



The VOICE

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Did you know...

- The newly formed Redding Electric Utility (REU) Commission selected Leonard Wingate as the Chairperson, and Adam McElvain as the Vice-Chair. They have met twice so far and received overviews of the REU.
- The unemployment rate for Shasta County dropped to 10 percent in May 2013, which is 3.2 percent below the rate in May 2012. The County added 1,700 jobs in the last two months, with 400 coming from the hospitality industry and 1,000 from other private sector jobs. California's rate dropped to 8.6 percent in May 2013 from 9 percent in April 2013. Nationally, the economy added 175,000 jobs in May, but the unemployment ticked up to 7.6 percent from 7.5 percent as more people began looking for jobs again.

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Council Hears Impact Fees Recommendation

At the June 20, 2013 Redding City Council meeting, the City's Public Works Director, Brian Crane, presented a report on the status and preliminary recommendations of staff and the development impact fee advisory group regarding updates to the City's Fire, Parks, Water, Wastewater, and Traffic Impact fees.

A development impact fee is a one time fee to account for development impacts, usually paid by a developer before completion of residential or commercial/industrial buildings. There are laws guiding how impact fees may be calculated and implemented. In California, AB 1600, which contains the Mitigation Fee Act (MFA) governs issues of proportionality and the nexus relationship involved with growth. A typical fee calculation formula looks like this: **Fee = Growth Related Capital Costs divided by Growth**

The City's General Plan Standards are used as the basis for impact fee considerations, and cost estimates for future infrastructure needs due to new growth are used to determine the amount of the fees. Existing deficiencies cannot be paid by impact fees, as these were not the result of new growth. Operating and maintenance costs cannot be paid by impact fees.

After almost one year of study, the development impact fee advisory group, consisting of Gary Blanc (SPI), Pat Corey (McHale Signs), Monique Gaido (citizen at large), Michele Goedert (real estate broker), Chris Haedrich (real estate broker), Mary Machado (Shasta VOICES), and Frank Sawyer (engineer) were in agreement with the following assignment of fees. Because Council agreed to waive the annual CCI inflationary increases beginning in 2010, this chart shows where the fees would have been without the waiver in place. Note that the preliminary fee proposal (shown for single family residential dwellings) is for the fees to be **less** than they would have been.

Fee Type	Current Fee	2010*	2011*	2012*	Prelim. Fee
Traffic	\$5590	\$5824	\$5968	\$6114	\$5713
Water	\$6896	\$7184	\$7362	\$7543	\$5600
Wastewater	\$6828	\$7218	\$7397	\$7578	\$7000
Parks	\$3997	\$4176	\$4271	\$4375	\$3997
Fire	\$867	\$903	\$926	\$948	\$966
TOTAL	\$24,178	\$25,305	\$25,924	\$26,558	\$23,276

Kim Niemer, the City's Community Services Director, has asked for park fees to be raised to \$6,773 per single family dwelling, but the advisory group believes this is not affordable, and there are ways to bring this fee down by revisiting the Parks, Trails and Open Space Master Plan and considering adjustments to the current standards. The Council will make the final fee determination, as the advisory group was not tasked nor had any authority to make policy decisions, which would be required in order to recalculate the parks fees.

It should also be noted that the above fees do not include school fees, which are not charged by the City but must be collected by the City. These fees are charged at \$3.20 per square foot (\$5,676 for an 1,800 square foot home). And, the chart above does not include the additional building fees charged by the City, which add about \$3,000 per single family dwelling.

CalPERS, PARS, PEPRA, GASB 45—What?

There isn't a language harder to understand than that of the government retirement programs in California. We will, however, attempt to speak in plain, understandable English about how these programs affect the taxpaying public in the City of Redding as the City tries to balance their budget and determine how our tax dollars will be spent over the next several years.

A workshop held on June 10, 2013, was the City's attempt to be pro-active in planning for substantial increases in the employers' cost of providing retirement programs for their employees, present and future. These programs all have names. Here is a breakdown of those programs, and a brief description of how they work:

- **CalPERS**—The California Public Employees' Retirement System; The City of Redding contracts with CalPERS to provide a defined benefit income for their retirees as the **base** (standard) benefit program. The standard/base retirement benefit formulas are as follows: 1) **Non-safety**: 2 percent (times each year of service) at age 55, with an average of the highest paid 12 months of employment when determining final compensation. 2) **Safety**: 3.0 percent (times each year of service) at age 50, with an average of the highest paid 12 months of employment when determining final compensation.
- **PARS**—Public Agency Retirement Services; The City of Redding contracts with PARS to provide an *enhanced (or additional)* retirement benefit program for their non-safety retirees. This increases the amount of the retirees' monthly benefit amount provided by the basic CalPERS program as follows: **Non-safety**: 2.7 percent (times each year of service) at 55, with an average of the highest paid 12 months of employment when determining final compensation. The additional .7 percent is the "enhanced" benefit.
- **PEPRA**—Public Employees' Pension Reform Act of 2013 (which became effective January 1, 2013); PEPRA stipulates the retirement benefit formula for new CalPERS non-safety and safety members and requires an *employee* contribution rate of at least 50 percent of normal cost for these members. The retirement benefit formulas are as follows: 1) **Non-safety**: 2 percent (times each year of service) at age 62, with an average of the highest paid consecutive 36 months of employment when determining final compensation. 2) **Safety**: 2.7 percent (times each year of service) at age 57, with an average of the highest paid consecutive 36 months of employment when determining final compensation.
- **GASB 45**—Government Accounting Standards Board Statement 45, Post-Employment Healthcare Plan Funding Status. This is a pre-funding method of providing retiree health care benefits that is prudent, but not required. The City is not making contributions for future funding, but rather, uses the pay-as-you-go method.

The situation we find ourselves in today in Redding is that we have a very "mature" group of actively working City employees, as well as a very high ratio of retirees to actively working employees. There are a total of **741 active** employees, with an average annual pay of **\$68,446**, and an average age of **47.2**. There are a total of **965 retirees** receiving benefits. So, our cost to provide the agreed upon retirement benefits, according to the actuaries who figure these things out, are high and going higher. It doesn't help that the investment rate of return for CalPERS has not been as high as predicted. Unfortunately, taxpayers are on the hook to make up the difference.

The current costs to provide the contracted retirement benefits, as a percentage of payroll, look like this:

2013-2014 Cal PERS rates:

<u>Employer Contribution Rate</u>	+	<u>Employee Contribution Rate</u>	+	<u>Employee Contribution Rate</u>
Employer Non-Safety: 18.482%	+	Classic Employee: 7%	+	PEPRA Employee: 6.75%
Employer Safety: 40.704%	+	Classic Employee: 9%	+	PEPRA Employee: 12.0%

July 1, 2013 through June 30, 2015 **Additional PARS** Employer Contribution rates:

Unrepresented: 22.86% RPOA Misc.: 13.78% SEIU: 16.28% IBEW Maintenance: 16.94% IBEW Electric: 13.78%

All employees hired before January 1, 2013: Retiree Health Care—50% of premium, or \$ 778.00 per month

Because of Measures A and B, which were passed by about 70% of voters in 2010, existing City employees are now required to pay the employees' share of the costs for CalPERS premiums. That helps, but with the continual rising costs to provide these benefits, by the time the full impact (2019-2020) of projected employer contributions to the CalPERS program as well as projected increases in the PARS program hit the City, they will need \$8.5 million on top of what we are paying now. That's over \$2 million per year between now and then.

Turtle Bay Hotel Land Negotiations Will Continue

At the May 7th Redding City Council meeting, attorney Mike Ashby, representing the McConnell Foundation, made a presentation regarding its request to purchase all or a portion of property that lies within about 60 acres now leased by Turtle Bay Exploration Park from the City of Redding.

Just to review, since 2010, Turtle Bay has been actively working to construct a hotel and restaurant on its campus with the goal of achieving a steady source of income to support the museum. The City Council gave its approval to Turtle Bay to proceed with the development process. During this process, Turtle Bay was challenged by labor union representatives who contend that the construction of the hotel is subject to prevailing wages. Turtle Bay has said that paying prevailing wage on this project would increase the costs by over \$3.2 million, making it unfeasible. As a result, Turtle Bay and one of its private funding partners, The McConnell Foundation, requested to purchase from the City all or a portion of the property under the Turtle Bay leasehold. They believe that purchasing the property on which its hotel and future enterprises may be developed will effectively eliminate the prevailing wage requirements.

All five Council members agreed that the City should negotiate with The McConnell Foundation, but not for the acreages requested. A recommendation was to come back to Council at the June 4, 2013 regularly scheduled City Council meeting for Council consideration as well as public review, but that did not happen.

Instead, after several closed session negotiations between the City and the McConnell Foundation, a special meeting and public hearing was held on June 20th at City Council Chambers. The meeting lasted 3 hours, as 36 speakers addressed the Council, with 19 voicing support and 17 their concerns over the most recent proposal. That proposal was for the McConnell Foundation to convey up to 80 acres of their Gore Ranch in exchange for **14.1 acres** of land currently leased by Turtle Bay. This 14.1 acres is the acreage that Turtle Bay Exploration Park now occupies (4.1 acres), along with the 5 acres that the Sheraton Hotel would occupy, and the 5 acres of "dirt" areas to the South, all the way to Highway 44. It is much less than the Foundation's original offer of either 60 acres or 20 acres.

It was explained that the Gore Ranch acreage sits close to the City's Power Plant on Clear Creek Road, and could possibly be used to create a solar power plant, or to replace the police department's firing range. Another option was for possible relocation of the Redding Rodeo Grounds, but the Redding Rodeo Association said they had no interest in relocating to this location. Other ideas for the potential use of this property could be explored, according to City Manager Kurt Starman. There are, however, some issues that would need to be overcome before any deal could be struck, not the least of which is the need to obtain right-of-way easements to have access to the Gore property. Whatever the use of these 80 acres, it would be far into the future.

But, at the end of the open discussion about the pros and cons of this property exchange, it was "mentioned" that if the Council preferred a cash transaction for the 14.1 acres, the McConnell Foundation was certainly agreeable to that. .

It seems that at least one group feels like this whole discussion has turned into a war on prevailing wage. Labor leader Andrew Meredith, of the Northeastern California Building and Construction Trades Organization said, "I will tell you with 100 percent certainty that California state building trades will not stand idly by while organizations declare war on the prevailing wage law. It won't happen. And if the City of Redding aligns themselves with organizations that go to war with prevailing wages, they're going to understand the ramifications of those decisions." In their proposals, the McConnell Foundation also offers to give the city cover from any legal claims related to the prevailing wages for the hotel's construction.

In the end, the City Council voted 3-2 to continue negotiations with the McConnell Foundation for a land exchange or cash transaction for the 14.1 acres of land currently leased by Turtle Bay. Council members Gary Cadd and Patrick Jones were the dissenting votes. Neither supports a land swap, and Patrick Jones does not support any negotiations out of concern of exposing the City to more liability (i.e. problems with labor leaders).

City Manager Kurt Starman and Mayor Bosetti will continue to represent the City in the continuing negotiations. Because of the amount of work that would need to be done in the process, it will more than likely be August 2013 before a proposal would be presented to Council in a public forum.

Stay tuned!

Council Hears Impact Fee Recommendation (continued)

There remains much work to be done before the final report will be completed. Administrative guidelines need to be updated before a resolution is brought before Council for consideration for adoption. Traffic impact fee application for commercial and industrial building categories is *still in the process* of being updated, and additional work is needed in relation to park fees. There are still key modifications to be made to the application of fees for commercial and industrial buildings. To better understand just what the “application of fees” means/accomplishes, here are examples of just what they could do to better assist businesses wanting to build or expand in Redding, *should Council agree*:

- **Water and Sewer Connection Fees—Recommendation:** Change the calculation from using household equivalent (HE) factors to using the size of the water meter, which must be appropriate for the type of business usage. This results in a much simpler and lower fee:

Meter Size	Equivalency to Base Meter Size	Unit Cost Water	Updated Fee per Meter Water	Existing Fee per Meter Water	\$ Change Water	Unit Cost Sewer	Capacity Fee Per Meter Sewer
5/8 inch	1.00	\$ 5,600	\$ 5,600	\$ 6,896	-\$ 1,296	\$ 7,000	\$ 7,000
3/4 inch	1.50	\$ 5,600	\$ 8,400	\$ 10,333	-\$ 1,933	\$ 7,000	\$10,500
1 inch	2.50	\$ 5,600	\$ 14,000	\$ 17,222	-\$ 3,222	\$ 7,000	\$17,500
1 1/2 inch	5.00	\$ 5,600	\$ 28,000	\$ 34,445	-\$ 6,445	\$ 7,000	\$35,000
2 inch	8.0	\$ 5,600	\$ 44,800	\$ 55,111	-\$10,331	\$ 7,000	\$56,000
3 inch	16.0	\$ 5,600	\$ 89,600	\$110,222	-\$20,622	\$ 7,000	\$112,000
12 inch (largest)	215.00	\$ 5,600	\$1,204,000	\$1,461,114	-\$277,114	\$ 7,000	\$1,505,000

- **Multi-Tenant Buildings—Recommendation:** Change the “use” determination that currently assigns each new multi-use building “commercial general” fees to one that is a blended fee using an “average use” determination. This would eliminate the reevaluation process for tenant changes, and potentially *eliminate additional impact fees to tenants*. When the building is built, any impact fees due would be payable prior to the occupancy permit being issued.
- **Commercial Traffic Impact Fee Calculation-Recommendation:** Change the number of commercial use categories to better account for traffic impacts. This may reduce the amount of fees charged to many types of businesses who are currently lumped into one of four categories.

Once these and a few other potential modifications have been incorporated into administrative guidelines, the final report can be completed, and a resolution drawn up for consideration of adoption by City Council. Barring any major setbacks, **the target date for final Council consideration and a public hearing is August 20, 2013.**

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