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## STAFF REPORT

**TO:** THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
**MEETING DATE:** DECEMBER 1, 2014  
**FROM:** AMY GEDNEY, CITY MANAGER  
**SUBJECT:** ADOPTION OF RESOLUTION 14-15 - \*

Item 10A

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### RECOMMENDATION:

Adopt Resolution 14-15-\* a Resolution Rescinding Resolution 09-10-20 and Restating the Use of Funds Originally Deposited to the Highway Relinquishment Fund.

### BACKGROUND:

On March 17, 2003, the City entered into an agreement with the State of California, included in Resolution 14-15-\*'s Attachment A. In this Agreement, the State of California paid the City \$3,049,600 and relinquished what is now known as old Highway 49 to the City. In exchange, the City agreed to accept future reconstruction, maintenance and liability for the relinquished roadway. After the City received the monies, the City deposited the monies into Fund 39, known as the Relinquishment Fund.

As the economy weakened and revenues declined, the City spent money on operations and other projects. To balance those deficits, the City used the monies from Fund 39 and adopted Resolution 09-10-20 stating that certain funds could not generate the revenue to repay that money. The Resolution also further states that certain funds would have to repay Fund 39 as resources became available. Finally, the Resolution also indicates that Main Street Bridge replacement project and the Broad Street Storm Drain project would be allowed to receive monies from Fund 39.

### DISCUSSION:

Initially it was believed that the use of these funds was restricted for use solely on the relinquished portion of the highway. However, the City Attorney has carefully researched the matter and has concluded that neither the Streets and Highways Code or the Agreement restrict the use of the funds, and therefore, can be used in whatever manner the City deems appropriate, shown as Attachment A to this report.

Because the City had originally passed a Resolution stating that it would repay the inter fund loans, and because the City does not have the means to repay the loans, the City has received adverse audit opinions regarding the City's financial position.

Furthermore, the City Attorney has indicated that the City Funds that used the relinquishment money are not obligated to repay those monies to the relinquishment fund, therefore this Resolution rescinds the previous Resolution 09-10-20, and restates what the City intends on using the remaining funds for.

### BUDGET IMPACT:

While this Resolution will have no impact on the existing Budget, it is anticipated that it will assist in completing the City's 12-13 financial audit.