



MINUTES

REGULAR MEETING OF THE HEMET CITY COUNCIL

October 11, 2016

REGULAR SESSION

7:00 p.m.

City of Hemet City Council Chambers
450 E. Latham Avenue

www.cityofhemet.org
Please silence all cell phones

Call to Order

Mayor Wright called the meeting to order at 7:00 p.m.

Roll Call

PRESENT: Council Members Krupa, Milne, and Youssef, Mayor Pro Tem Raver and Mayor Wright

ABSENT: None

OTHERS PRESENT: City Manager Meyerhoff, City Attorney Vail and City Clerk McComas

Invocation

Invocation was given by Michael Madrigal, Hemet-San Jacinto Interfaith Council.

Mayor Wright, on Saturday, October 8th shortly after noon, two Palm Springs Police Officers were shot and killed while protecting the citizens of Palm Springs. These senseless murders have had a profound impact on our community and our police department. Officer Lesley Zerebny was a 2007 graduate of West Valley High School and was a lifelong Valley resident. Her husband is a Hemet High School graduate and also serves as a law enforcement officer. Officer Zerebny's father served 30 years in the California Highway Patrol and spent most of his career in the Hemet/San Jacinto Valley. Officer Zerebny defines a true hero. As a community, we owe her and her surviving family members a lifelong debt of gratitude. Mayor Wright requested a moment of silence honoring the life and sacrifice of Palm Springs police officer and San Jacinto Valley resident, Lesley Zerebny, and her partner and training officer Jose Gilbert Vega.

Pledge of Allegiance

Pledge of Allegiance was led by Police Chief Brown.

Presentation

1. Diamond Valley Lake Ad Hoc Committee – Paul Jones, EMWD

Paul Jones, General Manager of EMWD, introduced Randy Record, President of EMWD Board of Directors and re-elected today by unanimous vote to serve as Chair of the MWD Board of Directors for an additional two years.

Mr. Jones, gave the City Council a powerpoint presentation on the Diamond Valley Lake Ad-Hoc Committee overview and next steps. A map of Diamond Valley Lake and the property surrounding it was displayed. The map included the trails and facilities. Diamond Valley Lake is a 4,500 acre water body. Mr. Jones displayed an aerial map of the East Dam Recreational Area with the current and potential opportunities. Pictures of the existing East Dam Area facilities were displayed. Not shown on the map is a 13,500 acre open space area located between DVL and Skinner. Recent improvements to Diamond Valley Lake by MWD are: extended boat ramp in two segments, totaling a 360-foot extension to increase boating opportunities; installing permanent restrooms at the Marina; upgrading electrical service at East Dam; investing \$100,000.00 to update Diamond Valley Lake water education center; improving street signage; and new contract with marina concessionaire for 24-months (while preparing an RFP for a long term concessionaire). Other Efforts: DLV-to-Lake Skinner and Salt Creek Trails (finalizing study with County); and initial discussions regarding potential campground and RV Park. In June of 2015, Council Member Krupa assembled a stakeholder Ad-Hoc Committee. The Committee set the following goals: evaluate the stats of recreation and other offerings at Diamond Valley Lake; and develop a path forward to achieve a more robust recreation and eco-tourism hub promoting improved quality of life and economic opportunity for the region. The current Diamond Valley Lake Recreation Area Development Agreement (DA-03-02) was for a term of 15 years, expiring in January 2018. Requisite market conditions and private development did not occur. The Ad-Hoc Committee met eight times over a 14-month period to develop: a Vision Statement and specific objectives for the area, opportunities/constraints; and desirable components for a future recreational base. The Committee's desired outcome is to develop a Memorandum of Intent (MOI) reflecting consensus of agencies on proposed component improvements for the area going forward. Committee Members include: Hemet City Council, Planning Commission and staff; Metropolitan Water District of Southern California Board of Directors and staff; Valley-Wide Recreation and Park District Board of Directors and staff; County of Riverside Third District Board of Supervisors staff representative; State of California 28th District Senator Jeff Stone staff representative; Soboba Band of Luiseno Indians Tribal Council and staff; Western Science Center Board of Directors and staff; San Jacinto Valley business community representatives; and resident public members. Committee-Adopted Vision Statement for the DVL Area: Maximize the unique attributes of the area by creating an eco-community destination that integrates active and passive recreation, a healthy living setting, cultural resources, and environmental preservation in a manner that produces a highly desirable place to live and visit. Objectives developed by the Ad-Hoc Committee: maximize access to and interaction with the environmental resources; undertake economically feasible improvements that are implemented when public agency funding and/or private sector investment is available; implement improvements with a goal of providing a broad set of recreational, cultural, and educational opportunities; complete improvements that are complementary to existing successful recreational and open space uses in the DVL area; and identify and engage in strategic partnerships to implement the vision for the DVL Area, including collaborative partnerships between the Parties. The Stakeholder Committee identified the following seven Proposed Component Improvements for the DLV Area: running, walking and bicycling decomposed granite trail below the East Dam; regional trail interconnections between DVL and both Salt Creek Trail and Lake Skinner Trail; expanded passive parks; enlarged active sports complex with ball fields and support facilities; body-contact recreation lagoon on east side of DVL; camping/recreational vehicle overnight accommodations to support sports complex, lake, and

future lagoon usage, open space and trail access; and improved access to marina for full time usage. The Committee identified the following roles and responsibilities necessary for each Component Improvement: capital funding; grant and outside funding acquisition; planning and entitlement; design, permitting and construction; management; operation, maintenance and security; and marketing. A worksheet was displayed showing the Roles and Responsibilities for the Stakeholders. The Memorandum of Intent (MOI) will: establish the Vision, Objectives, and Proposed Component Improvements of the DVL recreational area; identifies the intent of the Parties for the area while setting forth appropriate caveats effecting implementation – needed for capital and operating funding, environmental permitting, private sector investment, governing body approvals, etc. – included to frame reasonable expectations; describes each Component Improvement; identifies lead agency, primary support for each Component Improvement; and establishes Monitoring Committee.

Council Member Krupa, thanked Mr. Jones for being the facilitator. The Committee members agreed not to bring up the past and move forward. Council Member Krupa thanked Randy Record for stepping up and being at the meetings. Looking forward to completion of the MOI and moving forward.

Randy Record, MWD Board Member, complimented the great job done by Paul Jones and the City's Leadership from the beginning of Diamond Valley Lake. We are all optimistic the meetings have been very productive. San Jacinto Valley is my home, I really want to see something we can be proud of, not just our community, but also MWD and EMWD. Mr. Record thanked the City Council for their support.

Council Member Youssef, thanked Randy Record, Council Member Krupa and Paul Jones for their efforts. We all want to see this successful. This will put trust back in the wonderful opportunities and leadership that is in the Valley.

Council Member Milne, long road still. Council Member Milne expressed appreciation for the Committee Members. Glad that City Manager Meyerhoff is leading the team given his love for this type of project.

Mayor Wright, it's been a long time coming and we're finally here. Partnerships with the private sector can make this happen. Mayor Wright expressed appreciation for MWD's willingness to participate. Mayor Wright is looking forward to these items coming to fruition and bringing these opportunities to the valley, the residents and visitors.

City Council Business Consent Calendar

2. **Recommendation by Mayor Wright** – Planning Commission Appointment
 - a. Appoint Michael Sanchez to Seat 4 on the Planning Commission in order to fill a term expiration. The term will expire April 1, 2017.
3. **Approval of Minutes** – September 27, 2016
4. **Receive and File** – Warrant Register
 - a. Warrant register dated September 15, 2016 in the amount of \$910,064.82 and September 29, 2016 in the amount of \$1,284,765.63. Payroll for the period of August 29, 2016 to September 11, 2016 was \$620,628.29.

5. **Receive and File** – Investment Portfolio as of July 2016
6. **Recommendation by Administrative Services** - Extending the Temporary Grace Period for delinquent Water Utility Bills and Establish the Timing for the Assessment of Late Fee
 - a. Adopt a resolution extending the temporary grace period for delinquent water utility bills to December 20, 2016 and establishing the timing for the assessment of a late fee. **Resolution No. 4711**

Council Member Youssef moved and Council Member Krupa seconded a motion to approve the Consent Calendar as presented. Motion carried 5-0.

Mayor Wright, introduced newly appointed Planning Commissioner, Michael Sanchez.

Communications from the Public

Tammy Rademski, Hemet, gave the City Council a number of suggestions to generate revenue to help increase the hours and days of operation for the Library. The City could consider charging \$0.50 for DVD rentals, increase the cost of a copy to \$0.20, bake sales and car washes. Ms. Rademski recommended that a fee be requested for services and waived for volunteer time.

Marie Ball, Hemet, requesting that speed bumps be considered on Thornton, Zirconia, Malachite and Limonite. Ms. Ball presented a petition to the City Clerk.

Mayor Wright, recognized Boy Scout Troop 108 working on their "Citizenship in the Community" merit badge by attending the Council Meeting.

Discussion/Action Item

7. **Amendment to the Contract Between the Board of Administration California Public Employees' Retirement System and the City Council of the City of Hemet for Cost Sharing** – Jessica Hurst, Deputy City Manager/Administrative Services Director
 - a. Introduce, read by title only and waive further reading of ordinance to allow cost sharing of the Employer Contribution to CalPERS with the "Classic" CalPERS members of the Hemet City Fire Fighters Local No. 2342 (HFFA).

Ordinance Bill No. 16-074

Jessica Hurst, Deputy City Manager/Administrative Services Director, this is the final item to amend the CalPERS Cost Sharing Agreement for Hemet Fire Fighters Association. HFFA elected to pay 3% of the Employer's share. This amendment makes that a permanent Employee's share making it pre-taxed.

Council Member Milne moved and Council Member Youssef seconded a motion to approve this item as presented. Motion carried 5-0.

Ordinance read by title only.

8. **Review of Other Post-Employment Benefits (OPEB) Trust and Funding Policy**

– Jessica Hurst, Deputy City Manager/Administrative Services Director

Discussion regarding this item, with possible direction to staff

Jessica Hurst, Deputy City Manager/Administrative Services Director, gave the City Council a powerpoint presentation on the Retiree Medical Other Post-Employment Benefit (OPEB) Trust. Ms. Hurst presented a workstudy on June 26th describing the option of establishing an OPEB, or retiree medical, trust to begin to set aside funds to be used exclusively to fund the City's remaining retiree medical benefits. On September 13th the City Council was asked to consider establishing a trust. At that meeting, the City Council directed staff to bring back additional information. Retiree medical benefits are referred to as other post-employment benefits, or OPEB. The City of Hemet retiree medical plan was discontinued for future employees in 1998; it is what is referred to as a "closed plan". There are currently approximately 225 retirees and 40 active employees eligible for the City's retiree medical program. The program will sunset in another 40 to 50 years, when the last eligible retiree exits the program. The City of Hemet's retiree medical program is funded on a pay-as-you-go basis. This has led to an unfunded liability amount of \$87,000,000 as of October 2015 actuarial report. Additionally, with the rising cost of healthcare, it is assumed that the cost of retiree medical will continue to rise. As costs continue to rise, the City's unfunded liability will grow until the number of program participants begins to decline. To add to that, this unfunded liability will now appear on the face of the city's financial statements beginning in the current fiscal year, as required by GASB Statement 74. This inclusion will greatly affect the City's net position, once added to the PERS unfunded liability, increasing total liabilities to approximately \$150,000,000. An OPEB Trust is a type of defined contribution plan, similar to a deferred compensation (457 or 401K) plan. An OPEB Trust is an irrevocable account established for the purpose of saving and paying for OPEB liabilities. There are no funding requirements for an OPEB Trust and investments can be actively or passively managed. Benefits of an OPEB trust are higher earnings than currently seen through the City's operating accounts and due to the higher discount rate, a lower actuarial unfunded liability. Additionally, because the City has a closed plan which will come to an end sometime in the next 40 to 50 years, any remaining assets in the trust at that time will be returned to the City. The authorization for establishment of an OPEB trust outside of the City's adopted investment policy is pursuant to Government Code Section 53620-53622, which provides authority to the governing body to invest funds intended for the payment of retiree benefits in any form deemed prudent by the governing body. With regular funding it is possible the future full annual cost of OPEB could be paid directly from the trust. Ms. Hurst gave a brief description for three OPEB providers that were explored by staff. CERBT is a program created by CalPERS and managed by CalPERS investment staff. The CERBT program was started in 2007 with one investment strategy which has since grown to 3 strategies. The CERBT program has grown to nearly 500 public sector clients. ICMA offers options for public agencies to create their own investment strategy (actively managed) or select an established investment strategy from a menu of options (passively managed). Strategies are offered through VantageTrust and Dreyfus, in addition to other third-party funds. ICMA provided a list of 3 public sector clients that included one in California. PARS has been offering OPEB trusts the longest and is probably the most well-known provider. PARS utilizes US Bank as trustee and funds are offered through Highmark Capital Management. PARS currently has over 150 public sector clients. A table comparing administrative fees, expected long-term rate of return, and standard deviation of returns by Trust Administrator's was displayed. Each trust administrator

offers several investment strategies, depending on the level of risk. All administrative fees for the three administrators are calculated as a percentage of assets and applied to every dollar deposited or earned. There are no fixed or other fees charged. A table showing fund performance for one-year, three-years, five-years and ten-years, if available, was displayed. An OPEB trust does not require any deposits. An OPEB trust is a defined contribution plan so the City can fund it as conservatively or aggressively as it wishes. There is no requirement that the Council fund an established OPEB trust. However, there is currently over \$1.2 million in available fund balance for the City's OPEB fund, as of June 30, 2016. Staff recommends utilizing a portion of this fund balance as an initial deposit if an OPEB trust fund is established. Additionally, the Council may wish to establish a funding policy to define goals for an OPEB trust. This policy could include a resolution outlining a annual minimum deposit into the OPEB trust in order to meet those goals. This minimum annual deposit would ensure progress toward eliminating the unfunded liability for OPEB. There is also the option to make additional deposits to an OPEB trust at any time. A table was displayed showing examples of how each fund would perform and the associated costs with an initial deposit of \$750,000 and annual deposits of \$100,000, \$250,000 and \$500,000. A table showing example performance and cost calculations for the providers was displayed. Each fund begins with an initial deposit of \$750,000 and then deposits annual contributions as stated for 45 years. Using the expected rate of return for each of the funds, the earnings, estimated future value and administrative fee was calculated. Representatives from CERBT and PARS are available to answer questions. The City Council and staff discussed staff's recommendation to being the fund with \$750,000. The City Council can set the amount of the initial deposit and annual funding policy that would at some point eliminate the unfunded liability. The City Council and staff also discussed the differences in the administrative fees and the rate of returns.

Council Member Milne, asked how many agencies have moved from one provider to another and why.

Council Member Youssef, disclosed that he has had direct contact with CERBT and PARS.

Andy Nguyen, CERBT, three employers have transferred out from CERBT. One closed their benefit program, the other two changed to a provider that had a more conservative allocation strategy. Mr. Nguyen noted that a handful of agencies have transferred their assets to CERBT from another providers.

Jennifer Meza, PARS, several agencies have transferred their assets to PARS because of their customer service. Two agencies have moved from PARS, one school district closed their plan and one moved to another provider for specific services they wanted.

Council Member Krupa, asked about diversified portfolios or are the agencies bound to one strategy.

Mr. Nguyen, a diversified portfolio is possible however, currently no agencies invest in multiple strategies. The long term goal is the priority.

Ms. Meza, PARS offers 10 different portfolio types however, individual portfolios are available.

Mayor Pro Tem Raver, expressed concern with the recent CalPERS criticism. Mayor Pro Tem Raver asked about the stated Rate of Return and what would happen if the investments did not experience that rate of return. Mayor Pro Tem Raver asked if the City has control of the asset allocations.

Ms. Hurst, explained the difference between a defined benefit and a defined contribution. The OPEB Trust would be a defined contribution like deferred compensation. There is no penalty to the City if the investments do not see the anticipated rate of return.

Council Member Youssef, recommended that ICMA no longer be considered since they have been unresponsive. Council Member Youssef asked Ms. Meza from PARS to explain the difference in their administrative fees.

Ms. Meza, PARS is a fee for service agency. You are paying for flexibility and control not just for fees to have an account. PARS provides exceptional customer service. We are not just here to tell you about our services but will be available to assist with investments as long as you remain a customer.

The City Council and staff discussed the rate of return based on different assumptions.

Council Member Youssef, asked if direct payment can be made to the retiree.

Ms. Meza, confirmed that reimbursement can be to the city, to the provider or to the employee directly.

Mr. Nyugen, reimbursements can be made to the City only.

Eric Vail, City Attorney, requested additional information on the investments. Mr. Vail asked if any of the funds invest in debt obligations or mortgage backed securities. Mr. Vail also asked if investments are made in securities or real estate in other nations. Mr. Vail asked Mr. Nyugen if the investment decisions for CERBT are made by the same Board that makes the investment decisions for CalPERS.

Ms. Meza, did not have the information to answer Mr. Vail's question but would provide that. A PARS Investment Manager can come answer all of these questions and talk about investment options.

Mr. Nyugen, CERBT's public assets market does not invest in real estate. The Global Entities Fund does invest in both International and National investments. CERBT follows the Investment Policy that is adopted by the CalPERS Board. Two of the three investment options are active managed by CERBT's Investment Officer. The other is a passive investment is similar to a mutual fund.

Ms. Hurst, recommended that the City Council establish a trust and set a funding policy

Council Member Youssef, expressed disappointment that ICMA didn't respond that is obviously poor customer service. Council Member Youssef recommended that the City maintain local control and it seems we would have more with a private firm. Council Member Youssef recommended that the City Council consider PARS as the Trust Administrator.

Mayor Pro Tem Raver, recommended that the advice of the City Treasurer be sought. Her insight and experience with investments might be good to hear. Mayor Pro Tem Raver also recommended that Ms. Hurst work with Council Member Youssef on the strategy policy and funding options.

The City Council and staff discussed the initial deposit amount and briefly discussed the annual funding policy.

The City Council thanked the representatives from both CERBT and PARS.

Council Member Youssef moved and Council Member Krupa seconded a motion to move forward of a OPEB Trust, selected PARS as the Trust Administrator, direct staff to bring back investment strategy options and funding policy recommendation, include the City Treasurer in the next steps, initial pre-funding in the amount of \$750,000 and to bring back set aside amount for former Refuse Employee Retirement. Motion carried 5-0.

City Council Reports

9. CITY COUNCIL REPORTS AND COMMENTS

A. Council Member Krupa

1. Riverside Conservation Authority (RCA)

2. Ramona Bowl Association

"Boo at the Bowl", October 29th, 30th, and 31st

3. Riverside Transit Agency (RTA)

4. Watermaster Board

5. Library Board

6. League of California Cities

Council Member Krupa attended the General Conference it was very productive. The Board of Directors announced that to take an oppose positon to Proposition 57.

Council Member Krupa was re-elected at the Western Representative for Riverside County.

7. Riverside County Transportation Commission (RCTC)

8. Western Riverside Council of Governments (WRCOG)

9. Southern California Association of Governments (SCAG)

Hemet Elementary will be open for school in 17/18. Agencies are working with HUSD to re-draw the boundaries.

Council Member Krupa attended the Max the Mastodon's 21st birthday celebration.

Council Member Krupa attended the League's annual golf tournament, accompanied by the golf team of Steve Latino, Eric Vail, Tom Jex and Ben Benoit.

B. Council Member Milne

1. Riverside County Habitat Conservation Agency (RCHCA)

2. Riverside Conservation Authority (RCA)

3. Disaster Planning Commission

Council Member Milne attended the Grand Opening of Burlington. Great turnout, even the soft opening was well attended. Sprouts will open October 26th and Ulta on Black Friday. Council Member Milne thanked City Manager Meyeroff and the staff for getting it done.

Council Member Milne attended the "Helping and Hiring Our Heroes" event in Temecula. Proud to see the Police Department's recruitment booth.

C. Council Member Youssef

1. Planning Commission

Council Member Youssef requested that Fire Chief Brown invite the photographer that assisted at a rescue scene to a Council Meeting to be recognized.

D. Mayor Pro Tem Raver

1. Traffic and Parking Commission

2. Riverside Transit Agency (RTA)

3. Riverside County Transportation Commission (RCTC)

4. Watermaster Board

Mayor Pro Tem Raver complimented the Police Department for their rapid response to help Palm Springs Police Department.

Mayor Pro Tem Raver attended the RTA budget meeting. The Board approved the budget for new buses. Mayor Pro Tem Raver arrived while another committee meeting was being conducted where two Federal Grants for Hemet's Train Station were approved. The location was discussed and questioned.

E. Mayor Wright

1. Park Commission
2. Riverside County Habitat Conservation Agency (RCHCA)
3. Ramona Bowl Association
4. League of California Cities
5. Western Riverside Council of Governments (WRCOG)

Mayor Wright attended WRCOG, they are finalizing the TUMF Nexus Study and updated the HERO program. Currently 354 jurisdictions participate and a new finance company has been added. Also discussed was the Community Choice Aggregation Program, a program that will allow local governments to purchase electricity from an existing electricity provider. The study concluded that in the WRCOG area a savings of 4% is possible. WRCOG encouraged involvement in Storm Water Management due to new regulations.

6. Southern California Association of Governments (SCAG)
7. Homeless Task Force

Next meeting will be October 24th at 1:00 p.m.

8. Skate Plaza Task Force

There will be a presentation from Skate Plaza Developers on November 3rd, followed by Pro-Skater's at a subsequent meeting.

Mayor Wright attended the Hemet-San Jacinto Chamber's First Friday; Hemet Police Department's Coffee with a Cop and the Grand Opening of Burlington.

F. Ad-Hoc Committee Reports

1. Diamond Valley Lake Recreation Ad-Hoc Committee (January 27, 2015)
Report from Paul Jones, EMWD during Presentations.
2. Business/Industry Ad-Hoc Committee (April 15, 2016)

City Manager Meyerhoff is working with BIA. Mr. Meyerhoff recommended that this Ad-Hoc Committee be converted to a Task Force.

G. City Manager Meyerhoff

1. Manager's Reports
2. Staff Spotlight

City Manager Meyerhoff received a compliment regarding the great job done by Sara Retmier from Savant Construction during the Grand Opening of Burlington.

2. Public Safety Update

Fire Chief Brown, the Fire Department sponsored 5 employees to attend the Riverside Fire Leadership Program where Chief Brown taught two segments. Jennifer Mills was hired to fill the EMS Coordinator position. Chief Brown was appointed as the Alternate Area Regional Fire Coordinator. Hemet Fire Department reached out to Palm Springs Fire Chief offering condolences and will send an Engine Company and personnel to honor fallen officers.

Police Chief Brown, Anthony Do starts tomorrow as the Department's Media and Intelligence Analyst. 8 Trainee applicants are in background, which takes 2 to 3 months, the goal is to start them in the January 2017 academy. All resources have been offered to Palm Springs and the Zerebny Family.

Tip-a-Cop will be held on October 20th at Red Robin.

4. Update on Future Agenda Items
5. Fire Department Open House, October 15, 2016

Mayor Wright announced that the Hemet Hospital Health Fair will also be held on October 15th.

6. Great Shake Out, October 20, 2016

The City will conduct their drill on Monday, October 24, 2016.

Future Agenda Items

Workstudy AB 243, AB 266 and SB 643.

Request presentation from WRCOG, Community Choice Aggregation Program

Adjournment

Adjourned at 9:25 p.m. in honor of Palm Springs Fallen Officers Lesley Zerebny and Gilbert Vega to Tuesday, October 25, 2016 at 7:00 p.m.