuss some city items. Feedback was received from Gary Phillips who reported his comments are favorable although he is still concerned about the length of the contract. Meinert said he and Anderson think the contract should be a 3-year contract. He reminded the Council the position is at-will and if it becomes necessary to separate employment with the individual, the Council can still do so with a 3-year contract.

It was motioned by Council Member Reynosa, second by Council Member Smith to offer the candidate a 3-year contract.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

9.3. Information Sharing

Interim City Manager Meinert shared information about upcoming graduations and promotion.

Council Member Smith said he attended Fire Captain Marquez’ retirement party and said it was bittersweet.

Council Member Smith attended the Memorial Day event at Smith Mountain Cemetery and he commended Vice Mayor Harness for his speech at the event.

Vice Mayor Harness said he also attended Marquez’ retirement event which he enjoyed.

Council Member Thusu thanked the Council and staff for accommodating him at the May 11 meeting with remote access.

Thusu stated that the Council of Cities report regarding countywide transportation impact fee needs to be addressed.

He said they discussed AB38 in regard to a 4-year college bill that will impact our communities.

Interim City Meinert spoke to the prevailing wage law to which Dinuba does not want to be subject.

PUBLIC HEARING

10.1. Impact Fees

Business Manager Avila reported information on the proposed impact fees then he asked the City Council to reopen the public hearing.

Avila introduced Dino Serafini of PMC Consultants should the Council have questions. Mayor Morales opened the hearing and no comments from the public were brought forward.

Attorney McCloskey offered that the ordinances should be introduced before adopting the resolutions.

Council Member Smith asked where the revenue will come from should the sewer impact fees be reduced.

Director Beltran explained the city would get a loan for the project to cover the debt service and the sewer rates would pay for the cost.

Council Member Smith said the fee we now have seems to be working.

Director Beltran said the fee is actually higher than the study recommends. Discussion followed in regard to the sewer impact fee.

Director Beltran said the facility expansion is paying for existing facilities for existing customers and the new customers.

Thusu asked if it will impact commercial customers too.

Director Beltran said the impact fees specifically the sewer impact fee will.

The council discussed the item.

ORDINANCES

- a. An Ordinance Of The City Council Of The City Of Dinuba Amending The Dinuba Municipal Code Chapters 3.32, 11.20, 13.07, And 13.74 Establishing Methodology for the Computation of Development Impact Fees and Providing for the Enactment, Publication, and Effective Date Thereof, Ordinance 2015-02, First Reading and Introduction of Ordinance, Read Title, Waive Reading in Full.

It was motioned by Vice Mayor Harness, second by Council Member Thusu, to approve the introduction and first reading of Ordinance 2015-02.

Deputy Clerk Barkley read the title of Ordinance 2015-02 into the record.

AYES: Reynosa, Morales, Harness, Thusu
NOES: Smith
ABSTAIN: None
ABSENT: None

- b. An Ordinance of the City Council of the City of Dinuba, Amending the Municipal Code by Addition of Chapter 3.34 Establishing a Police Safety Impact Fee, and Providing for the Enactment and Publication Thereof, Ordinance 2015-03, First Reading and Introduction of Ordinance, Read Title, Waive Reading in Full.

It was motioned by Vice Mayor Harness, second by Council Member Thusu, to approve the introduction and first reading of Ordinance 2015-03.

Deputy Clerk Barkley read the title into the record.

AYES: Reynosa, Morales, Harness, Thusu
NOES: Smith
ABSTAIN: None
ABSENT: None

- c. An Ordinance of the City Council of the City Of Dinuba, Amending the Municipal Code by Addition of Chapter 3.36 Establishing a Parks and Recreation Facilities Impact Fee and Providing for the Enactment and Publication Thereof, Ordinance 2015-04, First Reading and Introduction of Ordinance, Read Title, Waive Reading in Full.

It was motioned by Vice Mayor Harness, second by Council Member Thusu, to approve the introduction and first reading of Ordinance 2015-04.

Deputy Clerk Barkley read the title into the record.

AYES: Reynosa, Harness, Thusu
NOES: Smith, Morales
ABSTAIN: None
ABSENT: None

- d. An Ordinance of the City Council of the City of Dinuba Amending Title 16, Chapter 16.25, Sections 16.25.040b and 16.25.090 of the Dinuba Municipal Code Regarding Park Land Dedication or a Fee in Lieu of Dedication and Providing for the Enactment and Publication Thereof, Ordinance 2015-05, First Reading and introduction of Ordinance, Read Title, Waive Reading in Full.

It was motioned by Vice Mayor Harness, second by Council Member Thusu, to approve the introduction and first reading of Ordinance 2015-05.

AYES: Reynosa, Morales, Harness, Thusu
NOES: Smith
ABSTAIN: None
ABSENT: None

RESOLUTIONS

- a. A Resolution Of The City Council Of The City Of Dinuba Setting A Public Safety Impact Fee, Resolution 2015-22
- b. A Resolution Of The City Council Of The City Of Dinuba Setting A Police Safety Impact Fee, Resolution 2015-23
- c. A Resolution Of The City Council Of The City Of Dinuba Setting A Planned Sanitary Facilities Impact Fee, Resolution 2015-24
- d. A Resolution Of The City Council Of The City Of Dinuba Setting A Parks and Recreation Facilities Impact Fee, Resolution 2015-25
- e. A Resolution Of The City Council Of The City Of Dinuba Setting A Transportation Facilities Impact Fee, Resolution 2015-26
- f. A Resolution Of The City Council Of The City Of Dinuba Setting A Planned Extra-Capacity Water Impact Fee, Resolution 2015-27

It was motioned by Vice Mayor Harness, second by Council Member Thusu, to adopt Resolutions 2015-22; 2015-23; 2015-24; 2015-25; 2015-26 and 2015-27 as presented.

AYES: Reynosa, Morales, Harness, Thusu
NOES: Smith
ABSTAIN: None
ABSENT: None

CITY ATTORNEY

11.1. Information Sharing

None

CITY MANAGER

12.1. Claim for Consideration – Martin Sanchez

Interim City Manager Meinert reported the item was brought forward at the last meeting but the Council requested it be brought to this meeting for consideration.

It was motioned by Vice Mayor Harness, second by Council Member Thusu to reject the claim.

AYES: Smith, Harness, Thusu
NOES: None
ABSTAIN: Reynosa, Morales
ABSENT: None

12.2. Update - Water Conservation Implementation of Emergency Regulations

Interim City Manager Meinert presented a request to implement Stage3 of the water conservation implementation of Emergency Regulations. He reported that effective June 1 we will go into stage 3 effecting the governor’s emergency plan in our city. A final copy of a notice was prepared by Public Works staff and presented to the Council.

Director Beltran shared information that was in the staff report and reported that the most recent executive order cumulative tracking begins June 1. She shared an update of the information for the Council.

Council discussion followed.

It was motioned by Vice Mayor Harness, second by Council Member Smith to ratify the City Manager’s action to enact stage 3 of the Water Conservation Implementation.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

Director Beltran was asked how the implementation affects mobile car washes. She said she needs to discuss that with the City Manager but she said her sense is that if it’s considered a livelihood it would be allowed to continue as a business.

12.3. Information Sharing

Interim City Manager Meinert asked the Council to think about whether they plan to attend the annual League Conference this year in San Jose.

ENGINEERING & PLANNING SERVICES

13.1. Update – Ridge Creek Subdivision Request for Proposals

Engineer Uota shared the information about the Ridge Creek Subdivision. Uota explained there may be a couple of things that the Council may need to consider and he gave the information to them. He went over the points for consideration.

Vice Mayor Harness said stick with lot density as he believes it would make the housing look more like what we want to see. He said custom v. production would be ok if it helps the project. Production time would be up to the city manager.

Interim City Manager Meinert asked if the developer is ready to proceed then is it okay to move forward and Vice Mayor Harness said yes.

Discussion followed and the City Attorney said it would likely be market driven.

Council Member Thusu said he would oppose changing the density. As for the housing product it would be nice to have the custom homes but he said he is not opposed to hybrid homes. The developer should be ready to begin; the build out is market driven. He said he could not comment on the 2007 design guidelines and asked for clarification.

Meinert said it’s the original guidelines of the golf course.

Council Member Thusu said it should be done right even if it takes time.

Council Member Smith said the Council seems to agree on most of it. He said he lives in a production house and he added, he would not like to move to the golf course and live in a production house. He doesn't feel the product should be rushed.

Council Member Reynosa said she agrees that the custom homes are a good idea. Production housing can be built elsewhere. The developer shouldn't be given preference just because they are "ready to go." All things in the RFP should be considered.

Engineer Uota said no action is needed at this time it's just item for discussion.

BREAK

Mayor Morales declared a break at 8:28 pm.

RECONVENE FROM BREAK

Mayor Morales reconvened the meeting at 8:43 pm.

13.2. General Engineering Services Update

Engineer Uota shared information regarding the general engineering services search. He provided information in regard to the previous engineering firm. Caltrans advised staff that open-ended consultant agreements are no longer fundable. Staff realized we need to prepare another RFP. Staff has scheduled an interview for the three highest ranked firms and have scheduled it for the first Council meeting in June.

13.3. Update - El Monte Way Widening Project

Engineer Uota shared an update of the El Monte Way widening project. Work is proceeding on the south half of Alta Avenue and Englehart. Some of the manual construction activity is associated with the gas mains. They are relatively shallow and workers are preparing to lay a protective concrete slab over the gas main. There is also construction of a seamless water main and there are other utility crossing work that is ongoing at the location. There is new railroad crossing equipment and ongoing underground construction at the western side of the golf course. There are still gas main relocation efforts at Rd 72 and at Rd 56 that need to be completed.

Mayor Morales asked what will happen at the railroad tracks and Uota shared that it will widen at the Euclid intersection. He explained that it is similar to one in Visalia. There will be a signal and a controlled left turn.

Council Member Smith asked how long the hand digging will delay the project.

Uota shared that is is an unanticipated delay that staff intends to discuss with the Gas Company.

13.4. Information Sharing

None

FINANCE SERVICES

14.1. Health Insurance Task Force Report

Director Cook said a number of months ago, staff formed a task force to look closely at health insurance costs.

He shared a PowerPoint Presentation sharing the information about health care issues in the organization. Staff discussed the issues with our health care broker and the health administrator. The task force has made recommendations to change the plan; the savings can be significant. He told the Council that the outcome depends on bargaining with the employee groups.

Cook presented recommended future changes to the plan. Cook said that merely implementing one of the proposed changes will not make significant changes.

Council Member Thusu suggested Cook investigate 340B pricing for prescriptions.

14.2. Authorization to Award Professional Services Contract – Printing & Mailing Services

Director Cook said this item is a request to award a contract for printing and mailing services. The current printer is no longer working properly and it is over 20 years old. We are moving to a new software process and it may be a good time to switch to a printing and mailing service.

We have received three quotes from outside sources and it would be cheaper to have a mail service perform the services. Doing so would mean purchasing a new printer. The initial cost is \$5,000 more because of the change in paper size.

Council Member Smith asked if we will soon be able to pay for city services online and Cook replied yes. Vice Mayor Harness asked how soon and Cook said it will be about six weeks.

Cook requested that the City Council authorize the award the professional services contract to Infosend to supply printing and mailing services for utility billing and other related City services.

It was motioned by Vice Mayor Harness, second by Council Member Smith, to authorize the award of the printing and mailing services contract.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

14.3. Proposed Bank Loan to Repay the Successor Agency and Ridge Creek Golf Course Improvements, Resolution 2015-21

Doug Anderson, Urban Futures Inc, was present to present the information to the City Council. The rate would be locked within the next week. The pledged asset for the subject of the lease is the Dinuba Transit Center.

Anderson reported that on May 31, 2013, the State Dept. of Finance (“DOF”) notified the City of Dinuba that it must pay the amount of \$1,031,663 to the Successor Agency to the Dinuba Redevelopment Agency (the “Successor Agency”) for distribution to affected taxing entities, based on the results of the Other Funds and Accounts Due Diligence Review (“OFA DDR”) completed pursuant to Health and Safety Code Section 34179.6(c).

The purpose of the OFA DDR was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities, from Successor Agency accounts. Part of the findings listed in the OFA DDR included a determination that the former Redevelopment Agency advanced funds to the City, and that such funds should be

categorized as a loan and repaid to the Successor Agency. Although the Agency provided documentation to DOF explaining that the funds were only to be repaid to the Agency from the proceeds of the sale of certain City owned properties, DOF determined that the amount in question (\$1,031,663) should be returned to the Agency immediately.

Upon payment of the \$1,031,663 by the City to the Successor Agency (and confirmation by DOF), DOF will be able to issue a Finding of Completion to the Successor Agency. The receipt of the Finding of Completion is very important to the Successor Agency, as it will allow the Agency to commence preparation of its Long-Range Property Management Plan, which will in turn allow the Agency to dispose of real properties held by the Agency in a way that will maximize benefits to the City and the Agency.

With that in mind, the City has approached Compass Bank regarding a loan for the purposes of: 1. Providing the amount of \$1,031,663 to repay to the Successor Agency for distribution to taxing entities; 2. Providing an additional amount of \$225,000 for improvements to Ridge Creek Golf Course as discussed during the presentation of the Golf Fund Budget; and 3. Related Loan costs and fee amounts. Compass Bank (the "Bank") has agreed to provide a loan (the "Loan") to the City in the amount of \$1,300,000 for the indicated items.

Repayment of the Loan by City will be made in the form of semi-annual Lease payments, pursuant to a Site and Facility Lease and a Lease Agreement (the "Agreements") between the City and the Bank. The source of the lease payments will be increases in property tax revenues over time as the Successor Agency "winds down".

The total amount to be financed is \$1,300,000, the term of the financing will be for 15 years, and the interest rate will be fixed at an expected rate of approximately 4.85%.

The City will be obligated to make all the Lease Payments under the Agreements. A Rental Interruption insurance policy will be obtained as a safeguard against the loss of use of the City owned property (the Dinuba Transit Center) subject to the Lease, so that the Lease Payments may continue unabated in such circumstances.

The forms of the financing and legal documents are on file with the City Clerk. Doug Anderson from Urban Futures, Inc. will be in attendance at the meeting to answer any questions.

The proposed loan will be secured by semi-annual Lease Payments to be made by the City pursuant to a Site and Facility Lease and a Lease Agreement between the City and the Bank. The final interest rate will be determined and locked prior to the execution of the Agreements.

Staff requested that the City Council adopt Resolution 2015-21, approving a Site and Facility lease and a Lease Agreement, and Certain Additional Documents and Authorizing Certain Actions in Connection Therewith.

It was motioned by Vice Mayor Harness, second by Council Member Thusu, to adopt Resolution 2015-21 as presented.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

14.4. Budget Book Overview

Director Cook reviewed the draft budget book with the City Council and discussion followed about the information in the book. Cook said the format is new and it will be further refined before the final copy is published.

14.5. Information Sharing

Director Cook reported that staff was notified Friday last week that Dinuba will once again be awarded the Government Finance Officers Association Certificate of Achievement for Accounting and Financial Reporting.

The Council congratulated Cook and his staff for the work they did to receive the award.

FIRE SERVICES

15.1. Fire Chief Executive Fire Officer Program

Chief Thompson shared that five years ago he was assigned to come up with a career development plan by the former City Manager. His goals included application and attendance to the Executive Fire Officer Program. He said he was recently accepted to the Executive Fire Officer Program which occurs two weeks a year. After the course he has six months to complete a research paper and if he's successful, he will be invited back. The only item not funded in the cost is the meal card which is \$300 per year.

The Council congratulated Thompson in regard to the program.

15.2. Medical Spanish Course

Chief Thompson requested authorization to purchase a medical Spanish course for online training for emergency first responder staff. Fire staff often encounters patients who speak only Spanish. While City of Dinuba Fire Department personnel always strive to provide the best care possible to our community and visitors we also believe that there is always room for improvement. Most personnel know enough Spanish to perform their essential duties or have other tools available to bridge possible language barriers. It's staff's belief that a Medical Spanish course would be beneficial to the community, visitors and staff.

Thompson explained that the course is an online course that allows staff to be assigned training under a determined timeline. Progress will be tracked and remediated if necessary. This program requires the student to pass all unit tests with a grade of 80% or better prior to receiving a certificate of completion.

The goal is that all of Dinuba Fire Department's full-time emergency responders have the ability to communicate effectively with the Spanish-speaking community and visitors. This should help make individuals feel more at ease and relieve some of the anxiety patients may have in stressful situations. Also, this would assist emergency staff to ascertain more pertinent information in a more efficiently. The cost is \$99 per participant per year or a cost of \$2200.

It was motioned by Council Member Thusu, second by Vice Mayor Harness, to authorize the fire department to purchase the online Spanish language course.

AYES: Reynosa, Smith, Morales, Harness, Thusu

NOES: None

ABSTAIN: None

ABSENT: None

15.3. Information Sharing

Chief Thompson reported there was a structure fire on north Alta early in the morning.

PARKS AND COMMUNITY SERVICES

16.1. Authorization to Conduct the Annual Color Fun Run; Request for Street Closure, August 1, 2015

Recreation Coordinator Hurtado reported the first Color Fun Run was held last year and staff is requesting a second annual Color Fun Run event and a street closure in conjunction to the event. The goal is to promote healthy living while having fun. Last year \$666 were raised and the monies went toward the after school program.

It was motioned by Council Member Smith, second by Council Member Reynosa, to authorize the second annual Color Fun Run event and street closure.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

16.2. Information Sharing

Director Carrillo shared that the car show will be held on June 5 and 6 and the city will be co-hosting the car show with the Lions Club and the Chamber. The car show will be held at Vuich Park this year.

POLICE SERVICES

17.1. Authorization to Apply for 2015 COPS Grant

Chief Popovich recommended authorization for the 2015 COPS Grant to hire / rehire law enforcement officers. He explained the grant details. He explained the 2015 CHP grant provides federal funding directly to law enforcement agencies to hire and/or rehire law enforcement officers in an effort to increase their community policing capacity and crime prevention efforts.

The CHP grant will cover up to 75 percent of an entry level salary and benefits of each newly hired full-time sworn officer over a three year period with a minimum 25 percent local cash match requirement with a maximum federal share of \$125,000.00 per officer position. A waiver may also be requested to cover the local match portion and a fourth year extension if financial problems arise.

Staff proposed that the funding be used to fund the one allocated positions within the Police Department that is currently unfunded due to budget reasons, and that application be made for the grant match waiver for the local portion of funding which is a 25% local match for the position.

Chief Popovich requested that the City Council authorize staff to apply for the 2015 COPS Hiring Program (CHP) grant.

It was motioned by Council Member Reynosa, second by Council Member Smith to authorize staff to apply for the 2015 COPS Grant as presented.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

17.2. Information Sharing

Chief Popovich said staff is preparing for cruise night and car show scheduled early June along with school graduation events this week.

PUBLIC WORKS

18.1. Authorization to Execute Amendment No. 2 of the MV Transportation Service Agreement

Transit Manager Ramirez requested that the City Council authorize the Interim City Manager to execute Amendment No. 2 to the "Service Agreement" between the City of Dinuba and MV Transportation to make some necessary revisions to the "Insurance Coverages and Requirements" section of the agreement.

He explained that in 2009 the City collaborated with other Tulare County transit providers to solicit bids for a five-year Transit Service contract. Upon completion of the evaluation process, the City Council authorized staff to execute a contract agreement with MV Transportation. That agreement was set to expire December 31, 2014 but at the December 9, 2014, the City Council authorized the Acting City Manager to execute Amendment No. 1 to the Service Agreement extending the contract term to December 31, 2015. In addition to extending the contract term, the City's transit consultant recommended that the insurance language be reviewed and updated to reflect current industry standards.

The consultant recommended that the insurance language in the Service Agreement between the City and MV Transportation be reviewed and revised with updated insurance language to best protect the City's interest. Ramirez shared the renewal requirements and the benefits to making the proposed insurance language revisions.

It was motioned by Council Member Thusu, second by Council Member Reynosa, to authorize the Interim City Manager to execute Amendment No. 2 to the "Service Agreement" between the City of Dinuba and MV Transportation revising the "Insurance Coverages and Requirements" section.

AYES: Reynosa, Smith, Morales, Harness, Thusu
NOES: None
ABSTAIN: None
ABSENT: None

18.2. Authorization to Award Contract, Utility Rate Study and Cost Allocation Study

Business Manager Avila shared the information and recommended that the City Council award a professional services contract to Willdan Financial Services for the preparation of a Utility Rate Study and a Cost Allocation Plan. In the amount of \$77,450 for the Utility (Water, Sewer and Solid Waste) Rate Study and \$11,650 for the Cost Allocation Plan for a total contract \$89,100.

The City of Dinuba provides domestic water and sanitary sewer services to approximately 7,000 customers. Similarly, the City serves about 5,500 solid waste customers. These customers include residential, industrial, and commercial accounts. The services provided by the City consist of the delivery, operation, maintenance, and capital

replacement of the identified systems. City staff also manages the franchise agreement with Peña's Disposal for solid waste services. These services are paid for with revenue collected from user charges. The revenue collected from each utility is kept in separate City funds generally referred to as "enterprise" funds. Each enterprise fund is expected to be self-sufficient and to operate as an independent entity. For that reason, it is critical that user charges be set at the levels necessary to ensure that the City can continue to meet current service levels and adopted standards.

A Cost Allocation Plan allows the City to maximize the recovery of indirect overhead costs from a variety of operating departments, including enterprise funds. The Plan will apply a proportionate share of the costs associated with indirect support services, such as Finance, Human Resources, City Attorney and City Manager to each operating department. A good cost allocation plan is also useful for the development of internal hourly rates, including Capital Investment Program (CIP) billing rates. In the context of a Utility Rate Study, an updated Cost Allocation Plan will identify the amount that should be charged to each enterprise fund. That amount will become part of the expenditure base that would need to be funded by utility rates.

However, it has become increasingly evident that our methodology needs to be restructured. Dinuba has grown exponentially over the last several years and is no longer a small country town. With a population expected to reach almost 35,000 by 2030, the City must have a long-range plan that ensures its ability to continue offering adequate services to its population. Particularly, utility rates should include factors for capital depreciation, replacement and preventative maintenance. It is critical for the City to invest in its infrastructure in a very deliberate manner. This ensures that the systems are in good working condition and can continue to function properly. Impact Fees are significant sources of revenue for new or expanded facilities but cannot be used on the maintenance of existing systems. The only funding source for capital replacement and preventative maintenance programs is user charges.

In addition to the reasons listed above, the City must take a proactive approach to the inevitable impact of water conservation on current revenue. For fiscal year 2014-15 the City is projecting a water revenue reduction of approximately \$200,000. Revenues are approximately \$145,000 below projections in the sewer fund. This downturn could possibly be worse considering the April 1, 2015 Executive Order from Governor Brown. The City is required to cut back its total water production by 32% starting next month. It is difficult to measure exactly how much more this new mandate will impact our current revenues but we can safely assume that our utility rates would need to be adjusted to mitigate this impact as much as possible.

Approximately \$1,500,000 are charged to the enterprise funds for general fund overhead. The referenced Cost Allocation Plan will determine if this amount is accurate or if it needs to be adjusted. The consultant will work with City staff to identify the proper balance of allocation factors appropriate for our City so that the City has a method of identifying and distributing administrative costs fairly, comprehensively, and that is fully defensible. The proposed Cost Allocation Plan would be compliant with the Federal Office of Management and Budget Circular A-87 (OMB A-87). This federal circular establishes principles and standards for determining allowable federal costs.

The last time the City performed a Utility Rate Study and a Cost Allocation Plan was in the early 1990s. This is another reason for Staff's recommendation to award this contract. There is measurable benefit to retaining a methodology that is consistent with industry standards and that includes a plan that considers long-term financial targets and policy objectives.

The need for a Utility Rate Study and Cost Allocation Plan was discussed with the City Council during the goal setting process. The Council indicated its support for this analysis and approved the request to seek proposals at their April 28, 2015 City Council meeting. On April 29, 2015 Staff contacted three professional consulting firms and requested proposals for the subject specialized services.

The cost to prepare the Utility Rate Study will be paid for out of the enterprise funds by an equal share (i.e. \$25,817 each). The \$11,650 cost of the Cost Allocation Plan will be funded by the General Fund. This expense was originally included in the FY 2014-15 Budget but would be carried over to FY 2015-16 as an encumbered expense.

It was motioned by Vice Mayor Harness, second by Council Member Smith, to award a professional services contract to Willdan Financial Services for the preparation of a Utility Rate Study (\$77,450) and a Cost Allocation Plan (\$11,650).

AYES: Reynosa, Smith, Morales, Harness, Thusu

NOES: None

ABSTAIN: None

ABSENT: None

18.3. Information Sharing

Director Beltran reported that staff would like to put together an Alert TC call regarding the implementation of stage 3 Drought requirements.

Director Beltran said she authorized an extra bus stop in front of the Vuich Park during the car show at the request of the Chamber of Commerce.

ADJOURNMENT

The meeting adjourned at 9:58 pm.

Emilio Morales, Mayor

ATTEST:

Linda Barkley, Deputy City Clerk