



CITY OF HUNTINGTON BEACH

INTERDEPARTMENTAL COMMUNICATION

TO: Chairman Harlow and the Charter Review Commission

FROM: Chairman McGovern and the Public Works Commission

DATE: December 16, 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 encompass wording to preclude 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 and does not consider debt servicing a part of infrastructure improvement or maintenance to existing capital 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%					

G-13

- The Commission strongly recommends that a subcommittee of the Public Works Commission members and other citizens be appointed to review this important Charter issue on a regular basis (semi annually) and report compliance to the full Public Works Commission. *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. *With the acknowledged limited budgets the funds necessary for proper asset management and sustainability are not being provided. Critical infrastructure such as our streets, drainage system, and public buildings is in desperate need of repair and replacement after years of deferred maintenance. 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. The City needs to protect these assets through good stewardship which requires a commitment to infrastructure funding, not burdened with debt service for new capital projects.*
- 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

G-14