

**RIO DELL CITY COUNCIL
REGULAR MEETING MINUTES
MARCH 18, 2025**

Mayor Garnes called the regular meeting of the Rio Dell City Council to order at 5:00 p.m.

ROLL CALL: Present: Mayor Garnes, Mayor Pro Tem Carter, Councilmembers Orr, Wilson, and Woodall

Others Present: City Manager Knopp, Police Chief Phinney, Finance Director Sanborn, Water/Roadways Superintendent Jensen, Wastewater Superintendent Kelly, Senior Fiscal Assistant Maciel, Senior Fiscal Assistant Townsend, and City Clerk Clerk Dunham

Absent: Community Development Director Caldwell (excused)

ANNOUNCEMENT OF ITEMS TO BE DISCUSSED IN CLOSED SESSION

Conference with Labor Negotiator – Agency Negotiator: City Manager – Employee Organizations: Rio Dell Employees Association, Rio Dell Police Officers Association, and all Contract Employees Pursuant to §54957

Conference with Legal Counsel – Anticipated Litigation – Significant Exposure to Litigation Pursuant to §54956.9(b) – 1 Potential Case – Facts and Circumstances Unknown

PUBLIC COMMENT REGARDING CLOSED SESSION

No members of the public were present to comment.

RECESS INTO CLOSED SESSION

The Council recessed into a closed session at 5:00 p.m. with City Manager Knopp and City Attorney Gans to discuss the above-listed matters.

The Council reconvened into open session at 6:00 p.m.

Mayor Garnes announced that there was nothing to report out of closed session.

PUBLIC PRESENTATIONS

Mayor Garnes invited public comment on non-agenda matters. No public comment was received.

CONSENT CALENDAR

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Mayor Garnes asked if any council member, staff, or member of the public would like to remove any item from the consent calendar for a separate discussion.

Councilmember Woodall removed consent calendar item 2 and Mayor Garnes removed consent calendar item 4 for separate discussion.

A motion was made by Carter/Woodall to approve the consent calendar, including the following items:

- 1) Minutes of the March 4, 2025 Regular Meeting;
- 2) Conflict of Interest Disclosure and Waiver as presented by the Mitchell Law Firm, LLP; and
- 3) Check Register for February 2025

Motion carried 5-0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Approve the Training MOU Between the City of Rio Dell Police Department and the City of Fortuna Police Department

Councilmember Woodall commented that the training MOU was a great idea and would be a benefit to the City.

A motion was made by Woodall/Carter to approve the Training MOU Between the Rio Dell Police Department and the Fortuna Police Department. Motion carried 5-0.

Authorize the Mayor to Execute a Letter of Support for AB 262 (Caloza), the California Individual Assistance Act

Mayor Garnes said that the bill is going to committee and in the event of a declared state of emergency would establish a grant program to provide financial assistance to local agencies and individuals for specified costs related to a disaster. She said that the bill is very important for small rural disadvantaged communities and thanked Cindy Silva, Cal Cities, and Assembly Member Caloza for bringing the bill forward.

A motion was made by Garnes/Carter to authorize the Mayor to execute a Letter of Support for AB 262 (Caloza), the California Individual Assistance Act. Motion carried 5-0.

REPORTS/STAFF COMMUNICATIONS

City Manager/Staff Update

City Manager Knopp highlighted the staff update and thanked the Police Department for initiating the nuisance abatement at 520 First Ave. He said that despite the strange weather event the wastewater system weathered it well which is a testament to the work of the Public Works Department. He noted that the Police Department Staff Update was

submitted under separate cover and announced there would be a Nuisance Advisory Committee meeting tomorrow at 3:00 p.m.

Mayor Pro Tem Carter referred to the Animal Control report with zero dogs and 0 cats transported to Miranda's Rescue. She thanked City staff for the work they do to make our city wonderful.

Councilmember Woodall thanked Police Chief Phinney and SCO Clark for the nuisance abatement on First Ave.

Mayor Garnes said that the City is fortunate to have excellent staff.

SPECIAL PRESENTATIONS/STUDY SESSIONS

Presentation by JJA, CPA, Inc. on the City's Audited Financial Statements

Finance Director Sanborn provided a staff report and said that each year an independent auditing firm audits and prepares financial statements for the City of Rio Dell in accordance with Generally Accepted Accounting Principals. Those standards require an audit to be performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. He then introduced Brett Jones, the City's auditor from JJA, CPA, Inc. who was present via Zoom to present to the Council, the FY 2023-2024 audited financial statements and accompanying information.

Brett Jones began by stating that the City received an unqualified opinion and no material weaknesses were identified which is great news and the best opinion the City can receive. He said their responsibility is to make reasonable assurance that the financial statements are free from material misstatement. Additionally, they identify and assess the risk of misstatement and perform procedures to address those risks as well as understand the internal controls of the City and report on any findings, and identify any significant deficiencies or general weaknesses they need to inform the Council about. He said they also evaluate the appropriateness of the accounting policies used by the City and include any conditions that raise potential doubt about the City's ability to continue, and to ensure the City is not heading toward bankruptcy.

He then reviewed the format of the financial statements and said after their audit report is the Management Discussion and Analysis (MDNA) section which provides analysis of the governmental activities of the City and is a great resource for the City to look at. Following the MDNA are the financial statements themselves starting with the Government-Wide Financial Analysis and Statement Activity, the Balance Sheet, and the Report on Internal Controls.

Following the financial statements are notes on the City's accounting policies and a report on internal controls. Lastly, they issue a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed

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in accordance with Government Auditing Standards and a communication letter to the City Council providing additional information on the audit.

He concluded the presentation by stating that Finance Director Sanborn and the finance staff did a great job getting them everything they needed to complete the audit without any issues.

Councilmembers thanked the auditor and Finance Director Sanborn.

Fiscal Year 2024-2025 Mid-Year Financial Report

City Manager Knopp commended Finance Director Sanborn for doing a fantastic job for the City.

Finance Director Sanborn provided a staff report and began by reiterating that the audit process takes approximately 3 months with all hands on deck and extended thanks to the finance staff and everyone involved in the audit process.

He said tonight he is presenting the Mid-Year Financial Report for FY 2024-25, providing an overview of the City's financial performance as of December 31, 2024. The report summarizes revenues and expenditures for the first half of the fiscal year, highlights key variances from the adjusted budget, and offers insights into financial trends that may impact the City in the coming years. He said it is important to note that this analysis is based on unaudited financials.

He further explained the City's finances are managed through three primary fund types: the General Fund, which serves as the City's main operating fund; the Enterprise Funds, which include water and sewer services and are designed to be self-sustaining; and the Special Revenue Funds, which are designed for specific uses such as streets and grant-funded projects.

He noted that, at the mid-year point, the city's expenditures exceeded revenues by approximately \$800,000. This shortfall is primarily due to the timing of revenue receipts from other governmental agencies and pending reimbursements for grant-funded projects, including the Eel River Trail and the Water Distribution System Capital Improvement Project. When focusing on the General Fund specifically, expenditures exceeded revenues by approximately \$152,000, largely because property tax and Vehicle License Fee revenues from the County of Humboldt are received later in the fiscal year.

Finance Director Sanborn explained that a review of departmental spending shows that most departments are operating within budget expectations. As of December 31, the City had spent 45 percent of its total operating budget. The majority of departments remained at or below 50 percent of their budgeted expenditures at the mid-year mark, which indicates a balanced approach to spending.

He said in looking at the City's revenue performance, General Fund revenues stood at 22 percent of the budgeted amount by mid-year, compared to 29 percent at the same time last year. The primary reason for this decline is the delayed receipt of property tax and In-Lieu Vehicle License Fee payments, which are traditionally received in the second half of the fiscal year. Cannabis tax revenue reached 28 percent of the budget at mid-year, which was lower than anticipated. However, this is largely due to Ordinance 397-2023, which provided cultivators at the Dinsmore Plateau the option to make a one-time tax payment by March 15 instead of quarterly payments throughout the fiscal year.

The Street Fund received 41 percent of its budgeted revenues at mid-year, while actual expenditures for street-related projects were at 40 percent of the adopted budget. He noted that the City has not yet expended any funds for budgeted capital projects approved for the current fiscal year.

The Sewer Enterprise Fund performed well, with revenues reaching 63 percent of budget while expenditures stood at 44 percent. A significant increase in Sewer Capital revenues was driven by long-awaited reimbursements from CalOES for earthquake-related infrastructure damage.

Finance Director Sanborn reported the City's \$6.6 million wastewater treatment plant loan with the California Water Board remains on schedule for full repayment by 2043. Similarly, the Water Enterprise Fund received 56 percent of its budgeted revenues by mid-year, with 41 percent of its budgeted expenditures recorded. The City's \$2.7 million water plant loan with the California State Water Board is expected to be fully repaid by 2029.

He pointed out that while the City's budget remains on track overall, several key challenges may impact future financial planning. The Master Earthquake Recovery Project List currently has an estimated total cost of nearly \$36 million. If no additional reimbursements are granted, the City's required 25 percent cost share will amount to just under \$9 million, representing a significant fiscal commitment.

He explained another ongoing challenge is the volatility of the cannabis market, which continues to create financial uncertainty for both local governments and industry producers. Although the market has faced recent setbacks, the City remains in its long-term viability and its continued impact on the local economy.

He said a third financial consideration is the growing strain on street infrastructure funding. Although electric vehicle owners pay fees intended to offset declining gas tax revenues, the State's funding formulas remain inadequate to fully replace these losses. The Legislative Analyst's Office projects a \$6 million decline in gas tax revenue over the next decade, which will likely result in reduced state transportation funding for local governments. As a result, the City may need to allocate a greater share of General Fund resources to cover street maintenance and improvement projects in the future.

In summary, he commented that the City's financial position remains stable, with revenues and expenditures largely aligning with budget expectations. However, the outlook highlights key fiscal challenges, including the financial burden of earthquake recovery, shifts in long-term funding sources, and the ongoing unpredictability of the cannabis market. In moving forward, careful financial planning and strategic decision-making will be essential to ensuring the City's continued fiscal health.

Finance Director Sanborn concluded the presentation and called for questions from the Council.

Councilmember Orr asked if there was an estimate on when the City would receive earthquake reimbursements.

Finance Director Sanborn explained that the City received confirmation from the State that all of the work that has been completed has been approved by CalOES. He noted that the most recent was water infrastructure work done after the immediate aftermath. The work by staff to do those repairs was a significant cost outlay at over \$300,000. It took over two years grinding through the process to get approval from the state and the City is waiting for that reimbursement. Staff will be working with the state to go over financing plans because some of these projects supersede the final budget so finding creative ways to accomplish those projects is necessary.

City Manager Knopp noted that some of the work to be done by Wahlund Construction on the Water CIP will knock off some items on the list.

COUNCIL REPORTS/COMMUNICATIONS

Mayor Pro Tem Carter reported on the St. Patrick's Day Celebration at Scotia Lodge and thanked Albert Houghton for providing the entertainment (singing), reported on an upcoming Blood Drive at the Community Resource Center on Thursday from 10 a.m. to 4:00 p.m. with a free lunch, said the Spay-Neuter Voucher Assistance program is working well, she attended a Rio Dell School Board Meeting last Thursday where they are forming a 711 Committee to see if the property is indeed surplus and if it should be considered for sale to the City for a park, and that she would be attending a RREDC meeting on March 24th.

She also reported that she attended a Cal Cities Regional meeting in Willits on March 14th and received a special presentation from CalFire's Office of Land Use and Planning and CalOES's Office of Mitigation Planning on the updated fire hazard severity zone maps and disaster mitigation planning. She said that what she learned was that jurisdictions are stuck with the maps as provided for 5 years with no negotiations for down-grading the ranking and no appeal process. She urged everyone to review CalFire's website and look at the map.

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City Manager Knopp pointed out that similar fire hazard maps were released in Oregon and due to local government outcry, the mapping process was rejected so they will be going back and taking another look at the mapping process.

Councilmember Woodall asked if the City would have an opportunity to provide input at the end of the 5-year commitment.

Mayor Pro Tem Carter explained that formulas are used in producing the maps and local jurisdictions don't have a lot of say on how the areas are rated. Establishing defensible space was recommended but it is difficult to do in urban areas.

Councilmember Wilson asked what, if any effect the maps had on Rio Dell.

Mayor Pro Tem Carter said that most areas of the City were not rated extremely high but higher than she thought they should be. She indicated that insurance companies could raise rates or cancel policies based on the fire hazard maps.

Councilmember Woodall reported that she would be attending a CERT meeting tomorrow night and that she attended a Fire District Board of Directors meeting on Thursday and would be attending the Nuisance Advisory Committee meeting tomorrow.

Councilmember Orr reported that he would be attending an HCAOG meeting on Thursday.

Mayor Garnes reported she would be attending a LAFco meeting tomorrow, a Great Redwood Trail meeting on Thursday, and a Cal Cities meeting on March 28th in Burbank.

ADJOURNMENT

A motion was made by Carter/Woodall to adjourn the meeting at 6:34 p.m. to the April 1, 2025, regular meeting. Motion carried 5-0.

Debra Garnes, Mayor

Attest:

Karen Dunham, City Clerk