



MINUTES
CITY OF NORCO
SPECIAL MEETING – STUDY SESSION
CITY COUNCIL/COMMUNITY REDEVELOPMENT AGENCY
CONFERENCE ROOMS “A” & “B”
NORCO CITY HALL – 2870 CLARK AVENUE
JANUARY 25, 2010

1. CALL TO ORDER: 2:03 p.m.
2. ROLL CALL:
Mayor Malcolm G. Miller, **Present**
Mayor Pro Tem Berwin Hanna, **Present**
Council Member Kathy Azevedo, **Present**
Council Member Kevin Bash, **Present**
Council Member Harvey C. Sullivan, **Present**

Staff Present: Carlson, Cooper, Groves, Jacobs, King, Okoro, Oulman, Petree and Thompson
3. PLEDGE OF ALLEGIANCE: Council Member Azevedo
4. PUBLIC COMMENTS OR QUESTIONS: No Public Comments
5. CITY COUNCIL STUDY SESSION ITEMS:
 - A. Overview from the City Manager

City Manager Groves stated that the objectives of this study session are to 1) Provide an update on the General Fund’s fiscal performance for the first six months of FY 2009-10; 2) Discuss other important trends affecting the General Fund; and 3) Provide an update for the Redevelopment Agency Operating Fund. Sales tax revenues two years ago reflected 40% of the General Fund revenues, and are now at 24%. It is still unknown if the State will make any decisions regarding Motor Vehicle License Fees. City Manager Groves reviewed the General Fund discretionary expenditures and noted that these expenditures are for the services that the City provides to its residents. The reasons for revenue revisions include 1) The general economic slowdown; 2) Auto Mall closures; 3) The decrease in assessed values; 4) Declining participation in the Wee People Program; 5) A low cash balance and interest earnings rate; and 6) Potential revisions to the Vehicle License Fee.

B. Mid-Year Budget Update

Deputy City Manager/Director of Finance Okoro presented the mid-year Budget update for FY 2009-10. The General Fund revenues by source were reviewed, noting a revenue shortfall of approximately \$1.4 million. With added potential enhancements of \$934,000 and identified mid-year reductions of \$199,000, the remaining shortfall that will need to be made up in this fiscal year budget is \$225,383.

In response to Council Member Azevedo, Deputy City Manager/Director of Finance Okoro stated that based on the number of workers compensation cases and the severity of the cases, the costs are higher this year than previous years.

Agenda Items 1.A. & 5.A.

The General Fund revenue and expenditure summary for FY 2009-10 was presented noting that the estimated shortfall before one-time items is approximately \$2.3 million. The list of one-time items transferred into the General Fund in FY 2009-10 was presented noting a net effect of approximately \$1.5 million. The “true” Budget shortfall for FY 2009-10 totals approximately \$3.8 million.

Five-year trend charts reviewing sales tax revenue, revenues and expenditures and General Fund balances were presented. Deputy City Manager/Director of Finance Okoro noted great concern regarding the sales tax revenue trends, moving downward from \$6 million in FY 2005-06 to \$3 million in FY 2009-10. Discussion was held regarding the need for a “reserve” fund, noting that in this Fiscal Year there is not the required 25% of the budget available for emergencies. The FY 2010-11 General Fund minimum cash flow requirements could have an ending cash balance in December of 2010 of a negative \$538,554 if revenue trends continue and expenditures remained the same.

The RDA Operating Fund revisions were presented noting the decline in assessed value, declining cash balance and lower investment earning rate and the change in the way tax increment is allocated between the Agency and the County of Riverside. The total net difference between the revenues in the FY 2009-10 Budget and the anticipated year-end amount is approximately negative \$1.1 million. The RDA expenditures will be increased due to pass-through payments from the Agency to the County of Riverside in the amount of approximately \$1.4 million.

Discussion was held regarding the money that the State is potentially “taking away” from the Redevelopment Agency in the amounts of \$4.9 million this fiscal year and \$1 million next fiscal year. It was clarified to the Council that this money would come from the existing RDA Fund Balance. Deputy City Manager/Director of Finance Okoro stated that the existing RDA fund balance is approximately \$9 million.

Mayor Miller stated that the reason for the law suit against the State is to protect this \$6 million. He noted that the League of California Cities has promoted the initiative process to the Council Members and the Council Members will be asking the community to sign a petition to protect the City’s revenues.

City Manager Groves stated that the actions and proposals required to meet this remaining budget shortfall of \$225,383 will be brought to the Council on February 17th for its consideration. Following discussion regarding “ideas” for solving this budget deficit, City Manager Groves stated that all of this information is very useful and will be discussed at the upcoming Strategic Planning Workshop.

6. ADJOURNMENT: There being no further business to come before the City Council, Mayor Miller adjourned the meeting at 3:16 p.m.

BRENDA K. JACOBS
CITY CLERK