

to the elections official of the legislative body. An initiative may also be by action of the City Council without the need of a petition. City Clerk Link provided timetables for both elections as noted in the elections code. Ms. Link also provided estimated costs if a measure is placed on the ballot for either election. Dependent on several factors, the costs range from \$7,000 to \$45,000.

2. Potential Ballot Measure Revenue Scenarios (City Manager Okoro)

City Manager Okoro reported on potential revenue measures. Mr. Okoro briefly discussed utility users tax. The rates range from 1% to 11% and different rates may apply to residential versus commercial users. The most common rate is 5% and the average rate is 5.5%. A utility users tax may be levied for general or specific purpose. Mr. Okoro also provided potential revenues from this type of tax. The estimated amount noted was \$524,775 from the various potential utilities, based on a 1% rate and excluding telephone.

In response to Committee Member Hedges, Mr. Okoro stated that the City can pick and choose which utilities to tax or tax all of them at the same time or different rates.

Committee Member Bash asked what the estimated \$524,775 equates to per resident. Mr. Okoro calculated it would be approximately \$70 per resident. Chair Webber added that the figure would be lower because commercial is not included in the calculation.

In response to Committee Member Padilla's question regarding gasoline tax, Mr. Okoro indicated that the City receives over \$700,000 in gas tax revenues annually and is used for street maintenance, tree trimming, street light maintenance, and other areas.

City Manager Okoro continued his presentation on utility user tax and presented information on the pros and cons to this tax. Some of the pros include a more timely cash flow to the City, City Council and voters determine which utilities to tax, and requires a simple majority of voter approval to impose or increase for general purpose. Utility user tax levied for specific purpose requires super majority voter approval. Some of the cons are that the tax is more difficult to administer as cooperation is need of utility providers, it is difficult to audit, and it is difficult to project the amount of revenues that will be generated each year.

In response to Committee Member Hedges, City Manager Okoro stated that utility companies do not charge a fee to administer a utility user tax.

City Manager Okoro went on to discuss a parcel tax which is a special excise tax on a parcel of property. The parcel tax is generally based on either flat per-parcel rate or variable rate depending on the size, use, and/or number of units. It is administered by the County through the property tax process and may be levied for a general or specific purpose. A parcel tax requires at least a two-thirds voter approval.

Committee Member Hedges inquired about the definition of a parcel. Mr. Okoro noted that a parcel is a unique APN as defined by the assessor. A parcel tax may be levied based on a flat rate on a parcel regardless of the size. However, the tax could be structured based on the size of the parcel. Chair Webber asked about time limitations, or duration, of a parcel tax. Mr. Okoro indicated that the duration of the tax is determined when the ordinance is written. Most cities do place limits on parcel taxes and in that case, parcel taxes are subject to renewal. In response to Committee Member Schwab, the parcel tax is collected with the property tax.

City Manager Okoro presented the pros and cons of a parcel tax. Some of the pros is that it is easy to administer once the County gets it on the tax rolls, the revenues are more predictable, and the rate may be imposed based on property size, which may be used to mitigate disproportionate burden. Some of the disadvantages are that it is a delayed cash flow, requires a two-thirds voter approval, and most people do not want a levy on their house due to perceived negative impact on property values.

City Manager Okoro concluded his presentation with an overview of local add-on transactions and use tax. This is applied to merchandise delivered in the jurisdiction which imposes such a tax. In the case of the sale or lease of a vehicle, the tax is charged based on the location the vehicle will be registered. The tax may be imposed at the rate of 0.25% or in multiples thereof. As of 2013, the number of cities with add-on transactions and use tax is 115 with rates ranging from 0.25% to 1.00%. The impact on the tax payer is not readily noticeable.

Ted Hoffman commented that when the State imposed a 1% lumber fee, the big box retailers were not concerned. Mr. Hoffman also commented on the utility user tax as well as extra fees already imposed on water and sewer. Mr. Hoffman expressed his concerns with a parcel tax. He detailed his own property tax bill as an example of what is already being taxed. He noted that if the school bond measure passes, that will increase his property tax bill by another \$100. Beginning January 1, 2015, Mr. Hoffman indicated that there will be a cap and trade tax which will increase the gasoline tax. Mr. Hoffman expressed that he opposes a straight parcel tax. City Manager Okoro responded that the reality is that Community Facility District tax and Landscape Maintenance District tax are for dedicated services and are not used for helping pay for police, fire, and general services.

Chair Webber requested that City Manager Okoro look into any studies regarding leakage for those cities that imposed an add-on tax.

Committee Member Bash commented on reorganization and the numerous cuts to staffing levels as well as expenditures in recent years. With all that, the City of Norco still manages to generate healthy sales tax revenue considering the size of the City. However, the City cannot continue making cuts without it affecting the City's lifestyle. Committee Member Bash expressed his concern with how the City will fund its infrastructure for the next 25 years on just sales tax.

Committee Member Dixon asked City Manager Okoro his opinion of whether the City can continue without taxation. In response, Mr. Okoro stated that at the last Committee meeting, there was some reluctance expressed in accepting a tax without being able to explore the operating budget. Mr. Okoro distributed a summary of expenditures and funding sources for the Fiscal Year 2015 operating budget. Mr. Okoro explained various parts of the document. He commented that the City operates as a full-service City on a General Fund budget of only \$15 million. There are several areas of the budget that are underfunded. Mr. Okoro noted that the reality is that there isn't money in the operating budget to cut.

Chair Webber commented that at the City Council meeting on October 15, 2014, staff presented a budget report that suggested the City has \$6.1 million in the General Fund of which \$3.8 million is required for reserves. That leaves an extra \$2.3 million. Mr. Okoro indicated that the extra funds resulted from one-time item contributions – the items are not ongoing. The City can make the decision to spend the extra funds; however, the money will not repeat itself. Chair Webber noted that for some residents, it may be a responsible decision of the City to invest that money in infrastructure. Mr. Okoro stated that the City needs to maintain a prudent amount of reserves to cushion against economic cycles.

Committee Member Padilla commented on cost of living increases and looking at the advantages of not spending twice as much tomorrow on needs that could be met today, if there is funding. Committee Member Higgins indicated that the \$2.3 million extra money is not enough for what is needed today.

In response to Committee Member Schwab, Mr. Okoro stated that what was presented at the October 15 City Council meeting was a one-year picture of extra funds. The \$6.1 million is what has been accumulated over a period of time.

Committee Member Burt inquired about salaries and benefits, specifically for City Council Members. Mr. Okoro noted that the City pays up to \$1,250 per month and the vesting schedule is ten years to be eligible for benefits after retirement.

As the Committee discussed the operating budget, Chair Webber decided to move to Item 4 on the agenda.

3. Formulation of Infrastructure Maintenance Plans (Chair Webber):

- A. Streets
- B. Trails
- C. Parks and Facilities
- D. Drains

Chair Webber commented on having a broad vision and looking at a recognized plan for each of the categories. Once the plans are determined, then funding sources can be

addressed. In regards to Item 3.A., Chair Webber referred to City Engineer Milano's matrix and asked the Committee for suggestions for a recommended plan.

Committee Member Bash suggested that the subcommittee look through the operating budget to ensure confidence before the Committee proceeds with the plans in the various infrastructure categories.

Vice Chair Holder commented that even if the subcommittee finds areas which can be cut, the recommended plans focus on future costs and needs. The numbers already provided to the Committee are enough to formulate a basic structure.

Committee Member Schwab concurred that the information provided by staff is on a macro level. Mr. Schwab recommended forming subcommittees to allow members to work more in depth and report back to the Committee. Chair Webber stated that she considered breaking the Committee down to subcommittees; however, Committee Members would be privy to details that other members would not and so the Committee Members would have to rely on their colleagues for information. Chair Webber stated that staff presented numbers and information and now is the opportunity for the Committee to delve into the details and provide recommendations.

There was some discussion amongst Committee Members about how to proceed and that the purpose of formulating plans includes deciding whether or not to accept all or parts of what staff has presented and then to find funding solutions. Committee Member Dixon asked for further thoughts from Committee Members.

Vice Chair Holder commented that she feels comfortable with the numbers presented by staff and suggested moving forward with formulating plans. However, all members need to be in agreement.

Committee Member Padilla suggested forming subcommittees in order to work in sections rather than address all at once. Committee Member Schwab stated that most committees form subcommittees. He stated that if the Committee forms guidelines for the subcommittees then all members will have the same format they must follow.

Committee Member Burt suggested trusting staff with what they have presented and work on the plans as a whole.

Committee Member Higgins referred to City Engineer Milano's documents regarding streets. He commented on the percentage of substandard streets and costs associated with maintenance. Mr. Higgins noted that the City Council has already reviewed the budget information. The issue Mr. Higgins expressed is that when looking at the budget information, people do not have a concept of funds. Committee Member Higgins commented that the Committee needs to look at what we have, what is needed, how much it is going to cost, and the staffing levels required.

Chair Webber expressed the need to achieve consensus on needs and funding options. Chair Webber and Committee Member Dixon discussed the importance of addressing the resident's perspective of the budget. Committee Member Burttt stated that the subcommittee's work would not slow the Committee on formulating plans. Vice Chair Holder also stressed the importance of the subcommittee as it will play a key role in public education relating to the budget. Committee Member Bash added that dialogue about the budget is healthy and will provide confidence with final recommendations. Chair Webber noted that the consensus of the Committee is to continue with the budget subcommittee consisting of Committee Members Dixon and Hedges and to move forward with developing plans for the various infrastructure categories. Chair Webber indicated that the subcommittee can report back with updates at the November 3 or November 17 Committee meeting.

Chair Webber noted that Item 3.a. will be continued to the next meeting with suggestions from Committee Members on what to use from the City Engineer's plan, all or in part, and any other options.

4. Assignments and Subcommittee Appointments to Review Operating Budget
(Chair Webber)

Chair Webber indicated that based on the concerns of Committee Members Dixon and Hedges regarding the need to review the operating budget, she presented the idea of a subcommittee to review the operating budget and to lead a public education campaign regarding the budget and funding options. Chair Webber considered appointing Committee Members Dixon and Hedges and requested Committee input.

M/S Schwab/Padilla to appoint Committee Members Dixon and Hedges to a subcommittee for the purposes of reviewing the operating budget and leading a public education campaign on their findings as they relate to the charge of the Ad-Hoc Committee as a whole. The motion was carried by the following roll call vote:

Ayes: Bash, Burttt, Dixon, Hedges, Higgins, Holder, Padilla, Webber
Noes: None
Absent: None
Abstain: None

COMMITTEE AND STAFF COMMENTS

Chair Webber commented on sources of income and taxation. Chair Webber assigned each Committee Member with the task of coming back with one alternative revenue option other than taxation for any of the infrastructure categories.

PUBLIC COMMENTS

Ted Hoffman commented that he concurs with Committee Member Bash in looking at multiple revenue sources. Mr. Hoffman thanked City Manager Okoro on his presentation

on potential revenue sources. He noted that the revenue source that could cover the \$2 million annually over ten years is the local add-on transactions and use tax. Another source would be a city-wide Landscape Maintenance District, which would be enough to at least pay for trails. Mr. Hoffman noted a sales tax increase is another option. He suggested considering a sunset clause so that residents do not feel cheated or overwhelmed.

Lisa Campbell applauded Committee Member Dixon for wanting to review the operating budget. Ms. Campbell indicated that taxation has been discussed but questioned why point of sale revenue has not been addressed. Ms. Campbell suggested that the City be aggressive in developing vacant lots. Chair Webber referred Ms. Campbell to speak with staff regarding her question about Development Impact Fee documents on the City's website.

ADJOURNMENT

Chair Webber adjourned the meeting at 9:00 p.m.

Ad-Hoc Committee and Public Suggestions Log Sheet

Streets	Trails: Fencing	Trails: DG/Materials	Trails: Programs/Fees	Water	Storm Drains	Buildings	Parks	Public Education	Misc.
Curbs and gutters	Installation of one rail versus two – cost savings.	Fine, compacted woodchips	Trails maintenance volunteer program	Reclaim storm water		Selling of advertising space at City facilities	Creation of park foundations to help fund parks	Educating the public on maintenance and funding issues (PSAs)	Use of grant funds
	Trails fencing on major roadways only	Pea gravel	Community trail clean-up program	Funding water conservation projects		Use of grant funds for the Emergency Operations Center (EOC)	Selling of advertising space at City parks	Notice in water bills regarding trail maintenance responsibility	Structured fee for horse ownership
	Priority for trail fencing given to major roadways		A fee-based Adopt-A-Trail program	Use of reclaimed water for parks				Warnings for non-compliance of trail maintenance sent in water bills.	Recreation tax per unit per lot
	Installation of rolled curbs as opposed to trail fencing – cost savings.		Trail maintenance fee					“Straight Trail Talk” flyer in water bills, on City website, and City Facebook page	Motorcycle officer
	Intermittent versus continuous trail fencing		Issuing citations and penalties for non-compliance of trail maintenance						Modifying NMC clarifying that erosion caused by property owner is not the City’s responsibility
	Define street trails		Citizens Patrol issuing trail violation citations						Park Sheriff patrol vehicles throughout City rather than at City Hall to deter speeding and crime.
			City-wide assessments similar to LMDs						