



Budget Engagement Commission

Meeting Minutes

March 30, 2017 – 5:00 pm,
Mayor Ceremonial Room

Commission Chairperson Calls Meeting to Order

Commission Chairperson Mendez called to order the special meeting of the Budget Engagement Commission Meeting at 5:04 pm on March 30, 2017 at the Mayor Ceremonial Room located on the seventh floor of Riverside City Hall.

Pledge of Allegiance to the Flag led by Commission Chairperson Mendez

Commission Secretary Calls Roll – Commissioners Badger, Mayes, Segura, Plascencia, and Tavaglione were not present during roll call. Commissioners Plascencia and Segura arrived during public comment.

Public Comment

1. Public Comment

Chairperson Mendez called for public comments. The following speakers made comments:

- William Bailey, Jr. expressed support for Measure Z spending on homeless housing.
- Father John Conrad expressed support for Measure Z spending on homeless housing. Provided a handout to the commission.
- Amy Conger expressed support for Measure Z spending for feeding the homeless.
- Ben Clymer, Jr. expressed support for Measure Z spending that does not increase debt and is fiscally responsible.
- Virginia Field expressed support for Measure Z spending on homeless housing. Provided a handout to the commission.
- Morris Mendoza expressed support for Measure Z spending that is fiscally responsible and supports Parks, Public Safety, and Library.
- Phyllis Purcell expressed support for Measure Z spending that reduces debt and supports the homeless.
- Scott Andrews expressed support for Measure Z spending that is fiscally responsible. Opposed Measure Z spending for City Council annual allocation for neighborhood capital projects and approving recommendation for five-year spending.

Approval of Minutes

2. Approve Minutes of March 9, 2017.

There was one recommendation revision for the March 9, 2017 minutes. Vice Chairperson Lee made the motion that the minutes be approved with the recommended revision, Commissioner Scarano seconded the motion. The revised minutes were approved by 15 commissioners. Three commissioners were not present for the vote.

Consent Calendar

3. Approve absence of Commissioner Wright from the February 23, 2017 Meeting

Commissioner Arballo made the motion that the absence be approved, Commissioner Montgomery seconded the motion. The absence was approved by 14 commissioners, three commissioners were not present for the vote. Commissioner Wright abstained from vote.

Discussion Calendar

4. Measure Z in-depth discussion on staff recommendations regarding Public Safety and Capital Investment

Adam Raymond, City Assistant Chief Financial Officer, gave a presentation about the Measure Z proposed spending for Quality of Life, Fiscal Discipline/Responsibility, Technology Needs, and California Public Employees' Retirement System (CalPERS) Impacts. BEC information Requests from the March 9th meeting were also presented. City staff from various departments were present to answer questions.

Phyllis Purcell, a member of the public, commented on this item with support for CalPERS benefits for employees. There were no other comments or questions for Staff from the Commissioners or the public.

The following questions and comments were presented during the presentation. Answers and responses from Staff are included if provided during the meeting:

QUALITY OF LIFE

- Commissioner Delgado – Will older streets be repaired and funds divided to wards as needed? (Kris Martinez, Director Public Works) *Public Works is*

implementing a pavement management system update to determine repair and maintenance priorities.

- Commissioner Scarano – What is the composition of materials that will be used to repair streets? What is the useful life? *(Kris Martinez, Director Public Works and Mark Steuer, Deputy Director Public Works/City Engineer)* There are three types of pavement rehabilitation: Full Reconstruction, Slurry Seal Maintenance, and a simple overlay which is a combination of both. Contrary to the popular belief that bad roads should be repaired first, the most efficient use of funding is to give priority to maintaining good roads and repair bad roads as quickly possible. This prevents the good roads from needing more costly repairs in the future. An overlay with rubber asphalt has a useful life of 15-16 years and a slurry seal has a useful life of 3-5 years.
- Commissioner Mathis – Will streets that need more work not be improved due to funds running out? *(Mark Steuer, Deputy Director Public Works/City Engineer)* No, maintenance/repairs/improvements will be prioritized based on a composite of street and the pavement condition. Repairs and maintenance will be completed in a manner that strategically improves the overall condition of the city's roads while using funds efficiently.
- Chairperson Mendez – How much is needed to get roads in good condition in five to ten years? *(Mark Steuer, Deputy Director Public Works/City Engineer)* \$85 million to get to a pavement condition index of 78.
- Commissioner Plascencia – Did the rain have an impact on roads? *(Mark Steuer, Deputy Director Public Works/City Engineer)* Yes, a detrimental effect.
- Commissioner Fierro – When will road study be complete and will all repairs be done after the study or during? *(Mark Steuer, Deputy Director Public Works/City Engineer)* The study will be contracted to be complete in four years. Repairs will be completed as the study is being completed and areas for improvement are identified.
- Commissioner Wright – Regarding the Ward Action Team, does the city already have a homeless coordinator or homeless manager? For vandalism? *(Adam Raymond)* Attachment 11 of the handout provides more overview of services provided.
- Vice Chairperson Lee – What will the Ward Action Team specifically do regarding homelessness or is that to be determined? What does the city currently have in place and how much spending? *(Adam Raymond)* It is still to be determined but will be based on needs. A representative for homeless services can be available at a future meeting to provide more information.

FISCAL RESPONSIBILITY

- Commissioner Wright – If Pension Obligation Bonds (POBs) are refinanced for ten years to fixed rates, with issuance costs, will the city really have a savings over paying for a longer period of time with the annual variable rate option current in use? *(Scott Miller) A cost analysis was completed but the evaluation was limited because it is not possible to forecast short term rates for the next ten years. Current fixed asset rates are reasonable and it is more fiscally responsible to go with the long term fixed rate.*
- Chairperson Mendez – Commented about the California Public Employees Retirement System (CalPERS) rate of return estimates and the impact of the funds underperformance on the city's budget.
- Commissioner Segura – How much interest has been paid for the short time financing of the POBs? *(Scott Miller, City Chief Financial Officer) Approximately \$3 million.*
- Vice Chairperson Lee – Commented with support for Measure Z spending on increasing reserves and reducing debt.

TECHNOLOGY

- Vice Chairperson Lee – How will an upgrade to the Enterprise Resource Planning system benefit citizens? Is the cost estimate different from what has been presented to date? *(Lea Deesing, City Chief Innovation Officer and Scott Miller, City Chief Financial Officer) Challenge to maintain the systems and protect from security threats due to its age. The system is important to maintaining records for the City and allows compliance with state records management requirements. Also allows the City to get requested information to the public more efficiently. The current estimate is \$20 million but only \$2 million has been included in recommendations at this time.*
- Chairperson Mendez – Commented that he was concern that the system has not been upgraded recently. What reassures the public that future funding will be sufficient to keep the system current? *(Lea Deesing, City Chief Innovation Officer) Priority is to upgrade the system to stabilize it and then a consultant will provide a gap analysis and identify the areas still need improvements. Will then prioritize needs to address the most critical needs first and adjust the \$20 million cost estimate if needed.*
- Commissioner Plascencia – Commented that technology upgrades were not included in the budget each year. How much is IT's current budget and how much is allotted for technology replacement and maintenance. *(Lea*

Deesing, City Chief Innovation Officer) The current budget is \$11.2 million. Half is for software maintenance and the balance is for labor costs. Capital purchases were not included in the budget because there is no capital funding. These types of purchases were cut during the recession. Many cities made similar reductions during the recession.

- Commissioner Segura – **What is the city's plan to avoid this problem in the future?** (Scott Miller, City Chief Financial Officer) There is no stated plan. The challenge is to provide the best services possible to the community with limited resources. *Public Safety and community services tend to have priority over some of the City's operating functions. Scott Miller recommended that the commission make recommendations for a plan during a future meeting.*
- Commissioner Delgado – *Commented that financial condition of the city was not clearly disclosed during the campaign to pass Measure Z. The commissioner does not believe the community that voted for the measure would not have supported it if they had known the operating needs of the city. The City may need to cut its operating costs.*
- Commissioner Mackenroth – **Agreed with Commissioner Delgado's comments. What decisions will be needed to reduce labor costs that currently represent 70-80% of the budget?** (Scott Miller, City Chief Financial Officer and Adam Raymond, Assistant City Chief Financial Officer) During the budget workshops and public hearings, the city presented the information about the four percent reductions that department were required to make. A spending freeze was instituted in May 2016 to manage spending and every department is required to meet its managed savings targets for the current fiscal year. The city also circulated and advertised on the website an unfunded needs list to the community which likely impacted the level of support for the measure from the community. *For context, the operating needs being discussed represent about a quarter of the billion dollar budget a majority of which are utilities which have restricted funding that can only be used for that purpose. About 60-80% of the remaining \$267 million budget is related to public safety and those types of services. Budget reductions will affect these services. There was a large amount of information presented during the first meeting when unfunded needs were discussed. The city will provide the commission with a link to the data from the earlier meeting.*
- Chairperson Mendez – *Commented that while he understands the need for funding one-time or short term operating expenses, Measure Z will eventually sunset. He expressed concern regarding the funding of on-going expenses once Measure Z funding is no longer available.*
- Vice Chairperson Lee – **How will an upgrade to the Enterprise Resource Planning system benefit citizens? Is the cost estimate different from what has**

been presented to date? (Lea Deesing, City Chief Innovation Officer and Scott Miller, City Chief Financial Officer) Challenge to maintain the systems and protect from security threats due to its age. The system is important to maintaining records for the City and allows compliance with state records management requirements. *Also allows the City to get requested information to the public more efficiently. The current estimate is \$20 million but only \$2 million has been included in recommendations at this time.*

- Commissioner Lyell – Commented that he is with a corporation of comparable size that has been using its ERP system since 1998 and has no plans for changing it although more investment may have been put into the system over the years. ERP implementation can be complex and must be managed or costs can double. There has been news of other agencies spending more on ERP upgrades than the city is proposing. Is the City considering cloud technology instead of tangible hardware? Are the challenges with stabilizing the ERP system the result of bad decision making and cannot upgrade or what is the cause of the issues? Will the vendor for the Human Resource module offer enhancements? (Lea Deesing, City Chief Innovation Officer) With every IT purchase the City is evaluating the total cost of ownership of cloud versus infrastructure options. Sometimes it is more expensive to go to a cloud technology so a decision is made after analysis. *The City is in the process of upgrading the parts of the system now that need to be stabilized. Once that is complete, a gap analysis will be completed by a consultant that will help the city identify the areas of need and if \$20 million will need to spend to implement a new system or upgrade the current one. The city will implement best practices when implementing the ERP upgrade to manage costs. Long Beach was approved for a \$25 million upgrade to its ERP system but it needed an additional module for Port services. Long Beach offers additional services are not offered by the City of Riverside so the estimated cost is lower.*
- Commissioner Mathis – Commented a flyer supporting a yes vote for Measure Z that was handed out to the community indicated the measure would provide funding for city programs and services. Supported using Measure Z revenue for paying down debt and addressing the priority needs first so that critical services can be provided.
- Commissioner Hart – Commented critical issues should have highest priority.
- Commissioner Scarano – Commented that he agreed with Commissioner Hart's comments. What was IT's plan if Measure Z did not pass? (Lea Deesing, City Chief Innovation Officer) The City would have continued to do the best it could with the resources available. There was no alternate plan.

- *Commissioner Arballo – Commented that multiple departments that have addressed the Commission have reported there was no alternate plan if Measure Z did not pass. The priority should be to get back to core services before funding other items. Commissioner Mathis share an example involving City Fire services that supported Commissioner Arballo's comments.*

California Public Employees Retirement System (CalPERS)

- *Vice Chairperson Lee – Commented that CalPERS increases will have an impact on Measure Z spending although there is no current recommendation to fund the increases with Measure Z funding. (Adam Raymond indicated the city is developing a plan to fund the increases.*
- *Commissioner Hart – Commented that the increases were significant for a short span of time. Is there a plan for various scenarios? (Adam Raymond) There are multiple ideas being considered. For example, savings from expected retirements. City staff are actively developing solutions like the staff from many other cities that will be impacted. The City is expected to be dealing with the increases through 2030s.*
- *Commissioner Wright – Has the City developed relatively precise estimates of CalPERS costs over the next ten years? The answer could impact the recommendation for use of Measure Z funding to eliminate POB related debt? (Adam Raymond) The City's actuaries have estimated a gradual increase over the next ten years through 2031-32.*
- *Commissioner Mendez – Commented about the CalPERS rate of return estimates and indicated it could cause many cities to become bankrupt. For every quarter of a percent that the CalPERS decreases its return expectations, what is the dollar impact on the city budget? (Adam Raymond) The actuaries are unable to give exact figures. Over time, that type of increase could double retirement costs.*
- *Commissioner Persinger – Do estimated costs for potential new staff include the impact of CalPERS increases? (Adam Raymond and Scott Miller) To the extent possible over the next 5-10 years. The costs could increase or decrease depending on changes to legislation or other unknown impacts. The CalPERS rate of return is an estimate at this time, the actuals could be different.*
- *Commissioner Delgado – Can new employees enroll in a 401k type retirement plan instead of a Defined Benefit Plan? (Adam Raymond) This is a*

legal issue that will require research. This type of change would take some time to implement. Other cities have attempted this but have not been successful.

- *Vice Chairperson Lee – Commented with support for the City's current approach to handling CalPERS costs and debt obligations. Is concerned about the plan for the future? Commissioner Wright commented that this is a statewide issue since the cities compete for personnel. Unless all agencies make the same adjustments, reducing retirement benefits will increase difficulties recruiting personnel such as police officers.*

5. BEC Discussion on Prioritization Method (Verbal Discussion)

The Commission discussed the plan for prioritizing funding needs. Commission Wright recommended that a frame of reference be providing to assist the commission with prioritizing spending recommendations. It was requested that information about other comparable cities be provided to allow benchmarking and assist with prioritization. It was also recommended that the commission establish fundamental principles for developing recommendations to the City Council.

Announcements, Meeting Dates, and Commission Requests

6. Commission Requests - None
7. Announcements - None
8. Schedule of Meeting Dates - Chairperson Mendez announced the following updated schedule of meeting dates

Adjournment

Chairperson Mendez adjourned the meeting at 7:37 pm and announced the next special and regular meeting dates.

Respectfully Submitted,



Karen Johnson
Principal Management Analyst – City of Riverside