



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

**Monday, April 13, 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 Cathey Burtt, Linda Dixon, Patricia Hedges, John Padilla, Bill Schwab
Staff Present: City Manager Andy Okoro, Deputy City Manager/Director of Parks, Recreation and Community Services Brian Petree, Director of Public Works Lori Askew, City Clerk Cheryl Link

PLEDGE OF ALLEGIANCE: Committee Member Patricia Hedges

BUSINESS ITEMS:

1. Approval of the March 3, 2015 Meeting Minutes (City Clerk)

M/S SCHWAB/DIXON to approve the March 3, 2015 regular meeting minutes as presented. The motion was carried by the following roll call vote:

Ayes: Burtt, Dixon, Hedges, Holder, Padilla, Schwab, Webber
Noes: None
Absent: None
Abstain: None

2. Approval of Ad-Hoc Committee Meeting Dates Through July 2015 (City Clerk)

After some discussion of the meeting schedule and a few conflicts with community events, the Committee concurred to meet on the following dates: April 27, 2015; May 18, 2015; June 8, 2015; June 15, 2015; July 6, 2015; July 20, 2015.

M/S DIXONHEDGES to approve the meeting dates as amended. The motion was carried by the following roll call vote:

Ayes: Burtt, Dixon, Hedges, Holder, Padilla, Schwab, Webber
Noes: None
Absent: None
Abstain: None

DISCUSSION ITEMS:

1. City Council Directive to the Ad-Hoc Committee (Chair Webber)

Chair Webber indicated that following the presentation of the Final Ad-Hoc Committee report to the City Council, the Council directed the Ad-Hoc Committee to provide additional cost-saving

recommendations. Chair Webber also noted that during the State of the City Address, Mayor Higgins commented on the final report and whether or not there is a necessity for everything that is in the report. Chair Webber commented on broadening the Committee's perspective to determine whether there are other avenues for savings.

Committee Member Hedges commented that the directive was general and specifics were not given.

Committee Member Dixon commented on her understanding of the directive given, which is a new direction; to look at all budgets and all possible ways to save money.

Chair Webber indicated that the Committee has the responsibility to look at the budgets and determine if the needs outlined in the Ad-Committee report could be supported by the revenue currently generated. In its final report to the City Council, the Ad-Hoc Committee recommended a tax measure and the Committee needs to provide assurance that a tax measure is the only possibility of funding infrastructure needs.

Ted Hoffman commented about the \$4.4 million shortfall annually as well as the need to come up with \$6 million for the Hamner Avenue Bridge project. Mr. Hoffman indicated that funding for the bridge is not within the Committee's scope, however, but to keep that in mind.

In response to Committee Member Schwab's comment about the Committee working strictly within the CIP budget, the Committee stated that the Operating budget will be looked at as well. Chair Webber indicated that a general understanding of the operating budget and the money the City currently has is needed before going to the citizens for a tax measure.

2. Analysis of Proposed 20-Year Plan Costs (Committee Member Dixon)

Committee Member Dixon proposed an exercise that will show residents what would occur if there were no added funds from the taxpayers. Ms. Dixon requested that each department director present to the Ad-Hoc Committee a proposal of what the City would be facing if their budgets were cut by 35%.

There was some discussion between Committee Members and staff regarding the exercise. Committee Member Dixon noted that the \$4.4 million is a number derived to maintain status quo. The exercise in 35% cuts would show the impacts to residents of not passing a tax measure. The example Director Petree noted is that the \$4.4 million provides say a PCI rating of 70 for streets. With the 35%, the PCI rating would be reduced to 55. If residents want a street PCI rating of 70, a tax would be required.

In response to Committee Member Schwab, City Manager Okoro indicated that CIP funds are usually restricted funds and not for use for the general fund. There are no restrictions on using general funds for CIP projects. Director Petree added that general funds for CIP projects are a one-time revenue.

In response to Committee Member Schwab, Chair Webber stated that the purpose of the exercise is to vet the budget thoroughly. Based on staff's 35% reduction presentations, the Committee will discuss the results and options.

Committee Member Dixon commented that it was her understanding that with the information provided over the past nine months, the Committee would have been able to work on it before submitting the final report to the City Council. The end of staff presentations should have been the beginning of Ad-Hoc report, which is why she was not in favor of the final report as presented to the City Council.

Chair Webber and Vice Chair Holder had a discussion regarding street conditions. Vice Chair Holder said that the departments can present what \$4.4 million looks like as well as \$2.5 million so that the residents can have a better understanding.

Mike Thompson commented on possible cuts in staff if departments contract out most of the work.

City Manager Okoro referenced a handout previously provided to the Committee during discussions about street improvements presented by the City Engineer. \$500,000 would provide for a PCI of 61 by May 2018; \$1 million would provide a PCI of 65 and \$1.5 million would give a PCI of 68; \$2 million equates to PCI of 72. Director Askew added that at least \$1.5 million is needed to maintain status quo.

Ed Dixon gave a scenario of the City running out of money in 10 months. If the residents pass a tax measure, Mr. Dixon questioned whether or not the City could use the tax measure money for the general fund. In response, City Manager Okoro indicated that the City has reserves.

Ted Hoffman commented on a project bid for LMD 4 fencing. He stated that the bid only shows fence installation costs and not removal costs. Director Petree noted that CalFire will be removing fencing at a minimal cost. Mr. Hoffman stated that it is not a true bid and these are the costs that must be shown to residents.

Committee Member Patricia Hedges noted that her understanding of Mayor Higgins comment of "more teeth" is that each department is to delve into everything, not just the CIP budget.

Committee Member Schwab suggested categorizing and prioritizing cuts. Chair Webber reiterated the need to move forward with the 35% budget cut exercise in streets, trails, parks, and buildings.

Ted Hoffman commented on backyard trails and the possibility of working with NHA on the validity of some trails.

Committee Member Burt indicated the need of articulating the impact of the cuts. For example, if the cuts include closing a fire station, then what is the burden on the other station and response times.

City Manager Okoro reiterated that at the April 27th meeting, staff will provide information related to the 35% cut on the CIP budget. The exercise on the Operating Budget will take place after the budget workshops.

3. Alternative Revenue Measures (Chair Webber)

Chair Webber commented that in looking at alternative revenue sources, she had questions regarding the Operating Budget and reserves. In response, City Manager Okoro indicated that the beginning balance in the FY14/15 is a snapshot as of July 1, 2014, which is \$5.2 million. The reserve is what has been saved in the General Fund over a period of time. The City Council adopted a policy that, at minimum, the City must maintain 25% of General Fund expenditures in reserve. Chair Webber asked if any monies above the minimum 25% reserve could be used for capital improvement projects. Committee Member Schwab noted to keep in mind that reserves are only increasing by about \$800,000 per year. City Manager Okoro also added that during the recession in 2009, the City drew \$3.5 million from reserves just to stay afloat.

Ed Dixon stated that the reserves should be set aside for emergency purposes should the economy take another downturn.

Chair Webber noted that she brought up these questions to address any available funds and for a better understanding of policy when citizens question the process.

In response to Committee Member Schwab, City Manager Okoro stated that when revenues exceed expenditures, those funds are placed in reserves.

Committee Member Dixon commented on the Waste Management franchise fees and that a portion of the fees were designated for streets and trails and asked if this has been factored in to the figures provided by staff. City Manager Okoro stated that Waste Management franchise fees have no specific designation and are part of the general fund.

Vice Chair Holder commented that although the City has balanced budgets, the budgets have been continually cut over the years.

Ted Hoffman suggested earmarking Measure A funds of \$500,000 annually and franchise fees of \$500,000 annually, which will provide the City with \$1.5 million for streets by FY2018/2019.

In response to Chair Webber's questions regarding program and functions, City Manager Okoro stated that each program and function has a budget and any money left over goes back into the General Fund. Chair Webber commented on further exploring current revenue sources.

Ted Hoffman commented that in May 2012, the Council considered the arena banner sponsorship program with an 80-85% cost recovery.

Chair Webber asked that the Committee consider at all viable options, sponsorships, licensing, etc. and asked Director Petree to bring information on these options.

Sandy MacQuarrie commented on Valley Crest storing vehicles at Ingalls Park and inquired whether the City is charging rent. In response, Director Petree stated that no rent is being charged; instead vehicle storage is allowed in exchange for services.

In response to Committee Member Schwab, City Manager Okoro indicated that the City is audited on an annual basis.

Ted Hoffman suggested that departments not spend all their funds at the closing of the fiscal year, just to spend them. City Manager Okoro indicated that all expenditures made 90 days prior to the end of the fiscal year are subject to review and require approval.

Chair Webber asked Committee Members to research alternative revenue sources and look into previously considered options that were rejected by Council, which could be viable now.

INFORMATIONAL ITEM:

- Fiscal Year 2015-2016 City Council Budget Workshop Dates
 - Wednesday, May 6, 2015 at 4:00 p.m.; *and*
 - Wednesday, May 20, 2015 at 4:00 p.m.

Chair Webber encouraged all Ad-Hoc Committee Members attend the budget workshops.

COMMITTEE AND STAFF COMMENTS

Bonnie Slager suggested adding the Hemborg name/log on City vehicles for a discount on the price of the vehicle.

Committee Member Padilla suggested a 20-year plan in increments of 5 years to better allow for changes and fluctuations in taxation and inflation.

PUBLIC COMMENTS

Ted Hoffman suggested earmarking the Silverlakes lease payments of \$33,000 per month for the Hamner Avenue Bridge.

Sandy MacQuarri commented on lifetime medical benefits and asked for discussion on the topic. City Manager Okoro indicated that there has been a misunderstanding. It was discussed at last year's budget workshop and that he will bring it back at this year's workshop. In response to Committee Member Dixon, City Manager Okoro noted that current employees must be employed with the City for 20 years to receive lifetime benefits as well as their family members, which includes a cap.

ADJOURNMENT

Chair Webber adjourned the meeting at 9:20p.m.