

**PORTOLA CITY COUNCIL
SPECIAL MEETING
MAY 15, 2012
5:00 P.M.**

CALL TO ORDER

Mayor Mark called the meeting to order at 5:00 p.m.

ROLL CALL

Councilmembers Oels, McBride, Weaver and Mayor Mark responded to the roll call. Mayor Pro Tem Larrieu was absent. City Manager Leslie Tigan, Finance Officer Susan Scarlett and Public Works Manager Todd Roberts were also in attendance.

PUBLIC COMMENT

Definition of Politics

Portola resident Larry Douglas read the definition of politics to the City Council and public and voiced his concern regarding economic development.

ORDER OF BUSINESS

A. **2012/2013 Operating Budget**

City Manager Leslie Tigan explained that during the previous budget workshop the City Council had requested the Finance and Administration Committee meet with employees to discuss step increases, the Council had also delayed any action on water and sewer rate changes to allow time for the Rebuilding Portola committee to present their report.

She explained that the Committee had meet with the three employees who are eligible for step increases in the upcoming fiscal year and that the Rebuilding Portola committee had submitted their report at the last Council meeting. Ms. Tigan suggested the Council discuss the Finance and Administration committee recommendations first and then move to water and sewer rates.

Finance & Administration Committee member Curt McBride reported that the Committee was recommending to the City Council that the step increases for employees be included in the budget. He presented letters from each of the three employees.

Mayor Mark read the three letters and then explained that she did not feel the employees didn't deserve the step increases, she was only looking for a way to cut expenses.

Portola resident Pat Morton stated that when employees are hired and see the proposed step increases they take the job with the understanding that the steps will occur, she suggested it would be wrong for the City Council to deny the steps.

After a brief discussion it was moved by Councilmember Weaver, seconded by Councilmember McBride to include the step increases in the 2012/2013 budget. All members present voted in favor. Mayor Pro Tem Larrieu was absent.

The City Council then moved on to the water and sewer rates. Finance Officer Susan Scarlet presented the City Council with the following budget scenarios; with the rate increases proposed in the HDR rate study; without any rate increases and one with the proposed base rate increase and a decrease in the consumption rate, this scenario was proposed in the Rebuilding Portola report. She then explained that staff had added an additional scenario with the base rate being increased and the consumption rate remaining the same.

Ms. Tigan reported that Councilmember Oels had also requested a budget scenario that did not include use of the Lake Davis Treatment Plant. She explained that staff spent quite a bit of time attempting to develop a budget without the treatment plant, but when doing so found that there were quite a few obstacles. She explained that staff did not want to present the City Council with an unrealistic budget projection and by removing the expenses associated with the treatment plant there would need to be additional legal and professional service expenses added to the budget, these figures would just be a guess and would not provide a realistic picture. She noted that there were contracts and agreements with the County and the State which outlined the City's use and eventual

ownership of the treatment plant. If the plant is not used the City would be in breach of certain items and there would be legal costs associated with the action. In addition if the City did not use the treatment plant there would need to be a budget item to cover the costs associated with the development of an arsenic wellhead treatment project, again staff does not have accurate figures costs associated with this project. Ms. Tigan reported that she had been able to speak with representatives from the State Department of Public Health, Drinking Water Division, regarding the possibility of the City not using the treatment plant. They explained that if the City were to decide not to use the treatment plant they would move forward with citations and fines, this path has not been taken since the State is aware of the City's plans to discontinue use of the wells and use Lake Davis water. They also reviewed the funding agreement between the State and the Flood Control District for treatment plant construction funds, this agreement does have a clause stating that the plant will be used for 20 years, the State would see non-use of the plant as breach of this agreement and would request the Flood Control District pay back the funds. Ms. Tigan noted that due to these issues a budget without the Treatment Plant would be unrealistic for staff to present to the City Council.

Ms. Scarlett the reviewed each scenario and discussed the varying impacts to fund balance. She did note that the scenario with the lower consumption rate used the same water usage as in the other scenarios, she again pointed out that projecting a higher usage for the year would not be a realistic figure.

The City Council, with input from staff and the public continued to discuss the different water rate options. The compromise presented by staff with an increase to the base rate and a consumption rate that remained the same seemed appealing but still would leave the water fund with a deficit.

Councilmember Oels expressed his desire to have a program to assist individuals who are unable to pay their bills. Staff explained that any type of discount program would need to be covered by the General Fund. Councilmember McBride suggested that a better way to fund a program would be through a charitable organization and offered to assist Mr. Oels with developing some type of plan.

Councilmember McBride asked if staff could come up with a consumption rate that would be lower than the rate recommend in the Rate Study but would allow the water fund to break even for the year. Following a short break staff returned with a proposed consumption rate of \$3.06 per thousand gallons that if used would leave a zero balance in the water fund.

After further discussion it was moved by Councilmember Weaver, seconded by Councilmember Oels to include water rates in the budget with the base rate increased proposed in the HDR Rate Study and a consumption rate of \$3.06 per thousand gallons. All members present vote in favor. Mayor Pro Tem Larrieu was absent.

Ms. Tigan and Ms. Scarlett presented the City Council with sewer rate options of either increasing the rates based on the rate study projections or leaving the rates the same. Ms. Scarlett noted that the Rebuilding Portola report showed the projected sewer rate increase fell within the affordability limits.

After a brief discussion it was moved by Councilmember McBride, seconded by Councilmember Weaver to include sewer rates as proposed by the HDR Rate Study in the budget. All members present vote in favor. Mayor Pro Tem Larrieu was absent.

ADJOURNMENT

There being no further business to discuss it was moved by Councilmember McBride, seconded by Councilmember Weaver to adjourn the meeting at 6:59 p.m. All members present voted in favor. Mayor Pro Tem Larrieu was absent.

Leslie Tigan, CMC
City Clerk