



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

**Wednesday, May 4, 2016
City Council Chambers, 2820 Clark Avenue, Norco, CA 92860**

CALL TO ORDER: 4:00 p.m.

ROLL CALL: **Present:**
Kevin Bash, Mayor
Greg Newton, Mayor Pro Tem
Robin Grundmeyer, Council Member
Berwin Hanna, Council Member
Ted Hoffman, Council Member

PLEDGE OF ALLEGIANCE: Mayor Pro Tem Newton

CITY COUNCIL BUSINESS ITEM AS FOLLOWS:

1. Presentation of the Draft Fiscal Year 2016-2017 Operating Budget

City Manager Okoro commented that this budget maintains existing service levels. There are no new programs or employees. Mr. Okoro gave a brief overview of the workshop objectives. He proceeded with General Fund highlights. The total estimated General Fund revenues are \$17.3 million and total estimated expenditures are \$17.6 million. The projected General Fund expenditure budget is based on maintaining existing service levels; avoids use of one-time revenues or inter-fund borrowing; provides funding for estimated 7% increase and 4.6% increase in Sheriff and County Fire contracts respectively; continues to provide funding to pay down liability for post-retirement healthcare costs as well as pay-go retiree healthcare costs increases; provides funding to pay for pass-through pension rate increases; includes 3% salary increase and a 2% increase in employee contributions to retirement costs; and is reduced by one-time expenditure in FY 2015-2016 (Auto mall Sign and Crestview remediation). The General Fund is impacted by an anticipated 4.7% decrease in sales tax revenue from FY 2015-2016 estimated year-end amount due largely to one-time Triple Flip adjustment in FY 2015-2016; a projected 2.7% increase in property tax due to slight increase in projected assessed values and item tax increment sharing; a projected increase of 3% in Vehicle License Fees; an overall franchise fee projected to increase by 7.2% due to phase-in increase in refuse franchise; and a projected decrease of 17% to Community Development fees due to lower anticipated building activities.

Mr. Okoro reported on the Water Fund. The total projected Water Fund revenues are \$8.3 million and total projected expenditures are \$10 million. Total Water Fund revenues have significantly decreased from a high of \$9.7 million in FY 2014 to an estimated \$8.3 million in FY 2016-2017 due to less consumption/water conservation. Preliminary Water Fund revenues are estimated based on current reduced consumption levels driven by water conservation measures, and existing water rates structure.

Mr. Okoro reported on the Sewer Fund. The total projected Sewer Fund revenues are \$6.4 million and total projected expenditures are \$6.5 million. Sewer Fund revenues are based on the existing sewer rates structure. The Sewer Fund provides funding for an estimated increase in treatment plant pass-through costs, rate study, and GIS upgrade. It also includes a \$250,000 transfer to the Sewer capital Projects Fund.

Mr. Okoro provided a summary of the General Fund Revenues by source. Property Tax revenues include secured and unsecured levies, residual tax increment and pass-through distribution, and penalties and assume a 2.7% increase due to increase in assessed value and estimated tax increment distribution. Sales Tax revenues include a decrease of 4.72% based on one-time catch-up payment from the wind down of Triple Flip. Revenues are estimated conservatively using Sales Tax Consultant projections. Other tax revenues consist of Public Safety Sales Tax, Property Transfer Tax, TOT, and Business License Tax, and are projected to remain flat from FY 2015-2016. Franchise Fee revenues include cable television, electric, gas, and refuse. Franchise Fees are projected to have a net increase of 7.16% largely due to refuse franchise. Mr. Okoro also reported on Motor Vehicle License Fees, Interest and Lease Income, and other revenues.

Mr. Okoro also provided a summary of General Fund Expenditures, projected General Fund balance, and proposed budget year-end status.

In response to Council Member Hoffman, City Manager Okoro stated that for the Water Fund short-term balancing for FY 2016-2017, the additional sale of water is a one-time revenue.

Council Member Grundmeyer asked the City Manager if he foresees the TOT Tax increasing. City Manager Okoro indicated that hotels are currently doing very well. Staff is taking a conservative approach and will look at the figures again at mid-year.

In response to Council Member Grundmeyer, Director Blais stated that every commercial property has a potable meter and an irrigation meter, whereas residential irrigation meters are mostly out of service.

Mayor Pro Tem Newton commented on the Water Fund and Sewer Fund in regards to the use of recycled water. Director Blais stated that internal use of recycled water will be nominal. The hope is to sell water to the City of Corona, which will help supplement the fund. Mayor Pro Tem Newton commented that other cities are charging surcharges for other things such as water conservation. City Attorney Harper indicated that the City can only charge for the actual cost of service. Mayor Pro Tem Newton also commented on the possibility of turning off our own wells and using Arlington water. Director Blais stated that the City is not obligated to use well water. However, the more water the City uses from Arlington, the more our cost is reduced. The goal of additional partners is to bring up wells to full capacity as well water is less expensive.

Mr. Okoro turned the presentation over to the department managers to present their individual budgets.

Lieutenant Eric Briddick reported for the Sheriff's Department. The FY 2015-2016 estimated year-end expenditures are anticipated to be at or under the amended budget. The FY 2016-2017 preliminary budget amount is \$5,528,191. FY 2016-2017 budgeted expenditures are \$366,781 or 7.11% higher than the FY 2015-2016 budget due to the increase in the Sheriff's contract services. Additionally, appropriation of \$100,000 for traffic enforcement is included in the budget. The crossing guard program continues to have a position for Norco Elementary.

In response to Council Member Hanna, Lt. Briddick stated that the crossing guard cost is shared between the City and the Corona-Norco Unified School District.

In response to Council Member Hoffman, Lt. Briddick indicated that the \$100,000 for traffic enforcement is the maximum. Staff puts a spending cap each month for traffic enforcement in order to equally distribute the program throughout the year.

Battalion Chief Scott Lane reported for the Fire Department. The FY 2015-2016 estimated expenditures are higher than FY 2015-2016 budget due to increased calls for service as compared to prior estimates. The FY 2016-2017 preliminary budget amount is \$3,972,545. FY 2016-2017 budgeted expenditures are increasing by \$170,875 due to an estimated 4.6% increase in the CalFire contract. Additional funding of \$50,662 for fire engine replacement is provided through the Equipment Replacement Fund.

Mayor Pro Tem Newton commented that the City of Canyon Lake no longer wants to use CalFire services and would affect all participating city rates. Mayor Pro Tem Newton asked how much that attributed to the rate change. Battalion Chief Lane indicated that the rate is based on the number of partners in the contract. City Manager Okoro stated that the current rate structure is set up to only bill for those personnel that are assigned to the City of Norco. A small portion of the rate is associated with dispatching.

Accounting Manager Olivia Hoyt reported for the Fiscal and Support Services Department. The FY 2015-2016 estimated expenditures are below amended budget amounts due to salary and benefit savings. The FY 2016-2017 Preliminary Budget is \$1,337,675. FY 2016-2017 budgeted expenditures are \$45,461 or 3.3% lower than FY 2015-2016 budget primarily due to moving Human Resources to Administration.

In response to Council Member Hanna, City Manager Okoro stated that there are 53 full-time employees.

City Manager Okoro reported his department budget. FY 2015-2016 estimated expenditures are relatively flat as compared to the amended budget. The FY 2016-2017 Preliminary Budget is \$337,086. FY 2016-2017 budgeted expenditures are \$23,329 or 7.44% higher primarily due to pension costs and salary adjustment.

City Clerk Cheryl Link reported for her department. FY 2015-2016 estimated expenditures are below budgeted amounts due to savings in salary and benefits. The FY 2016-2017 preliminary budget is \$280,238. FY 2016-2017 budgeted expenditures are \$29,021 or 9.38% less than FY 2015-2016 budget due to biannual costs related to election services.

Economic Development Consultant Roger Grody presented for his department. FY 2015-2016 estimated expenditures are below amended budgeted amounts because of deferred Historic Preservation consulting fees and conservative management of marketing resources. The FY 2016-2017 preliminary budget is \$220,627. FY 2016-2017 budgeted expenditures are \$131,855 or 37.41% lower than FY 2015-2016 budget largely because of one-time expenditures related to the Auto Mall Sign. The budget includes funding for continued attendance of ICSC Conference and additional marketing efforts.

City Manager Okoro presented the budget for Human Resources. In FY 2016-2017, Human Resources will move from Fiscal and Support Services to Administration. The FY 2016-2017 Preliminary Budget is \$116,801.

Director Steve King presented the budgets for the Planning Department, Building and Safety Division, and Code Enforcement. The Planning Department FY 2016-2017 budget is higher than FY 2015-2016 due to higher pension costs and salary adjustments. The FY 2016-2017 preliminary budget is \$360,104. The Code Enforcement Division budget for FY 2016-2017 is slightly higher due to higher pension costs, salary adjustments and contractual services. The FY 2016-2017 Preliminary Budget is \$97,490. The Building and Safety Division FY 2016-2017 budget is higher by \$66,884 or 24.76% than FY 2015-2016 due largely to the upgrade of a part-time position to full-time and the associated benefits costs.

Superintendent Michelle Anglin reported for the Parks, Recreation and Community Services Department as well as Animal Control. For Recreation Services, the FY 2015-2016 estimated expenditures are below amended budgeted amounts due to a decrease of actual full-time salaries expended because of a vacancy in the part-time Volunteer Coordinator position during the year and estimated lower utility expenses. The FY 2016-2017 Preliminary Budget is \$674,488. FY 2016-2017 budgeted expenditures are slightly higher due to higher pension costs and salary adjustment; however, they have offsetting revenue due to increase participation in leisure classes and rentals at the Community Center.

For Youth and Teen Services, the FY 2015-2016 estimated expenditures and revenues are in line with the amended budgeted amount. The FY 2016-2017 Preliminary Budget is \$318,246. FY 2016-2017 budgeted expenditures are 12% higher due to a full year of minimum wage increases along with merit increases for part-time personnel as well as increases in Computing and Communications Operations charges. FY 2016-2017 budgeted revenues are 11% higher due to an increase in program fees and Adult Sports revenue.

For Park Maintenance, the FY 2015-2016 year-end estimated expenditures are in line with amended budgeted amounts. The FY 2016-2017 Preliminary Budget is \$555,947. FY 2016-2017 budgeted expenditures are 5.23% higher than FY 2015-2016 budget due to CalPERS pension rate increase, increase in estimated Contractual Services, Vehicle Replacement Charges and Computing and Communications Operations.

For Senior Services, the FY 2015-2016 year-end budgeted expenditure increase is due to Party Partners expenses and facility improvement which are offset by revenues from church and Horseweek donations and were not included in the mid-year budget

adjustment. The FY 2016-2017 preliminary budget is \$228,227. FY 2016-2017 estimated expenditures and revenues are in line with the amended budget. However, this includes the elimination of the Party Partners Program for FY 2016-2017 until funding becomes available. FY 2016-2017 revenues are 14% less than FY 2015-2016 due to lower participation from seniors on excursions and elimination of Party Partners Program donation.

For Building Maintenance/George Ingalls Equestrian Event Center, the FY 2015-2016 estimated year-end expenditures are higher due to unforeseen contractual expenditures for building maintenance. The FY 2016-2017 Preliminary Budget is \$761,104. The FY 2016-2017 budgeted expenditures are less than 1% higher due to reclassification of full-time personnel. The FY 2016-2017 revenues are 23% lower due to elimination of Library Lease and decrease in stall rentals from cancellation of Arabian Show and Mustang Makeover.

For Animal Control, the FY 2015-2016 estimated year-end expenditures are slightly higher than amended budget due to increase in contractual services. The FY 2016-2017 preliminary budget is \$595,963. FY 2015-2016 revenues increase mainly due to increase revenue collected through dog licensing. There is no change in the FY 2016-2017 budget as a result of the reduction of Special Departmental, Contractual Services, and Building and Ground Maintenance to absorb the increase in CalPERS pension rates and annual overtime. FY 2016-2017 revenues decreased 13.40% mainly due to unknown State reimbursement for fines issued. This amount traditionally adjusts (increases) at mid-year.

In response to Council Member Hoffman, Superintendent Anglin stated that contractual building maintenance covers primarily City facilities.

Mayor Bash inquired if the Norco Library is officially moving. City Manager Okoro stated that he is working on the assumption that the library will not be in its current location, therefore, will not making lease payments to the City. Mayor Bash expressed his concern for the lack of funding for the Party Partners Program.

Director Chad Blais reported for the Public Works Department and Engineering Division. For Engineering, the FY 2015-2016 estimated expenditures are below amended budgeted amounts due to positions being partially filled or unfilled during the year. The FY 2016-2017 preliminary budget is \$521,115. FY 2016-2017 budgeted expenditures are \$75,685 or 12.54% lower than FY 2015-2016 mainly due to the elimination of one-time costs associated with Crestview Drive remediation efforts in FY 2015-2016.

For Public Works Inspection, FY 2015-2016 estimated expenditures were fairly consistent with amended budgeted amounts. The FY 2016-2017 preliminary budget is \$109,931. FY 2016-2017 budgeted expenditures are projected to remain the same.

For Parkway Maintenance, FY 2015-2016 estimated expenditures were fairly consistent with amended budgeted amounts. The FY 2016-2017 preliminary budget is \$71,801. FY 2016-2017 budgeted expenditures are expected to marginally increase primarily due to an increase in use of CRC crews for tail maintenance.

For Street Maintenance, FY 2015-2016 estimated expenditures are below amended budgeted amounts due to not implementing street striping contract, reduced contractual pavement patching, and salary savings. The FY 2016-2017 preliminary budget is \$680,727. FY 2016-2017 budgeted expenditures are \$43,936 or 6.06% lower than FY 2015-2016 budget due to reallocation of salaries and benefits.

For Sewer Operations, FY 2015-2016 estimated expenditures are below amended budgeted amounts due to less than anticipated use of contractual services and increase in loan repayment not yet taking effect. The FY 2016-2017 preliminary budget is \$6,012,627. FY 2016-2017 budgeted expenditures is \$155,702 or 2.66% higher than FY 2015-2016 budget because of increased costs related to WRCRWA operations, increase allocation of Public Works staff salaries and benefits to Sewer Funds, and implementation of new work order/asset management and GIS system.

For Water Operations, FY 2015-2016 estimated expenditures are below amended budgeted amounts due to less than anticipated purchased water costs. The FY 2016-2017 preliminary budget is \$9,503,191. The FY 2016-2017 budgeted expenditures are \$489,223 or 4.90% lower than FY 2015-2016 budget due to reduced allocation of Public Works staff salaries and benefits to the Water Fund and Reduction in electrical costs

For Storm Drain Operations, FY 2015-2016 estimated expenditures are on par with amended budgeted amounts. The FY 2016-2017 preliminary budget is \$127,066. The budget is subject to reduction due to limited revenues and projected fund balance deficit.

Council Member Hoffman commented on the increase in this fiscal year budget for fire hydrants and asked if it was included for next fiscal year. In response, Director Blais stated that inspections and repairs will continue this year and next year will begin regular maintenance.

There was some discussion between Council Member Hoffman and Director Blais regarding remediation efforts on Crestview Drive. Director Blais stated that staff is in regular contact with Riverside County Flood Control to stay updated on the progress of flood control projects in that area. Council Member Hoffman expressed that he does not want to see the budget cut short for the remediation efforts.

Mayor Pro Tem Newton asked why the street maintenance budget is reduced for contractual pavement patching. Director Blais indicated that the budget is not reduced; the entire budgeted amount will not be used. The paving contractor was brought in late in the fiscal year.

City Manager Okoro presented the budget for Non-Departmental. He also presented the proposed FY 2016-2017 supplemental requests, which are: adding a full-time maintenance worker in the Building Maintenance Division; converting a part-time administrative clerk to full-time in the Recreation and Community Services Division; replacement of City Hall air conditioning units; adding part-time personnel as well as supplies to the Party Partners Program; purchase of new playground equipment at Neil Snipes Park; painting of Moreno Arena; and converting a part-time position to full-time for the Economic Development and Administration departments.

Council Members Hanna and Hoffman thanked the City Manager for the request to add a full-time maintenance worker at Ingalls Parks as it is greatly needed.

Council Member Grundmeyer commented that turnover impacts the ability to retain volunteers and thanked the City Manager for the request to convert the part-time position to full-time in the Recreation and Community Services Division.

In regards to the request to install new playground equipment at Neil Snipes Park, Council Member Hoffman said it is a good use of funds. He asked if maintenance will be included. Superintendent Henk Koke stated that playground equipment receives maintenance on a weekly basis. Superintendent Anglin indicated that woodchip replacement is currently in the budget.

The Council discussed the painting of Moreno Arena and noted that maintenance is necessary to reduce future costs. The Council recommended including this supplemental request in the budget.

The City Council thanked staff for their work on the budget. City Manager Okoro thanked Finance Officer Gina Schuchard, Accounting Manager Olivia Hoyt, and Accountant Melinda Van.

ADJOURNMENT

Mayor Bash adjourned the meeting at 6:03 p.m.

Cheryl L. Link, CMC, City Clerk