

CITY OF LAKEPORT

*Over 100 years of community
pride, progress and service*



September 15, 2016

The Honorable Stephen O. Hedstrom
Superior Court of California
County of Lake
PO Box 1078
Kelseyville, CA 95451

Dear Judge Hedstrom,

The City of Lakeport respectfully submits our responses to the 2015-2016 Lake County Grand Jury Final Report which reference the City of Lakeport.

The City responses to the Pension Plan Review, Nuisance Abatement Code Enforcement, Neighbors Objection to Vector Control Expansion Plans, and the Lakeport City General Plan Zoning Ordinances Inconsistencies, have all been addressed in the following pages.

Staff has addressed all findings and recommendations of the Grand Jury in all of the above mentioned reviews.

The City of Lakeport would like to express our gratitude for the hard work of the Grand Jury and for their service to the Citizens of Lake County.

Respectfully,

Margaret Silveira
City Manager
City of Lakeport

PENSION PLAN REVIEWS

The City takes seriously its responsibility to provide our residents and employees complete and transparent financial information. We have been awarded the Governmental Finance Officers Association's Distinguished Budget Presentation Award for 2013, 2014 and 2015 and the Certificate of Achievement in Excellence in Financial Reporting in 2014 and 2015. These accolades speak to our focused efforts to improve the accuracy, usefulness and transparency of the City's budget and financial reporting. In addition, the City Council and staff have worked to reduce the costs of providing services to our community, including the cost of providing retirement benefits to City employees. The recent restructuring of the City's CalPERS side fund is an example of efforts taken to reduce these costs. The City looks to do the same in regards to other post-employment benefits (OPEB), through execution of a strategy to begin prefunding the City's obligation to provide retirement health benefits, as well as exploring other ways to reduce the overall liability.

Managing or reducing long-term obligations is a high priority but must be balanced against a small, rural city's ability to recruit and retain qualified employees. The City continues to strive to fully staff its ranks to relieve the heavy load on existing staff while providing the highest quality service possible. In terms of total compensation, Lakeport has fallen behind its closest neighbors – including the County of Lake – and lost its competitive edge in recruitment and retention. It is a common theme across the state but particularly challenging in our region where local revenues are extremely limited and competition in the labor marketplace is fierce.

Following is City Council's response to the Grand Jury's findings and recommendations.

Grand Jury Findings and City Responses

F1 It is difficult for the public to determine the overall cost of pensions as well as the percentage of total payroll costs because the data is not currently summarized, presented or published.

Response: The City's latest Comprehensive Annual Financial Report (CAFR) contains the aforementioned information. The CAFR is annually presented to the City Council at a publicly noticed meeting and is retained on the City's website. In addition, a physical copy of the City's CAFR is posted in the public areas of City Hall and available for any resident to review. As the City continues to evaluate and improve its financial reporting, we will look for ways to clearly communicate the overall cost of the pension benefits provided to City staff.

F2 Currently, there is no single point of contact in the County as three departments share administrative responsibility for pension plan handling: the County Administrative Officer, Human Resources Director and the Auditor/Controller.

Response: Not applicable.

F3 There is no directive or policy relative to a minimum level of pension liability funding that must be maintained by the County, Clearlake or Lakeport.

Response: The City has not developed or adopted a directive or policy relative to minimum levels of pension liability funding as the City is subject to, and adheres to, CalPERS directives and policies relative to pension liability funding.

F4 Neither the County, Clearlake nor Lakeport have Pension Committees that oversee pension plan administration, compliance or costs.

Response: The City has not established a Pension Committee as plan administration and compliance are provided by CalPERS. In addition, the City has little control over the costs or plans offered to City staff, especially since the Governor signed the Public Employees' Pension Reform Act which established reduced plan designs for employees hired after January 1, 2012. In addition, CalPERS establishes the required funding and payment requirements. As costs have increased, and as was noted in Finding 7, the City, as directed by City Council, has been proactive in reducing unfunded pension liabilities.

F5 The role of the pension plans in total employee compensation is not clearly articulated. It is not obvious how it fits in the total compensation structure.

Response: The City endeavors to provide clear communication to City staff about the cost of the pension plans and their total compensation. Both current and year to date information is presented on each pay stub. As well, the City meets at least annually with employees and provides information related to the budget where the pension cost is typically presented as percentage of payroll. In addition, the City has met three times in the last five years with employee labor groups and their representatives as part of the labor negotiation process. Each of these meetings included detailed conversations about available pension plans, employee perceptions about the plans and the related costs.

F6 Employee satisfaction with the pension plans is unknown.

Response: In 2012, California passed the Public Employees' Pension Reform Act, which made several changes including limiting plans available to newly hired employees to lower cost plans and made other reforms to existing plans. Having bargained three times in the last five years with each of its bargaining units, the City has an understanding of employee satisfaction with the plans offered and how these changes are viewed.

F7 Lakeport and the County are proactively reducing their unfunded pension liability.

Response: The City will continue to look for ways to reduce the costs of providing retirement benefits to employees. As options are considered they will be discussed both with City residents, through public meetings and with City staff through the labor negotiation process.

Grand Jury Recommendations and City Responses

R 1. A summary Annual Pension Report be compiled and reported annually to the governing bodies of the County, Clearlake and Lakeport. This report should include:

- The annual cost
- A breakdown of the funded and unfunded liabilities and comparison to established policy or goals
- The plan benefit formulas and any changes
- A summary of plan investment results
- CalPERS administration costs
- Benefit payments made
- Pending or projected changes or issues

Response: Some of the information in this recommended report is found in the City's latest Comprehensive Annual Financial Report (CAFR) as required by GASB 68. The CAFR is annually presented to the City Council at a publicly noticed meeting, is retained on the City's website and is available in City Hall for review. As we prepare the Fiscal Year 2015-2016 CAFR we will review the information not presented and where appropriate include it in the CAFR or in the City Budget.

R 2. This Annual Pension Report be posted and made available to plan participants and the public. Most of this data is available in the CalPERS GASB 68 reports. Appendix D includes a recommended format for this report. Appendix E includes a Sample report. (F1, F2, F3)

Response: See response to (R1)

R 3. One department in the County be assigned primary administrative responsibility for pension management. (F2)

Response: Not applicable.

R 4. The County, Clearlake and Lakeport establish a specific percentage of funding (Goal) by next fiscal year that must be achieved. The goal and actual achievement would be reported in the annual report per Recommendation 1 and Appendix D and E. (F3)

Response: The City has little control over the costs of the CalPERS plans offered to employees as CalPERS establishes the plan designs, required funding and payment requirements. Given the City's current budget situation, prefunding or super-funding is not financially feasible. As the City's financial situation changes, funding strategies will be evaluated along with other City service and community priorities.

R 5. A policy statement be developed to serve as a guide in program administrative, plan funding, and as a communication aid to participants and the public. (F5)

Response: CalPERS provides plan design, administration and compliance and has developed guiding policies for administration, investments, and funding. The development of a separate City policy would essentially mirror those policies developed by CalPERS. As already discussed, the City uses other means to communicate with staff and the public but will continue to look for ways enhance transparency.

R 6. An employee survey be conducted biannually of both active and retired employees to assess the cost/benefit effectiveness of their pension plans. (F6)

Response: Should the City conduct an employee survey, these items will be evaluated for inclusion in the survey.

R 7. Clearlake be more proactive in reducing its unfunded pension liability. It should review Lakeport's plan to determine if that approach would be beneficial. (F7)

Response: Not applicable.

NUISANCE ABATEMENT CODE ENFORCEMENT IN AND AROUND LAKE COUNTY AFTER THE 2015 WILDFIRES

As noted in the "Discussion and Analysis" section of the Lake County Grand Jury report, the City of Lakeport does not have an individual staff member dedicated to code enforcement. Code Enforcement functions are handled largely by the Community Development Department staff in addition to their other assigned functions. The Lakeport Police Department and Public Works Department staff also routinely assist in code enforcement functions. The City of Lakeport strives for the resolution of code enforcement violations through voluntary compliance. A vast majority of violations are resolved through direct communication or a courtesy letter to a violator. Administrative fines and abatement action is utilized as a last resort.

Since code enforcement functions are handled by several staff members of different departments and success has been achieved through informal processes, the tracking of received complaints had previously not been developed into a formal process. It is important to note, however, that the City has maintained a formal tracking system that has been used to log and track violations that the City has been unable to informally resolve in a timely manner. This tracking system is maintained and updated by the Community Development Department.

Following the meeting with members of the Planning and Public Works Division of the Grand Jury, the Lakeport Community Development Department has implemented a formal procedure for the taking of citizen violation complaints. This new tracking system includes the use of an official complaint form available at City Hall and on the City's website, www.cityoflakeport.com. Received complaints are logged into a tracking system and distributed to the appropriate City Department for follow-up compliance activities.

The following is the City Council's response to the Grand Jury's findings and recommendations.

Grand Jury Findings and City Responses

F1 The absence of records of past code complaints and resolutions in Lakeport makes an analysis by the Grand Jury of the effectiveness of the code enforcement process difficult or inaccurate.

Response: It is important to clarify that the City of Lakeport does maintain an electronic tracking system for Zoning Violations and Nuisance Abatement actions that dates back to 1996. What this tracking system did not until recently include was the tracking of received complaints and violations where compliance has been achieved informally through voluntary compliance.

F2 Although Clearlake is still behind on responding to complaints due to the lengthy time without nuisance inspectors, they appear to be working effectively with the inspectors they have now have, and are making good progress.

Response: Not applicable.

Grand Jury Recommendations and City Responses

R 1. Lakeport should establish a log of nuisance complaints. (F1)

Response: The City of Lakeport Community Development Department beginning earlier this year started the implementation of new *Code Enforcement Violation Investigation Procedures*. This has included the development of an official 'complaint form' available to the public both at City Hall and on the City's website (www.cityoflakeport.com). Received complaints are then logged and distributed to the appropriate City department for enforcement action. Verified Zoning Violations and Nuisance Abatements will continue to be tracked through the Community Development Department's existing system. This new policy/procedure not only includes the official logging of received complaints, it also allows for better communication amongst different City departments who all share Code Enforcement responsibilities.

R 2. Clearlake should purchase or share the program that the County government has purchased (Accela) to speed the processes involved in responding to nuisance complaints and enforcement reports. (F3)

Response: Not applicable.

NEIGHBORS OBJECT TO VECTOR CONTROL'S EXPANSION PLANS ON ESPLANADE STREET IN LAKEPORT

In 2013, the Lake County Vector Control District applied for a General Plan Amendment and Zone Change application with the City of Lakeport to designate all the lands in their operations upon Esplanade Street as "PCU" Public Civic Use to facilitate the future expansion of the existing offices and laboratory at this site. Lake County Vector Control has operated out of this location since 1954. The Esplanade facility is located within a predominately residential neighborhood. The need to expand the existing operations at this site to provide a more modern facility is certainly within the interest of the District, but may conflict with the residential character of the neighborhood. This conflict was at the heart of the discussion of several public meetings before both the Lakeport Planning Commission and City Council. Eventually, the proposed General Plan Amendment and Zone Change application was denied by the City Council in 2015 primarily due to the fact that application did not include details regarding the specific expansion plans of the Lake County Vector Control District that would allow the Council to determine if the expansion would be consistent with the General Plan and character of the existing neighborhood.

The City of Lakeport is in concurrence with the Grand Jury's recommendations that the key to resolving this conflict is greater communication between Lake County Vector Control and the Esplanade neighborhood. The City of Lakeport would welcome the re-application of a General Plan Amendment and Zone Change which is accompanied by detailed expansion plans that have been vetted and accepted by the Esplanade neighborhood.

Following is City Council's response to the Grand Jury's findings and recommendations.

Grand Jury Findings and City Responses

F1 Vector Control provides a valuable service to the County.

Response: The City of Lakeport is in concurrence with this finding.

F2 The current lab facilities on Esplanade Street are cramped and show signs of leaks, wear and decay.

Response: Not applicable.

F3 The Administrative building exterior on Esplanade Street appears dilapidated and unsightly.

Response: Not applicable.

F4 It is in the interest of the County to allow Vector Control to complete their project. The added and updated lab space will allow them to continue to better meet the abatement needs of the county.

Response: The City of Lakeport agrees that Vector Control provides a valuable service to the entire County. However, the decision of whether or not to permit the expansion of

the existing facility located at Esplanade is complicated by the location of the facility within a pre-dominantly residential neighborhood. Factors such as neighborhood compatibility, traffic and hazardous materials management must all be considered as part of any proposal to allow expanded uses at this site.

F5 A Strategic Plan would be a good tool to keep all concerned parties informed and on track concerning the progress of Vector Control long-term projects.

Response: See response to R 1 below.

F6 Keeping neighbors informed of expansion plans and schedules would open communications between Vector Control and the residents.

Response: See response to R 1 below.

Grand Jury Recommendations and City Responses

R 1. The Vector Control Board keep neighbors informed of the progress of their expansion as it develops. (F6)

Response: The City of Lakeport encourages the inclusion of the Esplanade neighborhood as part of the long-term planning process regarding the use of the Esplanade facility. In addition to being good planning practice, the City of Lakeport is hopeful that expanded communication between Vector Control and the Esplanade neighborhood will go a long way in overcoming the general distrust that currently exists by many of the longtime residents in this area. During the several public hearings held as part of the 2013 General Plan Amendment and Zone Change application, applied for by Vector Control, residents continually brought up the issue that the removal of the old building located at this site was required by an earlier expansion project in 2003 to provide adequate parking to serve the project. The failure to comply with this earlier project requirement has led to a general feeling by many in the area that Vector Control does not care about the well-being of its residential neighbors. Regular meetings between Vector Control and the Esplanade neighborhood to develop a mutually beneficial plan that meets the public service objectives of the Vector Control District but also includes reasonable measures and mitigations that protect the residential character of the surrounding neighborhood is highly encouraged by the City of Lakeport.

R 2. The Board of Trustees and Vector Control Management develop a strategic Plan by or before the end of the calendar year 2016, and make it available to concerned neighbors. (F5)

Response: Not applicable

R 3. Vector Control send Notices to the neighborhood one week prior to agencies using the Vector Control's meeting rooms after hours. (F6)

Response: Not applicable.

LAKEPORT CITY GENERAL PLAN AND ZONING ORDINANCES HAVE BEEN INCONSISTENT FOR 20 YEARS

The title of this report by the 2016 Lake County Grand Jury report is misleading. The title refers to a citywide issue yet the *Summary, Background and Discussion & Analysis* sections only concern one specific inconsistency involving properties on Esplanade Street in Lakeport that are owned by the Lake County Vector Control District.

On a citywide basis, the Lakeport Community Development Department actively works to resolve existing discrepancies for a number of properties throughout the City which currently have Zoning district classifications that are inconsistent with the land use designations noted within the General Plan. Most of these inconsistency's stem from the 2009 General Plan Update, which included a comprehensive update of land use classifications throughout the entire City. Due to reduced staffing levels and budget constraints stemming from the severe economic downturn of this period, City staff has not been able to actively engage in a comprehensive update of its Zoning Map to reflect the updated General Plan. In June of 2016, Community Development Department staff provided the Lakeport Planning Commission a listing of all property's within the City of Lakeport containing inconsistencies between their General Plan land use designations and zoning district classifications. The Planning Commission and public provided input and direction to staff on how to proceed with the resolution of these inconsistencies and City staff is actively working to remedy these issues in the short-term.

The inconsistency's involving the Lake County Vector Control properties located on Esplanade Street are a bit more complicated. As noted in the City of Lakeport's response the "NEIGHBORS OBJECT TO VECTOR CONTROL'S EXPANSION PLANS ON ESPLANADE STREET IN LAKEPORT" of the 2016 Lake County Grand Jury Report—in 2013 the Lake County Vector Control District applied for a General Plan Amendment and Zone Change application with the City of Lakeport. The purposed of this application was to designate all the lands currently being utilized by Vector Control for their operations to "PCU" Public Civic Use to facilitate the future expansion of the existing offices and laboratory at this site. Lake County Vector Control has operated out of this location since 1954. Vector Control has represented to the City that the need to expand the existing operations at this site is necessary to provide a more modern facilities. The City of Lakeport does not disagree with the fact that Lake County Vector Control provides a valuable service to all County residents, property owners and visitors; however, its operations within a predominately residential neighborhood creates land use conflicts that must be taken into account regarding any proposal to expand Vector Control's operations at this location. This conflict was at the heart of the discussion of several public meetings before both the Lakeport Planning Commission and City Council in 2014 and 2015. Eventually, the proposed General Plan Amendment and Zone Change application was denied by the City Council primarily due to the fact that application did not include details regarding the specific expansion plans of the Lake County Vector Control District that would allow the Council to determine if the expansion would be consistent with the General Plan and character of the existing neighborhood.

The City of Lakeport is in concurrence with the Grand Jury's recommendations that the key to resolving this conflict is greater communication between Lake County Vector Control and the Esplanade neighborhood. The City of Lakeport would welcome the re-application of a General Plan Amendment and Zone Change which is accompanied by detailed expansion plans that have been vetted and accepted by the Esplanade neighborhood.

Following is City Council's response to the Grand Jury's findings and recommendations.

Grand Jury Findings and City Responses

F1 Vector Control is important to the health and safety of all Lake County residents.

Response: The City of Lakeport is in concurrence with this finding.

F2 Vector Control could better fulfill its mission with a modern laboratory and updated equipment.

Response: Not applicable.

F3 Vector Control cannot create a modern laboratory on their Esplanade property until inconsistencies between the Lakeport General Plan and Zoning Ordinances are resolved.

Response: Regardless of any inconsistency between the land use designation of the General Plan and that of the current Zoning district classification, the Lake County Vector Control District has continually operated from this location for several decades. Currently approved operations occurring on lands where inconsistencies between the General Plan and Zoning classifications exist are considered to be legal non-conforming uses and would be allowed to continue. Any proposed expansion of existing uses by Vector Control on Esplanade would be required to be accompanied by an associated General Plan amendment and/or Zone Change application. Per the City Council's statements in regards to the 2014 General Plan amendment and Zone Change application, any new application would need to include details on the proposed expansion plans that demonstrate that such expansion activities are compatible with the existing residential character of this this neighborhood.

F4 The Lakeport General Plan and Zoning Ordinance are inconsistent with each other. This appears to differ with State Law.

Response: Under the California Government Code 65860 and 65862, when a General Plan is adopted that creates inconsistencies between the General Plan designations and the Zoning, it is the responsibility of the local jurisdiction to pursue subsequent changes that bring those properties into conformance. As noted in the above analysis, the Lakeport Community Development Department is making a concerted effort to address the existing discrepancies between the General Plan and Zoning land use classifications by the end of 2016. Most of these inconsistency's stem from the 2009

