



**MINUTES**  
**CITY OF NORCO**  
SPECIAL MEETING  
CITY COUNCIL  
CONFERENCE ROOMS "A" & "B"  
NORCO CITY HALL – 2870 CLARK AVENUE  
APRIL 27, 2011

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1. CALL TO ORDER: Mayor Hanna called the City Council Special Meeting to order at 2:03 p.m.
  2. ROLL CALL: Mayor Berwin Hanna, **Present**  
Mayor Pro Tem Kevin Bash, **Present**  
Council Member Kathy Azevedo, **Present**  
Council Member Greg Newton, **Present**  
Council Member Harvey C. Sullivan, **Present**
  3. PLEDGE OF ALLEGIANCE: Mayor Hanna
  4. PUBLIC COMMENTS OR QUESTIONS:

**Vern Showalter.** Mr. Showalter inquired about the Frahm indebtedness to the City. City Manager Groves responded that this information was presented in the staff report at the April 20<sup>th</sup> Agency Board meeting, noting that the \$500,000 loan has been reassigned to Browning Motors and the sales tax sharing agreement is part of the agreement between Frahm and Browning. She added that the agreement between Frahm and Browning is a lease with the option to buy.

5. CITY MANAGER INTRODUCTION AND OVERVIEW

City Manager Groves stated that there are two items that will be presented, as requested by the City Council. She noted that the order of presentation has been reversed, with Item 6.B. being addressed first. General information on the topics has been prepared and City Manager Groves stated that direction from the Council is being requested from the Council regarding further staff work on the individual items.

6. CITY COUNCIL-REQUESTED CONCEPTUAL DISCUSSION ITEMS:

A. Establishment of a Water Fund Rate Stabilization Account

Deputy City Manager/Director of Finance Okoro presented a *conceptual* discussion on establishing a water fund rate stabilization account, as requested by Council Member Newton. He commented on the rate adjustments recently implemented, noting that comments were made that the rate adjustments were too big.

A 2006 resolution was adopted which requires that a minimum operating cash balance equal to 25% of operating expenditures (excluding debt service) be maintained in the Water Fund. It further requires that if projected or actual revenues are not sufficient to meet minimum cash balance, the CFO can recommend an increase in rates or expenditures reductions, and excess

cash reserves can be transferred to the Water Capital Fund. This resolution was adopted when there was an approximate \$2 million deficit in the Water Fund and the rates adopted in Fiscal Year 2006 helped eliminate that deficit by the end of Fiscal Year 2008. By the end of Fiscal Year 2009, the Water Fund had a small surplus of approximately \$200,000. Due to the increase in the purchased water cost and debt service, the Water Fund went back into a deficit by the end of Fiscal Year 2010 by approximately \$500,000. There was no real opportunity to achieve the minimum operating cash balance required by the 2006 resolution.

The potential strategy to stabilize water rates was presented, noting that the strategy must recognize the limitations of Proposition 218 and the implementation must be easy without requiring a full blown rate study.

The recommended strategies included the establishment of a rate stabilization deposit account, which could serve as a cushion against high rate adjustments.

**Council Member Newton** commented on the different cities that implement a water fund rate stabilization account and asked if staff had information on the City of Pasadena. Deputy City Manager/Director of Finance Okoro noted that they incorporate this type of account with electric rates. He further noted that the City of Garden Grove has found it to be a benefit, with no spikes in rate increases. Council Member Newton asked how the creation of this account would impact staff. Deputy City Manager/Director of Finance Okoro replied that it can be done with present staff, with the purpose of alleviating spikes in rates. Council Member Newton further commented that this is a progressive model, noting the impact to the residents using the current model. Deputy City Manager/Director of Finance Okoro added that the money in this account would be only on the commodity side of water, not the fixed rate side.

**Council Member Azevedo** stated that this appears in total violation of Proposition 218. In response Deputy City Manager/Director of Finance Okoro noted that staff would need to make sure that this is not in violation of the process before it would be implemented. Council Member Azevedo commented on the operating expenses and how they fluctuate. City Manager Groves noted that this would not change the process of how rates are set, adding that this model does allow pass-through adjustments until the next rate increase. City Manager Groves again stressed that once the rate is established, it is through a Proposition 218 adjustment, adding that the commodity of purchased water is a pass-through amount. Public Works Director Thompson stated that part of the process would be the Council identifying what the pass-through is and what the cap is.

**Council Member Sullivan** stated that he agreed with Council Member Azevedo noting that he believes that Proposition 218 is clear. He further stated that he has been telling residents that the City cannot make money in the Water Fund, adding that he is not in support of this.

**Mayor Hanna** asked Public Works Director Thompson how often there would be rate adjustments. Director Thompson replied that this would be determined by the Council, adding that the costs will increase for purchased water, but there are variables in the increases. Deputy City Manager/Director of Finance Okoro added that the percentages mentioned today are only hypothetical.

**Vern Showalter.** Mr. Showalter commented on the City going to a semi-annual adjustment on pass-through costs instead of implementing this type of account, asking if this would solve the problem, as this would be easier on the public. Public Works Director Thompson stated that this is what we attempt to do on an annual basis.

The Council Members commented and further discussed the implementation of a water fund rate stabilization account. City Manager Groves stated, in summary, that no direction has been received at this time. She further stated that at the next round of rate studies, the implementation of a water fund rate stabilization account will be worked into that study for comparison purposes.

**Vern Showalter.** Mr. Showalter commented on the fixed costs and asked if the rate would remain the same for a known period of time. Deputy City Manager/Director of Finance Okoro replied that it is a fixed rate for the next 28 years, unless we need to borrow additional money.

**Council Member Newton** commented on tiered rates and asked if a water fund rate stabilization account would be of any benefit when those type of rates are implemented. Public Works Director Thompson stated that a tiered water structure will be brought to the Council within the next two years and this account could be a part of that proposed structure. Council Member Newton stated that he would like continued study on this.

#### B. Traffic Calming Measures

Public Works Director Thompson presented an overview of traffic calming measures. Local agencies typically develop traffic calming programs utilizing a “toolbox” approach which categorize each type of measure in basic and comprehensive level 1 and level 2 categories. Each category was presented, noting what they consist of and how they are designed. The process in the development of a program for eligible traffic calming projects was presented, along with the prioritization of eligible comprehensive projects. The criterion of traffic calming measures is dependent on speed, volume, crash history, pedestrian generators and unique conditions. The City traffic calming history was listed, going back to December of 2004.

**Mayor Hanna** inquired from Director Thompson about a speed hump on the downhill portion, on both sides of Crestview Avenue at the entrance to the Moreno Arena. Director Thompson stated that he would need to revert back to an engineering study completed, adding that a policy would also need to be completed.

**Council Member Sullivan** asked when another traffic study would be completed. City Manager Groves responded that there is an RFP out for a traffic study in conjunction with the completion of an update to the Circulation Element of the General Plan. She added that the work on that traffic study should begin in July with the work to be completed in approximately one year.

**Council Member Azevedo** commented on the Horsetown USA wayfinding signs designed in 2008, adding that she wished that Whoa Drive Slow could be added on a more economical sign to remind persons to slow down when they are cutting through Norco.

**Council Member Newton** stated this was a good report. He asked about the cost of speed limit signs and also asked what the code requires. Director Thompson stated that the cost for signs is approximately \$90 per sign, with an additional \$68 to place a second sign below, adding that the code does not dictate the placement of the signs. Council Member Newton suggested that the NHA assist with the placement of the signs to help save costs. He asked if the Circulation Element would be completed in-house. Planning Director King replied that it will be completed in-house and the requirement is to update 5 elements of the General Plan every 10 years.

**Linda Dixon.** Ms. Dixon commented on the high-volume traffic on her street and asked about the long-term projection for Public Works projects and how they will be affected by the budget constraints. Public Works Director Thompson responded that he cannot state specifically which project would be affected, adding that the Measure A money is drastically down and used for Public Works street projects. He noted that the Street Fund will be hit the hardest in the proposed Capital Improvement Program Budget and the priorities will be addressed first.

**Council Member Azevedo** commented on Ms. Dixon's location in the City and the current traffic issues. She asked if a traffic study could be completed to get the speed reduced to at least 30 mph with the schools located in that same area. Director Thompson noted that it could be done, but costs would be involved.

**Council Member Sullivan** asked Lt. Cooper about signs in construction zones that state that fines will be doubled. He also commented on the same type of signs when children are present. He asked if the City of Norco could have signs placed within the City limits stating that fines will be doubled when children and horses are present. Lt. Cooper responded that this would require a change in the California Vehicle Code, adding that it would require legislation for that change to take place.

City Manager Groves stated that information was provided to the Council and the key message is that the City needs to make sure that policies are put into place and followed.

7. **ADJOURNMENT:** There being no further business to come before the City Council, Mayor Hanna adjourned the Special Meeting at 3:55 p.m.

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BRENDA K. JACOBS, CMC  
CITY CLERK