

MINUTES

City of Lakewood
Measure L Citizens Oversight Committee
5000 Clark Avenue, Maple Room
October 6, 2020
6 p.m.

The meeting was called to order by Council Member Steve Croft at 6:04 p.m. in the Maple Room at the Civic Center, 5000 Clark Avenue, Lakewood, California.

PRESENT: Steve Croft, Chair, City Council Audit Committee
Vicki Stuckey, Member, City Council Audit Committee
Bradlee Carihfield, Greater Lakewood Chamber of Commerce
Cassandra Chase, Lakewood Jaycees (via Zoom)
Crystal Jones-Duncan, City Council Appointee, Seniors
Ron Piazza, City Council Appointee, Business Community (via Zoom)
Mina Carrasco, City Council Appointee, Neighborhood Watch
Cindy Jarvis, City Council Appointee, Youth
Jeannie Clark, City Council Appointee, At-Large

ALSO PRESENT: Paolo Beltran, Deputy City Manager
Steve Skolnik, Office of the City Attorney (via Zoom)
Jose Gomez, Director of Finance and Administrative Services
Lorenzo Demery, Administrative Intern

I. Welcome and Introductions of Committee Members and Staff

Council Member Steve Croft welcomed the committee members to their first meeting as members of the Citizens Oversight Committee. He expressed appreciation to the committee members for dedicating their time to serve on the committee, as their work as committee members is very important for transparency of Measure L. He added that tonight's meeting will serve to educate the committee members on their role as an official government committee.

Committee members and city staff introduced themselves.

Council Member Croft said that for this meeting, he will serve as the Chair. For the committee's next meeting, the committee will adopt bylaws and determine officers.

Deputy City Manager Beltran outlined the framework of the evening's meeting, including the committee's proposed meeting schedule of twice a year, around March and August, to coincide with the adoption of the city budget and the release of the Comprehensive Annual Financial Report. Mr. Beltran added that a discussion regarding the city's capital improvement projects will be included at these meetings.

II. Primer on Ralph M. Brown Act

City Attorney Steve Skolnik explained the Ralph M. Brown Act, also known as the open meeting law, to the committee members. He explained the Act's history and purpose to provide transparency to a legislative body's decision making. Mr. Skolnik also explained why the committee has to follow the Brown Act. As an advisory body to the City Council, the committee is required by law to be open publicly. This is why on the agenda there is a Public Comment section and it states that the agenda was posted 72 hours ahead of time.

III. Overview

Director Gomez presented the city's fiscal overview, based on slides displayed at the meeting. He went over the Committee's mission to provide additional transparency through oversight of Measure L by reviewing revenues and expenditures that are generated by the measure. Mr. Gomez reviewed the slides that were provided by the League of California Cities on the sources that cities get their revenues from, including property tax, sales tax and various fees and grants. He explained the concepts of "Bradley Burns" tax (which is the 1% that the city receives from the state) and unrestricted and restricted funds.

Deputy City Manager Beltran continued the slide presentation and explained the city's Budget Principles, with the three cornerstones including prudent fiscal management, strong financial management and living within the means.

Mr. Gomez explained the city's historic budget strategy, in terms of keeping spending on annual operations well below revenue, generating a surplus each year to be used for capital improvements and utilizing a "save, then spend" financing strategy, as opposed to debt financing. He explained that, in the last few years, a change occurred due to expenses being out of the city's control, forming a structural budget deficit that required the city to take measures to balance the budget, including freezing positions and deferring maintenance. To address the growing budget deficit, the Council decided to put Measure L on the ballot, which Lakewood voters approved this past March. Mr. Gomez said that the measure would allow the city to maintain core services and programs, address infrastructure needs, and allow a long-term perspective.

Mr. Gomez reviewed additional slides that explain the city's financial outlook, including the projected surplus amounts for the next two fiscal years. He also explained the amount in the budget that is being programmed for capital improvements to address the city's deferred maintenance needs. Mr. Gomez told the Committee that the expected revenues from the measure are \$9.3M in FY 20-21 and \$9.8M in FY 21-22. Based on those numbers, he explained that the city developed a budget for the next two fiscal years. That budget reflects the city's priorities, with Public Safety, Public Works, and Recreation taking up a significant portion of the budget.

For the last few slides, Mr. Gomez went into more detail explaining the city's current capital improvement needs (\$31M over 10 years) and the Council's decision to set aside \$1.5 million from the current budget to address those needs. Council Member Croft added that the Council's decision to allocate those funds are modest at first due to the current state of the economy, but once the economy recovers, the Council can re-evaluate that allocation for future budgets.

Committee member Crihfield asked how sales tax from online purchases made with a credit card is allocated, whether it is based on the credit card holder's address. Director Gomez replied that it is the shipping address of the product being delivered that counts as the point of sale. Mr. Crihfield asked how online sales are treated, and Mr. Croft replied that previously, the sales tax from an online sale would go to the County "pool" and was redistributed to the cities based on the brick and mortar sales tax rate. Now, the sales tax from an online sale goes directly to the city.

Committee member Clark asked when the city receives the funds from the sales tax. Director Gomez said that the retailer sends the tax collected to the state, which is then redistributed to the recipients on a monthly basis. There is also a “true-up” process that is done. Regarding Measure L revenues, the city expects to receive it in December from the first quarter of July.

Committee member Jones-Duncan asked about the budget deficit of \$4.3 million and whether that comes out of the city’s reserve funds and whether Measure L money is used for that. Director Gomez clarified that yes, the deficit will be balanced using funds from the reserve account, and that Measure L revenue will be used to pay for expenditures since revenues from Measure L go into the city’s general fund. Council Member Croft added that it will be the Council’s decision in future budgets on how quickly the reserve funds are replenished from incoming revenues.

Committee member Carrasco asked about a slide in the presentation regarding city revenues. Director Gomez replied that the slide is a generalization of all cities’ revenues and not meant to be specific to Lakewood. Council Member Croft additionally explained that cities have different revenue sources as well.

Committee member Carihfield asked for clarification regarding the committee’s oversight of the funds that are “left over” after the city balances the budget and sets aside the \$1.5 million for capital improvements. Director Gomez replied that the staff’s intent at this meeting is to provide the committee information on how the city spends its funds, and with Measure L revenues being general funds, those funds will be used for those expenses. Mr. Croft added that the budgets can also be compared from one year to the next, both on the revenues and expenditure sides and whether those two are increasing relatively the same amounts. Staff can present a comparison relative to the prior year. Council Member Croft added that the revenue from Measure L is separate and can be identified.

IV. Public Comment

There were no members of the public present to comment.

V. Committee Member Comment

Committee Member Jarvis stated that the reports provided have an easy to interpret overview. Mr. Croft responded that staff will provide budget summaries ahead of time. Mr. Beltran told the members to subscribe to the Lakewood Connect e-Magazine as that publication provides valuable city news and information. Mr. Croft invited the committee members to the council budget sessions next spring.

VI. Adjournment

Council Member Croft adjourned the meeting at 7:26 p.m.

Respectfully Submitted,

Paolo Beltran
Deputy City Manager