



CITY OF SIERRA MADRE
CITY COUNCIL REGULAR MEETING MINUTES

SIERRA MADRE CITY COUNCIL
SUCCESSOR AGENCY AND
PUBLIC FINANCE AUTHORITY

Tuesday, May 22, 2018 - 6:30 pm

Sierra Madre City Hall Council Chambers
232 W. Sierra Madre Blvd., Sierra Madre, CA 91024

Mayor Pro Tem John Harabedian
via teleconference from
Chicago Marriott Downtown Miracle Mile
540 North Michigan Avenue
Chicago, IL 60611

CALL TO ORDER/ROLL CALL MEMBERS OF THE CITY COUNCIL

Mayor Denise Delmar called the meeting to order at 6:30 p.m. City Clerk Sue Spears called the roll.

Present: Mayor Denise Delmar, Mayor Pro Tem John Harabedian (via teleconference from Chicago, IL), Council Members Rachelle Arizmendi, John Capoccia, and Gene Goss

Absent: None

Also Present: Gabe Engeland, City Manager
Holly Whatley, Assistant City Attorney
Marcie Medina, Assistant City Manager
Laura Aguilar, Assistant City Clerk
Mike Amerio, City Treasurer
Kyle Bailey, Police Sergeant
Erin Butler, Police Dispatcher
James Carlson, Management Analyst
Donna Cayson, Police Captain
Chris Cimino, Director of Public Works
Vincent Gonzalez, Planning & Community Preservation Director
Miguel Hernandez, Human Resources Manager
Caroline Jaramillo, Police Officer
Joe Ortiz, Police Chief
Jose Reynoso, Utility Services Director
Jill Schofield, Acting Library Services Manager
Lillian Shaw, Police Officer
Christine Smart, Librarian
Rebecca Silva-Barrón, Community Services Manager
Sue Spears, City Clerk
Kev Tcharkhoutian, City Engineer

PLEDGE OF ALLEGIANCE AND INVOCATION/INSPIRATION:

Council Member Arizmendi led the Pledge of Allegiance, after which she asked the audience to remain standing. Council Member Arizmendi spoke of Memorial Day as a day to honor those who have fought for our country, those who have died either in battle or in war, and to recognize our veterans and those that serve our country. She also read a poem written by Joanna Fuchs.

APPROVAL OF AGENDA AS PRESENTED:

Mayor Delmar asked for a motion to approve the agenda as presented.

Council Member Capoccia moved to approve the agenda as presented.

Council Member Arizmendi seconded the motion to approve the agenda as presented.

Ayes: Mayor Denise Delmar, Mayor Pro Tem John Harabedian, Council Members Rachelle Arizmendi, John Capoccia, and Gene Goss
Noes: None

The motion to approve the agenda as presented was passed unanimously.

APPROVAL OF MINUTES:

Mayor Delmar moved on to the approval of the Minutes of the Regular Council Meeting of May 8, 2018.

Council Member Goss moved to approve the Minutes of the Regular Council Meeting of May 8, 2018 as presented.

Council Member Arizmendi seconded the motion to approve the Minutes of the Regular Meeting of May 8, 2018 as presented.

Ayes: Mayor Denise Delmar, Council Members Rachelle Arizmendi, John Capoccia, and Gene Goss
Noes: None
Absent: None
Abstain: Mayor Pro Tem John Harabedian

The motion to approve the Minutes of the Regular Council Meeting May 8, 2018 as presented was passed with four yes votes and one abstain.

MAYOR AND CITY COUNCIL REPORTS:

- A. Mayor Denise Delmar reported that (1) she and Council Member Arizmendi attended the Sierra Madre Older American Reception honoring Darlene Cook, (2) the Mt. Wilson Trail Race is this Saturday, (3) she and Council Member Arizmendi attended the Kiwanis Club's Annual Chili Cook-Off, which included delicious chili and fun line dancing, (4) SM City staff winners at the Chili Cook-Off were Mgmt. Analyst Carlson (Critics Choice 1st Place) and Chief Ortiz (Critics Choice 2nd Place and People's Choice 3rd Place), and (5) other CM City staff participants were City Manager Engeland and Public Works Director Cimino.
- B. Pro Tem John Harabedian did not make a report.
- C. Council Member Rachelle Arizmendi did not make a report.
- D. Council Member John Capoccia did not make a report.
- E. Council Member Gene Goss did not make a report.

PUBLIC COMMENT ON NON-AGENDA ITEMS:

Mayor Delmar opened the meeting for Public Comment on items not on the agenda.

- Laurie Byer, Sierra Madre, said that: (1) the house located at 127 E. Highland has had serious code enforcement issues, has been condemned by the City, and is now for sale, (2) the house has been vacant for a long time and there are health concerns when the house is abated, and (3) she is seeking assistance in ensuring that the abatement is done in a safe and healthy manner.
- Becky Farmer, Sierra Madre, said that: (1) she concurs with what Ms. Byer described, as she lives on a street adjacent to the 127 E. Highland house, (2) mosquito issues have been reported on E. Highland and that this will affect the neighbors, and (3) she will be grateful for any help.
- David Gordon, Sierra Madre Playhouse, said that: (1) "*The Immigrant*" is coming to an end this weekend and (2) "*Pump Boys and Dinettes*" opens June 22 and runs through July 29, 2018.

Mayor Delmar asked if anyone else would like to come forward on items not on the agenda. Seeing no one come forward, Mayor Delmar closed Public Comment.

REPORT ON THE CLOSED SESSION SPECIAL MEETING OF THE SIERRA MADRE CITY COUNCIL ON TUESDAY, MAY 22, 2018 AT 5:30 PM

Asst. City Attorney Whatley reported that the City Council met in Closed Session on a matter of anticipated litigation. No action was taken; however direction was provided to the City Attorney.

PRESENTATION – SIERRA MADRE CIVIC CLUB DONATIONS TO VARIOUS ORGANIZATIONS

On behalf of the Sierra Madre Civic Club's Philanthropic Awards, Jane Zamanzadeh, Outgoing President, presented checks totaling \$14,000 to the following organizations: Convalescent Aid Society, Creative Arts Group, Mt. Wilson Trail Race, Reading Is Fundamental, Sierra Madre 4th of July Committee, Sierra Madre CERT, Sierra Madre Library, Sierra Madre Middle School, Sierra Madre Pioneer Cemetery, Sierra Madre Playhouse, and Sierra Madre Rose Float Association. Ms. Zamanzadeh said that, in addition to the above philanthropy awards, the Sierra Madre Civic Club previously awarded five high school seniors \$1,000 each.

PRESENTATION – PRESENTATION OF SIERRA MADRE POLICE DEPARTMENT PERSONNEL

Chief Ortiz introduced to the City Council and read the biographies of the following Sierra Madre Public Safety Staff: Sergeant Kyle Bailey, Dispatcher Erin Butler, Police Officer Caroline Jaramillo, and Police Officer (former Dispatcher) Lillian Shaw.

1. AGENDA ACTION ITEM: CONSENT CALENDAR:

City Manager Engeland gave the following reports under the Consent Calendar:

- a) TREASURER'S REPORT - QUARTER ENDING MARCH 31, 2018 - Recommendation that the City Council receive and file.
- b) EXTENSION OF AUDIT SERVICES AGREEMENT - Recommendation that the City Council approve Agreement Amendment No. 2 extending the Professional Services Agreement with Rogers, Anderson, Malody, and Scott, LLP for an additional year for an amount not to exceed \$61,000 and authorize the City Manager to execute the agreement on behalf of the City.
- c) ADOPTION OF RESOLUTION 18-23 OF THE CITY COUNCIL OF THE CITY OF SIERRA MADRE APPROVING CERTAIN DEMANDS - Recommendation that the City Council approve Resolution 18-23 for approval of payment of City warrants in the aggregate amount of \$403,743.04; Library warrants in the aggregate amount of \$7,639.39, and payroll transfer in the aggregate amount of \$308,596.82 for fiscal year ending June 2018

Mayor Delmar asked if any Member of the Council had questions on items on the Consent Calendar.

In response to a question from Mayor Pro Tem Harabedian related to item 1c - \$35,347 for the Raymond Basis Assessment, City Manager Engeland said that the \$35,347 is an annual fee, is based on the pumping allocation, and is paid from the Water Fund.

Mayor Delmar opened the meeting for Public Comment on the Consent Calendar. Seeing no one, Mayor Delmar closed Public Comment and brought the matter back to the Council for discussion. No additional discussion occurred.

Council Member Capoccia made a motion to approve Consent Items 1a, 1b, and 1c as presented.

Council Member Goss seconded the motion for approval.

Ayes: Mayor Denise Delmar, Mayor Pro Tem John Harabedian, Council Members Rachelle Arizmendi, John Capoccia, and Gene Goss
Noes: None
Absent: None
Abstain: None

The motion to approve Consent Calendar Items 1a, 1b, and 1c as presented was approved unanimously.

AGENDA ITEMS FOR DISCUSSION:

2. CONSIDERATION OF FISCAL YEAR 2018-2019 ASSESSMENT DISTRICTS, ENGINEER'S REPORT, AND RESOLUTION OF INTENTION 18-24

Director of Public Works Cimino introduced City Engineer Tcharkhoutian who gave a report on this item with the following recommendations:

- A. Maintain the same level of assessment with no increases for the 2018-2019 Fiscal Year.
- B. Adopt Resolution of Intention 18-24 initiating proceedings for:
 - 1. Bonita Sewer District
 - 2. Community Facilities District No. 1, One Carter
 - 3. Downtown Landscaping (District 3)
 - 4. Downtown Lighting District Zone A
 - 5. Downtown Lighting District Zone B
 - 6. Downtown Parking (District 5)
 - 7. Miramonte Sewer District
 - 8. Santa Anita Lighting District No. 1
- C. Set June 12, 2018 as a date for a Public Hearing on the matter of the City's Assessment Districts.
- D. Approve the Engineer's Report

Mayor Delmar asked if any Member of the Council had questions on this item.

In response to a question by Council Member Capoccia regarding whether he June 12th date is to consider the recommendations, City Engineer Tcharkhoutian stated that is the second phase of the existing districts and that staff is not recommending any changes in the districts at this time.

Mayor Delmar opened the meeting for Public Comment on this item. Seeing no one, Mayor Delmar closed Public Comment and brought the matter back to the Council for discussion.

Council Member Arizmendi said that she is looking forward to the consolidation, did not realize the complexity of the process and the length of time it takes, and is confident that next year we can see a proposal for that.

Council Member Capoccia made a motion to adopt Resolution of Intention 18-24 initiating proceedings for the assessment districts as listed under item 2 of the Staff Report dated 5-22-18.

Council Member Goss seconded the motion for approval.

Ayes: Mayor Denise Delmar, Mayor Pro Tem John Harabedian, Council Members Rachelle Arizmendi, John Capoccia, and Gene Goss
Noes: None
Absent: None
Abstain: None

The motion to adopt Resolution of Intention 18-24 initiating proceedings for the assessment districts as listed under item 2 of the Staff Report dated 5-22-18 was approved unanimously.

3. LIBRARY SURVEY RESULTS

City Manager Engeland gave a report on this item, which included a PowerPoint presentation. The summary of the survey is as follows:

- A majority of residents support (a) services which include an up-to-date collection of materials and (b) moving select programs from the Library to other locations in the City & selling the back lot to pay for facility repairs.
- A majority of residents do not support (a) moving the Library to a new location, (b) a significant reduction in services, and (c) a parcel tax to pay for a new Library or enhanced services.

Mayor Delmar asked if any Member of the Council had questions on this item.

In response to a question from Council Member Capoccia as to whether if questions were worded differently would the responses have been different, City Manager Engeland responded that the questions were intentionally asked as a multi-part question and Staff did its best to explain the questions' meanings at community outreach, the transparency portal, and other meetings to explain what each option meant.

In response to a question from Council Member Capoccia, City Manager Engeland said that the survey result of 75% of people using the Library is statistically accurate and that we are inclined to believe that the Library actually gets that much use. Council Member Capoccia commented that is impressive.

In response to a question from Council Member Arizmendi regarding the impressive response rate of 37%, City Manager Engeland stated that the survey company said that the response rate was pretty high and that we have a very engaged citizenry here, the City was hoping for a 20% response rate as a minimum threshold to get to the needed validity score, and that the 20% response rate was attained early on.

In response to a question from Mayor Pro Tem Harabedian regarding page 13 of the PowerPoint and the distinction between a response of "service is essential" is the most top priority (yes, we want that no matter what) and "very important," (less enthusiastic about it, less of a priority), City Manager Engeland confirmed that (a) the scale was #1 Service is Essential, #2 Very Important, #3 Some Important, and #4 Not Important at All, (b) "Collection of Materials" @ 55% was the only item that received majority "service is essential" response, (c) the chart on page 13 showed that the other services were supported, but to a lesser degree.

In response to a question from Council Member Arizmendi regarding page 13 of the PowerPoint, City Manager Engeland clarified that the percentage of "Essential & Very Important" minus the percentage of "Service is Essential" equals the percentage of "Very Important."

Council Member Goss noted that when one adds "Essential & Very Important," we have residents that value all of these services. City Manager Engeland said that the survey results show that people do support the Library services that are provided, they do use the Library a lot, but looking at what people consider "Essential," the results becomes narrowed.

In response to a question from Mayor Delmar regarding the length of time of the survey, City Manager Engeland responded that it was approximately three months, was done in two waves, most of the responses came in the first wave, at least 20%, a good portion in the second wave as well, and responses were not actually cut off until just before the final report was issued.

Mayor Delmar opened the meeting for Public Comment on this item.

- Richard Proctor, Library Board Trustee, said that (1) he thanked the residents for completing the survey, their support of the Library, and their support of a 21st Century collection, (2) the survey results are a great place to start the conversation about a Library that will (a) serve Sierra Madre for the next 60 years, (b) be a center & source of civic pride, and (c) address needs of a world that does not yet exist, and (3) this needs to be a courageous conversation.
- Toni Bruckner, Sierra Madre, expressed concern that, if the City were to sell the back driveway, it would create problems for people getting to and from the Library.
- Barry Gold, Sierra Madre, said that (1) the survey results are somewhat confusing, i.e. somewhat support or somewhat oppose, (2) the survey did not show any written costs or proposals, (3) no matter what, he opposes selling any City property, (4) land is too precious and cannot be replaced, and (5) that it would be foolish to sell.
- Gina Frierman-Hunt, Planning Commissioner, said that (1) people strongly oppose moving the Library to the park, (2) she strongly supports a tax to keep the Library where it is with improvements and would also make a sizeable donation, and (3) the Library's proximity to the elementary school makes the location ideal.
- Margaret Quigley, President, Friends of the Sierra Madre Library, said that (1) the survey did not quantify the direct and indirect economic benefits of the Library to the community, (2) the survey did not measure the difficulty to staff of scheduling & moving programs/supplies to other locations, which are already limited, (3) moving programs to

other locations would split staff, thus requiring more staff to keep the Library open, and (4) the Library is more precious than the back lot, (5) the back lot was purchased for use of the Library in some way, (6) the people have said they value the Library and are willing to sell the back lot, and (7) who cares what we might need in 50 years.

- Patricia Hall, Sierra Madre, said that (1) she prefers the option of building a new Library, (2) regarding a tax initiative, she knows that it takes a 2/3rd vote, (3) a tax initiative should be phrased as an investment in our community by helping the Library to either build or to expand, and (4) maybe to sell the idea of a Library parcel tax, it should be worded as an investment in the community and not just a tax. and not just a tax,
- Shannon King, Library Board Trustee, said that (1) she seconds the comments of her fellow Trustee Members and welcomes future discussions with each option, (2) she is excited to see the Library survey results, (3) she would welcome the opportunity to have further discussions with the City Council as we work through this process together, (4) selling the back lot, while may provide some funding, may not address all the Library's needs, as making aisles wider for ADA requirements may necessitate a reduction in the collection, (5) there are different ways to look at each of these options and really dig deeper into the issues related to each, and (6) she hopes we can continue the conversation.

Mayor Delmar asked if anyone else would like to come forward this item. Seeing no one come forward, Mayor Delmar closed Public Comment and brought the matter back to the Council for discussion.

In response to a question from Mayor Delmar, City Manager Engeland said he is attending the Library Board of Trustees Meeting tomorrow night and will be proposing that the City Council have a joint meeting with the Library Board of Trustees at the first Regular City Council Meeting in July, with no other agenda items other than Consent Calendar items. If confirmed by the Library Board of Trustees, the joint meeting with the City Council will be on July 10, 2018.

Council Member Capoccia said that (1) he is really looking forward to meeting with the Library Board of Trustees and discussing their thoughts on many issues related to the Library, (2) the Library survey provided great information, i.e. there is great support for keeping the Library in its current location and doing nothing is not an option, (3) the Library survey did not really address the option of building a new Library and we need to talk through that, (4) some of the issues to be discussed should be how we manage the Library, budget constraints, and dig in depth as to where we want to go from here, (5) this issue will be the most important decision to be made in his six years on the City Council and (6) we need to think strategically into the future.

Council Member Goss said that (1) the Library survey was well done and provided tremendous information, (2) while it may be an imperfect survey in many ways, the City Council can process the results, along with the Library Board of Trustees, and come up with a solution that will work for our community, (3) the issue of a new Library has been on the table for at least 20 years, with no action, and we really need to talk about building a new Library as a potential option, (4) the option of building a new Library should be fully explored before a final decision is made, (5) we need to be talking and thinking about what is possible, communities get an idea of themselves by the values that they have, and the visions that they share with one another, (6) he is the City Council Liaison to the Library Board of Trustees and will be at that meeting tomorrow night, and (7) agrees that a joint meeting with the City Council and Library Board of Trustees should be very fruitful.

Council Member Arizmendi said that (1) we knew that the survey would not be all inclusive and answer all of the questions, it was intended to take a pulse of the community/resident's response to some of these issues, (2) we need to ensure that we have safety in the existing building, i.e. ADA issues and the roof, (3) we need to look at what operations of the Library will look like and how we can maintain that within our budget, (4) this is a bigger discussion, (5) she is looking forward to a larger discussion at the joint meeting with the Library Board of Trustees, (6) we can use the Library Survey as a guide as to what residents are thinking, (7) she is wondering if there are other creative ways of looking at this, including the funding issues, whether we build or expand, and the operational dollars needed.

Mayor Pro Tem Harabedian said that (1) the survey was well done and is a good starting place, (2) he continues to believe that a parcel tax to significantly improve or rebuild the Library would probably pass, even with the 2/3rd required votes, (3) the Library Survey has not changed that belief, (4) he is also looking forward to the joint meeting with the Library Board of Trustees, and (5) while we may not go down the parcel tax route, is still convinced that we should entertain the idea of a parcel tax.

In response to a question from Council Member Capoccia regarding the process of getting to a decision as to the direction to proceed, City Manager Engeland said that the survey and the discussions that have taken place did a good job of eliminating the option of moving the Library to the Community Center, as the responses were no, no, & no. He said that Staff is anticipating (1) discussion on the type of Library we want and how we can realistically fund that, (2) when both bodies meet, they can have a conversation both of (a) what the Library could be, (b) dealing with the reality of needing the building to be paid for, whether improved or rebuilt, and (c) operations within the Library need to be paid for long term, (3) it is the City Council's discretion to determine whether the City proceeds with seeking a parcel tax, sell the back lot, or take a break for fund raising. City Manager Engeland also stated that, in the interim, Staff will determine what has to happen to make the building safe and ADA compliant, regardless of any path taken. Additionally, he said that we know where the Library will be, it is up to both bodies to decide what type of Library is going to be there, is hoping that a direction, not necessarily a decision, can be made at that July 10th meeting, but a direction to go in until something else says to stop.

Council Member Capoccia said that, for the joint meeting, there is a need to talk in depth about a lot of these issues, (1) operational costs going forward, (2) transition if we were to build a new Library, (3) how we get from now to then, (4) anticipates that City Staff will be prepared to help talk through those issues, and is (5) concerned whether, with the magnitude of the issues, they can all be addressed at one meeting.

Mayor Delmar said that (1) she does not think that a decision will be made on July 10th as to whether we are going to have a new Library or not, (2) we need to approach this as our current state, what we need to do, and what we hope to be able to do, (3) there have to be different stages of this process, (4) Staff needs to bring back all of those operating costs, what we can do now in the next three months, nine months, next year, (5) if the decision is to build a new Library, it will not happen immediately, and what are we going to do with the Library when we have to close it to rebuild or repair it, (6) there are many avenues to explore so we cannot just make one big decision and have all of the issues resolved, (7) this will be a gradual process moving forward and (8) would like to plan the agenda for the joint meeting with the Chairperson of the Library Board of Trustees.

City Manager Engeland clarified that Staff is hoping for a direction, the example of exploring a new Library, as that will require an exceptional amount of work, will not be completed by the initial joint meeting, and the direction might be go research this. Mayor Delmar commented that there are immediate needs that must be taken care of.

No decision was made, and Staff will move forward in scheduling the joint meeting with the Library Board of Trustees.

At 7:51 p.m., Mayor Delmar announced that the meeting would break for three minutes and resume at 7:54 p.m. The meeting resumed at 7:57 p.m.

4. IMPLEMENTATION OF PROPOSITION 218 PROCESS FOR WATER AND SEWER RATE ADJUSTMENTS

Utility Services Director Reynoso introduced Habib Isaac, Senior Manager, RAFTELIS Financial Consultants, Inc., who gave a report on this item, including a PowerPoint presentation, about the Water and Sewer Utility Cost of Service Study that included the following recommendations:

- A. Adopt the Draft City of Sierra Madre Comprehensive Water and Wastewater Cost of Service Study dated 5-18-18.
- B. Direct staff to initiate the Proposition 218 Notification and Protest ballot process based on the recommendations of the Draft City of Sierra Madre Comprehensive Water and Wastewater Cost of Service Study dated 5-18-18.
- C. Review and approve supporting documentation for the Proposition 218 process comprised of the Official Protest Ballot and the Guidelines for the Submission and Tabulation of Protests.
- D. Set July 24, 2018 at 9:00 a.m. at Sierra Madre City Hall for the public tabulation of protests and July 24, 2018 at 6:30 p.m. at Sierra Madre City Hall for the Public Hearing as required by Proposition 218.

Mayor Delmar asked if any Member of the Council had questions on this item related to water.

In response from a question by Council Member Arizmendi about the determination of minimum and maximum water reserves, Mr. Isaac said that it is best practice, it depends on the frequency of

the billing, the need to have an operating reserve of at least 60 – 90 days as a minimum, and if you are billing bi-monthly, up to 180 days, on the capital side typically you want at least one year's amount of capital so you do not have to wait to do projects during the year and allows for contracts to be awarded, knowing that the funds are available, and another good reference point is to have at least the depreciation value as your reserve target for your capital so you know that you have the revenue to continue with the depreciation of your assets. Mr. Isaac said that, collectively, that makes the minimum and maximum.

In response to a question from Mayor Pro Tem Harabedian, Mr. Isaac said that capital outlay is considered an operating expense (repair and maintenance) and beyond that the City has its Water Utility Capital Improvement Plan (Asset Management) that the City funds. Assistant City Manager Medina explained that the difference between capital outlay for (1) repair and maintenance of an existing asset and (2) capital improvement project under the Water Utility Capital Improvement as expenditures for new assets and (3) that depreciation is not related to either of the capital outlay amounts, as it is a separate number.

Mayor Delmar asked if any Member of the Council had questions on this item related to the sewer.

In response to a question from Council Member Arizmendi related to a low-income discount on water rates, City Manager Engeland said that was not included in the proposed rates, as low-income subsidies would need to be a separate discussion by the City Council to be funded from the General Fund, as it is not funded from the Water rates. Mr. Isaac added that low income rate subsidies/discounts are not allowed to be funded from the Water rates.

In response questions from Mayor Delmar, Mr. Isaac said that a customer impact analysis was conducted and that the proposed 2-tier water rate (vs the current 4-tier) is more focused on the water supply availability, instead of just water use, makes it more simplistic, and makes communication with customers clearer related to how much water the City has. He further stated that doing so allows the City to give the cheapest rate to everyone equally, regardless of land use, at the highest allotment possible, which made the Tier 1 width expand to 14 units of water (from the current 7 - 8 units of water). Additionally, Mr. Isaac stated that both ground and imported water have a proportional rate of the pumping costs.

Mr. Isaac pointed out that the City has a high water loss rate of close to 20% and, when the City has additional money for capital, as the water rate loss is addressed, the City saves because it no longer needs to buy imported water, which is savings to customers over time.

Mayor Delmar opened the meeting for Public Comment on this item. She welcomed two Boy Scouts that she observed in the audience.

- Dee Alcorn, Sierra Madre, said that (1) his area of concern is infrastructure and wants to make sure that there is a plan to upgrade the system, (2) he assumes that the surcharge is to upgrade the system, (3) he questioned what the \$5.2M to maintain the system at that current revenue is, (4) it is unclear how the surcharge to upgrade the system brings in the same amount of money, why does it not different, if it is an increase, but we are maintaining it at the same level, and (5) he is pleased that there are detailed statistics to rely on.

City Manager Engeland clarified that the City's current water loss is 24.5%, an astonishingly high number. He said that there are three basis ways the City can maintain revenue and still be able to invest more in infrastructure: (1) Made operational changes in the General Fund which has allowed the City to allocate significantly less funding from the Water Fund to the General Fund in overhead costs, will be more than \$100,000 annually at last count, (2) Reduced operating costs substantially, in the second quarter of this next fiscal year will bring forward additional operational cost savings, likely in the form of solar at the spreading grounds, which can reduce an additional \$60,000 - \$80,000 in operating costs per year after the electricity to pump, and (3) There a number of one-time savings, (a) bond refunding put towards capital, and (b) releasing the significant amount of water purchased in 2014 at \$200 or \$250 per acre foot (current price is \$400 per acre foot), thus adding \$500,000 in infrastructure. City Manager Engeland further said that the average infrastructure expense has been around \$300,000, in the current budget year we spent just under \$1M, in the coming budget year we are projected to spend \$2.2M, and the year after that between \$1M and \$1.5M. He said that the infrastructure charge that we have in place should allow the City, over time, to have a responsible well-managed infrastructure.

- Bill Patzert, Sierra Madre, said that (1) the good news is that we are paying a unusually low price for our water, (2) the bad news is that the infrastructure is failing and the water system is extremely leaky, (3) the question is whether to continue the maintenance at the current level, which is really a band-aid crisis by crisis basis, or have a systematic plan to rebuild

over say 50 years the infrastructure of the water and sewage systems, (4) he thinks that the City is not charging enough for water, (5) the City needs a long-term plan, not just for crisis management, but replenishment of the entire water system and, after 10 or 15 years, it will actually cost the City less money.

Mayor Delmar asked if anyone else would like to come forward this item. Seeing no one come forward, Mayor Delmar closed Public Comment and brought the matter back to the Council for discussion.

In response to a question from Council Member Arizmendi, City Manager Engeland said that the current Water Master Plan is designed to provide the City with a responsibly managed infrastructure system, however the rates do not get the City out of crisis quick enough and that a valid argument could be made that, even spending \$2.2M in infrastructure (because we are in a crisis mode), we are not at a point of a responsibly managed system. He also that that this is a multi-generational fix and cannot be remedied quickly, even with a great deal of money, because of just how bad the system is.

In response to questions from Council Member Goss regarding projected water loss curve over the next 10 – 15 years based on the Water Rate Study, Utility Services Director Reynoso said (1) currently 18 water mains are in design and should be ready for the next fiscal year, of those looking at completing 10 water mains, (2) the biggest savings is going to be with the AMI Project, bringing in 5% - 10% efficiency in distributed water, (3) over the next year or two should see a 5% - 10% improvement in water loss, (4) the AMI Project replaces the existing water inaccurate meters, which allows the City to recover water that is not accounted for, (5) thinks that in next 2 years the water loss savings will be at 15% and, depending on water mains how aggressive we are, water loss savings will be at 10%, and (5) the total cost to replace the entire water system is estimated \$50M.

City Manager Engeland pointed out that, in the Water Master Plan, the focus was on the water mains outlined in red (as those that cause the most water loss), but City Council was asked to also focus on the orange because (as we fix seven of the top 10, 18 coming into design and where we will be in water loss after AMI is done, a significant savings), the question is how quickly do those pipes that are orange degrade to the point where they become defunct. He stated that currently the City is averaging 400 leaks per year, even with replacing the worst offenders of leaks. City Manager Engeland emphasized that, no matter what the City does, this is a multi-generational problem, intergenerational equity and responsibility, we have a good start at it, but we must continue.

In response to a question from Mayor Pro Tem Harabedian regarding clarifying the source of the \$2M in capital improvements, City Manager Engeland said the largest areas are next year, excluding operational improvements, which have yet to be budgeted, (1) AMI Project through bond refunding and the amount of debt payment released \$650,000, (2) Releasing water reserves purchased in 2014 \$500,000, (3) Fund balance or cash from the Water Fund itself to spend on infrastructure needs.

Mayor Pro Tem Harabedian expressed that, while he thinks the new pricing structure makes sense as it is adapted to where the City is with regards to importing water, views the projected water loss problem compared to the budgeted capital outlay, both in repair and maintenance and in the capital improvement plan, as being too light. He said that he thinks that the City needs a bolder plan for capital improvement and capital outlays for repair and maintenance. Mayor Pro Tem Harabedian also stated that the recommendations in the Water Rate Study are not bold and/or aggressive enough in raising capital improvement dollars, as fixing the system will save money over time.

Council Member Capoccia said that he agreed with Mayor Pro Tem Harabedian to a degree, but that even raising the proposed infrastructure surcharge of \$10.88/month (\$21.75/2 months) on the smallest meter size (3/4" or less) by an additional \$10 or \$15 per month, the City cannot get there fast enough, so it boils down to how much of an impact on customers is reasonable. He said that the proposed charges are a significant enough of a rate increase and is hesitant to go too far above that. Council Member Capoccia sees this as a plan that is making steady progress, increasing the reserves, and continuing to spend more on infrastructure than we have spent previously. He said that he could be persuaded to charge more if it was in the public's best interest to do so, but questions how high is too high.

In response to a question from Council Member Goss regarding what more money would do in terms of an accelerated water main replacement program, City Manager Engeland said that replacing one street (block to block) costs between an average of \$100,000 - \$150,000 per block, every \$5 per month in fixed charge equates to \$175,000 available for additional capital expenditures, the City has a large number of pipes that need to be replaced, and a good

percentage of pipes in the ground have already failed. In addition, he stated that there is a bandwidth problem in that the City can only design so many water main replacements in a year to the point that that the City could not do anything else.

In response to a question from Council Member Capoccia, Public Works Director Cimino said that Staff could probably do double above what they have been doing or what is being planned to do, but the risk is that the City cannot take on too much. He also stated that doing too many projects would result in the City constantly being in a construction mode, which would be disruptive to residents and business owners. Public Works Cimino indicated that up to \$1M - \$1.5M per year for water mains only would be pushing it. City Manager Engeland said that the guiding principal provided to RAFTELIS in completing the Water Survey was to keep it revenue neutral in the Water Fund and if the City Council wants to make a decision to be more aggressive in the fund, then Staff is comfortable with that.

Mayor Delmar asked whether a new Water Rate Study would be needed if the City Council were to consider not accepting this Water Rate Study but looking at an increase in the water rates. City Manager Engeland said that a new Water Rate Study would not be needed, that Council could give direction tonight to either (1) calculate an increase in the fixed charge for the infrastructure fee based on an amount that Council is comfortable with, RAFTELIS could build that into the fixed charge, and we could still start the 218 process in 10 days, or (2) Staff can come back at the next City Council Meeting with the new infrastructure charge, but because the City Council does not generally meet in August, the tally of 218 votes would be delayed to September, which means that new rates would not take place until November.

Mayor Delmar expressed hesitancy of establishing an increase in the fixed rate without first calculating a customer impact study at the same time. City Manager Engeland said that Staff can do both of those and then in the next 10 days we could determine a comfort level or have a special City Council Meeting. He said that he prefers that Staff be provided with direction tonight on what City Council is comfortable with so that can be brought back to Council. City Manager Engeland advised not waiting to September, if possible, as that would result in delays before new water rates are implemented.

Mayor Delmar asked City Council their preference to consider raising rates a bit in order to bring in more revenue to improve the City's infrastructure improvement timeline. Discussion among the City Council members took place.

In response to a question from Mayor Pro Tem Harabedian, regarding determining the incremental number needed to enable City Staff to take on more projects and complete the work over the next five years to make a material difference in the water infrastructure, City Manager Engeland said that Staff would refer back to the Water Master Plan to determine a number, given that there is always more need than bandwidth. He said that the proposed \$350,000 is not sufficient but was calculated to keep the rates revenue neutral in the Water Fund and considering the efficiencies that would be implemented to put more money into infrastructure. City Manager stated that Staff could use the Water Master Plan to determine the ability of Public Works to design the projects and then come back to City Council with the customer impact survey numbers as well, which could be done at a special meeting or accept that the 218 process would not end until September.

Following a suggestion by Council Member Capoccia, discussion among the City Council members took place regarding what the magic number would be in terms of a tolerable rate increase for customers vs the need and the bandwidth of what City Staff can complete, and the necessity to act regarding the 218 process.

In response to a question from Council Member Arizmendi, City Manager Engeland said that the expenses will likely exceed the revenues because of the enhancement to the infrastructure program and anything not covered through expenses would go into reserves, which is not anticipated.

No action was taken related to the adoption of the Draft City of Sierra Madre Comprehensive Water and Wastewater Cost of Service Study dated 5-18-18. This made actions related to items B, C, and D of the Staff Report recommendations null and void.

Staff was provided with direction to re-calculate the fee structure with a non-neutral approach in order to fix the water systems and bring recommendations back to the City Council for discussion at the next City Council Meeting.

NEW ITEMS PLACED FOR FUTURE AGENDA:

Mayor Delmar asked the members of the City Council if there are any new items for future meeting agendas.

Council Member Goss requested the following be added as a future meeting agenda item: Sierra Madre Municipal Code (Title 17 - Zoning - Chapter 17.22 - Second Units) 17.22.130 – Recordation of Covenants and Deed Restrictions Pertaining to Second Units.

ADJOURNMENT:

Mayor Delmar asked for a motion to adjourn.

Council Member Arizmendi made a motion to adjourn the meeting.

The motion to adjourn was seconded by Council Member Capoccia.

Ayes: Mayor Denise Delmar, Mayor Pro Tem John Harabedian, Council Members Rachelle Arizmendi, John Capoccia, and Gene Goss.

Noes: None

Absent: None

Abstain: None

The motion to adjourn was passed unanimously.

THIS SIERRA MADRE CITY COUNCIL REGULAR MEETING WAS ADJOURNED at 9:06 p.m. to a Regular Meeting to be held on Tuesday, June 12, 2018, in the Sierra Madre City Hall Council Chambers.



Denise Delmar, Mayor

Minutes taken and prepared by:



Sue Spears, City Clerk