



MINUTES
CITY OF NORCO
SPECIAL MEETING – STUDY SESSION
CITY COUNCIL
CONFERENCE ROOMS “A” & “B”
NORCO CITY HALL – 2870 CLARK AVENUE
MARCH 24, 2010

1. CALL TO ORDER: Mayor Miller called the meeting to order at 2:02 p.m.
2. ROLL CALL: Mayor Malcolm Miller, **Present**
Mayor Pro Tem Berwin Hanna, **Present**
Council Member Kathy Azevedo, **Present**
Council Member Kevin Bash, **Present**
Council Member Harvey C. Sullivan, **Present**
3. PLEDGE OF ALLEGIANCE: Council Member Sullivan
4. PUBLIC COMMENTS OR QUESTIONS: No public comments or questions were received at this time.
5. CITY COUNCIL STUDY SESSION ITEMS:
 - A. Overview from the City Manager.

City Manager Groves stated that it is very apparent that there are immediate financial issues facing the City and staff has put together information regarding potential revenue measures for discussion purposes. She further noted that this type of discussion will be helpful and necessary as staff progresses through the budget process. City Manager Groves stated that this is all part of the budget preparation and not a budget public hearing.

- B. Follow-Up from the Strategic Planning Session -- Discussion Regarding Potential Revenue Measures.

City Manager Groves and Deputy City Manager/Director of Finance Okoro presented the objectives of the meeting including facts on General Fund revenues and expenditures, the process for increasing selected revenues, information on revenue measures locally and statewide, sources of funding for personnel costs, cost containment measures implemented by the City in recent years, and the Fiscal Year 2010-2011 budget strategy.

The concepts of User Fees, Sales & Use Tax; a Utility Users Tax; and a Parcel Tax were presented and discussed. Clarification was made that no cities in Riverside County have imposed a local sales tax. The approval process to impose or increase revenues was also discussed, noting that placing this on the November 2010 ballot would require the City to declare a fiscal emergency, as this is not the adopted election cycle for the City. Noted was the fact that 146 Cities in California have imposed a Utility Users Tax.

Personnel funding was presented and discussed, noting how each department is funded. It was confirmed that there are restrictions placed on how the different funds can be distributed and spent. Also noted was that this year, both the General Fund and Redevelopment Agency are vulnerable.

Examples of cost containment measures that the City has taken to try to reduce General Fund expenditures were presented noting attrition management and layoffs; the 36-hour work week; and benefit changes. Other cost reduction measures discussed include the conveyance of Silverlakes back to the Redevelopment Agency, the suspension of wage adjustments for General Employees in 2005; and the Safety Employees agreement to a reduction in the amount of mandatory holiday pay and to forgo uniform maintenance allowance.

Discussion was held regarding the budget strategy, noting that there is no one solution. City Manager Groves stated that the City is required to go through the collective bargaining process with employees and added that she will be meeting with each City department to determine cost-saving measures. She added that we need to look beyond next fiscal year in preparing the budget.

Council Member Azevedo stated that she is concerned about the City's financial problems and stated, for the record, that her least favorite solution is imposing a local sales tax. She also commended the work that all of the City employees do. **Mayor Miller** added that sales tax is a "regressive" tax and therefore has a negative impact.

City Manager Groves confirmed that the City has adopted a resolution stating that 25% of the adopted budget must be held in the fund balance, or reserves, and that the amount required was not met for next fiscal year. She added that each local agency sets its own percentage.

Council, staff and public discussion continued:

- ✚ Deputy City Manager/Director of Finance Okoro responded to questions regarding property tax and noted that 8 ½ cents on the dollar comes back to the General Fund and added that the homes in the Norco hills are not in the RDA Project Area.
- ✚ City Manager Groves confirmed that there are restrictions for what grant money can be used for as far as salaries and benefits. She also noted that there are also restrictions on how stimulus funds can be spent.
- ✚ Deputy City Manager/Director of Finance Okoro stated that a ruling is expected next month on the League of California Cities *versus* the State of California lawsuit. He noted that the payments will be due by May 10th if the State wins.
- ✚ City Manager Groves responded to inquiries regarding the City's life-time benefits and stated that this is being discussed through the "meet and confer" process with the unions and stated that the "benefit tiers" were changed in 2004.

- # Discussion was held regarding the potential impact on residents and it was noted that the impact is required to be equal to all persons affected.
- # Council Member Bash stated that if Norco survives, we will come out on top. He added that Norco is and will be a very valuable piece of property.
- # The question was asked if it is this dire, how close are we to folding as a City. Deputy City Manager/Director of Finance Okoro stated that from a cash flow standpoint, if this financial picture does not change, the City may not be able to pay its bills in December of 2010. He added that we need to look at where we want to be a year from now.
- # Mayor Miller noted that we need to buy time for the next few years until things get better.
- # City Manager Groves responded to a question regarding when the City would receive revenue if a measure was implemented and stated that in a perfect world, it would be placed on the December assessor roles, but more likely it would be in May.
- # Council Member Azevedo stated that with this recession, and Silverlakes taking longer than anticipated, businesses are not coming to Norco and is concerned about the County taking Norco over.
- # Fire Chief Carlson responded to questions regarding ISO ratings and stated that the City has just completed the insurance process and has not yet received its rating. In the past, the City has been rated at a 3 level. He noted that the ISO indicated that the City is short one fire station and one Fire Company, both of which are very expensive. He noted that the City's rating is likely to go to a 4 or worse. Chief Carlson stated that this rating is very significant in purchasing fire insurance for commercial and industrial businesses.

Council Member Sullivan requested that staff put together information on a 5% cost on an overall Utility Users Tax and a \$20/rooftop/month Parcel Tax. He noted that according to his calculations, this would bring revenues in at approximately \$4 million.

Council Member Bash reiterated the importance of looking ahead to develop ideas to generate income. City Manager Groves noted that the Economic Development Advisory Council will be looking at developing a business strategy, which will be brought back to the Council.

Council Member Azevedo stated that one of these options should be pursued and believes that it is going to take the entire town to buy into this. She suggested holding a town hall meeting to educate the community.

It was noted that this is a "community" and the only thing standing in the way is knowledge; the community needs to know what could happen to the City of Norco if we do nothing.

6. ADJOURNMENT: There being no further business to come before the City Council, Mayor Miller adjourned the meeting at 3:54 p.m.

BRENDA K. JACOBS
CITY CLERK

/bj-75180