

COUNCIL AGENDA: June 4, 2013

SUBJECT: CONSIDERATION OF FISCAL YEAR 2013-2014 PROPOSED BUDGET AND SETTING DATE OF PUBLIC HEARING

SOURCE: City Manager

COMMENT: Consistent with the City Charter, the City Manager has submitted for Council's consideration a proposed Budget for the 2013-2014 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.

RECOMMENDATION: The City Manager recommends that the City Council consider the proposed 2013-2014 Fiscal Year Budget, include any modifications so directed by the Council, and schedule a Public Hearing on the proposed Budget for Tuesday, June 18, 2013.

ATTACHMENTS: 1. Budget Message
2. Preliminary Budget (provided under separate cover)

C/M 

Item No. 20

FY 2013-14 Preliminary Budget
June 4, 2013

Honorable Mayor, Vice Mayor and Members of Council:

Since the beginning of the "Great Recession" in 2008, the City has weathered extraordinary budgetary challenges. However, the approaching fiscal year is anticipated to be the least challenging of the past five years. Given improving economic conditions, and especially the successful passage of Proposition 30 this past November, the State's budgetary condition appears to have stabilized, and thus no negative impacts by the State are expected upon the City budget as we have experienced in recent years (elimination of Redevelopment, redirection of Vehicle License Fee funds, redirection of Off-Highway Vehicle funds, etc).

Although it would appear that the national, state, and local economies have stabilized, only moderate improvement is anticipated for the next couple of years. Locally, the construction of the new South County Justice Center is nearing completion, with its opening scheduled for this coming Fall 2013. With the assistance of a \$60 million State grant, the County is conducting its required environmental review toward the development of a new South County detention facility, with construction anticipated to begin in 2014 and become operational in 2016. The opening of Kohl's in the Porterville Marketplace precipitated the expected companion retail development (PetSmart, Marshall's, Famous Footwear, Rue21, etc), with additional national-brand retailers also seeking to locate in Porterville, either on the Henderson Avenue or Highway 190 commercial corridors. The Superior Court recently ruled in favor of the City and the Council's approval of the Riverwalk Phase II (Super Walmart) EIR, though it is anticipated that the opponents will file an Appeal to the decision - the best case scenarios provide Walmart to begin construction in late Fall 2013 absent an appeal, or late Fall 2014 with a favorable Appellate Court ruling. As evidenced by the recent development activity (ampm, El Pollo Loco, and Les Schwab Tire Center), meetings at the recent ICSC conference hold great promise for both the Riverwalk and Jaye Street Crossings commercial centers (and the Henderson Avenue commercial corridor), although further development of the centers will likely be concurrent with Walmart's development. In addition, there are a number of other development projects throughout the community that are anticipated to begin construction during the coming fiscal year, including new residential. Permits issued for new construction are anticipated to improve yet remain comparatively sluggish, with approximately a quarter of the permits anticipated to be issued (30) 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 \$2.4 million decrease since 2008, with General Fund revenues dropping from approximately \$24.1 million in the 2007-08 fiscal year to \$21.7 million estimated in the current 2012-13 fiscal year. As tax revenues have been

moderately improving, staff has conservatively estimated General Fund revenues for the coming fiscal year at approximately \$22.1 million.

Conversely to General Fund revenues, expenditures have increased almost \$1.7 million since 2008, increasing from approximately \$19.5 million in the 2007-08 fiscal year to approximately \$20.7 million in the current 2012-13 fiscal year. Expenditures for the coming 2013-14 fiscal year are currently budgeted at \$23.2 million, resulting in an estimated \$1.1 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" approximately \$1.16 million (95%). The recent refinancing of the 2005 Certificates of Participation (COP) reduced the General Fund's annual debt service obligations by almost \$500,000, providing future financial flexibility and potentially presenting possibilities for the General Fund to further fund capital projects.

As the Council is aware, with the State's budgetary situation stabilized, the greatest budgetary threat now looming for the City is the expected double-digit CalPERS employer contribution rate increases recently adopted by the CalPERS Board of Directors, scheduled to take effect July 1, 2015. Based on current payroll, and absent subsequent modifying action by the CalPERS Board, such an increase would likely exceed \$1 million in increased expense to the General Fund. The City currently experiences an effective employer contribution rate of 31.234% for Public Safety employees, and 22.285% for Non-Public Safety employees, for every \$1.00 of payroll paid, and current Agreements with each of the City's six employee Associations (Fire, Fire Management, General Series, Management/Confidential, Police, and Public Safety Support) have all come to Agreement to share equally in the slight increased PERS pension costs through the coming fiscal year.

With regard to capital projects funded by the General Fund and/or dedicated grant funds, utilizing CEQA-mitigation funds received in the location of the new South County Justice Center, the lighting of the softball fields and central playing fields at the Sports Complex (\$450,000) are under design and should be installed by this coming Fall 2013.

Utilizing Proposition 84 grant funds (\$2.1 million), the design for the development of the new park on Chase Avenue is complete, with construction expected to begin this Fall and anticipated to open in Spring 2014.

A significant capital project yet without full-appropriation to begin construction is the planned new Animal Shelter on Grand Avenue, north of the City's Corporation Yard. With \$625,000 currently budgeted for construction of the facility, approximately \$600,000 in additional funds would need to be appropriated to complete construction of Phase I of the facility, which would include either one hundred (100) kennels and none of the planned support staff office space, or forty (40) kennels and portion of the planned support 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. The City of Lindsay has indicated their interest in the City of Porterville purchasing the existing facility, either by purchase price or by the

corresponding offset of annual consolidated dispatch charges. The Council may consider Phase I construction of the new Animal Shelter to include fewer kennels and portion of the planned support office space, and enter negotiations with Lindsay in the acquisition of the existing Animal Shelter. As a point of consideration and reference, the City is also anticipating a one-time distribution of more than \$600,000 in property tax funds by June 30, 2013, as settlement of the PTAF lawsuit against the County of Tulare.

MEASURE H

The beginning of construction of the new Public Safety Station is the primary project of emphasis this coming fiscal year, with the design of the facility nearly complete. Given an estimated construction cost of between \$4 and \$5 million, and approximately \$3.5 million in Reserve with expected annual Measure H Fund revenues projected in excess of expenditures of at least \$150,000 the next several years, it is anticipated that the new Public Safety station will be ready to begin construction in the coming fiscal year and be nearly fully-funded. With the approaching 2014 California Building Code Update (effective July 1, 2014), the City must pull permits to begin construction prior to July 1st, otherwise the facility design will need to be updated to address the new Building Code Update.

STREET PROJECTS

The Plano Street Bridge Widening Project remains the primary project of emphasis this coming fiscal year. The Engineer's total estimated project cost was approximately \$9,187,465, of which the City's match is 11.47% (\$1,053,800), which is funded through Certificates of Participation. Having recently advertised for bids, the lowest bid for the project was approximately \$13.3 million, which Caltrans has agreed to increase their appropriation consummate with their 88.53% share (\$2,655,900) and the City's 11.47% match (\$300,000) funded through Local Transportation Funds (LTF). Though originally planned to be completed in two construction phases due to the seasonal flow requirements of the Tule River, the project may be completed in a single phase due to the lack of precipitation this past year.

Significant previously-appropriated street projects that are anticipated to progress next fiscal year include: 1) Jaye Street Bridge Replacement/Widening (\$9.2 million); 2) Jaye Street Roundabout & Montgomery Street Reconstruction (\$1.65 million); 3) Westwood Street Shoulder Stabilization/Widening - Henderson Avenue to Westfield Avenue (\$1.3 million); 4) Downtown Pedestrian Walkways - Garden Avenue and Oak Avenue (\$900,000); 5) Newcomb Street Shoulder Stabilization/Widening, Phase 2 - Olive Avenue (\$800,000); 6) W. North Grand Avenue Reconstruction, Phase 2 - Highway 65 to Prospect Street (\$625,000); 7) Olive Avenue Reconstruction - Main Street to Plano Street (\$525,000); 8) Lime Street Reconstruction - Henderson Avenue to Mulberry Avenue (\$425,000); 9) Morton Avenue Shoulder Stabilization - Westwood Street to Highway 65 (\$325,000); and Mathew Street Shoulder Stabilization - Olive Avenue (\$140,000).

In regard to capital projects involving city streets and roadways, it is projected for the coming fiscal year that the City will have approximately \$6 million in street construction and maintenance funds programmed for appropriation, consisting of approximately \$1,500,000 in Congestion Mitigation and Air Quality (CMAQ), \$1,320,000 in Gas Tax, \$1,150,000 in Local Transportation Funds (LTF), \$1,030,000 in "Regional" Measure R, \$900,000 in "Local" Measure R, and \$713,800 in Prop 1b funds. Consistent with the City's Pavement Condition Index (PCI), staff will present project recommendations to the Council for consideration of appropriation. Significant projects that are anticipated to progress next fiscal year include: 1) Jaye Street Bridge Replacement (\$9.1 million); 2) Plano Street Bridge Widening (\$8.6 million); 3) Westwood Street Shoulder Stabilization (\$1.3 million); 4) Jaye Street Roundabout (\$1.25 million); 5) Newcomb and Beverly Streets Shoulder Stabilizations (\$1 million); 6) W. North Grand Avenue Reconstruction (\$350,000); and 7) Morton Avenue Shoulder Stabilization (\$330,000).

It is projected for the coming fiscal year that the City will receive approximately \$800,000 in Measure R "Local" funds for micro-surfacing projects, of which the City has received an advance from TCAG to fund the micro-surfacing. Consistent with the City's Pavement Management Index (PMI), Council approved the micro-surfacing of Henderson Avenue (Patsy Street to Westwood Street), Indiana Street (Henderson Avenue to Westfield Avenue), Leggett Street (Putnam Avenue to the Porter Slough), and Gibbons Avenue (Jaye Street to Indiana Street). Given the favorable bids received, it is estimated that approximately \$150,000 will be available for additional micro-surfacing project(s) for Council's determination.

Significant staff time will be spent in continued facilitation with Caltrans on the ongoing Highway 190 corridor study, with the Measure R Expenditure Plan Amendment currently being considered by TCAG having great influence on anticipated interchange and widening improvements.

WATER PROJECTS

With the completion of the 3 million-gallon Martin Hill reservoir, 500 thousand-gallon Rocky Hill reservoir, Morton Avenue trunkline, and Veteran's Park booster pump water projects funded by a CIEDB loan and resulting cost-savings in project construction, approximately \$1.4 million of the original \$8.0 million loan has been appropriated for the development of Well #32, located southwest of the Airport near the Porterville Fairgrounds. Also, in conjunction with the ongoing Island Annexation Sewer Extension Projects, water mains are expected to be installed in the areas not currently served by City water.

SEWER PROJECTS

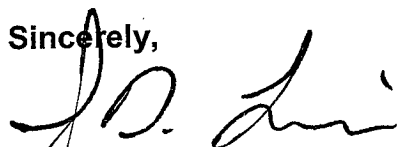
With the first of the Island Annexation Sewer Extension Projects having begun construction, it is anticipated that more than \$7 million in sewer extension projects will be constructed during the current 2012-2013, 2013-2014, and possibly 2014-2015 fiscal years, with the objective of connecting to City sewer the approximate 5,000 former County residents that were subject to annexation in 2006.

STORM DRAIN PROJECTS

Considering capital projects involving the City's storm drain system, with regard to effects from the 2010 winter storm event, the storm drain system at Zalud Park will be improved to provide a permanent drainage connection from the Park to the Henderson Avenue and "G" Street drainage system (\$260,000).

In summary, the Preliminary Budget proposed for the upcoming 2013-14 fiscal year represents the significant activities planned to improve our community, even during a continued improving yet challenged economic environment. 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.

Sincerely,

A handwritten signature in black ink, appearing to read "J. D. Lollis", written over a horizontal line.

John D. Lollis
City Manager