

REGULAR MEETING
CYPRESS CITY COUNCIL
February 12, 2018
5:00 P.M.

A regular meeting of the Cypress City Council was called to order at 5:00 p.m. by Mayor Peat in the Executive Board Room, 5275 Orange Avenue, Cypress, California.

ROLL CALL

Cypress City Council, also acting as the Ex-Officio Governing Board of Directors of the Cypress Recreation and Park District

Mayor Jon Peat
Mayor Pro Tem Stacy Berry
Council Member Rob Johnson
Council Member Paulo Morales
Council Member Mariellen Yarc

STAFF PRESENT

City Manager Peter Grant
City Attorney Anthony Taylor
Director of Finance and Administrative Services Matt Burton
Chief of Police Rodney Cox
Director of Community Development Doug Dancs
Director of Recreation and Community Services June Liu
Assistant Director of Finance and Administrative Services Donna Mullally
Recreation Supervisor Jeff Draper
Recreation Supervisor Shelly Myers
Recreation Supervisor Jenni Worsham
Senior Management Analyst Alisha Farnell
City Clerk Denise Basham

ORAL COMMUNICATIONS (Limited to 30 minutes – three minutes per speaker, unless extended by the City Council)

None.

WORKSHOP SESSION

Item No. 1: Traffic Commission Interviews

The City Council conducted interviews of Commission applicants for a vacancy on the Traffic Commission.

Item No. 2: Receive and File the Fiscal Year 2017-18 Mid-Year Budget Report

The Director of Finance and Administrative Services stated that the mid-year budget report would focus on the City and Recreation District General Funds and provide a brief forecast for the next fiscal year. He indicated that there would be additional fund balance available in both General Funds at the end of the year due to projected salary savings and other taxes coming in higher than budgeted. He stated that the budget includes the continuation of capital and technology investments. He indicated that sales tax revenues are approximately \$900,000 under budget due to projections being approximately \$700,000 below prior sales tax revenue projections from the City's sales tax consultants, as well as the transition of the Warland Agreement from a reimbursement agreement for capital improvements to a sales tax reimbursement agreement which results in a reallocation from an expense to a revenue offset.

The Director of Finance and Administrative Services indicated that historically 40 percent of the General Fund budget is sales tax revenue and another 40 percent of that 40 percent is sales tax generated by three major vendors in the City.

Mayor Pro Tem Berry asked if the \$10.7 million sales tax projection is below 40 percent and asked about sales tax projections for last year.

The Director of Finance and Administrative Services responded in the affirmative, and stated that sales tax projections were approximately 40 percent last year.

Mayor Pro Tem Berry asked if there is a steady decline in sales tax projections.

The Director of Finance and Administrative Services responded in the affirmative, and commented that other taxes have been gradually increasing.

The Director of Finance and Administrative Services spoke regarding the timing of projecting tax revenues, and how actual receipts are well below 50 percent at December 31, but tax receipts will catch-up each July and August to get us closer to 100%.

Mayor Peat spoke regarding the recent Federal Tax law and property tax payment options, and asked if that would affect the City budget.

The Director of Finance and Administrative Services responded no, and clarified that the prepayment of property taxes by property owners would be paid for the same assessment year as the City's fiscal year, so there wouldn't be a lag in City revenues.

The Director of Finance and Administrative Services indicated that expenditures are within estimates and there would be salary savings due to Police and Public Works Department vacancies, as well as the elimination of the Human Resources Manager position.

The Director of Finance and Administrative Services reviewed the City General Fund 2017-18 Summary and stated that there is a year-end surplus. He indicated that the projected surplus of funds would not be considered for spending until after the fiscal year closure. He stated that prior year savings includes a one-time surplus of \$2.2 million in the General Fund this could be used for future infrastructure, added to the pension trust, or capital projects for the Recreation and Park District, based on direction from the City Council.

Mayor Peat asked if the surplus funds could be used for park restroom renovations.

The Director of Finance and Administrative Services responded in the affirmative, and clarified that the surplus funds would be available for one-time project(s).

Mayor Pro Tem Berry asked if the surplus funds could be earmarked for the Recreation and Park District and not for a specific project.

The City Manager responded in the affirmative, and clarified that the surplus funds could be used for future project(s).

Council Member Yarc spoke in opposition of using the \$2.2 million surplus funds as payment towards the pension liabilities and spoke in support of using the surplus funds towards park improvements that would provide a positive impact to residents.

The City Manager stated that how to spend the funds should be a consensus of the City Council with a final decision made at the next regular meeting of February 26, 2018.

The Director of Finance and Administrative Services stated that the General Fund balance would be \$13.5 million with a 25 percent contingency at June 30, 2018.

The City Manager stated that amounts previously set-aside for employee benefits have been moved into the pension trust.

Mayor Pro Tem Berry asked if the entire \$10 million has been moved into the pension trust.

The City Manager responded in the affirmative, and clarified that it has not yet been invested.

The Director of Finance and Administrative Services indicated that the Recreation and Park District budget is more stable than the City budget due to steady growth of property taxes and that it is 80 percent of the budget and user fees are approximately 20 percent of the budget. He stated the Recreation and Park District Fund Balance would be \$8.2 million at June 30, 2018.

Council Member Yarc asked about Hobby Lobby versus Kohl's sales tax revenues.

The City Manager responded that Hobby Lobby sales tax revenues would be approximately one-fourth of Kohl's.

The Director of Finance and Administrative Services comment on the volatile nature of sales tax and the susceptibility to the recession, and that revenues are growing less than inflation. He stated that the expenditures outlook for FY 2018-19 includes required pension contribution increases of approximately \$800,000, inflation and minimum wage increases, and pending employee negotiations with most contracts ending June 30, 2018, with the exception of the Police bargaining groups.

The Director of Finance and Administrative Services reviewed the summary of recommended adjustments as part of the mid-year review and indicated that most are modest or not within the City control. He indicated that the staff recommendation is for the City Council to receive and file this item and provide direction on the use of the \$2.2 million General Fund surplus.

It was moved by Council Member Yarc and seconded by Council Member Morales, that the City Council receive and file the Fiscal Year 2017-18 Mid-Year Budget Report.

The motion was unanimously carried by the following roll call vote:

AYES:	5	COUNCIL MEMBERS:	Johnson, Morales, Yarc, Berry and Peat
NOES:	0	COUNCIL MEMBERS:	None
ABSENT:	0	COUNCIL MEMBERS:	None

It was the consensus of the City Council that the \$2.2 million General Fund surplus be transferred for a one-time use for Recreation and Park District capital projects.

The City Manager indicated that project options could be included in the Capital Improvement Program list.

Mayor Peat suggested that equipment and sound system for the Concerts-on-the-Green be project considerations.

Council Member Yarc suggested that the surplus funding be considered for structural capital improvements and not financial support for the 4th of July Fireworks Celebration.

Item No. 3: Senior Center Major Gift Campaign

The Director of Recreation and Community Services indicated that a proposed concept for this item is outlined in the Strategic Plan, and that a major gift campaign would leverage the \$100,000 donation from C33, LLC for senior center enhancements.

The Director of Recreation and Community Services stated that enhancement ideas include items that are not related to personnel, operations, or Capital Projects. She indicated that items to consider include lobby furniture, décor, window and wall treatments, and a marquee.

Mayor Peat asked how this compares to the annual request from the Cypress Art League for a display cabinet at the Community Center.

The Director of Recreation and Community Services responded that this campaign would benefit only the Senior Center.

The Director of Recreation and Community Services stated that the proposed campaign is "A Place To Be IN" and that donors who contribute \$1,000 or more would be recognized on a proposed donor wall plaque at the Senior Center. She indicated that this could be showcased at the Senior Center 25th Anniversary Celebration to be held on Wednesday, June 20, 2018, from 1:30 p.m. to 5:30 p.m., and that donations would be accepted until May 18.

She stated that staff is seeking further direction and input from the City Council on how to proceed with the campaign, and indicated that the first individual donation has been received.

Mayor Pro Tem Berry asked if Senior Center bench donations could be made in memory of a person.

The Director of Recreation and Community Services responded that there is a base tribute program through the Recreation and Community Services Commission to include bench donations, thus they could be considered.

Council Member Yarc asked about naming opportunities for major donations.

The Director of Recreation and Community Services replied that there would be a potential for renaming of the Senior Citizens Center and/or rooms at the Senior Citizens Center, subject to City Council approval.

Council Member Johnson asked about the naming timeframe and if it would remain for a lifetime.

The Director of Recreation and Community Services responded that the renaming would likely not be for a lifetime unless the donation level, or proposed name, was extremely significant to Council.

Mayor Peat asked about the potential campaign response without a major focal activity.

The Director of Recreation and Community Services responded that she hoped the support to be positive since the Senior Center is a major facility in the City and many would benefit from the enhancements made to the Center.

Mayor Peat asked about the age of Senior Center participants.

The Director of Recreation and Community Services stated that the Senior Citizens Center has participants as young as 45 years old with most participants 55 years of age and older. She indicated that staff does not ask attendees to provide proof of age, but there are rarely participants under 50 years old.

CLOSED SESSION

The City Attorney reported that the City Council would be meeting in Closed Session regarding Conference with Real Property Negotiators, pursuant to Government Code Section 54956.8, Real Property Identified by APN Number 241-221-23, Located at the Southeast Corner of Cerritos Avenue and Denni Street, Parties Negotiating with: Los Alamitos Race Course, Negotiating Party: City Manager, Under Negotiation: Term of Payment.

The City Attorney reported that the City Council would be meeting in Closed Session regarding Public Employee Performance Evaluation, pursuant to Government Code Section 54957, Title: City Manager.

At 7:30 p.m., the Mayor recessed the meeting.

At 8:59 p.m., the Mayor reconvened the meeting.

The City Attorney reported that the City Council met in Closed Session regarding Conference with Real Property Negotiators, pursuant to Government Code Section 54956.8, Real Property Identified by APN Number 241-221-23, Located at the Southeast Corner of Cerritos Avenue and Denni Street, Parties Negotiating with: Los Alamitos Race Course, Negotiating Party: City Manager, Under Negotiation: Term of Payment. He stated that no reportable action was taken.

The City Attorney reported that the City Council met in Closed Session regarding Public Employee Performance Evaluation, pursuant to Government Code Section 54957, Title: City Manager. He stated that no reportable action was taken.

No other action was taken in Closed Session, nor was any solicited.

ADJOURNMENT

Mayor Peat adjourned the meeting at 9:00 p.m. to an adjourned Regular Meeting, to be held on Monday, February 26, 2018, beginning at 5:30 p.m. in the Executive Board Room.

MAYOR OF THE CITY OF CYPRESS

ATTEST:

CITY CLERK OF THE CITY OF CYPRESS