

MINUTES OF THE SPECIAL MEETING
OF THE LA PALMA CITY COUNCIL

May 11, 2015

CALL TO ORDER: Mayor Kim called the Special Meeting of the La Palma City Council to order at 6:00 p.m. in the Council Chambers of La Palma City Hall, 7822 Walker Street, La Palma, California, with Council Member Hwangbo being absent.

PLEDGE OF ALLEGIANCE:

City Manager Volmert

ROLL CALL:

Council Members

Council Members
present:

Mayor Pro Tem Goedhart, Mayor Kim,
Council Member Shanahan, and
Council Member Steggell

Council Members
absent:

Council Member Hwangbo

City Officials present:

Ellen Volmert, City Manager
Michael Belknap, Community Services
Director
Douglas Dumhart, Community
Development Director
Laurie Murray, Administrative Services
Director/City Clerk
Eric Nuñez, Police Chief

ORAL COMMUNICATIONS

No members of the public wished to speak

REGULAR ITEM

1. Fiscal Year 2015-16 Budget Workshop

City Manager Volmert gave the Staff presentation introduction.

Administrative Services Director Murray gave a presentation on the Financial Overview and Administrative Services Budget.

Mayor Kim requested to take a short recess at 6:33 p.m.

Mayor Kim reconvened the City Council at 6:38 p.m. with Council Member Hwangbo being absent.

Administrative Services Director Murray continued with the Administrative Services Budget presentation.

Community Development Director Dumhart gave a presentation on the Community Development Budget.

Community Services Director Belknap gave a presentation on the Community Services Budget.

Police Chief Nuñez gave a presentation on the Police Department Budget.

Administrative Services Director Murray closed the presentation by reporting on the Long Term Financial Plan.

Public Comment:

Keith Nelson, a La Palma resident, addressed the City Council regarding clarification of the budget restructuring for Agency dues; special pay clarification of Community Services and Police Department employees; whether the special payouts are subject to upcoming labor negotiations; clarification of the new tax that is proposed.

City Manager Volmert responded that the tax that was suggested during the April 21 budget discussion was a potential revenue measure to help support the General Fund; that no direct determination on what type of tax was made; and that the City Council would need to review the matter further.

Mayor Kim noted that Staff brought the tax measure forward as a revenue option, but that the City Council did not make any decision nor have any discussion on the matter.

Discussion ensued regarding the City Council needing more discussion or research on the possibility of increasing an existing tax or implementation of a new tax.

Mr. Nelson continued by questioning the approximately \$33,000 a month in Police Department overtime.

Police Chief Nuñez concurred that overtime amount; that Staffing reductions from injuries or vacant positions caused the overtime; that the Police Department has two candidates who will start in the next week; that one of the vacant positions is being eliminated; that each new officer has to go through approximately four months of training; and that Police Department overtime has been calculated into the FY 2015-16 Budget.

Mr. Nelson suggested that all City Management be present in the City, doing the job they are paid to do, instead of participating in outside agency matters; that the Police Department Captains and Chief work some patrol shifts to alleviate the overtime; and that the City Council waive their stipends for next fiscal year in an effort to positively impact the budget.

Ismile Noorbaksh, a La Palma Resident, addressed the City Council regarding opposition to the proposed elimination of the City's community programs; benefits to the community of having City programs; having the community financially contribute to the programs; opposition to cutting staff; support for raising revenue by investigating increasing the Utility Users Tax (UUT), reviewing parcel taxes, reinstating the landscape lighting district, and having a Citizen Committee to review those options; and opposition to the potential street light purchase.

Abe Waheed, a La Palma Resident, addressed the City Council regarding support for increasing revenue; opposition to eliminating City programs; support for eliminating unnecessary expenses; and support for taxes that are used properly.

Diane Scheerhorn, Ph.D., superintendent of Centralia School District, addressed the City Council regarding school districts and municipalities all undergoing budgetary constraints; support for starting discussions on how to keep programs; and support for programs that impact the children of La Palma.

George Mast, a La Palma resident, addressed the City Council regarding concerns for residential solar panels negatively affecting the City's UUT revenue and possibly creating new revenue generation addressing the loss of solar related UUT.

Larry Herman, a La Palma resident, addressed the City Council regarding clarification that the proposed elimination of City Programs includes a reduction in employee savings; the possible use of Reserve Funds to help balance the budget; whether the City has any Reserve funds that are not necessary; and whether there are any other options for further Staff consolidation.

City Manager Volmert responded that part of the savings is due to the reduction in Staff time involved with the City programs that are proposed for elimination; that eliminating full-time Staff and replacing some positions with part-time staff produces savings; that the elimination of proposed City Programs includes the

savings of not using part-time staff for those programs; and that there could be some Staff consolidation in the future, but not at this time.

Administrative Services Director Murray also noted that the use of Reserve Funds is at the City Council's discretion and would be a policy decision; that the only discussion has been using One-Time Project funds to pay one-time insurance costs and using the Revenue Volatility funds to help close the budget gap in years two and three; because of the inability of the Successor Agency to pay back loans, the City's Insurance and Water/Sewer Funds have been decreasing; and that as employees retire, positions would be redefined and allow for more opportunity for new Staff to come in at Tier 2 and Tier 3.

Mr. Herman continued by inquiring on the City's street light purchase; that street light maintenance would be incurred by the City; and the clarification of what the benefits are with the street light purchase.

Community Services Director Belknap responded that during the street light purchase, the lights will be upgraded to high efficiency LED lighting; that the lights would be a very low maintenance cost; and that the new light energy efficiency will lead to a reduction in the City's electricity cost.

City Manager Volmert also noted that street lights account for over 40% of the City's electric bill; that the conversion should lead to a 2/3 reduction in electricity costs; and that the matter is pending the Southern California Edison agreement and Public Utilities Commission approval of the transfer.

Mr. Herman continued by stating his support for City beautification; support for dead tree removal along Houston Avenue; and inquiring how the City plans to communicate the new Stage 2 Water Declaration.

Community Services Director Belknap responded that the City Council approved the Stage 2 Water Declaration at its May 5 meeting and it is now in effect; that Staff has updated the City's website with updated information; and that a direct mailer will be sent to all water customers.

Robert Carruth, a La Palma resident, addressed the City Council regarding the primary drivers for the City's deficit; clarification of what the actual dollar amount impact from reduced gas taxes and property tax loss from the hospital; the actual increase of worker's compensation increased costs; the actual unfunded liability costs; and the certainty of unfunded liability payments.

Administrative Services Director Murray clarified that the actual gas tax impact is a decrease of \$300,000; that property tax is overall increasing, but there is a loss of property tax revenue from the hospital's change to non-profit status; that there is a 15% increased general liability cost and a 20% increased workers compensation

cost totaling \$310,000; and that the unfunded liability increase is \$395,000 and will increase per their forecast.

Mr. Carruth continued, stating the previous history of La Palma and that in the early 1990's it had the same financial difficulties; that the City Council has tried to reduce costs through attrition and consolidation, to eliminating positions; that the true drivers are service costs; what are we getting for what we are paying for; opposition to the Management Staff's paid leave; flaws in having a small organization; opposition to the City's organizational structure; support for contracting City services; support for increased fees where there is a direct benefit for the fee, and opposition to a tax that pays for a defined retirement benefit that does not have a return to the tax payer; surveying the residents to find a revenue strategy that would be supported; that the City Council needs to make difficult decisions to remedy the financial situation; and his recommendation to join services with neighboring cities to minimize the costs so the residents are not impacted.

Recommendation that the City Council receive the Staff presentation on the Proposed FY 2015-16 Budget and provide direction for the preparation of the budget document.

Mayor Kim requested to take a short recess at 7:57 p.m.

Mayor Kim reconvened the City Council at 8:05 p.m. with Council Member Hwangbo being absent.

Council Comments, Questions, and Discussion:

Discussion ensued regarding the Summary of Resources and Requirements by Fund (page 2) including the proposed reductions, suspensions, and eliminations of City programs and services not being enough; the troubling financial forecast of La Palma; suggestion to make further reductions; the Water and Sewer Fund deficit; the Employee Benefit Fund deficit; delays in the City's loan repayments; and discrepancies with the property tax reported.

Discussion ensued regarding the Revenue Overview (page 6) and the lack of consistency in the reporting; clarification of the slight increase in Fines and Forfeitures revenue; that the motor officer issued approximately 1,200 tickets and that position has been eliminated; that no additional change to revenues is required as the Motor Officer was working Patrol in FY 2014-15 already.

Further discussion ensued regarding Interest and Investments Revenue (page 7); the decrease in the rate of return; that there was a mistake made in reporting the

rates, which will be corrected; and a request to clarify the loan repayment status on the Season's Senior Apartment project.

Community Development Director Dumhart explained how the dissolution of redevelopment reset the base year for calculating tax increment available for loan repayments; that the new base year is 2012-13; that any 'residual' property tax increment over the new base year can be applied to City loans to the former Redevelopment Agency; that the Successor Agency received \$84,000 for City loan payments, but the law requires 20% of loan repayments be set aside for low and moderate income housing; and further explanation that if La Palma Intercommunity Hospital secures a property tax exemption for their non-profit status, it would lower the tax increment below that base year and negate any 'residual' tax increment available to repay City loans.

Further discussion ensued regarding clarification of the \$120,000 inter-fund transfer coming from the Other Post Employee Benefit (OPEB) trust fund; that the City is drawing down on a trust fund that has not been fully funded; the history and details of the OPEB irrevocable trust being for retiree medical expenses and the purpose of that being to decrease the City's unfunded liability; and that there is a \$120,000 draw from this trust in the expenditure section that is being used to pay down this year's unfunded liability for retiree healthcare.

Discussion ensued regarding Water Enterprise Fund revenue (page 9); that the decrease in next year's water sales is due to the current drought restrictions; that Staff will be reevaluating the water revenue as the budget process progresses.

Discussion ensued regarding Administrative Services, City Council Publications and Dues (page A-2) and explanation that membership to the Southern California Association of Governments (SCAG), the Orange County Council of Governments (OCCOG), the Local Agency Formation Commission (LAFCO), and Orange County Human Relations are all required dues as part of the operational necessity of being a municipality; that membership to the League of California Cities (LOCC) and the Association of California Cities - Orange County (ACC-OC) is discretionary; and support to eliminate the LOCC and ACC-OC membership.

All votes by the City Council regarding specific budget items are advisory only for the purposes of preparing the City's proposed Budget. Any actions or reductions will be affirmed and voted on when the budget is adopted.

Council Member Steggell made a motion to direct staff to eliminate membership dues to the LOCC and ACC-OC in the draft Budget in preparation for the final FY 2015-16 Budget. The motion was seconded by Mayor Pro Tem Goedhart.

Discussion ensued regarding support for the motion, but for a trial basis; whether there are limitations to reapplying in the future; and that membership is based on a population formula.

The motion carried on the following vote:

AYES: Mayor Pro Tem Goedhart, Mayor Kim, Council Member Shanahan, and Council Member Steggell

NOES: None

ABSENT: Council Member Hwangbo

Discussion ensued regarding Administration Services, City Council Meetings and Training (page A-2); that the current year's expenses are only at \$3,700; that next year's budget can be reduced by \$6,000 to \$7,000; and a reminder that with the elimination of LOCC dues from the budget, there would be no need for the LOCC annual meeting costs.

Mayor Pro Tem Goedhart made a motion to direct staff to reduce the Meetings and Trainings budget from \$13,000 to \$7,000 in the draft Budget in preparation for the final FY 2015-16 Budget.

The motion was seconded by Mayor Kim and carried on the following vote:

AYES: Mayor Pro Tem Goedhart, Mayor Kim, Council Member Shanahan, and Council Member Steggell

NOES: None

ABSENT: Council Member Hwangbo

Discussion ensued regarding Administrative Services, Legal Services (page A-4) for a built in increase; and that since the Management Team is taking a 5% decrease, a suggestion to ask legal services to take the same reduction for their retainer; and to clarify that the decrease would be for the retainer only.

Mayor Pro Tem Goedhart made a motion to direct staff to ask Legal Services take the same Management Team reduction of 5% for their monthly retainer in the draft Budget in preparation of the final FY 2015-16 Budget.

The motion was seconded by Mayor Kim and carried on the following vote:

AYES: Mayor Pro Tem Goedhart, Mayor Kim, Council Member Shanahan, and Council Member Steggell

NOES: None

ABSENT: Council Member Hwangbo

Discussion ensued regarding Administrative Services, City Clerk (page A-6); that the Overtime increase is due to decreased Staffing levels; that there is a need to change the Overtime estimate; and clarification that the cost of proclamations has been moved to the Other Awards account from the Community Promotions budget.

Discussion ensued regarding Administrative Services, Fiscal Services (page A-7) regarding Maintenance and Operations, Professional Contract Services increase being caused by the Grant Services contract; that Administration has decreased other contract services; a request to get these line items listed in more detail, by project; that the Software Support increases are because of the new financial software, but that there are savings in Professional Services and other places in the budget; and that the increase in Meetings & Training is for the new Administrative Services Director position.

Mayor Pro Tem Goedhart made a motion to direct staff to reduce the Fiscal Services Meetings and Training budget to \$2,500 in the draft Budget in preparation of the final FY 2015-16 Budget.

The motion was seconded by Council Member Steggell and carried on the following vote:

AYES: Mayor Pro Tem Goedhart, Mayor Kim, and Council Member Steggell

NOES: Council Member Shanahan

ABSENT: Council Member Hwangbo

Discussion ensued regarding Administrative Services, Human Resources (page A-9); that the Professional Contract Services for FY 2014-15 included funding for the recent Classification Study; that funding for consultant services was left in the budget to fund the upgrade of personnel policies; and that Staff can reduce that account by \$4,000 and find another method to get the human resource project done.

Mayor Pro Tem Goedhart made a motion to direct staff reduce the Human Resources Professional Contract Services budget by \$4,000 for the draft Budget in preparation of the final FY 2015-16 Budget. The motion was seconded by Council Member Steggell.

Discussion ensued regarding the current personnel policies being written in the 1980's; that Staff can look at other cities policies to revise and update La Palma's; and that the project may not get done without the additional funds.

The motion carried on the following vote:

AYES: Mayor Pro Tem Goedhart, Mayor Kim, Council Member Shanahan, and Council Member Steggell

NOES: None

ABSENT: Council Member Hwangbo

Discussion ensued regarding Administrative Services, Human Resources Meetings and Training (page A-8); clarification that the number in the budget was a duplication that will be corrected; that it will be correctly reduced by \$3,000; and that since training is being cut elsewhere, the City needs to conduct this training to reduce higher costs and potential lawsuits.

Discussion ensued regarding Administrative Services, Technology and Communications (page A-9) with the Professional Contract Services (page A-9) increase being the cause of restoring Friday services; that because of the decreased hours the past two years, IT projects have been delayed and have put the City's technology infrastructure at risk; that there is not enough time to do all of the City's software updates, technology projects, and general troubleshooting with only two days service; the urgency to keep Brea IT on Staff that extra day; that last year's increase in Software Support was for property data and business licensing software; that there will be a fluctuation every two years due to maintenance service agreements; that the Copier Rental & Supplies increase is because the postage machine and supplies have been moved into this budget and that the City needs to lease a blue-print copier/scanner because the current machine is starting to fail; and rather than purchase a new blue-print copier/scanner at \$40,000, Staff decided that leasing a new one would be more financially prudent.

Discussion ensued regarding Police Administration (page B-2); that the increase to the Vehicle Operating Expense was because maintenance and repair costs were unusually low during the current fiscal year; that Staff is looking at other alternatives than Buena Park for maintenance and repairs; and that Buena Park's vehicle capacity is full and turnaround has decreased.

Discussion ensued regarding Police Operations and Management (page B-3); that the increase in Professional Contract Services is due to a rise in costs for Crossing Guard Services and Court liaison services with Buena Park.

Discussion ensued regarding Police Patrol (page B-4) for Overtime; that the Overtime expenses are anticipated to go over budget for FY 2014-15; that the anticipated decrease to \$281,000 is not realistic; that Staff will continue to have discussions on Overtime; that the decreased Holiday Pay is a result of a change in calculations and is correctly budgeted this year; that past discrepancies could be due to Holiday Pay being charged to Overtime; that Staff will return to the City Council to verify the accuracy of the numbers; the increased Professional Contract Services being attributed to increased electronic citation costs, fingerprinting for new officers, and costs related to the Department of Justice; a request to get a breakdown of Professional Contract Services; that the increased Special Departmental Supplies was due to costs being transferred from asset forfeiture funds.

Discussion ensued regarding Police Services Division Management (page B-5) increase for Professional Contract Services related to the background investigation costs of new Police Officers anticipated next year.

Discussion ensued regarding Police Investigations (page B-7), Meetings and Training increased because of the new investigative officer who is required to have specific training for that position which is reimbursable; and that Overtime in that department will be decreased with the addition of a new body in that department.

Discussion ensued regarding Police Records and Communications (page B-8); that the reduction in Overtime is because of the anticipated hiring of new per-diem dispatchers; that the Holiday Pay has been corrected as a result of a change in the calculations; and that Staff will try to conduct an analysis of Holiday pay and return to the City Council with clarification.

Discussion ensued regarding Community Services Administration (page C-2); that the Recreation Online Charges are credit card fees; that the Fire Authority charges those fees to customers; that with the deficit, the City should be charging the customer the additional fee; that there is an added benefit with processing a credit card payment versus a check; that Staff is looking at new credit card software that will incorporate those fees, but it will not happen until next year; that it is believed that there are legal issues in charging a convenience fee as a municipality; that Staff will research options to collect the fee; and that after the City completes the financial software conversion, Staff will look into technical efficiencies to relieve having to pay for the fees.

Mayor Pro Tem Goedhart made a motion to direct staff research options for collecting on credit card fee from the user and return to the City Council with results.

The motion was seconded by Mayor Kim and carried on the following vote:

AYES: Mayor Pro Tem Goedhart, Mayor Kim, Council Member Shanahan, and Council Member Steggell

NOES: None

ABSENT: Council Member Hwangbo

Discussion ensued regarding clarification of Community Services Health and Wellness (page C-1) being the division that has contract classes for seniors and social services; and that youth programs such as teen programs, Summer Day Camp, and Fit "N" Fun are budgeted under Youth and Family Services.

Discussion ensued regarding Recreation Facility and Operations (page C-4) clarification of what is budgeted for Furniture and Fixtures being furniture that needs to be replaced annually.

Discussion ensued regarding Community Services, Special Events (page C-5) and clarifying Overtime from last year being increased from Public Works combining their Overtime with Recreation as an outcome of the reorganization; and that the reduction in FY 2015-16 is the outcome of the suspension of La Palma days.

Discussion ensued regarding Community Services, Citywide Maintenance (page C-7), and that there is no increase in electricity due to the Climatec Energy Project; and that the Citywide maintenance fund includes the operations of the Civic Center and other City buildings.

Discussion ensued regarding Community Services, Engineering (page C-8) increase to Professional Services includes the consolidation of Citywide contracted Engineering Services; that the bulk of the increase is because of Environmental Services; and that the increase includes one-time \$7,500 engineering costs for the Del Amo Bridge project.

Discussion ensued regarding Community Services, Parks and Medians (page C-9); that part of the Electricity budgeted is for the street lights; that Staff does not know when the street light purchase will be completed; that the street light purchase is assumed for the FY 2016-17 Budget; that part of the electricity costs are for park and right-of-way lighting and median lighting; and a suggestion to separate the electricity out as a separate line item for tracking.

Discussion ensued regarding Community Development (page D-1) and how the City allocates the Community Development Director's salary; an explanation that .475 of that salary is in Community Development Administration and the remainder is in the Successor Agency Housing Authority; that the \$250,000 payment to the General Fund is for administration of the Successor Agency; that the payment covers the administrative costs for the Redevelopment Agency

dissolution including Finance's time making bond payments, noticing for and administration of the Oversight Board meetings, and filing all necessary ROPS reports with the State Department of Finance; and that the law says you get 3% of your total tax increment or a flat \$250,000 as a default to cover administration costs.

Discussion ensued regarding Community Development, Building and Safety (page D-3) that increased Professional Contract Services are the outcome of development activity in the City; that increased revenue will offset those costs; that bank fees are from credit card fees for building permit and plan checks; that tax payers should not be paying for applicant fees; and direction to look into other options for collecting credit card fees from the users.

Discussion ensued regarding Special Revenue, Asset Forfeiture (page H-4) with explanation of Special Department Supplies being the result of expenses charged for asset forfeiture; that it includes training and overtime reimbursement; and that this fund will be reevaluated in hopes of providing some relief to the General Fund.

Discussion ensued regarding Utilities, Water Administration (page G-2); that the Professional Contract Services includes time from the contracted City Engineer for water projects and miscellaneous contract services that the City did not have prior to the Community Services reorganization; that the Computer Software Support includes support for the SEDARU program; and that the General Overhead costs are larger because the budget restructure eliminated charges to the Fund from the former internal service funds that are now in the General Fund budget; and that the actual cost to the funds is the same, with increases only where there have been increases in costs.

Discussion ensued regarding Utilities, Water Billing (page G-3); that the decrease in salaries will need to be researched and Staff will return with a report; and that the salaries include portions of time for three employees.

Discussion ensued regarding Utilities, Water Production (page G-4); that the salary decrease needs an explanation; that the Specialty Pay includes on-call payment and being called in; and that Staff will provide more detail on that department's Special Pay.

Discussion ensued regarding Internal Service Funds, Workers Compensation Insurance (page J-2); that the City is \$11,000 over budget in FY 2014-15 due to the misallocation of Workers Compensation that will be reversed; that the increase includes the retrospective fees for past workers compensation claims that were higher and more serious than anticipated; there is an annual 15% increased contribution; and that there is another \$75,000 estimated retrospective payment for anticipated claims.

Closing discussion ensued regarding the approximate reductions from tonight's meeting total \$27,300 without including the items that need to be further refined; and that Staff needs to find further reductions.

By consensus, the City Council directed Staff to present an updated adjusted budget at the May 19 meeting, reducing the deficit by another \$116,200.

City Manager Volmert responded that because of the upcoming payroll conversion, Staff will have difficulty getting an updated adjusted budget done by May 19 due to the amount of change requested from this work session.

Further discussion ensued regarding presenting the adjusted proposed Budget by the June 2 meeting so the adoption can take place at the June 16, 2015, City Council meeting; that Staffing is impacted; that the budget does not need to be adopted by June 2, 2015; and clarification that the revised budget to be presented will need to include the additional adjustments of \$116,200 by the June 2 meeting without the use of Reserve Funds.

ADJOURNMENT

Mayor Kim adjourned the Special Meeting of the La Palma City Council at 10:00 p.m.

Peter L. Kim
Mayor

Attest:

Laurie A. Murray, CMC
City Clerk