

**MEETING MINUTES
CITY OF MILPITAS**

Minutes of: Special Meeting of Milpitas City Council
Date: Thursday, March 8, 2012
Time: 6:00 PM
Location: Council Chambers, Milpitas City Hall,
455 East Calaveras Blvd., Milpitas

ROLL CALL

Mayor Esteves called the meeting to order at 6:01 PM.

PRESENT: Mayor Esteves, Vice Mayor McHugh, Councilmembers Giordano, Gomez and Polanski

ANNOUNCEMENTS:

Councilmember Giordano inquired if Mr. Riffle had received a signed copy of Ordinance No. 262.7. Staff replied a copy would be sent.

Councilmember Gomez announced that he and Councilmember Polanski started a fund drive to raise the \$75K for the cancelled 4th of July fireworks event and requested staff provide the deadline for the receiving the funds.

PUBLIC FORUM:

Jeanne Serpa of Allied Waste, reported that Allied Waste is donating \$15,000 toward the 4th of July fireworks event.

Steve Smith of the Milpitas Public Works Department, offered volunteers from the maintenance employees at the Corporation Yard to staff the 4th of July event.

Mayor Esteves advocated for solicitation of additional citizen/employee volunteers. Councilmember Polanski clarified the fund raising efforts would also include funding of the overtime services of staff.

**ANNOUNCEMENT OF
CONFLICT OF INTEREST:**

None.

APPROVAL OF AGENDA

Motion: to approve the agenda, as submitted

Motion/Second: Councilmember Giordano/Vice Mayor McHugh

Motion carried by a vote of: AYES: 5
NOES: 0

**CONTINUE BUDGET
PLANNING AND
DIRECTION FOR FISCAL
YEAR 2012-13**

City Manager Tom Williams reviewed items in the Council purple folder that included salaries and benefits by union, and two letters from representatives for IAFF and UPEC. Councilmember Giordano and Mayor Esteves asked for clarification of the intent of the letters and Mr. Williams responded he could not speculate on their objectives, but there were only two options to either negotiate with the unions, or cut costs through layoffs.

Councilmember Gomez suggested the Council move forward with identification of cuts in services/personnel to give employees as much notice as possible.

Vice Mayor McHugh stated he would like to give employees until May 8 to come back with proposals to avoid layoffs. He stated his priorities were public safety, maintaining the infrastructure, and a balanced budget with minimum impact to citizens and employees. He further stated the City Manager needs to provide justification for the cuts.

Councilmember Polanski reported her priorities included public safety, infrastructure, water and sewer, street maintenance, information technology security, and any other health and safety services.

Mayor Esteves stated he wants to maintain those programs that are used the most by

Milpitas residents.

Mr. Williams reported the meeting was noticed as an action meeting and the Council could vote to take action. He provided a detailed review that included what actions have been taken to date, the objectives and budget challenges, and recommended programs to suspend.

Councilmember Giordano reported her objectives were cost delivery of core services, staff to formulate a way to deliver key services in the most cost effective and efficient way, and for Council to provide policy keeping in mind the City has declared a fiscal emergency.

Mayor Esteves stated he wanted to maximize the value of services in the most cost effective way while keeping the trust of the residents. He further wanted to insure the City's financial stability and retain the Capital Improvement Project budget.

Councilmember Polanski stated she wanted to look at the long term infrastructure and that monies be designated to necessary projects. She further stated that the reserve should not go below 15% and the City should try to work to raise the reserve to 25%.

Councilmember Polanski advocated for maintaining core services and not add new services that would contribute to the budget shortfall. She felt staff should not spend time on assignments from the Council that are not core priorities to the City.

Councilmember Gomez stated that public safety was his top priority, but all departments must contribute to solve the problem.

Councilmember Giordano and Councilmember Polanski advocated for moving forward with direction to meet the May 8 budget deadline.

The Council discussed cuts to services and employees, the cuts already implemented, and their concern on the impacts to the citizens and employees. Mr. Williams reviewed the current suggested cuts and alternatives and responded to questions from the Council on specific suggested cuts to departments.

Councilmember Polanski and Mayor Esteves reiterated their concern of not taking any more money from reserves. Mayor Esteves advocated for more cost cutting balance among all departments for absorbing the budget shortfall.

Emma Karlen, Director of Finance, reviewed the PERS contribution rates and unfunded responsibility explaining the reasons for the high rates and future expenses, medical insurance premiums and unfunded liability of retiree medical benefits of \$29,665,722.

Vice Mayor McHugh inquired how the City planed to address the medical unfunded liability. Mr. Williams responded a trust fund was established with funding from the City budget and reported the City has been able to greatly reduce the liability over the years.

Ms. Karlen reviewed the hourly rates for finance employees vs. contracting out services concluding it would cost more to outsource professional staff. Councilmember Giordano requested clarification of how retirement costs are factored into the rates.

Vice Mayor McHugh requested clarification of leave hours for vacation, holidays and sick leave. He inquired what the cap on vacation time is and if there was any additional hours granted. Ms. Karlen responded that managers receive an additional maximum of 40 hours. He requested information be brought back to the Council.

Councilmember Polanski also requested more information on vacation caps and possibly compare vacation time to private industry.

The Council was advised by the City Manager and City Attorney that changes could not be made unless negotiated with the unions. The process for possible impasse with unions was explained to the Council.

Councilmember Gomez inquired if negotiations could be opened with the unrepresented group and was advised it was at the discretion of the Council.

Motion: Vice Mayor McHugh moved, and Councilmember Polanski seconded, to receive a report on the policy for holiday pay, sick leave and vacation pay caps, and medical benefits for all employees.

Councilmember Giordano stated she would vote no on the motion because she felt the employee groups should come forward with their suggestions on a cafeteria plan for benefits and other concessions.

Councilmember Polanski clarified that her second was based on getting benefit information for the unrepresented employees only. She agreed to second the motion to include all employees.

The motion carried with Councilmember Giordano voting no.

Ms. Karlen reviewed the City Council compensation and benefits package.

Councilmember Polanski pointed out the Council salaries have not gone up for years, even though they have the option to raise their salary by 5% every two years.

Mayor Esteves recommended the Council contribute toward their own benefits and Councilmember Polanski concurred.

Vice Mayor McHugh suggested the Council could increase the 7% salary and car allowance reduction to 10%, pick up the cost of the PERS if they want to participate, or pass on the medical, dental and vision.

Councilmember Polanski asked if the motion could include bumping the 7% reduction in car and salary reduction up to 10%. The amendment was accepted by the Mayor.

Motion: Mayor Esteves moved, and Councilmember Polanski seconded, that starting in December 2012 (after the election), elected officials will forfeit dental, vision, and medical benefits unless they choose to pay the premiums, and have a 10% reduction in their salary and car allowance.

Councilmember Giordano pointed out that Councilmembers commit several hours to serving, but acknowledged the Council is there to serve. She stated she was not in favor of the motion as she was the only councilmember who was self employed but would be willing to cut other benefits. She requested the Human Resources Director provide the Council with information on how PERS is offset by Social Security.

The motion carried with Councilmember Giordano voting no.

Chief Sturdivant gave a presentation that included the defined minimum staffing, right-sizing the Fire Department, and described the staffing requirements for a full alarm assignment. He also reported on firefighters per capita noting Milpitas is .78 per 1,000 residents, and discussed two options for cost savings of either \$730K or \$1.4K.

Mayor Esteves requested clarification of funded and unfunded positions and overtime costs, as well as out of class pay, and was advised it was negotiated in the Fire Department Memorandum of Understanding.

Councilmember Gomez questioned some of the administrative positions and wanted to know why they were vital. He also inquired if they could have one public safety director. Mr. Williams replied it was not feasible for Milpitas.

Mayor Esteves called for a break at 8:57 p.m. and reconvened at 9:08 p.m.

Chief Sturdivant reviewed details of Option A for a \$370K reduction and Option B for a \$1.4M reduction. He reviewed an administrative pilot program that would save \$40K in overtime savings with Battalion Chiefs going to a 40 hour work week, and the RFP for outsourcing the Fire Department.

Mayor Esteves commented he was looking for more salary/benefit concessions from the Fire Department and is concerned with out of class pay.

Councilmember Polanski inquired what the industry standard was for benefits and wanted to see the benefits get to 50% of salary or lower for all employees.

Motion: Vice Mayor McHugh moved, and Councilmember Gomez seconded, to direct the City Manager to negotiate with Public Safety employees to give up holiday in lieu pay and longevity pay, and negotiate with all unions to reach 50% benefits to salary ratio.

Councilmember Giordano stated she will be voting no since the unions need to come forward with concessions to reduce the budget deficit.

The motion carried with Councilmember Giordano voting no.

Mayor Esteves solicited for public input.

Mike Queenan, a Milpitas resident, recalled a fire that was responded to by the Fire Department and advocated to maintain the current Fire Department services.

Geoff Maloon, Milpitas Fire Captain, advocated for keeping fire staffing noting they are below NFPA standards now and cannot continue timely service if further staffing is cut. He compared staffing levels to Mountain View and Palo Alto.

James Queenan, Milpitas Firefighter, spoke about the increased hazards, decreased staffing levels, and training needs, and advocated to keep the current staffing levels.

Joseph Weinstein, a Milpitas resident, objected to the removal of the Office of Emergency Services and opined that staffing levels are already too low.

Chief Building Official Keyvan Irranejad reviewed the Building Department positions and cost to outsource those positions, and concluded it would cost the City between 14% and 48% more, depending on the specific position. He reviewed the impact if in-house employees were not retained.

Councilmember Giordano requested further clarification on how the hourly rates were determined and what benefits were included. Councilmember Gomez inquired why an Enterprise Fund is not used and why not hire minimal staffing. Mr. Williams responded the City was already doing this and brings in contractors when large projects come up noting that developers pay the cost for the inspector.

Public Works Director/City Engineer Greg Armendariz reported the Public Works Department was the hardest hit and he has been cross training staff noting that the BART project is behind schedule and additional staff has been assigned. Mr. Armendariz stated he was developing a succession plan to deal with the anticipated cuts.

Mr. Armendariz reviewed the Engineering Department and Public Works roles, responsibilities, and projects. He reviewed the costs of contracting out Engineering showing in-house costs were lower. He described the use of contractors and how they were managed.

Mr. Armendariz reviewed the many roles of the Public Works employees and how they work with other departments. He stated there was a need to build a depreciation fund to maintain the infrastructure.

Mr. Armendariz reviewed the prevailing wages vs. Public Works employees noting that Milpitas utilities and electrician employees are below the prevailing wage. He reviewed the parks contract vs. in-house showing the contract hourly rates were lower than in-house employees. Mr. Armendariz responded to questions from Council related to privatizing parks maintenance, contracting out parks maintenance, hourly comparisons, private parks maintenance, and why the discrepancy in contractors fee proposals.

Vice Mayor McHugh requested the City Manager provide the Council copies of all the presentations and for clarification of the \$2.1M savings and the \$1.2M savings. Mr. Williams responded by clarifying which services were included in the numbers.

Mr. Armendariz discussed privatization of water and sewer systems and the City functions that would be eliminated.

Councilmember Giordano inquired how many cities have privatized water and sewer and Mr. Armendariz said he would provide that information later.

Mr. Armendariz reviewed plans to issue RFPs for sections of Engineering and Public Works, and his efforts to re-negotiate contracts in time for the May 8 budget hearing.

Councilmember Gomez questioned privatizing water and sewer noting this did not impact the General Fund and would like this discussion dropped with the approval of the Council. He also advocated for keeping more positions in Public Works and looking to other administrative positions. He suggested that of the \$2.1M, that \$900K be allocated to administration and other departments, and drop privatization of water and sewer.

Councilmember Polanski confirmed her desire to not privatize water and sewer, and requested clarification on what departments would be impacted. Mr. Williams responded there will be service reductions and impacts to the public if other departments were cut which would include Building, Finance and the City Clerk's office, as opposed to his proposal to eliminate positions in Public Works and Parks maintenance where there would be no service reductions.

Motion: Councilmember Gomez moved, and Councilmember Polanski seconded, to reduce Public Works outsourcing to \$1.2M, spreading the remaining \$900K costs among administration and other departments (excluding public safety), and drop discussion of privatizing the water and sewer systems.

Councilmember Giordano stated she would be voting against the motion because she would like to look at the privatizing water issue, the plan has been changed that would mitigate service impacts to the public, and she would like employees to come back with a plan.

Vice Mayor McHugh asked Mr. Armendariz for the rationale in keeping street maintenance and tree and landscape maintenance in-house and requested this be given to the City Manager and Council. He also would like to look at parks and recreation, specifics of the program, the cost recovery, and how many Milpitas residents participate.

Mr. Williams requested further clarification from the Council so he would bring back a recommendation the Council would agree to.

Mayor Esteves invited people to speak.

Paul Mullet, a Milpitas Public Works employee, stated his union would try to come up with a plan to address the proposed reductions. He also noted that contractors require additional money for licensed work.

Steve Bunell, a retired Milpitas City worker and Milpitas resident, asked the City to consider directing the City Manager to backfill vacancies due to retirements.

Mr. Sharmim, on Perata Drive, expressed concern about reducing library hours and the high employee salaries. He stated private industry pays less for engineers and they have less benefits.

Councilmember Polanski stated the motion would not negate the employees' opportunity to come forward with solutions.

Councilmember Gomez stated he was trying to find balance in the budget that will minimize the impact to citizens.

Vice Mayor McHugh agreed with Councilmember Polanski and stated his support for the motion.

Mayor Esteves stated he would not support going out and spreading \$900K across departments because of the potential impact on services, and would like employees to come forward with concessions and would not be supporting the motion.

Mike Serpa, a Milpitas Public Works employee, inquired if they can come up with \$1.2M in concessions, would they still be targeted for future cuts. Mayor Esteves replied he could not guarantee they would not be impacted in the future, but any further concessions would apply to all groups.

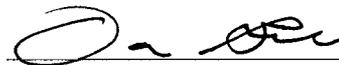
The motion carried with Mayor Esteves and Councilmember Giordano voting no.

Mr. Williams inquired which alternative the Council wanted him to work on and was directed to use the alternative on the left side of the slide titled "Where are We Today" with a total of \$9.6M and no funds taken from reserves. Vice McHugh pointed out the selected alternative is \$9.6M and only \$9.2M is needed. Mr. Williams responded he will provide a plan with only \$9.2M

ADJOURNMENT

Mayor Esteves adjourned the City Council meeting at 11:46 PM.

The foregoing minutes were approved by the Milpitas City Council as submitted on April 3, 2012.



Donna Biles
Deputy City Clerk