



**MINUTES
CITY OF NORCO
AD-HOC COMMITTEE ON INFRASTRUCTURE NEEDS AND FUNDING OPTIONS**

**January 12, 2015
City Hall Conference Rooms A & B
2870 Clark Avenue, Norco, CA 92860**

CALL TO ORDER: 6:30 p.m.

ROLL CALL: **Present:** Chair Jodie Webber, Vice Chair Corinne Holder, Committee Members Kevin Bash, Patricia Hedges, Herb Higgins, John Padilla, Bill Schwab
Absent: Committee Members Cathey Burt and Linda Dixon
Staff Present: City Manager Andy Okoro, Director of Public Works Lori Askew, City Clerk Cheryl Link

PLEDGE OF ALLEGIANCE: Vice Chair Corinne Holder

BUSINESS ITEMS:

1. Approval of December 15, 2014 Meeting Minutes (City Clerk)

M/S HEDGES/SCHWAB to approve the December 15, 2014 regular meeting minutes as presented. The motion was carried by the following roll call vote:

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

DISCUSSION ITEMS:

1. Update on Trails Maintenance Plan (Director of Public Works)

Director of Public Works Lori Askew presented supplemental information on costs of pedestrian-equestrian trails in the Landscape Maintenance Districts (LMDs). The information was requested by Committee Member Higgins, as a scenario should the City have to assume the costs if the LMDs were no longer in existence. The data is consistent with the other city-wide trail system information provided previously. The data Director Askew presented included information on all four LMDs with the year the fencing was installed, number of lots, trail location, the length of the trails segments, approximate square footage, and costs associated with the current fencing standard (wood) and alternates (vinyl and HDPE). The unit cost for the wood fencing is \$9/lf, 2-rail vinyl fencing is \$9/lf, and the HDPE is \$22/lf. Director Askew noted that the wood fencing has a 10-year life, whereas the 2-rail vinyl and the HDPE has 20-year life. Director Askew indicated that the annual cost for replacement of the wood fencing in the LMDs would be \$899,397; the annual cost for replacement of 2-rail vinyl fencing is \$899,397; and the annual cost of replacement of HDPE is \$2,198,526.

Vice Chair Holder asked if the cost presented for the HDPE fencing is the original cost because at one point, the Streets, Trails and Utilities Commission considered changes to HDPE. Director Askew stated that she contacted the HDPE company and that with modifications, the cost range was \$18-22; therefore, she used the higher end of the range.

City Manager Okoro also presented supplemental information. First, the information provided was for trail maintenance of the LMDs. Mr. Okoro presented the total assessment collected for each LMD and the expenditures for trail maintenance. For all LMDs, there is an annual shortfall of \$1,441, which over 20 years equates to a shortfall of \$38,720. If the LMDs are eliminated and assessments are no longer collected, the future cost to the City annually would be \$122,294 and over 20 years would be \$2,445,876.

City Manager Okoro also presented costs associated with trail fence replacement. For the current standard (wood), the annual cost is \$120,835, which is \$2,416,695 over 20 years.

In response to Committee Member Higgins, Mr. Okoro noted that combining the trail maintenance and trail fence replacement, the annual cost would be approximately \$240,000 for LMDs only. Mr. Higgins asked if personnel costs were included in the figures presented. Mr. Okoro noted that the costs are based on contracted labor. Committee Member Schwab asked what else is covered in the LMDs in addition to trail maintenance and replacement. Mr. Okoro stated that water, electrical, utilities, pumps, and tree maintenance.

Ted Hoffman suggested that the vinyl fencing could be more durable by having a vinyl clad wood board on the top rail and a hollow rail on the bottom. The vinyl clad wooden board on the top would provide durability and strength.

2. Cost-of-Living Adjustments and Total Cost Summary for Each Infrastructure Plan (City Manager)

City Manager Okoro presented information on the various infrastructure categories and the costs for the first year need, the average annual need, and the 20-year need. The first year need for streets based on PMS is \$2,600,00, which over 20 years is \$69,862,974. The first year need for parks and public facilities is \$433,097, which equates to \$8,661,940 over 20 years. For existing trails with fencing, the first year need is \$266,429, which over 20 years is \$7,159,047. The first year need for backyard trails, DG and materials, fence installation on trails without fencing is \$107,251, which is \$2,881,875 over 20 years. Therefore the total first year need for all categories, excluding storm drains, is \$3,406,777, which is \$88,565,835 over 20 years. Mr. Okoro noted that the 20-year need assumes a cost escalator of 3% each year.

Committee Member Schwab added that if the City assumes the trail maintenance and replacement for the LMDs, then approximately \$242,000 would need to be added the annual totals just presented.

3. Review of Sales Tax Information by Business Types (City Manager)

City Manager Okoro stated that this item is informational only, as requested by Committee Member Schwab. Mr. Okoro presented a handout of sales tax information prepared by the City's sales tax consultant, HdL Companies. The handout shows the top 25 business types listed by allocation for the second quarter of 2014 compared to the second quarter of 2013.

Committee Member Schwab said that the reason why he requested the information was because one of the Committee's options was to increase the sales tax. However, based on the numbers in the handout, the City is only receiving about \$5 million a year in sales tax. If the City were to increase the sales tax by 1%, that would only be an additional \$50,000. Mr. Okoro clarified that the \$5 million is the 1% that the City receives from the 8% sales tax rate for the County. Mr. Okoro commented on the implementation process for a sales tax increase. From the time the tax is approved to when the City begins receiving the revenue, is about a six-month delay.

Geoff Kahan asked if there is a legal way to apply a 1% sales tax increase except for a certain industry, such as auto sales. In response, City Manager Okoro indicated that there is not. The State determines what is taxable. Mr. Okoro added that regardless of where Norco residents purchase their vehicles, they must pay the sales tax. Mr. Kahan commented on dropping fuel prices and the impact on revenue. Mr. Okoro stated that he doesn't know the impact just yet but will be addressing it during the mid-year budget adjustments.

In response to Chair Webber, Mr. Okoro noted that any revenue measure that the City Council adopts can have a sunset provision.

In response to Committee Member Schwab, Mr. Okoro commented that a sales tax increase would affect consumers not retailers or wholesalers.

4. Infrastructure Funding Per Resolutions Passed (Chair Webber)

A. Alternative Funding Solutions

City Manager Okoro presented potential revenue figures for three different scenarios. Revenue Measure Scenario 1 is an add-on sales tax. For current fiscal year 2013-2014, sales tax revenue at 1% is \$5,418,231. Each 0.25% increase would generate \$1,354,558, assuming all variables remain equal. Mr. Okoro said he looked at the current infrastructure needs of \$3,406,777, without an inflation factor, less Measure A funds of \$500,000. The amount needed from an add-on sales tax would be \$2,906,777. Therefore, the add-on sales tax rate recommended is 0.50%, which would generate approximately \$2,709,116.

Revenue Measure Scenario 2 is a parcel tax. The annual infrastructure needs, with an inflation factor, is \$4,428,292. Less Measure A funds of \$500,000, the amount needed from a parcel tax is \$3,928,292. The total number of parcels to be assessed is 7,556 at an annual flat levy of \$500, the parcel tax would generate \$3,778,000 in revenue.

In response to Vice Chair Holder, City Manager Okoro stated that none of the scenarios include the LMDs.

Revenue Measure Scenario 3 is a utility users tax. The annual infrastructure needs, with inflation factored, is \$4,428,292. Less Measure A funds of \$500,000, the total amount needed from a utility users tax is \$3,928,292. Each utility users tax (includes gas, electric, water, sewer, refuse, cable television) at 1% is estimated to generate a total of \$3,675,000.

In response to Geoff Kahan, Mr. Okoro stated that the numbers presented do not include the infrastructure needs of the LMDs; however, the parcel tax addresses all parcels in the City, including businesses.

In response to Ted Hoffman, Mr. Okoro clarified that the 7,556 parcels are assessed parcels.

Lance Gregory asked what is needed for a vote on each of the scenarios presented. Mr. Okoro indicated that a general revenue measure requires a 50% +1 vote. A sales tax requires a two-thirds majority. A sales tax for a specific purpose also requires a two-thirds majority vote.

In response to Geoff Kahan, Mr. Okoro indicated that retailers have not tracked how much sales tax is generated from Norco residents versus visitors.

Chair Webber commented that the City Council charged the Committee with recommending new funding sources. Ms. Webber opened the discussion to the Committee as to the best scenario to present to the Council as well as discuss the pros and cons.

Committee Member Bash noted that the problem now is discussing what would be presented to him at a City Council meeting.

Committee Member Higgins inquired about the passage and failure rates for the types of scenarios presented. Mr. Higgins suggested including the passage and failure rate information in the final report and let the Council decide on the best scenario.

There was also some discussion about educating the public on the Committee's work and what is ultimately decided by the City Council. City Manager Okoro stated that public education and marketing is an important factor but was not a charge of the Council, rather a Committee and public suggestion.

Committee Member Bash commented that it is ultimately the vote of the residents and what residents are willing to do to preserve the equestrian lifestyle. Mr. Higgins added that even if the equestrian element is removed from the City, it still does not solve infrastructure problems such as those concerning streets, buildings, etc. to make the City function. Mr. Higgins expressed his concern on the issues that faced at San Jacinto and the lack of informing the residents of the consequences of a measure failure, which is what happened, resulting in decreased number of police officers and park closures.

Mike Thompson commented on entitlement generations and what residents expect they deserve for living in Horsetown USA.

Ted Hoffman concurred with Mr. Higgins and commented that a parcel tax will not pass. Mr. Hoffman said that the Committee and Council must think how the average voter thinks.

Geoff Kahan indicated that if the City is making \$5.2 million on 1% sales tax, then that means that there is \$520 million worth of taxable business to generate that sales tax. If the \$520 million is divided by the 7,500 parcels in the City, then each parcel would have to do \$70,000 worth of business annually, or \$5,700 a month, in order to be responsible for 100% of the total amount. Committee Member Higgins said that for every \$1 he spends, \$15 more dollars are created by him. City Manager Okoro noted that the majority of sales tax is not generated by Norco residents. Per capita basis, the City generates more sales tax than many cities in California.

Lance Gregory commented on the possibility of impacts to a city when the sales tax is greater than surrounding cities. Mr. Gregory noted the importance of public education.

Chair Webber indicated that part of the charge was to consider alternative funding solutions and opened the discussion to Committee Members and the public. With no further discussion, Chair Webber stated that the Committee has completed its charge. The draft report will be prepared and reviewed by the Committee. There was some discussion regarding the timeline and Mr. Okoro noted that the draft report could tentatively be ready by the end of February. Chair Webber stated that the Council will make the final determination and recommendation, unless the Committee would like to vote on any of the three scenarios. The concurrence was to present the three scenarios as funding options to the City Council.

Chair Webber noted that the current schedule of Committee meetings is postponed until the draft report is available for review.

B. Consideration of a Single Tax to Cover All Plans/Resolutions

No further discussion.

COMMITTEE AND STAFF COMMENTS

None.

PUBLIC COMMENTS

None.

ADJOURNMENT

Chair Webber adjourned the meeting at 7:57 p.m.