



Incorporated May 14, 1946

City of Portola

35 Third Avenue P.O. Box 1225

Portola, California 96122

Fax: (530) 832-5418

(530) 832-4216

www.ci.portola.ca.us

September 27, 2012

The Honorable Janet Hilde
Presiding Judge
Plumas County Superior Court
520 Main Street, Room 104
Quincy, CA 95971

Re: 2011/2012 Grand Jury Report Response

Judge Hilde:

The City of Portola has reviewed the Plumas County Grand Jury Report regarding "Portola- the Whole Story". Pursuant to Penal Code Section 933.05, the City is responding to the findings and recommendations in the Grand Jury Report.

The Grand Jury investigated the City of Portola's finances to determine if the City was spending money foolishly; losing money in its Enterprise Funds (specifically water and sewer); determine if new water and sewer rates were justified and to make sure the Prop 218 process was followed correctly and legally.

The Grand Jury found that the increase in water and sewer rates were warranted and that the City was in compliance with Prop 218 they also found no evidence of malfeasance or misfeasance by the City however they scrutinized the processes, procedures and methods used by the City Council.

Following are responses of the City to the findings and recommendations outlined in the report.

Recommendation – Page 4

- R1.** The Grand Jury strongly recommends the City maintain the "weak-mayor" form of government.

The recommendation has been implemented.

The City does not intend to take any steps to change the City from a City Manager form of government to a "strong-mayor" form of government

Findings – Page 5

- F1.** The City Council fails to ask pertinent questions and verify information provided by the City staff. Most items placed on the City Council's Consent Agenda are approved without any public discussion.

The City disagrees with this finding.

City Councilmembers receive their agenda packet prior to the meeting allowing them time to ask questions of staff prior to the meeting.

A consent agenda, sometimes called a consent "calendar," is a component of a meeting agenda that enables the City Council to group routine items and resolutions under one umbrella. Often issues that have been previously discussed by the City Council and are ready for action are included on the consent calendar. As the name implies, there is a general agreement on the procedure. Issues on this consent calendar do not need any discussion before a vote. Unless a City Council member feels that an item should be discussed and requests the removal of that item ahead of time, the entire package is voted on at once without any additional explanations or comments. Because no questions or comments on these items are allowed during the meeting, this procedure saves time. As mentioned above, any item can be removed from the consent calendar to be discussed and acted on separately.

- F2.** Members of the City Council did not know the simplest things about the City's financial condition. When asked how much money the City had in its bank accounts, none of the five Councilmembers knew the answer. One member even stated that "it was none of my business to know."

The City disagrees with this finding.

Members of the City Council are provided with quarterly finance reports that include a report on cash balances in all funds. Councilmembers rely on the expertise of staff to provide them with clear and concise reports. Since bank account balances fluctuate daily information is not necessary. Once a Councilmember has reviewed a report and is confident and satisfied with the contents there is no longer a need to retain that specific information.

- F3.** The City Council makes decisions and approves expenditures at every bi-weekly meeting without knowing how much money is available. They rely totally on the City Finance Officer for that information. If the Finance Officer says they have the money, they usually approve all expenditures without discussion.

The City disagrees with this finding.

Routine expenses that fall within the approved budget are typically approved without further discussion. If the City Council can not trust the Finance Officer to tell them how much money they have the Finance Officer should be dismissed.

- F4.** The City staff provides City Councilmembers with an information packet 5 days before every meeting. The packet contains documentation and information regarding items up for discussion on the Agenda. It appeared that only two City Councilmembers took the time to study the information so they were informed and asked appropriate questions of Staff during the meeting.

The City disagrees with this finding.

The time it takes for each individual Councilmember to read and study the packet varies. If the public isn't satisfied with the way a member of the City Council researches the issues they should not elect them to office.

- F5. There is no meaningful debate among City Councilmembers in a public forum on Agenda items.

The City disagrees with this finding.

Debate isn't always necessary; there is discussion of agenda items during the public meeting.

- F6. There were many discrepancies between the City Council members regarding the amount of money spent on the Water Treatment Plant and other city expenditures.

The City agrees with this finding.

The Water Treatment Plant is a project owned by the Plumas County Flood Control District. Because of the federal grant monies awarded, the project was actually carried out by the United States Army Corp of Engineers.

Recommendations – Page 5

- R1. Councilmembers should debate Agenda items up for a vote during the meeting so the citizens will know the position each Councilmember has on a particular issue.

The recommendation will be implemented as necessitated by the particular item before the City Council.

Debate is not always necessary. Councilmembers debate items when there is disagreement among them or by those in attendance at the meeting. Citizens will know how a Councilmember feels about an issue by the vote of the member.

- R2. Councilmembers must study the information packets presented to them by City staff prior to their bi-weekly meetings in order to make informed decisions at the meetings.

The recommendation has been implemented.

Members of the City Council study the information packets at their own individual level in order to make informed decisions.

- R3. Councilmembers should show respect and dignity to citizens who come before them with questions and suggestions.

The recommendation has been implemented.

Members of the City Council show respect and dignity to citizens.

- R4. The Mayor should be educated on proper meeting decorum. All City Council members should be familiar with "Roberts Rules of Order" and "The Brown Act".

A portion of this recommendation has been implemented another portion will not be implemented.

The City does not strictly adhere to Roberts Rules of Order when conducting a meeting. All Councilmembers receive a review of the Brown Act when they take office, regularly in compliance with AB 1234 and are given training on meeting decorum.

- R5.** The Mayor must run a controlled meeting adhering to a pre-allotted time for citizens to speak and not allow them to defame or behave in an unprofessional manner.

The recommendation will not be implemented.

The City does not have a policy which limits the time for citizens to comment during meetings. All amounts of audience participation are welcomed.

Findings – Page 7

- F1.** The constant increase of State regulations is very burdensome and time consuming and requires a full time professional to manage and interpret the ever changing regulations.

The City agrees with this finding.

- F2.** The City staff is performing its duties in a coherent and professional manner. Understaffed and wearing many different hats from time to time, the City staff has demonstrated a professional adherence to their positions and responsibilities.

The City agrees with this finding.

The Council joins in this praise of staff and would like to thank the Grand Jury for this finding.

Recommendations – Page 7

- R1.** The Grand Jury could find no significant deficiencies with the City staff and therefore recommends they keep up the good work.

The recommendation has been implemented.

The City Council will encourage staff to continue to perform their job duties in a professional and efficient manner.

Recommendation – Page 8

- R1.** The Grand Jury recommends the City cooperate fully with the Woodbridge development project to insure its completion.

A portion of this recommendation has been implemented another portion will not be implemented.

The City will continue to fully cooperate with the Woodbridge developer but can not ensure the completion of the project if the developer is unable to fund the project.

Findings – Page 13

- F1. The Grand Jury found the final cost for the treatment plant is not consistent; it depends on which agency gave the information.

The City agrees with this finding.

The Lake Davis Water Treatment Plant is owned by the Plumas County Flood Control District and was a construction project carried out by the United States Army Corp of Engineers; the City has provided information from its records.

- F2. The City of Portola paid a total of \$1,154,278 for the water treatment plant, 17% of the total construction costs. State and federal funds accounted for 56% of the cost.

The City agrees with this finding.

The statement is based on information that was provided by the Plumas County Flood Control District. A final reconciliation is provided for in the agreement between the City and the Flood Control District.

Recommendations – Page 13

- R1. The Grand Jury recommends the City fulfill its contractual obligation in obtaining; operating and maintaining the water treatment plant and insure Lake Davis as a primary source of potable water.

The City agrees with and intends to implement this finding.

The City is continuing to work toward accepting ownership of the Treatment Plant.

Findings – Page 15

- F1. Portola has been struggling with obtaining and maintaining access to affordable drinking water since its inception as a City in 1946.

The City agrees with this finding.

- F2. The City of Portola is losing approximately \$200,000 per year in its Sewer/Water Enterprise Fund.

The City partially disagrees with this finding.

While it is true that the water and sewer funds have had negative operating cash the City Council has made great strides in reducing expenses and setting rates so that the water and sewer funds are self supporting.

F3. The citizens of Portola are experiencing severe economic hardship.

The City agrees with this finding.

F4. The citizens of Portola are being asked to use less water and pay more for it.

The City agrees with this finding.

F5. Portola pays for an allotment of approximately 665 acre feet of water each year whether they use it or not.

The City agrees with this finding.

F6. Portola is using a total of approximately 350 acre feet of water each year. This is about half of the allotment purchased from the State each year for Lake Davis water.

The City agrees with this finding.

F7. In May of 2008, water from Lake Davis and the water treatment plant were certified safe for drinking by the State Department of Public Health.

The City agrees with this finding.

F8. The Prop 218 process was completed properly by the City Council and City staff.

The City agrees with this finding.

Recommendations – Page 15

R1. The City should leave the current increased rate in place, but review each year.

The recommendation has been implemented.

R2. The City should modify its water rates schedule to offer customers three Base Plans, i.e.; 2000 gallons per month, 6000 per month and 10,000 gallons per month. Customers could choose the plan that best suits their needs and be charged extra for usage over and above their base plan.

The recommendation will not be implemented.

The City feels the current rate structure satisfies this recommendation. Customers are charged for the water they consume.

R3. The City should modify its billing schedule so that the Base Plan will cover the majority of the fixed costs for the system and the usage portion should cover the majority of the delivery expenses. This type of billing system will insure the City has enough funds to operate its system even in drought and conservation conditions.

The recommendation will not be implemented.

The City feels the current rate structure satisfies this recommendation.

- R4. Modify the monthly utility bill to reflect more clearly the exact costs of water, sewer, solid waste and landfill fees.

The recommendation has been implemented.

The current bill reflects a total of 10 different billing categories with billing codes defined on the reverse of the bill.

- R5. The City in conjunction with an independent rate consultant should prepare and publicize an annual water/sewer rate study. The City should review the rates for each upcoming year by analyzing current costs and projected revenues under existing rates. The City should publicize the report at least 60 days before any changes in rates are made.

The recommendation will not be implemented.

Costs associated with an annual water/sewer rate study would be passed on to the customers and provide the need for additional rate increases. The industry standard of projecting revenues and expenditures for a 5 year period allows a 5 year rate plan to be developed for a one time cost. During annual budget workshops the City reviews current revenues/expenditures as they relate to the rates at the time and is able to make adjustments accordingly.

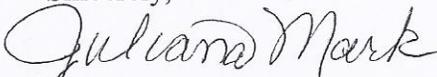
- R6. Portola has to take immediate steps to keep its remaining customer base and increase it if possible. Portola must keep service rates affordable and to offer incentives for business and residents to come in and take up residence in the City.

A portion of this recommendation has been implemented another portion will not be implemented.

The City agrees that it needs to keep its remaining customer base and increase it if possible, rates must remain affordable and the City would consider incentives for new businesses and residents.

The City appreciates the Grand Jury's service, investigation of the City's finances and the opportunity for the City to provide this response. The City will continue strive for fiscal security and stability despite the challenging economic times and the growing expense of mandates handed out by the State and Federal governments.

Sincerely,



Juliana Mark
Mayor