

**THE CITY OF HUNTINGTON BEACH'S  
INFRASTRUCTURE NEEDS**



**Final Report**

**Citizens' Infrastructure  
Advisory Committee**

**City of Huntington Beach**

**July 2000**

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CITIZENS' INFRASTRUCTURE ADVISORY COMMITTEE

FINAL REPORT

JULY 2000

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## EXECUTIVE SUMMARY

### ***Huntington Beach: A Tale of Two Cities***

To the thousands of us who call it home - and the countless others who visit here - Huntington Beach is a storybook town. Its doorstep is the majestic Pacific Ocean, its culture the surfboard. Our city is a mecca for both the laid back and the enterprising; it welcomes those seeking sanctuary and profit. From its cottages and castles to the gleaming windows of its commercial centers, Huntington Beach breathes and lives all that embodies the prosperity and quality of life along the California coast.

But there is another tale to tell of Huntington Beach - a true story written over time, seldom told and more often unheard. It is about the side of our fine city in decline and ravaged by time. It is the side few see and even fewer think about, but which profoundly influences our economy, our environment, our safety and our health. In the rigid language of civil engineering, it is called infrastructure. Most, however, will recognize infrastructure as sewer systems, streets and highways, curbs and sidewalks, storm drains and flood control facilities. It is the lights that control our intersections and illuminate our parks, the medians and parkways that give character to our streets, the buildings that give our town personality and life.

It is this side of Huntington Beach, the tale of its infrastructure and the critical state of decline it is in, that threatens our storybook town and picturesque way of life.

This report, compiled and submitted by the Citizens' Infrastructure Advisory Committee (IAC), is the true tale of two cities and how the decline of one is quietly eroding the vitality of the other. It specifies the advancing erosion of Huntington Beach's infrastructure, the catalysts behind its disrepair, and the threat it poses to our quality of life if left unchecked. Most important, it offers multiple ideas, recommendations and solutions to reverse the slide and rewrite the tale.

Here is a summary of what can be found in each of the sections of the full Final Report of the IAC:

***Section 1 - Introduction:*** Background on Huntington Beach's infrastructure issues; definition of infrastructure; and the national, state and regional perspectives related to infrastructure.

***Section 2 - Conditions and Statement of Need:*** History of Huntington Beach development and how it relates to current infrastructure needs; a description of unique physical conditions affecting the city's infrastructure; an inventory and description of all of the components of the city's infrastructure; and a prioritization of the city's infrastructure needs.

***Section 3 - City's Financial Resources:*** An overview of the City's finances, revenue sources, budget and expenditures.

***Section 4 - Current Infrastructure Policies, Practices & Standards:*** An explanation of the various policies and practices that determine infrastructure needs and respond to those needs, including excerpts from the General Plan related to infrastructure.

***Section 5 - Community Influences Impacting Infrastructure Programs:*** A discussion of the changing landscape in which infrastructure decisions must be made, including political influences, economic conditions, technology, regulations and shifting tax revenues.

**Section 6 - Financing/Funding Methods:** An introduction to financing and funding methods, a comparative analysis of the various methods, and recommendations for methods to use for Huntington Beach's infrastructure needs.

**Section 7 - Findings of Fact and Recommendations:** This section discusses the findings related to the previous sections, and includes recommendations related to each section of this report.

**Section 8 - Implementation Plan:** This section identifies five categories into which action items have been organized, and indicates who should do what and when to ensure the completion of the committee's recommendations.

Ultimately, how this story ends rests with the people of Huntington Beach.

### **Where the story begins...**

The seeds of the IAC's extensive two-year examination of Huntington Beach's decaying civil infrastructure - its findings and recommendations form the substance of this report - trace back to 1995. At the time, aging municipalities across the nation were confronting a looming specter. On the one hand, the symptoms of municipal infrastructure needs were revealing the eroding effects of time, development, population growth and obsolescence on sewer and water systems, highways, public walkways, flood control facilities and public buildings.

On the other hand, many of the nation's cities found themselves cloaked in a growing and prevailing public sentiment for "smaller government", lower taxes and, as a result, a preference for revenue-driven development that could shore up cities' dwindling financial resources.

These competing challenges were emblematic of the looming infrastructure needs the Huntington Beach City Council had already begun examining. Indeed, in 1995 the city launched a comprehensive initiative to survey our current and long-term infrastructure needs over the next 20 years, and to take an accounting of the funding necessary to meet the improvement needs it identified. The city's extensive review - the product of an alliance of the Huntington Beach Public Works Department, the Public Works Commission and the Finance Board - unearthed a troubling litany of infrastructure problems. Worse, the extent of the infrastructure's decline suggested needed improvements that far outstripped available funding to carry them out. These conclusions were first detailed by City staff in 1996 in the city's Integrated Infrastructure Management Program (IIMP), a comprehensive, forward-looking study of the city's infrastructure needs over the next twenty years.

## **Seeking citizen input...**

Cognizant of the public mood sweeping many cities throughout the U.S. - one that showed little favor for increased taxes for infrastructure improvements - the Huntington Beach City Council sought to both confirm the findings of the IIMP and seek broad public consensus through a citizen review of the IIMP.

In 1998, the council conceived the Citizens' Infrastructure Advisory Committee, a 58-member body comprised of private citizens and representatives of various community organizations, associations and interests.

Over the course of the next two years, the IAC conducted a number of field studies and participated in hundreds of hours of meetings with city staff, public works officials and consultants. The scope of the committee's work was comprehensive, encompassing briefings of the city's infrastructure needs, field inspections, public awareness programs, city budget and revenue allocation reviews, the development of infrastructure improvement priorities, and the evaluation of financing and funding methods.

The work of the IAC, and the conclusions it reached, are generally illuminated in this executive summary, and discussed in significant detail within the IAC report.

## **The unfolding tale...**

The unfolding tale contained within the IAC's work paints a picture of a city blessed with an enviable climate and location, buoyed by a strong economy, and inhabited by a people of diverse talents and interests. Likewise, it reveals a city whose infrastructure - burdened by the demands of unprecedented growth, age and deferred maintenance - is stretched beyond the capacity of its original design.

Since 1960, Huntington Beach's population has expanded more than twentyfold. Between 1960 and 1980 alone, the city's population ballooned from 10,000 to 170,000 people. Slowly, but just as surely, the effects of this explosive growth have begun to overwhelm Huntington Beach's civil infrastructure, much of which was designed and constructed 40 years ago. The coming of age of the infrastructure that was built at that time to support the city's new residents is our present challenge. In addition to the aging of the city, we are faced with higher, costlier construction standards, an accumulation of needed improvements brought on by deferred maintenance, and, thankfully, technological innovations that are forging new infrastructure solutions.

"The first task the committee members will be asked to undertake is to educate themselves about the city's Integrated Infrastructure Management Program (IIMP). The second task the Committee will be asked to undertake will be to guide the implementation of a Public Awareness Program that will explain to the local citizens the content of the IIMP and the choices the public and the City Council will need to make regarding methods of financing the IIMP."

*-excerpt from Mayor Ralph Bauer's letter of November 19, 1997 to IAC members, soliciting their participation on the committee.*



Neighborhood flooding problem requires a new storm drain system.



Tree damage to sidewalk, curb, gutter and pavement requiring major repair

The result is clear. Huntington Beach's sewer system, storm drain and flood control facilities, streets, sidewalks, curbs and gutters are simply not designed nor engineered to manage the contemporary demands of its citizens. The clearest manifestation of this reality surfaces periodically during winter storms. We have all experienced the effect of living in a low-lying area. Whether in our homes or when driving the flood-prone streets of Huntington Beach, the occasional reminder of our need for flood protection can be more than a mere annoyance. The flood control system is just one example of a well engineered, but deficient system in need of improvement to ensure the health and safety of our citizens. The persistent and ongoing contamination of local ocean water is yet another reminder—in this case, of a regional requirement—to update infrastructure to accommodate the area's current needs.

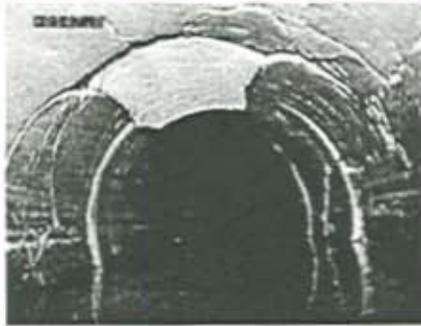
Aside from this well-publicized symptom, it is clear to the IAC that the total extent of disrepair of the city's infrastructure poses significant public health, safety, liability, property damage, economic, environmental and quality of life implications if the citizens, with City Council leadership, do not pursue near- and long-term remedies.

### ***Setting and assessing priorities...***

The Public Works Department's examination of the city's infrastructure in the IIMP was comprehensive and exhaustive. The two-year study by the IAC began with examination of the IIMP, and confirmed its findings through inspection of the city's infrastructure facilities. The committee reviewed the IIMP's assessment of the city's 1,060 miles of curbs and gutters; its 1,050 miles of sidewalks; its 575 miles of sewer mains; and its 414 miles of local streets; arterial highways and public alleys. As well, committee members inspected the city's 117 signalized intersections; its 28 sewer lift stations and its 15 storm water pump stations.

In every major infrastructure component examined by the IAC, the Public Works Department's assessment of condition and need as stated in the IIMP was confirmed.

In fact, Huntington Beach's infrastructure decline is so extensive the committee immediately recognized the need to set priorities for correction. The IAC constructed a weighted point system for prioritizing the city's infrastructure ills, assigning up to 100 points in nine distinct categories. The highest priority weightings were assigned to infrastructure deficiencies directly impacting public health, safety, liability and property. Lesser priority weightings were given to



Aged, deteriorated sewer main requiring rehabilitation



Slip lining (new technology) of existing deteriorated sewer main



Sewage lift station over 30 years old in need of full replacement

infrastructure problems directly impacting regulatory compliance, property values, the local economy, quality of life and blight.

Based upon the IAC's weighting system, the entire gamut of the city's infrastructure problems were then evaluated as to their effects in each of these categories with respect to deferred maintenance, repair or improvements.

Infrastructure components scrutinized under the weighting review were sewers, drainage systems and pump stations, residential sidewalks and curbs, residential streets, traffic signals and street lighting, beach facilities, arterial highways, alleys, playgrounds, buildings, parks, highway block walls, the city's equipment and vehicle fleet, and street trees.

The results of this important undertaking revealed a clear consensus between the IAC and the Integrated Infrastructure Management Program (IIMP) authored by the city as to the infrastructure challenges needing the most urgent attention. These are the city's sewer system, rated as the highest priority, and its drainage and pump stations, rated as the second highest priority.

Fundamentally, the IAC is in agreement with the IIMP that the biggest infrastructure threat to Huntington Beach is that which is unseen, and therefore does not register on the public radar screen. The disrepair of Huntington Beach's sewer system, drainage and pumping stations represents the highest threat to the city's health, safety, economy and quality of life.

### ***The question of money...***

revenue shortfalls, unfunded mandates and dynamic public policies.

The means by which the City of Huntington Beach is able to achieve the vast array of infrastructure improvements to meet our demands over the next 20 years represents a complex subtext of available funds,

In the most fundamental terms, the IAC's conclusions paint a costly portrait of necessary new construction, improvements, maintenance and operations. Indeed, meeting Huntington Beach's infrastructure needs over the next 20 years through the improvements identified in the IIMP total approximately \$1.37 billion\*.

This figure is a staggering revelation, made more sobering by the clear lack of available funds. The IAC's assessment of anticipated revenues derived from the city's general fund, gas tax revenues, development and traffic impact fees, grants and other revenue sources reveals a revenue stream totaling just \$512\* million over the next 20 years.

The resulting revenue shortfall is ominous: as much as \$850\* million over 20 years.

The genesis of both the cost of the identified infrastructure improvements and the dramatic revenue shortfall resides in a number of factors. In general terms, these include Huntington Beach's unique geographic and climatic conditions causing accelerated deterioration of its infrastructure. It includes a declining revenue base born from the tax revolt of the 1970s and 80s. And it is characterized by an on-going deferral of maintenance propagated by declining revenues, competing budget priorities and an out-of-sight-out-of-mind mentality. Underpinning these circumstances has been the historic lack of a consistent public policy for infrastructure maintenance by political leadership in the city, in Sacramento and in Washington, D.C. This finally has begun to change, with the most aggressive initiative occurring at the city level.

It is clear to the IAC that there is no single magic bullet to erase the daunting cost and revenue shortfalls that confront our infrastructure challenges. Rather, meeting our 20-year infrastructure demands will require an integrated program of cost reductions, technology improvements, streamlined budgeting and processes, aggressive competitive bidding, active grant participation, federal and state loans and potential sources of new local revenues.

Fundamentally, the IAC believes the Huntington Beach City Council and its departments responsible for the city's infrastructure systems, must place the highest emphasis on revenue savings cultivated from cost-saving process improvements, competitive sources of materials and services, contemporary management practices and long-range strategic information systems. These priorities, and the retention of revenues they produce, must be initiated prior to any public dialogue with respect to the development of new revenue streams through additional assessments, special taxes, user charges and fees.

Nevertheless, the IAC is persuaded that even optimum revenues achieved through cost savings, revenue windfalls, technology improvements and improved processes cannot by themselves close the revenue gap. Ultimately, in the wake of aggressive cost-saving measures, the citizens of Huntington Beach must be approached to make the necessary investment in the city's critical infrastructure needs.

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\* In today's dollars, not adjusted for inflation

## ***Now, the rest of the story...***

Since it is now clear that Huntington Beach is a tale of two cities - that of the seen storybook town and the lifestyle it affords, and that of its decaying infrastructure - it is also clear through the work of the IAC that the general public is unaware of the darker side. Indeed, our infrastructure remains a mystery to most citizens. And our citizens will not experience its state of disrepair until its inadequacy directly impacts their daily lives...a failed sewer system, denial of ocean access, lost business, street conditions, flooded properties, tripping on a raised sidewalk, and eroding property values.

In many respects, the public does not perceive Huntington Beach's infrastructure challenges, and are not aware of the implications of its inadequacy. While this is not surprising, it clearly needs to be rectified. Not merely by asking for additional revenues, but by encouraging our fellow citizens to become informed, active stakeholders in our health, well-being and vitality of their city.

This initiative can only be successful through multiple public information, ballot, and coalition-building programs carried out in the context of formalized public oversight and accountability.

Trust is the key. Together, the Huntington Beach City Council and staff, along with the Citizens' Infrastructure Advisory Committee, (the citizens' representatives) must establish a strong, cooperative, united alliance. It must use this alliance to convince our fellow citizens that there is indeed a pressing need for infrastructure improvements, that there are insufficient revenues to pay for those improvements, that commitments are being made to achieve revenue savings through improved governmental processes, that similar infrastructure needs and funding shortfall will not occur in the future, and that a formalized citizen oversight authority will closely monitor infrastructure funds and improvements to ensure that the necessary commitment is sustained.

Understanding these imperatives, the IAC has developed certain immediate recommendations to establish the framework and environment in which we can effectively and cooperatively solve our infrastructure challenges:

### **Charter Amendment—Ensuring Sustained Attention to Infrastructure Needs**

In order to increase the City's demonstrated level of commitment to infrastructure, the City Council should immediately approve the inclusion of an amendment to the City Charter for the next election. The Charter Amendment will establish the Huntington Beach Citizens' Infrastructure Advisory Board. The Board will:

- Serve as the public oversight and accountability mechanism for infrastructure improvements and maintenance;
- Establish, preserve and represent consistent infrastructure priorities by which future city councils will make their infrastructure decisions.

Following is the text of the proposed Charter Amendment:

**Infrastructure Fund.**

- (a) All revenue raised by vote of the electors or imposed by vote of the City Council after November 5, 2000, for the purpose of infrastructure shall be placed in a separate fund entitled "Infrastructure Fund." The term "Infrastructure" shall mean long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years. They include sewers, sewage lift stations, storm drains, storm water pump stations, alleys, streets, parks, beach facilities, playgrounds, traffic signals, street lights, block walls along arterial highways, and public buildings and public ways. Interest earned on funds in the Infrastructure Fund shall accrue to that account. Funds shall not be transferred, loaned or otherwise encumbered and shall be utilized only for direct costs relating to infrastructure improvements or maintenance, including construction, design, engineering, project management, inspection, contract administration, and property acquisition.
- (b) Revenues placed in the Infrastructure Fund shall not supplant existing infrastructure funding. The average percentage of general fund revenues utilized for infrastructure improvements and maintenance, for the five (5) –year period of 1996 to 2001, is and was 14.95%. Expenditures for infrastructure improvements and maintenance, subsequent to 2001, shall not be reduced below 15% of general fund revenues based on a three (3) –year rolling average.
- (c) The City Council shall by ordinance establish a Citizens' Infrastructure Advisory Board to conduct an annual review and performance audit of the Infrastructure Fund and report its findings to the City Council prior to adoption of the following fiscal year budget.

–Approved by the Citizens' Infrastructure Advisory Committee on June 1, 2000.

The following goals constitute a blueprint for implementation of the IAC's recommendations and overall approach for successfully completing the infrastructure initiative started by the current City Council over five (5) years ago. The goals are summarized below in five categories: Public Awareness, Organization, Advocacy, Finance/Funding and Policy. They are described in more detail in the Implementation Plan that follows.

### **Public Awareness—Informing Our Citizens**

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- ◆ **Implement an ongoing comprehensive public awareness program with the following goals:**
  - ✓ Communicate current conditions and deficiencies of the City’s infrastructure and the benefits of having well maintained infrastructure;
  - ✓ Inform the public about property tax revenue, state sales tax revenue and other tax revenue allocations so they understand the consequences of the actions of State decision-makers;
  - ✓ Encourage participation in City infrastructure decisions and expenditures; and
  - ✓ Inform residents and businesses in Huntington Beach of the need to invest in the City’s infrastructure.

### **Organizational—Marshalling Our Resources Effectively and Efficiently**

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- ◆ **Continue to:**
  - ✓ Implement programs to improve organizational efficiencies and minimize annual operating costs;
  - ✓ Monitor, audit and improve systems for tracking accomplishments; and
  - ✓ Adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools. Present an audit of cost assumptions and calculations.
- ◆ **Establish an annual infrastructure report to the City Council and the community at budget time that includes:**
  - ✓ Revenue and expenditure information;
  - ✓ A summary of the progress made in reducing the backlog of infrastructure repairs; and,
  - ✓ A summary of performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.
- ◆ **Position the city’s infrastructure budgeting and expenditures as an enhancement of the quality of life, and, as such, also an economic development and community investment tool.**

### **Advocacy—Establishing and Sustaining an Informed Constituency on Behalf of Our Infrastructure Needs**

- ◆ **Intensify lobbying efforts to:**
  - ✓ Restore revenue to cities for use in improving and maintaining infrastructure systems;
  - ✓ Secure legislation at the State and Federal levels that will negate or mitigate regulatory changes that adversely impact cities; and,
  - ✓ Seek recovery of funds for non-funded, mandated programs. Critically evaluate what really must be done to comply with the regulations.

### **Financing/Funding—Obtaining Funds Commensurate with Our Needs**

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- ◆ Encourage the development and maintenance of a long-range financial plan for the City.
- ◆ Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.
- ◆ Update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes.
- ◆ Earmark portions of unanticipated revenue received by the City for infrastructure programs.
- ◆ Continue to aggressively pursue governmental grants as a supplemental funding source for infrastructure.
- ◆ Establish a system to explore, evaluate and implement creative infrastructure financing/funding methods for reducing our funding shortfall as a continuing priority.
- ◆ Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues based on a three year rolling average.
- ◆ Develop dedicated, ongoing sources of funding to meet the city's current and long-term infrastructure requirements based on the following:
  - ✓ Any new revenues placed in the infrastructure fund shall not supplant existing infrastructure funding.
  - ✓ A pay-as-you-go financing approach should be used, but with a provision for bonding of infrastructure improvements that meet the following specific criteria:
    - Delay of the project would result in a cost that is much greater than interest on the bonds;
    - Risk of the facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and,
    - Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.

## Policy—Putting in Place and Maintaining Infrastructure-Supportive Policies

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- ◆ **Amend the City Charter and enact implementing ordinances to provide:**
  - ✓ Permanent mechanism and controls regarding infrastructure budgeting and expenditures;
  - ✓ Assurance that any new infrastructure funding source(s) will be spent only for infrastructure purposes; and,
  - ✓ A long-term commitment to a City budget that will adequately fund infrastructure maintenance and improvement, demonstrating that infrastructure is a constant priority.

### ***Writing the final chapter...***

This tale of two cities, of the Huntington Beach whose engaging quality of life benefits thousands but whose infrastructure threatens to shatter a storybook existence, has all the potential for a happy ending. And it is an ending already being written...through the efforts of the Huntington Beach City Council, City staff, the Citizens' Infrastructure Advisory

Committee and the citizens of Huntington Beach.

In the full detail of this report, the Citizens' Infrastructure Advisory Committee places before our fellow citizens solutions that create a new beginning.

### ***Into Action...***

The IAC's review of the City's financial resources revealed some of the difficult realities currently facing the City. The IAC also noted programs underway to minimize costs even while serving a growing community with aging infrastructure.

At the Federal and State level, funding made available for grants and other programs varies from year to year, making it an unreliable ongoing source of funds. Clearly, only a multi-pronged approach to funding infrastructure can come close to meeting the needs identified in the IAC's Final Report.

Whether through cost reductions, technology improvements, grants or preventive maintenance – every possible source must be tapped to minimize costs and secure sufficient funds to ensure a long-term infrastructure solution. Federal and state grants, dedication of portions of windfall revenue to infrastructure and implementation of new sources of revenue must all become part of a comprehensive, long-term solution.

Cost savings, revenue windfalls, technology improvements, etc. will not however, close the gap entirely. The IAC believes it will be necessary to approach the citizens of Huntington Beach to step forward and assist in meeting the City's infrastructure needs.

Simply stated, Huntington Beach is facing a significant challenge to close the funding gap between the total infrastructure needs identified in the IIMP over the next 20-years period and beyond. The three primary participants in providing a multi-pronged solution for this funding gap are the City Council, the City Staff and the community. They form a triad of shared responsibility and actions. It can be likened to a three legged stool, where all three legs must be in place and strong in order to provide a functioning, stable framework. The primary actions these three partners can take in solving the problem are:

**City Council**

- ◆ Enhancement of current revenues and development of new sources

**City Staff**

- ◆ Implementation of cost savings programs

**Community**

- ◆ Approval of new revenue as required

The following plan identifies the actions to be taken, when and by whom, in order to implement the recommendations of the IAC. Action items for each of the five elements are numbered and preceded by initials identifying the elements: Public Awareness (PA), Organizational (O), Advocacy (A), Financing/Funding (F), and Policy (P).

<b>Public Awareness (PA)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>PA1</b> Authorize Phase II of Frank Wilson & Associates' contract for community outreach and public awareness consultant services.	Immediate	City Council
<b>PA2</b> Approve budgeting funds in FY2000-01 and thereafter for Public Awareness program.	This Budget Year & Ongoing	City Council
<b>PA3</b> Ensure that an organizational structure is in place with defined responsibilities and adequate support resources to implement an on-going public awareness program.	Ongoing	City Council through City Administrator

#### **Summary of Public Awareness Goals and Objectives**

- ◆ **Implement an ongoing comprehensive public awareness program with the following goals:**
  - ✓ Communicate current conditions and deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure;
  - ✓ Inform the public about property tax revenue, the state sales tax revenue and other tax revenue allocation so they understand the consequences of the actions of State decision-makers;
  - ✓ Encourage participation in City Infrastructure decisions and expenditures; and
  - ✓ Inform residents and businesses in Huntington Beach of the need to invest in the City's infrastructure.

<b>Organizational (O)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>O1</b> Ensure that an organizational structure is established with defined roles, responsibilities and resources to identify, evaluate and implement organizational efficiency and cost reduction programs. Also, establish a monitoring, tracking and reporting system.	Immediate	City Council through City Administrator
<b>O2</b> Establish a program to review on a regular basis the City's Infrastructure System Master Plans to ensure they are current and budget funds for updating of the plans as needed.	Immediate	City Council, City Administrator and Staff
<b>O3</b> Assign responsibility to the Citizens Infrastructure Advisory Board to oversee the program and report no less than annually to the City Council.	Upon passage of Charter Amendment	City Council
<b>O4</b> Establish an Infrastructure Fund.	Upon passage of Charter Amendment	City Council

#### **Summary of Organizational Goals and Objectives**

- ◆ **Continue to:**
  - ✓ Implement programs to improve organizational efficiencies and minimize annual operating costs;
  - ✓ Monitor, audit and improve systems for tracking accomplishments, and
  - ✓ Adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools. Present and audit of cost assumptions and calculations.
  
- ◆ **Establish an annual infrastructure report to the City Council and the community at budget time that includes:**
  - ✓ Revenue and expenditure information;
  - ✓ A summary of the progress made in reducing the backlog of infrastructure repairs; and,
  - ✓ A summary of performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.
  
- ◆ **Position the city's infrastructure budgeting and expenditures as an enhancement of the quality of life, and, as such, also an economic development and community investment tool.**

<b>Advocacy (A)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>A1</b> Ensure that an organizational structure for lobbying is in place and adequate resources provided to maintain a high level, sustained commitment by the city.	Immediate	City Council through City Administrator
<b>A2</b> Continue to participate in regional & statewide lobbying efforts.	Ongoing	City Council
<b>A3</b> Maintain a legislative tracking system.	Ongoing	City Staff

### Summary of Advocacy Goals and Objectives

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- ◆ **Intensify lobbying efforts to:**
  - ✓ Restore revenue to cities for use in improving and maintaining infrastructure systems;
  - ✓ Secure legislation at the State and Federal levels that will negate or mitigate regulatory changes that adversely impact cities; and
  - ✓ Seek recovery of funds for non-funded, mandated programs. Critically evaluate what really must be done to comply with the regulations.

<b>Financing/Funding (F)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>F1</b> Adopt a long-range financial plan for the City, to be updated on a regular basis.	Immediate and Ongoing	City Council through Finance Board
<b>F2</b> Conduct a bi-annual review for purposes of maximizing the use of fees and charges for funding of infrastructure	Immediate and Ongoing	City Council through City Administrator
<b>F3</b> Continue to pursue a program to recover and/or manage costs associated with infrastructure	Immediate and Ongoing	City Council through City Administrator
<b>F4</b> Establish a policy that all unanticipated revenue received by the City will be evaluated for earmarking to be used for infrastructure	Immediate and Ongoing	City Council
<b>F5</b> Ensure that an organizational structure for pursuing governmental grants and loans is in place and adequate resources provided to maintain a high level, sustained commitment.	Immediate and Ongoing	City Council through City Administrator
<b>F6</b> Establish an ongoing program to implement creative infrastructure financing/funding methods.	Immediate and Ongoing	City Council through City Administrator
<b>F7</b> Implement provisions of the proposed Charter Amendment	Immediate and Ongoing	City Council
<b>F8*</b> Enact a monthly Sanitary Sewer Charge pursuant to the provisions of California Health & Safety Code 5470 for the rehabilitation, replacement, maintenance and repair of sewer system facilities, including lift stations with provisions for: <ul style="list-style-type: none"> <li>◆ The charge to be ongoing (not expire) as the funding requirements for the sewer facilities will continue beyond a fixed time period.</li> <li>◆ An escalator to keep pace with costs of inflation and construction cost increases.</li> <li>◆ A set aside of an amount to establish and maintain a reserve fund to undertake future rehabilitation and replacement of newly completed improvements.</li> </ul>	Immediate	City Council

\* Recommendation is contingent upon a Charter Amendment (with provisions recommended in this report by the IAC) or equivalent ordinance being in place at the time of fee enactment.

<b>Financing/Funding (F) (continued)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<p><b>F9</b> Approve obtaining voter approval of a special tax pursuant to a citywide Community Facilities District (CFD) for the funding of other infrastructure items included in the Updated IIMP. It is recommended that it include:</p> <ul style="list-style-type: none"> <li>◆ A term of 20 years to match the 20-year term of the IIMP.</li> <li>◆ An annual escalator of 2%.</li> <li>◆ A set aside of an amount to establish and maintain a reserve fund to undertake future rehabilitation and replacement of newly completed improvements.</li> </ul>	<p>City General Election in 2002</p>	<p>City Council</p>
<p><b>F10</b> Authorize and ensure that a public awareness program is in place and implemented to communicate:</p> <ul style="list-style-type: none"> <li>• The current conditions and deficiencies in the city's infrastructure;</li> <li>• The benefits of having well maintained infrastructure; and</li> <li>• The need to invest in infrastructure</li> </ul>	<p>Immediate</p>	<p>City Council through City Administrator</p>

#### **Summary of Financing/Funding Goals and Objectives**

- ◆ Encourage the development and maintenance of a long-range financial plan for the City.
- ◆ Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.
- ◆ Update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes.
- ◆ Earmark portions of unanticipated revenue received by the City for infrastructure programs.
- ◆ Continue to aggressively pursue governmental grants as a supplemental funding source for infrastructure.
- ◆ Establish a system to explore, evaluate and implement creative infrastructure financing/funding methods for reducing our funding shortfall as a continuing priority.
- ◆ Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues based on a three year rolling average.

- ◆ Develop dedicated, ongoing sources of funding to meet the city’s current and long-term infrastructure requirements based on the following:
  - ✓ Any new revenues placed in the infrastructure fund shall not supplant existing infrastructure funding.
  - ✓ A pay-as-you-go financing approach should be used, but with a provision for bonding of infrastructure improvements that meet the following specific criteria:
    - Delay of the project would result in a cost that is much greater than interest on the bonds;
    - Risk of the facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and,
    - Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.

<b>Policy (P)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>P1</b> Approve placing the IAC’s proposed Charter Amendment on the November 2000 ballot.	Immediate	City Council
<b>P2</b> Pursue formation of a campaign committee to promote voter approval of the Charter Amendment.	July 2000	IAC
<b>P3</b> Authorize and ensure that a public awareness program is in place and implemented to communicate: the current conditions and deficiencies in the City’s infrastructure; the benefits of having well maintained infrastructure; and the need to invest in infrastructure.	July 2000	City Council
<b>P4</b> Upon passage of and pursuant to the Charter Amendment: <ul style="list-style-type: none"> <li>• Adopt an Ordinance establishing a Citizens Infrastructure Advisory Board (CIAB) and appointment of the CIAB.</li> <li>• Establish a separate Infrastructure Fund.</li> </ul>	Upon adoption of Charter Amendment	City Council

### Summary of Policy Goals and Objectives

- ◆ **Amend the City Charter and enact implementing ordinances to provide:**
  - ✓ Permanent mechanism and controls regarding infrastructure budgeting and expenditures;
  - ✓ Assurance that any new infrastructure funding source(s) will be spent only for infrastructure purposes; and,
  - ✓ A long-term commitment to a City budget that will adequately fund infrastructure maintenance and improvement, demonstrating that infrastructure is a constant priority.

## CROSS REFERENCE OF IMPLEMENTATION PLAN AND RECOMMENDATIONS

The following tables provide a cross reference between recommendations made in Sections 2 through 6 and their corresponding Action Plan Elements. Recommendations for each section also can be found at the end of their respective section.

<b>2. Infrastructure Conditions and Needs</b>	<b>Action Plan Element</b>
<b>2A</b> Communicate to residents the current deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure systems.	<b>Public Awareness</b>
<b>2B</b> Develop and implement dedicated, ongoing and consistent sources of funding to meet the City's current and long-term infrastructure requirements.	<b>Financing /Funding</b>
<b>2C</b> Inform the citizens that a different prioritization of uses of current revenue and/or improvement in government efficiencies will not provide enough funds to do the job.	<b>Public Awareness</b>
<b>2D</b> Use the IAC weighting of possible consequences of non-implementation of infrastructure improvements and ranking of infrastructure as decision-making tools for the allocation of financial resources and budgeting.	<b>Financing /Funding</b>

<b>3. City's Financial Resources</b>	<b>Action Plan Element</b>
<b>3A</b> Inform residents and businesses in Huntington Beach of the need to invest additional dollars in the City's infrastructure systems to prevent future deterioration of its aging systems; to provide funding for ongoing infrastructure maintenance, repair, and rehabilitation/replacement, and, to protect property values.	<b>Public Awareness</b>
<b>3B</b> Continue an aggressive program of pursuing available governmental grants for infrastructure.	<b>Financing /Funding</b>
<b>3C</b> Continue implementing programs to improve organizational efficiencies and minimize annual operating costs.	<b>Organizational</b>
<b>3D</b> Consider earmarking unanticipated revenue to help fund the City's infrastructure programs before identifying it to be used for general municipal purposes.	<b>Financing /Funding</b>
<b>3E</b> Intensify lobbying efforts to redirect revenues back to cities for use in preserving and rehabilitating or replacing their aged and deteriorated infrastructure systems.	<b>Advocacy</b>
<b>3F</b> Support development and maintenance of a long-range financial plan for the City.	<b>Financing /Funding</b>
<b>3G</b> Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.	<b>Financing /Funding</b>

<b>4. City's Current Infrastructure Policies, Practices &amp; Standards</b>	<b>Action Plan Element</b>
<b>4A</b> Establish an annual infrastructure report to the City Council and the community at budget time that includes: 1) Information on infrastructure revenue and expenditures, and 2) A summary of the progress made in reducing the backlog of infrastructure repairs, and 3) A progress report on performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.	<b>Organizational</b>
<b>4B</b> Continue to adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools.	<b>Organizational</b>
<b>4C</b> Continue to implement programs to improve organizational efficiencies and minimize annual operating costs.	<b>Organizational</b>

<b>5. Community Influences Impacting Infrastructure</b>	<b>Action Plan Element</b>
<b>5A</b> Implement a public awareness program for the public to gain knowledge about and participate in the process leading to City infrastructure decisions and expenditures.	<b>Public Awareness</b>
<b>5B</b> Establish mechanisms for a long-term commitment to be made to City budgets that will adequately fund infrastructure maintenance and improvement.	<b>Policy</b>
<b>5C</b> Ensure that infrastructure is a constant priority for City budgeting and expenditures.	<b>Organizational</b>
<b>5D</b> Evaluate current cost-recovery programs (such as Utility Trench Ordinance) and investigate other efforts to recover costs and/or manage these impacts.	<b>Financing /Funding</b>
<b>5E</b> Continuously identify and evaluate proposed State and Federal regulatory changes and intensify lobbying efforts to ensure proposed changes do not adversely impact cities including Huntington Beach. Also, aggressively seek recovery of funds for non-funded mandated programs and participate fully in efforts to influence such legislation. Critically evaluate what really must be done to comply with the regulations.	<b>Advocacy</b>
<b>5F</b> Amend the City charter and enact implementing ordinances to provide permanent mechanism and controls regarding infrastructure budgeting and expenditures.	<b>Policy</b>
<b>5G</b> Inform the public regarding tax revenue allocation so they understand the consequences of the actions by State decision-makers.	<b>Public Awareness</b>
<b>5H</b> Inform residents and businesses that infrastructure budgeting and expenditures are a community investment and an economic development tool.	<b>Public Awareness</b>

6. Financing/Funding Methods	Action Plan Element
6A Continue to update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes to provide a supplemental funding source.	Financing /Funding
6B Continue to aggressively pursue governmental grants as a supplemental funding source.	Financing /Funding
6C Establish a system to continuously explore, evaluate and implement creative funding methods.	Financing /Funding
6D Earmark portions of unanticipated revenue received by the City for infrastructure purposes.	Financing /Funding
6E Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues, based on a three-year rolling average.	Financing /Funding
<p>6F* As soon as possible enact a monthly Sanitary Sewer Charge pursuant to the provisions of California Health &amp; Safety Code 5470 to develop a dedicated, ongoing funding source for the rehabilitation/replacement and repair of sewer system facilities, including lift stations. It is recommended that the charge be ongoing (not expire), as the funding requirements for rehabilitation/replacement of the sewer facilities will continue beyond a 20-year period. In addition, it is recommended that the following be included as part of the action:</p> <ul style="list-style-type: none"> <li>✓ An escalator to keep pace with costs of inflation and construction cost increases; and,</li> <li>✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.</li> </ul>	Financing /Funding
6G Conduct community survey to assess how much financial impact the community is willing to accept as the basis of formulating the amount to be included in any financing/funding proposals.	Public Awareness

\* Recommendation is contingent upon a Charter Amendment (with provisions recommended in this report by the IAC) or equivalent ordinance being in place at the time of fee enactment

6. Financing/Funding Methods	Action Plan Element
<p><b>6H</b> Obtain voter approval of a special tax pursuant to a city-wide Community Facilities District (CFD) for the funding of other infrastructure items included in the updated IIMP. It is recommended that it include:</p> <ul style="list-style-type: none"> <li>✓ A term of 20 years to match the 20-year period of the IIMP.</li> <li>✓ An annual escalator of 2% to match Proposition 13.</li> <li>✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.</li> </ul>	<p><b>Financing /Funding</b></p>
<p><b>6I</b> Use a pay-as-you-go approach, but with a provision for bonding of infrastructure improvements that meet one or more of the following criteria:</p> <ul style="list-style-type: none"> <li>✓ Delay of the project would result in a cost that is much greater than interest on bonds;</li> <li>✓ Risk of a facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and</li> <li>✓ Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.</li> </ul>	<p><b>Financing /Funding</b></p>

## 1. INTRODUCTION

This report presents the findings of a two-year, comprehensive investigation and evaluation of the City of Huntington Beach infrastructure improvement and maintenance programs by the **Citizens' Infrastructure Advisory Committee (IAC)**. The IAC identified infrastructure standards, evaluated the City's infrastructure systems against those standards, determined adequacies and deficiencies, and reviewed the cost of each infrastructure component, as well as the improvements and maintenance needed.

The IAC findings result in recommended financing/funding methods, and summarize the approaches to meet the City's near-term critical infrastructure needs, as well as its longer-term requirements for capital improvements, rehabilitation and replacement, and ongoing preventive maintenance.

As demonstrated in the national, state and regional perspectives, the City of Huntington Beach is not unique in its need for infrastructure investment. The City's Integrated Infrastructure Management Program (IIMP) identifies the City's capital needs, which are required to ensure long-term adequacy of the City's infrastructure.

### BACKGROUND

In the mid-1990's, the City of Huntington Beach embarked on a unique and progressive effort to address the community's infrastructure needs. No other Orange County city, and few in the Nation, has taken such a comprehensive approach to manage and understand the growing municipal concern related to infrastructure.

In 1995, the City of Huntington Beach Finance Board, a citizens' advisory board, advised the City Council that the City's infrastructure needs, including new construction, rehabilitation & reconstruction, and maintenance, were significantly under-funded. The City Council directed the Public Works Department staff to initiate a detailed study of infrastructure needs and make recommendations for a financing strategy.

In 1996, the City's Department of Public Works, in coordination with the City's Public Works Commission, embarked upon a major effort to develop a comprehensive investigation of infrastructure needs over a 20-year period. This study led to a City report titled **Integrated Infrastructure Management Program (IIMP)**, which would accomplish the following objectives:

- **Identify the critical and long-term infrastructure needs of the community.**
- **Provide a tool to assist City staff in developing plans and implementing programs to assure that the infrastructure needs of the community are being satisfied on an ongoing basis.**

In April 1997, the Integrated Infrastructure Management Program (IIMP) report was presented to the City Council. The IIMP was the result of many years of effort by City

staff, the City's Public Works Commission and the Finance Board. This first IIMP showed that the City had a significant funding shortfall. A March 2000 IIMP update shows that the total overall infrastructure need of approximately \$1.37 billion includes approximately \$850 million in funding shortfall based on available and allocated funding. The IIMP is intended as a tool to assist Council and staff to better plan and formulate ongoing infrastructure programs. Therefore, the IIMP is a fluid document that adjusts as infrastructure needs are addressed and the program is updated. The IIMP includes:

- A comprehensive inventory of the City's capital assets throughout all City departments, for which the Public Works and Community Services Departments have responsibility to operate and maintain.
- A projection of required new infrastructure, rehabilitation & reconstruction, and maintenance needs including estimated costs for the next 20 years.
- A projection of funding available to the City for each infrastructure component for the 20-year period.
- The estimated shortfall of funds to meet the projected needs for each component.

In 1997, the City Council, in a joint workshop with the City's Public Works Commission, acknowledged the need for developing a financing/funding strategy to ensure that the City's unmet infrastructure needs will be met.

The City Council directed staff to establish a management team, and organize a citizens' advisory committee that would confirm standards and develop recommendations for financing/funding strategies for IIMP financial shortfalls. A consultant team composed of Psomas, engineering consultant; Fieldman, Rolapp & Associates, financial consultant; and Brown Diven Hessel & Brewer LLP, legal consultant; was retained to assist the City in developing a comprehensive plan for implementation of financing/funding strategies for IIMP shortfalls.<sup>1</sup>

The Huntington Beach City Council took an unusually bold step in seeking an understanding of our infrastructure situation and soliciting a responsive approach to solving the problems identified. The essence of this report is an approach to infrastructure improvement funding that builds upon the Council initiative.

### **CITIZENS' INFRASTRUCTURE ADVISORY COMMITTEE (IAC)**

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The Citizens' Infrastructure Advisory Committee (IAC) was appointed by the City Council in March 1998. The IAC, 35 primary members and 23 alternate members, is composed of representatives from a broad cross-section of leaders from community organizations including business, school districts, environmental groups, civic, neighborhood associations, homeowners associations, as well as City commissions and boards.<sup>2</sup>

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<sup>1</sup> Consultant biographies are included in Appendix C.

<sup>2</sup> A list of IAC members is included in Appendix D.

The IAC adopted the following as its purpose:

*To review the IIMP and its forecast shortfall of public funding resources and make recommendations to the City Council regarding the optimum approach for financing/funding the most critical and long-term infrastructure needs of the community.*

*This will be accomplished by:*

- *Becoming informed about the existing infrastructure conditions as well as projected long-term requirements of the City.*
- *Becoming generally informed about the City's overall revenue sources, expenditures and budgets.*
- *Evaluating and recommending possible financing/funding methods.*
- *Participating with the City Council in joint workshops/study sessions.*

### **IAC Process**

The IAC held its initial kickoff meeting on March 26, 1998. Both primary and alternate members were present. The kickoff meeting presented an introduction to the IIMP Team, comprised of City staff members and consultant team members, the IIMP, the IAC Mission Statement, and the IAC workplan. The IAC Chair and Vice Chair were elected by the members present.

The IAC established a schedule of meetings that were held on a monthly basis. The meetings began and continued as open, public meetings, including media participation. Each meeting provided a basis of infrastructure and financial information that each subsequent meeting built upon. IAC members participated in the following activities:

1. *Infrastructure Presentations:* IAC members received information to gain an understanding and appreciation of the magnitude of the City's infrastructure and its needs.
2. *Infrastructure Inspections:* IAC members participated in field tours/inspections for each of the infrastructure items presented by staff. Approximately 20 field site visits were made, beginning in June 1998, and continuing through November 1998. Field site inspections included the following:
  - Sewers and Lift Stations
  - Local Streets, Alleys, Highways, and Appurtenant Improvements
  - Storm Drains/Drainage/Flood Control
  - Medians, Parkway Trees, Curbs, Gutters, Sidewalks and Block Walls
  - Traffic Signals, Street Lights, Signs, Striping, and Park and Sports Field Lighting
  - Public Buildings
  - Parks and Beach Facilities
  - Vehicle and Fleet Maintenance

3. *IAC Public Information Subcommittee:* The IAC established this subcommittee to develop a process by which important actions of the IAC are made known to the public. This process would include a plan to inform Huntington Beach citizens on the IAC process, key infrastructure issues, and other items of communication.
4. *IAC Steering Committee:* The IAC established a steering committee of nine members in September 1998, to meet each month beginning in October 1998 prior to each monthly IAC meeting. The purpose of the steering committee was to review and recommend items for consideration by the IAC. This allowed the IAC to focus on the key issues of its mission.
5. *City Budget and Revenue Allocation Process: Sources and Allocation of City Revenues:* IAC discussed revenue sources and allocations including review of the General Fund and other fund sources, such as Drainage Fund, Sewer Fund and Gas Tax Fund. The IAC also reviewed cash reserves and fund balances. The IAC requested and received a presentation to provide an understanding of the City budget and how it is carried out as an essential element for developing a strategy for financing/funding recommendations.
6. *Prioritization of Infrastructure Items:* The IAC reviewed the consequences or problems that could occur as a result of not funding needed infrastructure improvements, and ranked each infrastructure component, i.e., sewers, drainage, streets, etc., as to its importance and impact in the community. This provided a basis from which to evaluate and make recommendations for allocation of the City's financial resources to support the critical and long-term infrastructure needs of the City.
7. *Evaluation of Financing/Funding Methods:* The IAC participated in a series of discussions on financing/funding methods that were considered to develop financing and funding strategies. The IAC focused on five categories of financing/funding methods: assessments, taxes, fees/charges, current revenue, and federal/state and other agency funding programs.
8. *Financing/Funding Evaluation Matrix:* A short list of IAC-recommended methods was developed for each infrastructure component. A comparison matrix evaluated each method and reported the following: approval process conditions, Proposition 218 (Right to Vote on Taxes Act) impact, key considerations, conclusions and remarks. The resulting analysis was displayed in a comparison table of financing/funding methods and a short list of recommended methods.
9. *IAC Findings and Recommendations / Draft and Final Report:* Multiple draft reports were developed, reviewed and refined by the IAC to present findings and financing/funding recommendations on the City's IIMP. This report represents the final report of the IAC as presented to the Huntington Beach City Council.

## DEFINITION OF IIMP INFRASTRUCTURE

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The following definitions were developed and used during the IIMP and the IAC effort.

### Infrastructure

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be maintained for a significant number of years. The number of years varies by asset type, but can be as long as 20 to 30 years or more. They include sewers, sewage lift stations, storm drains, storm water pump stations, alleys, streets, highways, curb & gutter, sidewalks, bridges, street trees, landscaped medians, parks, beach facilities, playgrounds, traffic signals, street lights, block walls along arterial highways, and all public buildings, and vehicles/equipment.

*New Improvements*—Construction of an infrastructure improvement that did not exist before or that expands an existing infrastructure improvement to meet current standards.

**Example:** *Construction of a new storm drain to relieve a property flooding condition.*

*Rehabilitation/Replacement Improvements*—Rehabilitation or replacement of an existing infrastructure improvement. **Example:** *Construction of a new sewer lift station to replace an existing facility that has reached or surpassed its useful life.*

*Maintenance Operations*—Operation, repair and maintenance of an infrastructure improvement to keep it in a useful, functional condition and prevent its premature deterioration due to deferred maintenance. Usually funded from annual operation and maintenance (O&M) funds. **Example:** *The ongoing operations, preventive maintenance and minor repairs for a sewer lift station to keep it operating and ensure that the facility is fully functioning. The costs will typically include labor, parts and materials, equipment rental and energy. Another example may include the repair of potholes in the streets.*

## NATIONAL, STATE AND REGIONAL PERSPECTIVE

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Public Works infrastructure investments in the United States have declined steadily as a percentage of the Gross Domestic Product. Economic trends show that as infrastructure investment decreases, national productivity decreases as well. Delayed maintenance and repair of our nation's infrastructure is an expensive form of under-investment and hampers our competitiveness in the world market place.<sup>3</sup> At the same time that federal government investments in infrastructure declined, state and local government investments in infrastructure programs suffered from increased competition for limited funds from other governmental priorities. As a result of this combined under-investment, America's infrastructure has markedly deteriorated. The results of delayed maintenance are seen in all areas of public works infrastructure.<sup>4</sup>

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<sup>3</sup> America rates last on the list of major industrialized countries investing in its infrastructure, according to the Rebuild America Coalition 1996 report *Quality of Life...The Unspoken Promise: A Case for Infrastructure Investment*

<sup>4</sup> American Public Works Association 9/18/97 Policy Statement, *Protecting Public Works Investments*

The growing decline in the quality of our nation's vital regional infrastructure are demonstrated by the following facts<sup>5</sup>:

- Since 1988, half of the Nation's landfill facilities reached capacity and closed.
- By 1990, 35% of the interstate system had outlived its design life.
- More than 186,000 bridges in the U.S. are rated structurally deficient or obsolete.
- The condition of more than 57% of America's principal highway miles are rated fair, mediocre, or poor.
- A shortfall of \$17 billion in non-federal funds for water supply and drinking water infrastructure needs is expected by the year 2000.
- By the year 2012, an estimated \$137 billion will be required for wastewater infrastructure.

The Environmental Protection Agency (EPA) estimates that \$139.5 billion is needed to fund new municipal treatment facilities over the next 20 years<sup>6</sup>. Also in 1999, EPA revised its needs estimates for sanitary sewer overflows from \$10.3 to \$81.9 billion – increasing its total needs to nearly \$200 billion for new projects. Adding the amount local communities must pay to replace aging treatment plant and collection systems, while funding new capital projects – brings the national total to \$330 billion.

### **California's Infrastructure**

Over the last three decades, due to economic and political factors, California has delayed building for the future. Statewide, there is a growing recognition that infrastructure investment has not kept pace with the growth of the State in the last 30 years. Public works investments, which once accounted for \$1 in \$5 in the State budget, have dwindled to \$1 in \$50. Faced with the reality of growing traffic congestion, higher density development, and the prospect of another 12 million people over the next 20 years, State leaders in the public and private sectors alike are clamoring for more infrastructure investment and an annual public works plan. Transportation needs alone are estimated at \$100 billion.<sup>7</sup>

The long-term decay of California's infrastructure is a quiet crisis that presents a tremendous challenge to the State leaders. Consequently, the State's roads, schools, bridges and buildings continue to deteriorate. In 1997, Sacramento reported that infrastructure needs would total more than \$80 billion over the next 15 years, while a recent report states that infrastructure needs will reach at least \$90 billion between now

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<sup>5</sup> The Rebuild America Coalition, a broad group of over 70 national public and private organizations representing public works and infrastructure fields, 1996 report *Quality of Life...The Unspoken Promise: A Case for Infrastructure Investment*

<sup>6</sup> Association of Metropolitan Sewerage Agencies (AMSA) and the Water Environment Federation, 1999, *The Cost of Clean*

<sup>7</sup> California Transportation Commission report *Inventory of Ten-Year Funding Needs for California's Transportation System*.

and the year 2007. The same report suggests that State funds could cover less than \$60 billion, two-thirds of the predicted cost.<sup>8</sup>

Such alarms typically are over-shadowed by other political issues. Without a plan, the State tends to distribute money to visible or active interest groups, a type of de facto, ad hoc construction budgeting. Leaders emphasize the absolute necessity of a modern infrastructure to the economic growth of the State.

California ranks 40<sup>th</sup> among the 50 states in overall infrastructure development as a proportion of personal income, 48<sup>th</sup> in highway spending, 41<sup>st</sup> in higher education and 38<sup>th</sup> in public school facilities.

The Governor's appointed **Commission on Building for the 21<sup>st</sup> Century** issued a report resulting in an August 1999 proposal that bond issues totaling \$5 billion be put before voters in the year 2000.<sup>9</sup> However, noting that current cost estimates of California's needs range up to \$100 billion, the Commission recognized that other innovative financing mechanisms, including private enterprise, must be explored. The proposal reflects bond measures that moved through the legislature in fall, 1999. The Commission's major mission is to think far beyond the year 2000.

### **Regional Infrastructure**

While the Federal contributions to infrastructure improvements have remained almost level since the mid-1980's, local agencies' contributions have steadily grown to make up the shortfall. Recognizing the reduction in federal contributions, local agencies are acting proactively.

In Orange County, where the focus has been on building for growth, existing infrastructure needs have not been widely noted. Water supply and wastewater collection and treatment systems, flood control, local roads, state highways, municipal facilities, and parks and beaches are all essential elements of Orange County infrastructure. They support the economic competitiveness of the region and provide a livable environment. Local public works agencies have maintained these resources beyond their intended useful lifetimes. Many of these resources are in need of replacement or rehabilitation. Understanding their value to the continued attractiveness of Orange County as a place to live and work is the first step in building public understanding of the need for investment.<sup>10</sup>

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<sup>8</sup> California Business Roundtable one-year study/report.

<sup>9</sup> Initial State Infrastructure Report, 5/1/99. The Commission's charter is to provide a critical needs assessment of the total statewide needs and an investigation of possible funding options to address them.

<sup>10</sup> The Orange County Business Council (OCBC) Infrastructure Committee white paper titled "*Orange County Infrastructure Needs.*"

Accounting for new capital projects, rehabilitation requirements, and preventive maintenance for our infrastructure would allow us to understand the true need. Broad political, economic and public support is essential. In neighboring Los Angeles County, one city alone (Long Beach) estimates its backlog of unmet capital needs at \$580 million.

Currently, there are only scattered data available concerning Orange County's total infrastructure needs. A critical issue facing Orange County municipalities is deferred maintenance for local roadways. While Costa Mesa has set \$31 million as a deferred roadway maintenance figure, Orange County cities have a much larger combined total. The Orange County Sanitation District (OCSD) is completing a 20-year Strategic Plan that will identify \$1 billion worth of rehabilitation and new capital projects to serve its increasing population. OCSD estimates that other agencies own over 90% of the sewers in their service area, and no one has estimated the long-term rehabilitation and maintenance costs of these sewers. Some notable exceptions include the City of Huntington Beach studies and the City of Garden Grove recent replacement value study.

The City of Westminster is seeking to place the entire city within a Redevelopment Area to address infrastructure needs through adoption of the "Westminster Infrastructure Revitalization Plan." The stated purpose of the plan is to improve the physical appearance and economic health of the community. The proposed plan was at the public hearing stage at the time of writing this Final Report.

### **City of Huntington Beach Infrastructure**

As demonstrated in the national, state and regional perspectives, the City of Huntington Beach is not unique in its need for infrastructure investments. What is significant is that we now have the insights necessary to eventually get Huntington Beach "ahead of the curve" in terms of maintaining a sound infrastructure system. Those jurisdictions that fail to grasp the importance of this kind of management commitment will impose serious restrictions on their future options and decline in their competitive edge because too many resources will be consumed in crisis management. Moreover, they will be less attractive for private investment.

The City's Integrated Infrastructure Management Program (IIMP) identifies the City's capital needs, which are required to ensure long-term adequacy of the City's infrastructure. The IIMP attempts to value all existing and needed infrastructure, as well as replacement, rehabilitation and maintenance of infrastructure. The IIMP identifies the infrastructure funding shortfall, and demonstrates that the funds proposed at the State level are inadequate to satisfy the needs of the City.

Section 2 of this report presents information about the City's existing conditions and infrastructure needs, including unique physical conditions that affect infrastructure. It also discusses the cumulative and categorical needs, as well as the value and consequences to the citizens of Huntington Beach. The balance of this report provides a comprehensive look at the City's conditions, financial resources, policies, practices and standards, and community influences, concluding with a recommended implementation plan.

## 2. HISTORICAL AND CURRENT CONDITIONS AND STATEMENT OF NEED

### HISTORY OF DEVELOPMENT

Huntington Beach was incorporated as a city in 1909, and is one of the older cities in Orange County. The downtown area of the city was developed in the early 1900s. Some of the original infrastructure, especially sewers, still exist today and are over 80 years old.

Between 1960 and 1980, the City went through rapid growth and its population grew from 11,500 to 170,600. The chart below shows the historical growth of the City's population.

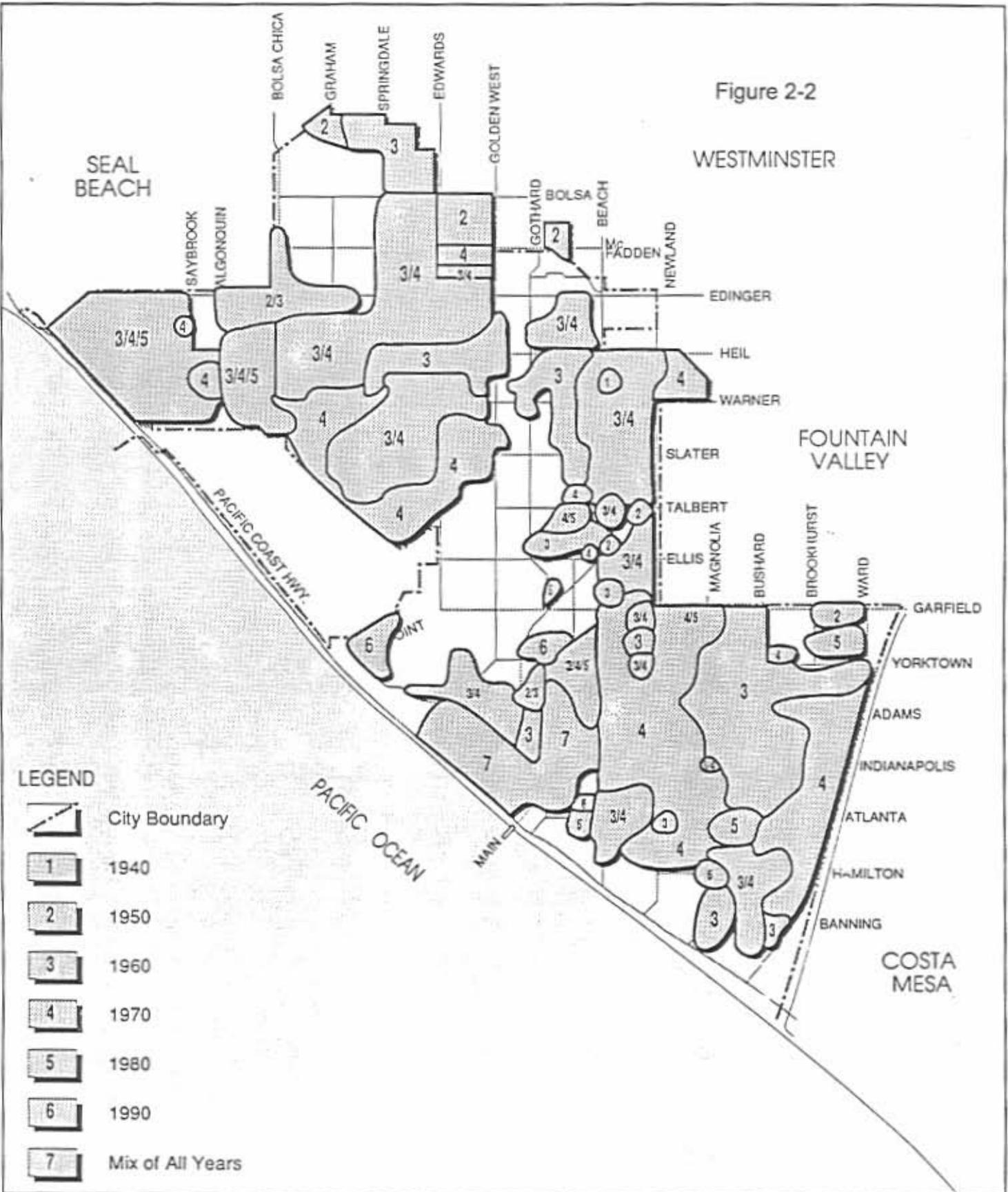
Figure 2-1

Historical Growth of the City's Population					
Year	1960	1970	1980	1990	2000
Population	11,500	116,000	170,600	181,500	196,700

It was during these periods of rapid growth that most of the city's infrastructure was initially constructed. Developers were required to construct the public infrastructure in conjunction with each new development project and turn it over to the city for maintenance. Therefore, most of the city's infrastructure is 30 to 40 years old. In many cases, the useful life of these infrastructure systems is only 30 or 40 years and, therefore, has reached or surpassed its initial design life.

Figure 2-2 is a map showing the approximate age of the different neighborhoods in the City.

Figure 2-2



HUNTINGTON BEACH ESTIMATED  
 YEAR OF RESIDENCE CONSTRUCTION  
 City of Huntington Beach General Plan



FIGURE LU3

## **UNIQUE CONDITIONS AFFECTING HUNTINGTON BEACH'S INFRASTRUCTURE**

The City of Huntington Beach has some unique climatic and physical conditions that impact its infrastructure systems, and which result in higher costs of construction and maintenance than for most communities.

### **Climatic Conditions**

As a coastal community, Huntington Beach has salt air that affects the cost of constructing and maintaining infrastructure that is exposed to the elements. The salt air causes metal and some surface coatings to rust and/or deteriorate faster than they do in inland communities. This condition affects the following infrastructure:

#### **Mechanical & Electrical Equipment**

Metal on Street Lights & Traffic Signals

Electrical Wiring

Handrails

Paint on Facilities and Structures

Metal Street Name and Directional Signs

This condition requires, in some cases, use of more expensive materials for initial construction and/or repair. It also results in more expensive maintenance because of the accelerated frequency of maintenance and/or the need for special materials.

### **Physical Conditions**

The adverse physical conditions in the city are: topography, soil, coastal and environmental.

The *topography* in Huntington Beach is mostly flat but there are areas of higher terrain, which create sump areas affecting drainage, sewer and water systems. The extremely flat terrain results in the need for larger size storm drains and sewers, which are gravity flow systems. This results in higher construction and repair costs.

The sump conditions result in the need for an extensive system of storm water and sewage pumping stations. They are expensive both to construct and to maintain. Most cities need very few, if any, of these type facilities. There are 28 sewage lift stations and 15 storm water pump stations in Huntington Beach.

There are adverse *soil conditions* in the City consisting of peat, "hot soil", and high ground water. The peat conditions are dispersed around the city and affect underground facilities as well as surface facilities. Approximately 60% of the city is affected by these conditions. The initial construction costs of these facilities are more expensive because of the special construction methods and materials that are required to mitigate the condition. The peat has also created major repair problems around the city because of settling of the ground. It has affected the underground sewer mains, curb & gutter and sidewalks, street pavement, underground structures and buildings.

High ground water conditions affect various areas in the city. They are most prevalent along the Santa Ana River and in the Huntington Harbour area. These conditions are also in the low areas along the ocean and in sump areas, which affects both the construction and maintenance costs for the infrastructure systems. The systems affected are: sewers, storm drains, underground structures such as sewage lift stations and storm water pump stations, water mains, and water reservoirs.

There are also pocket areas in the city where there is "hot soil" affecting existing as well as new infrastructure. This corrosive condition has caused existing infrastructure such as underground utilities and structures to deteriorate at a faster rate than in normal soil conditions.

The *coastal condition* exists in the areas along the ocean and in Huntington Harbour, where the groundwater is salt water, which has a more corrosive effect than regular ground water. This further aggravates the construction and maintenance costs for the facilities identified under the discussion for the ground water conditions.

The City's past history of extensive oil operations has left a legacy of hydrocarbons in the soil extending over large areas. As a result, these *environmental conditions* must be remediated in conjunction with new construction and/or repair of existing facilities, increasing the cost of new construction and repair work.

As a result of these unique conditions in the Huntington Beach area, constructing new infrastructure and annually repairing and maintaining it are much more costly than in most communities. This situation adds another dimension to the City's challenge of providing and maintaining infrastructure that meets current standards.

## **INFRASTRUCTURE INVENTORY**

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Infrastructure components are public assets. All residents and businesses in Huntington Beach have a stake in their upkeep and operation. These public assets represent a significant capital investment in the community having a total replacement value estimated to be in excess of \$2 billion.

The following is a partial listing of the City of Huntington Beach's current infrastructure and its approximate replacement value.

Figure 2-3

<b>Current Infrastructure and Approximate Replacement Value</b>		
<b>Item</b>	<b>Quantity</b>	<b>Approximate Replacement Value in 2000 Dollars (\$Millions)</b>
Street, Alley and Highway System <ul style="list-style-type: none"> <li>• Local Streets</li> <li>• Alleys</li> <li>• Arterial Highways</li> </ul>	286 miles 30 miles 98 miles	\$250 (paving only)
Bridges	20	16
Sidewalk, Curb & Gutter <ul style="list-style-type: none"> <li>• Sidewalk</li> <li>• Curb &amp; Gutter</li> </ul>	1,050 miles 1,066 miles	220
Landscape Median Islands and Roadside Landscape	3.2 million sq. ft.	35
Street and Park Trees	56,000	100
Traffic Signals	117	15
Street Lights	1,090	2
Storm Drain, Drainage & Flood Control System <ul style="list-style-type: none"> <li>• Storm Drains</li> <li>• Catch Basins</li> <li>• Channels</li> <li>• Storm Water Pump Stations</li> </ul>	135 miles 1,680 4 miles 15	110
Sewer System <ul style="list-style-type: none"> <li>• Sewer Mains</li> <li>• Manholes</li> <li>• Sewage Lift Stations</li> </ul>	575 miles 10,100 28	375
Arterial Highway Block Walls	68	32
Parks	63	70
Public Buildings/Structures	260	180
Water System <ul style="list-style-type: none"> <li>• Reservoirs</li> <li>• Wells</li> <li>• Booster Pump Stations</li> <li>• Pipelines</li> </ul>	4 7 3 528 miles	230
Equipment & Vehicle Fleet	426	12

Other assets not valued in this listing that would add to the total amount include municipal parking lots/structures, PCH Bike Trail, and City Pier. Their replacement value wasn't readily available at the time of publication of this report.

## CONDITION OF EXISTING INFRASTRUCTURE

The following is a general overview of the conditions for the City's existing infrastructure. The Citizen Infrastructure Advisory Committee (IAC) conducted field inspections to gain an in-person perspective and understanding of the City's infrastructure conditions.



Tree damage to sidewalk, curb, gutter and pavement requiring major repair

**Sidewalk, Curb & Gutter.** There are vast areas in the City with extensive damage to the public sidewalks and curb and gutter caused by the root systems of the parkway trees and or peat conditions in the underlying soil. The sidewalks have been raised or have sunk, creating tripping hazards and standing water in the gutters. Over 100 property owner petitions have been filed with the city dating back to 1993 requesting repair of the damaged sidewalks and curbs in their neighborhoods. The average cost is approximately \$3,500 per lot to fix the problem. Since the city hasn't had the funds to address the problem, there is a very large backlog of work to be done.



Deteriorated residential street pavement requiring reconstruction

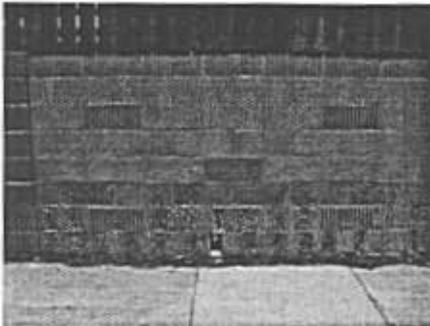
**Street, Alley and Highway System.** The system of *local type streets* that provide access for the residential, industrial and commercial neighborhoods vary in age and condition. Most of the streets were constructed during the 1960s and 1970s, which was the heaviest period of new development in the City. These streets are nearing the end of their intended useful life and will need rehabilitation or replacement. They also need to have an ongoing preventive maintenance (slurry seal) program. The City is now in its 5<sup>th</sup> year of a 7-year slurry seal cycle that was started in 1996. The City's initiative to put this program in place was the result of looking forward at the consequences and high costs of repair and replacement if deferred maintenance is continued. The life of the streets is also lessened as a result of trenching by other agencies, such as utilities.



Deteriorated alley in downtown area requiring reconstruction

*Alleys* are primarily located in the downtown area, and were constructed in the 1930s. They provide primary access to the homes located there. Most need to be rebuilt. They are in a substandard condition relative to today's standards.

The *Arterial Highway System*, which includes such highways as Edinger Avenue, Brookhurst Street, and Ellis Avenue, provides the backbone circulation network for inter and intra-city traffic circulation. The local streets connect to these highways. Similar to local streets, many of these highways were constructed primarily in the 1960s and 1970s at a lower standard than today, and are reaching the end of their intended useful life. While the City has been successful in aggressively pursuing outside funding sources to rehabilitate and reconstruct these highways, there are many more in need of attention. Also, until 1995, the City did not have an ongoing preventive maintenance (slurry seal program).



Deteriorating residential block wall along arterial highway

*Arterial Highway Block Walls.* There are 68 miles of concrete block walls along arterial highways owned by the City. These walls, mostly constructed in the 1960s and 1970s in conjunction with the adjacent residential subdivisions, provide the primary boundary between the vehicular traffic along the highways and the yards of the adjacent homes. The condition of most of these walls is substandard and they now or will in the near future require replacement. The walls have deteriorated due to adverse soil conditions affecting the concrete blocks, the concrete foundations

and the wall reinforcing steel. Also, many of the adjacent owners, in order to provide more protection from the highway noise and increase privacy, have increased the height of the walls without adding adequate structural measures thereby affecting their structural stability and aesthetics. The replacement of these walls is complicated by the construction of pool decks and other improvements on the private property that are against and/or attached to the block wall.

*Bridges.* The city has ownership and maintenance responsibility for 20 bridges. Most of them were constructed in the 1960s and 1970s. Six of them have been seismic retrofitted under the State of California Bridge Retrofit Program. There are three bridges (Springdale, Graham and Edwards) on the State list waiting for retrofit. Many of the bridges need rehabilitation to fix spalling concrete and other problems of deterioration due to age of the structures and exposure to salt air.

***Landscape Median Islands and Roadside Landscape.*** The City is maintaining approximately 3.2 million square feet of median island and roadside landscape. Most of it is along the City's arterial highway system. The landscape improvements in these areas add to the overall value of the homes and improve the community appearance. Maintenance is performed on a 21-day cycle.

***Street and Park Trees.*** There are approximately 56,000 trees maintained by the City in the street and highway parkways and median islands, the parks, and the public facility areas. There are approximately 6,000 vacant tree sites, which are planned for replacement over a 3 to 5 year period using grant funds and with the assistance of the Tree Society of Huntington Beach. As noted under the sidewalk/curb & gutter discussion, there are certain tree species that were planted around the City and the size of the trunk and/or root system have caused and will continue to cause significant problems of raised sidewalks and curb and gutter as well as pavement damage. This has led to problems of standing, stagnant water in the gutter, pedestrian tripping, and even damage on private property. The City has a regularly scheduled tree maintenance program that includes tree trimming (30 month cycle), root pruning, disease control and tree removal/replacement.

***Traffic Signals.*** There are 117 traffic signals owned and maintained by the City. Deteriorated wiring is a major problem with the existing facilities. The majority of the systems were installed in the 1960s and 1970s. Due to the combination of aging facilities and marine environment, there is deterioration of the signal components such as poles, cabinets and other hardware that are in need of replacement. The City has a regularly scheduled maintenance program.

***Street and Park Lighting.*** Most of the street lighting is owned and maintained by Southern California Edison and the City is charged for the provision of this service. The City owned and maintained street lights are primarily in and around the downtown area and along reaches of Pacific Coast Highway. Much of the system is high voltage (5,000 volts) with series circuits. This system is substandard and, therefore, needs to be replaced. Also, due to age and environmental effects there is a need to replace the deteriorated light poles, metal components and wiring for the majority of the system. There are similar aging and deterioration problems with much of the lighting in the City parks and sports fields. Approximately 30 % of the system needs to be replaced or rehabilitated, in particular the sports field lighting.

***Street Signs.*** There is a large inventory of street signs including street name, traffic control, and directional, along the 395 miles of local streets and arterial highways and 30 miles of alleys requiring regular maintenance and repair as well as replacement due to age, damage and vandalism. There are also painted and raised pavement striping, crosswalks and pavement markings for traffic control and regulation requiring regular maintenance and rehabilitation or repair. Most of this work is performed by City crews. The condition of these facilities is good.



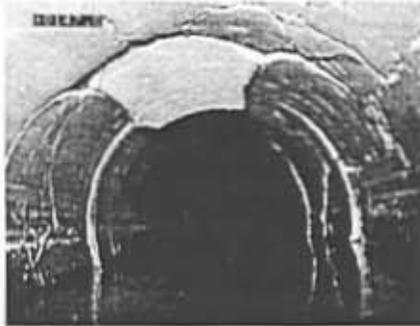
Neighborhood flooding problem requires a new storm drain system.



Deficient flood control channel requires upgrading.

### ***Storm Drain, Drainage & Flood Control System.***

Due to its flat topography and low lying areas (some areas are below sea level), the City has an extensive system of storm drains, drainage channels and storm water pump stations to protect properties from flooding during rainy weather and to intercept and discharge urban runoff in dry weather. Most of these facilities were designed and constructed during the building boom of the 1960s and 1970s. Since then, stricter design requirements, more accurate rainfall data and improved technology have resulted in the need to replace or expand these facilities. The stricter requirement by the Federal Emergency Management Agency (FEMA) is discussed in subsequent sections of this report. A City-wide Drainage Master Plan report prepared in 1993 by Williamson & Schmid Consulting Engineers identifies additional, expanded systems. There are 15 storm water pump stations required to pump the storm water and urban runoff from the low lying, sump areas to the City or Orange County drainage/flood control channels. Most of the pump stations have insufficient capacity and will require expansion as well as replacement or rehabilitation as they have reached or nearing the end of their useful life. A "Storm Drain Pump Station Analysis" report prepared by ASL Consulting Engineers in 1993 identifies the deficiencies for these facilities.



Aged, deteriorated sewer main requiring rehabilitation



Slip lining (new technology) of existing deteriorated sewer main



Sewage lift station over 30 years old in need of full replacement

**Sewer System.** Some of the sewer facilities in the downtown area are over 80 years old. The expected life is only 50 years; consequently there are many areas with failing pipelines and manhole walls. In many other areas there are breaks or cracks in the sewer mains due to soil settlement resulting from the peat conditions in the soil or highly corrosive soils. The City has embarked on a major program of repairing the sewer mains by using a new technology of slip-lining the existing pipeline with a PVC liner that is far less costly than digging up and replacing the existing pipelines. It is anticipated that the majority of sewer mains in the city will eventually have to be slip-lined or replaced.

**Parks.** There are 63 developed parks comprising approximately 576 acres with 2 under construction. The parks are maintained on a seven day cycle. Three park sites remain to be developed or completed—Bartlett, portions of Central Park and a park in the area in the vicinity of Ellis and Goldenwest. Most rehabilitation and reconstruction of the facilities within parks such as the irrigation system and landscaping takes place on an incremental, ongoing basis through the City's day-to-day maintenance and operations program. Tot lot areas with park play equipment and the trail and walkway systems in some of the parks require rehabilitation or replacement due to deterioration of equipment and uplifted walks/trails. Other than those facilities, there are no major deficiencies in the parks. Buildings and facilities within the parks are reported under that infrastructure component.

**Playgrounds.** Eighty eight (88) playgrounds with 200 pieces of play equipment are located in the community and neighborhood parks. Over half the playground equipment has been upgraded because of deteriorated conditions and to comply with the Americans with Disabilities Act. The remaining sites require replacement.

**Public Buildings/Structures/Facilities.** There are 260 buildings and structures with their construction dating back to as early as 1899. They include everything from the City Hall to rest rooms in the parks. The condition of these facilities varies due to age, location (next to ocean) and public usage. Moreover, fiscal constraints in the past decade has resulted in reduced maintenance, repair and rehabilitation resulting in a build up of deferred maintenance and repair requirements for such things as painting, roofs, plumbing fixtures, flooring, and heating/ventilation/air condition systems. Some of the building components have reached or exceeded their useful life.

**Equipment & Vehicle Fleet.** There is a significant inventory of equipment and vehicles used by the City to perform maintenance and operations for infrastructure. There are approximately 420 units used for that purpose. The age and condition of these units has been impacted by the fiscal constraints that occurred in the past decade, which required deferring replacement of units beyond recommended time frames. Consequently, there is a backlog of units needing to be replaced in order to get back on a more optimum, cost effective program.

In general, the condition of the City's existing infrastructure is described as varying from good condition for some items to very poor for others. Some of the items, such as the sewer lift stations, have reached or surpassed their intended useful life and are in need of replacement. Other facilities, such as storm drains and flood control channels are undersized and are incapable of handling the current storm water runoff demands required of the system.

Some of the factors that have contributed to the infrastructure conditions are:

- **Changed Regulatory Requirements.** The Federal Emergency Management Agency (FEMA) implemented stricter regulations governing protection of properties against a 100-year level flood, an increase from the previous 25-year level flood standard.
- **Changed Standards/Design Criteria.** More accurate rainfall data and improved technology have resulted in the need to replace or expand drainage systems to accommodate the new design criteria used by all cities.
- **Development Exceeded Projections and Master Plans.** Higher density development has occurred which has placed a greater burden on virtually the entire infrastructure.
- **Deferred Rehabilitation/Replacement or Preventive Maintenance.** Insufficient financial resources for infrastructure over the years and changing priorities of City leadership have led to deferral of preventive measures to extend the useful life and/or rehabilitation of infrastructure.<sup>1</sup>

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<sup>1</sup> Refer to Section 3 – City's Financial Resources

The City has spent over \$388.9 million for capital needs of all types during the decade of the 1990s. This was done during a period when the City, like other cities, experienced the downturn in the economy and funding reductions by the State.

### ***Statement of Need***

Our community's infrastructure surrounds us, supporting us in our personal and business activities and providing a vital system for the economic well being of our communities. Communities with well-maintained infrastructure can attract and retain residents and businesses. When it functions as intended, infrastructure works in harmony with the environment to help us live efficiently, safely and enjoy a good quality of life. It is so much a part of our daily lives that most of the time, we take it for granted.

Unless an element of our infrastructure breaks down with catastrophic effect, citizens and public officials usually don't consider how age, nature and lack of maintenance can weaken this important support structure of our community. Moreover, the longer this support structure is neglected, and needed maintenance is deferred, the more it will cost to maintain, restore, or replace.

## **INTEGRATED INFRASTRUCTURE MANAGEMENT PROGRAM (IIMP) PROJECTIONS**

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City staff updated the IIMP projects, cost estimates, revenues, and needs information in February 2000 to reflect the improvement projects that had been undertaken since the plan was last updated in 1997. The update reflects current construction and maintenance cost estimates based upon the prevailing costs bid by contractors, available funding sources. The February 2000 update also accounts for more detailed information being available for most of the items. The IIMP is a dynamic, ever-changing 20-year forecast of the City's infrastructure needs.

Figure 2-4 presents a summary by infrastructure component and type of need, e.g., new improvements, rehabilitation/replacement, or maintenance. The total 20-year needs amount to \$1.37 billion with the shortfall of available funding projected to be approximately \$854 million.

Figure 2-4

Summary of Infrastructure Costs and Available Revenue  
(\$Millions over a 20-Year Period)

Infrastructure Category	Cost	Available Funds*	Shortfall
New Construction	326	82	244
Replacement/Rehabilitation	612	97	515
Maintenance and Operation	428	333	95
<b>Grand Total</b>	<b>\$1,366</b>	<b>\$512</b>	<b>\$854</b>

\*Included in these amounts is anticipated revenue from the General Fund, Gas Tax, Development and Traffic Impact Fees, Grants, CDBG, Measure M, and the Equipment Replacement Fund, among others.

It is particularly important to focus on the Replacement/Rehabilitation and Maintenance and Operation categories in this table. The shortfalls for Replacement/Rehabilitation, at \$515 million and Maintenance and Operation, at \$95 million, represent the investment necessary to close the gap on our infrastructure improvement program. This total of \$610 million provides huge leverage in avoiding catastrophic costs at some point in the future. With some parts of the system, that future may not be far away. This is not to say that the New Construction category is unimportant, quite the contrary. Most new projects are valuable additions to our overall infrastructure, but they do not carry such serious long-term financial implications if they must be deferred (other than probable direct increases in construction costs).

Sewers and Storm Drains/Drainage, along with the City's traffic handling system of streets, alleys, and highways and appurtenant improvements, have the largest funding requirements of the City's infrastructure components.

Figure 2-5

**20-Year Infrastructure Costs  
(\$Millions over a 20-Year Period)**

Infrastructure Component	Costs		
	New Construction	Replacement & Rehabilitation	Maintenance & Operations
Arterial Highways	\$38	\$107	\$29
Traffic Signals	7	13*	19**
Bridges	5	3	
Storm water	128		23
Parks	56	6	51
Buildings	72	28	62
Landscaped Medians	20		
Local Streets		54	45
Alleys		31	4
Parking Lots		10	5
Sidewalks/Curbs/Gutters		63	19
Wastewater		88	31
Drain Pump Station		120	
Highway Block Walls		44	2
Playgrounds		2	
Beach Facilities		23	4
Fleet/Equipment		21	42
Traffic—Signs/Striping			13
Trees/Landscape			57
Street Sweeping			24
<b>Total Costs</b>	<b>\$326</b>	<b>\$612</b>	<b>\$428</b>
<b>Total Available Funds</b>	<b>\$82</b>	<b>\$97</b>	<b>\$333</b>
<b>Shortfall</b>	<b>\$244</b>	<b>\$515</b>	<b>\$95</b>

\*Includes Street Lighting

\*\*Includes Street Lighting and Park Lights

## **CONSEQUENCES OF NOT FUNDING INFRASTRUCTURE NEEDS**

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The IAC evaluated possible consequences of not funding infrastructure to bring it to acceptable standards. This was done to develop a qualitative basis with which to compare the importance of funding one infrastructure component versus another, and to develop a rank order of the components. It also is a way of indicating the value of the improvements for the community. The problems and example consequences considered by the IAC are:

***Local Economy.*** Not maintaining the streets and highways at a level acceptable to the residents and businesses can cause a business to move out of the city and lessen the City's ability to attract new business, which would impact the city's economy through erosion of property tax and sales tax revenues.

***Impact of Property Values.*** Not repairing the block walls along arterial highways leads to deterioration of property values.

***Blight.*** Not adequately maintaining park and recreation facilities leads to the deterioration of the facilities to the point that they become a blighted condition in the neighborhood.

***Health Protection.*** Not maintaining and/or rehabilitating public sewer lines and pump (lift) stations leads to leakage or backup of sewage impacting properties and/or the ocean and beaches.

***Quality of Life.*** Not maintaining and/or rehabilitating parks and recreation facilities leads to a lower quality of life in the community.

***Regulatory Compliance.*** Not complying with minimum regulatory standards may well bring the City fines or other exactions by regulatory agencies such as the State Water Resources Control Board. It could also result in the City being disqualified for certain state or federal grant and/or loan programs.

***Life Safety Protection.*** Not maintaining traffic signals can cause the malfunction of systems that lead to traffic accidents.

***Risk of Property Damage.*** Not building storm drains in areas subject to flooding can cause damage to private property.

***Liability.*** Not maintaining public facilities such as sidewalks or streets leads to claims from citizens for injuries and/or damages while using the public facility. The City's General Fund would be impacted by the settlement of any claims.

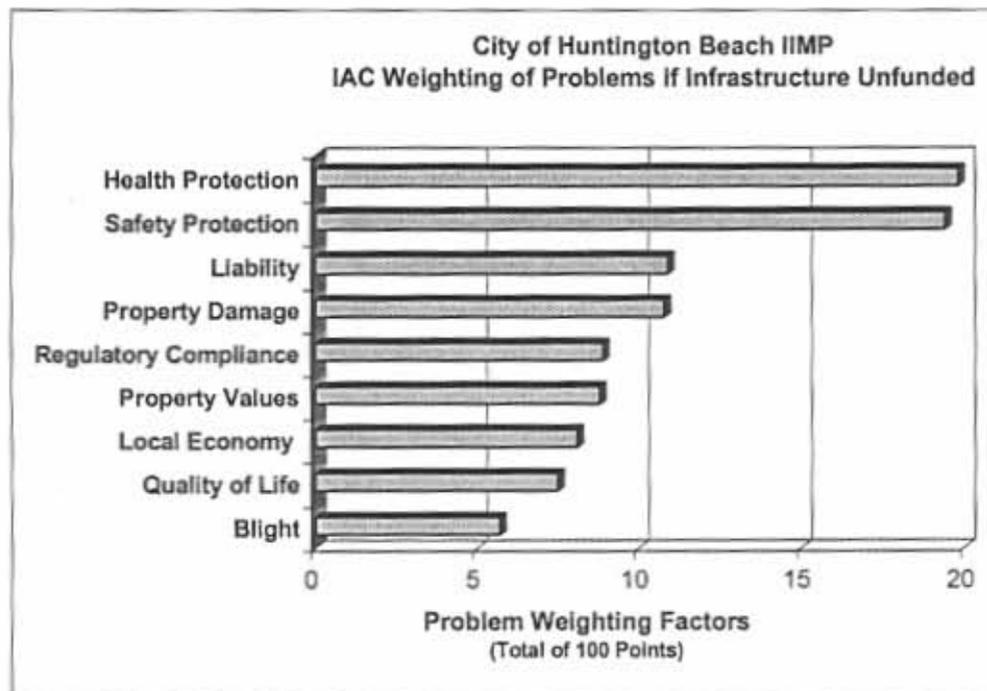
## INFRASTRUCTURE RATINGS

The IAC used this list of problems and example consequences in undertaking a *multiple attribute rating* of the infrastructure components listed in the IIMP according to type of improvement needed, e.g., new improvement, rehabilitation/replacement, and maintenance. The steps followed in the multiple attribute rating consisted of:

Step 1: Developed a weighting of the problems (consequences of not funding infrastructure) using a weighting scale of 1 through 100. The purpose of weighting was to express the importance of one problem attribute relative to the others as shown in Figure 2-6.

Step 2: These weighted factors (problems) became the attributes applied to each infrastructure component, e.g. sewers, streets, etc. Each infrastructure item was rated for each problem attribute and a total weighted score compiled that resulted in a weighted ranking.

Figure 2-6



Using this process, the IAC clearly rated sewers and storm drains to be the number one and two problems to be dealt with in the City. The full results of the process are shown below in Figures 2-7, 2-8 and 2-9.

Figure 2-7

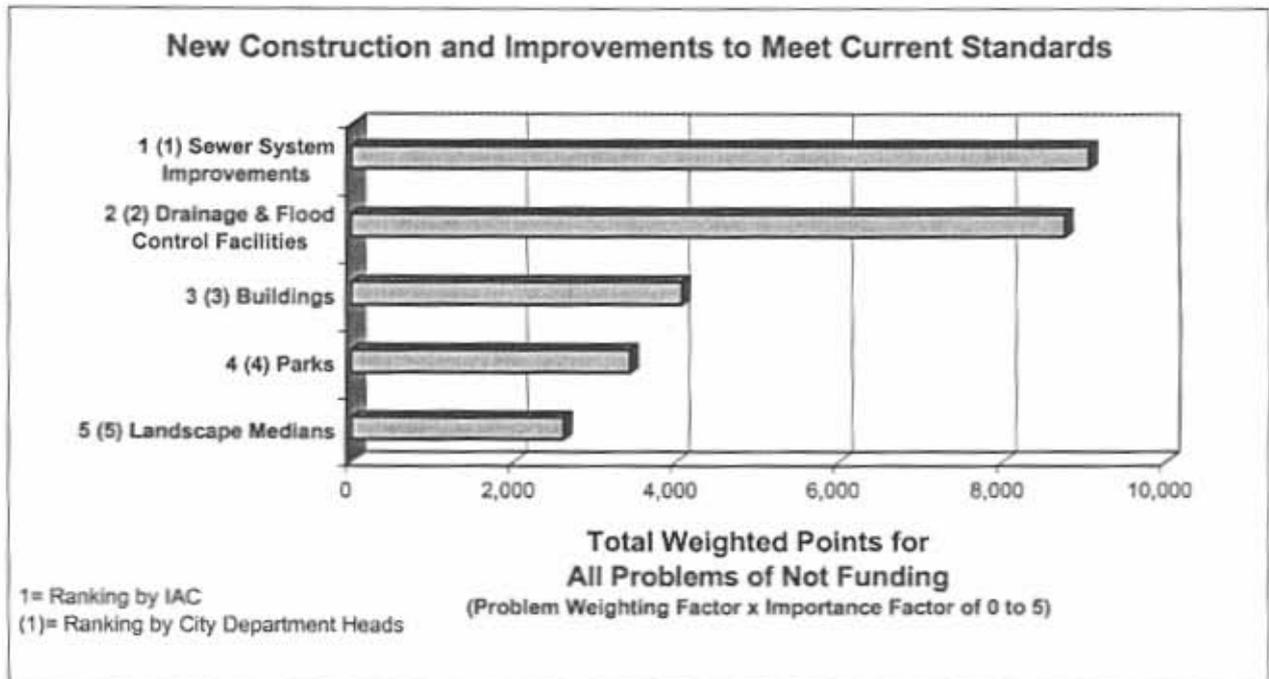


Figure 2-8

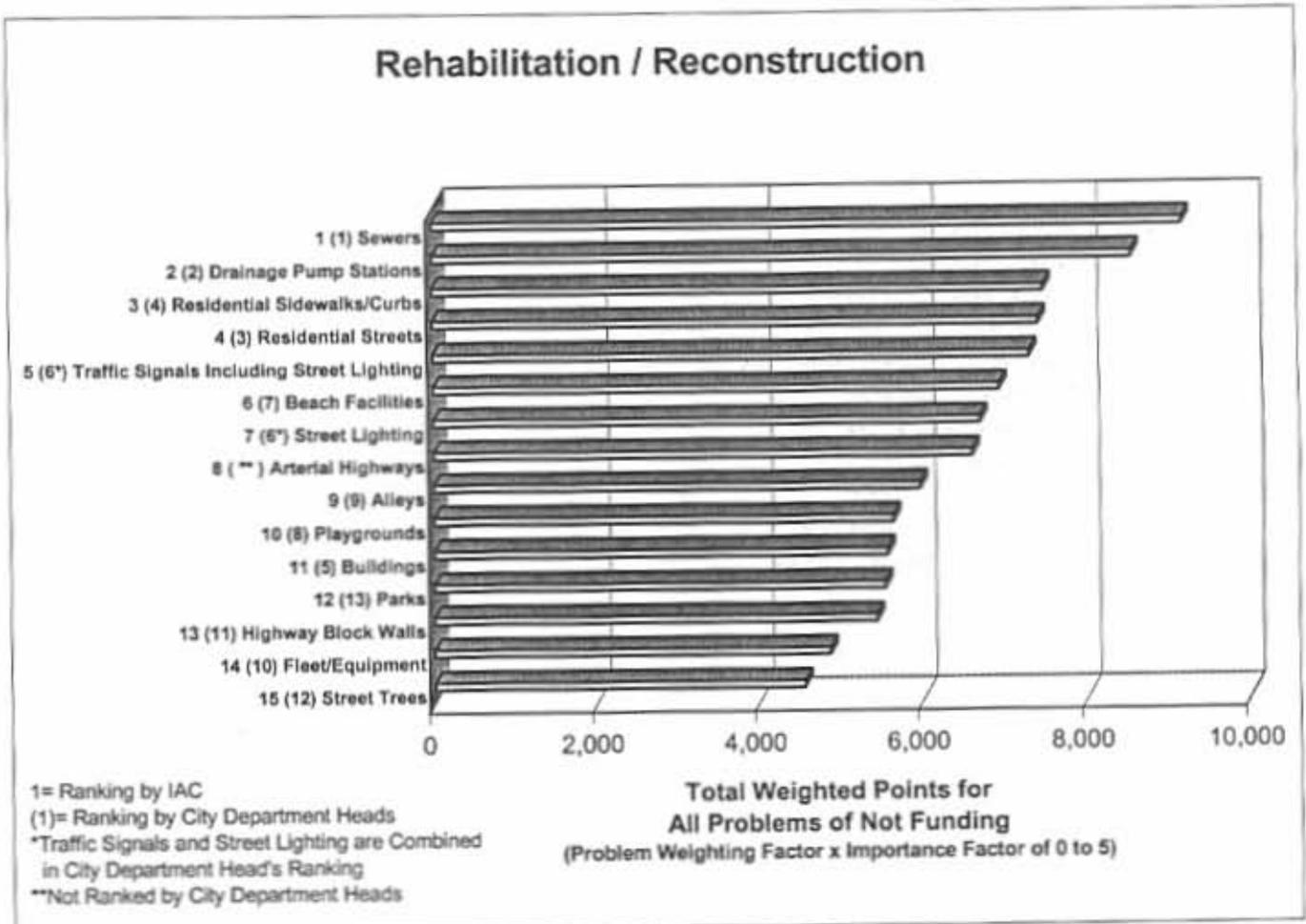


Figure 2-9

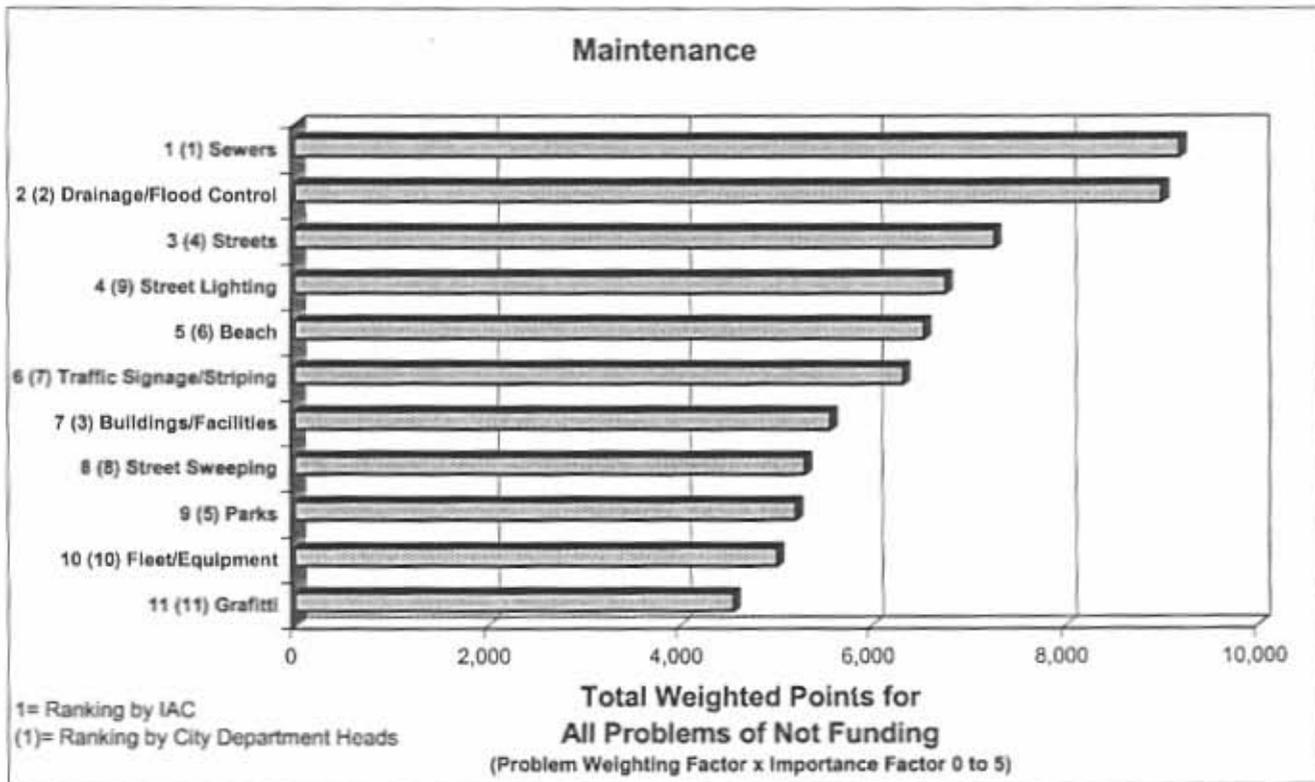


Figure 2-10

IAC Ranking and City Department Heads' Ranking  
of Infrastructure Improvements

IAC Ranking	City Department Heads' Ranking	Infrastructure Improvements
1	1	Sewers
2	2	Drainage and Pump Stations
3	4	Residential Sidewalks & Curbs
4	3	Residential Streets
5	6*	Traffic Signals Including Street Lighting
6	7	Beach Facilities
7	6*	Street Lighting
8	**	Arterial Highways
9	9	Alleys
10	8	Playgrounds
11	5	Buildings
12	13	Parks
13	11	Highway Block Walls
14	10	Fleet/Equipment
15	12	Street Trees

\*Traffic signals and Street Lighting are combined in City Department Heads' Ranking

\*\*Not ranked by City Department Heads

The IAC used the information about existing infrastructure conditions and the infrastructure ratings to develop its recommendations for a financing/funding strategy. Sections 7 and 8 of this report present the IAC conclusions and the recommended community action plan encompassing those recommendations.

### **IAC Infrastructure Ratings Recommendation**

The IAC recommends that the results of the infrastructure rating process be used as guidelines by the City Council in making decisions and setting policy direction for the funding of and expenditures for infrastructure. The committee debated at length whether specific dollar amounts should be provided to City Council for each infrastructure program element, i.e., sewers, storm drains, streets, etc. It was concluded that a set of guidelines and examples for reference was a better approach for the following reasons:

- There needs to be flexibility for the City Council and staff to make value judgments on how best to allocate the funds between categories and the type of infrastructure for improvement or maintenance; and
- Priorities and needs can change over time; therefore, the current rating and ranking results should not be considered as absolute criteria.

The results of the IAC's weighting of problems if infrastructure is unfunded (Figure 2-6) provide guidelines for use in:

- ranking of the infrastructure priorities;
- making qualitative comparison of the relevant importance of funding one type of infrastructure project versus another, e.g., health and safety problem versus local economy; and
- Indicating the value of the improvements to the community.

Applying the weighted criteria revealed the most pressing needs in the categories of New Construction, Rehabilitation/Replacement, and Maintenance. The IAC and a select group of City Department Heads rate sewers and storm drain infrastructure the most critical and immediate need in all categories. A weighting among the categories was not assigned. However, the IAC recommends that there be a continuing, consistent emphasis on maintenance, especially relative to new and rehabilitated/replaced infrastructure.

The following is an example of how the ratings of the IAC can be used in assigning priorities and funding for infrastructure programs on an annual basis and/or a long-term 20-year program. For this example, it is assumed that a balanced approach in allocating the funds across all infrastructure is desired, as it is for the category of rehabilitation/replacement. Using the total weighted points and ranking from Figure 2-8, the allocation of funds for each infrastructure type is shown in the following table. The weighted points are used to assign a percentage distribution of the total allocation of funds (Figure 2-11). Only the percentages of the total amount available for allocation (not dollars) are shown in this example. For example, sewers, the highest rated infrastructure program in this category, have approximately 9,000 points or 9.4% of the total.

Figure 2-11

Infrastructure Allocation Ratings

INFRASTRUCTURE ITEM	ALLOCATION AMOUNT (%)
Sewer and Lift Stations	9.4
Storm Drains & Pump Stations	8.8
Residential Sidewalks & Curbs	7.7
Residential Streets	7.6
Traffic Signals Including Street Lighting	7.5
Beach Facilities	7.1
Street Lighting	6.9
Arterial Highways	6.8
Alleys	6.1
Playgrounds	5.8
Buildings & Facilities	5.7
Parks	5.7
Highway Block Walls	5.6
Fleet/Equipment	5.0
Street Trees	4.7
<b>Total</b>	<b>100%</b>

Note: the total exceeds 100% due to rounding

**RECOMMENDATIONS**

- 2A Communicate to residents the current deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure systems.
- 2B Develop and implement dedicated, ongoing and consistent sources of funding to meet the City's current and long-term infrastructure requirements.
- 2C Inform the citizens that a different prioritization of uses of current revenue and/or improvement in government efficiencies will not provide enough funds to do the job.
- 2D Use the IAC weighting of possible consequences of non-implementation of infrastructure improvements and ranking of infrastructure as decision-making tools for the allocation of financial resources and budgeting.

### 3. CITY OF HUNTINGTON BEACH'S FINANCIAL RESOURCES

Revenue for funding of city services and infrastructure comes from a variety of sources including:

- Local taxes, such as Property and Sales Taxes, which are shared with the State, County, Special Districts, and Schools;
- Other local taxes, that are not shared, such as Business License Tax, Transit Occupancy Tax (hotel tax) and Utility Users' Tax;
- User fees for services such as water, refuse collection, parking and recreation programs;
- State taxes passed on to municipal governments, including the Gas Tax and Vehicle License Fee;
- Assessments, Permits and Developer Fees;
- Parking tickets and court fines;
- Lease revenue; and
- Federal, State, County and Other Governmental Agencies Grants and Loans.

Federal, State and County laws, and/or City policy impose restrictions for many of these revenues. For example, State Gas Tax can only be expended for streets and highways purposes. General Fund revenues have the fewest restrictions. By and large, General Fund revenue can be used for "any municipal purpose."

This section discusses the sources of revenue for the City of Huntington Beach including a historical perspective, and the allocation of those revenues through the City's two-year budget process to fund the diverse programs and services provided to Huntington Beach residents.

#### HISTORICAL OVERVIEW

Beginning in the 1970s, a series of reforms and events began to take place that affect the revenue base for all California cities including Huntington Beach. These reforms and events were comprised of a series of decisions made by the State Legislature and California voters on how taxes would be levied. These reforms and events included:

- The passage of Proposition 13 in 1978, which limited Property Tax to 1% of a property's assessed value.
- The Legislature's passage of the Education Revenue Augmentation Fund (ERAF), in the early 1990's that redirected property tax cities had received to the schools.
- Through the 1990's, the Legislature redirected numerous shared revenues from the cities to the State coffers (see Figure 3-1).
- In the mid-1990's, the State Legislature cut and redirected the shared Vehicle License Fee revenues.
- The passage of Proposition 218 in 1996 placed limits on cities' ability to raise taxes and fees.

The passage of Proposition 13 has had the most significant impact on city revenues by reducing the property tax base. Property tax continues to be the largest source of revenue for many cities, including Huntington Beach. In Huntington Beach, property tax revenue has declined from 39% of General Fund revenue, before Proposition 13, to 26.5% (\$30,612,738) of General Fund revenue for Fiscal Year 1999/2000. In addition, the State Legislature's ERAF take-aways have continued to reduce the cities' share of property tax. In the seven years between Fiscal Years 1992/93 and 1998/99, the City of Huntington Beach has experienced a loss of over \$34 million in property tax revenue. Figure 3-1 shows the redirection of revenue to the State of California from a variety of taxes, fines and fees that have cost over \$44.6 million to City of Huntington Beach.

Figure 3-1

**Total Revenue Losses to the State of California  
(\$Thousands)**

Revenue Loss	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	Total
Property Tax			\$2,403	\$5,090	\$5,213	\$5,226	\$5,210	\$5,496	\$5,716	\$34,354
Redevelopment			805	275	275					1,355
Traffic Fines		500	500	500	500	500	500	500	500	4,000
Parking Tickets					490	250	250	250	250	1,490
Cigarette Tax		150	265	265	265	265	265	265	265	2,005
Vehicle License Fees				-944						-944
Tax Admin. Fee	\$290	260	250	245	236	236	238	215	215	2,185
Booking Fees	20	20	20	20	20	20	20	20	20	180
<b>Annual Total</b>	<b>\$310</b>	<b>\$930</b>	<b>\$4,243</b>	<b>\$5,451</b>	<b>\$6,999</b>	<b>\$6,497</b>	<b>\$6,483</b>	<b>\$6,746</b>	<b>\$6,966</b>	
<b>Cumulative Total</b>	<b>\$310</b>	<b>\$1,240</b>	<b>\$5,483</b>	<b>\$10,935</b>	<b>\$17,933</b>	<b>\$24,430</b>	<b>\$30,914</b>	<b>\$37,659</b>	<b>\$44,625</b>	

The City of Huntington Beach has responded to the reduced revenue of the 1990's from state sources by taking the following actions:

1. Decreasing Expenditures

The decrease in expenditures was accomplished by downsizing the organization, in fact, the number of General Fund full-time employees decreased from 1,007 to 947 from Fiscal Year 1988/89 to Fiscal Year 1999/2000.

To maintain expected service levels while decreasing staffing levels the City has looked for innovative ways to increase employee productivity. The City has implemented a two-pronged approach in maintaining required and expected service levels:

- The utilization of productivity-increasing technology. The City is currently in the primary stage of implementing a new business enterprise system. The new enterprise system will be introduced in three phases. Phase I consists of the Financial, Human Resource and Payroll functions for the City, including: General Ledger; Accounts Payable; Budget; Procurement; Human Resources; and Payroll. Phase I will be implemented at the end of fiscal year 1999/2000. Phase II will include the remaining Financial and Management Enterprise functions, including: Fixed Assets; Inventory; Activity-Based Costing; Facility Management; Fleet Management; Grant Management; Project Management; and Property Management. Phase II will be implemented the beginning of fiscal year 2001/2002. Phase III will be the Utility Billing function and will be implemented at the beginning of fiscal year 2002/2003. Development and implementation of these new business enterprise systems are key examples of the City increasing employee productivity without employing additional staff.
- The City employs the services of 14 permanent part-time, non-benefited employees, in addition to 400 to 800 seasonal part-time employees ranging from lifeguards, recreation aides, parking attendants, maintenance workers, to crossing guards. The employees work part-time providing highly desirable skills at less than half the cost of a full-time employee.

2. Increasing Revenue

In Fiscal Year 1994/1995 the City increased the following fees and fines, and redirected some revenue to makeup for some of the state take-aways.

- Introduced Non-Resident Library Fee
- Increased Parking Fines
- Increased Parking Structure Fee
- Introduced an Impound Vehicle Release Fee
- Directed Golf Course Lease Revenue to the General Fund

### 3. Utilizing Reserves

The General Fund Reserve declined from \$8.2 million in June 1993, the start of the major state take-aways, to \$3.5 million by September 1995. The projected General Fund Reserve for Fiscal Year 1999/2000 is \$5.8 million or 5% of total General Fund expenditures.

Another significant event that affected City revenue was the Orange County bankruptcy, which occurred in December 1994 . The City had \$45,079,044 invested in the County investment pool at the time of the bankruptcy. The use of those funds was temporarily lost until they were partially recovered in March 1995. The City took the following actions to mitigate the unavailability of those funds:

- Continue reducing expenditures
- Delay new capital projects
- Defer needed maintenance

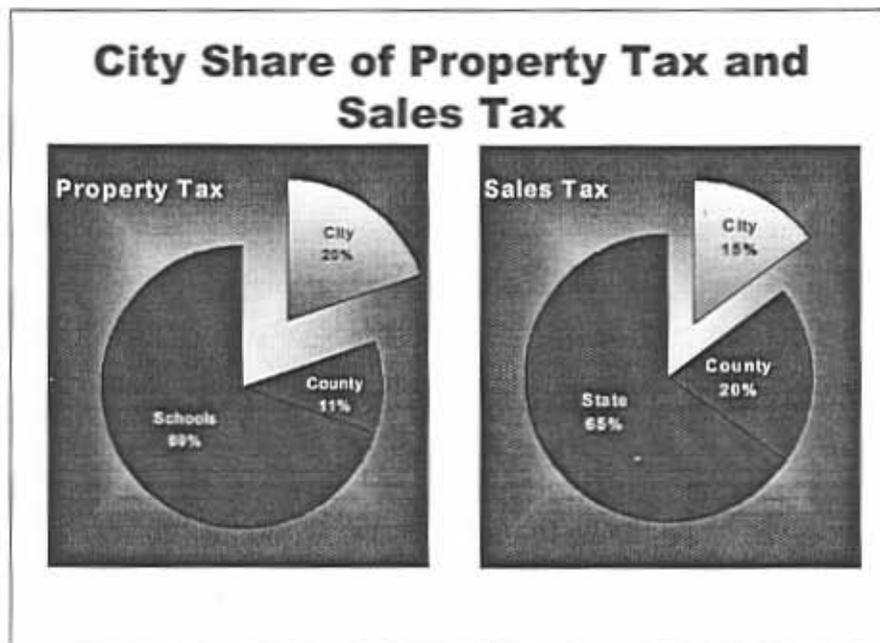
The City has recovered a total of \$42,578,825(94.5%) of the total \$45,079,044 originally invested in the Orange County pool.

The bankruptcy additionally affected the City indirectly through a significant reduction in County funds available for regional projects that benefited the City's infrastructure. As an example, the County discontinued the Arterial Highway Financing Program; on average the City had received \$500,000 a year for Arterial Highway improvements from the County.

### **CITY'S SHARE OF COUNTY, STATE AND FEDERAL TAXES AND FEES**

Most citizens are unaware that the City receives only twenty cents of every dollar paid by residents to the County in property tax. The majority of the tax dollars, sixty-nine cents of every property tax dollar, goes to the schools. Similarly, the City receives only fifteen cents out of every sales tax dollar (\$1.00) paid to the County for property tax (Figure 3-2). The State receives sixty-five cents of every sales tax dollar. To look at it another way, of every 7 3/4 cents (\$0.0775) of sales tax paid, only one penny (\$.01) comes back to the city.

Figure 3-2



Property and Sales Tax are the two largest revenue sources for the funding of general municipal expenditures. They represent 45% (\$51,812,738) of the City's General Fund Revenue, which is projected to total \$115,397,841 in FY 1999-2000. As an example, Figure 3-3 shows during most of the 1990s how these two funding sources together have been insufficient to fund the combined costs of providing police and fire services to the community. The City of Huntington Beach is not unique in this, as shown by Figure 3-4.

Figure 3-3

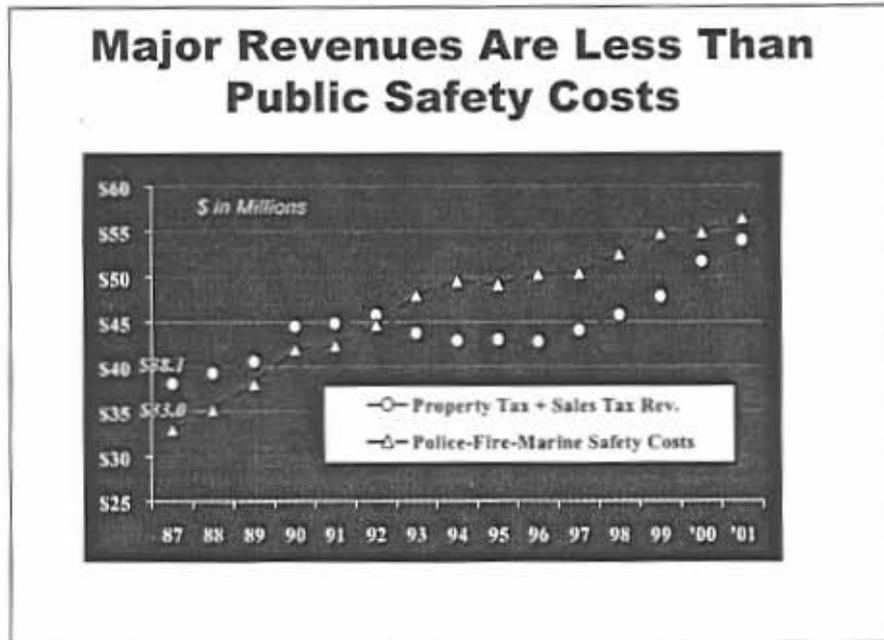
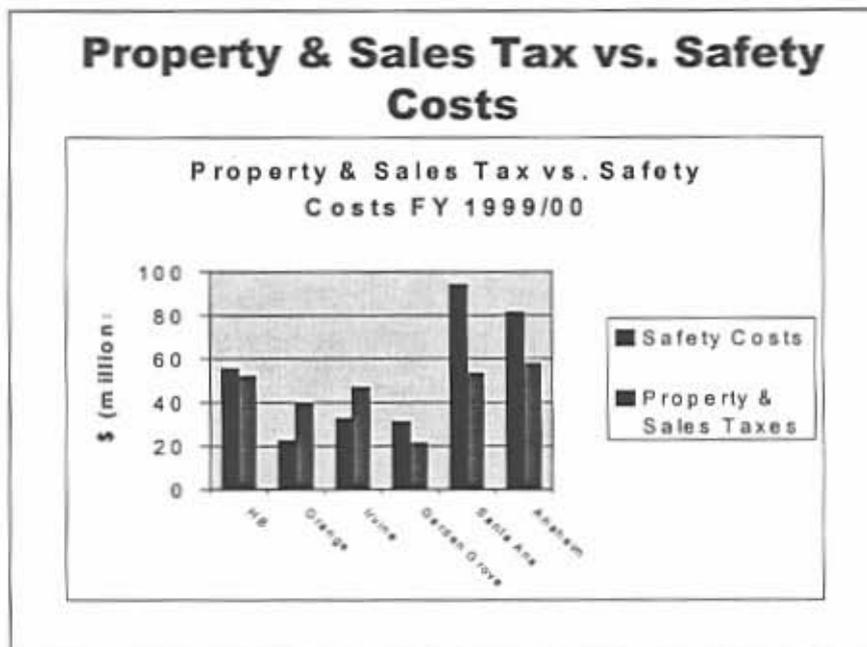


Figure 3-4



The City of Huntington Beach experiences a significant sales tax loss or "leakage" to other cities. Figure 3-5 compares the City's sales tax revenue with that of other large Orange County cities. The City is aggressively pursuing economic development programs to correct this problem.

Figure 3-5

**Per Capita Sales & Property Tax  
Compared with Other Orange County Cities  
Fiscal Year 1999/2000**

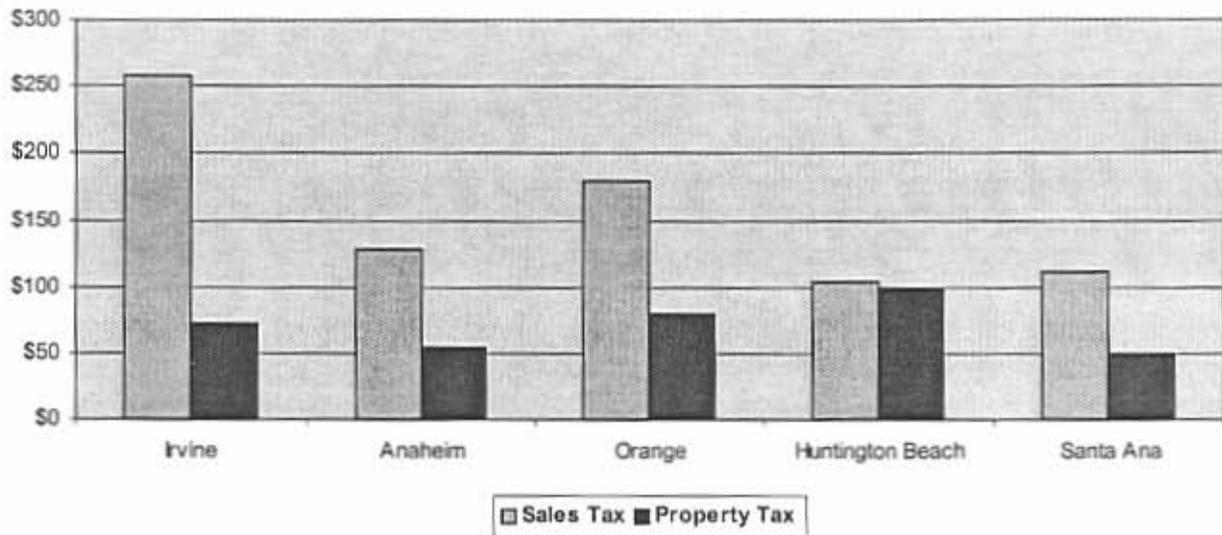
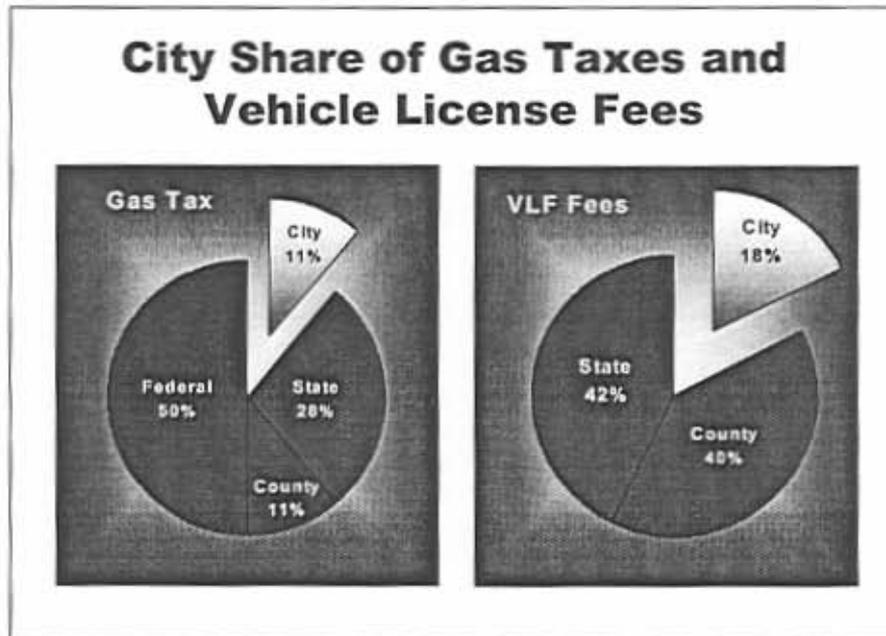


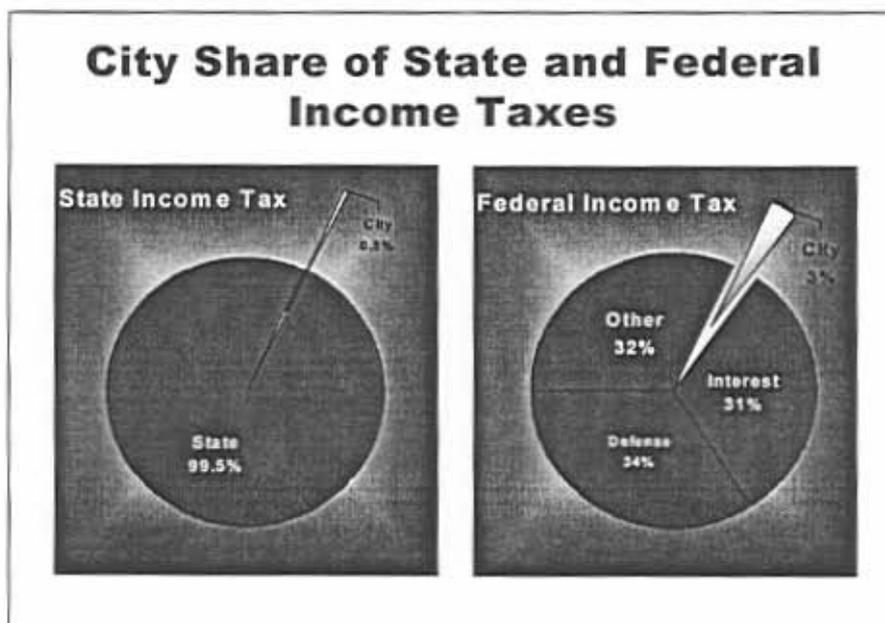
Figure 3-6 shows the small percentage of Gas Tax and Vehicle License Fee (VLF) that the City receives. The primary beneficiaries are the State and County governments.

Figure 3-6



In addition, the City's share of Federal and State Income Tax is a fraction compared to the Federal and State governments shares (See Figure 3-7).

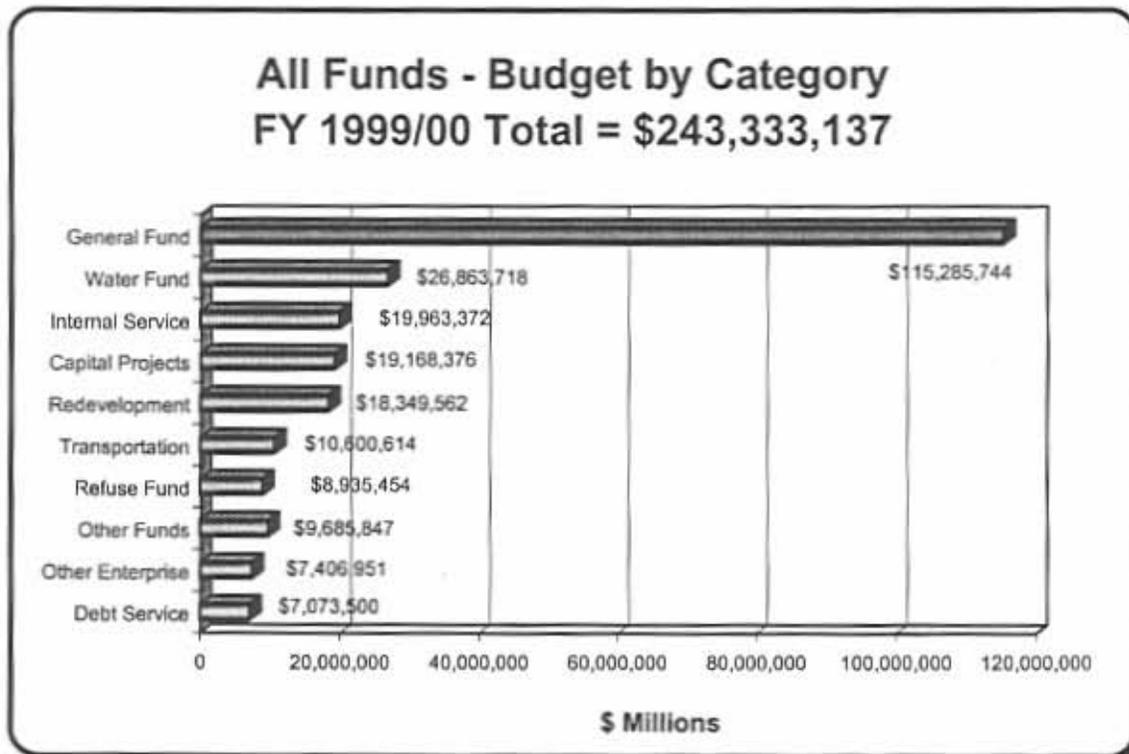
Figure 3-7



## ANNUAL BUDGET & EXPENDITURES

The City's annual budget for Fiscal Year 1999-2000 is just over \$243 million. The breakdown by Fund Category is shown below in Figure 3-8.

Figure 3-8



Each of the funds can be represented as a percentage of the total budget as follows:

General Fund	47%	Transportation	4%
Water Fund	11%	Refuse Fund	4%
Internal Service	8%	Other Funds	4%
Capital Projects	8%	Other Enterprise	3%
Redevelopment	8%	Debt Service	3%

The \$19.2 million Capital Projects budget includes some of the following projects:

1. Neighborhood Improvements
  - Residential Street Repaving
  - Residential Sidewalk and Curb Improvement
2. Arterial Improvements
  - Highway Rehabilitation
  - Rubberized Railroad Crossings
  - Street Widening
  - Median Landscaping

3. Traffic Improvements
  - Upgrade Traffic Signal Timing
  - Traffic Signal Modification
  - Traffic Signal Improvements
  - New Traffic Signals
  - Intersection Pavement Improvements
  - Upgrade of Traffic Signal Communication
4. Water Improvements
  - Reservoir Expansion
  - Reservoir Rehabilitation
  - Reservoir Site Acquisition
  - Water Main Replacement
5. Drainage Improvements
  - Storm drain Construction
  - Storm drain Improvements
6. Sewer Improvements
  - Lift Station Construction
  - Lift Station Reconstruction
7. Facility Improvements
  - Building Rehabilitation
  - Building Improvements

### **CAPITAL IMPROVEMENT PROGRAM FUNDING & EXPENDITURES**

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The revenues received by the City that are restricted for expenditures on infrastructure are:

1. State Gas Tax for streets and highways
2. Measure M (one-half cent County Sales Tax) from Orange County Transportation Authority (OCTA) for streets and highways
3. Drainage Fees paid by new developments for drainage and flood control
4. Sewer Fees paid by new development for sewers
5. Water Utility Charges paid by residents and businesses for water and system facilities

The annual revenue from these sources, excluding the monthly water utility charge, falls significantly short of funding the City's annual infrastructure requirements for maintenance, repair, replacement, rehabilitation, and new improvements. Thus, supplemental funding has to come from other discretionary funding sources including the General Fund revenue and other government grants and loans. Figure 3-9 is a breakdown by funding source for infrastructure expenditures in the City's Fiscal Year 1999/2000 Budget.

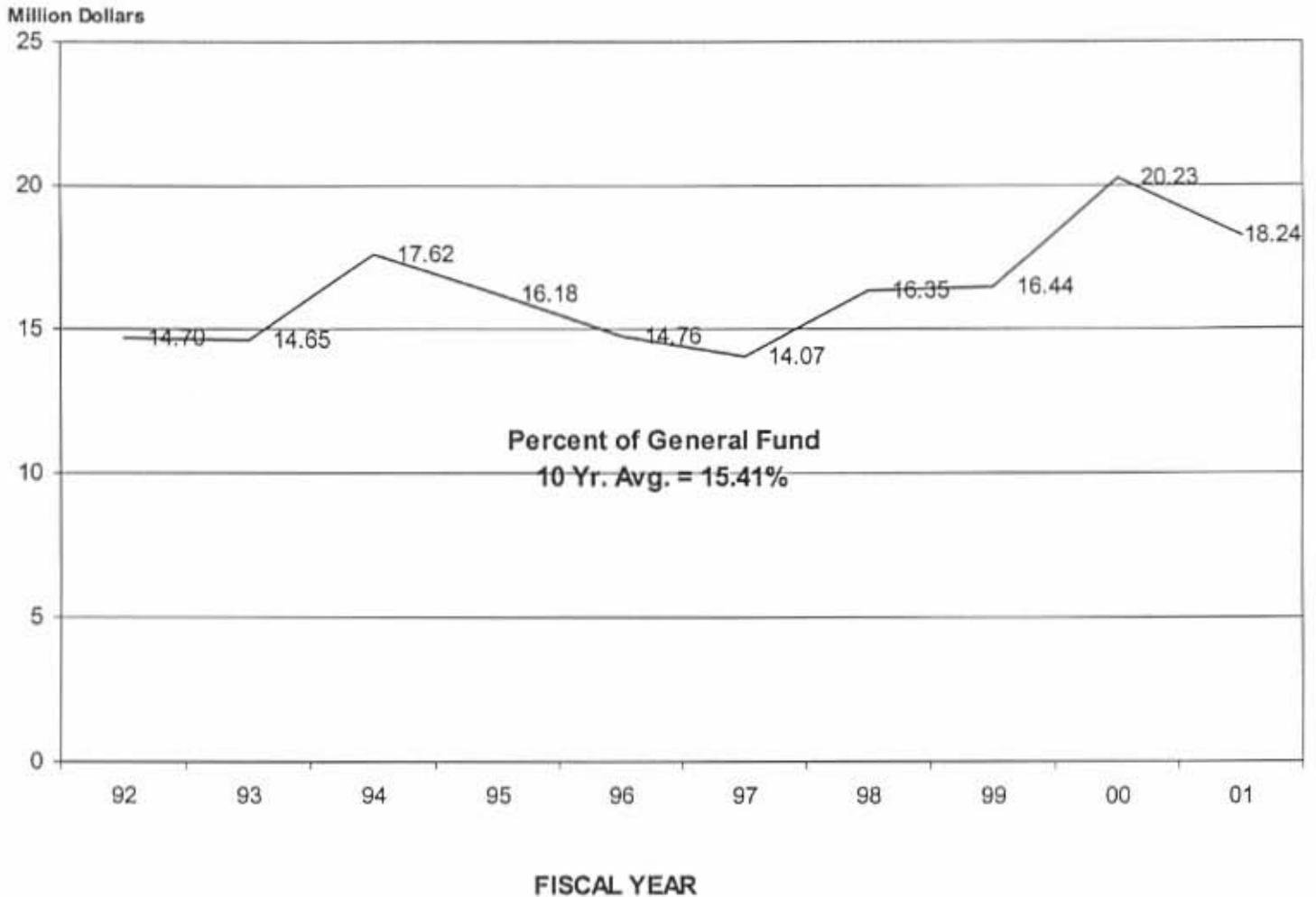
Figure 3-9

**Infrastructure Funding Sources  
Fiscal Year 1999-2000**

<b>Funding Source</b>	<b>Funds Budgeted</b>
Traffic Impact	\$115,305
Gas Tax	\$6,466,387
Sewer Fund	\$1,863,940
Drainage Fund	\$1,319,945
Measure M	\$3,101,372
Pier Reconstruction	\$262,120
Holly-Seacliff Engineering	\$539,655
Hazard Elimination	\$132,459
FEMA Grant	\$3,390,167
OCTA/SIP Grant	\$83,251
Bus Stop Improvement Fund	\$59,690
Air Quality Fund	\$632,646
Intelligent Transportation Fund	\$701,840
Capital Project Fund	\$7,189,585
CDBG Project Engineering	\$126,218
<b>Total</b>	<b>\$25,984,580</b>

The graph below (Figure 3-10) represents the spending of the General Fund on the City's Infrastructure over the past 8 years plus what has been appropriated for the current Fiscal Year and approved for Fiscal Year 2000/2001. This amount has fluctuated between 13.2% and 17.3% of the entire General Fund during this period with an average of 15.4%.

Figure 3-10  
**General Fund Expenditures on Infrastructure**



### **CITY FINANCE BOARD RECOMMENDATIONS**

As noted earlier in this report, beginning in the mid-1990s the City of Huntington Beach Finance Board, a citizens' advisory board, recognized that the City's infrastructure needs were significantly under-funded and advised the City Council of the situation. The Finance Board advocates preparation of a Long-Range Financial Plan to facilitate the evaluation of the long-term revenues and expenditures covering the entire city budget. The Board believes that this planning process is necessary to understand the potential requirements of, and alternative solutions for, financing the City's infrastructure requirements.

In addition to the **Long-Range Financial Planning** and the **Infrastructure Planning and Funding** proposals, the Finance Board recommended, and the City Council endorsed implementation of the following proposals:

1. **Process Improvement.** This proposed that the City have a permanent internal program that identifies and implements new ways of providing its services that result in greater cost effectiveness; this targets changes in the City's internal processes that change the manner in which work is performed. It involves the identification and implementation of "best management practices" that are being used anywhere in the public or private sector.
2. **Activity Based Costing and Performance Based Budgeting.** These are two different, but related, initiatives. Performance Based Budgeting is a concept that establishes budgets for each significant service (e.g., "activity") that is performed; the amount of the funds budgeted are based on the amount of the services performed and the targeted cost of performing each unit of service. Activity Based Costing is a process that accommodates the need for accounting for costs at the detailed service level. The link between these two initiatives is that Performance Based Budgeting requires information that cannot be provided without the ability to collect data at the service (activity) level.
3. **Competitive Based Sourcing.** The principle behind this initiative is that the City's services should be provided by the most cost-effective source (e.g., city employees, other agencies, or the private sector). The city should seek to maintain competition between all viable sources into the future so that none of the, internal or external, service providers are able to achieve "locked-in" permanent position.
4. **Long Range/Strategic Information Systems Planning.** This was recommended as one of the ways that would allow the city to become a more cost effective service provider. This step will enable the City to anticipate longer-term trends and position itself to be "ahead of the curve" in providing services and facilities.

The implementation of these initiatives has been started with varying degrees of progress toward their completion.

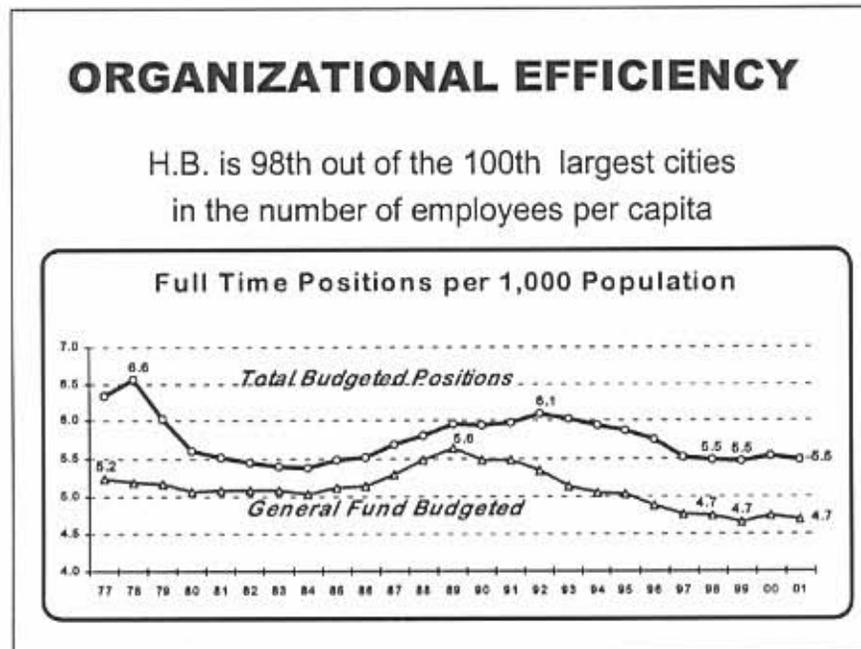
The IAC considers these proposals to be reasonable and progressive. The IAC supports implementation of these initiatives as one way to demonstrate to the public that the city is committed to achieving maximum efficiencies and to minimize expenditures. In particular, the IAC supports development of a long-range financial planning process so that the infrastructure needs are identified and recognized as an integral part of the overall city budget (e.g., not as a stand-alone program).

## ORGANIZATIONAL EFFICIENCY

With declining revenues, a growing community and demands for services, the City has implemented initiatives to improve organizational efficiency. One measure of the City's effectiveness in this regard is the comparison of employees per capita of the 100 largest cities in the nation; currently the City of Huntington Beach ranks 98<sup>th</sup>,<sup>1</sup> as shown in Figure 3-11.

The number of budgeted full time positions has remained fairly even between 1989 and 1999. The current number of full-time employees employed is fewer than in 1993.

Figure 3-11



The City has undertaken the following initiatives to enhance organizational efficiency:

- Process Improvement
- Managed Competition
- Strategic Planning
- Organizational Review
- Performance Measurement
- Benchmarking
- Training
- Activity Based Costing

<sup>1</sup> Governing Magazine

## **GOVERNMENTAL GRANTS & LOANS**

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The City has always pursued grants when available as one way of supplementing revenues in order to fund needed infrastructure improvements. In FY 1999/2000 alone, the City will receive \$10,928,200 in grants that will be used for the following purposes:

- \$ 1,322,000 for Traffic Improvements
- \$ 4,412,800 for Flood Control/Drainage Improvements
- \$ 4,293,400 for Arterial Street Improvements
- \$ 900,000 for Undergrounding Utilities

**\$10,928,200 Total Infrastructure Grants**

A formal organization structure has been established within the City to maximize the return on the City's investment in pursuing grants and loans. The team is composed of staff, selected consultants and legislative advocates. In addition, their efforts are coordinated with the various departments to ensure that the efforts are being directed to meet the highest immediate needs of the entire City. The council members are actively involved in meeting with legislators for purposes of stressing the importance of the various funding requests and to learn about new opportunities for funding.

An example of the cost effectiveness of the City's efforts is the recent grant received from the United States Environmental Protection Agency (EPA) and the Orange County Sanitation District for \$1,000,000 for downtown sewer replacement. A relatively small investment of staff time (20 hours of work, approximately \$900) paid a high return of approximately \$1,100 per invested dollar.

## **SUMMARY**

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In general, city revenues from general taxes and the federal and state governments (including grants and matching funds) have not kept up with population growth and inflation. The demand for City services increases as the population grows. And as the City's infrastructure ages, the cost for maintenance, repair and replacement increases.

It is clear that the current problem is not related significantly to new growth and development; rather, it is a function of sustaining facilities for growth we have already experienced. Moreover, the law does not allow the relatively small amount of remaining development in the City to absorb costs for infrastructure deficiencies not related to that development. The combination of these consequences has placed pressures on the City to deliver services and fund its infrastructure needs. Basically, the City of Huntington Beach is leaner, spends less and uses fewer staff to serve a growing community with aging infrastructure.

New revenue sources will be needed to meet the infrastructure funding shortfall, including cost reduction through operational efficiencies, technology innovations, possible re-prioritization of existing projects, and the possibility of a public vote to initiate some form of new revenue.

## **RECOMMENDATIONS**

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- 3A** Inform residents and businesses in Huntington Beach of the need to invest additional dollars in the City's infrastructure systems to prevent future deterioration of its aging systems; to provide funding for ongoing infrastructure maintenance, repair, and rehabilitation/replacement, and, to protect property values.
- 3B** Continue an aggressive program of pursuing available governmental grants for infrastructure.
- 3C** Continue implementing programs to improve organizational efficiencies and minimize annual operating costs.
- 3D** Consider earmarking unanticipated revenue to help fund the City's infrastructure programs before identifying it to be used for general municipal purposes.
- 3E** Intensify lobbying efforts to redirect revenues back to cities for use in preserving and rehabilitating or replacing their aged and deteriorated infrastructure systems.
- 3F** Support development and maintenance of a long-range financial plan for the City.
- 3G** Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.

## 4. CURRENT INFRASTRUCTURE POLICIES, PRACTICES AND STANDARDS

The IAC requested and received City staff presentations to become informed about the current infrastructure policies, practices and standards of the City. The following is a summary discussion of some of the subjects that were reviewed.

### POLICIES

The City's General Plan, Master Plans, and specific policies adopted from time to time by City Councils provide guiding policy for infrastructure improvements and maintenance. These policy documents are briefly discussed below.

#### General Plan

The California Government Code requires that all municipalities adopt and implement a General Plan for development of the City. The City's General Plan is the foundation that guides basic policy for the City's infrastructure systems and programs.

The General Plan defines the quality of life to which we aspire in Huntington Beach. What is not legally required is the particular quality definition we choose for ourselves. That is a matter for local determination, based on the ideals we value as a community. It reflects the quality of the environment we expect in our community. All of the deliberations leading to the preparation of our General Plan and the measures we propose to carry it out inevitably lead back to this fundamental definition of what quality means to us as a community.

The "big picture" direction expressed in our General Plan is captured in three broad statements as a foundation for more detailed guidance. The first is a Mission Statement that reads:

*The Mission of the City of Huntington Beach is to maintain a safe community, a high quality of life, the cost effective highest quality services, facilities and products in response to the changing needs of our community.*

In addition, ten primary goals are expressed in the General Plan. They bear repeating here because they reflect the broad scope that must be balanced in setting City policies. The goals are:

1. Maintain a safe community.
2. Assure long-term adequacy of the City's infrastructure facilities.
3. Enhance and maintain the environmental quality of the community.
4. Improve the City's long-term transportation system and integrate it into the regional system as it evolves.
5. Establish policies and strategies to ensure a viable business environment throughout the community and expand the City's revenue base.
6. Adequately address the city's human issues and recognize their importance to preserving the health and safety of the community.

7. Provide for a diverse housing stock throughout the community and maintain the quality of housing stock.
8. Maintain and continually improve organizational effectiveness.
9. Continue to provide diverse educational, cultural, and recreational opportunities for all citizens.
10. Pursue entrepreneurial approaches for seeking new businesses and tourism to expand the City's revenue base.

It is also relevant to cite the fiscal policies adopted by the City Council underpinning the City's General Plan and its implementation. These policies state that:

1. Ongoing expenditures should be supported by ongoing revenues.
2. General Fund reserves should be maintained at no less than 3% with 5% reserve being desirable.
3. No new capital improvements should be approved until associated operating costs are funded by recurring revenues.
4. Each enterprise fund should reflect the true cost of operation including direct and indirect costs supported by the General Fund.
5. If the City's budget is balanced, General Fund reserves in excess of 5% should be transferred to the Capital Improvement Project Fund on an annual basis.
6. To implement the above fiscal policy statements, a phase-in period will be required.

The General Plan provides the basic guidance for how land is to be developed or preserved. It establishes goals, objectives, policies and implementation measures for community development. The General Plan addresses a broad array of topics related to the continued health and welfare of those who reside in, conduct business in and visit our community.

Huntington Beach completed a comprehensive update of its General Plan over a three-year period, resulting in its adoption on May 13, 1996. Two aspects of the General Plan relate directly to infrastructure issues raised and addressed in this report.

The first is the determination of what demands must be served. The fundamental basis for defining infrastructure needs is the type, amount and location of desired land uses. The population, employment and visitors to be served are determined by these land uses. Primary uses include residential, commercial, office, and industrial, institutional and open space/recreation development. In essence, these uses generate the demand that our public facilities and services are designed to support.

Secondly, having determined these use patterns, the General Plan goes on to provide policy direction for development, rehabilitation, redevelopment and maintenance of these uses, including the provision of related facilities and services. That policy is further tied to acceptable standards and levels of service keyed to the aspirations of this community. State legislation and sound planning practice require that these matters be revisited periodically to adjust policy direction as circumstances and conditions change. Thus, while the basic pattern of development and the specification of service standards have been in place for many years, refinements are necessary as the community evolves.

It is also important to note that the General Plan contains specific requirements for new development in the City to be accompanied by thorough provision of public facilities for which it generates a need (or, in some cases, private facilities such as local streets built by the developer and maintained by a homeowners association). However, given the fact that the City is approximately 98% built out, this represents a small percentage of the total burden on our infrastructure system.

Applicable General Plan Excerpts, included at the end of this section, contains goal, objective, policy and implementation program statements in the current General Plan that apply to infrastructure maintenance. However, these statements contain or imply a few key principles that merit summary here:

1. Improvements to the infrastructure system are intended to support both existing and planned development in the City.
2. Costs of improvements to the infrastructure system should be borne by those who benefit.
3. Level of service standards are as contained in the Growth Management Element, a General Plan component required for the City's participation in the Measure M Countywide sales tax distribution funding program.
4. Facility Master Plans for various infrastructure components are to be prepared and updated periodically to include, among other things, maintenance and renovation requirements, new facility requirements, funding sources, phasing and priorities, and responsible agencies.
5. A broad range of funding methods, including the possibility of non-traditional approaches, is envisioned in the General Plan.

## **PRACTICES**

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The following are some examples of management practices used by the City for its infrastructure systems.

***Budgeting and Financial Management.*** The City uses a two-year budget cycle and a seven-year capital improvement program for streets and highways, which is updated annually. In addition, the City has implemented an Integrated Infrastructure Management Program (IIMP) as described in Section 1. The IIMP is a unique approach for the management of the City's infrastructure assets.

***Pavement Management System.*** An example of an infrastructure management practice being used by the City is the Pavement Management System, which it has used since the mid-1980s. The computerized system provides a systematic method for evaluating and determining street pavement improvement needs and for optimizing the allocation of limited resources for the maintenance, rehabilitation or replacement of local street and arterial highway pavements. Under this system, streets are visually inspected and rated at least once every two years to evaluate the surface conditions.

***“Tree Keeper” Management System.*** The Parks, Trees and Landscape Division uses a computerized tree management system called “Treekeeper” for management of the City’s urban forests. The computerized system provides a database of publicly owned and maintained trees that includes location, species, size, health, damaged infrastructure near trees, and service requests. The system maintains a history of service requests and work performed by location.

***Annual Slurry Seal Program.*** In 1996, the City initiated a seven-year pavement slurry seal and resurfacing program for preventive maintenance and repair of local streets, which allows all City streets to be resurfaced in a seven-year cycle. The city is divided into four geographic areas of approximately equal pavement area and one seventh of all areas are either slurry sealed or overlaid with new pavement each year.

***Geographic Information System.*** The City has a computerized Geographic Information System (GIS), which is used as a management tool for its infrastructure programs. It is used as a mapping system and for the storage of infrastructure inventory data.

***Video Inspection.*** A video camera system is used to both video inspect and record the conditions inside the City’s underground sewer mains and storm drain pipes. This camera system can inspect pipes as small as six inches. This system has been especially useful in assessing the conditions of the sewer mains in the areas where there is significant deterioration, and where breaks have occurred. This information has then been used to plan, design and construct improvements to repair large reaches of the City’s facilities. Approximately 40% of the City’s sewer mains have been video inspected to date.

***Maintenance Practices.*** The City’s infrastructure maintenance practices are designed to follow industry-accepted practices and manufacturer’s recommended preventive maintenance schedules. The City hasn’t always been able to adhere to those practices or schedules. As a consequence of this deferred maintenance, its infrastructure is deteriorating rapidly.

## **STANDARDS**

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The City follows various **regulatory** and "**industry**" standards for design, construction and maintenance of its infrastructure. Federal, State, County, and Regional regulatory agencies prescribe some of these standards. An example of a design standard is the Federal Emergency Management Agency (FEMA)-prescribed requirement to provide 100-year flood protection for all properties in the City. The standard when most of the City was being developed was a 25-year flood protection level. This affects the design of all storm drains and flood control facilities in the city.

Other standards used by the City are those that are generally accepted industry standards adopted by most city and county public works agencies in the region or statewide. An example is the Construction Standards and Specifications published by the American Public Works Association (APWA), Southern California Chapter, which are generally adopted by most cities in the region for streets, highways, sewers, storm drains, and related facilities. The City modifies those standards in some instances because of the local conditions of the City such as salt air, ground water, and corrosive soils, which require different materials, coatings or other construction measures to mitigate those conditions.

Generally, the City follows policies, practices and standards that are comparable to those used by similar California municipalities, except for some infrastructure items where local conditions require a higher standard. The City is using some advanced practices not used by other cities such as the IIMP and its extensive use of GIS. Because of funding considerations, preventive maintenance and repair practices haven't adhered to the desired or recommended levels.

## **RECOMMENDATIONS**

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- 4A** Establish an annual infrastructure report to the City Council and the community at budget time that includes: 1) Information on infrastructure revenue and expenditures, and 2) A summary of the progress made in reducing the backlog of infrastructure repairs, and 3) A progress report on performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.
- 4B** Continue to adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools.
- 4C** Continue to implement programs to improve organizational efficiencies and minimize annual operating costs.

## **APPLICABLE GENERAL PLAN EXCERPTS**

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Several key goals, objectives, policies and implementation programs in the General Plan relate to the public facilities addressed in this report. These statements of commitment are summarized below, and should be viewed in the context of the much broader set of guidelines contained in the General Plan. The excerpts that follow are from Chapters II, III and IV of the General Plan.<sup>1</sup>

### **CHAPTER II, COMMUNITY DEVELOPMENT**

**CITYWIDE LAND USE POLICY.** Pertains to policies to be considered for any land use or development activity.

*Goal LU 2:* Ensure that development is adequately served by transportation infrastructure, utility infrastructure, and public services.

*Policy LU 2.1.1:* Plan and construct public infrastructure and service improvements as demand necessitates to support the land uses specified in the Land Use Plan (as defined in the Circulation and Public Utilities and Services Elements of the General Plan).

*Policy LU 2.1.2:* Require that the type, amount, and location of development be correlated with the provision of adequate supporting infrastructure and services (as defined in the Circulation and Public Utilities and Services Elements of the General Plan).

### **CHAPTER III, INFRASTRUCTURE AND COMMUNITY SERVICES**

**CIRCULATION ELEMENT.** Pertains to the system of streets and highways; public transit; bikeways; equestrian facilities; and aviation and waterway facilities.

*Goal CE 2:* Provide a circulation system which supports existing, approved and planned land uses throughout the City while maintaining a desired level of service on all streets and at all intersections.

*Implementation Measure I-CE-1:* Continue to implement, review, monitor and update, as necessary, the existing roadway systems on an annual basis. Use the information to identify and prioritize capital improvements, including road widening, paving and intersection improvements.

**PUBLIC FACILITIES AND SERVICES ELEMENT.** Pertains to police, fire and marine safety related facilities, as well as general governmental administrative facilities.

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<sup>1</sup> 1 - Goal Statement  
1.1 - Objective Statement  
1.1.1 - Policy Statement

*Policy PF 1.1.2: Ensure that adequate police services are maintained through periodic conditions and needs assessment of the department services, facilities and personnel.*

*Policy PF 2.1.3: Maintain adequate [fire] facilities and personnel by periodically evaluating population growth, response time and fire hazards.*

*Policy PF 5.1.1: Consider constructing new libraries and rehabilitating and expanding existing libraries as required to meet the needs of library users.*

*Goal PF 6: Ensure adequate governmental administrative services and capital facilities for all agency operations.*

*Policy PF 6.1.3: Maintain or improve the governmental facilities and services in order to meet the adopted levels of service and standards established in the Growth Management Element.*

RECREATION AND COMMUNITY SERVICES ELEMENT. Pertains to local parks, recreation services and related facilities.

*Goal RCS 5: Provide parks and other open space areas that are efficiently designed to maximize use while providing cost-efficient maintenance and operations.*

*Policy RCS 8.1.1: Aggressively pursue all forms of Federal, State, County, corporate, private foundation and endowment support to assist in acquisition, development, programming, operations, and maintenance of park and recreation resources.*

*Implementation Program I-RCS-7: Conduct a park and recreational facilities renovation study to determine each site's maintenance and renovation needs.... Develop a prioritization and phasing program and establish a capital improvements program. Implement the capital improvements program. Update the renovation study, prioritization and phasing program and the capital improvements program every three years.*

UTILITIES ELEMENT. Pertains to water supply, sanitation treatment (wastewater), storm drainage, and solid waste disposal, natural gas, electrical power and telecommunications systems.

*Objective U 1.1: Maintain a system of water supply distribution facilities capable of meeting existing and future daily and peak demands, including fire flow requirements in a timely and cost-efficient manner.*

*Objective U 1.4: Ensure the costs of improvements to the water supply, transmission, distribution, storage and treatment systems are borne by those who benefit.*

## CHAPTER IV, NATURAL RESOURCES

**ENVIRONMENTAL RESOURCES/CONSERVATION ELEMENT.** Pertains to the City's environmental resources: the Conservation and Open Space Elements. The Huntington Beach General Plan combines these elements into the Environmental Resources/Conservation Element.

### Biological Resources

*Policy ERC 2.1.18:* Require efforts which reduce urban storm water, including the:

- a. Use of the best available runoff control management techniques in new development including the National Pollution Discharge Elimination System Standards (NPDES);
- b. Adoption of guidelines to reduce runoff from construction sites. These implementation guidelines will be developed with the guidance and approval of the Santa Ana Regional Water Quality Control Board and the State Water Resources Control Board;
- c. Establishment of runoff controls for soils removed in restoration and/or remediation of oil sites; and
- d. Development of plans to modify flood control channels that empty into the Bolsa Chica, Huntington Beach Wetlands and beach areas. These modifications should enhance the upstream ability to remove harmful constituents from runoff before entering the wetlands, while not altering their flood control ability. *(I-ERC 1 and I-ERC 2)*

*Policy ERC 2.1.24:* Improve infrastructure that would prevent sewage system failures which may result in the discharge of untreated sewage, and consequently, in the closure of beaches and Huntington Harbour. *(I-ERC 4)*

*Policy ERC 5.1.1:* Continually monitor the implementation and enforcement of water quality regulations by appropriate County, State and Federal agencies to prevent additional pollution of the City's aquatic and intertidal environments. *(I-ERC 2 and I-ERC 4)*

## **5. COMMUNITY INFLUENCES IMPACTING INFRASTRUCTURE PROGRAMS**

The continuity and success of local government projects and programs—including infrastructure maintenance and improvement—are affected by a variety of internal and external factors. The following is a brief overview of some of the factors that have created the current condition of the City's infrastructure, and some current or recommended mitigating actions regarding these influences.

### **THE LACK OF INFRASTRUCTURE SUPPORTERS**

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While other municipal programs may have vocal supporters, infrastructure and public works projects typically do not. Infrastructure simply does not generate the interest that entices the public or the media, unless there is an accident or a crisis situation in which infrastructure plays a role. Because local governments respond to public demand for action and change, infrastructure becomes a low priority issue. Elected officials judge the "barometer" of the public by listening to their public comments and concerns, and often must react to immediate "problems."

### **CRITICAL CHOICES MUST BE MADE DURING TOUGH ECONOMIC TIMES**

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Cities must make difficult spending decisions during upswings and downswings in the local and national economy. Just as a resident decides when to make major home improvements—dependent upon the need, the required investment, a multitude of other priorities, and an available source of funds—the City has had to determine which projects can be funded and which cannot. Quite often, infrastructure maintenance and improvement programs are delayed due to the *perception* that their need is less immediate. The problem is that long-delayed maintenance and timely replacement of deteriorated infrastructure result in paying four to five times as much for fixing the infrastructure in the future instead of paying for it in a more timely manner. Ultimately, a degraded infrastructure affects the community's ability to attract economic development and can create public health and safety hazards.

### **UNIQUE COMMUNITY CONDITIONS**

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While the City of Huntington Beach is not unique in its need to address deteriorating infrastructure, there are conditions that create unique challenges. Huntington Beach has areas that are below sea level, with peat soils, wetlands, and waste oil. These factors are simply part of the daily challenge in an otherwise ideal coastal location.

The topography of Huntington Beach requires multiple sewer lift stations and storm water pump stations that are costly to maintain, repair and replace. Wetlands and peat soils may settle over time, impacting streets, water and sewer lines, and other facilities. Corrosive elements like water, salt and oil also impact streets, metalwork and fixtures. Tourism is a desired economic boost to the City, however the additional traffic, litter and wear on public streets and facilities is an additional impact on public works.

Another coastal challenge for Huntington Beach is urban run-off. Inland run-off makes its way to the low-lying coastal areas, and creates water quality, drainage, and maintenance

problems. Urban run-off mitigation is producing immediate and future expenditures; i.e., in 1999, beach closures impacted the Huntington Beach economy.

### **COST OF CHANGING TECHNOLOGIES**

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Rapid changes in technologies can create costly impacts in communities such as additional trenching in the streets for cable lines and telephone lines for computers. This type of impact, while a sign of progress, produces additional "wear and tear" and reduces the "life" of infrastructure.

### **COST OF REGULATORY CHANGES**

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Federal and State regulatory decisions decidedly affect the allocation of work and expenditures for all municipalities. Deadlines set for regulatory compliance shift the priorities of local governments, and often change the work practices of municipal staff. In addition to resulting public benefits, the companion result is deferred programs and projects. These decisions may not only affect the costs of infrastructure, but can impact individual residents and businesses. For example, the decision of FEMA to require the 100-year flood protection when the City's previous standard was 25-year storm protection resulted in more costly drainage and flood control facilities and a requirement for property owners to have flood insurance.

### **POLITICAL AND LEADERSHIP CHANGES**

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Budgeting and expenditures for infrastructure must have a mechanism for permanency if they are to adequately support the City's continuing programs and the individual life styles of Huntington Beach residents. Renewal and change in leadership is at the heart of the American democratic system. While this renewal ensures that leaders reflect current public opinion, an unintended consequence is that few elected policy makers serve long enough to accompany infrastructure issues through their long life cycle. Infrastructure planning takes place within a ten- to twenty-year planning horizon. This means that most decision makers don't have the luxury of seeing their initial planning come to fruition.

### **SHIFTING TAX REVENUES**

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A specific change with significant impact to the City of Huntington Beach, as well as other cities, is the property tax revenue shift from local government to state government. Orange County cities are referred to as "donor" cities, contributing more tax dollars than are received in local programs and services. Decisions made at the State level created this revenue shift sending the majority of tax dollars elsewhere in the State. For example, in the seven years between Fiscal Years 1992/93 and 1998/99, the City of Huntington Beach has experienced a loss of over \$34 million in property tax revenue. The City of Huntington Beach now receives approximately 20 cents (\$.20) for every one dollar (\$1) in property taxes paid by local residents, and one cent (\$.01) of every seven and three quarters cents (\$.0775) in sales tax paid to the City resulting from local commerce. These tax revenue shifts deplete local financial resources and result in deferred projects and programs.

## **COMMUNITY DEVELOPMENT**

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The City of Huntington Beach has been successful in attracting quality new development and recycling of properties in the community. Development impact fees, paid by developers, help fund necessary infrastructure improvements in their specific areas. It is expected there will be additional new development in the future as well as recycling of properties for new development as the City is close to build-out. The Orange County business community has indicated that municipal infrastructure conditions play a role in where they locate their business.<sup>1</sup>

The foregoing discussion about influencing factors impacting infrastructure programs illustrates some of the complexities and challenges of dealing with infrastructure issues and alternative solutions.

## **RECOMMENDATIONS**

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- 5A** Implement a public awareness program for the public to gain knowledge about and participate in the process leading to City infrastructure decisions and expenditures.
- 5B** Establish mechanisms for a long-term commitment to be made to City budgets that will adequately fund infrastructure maintenance and improvement.
- 5C** Ensure that infrastructure is a constant priority for City budgeting and expenditures.
- 5D** Evaluate current cost-recovery programs (such as Utility Trench Ordinance) and investigate other efforts to recover costs and/or manage these impacts.
- 5E** Continuously identify and evaluate proposed State and Federal regulatory changes and intensify lobbying efforts to ensure proposed changes do not adversely impact cities including Huntington Beach. Also, aggressively seek recovery of funds for non-funded mandated programs and participate fully in efforts to influence such legislation. Critically evaluate what really must be done to comply with the regulations.
- 5F** Amend the City charter and enact implementing ordinances to provide permanent mechanism and controls regarding infrastructure budgeting and expenditures.
- 5G** Inform the public regarding tax revenue allocation so they understand the consequences of the actions by State decision-makers.
- 5H** Inform residents and businesses that infrastructure budgeting and expenditures are a community investment and an economic development tool.

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<sup>1</sup> The Orange County Business Council (OCBC) Infrastructure Committee white paper titled "Orange County Infrastructure Needs"

## 6. CITY OF HUNTINGTON BEACH FINANCING/FUNDING METHODS

### INTRODUCTION TO FINANCING/FUNDING METHODS

The purpose of this section of the report is to provide a summary of the financing/funding methods evaluated by the IAC.

Each financing/funding method includes two components:

- A **source of revenue**, which may be either a new source or a current source of revenue. For example, a new source of revenue may be a new tax, fee or charge, or may be a federal or state grant. A current source of revenue may mean reprioritizing and redirecting current revenues received by the City to finance all or a portion of the infrastructure costs.
- A **financing method or methods**, which may be implemented to use as a source of revenue to finance the construction and/or maintenance of infrastructure costs. For example, one financing method, which may be considered is "pay-as-you-go," i.e., as revenues are received by the City, the revenues are aggregated until such time as sufficient revenue has been collected to pay for construction of the project. Another example of a financing method for capital improvements is debt financing, i.e., incurring a short or long-term debt to finance the construction of a project now, and repaying that debt using an eligible source of revenue.

### METHODS

The financing/funding methods were assigned to one of the following five categories, which are based upon the source of revenue for each category.

#### 1. Assessments

It is a *charge* that is generally *levied upon real property* to pay for special benefits received by the specially benefited property from an improvement or service. The cost of general benefits cannot be assessed. The City Council approves the levy of the assessments, which are used to pay for the improvement or service.

Special benefit is defined to mean "a particular and distinct benefit" over and above general benefits received by benefited property located in the assessment district or to the public at large.

**How Initiated?** Initiated by property owner petition or by City Council Action.

**Who Approves?** Affected property owners' approval required through ballot procedure with the City Council approving implementation following public hearing and assessment ballot procedure. Owners of affected properties may stop proceedings by majority protest based on assessment ballots actually received being weighted according to proportional financial obligation.

**Example:** The costs for rehabilitation/reconstruction of local streets and alleys can be assessed to the adjoining properties that receive a special benefit due to the provision

of continued and improved access to and from their properties. The funds collected can only be used for the intended purpose.

## 2. Taxes

A tax is a monetary *amount levied by the City Council on either people or property* for the purpose of raising revenue. Unlike an assessment, the person or property taxed does not have to benefit from the activity being paid for from the taxes.

*How Initiated?* City Council, except for Community Facilities Districts, which can be initiated by property owner petition.

*Who Approves?* Registered voters, except for Community Facility Districts, which can be by voters or property owners following public hearing and ballot election.

**Special Tax Example:** Under a Community Facilities District, a special tax can be levied in accordance with a taxing formula with the approval of 2/3 of the voters voting for the levy of a special tax to finance the construction of improvements for multiple purposes such as construction of drainage improvements and replacement of existing storm water pump stations required to protect properties from flooding. The tax is collected with County property taxes. The funds can only be expended for the purpose intended.

**General Tax Example:** Utility Tax may be approved by the City Council following approval of the majority of the voters voting for the tax. The collected funds would go into the general fund and may be used for any governmental purpose. If the tax funds were to be designated for a specific purpose, 2/3 of the voters voting would have to approve the ballot measure for the tax.

## 3. Fees/Charges

A monetary *amount paid by the user* of a public improvement or service based on the cost to provide the improvement or service. If the amount of the fee or charge exceeds the cost to provide the improvement or service, then it is subject to being classified as a tax and requiring voter approval.

*How Initiated?* City Council.

*Who Approves?* City Council approves following public hearing.

**Example:** The costs for operation, maintenance, repair, and/or replacement of sewerage facilities may be levied as a charge (on the monthly municipal services bill or on property tax bill) to all properties using the sewer system. A partial deduction should be allowed for those properties within homeowners associations if the association maintains local sewers within the development.

#### 4. Current Revenue

Current sources of revenue such as *sales tax, gas tax, and property tax* that the city receives annually. Some sources, such as gas tax, have restrictions on their use.

#### 5. Federal, State, & Other Governmental Agency Funding Programs

These generally involve *loans and grants* from state and federal agencies and special districts, and are subject to use restrictions.

**Example:** The City received grants totaling \$2.7 million from the Federal Emergency Management Agency (FEMA) for improving the Slater Drainage Channel, which required matching City funds of \$600,000.

### CONSULTANT TEAM REVIEW OF FINANCING/FUNDING METHODS

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In compiling the list of financing/funding methods to be reviewed by the IAC, the City's consultant team<sup>1</sup> undertook a broad based review of methods. Some methods were omitted because legal and/or practical constraints make them infeasible or they duplicated other methods that had fewer constraints.

The matrices shown in Figures 6-1, 6-2 and 6-3, list the various financing /funding methods that were considered as having the potential of funding specific types of infrastructure for costs of new construction, rehabilitation/replacement and maintenance. Each type of cost is shown as a separate matrix.

### IAC REVIEW OF ALTERNATIVE FINANCING/FUNDING METHODS

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The IAC reviewed and evaluated the comprehensive list of alternative financing/funding methods from which a short list of methods was developed for consideration in developing its final recommendations. In evaluating the alternative methods, a comparative analysis was undertaken that considered the following factors:

- *What can be financed?*
- *Approval process*
- *Impact by Proposition 218*  
(The statewide initiative approved on November 5, 1996, which enacted numerous changes to local government finance law in California)
- *Implementation Steps*

An example of the extensive analysis undertaken for each method and type of cost is shown in Figure 6-4. In this particular example, the analysis is for the Benefit Assessment Act of 1982 assessment method as it relates to the financing/funding of drainage and flood control facilities and drainage pump stations.

The short-listed methods that were considered to be the most viable for final consideration are shown in Figures 6-5, 6-6 and 6-7.

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<sup>1</sup> Psomas; Fieldman, Rolapp & Associates; Brown Diven Hessel & Brewer LLP

As the next step, the IAC undertook more in-depth analysis of those short-listed methods. As a part of this review, the IAC identified some key considerations that they felt were important for making the comparative analysis. They included:

- Would the public consider it to be an equitable/fair method?
- The approval process conditions.
- Is it a simple method to explain to the public in order to gain their support?

A comparative matrix for the short-listed financing/funding methods and the key distinguishing approval requirements and key considerations is shown in Figure 6-8. The matrix illustrates the comparative strengths and weaknesses as well as limitations of the short-listed methods.

The IAC then used that comparative analysis information to develop the final short list of recommended financing/funding methods as shown in Figure 6-9. Federal, State, and Other Governmental Agency Funding Programs (Grants and Loans) have application for most of the infrastructure items listed, although were not shown as part of the chart. This matrix illustrates how some methods have broader application for the different infrastructure items.

## **OTHER FINANCING/FUNDING METHODS IDENTIFIED AS SUPPLEMENTAL SOURCES**

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The IAC identified other financing/funding methods as being supplemental sources because of their ability to raise only limited amounts of revenue or because they could not be counted on as a continuing revenue source. The City is already utilizing most of them. Thus, they are recommended for continuation to provide a supplemental source of revenue. These other financing/funding methods are as follows:

### **Fees/Charges**

- Sanitary Sewer Fee
- Drainage Fee
- Traffic Impact Fee
- Facility User Fees
- Park Acquisition and Development Fee (Quimby Act)
- Community Enrichment Library Fee

### **Current Revenues**

Current revenues include such things as state gas tax, redevelopment tax increment, sales tax and property taxes. The IAC considered these to be supplemental revenue sources that should be directed to the maximum extent possible for funding of infrastructure improvements and maintenance.

### **Federal, State & other Governmental Agency Funding Programs**

The City has always pursued grants and loans when available, as one way of supplementing revenue in order to fund needed infrastructure improvements. Because the amount of revenue generated from these sources can vary substantially from year to year, they cannot be counted on as a primary funding/financing method. However, they are an important revenue source.

### **OTHER FINANCING/FUNDING METHODS TO CONSIDER**

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The IAC also identified other financing/funding methods that are recommended for consideration by the City; however, it did not evaluate each one in-depth similar to the foregoing methods. They include:

- Public-Private partnerships
- Endowments and Private Sponsorships
- Managed Competition (including privatization) for City operations
- Concessionaire Revenues
- Redevelopment Projects for Infrastructure Revitalization (City of Westminster is an example.)

### **COMPARATIVE ANALYSIS**

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In effect, Figure 6-9, Summary of Short-listed Financing/Funding Methods, is a listing of viable financing/funding methods from which to select a method or methods for funding the shortfall identified in the IIMP. Each short-listed method has strengths and weaknesses. The following is an overview of the IAC's key findings and conclusions from a comparative analysis of Figures 6-8 and 6-9.

#### **Assessments**

##### *Strengths*

- The public is likely to be generally accepting of assessments as an equitable, fair method since assessment charges must be for special benefits received by the benefited property from an improvement or service.
- With the exception of the 1913/1915 Act, all three cost categories -- new improvements, rehabilitation/replacement and maintenance -- may be funded by this method. The 1913/1915 Act may not be used to fund maintenance costs unless the improvements to be maintained were also constructed by that method.

### *Weaknesses*

- Special benefit analysis is required which could result in limited benefit areas in the City, e.g., only those areas protected by drainage and or flood control improvements would receive special benefit, whereas upstream properties which produce runoff contributing to the flooding problem, but which are not protected by the drainage or flood control improvements do not receive special benefit and are, therefore, not assessed. The resultant assessments could be inequitably high.
- It is difficult to explain to voters the rationale of the special benefit analysis and the reasons for different assessment amounts for similar properties.
- Up-front costs are required for preparation of a special benefit report and for other procedural requirements in order to present the assessment proposal for property owner approval. These costs can be hundreds of thousands of dollars with a possibility that the proposal will not be approved, with the costs having to be absorbed by the City.

### *General*

- With exception of the Benefit Assessment Act of 1982, the other assessment acts require majority approval of property owners submitting assessment ballots with each ballot weighted according to the proportional financial obligation of the assessed property. The 1982 Act requires majority approval of registered voters as opposed to property owners. However, as a Charter City, an ordinance could be adopted to specify that approval be by a vote of landowners, instead of registered voters.
- The assessment ballot procedure can be conducted at any time – doesn't have to be part of a regularly scheduled citywide election.
- All public properties which receive a special benefit from the improvements being financed must be assessed or the City may make a contribution equal to such assessments. This could result in millions of dollars in costs to the City, which has an existing funding shortfall.
- Depending on which assessment act is used, pay-as-you-go or debt (bonding) financing may be used.
- Requires a debt service reserve fund on the order of ten (10%) percent of the bonded amount if bonding is used.
- Interest rate for bonds will be slightly higher than General Obligation Bonds.
- As a Charter City, Huntington Beach could enact a Municipal Financing District Ordinance based on the Benefit Assessment Act of 1982, which would expand the provisions to include all of the infrastructure items in the IIMP except fleet/equipment maintenance and replacement.

- Of the assessment methods evaluated, a Municipal Financing District based on the Benefit Assessment District Act of 1982 is the only method that has a special provision for the allocation of benefits properties receive from drainage improvements, which is less restrictive than the other methods.

## Taxes

### *Strengths*

- Generally, the taxing formulas can be more easily explained to the public.

### *Weaknesses*

- With the exception of a Community Facilities District, there is very little flexibility in structuring the taxing formula to recognize special conditions in the City, e.g., property owners in homeowners associations who pay for maintenance, rehabilitation and replacement of their own streets and other infrastructure.
- General Obligation Bonds have limitations in that this method can't be used for pay-as-you-go financing or for maintenance funding. Also, since it is an ad valorem (based on county assessor's property values) tax, it may be viewed by some as having inequities because of pre- and post-Proposition 13 property values.

### *General*

- Any tax imposed for the specific purpose of infrastructure funding requires 2/3 of registered voter approval of those voting. The exception is a general tax, e.g., utility tax, which can be used for any municipal purpose. Approval of a general tax requires the approval of a majority of those voting. Also, Proposition 218 requires a general tax to be submitted to the voters as part of a regularly scheduled general election for members of the local government's governing body. The election for other taxing methods can be conducted at any time.
- The taxing methods could include all private properties or individual users in the city forming a large funding base. The Community Facilities District could be structured to include all or part of the city.
- Of the taxing methods, the Community Facilities District offers the greatest flexibility for structuring the taxing formula to recognize various conditions in the city and to develop a relationship between the infrastructure improvement and/or service and the amount of the tax. Also, it can be used to pay for all three cost categories—new improvements, rehabilitation/replacement and maintenance. However, it has the greatest up-front cost to prepare the information needed to conduct the voter election.

## **Fees/Charges**

### *Strengths*

- Simple to explain.
- Since there is a connection between the fee or charge and the improvement or service being paid for, this method may have a high degree of public acceptance as being fair and equitable.

### *Weaknesses*

- Those fees (Sewer Facilities, Drainage Facilities, Traffic Impact, Park, and Library Fees) that are charged on a one-time basis only in connection with new property development have limited revenue generating capability since the city is 98% developed; therefore, they should be considered as supplemental funding sources. Also, they can be used only for improvements, not maintenance.

### *General*

- All of the fees and charges listed can be imposed by majority vote of the City Council following a public hearing.
- The Sanitation Charge, which can be imposed for all sewer users, has the greatest funding capacity. It can be collected as part of the monthly municipal service billing or county property tax bill.

## **OTHER CONSIDERATIONS**

In conjunction with the evaluation of the alternative financing/funding methods, the IAC on a very preliminary basis considered the amount of revenue that potentially could be generated by enactment of a monthly sanitary sewer charge for all city sewer system users and of a citywide Community Facilities District (CFD). The results of those evaluations are summarized in this report, not as specific recommendations, but for the purposes of documenting the work of the committee and of providing a general guide for the benefit of the City Council and other reviewers of this report.

With regard to the Sanitary Sewer Charge, a preliminary estimate of annual revenue to fund rehabilitation and repair of sewers was prepared by the City's consultant team based on an assumed average monthly charge of \$5 per month (\$60 per year). A charge was assumed to be levied against all residential, commercial, industrial, and institutional users of the City's sewer system. The estimated annual revenue is approximately \$5 million. The 20-year total estimated revenue without an annual escalator is \$100 million (year 2000 dollars).

A \$5 per month charge would be comparable to the monthly charge levied by other cities in Orange County. The City of Seal Beach has recently added \$5.83 to its monthly rate to fund sewer improvements. The City of Garden Grove recently increased its rates to fund needed sewer improvements and maintenance and the City of Laguna Beach is currently considering an increase in its rates. Of the 22 cities in the Orange Sanitation District service area, 15 have a sewer charge. Huntington Beach is one of the few who don't have a charge.

Similarly, the City's consultant team prepared an estimate for an annual special tax based on a CFD. It was assumed that the special tax would be city-wide with the average annual tax for a single family residential property being approximately \$120 (equivalent to \$10 per month) collected through the County of Orange Property Tax Bill. Multi-family, commercial, and industrial properties are assumed to have different tax rates (some higher and some less) than single family residential property. Assuming approximately 100,000 total benefit (equivalent dwelling) units, the estimated annual revenue is \$12 million.

The table (Figure 6-10) provides an example of the total revenue that would be generated over a 20-year period for a CFD. The total amount is slightly over \$300 million including a \$26.5 million capital replacement fund. The key assumptions in the projection are:

- \$120 per benefit (equivalent dwelling) unit per year
- 100,000 total benefit (equivalent dwelling) units which is unverified data
- Pay-as-you-go program (no bonding) for 20-years
- 2% per year annual escalator
- 2% annual set aside of a capital reserve fund for replacement of new infrastructure improvements following their initial rehabilitation/replacement during the 20-year program. Interest earned at the rate of 5.5% is assumed to accrue in the reserve fund which adds to the accumulated total funds at the end of the assumed 20-year funding period.

The committee noted that issuance of bonds for financing infrastructure decreases the amount available to fund infrastructure improvements, which can be sizable amount over a 20-year period. While the committee is not discouraging the use of bonds to finance infrastructure improvements, it recommends that bonding be used sparingly and only if specific criteria are met. Those criteria are described in recommendation 6I.

As an illustration, the 20-year total estimated revenue based on the foregoing examples for a monthly sanitary sewer charge and for a CFD is approximately  $(\$100 + \$240)$  \$340 million (year 2000 dollars). The total unfunded infrastructure needs projected in the Updated IIMP is approximately \$850 million (year 2000 dollars) leaving a \$510 million gap. An approximation of the amount that the rate per benefit unit for the CFD would have to be increased to fund the entire projected gap is \$255 per year or 3.125 times greater. The total amount per benefit unit per year would have to be approximately  $(\$120 + 255)$  \$375. That amount combined with a \$60 annual charge for sewers totals \$435 annually.

While the examples reviewed by the IAC provide a general approximation of the amount of funding that could potentially be generated by the two funding methods, determination of the amount that should be pursued by the City Council needs to be based on what the community would accept. The IAC recommends that the answer to how much financial impact the community is willing to accept should be determined by conducting a community survey to determine the acceptable amount.

## SUMMARY ANALYSIS

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The findings that follow are based on the committee's in-depth analysis of a comprehensive list of financing/funding methods available to the City.

- **Assessments.** Of the assessment methods, a Municipal Financing District based on the Benefit Assessment District Act of 1982 can have the broadest application for the various infrastructure items ( i.e., sewers, drainage, streets, street lighting, traffic signals, etc.) and the least restrictive benefit requirements for drainage improvements. As a Charter City, the City could enact an ordinance to establish authority for a Municipal Financing District based on the 1982 Act, and expand the eligible improvements to include more than just drainage and flood control improvements. However, all public properties, including City, County, State, School Districts, etc., which receive a special benefit from the improvements or services being financed, must be assessed, or, the City may make a contribution equal to such assessments. If, for example, a school district or county do not agree to pay their assessment, the City may make a contribution equal to such assessment in order for the assessment district to succeed. This could result in millions of dollars in costs to the City, which has an existing funding shortfall.
- **Taxes.** Of the taxing methods, the Community Facilities District meets the objectives of being fair and equitable; simple to explain; provides flexibility to consider special conditions such as homeowner associations where the property owners already pay for maintenance and repair of some of their infrastructure; and the funds are restricted to be expended for infrastructure purposes.
- **Fees/Charges.** Only the Sanitation Charge (pursuant to Health & Safety Code Section 5470) has the capacity to raise significant annual revenue, which can be used for the specific purpose of rehabilitating, replacing and or maintaining the sewer system improvements. It also meets the objectives of being fair and equitable; simple to explain; provides flexibility to consider special conditions such as homeowner associations where the property owners already pay for maintenance and repair of some of their infrastructure; and the funds are restricted to be expended for infrastructure purposes. In addition, in contrast to assessments and taxes, this financing/funding method may be enacted by vote of the City Council following a public hearing.
- While the other methods on the shortlist are also viable options, the above three are considered to have the fewest limitations or weaknesses.

- It is undesirable to approach property owners or voters, depending on the financing/funding method, with multiple methods for their approval in one ballot measure as it would be confusing and too difficult to explain them. Therefore, selecting a method or methods with the broadest application is preferable.
- Determination of how much financial impact the community is willing to accept is best determined by a community survey.
- Bond financing decreases the amount available for funding infrastructure improvements as compared to pay-as-you-go approach.

## **RECOMMENDATIONS**

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- 6A** Continue to update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes to provide a supplemental funding source.
- 6B** Continue to aggressively pursue governmental grants as a supplemental funding source.
- 6C** Establish a system to continuously explore, evaluate and implement creative funding methods.
- 6D** Earmark portions of unanticipated revenue received by the City for infrastructure purposes.
- 6E** Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues, based on a three-year rolling average.
- 6F\*** As soon as possible enact a monthly Sanitary Sewer Charge pursuant to the provisions of California Health & Safety Code 5470 to develop a dedicated, ongoing funding source for the rehabilitation/replacement and repair of sewer system facilities, including lift stations. It is recommended that the charge be ongoing (not expire), as the funding requirements for rehabilitation/replacement of the sewer facilities will continue beyond a 20-year period. In addition, it is recommended that the following be included as part of the action:
- ✓ An escalator to keep pace with costs of inflation and construction cost increases; and,
  - ✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.
- 6G** Conduct community survey to assess how much financial impact the community is willing to accept as the basis of formulating the amount to be included in any financing/funding proposals.

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\* Recommendation is contingent upon a Charter Amendment (with provisions recommended in this report by the IAC) or equivalent ordinance being in place at the time of fee enactment.

- 6H** Obtain voter approval of a special tax pursuant to a city-wide Community Facilities District (CFD) for the funding of other infrastructure items included in the updated IIMP. It is recommended that it include:
- ✓ A term of 20 years to match the 20-year period of the IIMP.
  - ✓ An annual escalator of 2% to match Proposition 13.
  - ✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.
- 6I** Use a pay-as-you-go approach, but with a provision for bonding of infrastructure improvements that meet one or more of the following criteria:
- ✓ Delay of the project would result in a cost that is much greater than interest on bonds;
  - ✓ Risk of a facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and
  - ✓ Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.

Figure 6-1

Alternative Financing/Funding Methods For  
New Construction

X Denotes that method can be used for that type of infrastructure improvement

Financing / Funding Methods	Drainage & Flood Control Facilities	Sewer System Improvements	Parks	Buildings	Landscaped Medians
<b>A. Assessments</b>					
1913 Act/1915 Act	X	X	X	(a)	X
1913 Act/1911 Act	X	X	X	(a)	X
Benefit Assessment Act of 1982					
Landscaping & Lighting Act of 1972	(b)		X	(c)	X
Business Improvement Districts					(d)
<b>B. Taxes</b>					
Community Facilities District (special taxes - Gov't Code 53311)	X	X	X	X	X
General Obligation (G O) Bonds (property taxes)	X	X	X	X	X
Special Taxes (Gov't Code 50075)	X	X	X	X	X
<b>C. Fees/Charges</b>					
Sewer/Sanitation Charge (Health & Safety Code 5470+)		X			
Sewer Collection Fee (Gov't Code 54300)		X			
Sewer Connection Fee (Gov't Code 66483)		X			
Storm Water Utility District Fee (PUC Code 10000)	X				
Drainage & Sanitary Sewer Facilities Fee (Gov't Code 66483)	X	X	X		
Facility User Fee					
Park Fee			X		
<b>D. Current Revenue</b>					
General Fund and Restricted Funds	X	X	X	X	X
Redevelopment-Tax Increment Financing	X	X	X	X	X
Infrastructure Financing Dist. (Gov't Code 53395)	X	X	X	X	X
<b>E. Federal, State and Other Gov't Agency Funding Programs (e)</b>					

(a) Park and recreation buildings may be financed with this method, however, only costs reflecting a special benefit may be assessed.  
 (b) Subject to majority voter approval. Registered voter election with 12 or more registered voters, off-venue landowner vote. Despite election requirements, may also still be subject to landowner assessment ballot procedures under Proposition 218.  
 (c) Community center, auditorium, hall or performance center only, subject to landowner election.  
 (d) Under the Property and Business Improvement District Law of 1994 only.  
 (e) Grants and loans may be available for each IMAP project upon determination of eligibility based on specific requirements of each grant or loan program.

Figure 6-2

Alternative Financing/Funding Methods For Replacement/Rehabilitation

X Denotes that method can be used for that type of infrastructure improvement

Financing / Funding Methods	Residential Sidewalk/Curbs	Alleys	Residential Streets	Street Lighting	Traffic Signals	Sewers	Highway Block Walls	Drainage Pump Stations	Buildings	Street Trees	Parks	Playgrounds	Beach Facilities	Recreation Equipment
<b>A. Assessments</b>														
1913 Act/1915 Act	X	X	X	X	(a)	X	X	X	(b)	(c)	X	X		
1913 Act/1911 Act	X	X	X	X	(a)	X	X	X	(b)	(c)	(d)	(d)		
Benefit Assessment Act of 1982		X	X	X	X			X		X	X	X		
Landscaping & Lighting Act of 1972			X	X	X					X	X	X		
Business Improvement Districts				X	X	(e)			(f)	X	(g)	(g)		
Park & Playgrounds Act 1909		X		X	X						(g)	(g)		
<b>B. Taxes</b>														
Community Facilities District (special taxes - Gov't Code 53011)	X	X	X	X	X	X	X	X	X	X	X	X	X	
General Obligation (G.O.) Bonds (property taxes)	X	X	X	X	X	X	X	X	X	X	X	X	X	
Special Taxes (Gov't Code 50075)	X	X	X	X	X	X	X	X	X	X	X	X	X	
<b>C. Fees/Charges</b>														
Sewer/Sanitation Charge (Health & Safety Code 5470 *)						X								
Sewer Collection Fee (Gov't Code 54300)						X								
Sewer Connection Fee (Gov't Code 66403)						X								
Storm Water Utility District Fee (PUC Code 10000)								X						
Drainage & Sanitary Sewer Facilities Fee (Gov't Code 66403)								X					X	
Facility User Fee													X	
Park Fee														X
Advertising														
<b>D. Current Revenue</b>														
General Fund and Restricted Funds	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Redevelopment - Tax Increment Financing	X	X	X	X	X	X	X	X	(h)	X	X	X	X	X
Infrastructure Financing Dist - Gov't Code 53395	X	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>E. Federal, State and Other Gov't Agency Funding Programs (i)</b>														

- (a) When traffic signals are incidental to a street improvement project financed through an assessment district, traffic signals may be eligible.
- (b) Park and recreation buildings may be financed with this method; however, only costs reflecting a special benefit may be assessed.
- (c) When street trees are being replaced in conjunction with rehabilitation/replacement street project financed through an assessment district.
- (d) Authorized; however, making finding of special benefit may be difficult or not possible.
- (e) Possibly Property and Business Improvement District Law of 1994 (property related assessments).
- (f) If the building is within a park; however, only costs reflecting a special benefit may be assessed.
- (g) Parks, playgrounds, and beach facilities may be financed with this method; however, only costs reflecting a special benefit may be assessed.
- (h) Cannot be used for civic center buildings (Health and Safety Code Section 3345).
- (i) Grants and loans may be available for each IIMP project upon determination of eligibility based on specific requirements of each grant or loan program.

Figure 6-3

Alternative Financing/Funding Methods For  
Maintenance Operations

X Denotes that method can be used for that type of infrastructure improvement

Financing / Funding Methods	Infrastructure Improvement Type										
	Streets	Drainage/Flood Control	Sewers	Buildings/Facilities	Traffic Signals/Striping	Street Lighting	Parks	Beach	Fleet/Equipment	Street Sweeping	Graffiti
<b>A. Assessments</b>											
1913 Act/1915 Act	X	X									
Benefit Assessment Act of 1982											
Landscaping & Lighting Act of 1972											
Business Improvement Districts											
<b>B. Taxes</b>											
Community Facilities District (special taxes - Gov'l Code 53311)		X	X	X	X	X	X	X	X	X	X
Special Taxes (Gov'l Code 50075)	X	X	X	X	X	X	X	X	X	X	X
<b>C. Fees/Charges</b>											
Sewer/Sanitation Charge (Health & Safety Code 5470+)			X								
Sewer Collection Fee (Gov'l Code 54300)			X								
Storm Water Utility District Fee (PUC Code 10000)		X									
Facility User Fee											
Advertising											
<b>D. Current Revenue</b>											
General Fund and Restricted Funds	X	X	X	X	X	X	X	X	X	X	X

(a) If the construction of any of these improvements are financed by this method, their maintenance could also be funded by annual assessments.  
 (b) Maintenance activities may be financed with this method, however, only costs reflecting a special benefit may be assessed.  
 (c) Only if it is a City-owned beach.  
 (d) Incorporated as part of the monthly sewer/sanitation fee.  
 (e) Some cities are using this in support of NPDES compliance.  
 (f) Funding based on qualified building, such as a recreation/community facility.

Figure 6-4

**Example Analysis of Benefit Assessment Act of 1982  
for Financing/Funding of  
Drainage and Flood Control Facilities and Drainage Pump Stations**

APPROVAL PROCESS CONDITIONS	PROPOSITION 218 IMPACT	KEY CONSIDERATIONS	CONCLUSIONS AND REMARKS
<ul style="list-style-type: none"> <li>• Special benefit report required.</li> <li>• Adoption of Municipal Financing District Ordinance by City Council pursuant to City Charter could modify the 1982 Act provisions requiring approval at election of registered voters with each property owner assessment ballot weighted according to proportional financial obligation of the assessed property.</li> <li>• Requires majority vote approval of those submitting assessment ballots.</li> </ul>	<ul style="list-style-type: none"> <li>• There is uncertainty whether Prop 218 assessment ballot procedure requirement supercedes the voting requirement of 1982 Act. City could enact an Ordinance to adopt Proposition 218 assessment ballot provisions and simplify the approval process by eliminating registered voter election.</li> <li>• Must assess all public property.</li> <li>• Cannot assess costs allocable to general benefit.</li> </ul>	<ul style="list-style-type: none"> <li>• 1982 Act provides for financing of construction of new or rehabilitation &amp; replacement of drainage and flood control improvements. It also provides for maintenance of certain public improvements and facilities. Adoption of a Municipal Financing District Ordinance by the City Council could expand the type of infrastructure for construction or replacement/rehabilitation to include a full range of items included in the IIMP.</li> <li>• Act provides for assessment of properties to be based on runoff, not limited to flood protected properties. Essentially, all properties in the drainage area could be assessed.</li> <li>• Requires majority vote approval of those voting.</li> <li>• Can finance New Improvements, Replacement/Rehabilitation and Maintenance</li> <li>• All public properties must be assessed or City may make contribution equal to assessments.</li> <li>• Up-front costs required for preparation of special benefit report.</li> <li>• Requires reserve fund if bonds are issued.</li> <li>• Interest rate for bonds will be slightly higher than General Obligation Bonds.</li> </ul>	<ul style="list-style-type: none"> <li>• As a Charter City, the City could enact Ordinance to establish authority for a Municipal Financing District based on the 1982 Act and expand the eligible improvements to include more than just Drainage and Flood Control improvements. The ordinance could also remove the ballot election confusion of Prop 218 and change the election ballot to be by landowners instead of registered voters.</li> <li>• Requires majority approval by landowners of those submitting assessment ballots.</li> <li>• Can accommodate bonding as well as pay-as-you-go financing.</li> <li>• There are up-front costs required for preparation of reports and determination of preliminary assessment amounts before the ballot election process can be initiated.</li> <li>• Could be difficult to explain to the public.</li> </ul>

Figure 6-5

Financing/Funding Methods  
Short Listed and Supplemental Options For  
New Construction

X Denotes that method shortlisted for use for that type of infrastructure improvement

Financing / Funding Methods	Drainage & Flood Control	Sewer System Improvements	Parks	Buildings	Landscaped Medians
<b>Financing / Funding Methods</b>					
<b>A. Assessments</b>					
Benefit Assessment Act of 1982 (a)	X	X			X
Landscaping & Lighting Act of 1972					
<b>B. Taxes</b>					
Community Facilities District (special taxes - Gov't Code 53311)	X	X	X	X	X
General Tax (i.e., Utility User Tax, Entertainment Tax)	X	X	X	X	X
General Obligation Bonds (G.O. - property taxes)	X	X	X	X	
Special Tax (Gov't Code 56075)	X	X	X	X	
<b>C. Fees/Charges</b>					
Sewer/Sanitation Charge (Health & Safety Code 5470+)		X			
Drainage & Sanitary Sewer Facilities Fee (Gov't Code 66483)	Supplemental	Supplemental			
Facility User Fee					
Park Fee			Supplemental		
<b>D. Current Revenue</b>					
General Fund and Restricted Funds	Supplemental	X	X	Supplemental	X
Redevelopment - Tax Increment Financing	Supplemental	Supplemental	Supplemental	Supplemental	
<b>E. Federal, State and Other Gov't Agency Funding Programs (b)</b>					

(a) Subject to majority voter approval. Registered voter election with 12 or more registered voters, otherwise landowner vote. Despite election requirements, may also still be subject to landowner assessment ballot procedures under Proposition 218. Requires Special Ordinance authority.  
 (b) Grants and loans may be available for each TMAP project upon determination of eligibility based on specific requirements of each grant or loan program. All supplemental funding.

Figure 6-6

**Financing/Funding Methods  
Short Listed and Supplemental Options For  
Replacement/Rehabilitation**

X Denotes that method shortlisted for use for that type of infrastructure improvement

Financing / Funding Methods	Residential Sidewalks/Curbs	Alleys	Residential Streets	Street Lighting	Traffic Signals	Sewers	Highway Block Walls	Drainage Pump Stations	Buildings	Street Trees	Parks	Playgrounds	Beach Facilities	Arterial Highways
<b>Financing / Funding Methods</b>														
<b>A. Assessments</b>														
1913 Act/1915 Act														
Benefit Assessment Act of 1982 (a)	X	X	X	X	X	X	X	X						X
Landscaping & Lighting Act of 1972				X	X					X				
<b>B. Taxes</b>														
Community Facilities District (special taxes - Gov't Code 53311)	X	X	X			X	X	X	X	X	X	X	X	X
General Tax (i.e. Utility User Tax, Entertainment Tax)	X	X	X			X	X	X	X	X	X	X	X	X
General Obligation Bonds (G.O. - property taxes)	X	X	X			X	X	X	X	X	X	X	X	X
Special Tax (Gov't Code 50075)	X	X	X			X	X	X	X	X	X	X	X	X
<b>C. Fees/Charges</b>														
Sewer/Sanitation Charge (Health & Safety Code 5470 +)						X								
Drainage & Sanitary Sewer Facilities Fee (Gov't Code 66483)						Supplmtl		Supplmtl						
Facility User Fee														
Advertising														
Traffic Impact Fee	X	X	X											
<b>D. Current Revenue</b>														
General Fund and Restricted Funds	X	X	X	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	X	Supplmtl	Supplmtl	Supplmtl	X
Redevelopment - Tax Increment Financing	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl	Supplmtl
<b>E. Federal, State and Other Gov't Agency Funding Programs (b)</b>														
														(b)

(a) Verify City's definition of rehabilitation to determine eligibility for funding. Requires Special Ordinance authority.  
 (b) Grants and loans may be available for each IMP project upon determination of eligibility based on specific requirements of each grant or loan program. All supplemental funding.  
 (c) Except for civic center.

Figure 6-7

**Financing/Funding Methods  
Short Listed and Supplemental Options For  
Maintenance Operations**

X Denotes that method shortlisted for use for that type of infrastructure improvement

Financing / Funding Methods	Streets		Drainage/Flood Control		Sewers		Buildings/Facilities		Traffic Signing/Striping		Street Lighting		Parks		Beach		Aerial Highways	
	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl
<b>A. Assessments</b>																		
Benefit Assessment Act of 1982										X <sup>(a)</sup>	X <sup>(a)</sup>	X <sup>(a)</sup>						X
Landscaping & Lighting Act of 1972										X	X	X	X			(b)		
<b>B. Taxes</b>																		
Community Facilities District (special taxes - Gov't Code 53311)	X		X		X		X		X	X	X	X	X	X	X <sup>(c)</sup>	X	X	X
General Tax ( i.e., Utility User Tax, Entertainment Tax)	X		X		X		X		X	X	X	X	X	X	X	X	X	X
Special Tax (Gov't Code 50075)	X		X		X		X		X	X	X	X	X	X	X	X	X	X
<b>C. Fees/Charges</b>																		
Sewer/Sanitation Charge (Health & Safety Code 5470+)					X									X		X		
Facility User Fee							Suppl'mtl							Suppl'mtl		Suppl'mtl		
Advertising																		
<b>D. Current Revenue</b>																		
General Fund and Restricted Funds																		
Redevelopment - Tax Increment Financing	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl	Suppl'mtl

(a) Requires Special Ordinance authority.

(b) Maintenance activities may be financed with this method; however, only costs reflecting a special benefit may be assessed. Not recommended.

(c) Only if it is a City-owned beach.

LEGEND:  
 Y = Yes M = Maybe  
 N = No  
 - = Not Applicable

FINANCING / FUNDING METHODS

Key Distinguishing Requirements/Features	ASSESSMENTS			TAXES				FEES/CHARGES						
	1913 / 1915 Act	Municipal Financing District Based on Benefit Assessment Act of 1982	Landscape & Lighting Act of 1972	Community Facilities District (Mello-Roos)	General Obligation Bonds	Special Taxes (Parcel Taxes, etc.)	General Tax (i.e., Utility Tax)	Sanitation Charge	Sewer Facilities Fees	Drainage Facilities Fee	Traffic Impact Fee	Facility User Fee	Park Fees (Quimby Act)	Library Fees
<b>Approval Process Conditions</b>														
1. Preparation of Benefit Report Required?	Y	Y	Y	Y	N	N	N	-	-	-	-	-	-	-
2. Voting by Registered Voters	N	N	N	Y	Y	Y	Y	-	-	-	-	-	-	-
3. Voting by Property Owners	Y	Y	Y	N	N	N	N	-	-	-	-	-	-	-
4. Vote weighted according to proportional financial obligation of the assessed property	Y	Y	Y	-	-	-	-	-	-	-	-	-	-	-
5. Majority approval required of those voting	Y	Y	Y	-	-	-	Y (2)	-	-	-	-	-	-	-
6. 2/3 approval required of those voting	-	-	-	Y	Y	Y	-	-	-	-	-	-	-	-
7. Enacted by only City Council vote following public hearing	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y
<b>Key Considerations</b>														
1. Provides for bonding as well as pay-as-go-financing	N	Y	Y	Y	N	Y	Y	Y	N	N	N	N	N	N
2. Covers all infrastructure items	Y	Y	N (1)	Y	Y	Y	Y	N	N	N	N	N	N	N
3. Covers:														
• New Improvements	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
• Rehab/Reconstruction	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
• Maintenance	N	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	N	N
4. Must assess all public property	Y	Y	Y	N	N	N	N	N	N	N	N	N	N	N
5. Costs allocable to general benefit can be assessed	N	N	N	Y	-	-	-	-	-	-	-	-	-	-
6. City will have to contribute funds to pay for all public property assessments and general benefits	Y	Y	Y	-	-	-	-	-	-	-	-	-	-	-
7. Is simple to explain to public	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8. Is equitable/fair	Y	Y	Y	M	M	M	M	Y	Y	Y	Y	Y	Y	Y

## 7. FINDINGS OF FACT AND RECOMMENDATIONS

The findings of fact and recommendations of the IAC are summarized under the following headings: *Infrastructure Conditions and Needs, City's Financial Resources, City's Current Infrastructure Policies & Practices, and Financing/Funding Methods, which match the sections in this report.*

### SECTION 1. INTRODUCTION

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Since this is the introductory section of the report, there are no findings or recommendations.

### SECTION 2. INFRASTRUCTURE CONDITIONS AND NEEDS

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#### Findings

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- 2.1 Most of the City's infrastructure was constructed in the 1960s and 1970s during a period of rapid population growth, which means it is 30 to 40 years old and is at or beyond its expected useful life. For example, the expected useful life of the pumps in the City's 28 sewer lift stations is 30 years.
- **The City has a significant amount of aging, deteriorated infrastructure that must be rehabilitated or replaced.**
- 2.2 Aging, deteriorated infrastructure that is in similar or much worse condition than Huntington Beach is common throughout the cities and counties of California and the United States. However, Huntington Beach is taking a more proactive response to its conditions than most agencies to avoid being confronted with a crisis situation, as well as to minimize total costs.
- **While Huntington Beach is not unique in its need for infrastructure investment, it is unique in the proactive actions it is taking.**
- 2.3 As infrastructure ages, the cost for maintenance, repair and replacement increases over time if ongoing preventive maintenance programs are not implemented and adequately funded. For example, \$1 expended on timely preventive maintenance and repairs on road pavement while it is in fair to good condition will eliminate the need to pay 4 to 5 times as much later when its condition has further deteriorated.
- **Adequate funding of preventive maintenance and repair will minimize future reconstruction costs that are many times more costly and will save money.**
- 2.4 The City has a unique combination of physical conditions such as flat topography, areas below sea level and subsurface peat deposits, which are not present in most

California communities. These impact components of its infrastructure systems and increase costs of construction and maintenance. For example, due to topography conditions, the City has 28 sewer lift stations, and 15 stormwater pump stations; far more than most cities.

- **The City of Huntington Beach has substantially higher infrastructure construction and ongoing maintenance cost demands than most California cities.**

2.5 The combination of unique physical and climatic conditions and aging infrastructure along with insufficient funding and changing priorities of the City over the years has left much of the City's infrastructure in a degraded condition.

- **There is a large backlog of unfunded needs for infrastructure maintenance, repair, and rehabilitation/replacement.**

2.6 The City's infrastructure is essentially "invisible" to the people it serves. Most of Huntington Beach's residents are unaware of the City's degraded infrastructure conditions and of the need for major investment to correct the deficiencies.

- **There is a need to communicate to the residents about the current infrastructure conditions and deficiencies, and to develop infrastructure supporters.**

2.7 Many problems result from not adequately funding the City's infrastructure needs. They include, but are not limited to, health protection, life safety, liability risk, property damage, regulatory compliance, erosion of property values, impacts on the City's economy, reduced quality of life and blighted conditions.

- **The public and community benefits of adequately funding the City's infrastructure needs and established commitments to future quality of life are numerous.**

2.8 While new development in the City has historically paid for much of the initial cost of new roadways and other infrastructure serving new developments, it does not provide the funds needed for preventive maintenance and replacement.

- **An ongoing funding source needs to be established to ensure that adequate preventive maintenance and replacement are provided throughout the useful life of infrastructure improvements.**

- 2.9 Of the total \$1.37 billion in forecasted infrastructure investment needed over the next 20 years, there is anticipated funding from various sources sufficient to cover only approximately \$512 million of the requirements, leaving an estimated shortfall of \$854 million.

- **There is an urgent need for new dedicated, consistent and ongoing funding to ensure long-term adequacy of the City's infrastructure.**

### Recommendations

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- 2A Communicate to residents the current deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure systems.
- 2B Develop and implement dedicated, ongoing and consistent sources of funding to meet the City's current and long-term infrastructure requirements.
- 2C Inform the citizens that a different prioritization of uses of current revenue and/or improvement in government efficiencies will not provide enough funds to do the job.
- 2D Use the IAC weighting of possible consequences of non-implementation of infrastructure improvements and ranking of infrastructure as decision-making tools for the allocation of financial resources and budgeting.

## SECTION 3. THE CITY OF HUNTINGTON BEACH'S FINANCIAL RESOURCES

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### Findings

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- 3.1 Huntington Beach, like all California cities, has had its revenue base adversely affected by reforms and events beginning in the 1970s that has impacted its ability to fund city services and infrastructure needs. As an example, the total revenue "take-aways" by the state from a variety of taxes, fines and fees (see Figure 3-1) between Fiscal Years 1990/91 and 1998/99 amount to over \$44 million.
- **The continuing shortage of City funds available for infrastructure is a problem that has been exacerbated by factors beyond the control of the City. Huntington Beach residents should be made clearly aware of this fact.**
- 3.2 Most Huntington Beach residents are unaware that the City receives only twenty cents (\$.20) of every dollar (\$1.00) paid in property tax. The balance goes to the schools, or to county government. Similarly, of seven and three fourths cents (\$.0775) paid in sales tax on each dollar spent in Huntington Beach, only one cent (\$.01) comes back to the City.
- **These significant facts about City finance must be communicated through the Public Awareness Program to our citizens.**

- 3.3 The City's current revenue sources, including those restricted for infrastructure expenditures, are insufficient to fund its infrastructure requirements over the next 20 years. Those required to be used only for expenditures on infrastructure are:
- State Gas Tax and Measure M (1/2 cent County Sales Tax)
  - Fees from New Development for:
    1. Drainage
    2. Sewers
    3. Traffic
    4. Parks
    5. Library
- **Major new funding that is restricted for the specific purpose of new infrastructure improvements, maintenance, repairs and rehabilitation/replacement is required.**
- 3.4 While not a predictable continuing revenue source, the City pursues grants as a way of supplementing revenues to fund needed infrastructure improvements, receiving nearly \$11 million in Fiscal Year 1999/2000.
- **The City has realized beneficial results from its pursuit of other governmental funding of its infrastructure needs, and therefore, should aggressively continue pursuing this effort.**

### **Recommendations**

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- 3A Inform residents and businesses in Huntington Beach of the need to invest additional dollars in the City's infrastructure systems to prevent future deterioration of its aging systems; to provide funding for ongoing infrastructure maintenance, repair, and rehabilitation/replacement, and, to protect property values.
- 3B Continue an aggressive program of pursuing available governmental grants for infrastructure.
- 3C Continue implementing programs to improve organizational efficiencies and minimize annual operating costs.
- 3D Consider earmarking unanticipated revenue to help fund the City's infrastructure programs before identifying it to be used for general municipal purposes.
- 3E Intensify lobbying efforts to redirect revenues back to cities for use in preserving and rehabilitating or replacing their aged and deteriorated infrastructure systems.
- 3F Support development and maintenance of a long-range financial plan for the City.
- 3G Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.

## SECTION 4. CITY'S CURRENT INFRASTRUCTURE POLICIES, PRACTICES & STANDARDS

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### Findings

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- 4.1 The City has adopted various infrastructure systems Master Plans, such as for drainage and sewer that guide the long range planning, annual budgeting and implementation of infrastructure improvements. The infrastructure Master Plans serve as a good management tool, and they need to be regularly updated to reflect current conditions and requirements.

### Recommendations

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- 4A Establish an annual infrastructure report to the City Council and the community at budget time that includes: 1) Information on infrastructure revenue and expenditures, and 2) A summary of the progress made in reducing the backlog of infrastructure repairs, and 3) A progress report on performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.
- 4B Continue to adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools.
- 4C Continue to implement programs to improve organizational efficiencies and minimize annual operating costs.

## SECTION 5. COMMUNITY INFLUENCES IMPACTING INFRASTRUCTURE

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### Findings

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- 5.1 The City's infrastructure is essentially "invisible" to the people it serves. Residents of Huntington Beach are unaware of infrastructure in general --- what it is, who pays for it, and how important it is in maintaining their quality of life.
- **There has been a low level of public awareness and there have been few organized supporters to speak up for infrastructure needs, and few participants in the long-term infrastructure improvement process.**
- 5.2 Infrastructure funding has been lacking over the past years, as cities faced other challenges and priorities. The current infrastructure problem results from inadequate revenue, which in turn, has led to deferred maintenance and repair.
- **Further deferring infrastructure maintenance and replacement will only make problems more costly to repair in the future.**

- 5.3 As a beach city, Huntington Beach has unique climatic and physical conditions that cause more rapid deterioration of infrastructure, require more frequent maintenance, and call for more expensive materials to combat these negative natural forces.
- **Huntington Beach requires a higher level of funding for infrastructure than other cities because of its unique natural conditions.**
- 5.4 Implementation of new technology such as the Internet and advanced communications has negatively impacted our infrastructure due to increased trenching of pavements and other activities, which have increased maintenance and repair costs.
- **The city must implement more planning and ensure that regulatory measures such as a Utility Trench Ordinance are in place to protect against premature degradation of its infrastructure systems. An example is trenching in City streets for installation of cable TV facilities.**
- 5.5 Federal and state regulatory decisions involving infrastructure can and have adversely impacted cities and its residents and businesses and the increased requirements for infrastructure investment. For example, the decision of FEMA to require 100-year flood protection when the city's standard was 25-year storm protection resulted in more costly drainage flood control facilities and a requirement for property owners to have flood insurance.
- **Legislation needs to be pursued at State and Federal levels that will negate or mitigate regulatory changes that impact cities.**
- 5.6 Leadership changes at all levels of government do not always achieve the long-term interest of infrastructure planning and investment. Few elected policy makers are able to serve long enough to accompany infrastructure issues through their long life cycle.
- **Budgeting and expenditures for infrastructure must have a mechanism for permanency to maintain infrastructure investment across leadership changes.**
- 5.7 A series of reforms and events, beginning in the 1970s, has eroded the revenue base of all California cities. A specific change with significant impact to Huntington Beach is the property tax shift for local government to state government.
- **Actions beyond the City's control have depleted its financial resources and resulted in deferred projects and programs.**

- 5.8 Municipal infrastructure conditions play a role in where businesses locate their business.
- **A degraded infrastructure affects the community's ability to attract economic development and retain its commercial and industrial business base.**

### **Recommendations**

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- 5A Implement a public awareness program for the public to gain knowledge about and participate in the process leading to City infrastructure decisions and expenditures.
- 5B Establish mechanisms for a long-term commitment to be made to City budgets that will adequately fund infrastructure maintenance and improvement.
- 5C Ensure that infrastructure is a constant priority for City budgeting and expenditures.
- 5D Evaluate current cost-recovery programs (such as Utility Trench Ordinance) and investigate other efforts to recover costs and/or manage these impacts.
- 5E Continuously identify and evaluate proposed State and Federal regulatory changes and intensify lobbying efforts to ensure proposed changes do not adversely impact cities including Huntington Beach. Also, aggressively seek recovery of funds for non-funded mandated programs and participate fully in efforts to influence such legislation. Critically evaluate what really must be done to comply with the regulations.
- 5F Amend the City charter and enact implementing ordinances to provide permanent mechanism and controls regarding infrastructure budgeting and expenditures.
- 5G Inform the public regarding tax revenue allocation so they understand the consequences of the actions by State decision-makers.
- 5H Inform residents and businesses that infrastructure budgeting and expenditures are a community investment and an economic development tool.

## **SECTION 6. FINANCING/FUNDING METHODS**

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### **Findings**

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- 6.1 Current revenues from restricted fund sources such as state gas tax, redevelopment tax increment, and Measure M funds provide only limited amounts of funding, as do current development related fees and charges such as Drainage, Traffic Impact, and Sewer Fees. These current funding methods are only sufficient to serve as a supplement to any new funding sources that may be developed by the City.
- **Current infrastructure-restricted funds provide limited revenue. Nonetheless, they should continue to be directed to the maximum extent possible for financing of infrastructure.**
- 6.2 Grants from Federal, State and other governmental programs can vary substantially from year to year, and cannot be counted on as primary funding methods.

- **Governmental grants are an important infrastructure-funding source that the City must continue to aggressively pursue to supplement more consistent, ongoing sources.**

**6.3** The IAC developed a short list of financing/funding methods in the categories of Assessments, Taxes, and Fees & Charges, which can be used in some way for improvement, rehabilitation/replacement, and/or maintenance of infrastructure. All of these are viable methods and have their strengths, weaknesses and limitations.

- **The short list of financing/funding methods should be considered by the City Council in pursuing ways to initiate some form of new dedicated revenue for infrastructure.**

### **Recommendations**

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- 6A** Continue to update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes to provide a supplemental funding source.
- 6B** Continue to aggressively pursue governmental grants as a supplemental funding source.
- 6C** Establish a system to continuously explore, evaluate and implement creative funding methods.
- 6D** Earmark portions of unanticipated revenue received by the City for infrastructure purposes.
- 6E** Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues, based on a three-year rolling average.
- 6F\*** As soon as possible enact a monthly Sanitary Sewer Charge pursuant to the provisions of California Health & Safety Code 5470 to develop a dedicated, ongoing funding source for the rehabilitation/replacement and repair of sewer system facilities, including lift stations. It is recommended that the charge be ongoing (not expire), as the funding requirements for rehabilitation/replacement of the sewer facilities will continue beyond a 20-year period. In addition, it is recommended that the following be included as part of the action:
  - ✓ An escalator to keep pace with costs of inflation and construction cost increases; and,
  - ✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.
- 6G** Conduct community survey to assess how much financial impact the community is willing to accept as the basis of formulating the amount to be included in any financing/funding proposals.

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\* Recommendation is contingent upon a Charter Amendment (with provisions recommended in this report by the IAC) or equivalent ordinance being in place at the time of fee enactment.

- 6H** Obtain voter approval of a special tax pursuant to a city-wide Community Facilities District (CFD) for the funding of other infrastructure items included in the updated IIMP. It is recommended that it include:
- ✓ A term of 20 years to match the 20-year period of the IIMP.
  - ✓ An annual escalator of 2% to match Proposition 13.
  - ✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.
- 6I** Use a pay-as-you-go approach, but with a provision for bonding of infrastructure improvements that meet one or more of the following criteria:
- ✓ Delay of the project would result in a cost that is much greater than interest on bonds;
  - ✓ Risk of a facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and
  - ✓ Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.

## 8. IMPLEMENTATION PLAN

The IAC's review of the City's financial resources revealed some of the difficult realities currently facing the City. The IAC also noted programs underway to minimize costs even while serving a growing community with aging infrastructure.

At the Federal and State level, funding made available for grants and other programs varies from year to year, making it an unreliable ongoing source of funds. Clearly, only a multi-pronged approach to funding infrastructure can come close to meeting the needs identified in the IAC's Final Report.

Whether through cost reductions, technology improvements, grants or preventive maintenance – every possible source must be tapped to minimize costs and secure sufficient funds to ensure a long-term infrastructure solution. Federal and state grants, dedication of portions of windfall revenue to infrastructure and implementation of new sources of revenue must all become part of a comprehensive, long-term solution.

Cost savings, revenue windfalls, technology improvements, etc. will not however, close the gap entirely. The IAC believes it will be necessary to approach the citizens of Huntington Beach to step forward and assist in meeting the City's infrastructure needs.

Simply stated, Huntington Beach is facing a significant challenge to close the funding gap between the total infrastructure needs identified in the IIMP over the next 20-years period and beyond. The three primary participants in providing a multi-pronged solution for this funding gap are the City Council, the City Staff and the community. They form a triad of shared responsibility and actions. It can be likened to a three legged stool, where all three legs must be in place and strong in order to provide a functioning, stable framework. The primary actions these three partners can take in solving the problem are:

### **City Council**

- ◆ Enhancement of current revenues and development of new sources

### **City Staff**

- ◆ Implementation of cost savings programs

### **Community**

- ◆ Approval of new revenue as required

In this section of the report, a blueprint is presented for implementation of the IAC's recommendations and overall approach for successfully completing the infrastructure initiative started by the current City Council over five (5) years ago. There are five essential elements in the overall approach for the initiative. They are each described in more detail in the report and in the following implementation plan.

***Public Awareness:*** Inform the public about our situation and why we must deal with it as soon as possible.

***Organizational:*** Establish, through a charter amendment and subsequent Ordinance, a Citizens Infrastructure Advisory Board to monitor implementation of the strategy and advise City Councils regarding progress toward turning the problem around.

***Advocacy:*** Lobby state and federal governments to recapture/generate appropriate funds from those sources other than grant funds.

***Financing/Funding:*** Commit a consistent proportion of ongoing City revenues to infrastructure investment as an expression of long-term priority given to this need.

***Policy:*** Establish new policies to ensure that new infrastructure funding commitments will be applied only to that purpose.

## IMPLEMENTATION PLAN

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The following plan identifies the actions to be taken, when and by whom, in order to implement the recommendations of the IAC. Action items for each of the five elements are numbered and preceded by initials identifying the elements: Public Awareness (PA), Organizational (O), Advocacy (A), Funding/Financing (F), and Policy (P).

<b><i>Public Awareness (PA)</i></b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>PA1</b> Authorize Phase II of Frank Wilson & Associates' contract for community outreach and public awareness consultant services.	Immediate	City Council
<b>PA2</b> Approve budgeting funds in FY2000-01 and thereafter for Public Awareness program.	This Budget Year & Ongoing	City Council
<b>PA3</b> Ensure that an organizational structure is in place with defined responsibilities and adequate support resources to implement an on-going public awareness program.	Ongoing	City Council through City Administrator

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### Summary of Public Awareness Goals and Objectives

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- ◆ **Implement an ongoing comprehensive public awareness program with the following goals:**
  - ✓ Communicate current conditions and deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure;
  - ✓ Inform the public about property tax revenue, state sales tax revenue and other tax revenue allocation so they understand the consequences of the actions of State decision-makers;
  - ✓ Encourage participation in City Infrastructure decisions and expenditures; and
  - ✓ Inform residents and businesses in Huntington Beach of the need to invest in the City's infrastructure.

<b>Organizational (O)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>O1</b> Ensure that an organizational structure is established with defined roles, responsibilities and resources to identify, evaluate and implement organizational efficiency and cost reduction programs. Also, establish a monitoring, tracking and reporting system.	Immediate	City Council through City Administrator
<b>O2</b> Establish a program to review on a regular basis the City's Infrastructure System Master Plans to ensure they are current and budget funds for updating of the plans as needed.	Immediate	City Council City Administrator and Staff
<b>O3</b> Assign responsibility to the Citizens Infrastructure Advisory Board to oversee the program and report no less than annually to the City Council.	Upon passage of Charter Amendment	City Council
<b>O4</b> Establish an Infrastructure Fund.	Upon passage of Charter Amendment	City Council

#### **Summary of Organizational Goals and Objectives**

- ◆ **Continue to:**
  - ✓ Implement programs to improve organizational efficiencies and minimize annual operating costs;
  - ✓ Monitor, audit and improve systems for tracking accomplishments; and,
  - ✓ Adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools. Present an audit of cost assumptions and calculations.
  
- ◆ **Establish an annual infrastructure report to the City Council and the community at budget time that includes:**
  - ✓ Revenue and expenditure information;
  - ✓ A summary of the progress made in reducing the backlog of infrastructure repairs; and,
  - ✓ A summary of performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.
  
- ◆ **Position the city's infrastructure budgeting and expenditures as an enhancement of the quality of life, and, as such, also an economic development and community investment tool.**

<b>Advocacy (A)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>A1</b> Ensure that an organizational structure for lobbying is in place and adequate resources provided to maintain a high level, sustained commitment by the city.	Immediate	City Council through City Administrator
<b>A2</b> Continue to participate in regional & statewide lobbying efforts.	Ongoing	City Council
<b>A3</b> Maintain a legislative tracking system.	Ongoing	City Staff

### Summary of Advocacy Goals and Objectives

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- ◆ **Intensify lobbying efforts to:**
  - ✓ Restore revenue to cities for use in improving and maintaining infrastructure systems;
  - ✓ Secure legislation at the State and Federal levels that will negate or mitigate regulatory changes that adversely impact cities; and
  - ✓ Seek recovery of funds for non-funded, mandated programs. Critically evaluate what really must be done to comply with the regulations.

<b><i>Financing/Funding (F)</i></b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>F1</b> Adopt a long-range financial plan for the City, to be updated on a regular basis.	Immediate and Ongoing	City Council through Finance Board
<b>F2</b> Conduct a bi-annual review for purposes of maximizing the use of fees and charges for funding of infrastructure	Immediate and Ongoing	City Council through City Administrator
<b>F3</b> Continue to pursue a program to recover and/or manage costs associated with infrastructure	Immediate and Ongoing	City Council through City Administrator
<b>F4</b> Establish a policy that all unanticipated revenue received by the City will be evaluated for earmarking to be used for infrastructure	Immediate and Ongoing	City Council
<b>F5</b> Ensure that an organizational structure for pursuing governmental grants and loans is in place and adequate resources provided to maintain a high level, sustained commitment.	Immediate and Ongoing	City Council through City Administrator
<b>F6</b> Establish an ongoing program to implement creative infrastructure financing/funding methods.	Immediate and Ongoing	City Council through City Administrator
<b>F7</b> Implement provisions of the proposed Charter Amendment	Immediate and Ongoing	City Council
<b>F8*</b> Enact a monthly Sanitary Sewer Charge pursuant to the provisions of California Health & Safety Code 5470 for the rehabilitation, replacement, maintenance and repair of sewer system facilities, including lift stations with provisions for: <ul style="list-style-type: none"> <li>◆ The charge to be ongoing (not expire) as the funding requirements for the sewer facilities will continue beyond a fixed time period.</li> <li>◆ An escalator to keep pace with costs of inflation and construction cost increases.</li> <li>◆ A set aside of an amount to establish and maintain a reserve fund to undertake future rehabilitation and replacement of newly completed improvements.</li> </ul>	Immediate	City Council

\* Recommendation is contingent upon a Charter Amendment (with provisions recommended in this report by the IAC) or equivalent ordinance being in place at the time of fee enactment.

<b>Financing/Funding (F) (continued)</b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>F9</b> Approve obtaining voter approval of a special tax pursuant to a citywide Community Facilities District (CFD) for the funding of other infrastructure items included in the Updated IIMP. It is recommended that it include: <ul style="list-style-type: none"> <li>◆ A term of 20 years to match the 20-year term of the IIMP.</li> <li>◆ An annual escalator of 2%.</li> <li>◆ A set aside of an amount to establish and maintain a reserve fund to undertake future rehabilitation and replacement of newly completed improvements.</li> </ul>	City General Election in 2002	City Council
<b>F10</b> Authorize and ensure that a public awareness program is in place and implemented to communicate: <ul style="list-style-type: none"> <li>• The current conditions and deficiencies in the city's infrastructure;</li> <li>• The benefits of having well maintained infrastructure; and</li> <li>• The need to invest in infrastructure</li> </ul>	Immediate	City Council through City Administrator

#### **Summary of Financing/Funding Goals and Objectives**

- ◆ Encourage the development and maintenance of a long-range financial plan for the City.
- ◆ Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.
- ◆ Update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes.
- ◆ Earmark portions of unanticipated revenue received by the City for infrastructure programs.
- ◆ Continue to aggressively pursue governmental grants as a supplemental funding source for infrastructure.
- ◆ Establish a system to explore, evaluate and implement creative infrastructure financing/funding methods for reducing our funding shortfall as a continuing priority.
- ◆ Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues based on a three year rolling average.

- ◆ Develop dedicated, ongoing sources of funding to meet the city's current and long-term infrastructure requirements based on the following:
  - ✓ Any new revenues placed in the infrastructure fund shall not supplant existing infrastructure funding.
  - ✓ A pay-as-you-go financing approach should be used, but with a provision for bonding of infrastructure improvements that meet the following specific criteria:
    - Delay of the project would result in a cost that is much greater than interest on the bonds;
    - Risk of the facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and,
    - Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.

<b><i>Policy (P)</i></b>		
<b>Action</b>	<b>When</b>	<b>Who</b>
<b>P1</b> Approve placing the IAC's proposed Charter Amendment on the November 2000 ballot.	Immediate	City Council
<b>P2</b> Pursue formation of a campaign committee to promote voter approval of the Charter Amendment.	July 2000	IAC
<b>P3</b> Authorize and ensure that a public awareness program is in place and implemented to communicate: the current conditions and deficiencies in the City's infrastructure; the benefits of having well maintained infrastructure; and the need to invest in infrastructure.	July 2000	City Council
<b>P4</b> Upon passage of and pursuant to the Charter Amendment: <ul style="list-style-type: none"> <li>• Adopt an Ordinance establishing a Citizens Infrastructure Advisory Board (CIAB) and appointment of the CIAB.</li> <li>• Establish a separate Infrastructure Fund.</li> </ul>	Upon adoption of Charter Amendment	City Council

#### **Summary of Policy Goals and Objectives**

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- ◆ **Amend the City Charter and enact implementing ordinances to provide:**
    - ✓ Permanent mechanism and controls regarding infrastructure budgeting and expenditures;
    - ✓ Assurance that any new infrastructure funding source(s) will be spent only for infrastructure purposes; and,
    - ✓ A long-term commitment to a City budget that will adequately fund infrastructure maintenance and improvement, demonstrating that infrastructure is a constant priority.

## CROSS REFERENCE OF IMPLEMENTATION PLAN AND RECOMMENDATIONS

The following tables provide a cross reference between recommendations made in Sections 2 through 6 and their corresponding Action Plan Elements. Recommendations for each section also can be found at the end of their respective section.

<b>2. Infrastructure Conditions and Needs</b>	<b>Action Plan Element</b>
<b>2A</b> Communicate to residents the current deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure systems.	<b>Public Awareness</b>
<b>2B</b> Develop and implement dedicated, ongoing and consistent sources of funding to meet the City's current and long-term infrastructure requirements.	<b>Financing /Funding</b>
<b>2C</b> Inform the citizens that a different prioritization of uses of current revenue and/or improvement in government efficiencies will not provide enough funds to do the job.	<b>Public Awareness</b>
<b>2D</b> Use the IAC weighting of possible consequences of non-implementation of infrastructure improvements and ranking of infrastructure as decision-making tools for the allocation of financial resources and budgeting.	<b>Financing /Funding</b>

<b>3. City's Financial Resources</b>	<b>Action Plan Element</b>
<b>3A</b> Inform residents and businesses in Huntington Beach of the need to invest additional dollars in the City's infrastructure systems to prevent future deterioration of its aging systems; to provide funding for ongoing infrastructure maintenance, repair, and rehabilitation/replacement, and, to protect property values.	<b>Public Awareness</b>
<b>3B</b> Continue an aggressive program of pursuing available governmental grants for infrastructure.	<b>Financing /Funding</b>
<b>3C</b> Continue implementing programs to improve organizational efficiencies and minimize annual operating costs.	<b>Organizational</b>
<b>3D</b> Consider earmarking unanticipated revenue to help fund the City's infrastructure programs before identifying it to be used for general municipal purposes.	<b>Financing /Funding</b>
<b>3E</b> Intensify lobbying efforts to redirect revenues back to cities for use in preserving and rehabilitating or replacing their aged and deteriorated infrastructure systems.	<b>Advocacy</b>
<b>3F</b> Support development and maintenance of a long-range financial plan for the City.	<b>Financing /Funding</b>
<b>3G</b> Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.	<b>Financing /Funding</b>

<b>4. City's Current Infrastructure Policies, Practices &amp; Standards</b>	<b>Action Plan Element</b>
<p><b>4A</b> Establish an annual infrastructure report to the City Council and the community at budget time that includes: 1) Information on infrastructure revenue and expenditures, and 2) A summary of the progress made in reducing the backlog of infrastructure repairs, and 3) A progress report on performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.</p>	<b>Organizational</b>
<p><b>4B</b> Continue to adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools.</p>	<b>Organizational</b>
<p><b>4C</b> Continue to implement programs to improve organizational efficiencies and minimize annual operating costs.</p>	<b>Organizational</b>

<b>5. Community Influences Impacting Infrastructure</b>	<b>Action Plan Element</b>
<p><b>5A</b> Implement a public awareness program for the public to gain knowledge about and participate in the process leading to City infrastructure decisions and expenditures.</p>	<b>Public Awareness</b>
<p><b>5B</b> Establish mechanisms for a long-term commitment to be made to City budgets that will adequately fund infrastructure maintenance and improvement.</p>	<b>Policy</b>
<p><b>5C</b> Ensure that infrastructure is a constant priority for City budgeting and expenditures.</p>	<b>Organizational</b>
<p><b>5D</b> Evaluate current cost-recovery programs (such as Utility Trench Ordinance) and investigate other efforts to recover costs and/or manage these impacts.</p>	<b>Financing /Funding</b>
<p><b>5E</b> Continuously identify and evaluate proposed State and Federal regulatory changes and intensify lobbying efforts to ensure proposed changes do not adversely impact cities including Huntington Beach. Also, aggressively seek recovery of funds for non-funded mandated programs and participate fully in efforts to influence such legislation. Critically evaluate what really must be done to comply with the regulations.</p>	<b>Advocacy</b>
<p><b>5F</b> Amend the City charter and enact implementing ordinances to provide permanent mechanism and controls regarding infrastructure budgeting and expenditures.</p>	<b>Policy</b>
<p><b>5G</b> Inform the public regarding tax revenue allocation so they understand the consequences of the actions by State decision-makers.</p>	<b>Public Awareness</b>
<p><b>5H</b> Inform residents and businesses that infrastructure budgeting and expenditures are a community investment and an economic development tool.</p>	<b>Public Awareness</b>

<b>6. Financing/Funding Methods</b>	<b>Action Plan Element</b>
<b>6A</b> Continue to update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes to provide a supplemental funding source.	<b>Financing /Funding</b>
<b>6B</b> Continue to aggressively pursue governmental grants as a supplemental funding source.	<b>Financing /Funding</b>
<b>6C</b> Establish a system to continuously explore, evaluate and implement creative funding methods.	<b>Financing /Funding</b>
<b>6D</b> Earmark portions of unanticipated revenue received by the City for infrastructure purposes.	<b>Financing /Funding</b>
<b>6E</b> Continue to budget and expend for infrastructure improvements and maintenance, subsequent to Fiscal Year 2001, a minimum of 15% of the annual general fund revenues, based on a three-year rolling average.	<b>Financing /Funding</b>
<b>6F*</b> As soon as possible enact a monthly Sanitary Sewer Charge pursuant to the provisions of California Health & Safety Code 5470 to develop a dedicated, ongoing funding source for the rehabilitation/replacement and repair of sewer system facilities, including lift stations. It is recommended that the charge be ongoing (not expire), as the funding requirements for rehabilitation/replacement of the sewer facilities will continue beyond a 20-year period. In addition, it is recommended that the following be included as part of the action: <ul style="list-style-type: none"> <li>✓ An escalator to keep pace with costs of inflation and construction cost increases; and,</li> <li>✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.</li> </ul>	<b>Financing /Funding</b>
<b>6G</b> Conduct community survey to assess how much financial impact the community is willing to accept as the basis of formulating the amount to be included in any financing/funding proposals.	<b>Public Awareness</b>
<b>6H</b> Obtain voter approval of a special tax pursuant to a city-wide Community Facilities District (CFD) for the funding of other infrastructure items included in the updated IIMP. It is recommended that it include: <ul style="list-style-type: none"> <li>✓ A term of 20 years to match the 20-year period of the IIMP.</li> <li>✓ An annual escalator of 2% to match Proposition 13.</li> <li>✓ A provision for a portion of the revenue to be set aside as a reserve fund to undertake future rehabilitation/replacement and repair of newly completed improvements.</li> </ul>	<b>Financing /Funding</b>
<b>6I</b> Use a pay-as-you-go approach, but with a provision for bonding of infrastructure improvements that meet one or more of the following criteria: <ul style="list-style-type: none"> <li>✓ Delay of the project would result in a cost that is much greater than interest on bonds;</li> <li>✓ Risk of a facility failing during the period that the City is waiting to accumulate enough funds to fix it would expose the City and residents to significant health and/or safety risk; and</li> <li>✓ Provide matching funds for a grant program that may come along for which insufficient funds are accumulated for the matching amount.</li> </ul>	<b>Financing /Funding</b>

\* Recommendation is contingent upon a Charter Amendment (with provisions recommended in this report by the IAC) or equivalent ordinance being in place at the time of fee enactment.

## APPENDIX A: GLOSSARY OF ACRONYMS

**AMSA** – Association of Metropolitan Sewerage Agencies

**APWA** – American Public Works Association

**CDBG** – Community Development Block Grants

**CFD** – Community Facilities District

**CIP** – Capital Improvement Program

**EPA** – Environmental Protection Agency

**ERAF** – Education Revenue Augmentation Fund

**FEMA** – Federal Emergency Management Agency

**FY** – Fiscal Year

**G.O.** – General Obligation Bonds

**GIS** – Geographic information System

**GOV'S** - Governments

**GOV/T** - Government

**HB** – Huntington Beach

**IAC** – Citizens' Infrastructure Advisory Committee

**IIMP** – Integrated Infrastructure Management Program

**MISC** - Miscellaneous

**NPDES** – National Pollutant Discharge Elimination System

**O.C.** – Orange County

**O & M** – Operations & Maintenance

**OCBC** – Orange County Business Council

**OCSD** – Orange County Sanitation District

**OCTA** – Orange County Transportation Authority

**PCH** – Pacific Coast Highway

**PUC** – Public Utilities Commission

**VLF** – Vehicle License Fees

## APPENDIX B: ACKNOWLEDGMENTS

The following is a list of contributors to the Citizens' Infrastructure Advisory Committee's 29-month effort developing this report. Any omissions are accidental. Names in italics represent past primary or alternate members of the IAC, Public Works Commission, and City staff members.

### CITY COUNCIL

Dave Garofalo, Mayor  
 Tom Harman, Mayor Pro Tempore  
 Ralph Bauer, Council Member  
 Shirley Dettloff, Council Member  
 Peter Green, Council Member  
 Pam Julien, Council Member  
 Dave Sullivan, Council Member

### CITIZENS' INFRASTRUCTURE ADVISORY COMMITTEE (IAC)

Organization	Primary	Alternate
<b>City Council Appointees</b>		
Ralph Bauer Appointment	Mary Urashima	
Shirley Dettloff Appointment (IAC Liaison)	Al Bell	
Dave Garofalo Appointment	Steve Holden	
Peter Green Appointment (IAC Liaison)	Ed Laird	
Tom Harman Appointment	Jeff Jellick	
Pam Julien Appointment	John Erskine	
Dave Sullivan Appointment	Chuck Scheid	
<b>Representatives of City Boards and Commissions</b>		
Citizen Participation Advisory Board	Roy Richardson	Floyd Phillips
H.B. Community Services Commission	Jay Kreitz	J. Biddle
H.B. Environmental Board	Alan Merow	
H.B. Finance Board	Chuck Bohle	Barry Garcia
H.B. Planning Commission	Gerald Chapman	Philip Inglec
H.B. Public Works Commission	Bob Riffenburgh	Dina Gartland
H.B. Public Works Commission	<i>Philip Smith</i>	
<b>Representatives of Community Organizations</b>		
American Assn. of University Women	Catherine McGough	Karen Jackle
Amigos de Bolsa Chica	Dave Carlberg	
Apartment Assn. Of Orange County	Alan Dager	Robert Dingwall
Association of Realtors	Judy Legan	
Chamber of Commerce	Richard Harlow	Joyce Riddell
Democratic Club of West Orange Co.	Sally Alexander	Chauncey Alexander
Friends and Neighbors of Seacliff	Carole Ann Wall	Jim Larkin
H.B. Downtown Business Association	Bob Bolen	Steve Daniels
H.B. Downtown Residents Association	Art Rosen	Bill Meyer
H.B. Mobile HOA	Edward Robison	Stephen Gullage

### CITY STAFF

#### Administration

Ray Silver, City Administrator  
*Michael T. Uberuaga*, City Administrator  
 Rich Barnard, Deputy City Administrator

#### Administrative Services

John Reekstin, Director  
*Robert Franz*, Director  
 Dan Villella, Finance Director  
 William McReynolds, Department Analyst

#### City Attorney

Gail Hutton, City Attorney  
 Jennifer McGrath, Deputy City Attorney  
 Robert Wheeler, Deputy City Attorney

#### Community Development

Howard Zelefsky, Planning Department Director  
 Mary Beth Broeren, Senior Planner

#### Fire Department

Michael Dolder, Chief  
 Chuck McReynolds, Chief/Operations

#### Police Department

Ron Lowenberg, Chief

#### Public Works

Robert F. Beardsley, Director  
*Les Jones III*, Director  
 Daryl Smith, Interim Deputy Director

## **CONSULTANT TEAM**

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### **Psomas, Engineers & Planners, Lead Consultant**

Gary P. Dysart, Sr. Consultant  
Denise Landstedt, Sr. Analyst

### **Fieldman, Rolapp & Associates, Financial Advisors**

Lawrence Rolapp, Principal  
Thomas DeMars, Principal

### **Brown, Diven, Hassel & Brewer, Legal Advisors**

Warren Diven, Esq.

### **Frank Wilson & Associates, Public Outreach Advisors**

Julie Chay, Community Relations  
George Urch, Public Affairs and Media Relations  
Frank Wilson, President

## **APPENDIX C: CONSULTANT BIOGRAPHIES**

### **PSOMAS**

Psomas is a leading engineering and surveying consulting firm ranked in the Engineering News Record (ENR) Top 200 Engineering Firms in the nation. Psomas' multi-discipline staff provides services to public agencies in the areas of Public Works Engineering, Surveying and Mapping, Information Services and GIS, and Water and Natural Resources.

Founded in 1946, Psomas provides services in the western United States with offices in California, Nevada and Utah. The firm has a long history of providing technological innovation and creative approaches to solving challenging problems for its clients.

### **BEST BEST & KRIEGER LLP – WARREN B. DIVEN**

Mr. Warren Diven has practiced municipal and public finance law for the past 23 years. For the past 15 years, Mr. Diven has specialized in public finance law, acting as lead counsel in engagements involving various types of financings or finance issues. While working on the Huntington Beach Infrastructure Financing/Funding project, Mr. Diven was with Brown Diven & Hessell LLP, a law firm specializing in municipal and public finance law. As of July 1, 2000, Mr. Diven is practicing with Best Best & Krieger LLP.

Mr. Diven serves on CASTOFF, a statewide committee of bond lawyers, financial consultants and underwriters addressing issues pertaining to assessment and community facilities district financing. Mr. Diven has served as a speaker and lecturer on both assessment district and community facilities district financings, Proposition 218, judicial foreclosure proceedings for assessment districts and community facilities districts, restructuring and workouts of distressed assessment districts and community facilities districts and primary and continuing for foreclosure for various organizations, including the League of California Cities, the Public Works Associations of San Diego, Riverside and San Bernardino County, the American Public Works Association chapters of San Diego and Los Angeles Counties, the Coalition for Adequate School Housing (CASH) and continuing education programs of the University of California at UCLA and UC Davis.

## **FIELDMAN, ROLAPP & ASSOCIATES**

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Fieldman, Rolapp & Associates is a California-based financial advisor that provides financial and investment advisory services<sup>1</sup> to public agencies and non-profit organizations. The firm maintains its primary office in Irvine, California.

Fieldman, Rolapp & Associates concentrates its consulting activities in three primary areas: capital finance transaction management, investment of capital funds<sup>1</sup> and the planning, management and policy development required to support the capital formation process. By concentrating on the client's overall needs, the firm is equipped to provide topical, useful consulting services to its clients on all aspects of the capital process.

Fieldman, Rolapp & Associates is an independent advisor. Although the firm interacts daily with the underwriting community and actively monitors financial markets, the firm does not underwrite bonds or have a relationship, direct or otherwise, with any municipal bond underwriter or broker/dealer. The firm represents public entities and non-profit organizations only. The firm does not accept engagements representing developers or other private, for profit enterprises.

## **FRANK WILSON & ASSOCIATES, INC.**

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Frank Wilson & Associates, Inc., is an innovative marketing communications agency, established in July, 1985. From the firm's corporate offices in Laguna Hills, FW&A serves a variety of transportation, local government, environmental, community development, financial services, health care, retail and technology clients.

FW&A is a full service marketing communications firm with a commitment to results and great creativity. As one of the leading public awareness agencies in California, FW&A specializes in helping public agencies increase awareness and foster support and cooperation among various audiences to meet their objectives. We pride ourselves on our ability to take routine aspects of a public awareness or marketing campaign and create an exciting, focused and attention-capturing program, which effectively and energetically communicates our client's message.

FW&A is ranked among the top 10 agencies in the area. Our success is based on solid strategic concepts, exceptional creative talent, reliable project management and proven results.

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<sup>1</sup> Investment advisory services are provided by Fieldman, Rolapp Financial Services, LLC, a registered investment advisor.

## APPENDIX D: IAC MEMBERS' BIOGRAPHIES

### DEAN ALBRIGHT

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**Name of Organization:** Huntington Beach Tomorrow

**No. Members:** 32

**Membership on IAC:** Primary Member

**Years as City Resident:** 30

**Education/Work Experience:**

- » Retired
- » Electrician, Public Works Maintenance Division
- » Foreman, Long Beach Naval Shipyard

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Housing Committee, Past Member and Chairman
- » Huntington Beach Environmental Board, Past Member and Chairman
- » Amigos De Bolsa Chica, Member
- » Orange County Fair Housing Council
- » Bolsa Chica Land Trust, Member

### CHAUNCEY ALEXANDER

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**Name of Organization:** Democratic Club of West Orange County

**No. Members:** 150

**Membership on IAC:** Alternate Member

**Years as City Resident:** 18

**Education/Work Experience:**

- » Professor, California State University Long Beach Department of Social Work, 13 years
- » Executive Director, National Association of Social Workers, Washington D. C., 13 years
- » Associate Director, Regional Medical Programs, UCLA Medical School
- » Executive Director, Los Angeles County Heart Association, 13 years
- » Executive Director, So. Calif. Society for Mental Hygiene, 4 years
- » B.A., Psychology, UCLA
- » Masters, Social Work, USC

**Professional Organizations:**

- » National Association of Social Workers, ACSW
- » American Society of Assoc. Executives, CAE
- » California Faculty Association
- » National Network for Social Work Managers, CSWM
- » American Public Welfare Assoc., et al

**Other City Committees/Commissions & Civic Activities:**

- » Founder and Board Member, Health Care Council of Orange County

**Other:**

- » Elected Delegate, OC Democratic Party Central Committee
- » Officer, Democratic Club of West Orange County

## **SALLY J. ALEXANDER**

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**Name of Organization:** Democratic Club of West Orange County

**No. Members:** 150

**Membership on IAC:** Primary Member

**Years as City Resident:** 18

**Education/Work Experience:**

- » Public Relations – 20 years
- » Graduate Antelope Valley High School
- » Nurses training
- » Editor training
- » Copy writing courses

**Other City Committees/Commissions & Civic Activities:**

- » Member, Woman for Orange County
- » National Women's Political Caucus
- » Member, Orange County Central Committee
- » Member, California Democratic Party
- » 1996 Congressional Candidate - 45 C.D. Democratic

## **AL BELL**

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**Name of Organization:** Appointee, Council Member Shirley Dettloff

**Membership on IAC:** Primary Member

**Years as City Resident:** 32

**Education/Work Experience:**

- » B.A. Geography, UCLA
- » Planning Consultant, The Planning Center, Costa Mesa, 20 years
- » Manager, Advance Planning, County of Orange, 20 years
- » U.S. Naval Aviator, 4 years

**Professional Organizations:**

- » American Planning Association Charter, Past President
- » California Planning Round Table, Member

**Other:**

- » Lecturer, Urban Planning, California State University Fullerton and University of California Irvine Extension

## **CHARLES D. BOHLE**

---

**Name of Organization:** Huntington Beach Finance Board

**Membership on IAC:** Primary Member

**Years as City Resident:** 13

**Education/Work Experience:**

- » 40 years in aerospace industry: financial, information systems, contracts and major subcontracts management
- » Chief Financial Officer for \$3 billion division of General Dynamics; 12,500 employees, 485 direct reports
- » Current position with a Management Consulting Company providing consulting services to major and middle level clients in aerospace industry with a focus on strategic business planning and new business acquisition

**Other City Committees/Commissions & Civic Activities:**

- » Former president of a major property owners association in Huntington Beach
- » Charter Member of the Huntington Beach Finance Board; evaluation of the strategic financial well-being of the City of Huntington Beach

## **BOB BOLEN**

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**Name of Organization:** Huntington Beach Downtown Business Association

**No. Members:** 60

**Membership on IAC:** Primary Member

**Years as City Resident:** 40

**Education/Work Experience:**

- » Real Estate Agent/Broker, Huntington Beach Realty, Owner
- » Surfboards by the Greek, Owner

**Professional Organizations:**

- » Board of Realtors

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Parks and Recreation Department
- » Huntington Beach Downtown Business Association, Founding Member
- » Special Gifts Committee, Member
- » PAC Committee, Chairman
- » Surfing Walk of Fame, Founding Member

## **JERRY BUCHANAN**

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**Name of Organization:** Huntington Beach City School District  
**No. Members:** 6600 Students  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 8 Years with School District

### **Education/Work Experience:**

- » B.A. Business, Pepperdine
- » MBA, Pepperdine, pending dissertation
- » Assistant Superintendent, Huntington Beach School District, 8 years
- » Other Educational Institutions, 8 years
- » Mortgage Banking and Finance, 20 years

### **Professional Organizations:**

- » Association of California School Administrators, ACSA
- » California Association of School Business Officials, CASBO

### **Other City Committees/Commissions & Civic Activities:**

- » City of Huntington Beach General Plan Committee, 1993-1996
- » School Board Member, Centralia School District, 1979-1989

## **BONNIE PROUTY CASTREY**

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**Name of Organization:** Huntington Beach Union High School District  
**No. Members:** 14,000  
**Membership on IAC:** Alternate Member  
**Years as City Resident:** 26

### **Education/Work Experience:**

- » BSN, California State University Long Beach
- » Juris Doctrine, Western State University, College of Law
- » Nurse, 1964-1975; Mediator, 1975-present
- » Medical Arbitrator, Disputed Resolution, 1985-present
- » Presidential Appointee to Federal Service Impasses Panel 1995-2000,
- » Appointed as Chair of Federal Service Impasses Panel, 2000-2005
- » Adjunct Professor, Western State University, College of Law
- » Workplace Violence Prevention, Dispute Resolution Consultant, 1985-present

### **Professional Organizations:**

- » Board of Directors, Industrial Relations Research Association
- » Past International President, Society of Professionals in Dispute Resolution
- » Member, Pi Lambda Theta, Alumni Associations, AAUW

### **Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Union High School District, Trustee, 1985-present
- » Orange County Commission Status of Women, Appointee, 1975-1985

### **Other:**

- » Huntington Beach Playhouse, Angel Member

## GERALD CHAPMAN

---

**Name of Organization:** Huntington Beach Planning Commission

**Membership on IAC:** Primary Member

**Years as City Resident:** 28

**Education/Work Experience:**

- » B.S., D.D.S., University of Southern California
- » Private Dental Practice in Huntington Beach, 1972-present

**Professional Organizations:**

- » American Dental Association; California Dental Association; Orange County Dental Society

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Planning Commission, Chairman
- » Huntington Beach Public Works Commission, Member
- » Huntington Beach Transportation Commission, Chairman
- » Huntington Beach General Plan Advisory Committee, Vice Chairman
- » Huntington Beach Cultural master Plan Committee, Member

**Other:**

- » Huntington Beach Art Center Foundation, Co-Chair
- » G.T.E. Summer Classic, Co-Chair

## ALAN DAUGER

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**Name of Organization:** Apartment Association of Orange County

**No. Members:** 3,000

**Membership on IAC:** Primary Member

**Years as City Resident:** 29

**Education/Work Experience:**

- » Physics Degree, CalTech
- » Engineering Degree, UCLA
- » General Partner, A and M Properties
- » Senior Engineer, McDonnell-Douglas

**Professional Organizations:**

- » American Physical Society

**Other City Committees/Commissions & Civic Activities:**

- » Trinidad, Island Homeowners Association, Past President

## **BARBARA DELGLEIZE**

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**Name of Organization:** Orange County Association of Realtors  
**No. Members:** 4,000  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 25

**Education/Work Experience:**

- » Real Estate/Property Management, 25 years

**Professional Organizations:**

- » California Association of Realtors, CAR
- » Women's Council of Realtors
- » California All-Stars

**Other City Committees/Commissions & Civic Activities:**

- » Bowers Museum Volunteer, Docent

## **DR. DUANE DISHNO**

---

**Name of Organization:** Huntington Beach City School District  
**No. Members:** 625  
**Membership on IAC:** Alternate Member  
**Years as City Resident:** 13

**Education/Work Experience:**

- » B.A., Eastern Washington State University
- » MA, California State University Long Beach
- » Ed.D., University of La Verne
- » Superintendent, Huntington Beach School District

**Professional Organizations:**

- » Association of California School Administrators
- » American Association of School Administrators
- » Association for Supervision and Curriculum Development

**Other City Committees/Commissions & Civic Activities:**

- » Childrens Task Force
- » Huntington Beach Collaborative
- » Anti-Crime Coalition
- » Pier Plaza Grand Opening Committee
- » West Region Sub-Committee on Gangs
- » Huntington Beach Chamber of Commerce
- » Huntington Beach Educational Foundation
- » American Heart Association, Huntington-Valley Division

## **JOHN P. ERSKINE, ESQ.**

---

**Name of Organization:** Appointee, Council Member Pam Julien

**Membership on IAC:** Primary Member

**Years as City Resident:** 26

**Education/Work Experience:**

- » B.A, Pepperdine University
- » Juris Doctor, Pepperdine University, School of Law
- » Partner in Statewide Law Firm, Nossaman, Gunther, Knox & Elliott, LLP

**Professional Organizations:**

- » California Bar Association
- » Building Industry Association of Orange County

**Other City Committees/Commissions & Civic Activities:**

- » City of Huntington Beach, Councilman and Mayor, 1986-1990
- » Huntington Beach Planning Commission, Commissioner, 1982-1986
- » Huntington Beach Youth Shelter, Vice Chair
- » Orange County Transit District, Director, 1988-1990

**Other:**

- » SS Simon & Jude Parish, Member

## **ED FEIERABEND**

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**Name of Organization:** Southeast Huntington Beach Neighborhood Association

**No. Members:** 1,000

**Membership on IAC:** Alternate Member

**Years as City Resident:** 27

**Education/Work Experience:**

- » BSME Graduate, Purdue
- » B.C., UCLA
- » Flour Corporation, Worldwide Project Manager, 36 years

## **PAUL FRINK**

---

**Name of Organization:** Meredith Gardens Homeowners Association

**No. Members:** 383

**Membership on IAC:** Alternate Member

**Years as City Resident:** 30

**Education/Work Experience:**

- » Engineering Manager, Avionic Structures, Inc., Anaheim, CA

**Other City Committees/Commissions & Civic Activities:**

- » Meredith Gardens Homeowners Association, Vice President

## **BARRETT GARCIA**

---

**Name of Organization:** Huntington Beach Finance Board

**No. Members:** 7

**Membership on IAC:** Alternate Member

**Years as City Resident:** 25

**Education/Work Experience:**

- » B.S., Accounting
- » Certified Public Accountant
- » Certified Valuation Analyst
- » Accounting, Business Valuation, Property Valuation, 30 years

**Professional Organizations:**

- » American Institute of Certified Public Accountants
- » National Association of Certified Valuation Analysts

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Literary Center, Volunteer Tutor
- » Big Brothers/Big Sisters of Orange County

## DINA GARTLAND

---

**Name of Organization:** Huntington Beach Public Works Commission  
**No. Members:** 7  
**Membership on IAC:** Alternate Member  
**Years as City Resident:** 25

### **Education/Work Experience:**

- » B.S., Political Science, University of California Irvine
- » Manager of Business Development, Leighton and Associates, Geotechnical Engineering
- » Aide to Mayor Christina Shea, City of Irvine
- » Prior Staff Member, Congressman Chris Cox

### **Professional Organizations:**

- » Consulting Engineers and Land Surveyors of California, CELSOC
- » Society of Marketing Professional Services
- » Business Development Association of Orange County
- » Building Industry Association
- » Society of American Military Engineers

## RICHARD A. HARLOW

---

**Name of Organization:** Huntington Beach Chamber of Commerce  
**No. Members:** 800  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 40

### **Education/Work Experience:**

- » B.A., California State University Long Beach
- » Land Use Planning Consultant, 22 years
- » City Administration and City Planning, 20 years

### **Other City Committees/Commissions & Civic Activities:**

- » Past and Present City of Huntington Beach Committees:
  - » Finance Board
  - » Growth Management Committee
  - » Housing Committee
  - » General Plan Advisory Committee
- » Huntington Beach Chamber of Commerce, Director and Executive Committee

### **Other:**

- » Academy for the Performing Arts, Foundation Board Member
- » Huntington Beach Union High School District

## **STEVE HOLDEN**

---

**Name of Organization:** Appointee, Mayor Dave Garofalo

**Membership on IAC:** Primary Member

**Years as City Resident:** 33

**Education/Work Experience:**

- » President, South Shores Insurance Agency, Inc.

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Chamber of Commerce, Officer, Director
- » Bolsa Chica Conservancy, Director
- » Huntington Beach Planning Commission, Past Member
- » Huntington Beach School District, Past Board Member

## **PHILIP S. INGLEE**

---

**Name of Organization:** Huntington Beach Planning Commission

**Membership on IAC:** Alternate Member

**Years as City Resident:** 20

**Education/Work Experience:**

- » Retired President/CEO, Liberty National Bank, Huntington Beach
- » Foreman, Orange County Grand Jury, 1999-present

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Medical Clinic, Vice Chairman
- » Huntington Beach Planning Commission, Past Chairman
- » Huntington Beach Investment Review Committee, Past Chairman
- » Huntington Beach Budget Review Committee, Past Chairman

## KAREN JACKLE

---

**Name of Organization:** American Association of University Women  
**No. Members:** 75  
**Membership on IAC:** Alternate Member  
**Years as City Resident:** 27

### **Education/Work Experience:**

- » B.A., History, California State University Long Beach
- » Paul Jackle & Associates, Chief Executive Officer, Real Estate Appraisal
- » Property Management
- » Real Estate Development
- » Social Worker, Los Angeles County
- » Teacher, Los Angeles City Schools
- » Property Management, Investments and Development

### **Professional Organizations:**

- » AAUW, Public Policy Chair and Past President
- » Apartment Owners Association of Orange County

### **Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Human Relations Task Force, Vice President
- » Huntington Beach Pier Plaza Committee
- » Huntington Beach Seacliff Homeowners Association

## JEFF JELICK

---

**Name of Organization:** Appointee, Council Member Tom Harman  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 23

### **Education/Work Experience:**

- » B.S., Civil Engineering, California State University Long Beach
- » Senior Project Manager/Civil Engineer, J.F. Shea Company, Heavy Construction Division, Advanco Constructors, 22 years
- » Estimator/Project Engineer, Sully-Miller Contracting Company, 7 years

### **Professional Organizations:**

- » Engineers Contractors Association
- » Associated General Contractors of America

### **Other City Committees/Commissions & Civic Activities:**

- » County of Orange Contractors, Cities, County Liaison Committee
- » Saint Simon & Jude Men's Club
- » Muscular Dystrophy Association

## CAROL KANODE

---

**Name of Organization:** Oceanview Elementary School District  
**No. Members:** 5  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 35

**Education/Work Experience:**

- » B.S., Nursing, California State University Long Beach
- » M.S., Education Administration, Pepperdine
- » Pediatric Nurse Practitioner
- » School Nurse Practitioner, Oceanview High School
- » Healthy State Coordinator, Oceanview High School

**Professional Organizations:**

- » AAUW
- » Therapeutic Riding Center
- » California School Board Association
- » Women In Leadership
- » Women's Business Association

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Children's Task Force, Chair
- » Huntington Beach Community Advisory Board, Community Redevelopment, 8 years
- » Oceanview School District, Trustee
- » Huntington Beach Youth Shelter, Co-Founder
- » Anti-Crime Coalition, Huntington Beach Police Department

## CAROL KIRKWOOD

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**Name of Organization:** League of Women Voters of Orange Coast  
**No. Members:** 285  
**Membership on IAC:** Alternate Member  
**Years as City Resident:** 16

**Education/Work Experience:**

- » B.A., Business Administration, California State University, San Jose
- » M.A., Library Science, California State University, San Jose
- » Assistant City Librarian, City of San Jose
- » Assistant City Librarian, City of San Francisco
- » Executive Director, Civil Service, City of Long Beach

**Professional Organizations:**

- » American Library Association; California Library Association
- » International Personnel Management Association

**Other City Committees/Commissions & Civic Activities:**

- » Los Angeles Philharmonic Committee of Professional Women
- » Orange County Performing Arts Guilds
- » American Association of University Women
- » League of Women Voters, President, 1995-1999

## ED LAIRD

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**Name of Organization:** Appointee, Council Member Peter Green

**Membership on IAC:** Primary Member

**Years as City Resident:** 6 ½

**Education/Work Experience:**

- » RM Tech, Michigan, Polymer Science
- » CEO, AQC Environmental Engineering, Huntington Beach
- » CEO, Compliant Spray Painting, Whittier
- » CEO, The Local News, Huntington Beach
- » Editor, The Environmental Regulatory Alert

**Professional Organizations:**

- » Boy Scouts of America, Orange County Council, Past Chairman
- » Society of Plastics Engineers, Past President
- » SPI Political Action Committee, Chairman
- » Small Business Coalition of Orange County, Past President

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Planning Commission
- » Bolsa Chica Conservancy, Chairman
- » Lincoln Training Center Advisory Board, Chairman
- » Orange County Chamber of Commerce, Environmental Committee, Past Chairman
- » Huntington Beach Hospital, Director
- » Orange County Regional Cancer Center, Director
- » Pacific Liberty Bank, Director
- » Lincoln Club of Orange County, Director
- » Orange County Business Council, Director
- » American Cancer Society, Director
- » Huntington Beach Chamber of Commerce, Vice Chairman
- » California Air Resources Board CAPCOA, Small Business Representative

## JIM LARKIN

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**Name of Organization:** Friends and Neighbors of Seacliff

**No. Members:** 14

**Membership on IAC:** Alternate Member

**Years as City Resident:** 30

**Education/Work Experience:**

- » Business Administration, University of Mississippi, 3 years
- » Real Estate Broker

**Professional Organizations:**

- » California Association of Realtors
- » Orange County Association of Realtors
- » Assessment Appeals Board of Orange County

**Other City Committees/Commissions & Civic Activities:**

- » Exchange Club

## **TED LEWIS**

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**Name of Organization:** League of Women Voters of Orange Coast

**No. Members:** 250

**Membership on IAC:** Primary Member

**Years as City Resident:** 13

### **Education/Work Experience:**

- » B.S.E.E., Illinois Institute of Technology
- » M.S.E.E., Illinois Institute of Technology
- » Director of Engineering, Los Angeles County Metropolitan Transportation Authority, 10 years
- » Manufacturers Representative, National Semiconductor, 3 years
- » Communications Engineer, Los Angeles County Sheriff's Department, 6 years
- » Engineer, Los Angeles County Communication's Department, 4 years
- » Account Executive/Engineer, Motorola, 5 years

### **Professional Organizations:**

- » Institute of Electric & Electronic Engineers
- » Registered Professional Engineer, California
- » Licensed Real Estate Broker, California

## **GEORGE MASON**

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**Name of Organization:** Southeast Huntington Beach Neighborhood Association

**No. Members:** 1,155

**Membership on IAC:** Primary Member

**Years as City Resident:** 23

### **Education/Work Experience:**

- » B.S., U.S. Coast Guard Academy
- » B.S., Civil Engineering, University of Illinois
- » Officer, U.S. Coast Guard, 22 years
- » Defense Contractor, Division Chief, U.S. Coast Guard, 10 years
- » Maritime Consultant

### **Professional Organizations:**

- » American Association of Port Authorities

### **Other City Committees/Commissions & Civic Activities:**

- » Orange County Sanitation District, Solid Waste Management Committee Member
- » Southeast Huntington Beach Neighborhood Association, Executive Board Member

## **CATHERINE G. MCGOUGH**

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**Name of Organization:** American Association of University Women

**No. Members:** 75

**Membership on IAC:** Primary Member

**Years as City Resident:** 25

**Education/Work Experience:**

- » Masters, Educational Administration, California State University Fullerton
- » B.A., Cum Laude Drama, Humanities/English, California State University Fullerton
- » Vice Principal, Adult and Alternative Education, Huntington Beach Union High School District
- » President, Board of Trustees, Huntington Beach City School District
- » Assistant to Superintendent, Huntington Beach Union High School District
- » Vice Principal, Edison High School
- » High School Teacher, English and Speech

**Professional Organizations:**

- » California School Boards Association, 8 years
- » Orange County School Boards Association
- » California Council for Adult Education, 10 years

**Other City Committees/Commissions & Civic Activities:**

- » PTAs and PTSAs, 10 years
- » Children's Needs Task Force
- » Huntington Beach Chamber of Commerce, Member

## **ALAN MEROW**

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**Name of Organization:** Huntington Beach Environmental Board  
North Huntington Beach Business Association

**Membership on IAC:** Primary Member

**Years as City Resident:** 16

**Education/Work Experience:**

- » Restaurant/Night Club Business, 30 years
- » Owner/Operator, Geckos, Huntington Beach
- » Sub Service, U.S. Navy, 3 years
- » Real Estate License

**Professional Organizations:**

- » Huntington Beach Business Association, President

## **BILL MEYER**

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**Name of Organization:** Huntington Beach Downtown Residents Association

**Membership on IAC:** Alternate Member

**Years as City Resident:** 15

**Education/Work Experience:**

- » B.S., Education, Portland State College; minors in Math and English
- » Teacher, 5 years
- » Group Insurance Sales, Pacific Mutual, 30 years
- » Sales/Field Sales, Management in Chicago and Kansas City, MO
- » Assistant Vice President, Sales & Marketing, Group Insurance Division; field sales office personnel, sales training, communications, public relations
- » Retired, 1994

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Police Retired Senior Volunteer Program, 6 years

## **JOHN A. NELSON**

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**Name of Organization:** The Boeing Corporation, Huntington Beach

**No. Members:** 2

**Membership on IAC:** Primary Member

**Years as City Resident:** 13

**Education/Work Experience:**

- » Mechanical Engineering Degree, Washington State University
- » Certificate in Environmental Site Selection, University of California, Irvine
- » Certificate in Hazardous Material Management, University of California, Irvine
- » Boeing Corporation, 17 years
- » Hughes Tool Corporation, 3 years

**Professional Organizations:**

- » Boeing Management Club

## **ROY RICHARDSON**

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**Name of Organization:** Huntington Beach Citizens Participation Advisory Board

**Membership on IAC:** Primary Member

**Years as City Resident:** 28

**Education/Work Experience:**

- » B.S., University of California, Berkeley
- » MBA, University of Santa Clara
- » Vice President, Marketing, Cox-Uphoff, Inc.
- » Chief Financial Officer, Shilo International
- » Vice President, Marketing, North America, ICN Pharmaceuticals
- » Vice President, Sales & Marketing, Barnes Hinds Pharmaceuticals
- » Marketing Manager, Chas. Pfizer & Co.

**Other City Committees/Commissions & Civic Activities:**

- » Orange County Alcohol & Drug Advisory Board, Member
- » Orange County Local Suppression of Drug Abuse in Schools Advisory Committee, Member
- » Orange County Grand Jurors Association, Member
- » Huntington Beach Citizens Participation Advisory Board
- » PRIDE Foundation, (DARE), Chief Financial Officer
- » Huntington Beach Police Retired Citizens Volunteer Program
- » Huntington Beach Environmental Board, Past Chairman
- » Huntington Beach Planning Commission, Past Chairman
- » Huntington Beach Earth Day 90, Past Chairman
- » Huntington Beach Fire Department, Seniors Housing Inspection Program, Past Member
- » Huntington Beach General Plan Advisory Committee, Past Member
- » Huntington Beach City School District, 7-11 Committee, Past Member
- » Huntington Harbour Property Owners Association, Past Board Member

## **ROBERT G. RIEDESEL**

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**Name of Organization:** Meredith Gardens Homeowners Association

**No. Members:** 350

**Membership on IAC:** Primary Member

**Years as City Resident:** 34

### **Education/Work Experience:**

- » B.S. Mechanical Engineering, Iowa State University
- » Aerospace Industry, Commercial Aircraft, Advanced Space Systems, Solar Energy Systems; Douglas Aircraft, McDonnell-Douglas, Boeing, 43 years
- » Engineering Senior Manager, International Space Station, Boeing

### **Professional Organizations:**

- » Retired Professional Mechanical Engineer, California
- » American Institute of Aeronautics and Astronautics, Past Member
- » American Society of Mechanical Engineers
- » American Nuclear Society

### **Other City Committees/Commissions & Civic Activities:**

- » Meredith Gardens Homeowners Association, served as President, Vice President, Treasurer, and Secretary for 30 years
- » Community Issues with Residential and Commercial Development, Huntington Beach Department of Public Works
- » Home Council, Past Treasurer

## **ROBERT RIFFENBURGH**

---

**Name of Organization:** Huntington Beach Public Works Commission

**Membership on IAC:** Primary Member

**Years as City Resident:** 29

### **Education/Work Experience:**

- » Civil Engineering Degree, Colorado State University
- » Deputy Chief Harbor Engineer, Port of Long Beach, 16 years
- » Project Manager, Consultant to Port of Long Beach for Cabrillo Marine Complex, 4 years
- » Senior Civil Engineer, City of Long Beach Public Works, 14 years
- » Design Engineer, Chevron Refinery, Richmond, CA, 2 years

### **Professional Organizations:**

- » Technical Committee Lifeline Earthquake Engineering
- » American Society of Civil Engineers
- » American Association of Port Authorities
- » Program Management Institute

## ARTHUR ROSEN

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**Name of Organization:** Huntington Beach Downtown Residents Association

**No. Members:** 200

**Membership on IAC:** Primary Member

**Years as City Resident:** 14

**Education/Work Experience:**

- » A.A., Business
- » Funeral Industry, Casket Manufacturing, Cemetery and Funeral Home Operations, 40 years

**Professional Organizations:**

- » Los Angeles County Funeral Directors Association
- » Orange County Funeral Directors Association
- » Casket Manufacturing of America
- » Interment Association of California

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Downtown Residents Association
- » P.I.E.R. Group

## CHUCK SCHEID

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**Name of Organization:** Appointee, Council Member Dave Sullivan

**Membership on IAC:** Primary Member

**Years as City Resident:** 38

**Education/Work Experience:**

- » B.S., Physics, University of Wisconsin
- » Graduate Studies, University of Southern California and University of California, Los Angeles
- » Program Management Certificate, West Coast University
- » Aerospace Industry, 31 years
- » Program Manager, High Technology Missile System Programs, Ford Aerospace, 20 years

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Finance Board, Chairman

## **MICHAEL H. SIMONS**

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**Name of Organization:** Huntington Beach Union High School District  
**No. Members:** 23,500  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 25

**Education/Work Experience:**

- » B.S., Zoology, Michigan State University
- » Doctor Podiatric Medicine, California College Podiatric Medicine
- » M.S., Medical Education, California College Podiatric Medicine
- » Medical Private Practice, Huntington Beach, 28 years
- » Trustee, Huntington Beach Union High School District, 9 years
- » Trustee, Coastline Regional Occupation Program, 3 years

**Professional Organizations:**

- » California School Boards Association
- » American/California Podiatric Medical Association

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Community Services Commission, 8 years
- » Sandcastle Estates Homeowners Association
- » Educational Enrichment Foundation, Huntington Beach Union High School District, Board Member
- » Michigan State University, Orange County Alumni Club, Board Member

## **MARY URASHIMA**

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**Name of Organization:** Appointee, Council Member Ralph Bauer  
**Membership on IAC:** Primary Member  
**Years as City Resident:** 5

**Education/Work Experience:**

- » B.A., Journalism, Northern Arizona University
- » Healthcare Marketing/Management
- » Water Utility Management/Governmental Affairs
- » Journalist
- » Business Owner, Governmental Affairs/Public Affairs Consulting Firm; Water Infrastructure and General Development

**Professional Organizations:**

- » Orange County Public Affairs Association
- » Orange County Water Association
- » State and National Water Utility Associations and Committees, Past Member

**Other City Committees/Commissions & Civic Activities:**

- » Huntington Beach Chamber of Commerce
- » Orange County Transportation Authority Citizen Advisory Committee
- » Academy for the Performing Arts Advisory Committee
- » Leadership Tomorrow, Former Board Member

## JERRY URNER

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**Name of Organization:** Huntington Harbour Property Owners Association

**No. Members:** 650

**Membership on IAC:** Primary Member

**Years as City Resident:** 34

**Education/Work Experience:**

- » B.S., Mechanical Engineer
- » MBA, Finance
- » Rocket Engine Development, 1964-1969, put astronauts on the Moon
- » Computer Software for Cash Flow Planning, Corporate Accounting and Management, 1969-present

**Other City Committees/Commissions & Civic Activities:**

- » Waterways Committee
- » Huntington Beach Harbour Property Owners Association, Current President, 8 years on Board

## PAM WALKER

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**Name of Organization:** Oceanview School District

**No. Members:** 9,805

**Membership on IAC:** Alternate Member

**Years as City Resident:** 18

**Education/Work Experience:**

- » B.A., Accounting, University of Texas
- » Controller, Rieches Baird Advertising

**Professional Organizations:**

- » California School Boards Association

**Other City Committees/Commissions & Civic Activities:**

- » No On Measure I Steering Committee
- » Orange County School Boards Association, Page Representative
- » Boy Scout Troop 277
- » Marina High School Grad Night Committee

## CAROLE ANN WALL

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**Name of Organization:** Friends and Neighbors of Seacliff

**No. Members:** 400

**Membership on IAC:** Primary Member

**Years as City Resident:** 37

**Education/Work Experience:**

- » Owner, Chamber Newsletter Publishers; publish the Huntington Beach Chamber of Commerce Monthly Newsletter

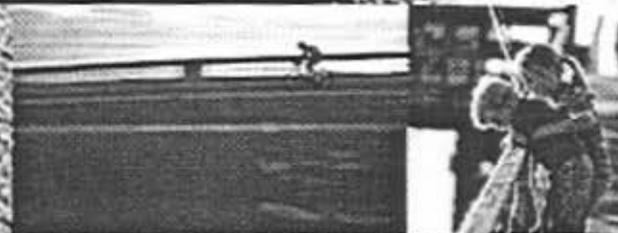
**Professional Organizations:**

- » Huntington Beach Chamber of Commerce, Board Member
- » California Women in Chamber of Commerce, Vice President

**Other City Committees/Commissions & Civic Activities:**

- » Women of Action of the Huntington Beach Chamber of Commerce, President
- » Therapeutic Riding Center of Huntington Beach, Vice President
- » Friends and Neighbors of Seacliff, Inc., Past President
- » Fourth of July Executive Board, Member At Large
- » Huntington Beach Design Review Board, Past Member, 13 years
- » Underground Utilities Commission

THE CITY OF HUNTINGTON BEACH'S  
INFRASTRUCTURE NEEDS



An Interim Report of the  
Citizens' Infrastructure  
Advisory Committee  
May 10, 2000



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## Background

In the mid-1990's, the Huntington Beach City Council initiated a major review of the City's long-term infrastructure needs. This review was started by the Huntington Beach Public Works Department in 1995, initially with review and recommendation of the Finance Board, and later the Public Works Commission. The review provided the first comprehensive investigation of anticipated infrastructure needs over the next 20 years. What this Integrated Infrastructure Management Program (IIMP) revealed, in addition to providing a detailed view of the City's infrastructure, was a critical need for major infrastructure improvements and a major shortfall in funding to make those improvements.

In 1998 the City Council appointed 35 committee members and 24 alternates to the Citizens' Infrastructure Advisory Committee (IAC), whose purpose was to review the IIMP and its forecasted funding shortfall, and make recommendation to the City Council regarding the optimum approach for financing/funding the most critical and long-term infrastructure needs of the community. Members of the committee represent a broad spectrum of community organizations, associations and interests. This effort is recognized as a unique and comprehensive approach, unlike the traditional method of infrastructure management utilized by most municipalities.

### **Citizens' Infrastructure Advisory Committee Statement of Purpose**

To review the IIMP and its forecasted shortfall of public funding resources and make recommendation to the City Council regarding the optimum approach for financing/funding the most critical and long-term infrastructure needs of the community by:

- ◆ Becoming informed about the existing infrastructure conditions as well as projected long-term requirements of the City;
- ◆ Becoming generally informed about the City's overall revenue sources, expenditures and budgets;
- ◆ Evaluating and recommending possible financing/funding methods; and
- ◆ Participating with the City Council in joint workshops/study sessions.

During the past two years, staff and citizen committee members participated in six field trips to inspect infrastructure throughout the city. Their field tours and inspections included:

- ◆ Sewers and sewer lift stations
- ◆ Local streets, alleys and highways
- ◆ Storm drain, drainage and flood control facilities
- ◆ Medians, parkway trees, curbs, gutters, sidewalks and block walls
- ◆ Traffic signals, street lights, signs, striping and park and sport lighting
- ◆ Vehicle and fleet maintenance facilities

IAC members' in-depth study of infrastructure issues also included working with staff and consultants to review and study the City's budget and revenue allocation process, and infrastructure financing and funding methods. The IAC Steering Committee was established to review and recommend items for consideration by the full IAC; and a Public Education Subcommittee was created to provide advice regarding citizens' view of infrastructure problems, and how the City might approach the public to gain support for infrastructure issues. The subcommittee also serves to inform Huntington Beach citizens about key infrastructure issues and the IAC's progress and recommendations.

Figure 1  
**Quantity of Infrastructure Components City-Wide**

Component	Quantity
Curb & Gutter	1,197 miles
Sidewalks	1,054 miles
Sewer Lines	575 miles
Local Streets	292 miles
Arterial Highways	89 miles
Block Walls	68 miles
Public Alleys	30 miles
Signalized Intersections	112 locations
Sewer Lift Stations	28 locations
Storm Water Pump Stations	15 locations

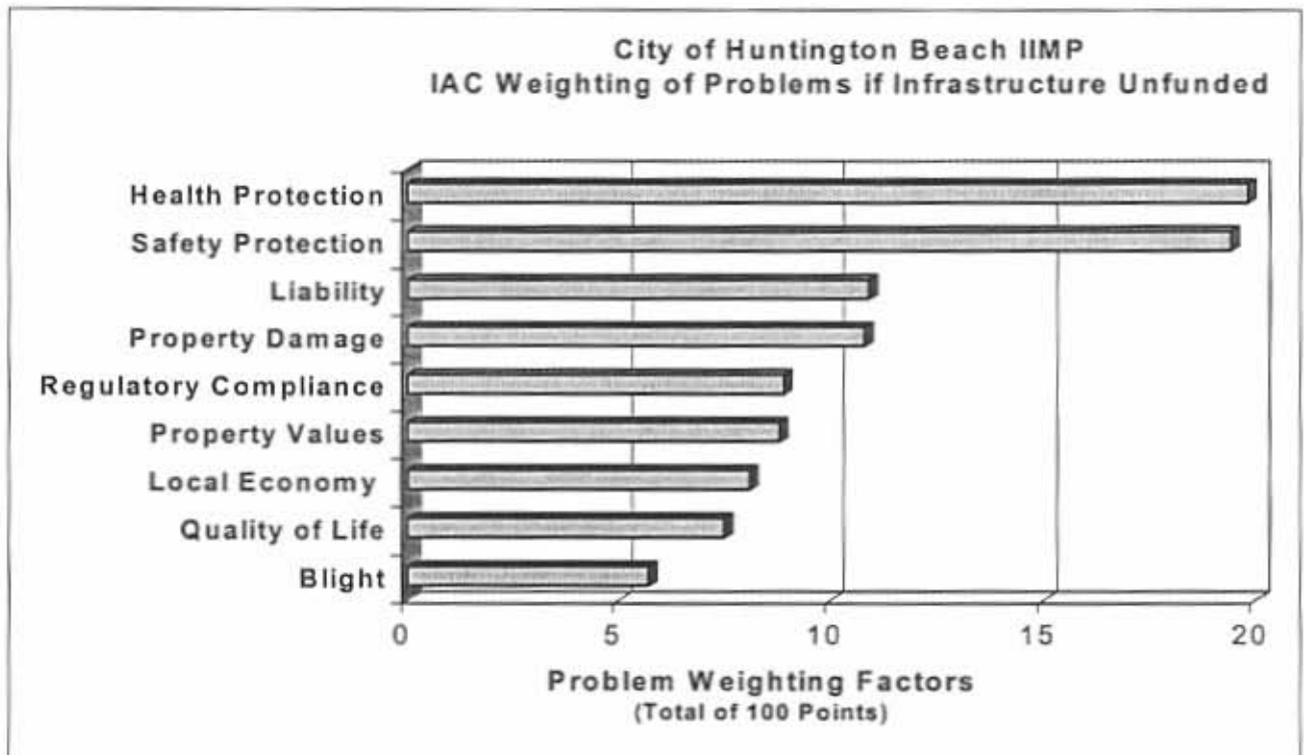
Since March 1998, the Citizens' Infrastructure Advisory Committee (IAC) has spent in excess of 250 hours in the monthly meetings of the IAC, the Steering Committee and the Public Education Subcommittee. Individual members also attended meetings with staff when necessary to ensure the committee's progress. This Interim Report is the product of the committee's work. It provides the key findings and recommendations of the IAC in advance of the Final Report.

### Overview of Infrastructure Priorities

The majority of Huntington Beach's infrastructure was built during the building and economic boom of 1960 to 1980, the two-decade boom when the City's population grew from 10,000 to 170,000. This 30- to 40-year-old infrastructure has already reached or exceeded its initial design life.

The Integrated Infrastructure Management Plan is the document that identifies the City's infrastructure requirements over a 20-year period. It includes a complete inventory of infrastructure components (Figure 1), their condition, cost estimates for improvements, and available revenues and revenue needs.

Figure 2



In an effort to prioritize the infrastructure needs, the IAC reviewed the infrastructure categories, and their general condition. Then the IAC established criteria, which were used to identify the possible consequences of non-implementation of improvements. These criteria were weighted to express the relative importance of each (Figure 2).

Applying the weighted criteria to the infrastructure revealed the most pressing needs. Figure 3 indicates the priority ranking as assigned by the IAC and by City Department Heads. Both groups rated sewer, drainage and flood control improvements the highest priorities through this analysis.

Figure 3

**IAC Ranking and City Department Heads' Ranking  
Infrastructure Improvements**

IAC Ranking	City Department Heads' Ranking	Infrastructure Improvements
1	1	<b>Sewers</b>
2	2	<b>Drainage and Pump Stations</b>
3	4	<b>Residential Sidewalks &amp; Curbs</b>
4	3	<b>Residential Streets</b>
5	6*	<b>Traffic Signals Including Street Lighting</b>
6	7	<b>Beach Facilities</b>
7	6*	<b>Street Lighting</b>
8	**	<b>Arterial Highways</b>
9	9	<b>Alleys</b>
10	8	<b>Playgrounds</b>
11	5	<b>Buildings</b>
12	13	<b>Parks</b>
13	11	<b>Highway Block Walls</b>
14	10	<b>Fleet/Equipment</b>
15	12	<b>Street Trees</b>

\* Traffic Signals and Street Lighting are combined in City Department Heads' Ranking.

\*\* Not ranked by City Department Heads.

**Overview of Infrastructure Costs**

The city's aging, deteriorated infrastructure must be rehabilitated or replaced, and a system must be put in place that ensures adequate funding is available for future needs. Not only must accumulated requirements and current needs be met, but also a system must be put in place that ensures adequate funding is available to maintain infrastructure systems for their full life cycle, and to replace systems when they can no longer be maintained. The proactive approach taken by the city has set Huntington Beach apart from other cities.

When the committee first began its investigation, the original IIMP was used as a basis for information. Revisions to the IIMP in the last two years reflect technology improvements (remote cameras to view inside sewer lines, and the capability to slip-line sewers, for example), refined maintenance and replacement schedules for all infrastructure components, and revised standards. These factors have been incorporated into the IIMP to create a more accurate picture of infrastructure needs and costs over the next twenty years.

Following (Figure 4) is a summary of estimated costs and anticipated revenues for infrastructure needs over the next 20 years.

Figure 4  
**Summary of Infrastructure Costs and Available Revenue  
 (\$ Millions over a 20-Year Period)**

<b>Infrastructure Category</b>	<b>Cost</b>	<b>Available Funds*</b>	<b>Shortfall</b>
New Construction	326.08	82.00	244.08
Replacement/Rehabilitation	612.46	97.04	515.42
Maintenance and Operation	428.14	333.37	94.77
<b>Grand Total</b>	<b>\$1,366.67</b>	<b>\$512.41</b>	<b>\$854.26</b>

\*Included in these amounts is anticipated revenue from the General Fund, Gas Tax, Development and Traffic Impact Fees, Grants, CDBG, Measure M, and the Equipment Replacement Fund, among others.

The 20-year funding shortfall revealed by the initial IIMP has been confirmed and quantified more specifically as a result of continued analysis in the IIMP. The chart on the following page shows the anticipated cost for all categories of infrastructure improvements for the 20-year period of the IIMP. In its next step, the IAC considered many cost reduction and funding methods to help reduce the funding shortfall.

### **Overview of Funding/Financing Options**

The IAC's review of the City's financial resources revealed some of the difficult realities currently facing the City. The IAC also noted programs underway in Huntington Beach to economize while serving a growing community with aging infrastructure.

Among the challenges identified by the IAC are recent revenue losses, restrictions that are placed on certain revenues, and unfunded regulatory requirements from state and federal government. Revenue from sources restricted for expenditures on infrastructure fall significantly short of funding the annual requirements for maintenance, repair, replacement, rehabilitation and new improvements of infrastructure. The city's loss of funding due to action by the State contributed significantly to the current infrastructure shortfalls, as available funds were stretched to meet the city's overall budgetary needs. Figure 5 summarizes the projected 20-year infrastructure costs.

Figure 5  
**20-Year Infrastructure Costs**  
**(\$ Millions over a 20-Year Period)**

	<b>New Construction</b>	<b>Replacement &amp; Rehabilitation</b>	<b>Maintenance &amp; Operations</b>
Arterial Highways	38.4	106.5	28.5
Traffic Signals	7.1	12.8 <sup>(1)</sup>	19.2 <sup>(2)</sup>
Bridges	5.2	3.2	(3)
Stormwater	128.0		22.5
Parks	55.5	5.8	51.3
Buildings	72.2	27.6	62.2
Landscaped Medians	19.7		(4)
Local Streets		54.0	44.7
Alleys		31.0	3.5
Parking Lots		9.8	5.3
Sidewalks/Curbs/Gutters		63.4	18.8
Wastewater		88.0	30.5
Drainage Pump Stations		120.0	(5)
Highway Block Walls		44.4	1.8
Playgrounds		1.9	(6)
Beach Facilities		23.4	4.0
Fleet/Equipment		20.6	41.6
Traffic—Signs/Striping			13.3
Trees/Landscape/Medians			56.9
Street Sweeping			24.3
<b>Total Costs</b>	<b>\$326.08</b>	<b>\$612.46</b>	<b>\$428.14</b>
<b>Total Available Funds</b>	<b>\$82.00</b>	<b>\$97.04</b>	<b>\$333.37</b>
<b>Shortfall</b>	<b>\$244.08</b>	<b>\$515.42</b>	<b>\$94.77</b>

- 1) Includes Street & Park Lighting
- 2) Includes Street Lighting and Park Lights
- 3) Included in Street & Arterial Highways & Concrete Maintenance
- 4) Included in Trees/Landscape/Medians Maintenance
- 5) Included in Stormwater Maintenance
- 6) Included in Parks Maintenance

On the Federal and State level, funding varies from year to year, making it an unreliable ongoing source of funds. Clearly, only a multi-pronged approach to funding infrastructure can come close to meeting the needs being identified in the IAC's Final Report.

Whether through cost reductions, technology improvements, grants or preventive maintenance—every possible source must be tapped to minimize costs and secure sufficient funds to ensure a long-term infrastructure solution. Federal and state grants or loans, dedication of portions of wind-fall revenue to infrastructure and implementation of new sources of revenue must all become part of a comprehensive, long-term solution.

Among the methods identified by the IAC for reducing the funding shortfall are the following proposals recommended by the Finance Board.

- ◆ Process Improvements
- ◆ Activity-Based Costing and Performance-Based Budgeting
- ◆ Competitive-Based Sourcing
- ◆ Long-Range Strategic Information Systems Planning

Some of these are already in place, and their continuation will play an important role in maintaining efficiency and controlling costs. The 20-year infrastructure needs include essential and discretionary projects. By utilizing the criteria established by the IAC, additional cost savings could be achieved through careful prioritization of projects throughout the 20-year period.

Cost savings, revenue windfalls, technology improvements, etc. will not, however, close the gap entirely. The IAC believes it will be necessary to approach the Huntington Beach community to step forward and assist in meeting the City's critical infrastructure needs. With this in mind, the committee carefully examined various financing and funding methods, and established a Shortlist of Financing/Funding Methods that could be considered for the City's infrastructure needs. Figure 6 is a comprehensive Comparison Matrix summarizing approval process conditions and key considerations. Figure 7 is the IAC's Summary of Shortlisted Financing and Funding Methods.

Figure 6  
**COMPARISON MATRIX**  
**FINANCING / FUNDING METHODS**

<b>Legend</b> Y = Yes M = Maybe N = No — = Not Applicable  <b>Key Distinguishing Requirements/Features</b>	ASSESSMENTS			TAXES				FEES/CHARGES						
	1913 / 1915 Act	Municipal Financing District Based on Benefit Assessment Act of 1982	Landscape & Lighting Act of 1972	Community Facilities District (Mello-Roos)	General Obligation Bonds	Special Taxes (Parcel Taxes, etc.)	General Tax (i.e., Utility Tax)	Sanitation Charge	Drainage Facilities Fee	Sewer Facilities Fees	Traffic Impact Fee	Facility User Fee	Park Fees (Quimby Act)	Library Fees
<b>Approval Process Conditions</b>														
Preparation of Benefit Report Required?	Y	Y	Y	Y	N	N	N	-	-	-	-	-	-	-
Voting by Registered Voters	N	N	N	Y	Y	Y	Y	-	-	-	-	-	-	-
Voting by Property Owners	Y	Y	Y	N	N	N	N	-	-	-	-	-	-	-
Vote weighted according to proportional financial obligation of the assessed property	Y	Y	Y	-	-	-	-	-	-	-	-	-	-	-
Majority approval required of those voting	Y	Y	Y	-	-	-	Y (2)	-	-	-	-	-	-	-
2/3 approval required of those voting	-	-	-	Y	Y	Y	-	-	-	-	-	-	-	-
Enacted by only City Council vote following public hearing	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y
<b>Key Considerations</b>														
Provides for bonding as well as pay-as-go-financing	N	Y	Y	Y	N	Y	Y	Y	N	N	N	N	N	N
Covers all infrastructure items	Y	Y	N (1)	Y	Y	Y	Y	N	N	N	N	N	N	N
Covers:														
• New Improvements	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
• Rehab/Reconstruction	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
• Maintenance	N	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	N	N
Must assess all public property	Y	Y	Y	N	N	N	N	N	N	N	N	N	N	N
Costs allocable to general benefit can be assessed	N	N	N	Y	-	-	-	-	-	-	-	-	-	-
City will have to contribute funds to pay for all public property assessments and general benefits	Y	Y	Y	-	-	-	-	-	-	-	-	-	-	-
Is simple to explain to public	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Is equitable/fair	Y	Y	Y	M	M	M	M	Y	Y	Y	Y	Y	Y	Y

(1) Limited to installation and maintenance of Landscaping, Street Lighting and Traffic Signals, Park and Recreation Facilities, Open Space, and Community Center.

(2) Majority approval if the revenue isn't for a specific purpose; otherwise, it would be 2/3 vote for approval.

Figure 7  
**SUMMARY OF SHORTLISTED  
 FINANCING / FUNDING METHODS**

Infrastructure Items	ASSESSMENTS			TAXES				FEES/CHARGES						
	1913 / 1915 Act	Municipal Financing District Based on Benefit Assessment Act of 1992	Landscape & Lighting Act of 1972	Community Facilities District (Mello-Roos)	General Obligation Bonds	Special Taxes (Parcel Taxes, etc.)	General Tax (i.e., Utility Tax)	Sanitation Charge	Drainage Facilities Fee	Sewer Facilities Fees	Traffic Impact Fee	Facility User Fee	Park Fees (Quimby Act)	Library Fees
Sewers & Sewer Lift Stations	N	N	—	Y	Y	Y	Y	Y	—	—	—	—	—	—
Drainage & Flood Control Facilities & Pump Stations	N	Y	—	Y	Y	Y	Y	—	Y	—	—	—	—	—
Arterial Highways, Streets, Sidewalks, Curbs, & Alleys	N	Y	—	Y	Y	Y	Y	—	—	—	Y	—	—	—
Parks, Playgrounds & Beach Facilities	N	N	N	Y	Y	Y	Y	—	—	—	—	Y	Y	—
Public Buildings	N	N	—	Y	Y	Y	Y	—	—	—	—	Y*	—	Y
Street Light and Traffic Signals	N	Y	Y	Y	Y	Y	Y	—	—	—	Y	—	—	—
Landscape Medians & Street Trees	N	Y	Y	Y	Y	Y	Y	—	—	—	—	—	—	—
Block Walls	Y	Y	N	Y	Y	Y	Y	—	—	—	—	—	—	—

\*Community Services Facilities Only

**Recommendations for Immediate Consideration**

During the course of the committee’s analysis, and confirmed by recent interviews and focus groups, members came to realize that residents of Huntington Beach are unaware of infrastructure in general—what it is, who pays for it, and how important it is in maintaining the quality of life in Huntington Beach. It is usually left to the City staff to articulate and advocate for infrastructure needs. City Council members, as local policy makers, respond to priorities identified by community members—and those priorities are rarely infrastructure related. Only when an infrastructure component fails does it come to the attention of the general public. As a result, there are no organized supporters to speak up for infrastructure needs, and few participants in the long-term infrastructure improvement process.

Figure 8  
**Proportion of Property Tax Revenue Returned to the City**



Like the lack of public awareness about infrastructure, there is also a low level of public awareness about City finance. Many residents know that the City receives funding from property and sales tax, but few are aware that the City receives only twenty cents (\$.20) of every dollar (\$1.00) paid to the County for property tax (Figure 8); and of every 7 3/4 cents (\$.0775) of sales tax paid, only one penny (\$.01) comes back to the City. An increased awareness on the part of residents about the City's finances will help them realize the problem is not one of neglect, but of priorities. Adequate and consistent information about infrastructure projects and city finances will allow important public discussion and decisions to proceed.

Before pursuing any new revenue sources, the public must have reassurance that there is a real need for infrastructure improvements; that there will be sufficient funding to meet the essential infrastructure needs identified in the IIMP; that a similar funding problem won't occur again; and, that there will be citizen oversight for the infrastructure-funding program.

The IAC believes the City should move quickly to offer the public these assurances and begin to inform and educate them about infrastructure issues through the following recommended actions:

- ◆ Immediately pursue a Charter Amendment to assure voters that infrastructure funds will be used for infrastructure purposes.
- ◆ Launch a Public Information/Education Program to develop the community awareness and informed public consent needed to establish new revenue sources.

Benefits of this pro-active approach to place the Charter Amendment on the November ballot include:

- ◆ Demonstrating to the public that a significant new infrastructure initiative is underway.
- ◆ Providing a kick-off for an ongoing public information/education program.
- ◆ Putting the Citizens' Oversight Committee in place to offer assurance that the infrastructure improvement will be implemented according to plan. If a vote on a funding measure were

required in the future, the Oversight Committee would already be well established.

**The IAC has unanimously affirmed:**

- ◆ There is a crucial need to address the City's critical and long-term infrastructure needs and to develop viable financing/funding alternatives for the City Council's consideration;
- ◆ A Charter Amendment is necessary to maintain infrastructure investment across leadership changes; and
- ◆ A Citizens' Oversight Committee is an essential component of the Charter Amendment, in order to instill long-term public trust regarding any new funding/financing utilized by the City for infrastructure.

The recommended Charter Amendment will break the decades-old cycle of shortfalls and deferred maintenance by securing a permanent place for infrastructure priorities within the City Charter. It will send a message to the residents of Huntington Beach that the City is serious about solving this "invisible" problem. Underscoring the importance of the recommended Charter Amendment is the provision for a Citizens' Oversight Committee to report to the City Council on infrastructure budgeting and expenditures, as a focused oversight mechanism to serve future city councils and administrations.

The success of other public agencies in securing public funding through the implementation of a citizens' oversight committee prompted the IAC to consider such a measure. Successful local school bonds recently have included Citizen Oversight Committees, as did Measure M, Orange County's transportation funding measure. Organizations such as the League of California Cities and public finance professionals like Orange County Treasurer John Moorlach also have suggested that a Citizens' Oversight Committee is a necessary component of a successful attempt to raise new funds from any community.

Seeking financial assistance from the community is the last of several recommended steps. Implementation of measures such as process improvements, activity-based costing, performance-based budgeting, competitive-based sourcing, and long-range strategic information systems planning must precede any request for funding assistance from the community. Implementing a Charter Amendment, including the creation of an Infrastructure Fund and a Citizen's Oversight Committee, will offer immediate opportunities for raising public awareness, and will begin to put in place a system for assuring long-term infrastructure funding.

## Findings

The findings that follow are grounded in the committee's thorough analysis of the city's infrastructure and budget process, members' careful review of available and anticipated funding sources for current and future infrastructure needs, and information gleaned from formal and informal solicitation of public opinion:

- A. The city's infrastructure is essentially "invisible" to the people it serves. Residents of Huntington Beach are unaware of infrastructure in general—what it is, who pays for it, and how important it is in maintaining their quality of life.
- B. Infrastructure funding has been lacking over the past years, as cities faced other challenges and priorities. The current infrastructure problem results from inadequate revenue, which, in turn, has led to deferred maintenance.
- C. Huntington Beach's aging, deteriorated infrastructure must be maintained, rehabilitated or replaced. The approximate cost for the needed improvements over the next 20 years is approximately \$1.37 billion.
- D. Anticipated funding from various sources during this 20-year timeframe is sufficient to cover only approximately \$512.4 million of these improvements, leaving a gap of approximately \$854.5 million.
- E. Anticipated revenue of \$512.4 million over the next 20 years includes all available sources, including projected revenue from grants. Therefore, the City should not count on a significant increase in grant revenue to reduce the shortfall.
- F. New revenue sources will be needed to meet the shortfall, including cost reductions through operational efficiencies, technology innovations, possible re-prioritization of existing projects, and the possibility of a public vote to initiate some form of new revenue.
- G. Infrastructure issues have very long life cycles that are measured in decades. Leadership changes do not always achieve the long-term interest of infrastructure planning and investment, with an unintended consequence that few elected policy makers are able to serve long enough to accompany infrastructure issues through their long life cycle.

The City of Huntington Beach needs to implement a long-term solution to its infrastructure needs that will offer residents the security of knowing that future needs will be met.

## **Factors Influencing Huntington Beach's Infrastructure**

Many factors influencing infrastructure decisions are neither quantifiable nor easy to control. The lack of organized supporters for infrastructure issues, the loss of funding sources, regulatory and political changes, unique physical conditions and shifting tax revenues wield the most influence on infrastructure decisions, yet are rarely within the control of the local decision makers. Although the IAC's recommendations can't control these factors, they reflect some steps that could help to minimize their negative consequences for the community.

Some factors that influenced the current infrastructure problem include:

***Unique Physical Conditions***—As a beach city, Huntington Beach has unique climate and physical conditions that cause more rapid deterioration of the infrastructure, require more frequent maintenance, and call for more expensive materials to combat these negative natural forces. These conditions range from low elevation (requiring 15 pump stations for pumping of storm water runoff and 28 pump stations for pumping of sewage); and corrosive ground water that aggravates construction and maintenance of underground facilities; to adverse soil conditions (peat) and atmospheric salts that require special construction methods and materials to resist rusting and corrosion. The extra cost of addressing these physical conditions adds yet another dimension to the current infrastructure problem.

***Declining Revenue Base***—A series of reforms and events, beginning in the 1970s, has eroded the revenue base for all California cities. Proposition 13, the Education Revenue Augmentation Fund, Proposition 218, and the Vehicle License Fee are examples of the ways in which revenue, previously directed toward cities, was redirected to other government agencies at the direction of the State Legislature or California voters. During the last decade, these changes resulted in a cumulative loss to the City of over \$44 million.

***Deferred maintenance***—"Out of sight, out of mind". This saying reflects the reality of funding infrastructure improvements among competing budget priorities. "Can it be put off just one more year?" Of the projected 20-year infrastructure needs, a substantial portion is the result of accumulated deferred maintenance. Further deferring infrastructure maintenance and replacement will only make the problems more costly to repair in the future. As deterioration takes its toll, the cost of materials and labor increase, machinery is more costly to operate, and parts become more difficult to obtain. As an example, \$1 spent on pavement maintenance and repairs while the street is in good condition could cost \$5 if deferred for as few as three years.

***Maintaining Infrastructure Investment Across Leadership Changes***—Budgeting and expenditures for infrastructure must have a mechanism for permanency if they are to support the City's continuing programs and adequately support the individual life styles of Huntington Beach residents. Renewal and change in leadership is at the heart of the American democratic system.

While this renewal ensures that leaders reflect current public opinion, an unintended consequence is that few elected policy makers serve long enough to accompany infrastructure issues through their long life cycle. Infrastructure planning takes place within a ten- to twenty-year planning horizon. This means that most decision makers don't have the luxury of seeing their initial planning come to fruition.

***Changing Budgetary Priorities***—Like the recession, the Orange County bankruptcy was an unanticipated event that exacerbated the infrastructure problem. In 1994 the Orange County bankruptcy temporarily removed the use of the \$45 million in city funds that were invested in the Orange County Investment Pool, causing overall reduction in expenditures, delays in new projects and deferral of infrastructure maintenance. In addition, the County responded to its own financial crisis by eliminating the Arterial Highway Funding Program (AHFP), which was previously a source of funding for local cities' arterial highway projects.

***Pro-Active, Participative Approach to Infrastructure Solutions***—The circumstances described above are facing most California cities. However, few city councils have taken the pro-active steps currently underway in Huntington Beach, nor have they involved their citizens so directly in the analysis and problem solving. However, interest in infrastructure investment is growing. Recently, state and federal leaders in the public and private sectors have begun to evaluate their own infrastructure needs.

The Huntington Beach City Council's pro-active efforts have already identified needs and have resulted in improvements. Some cities have not yet analyzed and quantified their future infrastructure needs. Huntington Beach is viewed by some as a model for other cities beginning to face the reality of their infrastructure needs.

## **Summary of Recommendations**

The following recommendations for both long- and short-term solutions have been organized into five categories: Public Education, Organizational, Advocacy, Funding/Financing & Policy.

### ***Public Education Recommendations***

- ◆ Implement an ongoing comprehensive public education program with the following goals:
  1. Communicate the current conditions and deficiencies of the City's infrastructure and the benefits of having well maintained infrastructure;
  2. Inform the public about state sales tax revenue and other tax revenue allocation so they understand the consequences of the actions of State decision-makers;
  3. Encourage participation in City infrastructure decisions and expenditures; and
  4. Convince residents and businesses in Huntington Beach of the need to invest in the City's infrastructure.

### ***Organizational Recommendations***

- ◆ Continue to:
  1. Implement programs to improve organizational efficiencies and minimize annual operating costs; and
  2. Adopt and periodically update infrastructure systems Master Plans to provide timely, effective management tools.
- ◆ Establish an annual infrastructure report to the City Council and the community at budget time that includes:
  1. Revenue and expenditure information;
  2. A summary of the progress made in reducing the backlog of infrastructure repairs, and;
  3. A summary of performance in completing rehabilitation/replacement and infrastructure capacity improvement projects.
- ◆ Position the city's infrastructure budgeting and expenditures as an enhancement of the quality of life, and, as such, also an economic development and community investment tool.

### ***Advocacy Recommendations***

- ◆ Intensify lobbying efforts to:
  1. Restore revenue to cities for use in improving and maintaining infrastructure systems;
  2. Secure legislation at the State and Federal levels that will negate or mitigate regulatory changes that adversely impact cities, and;
  3. Seek recovery of funds for non-funded, mandated programs. Critically evaluate what really must be done to comply with the regulations.

### ***Finance/Funding Recommendations***

- ◆ Update, evaluate and use, to the maximum extent possible, current fees and charges, which are restricted for expenditure on infrastructure purposes.
- ◆ Develop dedicated, ongoing and consistent sources of funding to meet the City's current and long-term infrastructure requirements.
- ◆ Earmark portions of unanticipated revenue received by the City for infrastructure programs.
- ◆ Evaluate current cost-recovery programs and investigate additional efforts to recover and/or manage costs.
- ◆ Continue to aggressively pursue governmental grants as a supplemental funding source for infrastructure.
- ◆ Encourage the development and maintenance of a long-range financial plan for the City.

### ***Policy Recommendations***

- ◆ Amend the City Charter and enact implementing ordinances to provide:
  1. Permanent mechanism and controls regarding infrastructure budgeting and expenditures;
  2. Assurance that any new infrastructure funding source(s) will be spent only for infrastructure purposes; and,
  3. A long-term commitment to a City budget that will adequately fund infrastructure maintenance and improvement, demonstrating that infrastructure is a constant priority.

### **Next Steps**

In the near term, the IAC will continue to meet and complete the Final Report, which is scheduled for presentation to the City Council in July. At the same time, if the City Council agrees with the recommendation for a Charter Amendment, the process to place a Charter Amendment on the ballot for the November 2000 election should be set in motion.

The City Council's evaluation of the information provided in this interim report—and direction relating to the recommended actions—will assist the IAC in completing its assigned task.

In the long term, individual IAC members are prepared to serve as spokespersons for infrastructure issues in the public education effort, and to continue to serve as liaisons between the City and their respective community organizations regarding infrastructure issues.

## **APPENDIX F: IAC RESPONSE TO COUNCIL ISSUES AND QUESTIONS**

### **CITIZENS' INFRASTRUCTURE ADVISORY COMMITTEE (IAC) City of Huntington Beach**

TO: Honorable Mayor and City Council Members

FROM: Dick Harlow, Chair

DATE: June 1, 2000

SUBJECT: FOLLOW-UP TO INTERIM REPORT TO CITY COUNCIL

#### **INTRODUCTION**

This report responds to the discussion of the Infrastructure Advisory Committee (IAC) Interim Report that took place at the City Council Study Session on May 15, 2000. A number of critical issues were raised at the Study Session. The IAC believes that additional information would be useful in reaching a successful conclusion to this landmark effort by the City of Huntington Beach. The purpose of this report is to: 1) present our recommended approach to dealing with our infrastructure challenges and 2) respond to questions and concerns expressed by Council Members at the Study Session.

This report begins with an overview of the relevant issues as understood by the IAC and then proceeds with responses to stated Council concerns. It concludes with a summary of points related to the draft charter amendment that triggered most of the Council comments at the May 15 Study Session. It is our hope that this information will help to reach a consensus on a course of action that will benefit the residents, property owners and business enterprises that call Huntington Beach their home.

#### **SUMMARY**

The City of Huntington Beach has a serious infrastructure problem that must get attention now. It is caused by the fact that decades of deferred maintenance and inadequate funding place our infrastructure in jeopardy during the next 20 years and beyond. It is estimated that a shortfall of over \$850 million will be experienced over the next 20 years to correct the problem. Fortunately, the current City Council has initiated an effort to address the issue.

The Infrastructure Advisory Committee (IAC), representing a broad cross-section of citizen interests in our community, has developed a recommended infrastructure program. It will require considerable discipline and public support to work. Key ingredients in the recommended program involve:

- Getting started immediately by seeking public support for a charter amendment to establish a Citizen body to audit the program and report to the City Council annually on its progress.
- Maintaining a consistent level of effort through ongoing revenue sources to fund infrastructure improvements, maintenance and replacement.
- Aggressively seeking new funds to fund the shortfall.
- Setting up an infrastructure account that is reserved for that purpose so that it cannot be diverted into the general fund.

These commitments are significant and signal certain changes in the way the City has historically operated. They represent a level of commitment that is commensurate with the situation they address. No one expects that launching such a set of changes will be easy. However, because we are talking about the fundamental basis for our City's quality of life, it is not something we can continue to postpone.

This is not to suggest that there aren't a great number of other priorities that properly demand Council attention, staffing and funding. However, the disruptive implications of not staying on top of the City's basic physical support systems are so great that these other priorities in the long run may be eclipsed by the need for costly repair or replacement of infrastructure components. The IAC realizes that the business of running a City is very complex and that many constituencies seek attention. Our purpose in documenting our deliberations and recommendations is to help simplify a major component of City enterprise that must be conducted with utmost attention to contemporary good business practice—in this case, the public's business.

Important questions have been raised regarding some of the specific recommendations of the IAC. They require answers and clarification and then we must get on with implementing a workable program. A final report detailing the foundation for the recommended program will be completed in July 2000 for submission to the City Council.

## **OVERVIEW**

At the request of the City Council, we have been studying the state of our City's infrastructure conditions, with a view toward developing a long-range strategy for managing the system as effectively as possible. This has gone on for 27 months—far longer than any of us imagined at the outset would be necessary. However, this time investment reflects the complexity of the subject.

The Council's direction to look at our infrastructure comprehensively and in depth for a 20-year time horizon is, as nearly as we can tell, virtually without precedent among cities. Yet, it has been a subject of repeated discussion, at least in California, for over two decades. Finally, our City stepped forward and took the initiative to do something about it. The IAC believes that this initiative is a powerful step toward not only solving our infrastructure problems, but contributing as well to the credibility of local

government. The IAC believes this program is clearly in the best long-term interest of the citizens of Huntington Beach.

### **Is There an Infrastructure Problem?**

Yes. We have an excellent infrastructure system, but it is wearing out much faster than our maintenance, rehabilitation and replacement investments can handle. Absent a proactive strategy for reversing this trend, our City is headed toward a situation of crisis management with an exponential increase in cost and serious financial limitations on other priorities important to our citizens and their elected leaders.

**Discussion:** Deferral of infrastructure investment has been going on for some time, but now we can document with some precision what the situation really is. The only way to reverse this pattern is to invest more resources on a regular basis. We must "catch up" for investments that should have been made years ago and gradually close the gap to a sustainable level of investment at some point in the future. Infrastructure needs cut across most of the City operations and involves a highly complex web of facilities that we all take for granted—until they fail. We refer to this as an "invisible" problem because so much of the system components (water and sewer lines, for example) are out of sight and, for most citizens, out of mind.

Common sense and experience tell us that all physical things wear out. They do so particularly without sufficient maintenance. Cars do that; houses do that; and so do communities and their support facilities. Eventually, the price is paid for this pattern, one way or another. What we have found is that the rate of deterioration, general aging of our systems, and special factors associated with our unique location combine to put unusual pressure on our infrastructure. Despite significant efforts to maintain our streets, sewers, flood control channels, parks and beaches, and other components of infrastructure, the fact is that we have not consistently done enough to maintain these fundamental cornerstones of our living environment. Increased funding over the past five years, while a notable improvement, is significantly short of what is needed. An exception is the City's water system, which has its own dedicated revenue source for capital improvements and maintenance.

A final point that is critical to understand is that this problem relates almost totally to development that is already on the ground. It has little to do with new development activity. City requirements for new development now are much more thorough than was the case during the high growth years, primarily between 1960 and 1980. The problem is almost exclusively one related to the systems serving our current residents, businesses and visitors.

### **What Can We Do About Our Infrastructure Situation?**

We recommend a long-term strategy that involves sustaining our current investment levels (maintenance of effort), reducing costs in as many realistic ways as possible, and supplementing ongoing funding with other sources of revenues. That will no doubt

include one or more requests of the citizens to add new money to the inadequate funding now available to us.

**Discussion:** It is possible and desirable that we may be able to reduce the currently anticipated shortfall of over \$850 million during the next 20 years. This may be done through:

- Advances in technology (such as the recent advances in sewer system slip-lining);
- Additional creative revenue sources;
- Even more aggressive success in capturing grant funds (although the City has been unusually successful in this area already);
- Increases in City efficiency of operations and further methods of cost cutting;
- Some degree of paring back on the least critical items of infrastructure as future City Councils may determine;
- Deferring selected investments where it can be determined that this will not end up costing more money in the long run; and
- Determining from time to time that certain infrastructure projects will not be funded at all.

Nevertheless, the documented list of investment requirements now updated in the City's comprehensive Integrated Infrastructure Management Program (IIMP) is far too extensive to be offset by these measures. We have simply been putting off the necessary investment levels too long. We wish it was otherwise, but the facts are staring us in the face and require an unprecedented commitment to serve the public health, safety and welfare. Now that we know the probable magnitude of the problem, we cannot in good conscience recommend anything less comprehensive than the recommended measures.

### **What Are the Prospects for Public Support of this Commitment?**

The general tenor of public sentiment that is broadly distrusting of government, combined with the magnitude of our projected shortfall, makes achieving support of the public extremely challenging. Consequently, our efforts to gain the public trust must be unusually effective and, perhaps, revolutionary in some respects.

**Discussion:** Recent experience by the Huntington Beach Union High School District illustrates the difficulty. Yet, major investment commitments are made by the electorate in some communities. It is worthy of note that Measure M, increasing sales tax to support major transportation improvements, required three elections before it was passed (albeit, requiring only a simple majority vote). We are persuaded that the "cat is now out of the bag." We would lack foresight to assume that continuing past practices would somehow enable us to close the huge funding gap that now exists. Consequently, we are providing you a blueprint for successfully completing the initiative launched by this City Council over five years ago. This will unavoidably include approaching the citizens for additional funding authorization—perhaps more than once.

### **What Are the Essential Ingredients in the Recommended Approach?**

There are five essential pillars in the approach, each described in more detail in our Interim Report:

- **Public Awareness Initiative.** This is a program for informing the public about our situation and why we must deal with it as soon as possible.
- **Organizational Changes.** The main recommendation is establishment, through a charter amendment and subsequent City Council Ordinance, of a Citizens Infrastructure Advisory Board to monitor implementation of the approach and advise City Councils regarding progress toward turning the problem around.
- **Advocacy.** This involves lobbying state and federal governments to recapture/generate appropriate funds from those sources other than grant funds.
- **Financing/Funding.** This involves committing a consistent proportion of ongoing City revenues to infrastructure investment as an expression of long term priority given to this need.
- **Policy.** This involves establishing new policies to ensure that new infrastructure funding commitments will be applied only to that purpose.

**Discussion:** These actions, taken together, offer the likeliest prospect for sustaining a sound infrastructure system. We have not been able to devise a lesser approach that is up to the task. There is no question that it will require an unprecedented discipline to conduct such a program. However, we are encouraged, as evidenced by the City Council's leadership in initiating the IAC process, to believe that the City has the will to inform our citizens of the situation and obtain the level of support necessary to proceed with implementation.

## **CITY COUNCIL CONCERNS**

At its May 15 Study Session, several important questions and concerns were raised by the City Council in response to the Interim Report by the IAC. The Interim Report's central thrust was to initiate a City Charter Amendment for consideration by the electorate in November 2000. It would put in place some of the new policies and arrangements for establishing an infrastructure program sufficient to correct existing and projected deficiencies and would signal to the public the Council's serious intent to make the necessary commitments. The following responses are provided to the Study Session comments, preceded by a statement of the question or concern expressed.

### **1. Is it necessary to maintain a 15% proportion of the budget devoted to infrastructure support?**

Yes. This has been the average level of support for the last five years. Even at that level, our shortfall cannot be corrected. If we are going to ask the public for additional financial support we must lock in a significant ongoing commitment so these general fund revenues will not be diverted away from infrastructure purposes, thereby shifting all of the burden for infrastructure support to any new funding that may be established. Given the size of the need and investment gap, there is no rationale we can identify for departing from the most recent averages under this Council's tenure.

**2. What happens to this commitment in an economic downturn?**

Since we are talking about a percentage of ongoing City revenues and not a fixed amount, the dollar amount will rise or fall in proportion with the City's overall revenue flow. In lean years the amount will drop. Wear and tear on the infrastructure will continue in any case and a proportional level of effort is probably the best we can do at those times and the least we ought to do.

**3. Doesn't this restrict current and future City Councils regarding their flexibility in shifting funds within the general fund?**

Yes, precisely. It is this flexibility that has, over previous decades, frequently left infrastructure maintenance and improvement projects unfunded in favor of more popular expenditures. We cannot ask the public for additional funding if they believe that pattern could be repeated in the future. The bill for past omissions is now coming due and we believe the public expects more discipline on this matter.

**4. Doesn't this represent an unprecedented "guarantee" of a budget amount for the Public Works Department?**

Yes, but not entirely. Many other departments are involved in capital improvements covered by the IIMP, although the Public Works Department is responsible for the largest share. The premise is that our shortfall is so great that we must depart from traditional ways of doing business to properly respond. Within the capital budget each year, considerable latitude for Council discretion exists in determining what projects to fund. However, the overall level of effort cannot, in our estimation, be shorted.

**5. Is it true that the IAC is suggesting that certain funds for "brick and mortar" cannot, under the IAC recommendations, be transferred to the general fund for overhead expenses?**

Yes, within the proposed 15% proportion of funds. Beyond that, the City Council would have the same flexibility it has now. Obviously, whenever possible, it would be desirable to invest an even greater amount of the budget to infrastructure projects—again, because of the size of the shortfall.

**6. Speaking of the shortfall, \$850 million is a scary number!**

Yes, it is. And the longer we wait to do something about it, the worse it will get. There are some things, noted earlier in this report, which may enable us to pare that number back. However, the magnitude of the shortfall is still going to be a large number. Whatever the number ends up being, we feel that the City is obliged to do everything possible to manage ongoing and supplemental funds in a way that, in reality and in public perception, merits the highest level of confidence.

**7. Why is the shortfall now estimated at \$850 million instead of the originally estimated \$600 million?**

The current figure is more comprehensive, is based on more complete calculations and information, reflects year 2000 dollars rather than an earlier base year, and takes into account accrued unfunded projects since the original estimate. It is important to recognize that these are, in fact, informed estimates. Nevertheless, many factors may change over time to adjust these numbers. That is why it is important to monitor and track performance of the IIMP annually, constantly working to contain the amount of money needed to sustain acceptable community standards. The Council needs to know how things are changing and why.

**8. So, how can the public be assured that the shortfall won't go up even more?**

It can't be assured. It may also drop. But the program is designed so that this factor is tracked annually, so surprises should not be huge. The program will need to be revisited on a periodic basis to adjust the estimates based, as a minimum, on what has or has not been accomplished. One thing is for certain: whatever the amount is, it will increase the longer we fail to tackle it.

**9. Why is the proposed Citizens Oversight Board (Citizens Infrastructure Advisory Board-CIAB) necessary?**

Before the public will be willing to make a funding commitment it must have confidence that the program will be scrutinized by someone whose job or political office will not be a factor. This type of mechanism is becoming more common where substantial dollars are to be expended over a long period of time and where the original policy makers and administrators are not likely to be on the scene during later years of the program. The proposed CIAB will be advisory to the City Council and this City Council will be able to shape the ordinance that establishes the actual membership.

**10. But, doesn't the charter amendment proposal that includes the CIAB represent a distrust of the City Council?**

Yes, but not necessarily this particular Council. After all, you have taken the initiative on this issue. There are many out there in the community who do not trust government at any level and that includes some who do not trust this or any future Council. We found that out during the focus group meetings. That is a way of life these days in our civic affairs. That is not a criticism of this Council or its actions; it is part of the background condition we face. We suspect that some of the current members of the Council harbored distrust of previous Councils; hence their determination to seek office. That pattern is not something that will go away. However, we are proposing some steps that we believe will bring deserved credibility to the Council for taking bold initiatives to act in the public interest on this matter.

**11. Won't the Oversight Board be an excessive barrier between citizens and the Council?**

Not as proposed. They will be bringing valuable information to the City Council—information Councils who appreciate the criticality of this program will welcome as a basis for their policy direction on City financial priorities. We think their role as an

independent auditing body will stimulate more confidence in the long-term legitimacy of our City's commitment to solve the problem than any other component of the proposed program.

**12. Isn't a 2/3 vote from the public on proposed funding measure(s) doomed?**

Perhaps. We can only know by doing everything we can do to assure the public that their trust is not being misplaced, and that it is in their long term best interest that we undertake to correct the escalating funding deficiencies that can now be anticipated. This is partly why we place so much emphasis on community education initiatives as part of this program. We also believe the public will find it refreshing for a City Council to intentionally depart from what the public perceives as "business as usual." Any prospect of success will certainly require that the City family be solid on the need for this program and present a consistent message to the public.

**13. Why should we proceed with the charter amendment now, instead of waiting to package it with whatever bond measure may evolve?**

We believe it is important to keep up the momentum on this issue and begin now to demonstrate to the public how serious is the City's commitment to a program that is open. To the extent that the City Council may be perceived as giving up some of its prerogatives, the public may be inclined to tune in to this issue with a more receptive attitude. Somehow we must mobilize public opinion in a way that deserves their support and we see the Charter Amendment as an important device for doing that. In our view, it sends the right signal and the sooner that can be done the better.

**14. Why is the Council being rushed into this with so little time to decide?**

We apologize to the Council for our delay in getting even the Interim Report to you later than anticipated. We found that the combination of a hugely complex assignment combined with a volunteer approach did not allow closure as quickly as we would all have liked. Still, we believe there is time for the Council to reflect on this first step and place the matter before the voters as evidence of good faith. We will work with you as closely as possible to respond to your questions and seek resolution of your concerns.

**15. Should the City Charter question be part of a community survey?**

Yes, that would be a good idea.

**16. Since we have so many commissions and committees now, shouldn't the oversight function be assigned to the Public Works Commission?**

It could be, but we feel it would be less effective that way, particularly from the public's perspective. The scope of the IIMP and the function of the proposed oversight group are broader than the purview of the Public Works Commission. Moreover, we anticipate that the CIAB will meet only a few times a year and will have a particular focus that cuts across many departmental units. We think the makeup of this group should be tailored specifically to the needs of this program and believe the public will place greater credibility on the process if that is done.

**17. Are there any points in the proposed Charter Amendment that the IAC feels are not needed?**

No. 1) The percentage level of effort should be considered a minimum; 2) we should proceed with the charter amendment as soon as possible; 3) a separate and distinct fund for NEW monies raised for infrastructure support must be established outside of the general fund and interest on that fund should accrue only to it; and 4) a Citizens Infrastructure Advisory Board should be established. Perhaps some refinements to these recommendations may be made, but they are the foundation of the entire program's integrity in our view. An example of a level of effort refinement might be to base it on a rolling three-year average rather than each year in order to provide some flexibility. We still prefer an annual commitment, but could certainly agree to a more flexible approach.

**18. Why shouldn't we go to the voters for a tax override before seeking the Charter Amendment?**

We believe to do so would absolutely doom any voter support, which we all know is going to be very hard to achieve under any circumstance. The reason is that we believe the public must have evidence that the Council really means business on this matter and the Charter Amendment is a means of indicating that.

**19. The roles and duties of the Oversight Board need to be clearly defined.**

We have proposed their general duties and believe that gives the Council considerable flexibility regarding this body. However, we have discussed their function in more detail and will be glad to provide the Council with these thoughts.

**20. Shouldn't we wait to see if the voters turn down a revenue increase before instigating a sewer fee increase?**

That can be done, of course, but it would only impact a portion of the need—although it is certainly a high priority part of the system. Here again, taking an action the Council is currently empowered to take can be read by the public as a serious commitment. It is also a service for which a fee is eminently equitable, since it is based on usage. If such a fee is imposed, it should be placed in a separate fund and be subject to the same oversight and other provisions recommended for any voter approved measure. The optimum approach regarding timing of such an action by the Council is something we should discuss further.

## **PROPOSED CHARTER AMENDMENT ANALYSIS**

The goal of putting a Charter Amendment in front of the people for a vote in November 2000 is to demonstrate that City Council and staff are making a commitment to putting permanently in place guarantees that additional revenues raised for support of the failing infrastructure will be used for that purpose and only for that purpose. The IAC agrees that the Council would be giving up some flexibility with respect to how

additional funds raised for infrastructure purposes can be spent. But the public is wary of the changes in priorities that seem to occur as Councils change when they involve "bread and butter" commitments that must be sustained over time to be effective.

Today's Council is concerned with infrastructure problems and is willing to put funds toward infrastructure improvements. But before the public will agree to a commitment for increased taxes over a period of 20 years or more to support infrastructure shortfalls, they will need reliable assurances that the money will go for the purposes intended and not for any other purpose. In the absence of such assurances, no additional taxes can be raised through a vote of the people and the infrastructure problem will simply get worse. Eventually, breakdowns will have to be handled from crisis to crisis—hardly a cost-effective way of spending the public's money.

The only way the IAC sees to get such assurances in place is through a Charter Amendment specifically addressing the issues we believe are critical to gaining the necessary public support for additional taxes, no matter what the amount may be. And, of course, in this case the amount is huge (even if we seek to raise only a portion of the projected shortfall). The situation demands a clear and irrevocable demonstration of Council and staff commitment.

The following points elaborate on specific parts of the proposed Amendment:

(a)

All revenue raised by vote of the electors or imposed by vote of the City Council after November 5, 2000, for the purpose of infrastructure shall be placed in a separate fund entitled "Infrastructure Fund."

- This applies to new funds raised explicitly for infrastructure purposes.
- The public expects to have the funds raised for this purpose through additional taxes to be used only for that purpose.
- Establishing the fund is a necessary step to increase public confidence in advance of asking for a tax increase.

The term "Infrastructure" shall mean long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years.

- "Long lived," means those infrastructure components considered as capital assets whose economic life is measured in decades.

They include sewers, sewage lift stations, storm drains, storm water pump stations, alleys, streets, highways, curbs and gutters, sidewalks, bridges, street trees, landscaped medians, parks, beach facilities, playgrounds, traffic signals, street lights, block walls along arterial highways, and all public buildings and public ways.

- The list of infrastructure components is the same categorization used in the IIMP developed by the City staff and analyzed by the IAC.

Interest earned on funds in the Infrastructure Fund shall accrue to that account.

- The public does not want the interest earned from buildup of additional tax dollars for infrastructure to be used for any other purpose.
- This is a means of reducing the shortfall without adding to the tax burden.
- It would be unreasonable to expect interest earned to go to any other purpose.

Funds shall not be transferred, loaned or otherwise encumbered and shall be utilized only for direct costs relating to infrastructure improvements or maintenance, including construction, design, engineering, project management, inspection, contract administration, and property acquisition.

- The public does not want funds raised through additional taxes for infrastructure to be used as collateral for loans to the City for other purposes. There is a concern that, if such flexibility were allowed, the funds may never be recaptured for their stated purpose.

(b)

Revenues placed in the Infrastructure Fund shall not supplant existing infrastructure funding. The average percentage of General Fund revenues utilized for infrastructure improvements and maintenance, for the five-(5) year period of 1996 to 2001, is and was 14.95%. Expenditures for infrastructure improvements and maintenance, subsequent to 2001, shall not be reduced below 15% of General Fund revenues based on a three year rolling average.

- Funds are routinely put toward infrastructure in every City budget. Over the last five years, the average has been almost 15%. Though higher than many previous years, it is still inadequate to fund the identified infrastructure needs. Given the acknowledged need to fund other activities out of the General Fund, this level of infrastructure commitment is a reasonable baseline for "benchmarking" our continued commitment.
- The public does not want funds raised through additional taxes to solve infrastructure problems to be used to supplant funds currently budgeted from the General Fund for infrastructure purposes. If this provision is not included, future Councils could easily increase the General Fund budget for other purposes by simply reducing its commitment to infrastructure. That is what has happened in the past and contributed to our current situation.
- The current contribution to infrastructure funding is part of the assumption upon which the shortfall is based. The shortfall is determined by subtracting from the total amount of infrastructure need as described in the IIMP the dollars provided through normal budgeting over the next 20 years. In the absence of a fixed contribution from anticipated ongoing revenues, the shortfall could increase dramatically and represent a much higher percentage of the total IIMP figure of \$1.3 billion.

(c)

The City Council shall by ordinance establish a Citizens Infrastructure Advisory Board to conduct an annual review and performance audit of the Infrastructure Fund and report its findings to the City Council prior to adoption of the following fiscal year budget.

- The public wants an appointed body to have the "big picture" regarding infrastructure because so much public money is involved and its management must transcend numerous changes in City Council membership and staffing over the years. For example, the Public Works Commission is concerned only with Public Works operations and the IIMP is broader than that.
- The Citizens Infrastructure Advisory Board (CIAB) would be established only to represent the public in judging whether or not infrastructure investments are being made in accordance with the intention of the program when voters were asked to commit additional funds.
- We see the CIAB role including: auditing the mechanism for accounting for funds received into the Infrastructure Fund; verifying the stability of the fund and how it is being managed; reviewing the projects for which fund money is being obligated to ensure that they are infrastructure related; evaluating the administrative costs assessed for staff participation in funded projects and conduct of advance planning for those projects; assessing the degree of public input to the setting of priorities; and commenting on other management related issues on which the Council would like input. These are some suggested roles and responsibilities; the Council would actually set them as part of an enabling Ordinance. The Charter Amendment intentionally leaves this determination exclusively to the City Council.
- The CIAB should report to the City Council on pros and cons observed in the process so that the Council can take corrective action if necessary.
- In the absence of a Council appointed oversight panel, the public will be reluctant to approve tax increases for infrastructure purposes. In fact, we believe the absence of this provision would, by itself, doom any possibility of public support.
- In the unlikely circumstance that tax increases would be voted in without this provision, informal oversight groups will no doubt form to provide their own "watchdog" function. The probable special focus of such groups could be very problematic for the City Council and the success of the program.
- The formation of a CIAB through Charter Amendment now sends a message to the public the City Council acknowledges the magnitude of our dilemma and is serious about making sure that additional taxes raised for infrastructure purposes are used as intended and not diverted to other uses. This will be a key element in getting voter approval for additional taxes. Moreover, the CIAB will be able to play a key role in gaining public acceptance of future tax increases, should they become necessary.
- Rather than being a wedge between the Council and its constituents, we believe the CIAB will actually make the Council's life easier because of the objectivity built into the system for this major area of responsibility. This is consistent with the increasing

desire by the public to feel it has some control over use of its money, yet still allowing the City Council reasonable flexibility in shaping priorities from year to year. The CIAB is a device to maintain the public's confidence in this commitment and insurance against the possibility that some future Council may seek to weaken the commitment and induce a greater cost for deferred improvements.