

Woodland City Council Meeting
City Hall, Council Chambers
300 First Street
Woodland, California

MINUTES

CITY COUNCIL SPECIAL/STUDY SESSION FEBRUARY 26, 2008

6:00 P.M.

CALL TO ORDER

At 6:00 P.M. Vice Mayor Davies called the regular meeting of the Council to order.

PLEDGE OF ALLEGIANCE

Vice Mayor Davies invited all in attendance to join in the Pledge of Allegiance led by Bob MacNicholl.

ROLL CALL

COUNCIL MEMBERS PRESENT: Marlin Davies, William Marble, Jeff Monroe, Artemio Pimentel, David Flory

COUNCIL MEMBERS ABSENT: None

STAFF MEMBERS PRESENT: Mark Deven, Sigrud Asmundson, Sue Vannucci, Joan Drayton, Bob MacNicholl, Amy Buck, Kim McKinney, Amber D'Amato, Christine Engel.

COUNCIL/STAFF COMMENTS AND REQUESTS

Council Member Pimentel said there will be a town hall meeting at Woodland Community College (WCC) on Tuesday, March 4, 2008 from 2:00 p.m. until 6:00 p.m. The WCC has been in operation since 1999 and has begun its accreditation to separate and become its own comprehensive community college. The town hall meeting will take place at the College in the 800 building. The pre-grand opening for Costco was on Thursday, February 21, 2008. "Murder at the Library" is scheduled for March 15, 2008, and Finance Director Drayton, City Manager Deven, and Police Chief Sullivan will be in the play.



Council Member Marble said he, Vice Mayor Davies and City Manager Deven attended the 3 x 2 x 2 this morning and discussed priority for school traffic plans, how the City can assist, an update on the Pioneer High School athletic field project, and the cable service project.

Council Member Monroe noted the California Planning and Development Report indicated Woodland's downtown with restaurants and small professional services offices have kept downtown Woodland the center of town. In particular, the Opera House was noted as the City's jewel. The Cabrillo Club will be holding its annual fund-raiser at 6:00 p.m. on Saturday, March 2, 2008 at Holy Rosary School.

CONSENT CALENDAR

FEDERAL FUNDING-EMERGENCY COMMUNICATIONS SYSTEM

On a motion by Council Member Monroe, seconded by Council Member Marble and carried unanimously, Council approved and authorized the Mayor to sign a letter of support for \$900,000 in Federal funding to improve the Yolo Emergency Communications Agency's Emergency Communications System.

REPORTS OF CITY MANAGER

OTHER POST EMPLOYMENT BENEFITS

Director Drayton provided Council with an update on GASB 45 (Governmental Accounting Standards Board Statement No. 45) requirements. The State of California, CalPERS, the League of California Cities and numerous professional organizations have been broaching the subject and educating staff on various alternatives on Other Post Employment Benefits (OPEB). This has been a huge financial liability, and governmental agencies really cannot afford to fund this benefit. There is a need to evaluate alternatives and develop solutions on funding, and staff is continuing to go to various seminars. Newport Beach has developed an alternative strategy on funding and implemented their plan about three years ago. She said Woodland is required to implement the requirements of GASB by fiscal year 2009.

Senior Accountant McKinney gave an overview of the requirements of GASB and described for the Council the implications of the financial statements.

Mayor Flory temporarily left the Council meeting at 6:14 p.m. and returned at 6:16 p.m.



Accountant McKinney said assuming a 30-year amortization, the City's annual OPEB expense is estimated at \$4.3 million for retiree healthcare, which is approximately \$1.9 million budgeted for fiscal year 2009. In addition to the required contribution and possibly an unfunded liability, the City has to have full disclosure of the funded status of its plan. The Annual Required Contribution (ARC) of \$4.3 million consists of three portions: \$1.3 million relates to costs for retirees who have already earned the credit, \$1.1 million relates to current active employees for their past service, and \$1.9 million is the estimated as the amount that is earned in the current year. In fiscal year 2008-09 the City's ARC is \$4.3 million, and the City would be already paying \$1.9 million on behalf of the current retirees, so an additional expenditure would be required in the amount of \$2.4 million beginning next year. There currently is a reserve fund balance in the General Fund of \$5.7 million and the additional \$2.4 million will result in a remaining reserve balance of \$3.3 million. The City would deplete the General Fund reserve balance by fiscal year 2011 if the City just recorded the ARC. The City currently funds retiree healthcare on a cash basis. The City only pays the premiums that are currently due that year for employees who are already retired. The advantage of keeping that system is if there is a change to the benefit plan that would result in a reduction of liability, the City would not need to use the money. There are also disadvantages to this system. If the City chooses not to pre-fund and the City has the growing liability on its balance sheets that could be viewed negatively by credit agencies and might affect the City's ability to issue bonds in the future. If the City continues to go on the pay-as-you-go basis, the City will have to use lower investment return assumptions.

Director Drayton said GASB 45 does implement the change in the accounting. The City has been recording the expenses on a cash basis how much the City is paying on retiree healthcare premiums. In 2008, the current year, the City is estimating about \$1.6 million of cash outlay for that cost, and that is currently recorded on the City's financial statement as an expense when the fiscal year ends. With the implementation of GASB and the full accrual method that is required, the City will have to recognize \$4.3 million as an expense. There will be a reflection on the City's balance sheet as a liability.

Council Member Marble said the staff report indicates that while the State of California Public Employee Post-Employment Benefit Commission does not recommend any specific funding methods, they do recommend that public agencies adopt pre-funding as their policy. The Commission also recommends that each public employer adopt a pre-funding plan and make it public.

Council Member Pimentel hopes the City would focus locally on seeking proposals from financial management organizations to form the trust fund.



Mayor Flory said the Sacramento Area Council of Governments (SACOG) staff who recommended SACOG go with CalPERS, but SACOG found that it could go to other sources for a better return.

Director Drayton said staff's recommendation is to issue an RFQ for financial management and creation of a trust fund. CalPERS has embarked on this effort and got some legislation to allow agencies which were restricted before to participate. CalPERS also has a lot of expertise and manages the City's pension fund.

Vice Mayor Davies said Exhibit B of the staff report breaks out the Enterprise Fund liability versus the General Fund liability. Through the 218 process the Council has some responsibility to fund the Enterprise Funds to their full amount. He wants a task force composed of labor and management representatives to further study compensation options that could reduce the City's OPEB obligation and look at options to fund the current and existing liabilities, or just compensation options for the future.

Director Drayton said currently retiree options are limited. With active employees, there may be some mutually beneficial solutions to go forward on a defined contribution plan versus the defined benefit. Newport Beach capped their healthcare benefits to the employees at \$450 per month paid on a cash basis and paying the premium of the retirees, but the current employees were contributing to that expense.

Rand Anderson, Manager of the CalPERS Constituent Relations Office, provided Council with a brief overview of the trust plan recently implemented and the benefits of pre-funding. The Constituent Relations Office houses the new OPEB pre-funding trust plan. The City will be complying with the GASB standards, but needs to face decisions about pre-funding. To develop a trust plan the City must get an actuarial evaluation which takes six to twelve weeks. The evaluation will let the City detail the liabilities. Should the City pre-fund through the CalPERS trust fund, the City will decide when it wants to pre-fund and how much. CalPERS has a 20 year history of achieving an average return of ten percent per year on the public employees' retirement fund (a \$250 billion trust fund), and the OPEB trust fund mirrors that investment policy. CalPERS assumes a return of 7.75 percent. The fiduciary responsibility will go to the CalPERS Board. The expected cost of the trust fund will be calculated at the end of the year at the rate of one-half of a percent per year, and there are no profits involved. Alternative trust funds cost will be two to three times that amount. During the first three years with the CalPERS trust fund the City is restricted from terminating the contract, and the trust fund will be an irrevocable trust dedicated to pre-funding OPEB liabilities. The \$1.9 million for the City of Woodland in current retiree healthcare premiums is really \$1.4 billion for the State. The City of Woodland could look at CalPERS if the City wants to take advantage of the CalPERS Board holding fiduciary responsibility.



City Manager Deven said if Council is favorable with the staff, recommendation staff will work through the Fiscal Year 2008-09 budget process and ten-year plan to identify the resources and strategies necessary to implement the trust.

Director Drayton said the first staff recommendation includes development of a funding plan that includes the establishment of an irrevocable trust fund program and identifying specific funding sources. Staff needs to seek RFQs from qualified financial management organizations to implement an irrevocable trust fund program, and a task force should be set up to begin the dialogue on what the City wants to do with the City's OPEB obligation. The Newport Beach strategy took three years to finalize. Specific recommendations to sell City property as a possible funding source will come back to Council for consideration.

City Manager Deven said the task force will explore compensation options, but the establishment of an irrevocable trust is a policy decision that will be considered by the Council.

Vice Mayor Davies would like staff to look at a way to allow the retirees, through their past bargaining units, to get a better understanding of the problem as well as the solutions.

Council Member Pimentel asked about a breakdown of how many employees will retire. Director Drayton said the actuarial study was done in 2005 and was based on the demographics of the population and the retirees the City had at that time. She said the study used a 6.6 percent return.

City Manager Deven said in regard to having the retirees participate in the compensation options, the City's intention is to honor the commitment the City Council and the City of Woodland made to its retirees based on the labor agreements that were in place when the retirees retired. The City is not contemplating changing the benefits after employees retire.

Council Member Marble said if the 7.75 percent that CalPERS uses as the actuarial assumption for the rate of return is subject to modification. Mr. Anderson said every four years the CalPERS actuarial office reviews the actuarial assumed rate of return so it is possible that rate of return could be changed along that cycle. It is the intent of the Board to maintain consistency in that area.

On a motion by Mayor Flory, seconded by Council Member Pimentel and carried unanimously, the City Council approved the following actions regarding the City of Woodland's Other Post Employment Benefits (OPEB) obligation:



1. Develop a funding plan that includes the establishment of an irrevocable trust fund program as described in the staff report;
2. Seek proposals from qualified financial management organizations in order to implement an irrevocable trust fund program; and
3. Create a task force composed of labor and management representatives to further study compensation options that could further reduce the City's OPEB obligation.

CITY/COUNTY 2 X 2 ISSUES

Vice Mayor Davies said the City has a 2x2 meeting with the County tomorrow, but through the discussions over the last several months, different elements of the County's General Plan keep unraveling. He asked that Council talk about the various issues involving the County, including the Courthouse. The City needs to be cooperative with the County, but needs to maintain some controls. Another item on the agenda is the Elkhorn Project is at Road 22 and Highway 16, and the 280 acre Spreckels site. Council expressed support of 90 acres for the Clark Pacific project but that is not in the General Plan.

City Manager Deven said the City has made comments on the County's General Plan via letters to the County Administrator, and Assistant City Manager Munowitch has testified before the County Planning Commission on comments regarding the General Plan. There are three areas of concern noted in the staff report. One is Clark Pacific, and the Council took action on December 18, 2007 supporting the development of the 90 acre site. There have been discussions beyond the 90 acres, and staff has concerns about this potential expansion. Barnard Court is another project that has come to the City's attention and involves the establishment of a gas station and adjacent mini-mart. The City agreed to support that development which is located in the vicinity of I-5 and West Street near the Denny's restaurant as long as certain conditions are met including developing consistent with City policy, agreeing to annex to the City at the appropriate time, and getting concurrence of adjacent property owners to agree to annex to the City. There is a large expanse of property between the City limits and the Barnard Court project, and the City was not willing to consider annexing that property at the time the City was discussing the project with the applicants in October of 2007. The City recently learned that the project has grown from a gas station and a mini-mart to a mixed use development with a hotel, restaurants and retail businesses. After research on the internet the City staff found advertisement for development purposes, and staff has since reviewed a draft annexation agreement which was not favorable to the City. The third project was development of the Elkhorn site which could involve a conference center and hotels that would compete with hotels located on County Road 102 in



Woodland. These projects appear to represent a trend that is contrary to the County's long standing policies toward development. Staff feels the City may have some leverage on these developments through the provision of utility services, although that may not pertain to the Elkhorn development.

Council Member Monroe said the City agreed to let Clark Pacific develop, but the City should make it clear the Council only agreed to the development. A garbage waste burning facility also wants to locate on Wallace Ranch to produce energy. Council needs to make it very clear that would not be an acceptable development.

Mayor Flory said Council needs to discuss policy. The County has a lot of services that help people in the City of Woodland, and the City needs to discuss collaboratively with the County in setting a policy that both can live with. The County is trying to bolster up its economy, but the County is at a disadvantage because cities have incorporated, such as West Sacramento, and the County has to provide services. The County's infrastructure is worse than the City of Woodland's will ever be.

Council Member Pimentel asked how the City can move forward to annex areas within the Urban Limit Line.

Manager MacNicholl said Barnard Court specifically is about 1,500 feet north of the current boundaries of the City, so there are intervening properties that have to be included to have a successful annexation. It has been the City's understanding that intervening property owner was not interested in annexing. There is an Urban Development Policy the City and the County jointly developed. That document is within the City's General Plan, and the County staff is well aware the document is there. The County is finding itself in a place where that policy is not being effective in terms of providing what the County needs and is doing what it needs to do to make themselves whole. The City needs to know the County is aware the development policy exists within the City's General Plan and previously in the County's General Plan. If the County is aware of the policy, they need to be asked if they want to retain the policy in a cooperative way.

Vice Mayor Davies asked if the owner of the Knaggs property that lies between Kentucky Avenue and Barnard Court is interested in annexation. City Manager Deven said there is interest in annexation and development by the owners.

Council Member Pimentel said he hoped Council would oppose any development within the North or South side of the City within the City's sphere of influence. The City needs to look forward and annex area within the Urban Limit Line since the voters approved that issue. The County should not be building within the Flood Zone, but the City is, such as Spring Lake and Costco.



Vice Mayor Davies said the flood Zone has changed under the new FEMA mapping, so when some of the developments, such as Spring Lake, occurred they were outside that perimeter.

Council Member Monroe said the Resolution should specifically name Clark Pacific. Any development larger will be in direct competition with the City's commercial sector.

Council Member Marble said Council should limit its support to the 90 acres at Clark Pacific. The City and the County must work together.

City Manager Deven said City still has a collaborative three-part agreement with the City, County and State Administrative Office of the Courts. Staff is meeting every other week with the County and State to discuss issues, and there is a City-County 2x2 that meets periodically to discuss that project. The last 2x2 occurred in December and at that meeting staff was given direction to engage a consultant and work on a site plan in the Downtown area to accommodate the facilities required for the Court modification and expansion. The County felt it needed to be compensated for one original site because of the loss of facilities. The cost for that piece was approximately \$10 million. The Court expansion was looked at as a collaborative project with the private sector in terms of a design-build public private partnership. The State has now determined it wants to do the expansion as a State straight bid project. The State would pay the entire cost of the project and would allocate approximately \$140 million. It would need about six or seven acres to accommodate the construction of the Court facilities plus parking. One of the City's concerns is the State was considering surface parking, and utilization of surface parking within the Downtown area would not be in the City's best interests. One of the challenges for the City is utilizing sites within the Downtown that would accommodate the Court structure but also a parking structure. A public partnership may be needed to serve as both a Court building plus additional entertainment and retail opportunities. The City is looking at Redevelopment Agency sites, County-owned sites and privately owned sites.

Vice Mayor Davies said Council is interested in property from North Street to Lincoln Avenue and between East Street and Elm Street. The City needs to decide if the parking could be provided at Freeman Park and use the \$8 to \$10 million to relocate the park in the neighborhood.

Council Member Marble said the City needs to work in a deliberate and rapid manner as to not lose the Court project to another City within the County.



ADJOURNMENT

At 7:35 p.m., Vice Mayor Davies adjourned the special meeting of the Council.

Respectfully submitted,

Sue Vannucci, CMC, City Clerk

Transcribed by: Jean Kristensen, Deputy City Clerk

Adopted by Council: May 19, 2009