

CITY OF PERRIS

MINUTES: Work Session of the City Council,
Redevelopment Agency, Perris Public
Finance Authority & Perris Public
Utilities Authority
Date of Meeting: 25 January 2005
Time of Meeting: 4:30 p.m.
Place of Meeting: City Council Chambers

1. **CALL TO ORDER:**

The Honorable Mayor Busch called the Work Session of the City Council, Redevelopment Agency, Perris Public Finance Authority and Perris Public Utilities Authority Meeting to order.

4:35 p.m. Called to order.

2. **ROLL CALL:**

Council Members Present: Motte, Rogers, Yarbrough, Landers, Busch

*All Council Members Present.
(Councilmember Landers
arrived at 4:40 p.m.)*

Staff Members Present: City Manager Apodaca, City Attorney Dunn, Community Development Director Barnes, City Engineer Motlagh, Finance Director Carr, Assistant to City Manager Madkin, Real Estate Services Manager McDermott, and City Clerk Rey.

Staff Members Present

3. **WORK SESSION:**

A. Management Audit Letter

Management Audit Letter

Introduced by: Ron Carr, Finance Director

Director Carr explained that each year the City's auditors, at the end of the audit, produce a management audit letter which describes issues dealing with the City's finances to be considered by management. The purpose of this item was to address those issues for fiscal year ended June 30, 2004.

*Director Carr the purpose of
the management audit letter.*

Rich Teaman of Teaman, Ramirez & Smith, the City's auditors, reported that the audit had gone fairly well, evidenced by fact that it was presented much earlier this year. Mr. Teaman presented a list of 15 items that had been given to management for review.

*Rich Teaman of Teaman,
Ramirez & Smith presented a
list of 15 items that had been
given to management for
review.*

Director Carr then responded to each of the 15 items, indicating that each one had either been corrected and handled or was in the process of being corrected.

*Director Carr responded to
each of the 15 items, noting
corrections that had been
made or were still in process.*

Mayor Busch commented that Mr. Carr's report was very helpful in understanding that steps had been taken to correct these items and that they had either been completed or were in process of correction.

Mayor Busch said Mr. Carr's report was very helpful in understanding steps that had been taken to correct the items.

In response to questions regarding the Accounting Manual that the Finance Department was in process of producing, Mr. Carr stated that not many cities have such manuals, so they would basically be developing their own, which could possibly become a standard for other cities.

Mr. Carr stated that the Finance Department was developing their own Accounting Manual.

B. Water Fee Study

Water Fee Study

Introduced by: Ron Carr, Finance Director

Director Carr explained that this report was an update of the rate study that was presented to the Council in April 2004, and that the question presently before the Council was whether or not to raise rates on water and sewer. He pointed out three options: 1) Raise rates and do it immediately, based on the consultant's recommendations; 2) Phase rate increases in over a period of time; 3) Not raise the rates. If they choose not to raise the rates, they could form a task force or send the issue back to Staff, outsource the management of the water and sewer systems, or completely divest these operations. If the Council sent it back to Staff, they would look at other options, such as a well or subsidizing from other funds.

Director Carr explained that this was an update of the rate study presented to Council in April 2004. He pointed out 3 options the Council had.

Mr. Carr presented an historical perspective of the water fund, showing revenues and expenditures since 1999. Graphs of this period showed that until 2001, the water fund was running a surplus, but since that time had been in a deficit position because of increased expenditures. He said they expected the water fund to lose about \$90,000 this year, but because of having higher connection fees due to development, they would be able to meet the obligations that Mr. Teaman had mentioned; however, the meter replacement project would deplete the fund's cash by the end of the fiscal year.

Mr. Carr presented an historical perspective of the water fund, showing the deficits the fund had experienced since 2001.

The sewer funds were also running a surplus through 2001, with operating deficits ever since then, and were now in a deficit position. This fund was expected to lose over \$200,000 this year and, despite fees and developer contributions, be short about \$85,000 on debt service covenants and end the fiscal year with a negative position of about \$1 million.

Information on the sewer fund's deficits.

Mr. Travis Hickey of Vavrinek, Trine, Day & Co. said the focus of their present project was to determine, based on sewer and water costs, the rates necessary to recover the costs. In order to get the fund on more of a cash flow basis, they took out the depreciation from the costs and added in the expected costs for capital improvements and debt service.

Travis Hickey of Vavrinek, Trine, Day & Co. said their company was presently working on determining rates necessary to recover costs.

Mr. Hickey said another consideration was whether to use a fixed rate or a consumption rate structure. Their proposed rates were more tied to consumption that they had been in the past, although they had also proposed a flat fee based on meter size. The report contained exhibits that showed what monthly bills would be for water and sewer, based on three varying levels of consumption, with a comparison to existing rates. He noted it was a significant increase that was being proposed, due mostly to the fact that rates had not been increased by the City since 1988 for the sewer and 1995 for the water.

Fixed rate vs. consumption rate structure for water and sewer.

Mr. Hickey said operating costs had been projected to increase at 3% per year, with water commodity and sewer treatment costs estimated to increase by 4% per year. The overall customer base (about 2,100 customers) is a small base for spreading costs among, as opposed to EMWD, which has many thousands of customers to absorb increases in operating costs and water.

Cost projections.

Mayor Pro Tem Motte had a question regarding quantity of water purchased versus quantity of water being sold. He also thought the City could be paying less for money if it had a well. Mr. Hickey responded that it would take an in-depth analysis to determine if the water being purchased was the same amount that was being sold.

Mayor Pro Tem Motte had a question regarding quantity of water purchased vs. quantity of water being sold, as well as the possibility of using a well.

Mr. Hickey also reminded the Council that any financing relating to any sewer or water projects would have some kind of rate covenant requiring your rates to be sufficient to cover operating costs and debt service costs.

Mr. Hickey reminded Council that any financing relating to sewer or water projects would require rates to be sufficient to cover operation costs and debt service costs.

Councilmember Rogers asked if there was a way to determine when the next rate increase would need to be, so they could stay on an even keel. Mr. Hickey said they were recommending reviewing rates annually, even if they are not increased each year.

Councilmember Rogers asked if there was a way to determine when the next increase would need to be.

Councilmember Yarbrough agreed that more analysis was needed, and believed some management companies needed to be brought in to look at this. He recalled having been told by three consulting companies that the City was paying too much for its water.

Councilmember Yarbrough agreed that more analysis was needed, and wanted management companies to be brought in to look at the situation.

Councilmember Landers requested a Work Session in the near future to study water options.

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Mayor Busch said he thought there were a lot of unanswered questions that they needed to look into.

Mayor Busch said a lot of unanswered questions needed to be looked into.

C. Discussion Regarding Police Station Renovation

Discussion regarding Police Station renovation.

Introduced by: Michael McDermott, Real Estate Services Manager

Manager McDermott presented an update on the renovation of the

Manager McDermott presented

Old Police Station. He said they were running a little behind schedule on the architect's drawings, but that they anticipated having them by February 15th, and hopefully they would clear plan check within a couple of weeks. The City Engineer had indicated he would need at least 30 days to put together a bid package, hopefully going out to bid in April.

an update on the renovation of the Old Police Station.

John Loomis of Thirtieth Street Architects said the City Manager had asked him to be the administrative liaison to facilitate this project, so he was present to give an update on the project. He apologized for the delay that was a result of his offices being shut down for some time during the holiday season.

John Loomis of Thirtieth Street Architects had been requested to give an update on their progress.

Mr. Loomis showed his renderings, color samples, etc., for Phase I (Shell Improvements). He noted that the building would be in a shell condition and usable in a multi-purpose way after Phase I. The exterior of the building would be basically the same texture and color as City Hall, with windows of a very high-efficiency clear glass with a shading coefficient of almost 80%, cutting air conditioning costs. A clay tile roof, as in the original building, would be replacing the asphalt one, to tie in the architecture with the rest of City Hall.

Mr. Loomis showed his renderings, color samples, etc., for Phase I (Shell Improvements).

Mr. Loomis said they were going to be able to save all but one of the existing large trees, and they would be using drought-tolerant plants for the landscaping in a future phase.

Mr. Loomis said they were saving the existing trees and would be using drought-tolerant plants for landscaping.

Councilmember Yarbrough asked if the Planning Department could put a priority on approving the plans. Director Barnes said she was sure they could, as soon as they had all appropriate submittals.

Councilmember asked if the Planning Department could prioritize approving the plans.

Councilmember Landers asked if the bids could go out before April. The answer was that if they had the complete set of plans and specs, Engineering would need to come to the Council for authorization to proceed with bid advertisement, which would take a minimum of 30 days. Following the bid opening, it would be brought back to the next available Council Meeting for awarding of the bid.

Councilmember Landers asked if the bids could go out sooner.

4. ADJOURNMENT:

By unanimous consent, the Joint City Council, Redevelopment Agency, PPFA and PPUA Work Session was adjourned at 6:00 p.m.

6:00 p.m. The Joint City Council, Redevelopment Agency, PPFA and PPUA Work Session was adjourned.

Respectfully Submitted,

Margaret Rey, City Clerk

