

MINUTES OF THE REGULAR MEETING
OF THE LA PALMA CITY COUNCIL

February 20, 2018

CALL TO ORDER: Mayor Pro Tem Goodman called the Regular Meeting of the La Palma City Council to order at 7:00 p.m. in the Council Chambers at La Palma City Hall, 7822 Walker Street, La Palma, California, with Mayor Goedhart being absent.

PLEDGE OF ALLEGIANCE: Council Member Flachmeier

INVOCATION: Father Ian Bustonera, St. Irenaeus Catholic Church

ROLL CALL: Council Members

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

Council Members absent: Mayor Goedhart

City Officials present: Laurie Murray, City Manager
Emily Webb, Assistant City Attorney
Mike Belknap, Community Services Director
Scott Hutter, Planning Manager
Terry Kim, Police Chief
Sea Shelton, Administrative Services Director
Kimberly Kenney, Deputy City Clerk

PRESENTATIONS

None scheduled.

ORAL COMMUNICATIONS

Dr. Regina Zurbano, Principal of John F. Kennedy High School, addressed the City Council regarding appreciation of their support of the high school's first Town Hall event with Assemblywoman Sharon Quirk-Silva, which was attended by the entire Senior Class; that the Anaheim Union High School District is encouraging civic engagement opportunities; and thanked Mayor Goedhart and Council Member Flachmeier for their attendance and support.

Council Member Flachmeier noted the absolute incredible display of civic pride in the engagement of the students.

Larry Herman, a La Palma resident, addressed the City Council regarding his opposition to the proposed Orange County Sanitation District (OCSD) rate increase; commented on the recent gasoline tax increase; and announced the American Cancer Society's Relay for Life kick-off event tomorrow night.

Keith Nelson, a La Palma resident, addressed the City Council regarding the recent school shooting in Florida; concerns for the Gas Company project delays along La Luna Drive; opposition to the condition of the street and support for having the Gas Company repave the road; opposition to the City Manager's raise and how it might impact labor negotiations.

Robert Carruth, a La Palma resident, addressed the City Council regarding a pot hole in the left hand turn lane as you enter the westbound 91 Freeway; noted a discrepancy in the financial trends exhibits in the statistical section of the Comprehensive Annual Financial Report (CAFR); whether the external auditor examines the exhibits in the CAFR; and who is responsible for reviewing this section prior to publishing the document.

City Manager Murray responded that the Staff that did the work at that time is no longer with the City; that the City will take a look at it and make sure the error gets corrected moving forward; and added as any errors would be a personnel matter that would be handled internally.

RECESS THE CITY COUNCIL AND CONVENE THE CITY OF LA PALMA AS SUCCESSOR AGENCY TO THE DISSOLVED COMMUNITY DEVELOPMENT COMMISSION AT 7:21 P.M.

Deputy City Clerk Kenney stated, "The City Council will now recess and convene as the Successor Agency to the Dissolved Community Development Commission of the City La Palma. Members of the La Palma City Council receive no compensation or stipend as a result of convening or participating in the Successor Agency or otherwise as serving as members of the Successor Agency."

CONSENT CALENDAR

A. Approval of Successor Agency Minutes

Minutes of the February 6, 2018, Regular Meeting of the Successor Agency.

B. Approval of Register of Demands

Adopt Resolution No. SA 2018-03 approving the Register of Demands for February 20, 2018.

Council Member Kim made a motion to approve Consent Calendar Items A and B.

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

| | |
|---------|---|
| AYES: | Council Member Flachmeier, Mayor Pro Tem Goodman, Council Member Kim, and Council Member Steggell |
| NOES: | None |
| ABSENT: | Mayor Goedhart |

PUBLIC HEARINGS

None Scheduled.

REGULAR ITEMS

None Scheduled.

ADJOURN THE CITY OF LA PALMA AS SUCCESSOR AGENCY TO THE DISSOLVED COMMUNITY DEVELOPMENT COMMISSION AND RECONVENE THE CITY COUNCIL AT 7:22 P.M.

CONSENT CALENDAR

1. Waive the Reading of All Ordinances
Waive the reading of all Ordinances in their entirety and read by title only.
2. Approval of Council Minutes
Minutes of the February 6, 2018, Regular Meeting of the City Council.
3. Approval of Register of Demands
Resolution No. 2018-07 approving the Register of Demands for February 20, 2018.

Councilmember Kim announced that he had a conflict on Item 3 (Warrant Register numbers 25434). Councilmember Kim did not participate in the vote on this item.

4. Notice of Completion and Acceptance of Work for the Community Development Block Grant (CDBG) Americans with Disabilities Act (ADA) Pedestrian Ramp Construction Project, Phase II, City Project No. ST-345

Accept the work and authorize the Community Services Director to file the Notice of Completion and Acceptance of Work with the Orange County Recorder for the Community Development Block Grant (CDBG) Americans with Disability Act (ADA) Ramp Construction Project, Phase II, City Project No. ST-345.

Council Member Steggell made a motion to approve Consent Calendar 1 through 4.

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

| | |
|---------|---|
| AYES: | Council Member Flachmeier, Mayor Pro Tem Goodman, Council Member Kim, and Council Member Steggell |
| NOES: | None |
| ABSENT: | Mayor Goedhart |

PUBLIC HEARING

5. Amendments to the 2015 Urban Water Management Plan
 - a) Mayor Pro Tem Goodman open the Public Hearing at 7:23 p.m.
 - b) Community Development Director Belknap gave the Staff Report.
 - c) Council Comments and Questions:

None
 - d) Public Input:

No members of the Public wished to speak.
 - e) Mayor Pro Tem Goodman closed the public hearing at 7:26 p.m.

- f) Adopt Resolution No. 2018-08 amending the Urban Water Management Plan.

Council Member Kim made a motion to adopt Resolution No. 2018-08 amending the Urban Water Management Plan.

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

AYES: Council Member Flachmeier, Mayor Pro Tem Goodman, Council Member Kim, and Council Member Steggell

NOES: None

ABSENT: Mayor Goedhart

REGULAR ITEMS

6. Mid-Year Operating Report and Budget Adjustments, Fiscal Year 2017-18

- a) Receive the presentation on the Second Quarter Operating Report and Proposed Mid-Year Adjustments

Administration Services Director Shelton gave the Staff Report.

Council Comments and Questions:

None.

Public Input:

Jerry Lomeli, a La Palma resident, inquired as to whether there is a conflict of interest in having employees prepare a report that they could benefit from; that healthcare costs continues to increase; and support for an effort to have Staff investigate options to decrease the cost to the City.

City Manager Murray responded that the City has taken several steps to address costs; that the City's Miscellaneous Employees get only the required State Law amount through the Public Employees Medical and Health Care Act (PEMHCA); that Tier 1 Safety officers get an amount that was capped at \$456 several years ago; that the City has done much to lower its liability costs; and that the healthcare costs do increase by a cost of living allowance (COLA), which is controlled by CalPERS; and that the City has no control over PEMHCA.

Assistant City Attorney Webb responded that there is no conflict of interest as it is standard that City Staff prepare the budget; that City Staff has a fiduciary duty to the City to not engage in self-dealing and that it is not violated in the preparation of budgets or other work product.

Robert Carruth, a La Palma resident, inquired about how the transaction and use tax discrepancy happen; what current operating costs are for 5062 La Palma Avenue after the eviction of the previous tenant; and what asset value was recorded for this property; encouraged the City to acquire an independent service to conduct the next appraisal for the property; asked what the 'actual' unassigned, unrestricted General Fund Reserve level is, how many times the actual budget has come in exactly as projected; and commented about the attorney's response to guaranteed health insurance.

Administrative Services Director Shelton responded that there are two tax payers in town that mistakenly paid the tax; that the General Fund Reserve has a spendable balance of \$3.8 million; and that for the past two fiscal years, the City has come under budget.

City Manager Murray noted that the City is pursuing legal action against the former tenant, but currently the only costs are for maintenance as City owned property is exempt from property taxes if there is no tenant.

- b) Approve Resolution No. 2018-09 amending the Fiscal Year 2017-18 Budget to adjust certain revenue, department, and program budgets.

Council Member Kim made a motion to adopt Resolution No. 2018-09 amending the Fiscal Year 2017-18 Budget to adjust certain revenue, department, and program budgets.

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

- AYES: Council Member Flachmeier, Mayor Pro Tem Goodman, Council Member Kim, and Council Member Steggell
- NOES: None
- ABSENT: Mayor Goedhart

7. Authorization for Additional Payment towards La Palma's Unfunded Pension Obligation

Administrative Services Director Shelton gave the Staff Report.

Council Comments and Questions:

Discussion ensued regarding clarification that the savings from paying down the unfunded liability is greater than the interest accrued from the City's LAIF account; that the City's Reserve Fund policy level is 50% of General Fund expenditures; and that the Government Finance Officers Association (GFOA) recommends 35%, and the City exceeds that.

Public Input:

Robert Carruth, a La Palma resident, addressed the City Council noting that the primary lobbyists for Senate Bill (SB) 400 to enhance pensions were public employee groups; opposition to the accuracy of the CalPERS rate of return and their reporting; the current 30-year Treasury bill rate; resident requests for pension reform; what the cumulative assumption change for designated two years would be.

Administrative Services Director Shelton noted that the City uses a combination of calculations from a proprietary software called GovInvest and estimates from CalPERS.

Mr. Carruth continued and asked what the total amortization period that the City is assuming to pay off its unfunded liability.

Administrative Services Director Shelton responded that the period is a 30 year amortization.

Mr. Carruth read from campaign materials in support of Measure JJ regarding the City's debt; opposition to long range forecasts; and the unpredictability of current and future economic variables.

Keith Nelson, a La Palma resident, addressed the City Council regarding the lack of questions by the City Council after the presentation; support for some of Mr. Carruth's comments; that he has been involved in the community for 35 years; opposition to the City Council accepting information from Staff; opposition to the City's purchase of 5062 La Palma Avenue property; and opposition to City employees getting bonuses and benefits.

Council Comments and Questions:

Discussion ensued regarding members of the City Council discussing this pension problem over the past year at several meetings; that the City Council has asked multiple questions of Staff during these meetings; that the City Council also meets with Staff during business hours to get their concerns or questions addressed; support for Staff's recommendations as the sustainable and solvent solution; that the current City Council is trying to rectify the mistakes of previous Councils; appreciation of Staff's detailed report and presentation; understanding of the public's frustration; whether there is even an alternative to pay what is owed; that the unfunded liability is an obligation that the City has to pay; that Staff's recommendation is a method to owe less in the long run and provide relief to the General Fund for services in the long term; and a request that Mr. Carruth tell the City Council what he thinks a viable alternative is.

Mr. Carruth stated that there are viable alternatives; that it is not necessary to prepay CalPERS; that the City of Loyaltan and L.A. Works terminated their relationship with CalPERS, refused to pay the termination liability, and that CalPERS response was not to sue the agencies, but to cut the benefits to retirees; noted the City's total contributions to pensions to date and estimated future costs; and opposition to Staff's recommendation.

Discussion further ensued regarding whether not paying what is owed is even a viable long term option; the total amount in the General Fund reserve after the payment; that either the City pays now or pays later and if we don't pay it, the liability grows larger; and that ultimately, not paying results in bankruptcy and retirees get a lower benefit.

Mr. Carruth noted his opposition to the numbers quoted for the unrestricted General Fund Reserve; reasons for bankruptcy; opposition to paying pension debt that can grow; and a request to have a forum where alternate views of information can be presented.

Discussion further ensued regarding appreciation for the large amount of information and research that Staff has given to the City Council over the past year; the reduction in staffing; support for Staff's recommendation; that the City has done an excellent job stopping the hemorrhaging; support for changing pensions through legislation at the State level; and appreciation for Staff on addressing a resolution to keep the City solvent.

Mr. Nelson suggested that the City Council seek outside resources instead of relying on Staff and CalPERS for pension information.

Approve Resolution No. 2018-10 authorizing additional payments totaling \$2,500,000 towards the City's unfunded pension obligation with CalPERS.

Council Member Kim made a motion to adopt Resolution No. 2018-10 authorizing additional payments totaling \$2,500,000 towards La Palma's Unfunded Pension Obligation with CalPERS.

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

AYES: Council Member Flachmeier, Mayor Pro Tem Goodman, Council Member Kim, and Council Member Steggell

NOES: None

ABSENT: Mayor Goedhart

COUNCILMEMBER AB1234 REPORTS, REPORTS FROM CITY-AFFILIATED COMMITTEES, AND COUNCIL REMARKS

Council Member Kim attended the 33rd Annual Neighborhood Watch Appreciation Banquet; the Cypress College Foundation Americana Awards; the OCSD Administration Committee meeting; and the OCSD 10th Anniversary of the Groundwater Replenishment System.

Council Member Steggell attended the Buena Park State of the City; the 33rd Annual Neighborhood Watch Appreciation Banquet; the Cypress College Foundation Americana Awards; and thanked Staff for all the hard work involved on the City's new electronic billboards.

Council Member Flachmeier attended the 33rd Annual Neighborhood Watch Appreciation Banquet; the Cypress College Foundation Americana Awards; the John F. Kennedy High School Town Hall meeting with Assemblywoman Sharon Quirk-Silva; and the Young Leaders of Orange County (YLOC) Math Competition.

Mayor Pro Tem Goodman attended the OCSD Orientation; the 33rd Annual Neighborhood Watch Appreciation Banquet; the Cypress College Foundation Americana Awards; and the OCSD 10th Anniversary of the Groundwater Replenishment System.

CITY MANAGER REMARKS

City Manager Murray announced that the electronic billboards are installed; that they are in a testing mode and should have advertising completed and on by the end of the month; that they will be holding a VIP "Lights-On" ceremony by Invitation on the first or

second week of March; and thanked the City Council for allowing her to attend the CalOES (Office of Emergency Services) emergency training last week.

CITY ATTORNEY REMARKS

Assistant City Attorney Webb had nothing to report.

ADJOURNMENT

Mayor Pro Tem Goodman adjourned the Regular Meeting of the City Council at 8:53 p.m.

Gerard Goedhart
Mayor

Attest:

Kimberly Kenney
Deputy City Clerk