



MINUTES
CITY OF NORCO
CITY COUNCIL
SPECIAL MEETING
CITY COUNCIL CHAMBERS – 2820 CLARK AVENUE
MAY 1, 2013

CALL TO ORDER: Mayor Azevedo called the meeting to order at 4:18 p.m.

ROLL CALL: Mayor Kathy Azevedo, **Present**
Mayor Pro Tem Berwin Hanna, **Present**
Council Member Kevin Bash, **Present**
Council Member Herb Higgins, **Present**
Council Member Harvey C. Sullivan, **Present**

1. WORKSHOP PRESENTATION OF THE FISCAL YEAR 2013-2014 OPERATING BUDGETS.

City Manager Groves and Deputy City Manager/Director of Finance Okoro presented an overview of the FY 2013-2014 Operating Budget as follows:

- A balanced budget is presented for all Operating Funds;
- General Fund Financial Outlook is improving as the economy is recovering;
- Most of major revenue categories have stabilized and sales tax continues to improve;
- Structural budget deficit gap still exists between total General Fund operating expenditures and revenues;
- One-time revenue from FY 2011-2012 and FY 2012-2013 budget saving will be used to cover FY 2013-2014 \$653,000 estimated structural deficit;
- Progress is being made to eliminate accumulated deficit in the Water Fund; but additional actions are required to ensure that revenues are timely aligned with changing cost of purchased water; and
- Sewer Fund financial condition is continuing to strengthen and contribution to Sewer Capital Fund for capital improvements would likely commence next Fiscal Year.

Factors Affecting General Fund Revenues Projections:

- Improving economy is helping sales tax revenues; projects 4% increase based on recent data and Department of Finance statewide estimates;
- Assessed values are projected to be flat and so does property tax revenues;
- Charges for services increasing due full year revenue from Ingalls second arena rentals;
- Building, planning and engineering activities projected to show no significant changes;
- No new revenues included in the budget as a result of potential major sales tax generator coming to the City during the fiscal year;
- No additional franchise revenues from waste hauling and disposal franchise; and
- Includes no additional bed tax from potential new hotels.

Factors Affecting General Fund Expenditure Estimates:

- Maintains existing staffing levels in all functions and programs;
- Anticipates 5% increase in County Sheriff's contract rate;

- Projects increase of 2.2% in County Fire contract for fire and emergency medical services; Fire Prevention Specialist;
- Assumes 5% increase in retiree medical insurance premium; employee subsidy for health insurance capped at \$1,250 per month;
- Includes 8.4% increase in pension contribution rate; employees will contribute minimum of 4% of pay to fund pension retirement; and
- Assumes average cost of living adjustment for full-time employees.

Key Budget Changes from FY 2012-2013:

- No transfer from Special Asset Fund;
- Less reliance on one-time revenues;
- Provides funding for November 2013 municipal election;
- Increases funding for code compliance;
- Contracts out Fire Prevention Specialist Position to County Fire;
- Increases funding for building maintenance;
- Provides \$100,000 contribution to Information Technology Fund for equipment replacement; and
- Provides \$40,000 funding to update City housing element.

Structural Budget Gap:

- Estimated General Fund Operating Revenues \$14,438,779
- Estimated General Fund Operating Expenditures \$15,092,054
- Structural Budget Deficit 653,275
- Estimated structural deficit will be funded by:
 1. FY 2011-2012 Successor Agency reimbursement \$304,132
 2. FY 2013-2014 budget savings \$349,143
- No draw from FY 2012-2013 estimated fund balance of \$3.5 million.

Water Fund Revenue & Expenditures Highlights:

- City Council approved rate adjustments to be phased in over 18 months in FY 2010-2011. Last phase of the rate was implemented in July 2012;
- Goal was to eliminate accumulated deficit estimated to be \$1.9 million; build working capital; and begin to set aside funds for capital improvements;
- Deficit has significantly been reduced but not completely eliminated; working capital still needs to be built and set-aside for capital improvements is yet to begin;
- Purchased water rates have increased more than the amount used to set rates; and
- Negative operating cash balance and low debt service coverage ratios resulted in S&P downgrade of outstanding bonds late last year.

Summary of Water fund Revenue & Expenditures:

- Total projected revenues of \$9,644,257 in FY 2013-2014 is the same as FY 2012-2013 due to no additional approved rate changes;
- Revenues are projected based on no anticipated change in consumption;

- Total projected expenditures of \$9,202,540 reflects a 5% increase from FY 2012-2013 due to projected increase in purchased water and utility costs;
- Cost of purchased water and utilities make up 64% of total expenditures; most of this cost is fixed;
- Debt service which is entirely fixed makes up 12% of total expenditures while salaries and benefits represent 11% of total expenditures;
- While projected FY 2013-2014 revenues exceed projected expenditures, significant progress is required to restore the fiscal condition of the fund and meet acceptable debt service coverage ratio; and
- Recommendation for action will be brought to City Council to ensure that rates are adjusted in a timely manner to recover increases in purchased water and utility costs.

Summary of Sewer Fund Revenue & Expenditures:

- Like the Water Fund, rate adjustments were approved by Council in FY 2010-2011;
- The rate adjustment has significantly improved the financial condition of the Fund;
- Increase in operating revenues has helped reverse the projected downward trend in working capital;
- If the positive trend continues in FY 2013-2014 as anticipated, there would sufficient working capital to begin funding set-aside for Sewer Fund capital improvements;
- Total projected Sewer Fund revenues of \$5,538,058;
- Total projected Sewer Fund expenditures of \$4,827,616;
- Fixed debt service costs make up 37% of total Sewer Fund expenditures; and
- Third party sewer operations costs make up 36% of total expenditures.

Highlights of Gas Tax Fund Revenue & Expenditures:

- City share of state allocation of gas tax revenues;
- Restricted to eligible street and road work such as; street sweeping; signal maintenance; signal utilities; street maintenance and tree trimming;
- Total projected Gas Tax revenues is \$801,779; and
- Total projected expenditures is \$593,296.

2. PUBLIC COMMENTS OR QUESTIONS:

Greg Newton. Mr. Newton commented on his support for a purchased water agreement. .

3. ADJOURNMENT: There being no further business to come before the City Council, Mayor Azevedo adjourned the meeting at 5:15 p.m.

BRENDA K. JACOBS, CMC
CITY CLERK