

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

**SPECIAL MEETING – May 19, 2014**

**1. CALL TO ORDER**

The City Council met in Special Session at 4:06 p.m., Monday, May 19, 2014, in the Council Chamber, 3191 Katella Avenue, Mayor Graham-Mejia presiding.

**2. ROLL CALL**

**Present:** Council Members: Edgar (arrived at 4:08 p.m.), 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  
Bruce McAlpine, Police Captain  
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. SPECIAL ORDERS OF THE DAY**

**A. Review of the Fiscal Year 2014-15 Special Revenue, Debt Service, Capital Improvement Program, Internal Service Funds Proposed Budgets, and Review of General Fund Reserves (Finance)**

This report provides the City Council with the preliminary 2014-15 Proposed Operating and Capital Improvement Budget, and a review of General Fund Reserves.

Mayor Graham-Mejia opened the item for public comment.

Craig Durfey spoke in favor of the regional effort to promote pedestrian and bicycle safety initiative and encouraged the council to support such.

John Underwood, Cable Television Commissioner, spoke in favor of retaining the Cable function of LATV and allowing the Commission to continue moving forward.

Mayor Graham-Mejia stated she had received a phone call from Rick Papp, resident, who stated he was not supportive of the potential items being considered for budget gap closures.

Mayor Graham-Mejia closed the item for public comment.

City Manager Plumlee introduced the item and gave an overview of the discussion to take place.

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.

The City Council and Staff discussed the proposed General Fund reserves.

Reserve for Emergencies	\$2,300,000
Risk Management Reserves	\$ 500,000
OPEB Reserve	\$ 250,000
CIP Downtown Improvements	\$ 200,000
Unassigned	<u>\$5,097,919</u>
<b>Total</b>	<b>\$8,347,919</b>

Council Member Grose referred to the \$200,000 for CIP-Downtown Improvements and stated he was not fully supportive of spending \$75,000 for an ADA Compliance Study. He indicated he would like to see a tighter control on how the \$200,000 was spent, including Council action for all items. He expressed concern the City continues to spend money on facilities that are deteriorating and has no plans for moving off the property. He requested Staff communicate with the insurance carrier to see if ADA Compliance Study was required and reiterated his desire to have an exit plan for the property. He then referred to the \$700,000 reserve for Police Capital and stated Council needed to be prudent in setting aside money. He requested a specific policy on how these reserve funds would be spent and used the Garage Fund as a cautionary example of how funds are spent for other purposes without a mechanism to replace such. He stated support for establishing a reserve for PERS and having 25% reserve for emergencies. He reiterated his desire to have controls in place that would restrain Council and Staff from spending the funds.

Council Member Kusumoto referred to the reserve for Risk Management at \$250,000 and inquired to the mechanism for establishing the amount.

Council Member Edgar stated on average the fluctuations for insurance had been \$250,000 and the Budget Ad Hoc Committee considered this amount reasonable.

Mayor Pro Tem Murphy clarified these amounts were estimates and based on the City's experience. He agreed it was a reasonable number.

Council Member Kusumoto questioned why \$500,000 seemed hard to justify and indicated it would provide a buffer without going into the reserves. He inquired if budget surpluses would be used to replenish the funds and stated support for a reserve policy.

Council Member Edgar stated understanding that the Council would like a policy for the earmarked funds and indicated the Budget Ad Hoc Committee could further refine such.

Council Member Grose referred to the City's former insurance policy that was claim based and wanted to ensure the current policy was not the same. He understood the process for tail claims and requested information on how past claims were being processed. He referred to past practice for claims management and inquired what the current process was. He expressed concern for the increase and thought it would be beneficial for Council to have a better understanding of the tail claims. He stated if there were over 6-8 claims looking into a program for internal safety may be useful.

City Manager Plumlee indicated there were several material past claims being handled through CJPIA, one in particular from 2002/2003 that will continue to have payouts. He stated moving forward Worker's Compensation and General Liability claims would be handled through CJPIA's third party claims administrator.

Council Member Grose stated he would like to review the claims at some point. He referred to the ongoing claim and believed at some point it should be resolved or settled versus continuing to pay.

City Manager Plumlee indicated there is a team in place working to settle and close out the tail claim in question.

Council Member Edgar addressed Council Member Grose's concern for investing in City Hall and stated various options had been considered including relocation to the Joint Forces Training Base (JFTB). He indicated it may be time to reinstate the Mayor's Group with the JFTB to have a joint discussion and gauge interest. He stated the importance of the ADA Study. He discussed the history of the reserve balance and stressed the importance of having specific allocated funds. He agreed further discussion regarding the Garage Fund would be beneficial and stated support for allocating reserve funds for PERS. He pointed out the bigger

issue was regarding the City's revenues and expenditures. He inquired if there was support for the reserve policy.

Mayor Pro Tem Murphy recalled his shock upon learning there was a \$15 million unfunded liability with PERS. He explained between reserves and investments, there was still a gap that would fluctuate with market changes. He pointed out regardless of PERS investments performance; the City was still liable for its share. He stated Council was aware the costs were coming and stated support for allocating reserves for those costs now.

Mayor Graham-Mejia inquired what the budget shortfall was as of the last Council meeting and what it was now.

Interim Finance Director Steinbrink stated at the first meeting there was a \$520,000 deficit and to date the deficit was \$315,000.

Mayor Graham-Mejia pointed out the City was now in a better position and there was enough money in surplus to cover the difference. She inquired if the reserve policy was approved, what would the outstanding balance be.

Interim Finance Director Steinbrink clarified the \$315,000 budget shortfall was for FY 2014/15 and was not related to the reserve policy discussion.

Mayor Pro Tem Murphy clarified the income this year was better than projected and had increased the estimates for next year. He indicated the projected revenue increase helped to reduce the gap for next year.

Council Member Edgar added the income, expenses, and surplus were all in regards to the General Fund.

Mayor Graham-Mejia stated Council had discussed taking money from reserves to cover the shortfall. She asked for clarification if the shortfall amount included payment for the 800 MHz system.

Interim Finance Director Steinbrink stated only the payment for Fiscal Year 2014/15 was included.

Council Member Edgar indicated further discussion on the use of reserves is recommended.

Mayor Graham-Mejia stated she understood and was just clarifying for the public since they did not have the documents in front of them.

City Manager Plumlee clarified of the \$315,000 budget gap, the portion for the 800 MHz project is \$139,000.

Mayor Graham-Mejia expressed concern for reducing the amount of flexibility within the reserves. She referenced the reserve for emergencies and inquired if the 25% amount was in regards to the reserve total or to the budget for the year.

Interim Administrative Services Director Steinbrink indicated the \$3.1 million designation was 25% of the General Fund expenditure budget. He clarified the amount for reserves was increasing as it had not been adjusted since it was established and general fund expenditures have increased.

Mayor Graham-Mejia added the 20% amount previously established was based on reserves and not the operating budget.

Interim Administrative Services Director Steinbrink confirmed.

Mayor Graham-Mejia referred to the Community Give Back where only \$13,000 was spent on park programs out of the \$350,000 and stated support for having at least \$100,000 in unassigned reserves. She indicated this would allow Council flexibility to deal with issues that came up or items that were needed in the community. She stated support for establishing a reserve capital for the Police Department. She pointed out the pocket parks in the City had not been addressed, but improvements to both Cottonwood and Laurel Park have occurred. She suggested lowering the 25% for Emergency Funds to allow for a small portion to be set aside for pocket park improvements.

Council Member Kusumoto inquired if funds from the Risk Management reserve could be used.

Mayor Graham-Mejia stated her belief there were already specific items allocated from those funds, including the \$75,000 study.

Council Member Edgar stated funds were about 60% allocated. He suggested adjusting the PERS allocation as that would improve in the years to come.

Mayor Graham-Mejia stated it was commendable to prepare for long term items with the reserves. She cautioned some areas were not receiving the improvements they needed and reiterated support for bringing all parks up to standards.

Council Member Grose reiterated support for having an overall reserve policy that had constraints regarding what funds were available. He stated the City needed to operate and certain services, replacements, and upgrades needed to occur. He referred to the CIP and indicated there

were items with no funding source and believed all funding sources had not been explored. He stated memberships in professional organizations needed to be thoroughly evaluated by Council and Staff. He stated the City needed to be more creative in how things were done or soon it would not be able to afford much. He stated support for withdrawing from the two associations if Council was not going to be engaged and believed that policy should apply throughout the City.

Council Member Edgar agreed the expenses for joining different organizations should be discussed as part of the General Fund. He understood Mayor Graham-Mejia's concern for having reserves while not taking care of critical items. He suggested taking \$200,000 from the PERS reserve and adding to the reserve for facilities and streets. He referred to the CIP budget for the pool and indicated additional investments may be needed. He agreed it was healthy policy to plan for items in advance, agreed to setting aside funding for facilities and streets, and indicated there would be a discussion regarding priorities during the General Fund.

Mayor Graham-Mejia stated discussion wasn't needed for items that funding could be found for.

Council Member Edgar requested a decision regarding the parks and pool be made so the discussion could progress to expenditures. He stated expenditures outweigh the revenues.

Mayor Graham-Mejia recommended allocating \$200,000 from the PERS reserve for facilities, streets and capital outlay.

Mayor Pro Tem Murphy stated concern that parks were a foreseeable cost and the plan for this budget process was to budget for items moving forward. He stated the reserves were not as optimistic as everyone had once thought and made reference to the PERS reserve. He stated support for parks; however, parks were an expense that could be planned and budgeted for.

Mayor Graham-Mejia stated replacing wood chips with rubber is a significant cost that isn't planned for and there were other issues that could be addressed to make the parks safer for the children. She reiterated the smaller parks were neglected and urged Council to consider using available funding for such.

Mayor Pro Tem Murphy indicated revenues were \$12 million and it was just a matter of how the money is spent. He stated the money is available in the annual budget and where the money goes depends on the rank of importance by Council.

Mayor Graham-Mejia reiterated the importance of upgrading the parks and requested additional funds be spent on such.

City Manager Plumlee stated if there was Council consensus, \$200,000 would be deducted from the PERS reserve and put into a reserve for facilities and streets. He stated Staff's intention was to bring back a fund balance policy for Council approval and it could include an internal service fund to replenish the accounts.

Council Member Grose stated support for the \$200,000 and suggested leaving the \$200,000 in unassigned reserves for a balance of \$213,000. He stated the City had previously been funded at 73% for PERS liability and inquired what the funding would be if \$200,000 was removed.

Interim Administrative Services Director Steinbrink stated it would have a minimal effect.

City Manager Plumlee stated there was a two year delay on PERS investments and it was estimated the City would be able to add to the reserve based on returns. He added the fund balance policy could include using budget surplus to replenish the 80% funding recommendation. He stated the disadvantage to adding the \$200,000 to unassigned reserves would be the lack of a replenishment mechanism. He suggested adding the money to facilities and street reserve and broadening the scope to include parks. He indicated there would then be a replenishment system and would establish long term fiscal sustainability.

Council Member Kusumoto stated general support. He referred to the replenishment policy and inquired if Staff envisioned it to be an overall percentage of reserves or percentages of expenditures. He reiterated concern the percentages seemed arbitrary.

Council Member Edgar stated support for establishing a funding mechanism for that category. He suggested having a percentage tax across all departments to allow for proper budgeting.

Council Member Kusumoto inquired at what point do the reserves stop being added to and inquired if there would be a ceiling.

City Manager Plumlee stated a ceiling could be defined and it would depend on the policy adopted by Council. He recommended surplus money be transferred into the Emergency Reserve first and then depending on Council consensus, replenish the other reserves.

Council Member Kusumoto stated support for the concept. He referred to the \$2.3 million emergency reserve that had stayed stagnant and wanted to ensure the final number was a relative function to where the City was.

Council Member Grose agreed.

City Manager Plumlee confirmed there was consensus to move \$200,000 for the PERS reserve into a broadened category of facilities and streets.

Council Member Kusumoto added a policy discussion would come back to Council.

Mayor Pro Tem Murphy stated there would be a facilities policy discussion later.

City Manager Plumlee confirmed.

The City Council and Staff discussed the Budget Ad Hoc Committee's proposed budget gap closures.

Potential to charge for Parking on City Property	\$131,300
Diversify the City's Investment Portfolio	\$ 20,000
Consider Elimination of Crossing Guards	\$ 60,000
Payoff Side Fund Liability in PERS	\$ 12,500
Eliminate donated services at Special Events	\$ 7,000
Department Cuts	<u>\$ 83,910</u>
<b>Total</b>	<b>\$314,710</b>

Council Member Edgar stated he had reached out to the hospital regarding charging for parking and had received support. He stated support for metered parking versus ticket kiosks. He indicated the hospital did not want their employees parking in front of business. He cautioned there was a cost associated even though the estimates were conservative. He stated the repercussions to Cherry Street and surrounding neighborhoods would need to be considered.

Mayor Graham-Mejia cautioned metered parking was a hassle and left patrons guessing how much time was needed. She indicated the intent was not to generate revenue from issuing citations and wanted to ensure the right fit for the City was implemented.

Mayor Pro Tem Murphy indicated the goal was to balance the budget without raising taxes and he thanked Staff for identifying an additional \$84,000 in budget cuts, closing the gap over 25%. He stated the parking meters would need additional investigation and the goal tonight was to get consensus to move forward. He pointed out difficult choices would have to

be made to close the budget gap. He continued, stating not a lot of cities provide crossing guards and stated support for diversifying investment, paying off the simple interest on the PERS fund, and, eliminating donated services. He stated eliminating donated services would create fairness for everyone. He pointed out the budget was still a little short and asked Council for additional possibilities.

Mayor Graham-Mejia stated support for metered parking at the Medical Center and diversifying the portfolio. She referenced the crossing guards and indicated the City/School Working Group was currently addressing umbrella agreements for use of the fields. She believed the cost could be reduced by half. She stated she had different recommendations that she believed would take away less from the groups in the City and benefit more residents and businesses. She stated support for metered parking, diversifying the portfolio, paying off the side fund liability, sharing the crossing guard cost with the school district for \$30,000, leasing City owned land for a billboard, and additional cuts in appropriations across all departments. She stated she would dislike seeing some services go and inquired if there was something that could be done to keep TIP as it provided a service that directly impacts the community.

Mayor Pro Tem Murphy agreed with the billboard, but did not think anything could be done to have it included in this year's budget.

City Manager Plumlee indicated the billboard was included on the complete list of items.

Council Member Edgar summarized Mayor Graham-Mejia had substituted the billboards for half the cost of the crossing guards. He indicated he was not a member of the City/School Working Group, but it was his understanding the School District wanted the City to share the cost to keep the fields at a higher level of quality, approximately \$64,000. He stated the intent was for parity.

Mayor Graham-Mejia indicated her recommendations totaled approximately \$100,000.

Council Member Edgar stated he was interested in the details as it was unclear how much the City would be expending.

Mayor Graham-Mejia stated the discussions with the City/School Working Group are very specific and the City's portion was estimated at \$100,000. She stated support for some flexibility and indicated she was not supportive of four new employees. She indicated she was open to any strategies the Council preferred. She stated the School District wanted a shared plan for Oak Gym; however, it was clear the City owned the gym in

perpetuity. She referred to the \$300,000 that was given for renovations as a one-time expense for upgrades for the residents.

Council Member Edgar stated support for eliminating the whole \$60,000 for Crossing Guards and indicated the Working Group had some flexibility with the joint use agreements. He asked for consideration of the \$60,000.

Mayor Graham-Mejia indicated she was not fully supportive of four part-time employees when an expert in fields could possibly be hired for less.

Council Member Edgar believed it was a better scenario to pass the budget as it would allow the Working Group a final number to negotiate an agreement with.

Council Member Grose summarized his understanding there was not support for the parcel tax or the Utility Users tax. He stated concern for charging on City property only and added the non-profit organizations on Reagan had complaints of hospital employees parking in front of their businesses. He suggested there were plenty of areas where parking meters would be appropriate. He referenced the various measures taken throughout the City to mitigate parking concerns and stated support for the Traffic Commission reviewing the immediate and surrounding areas to provide a recommendation to Council. He continued stating support for diversifying the portfolio, \$20,000 for LATV is off the table, support for the long term implementation of the billboard, support for eliminating funding for Crossing Guards, and support for paying of the side fund liability in PERS. He was unclear on the elimination of donated services for special events. He referenced the recently approved Sugar Beet Festival and stated it would be helpful for Council to know which items they would be taking action on. He stated support for renegotiating the Youth Center agreement for fairness to all non-profits and passing along credit card fees.

City Manager Plumlee clarified this list was for Budget Ad Hoc Committee recommendations and no ideas were off the table.

Council Member Grose believed TIP was an important program. He inquired how the \$83,000 in department cuts was made and if there was an equal percentage of cuts from all departments. He did not want to micromanage, but felt it was important for the Council to know what was included so it could decide which services were important to the community.

Council Member Edgar indicated the Budget Ad Hoc Committee had asked Staff to reduce expenditures by 1%, which was approximately \$83,000. The Ad Hoc Committee had given the City Manager discretion.

He pointed out the Council budget included elimination of ACC-OC membership and TIP was easier to put a value to. He stated other items were more difficult decisions due to political atmosphere. He referenced donated services (i.e. Sugar Beet Festival, 4<sup>th</sup> of July, Chamber Events) for \$7,000, and indicated elimination was the first step of a serious long term strategy issues for Council.

Mayor Graham-Mejia advised she wanted to discuss all the items in depth without having to stop half-way through the discussion.

Council Member Kusumoto stated support for the reductions/savings. He challenged Staff to look into charging for parking throughout the City and supported the Traffic Commission beginning the research. He requested a five year cost for implementation and acknowledged there would be cost associated with the revenue.

Community Development Director Mendoza indicated the annual operation cost was approximately \$27,000.

Council Member Kusumoto asked for the system's life time.

Community Development Director Mendoza stated that would be researched.

Council Member Kusumoto referenced the 2.7-3% surcharge for credit cards and inquired why the City would absorb those costs. He believed there was a way to net out the cost.

Council Member Edgar suggested moving through the list quickly to see what items were left to discuss as the meeting was close to ending.

Mayor Graham-Mejia agreed. She summarized the billboard could not be included in this budget as it was a year off.

Mayor Pro Tem Murphy clarified the objective was to gauge the interest of the whole Council. He acknowledged metered parking and billboards would take a while to implement; however, there was Council support to move forward.

Mayor Graham-Mejia summarized the following:

- A parcel tax for public safety – No support
- An increase in the Utility User's Tax for public safety – No support
- Charge for parking on City property at the Medical Center – Support

Council Member Edgar clarified starting with the Medical Center, but expanding out to city-wide properties.

Council Member Kusumoto added a request for a five year plan with hard data cost and indicated if the program cost more than it would bring in revenue he would not be supportive of that

Mayor Graham-Mejia added the item would be referred back to the Traffic Commission. She continued summarizing the following:

- Consideration of the future of the Cable function and LATV – No Support
- Leasing of City owned land for Electronic Billboard – Support

Council Member Kusumoto requested additional information regarding LATV.

City Manager Plumlee summarized over the past years the cable fund has been drawn down by approximately \$20,000, and revenues were approximately \$35,000 annually. He added the Cable Television Commission easily had \$35,000 in expenditures which did not include capital replacements and refurbishing the cable studio. He concluded there would be future costs and the expenditures on the cable fund would eventually hit the General Fund.

Council Member Kusumoto gave a rough estimate that at the current rate, the \$120,000 reserve would be completely gone within six years.

City Manager Plumlee clarified if the expenditures continued, it would only take a couple years to break even with PEG money. He added Council meeting filming was not included and that was an additional general fund cost.

Council Member Kusumoto inquired if the Commission was eliminated PEG funds were still earmarked for specific purposes.

City Manager Plumlee indicated the intent was to avoid future general fund cost of approximately \$20,000 a year.

Council Member Kusumoto stated after year seven, it would be approximately \$20,000 expenditure. He questioned if the Commission could sustain itself between now and year seven and the purpose of the proposed the \$20,000.

City Manager Plumlee indicated revenue from the PEG funds is \$1/household for approximately \$30,000/year. The \$30,000 is spent annually and approximately \$20,000 is spent from the general fund for a

combination of studio upgrades, filming events and Council meetings, and equipment. He clarified all costs are associated with LATV-3.

Council Member Kusumoto stated current expenses for broadcasting events such as Race on the Base and the Police Officer's Appreciation Lunch run at a deficit since they are supplemented by the general fund. He added deficit spending should be discussed.

Council Member Edgar acknowledged the structural deficit and stated the bigger picture was the Council had not been able to grasp operations. He referenced the two competing factions and believed the Commission used a significant amount of City resources. He questioned if it was critical function when the Commission was divided, and the Council was unable to manage it and the City Manager has to get involved. He inquired what the bare minimum amount to run the station is and if PEG fees would cover such. He pointed out there had been discussions regarding the commission and there was not a strong opinion either way leaving the Commission in limbo.

Council Member Kusumoto indicated it would not be saving any money right now, but eventually the commission would run out of money. He inquired if there was an exit plan if LATV was not able to sustain itself after year six.

Mayor Pro Tem Murphy indicated the other side would be to spend money on equipment to enable LATV to operate and break even.

Council Member Kusumoto pointed out spending any money would shorten the time frame.

Mayor Pro Tem Murphy agreed with the statistics. He indicated if money is spent on equipment, LATV would break even sooner. He inquired if the Council could agree on a minimum direction.

Council Member Kusumoto suggested if LATV is not able to break even within two years, the recourse would be to liquidate all equipment. He agreed the Council has tried to resolve the situation and expressed concern for the ongoing disagreements and expended Staff time.

Mayor Pro Tem Graham-Mejia stated the Council was not putting reserve money into LATV. She suggested letting them sustain themselves if they can and agreed it was a distraction.

Council Member Kusumoto inquired to the exit plan if LATV was not able to turn the Commission around and work together to bring in revenue. He expressed frustration for the lack of resolution in the past three years.

Council Member Grose indicated LATV used to be run by non-profit that had built up a reserve of \$150,000 to replace equipment. He stated the operating budget was \$31,000. He supported LATV using its reserve to upgrade equipment and once reserves are spent that is it. He stated Council and Staff had not given the Commission direction and a policy needed to be established that allowed them \$31,000 a year for operations and use of the reserve money. He supported the Commission finding its own revenue stream and not purchasing equipment from the general fund.

Mayor Graham-Mejia continued summarizing the following items:

- Leasing of City owned land for Electronic Billboard – Support
- Annual cost of Crossing Guards with the School District – Support
- Payoff of the side fund Liability in PERS – Support
- Eliminate donated services at Special Events – No Support

Council Member Kusumoto clarified his support for elimination of donated services.

Council Member Grose expressed concern the associated items behind each figure were unclear. He supported everyone paying their own way.

Mayor Graham-Mejia continued summarizing the following items:

- Eliminate donated services at Special Events –Support
- Renegotiate Youth Center Agreement – No Support
- Pass along credit card process cost to consumers – Support
- Conduct a fee study – No support

Mayor Graham-Mejia clarified she did not support credit card fees and asked what an admissions tax is.

City Manager Plumlee indicated there was an item on the regular agenda for consideration. He advised additional research was needed. Admission tax would possibly allow the City to receive a percentage of revenue received from admission to an event.

Mayor Graham-Mejia stated there was support for cuts in appropriations across all departments.

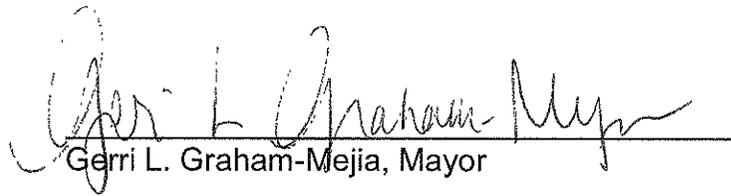
City Manager Plumlee pointed out that elimination of membership in TIP, ACC-OC and the OC Human Relations Committee were included.

Mayor Graham-Mejia indicated further discussion was needed.

City Manager Plumlee advised the item would come back at the next budget session.

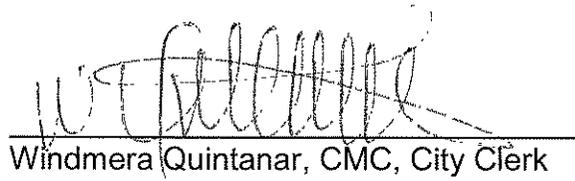
4. **ADJOURNMENT**

The City Council adjourned at 5:57 p.m.



Gerri L. Graham-Mejia, Mayor

Attest:



Windmera Quintanar, CMC, City Clerk