

City of Sebastopol City Council Special Meeting
Minutes of
Meeting of May 15, 2017

As approved by the City Council at their meeting of June 6, 2017

6:00 pm - Convene Regular City Council Meeting, Sebastopol City Hall, 7120 Bodega Avenue, Sebastopol, CA 95472

The public is advised that pursuant to Government Code Section 54957.5 all writings submitted to the City Council are public records and will be made available for review.

Please note that minutes are not verbatim minutes and are meant to be the City's record of a summary of actions that took place at the meeting.

Notice: All resolutions and ordinances introduced and/or adopted under this agenda are waived of all reading of entire resolution(s) and ordinance(s).

The Sebastopol City Council welcomes you to its meetings that are generally scheduled for the 1st and 3rd Tuesday of every month. Your interest and participation are encouraged and appreciated.

A notice of the meeting was posted by the City Clerk on March 28, 2017.

6:00 pm CONVENE CITY COUNCIL MEETING, Sebastopol City Hall, 7120 Bodega Avenue, Sebastopol, CA 95472

CALL TO ORDER: Mayor Glass called the meeting to order at 6:04 pm.

ROLL CALL:

Present: Mayor Glass
 Vice Mayor Slayter
 Councilmember Carnacchi
 Councilmember Gurney
 Councilmember Hinton

Absent: None

Staff: City Manager/City Attorney Larry McLaughlin
 Assistant City Manager/City Clerk Mary Gourley
 Finance Director Ana Kwong
 Police Captain James Conner

SALUTE TO THE FLAG: Mayor Glass led the salute to the flag.

PUBLIC COMMENT: (This is an opportunity for the public to address the City Council on items that are not listed on the agenda. This time is set aside to receive comments from the public regarding matters of general interest not on the agenda, but related to City Council business. Pursuant to the Brown Act, however, the City Council cannot consider any issues or take action on any requests during this comment period. Speakers are allowed to speak for a maximum of three minutes so that all speakers

have an opportunity to address the City Council. The Mayor has the authority to limit the time allowed for speakers dependent on the amount of speakers in attendance. It is the goal of the Council to conclude the public comments portion of the agenda within 20 minutes. If the public comment period exceeds twenty minutes, the presiding officer, typically the Mayor, reserves the right to reduce the time per speaker or carry over public comments to after all business items are completed.)

There were none.

INFORMATIONAL ITEMS/PRESENTATION:

1. Informational Presentation from City Consultant Bartel Associates on City CalPERS Future Liabilities (Finance Director)

John E. Bartel, President, Bartel and Associates, presented a presentation to the City Council.

Mayor Glass asked for questions of staff or the presenter.

Vice Mayor Slayter questioned who the decision makers are.

Mr. Bartel stated it is the CalPERS Board and discussed investments and investment returns.

Vice Mayor Slayter questioned if (page 20 – Police) do the retiree numbers include mortality.

Mr. Bartel stated that is correct but clarified that it also reflects earlier retirement dates and also the amounts of cash needed if all assumptions are met.

Vice Mayor Slayter questioned the Interplay between classic and PEPR.

Mr. Bartel stated the figures put PEPR and Classic together (page 44) and discussed the contributions and benefits.

Mayor Glass questioned why would the City put money into a trust or give to CalPERS if GASB not giving credit for it.

Mr. Bartel explained the difference and discussed rates of return, flexibility, etc. and stated the City would be better off putting something into the trust.

Mayor Glass discussed use of the trust, and choosing to contribute less to the trust and not making anything from the trust.

Mr. Bartel discussed not using the trust until needed.

Councilmember Hinton commented as follows:

Questioned if CalPERS is not willing to take the million dollars from the City if the City paid for it up front
Questioned if it is like a mortgage – pay a lump sum to lower the principal

Mr. Bartel commented as follows:

- Discussed amortization for a mortgage

- Discussed buying principal down
- Not the way CalPERS works
- Gives them extra payment or two
- They will lower every single other payment
- If the City gives money to CalPERS there are three options:
 - Apply to all amortization bases
 - Let the City target specific amortization bases
 - Reduces payment over long period of time

Mayor Glass questioned why there is a terrible rate of return for City investment funds.

Mr. Bartel commented as follows:

- Restricted way the City funds can be used
- Discussed IRS Section 115 – not restrictive in same way as City investment funds
- Can diversify those
- Think a City should not expect to outperform CalPERS

Vice Mayor Slayter questioned movement of money between groups.

Mr. Bartel commented as follows:

- Yet to hear an attorney weigh in
- Opinion – not rely on it – cannot take money from CalPERS Miscellaneous and move to Safety and move Safety to Miscellaneous
- Supplemental Trust should be the same way

Vice Mayor Slayter questioned if percentages are based on snap shot at a point in time.

Mr. Bartel stated that is correct.

Vice Mayor Slayter questioned if the City should be more aggressive.

Mr. Bartel stated it would depend on what the City is going to do and how painful the rate is.

Councilmember Gurney commented as follows:

- Questioned if the City can choose different options for category of employees
- Questioned if the City could create a trust for one category and an in-service fund for another

Mr. Bartel stated that is correct, any combination can be used.

Mayor Glass questioned what the bottom line is.

Mr. Bartel commented as follows:

- Contribution to CalPERS are growing more rapidly than revenue
- Recommend the City look at where those contributions are going to be and think of whether that will create a difficult burden and if the answer is “yes” consider setting up a supplemental pension trust

- Look at option for giving money to CalPERS – possible that reduction of all years will get the City to a place that is a tolerable burden

Councilmember Gurney questioned how the City assesses the burden level and if it is a combination of unfunded liability numbers.

Mr. Bartel commented as follows:

- Don't think the City needs to worry of the unfunded liability
- Issue is whether or not the City can afford the payments down the road
- Payments will take care of unfunded liability if the City can make payments

Vice Mayor Slayter commented as follows:

- Questioned if 2.2 million is the City's worst case or is this a one year line item
- Questioned what would the worst case scenario be

Councilmember Gurney questioned where 2.2 million came from.

Vice Mayor Slayter stated it is on the slide titled Discount rate reduced from 7.5% to 7.0% over three years slide and would be similar to miscellaneous.

Mr. Bartel stated that is not the worst case and that it can be easily 2.6/2.7 million.

Councilmember Hinton questioned if those figures are for one year.

Mr. Bartel stated that is correct and stated that from a budget standpoint, six to seven years down the road is where the pain is going to be.

Vice Mayor Slayter commented that at the last presentation, it was stated that the City was not as bad off as other cities in the State.

Mayor Glass stated the City is better off than most cities in the State.

City Manager McLaughlin commented as follows:

- Stated this is an informational item and study session for the Council
- Stated the Budget Subcommittee may have further comments on this at the budget hearing tomorrow night
- Discussed the reserve set aside in the budget for CalPERS
- Stated there has been no City Council discussion as to what to do with this information
- Stated those discussion may start following the budget adoption
- Stated the discussion may be in the hands of the Budget Subcommittee and come back with further recommendations or the City Council can create a subcommittee to discuss CalPERS
- Stated the City will need to look at more specific dollars related to the City and return in the near future with recommendations
- Discussed putting specific numbers along with revenue projections

Mayor Glass commented as follows:

- Budget subcommittee felt the Council needed to have a sense of what this looks like before

- Discussed deliberating this with the budget and thinking of the budget long term
- Budget Subcommittee has been work for years on trying to get a more long term view of the budget rather than looking at one time spending
- City is more responsible about projecting what we are going to spend in the long term

Mayor Glass opened for public comment.

Jim Coconas questioned if the City's unfunded liability is 2.2 million.

Mr. Bartel stated no and stated it is 4 million for miscellaneous and 5 million unfunded for public safety and will be higher in the next evaluation.

Mr. Coconas commented as follows:

- Discussed the City being shy of 9 million dollars
- Discussed this money not earning interest
- Questioned if at some point can CalPERS say the City is in default
- Questioned if that is the case, the City would have to get the money from somewhere

Mr. Bartel commented as follows:

- When looking at unfunded number, unless the City does not make annual contributions, CalPERS not walk in and say in default
- Look at where contribution rates goes – City cannot afford future contributions and not give to CalPERS – CalPERS come after City to make payment and if the City could not make the payment then say the City would be in default
- Not order of magnitude of unfunded liability
- It is whether the City can make the annual payment to CalPERS
- Discussed a handful of agencies that have or are moving in the direction of default

Mr. Coconas commented as follows:

- Questioned if the City tries to be as fiscally responsible as possible and builds up its coffers, the City is not threatened by CalPERS requirement each year
- Stated the money that is sitting there, the City has a right to invest
- Questioned if investments are restricted

Mr. Bartel stated that is correct and discussed City investment funds and reserves (internal in service funds).

Mr. Coconas questioned if the City was in dire straits, could the City use the reserves for that to make these payments.

City Manager McLaughlin commented that is generally correct.

Hearing no further comments, Mayor Glass closed for public comment.

Vice Mayor Slayter commented as follows:

- Discussed saving further discussion on this item until later

- Discussed it was nice to have tis presentation in light of the budget hearing tomorrow night
- Discussed the City's obligation to employees who have served us well and responsibility to treat those employees well

Councilmember Gurney commented as follows:

- Can talk of this tomorrow at the budget hearing
- One possible approach is to have budget subcommittee or another subcommittee to investigate further
- Have ongoing unfunded liability subcommittee
- Looking at unassigned reserves

City Manager McLaughlin commented as follows:

- Have assigned reserve for year one
- Place holder in the budget
- Committee specifically deal with this subject following budget adoption and return in near future for recommendation
- Can afford this in the near term
- Need a long range plan

Mayor Glass discussed there are several assigned reserve categories in the draft budget.

The City Council thanked the presenter for the informational presentation.

City Council Action: No action required. Informational presentation.

Reference Order Number: 2017-092

ADJOURNMENT: The meeting was adjourned at 7:35 pm and was adjourned to the next regular scheduled City Council Meeting of Tuesday, May 16, 2017, at 6:00 pm to be held at the Sebastopol Teen Center/Youth Annex, 425 Morris Street, Sebastopol, Ca.

Respectfully Submitted,


Mary Gourley
Assistant City Manager/City Clerk, MMC