

**CITY OF HUNTINGTON BEACH
PUBLIC WORKS COMMISSION
REQUEST FOR ACTION**

Item No. PW 09-36

SUBMITTED TO: Chairman McGovern and Members of the Commission

SUBMITTED BY: Travis K. Hopkins, PE, Director of Public Works

DATE: October 21, 2009

SUBJECT: Memo to the Charter Review Commission on Suggested Revisions to Charter Section 617

Statement of Issue: Modifications were submitted by Commissioners and incorporated into the draft memo. Final review and approval is requested.

Funding Source: No funding is required

Recommended Action: Approve the draft memo for submittal to the Charter Review Commission.

Alternative Action(s): Suggest alternative or additional language.

Analysis: A draft memo, prepared by Chair McGovern, Vice Chair Siersema and staff, was distributed at the September 16, 2009 meeting. The memo expressed suggested revisions to Huntington Beach City Charter Section 617. The Commission decided to review before the next Public Works Commission Meeting and provide suggestions to the Director of Public Works.

Attachments:

1. Memo dated October 21, 2009

ATTACHMENT #1

G-2²



CITY OF HUNTINGTON BEACH

INTERDEPARTMENTAL COMMUNICATION

TO: Chairman Harlow and the Charter Review Commission

FROM: Chairman McGovern and the Public Works Commission

DATE: October 21, 2009

SUBJECT: Revisions to City Charter Section 617

The Public Works Commission wishes to unanimously express our concern over the policy of including debt service for new infrastructure as part of the Charter required 15% contribution for infrastructure improvements and maintenance. Acting as the appointed Citizens Infrastructure Advisory Board, we find the current application unacceptable and subject to further review. Please consider the following points in relation to this critical issue:

- We believe the City is not complying with the intent and spirit of the Charter Section 617. *The Commission believes the Charter Amendment was intended to provide funds to maintain existing infrastructure. Members of the Infrastructure Advisory Committee (IAC) and Infrastructure Planning Committee (IPC) who advocated the Charter Amendment to the community presented the amendment as a potential way to help repair and maintain deteriorating infrastructure facilities.*
- Section 617 should include wording that past and future capital projects, requiring General Fund indebtedness, should not be considered as infrastructure maintenance or repair. *The Commission disagrees with the General Fund Infrastructure Debt Service for new facilities as an infrastructure improvement or maintenance to existing capitals assets.*
- The Commission requests that the Charter Commission carefully review Section 617 and develop clear wording that directs the City to allocate minimum general funds (15%) to the Infrastructure and support the core services required to protect the assets of the City. *This action will further the City's goal to fund necessary infrastructure repairs and routine maintenance. To support this important and required revision we recommend reference to a City ordinance or resolution. Based on the 2009/10 report, compliance with Section 617 indicates a five-year moving average, excluding debt service, is far below the required 15%.*

	Actual	Actual	Actual	Budget ¹	Budget
	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
Actual General Fund Revenue*	160,723,710	176,223,745	185,198,525	194,689,700	181,345,941
% of Revenue w/ debt service	18.26%	14.49%	13.89%	14.45%	14.56%
Avg from FY 2005/06 (5-Year)²	15.13%				
% of Revenue w/o debt service	13.95%	10.57%	10.48%	11.21%	11.08%
Avg from FY 2005/06 (5-Year)	9.24%				

¹ Adopted General Fund Revenue for FY 2008/09

² FY 2008/09 Expense projected at 90%

- The Commission strongly recommends that a subcommittee of the Commission members and other citizens be appointed to review this important Charter issue. *If no revision or clarification is initiated, the available funds for infrastructure maintenance will continue to erode as the City undertakes future debt service for projects or refinances existing projects with debt.*
- The City is not providing the funds necessary for proper asset management and sustainability. *Critical infrastructure such as our streets, drainage system and public buildings is in desperate need of repair and replacement after years of neglect and deferred maintenance. Citizens tend to take notice of the infrastructure issues they deal with daily such as potholes in their streets or the condition of their playgrounds. They are less likely to be aware that the infrastructure systems are deteriorating and need to be replaced. There are always advocates for new parks, new or bigger recreation centers, or more landscaped medians, but not for the underground infrastructure that is out of sight, out of mind. Lacking proper maintenance, infrastructure requires replacement which is a costlier alternative to routine maintenance. As an analogy, it is much costlier in the long run to replace a cars motor than to perform routine maintenance such as an oil change. With our infrastructure valued at over \$500 million dollars we need to protect and this asset through good stewardship so that our children, and children's children, can enjoy the good quality of life that we currently enjoy.*
- As the City moves into an era of environmentally sound choices, we must make the decision to sustain our valuable and essential infrastructure. *Adequate funding for infrastructure maintenance must be sustained through annual funding, supported by the city charter requirement.*

The PWC stands ready and willing to work with the Charter Commission, the City Council and the City Administration in assuring this process is given a priority review. Our members look forward to discussing modifications to relevant sections of the City Charter at the scheduled February Charter Review Commission meeting. Please do not hesitate to contact me regarding this important matter.

John McGovern, Chair

Cc: Mayor Bohr and City Council Members
Fred A. Wilson, City Administrator

Attachments: Memo dated February 21, 2007
Memo dated August 23, 2004



CITY OF HUNTINGTON BEACH

2000 Main Street ♦ PO Box 190 ♦ CA 92648
PUBLIC WORKS COMMISSION

August 23, 2004

Honorable Mayor and City Council:

At its meeting on August 18, 2004, the Public Works Commission requested that I prepare the following letter:

Background

The 2003-04 General Fund budget for the Public Works Department was reduced by approximately \$3 million and 34 full-time positions over the previous year, a 15 percent reduction in funding and staffing. This was the largest reduction of any city department, representing about two-thirds of all city position reductions and the total net change in the General Fund portion of the city budget.

The reduction was accomplished through a major reorganization of staff, creation of alternative service delivery methods and reduction or elimination of specific services. Service level changes included a reduction in park and tree maintenance, pest control, arterial weed removal and sidewalk cleaning and repairs. Other changes included a reduction in facilities preventative maintenance programs and a decrease in graffiti removal response time.

The Public Works Department has identified approximately \$20 million in unfunded and under funded Public Works programs. Of this amount, approximately \$8.5 million has been identified by the Department as being the most significant, with those protecting property and enhancing safety as being the most critical, in the following priority order:

- Flood Control and Storm Drain Station Capital Replacement-\$2.4 million
- Bridge Repair and Pier Maintenance-\$.5 million
- City Facility Capital Replacement-\$1.7 million
- Sidewalk, Curb and Gutter Repairs-\$2.8 million
- American with Disabilities Act Transition Plan-\$50,000
- Parks and Landscape Maintenance-\$350,000
- Tree Maintenance-\$432,000
- Arterial Weed Removal and Sidewalk Cleaning-\$224,000
- Graffiti Removal-\$75,000
- Downtown Sidewalk Cleaning-\$50,000

The Public Works Commission is aware of the financial constraints facing the City of Huntington Beach but at the same time is concerned about possible degradation of the City's infrastructure and reduction in services. While it may not be possible to finance all \$8.5 million in priority projects in FY 2004-05, we believe that a commitment should be made this next Fiscal Year to finance at least some of these projects. Funding will provide needed repairs and services and get the City back on track of funding infrastructure needs.

G-2^s

In addition, a March, 2002 Charter amendment created the Infrastructure Fund to receive revenues for infrastructure improvements and maintenance. While a permanent source of funding for the Infrastructure Fund has yet to be established, we believe it appropriate that the Fund receives priority allocation of unexpected funds received by the City for the FY 2004-05 Budget.

Recommendation

1. That the City Council provides funding in the FY 2004-05 Budget for some of the \$8.5 million in priority public works projects as identified by the Public Works Department.
2. That the Infrastructure Fund receives priority allocation of unexpected funds received by the City for the FY 2004-05 Budget.

Sincerely,

Richard R. Hart, Chair
Public Works Commission

RH:jg

c: Public Works Commissioners
Robert F. Beardsley, PE, Director of Public Works



CITY OF HUNTINGTON BEACH

INTERDEPARTMENTAL COMMUNICATION

TO: Honorable Mayor Coerper and City Council Members

FROM: Public Works Commission

DATE: February 21, 2007

SUBJECT: 15% to Infrastructure Calculation

The Public Works Commission wishes to unanimously express its concern over the policy of including debt service for the South Beach Improvements and the Central Park Sports Complex as part of the Charter required 15% contribution for infrastructure improvements and maintenance. The Commission believes the Charter Amendment was intended to provide funds to maintain existing infrastructure. Members of the Infrastructure Advisory Committee (IAC) and Infrastructure Planning Committee (IPC) who advocated the Charter Amendment to the community, presented the amendment as an effective way to help repair deteriorating infrastructure facilities. Although the inclusion of funds for infrastructure debt service may be legal, it does not represent the intent of the Charter Amendment.

It should also be noted that the cost of park improvements were not included when the 15% set-aside requirement was established. During the Integrated Infrastructure Management Program (IIMP) deliberations, the IAC was advised that park improvement costs had an identified funding source through Park Acquisition and Development fees.

The Commission requests that, for future budget years, the 15% calculation methodology be revised to exclude expenditures for bonded indebtedness and other costs not directly related to existing infrastructure maintenance, repair, replacement, and/or improvement. This action will further the City's goal to fund necessary infrastructure repairs.

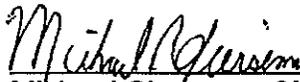
Attached to this letter are two tables setting forth City staff's calculation of the percentage of General Fund Revenue to Infrastructure with and without debt service and how the Debt Service amount is calculated.

As discussed above, the Public Works Commission feels strongly that Debt Service should not be a part of the annual percentage calculation of General Fund Revenue to Infrastructure funding that is required by Section 617 of the City Charter. Accordingly, we respectfully request the following Council Minute Action to clarify this point (this is similar to the working in the Charter that clarifies the intent of Measure C regarding parks).

It is the intent of Charter Section 617, the Infrastructure Fund amendment, that the minimum annual five (5) year rolling average of expenditures for infrastructure improvements and maintenance of 15% of general fund revenues shall include neither expenditures for bonded indebtedness (including principal, interest and/or other expenses) for capital improvements nor other costs not directly related to existing

Honorable Mayor Coerper and City Council Members
15% to Infrastructure Calculation
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infrastructure maintenance, repair, replacement and/or improvement. The intent of the 15% of general fund revenues is to provide a minimum level of annual infrastructure investment which will assure that the state of the City's infrastructure does not degrade to a point that requires major taxpayer investments to correct. The Public Works Commission shall report annually to the City Council an assessment of the methodology for the General Fund budget's 15% infrastructure expenditure calculation. (City Council Minute Action of _____).



Michael Siersema, Chair

Attachment

MS/GM:jg

cc: Penelope Culbreth-Graft, DPA, City Administrator
Robert F. Beardsley, PE, Director of Public Works

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