

MINUTES OF THE ADJOURNED REGULAR JOINT MEETING OF THE MONTCLAIR CITY COUNCIL AND MONTCLAIR HOUSING CORPORATION BOARD HELD ON MONDAY, JUNE 23, 2020, AT 6:00 P.M. IN THE MONTCLAIR SENIOR CENTER, 5111 BENITO STREET, MONTCLAIR, CALIFORNIA

I. CALL TO ORDER

Mayor/Chair Dutrey called the meeting to order at 6:00 p.m.

II. ROLL CALL

Present: Mayor/Chair Dutrey; Mayor Pro Tem/Vice Chair Raft; Council Members/Directors Ruh, Johnson, and Martinez

City Manager/Executive Director Starr; Finance Manager Kulbeck; Director of Administrative Services and Human Resources Hamilton; Public Works Director/City Engineer Castillo; Human Services Director Richter; City Attorney Robbins; City Clerk Phillips

III. PUBLIC COMMENT — None

IV. PUBLIC HEARINGS

A. Second Reading — Consider Adoption of Ordinance No. 20-990 Amending Certain Sections of Chapter 2.12 of the Montclair Municipal Code Authorizing an Electronic Filing Option for Certain Documents Required to be Filed by Elected Officers, Candidates, Committees, and Other Persons or Entities in Relation to General Municipal Elections in the City of Montclair and Making Other Amendments and Corrections to the Code in Relation Thereto

Mayor Dutrey declared it the time and place set for public hearing related to Ordinance No. 20-990 and invited comments from the public.

There being no one in the audience wishing to speak, Mayor Dutrey closed the public hearing and returned the matter to the City Council for its consideration.

Moved by Council Member Ruh, seconded by Mayor Pro Tem Raft, and carried unanimously that Ordinance No. 20-990, entitled "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MONTCLAIR AMENDING CERTAIN SECTIONS OF CHAPTER 2.12 OF THE MONTCLAIR MUNICIPAL CODE AUTHORIZING AN ELECTRONIC FILING OPTION FOR CERTAIN DOCUMENTS REQUIRED TO BE FILED BY ELECTED OFFICERS, CANDIDATES, COMMITTEES, AND OTHER PERSONS OR ENTITIES IN RELATION TO GENERAL MUNICIPAL ELECTIONS IN THE CITY OF MONTCLAIR AND MAKING OTHER AMENDMENTS AND CORRECTIONS TO THE CODE IN RELATION THERETO," be read by number and title only, that further reading be waived, and that it be declared adopted.

The City Council unanimously waived the reading of the Ordinance.

Ordinance No. 20-990 was unanimously adopted by the following roll call vote:

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

V. COUNCIL/MHC BOARD WORKSHOP

A. Fiscal Year 2020-21 Preliminary Budget Review Presentation

City Manager/Executive Director Starr discussed the great challenges with putting together the preliminary Fiscal Year (FY) 2020-21 City budget, noting departments' budget requests were submitted just

before the pandemic lockdown occurred. He noted he had already intended to cut the requests by at least \$3 million; however, after the dire economic impacts of the pandemic became more clear, the amount to be cut increased to \$7 million.

City Manager/Executive Director Starr stated the City has healthy reserves, consisting of \$5.5 million in the General Reserve Fund, which may be used for all purposes; \$7 million in the Special Purpose Reserve Funds, which are set aside for extraordinary circumstances for specific purposes; and \$5.9 million in the Economic Development Fund, which was created to replace funds lost by the dissolution of Redevelopment Agencies in 2012 and is used to support economic development activities. He warned that once reserves are depleted, the only way to replenish them is to enhance the City's revenues.

City Manager/Executive Director Starr advised with the financial uncertainties that lie ahead, the City Council will be holding quarterly budget reviews for FY 2020-21 to make changes based on updated economic information and adjusted revenue projections. He added that, while he would like to remain optimistic that the economy will continue to recover as the pandemic comes under control, there is an increasing likelihood that the financial markets could crash due to all of the corporate bankruptcies, closing businesses, and loan defaults, which could cause an extreme economic downturn worse than the great recession of 2007 and with potentially longer-lasting impacts.

Finance Manager Kulbeck discussed the FY 2020-21 Preliminary Budgets for the City of Montclair and the Montclair Housing Corporation with the aid of a PowerPoint presentation.

During her presentation, Finance Manager Kulbeck noted a \$1,182,134 deficit existed in the 2020-21 Preliminary Budget, which is directly related to the continuing annual increases in the City's **California Public Employees' Retirement System (CalPERS)** pension rates and the drastic decline of more than \$3 million in tax revenue due to the COVID-19 pandemic. She noted the following measures were identified to balance the Estimated Sources and Estimated Uses:

1. **Hiring Freezes.** Un-funded (not removed from budget) designated employee positions currently vacant. Thirty-two positions were unfunded, consisting of:
 - 12 full-time positions
 - 4 part-time-benefitted positions, and
 - 16 part-time positions
2. **Transfers-In from General Fund Reserves.** Transfer monies from General Fund Reserves to cover excess of expenditures over revenues. Proposed transfers consist of:
 - \$200,000 from the **CalPERS** and Employee Post Benefits Reserve Fund
 - \$34,500 from the Technology Enhancements Reserve Fund
 - \$340,000 from the Retiree Medical Liabilities Reserve Fund
 - \$79,510 from the General Fund Contingency Reserve Fund
3. **Personnel Layoffs.** At the May 18, 2020 meeting of the City Council, Resolution No. 20-3267 was adopted declaring a state of fiscal urgency exists in the City of Montclair, which authorized hiring freezes, defunding of positions, and personnel layoffs. Layoffs became an essential part of the effort to achieve a required balanced budget, and included the following positions:
 - 6 full-time General Fund positions
 - 1 part-time General Fund position, and
 - 5 full-time After-School Grant funded positions

Finance Manager Kulbeck discussed several possibilities staff will continue exploring to enhance revenues for FY 2020-21 and beyond including the following:

- Renewed evaluation of service contracting for specified programs targeted at maintaining and enhancing services and achieving cost efficiencies;
- Consideration of potential increases in the Transaction and Use Tax 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);
- Consideration of a pension bond to cap the annual employer payments on the unfunded pension liabilities;
- 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.

Finance Manager Kulbeck discussed future considerations regarding **CalPERS'** employer costs, noting the estimated FY 2020-21 annual employer rate payment is approximately \$7.2 million, representing an increase of approximately \$4.2 million since FY 2013-14. She advised the increases will be recurring going forward and will compound and carry over year-to-year.

Finance Manager Kulbeck noted some funds received from the state and federal governments helped to offset COVID-19-related expenses, and the City expects to receive close to \$400,000 for general COVID-19 relief in FY 2020-21 from the state's Coronavirus Aid, Relief, and Economic Security (CARES) Act funds for general government purposes. She noted it is less clear whether federal CARES Act stimulus funds will come directly to local governments, and due to this uncertainty, local government funding assistance from other CARES Act bills being considered in Congress are not included in the FY 2020-21 preliminary budget. Currently the Health and Economic Recovery Omnibus Solutions Act of 2020 (the HEROES Act) includes more than \$3 trillion in aid for local and state governments, hazard pay for healthcare workers, and direct payments to individuals. If signed into law as proposed, the HEROES act would provide approximately \$13 million to Montclair in FY 2020-21, followed by approximately \$6.5 million in 2021-22, which staff would transfer to the City's Unassigned General Fund Reserve for directed use by the City Council. Staff would recommend use of funds to achieve the following:

- Restore designated frozen personnel positions, provided the City generates alternative revenue sources to secure funding indefinitely;
- Restore designated reductions in services and supplies;
- Complete capital purchases;
- Complete City Council approved infrastructure improvements;
- As permitted by law, provide community relief assistance; and
- Restore depleted General Fund Reserves.

Finance Manager Kulbeck advised the MHC FY 2020-21 preliminary budget estimates an operating deficit of \$176,600 for the operation and maintenance of low-income rental properties, with an estimated fund balance at the end of FY 2020-21 of \$1,651,183.

Council Member/Director Ruh asked if the money the City is expending to receive from the state's 2020 May Budget Revise CARES Act Distribution of \$399,155 is guaranteed or assumed.

City Manager/Executive Director Starr advised it has been approved by the governor and the state legislature, so it is considered guaranteed funding.

Council Member/Director Ruh asked if grants could be sought through local foundations to make up the loss of programs.

City Manager/Executive Director Starr indicated a grant received through the County has allowed the City to expand its food distribution program during the pandemic, and the City will continue to seek such opportunities.

Mayor/Chair Dutrey asked what the CARES Act funding can be used for.

City Manager/Executive Director Starr stated the money can be used at this time for COVID-19 related expenses; however, he anticipates the governor and federal government will allow for lost revenue replacement to replenish the General Fund.

Council Member/Director Martinez asked for clarification regarding the City's 25 percent reserve fund goal.

City Manager/Executive Director Starr advised that during the Great Recession, the City's reserve fund was reduced to \$3 million and has since been brought back up to the original \$6 million; however, the City Council established 25 percent of the operating budget as a minimum reserve fund balance, which the City has yet to achieve. He further advised **Government Finance Officers Association (GFOA)** standards recommend a minimum reserve fund balance of 15 percent of the operating budget, which the City has maintained.

Council Member/Director Ruh commended the City's practice of paying its **CalPERS** annual obligations at the beginning of the year to avoid interest on the payment, noting a savings of \$100,000 may seem meager, but is still something.

Mayor/Chair Dutrey asked if the **CalPERS** employer cost would go up, noting he understands the projected 2033 liability will be \$8.3 million.

City Manager/Executive Director Starr advised if **CalPERS** does not make any changes before then, the annual payment will be \$10.5 million or higher.

Council Member/Director Ruh asked why the legislature cannot address the rising pension liability costs **CalPERS** is pushing onto cities.

City Manager/Executive Director Starr advised the legislature has supported **CalPERS'** policy of refusing to reduce fees and rates for one city experiencing difficulties because that would only compound the fees and rates for other agencies.

Council Member/Director Martinez asked if the sales tax measure passes in November, would it go into effect April of 2021?

City Manager/Executive Director Starr confirmed it will.

Council Member/Director Martinez asked if any of these shortfalls would postpone development occurring in north Montclair.

City Manager/Executive Director Starr advised it seems most developers are still moving forward with their plans for development in that area.

Council Member/Director Ruh stated he feels there are great opportunities for the commercial sector in the Holt and Mission Boulevard corridors and asked if the City was doing anything to entice such businesses.

City Manager/Executive Director Starr stated there has been a lot of interest from developers in those areas that will be beneficial to the City if they come to fruition. He added staff is continuing to ensure development activities continue throughout the community, not just in north Montclair.

Mayor/Chair Dutrey asked if the General Plan would be ready soon.

City Manager/Executive Director Starr stated it is close to completion and the final presentation is anticipated in early fall, noting the timeline was delayed due to disruptions in traffic patterns related to the pandemic. He advised the prior year's traffic analysis had to be used.

Mayor/Chair Dutrey asked when staff intends to pursue a bond for the unfunded pension liabilities.

City Manager/Executive Director Starr advised staff intends to meet with its bond agent to revisit the bond and would expect to bring it forward in the fall if the numbers are still favorable.

Mayor/Chair Dutrey asked if staff would propose increasing the Utility Users Tax (UUT) if the measure to increase the Transactions and Use Tax (TUT) passes in the November election.

City Manager/Executive Director Starr stated he would not see a need to raise the UUT should the TUT measure be successful.

Council Member/Director Ruh agreed the City should pursue the pension bond, noting it is not uncommon and many agencies are doing so. He asked whether the City has sought equipment sharing agreements with other agencies as cost saving measure.

City Manager/Executive Director Starr indicated that would be something staff could look into; however, a past attempt to enter into such an agreement to share costs of the City's sewer jetter truck with Upland was not successful.

Mayor/Chair Dutrey asked if any upcoming equipment replacement purchases were examined.

City Manager/Executive Director Starr stated the City will need to replace the street sweeper before the end of the year because the current sweeper is a diesel vehicle that will not be permitted for use beginning January of 2021 due to state air quality control regulations.

Council Member/Director Ruh discussed the importance of reevaluating the City's dependence on a healthy retail environment, noting online retail has been getting more popular, and the pandemic is giving many stores a convenient excuse to shut down their physical locations in favor of offering online sales. He noted cities should lobby state legislators to allow sales tax revenue from car sales to at least partially go to the cities in which the dealerships exist, noting those dealerships cost the city money for services like police and fire and currently the sales tax revenues go to the city in which the purchaser registers the vehicle.

Mayor Pro Tem/Vice Chair Raft thanked staff for its hard work putting together this difficult budget. She stated COVID-19 may be here for a long time and could be the death of some cities.

Council Member/Director Johnson thanked City Manager/Executive Director Starr and staff for the sacrifices made by all departments for this budget. She stated she looks forward to reviewing the budget on a quarterly basis and hopes for better days ahead.

Mayor/Chair Dutrey stated that despite the potential negative issues on the horizon, he is hoping the City will be able to weather the storm with federal stimulus money, the passage of a TUT increase measure, and development continuing in Montclair. He noted the City has a healthy reserve and he is optimistic that with additional revenues next year, the City would be able to refill vacant positions, acquire needed equipment, and continue capital improvement projects.

Council Member/Director Johnson advised the **Montclair Chamber of Commerce** will be hosting a **ZOOM** roundtable meeting for businesses on Thursday, June 25th, at 3:30 p.m. so businesses can come together to discuss their challenges, share advice, and promote their sales. She advised the public is invited to participate to learn about how to support their local businesses, and that more event information is available at www.montclairchamber.com.

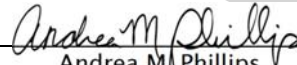
Council Member/Director Ruh emphasized the importance of residents to remember fireworks are illegal in Montclair and urged residents to safely enjoy the Fourth of July holiday, keeping in mind the current mandate to wear face coverings and social distance in public places and groups. He noted the state is moving forward with reopening but if there is a major resurgence the state may go back into earlier phases of the lockdown.

Mayor/Chair Dutrey stated next week's meeting to consider adoption of the budgets would take place remotely via **ZOOM**, as there will be no special presentation and he anticipates it will be a short meeting.

VI. ADJOURN TO MONDAY, JUNE 29, 2020, AT 6:00 P.M. TO CONSIDER ADOPTION OF THE FISCAL YEAR 2020-21 BUDGETS AND TO CONSIDER ACTIONS ON OTHER MATTERS AS NECESSARY

At 7:59 p.m., Mayor/Chair Dutrey adjourned the City Council and Montclair Housing Corporation Board to a meeting to be held remotely via **ZOOM** on Monday, June 29, 2020, at 6:00 p.m., to consider adoption of the Fiscal Year 2020-21 City and MHC Budgets and to consider actions on other matters as necessary.

Submitted for City Council/Montclair Housing Corporation Board approval,



Andrea M. Phillips
City Clerk