



Budget Engagement Commission

Meeting Minutes

April 19, 2017 – 5:00 pm,
Mayor Ceremonial Room

Due to a posting error, the meeting could not begin at 4pm as originally scheduled. Brown Act requirements require the meeting begin at the time stated on the Agenda.

Commission Chairperson Calls Meeting to Order

Commission Chairperson Mendez called to order the special meeting of the Budget Engagement Commission Meeting at 5:01 pm on April 19, 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 Hart and Tavaglione were not present during roll call. All other commissioners were present. Commissioner Hart arrived during the discussion of Agenda Item 3.

Public Comment

1. Public Comment

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

- Michael Yonezawa expressed support for Measure Z spending on new main library.
- Phyllis Purcell expressed support for Measure Z spending for housing for seniors and the homeless.
- Jan Lewis expressed support for Measure Z spending on new main library.

Discussion Calendar

2. Measure Z Revenue Estimates.

Adam Raymond, City Assistant Chief Financial Officer, gave a presentation about the methodology for projecting Sales and Use Tax revenue estimates. Phyllis Purcell, a member of the Community, expressed support for a new sales tax for schools and a luxury tax. There were no additional comments or questions.

3. Prioritization of Recommendations

The Commission members provided their individual priorities for Measure Z spending to Staff. As the information was combined to identify the group's highest priorities, Commission members discussed how they prioritized their recommendations and provided overall comments about the recommendations and process. Commissioner Mayes also read from an email submitted by Katie Green and Jennifer Vaughn-Blakely, from The Group (copy of email submitted for record). The email supported use of Measure Z revenue for Fire Department needs, police officers, road repairs, tree trimming, and downtown library. The email opposed use of Measure Z revenue for new projects like Chow Alley, the Convention Center expansion, the Innovation District, the Fox Theater, the Mission Inn Holiday Lighting, and the Chamber of Commerce. The following are common viewpoints expressed during the discussion:

- Support for fiscal responsibility including increasing reserves and reduction of debt.
- Support for public safety related spending.
- Support for deferred maintenance and spending that improved the Community's quality of life.
- Support for spending in the Eastside and concern that this part of the Community does not receive the support that other sections of the Community do.
- Oppose spending for an annual allocation to City Council for capital projects in their wards and the Ward Action Team.
- Concern that revenue projections will be significantly lower than anticipated and the city will commit to spending with revenue that will not be available. The Commissioners expressed support for the city to discontinue the commitment to a 5-year or 20-year plan for spending. There was support for a shorter-term plan that can be adjusted annually for unexpected economic conditions, growing pension costs or revenue shortfalls.
- The Community passed Measure Z based on the expectation that spending would be consistent with the areas described during the campaign to pass the measure. Commissioners expressed the importance of making recommendations consistent with the promises made during the campaign to pass Measure Z. There was some disagreement about what was communicated during the campaign.

- The Commissioners agree that campaign brochures and campaign messages stated Measure Z funding would be used for public safety, tree trimming, maintenance of roads and streets, and the library (implied through advertising graphics used in support of the measure).
- The Commissioners did not agree that the city clearly communicated the level of the financial challenges the city was facing. They also disagreed that it was clearly communicated that Measure Z revenue would be used to fund the restoration of spending reductions as well as build reserves and pay down debt.
- Support that the Commission agree on the basic principles of Measure Z spending and establish priorities as a group. This will allow the Commission to develop a narrative that will clearly explain why choices were made.

Phyllis Purcell and Barbara Purvis, members of the community, made comments regarding prioritization of Measure Z spending (Purcell – support for Homeless, Purvis – support for Library).

The Commissioners continued to discuss items on the list of top priorities that were different versions of the same recommendations and voted on the versions that would remain on the list of priorities. Commissioners also discussed the reports expected from Commissions/Boards next week as well as new recommendations added by Budget Engagement Commissioners when they prioritized their Measure Z spending recommendations. Chairperson Mayes made the motion that the Commissioners continue the discussion of this item to the meeting on May 4, 2017. Vice Chairperson Lee seconded the motion. The motion was approved unanimously by the Commissioners present. Commissioners Badger and Tavaglione were absent.

The following is an overview of the discussion about the Commissions top 30 priorities as well as some questions asked by Commissioners.

DUPLICATE ITEMS - RECOMMENDATION 44 VERSUS 42

Item 44 was the request to fund 80 miles of paving with a 20-year cost \$244.2 million and was the revised, fully funded version of Item 42 with a 20-year cost of \$48 Million. Item 44 was ranked as the 16th priority by the commissioners, Item 42 was ranked 18th. Commissioner Wright made the motion that Item 44 be selected and Item 42 be removed from the list of priorities. Commissioner Arballo seconded the motion.

The BEC Commissioners discussed the items and the transportation tax legislation recently approved by the State. Chairperson Wright amended his motion to approve Item 44 and remove Item 42 from the list of priorities with the condition that the amount funded for Item 44 be reduced if there is additional transportation tax revenue available for use. Commissioner Arballo seconded the amended motion. The motion was approved unanimously by the Commissioners present. Commissioners Hart and Tavaglione were absent. The following is a question presented by Commissioners with the answer from City Staff.

Chairperson Mendez – Transportation Tax that recent passed will require that we change the level of funding for this item. (Adam Raymond, City Assistant Chief Financial Officer) *It is expected that this revenue will gradually increase to \$7.4 million. There will be smaller amounts in the next few years with full funding by Fiscal Year 2018/19.*

DUPLICATE ITEMS - RECOMMENDATION 23 VERSUS 22

Item 23 was the fire vehicle replacement and maintenance plan with a 20-year cost of \$58.5 million and was the revised, fully funded version of Item 22 with a 20-year cost of \$14.1 Million. Item 23 was ranked as the 8th priority by the commissioners, Item 22 was ranked 20th. Commissioner Persinger made the motion that Item 23 be selected and Item 22 be removed from the list of priorities. Commissioner Montgomery seconded the motion.

The BEC Commissioners discussed the items and the significant cost difference between the two options. There was also discussion about the debt instruments that would be used to purchase replacements for vehicles that needed to be replaced immediately. Many of the Commissioners express concern about using debt instruments for purchases. Several Commissioners commented that fire vehicle replacements were a high priority for the Community. Some Commissioners also expressed concern that selecting the smaller dollar option would not ensure the Fire Department had adequate vehicles for the long term and the fiscal challenges to replacing equipment would resurface in the future. There was further discussion about amending the motion to pay cash over a period of time and avoiding the use of bond financing to purchase the assets. After more discussion, it was determined that this option would not likely allow the Fire Department to get the vehicles it needed right away.

After the discussion, the motion was approved by 16 Commissioners. Commissioner Lyell opposed the motion. Commissioner Tavaglione was absent.

The following are questions presented by Commissioners with the answers from City Staff.

Chairperson Mendez – Please provide clarification about the reason the costs for these purchase increase so significantly. (Adam Raymond, City Assistant Chief Financial Officer) *After a more comprehensive evaluation of the Fire Department’s current equipment it was determined that a significant number of vehicles needed to be replaced immediately. After evaluating funding options, it was determined that financing the purchase of vehicles that needed to be replaced immediately would allow the critical need to be met right away. Any replacements for vehicles in the future would be funding without financing using Measure Z revenue. The increase reflects payments for financing instruments and cash payment for anticipated equipment replacements.*

Commissioner Mackenroth – Will selecting Item 22 get us on the path to adequate vehicles or can that only be done with Item 23? (Shari Call, Fire Administrative Services Manager) *The smaller proposal would not get the department caught up. The vehicles are expensive and the amount of cash available to purchase the items each year would not be enough to purchase the needs for that year. The larger proposal would allow the department to purchase the vehicles that are needed most critically (16) at one time using financing over a ten year period. Measure Z revenue could be used to pay the debt. Replacements for future years would be made without the use of debt instruments.*

Vice-Chairperson Lee – What is the longevity of Fire Trucks? (Shari Call, Fire Administrative Services Manager) *Based on National Fire Protection Association (NFPA) standards, no more than 10 years active service and 10 years reserve service. There are city fire trucks with more than 20 years of service.*

DUPLICATE ITEMS - RECOMMENDATION 19 VERSUS 18

Item 19 was the police vehicle replacement and maintenance plan with a 20-year cost of \$51.7 million and was the revised, fully funded version of Item 18 with a 20-year cost of \$16 Million. Item 19 was ranked as the 13th priority by the Commissioners, Item 18 was ranked 26th. Commissioner Fierro made the motion that Item 19 be selected and Item 18 be removed from the list of priorities. Commissioner Arballo seconded the motion.

The BEC Commissioners discussed the items and the debt instruments that would be used to purchase replacements for vehicles that needed to be replaced immediately. Many of the Commissioners expressed concern about the long-term commitment of bond financing. Some Commissioners express support for the long-term financing due to the immediate need and the financing would

not be indefinite. Commissioner Fierro commented that since additional sworn officer positions was ranked the 1st priority, then there would need to be police vehicles to put them.

After the discussion, the motion was approved unanimously by the Commissioners present. Commissioner Tavaglione was absent. The following are questions presented by Commissioners with the answers from City Staff.

Chairperson Mendez – Can the City build in a 2-3 year early call option on its bond instruments so that it can be paid earlier using cash? (Scott Miller, City Chief Financial Officer) *For bonds that are less than 10 years, it is difficult to do and may not be an option because the bond for police vehicles would be four years.*

DUPLICATE ITEMS - RECOMMENDATION 6 VERSUS 5

Item 6 was the payoff of the balloon \$32 million Pension Obligation Bond with a 20-year cost of \$21.5 million and was the revised version of Item 5 with a 20-year cost of \$37 million. Item 6 was ranked as the 6th priority by the Commissioners, Item 5 was ranked 21st. Commissioner Wright made the motion that Item 5 be selected and Item 6 be removed from the list of priorities. Commissioner Mayes seconded the motion.

The BEC Commissioners discussed the items. Commissioner Wright expressed support for Item 5 to more quickly reduce the level of debt to offset the debt increase associated with the approval of Measure Z spending on fire and police vehicle purchases. It will also allow more revenue to be available for other unexpected costs over the long term. Many of the Commissioners expressed support for reducing the City's debt levels. Support was also expressed for the needs of the Community be a priority when considering the debt levels.

After additional discussion about the details of the items and the desire to pay the debt down sooner, Commissioner Wright amended his motion to select Item 5 but modify to pay off the General Fund portion of the Pension Obligation Bond over four years between years 2 and 5 with the option to adjust the amounts if conditions require. The items would be ranked at 6th priority and is expected to cost \$16 million over 4 years, approximately \$4 million annually. Commissioner Mayes seconded the amended motion. The motion was approved by 16 Commissioners. Commissioner Hart abstained from the vote and Commissioner Tavaglione was absent.

GENERAL FUND RESERVE LEVEL 20% VERSUS 15% (ITEM 4 VERSUS 3)

Item 4 was increasing the General Fund Reserve level to 20% with a 20-year cost of \$37.2 million and Item 3 with a 20-year cost of \$5.5 million. Item 4 was ranked as the 17th priority by the Commissioners, Item 3 was ranked 29th. Commissioner Wright made the motion that the General Fund Reserve level increase from 15% to 20% over a longer period of time than originally recommended. There was additional discussion and the motion was not seconded.

The BEC Commissioners discussed the need for a 20% reserve level with the need to adequately fund other Community priorities. Best practices, other city reserve levels, current city reserve levels, and the City Council approved reserve policy were all considered during the discussion. After additional discussion, Commissioner Wright amended his motion to increase the reserve level to 14.5 percent in one year and gradually increase to 20% over a 10 year period. Commissioner Hart seconded the amended motion. The motion was approved by 15 Commissioners. Commissioner Lee opposed the motion. Commissioners Badger and Tavaglione were absent.

PREVIOUSLY APPROVED BY CITY COUNCIL – ITEMS 15 AND 49

There was some discussion about the amount of Measure Z Revenue available for the Commission's top 30 priorities. The priorities exceed the amount of revenue that is estimated to be available. Some Commissioner's expressed the concern that some of the Commission's top 30 priorities were not consistent with the promises made during the campaign to gain approval for Measure Z. There was disagreement among the Commissioners about the promises made during the campaign. There was also discussion about the City Council approval of Item 15, Reinstatement of the Fire Squad, and Item 49, City Attorney Ward Action Team without input from the Commission. The discussion lead to the question of whether the commission should approve the items or not vote on them since the City Council had already approved.

Commissioner Wright made the motion to approve the two items approved by City Council without discussion. Commissioner Hart seconded the motion. After additional discussion, Commissioner Wright amended his motion to approved Item 15, Commissioner Hart seconded the amended motion. The motion was approved by 13 Commissioners. Commissioners Scarano and Arballo opposed the motion while Commissioner Lyell abstained from the vote. Commissioners Badger and Tavaglione were absent.

Commissioner Wright made a motion to approved Item 49, Commissioner Mathis seconded the amended motion. The motion was opposed by 12 Commissioners. Commissioners Wright, Delgado, and Mathis approved the motion while Commissioner Lee abstained from the vote. Commissioners Badger and Tavaglione were absent. The motion was not approved by a majority of the Commission.

DISCUSSION ITEM CONTINUED TO THE NEXT MEETING

Chairperson Mayes made the motion that the Commissioners continue the discussion of this item to the meeting on May 4, 2017. Vice Chairperson Lee seconded the motion. The motion was approved unanimously by the Commissioners present. Commissioners Badger and Tavaglione were absent.

Approval of Minutes

4. No Minutes to Approve

Miscellaneous Budget Engagement Commission Items

5. Items for Future Agendas and Updates from City Staff – Commissioner Fierro made the motion that the May 4, 2017 begin at 4:00 pm instead of 5:00 pm to allow more time to discuss recommendation priorities. Commissioner Hart seconded the motion. The motion was approved by 14 Commissioners. Commissioner Mackenroth opposed the motion because she would not be available for the next meeting. Commissioner Lyell abstained from the vote. Commissioners Badger and Tavaglione were absent.

Adjournment

Chairperson Mendez adjourned the meeting at 8:39 pm.

Respectfully Submitted,



Karen Johnson

Principal Management Analyst – City of Riverside