

MINUTES OF THE SPECIAL MEETING
OF THE LA PALMA CITY COUNCIL

March 28, 2017

CALL TO ORDER: Mayor Steggell called the Special Meeting of the La Palma City Council to order at 5:30 p.m. in the Council Chambers of La Palma City Hall, 7822 Walker Street, California.

CLOSED SESSION

CS-1. The City Council will meet in Closed Session pursuant to Government Code Section 54957.6: CONFERENCE WITH LABOR NEGOTIATORS

Agency Designated Representatives: Laurie Murray, City Manager
Sea Shelton, Administrative Services Director
Steve Filarsky, Agency Labor Counsel

Employee Organizations: La Palma General Employees Association
La Palma Police Association
La Palma Professional Employees Association

Unrepresented Employees: Executive Management

Mayor Steggell recessed to Closed Session at 5:31 p.m.

Mayor Steggell reconvened the City Council at 6:01 p.m. with all members present.

PLEDGE OF ALLEGIANCE: Mayor Steggell

ROLL CALL: Council Members

Council Members present: Council Member Goedhart, Council Member Goodman, Mayor Pro Tem Hwangbo, Council Member Kim, and Mayor Steggell

Council Members absent: None

City Officials present:

Laurie Murray, City Manager
Joel Kuperberg, City Attorney
Michael Belknap, Community Services Director
Douglas Dumhart, Community Development
Director
Sea Shelton, Administrative Services Director
Ron Wilkerson, Police Captain
Kimberly Kenney, Deputy City Clerk

ORAL COMMUNICATIONS

Larry Herman, a La Palma resident, addressed the City Council regarding the decaying trees along Houston Avenue; inquired into whether the Meals on Wheels is in jeopardy as result of the Federal Budget discussions; and concerns that the Houston Avenue/Walker Street south corner pipe barrier needs to have pedestrian signage placed on it.

City Manager Murray responded that the City is unaware of what the financial impact will be to the Meals on Wheels program, but noted that any outcome will be a result of the trickle-down effect from the Federal to State government.

REGULAR ITEM

1. Study Session: Long Term Fiscal Status, Pension Liabilities, and Fiscal Year 2017-18 Budget Planning

City Manager Murray introduced and gave a short overview of the Item.

Doug Pryor, Vice President of Bartel Associates, LLC, gave a detailed presentation on the CalPERS Actuarial Issues, June 30, 2015, Valuation.

City Manager Murray continued the presentation by covering the City's current Unfunded Liabilities obligations; options to pay down the Unfunded Liability; the effect of pay increases for Tier I Employees; and closed by noting that more detail will come forward on April 25th in the next Budget Study Session.

Council Comments and Questions:

Discussion ensued regarding why copies of the Slide Presentation were not included with the staff report; that Staff was still preparing the presentation and slides were unavailable until today and that it is not City practice to include presentations with the Staff Report; that the City retained Bartel Associates to analyze and acquire a third party perspective on CalPERS obligations,

distributions, and options for funding; that the discount rate is not set in stone; that Bartel does several simulations to account for variables and drop the rate purposely to account for market changes; assumptions for unfixed discount and funding levels; that discount rates would be changing over time; that projections stated are assuming a 6.5% rate of return on average including volatility on that number in the market; the difficulty of this concept for average members of the public to understand; that retiree healthcare is a separate discussion that will take place at a later time; that the City's obligations for retiree healthcare is approximately \$700,000 and annual costs are itemized in the budget; that other solutions provided to governments is simply to pay down the obligations to decrease the owed amount; that current markets are too volatile to give an exact approach; Bartel's support for the proposed plan; that Mr. Pryor has been with Bartel Associates since its inception in 2003; that the only agencies protected from CalPERS pension increases are "Contract Cities" with no pension programs; that many cities are looking at a variety of payment options; the Mr. Pryor joined Bartel in 2003, which is about the time that changed their pension formulas; the inequity amongst employees because of the Tiered pension system; the obligations of pension contributions for employers versus 401K contributions; that numbers are difficult to define in economic and investment scenarios because of the market volatility; whether freezing salaries has a long term impact depends on different variables; that CalPERS investment and administration expenses are fairly low compared to other trusts with close to \$300 Billion in assets; 115 Trusts have more investment options than CalPERS, but the returns are lower than a CalPERS fund; the requirements for GASB68 accounting for City investments; that the City Council can direct Staff to review a variety of investment and payment options and return for another study session; the projections are assuming that Safety employees are paying their 9%; the probability that in a year, the City will be in a better financial position; that the average rate of return over the long term period is 7.8%; that there is a positive outlook economically and no historical basis for a 3% return rate; that the City will experience about \$800,000 surplus this year with existing City services intact; that the City's current financial status is manageable with the payment scenario recommended by Staff; that taking the recommendation would allow the City to continue to have a large surplus; that the City currently has over \$10 million in Reserves and several Internal Service Funds that also have Reserve balances; that by investing \$5 million into the City's obligation, we would pay down our unfunded liability, accelerate the achievement of 90% funded over 13 years, and experience continual surpluses in the annual budget and maintain City Services; that the City has the opportunity to address this in a responsible manner; that the City Council is encouraged by the options presented which are better than what was presented to the City Council last year; that the City is currently funded at 76%; support for PEPRRA; that the CalPERS pension situation is a burden for many California cities; that this meeting is for the benefit of the Public and City Council; and that the City decided to address retiree health care costs by creating a \$1.5 million trust with annual recognized contributions.

Public Comment:

Robert Carruth, a La Palma resident, addressed the City Council regarding receiving the slides presented; inquired about what is owed for Tier 1, 2, and 3 employees; whether CalPERS combined all three Tiers into the same pool with the same contribution rate; whether a forecast with annual increased contributions of up to 27% of general Fund Revenue is sustainable; whether paying 73% of employee's salary for pensions is fair to the community; whether pension obligations should be a top priority versus maintaining roads and City services; that pensions are a bill to the residents; opposition to details in the Staff Report; whether the City will specifically detail pension obligations in the budget for transparency; and the validity of the revenue forecast;

Mr. Pryor responded that most of the unfunded liability is for Tier 1 retired employees; that CalPERS provided the numbers for the rates presented in the presentation; and that he used a weighted average.

City Manager Murray added that the City does not have information regarding revenue forecasts, but could get it at the direction of the City Council.

Council discussion further ensued regarding the community understanding the nature of this issue in an effort to provide solutions; and that questions from the public will be answered by Staff.

Mr. Carruth continued with his comments regarding his opposition to Tier 1 pension obligations; opposition to the City paying off liability obligations in 2009; that CalPERS has been wrong in the past in its return rate assumptions; opposition to some of the presentation regarding earnings; opposition to not seeing Measure JJ supporters present at this meeting; and opposition to an election flyer by incumbents that discussed reductions in pay having affected pension liability.

Mr. Pryor responded that pension benefits are based on the highest annual salary.

Keith Nelson, a La Palma resident, addressed the City Council regarding his opposition to the response he receives from his emails; and the amount budgeted for unfunded liability this year.

Mayor Steggell responded that all of his questions will be forwarded to Staff for a response.

Mayor Steggell took a short recess at 7:41 p.m.

Mayor Steggell reconvened the City Council at 7:47 p.m.

Mr. Nelson continued by inquiring about which programs the City plans to reinstate; opposition to using Reserves for unfunded liability costs; opposition to previous City Council history in its decisions regarding CalPERS; support for not giving any raises this year or the next; and opposition to Tier 1 employee pensions.

Council Comments and Questions:

Discussion further ensued regarding support for a pension program that is sustainable; the scenario the City Council had to address in 2003 with CalPERS; that the City Council needs to address the issue with facts; that currently, the City Council has a surplus; that the City now has the ability to pay down its unfunded liability; that based on court decisions, the City cannot eliminate Tier 1; that it is the City's responsibility to deal with the issue and it will take time for it to be resolved; that by supporting the recommendation to place \$5 million towards our obligations, the City will not go into deficit and will have the ability to pay the debt down; the City cannot just ignore the problem; that residents will continue to make negative comments towards pensions, but the City Council has to uphold its financial obligations; support for the City's positive outlook; that residents do not need to be rude to Council Members during public comment time; support for Staff's presentation and public comments; and request for additional information on the 115 Trust; a request to have a variety of payment options in order to meet our 90% funded threshold; a request to see the last ten years data of top three tax revenue sources; clarification that in 2009, the City paid off the \$3.8 million side fund resulting from the creation of enhanced liabilities, and did not have ability prior to that time to pay the side fund off; and Council's appreciation to Mr. Pryor and Staff for the detailed presentation.

City Manager Murray announced that Staff will be bringing forward the Revenues, Expenditures, Fee Schedules, and Capital Improvements Plan on April 18; that there will be a Budget Workshop scheduled the following week on April 25; that the Budget Workshop will include details of the City's expenditure plans. She closed by noting that the City Council will be presented with a brief overview at the State of the City on March 30, 2017, and noted that Staff will continue with the last part of the presentation.

Administrative Services Director Shelton continued the presentation with Financial Policy updates.

City Manager Murray closed the presentation by stating that after the Actuarial Study, Staff would return to the City Council with what needs to be done in order to fund OPEB fully; and that discussions would need to be had on policies if the Council is comfortable with the presentation tonight as part of future Budget discussions.

Council Comments and Questions:

Discussion ensued regarding the average return of interest income received on our investments are a little under 2%; that City funds are invested through PFM Investments and LAIF; that the City Council is supportive to using some of the Reserves for other investments by getting a better rate of return; that the Budget will have current fund balances; that Staff will try to restore funds that were underfunded while dealing with the deficit; that Council will have a discussion regarding how to use the City's Reserves; that between 30-40% is a typical healthy Reserve level; and that after reviewing the budget in its entirety, the City Council can review its policy on what to do with its Reserves.

ADJOURNMENT

Mayor Steggell adjourned the Regular Meeting of the La Palma City Council at 8:15 p.m.

Michele Steggell
Mayor

Attest:

Kimberly Kenney
Deputy City Clerk