

## **MINUTES**

### **Budget Workshop Meeting of the City of Huntington Park City Council Wednesday, June 3, 2015**

The Budget Workshop meeting of the City Council of the City of Huntington Park, California was called to order at 6:00 p.m. on Wednesday, June 3, 2015, in the Council Chamber at City Hall, 6550 Miles Avenue, Huntington Park, California; Mayor Karina Macias presiding.

#### **ROLL CALL**

**PRESENT:** Mayor Karina Macias; Vice Mayor Graciela Ortiz and Council Members, Valentin Palos Amezcuita (arrived at 6:13 p.m.), Jhonny Pineda and Marilyn Sanabria. Other City Officials and employees: John Ornelas, Interim City Manager, Edgar Cisneros, Assistant City Manager, Arnold Alvarez-Glasman, City Attorney, Jorge Cisneros, Chief of Police, Josette Espinosa, Director of Parks and Recreation, Jan Mazyck, Interim Finance Director, Michael Ackerman, City Engineer, Manuel Acosta, Economic Development Manager, Martha Castillo, Human Resources Director, Jessica Perez, Management Analysis-Recreation, Art Cueto, Consultant, Evan Brooks Associates and Donna Schwartz, City Clerk.

**PUBLIC COMMENT** - None

#### **REGULAR AGENDA**

##### **1. Fiscal Year (FY) 2015/2016 Draft Budget Overview**

Interim City Manager Ornelas acknowledged staff's efforts and support in compiling the 2015/2016 draft budget. Mr. Ornelas gave a brief overview of what the City has gone through and is facing with staff resources and financially, but believes the current budget will set a precedent in setting goals each year and sustainability of the city's finances. Mr. Ornelas stated that the theme in preparing the budget was "Holding the Line" focusing on core services and programs. Mr. Ornelas then introduced Interim Finance Director Jan Mazyck who acknowledged her staff for all their time and effort in the preparation of the budget. She presented a PowerPoint presentation on the Fiscal Year (FY) 2015/2016 proposed budget discussing the process, goals and objectives, policies, plans and resource allocation. She explained sustainability with regards to revenues, deferred infrastructure and staff capabilities, increased costs, employee benefits, retiree medical, workers' comp., liability insurance, focus on core services and programs; taking steps towards reducing the budget deficit; and to be mindful of dwindling reserves. Ms. Mazyck gave an overview of all funds: revenues, expenditures & projected fund balances, general fund, enterprise funds (water and sewer), special revenue: Prop A, Prop C, Measure R and entitlement funds: transportation funding, CDBG, and others and concluded with future outlook: reserves, recruitment & retention, unfunded liabilities, city services and addressing longer-term liabilities.

Council Member Amezcuita questioned the total increment of unfunded liability and the years they have not been funded. Interim Finance Director Mazyck stated the increments are due to returns and would provide Council with the information regarding years they have not been funded.

Council Member Sanabria questioned if Council could be provided with the assets and the difference between fund balances vs. running balance. Interim Finance Director Mazyck stated yes this information can be provided.

Council Member Amezcuita questioned if the 15% reduction in water is a State mandate. City Engineer Michael Ackerman explained that the City's current water use reduction goal is 12%, however the city submitted new calculations to the State with the goal of being granted an 8% reduction target.

Council Member Pineda questioned the decrease in water revenue vs. expenditures, the cost of purchasing water and operating cost. Interim Finance Director Mazyck feels

that the income loss reflects certain investments and capital outlays i.e. water well, increase cost on suppliers end etc.

Council Member Sanabria questioned when Well #15 would be up and running. City Engineer Ackerman stated that Well #15 is estimated to be repaired in 45 days.

Interim City Manager Ornelas stated there are water revenue bonds that are still being paid.

City Engineer Ackerman noted that the City currently has enough banked water that would allow the City to pump their own water and lease neighboring water rights at a cost between \$100 and \$150 an acre foot. In an effort to reduce the cost of purchasing from Metropolitan Water District.

Interim City Manager Ornelas stated the leasing of the water and repairing Well 15 can help reduce the million dollar deficit to the point where we have a positive cash balance.

Interim Finance Director Mazyck also noted that some of the operating cost comes from repairs, maintenance and administration. Ms. Mazyck then continued with the overview of the proposed budget.

Council Member Amezcua questioned if the City is increasing the budget for the Combi service, noted his suggestions to use grant monies towards a related transportation improvement project.

Interim City Manager Ornelas noted that approximately 1.5 million dollars currently used on transportation services for the Dial-A-Ride and Combi Bus services could be used for infrastructure and improvements. Mr. Ornelas stated that stating staff will be assessing these services and improvements to find a balance with allocating these resources to continue the level of service the City has provided while providing for the infrastructure investment the City needs.

Council Member Amezcua questioned projects along Pacific Boulevard and transportation and what funds can be utilized. Interim Finance Director Mazyck explained that some Proposition C funds have been budgeted for Pacific Boulevard improvements.

Interim City Manager Ornelas explained that a substantial amount of Proposition A and C goes towards Dial-A-Ride and the Combi service, approximately \$1 million towards Dial-A-Ride and approximately \$600 to 700 thousand towards the Combi service. A lot of these funds can be used for infrastructure and pavement management etc. These funds will need to be reexamined in order to allocate for balance of these funds for infrastructure needs.

Council Member Pineda noted the decrease in the Dial-a-Ride budget.

Interim Finance Director Mazyck feels the service can be delivered in a more efficient manner.

Interim City Manager Ornelas reiterated that the budget reflects negotiating more efficiencies with transportation services.

Council Member Pineda noted this should be revisited regarding transportation.

Vice Mayor Ortiz feels customers would benefit from the Combi services once the routes are changed and suggested adding a stop at the Senior Center.

Interim City Manager Ornelas mentioned that other Cities don't offer a 24-hour transportation service like the City does, it is costly and something that should be looked at for balance and goals for infrastructure and capital investment.

Council Member Amezcua voiced concern with senior citizens and students and continuing the Dial-A-Ride transportation services for them.

Mayor Macias noted that Dial-A-Ride and the Combi service have similar ridership both senior citizens and students.

Interim City Manager Ornelas mentioned the Uber service and the ability for people to use at a lower cost and does take burden off the Cities themselves from providing the service.

Interim Finance Director Mazyck continued presenting the PowerPoint presentation discussing Proposition C and Measure R funds, transportation, and marketing events.

Council Member Amezcua questioned the level of funds being the same each year from Prop A and C funds and Measure R so that improvements continue being made on Pacific Boulevard.

Interim City Manager Ornelas stated these funds will continue. Interim Finance Director Mazyck added, that assuming a healthy economy since it's economically based but yes.

Interim City Manager Ornelas mentioned a key component is the city's cost allocation with using Prop A funds towards certain projects, programs and staffing, making sure this happens so that this cost doesn't come out of the General Fund.

Council Member Pineda questioned the Transportation Marketing/Events amount.

Art Cueto, Consultant with Evans Brooks, stated the funds are grant funds the City received for CicLavia and the Grand Prix Bicycle event for public works fees for street closures.

Interim Finance Director Mazyck continued with gas tax funds and expenses, street repair and street sweeping contract and other cost associated with employee expenses associated with this fund.

Interim City Manager Ornelas asked City Engineer Ackerman to explain the salaries and benefits expenses. Mr. Ackerman stated that these expenses are used for Capital Improvement Projects

Vice Mayor Ortiz questioned the FY 2016 Traffic Congestion Relief revenue being zero.

City Engineer Ackerman explained that for FY 2016 revenues are being cut for this year.

Interim Finance Director Mazyck continued with AQMD revenues and expenses for reducing vehicle emissions.

Council Member Amezcua stated that the Assembly Bill 32 would be distributing \$2 billion dollars in funds to various cities to assist in reducing vehicle emissions and suggested the City look into it.

Interim City Manager Ornelas stated that any funds that are received from the State will come before Council for allocation.

Council Member Pineda questioned what other areas these funds can be used for other than purchasing low emission vehicles.

Interim City Manager Ornelas stated these funds can be used on various projects related to reducing vehicle emissions.

Interim Finance Director Mazyck continued with CDBG and HOME funds pertaining to economic development, public improvements and social services to benefit low and moderate income residents.

Council Member Sanabria questioned the amount of \$250,000 for the Capital Outlay (splash pad) and the remaining amount needed to complete it.

Parks & Recreation Director Espinosa stated if the grant is received it would be a total of \$350,000 and this grant along with other grants would cover the rest needed.

Council Member Pineda noted this would then be \$600,000 and questioned if this was the amount needed to complete the project.

Parks & Recreation Director Espinosa stated it is a total of \$650,000 needed and grants would cover the total amount.

Council Member Amezcuita noted even though salaries and benefits aren't coming from the fund, they are quite high and suggested considering saving monies from contracts in order to use towards Pacific Boulevard improvements.

Interim City Manager Ornelas stated that CDBG funds are targeted to certain programs and projects and that the 10% of CDBG funds given for administration is used for salaries and benefits to administer these programs and projects.

Council Member Sanabria questioned when the grants will be received.

Parks & Recreation Director Espinosa stated that the grant is pending an archeological study.

Council Member Pineda questioned the amount of the study.

Ms. Espinosa stated it was approximately \$9,000 and staff provided additional information regarding grants pending.

Council Member Pineda suggested that CDBG and grant funds be reviewed and allocated within the amounts given.

Interim City Manager Ornelas reminded Council that the City is working on being as conservative as possible and is working within the amounts of the funds the City has received.

Interim Finance Director Mazyck returned to historical & projected fund balance explaining the previous and future balances, future outlook i.e. golden handshake, reserves dwindled to minimum levels, recruitment and retention, unfunded liabilities: Other Post Employee Benefits (OPEB) & Pension, reexamining city services; redefine and prioritize City business, and addressing longer-term liabilities.

Council Member Pineda questioned the arbitrage/rebate liability of \$2.2 million.

Interim Finance Director Mazyck explained that the arbitrage/rebate liability was previously under the Redevelopment Agency in 2004, due to a transaction that created a transfer proceed issue, ultimately resulting in a tax liability to the IRS. Ms. Mazyck feels this should be resolved at the Successor Agency level since it is a liability and brought back for negotiating strategies on the next best course of action.

Interim City Manager Ornelas stated the City does have the opportunity to negotiate with the State and the County.

Interim Finance Director Mazyck stated that the City is required to make a payment towards this liability, last November the City paid a \$819,000 payment and is uncertain the amount that will be required this year.

Council Member Amezcuita noted that discussions need to take place regarding this liability.

Interim City Manager Ornelas informed Council that the information provided to them gives a status of where the City is at and that through the year items will be presented to Council that they will need to consider and make final decisions.

Council Member Amezcuita thanked staff for a good presentation and feels enough information was provided to know where the City is at financially.

Interim City Manager Ornelas closed the presentation and asked Council if they had any questions and stated that staff will continue to work hard to provide Council with the material in time for their review and to have another productive session in the future.

Council Member Sanabria thanked staff for all their hard work and a good presentation.

Vice Mayor Ortiz thanked staff as well for a professional presentation.

Mayor Macias thanked staff for all their support and hard work and knows there's a tough road ahead, sees it all clear now, that it is now a reality would like a staff retreat to discuss priorities and goals.

Council Member Amezcua commented on the pension override and would like to take the documents to someone at the State level to review.

Mayor Macias would like to work as a team and stated this was done before.

City Attorney Alvarez-Glasman requested to add a closed session item under anticipated litigation Conference with Legal Counsel that came after the posting of the agenda and there is a need to brief the Council pursuant to Government Code Section 54956.9(d)(2).

**Motion:** Council Member Sanabria motioned to approve the addition of the closed session item, seconded by Council Member Pineda. Motion passed by the following vote:

ROLL CALL:

AYES: Council Member(s): Amezcua, Pineda, Sanabria, Vice Mayor Ortiz  
and Mayor Macias  
NOES: Council Member(s): None

At 7:40 p.m. City Attorney Alvarez-Glasman recessed to closed session

At 8:55 p.m. Mayor Macias reconvened to open session. All Council Members present.

#### **CLOSED SESSION ANNOUNCEMENT**

City Attorney Alvarez-Glasman announced Council discussed the closed session item, no action was taken.

#### **ADJOURNMENT**

At 8:56 p.m. Mayor Macias adjourned the meeting to a Regular Meeting on Monday, June 15, 2015, at 6:00 P.M.

Respectfully submitted,

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Donna G. Schwartz, CMC, City Clerk