



MINUTES CITY OF NORCO

ADJOURNED SPECIAL MEETING – BUDGET WORKSHOP
CITY COUNCIL/COMMUNITY REDEVELOPMENT AGENCY
CONFERENCE ROOMS “A” & “B”
NORCO CITY HALL – 2870 CLARK AVENUE
MAY 18, 2010

-
1. CALL TO ORDER: Mayor Miller called the meeting to order at 1:03 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**

Staff Present: Carlson, Cooper, Groves, Jacobs, King, Okoro, Petree and Thompson
 3. PLEDGE OF ALLEGIANCE: Mayor Pro Tem Hanna
 4. PUBLIC COMMENTS OR QUESTIONS: No public comments or questions were presented at this time.
 5. BUDGET WORKSHOP:
 - A. Fiscal Year 2010-2011 City and Norco Redevelopment Agency Operating and Capital Improvement Program Budget Issues and Reductions.

City Manager Groves stated that this Budget Workshop is a “step” in the budget process to bring information to the Council/Agency Board for their discussion in order for the final Budget approval to take place by June 30, 2010. She noted that the Workshop will be presented in a different format than in the past, as the City is dealing with a significant shortfall, and the focus will be on recommended reductions and direction from the Council/Agency Board.

- Workshop objectives defined the presentation and the Fiscal Year 2010-2011 *preliminary* General Fund Budget summary was discussed. The City Manager noted that the key focus for discussion is how to deal with the projected structural imbalance of \$4.4 million. It is expected that the fund balance (“money in the bank”) will be depleted during the fiscal year unless additional expenditure reductions are made and/or new revenues sources are identified and implemented.
- Projected General Fund revenues and expenditures were presented with projected revenues of \$12,695,366 and projected expenditures of \$17,081,345 (including discretionary and non-discretionary, and before any additional reductions are implemented).
- Options to reduce the General Fund deficit were presented, with an estimated expenditure reduction/deferral of \$1,635,394; including the elimination of three (3) motor officers (net savings), deferral of contribution to the Equipment Replacement Fund, the reduction of funding to the Post Retirement Health Fund, park maintenance personnel changes, potential Labor concessions, the continuation of employing the Fire Chief on a half-time basis, reduction in overtime calculations, and the deferral of contributions to the

IT Fund. Other revenue enhancements proposed total \$700,000; including a transfer from the DAG Fund and changes to the General Fee Schedule. The total estimated reduction to the General Fund deficit in the stated reduction proposals would be \$2,335,394. Deputy City Manager/Director of Finance Okoro confirmed that the amount of \$600,000 proposed would deplete the DAG Fund.

- The General Fund Budget was re-capped noting that with all of the proposed adjustments, the estimated remaining estimated Fund Balance would be 9.67% of the total budget, or \$1,493,492. It was also noted that the balance in the Special Asset Revenue Fund is \$1,285,538.
- The potential savings from park closures was presented, with the total cost differential for maintenance to temporarily fence off all the parks listed (9) of \$53,592. Director Petree stated that all of these costs are estimates, as he has not received formal bids to support these numbers. Director Petree also stated that this list does not include all of the parks in the City and defended that decision with explanations regarding the use of those parks (approximately 34 acres). Comments were heard from the audience regarding potential ways to generate revenue and/or save costs on maintenance in the City's Parks. Director Petree responded that there is a standard that needs to be met and the reality is that we really don't save anything by cutting the spending in half. He added that in the future, the entire park system will be fed by the smart irrigation system, which will reduce the cost of irrigation.
- The impacts of building the second arena at the George Ingalls Equestrian Event Center were presented, as the preliminary General Fund budget provides no funding for operations and maintenance. It was noted that options are being discussed, such as contracting out for the operations and maintenance. In order for the City to operate it, a one-time appropriation of \$150,000 and ongoing annual appropriations of \$250,000 will be required to open and operate the facility.
- Council Member Azevedo asked about the rock crushing operation at Ingalls. Deputy City Manager/Director of Finance Okoro stated that there is no money coming in from that operation at this time, and added that there is a cost savings in the "fill sand" provided from that operation. Council Member Azevedo also asked about the machinery used for that operation and inquired if the City owns it and, and if so, could they sell it. Director Petree noted that the equipment has already been sold. Deputy City Manager/Director of Finance Okoro stated that the revenues collected from selling the machinery went into the Special Asset Revenue Fund. Council Member Azevedo received confirmation from staff that next year there will be a cost to purchase DG for the trails.
- Comments from the audience at this time included questions regarding City assets that could be sold, comments on overtime and the need for zero overtime requirements, question regarding pension costs and a suggestion to charge a licensee fee for horse owners. Council Member Bash responded that charging a "horse tax" would be the end to our horse-keeping community. Deputy City Manager/Director of Finance stated that we have looked into selling City assets, such as surplus land that the City holds for resale. With respect to the post-retirement funds, he noted that these costs have already been incurred by the City. Mayor Miller stated that if you provide emergency services, you cannot get away from overtime. Council Member Sullivan commented on the horse tax and stated that Norco has been set up to protect animal-keeping into perpetuity. He added that he would not object to a horse tax if that would solve the problem, but that amount would not solve the City's financial problems. Council Member Sullivan noted that if the City would impose a horse tax, people will not move to Norco.

Deputy City Manager/Director of Finance Okoro presented the Redevelopment Agency Tax Increment Operating Fund summary noting that this is a separate operating fund from the General Fund.

- The assessed value is predicted to remain flat into the next year and the generation of interest from investment funds is declining, leaving little revenue received from interest earnings.
- The pass-through payments significantly increased in FY 2009-2010 due to the change in the tax increment allocation formula with the County.
- Total expenditures are expected to exceed total revenues by \$2.2 million. The estimated Fund Balance is estimated at June 30, 2011 to be at \$1,846,102.
- The RDA Low/Moderate-Income Housing fund was presented with an estimated budget surplus in Fiscal Year 2010-2011 of \$934,623. The estimated Fund Balance is estimated to be at \$7,689,638.

City Manager Groves presented options for funding the Supplemental ERAF payment. She cautioned that due to the structural deficit in the RDA Tax Increment Operating Fund, the Fund Balance must be preserved.

- The law allows the Agency to pay for the SERAF take-away through several other sources. The SERAF payment options presented were \$3 million from the Low-Moderate Income Housing Fund; \$1.5 million -- reducing the scope of the Animal Control facility; \$500,000 -- reducing the scope of the George Ingalls Equestrian Event Center; and \$900,000 from the RDA Operating Fund; for a total of \$5.9 million.
- The design element of the Animal Control facility was discussed with options for the new facility. Director Petree confirmed that no bids were submitted in response to the RPF for animal control services. He also confirmed that the Animal Control facility development has not been sent out to bid to this date and the amount in the budget is what has been allocated. City Manager Groves stated that she will need to receive consensus from the Council regarding the scope of the development of the Animal Control facility.

Council Member Azevedo commented on a sidewalk stamp program that could generate revenue. Director Petree noted that this has been looked into, but those revenues are difficult to determine.

Council Member Sullivan commented that the RDA money should be used for Norco's best interest and should be used to finish off the facilities. He noted that the City could charge persons that live outside of Norco for full-service at the Animal Control facility. He also stated that he would like to see the second arena at Ingalls completed and added that shows need to be booked years in advance and until the second arena is built, those bookings cannot take place.

Council Member Azevedo commented on the use of the RDA funds and how the economy has affected the auto dealerships. She added that RDA funds should be used to attract dealers in the future, as there will be a lot of competition when the economy improves. She does feel that we need to allocate an amount for the Animal Control facility but is concerned about taking more from the RDA Budget.

- Comments from the audience at this time included comments on the importance of making the improvements at the George Ingalls Equestrian Event Center, as it has potential to make a profit for the City if someone was found to manage it; and a challenge to the Council to look at the budget in a longer term.

Mayor Pro Tem Hanna commented on the new Animal Control facility just built to service the County of Riverside and that this would also service Eastvale, as it was stated earlier that there was a possibility that Norco could service that area with its new facility.

Council Member Bash commented on the need to use the RDA funds to attract commerce on Sixth Street and inquired about the use of RDA money to create a team for the purpose of contacting retailers.

Council Member Azevedo commented on the Ingalls RFP and the fact that the City received only one response. She also commented on the cost to manage the arena and the additional cost of a second arena.

City Manager Groves clarified that the RFP went out with set parameters and noted that those parameters are being evaluated. She also commented on the fee structures that could be discussed.

Mayor Pro Tem Hanna asked if the restrooms at the Ingalls arena would be completed as show on the master plan. Director Petree responded that now we are looking at buying two restrooms and bidding them differently.

- Comments from the audience at this time included the mention that in order to attract businesses, we need a reason to attract them and so is in favor of completing the Ingalls arena; the need for the City to break even on building a second arena; and a suggestion to contact Blythe regarding their “bare bones” air conditioned animal control facility.

Deputy City Manager/Director of Finance Okoro commented on the Water fund Operating Budget, with an estimated working capital deficit in FY 2010-2011 budget of \$217,968, adding that the rate structures will be reviewed in the near future.

Council Member Azevedo asked about the Smart Water Meters and if the installation should be reviewed. Deputy City Manager/Director of Finance Okoro stated that the source of funding cannot be used for anything other than what benefits the Water Fund.

Mayor Pro Tem Hanna inquired about the salaries paid out of the Water Enterprise Fund. Deputy City Manager/Director of Finance Okoro stated that the funds are used to pay employees that work in Public Works and other City employees that are directly connected to performing activities for the water fund.

Deputy City Manager/Director of Finance Okoro commented on the Sewer Fund Operating Budget, with an estimated working capital deficit in FY 2010-2011 of \$352,933, adding that the rate structure will be reviewed in the near future. He noted that once the Smart Meters are installed, an analysis will be made and a tiered rate structure will be discussed.

Deputy City Manager/Director of Finance Okoro commented on the Gas Tax Operating Budget, with an estimated revenue over expenditures in FY 2010-2011 of \$21,960, adding that the State Budget process is still ongoing and there is a risk that the State may ultimately take away the Gas Tax revenues entirely.

City Manager Groves commented on the key Capital Improvement Program projects, noting that all high priority projects expected to be constructed during the fiscal year will be funded by cash already on hand.

Director Thompson commented on key CIP Public Works projects – Trails Improvements Fund (\$122,564), Water Improvement Fund (\$8,043,662), Street Improvement Fund (\$7,040,885), Storm Drain Fund (\$2,726,597), Sewer Facilities Fund (\$6,071,600), Sewer Connections Fund (\$30,795), Measure A (\$2,107,500). He noted that approximately \$9 million will be spent on streets in the next Fiscal Year.

Council Member Azevedo would like to note for the record that she is in favor of not funding the Second Street Widening Project (funded by RDA Bond Proceeds) and would rather fund the development of the new Animal Control facility. City Manager Groves responded that the Second Street Widening Project is ready to go out to bid and per the earlier discussions by the Council at a study session, the bids can be redirected when they are brought back to the Council.

Director Thompson stated that the funding for the Widening of Hamner Avenue is available to be reimbursed through the TUMF Program.

Council Member Bash stated that the Council needs to decide where the money should be spent and also noted the blighted conditions on the north and south sides of Second Street along the I 15 Freeway.

Director Petree commented on the Park Improvement Funds (\$3,805,379, which includes the \$500,000 proposed to transfer for the SERAF payment), noting that the Development Impact Fees are almost depleted.

City Manager Groves again made the statement that this is all part of the budget process. She also stated that this is where we currently are with the budget proposal and the next step will be to bring the Budget proposal to the Council/Agency Board at the June 2nd meeting. She further stated that the process will be ongoing and believes that we will be back looking at this mid-year. Noted to the Council was the fact that adopting the budget is the first step and then staff will have to deal with the services that will need to be continually provided to the community.

Mayor Miller thanked staff and the persons in the audience for their participation.

Council Member Sullivan commented on the recommended reductions to Police and Fire. Deputy City Manager/Director of Finance Okoro responded that the \$479,794 reductions (net savings) in the Sheriff's Department are reflecting the elimination of three Motor officers, which will result in the loss of approximately \$180,000 in revenue. Lt. Cooper commented on how this will affect the Sheriff's Department. Council Member Sullivan stated that he is an advocate of more police protection.

City Manager Groves asked for any direction from the Council in regards to closing City parks, from which no direction was received. Consensus was then received from the Council to leave the \$1.5 million for the Animal Control facility, as well as the \$500,000 for the George Ingalls Equestrian Event Center second arena in the proposed Redevelopment Agency CIP Budget and not use that appropriation for the payment of the SERAF as proposed.

6. ADJOURNMENT: There being no further business to come before the City Council, Mayor Miller adjourned the meeting at 5:20 p.m.

BRENDA K. JACOBS
CITY CLERK