

MINUTES OF THE SPECIAL MEETING  
OF THE LA PALMA CITY COUNCIL

September 21, 2010

Mayor Shanahan called the Special Meeting of the La Palma City Council to order at 5:40 p.m. on Tuesday, September 21, 2010, in the Fan Palm Room at the La Palma Community Center, 7821 Walker Street, La Palma, California, with all members present.

ORAL COMMUNICATIONS

Robert Carruth, 7201 Monterey Lane, addressed the City Council regarding the City of Bell scandal and the fiscal stewardship of La Palma. He expressed concerns about City-paid employee retirement contributions, employee salaries and benefits, and retiree health costs.

REGULAR ITEMS

1. **Study Session: Five Year Financial Outlook of General Fund Revenues and Expenditures and Review of the Draft Comprehensive Master Plan**

City Manager Lazzaretto introduced the item and asked Finance Director Neves to present the Five Year Financial Outlook presentation.

Finance Director Neves reported on the City's revenue history and projections through Fiscal Year 2015-16. The report included overall General Fund revenues; Property Tax revenues, Sales Tax revenues, and Utility Users Tax (UUT) revenues. Director Neves also reported on the City's expenditure history and provided projections through Fiscal Year 2015-16. The report included a break out of expenditures by Personnel Services, Maintenance and Operations, and Capital Outlay expenditures. He indicated that at current revenue and expenditure rates the City is operating in a deficit situation and that the City's General Fund Unreserved Fund Balance is projected to decrease from \$15,303,726 in Fiscal Year 2009-10 to \$9,429,207 in Fiscal Year 2015-16.

Discussion ensued regarding assuming the UUT rate at 5% instead of 4%; projected deficits for Fiscal Years 2011-12 through 2015-16; economic assumptions by the Finance Director being based on historical figures and current conditions; the volatility of sales tax revenues; the use of conservative projections; future projections; the history of UUT rate reductions; and speculation on if the State will pay the City what it is owed.

Robert Carruth, 7201 Monterey Lane, addressed the City Council and asked if the City could expect a spike in its unfunded liability for enhanced retirement benefits.

City Manager Lazzaretto answered that the unfunded liability paid in 2009 was the result of negotiated changes to benefit levels; that increased costs due to the economic conditions will be spread over several years; and that an increase in rates is very likely.

City Manager Lazzaretto presented a detailed presentation on the City's Comprehensive Master Plan (CMP). The presentation included information regarding current fully funded plans and current unfunded plans. The unfunded projects include the City Hall Expansion and Remodel; Arterial Street Rehabilitation; Frontage Road Medians; Moody Street Medians; the Park Master Plan; and Block Wall Repainting. The total projected cost of unfunded projects is estimated to be \$14,600,000 with the General Fund cost of those projects estimated to be \$7,150,000. The Park Master Plan of \$3,800,000 is listed as unknown funding at this time. Should all of the projects with identified funding be funded, the 2015-16 General Fund Reserves are projected to decrease to \$2,279,200. As the City has a 100% General Fund Reserve policy, the City Council will have to make decisions as how to prioritize the projects.

Discussion ensued regarding the City Hall Expansion and Remodel Project and what costs the City would incur if City Hall is not renovated; if facility maintenance funds are available for the project; deferring projects; arterial streets being a priority; budgeting at new low projections; that the Ivy Wall project and allocating funds for improvements at local schools are not on the project list; that the City Hall and Park projects should be a lower priority; the Moody Street Medians being funded through grant funds; lowering the UUT rate projection and lowering costs in the projections; and not assuming what future City Council actions will be.

Gerard Goedhart, 4922 Berton Circle, addressed the City Council and asked what the GASB 45 retiree medical liability is.

Finance Director Neves replied that the current liability is \$3.4 Million.

Robert Carruth, 7201 Monterey Lane, addressed the City Council stating that the structural deficit is due to the projected increases in personnel costs and stated that there needs to be a change in the City's cost structure.

Further discussion ensued regarding using a conservative approach; that rehabilitation of the City's streets should be the first priority; that UUT rate decisions should be left to future City Councils and not assumed; the importance of the Moody Street Medians; the importance of taking care of the City's

infrastructure; and the basis of the project cost estimates and that they are in today's dollars.

ADJOURNMENT

Mayor Shanahan adjourned the meeting at 6:48 p.m. to its Regular Meeting on Tuesday, September 21, at 7:00 p.m., in the Council Chambers at La Palma City Hall, 7822 Walker Street, La Palma, California, 90623.

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Steve Shanahan, Mayor

Attest:

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Laurie A. Murray, City Clerk