

**MINUTES OF THE CITY COUNCIL
OF THE CITY OF LOS ALAMITOS**

*City of Los Alamitos
City Council
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SPECIAL MEETING – May 5, 2014

1. CALL TO ORDER

The City Council met in Special Session at 5:00 p.m., Monday, May 5, 2014, in the Council Chamber, 3191 Katella Avenue, Mayor Graham-Mejia presiding.

2. ROLL CALL

Present: Council Members: Edgar, Grose, Kusumoto,
Mayor Pro Tem Murphy, Mayor Graham-Mejia

Absent: Council Members: None

Present: Staff: Bret M. Plumlee, City Manager
Cary Reisman, City Attorney
Tony Brandyberry, Public Works Superintendent
Dave Hunt, City Engineer
Corey Lakin, Community Services Director
Todd Mattern, Police Chief
Emeline Noda, Recreation Supervisor
Ron Noda, Recreation Supervisor
Cassandra Palmer, Support Services Manager
Windmera Quintanar, CMC, City Clerk
Glenn L. Steinbrink, Interim Admin. Services Director

3. CLOSED SESSION

A. Conference with Labor Negotiator

Agency Negotiators: Gregory D. Korduner, Consultant
Employee Organization: Los Alamitos City Employee Association
Authority: Government Code Section 54957.6

B. Conference with Labor Negotiator

Agency Negotiators: Gregory D. Korduner, Consultant
Employee Organization: Police Officers Association
Authority: Government Code Section 54957.6

C. CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION

Pending litigation pursuant to subdivision (d)(4) of Section 54956.9. Two potential cases.

City Manager Plumlee read the titles for items 3A, B, and C, aloud.

RECESS

The City Council recessed into Closed Session at 5:02 p.m.

RECONVENE

The City Council reconvened in Special Session at 6:01 p.m.

City Attorney Reisman advised item 3A and 3C would be continued to the end of the meeting and no reportable action for Item 3B.

4. SPECIAL ORDERS OF THE DAY

A. Review of Proposed Fiscal Year 2014-15 Operating Budget (Finance)

This report provided the City Council with the preliminary Fiscal Year 2014-15 General Fund Proposed Operating Budget.

Mayor Graham-Mejia opened the item for public comment. There being no one present wishing to speak, Mayor Graham-Mejia closed the item for public comment.

City Manager Plumlee gave an introduction to the item and introduced Interim Administrative Services Director Steinbrink.

Mayor Graham-Mejia inquired if the Council would prefer to hold questions until the end of the presentation in the interest of time.

Council Member Grose indicated he had several questions and if there was not time to address them tonight, a special meeting may be needed.

Council Member Edgar stated the Budget Adhoc Committee and Staff had identified a \$520,000 concern. He advised the budget detail for revenue, expenses, and Capital Improvement Program (CIP) process had been thoroughly examined. The goal this evening was to give an overall picture at the macro level and receive Council's feedback. Additional detail and policy concerns would be addressed at the May 19 Budget meeting.

Council Member Kusumoto stated a preference for asking the questions as they arose and holding discussion until the end of the presentation.

Interim Administrative Services Director Steinbrink summarized the Staff report, referring to the information contained therein, gave a PowerPoint presentation, and answered questions from the City Council.

Mayor Pro Tem Murphy summarized the budget message by stating the City was spending more than it was taking in and that spending had increased 20% in the past five years while revenue had only increased 3.8%. He stated the trend could not continue and was supportive of a comprehensive budget that planned for future expenses. He indicated the City needed to examine one-time expenses and ongoing expenses and find a balance for the use of available funds and the general fund.

Council Member Edgar stated there were two issues. The first was the short term shortfall of \$520,000 and the second was a lack of revenue. He pointed out the 13 suggested gap closures. He indicated Staff and the Budget Ad Hoc Committee had done their due diligence. One principal item was maintaining the Police Department and he stressed the importance of reaching out to the community to find out what they were willing to do to help sustain the level of service. He stated contracting with the Sherriff's department would bring the same level of service, but reduced police presences. He indicated the community needed to be involved and that all options needed to be considered (i.e. parcel tax, increase in Utility Users Tax). He referred to the \$520,000 budget shortfall and indicated it could be divided into three categories. The first category was Capital Improvement Projects (CIP) like maintenance of the pool and funding for the 800 MHz system. He believed these projects could legitimately use a part of the reserves. The second category was operation cost like pension. He did not feel this would be a good item to use reserves for as it couldn't be sustained. The last category was risk assessment which included planning for the future and making a good use of the reserves. He indicated a policy decision regarding the reserves needed to be reached. He pointed out the May 19th meeting would discuss further detail and the goal tonight was to look at the whole picture and begin thinking about long term goals. He reiterated the importance of the community getting involved and letting the Council know their priorities.

Council Member Grose stated concern there was no dollar figure to associate with the 13 items. He inquired if eliminating LATV-3 would save any money and make a difference.

City Manager Plumlee stated Staff would include cost estimate reductions and estimated revenue. He referred to the LATV-3 and stated he had included this item after analyzing revenue from PEG fees and analyzing future cost. He pointed out the fund balance is dwindling and once depleted that would cause a general fund impact. He stated his opinion that something had to give. Roughly \$30,000/year was received and equipment requests were coming in at \$40,000-\$50,000. He indicated filming of Council meetings was already impacting the general fund and that was only a small impact of what may come in the future.

Council Member Grose stated Council needed to have a better idea of what Staff was thinking in the process. He stated LATV-3 had an annual income and the Commission had been prudent in the past setting aside funds for reserves. He indicated the Commission would need to get creative. He did not see this as a solution, but acknowledged there was a long term issue that needed to be addressed. He was supportive of looking into selling banner space. He indicated the City has known about the 800 MHz project for years and the issue had not been addressed. He

stated the cost for sustaining has increased. He agreed community input was needed. The Council needs to know what the community expects and what they are willing to do. He questioned if the community would be willing to impose a tax to maintain service. He referred to the \$520,000 budget shortfall and stated that needed to be addressed on a micro level. He indicated there were items that he questioned and believed engaging with the departments for justification was needed. He referred to gasoline sales tax and inquired if Staff was aware the Board of Equalization had approved a 3% tax reduction starting July 1.

Interim Finance Director Steinbrink indicated Staff was aware and there would be no reduction to the City. He clarified gas tax and sales taxes on gasoline are two different items. He indicated the City would receive its regular share of gas tax and the decrease at the State level would be absorbed by the State. He added sales tax on gasoline shows up in sales tax revenue.

Council Member Grose stated Council needed to be proactively engaged with Sacramento. He inquired who was in the insurance risk pool.

Interim Administrative Services Director Steinbrink indicated the only risk pool was for retirement and Other Post Employment Benefits (OPEB) was the City's only liability.

Council Member Grose inquired if CJPIA was the City's regular insurance.

City Manager Plumlee indicated the City was in a pool for Worker's Compensation. He stated premiums have gone up for Worker's Compensation and General Liability.

Council Member Grose asked for an explanation and inquired if the pool rates had increased.

City Manager Plumlee indicated claims are smoothed out over a 10 year period. He stated if a City's claims for both Worker's Compensation and General Liability increase more than they have historically, eventually the premiums will increase.

Council Member Grose indicated he would like to be better informed on that process. He recalled when Council had switched insurance in 2008 the process was explained differently. He requested Staff look into other options that may be more cost effective.

City Manager Plumlee stated Staff could research such. He pointed out that a large portion of the difference was due to past tail-claims for Worker's Compensation.

Council Member Grose indicated he was aware of that and the question had been asked in 2008. He indicated he was still unclear if the increase was due to the amount of people participating, claims made, or occurrence based. He indicated there was a significant dollar amount and wanted better information before the July meeting. He referred to PERS and the Government Accounting Office wanting cities to be 80% funded.

Interim Administrative Services Director Steinbrink clarified that was the suggested minimum.

Council Member Grose stated the City was 73% funded. He inquired if the 7% difference needed to be funded all at once or if it could be funded incrementally.

Interim Administrative Services Director Steinbrink stated it did not have to be funded all at once nor did the City have to fund at a greater rate than it currently is. He gave a brief overview and indicated the City (73%) was well funded compared to other cities (average 66%). He indicated the drop was due to investment losses in PERS.

Council Member Grose stated the City had no control over that.

Interim Administrative Services Director Steinbrink agreed.

Council Member Grose referred to the County bankruptcy in 1994 and stated concern that pools make risky investments that end poorly and the City is then held accountable. He inquired if the City Treasurer was going to look into investments with a better return.

Mayor Pro Tem Murphy indicated that was on the suggestion list.

Council Member Grose stated support for increased investment returns. He believed Council was responsible for taxpayers' money, but was cautious about taking risky investments. He believed considering increased taxes would be a serious issue on quality of life and the community needed to be engaged. The Council needed to know what the priorities are and what the community is willing to sacrifice.

Council Member Grose discussed the following topics: questions regarding budget material and preference for past practice of having each department giving a presentation; concern regarding the pool user fees not being utilized for pool repairs; reference to Aquatics Foundation and raising funds for the pool; improving the relationship with leadership on the Joint Forces Training Base (JFTB); who pays for trash pickup and utilities at the pool; reference to an item that will drastically change the future of

the JFTB to be discussed in June; investments at the JFTB including the pool and community events; concerns regarding dues and subscriptions for all departments, is the money being used in the best way and how critical and valuable are these memberships (i.e. Association of California Cities – Orange County (ACC-OC)); preference for having discussion with Staff for similar items; willing to provide a list of items to include in the June 19th discussion to ensure a productive dialogue; questions regarding some of the programs; possibility of eliminating overtime at Special Events (i.e. Police overtime for Wings, Wheels, and Rotors); opinion that the City should take care of the community and the JFTB had military police that should be responsible for events on the property; the City is responsible for traffic in and out of events; was not aware that overtime was being utilized for special events; and, stated support for a policy discussion regarding such.

Council Member Kusumoto referred to the decreasing revenues for gas tax and stated his belief that natural gas tax was decreasing. He stated the decrease was unfortunate. He indicated his questions had been answered throughout the presentation and appreciated the straightforward report.

Mayor Graham-Mejia indicated she had spoken with Staff prior to the meeting and had her questions answered. She referred to the PERS and the fluctuation. She questioned what the benefit was to bringing funding up to 80%.

Interim Administrative Services Director Steinbrink stated the benefit is the appearance that the City is looking forward and managing its finances more prudently. He indicated it shows the City is paying attention to its funding level and wants to stay at 80%. He indicated if the City chose not to fund up to 80%, there was still a possibility to get there due to investment returns, however, in the event of another recession funding could decrease. He reiterated funding was very dependent on PERS investment returns.

Mayor Pro Tem Murphy clarified the discussion was to add to reserves and additional spending was not being recommended.

Interim Administrative Services Director Steinbrink answered in the affirmative. He stated the decision was up to Council and nothing was definitive. He indicated by setting aside funding it would ensure the City remains at 80% and levels would not be dependent on PERS investments.

Mayor Graham-Mejia referred to LAIF investments the Council had chosen not to go with. She stated investments remained stagnant below 1% and felt looking into a pool might be an option. She stated her

questions were answered prior to the meeting and she had nothing further at this point.

Council Member Edgar indicated the Budget Ad Hoc Committee had been focused on establishing fiscal policy, especially concerning reserves and liabilities. He believed the City needed to plan ahead and use the reserves where needed. He believed Staff was taking an aggressive approach and had met with the Ad Hoc Committee five times. He wanted to ensure the Ad Hoc Committee was meeting the Council's expectations. He stated the Ad Hoc Committee had gone through the revenue and expenditure detail so the Council could focus on the larger policy issues. He encouraged Council to meet with Staff to have any concerns addressed so the meetings could focus on the larger policy issues. He referred to the CIP budget and indicated the City does not put money aside and only uses grant funds. He encouraged Council to start considering contingency budgeting and planning for the future. He stated Interim Administrative Services Director Steinbrink had layers of data and the information presented today had been scaled back, but was still accurate. He again encouraged Council to meet with Staff if they had questions. He thanked Staff for their support and encouraged Council to share ideas the Ad Hoc Committee could provide feedback on. He stated associated values for the budget closure ideas would be provided.

Mayor Pro Tem Murphy indicated it has been a pleasure to work with Interim Administrative Services Director Steinbrink. He reiterated the data is there and that Interim Administrative Services Director Steinbrink was able to explain what was happening and why. He thanked Director Steinbrink for his efforts.

Council Member Kusumoto indicated his understanding the past philosophy had always been to hold reserves. He was supportive of a policy that addresses the amount of reserves, investments, and earmarking funds. He was thankful for the great dialogue and looked forward to future discussions.

Council Member Grose stated a good job had been done by all and he was hopeful the Ad Hoc Committee would continue. He stated he did not have any concerns regarding what the Ad Hoc Committee had done and felt reports regarding their progress and discussions would be beneficial. He reiterated the budget report was informative, but he still had questions. From a policy standpoint, he believed where the money was being spent and the return on the process needed to be investigated. He indicated a large chunk of the \$520,000 shortfall could come from removing items from the budget and reiterated that was a reason why the discussions with the departments were so important. He was supportive of a policy for reserves and referred to the 25% set aside for Emergency Preparedness

that has not been addressed since it was established. He indicated definitions for the funds would be beneficial. He indicated earmarking money for PERS would designate existing funds. He cautioned that it may give the misconception to the public and future Councils that money is available to fix other problems. He referred to long term planning and indicated support for identifying money in the reserves so if something did arise Council would know exactly what was available and for what purpose.

Mayor Graham-Mejia indicated the comments about past Council not planning ahead where partial correct. Funds had been set aside for the 800 MHz, but there was not enough for the whole project. She was supportive of planning for long term. She referred to the 10-15% comfortable reserve that would carry the city for almost a year. She referred to the 25% Emergency Fund and agreed it should be addressed. She suggested an amount that would allow for additional growth over time so funds would be available if needed. She referred to the \$520,000 budget short fall and believed \$332,000 could be used from reserves leaving \$188,000. She stated her belief it was not piece work, but was taking care of the immediate issues. She was supportive of protecting the reserves and also wanted to ensure the City had the necessities to meet requirements to function. The City could then begin long term planning.

City Manager Plumlee thanked everyone for their feedback.

Mayor Graham-Mejia thanked the students in the audience.

The City Council:

1. Reviewed the Fiscal Year 2014-15 General Fund revenue estimates and proposed departmental operating expenditures for the upcoming fiscal year; and,
2. Directed Staff regarding adjustments to the Proposed Operating Budget for Fiscal Year 2014-15.

3. CLOSED SESSION - Continued

A. Conference with Labor Negotiator

Agency Negotiators: Gregory D. Korduner, Consultant
Employee Organization: Los Alamitos City Employee Association
Authority: Government Code Section 54957.6

B. Conference with Labor Negotiator

Agency Negotiators: Gregory D. Korduner, Consultant
Employee Organization: Police Officers Association
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- C. CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION**
Pending litigation pursuant to subdivision (d)(4) of Section 54956.9. Two potential cases.

City Attorney Reisman read the items 3A, B, and C aloud.

RECESS

The City Council recessed into Closed Session at 7:28 p.m.

RECONVENE

The City Council reconvened in Special Session at 9:33 p.m.

There was no reportable action.

5. ADJOURNMENT

The City Council adjourned at 9:33 p.m.

Gerri L. Graham-Mejia, Mayor

Attest:

Windmera Quintanar, CMC, City Clerk