



City of Commerce

Meeting Minutes

Thursday, May 29, 2025 - 4:00 PM

Special City Council Meeting - Budget Workshop
Location: Community Services Conference Room

CALL TO ORDER

Mayor Altamirano called the Special meeting to order at 4:09 p.m.

ROLL CALL

Councilmember Rebollo arrived at 4:19 p.m.

Present: 5 - Mayor Altamirano
Mayor Pro Tem Lainez
Councilmember Argumedo
Councilmember Garcia
Councilmember Rebollo

PUBLIC COMMENT

There were no individuals wishing to address the City Council on any items within their jurisdiction.

SCHEDULED MATTERS

1. 2025 Hall of Champions Award

This item was addressed by the City Council after Item #2. Councilmember Rebollo stated that upon further review of the applications, a couple of other applicants had submitted complete applications. According to Assistant Director of Parks and Recreation Marquez, after reviewing the meeting recordings, one commissioner made a selection based on the belief that only one individual met the criteria, and the remaining commissioners followed that recommendation. It appeared the commissioners were overwhelmed by the number of nominees and quickly agreed with the initial selection.

Councilmember Argumedo expressed concern that staff should have provided clearer direction and guidance. He noted that at least one additional applicant had submitted complete information and met the criteria, and this should have been brought to the commission's attention before a motion was made.

Councilmember Garcia stated that her vote would remain with the originally selected nominee and emphasized that the City Council should respect the

decision made by the Parks and Recreation Commission.

Mayor Pro Tem Lainez noted that while one application met all requirements, another applicant met the qualifications but did not follow the proper nomination process.

There was consensus among the City Council to recognize Hall of Champions inductees annually rather than every five years.

Mayor Pro Tem Lainez recommended adding Vanessa Haro and Lilian Magana to the list of inductees. Mayor Altamirano requested the addition of Chris Griego. City Manager Hernandez stated that staff would present this item on an annual basis moving forward and would work on improving and updating the application process, as the current application is outdated.

Councilmember Argumedo moved to approve the selection of Javier Molina, Vanessa Haro, Lilian Magana, and Chris Griego for the Hall of Champions. The motion was seconded by Councilmember Rebollo and carried by the following vote:

AYES: Councilmembers Argumedo, Rebollo, Mayor Pro Tem Lainez and Mayor Altamirano (4)

NAYS: Councilmember Garcia (1)

2. Presentation and Review of Proposed 2025/2026 Fiscal Year Budget

City Manager Hernandez provided an overview of the staff presentation, followed by a detailed presentation from Finance Director Castellon, who outlined deficiencies in the City's financial operations. Castellon stated that several budget appropriations approved by the City Council were either not recorded correctly or not entered into the system at all, resulting in a disconnect between Council actions and what was reflected in the budget. Additionally, some service agreements were executed without formal Council approval, and contractors had been performing work without proper authorization. The city has been over budget over the past four fiscal years. For fiscal year 2023-24, specifically, the city was over budget by approximately \$7.7 million.

Mayor Pro Tem Lainez inquired about the Council-approved Senior Rent Subsidy Program after Director Castellon gave examples about items that were never actually entered into the budget.

In response to Councilmember Argumedo's concerns about prior audits indicating everything was in order, Castellon explained that the auditors provide an opinion on whether the financial statements are fairly presented and in conformance with Generally Accepted Accounting Principles (GAAP), they do not examine budgetary control as that is a management function, nor do they issue an opinion on how well a budget is managed. The auditors did, however, notate several audit findings,

which remain unaddressed, including no proper procedures for Capital Assets and Capital Improvement Projects, payroll findings on Personnel Action Forms (PAFs) & timecards, no policies and procedures in place for Land Held for resale and low-and-moderate housing fund and found weaknesses in internal controls.

Castellon also explained that critical items such as cost-of-living adjustments (COLAs) approved in the memoranda of understanding (MOUs) with the City's bargaining units were not tied to any budget, and that the city does not have a position control system in place. The city has also not published a budget book since fiscal year 2022–2023.

Finance Director Castellon also reported that the Transit Fund can potentially have a \$15 million deficit by the end of the current fiscal year. This was brought to previous leadership's attention, but no corrective action was taken. City Manager Hernandez added that the General Fund has been subsidizing the Transportation Department by approximately \$1.0 million annually, and staff will present options to the City Council on whether to continue this subsidy. Director Castellon also reported that the city's idle cash had not been previously invested, and that within just two months of maximizing the Local Agency Investment Fund ("LAIF"), the city earned approx. \$700,000 in interest. However, concerns were raised about the commingling of the Successor Agency bank account with the General bank account, unauthorized payments to vendors, and excessive vendor charges. There is currently no Master User Fee Schedule in place, but a fee study is required.

While the revenues in the General Fund are coming in higher than budgeted, the revenues are less than what was received last year. The Commerce Casino is expected to generate about \$1 million less than last year, and sales tax revenues are also expected to be less than last year. Out of 33 cannabis business licenses originally approved, only 17 remain valid and just 5 are active, resulting in approximately \$550,000 in annual revenue in comparison to the budgeted amount of \$1.3 million, which had not been adjusted since FY 2021-22. Debt service obligations, including those related to pension bonds and bonds for the Aquatorium, were never incorporated into the budget. Additionally, many non-General Fund appropriations were never formally budgeted, and a staff report will be brought forward to address these gaps and appropriate necessary funds for fiscal year 2024-25.

Although the City's proposed fiscal year 2025-26 budget is balanced, a potential recession could destabilize finances. There was also discussion about the volatility of casino revenues, particularly in the context of SB 549.

A recommendation was made by the City Manager to adjust salaries in the Finance Department after discovering inequities, such as the Accounting Technician earning less than some other clerical positions. Councilmembers Garcia and

Argumedo questioned how this disparity exists despite a City Council-approved compensation study reviewed by the union. City Manager Hernandez explained that consultant assessments may have underestimated the scope of certain responsibilities. He also stressed the need for stronger checks and balances, particularly in project management, where some projects have lacked adequate oversight. Finally, the City's General Fund reserves stand at \$106,359,316 as of June 30, 2024. Staff will present a Reserve Policy with the budget on June 24th to the City Council for approval. The policy will also have a recommendation to create a "Project Management fund" to manage one-time expenditures moving forward.

ADJOURNMENT

Meeting adjourned at 5:35 p.m.