

MINUTES OF THE REGULAR MEETING
OF THE LA PALMA CITY COUNCIL

July 1, 2003

Mayor Barnes called the regular meeting of the La Palma City Council to order at 7:00 p.m. on Tuesday, July 1, 2003, in the Council Chambers of La Palma City Hall, 7822 Walker Street, La Palma, California.

PLEDGE OF ALLEGIANCE

Mayor Pro Tem Duke led the Pledge of Allegiance.

INVOCATION

Pastor Darrell Yarborough with La Palma Christian Center gave the Invocation.

ROLL CALL:

Councilmembers present: Christine M. Barnes, Kenneth A. Blake, Alta E. Duke,
Larry A. Herman, Paul F. Walker

Councilmembers absent: None

City Officials present: Catherine Standiford, City Manager
Vince Giampa, Chief of Police
Tami Piscotty, Assistant to the City Manager
Ismile Noorbaksh, Director of Public Works/City Engineer
Jan Hobson, Director of Recreation & Community Services
Robbeyn Bird, Director of Finance
Captain Ed Ethell, Police Department
Captain Jeff Kirkpatrick, Police Department
Dominic Lazzaretto, Director of Community Development
Joel Kuperberg, City Attorney
Crystal Wilkerson, Administrative Secretary

PRESENTATIONS

Mayor Barnes, Mayor Pro Tem Duke, and Councilmember Walker presented a proclamation to the Scholarship Winners, Derrick Huang, 1st place and Sarah Goldsberry, 2nd place. Mayor Barnes announced Jessica Muller was awarded 3rd place, however she was unable to attend.

Mayor Barnes and the Members of the City Council presented a proclamation to Director of Recreation and Community Services, Jan Hobson, designating July as Parks and Recreation month.

ORAL COMMUNICATIONS

None

RECESS

Mayor Barnes recessed the City Council to convene as the Community Development Commission at 7:16 p.m. (See separate Community Development Commission Minutes.)

RECONVENING

Mayor Barnes reconvened the meeting in regular session at 7:18 p.m.

CONSENT CALENDAR

Councilmember Walker made a motion to approve the following item on the Consent Calendar:

APPROVED THE MINUTES OF THE JUNE 3, 2003 ADJOURNED AND REGULAR MEETINGS,
AND THE JUNE 17, 2003 ADJOURNED AND REGULAR MEETINGS OF THE CITY COUNCIL

ADOPTED RESOLUTION NO. 2003-29 APPROVING A REGISTER OF DEMANDS FOR JULY
1, 2003

APPROVED THE FISCAL YEAR 2003-04 MEASURE M ELIGIBILITY PACKET TO THE
ORANGE COUNTY TRANSPORTATION AUTHORITY

ACCEPTED AND AUTHORIZED THE DIRECTOR OF PUBLIC WORKS TO FILE THE NOTICE
OF COMPLETION AND ACCEPTANCE OF WORK WITH THE ORANGE COUNTY RECORDER
FOR THE WATER SYSTEM IMPROVEMENTS AT THE CITY YARD AND WALKER WELL
SITES, CITY PROJECT NO. 01-WTR-03

ACCEPTED THE WORK AND AUTHORIZED THE DIRECTOR OF PUBLIC WORKS TO FILE THE NOTICE OF COMPLETION AND ACCEPTANCE OF WORK WITH THE ORANGE COUNTY RECORDER FOR THE CONSTRUCTION OF MEDIAN IMPROVEMENTS ON MOODY STREET FROM 300' NORTH OF LA PALMA AVENUE TO HOUSTON AVENUE, CITY PROJECT NO. ST-237

ADOPTED RESOLUTION 2003-30 ADOPTING A RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF LA PALMA

RECEIVED AND FILED THE REPORT ON CANCELLATION OF THE JULY 15, 2003 MEETING

The motion was seconded by Councilmember Herman and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

PUBLIC HEARINGS

CONVENE COMMUNITY DEVELOPMENT COMMISSION

8. Adoption of Fiscal Year 2003/2004 Budget

City Manager Standiford gave a staff report and stated that on June 1, 2003 there was a work session to review the proposed budget. On this date, the draft budget was also passed out. Tonight, staff is recommending adoption of the Fiscal Year 2003/2004 budget.

She stated that the budget being addressed is balanced and calls for the municipal services to be maintained and continues La Palma's long standing emphasis on public safety. The proposed budget addresses continued increases that the City is experiencing in the form of higher Worker's Compensation and General Liability premiums. It also allows staff to plan for increases that the City will experience next fiscal year and years beyond as a result of the Public Employee Retirement System (PERS) losses in its investment portfolio. She explained that when PERS loses money it affects the rates the City must pay for the retirement of the City's employees. The budget allows the City to plan for the potential takeaway of local resources that the State of California. In addition, the proposed budget allows the City to maintain existing reserves in the General Fund at current levels. The proposed budget is balanced by the combination of assuming reallocation of revenues to pay for the cost of higher priority needs and reflects a reduction in every Department's budget of at least 5%.

City Manager Standiford stated that the largest source of revenue is Sales Tax at 22% of the General Fund, followed by Property Tax at 16%, the Utility Users Tax at 15% and the Vehicle License Fee at 11%. The \$8.1 million revenue amount is higher this fiscal year due to Council's direction in March and April to divert less of the City's sales tax to the Capital Outlay Reserve.

City Manager Standiford explained that in terms of the revenue projections, they have been conservatively prepared and staff is projecting low or no growth in most revenue sources. Increases in property tax are projected at only 2% and staff is projecting very little growth in the Vehicle License Fee. Because the State has delayed restoring the Vehicle License Fee to 1998 levels, the City may not receive two to three months of this revenue. In addition, staff is not predicting much change for Fees for Service. She also mentioned that Staff is projecting some growth in Sales Tax, primarily due to the opening of the business, Unisource Worldwide.

City Manager Standiford went on to explain that many of the City's large revenue sources are in decline. The Utility User's Tax is projected to be \$100,000 less than previous years. The reasons for this drop are due to the City's receipt of bankruptcies among telecommunication companies, milder winters and summers causing residents to use less energy, and the City received late payments for a Utility User's Tax payment for 2000/2001 and 2001/2002, thereby skewing this year's figure. City Staff is also projecting Interest Income to be down 30% due to decreasing

interest rates. The City has adjusted the projections for Fines and Forfeitures downward by \$30,000 to try to accurately reflect what the City will expect to generate.

City Manager Standiford stated that the State's Budget and the threat to the City of La Palma's revenues continue as long as the State's Budget is in gridlock. The City does not know what the State will do to its revenue sources, and in the past two weeks City Staff has responded to a variety of different proposals some that would affect the City's Vehicle License Fee revenues, the City's Property Tax revenues. There has been some discussion of trading sales tax for property tax that would not benefit the City of La Palma. In addition, as long as the State Budget is at impasse the City will not be reimbursed for State mandated programs. The Gas Tax funding that pays for resurfacing of the City streets and transportation projects is also in jeopardy and the City may not receive these funds either. Ms. Standiford explained that the City's redevelopment tax increment is also in jeopardy due to the State Budget. The Redevelopment Tax Increment is the last local government financing tool that the City has left and it is because of redevelopment that the business, Unisource Worldwide, is here generating sales tax that the City did not have before. In addition, since most of the City's redevelopment tax increment is pledged against outstanding bonds, staff's concern is if the State shifts too much of this redevelopment money the City's General Fund will be obligated to cover the Redevelopment Agency's obligations on these bonds and other items owed and would further compromise the financial status of the General Fund.

City Manager Standiford mentioned that the real impacts of the State Budget remain unknown and Staff doesn't know when the City will feel the hit and more importantly does not know whether or not the State hit will be a one time reduction or permanent. She stated that the proposed budget does not include what may happen by the State and staff's plan is to come back to Council with recommendations as soon as we know.

City Manager Standiford stated that the Police Department receives 53% of the General Fund, followed by the Recreation Department. Public Works takes up a very small portion of the General Fund and the Administration and Community Development Departments make up the rest of the organization.

City Manager Standiford explained that providing City services is a very labor intensive business. People provide the front line services that the City's residences and businesses enjoy in the form

of Police Patrol, Recreation programs, maintenance of the infrastructure and buildings, Planning and Building, Code Enforcement, Administrative Support, etc. 75% of the City's General Fund pays for the costs associated with these people providing front line services.

City Manager Standiford noted that the City's operating costs are increasing. Basic City services will be higher next fiscal year. Operating costs will increase again in Fiscal Year 2004/2005. The cost increases that Staff is currently aware of include negotiated salary increases at \$130,000, enhanced retirement benefits for employees, continued rises in the general liability and worker's compensation insurance, and \$446,000 in added costs to the City because of the Public Employee Retirement System investments lost.

City Manager Standiford stated that the City's basic ongoing operational costs will increase about \$1 million next year and the City's ongoing operating revenues will not. Consequently balancing the budget for Fiscal Year 2003/2004 has required a combination approach of reallocating revenues and reducing expenditures. The proposed budget reduces the amount of sales tax that the City is transferring into the Capital Outlay Reserve by about \$500,000. The City was transferring about \$1 million of sales tax into this fund. The Capital Outlay Reserve is used to construct median islands, ivy against block walls, and other capital improvements that the City can not get grant funds.

City Manager Standiford mentioned that, in terms of expenditure reductions, the City's proposed budget includes at least 5% in each City Department. She explained that after staff reduced their Departments by this 5% they realized that this would not be enough to balance this year's budget, so some Departments were able to reduce more than the 5%. She stated that Staff has made contingency plans to make additional reductions if and when the State Budget problems shift to the City of La Palma and Staff has determined if it will be a one time or a permanent hit.

City Manager Standiford stated that in developing recommendations for reductions Staff felt that it was important to abide by some basic guiding principals. One was to retain services that are core to the City's or Department's mission. Second was to retain the services that serve the greatest number of people. Third was to retain services that respond to demonstrated community need. Fourth was to keep services which are efficiently and effectively provided. Fifth was to take

advantage of existing vacancies in the organization wherever possible. The sixth guiding principal was to consider the long term as well as the short term impacts of reducing services or programs on City operations on the City's ability to generate revenues and the City's ability to achieve its core mission.

City Manager Standiford mentioned that when facing reductions, there are no good options. Every choice has a cost and impact on someone or something. This was a painful process for all involved and the City of La Palma has never been faced with making such large reductions in the organization. The proposed reductions in the budget are the best professional recommendations aimed at maintaining or preserving the City's most important services. Ms. Standiford summarized of the service reductions that are included in the proposed budget. Suspension of the DARE Program is proposed. This program is well liked, but is less needed than the Police Department's patrol positions. The DARE Officer has just ended her three year rotation and is scheduled to go back to patrol. By eliminating this program, the City saves money by sending another Officer through training for this position. The second major reduction is the elimination of the CAT Program (Senior Transportation). After two years of service, analysis indicates 30 people use this program on a regular basis. This equates to less than 1% of the City's senior population. In addition, the CAT van will soon be non-operative. It has over 250,000 miles and the engine needs to be replaced. Eliminating this program now keeps the City from having to replace the van and continue payment of the driver. If the elimination of the CAT program is adopted, there will be a time delay to notify of the contractor who is providing the driver and to contact the residents who are currently using the program to try to find them alternative transportation arrangements. The City will also no longer have a separate La Palma newsletter, the "La Palman". This newsletter has been going out six times a year to every postal customer in the City. Staff has recently done a survey and the results were overwhelming that readers suggested that City information be combined with the recreation brochure which Staff is proposing to due and will include four additional pages. Staff has also eliminated the funding to the La Palma Branch Library. She explained that the City of La Palma is not responsible for providing library services, it is provided by the Orange County Public Library System which is a County program. She mentioned that for several years, the City has allocated funds within the budget to help support or provide additional resources should the Library need it. At one time this was

important due to Orange County threatening to close this branch. The Orange County Library did not ask for the money that has been allocated for them in this past year's budget.

In addition, the City is proposing to eliminate one full-time Maintenance Worker position in the Public Works Department. This will cause delays responding to certain types of maintenance projects, but front line services to the public will not be significantly impacted. A part-time Senior Office Assistant position is also being eliminated in the Community Development Department. This presents challenges for coverage for the Administrative Secretary, but the Director and his secretary are currently coordinating their hours for counter coverage, but during sick leave it can pose problems. There is one Recreation Coordinator position that is being held open until the City knows what the State Budget impact will be. The City is also proposing to lengthen the tree trimming cycle.

There will also be minimal changes to the Community Activities and Beautification Committee programs. In early spring, the Council met with the Committee, which gave their opinion about what programs should be cut. The City most likely won't have Arbor Day, one less Christmas Tree will be purchased for the Tree Lighting Ceremony and supply costs for other events will be reduced. All Departments' proposed budgets reflect reductions in supplies, staff training, over time and contract services. In addition, reducing funding of \$1,000 per program for the Cypress College Americana Awards and Red Ribbon Week activities is recommended.

City Manager Standiford stated that the budget reductions proposed will result in a balanced budget pending the State's actions and will enable the City to maintain its existing General Fund Reserve levels.

City Manager Standiford explained that the General Fund starts with a balance of \$7.5 million. The revenues or resources available are projected to be \$8.1 million. The requirements for expenditures are projected to be \$8.1 million. There will be a small fund balance of \$56,000 that will be unallocated assuming everything goes as planned with the State Budget, allowing the City to maintain the reserve levels at their current level.

City Manager Standiford stated that it is Staff's recommendation to continue the Utility User Tax at 5%, and enact the combination of reductions in operating expenses and the reallocation of resources to maintain service priorities. In addition, Staff is proposing to recommend plan to use insurance fund reserves for retrospective deposits. Staff is also recommending that the Council continue their policy of reviewing revenues on a quarterly basis and that the City plan for mid year budget adjustments to address State actions, as necessary. Finally, it is recommended that the City tentatively plan to use reserves in the Employee Benefits Fund to cover the PERS Investment losses that will hit rates in 2004/2005.

Dennis Miller, 8171 Somerdale, stated that he has lived in the City for 31 years and is using the CAT program now for two years. He stated that he really needs this program.

Councilmember Walker made a motion to close the public hearing. The motion was seconded by Councilmember Herman and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

City Manager Standiford stated to Mr. Miller that the City understands that residents use the CAT Program and need it and the commitment is to provide other alternatives that will not cost the City \$50,000. She stated that there are other alternatives that will provide the same if not improved flexibility in allowing residents to get you where they need to go in a manner that the City can afford. She stated that the City has distributed letters to the users of the CAT Program asking them to come to the Recreation Department so staff can review their individual needs for transportation. Mrs. Standiford stated that the dilemma the City is being faced with is that the program is costing the City a lot of money for only 30 users. She stated that over the couple of years of service to residents, the City has tried different ways to market the service to get more residents interested in using this benefit.

Mr. Dennis Miller asked Mrs. Standiford what the City has done to try to market the CAT Program.

Mayor Barnes made a motion to re-open the public hearing.

Director of Recreation and Community Services, Jan Hobson, responded to the question and stated that the CAT Program has been advertised in the Recreation Brochure and La Palman Newsletter. She stated that employees have contacted different facilities in town, including Seasons La Palma and the Senior Club. She mentioned that the City has also advertised in the water bill mailing. There also have been various press releases sent through the media.

Mr. Dennis Miller offered his services to promote the CAT Program by encouraging residents to become riders.

City Manager Standiford explained that City Staff has already tried this option and it has been unsuccessful. She stated that the demographics in La Palma show that there are residents who need this program and some do use it. This is why Staff is trying to find other options for transportation so the residents who are currently using this program have something else to use when the CAT Program is discontinued. She explained that there are Taxi Vouchers, City Shuttles, etc. and a variety of services that the City is willing to pay for. Ms. Standiford asked that Mr. Miller set up an appointment with Jan Hobson so the City could discuss what his other options are.

Mayor Pro Tem Duke reassured Mr. Miller that there are several transportation options including "Access" that the City can offer him. She feels that these other options will be less expensive for the City and will be more flexible for him.

Jan Hobson stated that, depending on what the residents needs are, there are several new options for transportation and we are more than willing to make these arrangements.

Mayor Pro Tem Duke asked City Manager Standiford whether positions are being held open or eliminated, and does she know if there will be a freeze on any capital outlay items being purchased.

City Manager Standiford stated not at this time. She explained that there are no General Fund vehicle purchases in next year's budget. Ms. Standiford stated that Capital Improvement Projects are being prioritized and do not impact the General Fund.

Councilmember Herman asked what the State Budget deficit impacts and threat to revenues costs might be.

City Manager Standiford stated that it roughly comes to \$1 million in loss of revenue.

Mayor Barnes stated that the elimination of the DARE Program has placed a dark cloud over her head, but after speaking with the Chief of Police and the City Manager, she understands that there is no way around the elimination of this program. She hopes that this is a temporary cut.

Councilmember Herman made a motion to close the public hearing. The motion was seconded by Councilmember Blake and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

Councilmember Walker made a motion to adopt a Resolution of the City Council of the City of La Palma, approving and adopting a Budget for the Fiscal Year 2003/2004. The motion was seconded by Councilmember Blake and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

Councilmember Walker made a motion to adopt a Resolution of the Community Development Commission approving and adopting a Budget for the Fiscal Year 2003/2004. The motion was seconded by Councilmember Herman and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

ADJOURN COMMUNITY DEVELOPMENT COMMISSION

9. Water and Sewer Rates

Director of Public Works, Ismile Noorbaksh, gave a staff report explaining that the citizens in the State of California approved Proposition 218 which prompted the City to reconfigure the water and sewer rates and remove the ready to serve charge several years ago. These rates were based on consumption only and the present water rate is at \$1.65/unit and \$.20/unit for sewer.

Mr. Noorbaksh stated that since 1997 no rate increases have occurred in water or sewer rates.

Mr. Noorbaksh explained that in order for the Orange County Water District to save the water from the ground basin, the Orange County Water District has proposed several changes which have necessitated the City to revisit the Water and Sewer rates.

Mr. Noorbaksh stated that the changes proposed are first in the water production. The City is currently pumping 75% of groundwater and 25% is being purchased through the Municipal Water District. Their proposing that this next fiscal year the City only pump 65% groundwater. Therefore, the City will need to purchase 35% of its water from the Municipal Water District. This increase in cost equates to \$23,500. Also, the Orange County Water District charges the City a replenishment assessment for pumping groundwater, which will increase from \$127 per acre-foot

to \$149 per acre-foot. This is an increase of 17%, but represents a 64% increase since its inception in 1997.

Mr. Noorbaksh stated that since Fiscal Year 1997/1998, the Operations and Maintenance Expenditures for Water Utilities have increased from \$1,834,700 to an estimated \$2,373,100 in Fiscal Year 2003/2004. This is an increase of 29.3% over seven years. While some of this increase is related to normal inflation, most of it is due to increases in charges by the Orange County Water District and the Metropolitan Water District.

Mr. Noorbaksh further explained that five to six years ago, when Orange County had a drought, the State mandated that the water providers would have to conserve water. In order for the City to conserve water, the Metropolitan Water District Orange County introduced the toilet exchange program which has resulted in the loss of production of 2.9%.

Mr. Noorbaksh stated that, based on the proposed changes of the Orange County Water District, the City has recalculated the current rates by using two sources. These sources include the water utility expenditure at \$2.3 million and the estimated water sales of \$1.2 million. With this calculation he stated that the increase for water rates is proposed at \$1.98/unit and sewer at \$.32/unit.

Mr. Noorbaksh stated that the impact to the residents on the proposed \$1.98/unit translates to an increase of 20% over a period of seven years. The additional cost per month based on an average usage of 16 units per month to a resident is \$5.28 per month or \$10.56 per billing cycle. The proposed sewer rate based on the \$.32/unit translates to a 60% increase over a seven year period or \$1.92/month or \$3.84 per billing cycle.

Mr. Noorbaksh stated that other cities are in the same situation as La Palma and are considering rate increases in their area as well. The proposed rate increases for Orange County cities are between 9% and 30% and the City's increase is within these limits.

Councilmember Blake made a motion to close the public hearing. The motion was seconded by Mayor Pro Tem Duke and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

Mayor Pro Tem Duke asked if the City has capital going into a reserve fund for the sewers.

Mr. Noorbaksh responded positively.

Mayor Pro Tem Duke asked if the City has done a monitoring or imaging of the sewer system and is the City doing this on a fiscal basis.

Mr. Noorbaksh responded positively that it is part of the Master Plan and Capital Improvement Program and this year the City will go out to bid for someone to do a Master Plan and staff is not sure if this will include the whole system or not. He explained that \$200,000 is being reserved as Capital Reserve.

Mayor Barnes asked if the charges for the consultant for the Master Plan, was included in the proposed budget that was adopted for Fiscal Year 2003/2004.

Mr. Noorbaksh responded positively.

Mayor Barnes asked if there are exemptions for low income families.

City Manager Standiford stated that the City does not provide any discounts or reduced rates for low income users. Several years ago when the City instituted the new Water rate formula in its current structure, the City looked into usage. The rationale is that residents who are lower income tend to be more reserved with their water usage.

Councilmember Walker made a motion to adopt a Resolution of the City Council of the City of La Palma approving Water and Sewer Rate Charges for Fiscal Year 2003-2004 for the services provided by the City of La Palma. The motion was seconded by Councilmember Blake and carried on the following roll call vote:

AYES: Barnes, Blake, Duke, Herman, Walker

NOES: None

ABSENT: None

COUNCILMEMBER REPORTS FROM CITY-AFFILIATED COMMITTEES/COUNCIL REMARKS

Councilmember Blake attended the Orange County Fire Authority Meeting. He stated that they adopted their budget of \$240 million. He mentioned that the approved budget includes a wellness pilot program. The Union offered to cover half of the cost of the program which helped with approval and adoption of the budget. Councilmember Blake also attended the La Palma Police Department's open house. He also represented the City of La Palma at the retirement party for Bob Lindsay, hosted by the Centralia School District.

Mayor Pro Tem Duke reminded everyone to attend the Run/Walk on July 4th at the Recreation Center.

Councilmember Herman attended two meetings for the Sanitation District as an alternate for Councilmember Walker. He stated that the Southern California Mid-City Korean Association presented a plaque to the La Palma Police Department.

Councilmember Walker thanked Councilmember Herman for attending the Orange County Sanitation District meetings in his absence while he was out of town.

Mayor Barnes stated that she can't wait to put on her walking shoes for the Run/Walk on July 4th at Central Park.

CITY MANAGER COMMENTS

City Manager Standiford stated that due to a lack of a quorum on July 15th, the next City Council meeting will be August 5, 2003.

CITY ATTORNEY COMMUNICATIONS

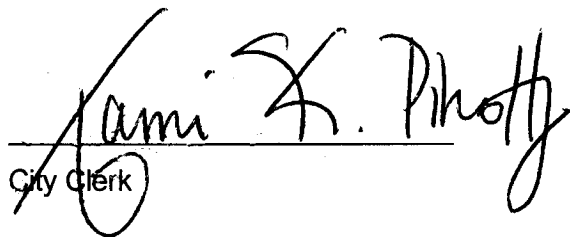
Joel Kuperberg wished everyone a happy and safe holiday.

ADJOURNMENT

Mayor Barnes adjourned the meeting at 8:35 p.m.


Mayor

ATTEST:


City Clerk