

COUNCIL AGENDA: JUNE 4, 2013

SUBJECT: RESCISSION/APPROVAL - ALLOCATION OF \$35,000 TO THE CHAMBER OF COMMERCE

SOURCE: CITY ATTORNEY'S OFFICE

COMMENT: On June 21, 2011, the City Council approved the allocation of \$35,000 to the Chamber of Commerce per its agreement with the City of Porterville, with a 3-2 vote. The City has recently been informed that the FPPC issued a letter finding that Mayor Irish's participation in this approval violated the Political Reform Act. The FPPC only issued a warning in the matter due to the specific circumstances, but the finding of a violation can create a disqualifiable interest and call the split vote on this item into question. Given the 2011 vote, the City Attorney recommends that the City Council rescind its prior action and re-approve the allocation for the 2011-2012 fiscal year.

RECOMMENDATION: That the City Council rescind the action taken on June 21, 2011, and reapprove the 2011-2012 fiscal year allocation of \$35,000 for the Porterville Chamber of Commerce.

ATTACHMENTS: 1. Excerpt of City Council Minutes of Item 13, June 21, 2011 City Council Agenda
2. Item 13 – Adoption of Fiscal Year 2011/2012 Budget, June 21, 2011 City Council Agenda

ITEM NO. 13

EXCERPT OF CITY COUNCIL MEETING MINUTES OF JUNE 21, 2011
ITEM 13 – ADOPTION OF FY 2011/2012 BUDGET

PUBLIC HEARINGS

13. ADOPTION OF FY 2011/2012 BUDGET

Recommendation: The City Manager proposes that the Council consider adoption of the proposed 2011-2012 Fiscal Year Budget, including any modifications and for the time period designated by Council.

The City Manager introduced the item, and the staff report was waived at the Council's request.

The Mayor opened the public hearing at 7:56 p.m.

- Brock Neeley, suggested that the \$50,000 for the Council Chambers be deferred, as well as expenditures relative to the Alignment Plan.
- Nikki Edwards, voiced support for prioritizing the building of a local shelter.

The Mayor closed the public hearing at 7:58 p.m.

COUNCIL ACTION: MOVED by Council Member McCracken, SECONDED by Vice Mayor Hamilton that the City Council adopt the proposed 2011-2012 Fiscal Year Budget, as presented.

AYES: McCracken, Hamilton
NOES: Ward, Shelton, Irish
ABSTAIN: None
ABSENT: None

Council Member Ward inquired about the following: Public Safety Building allocations; parking fee revenues; the Community Development budget; Zalud House; sewer collection; graffiti restitution; and Police and Fire budgets.

Council Member Shelton expressed concern regarding the loss of money at the Municipal Golf Course; inquired about allocations to the Kings/Tulare County Agency on Aging and the Chamber of Commerce.

COUNCIL ACTION: MOVED by Vice Mayor Hamilton, SECONDED by Council Member McCracken that the City Council approve an allocation of \$35,000 for the Chamber of Commerce.
M.O. 11-062111

AYES: McCracken, Hamilton, Irish
NOES: Ward, Shelton
ABSTAIN: None
ABSENT: None

Council Member Shelton requested that an item be added to the Agenda regarding a full audit of the Chamber of Commerce.

COUNCIL ACTION: MOVED by Council Member McCracken, SECONDED by Vice
Resolution 25-2011 Resolution Mayor Hamilton that the City Council adopt the proposed
Resolution 26-2011 2011-2012 Fiscal Year Budget.

AYES: McCracken, Hamilton, Irish
NOES: Ward, Shelton
ABSTAIN: None
ABSENT: None

Disposition: Approved.

PUBLIC HEARING

SUBJECT: ADOPTION OF FISCAL YEAR 2011-2012 BUDGET

SOURCE: City Manager

COMMENT: Consistent with the City Charter, the City Manager has submitted for Council consideration a draft Budget for the 2011-2012 Fiscal Year. Section 51 of the City Charter provides that the City Manager shall provide not later than thirty (30) days before the end of the City's fiscal year, an estimate of expenditures and revenues of the City departments for the ensuing year.

The budget message presented with the draft document is attached, which emphasizes the significant projects and factors involved with the Budget's development, and recommends periodic review of budget targets and the revision of expenditures to meet those targets (if necessary).

Generally, the overall reduction in Fund balances proposed will result from using monies accumulated for capital expenditure being used to implement projects.

The City Charter provides that "after duly considering the estimate and making such corrections or modifications thereto as shall seem advisable to it, the Council shall by resolution adopt a general budget and such resolution shall operate as an appropriation of funds to the amounts and for the purposes set forth in the budget so adopted." All spending authority from the current 2010-2011 Fiscal Year budget expires after June 30, 2011. Therefore, a new budget must be adopted which allows payroll to be paid and routine expenditures to be incurred effective July 1, 2011. The Charter is not specific as to the duration of the adoption, thus accordingly, consistent with past Council discussion, the Council may authorize a budget adoption period less than the full fiscal year.

RECOMMENDATION: The City Manager proposes that the Council consider adoption of the proposed 2011-2012 Fiscal Year Budget, including any modifications and for the time period designated by Council.

ATTACHMENTS: Budget Message
Draft Resolution for General Fund Budget
Draft Resolution for Special Revenue, Enterprise, Internal Service,
and Capital Projects Fund Budgets

C/M 

Item No. 13

ATTACHMENT 2

FY 2011-2012 Budget
June 21, 2011

Honorable Mayor, Vice Mayor and Members of Council:

With the beginning of the "Great Recession" in 2008, the City has weathered extraordinary budgetary challenges over the past three years, with the approaching fiscal year expected to present a continued challenge. Although it would appear that the national, state, and local economies have stabilized, no significant improvement is anticipated for at least another year. As evidence at our local level, due to the State's inability to sell bonds for capital projects, the beginning of construction for the new South County Justice Center will likely slip from this Fall to Summer 2012. Also, although meetings at the recent ICSC conference hold great promise for our community in the near future, it is not expected that new significant retailer location will occur until 2012. Similarly, a recent increase in the interest of large industrial employers to potentially locate in the Central Valley has been experienced, which the city has submitted for consideration, although any determinations on such new development would not be determined until 2012 or 2013. Permits issued for new construction are anticipated to remain sluggish, with approximately a quarter of the permits anticipated to be issued (25) that were issued in 2008 (110).

Perhaps no better indicator of the economic downturn and recent stabilization has been the City's General Fund. With Property, Sales & Use, and Utility Users Taxes historically combining to constitute over sixty-five percent (65%) of General Fund revenues, the City has experienced a \$2.1 million decrease since 2008, with General Fund revenues dropping from approximately \$23.4 million in the 2007-08 fiscal year to \$21.3 million estimated in the current 2010-2011 fiscal year. As tax revenues have recently been relatively stagnant, and considering an approximate \$100,000 decrease in Utility Users Tax due to AT&T discontinuing its collection on "bundled" services, it is recommended to conservatively budget no increase in General Fund revenues next year.

Conversely to General Fund revenues, expenditures have increased almost \$1.5 million since 2008, increasing from approximately \$19.5 million in the 2007-08 fiscal year to approximately \$21 million in the current 2010-2011 fiscal year. Expenditures for the coming 2011-12 fiscal year are currently budgeted at \$23.0 million, resulting in an estimated \$1.6 million budget shortfall. A budget-balancing solution employed for the past couple of difficult years has been to curtail Departmental spending to either 94% or 95% of budgeted expenditures, which this next year would "save" between \$1.15 million (95%) to \$1.38 million (94%), with a remaining deficit of between \$230,000 (94%) and \$450,000 (95%).

The single largest increase in the budgeted expenditures for the coming fiscal year can be attributed to an approximate \$400,000 increase in Public Employees Retirement System (PERS) pension costs, due to Public Safety PERS rates increasing five percent (4.5%) and Non-Public Safety PERS rates increasing three percent (3%) over the prior year. With the

PERS rate increases, the City will be experiencing an effective employer contribution rate of 30.382% for Public Safety employees, and 22.569% for Non-Public Safety employees, for every \$1.00 of payroll paid. The Council is aware of at least one employee Association that is considering the sharing of increased PERS pension costs to the City.

Also, affecting not only its ability to sell bonds, due to the State's unresolved budget issues and the approaching expiration of the Vehicle License Fund (VLF) tax extension on July 1, 2011, an approximate \$100,000 in expense has been added to the General Fund budget for the continued funding of two (2) Community Services Officer (CSO) positions in the Police Department, which are currently funded through the Community-Oriented Policing Services (COPS) program, and whose funding will cease with the VLF tax expiration in July unless other State funding for the COPS program is secured. In maintaining the CSO positions, it is proposed to account for a majority of the replacement funding with \$70,000 in additional revenue from the Burton Elementary and Porterville Unified School Districts in support of the School Resource Officer (SRO) program and the five (5) assigned Police Officers.

Another additional potential and significant challenge to the General Fund budget in the coming fiscal year with the anticipated VLF tax expiration is the State's "Booking Fee" program. Through the "Booking Fee" program currently funded through VLF, the City does not incur an expense in the "booking" of an arrestee into County jail. However, without VLF or other dedicated State funding, the County is authorized and will begin charging a "booking fee" of \$125.00 for each arrestee to be "booked" into jail, resulting in an estimated expense to the City of between \$125,000 and \$175,000.

With regard to capital projects funded by the General Fund and/or dedicated grant funds, it is anticipated that the lighting of the Veteran's Skate Park (\$62,000) and the playing fields at the southern end of the Sports Complex (\$86,000) will be completed in the coming fiscal year, with approximately \$377,000 in remaining funds dedicated to the lighting of sports playing fields to be further appropriated by Council. The Council has indicated interest in furthering the lighting of additional playing fields at the Sports Complex, including the possibility of creating and lighting two additional softball fields.

With cost-savings achieved in the construction of the Fire Training Facility parking lot, it is proposed to construct a parking lot on the undeveloped area on Hockett Street between the Stout Building and the Spencer House (\$85,000). Utilizing a combination of funds from the General Fund and Risk Management, improvements are proposed to City Hall, including repairing and repainting the facility's façade (\$20,000), and upgrading the Council Chambers (\$50,000), including replacing the audience seating and carpet, and upgrading the Chamber's electronic systems. Finally, the construction of a shade structure covering the playground at Veteran's Park (\$30,000) is proposed, seeking to partner with the local Rotary Clubs in the project, installing a fence around the playground and adding additional play equipment to the playground area.

In combination with funds from the Indian Gaming Community Benefit grant (\$60,000) and the General Fund (\$200,000), it is proposed to continue the development of the Fire

Training Facility training props. Also in combination with funds from the Indian Gaming Community Benefit grant (\$50,000) and the General Fund (\$135,000), the new law enforcement shooting range should be completed and operational in the coming fiscal year.

With Proposition 84 grant funds (\$2.1 million), the property for the new park development on Chase Avenue has been acquired, with design of the park anticipated to be accomplished in the coming fiscal year, and construction in the 2012-2013 fiscal year.

A significant project without final appropriation to begin construction is the planned new Animal Shelter on Grand Avenue, across from the City's Corporation Yard. With \$500,000 currently budgeted for construction of the facility, up to \$500,000 in additional funds would need to be appropriated to complete construction of Phase I of the facility, which includes up to one hundred (100) kennels and none of the planned support staff office space. For the Council's information and reference, the five (5) -year lease (\$1/year) with the City of Lindsay for the use of their Animal Shelter expires on January 1, 2014.

MEASURE H

Having begun with the 2006-07 fiscal year, the initial five (5)-year expenditure plan for Measure H will conclude at the end of the current fiscal year. All components to the original expenditure plan have been implemented, as well as the addition of a Sergeant and two (2) Dispatcher positions in the Police Department, with the exception of constructing a new Fire/Public Safety station. Although the Measure H Fund has an estimated \$3.2 million Reserve, the current annual Fund revenues and expenditures are both budgeted and balanced at approximately \$2.6 million, making the ability to further modify the expenditure plan and add additional positions with sustainable funding a challenge. To support a new station under the current Fire Department staffing plan, there is a need to hire at least six (6) new Fire personnel at an estimated annual expense of \$500,000. However, with the support of the Porterville City Firefighters Association in limiting the number of shift personnel on vacation at the same time, the existing staffing plan could be modified, allowing for the staffing of a new Fire Station without the hiring of additional personnel. Additionally, at an estimated expense of \$4 million, the construction of the new Station could move forward with an advance of funds from other City Funds, which would initially begin to be repaid utilizing part of the Measure H Fund reserve. For example, assuming a three percent (3%) simple interest rate and a ten (10)-year term for repayment, the annual fund transfer would be approximately \$500,000. With property already acquired for the new station, expense of facility design is estimated at \$400,000.

In combination with \$150,000 in General Fund monies, \$100,000 in Measure H funds continue to be budgeted in support of the planned development of a Literacy Center in the second floor of the Public Library

STREET CONSTRUCTION AND MAINTENANCE FUNDS

In regard to capital projects involving city streets and roadways, it is projected for the coming fiscal year that the City will have roughly \$2,820,000 in street construction and maintenance funds available for appropriation, which is approximately \$1,000,000 more

than has historically been available, due in large part to the Public Works Department successful application for CMAQ grant funds to construct the Jaye Street/Montgomery Avenue roundabout. With the funds available, reconstruction/rehabilitation projects are being planned for Henderson Avenue (between Indiana and Jaye Streets; \$1,210,000), Olive Avenue (between Cobb and "H" Streets; \$1,075,000), West North Grand Avenue (east of Highway 65; \$363,000), as well as micro-surfacing projects for Henderson Avenue (between Newcomb and Prospect Streets; \$272,000). Also, as directed by Council, cost estimates are being compiled in support of the City owning and operating its own micro-surfacing equipment. Significant previously-appropriated street projects that are anticipated to progress in the coming fiscal year include: 1) Plano Street Bridge Widening (\$7.6 million); 2) Jaye Street Extension and Roundabout (\$2.1 million); 3) Scranton Avenue/Indiana Street Widening (\$2.0 million); and 4) Newcomb and Beverly Streets Shoulder Stabilizations (\$1 million).

WATER FUND

In consideration of capital projects involving the City's water system, it is anticipated that the 3 million-gallon Martin Hill reservoir (\$3.8 million), 500 thousand-gallon Rocky Hill reservoir (\$1.5 million), Morton Avenue and Mathew Street trunklines (\$1.67 million), and Veteran's Park booster pump (\$460,000) water projects funded by a \$8.26 million CIEDB loan will be completed in the coming fiscal year. Due to cost-savings in project construction, approximately \$1.4 million of the original \$8.26 million loan amount will be unexpended, with the City having the decision to either expend the remaining loan funds on additional water development projects (i.e. new well development, recharge basin development, etc) or attempt to return the unspent funds to the State and renegotiate the CIEDB loan in an effort to reduce the City's annual debt service commitment (\$31,600; \$190,202 vs. \$158,602). Throughout the process of securing the CIEDB loan, the potential of increasing the City's water usage and/or meter rates has been mentioned, given the loan's annual debt service payments essentially exhausting the funds typically used for water system replacement projects and recharge efforts. It is recommended that a separate Study Session on this subject be scheduled in July, to specifically review the Water Fund and the challenges ahead involving the needed continuous replacement of the distribution system, as well as increasing groundwater recharge efforts.

SEWER FUND

Regarding capital projects involving the City's sewer system; it is anticipated that the first of the island annexation sewer extension projects will begin construction in the coming fiscal year. As the design of these projects begin, it is anticipated that more than \$7 million in sewer extension projects will be constructed during the 2011-2012 and 2012-2013 fiscal years, with the objective of connecting the approximate 5,000 former County residents that were annexed into the City in 2006.

STORM DRAIN FUND

Considering capital projects involving the City's storm drain system, with regard to effects from this past winter's storm event, staff proposes to upgrade the storm drain system at Zalud Park, providing a permanent drainage connection from the Park to the Henderson Avenue and "G" Street drainage system (\$260,000). Also, using Off-Road Highway

Vehicle (OHV) grant funds (\$1.2 million), it is anticipated that property acquisition will be completed and design begun on the development of the storm drain reservoir on the west side of West Street, relocating the drainage from the City's OHV Park and increasing drainage capacity to better serve the developing area nearby, with construction to begin in the 2012-2013 fiscal year.

In summary, the Preliminary Budget proposed for the upcoming 2011-2012 fiscal year represents the significant activities planned to improve our community, even during a continued challenging economy. Toward ensuring that the City's planned revenues and spending remain in balance, it is recommended that the Council's regular quarterly budget review continue, especially given the State's unresolved budget situation and residual effects to the City's finances (COPS funding, Booking Fees, etc).

Sincerely,

John D. Lollis
City Manager

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF PORTERVILLE ADOPTING THE GENERAL FUND
BUDGET FOR FISCAL YEAR 2011-2012

WHEREAS, the City Manager, under provisions of the City Charter of the City of
Porterville, has presented to the City Council for its consideration, a proposed General
Fund Operating and Capital Improvement Budget for the period beginning July 1, 2011,
and ending June 30, 2012; and

WHEREAS, the City Council after thorough review, has determined said budget, as
modified and corrected, is in all respects suitable and adequate for the purposes of said
budgets and cover the necessary expenses of the General Fund of the City of Porterville
for the 2011-2012 Fiscal Year based on the cash reserves balance;

NOW, THEREFORE, BE IT RESOLVED

1. The City of Porterville General Fund Budget for the 2011-2012 fiscal year is
adopted in the following amounts:

Operating Budget	\$22,993,118
Capital Projects	4,938,374
Debt Service	<u>1,830,754</u>
Total	<u>\$29,762,246</u>

2. Staff will update Council on the condition of the budget and ongoing validity
of assumptions utilized to create it during the months of November, January
and April of the fiscal year, or at any time information becomes available that
would alter the viability of this budget.

3. The City Manager is authorized to transfer General Fund operating budget appropriations between functions as required.
4. Increased service levels that require additional appropriations shall not be implemented without prior City Council approval.

Ronald L. Irish, Mayor

ATTEST :

John Lollis, City Manager / City Clerk

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF PORTERVILLE ADOPTING THE SPECIAL REVENUE,
ENTERPRISE, INTERNAL SERVICE, AND CAPITAL PROJECTS FUNDS
BUDGETS FOR FISCAL YEAR 2011-2012

WHEREAS, the City Manager, under provisions of the City Charter of the City of Porterville, has presented to the City Council for its consideration, a proposed Operating and Capital Improvement Budget for the Special Revenue, Enterprise, Internal Service, Debt Service, and Capital Projects Fund for the period beginning July 1, 2011, and ending June 30, 2012; and

WHEREAS, the City Council after thorough review, has determined said budgets, as modified and corrected, are in all respects suitable and adequate for the purposes of said budgets and cover the necessary expenses of the Special Revenue, Enterprise, Internal Service, Debt Service, and Capital Projects Funds of the City of Porterville for the 2011-2012 Fiscal Year:

NOW, THEREFORE, BE IT RESOLVED:

1. The City of Porterville Special Revenue, Enterprise, Internal Service, Debt Service, and Capital Projects Funds budgets for the 2011-2012 fiscal year, are adopted in the following amounts:

Operating Budget	\$29,404,505
Capital Projects	30,467,752
Debt Service	<u>5,719,987</u>
Total	<u>\$ 65,592,244</u>

2. Pursuant to Ordinance No. 1684, the Porterville Police, Fire and Emergency Response 9-1-1 Measure Expenditure Plan, is hereby recertified for the 2011-2012 fiscal year and the document, attached as Exhibit "A", reflects the financial consequences of the receipt, expenditure and allocation of Measure H Sales Tax Revenues for the 2011-2012 fiscal year.
3. Increased service levels that require additional appropriations shall not be implemented without prior City Council approval.

Ronald L. Irish, Mayor

ATTEST:

John Lollis, City Manager / City Clerk

RECERTIFICATION FOR 2011-12 FISCAL YEAR*MEASURE H EXPENDITURE PLAN**

Proposed Expenditure Plan for the City of Porterville Public Safety Sales Tax Measure Based on 1/2 Cent Sales Tax availability:

The City Council has evaluated Porterville's safety needs with input from the public in developing the attached Public Safety Expenditure Plan, which shall be amended from time to time, at the projected/estimated costs shown:

Fiscal Year 2011-12 Sales Tax Revenues	\$2,600,000**
Interest	<u>65,000**</u>
Total Revenues	<u>\$2,665,000</u>
Fiscal Year 2011-12 Expenditures	
Maintain expanded patrol operations and gang suppression and narcotics operation with 10 sworn and 2 non-sworn Police personnel	\$ 1,337,357**
Maintain 8 additional sworn Fire personnel	902,082**
Maintain public library hours and continue expansion of literacy programs as outlined in the library business plan with 3 full-time library assistants and part-time staffing	<u>375,000**</u>
Subtotal	<u>\$2,614,439</u>
Design and construction of Public Safety Station	\$1,300,000**
Development of Library Literacy Center	<u>100,000**</u>
Subtotal	<u>\$1,400,000</u>
Total Expenditures	<u>\$4,014,439</u>

* Assumptions consistent with original Ordinance 1684.

** Certification of new amount and revision of Measure H Expenditure Plan.

John Lollis, City Manager / City Clerk