

**MINUTES OF A SPECIAL MEETING
OF THE CITY COUNCIL OF THE CITY OF
LA VERNE HELD IN THE COUNCIL CHAMBERS
OF THE LA VERNE CITY HALL
Thursday, January 11, 2018**

1. A special meeting of the La Verne City Council was called to order by Mayor Kendrick at 9:00 a.m.
2. Council Members present: Mayor Don Kendrick
Mayor Pro Tem Tim Hepburn
Council Member Robin Carder
Council Member Charlie Rosales
Council Member Muir Davis

Absent: None.

Advisory personnel present: City Manager Robert Russi
City Attorney Robert L. Kress
Assistant City Clerk Lupe Gaeta Estrella
Public Works Director Dan Keeseey
Acting Community Development Director Eric Scherer
Community Services Director Bill Aguirre
Finance Consultant Mark Alvarado
Police Chief Nick Paz
Police Captain Colleen Flores
Police Lieutenant Sam Gonzalez
Police Records Supervisor Tanya Rodriguez
Fire Chief Pete Jankowski
Fire Battalion Chief Mark Horine
Fire Captain Daniel Montoya
Accounting Manager Christine Lopez
Senior Planner Candice Bowcock
Administrative Clerk Adella Reyes
Personnel Officer JR Ranells
Water Customer Service Representative Janelle Gray
Maintenance Supervisor Anthony Ciotti
3. Pledge of Allegiance was led by Mayor Kendrick.
4. City Council Fiscal Sustainability Planning Session City Manager Russi welcomed everyone to the meeting and thanked them for attending. He introduced Phil Hawkey, former Executive Director of the San Gabriel Council of Governments and stated that Mr. Hawkey will be facilitating the meeting. City Manager Russi began by introducing the City Council. He stated that Staff will present Council with a list of strategies on how to mitigate the projected increase in the costs of the City's retirement plan. He introduced Mark Alvarado, Finance Consultant who has been assisting the City on this matter.

City Manager Russi stated that like most every member of the California Public Employees Retirement System (CalPERS), the City of La Verne is experiencing a significant increase in the cost of pensions for its employees. Based on a recent CalPERS report, the City's cost will grow on average \$625,000 a year for the next six years, and it's not expected to peak until Fiscal Year 2032-33. He stated that payment to CalPERS is comprised of two components. The first component is the "normal cost" which is a percentage of payroll. It ranges from 7-22% depending on the classification of the employees. This cost can likely be sustained through the annual budget process. The second component is the payment of the unfunded accrued liability (UAL), which is the gap that exists between the value of obligations already guaranteed for current and past employees. At this point, the UAL shortage amount is \$49.3 million. He reported that based on the CalPERS payment schedule, the City's annual payment will range from \$2.3 million to \$7 million with total payments of \$125 million. The City of La Verne will not be able to sustain this growing expense. He stated this was an urgent matter that needs to be addressed and is the reason for the Fiscal Sustainability Planning Workshop.

City Manager Russi asked if there were any questions. There was none.

City Manager Russi, using a Power Point presentation, started with reporting on the City's CalPERS unfunded accrued liability and the City's projected revenues and expenditure growth.

Mark Gutierrez, representing the La Verne Police Officers' Association, asked if the General Fund revenue growth assumption included the Gold Line future growth.

Financial Consultant Alvarado replied that it did not.

5. At 9:57 am, the City Council recessed and reconvened at 10:13 am.

City Manager Russi continued with the Power Point presentation. He reported on the City's unfunded accrued liability and using the sale of Pension Obligation Bond (POB) to finance this cost. He reported that payment to CalPERS will range from \$2.3 million to \$7 million and by issuing a 30-year POB; the City's annual payments are projected to be fixed at just over \$3 million. In issuing a POB, repayment schedule will be locked, it will stabilize annual payments, and the City will pay significantly less in interest. Capping the payment would reduce the General Fund budget gap from \$5.6 million to just over \$2 million annually. The City will need to look at saving and revenue enhancing strategies to make up the remaining gap.

Mayor Kendrick called for public comment.

Fire Captain Daniel Montoya stated that the City of Upland contracted with the County of San Bernardino and saved 10 million dollars.

Rick Bowen, Eagle Court, stated that in 2006, the City also previously financed unfunded accrued liability of \$8.4 million by issuing a pension obligation bond.

John Hackworth, retired Police Lieutenant and La Verne resident said that taking care of the unfunded accrued liability would protect current employees and retirees.

The City Council asked when the City could start the Pension Obligation Bond process.

Finance Consultant Mark Alvarado stated that the City could be ready to go to the bond market in about four months.

After discussion by Council and Staff regarding the pros and cons in issuing a Pension Bond Obligations (POB) and or using any other method of payment to CalPERS, it was the consensus of the City Council to direct staff to pursue the issuing of a POB as soon as possible in order for the City to get favorable interest rates and that it be brought back for Council for final approval.

6. The City Council recessed it 11:41 am and reconvened at 12:06 pm.

City Manager Russi continued his Power Point presentation and presented a list of strategies (as listed in the staff report presented to City Council) to come up with \$2 million savings to meet the pension obligation bond payment schedule.

City Department Heads and supervisors presented their recommended strategies to City Council and discussion ensued on whether to implement these and what impact they would have on City services.

The following strategies were discussed and Council authorized Staff to pursue by year.

Year 1

- Fees for annual business fire inspection.
- Eliminate the assignment of one engineer/paramedic, as allowed under the Firefighters' Association MOU. Reassign firefighters/paramedics hired after 2011 to non-ambulance transport assignments.
- Take steps to contract out for street sweeping and disposing/selling of associated equipment.
- Sale of Amherst Property with a participation agreement for housing development of the parcel.
- Leasing of street light poles to third party for small cellular antennas
- Refinancing of Water Fund loan to General Fund as part of Issuance of POB
- Temporarily suspending the General Fund contributions to the Capital Improvement Fund, as needed to balance 2018/19 budget

Year 2

- Implement new Planning Department "over the counter" service fee
- Adding franchise fee to current waste hauler contract
- Reduce maintenance efforts in park/field, tree trimming, and street repairs with minimal effect on City services
- Implementing an impact fee for all private academic institutions.

Year 3

- Change in business license tax rates to be included on the 2020 ballot.
- Implement ways to allow the City to collect a license tax on certain transient businesses.
- Contract out Parks maintenance operations
- Explore feasibility for regionalization and merging public safety dispatch communications with other local agencies.

The following strategies were discussed but not recommended.

Elimination of police jail operations.

Annexation of unincorporated parcel adjacent to City limits

Mayor called for public comment.

Victor Amezcua, La Verne Firefighter/Paramedic, disagreed with the elimination of one engineer/paramedic assignment and suggested instead that the fire explorer program be eliminated for a savings of \$35,000. He asked if Council was concerned with employee retention.

Daniel Montoya, La Verne Fire Captain, also disagreed with the elimination of the engineer/paramedic assignment. He stated that elimination of the assignment would compromise the fire department in performing their duties. He also spoke about the City charging for fire inspection for something that the Fire Department is already doing.

Frank Hernandez, La Verne Firefighter/Paramedic, questioned what would trigger the City looking into contacting out for fire services.

Mark Gutierrez, La Verne Police Officers' Association, asked about a police service fee tax.

Leo Kilman, La Verne Fire Engineer, spoke about the staffing level at Fire Station 3.

7. The City Council recessed at 2:42 pm, and reconvened at 2:57 pm.

After further discussion by Council and staff on the three-year list of strategies, it was moved by Davis, seconded by Rosales, and unanimously carried to authorize and direct staff to pursue the three year list of strategies as discussed at this workshop and that it be brought back to Council at its meeting of February 5, 2018, for formal action.

The City Council further directed staff to explore the financial impact of the MS-4 storm drain compliance requirements by the State.

It was the consensus of the City Council that they did not support contracting out for Police and Fire services or exploring new taxes.

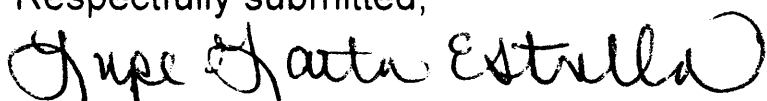
The City Council thanked Phil Hawley for facilitating the workshop. They also thanked City Manager Russi, Department Heads and City Staff, and Mark Alvarado for all their efforts and work on this important, but difficult matter.

8. Public Comment

This was the time set aside for anyone wishing to address the City Council on items not listed in any other place on the agenda. Mayor Kendrick called for public comment. There was none.

9. Adjournment at 4:01 pm.

Respectfully submitted,



Lupe Gaeta Estrella, CMC
Assistant City Clerk