

MINUTES OF THE SPECIAL MEETING  
OF THE LA PALMA CITY COUNCIL

April 25, 2017

CALL TO ORDER: Mayor Steggell called the Special Meeting of the La Palma City Council to order at 7:00 p.m. in the Council Chambers of La Palma City Hall, 7822 Walker Street, La Palma, California.

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  
Terry Kim, Police Chief  
Sea Shelton, Administrative Services Director  
Kimberly Kenney, Deputy City Clerk

ORAL COMMUNICATIONS:

No members of the public wished to speak.

REGULAR ITEM:

1. Fiscal Year 2017-18 Budget Workshop

City Manager Murray introduced the Proposed FY 2017/18 Budget

Administrative Services Director Shelton gave an overview of the General Fund Budget.

Administrative Services Director Shelton presented the General Government Department Budget.

Council Comments and Questions about General Fund Overview and General Government Budget:

Discussion ensued regarding the expected General Fund Revenue increase; that property tax is estimated to increase about 3%; that an increase in the Utility User Tax (UUT) increase is expected as a result of Southern California Edison's (SCE) increase over the next two years of 2.7% in 2018 and 4.2% in 2019; that a major business plans to increase its oil output resulting in higher tax revenue; that the estimated new transaction and use tax was estimated to be at \$1.5 million and Staff is trying to be very conservative about that number which is why staff budgeted \$1.35 million; and confirmation that there will be no election costs in FY 2017-18.

Administrative Services Director Shelton presented the Administrative Services Department Budget.

Council Comments and Questions about the Administrative Services Budget:

Discussion ensued regarding whether Staff plans to create a policy to conduct a Transient Occupancy Tax (TOT) Audit every cycle; that Staff would need to have discussions with Financial Consultants for direction on preparing for the Audit; support for budgeting a TOT Audit annually; and that Staff will begin to inquire on a TOT Audit schedule and procedure as part of the RFP process.

Administrative Services Director Shelton gave a presentation on the Police Services Budget.

Council Comments and Questions regarding the Police Services Budget:

Discussion ensued regarding the amount budgeted for Police Services IT projects such as the GIS Mapping, 800 MHz upgrade, and upgraded telecommunication costs related to Orange County Sheriff and other technical costs; the additional amount added to the Police overtime budget; and that the Police Department (PD) is fully staffed alleviating the increased need for overtime.

Administrative Services Director Shelton gave a presentation on the Community Services Department for their Recreation Division.

City Manager noted that the City is still in the process of going out to RFP for the new Mosaic graphic design; that most cities have Staff that do their own design work; and clarification that the graphic service charge in the budget is to allow for a subscription to graphics that can be used in City publications.

Administrative Services Director Shelton gave a presentation on the Community Services Department for their Public Works Division.

Council Comments and Questions regarding the Community Services Department - Public Works Division Budget:

Discussion ensued regarding the practice of Gazebo cleaning; that weekly trash pick-up is done daily at the Gazebo; that because of the drought, Staff does not hose or pressure wash the Gazebo; that past practice was quarterly Gazebo cleaning; and that there will be a separate discussion for the Gazebo during a presentation in the Capital Improvement Projects (CIP).

Administrative Services Director Shelton gave a presentation on the Community Development Budget.

Council Comments and Questions regarding the Community Development Budget:

Discussion ensued regarding Staff investigating Code Enforcement software options; that HdL no longer provides a code enforcement software to align with their business license software; that costs include the licensing and annual ongoing fees; and that Staff will return to the City Council for a decision after the research is completed.

Administrative Services Director Shelton gave an overview of the City's 10 Year Financial Forecast.

Community Services Director Belknap gave a presentation on the Capital Improvement Program (CIP).

Council Comments and Questions regarding the Median Projects for the CIP:

Discussion ensued regarding the Street Median Plan being planned over a five year period; plan to design the medians; that Staff anticipates hiring a consultant to design the medians, address the tree wells, curbing, de-turfing, and scalping the rest of the medians; the budgeted amount to start the project; that Staff visualizes installation of drought resistant plants; possibility of recruiting a college intern to design the medians; that Staff will return to the Council with design options; that the medians should be a unified design; that formally conducting a bid could lead to a better price to do all medians at once; that new gas tax will help to expedite the median project; that if the median project is approved, Staff can have something for the Council by late summer or early fall to review; that design options include other city designs or contacting a student currently taking Cal-Poly Pomona's Landscape Architect course; that the medians project would be funded

out of the new Roads Tax and Measure M funds; and that the new medians would have a positive aesthetic impact to the newly rehabilitated streets.

Community Services Director Belknap continued with the CIP presentation.

Council Comments and Questions regarding the overall CIP Budget:

Discussion ensued regarding the City's Heating, Ventilation, and Air Conditioning (HVAC) systems going back to 2002 through 2005; that the City plans to redo the duct work as part of the HVAC rehabilitation project; that the cost for re-ducting the HVAC system will be brought forward to the City Council; the Block Wall Painting project is projected to start in June or July; that Staff would like to have each Council Member weigh in on their preference of the block wall paint sections in the City Hall parking lot; appreciation for La Palma's rehabilitated streets; that the City plans to paint around the block wall vines; that the Block Wall project does not include the inside of the SCE Right-of-Way (ROW); that Staff will evaluate and resolve the block wall paint in the ROW by George Miller Elementary; that Police Dispatchers monitor the City's security cameras; that a future staff committee would review the best options for a Citywide security camera systems and create a policy for them; and that the estimated life expectancy for the Readerboard is not planned any earlier than 2021.

City Manager Murray gave a presentation on the City's Risk Management with the California Joint Powers Insurance Authority (CJPIA).

Council Comments and Questions regarding the City's Risk Management with the CJPIA:

Discussion ensued regarding the insurance pool that Los Alamitos chose was the Statewide Insurance Pool; that Los Alamitos has to set aside funds for retention; and support for Staff's research and analysis.

Administrative Services Director Shelton gave the presentation on Fund Balances and Fund Policies.

City Manager Murray gave a presentation on the Unfunded Pension Obligation.

Council Comments and Questions regarding the Unfunded Pension Obligation:

Discussion ensued regarding insurance coverage; that we are self-insured, but CJPIA is there for additional coverage; that the City has a separate, very large, earthquake policy with an \$100,000 deductible; that ultimately if we are self-insured, monies in our Reserve Fund also provide coverage; the City's asset valuation; and that if the City plans to reduce Reserves down to 40%, that reduces the amount the City has for what is not covered under insurance.

Mayor Steggell took a short recess at 8:00 p.m.

Mayor Steggell reconvened the City Council at 8:07 p.m.

Discussion further ensued regarding that according the City's Comprehensive Annual Financial Report (CAFR), the City's total capital assets are at \$25 million including depreciation; that earthquake coverage is \$25 million per occurrence; that the City would also have access to FEMA funding during a national disaster; that the City has \$1 million in Risk Management funds; that the City has enough reserves adequate to immediately replace technology and vehicles if necessary; that the City has ancillary insurance policies to cover other damages; that the savings from paying off our unfunded liability could be put into a pension stabilization fund; that Staff is still waiting to hear back from the actuary to get final numbers; that the savings is what is keeping the City from going back into a deficit; that hopefully the City will see the fruit of these efforts in two to five years; that the presentation will be put up on the website; that the entire City assets includes water and sewer; that the assumptions made on the pension down payment is how the savings were calculated by Bartel Associates; that at 40% Reserve Levels, the City would be at \$4.1 million in reserves and would adjust each year depending on General Fund expenditures; that the almost \$1 million over the 40% level could be used for projects, set up a trust, be set aside in a separate fund, at the City Council's direction; that if the City pays a lump sum up front, the liability will be permanently lowered; support for paying off the unfunded liability obligation as a good investment; that the City is in a position to change its Reserve Policy and pay down its unfunded liability obligation; that the City is obligated to pay the unfunded liability; support for Staff's recommendation; that the 30 year program is based on the 7% discounted CalPERS rate; that the actual numbers on CalPERS investment actually averaged 5 1/2% over the last fifteen years; that actual investment return rates need to be kept in mind; that the City is creating a CalPERS Volatility Savings Fund to prepare for unknown variables with CalPERS; suggestion for further analysis to see the savings; that Staff has to base its analysis from the actuarial report and their assumptions; the recommendation of 40% Reserve level is higher than the Government Finance Officers Association (GFOA) recommendation; the history behind the City's 100% Reserve Policy; that this City Council fully supports economic development to keep the City financially sustainable; the City has a legal financial contractual obligation with CalPERS and paying it down provides the City savings; support that the City is in a position to address this financial obligation; if the City Council decides to change the financial policy, Staff will come back with a budget amendment and present the new policy; that nothing precludes the City from making additional payments to lower the amount owed; that the City anticipates financial relaxations once the savings and new gas taxes come to fruition; that CalPERS is not done with their

valuations; opposition to making a lump sum payment to CalPERS; that making the large lump sum payment would allow the City to save more money in the long term versus making several large payments that would draw down Reserves leaving the City in a deficit state every fiscal year; that Staff will not receive the new actuarial report until this summer with new amortization amounts; different payment plans result in different interest rates; and that the City Council's responsibility is to manage the City's money.

Mayor Steggell took a short recess at 8:41 p.m.

Mayor Steggell reconvened the City Council at 8:45 p.m.

Further discussion ensued regarding CalPERS reporting on their website average rates of return for the year ended June 30, 2015 is 10.7% over 5 years, 6.2% over 10 Years and 7.8% over 20 years ; that the remaining balance after making the lump sum payment to CalPERS would result in almost \$1 million and would require Council action as to what to do with those funds; that Staff's recommendation would result in a yearly surplus; that Staff recommends putting some of the surplus in a City Hall rehabilitation project fund over the next 20 years; that Council could set aside some of the surplus in a pension stabilization trust to prepare for future CalPERS changes to the discount rate; and support for putting some of the surplus back into Reserves therefore leaving the Reserve levels at above 50%.

City Council Direction:

The City Council directed Staff to ensure regular maintenance on the Gazebo; consensus to move forward with the Median Project sooner than planned; addressed the block wall in the SCE ROW by George Miller Elementary; consensus to move forward with a new policy level at a minimum of 50% in the City's General Fund Reserve; consensus to move forward with a Civic Center Replacement Fund for transparency; consensus to allocate Redevelopment loan repayments of over \$3 million and other revenues over a 20 year period to the Civic Center Replacement Fund; consensus to keep risk management services with the current CJPIA membership; consensus to start the City Hall Rehabilitation Fund with a \$250,000 deposit from a transfer from the General Fund to start gaining interest; and consensus to make a \$2.5 million lump sum payment towards the City's unfunded liability obligation to CalPERS in FY 2016-17; directed Staff to place the realized savings in payments to CalPERS back into Reserves instead of Operations and to make changes to the updated Financial Policy as appropriate; and place another \$2.5 million payment to CalPERS into the FY 2017-18 Budget which will require review by the City Council during Mid-Year FY 2017-18.

Council Member Goedhart complimented Staff on this year's Budget process and the work put in; that we finally have a balanced budget; that the City has started down a path to address it's unfunded liability; that the City understands that there may be future reductions in the CalPERS discount rate; that there is now a City Hall replacement fund; that retiree medical is also being addressed; that City services are being maintained; and thanked the Community for their work in the 2016 Election to move the City forward to sustainability.

Council Member Goodman commented that although this was his first budget workshop, he noted his appreciation for Staff walking him through the process; that Staff recommendation regarding pensions seems reasonable – that it may not be perfect - but it is a step in the right direction; and support for all of Staff's efforts.

Mayor Steggell thanked Staff for all their work and stated her appreciation to live in a city where the residents do not have to worry about the stability of their community.

Public Comment:

Abe Waheed, a La Palma Resident, addressed the City Council regarding the budget presentation and asked how much money would be put into the Civic Center Replacement fund; and what the cost would be.

City Manager Murray responded that with a funding plan just being approved for a Civic Center Fund, an initial deposit into that account will be made along with future payments. She closed by noting that the goal is to reach \$13-15 million over a 20 year period to fund the rehabilitation project of the Civic Center and that the cost will be evaluated annually based on inflation.

ADJOURNMENT:

Mayor Steggell adjourned the Special Meeting of the La Palma City Council at 9:10 p.m.

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Michele Steggell  
Mayor

Attest:

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Kimberly Kenney  
Deputy City Clerk