



CITY OF AZUSA
MINUTES OF THE SPECIAL MEETING OF
THE CITY COUNCIL
MONDAY, MARCH 25, 2019 – 6:30 P.M.

The City Council of the City of Azusa, met in Special Session at the above date and time in the Azusa Light & Water Conference Room, located at 729 N. Azusa Avenue, Azusa, CA 91702.

Mayor Rocha called the meeting to order at 6:54 P.M.

ROLL CALL: Roll call was taken by City Clerk Cornejo.

PRESENT: COUNCILMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
ABSENT: COUNCILMEMBERS: NONE

ALSO PRESENT

Elected Officials: City Clerk Cornejo.

Staff Members: City Manager Gonzalez, City Attorney Priest, Director of Finance Johnson, Director of Human Resources and Risk Management Bragg, Director of Economic and Community Development Marquez, Director of Public Works/City Engineer Bobadilla, Director of Information Technology and Library Services Graf, Director of Utilities Robledo, Director of Recreation and Family Services Carpenter, Chief of Police Hunt, Economic Development Specialist Campos, Senior Planner Munoz, Police Captain Bertelsen, Budget Administrator Lam, Assistant Director – Water Operations Macias, Utility Programs Specialist Reid, Utilities Administrative and Financial Services Manager Tran, and Chief Deputy City Clerk Garcia.

PUBLIC COMMENT

None.

REVIEW OF FISCAL SUSTAINABILITY ASSESSMENT

City Manager Gonzalez introduced the item stating that Staff will discuss three areas: current financial position, City position and possible solutions regarding other post-employment benefits (OPEB) and retirement obligations, and revenue enhancement.

Director of Finance Johnson presented the Staff Report stating that the City's General Fund has a diverse revenue mix, five year projections show 3.5% to 4.7% increases in property taxes and more modest increases in sales taxes; the City has one outstanding bond which will be paid off by Fiscal Year 2020/21 and one Water Fund Loan which will be paid off by Fiscal Year 2024; a \$2.9 Million surplus due to one-time property sales proceeds is projected in the current budget year; and five year projections show deficits of \$1.5 Million to \$3.3 Million annually due to anticipated increases to CalPERS costs; budget forecasts results in depletion of cash reserves; if nothing is done, reserves will be reduced to approximately \$1.6 Million by Fiscal Year 2023/24; and estimated cash balances do not include replenishment of reserves if they are used.

There is a \$41.2 Million OPEB liability as of June 30, 2018; participation in CalPERS medical mandates that the City make payments of the PEMHCA minimum for all participants; payments are currently \$136 per month for each participant; payments for retiree medical have increased almost 60% over the past five years; many Cities are establishing a trust for OPEB liabilities to use as a budget stabilization tool; there is a \$72.2 Million CalPERS liability as of June 30, 2018; and CalPERS costs are scheduled to increase 60% over the next five years.

Ms. Mary Beth Redding, Bartel Associates, LLC, provided background information about CalPERS, the old contribution policy, and changes made in order to create a more stable and sustainable fund, which requires Cities and other public agencies to pay more money. She also stated there are more retirees than active employees which make managing the plan more difficult; unfunded liabilities have remained consistent over the years but assets have increased and cover the amounts owed to retirees; and projected contributions are expected to increase over the next ten years to pay back the unfunded liabilities. Options for paying down the unfunded liabilities more quickly are: "Fresh Start," which refinances the unfunded liability over a shorter period of time to pay a larger amount, sooner and save on interest or pay off specific portions of the unfunded liability; the City also has the option to establish a trust to accrue interest and eventually use the money to pay CalPERS; and a further overview and comparison of available options was provided.

In response to questions posed by the Council, Ms. Redding stated that costs to administer a trust vary depending on the provider; most providers charge based off of a percentage of assets; returns from investments can only be used for pensions; CalPERS does not only own stocks and bonds, they also own properties; a combination of 2009 losses, more retirees, and enhanced benefits led to where we are now; and the options are to either pay CalPERS sooner to offset the interest charges, or pay CalPERS invoices as they are received, which will result in higher interest payments.

Director of Finance Johnson added that funds to establish the trust can be designated from the reserves; the City can continue to set aside \$1.5 Million each year and then decide where the money is to be spent.

Extensive discussion ensued regarding the establishment of a trust; extra payments made to CalPERS; and the investment policy.

Director of Finance Johnson presented the Fiscal Sustainability Assessment that was conducted stating that Staff reviewed existing contracts and franchise agreements to ensure the City is capturing all contractual obligations, identified contracts to potentially renegotiate, examined areas of organizational efficiency opportunities, and explored extraordinary measures to generate additional revenues. The goals of the assessment is to balance the budget, maintain designated reserves, tackle long-term liabilities, maintain and continue to improve credit standing, meet future financial obligations, maintain essential services to the community, and long-term sustainability. Staff is exploring revenue enhancements and cost cutting strategies with the FY 2019/20 budget development; three major contracts/franchise agreements which could potentially be renegotiated were identified; and potential extraordinary measures such as a sales tax override and Utility Users Tax modernizations were also identified.

In response to questions posed by the Council, Staff stated that the City owns the water rights and leases the rights to the Utility Department; discussion ensued regarding water rights leases, rates, and revenues.

Moved by Councilmember Carrillo, seconded by Councilmember Macias and carried by unanimous vote of the Council to direct Staff to move forward, with Council approval throughout the process, with re-negotiations of the hazardous waste processor, landfill waste processor and water rights leases franchise agreements/contracts.

AYES: COUNCILMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: COUNCILMEMBERS: NONE

Moved by Mayor Pro-Tem Alvarez, seconded by Councilmember Gonzales and carried by unanimous vote of the Council to direct Staff to further investigate the Sales Tax override and Utility Users Tax modernization revenue enhancements.

AYES: COUNCILMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: COUNCILMEMBERS: NONE


Moved by Councilmember Carrillo, seconded by Councilmember Gonzales and carried by unanimous vote of the Council to direct Staff to return to Council with recommended actions for long-term funding strategies related to pension and OPEB liabilities.

AYES: COUNCILMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: COUNCILMEMBERS: NONE

ADJOURNMENT

The meeting was adjourned by consensus of the City Council.

TIME OF ADJOURNMENT: 7:59 P.M.



CITY CLERK