

MINUTES OF THE SPECIAL MEETING
OF THE LA PALMA CITY COUNCIL
STATE OF THE CITY TOWN HALL MEETING

April 26, 2016

CALL TO ORDER: Mayor Goedhart called the Special Meeting of the La Palma City Council to order at 7:09 p.m. in the Royal Palm Room at the La Palma Community Center, 7821 Walker Street, La Palma, California, with all members present.

ROLL CALL:

Council Members

Council Members
Present:

Mayor Goedhart, Council Member Hwangbo,
Council Member Kim, Council Member
Shanahan, and Mayor Pro Tem Steggell

Council Members
Absent:

None

City Officials Present:

Laurie Murray, City Manager
Joel Kuperberg, City Attorney
Mike Belknap, Community Services Director
Douglas Dumhart, Community Development
Director
Mike McCrary, Interim Police Chief
Sea Shelton, Administrative Services Director
Jim Engen, Police Captain
Terry Kim, Police Captain
Chet Corbin, Management Analyst
Cindy Robinson, Recreation Supervisor
Kimberly Kenney, Deputy City Clerk

Mayor Goedhart recognized other County and State Agency Officials present as follows: Michael Voung, Congresswoman Linda Sanchez' Field Representative; Whitford Marin, Assemblywoman Young Kim's Field Representative; Tara Campbell, Assemblywoman Ling Ling Chang's Field Representative; and Jeremy Tran, Supervisor Michelle Steel's District Representative.

Mayor Goedhart recognized long standing Corporate Connection Partners Rosendin Electric, EDCO/Park Waste and Recycling Services, Stepping Stones Children's Center, and West Coast Arborist.

PLEDGE OF ALLEGIANCE: Mayor Pro Tem Steggell

INVOCATION: Council Member Hwangbo

PRESENTATION:

Mayor Goedhart recognized long-time residents Ron MacIver and Frank St. Germain who received the Republic of Korea's Ambassador for Peace Medal from the Republic of South Korea Consulate for serving in Korea during the Korean Conflict during 1950-1953 and the United Nations peacekeeping operations through 1955. He further recognized all veterans in the audience and thanked them for their service.

REGULAR ITEM:

1. **State of the City Presentation**

Mayor Goedhart opened up the presentation and introduced Council Member Shanahan.

Council Member Shanahan gave a presentation on the City's accolades and accomplishments. He gave a presentation on the status of School District boundaries; the 41 year old cold case that was solved for the murder of Patricia Ann Ross; the pavement rehabilitation projects; energy projects; replacement of aged park equipment; new homes planned for construction; new commercial businesses; and that residents and businesses have helped the City achieve a 21.8% reduction in water use.

Council Member Kim gave a presentation on the status of the City's School District Boundary issues; and reported that the City had adopted a Resolution requesting that the Anaheim Union High School District become a "District of Choice."

Interim Police Chief McCrary gave a presentation on the City's Police Department; gave a history of the department's staff reductions; gave an overview of the organizational study he is currently conducting; alternatives for restructuring the Department and contracting options; noted that it is impossible to achieve the same existing service levels if police services were contracted out without cutting services; that City residents decide what service levels are going to be; and closed by stating that all departments within the City work together as a team to provide citizens a high quality of life.

City Manager Laurie Murray gave a presentation on the City's structural deficit and the ten year financial forecast; reviewed how the City got to this point, noting that

it was due to three major revenue losses and two expense increases outside of the City's control; detailed the loss of revenues and increase in pension liability; explained what the City has done in response to those revenue losses, including workforce reductions and cuts to employee compensation, and restructuring of the organization; detailed that not included in the long term forecast are the unfunded future needs of the City including the Del Amo Bridge widening project; seismic retrofitting/rebuilding of the City's aging Civic Center; and pension liability obligations.

Mayor Goedhart closed the presentation by discussing the City's future; the important decisions that will need to be made; that the City's options are limited – either continue to cut expenditures and services or consider raising revenue; discussed several revenue measure options, including a sales tax, a parcel tax, increases to the Utility Users Tax (UUT), and Transient Occupancy Tax (TOT); that we have long been the City of Vision and trusts that the residents will do the right thing in La Palma; that the City Council will be having discussions over the next couple of months regarding options for a revenue measure and that a decision would likely be made on July 5; opposition to decreasing public safety and policing services; that the City's employees are outstanding and have taken cuts; that overall if there are continual expense reductions, it will ultimately affect residents' quality of life; that increasing revenues would allow the City to bring back events, restore services, continue high property values, and maintain the quality of life residents have come to expect; and closed by stating the future is up to the residents, but that he is confident that together, we will be able to solve the City's problems.

2. **Oral Communications** (Time Limit: 3 Minutes Each)

Abe Waheed asked for clarification that a 1% sales tax increase could equal \$1.5 million in revenue and how much the City received in current sales tax.

Mayor Goedhart explained that the City currently receives \$1.9 million in sales tax revenue; and concurred that a 1% increase in sales tax equals \$1.5 million in revenue.

A resident asked about how oil prices are affecting La Palma's income because oil price decreases are not in line with the rising gasoline prices.

Mayor Goedhart explained how agreements with companies to share sales tax affect the City's revenue; that if oil prices increase, then it would generally increase the City's revenues; and that there are no guarantees with sales tax revenues.

A resident noted that part of the City's dilemma was losing a large sales tax provider and asked about the City's current commercial vacancy rate.

Mayor Goedhart noted that the City has filled a lot of vacant businesses and has worked hard at bringing in new businesses; however, the City does not have a lot of vacant land or inventory; that the changes to the City's General Plan increasing density in the northern part of La Palma will hopefully generate some economic opportunities; that economic development takes time and is unpredictable; thinking that the City can just attract a business and it would solve our problems is not an easy process; that all cities lost redevelopment monies and that was a big hit for attracting new businesses;

Mr. Waheed commented that he appreciates the Police Department and does not want any decrease in current police service levels; and that he supports a sales tax measure.

Henry Huang inquired about what objective measures are used to evaluate the City's police service levels.

Interim Police Chief McCrary responded that typically, one to two officers per every 1,000 people is the standard; however, that is not a valid measure because it depends on the community and the crime rate in that community; that police staffing is measured by service levels; that violent crimes are low, but property crimes are rising which means the City may need to hire more people to address the issue; but the standard measures do not always apply.

Mr. Huang commented that the City of Yorba Linda was served by Brea's Police Department; and implied that the City could save money by contracting out police services to the Orange County Sheriff.

Interim Police Chief McCrary stated that several years ago the Orange County Register tried to conduct a study comparing police services, but they could not because each city was different and there was no standard to use to make the analysis work; that to keep the same service levels with the Orange County Sheriff would actually cost more and there is just no one who can do the policing job cheaper - even including total compensation - it just would not work.

Mr. Huang asked for more facts before the City Council makes a decision in July.

Mayor Goedhart added that Orange County Sheriffs makes a higher rate and have an extremely high retirement plan; that their per unit cost is higher than ours; and concurred that the only way to have police services cost less is to reduce service levels.

Council Member Shanahan commented regarding a family member's experience in a city serviced by the Orange County Sheriff's Department.

Jim Vaughn asked for an explanation of how oil prices affect the City's revenues.

City Manager Murray explained that oil prices affect the price of gasoline; that the City's gas stations are large contributors to sales tax revenue; that a local oil-based business contributes to the City's revenues and the revenue received is largely based on the prices of oil; and when gas prices are lowered, the State also lowers gas tax and the allocation of that tax that is paid to the City.

Robert Carruth stated his support for the turnout at the meeting and added that this is most likely the largest attendance for a public meeting he has seen; stated that the public is not getting the entire truth; that policing services is measured by the area covered and number of calls received and that needs to be correctly analyzed; opposition to the statement that we cannot get the same police services for less cost; that the 5% reduction in labor costs truly reflects a 5% reduction in hours worked, not a salary cut; the City's dependence on oil based revenue that could change if certain businesses leave the City; gave examples of inflated pensions; that the bulk of revenues go to pay for pensions; and that any new or increased tax should be called a 'pension tax'.

City Manager Murray responded that in 2004, the City approved enhanced benefits and has owned up to that decision; that in 2011, La Palma instituted pension reforms and was the first city in Orange County to do so; that the City introduced tiered retirement structures and the City's tier 3 employees have the lowest California Public Employees Retirement System (CalPERS) retirement rates in California; that the City has done what it can to lower pension costs; that the unfunded pension liability obligation is based on retired or former employees and not current employees; that the CalPERS system did not allow the City to address its unfunded liabilities until this year, and now the City is required to pay it completely over the next twenty years; and that La Palma employees stood up to do their part by taking reductions in take home pay, paying the employee portion of pension costs, and absorbing extra duties due to restructuring within the organization.

Mayor Goedhart commented that no matter what, the City is liable for the pensions and we are going to have to pay for them because it is a legal obligation; that residents would still have to pay those obligations even if the City were to dissolve; that pension reform has taken place; that paying down the unfunded liability to reduce the interest is a good investment; and that over the long term, the City will see a decrease in pension costs.

Jerry Lomeli addressed the increase in expenditures and decreased revenues and asked when the spending will balance and equal the amount of revenues received.

City Manager Murray noted that as the pension costs rise and insurance costs increase, the revenues also rise, but at a smaller percent than the insurance and pension costs; that if the City addresses the pension liability, we will lower the amount of overall expenses; that the City is already seeing the affect in the tiered

employee structure; that approximately 70% of Police staff is at Tier 2 or Tier 3; that the City realized the pension problems in 2011 and acted on that by instituting reforms and restructuring the organization.

Jill Studebaker asked if the same issues the Police Department faces has been addressed for the Fire Department.

City Manager Murray responded that because La Palma is a structural fire fund city, the Orange County Fire Authority is paid directly from property taxes so service levels are not impacted.

A resident stated that the City of La Palma addressed pension issues years ago; that it is impressive that the plan to address the issues is in place; that a lot of cities just allow themselves to go bankrupt; and commended the City on their efforts.

Robert Barker noted that he lived through the Proposition 13 measure and for years has been paying \$400 a year in property taxes and is just now back up to almost \$1200 a year; that if the residents want to live here, we need to pay for it; that the City's income and expenses need to balance with a reserve in place; and supports paying more to stay and live in La Palma.

Kerry Bryan inquired about the proposed revenue measure and asked about the initiative process by the City Council.

City Manager Murray clarified that the City Council will be having discussions over the next couple of months to make a decision on what type of measure they want to bring forward to the voters; that the City Council themselves, by a 4/5 vote, can put a revenue measure on the ballot; and that if the decision is a sales use tax, it would require a simple majority of votes in favor of the measure for it to pass.

Mayor Goedhart added that there may be another forum for discussion with opportunities to ask more questions.

City Manager Murray also noted that she would be happy to set up a time to meet with residents to explain and further discuss the situation.

Jenny Barrett stated her support for the presentation; that assuming two tax measures would pass, the City would receive \$3 million; and asked what portion of the \$350 example given for property tax increase the City would be able to keep.

City Manager Murray responded that if a parcel tax were approved, the City would receive all \$350 per household because it would be a City instituted tax. She asked all present to please fill out the feedback form.

Jonathan Dhauw commented that he worked for the City of Stanton who was experiencing the same situation and operating with a structural deficit; that passing

a sales tax measure caused their finances to stabilize; that they have enough revenue now to fund their police department; that this is a tried and true measure; and that he fully supports this endeavor.

Mayor Goedhart concluded the presentation; thanked everyone for attending; that although we may not always agree, the City has brought forward all the facts in hopes that the residents will make an educated decision in support of their City because we are all in this together. He closed by reminding the public that he has office hours at City Hall every Wednesday from 1:00 p.m. to 4:00 p.m. for those interested in meeting with him.

ADJOURNMENT

Mayor Goedhart adjourned the Special La Palma City Council Meeting, State of the City Town Hall forum at 8:48 p.m.

Gerard Goedhart
Mayor

Attest:

Kimberly Kenney
Deputy City Clerk