

**MINUTES OF THE ADJOURNED MEETING OF
THE MONTCLAIR CITY COUNCIL HELD ON
TUESDAY, FEBRUARY 12, 2015, AT 5:46 P.M. IN
THE CITY COUNCIL CHAMBERS, 5111 BENITO
STREET, MONTCLAIR, CALIFORNIA**

I. CALL TO ORDER

Mayor Eaton called the meeting to order at 5:46 p.m.

II. ROLL CALL

Present: Mayor Eaton; Mayor Pro Tem Raft; Council Members Ruh and Martinez; City Manager Starr; Deputy City Manager/Office of Economic Development Executive Director Staats; Director of Community Development Lustro; Director of Public Works Hudson; Finance Director Parker; Deputy City Clerk Phillips

Absent: Council Member Dutrey (arrived at 5:48 p.m.)

III. PUBLIC COMMENT - None

IV. COUNCIL WORKSHOP - MIDYEAR BUDGET REVIEW

A. Review of the City's Fiscal Operations and Approval of Proposed Changes to the Fiscal Year 2014-15 Budget

Mayor Eaton invited City Manager Starr to give the Midyear Budget Review presentation.

City Manager Starr stated that Finance Director Parker would be reviewing the proposed changes to the budget.

Finance Director Parker reported the status of the City's financial operations at midyear and discussed specific changes to the City's Estimated Revenue and Appropriations budgets. He highlighted General Fund revenue/expenditure trends and the fiscal impacts of potential budget changes including the following:

Allocation of \$75,000 to the Police Department from the General Fund including \$2,000 for purchase of a **TASER**[®] conducted electrical weapon cartridge, a handheld radio charging bank, and digital cameras, \$3,000 for vest purchases for new hires, and a transfer of \$70,000 from the General Fund to the Police Department to cover costs for security at the Transcenter, which was mistakenly assumed to be covered under Proposition 30.

Allocation of \$150,000 to the Fire Department Emergency Services Overtime account from the General Fund to pay for anticipated overtime needs for the remainder of the year.

Allocation of \$29,000 in the Public Works Department from the General Fund to cover unforeseen HVAC expenses, out-sourcing of backflow testing, and street sweeper replacement parts for a unit no longer under warranty.

Increased appropriation of \$726,960 for Citywide expenses for the following: An increase of \$500,000 for Workers Compensation expenses; \$110,000 to cover increased electricity costs; \$45,960 for retiree liability; and \$71,000 for general insurance.

Finance Director Parker presented suggestions for revisions to the Estimated Revenue Budget (increase by \$508,995) and the Appropriations Budget (increase spending authority by \$447,704 in the General Fund). He noted approval of both the revised Appropriations and Estimated Revenue Budgets would have a positive budgetary impact to the General Fund of \$5,739.

Finance Director Parker discussed the increasing costs of **California Public Employees Retirement System (CalPERS)** rates, beginning with an estimated \$1.6 million increase for the City in 2015-16 representing a 50% increase, and anticipated future rising costs.

Council Member Dutrey commented that the **CalPERS** situation scares him, noting the increase for next year alone is 5% of the general fund and only represents the first of the next four years of increases. He added, "This is the type of thing that kills cities."

Council Member Dutrey inquired about the cost associated with training new Police Officers.

Finance Director Parker noted some overtime may be involved for the Training Officer, as well as additional costs for equipment and uniforms. He invited Police Chief/Public Safety Executive Director deMoet to speak on the issue.

Police Chief/Public Safety Executive Director deMoet asked Council Member Dutrey to clarify his question.

Council Member Dutrey noted that he has heard that the City spends over \$100,000 on new Police Officers for training, acclimation to the field, *et cetera*, and requested verification of whether this information is accurate.

Police Chief/Public Safety Executive Director deMoet noted the training program for new Officers is about twenty weeks, during which time that new Officer is riding with another training officer. He stated the addition of the personnel costs for that twenty-week period could come to around \$50,000. He added the costs of uniforms and equipment, daily training stipend for the training officer, as well as required and essential training courses will increase that costs even higher. He noted that, if desired, he could research the total cost and report that information back.

Council Member Dutrey thanked Police Chief/Public Safety Executive Director deMoet and stated a report would not be necessary and that he would try to meet to discuss the issue further.

City Manager Starr explained that, although it represents a hard cost to the budget, that is an expenditure item that exists because it is a position that belongs to the Department's enforcement capabilities. He noted the City has 53 sworn officers and a new position is not being added; that is simply a position that is not able to enter into the field on his or her own because that Officer is under the guidance of a Training Officer. He added that having a trainee does not add any costs to the budget; what would be added is sending that new Officer to the Police Academy, which would add a cost to the budget to train that Officer. He noted that, historically, the City has had three types of recruitments for new Officers: (1) lateral recruitments for officers already trained and able to begin operating as independent Police Officers; (2) hiring of new Police Academy graduates, who still require some training and acclimation; and (3) an open recruitment process for those without any formal Police training, which would then be paid for by the City upon hiring that employee. He clarified that once a person is hired and is working for the City as an Officer in training, the training is a budgeted expenditure that is already allocated for, including uniforms. He emphasized that training is an ongoing and necessary process that is budgeted, and that new Officers are budgeted even if they need to

undergo training and cannot immediately operate alone in the field. He noted the reason this issue is often brought up is due to wage-related issues, because trained Officers are leaving for other cities.

Council Member Dutrey asked if the allocation for security at the Transcenter is being paid for out of a different account.

Finance Director Parker noted the cost will be incurred by the General Fund. He stated the Proposition 30 fund would be unencumbered by the Transcenter security costs, and those would now be paid for out of the General Fund. The net effect for the City in total is \$5,000; however, the General Fund is paying \$70,000.

Council Member Dutrey asked if the \$500,000 increase in the allocation to the Workers Compensation account indicates that claims will continue increasing in future years.

Finance Director Parker indicated that the increase reflects the fact that the Workers Compensation costs are remaining consistently high rather than decreasing as staff had initially projected.

Council Member Ruh noted that, as a small city, Montclair tries to do more with less. He emphasized the importance of communicating to **CalPERS** how their practices are impacting the budgets of small cities. He stated something must be done, and recommended the City engage in discussions with legislative representatives.

Finance Director Parker noted many small cities are banding together to oppose **CalPERS'** practice of penalizing small cities.

Council Member Ruh noted he would like to see what happens in February when **CalPERS** reviews the City's case.

City Manager Starr noted this issue lies with the management and lack of proper oversight of **CalPERS**. He noted in the early part of the twenty-first century, **CalPERS** decided to group small cities together into risk pools to save on administrative costs when performing actuarial analyses. He noted that this practice backfired because the risk pools were not generating adequate revenue because **CalPERS** failed to take into consideration the liabilities of each individual city in the risk pool, and the organization used its own projections to estimate payroll for these cities based on faulty presumptions. He indicated that this practice has resulted in **CalPERS** generating less revenue from employer contributions than they presumed they were generating. He noted **CalPERS** is now trying to play "catch-up" by reexamining the risk pools and, in effect, keeping the risk pools in place while reviewing each city on an individual basis. He stated his assumption that **CalPERS** is likely not utilizing this individual analysis with the City of Montclair based on the \$6 million that they intend to impose on the City.

City Manager Starr summarized the City of Montclair's 3 percent at 50 plans for safety employees, noting that fewer than five employees in those plans have retired under the age of 55. He stated that the real impact on **CalPERS'** rates for the City is caused by this plan, which **CalPERS** will not allow the City to change. He added that "cities that are larger and not in these risk pools with much worse performance related to disability retirements *should* have an employer rate much larger than Montclair's but, in fact, it is quite the reverse: those agencies have employer rates in the 20 percent range versus Montclair's close to 50 percent rate for 2015-16."

City Manager Starr noted that in August of 2014, **CalPERS** chose to ignore the California Public Employees Retirement Act of 2013 (PEPRA) by "approving 99 premium pays for employees hired on or after January 1, 2013, and calculate those premium components into their compensations upon retirement, despite the fact that nearly every other public pension fund in the state of California recognized

and said that you cannot use premium pay—you can only use base pay—and CalPERS' response to the **State of California** and **Governor Brown** in response to PEPRAs was essentially, 'We're CalPERS, we're bigger than you, and we don't care what you say.'

Council Member Martinez expressed her hope that the City of Montclair can set precedents on this **CalPERS** issue.

City Manager Starr noted the City Council has provided direction to staff related to this issue in closed session that cannot be discussed in open session.

Council Member Dutrey noted staff had previously communicated to that the status of the City's reserve fund would be reported to the City Council after completion of the City's annual audit. He asked if that audit is complete and if the City Council could be provided with a memo with the status of the City's reserve fund.

Finance Director Parker indicated he would provide a memo to the City Council related to the 2014-15 beginning reserve fund balance.

Moved by Council Member Ruh and seconded by Mayor Pro Tem Raft to receive and file the City's Midyear Budget Review report and to approve the changes suggested therein to the City of Montclair Fiscal Year 2014-15 Budget.

Motion carried as follows:

AYES: Martinez, Ruh, Dutrey, Raft, Eaton
NOES: None
ABSTAIN: None
ABSENT: None

Council Member Martinez noted she would like to thank staff for submitting routine reports to the City Council, which has made the budget review information "not so foreign."

Mayor Eaton noted he appreciates all the City employees' hard work.

V. ADJOURNMENT

At 6:27 p.m., Mayor Eaton adjourned the City Council.

Submitted for City Council approval,



Andrea M. Phillips
Deputy City Clerk