
**CITY OF LAGUNA HILLS, CALIFORNIA
CITY COUNCIL ADJOURNED REGULAR MEETING
MINUTES
MAY 19, 2009**

CALL TO ORDER

Mayor Lautenschleger called the Adjourned Regular Meeting of the City Council of the City of Laguna Hills, California, to order at 7:00 p.m. in the Laguna Hills City Council Chamber, 24035 El Toro Road, Laguna Hills.

PLEDGE OF ALLEGIANCE

Mayor Pro Tempore Bressette led the Pledge of Allegiance.

ROLL CALL

Present: Joel Lautenschleger, Mayor
Randal Bressette, Mayor Pro Tempore
Melody Carruth, Council Member
R. Craig Scott, Council Member
L. Allan Songstad, Jr., Council Member

STAFF PRESENT: Bruce Channing, City Manager; Donald White, Assistant City Manager; Greg Simonian, City Attorney; Ken Rosenfield, Public Services Director/City Engineer; Vern Jones, Community Development Director; Steve Doan, Chief of Police Services; David Reynolds, Deputy City Manager; Dan Meehan; Community Services Superintendent; Janice Reyes, Finance Manager; Melissa Au-Yeung, Management Analyst; and Sandi Mogan, Deputy City Clerk.

PUBLIC COMMENTS

There were no Public Comments.

FY 2009 - FY 2011 BIENNIAL OPERATING BUDGET STUDY SESSION (0330-40)

City Manager Channing indicated this was the third and last Study Session associated with the adoption of the two-year Biennial Budget for 2009-2011. The purpose of this Study Session was to focus on the Operating Budget. This was a most unusual time and environment for the City to be preparing the municipal budget and was unlike any the City has had in its eighteen years of compiling budgets. This was one of the first times the City was considering numbers that were smaller than those of the prior year, much less that were smaller than several years ago in many instances. Mr. Channing indicated it was a time of uncertainty because of the recession, and today's Special Election would add more uncertainty to what the future held as to how government was financed. It was reasonable to assume, given the threats that had been made in Sacramento by the Governor, that the City would not see all of its property tax revenues in the next fiscal year. If the State Legislature agreed to exercise Proposition 1-A's borrowing provision, there could be

a loss of \$861,000 from the City's Operating Budget. It was not certain at this time how this would be implemented, but it would be the only way that the Legislature was entitled to take money from the City. The State was also threatening to take other funding, with the reduction of Proposition 42, which the City had allocated toward capital projects. In both cases the City would deal with those losses as being one time losses; staff did not see these as having a direct or immediate impact on the City's Operating Budget. If it affected Proposition 42 funding, staff would be coming back before the City Council to recommend the deferral of capital projects. If it affected Proposition 1-A funding, staff would be recommending that it be shown as a receivable from future years. Because of the City Council's strong leaning toward prudent financial management of this City, the good news was that the City could afford to take that loss in the short term. The reserves had been in place and were one of the reasons why the City Council had been so careful and dogmatic about setting aside a reasonable sum of reserves to protect against these very kinds of unexpected losses in revenues and also unexpected economic conditions.

Mr. Channing stated that it was well understood by the City Council that as staff prepared the budget for these next two fiscal years, there were lowered expectations. It was uncommon for this City to be looking at a budget for the forthcoming years and not be talking about the new things that staff could do or how to enhance services. Instead, the City was considering how to tighten its belt, how to get by with less than it had in the past, and how to streamline operations to make them as efficient as possible. All efforts had been spent on how to maintain service levels as reasonable as possible, making substantial cuts along the way. Mr. Channing indicated that each department head had been asked to make a serious effort in considering their budget and figuring out ways to make reductions. The goal initially had been set at a 10% reduction in every department; that wasn't possible or practicable for the City. Reductions had come in differing percentages depending on the ability to make those changes in individual departmental budgets. In acknowledgement of the financial conditions that the City found itself, staff had made a significant step of not presenting the City Council with a budget with an operating revenue to expenditure ratio of 1.1 to 1, meaning an excess of 10% revenues over anticipated expenditures. This time staff had submitted a budget that only had a 7% cushion. It was now prudent to move forward in a very cautious and conservative manner.

Assistant City Manager White indicated that this Operating Budget Study Session was building on the Study Session that was conducted in March 2009, where staff discussed the cuts to be made and approximately \$2 million was cut out of the budget, and last month where the Study Session was held regarding the Capital Improvement Plan. The Public Hearing on the budget was set for June 23, 2009. In March staff discussed the four underlying assumptions for drafting the next biennial budget, which were still true today. At the March Study Session, after weighing a few options, City Council gave direction to staff to come back with an Operating

Budget that would give a 7% cushion. This was a temporary suspension of our financial policies as mentioned by Mr. Channing. The Budget that staff was presenting included that 1.07 operating ratio in both fiscal years. Mr. White gave a PowerPoint presentation showing the change in City revenues since 2005/2006, General Fund expenditures since 2005/2006, projections for the next two years, revenues versus expenditures, summary of budget cuts by department, budget composition by category and department, 8-year Plan operating ratio, operating surplus, reserve ratio, and surplus reserve. Mr. White reported that the overall objectives during this process were: (1) to manage costs; (2) invest in job creating public infrastructure; (3) make economic development a priority; and (4) plan for the eventual recovery.

City Manager Channing reported there were additional cuts in the budget that were added to the list. There were additional funds remaining, approximately \$50,000 - \$75,000, that if there were some projects that had to be added back in, it could be considered, keeping as much of a cushion as possible. It was possible to stay within the 0.7 ratio and still allocate money back into the budget, if that was the City Council's desire. Whatever changes were made tonight would be part of the Public Hearing scheduled for June 23, 2009, and would be the time to make final decisions with respect to the budget.

Chief of Police Services Doan reviewed the work programs and budget cuts in the operating budget for the Public Safety Department.

Deputy City Manager Reynolds reviewed the major plans and work programs for the Community Services Department.

Public Services Director Rosenfield reported on the major plans for the Public Services Department, and reported on the outcome of the rebidding of the contract for the Citywide landscape maintenance.

Community Development Director Jones presented his major plans. Mr. Jones reported on an anticipated increase in building fee revenue for FY 2010-2011. Mr. Jones continued his presentation by reporting on the budget cuts for the Community Development Department.

Deputy City Manager Reynolds reported that there were no major plans in the Information Technology budget for the next two years. Mr. Reynolds briefly described the operating budget and cuts for the Information Technology Department.

Assistant City Manager White presented the staff reductions, major plans, and budget cuts for the Administrative Services Department.

Assistant City Manager White presented the City Clerk's budget on her behalf, and indicated there were no major plans. In Fiscal Year 2010/2011 there was an

increase in expenditures attributable to the fall 2010 election. In terms of budget cuts, there were some additional cuts made by the department head and city manager under hardware and software support to reflect the actual expenses for next year.

Assistant City Manager White presented the Council/Manager major plans largely related to economic development. Budget cuts were discussed.

PUBLIC COMMENTS CONTINUED

Claudia King, Laguna Hills, indicated she was speaking as the unofficial representative of a group of residents present tonight who were in support of Council Member Carruth's proposal to acquire Sheep Hills Park. This proposal affected seven different communities along Moulton Parkway, for a total of approximately 730 homes. The people who lived in these areas were interested in officially acquiring Sheep Hills Park into Laguna Hills and getting them out from under the thumb of Aliso Viejo Community Association. Currently Aliso Viejo controlled the Park and the residents of Laguna Hills were paying Aliso Viejo for its maintenance, and were also paying for the maintenance of all of the other parks located in Aliso Viejo Community Association. They would also like to see Sheep Hills Park used for the people and groups coming from Laguna Hills. One of the issues was to enhance the park areas that would be used by Laguna Hills sports teams, which would be a perfect way to expand the Park's use.

Jack Noenickx, Laguna Hills, requested that the City Council spend extra money, for Sheep Hills Park. Even though he applauded the City Council's fiscal conservatism, he urged the City Council to think of the future. Sheep Hills Park and the easement utilizing the land between Laguna Hills High School and the Community Center would afford the City extra playing fields, community gardens, and many other things that residents of the City would like to have. Mr. Noenickx believed it was important for the City Council to have the foresight to plan and take action even when the economy was going through a recession. The City Council had the drive and the knowledge to know that you needed these things for the future. Mr. Noenickx asked the City Council to now have that foresight, he knows that they have the knowledge and the past experience to see that by exercising the Irrevocable Offer of Dedication (IOD) as well as pursuing an easement for the property underneath the electrical towers that linked the Community Center to Sheep Hills Park, that this action would afford the City with many future amenities. Mr. Noenickx indicated that during Volunteer Connection Day, he and other residents of Laguna Hills, picked up trash along the easement underneath the electrical towers, and he was appalled by the illegal dumping that was occurring in this area that could lead to problems in the future. It was obvious that Edison was not policing the area or taking care of this problem. The City of Laguna Hills could do a much better job of enforcing and making sure this activity was not occurring. The important point was that the residents were asking the City Council to move on the Park and maintain it. This would establish a link and would make obtaining the easement from Edison

easier and would establish a plan and an investment in the future. He appreciated everything this City Council had accomplished, but encouraged them to have the foresight to see into the future and act now.

Public Services Director Rosenfield gave a summary on the projected landscape maintenance and utility costs on a yearly basis for Sheep Hills Park.

Council Member Carruth recommended suspending or decreasing funds for travel, conferences, and meetings under the City Council/City Manager Budget, for at least the next year. It was the consensus of the remaining City Council members to keep these funds in the budget.

Council Member Scott was interested in keeping funds in the City Council/City Manager budget for the Sheriff's Appreciation Breakfast. It was the consensus of the City Council to keep this item in the budget.

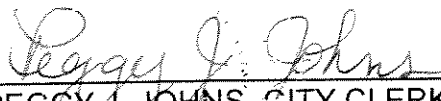
Council Member Scott urged that the City Council reconsider keeping the weekend Code Enforcement Officer in the City Council/City Manager budget. It was the consensus of the remaining City Council members to cut the Weekend Code Enforcement Officer from the budget.

Council Member Carruth recommended moving forward with the acquisition of Sheep Hills Park, exercise the IOD, and allocate \$75,000 of remaining funds in the 2009-2011 budget toward the landscape maintenance of the Park. It was the consensus of the remaining City Council members not to allocate funds for Sheep Hills Park.

Council Member Bressette recommended implementing a 2% increase to staff salaries totaling \$68,569. He believed it was the right thing to do. It was the consensus of the majority of the City Council not to implement an increase in staff salaries.

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Lautenschleger declared the meeting adjourned at 9:40 p.m.


PEGGY J. JOHNS, CITY CLERK

ATTEST:


JOEL LAUTENSCHLEGER, MAYOR

APPROVED AT MEETING OF JUNE 9, 2009.