

**MINUTES OF THE ADJOURNED MEETING OF THE  
MONTCLAIR CITY COUNCIL HELD ON THURSDAY,  
FEBRUARY 18, 2016, AT 6:00 P.M. IN THE CITY  
COUNCIL CHAMBERS, 5111 BENITO STREET,  
MONTCLAIR, CALIFORNIA**

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**I. CALL TO ORDER**

Mayor Eaton called the meeting to order at 6:00 p.m.

**II. ROLL CALL**

Present: Mayor Eaton; Mayor Pro Tem Raft; Council Members Dutrey, 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

**III. PUBLIC COMMENT - None**

**IV. COUNCIL WORKSHOP**

**A. Midyear Budget Review - Review of the City's Fiscal Operations and Approval of Proposed Changes to the Fiscal Year 2015-16 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 in conjunction with the showing of a PowerPoint presentation. He highlighted General Fund revenue/expenditure trends and the fiscal impacts of potential budget changes including the following:

- Allocation of \$199,734 to the Police Department from the General Fund including \$11,000 to purchase program supplies related to medical services, \$172,000 for patrol overtime, \$1,200 for patrol operations program supplies, and \$11,889 to pay a recent billing by the City of Ontario for the City's prior years' portion of shared school crossing guard costs.
- Allocation of \$158,000 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 \$38,304 in the Public Works Department from the General Fund to cover sprinkler parts, splash pad repair, tree trimming, vehicle maintenance, increased Transcenter restroom servicing, and improvements to median landscaping.
- Allocation of \$125,000 for the City Attorney Program from the General Fund to cover an unexpectedly high number of lawsuits this fiscal year.
- Increased appropriation of \$235,000 for Citywide expenses for the following: An increase of \$175,000 for general liability claims; \$30,000 to cover increased electric

services; and \$30,000 for general citywide insurance.

Finance Director Parker presented suggestions for revisions to the Estimated Revenue Budget (increase by \$831,969), transfers-in (increase by \$137,629), and the Appropriations Budget (increase spending authority by \$759,633 in the General Fund). He indicated that approval of both the revised Appropriations and Estimated Revenue Budgets would have a positive budgetary impact to the General Fund of \$209,965.

Finance Director Parker discussed the payment schedule of **California Public Employees Retirement System (CalPERS)** rate increases. He indicated that while funding levels continue to improve, **CalPERS** continues to increase the City's contribution rates to supposedly improve their administration of the program. The City's increase for Fiscal Year 2016-17 is estimated to be 12.67 percent, or \$492,648. He noted staff was able to obtain a reduction in the unfunded liability rates from those proposed starting in Fiscal Year 2015-16; however, in Fiscal Year 2018-19, higher rates will be required. Budgeting for the current year includes the adjusted rates, which will also be included in Fiscal Year 2016-17 budget considerations.

Council Member Dutrey lamented the fact that these increased **CalPERS** payments could have gone to salary increases for staff, noting extreme increases in mandatory contributions down the line was not something that the City Council could have foreseen when approving the original **CalPERS** pension plans. He stated it is not fair that newer employees have to bear the brunt of these new and increasing contribution requirements.

Council Member Dutrey noted he is pleased that the City will be moving to a daily maintenance service schedule at the Montclair Transcenter to improve cleanliness conditions, especially around the public restroom areas.

Council Member Dutrey further stated he is satisfied that the City appears to be maintaining surplus revenues over expenses, and that the unallocated reserve balance is at \$6 million, in addition to close to \$6 million in reserves assigned to specific accounts, totaling over \$12 million in reserves. He stated he feels the City is in a much better place than it was during the recession.

Council Member Martinez concurred with Council Member Dutrey, and noted that she feels it is important to continue to find ways to improve morale of City employees through salary increases.

Mayor Pro Tem Raft thanked staff for its hard work in maintaining the budget and in organizing this presentation.

Council Member Dutrey noted that although he is a firm believer in staying within the limits set by the budget as well as taking care of the employees, he feels residents need to continue being served to the best of the City's ability. With the reality of **CalPERS** rate increases, he expressed his hope that the renovation of the mall will bring in enough revenue to support staff salary and benefit enhancements and that some of the increases in future revenues should go toward that.

Council Member Ruh noted other small cities are finding themselves in similar situations regarding **CalPERS** rates. He asked whether Montclair has considered looking into efforts to pool with other small cities to reduce rates.

Finance Director Parker stated that he is not aware of any efforts to pool because **CalPERS** has each City locked into its own plans and it is extremely costly to withdraw from **CalPERS** and into another retirement system. He noted that the current rate increases seem to

be in response to a change in **CalPERS'** investment strategy to reduce risk and achieve a 100 percent funding level for all plans. He noted that this has unfortunately resulted in newer employees funding the pensions of older employees.

City Manager Starr stated that the City has no control over **CalPERS**; the City's pensions are pooled with higher risk plans. There are no options to aggregate with other cities to reduce costs. He directed the Council's attention to the table showing funding status for Montclair's pension plans on page 24 of the PowerPoint presentation. He noted the funding status of the City's pension plans increased greatly for most plans between the beginning of Fiscal Years 2013-14 and 2014-15 and indicated it will not take anywhere near 30 years to reach 100 percent funding status at this rate. He further indicated that if **CalPERS** were to perform an actuarial evaluation on the City's retirement plans as a single agency, there would be no reason for the City's **CalPERS** rates to be so high.

In response to Council Member Ruh's comment, City Manager Starr advised that Montclair's situation is actually not comparable to that of other small cities that are clients of **CalPERS**. He advised Montclair has one of the highest employer rates throughout the state of California compared to other cities of similar size. He noted that last year when he and Finance Director Parker were informed by **CalPERS** that the City's payment would increase to \$1.6 million, they did some research and discovered that Montclair was one of only 30 cities suffering this sort of adverse impact related to the rates. He indicated that unfortunately the agency will not provide any explanation for how they came up with the rates. He also advised that some high-level staff members within **CalPERS** have expressed their inability to do anything to help the City, and apparently even top executives do not have any control over these issues.

City Manager Starr noted the City is likely paying more than it otherwise should, which explains why the funding status for the City's plans is climbing so quickly, and stated that apparently nothing can be done about it. He noted that he anticipates the City will reach 100 percent funding status within 10 years rather than the supposed 30 years sought by **CalPERS**, which implies something is wrong with **CalPERS'** numbers, but despite that the City must still comply without being provided the opportunity to examine their books.

Finance Director Parker stated that if the City's plans are all above 80 percent funded by next year, he plans to talk to **CalPERS'** actuarial services staff to ask them to reevaluate the City's rates, noting it may be difficult or impossible to convince them to allow that.

City Manager Starr stated the City's first priority should be to provide services to the community; however, **CalPERS'** extortionary rates and exorbitant penalties have forced the City to give priority to meeting its payment obligations to **CalPERS** first.

Council Member Ruh stated this would benefit the employees' retirements in the long run.

City Manager Starr concurred, noting that point was brought up during employee contract negotiations, but falls on deaf ears.

Council Member Martinez stated that she feels the City should be more aggressive in its discussions with **CalPERS**, noting she believes that they are not as helpless as they are letting on.

City Manager Starr stated last year he and Finance Director Parker approached **CalPERS** to protest the increased rates and, to his knowledge, it was the first time that **CalPERS** has ever acquiesced to a City, taken a hard look at their numbers, and agreed to work with

the City on formulating manageable payments. He added the model that was worked out for Montclair became the model **CalPERS** uses for other agencies for similar issues.

Moved by Mayor Eaton and seconded by Council Member Dutrey 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 2015-16 Budget.

Motion carried as follows:

AYES: Martinez, Ruh, Dutrey, Raft, Eaton

NOES: None

ABSTAIN: None

ABSENT: None

Mayor Eaton thanked Finance Director Parker and noted he appreciates all the City employees' hard work.

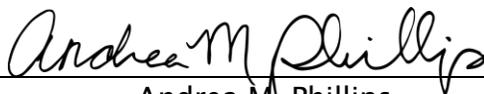
**B. Monte Vista Avenue/Union Pacific Railroad Grade Separation Project Update**

Moved by Mayor Eaton, seconded by Council Member Dutrey, and carried unanimously to continue this item to an adjourned meeting on Monday, March 7, 2016, at 5:45 p.m. in the City Council Chambers.

**V. ADJOURNMENT**

At 6:44 p.m., Mayor Eaton adjourned the City Council to Monday, March 7, 2016, at 5:45 p.m. in the City Council Chambers for the Monte Vista Avenue/Union Pacific Railroad Grade Separation Project Update.

Submitted for City Council approval,



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Andrea M. Phillips  
Deputy City Clerk