



**CITY OF NORCO
CITY COUNCIL SPECIAL MEETING MINUTES**

**Wednesday, May 20, 2015
City Council Chambers, 2820 Clark Avenue, Norco, CA 92860**

CALL TO ORDER: 4:00 p.m.

ROLL CALL: Herb Higgins, Mayor, **Present**
Kevin Bash, Mayor Pro Tem, **Present**
Kathy Azevedo, Council Member, **Present**
Berwin Hanna, Council Member, **Present**
Greg Newton, Council Member, **Present**

PLEDGE OF ALLEGIANCE: Mayor Pro Tem Kevin Bash

CITY COUNCIL BUSINESS ITEMS AS FOLLOWS:

1. Continuation of the Fiscal Year 2015-2016 Operating Budget Presentation

City Manager Okoro indicated that this workshop is a continuation of presentations by departments of the Fiscal Year 2015-2016 operating budget. The budget to be presented is a status quo budget with no new programs. The budget is still a work in progress and this workshop is to review the details.

Planning Director Steve King presented brief information for the Planning Department. The FY 2014-2015 amended budget is \$325,065 and the FY 2015-2016 preliminary budget is \$340,195 for a 4.4% change. The FY 2015-2016 budgeted expenditures are above the FY 2014-2015 budget partially because of higher pension costs. Mr. King also gave summarized information for the Code Enforcement Division. The FY 2014-2015 amended budget is \$118,317. The FY 2015-2016 preliminary budget is \$100,034. The budgeted expenditures are \$18,283, or 15.4% lower than FY 2014-2015 budget because of a reduction in the Code Enforcement litigation budget.

Parks, Recreation and Community Services Director Brian Petree presented summarized information for his department. The FY 2014-2015 amended budget is \$726,586. The FY 2015-2016 preliminary budget is \$634,467. The FY 2014-2015 estimated expenditures are below amended budgeted amounts due to the vacancy of the Volunteer Coordinator position during the year, reduction of part-time staffing levels due to lower participant registrations, and estimated lower utility expenses. Additionally, \$65,000 in Communication Lease revenue has been transferred from this Division to the Parks Maintenance Division. FY 2015-2016 budgeted expenditures are 14.5% lower than the FY 2014-2015 budget due to transferring part-time salaries and associated expenditures and revenue for revenue driven sport programs to Division 731, the cancellation of a leisure class contract agreement, and the deferment of vehicle replacement charges.

Director Petree also reported on the Youth and Teen Services budget. The FY 2014-2015 estimated expenditures and revenues are in line with the amended budget of \$199,503. The FY 2015-2016 budgeted expenditures are 59.6% higher due to the transferring of salaries and associated expenditures for revenue driven sport programs from Division 730. The FY 2015-2016 budgeted revenues are 63.9% higher due to transferring sport programs revenue to Division 731.

Director Petree presented the Parks Maintenance budget. The FY 2014-2015 amended budget is \$508,558. The FY 2015-2016 preliminary budget is \$527,842. The FY 2015-2016 budgeted expenditures are \$19,284, or 3.65%, higher than FY 2014-2015 budget due to salary increase as a result of minimum wage increase, CalPERS pension rate increase, and increase of estimated contractual services.

For Senior Services, Director Petree reported that the FY 2014-2015 amended budget is \$136,830 and the FY 2015-2016 preliminary budget is \$136,189. The FY 2014-2015 estimated expenditures and revenues are in line with the amended budget. The FY 2015-2016 budgeted expenditures are less than one half of one percent lower than FY 2014-2015. FY 2015-2016 budgeted revenues are 51% lower due to the loss of CDBG Grant funding for Party Partners from the City of Corona.

Mayor Pro Tem Bash commented on the loss of funding for Party Partners. Director Petree stated that the City of Corona simply decided not to fund the program. However, the program serves many Corona residents. Council Member Azevedo suggested that Director Petree talk to the County Supervisor about supplementing the grant considering the success of the program over the years.

For Building Maintenance and the George Ingalls Equestrian Event Center, Director Petree reported that the FY 2014-2015 amended budget is \$702,014 and the FY 2015-2016 preliminary budget is \$752,993. The FY 2015-2016 budgeted expenditures are \$50,979, or 7.26% higher than the FY 2014-2015 amended budget due to an increase of contractual services, minimum wage increase, and an increase in CalPERS pension rates.

Mayor Higgins asked if there are any plans to paint the arena. Director Petree stated that the project has been identified but has not found a funding source.

Council Member Newton asked for the cost of building maintenance as a stand alone cost from Ingalls Park. Director Petree stated that out of the \$752,000, \$500,000 is public facilities and Ingalls Park makes up the difference. Approximately \$220,000 is generated in revenue, the costs are close to \$310,000 for Ingalls Park.

Director Petree presented the Animal Control Services budget. The FY 2014-2015 amended budget is \$591,977 and the FY 2015-2016 preliminary budget is \$591,977. The FY 2014-2015 estimated expenditures are below the amended budgeted amounts because of vacancies of the Animal Control Officer, Animal Care Technician, and the two Kennel Aide positions. The FY 2014-2015 revenues increased by 7.08% mainly due to an increase in revenue collected through the administrative citation process for licensing. There is no change in the FY 2015-2016 budget as a result of the reduction of overtime to absorb increase in minimum wage and CalPERS pension rates.

Council Member Azevedo referred to the Youth Services and asked if non-residents are charged more. In response, Director Petree stated that residents and non-residents are charged equally. Council Member Azevedo suggested implementing a higher non-resident fee. Council Member Azevedo also commented on the lack of a fee structure to rent the amphitheater attached to Nellie Weaver hall. Director Petree said that there is a one-day fee in place for the amphitheater.

Director of Public Works Lori Askew presented summarized information for her department. For the Building and Safety Division, the FY 2014-2015 amended budget is \$243,361 and the FY 2015-2016 preliminary budget is \$254,798. The FY 2014-2015 estimated expenditures are below amended budgeted amounts due to a part-time clerk being transferred to the Water Operations Division to oversee the backflow program. The part-time position is intended to be filled in FY 2015-2016. The FY 2015-2016 budgeted expenditures are \$11,437, or 4.7% higher than FY 2014-2015 due to the increase of CalPERS pension rates and software program upgrades.

For Engineering, Director Askew reported that the FY 2014-2015 amended budget is \$417,693 and the FY 2015-2016 preliminary budget is \$459,777. The FY 2015-2016 budgeted expenditures are \$42,084 or 10.1% higher than FY 2014-2015 due to shifting of personnel. The Director's Executive Secretary retired and that position was not filled. However, a part-time engineering counter technician was hired full-time and has assumed some of the Executive Secretary responsibilities but primarily supports the Engineering counter.

For Public Works Inspection, the FY 2014-2015 amended budget is \$101,754 and the FY 2015-2016 preliminary budget is \$109,519. The FY 2015-2016 budgeted expenditures are \$7,765 or 7.6% higher than FY 2014-2015 budget partially because of the increase in CalPERS pension rates and assumed step increase to staff member in this division.

For Parkway Maintenance, Director Askew reported that the FY 2014-2015 amended budget is \$58,693 and the FY 2015-2016 preliminary budget is \$69,887. The FY 2015-2016 budgeted expenditures are \$11,194 or 19.1% higher than FY 2014-2015 budget partially because of pension rate increases, increases to Special Departmental for sandbags, and Contractual and Professional Services for Cal Fire crews to provide parkway and trail maintenance.

Director Askew presented information on Street Maintenance. The FY 2014-2015 amended budget is \$655,327 and the FY 2015-2016 preliminary budget is \$681,069. The FY 2014-2015 estimated expenditures are above amended budgeted amounts due to slight salary overages in overtime, unplanned projects such as the signage for the George Ingalls Equestrian Event Center installed along the I-15 freeway, painting of the wall for the Chaparral Center along the I-15 freeway, and installation of the guardrail along Valley View Avenue. The FY 2015-2016 budgeted expenditures are \$25,742 or 3.9% higher than FY 2014-2015 budget partially because of the CalPERS pension rate increase and a slight projected increase in Traffic signal Maintenance costs.

For Sewer Operations, Director Askew reported that the 2014-2015 amended budget is \$4,809,139 and the FY 2015-2016 preliminary budget is \$5,158,504. The FY 2014-2015 estimated expenditures being below amended budgeted amounts is attributed to reduction

in salaries and benefits and some reduction in the budget for contractual services due to lower than anticipated flow going to the sewer treatment plant. The FY 2015-2016 budgeted expenditures is \$349,365 or 7.3% higher than FY 2014-2015 budget partially because of an increase in CalPERS pension rates and increase in contractual services as a result of increased sewer treatment costs due to providing sewer services to the California Rehabilitation Center and the Navy.

For Water Operations, the FY 2014-2015 amended budget is \$9,199,585 and the FY 2015-2016 preliminary budget is \$9,525,302. The FY 2015-2016 budgeted expenditures are \$325,717 or 3.5% higher than FY 2014-2015 budget partially because of pension cost increase, a slight budget increase due to increased energy costs and purchased water costs, and increased costs associated with chemicals and the treatment plant.

Lastly, for Storm Drain Operations, Director Askew reported that the FY 2014-2015 amended budget is \$103,422 and the FY 2015-2016 preliminary budget is \$130,406. The FY 2015-2016 preliminary budgeted expenditures are \$26,984 or 26.1% higher than FY 2014-2015 due to additional amounts budgeted for street sweeping, storm drain cleaning, and cost sharing expenses with Riverside County Flood Control for mandatory monitoring of the Middle Santa Ana River Pathogen Total Maximum Daily Load Task Force.

Council Member Azevedo asked for an approximate amount of revenue generated for providing sewer services to the Navy and the California Rehabilitation Center. Water and Sewer Consultant Bill Thompson stated that the City generates approximately \$360,000 annually from the Navy and about \$650,000 annually from the California Rehabilitation Center.

Ed Dixon asked why the City is spending \$5,000 to paint private walls. Mr. Thompson indicated that there was a weed and graffiti issue on portions that were City property. The City gets reimbursed from the County for graffiti abatement.

Ted Hoffman referenced Street Maintenance costs and the Ingalls Parks signs installed on the I-15 freeway. Mr. Hoffman asked why the signs were included in the Public Works budget and not Ingalls Park. Mr. Thompson stated that the Street Maintenance Fund is Gas Tax funded from the State of California. The Gas Tax Fund has a surplus revenue and all signs in the street right-of-way are installed by the Public Works Department. The Gas Tax Fund and Measure A Fund is intended for those uses.

City Manager Andy Okoro presented a Retirement Pension Benefits overview and the impact on the City budget. Mr. Okoro stated that the City has contracted with California Public Employees Retirement System (CalPERS) to administer the City's Pension Plans, Safety and Miscellaneous plans. The plans are governed by the provisions of the California Public Employees' Retirement Law. CalPERS is responsible for performing the necessary actuary every year to establish employer contribution rates. The City is responsible for making the annual required contributions as determined by CalPERS actuary. The Public Employees' Pension Reform Act (PEPRA) effective January 1, 2013 enacted by the legislature made changes to pension benefits, created new retirement formulas for newly hired employees, and resulted in reduced classic employee payroll and thus higher contribution rates.

Mr. Okoro discussed the Miscellaneous Plan, which provides retirement pension to retired employees who were not Fire personnel. The Annual Required Contribution (ARC) is the amount the City is required to contribute each year to CalPERS to meet pension obligations. The total estimated City contribution for FY 2015-2016 is \$1,030,304 compared to \$773,469 for FY 2014-2015, which equates to an increase of 33.2%. In addition to the employer ARC, employees are required to contribute 8% for Classic Members. The City pays 4% of the 8% on behalf of employees hired prior to October 31, 2010. The Pension Reform Act of 2013 provides that all employees pay their full 8% by January 1, 2018. The total estimated unfunded accrued liability balance is \$8,820,259 as of June 30, 2013 compared to \$9,883,929 as of June 30, 2012, to be amortized over 8-30 years. Pension rate increases are due to a change in rate of return on investments from 7.75% to 7.50%, change in UAAL amortization policy from rolling 30 years to fixed 30 years, changes in actuarial assumptions to reflect longer life span for retirees, and lower payroll due to PEPRA.

Mr. Okoro discussed the Safety Plan. When the City contracted the fire protection and emergency medical services effective January 1, 2012, the City's Safety Pension Plan became inactive. The City is still responsible for pension benefits earned by employees through January 1, 2012. Based on the actuary report for FY 2015-2016, the City has to make a contribution of \$52,051. No contributions were required in the last three fiscal years.

Mr. Okoro also commented on post-retirement healthcare benefits. The City pays health insurance premiums for retirees and dependents subject to caps and the vesting schedule. For employees hired before September 1, 2004, the City pays 100% of full premium up to \$1,250 per month. This cap also applies to active employees. For employees hired after September 1, 2004, the percentage of premium paid depends on the number of years of service. The City has contracted with CalPERS to administer the City's post-retirement health benefits. The total number of retirees as of April 2015 is 78 and the total active is 52 participants.

In response the Linda Dixon, City Manager Okoro indicated that retirees receiving medical benefits includes spouses and dependents.

In response to Ed Dixon, Mr. Okoro stated that the City's rating is dependent of specific bond issues. Most bond issues are rated AAA, Water and Sewer Bonds are rated A+, and CFDs have a lower rating.

Bill Schwab asked that when a retiree becomes eligible for Medicare do the rates stay the same. Mr. Okoro indicated that CalPERS has a Medicare rate although the savings to the City is minimal.

Linda Dixon commented that when a retiree is eligible for Medicare, the lifetime benefits from the City cease. Mr. Okoro stated that when the City chose to implement benefits through CalPERS, the City chose the provision for retirees to receive same benefits as active employees. Ms. Dixon asked if the provision could be changed through Council action. City Attorney Harper indicated that this has been litigated with agencies and the courts have found that there is a contractual obligation for the City to continue paying.

2. Presentation of the Capital Improvement Program (CIP) Budget

With not sufficient time to present the CIP, this presentation is continued to June 3, 2015.

3. Public Comments:

None.

ADJOURNMENT

Mayor Higgins adjourned the meeting at 5:52 p.m.

Cheryl L. Link, CMC, City Clerk