

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

SPECIAL MEETING – June 11, 2013

1. CALL TO ORDER

The City Council met in Special Session at 6:00 p.m., Tuesday, June 11, 2013, in the Council Chamber, 3191 Katella Avenue, Mayor Kusumoto presiding.

2. ROLL CALL

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

Absent: Council Members: None

Present: Staff: Gregory D. Korduner, Interim City Manager
Tony Brandyberry, Public Works Superintendent
Joshua A. Brooks, Finance Director
Dave Hunt, City Engineer
Todd Mattern, Police Chief
Steven Mendoza, Community Development Director
Emeline Moya, Recreation Manager
Ron Noda, Recreation Manager
Cassandra Palmer, Support Services Manager
Windmera Quintanar, CMC, City Clerk

3. SPECIAL ORDERS OF THE DAY

A. Fiscal Year 2013-14 Proposed Budget Follow Up

This report addressed follow up items from the previous budget study sessions held on May 6, 2013; May 20, 2013; and, June 3, 2013.

Finance Director Brooks summarized the Staff report, referring to the information contained therein, gave a PowerPoint presentation, and answered questions from the City Council.

Council Member Edgar requested clarification regarding the projected revenues and actuals for property taxes.

Finance Director Brooks summarized the difference between the information presented on May 6th and information presented tonight. He pointed out the main difference was actuals had been updated to include May 31, 2013.

Council Member Grose expressed concern regarding the projected increase to Transient Occupancy Tax (TOT) and inquired what external factors were responsible for the five year fluctuation.

Finance Director Brooks explained the estimates were based on a percentage growth and had been conservatively estimated.

Council Member Grose stated support for creating a policy that would capture historical knowledge for future reference that would assist in producing tighter revenue projections.

Council Member Edgar asked about actual amounts received to date for the TOT. Finance Director Brooks stated he would send that information to Council.

Mayor Kusumoto inquired if Staff was confident in the projection of \$96,000. Finance Director Brooks answered in the affirmative and clarified Staff was only projecting one payment of the four.

Council Member Grose asked if the \$103,000 projection was based on the increases from past years. Finance Director Brooks answered in the affirmative and added trends were taken into account.

Interim City Manager Korduner stated Staff had been very conservative on revenue projections and was estimating a smaller percentage increase than the last five years.

Mayor Kusumoto referred to the Franchise Fees and inquired if the Cable Fee had been trending downward in the past five years.

Finance Director Brooks stated his belief it was trending upward and indicated he would confirm. He clarified Staff had decided to be prudent and reduce the revenue projection by \$13,500.

Council Member Edgar asked how frequently Cable fee payments were received. Finance Director Brooks stated they were received quarterly. Council Member Edgar requested additional information on the methodology for projecting \$40,000.

Council Member Grose asked for a breakdown of Verizon and Time Warner customers.

Council Member Edgar questioned the Utility Users Tax revenue projection, specifically in regards to the 1% Telephone Users Tax (TUT) reduction that was passed in November.

Finance Director Brooks stated the projections were based off trends and actuals received to date. He pointed out that the reduction had widened the revenue base. He stated revenue projections included a \$35,000 decrease for the current year and 2.5% increase moving forward.

Council Member Edgar inquired whether a month to month revenue comparison had been made from last year to this year to see if a net reduction had occurred or if the widening base theory was correct. Finance Director Brooks stated he would double check and send the information to Council.

Council Member Grose stated the intention of the reduction was to remain revenue neutral. Finance Director Brooks clarified the providers had until April 1, 2013, to implement the reduction and data was very limited at this point.

Mayor Pro Tem Graham-Mejia stated it was understood it may take one to two years to see any significant revenue changes in the TUT. She stated she was not uncomfortable with the projections and understood Council Member Grose's concern.

Council Member Grose referred to the red light cameras and indicated his desire for additional information regarding safety versus revenue generating. He inquired if the program was at a point where relocating the lights would be beneficial for safety.

Police Chief Mattern clarified Redflex had surveyed all intersection when the lights were installed in 2005. The two intersections where the lights were installed were the only intersections recommended for effectiveness. Possible intersections included Los Alamitos Blvd. and Cerritos, and Los Alamitos Blvd. and Farquhar.

Council Member Grose stated concern for the safety effectiveness of the program. Police Chief Mattern stated there was not a large enough sample size to compare traffic collisions; however, he indicated there was a reduction red light violations and therefore intersections were presumably safer. He recalled in 2005, there were concerns for increased red light violations and it was difficult for the officers to safely cite the violators. Installing red light cameras had alleviated that concern.

Council Member Murphy referred to the red light camera projections and inquired if there was a potential for additional revenue. Finance Director Brooks stated there was potential; however, Staff was endeavoring to remain conservative in the budget.

Mayor Pro Tem Graham-Mejia added Staff had recognized the increase in violations could be due to the increased construction on the 405-freeway.

Council Member Edgar inquired if the hospital expansion was on track. Community Development Director Mendoza answered in the affirmative.

Council Member Murphy stated the presentation was excellent.

Council Member Grose referred to the part-time COLA and inquired if Staff had the ability to adjust ranges for permanent part-time employees. He suggested a future study session for the topic. He stated support for a Budget Sub-Committee and referred to the City of Irvine's process of allowing citizen participation.

Interim City Manager Korduner stated he had experience with Budget Sub-Committees in other cities without citizen participation. He clarified the committee would not be a standing committee that met on a regular basis.

Mayor Kusumoto stated support for scheduling the discussion at a future meeting.

Council Member Grose stated support for upgrading the computer systems to include online payment. He indicated he received complaints from businesses every year and urged Council to consider such.

Council Member Edgar stated support for a Police Commission that would focus on the department budget and sustainability. He stated Police Chief Mattern had prepared a great budget analysis and indicated decisions would need to be made with the upcoming labor negotiations.

Mayor Kusumoto inquired if other cities had a Police Commission.

Council Member Edgar indicated not to his knowledge.

Interim City Manager Korduner stated he did not have experience with a Police Commission, but had experience with a Commission that looked at the global operation of the City. He had experience with a Citizens Commission that was not effective the first time, but had reached its goals the second time.

Council Member Edgar stated it was good process to prioritize services. He stated it may be beneficial to look at contracting services to other cities to balance overhead or contracting with the Sheriff's Department. He stated support for the community being involved in the process as their input was valuable when the Council was faced with difficult decisions.

Mayor Pro Tem Graham-Mejia stated her belief that any changes to Police Services should go to a vote of the people and added there was strong community support for retaining the Police Department.

Mayor Kusumoto referred to the cities of Brea and Yorba Linda who recently contracted with the Sheriff's Department and stated the importance of maintaining a partnership and not a vendor-customer relationship.

Mayor Pro Tem Graham-Mejia referred to attachment 1, and requested clarification of how the \$100,000 for the Los Alamitos Boulevard Revitalization would be spent.

Community Development Director Mendoza stated it was not for construction and would be spent on design, engineering, and outreach.

Council Member Grose referred to the Joint Commissions for the General Plan and stated support for utilizing the same process for the Downtown Revitalization project.

Mayor Pro Tem Graham-Mejia stated support for using the funds for medians, not necessarily revitalization. She stated residents were concerned about narrowing the streets and congested traffic. She added there was already a lack of parking and an additional 17-19 parking spaces would be lost with the project. She stated opposition to giving property to business owners and spending reserve funds on a Downtown Revitalization project that did not have data to support an increase in revenue.

Council Member Murphy referred to attachment 2, and inquired about the three unassigned fund designations (SRO, Pool Repairs, and Emergency Generator).

Finance Director Brooks stated the designations would come from the reserve fund, but had not been designated by Council in the past for those particular uses.

Council Member Murphy stated concern for reflecting a positive general fund balance while spending money from the reserves and indicated the City was spending \$1.5 million more than it was receiving. He stated of the \$7.3 million reserve, only \$1.3 million was unaccounted for and \$500,000 was proposed to be spent. He stated concern the practice could not be maintained for more than two years without seriously depleting the reserves. He stated Council was wise not to designate money for pension.

Finance Director Brooks read the audited statement of the reserve funds totaling \$7.7 million: \$2.3 million – Emergency Reserves; \$1.5 million – Worker’s Compensation; \$250,000 – Other Post Employment Benefits (OPEB); \$200,000 – Downtown Revitalization; and, \$4.5 million unassigned. He stated Staff was proposing spending \$500,000 from reserves, the majority of which has been set aside and the remainder would come from the \$4.5 million in unassigned reserves. He expressed concern for the ongoing cost of the SRO. He pointed out the City had received an increase to the fund balance for the past three years.

Council Member Murphy stated the total OPEB Liability of \$2.5 million was not included in the numbers provided.

Finance Director Brooks stated that was correct and added the funds did not need to be set aside instantly and would be managed in the future.

Council Member Murphy indicated he understood and supported Council’s decision two years ago not to fund the full liability amount right away. He stated it should be accounted for and reiterated concern that the City was spending more than it was bringing in.

Council Member Edgar reiterated the following topics: conservatively spending to achieve a budget surplus; unassigned and assigned reserve balances; support for establishing restricted reserves for pension liability in the future; current policy of setting aside \$250,000 for pension liability; unfunded SRO position; history of the General Plan fund designation; ability to allocate \$300,000 to Oak Gym because of prudent budgeting; unknown impacts of the Garage Fund Policy; and, attempted to clarify Council Member Murphy’s concerns.

Interim City Manager Korduner stated the City had received a \$71,000 one time refund that could be used towards the \$100,000 for the generator. He stated Staff had confirmed a meeting with Aquatics Foundation and anticipated a \$52,000 contribution towards the \$80,000 in pool repairs. He clarified funding for the SRO was originally planned to be funded from the reserves, Community Giveback funds, or additional revenue. He pointed out the General Plan and Los Alamitos Blvd. Project were one time budgeted expenses to a certain extent.

Mayor Pro Tem Graham-Mejia referred to the \$71,000 refund and stated it could be used towards funding the SRO this year, but could not be counted on in subsequent years. She indicated if additional revenue was received next year it could be used towards funding the SRO.

Interim City Manager Korduner stated when the audit was complete Staff would be aware of any surplus funds and would bring the item back to Council for further funding allocation discussion.

Council Member Murphy reiterated his concern the City was spending \$500,000 more than it was receiving and about unfunded pension liability. He stated concern that the SRO funding discussion was convoluted and not reported accurately in the minutes. He clarified he was not against purchase of the generator, but felt it should have been properly budgeted for. Council Member Edgar pointed out the Council was working on a 30 year plan to fund the pension liability.

Council Member Murphy stated support for discussion pension liability and a designated fund. He reiterated concern the City spending more than it was receiving. He stated the numbers reflected in the Community Giveback line item were not up to date and added his concerns could not be addressed until the pension liability was addressed. He expressed his opinion the SRO should be funded in the Police Department's budget.

Council Member Edgar stated the SRO could be funded by the reserves, by removing something from the General Fund, or by removing the Garage Fund. He stated support for not implementing the Garage Fund policy and paying for the SRO out of the General Fund.

Council Member Murphy stated he was unclear on the Garage Fund, why salaries were included in the fund, and felt maintenance should be an active part of the budget. He stated support for having a study session.

Mayor Pro Tem Graham-Mejia reiterated support for using the \$71,000 refund towards the SRO. She stated the Police Department had clearly stated the cost could not be absorbed and Council had committed to the SRO regardless. She stated support for funding it this year and discussing future funding at a later date.

Council Member Grose indicated his opinion that the SRO should be funded in the Police Department's Budget and stated Staff needed to be cognizant of national funding to ensure no opportunities were missed. He stated opposition to using the Garage Fund to balance other expenses.

Council Member Edgar stated his belief that Council implemented a bad Vehicle Replacement Policy and not implementing it would not be taking funds from the Garage Fund. He inquired to the amount of the capital expenditure in the Garage Fund.

Finance Director Brooks indicated \$129,000.

Council Member Edgar stated support for postponing implementation of the Vehicle Replacement Policy. He indicated support for removing vehicles from the budget to fund the SRO and readdressing the Vehicle Replacement Policy before approving the budget.

Council Member Grose stated Council could direct Staff to hold funding for those items from the budget and stated support for readdressing the policy.

Mayor Kusumoto stated his belief Council had already discussed funding the generator.

Council Member Edgar stated the telephone replacement was intended to be funded from the reserves, but the cost has been absorbed in the operating budget; however, Staff was requesting an emergency generator from reserves. He indicated it was a matter of bookkeeping.

Mayor Kusumoto stated Council may wish to revisit the SRO discussion to determine if funds were appropriated and discuss further possibilities if needed.

Council Member Murphy recalled his understanding Council had requested Police Chief Mattern to absorb the SRO expense and had reported there was not room for reduction. He reiterated his belief the recording of the discussion was not accurately reflected in the minutes.

Mayor Kusumoto stated support for tabling the SRO discussion to investigate future funding options.

Council Member Grose stated he had left the SRO funding discussion with the understanding that Council was supportive of the idea, but had not voted to implement the SRO. He indicated there wasn't clarity on the funding coming from the School District or the City of Seal Beach and he stated support for additional discussion regarding the process of funding a SRO.

Mayor Pro Tem Graham-Mejia requested clarification on the Garage Fund.

Public Works Superintendent Brandyberry stated the adopted Vehicle Replacement Policy had guidelines and target dates, but was written to allow flexibility. He stated Staff was able to repair and maintain the vehicles if it was the will of the Council.

Mayor Pro Tem Graham-Mejia stated Staff felt the replacement could be deferred for a year if needed.

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

Interim City Manager Korduner listed the follow up items: create a policy to notate historical trends for filing (i.e. TOT, revenue projections); differentiate Cable TV fees between Verizon and Time Warner; track the progress of the TUT; and, reevaluate location of red light cameras.

Mayor Kusumoto added a six month report of the TUT revenue from the implementation date of April 1, 2013, was expected. He suggested having the Traffic Commission evaluate the location of red light cameras.

Council Member Grose stated he did not feel these items would hold up the budget adoption and clarified they were informational follow up items for Staff at a later date.

Council Member Edgar stated he was unclear regarding the increase to TUT revenue. He stated there was not enough data and disagreed with projecting revenue increases.

Mayor Pro Tem Graham-Mejia stated the projection could be adjusted at mid-year.

Council Member Edgar stated concern for spending up to the proposed revenue projections. He asked for the methodology for the \$40,000 increase to Cable TV Franchise and agreed the red light issue should go to the Traffic Commission.

Council Member Grose clarified his concern with the red light cameras and stated Council should review if the program had achieved its goal of behavior modification or if the program had turned into a revenue generator.

Police Chief Mattern stated there were two reserve officers that monitored the citations. He stated enforcement Staff had speculated increases were due to violators assuming the lights were no longer operational.

Council Member Grose stated additional information was needed (i.e. reduced accident numbers, number of issued citations) and felt the information could be easily attained. He stated support for additional public outreach to inform the public red light cameras were active. He indicated there had been a significant increase and was concerned the project was becoming an independent revenue stream. He added should red light cameras cease, it would be significant to the department budget. He clarified he was not opposed to including the revenue in the budget and stated support for analyzing the trends.

Mayor Kusumoto reiterated support for the Traffic Commission addressing the concern as a safety issue and not a revenue issue.

Council Member Grose disagreed stating it was a policy decision from the Council. He indicated his desire to be more comfortable with the policy.

Interim City Manager Korduner referred to the emergency generator and stated Council could use the \$71,000 rebate towards the expense. He indicated Public Works Superintendent Brandyberry could use the Garage Fund to cover the difference.

Council Member Murphy expressed concern legal fees had not been discussed and were budgeted for the same amount as last year. He stated he saw a foreseeable increase regarding an Environmental Impact Report in the future that should be budgeted.

Interim City Manager Korduner stated for an unexpected emergency such as litigation, reserves could be used. He added Staff was hopeful there would be a surplus at the end of the year.

Mayor Pro Tem Graham-Mejia stated support for using reserves to protect the City. She inquired how much was spent on legal fees the year prior.

Finance Director Brooks stated in Fiscal Year 11/12, \$191,000 was spent on legal fees.

Mayor Pro Tem Graham-Mejia pointed out the legal budget had been surpassed in prior years and it was not uncustomary to have situations arise that required adjustments at mid-year. She stated the amount discussed in Closed Session was not excessive.

Council Member Edgar stated he anticipated additional cost for legal advice regarding CEQA. He added calculating a value should not be difficult and stated support for Council having an estimate for a basic strategy.

Interim City Manager Korduner stated he would inquire with the City Attorney.

Mayor Kusumoto directed Staff to send out information regarding the items discussed. He requested Council Member Murphy defer the discussion of legal fees to a later date.

Council Member Edgar acknowledged Police Chief Mattern for being present and getting behind the department.

Council Member Grose advised the State Controller had indicated revenues were surpassing projections by 12% and Governor Brown had reported a balanced budget. He cautioned the circumstances were not as positive as presented.

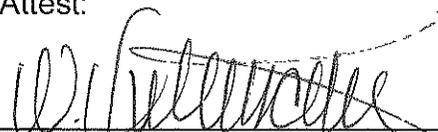
Mayor Kusumoto thanked Staff.

4. ADJOURNMENT

The City Council adjourned at 7:34 p.m.


Warren Kusumoto, Mayor

Attest:


Windmeera Quintanar, CMC, City Clerk