

MINUTES OF THE ADJOURNED JOINT MEETING OF THE
MONTCLAIR CITY COUNCIL AND MONTCLAIR HOUSING
CORPORATION BOARD OF DIRECTORS HELD ON MONDAY,
JUNE 17, 2019, AT 5:30 P.M. IN THE CITY COUNCIL CHAMBERS,
5111 BENITO STREET, MONTCLAIR, CALIFORNIA

I. CALL TO ORDER

Mayor/Chair Dutrey called the meeting to order at 5:30 p.m.

II. ROLL CALL

Present: Mayor/Chair Dutrey, Mayor Pro Tem/Vice Chair Raft; Council Members/Directors Ruh and Johnson; City Manager/Executive Director Starr; Finance Director Parker; Director of Administrative Services and Human Resources Hamilton; Public Works Director/City Engineer Castillo; City Planner/Planning Manager Diaz; Assistant Director of Housing/Planning Manager Caldwell; City Attorney Robbins; City Clerk Phillips

Absent: Council Member/Director Martinez (excused)

III. PUBLIC COMMENT - None

IV. CITY COUNCIL/MHC BOARD WORKSHOP

A. Consider Review of City of Montclair Fiscal Year 2019-20 Preliminary Budget and Montclair Housing Corporation Fiscal Year 2019-20 Preliminary Budget

Finance Director Parker discussed the 2019-20 Preliminary Budgets for the City and the Montclair Housing Corporation with the aid of a PowerPoint presentation.

During his presentation, Finance Director Parker pointed out a \$265,110 deficit exists in the 2019-20 Preliminary Budget, which could be remedied in one of two ways:

1. Disfavored Option: Un-fund (not remove from budget) designated employee positions currently vacant and not anticipated to be filled in FY 2019-20, primarily in the Police Department.
2. Preferred Option: Transfer monies from General Fund Reserves to cover excess of expenditures over revenues.

Mr. Parker noted that, despite staff's best and continuing efforts and mainly due to the City's increasing annual costs to cover **California Public Employee Retirement System (CalPERS)** unfunded liabilities, the City has not been able to achieve the City Council's General Fund Balance minimum threshold target of 25 percent of the Operating Fund; however, the estimated June 30, 2020 General Fund balance estimate of \$6,157,935 exceeds the City Council's \$6 million minimum threshold target, which represents 20 percent of the proposed 2019-20 General Operating Fund budget of \$30,786,656.

Mr. Parker discussed several possibilities staff has considered exploring to improve revenues and reduce expenditures including:

- Evaluating service contracts for programs targeted at maintaining and enhancing services and achieving cost efficiencies;
- Potential increases in the Transaction and Use Tax (currently the City's portion is 0.25 percent—but could be increased to a maximum of 2.5 percent, with each 0.25 percent generating \$2.26 million in annual revenues) and Utility User Tax (currently at 3.85 percent, but could be raised by the City Council to the voter-approved maximum of 4.5 percent);
- Establishment of a Proposition 64 Compliance Program that includes a comprehensive fee and penalty structure (could generate \$500,000 to \$2 million annually);

- Potential refunding of redevelopment bonds to produce debt service savings;
- Consideration of a pension bond to cap the annual employer payments on the unfunded pension liabilities (high risk due to **CalPERS'** historically poor management of its funds);
- Promoting development within north Montclair with projects to include high-density residential and mixed-use development; and
- Redevelopment of Montclair Place to address the changing nature of the retail industry.

Mr. Parker noted **CalPERS'** decision to lower its discount rate from 7.5 to 7 percent over the course of three years for local government will increase employer rates for both normal pension costs and unfunded actuarial liabilities. The employer rate increases will be 1-3 percent of payroll for miscellaneous employees and 2-5 percent for safety employees. This would also create an additional 30-40 percent increase in current unfunded liability payments accrued over a 20-year amortization period.

Staff has responded to **CalPERS** increases by:

- Interacting with **CalPERS** staff to address rate impacts, which has previously resulted in a temporary reduction of \$2.1 million over the proposed 2014-15 increase;
- Controlling labor costs impacted by **CalPERS** rates;
- Reducing long-term rate impacts by supporting legislative policy changes (such as PEPPRA);
- Paying the annual payment at the beginning of the Fiscal Year to reduce interest costs, saving approximately \$100,000 per year;
- Considering a pension bond to address unfunded actuarial liabilities; and
- Continuing to prudently maintain fiscal operations by:
 - Controlling expenditures;
 - Proposing increases to revenues;
 - Pursuing new development in the Community;
 - Controlling the size of the City's labor force; and
 - Sharing pension-related costs with employees.

Mr. Parker discussed the Montclair Housing Corporation's Fiscal Year 2019-20 estimated revenues and expenditures, with estimated revenues of \$993,000 from rental and interest income (City-owned and managed low-income housing), and budgeted expenditures of \$1,179,474.

Council Member/Director Johnson thanked Finance Director Parker and City Manager Starr for researching all available options for improving the City's revenues.

Mayor Pro Tem/Vice Chair Raft commented on the bleak outlook of the budget and declared something needs to be done to address the City's rising costs and lack of adequate revenues.

Council Member/Director Ruh suggested the City seek savings in benefit packages provided to employees by partnering with several other cities to get better rates. He added cities should also band together to confront **CalPERS** regarding its rates.

City Manager Starr noted cities already lobby together for pension reform through the **League of California Cities**, and indicated he has spoken with **Assembly Member Freddie Rodriguez**, who is Chair of the State Assembly's Public Employment and Retirement Committee; however, **CalPERS** has continuously demonstrated in its actions and policies that it does not answer to or take direction from the State.

Mayor/Chair Dutrey noted the City would likely need to take the issue of addressing revenue shortfalls into its own hands. He requested staff look into hiring a consultant to analyze the City's potential for a ballot measure to be voted upon by Montclair residents to increase the Transactions and Use Tax.

Council Member/Director Ruh noted many other cities in the area have had success with voter-approved sales tax increases, which adds revenue that is purely for the benefit of the community. He noted many other cities also seem content with seeking a pension bond to pay **CalPERS's** unfunded liability obligations.

Mayor Pro Tem/Vice Chair Raft agreed with seeking a tax increase for the 2020 ballot, but the City should also explore additional options in the meantime due to the amount of time a tax measure will take to be approved and implemented.

Mayor/Chair Dutrey stated he would like to aim for the March 2020 Primary Election for the tax measure.

Council Member/Director Johnson concurred with seeking a tax consultant to review all possibilities related to putting a measure on the ballot.

Mayor/Chair Dutrey asked how feasible a pension bond would be.

Finance Director Parker noted he would be cautious to recommend this option due to **CalPERS's** poor performance, which is a cause for concern considering **CalPERS** would control the funds generated through a pension bond.

Mayor/Chair Dutrey asked if the Gas Tax Fund includes SB 1 funds.

Finance Director Parker stated these are two separate funds, and SB 1 funds must be used for specific projects.

Mayor/Chair Dutrey asked about whether the \$1.24 million in the Park Development Fund was dedicated for any specific purpose.

Finance Director Parker advised this fund can only be used for the development of new parks, not for the maintenance or improvement of existing parks.

Mayor/Chair Dutrey asked to what projects the **Caltrans** funds are committed.

Finance Director Parker indicated these funds are mainly reserved for the Monte Vista Avenue/Union Pacific Railroad Grade Separation Project.

Mayor/Chair Dutrey asked how the \$168,000 income from the Paseos project is assessed and for what the funds are used.

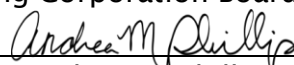
Finance Director Parker advised the fund is generated by a per-unit assessment for communities in the Community Facilities District, and funds are only used for public safety purposes.

Mayor/Chair Dutrey thanked Finance Director Parker for his responses and for his budget presentation. He stated he remains opposed to raising the Utility User Tax because it would be a tax on the residents, whereas the Transactions and Use Tax is paid by both visitors and residents.

V. ADJOURNMENT

At 6:38 p.m., Mayor/Chair Dutrey adjourned the City Council and Montclair Housing Corporation Board of Directors.

Submitted for City Council/Montclair
Housing Corporation Board approval,



Andrea M. Phillips
City Clerk