

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

SPECIAL MEETING – June 1, 2015

1. CALL TO ORDER

The City Council met in Special Session at 5:04 p.m., Monday, June 1, 2015, in the Council Chamber, 3191 Katella Avenue, Mayor Murphy presiding.

2. ROLL CALL

Present: Council Members: Grose, Hasselbrink, Kusumoto,
Mayor Pro Tem Edgar, Mayor Murphy

Absent: Council Members: None

Present: Staff: Bret M. Plumlee, City Manager
Cary S. Reisman, City Attorney (arrived at 5:30 p.m.)
Jason Al-Imam, Admin. Services Director
Tony Brandyberry, Pub. Works Superintendent
Dave Hunt, City Engineer
Corey Lakin, Community Services Director
Todd Mattern, Police Chief
Steven Mendoza, Community Development/Public Works
Director
Cassandra Palmer, Support Services Manager
Windmera Quintanar, CMC, City Clerk

3. SPECIAL ORDERS OF THE DAY

Mayor Murphy pulled item 3B forward.

B. Selection of the City's Independent Auditors (Administrative Services)

This report sought City Council approval of a certified public accounting firm to perform auditing services for three years beginning with the fiscal year ending June 30, 2015.

Administrative Services Director Al-Imam summarized the Staff report, referring to the information contained therein, and answered questions from the Council.

Richard Kikuchi, CPA Partner, introduced himself and spoke briefly about the firm, Lance, Soll & Lunghard, LLP (LSL).

Council Member Grose questioned the insurance requirements on page 5 of 10, stated concern the Scope of Work was not included, and questioned if the firm had responded appropriately.

Administrative Services Director Al-Imam pointed out the Scope of Work was included. He indicated the firm's response was what the City had requested and

was a requirement for consideration. He indicated the standard insurance language was included in the agreement.

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

Council Member Kusumoto questioned the price being above what was paid in the past and asked Mr. Kikuchi if this was the firm's best offer.

Administrative Services Director Al-Imam gave a brief overview of the past budgets for the audit services.

Mr. Kikuchi indicated he was excited about the possibility to work in Los Alamitos and advised the prices have already been lowered from their standard rate. He stated the proposal contained the minimum number of hours to perform the work and was the lowest price that could be offered.

Council Member Kusumoto questioned if the rate was comparable to other small cities serviced by the firm and if the price was based on labor hours or the final product.

Mr. Kikuchi indicated the price was comparable. He added price was not based on population, but on fund structure and the complexity of the audit.

Administrative Services Director Al-Imam indicated audit quality is based on two factors, creditability/reliability and timeliness. He indicated the current audit firm struggled with timely financial statements and LSL has committed the staff time to get the job done in a timely manner. LSL is also highly regarded in the industry and has been in business for 85 years. He stated Staff believed the \$24,000 annual fee was fairly competitive.

Council Member Hasselbrink referred to evaluation criteria and indicated timeliness of the incumbent was a huge factor.

Administrative Services Director Al-Imam indicated the City was their reference and has issues with not getting timely financial information and compliance with bond covenants.

Mayor Pro Tem Edgar indicated he did not have an issue with the price difference but had concerns with the perception of picking the highest bidder. He questioned if Staff had negotiated the price.

Administrative Services Director Al-Imam stated this was the original price and Council has the authority to negotiate, Staff does not.

Mayor Pro Tem Edgar reiterated concern for picking the highest bidder, but would be supportive to approve with some type of financial negotiation. He understood the importance of reputation, creditability, and timeliness.

Mayor Murphy questioned if there was a busy season and if the audit could be finished sooner.

Council, Staff, and Mr. Kikuchi discussed the timeline and the guarantee to have the audit finished no later than December 31, 2015.

Mayor Murphy questioned if a portion of the \$6,000 difference was start up fees.

Mr. Kikuchi answered in the affirmative.

Mayor Murphy questioned if a compromise on the fees could be reached and suggested a reduced fee in year two and three.

Mr. Kikuchi indicated a lot of time was spent on this proposal and with all due respect, the fee would have to remain the same in order to ensure a quality job was done.

Council Member Kusumoto appreciated the firm's position, but felt there was not a scientific formula for the fees. He suggested a performance incentive that would put a portion of the compensation at risk.

Mr. Kikuchi stated that would be an unusual agreement and pointed out there are many variables outside his firm's control.

Mayor Murphy indicated one reason to pay more was an expectation for timely performance. He asked if there could be a reduction in fees if certain dates were not met.

Mr. Kikuchi indicated the firm would not be in favor of that and reiterated there were many outside variables out of the firm's control. He spoke of the complexity of governmental accounting including GASB 683 and pension liabilities. He reassured the Council that his firm is committed to its clients and will do good, timely work.

Council Member Hasselbrink asked if it was possible to realize any cost savings if the agreement was four years instead of three.

Mr. Kikuchi indicated he would be willing to make the last two option years the same price as the third year which would be some cost savings.

Mayor Pro Tem Edgar indicated LSL was 40% higher than the lowest bidder and questioned if all the services provided last year would be needed in the upcoming year.

Administrative Services Director Al-Imam indicated the two standard services were the Comprehensive Annual Finance Report (CAFR) and the appropriation limits. The other services were not anticipated.

Council and Staff discussed the various available and mandatory services, related fees, and the Trash Contract audit.

Mayor Pro Tem Edgar challenged Staff to explore ways to reduce the cost. He indicated the City may not be able to afford the best firm and was open to all the options suggested including extending the term.

City Attorney Reisman advised Council needed to select the firm and then authorize Staff to negotiate the final contract. If Staff was unable to do that, Council could then go to the next acceptable bidder.

Motion/Second: Edgar/Kusumoto
Unanimously Carried: The City Council:

1. Selected Lance, Soll & Lunghard, LLP to provide financial annual audit requirements; and,
2. Authorized Staff to negotiate lower pricing and bring back to Council for final approval.

A. Travel and Reimbursement Policy (Administrative Services)

This agenda item seeks Council approval regarding the possible revision of the Travel and Reimbursement Policy to authorize payment for charitable event related activities and to provide guidelines in unforeseen circumstances that require the City Manager to travel in order to protect the City's immediate interests or needs.

City Manager Plumlee introduced the item.

Administrative Services Director Al-Imam summarized the Staff report referring to the information contained therein and answered questions from the City Council.

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

Council Member Grose stated concern that limiting reimbursement of charitable events to one ticket per Council Member would be too restrictive and stated a preference for the ability to negotiate if that was the case.

Council Member Hasselbrink stated opposition and stated she did not agree with taxpayers funding Council's attendance at charitable events. She agreed Council should be visible to the public and suggested volunteering. She understood the financial obligation of the Mayor to participate in the Americana Awards.

Mayor Murphy agreed Council should not be reimbursed for charitable events, but felt Americana Awards should be addressed. He stated Section 3.03.D addressing charitable events convoluted the issue.

Council Member Kusumoto indicated Section D, compliments the prior statement.

Mayor Murphy requested a broader term for Administrative Services Director so the policy would not need to be revised should the position change again. Staff suggested City Treasurer and Council agreed.

Council Member Grose agreed the Americana Awards was an expense that should be addressed and he stated opposition to having too much representation at events paid for by the City.

Mayor Pro Tem Edgar indicated he did not have an issue paying for events and should an organization really want a representative present, the Council Member could take it upon them to find someone to sponsor their seat. He stated support for not including charities.

Council Member Kusumoto indicated the higher ticketed items can be a burden on Council and stated support for a small budget for discretionary events. He indicated Council did a good job of monitoring its spending and the purpose of the modification was to allow some latitude to ensure representation at all events. He stated support for the policy as is, in the spirit of representing the City and Council at community events.

Mayor Pro Tem Edgar reviewed the ideas introduced and understood the theme to be support for Council representation at events.

Council Member Hasselbrink stated a preference for Council attending events because they are passionate about the cause and residents, not because the event was paid for by the City.

Council and Staff discussed the current policy regarding charitable events not being allowed.

Mayor Murphy stated support for including one ticket to Americana Awards as it was a true expense. He understood Chamber events to be business related and not charitable expenses.

Mayor Pro Tem Edgar stated support for identifying qualified charities as there had been issues in the past with charities feeling neglected.

Council Member Grose stated the policy should allow for flexibility so the Council could represent the City.

Motion/Second: Edgar/Kusumoto

Carried 3/2 (Hasselbrink and Murphy cast the dissenting votes): The City Council:

1. Modified Section 3.02.5 to read: Charitable event tickets.

2. Adopt Resolution 2015-14, entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, ADOPTING THE CITY OF LOS ALAMITOS TRAVEL AND REIMBURSEMENT POLICY DATED JUNE 1, 2015 AND REPEALING RESOLUTION NO. 2009-02."

**C. Review the Preliminary Seven-Year Capital Improvement Program for 2015/16 through 2021/22 and the Proposed 2015/16 Budgets for the Special Revenue, Debt Service, Capital Projects and Internal Service Funds
(Administrative Services)**

This report provided the City Council with the Preliminary Seven-Year Capital Improvement Program for 2015/16 through 2021/22 and the Proposed 2015/16 Budgets for the Special Revenue, Debt Service, Capital Projects and Internal Service Funds.

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

Administrative Services Director Al-Imam summarized the Staff report, referring to the information contained therein, and answered questions from the City Council.

Council Member Grose understood the Garage Fund was underfunded and there were vehicles that had reached their maturity. Replacement would deplete the fund. He cautioned Council to practice some restraint by possibly putting a hold on all purchases to allow the fund to grow and having year end surpluses go into the fund.

Administrative Services Director Al-Imam clarified surplus funds would be used for capital needs in the Vehicle and Equipment Replacement Fund and Police Capital Expenditure Fund.

Council Member Grose stated concern the Police Capital Expenditure Fund was set up for the 800 MHz project and would be depleted by other expenses such as guns, equipment, mandated changes, electronic ticket writing, etc.

City Manager Plumlee clarified the Council had established a replacement fund for 800 MHz and CAD RMS projects and \$35,000 a year was allocated to such. The anticipated surplus for FY 14/15 would go towards replenishing the Vehicle and Police Capital Fund.

Mayor Murphy recalled when the fund was established, Council knew there were Police vehicles that would need to be purchased. He asked when this would occur and if departments were making contributions to the fund. He cautioned Council this fund was established for a purpose and should only be used for such.

City Manager Plumlee advised the fund was underfunded by approximately \$1 million and additional funding would be needed. He indicated as an internal service fund, allocations are made by the departments.

Mayor Pro Tem Edgar referred to the Vehicle Fund and stated the following concerns: underfunded policy, process for internal service funds charging each department; current department tax only covers operations and maintenance, not vehicle replacement; policy concerns regarding fully funding the Vehicle fund when there are other items in the City that need to be addressed; and, questioned whether it was appropriate to fund in the current year to bring the deficit down and if \$125,000 was the appropriate figure.

Administrative Services Director Al-Imam explained Council had adopted a capital replacement funding schedule last year and that the \$125,000 would be divided as follows: \$50,000 Vehicle Fund, \$30,000 Facilities, Streets, Parks, and Pool Capital Expenditures Fund, and \$25,000 Police Capital Expenditures. He clarified the surplus was not final yet because the books had not been closed for the current Fiscal Year.

Mayor Murphy clarified the estimated surplus for Fiscal Year 2014/15 was \$500,000 and Staff was proposing moving \$125,000 of that forward to 2015/16 and doing a journal entry. There would be a future discussion in September regarding the remaining surplus.

Mayor Pro Tem Edgar questioned if \$125,000 was enough and asked why not fund it if the Vehicle Fund was so important to the Council.

City Manager Plumlee explained the designations were part of the Fund Policy adopted by Council and gave a brief history.

Mayor Pro Tem Edgar stated he cared about the Downtown Beautification project. He stated concern it was forecasted for two years out and was uneasy with the idea of idle capital. Funding capital equipment would not generate more revenue for the City and he stated a preference for taking action and completing Capital Improvement Projects. He indicated in his last three years he wanted to get things done and did not want to see idle cash.

City Manager Plumlee indicated there were possible changes in two different liability reserves through CJPIA that could also impact the anticipated \$500,000 surplus.

Mayor Pro Tem Edgar stated a preference for not focusing on overfunding internal service funds.

Council Member Grose stated the funds were established for a purpose. From a conservative standpoint, money needed to be set aside to replace things such as deteriorating buildings. He believed Council needed to restrain from spending because the funds were there and defend the standpoint of saving for the future to the constituents. He believed Council was doing the prudent thing.

Mayor Pro Tem Edgar indicated support for Staff's recommendation and the \$125,000 reserve. He stated a preference for not reserving any additional funds and pulling projects forward to complete.

Mayor Murphy referred to the Debt Service Fund for Laurel Park and questioned why \$260,000 was waiting to the end of the year to be spent.

Administrative Services Director Al-Imam indicated \$220,000 was a reserve requirement and held by a bond trustee.

Administrative Services Director Al-Imam continued the presentation.

City Engineer Hunt spoke briefly regarding the Capital Improvement Project budget.

Mayor Pro Tem Edgar referred to attachment 5, and questioned what would need to occur to use the \$30,000 for trees for further beautification and addition of trees.

City Engineer Hunt indicated the \$35,000 was for the contractor that does the large tree maintenance, including removal of tree limbs that have damaged private property. He suggested adding an additional fund should Council desire more trees.

City Council and Staff discussed researching possible grant funding for trees.

Mayor Pro Tem Edgar stated support for the ADA Study and Special Projects. He stated support for improvements in the alley behind the charities on Regan. He discussed item #16, Old Dutch Haven Block Wall, and suggested doing a wall in the Highlands as it only affected 4 houses. He referred to the slurry seal in Greenbrook and stated a preference for re-concreting in the future. He asked if Council was comfortable with the current spending being spread throughout two years and questioned if there were additional areas of opportunities.

City Engineer Hunt explained the Cerritos Ave. project was two years out due to funding that would be received from Measure M. He briefly discussed the grant process.

Mayor Pro Tem Edgar stated his top five priorities were center medians for Los Alamitos Blvd., establishing a tree fund, the Old Dutch Haven block wall, alley improvements, and moving the Pavement Management Plan forward.

Mayor Murphy questioned if the \$500,000 for medians could be brought forward or if it was pending grants.

City Engineer Hunt indicated it had been put out two years to allow for design and application for grants in year one. He outlined the grant process and indicated if it was brought forward it would be unlikely to get grants in such a short time period.

Mayor Pro Tem Edgar questioned if the City's criteria was not to do projects unless there was grant funding.

City Engineer Hunt stated if Council wanted to pay for it with other sources, the project could be discussed next summer.

City Council and Staff discussed the medians on Los Alamitos Blvd.

Mayor Pro Tem Edgar stated a preference for picking a significant project and completing it versus doing incremental projects. He referred to the Los Alamitos Medical Center project and felt it was healthy for Council to get behind a project and move forward.

Mayor Murphy stated a preference for bifurcating the Civic Center relocation project. He was supportive of continuing discussions with the Joint Forces Training Base and making necessary repairs at the current location in the next five to ten years. He requested Staff identify the short term needs for the facility and Youth Center in the interim.

Council Member Grose discussed the potential to relocate the Civic Center Complex by Departments versus keeping the entire complex together. He believed if the City Hall property was purchased, the existing structures would need to be torn down. He stated support for considering anything that favored selling this property and the neighboring property to generate revenue and create sales.

Mayor Murphy reiterated he would like to bifurcate the issue. He indicated it would be great if the City could obtain the land and realistically it would take 5-7 years to build.

Council Member Hasselbrink stated support for bifurcating the issue. She indicated the current City Hall facilities were substandard and was supportive of doing projects that showed an immediate benefit.

4. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL

Initiation of litigation pursuant to subdivision (d)(4) of Section 54956.9. One potential case.

City Attorney Reisman read item 4A aloud.

RECESS

The City Council recessed into Closed Session at 7:07 p.m.

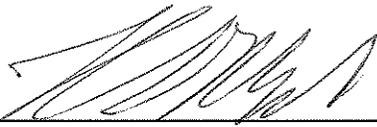
RECONVENE

The City Council reconvened in Special Session at 9:30 p.m.

City Attorney Reisman advised there was no reportable action.

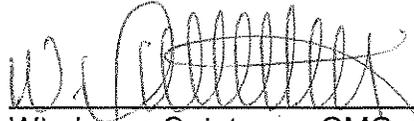
5. **ADJOURNMENT**

The City Council adjourned at 9:30 p.m.



Richard D. Murphy, Mayor

Attest:



Windmera Quintanar, CMC, City Clerk